

NAIROBI CITY COUNTY



Telephone: 020-344194
Web: www.nairobi.go.ke

City Hall,
P.O. Box 30075-00100,
Nairobi, Kenya

BUDGET STATEMENT

FY. 2019/2020

Theme: Invigorating Growth for Sustainable Development

*Budget Statement
Laid on the Floor of the
Assembly by V-Chair
F/BAC on 27/6/2019.
D/C
27/6/19*

Budget statement for the FY 2019-20

Theme: Invigorating Growth for Sustainable Development

I. Introduction

Mr. Speaker Sir and Hon. Members, the provisions of Section 132 (1) of the Public Finance Management Act, 2012 require that once in each financial year the County Executive Committee Member responsible for matters related to Finance shall appear before the County Assembly for the purposes of making public pronouncement on the revenue raising measures and budget highlights for the County Government. This requirement is premised on Article 201 of the Constitution of Kenya 2010 on the principles of public finance which among others decree that management of public resources shall be done within the realm of openness, accountability, public involvement, equitable society, prudent use of public money and clarity in financial reporting. I therefore present these budget highlights not only as fulfillment of my statutory duty accorded by the underpinning law but also as a way of ensuring that Nairobians remain apprised on the progress that the County Government under the stewardship of H.E Governor Mike Mbuvi Sonko has made to deliver on the pre- election promises and the contract signed with the electorate in August 2017.

Mr. Speaker, the budget estimates for the FY 2019-20 tabled in the County Assembly on 30th April 2019 purposed to continue implementing the strategies aimed at making the County a better city to invest, work and live in. To this end the budget aims to address the following cross –cutting challenges identified through the Annual Development Plan 2019.

- **Stress on social amenities as a result of rapid population growth.** Nairobi City like many other cities across the world has not been spared from high rural – urban migration which continues to exert enormous pressure on the existing physical

facilities. **Hon. Members**, with an annual population growth of 4.8% Nairobi City is growing way faster than most cities thereby calling for shift in policy and strategic planning to ensure that facilities such as housing, water, sewerage and general infrastructure is not over-stretched. With an annual housing demand of 200,000 housing units against an annual supply of 15,000 units, it is apparent the market forces have failed to deliver therefore providing a fertile ground for the County and the National Government to fill the gap;

- **Inequality and poverty across the County.** Goal 1 of the Sustainable Development Goals adopted by the United Nations aims to ensure that world population is not subjected to hunger, malnutrition and lack of other forms of basic services. In this regard the target is to eradicate extreme poverty and increase daily incomes to above \$ 1.25 a day.

In Nairobi the unemployed youth, women, persons with disabilities, female and child headed households, slum dwellers and the aged continue to face various challenges pushing them deeper into poverty. Inequality between the haves and the have nots also require that government policy is redrawn to target the forgotten without forgetting that the cardinal rule of taxation is that governments must provide services to the taxed. The County Government is therefore duty bound to reduce the level of poverty across the City by addressing landlessness, unemployment, dependency ratios, housing challenges and the disease burden on the poor.

- **Mr. Speaker Sir, inadequate physical infrastructure** is a challenge that the County faces with numerous characteristics of broken water and sewerage systems, inequitable distribution of fire stations, few waste collection points and poor condition

of most social amenities. The Second County Government has put in place measures to address those challenges with a lot of progress thus far made in most of those fronts.

- **Traffic Management and Control** across cities continues to reduce productivity of companies and governments as considerable man power hours are spent to and from work on a daily basis.

Nairobi County is characterized by inadequate means of mass public transport, rapid increase in private cars, lack of mass public transportation, poor enforcement of traffic regulations and general lack of traffic discipline. The traffic congestion in the City is approximated to cost the economy in excess of Kshs. 37billion through extra fuel consumptions, opportunities forgone and low productivity. Public transport between shared function requires strategies on how to expand and upgrade the existing road network, open up various existing roads, increase the number of available parking slots and change tact on how vehicles access the Central Business District.

- **Hon. Speaker and fellow Nairobians**, the last major challenge that the County faces revolves around the ability of the County to manage its waste. Latest data indicate that the County generates about 2500 tonnes of garbage per day with only 900 tonnes getting collected and transported to the dumpsite. There is substantial amount of waste that find its way to illegal dumping sites, rivers, drainages and some other undesignated areas. The County has initiated measures on recycling of waste while also ensuring that the management of electronic waste is improved.

