

NAIROBI CITY COUNTY

Telephone: +254 20 344 194
Email: info@nairobi.go.ke
Facebook:
NairobicityCountyOfficial



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

BUDGET STATEMENT FOR THE FISCAL YEAR 2021/2022

STATEMENT DELIVERED TO THE NAIROBI CITY COUNTY ASSEMBLY
ON 24TH JUNE 2021 BY MR. ALLAN ESABWA IGAMBI, COUNTY
EXECUTIVE COMMITTEE MEMBER - FINANCE & ECONOMIC
PLANNING, NAIROBI CITY COUNTY ON BUDGET HIGHLIGHTS AND
REVENUE RAISING MEASURES FOR FISCAL YEAR 2021/2022

1ST JULY, 2021 TO 30TH JUNE, 2022

Theme: Institution Transformation for Recovery, Resilience and Improved Services

Budget statement for the FY. 2021-22

Theme: *Institution Transformation for Recovery, Resilience and Improved Services*

I. INTRODUCTION

Mr. Speaker, it is indeed a great privilege to present to this honorable assembly, the people of Nairobi, and Kenyans at large the budget highlights and the revenue raising measures for the FY. 2021/2022. This is in fulfillment to the provisions of Section 132 (1) of the Public Finance Management Act, 2012 and 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 resources and clarity in financial reporting.

Mr. Speaker, for the better part of the FY. 2019/2020 and 2020/2021, both the global and the domestic economy was faced with the devastating effects of COVID-19. The pandemic had a negative impact on the performance of the Own Source Revenues. This in effect affected service delivery due to the emergent resource constraints.

II. POLICY PRIORITIES AND THE ECONOMIC OUTLOOK IN THE MEDIUM TERM

Mr. Speaker, despite the emergence of new COVID-19 variants both the global and the domestic economy is projected to be on a growth path in 2021. We are very optimistic that projected growth trajectory is expected to translate to better outcomes to the economy and

the County in terms of uptake of our services such as building approvals and Single Business Permits. This will in turn translate to increased revenues and improved fiscal space.

Mr. Speaker, the budget estimates for the FY. 2021-22 submitted to the County Assembly on 30th April 2021, seeks to entrench institution transformation for better efficiency and effectiveness in service delivery, as well as bring the county and its residents to a path towards recovery after the devastating effects of the Covid-19 pandemic. Additionally, as we approach the tail end of implementing the CIDP 2018-2022, we are still committed to achieve the development goals which will drive the County to be a better City to Invest, Work and Live In.

Mr. Speaker, in seeking to achieve our medium term priorities, we endeavor to overcome the persistent challenges that have been experienced previously. Broadly, these challenges are largely infrastructural, socio economic and other emerging challenges which prove even more complex to handle.

Mr. Speaker, infrastructural development has not been commensurate to the rapidly growing demands, the population growth in Nairobi City is high and ever increasing, demand for water and sewerage far outstrips the supply, traffic congestion continues to bedevil the city, sprouting of slums coupled with high levels of inequalities, intermittent flooding, and insecurity, has been an ever persistent concoction of challenges encountered by Nairobians and consequently hampering the achievement of our medium term development targets.

Mr. Speaker, the Covid-19 pandemic hit our residents hard, led to collapse of businesses, sank more people into extreme poverty and caused major disruptions to the normal way of life. Unemployment rose significantly resulting in unpredicted levels of social vices. This was an unprecedented phenomenon, and still continues to pose serious challenges to us, and the country at large. The county had reduced activities in compliance with the health protocols.

The County will continue to invest resources towards alleviating the suffering of the people through provision of basic necessities like water through the supply of clean water in the informal settlements. Over the past 12 months the county has tried to support some of the most vulnerable members through emergency responses.

Mr. Speaker, in our quest to be a globally competitive city, we have continuously remained committed to overcome these challenges, and a lot of effort and resources have already been invested towards this end. In the medium term, infrastructural development has remained a key investment area of the county where new roads have been constructed and existing ones maintained, non-motorized transport systems built, public lighting expanded and improved, annual waste management of 730,000 tonnes achieved, beautification of our City and improvement of our public parks done, affordable housing units began, fire stations and equipment installed, markets and modern kiosk built, huge investment in the health sector for maintenance and construction of health facilities done, quality basic education provided, transition rates to school going children improved, and our vocational training centers improved.

