NAIROBI CITY COUNTY

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FINANCE AND ECONOMIC PLANNING SECTOR

NCCG/CECM/CFSP/030/2023

28th February, 2023

The Clerk,
Nairobi City County Assembly,
City Hall Building, 2nd Floor,
P.O. Box 45844 – 00100,
NAIROBI

NAIROBI CITY COUNTY ASSEMBLY
CLERK
28 FEB 2023
RECEIVED
P.O. Box 45844 – 00100, NAIROBI

RE: DRAFT COUNTY FISCAL STRATEGY PAPER 2023

Pursuant to the provisions of Section 117(1) of the Public Finance Management Act, 2012, I am pleased to submit the County Fiscal Strategy Paper – 2023.

Please find attached a copy of the same.

CHARLES KERICH
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING

(1) DLS
Kindly deal for tabling for CCA
28/2/2023

(11) PCA (LSP)
Prepare for tabling today.
DLS
2/3/2023

NAIROBI CITY COUNTY

FISCAL STRATEGY PAPER

2023

THEME: COUNTY ECONOMIC RECOVERY FOR INCLUSIVE GROWTH

FEBRUARY, 2023

VISION

"A CITY OF ORDER, DIGNITY, HOPE AND OPPORTUNITIES FOR ALL"

MISSION

To provide people-centric, responsive services through inclusivity and collaboration, in a sustainable, secure and development oriented environment.

CORE VALUES

- **Customer Centred:** The County is committed to uphold customer driven and focused service delivery.
- **Equity and Fairness:** The county will provide its services equitably and without bias
- **Professionalism and Ethical Practices:** All staff shall uphold high moral standards and professional competence in service delivery.
- **Transparency and Accountability:** The County shall conduct its business and offer services to its stakeholders in a transparent and accountable manner.
- **Participatory Approach and Inclusiveness:** The County is committed to consultations, joint and comprehensive partnership in all its affairs

FOREWORD

The Nairobi County Fiscal Strategy Paper 2023 was prepared pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012, and also adheres to provisions of Section 26 of the Public Finance Management (County Governments) Regulations, 2015. It provides the fiscal policy direction towards the budget 2023/2024 and it dawns the implementation of the CIDP 2023-2027, the third generation plan for the county. It commences the pursuit of transformation of Nairobi City County towards being a city of order, dignity, hope and opportunities for all, the aspirations espoused in the CIDP 2023-2027. At the same time, this CFSP will focus the budget towards provision of a conducive environment for economic recovery and inclusive growth in consonance with the Budget Policy Statement 2023.

This fiscal strategy concretizes the agenda of the new regime by pinpointing strategies and priorities that will be implemented by sectors. A nexus between sector priorities, expectations of Nairobians and the Governors manifesto has been established all converging towards the fiscal objectives expressed herein. Consequently, apportionment of resources has been channeled towards high impact projects which align to the expressed needs. Adequate resources have been set aside for construction of stadia and markets while at the same time improvement of service delivery and provision of support and care to vulnerable groups has been prioritized through initiatives targeting the school feeding programme, free ECDE, support for the aged, bursaries and scholarships. Mobility and safety will also be improved through road maintenance and opening up new roads and installation of security lights.

In an attempt to improve the fiscal space, non-discretionary expenditure was given priority, while at the same time a reduction of non-essential expenditure was explored as a methodology to free up more resources for development in the medium term. Allocation towards development is at 30 percent, an attempt towards rejuvenating the development momentum of the city and catapulting it to be a globally competitive city in the medium term.

To achieve the above, this paper proposes a budget of Ksh. 39.97 Billion, a 0.93 percent increase from the approved budget 2022/2023. Historically, the contribution of external revenue to the total revenue has been predominantly higher than own source revenue, however, the two main revenue sources will each contribute to half of the budget projected for 2023/24 at 50 percent each. Acknowledging the deficiency of resources compared to the mammoth catalogue of needs and proposals, the commitment towards transforming the city remains unwavered, and our doors remain open to all partners who may be willing walk with us towards this reality.

CHARLES KERICH
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The production of this CFSP 2023 was inclusive and a comprehensive approach towards its formulation was adopted. It is through the dedication of many individuals and teams that the process was successfully concluded. The input of diverse stakeholders enriched the quality of this paper and we acknowledge the pool of resources, time and ideas offered by members of the public, private sector and other stakeholders.

It is my singular honour to thank the county leadership from H.E. Johnson Sakaja and H.E. James Muchiri for their leadership and support throughout the process. I applaud all staff of Nairobi City County who both directly and indirectly participated in the production of this paper. I wish to acknowledge the County Executive Committee Member for Finance and Economic Planning Mr. Charles Kerich for his dedication towards the timely preparation of this paper, and his role in coordination of all County Executive Committee Members, whose sectoral inputs were immense. Special thanks to the Acting County Secretary Dr. Jairus Musumba, for the impeccable coordination and support across the sectors and I also convey my utmost appreciation to all County Chief Officers, members of respective sector working groups, and Sub-County Administrators for the distinguished role they played, particularly in receiving and analysing inputs from members of the public.

I appreciate the magnificent dedication of the economic planning and budget teams for guiding the formulation and production process and successfully delivering this paper.

Finally, I thank all members of the public, organized groups, constitutional bodies and everyone who participated in this process; we could not have achieved this without you

ASHA ABDI

COUNTY CHIEF OFFICER - FINANCE AND ECONOMIC PLANNING

ACRONYMS

ADB	African Development Back
ADA	Alcohol and Drug Abuse
BPS	Budget Policy Statement
CBR	Central Bank Rates
CPI	Consumer Price Index
CGA	County Government Act
DFA	Development Finance Assessment
EAC	East African Community
FFLoCA	Finance Loccaly Led Climate Action Plans
GDP	Gross Domestic Product
IMF	International Monetary Fund
MSEs	Micro & Small Enterprises
NRS	Nairobi Revenue Service
OSR	Own Source Revenue
PIM	Public Investment Management

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CHAPTER ONE: OVERVIEW

1.0 Introduction

1. This chapter presents the philosophy behind financial planning and the legal framework underpinning the preparation of the Fiscal Strategy Paper for the fiscal period 2023/2024. It traces the Counties Fiscal performance from 2019/2020 and 2020/2021 for various County departments and agencies.

2. The Paper has four core elements namely Performance review, priority setting for the medium term, projections of revenue and expenditure, and expenditure ceilings for respective sectors. Specifically, the paper shall provide the following information:

- **i.** A description of budget implementation for the period 2019/2020 and theyear 2020/2021, including revenue and expenditure performance.
- **ii.** A description of any changes to the budget during the year, such that may have necessitated revision of the approved financial plan.
- **iii.** An overview of the expected revenue and expenditure totals for the coming year, based on an assessment of the economy and any other determinants.
- **iv.** Ceilings on the amount of money each sector will get in the upcoming budget and the basis for such capping.

1.1 LEGAL FRAME WORK

3. The County Treasury pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012 is mandated to prepare and submit the County Fiscal Strategy Paper to the County Assembly, by the 28th February of each year, and subsequently publish and publicize it not later than seven days after it has been submitted to the County Assembly. The county Treasury shall also align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement. In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County government in preparing its budget for the coming financial year and over the Medium Term.

4. In preparing the Fiscal Strategy Paper, the County Treasury shall seek and take into account views of:

i. The Commission on Revenue Allocation

ii. The Public
iii. Any interested persons or groups
iv. Any other forum that is established by legislation

5. The County Assembly is required to consider the CFSP and adopt it with or without amendments within fourteen days after submission by the county treasury. This paper also conforms to the provisions of Section 26 of the Public Finance Management (County Governments) Regulations, 2015.

6. Section 117(2) of PFM Act requires counties to align the CFSP with the national objectives in the Budget Policy Statement (BPS), and towards this, the County Treasury has aligned the proposed revenue and expenditure plan to the national financial objectives contained in the BPS 2023. Achieving the development agenda espoused in the County Integrated Development Plan, (CIDP 2023-2027) will be the overarching target. In this regard, the fiscal policies are geared towards triggering a multiplier effect towards the achievement of the national economic recovery agenda to promote inclusive growth of the BPS, through implementation of policies to provide an enabling environment for economic recovery to safeguard livelihoods, jobs, businesses and industrial and institutions recovery. The policies highlighted in chapter three have also been anchored on the draft Medium-Term Plan IV of the Vision 2030 and the Governors Manifesto

1.2 Rationale

7. The Fiscal Strategy Paper outlines the County's fiscal policies in the context of prevailing macro-economic policies and outlook while articulating the Nairobi County's strategic priorities and policies for the fiscal year 2022/2023, and how these will be achieved within the available resources. The County Fiscal Strategy Paper pin-points the exact fiscal direction to be pursued during the County budget process, with binding policy recommendations on budget formulation and implementation in the medium term. It analyzes the past and the present setting of the budget, and how they influence the future. The Nairobi County Fiscal Strategy Paper specifies the broad strategic priorities and policy goals that guide the County government in preparing its budget for the coming financial year and over the medium term.

CHAPTER TWO: MACRO ECONOMIC POLICY FRAMEWORK

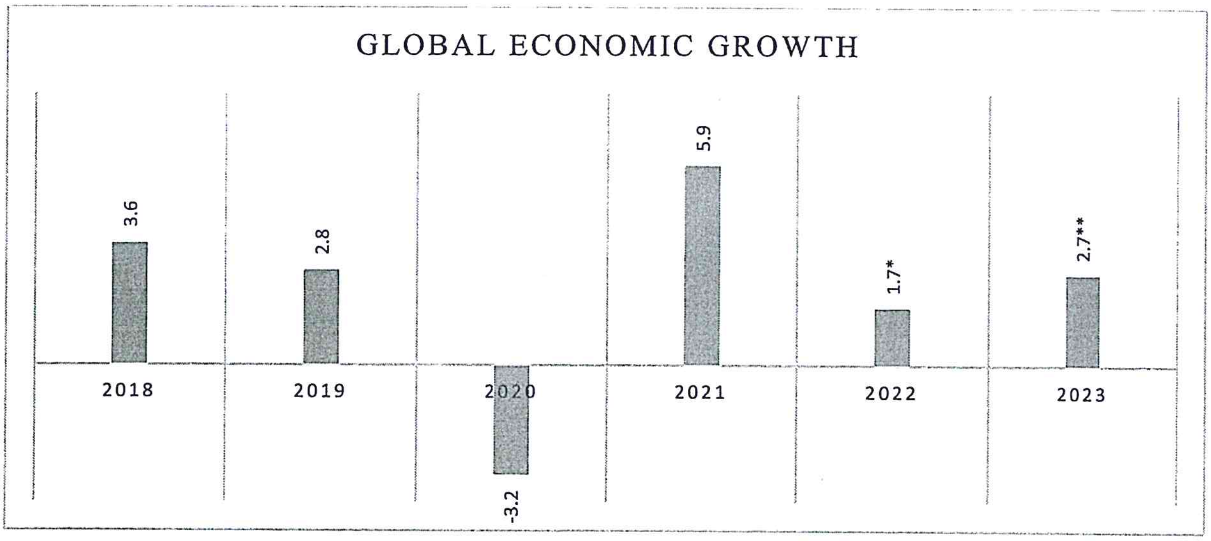
2.1 MACRO ECONOMIC POLICY FRAMEWORK

Global Economic Prospects/outlook

8. The global economy grew by 5.9 percent in 2021 after a near collapse in 2020 that saw the global GDP contract by 3.2 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 was 5.3 percent in 2021 following a contraction of 4.3 percent in 2020. Sub Saharan Africa economy endure pandemic induced challenges registering a growth of 4.3 percent in 2021 following a contraction of 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 supported by the global economic recovery (see Global Economic Prospects-World Bank, January 2023; Kenya Economic Survey, 2022; Regional Economic Outlook for Sub-Saharan Africa -International Monetary Fund (IMF), October 2022)

9. The global economic is however estimated to have decelerated significantly with a growth of 2.9 percent in 2022 with a low focus of 1.7 percent in 2023. The slowdown in global economic activity is broad-based and is due to tightening of monetary policies by most economies to contain high inflation largely attributed to the negative spillover from the war in Ukraine that continues to destabilize economic activities (Global Economic Prospects-World Bank, Jan 2023)

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



[1] ** is estimated while ** is a focused figure on growth*

Statistics from Global Economic Prospects January, 2023

10. The advanced economies are estimated to have decelerated, registering 2.5 percent in 2022 and focused for a slowdown of 0.5 percent in 2023. The dismal growth focused are mainly fuel to less favourable financial conditions amidst monetary policy tightening to address the high inflation rates, supply chain disruptions aggravated by the war in Ukraine that also further aggregate the energy prices. (Global Economic Prospects-World Bank, Jan 2023)

11. Like other regions, economic growth in EMDEs has slowed down at 3.4 percent in 2022 and focused to remained unchanged in 2023. The low performance following a growth rate of 6.7 percent in 2021 is attributed to weaker external demand and the synchronized global monetary tightening to tame high inflation which has contributed to worsening financial conditions, particularly for less creditworthy emerging market and developing economies. EMDEs with large fiscal deficits have also witnessed sharp currency depreciated and decline in bond issuance. All these coupled with the long-term effects of the adverse shocks of the past three years have led to significant losses in investment and output for these economies (Global Economic Prospects-World Bank, Jan 2023)

12. The SSA region economic growth is estimated to have decelerated to 3.4 percent in 2022 and is projected to grow at 3.6 percent in 2023. The low performance is mainly due to the soaring inflation resulting from both supply and demand factors including large price increases for food and energy products priced in U.S. dollars as well as tighter macroeconomic policies globally. There exist macroeconomic imbalances in the region as authorities struggled to protect lives and livelihoods over the past few years. Fiscal positions for these economies have deteriorated, increasing regional public debt to about 60 percent of GDP; the substitution of low-cost, long-term multilateral debt with higher-cost private funds has resulted in rising debt-service costs and higher rollover risks for most of the region's economy. Large current account deficits are also likely to keep currencies under pressure in several countries in the region, adding to inflation and external vulnerabilities (Global Economic Prospects-World Bank, January 2023; Regional Economic Outlook for SSA-IMF, October 2022).

13. Growth in the East African Community (EAC) region witnessed a slow recovery in 2022 at 4.7 percent. The slowdown is due to the lingering effects of COVID-19; the continued Russia-Ukraine conflict; climate change and devastating locust invasion, together with regional conflicts and tensions. These factors have contributed to countries in the region experiencing heightened inflationary pressures, particularly on food and fuel, leading to rising cost of living; contraction in agricultural production; depressed business activity, falling revenue collection and weakening national currencies. The EAC region is however, projected to grow by 5.5 percent in 2023 resulting from a continued reopening of economies globally but this growth may not be homogenous across Countries in the region (East Africa Economic Outlook- Africa Development Bank (ADB) October 2022)

Domestic Economy

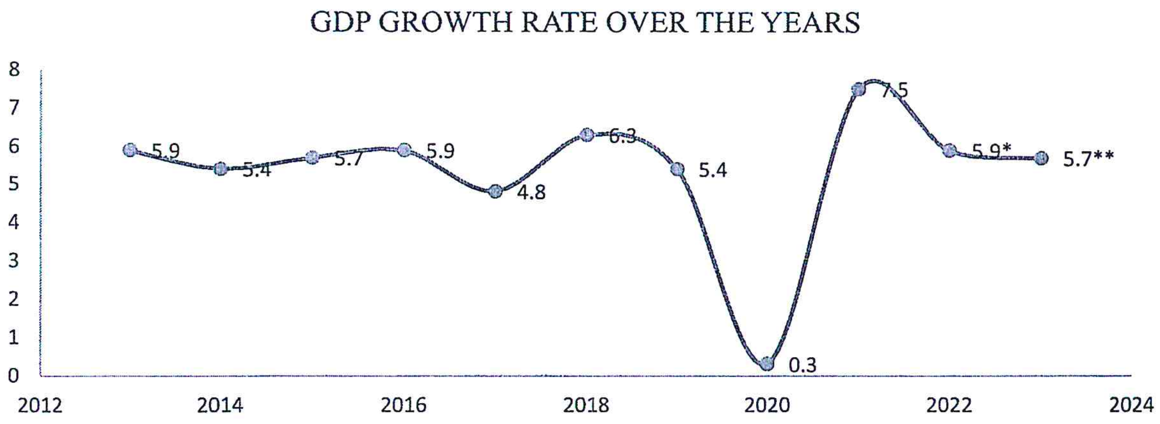
14. Kenya's Real Gross Domestic Product (GDP) grew by 7.5 percent in 2021 following a significant contraction of 0.3 in 2020 that was mainly attributed to containment measures taken to contain COVID-19. Growth was realized across most sectors in the economy with the exception of Agriculture, forestry 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-KNBS, 2022).

