COUNTY GOVERNMENT OF MOMBASA

COUNTY TREASURY

MOMBASA 2025 COUNTY BUDGET REVIEW AND OUTLOOK PAPER

To obtain copies of the document, please contact:

Public Relations Office
Department of Finance and Economic Planning
County Assembly Building
P. O. Box 90440-80100
MOMBASA, KENYA

Tel: +254-41-2311531
Fax: +254-41-2311531

Email: cecmfinance@mombasa.go.ke
financemsacounty@gmail.com
msabudgetep@gmail.com

The document is also available on the internet at: www.mombasa.go.ke

Foreword

The Mombasa County Budget Review and Outlook Paper (CBROP) 2025, the third to be prepared in the third devolution regime and the second to implement the County Integrated Development Plan (CIDP) 2023/27 which is also anchored on the framework of the National Government's Bottom-up Economic Transformation Agenda (BETA). The priority policies, programmes and projects under the CIDP 23/27 themed "Mombasa - A New Beginning; Voice of the People" will be implemented through Annual Development Plans (ADPs) and are also linked to the Fourth Medium-Term Plan for the period 2023-2027 that realizes the Kenya Vision 2030 that prioritizes implementation of economic recovery strategies of the new Administration to reposition the economy on a steady, inclusive and sustainable growth trajectory.

The Mombasa 2025 CBROP has been prepared against a backdrop of projected modest global recovery of 3.1 percent in 2026 from 3.0 percent in 2025. This reflects the positive impact of further easing of monetary policy as inflationary pressures subside, stronger domestic demand in emerging markets and developing economies, and a gradual recovery in global trade. Overall, the outlook suggests a cautiously optimistic rebound, though risks from geopolitical tensions, debt vulnerabilities, and climate-related shocks remain significant.

Domestically, Kenya's economy continues to demonstrate resilience, underpinned by prudent fiscal and monetary policies, strong agricultural performance, industrial recovery, and a robust services sector. Growth is projected at 5.3 percent in 2025 and 2026, up from percent in 2024. The growth outlook will be reinforced by implementation of strategic interventions under the Bottom-Up Economic Transformation Agenda (BETA) aimed at fostering sustainable and inclusive growth, improving livelihoods, and maintaining fiscal discipline. The BETA as articulated in the Fourth Medium Term Plan (MTP IV) of the Kenya Vision 030 focuses on five key pillars, namely: Agricultural Transformation; Micro, Small and Medium Enterprises (MSME) Economy; Housing and Settlement; Healthcare; and the Digital Superhighway and Creative Economy. The agenda aims to lower the cost of living, eradicate hunger, create jobs, expand the tax base, improve foreign exchange reserves, and promote inclusive growth.

Nationally, fiscal performance in FY 2024/25 was characterized by revenue shortfalls arising from the withdrawal of the Finance Bill 2024 and ensuing public protests that disrupted economic activities. To sustain fiscal consolidation, protect essential services, the Government implemented various revenue and expenditure measures. On the revenue side the Government enacted the Tax Laws (Amendment) Act, 2024, Tax Procedures (Amendment) Act, 2024 and Business Laws (Amendment) Act, 2024. On expenditure side, the Government rationalized spending on non-essential services. Despite the challenging fiscal environment, the Government met key obligations such as debt repayments, releasing funds due to Ministries, Departments and Agencies (MDAs), and disbursing 100 percent of the equitable share to all counties by 30th June 2025. Implementation of the FY 2025/26 budget is on track. The Government will continue to ensure that revenue projections and expenditure estimates for FY 2025/26 remain aligned with those in the approved 2025 Budget Policy Statement (BPS).

The FY 2026/27 and medium-term budget are being developed against persistent fiscal challenges, including revenue shortfalls, rising public debt and debt servicing costs, accumulation of pending bills, and increasing demands for priority funding both at the county and the national level. To address these challenges, both levels of the Government will continue implementing the fiscal consolidation strategies aimed at reducing the fiscal deficit and containing debt growth, while safeguarding essential service delivery through enhanced domestic revenue mobilization and prudent expenditure management. Key revenue measures will focus on rationalizing tax and levies expenditures, expanding the tax and levies base, improving compliance, and streamlining tax structures to stimulate investment.

Simultaneously at the national level, public financial management will be strengthened through re-engineering of the pension management system, integrated human resource systems, expanded Public-Private Partnerships, and governance reforms in State Corporations. These efforts are vital for fiscal sustainability and inclusive economic growth.

Given fiscal constraints, resource prioritization is critical. Ministries, Departments and Agencies are required to rigorously review all planned programmes and projects to be funded in the FY 2026/27 and medium-term budget. Sector Working Groups (SWGs) are expected to prioritize essential spending and focus on interventions that improve livelihoods, create employment, support business recovery, and drive overall economic growth. Budget allocations will be guided by program efficiency and necessity, with strict sector ceilings ensuring fiscal discipline and effective use of limited resources.

The Mombasa CBROP presents the recent economic developments and actual fiscal performance of the FY 2024/2025 and makes comparisons to the budget appropriations for the same year. It further provides updated forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP), developed in February 2025. In this Paper, we will also provide an overview of how the actual performance of the FY 2024/2025 affected the County's compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2025 CFSP.

This is the third CBROP that has been prepared in this administration and the second one to implement the third generation County Integrated Development Plan 2023-2027 that outlines the planning framework, guides county programmes budgeting, project funding, monitoring and evaluation. In this

CBROP the County is re-emphasizing the Government's fiscal policy strategy, which focuses on maintaining a strong revenue effort and shifting composition of expenditure from recurrent to productive capital expenditures and optimally ensuring efficiency and effectiveness in the use of public resources.

The critical programmes to be implemented are expected to stimulate the County's socio-economic development. The key County proposed priority areas are; Transport and Infrastructure development, Provision of quality and affordable health services, Youth and Women Empowerment, Enhancement of Education and Training, Upgrading of Water and Sanitation Systems and Streamlined Waste Management Services which have been prioritized in the 2023-2027 third generation CIDP.

The implementation of initiatives under these strategic sectors are expected to raise efficiency and productivity in the County's economy and in turn accelerate and sustain inclusive growth, create opportunities for productive growth and ensure high standards of living for Mombasa County residents. The County Treasury will link this CBROP with the other budgetary policy documents as stipulated in the PFM Act.

MR. EVANS OANDA
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE, ECONOMIC PLANNING & DIGITAL TRANSFORMATION

Acknowledgement

This policy document is prepared in line with the provisions of the Public Financial Management Act, 2012 Article 118(1) (a). The preparation of this County Budget Review and Outlook Paper continues to be a collaborative effort from an array of expertise of professionals in the County Treasury. The information in this policy document has been obtained from the Mombasa County Treasury. We are grateful for their inputs.

The document provides the fiscal outturn for the FY 2024/25, the macro-economic projections and set sector ceiling for the FY 2026/27 and the Medium-Term Budget. The document also provides an overview of how the actual performance of the FY 2024/25 affected compliance in the fiscal responsibility principles and the financial objectives outlined in the PFM Act.

Immense appreciation goes to the Executive Member for Finance, Economic Planning and Digital Transformation for the good will and guidance provided during the entire period of preparation of this document.

A core team in the Budget and Economic Planning unit spent a significant amount of time consolidating this policy document. We are particularly grateful to Ms. Jane Githui (Director Budget & Economic Planning) and Ms. Shamsa Mohamed (Principal Economist) for working tirelessly in the development of this document.

SWALEH MWALIZUMA
CHIEF OFFICER
FINANCE & INVESTMENT

Table of Contents

List of Tables

List of Figures

Abbreviations and Acronyms

ADP	Annual Development Plan
BETA	Bottom-Up Transformation Agenda
BOPA	Budget Outlook Paper
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COVID-19	Corona Virus Disease of 2019
FY	Financial Year
GDP	Gross Domestic Product
GoK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
SDG	Sustainable Development Goals
MIC	Mombasa Investment Corporation
MRS	Mombasa Revenue Services
MT	Metric Tonnes
MTC	Mombasa Tourism Council
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
MV-2035	Mombasa Vision 2035
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OSR	Own Source Revenue
PE	Personnel Emolument
PERs	Public Expenditure Review
PFM	Public Financial Management
PPP	Public Private Partnership
SBP	Single Business Permit
SGR	Standard Gauge Railway
SWGs	Sector Working Groups
VAT	Value Added Tax
V 2030	Vision 2030

Legal Background

The County Budget Review and Outlook Paper (CBROP) have been prepared by the County Treasury in accordance with Section 118 of the Public Finance Management (PFM) Act. The Act states that a County Treasury;

- Shall prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- Submit the paper to the County Executive Committee by the 30th September of that year.

The main objectives of a CBROP are to specify;

- ✓ The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- ✓ The updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- ✓ Any changes in the forecasts compared with the CFSP;
- ✓ How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- ✓ Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

In summary, this CBROP is expected to present a review of the fiscal performance for the previous year, 2024/25 financial year.

The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance.

The above statistics would partly provide the basis for the revision of the Financial Year 2025/26 budget in the context of the Supplementary Estimates, as well as setting out the broad fiscal parameters for the next budget and medium term. The fiscal framework presented in this document provides a strong basis for building our common future under the current constitutional dispensation. The paper also presents an overview of budget financing sources that includes the equitable share, local revenue and grants. In the last section, the paper offers conclusion and the way forward.

Executive Summary

The 2025 CBROP has been prepared in accordance with the PFM Act, 2012 and its Regulations. The document provides an overview of the government's financial performance for the FY 2024/25 including compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act. It also shows macro-economic projections and the budget and the sector ceilings for the FY 2025/26, 2026/27 and the medium-term budget as well as information on variations from the projections outlined in the 2025 County Fiscal Strategy Paper (CFSP). The 2025 CBROP will form the basis for the development of the 2026 CFSP that will detail the various programmes and initiatives that will be undertaken during the Fourth Medium Term Plan of the Kenya Vision 2030.

It also presents macroeconomic projections and the sector ceilings for the FY 2026/27 and the medium-term budget as well as information on variations from the projections outlined in the 2025 County Fiscal Strategy Paper.

The 2025 BROP has been prepared against a backdrop of modest global economic recovery with global growth projected to pick up to 3.1 percent in 2026 from 3.0 percent in 2025. This reflects the positive impact of further easing of monetary policy as inflationary pressures subside, stronger domestic demand in emerging markets and developing economies, and a gradual recovery in global trade. Overall, the outlook suggests a cautiously optimistic rebound, though risks from geopolitical tensions, debt vulnerabilities, and climate-related shocks remain significant. Domestically, the economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. Going forward, growth is projected to improve to percent annually for 2025 and 2026 from 4.7 percent in 2024, largely supported by; a stable macroeconomic environment sustained by prudent fiscal and monetary' policies, strong performance in the agriculture sector, a recovery of industrial activities, and the resilience of services sector.

The growth outlook will be reinforced by implementation of strategic interventions under the Bottom-Up Economic Transformation Agenda that is articulated in the Fourth Medium Term Plan. BETA targets reducing the cost of living, eradicating hunger, creating jobs, expanding the tax base, strengthening foreign exchange reserves, and promoting inclusive development through a value chain approach. To achieve these goals, special emphasis is placed on implementation of targeted policies and structural reforms under five key pillars with the greatest impact on economic recovery and household welfare, namely: Agricultural Transformation; Micro, Small and Medium Enterprises Economy; Housing and Settlement; Healthcare; and the digital Superhighway and Creative Economy.

The fiscal performance for FY 2024/25 was characterized by revenue shortfalls caused by the withdrawal of the Finance Bill 2024 and public protests that disrupted economic activities. To sustain fiscal Consolidation and protect essential services, the Government implemented various revenue and expenditure measures. On the revenue side, the Government enacted the Tax Laws (Amendment) Act, 2024, Tax Procedures (Amendment) Act, 2024, and Business Laws (Amendment) Act, 2024. On expenditure side, the Government rationalized spending on nonessential 'services. Despite a challenging fiscal environment, the Government met key obligations such as debt repayments, releasing funds due to Ministries, Departments and Agencies, and disbursing 100 percent of the equitable share to all 47 counties by 30th June 2025.

In the FY 2026/27, the Government will continue implementing its fiscal consolidation plan aimed at reducing the fiscal deficit and containing growth in debt. This will be done while safeguarding essential service delivery through enhanced domestic revenue mobilization and prudent expenditure management. Key revenue measures will focus on reducing tax expenditures, expanding the tax base, improving compliance, and stream lining the tax structure to support investment and economic activities. At the same time, the Government will continue to strengthen public financial management by improving expenditure efficiency through the implementation of end-to-end e-Government Procurement System, integrated human resource management systems, pension reforms, expanded use of Public-Private Partnerships, and governance reforms in State Corporations. These interventions are central to ensuring fiscal sustainability and supporting inclusive, resilient economic growth.

Taking into account the constrained fiscal environment, the Government will entrench the zero-Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to projects and programmes in the FY 2026/27. Ministries, Departments, and Agencies will be required to re-evaluate all the existing or planned programmes, projects and activities to be funded in the FY 2026/27 and medium-term budget. The FY 2026/27 and medium-term budget will be developed using a value chain approach organized around five clusters: Finance and Production Economy; Infrastructure; Land and Natural Resources; Social Sectors; and Governance and Public Administration. Strict adherence to the principles of efficiency, effectiveness, and economy in public spending will be enforced, ensuring that low-priority expenditures are replaced by high-impact service delivery programs. Sector Working Groups are therefore expected to prioritize essential spending and focus on interventions that improve livelihoods, create employment, support business recovery, and drive overall economic growth. The sector ceilings provided for the FY 2026/27 and the medium-term budget will form inputs into the 2026 Budget Policy Statement.

The Mombasa County Budget Review and Outlook Paper (CBROP) 2025, the third to be prepared under the new Administration, is the second to implement the County Integrated Development Plan

(CIDP) 2023/27 which is also anchored on the framework of the National Government's Bottom-up Economic Transformation Agenda (BETA).

The medium-term fiscal projections in the 2025 CBROP have been realigned with those of the 2025 County Fiscal Strategy Paper estimates taking into account the fiscal outcome of the FY 2024/25 and the budget for the 2025/26 FY while ensuring that any of the County Supplementary Budget(s) 2025/26 will be realistic so as to deter creation of pending bills.

Taking into account the constrained fiscal environment, the County Government will strive to operate on a balanced budget and guide the prioritization and allocation of the scarce resources to ongoing projects and programmes in the FY 2026/27. The county Departments and Agencies will therefore be required to re-evaluate all the existing/planned activities, projects and programmes to be funded in the FY 2026/27 and in the medium-term by anchoring on the various priorities through; transport and infrastructure development, provision of quality and affordable health services, youth and women empowerment, enhancement of education and training, upgrading of water and sanitation systems and streamlined waste management services under the medium-term expenditure framework (MTEF).

The document also provides an overview of how the actual performance of the FY 2024/25 affected County's compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing changes from the projections outlined in the 2025 County Fiscal Strategy Paper. The principles of efficiency, effectiveness and economy of public spending shall strictly be enforced by ensuring low-priority expenditures give way to high-priority service-delivery programmes. Departments and agencies should therefore eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses, spurring economic recovery with the ultimate goal of changing the livelihoods of the citizenry. Over the medium term, the Government through the implementation of the CIDP (2023-2027) will continue prioritizing the implementation of economic recovery strategies to re-position the Mombasa's economy on a steady and sustainable growth trajector

I. INTRODUCTION

1. The law requires CBROP to present the fiscal outcome for the previous financial year and to state how this outcome affects the financial objectives contained in that year's CFSP. In line with the law, this CBROP contains a review of the fiscal performance of the financial year 2024/25, updated macroeconomic forecast, and deviations from the Fiscal Strategy Paper February 2025.
2. The objective of the CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles set out in the Fiscal Strategy Paper (CFSP). This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium-term policy priorities will be firmed up in the next Budget Policy Statement (BPS).
3. The CBROP is a key document in linking policy, planning and budgeting. This is the second CBROP which is implementing the County Integrated Development Plan (CIDP) 2023-2027.
4. The PFM Act has set high standards for compliance with the Medium-Term Expenditure Framework (MTEF) budgeting process. Therefore, it is expected that the sector ceilings for the Third Year of the MTEF provided in the previous CFSP will form the indicative baseline sector ceilings for the next budget of 2026/27. However, following the fiscal outcome of 2024/25 and the updated macroeconomic framework these sector ceilings have been modified as indicated in the annex of this CBROP.
5. The updated macroeconomic outlook will be firmed up in the next CFSP to reflect any changes in economic and financial conditions. We are committed to maintain the trend of economic growth and development in line with the expectations and commitments that the County has made to the people of Mombasa County. Towards this end, we shall ensure there is transparency and accountability by relaying our performance indicators to the public as well as publicizing other publications as required by the Constitution and the Public Finance Management Act.

II. REVIEW OF FISCAL PERFORMANCE IN 2024/25 FY

6. This section is meant to review how the actual financial performance for the 2024/25 financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year.
7. In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. The PFM law (Section 15) states that:
   a) Over the medium term, a minimum of 30% of the budget shall be allocated to development expenditure.
   b) The Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the Government revenue as prescribed by the regulations (35%) as per the Public Finance Management Regulations 2015.
   c) Over the medium term, the Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
   d) Public debt and obligations shall be maintained at a sustainable level as approved by County Assembly (CA)
   e) Fiscal risks shall be managed prudently
   f) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

A. FISCAL PERFORMANCE FOR 2024/2025 FY

8. The fiscal performance in 2024/25 had an improvement in revenue collection with full realization of the equitable share and an increase in donor funding disbursement. The County was able to realize Kshs. 14,798,536,568 cumulatively in revenue collection which translates to 85 percent of the total budgeted revenue of Kshs 17,360,000,000.
9. The 2024/25 County Revenue analysis actual revenue by category was 15 percent below the projection in the budget estimate by Kshs. 2,561,463,433; with OSR amounting to Kshs. 4,880,829,952, equitable share of Kshs. 8,528,596,411 and conditional grants by development partners amounting to Kshs. 1,389,110,205.
10. There was a 9 percent increase in own source revenue of 423,071,656, 100 percent disbursement of the equitable share with the conditional grants performing just above average with only 64% of the budgeted and allocated grants being disbursed to the County hence the major factor for the unrealized revenue achievement due to then the unremitted donor funding which continues to lead to the under performance of the revenues.

11. On budget absorption, Kshs. 13,546,870,360 which translates to 78 percent of the supplementary budget of Kshs 17,360,000,000 was spent. This amounted to recurrent expenditure of Kshs. 10,055,281,397 and development expenditure of Kshs 3,491,588,963 out of the budgeted amount. In view of the above the County had a 22 percent budget implementation deficit of Kshs. 3,813,129,640.

Own Source Revenue (OSR) Realized

Table 1: Analysis of Own Source Revenue Collection Over Seven Financial Years

MONTH	2018/2019	2019/2020	2020/2021	2021-2022	2022-2023	2023-2024	2024-2025
JULY	91,417,758	110,950,638	133,177,640	290,898,301	367,089,557	207,528,785	183,605,261
AUGUST	131,853,605	164,871,323	180,063,924	158,294,767	124,935,681	177,215,561	239,678,277
SEPTEMBER	75,372,653	195,639,679	207,752,314	324,609,448	76,843,866	181,775,384	155,088,546
OCTOBER	195,060,885	192,425,344	200,978,869	240,688,839	106,492,816	162,567,466	182,665,447
NOVEMBER	147,641,305	208,065,464	195,076,359	161,645,883	386,945,293	172,237,724	154,529,441
DECEMBER	362,828,365	228,108,277	162,790,308	220,922,958	339,317,651	215,196,393	767,996,208
JANUARY	434,584,730	286,649,313	441,650,127	498,998,855	270,132,327	493,700,462	273,279,451
FEBRUARY	422,738,253	421,483,469	415,598,494	479,635,817	510,261,367	489,469,385	612,530,802
MARCH	733,336,511	634,763,565	541,583,202	515,926,400	792,863,010	1,200,484,931	683,089,371
APRIL	468,186,699	203,268,450	280,251,148	290,568,789	420,946,047	265,269,807	420,591,984
MAY	203,642,080	160,817,790	211,868,868	138,306,690	393,590,939	358,003,900	578,090,819
JUNE	405,994,209	508,759,315	343,741,925	299,135,806	209,210,294	534,308,498	629,684,345
TOTAL	**3,672,657,053**	**3,315,802,627**	**3,314,533,178**	**3,619,632,553**	**3,998,628,848**	**4,457,758,296**	**4,880,829,952**

