

GOVERNMENT OF NAIROBI CITY COUNTY



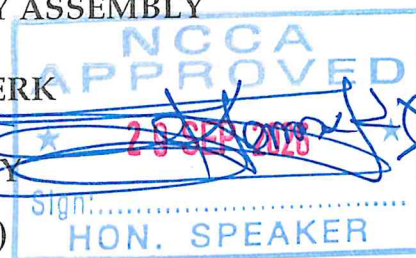
*paper laid on 29/9/26
by Majority leader
Peter Munira @ 2:30pm
Sept
29/9/26*

THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FIFTH SESSION)



NCCA/TJ/PL/2026(93)

29TH SEPTEMBER 2026

PAPER LAID

SUBJECT: BUDGET REVIEW AND OUTLOOK PAPER

Pursuant to Section 118 of the Public Finance Management Act, Cap. 412A), I beg to lay the following Paper on the Table of this Assembly, today Tuesday 29th September 2026.

— THE NAIROBI CITY COUNTY BUDGET REVIEW AND
OUTLOOK PAPER, 2026.

(The Leader of Majority Party)

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



NAIROBI CITY COUNTY

www.nairobi.go.ke

OFFICE OF THE GOVERNOR

County Secretary and Head of County Public Service

NCC/F&EP/BUDGET/072/2026

7th September 2026

The Clerk
Nairobi City County Assembly
City Hall Building
NAIROBI



DLS

RE: SUBMISSION OF COUNTY BUDGET REVIEW AND OUTLOOK PAPER – 2026

Pursuant to Section 118(1) of the Public Finance Management Act, 2012 the County Treasury shall prepare a County Budget Review and Outlook Paper in respect of the County for each Financial year.

Please find a copy of the County Budget Review and Outlook Paper 2026 for your consideration.


DR MACHEL WAIKENDA
COUNTY SECRETARY AND HEAD OF COUNTY PUBLIC SERVICE

CC: H. E. The Governor
Nairobi City County

H.E. The Deputy Governor
Nairobi City County

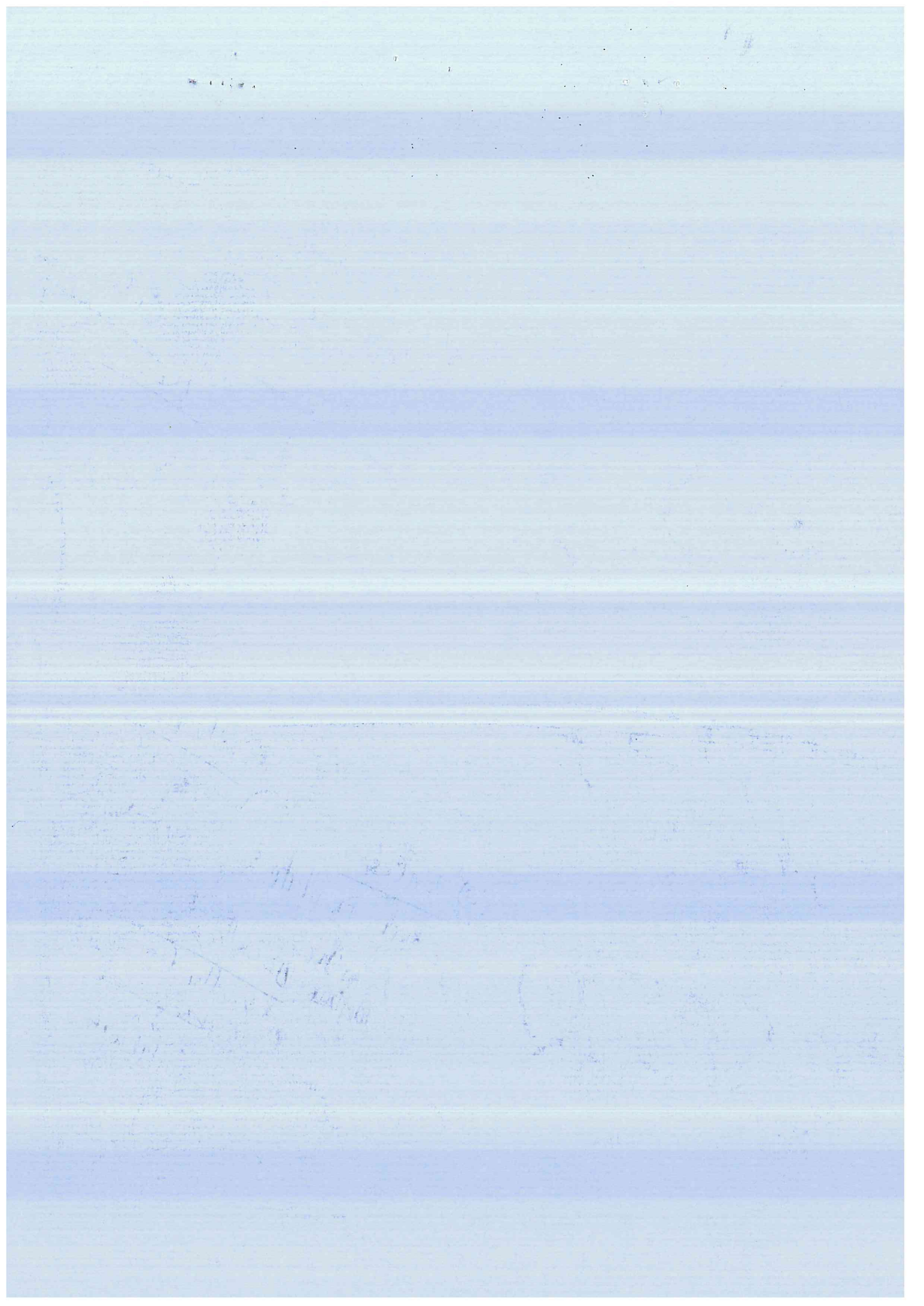
CECM – Finance & Economic Planning
Nairobi City County

