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18/10/2018.*

NAIROBI CITY COUNTY



**COUNTY BUDGET REVIEW AND  
OUTLOOK PAPER**

**2018**

**SEPTEMBER 2018**



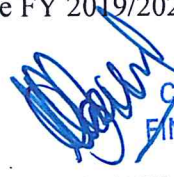
## FOREWORD

It gives me pleasure to write this foreword on the County Budget Review and Outlook Paper 2018. Indeed this Budget and Review Outlook Paper 2018 is being done when the global and domestic economy is on a positive growth trajectory. This is due to the favorable weather patterns, infrastructural investments by the National Government and the prevailing peaceful conditions. Nairobi County Economy operates within this global and domestic economy and therefore is bound to benefit from this growth.

The implementation of the FY 2017/2018 budget estimates commenced in the midst of the electioneering period on slow pace. However implementation picked up in the third quarter of the year and generally considering the prevailing conditions during the period, the fiscal performance for the FY 2017/2018 was generally satisfactory despite the own source revenues shortfall. The fiscal performance the FY 2018/2019 is the expected to improve greatly owing to the improved economic environment in the domestic scene and the revenue and expenditure management reforms being undertaken.

The County Government is committed to ensuring prudent management of public resources in order to ensure the citizens get value for money. Specifically the County Treasury will continue to aggressively monitor and guide implementation of development programmes by all Sectors. This will improve the absorption of development funds and hence improve service delivery.

This CBROP sets in motion the preparation of the 2019/2020 budget estimates. It is therefore imperative for the Sector Working Groups to adhere to the tentative budget ceilings and rationalize all expenditures and ensure they are aligned to the achievement of the county development objectives. As the sectors embark on the FY 2019/2020 Budget preparation, sectors should adopt a zero based budgeting framework and properly cost only the activities geared towards the realization of the strategic objectives of the county. In particular emphasis should put on programmes that are highly visible and with great impact on service delivery while ensuring that the rate payers get value for money. The budget ceilings and priorities for the FY 2019/2020 will be firmed up in the County Fiscal Strategy Paper 2019.

  
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## ACKNOWLEDGEMENT

The County Budget Review and Outlook Paper 2018 has been prepared pursuant to the requirements of the Public Finance Management Act 2012. The document provides the actual fiscal performance of the FY 2017/2018 and how the performance affected the fiscal responsibility principles as outlined in the Public Finance Management Act 2012. Further the CBROP provides the implications of the fiscal performance of FY 2017/2018 and the changes in the economic conditions on the fiscal performance of the FY 2018/2019. In addition to the fiscal projections for the FY 2019/2020 and the medium Term are also contained in this CBROP.

To improve performance of the FY 2018/2019 the document has outlined interventions on revenue enhancement and expenditure controls. These measures are intended to ensure a sustainable financial position. Further this CBROP was prepared in a collaborative approach involving various players in the County Government who provided the necessary information. In this regard we wish to sincerely thank all those who played a part in the preparation of this document.

As Sectors embark on the implementation of the FY 2018/2019 budget estimates and preparation of the FY 2019/2020 budget, it is important for the County Executive Committee Members and the Chief Officers to support the Sector Working Group members in reviewing both the implementation of FY 2018/2019 and preparation of the FY 2019/2020 for it is only through this teamwork that we can make a difference from the experiences of the FY 2017/2018 fiscal performance. In particular all sectors are called upon to continuously monitor the performance of the Own Source revenues within their respective sectors and take corrective action in good time.

  
WINFRED GATHAGU

CHIEF OFFICER - FINANCE AND ECONOMIC PLANNING.



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## LIST OF ABBREVIATIONS

<b>ADP</b>	ANNUAL DEVELOPMENT PLAN
<b>CBROP</b>	COUNTY BUDGET REVIEW OUTLOOK PAPER
<b>CBK</b>	CENTRAL BANK OF KENYA
<b>CIDP</b>	COUNTY INTEGRATED DEVELOPMENT PLAN
<b>CFSP</b>	COUNTY FISCAL STRATEGY PAPER
<b>DANIDA</b>	DANISH INTERNATIONAL DEVELOPMENT AGENCY
<b>EPZ</b>	EXPORT PROCESSING ZONE
<b>FY</b>	FINANCIAL YEAR
<b>GDP</b>	GROSS DOMESTIC PRODUCT
<b>GOK</b>	GOVERNMENT OF KENYA
<b>ICT</b>	INFORMATION COMMUNICATION TECHNOLOGY
<b>JKIA</b>	JOMO KENYATTA INTERNATIONAL AIRPORT
<b>KENHA</b>	KENYA NATIONAL HIGHWAY AUTHORITY
<b>KURA</b>	KENYA URBAN ROADS AUTHORITY
<b>NCCG</b>	NAIROBI CITY COUNTY GOVERNMENT
<b>NHC</b>	NATIONAL HOUSING CORPORATION
<b>NSSF</b>	NATIONAL SOCIAL SECURITY FUND
<b>PFMA</b>	PUBLIC FINANCE MANAGEMENT ACT
<b>SBP</b>	SINGLE BUSINESS PERMIT
<b>SSA</b>	SUB SAHARAN AFRICA
<b>OSR</b>	OWN SOURCE REVENUES



## **1.1 Legal Basis for the Publication of the Budget Review and Outlook Paper**

The Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that

- (1) The County Treasury shall prepare a County Budget Review and Outlook Paper in respect of the County for each of the financial year and submit the paper to the County Executive Committee by the 30<sup>th</sup> September of that year.
- (2) The Budget Review and Outlook Paper shall include:
  - a) Actual fiscal performance in the previous year compared to the budget appropriation for that year;
  - b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
  - c) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year;
  - d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- (3.) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- (4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—
  - a) Arrange for the Paper to be laid before the County Assembly; and
  - b) As soon as practicable after having done so, publish and publicize the Paper.

## 1.2 Fiscal responsibility principles in the Public Financial Management Law

In line with the constitution the Public Financial Management Act 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law under Section 107 states that:

- 1) The County government recurrent expenditure shall not exceed the county government's total revenue.
- 2) Over the medium term a minimum of 30% of the county government's budget shall be allocated to development expenditure.
- 3) The county governments expenditure on wages and benefits to employees shall not exceed a percentage of the county government's total revenue by regulations.
- 4) Over the medium term, the government's borrowings shall only be used only for the purpose of financing development expenditure only; and short term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%) of most recent audited county government revenue,
- 5) The County debt shall be maintained at a sustainable level as approved by County assembly.
- 6) Fiscal Risks shall be managed prudently
- 7) 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.



