

# NAIROBI CITY COUNTY

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*Read on  
21/6/18  
by the  
CCE  
Finance &  
Economic  
Planning.*

## BUDGET STATEMENT FOR THE FISCAL YEAR 2018/2019

BY

**MR. CHARLES KERICH**

**County Executive Committee Member for Finance & Economic Planning**

**June 21, 2018**

**STATEMENT DELIVERED TO THE NAIROBI CITY COUNTY ASSEMBLY ON 21<sup>st</sup>  
JUNE 2018 BY MR. CHARLES KERICH, COUNTY EXECUTIVE COMMITTEE  
MEMBER- FINANCE & ECONOMIC PLANNING, NAIROBI CITY COUNTY ON  
BUDGET HIGHLIGHTS AND REVENUE RAISING MEASURES FOR FISCAL YEAR  
2018/2019**

**1<sup>ST</sup> JULY, 2018 TO 30<sup>TH</sup> JUNE, 2019**

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## INTRODUCTION

1. Hon. Speaker, Chairman of the Finance & Budget Committee, Honourable Members. It is my honor to present to this Assembly the policy highlights of the budget for the fiscal year 2018/2019. Madam Speaker, before I proceed, I wish to take this opportunity to express my appreciation to the Budget and Appropriations Committee and other Sectoral Committees of the Nairobi City County Assembly in steering the review of the 2018/2019 Budget Estimates.

2. Madam Speaker, this is the first budget after the August 2017 General elections. Under the strong and wise leadership of His Excellency, The Governor, Hon Mike Mbuvi Sonko, the government is committed to turn into reality the vision of making Nairobi *"The city of choice to invest, work and live in"*.

This budget heralds the first year implementation of the County Integrated Development Plan (CIDP 2018-2022). The Plan seeks to deliver on eight key outcome areas namely:

- Provision of quality physical infrastructure in the city,
- Provision of economic growth opportunities to diverse groups including youth, women, PWD's,
- Provision of reliable, accessible, quality and affordable healthcare,



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- Provision of accessible, affordable and quality ECD and vocational opportunities for all,
- Promotion of food and nutritional security for all,
- Promotion of good governance, public participation and rule of law,
- Increased access to affordable and quality housing, and
- Provision of clean energy, safe drinking water, waste management and sanitary services in a secure sustainable environment.

3. Madam Speaker, in making the vision for this great City a reality, we are confronted with many challenges. These are the challenges that we must together deal with in order to realize the promises we have made to our people. The people of NAIROBI have bestowed upon us huge responsibilities and we must roll up our sleeves and get down to work.

4. Madam Speaker, the programmes we are undertaking in the fiscal year 2018/2019 aims to build on the gains made so far. In particular, the strategies to be employed in the coming year include completion of ongoing infrastructure projects, improve access to quality and affordable health care, improving the business environment, promoting urban agriculture to enhance food security, job creation, as well as cleaning the environment.



### **Highlights of the 2018/2019 Budget Estimates**

5. Madam Speaker, the county relies on transfers from the national government and revenues collected from rates, business permits, parking and other fees and charges. An increase in these fees and charges has a direct impact on the cost of doing business. In the 2018/2019 fiscal year I will be outlining measures aimed at improving and enhancing efficiency in revenue collection to finance our budget.
6. Madam Speaker, the population in Nairobi has been on an upward trend and this means increased demand for services. The cost of service delivery is growing faster than growth in revenues. This calls for deliberate measures to use resources available in the most efficient and effective manner to achieve desired results.
7. Madam Speaker, faced with an increasingly high demand for services we shall seek to focus our energy in optimization of resources at our disposal in order to get the best results for the people we serve. Madam Speaker, the rest of my speech will focus on the key budget highlights.