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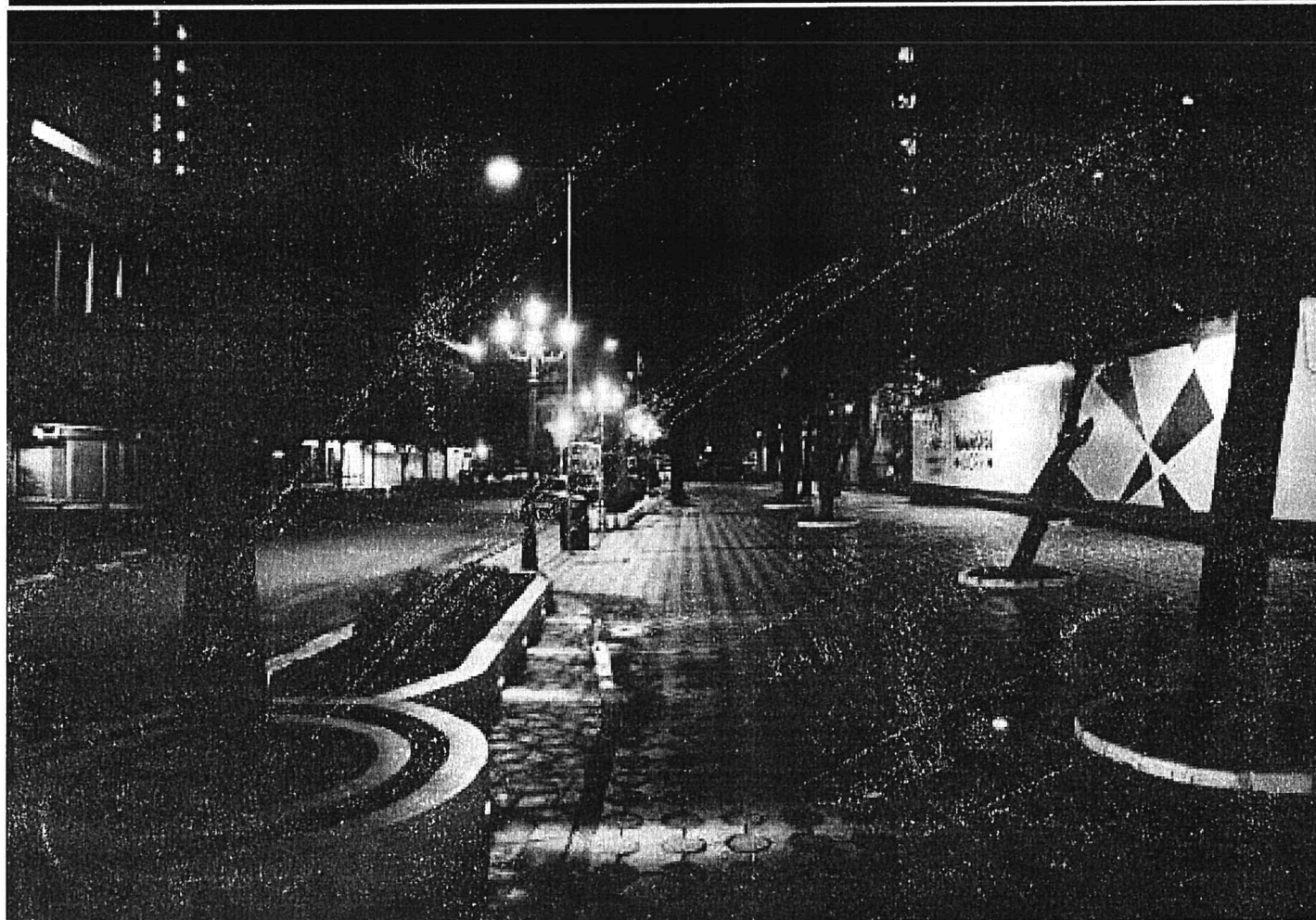
LET'S MAKE **NAIROBI** WORK



NAIROBI CITY COUNTY

2026

**COUNTY BUDGET REVIEW AND
OUTLOOK PAPER**





FOREWORD

In line with Section 118 of the Public Finance Management Act, 2012, the County Treasury has prepared the Nairobi City County Budget Review and Outlook Paper (CBROP) 2026. The Paper provides a review of the County's fiscal performance and budget implementation during the Financial Year 2025/2026, and outlines the fiscal and economic outlook that will guide resource allocation and implementation of the County Government's priorities over the medium term.

During the Financial Year 2025/2026, Nairobi City County recorded total revenues, including cash balances brought forward, amounting to Kshs. 37.1 billion, against the target of Kshs. 44.6 billion, representing 83 per cent performance. The revenue shortfall was mainly attributed to underperformance in own-source revenue collection, delays in the disbursement of conditional grants and operational challenges affecting revenue mobilization systems. The revenue performance consequently had a direct bearing on the implementation and absorption of the approved programmes and projects.

On the expenditure side, the County Government spent Kshs. 33.1 billion against a budget of Kshs. 44.6 billion, translating to an overall absorption rate of approximately 74 per cent. The level of expenditure absorption reflects the County Government's efforts to implement its planned programmes despite fiscal constraints. However, the unabsorbed resources underscore the need to strengthen cash-flow planning, revenue mobilization, procurement processes and project implementation to ensure that approved resources are translated into timely and effective service delivery.

During the year, notable implementation progress was recorded in key priority areas, including infrastructure maintenance, rehabilitation of health facilities, development and rehabilitation of youth sports facilities, provision of school feeding services to primary school-going children in public schools, and investment in solid waste management programmes. These interventions contributed to improving access to essential services and enhancing the quality of life of Nairobi residents. The County also initiated revenue administration reforms aimed at strengthening revenue collection and improving fiscal sustainability.

Going forward, the County Government will continue to focus on improving revenue performance, strengthening expenditure management and enhancing the efficiency and effectiveness of budget implementation. Particular emphasis will be placed on improving own-source revenue collection, strengthening financial controls, expediting procurement and project implementation, and aligning expenditure with approved

County plans and priorities. These measures will be critical in addressing implementation challenges and ensuring that available resources generate maximum value for the residents of Nairobi.

