THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

4TH SESSION

NBI CA. PLC. 2016 / (076) 22nd November, 2016

PAPER LAID

Pursuant to Section 117 of the Public Finance Management Act 2012, I beg to lay the following Paper on the Table of the Assembly, today Tuesday 22nd November, 2016.

COUNTY FISCAL STRATEGY PAPER 2017/2018

(The Leader of the Majority Party)

Approved
Hon Speaker
22/11/16

Copies to:
The Speaker
The Clerk
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FINANCE AND ECONOMIC PLANNING SECTOR

NCC/CECM(FEP)/GSM/410/2016 **16TH NOVEMBER, 2016**

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The Clerk
Nairobi City County Assembly
City Hall Building, 2nd Floor,
NAIROBI

RE: COUNTY FISCAL STRATEGY PAPER 2017/2018

In accordance to section 117 of the Public Financial Management Act 2012 forwarded herewith is the County Fiscal Strategy Paper for the Financial Year 2017/2018 for your further action.

GREGORY S. MWAKANONGO
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING

Snr/C.A
Table on
17/11/16
CCA
16/11/16

Paper laid
by Leader of
Majority Party
on 22/11/18

CCA
22/11/18

NAIROBI CITY COUNTY

COUNTY FISCAL STRATEGY PAPER

FINANCIAL YEAR

2017/2018

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1.1 LEGAL FRAME WORK

1.2 Statement of Objects and Rationale

1. The County Treasury pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012 is mandated to prepare and submit the Fiscal Strategy Paper to the County Assembly, by the 28th February of each year, and subsequently publish and publicize it not later than seven days after it has been submitted to the County Assembly .

2. In accordance to section 117(2) of PFM Act, the County Treasury has aligned the proposed revenue and expenditure plan to the national financial objectives contained in the National Budget Policy Statement (BPS) for 2016. In this regard, the fiscal policies are geared towards triggering a multiplier effect towards the achievement of the national theme of economic transformation for shared prosperity by (i) creating a conducive business environment for job creation; (ii) investing in infrastructure in areas such as transport, logistics, energy and water; (iii) investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden on households and promote shared prosperity.

3. The Fiscal strategy paper outlines the county's fiscal policies in the context of prevailing macro-economic policies and outlook while articulating the Nairobi County's strategic priorities and policies for the fiscal year 2017/2018.

4. The proposed strategic policy priorities for the fiscal year 2017/2018 represent a consultative mix that has taken a keen consideration of the views and opinions of the public, the Commission on Revenue Allocation and other interested groups within our County. Indeed Ward based forums were publicized and accorded to all Nairobi citizenry in each of the eighty five (85) wards and their inputs thereof greatly inform the strategic thrust of this Paper.

1.3 Overview

5. The 2017/2018 MTEF expenditure budget is being prepared in the fourth and last year of implementation of the CIDP 2013-2017.This Fiscal Strategy Paper will actualize the implementation of the Second County Integrated Development Plan, (CIDP 2018-2022), and also will be the in the first year of the second regime of County government as per constitution 2010.

6. Details of development priorities have been articulated in the County Integrated Development Plan (2013-2017) and The Nairobi County Strategic Plan 2015-2025, this Fiscal Strategy Paper outlines economic policies and structural reforms as well as sector-based expenditure programmes that the county government intends to implement in the medium term in order to achieve the broad goal of the County government's development agenda. In particular, it emphasizes continued shift of resources in favour of growth and job creation, and to support stronger private-sector investment in pursuit of new economic opportunities. The proposed fiscal framework ensures continued fiscal discipline and provides support for sustained growth, broad-based development and employment growth that benefits all.

7.On the Post-2015 development agenda, the 17 Sustainable Development Goals (SDGs) and respective 169 targets and 230 indicators will be mainstreamed into the CIDP 2018-2022 based on key thematic areas that include advocacy and awareness creation; domestication and localizing SDGs; capacity building; stakeholder mapping and engagement; monitoring and reporting and resource mobilization.

1.4 RECENT ECONOMIC DEVELOPMENTS

1.4.1 MACRO ECONOMIC PERFOMANCE INDICATORS

Overview of Recent Economic Developments

8. Nairobi City County operates within the global and national economic framework. The global and national economic dynamics impacts both directly and indirectly on county fiscal decisions and operations. Economic growth is a parameter that influences national government transfer to the counties, given the positive correlation between it and national revenue. Exchange rate fluctuations also affect the county processes with currency devaluation making our imports more expensive. Interest rates affects the cost of local borrowing while inflation changes the costs of goods and services and may affect their affordability as per existing plans

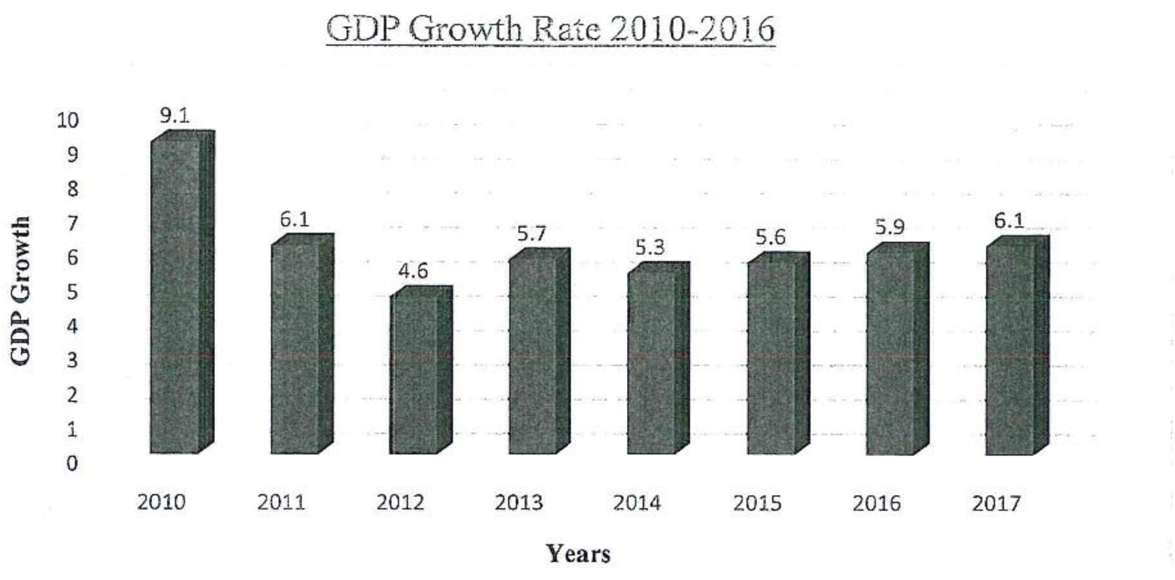
9. World's real Gross Domestic Product (GDP) growth decelerated to 3.1 per cent in 2015 from 3.4 per cent in 2014. World current account balance as a percentage of GDP stood at 0.3 per cent in 2015 relative to 0.4 per cent in 2014. Global inflation rate eased from 3.5 per cent in 2014 to 3.3 per cent in 2015 as a result of decline in international oil and other commodity prices (Global Economic Prospects-World Bank, 2016).

10. In the domestic scene, Current statistics shows a favorable macroeconomic environment characterized by resilient and robust growth, relatively stable inflation rate, stabilizing exchange rate and declining short term interest rates.

Growth Update

11. Kenya's economic growth has been robust supported by significant infrastructure investments, construction, mining, and lower energy prices and improvement in agriculture following improved weather.

Chart 1: Kenya's Economic Growth 2010-2016



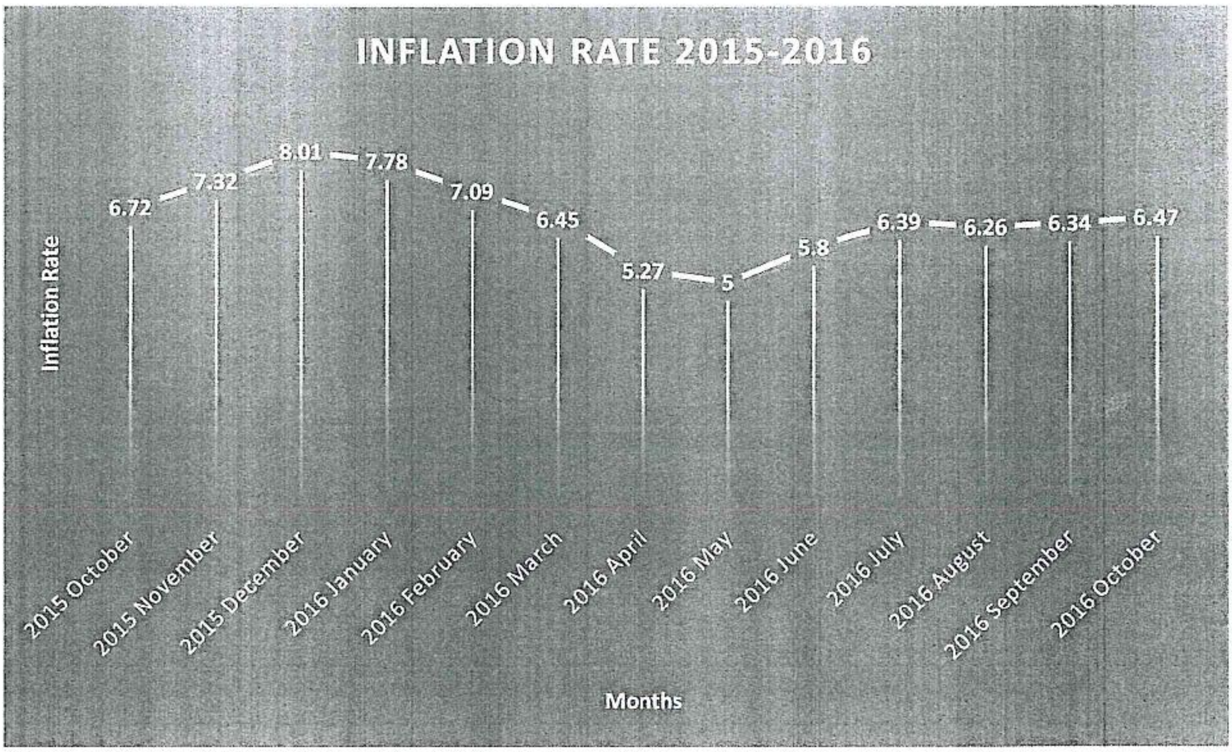
12. The economy grew by 5.3 percent in 2014supported by strong performance in most sectors of the economy which offset the contraction in the tourism sector. Kenya's economic growth remained resilient in 2015. The growth 2016 is approximated at 5.9% which is forecasted to improve to 6.1% in 2017.

13. The economy is projected to grow at 6.1 percent in 2017 and 6.4 percent in the medium term.

Inflation

14. Macroeconomic stability has been preserved with inflation remaining on a single digit level. Overall month on month inflation rose slightly to 6.47 percent in October 2016 from 6.34 percent in September 2016 due to increase in food prices. The annual average inflation rate at 6.5 percent in the year to October 2016 was within the target range of 2.5 percent on either side of the 5.0 percent target (**Chart 2**).

Chart 2: Kenya's Inflation Rate 2015-2016



Source of data: Kenya National Bureau of Statistics

15. Inflation rates within the EAC region have remained low due to prudent monetary and fiscal policy management and lower oil and commodity prices. In Kenya, during the same period there were notable falls in the cost of electricity, kerosene and cooking gas.

16. On average, the annual inflation rate was 6.5 percent in December 2015 compared to 6.9 percent in December 2014 and was therefore, within the current allowable margin of 2.5 percent on either side of the target of 5.0 percent.

Interest rates

17. Short term interest rates have declined following improved monetary conditions that led to increased liquidity in the money market. The interbank rate was at 6.2 percent as of 21st January 2016.

18. Liquidity conditions remained tight between September and October 2015, with short-term interest rates remaining above the Central Bank Rate (CBR) and the rates on treasury bills rising substantially. This tight liquidity situation improved beginning November 2015 resulting in reduction in all the money market interest rates.

19. Short term interest rates remained low due to the improvement of liquidity conditions in the money market. The interbank rate declined to 4.1 percent in October 2016 from 4.9 percent in September 2016 and 21.3 percent in September 2015, while the 91-day Treasury bill rate declined to 7.8 percent from 8.1 percent and 14.0 percent over the same period

20. The Kenya Banks Reference Rate (KBRR) was reviewed upwards from 8.5 percent in January 2015 to 9.87 percent in July 2015 as a result of the upward revision of CBR. The increase of the KBRR resulted to the increase of the average lending rates to 17.4 percent in December 2015 compared to 16.0 percent in December 2014 while the deposit rate increased to 7.9 percent from 6.8 percent over the same period. As a result, interest rate spread was at 9.5 percent in December 2015 from 9.2 percent in December 2014, a reflection of the increase in both the lending rate and deposit rate.

21. The implementation of the Banking (Amendment) Act, 2015 effective September 14, 2016, that cap interest rates on banks' loans at 4.0 percent above the base rate (currently at 10.0 percent) and sets the minimum interest paid for a saving product at 70.0 percent of the same base rate has led to the narrowing of the interest rate spread from 11.3 percent in August 2016 to 7.0 percent by September 14, 2016. As a result of the new Act, Kenya has the lowest lending rate among the East African Countries.

The average lending rates which had increased to 17.7 percent in August 2016 from 15.7 percent in August 2015 have declined to 14.0 percent. Similarly, the deposit rate which had decreased to 6.4 percent in August 2016 from 6.9 percent in August 2015 have risen to 7.0 percent from September 14, 2016 as provided in the Banking (Amendment) Act, 2015.

The Kenya shilling Exchange Rate

22. The Kenya Shilling exchange rate has continued to display relatively less volatility compared with the major regional currencies and strengthened by 1.4 percent for the period October 2015 to October 2016. The stability of the Kenya shilling exchange rate reflects improved export earnings from tea and horticulture, a reduction in the imports of petroleum products due to lower oil prices, resilient Diaspora remittances and improved tourism performance. In the Sub Saharan Africa region, large currency depreciations especially in Nigeria reflects challenging macroeconomic conditions as the countries adjust to lower commodity revenues.

23. The Kenya Shilling exchange rate strengthened in October 2016 against major international currencies. The currency traded at Ksh 101.3 against the US dollar, Ksh 111.9 against the Euro and Ksh 125.4 against the Sterling Pound in October 2016 compared to Ksh 102.8, Ksh 115.4 and Ksh 157.4 respectively, in October 2015.

1.3.2 COUNTY ACHIEVEMENTS

Governor's Office

24. In the financial year 2015/2016, the department undertook the following projects: Renovation and modernization of 16 washroom; Renovation of City Court and Cash Office; Renovation of Printing Section; Renovation of Charter Hall Washrooms; Replacement of wore out tiles in Charter Hall as well as completion of Nairobi City County strategic Plan 2015- 2025 and successfully operationalize sector corruption prevention committee. In fleet management, the following were done: Procured 77 No. new vehicles but 36 were delivered at Kshs. 549,882,021; Undertook repair and maintenance of all fleet 430 no. at Nairobi City County garage, dealers and at prequalified garages and fueled of all operation County vehicles and drafted fleet management policy.

25. The Legal Department did 17 bills among them the regulation of building and resident association acts. The regulation of building law enabled real estate developer to apply for regularization of their rather unapproved buildings which would rather have been condemned and demolished. This saved developer's colossal amount of capital and also ensured security and safety of residents.

Agriculture, Livestock, Fisheries, Forestry and Natural Resources

26. In Financial Year (FY) 2013/14, one (1) pelletizer machine was purchased and installed at Njiru through public-private partnership.43 fish ponds were constructed in the financial years

2013/14, 2014/15 and 2015/16 where NCC funded 5 and 38 were funded through public partnership. 5 fish ponds were rehabilitated in FY 2015/16, two in university of Nairobi and one each in Ndurarua primary school (Dagoretti), Familia ya Ufariji (Roysambu) and Wangu primary school (Dandora). 17 green house were procured and installed. This project spilled over from 2014/15 due to delayed procurement, installation was done in FY 2015/16. 17 water tanks were bought and installed in schools where green houses were installed.

