GOVERNMENT OF NAIROBI CITY COUNTY

THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY
(FIRST SESSION)

NCCA/TJ/PL/2022(6) **25th October, 2022**

PAPER LAID

SUBJECT: NCCG CBROP

Pursuant to Section 118 of Public Finance Management Act, 2012, I beg to lay the following Paper on the Table of this Assembly, today Tuesday 25th October, 2022.

— **THE NAIROBI CITY COUNTY BUDGET REVIEW OUTLOOK PAPER 2022.**

(The leader of Majority Party)

Approved
25/10/2022

NCCA
APPROVED
25 OCT 2022
Sign: ....
HON. SPEAKER

Copies to:
The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

I DLS Kindly note and deal for Clerk 21/10/2

NAIROBI CITY COUNTY

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City Hall,
P.O Box 30075-0010,
Nairobi,
KENYA

FINANCE AND ECONOMIC PLANNING

II PCA L&P
Kindly process the for consideration house and subsequent committal to the FBAC
DLS
24/10/2022

NAIROBI CITY COUNTY ASSEMBLY
CLERK
21 OCT 2022
RECEIVED
P.O. Box 45844-00100, NAIROBI

CECM(FEP)/LWM/ran/379/2022

21st October, 2022

The Clerk
Nairobi City County Assembly
NAIROBI

RE: COUNTY BUDGET REVIEW OUTLOOK PAPER 2022

The above matter refers.

Pursuant to Section 118 of the Public Finance Management Act, 2012 forwarded herewith find the County Budget Review and Outlook Paper 2022 for your action.

III SCA - Austine
Prepare for tabling
PCA L&P
24/10/22

L. Wambua

LAWRENCE MUSYOKA WAMBUA
CECM – FINANCE AND ECONOMIC PLANNING

IV SCA Adam
Please deal as per III
SCA
25/10/22

NAIROBI CITY COUNTY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2022

FOREWORD

Section 118 of the Public Finance Management Act requires the County Treasury to prepare the County Budget Review and Outlook Paper (CBROP) for every financial year, specifying the details of the actual fiscal performance in the previous year, update the economic and fiscal forecasts and provide information on how the county adhered with the financial objectives and the fiscal responsibility principles.

This CBROP 2022 provides an in depth analysis of budget performance for the financial year 2021/2022, assessing the performance towards achieving the revenue targets and a close look at how different sectors utilized their allocation; evaluates the recent economic development and outlook and the resultant effect to the County's forecasts; portrays the resource allocation framework and medium term fiscal projections. All this in an effort to synchronize the lessons learnt from implementation of the previous budget, inform the changes in the current budget, and guide fiscal policy decisions in the medium term.

The document depicts a revenue challenge, with the largest contributor to this shortfall being the Own Source Revenue. In the FY 2021/22, the county achieved 72.9% (Ksh. 28.5 B) of the Ksh. 39.023 B targeted revenues. The O target of Ksh. 19.6 B was not realized with the county only attaining 48% of the target (Ksh. 9.2 B). The five biggest revenue streams in the financial year was Land rates, Parking fees, Single business permit, Billboards and advertisement, and Building permits; in that order. These top 5 revenue sources constituted 78.55 of the total county collection amassing Ksh. 7.26 B. They however dint meet their target, as all other revenue streams, with the top 5 cumulatively meeting only 45.5% of their total target.

Total expenditures by commitments in financial year 2021/2022 amounted to Ksh. 27.03billion against a target of Ksh. 39.6 billion. The under absorption was recorded in both recurrent and development expenditures out of the total expenditure, the development was Kshs 3.024 billion and the recurrent was Kshs 24. billion was utilized for recurrent expenditure. The positive overall fiscal balance reflects a positive balance despite the underperformance of own source revenues and this was largely occasioned by the late release of the June equitable share allocation which could not be fully utilized due to year end procedures.

In the medium term, the County will implement revenue reforms, together with embracing strict financial discipline to ensure the budgets are fully implemented. Revenue projections depict a growth to Ksh. 38.89 B and Ksh 40 B in the FY 2023/2024 and 2024/2025 respectively. This will be in tandem with a similar projected expenditure to ensure a balanced budget.

LAWRENCE WAMBUA

CECM-FINANCE AND ECONOMIC PLANNING

NAIROBI CITY COUNTY

ACKNOWLEGDEMENT

The production of this paper is as a result of resolute dedication by many; who congregated, shared ideas and opinions; all in the spirit of ensuring the paper comprehensively captures and communicates the County's fiscal performance as required by law. It will be an insightful document both for the new government and all stakeholders who have an interest in Nairobi County. I acknowledge the pool of resources, time and ideas offered by all.

It is my singular honour to applaud all members of staff of Nairobi City County, who both directly and indirectly participated in the production of this plan, and sincerely thank H.E. the Governor Johnson Sakaja and the Deputy Governor H.E. James Njoroge Muchiri for their leadership and support. I wish to acknowledge the County Executive Committee Member for Finance and Economic Planning Mr. Lawrence Wambua for his enthusiastic commitment and unwavering focus in all matters fiscal matters and specifically for steering this review process. Special thanks to the Acting County Secretary, Dr. Jairus Musumba, Phd., for the impeccable coordination throughout the process.

Finally , allow me to appreciate the magnificent dedication and zeal of the Finance and Economic Planning staff and all others who made significant contribution to the finalization of this document.

JOSEPH M. GATHIAKA

AG. CHIEF OFFICER – FINANCE AND ECONOMIC PLANNING

NAIROBI CITY COUNTY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2022

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JOSEPH M. GATHIAKA

AG. CHIEF OFFICER – FINANCE AND ECONOMIC PLANNING

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SECTION I: INTRODUCTION

Background

This Budget Review and Outlook Paper (BROP) is prepared in accordance with the Public Financial Management Act, 2012 section 118. The CBROP contains a review of the fiscal performance of the financial year 2021/2022, updated macroeconomic forecast, and the experiences in the implementation of the budget estimates for financial year 2021/2022.

Legal Framework for the Publication of the Budget Review and Outlook Paper

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

(1) The County Treasury shall prepare a County Budget Review and Outlook Paper in respect of the County for each of the financial year and submit the paper to the County Executive Committee by the 30th September of that year.

(2) The Budget Review and Outlook Paper shall include:

a) Actual fiscal performance in the previous year compared to the budget appropriation for that year;

b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

c) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year;

d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

(3.) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

(4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

a) Arrange for the Paper to be laid before the County Assembly; and

b) As soon as practicable after having done so, publish and publicize the Paper.

Fiscal responsibility principles in Public Financial Management.

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

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

5) The County debt shall be maintained at a sustainable level as approved by County assembly.
6) Fiscal Risks shall be managed prudently
7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in future.

Objectives of CBROP

1. The CBROP 2022 provides a review of the fiscal performance for the financial year 2021/22 including adherence to the objectives and principles outlined in the 2021 County Fiscal Strategy Paper and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term.

2. The fiscal performance in the FY 2021/22 was broadly characterized by underperformance of own source revenues as result of revenue administration challenges. The new government has embarked on aggressive revenue mobilization strategies and therefore the overall own source revenue projections for FY 2022/2023 will be retained at the levels outlined in the 2022 CFSP. Any adjustments will be made only to reflect movements in the macroeconomic indicators where necessary. With revenues retained at the same levels at the 2022 CSFP, the overall resource envelope therefore, remains unchanged from the 2022 CFSP position. Any adjustments would be to reflect any change in priorities across departments and any identified unforeseen events.

3. As required by the PFM Act, 2012, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilisation and government spending to ensure debt sustainability and stimulate economic activity. In this regard, this BROP provides sector ceilings which will guide the budget preparation process for the FY 2023/24 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term macro-fiscal projections as presented in sections **III and IV** of this document. Sector ceilings will be firmed up in the CFSP

2023 and will be aligned to priority programmes outlined in the County Integrated Development Plan 2023-2027.

4. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2021/22 and its implications on the financial objectives set out in the CFSP 2022; Section III highlights the recent economic developments and outlook; Section IV presents the proposed resource allocation framework, Sections V and VI presents medium term revenue strategy and conclusion, respectively.

SECTION II: REVIEW OF FISCAL PERFORMANCE IN FY 2021/2022

REVENUE PERFORMANCE

5. By the end of the financial year 2021/2022, the total revenue including equitable share, conditional grants and own source revenues amounted to Ksh.28.486 billion against revised target of Kshs. 39.028 billion. Total collections from own source revenues amounted to Kshs9.237billion against a target of Kshs 19.611 billion. This represents an overall shortfall of Kshs. 10.374billion on own source revenues. (**Table1**). Receipts from the National Government includes the revenues from the equitable share and conditional grants as outlined in the County Government Revenue Allocation Act 2021. Total receipts from national government amounted to Kshs 19.3 Billion against a revised target of Kshs 19.4billion.The shortfall was occasioned by the non-remittance of conditional grants due to non-compliance with several conditionalities.

