NAIROBI CITY COUNTY

Paper laid by
Deputy Speaker
Hon. J. Kamangu
on Thu 1/3/18
1/3/18.

COUNTY FISCAL STRATEGY PAPER 2018

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FOREWORD

CHAPTER ONE: OVERVIEW

1.1 Legal Frame Work

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 2018. 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 i) Restore good governance, public safety and security, ii)Enhance access to decent and affordable housing, iii)Improve access to quality education and affordable healthcare, iv) Improve traffic and city transport management, v)Promotion of an enabling environment for job creation, business growth and wealth creation, vi)Promote environment, water, and sanitation and garbage management, vii)Empowerment of youth, women, People Living With Disabilities and social protection

1.2 Statement of Objects and Rationale

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 2018/2019.

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 sub county based forums were publicized and accorded to all Nairobi citizenry in each of the seventeen (17) sub counties and their inputs thereof greatly inform the strategic thrust of this Paper.

1.3 Overview

5. The 2018/2019 MTEF expenditure budget is being prepared in the third quarter of the first year of implementation of the CIDP 2018-2022.

6. Details of development priorities have been articulated in the County Integrated Development Plan (2018-2022) 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 favor 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.

1.4 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

1.4.1 Introduction

7. 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.

1.4.2 MACRO ECONOMIC PERFORMANCE INDICATORS

Global Economy

8. 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 2017and is projected to expand to 2.3 percent in 2018 (Global Economic Prospects-World Bank, 2018).

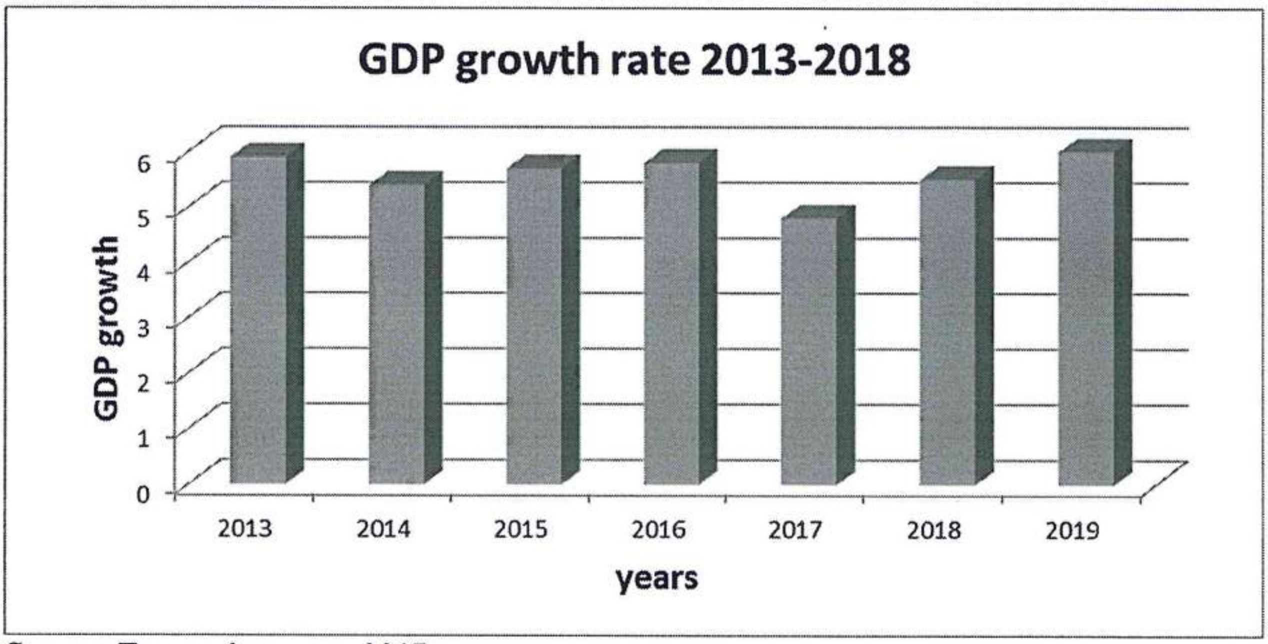
9. Growth in emerging market and developing economies as a whole is projected to strengthen to 4.9 percent in 2018 from estimated growth of 4.6 percent in 2017, as activity in commodity exporters continues to recover amid firming prices (Global Economic Prospects-World Bank, 2018).

10. 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)

Domestic Economy

11. 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



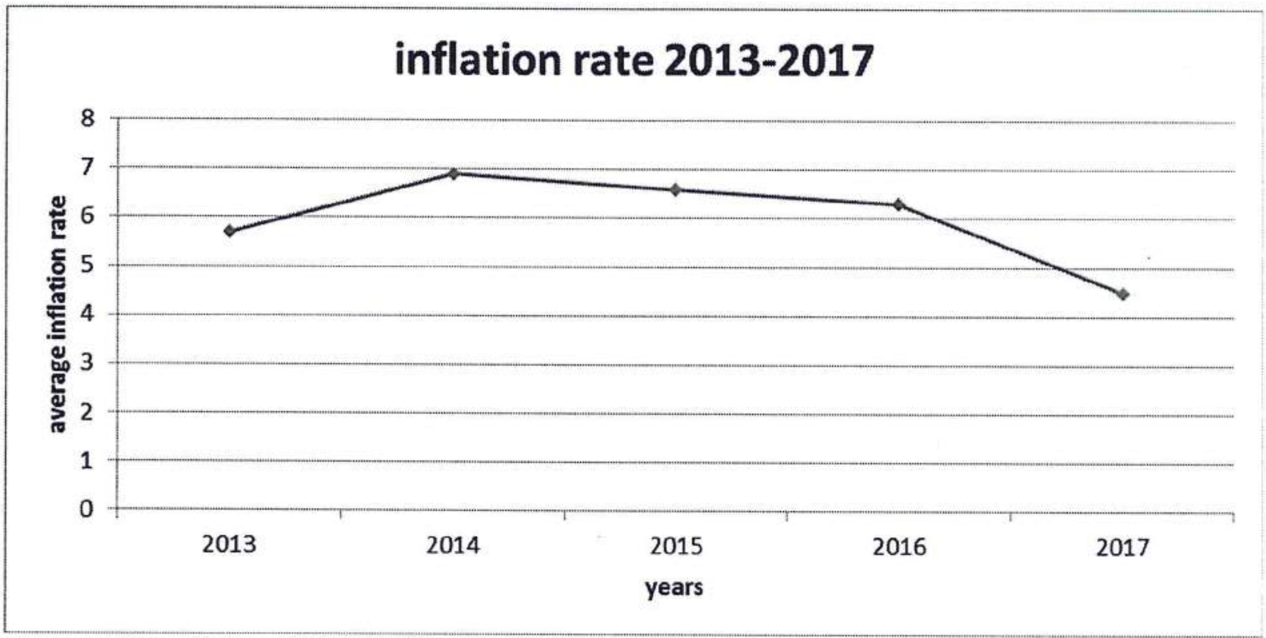
Source: Economic survey, 2017

Inflation

12. 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).

13. 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

Interest rates

14. 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.

15. 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.

The Kenya shilling Exchange Rate

16. 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).

17. 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.

Nairobi county economy

18. 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

1.4.3 COUNTY ACHIEVEMENTS FOR FY 2016/17and MID-YEAR 2018/19

Finance and Economic Planning

During the period under review, the sector was able to achieve the following;

19. In the third quarter of financial year 2017/18**,** MTEF consultative forums have been held in all the seventeen (17) sub counties and reports produced.

20. Quarterly and annual budget implementation reports have been prepared by the County Treasury has compliance to the provision of PFM act 2012 regulations.

21. Quarterly and annual progress reports on the implementation of Annual Development Plans and County Integrated Development Plan 2013-2017 have been produced on a timely basis. County Monitoring and Evaluation Indicator handbook was prepared and a County Statistical Database Management System was developed with the assistance of EU and Commission on Revenue Allocation. The operationalization of statistical database management system is underway.

22. Development of valuation roll is underway and expected to be completed before the end of financial 2017/18.

23. County Integrated Development Plan (CIDP) 2018-2022 has been prepared.

Trade, Industrialization, Cooperatives and Tourism Development:

24. By the end of 2016/17, the sector managed to complete renovation/rehabilitation works in eight markets i.e. Dandora, Githurai, Quarry road, Wakulima, Umoja I, Landhies, and New Pumwani markets, together with construction of footpaths in Wakulima market. Rehabilitation works are still ongoing in six markets i.e. Karen, City Park, Makina, ShauriMoyo, Kahawa west and Westlands markets at different levels of completion. Eight other projects are still being procured and completion expected before end of the financial year 2017/2018.

25. The co-operative audit managed to Audit 724 Co-operative societies and raised audit fees of Ksh. 14m. In line with the Governor's manifesto of registration of youth based SACCOs for waste management in the County; the section will participate closely in training them on proper record

Housing and Urban Renewal

26. The sector initiated efforts to develop a county housing policy which was inexistent. The World Bank has committed to fund the development of the County Housing Policy. Consultants have been identified and the policy is expected to be completed by March 2018.

27. The sector had also targeted to renovate all county rental houses (17,000). However due to limited funding the sector renovated 150 housing units and also carried out repair works of about 1,000 units. Routine maintenance was undertaken in the estates. The County Executive Committee also approved apportionment of 10% of annual rental income equivalent to Ksh. 60 Million in 2016/2017 for maintenance.

28. Although the sector also targeted to undertake slum upgrading in Kasarani, slum upgrading was undertaken in Embakasi West and Embakasi East in KCC and Kayole Soweto informal settlements where a total of 8.4 Km of roads and drainage were developed, 9 flood lights installed and 5.4 Km of sewer developed. Another twelve settlements were also planned and are awaiting provision of infrastructure.

29. In regard to urban renewal of Eastlands, the World Bank through the Nairobi Metropolitan Services Improvement Project (NaMSIP) procured a consultant to conduct feasibility and plan the area for renewal. The process is expected to be complete in April 2018. Other sites outside Eastland's were identified and developers procured under Joint Venture. Forty Public participation forums were also held to engage tenants and other stakeholders. The projects are awaiting ground breaking.

Urban Planning and Lands

During the period under review, the sector was able to achieve the following;

30. Preparation of the Nairobi Integrated Urban Development Master Plan 2014- 2030 was completed and implementation of key priority projects has commenced. The key flagship projects are - Urban Renewal of old County Estates, Planning of the Railway city and feasibility study for a flyover connecting industrial area to the CBD through the central railway station.

31. E-Construction and e-dpms to enhance approval of building plans, change of use among others were done. This has reduced the time taken to submit and process applications thereby increasing the approval volumes. It has facilitated the ease of doing business process hence improving the city's competitiveness.

32. ***Strengthening of Building Construction, Inspection and Compliance:*** Towards this, the sector established a directorate of Planning, Compliance and Enforcement. This enhanced surveillance of development across the city and added value to accountability of the plan approval process. A Building Inspection Bill was passed to facilitate outsourcing of the technical aspect of inspection and compliance, check of construction and to complement the county capacity. Formulation of Development Control and urban Design Policies was undertaken. Deployment of Planning, Compliance and enforcement staff to sub-counties was dine in the spirit of devolving services to the local level and strengthen surveillance and monitoring of development at the local level.

33. ***Web based street address system for the City:*** This was established to ease navigation, and ensure easy location of developments using a web based navigation system. Phase one constitutes the study while phase two will entail actual implementation.

34. ***Nairobi City County Regularization of Developments Act 2015:*** This act was formulated and operationalized. This will streamline the regularization of development. A valuation and rating bill was also prepared and submitted to the county assembly.

35. The sector also managed to expand GIS data to include 150,000 properties, audit county's titles, develop a feasibility study on urban renewal and prepared AGIS based mass which is at 80% completion level.

Public Works, Transport and Infrastructure

36. In the plan period under review, the sector managed to develop a Non-Motorized transport policy, established a Nairobi Metropolitan Area Transport Authority (NaMATA) all in an effort to streamline public transport.

37. Efforts were made to develop BRT on Mombasa road/Waiyaki way Corridor, Thika Road and Langata Road Corridor, Juja Road and Ngong Road corridor, Jogoo Road – Mbagathi Way corridor and Outer Ring Road were initiated, and are at different levels of implementation.

38. Regular maintenance of roads was done with 7,461 Km of roads done, 300km of drainage rehabilitated, Missing road links at different levels of completion and improvement of access to railway station done. New bus termini were constructed at Pangani Shopping Centre, Park Road, Ngara Road, Desai Road and Murang'a Road with a view of terminating low capacity public transport vehicles while high capacity public transport vehicles are to commence operations of cross city routes.

Information, Communication and technology (ICT), E-Government and Public Communication

The following projects had been implemented as at 30th June, 2017: -

39. E-Payment solution - A solution to provide convenient electronic payment options to citizens which is expected to reduce handling of cash, enhance revenue collection and improve service delivery. The "ejijipay" was implemented as an e-payment solution. By the end of FY 2016/2017 the County had collected over Kshs. 7.9 Billion in the following revenues through the ejijipay platform. The County during the period under review was able to automate 14 out of 136 revenues streams representing a 10.3% of revenue automation level against a target of 30% during the period under review.

40. ICT infrastructure – This entailed replacement of the aging and limited ICT infrastructure with new IT modern network and data center infrastructure. The County embarked on construction of a data center and overhaul of the entire Local Area Network and Wide Area Network in FY 2015/16. This was expected to be ready by end of FY 2016/17. However due to delays in payment the project had not been completed by 30th June, 2017. The structured cabling at City Hall and City Hall Annex was 98% done while the data center was at 95% completion rate. The delivery of active network equipment and simulation had been achieved.

41. Web Portal – An updated and rebranded web site through which citizens can also apply for services online and make payments anywhere and anytime. The county in June 2014 launched the web portal which is interactive, informational and transactional. As at 30th June 2017, the web portal had received more than 2000 hits and had a 98% uptime.

42. Integrated City Revenue Management System (ICRMS) – This is the core application to automate the County's business processes and will cover functionalities such as Revenue Management, Human Resource, Procurement, Citizen Services and specialized departmental functions, Fleet Management, Asset Management, Case management, Projects Management, Performance Management and others. The ICRMS is to be integrated to other applications such as e-Payment, Web Portal, Citizen Relationship Management System and Business Intelligence. The County intended to implement the ICRMS application in the FY 2016/17 over a period of five (5) year. The procurement was under the Kenya ICT Authority and World Bank was the financier. However, the procurement of the ICRMS was never concluded. The County intends to engage the Kenya ICT Authority with a view to acquire the core system in the FY 2017/2018.

43. Disaster Recovery Planning – A documented process/ set of procedures to recover and protect a County's business IT infrastructure in the event of a disaster. It will also minimize disruption of business operations as a result of unavailability of ICT systems. This was to be implemented upon completion of the Data Center in the FY 2017/2018.

44. Email messaging and collaboration – The Department in the FY 2013/14 implemented and email system to provide a reliable messaging and collaboration solution for a thousand (1000) staff. The County intends to ensure all County staff have official emails by the financial year 2019/ 2020 under the digitization programme.

45. PABX/Unified Communication – The Department intended to put in place a secure and reliable unified communication infrastructure for voice and video conferencing in the FY 2016/17. This depended on completion of structured cabling and data center projects which was still pending by 30th June, 2017. However, the project is expected to be completed within the FY 2017/2018

46. ICT Governance – The County through Kenya ICT Authority procured the services of a strategic transformation partner in FY 2014/2015 to put in place a stable and robust governance processes and controls to ensure that IT activities at the County is aligned with the Strategy. This included defining ICT organization, Project Management Office, ICT policies, Service Level Agreement management and change management. The work of the strategic partner was however hindered by a court case which as at 30th June, 2017 was still pending awaiting arbitration. Further, the department during the period under review came up with a draft scheme of service for the ICT and Public Communication staff that intended to reform sector's service delivery with an aim of injecting efficiency and effectiveness. Once adopted fully in FY 2017/2018, ICT and Public communication personnel under the new scheme will be expected to implement, support and maintain technologies adopted at all service delivery areas. This is also expected to reduce the cost of doing business at the County.

47. Geographical Information Systems (GIS) – The County has established a GIS department under the Lands sector to manage spatial data to support planning and service delivery. The first phase of implementation of the GIS application is expected to be undertaken in the FY 2017/2018.

48. Intelligent City Surveillance & Traffic Management – The County intends to establish a fully-fledged intelligent city surveillance and traffic management command center in collaboration with the National Government by the FY 2019/2020.

49. Internet service provision - The Department provided internet access to all the County offices located at City Hall and City Hall Annex through provision of a primary and a secondary internet service provider in the FY 2016/2017. The department intends to decommission the old structured cabling in the FY 2017/2018 at City hall and annex with a view to improve internet service provision. This will later be extended to cover other county sites.

Agriculture, Livestock and fisheries

50. The sector assisted 587 farmers to access subsidized fertilizer through the national government Fertilizer cost reduction initiative; developed five policy documents towards urban and peri-urban agriculture: Nairobi City County Urban Agriculture Promotion and Regulation Act 2015, Nairobi City County Dog Control and Welfare Act 2015, Nairobi City County Agribusiness Strategy, Nairobi City County Urban and Peri - Urban Agriculture, Livestock and Fisheries Policy.

51. In Agriculture development, 6,940 value chain actors were capacity built on value addition and marketing, 32 greenhouses and water tanks distributed to boost farm incomes and improve food security. Livestock productivity was improved; through 1140 health surveillance missions, vaccination of 107, 676 animals. 2,053 animal movement control documents were issued, 9 quarantine restrictions placed, 25,744 dogs licensed, 667 stray dogs baited and 259 dogs impounded. Livestock breeding and improvement was done through 2,552 farm visits, 20 field days and 4 shows.

52. The sector sought to better human life by controlling zoonotic disease and meat contaminations. Towards this, 185,000 cattle, 400,000, sheep, 1,000,000 goats, 550,000 pigs and 1,000,000 poultry were inspected for wholesomeness of their meat for human consumption. The

Sector also approved and regulated nine slaughter houses, 22 feed mills, 11 tanneries and 9 milk processing plants.

53. Improvement of agricultural incomes through training, marketing and adoption of technology was also done. In the last five years the Sector facilitated Nairobi residents to install 33 greenhouses and water tanks, 14 fish tanks, and 5 milk dispensers and pasteurizers, and to construct 7 poultry and 6 rabbitries and 7 fish ponds. The Sector reached over 15,000 farmers with agricultural extension messages and technologies. The beneficiaries were mainly women groups, youth groups and public institutions

Environment, Energy and water

54. During the period under consideration, the sector drilled 22 boreholes of which 7 are equipped and 4 are operational. Water dispensers (ATMs) were introduced in the informal settlement and drafts of water and sanitation policy and energy policy were done.

55. Procurement of waste management machinery and equipment was done (34 refuse trucks and 2heavy equipment), together with improvement of the conditions at Dandora dump site.

56. Environmental education and public sensitization was undertaken to improve the public perception towards environmental management. Enforcement of pollution control laws was undertaken, boosted by procurement air sampling kits and audio meters. Routine maintenance of parks was ensured, and greeneries and gardens in the city attended to with an aim to enhance aesthetics of the city.