Figure 1: Comparison of OSR from 2018/19 – 2024/25 FYs

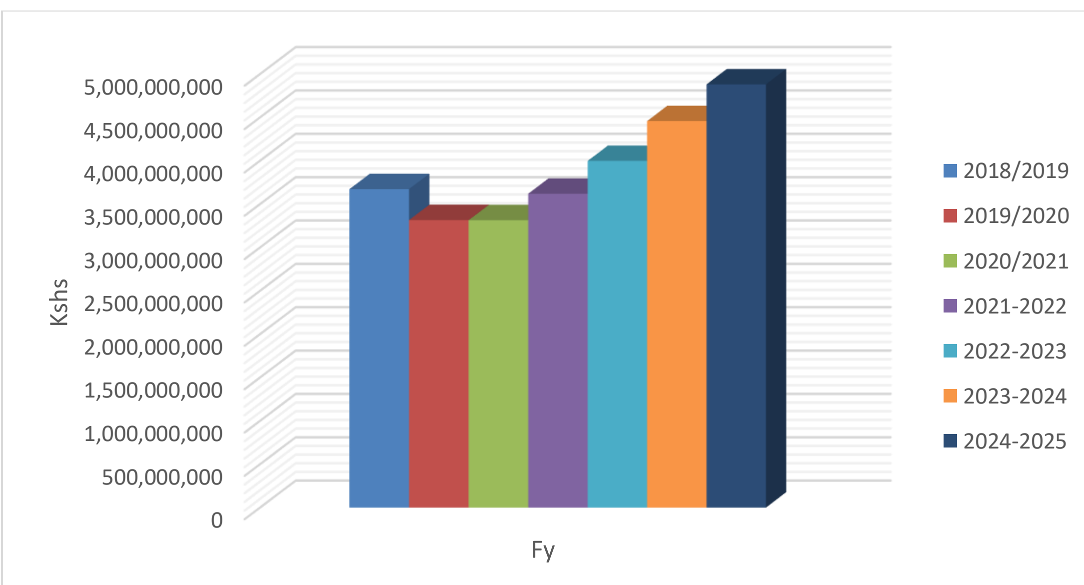
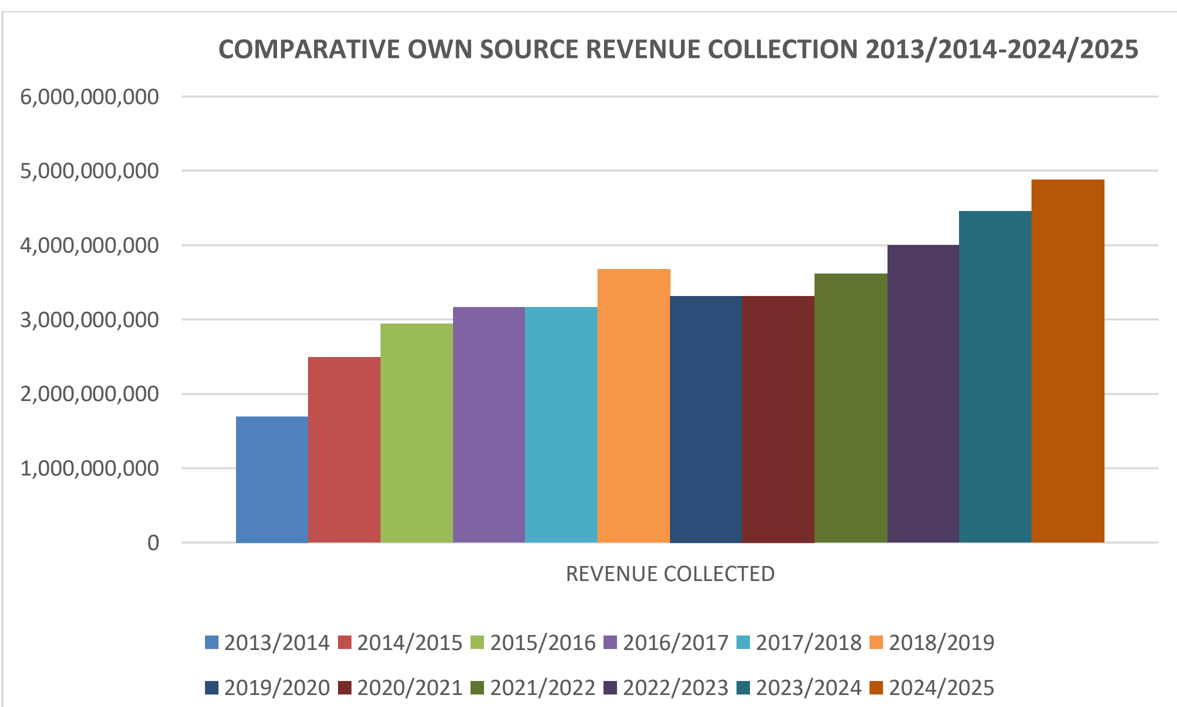


Table 2: Analysis of Total Own Source Revenue Collection 2013/2014- 2024/2025 FYs

FINANCIAL YEAR	REVENUE COLLECTED
2013/2014	1,696,542,251
2014/2015	2,491,655,330
2015/2016	2,944,968,224
2016/2017	3,166,240,961
2017/2018	3,168,013,709
2018/2019	3,672,657,053
2019/2020	3,315,802,627
2020/2021	3,314,533,178
2021/2022	3,619,632,553
2022/2023	3,998,628,848
2023/2024	4,457,758,296
2024/2025	4,880,829,952

Figure 2: Analysis of OSR from 2013/14- 2024/25 FYs



Exchequer Issues Disbursed

12. Exchequer issues from the National Government as shown below as received over the FYs.

Table 3: Actual Monthly Exchequer Issues Over Five Financial Years 2018/2019– 2024/2025 FYs

MONTH	EXCHEQUER ISSUES 2018-2019	EXCHEQUER ISSUES 2019-2020	EXCHEQUER ISSUES 2020-2021	EXCHEQUER ISSUES 2021-2022	EXCHEQUER ISSUES 2022-2023	EXCHEQUER ISSUES 2023-2024	EXCHEQUER ISSUES 2024-2025
JULY	0	0	0	0	0	668,229,525	628,921,902
AUGUST	430,761,965	0	0	605,388,325	643,225,095	6,000,000	0
SEPTEMBER	587,699,500	1,228,083,300	0	643,225,095	605,388,325	642,761,844	720,861,104
OCTOBER	741,181,901	632,224,439	1,164,561,750	643,225,095	0	668,229,525	628,921,906
NOVEMBER	875,741,969	0	828,146,904	1,248,613,420	643,225,096	628,921,906	1,297,151,431
DECEMBER	822,680,000	824,676,155	574,671,000	825,326,491	605,388,325	678,229,525	684,062,059
JANUARY	944,297,016	949,232,625	798,466,182	643,225,095	983,546,633	628,921,906	631,973,961
FEBRUARY	794,895,339	1,592,730,838	628,955,904	845,033,993	0	668,229,525	671,472,333
MARCH	0	564,636,000	599,925,750	605,388,325	605,388,325	0	0
APRIL	1,515,161,166	40,134,590	599,925,750	712,922,804	1,286,450,190	1,155,880,198	1,303,446,294
MAY	54,151,120	741,084,750	574,844,314	864,906,837	605,388,325	691,421,906	710,970,706
JUNE	2,449,218,601	1,517,641,228	2,293,217,209	234,558,066	2,256,150,493	1,695,766,669	2,639,924,920
TOTAL DISBURSED	**9,215,788,577**	**8,090,443,924**	**8,062,714,763**	**7,427,273,268**	**8,234,150,807**	**8,132,592,529**	**9,917,706,616**

Figure 3: Exchequer Issues From 2018/2019 – 2024/2025 FYs

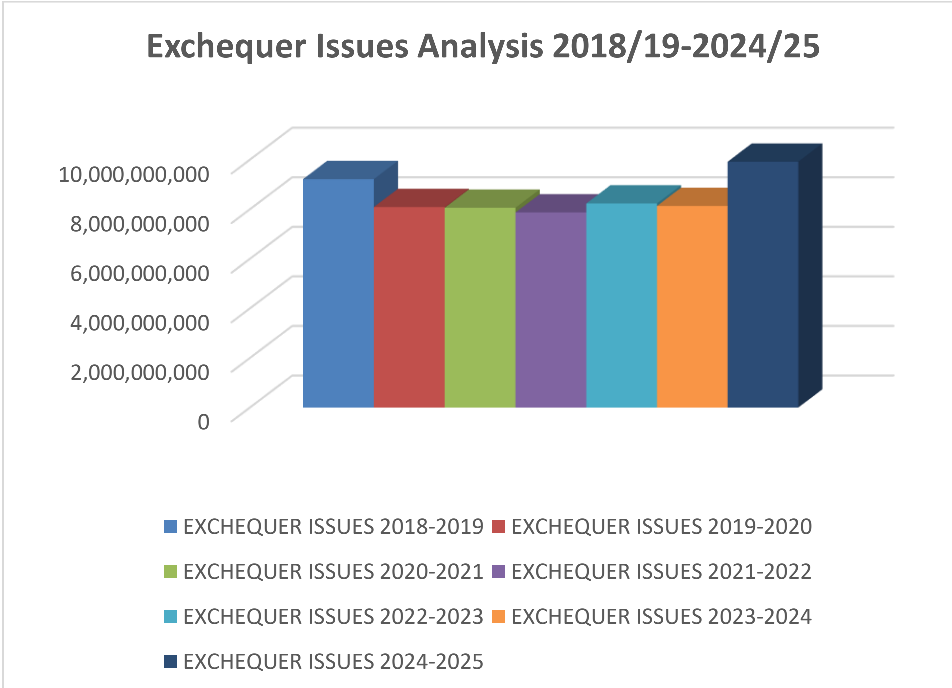


Table 4: Analysis of Total Equitable Share Disbursements from 2013/2014- 2024/2025 FYs

FINANCIAL YEAR	TOTAL EQUITABLE SHARE RECEIVED
2013/2014	3,229,934,144
2014/2015	4,914,617,520
2015/2016	5,197,893,975
2016/2017	5,608,593,922
2017/2018	8,154,000,000
2018/2019	8,226,800,000
2019/2020	7,057,950,000
2020/2021	7,437,750,000
2021/2022	7,567,354,061
2022/2023	7,567,354,061
2023/2024	7,232,601,918
2024/2025	8,528,596,411

Figure 4: Analysis of Equitable Share from 2013/14~ 2024/25 FYs

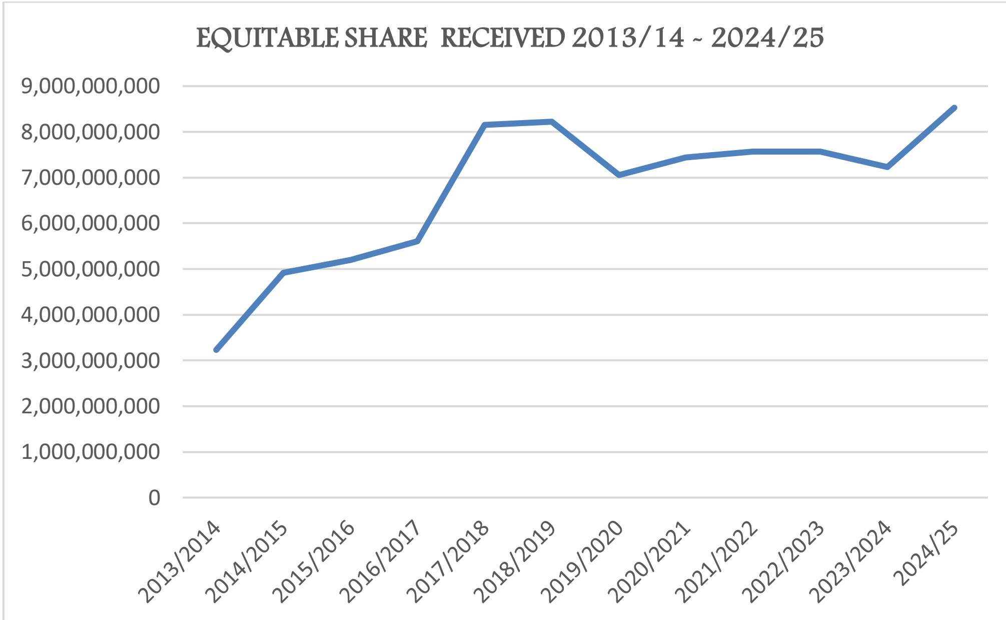


Table 5: Monthly Equitable Share Disbursement

MONTH	EQUITABLE SHARE RECEIVED
JULY	628,921,902
AUGUST	0
SEPTEMBER	668,229,525
OCTOBER	628,921,906
NOVEMBER	1,297,151,431
DECEMBER	684,062,059
JANUARY	631,973,961
FEBRUARY	671,472,333
MARCH	0
APRIL	1,303,446,294
MAY	710,970,706
JUNE	1,303,446,294
TOTAL DISBURSED	**8,528,596,411**

Grants Disbursed

Table 6: Analysis of Grants Allocated and Disbursed from 2018/19 – 2024/25 FYs

	GRANTS DISBURSED TO THE COUNTY							
Grant Details	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**	**Total**
Level 5 Hospital Grant	388,439,306	388,439,306	388,439,308	-	-	-		1,165,317,920
User Fees Forgone	23,385,934	23,385,934	23,385,934	-	-	-		70,157,802
DANIDA	27,337,500	24,562,500	20,070,000	41,990,166	-	13,839,938		127,800,104
World Bank-KDSP Level I	-	30,000,000	45,000,000	-	-	-		75,000,000
World Bank KDSP Level II	259,416,946	-	-	201,635,625	-	-		461,052,571
Grant for Aggregated Industrial Parks Programme	-	-	-	-	-	62,500,000	54,131,578.90	115,131,579
World Bank-IDA: Transforming Health Systems for Universal Care Project (Primary Health Care Grant)	27,473,711	33,184,038	51,996,243	-	-	6,000,000	10,871,250	129,525,242
Water and Sanitation Development Project (WSDP)	-	247,584,920	228,221,154	-	570,120,196	497,650,673	585,006,309	2,128,583,252
Covid 19 Fund	-	100,168,000	-	-	-	-		100,168,000
Development of Youth Polytechnics	-	25,473,298	18,484,894	-	-	-		43,958,192
Agriculture Sector Support Program II	6,937,481	9,437,481	10,250,771	-	4,612,847	-		31,238,580
Road Maintenance Levy Grant	255,997,699	150,258,446	218,916,458	221,681,742	-	-	45,601,067	892,455,412
Kenya Informal Settlement Improvement Project (KISIP)	-	-	-	-	92,063,703	320,000,000	695,000,000	1,107,063,703
Total	**988,988,577**	**1,032,493,923**	**1,004,764,762**	**465,307,533**	**666,796,746**	**899,990,611**	**1,389,110,205**	**6,447,452,357**

County Departmental Expenditure

13. The figures and tables below illustrate the County's departmental utilization of funds both in development and recurrent. They present the fiscal performance for the FY 2024/25 and the deviations from the Original and Revised budget estimates.

Table 7: Departmental Recurrent Expenditure %Age 2024-2025 FY

S/NO	DEPARTMENTS	Approved Budget FY 2024/2025	Final Budget FY 2024/2025	Expenditure Total	%age
3012	County Assembly	813,735,933	740,845,894	682,326,257	92.1
3013	Public Service Board	131,692,825	120,976,583	97,338,304	80.5
3014	Finance & Economic Planning	1,130,484,441	1,520,757,355	1,289,160,992	84.8
3017	Health	4,237,316,744	4,212,598,490	3,534,670,112	83.9
3022	Transport & Infrastructure	736,570,444	886,298,893	783,385,385	88.4
3029	Water, Natural Resources & Climate Change Resilience	217,235,887	214,510,871	160,975,638	75.0
3030	Public Service Administration, Youth, Gender, Sports & Social Services	821,517,956	791,576,996	704,916,037	89.1
3031	Tourism, Culture & Trade	458,459,661	539,285,363	436,128,761	80.9
3034	The County Attorney	103,014,783	228,233,614	203,183,327	89.0
3035	The Executive	253,460,063	275,857,806	237,139,108	86.0
3036	Environment & Governance	904,465,878	1,154,789,786	887,929,594	76.9
3037	Education	864,376,025	787,034,664	724,051,414	92.0
3038	Lands, Urban Renewal and Housing	195,073,556	172,929,662	152,381,535	88.1
3039	Blue Economy, Cooperatives, Agriculture & Livestock	198,889,793	192,392,159	161,694,933	84.0
	TOTAL	**11,066,293,988**	**11,838,088,135**	**10,055,281,397**	**84.9**

Table 8: Departmental Development Expenditure %Age 2024/2025 FY

S/NO	DEPARTMENTS	Approved Budget FY 2024/2025	Final Budget FY 2024/2025	Expenditure Total	%age
3012	County Assembly	80,000,000	80,000,000	84,807,964	106.0
3013	Public Service Board	10,000,000	880,000	-	0.0
3014	Finance & Economic Planning	442,513,000	608,296,716	498,747,777	82.0
3017	Health	600,000,000	600,000,000	9,800,000	1.6
3022	Transport & Infrastructure	863,542,752	797,671,828	605,438,462	75.9
3029	Water, Natural Resources & Climate Change Resilience	1,104,050,260	1,103,950,260	896,595,309	81.2
3030	Public Service Administration, Youth, Gender, Sports & Social Services	270,000,000	270,000,000	111,788,580	41.4
3031	Tourism, Culture & Trade	239,500,000	239,500,000	109,759,126	45.8

S/NO	DEPARTMENTS	Approved Budget FY 2024/2025	Final Budget FY 2024/2025	Expenditure Total	%age
3034	The County Attorney	-	-	-	-
3035	The Executive	37,000,000	27,010,852	13,018,482	48.2
3036	Environment & Governance	247,800,000	289,059,554	163,635,364	56.6
3037	Education	151,000,000	237,000,000	71,054,154	30.0
3038	Lands, Urban Renewal and Housing	1,070,000,000	1,184,242,655	893,913,317	75.5
3039	Blue Economy, Cooperatives, Agriculture & Livestock	78,300,000	84,300,000	33,030,428	39.2
	TOTAL	**5,193,706,012**	**5,521,911,865**	**3,491,588,963**	**63.2**

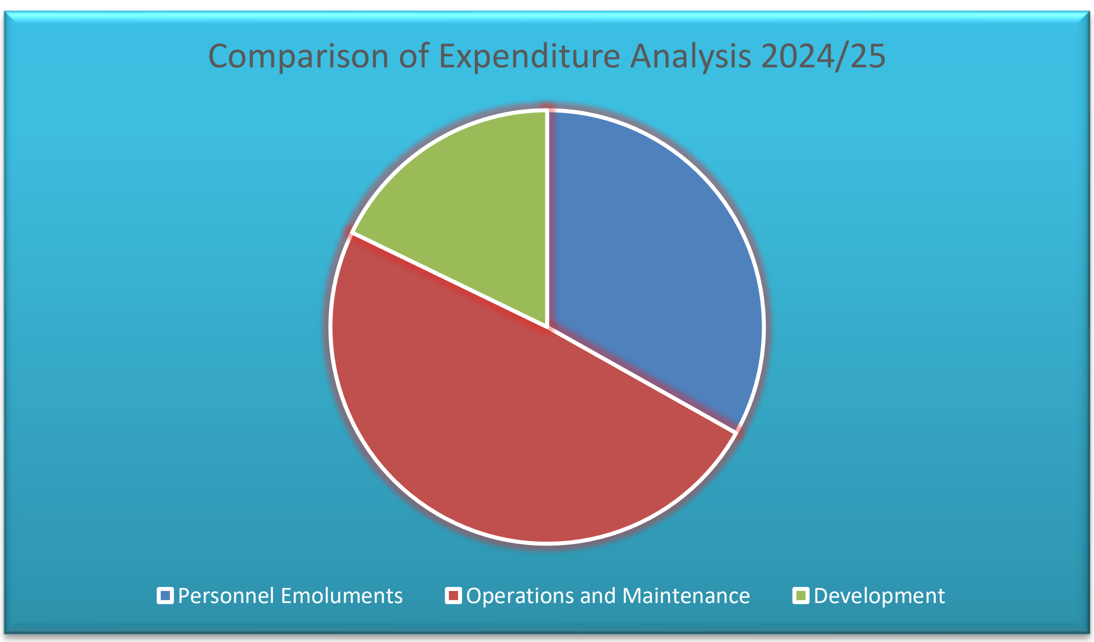
Table 9: Departmental Total Expenditure %Age 2024/2025 FY

	DEPARTMENTS	Approved Budget FY 2024/2025	Final Budget FY 2024/2025	Total Expenditure	%age
3012	County Assembly	893,735,933	820,845,894	767,134,221	93.5
3013	Public Service Board	141,692,825	121,856,583	97,338,304	79.9
3014	Finance & Economic Planning	1,572,997,441	2,129,054,071	1,787,908,769	84.0
3017	Health	4,837,316,743	4,812,598,490	3,544,470,112	73.6
3022	Transport & Infrastructure	1,600,113,196	1,683,970,721	1,388,823,847	82.5
3029	Water, Natural Resources & Climate Change Resilience	1,321,286,147	1,318,461,131	1,057,570,947	80.2
3030	Public Service Administration, Youth, Gender, Sports & Social Services	1,091,517,956	1,061,576,996	816,704,617	76.9
3031	Tourism, Culture & Trade	697,959,661	778,785,363	545,887,887	70.1
3034	The County Attorney	103,014,783	228,233,614	203,183,327	89.0
3035	The Executive	290,460,063	302,868,658	250,157,590	82.6
3036	Environment & Governance	1,152,265,878	1,443,849,340	1,051,564,958	72.8
3037	Education	1,015,376,025	1,024,034,664	795,105,568	77.6
3038	Lands, Urban Renewal and Housing	1,265,073,556	1,357,172,317	1,046,294,852	77.1
3039	Blue Economy, Cooperatives, Agriculture & Livestock	277,189,793	276,692,159	194,725,361	70.4
	TOTAL	**16,260,000,000**	**17,360,000,000**	**13,546,870,360**	**78.0**

Table 10: County Executive Cumulative Personnel Expenditure 2024/2025 FY

Month	Total P.E Expenditure
July	544,400,032.50
August	604,301,375.00
September	530,036,298.25
October	502,829,552.40
November	517,716,601.25
December	523,960,274.10
January	498,009,580.25
February	500,267,712.75
March	534,250,767.25
April	520,792,193.75
May	531,810,595.85
June	527,603,900.82
Total Expenditure	**6,335,978,884.17**
Total Budgeted	**6,712,184,703.00**

Figure 5: Analysis of Expenditure by Category 2024/2025 FY



B. ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

14. Section 107 (2) (f) of the PFM Act, 2012 require County Treasuries to manage their fiscal risks prudently. During the review period, a number of fiscal risks have been identified in revenue and expenditure performance. These are:

    i. High expenditure on wage bill that lowers the ability of the county government to meet financial obligations on operations & maintenance and development requirements; and,
    ii. Underperformance in OSR, which results to unfunded budgets resulting to accumulation of pending bills.
    iii. Late disbursement of equitable share and undisbursed grants that has greatly affected the development budget absorption.
    iv. High levels of pending bills that negatively affects effective delivery of public services as well as local business development;

15. As at 30th June 2025, the total stock of pending bills for the County Executive stood at Ksh 3.8 billion.

Table 11: Cumulated Pending Bills at 30th June 2025

Category	Previous Financial Year 2023/2024	Financial Year 2024/25	Total Pending Bills as at 1st July 2025
	Amount (Kshs)	Amount (Kshs)	Amount (Kshs)
Development Pending Bills	**1,250,774,247.18**	**59,976,289.40**	**1,310,750,536.58**
Recurrent Pending Bills (Goods & Services)	*1,073,284,059.67*	67,733,402.67	1,141,017,462.34
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	*761,912,800.80*	527,603,900.82	1,289,516,701.62
Recurrent Pending Bills (Tax)	-	8,827,357.00	8,827,357.00
Total Recurrent Pending Bills	**1,835,196,860.47**	**604,164,660.49**	**2,439,361,520.96**
Total Pending Bills as at 1st July 2025	**3,085,971,107.65**	**664,140,949.89**	**3,750,112,057.54**