Table 1: Nairobi County Government FY 2021/2022 Revenues (Kshs 'Millions))

Revenues	FY 2020/2021	FY 2021/22			
	Actuals	Actual	Target	Deviation	Growth
Equitable Share	15,920	19,250	19,250		3,330
Equitable Share Fy 2019/2020-Arrears	3,501				
Grant MOH-Frontline workers	100				
Compensation For User Fees Forgone	79				
KDSP (Level 1 grant Allocation)	45				
DANIDA -Grant for Universal Healthcare in Devolved Governments			35	(35)	
Conditional Grants to Development of Youth Polytechnics	16				
World Bank Loan for Transforming Health System for universal Care System			87	(87)	
Agriculture Developmernt Support Project II	16		37	(37)	
UNFPA-9th Country Programme Implementation (Health Services)			7	(7)	
Own Source Revenues Including AIA	9,941	9,237	19,611	(10,374)	(704)
TOTAL	29,618	28,486	39,028	(167)	3,330

Source: County Treasury, 2022

OWN SOURCE REVENUES

6. By the end of June 2022 total cumulative internal revenues amounted to Kshs. 9.2billion against a target of Kshs. 19.6 Billion. This represented a revenue performance of 48% of the revised target **(Table 3)** The underperformance mainly affected the key revenue streams namely Rates, Single Business Permits, Parking Fees and Billboards that make up the major internal sources contributing the major component of the internal revenue.

Table 2: Own Source Revenues Performance for FY 2021/2022 (Kshs)

-	OWN SOURCE REVENUE (OSR)	FY 2020/2021 Actuals	FY 2021/22					
			Actual	Target	Deviation	Growth	% Deviation	% Growth
1	RATES	2,766,193,658	2,489,096,387	7,458,283,311	(4,969,186,924)	(277,097,271)	(67)	(10)
2	PARKING FEES	1,519,476,673	1,878,217,887	3,025,000,000	(1,146,782,113)	358,741,214	(38)	24
3	SINGLE BUSINESS PERMITS	1,649,739,960	1,370,382,679	2,750,000,000	(1,379,617,321)	(279,357,281)	(50)	(17)
4	BLDNG PERMITS	713,133,746	591,463,190	1,500,000,000	(908,536,810)	(121,670,556)	(61)	(17)
5	BILLBOADS & ADVERTS	736,338,078	926,288,774	1,200,000,000	(273,711,226)	189,950,696	(23)	26
6	HOUSING RENTS	584,253,177	441,822,949	606,000,000	(164,177,051)	(142,430,227)	(27)	(24)
7	FIRE INSPECTION CERT	211,133,219	191,497,874	450,000,000	(258,502,126)	(19,635,345)	(57)	(9)
8	FOOD HANDLERS CERT	91,148,523	118,419,155	250,000,000	(131,580,845)	27,270,632	(53)	30
9	REGUL. OF BLDNG /CHANGE /AMALG/SUB	123,262,135	46,247,933	150,000,000	(103,752,067)	(77,014,202)	(69)	(63)
10	WAKULIMA MARKET	159,956,034	155,455,797	240,000,000	(84,544,203)	(4,500,237)	(35)	(3)
11	OTHER MARKETS	166,717,976	199,968,885	298,770,000	(98,801,115)	33,250,909	(33)	20
12	OTHER INCOMES	940,162,134	565,078,382	1,433,013,948	(867,935,566)	(375,083,752)	(61)	(40)
13	LIQOUR FEES	279,429,434	262,645,129	250,000,000	12,645,129	(16,784,305)	5	(6)
14	**TOTAL (OSR)**	**9,940,944,747**	**9,236,585,022**	**19,611,067,259**	**(10,374,482,237)**	**(704,359,725)**	(53)	(7)

Source; County Treasury 2022

Rates

7. Total accumulated collections from Land Rates in FY 2021/2022 was Kshs. 2.5 billion against a target of Kshs. 7.5 billion (**33 % performance of the target**). The deviation from target is largely as a result of failure to implement the new valuation roll following objections by some property owners forcing the County to use the old 1982 valuation roll. The drop of Kshs 277million from the previous FY 2020/21 year rates collections is due to reluctance by many rate payers to use the new system following change of collection system from LAIFOMS/NBK system to Nairobi Revenue Service (NRS). As part of the revenue enhancement strategy, the county will fast track the implementation of the new Valuation Roll and adopt one revenue collection system with end to end use and make it easier for customers to make payments.

Parking Fees

8. The total cumulative receipts from Parking fees amounted to Kshs. 1.87 billion against a target of kshs. 3 billion (**62% performance of the target),** therefore recording a deviation from target of Kshs. 1.14 billion**.** The underperformance is attributed to; public service vehicles terminating outside the Central Business District thereby evading payment of seasonal parking fees; non-payment for occupied parking bays by government entities;loss of spaces due to conversion of parking bays into walkways and closure of parking bays like law courts are the reasons for not achieving the set target.

9. The increase of Kshs 358 from the previous year collections is attributed to resumption of full payment of monthly seasonal fees after the lifting directive on half carrying capacity for public vehicles that had been imposed by the Ministry of Health that compelled the County to charge at half of the approved fees during the Covid-19 pandemic.

10. In order to optimize revenues from parking fees, the County will target public service vehicles terminating outside Central Business District using the sub Counties to ensure full compliance, follow up on payment for spaces occupied by the National Government and identify new parking bays both in Central Business District and all sub counties and properly number them.

Single Business Permits

11. Total collections from Single Business Permits in FY 2021/2022 amounted to Kshs. 1.4 billion against a target of Kshs. 3 billion (**performance of 47% of the target).** The deviation from the target was due to: closure of the old National Bank Revenue Collection system and migration to Nairobi Revenue Collection System introduced by Kenya Revenue Authority following the transfer of the revenue collection function to Kenya Revenue Authority where majority of clients declined to register and lack of robust enforcement mechanisms which was further compounded by the electioneering period.

12. The County intend to reverse the poor performance by automating all the processes, cascade the inspections and enforcement in all Sub Counties, continuously update the Business Permit Register and increase the number of licensed businesses from the current situation where only about 250,000 businesses are in the database

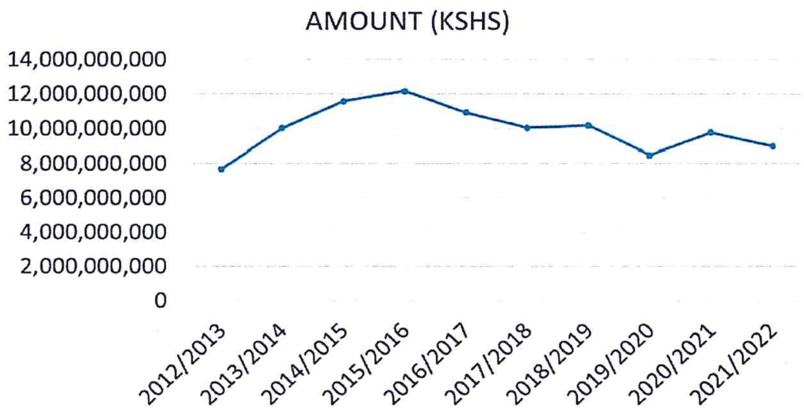
Building Permit

13. Total collections in the FY 2021/2022 amounted to Kshs. 591 Million against a target of Ksh.1.5 billion (**39 % performance of the target**). The poor performance was attributed to suspension of e-Construction system which resulted to delayed in approvals for over six months and the new system NPDMS does not give approval for applications without title deeds hence reduction in the number of approvals and payments. .In order to enhance revenue from this stream, the County will request the system developer to configure the NPDMS system or revert to the e-Construction system that allow any form of ownership so that all applications can be approved and payments done.

Advertisements & Bill Boards

14. The total accumulated revenues for billboards and advertisements in respect to FY 2021/2022 was Kshs. 926 million against a target of Ksh.1.2 billion (77 **% performance of the target).** The non-achievement of targets was caused by lack of appropriate and adequate equipment for monitoring and enforcement operations. In order to enhance revenues in this area the County will enhance on Geo referencing of all the large format structures which include billboards, Sky signs, wall wraps, clock adverts, multiple signage and LED screens.

Figure 1 Actual Revenues from 2013/2014-2021/2022



FY	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Kshs	10,030,509,124	11,587,016,420	12,172,743,417	10,929,830,353	10.053,363,884	10,174,236,077	8,475,570,568	9,756,331,139	8,972,609,801

15. Other Strategies towards revenue mobilization in FY 2022/2023 & the medium term

- Leverage on technology in adopting the reliable and efficient revenue collection systems.
- Enhance enforcement mechanisms across all revenue streams
- Undertake business process reviews to strengthen internal control mechanisms to reduce fiduciary and other risks that may lead to revenue leakages.
- Revenue administration reforms to enhance accountability of the revenue function
- Public education to sensitize the public on County Fees and charges and civic duty of every citizen.

EXPENDITURE PERFORMANCE

16. Total expenditures by commitments in financial year 2021/2022 amounted to Ksh. 27.03billion against a target of Ksh. 39.6 billion. The under absorption was recorded in both recurrent and development expenditures out of the total expenditure, the development was Kshs 3.024 billion and the recurrent was Kshs 24. Billion was utilized for recurrent expenditure.