57. During the plan period, a total of 14.506 km of water pipeline extension projects were completed in the following areas: Komarock Nyama Villa; Kamiti Prison-Northern bypass; Kamulu-Makongeni-Acacia; Mathare; Manyanja Road; Umagara Zone, Kasarani and Silanga, Dandora. Additional water extension projects were implemented in Kahawa West, Mathare, Utawala, Mutuini, Kasarani, Kibera and Kawangware. A laboratory was constructed at Sasumua for water testing and water Kiosks were constructed.

58. A total of 2.784Km of sewer line extension projects were completed in the following areas: Ngong Road, Dagoretti Corner; Coca Cola Kayole-Soweto; Utawala sewer; Tassia; Kasarani Sports view, ICIPE. Other sewer installation and rehabilitation works were done in Tassia, Eastleigh 3rd Avenue, Moi Airbase, Tassia and Kariobangi Light Industries.

Governor's Office

59. The projects which were implemented included renovation and modernization of washrooms at the city court and cash office, Replacement of worn out tiles in Charter Hall, Refurbishment of offices, Renovation of central Registry and Digitization of County Records, Renovation of Printing Section, Procurement of vehicles.

60. In addition, the department also undertook to repair and maintain county vehicles as well the Completion of the County Strategic Plan 2015-2025 and two Draft policies i.e. County Records and Fleet Management policies.

Education, Youth Affairs, Children, Sports, Culture and social services

61. The sector has ensured continual operations of four rehabilitation centers with a capacity of 283 children (56 female and 227 male). In the period under review, the sector managed to rescue 524 children from difficult circumstances, house 682 children in the rehabilitation centers, placed 381 children in charitable institutions for further care and protection, enrolled 457 children to various levels of formal education and reintegrated 330 children back to their families.

62. The sector managed Mji Wa Huruma Home, which caters for basic needs, security and medical care for the aged. The sector, in partnership with Karania Foundation, is constructing a men's hostel that will accommodate an extra 25 elderly men, and will boost the current capacity of 80 people. Other service areas provided by the county are; 24 community centers, 2 stadia, 12 open air play fields, 5 libraries and community development where mobilization for formation of 500 self-help groups and CBO's is done annually.

63. In addition, the sector initiated rehabilitation and construction works on ECDE Centres. A Model Centre and Advertisement for invitation to tender was done and a Contract issued for 40 ECDE Centres; although only19 sites were cleared.

64. A Contract award letter was issued to M/s Derrow Brothers Construction Ltd. for rehabilitation of Joseph Kangethe Centre. Construction of the administration block/ social hall is ongoing and the First Certificate of Ksh.22, 000,000 has been submitted by the Contractor for payment; which is still pending.

65. The sector initiated other projects which are at various completion levels. Works to carry out Facelift and Automation of McMillan Library, Construction of one Twin Workshop at Kangemi Youth Polytechnic, Construction of 4 Classrooms at Bahati Training Centre, Construction of changing room and perimeter wall at Mihango playground, Construction of Mararui, St Bakhita, St. Michaels Primary school are 10%, 20%, 80%, 90%, and 90% done respectively.Marurui, St. Bakhita and St. Michaels Primary schools projects were funded by the private sector.

66. Construction of a Rehabilitation centre in Ruai was commenced but works stalled at 20% level of implementation. Construction of a perimeter wall at Mji wa Huruma also stalled due to nonpayment.

67. Bursaries to needy students in secondary schools and tertiary institutions were also awarded, with a total of Ksh 257 Million already disbursed over the years. Bursary allocation by the county is meant to bridge the gap which exists in bursary allocation by the National Government Constituency Development Fund.

Health Services

68. For the period under review, the following projects were implemented; upgrading of mama Lucy hospital through completion of 68 bed capacity which is 60% done, construction of perimeter wall at Mutuini hospital (50% done), reconstruction of roads and pathways using cabro tiles at Pumwani maternity hospital (60% done) and rehabilitation of street lighting at Pumwani maternity hospital (60%).

69. In addition, the following health centres were constructed and rehabilitated; construction of Mwengenye dispensary (5%), Kamulu health centre (70%), clay city H/C. construction of a new storey block at Karen h/c (70%) and rehabilitation of Huruma health centre which is complete.

1.4.4 2017/18 REVISED ESTIMATES

70. Implementation of the FY 2017/18 budget is on course although the performance is much far below the target. For instance, by mid of FY2017/18, the total local revenue collected was Ksh 3.1B against the target of Ksh 19.8B. This represented 15.7 % of the total targeted local revenue. This shortfall in revenue collection was attributed to underperformance of key revenue streams. For example, by end of December 2017 the rate revenue collected was Ksh 199.8M against the target of Ksh 5.56M while the parking fee was 787.3M against the target of Ksh 3,575B. Kshs 378.9M was collected from Single Business Permit against the target of Ksh 3.6B. The underperformance of revenue streams has caused the revision of the budget downwards.

71. On the other hand, the actual expenditures were Ksh 10.4B against the target of Ksh 35.9B. This represents 29% absorption rate at the end of 2nd quarter. By the end of December 2017 the recurrent expenditure was Ksh 9.87B against the target of 24.1B while as the actual development expenditure was Ksh 506.8M against the target of Ksh 11.8B.This implies that the development absorption rate stood at 4% whereas the recurrent absorption rate was 41%. The underperformance is attributed to low absorption of development budget by various sectors as well as speculative budgeting.

72. The FY 2017/18 has been reviewed to reflect revenue performance as well taking into account expenditure rationalization necessitated by the accommodation of emerging issues. The approved total revenue was Ksh 35.5B and was revised downwards to Ksh 31B which represents a 12.7 percentage change. The approved expenditure was Ksh 35.9B and was revised to Ksh 31.2B. This represents a 13.1 percentage change. The recurrent expenditure was revised upwards to Ksh 24.4B (That is 78% of the total budget) from the approved figure of Ksh 24.1B (67% of the total budget).This implies that the recurrent budget was increased by1.3 %. The increase in recurrent was due to allocations provisions for NHIF cover for the staff, bank overdraft and salary increments. The development expenditure was revised downwards from Ksh 11.8B to ksh6.8B indicating 42.6 percent decrease. The development expenditure was reviewed downwards due to underperformance of local revenue.

CHAPTER TWO: MACRO-ECONOMIC POLICY FRAMEWORK

2.1 Kenya's Growth Prospects

73. Kenya's economic growth prospects for the FY 2018/19 and over the medium term takes into account the global and Sub-Saharan Africa growth recovery. The growth projection takes into account the strategic objectives of the Government as outlined in the third MTP of Vision 2030.

74. Real GDP is projected to expand by 5.3 percent in FY 2017/2018, 5.9 percent in FY 2018/2019, 6.3 percent in FY 2019/2020 and 6.8 percent by FY 2020/21. This growth prospects are anchored in sustained investment in infrastructure, enhanced agricultural production as a result of to improved weather conditions, a buoyant services sector, continued recovery in tourism, increased investor and consumer confidence, and macroeconomic stability.

75. Inflation rate has been low, stable and within the Government target range of 5+/-2.5 percent in the period 2013 to 2017 as a result of prudent monetary and fiscal policies. Inflation averaged 6.7 percent in the period (2013-2017) compared with 7.4 percent in the period (2002-2007), 10.6 percent in the period (2008-2012).

76. The interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions. During the period 2013-2017 interest rates remained stable and low except June – December 2015 when world currencies were under pressure. During the period, the policy rate (Central Bank Rate) was adjusted appropriately to anchor inflation expectations. The rate is currently (January 2017) at 10.0 percent since August 2016. The interest rate spread narrowed to 6.0 percent in September 2017 from 6.4 percent in September 2016 with the Commercial banks' average lending interest stabilizing at 13.7 percent over the same period.

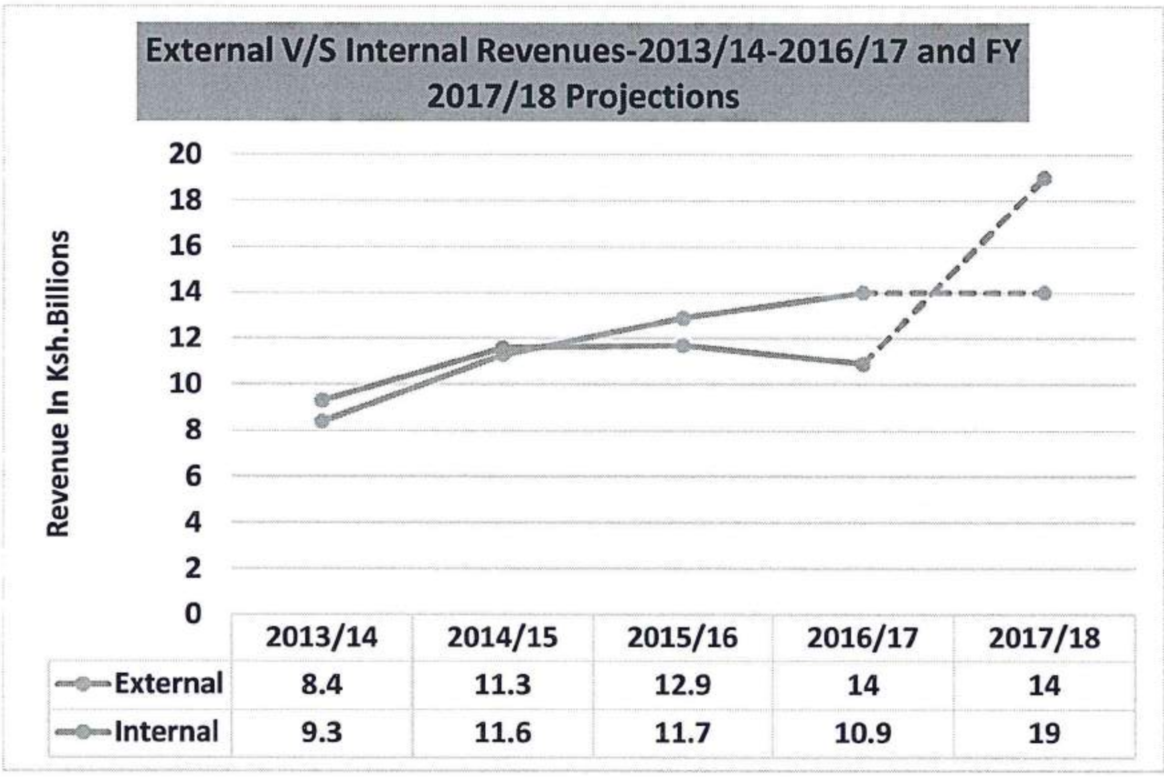
77. Kenya's external position is projected to strengthen over the medium term supported by a narrower current account deficit. The improvement in the overall balance reflects lower petroleum products import bill reflecting lower international oil prices and improved performance of tea and horticulture exports; strong Diaspora remittances; recovery in tourism, and increased foreign direct investment in infrastructure (Budget Policy Statement, 2018).

2.2 Key County Revenue Sources

78. The successful implementation of the eight development objectives proposed in the County Integrated Development Plan (CIDP) 2018-2022 is premised on a responsive financing model from both internal and external revenue sources. External revenues constitute of 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.

79. The county total revenue grew by 40.7% between 2013/14 and 2016/17 financial years, from Ksh. 17.7 Billion to Ksh. 24.9 Billion. Local revenue constituted 52.5% of the revenue in FY 2013/2014. This however changed as external revenue outperformed local revenue in FY 2015/16. In the financial year 2016/2017, external revenue constituted 56% of the total revenue at Ksh. 14 Billion. External revenue increased by 66.7% by 2016/17. Local revenue experienced an uncertain performance over the period. Despite the huge leap experienced in the FY 2014/15, the revenues stagnated and later dropped in the FY 2016/17 as shown in figure 2.

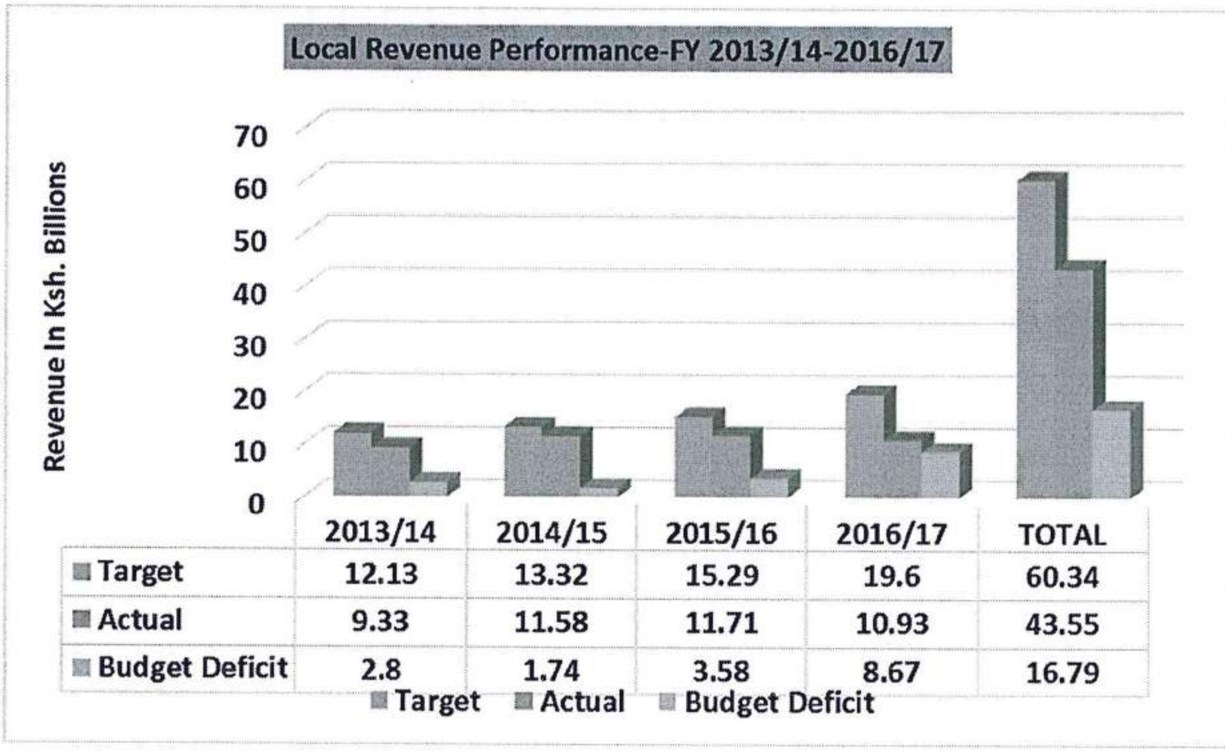
Figure 2: Trends of external and local revenue 2013 to 2017



80. From the above figure, Local revenue increased by 24.7% in the FY 2013/2014, marginally increased in 2014/15 and 2015/16 and eventually dropped by 6.8% in FY 2016/17. The external revenue had a persistent growth over the years, outperforming local revenues mid of the period, and constituting a large chunk of county revenues at 52.4% and 56.2% in financial years 2015/16 and 2016/17 respectively.

81. Internal revenue has portrayed an uncertain and unstable performance over the years as depicted in figure 2.2

Figure 2.2: Performance of local revenues 2013-2017



82. As displayed in the figure above, actual local revenue collected in FY 2013/14 was Ksh. 9.33 Billion against a target of Ksh. 12.13 Billion and the revenue shortfall was Ksh.2.8 Billion. Revenue collected from internal sources in FY 2013/14 met 76.92% of its set target.

83. Implementation of county programmes, projects and service delivery have been derailed by persistent shortfalls in internal revenue. Revenues from local sources amounted to 10.929 Billion against a revised target of 14.851 Billion in the FY 2016/17. Revenue shortfalls of Ksh. 1.74B, Ksh. 3.58B and Ksh. 8.67B was realized in 2014/15, 2015/16 and 2016/17 financial years respectively. Local revenue performance achieved 86.9%, 76.59% and 55.77% of its set target in the financial years 2014/15, 2015/16, and 2016/2017 respectively. The county local revenue collection performed at average of 74.05% of its targets over the years, with a total local revenue of Ksh. 43.55 Billion in the last four years (2013/14-2016/17). The highest achievement was 86.9% which was realized in the FY 2014/15, but in absolute terms, the largest revenue collected was Ksh 11.71 Billion in the FY 2015/16. The largest shift in absolute revenue was an increase of Ksh 2.25 Billion (24.12% increase) realized in 2014/15, after introduction of e-Payment Platform.

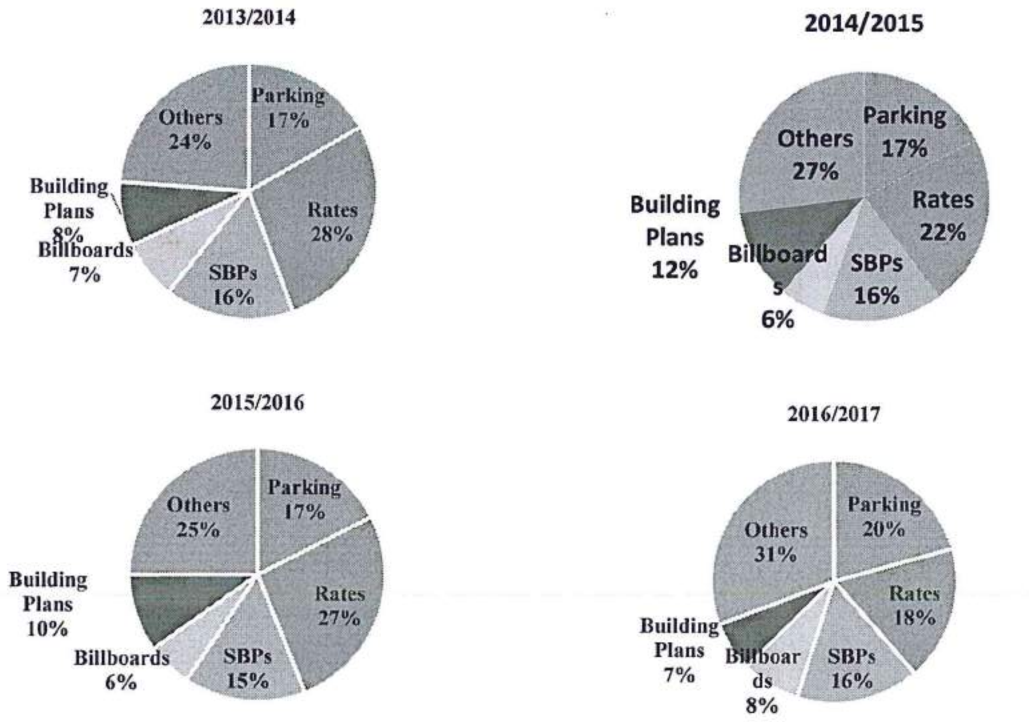
84. The underperformance in local revenue was high in 2016/2017 due to prolonged political activities which the country experienced. Unlike 2015/2016 financial year when internal revenue grew by 1.1% from the previous financial year, in 2016/2017 it decreased by 6.67% (Ksh 0.781B). Local revenue collection up to the end of first half for financial year 2017/18 was Kshs. 3.105 Billion.