27. 130 multistory gardens were constructed in school in Dagoretti S&N, Kibra, Langata, and Westland's this project was funded by the county government in FY 2015/16. 5 (five) milk dispensers were installed in FY 2015/16, for groups in Kasarani, Kamukunji, Wetlands, Dagoretti, & Roysambu. Materials for construction of 5 Rabbit hatchets and 6 poultry units were procured in FY 2015/16 but construction will commence in FY 2016/17 for groups in Dagoretti south, Westlands and Mathare. Land requisition and designs for construction of poultry slaughter house was done in FY 2015/16 and it was implemented through public-private partnership. Design, Bill of quantities and tender documents were done in FY 2015/16 and 100% of the target was achieved. 20,914 trees were planted in institutions in Embakasi, Kamukunji, Makadara, Kasarani,

Environment, Energy, Water and Sanitation

28. Waste collection tonnagewas292,000 Tonnes (800 tonnes ,100 arrests were made, 50 inspection reports were submitted. 10 complaints were resolved. 12 environmental sensitization forums were organized where 6,000 people were reached. 2 Audio meters were procured. 2 environmental analysis reports were submitted, 16 tons of waste has been removed from rivers. 10 illegal discharge points have been blocked. 6 Kilometers of Riparian reserve have been recovered and protected.4 inter-governmental coordination meetings have been held. Water supply projects have been completed in 35 wards, 2 Kilometers of the sewer lines have been extended. A policy document has been drafted. 150sewer connections have been done under the Sewer Revolving Funds and 1 quarry has been reclaimed and the Sector has undertaken 1 initiative towards promotion of clean and Green Energy.

Education, Youth Affairs, Culture and Social Services & ICT

(i) Education, Youth Affairs, Culture and Social Services

29. As at end of financial year 2015/2016, the sector had made a number of achievements with regards to project implementation mainly: Rehabilitation of Joseph Kangethe Centre Letter of Award issued to M/s Derrow Brothers Construction Ltd. on 26/05/2015. Construction of the administration block/ social hall ongoing. First Certificate of Ksh.22, 000,000 has been submitted by the Contractor for payment, pending payment; Facelift and Automation of McMillan Library. Award letter had been issued Cam- Links Ltd. on 22/04/2015. The Contractor is already in site. Wall scrubbing /Painting & tiling done on the basement floor; Rehabilitation & Construction of ECD CENTRES. Model Centre ready. Advertisement for invitation to tender done. Contract issued for 40 ECDE Centres though only19 No. sites cleared; Rehabilitation of Dandora, Kangemi and Jericho social Halls. Bill of Quantities for Dandora & Kangemi Halls done and at procurement stage; Construction of One Twin Workshop at Kangemi Youth Polytechnic. Approved by the cabinet. At the tender stage; Construction of 4No. Classrooms at Bahati Training Centre. Awaiting preparation of Bill of Quantities and; Construction of Ultra-Modern indoor facility at City Stadium. BQs from County Engineer done. Cabinet approved in Dec 2014. Award letter issued to the contractor.

(ii) Information Communication & E-Government Sub Sector

30. The sub-sector in FY 2015/2016 commenced the structured cabling works at City Hall and Data Center which was 95% and 60% completion rate respectively. The structured cabling is expected to cover the County Headquarters and 27 other sites (sub-county offices and others) once completed in FY 2016/2017. The Sector is planning to replace the aging computers at County offices through procurement of new ICT equipment. To this end, the sector through its partners Kenya ICT Authority and World Bank procured Unified Communication and Active equipment which will be implemented by the end of FY 2016/2017. Once implemented, the project is expected to reduce the cost of communication by almost 70% and also secure County data and information. The County currently has in place a computer-based system known as Local Authorities Integrated Financial Operations Management System (LAIFOMS) that integrates financial & operational activities involving business transactions. The system was acquired through the support of the defunct Ministry of Local Government. However, the system is not fully developed and lacks technical support. To this end, the County through the support of its partners intends to replace the system by a more robust and modern revenue management system in the FY 2016/2017.

Transport, Infrastructure and Public Works

31. For the financial year 2015/16, adequate investment was directed towards the maintenance of the already existing county assets in order to protect the condition of the assets for future generation; more specifically on road maintenance, traffic management and street lighting maintenance.

Urban Renewal and Housing

32. 67% of Roads and Drainage under KISIPconstructed in both settlementsachieved against a target of 82%. 2.9Km at asphalt stage; all high masts erected in Kayole and KCC. KCC experiencing high voltage fluctuations due to power demand. Contractor requested to liaise with KPLC to sort out the issue. All sewer laid, manholes and inspection chambers complete (5400m sewer). All water pipes laid, tested and sterilized awaiting connection. Awaiting sewerage connection to respective properties.90% achieved against a target of 100%; Works on solid waste management plant yet to commence – site however identified by NCC and handed over to contractor; Draft plans for 12 informal settlements prepared, submitted and reviewed by the County; Comments forwarded to Consultant and Ministry; Consultants procured and planning exercise commenced; Formation of the Settlement Executive Committee in Fuata Nyayo in progress - committee to facilitate community engagement; Maintenance programme under preparation; CEC approval given of apportionment of 10% of Annual Rent collected for maintenance (60M); Formation of Settlement Executive Committee (SEC) members for KISP projects incorporates the youth and ;Youth to engaged by the contractors in execution of projects, programmes and initiatives

Trade, Commerce, Tourism and Co-operatives Sector

33. In FY 2015/2016, the following Projects were ongoing as at the end of the financial year: Westlands, Makina and Karen Markets. Projects which were at the Tendering stage were as follows: Quarry Road, Ngara, Burma, Kariokor, Ngumba, Kahawa West, Umoja I, New Pumwani, Umoja II and Westlands Markets. Projects which were yet to commence at the end of FY 2015/2016 were: New Wakulima, Kayole 1, 2, 3 Markets. Projects Completed as at the end of FY 2015/2016; Githurai, Dandora A-F, Retail- Landhies Road Markets.

Urban Planning and Lands Sector

34. Reclaimed service lanes and streets in Eastleigh commercial district centre with help of the Kenya Police Service which has improved security in the area; Undertaken major enforcement operation in liaison with County Security Committee to restore public safety in specified areas within the City; Development of the e-Development Permission Management System; Held stakeholder forum to sensitize them on the reform processes using the e-DPMS; Complete the formulation of NIUPLAN in conjunction with JICA; Formulation of development control policies; Formulated and spearheaded the approval of the revised outdoor advertising and signage policy with an objective of streamlining and guiding outdoor advertisement planning developments within Nairobi City County. Currently the section is finalizing the approval process of the proposed Nairobi City County Outdoor Advertising and Signage Bill which is aimed to ensure that erection of outdoor advertising infrastructure and advertising displays are done without detracting visual amenity or compromising environmental quality and public safety.

Lands Sub Sector

35. In 2015/16, the survey department; surveyed 5,000 plots in Kariobangi Sector 6, Canaan, Umoja Zone 8, Dandora Block G; digitized 5,000 plots under GIS development and expansion; prepared a GIS database ; prepared 1,112 leases for Dandora, Kayole, Umoja, and Kariobangi; and regularized 822 plots in KCC Village. The valuation and property management directorate, over the period, increased the number of ratable properties from 121,000 in March, 2013 to over 150,000 in June, 2016. Increase in the number of ratable properties translate to increased rates revenues. Audit of county titles was done by an Inter Departmental Team including representatives from Valuation, Legal, Audit, Finance and Central Registry.

Finance and Economic Planning Sector

36. In the FY 2015/16, Revenue, Accounting, Supply Chain departments refurbished their offices. Budget and Accounting Departments purchased computers and IT equipment. Internal audit and Revenue department purchased motor vehicles. Debt Strategy Management Paper 2015/16 was prepared and approved. Economic planning department carried out customer satisfaction survey and produced three monitoring and evaluations (M&E) reports. Statistical Database Management System was initiated in the FY 2015/16. CFSP, CBROP and budget estimates for FY2016/17 were produced and approved. CIDP review was also undertaken in FY 2015/16.

Public Service Management and Transformation

37. For the 2015/16 financial year monthly compensation to employees was done up to April 2016. Operations done by the county included; the culture change programme whereby the 1^{st} phase was carried out and the 2^{nd} phase being underway, performance management whereby the 1^{st},2^{nd} and 3^{rd} reports done already, finally the monitoring and evaluation which is still on going. Projects implemented by the county include; procurement of vehicles which is on-going, refurbishment of human resource center which is complete, provision of biometric cards to staff which is on-going, operationalization of Huduma centers in sub-counties whereby centers have been established at Eastleigh and Kibera and renovation of offices to improve the working environment which is on-going.

Health Sector

38. During 2015/16 Financial Year, the sector initiated a number of projects of which majority are at procurement stage. One of the ongoing projects is the purchase and supply of laboratory, maternity and pediatric equipment at Bahati health centre. Examples of projects at tender stage includes, equipping of Upendo health centre, construction of perimeter wall at Jericho health centre, renovation of Dandora health centre, construction of Kamulu health centre and purchase of x-ray and ultra sound machines for Mutuini hospital.

1.5 2016/17 REVISED ESTIMATES

39. End of first quarter and towards mid second quarter of the Financial Year 2016/2017, the budget performance, both revenue and expenditure, was below expectation. Weaker than expected revenue collections and underperformance in sectors budget absorptionwas noted as the main challenge in the first half of the financial year 2016/17. There was need therefore to revise the budget downwards to meet our budget obligations.

CHAPTER TWO: MACRO-ECONOMIC POLICY FRAMEWORK

2.1 Kenya's Growth Prospects

40. The economic growth prospects for FY 2017/18 and the medium term takes into account developments in the global environment and internal risks while accommodating the Government's national strategic objectives and broad development policies as outlined in the vision 2030.

41. In 2014 and 2015, the economy experienced a stable macroeconomic environment, with single-digit inflation despite 10.0% currency depreciation in 2015. Gross domestic product (GDP) increased from 5.3% in 2014 to 5.6% in 2015 which was driven by the construction sector that grew by 13.6% in 2015 compared to 13.1% in 2014, the financial and insurance sector that grew by 8.7% in 2015 from 8.3% in 2014 and the agricultural sector that reported a 5.6% growth in 2015 compared to the sector's growth of 3.5% in 2014.

42. TheReal GDP is estimated to expand by 5.9 percent in 2016 and 6.1 percent in 2017 and 6.4 percent in the medium term. This robust broad based growth will be supported by increased production in agriculture, low oil prices, dynamic services sector, supportive monetary policies, completion of infrastructural projects to boost economic activity while continuing with other infrastructural investment projects and recovery of Tourism. The economy will also benefit from increased investments and domestic demand, following enhanced investor confidence and the on-going initiatives to deepen regional integration.

43. The projected growth assumes relatively stable political atmosphere in the turbulent electoral year 2017, normal weather pattern and improved security in the medium term. Inflation is expected to revert within 5.0 percent target and interest rates and shilling exchange rate expected to be stable.

2.2 Key Revenue Sources

44. County activities and initiatives are funded form internal and external sources. External revenues are transfers from the national government such as equitable share and conditional grants like free maternal health care, compensation for user fees forgone, leasing of medical equipment and road maintenance levy. Major internal revenue streams in the county are rates, single business permits, parking fees, building permits and billboards and advertisements.

45. Internal revenue has been experiencing hurdles over the years, the shortfalls resulting in erratic financing of projects and programmes and sometimes derailing timeliness in implementation. Revenues from local sources amounted to 11.7 Billion against a revised budget of 15.2 Billion in the FY 2015/16. There was a shortfall in internal revenue; comparing the actual revenue realized with the budgeted for 2013/2014, 2014/2015 and 2015/2016; at 23.1%, 12.8% and 23.5% respectively. This implies that the underperformance in local revenue was higher in 2015/2016. Unlike 2014/2015 financial year when internal revenue grew by 24.7% from the previous financial year, in 2015/2016 the increment was any Ksh 0.1B (1%). Local revenue collection up to the end of first quarter for financial year 2016/17 was Kshs. 2 Billion.

46. Rent revenue performance in FY 2015/16 was 81.8%, a total of Ksh. 3.1 Billion compared to the targeted Ksh 3.8 Billion. However, the rates revenue increased compared to Ksh. 2.6 Billion in 2014/15. The increase was a result of enhanced enforcement mechanism and aggressive campaigns to encourage rate defaulters to pay land rates as well as waives penalties. Rates revenue at the end of first quarter Financial Year 2016/17 was Kshs. 446.5 Million.

47. Parking revenue performance in FY 2015/16 was 78.4% at Ksh 2.04 Billion compared to a target of Ksh2.6 Billion. There was an increment of 1% from FY 2014/15 where Ksh 2.02 billion was raised. This increment was mainly due to increased uptake of E-payment. Parking collection up to the end of first quarter for Financial Year 2016/17 was 435.29 Million.

48. Revenue performance from building permits in FY 2015/16 was 71%. Compared to 2014/2015, this revenue stream collection declined by Ksh 177 million. The decline and continued low outturns in this steam can be attributed to non-disclosure and adherence of county building regulations; weak enforcement of building standards and regulations; undervaluation as it's based on user own assessment; collusion & evasion and lack of awareness on requirements for building approval.

49. Revenue performance from the Single Business Permits was 63.2% in 2015/16, at Ksh 1.79 Billion compared to a target of Ksh. 2.8 Billion. Compared to 2014/2015 revenues, single business permits collections also declined by Ksh 2.8 million. Business permits underperformance was due to: poor enforcement for payment for business permits due to inadequate manpower; evasion by unscrupulous business people; inaccuracy of records on business establishments, undercharging based on e-payment system, and slow pace of devolution of this stream to the sub-counties.

50. The revenue performance from Bill Boards was 82.9% at Ksh. 663.3 Million compared to a target of Ksh. 800 Million in FY 2015/16. Compared to the Ksh. 675.93 million collected in FY 2014/2015, there was a decline by 12.63 million Ksh. (1.87%). Upto the end of first quarter financial Year 2016/17, Advertisements revenue was Kshs. 92.17 Million.

51. Late development and implementation of liquor Act, legal challenges on Finance Act on rates and Betting and Control Act, non-remittance from hospitals collections and reimbursement for free maternity care, low level of awareness on County charges and the responsibility to pay by the public and lack of revenue from billboards from road reserves and street poles on KURA and KENHA roads has slowed performance of county revenues are other reasons for low achievement of local revenue. Going forward, internal revenue targets needs to be met to ensure a predictable and reliable financial flow for proper implementation of county mandate.

2.2.1 Rates

52. The County has approximately 148,000 rateable properties. However the number keeps increasing as owners keep subdividing them. Using the 1982 values, the current revenue potential for rates is estimated at Ksh. 9 Billion, much more greater that the 2015/2016 actual collection. More effort needs to be put in place to realize the full potential. This can be achieved through partnering with other relevant agencies such as the NLC and the Ministry of Lands to improve existing data on properties that would help improve revenue. Slow development of valuation roll, high default rates, weak enforcement mechanism, court injunctions by Resident Associations on land rates collection from particular areas have led to low revenue collection from land rates.

53. Fast tracking completion and adoption report on valuation roll and the valuation and rating bill, strengthening enforcement mechanism and negotiating with Resident Associations in regard with land rates payment has the potential of increased revenue collection. Waiving penalties on land rates will be carried out by the county government as this will encourage rate defaulters to pay land rates.

2.2.2 Parking Fees.

54. The County has a total of 12,000 parking slots; of which daily and seasonal ticket holders slots are 10,399, while loading zones are 1,601 (private 1,145 & public 466) and county bus station has 59 parking slots. Only 100 parking slots are allocated to county staff despite approximately 1,200 staff owning vehicles (These vehicles are still parked in the city parking zones, the opportunity cost being lost parking revenue). MCA's were allocated parking at the Law Courts (150 Parking zones) which they do not utilize; Instead parking their vehicles along

City Hall Way, Mama Ngina, General Kago. The potential from this revenue stream is estimated at Ksh. 3 Billion.

55. For county government to increase revenue collection from parking fees, it will increase staff, equipment and sensitization forums on E- payment services. Further, to enhance revenue collection by using E-payment the following will be undertaken; improve network connectivity; reduce system failure and increase enforcement. Devolution of parking will also be considered to ensure tapping of this revenue throughout the County.

2.2.3 Building Permits

56. The real estate sector in the County is rapidly growing; the boom is as a result of increased demand in property market. Real estate prices in Nairobi rose 25 percent between January and December 2011. Considering this growth in the, the expected revenue from building permits ought to be much high. In order to enhance revenue from this stream, there is need for use of E-construction and increase in enforcement of building regulations.

2.2.4 Single Business Permit (SBP)

57. Weak enforcement mechanism and high default rate on payment of single business permits has slowed performance of SBP. Automation of revenue collection processes in the sub-counties and wards will enhance revenue collection from SBP and other revenue streams. Enhanced enforcement and ensuring wider use of the E payment platform as well as sealing off the leakages will help improve revenue collection. There is also need to carry out a baseline census on business establishment in the County to establish accurate records for proper projects to enable the County achieve maximum revenue from this stream.