TABLE 4: Total Expenditure for FY 2021/2022

DESCRIPTION	Approved	Revised	Actual	Deviation from target	% Absorption
RECURRENT					
Transfer to County Assembly	1,545,872,087	1,545,872,087	1,302,938,136	(242,933,951)	84
County Executive	12,813,784,597	15,441,667,880	12,688,758,987	(2,752,908,893)	82
NMS-Transferred Functions	12,106,040,000	12,106,040,000	9,815,619,606	(2,290,420,394)	81
Liquor Board	200,000,000	200,000,000	199,453,345	(546,655)	100
Total Recurrent	26,665,696,684	29,293,579,967	24,006,770,074	(5,286,809,893)	
DEVELOPMENT					
Transfer to County Assembly	1,506,000,000	53,000,000	-	-	0
County Executive	3,373,768,736	3,325,469,033	1,037,415,922	(2,288,053,111)	31
NMS-Transferred Functions	8,032,070,580	6,905,487,000	1,987,298,857	(4,918,188,143)	29
Liqour Board	50,000,000	50,000,000	-	-	0
Total Development	12,961,839,316	10,333,956,033	3,024,714,779	(7,309,241,254)	29
Total Expenditure	39,627,536,000	39,627,536,000	27,031,484,853	(12,596,051,147)	68
% Devt Expenditure	33	26	11		

Source: County Treasury, 2022

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

Expenditure by Sectors

18. Total expenditures by sectors amounted to Ksh.27.031billion against a target of Ksh39.6Billion (Or 32 % deviation from the target. Development expenditure was the most affected across all sectors as reflected in the **(Table 5).**

TABLE 5: Expenditure by Sectors FY 2021/2022 (Ksh. M's)

Department	Recurrent			Development			Total		
	Actual	Target	Absorption	Actual	Target	Absorption	Actual	Target	Absorption
County Public Service Board	52,645,970	89,315,050	59	5,950,000	44,617,830	13	58,595,970	133,932,880	44
Office Of The Governor And Deputy Governor	4,306,765,868	5,208,443,652	83	146,687,000	281,151,134	52	4,453,452,868	5,489,594,786	81
ICT, E-Govt & Public Communications	153,802,876	260,966,530	59		96,500,000	-	153,802,876	357,466,530	43
Finance & Economic Planning	4,036,659,791	4,244,311,242	95	199,260,558	459,793,416	43	4,235,920,349	4,704,104,658	90
Health	80,916,619	245,070,806	33			-	80,916,619	245,070,806	33
Urban Planning And Lands	16,928,113	51,864,014	33			-	16,928,113	51,864,014	33
Public Works ,Transport & Infrastructure	24,422,949	74,782,690	33	247,074,339	454,432,659	54	271,497,288	529,215,349	51
Education, Youth Affairs, Sports, Culture & Social Services	1,606,836,890	1,941,696,353	83	125,760,160	302,136,483	42	1,732,597,050	2,243,832,836	77
Trade, Commerce, Tourism & Cooperatives	610,382,447	723,557,024	84	45,563,500	127,357,916	36	655,945,947	850,914,940	77
Public Service Management	1,126,242,647	1,628,686,474	69	2,304,230	21,000,000	11	1,128,546,877	1,649,686,474	68
Agriculture, Livestock Development, Fisheries & Forestry	166,457,676	336,173,568	50		45,697,300	-	166,457,676	381,870,868	44
County Assembly	1,302,938,136	1,545,872,087	84		53,000,000	-	1,302,938,136	1,598,872,087	81
Environment, Water, Energy & Natural Resources	19,243,824	52,934,581	36				19,243,824	52,934,581	36
Ward Development Programmes	16,797,807	113,210,386	15	264,816,135	1,492,782,295	18	281,613,942	1,605,992,681	18
Emergency Fund	470,655,510	470,655,510	100		-		470,655,510	470,655,510	100
Liquor Licensing Board	199,453,345	200,000,000	100	-	50,000,000	-	199,453,345	250,000,000	80
Nairobi Metropolitan Services	9,815,619,606	12,106,040,000	81	1,987,298,857	6,905,487,000	29	11,802,918,463	19,011,527,000	62
Total	**24,006,770,074**	**29,293,579,967**	**82**	**3,024,714,779**	**10,333,956,033**	**29**	**27,031,484,853**	**39,627,536,000**	**68**

OVERALL BALANCE AND FINANCING

19. The positive overall fiscal balance reflects a positive balance despite the underperformance of own source revenues and this was largely occasioned by the late release of the June equitable share allocation which could not be fully utilized due to year end procedures.

DESCRIPTION	Approved	Revised	Actual	Deviation from target
REVENUES				
Equitable Share	19,250	19,250	19,250	0
Conditional Grants (Cash)	167	167		(167)
Own Source Revenues	19,361	19,361	8,974	(10,387)
Liquor License Fees-AIA	250	250	263	13
Donations & grants & others				
Total Revenues	**39,028**	**39,028**	**28,486**	**(10,541)**
RECURRENT				
Transfer to County Assembly	1,546	1,546	1,303	(243)
County Executive	12,814	15,442	12,689	(2,753)
NMS-Transferred Functions	12,106	12,106	9,816	(2,290)
Liqour Board	200	200	199	(1)
Total Recurrent	**26,666**	**29,294**	**24,007**	**(5,287)**
DEVELOPMENT				
Transfer to County Assembly	1,506	53		(53)
County Executive	3,374	3,325	1,037	(2,288)
NMS-Transferred Functions	8,032	6,905	1,987	(4,918)
Liqour Board	50	50		(50)
Total Development	**12,962**	**10,334**	**3,025**	**(7,309)**
Total Expenditure	**39,628**	**39,628**	**27,031**	**(12,596)**
Net Financing	(600)	(600)	1,455	

FISCAL PERFORMANCE IN RELATION TO FINANCIAL OBJECTIVES

20. The fiscal performance in the FY 2021/22 is broadly in line with the financial objectives outlined in the CSFP.

i. The underperformance performance of key revenues will be addressed in the ongoing revenue administration reforms aimed at surpassing the revenue targets set in FY 2022/2023. This will be anchored mainly on the full implementation of the new valuation roll in January 2023. The outcome of the new revenue drive builds confidence in the revenue projections for the FY 2022/23 and over the medium term. As such, the overall own source revenue projections will be retained at the levels outlined in the 2022 CFSP. Any adjustments to the revenue targets will be only to reflect movements in the macroeconomic indicators where necessary.

ii. The FY 2022/2023 revenues will be retained at the same levels at the 2022 CFSP, and therefore the overall resource envelope therefore, will not be changed. Therefore, the overall baseline expenditure ceilings for spending departments will largely be retained at the same levels as per the 2022 CFSP. Any adjustments would be to reflect any change in priorities across departments and any identified unforeseen events.;

iii. The under-spending in both recurrent and development budget for the FY 2021/22 can be explained in part by the late exchequer releases and underperformance of own source revenues. The Government will put in place appropriate measures to improve absorption of resources and possibly explore alternative financing strategies early in the financial year to ensure the budget is fully funded.

iv. As outlined in the 2022 CFSP, the government will seek to improve revenue collection by implementing new policy measures, reducing collection expenditures, strengthening revenue administration aimed expanding the base and improving compliance.

Adherence to Fiscal Responsibility Principles

21. In line with the constitution the Public Financial Management Act 2012 the government has endeavored to adhere to the fiscal responsibility principles to ensure prudency and transparency in the management of public resources as follows:

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

Total recurrent expenditure amounted to Ksh. 24 billion against total revenues of Ksh. 28.5 billion and therefore within the required legal limits. However, the high recurrent costs and the high mandatory expenditures like insurance and salaries ends up clouding out development expenditure when revenues underperform. Therefore, the county will implement measures aimed at minimizing expenditures on non-core expenditures to create more fiscal space for development.

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

In the FY 2022/23 total development allocation was Kshs 12.962 Billion against a total expenditure budget of Kshs 39.627billion which is about 33% in compliance with the fiscal responsibility principles. Towards the end of the financial year the development expenditure was revised downwards to Kshs 10.333billion to address the pending bills.

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

ITEM	FY 2021/2022		FY 2022/23	Projections		
	Target	Actuals		FY 2023/24	FY 2024/25	FY 2025/26
Total Revenues	39,028	28,486	37,528	38,890	40,004	41,121
Wages & salaries						
County Assembly	894	831	1,152	757	757	757
NCCG	5,106	4,982	5,514	5,514	5,514	5,514
Transferred Functions	9,752	9,797	9,752	9,480	9,480	9,480
Total Wage Bill	**15,753**	**15,610**	**16,418**	**15,751**	**15,751**	**15,751**
% of total revenue	40.4	54.8	43.7	40.5	39.4	38.3

Regulation 25(b) of the PFM Regulations 2015 sets the limit for wages and salaries at 35% of the total revenues. The county government has frozen employment of new staff save for key specialized areas like health and engineering where shortages are rampant. In addition, the county is exploring ways of containing the wage bill such as early voluntary retirement schemes.

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

TYPE OF DEBT	FY 2020/21	FY2021/22
Statutory creditors	41,641,994,920	46,606,468,574
Suppliers/Contractors	2,658,200,676	4,532,362,657
Legal creditors	2,696,813,631	21,210,002,361
Utilities	712,768,331	528,630,400
Bank Loans	4,449,656,189	4,504,199,426
Contingent liabilities	21,768,297,573	21,768,297,573
Employees benefits	138,208,116	222,411,928
Total	**74,065,939,435**	**99,372,372,918**
Total Revenues	**29,620,397,500**	**28,486,262,434**
% of debts to total revenues	250	349

The county government did not engage in borrowing during the FY 2021/2022 as stipulated in the Public Finance Management Act 2021/2022. This option however remains a viable option in the future considering the revenue constraints and the demand for services.