15. Kenya's economic in 2022 is estimated to have decelerated, registering a growth rate of 5.9 percent and thereafter projected to decrease further to 5.7 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 as well as Government debt distress are also likely to contribute to the slowing down of growth (Global Economic Prospects-World Bank, January 2023; Kenya Economic Outlook-Africa Development Bank, May 2022[2]).

Figure 2.2: Trends in GDP growth rate in percent[3]

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

[3] **Represents estimates while ** are focused growth rates*



Source: Kenya Economic Survey-KNBS 2018; 2020: 2021 and 2022; Kenya Economic Outlook-Africa Development Bank, May 2022)

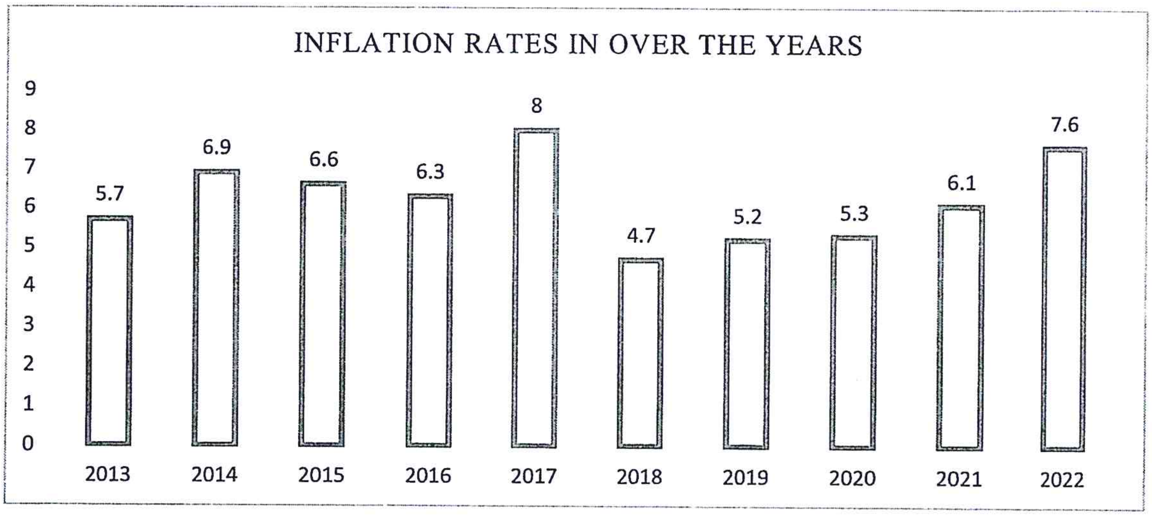
Inflation

16. 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. Although the CBK raised the CBR from 7.7 percent to 8.25 percent in a bid to anchor inflation expectations, overall inflation in 2022 rose to 7.6 percent[4] due to a steady depreciation of the Kenya shilling relative to the U.S. dollar, disruptions to global supply chains due to COVID-19, and the rising global oil prices, which increased domestic food and energy prices. The inflation rate is expected to increase further in 2023 with the month of January 2023 recording 8.98 percent rate quite high compared to the month of January 2022 that was 5.38 percent[5] (see Kenya Economic Survey, 2022; CBK Monetary Policy Committee, October 2022; East Africa Economic Outlook- Africa Development Bank (ADB) October 2022).

[4] Calculated average from https://www.centralbank.go.ke/inflation-rates/

[5] See figure 2.4 on montly inflation rates.

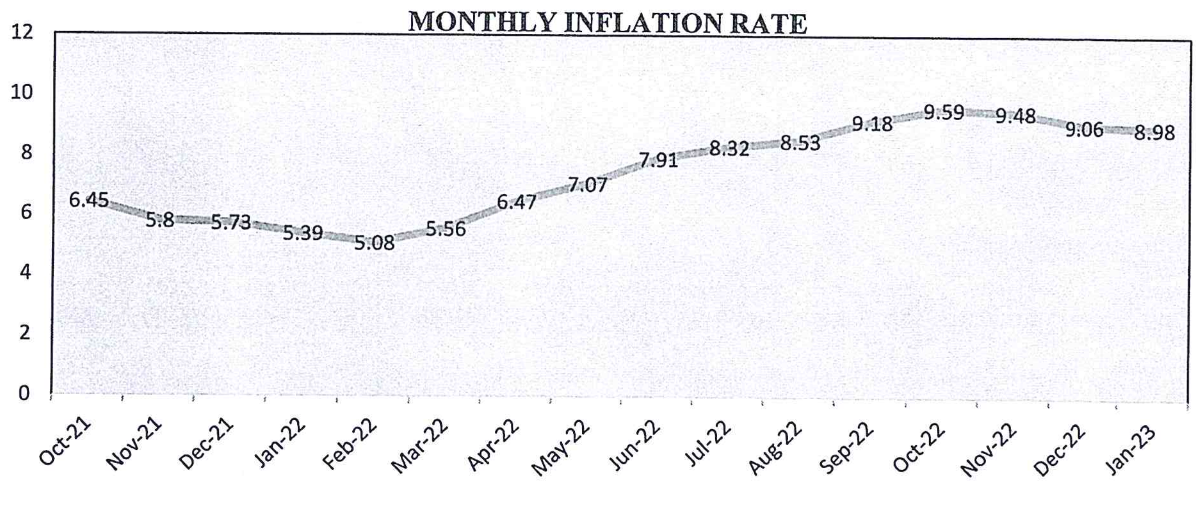
Figure 2.3: Trend in inflation rate in percentages over the years



Source: Economic survey 2020 and 2021 and CBK website)

17. The monthly inflation rates as depicted in figure 2.4 below like the yearly rates have also been increasing over the past 16 months, with the highest rate in the month of October 2022 at 9.59 largely on account of elevated food and energy prices. Food inflation rose to 15.8 percent in October from 12.4 percent in May, largely due to high prices of maize and milk following reduced supply attributed to depressed rains, and edible oils and wheat products due to the impact of international supply chain disruptions resulting from the Russian-Ukraine conflict. Fuel inflation increased to 12.6 percent in October from 9.0 percent in May, chiefly due to the scaling down of the fuel subsidy, increases in electricity prices due to higher tariffs, and rise in transport costs (CBK Monetary Policy Committee, October 2022).

Figure 2.4: Monthly Trend in inflation rate in percentages over the last 16 months

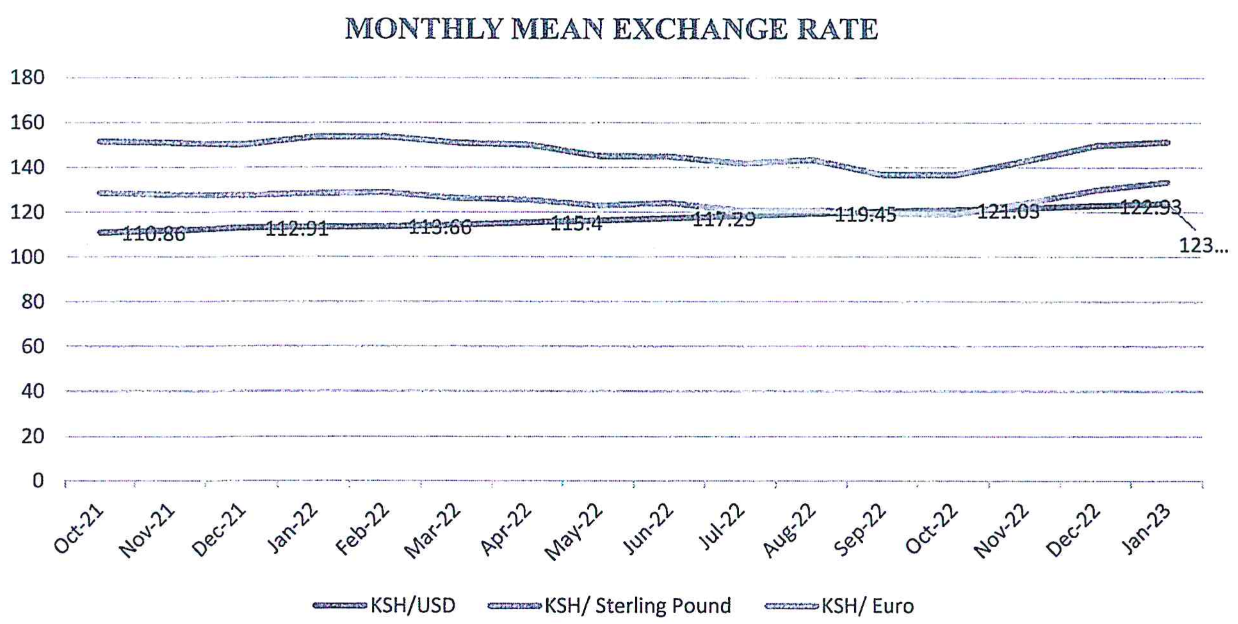


Source: CBK website

Foreign exchange

18. The Kenya Shilling weakened against currencies of key trading countries in 2021 after a fairly stable foreign exchange market in 2020. In 2022 the Kenya shilling depreciate further against major currencies such as the US Dollar, the Sterling Pound and Euro from April 2020 with significant weakening against the US dollar even surpassing the Euro in the month of September and October 2022 and reaching an all-time high of 123.93 in January 2023 as depicted in figure 2.5 below. The depreciation of the Kenya shilling mainly resulted from the rising debt and high structural trade deficit.; a rise in import bill due to higher international oil prices and the strengthening of the U.S dollar against major currencies as well as rapid changes in policy rates in advanced economies in response to inflationary pressure (CBK Monetary Policy Committee, October 2022).

Figure 2.5: Monthly Mean Exchange Rates of Kenya Shilling against major global selected currencies



Source: CBK website[6])

Balance of Payment

19. The Current Account deficit narrowed to 4.4 percent of GDP in 2020 compared to 5.5 percent of GPD in 2019. In 2021 the current account improved slightly to 5.3 percent of GDP. However, in the 12-months to October 2022 the deficit was 5.5 percent of GDP. The wider deficit was attributed to an

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[6] *https://www.centralbank.go.ke/statistics/exchange-rates/#*

increase of 15.1 percent in imports which more than offset the 13.5 percent rise in exports in the 12 months to October 2022, relative to a similar period in 2021. The increase in imports was largely due to an increase in international oil prices attributed to increased global demand as economies reopened amid supply disruptions exacerbated by the war in Ukraine. Receipts from services exports increased reflecting continued improvement in international travel and transport. (CBK Monetary Policy Committee, October 2022).

Interest rates

20. Interest rates continue to remain stable and fairly low. Up to the period ending August 2021, the Central Bank Rates (CBR) remain at 7 percent from April 2020 when it was lowered from 8.25 percent, a move that was aimed at improving credit access as a measure to offer reprieve to businesses that have experienced distress due to the COVID-19 pandemic. Throughout 2021, CBR remained at 7.00 percent a downward revision from 8.25 percent in March 2020. However, the rate has since been revised upward back to 8.25 percent on September 2022.

21. 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 and to 12.4 percent in October 2022. The average interbank rates reduced to 5.10 percent in December 2021 from 5.29 per cent in December 2020. The interbank interest rates, however, increased slightly between 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 but decreased slightly in July to Mid-September 2022, partly due to improved liquidity conditions in the money markets following seasonal increased government payments towards the end of the fiscal year (Kenya Economic Survey, 2022; CBK 28th Bi-Annual Report of the MPC, April 2022; CBK Monetary Policy Committee, September 2022; CBK Monetary Policy Committee, October 2022). The stable and lower interest rates in the market were therefore more favorable to economic activities This stability is partly due to effective coordination of monetary and fiscal policies, particularly in the implementation of the Government domestic borrowing programme.

Nairobi County Economy

22. 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. Stable global economic performance also result in the higher national GDP growth that trick down to County levels. The National economic growth is a key parameter that influences the national government share of transfers to the Counties, the greater the domestic GDP, the more allocation counties expect. However, with the domestic economic growth in 2022 estimated to have decelerated at 5.9 percent and projected to further decrease to 5.7 percent in 2023, the equitable share allocation to Counties is unlikely to increase. This calls for the County to explore alternative financing for its developmental programs.

23. The real interest rates reflect the real cost of borrowing, savings and return on investment for both the County Government and Nairobi business communities. Nairobi being the Capital City of Kenya, has a population of approximately 4.3 million and 1.4 million households according to 2019 censures report; and also the hosts majority of SMEs whose survival greatly depends on affordability of credit in the economy. The stable interest rate is favorable for the development Programs and projects for County Government even as the County explores alternative means of financing its development programs such as the use of market instrument (Green bonds and Infrastructure bond). Alongside market borrowing, the County should also explore other financing options such as enhancing PPP and sourcing for grants in project implementation as a complement.

24. Remittances support businesses and investments in Nairobi as well as play an important role in stabilizing the foreign exchange market. With strong and resilient remittances flows in 12 months to October 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, October 2022).

25. Exchange rate fluctuations also affects the County Government processes and operations. The continued weakening of the Kenya Shilling against key trading countries' currencies makes imports more expensive. This does not only affect the Nairobi residence in terms of expensive business inputs but also affects the County's Government cost of inputs for the developmental projects. Weaker Kenya shilling resulting to expensive imports also contributed 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.

Gross County Product

26. Gross County Product estimates provide a picture of economic structure and relative size of economy for each county. The estimates inform county economic development plans. Nairobi County led in its contribution to national GDP at 27 percent in 2020, with an average contribution of 27.5 percent in 2013-

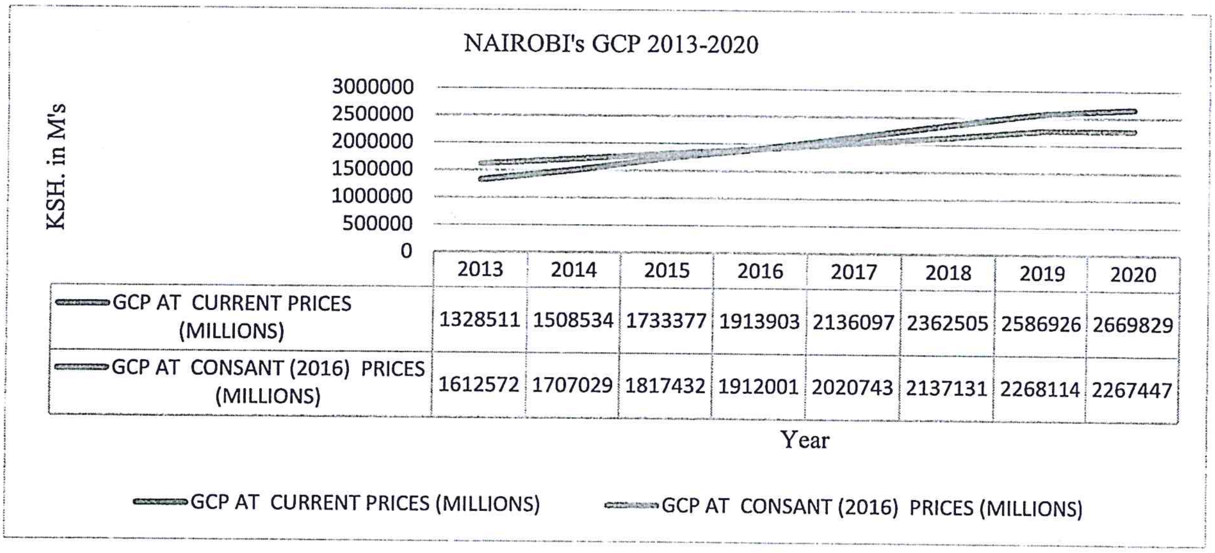
2020 period. This is attributed to the county contribution to key economic activities. The GCP growth rate for the period 2014-2019 was 5%. The table 2.1 shows the Nairobi county GCP for 2013 to 2020.