Through budget allocation, processes are in motion to commission research and adoption of technology in best waste management interventions, establishment of designated waste collection points and enhancing capacity for solid waste management collection through more fleet acquisition. Most importantly, **Hon.**

Members, no government has the capacity to collect all the waste generated and it is for that reason that His Excellency the Governor has rolled out measures to educate the public on the need for individuals and households to manage their waste. “Taka Langu, Jukumu Langu” initiative aims to create awareness on the public for behavior change as far as waste management is concerned.

Mr. Speaker Sir, having reminded ourselves of the challenges that we face let me also take this opportunity to elaborate on the progress we have made as a result of the resources that have been approved by this House.

II. Recent Achievements

Mr. Speaker Sir, to address the chronic challenge of inadequate road infrastructure the County has in collaboration with the national government agencies put in measures to construct new roads, grade existing ones, improve the lighting system across the city and ensure that connections are not cut due to lack of bridges.

In the last financial year alone the Public Transport Sector constructed over 55 kilometers of tarmacked roads, graded and graveled another 130 kilometers and over 39,000 street lights were installed to improve security and fasten the route to the 24-hour economy.

Mr. Speaker, to guarantee a healthy population the County has continued to invest huge resources in the health sector with the total allocation for the Sector in the current financial year standing at Kshs. 6.6billion. With this allocation the Sector benefits from 615 health facilities, 17 functional ambulances and 3,464 public health officers. The huge investment by the County in health is aligned to the National Government Big Four Plan on universal health coverage.

Hon. Members, on environmental issues the County has consistently managed to collect garbage and ensure that the same is dumped at the designated areas. With 328,500 tonnes collected over the previous year there has been great efficiency in ensuring that the piles of garbage in the City are cleared. In addition, the County has rolled out beatification programmes across all major transport corridors in the City including Uhuru Highway, Mombasa Road, Langata Road and Jogoo Road. In addition, monthly clean ups have borne fruits with the turn outs increasing and the results even more profound. Focus on environmental health has also been extended to the public toilets with continuous inspection done to ensure that they are in perfect state.

Mr. Speaker Sir, on our internal administration there has been deliberate effort to enhance the capacity of the Office of the County Attorney and the Internal Audit department as a way of ensuring that we reduce the fiduciary risk arising from constant litigations. The County has rolled out the Act underpinning the legal department with an aim of ensuring that the cost of decretal fees is reduced while also settling amounts owed to legal suppliers. Last week the County Assembly approved the Third Supplementary Budget and I have authorized payment of legal fees worth Kshs. 2billion thereby cleaning our books as far pending bills in that regard are concerned. On the Internal Audit we have enhanced the capacity of the Audit Committee and the Audit department so that we are able to identify risks in the budget process early in advance and reduce audit queries that can be avoided. The County Treasury that I lead aims to change the audit opinion of the County in the coming financial year and in this coming financial year we shall undertake a refresher course on all accountants to ensure that they recommit to their professional training standards.

Mr. Speaker Sir, provision of quality basic education, improved access, retention and transition rates to school going children is at the heart of this administration.

In addition, the administration is committed to support sports activities as well as manage youth, women and children within a framework that guarantees optimum outcomes. In this regard, last week despite myriad of challenges the Education Sector issued bursaries worth over Kshs. 300million to indigent students within the City. The Finance Sector shall continue to address internal weaknesses and collaborate better with the Office of the Controller of Budget to ensure that such bursaries are released in time. This financial year the Governor launched construction of four stadia with the Dandora Stadium almost nearing completion. Sports development remains in the cornerstone of prosperous society and peaceful coexistence and the government shall continue to invest in viable areas which are capable the youth engaged and away from petty crimes. To support trade activities and provide an enabling environment for socio economic growth and trade development the Trade Sector has finalized rehabilitation of various markets and implemented reforms to install fair trading practices across the County.

Mr. Speaker Sir, management of our available physical space remains as integral as planning for our financial resources. It is for this reason that over the past year the Urban Planning, Lands and Housing Sector has developed various policies aimed at streamlining the land across the city and the structures that sit on it.