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

The total debt portfolio excluding transferred functions amounts to Kshs99.4billion as at 30th June 2022 up to from kshs 74.1billion as at 30th June 2021. The growth is attributed mainly to interest accruing on all statutory creditors especially pensions, underreporting in previous year on litigation/legal creditors. The total debts remain significantly high compared to actual revenues and taking into account that the debts are relatively current and therefore due for payment. The county government will aggressively pursue debt management strategies contained in the Debt Management Strategy Paper 2022 to address these challenges.

f) Fiscal Risks shall be managed prudently

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

22. The County Government Fiscal Projections for the Financial Year 2022/2023 to 2025/2026 **(ANNEXE 1**) and the updated projections and will provide a basis for the revision of the 2022/23 and the projections for the FY 2023/2024 and the medium term.

ACHIEVEMENTS IN PROGRAMMES/PROJECTS IMPLEMENATION

COMMERCE TRADE & COOPERATIVES

23. The sector completed 6 new markets (Mwariro, Karandini, Westlands, City Park, and Quarry Road& Kangundo Road) as well as refurbishment of 20 markets across the sub counties and completed a Common User facility for Leather (Kariokor Common Leather Manufacturing Facility) thus increasing trading spaces by 4,146. , A trade policy was formulated in order to address inadequate no. of trading facilities & nonfunctional markets, Limited/ lack entrepreneurial capacity, Emerging markets & E-commerce, inaccessibility to finance.

LIQUOR LICENSING

24. The department undertook sensitization/awareness campaign programmes through distribution of materials, Youth related booklets, Liquor regulation manuals, in addition to undertaking Sub-county leader's workshops and training to address the growing alcohol and drug abuse menace.

DEVOLUTION AND SUB COUNTY ADMINISTRATION

25. The sector trained different cadre of staff in various programmes to enhance work productivity. There was Construction of Sub County offices in Embakasi East. The department facilitated 51no. Public Participation forums held in sub counties on various county documents such as ADP 2022/23, CFSP22, Sub County and County Dialogues in addition the draft Public Participation Policy was finalized and Initiation of the formulation of regulations for Nairobi City County Public Participation Act was done. Institutionalization of the civic education and public participation function through the operationalization of the public participation and civic education unit in addition to rolling out of civic education activities.

DISASTER MANAGEMENT

26. In order to enhance performance, the sector recruited 300 No. new staff and trained them thus increasing the capacity of employees in their various duty stations to render quality services in disaster management. All the 85 wards were provided with disaster relief (food and non- food items) to cushion the vulnerable population. To enhance communication internet network infrastructure was installed in 4No.fire stations, in addition automation of occurrence books in 5 No. fire stations. The sector also increased the number of fire stations from 2 to 6 as well as reduced response time from 10 to 8 minutes from a radius of 15 kilometers and 15 minutes for a distance beyond 15 kilometers. To enhance fire safety, 10No.fire evacuation drills were conducted as well inspection of 24,560 premises.

ICT AND E-GOVERNMENT

27. The sector established a functional E-learning staff lab.45 employees have been trained in this lab on professional examinable courses thus enhancing their skills in information technology (IT). They also trained 50 youths on digital skills.

FINANCE AND ECONOMIC PLANNING

27. The sector successfully coordinated the formulation of key budget documents in line with the Public Finance Management Act 2012. To enhance revenue there was enactment of the Revenue Administration Act 2021 that is aimed at reorganizing the revenue function. To enhance asset management, an updated list of assets and liabilities was formulated. To ensure safety of assets, the assets are fully insured annually at 34 billion compared to 31 billion the previous year.

SECURITY AND COMPLIANCE

28. In order to enhance work performance, the sector was able to train different cadres with relevant skills and provide them with relevant tools of work in addition 7 No. vehicles were purchased.

FOOD AGRICULTURE AND FORESTRY

29. In the year under review, the Sector completed installation of 10 fish tanks in learning institutions other for groups, reached 14,271 farmers/ clients with agricultural extension messages , Inspected and pre – licensed 28 meat handling facilities, certified 900 fish business operators, established one tree nursery at City park, planted total of 15,602 tree seedlings, vaccinated 32,275 animals, licensed 1,525 dogs, serviced 4 army traps, completed development of the Nairobi Food System Strategy , developed Strategic & Integrated Value Chain Action Plans (SIVCAP), capacity building concepts and innovations for broilers, cow milk and kales.

30. In addition, the sector achieved 100% on daily inspection of meat and fish to ensure food safety; product surveillance at City and Burma meat markets, regulation of livestock movement, certified meat carriers/ containers and regulated tree cutting and pruning in the city.

31. The sector also participated in the Milan Urban Food Policy Pact (MUFPP) Forum held in Barcelona in October 2021 and submitted three best food practices to MUFPP for competition with other world food cities. In addition, the sector participated in Nairobi Food System Dialogues.

Through collaboration with FAO, supported construction of 350 multi storey gardens in informal settlements of Kibra, Mukuru and Korogocho; and supported a waste group in Korogocho market with shredding machine for compost making.

PUBLIC LIGHTING AND ENERGY

32. In order to enhance public safety, the sector maintained 4,280 no public lights and undertook new installations of 2,780 of new public lights in six divisions of the county to ensure there is security and safety. Installation of 30 nos of standby generators in health centers.

PUBLIC SERVICE MANAGEMENT

33. In order to enhance capacity and employee welfare the Sector undertook various trainings targeting cross cutting courses for different cadres in addition to provision of medical insurance of staff.

HEALTH

34. In order to enhance access to quality and affordable health services the health services department constructed and rehabilitated various health centres and hospitals in addition to upgrading of facilities to level 4 facilities.

WARD DEVELOPMENT FUNDS (WDF)

35. In the FY 2021/2022 Ward Development Programmes completed 3 bore holes ,3 high masks ,3 foot bridges, construction of perimeter walls, construction of 19km roads and rehabilitated 24.3 km.

EDUCATION, SPORTS, YOUTH, GENDER AND SOCIAL SERVICES.

36. The sector achieved the following through its various departments; rehabilitation of ten existing Community Centers, construction of 6. No. New Community Centers/ Social Halls, renovation of Eastlands & Kaloleni libraries, processed bursaries for the 85 wards, provided subsidy/ fees support to 2,023No. Students in 6No. Vocational Training Centres, 30,000 No. Of children provided with didactic materials. Increased access and retention in the County ECDEs from 27,100 in 2021 to 31,250 presently through: Intensified back to school campaigns, commenced the construction of 10 new ECDE Centers 2no. Of which are complete: Imara and Riruta Satellite ECDE. Improved quality education, retention in Vocational Training Centres (VTC) through equipping 10No. VTCs, issuance of bursaries for access and retention to secondary schools and tertiary institutions through distribution of Ward and Executive Bursaries worth 382.5M and 207.5M respectively to 81,500 beneficiaries. Rescued and rehabilitated 313no. children from the streets and other unfavorable environment. Provided 49No. elderly persons with care and protection as well as with basic needs at the county facility.

ROADS, TRANSPORT AND PUBLIC WORKS.

37. To improve urban mobility, the sector constructed four non-motorized facilities in addition to upgrading of 54.75 kms roads to bitumen standards.

ENVIRONMENT, WATER & SANITATION.

38. Installation of New Weighbridge at the Dumpsite is at 90%. Construction of Borehole Elevated Water Tank and Water Reticulation at Utawala Ward, 143

boreholes were drilled and addition of 50 nos within metropolis area. There was also water extension done in both Waithaka and Hospital ward.

39. Acquisition of twenty (22) water bowsers and two supervisory vehicles. NMS project on water and sewer extensions in informal settlements Sewer extension 338'548 km of which 26km has been completed and 3.9 km out of the target of 392 km of water extension has been completed. NMS developed sewer and sanitation fund policy bill and regulations to enhance resource mobilization for development of sewer and sanitation services.

SECTION III: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

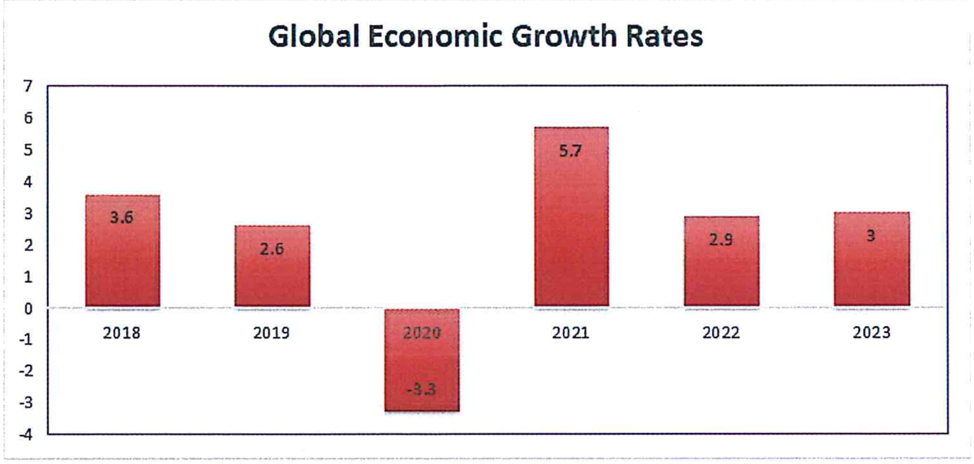
GLOBAL ECONOMIC PROSPECTS

40. The global economy is estimated to have grown by 5.7 percent in 2021 after a near collapse in 2020 that saw the global GDP contract by 3.3 percent. The growth in real GDP was mainly due to increased global trade and increased activities resulting from easing of COVID-19 restriction measures. Growth in Advanced Economies is estimated at 5.1 percent in 2021 following a contraction by 4.6 percent in 2020. Even as it continues to endure pandemic induced challenges, Sub Saharan Africa economies grew by an estimated 4.4 percent in 2021 from a contraction of by 2.0 percent in 2020. East African Community (EAC) real GDP grew by 4.9 percent in 2021 compared to a growth of 1 percent in 2020 (Global Economic Prospects-World Bank, June 2022; Kenya Economic Survey, 2022).