## SECTION I: INTRODUCTION

### 1. Objectives of County Budget Review and Outlook Paper

1. The objective of the 2018 County Budget Review and Outlook Paper is to provide a review of the fiscal performance in the financial year 2017/2018 and how this impacts the financial objectives and fiscal responsibility principles set out in the last County Fiscal Strategy Paper. This together with updated macroeconomic outlook provides a basis for the revision of the budget in the context of Supplementary Estimates for FY 2018/2019 and the broad fiscal parameters underpinning the FY 2019/2020 budget and the medium term. Details of the fiscal framework and priorities will be firmed up in the County Fiscal Strategy Paper 2019.
2. The document further provides indicative sector ceilings for the FY 2019/2020 and the Medium Term and this sets in motion the budget preparation for the FY 2019/2020 and the Medium Term. The Sector ceilings are based on the resource envelope guided by the macro economic and fiscal outlook.
3. The County Government has just finalised the County Integrated Development Plan 2018-2023. The budget for the FY 2019/2020 and the medium term will be anchored on the CIDP 2018-2023 taking into account the macroeconomic changes. Therefore this CBROP document links the policy, planning and budgeting.
4. The 2018 County Budget Review Outlook Paper will be anchored on the CIDP 2018-2023 while taking into account the Nairobi regeneration initiative and in support of the Big Four Plan. Therefore expenditure priorities shall be aligned to programmes that support Big Four Plan and the Nairobi Regeneration agenda within the confines of the constitutional mandate of the Nairobi City County Government (NCCG).
5. The underperformance the FY 2017/2018 has important implications on the 2018/2019 budget estimates in respect to revenue shortfall..To remedy this 2018 County Budget Review Outlook Paper will focus on instituting structural and administrative reforms to enhance revenue collection, enhancing prudent expenditure management.
6. The rest of the document is organized as follows **Section II** provides a review of the fiscal performance in financial year 2017/2018 and its implication on the financial objectives set out in the last CFSP . **Section III**, provides highlights of the recent economic developments and the outlook. **Section IV** provides the resource allocation framework and conclusion is provided in **Section V**.

## **SECTION II: REVIEW OF FISCAL PERFORMANCE IN 2017/2018**

### **2.1 OVERVIEW**

7. Total collections in the financial year 2017/2018 amounted to Kshs 26.33billion against a target of Kshs 33.458 billion. The underperformance of revenues was largely due to the underperformance of Own Source Revenues (OSR) which fell below target of Kshs 17.2billion by more than Kshs 7.2 billion. This underperformance was largely due to the challenges experienced in the Country in the FY 2017/2018 in regard to the long political situation.

8. Total expenditures on a commitment basis amounted to Kshs 24.5 billion against the revised target of Kshs 33.65billion thereby falling short of the target by Kshs 9.1 billion. This was occasioned by the less absorption of both the recurrent and development expenditures. In addition the underreporting of expenditures by especially health facilities also contributed to the lower absorption rates and the gaps maybe narrowed when the financial statements are finalised.

### **2.2 REVENUE PERFORMANCE**

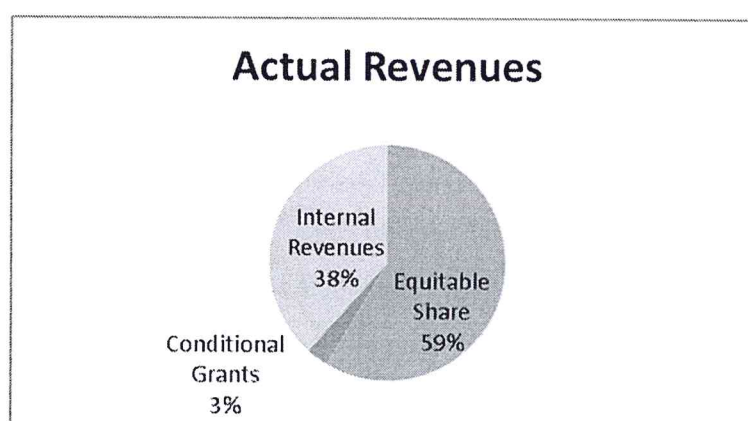
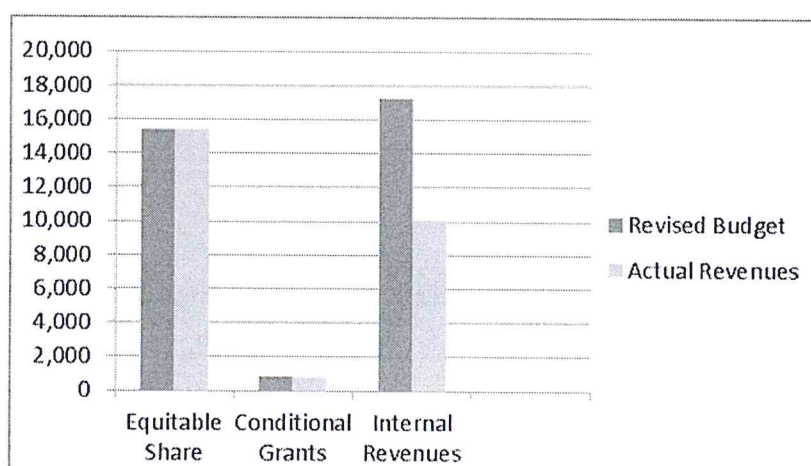
9. By the end of the financial year 2017/2018, the total revenue including equitable share, conditional grants and own source revenues amounted to Ksh 26.33 billion against revised target of Ksh. 33.458 billion. This represents an overall shortfall of Kshs 7.120 billion (**Table1**). The shortfall in the revenue was mainly as a result of underperformance of own source revenues and the non disbursement of the ADSP II funds from the Swedish Government.

10. Receipts from the National GOK includes the revenues from the equitable share and conditional grants as outlined in the County Government Revenue Allocation Act 2017. The total amount targeted in the financial year 2017/2018 from the National Government was Kshs 16.2 billion. The National GOK fulfilled their obligation in line with the CARA 2017 by disbursing all the amounts as approved. The shortfall of Kshs 9.4 million in respect of the conditional grants is in respect of the Agricultural Development Support Programme (ADSP II) that was expected from the Swedish Government in support of Agricultural Projects. The funding for the project was rolled over to the Fy 2018/2019 subject to confirmation by the Swedish Government. However the CRA equitable shareable revenues sharing formulae continues to be disadvantageous to Nairobi in terms of per capita allocation of

equitable share and requires urgent review to take into consideration the population in Nairobi County and status of Nairobi as a capital city.

**Table 1: County Government FY 2017/2018 Revenues in (KSHS) millions**

ITEM	Approved	Revised	Total	Deviation	% Performance on target
Equitable Share	14,967	15,402	15,402	0	100
Conditional Grants	770	826	817	-9	98.9
Internal Revenues	19,766	17,229	10,109	-7,120	58.7
<b>Total Revenues</b>	<b>35,503</b>	<b>33,457</b>	<b>26,328</b>	<b>-7,129</b>	<b>78.7</b>



Source: County Treasury, 2018



## 2.3 EQUITABLE SHARING FORMULAE

11. The CRA sharing formula for revenue among counties considers the following parameters: population with a weight of 45%; Poverty Index (20%); Land Area (8%); Basic Equal Share of (25%) and Fiscal responsibility of 2%. Considering that Nairobi being the capital City of Kenya and a host of many government headquarters and many multinational companies that have chosen the City as their Africa hub requires that service delivery standards equivalent to other big cities in the world. This indeed will require huge amount of resources than what its currently being received from the equitable share.

## 2.4. ROAD MAINTENANCE LEVY

12. Roads is a devolved function but still KURA & KERRA continues to receive funding from Government for repair and maintenance of urban roads. This funding that is currently being channeled to KURA and KERRA for urban roads should be channeled to the Counties to avoid duplication of roles.