Key Revenue Streams

85. Major internal revenue streams in the county are rates, single business permits, parking fees, building permits and billboards and advertisements. They were the dominant drivers of the local revenue, constituting 76.1%, 72.9%, 74.92% and 69.19% of County local revenue in Financial Years 2013/14, 2014/15, 2015/16 and 2016/17 respectively. The Single largest contributor to local revenue has been the Land rates.

86. On average, the five key revenue streams accounted for slightly below 75% of the total Local revenue in financial years 2013/14, 2014/15, 2015/16 and 2016/17 as shown in the figure below;

Figure 2.3 Contribution of Key Revenue Streams versus Other Local Revenues 2013-2017



87. Despite being a major contributor to local revenue, the key streams failed to meet the set targets over the years. The average performance for these main streams as per the target set was 69.17%, 78.81%, 72.07%, 90.57% and 67.3% for Parking fees, Rates, Single business Permits, Billboards and advertisements and Building permits respectively. In general, all the five key streams persistently failed to meet the target set in financial years 2013/14, 2014/15, 2015/16 and 2016/17 (Except Billboards in 2013/14 – 133% and Building Permits in 2014/15 – 104%). Billboards and advertisements has been the best performing revenue stream (amongst the key five) as per targets set whilst building permits has been relatively poor. Further, Land rates have persistently been the largest revenue stream, generating Ksh. 10.27 Billion over the last four financial years.

88. The key five revenue streams portrayed a lackluster performance, with an aggregate of 48.67% of their set targets. Parking fees, Land rates, Single business permits, billboards and advertisement, and Building permits achieved 40.9%, 55.6%, 49.4%, 49.54% and 60% of their targets, respectively. This low revenue performance had a significant impact on county operations.

2.2.1 Rates

89. The land rates, under the current system, are levied based on the unimproved site value. The land rates are based on the provisions of the Rating Act which came into force on 11th May, 1956. The Valuation Roll for Nairobi was last prepared in 1982 and has not been updated since then. The County has approximately 170,000 rateable properties on record. 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 2016/2017 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.

90. 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.

91. Fast tracking completion of the update of valuation roll, enacting Property and Rating Act, updating and digitizing rates records, review of the rates struck downwards, enhancing surveillance and enforcement to eliminate default, abolish routine waivers and invoking relevant laws to enforce collection from National Government are the strategies to raise rates revenues in FY 2018/19 and the medium term.

92. Rates revenue performance in FY 2016/2017 was 41% at Ksh. 2.253 Billion compared to the target of Ksh. 5.5 Billion. There was a decline of Ksh. 847 Million from the previous FY 2015/16 where a total of Ksh. 3.1 Billion was collected. The decrease in rates revenue in FY 2016/17 was a result of revision of the rates struck charged from 34% to 25%. Other reasons include but not limited to poor collection mechanisms, poor rates records and inadequate enforcement. Rates revenue at the end of first half Financial Year 2017/18 was Kshs. 199.853 Million (4% of annual target of Ksh.5.56 Billion).

2.2.2 Parking Fees

93. Parking in the Nairobi County Government jurisdiction is regulated and charged for under The City of Nairobi (Designated Parking Places) Amendment By-Laws 2007. 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.

94. For county government to increase revenue collection from parking fees, the following strategies will be employed; demarcate and expand designated parking space to at least 20,000 in one year; enact a County Parking Act; tap into private parking; upgrade and diversify collection systems through venturing out of the CBD; cleaning database and update records; lower the rate to a maximum of Ksh 200 per day; enhance enforcement capability and supervision; capacity development and staff motivation schemes; deployment of appropriate technology for surveillance and decentralization of parking services.

95. Parking revenue performance in FY 2016/17 was 55.8% at Ksh. 1.974 Billion compared to a target of Ksh. 3.54 Billion. There was an increment of 3.24% from FY 2015/16 where Ksh 2.04 Billion was raised. This increment was mainly due to increased uptake of E-payment. Parking collection up to the end of first half for Financial Year 2017/18 was Ksh. 787.362 Million (22% of annual target of Ksh. 3.575 Billion).

2.2.3 Building Permits

96. The property market, real estate and construction sector is indissolubly linked with the macroeconomics, the economic performance and growth of the country. The real estate sector in the County is rapidly growing; the boom is as a result of increased demand in property market. The index of reported private building works completed in Nairobi City County rose from 369.4 in 2015 to 407.1 in 2016. Table 2.1 below highlights the value of building plans approved and new completed buildings in Nairobi City County for the period 2012 to 2016. The value of reported new buildings completed in Nairobi registered a growth of 7.6 per cent to amount to KSh 76.2 billion in 2016. The value of reported building plans approved increased significantly from KSh 215.2 billion in 2015 to KSh 308.4 billion in 2016, representing an increase of 43.3 per cent (Economic Survey, 2017).

Table 2.1: Value of Private Building Plans Approved and Building Works Completed in Nairobi City County, 2012– 2016

Year	Plans Approved	Ksh Million
		Building Works Completed excluding extensions
2012	135,128.2	43,574.2
2013	190,646.5	52,276.0
2014	205,423.9	59,519.7
2015	215,211.0	70,867.4
2016*	308,361.4	76,242.8

Source: Economic Survey, 2017

*Provisional

97. Considering the growth of property market, real estate and construction sector, the expected county revenue from building permits ought to be much high. In order to enhance revenue from this stream, the government will continuously and enhance use of E-construction by increasing internet connectivity and technical capacity in the sector; increase enforcement of building regulations; devolve building permit services to the sub counties and; enhance sensitization for regularization of developments.

98. Revenue performance from building permits in FY 2016/17 was 49.6% at Ksh. 843 Million compared to a target of Ksh. 1.171 Billion. Compared to FY 2015/16, this revenue stream collection declined by Ksh 328 Million. The decline in revenues from this revenue stream is attributed to prolonged electioneering period; undervaluation as it's based on user own assessment; collusion and evasion, lack of awareness on requirements for building approval, weak enforcement of building standards and regulations, non-disclosure and adherence of county building regulations. Building Permits revenue at the end of first half of FY 2017/18 was Ksh. 209.193 Million (12% of annual target of Ksh. 1.717 Billion).

2.2.4 Single Business Permit (SBP)

99. The single business permits (SBPs) are issued for enterprises that wish to operate within the limits of Nairobi city. The SBP are issued under The City of Nairobi (Licensing of Premises and Trades) By-Laws 2007. These by-laws stipulates the conditions wherein in becomes necessary to secure an SBP and also articulate penalties for non-conformance.

100. Weak enforcement mechanism and high default rate on payment of single business permits has slowed performance of SBP. County government will conduct enterprise and business census to update and clean existing database; enact a Business Licensing Act; separate unified licenses and stagger their due dates and decentralize operations to sub-County and assign competent managers; enhance enforcement and sealing off revenue collection leakages to enhance revenue collection from this stream.

101. Revenue performance from the Single Business Permits in FY 2016/17 was 49.3% at Ksh 1.775 Billion compared to a target of Ksh. 3.6 Billion. There was a marginal decline of Ksh. 15 Million from previous FY 2015/16 where a total of Ksh 1.79 Billion was collected. Business permits underperformance was due to: poor enforcement; 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. Single Business Permits revenue at the end of first half of FY 2017/18 was Ksh. 378.966 Million (10% of annual target of Ksh. 3.636 Billion).

2.2.5 Advertisement

102. The advertising function is enshrined in The Physical Planning Act, 1996 and has been clearly articulated in the said Act in terms of what will be the procedure for display of various advertisements across the city.

103. Currently, there are 699 large format billboards installed in the county. A total of 169 billboards are single sided ranging 12m x 5m; 12m x 10m & 12m x 20m with monthly charges between Ksh. 58,930 and Ksh. 116,930 depending on the zone where the billboards are located. 530 are double sided billboards with monthly charges ranging from Ksh. 71,996 to Ksh. 182,834.

104. In addition, there are several unquantified small format signages installed all over the county. Advertisement has the potential to generate close to Ksh 6 Billion annually if proper systems are put in place.

105. Unreliable data management system, high non-payment of NCC fees by advertising companies, high number of unauthorized billboards on road reserves, competing institutional interests (NCC, KeNHA & KURA), absence of concrete regulatory framework (NCC Outdoor Management Policy), court cases & injunctions, low compliance/enforcement and low staff capacity have slowed performance of advertisement. For the county to increase performance of advertisement, it will seek to develop Outdoor Management Policy, review of fees & charges, collaborate with other state organs to enforce compliance, devolved outdoor advertisement services structures to enhance enforcement, introduce GIS system to capture location of outdoor advertisement structures, re-introduce the annual approval and payment of all large format advertisement and; enhance on-line application system and demand payments directly from the advertising client in case of default.

106. The revenue performance from Bill Boards in FY 2016/17 was 60% at Ksh. 720 Million compared to a target of Ksh. 1.2 Billion. Compared to the Ksh. 663.3 Million collected in 2015/16, there was a slight increase in revenues of Ksh. 56.7 Million (8.55%). Billboards and advertisements has been the best performing revenue stream (amongst the key five revenue streams) as per revenue targets set. Billboards and Advertisements revenue at the end of first half of FY 2017/18 was Kshs. 521.01 Million (43% of annual target of Kshs. 1.212 Billion).

107. Over the years, the following challenges have dogged the county government and have had a negative impact on revenue performance especially local revenues. These challenges are: 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. In the medium term, the internal revenue targets will be met to ensure a predictable and reliable financial flow for proper implementation of county programmes and projects.

2.3 Receivables

108. The total receivable balances for the county as at 30th June, 2017 was Ksh. 298.185 Billion. These balances have 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. In FY 2016/17, the outstanding receivables increased by Ksh. 89.185 Billion (42.69%) compared to Ksh. 61.6 Billion in the previous FY 2015/16. The growth of receivables in FY 2016/17 is largely driven by penalties and interest. Prospects of recovery of receivables by the county government are minimal.

109. In the FY 2016/17, land rates accounted for about 99.11% of all debt balances owed to the County. Parking fees, billboards and H.D.D, sundry debtors, rental fees, way leaves and single business permits debtors accounted for about 0.21%, 0.07%, 0.13%, 0.08 %, 0.21% and 0.18% respectively for the total debts for the FY 2016/17 (See Annex II). The huge outstanding debts in rates are largely attributed to accumulated interest and rate arrears especially from government institutions. The County will continue negotiating with all debtors to ensure payment and will also pursue enforced on payment of the debt owed.

2.4 Debt

110. The provisional debts owed to various parties as at 30th June, 2017 stood at Ksh. 56.616 Billion. The debts increased by Ksh. 7.65 Billion (15.62%) from Ksh. 48.97 Billion in the previous FY 2015/16. Unremitted statutory deductions accounted for 40.66% of the total debts whereas contingent liabilities, loans and overdrafts, creditors, legal liabilities, utilities(KPLC& Water) and unpaid personnel emoluments accounted for about 38.45%, 8.78%, 6.86%, 4.13%, 0.86% and 0.25% respectively (See Annex I). The debt trend has been increasing over the years due to accrual of interest and penalties. Inadequate budgetary allocation for debt servicing has continuously worsened the situation with a net effect of making the debts more expensive.

2.5 Wage Bill

111. The fiscal responsibility principles recommend that the personnel emoluments be less than 35% of county revenue as stipulated in the PFM Regulations. However, the 2016/17 compensation to employees' allocation was Ksh. 13.981 Billion (40.19%) of the total revenue. This was a reduction of 6.33% from the previous allocation in FY 2015/16 of 46.52 % of the total revenue. The allocation for FY 2017/18 is 44.72% of the total revenue and it is projected to be 44.45% in the FY 2018/19. Wage Bill is projected to consume 79.58 % and 80.45 % of the County's projected local revenue in the FY 2017/2018 and 2018/2019 respectively. This is largely attributed to the bloated workforce. The huge wage bill has substantially impacted negatively on county operations and this has prompted the government to pursue undertake a number of measures to bring the wage bill to sustainable levels.

2.6 Assets

112. Proper and prudent asset management is key for determining the net worth of the county. Finalization and operationalization of Asset Management Policy and county asset register will ensure that there is prudent management of county assets. This will culminate in the installation of an asset management system for ease of management and application in the medium term.

113. Lack of a reliable county asset register has been a lacuna that allows for loss of county assets and properties. There is need to seek ways for repossession of lost assets and properties, and prevent further losses through implementation of the Asset Management Policy and adoption of asset management system.

CHAPTER THREE: POLICIES TO ACHIEVE MEDIUM TERM OUTLOOK

3.0 INTRODUCTION

114. The Policies set out in the 2018 CFSP are underpinned by the Governor's stated seven point development agenda that seeks to transform the City in order to:

I. Restore good governance, public safety and security
II. Enhance access to decent and affordable housing
III. Improve access to quality education and affordable healthcare
IV. Improve traffic and city transport management
V. Promotion of an enabling environment for job creation, business growth and wealth creation
VI. Promote environment, water, and sanitation and garbage management
VII. Empowerment of youth, women, People Living With Disabilities and social protection

115. The sustained implementation of prioritized programmes in the CIDP 2018-2022 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

116. 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/Public Participation

117. 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. Public participation and civic education plays a critical role in deepening democracy and promoting good governance and hence the government will be rolling out an elaborate public participation and civic education programmes in order to build capacities for the public to engage in effective participation in governance and development.

3.1.2 Enabling Legislation

118. 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.

119. The government will be working towards reviewing relevant laws especially in Public finance, property, Urban Agriculture, Environment, Education, security and disaster management in order to align them to devolution requirements.

3.1.3 Corruption Eradication

120. 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.

121. The government has fully implemented 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 enhance expenditure control, eliminate cheque chasing by suppliers while promoting transparency and accountability.

3.2 Area (II): Financial Sustainability

122. 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

123. 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 2017/18 target shortfall will stand at about 25-30%.

124. 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.

125. 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.

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

127. As a first step towards restoring fiscal discipline in the County, the requirement of non-expenditure of revenue at source is strictly enforced.

3.2.2 Expenditure and Cost Management

128. 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 2018/19 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.

129. Public procurement will be done in compliance with the Public Procurement and Disposal Act and in conformity with the County's cash flow projections. The County treasury will initiate the issuance of quarterly AIEs to implementing departments and entities to avoid over-expenditure.

3.2.3 Integrated Planning, Monitoring and Evaluation

130. 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.

131. 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.

132. In this regard, a core team of staff have been identified for specialized training on Monitoring & Evaluation and project Planning & Management with support from the World Bank.

3.2.4 Resource allocation & Absorption

133. 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.

134. 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.

135. Facilitating voluntary exit of aged and unproductive workforce will indeed be pursued in the medium term.

136. 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

137. 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

138. 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

139. The government has completed and is in the process of adopting a structure that defines the flow and will be 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

140. We recognize the significant role played by our human capital in delivery of the County Government mandate. 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.

141. Implementation of the 2016 Capacity Assessment and Rationalization Programme (CARPS) report will ultimately ensure right placement, right sizing and sustaining productivity of the County's human capital.

142. The County government will strengthen the existing 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

143. Institutionalization of the results based Approach in all its operations remains a top priority of the County Government for the period 2018-2022. In furtherance of this practice sector plans have been developed, RRI teams constituted and the practice of Monitoring & Evaluation across all departments. All sector performance frameworks and targets will be anchored in the County Integrated Development Plan 2018-2022.

3.4 Area (IV): Physical infrastructure and services

144. An efficient and adequate modern physical infrastructure is key in making Nairobi the preferred destination for both domestic and direct foreign investment. 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

145. Not less than 80% of goods, labour and services in the city use road transport as their mode of movement. Considerable progress has been made in the implementation of road rehabilitation and construction programme and a number of key projects have been completed in the third quarter of the FY 2017/18. 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.

3.4.2 Traffic Management & Decongestion

146. Observed traffic congestion, disorder and pollution associated with motorized transport remains an eyesore in the City. 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.

147. 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

148. 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.

149. Investment in pedestrian walkways, bicycle lanes and other NMT transport facilities will remain a top priority for Government in the medium term.

3.4.4 Energy

150. Green, clean and reliable energy is a pre-requisite for sustainable development of Nairobi. 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.

151. The Government will accelerate the pace for lighting public places, residential areas and transport corridors in order to enhance safety and security of Nairobians. 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

152. The City has remained prone to flooding, infrastructure destruction and transport disruption. We seek to work towards a more resilient City as we confront the severe effects of climate change. 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.

3.4.6 Water & Sewerage Infrastructure

153. We recognize the importance of water in the health of the people. 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.

154. Cognizant that only 42% 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

155. We seek to modernize waste management in the City. 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, development of solid waste management policy, enhancing the capacity for timely collection and disposal of wastes.

156. The government will seek to partner with competent organizations in modernizing the Dandora Dumpsite in order to employ appropriate technology that will add value to waste collected daily.

157. 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

158. A socially cohesive society is key for economic development of the City. 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

159. Access to affordable healthcare services to all is a key pillar of the County Integrated Development Plan 2018-2022. 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. Ongoing infrastructure projects in Health facilities will be given top priority.

160. The City will continue positioning itself as a provider of world class health services. In this regard, strategic investments will be made through the preventive & promotive health programmes which include HIV/AIDS prevention and control, TB control, other communicable diseases including malaria control, reproductive health and promotion of health through improved sanitation and hygiene.

161. An upgrading programme targeting grass root facilities will be pursued in the medium term. Through the Curative care programme, the County Health services sector seeks to improve the health status of the individual and the community at large. In this regard, county referral systems will be improved and enhanced capacity development of personnel in targeted specialized areas.

3.5.2 Education, Children and Youth development

162. 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. Enrolment in formal education centres targets to net 78,000 new learners from informal schools in three years.

163. In the medium term, the government will put up eighty (51) new ECDE centers fully equipped and staffed for enhanced delivery of quality education. Recruitment of an additional 660 ECDE teachers will be a target for the medium Term.

164. 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.

165. 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.

166. 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.

167. 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.

168. The Youth Training department seeks to enhance self-reliance among the Youth through 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. In the medium term, 17 new Youth Vocational Training centres will be operationalized.

169. 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

170. 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

171. Through the Urban Renewal Programme, the County will invest in the development of 28,000 decent and affordable housing units by leveraging on the private sector and improvement of living conditions for people living in informal settlements will be rolled out. In order to meet the housing needs of staff, a County staff housing scheme will be rolled out.

3.5.5. Sports and Recreation

172. 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

173. Nairobi will continue to be a center of cultural diversity for the republic of Kenya. The City prides itself as a center 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. Registration, training and equipping of cultural groups with attires and tools will be pursued in the medium term.

3.5.7 Libraries

174. 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

175. 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.

176. 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

177. The government recognizes provision of security as a direct incentive to prospective investors. 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

178. The City is prone to a number of natural and manmade disasters. These include Fires, 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. Already the government has up scaled the capacity to deal with such occurrences through acquisition of additional equipment for the Fire department. However, there is an observed upsurge in occurrence of emergence cases between the month of December and February.

