

THE NAIROBI CITY COUNTY GOVERNMENT



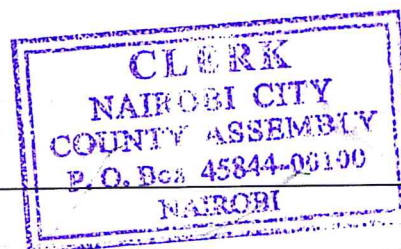
THE NAIROBI CITY COUNTY ASSEMBLY

SECOND ASSEMBLY – SECOND SESSION

THE REPORT OF THE SECTORAL COMMITTEE ON TRADE, TOURISM AND CO-OPERATIVES

ON

THE CONSIDERATION OF THE SECTOR BUDGET ESTIMATES FOR THE FINANCIAL YEAR 2018/2019



Clerk's Chambers,
CITY HALL,
NAIROBI.

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1.0 PREFACE

Hon. Chairman,

The Sectoral Committee on Trade, Tourism and Cooperatives is established under Standing Order No. 203 (1). Its mandate pursuant to Standing Order 203 (6) is to:-

- a) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned departments;
- b) study the programme and policy objectives of departments and the effectiveness of the implementation;
- c) study and review all county legislation referred to it;
- d) study, assess and analyse the relative success of the departments as measured by the results obtained as compared with its stated objectives;
- e) investigate and inquire into all matters relating to the assigned departments as they may deem necessary, and as may be referred to them by the County Assembly;
- f) vet and report on all appointments where the Constitution or any law requires the County Assembly to approve, except those under Standing Order 196(Committee on Appointments): and
- g) make reports and recommendations to the County Assembly as often as possible, including recommendation of proposed legislation.

The Committee comprises the following Members:-

1. Hon. Charles Thuo Wakarindi, MCA – Chairperson
2. Hon. Lawrence Otieno Odhiambo, MCA
3. Hon. Samuel Ng'ang'a Mwangi, MCA
4. Hon. Paul Ndung'u Irungu, MCA
5. Hon. Jayendra Virchand Malde, MCA
6. Hon. Maurice Ochieng Onyango, MCA
7. Hon. Naftaly Wagura Mathenge, MCA
8. Hon. Wilson Ongele Ochola, MCA
9. Hon. Benson Mwangi Macharia, MCA
10. Hon. Millicent Wambui Mugadi, MCA
11. Hon. Wilfred Oluoch Odalo, MCA
12. Hon. Redson Otieno Onyango, MCA
13. Hon. Jeremiah Karani Themendu, MCA
14. Hon. Doris Ngoyo Kanario, MCA
15. Hon. Jacinta Wanjiru, MCA

16. Hon. Mary Njuguna Njambi, MCA
17. Hon. Emily Ondeje Oduor, MCA
18. Hon. Eve Malenya, MCA
19. Hon. Jane Muasya, MCA

Hon. Chairman,

The Committee exercise oversight role on the work and administration of the Commerce, Tourism and Cooperatives Sector.

In accordance with the Third Schedule of the Standing Orders, the Sectoral Committee on Trade, Tourism and Cooperatives is mandated to consider all matters relating to: - *“trade development and regulation, including markets, trade licenses (excluding regulation of professions), fair trading practices, local tourism and cooperative societies, Betting and Casinos and other forms of gambling and liquor licensing”*.

On Wednesday 2nd May, 2018, the Leader of the Majority Party laid before the Assembly the County Budget Estimates for the Financial Year 2018/2019 pursuant to the provisions of Section 130 of the Public Finance Management Act 2012. The Estimates were thereafter committed to the Sectoral Committees of the Assembly for scrutiny and make recommendations to the Select Committee on County Finance, Budget and Appropriations pursuant to the provisions of Standing Order 222 (3). The Select Committee on County Finance, Budget and Appropriations is to report its recommendations to the Assembly pursuant to the provisions of Standing Order 221 (5).

Hon. Chairman,

This Report contains the deliberations of the Sectoral Committee on Trade, Tourism and Cooperatives on the Sector Budget Estimates for the Financial Year 2018/19 and its recommendations to the Select Committee on County Finance, Budget and Appropriations.