Table 2.1 Nairobi County Economy

YEAR	COUNTY SHARE OF GCP(%)	GCP AT CURRENT PRICES (MILLIONS)	GCP AT CONSANT (2016) PRICES (MILLIONS)
2013	27.5	1,328,511	1,612,572
2014	27.5	1,508,534	1,707,029
2015	27.6	1,733,377	1,817,432
2016	27.6	1,913,903	1,912,001
2017	27.5	2,136,097	2,020,743
2018	27.7	2,362,505	2,137,131
2019	27.6	2,586,926	2,268,114
2020	27.0	2,669,829	2,267,447
AVERAGE (2013-2020) 27.5%		GCP PER CAPITA Ksh. 596,467 GCP GROWTH RATE 2014-2019 – 5%	

Source: KNBS-GCP 2019

Figure 2.6: Nairobi County GCP trend



27. The fate of Nairobi County's performance will play a significant influence on the country's general performance due to the fact that its singly the largest contributor to the country's economy and well-being. This calls for concerted effort together with the national government to ensure that Nairobi City County satisfactorily achieves its mandate. The untapped potential needs to be exploited, while the already performing sectors needs to be sustained.

CHAPTER THREE: COUNTY ECONOMIC RECOVERY FOR INCLUSIVE GROWTH

3.1 Introduction

28. The 2023 Fiscal strategy paper depicts optimism triggered by a change in government, coupled with significant institutional and operational reforms. It also seeks to aerate and bring to life the programme based budget for the FY 2023/2024, which will be the first budget for the CIDP 2023-2027.

29. Implementation of the next budget will be in the midst of decelerating global and local economic performance which is currently prevailing after the short-lived growth experienced in 2021 resulting from lifting of the Covid 19 measures of 2020. An economic growth of 5.7% is projected for Kenya in 2023, which is slightly higher than the projections for East Africa, Sub Saharan Africa and the global growth. This resilience provides optimism to Nairobi.

3.2 Guiding Philosophy

30. The budget 2023/24 launches the implementation of the third generation CIDP as a nexus towards reaching the aspirations of the current regime which seeks to have order, dignity, hope and opportunities for all in Nairobi City County. The CFSP 2023 therefore proposes a raft of policy, operational, and institutional reforms as a precondition for providing adequate services, and a favorable ecosystem for growth and investment. Due to the prevailing economic conditions, the paper seeks to promote county economic recovery for inclusive growth, as proposed by the Budget policy statement 2023. This will consequently translate to achievement of the government aspirations and also a fulfillment of the high expectations of Nairobians. The overall budget implementation will be guided by the three aspirations espoused in the CIDP 2023-2027 which seeks to attain;

A City of Order;

31. This aspiration targets orderliness in the public transport system through provision of necessary infrastructure and control of Matatus and bodabodas; Transformation of service delivery and improved decentralization by creation of boroughs; Improved county governance by allowing Nairobians participate in decision making through effective public participation processes and expansive civic education

32. It also seeks to improve safety and response to disaster by ensuring an effective and efficient disaster and emergency management capability; Reduce disaster response time through acquisition of emergency tools and equipment coupled with adequate training of responders; provision of more fire stations and improve on emergency water supply.

Improved access to health services will also be sought through NHIF registration to more households and indigents; empowerment of CHVs; Operationalization of more level 4 hospitals and completion of stalled facilities; establishment of blood banks and strategic blood collection sites; integration of mental health care in all Health facilities; enactment of adequate health laws and roll out integration of HMIS; transformation of management of level 5 HFs and implementation of FIF in all level 4 and level 5 HFs to make them self-sustaining; continuous supply of medical supplies and reducing the burden of NCDs

33. Orderliness in financial management will be attained through strengthening internal financial controls, enhanced project completion rate and absorption of development allocation through entrenchment of Public Investment Management (PIM); enhanced compliance to fiscal responsibility principles and procurement laws; and improved management of county assets

34. The government will also ensure orderliness in trading activities and improve the business environment by launching a unified business license; provision of more trading spaces by construction of more markets and modern kiosks; improved city aesthetics and tree cover; and a clean city with adequate water supply. Digitization of Nairobi County processes; and improved staff welfare will enhance staff productivity and response to the Nairobian service expectations.

A City of Dignity;

35. This aspiration seeks to guarantee a dignified life to all Nairobians and also ensure a customer centric service to all clients. The life, live hood, wellbeing, customer handling and access to services is the nexus of this aspiration.

36. This aspiration seeks to guarantee food safety and security and improved nutrition for all through promotion of urban agriculture; enhanced multispectral daily inspection of food to ensure food consumed in all households is safe; support agriculture through extension services; Agricultural support through provision of green houses, fish tanks and farming tools; continuous vaccination of animals to prevent zoonotic diseases and animal-human transmissions.

37. It also seeks to improve access to Education including improved retention and transition between different levels by; providing a school feeding programme to all primary schools; Free ECD including adequate teachers and didactic materials; provision of bursaries and scholarship to needy students; improved access and improved learning experience in all vocational colleges; improved access to library services.

38. Provision of adequate and safe water and access to sanitation facilities will be pursued through; Connection of more households to the water and sewerage network; reduction of water losses and water contamination; improved access to information on water safety and use; last mile sanitation connection; improved water harvesting; Continued disinfection of community/school tanks/distribution of aqua tabs/community education on safe water practices

39. The aspiration also targets a clean environment for all, with reduced noise pollution in residential areas and silent zones; improved air quality; clean and safe rivers; improved tree cover and reduced flooding; improved management of medical waste.

40. To improve the image of the county and to improve the customer experience to all clients who seek service from the government, the goal will be to introduce waiting bays with digital queuing in county offices; rebranding of the county and replacement of un-roadworthy fleet; upgrading of city court; provision of necessary tools of work; sufficient and well-structured emergency relief support system; establish mechanisms and platforms for continuous and consistent two way feedback with the County on any relevant issues including through contact center; establish a grievance handling mechanism with inbuilt referral, escalation and reporting capabilities; timely remittance of deductions and payment of staff and suppliers; Maintaining County debt at a Sustainable level; improve living conditions within County rental estates; develop decent affordable housing; ensure responsiveness to children, youth, gender and disability issues.

A City of Hope and Opportunities for all;

41. The Covid menace that was succeeded by tough economic times rendered many people jobless, diminished the access to opportunities, and consequently heightened the level of hopelessness not only in the county but also nationally and regionally. This persistent situation is reigning havoc to people's livelihoods hence dwindling further the self-hope and hope in institutions.

42. This aspiration therefore focuses on spurring back the level of hope by providing opportunities to everyone to thrive, and also building back the confidence that citizens need to have towards their governments. It seeks to ensure inclusivity in the county services/operations specifically to the marginalized/neglected categories. This will be through improvement of care for the elderly, GBV victims and street families by providing shelter and support; providing opportunities to all interest groups by setting aside thirty percent of procurement; training farmers along various value chains; engagement of the youth in productive activities including tree planting, waste management and sports; identify and train community emergency response teams in each of the Boroughs; promotion and support of creative economy though the Nairobi festival, tournaments and support of the urban culture.

43. The government will also identify, verify and validate all assets and ownership documents; adhere to the rule of law in discharging its functions and will create more trading spaces for all businesses including hawkers and other informal businesses,

3.3 Policy statements towards the 2023/2024 budget

I. Administrative Reforms for improved service delivery

Boroughs

44. Section 116 of the county government act obligates counties to provide adequate services; equitably, efficiently, transparently while ensuring accessibility, non-discrimination and accountability. Section 117 requires the county to prioritize provision of basic services, promote development of public service delivery institutions for continual improvement of standards and quality, in a financial and environmental sustainable manner. The spirit behind this is to ensure county services are satisfactory and continuous, polished by regular review and improvement.

45. The County Government Act (CGA) provides the extent which county government can decentralize their services. Further to the explicitly identified decentralization structures, Sections 48 (1-e), 48 (5), and 54(1) of the act provides room for counties to decentralize services to other levels as they deem fit. Towards this, five boroughs will be created as administrative units for decentralisation of services namely the Central Borough, Eastern Borough, Western Borough, Southern Borough and the Northern Borough. The boroughs will be the centres for service delivery where all county services will be accessed.

II. Reforms in Resource Mobilization and Financial Management

a. Resource mobilization (Own Source Revenue)

46. Challenges continue to hamper full realization of internal revenue targets towards financing the budget. Historically, the fiscal gap has been wide and even worsening with time, with a revenue shortfall of 53 % in 2021/2022. The best performance was recorded in 2015/2016 with an internal revenue of 12.17 B, a 77% achievement of the said year's target, and the worst being 2019/2020 with a collection of 8.4 B.

47. ***Revenue Administration Act:*** To reverse the negative trend of Own Source Revenue, the Nairobi county revenue administration act will be implemented, commencing with the institutionalization of the Nairobi City Revenue Authority.

48. ***The Finance Act:*** The finance act introduces new charges that seeks to finance the respective budget. The finance bill is therefore a requisite tool for implementation of the budget given that Nairobi County's budget is balanced and must be financed fully from OSR and Equitable share. Timely adoption of the finance bill is key to allow for timely implementation. Towards this, the process of formulation and adoption of the finance bill will be synchronized with the budget cycle. This will ensure the finance act is enforced concurrently with the appropriation act.

49. ***Revenue Database:*** A clear database of revenue payers and the respective amounts is the key towards proper revenue forecasting and enforcement of revenue collection. Towards this, data collection and data cleaning will be pursued as strategies for better revenue management. This will be coupled with allocation of adequate resources towards revenue mobilization to guarantee seamless functioning of the revenue authority.

50. ***Untapped revenue potential:*** The government will continue to pursue expansion of the revenue basket by reaching the segments that have not been targeted before. The robust tourism industry has continued to operate beyond the span of our revenue net. The opportunity cost that arises from wildlife and environmental conversation needs to be compensated. In this regard, the government will reach out to all national government tourism institutions and destinations and seek for its rightful share.

51. To provide an opportunity for all traders to fulfil their civic duty, provision of TOL's will be improved to bring on board businesses that operate on temporary structures that can't be issued a trade license. Better strategies to ensure the continuity of payment from this segment of traders needs to be laid down, albeit with a caveat that them paying does not legalize their occupancy of the space. All county revenues will be streamlined to avoid leakages and ensure full disclosure in sectors for example in health and liquor amongst others

52. ***Revenue mobilization campaigns:*** To ensure the public understands its civic duty in the county revenue raising process, extensive civic education campaigns will be conducted at all levels. This will make members of the public appreciate why they have to pay, and also know what to pay for, how to pay, when to pay, and the consequences for their failure to pay. Revenue officers will also be regularly capacity built to ensure they are up to speed to the revenue changes.

53. ***Legislation for revenue Management:*** In conjunction with the county assembly, the revenue department will ensure there exists adequate legislation on all revenue streams in an effort to boost compliance by the public. The already existing bills will be accelerated and finalized, and subsequently be enforced. The Nairobi City County revenue administration act will be improved and implemented;

b. Alternative Financing Mechanisms

54. Overreliance on OSR and Equitable share has tethered the County to a cyclical trap of underfunding and under-achievement from the onset of County government. A radical shift in sourcing for budget financing options will unclog this challenge and channel the county towards an enhanced fiscal space.

55. ***Grants and Donations:*** States and sub national governments continue to partner towards creating synergy for socio-economic prosperity through official development Assistance, donations and grants. Equally important is the offer of technical assistance, capacity development and knowledge transfer across states and sub national entities. In the medium term, the County Government has embarked on creating an enabling policy environment so as to actualize and leverage on the County's potential to raise additional resources from both market and non-market based resource mobilization instruments.

56. As a first step, the Directorate for Donor Coordination and Stakeholder Engagement has embarked on developing a one stop document detailing the County's investment opportunities as a strategy for enhancing demand driven engagement with external partners and stakeholders. Development of a policy framework to guide the coordination of resource mobilization in the County particularly from external sources is also in the offing.

57. In order to consolidate on the efficiency gains from grants and donations targeting County departments, the Government has adopted the single gate approach as a matter of policy. It is expected that all engagements with external partners will be granted official recognition through processing and formalization by the Office of the Governor. Progress reports on results of implementation of such partnerships. Further, guidelines will be developed by the Finance and Economic Affairs sector to provide for accounting for such resources.

58. Over the years, absorption of conditional grants has been less than optimal. This has continued to impact negatively on the County's image in the eyes of public financial management guidelines. The main shortcoming has been the persistent failure for implementing agencies to fully comply with underlying grant conditions. With the government emphasizing the need for proper coordination of programmes funded through grants, there is optimism that the gains from alternative financing will be improved

c. Reforms in the County Treasury

59. In line with chapter twelve of the Constitution of Kenya and the Public Finance Management Act 2012, the Government is committed to ensure sound long-term financial principles are upheld. This can only be achieved by the county treasury enforcing the fiscal responsibility principles as Stipulated in section 107 of the PFMA. The county treasury, through exercising its powers as per section

105 of the PFM act, and to meet its obligations provided by section 104 of the PFMA, will reform expenditure management and county planning.

60. ***Expenditure and Cost Management:*** In the previous years, revenue has continuously fallen short of its target. Expenditure through uncontrolled commitments has resulted to a continuous accumulation and rise of debt. To counter this challenge, and to ensure proper management of expenditure by sectors, the county treasury will synchronize quarterly cash flow projections with sector commitments. This will be achieved by issuance of quarterly expenditure circulars and Authority to Incur Expenditure. This will ensure that the county expenditure is in tandem with the cash flow, hence reducing the regular cash flow crunches experienced previously.

61. The government is committed to ensuring prudent application of public resources for maximum returns to the public. In this regard, ongoing reforms in public procurement will be accelerated in 2023/24 to guarantee value for money in each expenditure. Digitization of the procurement process will be prioritized and Non priority expenditure will be minimized so as to free more resources towards critical service delivery and development areas.

62. ***Strengthening internal financial controls:*** In the medium term, the county treasury will strengthen internal financial controls in an effort to ensure sanity in appropriation of funds. It's the desire of the government to attain a qualified audit opinion in the medium term. This will be pursued by strengthening the processes for examination and validation of documents, strict adherence to procurement laws, proper management of imprests, timely bank reconciliations and financial statements and strengthening the internal audit function.

63. A budget control unit will be tasked to monitor budget commitments on a daily basis as a means towards proper institutionalization of budget controls. Quarterly budget implementation reports will also be done and corrective measures undertaken. Budget officers will be decentralized to sectors to guide on budget expenditure management.

64. ***Development allocation:*** Section 107 2b requires a minimum of thirty percent of the county budget to be allocated towards development, in the medium term. The county has consistently met this condition through the approved budgets. However, actual expenditure does not meet the spirit of this legal provision. The county treasury will ensure that the supplementary budget process upholds the thirty percent rule. This can only be met by ring fencing the allocation towards development, with a reduction of non-essential recurrent expenditure. The panacea to this conundrum, however, remains increasing the county revenue to accommodate the high non-discretionary recurrent expenditure.

65. ***County Planning:*** Section 105 1 e of the county government act requires the county planning unit to ensure collection, collation, storage and updating of data and information suitable for the planning process. Towards this end, and in order to boost the existing data management efforts, the statistics management unit shall be ensuring a proper framework for managing county statistics is in place an effectively coordinated. Capacity building of sector data stewards will be pursued and continuous update of county statistics will be done.

66. To achieve the intention of section 109 of the county government act, finalization of the ten-year sector plans will be prioritized and further a long term strategic plan for the county will be developed.

67. The county has perennially failed short in implementation of development projects. This has been diagnosed to stem from poor conceptualization of projects, exacerbated by poor financing and payment to contractors. In the medium term, the economic planning department will embrace Public Investment Management (PIM) process starting from customization of the PIM guidelines, developing a framework and appropriate systems for project management, and ensure an effective monitoring and evaluation and reporting system is in place. Institutionalization of PIM will also be pursued at all levels with constitution of County, sectors and ward level project monitoring committees. To improve project conceptualization and management, sector-wide capacity development on project design, planning and management will be enhanced to ensure that only projects with the highest propensity to address priority socio-economic concerns are funded. Project pre-feasibility and feasibility, Monitoring and evaluation will become the game changer in project completion and absorption of development fund. A compendium of all county projects form the onset of devolution will be prepared and updated quarterly.

68. ***Resource allocation and management of county assets:*** To fully deliver on the county functions, significant human, financial and capital resources are required. Acknowledging that resource requirements for all our programmes by far exceed the resource outlay, we shall be seeking to address the growing budget financing gap, growing intra-county development disparities, the low absorption of development expenditure, the growing debt portfolio and ineffective funding towards low income areas.

69. The government remains committed towards a realistic, balanced and pro-growth budget that is in perfect consonance with the fiscal responsibility principles. In this regard, the county treasury will seek to expand resource outlay through Public Private Partnerships, and also seeking for resource bail out from the national government. Borrowing as a means of deficit financing still remains a last resort option.

70. Management of county assets can only be achieved by the existence of a proper policy, and the requisite institutional structures. Implementation of the policy on asset management will be pursued to avert the risk of asset loss. The county will customize the existing national asset management regulations.