3.6.3 Emergency services

179. 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 Eastland and informal settlements.

3.6.4 Traffic Management & Parking Control

180. 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

181. 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

182. 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

183. 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

184. 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

185. 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

186. 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.

187. The government will focus on infrastructure improvement in informal settlements. This will be done through joint ventures and public private partnerships.

3.7.3 Agriculture & Livestock

188. 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

189. 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

190. 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.

191. 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

192. 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

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

194. 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

195. 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 PRIORITIES FOR FY 2018/2019

4.1 Introduction

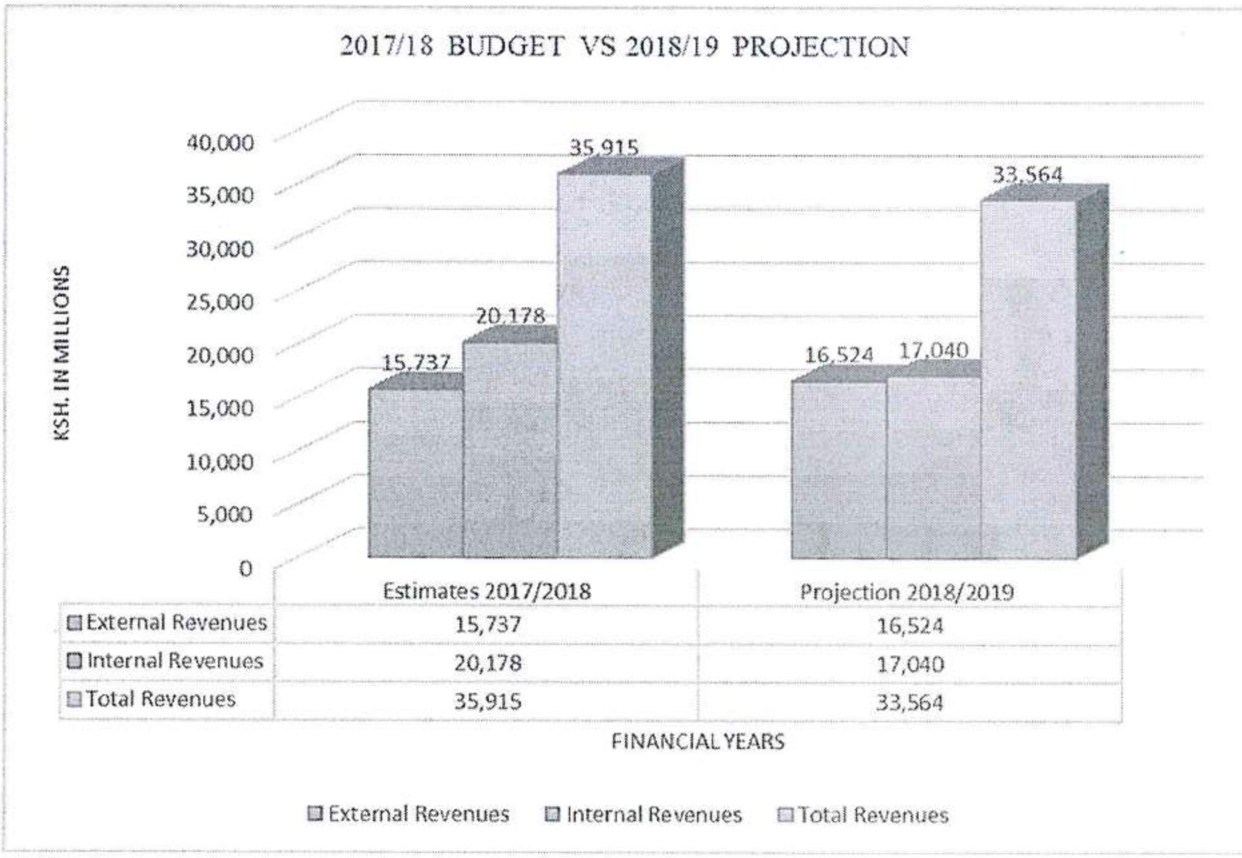
196. This chapter outlines; the County's guiding policy on expenditure, the resource envelope, and the expenditure and revenue projections. It also includes the key priorities for the sectors for the FY 2018/2019 and Ward Development Programme.

4.2 Guiding Philosophy

197. 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

198. During the FY 2017/2018, the county had an approved budget of Ksh. 35.91Billion, which was more than Ksh. 34.46 Billion approved for FY 2016/17. The treasury proposes to revise the budget downward to Ksh 31.2 Billion through a supplementary paper. As the county strives to achieve optimal use of its scarce resources, and to be able to deliver on its mandate while still operating within the financial constraints, the County treasury projects a total budget of Ksh. 33.57 Billion in the FY 2018/2019.

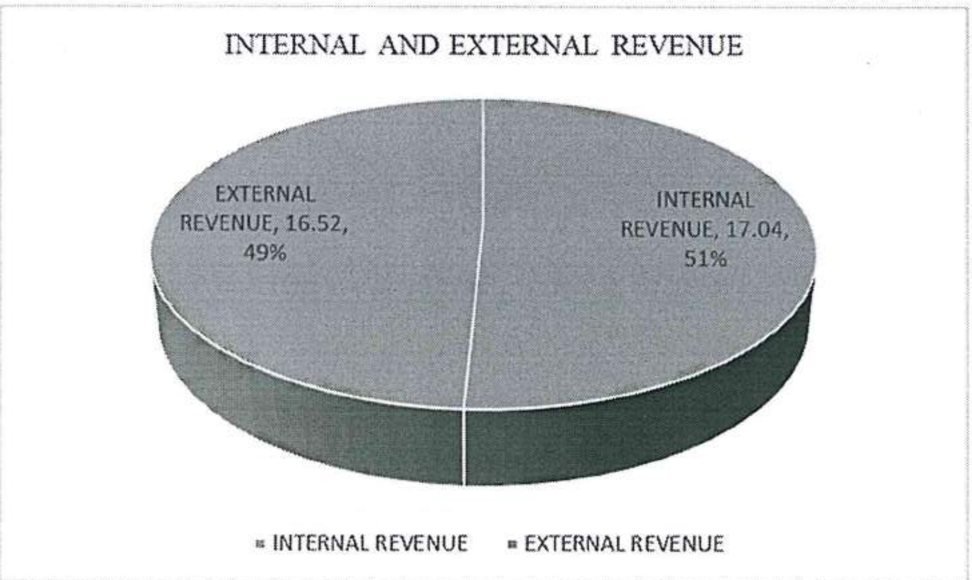


199. The 2018/19 budget will see a 6.55% decrease from the preceding financial year, but an increase of 7.57% compared to the revised 2017/18 budget. This is an effort to ensure a balanced budget, and a response to the reduced internal revenue targets which is lower by 15.55% compared to FY 2017/18. External resources are expected to grow by 5% from the Ksh15.74B estimates of 2017/18.

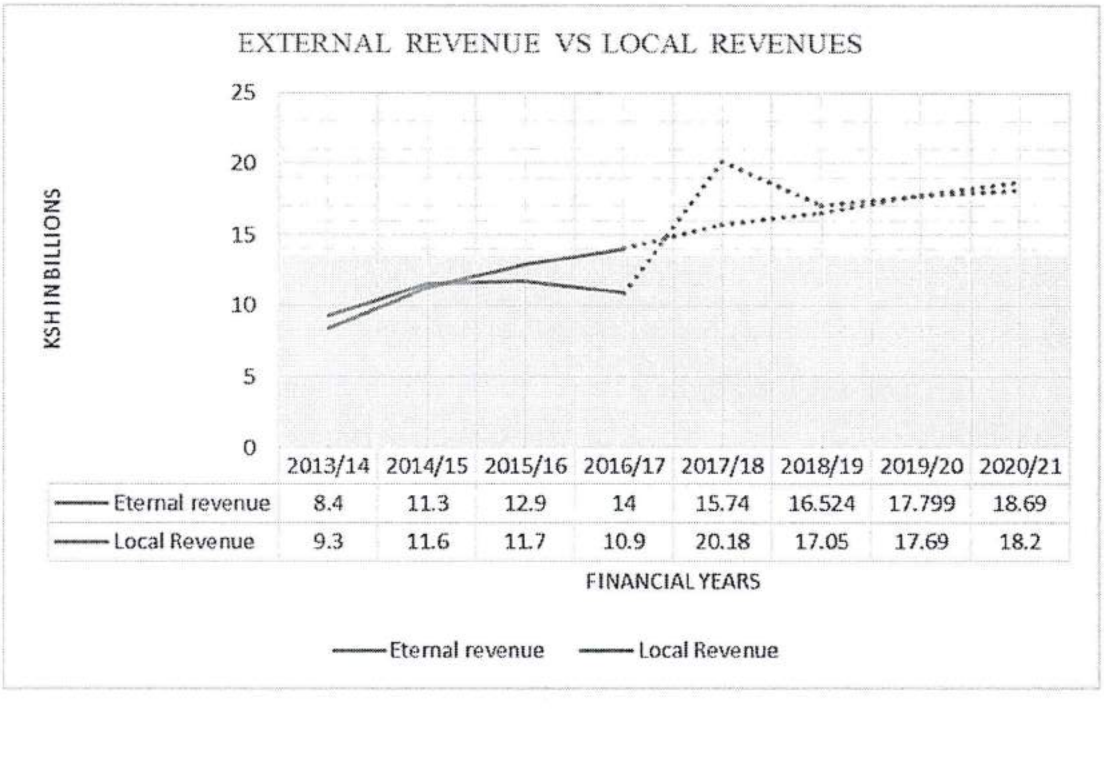
Revenue composition

200. The total county revenue is from two main sources; Internal and external sources, which in turn funds the county activities as per the prescribed functions. Debt may be used to finance any budget deficit. In the FY 2018/19, the external revenue will be marginally outstripped by the revenue generated internally.

Figure 4.1: Sources of Revenue for FY 2018/2019



201. It is expected that both the internal will constitute 51% of total revenue, while external sources of revenue would generate approximately 49% as shown in figure above. Historically, the contribution of these two sources to total revenue have been interchanging.



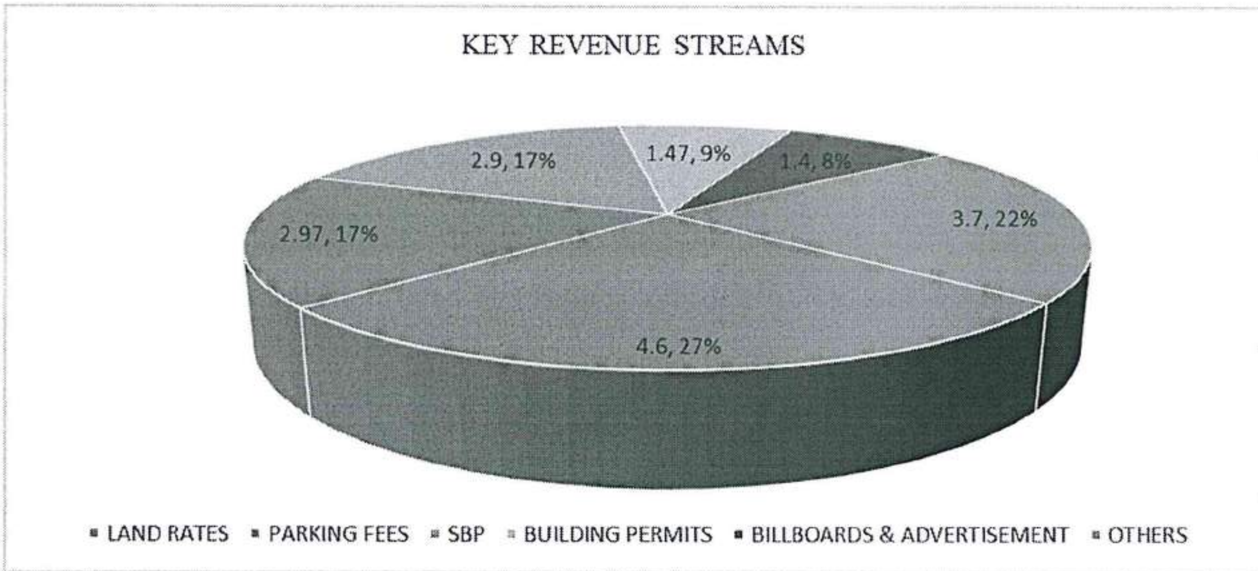
202. Local revenue was above external revenue in FY 2013/14 and 2014/15, but the situation reversed in the FY 2016/17 where there was a huge dip in local revenue. Projection shows that the local revenue will be marginally above external revenue up to 2019/20 but interchange thereafter. It is however essential that the county ensures optimal internal revenue collection has been met to evade the perpetual cash flow crunches.

4.3.1 Internal Revenue

203. Local revenue streams have been underperforming over the years, hence the internal revenue targets for FY 2018/19 have been reduced. The internal sources are expected to generate Ksh 17.04 Billion, a 17.12% reduction from the Ksh. 20.178 Billion targeted in FY 2017/18.

204. The top five revenue streams are rates, parking fees, single business permits, building permits and billboards & adverts. The revenue projections from these key revenue streams in FY 2018/19 are: Ksh. 4.6 Billion, Ksh. 2.97 Billion, Ksh. 2.9 Billion, Ksh. 1.47 Billion and Ksh. 1.4 Billion respectively, totaling to Ksh. 13.34 Billion. This will constitute 78.3% of the total local revenue. All other revenue streams will constitute 21.7% of the targeted local revenue as

Figure 4.2: Internal Sources of Revenue by Streams



205. From figure 4.2 above, rates will contribute the highest percentage of internal revenue at 27%, followed by SBP and parking fees at 17% each. Revenue from building permits, and billboards will constitute 9% and 8% of local revenue respectively. All other internal revenue sources will generate an equally significant proportion of the total expected, cumulatively 22% of total.

4.3.2 External Revenue

206. The external sources are projected to raise Ksh. 16.523 Billion of which Ksh 15.794 Billion will be from equitable share, Ksh 729.84 Million will be from **Conditional grants** including; leasing of medical equipment, compensation for user fees forgone, rehabilitation of village polytechnics and road maintenance levy.

207. There is an increment of 2.54% on equitable share and 3.88% on compensation for user fees forgone for the fiscal period 2018/2019. The largest contributors to conditional grants will be roads maintenance levy and lease of medical equipment at Ksh 415.9 Million and Ksh.200M respectively.

Conditional Allocations

1. **Leasing of Medical Equipment**

208. The County is eligible for a conditional allocation for Leasing Medical Equipment of Ksh. 200 Million which translates to 2.13% of the national allocation for this category of Kshs. 9.4 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.

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

209. The total allocation for the entire country will be Ksh. 415.85 Million which is 0.5% of the entire national allocation to this category.

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

3. **Health Sector Support Fund**

210. 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. Allocation towards health in FY 2018/19 will be a minimum of 21% of total budget to ensure that the sector benefit from donor funding.

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

211. 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. The County is allocated a conditional allocation for this category at Ksh. 79.4 Million which translates to 8.82% of the total national allocation.

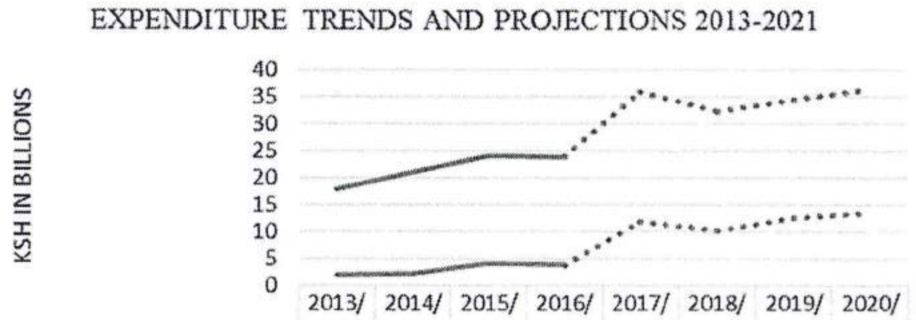
4.4 Expenditure Review and 2018/19 Projection

212. In the financial year 2016/2017, Total revised budget amounted to Ksh. 34.8 B. However, total receipts amounted to Ksh. 25.8 B and total expenditures amounted to Ksh. 25.2 B; a deviation of 28% from the target. The shortfall of internal revenues by over 44% had a significant impact on the cash flows and therefore the absorption of the overall budget.

213. The 2017/18 approved estimates were Ksh 35.91 B., and the absorption rate as at the end of second quarter was 29%. Development expenditure stood at 4% whereas the recurrent absorption rate was 41%.

214. Expenditure for the FY 2018/2019 is projected to be Ksh. 33.569 B of which 30% will be channeled to development whilst 70% will be utilized for recurrent expenditure. Total expenditure is projected to be Ksh. 34.51 B and Ksh. 36.23B in FY 2019/20 and 2020/21 respectively.

Figure 4.3: Expenditure Trends 2013-2017 and Projections 2017-2021



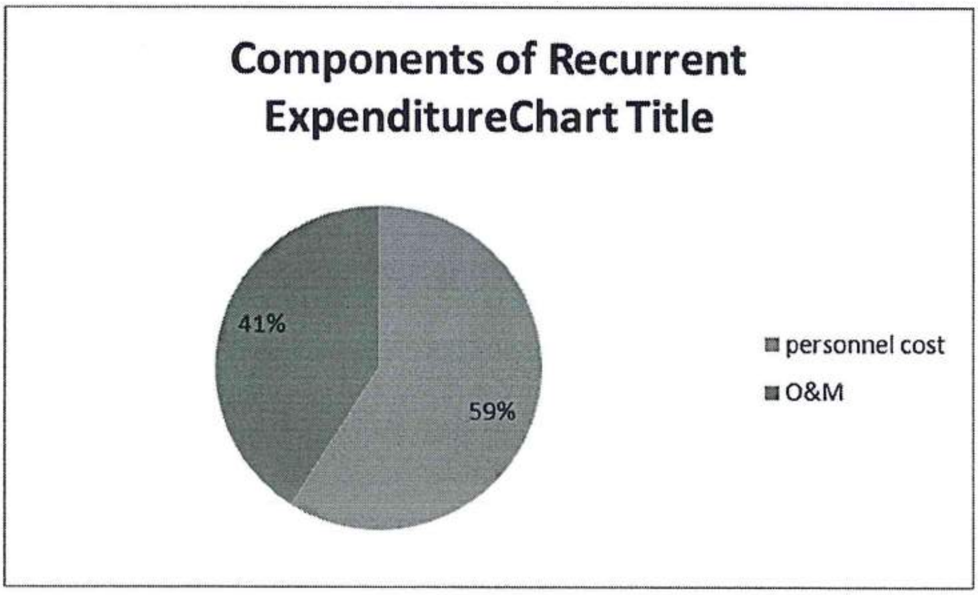
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Recurrent Budget	15.9	18.724	19.78	20.16	24.12	22.02	21.95	22.82
Development Budget	1.97	2.3	4.17	3.78	11.79	10.18	12.56	13.41

4.4.1 Recurrent Expenditure

215. The key recurrent expenditure items include: Personnel Emoluments; Operation and Maintenance; Debt repayment and Emergency fund. In the financial year 2016/17, the recurrent expenditure was Ksh 20.16 Billion, while for the FY 2017/2018, the approved recurrent expenditure is Ksh 24.12 Billion but is however being proposed to be increased in the supplementary budget to Ksh. 24.43 Billion, to cater for insurance resource needs which were insufficiently budgeted for in the approved budget.