41. Global growth is however expected to slow to 2.9 percent in 2022 and an average of 3.0 percent in 2023. This low forecast is largely attributed to several destabilizing shocks such as the negative spillover from the war in Ukraine that has adversely disrupted activities and trade as well as economic downturn in China (due to COVID-19 outbreaks and lockdowns) and Russia (Global Economic Prospects-World Bank, June 2022: World Economic Outlook- IMF, July 2022). In advanced economies, growth is expected to decelerate to 2.6 percent in 2022 due to less favourable financial conditions, supply chain disruptions aggravated by the war in Ukraine. The emerging market and developing economies (EMDEs) real growth rate with China included is estimated as 6.6 percent in 2021 from a contraction of 1.6 percent in 2020 (Global Economic Prospects-World Bank, June 2022).

Figure 2.1: Trends in Global GDP growth rate in percent[1]

[1] * *are projected figures on growth*



Source: Global Economic Prospects-World Bank, June 2022

42. Like other regions, growth in EMDEs GDP is expected to slow down at 3.4 percent in 2022 which is approximately half of the growth in 2021. The low projection is attributed to a sharp slowdown of China's economy. However, the EMDEs economic growth is focused to slightly increase in 2023 and 2024 at 4.2 percent and 4.4 percent respectively. The lower focused growth for the EMDEs is partly due to the spillover effects from the war in Ukraine that has resulted to volatility of commodity prices, higher input costs and disruption of trade. Other causes include: the rising inflationary pressure, tightening of financial conditions and a softening external demand as well as high debt levels for the developing countries. The SSA region economic growth is projected to decelerate to 3.7 percent in 2022 and 3.8 percent in 2023. Although limited direct trade and financial linkage with Europe and Central Asia have helped contain some of the adverse effects of the war in Ukraine on the region, the high inflation and policy tightening could end up weakening domestic demand (Global Economic Prospects-World Bank, June 2022; World Economic Outlook-IMF, July 2022).

43. The world trade volume increased by 9.3 per cent in 2021 following a contraction of 8.2 percent in 2020 due to increased demand and activities globally (Kenya Economic Survey, 2022). However, the world trade in 2022 and 2023 is likely to slow due to the decline in global demand and supply chain problem (World Economic Outlook-IMF, July 2022).

44. Global inflation rose to 4.3 percent in 2021 from 3.2 percent in 2020 attributed to increase in prices of energy and agricultural commodities and supply chain

disruption (Kenya Economic Survey, 2022). The global inflation is projected to increase sharply to 8.3 percent in 2022. He higher worldwide inflation especially in the United States and major European Economies have triggered a sharp tightening of global financial conditions. There exists a risk of stagflation amidst sharp slow economic growth and high inflation rates and non-declining unemployment rates globally, however, in 2023 the inflation rates are expected to decline as central banks across the globe tighten their policies (Global Economic Prospects-World Bank, June 2021; World Economic Outlook-IMF, July 2022).

45. Global employment levels eased to 6.2 percent in 2021 from 6.6 percent in 2020 due to reopening of businesses and increased working hours following relaxation of COVID-19 restriction measures (Kenya Economic Survey, 2022).

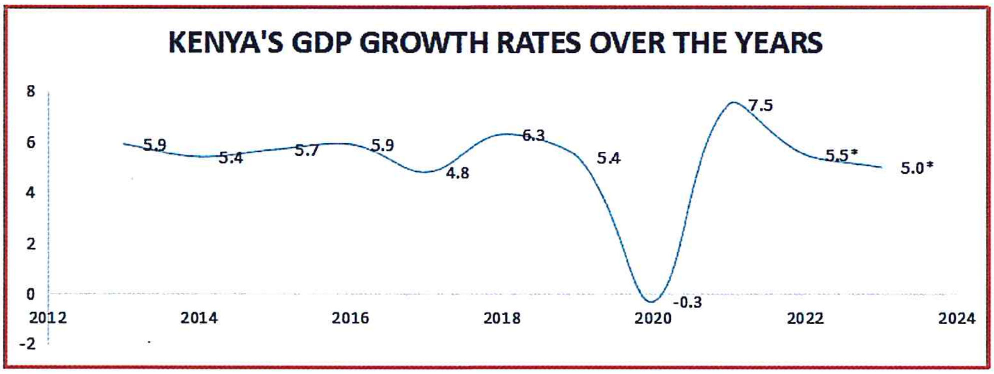
46. The positive growth of 4.9 percent for the EAC in 2021 was supported by favourable weather conditions in most parts of the region. Current account balance for EAC widened to 5.7 percent deficit in 2021, an increase from a deficit of 5.0 percent in 2020 which was attributed to sluggish recovery of exports and reduced remittances which suppressed foreign exchange receipts (Kenya Economic Survey, 2022).

Domestic Economy

47. Kenya's economy grew by 7.5 percent in 2021 following a significant contraction of 0.3 in 2020 that was mainly attributed to containment measures taken to contain COVID-19 (Kenya Economic Survey, 2022). Growth was realized across most sectors in the economy with the exception of Agriculture, forestry and fishing activities that contracted by 0.2 percent. The activities that experienced more sect back as a result of the pandemic in 2020 such as education, accommodation and food services grew faster than those that were less affected. The improved growth for 2021 was supported by improvement in Financial and insurance activities (12.5%), Wholesale and Retail Trade (7.9%), Transportation and Storage (7.2), Manufacturing (6.9%), Real Estate (6.7). Despite agriculture contacting in 2021, it still remained the dominant sector, contributing to approximately 22.4 percent of the overall GDP (Kenya Economic Survey, 2022).

48. Kenya's economic growth in 2022 is projected to decelerate to 5.5 percent and thereafter 5.0 percent in 2023 due to decline in domestic and external demand as a result of lower income and increase in food and fuel import cost. The supply side influences such as tepid economic activities across sectors due to cost-push factors and below average rainfalls and higher temperature that have intensified drought in some parts of the Country are also likely to contribute to the slowing down of growth (CBK Monetary Policy `Committee, September 2022; Global Economic Prospects-World Bank, June 2022; Kenya Economic Outlook-Africa Development Bank[2]).

Figure 2.2: Trends in GDP growth rate in percentage



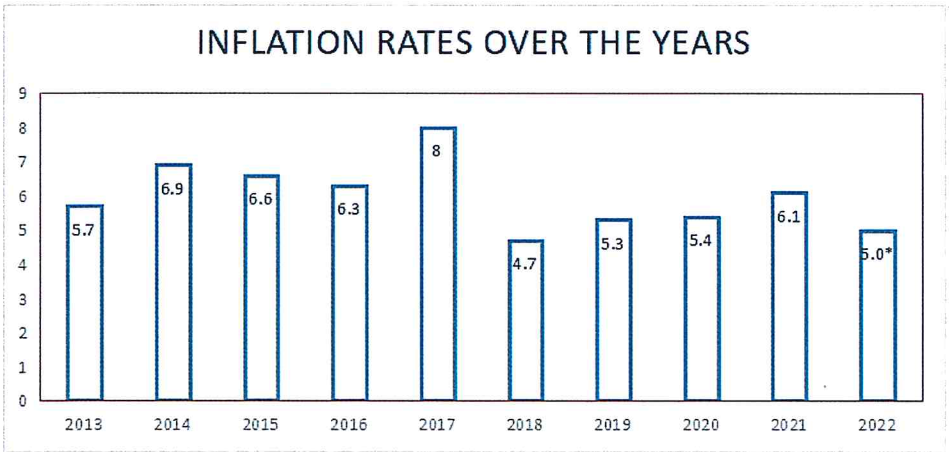
Source: Kenya Economic Survey, 2022 and Global Economic Prospects-World Bank, June 2021;

Inflation

49. The annual inflation as measured by the Consumer Price Index (CPI) increased to 6.1 percent in 2021 from 5.4 per cent in 2020. Overall inflation in 2022 is likely to rise due to rising energy prices as well as increase in prices of other commodity including that of food (Kenya Economic Survey, 2022). In a bid to anchor inflation expectations, the CBK raised the CBR from 7.7 percent to 8.25 percent (see CBK Monetary Policy Committee, September 2022).