RESPONSE AND MITIGATION MEASURES TOWARDS COVID 19

Mr. Speaker, the onset of Covid 19 brought about new and harsh realities globally and we continue to support all measures to fight against the virus, at the same time cushion Nairobians from the resultant hardships.

Mr. Speaker, Covid-19 brought about catastrophic turn in fortunes both in economic and social spheres. Its impact on the economy were severe, combining both supply and demand shocks. It resulted to contraction of the economy by 5.7% in the second quarter of 2020, consequently leading to considerable productivity and welfare losses.

Mr. Speaker, the recommended measures to curb the spread of COVID 19 required very high standards of hygiene and cleanliness. In order to support the efforts of the National Government in curbing the spread of COVID-19, the County through the Nairobi Metropolitan Services embarked on an ambitious program of water provision in the informal settlements. So far 1,400 boreholes have been drilled across the City, and at least 10,000 litres of water supplied to our informal areas by water bowzers. The county will continue with this effort to ensure hygiene levels are improved throughout the county, including all the County Facilities.

Mr. Speaker, the pandemic led to closure of all learning institutions in 2019, and some of the private institutions have not resumed to date. The reduced economic fortunes in most households rendered the remaining few private institutions unaffordable to most families.

Mr. Speaker, this situation has seen an increase in enrolment in Public Learning Institutions, including our Early Childhood Centers. To ensure continuous access to

education, we have allocated sufficient resources towards free ECD programme, school feeding programme and the education support programme in form of bursaries. Schools were waived from paying for business licenses during the period when they were not in operation.

Mr. Speaker, to support traders and SMEs to bounce back from the pandemic, and 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. We will ensure the environment for doing business is conducive, by allowing hotels pay for their licences as per the reduced sitting capacity, and also adjusting seasonal tickets to allow Matatus pay as per the required social-distancing-compliant capacity.

Mr. Speaker, as unemployment rises due to the pandemic, we will seek to empower the Youth, Women and Persons with Disabilities. Youth polytechnics and TVETs will be equipped with facilities for technical training to promote the competitiveness of the Youth in the labour market. 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.

SUPPORT FOR AFFORDABLE HOUSING

Mr. Speaker, the County Government entered into a joint venture to develop and deliver 3390 affordable houses in both Pangani (1,560 units) and Jeanne Estate (1,830 units). This

is in support of the big four agenda to deliver affordable houses to Kenyans. The project has progressed well and it is estimated that 1,042 units in Pangani will be completed in December 2021 and the balance 518 units to be completed by May 2022. Additionally, the 1,830 units in Jevanjee gardens are estimated to be completed in December 2022. The County Government will continue to support the development of affordable housing through joint ventures and soon, the ground breaking of Ngong Road Estate and Suna Road Market with an estimated additional 3,500 units.

INSTITUTIONAL REFORMS TO SUPPORT RECOVERY

Mr. Speaker, the County have made steady progress since the onset of devolution in improving the business environment and improving efficiency and accountability. Notably the County implemented the Integrated Financial Management System in the management of expenditures. The implementation of IFMIS has had the impact of enhancing accountability in the management of public resources. We believe that there still more to be done. Leveraging on ICT, the County will be undertaking reforms to enhance the revenue administration, procurement through the implementation of an Enterprise Resource Programme (ERP) that is intended to ensure full integration of all the sub-systems. The planned ERP platform is expected to be a panacea to maximize revenue collection and halt perennial outsourcing of revenue collection services thus helping reducing the cost of collection.

PENDING BILLS

Mr. Speaker, pending bills accumulated to an proportional level over many years. Statutory debts which dates back more than 10 Years has affected the welfare of our retirees; who should be enjoying the sunset years after working hard for Nairobians, and also affected service delivery.