2.2.5 Advertisement

58. Advertisement is an important revenue stream that has the potential to generate close to Ksh 6 Billion annually if proper systems are put in place. There is need re-introduce the annual approval and payment of all large format advertisement; introduce of on-line application system and demanding payments directly from the advertising client in case of default; Procurement of a consultant firm to obtain data on new adverts & tracking the same as well as enacting the NCC Outdoor Advertisement & Signage Control & Regulation Bill, 2016.

2.3 Debt

59. The provisional debts owed to various parties as at 30th June, 2016 stood at Kshs. 48.97Billion. The debt trend has been increasing due to accrual of interest and penalties. Low allocation for debt servicing has continuously worsened the situation with a net effect of making the debts more expensive.

60. The County will ensure that both the level and rate of growth in debt is fundamentally sustainable since high debt portfolio will continue to impact negatively on the county operations. Reducing county expenditure at the same time coming up with mechanisms to increase revenue is the basic methodology for freeing up funds for development and debt servicing. Timeliness in debt servicing and remittance of statutory payments will be adhered to reduce interests and also avoid penalties. Compliance to the Debt Management Strategy Paper and Debt Payment Schedules is also key.

2.4 Receivables

61. The total receivable balances has been increasing over time, from Kshs 63.5 Billion in the year 2013 to Kshs 100.2 Billion, Kshs.147.3 Billion and Kshs. 208.9 Billion in 2014, 2015, and 2016 respectively. For instance the outstanding receivables in FY 2014/15 increased by 41.8% in the FY 2015/16.

62. Land rates accounted for about 99.3% of all debt balances owed to the County in FY 2015/16. Other debtors included rental fees, Single business permits, Sundry debtors, parking fees, way leaves, billboards and H.D.D accounting for about 0.08 %, 0.15%, 0.17%, 0.2%, 0%, 0.03% and 0.01% respectively for the total debts for the FY 2015/16. The huge debts in rates are largely attributed to accumulated interest rate on unpaid rates especially from government institutions. The County will keep negotiating with all debtors to ensure payment, but will also pursue enforced payment if all fails

2.5 Assets

63. Towards ensuring prudent management of County assets, preparation of Asset Management Policy, which is currently a draft, and County Asset Register is underway. This will culminate in the installation of an asset management system for ease of management and application.

64. Lack of a reliable County Asset Register was a lacuna that allowed for loss of myriad of Assets and properties. There is need to seek ways for repossession of lost assets and properties, and prevent further losses through adoption of the Asset Management Policy.

2.6 Wage Bill

65. The fiscal responsibility principles recommends that the personnel emoluments be less than 35% of county revenue as stipulated in the PFM Regulations. However, the 2015/16 compensation to employees' allocation was 46.52 % of the total revenue. The allocation for 2016/17 is 41.7% of total revenue, which is projected to be 43.7% in the FY 2017/18. It's however necessary to note that, the Wage Bill will consume 72.9 % and 79.1 % of the County's projected local revenue in the FY 2016/2017 and 2017/2018 respectively. This is largely attributed to the bloated workforce; inherited from the city council and those that were transferred with the devolved functions. Attempts necessary to curb this will be undertaken through; payroll cleansing, Adoption of technology, Limiting recruitment only to unavoidable demands, preparing a sendoff package to motivate early retirement of less productive staff and also proper and efficient management of hiring of casual labour and consultancies.

CHAPTER 3: POLICIES TO ACHIEVE MEDIUM TERM OUTLOOK

3.0 INTRODUCTION

66. The Policies set out in the 2016 CFSP are underpinned by the Governor's stated seven point development agenda that seeks to transform the City in order to deliver:

1) Better health, water and sanitation
2) Better services in transport, housing and infrastructure.
3) Better security and better inter-ethnic relations.
4) Better facilities and opportunities for early education and youth development
5) Better life for Nairobi residents with respect to enterprise development and employment creation.
6) Better attention to the needs and rights of women, children and persons with disability
7) Better management of city's resources.

67. The sustained implementation of prioritized programmes in the CIDP 2013-2017 is expected to translate into improved quality of life for the people through positioning Nairobi as the City of choice for all to invest, work and live. This in turn will translate into expanded employment opportunities and rapid poverty reduction. The delivery of the seven outcomes listed above will be pursued through seven key performance areas namely:

3.1 Area (I): Governance and Stakeholder Participation

68. Sustainable economic development and growth is largely influenced by good governance that seeks to best deliver to the expectations of the people in a timely, efficient and predictable manner. Furthermore, good governance is a major ingredient for attracting quality investment that is expected to trigger economic development in the County. The Government seeks to further entrench gains made in inculcating principles and values of good governance. These include; Accountability, Transparency, Excellence, Accessibility, Integrity, Responsiveness, Teamwork and Equity.

3.1.1 Stakeholder Participation

69. The government will upgrade the communication protocol for internal and external stakeholders so as to achieve full participation of all stakeholders in governance, development planning, resource allocation, service delivery and monitoring & Evaluation. In realization of the objects of devolution, already considerable gains have been made through activation of seventeen (17) sub-county and eighty five (85) ward services. The government will be rolling out an elaborate communication plan as a component of the just concluded Nairobi County Strategic Plan 2015-2016.

3.1.2 Enabling Legislation

70. Being cognizant that we are in the transition to the devolved system, it is important for relevant instruments of governance to be legislated on in order to fill existing gaps in the legal framework for effective delivery of the mandate of the County government.

The government will be working towards reviewing relevant laws especially in Education, security and disaster management in order to align them to devolution requirements.

3.1.3 Corruption Eradication

71. Corruption in all its forms must be eradicated from all arms of our institution in order for all to obtain high quality of service and equitable socio-economic development. The government has recently concluded government functional reorganization that was partly meant to cut existing cartel networks in order to improve service delivery and employee productivity.

The government has resolved and embarked on implementing the Internet Banking (I/B) protocol as a component of the Integrated Financial management Information System (IFMIS) in all its financial transactions. This is expected to promote controlled expenditure, reduce cheque chasing by suppliers while promoting transparency and accountability.

3.2 Area (II): Financial Sustainability

72. In line with Article 226 of the Constitution of Kenya and the Public Finance Management Act 2012, the Government is committed to ensure sound long-term financial principles.

3.2.1 Revenue Management

73. Challenges continue to hamper full realization of Internal revenue targets towards financing the budget with a fiscal gap ranging between 20-25% between 2013, 2014/15 and it is projected that the 2015/16 target shortfall will stand at 20%.

74. These below par outcomes are attributed to weak revenue collection systems, non optimal collection in major revenue streams particularly in Rates and Parking, leakages in the system due to inadequate internal controls and undercharging in some areas.

75. In this regard, the government will accelerate the pace of automation of the revenue collecting system to enhance effective collection, seal existing loopholes, tighten internal controls to eliminate pilferage, update the property and business registers so as to widen the tax base. A regular review of fees and charges through the finance bill will be carried out on a timely basis.

3.2.2 Expenditure and Cost Management

76. The government is committed to ensuring prudent application of public resources for maximum returns to the public. In this regard, ongoing reforms in public procurement will be accelerated in 2016/17 to guarantee value for money in each expenditure. Benchmarking market prices for goods and services with the Public Procurement Oversight Authority's guidelines, shortening the duration of effecting payments for goods/services rendered and enforcing strict adherence to terms and conditions of contracts.

3.2.3 Integrated Planning, Monitoring and Evaluation

77. In order to improve on development budget absorption and guarantee feasible returns on capital investment in the medium term, the County treasury is committed to enhancing budgetary resources towards Economic Planning in order to facilitate timely production and dissemination of development plans, research, production and dissemination of County statistics as well as regular monitoring & Evaluation. Emphasis will be put in impact studies on core poverty alleviation, population and social sector investment outcomes.

Additionally, sector-wide capacity development on project design, Planning and management will be enhanced to ensure that only projects with the highest propensity to address priority socio-economic concerns facing Nairobians receive funding.

3.2.4 Resource allocation & Absorption

78. Acknowledging that resource requirements for all our programmes by far exceed the resource outlay, we shall be seeking to address the growing budget financing gap, growing intra-county development disparities, the low absorption of development expenditure, the growing debt portfolio and ineffective funding towards low income areas.

79. In this regard, the Government is committed towards a realistic, balanced and pro-growth budget that is in perfect consonance with the fiscal responsibility principles. This includes sustaining the wage bill at current levels with prospects of a decline due to exit, exercising restraint from non-core borrowing, and accelerating resource allocation for programmes geared towards addressing development in low income areas.

80. Expanding resource outlay through Public Private Partnerships particularly for high return programmes in Health, Housing and Infrastructure will particularly be leveraged on.

3.2.5 Asset Management

81. The Government will fast track the operationalization of the county Asset management Policy in order to address the inherited state where no framework existed for taking stock and updating the Asset register. This has led to many county properties finding their way into private hands. These assets include land and buildings. We are committed to setting up a functional central asset and risk management registry.

3.3 Area (III): Institutional Transformation

82. The County Government has put in place systems to ensure that the entire organization shifts gear from the grim image of the defunct City Council. In this regard a new set of values have been agreed upon through an elaborate consultative process and the government is committed to bring this to fruition through a well thought out Culture Change Programme that is currently being implemented.

3.3.1 Organizational structure

83. The government has completed and adopted a structure that defines the flow and is in the process of making substantive appointments for suitably qualified staff in order to bring to an end uncertainty and low morale among staff that have been in acting capacity for a long time. The County Public Service Board (CPSB) is expected to complete the exercise of making appointments with clear terms and conditions of service in order to streamline functional relations in the government structure in order to enhance efficiency in service delivery.

3.3.2 Capacity Building

84. The misalignment of skills, personnel deployment as well as lack of adequate succession planning has led to overstaffing in some of the lower levels as well as misplacement of skills in some key positions. The Government has initiated a number of programmes for capacity building for staff.

85. The County government seeks to further the existing partnership for staff training with the Kenya School of Government towards implementation of an effective working culture and a positive attitude towards service delivery through professional training.

3.3.3 Performance Management

86. The County has embraced the results based Approach in all its operations. In furtherance of this practice sector plans have been developed, RRI teams constituted and the practice of Monitoring & Evaluation across all departments. The Council of Governors working with the Ministry of Devolution and planning has ratified guidelines for implementing the 12^{th} Cycle (FY 2015/16) performance contracts. The County Government of Nairobi is committed to ensure full implementation.

3.4 Area (IV): Physical infrastructure and services

87. In order to ensure sustained economic transformation, and a competitive City economy, the government has embarked on massive investment in Road network expansion and maintenance, street lighting, energy, expansion of non-motorized transport facilities and traffic decongestion.

3.4.1 Road Network Rehabilitation & Expansion

88. Considerable progress has been made in the implementation of road rehabilitation and construction programme and a number of key projects have been completed. Over the medium term, the strategy is to develop the road transport in order to have an effective, efficient and secure road network, step up road transport safety and regulation through developing and implementing road transport policies for an efficient and safe transport system.

In this regard, the target for the medium term is to maintain 550Kms of Roads across the county on required basis. This will involve patching, sealing, filing ruts, cracks and depressions and rectifying defects arising from use. Key projects earmarked for implementation during the medium term include; completion of the Outer-Ring road, Nairobi Metropolitan Services Improvement Project (NAMSIP), Rehabilitation of Bus infrastructure(bus lanes and stations), widening the Enterprise Road, Construction of Kangemi-Jogoo Road as a component of NAMSIP, implementation of approved WDF road projects and other related aspects of the NUTRIP.

3.4.2 Traffic Management & Decongestion

89. The current road network coupled with the state of traffic management systems are inadequate to meet the current and future demands as envisaged in the Kenya Vision 2030 blue print. The deterioration of traffic conditions can be explained by the rapid increase in the number of private cars, lack of an efficient Rapid mass public transport system, poor enforcement of traffic regulations and lack of discipline on motorists and other road users.

In the medium term, the target is to roll out a traffic simulation system, implement and expand signalized junctions, develop an Intelligent Transport System for the City, construct and commission commuter rail and operationalize a Rapid Public mass Transport System for the City.

3.4.3 Non-Motorized Transport

90. Non-Motorized transport facilities serve a significant proportion of the population and constitute a major mode of transport in the City. Over the recent years, investment in these critical facilities has not matched the demand.

91. Over the medium term, the government will seek to expand existing NMT facilities to include the 6Km expansion at Kenyatta Market, Haille Selassie avenue from Ragati Road to Moi Avenue, Uhuru Park and along City hall way. Additionally, the government will maintain the existing 5000M of NMT infrastructure on as and when required basis.

3.4.4 Energy

92. Cognizant that the energy regulatory and reticulation function has not been devolved to the County Government; availability of affordable, reliable and adequate energy in the City is a key concern of the County government. We are conscious of the prevailing chronic over reliance on one source of energy, inadequacy of the regulatory framework for the energy infrastructure and efficiency.

93. While considerable ground has been covered in lighting up the City with over 14,000 no oflights installed in 2015/16, we target to raise the proportion of the City fully lit from the current 30% to over 80% in the medium term. In this regard, the Government is keen on developing and rolling out a green building promotion programme in order to diversify into other eco-friendly energy sources, promote the adoption of more efficient energy infrastructure such as LED lights and implementation of a maintenance programme for energy infrastructure.

3.4.5 Drainage Infrastructure

94. A well-functioning drainage system is a major safeguard for road infrastructure, property and lives of people during flash floods which have become more regular and heavier in impact over the last few years.

In this regard, the government will invest in maintenance of 100Km of storm water drainage through regular cleaning and replacing damaged parts. Installation of storm water drains in the

CBD. Additionally, missing manholes will be fitted alongside drainage improvement in identified roads across the County.

3.4.6 Water & Sewerage Infrastructure

95. The rapid population growth in the City has led to an increase in the demand for water for domestic and industrial use. With 76% of households connected to water system, the County seeks to ensure that supply of water is reliable. In this regard, investment in developing ground water, development of the Northern collector and rehabilitation of the cleansing depot remain a priority for the water sub-sector.

Cognizant that only 40% of the population is connected to the sewer line, the government will invest in expansion of the sewer line so as to serve a greater proportion of Nairobians. Further, improvement of sanitation facilities particularly in the informal settlement areas will be actualized.

3.4.7 Waste Management

96. The Nairobi City County generates an estimated 2000 tons of refuse daily with 68% of this being domestic waste. The County government is committed to proper waste management to ensure the city is clean. A number of strategies will be employed to effectively deal with solid Waste. This includes further investment in SWD infrastructure, creating additional landfills, enhancing the capacity for timely collection and disposal of wastes. Behavioral change programmes for the resident in order to inculcate the 4Rs plan will be key in addressing the waste management sustainably.

3.5 Area (V): Social and Community Development

97. The government recognizes the important role played by the social sectors of Education and health in making sustainable socioeconomic transformation a reality. A well-coordinated and fully functional social package will reduce the burden of economic shocks on households and enhance access to services by most Nairobians. In this regard, the Government will continue investing in quality and accessible healthcare services and quality education as well as strengthening the social protection programmes. This investment will target the Youth, Women, Children and People living with disabilities for social inclusion.

3.5.1 Healthcare

98. In line with the Kenya Health Policy (2014-2030) and the Kenya Health Sector Strategic and Investment Plan (2014-2018), Nairobi County government is leading the way to making universal health coverage a reality. Through rapid health infrastructure expansion, acquisition of specialized equipment and capacity building, we continue to register impressive gains in this sector. We are committed to accessible high quality free maternity services in all our facilities. While we continue to rehabilitate and equip Pumwani Maternity hospital that currently registers an average of 80 births daily, we continue to extend the capacity of other health centres to offer this service. For instance in 2015/16, Mukuru Health centre unveiled a 20m, 24 bed capacity maternity wing operating 24 hours. In Korogocho health Centre we unveiled a 12 bed capacity maternity ward and Mutuini Hospital is set to open its doors to a state of the art 100 bed capacity maternity ward in 2016.

99. In order to decongest Kenyatta Referral hospital, the County government is keen on investing in expanding the capacity of Mbagathi District Hospital for a wider and more comprehensive health package. Only recently, the Government unveiled the new 112 body capacity cold room at the hospital complete with 2 autopsy tables, washing and modern embalming equipment.

100. An upgrading programme targeting 16 health facilities will be pursued in the medium term. Two flagship projects in this sector are set to transform the face of healthcare provision in the region namely Pumwani Maternity Hospital and medical school and Mutuini district hospital. Both will be undertaken through PPP arrangement in 2016.

3.5.2 Education, Children and Youth development

	2014			**2015**		
	Public	**Private**	**Non-formal**	**Public**	**Private**	**Non-formal**
Total number of ECDE centers	202	90	800	202	93	Over 800

Total number of primary schools	203	100	914	204	100	914
Total number of DICECE & CICECE	2			2	-	-
Home crafts Centres & Youth Polytechnics	11			11	-	-

101. While the education sector continues to record impressive outcomes in terms of gross enrolment rate of over 98% and a pre-school retention rate estimated at 99.8% and a transition rate of 98%, there is need to expand the scope of access to quality formal education. With over 80% of the operational ECDE centers being non-formal, the government is committed to ensure access to quality education is guaranteed.

