



COUNTY GOVERNMENT OF MOMBASA
COUNTY TREASURY

MOMBASA COUNTY BUDGET

REVIEW AND OUTLOOK PAPER

© Budget Review and Outlook Paper (CBROP) 2019

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Foreword

The Mombasa County Budget Review and Outlook Paper (CBROP), prepared in accordance with the Public Finance Management Act, 2012 is the sixth under the new dispensation and the second one in the second term of the County Government. It presents the recent economic developments and actual fiscal performance of the FY 2018/2019 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), released in February 2019. In this Paper, we will also provide an overview of how the actual performance of the FY 2018/2019 affected the County's compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2019 CFSP.

This is the second CBROP that has been prepared within the second-generation County Integrated Development Plan 2018-2022 that outlines the County's planning framework that will guide 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. A strategy that recognizes the need to strike a balance between growth and fiscal sustainability, with emphasis on higher investments in the social sectors and infrastructure development for a stronger and more durable growth.

As outlined in the CFSP, the development agenda will be implemented through the major priority sectors; Increased accessibility to water and food security, investing in accessible and quality health services, provision of quality education, Youth, Sports & Gender empowerment, Improved Land and housing Services and investing in infrastructure development. The implementation of programs under these strategic sectors is 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.

MS. MARYAM MBARUK
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING

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.

Immense appreciation goes to the Executive Member for Finance and Economic Planning for the good will and guidance provided during the entire period of preparation of this document. A core team from the Accounting and the Budget and Economic Planning units spent significant amount of time consolidating this policy document. We are particularly grateful to Ms. Jane Githui (Director Budget & Economic Planning) and Mr. Affan Mohamed (Head of External Economic Affairs) for working tirelessly in the development of this document.

MS. ASHA ABDI
CHIEF OFFICER
FINANCE AND ECONOMIC PLANNING

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Abbreviations and Acronyms

ADP	Annual Development Plan
BOPA	Budget Outlook Paper
BPS	Budget Policy Statement
BSP	Budget Strategy Paper
CBROP	County Budget Review and Outlook Paper
CG	County Government
CIDP	County Integrated Development Plan
FY	Financial Year
GDP	Gross Domestic Product
GoK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
SDG	Social Development Goals
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NFA	Net Foreign Assets
NDA	Net Domestic Assets
PERs	Public Expenditure Review
PFM	Public Financial Management
PPP	Public Private Partnership
SBP	Single Business Permit
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, 2018/19 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 2019/20 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 some conclusions and the way forward.

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 2018/19, updated macroeconomic forecast, and deviations from the Fiscal Strategy Paper February 2019.
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 will be a key document in linking policy, planning and budgeting. The County Government has started the implementation of the County Integrated Development Plan (CIDP) 2018-2022 from which is being implemented through the Annual Development Plan 2018 and the Annual Budget estimates for the 2019-20 financial year.
4. The PFM Act enacted in 2012 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 2020/21. However, following the fiscal outcome of 2018/19 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 2018/19

6. This section is meant to review how the actual financial performance for the 2018/19 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 prudence 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 (CG)
 - 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.
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III. OVERVIEW

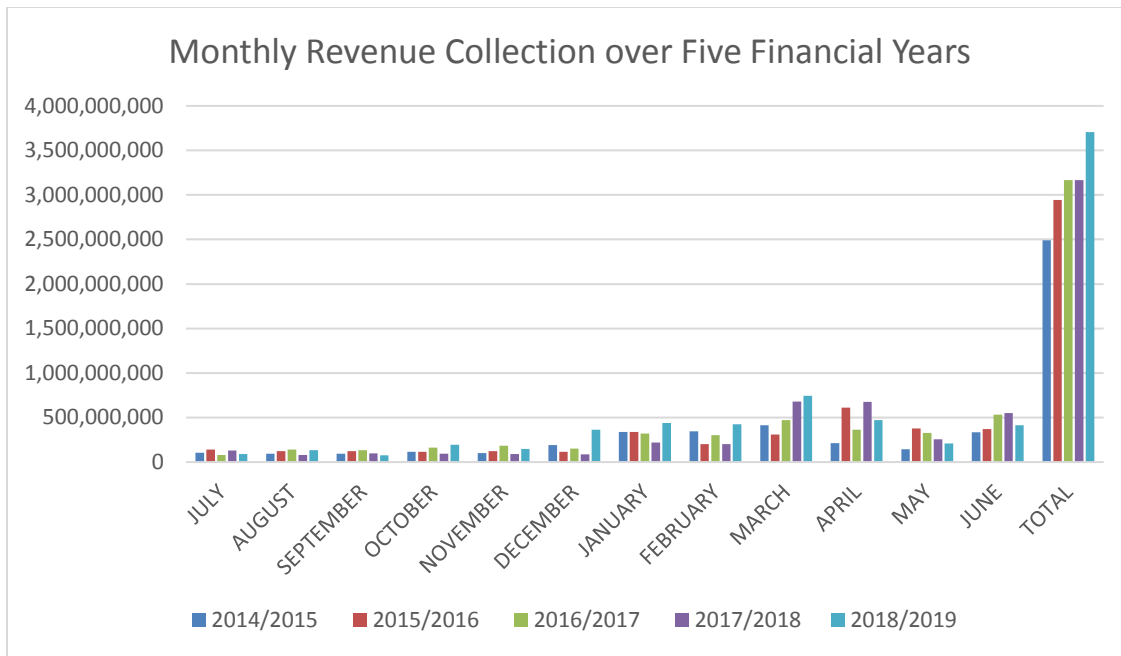
The fiscal performance in 2018/19 was on a bullish trend despite a shortfall in own source revenues and donor funding. The County was able to realize Kshs. 13,360,488,591 which translates to 93 percent of the supplementary budget of Kshs 14,456,495,575, out of which 100 percent was recurrent expenditure of Kshs. 10,253,993,461 and 72 percent being development expenditure of Kshs 3,106,495,130. In view of the above the County had a 7 percent budget deficit of Kshs. 1,096,006,984.

IV. FISCAL PERFORMANCE FOR 2018/19

LOCAL REVENUE

Table 1: Local Revenue Collection Over Five Financial Years

MONTH	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
JULY	104,030,972	138,888,662	78,327,409	128,948,779	91,417,758
AUGUST	93,759,799	121,870,568	138,978,980	79,974,633	131,852,605
SEPTEMBER	95,400,916	123,410,370	134,037,320	98,958,707	75,372,653
OCTOBER	116,757,916	115,703,161	160,474,776	91,999,794	195,706,353
NOVEMBER	102,318,612	122,057,894	183,999,072	90,326,887	147,841,146
DECEMBER	191,916,082	115,254,598	151,828,812	88,025,962	363,008,810
JANUARY	336,767,628	337,339,057	321,392,757	218,656,932	437,327,591
FEBRUARY	346,773,579	200,260,788	303,286,028	202,052,628	423,072,353
MARCH	413,101,785	308,215,252	469,422,317	677,958,599	745,066,240
APRIL	211,331,816	612,075,951	365,071,728	677,126,092	472,840,320
MAY	143,751,841	376,582,733	328,912,588	254,091,979	208,729,502
JUNE	335,744,384	371,871,652	530,509,174	551,010,104	412,062,041
TOTAL	2,491,655,330	2,943,530,686	3,166,240,961	3,168,013,709	3,704,297,372



Source: Table 1

EXCHEQUER ISSUES

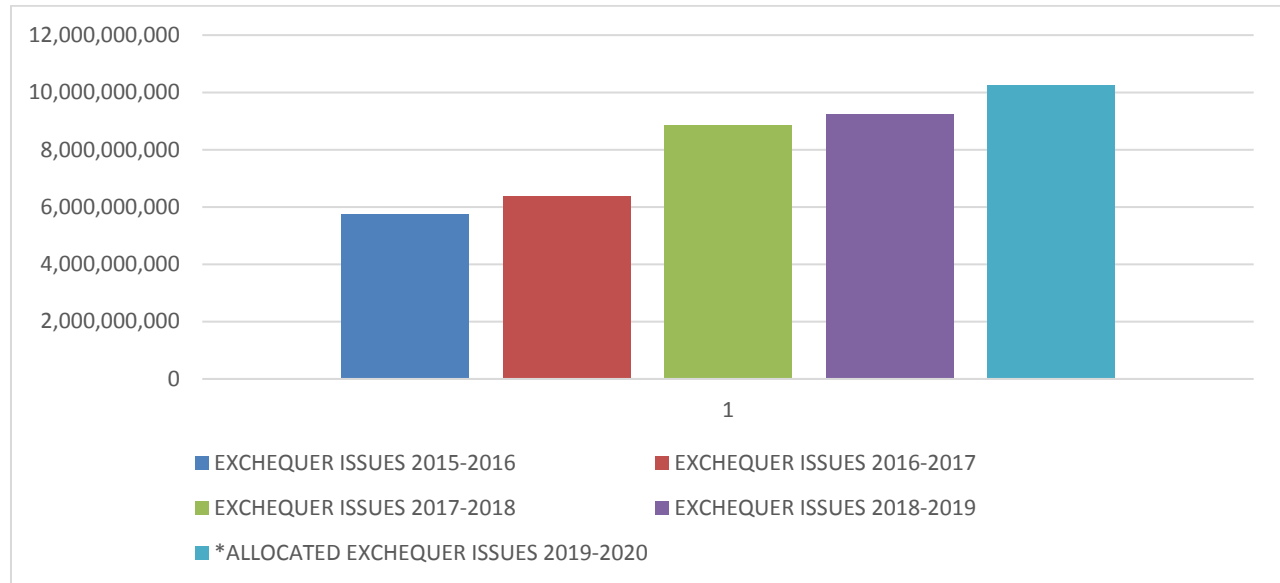
8. Exchequer issues from the National Government increased over the last three financial years as shown below.