Growth of Executive Expenditure from 2018/2019-2024/2025 FY

Table 12: Analysis of Executive Expenditure from 2018/2019-2024/2025 FY

S NO.	DEPARTMENTS	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
3011	County Executive	367,868,652	170,907,637	134,579,861	124,868,359	134,811,934	88,172,829	250,157,590
3013	Public Service Board	82,182,927	42,223,122	57,481,487	53,739,218	87,803,620	124,630,357	97,338,304
3014	Finance & Economic Planning	2,724,996,907	1,929,435,855	1,674,353,623	1,661,433,513	1,355,581,695	1,425,087,060	1,787,908,769
3015	Environment, Waste Management and Energy	737,985,956	507,605,972	581,863,283	541,024,948	669,774,046	-	-
3027	Environment & Solid Waste Management	-	-	-	-	-	722,923,401	1,051,564,958
3016	Education, Information Technology & MV 2035	452,661,776	429,302,668	553,209,274	208,472,630	503,051,504	-	-
3028	Education & Digital Transformation	-	-	-	-	-	954,356,689	795,105,568
3017	Health Services	3,242,469,680	3,261,210,911	3,166,401,627	2,067,494,451	5,277,309,931	3,306,064,189	3,544,470,112
3018	Water, Sanitation & Natural Resources	68,635,562	282,665,964	333,232,081	236,462,366	642,268,728	-	-
3029	Water, Natural Resources & Climate Change Resilience	-	-	-	-	-	595,404,912	1,057,570,947
3019	Youth, Gender, Sports & Cultural Affairs	280,429,106	181,268,380	454,099,872	303,179,857	146,682,243	-	-
3030	Public Service Administration, Youth, Gender, Social Services & Sports	-	-	-	-	-	1,305,897,517	816,704,617
3020	Trade, Tourism & Investment	486,693,687	286,680,390	450,113,691	366,410,252	430,794,137	-	-
3031	Tourism, Culture & Trade	-	-	-	-	-	443,510,805	545,887,887
3021	Lands, Housing & Physical Planning	311,766,515	214,961,915	487,982,311	242,381,419	289,821,422	-	-
3032	Lands, Planning, Housing and Urban Renewal	-	-	-	-	-	544,377,922	203,183,327
3022	Transport & Infrastructure & Public Works	2,017,723,065	1,239,171,000	1,121,356,757	889,900,518	1,059,969,882	1,153,380,220	1,388,823,847
3023	Agriculture, Fisheries, Livestock & Cooperatives	325,189,634	141,925,916	175,574,698	126,438,905	193,519,629	-	-
3033	Blue Economy, Agriculture & Livestock	-	-	-	-	-	203,884,012	194,725,361
3026	Devolution & Public Service Administration	1,621,225,848	1,389,053,177	1,107,593,596	2,172,829,629	905,522,554	-	-
3034	The County Attorney	-	-	-	-	-	93,398,714	203,183,327
	Total Expenditure	**12,719,829,315**	**10,076,412,906**	**10,889,466,230**	**8,994,636,065**	**11,696,911,326**	**10,961,088,627**	**12,779,736,139**
	Budgeted	**13,689,901,837**	**12,925,617,143**	**13,066,172,243**	**13,120,745,608**	**13,095,216,980**	**14,944,055,093**	**16,539,154,106**
	% Absorption	**93**	**76**	**83**	**69**	**89**	**73**	**77**

Figure 6: Percentage Budget Absorption 2018/19 – 2024/25 FYs

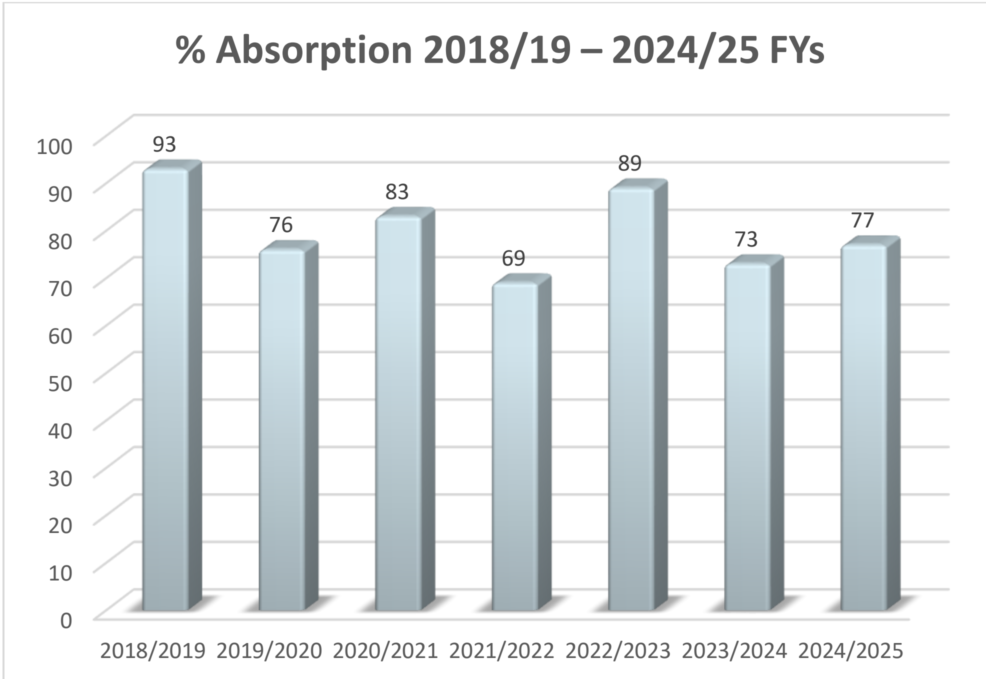
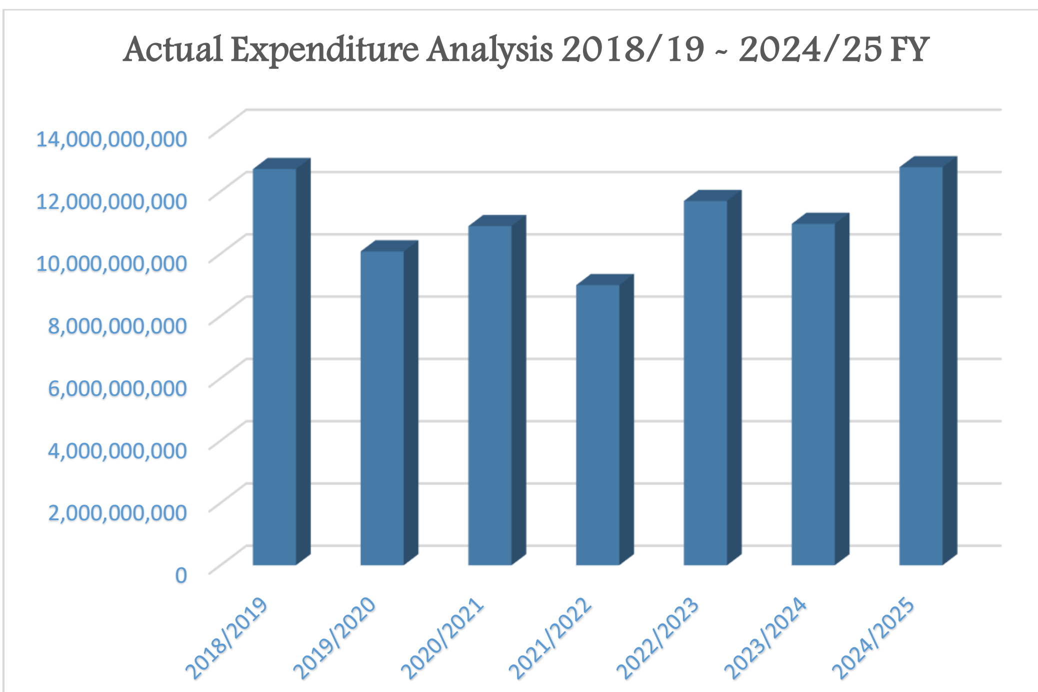


Figure 7: Actual Expenditure Analysis 18/19 – 2024/25 FYs



County Budget Expenditure by Programmes FY 2024/25 FY

Table 13: Expenditure by Programmes 2024/2025 FY

Department/Sector	Expenditure	Original Budget FY 2024/2025	Final Budget FY 2024/2025	Actual on Comparable Basis	% Budget Utilization
3012: COUNTY ASSEMBLY					
General Administration and Planning	RECURRENT	670,164,171	577,326,919	577,469,109	100.0
	DEVELOPMENT	80,000,000	80,000,000	84,807,964	106.0
Legislation, Oversight and Representation	RECURRENT	143,571,762	163,518,975	104,857,148	64.1
	DEVELOPMENT	0	0	0	0.0
		893,735,933	**820,845,894**	**767,134,221**	**93.5**
3013: COUNTY PUBLIC SERVICE BOARD					
General Administration and Human Resource Policies	RECURRENT	131,692,825	120,976,583	97,338,304	80.5
	DEVELOPMENT	10,000,000	880,000	0	0.0
		141,692,825	**121,856,583**	**97,338,304**	**79.9**
3014: FINANCE AND ECONOMIC PLANNING					
General Administration, Planning and Support Services	RECURRENT	731,605,778	775,316,969	733,672,372	94.6
	DEVELOPMENT	-	-	0	0.0
Financial Management Services	RECURRENT	260,195,498	563,207,830	407,492,512	72.4
	DEVELOPMENT	352,288,808	541,072,524	455,351,181	84.2
Economic Planning and Policy formulation	RECURRENT	111,806,607	149,628,652	126,679,364	84.7
	DEVELOPMENT	23,000,000	-	0	0.0
Digital Transformation	RECURRENT	26,876,558	32,603,903	21,316,744	65.4
	DEVELOPMENT	67,224,192	67,224,192	43,396,596	64.6
		1,572,997,441	**2,129,054,071**	**1,787,908,769**	**84.0**
3017: HEALTH SERVICES					
Administration Unit	RECURRENT	3,285,636,744	3,329,183,490	3,278,396,989	98.5
	DEVELOPMENT	178,374,932	178,374,932	0	0.0
Clinical and Curative Health Services	RECURRENT	132,000,000	132,000,000	112,536,909	85.3
	DEVELOPMENT	59,625,068	59,625,068	0	0.0
Preventive and Promotive Health services	RECURRENT	157,680,000	89,415,000	66,913,576	74.8
	DEVELOPMENT	27,000,000	27,000,000	0	0.0
Special Programs	RECURRENT	12,000,000	12,000,000	0	0.0
	DEVELOPMENT	0	0	0	0.0
Coast General Teaching and Referral Hospital	RECURRENT	650,000,000	650,000,000	76,822,638	11.8
	DEVELOPMENT	335,000,000	335,000,000	9,800,000	2.9

Department/Sector	Expenditure	Original Budget FY 2024/2025	Final Budget FY 2024/2025	Actual on Comparable Basis	% Budget Utilization
		4,837,316,743	**4,812,598,490**	**3,544,470,112**	**73.6**
3022: TRANSPORT & INFRASTRUCTURE					
General Administration and Support Services	RECURRENT	488,485,525	583,138,764	553,283,630	94.9
	DEVELOPMENT	-	-	-	0.0
Roads Infrastructure Development	RECURRENT	24,069,919	15,590,286	13,165,836	84.4
	DEVELOPMENT	654,287,752	499,377,904	418,921,732	83.9
Transportation Management	RECURRENT	38,700,000	28,992,079	23,802,517	82.1
	DEVELOPMENT	69,800,000	196,039,885	114,700,255	58.5
Mechanical and Electrical Services	RECURRENT	167,255,000	242,822,780	186,038,236	76.6
	DEVELOPMENT	4,800,000	3,286,265	2,522,805	76.8
Disaster Risk Management Services	RECURRENT	16,250,000	15,354,984	6,695,167	43.6
	DEVELOPMENT	74,655,000	80,135,724	65,271,034	81.5
Public Works	RECURRENT	1,810,000	400,000	400,000	100.0
	DEVELOPMENT	60,000,000	18,832,050	4,022,635	21.4
		1,600,113,196	**1,683,970,721**	**1,388,823,847**	**82.5**
3029: WATER, NATURAL RESOURCES & CLIMATE CHANGE RESILIENCE					
Administration planning and support services	RECURRENT	170,042,057	158,532,137	142,294,405	89.8
	DEVELOPMENT	1,000,000,000	1,000,000,000	819,545,309	82.0
Natural Resources Management	RECURRENT	7,443,830	3,626,500	3,579,000	98.7
	DEVELOPMENT	2,000,000	1,900,000	1,900,000	100.0
Sanitation Services and Management	RECURRENT	7,700,000	5,194,038	5,194,038	100.0
	DEVELOPMENT	-	-	-	0.0
Water Supply and Management	RECURRENT	12,200,000	38,097,760	2,597,760	6.8
	DEVELOPMENT	-	-	-	0.0
Climate Change & Renewable Energy	RECURRENT	19,850,000	9,060,435	7,310,435	80.7
	DEVELOPMENT	102,050,260	102,050,260	75,150,000	73.6
		1,321,286,147	**1,318,461,131**	**1,057,570,947**	**80.2**
3030: PUBLIC SERVICE ADMINISTRATION, YOUTH, GENDER, SPORTS & SOCIAL SERVICES					
General Administration and Support Services	RECURRENT	692,517,956	737,483,393	662,267,755	89.8
	DEVELOPMENT	0	0	0	0.0
Human Resource Management & Development	RECURRENT	54,300,000	14,400,000	12,676,860	88.0
	DEVELOPMENT	0	0	0	0.0
Public Service Reforms	RECURRENT	45,700,000	4,048,600	3,433,000	84.8
	DEVELOPMENT	0	0	0	0.0

Department/Sector	Expenditure	Original Budget FY 2024/2025	Final Budget FY 2024/2025	Actual on Comparable Basis	% Budget Utilization
Youth Affairs & Sports Development	RECURRENT	13,400,000	16,679,404	13,225,844	79.3
	DEVELOPMENT	270,000,000	270,000,000	111,788,580	41.4
Gender Integration and Social Services	RECURRENT	15,600,000	18,965,599	13,312,578	70.2
	DEVELOPMENT	0	0	0	0.0
		1,091,517,956	**1,061,576,996**	**816,704,617**	**76.9**
3031: TOURISM, CULTURE & TRADE					
General Administration Planning & support services	RECURRENT	335,649,661	394,236,938	385,852,692	97.9
	DEVELOPMENT	0	0	0	0.0
Trade Development and Markets/ Consumer Protection	RECURRENT	13,555,000	18,024,625	11,034,625	61.2
	DEVELOPMENT	239,500,000	239,500,000	109,759,126	45.8
E-Licensing & Services	RECURRENT	1,470,000	1,000,000	500,000	50.0
	DEVELOPMENT	0	0	0	0.0
Tourism Marketing and Product Development	RECURRENT	78,885,000	89,239,800	9,536,144	10.7
	DEVELOPMENT	0	0	0	0.0
Cultural Affairs	RECURRENT	8,900,000	16,784,000	10,592,800	63.1
	DEVELOPMENT	0	0	0	0.0
Mombasa Tourism Council	RECURRENT	20,000,000	20,000,000	18,612,500	93.1
	DEVELOPMENT	0	0	0	0.0
		697,959,661	**778,785,363**	**545,887,887**	**70.1**
3034: THE COUNTY ATTORNEY					
General Administration & Legal Services	RECURRENT	103,014,783	228,233,614	203,183,327	89.0
	DEVELOPMENT	0	0	0	0.0
		103,014,783	**228,233,614**	**203,183,327**	**89.0**
3035: THE EXECUTIVE					
General Administration and Human Resource Planning Services	RECURRENT	154,760,063	174,298,730	169,634,183	97.3
	DEVELOPMENT	0	0	0	0.0
Governor's and Deputy Governor's Affairs	RECURRENT	49,500,000	50,716,895	33,635,328	66.3
	DEVELOPMENT	15,000,000	15,000,000	9,967,430	66.4
Protocol, Hospitality and Communication	RECURRENT	23,000,000	21,475,650	14,949,010	69.6
	DEVELOPMENT	20,000,000	10,051,052	3,051,052	30.4
Governor's Advisory Council and special programs	RECURRENT	10,000,000	6,979,858	4,871,669	69.8
	DEVELOPMENT	0	0	0	0.0
County Secretary's Affairs	RECURRENT	9,000,000	15,860,029	8,702,271	54.9
	DEVELOPMENT	2,000,000	1,959,800	0	0.0

Department/Sector	Expenditure	Original Budget FY 2024/2025	Final Budget FY 2024/2025	Actual on Comparable Basis	% Budget Utilization
Cabinet Affairs, Service Delivery Unit, Intergovernmental and Public Service Transformation	RECURRENT	7,200,000	6,526,644	5,346,647	81.9
	DEVELOPMENT	0	0	0	0.0
		290,460,063	**302,868,658**	**250,157,590**	**82.6**
3036: ENVIRONMENT & GOVERNANCE					
General Administration, Planning and Support Services	RECURRENT	739,535,878	836,945,964	821,692,975	98.2
	DEVELOPMENT	0	0	0	0.0
Environment, Compliance and Enforcement	RECURRENT	18,700,000	44,416,600	20,422,447	46.0
	DEVELOPMENT	21,800,000	62,468,831	37,468,831	60.0
Solid Waste Management	RECURRENT	19,660,000	51,575,072	18,626,072	36.1
	DEVELOPMENT	169,000,000	183,590,723	126,166,533	68.7
Public Affairs and Empowerment Programs	RECURRENT	108,750,000	137,198,450	7,706,600	5.6
	DEVELOPMENT	0	0	0	0.0
County Administration and Serikali Mitaani	RECURRENT	10,370,000	63,199,150	8,149,150	12.9
	DEVELOPMENT	40,000,000	30,000,000	0	0.0
Inspectorate, Enforcement and Compliance	RECURRENT	7,450,000	21,454,550	11,332,350	52.8
	DEVELOPMENT	17,000,000	13,000,000	0	0.0
		1,152,265,878	**1,443,849,340**	**1,051,564,958**	**72.8**
3037: EDUCATION					
General Administration, Planning and Support Services	RECURRENT	343,676,025	368,292,088	340,848,264	92.5
	DEVELOPMENT	44,000,000	42,500,000	24,936,123	58.7
Early Childhood Education	RECURRENT	15,500,000	12,751,700	6,866,400	53.8
	DEVELOPMENT	84,000,000	82,500,000	42,863,531	52.0
Vocational Training & Education	RECURRENT	3,000,000	2,707,600	2,524,050	93.2
	DEVELOPMENT	12,000,000	12,000,000	3,254,500	27.1
Child Care	RECURRENT	3,000,000	3,371,750	2,278,652	67.6
	DEVELOPMENT	11,000,000	-	-	0.0
Elimu Fund	RECURRENT	499,200,000	399,911,526	371,534,048	92.9
	DEVELOPMENT	-	100,000,000	-	0.0
		1,015,376,025	**1,024,034,664**	**795,105,568**	**77.6**
3038: LANDS, URBAN RENEWAL AND HOUSING					
Administration planning and support services	RECURRENT	174,023,556	160,945,394	150,395,135	93.4
	DEVELOPMENT	20,000,000	137,000,000	117,000,000	85.4
Housing Development & Management	RECURRENT	3,450,000	850,000	850,000	100.0
	DEVELOPMENT	10,000,000	10,000,000	4,295,700	43.0

Department/Sector	Expenditure	Original Budget FY 2024/2025	Final Budget FY 2024/2025	Actual on Comparable Basis	% Budget Utilization
Urban Renewal	RECURRENT	6,450,000	7,638,868	691,000	9.0
	DEVELOPMENT	49,000,000	33,000,000	25,000,000	75.8
Land Administration and Valuation	RECURRENT	9,800,000	3,495,400	445,400	12.7
	DEVELOPMENT	905,000,000	948,400,000	710,000,000	74.9
Physical Planning	RECURRENT	1,350,000	0	0	0.0
	DEVELOPMENT	86,000,000	55,842,655	37,617,617	67.4
		1,265,073,556	**1,357,172,317**	**1,046,294,852**	**77.1**
3039: BLUE ECONOMY, COOPERATIVES, AGRICULTURE & LIVESTOCK					
Administrative Services	RECURRENT	130,097,194	144,131,480	138,356,005	96.0
	DEVELOPMENT	0	0	0	0.0
Crops Development	RECURRENT	21,968,919	21,275,619	6,464,848	30.4
	DEVELOPMENT	18,000,000	18,000,000	14,365,000	79.8
Livestock Production	RECURRENT	10,721,200	9,771,000	6,347,880	65.0
	DEVELOPMENT	6,300,000	6,300,000	4,460,798	70.8
Fisheries Development	RECURRENT	11,850,000	5,068,800	2,696,800	53.2
	DEVELOPMENT	13,000,000	19,000,000	8,857,930	46.6
Veterinary Services	RECURRENT	13,204,160	7,503,220	4,800,000	64.0
	DEVELOPMENT	36,000,000	36,000,000	2,846,700	7.9
Cooperative Development	RECURRENT	11,048,320	4,642,040	3,029,400	65.3
	DEVELOPMENT	5,000,000	5,000,000	2,500,000	50.0
		277,189,793	**276,692,159**	**194,725,361**	**70.4**
		16,260,000,000	**17,360,000,000**	**13,546,870,360**	**78.0**

16. From the expenditure analysis above, no department absorbed 100% of their budget with the County Assembly's having the highest expenditure at (93.5%), followed by the County Attorney (89%) and Finance and Economic Planning coming third at (84.0%), Tourism, Culture and Trade had the lowest absorption at 70.1% followed closely by Blue Economy, Cooperatives, Agriculture & Livestock at 70.4%. The under absorption was mainly due and under realization of the targeted own source revenue coupled with the undisbursed conditional grants.