102. In the medium term, the government will put up eighty (80) new ECDE centers fully equipped and staffed for enhanced delivery of quality education.

103. Primary and Secondary education functions still remain with the National government. However, with a recorded dropout rate of 3.6% and a transition Rate of only 65.7%, there is need for concerted efforts towards addressing the underlying challenges.

104. Outcomes in Secondary education are a matter of grave concern for the County Government. With a gross Enrolment Rate of 35.5%, a net enrolment rate of 25.8% and a dropout rate of 5.5%, the County Government will continue investing more resources towards the Education Bursary for supporting learners from needy backgrounds. Over the last three years, the Government has increased the level of funding towards bursary support by over 300% with Kshs. 74M in 2013/14, Kshs. 212M in 2014/15 and 200M that benefitted a total of 34,400 needy students across the county in the FY 2015/16.

105. The DICECE& CICECE department was transferred to the management of the County Government in the year 2015. This department is charged with the responsibility of training ECDE teachers in two (2) established centers in the County. The government will avail adequate resources towards supporting this department execute its mandate more effectively.

106. Improving and expanding schools and training institutions infrastructure through construction/ rehabilitation of class rooms and integration of ICT in curriculum delivery will be a target for the medium term.

107. The government is committed towards aligning education and training curricula to the demands of changing labour markets by developing competency based education and training for TVET and revitalizing the 11 Youth Polytechnics in the County.

108. The overall strategy in education during the medium term is to focus on developing educational delivery standards and strengthening quality control, continued curriculum reforms and educational inspectorate services in order to enforce and uphold quality education.

3.5.3 Empowering Youth, Women and Persons with Disabilities

109. The government recognizes the great potential for a social turn around through empowerment of Youth, Women and persons with disabilities. In this regard, 30% of available procurement opportunities will be dedicated to enterprises run by these three categories.

3.5.4 Housing

110. Housing needs for the City stand at 100,000 units annually. In order to mitigate this demand, the County government seeks to redevelop7 no of old estates through urban renewal program. The targeted estates are: Old Ngara, Jevanjee, New Ngara, Suna Road, Uhuru, Pangani and Ngong Road. This programme is expected to deliver additional 10,000housing units within the medium term. An estimated 650,000 additional persons will be housed in decent and affordable shelter by end of 2017. The bulk of resources for this program will be harnessed through EPC.

3.5.5 Sports and Recreation

111. The Government recognizes the important role played by sports in enhancing cohesion and national cohesion. Additionally, there are considerable health benefits associated with functional sporting and recreational services in the County. In this regard, the government will invest in

modern and high quality sporting and recreational facilities that are well distributed across the County.

3.5.6 Arts and Culture

112. The City is a centre of cultural diversity with a marked presence of both local and external content. It is the commitment of the government to promote artistic and cultural development through festivals, museums and art exhibitions.

3.5.7 Libraries

113. The government is committed to promoting an active reading culture in the County. Existing library services will be automated, modernized and equipped to actualize this goal over the medium term. New libraries will be constructed in identified sub-counties with the establishment of a mobile component to complement existing facilities.

3.5.8 Cemeteries, Crematorium and Corona Services

114. Currently, there exists an acute shortage of cemetery facilities due to inadequate land available for this important facility. The City's main cemetery ground at Langata is constrained and there is urgent need for developing a new facility. The government targets to acquire 200 acres of land towards developing this facility.
The Government is committed to expanding, modernizing and improving the quality of services offered at the City mortuary.

3.6 Area (VI): Safety and Environment

3.6.1 Safety and Security

115. The Government is committed to guaranteeing a safe and secure environment for residents, investors and workers to operate in. In this regard, resources will be invested in security surveillance, intelligence gathering, personnel training and equipment. The city inspectorate department will be modernized to achieve a trustworthy and recognized law enforcement status that strictly observes human rights in the discharge of their mandate. This sector will require a lot of collaboration with members of the public, National security agencies and other development partners to actualize.

3.6.2 Disaster Management

116. The City is prone to a number of natural and manmade disasters. These include terrorism, Flooding, Infrastructure failure, disease outbreaks and poverty. In this regard the Government is committed to developing and implementing a resilience plan aimed at mitigating against adverse effects of such occurrences. During the 2015/16 financial year, considerable experience on the benefits of prior planning was gained during the El-Nino rains. Due to advance planning, no life was lost and minimum destruction to property was reported. Going forward, the government seeks to institutionalize the culture of preparedness in order to improve resilience.

3.6.3 Emergency services

117. In order to achieve better response times during emergencies, the Government will adopt a distributive approach of fire and ambulance services across the County. In particular, ambulance services will be operationalized through sub-counties while fire sub-stations will be established on either side of the City away from the CBD. Resources will be injected in opening up access routes especially in the Eastlands and informal settlements.

3.6.4 Traffic Management & Parking Control

118. During the medium term, the Government is committed to up scaling Traffic management reforms initiated in the last one year so as to achieve an efficient traffic management system. A programme to sensitize all traffic users on compliance to traffic rules and embracing traffic courtesy will be rolled out in the county. Development of adequate infrastructure for buses and matatus will be undertaken to cut down on obstruction. More parking slots will be developed through investing in multi-story car parks to accommodate more cars.

3.6.5 Environmental management & Climate Change

119. The government is committed to confronting the realities of climate change through adoption of technologies for climate change mitigation and resilience, human resource development and partnership with academia and other research institutions.

3.6.6 Forestry

120. Over the last decade, the City has witnessed a systematic depletion of forest cover as development of housing and other urban infrastructure take precedence. This trend continues to threaten the rich urban nature and biodiversity that Nairobi is endowed with. In this regard, the government will coordinate a structured programme to restore forest cover and conserve biodiversity for shared prosperity.

3.6.7 Natural resources

121. The Government is committed to ensuring that natural resource endowments in the county are sustainably exploited for the maximum benefits of both the current and future generations. In this regard, control measures will be institutionalized in the management of quarrying and water resources in the County.

3.6.8 Parks and Open spaces

122. In the medium, the Government will seek to ensure all public open spaces and parks are delimited, fenced and well maintained to ward off possible encroachment by private developers. This will be achieved through integration of all parks and open spaces in the in the City's Urban planning programme.

3.7 Area (VII): Planning and Economic development

3.7.1 Spatial and Urban Planning

123. The Government seeks to achieve a well regulated and integrated urban development which ensures an inclusive City that is responsive to both the needs of the present and future generations. Towards this end, resources will be availed in developing an integrated urban development Plan, controlled development, enforcing development code, pursue regularization programme for past developments and establishment of a robust physical address system.

3.7.2 Urban Renewal

124. This sector has recently been upgraded through the Government reorganization into a fully-fledged sector. This is in recognition of the urgent need to reinvest in revamping our dilapidated neighborhoods especially in the old estates. In this regard, the government will be working towards investing in modern housing and neighborhoods, integration of land use and infrastructure development and maintenance.

125. The flagship programme is the redevelopment of six (6) old estates through a Joint Venture arrangement with an EPC partner.

3.7.3 Agriculture & Livestock

126. The government recognizes the enormous potential in Urban agriculture for socio-economic transformation of communities. In particular, this sector will address food security, nutritional status and food safety.

The strategy for the medium term is to mainstream urban agriculture into the urban planning process, review County Acts and policies for food safety and enhance zoonotic control.

3.7.4 Fisheries

127. The target for this sub-sector in the medium term is to increase fish production to meet at least 50% of the local demand for fish. In this regard, aquariums will be constructed, fish ponds and coordination of fish production enhanced as well as investing in market infrastructure. A review of policies governing this sub sector will be undertaken.

3.7.5 Trade and industry

128. The government recognizes the important role played by Trade and Industry in employment creation, income generation for households and thus boosting improvement of quality of life to the people. It is also an important catalyst to economic development. In further development of this sector, the government will inject resources for development of well planned, regulated and maintained trading facilities and enforcement of relevant legislation.

129. Designated trading centers for informal traders will be established, a weights and measures modern laboratory will be established and a centralized automated monitoring system operationalized in the County. A programme will be rolled out towards facilitating growth of the Small Micro and Medium Enterprises while reviewing the policy on Single Business Permit to ease the process of establishing and running businesses in the City.

3.7.6 Cooperative & Enterprise development

130. In recognition of the enormous potential of the cooperative movement in capital formation and employment creation, the County government will enforce existing legislation; revive dormant cooperatives and upscale registration and supervision of new enterprises.

The cooperative development policy and registration will be relooked at with a view to achieving an optimal modus operandi that will catalyze growth in this sub-sector.

3.7.7 Tourism & wildlife

131. The Government seeks to establish a world class and well developed modern tourism facilities with a comprehensive and enabling tourism policy.

Towards this end, investments will be made in development of adequate modern tourism infrastructure which efficiently supports tourists to visit tourist hotspots. Complementary County branding and marketing as an internationally recognized tourist destination will be undertaken.

3.7.8 Land Valuation and Property Management

132. The Government seeks to modernize its land management registry through adoption and implementation of a GIS based valuation system. This will ensure that all properties are frequently updated in the central land registry. Towards this end, investment in attainment of a valuation and rating system backed by an effective IT system is paramount. A harmonized land and property zoning system and a secure registration and survey system will be operationalized.

CHAPTER 4: BUDGET FOR FY 2017/2018 AND MEDIUM TERM

4.1 Introduction

133. This chapter outlines; the County's guiding policy on expenditure, the resource envelope, and the expenditure and revenue projections. It also includes the key priorities for the sectors for the FY 2017/2018 and Ward Development Fund.

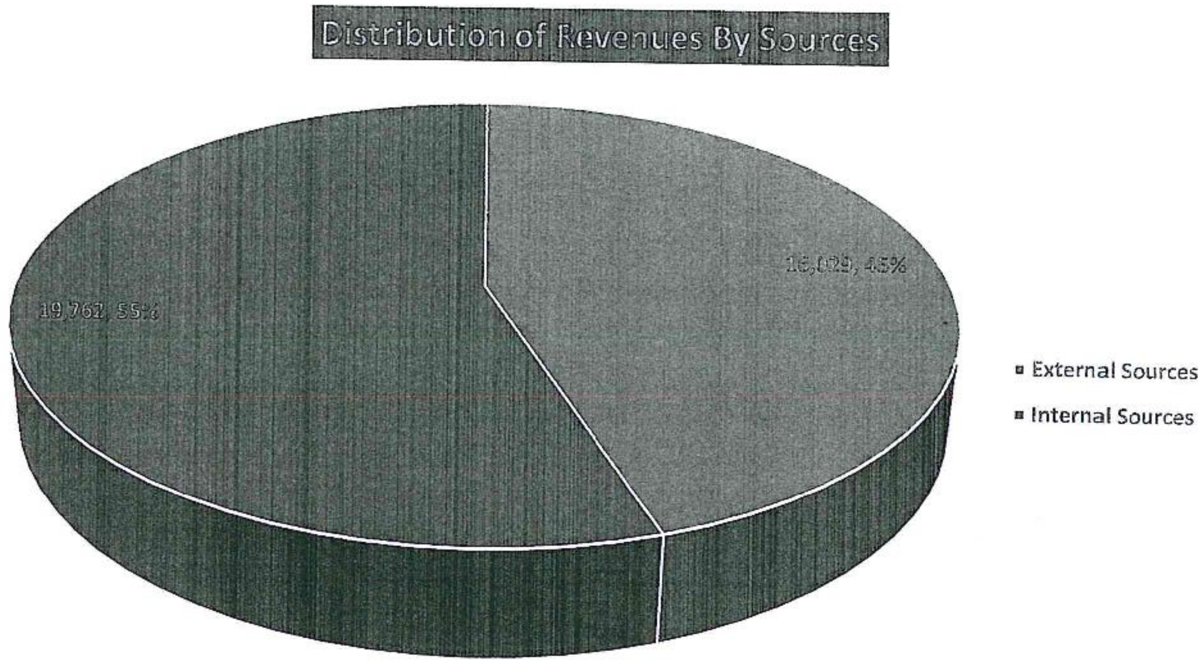
4.2 Guiding Philosophy

134. We seek to guarantee sustainable financial viability, optimize expenditure, and embrace participatory Monitoring & Evaluation in order to improve socio-economic and human development.

4.3 Resource Envelope

135. During the FY 2016/2017, the county had an approved budget of Ksh 34.46 Billion. However, the projected resources from external sources in CFSP 2015 was high compared to the actual resources received, the treasury proposes to revise the budget downward to Ksh 28.12 Billion through a supplementary paper. Being guided by the County's philosophy stated above of spending within our means, the County treasury projects a total budget of Ksh **35.79** Billion for the FY 2017/2018. This will translated to an increase of 3.86% on the current financial year's approved budget and an increment of 27.28% on the proposed revised budget.

Figure 4.1: Sources of Revenue for FY 2017/2018

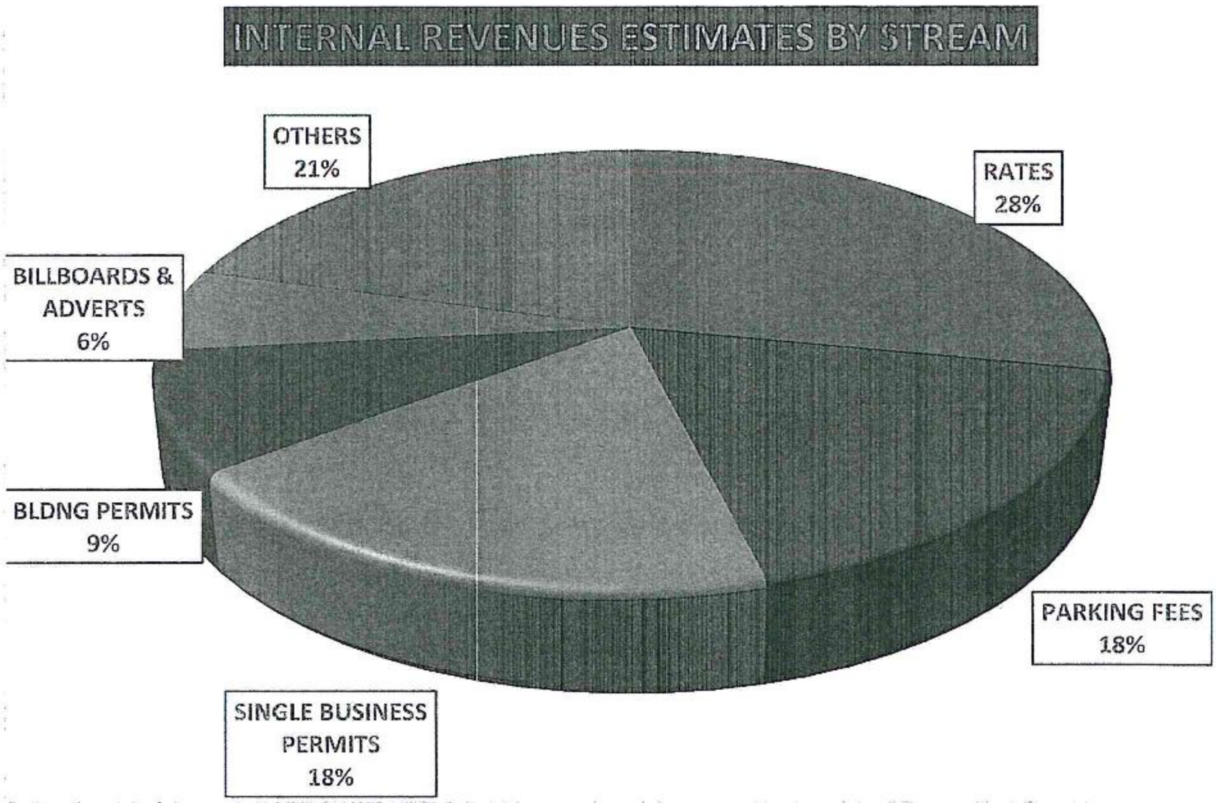


136. It is expected that the internal sources of revenue would generate 55% and external sources (National Government transfers and development partners) would generate 45% as indicated in the figure 4.1 above. In financial year 2016/2017, the total revised revenue ceilings were at Kshs.28.117 Billion, out of which Kshs.14.531 Billion (51.68%) will be from external sources while Kshs.13.586 billion (48.32%) from internal sources.

4.3.1 Internal Revenue

137. The internal sources are expected to generate Ksh 19.76 Billion. This will be mainly from; Rates (Ksh 5.56 Billion), Single Business Permits (Ksh 3.64 Billion), Parking fees (Ksh 3.58 Billion), Building Permits (Ksh 1.72 Billion), Billboards and Adverts (Ksh 1.21 Billion) while other fees and charges are expected to generate Ksh 4.07 Billion during the said fiscal period 2017/2018.