Table 2: Actual Monthly Exchequer Issues Over Four Financial Years and allocated 2019/20

	KSHS.	KSHS.	KSHS.	KSHS.	
MONTH	EXCHEQUER ISSUES 2015-2016	EXCHEQUER ISSUES 2016-2017	EXCHEQUER ISSUES 2017-2018	EXCHEQUER ISSUES 2018-2019	*ALLOCATED EXCHEQUER ISSUES 2019-2020
JULY	0	0	597,970,752	0	512,052,473
AUGUST	448,064,387	1,037,748,641	0	430,761,965	1,283,472,708
SEPTEMBER	0	501,676,603	473,286,618	587,699,500	767,449,963
OCTOBER	957,032,726	518,083,015	0	741,181,901	786,879,076
NOVEMBER	517,858,857	558,883,251	996,790,289	875,741,969	854,880,971
DECEMBER	517,237,435	501,676,603	843,101,778	822,680,000	767,449,963
JANUARY	450,078,941	478,282,890	866,001,087	944,297,016	928,591,737
FEBRUARY	448,064,387	15,105,000	683,706,112	794,895,339	794,291,130
MARCH	12,399,574	577,456,833	712,190,289	0	884,024,641
APRIL	500,043,327	525,787,311	78,786,439	1,515,161,166	806,308,189
MAY	955,030,610	1,111,343,905	824,219,384	54,151,120	1,015,470,813
JUNE	933,956,255	538,706,387	2,786,366,845	2,449,218,601	825,737,302
TOTAL	5,739,766,499	6,364,750,439	8,862,419,593	9,215,788,577	10,226,608,966

EXCHEQUER ISSUES

Exchequer issues from the National Government increased over the last three financial years as shown, Expected FY 2019-20 included in Millions.



Source: Table 2

COUNTY DEPARTMENTAL EXPENDITURE

10. 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 2018/19 and the deviations from the Original and Revised budget estimates.

Table 3: Departmental %Age Expenditure Compared to the Total Budget

2018/2019 DEPARTMENTAL RECURRENT EXPENDITURE

S/NO	DEPARTMENTS	Original Budget FY 2018/2019	Final Budget FY 2018/2019	TOTAL	%age
3011	The Executive	382,877,200	392,849,560	359,522,059	91.8%
3012	County Assembly	610,986,278	707,114,950	682,989,659	96.6%
3013	Public Service Board	131,749,530	97,279,232	77,902,220	80.1%
3014	Finance and Economic Planning	1,107,521,980	2,203,652,095	2,165,655,494	98.3%
3015	Energy, Environment and Waste Management	510,208,594	571,430,649	528,341,544	92.5%
3016	Education, Information Technology and Mv 2035	578,507,296	477,019,476	397,535,735	86.1%
3017	Health	2,683,387,579	2,469,804,767	3,101,738,503	127.2%
3018	Water, Environment and Natural Resources	137,635,994	69,278,191	52,726,209	76.6%
3019	Youth, Gender, Sports and Cultural Affairs	230,297,579	203,328,519	187,973,874	92.4%

3020	Trade, Tourism and Investments	405,456,909	483,853,642	386,526,788	79.9%
3021	County Planning, Land and Housing	226,404,844	150,702,589	127,393,238	84.5%
3022	Transport, Infrastructure and Public Works	468,593,286	452,155,443	428,257,872	94.7%
3023	Agriculture, Fisheries, Livestock and Co-Operatives	232,703,389	208,839,379	192,386,271	92.1%
3026	Devolution and Public Service Administration	919,794,396	1,625,206,337	1,565,043,995	98.0%
REC	TOTAL	8,626,124,854	10,112,514,829	10,253,993,461	102.2%

2018/2019 DEPARTMENTAL DEVELOPMENT EXPENDITURE

S/NO	DEPARTMENTS	Original Budget FY 2018/2019	Final Budget FY 2018/2019	TOTAL	%age
3011	County Executive	84,424,673	8,913,030	7,306,594	82.0%
3012	County Assembly	45,773,748	-	-	-
3013	Public Service Board	21,637,280	4,514,200	4,280,707	94.8%
3014	Finance & Economic Planning	302,447,782	572,184,023	559,378,197	97.8%
3015	Energy, Environment & Waste Management	410,372,081	257,525,112	209,644,412	81.4%
3016	Education, Information Technology & MV 2035	244,499,756	97,242,233	54,126,040	55.7%
3017	Health Services	240,255,554	116,559,248	100,776,236	86.5%
3018	Water, Sanitation & Natural Resources	767,050,100	600,000,000	15,562,353	2.6%
3019	Youth, Gender, Sports and Cultural Affairs	1,269,841,602	147,479,603	92,455,232	62.7%
3020	Trade, Tourism & Investment	95,631,669	146,516,150	99,941,671	68.2%
3021	Lands, Housing and Physical Planning	221,201,888	244,153,682	184,373,277	75.5%
3022	Transport & Infrastructure	837,855,896	1,915,739,350	1,589,465,194	83.0%
3023	Agriculture, Fisheries, Livestock and Co-operatives	266,591,948	172,552,337	132,803,363	77.0%
3024	Devolution & Public Service Administration	158,063,060	60,601,778	56,381,853	93.0%
	TOTAL	4,965,647,037	4,343,980,746	3,106,495,130	71.5%

2018/2019 TOTAL DEPARTMENTAL EXPENDITURE

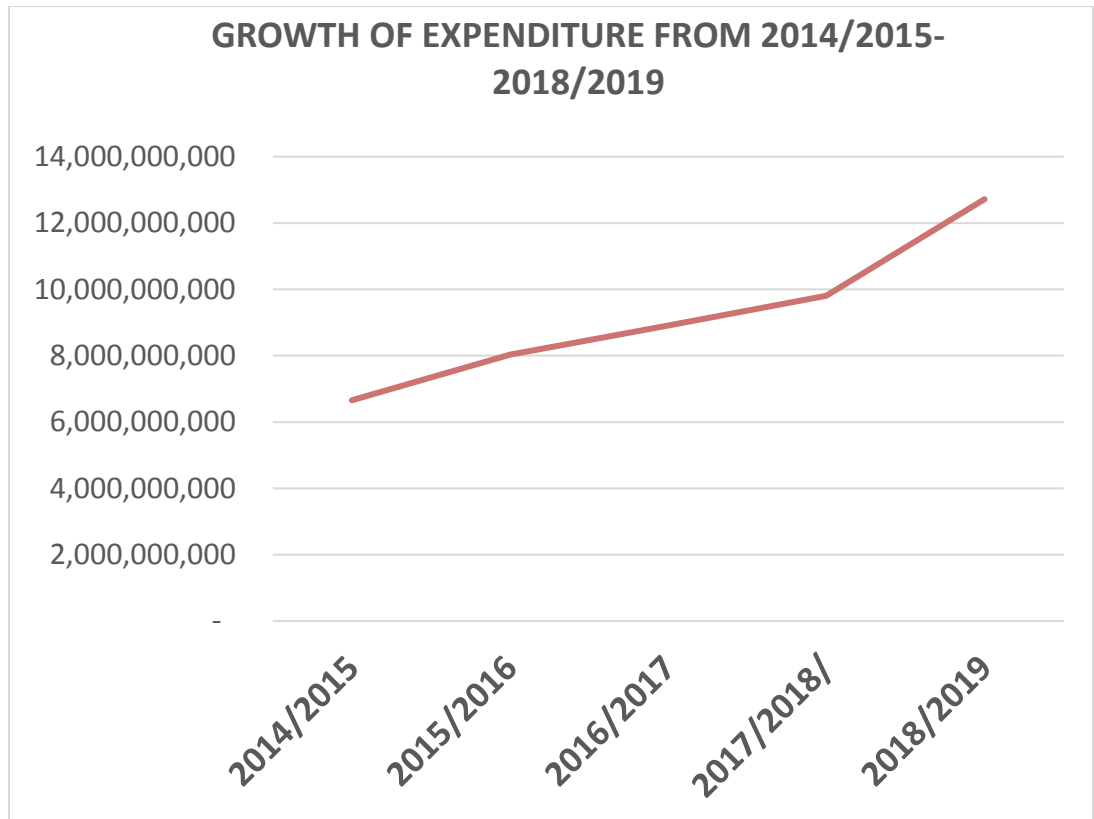
	DEPARTMENTS	Approved Budget FY 2018/2019	Supplementary Budget FY 2018/2019	Total Expenditure	%age
3011	County Executive	467,301,873	401,762,590	366,828,652	92%
3012	County Assembly	656,760,026	707,114,950	682,989,659	97%
3013	Public Service Board	153,386,810	101,793,432	82,182,927	81%
3014	Finance & Economic Planning	1,409,969,762	2,775,836,119	2,725,033,692	98%
3015	Energy, Environment & Waste Management	920,580,675	828,955,761	737,985,956	89%
3016	Education, Information Technology & MV 2035	823,007,052	574,261,709	451,661,776	79%
3017	Health Services	2,923,643,133	2,586,364,015	3,202,514,740	125%
3018	Water, Sanitation & Natural Resources	904,686,094	669,278,191	68,288,562	10%
3019	Youth, Gender, Sports and Cultural Affairs	1,500,139,181	350,808,122	280,429,106	80%
3020	Trade, Tourism & Investment	501,088,578	630,369,792	486,468,460	77%
3021	Lands, Housing and Physical Planning	447,606,732	394,856,271	311,766,515	79%
3022	Transport & Infrastructure	1,306,449,182	2,367,894,793	2,017,723,065	85%
3023	Agriculture, Fisheries, Livestock and Co-operatives	499,295,337	381,391,716	325,189,634	85%
3026	Devolution and Public Service Administration	1,077,857,456	1,685,808,115	1,621,225,848	96%
	TOTAL	13,591,771,891	14,456,495,576	13,360,488,591	93%