Detailed Analysis of Realized Revenue 2024-2025 FY

Table 14: Total Exchequer Issues Disbursed 2024-2025 FY

Revenue Item	Annual Budgeted	Total Receipt	%
Opening Balance (June 2024 Disbursement)	363,738,170	628,921,902	173
Equitable share	**7,899,674,038**	**7,899,674,038**	100
GRANTS			
Kenya Agricultural Business Development Project (KABDP)	10,918,919	-	0
Allocation for court fines	13,428,433	-	0
DANIDA	10,871,250		0
Community Health Promoters Program	71,610,000	10,871,250	15.2
Basis Salary Arrears for County Government Health Workers	108,971,914	-	-
World Bank - Kenya Informal Settlement Improvement Project (KISIP)	860,000,000	695,000,000	80.8
County Aggregation and Industrial Parks (CAIP) Programme	52,631,579	52,631,579	100.0
Kenya Devolution Support Programme 2 (KDSP II)	37,500,000	-	0
County Road Maintenance Levy	-	45,601,067	-
Water & Sanitation Development Program – World Bank Fund	1,000,000,000	585,006,309	58.5
Total Grants	**2,165,932,095**	**1,389,110,205**	**64.1**
Total Exchequer Issues	**10,429,344,303**	**9,917,706,616**	**95.1**

Table 15: Total Own Source Revenue Collected 2024-2025 FY

Description	Period ended 30 June 2025	Comparative period prior year* 30 June 2024
	Kshs	Kshs
County Own Source Revenue		
Cess	519,805,289	503,007,032
Land Rate	883,096,534	934,629,934
Single/Business Permits	598,894,521	595,882,704
Property Rent	22,551,818	22,005,668
Parking Fees	612,963,194	664,922,266
Market Fees	10,916,974	62,498,558
Advertising	182,121,925	134,181,017
Public Health Service Fees	1,450,841,375	1,128,231,166
Physical Planning and Development	384,652,016	345,283,567
Hire of County Assets	2,938,750	3,530,500
Conservancy Administration	145,367,856	12,384,484
Administration Control Fees and Charges	66,164,700	50,823,490
Other Fines, Penalties, And Forfeiture Fees	515,000	377,910
Total County Own Source Revenue	**4,880,829,952**	**4,457,758,296**

Table 16: Detailed Own Source Revenue Analysis 2024/2025 FY

REVENUE.	GRAND TOTALS 2023-2024 KSHS.	GRAND TOTALS 2024-2025 KSHS.	% Increase
DEVOLUTION & PUBLIC SERVICE ADMINISTRATION			
Court Fines	265,910	0	-100.00
Cash Bail	112,000	0	-100.00
TOTAL	**377,910**	**0**	**-100.00**
FINANCE & ECONOMIC PLANNING			
Document Search Fee	3,500	2,000	-42.86
Cess Fees	502,704,540	519,803,289	3.40
TOTAL	**502,708,040**	**519,805,289**	**3.40**
TRADE, TOURISM & INVESTMENT			
Liquor	43,836,500	37,398,000	-14.69
Weights and Measure	0	7,378,400	
Market Entrance /Gate Fee	10,482,099	10,916,974	4.15
Market Stalls Rent	23,707,227	22,551,818	-4.87
Market Shelters Fee	10,480	0	-100.00
Offloading	387,893	422,980	9.05
Hawking Fee	27,910,859	25,372,076	-9.10
Business Subletting/Transfer Fee	170,000	75,000	-55.88
Renewal Form (SBP)	0	4,216,600	
Single Business Permit	595,712,704	490,562,673	-17.65
TOTAL	**702,217,762**	**598,894,521**	**-14.71**
YOUTH, GENDER AND SPORTS			
Social Halls	2,915,000	2,802,750	-3.85
Hire of Council Grounds	225,300	136,000	-39.64
TOTAL	**3,140,300**	**2,938,750**	**-6.42**
EDUCATION & DIGITAL TRANSFORMATION			
Registration of Educational Facilities	3,430,000	2,982,000	-13.06
TOTAL	**3,430,000**	**2,982,000**	**-13.06**
ENVIRONMENT, WASTE MANAGEMENT & ENERGY			
Cemeteries Charges	2,374,500	1,578,500	-33.52
Incidental charges-Tree Cutting-Environment	195,000	222,000	13.85
Solid Waste -Ships & Vessels	0	94,379,856	
Solid Waste (SBP)	0	44,706,000	
Drainage Certificate Charges	37,000	60,000	62.16
Garbage dumping Fee	6,579,984	4,421,500	-32.80
TOTAL	**9,186,484**	**145,367,856**	**1482.41**
AGRICULTURE, LIVESTOCK & FISHERIES			
Poultry & Meat Inspection	965,452	427,209	-55.75
Horticulture Consultation fees	321,200	262,500	-18.28
Livestock Certificates	69,860	95,100	36.13
Slaughter House Charges	35,132	116,548	231.74
Livestock Permits	2,500	0	-100.00
Dog Licenses	69,000	55,000	-20.29
Cooperatives Audit Charges (Auditing of SACCO)	13,490	143,180	961.38
TOTAL	**1,476,634**	**1,099,537**	**-25.54**

REVENUE.	GRAND TOTALS 2023-2024 KSHS.	GRAND TOTALS 2024-2025 KSHS.	% Increase
HEALTH			
Fumigation (SBP)	0	22,348,100	
PH Form B (SBP)	0	26,752,000	
Premises Inspection Fees (Medical services/Health facilities /Public health)	1,127,265,714	1,401,741,275	24.35
TOTAL	**1,127,265,714**	1,450,841,375	28.70
LANDS, PLANNING & HOUSING			
Valuation & Survey Fees	0	0	
Ground Rent	27,340	699,067	2456.94
Beacon Search Pointing Fee	0	30,000	
Change of User	0	0	
Subdivision & Consolidation Fees	0	0	
Survey Fee	3,540,594	768,750	-78.29
Other Property Charges	10,000	60,000	500.00
Buildings Plan Preparation Fee	3,259,134	2,613,674	-19.80
Building Plan Approval Fee	329,838,789	283,147,786	-14.16
Demolition of Structures	882,500	455,000	-48.44
Land Rates	934,527,507	883,096,534	-5.50
Hoarding & Scaffolding	0	0	
Document search Fee -HDD	14,000	21,000	50.00
Instalment Fee (HDD Scheme)	0	0	
Annual Ground Rent (HDD Scheme)	4,449,399	1,508,821	-66.09
Plot Transfer Fee	251,600	163,200	-35.14
Plots Charges (HDD Scheme)	3,004,051	5,035,462	67.62
Dumping of Building Materials	0	975,000	
Allottees Documents	39,000	2,000	-94.87
Housing Estates Monthly Rent-Mzizima, Changamwe, Buxton	22,005,668	17,729,444	-19.43
TOTAL	**1,301,849,582**	1,196,305,738	-8.11
TRANSPORT, INFRASTRUCTURE & PUBLIC WORKS			
Sign Boards & Advertisement Fee	134,181,017	134,315,258	0.10
Signage Fee (SBP)	0	47,806,667	
Fire - Fighting Services/Tankers Inspection Fee	6,971,500	4,877,000	-30.04
Fire Inspection Fees	0	61,287,700	
Road Cutting Application Fees	125,000	0	-100.00
Other Vehicles Enclosed Park Fees (Cars, Lorries, etc.)	10,600	9,200	-13.21
Street Parking Fees	415,639,305	448,432,511	7.89
PSV Parking Levy	160,665,998	148,933,483	-7.30
Reserved Parking (Loading/Offloading)	0	0	
Reserved Parking	31,498,000	15,588,000	-50.51
Right - of - Way/ Way- Leave Fee (KPLC, Telcom, etc.)	56,946,363	100,830,067	77.06
TOTAL	**806,037,783**	**962,079,886**	**19.36**
MISCELANEOUS			
Council Vehicle Hire	0	0	0
Debts Clearance Certificate Fee	65,087	0	-100.00
Sale of Council Maps	1,000	0	-100.00
Hearse services	2,000	0	-100.00
Noise Permit		515,000	0
TOTAL	**68,087**	**515,000**	**656.39**
GRAND TOTAL COLLECTION	**4,457,758,296**	**4,880,829,952**	**9.49**

Table 17: Budgeted Revenue Projections 2024/2025 FY

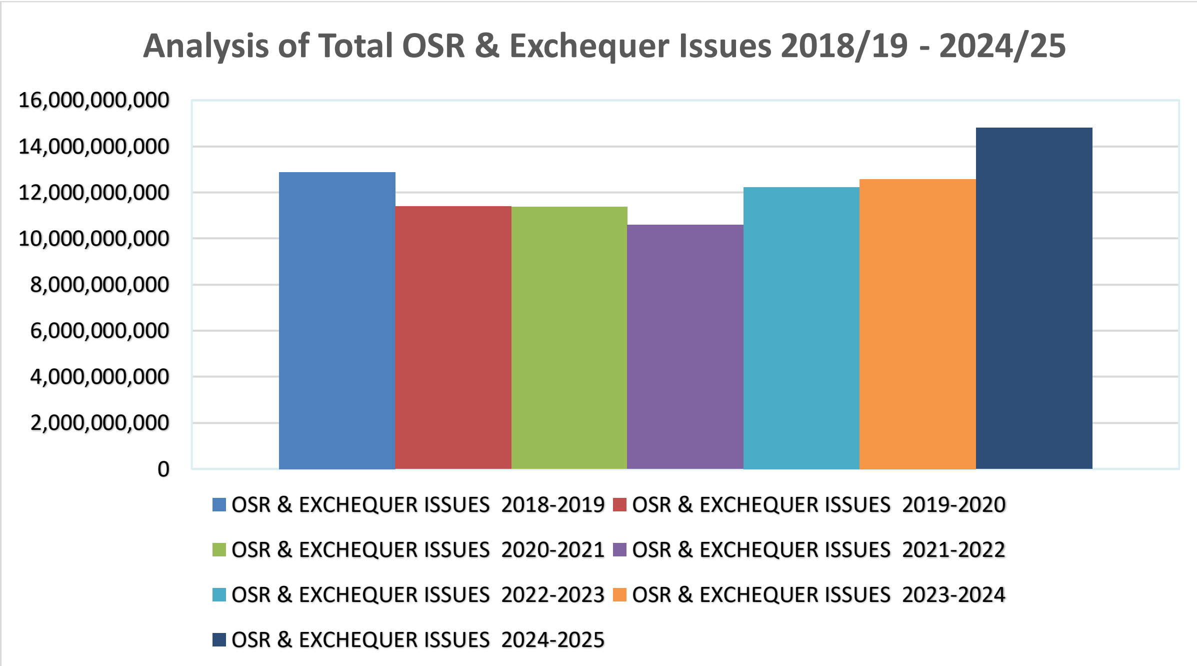
Department/ Sector	Revenue Stream	Amount (Kshs)
	Own source Revenue	
TRANSPORT AND INFRASTRUCTURE	Road maintenance fees	231,914,493
TRANSPORT AND INFRASTRUCTURE	Advertisement income	260,664,188
TRANSPORT AND INFRASTRUCTURE	Parking fees	700,000,000
TRANSPORT AND INFRASTRUCTURE	Fire brigade & ambulance fees	94,572,460
TOTAL REVENUE		**1,287,151,141**
LANDS, URBAN RENEWAL AND HOUSING	Plot rent & related charges	19,358,612
LANDS, URBAN RENEWAL AND HOUSING	Development control income	61,927,203
LANDS, URBAN RENEWAL AND HOUSING	Structural Submission/Approval Fees	475,505,067
LANDS, URBAN RENEWAL AND HOUSING	Land rates and related fees	1,460,370,715
LANDS, URBAN RENEWAL AND HOUSING	Housing Estates Monthly Rent	29,208,993
LANDS, URBAN RENEWAL AND HOUSING	Valuation & Survey Fees	40,772,128
TOTAL REVENUE		**2,087,142,719**
PUBLIC SERVICE ADMINISTRATION, YOUTH, GENDER, SPORTS & SOCIAL SERVICES	Stadium & other Playing Fields	5,000,000
PUBLIC SERVICE ADMINISTRATION, YOUTH, GENDER, SPORTS & SOCIAL SERVICES	Social halls hire	8,400,000
TOTAL REVENUE		**13,400,000**
EXECUTIVE	Legal department fees	1,504,731
EXECUTIVE	General enforcement charges	5,630,146
EXECUTIVE	Court Fines	30,180,981
TOTAL REVENUE		**37,315,859**
TOURISM, CULTURE & TRADE	Hotel Levy	33,294,404
TOURISM, CULTURE & TRADE	Sand, Gravel, and Ballast Extraction Fees	780,000,000
TOURISM, CULTURE & TRADE	Market collection	451,706,351
TOURISM, CULTURE & TRADE	Business permit fees	967,823,796
TOTAL REVENUE		**2,232,824,551**
EDUCATION	Registration of Child Care Facilities	9,559,000
TOTAL REVENUE		**9,559,000**
BLUE ECONOMY, COOPERATIVES, AGRICULTURE & LIVESTOCK	Meat Inspection/Permit	2,300,000
BLUE ECONOMY, COOPERATIVES, AGRICULTURE & LIVESTOCK	Boat Operations	3,700,000
TOTAL REVENUE		**6,000,000**
FINANCE AND ECONOMIC PLANNING	Tender Documents Sale	1,413,164
FINANCE AND ECONOMIC PLANNING	Financial related income	5,850,277
TOTAL REVENUE		**7,263,441**
HEALTH	Clinic cost sharing charges & Other services	1,249,998,988
TOTAL REVENUE		**1,249,998,988**
	Total Local Revenue	**6,930,655,697**
	Equitable share	
FINANCE AND ECONOMIC PLANNING	Equitable share	**7,899,674,038**

Department/ Sector	Revenue Stream	Amount (Kshs)
	GRANTS	
COUNTY ATTORNEY	Allocation for court fines	13,428,433
TOTAL		**13,428,433**
BLUE ECONOMY, COOPERATIVES, AGRICULTURE & LIVESTOCK	SWEDEN - Kenya Agricultural Business Development Project (KABDP)	10,918,919
TOTAL		**10,918,919**
ENVIRONMENT & GOVERNANCE	Kenya Devolution Support Programme 2 (KDSP II)	37,500,000
TOTAL		**37,500,000**
COUNTY HEALTH	DANIDA- Primary Health Care in Devolved System Program	10,871,250
	Community Health Promoters Program	71,610,000
	Basis Salary Arrears for County Government Health Workers	108,971,914
TOTAL		**191,453,164**
LANDS, URBAN RENEWAL AND HOUSING	World Bank - Kenya Informal Settlement Improvement Project (KISIP II)	860,000,000
TOTAL		**860,000,000**
WATER, NATURAL RESOURCES & CLIMATE CHANGE RESILIENCE	World Bank - Water and Sanitation Development Project	1,000,000,000
TOTAL		**1,000,000,000**
TOURISM, CULTURE & TRADE	County Aggregation and Industrial Parks (CAIP) Programme	52,631,579
TOTAL		**52,631,579**
SUB TOTAL	**Total Grants**	**2,165,932,095**
	Opening Balance	363,738,170
Total Exchequer Issues	**Total Exchequer Issues**	**10,429,344,303**
TOTAL REVENUE	**Total Revenue**	**17,360,000,000**

Table 18: Monthly Analysis of Total Monthly Own Source Revenue (OSR) & Exchequer Issues for the 2018/19-2024/25 FYs

Month	OSR & EXCHEQUER ISSUES 2018-2019	OSR & EXCHEQUER ISSUES 2019-2020	OSR & EXCHEQUER ISSUES 2020-2021	OSR & EXCHEQUER ISSUES 2021-2022	OSR & EXCHEQUER ISSUES 2022-2023	OSR & EXCHEQUER ISSUES 2023-2024	OSR & EXCHEQUER ISSUES 2024-2025
July	91,417,758	110,950,638	133,177,640	290,898,301	367,089,557	875,758,310	812,527,163
August	562,615,570	164,871,323	180,063,924	763,683,092	768,160,776	183,215,561	239,678,277
September	663,072,153	1,423,722,979	207,752,314	967,834,543	682,232,191	824,537,228	875,949,650
October	936,242,786	824,649,783	1,365,540,619	883,913,934	106,492,816	830,796,991	811,587,353
November	1,023,383,274	208,065,464	1,023,223,263	1,410,259,303	1,030,170,389	801,159,630	1,451,680,872
December	1,185,508,365	1,052,784,432	737,461,308	826,311,283	944,705,976	893,425,918	1,452,058,267
January	1,378,881,746	1,235,881,938	1,240,116,309	1,142,223,950	1,253,678,960	1,122,622,368	905,253,412
February	1,217,633,592	2,014,214,307	1,044,554,398	1,122,860,912	510,261,367	1,157,698,910	1,284,003,135
March	733,336,511	1,199,399,565	1,141,508,952	1,121,314,725	1,398,251,335	1,200,484,931	683,089,371
April	1,983,347,865	243,403,040	880,176,898	971,630,654	1,707,396,237	1,421,150,005	1,724,038,278
May	257,793,200	901,902,540	786,713,182	781,531,785	998,979,264	1,049,425,806	1,289,061,525
June	2,855,212,810	2,026,400,543	2,636,959,134	299,135,806	2,465,360,787	2,230,075,167	3,269,609,265
Total	**12,888,445,630**	**11,406,246,551**	**11,377,247,941**	**10,581,598,288**	**12,232,779,655**	**12,590,350,825**	**14,798,536,568**

Figure 8: Analysis Total Revenue 2018/19 – 2024/25 FYs



Revenue Analysis for 2024/2025 FY

17. The County realized Kshs 4,880,829,952 being 70 percent of the budgeted own source revenue of Kshs. 6,930,655,697. The total revenue collected was Kshs 14,798,536,568 being 85 percent of the total budgeted revenue of Kshs. 17,360,000,000 of which Kshs 9,917,706,616 was total exchequer issues comprising of Kshs 1,389,110,204.60 transfers from other National Government entities as grants and donor funding while Equitable Share amounted to Kshs 8,528,596,411.00 which was 100 percent of the County allocation of Kshs 7,899,674,038 in the FY and June 2024 disbursement of 628,921,902.00.
18. There was an increase in own source revenue collection of Kshs 423,071,656 which has been on an upward trajectory. This positive trend demonstrates the county's vigorous and stringent measures it has put in place to ensure that the OSR continues to increase. The County realized 4.9B which is 70% of the projected revenue of 6.9B.
19. The County's kitty for the Donor and conditional grants was Kshs 1,389,110,204.60 comprising of Kshs 585,006,308.70, Water & Sanitation Development Program - World Bank Fund, Kshs 10,871,250.00, Primary Health Care, Kshs 52,631,578.90, Grant for Aggregated Industrial Parks Programme, Kshs 45,601,067.00, Road Maintenance Fuel Level and Kenya Informal Settlement Improvement Project (KISIP II) grant of Kshs. 695,000,000.

County Expenditure 2024/2025 FY

20. Total expenditure amounted to Kshs. 13,546,870,357 against a target of Ksh 17,360,000,000 representing an under spending of Kshs. 3,813,129,640 which is 22 percent deviation from the revised budget. The shortfall was attributed to lower absorption in both recurrent and development expenditures due to unrealized own source revenues as well as the undisbursed conditional and donor grants.
21. The County had a 78% absorption rate which is a 3.5% increase from 74.5% in the previous FY despite an increase in the absolute budget figure of 1.4 billion.
22. Recurrent expenditure amounted to 10.1 billion which comprised of personnel emoluments of 6.7 billion, 3.4 billion for operations and maintenance for all the departments.
23. Development expenditure was 3.5 billion compared to a target of 5.5 billion. This represented an under-spending of approximately 2 billion which translates to 36.4 percent deviation from the approved development expenditure. The underperformance in development expenditure was majorly contributed by unrealized own source revenue and lack of disbursement of part of the World Bank's Water and Sanitation Grant to adequately finance the budget.
24. In arriving at the revenues and expenditures above, the cash basis was used and therefore uncollected revenues, commitments and pending bills were excluded.

Overall, Balance and Financing 2024/2025 FY

25. Reflecting the above performance in revenue and expenditure, the County had an absorption rate of 78 percent of the overall budget.
26. The County had a 22 percent budget absorption deficit of Kshs. 3.8 billion and a 15 percent fiscal deficit to finance of Kshs. 2.6 billion which has been attributed to unrealized revenues.

Implication of 2024/25 fiscal performance on the set financial objectives

27. The performance in the FY 2024/25 has affected the financial objectives set out in the latest CFSP and the Budget for FY 2025/26 in the following ways:
28. The county will continuously explore ways of enhancing local revenue collection and achieving greater efficiency in terms of cost savings in recurrent expenditure to ensure priority is given to the development projects.
29. Maintaining a lean workforce through halting of new recruitment unless for the key cadre of staff will assist in checking the wage bill. This will create fiscal space for spending on the key county priorities especially in the social sectors and other development programmes. This will further provide adequate room for future countercyclical fiscal policy in the event of a shock.
30. Fiscal consolidation while ensuring that county resources are adequate to promote growth. The County Government is committed to a reduction in the recurrent expenditure to devote more resources to

development. At least thirty percent of the total county revenue shall be used in the implementation of development projects.

31. In addition, the county will continue venturing in public private partnerships with potential local and foreign investors and other development partners to assist in development of the county. This is supported by the enactment of the multi-year financing act.

32. While we expect the economy to remain resilient, our projections remain cautious. We expect the revenue growth to be on an upward trend in 2025/26 henceforth from all the revenue streams.

33. Notably is the fact that Departments have been taking measures to ensure that they prioritize projects and programs that they are able to implement in the short term which has increased the overall Departmental absorption rate and this trend should be maintained if not improved further.

34. The county Government is keen on laying out strategies that will improve our fiscal space without negating on the gains that have been realized so far.