## 2.5. OWN SOURCE REVENUES

13. By the end of June 2018 total cumulative internal revenues amounted to Kshs 10.1billion against a target of Kshs 17.2 billion. This represented a revenue shortfall of Kshs 7.1 billion (**Table 3**). The underperformance mainly affected the key revenue streams of rates, single business permits, parking fees and billboards that make up the major internal sources contributing almost 79.4% of the internal revenues target

**Table 3: Own Source Revenues Performance from 2013/2014-2017/2018 in millions (Kshs)**

	STREAM	2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
1	RATES	3,050	2,582	2,800	2,593	3,800	3,160	5,500	2,253	4,842	1,871
2	SINGLE BUSINESS PERMITS	1,600	1,542	2,200	1,814	2,826	1,786	3,600	1,776	3,169	1,786
3	PARKING FEES	1,820	1,551	2,800	2,016	2,600	2,038	3,540	1,974	3,116	1,878
4	BUILDING PERMITS	2,200	760	1,300	1,349	1,650	1,171	1,700	843	1,497	239
5	BILLBOARDS & ADVERTS	520	693	700	676	800	663	1,200	720	1,056	829
6	OTHER INCOMES	2,936	2,199	3,764	3,134	3,614	2,890	4,026	3,363	3,549	3,506
7	TOTAL OWN SOURCE REVENUES	12,126	9,327	13,564	11,582	15,290	11,708	19,566	10,929	17,229	10,109

### 2.5.1 Rates

14. Total accumulated collections from rates was Kshs 1.87billion against a target of Kshs 4.84 billion (or **61 % deviation from the target**).The reasons for the deviation includes but not limited to :poor rates records, poor collection mechanisms and enforcement challenges. As part of the revenue enhancement strategy the county should leverage on digitization of rates to make it easier for customers to obtain bills and pay online. In addition data cleansing of rates records is critical to ensure only accounts that are ratable are found in the records. This is a continuous process that should ensure that all sub counties are regularly updated in the rates records.

### 2.5.2 Parking Fees

15.. The total cumulative receipts from parking fees amounted to Kshs 1.878billion against a target of 3.116 billion .This is a Kshs 1.238 billion ( **or 40 % deviation from target**). In order to optimize revenues from parking fees, there is need to enhance supervision as well as increase enforcement. The demand for parking in the county has outpaced supply and therefore parking demand is relatively price inelastic. Rise in parking fee should therefore attract a commensurate rise in parking revenue.

### 2.5.3 Single Business Permits

16. Total collections from single business permits in FY 2016/2017 amounted to Kshs 1.786 billion against a target of Kshs 3.16billion, **a deviation of 44 % from the target**. The underperformance was due to: poor enforcement; invasion 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. However, 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 projections to enable optimize revenue from this stream,

### 2.5.4 Building Permits

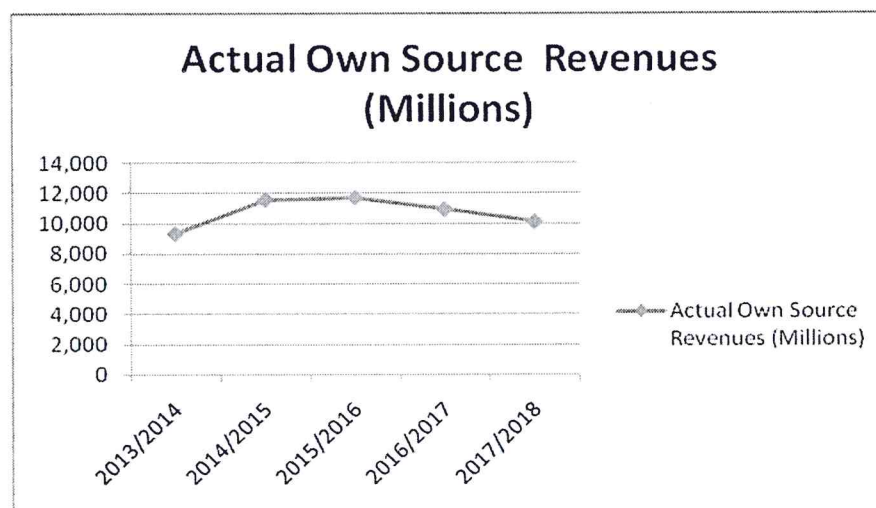
17. Total collections in the FY 2017/2018 amounted to Kshs 239million against a target of Kshs 1.497billion ( **or 84 % deviation from the target**). The decline and continued low outturns in this stream can still be attributed to non-disclosure and adherence of county

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. In order to enhance revenue from this stream, there is need for use of E-construction and increase in enforcement of building regulations.

### 2.5.5 Advertisements & Bill Boards

18. The total accumulated revenues for billboards and advertisements as at June 2018 was Kshs 829million against a target of Kshs 1.056 billion ( **or 22% deviation from target**). This revenue stream can be improved by enhancing monitoring all billboards by leveraging on private sector expertise in monitoring billboards. Overall the entire revenue administration systems requires a major overhaul to enhance improve efficiency and effectiveness in revenue management.

**Figure 1 Actual Revenues from 2013/2014-2017/2018**



## 2.6 EXPENDITURE PERFORMANCE

19. Total expenditures by commitments in financial year 2017/2018 amounted to Kshs 24.5billion against a target of Kshs 33.6billion reflecting an overall absorption rate of 72.9% of the total. The under absorption was recorded in both recurrent and development expenditures but was more prevalent in development. Out of the total expenditure recurrent expenditures accounted for Kshs 22.3billion (or **74% of the total targeted expenditure**).



**TABLE 4: Expenditure Summary FY 2017/2018**

ITEM	Revised	Actuals	Deviation	% Absorption
Compensation to employees	15,259	14,837	422	97.2
Other Recurrent expenditures	10,025	7,525	2,500	75.1
Development expenditures	8,365	2,179	6,186	26.0
Total	33,650	24,542	9,108	72.9

Source: County Treasury, 2018

18. Development expenditure accounted for **Kshs 2.179billion** against a target of Kshs 8.365billion ( **or 64% deviation from the target**).The slow rate of absorption of development funds impacts negatively on service delivery. However, this is mainly attributable to shortfalls in revenue and delayed procurements by the implementing agencies.

19. Wages and salaries to staff including the County Assembly constitutes a bigger percentage of the total recurrent expenditure accounting for almost 60% of the total recurrent expenditure. This implies that a huge portion of the recurrent expenditure goes to salaries and wages and therefore less resources are available for service delivery. Urgent measures therefore needs to be taken to reduce the wage bill in order to free resources for service delivery

#### **2.6.1 Expenditure by Sectors**

20. Total expenditures by sectors amounted to Kshs 24.5billion against a target of Kshs 33.65 Billion ( or 27 % deviation from the target. Development expenditure was the most affected across all sectors as reflected in the **(Table 5)**.



**TABLE 5: EXPENDITURE BY SECTORS FY 2017/2018 (IN MILLIONS)**

VOTE	SECTOR	TARGET			EXPENDITURE			% ABSORPTION RATE		
		Revised Recurrent	Revised Development	TOTAL	Recurrent	Development	Expenditure	Recurrent	Development	TOTAL
5311	COUNTY PUBLIC SERVICE BOARD	69	12	81	47	-	47	68	-	58
5312	OFFICE OF GOVERNOR & DEPUTY GOVERNOR	5,911	506	6,417	5,158	4	5,162	87	1	80
5313	ICT, EGOVT & PUBLIC COMMUNICATIONS	228	240	468	162	82	245	71	34	52
5314	FINANCE & ECONOMIC PLANNING	3,280	45	3,325	3,002	-	3,002	92	-	90
5315	HEALTH	6,319	634	6,953	5,435	-	5,435	86	-	78
5316	URBAN PLANNING & LANDS	369	299	668	325	18	343	88	6	51
5317	PUBLIC WORKS, TRANSPORT & INFRASTRUCTURE	1,142	3,034	4,176	1,013	843	1,856	89	28	44
5318	EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	1,666	556	2,222	1,505	32	1,537	90	6	69
5319	TRADE, COMMERCE, TOURISM & COOPERATIVES	519	220	739	396	-	396	76	-	54
5320	PUBLIC SERVICE MANAGEMENT	2,351	80	2,431	2,146	13	2,160	91	17	89
5321	AGRICULTURE, LIVESTOCK DEVT, FISHERIES & FORESTRY	362	94	456	314	-	314	87	-	69
5322	COUNTY ASSEMBLY	1,370	418	1,788	1,247	235	1,482	91	56	83
5323	ENVIRONMENT, WATER, ENERGY & NATURAL RESOURCES	1,544	757	2,301	1,511	119	1,629	98	16	71
5324	URBAN RENEWAL & HOUSING	115	400	515	88	6	94	77	2	18
5325	WARD DEVELOPMENT FUND	39	981	1,020	14	826	840	35	84	82
5326	EMERGENCY FUND	-	90	90	-	-	-	-	-	-
	<b>TOTAL</b>	<b>25,284</b>	<b>8,366</b>	<b>33,650</b>	<b>22,362</b>	<b>2,179</b>	<b>24,542</b>	<b>88</b>	<b>26</b>	<b>73</b>