Table 4: GROWTH OF EXECUTIVE EXPENDITURE FROM 2014/15-2018/19

GROWTH OF EXPENDITURE FROM 2014/2015-2018/2019						
S NO.	DEPARTMENTS	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
3011	County Executive	929,699,966	775,487,598	289,680,017	305,472,424	366,828,652
3013	Public Service Board	55,377,190	42,201,643	47,783,171	69,337,345	682,989,659
3014	Finance & Economic Planning	1,819,878,254	1,777,993,324	2,276,991,615	2,270,755,715	82,182,927
3015	Environment, Waste Management and Energy	63,501,521	111,733,374	70,677,866	504,702,480	2,725,033,692
3016	Education, Information Technology & MV 2035	307,844,255	457,102,717	1,033,070,417	469,161,316	737,985,956
3017	Health Services	1,396,970,317	2,285,276,810	2,532,325,353	2,500,178,693	451,661,776
3018	Water, Sanitation & Natural Resources	612,064,144	492,269,532	73,447,595	95,072,297	3,202,514,740
3019	Youth, Gender, Sports & Cultural Affairs	138,261,355	189,016,828	369,715,814	323,768,818	68,288,562
3020	Trade, Tourism & Investment	330,004,554	289,892,019	186,241,760	212,092,539	280,429,106
3021	Lands, Housing & Physical Planning	144,036,335	323,902,738	185,971,683	276,249,787	486,468,460
3022	Transport & Infrastructure & Public Works	701,982,041	1,175,521,171	1,731,846,854	1,871,526,082	311,766,515

3023	Agriculture, Fisheries, Livestock & Cooperatives	158,579,193	110,007,203	116,645,971	194,126,312	2,017,723,065
3026	Devolution & Public Service Administration				712,108,321	325,189,634
	Total	6,658,199,125	8,030,404,957	8,914,398,116	9,804,552,129	12,677,498,932

GROWTH OF EXPENDITURE FROM 2014/15-2018/19



DETAILED REVENUE ANALYSIS

1. TOTAL EXCHEQUER ISSUES 2018-19

Revenue Item	Annual Budgeted	Total Receipt	Percentage
Equitable share	8,226,800,000	8,226,800,000	100
GRANTS			
Kenya Devolution Support Project 17-18 - IDA(WB)-KSDP LEVEL 1	49,809,062	0	0
Kenya Devolution Support Project 18-19 - IDA(WB)-KSDP LEVEL 1	53,333,725	0	0
Kenya Devolution Support Project- IDA(WB)-KSDP LEVEL II	0	259,416,946	0
CA-Fuel levy fund	216,604,479	255,997,699	118.2
Agriculture Sector Support Program II	30,697,405	6,937,481	22.6
Conditional Allocation for Rehabilitation of Youth Polytechnics	39,895,000	0	0
CA-User Fees Forgone	23,385,934	23,385,934	100
Level 5 H	388,439,306	388,439,309	100
DANIDA 17-18	8,254,082	0	0
DANIDA-UHDSP	27,337,500	27,337,500	100
Transforming Health Systems for Universal Care Project (World Bank-IDA)	50,000,000	27,473,711	54.9
Universal Health Care	-	27,357,500	100
Water & Sanitation Development Program – World Bank Fund	600,000,000	0	0
Total Grants	1,487,756,492	988,988,577	66
Total Exchequer Issues	9,714,556,492	9,215,788,577	95

2. TOTAL LOCAL REVENUE COLLECTED 18-19

	Q1	Q2	Q3	Q4	Cumulative amount	Comparative amount FY2017/2018
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS						
Other Property Income-Rates	71,258,943	62,163,698	695,111,756	234,142,425	1,062,676,822	733,030,703
Receipts from Administrative Fees and Charges	102,993,917	207,847,762	186,456,297	198,180,810	695,478,786	775,046,024
Business Permits / Cesses	256,525	33,627,718	336,529,726	146,470,039	516,884,008	500,628,593
Plot Rents	5,405,974	3,696,001	4,448,975	1,615,202	15,166,152	15,700,760
Market/Trade Centre fees	13,321,832	14,023,529	14,865,830	14,271,125	56,482,316	49,556,030
Vehicle Parking Fees	87,353,135	113,687,368	139,518,579	109,573,885	450,132,967	471,907,695
Housing	12,819,939	10,320,760	11,719,618	31,802,392	66,662,709	68,379,535
Other Education Related Fees	0	420,000	870,000	1,910,000	3,200,000	10,000
Environment and Conservancy Administration	1,301,500	14,713,535	59,658,345	34,829,372	110,502,752	104,808,921
Other Health and Sanitation Revenues	28,176	242,467,900	150,094,808	314,776,511	707,367,395	432,563,625
Fines Penalties and Forfeitures	3,903,075	3,588,220	6,492,250	6,060,102	20,043,647	16,802,511
TOTAL	298,643,016	706,556,491	1,605,766,184	1,093,631,863	3,704,597,554	3,168,434,397

MONTHLY DETAILED REVENUE ANALYSIS 2018-19			
REVENUE.	ANNUAL BUDGETED	GRAND TOTALS.	
	2018-2019	2018-2019	% Collection
	KSHS.	KSHS.	
COUNTY PLANNING, LAND AND HOUSING			
Land Rates Penalties	14,778,551	10,261,394	69.4%
Land Rates Other Years	1,484,682,766	1,052,395,898	70.9%
Administration Cost	28,127	19,530	69.4%
Other Property Income	1,499,489,444	1,062,676,822	70.9%
COUNTY EXECUTIVE	0		
Document Search Fee	299,275	222,700	74.4%
Sales of County's Minutes / Bylaws	1,440	1,000	69.4%
COUNTY EXECUTIVE	0		
Valuation & Survey Fees	3,802,152	3,130,000	82.3%
Plot Transfer Fee	847,419	608,800	71.8%
Consent to Sublease	221,072	153,500	69.4%
Technical Division	21,469	14,907	69.4%
Beacon Search pointing Fee	43,206	30,000	69.4%
Survey Fee	1,119,610	796,144	71.1%
Subdivision & Consolidation Fees	7,843,378	6,259,500	79.8%
Change of User	2,678,789	1,900,000	70.9%
Impounding charges	118,911	82,565	69.4%
Dog Licenses	61,929	43,000	69.4%
Storage Fee	420,909	381,500	90.6%
Debts Clearance Certificate Fee	28,436	15,000	52.8%
Refund of Over Payment	703,849	488,713	69.4%
Consent to Charge Fee/Property certification Fee (Use as collateral)	144,741	100,500	69.4%
Imprest	499,653	348,981	69.8%
Other Property Charges	4,169,981	2,947,900	70.7%
Sand, Gravel, and Ballast Extraction Fees	664,739,351	516,052,704	77.6%
Incidental Charges	46,087	38,000	82.5%
Tender Documents Sale	8,641	6,000	69.4%
Hotel Levy	38,537,307	32,781,256	85.1%
Social Hall Hire	1,861,182	1,394,300	74.9%
Hire of County Grounds	460,867	390,000	84.6%
Sewer Connection Charge	7,201	5,000	69.4%
County Vehicles Hire	535,693	371,955	69.4%
Fire Inspection Fees	22,813,054	17,198,000	75.4%
Fire-Fighting Services	10,921,104	9,203,500	84.3%
Land Scape Scheme	35,003,645	24,304,560	69.4%
Buildings Plan Preparation Fee	3,144,005	2,261,920	71.9%
Buildings Plan Approval Fee	90,739,814	73,100,381	80.6%

Demolition of Structures	1,154,327	846,500	73.3%
Receipts from Administrative Fees and Charges	892,998,496	695,478,786	77.9%
TRADE ENERGY AND INDUSTRY	0		
Business Permits, Current Year	663,974,944	515,554,408	77.6%
Business Permits Late Payment Penalties, Current Year	0	0	
Business Permits, Other Years (Including Penalties)	53,080,473	1,329,600	2.5%
Business Subletting / Transfer Fee	0	0	
Business Permits / Cesses	717,055,417	516,884,008	72.1%
COUNTY PLANNING, LAND AND HOUSING	0		
Plot Transfer Fee	0	13,600	100.0%
Document Search Fee	4,321	3,000	69.4%
Allottees Documents	38,096	26,452	69.4%
Instalment Fee (HDD Scheme)	158,555	110,092	69.4%
Annual Ground Rent (HDD Scheme)	3,203,084	2,297,904	71.7%
Plots Charges (HDD Scheme)	17,759,922	12,696,354	71.5%
Survey Fee	27,004	18,750	69.4%
Plot Rents	21,190,982	15,166,152	71.6%
03020205 Mackinnon Market	0		
Market Stalls Rent	3,218,939	2,235,050	69.4%
03020305 Makupa Market	0		
Market Stalls Rent	1,689,754	1,173,270	69.4%
03020405 Mombasa Wholesale market	0		
Market Entrance / Gate Fee	15,276,632	11,574,243	75.8%
Market Stalls Rent (Rental store w/s mkt)	13,293,093	11,380,135	85.6%
Off loading	3,018,744	2,319,848	76.8%
Hawking Fee	26,831,352	19,993,940	74.5%
03020505 Magongo Market	0		
Market Stalls Rent	1,163,041	807,550	69.4%
03020605 Likoni Open Air Market	0		
Market Stalls Rent	299,275	207,800	69.4%
03020705 Port Tudor, Kongowea & Likoni Market	0		
Market Stalls Rent	189,604	131,650	69.4%
03020805 Sega Market	0		
Market Stalls Rent	1,888,690	1,311,400	69.4%
03020905 Chaani Open Air Market	0		
Market Stalls Rent	1,456,627	1,011,400	69.4%
03021005 Mikindani Market	0		
Market Stalls Rent	384,680	267,100	69.4%
03021105 Mwembe Tayari Market	0		
Market Stalls Rent	1,664,673	1,155,855	69.4%
03021205 Kisauni Retail Stall Market	0		
Market Stalls Rent	4,195,437	2,913,075	69.4%