### **GOVERNANCE AND PUBLIC SAFETY AND SECURITY**

8. Madam Speaker, the importance of good governance, public safety and security cannot be overemphasized. For enhanced service delivery the County







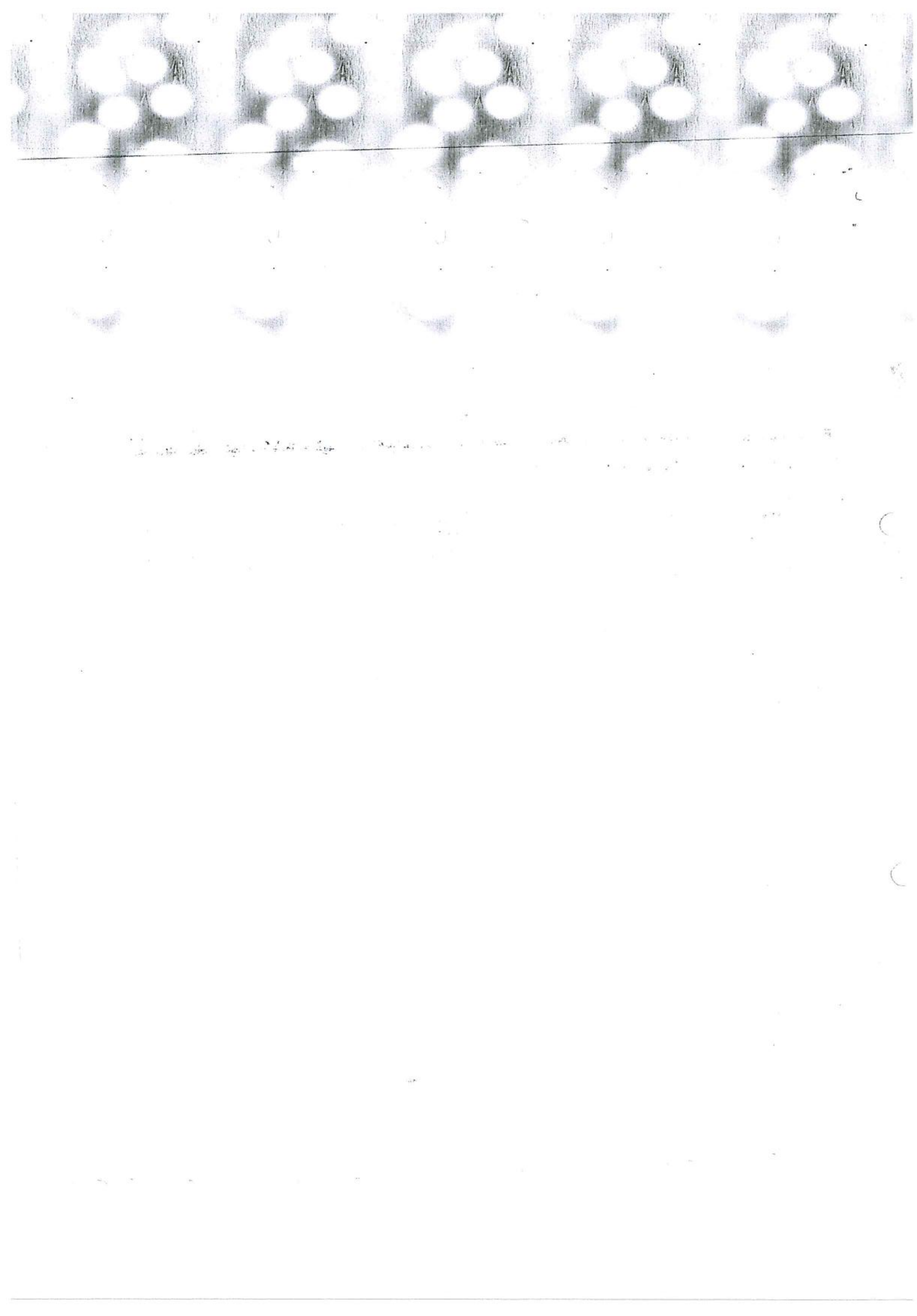
Government is committed to taking services closer to the people by revitalizing the sub county administration to ensure services reach the people at the village level. This will be achieved by utilizing the existing County facilities to establish more ward offices.