Development of County housing policy and fastening of plans approval process has surely assisted in making the County a destiny of choice to invest in. Most of these strides could not have been made minus the contribution of this august Assembly. The timely passage of budgets, annual appropriations bills, various pieces of legislations and effective oversight has been an enabler for seamless service delivery that we are proud of.

Having pointed out some of the progress we have made and the challenges we faced over the past year, **Mr. Speaker Sir and Honorable Members**, let me now highlight how we want to build on the progress already made and even do much more in the coming year. The focus in the coming financial year would be consolidate the gains, confront the challenges with vigor and determination while ensuring that there is prudent use of the resources that we have been entrusted with.

III. Budget Highlights for the FY 2019-20

Mr. Speaker Sir, in the financial year beginning July 1st I shall roll out the following measures for which the subsequent part of this pronouncement shall briefly discuss: -

- Continued and increased spending in infrastructure
- Improved governance and stakeholder participation
- Social and Community Development
- Safety and Environment
- Planning and Economic Development

- a) **Continued and increased spending in infrastructure:** As has been highlighted **Hon. Members**, a dilapidated infrastructure is not conducive for business and the County shall continue to allocate resources towards road network rehabilitation and expansion, traffic management and decongestion, non-motorized transportation, improving drainage infrastructure, improvement of water and sewerage infrastructure and waste management. In the coming financial year, I have allocated **Kshs. 3.64billion** to the transport Sector for development. With that allocation it is projected that between financial year 2018-19 and 2019-20 the Sector has been facilitated with resources to the tune of **Kshs. 8billion** for infrastructure improvement. These in addition to over Kshs. 900million that I set aside this financial year as County's contribution to the Nairobi Regeneration programme. It is also noteworthy, Hon. Members that the County is a beneficiary of the Roads Maintenance Levy Fund against which the County would have received in excess of **Kshs. 800million** by the end of the FY 2019-20. Overallly the resources are projected

to go towards maintenance of roads across the County as need arises. With that resource outlay the government shall purpose over the medium term to have an effective, efficient and secure road network while implementing best practice road transport policies in the County.

To safeguard the improved road infrastructure, the County shall endeavor to maintain a well-functioning drainage system that is capable of protecting property and livelihoods during times flash floods. To deal with the problem of poor traffic management and congestion, we will continue to support systems that aim to reduce the connection time within the Metropolis area. In collaboration with the national government we are nearing closure of discussions whose outcome would be to roll out rapid mass transport system, set up more signalized junctions, develop an Intelligent Transport system in the City as well as commission more commuter rails within the CBD. In the coming financial year, the County Treasury shall support speedy enactment of the Public Transport Bill as the legislation would provide a proper guide on how to address some of the challenges that we face in transport management.

Mr. Speaker Sir, expansion of Water and Sewerage Infrastructure is as important as the roads network and it is for that reason that in this financial year I set aside an enhanced budget of **Kshs. 2.7billion** to the Environment, Water and Energy Sector. The measures initiated in this financial year will be carried forward to the coming financial year to upscale the County's capacity to provide clean and safe water, improve sanitation conditions in order to meet rising demand as a result of population surge.

The County Treasury is in discussion with the Board of Nairobi City Water and Sewerage Company with an aim of ensuring that the Company improves water supply reliability. The water sub- sector and the company are tasked with the responsibility of seeing to it that number of households connected to the water system increase to 86% over the medium term being an increase by 10% from the figure at 2018. To achieve this, over the coming

year the County Treasury shall be entering into partnerships for capital financing of water projects while also initiating reforms at the water company to restrain growth of recurrent costs and free resources for actual service delivery. In this budget I have set aside **Kshs. 362million** for water resources management to complement the works by the Nairobi Water and Sewerage Company and the national initiatives undertaken by the Athi River Water Services Board. The total resources available for improvement of water infrastructure in the coming financial through counterpart funding by both County and National Government shall equal **Kshs. 24.5billion**. With these resources it is expected that there will be commensurate investment in developing underground water, development of the northern collector and rehabilitation of the cleaning depot.

Mr. Speaker Sir, Hon. Members and Fellow Nairobians, to effectively deal with solid waste I have allocated adequate resources for development of solid waste infrastructure and enhancing capacity for timely collection and disposal of waste. With an allocation of **Kshs. 992 million** for solid waste management the Sector shall have adequate capacity to collect the over 2,000 tonnes of garbage generated daily. Nairobi being the gateway to East and Central Africa needs to be clean and attractive. To support this initiative, over the coming financial year I have allocated **Kshs. 134million** for beatification, recreation and greening services.