We are committed to setting up a functional central asset and risk management registry and continually update the county asset register.

71. ***Management of procurement and debt:*** The supply chain department remains key as an enabler to the operations of all other sectors/departments. To ensure a seamless and effective procurement process and end to end automated process will be adopted. This will be accompanied with a quarterly requisition to avoid a fourth quarter procurement rush. Capacity building of accounting officers, county leadership and all procurement officers on the implementation of the public procurement and asset disposal regulations 2020 will be a priority area to ensure its full adherence and implementation.

72. There has been a rapid and persistent increase of the county debt. By the end of December 2022, the county debt stood at Ksh. 99 Billion. Resolution of this debt remains a key priority to keep the county afloat. In this regard, the county will allocate sufficient resources towards debt resolution, with at least 10% of the budget being set aside for this in the medium term.

73. The county will also seek various ways to ensure a halt to debt growth, and a reversal in the medium term. Revenue growth remains the sure way of achieving county targets and avoiding accumulation of pending bills. The county will seek to broaden its investor base, embrace public private partnership as a financing option, and also seek for further resources from all partners including the national government.

74. To reduce the accumulation of interest and penalties, the county will ensure timely remittance of statutory deductions to KRA, NHIF and all other retirement schemes. Negotiations with the national government on debt resolution and write-off will be pursued and debt rescheduling by our biggest creditors proposed.

CHAPTER FOUR: RESOURCE AND EXPENDITURE FRAMEWORK 2021/22 -2022/23

4.0 Introduction

75. This chapter outlines the County's guiding policy on expenditure, the resource envelope, expenditure and revenue projections. It also outlines the broad strategic and development priorities as well as the policy goals that the sectors will be pursuing for the FY 2023/24 and over the medium term.

4.1 REVENUE PERFOMANCE 2019/20-2022/23 (Mid)

4.1.1. Revenue performance FY 2021/22

76. The key county revenue sources for the year under review were equitable share and own source revenue (OSR). 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 Kshs9.237 Billion against a target of Kshs 19.611 Billion. This represents an overall shortfall of Ksh. 10.374 Billion on own source revenues. 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. 4 Billion. The shortfall was occasioned by the non-remittance of conditional grants due to non-compliance with some conditions.

Table 4.1: Nairobi County Government FY 2021/2022 Revenues (Ksh. 'Millions')

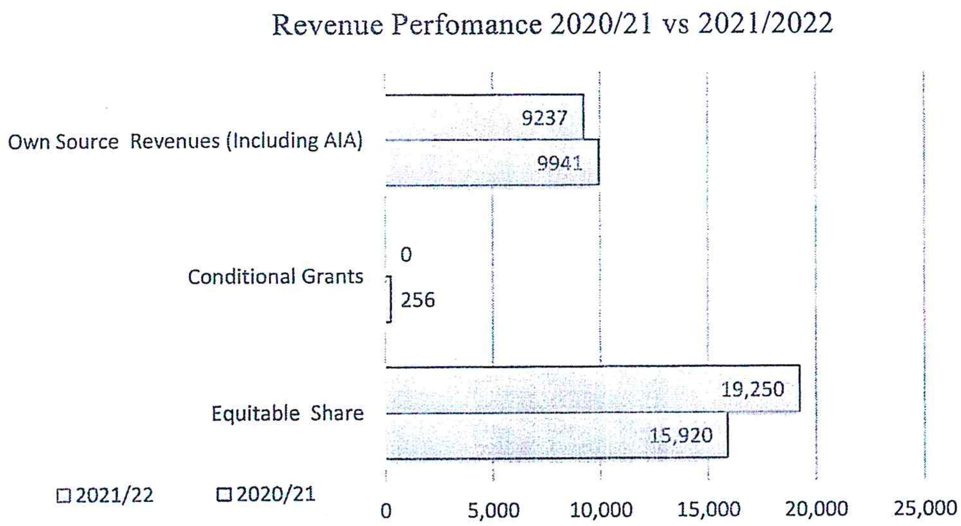
Revenues	FY 2020/21 Actuals	FY 2021/2022			
		Target	Actuals	Deviation	% Performance
Equitable Share	15,920	19,250	19,250		100
Equitable Share FY 2019/2020-Unremitted	3,501				
DANIDA -Grant for Universal Healthcare in Devolved Governments		35	0	(35)	
Conditional Grants to Development of Youth Polytechnics	16	87	0	(87)	100
World Bank Loan for Transforming Health System for universal Care System		37	0	(37)	
Agriculture Development Support Project	16	7	0	(7)	85
Other Grants	224				
Own Source Revenues (including Liqour)	**9,941**	**19,611**	**9,237**	**(10,374)**	**47.1**
TOTAL REVENUE	**29,618**	**39,028**	**28,486**	**(10,582)**	**72.9**

Source: County Treasury

4.1.2. Previous revenue performance (both OSR and external revenue)

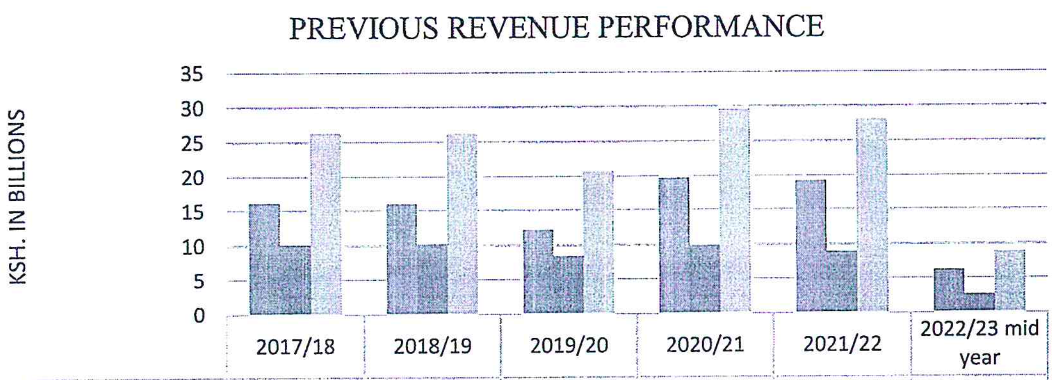
77. The total cumulative revenues amounted to Ksh. 28.2 Billion against a target of Ksh. 39.02B in FY 2021/22. This represented a shortfall of 10.58 of the targeted amount. There was a decrease in OSR compared to the previous year, but a growth in external revenue. There was also a reduction of conditional grants in 2021/2022

Fig 4.1: Comparison of key actual revenue sources for 2020/21 and 2021/22



The underperformance is depicted in all other previous years as indicated in fig 4.2.

Fig. 4.2: Previous Revenue Performance for FY 2017/18-2022/23 mid-year



	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 mid year
External revenue	16.2	16	12.2	19.7	19.2	6.3
Interrnal revenue	10.1	10.2	8.5	9.9	8.97	2.6
Total revenue	26.3	26.2	20.7	29.6	28.2	8.9

Own Source Revenues

78. 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. 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 4.2: Own Sources Revenue Performance for FY 2021/22

-	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)

Rates

79. 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

80. 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.

81. 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.

82. 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

83. 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.

84. The County intends 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.

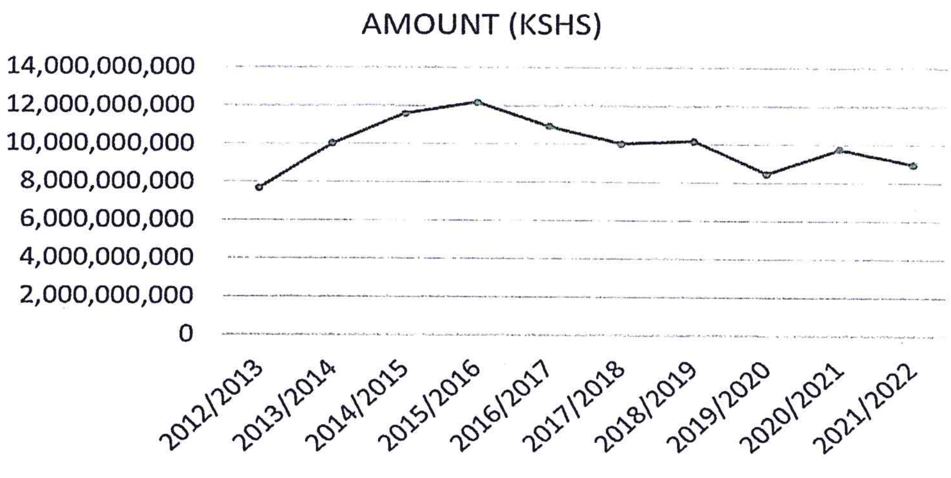
Building Permit

85. 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

86. 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 4.3 Actual Revenues from 2013/2014-2021/2022



4.1.3. Mid-year Revenue performance for FY 2022/23

87. By end of 31st December 2022 total accumulated revenues including national government transfers amounted to Ksh. 11.5Billion against a target of Ksh. 38.8 Billion (**Table 4.3**). Ordinary revenues amounted to Ksh. 2.7billon against an annual target of Ksh. 18.3 Billion an under performance of 21.3% from the target.

Table 4.3: Total Revenue (Millions) Performance as at 31st December 2022

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Equitable Share	19,249,677,412	3,176,196,775	4,716,170,967	7,892,367,742	41
Conditional Grants	1,286,404,625		927,334,931	927,334,931	72.09
Own Source Revenues	18,277,834,347	1,237,789,110	1,495,882,659	2,733,671,769	14.96
Total	**38,813,916,384**	**4,413,985,885**	**7,139,388,557**	**11,553,374,442**	**29.77**

External Revenues

88. By the end of 31st December 2022 a total of Ksh. **8,819,702,673** were receipts from the National government and other agencies. This amount includes receipts from National Treasury as equitable share of Ksh. 7,892,367,742 and Ksh. 927,334/931 from Kenya Roads Board being fuel levy funds for the years 2019/2020 and 2020/2021.

Table 4.4: External Transfers (Millions) as at 31st December 2022

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Equitable Share	19,249,677,412	3,176,196,775	4,716,170,967	7,892,367,742	41.00
WORLD BANK-THS	87,492,017				
DANIDA-UHC	35,272,875				
ASDSPII	36,639,733				
RMF	1,127,000,000		927,334,931	927,334,931	82.28
TOTAL	**20,536,082,037**	**3,176,196,775**	**5,643,505,898**	**8,819,702,673**	**42.95**

Source: County Treasury

Own Source Revenues

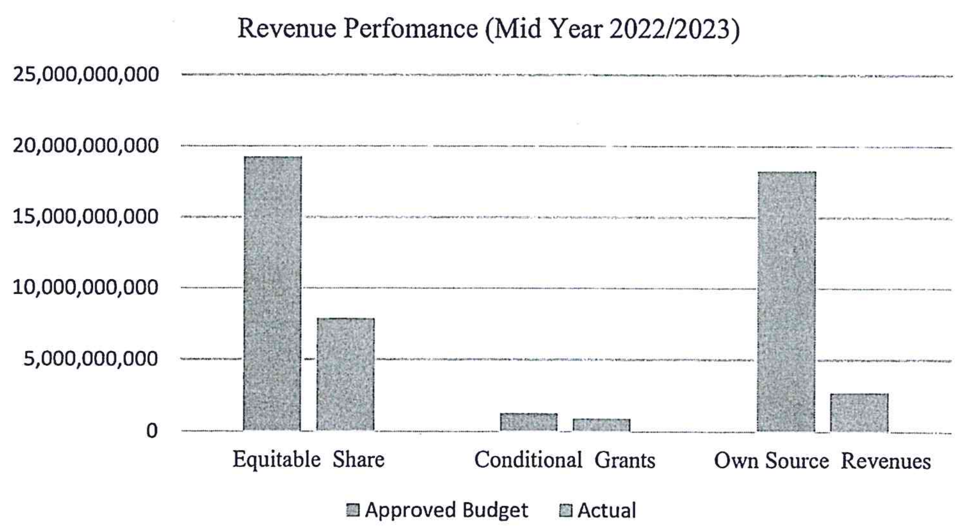
89. By end of 31st December 2022 total own source revenues amounted to Ksh. 2.7 Billion against an annual target of Ksh. 18.3 Billion or 14.96 % of the annual target.

Table 4.5: Own Sources Revenue as at 31st December 2022

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Land Rates	5,625,000,000	151,827,225	150,480,203	302,307,428	5.37
Parking fees	3,025,000,000	373,976,829	424,698,163	798,674,992	26.40
Single Business Permits	3,000,000,000	65,364,347	286,729,660	352,094,007	11.74
Plans and Inspections (Building Permits)	1,750,000,000	259,746,878	199,766,267	459,513,145	26.26
Billboards and advertisements	1,200,000,000	96,237,367	93,487,793	189,725,160	15.81
House and Stall Rent	600,000,000	81,875,130	102,109,263	183,984,393	30.66
Fire Inspection Certificates	450,000,000	5,443,620	23,652,266	29,095,886	6.47
Food Handlers Certificates	250,000,000	17,344,642	23,295,955	40,640,597	16.26
Markets	538,770,000	50,841,902	61,007,967	111,849,869	20.76
Liquor licences	250,000,000	45,325,601	64,283,278	109,608,879	43.84
Other Incomes	1,589,064,347	89,805,570	66,371,845	156,177,414	9.83
TOTAL (OSR)	**18,277,834,347**	**1,237,789,110**	**1,495,882,659**	**2,733,671,769**	14.96

Source: County Treasury

Figure 4.4: Mid-year revenue performance 2022/23

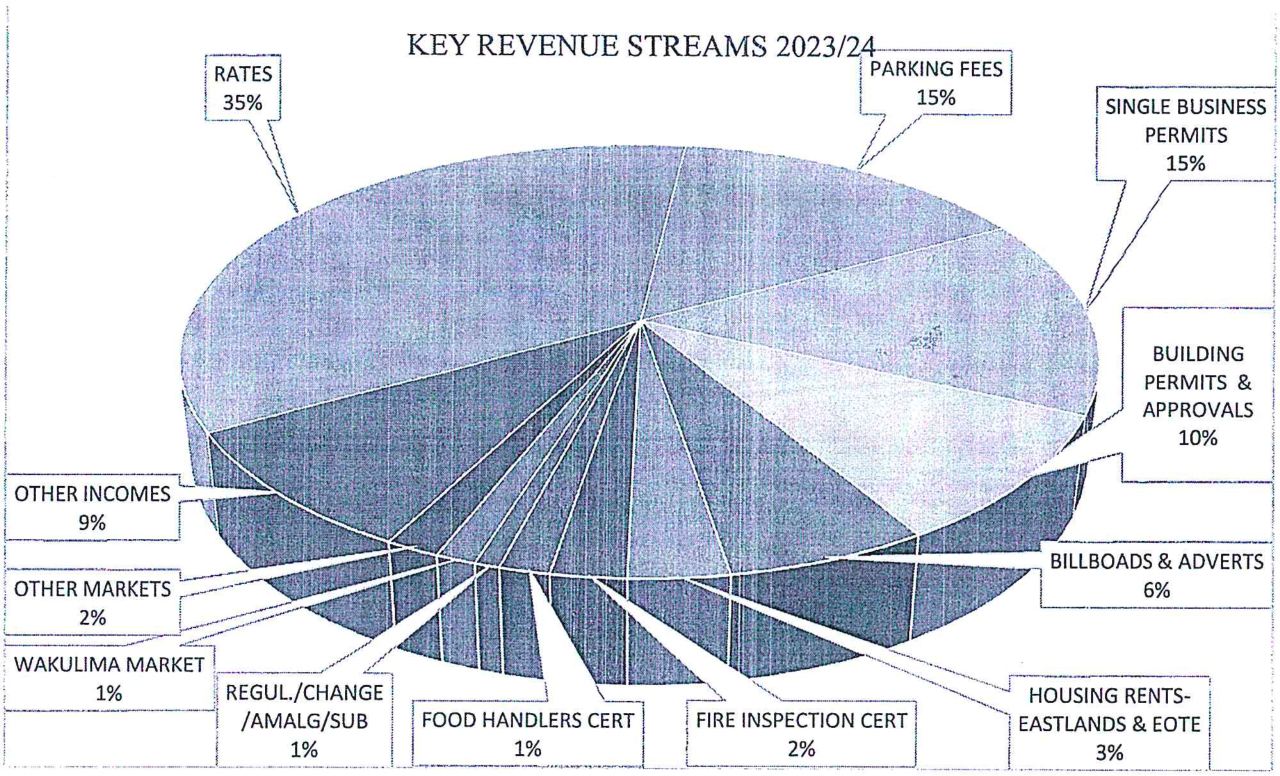


4.2 REVENUE OUTLOOK OVER THE MEDIUM TERM (Revenue components)

4.2.1. Revenue composition

90. The county budget is funded by revenue from two main sources; Internal and external sources. Over the period, the projected external revenue has always surpassed the revenue generated internally. This is therefore a clear indication that the county has been relying much on external sources of revenue. This is attributed to the continuous challenges to hamper full realization of internal revenue targets towards financing the budget. This calls for a need to extensively mobilize external sources of revenue. 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. The key contributor for internal revenue will be rates, parking fees, single business permits, building permits and billboards& Adverts respectively as shown in the figure 4.5.