Table 19: Comparison between the Budgeted Revenue for the 2025/26 FY, 2026/27 - 2028/29 FYs Projections

Revenue Stream	Budgeted 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29
Sign Boards & Advertisement Fee	150,000,000	171,825,000	189,952,538	209,992,530
Fire - Fighting Services/Tankers Inspection Fee	7,000,000	8,018,500	8,864,452	9,799,651
Road Cutting Application Fees	150,000	171,825	189,953	209,993
Other Vehicles Enclosed Park Fees (Cars, Lorries, etc.)	20,000	22,910	25,327	27,999
Street Parking Fees	470,000,000	538,385,000	595,184,618	657,976,595
PSV Parking Levy	180,000,000	206,190,000	227,943,045	251,991,036
Reserved Parking	40,000,000	45,820,000	50,654,010	55,998,008
Right - of - Way/ Way- Leave Fee (KPLC, Telcom, etc.)	60,000,000	68,730,000	75,981,015	83,997,012
	907,170,000	**1,039,163,235**	**1,148,794,956**	**1,269,992,824**
Document search Fee -HDD	20,000	22,910	25,327	27,999
Survey Fee	4,000,000	4,582,000	5,065,401	5,599,801
Other Property Charges- Beacon searching fee	15,000	17,183	18,995	20,999
Buildings Plan Preparation Fee	4,000,000	4,582,000	5,065,401	5,599,801
Building Plan Approval Fee	352,952,066	404,306,592	446,960,937	494,115,316
Demolition of Structures	1,000,000	1,145,500	1,266,350	1,399,950
Land Rates	1,000,000,000	1,145,500,000	1,266,350,250	1,399,950,201
Ground Rent	30,000	34,365	37,991	41,999
Annual Ground Rent (HDD Scheme)	5,000,000	5,727,500	6,331,751	6,999,751
Plot Transfer Fee	300,000	343,650	379,905	419,985
Plots Charges (HDD Scheme)	3,200,000	3,665,600	4,052,321	4,479,841
Allottees Documents	50,000	57,275	63,318	69,998
Housing Estates Monthly Rent	10,000,000	11,455,000	12,663,503	13,999,502
	1,380,567,066	**1,581,439,574**	**1,748,281,449**	**1,932,725,142**
Social Halls	3,000,000	3,436,500	3,799,051	4,199,851
Hire of Council Grounds	500,000	572,750	633,175	699,975
	3,500,000	**4,009,250**	**4,432,226**	**4,899,826**

Revenue Stream	Budgeted 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29
Court Fines	750,000	859,125	949,763	1,049,963
Cash Bail	250,000	286,375	316,588	349,988
Cemeteries Charges	2,300,000	2,634,650	2,912,606	3,219,885
Incidental charges-Tree Cutting-Environment	250,000	286,375	316,588	349,988
Drainage Certificate Charges	100,000	114,550	126,635	139,995
Garbage dumping Fee	7,500,000	8,591,250	9,497,627	10,499,627
	11,150,000	**12,772,325**	**14,119,805**	**15,609,445**
Liquor	55,000,000	63,002,500	69,649,264	76,997,261
Market Entrance /Gate Fee	12,000,000	13,746,000	15,196,203	16,799,402
Market Stalls Rent	24,000,000	27,492,000	30,392,406	33,598,805
Market Shelters Fee	12,000	13,746	15,196	16,799
Offloading	500,000	572,750	633,175	699,975
Hawking Fee	28,488,000	32,633,004	36,075,786	39,881,781
Business Subletting/Transfer Fee	500,000	572,750	633,175	699,975
Single Business Permit	850,000,000	973,675,000	1,076,397,713	1,189,957,671
	970,500,000	**1,111,707,750**	**1,228,992,918**	**1,358,651,670**
Registration of Child Care Facilities	3,430,000	3,929,065	4,343,581	4,801,829
	3,430,000	**3,929,065**	**4,343,581**	**4,801,829**
Poultry & Meat Inspection	980,000	1,122,590	1,241,023	1,371,951
Horticulture Consultation fees	325,000	372,288	411,564	454,984
Livestock Certificates	80,000	91,640	101,308	111,996
Slaughter House Charges	50,000	57,275	63,318	69,998
Livestock Permits	3,000	3,437	3,799	4,200
Dog Licenses	75,000	85,913	94,976	104,996
Cooperatives Audit Charges (Auditing of SACCO)	20,000	22,910	25,327	27,999
	1,533,000	**1,756,052**	**1,941,315**	**2,146,124**
Document Search Fee	5,000	5,728	6,332	7,000
Cess Fees	600,000,000	687,300,000	759,810,150	839,970,121
	600,005,000	**687,305,728**	**759,816,482**	**839,977,121**
Debts Clearance Certificate Fee	70,000	80,185	88,645	97,997
Sale of Council Maps	5,000	5,728	6,332	7,000
Hearse services	2,000	2,291	2,533	2,800
	77,000	**88,204**	**97,509**	**107,796**
Clinic cost sharing charges & Other services	1,200,000,000	1,374,443,537	1,574,425,072	1,803,503,920
	1,200,000,000	**1,374,443,537**	**1,574,425,072**	**1,803,503,920**
Total Local Revenue	**5,077,932,066**	**5,816,614,719**	**6,485,245,313**	**7,232,415,696**

Updated Expenditure Projections against CFSP' 25 Projections, 2026/27- 2028/29 FYs

35. Given the above deviations, the revision in revenues and expenditures will be based on the revised assumptions contained in this CBROP and which will be firmed up in the context of the next CFSP. The CG will not deviate from the fiscal responsibility principles, but will make appropriate modification to the CFSP 2025, the financial objectives contained in the latest CFSP, to reflect the changed circumstances.
36. The County undertakes periodical upgrading of its automated revenue collection systems in all the major own source revenue streams in order to reduce leakages, improve efficiency and effectiveness hence increasing own source revenue collection. In addition, we also envisage stability in interest rates and exchange rates as a result of the National Government policies to promote access to credit for private sector and boost investments and consumption thus stimulating the County's economic growth.
37. Additional risks could emanate from public spending pressures especially on the recurrent expenditures including implementation of various CBAs especially in the health sector that will lead to an increase in the personnel emolument budget.
38. The fiscal framework for the financial year 2025/26 and in the medium term entails a deliberate effort to continue exercising prudence in public expenditure management with the principal goal of containing fiscal risks, gradually lowering the fiscal deficit, and adopting austerity measures to deter increase of recurrent expenditures in favor of productive capital spending.
39. To achieve this, the Government endeavors to prioritize expenditure in the priority programmes in Transport and Infrastructure Development, Provision of Quality and Affordable Health Services, Youth and Women Empowerment, Enhancement of Education and Training, Upgrade of Waste and Sanitation Services as well as Streamlined Waste Management Services under the medium-term expenditure framework (MTEF). The overall objective of this is to realize sustainable, shared and equitable growth that would in return lead to accelerated job creation and improved livelihoods for the citizenry.

C. COUNTY'S COMPLIANCE WITH FISCAL RESPONSIBILITY PRINCIPLES

Recurrent Expenditure as a Percentage of Total Revenue

40. Section 107(2) of the PFM Act 2012 provides that the County Government's recurrent expenditure shall not exceed the County Government's total revenue. In the FY 2024/25, the county's final supplementary budget allocation for recurrent expenditure was 11.8 billion out of the total budget of 17.4 billion which translated to 68.2%.
41. The recurrent expenditure at the end of the FY was 10.1B which is 85% of the recurrent budget, of which 6.7 billion was spent on personnel emoluments, with 6.3 billion being from the County Executive and 363 million from the County Assembly with the balance 3.4 billion servicing the operations and maintenance costs.

Development Budget as a Percentage of the Total Budget

42. PFM Act 2012, requires that a minimum of thirty percent of the National and County Governments' budget shall be allocated to the development expenditure over the medium term. The County Governments' approved development budget for the FY 2024/25 accounted for 31.8 percent of the total budget which was 5.5 billion hence conforming to the requirement as per Section 107 (2) (b) of the Public Finance Management (PFM) Act, 2012.
43. The actual development expenditure for the FY 2024/25 accounted for 63 % of the total development budget which was 3.5 billion. The County is committed to ensuring that we reach and surpass the 30% development budget execution in the medium term.
44. There has been a comparative increase in percentage and cumulative development initiatives in the FY under review with the gap in the execution being occasioned by the inability of the County Government to fully realize the projected OSR and delays in transfer of disbursements by the National Government especially the donor grants which comprise a huge percentage of the development budget, which negatively impacts execution of development plans due to delays in project planning and implementation.

Expenditure on Wage Bill as a Percentage of Total Revenue

45. Regulation 25 (1) (a) and (b) of the PFM (County Governments) Regulations 2015 provides that the County Governments' expenditure on wages and benefits for its public officers shall not exceed thirty-five (35) percent of the County Government's total revenue. The budget allocation for personnel emolument in the 2024/25 FY was 7.1 billion translating to 41% of the total budget of 17.4 billion out of which 94% was absorbed.
46. The county is grappling with a huge bloated wage bill which is above the statutory requirement of 35% since the 24/25 FY's budget was at 41%. In trying to address the problem at hand, the county continues to put up measures to halt none essential staff recruitment, undertaking staff rationalization

and redesignation as well as designing measures and modalities to increase the own source revenue collection so as to bridge the gap.

Prudent Management of Fiscal Risks

47. Section 107 (2) (f) of the PFM Act, 2012 require County Treasuries to manage their fiscal risks prudently. During the review period, a number of fiscal risks in the county were identified in revenue and expenditure performance; These are:
    i. High expenditure on wage bill that lowers the ability of the county government to meet financial obligations on operations & maintenance and development requirements; and,
    ii. Underperformance in OSR, which results to unfunded budgets resulting to accumulation of pending bills.
    iii. High levels of cumulated pending bills that negatively affects effective delivery of public services as well as local business development;
    iv. Non timely disbursement of equitable share coupled with non-remittance of donor funded grants which hampers development projects implementation.
48. In efforts to address the threat of the ballooning pending bills owed by the County Government, we are committed to progressively pay all verified pending bills currently amounting to Ksh 3.8 billion. In complying with the laid-out directives, the county:
    i. Prepared and submitted to the Controller of Budget a payment plan prioritizing payment of pending bills.
    ii. Continues to consult with the Controller of Budget and National Treasury to guide on modalities and mobilization of resources to clear inherited pending bills.
    iii. Budget a portion of the recurrent and development pending bills that is paid as contained in the procurement plan.
    iv. Prepares Supplementary budgets in the third quarter or fourth quarter where possible to curb instances of arbitrary re-allocations out of the approved budget estimates.
49. The County Government will continue pursuing prudent fiscal policy to ensure stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for sustainable management of public finances. As such, the CG will continue honouring the repayment plan of the pending bills so as to offset all the pending bills in the shortest period possible and ensuring expenditure is strictly done guided by availability of funds going forth.
50. Fiscal policy will continue to support County development economic activities while providing a platform for the implementation of the various planned projects and programmes within a context of sustainable public financing. This process will be strengthened in the FY 2025/26 by encouraging more private-sector engagement in order to build concrete public private Partnership in pursuit of new economic opportunities.

51. The growth of the outlook for the calendar year 2025 and the FY 2025/26 and the medium term, will be supported by the stable macroeconomic environment, ongoing investments in strategic priorities of the County Government under the Mombasa Vision 2035 to compliment the Bottom-Up Transformation Agenda (BETA), and the ongoing public investments in infrastructure projects that are envisaged to be implemented through Public Private Partnerships.

52. The County Government in its third generation CIDP 2023-2027 has ensured that it rides on the gains that has so far been realized while also putting up strategic measures to address the challenges that have so far been identified that are hindering effective service delivery to the citizenry.

53. With respect to revenue, the CG will maintain a strong revenue effort at 12 percent of Revenue Growth over the medium term. Measures to achieve this effort include upgrading of the county revenue automated systems, interdepartmental concerted efforts towards revenue collection, implementation of the finance act 2025 with a rejuvenated enforcement mechanism. In addition, the CG will rationalize existing fees and charges incentives, expand the income base as envisaged in the Constitution.

54. On the expenditure side, the CG will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with continued implementation of the Integrated Financial Management Information System (IFMIS) across all the departments.

55. The county will continue redirecting expenditure towards those priority programmes as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic welfare.

D. OTHER INTERGOVERNMENTAL FISCAL RELATIONS MATTERS

Unbundling and Costing of Devolved Functions

56. The Intergovernmental Relations Technica Committee IGRTC), through Gazette Notice CXXVI No. 219 of 2024, published delineated devolved functions to clarify on the roles of each level of government. To facilitate implementation of the unbundled functions by County Governments, IGRTC in collaboration with relevant MDAs and other stakeholders are currently finalizing the costing of the functions to enable transfer of the attendant resources. Financial resources that have already been budgeted for the FY 2025/26 in the MDAs' budgets are being identified for transfer to county governments.

Proposed National Policy for Management of Intergovernmental Fiscal Transfers

57. The Constitution, PFM Act, CAP 412A and its attendant Regulations provides a framework for prudent public financial management of intergovernmental fiscal transfers. However, there are persistent challenges affecting these transfers. It is against this backdrop that the National Treasury has

commenced the process of developing a national policy on management of intergovernmental fiscal transfers.

Salary Arrears for County Government Health Workers

58. In FY 2024/25, doctors in county governments were owed Ksh 1,759.1 million as salary arrears for the period 2017-2024 of which Ksh 1,750.0 million was paid as part of the Return to-Work Formula. A balance of Ksh 9.1 million will be paid in FY 2025/26.

Capacity Building County Governments on Public Finance Management

59. Section 12 (1) (j) of PFMA, 2012 mandates the National Treasury to assist county governments to develop their capacity for efficient, effective, and transparent financial management. In this regard, the County Government personnel have benefited in a number of trainings conducted by the National Government among them; county budgeting process; Government Financial Statistics; financial reporting; public procurement; and audit and compliance with fiscal responsibility principles.
60. Some of the improvements in OSR policy and administration accruing from the Development Partners (DP) support on OSR enhancement includes;

- The County was able to identify new revenue stream like the waste management at the port
- The County in projecting the Own source revenue has been relying on the CRA forecasts as a baseline in some of the revenue streams
- CRA and National Treasury has been supporting the County treasury to deliver the mandate in the budgeting and the financial reporting spheres
- The National Treasury guidelines aid in strengthening the county budgeting and planning framework
- The Central Bank avails financial resources to enhance service delivery
- The KRA has aided the County in taxation issues
- IFMIS team in the National Treasury has aided in ensuring that our systems are up and running

III. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

Recent Economic Developments

A. World Economic Outlook

61. The 2025 Budget Review and Outlook Paper (BROP) is developed Global economic growth is projected to pick up slightly to 3. 1 percent in 2026 compared to 3.0 percent in 2025. This reflects the positive impact of furth.er casing or monetary po\icy as inflationary pressures subside, stronger domestic demand in emerging markets and developing economies, and a gradual recovery in global trade. This modest improvement is expected to offset the effects of a slowdown in advanced economies, where tighter financial conditions and demographic headwinds continue to weigh on growth. Overall, the outlook suggests a cautiously optimistic rebound, though risks from geopolitical tensions, debt vulnerabilities, and climate-related shocks remain significant.

Table 20: Global Economic Performance

ECONOMY	GROWTH (%)			
	ACTUAL		PROJECTIONS	
	2023	2024	2025	2026
World	3.5	3.3	3.0	3.1
Advanced Economies	1.8	1.8	1.5	1.6
Of which: USA	2.9	2.8	1.9	2.0
Euro Area	0.5	0.9	1.0	1.2
Japan	1.4	0.2	0.7	0.5
Emerging and Developing Economies	4.7	4.3	4.1	4.0
Of which: China	5.4	5.0	4.8	4.2
India	9.2	6.5	6.4	6.4
Sub Saharan Africa	3.6	4.0	4.0	4.3
Of which: South Africa	0.8	0.5	1.0	1.3
Nigeria	2.9	3.4	3.4	3.2

Source: IMF World Economic Outlook, July 2025

62. In advanced economies, growth will remain modest at 1.5 percent in 2025 and 1.6 percent in 2026. Growth in the USA is projected to expand by 1.9 percent in 2025 and 2.0 percent in 2026, supported by resilient consumption and an expected easing of financial conditions, while the Euro Area is forecasted to grow by 1.0 percent in 2025 and 1.2 percent in 2026, reflecting gains from lower inflation and improving real incomes but constrained by structural and geopolitical challenges.

63. Emerging Market and Developing Economies arc projected to grow moderately at 4.1 percent in 2025 and 4.0 percent in 2026. This growth is supported by stronger performance in South Asia and Sub-Saharan Africa, steady growth in Middle East and Central Asia, but slower momentum in China and Latin America. At the regional level, Sub-Saharan Africa is projected to grow steadily at 4.0 percent in 2025 and improve to 4.3 percent in 2026, reflecting gradual recovery across the region. The growth is supported by robust growth in non-resource-rich countries, increased private

consumption, improving investments, and a decline in inflation. However, the outlook remains constrained by high debt levels, climate vulnerabilities. external risks from global trade tensions, commodity price fluctuations, and structural constraints.

B. Kenya's Economic Performance and Outlook

64. The Kenya's economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. This strength is rooted in deliberate policies and the benefits of a diversified economy. The economy has thus been able to withstand adverse impacts of domestic and external shocks. In 2024, the economy grew by 4.7 percent supported by positive growths in all sub-sectors except construction, and mining and quarrying. Further, in the first quarter of 2025, the economy remained strong with a growth of 4.9 percent. This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector, and the resilience of services sector. All economic sectors recorded positive growth rates in the first quarter of 2025, with varied magnitudes across activities.

Table 21: Sectoral GDP Performance

Sectors	Annual Growth Rates		Quartely Growth Rates		
	2023	2024	2023 Q1	2024 Q1	2025 Q1
1. Primary sector	**5.7**	**3.9**	**5.4**	**4.5**	**6.2**
1.1. Agriculture, Forestry and Fishing	6.6	4.6	6.5	5.6	6.0
1.2 Mining and Quarrying	(6.5)	(9.2)	(10.6)	(16.1)	10.0
2. Secondary Sector (Industry)	**2.6**	**1.5**	**2.1**	**1.5**	**2.6**
2.1. Manufacturing	2.2	2.8	2.1	1.9	2.1
2.2. Electricity and Water supply	3.2	1.9	3.8	2.8	3.6
2.3. Construction	3.0	(0.7)	1.4	0.4	3.0
3. Tertiary sector (Services)	**6.8**	**6.1**	**6.6**	**6.8**	**4.8**
3.1. Wholesale and Retail trade	3.3	3.8	3.7	3.6	5.4
3.2. Accomodation and Restaurant	33.6	25.7	46.3	38.1	4.1
3.3. Transport and Storage	5.5	4.4	6.8	4.1	3.8
3.4. Information and Communication	10.3	7.0	10.4	9.2	5.8
3.5. Financial and Insurance	10.1	7.6	4.7	9.6	5.1
3.6. Public Administration	5.0	8.2	8.4	7.5	6.5
3.7. Others	6.1	5.2	5.7	5.8	4.4
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.4	4.6
Real Estate	7.3	5.3	6.6	6.9	5.3
Education	2.9	3.9	3.6	2.4	2.9
Health	4.5	6.3	4.8	5.4	4.8
Taxes less subsidies	3.2	4.4	2.7	2.9	5.7
Real GDP	**5.7**	**4.7**	**5.4**	**4.9**	**4.9**

Source of Data: Kenya National Bureau of Statistics,2025

65. Kenya's economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. This strength is rooted in deliberate policies and the benefits of a diversified economy. The economy has thus been able to withstand adverse impacts of domestic and external shocks. In 2024, the economy grew by 4.7 percent

supported by positive growths in all sub-sectors except construction, and mining and quarrying. Further, in the first quarter of 2025, the economy remained strong with a growth of 4.9 percent. This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector, and the resilience of services sector. All economic sectors recorded positive growth rates in the first quarter of 2025, with varied magnitudes across activities. Activities in Mining and Quarrying contracted in the first three quarters of 2024 mainly due to a decline in production of most minerals such as titanium, soda ash and gemstone. This was as a result of the closure of Kwale miner Base Titanium which formally shut down its mining activity in Kenya in December 2024 due to depletion of commercially viable ore.

66. The primary sector grew by 6.2 percent in the first quarter of 2025 compared to a growth of 4.5 percent in the first quarter of 2024. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector and a recovery in the mining and quarrying sub-sector.

67. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.0 percent in the first quarter of 2025 compared to a growth of 5.6 percent in a similar quarter in 2024. This performance was driven by favorable weather conditions experienced in most parts of the country involved in crop and animal production. This was evident in the significant increase in production of sugarcane, milk deliveries and increased coffee exports. The sub-sector's performance was further supported by improved external demand of cut flowers and vegetables. However, the sub-sector's performance was somewhat curtailed by a decline in tea production.

68. The mining and quarrying sub-sector grew by 10.0 percent in the first quarter of 2025, which was an improvement from the contraction of 16.1 percent in the similar quarter in 2024. This reflected increased activity and renewed investment following a period of subdued performance in the previous year.

69. In the first quarter of 2025, the industry sector recorded a growth of 2.6 percent, improving from 1.5 percent in the same quarter of 2024. This growth was driven by improved performance across manufacturing, electricity and water supply, and construction.

70. The manufacturing sub-sector grew by 2.1 percent in the first quarter of 2025 compared to a growth of I.9 percent in the first quarter of 2024. This growth was supported by both food and non-food manufacturing activities. In food manufacturing, the sub-sector benefitted from strong increases in coffee auctions, milk deliveries, sugar production, and soft drinks output. Non-food manufacturing also performed well, with increased production in cement and galvanized sheets.

71. The electricity and water supply sub-sector grew by 3.6 percent, compared to 2.8 percent in the first quarter of 2024, largely due to a rise in total electricity generation. Renewable energy sources contributed significantly, with solar and wind generation increasing. Growth in the sub-

sector was curtailed by an increase in thermal power generation while hydro and geothermal generation declined. Construction sub-sector grew by 3.0 percent in the first quarter of 2025, up from 0.4 percent in the first quarter of 2024, driven by increased consumption of key inputs such as cement, iron and steel. However, imported bitumen volumes declined, suggesting a potential slowdown in road construction activities.

72. The services sector recorded a growth of 4.8 percent in the first quarter of 2025, a slowdown from the 6.8 percent growth posted in the corresponding quarter of 2024. The transportation and storage sub-sector expanded by 3.8 percent, slightly lower than the 4.1 percent growth in the first quarter of 2024, supported by increased land transport and port activities. Accommodation and food service sub-sectors grew by 4.1 percent in the first quarter of 2025, a slowdown, compared to a growth of 38.1 percent in the first quarter of 2024. The number of visitor arrivals via the two major airports, the Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) increased by 0.5 percent in the first quarter of 2025 compared to a 10.4 percent growth in the first quarter of 2024.

73. The information and communication sub-sector grew by 5.8 percent in the first quarter of 2025, compared to 9.2 percent growth in the corresponding quarter of 2024. This performance was supported by an increase in the volume of outgoing domestic voice traffic, use of domestic short messaging services and mobile money transactions. Similarly, the total utilized international bandwidth increased in the first quarter of 2025, mainly attributed to the launch of an additional internet service provider in the country. The financial and insurance sub-sector recorded a slower growth of 5.1 percent in the first quarter of 2025 compared to 9.6 percent growth in the corresponding quarter of 2024. Despite the overall slowdown, the sub-sector remained buoyed by increased activity in financial transactions and improved credit conditions.