Figure 4.2: Internal sources of revenue by streams



138. From figure 4.2 above, rates will contribute the highest percentage of internal revenue at 28%, followed by SBP and parking fees at 18% each. Revenue from building permits and billboards are also expected to generate 9% and 6% respectively while other revenue sources will generated an equally significant proportion of the total expected internal revenue of 21%.

4.3.2 External Revenue

139. The external sources are projected to raise Ksh. 16.03 Billion. Ksh 15.43 Billion will be from equitable share, Ksh 590 Million will be from (**Conditional grants**) such as; free maternal health care, leasing of medical equipment, compensation for user fees forgone and road maintenance levy. Danish International Development Agency (DANIDA) on the other hand will contribute Ksh 14 Million for health sector support.

140. There is an increment of 18.7% on equitable share and 9.6% on compensation for user fees forgone for the fiscal period 2017/2018. However, road maintenance Levy is projected to grow by 30.30% from Kshs. 165 Million in FY 2015/2016 to Kshs. 215 Million in FY 2017/2018.

Conditional Allocations

1. **Free Maternal Healthcare**

141. The County is eligible for a conditional allocation for free maternal healthcare amounting to Kshs 199 Million which translates to 4.63% of the national allocation for free maternal healthcare of Kshs. 4.3 Billion.

Conditions

i. This funding must be included in the budget estimates of the County government
ii. Work plans must be prepared and shared with the Ministry of health with copies to the National Treasury

2. **Leasing Medical Equipment**

142. The County is eligible for a conditional allocation for Leasing Medical Equipment of Kshs. 0.096 Billion which translates to 2.13% of the national allocation for this category of Kshs. 4.5 Billion.

Conditions

i. The funding must be included in the budget estimates of the County government
ii. Work plans must be prepared and shared with the Ministry of Health with copies to the National Treasury.
iii. The allocation must be used to lease medical equipment for County health facilities.

iv. County government must provide a report/ proof that funds were used to finance leasing of Medical equipment.

3. **Roads and Maintenance and Fuel Levy fund**

143. The total allocation for the entire country was Kshs. 4.306 Billion. The County is eligible for a conditional allocation for this category at Ksh 0.215 Billion which translates to 5% of the total allocation.

Conditions

i. This funding must be included in the budget estimate of the County government.
ii. Work plans must be prepared and shared with the state department of infrastructure with copies to the national treasury.
iii. The allocation must be used for the maintenance of the County roads
iv. County government must provide a report/proof that funds were used to maintain County roads

4. **Health Sector Support Fund**

144. The health sector support funds are mainly Compensation for user fees forgone and Sector Support Project Allocation from DANIDA both of which have the same conditions.

The Conditions are:

i. This funding must be included in the budget estimate of the County government
ii. The allocation must be used to supplement financing of the health care facilities in the County government
iii. County government must provide a report/proof that funds were used to finance County health care facilities
iv. Work plans must be prepared and shared with the ministry of health

(A) Compensation for user fees forgone

145. It is the intention of government to sustain the Government policy of not charging user fees in public health facilities. The total allocation for the entire country was Kshs. 0.9 Billion for revenue forgone by not charging user fees in the. The County is eligible for a conditional allocation for this category at Ksh 80 Million which translates to 8.89% of the total allocation.

(B) Sector Support Project Allocation from DANIDA

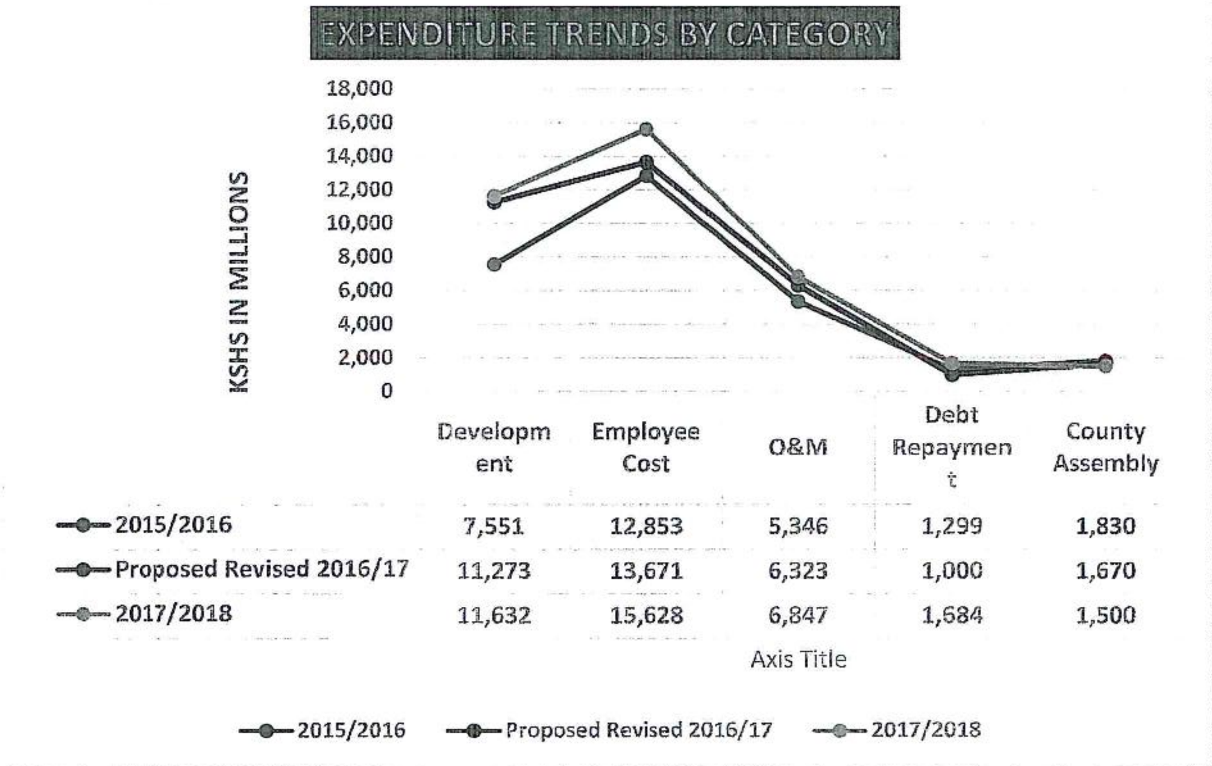
146. This conditional allocation from Development Partners is mainly from DANIDA. The County is eligible for a conditional allocation of Ksh 14,000,000 in this category which is subject to confirmation from the Danish Government.

4.4 Expenditure Projection

147. In the financial year 2015/2016, the total expenditure by commitment was Ksh 23.9 Billion, out of which the recurrent expenditure was Ksh 19.8 Billion and Ksh 4.2 Billion went to development projects, while in 2016/2017 the approved estimates were Ksh 34.46 Billion. The absorption for both recurrent and development as at the end of first quarter of financial year 2016/2017 stands at 26%. Development absorption rate stands at 38% whereas the recurrent absorption rate stands at 26%.

148. For the coming FY 2017/2018, the projected total expenditure is Ksh 35.79 Billion of which 32.5% will be channeled to development programmes.

Figure 4.3: Trends in expenditure for FYs 2015/16, 2016/17 and 2017/218



	Development	Employee Cost	O&M	Debt Repayment	County Assembly
2015/2016	7,551	12,853	5,346	1,299	1,830
Proposed Revised 2016/17	11,273	13,671	6,323	1,000	1,670
2017/2018	11,632	15,628	6,847	1,684	1,500

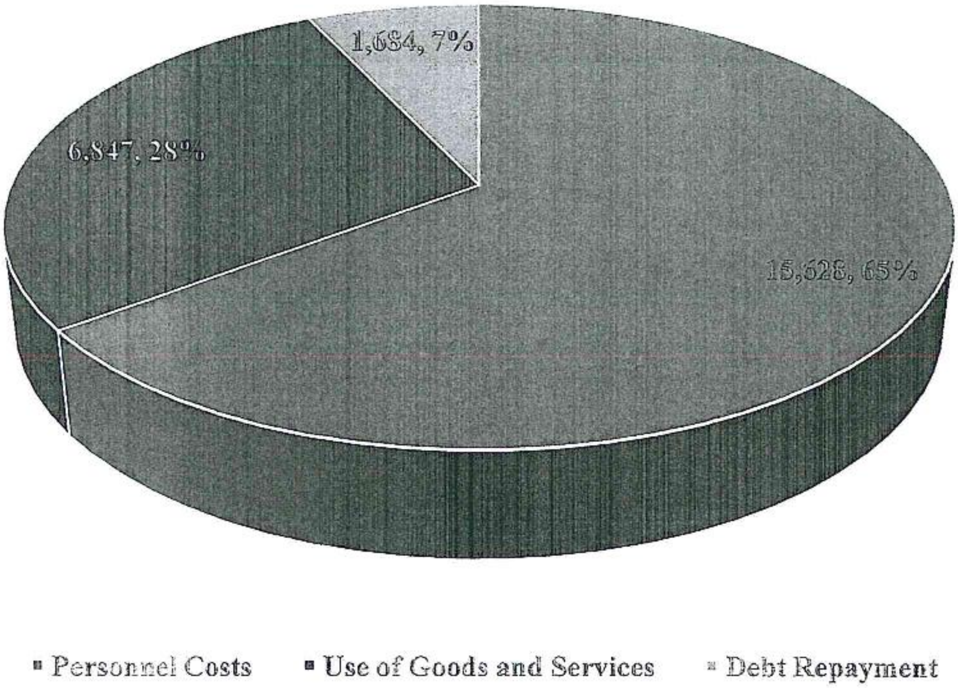
4.4.1 Recurrent Expenditure

149. The key recurrent expenditure items include: Personnel Emoluments; Operation and Maintenance; Debt repayment and Emergency fund. In the last financial year, the recurrent expenditure was Ksh 21.54 Billion, for the FY 2016/2017, the approved recurrent expenditure is Ksh 23.16 Billion but is however being proposed in the supplementary budget to reduce to Ksh 22.77 Billion, as a result of adjustment of expected external resources. There was an over projection of external resources in CFSP 2015.

150. The total recurrent costs for the FY 2017/2018 are projected at Ksh 24.16 Billion that will be a slight increase from the current financial period approved allocation by 4.32%. Kshs. 15.63 Billion for Employee cost and Kshs. 8.53 Billion for use of goods and services. Employee cost is inclusive of Kshs. 900 Million for voluntary early retirement.

Figure 4.4: Recurrent Expenditure by Category for FY 2017/2018

% Allocation of Recurrent Expenditure for FY 2017/2018



151. Employee Cost will account for 65% of the recurrent cost while O&M and Debt resolution will take 28% and 7% respectively as depicted in the figure 4.3 above.

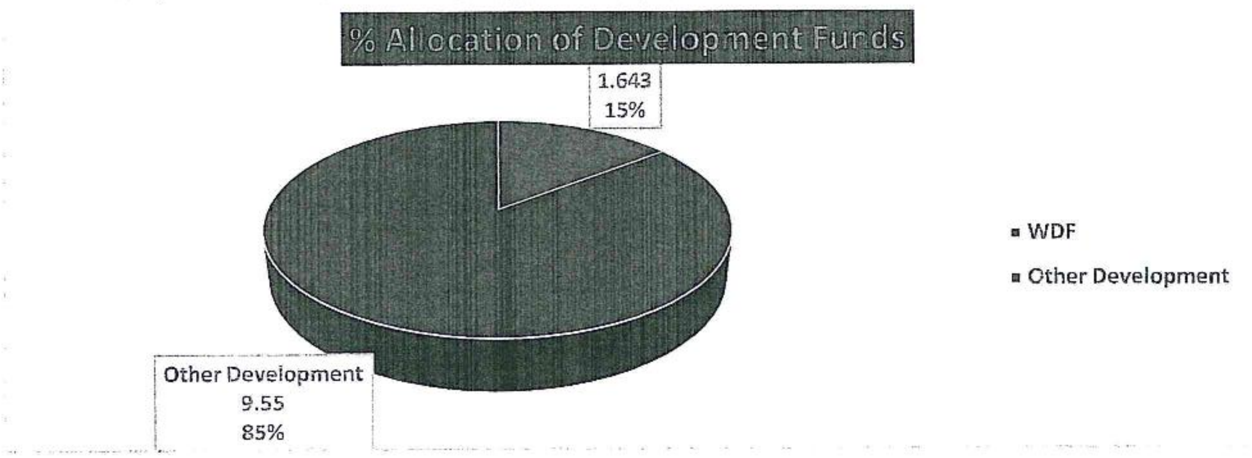
Emergency Reserve

152. In the FY 2016/2017, the county allocated Ksh 80 million towards emergency reserves. However, in the recent past, the County has experienced a number of emergencies such as collapsing of buildings and El Nino rains that were unforeseen during the budget preparation. Learning from these experiences, the County treasury proposes to increase this reserve to Ksh 90 million in FY 2017/2018 that will be used in disaster preparedness as well as mitigating on the effects of any unforeseen disasters that may occur. Which is 12.5% increment from the allocation of FY 2016/2017.

4.4.2 Development Expenditure

153. Despite the heavy burden the County face from its recurrent expenses, the County strives to achieve the minimum allocation of 30% of the total budget towards development each year. In the FY 2016/2017, Ksh 11.193 Billion was allocated for development of which Ksh 1.643 Billion was set aside for the WDF (4.72% of the total revenue) while the remaining Ksh 9.55 Billion for other development programmes.

Figure 4.5: Distribution of Development Allocation FY 2016/2017



154. The treasury proposes to allocate Ksh 11.632 Billion for development expenditure in FY 2017/2018 which is an increase of 2.11 % of the previous budget's allocation. From figure 4.4 above, WDF has been allocated 15.78% of the total development allocation other development from executive takes up 84.28% of the allocation.

4.5 KEY PRIORITIES FOR THE 2017/2018 MEDIUM TERM BUDGET

155. Budget estimates for the FY 2017/2018 shall be based on the priorities outlined below which are guided by the County Integrated Development Plan, County Strategic plan 2015-2025 and Kenya vision 2030 and the priorities will aim at accelerating growth, employment creation and poverty reduction.

4.5.1 Physical Infrastructure and Productive Sectors (Public Works Roads & Transport, Energy, Water, Environment & Natural Resources, ICT, Agriculture, Livestock & Fisheries)

156. For the FY 2017/18, the County expenditure priorities will target Physical Infrastructure and Productive Sectors to spur County economic growth and development. The County will invest heavily in infrastructure development towards increased production, increased access to essential services and overall economic Growth. The County will address infrastructure challenges by accelerating ongoing physical infrastructure development, rehabilitation and maintenance of existing infrastructure facilities as well as construction of new infrastructure facilities. This will be achieved through continued provision of significant resources to support provision of energy, ICT infrastructure and roads infrastructure.

157. Another sector in this category is agriculture, livestock and fisheries. Investing in Agricultural sector not only achieves economic growth but also ensures food security, job creation, income generation and overall poverty reduction. Though this sector is not given much attention in the County, the sector is the mainstay of the economy with linkages in manufacturing, distribution and other service related sectors. The County therefore aims at raising agricultural productivity and increase commercialization of agriculture. This will be achieved through crop, fisheries and livestock development, value addition to agricultural produce, extension services and promotion of agro based industries in the county.

158.For water and environment the county will invest in the development and expansion of water infrastructure, enhancing sewerage services and employing technology in waste disposal and management in order to improve the state of the environment in the County.

4.5.2 Governance, Social and Service Sectors (Public Admin, Health & Education)

159.For FY 2017/18 the County is committed to give much allocation to social sectors which are education and health services in order to improve quality of life of Nairobians which is in line with social pillar of Vision 2030. Also governance and public administration will not be under looked.

160.Governance and public administration sector is responsible for all operations relating to the fulfillment of public policy and the sector will provide sound policies and a solid framework for quality and efficient service delivery to the public service. The key priorities for the sector include; Instituting County public service reforms to ensure efficient and effective service delivery, Providing leadership and guidance in human resource management, effective management and coordination of government operations, and formulation of Sound public administration policies.

161.The health sector forms a key component of the social pillar of the Vision 2030, with a goal to develop a population that is healthy and productive and able to fully participate in and contribute to other sectors of the economy. For health sector, the County shall ensure provision of equitable and affordable healthcare at the highest affordable standards. In the medium term, the County government will seek to address health related challenges through continued investment in training of health professionals, providing preventive and promotive health care, curative care, upgrading and rehabilitation of health centers, purchase of ambulances and improvement of the working conditions of medical practitioners.