9. In addition Madam Speaker, the County will continue to deepen financial management reforms to ensure fiscal discipline and seal loopholes that lead to inefficient use of public resources. In particular, the government will leverage on information technology to ensure automation and integration of all services through procurement of an Enterprise Resource Planner (ERP).

10. Madam Speaker, security is one the major prerequisites for a good business environment. The Government has continued to make investments in lighting of the city to improve security. This is being done in collaboration with the National Government.

#### **TRANSPORT AND INFRASTRUCTURE**

11. Madam Speaker, in order to achieve the objective of having world class infrastructure, the County Government will continue to invest heavily on roads, traffic management and non-motorized transport facilities. The County Government will also continue to cooperate with other road agencies involved in this sector to improve the condition of our roads. These include KURA





(Kenya Urban Roads Board), KenHA (Kenya National Highways Authority), KERRA (Kenya Rural Roads Authority) and KRB (Kenya Roads Board).

12. Madam Speaker, to decongest the City, the National Government is undertaking expansion of major roads. The dualing of Outering Road is near completion, and works on Ngong Road are ongoing. Further, we are working in partnership with the National Government to fast track the Nairobi Mass Rapid Transport System.

13. Madam Speaker, safety of motorists and pedestrians remain a top priority of the Government. I have allocated resources for development of public transport, bridges and non-motorized facilities.

#### **WARD DEVELOPMENT PROGRAMMES**

14. Madam Speaker, the impetus for devolution was for greater political self-determination and participation. To enhance this, the County will allocate resources for Ward Development Projects in the Fiscal Year 2018/2019 in accordance with the Ward Development Fund Act. The purpose of the programme is to address various development challenges at the grassroots in consultation with the public. The responsibility of identifying these projects lies with the people at the ward level.

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## **FOOD SECURITY & ENTERPRISE DEVELOPMENT**

15. Madam Speaker, agriculture sustains the economy and the livelihood of our people. Across the County many residents and especially the youth have taken to agriculture for production and generation of incomes through agribusiness. This has not only created jobs for the youth but also enhanced food security.
16. In this regard Madam Speaker, we need to continue investing more resources to provide extension services, training of farmers on value addition and lowering the cost of agricultural production. In support of this the agriculture, Livestock, Veterinary and Fisheries sector has been allocated funds for the for installation of greenhouses and water tanks, construction of poultry units, establishment of an animal shelter, clinic, laboratory and animal burial facility, construction of fish ponds and installation of milk dispensers.
17. Madam Speaker, provision of trade facilities to our people will go a long way in creating jobs and ultimately improve the quality of life. In the fiscal year 2018/2019 the County committed substantial resources in rehabilitating all the markets.
18. In addition, we need to increase the capacity by expanding the existing markets and developing new ones in the County. This will provide trading platforms for our people for exchange of goods and therefore spur growth and



employment opportunities. To this end resources have been provided for expansion and rehabilitation of various markets.

#### **ACCESS TO AFFORDABLE HEALTH CARE**

19. Madam Speaker, the County Government continues to invest heavily in improving health care. We propose to allocate the Health sector 21% of the available resources. This underscores the importance the County attaches to delivering quality and affordable health care services.

This allocation will cater for medicines, infrastructure, personnel, equipment and public healthy surveillance. Specific resources have been allocated to enhance service delivery for non-communicable diseases, nutrition, TB, Malaria and HIV/AIDs programmes.

We have also allocated funds to set up trauma and emergency units in the four county hospitals of Mama Lucy, Pumwani, Mutuini and Mbagathi. This will help to decongest Kenyatta National Hospital, which will soon become a strictly referral hospital.