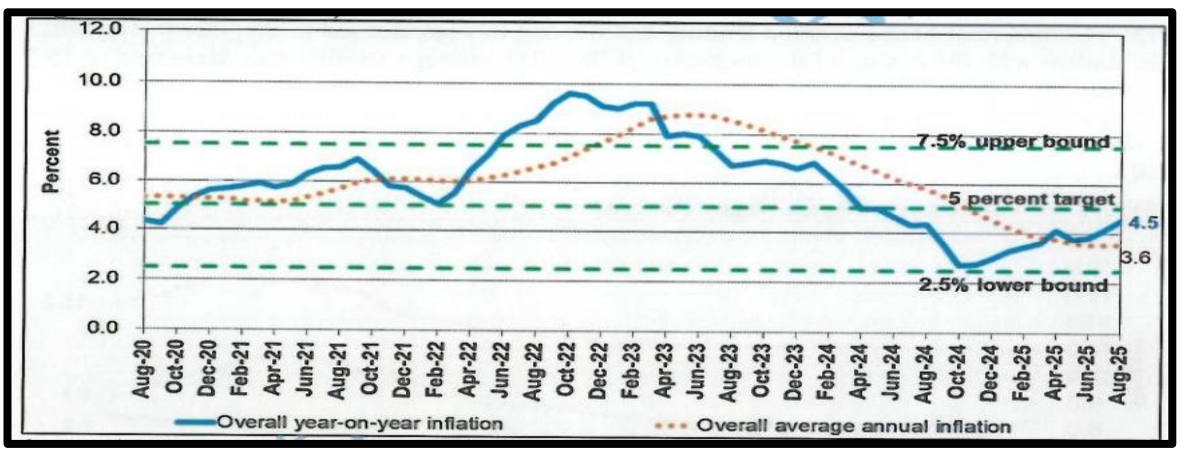
74. Leading indicators of economic activity in the second and third quarters of 2025 point to improved performance. This performance will be driven by strong performance in agriculture. supported by favorable weather and increased access to subsidized inputs, alongside easing monetary policy aimed at boosting private sector credit. Key service sub-sectors such as tourism, Information Communication and Technology (ICT), and finance are anticipated to contribute significantly, with tourism rebounding and digital economy initiatives gaining momentum. Construction is expected to have a strong growth boosted by increased activities in major public works due to repayments of pending bills. This is evident by the increase in consumption of cement, ballast and sand in the second quarter of 2025. Additionally, the ongoing works in affordable housing continue to attract investment and create jobs.

Inflation Development

75. Overall year-on-year inflation declined and has remained below the mid-point of the policy target range of 5.0 + 2.5 percent since June 2024. The year-on-year inflation was stable at 4.5 percent in August 2025 compared to 4.4 percent in August 2024 (Figure 8). The stable inflation has been supported by: abundant supply of food attributed to favorable weather conditions coupled with government interventions; lower fuel inflation attributed to the stability of the exchange rate; lower international oil prices; and the decline in non-core inflation reflecting impact of previous monetary policy tightening.

76. Core inflation increased to 3.0 percent in August 2025 from 2.2 percent in August 2024, largely driven by higher prices of processed food items. Core inflation is compiled from non-volatile commodities such as manufactured food items, health services, education services and ICT. Non-core inflation decreased to 9.2 percent in August 2025 from 10.3 percent in August 2024, mainly on account of relatively lower energy prices. Non-core Consumer Price Index (CPI) component is largely comprised of fresh vegetable farm produce, energy items and select transport components, which are predominantly driven by volatility in global energy prices and domestic weather conditions.

Figure 9: Inflation Rate, Percent



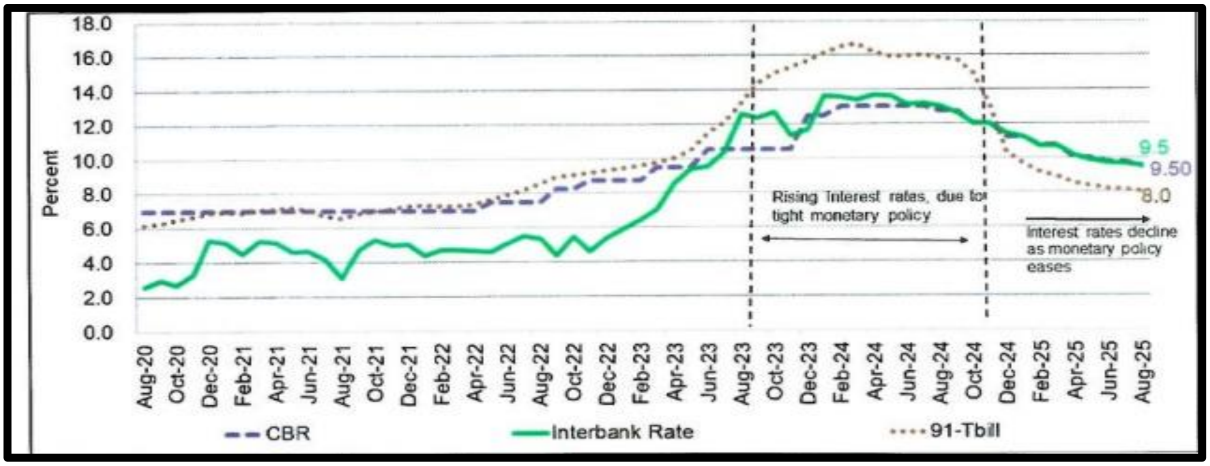
Source: Kenya National Bureau of Statistics, 2025

Interest Rates Developments

77. The Central Bank of Kenya through the Monetary Policy Committee (MPC) has gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 9.5 percent in August 2025. This is meant to augment the previous policy actions aimed at stimulating lending by banks to the private sector and supporting economic activities. It also seeks to ensure that inflationary expectations remain firmly anchored and the exchange rate remains stable. In addition, the Cash Reserve Ratio (CRR) was reduced to 3.25 percent in February 2025 from 4.25 percent, to complement the lowering of the CBR and support lending to the private sector.

78. The short-term interest rates have declined in line with the easing of the monetary policy. The interbank rate declined to 9.5 percent in August 2025 compared to 13.0 percent in August 2024 and has remained within the prescribed corridor around the CBR (set at CBR ±75 basis points). The 91 - day Treasury Bills rate declined to 8.0 percent in August 2025 from 15.9 percent in August 2024. The 182-day Treasury Bills rate declined to 8.1 percent in August 2025 from 163 percent in August 2024 while the 364-day Treasury Bills also declined to 9.6 percent from 16.9 percent over the same period. The decrease in government domestic borrowing rates has led to lower debt servicing costs.

Figure 10: Kenya Shillings Exchange Rate

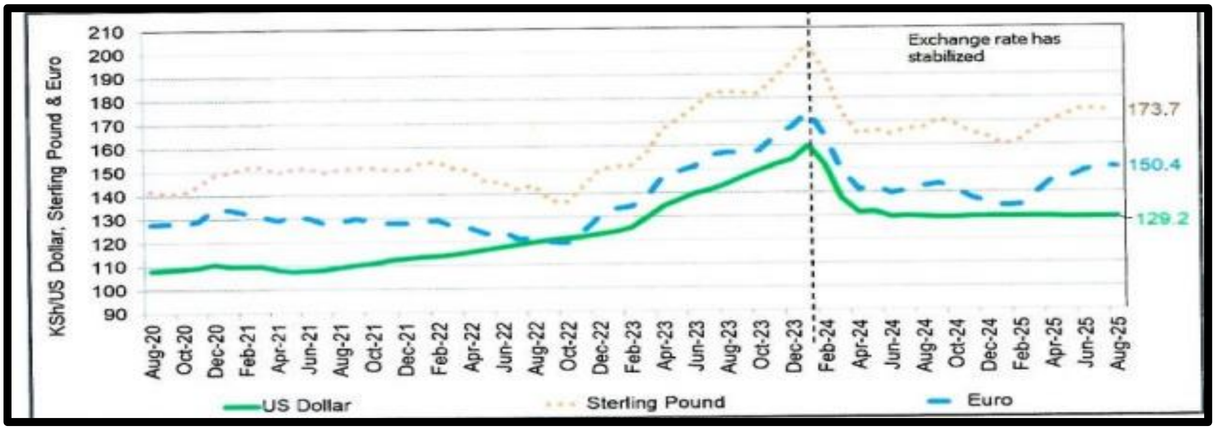


Source: Central Bank of Kenya, 2025

Exchange Rate Developments

79. The Kenya Shilling remained relatively stable against major international currencies. It stabilized against the US Dollar in August 2025, exchanging at an average of Ksh 129.2 compared to Ksh 129.3 in August 2024. However, the Shilling depreciated against the Sterling Pound and the Euro by 3.8 percent and 5.6 percent, respectively. The Sterling Pound exchanged at an average of Ksh 173.7 in August 2025, up from Ksh 167.3 in August 2024, while the Euro averaged Ksh 150.4 compared to Ksh 142.4 over the same period. Overall, the foreign exchange market remained well-supported by steady inflows from agricultural exports and diaspora remittances, which helped cushion the Shilling against excessive volatility.

Figure 11: Kenya Shillings Exchange Rate



Source of Data: Central Bank of Kenya,2025

C. Kenya's Macroeconomic Outlook

80. Kenya's economic performance is projected to pick up in 2025 and 2026, with real GDP growth projected at around 5.3 percent. On the supply side, growth will be driven by resilient agriculture, steady services, and gradual improvement in industry. The agriculture sector will be driven by favourable weather conditions and productivity-enhancing government interventions. Linkages with other sub-sectors will boost the agro-processing industries, merchandise exports, as well as households' incomes.

81. The industrial sector is projected to pick up in the medium term due to the reduced cost of production and stable exchange rate. Notably, the construction sub-sector is expected to recover following the settlement of verified pending bills, which will facilitate the resumption of stalled projects, improve liquidity for contractors, and stimulate growth associated sectors including manufacturing and materials supply. Kenya's fast-growing services, including the financial sector and ICT, are projected to maintain momentum. Ongoing efforts by the government to promote eco-friendly tourism practices, expand community-based tourism, and invest in port facilities to promote cruise tourism, are expected to drive the growth of the hospitality sector in the medium term.

82. On the demand side, private consumption and investment are projected to maintain a steady pace supported by a conducive macroeconomic environment. Prudent monetary policy and lower inflation will support disposable incomes; of households and firms. Moreover, remittance inflows to Kenya are projected to remain resilient and provide further support, Lower lending rates are expected to encourage increased private investment by making credit more affordable for businesses, thereby supporting expansion and job creation, while also boosting household consumption through easier access to loans, which can stimulate economic growth. Private investment will also be supported by improved business confidence, adherence to fiscal consolidation, and a stable exchange rate underpinned by prudent monetary policy and successful liability management. The privatization of

state-owned assets is expected to boost private investment by attracting both foreign and domestic investors, improving enterprise efficiency, and freeing up public resources to support broader economic growth.

83. Growth of public consumption is projected to remain subdued, in line with the planned fiscal adjustment the medium term. As a percentage of GDP recurrent expenditure is projected to decline, while development expenditure is projected to gradually pick up to support BETA. The Government also plans to mobilize funds for planned major infrastructural projects through PPPs to enhance liquidity to the private sector by clearing pending bills particularly the approved payments related to the roads sector. The settlement of the road sector pending bills will be facilitated through a bond issued by the Kenya Roads Board.

84. Kenya external balance is projected to remain stable in the medium term, supported by increasing exports as trade agreements are implemented, and global financial conditions ease further. Additionally, a projected robust growth in Kenya's key trading partners (Africa) and low international commodity prices will drive demand for Kenya's exports with resilience expected in agriculture. The removal of export tariffs by China and improved access to European Union markets are expected to boost Kenya's exports, increase foreign exchange earnings, and help improve the country's external balance.

85. An anticipated stabilization in global growth in the medium term is expected to support resilience in diaspora remittances as well as continued growth in tourism and transport receipts. The estimated recovery in service exports is expected to compensate for a decline in incomes following reduction in aid flows. A projected increase in domestic demand supported by stable exchange rate will drive import growth largely through imports of raw materials for the recovery in industrial growth and imports for household consumption.

86. The FY2026/27 and Medium-Term Budget will continue to support the Government's Bottom-Up Economic Transformation Agenda (BETA). This will be achieved through the ongoing implementation of a growth-responsive fiscal consolidation plan aimed at slowing down the growth of public debt without compromising service delivery. Given the expected limited resources available in the current economic context, it is essential for MDAs to prioritize and align their programs within the available resource envelope.

Monetary Policy Management

87. Monetary policy management is undertaken by CBK with the primary goal of maintaining price and financial stability to support economic growth. The framework is anchored on an inflation-targeting approach* with the current target set at 5 $\pm$ 2.5 percent. The introduction of core and non-core

inflation measures in January 2025 has strengthened the CBK "s capacity for data-driven decisions, with core inflation providing a more reliable guide to underlying price pressures.

88. The Monetary Policy Committee continued to implement the reforms outlined in the White Paper on Modernization or the Monetary Policy Framework and Operations aimed at enhancing the effectiveness of monetary policy and supporting the anchoring of inflation expectations. As part of this reform, the CBK is transitioning toward a forward-looking, interest-rate-based monetary policy framework, strengthening liquidity management tools, enhancing policy communication and transparency, and upgrading market infrastructure to improve monetary policy transmission.

89. A key milestone in this transition is the adoption of interest rate corridor system, which sets a clear ceiling and floor for short-term market interest rates around the CBR. In April 2025 the MPC narrowed the interest rate corridor from ± 150 basis points to ± 75 basis points and revised the discount window rate from 300 basis points above the CBR to the upper bound or the corridor (+75 basis points). These reforms are expected to stabilize the interbank rate, align it more closely with the CBR, strengthen monetary policy signaling and deepen financial markets to bolster investor confidence and macroeconomic stability.

90. Further, the CBK has introduced a revised Risk-Based Credit Pricing Model (RBCPM) for the banking sector. This is aimed at strengthening monetary policy transmission, enhancing lending transparency, and promoting responsible lending by aligning credit pricing with borrowers' risk profiles. The revised model is anchored on the Kenya Shilling Overnight Interbank Average rate (KESONIA) to align with international best practices. It also closely links lending rates to the policy rate under the current monetary policy framework. Under the RBCPM, the total lending rate equals KESONIA plus a premium ("K") that covers lending costs, shareholder returns, and borrower risk, while the total cost of credit includes KESONIA, the premium, and fees and charges.

91. To ensure transparency, banks will publish their weighted average lending rates, premiums, and fees and charges for all lending products on their websites and on the Cost of Credit (TCC) platform. KESONIA will apply to all variable rate loans except foreign currency and fixed-rate loans, with the CBR as an alternative where KESONIA is not practical. The revised RBCPM was effective from September 1, 2025, for all new variable rate loans, and will take effect from February 28, 2026, for existing rate loans following a six-month transition period.

92. The CBK extended the operating hours for the Kenya Electronic Payment and Settlement System (KEPSS) and the national Real Time Gross Settlement (RTGS) system, effective July I, 2025. The strategic enhancement is aimed at improving the efficiency, accessibility, and resilience of Kenya's payments ecosystem supporting the country's transition towards a 24/7 digital economy, facilitate seamless transactions across time zones and increase the competitiveness of Kenya as a regional financial hub.

93. Going forward, monetary policy management will continue to focus on preserving the credibility of the inflation target and enhancing the transmission of policy signals to lending rates. Additionally, it

will continue safeguarding financial stability and ensuring monetary conditions remain supportive of private sector credit and economic activities, reinforced by prudent fiscal management.

Assumptions Underpinning the Fiscal Framework

94. The macroeconomic assumptions for FY 2026/27 and medium-term Budget are outlined below:
    - (i) Global macroeconomic conditions remain stable;
    - (ii) Real GDP is projected to grow by 5.3 percent in 2025 and to sustain this growth rate over the medium term, largely driven by enhanced agricultural productivity, a resilient services sector, and ongoing implementation of priorities under BETA;
    - (iii) Favorable weather conditions are anticipated to boost agricultural productivity
    - (iv) Inflation is expected to be maintained within the target range of 5± 2.5 percent;
    - (v) Interest rates are expected to continue declining in 2025 in line with the monetary policy stance and remain stable over the medium term to enhance credit to the private sector and support economic activities; and
    - (vi) Exchange rate is expected to remain stable

Risks to the economic outlook

95. Kenya's economic outlook is subject to several downside risks that could hinder growth and macroeconomic stability. Domestic risks relate to extreme weather events which could pose a serious threat to agricultural performance. Disruptions in food production due to droughts and floods could lead to higher food prices, exacerbating inflation, and straining household incomes. Additionally, climate-related damage to infrastructure could disrupt economic activities and increase Government expenditure on disaster response and reconstruction.
96. Externally, the rise in costs of fuel and food imports, driven by supply constraints or geopolitical instability, could put upward pressure on inflation, eroding household purchasing power and increasing the cost of doing business. Additionally, uncertainty regarding trade policies and tariffs may hinder economic activities, along with increased financial market volatility and tighter financial conditions.
97. Despite these downside risks, there are potential upside scenarios. Accelerated implementation of structural reforms under BETA and the Fourth Medium-Term Plan, including further improvements in public financial management; expenditure efficiency, and governance, could enhance investor confidence and spur economic activities. A favourable global economic environment, marked by stable commodity prices, fall in oil prices, and strong external demand, could also support higher-than-expected growth, improving Kenya's overall economic resilience.
98. Continued coordination between monetary and fiscal policies is expected to contribute to a stable macroeconomic environment, which is essential for promoting investment, savings, and economic growth. The Government is actively monitoring both domestic and international conditions and will

implement suitable policy measures to safeguard the economy against potential adverse effects should these risks materialize.

D. Recent Economic Developments in the County

99. The County's gross county product as at 2023 remained constant at 4.8% with a five-year average of 4.6% which is also the National average and was the fourth highest county according to the KNBS Gross County Product Report (GCP), 2024. On the Gross County Product per capita which is calculated by dividing the GCP by the respective county population, Mombasa was second with a GCP per capita of Ksh 507,337. Growth in the local revenue remained resilient with an overall increase of 9.5% with the highest collections being in the third and fourth quarters with 65% of all own source revenue collected in the said quarters.

100. The County continues to put up efforts of strengthening the Own Source Revenue collection through exploration and implementation of unexploited revenue streams in order to increase our revenue base. This includes the waste management at the port and waste collection at the household level. The County will also put in efforts to capacity build the revenue staff so as to ensure we have a vibrant workforce that is dedicated to revenue collection, oversight and enforcement. The Mombasa County Finance Act, 2024 provides a legal framework and institutional framework for revenue administration to ensure effectiveness, efficiency and transparency in revenue matters.

101. The county continues to diversify its economic activities and position its self to becoming a preferred destination for investors both local and foreign so as to improve the quality of life for its citizens, through establishment of onsite infrastructure especially in the special economic zone area. This is will stimulate economic development by wooing investors hence providing an enabling environment for investment and delivery of services by acting as a catalyst that ensures amongst others a vibrant 24 hours economy and also a preferred worldwide tourist destination.

102. In infrastructure development, the main interventions continue to be improvement of access roads, establishment and maintenance of the drainage system, non-motorized transport, beautification and aesthesis of the County. To empower the SMES the county will continue to improve and set up trading infrastructure within the county.

103. In Mombasa County, the services sector is the dominant contributor to Gross County Product (GCP), accounting for approximately 65.52% of the Gross Value Added (GVA), followed by the industry sector at around 33.74%, while in agriculture it contributes very little (about 0.71%). Key economic drivers include the port, manufacturing, and tourism, with the latter two benefiting from the city's natural assets like the Indian Ocean. The National Spatial Plan 2015-2045 identifies Mombasa as a key coastal urban Centre that serves as a Port City and Gateway to East Africa. The Sea Port of Mombasa provides direct connectivity to over 80 Ports worldwide and is linked to a vast hinterland comprising countries in East Africa.

104. On the exploitation of the Blue Economy; the County Government has plans for; continuous procurement of fishing gears and boat accessories, establishment an integrated value addition Centre

with both agriculture and fisheries components, Construction of a 110-tonne capacity cold storage as well as branding of the 001 products, establishment of a county abattoir, as well as promotion of urban farming. The County undertook procurement of cold storage facilities in support of six BMUs.

105. The county's Mombasa Investment Corporation (MIC) whose main mandate is to enhance financial and economic prudence, promote local and foreign investment, coordinate public private partnerships and joint ventures as well as resource mobilization of finances for investments. MIC through exploring Corporate Social Responsibility initiatives has been able to negotiate for construction of the Port Reitz Level Four Medical Facility through development assistance from the Kingdom of Saudi Arabia and a school feeding program by the French Government. On the same breath a number of MOUs have been in the offing among them; MOU with Blue Skies on Vehicle emissions, MOU with Demi Tech on quality and affordable internet services, MOU with Global Development Incubator (GDI) on attracting and promoting investment within the County and also an MOU with the city of Bialystok in Poland on the sister city partnership.

106. In addition to the above measures, the Government will continue to support the development of the onsite infrastructure for the; Export Processing Zones (EPZs), Special Economic Zones (SEZs) and industrial parks across the country with the major priority and efforts being channeled to the establishment of the Dongo Kundu SEZs and infrastructures.

107. The County Government has highly prioritized social programmes so as to improve the quality of life of its citizens and address their need through the various programmes amongst them; the ongoing issuance of bursaries, the Serikali Mitaani initiative, talent development through the "Skills Mitaani" programme and the school feeding programme.

108. The County Government of Mombasa strives to achieve Universal Health care and will endeavor to ensure that its citizens have access to the best possible affordable and quality health services by heavily investing in the sector through operationalization of the Mombasa Health Care. Mombasa County has achieved a notable 68.4% enrollment rate in the Social Health Authority (SHA), a national high for Universal Health Coverage (UHC). Key achievements include the free healthcare for children under five, the digitization of health services and participating in agreements to improve medical equipment services in public health facilities through a fee-for-service model, reducing the burden on facilities.

109. The county has also partnered with the Technical University of Mombasa to establish a School of Medicine and Health Sciences, which will train local health professionals by partnering with Ghent University and other organizations. To support the new medical school, scholarships were awarded to top-performing students from each sub-county, with the expectation that they will return to serve Mombasa's population.

110. The projected water demand for the County is 240,000 cubic meters per day while the current supply is at 20,000 cubic meters. The available supply can only meet about 8.3% of the demand and thus there is need for concerted efforts to address the water deficit. There is need to explore ventures

for establishment of desalination plants that will address the shortfall which has been prioritized within the county development plans. Currently, a large population relies on borehole water which is at risk of contamination hence not safe for domestic use. To address the water shortage the following has been initiated; undertaking a 100 day rapid result initiative to crack down on illegal water connection, procurement of Smart meters through MOWASSCO to monitoring consumption and reduce non-revenue water as well exploring the hydrogeological survey through the Ministry of Water so as to undertake the ground water mapping and management so as to secure the county's long term water sustainability and address the County's complete reliance on inter- county water transfers.