In its examination of the Sector Estimates for the Fy 2018/19, the Committee was keen to examine the Sector’s achievements, the projected resource allocation (ceilings) vis a vis the Sector’s approved Fiscal Strategy Paper 2018/19 and proposed projects as approved in the CFSP.

Hon. Chairman,

In the Sector Budget Estimates for the F/Y 2018/19, the Sector mentions that it has a mandate of promoting investment in Nairobi by supporting the MSMEs with capacity building and funding. The scheme in the County is called 'Nairobi City County Special Loans Board' (NCCSLB) and is in dire need of County Grant of up to ksh.100,000,000.00 to assist the MSMEs to not only grow, expand and become credit worthy but more indigenous MSMEs will be able to access the credit facilities where the demand is so high.

To maintain the satisfaction of the County's residents, the Sector is in control of the trading spaces and ensuring that all the rules that command fair trade practices and consumer protection are adhered to. There is a scarcity of trading spaces which motivates the Sector to strive creating more with the little funds allocated for development. In addition to rendering services, this Sector is mandated to collect revenue with Trade Licensing and Markets Departments being the major revenue centers.

In the Sector, we have Co-operative development and Audit departments, which are charged with responsibility for creating an enabling environment for the growth of the Co-operative Movement and undertaking Annual Audits of Co-operative Societies. The County has 2,528 registered Co-operative Societies with a total membership of 1,348,217 and share capital/Deposits of Ksh.249,440,937,919. Co-operatives have also created employment of 3,969 permanent employees who earn a gross pay amounting to Kshs. 3,188,887,319.

The Sector had been allocated Ksh. 896,805,228 where Ksh. 505,805,228 and Ksh.391,000,000 was to be utilized for recurrent and development respectively. However, some of the programmes in the recurrent budget were underfunded which caused a reorganization of the whole budget. In order to balance this, Ksh.33,000,000 was transferred from development to recurrent so as to have 538,805,228 and 358,000,000 for recurrent and development respectively.

Hon. Chairman

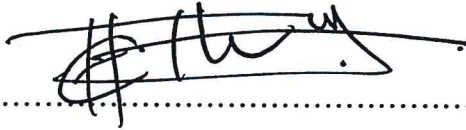
The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the County Assembly for the support and services extended to the Members while considering the Budget Estimates 2018/2019.

I am grateful to the Members of the Committee whose support enabled the Committee to accomplish this task. Special thanks to the Secretariat for their support at all times.

On behalf of the Committee, I now have the honour and pleasure to present this Report on the Examination of the Sector Budget Estimates for the FY 2018/2019 to the Select Committee on County Finance, Budget and Appropriations for consideration pursuant to Standing Order 222 (4).

Thank You.

SIGNED



HON. CHARLES THUO WAKARINDI, MCA

(CHAIRMAN)

DATE.....

7/6/2018

1.0 INTRODUCTION

Hon. Chairman,

01. On Wednesday, 2nd May, 2018, the Leader of the Majority Party laid before the Assembly the County Budget Estimates for the Financial Year 2018/19 pursuant to the provisions of Section 130 of the Public Finance Management Act 2012.
02. Standing Order 222(3) provides that the Budget Estimates shall be deemed committed to the respective Sectoral Committees for scrutiny according to their mandates once it's laid before the Assembly and make recommendations to the Select Committee on County Finance, Budget and Appropriations.
03. Pursuant to Standing Order 222 (5), the Select Committee on County Finance, Budget and Appropriations is required to consult each Sectoral Committee while considering the Budget Estimates and table its report containing its recommendations to the County Assembly for consideration.