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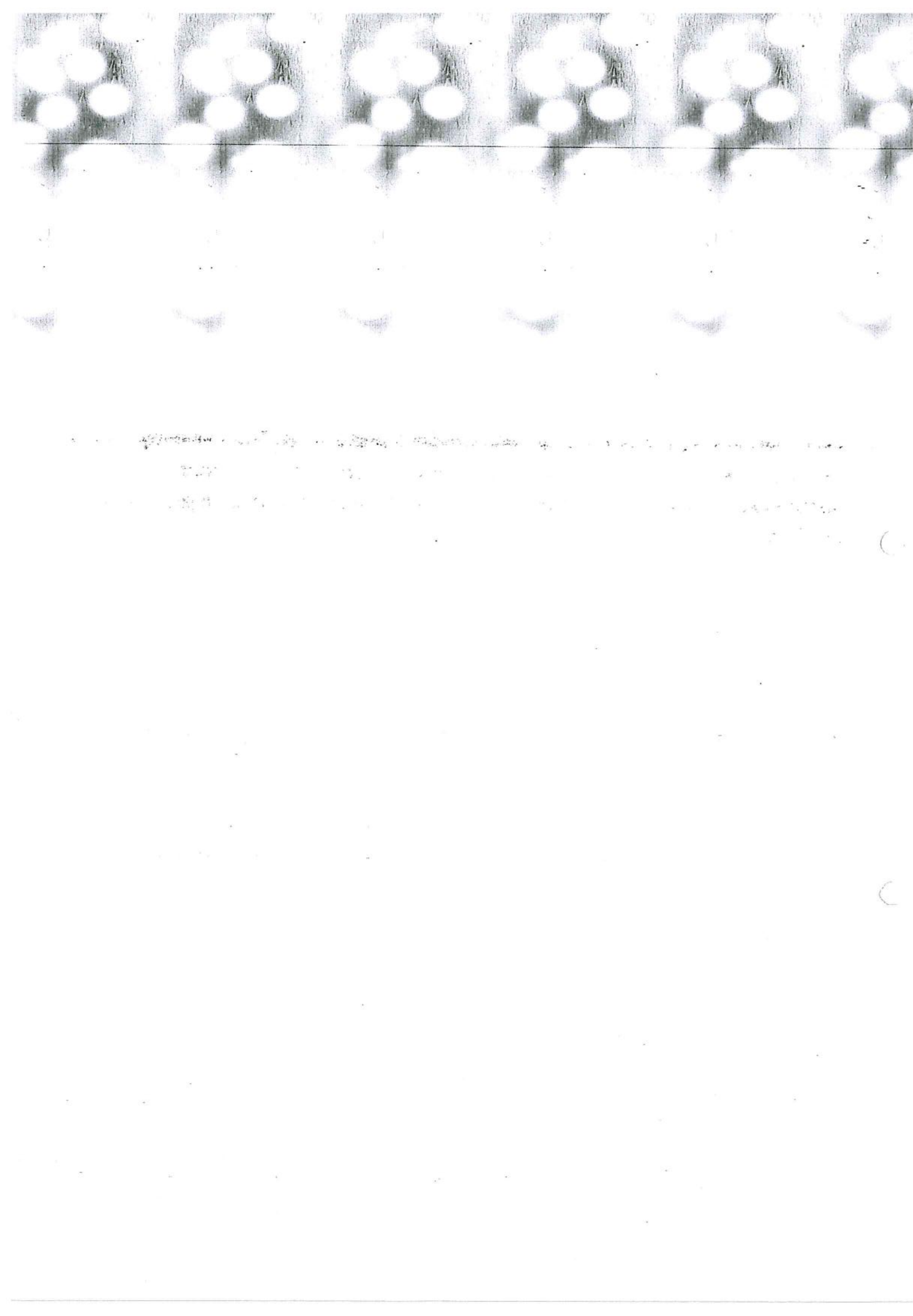


## **WATER, ENVIRONMENT AND SANITATION**

20. Madam Speaker, the importance of access to safe and reliable water provision to our people cannot be overemphasized. While the Nairobi Water and Sewerage Company has continued to expand provision of water services, this vital resource remains out of reach to many Kenyans and especially those in the informal settlements. The target for the medium term is to expand water infrastructure, enhance supply of water and grow access to safe portable water to households.