Fig:4.5: Key Revenue Streams



Source: County Treasury

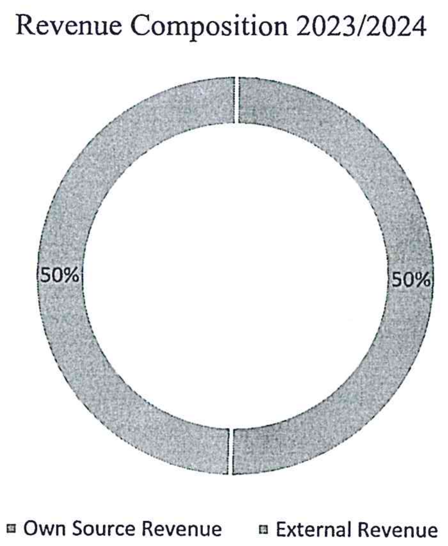
4.2.2. Revenue Projections for FY 2023/24

91. The revenue growth has been declining over the years, a situation predictable to continue over the medium term. The projected revenue for FY 2023/24 is Ksh. 39.77 B.

Sources of Revenue for FY 2023/24

92. It is projected that a total of Ksh. 19.99 Billion will be raised from own source revenue and Ksh. 19.78 Billion from external revenue. Thus internal revenue and external revenue will both constitute 50% of the total as shown in figure 4.6.

Figure 4.6: Sources of Revenue for FY 2023/24



93. Historically, the contribution of external revenue to the total revenue has predominantly higher than internal revenue. However, in FY2023/24, the two sources will have equal contribution to the total revenue. To meet the own source revenue target, it will require robust revenue mobilization strategies to specific revenue streams.

4.3 REVENUE RAISING MEASURES - OSR

94. For the fiscal year 2023/24 and over the medium-term, the following revenue raising measures especially for the major revenue streams will be employed; summarized below:

REVENUE BY SECTOR	2023/2024
RATES	7,030,000,001
PARKING FEES	3,000,000,000
SINGLE BUSINESS PERMITS	3,000,000,000
BUILDING PERMITS & APPROVALS	1,900,000,000
BILLBOADS & ADVERTS	1,200,000,000
HOUSING RENTS-EASTLANDS & EOTE	600,000,000
FIRE INSPECTION CERT	450,000,000
FOOD HANDLERS CERT	300,000,000
REGUL./CHANGE /AMALG/SUB	150,000,000
WAKULIMA MARKET	240,000,000
OTHER MARKETS	320,000,000
OTHER INCOMES	1,800,072,413
TOTAL (OSR)	**19,990,072,414**

4.3.1 Justification for the revenue targets for FY 2023/2024 and revenue raising measures

Determination of NCCG'S OSR targets

95. The County Own Source Revenue target are tabled to the County Assembly by 30th April of every year and forms part of financing of the budget estimates. The finance bill becomes the tool for raising the needed revenue by specifying amendments of existing revenue legislation by either varying existing charges or by introducing new levies.

96. The following assumptions and revenue raising measures especially for the major revenue streams informed the revenue targets for the FY 2023-2024:

Land Rates

97. The highest collection from this stream was Ksh. 3.16 B realized in FY 2015/16. The medium term projections depict an increase to Ksh. 7.03 B starting from the FY 2023/24, from the latest collection of Ksh. 2.48B achieved in FY 2021/2022. The projection will be achieved by:

- Use the GIS based valuation roll with the current land values replacing the old one done in 1982 and increasing annual rates by 1B from Ksh. 2.9B to Ksh. 3.9b
- Add approximately 100,000 new properties recently issued with titles in the Rates database and charged an average annual rates of Ksh. 10,000 and increase collections by Ksh. 1B
- Grant waiver on interest and penalties to recover part of the Ksh. 17B principal arrears and collect at least 20% of the arrears (Ksh. 3.4B)
- Follow up on Government debts through lobbying, negotiations and resolution through the provisions of the Inter-Governmental Relations Act, also through the COG
- Follow up on all the other defaulters.

RATES			
	Projection	**Current Status**	**ADDITIONAL REVENUE**
New valuation	3,900,000,000.00	2,900,000,000	1,000,000,000
Titling prog (issue new title)	100,000	10,000	1,000,000,000
Principal rate arrears	17,000,000,000.00	20%	3,400,000,000.00
Government Debtors			2.8B
Current collection			2,400,000,000.00
Total projection			**6,800,000,000.00**

Parking Fees

98. The highest collection from this stream was Ksh. 2.03 B realized in FY 2015/16. The medium term projections depict an Increase to Ksh. 3 B starting from the FY 2023/24, from the latest collection of Ksh. 1.87 B achieved in FY 2021/2022. The projection will be achieved by:

- Set the targets for all street, attendants and enforcers for all 12,000 parking slots and collect Ksh. 691,200,000
- Enhance on compliance through clamping and towing
- Enhance supervision at off street and Country bus and collect Ksh. 43,200,000 and Ksh. 36,000,000 respectively.
- Automate the collection at sunken and country bus station.
- Collect Ksh. 120,000,000 from private seasonal tickets from 3,000 motorist monthly
- Ensure collection from 444 SACCOs and collect Ksh. 1,800,000,000 from 25,000 public service vehicles at an average fees of 6,000 per month
- Target approximately 3,000 public service vehicles terminating outside CBD and collect Ksh. 108,000,000 charged at an average lowered rate of Ksh. 3,000
- Ensure collection from 1,000 loading zone (reserved parking bays) and collect Ksh. 220,000,000
- Follow up on loading zones arrears for parking bays occupied by Government institutions.

COLLECTION LAST FY	**1,878,217,887**			
PARKING		**Charges**	**Days**	**Amount**
ON STREET	1,2000 Slots	200	288	691,200,000
LOADING ZONES	1,000 Slots	220,000	1	220,000,000
SEASONAL PRIVATE	2,000 vehicles	5,000	12	120,000,000
SACCOS PSV	25,000 matatus	6,000	12	1,800,000,000
PSV TERMINATING OUTSIDE CBD	3,000 matatus	3,000	12	108,000,000

COUNTRY BUS	100,000 daily collection		365	36,500,000
OFFSTREET	150,000 Daily collection		288	43,200,000
Projected amount				**3,018,900,000**

Single Business Permits

99. The highest collection from this stream was Ksh. 1.8 B realized in FY 2014/15. The medium term projections depict an Increase to Ksh. 3 B starting from the FY 2023/24, from the latest collection of Ksh. 1.37 B achieved in FY 2021/2022. The projection will be achieved by:

- Enhance inspection in all sub counties to increase the number of businesses in our data base from the current 188,000 to at least 300,000 in the County
- Continuous inspections and enforcement on compliance
- Continuous updating of the business register

Outdoor Advertising and Billboards

100. The highest collection from this stream was Ksh. 0.93 B realized in FY 2021/22. The medium term projections depict an Increase to Ksh. 1.2 B starting from the FY 2023/24, from the latest collection of Ksh. 0.93 B achieved in FY 2021/2022. The projection will be achieved by:

- Enhance surveillance and monitor occupancy in 1010 billboard site and 440 sky signs and bill/invoice Ksh. 50,000,000 monthly
- Carryout census on all small format adverts in all sub counties to capture data in our system.
- Digitalized the application, approval and payments processes
- Extract the defaulters list from the system and serve demand notices to all defaulters
- Carryout enforcement on all defaulters upon expiry of the notices

BILLBOADS & ADVERTS				
COLLECTION LAST FY	926,288,774			
	Numbers	**Amount**	**Months**	**Totals**
BILLBOARD SITE	1010	60,000	12	727,200,000.00
SKY SIGNS	440	30,000	12	158,400,000.00
OCCUPIED UNCAPTURED BILL BOARDS	500	60,000	12	360,000,000.00
Total Projected				1,245,600,000.00

Building Permits and Approvals

101. The highest collection from this stream was Ksh. 1.6 B (Including regularization) realized in FY 2014/15. The medium term projections depict an Increase to Ksh. 1.9 B (Including regularization) starting from the FY 2023/24, from the latest collection of Ksh. 0.59 B achieved in FY 2021/2022. The projection will be achieved by:

- Ensure prompt approval of all applications on Nairobi Plan
- Follow up on all the bills/invoices issued for the approved applications
- Enhance surveillance in all sub county to confirm all on going developments have the County approvals
- Regularized all building without approvals in all the identified areas e.g. Pipeline, Dandora etc.

Markets, Health and Fire Certificates and Other revenues streams

102. The highest collection from these streams was Ksh. 3.2 B (Including regularization) realized in FY 2015/16. The medium term projections depict an Increase to Ksh. 3.86B starting from the FY 2023/24, from the latest collection of Ksh. 1.7 B achieved in FY 2021/2022. The projection will be achieved by:

- Provision of resources for revenue mobilizations
- Setting of targets for each revenue stream per sub county, ward, and individual collectors
- Provision of the necessary material (reagents, vaccines etc0 for the public to get the County services
- Enhanced supervisions of collectors
- Continuous inspections to enhance compliance
- Carryout enforcement actions

Revenue Stream	Actual 2021/2022	Target 2023/2024	Increase
Land Rates	2.48	6.25	3.77
Parking Fees	1.87	3.0	1.13
Single Business Permits	1.37	3.0	1.63
Building Plans & Approvals	0.59	1.9	1.31
Billboards & Advertisements	0.92	1.2	0.28
Other Revenues	1.7	4.36	2.66
Total	**8.97**	**19.71**	**10.74**

4.4 BUDGET PERFOMANCE 2019-2022

4.4.1. Expenditure performance Review FY 2021/22

103. 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 Ksh. 3.024 Billion and the recurrent was Ksh. 24. Billion was utilized for recurrent expenditure.

Table 4.6: 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

104. 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

105. Total expenditures by sectors amounted to Ksh.27.031Billion against a target of Ksh.39.6Billion (Or 32 % deviation from the target. Development expenditure was the most affected across all sectors as reflected in the (**Table 4.7**).

Table 4.7: 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**

106. Budget absorption has a direct correlation to proper planning, efficient procurement, and timely financing. A hurdle at any one stage of the three will affect negatively the budget absorption. Over the years, budget absorption has been generally low, with absorption of development expenditure being the major culprit.

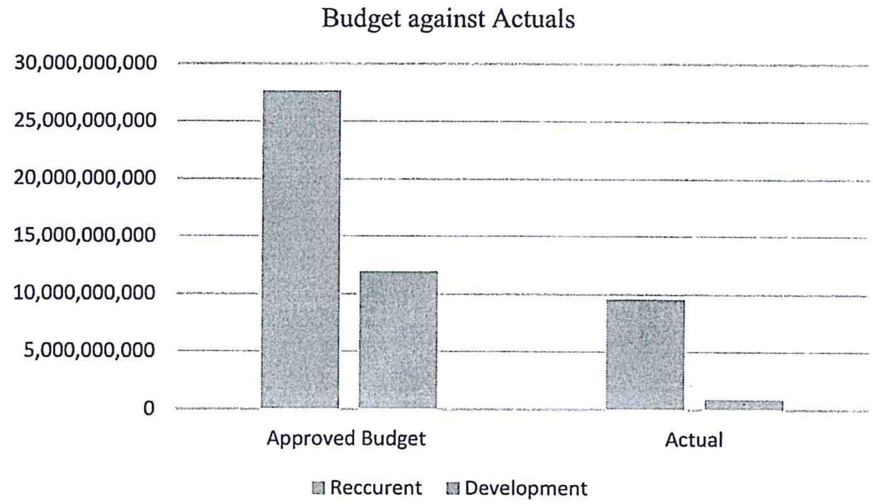
4.4.2. Expenditures by end of 2nd quarter 2022/23

107. Total expenditures including County Assembly amounted to Ksh. 10.5 Billion out of the total budget of 39.6Billion. The overall absorption rate of the total budgeted was 25.56% of the total budget. Development expenditure amounted to Ksh. 927.3 million which is about 7.75 % of the total development budget of Ksh. 11.962millions The slow uptake of development funds is attributed to the late approval of the budget which was approved in November2022. The uptake of development funds is expected to accelerate in the third and fourth quarter of the FY 2022/2023.

Table 4.8: Expenditure by classification

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Perfor
EXPENDITURE					
RECURRENT					
Transfer to County Assembly	1,624,288,302	126,783,100	252,706,784	379,489,884	23.36
County Executive	20,590,493,988	1,204,856,701	3,379,970,928	4,584,827,629	22.27
Liqour Board	200,000,000	36,820,270	35,540,557	72,360,827	36.18
Transferred functions	5,236,639,977	2,233,218,088	2,324,014,821	4,557,232,909	87.03
Recurrent	**27,651,422,267**	**3,601,678,159**	**5,992,233,090**	**9,593,911,249**	34.7
DEVELOPMENT					
Transfer to County Assembly	1,861,000,000				
County Executive	10,051,494,012		927,334,931	927,334,931	9.23
Liqour Board	50,000,000			-	-
Development	**11,962,494,012**		**927,334,931**	**927,334,931**	7.75
Total Expenditure	**39,613,916,279**	**3,601,678,159**	**6,919,568,021**	**10,521,246,180**	26.56

Figure 4.7: Total Budget against Total Expenditure



Measures to enhance absorption of budgeted funds in FY 2022/23 to include the following:

- Revenue enhancement drive to provide funds
- Enhance Monthly and quarterly reviews of programmes implementation by Sectors
- Entrench efficient and effective cash flow management practices.

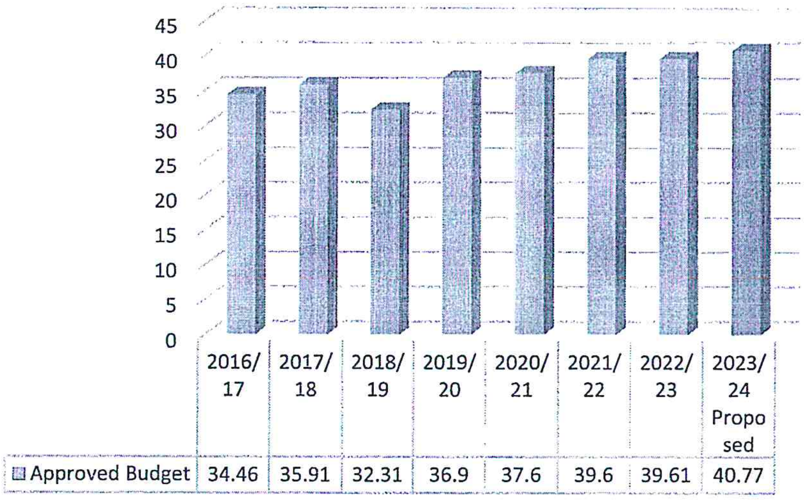
4.5. FISCAL FRAMEWORK 2023/2024

108. This section outlines; the County's guiding policy on expenditure, the resource envelope, and the expenditure and revenue projections. It also outlines the broad strategic priorities and policy goals that the sectors will be pursuing for the FY 2023/24 and over the medium term.

4.5.1. Resource Envelope

109. The approved budget for the FY 2022/23 is Ksh. 39.6 B which is similar to the previous approved budget. The projected budget for the FY 2023/24 will be Ksh. 40.77 B a 2.95% increase from the current year's budget (2022/23)

Figure 4.8: Previous Approved Budgets Vs 2023/24 Projection



4.5.2. Resource Allocation Criteria and Fiscal Objective 2023-2024

110. Resource allocation is a complex affair, given the insufficiency compared to the competing demands. The proposed resource allocation for all sectors to fully discharge their mandate for the FY 2023-2024 amounted to Ksh. 103 Billion. The projected revenue stands at Ksh. 39.77. In an effort to strike a balance between the resource basket and the sector demands, some sector priorities will remain unfunded and will be prioritized for financing in the succeeding years. The following factors informed resource allocation between sectors;

Non-discretionary expenditure

111. Some expenditure cannot be avoided and will hence be given priority before allocation to all other needs. In this regard, salaries and wages, utilities, transfer to other government agencies, insurance and commission for revenue mobilization will be allocated sufficient resources before consideration of other expenditure areas. Personnel emoluments remain the highest consumer of the budget. The projected proposal for personnel emolument stood at Ksh. 20.22 B comprised of salaries, new recruitments, provision for implementation of CBA's, promotions, retirees and overtime. This could have consumed 50.6% of the projected budget. To free up resources for development, Personnel emolument will be capped at Ksh.17.09 B. The proposed promotions and implementation of the CBA's will be done over a three-year period. All new recruitments will have to be deferred and only the technical areas in serious need to be considered.