The County Government recognises that effective budget implementation requires the concerted efforts of the County Executive, County Assembly, County staff, development partners, stakeholders and the people of Nairobi. I therefore appreciate their continued commitment and contribution towards strengthening public financial management, enhancing accountability and improving service delivery. I encourage all stakeholders to continue working together to ensure that the County's limited resources are utilised prudently, efficiently and effectively to deliver tangible and sustainable benefits to the residents of Nairobi.

It is my sincere hope that the Nairobi City County Budget Review and Outlook Paper 2026 will provide a sound basis for strengthening fiscal management, improving budget implementation, informing resource allocation and guiding the implementation of the County Government's development priorities over the medium term.



IBRAHIM NYANGOYA AUMA

CECM – FINANCE AND ECONOMIC PLANNING



ACKNOWLEDGEMENT

The preparation of the Nairobi City County Budget Review and Outlook Paper (CBROP) 2026 was made possible through the collective effort, commitment and valuable contributions of various stakeholders within the County Government and beyond. I wish to express my sincere appreciation to all those who contributed to the preparation, review and finalisation of this important fiscal and planning document.

First, I sincerely acknowledge the guidance and support provided by His Excellency the Governor of Nairobi City County Government and the County Executive Committee Member for Finance, whose leadership and commitment to prudent public financial management provided the strategic direction necessary for the preparation of the CBROP 2026.

I particularly appreciate the contribution of the County Treasury and the Economic Planning function for coordinating the preparation of the CBROP and ensuring that the document provides a comprehensive assessment of the County's budget implementation, fiscal performance, economic developments and medium-term outlook. The dedication of officers involved in the collection, analysis, validation and consolidation of information from various departments and entities is highly commendable.

Special appreciation goes to the Chief Officers, Directors, Heads of Departments, County Government agencies and technical officers who provided the financial, programme and performance information required for the preparation of the Paper. Their cooperation in providing timely and accurate information significantly contributed to the quality and comprehensiveness of the CBROP 2026.

I also acknowledge the important role played by the Nairobi City County Assembly, particularly the relevant Committees, in providing oversight and contributing to the County's public financial management and budget process. The continued collaboration between the Executive and the Assembly remains essential in promoting accountability, transparency and effective utilisation of public resources.

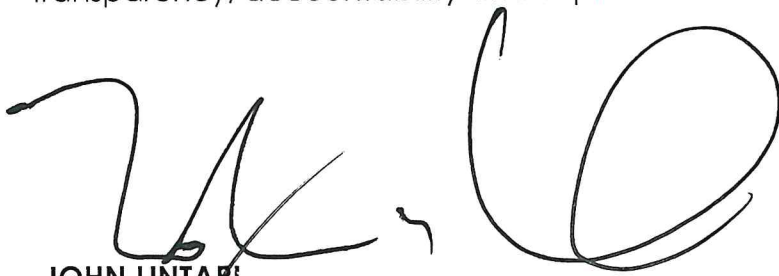
The County Government further appreciates the contribution of **national** government institutions, development partners, private sector actors, civil society organisations, professional bodies and other stakeholders whose information, technical support and engagement continue to strengthen county planning and financial management.

I wish to recognize the invaluable contribution of the residents of Nairobi City County who participate in the County's planning and budgeting processes through public participation forums and other engagement platforms. Their views, priorities and feedback

are essential in ensuring that County plans and budgets respond to the actual needs and aspirations of the people of Nairobi.

Finally, I commend the entire team of officers in the Economic Planning and Budget functions for their professionalism, dedication and teamwork in preparing the CBROP 2026. The preparation of the Paper required extensive data collection, analysis, consultation, coordination and review, and the commitment demonstrated throughout the process is greatly appreciated.

As we move towards the implementation of the fiscal and policy directions outlined in the CBROP 2026, I encourage all County departments and stakeholders to remain committed to fiscal responsibility, efficient resource utilization, effective programme implementation, transparency, accountability and improved service delivery.



JOHN LINTARI

CHIEF OFFICER – ECONOMIC PLANNING

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This CBROP 2026 is organized into the following parts.

Part 1: Introduction; This outlines the legal basis, objectives and the structure of the paper.

Part 2: Review of the fiscal performance which provides an analysis of the both revenues and expenditures performance for the financial year 2025/2026. This also includes highlights of key service delivery achievements during the year under review.

Part 3: Recent Economic Developments and Outlook-This reviews the macroeconomic indicators and updated forecasts at both National and County levels and how they impact the County.

PART 4: Medium Term Fiscal Frameworks -This presents the fiscal strategy, expenditure ceilings and the resource envelope for the FY 2027/2028 and the Medium Term.

PART 5: Sector Priorities and Ceilings -This includes indicative budget ceilings for the FY 2027/2028

PART 1-INTRODUCTION

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

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

- (1) The County Treasury shall prepare a County Budget Review and Outlook Paper in respect of the County for each of the financial year and submit the paper to the County Executive Committee.
- (2) The Budget Review and Outlook Paper shall include:
 - a) Actual fiscal performance in the previous year compared to the budget appropriation for that year;
 - b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
 - c) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year;
 - d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- (3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- (4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—
 - a) Arrange for the Paper to be laid before the County Assembly; and
 - b) As soon as practicable after having done so, publish and publicize the Paper.

1.2. Fiscal Responsibility Principles in Public Financial Management

The Public Financial Management (PFM) Act, 2012, provides fiscal responsibility principles aimed at promoting prudent, transparent, accountable, and sustainable management of public resources.