162.The County will also commit its resources to offer quality education, sport facilities and youth development initiatives. This will be achieved through construction of ECDs, polytechnics, construction of social halls, rehabilitation centers and sport facilities.

4.5.3 Economic sectors (Trade, Industrialization & Cooperative, Finance & Economic Planning, Urban planning, Urban Renewal)

163. To spur county economic growth and development, the county will invest in trade sector, industry and cooperatives, urban renewal and urban planning. Trade sector has potential for wealth creation, FDI and employment creation. With regard to trade, the county will put effort to deepen business regulatory reforms, enhance access to credit and training of small and medium business entrepreneurs.

164. Strategic efforts will be made to diversify markets by providing an environment conducive for business and ensuring that there is investor confidence. This will be achieved through development of policy, legal and institutional reforms for the development of the sector, fair trading licenses, support entrepreneurship ,construction of markets and Jua kali sheds and industrial development.

165. Given the current demographic trends, specifically in Nairobi due to rural- urban migration, the county shall invest a lot in housing sector in order to provide adequate, affordable and decent houses in a sustainable environment. This will be attained through; better development of and access to affordable and adequate housing; housing and land reforms urban renewal Land surveying and mapping.

166. For finance and economic planning sector, considerable resources will be allocated to enhance its capacity for policy formulation, planning, budgeting, performance management as well as tracking results for investments in the public sector. The sector will enforce the reviewed fees and charges as per the County Finance Act, 2016 and prepare a revenue enhancement plan for each revenue stream and target to reduce the current county debts.

4.6 KEY SECTOR PRIORITIES FOR 2017/18

4.6.1 Transport, Infrastructure & Public Works

167. The sector's priority in FY 2017/18 is the construction and maintenance of roads and drainage infrastructure, completion of ongoing road projects and construction of bridges throughout the county to enhance pedestrian safety and connectivity.

168. The sector's other priority is the improvement of connectivity and traffic flow in the county through construction and maintenance of public transport facilities, NMT facilities, traffic management and parking development.

169. The sector will continue to develop and maintain, institutional buildings, transport and drainage infrastructure assets to ensure reduced road user costs, safeguard physical investments and enhance safety and security through the PPP framework and development partner's assistance.

170. Finally, the sector will enhance connectivity and improve security and economy in the county through installation of public lighting and street lighting in all the wards, maintenance of existing public lighting and street lighting.

171. To enhance the implementation of the sector priorities for FY 2017/18, the sector will be allocated a total budget of Kshs.6.304 Billion. The recurrent expenditure will take Kshs.1.363 Billion (21.62% of the sector budget) and the development expenditure will take Kshs.4.941 Billion (78.38% of total sector budget). This allocation includes funds from conditional allocation of Kshs. 215 M for Road Maintenance levy.

4.6.2 Health Services

172. The sector will focus in the implementation of the three programmes in FY 2017/18. This will include monitoring and evaluation services and will aim at improving service delivery at the same time providing supportive function to the County health sector.

173.Much resources will be geared towards curative care services to enhance the provision of essential emergency and medical rehabilitative services as well as essential health care medical services. For curative care, the resources will be directed to the purchase of drugs and non-pharmaceuticals, rehabilitation, equipping and fencing of health facilities.

174.Further, the sector will seek to promote preventive and promotive health services in FY 2017/18to reduce the burden of violence and injuries and exposure to health risk factors. The sector will also endeavor on reversing the rising burden of non-communicable as well as eliminating communicable conditions.

175.To achieve the sector priorities for FY 2017/18, the sector will be allocated a total budget of Kshs.6.648 Billion. The allocation for recurrent expenditure will be Kshs.5.394 Billion (81.14% of sector budget) and that for development expenditure will be Kshs.1.254 Billion (18.86 % of sector allocation). This allocation includes funding from conditional grants consisting of Free Maternal Healthcare Kshs. 199 M, Health sector Support Fund Kshs. 14M from DANIDA, Leasing of medical equipment Kshs. 96M and Compensation for User fees forgone of Kshs. 80M.

4.6.3 Trade, Commerce & Industry, Tourism, Cooperative Societies

176.The strategic objective of the Sector is to promote trade and investment through; managing clean and organized markets, improving the process of licensing, ensuring fair trade practices and consumer protection, fostering local participation in tourism, ensuring a vibrant co-operative sector and implementing county betting & liquor-License Acts.

177.To achieve its strategic objectives in FY 2017/18 the sector will seek to:Promote trade development and market services through construction and rehabilitation of markets, provision of loans and capacity building of MSMEs; Promote licensing and fair trade practices ,and liquor licensing and regulations through promotion of businesses by automation of licensing services, establishment of weighing centres, verification and acquisition of weighing and measuring equipment and construction of weights and measures laboratory; Regulate and control of betting, gaming and lotteries and enforce national government standards on the regulation of manufacture, advertisement, sale and consumption of alcoholic drinks and; Promote tourism and marketing development through development of diversified tourism products and rebranding the county.

178. In addition, the sector will promote co-operative development and management through revival of dormant co-operative societies, capacity building and awareness creation on co-operative societies, consultancy services to co-operative societies, conducting annual audit certification, compliance and system audits of co-operative societies and audit investigations.

179. For FY 2017/18, the sector will be allocated a total budget of Kshs.1.091 Billion for which the recurrent expenditure will be given Kshs.531 Million (48.67% of total sector budget) while as the development expenditure will be given Kshs.560 Million (51.33% of sector budget).

4.6.4 Urban Planning, Housing and Lands

180. For the FY 2017/18, the sector will continue with the implementation of NIUPLAN and the sector will seek to: Provide decent, affordable and adequate housing to Nairobi residents while enhancing socio – economic empowerment by implementing the programme of urban renewal i.e. redevelopment and regeneration Eastland and selected old city county estates towards and;Provide decent, affordable and adequate housing within the county estates and ensuring maintenance of the same.

181. In addition, the sector will provide operational guidelines within the housing programmes and frameworks and implementation of the same;Facilitate the implementation of slum upgrade projects; Recover loans / mortgages in site and service schemes; Provide Engineering services(structural, electrical & mechanical engineering), Architectural services and Quantity surveying; Conduct Building Research in areas of construction materials and latest construction technology and Establish Building Information Systems.

(i) Urban Planning and Lands

182. To enhance the implementation of the sub-sector priorities for FY 2017/18, the sub-sector will be allocated a total budget of Ksh.737M. The recurrent expenditure will take Kshs.293M

(39.76% of total sector budget) and the development expenditure will take Kshs.444M (60.24 % of total sector allocation).

(ii) Urban Renewal and Housing

183. In order to effectively spearhead the envisaged urban renewal programme, this sector has been allocated a total budget of Kshs. 362M consisting of Kshs. 182M (50.28% of total sector budget) for recurrent expenditure and 180M (49.72% of total sector allocation) for development expenditure.

4.6.5 Agriculture, Livestock & Fisheries Forestry & Natural Resources

184. The overall goal of the sector is to attain food security for all, employment creation, income generation and poverty reduction.

185. To achieve its overall goal in FY 2017/18, the sector will seek to promote: urban and peri-urban agriculture; agro forestry development; agribusiness development and marketing through development of agribusiness plans and dissemination of market information; conservation and management of natural resources; crop, livestock and fisheries production through Installation of 17 green houses and 17 water harvesting tanks in institutions; Installation of milk dispensers; Construction of poultry units ; Construction of rabbit hatches ; Construction of fish ponds; Construction of 1 animal clinic; Construction of 1 poultry slaughter house; Rehabilitate NCC fish ponds; Installation of pelletizer machine and ; Establishment of fish demonstration farm and; planting of trees along the roads and public institutions and establishment of tree nursery in public institutions.

186. Further, the sector seeks to: provide agricultural integrated extension services; extermination and baiting of stray dogs; promote food processing technologies through capacity building and support of aqua/agro-industries; and food safety and quality assurance.

187. With regard to this, the sector will be allocated a total budget of Ksh.516M for the implementation of projects in the FY 2017/18. The recurrent expenditure will take Kshs.362M (70.16% of total sector budget) and the development expenditure will take Kshs.154M (29.84% of total sector budget).

4.6.6 Education Youth Sports, Gender Affairs & Culture & Social Services, ICT & e-Government

a) Education, Youth Affairs and Social Services

188. The Sector Comprises of five Sub-Sectors namely; Education and Children, Social Services and Community Development, Technical/ Vocational Training, Sports, Culture, Youth Development & Recreation and ICT & E-government.

189. The sector will seek to: provide adequate Educational, Culture, Social and sporting services through infrastructural development; developed bills and policies on E.C.D.E & VTC on education; Improve work environment at ECDE centres through infrastructure development in 40 centres as well as enhance stakeholder's relationship for partnership in infrastructure development. Delivery of the highest possible quality of Education to the Nairobi residence through the continuity of the governor's examination and award for best performers in KCPE and KCSE, implementation of the governor's and MCA's bursary scheme as well as enhancement of teaching/learning material for ECDE.

190. Vocational training enhancement in the county will remain key priority for the sector. In order to achieve this, the sector will ensure: prudent management of the sectors through nomination of Board of Management (BOM) in all vocational training centers as well as registration of all Vocational training centres with TVETA and set up of one centre of excellence; Develop a policy frameworks on: Vocational Education and Training; Governance and Management of VTCs; Capitation of tuition; human resource development and training, infrastructure refurbishment and development policy; equipping the centres with relevant tools and integrate ICT in teaching and learning at the centers; setting up income generating activities (production units) at the centres and improve on public private partnership.

191. On social services, the sub-sector will strive to: promote Community Social Welfare in the County; offer guidance and counseling to all rescued children/ youths & provision of rehabilitation services and equipping the youths with relevant skills and; Improve lives of street children through the completion of the Ruai street children centre and collaborating with other development partners.

192.The sector will also strive to promote reading culture amongst the residents of Nairobi through automation of library and information services, dissemination of Library and Information services and partnering with other stakeholders like; Kenya National Library Service, Nation Newspaper, Kenya National Archives, National Museum of Kenya to mention but a few for book donations.

193.Promotion of sports through engagement of communities in sports, theatre and cultural activities to nurture talents will remain a top priority for the sub-sector in FY 2017/18. The sub-sector will endeavor to construct an Ultra- Modern indoor facility at City StadiumCity. The sub-sector will also undertake: Entrepreneurship and mentorship; organize environmental sustainability and sanitation programs and caring out sensitization on gender mainstreaming; organize empowerment programmes for Youths, Women and PLWD to be able to access 30% value of all procurement at the County.

194.To enhance the implementation of the sub-sector priorities for FY 2017/18, the sub-sector will be allocated a total budget of Kshs.1.792 Billion. The recurrent expenditure will take Kshs.1.447 Billion (80.75% of total sector budget) and the development expenditure will take Kshs.345 (19.25% of total sector budget).

b) ICT, E-Government & Public Communication

195.In the FY 2017/2018, the Information, Communication and E-Governmentthe sub-sector will seek to continue automating County Services in the following areas; Electronic Document Management System (Digitization of County Records), Electronic Solid Waste Management System at Dandora Dumpsite, Hospital Management Information System and Integrated Library Management System. The Sub-sector will also develop County ICT Policy and Regulation Services, undertake County re-branding initiatives, automate County Press Unit and also securing County ICT applications and infrastructure.

196.The Sub-sector will undertake development of ICT infrastructure, at both County offices and sub-counties that will include: Building of Data Center, Disaster Recovery Center, Replacement of County offices and sub-counties ageing and limited ICT infrastructure with new IT modern infrastructure includes LAN/MAN.

197. For the implementation of the sub-sector priorities for FY 2017/18, the sub-sector will be allocated a total budget of Kshs.419M. The recurrent expenditure will take Kshs.266M (63.48% of total sub-sector budget) and the development expenditure will take Kshs.153M (36.52% of total sub-sector budget).

4.6.7 Finance & Economic Planning

198. The goals of the sector are to: promote prudent resource management; promote evidence based planning and budgeting; formulate and implement policy guidelines for economic growth and development; promote resource mobilization; co-ordinate implementation of development policies and programmes; and monitor and evaluate development programmes and activities.

199. For the sector to achieve its goals in FY 2017/18, it will seek to adhere to public financial management principles. The sector will further seeks to improve public finance management in the county through efficient and effective budget formulation and control, devolve financial services, continued implementation of Integrated Financial Management Systems (IFMIS), appropriate asset management through conducting revaluation of assets and preparation of valuation roll , enhanced revenue collection through automation of revenue collection processes; update of asset register and implementation of asset management system; conduct Medium Term Expenditure Framework (MTEF) consultative forums ; reduce debt inherited from defunct City Council of Nairobi; increase capital financing for capital projects through Public Private Partnership (PPP);; strengthen budget monitoring; and renovation/refurbishment of offices.

200. In addition, the sector will seek to improve economic planning and coordination through strengthening policy formulation, planning, budgeting and implementation of CIDP and Nairobi City County Strategic Plan 2015-2025; linking budgeting and planning; ensuring availability of county statistics by developing County Statistical Data Management System; tracking of implementation of development policies, strategies and programmes through regular monitoring and evaluation and enhancing of monitoring and evaluation system ; improving economic planning coordination through reviewing of County Integrated Development Plan (CIDP) and preparation of Annual Development Plan (ADP) ; ensure availability of county statistics and improve research and development in the county.

201.The sector will be allocated, a total budget of Kshs.3.921 Billion for FY 2017/18. The recurrent expenditure will take Kshs.3.751 Billion (95.66% of total sector budget) while the development expenditure will take Kshs.170M (4.34 % of total sector budget).Recurrent expenditure is inclusive of Kshs.1.684 Billion allocated for debt repayment to reduce the high inherited debts from the defunct City Council of Nairobi.

4.6.8 Environment, Energy, Water & Sanitation

202.The sector is responsible for the development and management of Environment, Energy and Water resources in a sustainable manner for the benefit of the people of Nairobi.

203.The sector's priorities in FY 2017/18 are: improvement of solid waste management through provision of waste management services, procurement of contractors for waste transportation, improve accessibility and drainage in Dandora dumpsite, procurement of additional waste trucks, back hoe, excavators, and bull dozers, capacity building of youth groups on solid waste management and creation of awareness creation in environment matters to the Nairobi residents; implementation of youth empowerment programme to empower youth economically in solid waste management; continue implementing the Integrated Solid Waste Management Plan(ISWMP); enhance enforcement of environmental laws and; implementation of waste energy initiative.

204.To address the issue of pollution in FY 2017/18, the sector will procure air quality machinery and surveillance will be enhanced to reduce both water and noise pollution. The sector will work closely with other stakeholders to achieve its objective of pollution control. Environmental beautification will be continually improved through routine maintenance of ornamental plants, flowers and grass, management of parks, planting of tree seedlings and establishment of new gardens.

205.The water subsector in FY 2017/18 will seek to: enhance the regeneration of Nairobi rivers, with emphasis on rehabilitation of the Riparian reserve through reforestation, recovery and protection, removal of solid waste, blocking of illegal discharge into the rivers and development of the Riparian zone policy; Provide clean safe and affordable water; Expand sewer lines and sewer systems; construct sewer systems especially in informal settlement areas and; improve sanitation through increasing the number of public toilets in the county.

206. With regard to the implementation of the sector priorities for FY 2017/18, the sector will be allocated a total budget of Kshs.2.373 Billion. The recurrent expenditure will take Kshs.1.473 Billion (62.07% of total sector budget) and the development expenditure will take Kshs.900M, (37.93% of total sector budget).

4.6.9 Public Service Management & Reforms

207. For performance management and improved service delivery, the sector will conduct RRI waves, introduce County services in more Huduma Centres, develop a functional public participation framework, and conduct service delivery surveys and a weekly gap identification survey. Performance Contracting will also be administered for a well-targeted and results oriented public service.

208. Transformation of the public service will be a priority area that focuses on change of staff culture and attitudes, coupled with continuous skill development through intensive and up to date training. Skill growth will also be done through the internship/attachment program. The size and competence of the public will also be put in check by the CPSB with necessary interventions to ensure a sustainable wage bill.

209. There exist disparities in pay among the staff in the county. The affected are the devolved staff and the lower cadre staff. Harmonization of salaries will be effected to address the issue. Right placement of staff and provision of capacity development for staff who have not received training and those who want to upgrade their technical skills will be done. Most departments have staff on acting capacity and other performing special duties in the county. The sector will fast track the substantive appointment of staff who are on acting capacities.

210. To enhance the implementation of the sector priorities for FY 2017/18, the sector will be allocated a total budget of Kshs.2.336 Billion. The recurrent expenditure will take Kshs.2.219 Billion (94.99% of total sector budget) and the development expenditure will take Kshs.117M (5.11% of total sector budget).Kshs. 900 Million and Kshs. 850 Million of the recurrent expenditure will be allocated for voluntary early retirement for the willing employees who would like to exit the public service and medical insurance respectively.