111. On waste management, the Jospong Group of companies with root in Ghana is partnering with Mombasa County to improve waste and sanitation infrastructure, which includes environmental protection and job creation. This collaboration will involve dividing the city into units for youth-led waste collection, transferring waste to material recovery facilities, and creating green jobs in sanitation, logistics, and engineering. The initiative aims to reduce environmental degradation and foster a culture of responsible waste management through community engagement and awareness programs.

112. There was also household waste segregation which is a pilot program supported by World Wide Fund (WWF) and the European Investment Bank, which was launched in the Mvita and Likoni Sub Counties to encourage residents to sort waste at home. To support recycling enterprises, the county is actively partnering with community-based organizations (CBOs) and private enterprises to bolster recycling efforts.

113. Additionally, there have been structural changes within the county government, including the merger of the Environment and Water departments, to create a more integrated approach to managing water, environmental and sanitation functions.

114. On climate change resilience, Mombasa County has made history as the first sub-national government in Africa to secure EDGE (Excellence in Design for Greater Efficiencies) certification for a portfolio of public buildings, marking a significant milestone in sustainable infrastructure and climate leadership. On energy, the county has an Urban Smart Energy (USE) Program in partnership with Covenant of Mayors in Sub-Saharan Africa (CoM SSA) and GIZ, to assess and plan for cleaner, more efficient energy in public buildings in Mombasa. On Natural Resource management, there are initiatives on Solar Water Farms in partnership with GivePower Foundation to help supply potable water, especially in underserved areas.

115. The formulation of the Mombasa Tourism Council has proven to be a game changer for the County's tourism industry. They continue to carry out activities to show case Mombasa's beauty and rich culture. The continued rehabilitation of the CBD and all public beaches will give the tourism sector a major boost and see Mombasa reclaiming its glory as a major tourism destination both locally and internationally.

116. Mombasa's tourism sector has contributed to Kenya's national success through the increased visitor numbers. In 2024, the nation welcomed a record 2.4 million international visitors, and Mombasa's Moi International Airport (MIA) recorded 204,538 arrivals, primarily holiday/leisure travelers.

117. On enhanced cruise tourism, Mombasa Port is experiencing a resurgence in cruise tourism. The arrival of ships, like the Crystal Symphony in April 2025, signals growing appeal in the global cruise market. Increased cruise ship arrivals contribute to the local economy through port services, tours, and passenger spending.

118. The county has worked with stakeholders and the Kenya Coast Tourist Association (KCTA) on beach management improvements to enhance visitor experience. Initiatives have included training hundreds of beach operators to reduce harassment and improve customer satisfaction. To support and promote small businesses and the tourism ecosystem, the county has helped by providing modern kiosks and facilitating fairs and exhibition.

119. Mombasa County launched a scholarship programme targeting deserving needy students in public primary schools: the top two girls and top two boys from each public primary school are beneficiaries. Under this scheme, 358 students are supported (291 in boarding schools, 67 in day schools), with the county government allocating Ksh 15 million to cover their full school fees. In 2024/2025 FY, the county government employed an additional 200 ECD teachers to enhance the quality of early childhood education. The county has a policy for capitation grants to ensure enhanced access and quality for learners in public ECD centers.

120. The county government is collaborating with the National Lands Ministry to digitize and update land title records using the Ardhisasa system. This aims to reduce forgeries, improve access to reliable land information, help in valuation, enhance planning, and improve revenue collection.

121. The county championed and developed the Mombasa County Ardhi Fund Regulations (2024) to provide a legal mechanism /fund to buy land from absentee landlords or disputing owners and settle occupants. This initiative will be two folds as it will address the historical land ownership issue by ensuring titles are issued in the county as well as bolstering the own source revenue as the titled clientele will increase.

122. Additionally, the county government has adopted the Tenant-Purchase Model to Resolve Squatter Problem. In Mikindani Ward, 1,000 title deeds were issued to squatters as part of a tenant-purchase scheme. Plans are underway for similar schemes in Chaani (700 titles via KISIP) and overall target of about 3,000 title deeds in affected areas. In the Miritini settlement (a site & service scheme), which had many plots lacking titles, the county issued 520 additional title deeds, increasing secure land tenure for residents. The plan is to replicate title-issuance drives in other sub-counties of Likoni, Changamwe, Nyali, Kisauni and Mvita.

123. Mombasa County has exhibited notable progress in the timely preparation and dissemination of its economic planning documents, a practice that underscores its commitment to fiscal responsibility and good governance. Key instruments such as the County Fiscal Strategy Paper, the Programme-Based Budget, and the County Budget Review and Outlook Paper are not only produced in accordance with statutory timelines but are also systematically published for public access. This consistency has strengthened the county's standing in budget transparency assessments, reflecting a deliberate effort to institutionalize openness and accountability in public finance management.

124. Furthermore, the county has progressively enhanced the inclusivity of its processes through structured public participation, thereby aligning its planning frameworks with both national legislation and international principles of participatory governance. By embedding transparency and timeliness into its policy and budgeting cycle, Mombasa sets a positive precedent for subnational governments, demonstrating how economic planning documents can serve as tools for both accountability and citizen engagement.

125. On Fiscal prudence and transparency, the county was praised for increasing budgetary transparency, with significant improvements noted in the Kenya County Budget Transparency Survey between 2020 and 2023. The administration is focused on entrenching good governance and reforming county finances to build public trust.

126. Own Source Revenue (OSR) has shown consistent growth over the years with a 9% increase in the 2024/25 FY, from 4.5 billion to 4.9 billion in one recent year. The Civil society has lauded the County for surpassing previous targets expecting to cross 5 billion mark in OSR in the next FY.

127. In improving the road network connectivity, the Mombasa-Mtwapa Dual Carriageway which is a 13.5 km section from Nyali Bridge to Mtwapa Bridge is being dualled into four lanes with service roads, six footbridges, six grade-separated junctions, and non-motorized traffic facilities. Furthermore, the Mombasa Port Access Road (30.4 km from Kwa Jomvu interchange up to Mariakani weighbridge) is under construction/upgrade, aiming to reduce travel time in the northern corridor. Expected to be a dual carriageway, with service lanes, climbing lanes, improved intersections, non-motorized user facilities, weighbridges, drainage etc.

128. The Links Road upgrade in Nyali, near Quickmart, is a critical 6-month infrastructure project aimed at resolving chronic flooding and improving road safety. While implemented by KURA, the Mombasa County Government has played a central role in coordinating the works, ensuring public communication, maintaining business access, and integrating non-motorized transport elements like cycling lanes. The county has also been instrumental in traffic management planning, stakeholder engagement, and addressing drainage issues that partly stem from local development approvals. Despite concerns over disruption, the county's active involvement is key to ensuring the project delivers long-term solutions for safer, flood-resilient infrastructure in Nyali.

129. On Drainage & Storm-water Infrastructure to mitigate flooding, the county has constructed 65.5 km of storm-water drainage infrastructure across the various sub-counties. Non-Motorized Transport

(NMT) / Pedestrian Infrastructure Walkways /paved pedestrian paths have been built or improved in all the sub-counties with cycle parking facilities introduced (e.g. Haile Selassie Road (Blue Room), Koinange Road) with capacity for 25 cycles each which also helps in promoting a health populace through walking and cycling.

130. The street lighting upgrade along the Kisauni–Bamburi Mwisho route is a key infrastructure initiative driven by the Mombasa County Government showcasing the county's commitment to modern urban services. The replacement of old single-arm lights with brighter, double-arm fixtures has greatly improved visibility at night, enhancing safety for pedestrians and motorists. The county's proactive role was paramount—not only in funding and implementation but also in aligning the project with broader goals of security and economic growth. By enabling safer, well-lit streets, the county is actively fostering a 24/7 economy and creating a more attractive environment for business and community life.

131. As we continue to revamp and expand the economic activities within the county so as to create employment and self-sustainability for the citizens the county has already embarked on the process of rehabilitating and construction of markets and trading areas within the County.

132. The County Government wishes to scale up investments in the county's priority areas through; transport and infrastructure development, provision of quality and affordable health services, youth and women empowerment, enhancement of education and training, upgrading of water and sanitation systems and streamlining waste management services as captured in the CFSP 2025.

Risks to the Outlook

133. The risk to the outlook for Mombasa County during this period and in the medium-term emanates from both external and domestic quotas. The economy remains vulnerable to both domestic and external shocks. For prudent management of risks, the PFM Act, 2012 requires the preparation of a "Statement of Fiscal Risks".

134. The "Statement of Specific Fiscal Risks" outlines County's exposure to fiscal risks that are associated with macroeconomic assumptions used for fiscal projections, public debt dynamics, operations of state corporations, contingent liabilities, vulnerabilities of the financial sector, as well as risks posed by nature.

135. The upside risk to the domestic economy relate to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. The Kenyan Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize.

136. In the medium term, the shortfalls in revenue continues to pose a threat of a budget deficit due to the ever-increasing pending bills and a high wage bill. Systems, controls and structures are being put in place to improve the own source revenue performance coupled with a revenue collection reforms

and moderation in recurrent expenditure, so as to increase the revenue bases and the fiscal position in the medium term.

137. The Government will monitor and mitigate the above risks and take appropriate measures to safeguard macroeconomic stability including preparation of supplementary budgets to regularize and align any emerging issues.

138. The County will embark on the implementation of the Governor's manifesto incorporating the BETA agenda so as to complement the National Government's Economic Transformation agenda which has been bearish.

139. Other than the frequent late disbursement of exchequer issues, the main challenges that continue to be experienced relate to unrealized projected local revenue collection, bloated wage bill and huge pending bills some of which are statutory deductions that accrue huge interests.

140. The high wage bill continues to be a major challenge in the implementation of the budget. Currently in the 2025/26 financial year the personnel emoluments stand at 49% of the overall county budget which is 14% above the statutory requirement of 35%. The percentage has been increasing due to the reduction of the operations and maintenance cost. The recruitment of key essential staff and the frequent salary increment for various cadres of staff continues to increase the already bloated wage bill. The various collective bargaining agreements (CBAs) to increase salaries and benefits of various officers especially in the health sector also continues to threaten the already ballooned wage bill.

141. The unfavorable parameters used to allocate equitable share to the counties including the proposed fourth basis county continues to be a major risk coupled with the delay in disbursement of funds by the national government especially in the fourth quarter and continues to be a challenge as this leads to delay in execution of planned activities of the County thus compromising service delivery.

142. In the medium term, due to revenue shortfalls, the ever-increasing pending bills and a high wage bill, continues to pose a threat of a budget deficit. Systems are being put in place to improve local revenue performance, following revenue collection reforms and moderation in recurrent expenditure, so as to increase the revenue bases and the fiscal position in the medium term.

143. The fiscal framework for the financial year 2025/26 onwards will entail a deliberate effort to continue exercising prudency in public expenditure management with the principal goal of containing fiscal risks, gradually lowering the fiscal deficit, and adopting austerity measures to deter increase of recurrent expenditures in favor of productive capital spending. To achieve this, the Government endeavors to prioritize expenditure in the social sectors with the overall objective of this is being to realize sustainable, shared and equitable growth that would in return lead to accelerated job creation and improved standards of living and quality of life for the citizenry.

144. The Government remains committed to fiscal consolidation in order to ensure the long-term sustainability of public finances. Nevertheless, the Government will monitor the risks and take appropriate measures to safeguard macroeconomic and microeconomic stability.

145. The CG recognizes that further stringent measures need to be put in place to ensure scaling up of revenue collection and mobilization of resources and more efficient production structure towards the implementation of the third generation CIDP 2023- 2027.

146. The County Government will continue monitoring the above risks and take appropriate measures to safeguard macroeconomic stability including preparation of supplementary budgets to regularize and align any emerging issues.

Proposed Measures to address the risks

147. There is need for the development of a national legislation on planning to guide planning at both levels of Governments; integration of national and county planning; development of a national resource mobilization strategy; operationalization of all IFMIS modules including pending bills, accounts receivables; monitoring and evaluation; development of a standardized framework for assets valuation in counties; fast-tracking the processing of Auditor General's reports in the County Assemblies and the Senate to strengthen oversight in the management of public finance functions in counties; customization of human resource policies by the Ministry of Public Service in consultation with the Public Service Commission , IGRTC and County Governments; amendment of various Sections of PFMA, 2012 and continuous capacity building of County Governments officials on all PFM related areas.

148. The County Government will continue pursuing prudent fiscal policy to ensure stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for sustainable management of public finances. As such, the CG will continue honoring the repayment plan of the pending bills so as to offset all the pending bills in the shortest period possible and ensuring expenditure is strictly done guided by availability of funds going forth.

149. Fiscal policy will continue to support County development economic activities while providing a platform for the implementation of the various planned projects and programmes within a context of sustainable public financing. This process will be strengthened in the FY 2025/26 and in the medium term by encouraging more private-sector engagement in order to build concrete public private Partnership in pursuit of new economic opportunities.

150. The growth of the outlook for the calendar year 2025 and the FY 2025/26 and the medium term, will be supported by the stable macroeconomic environment, ongoing investments in strategic priorities of the County Government under the Mombasa Vision 2035 to compliment the Bottom-Up Transformation Agenda (BETA), and the ongoing public investments in infrastructure projects that are envisaged to be implemented through Public Private Partnerships.

151. The County Government in its third generation CIDP 2023-2027 has ensured that it rides on the gains that has so far been realized while also putting up strategic measures to address the challenges that have so far been identified that are hindering effective service delivery to the citizenry.

152. With respect to revenue, the CG will maintain a strong revenue effort at 12 percent of Revenue Growth over the medium term. Measures to achieve this effort include upgrading of the county revenue automated systems, continued exploration of new revenue streams, interdepartmental concerted efforts towards revenue collection, implementation of the finance act 2025 with a rejuvenated enforcement mechanism. In addition, the CG will rationalize existing fees and charges incentives, expand the income base as envisaged in the Constitution.

153. On the expenditure side, the CG will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with continued implementation of the Integrated Financial Management Information System (IFMIS) across all the departments.

154. The county will continue redirecting expenditure towards those priority programmes as identified in public consultative forums as well as the equitable ward-based development initiatives. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic welfare.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2025/26 Budget

155. Given the fiscal performance in 2024/25 and the updated fiscal outlook, the risks to the FY 2025/26 budget include lack of realization of the projected local revenue, undisbursed equitable share and grants which will hinder the full implementation of the budget as well as expenditure pressures with respect to increased personnel emoluments.

156. The County Allocation of Revenue Bill, (Senate Bills No. 9 of 2025) passed by the Senate with amendments on 22nd July, 2025 whereby the shareable revenue county governments increased from 387.4B to 415B. The baseline figure is 387.4B, the affirmative action allocation of 4.46B, hence an additional equitable share of 23.12B to be shared by the counties hence the total equitable revenue to be shared amongst the counties being 391.89B.

157. The County Government of Mombasa's allocation has increased by 483.7 million in the 25/26 Fy culminating from the above increase in the shareable revenue to the counties since in the Fy 2024/25 the county's allocation was 7.9B and in the FY 25/26 is 8.4B.

158. In addition, implementation pace in the spending units continues to be a source of concern especially with regard to the development expenditures and implementation of donor funded grant-oriented projects. These risks continue to be monitored closely and the CG will take appropriate measures in the context of the Supplementary Budget(s).

159. Adjustments to the 2025/26 budget will take into account actual performance of expenditure so far and absorption capacity in the remainder of the financial year because of the resource constrains, the Government will rationalize expenditures by shelving those that are non-priority. These may include slowing down or reprioritizing development expenditures and increasing the budget allocation for debt resolution.

160. Any review of salaries and benefits for personnel continues to be conducted by the Salaries and Remunerations Commission (SRC) in accordance with Article 230 of the Constitution and Regulations.

161. With respect to revenue, the CG will maintain a strong revenue effort at 12 percent of Revenue Growth over the medium term. Measures to achieve this effort include upgrading of the county revenue automated systems, interdepartmental concerted efforts towards revenue collection, implementation of the finance act 2024 with a rejuvenated enforcement mechanism. In addition, the CG will rationalize existing fees and charges incentives, expand the income base as envisaged in the Constitution.

162. On Own Source Revenue (OSR) Enhancement, the county continues with;

- Enforcement of the Finance Acts and Regulations: The County Government will ensure that fees and charges are collected in accordance to the Finance Act 2024.
- Expanding the Revenue base: So as to increase the revenue base the County shall identify the unexploited revenue streams as mandated in the Public Finance Management Act.

- Upgrading of the automated revenue collection system: The County will continuously upgrade the revenue collection systems so as to be at par with the current environment dynamics.
- Business processes reengineering: To ensure an effective and efficient revenue collection, the County Government shall embark on a vigorous exercise of fine tuning all the revenue collection processes.
- Review of Fees and Charges.
- In the medium and long term, the Sector will prepare and implement a resource mobilization strategy in line with the establishment of the Mombasa Revenue Services.
- Strengthening revenue collection division - In order to improve revenue collection, the revenue division will recruit in a progressive manner revenue officers and capacity building will be conducted for various revenue collectors and enforcement officers to enhance technical competences
- Decentralization of revenue collection at the sub counties and ward levels: This will ensure that there is maximum revenue collection realized from all corners. Plugging the revenue leakages by training the collectors and ensuring that all the revenue collected are deposited to the nearest commercial bank before the closure of the business. The revenue collectors will also be frequently rotated to new stations to avoid familiarity.
- Adequate supervision and enforcement of revenue collection points to enhance accountability and seal corruption loopholes

163. On the expenditure side, the CG will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with continued implementation of the Integrated Financial Management Information System (IFMIS) across all the departments.

164. The county will continue redirecting expenditure towards those priority programmes as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic welfare.

B. Fiscal Policy for FY 2026/27 and Medium-Term Budget

165. Progressively, and in view of the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. In the Meantime, the resource allocation will be based on the Annual Development Plan 2024 and the Fiscal Strategy Paper 2025.

166. The Mombasa County 2026 Medium-Term Fiscal Framework aims at stimulating the economic growth and development, reducing vulnerabilities, operating a balanced budget, ensuring effective delivery of services and supporting sustainable economic growth in the County. This policy underscores the need to prioritize crucial recurrent expenditure, socio economic initiatives and undertake high impact capital expenditure in order to enhance economic growth. The 2025 CBROP will be anchored on the following:

- The county shall enhance its revenue base with a view to ensuring we increase own source revenue collection and achieve greater efficiency in terms of cost savings from non-crucial expenditure to ensure priority is given to the set priorities.
- Maintaining a lean workforce will assist in controlling the wage bill. This will create fiscal space for spending on the key county priorities especially in the social sectors and other development programmes. This will further provide adequate room for future countercyclical fiscal policy in the event of a shock.
- Fiscal consolidation while ensuring that county resources are adequate to promote growth. The County Government is committed to a reduction in the recurrent expenditure to devote more resources to development. At least thirty percent of the total county revenue shall be used in the implementation of development projects.
- The county will continuously exploit the public private partnerships, with potential local and foreign investors as well as other development partners to aid in the county's development.

167. There are various strategies that the county is employing to ensure compliance with the fiscal responsibility principles;

- Advocating for increased allocation to the County
- Bidding for reclassification of development/ recurrent items in the budget
- The county has developed a multiyear project financing act which will act as a special purpose vehicle to resource mobilize for development projects
- Petitioning for increased allocation to the city counties to address the various structural dynamics that bring out resource strains
- Domestication of the National Government Laws for increased revenue collection and compliance

C. Criteria for Resource Allocation

168. The Government is operating under constrained fiscal environment. In view of this the Government has adopted Zero Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to Projects and Programmes. Departments and Agencies will therefore be required to re-evaluate all the existing/planned activities, projects, and programmes to be funded in the FY 2026/27 and Medium Budget. In this regard, the principles of efficiency, effectiveness and economy of public spending shall strictly be enforced by ensuring low-priority expenditures give way to high-priority service-delivery programmes.

169. The priority social sectors will continue to receive adequate resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors. The Sectors should therefore eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. The Departments and agencies are also expected to ensure that all expenditure items in the FY 2026/27 Budget are justified and emphasis is placed on allocating

the limited resources based on programme efficiency and requirement rather than incremental budgeting.

170. The following will therefore serve as the criteria to guide prioritization and final allocation of resources:

- Projects geared towards implementation of the CIDP 2023-2027 and all other policy documents within a context of sustainable public financing;
- In the medium term, the County Government has reoriented expenditure towards priority programmes in transport and infrastructure development, provision of quality and affordable health services, youth and women empowerment, enhancement of education and training, upgrading of water and sanitation systems and streamlining waste management services under the medium-term expenditure framework (MTEF);
- Programmes that enhance linkages from the Governor's deliverables and County Executive Committee's resolutions;
- Completion of ongoing projects, stalled projects and payment of verified pending bills;
- Degree to which a programme addresses job creation and poverty reduction;
- Degree to which a programme addresses the core mandate of the Department;
- Programmes that support mitigation and adaptation of climate change;
- Cost effectiveness, efficiency and sustainability of the programme; and
- Requirements for furtherance and implementation of the Constitution.

171. Based on the above broad guidelines, Departments and agencies are expected to develop and document sector specific criteria for prioritization and resource allocation within the resource envelope. To facilitate the finalization and approval of the 2025 CBROP and other policy documents within the stipulated timelines, Departments are required to strictly undertake the activities outlined in the Budget Calendar within the set timeframes.

172. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development. The expected share of development funds of the total expenditure will be not less than 30%. This process will be strengthened in the FY 2026/27 MTEF by encouraging aggressive private-sector engagement in order to build concrete Public Private Partnership in pursuit of new economic opportunities. Reflecting the above medium-term expenditure framework, the tables below provide the tentative projected baseline budget for the 2026/27 MTEF, classified by Departments.