Mr. Speaker, the delay in settlement of these pending bills has not only led to serious economic and social disruptions as most service providers suffered financially. In addition, allocation of resources towards debt resolution constrains our fiscal space. The supplementary budget for FY. 2020/2021 has accommodated all pending bills owed to suppliers and contractors as at 30th April 2021, subject to clearance by the Office of the Auditor General. In effect by the end of the financial year the Government expects to have cleared majority of the pending bills owed to suppliers and contractors that will have been cleared by Office of Auditor General for settlement. To further check the growth of pending bills in the coming financial year, and comply with the National Government directive, the County Treasury will roll out expenditure management policies and sectors will be required to ensure all their pending bills are fully cleared before closure of every financial year.

III. FISCAL FRAMEWORK FOR FY 2021/2022

Mr. Speaker, over the years the county has always been experiencing fiscal deficits due to the underperformance of Own Source Revenues. The fiscal policy to support the estimates for the FY 2021/2022 estimates is aimed at reversing this trend by focusing on revenue mobilization of own source revenues. The County will work together with the principal

collection agent to address the structural and administrative reforms necessary to achieve the set revenue targets. On the expenditure part, the county will undertake reforms to enhance prudent management of the available resources in order to reduce expenditure on non-core expenditures to create the fiscal space for development expenditures.

REVENUE AND EXPENDITURE PROJECTIONS FOR THE FY. 2021/2022

Mr. Speaker, the total revenue projection for the FY 2021/2022 including both the National Government transfers and own source revenues amounts to Kshs. **39.6 Billion**. Out of this the projected national transfers amounts to Ksh.19.3 Billion while the total projected Own Source revenues amounts to Kshs. 19.8 Billion.

Mr. Speaker, the total projected expenditure amounts to Kshs. 39.6 Billion made up recurrent expenditures and development expenditures at Kshs. 27Billion and Ksh.12.6 Billion respectively. The allocation to development expenditure is equivalent to 31.8% of the total budget which is in line with Section 107 of the Public Finance Management Act, 2012 that requires at least 30% be allocated to development.

Mr. Speaker, the revenue and expenditure projections are in accordance to the approved budget ceilings in the approved County Fiscal Strategy Paper 2021.

PUBLIC PRIVATE PARTNERSHIP

Mr. Speaker, there exists a very huge gap between the demand for services and the available resources. This coupled with the huge amount of resources required for recurrent and other non-discretionary services like salaries, has created a very big strain on the

available resources. We appreciate the support from partners who helped us achieve some of our development objectives, and welcome all partners who wish to support the County achieve its development agenda. We commit to embrace Public Private Partnership as an approach towards bridging the resource gap.

IV. BUDGET HIGHLIGHTS FOR THE FY. 2021/2022

Mr. Speaker, allow me to highlight the budget details for the FY 2021-22 as tabled before this house. As aforementioned, the driving theme for the budget is to transform our institution and its processes, and strategically redirect the County and its people to the Pre-Covid splendor. The county budget for 2021/2022 stands at **Kshs. 39.63 Billion**.

TRANSFERRED FUNCTIONS

Mr. Speaker, the deed of transfer moved the delivery of four functions from the Nairobi City to the Nairobi Metropolitan Services. The transferred services include:

- County Transport
- County Health Services
- County Planning and Management
- County Public Works and Ancillary Services

The delivery of these functions is expected to continue seamlessly. The priority areas for these transferred functions will be to enhance pedestrian safety and connectivity through construction and rehabilitation of roads, storm water drainage and bridges. Completion of ongoing road works will be targeted as a key priority, together with rehabilitation of already completed works. In an effort to achieve universal health care, equipping and stocking of

sufficient drugs and non-pharmaceuticals, construction and rehabilitation of health facilities, and ensuring affordable health services is accessible to all remains our key priority.

Mr. Speaker, Supply of water remains a constitutional right to the public, and management of sewer is an unavoidable responsibility and management of solid waste and sewerage is a challenge we continuously seek to overcome. Towards this end, and to ensure implementation of priorities of the transferred functions, I have proposed an allocation of **Kshs. 19.2 Billion** to the Nairobi Metropolitan Services for the transferred functions. The National Government is expected to fill any resource gaps to NMS from the Consolidated Fund in line with the Deed of transfers.