4.6.10 Governor's Office

211. The administration department will seek to: establish a well-organized archive & record centre and review of the classification schemes for all the sectors, upgrade of registry with bulk filling cabinets, Train 50 staff on records management and digitize 12,000 current personal files for county staff.

212. The Sub-County administration will in the FY 2017/2018, continue to provide secure and conducive working environment to the sub-county and ward administrators through construction of office blocks. To enhance service delivery, the sector will provide tools & equipment's to sub counties and ward offices. The sector will also strive to ensure timely service delivery at ward level through procurement of vehicles for the ward administrators.

213. Security, Compliance and disaster management sub-sector will seek to: undertake training of staff; improve security within county premises through purchase and installation of CCTV and construction of a perimeter wall for the Dagoretti training school. The sector will enhance enforcement of County By-laws through purchase of motor vehicles, motor bikes and a bus.

214. In reduction of economic crimes to improve revenue collection and enhance customer's satisfaction, the sector will: enhanced investigation capacity through use of modern investigation tools/kits, continue implementing use of Informants through research funds and enhance successful prosecution of offenders through improved investigation.

215. On fire and disaster management, the sub-sector seeks to: improve efficiency in fire-fighting, operations and timely response & refilling of fire engines, through sinking of boreholes and erection of fire hydrant, establishment of additional fire stations and purchase of fire engines and all terrain fire-fighting vehicles.

216. The legal department will: undertake capacity development for the staff and installation of software for M.I.S to improve efficiency; provide conducive working environment through rehabilitation of building and construction of courts and enhance service delivery trough purchase of motor vehicles

217. The audit department in recognition of its key role in the county seeks to: increase efficiency and effectiveness in carrying out of audit assignment and preparation of timely audit reports through procurement of audit software. This will be accompanied by training of audit staff and request for the appointment of at least 3 IT auditors. In order to minimize operational costs and mitigate on potential risks against all county assets, the department will create awareness on risk management to all County staff. The department will also seek to improve their staff morale through promotion of the existing auditors.

218. To enhance the implementation of the sector priorities for FY 2017/18, the sector will be allocated a total budget of Kshs.5.812 Billion. The recurrent expenditure will take Kshs.5.407 Billion (93.03% of total sector budget) and the development expenditure will take Kshs.405M (6.97 % of total sector budget).

219. Administration, County Executive, Sub-County Administration, Audit and Supply Chain Management sub-sector will be allocated Kshs.2.972 Billion. Kshs. 2.737 Billion and Kshs. 235 Million for recurrent and development expenditure respectively.

220. Security and Safety Management sub-sector will be allocated Kshs. 2.633 Billion. Kshs.2.483 Billion and Kshs. 150 Million for recurrent and development expenditure respectively.

221. Legal Affairs department will be allocated a total budget of Kshs. 207 Million. Kshs. 187 Million and Kshs. 20 Million for recurrent and development expenditure respectively.

4.7 County Public Service Board

222. County Public Service Board will promote best labor practices in recruitment, allocating, motivating and effectively utilizing human resources for improved public service delivery and promote public service integrity

223. TheCounty Public Service Board will be allocated a total budget of Kshs.100M for the implementation of their sector priorities and service delivery. The recurrent expenditure will take Kshs.71M (71% of total sector budget) and the development expenditure will take Kshs.29M (28% of total sector budget).

4.8 County Assembly

224.The County Assembly (CA) is an independent arm of County Government that consists of 85 elected Members of County Assembly (MCA's), 42 nominated MCA's and the County Assembly Speaker who is an ex-officio member. The major roles of the CA are; perform the legislative functions within the County including approval of County laws, policies, budgets and expenditures, integrated development plans, tariffs, rates and service charges.

225.The CA will play an important role in scrutinizing reports received from the County Executive, approving County borrowing, ensuring community and stakeholder participation as well as playing an oversight role of the County Executive. The CA will therefore play an important role in ensuring that the objects and principles of devolved government as enshrined in the constitution are achieved. In the implementation of the CIDP the CA will be responsible for approving the policies that are aimed at developing the County, hence their role is of critical importance.

226.For FY 2017/18, County Assembly will be allocated a total budget of Kshs.1.5 Billion. The recurrent expenditure will take Kshs.1.4 Billion (91.2% of total allocation to the Assembly) and the development expenditure will take Kshs.150M (8.8 % of total allocation).

4.9 Ward Development Fund

227.Ward development fund is a statutory fund formed under Ward Development Fund Act, 2014. It constitutes 5% of the total county budget and it is aimed at reducing disparities in resource allocation and development among wards. The fund is managed by ward development fund secretariat. The projects to be implemented under WDF will be ward based depending on the priorities of individual wards. However, there are challenges faced in the operationalization of WDF such as political patronage, lack of functional mechanism to operate it and identification of projects to be implemented through WDF.

228. The total allocation for WDF kitty for the FY 2017/18 will be 1.789 Billion. Kshs. 89M and Kshs. 1.701 Billion will be allocated for recurrent and development expenditure respectively.

4.10 MTEF PUBLIC PRIORITIES FOR 2017/18

4.10.1 Transport, Infrastructure & Public Works

229. The main challenges identified by the public for this sector were; poor roads condition, lack of drainage system , insecurity due to lack of public/street lighting, encroachment of access roads, lack of bus parks/terminus and accidents caused by lack of bumps.

230. In this regard the public proposed the following projects in order of priority; construction and maintenance of access roads by putting tarmac or murraming, construction and rehabilitation of drainage systems, Installation of street /public lighting, provision of walk ways in all the roads and cycling lanes, of bus terminals and construction of speed bumps.

4.10.2 Health services

231. The following issues of health were identified by the public; inadequate security in some health centres, lack of medicine/drugs supplies and special equipment in the health centers, lack of enough health personnel, lack of ambulances for emergencies, lack of public health centres in some wards, lack of budgetary allocation on NCDs like cancer, asthma, diabetes among other diseases, high outbreak of non-communicable diseases and malaria due to many mosquitoes. The following were the public priorities for 2017/18 as a means of intervention for the above problems; Provision of security services at health centres through erection of perimeter walls, Provision of adequate drugs and non-pharmaceuticals in the health centres, Construction of new public health centers with maternity wards, upgrading and rehabilitating the existing health centers, Provision of NCDs drugs, Purchase of ambulances, training of community health volunteers and facilitation of the same, Increase number of doctors and health personnel, equipping health facilities and ensuring adequate medicine supply and providing fumigation services.

4.10.3 Trade, Commerce & Industry, Tourism, Cooperative Societies

232. The issues for this sector were; lack of markets in some wards, poor condition of existing markets, lack of information on co-operative SACCO formation and access to SME loans, conflict between informal traders and premised traders in CBD and other areas, limited space for trading, lack of capital for starting business and high cost of licensing and high cost of doing business.

233. For intervention for FY 2017/18 the public proposed rehabilitation of existing markets, construction of new markets and modern kiosks, sensitization on co-operative formation and SMEs loans to both women and youth groups, holding stakeholders forums and increase enforcement of By-laws prohibiting hawking in undesignated areas, reducc cost of license and sensitize them on unified license, train women and youth on entrepreneurship, provision of clean markets and nurturing good relations with traders.

4.10.4 Agriculture, Livestock & Fisheries Forestry & Natural Resources

234. The following were the public priorities for 2017/18; sensitize community on urban and peri-urban agriculture such as poultry farming, fish farming using fish tanks, and green houses, capture and termination of stray dogs, provision of agricultural extension services, planting of trees in public institutions, open spaces and along the roads in the county and establishing tree nursery in schools.

235. The public proposed the following interventions for FY 2017/18 include: installation of milk dispensers; construction of poultry units; construction of fish ponds; rehabilitation of fish ponds; construction of animal clinic; installation of pelletizer machine; conducting sensitization forums; provision of integrated extension services and; planting of trees and establishing tree nurseries in schools.

4.10.5 Urban Planning, Housing and Lands

236. The challenges identified in most wards were; poor condition of County owned houses, poor physical planning in informal areas, grabbing of public utilities and lack of land ownership documents.Therefore, the public priorities for 2017/18 were renovation of county houses, regularization of buildings in the county and specifically in informal settlement areas, enforcement of building codes in the county, identification and fencing of public land/utilities, repossession of grabbed public land and issuance of title deeds.

237. Currently, 35,000 new homes are being built against a demand of 120,000 housing units per year in the county. The result of this mismatch has increased housing prices and continued emergence of slums and informal settlements resulting in 60% of the population living in the informal settlements. With massive investment in housing units by the county government through Urban Renewal Programme, the demand for affordable and decent housing will be met in the future. The urban renewal programme will regenerate and revitalize declined / declining urban localities in respect to shelter, employment, economy and infrastructure; promote private sector participation in urban development as innovator in respect to technology, financing and design of urban development projects and; improve the living standards in Slum areas.

4.10.6 Education Youth Sports, Gender Affairs & Culture & Social Services, ICT & e-Government

238. The issues identified by the public in the sector were; lack of enough ECD classes and staff, lack of special needs units in most of the ECDs, lack of playgrounds and poor condition of existing playgrounds and insecurity in these schools. The proposed intervention by the public in the FY 2017/2018 are; construction of ECD schools with special needs units, recruitment of more ECD teachers, construction of perimeter wall around primary schools and acquisition and rehabilitation of existing playgrounds.

239. Other issues raised were lack of social halls, unemployment among youth especially in slums and drug and substance abuse by youth. In regard to these the public proposed construction of a multipurpose social hall rehabilitation centers, youth polytechnics ,rescue centers, talent academies, special need education school for the physical challenged, and introduction of a revolving fund for youth.

4.10.8 Finance & Economic Planning

240. The following were the public priorities for 2017/18; enhance revenue through devolution of revenue services to ward level and increasing enforcement of the same, funding other sectors adequately, provision of real time monitoring and evaluation of projects and programmes, regular field visits for monitoring and evaluation, development of county statistics, enhanced research for evidence based planning as well as capacity development in specialized areas such as feasibility studies and project appraisal techniques, and automation of county services at the ward and sub-county offices and setting aside at least 30% of county funds for youths, women and PLWDS.

4.10.9 Water, Environment and Natural Resources

241. The public identified the following issues in the sector, irregular garbage collection and illegal garbage dumping in undesignated areas, water rationing, water cartels, high cost of water in informal areas lack of sewerage systems in some wards, poor sewerage system, poor sanitation and lack of public toilets in some areas.

242. The proposed intervention for FY 2017/18 are; provision of regular garbage collection through acquisition of trucks, repair of existing garbage collection trucks, adoption of appropriate garbage collection technology, dumpsite improvement, increase enforcement to deter garbage dumping, conducting civic education/sensitization forums, increased water distribution, elimination of water cartels by law enforcement, reducing the cost of water, establishment of garbage holding site, purchase of trucks and dustbins, installation and rehabilitation of sewer line as well as construction of public toilets in ward markets and other identified places.

243. In addition, the proposed interventions are; protection of urban nature and biodiversity especially along Nairobi and Ngong rivers; protection of Ngong and Karura forests and Nairobi Arboretum against possible encroachment for real estate development.

4.11 Model for Capital Budget Sharing

244. Three clusters have been identified as a basis for sharing the development budget among implementing sectors. Due consideration have been taken on the County's development priorities and the relative weight of each sectors' role in achieving the development objectives espoused in the CIDP 2014-2017 and the County's Strategic Plan 2015-2025. These three are; Physical infrastructure & Productive sectors, Governance, social & service sectors and Economic sectors.

Physical Infrastructure and productive sectors

1. Public works , Roads and Transport
2. Water, Energy, Environment and Natural Resources
3. Agriculture, Livestock development & Fisheries
4. ICT

Governance, Social and Service sectors

1. Governor's Office
2. County Public Service Board
3. Public Service Management
4. Health/ Public Health
5. Education, Youth, Culture, Children and Social Services

Economic Sectors

1. Finance and Economic Planning
2. Trade, Industrialization and Cooperative development
3. Physical Planning, lands and Housing

Capital Budget Sharing Model

$\mathbf{C_{TB} = 0.35\%\ C_{TB} + 0.5\%\ C_{TB} + 0.25\ C_{TB} + 0.35C_{TB}}$

$C_{TB} = S_B + PI_B + E_B$

$C_R = I_R + NG_R + E_R$

1. $\mathbf{C_{TB} = R_T - (E_C + O\&M) - D_B}$

   Where: R_T = $I_R + NG_R + E_R$

   C_{TB} = Total Capital Budget

E_C	=	Employee Compensation
O&M	=	Operation & Maintenance Cost
D_B	=	Debt Resolution
I_R	=	Internal Revenues
NG_R	=	National Government Transfer
E_R	=	External Revenues

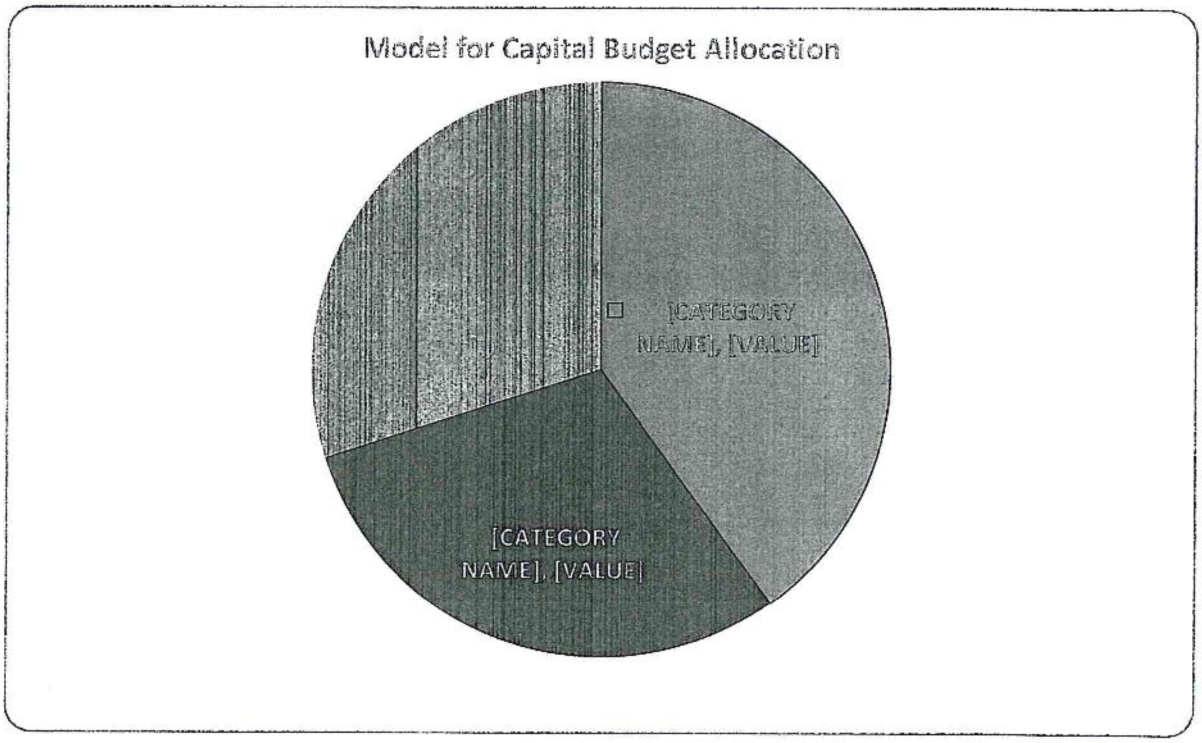
2. $C_{TB} = 0.35\ CT_{BD} + 0.5_{TB} + 0.25_{TB} + 0.35_{TB}$

$= S_B + PI_B + E_B$

Where:

S_B	=	Governance, Social & Services Sectors
PI_B	=	Physical Infrastructure & Productive Sectors
E_B	=	Economic Sectors

Figure 3.3: Model of Capital Budgeting



N/B: Prior to sharing capital budget, a 5% deduction on the County revenue is mandatory as per the Ward development Fund, 2014. This amount is set aside for ward based capital projects.

5.0 FISCAL RESPONSIBILITY AND FISCAL RISK

5.1 Fiscal Responsibility Principles

245. In line with the Constitution ,the Public Finance Management Act ,2012 sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107 (2) states that in managing the county's public finances the county treasury shall enforce the following fiscal responsibility principles:

(a) The county government's recurrent expenditure shall not exceed the county government's total revenue.

(b) Over the medium term a minimum of thirty percent of the county governments budget shall be allocated to the development expenditure.

(c) The County government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.