**Source: County Treasury 2018.**

## **2.7. FISCAL PERFORMANCE FOR THE FY 2017/2018 IN RELATION TO FINANCIAL OBJECTIVES**

**20.** The downward adjustments of projections of own source revenues in the CFSP 2018 from Kshs 17.5 Billion to Kshs 15.3 billion in the approved budget for the FY 2018/2019 reduces the impact the revenue performance for the FY 2017/2018 on the performance of 2018/2019. To realize the projected revenues of Kshs 15.3 billion the County will therefore focus is on both administrative and structural reforms regarding revenue management.

**21.** The under absorption of both recurrent and development expenditure in FY 2017/2018 has implications on the achievement of the development objectives. To remedy this situation, the County Treasury will be undertaking monitoring and evaluation of the implementation of the 2018/2019 projects. This will entail evaluation of projects viability in order to ensure that funds are utilized as planned. The final ceilings for the FY 2019/2020 will be firmed up in the CFSP 2019 in February 2019 and adjustments will be done to reflect absorption capacities by the implementing agencies.

### **Adherence to Fiscal Responsibility Principles**

**22.** In line with the constitution the Public Financial Management Act 2012 the government has adhered to the fiscal responsibility principles to ensure prudence and transparency in the management of public resources as follows:

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

*Total recurrent expenditure amounted to Kshs 22.36 billion against total revenues of Kshs 26.3 billion.*

- b) Over the medium term a minimum of 30% of the county government's budget shall be allocated to development expenditure.

*Although the amount allocated for development was more than 25% of the total budget in FY 2017/2018 the projected development expenditure is well over 30% in the year 2018/2019 and the medium term*

- a) The county governments expenditure on wages and benefits to employees shall not exceed a percentage of the county government's total revenue by regulations.

*Regulation 25(b) of the PFM Regulations 2015 sets the limit for wages and salaries at 35% of the total revenues. However the total expenditure on wages and salaries including Assembly amounted to Kshs 14.8 billion against total revenues of Kshs 26.32 billion which is about 56.2% of total revenues. The county government has frozen employment of new staff save for key specialized areas like health and engineering where shortages are rampant. In addition the county is exploring ways of containing the growing wage bill like early voluntary retirement schemes.*

- b) Over the medium term, the government's borrowings shall only be used only for the purpose of financing development expenditure only; and short term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%) of most recent audited county government revenue,

*During the year 2017/2018 the Government did not engage in any long term borrowings. However going forward this is an option that needs to be explored further in order to finance development.*

- c) The County debt shall be maintained at a sustainable level as approved by County assembly.

*The County payables as at 30<sup>th</sup> June 2018 stood at Ksh 66.58 Billion including government guaranteed loans. The government proposes to renegotiate settlement options that include debt swapping in order to forestall further penalties*

- d) Fiscal Risks shall be managed prudently

*The County regularly reviews the macro economic forecasts at the national level and the impact on the county projections. Additionally the County is also developing a county specific statistics database in addition to the national statistics to help in regular macroeconomic reviews.*

**23.** The County Government Fiscal Projections in(**Table 6**)provide comparisons with the updated projections in the BROP 2018 and the projections for the 2019/2020 and the medium term. The projections will provide a basis for the revision of the 2018/2019 and the projections for the FY 2019/2020 and the medium term.



**Table 6: NAIROBI CITY COUNTY FISCAL PROJECTIONS FY 2018/2019 - 2021/2022**

ITEM	2017/18			2018/19		Projections		
	Approved	Revised	Actuals	Approved	Revised	2019/20	2020/21	2021/22
<b>Revenues</b>								
Equitable Share	14,967	15,402	15,402	15,794	15,794	16,268	16,756	17,259
Conditional Grants	770	827	818	719	719	741	763	786
Own Source Revenues	19,766	17,229	10,110	15,509	15,509	15,992	16,654	17,154
AIA - Liquor licencing fees	-	-	-	288	288	296	305	315
<b>Total Revenues</b>	<b>35,503</b>	<b>33,458</b>	<b>26,330</b>	<b>32,310</b>	<b>32,310</b>	<b>33,298</b>	<b>34,478</b>	<b>35,513</b>
<b>Expenditures</b>								
<b>County Assembly</b>								
Salaries & wages	697	714	662	651	651	710	774	797
Other Recurrent Expenditures	596	656	584	736	736	797	877	903
Development	321	418	235	592	592	550	650	670
<b>Sub-total County Assembly</b>	<b>1,614</b>	<b>1,788</b>	<b>1,482</b>	<b>1,979</b>	<b>1,979</b>	<b>2,057</b>	<b>2,301</b>	<b>2,370</b>
<b>County Executive</b>								
Salaries & wages	15,361	14,545	14,175	13,427	13,427	13,830	14,245	14,672
Medical Insurance	855	1,727	1,725	650	650	670	690	710
Drugs & Non Pharms	484	484	277	757	757	780	803	827
General Insurance	260	280	280	260	260	268	276	284
Bursary	183	453	420	440	440	453	467	481
Electricity	295	289	236	295	295	304	313	322
Garbage Collection Contracts	752	994	987	801	801	825	850	875
Fuel & fleet maintenance	138	178	76	113	113	116	120	123
Pending bills allocation	1,029	1,306	1,305	210	210	216	223	229
Other Recurrent Expenditure	3,465	3,652	1,635	3,134	3,134	3,228	3,325	3,425
Ward Development Projects	1,736	1,736	826	1,212	1,212	1,248	1,286	1,324
Other Development Projects	9,736	6,218	1,118	9,032	9,032	9,303	9,582	9,870
<b>Sub-total : County Executive</b>	<b>34,293</b>	<b>31,862</b>	<b>23,060</b>	<b>30,331</b>	<b>30,331</b>	<b>31,241</b>	<b>32,178</b>	<b>33,143</b>
<b>Total Expenditures</b>	<b>35,907</b>	<b>33,650</b>	<b>24,542</b>	<b>32,310</b>	<b>32,310</b>	<b>33,297</b>	<b>34,478</b>	<b>35,513</b>
<b>Net Financing</b>	<b>-404</b>	<b>-191</b>	<b>1,788</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Analysis of total allocations</b>								
Devt projects to total expenditure	11,792	8,371	2,179	10,836	10,836	11,101	11,518	11,863
Recurrent expenditure to revenues	24,115	25,279	22,362	21,474	21,474	22,196	22,961	23,649
salaries and wages to total revenues	16,059	15,259	14,837	14,078	14,078	14,539	15,018	15,469
county assembly allocation to revenues	1,614	1,788	1,482	1,979	1,979	2,057	2,301	2,370
<b>% Allocations</b>								
% of total devt projects to total expenditure	33	25	9	34	34	33	33	33
% of total recurrent expenditure to revenues	68	76	85	66	66	67	67	67
% of total salaries and wages to total revenues	45	46	56	44	44	44	44	44
% of total county assembly allocation to revenues	4.5	5.3	5.6	6.1	6.1	6.2	6.7	6.7

**Source: County Treasury, 2018**

24. The policies and reform measures for FY 2018/19 revised budget and the FY 2019/2020 & medium term will focus on implementing programmes that will foster rapid economic growth and regeneration of the City. These will revolve around the following pillars.