Other non-discretionary allocation will be towards utilities, insurance (Medical and asset), waste management among others.

Allocation towards development and Counter-part funding

112. Fiscal responsibility principles require an allocation of not less than 30% towards development expenditure in the medium term. Allocation towards this will be Ksh. 11.99 B, which will constitute 29.5% of the proposed budget.

113. The county has a huge stock of ongoing projects, some that have been in the same state for a long time. Incomplete projects are a major impediment to realization of development objectives, and also deny the public the value expected from the investment of public resources. In this regard, and to ensure that all projects commenced are fully completed and commissioned for use, the ongoing projects will be allocated sufficient resources for due completion.

114. Donor funds are an important source of investment financing that bridges the gap of resource insufficiency. Counterpart funding is a requirement by donors to ensure the recipient accords necessary interest and also commitment to the target projects. Allocating resources for counterpart funding is a necessity for unlocking investment by donors. In this regard, the government will allocate sufficient resources to all projects with this conditionality.

115. Governors Manifesto: Towards making Nairobi a city of order, dignity and opportunities, H.E the governor pin-pointed clear strategies that must be pursued by all sectors. The sectors prioritized these programs for implementation and resources have been allocate to achieve this. Significant resources have been set aside to roll out the school feeding programme, construction of stadia and markets, roads and public lighting, tree planting and bursaries/scholarships.

116. CIDP priorities and public participation: The priorities identified in the draft CIDP, which were largely informed through the public participation process will guide on resource allocation to sectors. This is towards making the budget be responsive to the actual felt needs of Nairobians

117. Service improvement areas and proposed institution transformation areas: Transformation of service delivery by NCCG is a key area of focus. This is towards ensuring that the services offered by the government are adequate, responsive and provided in a good environment and in a friendly way. Initiatives that are geared towards a Customer-Centric service delivery will be given priority. Creation of boroughs will ensure will being services even closer to the point of consumption and will further strengthen devolution. Adequate resources have been allocated to the boroughs and personnel sector which is the engine of devolution of services.

Fiscal Objectives 2023/2024

118. The budget 2023/24 will be underpinned by the following fiscal objectives which were informed by a convergence of public participation and governors manifesto;

1. To Provide more trading spaces
2. To provide more recreational facilities and nurturing of talent
3. To roll out a school feeding programme in public schools
4. To provide affordable housing
5. To improve mobility and safety
6. To improve access to health services

4.6. Responsiveness to The Needs Identified Through Public Participation

119. Section 125 (2) of the PFMA 2012 requires the CEC Member for finance to ensure public participation in the budget process. The CGA through sections 6(6), 87, 104 (4), 106 (4) and 115; requires the government to ensure participation of the people while performing its functions, provides the principles upon which public participation will be based on, necessitates incorporation of non-state actors in county planning, demands for county planning to provide for public participation and makes it a mandatory component in all county planning processes, respectively.

120. The County treasury has persistently operated within the letter and spirit of these provisions in all planning and budgeting processes. Engagement with members of the public and other state and non-state stakeholders was comprehensively done, as the production of this strategy coincided with the formulation of the CIDP 2023-2027. Non state actors were included at all levels, having a representation of three members in the steering committee which was guiding the process. All sector working groups also had representatives of various stakeholders and several engagements were conducted. The spirit of working together with non-state actors will be pursued hence forth.

121. Through public participation, the fiscal objectives proposed in this CFSP will channel resources towards construction of markets and stadia, improvement of health services by improvement of health facilities and funding for CHVs, roll out of school feeding programme and increased funding of the Ward development programme which will consequently see an improvement of the state of roads.

4.7 SECTOR PERFOMANCE, PRIORITIES, STRATEGIES AND CEILINGS

4.7.1. MOBILITY AND WORKS

122. For the FY under review, the sector achieved the following development priorities

- Constructed 102 km of road.
- Rehabilitated 248km of roads,
- 5no. public transport facilities were rehabilitated
- 23km of Non- Motorized transport facilities developed.
- 69km of storm water drainage was developed.
- Constructed 4no. Motorable bridges
- Constructed 5no. foot bridges
- 3No. of box culverts developed

123. The sector derives its mandate from the Constitution in the areas of County roads, Street Lighting, Traffic Management, Parking and Public Transport. To achieve its mandate, the sector will put priority in improving mobility through expansion of roads network and storm water drainage over the medium term. On this the sector plan to construct 40km of new roads, construct 91 km of storm water drainage and gravel 20km of road.

124. It will also be a sector priority to enhance road safety through construction of 30km of walkways and NMT facilities, construction of 2no. Public transport facilities, 10 no. footbridges, 10No. of motorable bridges and 5No. Of box culverts. Pedestrialization of streets, improvement of 5No. junctions and installation of 8160 No. of light fixtures and installation of asphalt plant at Nanyuki road will be prioritized during the fiscal year. Reduction of congestion remains a priority in the medium term through upgrading of traffic management system.

125. For the implementation of its priorities, the sector will be allocated a total budget of Ksh. 3.59 Billion for FY 2023/24. The recurrent expenditure will comprise of Ksh. 1.09 (representing 30% of total allocation) while development expenditure will be Ksh. 2.49B (70% of total allocation).

4.7.2. HEALTH WELLNESS AND NUTRITION

126. The sector mandate is to provide quality healthcare services that are accessible, equitable and sustainable to the population of Nairobi City County and beyond. For the fiscal year the sector will seek to ensure Reduction of HIV related mortality and new infections; Reduction of TB transmission; Reduction of non- communicable conditions; malaria control and GBV control. The sector will work to Scale up and strengthen Community health services by use of community health volunteers.

127. To enhance wellness in the county, the sector is planning to establish 3no. Wellness centres. It will also give priority on mental Wellbeing and prevention of mental disorders. To achieve this the sector will be drafting a mental health bill during the fiscal year. To promote nutrition, there is a plan to create a distribution network for human milk at PMH by establishing 1no. satellite human milk bank. Further, the sector will establish a school feeding program for learners in public primary schools and ECD centers. This will be actualized through construction of 10.no central kitchen and 10no. Serving sheds. After development of infrastructure, the actual school feeding will be in full gear in the FY 2023/2024.

128. To promote curative services, the sector plan to implement the following projects; Establish Cancer treatment centre at Mama Lucy Kibaki Hospital, Establish Multi drug resistant Tuberculosis isolation and treatment Centre at Bahati health Centre, Establish County Dialysis unit at Pumwani Nyayo wards. Finally, the sector will embark on promoting emergency and referral services through purchase of 10no. Fully equipped ambulances and establishment of 1no. Emergency operation center.

129. For the implementation of the sector priorities for FY 2023/24, the sector resource allocation will be Ksh. 9.95 B. Allocation towards recurrent expenditure will be Ksh.8.32 B (84% of total sector budget) and allocation towards development will be Ksh.1.63 B (26% of total sector budget).

4.7.3. TALENTS SKILLS DEVELOPMENT AND CARE

For the period under consideration, the sector achieved the following in the stated departments;

1. EARLY CHILDHOOD DEVELOPMENT AND EDUCATION –ECDE

130. The department recorded an increase in enrolment of 4150 pupils in public ECD centers with an improvement of teacher to pupil ratio at 1:26 maintained. By mid-year 2022/23, the sector had completed construction of 4no. ECDE centres and 10 no. are ongoing. The department also issued 76,500 Bursaries and 5000 Scholarships to learners.

2. Vocational Education and Training

131. With a view to provide and promote quality Vocational Education and Training during the financial year under review, 11 VTCs implemented TVET Act of 2013 and by mid-financial year 2022-2023, 6 VTCs implemented TVET Act of 2013.

132. Further, Enrolment in the VTCs increased admitting 1200 trainees and 1108 trainees in the subsequent mid financial year. In addition, 8no. Vocational Centers were equipped with training tools and equipment and 5no. of existing Vocational Training Centres were rehabilitated.

3. Children and Rehabilitation Services

133. In an effort to safeguard and promote the welfare and rights of children through Rescue, Rehabilitation and Reintegration of street and other vulnerable children in Nairobi, the department was able to Rescue and Rehabilitate 412 Street connected children and OVC and 256 children in the subsequent mid financial year. 204 and 34 children were Reintegrated and placed back to families within the first year and mid financial year respectively. The department also succeeded in offering trauma healing and child therapy programs to 512 no. And 269 no. of children in the FY 2021-2022 and FY 2022-2023 respectively.

4. Family and Social Welfare

134. In order to provide social protection and care programs to vulnerable persons through psycho-social support and care for aged the department succeeded in providing care and protection for 349 No. Of elderly persons to 349 at Mji wa Huruma. Further the department conducted 1No. Social work exchange program. In addition, the department held 8no. Of family welfare clinic forums.

5. Community Development

135. In the effort to ensuring increased opportunities for socioeconomic development to communities in Nairobi County, the department held 4no. Of community exhibitions for group, and conducted 10No. of Exchange program for improved skill and management.

6. Youth Affairs

136. With the intention to provide Youth Empowerment, the sector achieved the following;

- 1NO. NCC youth policy was developed
- Renovated 1no. One-stop youth centre
- First-Aid training in collaboration with Red Cross where youth benefited were organized.

7. Recreation Services

137. Towards increasing access to recreational services for self-reliance, the department was able to organize 3NO. Festivals and rehabilitated 17NO. existing social halls. To improve staff morale, the sector conducted capacity building training and organized Internal and External Exchange programmes in the year under review.

8. Sports Development

138. With an aim to promote and nurture talents through Sporting activities and infrastructure the following were achieved for the year under review;

- 2no. Sports Complexes were established and 1 in the procurement stage in.
- 1No. basketball court constructed at Umama grounds.
- Trained 30 no. staff and coaches through exposure tours.
- 9no. Sports Festivals and tournaments held.

9. Library

139. With a focus on achieving the department mandate of providing information and increased access to library services in order to enhance a reading culture to all Nairobians, 2No. library infrastructures were improved and an addition of 2 libraries services Automated.

140. This sector is mandated to provide quality Early Childhood Education, Vocational training and social protection and care programs as well as promote community development, recreation and sporting services, provide youth empowerment, library services as well as control of drug and pornography. Over the medium term, it will be a priority also to increase access and retention to quality ECDE as well as improve the transition to Primary school through construction of 10 no. New ECDE centres, Rehabilitation of 44 No. of ECDE centers, construction of 5No. Centres for children living with disability, Construction of 100 No. of classes in already crowded ECD center and provision of bursary& scholarship to 107,00 No. of needy students.

141. For vocation education &training, the sector will establish a well branded and Equipped VTCs in all the Sub Counties, establish 1No.VTC boarding facility, give bursary to VTC learners, employ personnel and diversify VTC programs and courses to suit market demands. Under youth empowerment, the sector purpose to promote and provide socio-economic opportunities for youth empowerment by establishment of a Data base of youth serving organizations in Nairobi County, Implementation of the Digital skills programme at One-stop Youth Centre, establish 5No. Innovation and digital hubs and ensuring Full implementation of NCCG Youth Policy.

142. The sector will also emphasis on the promotion and development of sports in the county by having 6 No. of sport complex in sub-counties, constructing 20No. Basketball courts, rehabilitating 3No. Playgrounds, Identifying and developing sports talents and Conducting awareness campaigns to popularize sports activities. In addition, the sector will develop policies, guidelines and regulations to guide sports development in the County. The sector also seeks to construct 2No. Of ultra-modern social halls, rehabilitate 29No. Socials and hold 3No. Recreational festivals.

143. The sector will embark on provision of library services to manage knowledge and promote a reading culture. This will be achieved through automation and digitization of 3NO. libraries, Establishment of disability friendly library infrastructure (community libraries), Rehabilitate 2No. existing libraries, Conduct outreach programmes (e.g. book week events, book launches,) and introduction of 1No. mobile library services to reach areas without library facilities. Development of regulatory framework to guide library services will also be prioritized. The sector also seeks to promote and empower communities through socio-economic programs and to look into and safeguard the welfare and rights of children through Rehabilitation programs.

144. To enhance the implementation of the sector priorities for FY 2023/24, the sector will be allocated a total budget of Ksh. 2.48 Billion. Allocation towards recurrent expenditure will be Ksh.1.96 Billion (79% of total sector budget), and allocation towards development expenditure will be Ksh. 519 M (21% of total sector budget).

4.7.4. GREEN NAIROBI

A. FOOD AND AGRICULTURE

145. For the period under review the sub-sector was able to reach 19,291 farmers through agricultural extension services. It also established 350 multi storey gardens across the county and install 7 drip kits .10 no fish ponds were constructed and7no. fish tanks units were installed for youth and women groups. Finally, the sub-sector was able to coordinate planting of 36,975 tree seedlings and also conducted 1no. Nairobi international trade fair.

146. The sub-sector's key mandate is to ensure a food secure county through promotion and regulation of sustainable urban agriculture and forestry for food and nutrition security. For crop development, the sector will provide extension services to farmers in order to equip them with skills and knowledge on urban farming. The plan is to reach 6000No. Of farmers through field visit, demonstration and exhibition. Priority will also be given to establishment of 2000 no. Of multi-storey/cone gardens, installation of 9No. Green houses and 34 No. Of hydroponic units for youth and women.

To increase livestock production, the sector plan to construct 85No. Of poultry unit and 10No. Of fish food.

147. The sub-Sector will also promote tree growing as a way of ensuring sustainable agricultural land use and greening of the city to enhance environmental benefits associated with trees. This will be achieved through establishment of 2 no. Of nurseries, grow 1M trees, plant 300,000 no. Of agro-forestry and fruit trees. To promote food safety, the sub-sector will inspect food for contamination with micro-organisms, agro-chemicals, veterinary medicines and environmental, control zoonotic diseases to protect public health as well as carrying out 4420 no of animal health surveillance mission. For improved urban food system, 7No. of food waste equipment will be installed in food markets.

148. To facilitate the implementation of the above priorities, the sub-sector will be allocated a total budget of Ksh.340 M to achieve its 2023/24 targets. Allocation towards recurrent expenditure will be Ksh.216M (64% of total sector budget), and allocation towards development expenditure will be Ksh. 124 M (36% of total sector budget).

B. ENVIROMENT, WATER & SANITATION

149. In the FY2021/22, the sub-sector managed to collect an average of 3100 tons per day. It also managed to construct 4 No. of recovery facilities. 50% of illegal dumpsites in 2021/2022 and 75% in mid-year 2022/2023 was closed. Revitalization of Uhuru park and central park is at 80%, Jevanjee is at 50% and Michuki park at 100%. Beautification and landscaping of the 19 newly constructed hospitals is complete.

150. In addition, free water distribution to all residents in informal settlement is at 100 %. further, 20km of sewerage extension was done under Mukuru SPA. The water company drilled 15 boreholes across the entire county and installed water and hand washing facilities, ablution blocks and water extension in 17 schools and markets.

151. The sub-sector is responsible for refuse removal, refuse dumps and solid waste disposal, control of water, air and noise pollution, control and regulation of public nuisances; management of county parks and recreation facilities, provision of water & sanitation services, promote electricity and gas reticulation and energy regulation. This sector's priorities in FY 2023/24 will be to make the city green, clean and safe through proper solid waste management and improvement of aesthetic value of the city. for proper solid waste disposal endeavor to install 7500 No. Of litter bins, procure 15no. Skip loaders, 3No. Refuse compactors, 14No. Tippers, 30No. Assorted skips, 2No. Bulldozers, 3no. Excavators and 1no. Weigh bridge ramps.

152. The sector will also embark on providing reliable, clean and safe water for all through drilling of 10 No. Boreholes, purchase and distribute 850No. of water tanks. Waste water recycling and harvesting of rain water will also be prioritized. The sub-sector will oversee the Improvement of sanitation by expanding sewer lines coverage by 42% and construction of 4No. public toilets especially in informal areas. Provision of clean energy will be given a priority and this will be achieved through solarization of buildings at city hall and kaloleni depot and installation of waste to energy plant at Dandora dumpsite.