In accordance with the Constitution of Kenya, 2010, Section 107 of the PFM Act sets out the following principles to guide county governments in the management of public finances:

1. **Recurrent expenditure:** In accordance with **Section 107(2)(a) of the Public Finance Management Act, 2012**, the County's recurrent expenditure shall not exceed the total revenue.
2. **Development expenditure:** In accordance with **Section 107(2)(a) of the Public Finance Management Act, 2012, and Regulation 25(1)(c) of the Public Finance Management (County Governments) Regulations, 2015**, the County shall allocate at least **30% of the budget over the medium term to development expenditure**. The County shall ensure this threshold is maintained.
3. **Wages and employee benefits:** In accordance with **Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015**, the County Executive Committee Member for Finance, with the approval of the County Assembly, shall set a limit on expenditure on wages and benefits for public officers. The limit **shall not exceed 35% of the County's total revenue**.
4. **Borrowing:** Over the medium term, county government borrowing shall be used only to finance **development expenditure** and shall not be used to finance recurrent expenditure. Short-term borrowing shall be restricted to cash-flow management and shall not exceed **5% of the most recent audited county government revenue**.
5. **Sustainable public debt:** County government debt shall be maintained at a sustainable level, as approved by the County Assembly.
6. **Management of fiscal risks:** Fiscal risks shall be identified, monitored, and managed prudently to safeguard the county government's financial sustainability.

7. **Predictability of taxation:** A reasonable degree of predictability shall be maintained with respect to the level of tax rates and tax bases, taking into account any tax reforms that may be implemented in the future.
8. These fiscal responsibility principles provide an important framework for the preparation and implementation of the County Budget Review and Outlook Paper (CBROP) 2026, particularly in assessing fiscal performance, identifying emerging fiscal risks, and informing future budget estimates and resource allocation.

1.3 Objective of the County Budget Review and Outlook Paper 2026

The County Budget Review and Outlook Paper (CBROP) 2026 is prepared annually in accordance with **Section 118 of the Public Finance Management Act, 2012**. The CBROP 2026 provides a comprehensive review of Nairobi City County's fiscal performance for the **Financial Year 2025/2026** and presents an updated macroeconomic and fiscal outlook to inform the preparation of the **FY 2027/2028 budget and the Medium-Term Budget Framework**.

Specifically, the objectives of the CBROP 2026 are to:

- 1) **Review the fiscal performance** of Nairobi City County for the FY 2025/2026, with particular focus on revenue performance, expenditure, and overall budget execution.
- 2) **Compare actual fiscal outcomes with the approved budget estimates** and assess the extent of budget implementation, including the factors contributing to significant variances between planned and actual revenue and expenditure.
- 3) **Provide an updated macroeconomic and fiscal outlook** based on prevailing economic conditions, emerging trends, national economic policies, and realistic revenue projections.
- 4) **Establish indicative expenditure ceilings** to guide the preparation of the **FY 2027/2028 Medium-Term Budget Estimates** and subsequent years of the Medium-Term Expenditure Framework.

- 5) **Inform the review and prioritization of programmes and projects** in line with the **Nairobi City County Integrated Development Plan (CIDP) 2023–2027**, the Annual Development Plan, sector priorities, and other emerging policy priorities.
- 6) **Assess progress in the implementation of the County Government's development priorities** and identify areas requiring enhanced resource allocation, improved efficiency, or corrective measures.
- 7) **Strengthen fiscal discipline and sustainability** by identifying fiscal risks, emerging financial pressures, and measures required to ensure prudent management of public resources in accordance with the fiscal responsibility principles under the Public Finance Management Act, 2012.

PART 2: FISCAL PERFORMANCE IN FY 2025/2026

2.1 REVENUE PERFORMANCE

During the financial year under review, Nairobi County recorded a total actual revenue of Kshs 37.1 billion against a target of Kshs 43.6 billion, representing 85% of the target.

Own Source Revenues performance for the FY2025/2026 stood at Kshs15.5b recording a marginal increase as compared to the previous financial year. The positive outcome reflects improvement in selected revenue streams but also demonstrates a continuing gap between projected revenues and realized revenues. The performance underscores the need for more evidence-based revenue targets, stronger collection systems, improved compliance and enforcement and integration of revenue forecasting with budget formulation.

Table 1: Nairobi County Government FY 2025/2026 Revenues

		FY2024/25 Actuals	FY2025/2026 Actuals	FY2025//2026 Target	Net Change	% Change	% Perform
1	Equitable Share	20,178,712,719	21,417,128,399	21,417,000,000	1,238,415,680	6	100
2	Court Fines	0	2,457,707	0	2,457,707		
3	National Agricultural Value Chain Development Project (NAVCDP)	0	127,659,373	0	127,659,373		
4	Mining royalties	0	3,884	0	3,884		
5	IDA Credit--Second Kenya Devolution Support Programme KDSP II	0	70,503,589	390,000,000	70,503,589		18
6	Road Maintenance Levy Fund	120,057,803	0	0	-120,057,803	- 100	
7	DANIDA Grant-Primary Health Care in Devolved Context	24,521,250	25,653,000	35,838,750	1,131,750	5	72
8	World Bank -Kenya Informal Settlement Improvement Project II	260,000,000	0	200,000,000	-260,000,000	- 100	-
9	Ordinary -Own Source Revenues	11,790,746,945	12,340,553,968	19,942,050,589	549,807,023	5	62
10	Liquor fees	338,591,961	316,369,572	400,000,000	-22,222,389	- 7	79
11	Hospital Improvemnt financing	1,398,046,598	2,874,784,659	1,236,000,000	1,476,738,061	106	233
12	Betting & gaming	0	5,255,000	0	5,255,000		
13	Total Revenues	34,110,677,276	37,180,369,151	43,620,889,339	3,069,691,875	9	85
14	Adjustment for cash	1,904,553,513	737,746,179	1,000,000,000			
15	Total Revenues & cash balances)	36,015,230,789	37,918,115,330	44,620,889,339			

Source: County Treasury.

2.2 OWN SOURCE REVENUES

During FY 2025/2026, the County collected a cumulative **Kshs 15.52 Billion** in Own Source Revenue (OSR), inclusive of Appropriations in Aid (A-in-A), against an annual target of **Kshs 21.58 billion**, representing an overall revenue performance of **72%**. The achievement of Kshs 15.52 billion reflects a marginal increase from the Kshs 13.64 billion realized in the FY 2024/2025

The improved performance was achieved through enhanced revenue administration, increased digitization and automation of collection processes, expansion of the revenue base, strengthened compliance and enforcement, improved revenue monitoring and reconciliation, and measures aimed at reducing revenue leakages. The growth was therefore largely driven by improvements in revenue collection efficiency and compliance rather than the introduction of new taxes.