- a. Governance, Public Safety and Security;
- b. Housing and Settlement
- c. Education and Health
- d. Environment, Water, Sanitation and Garbage
- e. Traffic and City Transport
- f. Jobs, Business Environment and Wealth Creation
- g. Youth, Women, People Living With Disabilities and Social Protection

## **SECTION III: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

### **3.1 INTRODUCTION**

25. This section gives an overview of recent economic development at the global, national and county levels and the impact that these occurrences have had on the county economic development.

### **3.2 MACRO ECONOMIC PERFORMANCE INDICATORS**

#### ***3.2.1 Global Economy***

26. The global economy is estimated to have expanded to 3.6 percent in 2017 compared to a revised growth of 3.2 percent in 2016. The global growth is projected to rise to 3.8 percent in 2018. This is driven by improving domestic demand in advanced economies and improved performance in other emerging market economies. Growth in advanced economies expanded by 2.2 percent in 2017 compared to 1.7 percent in 2016. The United States of America recorded a growth of 2.2 percent in 2017 and is projected to expand to 2.3 percent in 2018 (Global Economic Prospects-World Bank, 2018).

27. Growth in emerging market and developing economies as a whole is projected to strengthen to 4.9 percent in 2018 from estimated growth of 4.6 percent in 2017, as activity in commodity exporters continues to recover amid firming prices (Global Economic Prospects-World Bank, 2018).

28. Global inflation was estimated at 3.1 percent in 2017 compared to 2.8 percent recorded in 2016. In emerging markets and developing economies, headline inflation remained steady as currencies remained broadly stable, or appreciated in some cases (Economic survey, 2017)

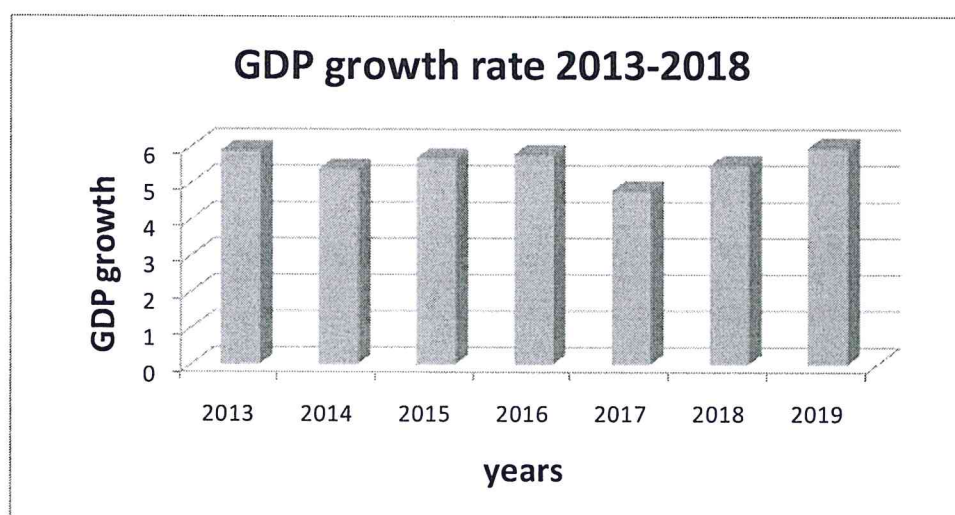
#### ***3.2.2 Domestic Economy***

29. Kenya's economy remained resilient in 2017 despite adverse weather conditions, a prolonged electioneering period as well as subdued credit growth to the private sector which combined to weaken growth in the half of the year. Economic growth for 2017 is estimated at 4.8 percent from 5.8 percent in 2016. On the positive side, growth in 2017 was supported by the ongoing public infrastructure investments, improved weather towards end of 2017, recovery in the tourism sector and a stable macroeconomic environment. The GDP is expected to rise in 2018(5.5 percent) and 2019(6.0 percent) depending on the completion of



ongoing infrastructure projects, the resolution of slow credit, and strengthening of tourism and global economy.

**Chart 1: Kenya's Economic Growth 2013-2019**



*Source: Economic survey, 2017*

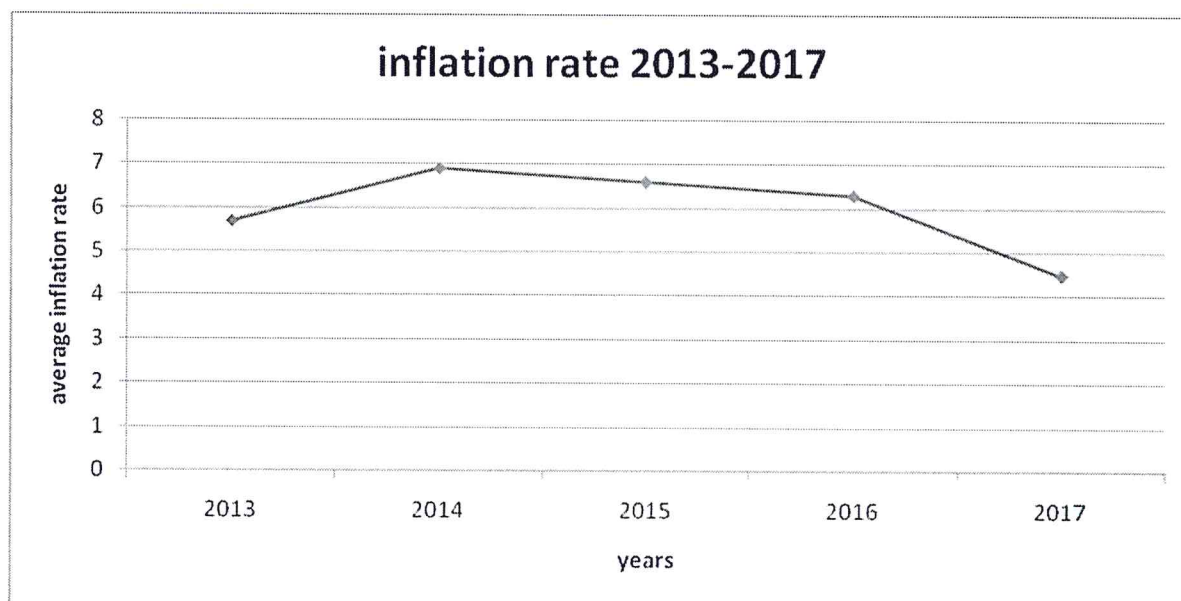
### **3.2.3 Inflation**

**30.** Key macroeconomic indicators remained fairly stable in 2017. Inflation rate has been low, stable and within government target range of 5+/-2.5 percent in the period of 2013 to 2017 as a result of prudent monetary and fiscal policies. Annual average inflation eased to 6.3 percent in 2016 compared to an average of 6.6 percent in 2015. This was mainly due to decline in prices of transportation, housing and utilities and communication (Economic survey, 2017).