[2] https://www.afdb.org/en/countries-east-africa-kenya/kenya-economic-outlook

Figure 2.2: Trend in inflation rate over the years



Source: Kenya Economic survey 2020, 2021 and 2022

Foreign exchange

50. The Kenya Shilling weakened against currencies of key trading countries in 2021 after a fairly stable foreign exchange market in 2020. The Kenya Shilling depreciated against, the Pound Sterling (10.3%), the Euro (6.7%), the US Dollar (3.0%), Chinese Yuan (10.0%) and South African Rand (13.9%) in 2021. The Tanzanian and Ugandan Shillings also gained against the Kenyan Shilling by 3.0 per cent and 6.4 per cent, respectively, in 2021 (Kenya Economic Survey, 2022).

Interest rates

51. The Central Bank Rate (CBR) remained at 7.00 percent throughout 2021 following a downward revision from 8.25 percent in March 2020. However, the rate has been revised upward back to 8.25 percent on September 2022. Broad money supply (M3) and overall liquidity grew by 6.1 and 9.5 percent, respectively. The weighted average real interest rate for commercial bank deposits increased to 0.77 percent in 2021 from 0.68 percent in 2020; while loans and advances rate increased from 12.02 per cent in December 2020 to 12.16 per cent in December 2021. The average interbank rates reduced to 5.10 percent in December 2021 from 5.29 per cent in December 2020. The interest rates were therefore more favorable to economic activities in 2020 (Kenya Economic Survey, 2022). Short-term money market interest rates remained relatively low; and below the CBR in the six months to April 2022, partly reflecting ample liquidity conditions in the market and an accommodative monetary policy

stance. The interbank interest rates, however, increased slightly in December 2021 and early March 2022, partly on account of seasonal increased demand for liquidity during the festive season, and temporary tight liquidity condition following higher government receipts relative to payments, respectively (CBK 28th Bi-Annual Report of the MPC, April 2022; CBK Monetary Policy Committee, September 2022).

Current Account

52. The current account deficit worsened by 30.1 per cent to Ksh 663.8 billion in 2021 from Ksh 510.1 billion in 2020. The increased deficit was mainly on account of a 30.2 percent increase in imports valued supported by growth in import bill on petroleum products and intermediate goods. Although the total exports improved by 16.1 per cent to Ksh 748.0 billion in 2021 from Ksh 644.2 billion in 2020 on account of increased exports of horticultural products, it was still not strong enough to counter the increased imports (Kenya Economic Survey, 2022). The CBK also project the current account deficit in 2022 at 5.9 percent of the GDP from 5.2 percent for the 12 months to August 2022 on account of higher international oil prices (CBK Monetary Policy Committee, September 2022).

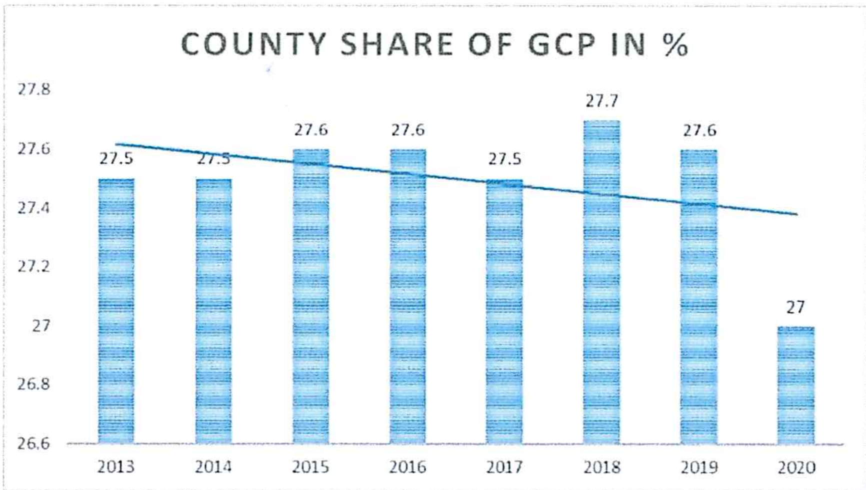
Unemployment

53. There was a general decline in unemployment and inactivity levels in 2021 to 12.3 percent from 14.3 percent in 2020 attributable to per capita income growth, social safety-net programs, and economic recovery. The total employment level for 2021 even surpassed that of the pre-pandemic level of 2019. The employment level outside small-scale agriculture and pastoralist activities in 2021 was 18.3 million, a growth of 5.3 percent from that of 2020. Wage employment in the modern sector grew by 6.0 percent in 2021 compared to a decline of 6.3 per cent in 2020; this growth however was not enough to offset the decline that occurred during the pandemic. The self-employed and unpaid family workers within the modern sector grew by 4.9 percent in 2021 from 156.1 thousand in 2020. Informal sector employment outside of small-scale agriculture and pastoralist activities rose to 15.3 million in 2021 from 14.5 million in 2022 (Kenya Economic Survey, 2022; Kenya Economic Outlook-Africa Development Bank).

COUNTY ECONOMIC PERFORMANCE

54. Nairobi County remains the largest contributor to the national economy. It remains the county of interest, given its strategic contribution as a capital city, political and economic hub, and the most populous county. The fortunes of Nairobi city can easily trickle to all areas of the country, and can be used to dictate the pace of development in the region. Nairobi County takes lead in its contribution to national GDP at 27.5 percent on average. This is attributed to the county contribution to key economic activities. The county per capita GCP was Ksh 596,467 which was above the national per capita (ksh215,455). The highest GCP was recorded in 2018 while the lowest was recorded in 2020.

Fig 2.1: Nairobi County GCP % contribution to national GDP, 2013 - 2020.



Source: KNBS-GCP 2021

CONTRIBUTION OF MAIN ECONOMIC ACTIVITIES TO NAIROBI COUNTY GCP

55. Nairobi county is backed by thriving economic activities such as manufacturing, financial activities, wholesale and retail trade, construction activities, transport, real estate sector and service activities.

The poorest contributor to national economy in the county is agriculture sector despite the fact that it is the main backbone for national economic development. There however still exists a great untapped potential in urban agriculture, and pursuit in improvement in urban and peri urban agriculture, and adoption of modern farming techniques will yield a better result.

56. Nairobi County is leading in manufacturing activities contributing 36.4 percent of the total manufacturing output. On other industry (excluding manufacturing activities) Nairobi County is contributing 30.2 percent and this is supported by vibrant construction activities and high electricity consumption. On service industry Nairobi County has the highest contribution at 36.1 percent.

57. Despite the already high contribution to the country's economy, many areas have not been fully utilized. The potential for further growth is evident in almost all sectors. Notable untapped potential in urban agriculture, and ICT. This calls for substantial investment in these areas by the county.

IMPLICATION OF MACRO-ECONOMIC FACTORS PERFORMANCE ON NAIROBI ECONOMY

58. Nairobi City County operates within the global and national macro-economic framework thus directly and indirectly influencing the county's fiscal decisions and operations. The Global dynamics impact the grants and loans that are targeted at supporting counties. The real interest rates reflect the real cost of borrowing, savings and return on investment for both the County Government and Nairobi business communities. With the now high and expected rise in interest rates, development programmes and projects could be affected as the County Government contemplates floating a Physical Infrastructure bond. Alternative options such as enhancing PPP in project implementation should be embraced as a complement.

59. Remittances support businesses and investments in Nairobi as well as play an important role in stabilizing the foreign exchange market. With strong remittances flows in 12 months to September 2022 following low remittance due to COVID-19, businesses in Nairobi County are likely to remain stable hence optimism in the revenue streams for the County (CBK Monetary Policy Committee, September 2022).

60. Exchange rate fluctuations also affects the County Government processes and operations. The weakening of the Kenya Shilling against key trading countries' currencies in 2021 made imports more expensive. This not only affected the Nairobi residence in terms of expensive business inputs but also financing the County's Government cost of inputs for the developmental projects. Weaker Kenya shilling

resulting to expensive imports also contributed partly to increased inflation. Inflation changes the costs of goods and services that in turn affect peoples· purchasing power and thus business performance too are affected which in the end affects the various revenue streams of the county. The national inflation rate is however expected to stabilize or even reduce following tighter monetary policies adopted (CBK Monetary Policy Committee, September 2022).

61. To achieve macroeconomic stability, the county will embark on supporting socio-economic policies geared towards spurring economic growth as well as cushioning the residents of Nairobi from the adverse effects of macroeconomic factors like inflation which negatively affect their disposable income and their purchasing power. The county will also pursue prudent financial management in order to increase revenue and reduce unnecessary spending for effective and efficient service delivery.

62. Over the medium-term the county will direct its resources in the following development priorities;

Access to quality Health care

63. Nairobi county has a myriad of health challenges including a high burden of communicable diseases, high and increasing incidences of Non Communicable Diseases (NCD), high demand for maternal, Neo-Natal, Child and Adolescent health services, Insufficient and unequipped health facilities, Inadequate health personnel and unmotivated CHVs. Despite these challenges, the number of health facilities is considerably low compared to the high and ever increasing population, and the high number of referral cases from other Counties.

64. The county therefore seeks to embark on provision of health products and technologies to operationalize the health facilities; rehabilitation and renovation of health facilities, upscale ICU and HDU critical care, equip and decentralize ambulance and emergency services and payment of stipends to CHVs among other interventions. In the Medium term, an efficient and effective supply chain management of health products will be implemented, a blood bank will be installed and the diagnosis of Non Communicable Diseases will be improved.

Job creation

65. The bulging youth population, combined with already high unemployment levels poses a challenge for the City County. This has led to an increase in destitution and has the potential for upsurge in crime rates and social unrest within the City if unchecked. Employment among youth will also lead to escalated levels of poverty in the city. The problem of urban youth unemployment is compounded by lack of education and training skills by some of the urban youth.