Revenue collection gained significant momentum during the second half of the financial year. The period January to June 2026 generated **Kshs 7.95 billion** in ordinary own source revenue, representing a substantial proportion of the annual ordinary OSR collection. The improved performance during the period was supported by intensified compliance and enforcement measures, the effects of the post-waiver enforcement programme and the implementation of the new property rating regime. The County also recorded its highest monthly collection during the financial year in **March 2026, amounting to Kshs 2.63 billion inclusive of A-in-A.**

Land rates remained the County's largest own source revenue stream, generating **Kshs 3.42 billion**, representing a **4.1% increase** over the previous financial year despite the mid-year transition to the new rating regime. Revenue collection from land rates increased significantly following the waiver window, with collections rising to **Kshs 318 million in December 2025**, compared with **Kshs 45 million in December 2024**, and further increasing to **Kshs 620 million in January 2026.**

Revenue from the **Facility Improvement Fund (FIF)** recorded significant growth, increasing to **Kshs 2.87 billion**, more than double the collection recorded in the previous financial year. This was followed by **Unified Business Permits (Kshs 2.73 billion)**, **parking fees (Kshs 1.80 billion)** and **building plans and inspections (Kshs 1.67 billion)**. Other significant revenue sources included **other incomes (Kshs 976 million)**, billboards and advertisements, house and stall rents, liquor licensing, markets and food handlers' certificates.

During the year, the County also registered a new fund for **betting, lotteries and gaming revenue stream in April 2026**, uplifting it from other incomes thereby expanding the channels through which the applicable revenue could be collected and monitored.

2.3 INTERVENTIONS IMPLEMENTED DURING THE YEAR UNDER REVIEW

The improved performance is attributed to the following interventions implemented during the year under review:

1. **Operationalized the National Rating Act, 2024.** The County gazette a new rating structure in October 2025 under the National Rating Act, 2024 (Act No. 15 of 2024), effective 1st January 2026, introducing revised flat-rate zones and modernized valuation principles. Having completed data on all 250,000 registered land parcels, the County commenced systematic billing of the full rates register, positioning land rates — currently paid on only about 50,000 parcels — as the single largest driver of revenue growth in the medium term.
2. **Implemented a land rates waiver and enforcement programme.** Through a Gazette Notice issued in December 2025 pursuant to the Public Finance Management Act and the Nairobi City County Tax Waivers Administration Act, the County granted a one-off 100 per cent waiver of accumulated interest and penalties for ratepayers who cleared their principal arrears between 15th December 2025 and 9th January 2026. The waiver attracted overwhelming ratepayer response at City Hall and sub-county customer service centres, and was immediately followed by strict enforcement from January 2026, including

sixty-day demand notices, reinstatement of penalties and interest, clamping of buildings and escalation of persistent defaulters to legal recovery processes as provided for under the National Rating Act, 2024.

3. **Expanded the revenue base.** The County intensified registration of all tenants of County properties on the NairobiPay platform, advanced the introduction of sectional titles to formalize property ownership, registered previously unlisted landowners, and pursued the registration of new businesses towards the 200,000 target, ensuring that all eligible entities are accounted for and contribute to the fiscal pool.
4. **Enforced compliance across all streams.** The County issued monthly demand notices across revenue streams, evicted non-compliant tenants of County houses and stalls, targeted government arrears and illegal advertisers, and mounted vigorous inspection, permit verification and top-up-of-undercharges enforcement exercises for Unified Business Permits across all 17 sub-counties in line with the Nairobi City County Trade Licensing Act, 2019.
5. **Improved data, systems and payment integrity.** Revenue records were regularly cleansed to improve accuracy and reliability; Geographic Information Systems (GIS) were progressively linked to Nairobi Pay to track non-compliance spatially; and billing and reminders were automated across revenue streams. The County entrenched a strict no-cash policy, with all payments channeled through Nairobi Pay (nairobiservices.go.ke), designated bank pay bill channels and integrated mobile money and banking options, reducing leakages and improving the auditability of collections.
6. **Enhanced markets revenue administration.** The County strengthened daily banking and reconciliation of market collections through dedicated bank paybill channels, standardized market codes across all designated markets, instituted normalization rules for inconsistent payer records, and produced daily market-level collection statements that enabled tracking of performance by market, prompt identification of leakages, and accountability of Market In-Charges through the Revenue Enhancement Operations Forums.
7. **Developed the Tariff and Pricing Policy 2025–2030.** The County developed the

Tariff and Pricing Policy 2025–2030 — the first of its kind by any county government since devolution — providing a transparent, predictable framework for setting, reviewing and adjusting all County charges, including parking, business permits, market fees and health services, through the Finance Act process and in line with economic realities and the public interest.

8. **Boosted public engagement.** Awareness campaigns were run through SMS, social media and community barazas to educate residents on their obligations, complemented by partnerships with residents' associations and SACCOs to foster collaboration and voluntary compliance, and by continuous taxpayer sensitization on Nairobi Pay usage and the risks of paying through unrecognized channels.
9. **Modernized revenue-generating infrastructure.** The County continued renovating County houses and market stalls to improve their revenue-generating potential, and digitized market, parking and transport-related billing to streamline operations and reduce leakages, supported by growth in house and stall rent collections driven by digital rent tracking and recovery campaigns.
10. **Tapped untapped revenue sources.** The County targeted online advertisements, ground rent and billboard revenues to diversify income streams, and commenced the regularization and licensing of informal and unauthorized structures and developments to bring them into the formal revenue system within a transparent and fair framework aligned to county planning laws.
11. **Built capacity and improved taxpayer facilitation.** Revenue staff were trained and assigned clear targets cascaded to sub-counties, wards and individual collectors and linked to the Staff Performance Appraisal System (SPAS); instalment payment options were rolled out to ease compliance; and taxpayer support was expanded through sub-county help desks and customer service centres, including City Hall Annexe, Kibra and Eastleigh Huduma Centres, Dandora, Ruai and Umoja, together with dedicated telephone and email support channels.