**31.** However, inflation increased to above target in the first half of 2017 due to drought that affected food prices. Inflationary pressures started to ease in the second half of 2017 as the weather situation improved and measures taken by the government to address the food shortages took effect. For instance; allowing duty free imports of major food items and introducing a temporary subsidy on maize flour prices. As a result, overall month on month inflation was 4.5 percent in December 2017.



**Chart 2: Kenya's Inflation Rate 2013-2017**



Source of data: Kenya National Bureau of Statistics

#### **3.2.4 Interest rates**

32. Interest rates remained stable and low in the period 2013-2017 except June to December 2015 when world currencies were under pressure. The Central Bank Rate (CBR) was revised downwards to 10.0 percent to cater for market expectation and the same rate has maintained up to now.

33. The interest rate spread narrowed to 6.0 percent in September 2017 with commercial banks, average lending interest stabilizing at 13.7 percent over the same period.

#### **3.2.5 The Kenya shilling Exchange Rate**

34. The Kenya shilling exchange rate remained broadly stable against major international currencies. As at December 2017, the shilling exchange rate against the Dollar was at Ksh 103.1 from Ksh 102.1 in December 2016. Against the Euro and the sterling Pound, the shilling weakened to Ksh 122.0 and 138.2 in December 2017 from Ksh 107.7 and Ksh 127.7 in December 2016 respectively (Central Bank of Kenya).

35. The Kenya Shilling exchange rate as compared to most sub-Saharan African currencies has continued to display relatively less volatility. This stability is attributed to resilient receipts from tea and horticulture despite lower export volumes due to adverse weather

conditions in the first quarter of 2017. More so, receipts from tourism, coffee exports and Diaspora remittances remained strong.

### ***3.2.6 Nairobi county economy***

**36.** 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

## **SECTION IV: RESOURCE ALLOCATION FRAMEWORK**

### **4.1 ADJUSTMENTS OF THE 2018/2019 FY BUDGET**

37. The implementation of the FY 2018/2019 commenced and already experiencing various challenges particularly on revenue collections and expenditure pressures arising from unexpected factors. In addition the passage of the Finance Bill 2018 by the National Assembly has a direct on the amount of equitable share expected from the National Treasury. Arising from the Finance Bill 2018 the County Revenue Allocation Act 2018 is expected to be revised and approved by the Senate to reflect the changes envisioned in the Finance Bill 2018.

38. The long electioneering period in the FY 2017/2018 and taking into consideration nature and type of the County's Own Source Revenues(OSR) the performance of the FY 2017/2018 was adversely affected. The potential of the OSR is beyond the performance of the FY 2017/2018 and therefore the focus of the government is to implement administrative and structural reforms aimed at revenue enhancement.

39. The OSR projections for the FY 2018/2019 was made in the context of the expected underperformance of OSR in the FY 2017/2018 and as such the revenue forecasts for the FY 2018/2019 will not be revised downwards. Further taking into account the fiscal developments in regard to the Finance Bill2018 ,we await the revision of the County Revenue Allocation 2018 that will guide in the equitable share allocation to Counties.

40. Expenditure projections for the FY 2018/2019 will be revised to accommodate some of the emerging realities such as the pending bills arising from the FY 2017/2018 where implementing agencies had not made adequate allocations that can cater for the pending bills. The FY 2018/2019 budget will be revised to accommodate these challenges through tradeoffs and reallocations of the existing budgetary allocations supported by austerity measures on less productive expenditures across the County Government.

### **4.2 MEDIUM TERM FISCAL PROJECTIONS**

41. In the medium term revenue from the total revenues are expected to increase from Kshs 33.3billion in 2019/2020 to Kshs 35.5billion in 2021/2022. The growth in the Own Source Revenues (OSR) will be fueled by the restructuring of revenue administration systems in regard to local revenues .



42. Further in order to reorient more expenditures to development, the government will pursue policies to address the high recurrent expenditures through early retirement programmes, private partnerships and mutual cooperation with National Government and other development partners.

43. In the medium term the government expects to maintain a balanced budget. This is because public borrowing is still not an option for counties until when the national government establishes guidelines for public borrowings for public borrowing.

### 4.3 2019/2020 FY BUDGET FRAMEWORK

#### Revenue Projections

44. The FY 2019/2020 targets revenue collection including equitable share, conditional grants and others at Kshs 33.3billion made up of external revenues of Kshs 17 billion and own sources of revenue of Kshs 16.3 billion. This revenue projection will be underpinned by the ongoing revenue reforms that will include the following:

- Leveraging on ICT to automate all revenue streams
- Public Private Partnerships
- Business Process Re-engineering
- Segmentation of our customers
- Taxpayers awareness and engagement
- Corporatization
- Tax reforms i.e legislating all revenue streams.
- Improving human resource management issues with collectors to ensure a motivated work force is maintained at all times.

#### Expenditure Projections

45. The total expenditure projections for the FY 2019/2020 including the County Assembly is projected at Kshs 33.3billion up from Kshs 32.3billion in FY 2018/2019. Recurrent expenditure is targeted at Kshs 22.196billion including the County Assembly (or 67% of the total revenues) in FY 2019/2020.

46. Wages and salaries for all county staff including the County assembly continues to be a major cost to the County. The salaries are projected at Kshs 13.8billion which is about 44% of the total projected revenues. This projection is pegged on the envisaged early retirement

programme targeting the staff above the age of 50 years. Therefore the government will be pursuing this policy with a view to secure funding for this programme.

### **Financing of the budget**

47. Reflecting on the projected revenues and expenditures the budget is balanced. The government will be investing heavily in revenue generation in order to achieve a balanced budget. As has been stated above improvements in revenue administration through digitization and private sector expertise in enforcement will remain key to achieving the this agenda.

## **4.4 MEDIUM TERM EXPENDITURE FRAME WORK**

48. Resource allocation will continue to be aligned to the transformation of the government as highlighted in the Budget Policy Statement and County Fiscal Strategy Paper. The FY 2019/2020 medium term expenditure framework will focus on the following key priority areas.

### **4.4.1 Governance, Public Safety and Security;**

49. The Government has embarked on a reform agenda to restore good governance, enforce fiscal discipline, seal loopholes for inefficient use of public resources, eliminate corruption and redirect at least 30% of the County's annual budget towards capital expenditure. The outcome of a city administration anchored in the practice of values of transparency, accountability and responsiveness to the people will require a series of legal reforms to put in place sunshine laws and an efficient, well trained and motivated workforce.

50. The government shall focus on service delivery re-engineering by leveraging on ICT to decentralize county services closer to the people. Security challenges that undermine the living and business environment will be confronted through decentralization of fire, increased public lighting security and emergency services and establishment of a rapid response team.

### **4.4.2 Housing and Settlement**

51. In the medium term, priority will be given in developing an affordable housing plan, public land recovery actualized and a review of County spatial planning framework. Specifically, targeting private partnerships for the redevelopment of 14 of the City's old

estates expected to yield a mass of decent, low cost housing for Nairobians and provision of basic sanitation amenities and other economic facilities to make informal settlements livable.

#### **4.4.3 Education**

52. Accelerated investment in expansion of access to Early Childhood Development Education for the 0.3 million eligible children, collaboration with the National Government and other partners to modernize and expand access to high quality primary and secondary education will be an area of key focus in the medium term. In order to respond to industry deficit in essential technical skills, the Government will design, develop and implement a T-VET master plan for competitive skills development.