66. Over the medium-term the county government will commit to make Nairobi a city of equal opportunities by providing business and financial support to unemployed population, making cost of doing business ease by introduction of electronic unified single business permit, introduction of 50 million fund per ward biashara fund, establishment of more market spaces among other interventions.

Water and sanitation

67. Nairobi faces water and sanitation problems common to many cities of the developing world which grow too fast. The water supply is simply unable to meet fast-growing demand. Over the decades, Nairobi's rapidly growing population, coupled with the effects of climate change, have put the city's water infrastructure under increasing pressure. The county will direct its resources on provision of adequate and safe water for all through establishment of more water infrastructure, drilling of boreholes and other interventions. To counter sanitation problems, the county will focus on improving sanitation by expanding sewer lines and public toilets especially in informal areas.

Access to public early childhood education centres and vocational colleges

68. The largest proportion of Nairobi County's population is comprised of children and the youth. Provision of education to these two segments of the population remains key function of the county. In the medium term, major strides were made towards this end in the form of new ECD classes and polytechnics. However, the desired state has not been achieved yet. The number of ECD classes and vocational training facilities is insufficient, a situation that is made even more difficult to handle given the lack of land for the same.

69. The county will therefore prioritize to provide and promote quality ECDE in public schools and promote teacher training, construction of more centres and upgrading

of existing ones, introduction of feeding programme in all public ECDE centres among other intervention.

Waste Management

70. Nairobi County generates over 2500 tons of garbage per day with only 1800 tonnes being collected and transported. The remaining waste ends up in non-designated areas including illegal dumping sires, rivers, drainage systems and some alleys. Management of electronic waste is not well structured in the county, most of it not properly handled. Generally, the major challenges facing Nairobi County with respect to Solid Waste Management include management of waste collection and disposal.

71. The county through environment sector will work to ensure improvement of solid waste management, compliance to environment laws and regulations and improvement of aesthetic value of the city. The environment sector will also embark on efficient waste collection and transportation, waste recycling, and educate the public on waste management.

Traffic Management & Control

72. The deterioration of public transport and traffic conditions has afflicted Nairobi County since the 1980s. These can be explained by the problem of inadequate means of mass public transport, the rapid increase in the number of cars mostly private, the lack of mass public transportation, poor enforcement of traffic regulations and lack of discipline on the part of both motorists and pedestrians.

73. To overcome these challenges, there is need to not only expand but also upgrade our road network. An improvement of the public transport is necessary, with a consideration for a BRT system in the medium term and light rail in the long term. There are also plans to open up various by-pass roads, find alternative parking for motorists outside the City centre and review the Nairobi Metropolitan Public Transport Master Plan.

SECTION IV-RESOURCE ALLOCATION FRAMEWORK

IMPLEMENTATION OF THE FY 2022/2023 BUDGET ESTIMATES

74. The implementation of the FY 2022 /2023 budget commenced against the backdrop of the electioneering period. The conclusion of the election has heralded a new dawn and the implementation of revenue mobilization strategies are expected to yield better results. In addition, this has coincided with the end of the deed of transfer that will see to the revenue function reverting back to the County Treasury for ease of coordination of all revenue collection activities. Therefore, the resource envelope for the FY 2022/2023 will remain unchanged for the time being to give the revenue mobilization drive to take effect. Further, the County Treasury will be instituting measures aimed at ensuring that expenditure commitments are kept in tow with revenue collection while monitoring the revenue performance. Therefore, the revenue and expenditure projections for the FY 2022/2023 will largely remain as approved in the CFSP 2022.The FY 2022/2023 Budget estimates will however be rationalized following the retransfer of the four functions back to NCCG by the national Government while addressing priority areas across sectors and other emerging issues.

75. Therefore the total revenue projections for the FY 2022/2023 remains unchanged at Kshs 37.5 Billion with own source revenues estimated at Kshs 18.2billion and Equitable Share allocation of Kshs 19.3Billion. Additionally the conditional grants that were not released due to non-compliance with donor conditionalities in accordance with the conditional grants allocations bill 2022 will be considered. Adjustments on total projected expenditures will be primarily to address changes in priorities across sectors and any changes in the macroeconomic indicators.

FY 2023/2024 FISCAL FRAMEWORK & MEDIUM TERM FISCAL PROJECTIONS

76. The FY 2023/2024 Budget and the medium term fiscal framework will build on the government's efforts to stimulate and sustain economic activity and reposition Nairobi on a sustainable and growth pattern. This will be achieved through implementation of programmes and projects that will be outlined in the CIDP 2023-2027. In addition, the county government will continue to implement measures to

contain the growth in our debt portfolio. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measures to bring in additional revenue, identifying other alternative sources of funding like PPPs and reign on expenditures to restrict its growth. Expenditure measures will include cost cutting and curtailing initiation of new projects before completion of ongoing projects.

77. In the FY 2023/24 total revenue including transfers from National Government is projected at 38.89billion. Of this, own source revenues revenue is projected at Ksh 19.21 billion (about 49% of total projected revenues This revenue performance will be underpinned by the on-going reforms in revenue administration and expanding the tax base. On the expenditure side, overall expenditures are projected at 38.89 billion, with recurrent expenditure projected at Ksh 27.20 billion (70 % of total) while development expenditure amounts to Ksh 11.69 billon (30% of total).

78. In the medium term driven by reforms in revenue administration and revenue enhancement measures, total revenue is projected to rise from Kshs 38.09 in the FY 2022/23 to Kshs 38.89 in the FY 2023/24 and Kshs 40.0 in the FY 2024/2025.

79. The government will continue with expenditure prioritization policies aimed at ensuring provision of core services, creating a conducive business environment and creating jobs and opportunities and improving social welfare for our people. This will have implications on the indicative budget ceilings provided in the CBROP 2022 in ANNEXE **1-FISCAL FRAMEWORK FOR FY 2023/2024 & MEDIUM TERM.** Therefore, in preparing the budget proposals for the FY 2023/2024 and the Medium Term, Sector Working Groups will be guided by the following broad criteria;

i. Linkage of programmes that Economic Recovery;
ii. Linkage of programmes that support completion of ongoing projects;
iii. Linkage of the programme with the priorities of County Integrated Development Plan 2023-2027 and the Vision 2030 blue print;
iv. Degree to which a programme addresses job creation and poverty reduction;

v. Degree to which a programme addresses the core mandate of the department

vi. Expected outputs and outcomes from a programme;

vii. Cost effectiveness and sustainability of the programme;

viii. Extent to which the Programme seeks to address viable stalled projects and verified pending bills;

ix. Requirements for furtherance and implementation of the Constitution and other legislations.

x. Resource mobilization

MEDIUM TERM REVENUE DEVELOPMENT STRATEGY

80. In order to sustain the growth momentum and to provide much needed the government will require to develop a medium revenue mobilization strategy guided by the following:

- Leveraging on ICT to automate all revenue streams
- Public Private Partnerships and other forms of external financing
- Business Process Re-engineering to enhance accountability.
- Segmentation of our customers such as recognizing and awarding high rate payers.
- Taxpayers' awareness and engagement
- Corporatization of key service delivery areas.
- Tax reforms i.e. legislating all revenue streams.

EXTERNAL RESOURCE FINANCING

81. The menu for resource mobilization outside own source revenue and transfers from National Government, offers a wide array of options for supplementing County budgets. These include grants, donations, loans, public Private Partnerships, bonds and joint ventures.

1. Conditional Grants

These are resources obtained from the National Government's share of revenue and proceeds of loans and grants by development partners. These additional conditional grants are administered pursuant to provisions of regulations 129-135 of the Public Financial Management (National Government), regulations, 2015 and the Treasury circular 8/2017 on "guidelines for the management of Intergovernmental Fiscal Transfers in Kenya".

2. County Borrowing

Section 140 of the Public Finance Management Act, 2012 authorizes a County Executive Committee member for Finance to borrow on behalf of the County Government. Such borrowing is only allowed if the terms and conditions of the loan are set out in writing and are consistent with Article 212 of the Constitution and section 58 and 142 of the PFM, Act 2012 among other conditions.

Prior to borrowing by a County Government, there should be established the internal rate of growth in regard to the County's GDP, sustainability and credit worthiness besides due diligence. The CRA working with the World Bank initiated a voluntary County creditworthiness initiative (CCI) for Kenya to provide technical assistance to County Governments in bridging the credit worthiness gap and access market finance for infrastructure and other development projects.

3. Public Private Partnerships

The Government enacted the Public Private Partnerships Act, 2013 to facilitate the use of Public Private Partnerships as a mechanism to address major infrastructure funding gaps in a time of constrained fiscal space, competing development pressures particularly in the social sectors and rising public expenditure demands at the County level.

The County's performance with regard to leveraging on PPPs is so far below expectation thus impeding the full realization of budget supplementation and the optimal potential for PPPs. As part of the economic rejuvenation strategy in the County in a bid to enhance sustainable development, the government has re-prioritized the PPP pipeline. The key priority sectors include Solid Waste Management

(SWM), Urban Development, City Transport System, Water & Sanitation, Housing and Health.