Table 22: Medium Term Sector Ceiling Budgeted FY 2025/26, Projections 2026/27 - 2028/29 FYs, Ksh Million

RECURRENT EXPENDITURE					
CURRENT DEPARTMENTS	**BUDGETED 2025/26**	**REVISED DEPARTMENTS**	**PROJECTED 2026/2027**	**PROJECTED 2027/2028**	**PROJECTED 2028/2029**
County Assembly	740,845,894	County Assembly	758,845,894	758,845,894	758,845,894
Public Service Board	120,942,827	Public Service Board	100,661,721	101,668,339	102,685,022
Finance & Economic Planning	880,484,441	Finance, Economic Planning & Digital Transformation	861,730,040	870,347,340	879,050,813
Health	4,184,835,494	Health	4,693,060,717	4,739,991,325	4,787,391,238
Transport & Infrastructure	686,570,444	Transport, Infrastructure& Governance	754,024,370	761,564,614	769,180,260
Water, Natural Resources & Climate Change Resilience	217,218,845	Climate Change, Energy & Natural Resources	168,236,573	169,918,939	171,618,128
Public Service Administration, Youth, Gender, Sports & Social Services	774,017,956	Public Service Administration, Youth, Gender & Sports	669,640,238	676,336,640	683,100,006
Tourism, Culture & Trade	438,459,661	Trade, Tourism & Culture	364,665,656	368,312,313	371,995,436
The County Attorney	98,014,783	The County Attorney	93,454,377	94,388,921	95,332,810
The Executive	223,460,063	The Executive	239,200,934	241,592,943	244,008,873
Environment & Governance	897,023,126	Environment & Water	1,032,058,955	1,042,379,544	1,052,803,340
Education	554,376,025	Education & Vocational Training	609,466,022	615,560,682	621,716,289
Lands, Urban Renewal and Housing	185,073,556	Lands, Urban Planning, Housing & Serikali Mtaani	226,933,678	229,203,015	231,495,045
Blue Economy, Cooperatives, Agriculture & Livestock	177,970,874	Blue Economy, Cooperatives, Agriculture & Livestock	167,314,813	168,987,962	170,677,841
TOTAL	**10,179,293,988**		**10,739,293,988**	**10,839,098,469**	**10,939,900,995**
DEVELOPMENT EXPENDITURE					
CURRENT DEPARTMENTS	**BUDGETED 2025/26**	**REVISED DEPARTMENTS**	**PROJECTED 2026/2027**	**PROJECTED 2027/2028**	**PROJECTED 2028/2029**
County Assembly	70,000,000	County Assembly	50,000,000	50,000,000	50,000,000
Public Service Board	10,000,000	Public Service Board	10,000,000	10,100,000	10,201,000
Finance & Economic Planning	382,513,000	Finance, Economic Planning & Digital Transformation	662,513,000	672,226,589	680,537,313
Health	600,000,000	Health	550,000,000	555,500,000	561,055,000
Transport & Infrastructure	743,542,752	Transport, Infrastructure& Governance	754,542,752	762,088,180	769,709,061
Water, Natural Resources & Climate Change Resilience	786,050,260	Climate Change, Energy & Natural Resources	81,550,260	82,365,763	83,189,420
Public Service Administration, Youth, Gender, Sports & Social Services	227,500,000	Public Service Administration, Youth, Gender & Sports	287,500,000	290,375,000	293,278,750
Tourism, Culture & Trade	334,500,000	Trade, Tourism & Culture	334,500,000	337,845,000	341,223,450
The County Attorney	-	The County Attorney	-	-	-
The Executive	37,000,000	The Executive	37,000,000	37,370,000	37,743,700
Environment & Governance	570,300,000	Environment & Water	741,300,000	748,713,000	756,200,130
Education	151,000,000	Education & Vocational Training	251,000,000	253,510,000	256,045,100
Lands, Urban Renewal and Housing	460,000,000	Lands, Urban Planning, Housing & Serikali Mtaani	822,500,000	830,725,000	839,032,250
Blue Economy, Cooperatives, Agriculture & Livestock	78,300,000	Blue Economy, Cooperatives, Agriculture & Livestock	178,300,000	180,083,000	181,883,830

Total	**4,450,706,012**		**4,760,706,012**	**4,810,901,531**	**4,860,099,005**
TOTAL EXPENDITURE					
CURRENT DEPARTMENTS	**BUDGETED 2025/26**	**REVISED DEPARTMENTS**	**PROJECTED 2026/2027**	**PROJECTED 2027/2028**	**PROJECTED 2028/2029**
County Assembly	810,845,894	County Assembly	808,845,894	808,845,894	808,845,894
Public Service Board	130,942,827	Public Service Board	110,661,721	111,768,339	112,886,022
Finance & Economic Planning	1,262,997,441	Finance, Economic Planning & Digital Transformation	1,524,243,040	1,542,573,929	1,559,588,127
Health	4,784,835,493	Health	5,243,060,717	5,295,491,325	5,348,446,238
Transport & Infrastructure	1,430,113,196	Transport, Infrastructure& Governance	1,508,567,122	1,523,652,793	1,538,889,321
Water, Natural Resources & Climate Change Resilience	1,003,269,105	Climate Change, Energy & Natural Resources	249,786,833	252,284,701	254,807,548
Public Service Administration, Youth, Gender, Sports & Social Services	1,001,517,956	Public Service Administration, Youth, Gender & Sports	957,140,238	966,711,640	976,378,756
Tourism, Culture & Trade	772,959,661	Trade, Tourism & Culture	699,165,656	706,157,313	713,218,886
The County Attorney	98,014,783	The County Attorney	93,454,377	94,388,921	95,332,810
The Executive	260,460,063	The Executive	276,200,934	278,962,943	281,752,573
Environment & Governance	1,467,323,126	Environment & Water	1,773,358,955	1,791,092,544	1,809,003,470
Education	705,376,025	Education & Vocational Training	860,466,022	869,070,682	877,761,389
Lands, Urban Renewal and Housing	645,073,556	Lands, Urban Planning, Housing & Serikali Mtaani	1,049,433,678	1,059,928,015	1,070,527,295
Blue Economy, Cooperatives, Agriculture & Livestock	256,270,874	Blue Economy, Cooperatives, Agriculture & Livestock	345,614,813	349,070,962	352,561,671
Grand Total	**14,630,000,000**		**15,500,000,000**	**15,650,000,000**	**15,800,000,000**

Departmental Ceilings Analysis: Development & Recurrent 2026/2027 FY

Table 23: Summary of Revenue and Expenditure 2026/2027 FY

DEPARTMENTS	CONSOLIDATED REVENUE	PERSONNEL	OPERATIONS & MAINTENANCE	TOTAL RECURRENT	TOTAL DEVELOPMENT	TOTAL EXPENDITURE	%
County Assembly		437,849,053	320,996,841	758,845,894	50,000,000	808,845,894	5.2
Public Service Board		77,518,336	23,143,386	100,661,721	10,000,000	110,661,721	0.7
Finance, Economic Planning & Digital Transformation		531,040,700	330,689,339	861,730,040	662,513,000	1,524,243,040	9.8
Health	**15,500,000,000**	3,503,254,431	1,189,806,286	4,693,060,717	550,000,000	5,243,060,717	33.8
Transport, Infrastructure& Governance		463,168,297	290,856,073	754,024,370	754,542,752	1,508,567,122	9.7
Climate Change, Energy & Natural Resources		119,163,763	49,072,809	168,236,573	81,550,260	249,786,833	1.6
Public Service Administration, Youth, Gender & Sports		254,844,027	414,796,210	669,640,238	287,500,000	957,140,238	6.2
Trade, Tourism & Culture		261,838,820	102,826,836	364,665,656	334,500,000	699,165,656	4.5
The County Attorney		34,148,402	59,305,974	93,454,377	-	93,454,377	0.6
The Executive		179,130,132	60,070,802	239,200,934	37,000,000	276,200,934	1.8
Environment & Water		867,780,818	164,278,136	1,032,058,955	741,300,000	1,773,358,955	11.4
Education & Vocational Training		398,181,662	211,284,360	609,466,022	251,000,000	860,466,022	5.6
Lands, Urban Planning, Housing & Serikali Mtaani		135,858,268	91,075,410	226,933,678	822,500,000	1,049,433,678	6.8
Blue Economy, Cooperatives, Agriculture & Livestock		121,596,547	45,718,266	167,314,813	178,300,000	345,614,813	2.2
TOTAL		**7,385,373,258**	**3,353,920,731**	**10,739,293,988**	**4,760,706,012**	**15,500,000,000**	**100**
SURPLUS / (DEFICIT)	-	**47.6**	**21.6**	**69.3**	**30.7**	**100**	
REVENUE SOURCES							
Local Revenue	5,816,614,719						
Exchequer Issues	9,683,385,281						
TOTAL REVENUE	15,500,000,000						

Departments Budgets and Programs Prioritization

173. A key challenge in developing the 2026/27 MTEF budget is the prioritization of resource allocation to pending and ongoing projects.

174. It's also critical to have the CG Departments capacities continuously strengthened in order to enable them perform their assigned functions effectively and efficiently. The key technical Staff need to be deployed and rationalized to streamline the County activities.

175. Extensive work has been done in providing reporting templates and issuance of budget guidelines so as to ensure consistency in reporting and monitoring progress.

176. Strengthening of the Monitoring and evaluation unit in the Finance and Economic Planning Department will lead to a harmonized monitoring and evaluation system in the county.

Budget Framework 2025/2026 FY

177. The 2026/27 budget framework is set against the background of the updated medium-term macro-fiscal framework set out above.

Revenue Projections

178. The 2026/27 budget targets own source revenue of Kshs 5.8 billion and National Government exchequer issues of 9.7 billion. As noted above, this performance will be underpinned by on-going reforms in revenue policy and revenue administration. As such, total revenue including exchequer issues is expected to be Kshs 15.5 billion.

Expenditure Forecasts

179. In 2026/27, overall expenditures are projected to be 15.5 billion, out of which 31% which is 4.8 billion is projected to undertaken various development initiatives, while 10.7 billion budgeted for the recurrent expenditure will be utilized for servicing the operation and maintenance costs at 3.3 billion and the personnel emolument cost projected at 7.4 billion.

Involvement of Stakeholders

180. In the spirit of ensuring there is participation and input from the various stakeholders so as to enrich the CBROP, the document was presented to the Finance Sub Committee of the County Executive Committee, the County Budget and Economic Forum (CBEF) for their comments and input, and finally to the full house of the County Executive Committee for their consideration, adoption and approval before being presented to the County Assembly.

V. CONCLUSION AND WAY FORWARD

181. Global economic growth is expected to moderate to 3.0 percent in 2025 from 3.3 percent, before slightly improving to 3.1 percent in 2026. The slowdown is largely attributed to front-loading of trade activities in anticipation of higher tariffs, lower- than-expected effective US tariff rates, and easing global financial conditions driven by a weaker US dollar, and fiscal expansion in some major economies. In addition, geopolitical tensions pose a further threat by potentially disrupting global supply chains and driving up commodity prices.

182. At the regional level, growth in Sub-Saharan Africa is projected to grow steadily at 4.0 percent in 2025 and improve to 4.3 percent in 2026, reflecting gradual recovery across the region. The growth outlook is supported by factors such as increased private consumption, ongoing public investments in infrastructure, and a gradual revival of the services sector, particularly tourism. However, several risks could impede this growth trajectory, including spillovers from global trade disruptions, declining external demand, volatility in commodity prices driven by geopolitical tensions, and limited fiscal capacity in many countries, which may lead to tighter financing conditions.

183. On the domestic front, Kenya's economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. Despite challenges in both the domestic and external front, the economy remained strong and resilient in the first quarter of 2025 expanding by 4.9 percent, a similar growth compared to the corresponding quarter of 2024. This strength is rooted in deliberate policies and the benefits of a diversified economy. Kenya's economic performance is projected to pick up in 2025 and 2026, with real GDP growth projected at around 5.3 percent. This growth will largely be underpinned by strong performance in the agriculture sector, a recovery of industrial activities, and the resilience of services sector.

184. At the County level, the fiscal outcome for 2024/25 together with the updated forecast has had ramification of the financial objectives elaborated in the last CFSP 2025.

185. The FY 2026/27 and the Medium-Term budget and fiscal framework projections presented in this CBROP takes into account the continued recovery in the global economy and risks facing our economy such as public expenditure pressures, austerity measures to reduce non-essential spending which tends to reallocate resources from the productive sectors, availing resources for development ventures while minimizing creation of pending bills through ensuring suppliers and contractors are engaged guided by the cash flow instead of the budgetary allocation.

186. There is moderate growth in the overall revenue collection and a decline in overall recurrent expenditure as more resources are allocated to complete the ongoing development projects to ensure implementation of the 2023-2027 CIDP. These measures take into account the need to maintain fiscal discipline in all levels of the government for maximum utilization of public resources.

187. The set of policies outlined in this CBROP reflect the change in circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act. They are also consistent with the national strategic objectives pursued by the Government as a basis of allocation of public resources.

188. The CG will implement strategic interventions with emphasis in transport and infrastructure development, provision of quality and affordable health services, youth and women empowerment, enhancement of education and training, upgrading of water and sanitation systems and streamlining of waste management services as well as policy interventions covering the entire county to enhance social equity.

189. The outlined policies will ensure continuity in resource allocation based on prioritized programs that have been earmarked by the government and other stakeholders to accelerate growth, employment creation with the ultimate objective of ensuring that all citizens enjoy improved standards of living.

190. The fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on different sectors of the county will be crucial in ensuring that the County gets to deliver on its functions.

191. In the Fy 2026/27 and the medium term onwards, in order to continue strengthening the county development planning framework anchoring on the Annual Development Plan developed in September 2025, the priority projects and programmes to be undertaken will be three folds from inputs from stakeholders from the public participation fora, equitable ward development initiatives and departmental priorities all geared to ensuring that all the initiatives are impactful and addressing the dire needs of the Mombasa citizenry and beyond.

192. The CBROP 2025 emphasizes the alignment of the 2025 fiscal strategy paper that has been designed to continue addressing these specific challenges by focusing on the following objectives:

- ✓ To improve the efficiency and quality of CAPEX by promoting Public Private Partnership;
- ✓ To place greater focus on critical and on-site infrastructure development as a means of promoting long-term economic growth;
- ✓ Continued application of a fiscal stimulus in the medium term to stimulate the economy while taking into consideration the current revenue constraints and its impact on the fiscal deficit;
- ✓ Rationalizing the outlay on recurrent expenditure through the identification of cost-saving measures;
- ✓ Regular and timely expenditure reporting and realistic cash flow projections;
- ✓ Pegging commitments and expenditure on the actual cash flow;
- ✓ Linking procurement undertakings to the cash flow;
- ✓ Coming up with sustainable personnel emoluments policy to address the bloated wage bill;
- ✓ Boosting revenue receipts, identifying and plugging revenue leakages through enhanced automation.

- ✓ Strengthening the internal audit oversight, insight and foresight processes
- ✓ Undertaking periodic monitoring of development initiatives to track progress

193. The policies and sector ceilings annexed herewith will guide the Departments in preparation of the 2026/2027 budget. The medium term macroeconomic and fiscal projections in the 2025 CBROP have been revised from those of the 2025 CFSP estimates taking into account the macroeconomic and fiscal outcome of the FY 2024/25. The ceilings are also aligned to the Executive Order No.9 of 11th July, 2025 by H.E the Governor containing the reorganization of the County Government of Mombasa which changed the structure of the Government including creation of new departments and change of functional assignment within the Departments.

194. The 2025 CBROP forms the basis for the development of the 2026 CFSP that will detail the progress in the implementation of the aligned priority policies and strategies of the Government under BETA as prioritized in the MTP IV of the Vision 2030 and the CIDP 2023-27; and preparation of the FY 2026/27 and the medium-term budget as guided by the Budget Calendar 2025. The CG should scale down its recurrent expenditure budget and then increase it gradually over the medium term as it expands its revenue base. The ceilings will form inputs into the next County Fiscal Strategy Paper (CFSP) which will be developed in February 2026 as per the budget cycle.

195. The Budget calendar for FY 2026/27 is guided by the timelines provided in the PFM Act, 2012 and has the following critical steps between September 2025 and June 2026:

i) Preparation of the 2026/27 Annual Development Plan: This process commenced with issuance of the ADP template to the Departments, submission and compilation of the Departmental inputs, ward based public participation exercise, submission of MOUs, equitable ward-based projects proposals, deliberation of the ADP with the County Budget and Economic Forum (CBEF), presented to the County Executive Committee for adoption then submission of the same to the County Assembly for approval on 29th August 2025.

ii) Development of the County Budget Review and Outlook Paper (CBROP) 2025: Preparation of the 2025 CBROP commenced with the analysis of the departmental expenditure data and the collating of the macro data informed by the National Budget Review and Outlook Paper 2025 to come up with a consolidated CBROP 2025. The CBROP is then deliberated by the County Budget and Economic Forum (CBEF), presented to the County Executive Committee for adoption before it is submitted to the County Assembly for approval by 30th September, 2025.

iii) The County Fiscal Strategy Paper (CFSP) 2026: This process will commence with issuance of the CFSP template to the Departments, submission and compilation of the Departmental inputs, conducting public participation exercise, submission of MOUs, deliberation of the CFSP with the County Budget and Economic Forum (CBEF), adoption of the CFSP by the County Executive Committee and submission of the same to the County Assembly for approval by 28th February, 2026.

iv) Preparation of the Programme Based Budget (PBB) and Budget Estimates 2026/27: The PBB and Budget Estimates 2026 will undergo public participation exercise, submission of MOUs, deliberations with the County Budget and Economic Forum (CBEF), adoption by the County Executive Committee and submission to the County Assembly for approval by 30th April 2026;

v) Preparation of the annual cash flow projections by 15th June 2026; and

vi) Preparation of the Assent, General Warrant and the Appropriation Bill, 2026 upon approval of the budget by the County Assembly by 30th June, 2026.

196. Taking into account the constrained fiscal environment, the Government has adopted Zero Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to projects and programmes in the FY 2026/27. Departments will therefore be required to re-evaluate all the existing/planned activities, projects, and programmes to be funded in the FY 2026/27 and medium-term budget and should therefore eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. The sector ceilings provided for the FY 2026/27 budget and the Medium Term will form inputs into the 2026 CFSP.

ANNEXES

ANNEX 1. COMPARISON OF MONTHLY BASIS EXCHEQUER ISSUES AND OWN SOURCE REVENUE COLLECTION FY 2024-2025

Month	Local Revenue	Exchequer Issues
July	183,605,261	628,921,902
August	239,678,277	0
September	155,088,546	720,861,104
October	182,665,447	628,921,906
November	154,529,441	1,297,151,431
December	767,996,208	684,062,059
January	273,279,451	631,973,961
February	612,530,802	671,472,333
March	683,089,371	0
April	420,591,984	1,303,446,294
May	578,090,819	710,970,706
June	629,684,345	2,639,924,920
Total	**4,880,829,952**	**9,917,706,616**

To compare Revenue collection between two major sources

ANNEX 2: COMPARISON OF MONTHLY OWN SOURCE REVENUE COLLECTION BETWEEN FY 2018/2019 TO FY 2024/2025

MONTH	2018/2019	2019/2020	2020/2021	2021-2022	2022-2023	2023-2024	2024-2025
JULY	91,417,758	110,950,638	133,177,640	290,898,301	367,089,557	207,528,785	183,605,261
AUGUST	131,853,605	164,871,323	180,063,924	158,294,767	124,935,681	177,215,561	239,678,277
SEPTEMBER	75,372,653	195,639,679	207,752,314	324,609,448	76,843,866	181,775,384	155,088,546
OCTOBER	195,060,885	192,425,344	200,978,869	240,688,839	106,492,816	162,567,466	182,665,447
NOVEMBER	147,641,305	208,065,464	195,076,359	161,645,883	386,945,293	172,237,724	154,529,441
DECEMBER	362,828,365	228,108,277	162,790,308	220,922,958	339,317,651	215,196,393	767,996,208
JANUARY	434,584,730	286,649,313	441,650,127	498,998,855	270,132,327	493,700,462	273,279,451
FEBRUARY	422,738,253	421,483,469	415,598,494	479,635,817	510,261,367	489,469,385	612,530,802
MARCH	733,336,511	634,763,565	541,583,202	515,926,400	792,863,010	1,200,484,931	683,089,371
APRIL	468,186,699	203,268,450	280,251,148	290,568,789	420,946,047	265,269,807	420,591,984
MAY	203,642,080	160,817,790	211,868,868	138,306,690	393,590,939	358,003,900	578,090,819
JUNE	405,994,209	508,759,315	343,741,925	299,135,806	209,210,294	534,308,498	629,684,345
TOTAL	3,672,657,053	3,315,802,627	3,314,533,178	3,619,632,553	3,998,628,848	4,457,758,296	4,880,829,952

To Compare Local Revenue over the various fiscal years

ANNEX 3: COMPUTATION OF MONTHLY EXCHEQUER ISSUES BETWEEN FY 2018/2019 TO FY 2024/2025

MONTH	EXCHEQUER ISSUES 2018-2019	EXCHEQUER ISSUES 2019-2020	EXCHEQUER ISSUES 2020-2021	EXCHEQUER ISSUES 2021-2022	EXCHEQUER ISSUES 2022-2023	EXCHEQUER ISSUES 2023-2024	EXCHEQUER ISSUES 2024-2025
JULY	0	0	0	0	0	668,229,525	628,921,902
AUGUST	430,761,965	0	0	605,388,325	643,225,095	6,000,000	0
SEPTEMBER	587,699,500	1,228,083,300	0	643,225,095	605,388,325	642,761,844	720,861,104
OCTOBER	741,181,901	632,224,439	1,164,561,750	643,225,095	0	668,229,525	628,921,906
NOVEMBER	875,741,969	0	828,146,904	1,248,613,420	643,225,096	628,921,906	1,297,151,431
DECEMBER	822,680,000	824,676,155	574,671,000	605,388,325	605,388,325	678,229,525	684,062,059
JANUARY	944,297,016	949,232,625	798,466,182	643,225,095	983,546,633	628,921,906	631,973,961
FEBRUARY	794,895,339	1,592,730,838	628,955,904	643,225,095	0	668,229,525	671,472,333
MARCH	0	564,636,000	599,925,750	605,388,325	605,388,325	0	0
APRIL	1,515,161,166	40,134,590	599,925,750	681,061,865	1,286,450,190	1,155,880,198	1,303,446,294
MAY	54,151,120	741,084,750	574,844,314	643,225,095	605,388,325	691,421,906	710,970,706
JUNE	2,449,218,601	1,517,641,228	2,293,217,209	0	2,256,150,493	1,695,766,669	2,639,924,920
TOTAL DISBURSED	**9,215,788,577**	**8,090,443,924**	**8,062,714,763**	**6,961,965,735**	**8,234,150,807**	**8,132,592,529**	**9,917,706,616**

ANNEX 4: COMPUTATION OF MONTHLY EQUITABLE SHARE FY 2024/2025

Month	Equitable Share
July	628,921,902
August	0
September	668,229,525
October	628,921,906
November	1,297,151,431
December	684,062,059
January	631,973,961
February	671,472,333
March	0
April	1,303,446,294
May	710,970,706
June	1,303,446,294
Total	**8,528,596,411**