- b) **Improved governance and stakeholder participation:** **Hon. Speaker**, the pinnacle of the Constitution of Kenya 2010 is the requirement of the public to be involved in all matters done by government but which affect their lives. The law has emphasized the need for full participation of stakeholders in governance, development, planning, resource allocation, service delivery and monitoring and evaluation. The County Government has rolled out implementation of the Public Participation Act 2015 with emphasis on public engagements at the Sub County and Ward levels. It is expected that the Sub- County Administration shall continue to provide the link between the County Headquarters and the people at the grassroots levels. To support their role as the medium for the public to engage with their

elected officials, I have allocated **Kshs. 2.3billion** for the Sub County Administration out of which they will spend Kshs. **Kshs. 148million** for setting up of offices and purchase of vehicles. These would ensure that all County offices are decentralized to the Sub- County and Ward levels while increasing visibility of the impact of the changes being created by the County Government.

Mr. Speaker Sir, there is consensus that corruption hemorrhages resources crucial for service delivery out of the public sector and diverts them to private use thereby limiting the ability of any government to address the contemporary challenges for which the majority may benefit. In the coming financial I shall accelerate efforts to impose **pareto** efficiency in management of public finances by ensuring procurement is done within the legal parameters provided, all commitments are in a tandem with approved budget, revenues collected are fully accounted for and there is improved transparency and accountability on the functions of the County Treasury. I will also ensure that all procurement is done using the IFMIS system, which already has an active module for this purpose. I shall ensure that all line officers receive the relevant training on procurement through IFMIS.

Mr. Speaker Sir, your role and that of this honorable House in helping His Excellency the Governor deliver on the pre-election pledges cannot be gainsaid. In the coming financial year, I shall be calling upon this house to pass a number of key legislations aimed at streamlining our revenue streams, tightening existing frameworks on revenue management and sealing any remaining leakages on the revenue chain. I urge this house to fast-track the passing of **the property rates act** to provide basis for update of the valuation roll. Let me take a minute to highlight this point a little more.

Mr. Speaker Sir, The last valuation roll was last updated 39 years ago, in 1980. Five years ago, through funding from the World Bank, we started a process to come up with a new valuation roll. I am glad to report to this Honourable House that the new valuation roll is

now ready. We intend to start implementing it from July 1st 2019, but the new rates will only be applicable from January 1st, 2020. Mr. Speaker, we have charging rates at 25 percent of the 1980 values. We cannot charge 25 percent of the new valuation rates because that would be too high. For example, in 1980, an acre of land in Karen estate was valued at between 300,000 and 900,000 depending on the location. The same land is now valued at 40 to 60 million. An acre of land in Upper Hill was valued at 435,000. The same land is now worth 500 to 600 million. We will therefore analyse the data from the new valuation roll to come up with proposals for your consideration. In many areas, it will end up being less than 1 percent, but which is still expected to result in higher revenue flows for the County Government.

Further, I shall be calling upon the County Assembly to adopt legislations on parking, markets, health services, education among others in order to align them with the mandates of the respective sectors and the aspirations of this administration. To support this enhanced responsibility, the County Assembly has been allocated **Kshs. 3.2billion**.

- c) **Social and Community Development:** The government recognizes that well-coordinated and fully functioning social package will reduce the economic shocks on households. In this regard, the government shall continue to invest in quality and accessible healthcare services and free quality early childhood education as well as strengthening social protection programmes. In health, **Hon. Members**, the County Government shall invest additional resources to achieve the universal health coverage by stemming rising infant mortality rates, halting and reversing declining child nutrition indicators, enhance immunization coverage and eradicate preventable causes of morbidity within the City. In full recognition of the place of health in the Big Four Agenda, I have allocated the Sector a total budget of **Kshs. 7.4billion** being the highest allocation for any Sector at 21% of the total budget. The resources set aside for health underscore the emphasis on health matters and the commitment by the government to improve access to healthcare services, reduce the healthcare givers: patient ratios, improve

working conditions for health personnel and ensure reliable availability of medical and pharmaceutical commodities for communicable and non- communicable diseases in health facilities. Some of the projects that shall be prioritized in the coming financial year include renovation of maternity wing and equipping at Mbagathi hospital which shall be undertaken at a cost of Kshs. **150million** and Completion of new 66 capacity bed at Mama Lucy Kibaki Hospital which shall be done at a cost of **Kshs. 100million**.