216. The total recurrent costs for the FY 2018/2019 are projected at Ksh 23.448 Billion, an 8.7% drop from the current financial period approved allocation. This constitutes Ksh. 13.83 Billion for Employee cost and Ksh. 9.615 Billion for use of goods and services.

Figure 4.4: Recurrent Expenditure by Category for FY 2018/2019



Employee Cost will account for 59% of the recurrent cost while O&M will consume 41%. The Employee cost will consume 41% of the total budget..

Emergency Reserve

217. In the FY 2017/2018, the county allocated Ksh. 80 million towards emergency reserves. The county has seen an increase in emergencies which requires rapid response, such as fire, floods, and cases of collapsed buildings. To enhance preparedness and ensure prompt response to disasters, as well as mitigating on the effects of any unforeseen cases, the county treasury proposes to increase this reserve to Ksh. 131 Million in FY 2018/2019 which is 45.56% increment from the allocation of FY 2017/2018.

Debt resolution

218. The total county debt stood at Ksh. 56.52 Billion at close of FY 2016/17 (Financial statement 2016/17), and estimated at Ksh. 60.17 Billion (Quarterly financial statements). Huge resources are always set aside for debt resolution to slow down the growth rate of debt. Pending bills from sectors arising from the 2017/18 shall be declared and accommodated in the 2018/19 budget for proper resolution planning of debt.

4.4.2 Development Expenditure

219. The fiscal responsibility principles stipulated by section 107 (2) of the PFMA 2012 requires counties to allocate not less than 30% of their budgets towards development, over the medium term. Achievement of this for the county has been elusive, as the development allocation is usually reduced by a huge margin in the supplementary process. This is detrimental to achievement of development in the county. The county allocated 33% of its budget towards development in FY 2017/18, which is projected to be Ksh. 10.18B (30.1 %) in FY 2018/19.

4.5 KEY PRIORITIES FOR THE 2018/2019 MEDIUM TERM BUDGET

220. The budget estimates for the FY 2018/2019 shall be based on the priorities outlined below which are guided by the County Integrated Development Plan 2018-2022, County Strategic plan 2015-2025 and Kenya vision 2030. These priorities also took into considerations public priorities which were identified through vigorous and extensive public consultation forums. These priorities will aim at regenerating the city, in order to accrue shared prosperity for all.

4.5.1 Enhancing County Growth through the Physical Infrastructure and Productive Sectors

221. The key sectors under this category are; Public Works, Roads & Transport; Energy, Water, Environment & Natural Resources; ICT; Agriculture, Livestock & Fisheries.

The success of both county operations and public activities depend on the spatial wellbeing and infrastructural suitability. The County continuously prioritizes physical infrastructure and productive sectors due to their key enabling ability to the functioning of all other sectors. In FY 2018/19, the County will invest heavily in infrastructure development which in turn will increase production, access to essential services and overall economic development. Ongoing physical infrastructure development will be prioritized, accompanied by rehabilitation and maintenance of existing infrastructure, before undertaking new infrastructure development.

222. Agriculture, livestock and fisheries which falls under this category has not been receiving sufficient attention as it deserves. Investing in agriculture not only achieves economic growth but also ensures food security, job creation, income generation and overall poverty reduction. It has major linkages to manufacturing, distribution and other service related sectors. The potential of urban agriculture has not been fully tapped in Nairobi. The County therefore aims at raising agricultural productivity and increase commercialization of agriculture by providing adequate support to crop, livestock and fisheries development, value addition to agricultural produce, extension services and promotion of agro based industries in the county.

223. To deliver on its function of providing sufficient water for all and proper sanitation services, the county will invest in the development and expansion of water infrastructure, enhancing sewerage services and improve efficiency and effectiveness in in waste management processes.

4.5.2 Improving Service Delivery and promoting Human Development through the Governance, Social and Service Sectors

224. The key sectors under this category are; Devolution and Public service, Health, Education sectors and Housing. In line with the with social pillar of Vision 2030 and MTP III targets, and the governors manifesto, these sectors are key in defining citizens way of life and access to government services.

225. 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; while adhering to the principal of leadership and integrity. 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.

226. The county shall invest sufficient resources to urban planning lands and housing sector in a quest to ensure spatial order, proper land management, and decent housing for all. Housing sector, in collaboration with the national government and other partners, will aim at bolstering housing development 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.

227. The health sector is key to ensuring a healthy and productive population; that can fully participate in and contribute to other sectors of the economy. Strengthening service delivery is crucial to the attainment of the County's strategic objectives and health outcomes. Health services are delivery at community level, at primary health care level (health centers and dispensaries) and in the county referral hospitals. The Kenya Essential Package for Health (KEPH) integrates all health programs into a single health package in order to improve the health of the population in the different stages in their life cycle at each health service level. The County shall ensure provision of equitable and affordable healthcare at the highest affordable standards with emphasis on continuous and sufficient supply of appropriate medicines and related medical materials and equipment. In the medium term, providing preventive and promotive health care, curative care, upgrading and rehabilitation of health centers, improving ambulatory services remains a key priority of the county. This will be boosted by continued investment in training of health professionals and improvement of the working conditions of medical practitioners.

228. 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 Strengthening the Economic sectors for prosperity

229. The economic sectors include; Trade, Industrialization & Cooperative, and Finance & Economic Planning.

Trade sector has huge 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.

230. In the medium term, markets diversification will be strategically sought in tandem with provision of conducive environment for business and boosting 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.

231. 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. This will enable the sector to coordinate revenue mobilization and settle county debts.

4.6 KEY SECTOR PRIORITIES AND CEILINGS FOR FY 2018/19

4.6.1 Transport, Infrastructure & Public Works

232. In FY 2018/19, the sector priority will be to enhance pedestrian safety and connectivity through construction and maintenance of roads and drainage infrastructure. Completion of ongoing road works will be targeted as key to free implementation of new projects. To guide this, a transport and drainage infrastructure development plan, Asset Management System and Road Safety Policy and Strategy will be developed. A storm water drainage master plan and implementation of critical storm water drainage investments and other flood mitigation will be done.

233. The sector will also seek to improve traffic flow in the county through construction and maintenance of public transport facilities, NMT facilities, traffic management facilities and parking development. A Transportation Master Plan that will include public transport master plan, NMT master plan, and intelligent transport system master plan will be developed for this to be achieved.

234. For actualization of the above priorities, the sector shall focus on improving the capacity of its staff through recruitment of technical staff and skills development. Procurement of tools, plant and equipment will be done, and appropriate technologies and tools will be adopted.

235. To enhance the implementation of the sector priorities for FY 2018/19, the sector will be allocated a total budget of Kshs.5.402 Billion. The recurrent expenditure will take Kshs. 902.29 Million (17.69% of the sector budget) and the development expenditure will take Kshs.4.5 Billion (83.31% of total sector budget). This allocation includes funds from conditional allocation of Kshs. 416M for Road Maintenance levy.

4.6.2 Health Services

236. Preventive and promotive health services are the first priority in this sector. To achieve this, the top causes of morbidity (respiratory diseases, diarrhea, skin diseases and Urinary Tract diseases) will be given the priority. The sector will also work towards; reducing the HIV/AIDS risk factors, reducing TB and other communicable conditions including malaria, and promote Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH).

237. The sector will also seek to halt and reverse the rising burden of Non-Communicable Conditions (cancer, diabetes, hypertension and others) which account for at least 50% of inpatients in Nairobi. Therefore the allocation will be made towards promotion of advocacy and social mobilization, prevention which will be done through the use of community health volunteers and purchase of Non Communicable Diseases (NCDs) drugs. The sector will also work toward reducing the cases of sexual violence by procuring 100 rape kits and post rape care (PRC) forms per Sub County during the FY 2018/19.

238. The sector will also give a priority in the mobilization of community to take NHIF cover which will enable the public to seek treatment in private facilities and thus reduce strain on the county health facilities. In addition, the population seeking treatment in county health facilities using NHIF will be an income to the county since NHIF will pay for the service. Therefore the funds will be allocated for NHIF policy formulation, advocacy and mobilization. A pilot project in supporting 50 very needy households per ward through enlisting and making monthly contributions towards the National Hospital Insurance Scheme to enable members of the very poor households access medical services through the scheme will be carried out in the medium term and expanded progressively as a social safety net.

239. Curative care is the next priority area that the sector will focus on. Provision of these services will require huge resources which will be utilized 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 health commodities, recruitment of 15 doctors and 81 specialized nurses, promotion of common cadre staff, training of nurses and doctors, rehabilitation, equipping and fencing of health facilities.

240. Efforts will be made to enhance monitoring and evaluation services with an aim to improve service delivery at the same time providing supportive function to the County health sector. Improvement of working conditions for the staff and skills development will also be undertaken to boost morale of the health providers.

241. To achieve the sector priorities for FY 2018/19, the sector will be allocated a total budget of Kshs.6.976 Billion. The allocation for recurrent expenditure will be Ksh. 5.975 Billion (86% of sector budget) and that for development expenditure will be Kshs.1.001 Billion (14 % of sector allocation). This allocation includes funding from compensation for User fees forgone of Kshs. 79M.

4.6.3 Trade, Commerce & Industry, Tourism, Cooperative Societies

242. The strategic objectives of the Sector is to promote trade and investment through; Creating an enabling environment for domestic and international trade and investment; providing adequate business space for traders; promoting compliance with cooperative legislation; improving effectiveness in issuance, control and regulating business licensing; provide effective Legal Metrology and consumer protection; and promoting tourism development within the county.

243. To achieve its strategic objectives in FY 2018/19 the sector will seek to: Promote trade development and market services through construction and rehabilitation of markets, enactment of Trade Act, zoning of trading areas, enhancement of management and governance in markets through capacity building and conflict resolution, provision of loans for small traders 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 of weighing and measuring equipment, calibration of county legal metrology standards and construction of weights and measures laboratory; regulate and control of betting, gaming and lotteries.

244. 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.

245. For FY 2018/19, the sector will be allocated a total budget of Ksh. 896.8 Million for which the recurrent expenditure will be given Ksh. 505.8 Million (56.4% of total sector budget) while as the development expenditure will be given Kshs.391 Million (43.6% of sector budget).

4.6.4 Urban Planning, Housing and Lands

246. For the FY 2018/19 will seek to: Provide decent, affordable and adequate housing to Nairobi residents while enhancing socio – economic empowerment by implementing the programme of urban renewal. The county intends to construct 48,000 housing units by 2022, thus ground setting will be done in the first year of the CIDP to enable this development by; acquiring technical consultancies, facilitating the development of Eastlands urban renewal master plan and identifying developers for development.

247. To ensure spatial order in the county, urban planning department will develop and implement development control policies and guidelines, prepare integrated area plans, prepare SEA related plans to embed environmental aspects into urban planning, implement the physical address system, implement outdoor advertisement act and regularise development. Issuance of occupation certificate, surveillance and audit of buildings for safety will be continuously undertaken.

248. For proper land management, the land sub sector will continuously survey county properties, allotted properties and properties in site and service scheme. Security of tenure will be promoted by regularization of county lands and land buying companies. The sector will also seek to expansion the GIS database and implement the valuation roll.

249. To enhance the implementation of **Urban Planning and Lands** priorities for FY 2018/19, the sub-sector will be allocated a total budget of Ksh.575.6M. The recurrent expenditure will take Kshs.375.6M (65.25 % of total sector budget) and the development expenditure will take Kshs.200M (34.75 % of total sector allocation).

250. To enable **Urban Renewal and Housing sector** to effectively spearhead the envisaged urban renewal programme, a total budget of Ksh. 518.24M will be allocated, consisting of Ksh. 100.64M (19.4% of total sector budget) for recurrent expenditure and 417.6 Million (80.6% of total sector allocation) for development expenditure.

4.6.5 Agriculture, Livestock & Fisheries Forestry & Natural Resources

251. The overall goal of the sector is to attain food security for all, employment creation, income generation, poverty reduction and ensuring sustainable agricultural land use.

252. To achieve its overall goal in FY 2018/19, the sector will continue efforts 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. This will be achieved through installation of greenhouses and water tanks, installation of dripping kits in institutions, establishment of multi storey gardening units, and promote livestock production and processing by providing linkages and collaborations among value chain actors. Construction of poultry units; rabbit hatches; fish ponds; animal clinic; will also be done

253. Further, the sector will: 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.

254. With regard to this, the sector will be allocated a total budget of Ksh.654.75M in the FY 2018/19. The recurrent expenditure will take Ksh. 459.75M (70% of total sector budget) and the development expenditure will take Ksh. 195M (30% of total sector budget.

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

255. 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 as well as enhance stakeholder's relationship for partnership in infrastructure development. The bursary scheme will be implemented, teaching/learning material for ECDE will be distributed, and teachers trained on new curriculum, to improve access and quality of education.

256. The sector will also: 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, establishing homes for the elderly and; Improve lives of street children through the completion of the Ruai street children centre and collaborating with other development partners.

257. 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 2018/19. The sub-sector harness talents by organizing sports tournament and ensuring teams have enough sports gear. The city stadium will be renovated to ensure it meets the required standards for games. 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.

258. To enhance the implementation of the sector priorities for FY 2018/19, the sector will be allocated a total budget of Kshs.1.899 Billion. The recurrent expenditure will take Kshs.1.599 Billion (84.2% of total sector budget) and the development expenditure will take Kshs.300M (15.8% of total sector budget).

4.6.7 ICT, E-Government and Public communication

259. The main objective of the sector is to promote optimal ICT use in the county and automate county services. This sector will be key in achievement of other sectors programmes as most of them seek to automate their services by the end of implementation of the CIDP 2018-2022.

260. In the FY 2018/19, the Information, Communication and E-Government sector will; develop and adopt ICT policies and legal framework, undertake business re-engineering process to all service delivery areas, acquire business application system, enhance electronic payment system platform, Construct a county data centre, build a structured cabling WAN/LAN, and install an information security application. The sector will also train staff on information security, brand county facilities and office, and disseminate information to the public through various media platforms.

261. For the implementation of the sub-sector priorities for FY 2018/19, the sector will be allocated a total budget of Ksh. 470.58 Billion. The recurrent expenditure will take Ksh. 270.58 (57.5% of total sub-sector budget) and the development expenditure will take Kshs.200M (42.5% of total sub-sector budget).

4.6.8 Finance and Economic Planning

262. The finance and economic planning sector is charged with the responsibility of ensuring prudent, financial managements of financial resources, formulating fiscal economic and fiscal policies to facilitate socio-economic development, resource mobilization and control of public finance resource. For the sector to achieve its mandate in FY 2018/19, and enable adherence to public financial management principles, the sector will; enhance revenue collection through efficient and effective revenue collection system and increased enforcement and compliance; strengthen policy formulation, planning budgeting and implementation of CIDP and Nairobi City County Strategic Plan 2015-2025; enhance evidence based decision making for socioeconomic development through conducting feasibility studies, economic surveys and development of county statistical data management system; and improve tracking of implementation of development policies, strategies and programmes.

263. For achievement of the above, the sector will; improve work environment and enhance staff mobility, automate asset management, ensure efficient and effective budget formulation and control, decentralize financial and planning services, strategize on debt management, enhance statistical development capacity, engage an integrated revenue management system in revenue collection, and improve project monitoring and evaluation in the county. Further, the sector seeks to strengthen County Budget and Economic Forum CBEF to discharge its functions through provision of a budgetary allocation.

264. The sector will be allocated, a total budget of Ksh. 2.99 Billion for FY 2018/19. The recurrent expenditure will take Ksh. 2.877 Billion (96% of total sector budget) while the development expenditure will take Kshs. 115M (44% of total sector budget).

4.6.9 Environment, Energy, Water & Sanitation

265. This sector's priorities in FY 2018/19 are: improvement of solid waste management through provision of efficient waste management services; from source to site, through implementation and review of Integrated Solid Waste Management Plan (ISWMP) and development of solid waste management policy. The sector will strategize on efficient waste collection and transportation through zoning of waste collection operation areas, introduction of formal contracts between private waste collectors, CBO's and resident associations, waste recycling, improve accessibility and drainage in Dandora dumpsite, and procure additional waste trucks, machineries and equipment, capacity building of youth groups and CBO's on solid waste management and awareness creation and public participation in environment matters to the Nairobi residents. Further, the youth empowerment programme will be implemented to empower youth economically in solid waste management; enactment and enforcement of Solid Waste Management Act, environmental laws enhanced, and waste energy initiative launched. Through a joint venture/PPP initiative, the County will seek to realize the benefits of an Energy from waste initiative that will transform Dandora Dumpsite modernized into a centre of production using waste as the primary raw material.

266. To enhance the aesthetic appeal of the City, landscaping and civil works for beautification and greening will be done. Environmental beautification will be routinely done through maintenance of ornamental plants, flowers and grass, management of parks, planting of tree seedlings and establishment of new gardens.

267. To address the issue of pollution, the sector will procure air quality machinery for monitoring, and surveillance will be enhanced to reduce both water and noise pollution. Pollution control will be implemented in collaboration with other partners.

268. The water subsector in FY 2018/19 will seek to conserve and protect water resources by: enhancing 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. To improve access to water and sanitation services the sector will seek to increase water supply in the city by drilling boreholes and extension of water system; and improve sanitation by expanding sewer lines and sewer systems; construct sewer systems especially in informal settlement areas and; increasing the number of public toilets in the county.

269. With regard to the implementation of the sector priorities for FY 2018/19, the sector will be allocated a total budget of Ksh. 2.095 Billion. The recurrent expenditure will take Ksh. 1.395 Billion (67% of total sector budget) and the development expenditure will take Kshs.700M, (33% of total sector budget).

4.6.10 Devolution, Public Service and Administration

270. The administration sub sector will seek to: improve work environment by office restructuring into open space offices and also rehabilitating washrooms, and also provide adequate office space at both the sub county and ward levels. Fleet acquisition will be done to enhance mobility and two modern receptions will be created at city hall to improve customer service. A functional public participation framework will be developed to smoothen public participation process in the county. Review and implementation of Public Participation Act of 2015 will be done in the medium term. Further, sectors will develop work plans and allocate adequate resources for public participation in their line budgets.

271. In Management and development of the human resource, Human Resource policy and procedure manuals will be developed and a biometric registration of staff will be set up and identification cards issued. The CARPS report will be implemented to ensure proper matching of skills and qualification to job placement. Digitization of personnel records will done, HRM offices renovated and a customer satisfaction survey conducted. In an effort to reduce the wage bill and a transformation of the public service, a voluntary early retirement programme will be launched, and a Ksh. 1 Billion kitty will be dedicated towards this for the next five years. Training needs assessment will be done and capacity building/sensitization/training programmes rolled out. Culture change programme will be implemented and an internship programme rolled out to equip students with work related skills. The HR center will be renovated and equipped, performance management and appraisal undertaken, public participation policy implemented and a County Huduma center established in 2018/2019.