Sales of Market Establishments	74,570,539	56,482,316	75.7%
TRANSPORT, ROADS AND INFRASTRUCTURE	0		
Drainage Certificate Charges	98,654	68,500	69.4%
Road Cutting Application Fees	103,119	71,600	69.4%
Other Vehicles Enclosed Park Fees (Cars, lorries, etc.)	1,440	1,200	
Street Parking Fee	192,689,232	188,356,529	97.8%
Towing Fee.	169,596	117,758	69.4%
TLB Matatu Levy	236,995,094	180,738,810	76.3%
Right of Way / Way Leave Fee (KPLN, Telkom, etc.)	116,025,925	80,763,570	69.6%
Vehicle Parking Fees	546,083,062	450,117,967	82.4%
COUNTY PLANNING, LAND AND HOUSING	0		
Housing Estates Monthly Rent	62,109,103	66,662,709	107.3%
Housing	62,109,103	66,662,709	107.3%
WATER, ENVIRONMENT AND NATURAL RESOURCES	0		
Sign Boards & Advertisement Fee	133,997,983	102,929,330	76.8%
County Vehicle Hire	645,358	459,500	
Horticulture Consultation Fee	306,044	239,200	78.2%
Livestock Certificates	674,611	521,922	77.4%
Livestock Permits	5,185	4,100	79.1%
Slaughter Licenses	12,962	10,000	77.1%
Vaccination (Dogs, Horses, Camels)	4,321	3,000	69.4%
Dog Licenses	249,156	182,000	73.0%
Cooperative Audit Charges	757,363	555,900	73.4%
Cemeteries Charges	1,254,710	924,700	73.7%
07031405 Refuse Disposal (Nguu Tatu)	0	0	
Garbage Dumping Fee	5,932,941	4,498,000	75.8%
Refuse Collection Fee	243,395	169,000	
Environment and Conservancy Administration	144,084,029	110,496,652	76.7%
COUNTY EDUCATION	0		
Inspection Schools for Registration	3,557,316	3,200,000	90.0%
Other Education Related Fees	3,557,316	3,200,000	90.0%
COUNTY HEALTH	0		
Sundry Income	189,420,361	197,337,284	104.2%
07021305 Kongowea Health Centre	0		
Premises Inspection Fees	566,411,054	510,030,111	90.0%
07023405 Maunguja Clinic	0		
Other Health and Sanitation Revenues	755,831,415	707,367,395	93.6%
COUNTY EXECUTIVE	0		
Court Fines	21,042,017	16,940,777	80.5%
Cash Bail	3,927,263	3,102,870	79.0%
Fines Penalties and Forfeitures	24,969,280	20,043,647	80.3%
COUNTY OWN REVENUE	4,741,939,084	3,704,597,554	78.1%

REVENUE ANALYSIS FOR 2018/19 FY

11. The County realized Kshs 3,704,597,554 being 78 percent of the budgeted local revenue of Kshs. 4,741,939,084. The total revenue collected was Kshs 13,360,488,591 being 93 percent of the total budgeted revenue of Kshs. 14,456,495,575 of which Kshs 9,714,556,492 was exchequer issues and Kshs 988,988,577 transfers from other National Government entities including budgeted grants and donor funding. Equitable National share amounted to Kshs 8,226,800,000 which was 100 percent of the County allocation.
12. The County has hit the highest in budget implementation at 93 percent which is a 2 percent increase from the previous financial year's budget implementation.
13. The County received Donor Funding from DANIDA of Kshs. 27,337,500, Health Conditional Grants of Kshs. 388,439,309, Road Maintenance Levy Grant of Kshs. 255,997,699, World Bank-KDSP Level II, Kshs. 259,416,946, World Bank-THUSCP, Kshs. 27,473,711 and a Grant of Kshs. 6,937,481 for Agriculture Sector Support Program II.

Expenditure

14. Total expenditure amounted to Ksh 13,360,488,591 against a target of Ksh 14,456,495,575 representing an under spending of Ksh 1,096,006,984. (or 7 percent deviation from the revised budget). The shortfall was attributed to lower absorption in both recurrent and development expenditures due to unrealized revenues.
15. Recurrent expenditure was 100% amounting 10.2 billion which comprised of personnel emoluments and operations and maintenance.
16. Development expenditure was Ksh 3.1 Billion compared to a target of Ksh 4.3 Billion. This represented an under-spending of approximately Ksh 1.2 Billion (or 28 percent deviation from the approved development expenditure). The underperformance in development expenditure was majorly contributed by lack of disbursement of the World Bank's Water and Sanitation Grant of Ksh. 600 Million, unrealized local revenue and bureaucracy in procurement.
17. In arriving at the revenues and expenditures above, the cash basis was used and therefore uncollected revenues and pending bills were excluded.

Overall Balance and Financing

18. Reflecting the above performance in revenue and expenditure, the County had a balanced budget both in expenditure and revenue with an absorption rate of 93 percent of the overall budget.

19. The County had a fiscal deficit of Kshs. 1.0 Billion to finance which was attributed to unrealized revenues.

Implication of 2018/19 fiscal performance on the set financial objectives

In the 2019 CFSP;

20. The performance in the FY 2018/19 has affected the financial objectives set out in the latest CFSP and the Budget for FY 2019/20 in the following ways:
21. The county will continuously look into 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.
22. Maintaining a lean workforce 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.
23. 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.
24. 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.
25. While we expect the economy to remain resilient, our projections remain cautious. We expect the revenue growth to be on an upward trend in 2019/20 from all the revenue streams.
26. 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.

27. Table 5 and 6 provides comparison between the updated Revenue Projections for the FY 2019/20 and in the medium term.

Revenue Stream	Projected 2019/20	Projected 2020/21	Projected 2021/22
Road maintenance fees	101,914,493	135,010,218	158,760,729
Advertisement income	66,664,188	70,997,397	79,547,267
Parking fees	550,035,581	582,537,360	595,664,228
Fire brigade & ambulance fees	94,572,460	109,801,083	115,291,137
	813,186,722	898,346,058	949,263,361
Plot rent & related charges	19,358,612	20,326,543	26,342,870
Development control income	101,927,203	116,023,563	129,324,741
Structural Submission/Approval Fees	307,505,067	351,580,321	415,659,337
Land rates and related fees	1,205,712,819	1,250,998,460	1,273,798,383
Housing Estates Monthly Rent	69,208,993	72,815,535	78,956,312
Valuation & Survey Fees	30,772,128	32,310,735	48,926,271
	1,734,484,823	1,844,055,157	1,973,007,914
Stadium & Other Playing Fields	7,000,000	8,250,000	9,512,500
Social halls hire	10,400,000	12,820,000	14,261,000
	17,400,000	21,070,000	23,773,500
Legal department fees	1,504,731	1,579,968	1,658,966
General enforcement charges	5,630,146	5,911,654	6,207,236
Court Fines	30,180,981	31,690,030	33,274,532
	37,315,859	39,181,652	41,140,734
Hotel Levy	23,294,404	26,959,124	28,657,080
Sand, Gravel, and Ballast Extraction Fees	318,448,650	329,321,082	362,787,137
Market collection	67,431,080	71,802,634	83,042,766
Business permit fees	653,375,095	659,043,850	675,996,042
	1,062,549,229	1,087,126,690	1,150,483,025
Registration of Child Care Facilities	12,559,000	21,000,000	25,050,000
	12,559,000	21,000,000	25,050,000

Revenue Stream	Projected 2019/20	Projected 2020/21	Projected 2021/22
Meat Inspection/Permit	4,300,000	5,100,000	9,205,000
Boat Operations	5,700,000	6,570,000	6,748,500
	10,000,000	11,670,000	15,953,500
Tender Documents Sale	1,413,164	1,483,822	1,558,013
Financial related income	5,850,277	6,142,791	8,213,221
	7,263,441	7,626,613	9,771,234
Clinic cost sharing charges & Other services	758,000,000	809,000,000	836,950,000
	758,000,000	809,000,000	836,950,000
Total Local Revenue	4,452,759,072	4,739,076,170	5,025,393,268

Table 6: Updated Departmental Ceilings against CFSP'19 Projections, 2018/19-2021/22

DEPARTMENTS	Actual 2018/2019	Budget 2019/2020	Projected 2020/2021	Projected 2021/2022
RECURRENT				
County Executive	359,522,059	363,392,288	403,392,288	419,527,980
County Assembly	682,989,659	658,054,009	658,054,009	684,376,169
Public Service Board	77,902,220	118,831,959	126,377,889	152,233,005
Finance & Economic Planning	2,165,655,494	979,521,955	999,830,859	1071,024,093
Environment, Waste Management and Energy	528,341,544	514,132,378	592,507,149	612,207,435
Education, Information Technology & MV 2035	397,535,735	541,519,644	661,158,345	695,604,679
Health Services	3,101,738,503	2,813,835,534	3,190,391,104	3,268,806,748
Water, Sanitation & Natural Resources	52,726,209	121,221,632	138,861,433	154,815,890
Youth, Gender, Sports and Cultural Affairs	187,973,874	270,276,893	294,469,482	310,248,261
Trade, Tourism & Investment	386,526,788	465,952,264	478,875,185	498,030,192
Lands, Housing and Physical Planning	127,393,238	220,154,262	236,776,432	246,247,489
Transport & Infrastructure	428,257,872	435,222,886	488,548,738	510,090,688
Agriculture, Fisheries, Livestock and Co-operatives	192,386,271	222,020,925	272,930,223	291,847,432
Devolution & Public Service Administration	1,565,043,995	1,015,434,944	996,155,411	1,014,078,519
TOTAL	10,253,993,461	8,739,571,572	9,538,328,547	9,929,138,581