21. Madam Speaker, a clean environment impacts highly on the health of our people. The increase in our urban population has led to increased tonnage of garbage generated in the City. Every year the per capita cost of cleaning our environment has grown tremendously. The County has however continued to take up this challenges by investing substantial resources in cleaning our environment.

22. Madam Speaker, we are alive to the fact that time has come for the County to adopt appropriate technologies for waste management. These should include sorting, transporting, recycling and possible value addition. Indeed, efforts are on course to invest in a modern waste management plant with a potential for generation of energy from waste are on course.





In the fiscal year 2018/2019 resources have been allocated for enhancing solid waste management services and noise control.

23. Madam Speaker, the County Government is exploring ways of reducing energy consumption and efficient utilization of energy through use of LED street lighting. In FY 2018/2019 the County Government will undertake energy audits in institutional buildings and prepare County Energy Development Plans. Implementation of County energy plans will include installation of solar energy and LED lighting in institutional buildings in the medium term.

#### **EDUCATION AND YOUTH DEVELOPMENT**

24. Madam Speaker, Provision of quality ECD education is key to ensuring access to basic education, enhanced retention and improved transition rates among learners. In this regard, the County is committed to affording all prospective learners an equal chance for a good education. The Sonko administration has provided capitation for all learners in public ECDE centres and this means ECDE education in Nairobi is now free of charge. This is expected to translate to 100% access and retention for all children between the ages of 4 and 6 years.





Madam Speaker, it is the intention of the government that there be at least one ECDE centre in each of the 85 wards. Some of the land set aside for these facilities have fallen into the hands of private developers. Any piece of land that was originally planned for an ECDE centre and which has been grabbed shall be repossessed and put into the intended use.

Allocation has also been made for increased bursary coverage targeting learners from needy backgrounds.

25. Madam Speaker, support and development of sports, culture and arts remains a vital priority in order to nurture the talent of our youth, foster cohesion and promote peace among Nairobians. Additionally, in order to give our youth a competitive edge in the labor market, it remains important for sustained investment in Vocational and technical training. In the fiscal year 2018/2019, adequate resources have been allocated to this sub-sector.

#### **HOUSING AND SETTLEMENT**

26. Madam Speaker, we recognize the need for enhanced investment in production of affordable and decent housing particularly for the low income segments of the population. Currently, the prevailing housing deficit in the city stands at about 200,000 units annually. In this regard, the Urban Renewal and Housing sub-sector has been resourced to accelerate the pace of ongoing

1. The first part of the report is a general description of the work done during the year. It is a summary of the work done during the year and is intended to give a general idea of the work done during the year.



redevelopment of the City's old estates through negotiated partnerships with other players in the industry. Alongside redevelopment, resources have been provided for rehabilitation and improvement of infrastructure, social amenities and living conditions in all other areas. This is to support the Presidential directive on the four pillars of economic growth over the next five years.

In addition to steps to hasten the approval process of building plans, I will also be proposing a reduction in approval fees for building plans to encourage compliance.

#### **BUDGET FISCAL FRAMEWORK FOR FY 2018/2019**

27. Madam Speaker allow me now to turn to the fiscal projections for FY 2018/2019 as contained in the approved County Fiscal Strategy paper 2018/19. The total revenue projection is Kshs 32 billion made up of Kshs 16.5billion (51.5% of total) transfers from the National Government and Kshs 15.5billion (48.5% of total) from internally generated revenues. Out of this 30% of the available resources will be allocated for development expenditures to spur development in the city.