12. **Strengthened health facility revenue governance.** Facility Improvement Fund collections grew strongly following the restructuring of Level 4 and Level 5 hospitals under professionally recruited Chief Executive Officers supported by hospital boards, which improved billing, accountability and service quality across County health facilities.

Table 2: Own Source Revenues Performance for FY 2025/2026 (Kshs)

Revenue Stream	FY 2024/2025 Actuals (Kshs)	FY 2025/26 Actuals (Kshs)	FY 2025/26 Target (Kshs)	Net Change (Kshs)	% Perform
Total Revenues (incl. AIA)	13,639,828,452	15,519,783,041	21,578,050,589	1,879,954,589	71.9
Own Source Revenues (ordinary)	11,903,189,893	12,323,373,810	19,942,050,589	420,183,917	61.8
Land Rates	3,286,969,239	3,420,311,458	6,750,000,000	133,342,219	50.7
Parking Fees (total)	1,929,008,366	1,803,054,475	3,000,000,000	-125,953,891	60.1
Unified Business Permits	2,660,406,824	2,732,360,286	3,200,000,000	71,953,462	85.4
Plans and Inspections (Building Permits)	1,570,758,878	1,670,198,667	3,070,500,000	99,439,789	54.4
Billboards and Advertisements	754,086,450	748,385,498	1,212,000,000	-5,700,952	61.7
House Rents and Stalls	798,784,317	654,275,496	606,000,000	-144,508,821	108
Fire Inspection Certificates	5,556,000	3,949,900	36,360,000	-1,606,100	10.9
Food Handlers (Medical) Certificates	97,711,961	110,024,101	303,000,000	12,312,140	36.3
Markets	226,687,229	221,756,854	565,600,000	-4,930,375	39.2
Other Incomes	573,220,629	959,057,075	1,198,590,589	385,836,446	80
Appropriations in Aid	1,736,638,559	3,196,409,231	1,636,000,000	1,459,770,672	195.4
Liquor Board Revenue	338,591,961	316,369,572	400,000,000	-22,222,389	79.1
Hospitals/HFIF & Nairobi Funeral Home	1,398,046,598	2,874,784,659	1,236,000,000	1,476,738,061	232.6
Betting, Lotteries & Gaming	0	5,255,000	0	5,255,000	

FY 2025/26 Actuals own source revenues (Kshs)

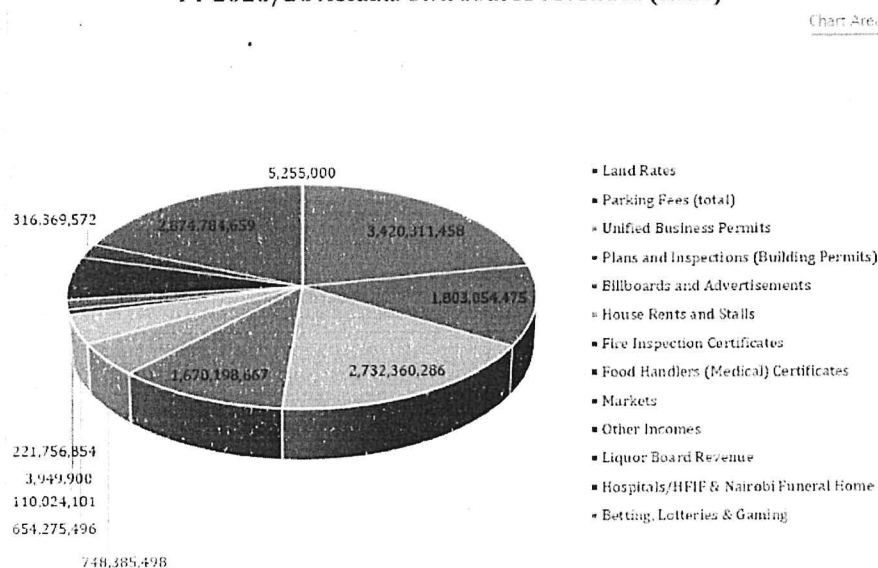


Table 3 FY 2027/2028 PROJECTIONS & THE MEDIUM TERM

Revenue Stream	Projections		
	FY 2027/2028	FY 2028/2029	FY 2029/2030
External Transfers			
Equitable share	23,164,627,200	24,091,212,288	25,054,860,780
Grants	331,467,761		
External Sources	23,496,094,961	24,091,212,288	25,054,860,780
Own Source Revenues			
Land Rates	6,750,000,000	6,750,000,000	6,750,000,000
Parking fees (total)	3,100,000,000	3,100,000,000	3,100,000,000
Unified Business Permits	3,300,000,000	3,300,000,000	3,300,000,000
Plans and Inspections (Building Permits)	3,377,550,000	3,377,550,000	3,377,550,000
Billboards and advertisements	1,333,200,000	1,333,200,000	1,333,200,000
House Rents and stalls	666,600,000	666,600,000	666,600,000
Fire Inspection Certificates	39,996,000	39,996,000	39,996,000
Food Handlers Certificates	333,300,000	333,300,000	333,300,000
Markets	622,160,000	622,160,000	622,160,000
Other Incomes	2,556,676,000	3,439,855,280	4,358,361,731
Ordinary Own Source Revenues	22,079,482,000	22,962,661,280	23,881,167,731
Appropriations In aid			
Liquor Board Revenue	500,000,000	520,000,000	540,800,000
Hospitals/Nairobi Funeral Home	4,445,551,345	4,623,373,399	4,808,308,334
Betting & gaming	135,179,000	140,586,160	146,209,606
Appropriations in Aid	5,080,730,345	5,283,959,559	5,495,317,941
Total Revenues	50,656,307,306	52,337,833,127	54,431,346,452

2.4 UNDERLYING ASSUMPTIONS ON THE REVENUE PROJECTIONS

The projections are underpinned by the following assumptions:

1. Full-year effect of the National Rating Act, 2024. The FY 2025/2026 growth of approximately 13.5 per cent over the FY 2024/2025 out-turn of Kshs 15.59 billion is driven principally by the first full financial year of the modernized rating regime under the National Rating Act, 2024 (Act No. 15 of 2024): systematic billing of all 250,000 registered land parcels, sustained post-waiver enforcement — including sixty-day demand notices, reinstated penalties, clamping and legal recovery — and engagement of contracted debt collection agencies for rates arrears. Raising rates compliance from the current base of about 50,000 paying parcels towards 100,000 parcels would, on its own, deliver the projected land rates growth from Kshs 3.42 billion to Kshs 6.75

billion; the County's assessed long-run potential of up to Kshs 60 billion annually underscores the headroom available.