DEPARTMENTS	Actual 2018/2019	Budget 2019/2020	Projected 2020/2021	Projected 2021/2022
DEVELOPMENT				
County Executive	7,306,594	15,098,932	27,801,660	31,313,726
County Assembly	-	25,773,748	47,604,698	49,508,886
Public Service Board	4,280,707	11,637,280	22,502,772	23,402,883
Finance & Economic Planning	559,378,197	749,954,639	440,537,693	462,159,201
Environment, Waste Management and Energy	209,644,412	428,372,081	520,706,965	523,135,244
Education, Information Technology & MV 2035	54,126,040	220,329,356	398,329,356	414,262,530
Health Services	100,776,236	231,641,776	271,641,776	294,507,447
Water, Sanitation & Natural Resources	15,562,353	1,550,000,000	479,225,704	494,394,732
Youth, Gender, Sports and Cultural Affairs	92,455,232	375,595,266	405,595,266	417,819,077
Trade, Tourism & Investment	99,941,671	151,056,936	241,056,936	246,699,213
Lands, Housing and Physical Planning	184,373,277	211,329,963	271,329,963	290,183,162
Transport & Infrastructure	1,589,465,194	657,445,281	943,294,922	973,026,719

Agriculture, Fisheries, Livestock and Co-operatives	132,803,363	211,015,626	271,015,626	281,856,251
Devolution & Public Service Administration	56,381,853	100,545,582	220,545,582	224,956,494
TOTAL	3,106,495,130	4,939,796,466	4,561,188,919	4,727,225,564

DEPARTMENTS	Actual 2018/2019	Budget 2019/2020	Projected 2020/2021	Projected 2021/2022
TOTAL				
County Executive	366,828,652	378,491,220	431,193,948	450,841,706
County Assembly	682,989,659	683,827,757	705,658,707	733,885,055
Public Service Board	82,182,927	130,469,239	148,880,661	175,635,888
Finance & Economic Planning	2,725,033,692	1,729,476,594	1,440,368,552	1,533,183,294
Environment, Waste Management and Energy	737,985,956	942,504,459	1,113,214,114	1,135,342,679
Education, Information Technology & MV 2035	451,661,776	761,849,000	1,059,487,701	1,109,867,209
Health Services	3,202,514,740	3,045,477,310	3,462,032,880	3,563,314,195
Water, Sanitation & Natural Resources	68,288,562	1,671,221,632	618,087,137	649,210,622
Youth, Gender, Sports and Cultural Affairs	280,429,106	645,872,159	700,064,748	728,067,338
Trade, Tourism & Investment	486,468,460	617,009,199	719,932,121	744,729,405
Lands, Housing and Physical Planning	311,766,515	431,484,225	508,106,395	536,430,651
Transport & Infrastructure	2,017,723,065	1,092,668,167	1,431,843,660	1,483,117,407
Agriculture, Fisheries, Livestock and Co-operatives	325,189,634	433,036,551	543,945,849	573,703,683
Devolution & Public Service Administration	1,621,225,848	1,115,980,526	1,216,700,993	1,239,035,013
TOTAL	13,360,488,591	13,679,368,038	14,099,517,466	14,656,364,145

Updated Expenditure Projections against CFSP'18 Projections, 2018/19-2020/21

28. 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 2020, the financial objectives contained in the latest CFSP, to reflect the changed circumstances.

29. The County Government has updated its automated revenue collection systems in most sources to reduce leakages, improved efficiency and effectiveness and thus increase 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.

30. Domestically, the economy continues to be exposed to risks arising from adverse weather conditions until the mitigating measures of food security under "The Big Four" Plan are put in place. Additional risks could emanate from public expenditure pressures especially on the recurrent expenditures and ensuring that the projected revenue projections is achievable to aid in budget deficit reduction .

V. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

31. Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.6 percent for the last five years outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 4.6 percent in the period 2002 to 2007.
32. The rebound in economic activity in 2018 is a reflection of improved rains, better business sentiment and easing of political uncertainty. The economy grew by 6.0 percent in the third quarter of 2018 and 6.2 percent in the second quarter of 2018 up from 5.8 percent in the first quarter of 2018, averaging 6.0 percent in the first three quarters of 2018. Growth is projected at 6.0 percent in 2018 up from 4.9 percent in 2017.
33. In the third quarter of 2018, the economy grew by 6.0 percent compared to a growth of 4.7 percent in a similar quarter in 2017, mainly supported by improved weather conditions which led to increased agricultural production and agro processing activity in the manufacturing sector. In addition, this growth was supported by pickup in activities of accommodation and food services, electricity and water supply and construction sectors.
34. Services remained the main source of growth and expanded by 5.9 percent in the third quarter of 2018 compared to a growth of 5.6 percent in the same quarter in 2017. The service sector was supported by improved growth in accommodation and restaurant (16.0 percent), wholesale and retail trade (6.8 percent), transport and storage (5.4 percent) and financial and insurance (2.6 percent). Growth of activities in information and communication (9.1 percent) and real estate (5.8 percent) remained vibrant despite the slowdown relative to the same quarter in 2017.
35. Services contributed 3.1 percentage points to real GDP growth in the third quarter of 2018 largely supported by wholesale and retail trade (0.6 percentage points), Real Estate (0.5 percentage points) and Transport and storage (0.4 percentage points).
36. The performance of Industry improved to a growth of 5.1 percent in the third quarter of 2018 compared to a growth of 2.3 percent in the same quarter in 2017 following increased activities in the manufacturing, construction and electricity and water supply sectors. The recovery of the manufacturing sector was attributable to agro-processing activities that benefitted substantially from increased agricultural production.

37. The industry sector accounted for 0.9 percentage points to growth in the third quarter of 2018, largely driven by the construction and manufacturing sectors which contributed 0.4 percentage points and 0.3 percentage points, respectively.

Recent Economic Developments

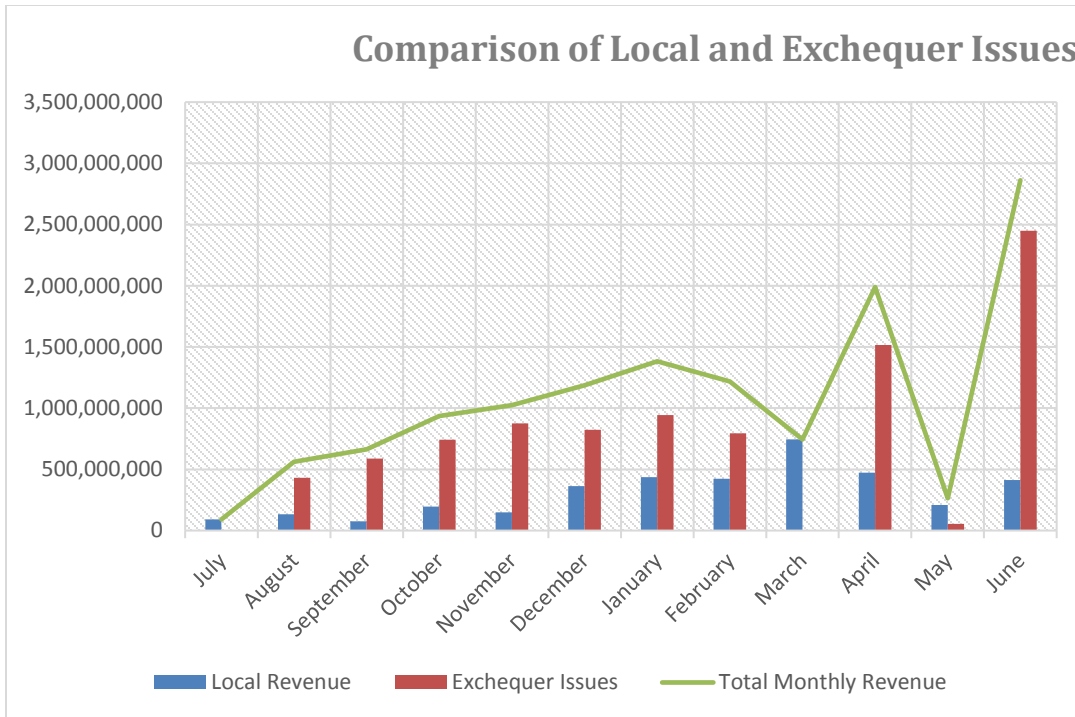
38. Growth in local revenue remained resilient, with the collection being realized in the last two quarters with the highest collection being in March and June. The Exchequer issues were steady throughout the financial year.

39. On the development front in infrastructure, the movement of goods and people around the country has been made cheaper and more effective through expansion of most roads, seaports and airports. On the Standard Gauge Railway (SGR), the Government completed the construction of Phase 1 (Mombasa - Nairobi) in 2017. The railway has significantly reduced transportation costs and eased the movement of people and goods from Nairobi to Mombasa, there has also been reduction in traffic congestion to and from the port area although unfortunately there has been some negative implications due to loss of livelihoods for most residents, transporters, clearing and forwarding agencies and container freight services who have had to close or relocate their businesses .