Mr. Speaker Sir, despite the fact that there has been considerable progress made thus far in ensuring that there is improved enrolment in the education sector with even more impressive transition rates, there is still need to expand the scope of formal education. It is for this reason that in the coming year focus shall shift to training of more ECDE teachers, improving and expanding existing training infrastructure as well as integrating ICT in curriculum delivery. With a total Sector allocation of **Kshs. 2.1billion** out of which I have earmarked **Kshs. 400million** for bursaries we shall ensure that no kid misses class hours due to lack of school fees.

Mr. Speaker, as has been discussed, the housing demand outstrips the supply hence the need for strategic thinking on how to bridge the gap that continues to widen. Through the urban renewal programme being a partnership with donors, the government shall redevelop its old estates with a target to deliver 10,000 units over the medium term. As a start I have allocated in this **Kshs. 60million** for maintenance of residential houses, **Kshs. 52million** for Kariobangi South Estate renovation and **Kshs. 18million** for facelift of Buruburu Estate.

- d) **Safety and Security**: Hon. Speaker, the County Government is committed to guaranteeing a safe and secure environment for residents, investors and workers to operate in.

In this regard, initiatives to modernize the city inspectorate services to achieve a trustworthy and recognized law enforcement status that strictly observes has been

allocated **Kshs. 2.2billion**. To mitigate against disasters, the government shall develop and implement a resilience plan aimed at mitigating the adverse effects of such occurrences. In this regard, I have set aside **Kshs. 371million** for disaster mitigation prevention and response. In addition, this year I have enhanced the allocation for emergency fund to **Kshs. 100million** to achieve better response to emergencies.

- e) **Planning and Economic Development:** To achieve the desire of well-regulated and integrated urban development which ensures an inclusive City that is responsive to both the needs of the current and future generations, I have allocated **Kshs. 70million** for formulation and implementation of development control policies and specific area plans. In addition, I have set aside **Kshs. 32million** for purchase of vehicles to improve enforcement and compliance of development policies in the County and **Kshs. 35million** for purchase of demolition equipment to demolish illegal and dangerous buildings. With a total Sector allocation of **Kshs. 688million** it is expected that the Urban Planning Sector shall have the financial tools to deliver on areas of urban planning, valuation services, enforcement and compliance and land survey.

Hon. Members, Nairobi's food production is currently 20% of the food consumed within the City making the supply inadequate for sustainable food security within the County. This has been partially caused by lack of enabling infrastructure which hampers participation in urban agriculture. In the coming financial year, the Agriculture, Livestock Development and Fisheries Sector shall focus installation of green houses, installation of fish tank units, purchase of goat production sites and construction of poultry units against which I have allocated a development budget of **Kshs. 126million**.

IV. Revenues Raising Measures and Financial Sustainability

Mr. Speaker Sir, Hon. Members, the good proposals outlined above cannot be realized unless the County can be on the overdrive to collect the Kshs. 17.32billion projected from internal sources of revenue in the coming financial year. In the coming financial year, the

County shall focus on addressing the challenges that hamper optimal revenue collection. The County Treasury is of the view that below par outcomes are attributed to overreliance on automation without a corresponding effort on innovation. Last month the County terminated its contract with JamboPay and has now directed effort towards rolling out an effective internal revenue management system devoid of manipulation and full back-end controls.

These coupled with innovation of creative enforcement models for rapid growth of own source revenue shall have the net effect of achieving the target contained in the budget for the FY 2019-20.

Mr. Speaker Sir, expenditure and cost management is as essential as revenue collection and it is for that reason that in the coming financial year the County shall purpose to instill prudent application of public resources for optimal returns to the public. The reforms initiated in procurement over the last one financial year shall be enhanced and non- priority expenditure minimized to make more resources available for key service delivery. To ensure that the County collects maximum revenue possible in line with the revenue laws, I shall restrict issuance of waivers that have the potential of injuring the County revenue targets and budget financing. Any waivers issued shall be done in strict compliance to the Public Finance Management Act 2012 and the Nairobi City County Tax Waivers Administration Act 2013.