2. Election-cycle realism and mitigation, the 2027 General Election, falling in August 2027 within the first quarter of FY 2027/2028, is expected to occasion heightened political activity, episodic disruption of business operations, elevated demands on enforcement restraint, and dampened investor and construction activity, particularly affecting perishable streams (parking, markets) and transaction-linked streams (building permits, billboards). The framework therefore deliberately moderates FY 2027/2028 growth to 5 per cent, with mitigation measures including front-loading of annual billing cycles (land rates, Unified Business Permits, house rents) into the first half of the financial year, reliance on automated billing and digital payment channels that are resilient to field-level disruption, and abstention from new levies or aggressive mid-cycle enforcement campaigns during the electioneering period. Post-election recovery growth of 8 per cent is assumed for FY 2028/2029 as economic activity normalizes.
3. Sustaining taxpayer goodwill as a fiscal asset. The County's record collections have been achieved without new taxes, reinforced by the one-off waiver programme, the predictability framework of the Tariff and Pricing Policy 2025–2030, and visible reinvestment of revenues in services under the theme of consolidating gains. This has generated measurable taxpayer goodwill — evidenced by the overwhelming voluntary response to the December 2025 waiver window, which lifted land rates collections to Kshs 318 million in December 2025 and Kshs 620 million in January 2026 — which the projections assume will be sustained and deepened. Maintaining this positive compliance sentiment is treated as an explicit fiscal asset: the County commits to no new taxes over the projection period, transparent communication of how revenues fund visible services, and fair, uniform enforcement, converting goodwill into durable voluntary compliance that is especially valuable through an election cycle when coercive enforcement options narrow.
4. Expanding the revenue base. The revenue base will continue expanding

through registration of all tenants of County properties on NairobiPay, introduction of sectional titles, registration of unlisted landowners, and completion of the drive towards 200,000 newly registered businesses, ensuring all eligible entities contribute to the fiscal pool.

5. Enforcing compliance. Monthly demand notices across all streams, eviction of non-compliant tenants, recovery of government arrears, action against illegal advertisers, and escalation of persistent defaulters to debt collection agencies and legal processes will be sustained, with the county-wide Unified Business Permit verification and top-up-of-undercharges programme continuing across all 17 sub-counties.
6. Improving data, systems and payment integrity. Revenue records will be regularly cleansed; Geographic Information Systems will be fully linked to NairobiPay for spatial tracking of non-compliance; billing and reminders will be automated across all streams; daily banking, reconciliation and market-level reporting will be entrenched with standardized payer referencing on all bank collection channels; and the strict no-cash policy will be maintained. The assumptions further anticipate resolution of the oversight queries on the revenue platform's cost structure and ownership in a manner that preserves collection continuity while improving the County's cost of collection.
7. Institutional reforms and performance management. The transition to the Nairobi Revenue Authority will be completed, professionalizing revenue administration, ring-fencing collections and strengthening oversight of Heads of Revenue Streams and Sub-County Revenue Officers across the seventeen sub-counties, with individual and unit accountability anchored in the Staff Performance Appraisal System (SPAS) cascaded from the County Performance Contract.
8. Boosting public engagement and taxpayer facilitation. Awareness campaigns through SMS, social media and community barazas, partnerships with residents' associations and SACCOs, and expanded one-stop customer service points, Huduma Centre desks and sub-county help desks will continue building a culture of voluntary compliance and trust.

9. Modernizing revenue-generating infrastructure. County houses and market stalls will continue to be renovated — supported by the Kshs 491 million allocation for construction and rehabilitation of markets in FY 2026/2027 — and market, parking and transport-related billing will be fully digitized, expanding the yields of house rents, stalls and market cess.
10. Tapping untapped revenue sources. Online advertisements, ground rent, billboard renewals and the regularization and licensing of informal and unauthorized structures and developments will be brought progressively into the formal revenue system, diversifying the base.
11. Building capacity. Revenue staff will be trained and equipped with field tools and reliable connectivity; clear targets will be cascaded and linked to SPAS; instalment payment options will ease compliance; and collection performance will be monitored continuously against target.

2.5 EXPENDITURE PERFORMANCE

2.5.1: Expenditure Performance By Economic Items

Total actual spending for the period under review stood at Kshs. 36.94 billion against a target of Kshs. 44.62 billion translating to an absorption rate of approximately 83% of the approved budget. Recurrent expenditure amounted to Kshs 32.95 billion ,while development expenditure amounted to Kshs 3.99 billion. The expenditure profile indicates significant pressure from recurrent obligations, particularly personnel and operational costs which continue to constrain the fiscal space availavble for development investments,