40. On the blue economy, the County Government targets to significantly expand fishing to 18,000 metric tonnes of fish annually from the current 2,500 metric tonnes. To facilitate the development of the blue economy, the Government has strengthened enforcement measures to curb illegal fishing activities along Kenya's Indian Ocean territory by commissioning the Kenyan Coast Guards, suspending of the fishing licenses of all international trawlers operating in Kenya's territorial waters until they comply with the local input requirement; continuous clean up of the ocean; and advocating for enhanced processing before export to improve value of fish and marine products and removal of structural bottlenecks in the sector.

41. In addition to the above measures, the Government will continue to develop industrial infrastructure such as Export Processing Zones (EPZs), Special Economic Zones (SEZs) and industrial parks across the country. More specifically the establishment of the Dongo Kundu SEZs and infrastructures.

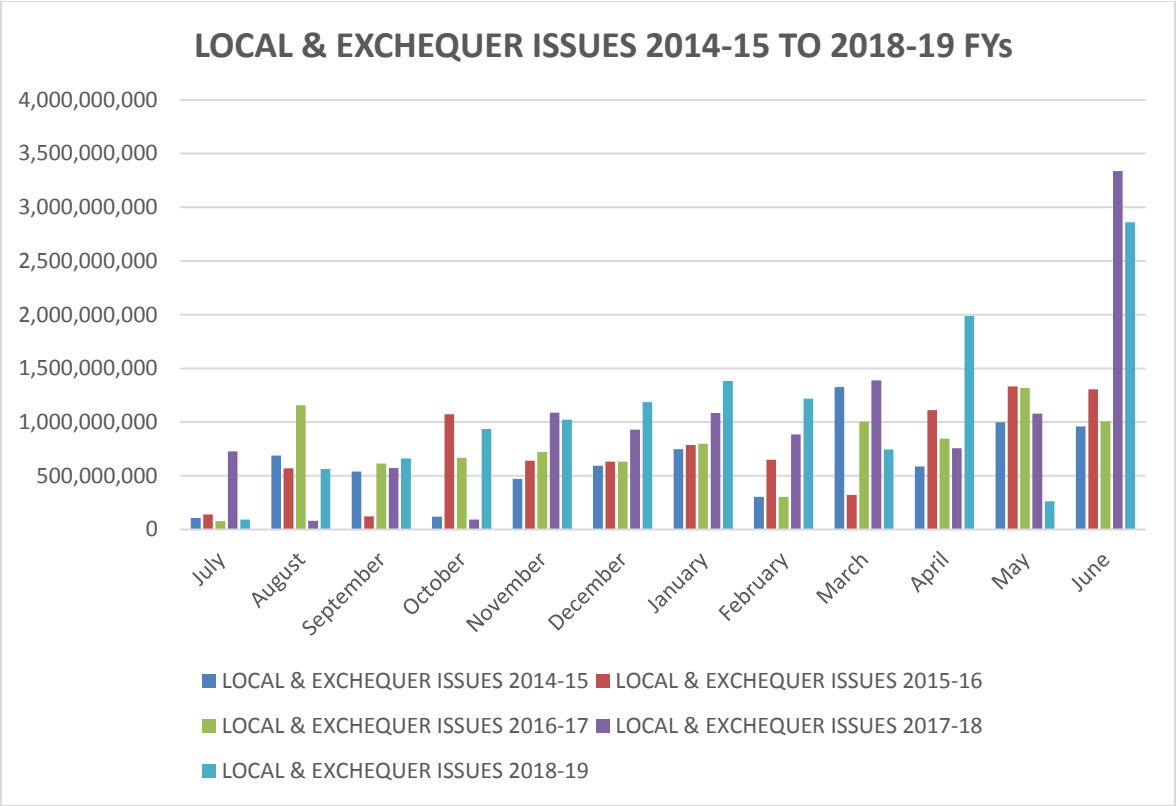
42. The National Government in partnership with the County Government has embarked on the face-lifting and rehabilitation of the Mama Ngina sea front CBD facelift which will give the tourism sector a major boost and see Mombasa reclaiming its glory as a major tourism destination both locally and internationally.



Growth in Revenue remains resilient but downside risks remain

MONTHLY GRAPHICAL COMPARISON FOR LOCAL & EXCHEQUER ISSUES FOR THE FY 2014/15-2018/19

Month	LOCAL & EXCHEQUER ISSUES 2014-15	LOCAL & EXCHEQUER ISSUES 2015-16	LOCAL & EXCHEQUER ISSUES 2016-17	LOCAL & EXCHEQUER ISSUES 2017-18	LOCAL & EXCHEQUER ISSUES 2018-19
July	107,993,724	138,888,662	78,327,409	726,919,531	91,417,758
August	687,653,187	569,934,955	1,155,330,121	79,974,633	562,614,570
September	540,354,170	123,410,370	614,169,921	572,245,325	663,072,153
October	118,510,601	1,072,735,887	666,800,635	91,999,794	936,888,254
November	471,021,588	639,916,751	722,067,323	1,087,117,176	1,023,583,115
December	592,447,889	632,492,033	631,961,413	931,127,740	1,185,688,810
January	746,732,473	787,407,998	799,675,647	1,084,658,019	1,381,624,607
February	304,617,946	648,325,175	303,286,028	885,758,740	1,217,967,692
March	1,326,042,828	320,614,826	1,003,791,146	1,390,148,888	745,066,240
April	588,638,411	1,112,119,278	847,054,039	755,912,531	1,988,001,486
May	997,341,675	1,331,613,343	1,316,671,337	1,078,311,363	262,880,622
June	959,935,772	1,305,827,907	1,008,792,061	3,337,376,949	2,861,280,642



GRANTS DISBURSED TO THE COUNTIES FROM 2013/14- 2017/18 FINANCIAL YEARS

GRANTS DISBURSED TO THE COUNTY						
Grant Details	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	Total
Level 5 Hospital Grant	209,605,198	402,910,857	369,942,197	388,439,306	388,439,306	1,759,336,864
Leasing of Medical Equipment Grant		35,125,117	35,823,495	-	-	70,948,612
User Fees Forgone		21,896,682	23,514,312	23,514,312	23,385,934	92,311,240
Free Maternal Health Care Grant		98,447,500	125,722,505	-	-	224,170,005
DANIDA	3,920,000		3,150,000	23,261,504	27,337,500	57,669,004
World Bank-KDSP Level I				49,809,062		49,809,062
World Bank KDSP Level II					259,416,946	259,416,946
World Bank – Health Grant				10,736,032		10,736,032
World Bank-IDA: Transforming Health Systems for Universal Care Project					27,473,711	27,473,711
Development of Youth Polytechnics				30,586,320		30,586,320
Agriculture Sector Support Program II					6,937,481	6,937,481
Road Maintenance Levy Grant		33,345,423	33,345,423	182,073,057	255,997,699	504,761,602
Total	213,525,198	591,725,579	591,497,932	708,419,593	988,988,577	3,094,156,879

43. Revenue in the second and third quarters was the highest in the FY 2018/19 and a major increase in the last month of the fourth quarter due to a massive exchequer release. In the third quarter in the three financial years there was a rise in revenue collection attributed highly by the renewal of the single business permits (SBP) and land rates.

Macroeconomic Outlook and Policies

Global Growth Outlook

44. Global growth is projected to remain steady and grow by 3.7 percent in 2018 and 2019. The leveling-off is driven by the recently announced trade measures, including the tariffs imposed on \$200 billion of US imports from China, closure of output gaps in advanced economies, moderation in trade and investment, and a gradual tightening of financing conditions due to ongoing withdrawal of accommodative monetary policy in advanced economies. Global growth optimism is constrained by rising trade tensions likely to have a negative impact on confidence, asset prices, global trade and investments.
45. Among emerging markets and developing economies, growth is expected to stabilize at 4.7 percent in 2018 and 2019 reflecting offsetting developments as growth moderates to a sustainable pace in China, while it improves in India reflecting increased domestic demand. Higher oil prices have also lifted growth among fuel-exporting economies in sub-Saharan Africa and the Middle East.
46. Growth prospects for sub-Saharan Africa continue to strengthen. Growth is expected to improve from 2.7 percent in 2017 to 3.1 percent in 2018 and further to 3.8 percent in 2019, supported by a stronger global growth, higher commodity prices, improved capital market access and contained fiscal imbalances in many countries. However, downside risks may arise from uncertainties in the run up to the 2019 general elections in South Africa.
47. Growth in the East African Community (EAC) region is estimated to rise to 5.9 percent in 2018 from 5.3 percent in 2017. This growth is driven by a rebound in agricultural activity on the backdrop of favorable weather conditions and a pickup in private sector credit growth. In 2019, economic growth is projected to increase to 6.3 percent supported by a stable macroeconomic environment, ongoing infrastructure investments, and strong private consumption.

Monetary Policy Outlook

48. The Kenya Shilling exchange rate has continued to display relatively less volatility, compared to most sub - Saharan currencies. This stability reflects strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services particularly tourism.
49. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at Ksh 101.6 in January 2019 from Ksh102.9 in January 2018. Against the Euro and the Sterling pound, the Shilling also strengthened to Ksh 115.9 and Ksh 130.8 in January 2019 from Ksh 125.4 and Ksh 141.9 in January 2018, respectively.
50. Foreign exchange reserves have increased from around 3.0 months of import cover in 2003 to above 5.5 months of import cover in 2018. This fulfils the requirement to maintain at least 4 months of imports cover, and the EAC region's convergence criteria of 4.5 months of imports cover and thus provide an adequate buffer against short term shocks in the foreign exchange market.
51. The close coordination of fiscal and monetary policies will continue delivering on price stability and reduction in cost of doing business in the country.