Further, **Mr. Speaker Sir**, in compliance to the fiscal responsibility principles the government shall continue restraining the growth of the wage bill, allocating more resources towards debt resolution and investing in high return areas.

Mr. Speaker Sir and Hon. Members, last year through the Finance Act 2018 I overhauled most of the fees and charges contained in the Nairobi City County Revenue Act 2015 to improve returns and make it easier to collect them. The reduction in parking fees from Kshs. 300 to Kshs. 200 for on street parking was the cornerstone of the amendments last year and the same has drastically reduced revenue collections from daily parking and increased congestion within the CBD. To solve these twin problems and to test the elasticity of demand

for County parking services, I have proposed a review of parking fees with effect from July 1st. The exact details and amounts will be contained in the Finance Bill that will be tabled before this House.

Mr. Speaker Sir, the provisions of Section 157 of the Public Finance Management Act 2012 recognizes the only the County Treasury as collectors and receivers of County revenue. In this regard, I shall be engaging with the County Assembly over the coming week to restructure the Nairobi City County Revenue Administration Bill 2019 and ensure that all revenue streams are domiciled in the County Treasury. I shall also provide enough tools and resources to facilitate revenue collection.

Mr. Speaker Sir, the demand for services by far outmatch the ability of the County to deliver partly because majority of the County population enjoy the services without contributing any amount to the County as fee or charge.

To improve service delivery, I shall be proposing to amend the relevant laws to introduce a City bed-occupancy levy. To ensure that the County collects primary data on all revenue streams, I shall commission a census to be stewarded by the Economic Planning Department as a way of determining the number of businesses in the City by various categories and approximate the revenue potential from those streams.

Mr. Speaker Sir, majority of waste generated in the City originates from private businesses, schools and households. It is for this reason that beginning coming financial year I shall introduce measures to increase the scope of Solid Waste Management Services to cover these facilities. With this coverage I shall be introducing specific charges to match the services to be offered.

The Betting and Lotteries Act together with the regulations are currently before this House. Currently, the County Government only collects revenue from pool tables and premises. I urge this House to fastrack the enactment of this Act to enable the County Treasury to expand the bracket in the gambling and entertainment industry?

Finally, **Hon. Speaker**, fully aware that in a changing global economy there is general shift to online trading as a way of making businesses efficient and cost effective, the County shall be initiating amendments to the Revenue laws to capture owners of online businesses in the revenue basket.

V. Conclusion

As I conclude, Hon. Speaker, I cannot fail to submit that the County Government led by His Excellency Governor Mike Mbuvi Sonko is committed to ensuring that the County becomes the leading City in the African in terms of development, innovation and ease of doing business. This budget which is a result of stakeholder engagements has been crafted on the backdrop of limited resources and tradeoffs have been done to ensure that the County only pursues areas of maximum utility.

Allow me also **Mr. Speaker**, to thank His Excellency Governor for having given me the opportunity to serve the County as the CECM for Finance and for his unwavering support and leadership during the entire budget process.

This event would have not have been possible without the support of your office **Mr. Speaker** and that of the Clerk to the County Assembly. I thank you for having granted me the opportunity to present this budget highlights and also for the support thus far received throughout this process. I am also grateful to the Finance, Budget and Appropriations Committee led by the very able Chairman, Hon. Robert Mbatia, all other Sectoral Committees, The Leader of the Majority Party Hon. Abdi Hassan and the Leader of the Minority Party Hon. Elias Otieno for their commitment to see this process end successfully.

I cannot forget to appreciate my fellow County Executive Committee Members, County Chief Officers, staff at the County Treasury led by the County Chief Officer for Finance who have jointly and individually worked hard to ensure that the budget and all supporting documents meet the legal timelines.

Finally, **Mr. Speaker Sir**, I wish to thank Nairobians in general for their continued involvement in County affairs which has guaranteed that the County focuses on areas which the public has helped us identify.

Thank You and God Bless Nairobi City County.

Mr. Speaker Sir, now allow me to submit the Finance Bill 2019 to this August House for consideration.

THANK YOU VERY MUCH MR. SPEAKER SIR.

TUESDAY 25TH JUNE 2019.