2.0 EXAMINATION OF THE SECTOR BUDGET ESTIMATES FOR THE FINANCIAL YEAR 2018/19

- 0.1 The Sectoral Committee on Trade, Tourism and Cooperatives held five (5) meetings to consider the Budget Estimates with respect to the Sector of Commerce, Tourism and Cooperative one of which was attended by the respective County Executive Committee Member, Chief Officer and other Sector officers.
- 0.2 The Committee was keen to identify the Sector's achievements in the previous FY, the Sector's priorities, the ceilings provided in the FY Year 2018/2019 were vis-a-vis the approved County Fiscal Strategy Paper.
- 0.3 The Sector is responsible for provision of policy framework and enabling environment for County socio-economic growth and long term development. The Sector deals with Trade and Enterprise Development, Markets, Tourism, Licensing, Weights and Measures, Betting and Gaming, Cooperative Development, Cooperative Audit and Liquor Licensing.
- 0.4 The Sector had been allocated Ksh. 896,805,228 where Ksh. 505,805,228 and Ksh.391,000,000 was to be utilized for recurrent and development respectively. However, some of the programmes in the recurrent budget were underfunded which caused a reorganization of the whole budget. In order to balance this,

Ksh.33,000,000 was transferred from development to recurrent so as to have Kshs.538,805,228 and Kshs.358,000,000 for recurrent and development respectively.

0.5 The sector has listed the following as its set priority projects in the FY 2018/19;

PROJECTS

DELIVERY UNIT	PROJECT DESCRIPTION	2018/2019
Administration support services	Refurbishment of city hall mezzanine offices	16,000,000.00
Tourism	Construction of tourism information Centre	9,000,000.00
Trade Development & Market services	New construction	
	Kariokor Market Leather Works Facility	15,000,000.00
	Modern Kiosks	50,000,000.00
	Dandora Market E (Extension)	20,000,000.00
	Rehabilitation	
	Maintenance of various markets	50,000,000.00
	Shauri-Moyo Burma	20,000,000.00
	Kahawa West	40,000,000.00
	Jogoo Road	20,000,000.00
	Kariokor Market	15,000,000.00
	City Park Market	60,000,000.00
	Ngara Market	20,000,000.00
	Revolving fund	30,000,000.00
	Weighing centres	16,000,000.00
Licensing & Fair trade Practices (Weights & Measures)	Weighing centre laboratory unit	10,000,000.00
TOTAL		391,000,000.00

0.6 while briefing the Committee by the County Assembly Budget Office, the |Fiscal Analyst informed the Committee as follows;

- that the Sector's allocation for the Financial Year 2018/19 was Kshs. 896.805 million; of which Kshs. 538.805 million was recurrent and Kshs. 358 million was for development;
- that in the FY 2016/17, the Sector mainly spent on recurrent activities and only Kshs. 55 million was spent on development. He added that in the first three quarters of the FY 2017/18, the absorption of the budget by the Sector stood at 52% for recurrent and zero for the development. The Committee should seek answers from the Sector on the low absorption rate by the Sector on the development budget;
- that on the recurrent budget, the Sector intended to use Kshs. 380.805 million towards the compensation of employees, Kshs. 148.532 million to

be used on goods and services and Kshs. 9.984 million to be used on other recurrent expenses;

- that the Sector plans to acquire land at a cost of Kshs. 50 million for establishment of Market department headquarters; there was need to establish where the land was to be purchased and ascertain the absence of a public utility for the County to carry out its activities;
- that the department of Trade sub-vote 260400 on other recurrent transfers, grants and subsidies of Kshs. 30 million was classified as development expenditure, however, the nature of expenditure, makes it a recurrent vote and as such it was to be budgeted under recurrent expenditure;
- that the Sector aimed to collect Kshs. 2.9 Billion from the issuance of single business permits which was above the Kshs. 1.7 billion realized in the FY 2016/17;
- that the revenues expected from Wakulima market in FY 2016/17 was Kshs. 144 million and its performance was at Kshs. 179.658 million; the revenues expected from other markets was Kshs. 144 million and the performance was at Kshs. 75 million; In the FY 2018/19 the Sector expects revenues from Wakulima Market and others markets to be at Kshs. 130 million each, which the Sector should explain on the expected shortfall on revenues from Wakulima market;
- that the Sector should explain measures it has put in place to establish revenue from other markets with the available market collection data for a significant period of time; and that the Sector should elevate other markets to the level of Wakulima market to boost revenue collection;
- that the revenues from Muthurwa cess and rent stood at Kshs. 34.5 million in the FY 2016/17, however, the stream was missing in the FY 2018/19 and therefore there was need to establish what led to elimination of the market from the revenue sources
- that the Committee should inquire to whether the Sector has developed a policy to determine who “mama mboga” was in line with the Governor’s directive to cease cess collection from traders.