153. To facilitate the above, the sub sector allocation will be Ksh.3.2B for FY 2023/24. Allocation towards recurrent expenditure will be Ksh.2.93B (92% of total sector budget) and allocation towards development will be Ksh.271M (18% of total sector budget).

4.7.5. EXECUTIVE OFFICE OF THE GOVERNOR

1. SECURITY AND COMPLIANCE

154. The Security and Compliance is a sub-sector under the office of the Governor. It comprises of The sector recruited 1000 no. enforcement officers, partitioned 7th floor offices as well as partitioning of 2nd floor which is still underway with an aim of improving service delivery. In addition, in an effort to motivate the employees, the sector purchased Uniform for enforcement officers and trained 1000 no. enforcement Officers to enhance competency development.

2. INTERNAL AUDIT

155. The Internal Audit Department derives its mandate from the Kenya Constitution 2010. The sector managed to do capacity building for 25 audit staffs and 18 auditors. They also formulated 8 audit review reports ,2 audit advisories and 2 risk assessment reports.

3. DISASTER MANAGEMENT

156. In the quest to enhance Revenue Collection, the department managed to collect Ksh. 304 million under the year of review. In addition, the sector was able to improve firefighting and rescue operations to 9mins within a radius of 15Kms. It further purchased 2 No. Of basic life support ambulances.

157. The sector is responsible for leadership and governance services towards delivery of the County mandate in a transparent and accountable manner. In order to realize its mandate on governance, the sector seeks to establish a performance management framework, expedite processing of policy decisions, enhance local and international diplomacy and provide timely information to stakeholders (internal &external) through media campaigns and organized engagement forums.

158. To actualize the external resource mobilization mandate, the sector shall enact legislation to guide external resource mobilization. Develop and execute Financing through market instruments, conduct development finance assessment (DFA) and develop an Integrated County Financing framework. The sector seeks to finalize and keep updating a County investment profile and build capacities at sectoral level for alternative financing of priority projects. Tracking and reporting on results of implementation of Partnerships will form a critical component of the delivery strategy. Due to capacity gaps existing in the directorate, the sector seeks to boost human capital through recruitment and specialized training. In order to achieve effective and efficient IGR relations, the sector seeks to establish a County Government and council of governor's liaison desk in every sector and Recruit staff to enhance capacity.

159. The security and inspectorate sub-sector will commit to enforce compliance with county laws and order, crime prevention and provision of security through crime investigations and manning of public institution and installations. The sector will also target to improve traffic flow through control of traffic. In addition, the sector plan to Improving skills and capacity of its staff through continued training recruit in order to enhance effective service delivery.

160. The internal audit department will seek to improve internal controls in the county operations. This will be achieved through automation of audit process, carry out risk management awareness within all sectors in the County and capacity building of audit staff.

161. The disaster management and coordination sub-sector is responsible for disaster mitigation, fire rescue and emergency response. To achieve this the sub sector will introduce toll free emergency number, carry out a hazard mapping exercise and develop an updated database documentation and Recruit and train Community emergency response team in each of the boroughs. It will give priority to equipping fire engine; establishment of 5No. operation centres and 25 No. Of community emergency response centres; drilling 2No. boreholes in the stations; purchase of 1No. fire engine and recruitment of 50No. Fire officers.

162. Over the medium term, the legal department will commit to enhance statutory and legal compliance. It will also give priority to ensure that the cost of litigation is reduced. recruitment and training of advocates will also be considered.

163. The governor's office will be allocated a total budget of Ksh. 5.94 Billion in 2023/24. Allocation towards recurrent expenditure will be Ksh.5.51 Billion (93% of total sector budget) and allocation towards development expenditure will be Ksh.427M (7 % of total sector budget). This budget allocation comprises of Ksh.2.04B for the office of County Attorney, 300M to office of governor, 104 M to audit office, 2.1B to security and compliance, 528M to disaster management and 862M to departments under office of county secretary.

4.7.6. BUSINESS AND HUSTLER OPPORTUNITIES

164. For the planning period under review, the sector achieved the following;

- 3no. of markets constructed
- 10no. of markets rehabilitated in 2021/22 and 3no. In 2022/23
- Registered 112no. new cooperatives
- Revived 31no. dormant cooperatives
- Licensed 176no. pool tables and amusement machine
- 18,000 businesses were issued with single business permits

165. The sector is mandated to provide a sound policy, legal and regulatory framework for supporting local and foreign trade together with investments towards the county's socio-economic growth and development. In the FY 2023/24 the sector will embark on increasing business growth opportunities for informal and formal Micro & Small Enterprises (MSEs) through increased MSME financing, MSME capacity development and establishment of 1No. incubation centres for startups, construction and equipping of 1No. Common user facility and holding 80No. Trade fairs & exhibition. Development of county investment policy and regulation will be a priority.

166. To improve effectiveness in service delivery for Gaming and Betting, the sector will oversee the development of Betting, Gaming policy and regulations, administering daily supervision of casinos and establishment of NCC lotteries. For cooperative development, the sector will work to have a vibrant co-operative movement with financially strong and well managed cooperatives. This will be achieved through registration of 120 No. of new cooperatives together with reviving the dormant cooperatives.

167. For market development, the sector priority will be construction of 4 No. of new modern markets and 800 No. of kiosks, rehabilitation of 3No. of existing markets; branding of new markets as well as construction of 1No. nursing care unit for women traders.

168. The liquor Board intends to conduct awareness campaigns/publicity/sensitization in order to reduce the Alcohol and Drug Abuse [ADA] and for alcoholic addicts. Liquor Board will organize retreats to facilitate the discussion on monitoring and evaluation on implementation of the liquor planning documents, it's overall performance and the way forward. In addition, training for Liquor Board staff will be conducted.

169. For the FY 2023/24, the sector will be allocated a total budget of Ksh. 610 M (37%) towards recurrent expenditure, and Ksh. 1.06 B (63%) for development. The total budget allocation for the sector will be Ksh. 1.67B.

4.7.7. BUILT ENVIRONMENT AND URBAN PLANNING

A. URBAN DEVELOPMENT AND PLANNING

170. The sub-sector is at 80% completion of 3 policies; development control policy property addressing &street naming policy and county land use policy. In addition, 8,688 no. Of renovations permits were issued and the sub-sector is at 100% completion of processing of development applications.

B. Housing and urban renewal

171. The sub-sector achieved the following in FY 2021/22

- 520 housing units renovated
- 6 No. settlements planned and surveyed
- 100 % of designs and Bills of Quantities developed

C. LANDS SUBSECTOR

172. The sub-sector achieved the following in FY 2021/22

- Surveyed 2808 parcels of land
- Prepared and registered 14,000 leases

173. The sector is responsible for county land and infrastructure surveying, GIS and mapping, county valuation services, land administration and property management and land registration. For the FY 2023/24, the sector will seek to Improve habitability of county rental houses through renovations and rehabilitation of 240 No. Of units at kariokor. It also plans to increase access to decent, affordable and adequate housing to Nairobi residents by implementation of urban renewal programs and improve living conditions in informal settlements through slum upgrading program by developing 1562 No. Of housing units through private financing.

174. To ensure spatial order in the county, urban planning department will ensure efficient development of approval process as well as regularization of unauthorized development, preparation of plans and ensure compliance with building regulations. For proper land management, the land sub sector will continuously increase parcels of land surveyed, regularize land ownership in informal settlement, enhance GIS expansion and integration as well as infrastructure survey. The sector will also continue with the registration and issuance of leases and ensure entrenchment of new valuation roll.

175. For the implementation of the sector priorities for FY 2023/24, the sector will be allocated a total budget of Ksh. 358 M all for recurrent expenditure.

4.7.8. BOROUGHS, COUNTY ADMINISTRATION AND PERSONELL

176. During the year of review, the sub-county administration sub-sector constructed 1No. office carried out 68no. Public participation forums, trained 400no. Staff through capacity building, conducted 1no. Environment survey and 1600 No. Staff were sensitized on alcohol and substance abuse. In the same year, public service recommended 359no. Of staff to CPSB for confirmation and insured 5247no. of county staff.

A. BOROUGH & SUB COUNTY ADMINISTRATION SUB SECTOR

177. The Boroughs and Sub County Administration sub sector is responsible for the coordination, management and supervision of the general administrative functions in the sub-county unit, including development activities to empower the community.

178. For the FY2023/24 the sub-sector will embark on providing conducive working environment at the decentralized units through construction of sub county and ward offices. It will further coordinate public participation and civic education forums for public engagement, education and awareness.

179. To implement the sector priorities, it will be allocated Ksh.2.03B total budget. The budget comprises recurrent expenditure requirement of Ksh. 1.49B (74%) and development expenditure of Ksh. 540M (26%).

B. PUBLIC SERVICE

180. The sub- sector is mandated for Strategic Management, Development and Transformation of the organization's Human Resource Capital, maintenance and maximization of employee's performance within the Service of Nairobi City County Government. To achieve its mandate over the medium-term, the public service will commit **to** improve employee productivity and performance through Innovative Programs: Coaching and Mentorship, Performance Management; Reward management and Talent management. In addition, the sub-sector will work to create highly skilled work force to provide quality services and respond to emerging issues through career development and training.

181. It will also work to seek to make saving form the personnel cost through implementation of VERS. It will give a priority to enhancing employee satisfaction through provision of conducive work environment, improved staff healthy and safety, promotions, right placement and staff appointment.

182. For the implementation of the sub- sector priorities for FY 2023/24, the sector resource allocation will be Ksh. 1.95 B.

4.7.9. INNOVATION AND DIGITAL ECONOMY

183. The sector achieved the following in the financial year 2021/22;

- I no. Lab was created and equipped as an information hub in City hall annex 13th floor
- Trained 800No. Staff
- 70% works done on installing structured cabling and fibre connectivity
- 80% of mapping of valuation roll, rates, markets, parking and sundry debtors done.

The sector mandate is to leverage innovation and digitization as a drive for a complete automated and inter connected Nairobi County.

184. Through Smart Nairobi the sector intends to acquiring internal and external user/system requirements specifications, roll out and automate system applications for major county processes, computerize all health centers within Nairobi County, roll out public participation portal, Install and electronically tag NCCG assets and Redevelop county website. It will also give priority to connecting all offices to structured cables and wireless access points, fiber connection of satellite offices, operationalization of the county data center, installing call center devices, increase internet connectivity to all county offices and ensure IT security within county government systems. E-learning intends to promote capacity building for staff to utilize ICT skill through digital learning platforms.

185. Further the sector will embark on doing a baseline start up report, establish incubators to nurture startups, engage start up through expos and capacity build startups through relevant training.

186. For the implementation of the sector priorities for FY 2023/24, the sector will be allocated a total budget of Ksh. 519M. Allocation towards recurrent expenditure will be Ksh.219M and allocation towards development will be Ksh.300M

4.7.10. FINANCE AND ECONOMIC PLANNING

187. During the financial year 2021/22, the sector achieved the following;

- Insured 100% of the assets.
- Collected 8.97B own source revenue
- Prepared 1no. Debt strategy paper
- Prepared 1no. County fiscal strategy paper
- Prepared 1no. Annual development plan
- Prepared 1no. CBROP
- Prepared 4no. Financial statements

188. The sector's main goal is to ensure prudent management of financial resources, formulation of planning and budgeting policies to facilitate socio-economic development, resource mobilization, management of assets as well as making sure that goods, services and works for all county sectors are procured.

189. To achieve its mandate in FY 2023\2024, the sector will embark on a robust resource mobilization strategy, development of the county asset management policy and guidelines which will improve and standardize the management of county assets across the sectors. The sector will work towards achieving unqualified audit report by implementing strong internal control systems. The sector will ensure the county gets value for money in the procurement of goods and services by automating the entire procurement process.

190. The sector will seek to; ensure coordinated development planning and budgeting; enhance tracking of implementation of development policies and programs, maintain proper management of county statistical data. The sector will be allocated, a total budget of Ksh. 4.06 Billion for FY 2023/24. The recurrent expenditure will comprise of Ksh.2.81 B(69% of total sector budget) while as development expenditure will be Ksh. 1.25B(31% of total sector budget).

4.7.11. INCLUSIVITY PUBLIC PARTICIPATION AND CUSTOMER SERVICE

191. For the financial year under review, the sector had the following general achievements;

- Produced NCC branded items for use during Devolution Conference
- hey branded 107 number of NCC vehicles
- Did a sensitization on registration of persons with disability.
- Facilitated public participation and civic education on various government processes
- They also promoted and managed programs on special groups and marginalized groups.

192. The sector comprises of public participation, citizen engagement and customers service; culture, Arts and tourism; Gender & inclusivity. Over the medium the sector will focus on promoting tourism and culture development through establishment of tourism information centres, purchasing and branding tourist buses, establishing digital heritage gallery/ culture village, promotion of culture festivals and exhibitions, conduction of peace& cohesion games, establishing music and dance studios and establishing digital cultural & artistic hub.

193. Further the sector will embrace gender and disability mainstreaming by increasing community advocacy against GBV, establishing 1No. Of safe houses to cater for survivors of GBV, training women on entrepreneurship and implementation of affirmative action. In addition, the sector will conduct a disability audit as a baseline for Nairobi county.

194. Subsequently, the sector will seek to; Increase awareness and involvement of residents in governance through conduction of public participation and civic education on all processes and development &implementation of county public participation model; Promote inclusive and accountable governance processes through enhancing customer care services, developing customer care policy and recruitment of customer service personnel; Improve access to information and enhance positive image and perception.

195. For the implementation of the sector priorities for FY 2023/24, the sector will be allocated a total budget of Ksh. 236M all for recurrent expenditure.

4.7.12. COUNTY PUBLIC SERVICE BOARD

196. The County Public Service Board will seek to establish skilled and adequate workforce in the county public service. The key priorities will be improving access to quality county services through Integrated Human Resources Information system and developing an effective succession planning for the County in the long run.

197. For the FY2023/24, the CPSB resource allocation will be Ksh. 138M for the implementation of its priorities. Ksh. 128M will go to recurrent expenditure while Ksh. 10M will be for development expenditure.

4.7.13. COUNTY ASSEMBLY

198. The Nairobi City County Assembly is established pursuant to section 176 of the Constitution of Kenya. Article 185(1) of the constitution vests the legislative authority of a County Government on its County Assembly. The main functions of any County Assembly and therefore the Nairobi City County Assembly can be summarized thus;

a) Legislation
b) Representation
c) Oversight

199. For the fiscal year 2023/24 the assembly will seek to provide adequate office space and equipment to Members and staff of the County Assembly through construction and renovation of ward offices, acquisition of county assembly complex and speaker residence, Refurbishment and improvement of Assembly committee rooms and armory. Priority will also be given to establishment of library and media Centre and digitization of County Assembly services and Infrastructure.

200. The assembly budget allocation will be Ksh. 3.25B out of which an allocation of Ksh. 1.83 will go to recurrent expenditure and Ksh. 1.42 to development expenditure.