272. The County Public Service Board will continuously promote best labor practices in recruitment, allocating, motivating and effectively utilizing human resources for improved public service delivery and promote public service integrity. The board will ensure timely posting of appropriate staff to meet sector capacity needs.

273. To provide audit assurance, consulting and advisory services designed to add value and improve Nairobi City County's operations, a modern resource center on internal audit will be operationalized and maintained, and risk awareness training will be conducted amongst staff. The county risk register will also be updated.

274. Security, Compliance and disaster management sub-sector will continuously enforce county Laws and other Acts of Parliament, provide security services (guarding) to county properties and installations, investigate crimes related to the County, manage disasters and ensure participation in national parades. The sector will purchase specialized equipment and tools, carry out skills enhancement of staff, collect intelligence, and improve work environment for the employees. Further, the subsector will enact Inspectorate Act to streamline security and compliance services.

275. To improve fire rescue services, a disaster information and management center will be developed, boreholes will be sunk in fire sub stations to supplement water supply, and fire sub stations will be created to hasten response.

276. To improve inspectorate services, specialized vehicles will be purchased to improve supervision, staff training will be done, and office space for sub county commanders will be created, and communication gadgets will be purchased.

277. The legal affairs department provides quality legal service to the county, and offers appropriate legal advice towards having citizen's favourable county laws. The city court cells will be renovated, and county courts services will be decentralized to ensure timely dispensation of justice. Transportation of prisoners will be improved by purchasing a prison bus and appropriate legislation will be developed.

278. To enhance the implementation of the **Public Service Management & Reforms** priorities for FY 2018/19, a total budget of Ksh. 2.508 Billion will be allocated. The recurrent expenditure will take Ksh. 2.408 Billion (96% of total sector budget) and the development expenditure will take Kshs.100M (4% of total sector budget).

279. The **County Public Service Board** will be allocated a total budget of Kshs.76.5 M for the implementation of their sector priorities and service delivery. The recurrent expenditure will take Kshs.61.5 M (80.4% of total sector budget) and the development expenditure will take Kshs.15M (19.6% of total sector budget).

280. The **Governor's office** will be allocated a total budget of Kshs.5.312 Billion to actualize its priorities. The recurrent expenditure will take Ksh. 4.893 Billion (92.1% of total sector budget) and the development expenditure will take Kshs.419M (7.9 % of total sector budget).

4.7 County Assembly

281. 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.

The strategic objectives for the CA in the FY 2018/19 will be geared towards building capacities for effective legislation, representation and oversight. Specifically, this will be achieved through:

1. Enhancing the legislative process of the Assembly
2. Strengthening capacity for oversight
3. Enhance systems and structures for effective representation
4. Development of effective management structures, systems, policies and procedures
5. Empowerment of County Assembly service.

6. Development and upgrade of Infrastructure and facilities
7. Enhancing Capacities for Transparency and accountability in financial planning.

282. 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.

283. For FY 2018/19, County Assembly will be allocated a total budget of Ksh.1.860 Billion. The recurrent expenditure will take Kshs.1.585 Billion (85.21% of total allocation to the Assembly) and the development expenditure will take Kshs.275M (14.78 % of total allocation).

4.8 Ward Development Programme

284. The ward development programme is aimed at reducing disparities in resource allocation and development among wards and will constitute 5% of the total county budget. The projects to be implemented under this programme will be ward based depending on the priorities of individual wards.

285. The total allocation for this programme for the FY 2018/19 will be Ksh.1.25 Billion. Ksh. 37.5M (3% of total programme allocation) and Ksh. 1.213 Billion (97% of total programme allocation) will be allocated for recurrent and development expenditure respectively.

4.9 MTEF PUBLIC PRIORITIES FOR 2018/19

4.9.1 Transport, Infrastructure & Public Works

286. 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.

287. 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.

4.9.2 Health services

288. 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 2018/19 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 medical commodities 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.

4.9.3 Trade, Commerce & Industry, Tourism, Cooperative Societies

289. 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.

290. For intervention for FY 2018/19 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, reduce 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.

4.9.4 Agriculture, Livestock & Fisheries Forestry & Natural Resources

291. The following were the public priorities for 2018/19; 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.

292. The public proposed the following interventions for FY 2018/19 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.

4.9.5 Urban Planning, Housing and Lands

293. 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 2018/19 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.

294. 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.

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

295. 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 2018/19 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.

296. 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.

4.9.7 Finance and Economic Planning

297. The following were the public priorities for 2018/19; 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.

4.9.8 Water, Environment and Natural Resources

298. 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.

299. The proposed intervention for FY 2018/19 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.

300. 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.

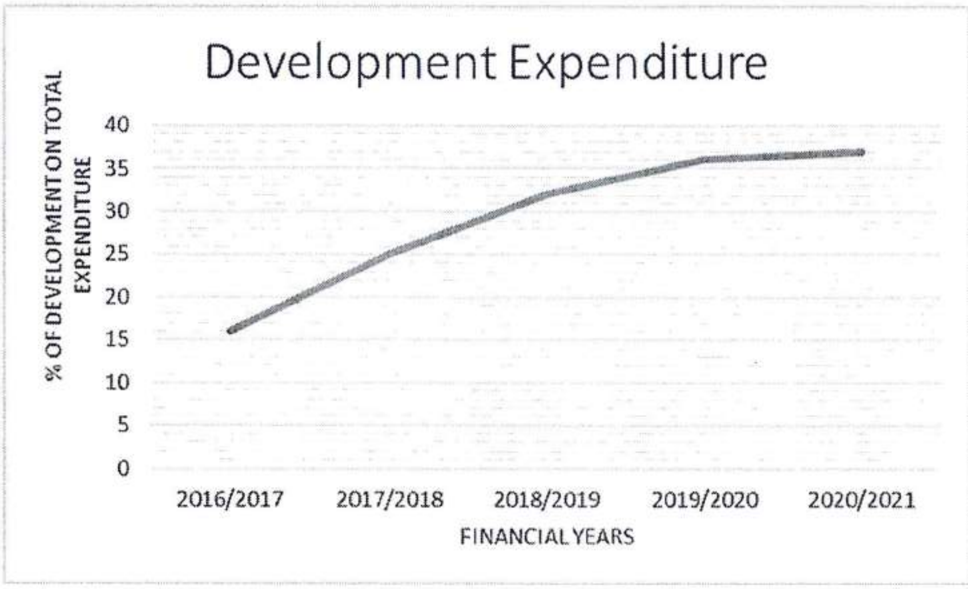
CHAPTER FIVE: FISCAL RESPONSIBILITY AND FISCAL RISK

5.1 Fiscal Responsibility Principles

301. 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:

302. That the recurrent expenditure shall not exceed the County government's total revenue. In this regard, the county government shall put austerity measures to ensure that recurrent expenditure shall not exceed the total revenue. The county of Nairobi has conformed to this PFM Act 2012 in that in 2016/2017 total revenue was 25.780billion while recurrent expenditure was 21.079 billion,2017/18 the total revenue was 30.475 billion while recurrent expenditure was 22.957 billion,2018l19 the total revenue was 32.2 billion while the recurrent expenditure was 22.204billion,in 2019/20 the total revenue was 34.504 billion while the recurrent expenditure was 21.945 billion .In 2021l2021 the total revenue was 36.229 billion while the recurrent expenditure was 22.821 billion. In order to sustain this trend the county should reduce the foreign and local travels, reducing operations and maintenance expenditures as well as reducing unnecessary expenditure by various sectors.

303. That a minimum of thirty percent of the county governments' budget shall be allocated to the development expenditure. 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 35.91B out of which 11.787 B will go to development budget which translates to 33 % of the total budget. The line graph below shows the projected development expenditure in percentage of the total budget as from 2017/18, 2018/19, 2019/20 and 2020/21.These are 16%, 25%, 32%, 36% and 37% respectively.



Source: Nairobi county government fiscal projections FY 2017/2018 to 2020/2021

304. 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**.** 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. The following bar graph below shows the percentage trend on projected salaries/wages on total revenue of the county as from 2016/2017 to2020/2021 respectively. From the bar graph there is a declining trend.

Source: Nairobi county government fiscal projections FY 2017/2018 to 2020/2021

305. In 2016/2017 the salary and wages were 52% of total revenue, 2017/2018 was 50% of total revenue, 2018/2019 was 43% of total revenue, 2019/2020 was 36% of total revenue, 2020/2021 was 35% of total revenue. Actually the county should strictly maintain the 35 % ceiling of the expenditure on salaries/wages and the following strategies should be implemented to curb any bloated wage bill curb wage bill; **Payroll cleansing**. The payroll master should ensure that all the employees who are deceased and dismissed are struck out of the payroll to avoid bloated unnecessary expenses; **Adoption of technology**. The county should embrace technology to replace some aspects of human labor e.g. using machinery to carry out environmental duties like slashing and maintaining lawn in the county. This will save the county a lot of money which could have been paid to casual workers and; **Outsourcing cheap labor instead of employing or capacity building**. It is far much cheaper for the Nairobi County to outsource labor rather than employing or do capacity building. Employing new employees would cost the county a lot of money rather than outsourcing. Preparing a sendoff package to motivate early retirement of less productive staff also proper and efficient management of hiring of casual labor and consultancies.

306. 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. 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.

307. The County debt shall be maintained at a level sustainable level as approved by the county assembly. In 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. For the money owing to Kenya Revenue authority and other statutory bodies, the county should also enforce principles of finance management so as to avoid huge accruing interest rates. The Nairobi city county should have a negation plan with the KRA and other statutory bodies to scrap all the penalties.

308. The county is enhancing more revenue collection in various revenue streams through use of technology like Jambo pay. In the financial year 2016/2017 the county realized 25,780billion shillings though the figure for budget was 34,098 billion shillings. The projections of budget for 2017/2018, 2018/2019, 2019/2020, 2020/2021 will be 30.475, 32.2, 35.504 and 36.229 billion shillings respectively.

Table 5: Historical debts owing by Nairobi City County

SUMMARY OF NAIROBI CITY COUNTY UNAUDITED LIABILITIES (DEBTS)		
AS AT 31ST DECEMBER, 2017		
	ITEM DESCRIPTION	**31ST DECEMBER, 2017**
1	**STATUTORY BODIES**	
a)	KRA (PAYE)	4,142,338,966
	KRA PAYE - PENALTIES & INTEREST	409,880,522
	KRA(VAT)	226,290,346
	Sub-total KRA	**4,778,509,834**
b)	**NSSF**	**470,808,346**
c)	LAPTRUST-Principal	6,337,680,132
	LAPTRUST-Penalties & Interest	3,790,746,149
	Sub-total Laptrust	**10,128,426,181**
d)	LAPFUND-Principal	2,039,469,691
	LAPFUND-Penalties & Interest	9,568,990,091
	Sub-total Lapfund	**11,608,459,782**
	Total	**26,986,204,144**
2	Suppliers & Contractors	
	Construction and Refurbishment of roads	1,698,729,987.98
	Construction and Refurbishment of Buildings	488,258,205.95
	Supply of Goods	1,384,747,926.45
	Supply of Services	737,711,466
	Hospital Creditors	139,864,064
	Sub-total Suppliers & Contractors	**4,449,311,651**
c)	**Legal Creditors**	**2,339,264,112**
	Total	**6,788,575,763**
3	**Utilities**	
	KPLC	535,222,107
	Water Bills	198,733,776
	Sub-total	**733,955,883**

SUMMARY OF NAIROBI CITY COUNTY UNAUDITED LIABILITIES (DEBTS)		
AS AT 31ST DECEMBER, 2017		
	ITEM DESCRIPTION	**31ST DECEMBER, 2017**
4	**Loans**	
	KCB Long-term loan	3,755,720,734
	Overdraft	0
	Sub-total Loans	**3,755,720,734**
5	**Contingent Liabilities**	
	LAPTRUST(actuarial deficit & Interest)	2,624,372,573
	Sub-total -Pensions	**2,624,372,573**
	Other loans	
	Government guaranteed loans	3,815,640,000
	On-lent Water (Foreign Loans)	15,328,285,000
	Sub-total-other Loans	**19,143,925,000**
	Total Contingent Liabilities	**21,768,297,573**
6	**Employee benefits- Retirees/ Deceased**	**137,908,599**
	GRAND TOTAL	**60,170,662,696**
NOTES		
1. Statutory creditors charge high interest rates with Laptrust charging 1.25% on accrued debt per month compounded (15% per annum compounded and Lapfund charging 3% per month (36% per annum compounded) among others. NHIF and NSSF are remitted as at when salary is paid every month however a historical debt to NSSF has continued to be serviced through a debt swap against their property rates owing.		
2. The figure of Kshs.4.45B relates to suppliers of goods and services and contractors unpaid at the end of December, 2017, While efforts have been made to compile the creditors' schedule, vouchers of suppliers of goods & services and contractors are in various stages of the payment process. Where bills not initially included in the list arise the pending bills committee shall come up with a suitable methodology of verifying and validating the same for inclusion into the creditors' ledger.		

Source: Nairobi City County Quarterly Financial Statements December 2017.

309. 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).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. 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. The county shall ensure timeliness in debt servicing and remittance of statutory payments will be adhered to reduce interests and also provide penalties. The county should come up with mechanisms to increase revenue collection as the basic methodology for freeing up funds for development and debt servicing. The county should also result to debt borrowing from money and capital markets debt /asset swop and debt write offs. For example the historical debt owed by county to NSSF has continued to be serviced through debt swap against their property rates owing.

5.2 FISCAL RISK

310. Managing public financial management system in an effective manner is the key in public finance. This is because it involves major sums of money collected from various sources through taxation incomes, grants and loans either from the public or even external sources such as donors like the World Bank and DFID. The funds collected will then need to be spent wisely and accordingly based on what being planned in the budgetary processes.

311. An effective financial management system in the public sector is crucial in reducing the risks of mismanagement of fund such as fraud and corruption that have impact on the service delivery. Reforms to improve performance, control and accountability of financial management systems have been widely recommended. Effective financial management will be given further emphasis to ensure greater Accountability in the management of public funds and improves financial discipline at every level of department of the institution.

Risks experienced in Nairobi County government

1. Low absorption capacity

312. Absorption capacity for development budget across sectors remained largely low over the period 2013-2017. This is largely attributable to poor conceptualization of programmes, inadequate capacity for technical designs, low liquidity and inefficient costing of projects.

Mitigation measure: The County departments will uphold principles of proper project conceptualization and in good time. Secondly, there is need to upgrade technical capacities for design through further training and outsourcing, In order to improve flow and control of resources required for implementation of development programmes, the County treasury will need to decentralize fiscal responsibility to delegated accounting officers at the sector level through issuance of quarterly A.I.Es based on cashflow projections. The costing regime for development programmes requires total overhaul to ensure realistic cost estimates and ultimately value for money.

2. Shortfall in internal revenue

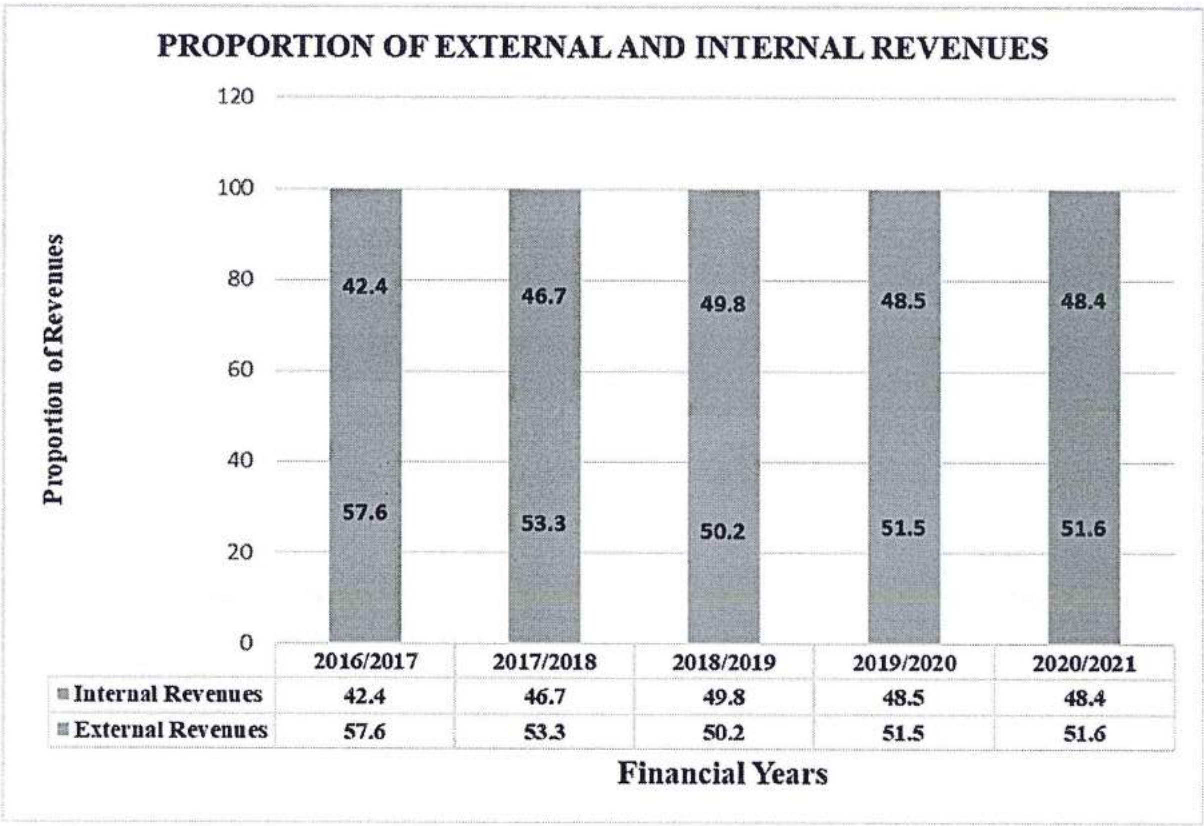
313. The main fiscal risk that is likely to be faced by the county government is the shortfall in local revenue flows. Revenue generation from internal sources has continued to face challenges that must be progressively mitigated in order to achieve county development goals. For instance rates revenues have continued to be below expectation due to high default rates among statutory bodies and land buying companies

Mitigation measure: In the medium term, the County will undertake measures aimed at expanding the revenue base and increasing tax compliance through integration of technology in revenue collection. Receivables will be targeted as an avenue for raising capital by giving incentives with an aim of getting payments. Issuance of waivers on penalties will also be implemented.

314. Identified legal gaps will be addressed through proposed legislation particularly for the key revenue streams. The County treasury has initiated consultations on the 2018 Finance bill to address existing flaws in the 2014 Act.

315. Finally the County will publicize and streamline the use of electronic payment system to ensure effectiveness in revenue collection. Also spending money at source will be discouraged.