4. Infrastructure Bond

Pursuant to section 58 of the Public Finance Management Act, 2012, a County Government is eligible to seek authorization to borrow funds by floating a bond in the money market at an authorized coupon rate and for a specified period of time. Such an approval is anchored on several grounds. These include:

i. An approved CIDP containing the infrastructure bond as a financing option for the projects that are compatible with the overall strategy of the County.
ii. Evidence of public participation targeted at sensitizing citizens while seeking their approval of the identified projects, financing options and repayment thereof pursuant to Article 201(2) of the constitution and section 207 of the PFMA, 2012 which addresses issues of prioritization and ownership.
iii. Approval by the County Executive Committee and County Assembly.
iv. Compliance with key financial responsibility framework prescribed under regulation 25(1) of the Public Finance Management Act, 2012, including meet the 30% budgetary allocation for development; moving towards meeting the employee emoluments cap at 35% by conducting staff audit, restructuring, instituting performance management and recognition.
v. Compliance with clear financial reporting through ensuring release of quarterly financial statements and quality annual financial statements.
vi. Credit worthiness through participation in a voluntary assessment by an accredited rating agency.
vii. Updated information to investors through regular publication of statistical abstracts.
viii. Compliance with the requirement of the Public Investment Management (PIM) regulations, 2021 by putting together a team (with the assistance of the National Treasury's Public Debt Management Office) to conceptualize and prepare the requisite bond documents including detailed feasibility studies, approved designs, approved regulatory requirements, acquired project land, adequate project personnel, pipelined projects as well as installed project administration and management systems.

SECTION V: CONCLUSION

82. The 2023/2024 and the medium term projections takes into account the revenue reform measures being undertaken by the Government in reforming the revenue administration systems.

83. Going forward, the tentative ceilings for FY 2023/2024 has NOT been presented in sector format to give room for sectors to align expenditure priorities with CIDP 2023-2027. The final ceilings and budget priorities will be firmed up in the County Fiscal Strategy Paper (CFSP) 2023 after a thorough review of all sector priorities in line with CIDP 2023-2027.

ANNEXE I-FISCAL FRAMEWORK FOR THE FY 2023/2024 & MEDIUM TERM

	ITEM	FY 2021/2022			FY 2022/23	Projections		
		Original Target	Revised Target	Prel Actuals	Approved	FY 2023/2024	FY 2024/25	FY 2025/26
1	REVENUES							
2	Equitable Share	19,250,000,000	19,250,000,000	19,249,677,412	19,250,000,000	19,509,808,188	19,773,190,598	20,040,128,671
3	Conditional Grants	166,791,329	166,791,329	-	-	170,500,049	170,500,049	170,500,049
4	Own Source Revenues	19,360,744,671	19,360,744,671	8,973,939,893	18,027,834,347	18,910,000,000	19,760,000,000	20,610,000,000
5	Liqour Licenses	250,000,000	250,000,000	262,645,129	250,000,000	300,000,000	300,000,000	300,000,000
6	Total Revenues	**39,027,536,000**	**39,027,536,000**	**28,486,262,434**	**37,527,834,347**	**38,890,308,237**	**40,003,690,647**	**41,120,628,720**
7	***EXPENDITURE***							
8	**County Assembly Transfers**							
9	Personnel Emoluments	893,996,178	893,996,178	830,726,346	1,151,900,081	756,900,081	756,900,081	756,900,081
10	Other Recurrent expenses	651,875,910	651,875,910	472,211,790	690,899,919	687,569,677	687,569,677	716,459,072
11	Capital Expenditures	1,506,000,000	53,000,000	-	1,861,000,000	650,000,000	650,000,000	650,000,000
12	**Sub-total (Assembly)**	**3,051,872,087**	**1,598,872,087**	**1,302,938,136**	**3,703,800,000**	**2,094,469,758**	**2,094,469,758**	**2,123,359,153**
13	**NCCG-All functions**							
14	Personnel Emoluments	15,734,971,307	14,858,533,096	14,779,468,564	15,266,310,676	14,994,469,926	14,994,469,926	14,994,469,926
15	Other Operations Costs	8,941,851,575	12,264,357,217	7,663,977,992	9,459,836,828	10,024,420,744	10,538,072,799	10,538,072,799
16	Conditional Grants-Recurrent	166,791,329	311,607,181	44,134,230	130,151,596	170,500,049	170,500,049	170,500,049
17	Conditional Grants -Development	-	154,432,659	147,074,339				
18	Development Expenditures	9,913,057,021	8,583,741,079	2,612,824,305	7,945,859,856	9,693,478,599	10,197,560,491	11,245,436,816
19	**Sub-total (NCCG)**	**34,756,671,232**	**36,172,671,232**	**25,247,479,430**	**32,802,158,956**	**34,882,869,318**	**35,900,603,265**	**36,948,479,591**
20	**Ward Development Programes**							
22	Operations and Maintenance	76,210,386	113,210,386	16,797,807	79,375,391	83,344,161	87,511,373	89,261,600
23	Capital Expenditures	1,492,782,295	1,492,782,295	264,816,135	1,492,500,000	1,567,125,000	1,645,481,250	1,678,390,875
24	**Sub-total (WDP)**	1,568,992,681	1,605,992,681	281,613,942	1,571,875,391	1,650,469,161	1,732,992,623	1,767,652,475
25	**NCCG-LIQOUR BOARD**							
27	Operations and Maintenance	200,000,000	200,000,000	199,453,345	200,000,000	210,000,000	220,500,001	224,910,001
28	Capital Expenditures	50,000,000	50,000,000	-	50,000,000	52,500,000	55,125,000	56,227,500
29	**Sub-total (Liqour Board)**	**250,000,000**	**250,000,000**	**199,453,345**	**250,000,000**	**262,500,000**	**275,625,001**	**281,137,501**
30	**Total Expenditure**	**39,627,536,000**	**39,627,536,000**	**27,031,484,853**	**38,327,834,347**	**38,890,308,237**	**40,003,690,647**	**41,120,628,720**
31	Net Financing	- 600,000,000	- 600,000,000	1,454,777,581	- 800,000,000	-	-	-
32	Total Development	12,961,839,316	10,333,956,033	3,024,714,779	11,349,359,856	11,963,103,599	12,548,166,741	13,630,055,191
33	% 0f development	33	26	11	30	31	31	33
34								
35	Total Wage Bill	16,628,967,485	15,752,529,274	15,610,194,910	16,418,210,757	15,751,370,007	15,751,370,007	15,751,370,007
36	% of total revenue (excldg cash bal)	43	40	55	44	41	39	38

ANNEXE II: BUDGET CALENDER FOR THE FY 2022/2023

	ACTIVITY	TIMELINESS	RESPONSIBILITY
1	**Issuance of 2023/24 Budget Preparation Guidelines**	**By 30th August 2022**	**County Treasury**
2	**Submission of ADP 2023/24 to the County Assembly**	**By 1st September, 2022**	**County Treasury**
3	**Launch of Sector Working Groups**	**By 13th September 2022**	**County Treasury**
4	**Capacity Building**	**September/October 2022**	**County Treasury**
5	**Development of Medium Term Budget Framework**		
	Preparation of County Budget and Review Outlook Paper (CBROP)2022	By 15th September 2022	County Treasury
	Submission of County Budget and Review Outlook Paper (CBROP)2022 to County Executive Committee/CBEF	By 20th September 2022	County Treasury
	Submission of County Budget and review Outlook Paper (CBROP)2022 to County Assembly	By 30th September 2022	County Treasury
6	**Preparation of Medium-Term Budget Proposals**		
	Preparation of draft Sector Reports by all Sectors in accordance with ANNEXE 2	1st December 2022-15th December 2022	Sector Working Groups
	Submission of Sector Reports (Draft Budget proposals for 2023/24) to County Treasury for review	16th December -21st December 2022	Sector Working Groups
	Submission of Final Sectoral Budget Proposals for FY 2023/24to County Treasury	23rd January 2023 -27Th January 2023	Sector Working Groups
7	**Draft County Fiscal Strategy Paper (CFSP)**		
	Conduct MTEF public consultations for consideration in CFSP 2023	By 17th February 2023	County Treasury, Sector Working Groups
	Submission of draft County Fiscal Strategy Paper to CBEF	By 23nd February 2023	County Treasury
	Submission of CFSP to County Executive Committee	By 24th February 2023	County Treasury
	Submission of final CFSP to County Assembly for approval	By 28th February 2023	County Treasury
8	**Preparation and approval of Final Budgets FY 2023/24**		
	Issue guidelines on finalization of the FY 2023/24 Budget Estimates	By 10th March 2023	County Treasury
	Submission of Final 2023/2024-2025/26 Budget proposals to County Treasury	By 24th March 2023	Sector Working Groups
	Consolidation of Draft Sector Budget Estimates	By 31st March 2023	County Treasury
	Submission of draft budget estimates to CBEF for consideration	By 5th April 2023	County Treasury
	Submission of draft budget estimates to County Executive Committee	By 20th April 2023	County Treasury
	Submission of Draft Budget Estimates & budget documents for FY 2023/2024 to County Assembly	By 30th April 2023	County Treasury
9	**Submission of Appropriation Bill 2023 to County Assembly**	**By 14th June 2023**	**County Treasury**
10	**Appropriation Bill 2023 passed by County Assembly**	**By 25th June 2023**	**County Assembly**
11	Issuance of General Warrant FY 2023/2024	30Th June 2023	**County Treasury**