WARD DEVELOPMENT FUND

Mr. Speaker, the ward development programme is aimed at reducing disparities in resource allocation and development across wards. The implementation of the Ward Fund has been encountering various impediments leading to delayed implementation of projects and therefore denying Nairobians the much needed services. The County Management Committee for the fund was recently appointed and inducted thereby paving way for a seamless implementation of Ward Projects in the coming Financial Year.

Mr. Speaker, the projects to be implemented under this programme will be ward based depending on the priorities of individual wards. The proposals from wards are development oriented, mostly in infrastructure development. I have proposed an allocation of **Kshs.1.5 Billion** as transfers to the Ward Development Fund Account for the FY 2021/2022.

COUNTY ASSEMBLY

Mr. Speaker, The County Assembly (CA) plays an important role in all legislative functions within the County including approval of County laws, policies, budgets and expenditures, integrated development plans, tariffs, rates and service charges as well as playing an oversight role on the County Executive. To achieve this role, Mr. Speaker, I have proposed an allocation of **Kshs. 3.2Billion** to the County Assembly for recurrent and development.

EARLY CHILD HOOD EDUCATION & VOCATIONAL TRAINING

Mr. Speaker, as stated earlier, COVID -19 led to the closure of many private schools hence an influx of pupils in the available public schools. This strained the available infrastructure, despite the investment the county has made towards the improvement of this sector. However, we concur that a lot more needs to be done to maintain and better our standards. We will therefore focus on hiring and training of more ECDE teachers to match the increased number of pupils, improving and expanding existing training infrastructure as well as integrating ICT in curriculum delivery **Kshs. 1.3 Billion** has been allocated for this purpose.

ENHANCING ACCESS TO EDUCATION

Mr. Speaker, to support the National Government effort to ensure transition to Secondary Schools at 100%, the Government has been providing support to needy students through the provision of bursaries. The Government is keen on continuing with this endeavor and in this regard, I have allocated **Kshs. 420 Million** for provision of bursaries to needy students. Out of this Kshs 3.5million will be allocated to every Ward and the balance will be available to sponsor all continuing students under the Executive scholarship programme.

FOOD SECURITY AND NUTRITION

Mr. Speaker, to ensure that Nairobi is food secure, we will seek to tap into the existing opportunities in urban agriculture. Food production is currently 20% of the food consumed within the City making the supply inadequate for sustainable food security within the County. In the coming financial year, the Agriculture, Livestock Development and Fisheries Sector shall focus on installation of green houses, installation of fish tank units, purchase of goat production sites and construction of poultry units. I have allocated **Kshs. 409 Million** to achieve these objectives.

SUPPORT FOR THE YOUTH

Mr. Speaker, the youth remains central to the wellbeing of our population and future economic progress. In support of youth activities and to nurture talent I have allocated a total of **Kshs. 252 Million** for youth activities including completion of stadiums and social halls which serves as recreational centres for the youth.

E-PROCUREMENT

Mr. Speaker, implementation of the various programs and projects will require an efficient procurement system. To this end and in line with the Government Policy on e-procurement the County will undertake implementation of E-Procurement in line with the National Government policy. This will not only enhance efficiency but will also ensure the County gets the best services at the best prices possible due to increased competition. This makes part of ICT infrastructure development.

V. REVENUES RAISING MEASURES AND FINANCIAL SUSTAINABILITY

Mr. Speaker, I now turn to the fiscal projections and the revenue raising measures for the FY. 2021/22.

Mr. Speaker, the FY 2021/22 budget estimates will be financed from the Transfers from National Government and Own Source Revenues. As highlighted earlier, the total resource projection for the FY 2021/22 stands at Kshs. 39.63 Billion up from Kshs. 37.1 Billion in FY. 2020/21. The budget is balanced and therefore no borrowing is envisaged.

Mr. Speaker to ensure that the county targets are met, the county treasury projects an income of **Kshs. 19.8 Billion** from internal sources and Kshs. **19.25 Billion** from external sources. We remain hopeful that the diminished revenue that resulted from the COVID 19 pandemic will be reversed in the coming financial year. In order to realize the projected OSR, the government will be undertaking various structural and legal reforms, amidst other revenue raising strategies.