(d) Over the medium term ,the governments borrowings shall only be used only for the purpose of financing development expenditure and not for recurrent expenditure. Short term borrowing shall be restricted to cash flows and shall not exceed five percent of the most recent audited county government revenue.

(e) The County debt shall be maintained at a level sustainable level as approved by the county assembly.

(f) The fiscal risks shall be managed prudently.

(g) 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

5.2 **Observing Fiscal Responsibility Principles**

246. In order to comply with the fiscal responsibility principles as outlined in section 107(2) of the PFM Act 2012, the county government will observe the following;

A) That the recurrent expenditure shall not exceed the County government's total revenue.

247. In this regard, the county government shall put austerity measures to ensure that recurrent expenditure shall not exceed the total revenue. These measures will include; cutting foreign and local travels, reducing O&M expenditures as well as reducing unnecessary expenditure by various sectors.

B) That a minimum of thirty percent of the county governments' budget shall be allocated to the development expenditure.

248. The county government will ensure adherence to development to recurrent expenditure ratio of at least 30:70, over the medium term as set out in the PFM Act, 2012, by cutting recurrent expenditure and allocating more to development expenditure. In the year 2017/18 the total budget is projected to be 35.8 B out of which 11.4 B will go to development budget which translates to 32 % of the total budget.

C) The County government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.

249. In regard to this, the county government expenditure on wages and benefits to employees shall not exceed 35% of the county government's total revenue by regulations. This has not been the case for the last years because of the bloated workforce inherited from the Nairobi city council and those that were transferred with the devolved functions. To curb wage bill, the county government will undertake the following measures; payroll cleansing, Adoption of technology, Limiting recruitment only to unavoidable demands, preparing a sendoff package to motivate early retirement of less productive staff and also proper and efficient management of hiring of casual labour and consultancies.

D) Over the medium term ,the governments borrowings shall only be used only for the purpose of financing development expenditure and not for recurrent expenditure. Short term borrowing shall be restricted to cash flows and shall not exceed five percent of the most recent audited county government revenue.

250. The ceiling for borrowing will be articulated in the County debt management strategy paper 2017/18. The county government will make sure that borrowing will be exclusively for capital expenditure whenever it becomes necessary to pursue this option for capital financing.

E) The County debt shall be maintained at a level sustainable level as approved by the county assembly.

251. With regard to this, the county government will ensure that both the level and rate of growth in debt is basically sustainable since high debt portfolio will continue to impact negatively on the county operations. This will be done by reducing county expenditure at the same time coming up with mechanisms to increase revenue so that more funds will be available for debt servicing.

252. With regard to LAPTRUST for instance, the County will seek to resolve a minimum of 65% of the outstanding debt of 10.5B as of June 2016 through immovable property swap with a renegotiated resolution of the balance within a period of four years. The County is engaged in renegotiating for a possible freeze of any further interest and a waiver of accrued interest on such debt).

253. More so the county government will spearhead its renegotiation plan with the statutory bodies on lowering interest rate to make it easy for debt servicing.

254. Concerning the loan guaranteed by national government, the county government will initiate a renegotiation plan with national government for a debt swap between the two governments.

F) The fiscal risks shall be managed prudently.

255. Fiscal risks shall be managed through proper and timely planning, monitoring & evaluation and putting effective mitigation measures against any risk.

G) 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 future.

256. Any major or minor change or revision of tax rates shall be guided by the Finance Act for 2017/18.

268.The county shall put proper mechanism of increasing revenue collection for smooth running of its operations through enhancing revenue collection from the E-payment system at the same time cutting public spending.

ANNEX I: FISCAL PERFORMANCE FOR QUARTER YEAR OF 2016/2017

NAIROBI CITY COUNTY							
1ST QUARTER REVENUE AND EXPENDITURE REPORT FY 2016/2017							
Revenues	Approved Budget	Target Qtr1	Monthly Actuals			Total	% Performance on Quarterly Target
			July	August	September		
Equitable Share	14,277,000,000	3,505,876,722		1,121,880,551	2,383,996,171	3,505,876,722	100
Free Maternity Healthcare	303,000,000	75,750,000		36,622,500		36,622,500	48
Compensation for user fees	73,000,000	18,250,000				-	-
Road Maintenance Levy	214,000,000	53,500,000				-	-
Leasing of medical equipment	96,000,000	24,000,000				-	-
HSSF-DANIDA	28,000,000	7,000,000				-	-
Sub-Total	14,991,000,000	3,684,376,722	-	1,158,503,051	2,383,996,171	3,542,499,222	96
Rates	5,500,000,000	750,750,000	242,110,249	164,437,583	39,877,392	446,425,224	59
Single Business Permits	3,600,000,000	374,400,000	30,697,925	27,903,610	16,941,915	75,543,450	20
Parking Fees	3,540,000,000	855,862,500	146,360,650	156,655,785	132,268,990	435,285,425	51
Building Permits	1,700,000,000	407,500,000	70,955,410	125,245,056	127,960,738	324,161,204	80
Billboards & adverts	1,200,000,000	325,000,000	23,852,737	27,742,296	40,573,520	92,168,553	28
Liquor Licenses	378,657,0	102,645,	13,826,0	13,058,	10,137,000	37,021,0	36

	59	833	00	000		00	
Rents	300,000,000	81,250,000	23,494,400	24,152,582	24,184,965	71,831,947	88
Eastlands	300,000,000	81,250,000	24,669,120	24,282,035	25,438,003	74,389,158	92
Regul. of bldng /change /amalg/sub	260,000,000	66,875,000	10,508,600	11,047,000	14,045,312	35,600,912	53
Decentralization-Wards	240,000,000	65,000,000	16,972,820	23,109,430	17,666,000	57,748,250	89
Construction Site Board	200,000,000	49,250,000	5,115,000	7,811,000	6,493,400	19,419,400	39
Fire Inspection cert	180,000,000	17,350,000	4,750,105	4,403,400	3,584,900	12,738,405	73
Other Markets	144,000,000	39,000,000	6,677,615	7,632,070	6,532,635	20,842,320	53
Wakulima Market	144,000,000	39,000,000	11,054,930	15,382,850	15,073,710	41,511,490	106
Other incomes	1,879,000,000	640,066,250	92,845,676	91,791,777	109,026,625	293,664,078	46
Sub-Total	19,565,657,059	3,896,199,583	723,891,237	724,654,474	589,805,105	2,038,350,816	52
Total	34,556,657,059	7,579,576,305	723,891,237	1,883,157,525	2,973,801,276	5,580,850,038	74
County Executive	13,576,698,040	3,394,174,510	1016248586	1042533662	1039119718	3,097,901,967	91
County Assembly	687,103,658	171,775,915	57,760,334	58,768,712	8,679,800	125,208,846	73
Sub-Total	14,263,801,698	3,565,950,425	1,074,008,920	1,101,302,374	1,047,799,518	3,223,110,813	164
County Executive	8,064,234,066	2,016,058,517	43,126,438	192,513,680	224,940,802	467,256,391	23
County Assembly	833,500,846	208,375,212	8,570,799	60,260,061	46,808,304	115,639,164	55
Sub-Total	8,897,734,912	2,224,433,728	51,697,237	252,773,741	271,749,106	582,895,555	79
Total Recurrent	23,161,53	5,790,38	1,125,70	1,354,0	1,319,548,6	3,806,00	243

	6,610	4,153	6,157	76,115	24	6,368	
County Executive	11,243,00 0,013	2,810,75 0,003	1,655,00 0.00	-	67,023,432	128,689, 715	5
County Assembly	149,990,0 00	37,497,5 00		-	4,685,704	4,685,70 4	12
Sub-Total	11,392,99 0,013	2,848,24 7,503	1,655,00 0	-	71,709,136	133,375, 419	17
Total Expenditures	34,554,52 6,623	8,638,63 1,656	1,127,36 1,157	1,554,0 76,115	1,391,257,7 60	3,939,38 1,787	260

ANNEX II: REVENUE AND EXPENDITURE PROJECTIONS FOR MEDIUM TERM PERIOD 2017/18-2019/2020

		2016/2017		PROJECTIONS		
REVENUES	2015/2016	Approved Budget	Revised Budget (Proposed)	2017/2018	2018/2019	2019/2020
Equitable Share	12,997	14,277	14,023	15,425	16,968	18,665
Conditional Grants				..		
Free Maternal Health Care	234	303	199	199	199	199
Compensation For User Fees Forgone	73	73	80	80	80	80
Road Maintenance Levy	165	214	215	215	215	215
DANIDA-Health Sector Support	-	28	14	14	14	14
Leasing of Medical Equipment	-	96	96	96	96	96
Total External Revenues	13,469	14,991	14,627	16,029	17,572	19,268
Local Sources						
Rates	3,110	5,500	5,500	5,555	5,611	5,667
Parking Fees	2,038	3,540	3,540	3,575	3,611	3,647
Single Business Permits	1,786	3,600	3,600	3,636	3,672	3,709
Bldng Permits (1.25 Of	1,171	1,700	1,700	1,717	1,734	1,752

Const. Cost)						
Billboards & Adverts	663	1,200	1,200	1,212	1,224	1,236
Rents-Other Estates	292	300	300	303	306	309
Rents-Eastlands	290	300	300	303	306	309
Decentralization-Wards	221	240	240	242	245	247
Liquor Licenses	208	379	379	383	387	390
Construction Site Board	167	200	200	202	204	206
Fire Inspection Cert	163	180	180	182	184	185
Regul. Of Bldng /Change /Amalg/Sub	135	260	260	263	265	268
Wakulima Market	113	144	144	145	147	148
Other Markets	99	144	144	145	147	148
Food Handlers Cert	64	217	217	219	221	224
Other Incomes	1,188	1,662	1,662	1,679	1,695	1,712
Sub-Total (Local Sources)	11,710	19,566	19,566	19,762	19,959	20,159
Total	25,179	34,557	34,193	36,791	37,531	39,427
Budgeted Expenditures						
Employee Costs-County Executive	12,853	13,571	13,571	13,978	14,397	14,829
County Assembly Allocation	1,830	1,671	1,670	1,500	1,500	1,500
Medical	750	850	850	850	850	850

Insurance						
General Insurance	243	250	250	250	250	250
Utilities- Electricity	280	280	280	300	320	350
Debts Repayments	1,299	1,000	1,000	1,684	2,888	3,717
Bursary Fund	209	256	256	256	256	256
Ward Development Fund Projects	1700	1,643	1,643	1,790	1,877	1,971
Emergency Fund Projects	20	80	80	90	100	110
Prov For Voluntary Early Retirement	0	-	-	1,000	1,000	1,000
Service Gratuity Arrears			100	-	-	-
Other Operations & Maintenance	4,073	5,406	4,943	4,543	4,543	4,543
Development Projects- Executive	5,831	9,550	9,550	9,550	9,550	10,050
Total	29,088	34,557	34,193	35,791	37,531	39,427
Budget Deficit	(3,910)	(0)	(0)	(0)	(0)	(0)
% of County Assembly Allocation To Revenues	7	5	5	4	4	4
% of Development Allocation To Total Expenditure	25.89	32.39	32.73	31.68	30.45	30.49

% of Executive Personnel costs to total revenues	51.05	39.27	39.69	39.06	38.36	37.61
Other Notes						
1.2015/2016 revenues are actuals while the expenditures are as budgeted in the supplementary budget.						

ANNEX III: SECTOR CEILINGS FOR FY 2017/2018 (IN MILLIONS)

Sector	Programmes	Delivery Unit(s)	2017/2018 Personnel Costs	2017/2018 Use of goods and services	2017/2018 Development	2017/2018 Total
County Public Service Board	0701000 P1 General Administration Planning and Support Services	County Public Service Board	36	35	29	100
	Total		36	35	29	100
Office Of Governor & Deputy Governor	General Administrative Services	Administration, County Executive, Sub-county administration, Audit & Supply chain mtg	2,449	288	235	2972
	Security and Safety Management	Inspectorate ,Investigation & Fire	2,278	205	150	2633
	Management of legal affairs	Legal Affairs Department	87	100	20	207
	Total		4,814	593	405	5,312
ICT, E-Govt & Public Communications	General administration, planning and support services	ICT Headquarters	54	15	0	69

	Information And Communication Services	Public Communication/ ICT Strategy & projects & e-Government	0	176	76	252
	Mass Media Skills Development	e-Learning	0	7	0	7
	ICT Infrastructure Development	Infrastructure	0	8	77	85
	ICT Infrastructure Development	Information Security	0	6	0	6
	Total		54	212	153	419
Finance And Economic Planning	General Administration Planning and Support Services	Administration Unit	1,000	12	5	1,017
	Public Financial Management	Resource Mobilization, Budget, Asset Mgt & Accounting	0	955	125	1,080
	Economic and Financial Policy Formulation and Management	Economic Planning Department	0	100	40	140
	Debt Resolutions	Creditors Control Unit		1,684		1,684
	Total		1,000	2,751	170	3,921
Health	General Administration, Planning and Support Services	Health policy & planning, Administration, Health Commodities, Research Unit & Coroner services	4287	520	110	4917
	Preventive & Promotive Health Services	HIV/AIDS unit, TB Control, Malaria Control FMPMCH & Environmental health	0	61	0	61
	Curative Care	County referral hospitals	11	515	1144	1670
	Total		4,298	1,096	1,254	6,648
Urban Planning And Lands	General Administration Planning and Support Services	Administration unit	216	8	0	224

	Urban Planning, compliance & enforcement	Planning & Enforcement & Compliance	9	28	276	313
	Land management	Valuation, Survey & GIS and Administration unit	0	32	168	200
	Total		225	68	444	737
Public Works ,Transport & Infrastructure						
	General Administration Planning and Support Services	Administration Unit	954	344	0	1298
	Roads, Drainage & Bridges	Roads	0	43	3,911	3954
	Road Safety Interventions	Transport	0	8	190	198
	Institutional Buildings & Maintenance	Electrical, Garage & Building Works	0	14	840	854
		TOTAL	954	409	4,941	6,304
Education, Youth, Children, Culture, Sports, And Social Services						
	General Administration, Planning and Support Services	Education Headquarters	662	270	0	932
	Education services	Early childhood & Vocational Training	0	43	190	233
	Social services	Administration ,Youth Affairs, Children Services ,Library , Community Devt & Family welfare	344	128	155	627
	Total	TOTAL	1,006	441	345	1,792
Trade, Commerce, Tourism & Cooperatives	General Administration Planning and Support Services	Administration Unit	264	25	10	299
	Co-operative Development and Audit Services	Cooperative Development Department	0	25	0	25

	Co-operative Development and Audit Services	Cooperative Audit	0	11	0	11
	Tourism Promotion and Marketing	Tourism Department	0	35	15	50
	Trade development and Market Services	Trade Development Department	0	49	450	499
	Licensing and Fair Trade Practices	Liquor Licensing Department	8	50	35	93
	Licensing and Fair Trade Practices	Weights & Measures Department	0	64	50	114
	Total		272	259	560	1,091
Public Service Management	General Administration Planning and Support Services	PSM Administration	328	12	10	350
	Performance Management and Public Service Delivery	Reforms and Performance Contracting, Monitoring and Evaluation & QMS	0	9	20	29
	Public Service Transformation	Human Resource Development & Human Resource Mgt	0	970	87	1057
	Voluntary Early Retirement	Retirements Unit	900	-	-	900
	Total		1,228	991	117	2,336
Agriculture, Livestock Development, Fisheries & Forestry	General Administration Planning and Support Services	Administration Unit	295	8	41	344
	Crop Development and Management	Agriculture Department	-	12	-	12
	Livestock Resources Management and Development	Livestock Production Department	-	12	54	66
	Fisheries Development and Management	Fisheries Department	-	12	26	38
	Animal Health, Safety and Quality Assurance	Veterinary Services Department	-	13	33	46
	Afforestation	Forestry department	-	10	-	10

		TOTAL	295	67	154	516
Environment, Water, Energy & Natural Resources	General Administration & Support Services	Admin Unit	501	15	10	526
	Environment Management and Protection.	Solid Waste Management ,Beautification & Environmental Planning and control	82	860	540	1,482
	Water Resources Management	Water Dept	-	15	350	365
	Total		583	890	900	2,373
Urban Renewal And Housing	General Administration Planning and Support Services	Administration unit	113	14	-	127
	Housing Development and Human Settlement	Urban renewal Unit & Housing	-	35	140	175
	Building Services	Building services department	-	20	40	60
	Total		113	69	180	362
County Assembly	Legislation and oversight	County Assembly Service Board	750	650	100	1,500
Ward Development Fund	Ward Development Projects	**WDF Secretariat**			**1,790**	**1,790**
Emergency Fund	Emergency fund Services	**Disaster Mgt Committee**			**90**	**90**
Total Budget			15,628	8,531	11,632	35,791
Percentage Of Total			44	24	32	**100**