0.7 The Committee held a meeting with the County Executive Sector Officers headed by the C.EC Member responsible for the Sector. during the meeting the County Executive informed as follows;

- on the low absorption of the development budget, the political scenario during campaign and elections and the change of regime in the County Government hindered the absorption of the budget;

- that the Sector underperformed due to deficits in revenue collection. The C.E.C Member informed that a baseline survey should be done to seal loopholes in markets to have realistic estimates;
- that several Sector projects had stalled due to nonpayment, however, the Sector was processing payments of various contractors,
- that the projection of Kshs. 130 million as revenue from Wakulima market was erroneous. the Sector provided the following table as the true projection of revenue collection;

Revenue by Department	Actual Revenues FY 2016/2017	Projected Revenues FY 2017/2018	Projected Revenues FY 2018/2019
Markets			
Tps-Market Rents	87,954,468	90,000,000	90,000,000
Other Markets	75,576,880	105,240,600	105,240,600
Muthurwa Market	34,504,940	60,000,000	60,000,000
Wakulima Market	179,658,465	192,000,000	192,000,000
Transfer Fees-Tps/Mkts	632,155	504,000	504,000
Markets total	378,326,908	447,744,600	447,744,600

- Measures the Sector has established to enhance revenue collection from other markets is through JamboPay and Mpesa Paybill

The County Executive through a letter dated 7th June, 2018 informed as follows;

- That the low absorption was attributed to the following factors;
 - Delay in procurement processes
 - Lack of funds from Treasury made it impossible to pay contractors certificates of works done. These contractors have since moved out of the sites and works have stalled.
 - Sourcing funds from a centralized Treasury meant that projects were not prioritized leading to delays in payments.
- That two projects have their funds split into 3 years as the funds could not be accommodated within one year i.e.
 - ✓ Dandora Market E (extension) construction at a Total cost of Ksh 50 million is spread in 3 years 2018/2019 – Ksh 20million, 2019/2020 – Ksh 20million and 2020/2021 - Ksh 10 million.

- ✓ Modern kiosk total budget of Kshs 100million also spread as follows;
2018/2019 – Ksh 50million, 2019/2020 – Ksh 30million and 2020/2021 -
Ksh 20 million.
- That market headquarters development is erroneous, and there is no such plan. The land in question was the earmarked Mugumoini proposed market site, in Langata Sub County in the budget 2014/2015 and 2015/2016. The proposal was quashed due to tussles in land ownership therefore the market construction project no longer exists and neither is the land been purchased. The idea behind the then proposed Mugumoini market had been requested by area traders and also the ideal plans of the County to have a market in each of the wards for traders.

0.8 The County Executive Sector of Commerce, Tourism and Cooperatives in the its estimates for FY 2018/19 intends to spend Kshs 896.8 Million comprising of Kshs 505.8 Million for recurrent and Kshs 391 Million for development.

3.0. COMMITTEE'S RECOMMENDATION

The Committee makes the following recommendation to the Select Committee on County Finance, Budget and Appropriations for consideration;

- i) That the ceilings for the Commerce, Tourism and Cooperatives should be retained as approved in the County Fiscal Strategy Paper 2018/19 at 896.8 Million;
 - a) Development Kshs 391 Million
 - b) Recurrent Kshs 505.8 Million
- ii) That the following reductions be made in the respective votes:-
 - o Kshs. 6 million be removed from refurbishment of City Hall Mezzanine offices;
 - o Kshs. 15 million be removed from Kahawa West market;
 - o Kshs. 10 million be removed from Jogoo road market;
 - o Kshs. 5 million be removed from Kariokor Market Leather Works Facility;
 - o Kshs. 10 million be remove from revolving fund
- iii) That allocation of Dandora Market E (Extension) be increased by kshs. 20 Million; modern kiosks be increased by Kshs. 10 million; and Kshs. 20 million be allocated to the construction of Ngumba Market as a rollover project.