316. The following line graphs shows the proportion of actual and projected external and internal of total revenues for the years 2016/2017 up to 2020/2021. For the external revenue, there is a declining trend whereas for the external revenue there is a rising trend.



Source: Nairobi county government fiscal projections FY 2017/2018 to 2020/2021.

Specific revenue enhancement strategies for key revenue streams are highlighted below:

REVENUE STREAM/ CHALLENGE	BASELINE	INTERVENTIONS
RATES	Oscillates between a low of 1.9B (2016/17) and a high of 3.11 B in 2015/16. -Unreliable rates record exist. -Valuation roll outdated -Rates struck at 25% of unimproved site value -prone to tax evasion and avoidance -Inadequate legal framework for collection. -High default levels. -National government agencies among significant defaulters -characterized by predictable and routine annual waivers	-Update and digitize Rates records -Complete the update of valuation roll. -Review downwards the Rates struck. -Enact Property and Rating Act. -Enhance surveillance, enforcement to eliminate default. -Invoke relevant laws to enforce collection from National Government. -Abolish routine Waivers.

REVENUE STREAM/ CHALLENGE	BASELINE	INTERVENTIONS
	-Un monitored subdivisions and transfers of property.	
Parking	-Unreliable data on parking lots(estimated at 12,000) -Largely concentrated in CBD -Charged at the Rate of Ksh 300 -Oscillated between a low of Ksh 1.6 B in 2013/14 and a high of Ksh 2.25 Billion in 2016/17 -Inadequate legal framework -Intermittent and regular system downtimes -Lethargic, ill equipped and demotivated workforce -High operational inadequacies -Prone to manipulation by stakeholders -Huge potential outside CBD -Highly empirical -Elasticity of demand is low -Not service oriented e.g lack of commitment to provide safety and security. -Inadequate enforcement.	-Demarcate and expand designated parking space to at least 20,000 in one year. -Enact a County Parking Act -Tap into private parking -Upgrade and diversify collection systems -Venture out of the CBD -Clean database and update records -Designate responsible managers with clear targets -Lower the Rate to a maximum of Ksh 200 per day. -Enhance enforcement capability and supervision -Capacity development and staff motivation schemes -Decentralization -Deployment of appropriate technology for surveillance.
Single Business Permit.	-Inadequate and unreliable data -Prone to under-valuation -Inadequate legislation. -Prone to manipulation and abuse. -High default Rates -Unified permit charges clustered.	-Conduct enterprise and business census to update and clean existing database. -Enact a Business Licensing Act -Separate Licenses and stagger their due dates -Decentralize operations to sub-County and assign competent managers. -Enact Entertainment Tax Act
Billboards, Outdoor advertisement and Signages	-Consists of Large and small format signage's. -Inadequate data -40% of the market is dominated by one client. -Lack of legal framework -Surveillance is manual	-Update data -Complete the outdoor advertising policy -Enact Billboard and Outdoor Advertisement Act -Adopt technology in monitoring and surveillance. -Review charges
Exchequer allocations	- Accounts for approximately 52% of NCCG's annual budget supply.	Petition and lobby for review of formula to accommodate the City's unique status

REVENUE STREAM/ CHALLENGE	BASELINE	INTERVENTIONS
	-Revenue sharing formula aggravates inequality to NCC's disadvantage. -Residual cost of running the City not considered in the formula. -Nairobi has the highest number of electoral units (both Sub-Counties and Wards) -Debt burden, unsustainable wage cost and high cost of City utilities -NCC receives the lowest per capita allocation from the CRA -Formula highly prone to political influence.	and additional obligations.
Development Approval	-On downward trend -High charges -High default rates -Huge potential -Lack of legal framework	-Enactment of development approval Act -Increase enforcement compliance -Decentralize development approval services to Sub-Counties -Review development approval charges
Legal issues	-Many court injunctions, many remain unresolved for long time	-Identify unresolved court cases that hamper revenue collection -Seek mechanisms to rest the issues
Revenue Administrative challenges	-A distributed model with revenue streams domiciled in various sectors.	-Restructure the Revenue function through appointment of revenue receivers, capacity building of technical staff and enhancing professionalism in revenue collection -Generate comprehensive revenue database -Conduct sensitization forums on revenue -Integrate Laifoms and Jambo Pay systems -Strengthen the F&EP sector's capacity for administration and management of Revenue. -Enact a County Revenue Administrative Act -Strengthen decentralized revenue administration services.

317. Risks such as fiduciary risk, development risk and reputation risk are been identified as risks that contributed to how effective were the fund provided for investment effectiveness. This is because risks such as fiduciary risk can lead to corruption and fraud which consequently become a major drain on the effective use of resources in the County.

3. Mitigation measure: The first step is to upscale risk management through investing in appropriate technology and internal controls. The county should improve service delivery efficiently so as to face lift its image, enhance monitoring/evaluation on development projects and also training employees on ethics.

4. Huge wage bill

318. The fiscal responsibility principles recommend 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. For 2016/17, the compensation to employees constitutes 41.7% of total revenue, 43.7% of total revenue for FY 2017/18 and 43% of total revenue for FY 2018/19.

Mitigation measures: The county will put necessary measures in the attempt to curb wage bill through; payroll cleansing, adoption of technology, right placement of staff to avoid out sourcing, capacity building to avoid new recruitment, preparing a sendoff package to motivate early retirement of less productive staff and of hiring of casual labour, hiring of consultancies, developing a succession plan to ensure continuity, embracing internship program having performance management system

5. Pending debts/bills

319. The issue of Pending debts/bills continues to be a major economic policy challenge facing the Nairobi County government having inherited a huge debt from the defunct City Council. This has subjected the County to the risk of higher interest rate and other unpredictable cost elements.

320. The debt trend has been increasing from the year 2014 to 2016 from 36 Billion in 2014 to 48 Billion in 2016 .This include debts owed to statutory bodies, merchants and litigation, loan from KCB bank, contingent liabilities and loan guaranteed by the government.

Mitigation measure:

6. Political Instability

321. Extended electioneering period coupled with internal political dynamics associated with transition continue to record mixed fortunes for the fiscal performance of the County. Nairobi County is the most susceptible unit to political instability anywhere in the Country being the capital City. Equally significant is observed political rivalries between divergent political inclinations are likely to continue impacting on priority setting and implementation of programmes.

Mitigation measures: Enhancing the pace of institutional reforms and adherence to the rule of law.

7. Apathy in public participation.

322. Continued exclusion of public priorities from budgets continue to undermine public confidence in public participation processes conducted by the County. This has led to an observed decline in interest by members of the public each year.

Mitigation measure: Each sector budget should demonstrate how public proposals obtained during MTEF consultative forums have been integrated in sector priorities.

8. Kenya Economic Performance

323. Inflation is expected to average 6.0% in 2018. For 2019, the inflation will average 6.1%. The country's inflation is likely to affect the implementation of 2018/19 financial year budget. In case the inflation skyrockets due to unpredictable external and internal shocks, this will have a negative impact to the county performance in terms of the funds that will be allocated to the county from national government.

Mitigation measures: The County will pursue pro-growth policies that support expansion of commerce, industry and Tourism coupled with improving security and safety. This is expected to improve the operating climate for the private sector thus spurring investments and employment creation.

ANNEX I: FISCAL PERFORMANCE FOR FIRST HALF FINANCIAL YEAR 2017/2018

NAIROBI CITY COUNTY					
Executive Summary FY 2017/2018					
ITEM	Annual Target	Actual 1st Quarter	Actual 2nd Quarter	Cumulative Total	% Performance on Annual Target
REVENUES					
Equitable Share	14,967,000,000	**3,792,280,000**	3,897,570,000	7,689,850,000	**51**
CONDITIONAL GRANTS					
Free maternity	303,000,000	-	-	-	-
Compensation For User Fees Forgone	73,000,000	-	-	-	-
Road Maintenance Levy	394,000,000	258,253,779	-	258,253,779	**66**
Youth Polytechnics			-	-	
KDSP LEVEL 1					
DANIDA/WORLD BANK - HEALTH			17,009,120	17,009,120	
Agricultural Project -ADSP II					
Internal Revenues	**19,766,000,000**	**1,487,988,548**	**1,617,955,495**	**3,105,944,043**	**16**
Total Revenues	**35,503,000,000**	**5,538,522,327**	**5,532,534,615**	**11,071,056,942**	**31**
EXPENDITURES					
RECURRENT EXPENDITURES					
Compensation To Employees					
County Executive	15,361,486,611	3,237,939,418	3,088,587,749	**6,326,527,167**	**41**
County Assembly	651,970,381	149,760,786	147,780,800	**297,541,586**	**46**
Sub-total	**16,013,456,992**	**3,387,700,204**	**3,236,368,549**	**6,624,068,753**	
Operations & Maintenance					
County Executive	7,465,129,180	1,049,415,262	2,026,101,783	**3,075,517,045**	**41**
County Assembly	641,456,537	96,530,963	72,380,802	**168,911,765**	**26**
Other Recurrent -Assembly				-	
Sub-total	**8,106,585,717**	**1,145,946,225**	**2,098,482,585**	**3,244,428,810**	**40**
Total Recurrent Expenditures	**24,120,042,709**	**4,533,646,429**	**5,334,851,134**	**9,868,497,563**	
DEVELOPMENT EXPENDITURES					
County Executive	11,466,565,008	-	395,797,637	**395,797,637**	**3**
County Assembly	320,759,000	24,521,622	86,556,532	**111,078,154**	**35**
Total Development	**11,787,324,008**	**24,521,622**	**482,354,169**	**506,875,791**	**4**
Total Expenditures	**35,907,366,717**	**4,558,168,051**	**5,817,205,303**	**10,375,373,354**	**29**

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

NAIROBI CITY COUNTY GOVERNMENT FISCAL PROJECTIONS FY 2017/2018-2020/2021										
	2016/17		2018/19			2019/20			2020/21	
	Budget	Actual	CFSP 17	BROP 17	CFSP 18	CFSP 17	BROP 17	CFSP 18	BROP 17	CFSP 18
External Revenues										
Equitable Share	**14,023**	**14,023**	15,715	16,172	15,794	16,501	16,980	16,981	17,830	17,831
CONDITIONAL GRANTS										
Free Maternal Health Care	**200**	**282**	303	-		303	-	-	-	-
Compensation For User Fees Forgone	**80**	**80**	73	83	79.423	73	87	87	92	92
Road Maintenance Levy	**215**	**215**	394	582	415.85	394	611	611	641	641
DANIDA	**14**	-	-			-				
Youth Polytechnics	-	-	-	33	34.57	-	34	34	35	35
Kenya Devolution Support Programme	-	-	-	82		-	86	86	90	90
Agricultural Support Programme (ASDSP II)	-	-	-	-		-	-	-	-	-
Other disbursemnent-MOH		**251**	-			-				
Donor Suppport -Health					200					
Sub-total External Revenues	**14,532**	**14,851**	**16,485**	**16,952**	16,524	**17,271**	**17,798**	17,799	**18,688**	18,689
Internal Revenues										
Rates	5,500	2,253	5,722	3,830	4,600	5,893	5,022	5,022	5,273	5,200
Parking Fees	3,540	1,974	3,682	2,673	2,973	3,793	2,806	2,990	2,946	3,000
Single business Permits	3,600	1,776	3,745	2,628	2,900	3,857	2,759	2,950	2,897	2,990
Building Permits	1,700	843	1,769	1,473	1,473	1,822	1,546	1,546	1,624	1,600
Billboards & Adverts	1,200	720	1,248	798	1,400	1,286	838	1,450	880	1,500
Other Incomes	4,026	3,363	4,188	3,556	3,700	4,313	3,735	3,734	3,921	3,900
Sub-total Internal Revenues	**19,566**	**10,929**	**20,354**	**14,958**	17,046	**20,964**	**16,706**	17,692	**17,541**	18,190
Total Revenues	**34,098**	**25,780**	**36,839**	**31,910**	33,570	**38,235**	**34,504**	35,491	**36,229**	36,879
Expenditures										
COUNTY EXECUTIVE										

Wages & Salaries	13,329	12,771	15,608	13,100	13,055	15,700	11,700	11,700	11,635	10,500
Other Operations and maintenance	8,639	6,930	7,715	7,415	8,308	8,270	8,744	8,744	9,585	9,585
Development Expenditures	11,115	3,901	12,040	9,931	9,846	12,643	12,499	12,276	13,358	14,000
Voulunatry Early Retirement					500			1,000		1,000
Total Executive	**33,083**	**23,602**	**35,363**	**30,446**	**31,710**	**36,613**	**32,943**	**33,720**	**34,578**	**35,085**
COUNTY ASSEMBLY										
Wages & Salaries	651	651	767	753	778	843	813	816	878	856
Other Operations and maintenance	622	617	654	656	807	719	688	855	723	898
Mortgage & gratuity	220	110	0			0	0	0	0	0
Development Expenditures	209	194	55	55	275	60	60	100	50	40
Total County Assembly	1,702	1,572	1,476	1,464	1,860	1,622	1,561	1,771	1,651	1,794
Total Expenditures	**34,785**	**25,174**	**36,839**	**31,910**	**33,570**	**38,235**	**34,504**	**35,491**	**36,229**	**36,879**
Surplus/Deficit	**-687**	**606**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Statistics										
Total wages and salaries	13,980	13,422	16,375	13,853	13,833	16,543	12,513	12,516	12,513	11,356
Total development expenditure	11,324	4,095	12,095	9,986	10,121	12,703	12,559	12,376	13,408	14,040
Total recurrent expenditure	**23,461**	**21,079**	**24,744**	**21,924**	**22,948**	**25,532**	**21,945**	**22,115**	**22,821**	**21,839**
Ratios										
% of wages and salaries to revenues	41	52	44	43	41	43	36	35	35	31
% of development to total expenditure	33	16	33	31	30	33	36	35	37	38
% of recurrent expenditure to total expenditure	67	84	67	69	68	67	64	62	63	59

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

NAIROBI CITY COUNTY							
PROPOSED BUDGET CEILINGS FY 2018/2019							
VOTE CODE TITLE		Printed Estimates 2017/2018			Proposed Ceilings FY 2018/2019		
	PROGRAMME CODE AND TITLE	Gross Recurrent	Gross Development	Total	Gross Recurrent	Development	Total
5311000000 COUNTY PUBLIC SERVICE BOARD							
	0701000 P1 General Administration Planning and Support Services	70,602,000	29,400,000	100,002,000	61,463,231	15,000,000	76,463,231
	0701010 SP.1.1 General Administration Planning and Support Services	70,602,000	29,400,000	100,002,000	61,463,231	15,000,000	76,463,231
	Total	70,602,000	29,400,000	100,002,000	61,463,231	15,000,000	76,463,231
5312000000 OFFICE OF GOVERNOR & DEPUTY GOVERNOR					0		0
	0718005310 General Administrative Services	2,747,000,000	210,000,000	2,957,000,000	2,609,218,300	330,000,000	2,939,218,300
	0718015310 Sp1 General Administration & Support Services	169,016,444	80,000,000	249,016,444	418,993,965	180,000,000	598,993,965
	0718025310 Sp2 Sub County Administration	2,182,257,034	100,000,000	2,282,257,034	1,742,060,128	150,000,000	1,892,060,128
	0718075310 Sp7 County Executive	191,055,432	0	191,055,432	259,619,617	0	259,619,617
	0718085310 Sp8 Supply Chain Management	103,692,003	10,000,000	113,692,003	100,326,587		100,326,587
	0718095310 Sp9 Audit	100,979,087	20,000,000	120,979,087	88,218,004		88,218,004
	0724005310 P 24	2,372,593,061	148,400,000	2,520,993,061	2,087,352,192	79,000,000	2,166,352,192

	Security and Safety Management						
	0724015310 sp 24.1 investigative Services	81,068,332	11,600,000	**92,668,332**	77,113,677		**77,113,677**
	0724045310 Fire & Disaster Management	264,664,195	0	**264,664,195**	204,036,204	0	**204,036,204**
	0724055310 Inspectorate	2,026,860,534	136,800,000	**2,163,660,534**	1,806,202,312	79,000,000	**1,885,202,312**
	0725005310 P 25 management of legal affairs	**185,000,000**	**15,000,000**	**200,000,000**	**196,203,291**	**10,000,000**	**206,203,291**
	0725015310 sp 25.1 legal services	185,000,000	15,000,000	**200,000,000**	196,203,291	10,000,000	**206,203,291**
	Total	**5,304,593,061**	**373,400,000**	**5,677,993,061**	**4,892,773,783**	**419,000,000**	**5,311,773,783**
5313000000 ICT, E-GOVT & PUBLIC COMMUNICATIONS					**0**		**0**
	0207000 P1: General Administration Planning and Support Services	**103,498,828**	**0**	**103,498,828**	**107,079,519**	**0**	**107,079,519**
	0207010 SP 1: General Administration, Planning And Support Services	103,498,828	0	**103,498,828**	107,079,519		**107,079,519**
	0208000 P2: Information And Communication Services	**164,375,000**	**80,000,000**	**244,375,000**	**157,400,000**	**34,000,000**	**191,400,000**
	0208010 SP 2.1: News And Information Services	141,875,000	0	**141,875,000**	144,600,000		**144,600,000**
	0208030 SP 2.3: ICT and Media Regulatory Services	10,500,000	0	**10,500,000**	7,800,000		**7,800,000**
	0208040 SP 2.4 E-Government	12,000,000	80,000,000	**92,000,000**	5,000,000	34,000,000	**39,000,000**

	Services						
	0210005310 ICT Infrastructure Development	**17,000,000**	**93,000,000**	**110,000,000**	**6,100,000**	**166,000,000**	**172,100,000**
	0210010 SP1: ICT Infrastructure Connectivity	10,500,000	93,000,000	**103,500,000**	4,400,000	166,000,000	**170,400,000**
	0210035310 sp 3:Information Security	6,500,000	0	**6,500,000**	1,700,000		**1,700,000**
	Total	**284,873,828**	**173,000,000**	**457,873,828**	**270,579,519**	**200,000,000**	**470,579,519**
5314000000 FINANCE & ECONOMIC PLANNING	**0701005310 Public Financial Management**	**2,009,732,147**	**150,000,000**	**2,159,732,147**	**1,875,848,187**	**100,000,000**	**1,975,848,187**
	0701015310 Assets Management Services	292,000,000	40,000,000	**332,000,000**	338,200,000		**338,200,000**
	0701065310 sp1.6 Accounting Services	1,261,000,000	10,000,000	**1,271,000,000**	1,104,000,187	20,000,000	**1,124,000,187**
	0701075310 sp1.7 Budget Formulation Coordination and mgt	88,732,147	0	**88,732,147**	99,648,000	0	**99,648,000**
	0701085310 sp1.8 Resource Mobilisation	368,000,000	100,000,000	**468,000,000**	334,000,000	80,000,000	**414,000,000**
	0718005310 General Administrative Services	**930,267,853**	**15,000,000**	**945,267,853**	**923,399,958**		**923,399,958**
	County Budget Economic Forum				20,000,000		**20,000,000**
	0718015310 Sp1 General Administration & Support Services	930,267,853	15,000,000	**945,267,853**	**903,399,958**	0	**903,399,958**
	0719000 P3: Economic and Financial Policy Formulation and Management	**70,000,000**	**5,000,000**	**75,000,000**	78,700,000	**15,000,000**	**93,700,000**