#### **4.4.4 Health**

53. The government is committed to stem the rising infant mortality rates, halt and reverse declining child nutrition indicators, enhance immunization coverage and eradicate preventable causes of morbidity in the City. This will be achieved through improved access to quality healthcare services, narrowing health personnel: patient ratios and improvement of working conditions and ensure reliable availability of medical and pharmaceutical commodities for both communicable and non-communicable diseases in public health facilities.

#### **4.4.5 Environment, Water, Sanitation and Garbage**

54. The aspiration in this pillar is to deliver a clean healthy city in which water is safe, accessible and affordable for all and its supply is regular and reliable; a city in which garbage is collected and safely disposed of and in which the sewage is treated and the environment is green and alive and free of man-made waste.

#### **4.4.6 Traffic and City Transport**

55. The target is to achieve a congestion-free City in which pedestrians have safe walkways; children do not suffer injuries from road accidents and public transport is so seamlessly connected that private cars are unnecessary in most parts of the City. Investment in expansion and improvement of road infrastructure, commuter rail and non-motorized transport (NMT) facilities, enacting structural changes to accommodate the deployment of a rapid bus transit system are important components of a sustainable city decongestion strategy.



56. In the medium term, a pricing strategy that will suppress demand for on street parking will be evaluated coupled with investment in multi-deck parking infrastructure with a view to improve supply of secure parking spaces for consumers. Specifically the government seeks to revolutionize the public transport scenario through targeted investments in, enforcement of traffic and public order rules, Road improvement, marking and signage, Expansion of Non-Motorized Transport Infrastructure, expansion of Cross City Routes, automation of bus Termini.

#### **4.4.7 Jobs, Business Environment and Wealth Creation**

57. The medium term target is to deliver a city where every Nairobi resident has an equal opportunity to find work, earn a decent wage and prosper; a city providing essential needs for its people, their rights protected and in which no one is excluded from a rewarding social and economic participation. The focus will be in business environment re-engineering to accelerate investment, skill development among the youth, entrepreneurship support, trade and tourism promotion, agribusiness investment and incubating cooperatives for capital formation. The formation of the Nairobi Socio-Economic Council, creation of business information centers, review and upgrading service delivery standards, expansion and development of new markets and leveraging of creative designs to provide inclusive trading spaces for small scale traders. A framework for monitoring job creation across public and private sector entities will be fast tracked. Specifically we target to Expand the formal market space by targeting expansion and rehabilitation of existing markets, Social economic empowerment of Youth and Women through entrepreneurship support, Leveraging on existing Huduma centers to expand and improve on our sphere of service decentralization, provide an enabling environment and regulations for small scale traders to prosper.

#### **4.4.8 Youth, Women, People Living With Disabilities and Social Protection.**

58. The Government recognizes that the people of Nairobi are its partners and that their skills, talents and knowledge are the county's most valuable asset. Progressive policies for talent identification, nurturing, development and deployment of such talents, skills and knowledge for maximum returns will be developed and implemented. In particular, creating opportunities for the Youth, Women and people living with disabilities shall be given primacy. In Particular the focus shall be on the following key areas;

1. Investment in Arts and talent to promote innovation, creativity as a source of livelihood.



2. Investment in expansion of existing sports grounds including City Stadium and others at the ward level.
3. Developing and support sporting activities in the County.
4. Expanding the scope of training offered at the County's Vocational and Technical Institutes.
5. Develop and equip community social halls to facilitate online employment for qualified youths.
6. Partner with NITA to fast track training of technical skills for the Youth and Women
7. Ensuring there is a framework for supporting PLWDs, the elderly and homeless

59. Reflecting the above medium term expenditure framework for the FY 2019/2020 is the tentative budget ceilings for classified by every sector. The ceilings have not been classified into programmes and sub programmes giving the sectors an opportunity to review the current programmes in light of the new priorities of the current administration.

**Table 7: Medium Term Tentative Sector Ceilings FY 2019/2020-2021/2022.**

SECTOR		2018/2019	Projections		
		Approved	2019 / 2020	2020 / 2021	2021 / 2022
COUNTY PUBLIC SERVICE BOARD	Sub-total	60	63	64	66
	Recurrent	55	57	58	60
	Development	5	6	6	6
OFFICE OF GOVERNOR & DEPUTY GOVERNOR	Sub-total	4,552	4,689	4,831	4,976
	Recurrent	4,462	4,596	4,734	4,876
	Development	90	94	97	100
ICT, E-GOVT & PUBLIC COMMUNICATIONS	Sub-total	427	442	455	469
	Recurrent	239	246	254	261
	Development	188	196	201	207
FINANCE & ECONOMIC PLANNING	Sub-total	2,284	2,358	2,430	2,503
	Recurrent	2,130	2,198	2,264	2,332
	Development	154	160	166	171
HEALTH	Sub-total	6,925	7,170	7,385	7,607
	Recurrent	6,324	6,545	6,742	6,944
	Development	601	625	644	663
URBAN PLANNING AND LANDS	Sub-total	502	518	535	551
	Recurrent	370	381	393	404
	Development	132	137	143	147
PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	Sub-total	5,405	6,846	5,790	5,964
	Recurrent	1,206	1,225	1,262	1,300
	Development	5,405	5,621	5,790	5,964
EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	Sub-total	2,120	2,140	2,204	2,270
	Recurrent	1,647	1,648	1,697	1,748
	Development	473	492	507	522
TRADE,COMMERCE,TOURISM & COOPERATIVES	Sub-total	809	903	927	955
	Recurrent	491	572	589	607
	Development	318	331	338	348
PUBLIC SERVICE MANAGEMENT	Sub-total	1,183	1,239	1,277	1,315
	Recurrent	1,113	1,167	1,202	1,238
	Development	70	72	75	77
AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	Sub-total	522	543	559	576
	Recurrent	373	387	399	411
	Development	149	156	161	165
COUNTY ASSEMBLY	Sub-total	1,979	2,057	2,301	2,370
	Recurrent	1,387	1,507	1,651	1,700
	Development	592	550	650	670
ENVIROMENT,WATER,ENERGY & NATURAL RESOURCES	Sub-total	2,319	2,492	2,566	2,643
	Recurrent	1,357	1,496	1,541	1,587
	Development	962	996	1,026	1,056
URBAN RENEWAL AND HOUSING	Sub-total	410	472	486	501
	Recurrent	89	138	142	146
	Development	321	334	344	354
WARD DEVELOPMENT FUND	Sub-total	1,239	1,281	1,319	1,359
	Recurrent	26	33	34	35
	Development	1,213	1,248	1,285	1,324
EMERGENCY FUND	Sub-total	80	83	86	88
	Recurrent				
	Development	80	83	86	88
LIQOUR BOARD	Sub-total	288	297	306	316
	Recurrent	205	211	217	225
	Development	83	86	89	91
TOTAL	TOTAL	32,310	33,297	34,478	35,512
	Recurrent	21,474	22,196	22,961	23,649
	Development	10,836	11,100	11,517	11,863

**Source: County Treasury,2018**

## SECTION V: CONCLUSION

60. The 2019/2020 and the medium term projections takes into account the revenue reform measures being undertaken by the Government in reforming the revenue administration systems. The growth in revenues is moderate as the government reviews the overall financing model of the County.

61. Further the Government will be partnering with the National Government with a view to review the revenue sharing formulae to take into account the city status of Nairobi. In order to reduce the wage bill the government is keen on pursuing an early retirement programme on a voluntary basis with possible funding from the National Government. Adjustments to personnel costs will be made once the programme is fully confirmed.