Growth prospects

52. In the third quarter of 2018, the economy grew by 6.0 percent compared to a growth of 4.7 percent in a similar quarter in 2017, mainly supported by improved weather conditions which led to increased agricultural production and agro processing activity in the manufacturing sector. In addition, this growth was supported by pickup in activities of accommodation and food services, electricity and water supply and construction sectors.
53. Agriculture sector recovered and recorded growth of 5.2 percent in the third quarter of 2018 compared to a growth of 3.7 percent in a similar quarter of 2017, supported by improved weather conditions. This enabled the agriculture sector to contribute 1.0 percentage points to GDP growth in the third quarter of 2018 compared to 0.7 percentage points in the same period in 2017.
54. The Non-agricultural sector (service and industry) remained vibrant and grew by 5.8 percent in the third quarter of 2018 up from a growth of 5.1 percent in a similar quarter in

2017. It has the largest percentage points to real GDP growth at 4.0 percentage points in the third quarter of 2018, mainly supported by the service sector.

55. Services remained the main source of growth and expanded by 5.9 percent in the third quarter of 2018 compared to a growth of 5.6 percent in the same quarter of 2017. The service sector was supported by improved growth in accommodation and restaurant (16.0 percent), wholesale and retail trade (6.8 percent), transport and storage (5.4 percent) and financial and insurance (2.6 percent). Growth of activities in information and communication (9.1 percent) and real estate (5.8 percent) remained vibrant despite the slowdown relative to the same quarter in 2017.
56. Services contributed 3.1 percentage points to real GDP growth in the third quarter of 2018 largely supported by wholesale and retail trade (0.6 percentage points), Real Estate (0.5 percentage points) and Transport and storage (0.4 percentage points).
57. The performance of Industry improved to a growth of 5.1 percent in the third quarter of 2018 compared to a growth of 2.3 percent in the same quarter in 2017 following increased activities in the manufacturing, construction and electricity and water supply sectors. The recovery of the manufacturing sector was attributable to agro-processing activities that benefitted substantially from increased agricultural production.
58. Growth in the Electricity and Water supply remained vibrant driven by increased use of less input intensive sources of energy such as hydro generated electricity supported by sufficient rainfall, wind power and geothermal power generation coupled with growth of thermal generation.
59. The industry sector accounted for 0.9 percentage points of growth in the third quarter of 2018, largely driven by the construction and manufacturing sectors which contributed 0.4 percentage points and 0.3 percentage points, respectively.
60. Domestically, the county's economy is exposed to risks; public expenditure pressures especially recurrent expenditures pose a fiscal risk and any inefficiency in spending government resources that may lower impact of development expenditure.
61. Improvement in the investment climate, security coupled with further structural and legal reforms are expected to improve competitiveness of the private sector, revamp tourism sector thus promote overall productivity in the economy and thus increase the County's own revenue.

62. The CG recognizes that further stringent measures needs to be put in place to ensure scaling up of revenue collection and mobilization of resources and more efficient production structure. The CIDP 2018-22 has articulated key priority measures to accelerate growth, taking into account limited public resources and increased service delivery for improved livelihoods.

Inflation Outlook

63. Inflation rate was highly volatile in the period 2008-2012 and averaged 10.6 percent compared to the period 2003-2007 when it averaged 8.5 percent. The sharp increase in inflation rate in the year 2008 to 2010 was occasioned by internal shocks (post-elections disruptions and unfavorable weather conditions) and external shocks (high crude oil prices and global financial crisis). The tightening of monetary policy, together with an easing in global food and fuel prices, saw the levels of inflation stabilize in 2012.
64. Inflation was low, stable and within the Government target range of 5+/-2.5 percent in the period 2013 to 2018 (averaging 6.4 percent) as a result of prudent monetary and fiscal policies. The inflationary pressure witnessed in 2017 due to drought that affected food prices eased in 2018 supported by improved weather conditions that resulted in lower food prices.
65. Month-on-month overall inflation declined to 4.7 percent in January 2019 from 5.7 percent in December 2018 and 4.8 percent in January 2018, owing to a decline in food prices particularly maize, sugar, beans and wheat flour following improved weather conditions and a decline in pump prices of petrol and diesel.
66. Kenya's rate of inflation compares favorably with the rest of sub-Saharan African countries and especially its peers such as Nigeria and Ghana whose inflation rates were 11.4 percent and 9.4 percent, respectively in December 2018.
67. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at Ksh 101.6 in January 2019 from Ksh 102.9 in January 2018. Against the Euro and the Sterling pound, the Shilling also strengthened to Ksh 115.9 and Ksh 130.8 in January 2019 from Ksh 125.4 and Ksh 141.9 in January 2018, respectively.

Medium Term Fiscal Framework

68. The County Government will continue to pursue prudent fiscal policy to assure stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for sustainable public finances. As such, the CG is committed to a gradual reduction in the debts. This will help to bring down the debt-to-revenue ratio to well below 15 percent and contribute to reducing pressure in expenditure and to provide adequate cushion against unforeseen events.
69. Fiscal policy will continue to support County development economic activities while providing platform for the implementation of the CIDP within a context of sustainable public financing. Over the last one year, the County Government has reoriented expenditure towards priority programmes in Health, Youth, Gender and Sports, Education, Transport and Water Infrastructure and Lands under the medium-term expenditure framework (MTEF). This process will be strengthened in the FY 2019/20 by encouraging more private-sector engagement in order to build concrete public private Partnership in pursuit of new economic opportunities.
70. With respect to revenue, the CG will maintain a strong revenue effort at 20 percent of Revenue Growth over the medium term. Measures to achieve this effort include simplification of the Revenue codes in line with international best practices and improved fees and charges collection with enhanced administrative measures. In addition, the CG will rationalize existing fees and charges incentives, expand the income base and remove exemptions as envisaged in the Constitution.
71. On the expenditure side, the CG will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) across Departments. Above all, the new PFM Act, 2012 is expected to accelerate reforms in expenditure management system.
72. The county will continue reorienting 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 development.

Risks to the Outlook

73. 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.
74. The high wage bill continues to be a major challenge in the implementation of the budget. Currently in the 2018/19 financial year the personnel emoluments stand at 39% of the overall county budget which is 4% way above the statutory requirement of 35%. 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 also continues to threaten the already bloated wage bill.
75. The County's major departmental restructuring in terms of personnel and functions continues to affect the Outlook.
76. Non timely disbursement of funds by the national government continues to be another challenge as this could lead to delay in execution of planned activities of the County thus compromising service delivery.
77. Looking ahead, 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.
78. The Government will monitor the above risks and take appropriate measures to safeguard macroeconomic stability including preparation of supplementary budgets to regularize and align any emerging issues.

VI. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2019/20 Budget

79. Given the performance in 2018/19 and the updated fiscal outlook, the risks to the FY 2019/20 budget include lack of realization of the projected local revenue which will hinder the full implementation of the budget. Expenditure pressures with respect to salary demands.
80. In addition, implementation pace in the spending units continues to be a source of concern especially with regard to the development expenditures and uptake of external resources. These risks will be monitored closely and the CG would take appropriate measures in the context of the Supplementary Budget.
81. Adjustments to the 2019/20 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 cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures and increased budgeting for debt resolution.
82. Any review of salaries and benefits for the personnel continues to be conducted by the Salaries and Remunerations Commission (SRC) in accordance with Article 230 of the Constitution and Regulations.
83. On the Revenue side, the County Treasury is expected to institute corrective measures to curb the revenue leakages. Options could include enhanced compliance and automation.
84. Departments are expected to prioritize their expenditure and reallocate funds as per their expenditure during the preparation of the supplementary budget guided by the resource availability.

B. Medium-Term Expenditure Framework

85. Going forward, 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 and the Fiscal Strategy Paper.
86. 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.

87. The county will continue reorienting expenditure towards those priority programmes outlined in County's Integrated Development Plan 2018-2022 and as identified in public consultative forums. The strategy will thus implement the priority programmes/ projects as entailed in the draft CIDP 2018-2022. The critical programmes to be implemented are expected to stimulate the County's socio-economic development. The key County proposed priority areas are;
- Increased accessibility to water and food security
 - Investing in accessible and quality health services
 - Streamlined waste management services
 - Provision of Quality Education, Gender empowerment, Youth & Sports development
 - Improved Land and Housing Services
 - Investing in infrastructure development
88. The composition of expenditure will focus on productive capital projects and priority commitments, while protecting budgetary allocations to social sectors, namely; education, health and social protection. The FY 2020/21 MTEF Budget will therefore focus on the following; Employment creation and youth empowerment, improving infrastructure connectivity across the country; Enhancing social welfare programmes in health, education and social protection. The resources earmarked for strategic interventions in the areas of social welfare and youth empowerment will be ring-fenced over the medium term.
89. Reflecting the above medium-term expenditure framework, the tables below provides the tentative projected baseline ceilings for the 2020 MTEF, classified by Departments.