Madam Speaker, total overall expenditure is projected at KShs 32 billion. Out of this recurrent expenditure amounts to KShs 21.1 billion which is 67% of the





total, while development expenditure amounts to Kshs 10.83 billion which is 33%. This means that the budget will be fully financed through internally generated revenues and transfers from the National Government.

#### **REVENUE ENHANCEMENT STRATEGIES**

28. Madam Speaker, Challenges continue to hamper full realization of internal revenue targets towards financing the budget with a fiscal gap ranging between 20-25% between 2016/17 and it is projected that the 2017/18 target shortfall will stand at about 39%.

29. Madam Speaker, in order to improve our capacity for internal revenue mobilization and improve the City's competitiveness as a destination for investment, I will be reviewing the fees and charges for a number of revenue streams with a view to enhancing compliance, expanding the bracket of payers and tightening management controls for more efficient collection and accountability. In this regard, I will be proposing a review of fees payable for outdoor advertising and signage's to match existing market realities, introduction of a towing charge for parking defaulters, and an environmental waste management charge for households and businesses to enhance solid waste management for a clean and sustainable City.





30. Madam Speaker, I propose to abolish the Kshs 25 charged on mama Mbogas operating in the estates. This is expected to transfer direct benefits to households estimated at Kshs 3 billion annually. This reprieve will however not affect traders operating in designated market and discernible commercial areas, who will be required to pay the fee.

31. Madam Speaker, many Nairobi residents are being subjected to parking charges in various premises like shopping malls, supermarkets and hospitals. I will be proposing a fee for all private parking spaces that charge their customers hourly parking rates. On the other other, the County Government will seek to give incentives to private players who wish to develop new parking bays outside their premises in order to increase the total number of parking slots available and generate revenue.

32. In addition, since the ban on plastic bags, many supermarkets have taken to charging their customers for shopping carrier bags. Supermarkets that charge shoppers for bags will be required to pay a fee.



33. Madam Speaker, gambling, gaming and lotteries are devolved functions under the Constitution. However, the county has not received its fair share from this sector and I will introduce a fee to correct this.

34. Land rates in Nairobi were last reviewed in 1982. The county government is at an advanced stage to implement a new valuation roll. In order to bring the rates charged to realistic market values, I shall be proposing a review of rates charges. In addition, I will also propose additional charges and interest on defaulters of rates payments.

35. Madam Speaker, the government has finalized plans to commission a full scale revenue potential study to establish the potential for all revenue streams. This study is expected to yield among other deliverables, an updated database of tax payers and reveal underlying structural and administrative bottlenecks that inhibit the full realization of the County's revenue potential.

36. Madam Speaker, in order to finance the budget, the county will roll out specific measures aimed at increasing the revenue base, improving efficiency in revenue collection and leveraging on technology in revenue management. Among the interventions that we intend to pursue in the coming year include



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administrative, legal and management reforms geared towards growing revenues by 50% within the medium term.

37. Madam Speaker, the above measures will be pursued with vigor if we are to realize our budget objectives. However, this requires the support of all including the Honorable members of this Assembly. The citizens must also understand that they have a responsibility to pay what is due to the County to enable the County Government offer much needed services.

38. The government takes cognizance of the burden of debts inherited from the defunct City Council. In this regard, we have initiated structured negotiations for resolution of such debts through cash and other near cash arrangements.

#### **CONCLUSION**

39. Madam Speaker, as I conclude, allow me to express my gratitude to all those who have played a part in reviewing the 2018/2019 budget estimates. In particular, I am grateful to the Budget and Appropriations Committee, all Sectoral Committees of the Assembly, and my colleagues from the County Executive.

40. Finally I thank all fellow Nairobians for their contributions, proposals and suggestions in the formulation of the budget.

41. Hon. Speaker, I hereby submit the following documents to this Assembly:





1. The Budget Statement.

2. The Nairobi City County Revenue Bill, 2018.

**GOD BLESS YOU ALL**

**THANK YOU**

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