62. Going forward, the tentative ceilings for FY 2019/2020 has been presented in sector format to give room for sectors to review the current programs and sub-programmes. Sector working Groups will be expected to critically review all programmes in line with the various policies outlined in this paper and the Governors manifesto. The final ceilings and budget priorities will be firmed up in the County Fiscal Strategy Paper 2019 in February 2019 after a thorough review of all sector priorities.



**ANNEXE 1: LOCAL REVENUES PERFORMANCE & PROJECTIONS (IN MILLIONS)**

	STREAM	2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
1	RATES	3,050	2,582	2,800	2,593	3,800	3,160	5,500	2,253	4,842	1,871
2	SINGLE BUSINESS PERMITS	1,600	1,542	2,200	1,814	2,826	1,786	3,600	1,776	3,169	1,786
3	PARKING FEES	1,820	1,551	2,800	2,016	2,600	2,038	3,540	1,974	3,116	1,878
4	BLDNG PERMITS (1.25 of const. cost)	2,200	760	1,300	1,349	1,650	1,171	1,700	843	1,497	239
5	BILLBOARDS & ADVERTS	520	693	700	676	800	663	1,200	720	1,056	829
6	LIQUOR LICENSES	-	-	300	210	450	208	379	233	334	95
7	RENTS-other estates	300	318	250	296	300	292	300	284	264	292
8	Rents-EASTLANDS	290	270	250	291	280	290	300	291	264	279
9	CONSTRUCTION SITE BOARD	60	71	100	137	270	167	200	325	176	664
10	DECENTRALIZATION-WARDS	226	214	240	243	238	221	240	188	211	73
11	FOOD HANDLERS CERT	30	57	140	89	200	64	217	201	191	192
12	FIRE INSPECTION CERT	110	216	140	148	160	163	180	433	159	437
13	REGUL. OF BLDNG /CHANGE /AMALG/SUB	70	101	140	130	140	135	260	161	229	32
14	WAKULIMA MARKET	124	112	140	115	123	113	144	180	126	113
15	OTHER MARKETS	100	139	170	105	120	99	144	76	126	140
16	OTHER INCOMES	1,626	701	1,894	1,370	1,333	1,138	1,662	991	1,468	1,188
17	TOTAL LOCAL SOURCES	12,126	9,327	13,564	11,582	15,290	11,708	19,566	10,929	17,229	10,109

## ANNEXE II:MEDIUM TERM PROJECTIONS FOR 2019/2020-2022/2023

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Medical Insurance	855	1,727	1,725	650	650	670	690	710
Drugs & Non Pharms	484	484	277	757	757	780	803	827
General Insurance	260	280	280	260	260	268	276	284
Bursary	183	453	420	440	440	453	467	481
Electricity	295	289	236	295	295	304	313	322
Garbage Collection Contracts	752	994	987	801	801	825	850	875
Fuel & fleet maintenance	138	178	76	113	113	116	120	123
Pending bills allocation	1,029	1,306	1,305	210	210	216	223	229
Other Recurrent Expenditure	3,465	3,652	1,635	3,134	3,134	3,228	3,325	3,425
Ward Development Projects	1,736	1,736	826	1,212	1,212	1,248	1,286	1,324
Other Development Projects	9,736	6,218	1,118	9,032	9,032	9,303	9,582	9,870
<b>Sub-total : County Executive</b>	<b>34,293</b>	<b>31,862</b>	<b>23,060</b>	<b>30,331</b>	<b>30,331</b>	<b>31,241</b>	<b>32,178</b>	<b>33,143</b>
<b>Total Expenditures</b>	<b>35,907</b>	<b>33,650</b>	<b>24,542</b>	<b>32,310</b>	<b>32,310</b>	<b>33,297</b>	<b>34,478</b>	<b>35,513</b>
<b>Net Financing</b>	<b>-404</b>	<b>-191</b>	<b>1,788</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Analysis of total allocations</b>								
Dev't projects to total expenditure	11,792	8,371	2,179	10,836	10,836	11,101	11,518	11,863
Recurrent expenditure to revenues	24,115	25,279	22,362	21,474	21,474	22,196	22,961	23,649
salaries and wages to total revenues	16,059	15,259	14,837	14,078	14,078	14,539	15,018	15,469
county assembly allocation to revenues	1,614	1,788	1,482	1,979	1,979	2,057	2,301	2,370
<b>% Allocations</b>								
% of total dev't projects to total expenditure	33	25	9	34	34	33	33	33
% of total recurrent expenditure to revenues	68	76	85	66	66	67	67	67
% of total salaries and wages to total revenues	45	46	56	44	44	44	44	44
% of total county assembly allocation to revenues	4.5	5.3	5.6	6.1	6.1	6.2	6.7	6.7

**Source: County Treasury, 2018**



### ANNEXE III: BUDGET CALENDAR FOR 2019/2020

	ACTIVITY	Timelines	Responsibility
1	Issuance of 2019/2020 Budget Preparation Guidelines	By 30th August 2018	County Treasury
2	Submission of ADP 2019/20 to the County Assembly	By 1st September, 2018	County Treasury
3	Launch of Sector Working Groups	By 13th September 2018	County Treasury
4	Capacity Building	By 29th September 2018	County Treasury
5	Development of Medium Term Budget Framework		
	Preparation of County Budget and review Outlook Paper (CBROP)2018	By 15th September 2018	County Treasury
	Submission of County Budget and review Outlook Paper (CBROP)2018 to County Executive Committee/CBEF	By 30th September 2018	County Treasury
	Submission of County Budget and review Outlook Paper (CBROP)2018 to County Assembly	By 21st October 2018	County Treasury
6	Preparation of Medium Term Budget Proposals		
	Preparation of draft Sector Reports/budget proposals	1st October-31st October 2018	Sector Working Groups
	Submission of Sector Reports (Draft Budget proposals for 2019/2020) to County Treasury for review	1st November-9th November 2018	Sector Working Groups
	Public Hearings on Sector Reports	21st November-23rd November 2018	Sector Working Groups, County Treasury
	Review and incorporation of public views in the sector reports	26th November-28th November 18	Sector Working Groups
	Submission of Final Sectoral Budget Proposals for FY 2019/2020 to County Treasury	30th November	Sector Working Groups
7	Draft County Fiscal Strategy Paper (CFSP)		
	Conduct MTEF public consultations for consideration in CFSP 2019/2020	By 11th January 2019	County Treasury, Sector Working Groups
	Finalize Draft County Fiscal Strategy Paper 2019	By 1st February 2019	County Treasury
	Submission of draft County Fiscal Strategy Paper to CBEF	By 8th February 2019	County Treasury
	Submission of CFSP to County Executive Committee	By 18th February 2019	County Treasury
	Submission of final CFSP to County Assembly for approval	28th February 2019	County Treasury
8	Preparation and approval of Final Budgets FY 2019/2020		
	Issue guidelines on finalization of the FY 2019/2020 Budget Estimates	By 1st March 2019	County Treasury
	Submission of Final Budget 2019/2020 proposals to County Treasury	By 15th March 2019	Sector Working Groups
	Consolidation of Draft Sector Budget Estimates	By 22nd March 2019	County Treasury
	Submission of draft budget estimates to CBEF for consideration	By 5th April 2019	County Treasury
	Submission of draft budget estimates to County Executive Committee	By 12th April 2019	County Treasury
	Submission of Draft Budget Estimates & documents for FY 2019/2020 to County Assembly	By 30th April 2019	County Treasury
9	Submission of Appropriation Bill 2019 to County Assembly	By 14th June 2019	County Treasury
10	Appropriation Bill 2019 passed by County Assembly	27th June 2019	County Assembly