Medium Term Sector Ceiling 2018/19 - 2020/21, Ksh Million

DEPARTMENTS	Actual 2018/2019	Budget 2019/2020	Projected 2020/2021	Projected 2021/2022
RECURRENT				
County Executive	359,522,059	363,392,288	403,392,288	419,527,980
County Assembly	682,989,659	658,054,009	658,054,009	684,376,169
Public Service Board	77,902,220	118,831,959	126,377,889	152,233,005
Finance & Economic Planning	2,165,655,494	979,521,955	999,830,859	1071,024,093
Environment, Waste Management and Energy	528,341,544	514,132,378	592,507,149	612,207,435
Education, Information Technology & MV 2035	397,535,735	541,519,644	661,158,345	695,604,679
Health Services	3,101,738,503	2,813,835,534	3,190,391,104	3,268,806,748
Water, Sanitation & Natural Resources	52,726,209	121,221,632	138,861,433	154,815,890
Youth, Gender, Sports and Cultural Affairs	187,973,874	270,276,893	294,469,482	310,248,261
Trade, Tourism & Investment	386,526,788	465,952,264	478,875,185	498,030,192
Lands, Housing and Physical Planning	127,393,238	220,154,262	236,776,432	246,247,489
Transport & Infrastructure	428,257,872	435,222,886	488,548,738	510,090,688
Agriculture, Fisheries, Livestock and Co-operatives	192,386,271	222,020,925	272,930,223	291,847,432
Devolution & Public Service Administration	1,565,043,995	1,015,434,944	996,155,411	1,014,078,519
TOTAL	10,253,993,461	8,739,571,572	9,538,328,547	9,929,138,581

DEPARTMENTS	Actual 2018/2019	Budget 2019/2020	Projected 2020/2021	Projected 2021/2022
DEVELOPMENT				
County Executive	7,306,594	15,098,932	27,801,660	31,313,726
County Assembly	-	25,773,748	47,604,698	49,508,886
Public Service Board	4,280,707	11,637,280	22,502,772	23,402,883
Finance & Economic Planning	559,378,197	749,954,639	440,537,693	462,159,201
Environment, Waste Management and Energy	209,644,412	428,372,081	520,706,965	523,135,244
Education, Information Technology & MV 2035	54,126,040	220,329,356	398,329,356	414,262,530
Health Services	100,776,236	231,641,776	271,641,776	294,507,447
Water, Sanitation & Natural Resources	15,562,353	1,550,000,000	479,225,704	494,394,732
Youth, Gender, Sports and Cultural Affairs	92,455,232	375,595,266	405,595,266	417,819,077
Trade, Tourism & Investment	99,941,671	151,056,936	241,056,936	246,699,213
Lands, Housing and Physical Planning	184,373,277	211,329,963	271,329,963	290,183,162
Transport & Infrastructure	1,589,465,194	657,445,281	943,294,922	973,026,719
Agriculture, Fisheries, Livestock and Co-operatives	132,803,363	211,015,626	271,015,626	281,856,251
Devolution & Public Service Administration	56,381,853	100,545,582	220,545,582	224,956,494
TOTAL	3,106,495,130	4,939,796,466	4,561,188,919	4,727,225,564

DEPARTMENTS	Actual 2018/2019	Budget 2019/2020	Projected 2020/2021	Projected 2021/2022
TOTAL				
County Executive	366,828,652	378,491,220	431,193,948	450,841,706
County Assembly	682,989,659	683,827,757	705,658,707	733,885,055
Public Service Board	82,182,927	130,469,239	148,880,661	175,635,888
Finance & Economic Planning	2,725,033,692	1,729,476,594	1,440,368,552	1,533,183,294
Environment, Waste Management and Energy	737,985,956	942,504,459	1,113,214,114	1,135,342,679
Education, Information Technology & MV 2035	451,661,776	761,849,000	1,059,487,701	1,109,867,209
Health Services	3,202,514,740	3,045,477,310	3,462,032,880	3,563,314,195
Water, Sanitation & Natural Resources	68,288,562	1,671,221,632	618,087,137	649,210,622
Youth, Gender, Sports and Cultural Affairs	280,429,106	645,872,159	700,064,748	728,067,338
Trade, Tourism & Investment	486,468,460	617,009,199	719,932,121	744,729,405
Lands, Housing and Physical Planning	311,766,515	431,484,225	508,106,395	536,430,651
Transport & Infrastructure	2,017,723,065	1,092,668,167	1,431,843,660	1,483,117,407
Agriculture, Fisheries, Livestock and Co-operatives	325,189,634	433,036,551	543,945,849	573,703,683
Devolution & Public Service Administration	1,621,225,848	1,115,980,526	1,216,700,993	1,239,035,013
TOTAL	13,360,488,591	13,679,368,038	14,099,517,466	14,656,364,145

C. Departments Budgets and Programs Prioritization

90. A key challenge in developing the 2020/21 MTEF budget is the allocation of funds to departments. The departments have to manage their own funds and modality of reporting on timely basis instituted.
91. As such, it will be 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.
92. Extensive work has been done in providing reporting templates and issuance of budget guidelines so as to ensure consistency in reporting and monitoring progress.

93. Operationalization of the Monitoring and evaluation unit in the Finance and Economic Planning Unit and linking up with the Service delivery unit will lead to a harmonized monitoring and evaluation system in the county.

D. 2020/21 Budget Framework

94. The 2020/21 budget framework is set against the background of the updated medium-term macro-fiscal framework set out above.

Revenue Projections

95. The 20/21 budget targets local revenue of Kshs 4.7 billion and National Government transfer of 9.4 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 14.1 Billion.

Expenditure Forecasts

96. In 2020/21, overall expenditures are projected to be 14.1 Billion

VII. CONCLUSION AND WAY FORWARD

97. The fiscal outcome for 2018/19 together with the updated forecast have had ramification of the financial objectives elaborated in the last CFSP 2019.
98. The FY 2020/2021 and the Medium-Term budget and fiscal framework projections presented in this CBROP takes into account the expected recovery in the global economy and risks facing our economy such as public expenditure pressures coupled and the County's huge wage bill which continues to exert pressure on other expenditures.
99. As such, there is moderate growth in the overall revenue collection and a decline in overall recurrent expenditure as more resources are allocated to development projects. These measures take into account the need to maintain fiscal discipline in all levels of the government for maximum return from public resources.
100. The set of policies outlined in this CBROP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives pursued by the Government as a basis of allocation of public resources especially the "Big Four" Agenda.
101. The policies ensures continuity in resource allocation based on prioritized programs that have been earmarked by the government to accelerate growth, employment creation and poverty reduction.
102. The fiscal outlook presented herein will seek to achieve the objectives outlined in the PFM Act and lay ground for the next financial year in terms of preparing the CBROP and CFSP. 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.
103. Another area worth mentioning is the complexity in the operationalization of IFMIS exacerbated by inadequate human capacity and computer hardware to support the systems.

Indeed, Mombasa County continued experiencing a constant downtime for IFMIS during the period under review. To solve these challenges, critical user divisions will be given an on-the-job training and the County will continuously invest in upgrading our systems to boost connection.

104. The policies and sector ceilings annexed herewith will guide the Departments in preparation of the 2020/21 budget. The CG should endeavor in the preparation of realistic budget's while progressively expanding its revenue base. The ceilings will form inputs into the next County Fiscal Strategy Paper (CFSP) which will be finalized by February 2020.

ANNEXES

ANNEX 1. COMPARISON OF EXCHEQUER ISSUES AND LOCAL REVENUE COLLECTION BY ON MONTHLY BASIS 2018-2019.

Month	Local Revenue	Exchequer Issues
July	91,417,758	0
August	131,852,605	430,761,965
September	75,372,653	587,699,500
October	195,706,353	741,181,901
November	147,841,146	875,741,969
December	363,008,810	822,680,000
January	437,327,591	944,297,016
February	423,072,353	794,895,339
March	745,066,240	0
April	472,840,320	1,515,161,166
May	208,729,502	54,151,120
June	412,062,041	2,449,218,601
Total	3,704,297,372	9,215,788,577

To compare Revenue collection between two *major sources*

ANNEX 2: COMPARISON OF LOCAL REVENUE BETWEEN FY 2014/2015 TO FY 2018/2019

MONTH	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
JULY	104,030,972	138,888,662	78,327,409	128,948,779	91,417,758
AUGUST	93,759,799	121,870,568	138,978,980	79,974,633	131,852,605
SEPTEMBER	95,400,916	123,410,370	134,037,320	98,958,707	75,372,653
OCTOBER	116,757,916	115,703,161	160,474,776	91,999,794	195,706,353
NOVEMBER	102,318,612	122,057,894	183,999,072	90,326,887	147,841,146
DECEMBER	191,916,082	115,254,598	151,828,812	88,025,962	363,008,810
JANUARY	336,767,628	337,339,057	321,392,757	218,656,932	437,327,591
FEBRUARY	346,773,579	200,260,788	303,286,028	202,052,628	423,072,353
MARCH	413,101,785	308,215,252	469,422,317	677,958,599	745,066,240
APRIL	211,331,816	612,075,951	365,071,728	677,126,092	472,840,320
MAY	143,751,841	376,582,733	328,912,588	254,091,979	208,729,502
JUNE	335,744,384	371,871,652	530,509,174	551,010,104	412,062,041
TOTAL	2,491,655,330	2,943,530,686	3,166,240,961	3,168,013,709	3,704,297,372

To Compare Local Revenue between five fiscal years

**ANNEX 3: COMPUTATION OF MONTHLY LOCAL AND EXCHEQUER
ISSUES FOR 2018/2019 FY**

Month	Local Revenue	Exchequer Issues	Total Monthly Revenue
July	91,417,758	0	91,417,758
August	131,852,605	430,761,965	562,614,570
September	75,372,653	587,699,500	663,072,153
October	195,706,353	741,181,901	936,888,254
November	147,841,146	875,741,969	1,023,583,115
December	363,008,810	822,680,000	1,185,688,810
January	437,327,591	944,297,016	1,381,624,607
February	423,072,353	794,895,339	1,217,967,692
March	745,066,240	0	745,066,240
April	472,840,320	1,515,161,166	1,988,001,486
May	208,729,502	54,151,120	262,880,622
June	412,062,041	2,449,218,601	2,861,280,642
Total	3,704,297,372	9,215,788,577	12,920,085,949

To compare total monthly revenue