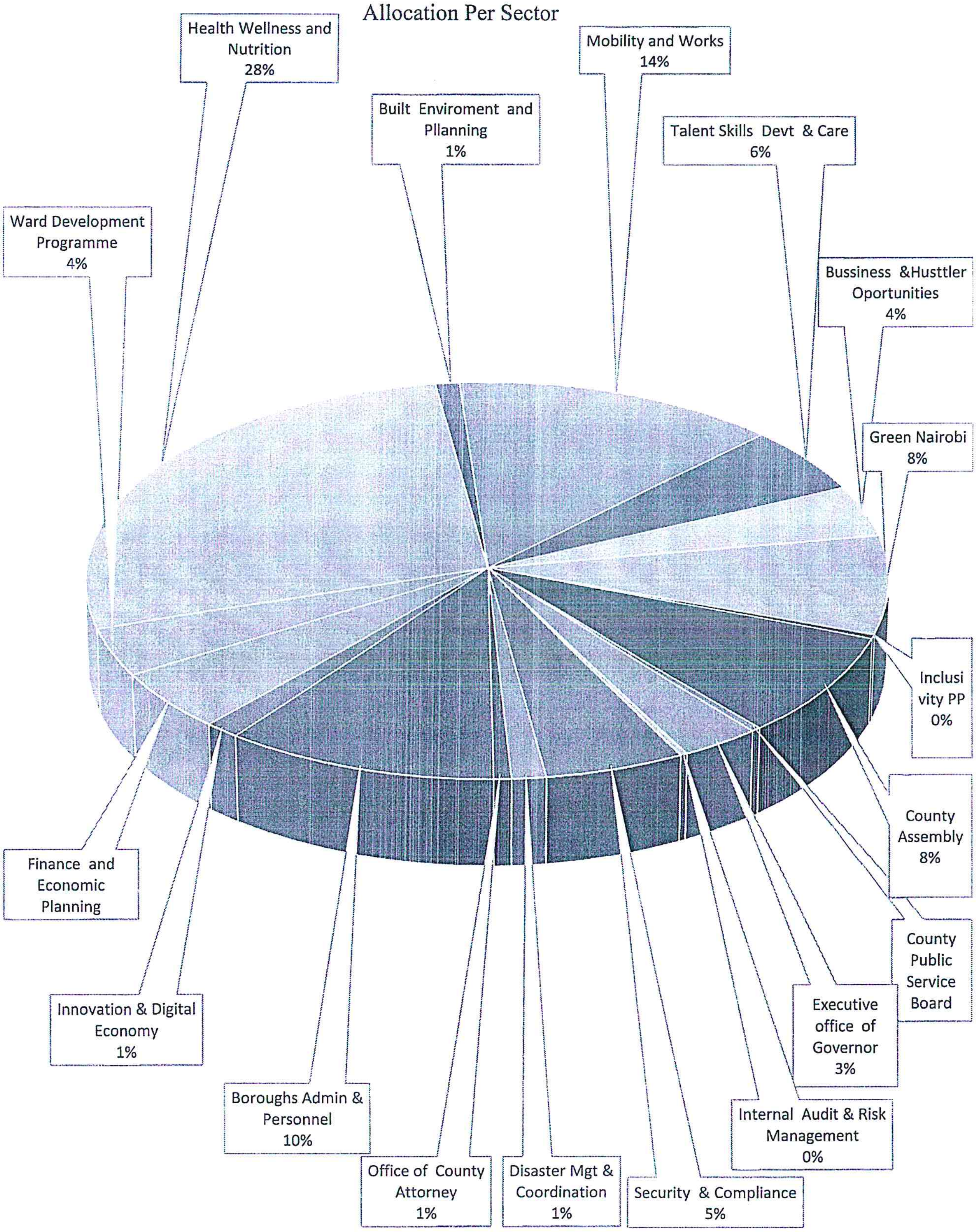
4.7.14. WARD DEVELOPMENT PROGRAMME

201. The Ward Development Fund sector administers funds for development of all 85 wards in Nairobi City County. The core mandate of the Sector is to ensure equity through providing quality physical infrastructure within the Wards which includes; improving road connectivity, improving safety and security, developing and maintain institutional facilities, improving water supply and sanitation. During the year under review, construction of 3no. Bridges, 3no boreholes and 3.3 km of road was initiated and ongoing.

202. The WDP will give a priority the implementation of WDF Act to ensure 100% timely cash flow for awarded projects. Over medium term, the sector will ensure equity distribution of quality physical infrastructure expansion of roads and drainage, street lighting, drilling of boreholes and construction of footbridges. This will be actualized by construction of 33km length of road, construction of 3No. Footbridges, installing 4No. of streetlights and high-mast, construction of 3No. Of ECDE classes, 2No. Of market stalls and kiosks and 2No. Of social halls.

203. The total resource allocation for this Programme for the FY 2023/24 will be Ksh.2.03 Billion.

Allocation Per Sector



CHAPTER FIVE: FISCAL RESPONSIBILITY AND FISCAL RISK

5.1 Fiscal Responsibility Principles

204. In line with the Constitution, the Public Finance Management Act, 2012 sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107 sets out the following fiscal responsibility principles which must be enforced by the county treasury;

1. The county government's recurrent expenditure shall not exceed the county government's total revenue
2. Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure
3. The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly (35% as per the regulations)
4. Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
5. The county debt shall be maintained at a sustainable level as approved by county assembly;
6. The 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 the future.

5.1.1. Adherence to the fiscal responsibility principles

205. The allocation towards recurrent expenditure has been capped at 70% of the proposed budget. The County government will continue to enforce austerity measures to ensure that recurrent expenditure is kept at the lowest level possible.

206. The paper has proposed a thirty percent allocation towards development for the year 2023/2024 at Ksh. 11.99 Billion. The government will ensure adherence to development to recurrent expenditure ratio of at least 30:70, over the medium term as set out in the PFM Act, 2012.

207. Personnel emolument has been allocated Ksh. 17.09 B which will consume 41.9 Percent of the proposed budget. This is above the 35 percent threshold provided by the Public Finance Management (County Governments) Regulations, 2015. The county strives to lower the personnel emoluments in the medium term. This paper has proposed deferment of new recruitment, spreading the implementation of CBAs over a three-year period and also phasing promotions to a similar period. Other strategies that will be pursued in future include automation of services, outsourcing of some service areas, and implementation of VERS.

208. The proposed 2023/24 budget is balanced and there are no provisions for borrowing. Instead the paper recommends for leveraging on other financing mechanisms including PPPs, Joint ventures and grants. In the medium term, the option for borrowing towards financing development which require huge capital outlay may be pursued.

209. By the end of the FY 2021/2022, the county debt portfolio was Ksh 99.37 B, a 27.17 % increase from the previous year. This paper has proposed taming the increase of this debt, coupled with implementation of debt resolution strategies in the Debt Management Strategy.

5.2 Fiscal Risks

210. Fiscal outturns often differ substantially from budget or other fiscal projections, owing to shocks such as deviations of economic growth from expectations, terms of trade shocks, natural disasters, calls on government guarantees, or unexpected legal claims on the state. In many instances, failure to disclose and prepare for such risks has caused Nairobi county government other obligations, larger public debts and occasionally refinancing difficulties and crisis.

211. Moreover, unexpected spending pressures or revenue losses often require disruptive ad-hoc adjustments during the fiscal year. Indeed, even in counties where debts and deficits have been reduced, policymakers 'attention is turning toward risks—especially from contingent liabilities and off-balance-sheet items—that may not be fully apparent in "headline" fiscal indicators. To address the challenges posed by fiscal risks, several counties have recently increased their disclosure of such risks, so as to foster fiscal sustainability and to reduce borrowing costs and thelikelihood of crises.

The government's approach to managing fiscal risks follows a five-stage process. This is to: (i) identify the source, scale and likelihood of the risk; (ii) disclose the risk to raise awareness and ensure accountability; (iii) mitigate the risk where cost-effective and consistent with broader policy objectives; (iv) provision for risks that cannot be mitigated but whose size and timing are relatively certain; and (v) accommodate residual risks when setting the overall fiscal policy stance.

Risks experienced in Nairobi County government

1. Low absorption capacity

212. Absorption capacity for development budget across sectors remained largely low over the period 2013-2022. This is largely attributed to poor conceptualization of programs, inadequate capacity for technical designs, delay of disbursement of equitable share by the national government, declining own source revenue and inefficient costing of projects.

213. Mitigation measure: Customization and implementation of Public Investment Management will improve absorption towards development. In this regard, only projects that have gone through the preliminary processes will be accommodated in the budget. Secondly, there is need to upgrade technical capacities for design through further training and outsourcing, in order to improve flow and control of resources required for implementation of development programs. Adequate and predictable cash flow will also mitigate this challenge.

Shortfall in Own Source Revenue

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

215. Mitigation measure: In the medium term, the County will undertake measures aimed at expanding the revenue base and increasing tax compliance through integration of technology in revenue collection. Receivables will be targeted as an avenue for raising capital by giving incentives with an aim of getting payments. Issuance of waivers on penalties will also be considered. Implementation of the new valuation roll will be pursued. In the medium term, the County Government will raise additional resources from both market and non-market based resource mobilization instruments.

3. Fiduciary Risk

216. Risks such as fiduciary risk, development risk and reputation risks also face Nairobi City County. This is because risks such as fiduciary risk can lead to corruption and fraud which consequently become a major drain on the effective use of resources in the County.

217. Mitigation measure: The first step is to upscale risk management through investing in appropriate technology and internal controls. The county will improve service delivery efficiency so as to uplift its image, enhance monitoring and evaluation of development projects and also train employees on work ethics. Proper Costing will be carried out to identify beforehand, development project budget estimates for easy accountability.

4. Pending bills/Debt

218. The issue of Pending debts/bills continues to be a major economic policy challenge facing the Nairobi County government. Consequently, the County is subjected to the risk of higher interest rate and other unpredictable cost elements. The debt trend has been increasing from one year to another.

219. Mitigation measure: Auditing of the existing debt will be done; remittance of statutory will be timely done, creation of new channels of revenues to ease on the loan amounts required to finance development projects.

5. Wage bill

220. Salaries and wages has been surpassing the stipulated 35% of the total budget further constraining the fiscal space. The county will embrace technology to replace some aspects of human labor e.g. using tools and machinery to carry out environmental duties like slashing and maintaining lawn in the county. This will save the resources towards payment to casual workers.

ANNEX 1: FISCAL FRAMEWORK FOR FY 2023/2024 AND THE MEDIUM TERM

	ITEM	FY 2022/2023			CFSP 23 -Projections		
		Approved	Revised	6month Actuals	FY 2023/2024	FY 2024/25	FY 2025/26
1	**REVENUES**						
2	EQUITABLE SHARE	19,249,677,412	19,249,677,412	6,352,393,547	19,782,840,133	20,811,547,820	21,893,748,307
3	**CONDITIONAL GRANTS**						
4	IDA(World Bank)Transforming Health Systems for Universal Care Project	87,492,017	87,492,017				
5	DANIDAGrant-Primary Health Care in Devolved Context	35,272,875	51,211,688				
6	Sweden-Agricultural Sector Dev't Support Programme II	36,639,733	36,069,932				
7	World Bank-to Finance Locally Led Climate Action Plans (FFLoCA)		22,000,000				
8	World Bank -Kenya Informal Settlement Improvement Project II		100,000,000				
9	Road Maintenance Levy Fund	1,127,000,000	1,127,334,931	927,334,931			
10	Own Source Revenues	18,277,834,347	18,140,130,404	2,733,671,769	19,990,072,414	20,060,926,033	20,911,722,335
11	Unutilized CRF balances from FY 2022/2023	800,000,000	800,000,000	1,272,610,647	994,291,211		
12	Total Revenues + cash balances	**39,613,916,384**	**39,613,916,384**	**11,286,010,894**	**40,767,203,758**	**40,872,473,853**	**42,805,470,642**
13	**EXPENDITURES**						
14	**C.ASSEMBLY**						
15	Personal Emoluments	752,684,127	754,489,458	303,802,414	957,000,000	1,003,000,000	1,104,000,000
16	Other Recurrent	871,604,175	869,798,844	75,687,470	882,000,000	937,000,000	1,030,000,000
17	Car & Mortgage		651,000,000				
18	Development	1,861,000,000	1,210,000,000		1,415,000,000	1,180,000,000	1,105,000,000
19	**Sub-total**	**3,485,288,302**	**3,485,288,302**	**379,489,884**	**3,254,000,000**	**3,120,000,000**	**3,239,000,000**
20	**COUNTY EXECUTIVE**						
21	Personal Emoluments	11,052,325,349	11,040,325,349	3,462,922,735	15,933,224,485	16,829,585,987	17,988,683,739
22	Other Recurrent	9,665,390,383	9,782,295,443	1,187,510,290	10,932,442,680	9,932,442,679	9,932,442,679
23	Development	8,608,994,012	9,182,012,320	927,334,931	8,620,161,128	8,963,069,721	9,617,968,758
24	Transfers to Nairobi Metropolitan services	5,236,639,977	4,557,232,909	4,557,232,909			
25	Sub-total	34,563,349,721	34,561,866,021	10,135,000,865	35,485,828,293	35,725,098,387	37,539,095,176
26	**WARD DEVELOPMENT PROGRAMMES**						
27	Personal Emoluments	4,080,000	4,080,000				
28	Other Recurrent	68,698,256	70,181,956	6,755,431	72,375,466	72,375,466	72,375,466
29	Development	1,492,500,000	1,492,500,000	-	1,955,000,000	1,955,000,000	1,955,000,000
30	**Sub-total**	**1,565,278,256**	**1,566,761,956**	**6,755,431**	**2,027,375,466**	**2,027,375,466**	**2,027,375,466**
31	**TOTAL EXPENDITURE**	**39,613,916,279**	**39,613,916,279**	**10,521,246,179**	**40,767,203,759**	**40,872,473,853**	**42,805,470,642**
32	NET FINANCING	105	105	764,764,714	1		
33	**Ratio Analysis**						
34	**PE Totals**	16,227,618,561	16,227,618,561	7,302,354,101	16,890,224,485	17,832,585,987	19,092,683,739
35	**Development Total**	11,962,494,012	11,884,512,320	927,334,931	11,990,161,128	12,098,069,721	12,677,968,758
36	**Recurrent total**	27,651,422,267	27,729,403,959	9,593,911,248	28,777,042,631	28,774,404,132	30,127,501,884
38	**% of PE total Revenues**	41	41	65	41	44	45
39	**% of total Dev't to Revenue**	30	30	8	29	30	30
40	**% Of total Recurrent To Revenues**	70	70	85	71	70	70

ANNEX II: SECTOR CEILINGS

SECTOR NAME	Programmes	PROPOSED BUDGET CEILINGS FY 2023/2024				
		PE	Non-Discretionary	Other O&M	CAPITAL	TOTAL
Boroughs Admin & Personnel	County Public Service Board	37,447,160		90,000,000	10,000,000	137,447,160
	Office of County Secretary	485,547,181		200,000,000	177,000,000	862,547,181
	Internal Audit & Risk Management	49,301,642		50,000,000	5,000,000	104,301,642
	Office of Governor			300,000,000		300,000,000
	Security & Compliance	1,972,028,371		50,000,000	85,000,000	2,107,028,371
	Disaster Mgt & Coordination	253,059,224		130,000,000	145,000,000	528,059,224
	Office of County Attorney	94,234,325	900,000,000	50,000,000	15,000,000	1,059,234,325
	Boroughs & sub county administration	1,398,932,769		100,000,000	540,000,000	2,038,932,769
	Public Service	748,518,071	1,100,000,000	100,000,000		1,948,518,071
Innovation & Digital Economy	Digital Economy & startups	68,808,635		50,000,000	300,000,000	418,808,635
	ICT Infrastructure			50,000,000		50,000,000
	Smart Nairobi			50,000,000		50,000,000
Finance and Economic Planning	Revenue			400,000,000	100,000,000	500,000,000
	Finance	804,743,663	1,050,000,000	257,642,680	1,150,000,000	3,262,386,343
	Economic Planning			300,000,000		300,000,000
	Ward Development Programmes			72,375,466	1,955,000,000	2,027,375,466
Health Wellness and Nutrition	Public Health			60,000,000	200,000,000	260,000,000
	Health facilities		400,000,000	120,000,000	925,000,000	1,445,000,000
	Medical Services		50,000,000	60,000,000		110,000,000
	Wellness, Nutrition & School feeding	6,376,013,819	1,200,000,000	60,000,000	500,000,000	8,136,013,819
Built Environment and Planning	Urban Development & Planning	267,826,690		30,000,000		297,826,690
	Lands			30,000,000		30,000,000
	Housing & Urban Renewal			30,000,000		30,000,000
Mobility and Works	Works	516,825,911	350,000,000	50,000,000	1,650,693,104	2,567,519,015
	Mobility		130,000,000	50,000,000	843,085,000	1,023,085,000
Talent Skills Devt & Care	ECD & Vocational Training	835,629,895	872,800,000	30,000,000	4,883,024	1,743,312,919
	Social Services	158,192,056		30,000,000	10,000,000	198,192,056
	Youth Talent & Sports			30,000,000	504,500,000	534,500,000
Business & Hustler Opportunities	Business & hustler opportunities	450,362,507		100,000,000	29,000,000	579,362,507
	Markets & Trade			30,000,000	1,031,000,000	1,061,000,000
	Cooperatives			30,000,000	-	30,000,000
Green Nairobi	Food Agriculture & Natural Resources	166,313,243		50,000,000	123,960,000	340,273,243
	Environment	1,182,870,975	1,612,000,000	80,000,000	106,040,000	2,980,910,975
	Water & Sewerage			50,000,000	165,000,000	215,000,000
Inclusivity PUBLIC Participation	Public Participation, Citizen Engagement & Customer Service	66,568,348		110,000,000		176,568,348
	City Culture Arts & Tourism			30,000,000		30,000,000
	Gender and Inclusivity			30,000,000		30,000,000
County Assembly	COUNTY ASSEMBLY	957,000,000		882,000,000	1,415,000,000	3,254,000,000

TOTAL	16,890,224,485	7,664,800,000	4,222,018,146	11,990,161,128	40,767,203,759