STRUCTURAL AND ADMINISTRATIVE REFORMS

Mr. Speaker, for a long a time the County has lacked requisite legislation for key revenue streams. This weakened the administration and mobilization of revenue collection. In the coming year, the Government will be pursuing this agenda to ensure every revenue stream has an enabling legislation and with the help of this house we expect better performance henceforth.

Mr. Speaker, Completion and implementation of the Geographical Information System (GIS) based Valuation roll remains a key strategy to boost our rates collections. This will result in capturing of all properties, and rates charged based on the current land value, a departure from the current state where rates are charged as per the 1980 valuation. The number of ratable properties is expected to increase from the current 161,000 to approximately 300,000 properties. This will automatically double the rate income. The new valuation roll seeks to lower the Rate Struck to 0.13% of current land value. Cumulatively, these measures will increase rates income from the current annual collection of Kshs. 2.8 Billion to about Kshs. 6 Billion.

Mr. Speaker, we will also be mapping other revenue streams through Geographical Information System. This will increase revenue base which will ultimately increase actual revenue and provide a logical basis for target setting.

Mr. Speaker, we will pursue use of accurate data on single business permit to increase more income from SBP. Increasing the number of registered businesses from current 188,000 to approximately 500,000 through collection, updating and cleansing data, is expected to increase SBP revenue from the current Kshs. 2 Billion to approximately Kshs. 5 Billion.

Mr. Speaker, Implementation of the NCC betting, lotteries and gaming Act, 2021 the betting licenses provides a potential revenue stream with the potential of raising over Kshs. 200 Million per annum.

Mr. Speaker, we have proposed minor adjustments and new charges through the finance bill 2021 with a potential of increasing the revenue by Kshs. 2.2 Billion. The key areas of interest in this bill are;

1. Revision of fees and charges as outlined in the NCC trading and Licensing Act, 2019.
2. Introduction of monthly seasonal tickets for building materials transporters
3. Gazette more parking areas and zonal charging of the parking bays.

Mr. Speaker, Implementation of the new Integrated County Revenue Management System is overdue. The system will integrate all other collection platforms, for efficient and effective revenue collection and monitoring. This will provide a convenient platform for the public to pay from any location. The system will make it easy to make payment online and at Sub-County with real time updating of accounts.

Mr. Speaker, Enactment of the Nairobi City County Revenue Administration Act, 2019 provides legislative framework for the general administration of revenue raising laws, and effective administration of revenue collected by the County Government; the assessment, collection, receipt and management of the revenue; establish the County Revenue Board resulting to an efficient revenue management and supervision.

Mr. Speaker, to boost on the above mentioned strategies we will initiate public awareness on all the County levies for citizen to know how much to pay, how to pay, deadlines and consequences of being in default. We shall also ensure prompt billing and serving of demand notices combined with continuous inspections and enforcement to ensure compliance. We shall provide the necessary tools to facilitate collection, inspection and enforcement of revenue.

VI. CONCLUSION

As I conclude, Hon. Speaker, I cannot fail to reiterate that the County Government remains focused and steadfast to ensuring that the development targets are met, consequently transforming the county into the glorious City in the sun, a competitive City globally, with its people benefiting from a high quality of life. The budget preparation process was consultative, crafted on the backdrop of limited resources and trade-offs have been done to ensure that the County only pursues areas of optimal gains.

This event could not have been possible without the support of the office of **H.E. Acting Governor**, 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. Michael Ogada** 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 met the legal timelines.

Finally, **Mr. Speaker**, I wish to thank Nairobians in general for their continued involvement in County affairs through public participation, their unwavering fulfillment of their civic duty which finances the County operations, and pledge that as a County we will focus on the priority areas they helped us identify.

Thank You All and God Bless Nairobi City County.

Mr. Speaker, allow me to submit the Finance Bill 2021 and the Budget Statement for the FY. 2021/2022 to this House for consideration.

THANK YOU HONORABLE SPEAKER

THURSDAY 24TH JUNE 2021