	0719010 SP 3.1 Fiscal Policy Formulation, Development and Management	70,000,000	5,000,000	**75,000,000**	**78,700,000**	15,000,000	**93,700,000**
	Total	**3,010,000,000**	**170,000,000**	**3,180,000,000**	**2,877,948,145**	**115,000,000**	**2,992,948,145**
5315000000 HEALTH	**0401000 P.1 Preventive & Promotive Health Services**	**63,150,001**	**0**	**63,150,001**	**71,246,828**	**0**	**71,246,828**
	0401115310 HIV/AIDS Prevention & Control Unit	4,220,402	0	**4,220,402**	4,420,402		**4,420,402**
	0401125310 TB Control	2,292,465	0	**2,292,465**	2,392,465		**2,392,465**
	0401135310 Malaria Control & Other Communicable Diseases	1,729,088	0	**1,729,088**	1,789,088		**1,789,088**
	0401145310 Reproductive Health & Maternal Health (RMNCAH)	28,158,456	0	**28,158,456**	37,735,283		**37,735,283**
	0401155310 Enviromental / Public Health	26,749,590	0	**26,749,590**	24,909,590		**24,909,590**
	0402005310 Curative care	**427,275,791**	**1,103,994,000**	**1,531,269,791**	**446,555,000**	**838,356,000**	**1,284,911,000**
	0402065310 sp.2.6 County Referral Hospitals	311,485,000	299,494,000	**610,979,000**	309,455,000	207,000,000	**516,455,000**
	0402075310 sp.2.7 Health Centres & dispensaries	115,790,791	804,500,000	**920,290,791**	137,100,000	631,356,000	**768,456,000**
	0404005310 General administration, planning and support services	**5,896,677,594**	**150,000,000**	**6,046,677,594**	**5,457,447,499**	**163,000,000**	**5,620,447,499**
	0404015310 Sp4.1 Administration/Huma	5,366,029,116	70,000,000	**5,436,029,116**	4,859,322,271	86,097,500	**4,945,419,771**

	n Resource for Health						
	0404025310 Sp4.2 Health Policy,Planning & Financing	27,038,487	0	**27,038,487**	20,000,000	0	**20,000,000**
	0404035310 sp 4.3 Health Commodities	484,000,000	0	**484,000,000**	550,000,000	0	**550,000,000**
	0404045310 sp 4.4 Research, Quality assurance & standards unit	18,349,991	21,000,000	**39,349,991**	26,825,228	28,000,000	**54,825,228**
	0404055310 sp 4.5 Coroner services unit	1,260,000	59,000,000	**60,260,000**	1,300,000	48,902,500	**50,202,500**
	Total	**6,387,103,386**	**1,253,994,000**	**7,641,097,386**	**5,975,249,327**	**1,001,356,000**	**6,976,605,327**
5316000000 URBAN PLANNING AND LANDS	**0106000 P 6 General Administration Planning and Support Services**	**239,599,220**	**0**	**239,599,220**	**332,585,332**	**0**	**332,585,332**
	0106010 SP.6.1 Administration, Planning & Support Services	239,599,220	0	**239,599,220**	332,585,332		**332,585,332**
	0114005310 P.8:Urban Planning, compliance & enforcement	**28,685,748**	**276,000,000**	**304,685,748**	**13,700,000**	**137,000,000**	**150,700,000**
	0114015310 sp 8.1 Urban planning	12,240,872	221,000,000	**233,240,872**	9,000,000	97,000,000	**106,000,000**
	0114025310 sp 8.2 Enforcement and compliance	16,444,876	55,000,000	**71,444,876**	4,700,000	40,000,000	**44,700,000**
	0115005310 P.9:Land management	**110,735,665**	**168,000,000**	**278,735,665**	**29,300,000**	**63,000,000**	**92,300,000**
	0115015310 sp 9.1 valuation services	23,319,187	30,000,000	**53,319,187**	18,500,000	20,000,000	**38,500,000**
	0115025310 sp 9.2	81,416,478	138,000,000	**219,416,478**	5,800,000	43,000,000	**48,800,000**

	land survey						
	0115035310 sp 9.3 Administrative services	6,000,000	0	**6,000,000**	5,000,000	0	**5,000,000**
	Total	379,020,633	**444,000,000**	823,020,633	375,585,332	**200,000,000**	575,585,332
5317000000 PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	**0207000 P1: General Administration Planning and Support Services**	**1,104,000,000**	**0**	**1,104,000,000**	**861,788,201**	**0**	**861,788,201**
	0207010 SP 1: General Administration, Planning And Support Services	1,104,000,000	0	**1,104,000,000**	861,788,201		**861,788,201**
	0211005310 P5:Roads,Drainage & Bridges	**43,000,000**	**3,682,396,505**	**3,725,396,505**	**27,500,000**	**3,162,000,000**	**3,189,500,000**
	0211015310 sp 5.1 Construction Roads & Drainages & Maintenance	43,000,000	3,682,396,505	**3,725,396,505**	27,500,000	3,162,000,000	**3,189,500,000**
	0212005310 P6:Road Safety Interventions	**8,000,000**	**438,374,503**	**446,374,503**	**0**	**540,000,000**	**540,000,000**
	0212015310 sp 6.1 Transport Facilities & Traffic Management	8,000,000	438,374,503	**446,374,503**	**0**	540,000,000	**540,000,000**
	0213005310 P7: Institutional Buildings & Maintenance	**14,000,000**	**820,000,000**	**834,000,000**	**13,000,000**	**798,000,000**	**811,000,000**
	0213015310 sp 7.1 Public streetlighting Installations & Maintenances	7,000,000	700,000,000	**707,000,000**	6,000,000	763,000,000	**769,000,000**
	0213025310 sp 7.2 Motor Vehicle,Machinery & Plant Maintenance	0	60,000,000	**60,000,000**	4,000,000	35,000,000	**39,000,000**

	0213035310 sp 7.3 Institutional Buildings Maintenance	7,000,000	60,000,000	**67,000,000**	3,000,000	0	**3,000,000**
	Total	**1,169,000,000**	**4,940,771,008**	**6,109,771,008**	**902,288,201**	**4,500,000,000**	**5,402,288,201**
5318000000 EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	**0508005310 General administration, planning and support services**	**846,050,000**	**0**	**846,050,000**	**1,353,874,497**	**0**	**1,353,874,497**
	0508025310 sp 8.2 General Administration & Support Services	846,050,000	0	**846,050,000**	1,353,874,497		**1,353,874,497**
	0509005310 P9 Education services	**56,700,000**	**200,000,000**	**256,700,000**	**95,800,000**	**205,000,000**	**300,800,000**
	0509015310 sp 9.1 Quality Assurance and Co-curriculum	5,700,000	0	**5,700,000**	3,300,000		**3,300,000**
	0509025310 sp 9.2 Early Childhood Development Centres	38,900,000	150,000,000	**188,900,000**	82,000,000	160,000,000	**242,000,000**
	0509035310 sp 9.3 Technical and Vocational Training	12,100,000	50,000,000	**62,100,000**	10,500,000	45,000,000	**55,500,000**
	0902005310 2.1 Social Services	**495,240,000**	**145,000,000**	**640,240,000**	**149,200,000**	**95,000,000**	**244,200,000**
	0902015310 General Administration & Support Services	348,640,000	10,000,000	**358,640,000**	18,200,000	0	**18,200,000**
	0902025310 Sp.2.2 Gender and Community Empowerment	12,300,000	0	**12,300,000**	7,700,000	0	**7,700,000**
	0902035310 Sp2.3 Development and promotion of culture/ heritage	17,000,000	55,000,000	**72,000,000**	14,000,000	0	**14,000,000**
	0902045310 Sp2.4 Development and promotion of sports	62,200,000	30,000,000	**92,200,000**	63,000,000	36,000,000	**99,000,000**

	0902055310 Sp2.5 Youth Empowerment and Promotion	16,000,000	0	**16,000,000**	10,000,000	0	**10,000,000**
	0902065310 Sp 2.6 Social welfare and care for the Aged	20,500,000	0	**20,500,000**	15,000,000	0	**15,000,000**
	0902075310 Sp 2.7 Promotion of Library and Information Services	5,600,000	0	**5,600,000**	3,300,000	0	**3,300,000**
	0902085310 Sp.2 8 Rescue and Rehabilitation of Children Services	13,000,000	50,000,000	**63,000,000**	18,000,000	59,000,000	**77,000,000**
	Total	**1,397,990,000**	**345,000,000**	**1,742,990,000**	**1,598,874,497**	**300,000,000**	**1,898,874,497**
5319000000 TRADE,COMMERCE,TOURISM & COOPERATIVES	**0301000 P.1 General Administration Planning and Support Services**	**384,240,524**	**10,000,000**	**394,240,524**	**376,605,228**	**9,000,000**	**385,605,228**
	0301010 SP1 General Administration Planning and Support Services	384,240,524	10,000,000	**394,240,524**	376,605,228	9,000,000	**385,605,228**
	0310005310 P.10 Co-operative Development and Audit Services	**36,000,000**	**0**	**36,000,000**	**19,900,000**	**0**	**19,900,000**
	0310015310 sp 10.1 Cooperative Development Services	22,351,000	0	**22,351,000**	13,700,000	0	**13,700,000**
	0310025310 sp 10.2 Cooperative Audit Services	13,649,000	0	**13,649,000**	6,200,000	0	**6,200,000**
	0311005310 P.11 Tourism Promotion and Marketing	**35,000,000**	**15,000,000**	**50,000,000**	**25,400,000**	**9,000,000**	**34,400,000**

	0311015310 sp 11.1 Tourism Development	35,000,000	15,000,000	**50,000,000**	25,400,000	9,000,000	**34,400,000**
	0312005310 P.12 Trade development and Market Services	**48,500,000**	**450,000,000**	**498,500,000**	**34,800,000**	**364,000,000**	**398,800,000**
	0312015310 sp 12.1 Trade Development	16,550,000	0	**16,550,000**	11,400,000	0	**11,400,000**
	0312025310 sp 12.2 Market Services	31,950,000	450,000,000	**481,950,000**	23,400,000	364,000,000	**387,400,000**
	0313005310 P.13 Licensing and Fair Trade Practices	**114,259,476**	**85,000,000**	**199,259,476**	**49,100,000**	**9,000,000**	**58,100,000**
	0313015310 sp 13.1 Liquor Licensing & Regulation	38,680,000	35,000,000	**73,680,000**	0		**0**
	0313025310 sp 13.2 Weights & Measures Services	24,238,500	50,000,000	**74,238,500**	12,700,000	9,000,000	**21,700,000**
	0313035310 sp 13.3 Trade Licensing Services	40,514,476	0	**40,514,476**	30,000,000	0	**30,000,000**
	0313045310 sp 13.4 Betting & Gaming Services	10,826,500	0	**10,826,500**	6,400,000	0	**6,400,000**
	Total	**618,000,000**	**560,000,000**	**1,178,000,000**	**505,805,228**	**391,000,000**	**896,805,228**
5320000000 PUBLIC SERVICE MANAGEMENT	**0701000 P1 General Administration Planning and Support Services**	**1,271,300,239**	**10,000,000**	**1,281,300,239**	**438,905,154**	**30,000,000**	**468,905,154**
	0701010 SP.1.1 General Administration Planning and Support Services	1,271,300,239	10,000,000	**1,281,300,239**	438,905,154	30,000,000	**468,905,154**
	0710000 P 5: Public Service Transformation	**969,999,761**	**87,000,000**	**1,056,999,761**	**1,900,000,000**	**50,000,000**	**1,950,000,000**

	0710010 S.P.5.1 Human Resource Management	869,600,000	87,000,000	**956,600,000**	1,200,000,000	50,000,000	**1,250,000,000**
	0710020 S.P.5.2 Human Resource Development	100,399,761	0	**100,399,761**	200,000,000	0	**200,000,000**
	Vlolunatry Early retirement				500,000,000		**500,000,000**
	0723005310 P 23 Performance Management and Public Service Delivery	**9,700,000**	**20,000,000**	**29,700,000**	**70,000,000**	**20,000,000**	**90,000,000**
	0723015310 sp 23.1 Performance Contracting management	3,420,000	20,000,000	**23,420,000**	30,000,000	20,000,000	**50,000,000**
	0723025310 sp 23.2 Governance Monitoring and Evaluation	3,140,000	0	**3,140,000**	20,000,000	0	**20,000,000**
	0723035310 sp 23.3 Quality Management Systems and ISO certification	3,140,000	0	**3,140,000**	20,000,000	0	**20,000,000**
	Total	**2,251,000,000**	**117,000,000**	**2,368,000,000**	**2,408,905,154**	**100,000,000**	**2,508,905,154**
5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	**0106000 P 6 General Administration Planning and Support Services**	**316,000,000**	**0**	**316,000,000**	**259,750,231**	0	**259,750,231**
	0106010 SP.6.1 Administration, Planning & Support Services	316,000,000		**316,000,000**	259,750,231		**259,750,231**
	0108000 P2: Crop Development and Management	**12,000,000**	**44,000,000**	**56,000,000**	**50,000,000**	**64,000,000**	**114,000,000**
	0108055310 SP5 Crop	12,000,000	44,000,000	**56,000,000**	50,000,000	64,000,000	**114,000,000**

	Production,Marketing & Research						
	0111000 P5: Fisheries Development and Management	**12,000,000**	**24,000,000**	**36,000,000**	**35,000,000**	**55,000,000**	**90,000,000**
	0111020 SP 5.2 Aquaculture Development Marketing & Research	12,000,000	24,000,000	**36,000,000**	35,000,000	55,000,000	**90,000,000**
	0112000 P 6: Livestock Resources Management and Development	**12,000,000**	**40,000,000**	**52,000,000**	**35,000,000**	**40,000,000**	**75,000,000**
	0112065310 Promotion of Dairy Production,Extension & Research	12,000,000	40,000,000	**52,000,000**	35,000,000	40,000,000	**75,000,000**
	0116005310 P.10:Animal Health, Safety and Quality Assurance	**13,000,000**	**41,000,000**	**54,000,000**	**35,000,000**	**36,000,000**	**71,000,000**
	0116015310 sp 10.1 Animal Research, Diseases, Pest Control & Quality Assuarance	13,000,000	41,000,000	**54,000,000**	35,000,000	36,000,000	**71,000,000**
	0117005310 P.11:Aforestation	**10,000,000**	**5,000,000**	**15,000,000**	**45,000,000**	**0**	**45,000,000**
	0117015310 sp 11.1 Forestry Services	10,000,000	5,000,000	**15,000,000**	45,000,000	0	**45,000,000**
	Total	**375,000,000**	**154,000,000**	**529,000,000**	**459,750,231**	**195,000,000**	**654,750,231**
COUNTY ASSEMBLY				**0**	**0**	0	**0**
	07220001 Legislation, Oversight and Representation	1,293,426,918	320,759,000	**1,614,185,918**	**1,585,000,000**	275,000,000	**1,860,000,000**
	Total	**1,293,426,918**	**320,759,000**	**1,614,185,918**	**1,585,000,000**	**275,000,000**	**1,860,000,000**

5323000000 ENVIROMENT,WATER,ENERGY & NATURAL RESOURCES	**1001005310 P1 General Administration & Support Services**	**494,432,883**	**10,000,000**	**504,432,883**	**461,682,456**	**0**	**461,682,456**
	1001015310 Sp1 General Administration & Support Services	494,432,883	10,000,000	**504,432,883**	461,682,456		**461,682,456**
	1002005310 P2 Environment Management and Protection.	**876,000,000**	**540,000,000**	**1,416,000,000**	**914,000,000**	**604,000,000**	**1,518,000,000**
	1002035310 sp 2.3 Solid waste management	805,756,000	460,000,000	**1,265,756,000**	850,000,000	492,000,000	**1,342,000,000**
	1002045310 sp 2.4 Beautification, Recreation and Greening Services	57,000,000	70,000,000	**127,000,000**	44,000,000	95,000,000	**139,000,000**
	1002055310 sp 2.5 Environment planning Management Services	13,244,000	10,000,000	**23,244,000**	20,000,000	17,000,000	**37,000,000**
	1004005310 P4 Water Resources Management	**15,000,000**	**350,000,000**	**365,000,000**	**20,000,000**	**96,000,000**	**116,000,000**
	1004055310 sp 4.5 Energy & Natural resources	15,000,000	350,000,000	**365,000,000**	20,000,000	96,000,000	**116,000,000**
	Total	1,385,432,883	900,000,000	2,285,432,883	1,395,682,456	700,000,000	2,095,682,456
5324000000 URBAN RENEWAL AND HOUSING	**0102000 P.2 Housing Development and Human Settlement**	**35,000,000**	**140,000,000**	**175,000,000**	**26,000,000**	**395,598,000**	**421,598,000**
	0102045310 SP4 Urban Renewal	15,000,000	60,000,000	**75,000,000**	12,000,000	68,598,000	**80,598,000**
	0102055310 SP5 Management of Rental Housing	20,000,000	80,000,000	**100,000,000**	14,000,000	327,000,000	**341,000,000**

	0106000 P 6 General Administration Planning and Support Services	**85,000,000**	**0**	**85,000,000**	**61,140,897**	**0**	**61,140,897**
	0106010 SP.6.1 Administration, Planning & Support Services	85,000,000		**85,000,000**	61,140,897	0	**61,140,897**
	0113005310 P.7: Building Services	**20,000,000**	**40,000,000**	**60,000,000**	**13,500,000**	**22,000,000**	**35,500,000**
	0113015310 sp 7.1 Building services research and information	20,000,000	40,000,000	**60,000,000**	13,500,000	22,000,000	**35,500,000**
	Total	**140,000,000**	**180,000,000**	**320,000,000**	**100,640,897**	**417,598,000**	**518,238,897**
5325000000 WARD DEVELOPMENT FUND	**0214005310 P8:Ward Development**	**54,000,000**	**1,736,000,000**	**1,790,000,000**	**37,500,000**	**1,212,500,000**	**1,250,000,000**
	0214015310 sp 8.1 Ward Development & Administration	54,000,000	1,736,000,000	**1,790,000,000**	37,500,000	1,212,500,000	**1,250,000,000**
	Total	**54,000,000**	**1,736,000,000**	**1,790,000,000**	**37,500,000**	**1,212,500,000**	**1,250,000,000**
5326000000 EMERGENCY FUND	**0718005310 General Administrative Services**	**-**	**90,000,000**	**90,000,000**	**-**	**80,000,000**	**80,000,000**
	0718015310 Sp1 General Administration & Support Services	0	90,000,000	**90,000,000**	0	80,000,000	**80,000,000**
	Total	**-**	**90,000,000**	**90,000,000**	**-**	**80,000,000**	**80,000,000**
	Total Voted Expenditure .... KShs.	**24,120,042,709**	**11,787,324,008**	**35,907,366,717**	**23,448,046,000**	**10,121,454,000**	**33,569,500,000**
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