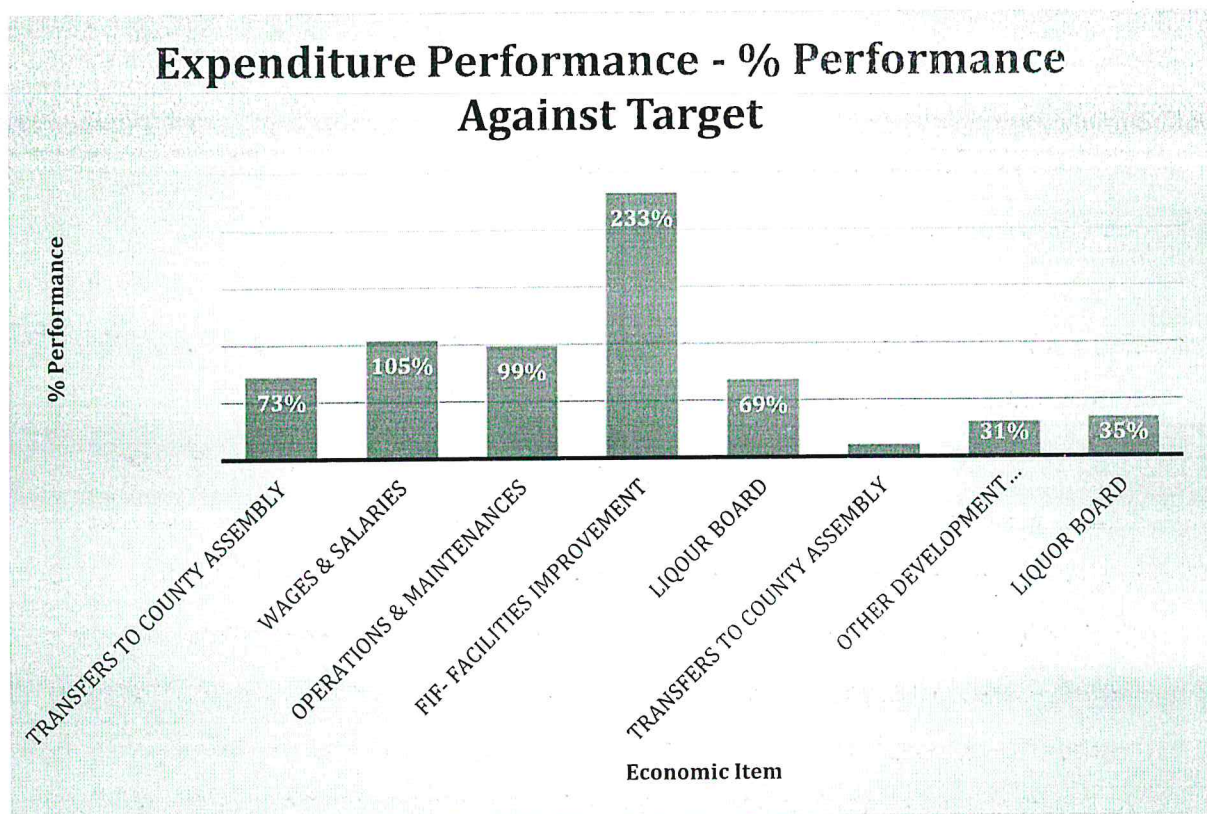
The development -to-recurrent ratio remains skewed due to the high recurrent expenses, highlighting the need for continued efforts to re-prioritize spending towards development in line with the fiscal responsibility principles.

Table 3: Expenditure by Economic Items FY 2025/2026

Economic Item	FY 2024/2025 Actuals	2025/26 Actuals	Target	Net Change	% Performance
	Kshs.	Kshs.	Kshs.	Kshs.	
Total Expenditures	34,981,125,388	36,937,559,610	44,620,889,339	1,956,434,222	83%
Recurrent	30,990,348,418	32,947,872,348	31,203,189,118	1,957,523,930	106%
Transfers to County Assembly	1,720,151,574	1,193,631,027	1,638,909,510	-526,520,547	73%
Wages & Salaries	17,438,808,553	17,236,882,170	16,472,103,016	-201,926,383	105%
Operations & Maintenances	10,146,041,127	11,437,401,347	11,557,176,592	1,291,360,220	99%
FIF- Facilities improvement	1,398,046,598	2,874,784,659	1,236,000,000	1,476,738,061	233%
Liquor Board	287,300,566	205,173,144	299,000,000	-82,127,422	69%
2.Development	3,990,776,970	3,989,687,262	13,417,700,221	-1,089,708	30%
Transfers to County Assembly	135,560,516	111,700,857	1,000,000,000	-23,859,659	11%
Other Development Expenditures	3,840,185,754	3,842,653,980	12,316,700,221	2,468,226	31%
Liquor Board	15,030,700	35,332,425	101,000,000	20,301,725	35%

Source: County Treasury, 2026

Figure 2: Expenditure for FY 2025/2026 per economic item



2.6 PENDING BILLS

The total outstanding provisional bills as at 30th June, 2026 amounted to Kshs 92.6billion compared to the previous balance of Kshs 88.0 billion as at 30th June 2025 representing an increase of Kshs 4.5Billion. this is largely attributed to cash flow constraints. Table 5

In addition, during the year 2025/2026 the County managed to settle pending bills substantial amounts in the midst of the resource constraints occasioned by the underperformance of own source revenues. As the County prepares to transition to the accrual-based accounting, a thorough verification exercise is currently underway to audit the pending bills to establish authenticity.

Table 5: Outstanding Payables as at 30th June 2025

Category	Outstanding As at 30th June 2025	Outstanding As at 30th June 2026	Net change	% change
Recurrent Pending Bills (Goods & Services)	34,469,222,429	37,898,070,442	3,428,848,013	10
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	45,310,359,498	44,363,620,014	-946,739,483	-2
Recurrent Pending Bills (Staff Claims)	1,192,077,360	2,332,045,949	1,139,968,588	96
Total Recurrent Pending Bills	80,971,659,287	84,593,736,405	3,622,077,118	4
Development Pending Bills	7,125,596,117	8,080,122,979	954,526,862	13
Total Pending Bills	88,097,255,404	92,673,859,384	4,576,603,980	5

Note: The amount of pending bills reported as at 30th June 2026 are provisional figures. The amount is set to change subject to verification

2.7 FY 2025/2026 FISCAL PERFORMANCE IN RELATION TO FINANCIAL OBJECTIVES AND FISCAL RESPONSIBILITIES PRINCIPLES

The FY 2025/2026 fiscal performance was assessed against the financial objectives set out in the County Fiscal Strategy Paper 2025. The assessment indicates progress in revenue mobilisation, digital revenue administration, electronic procurement and financial reporting. However, revenue remained below target, recurrent expenditure continued to constrain fiscal space, and development expenditure absorption remained low. These outcomes point to the need for a stronger and more realistic fiscal framework for FY 2027/2028 and the medium term.

The Key financial objectives outlined in the County Fiscal Strategy Paper 2025

includes:

- i.** Enhancing revenue mobilization by expanding the revenue base, digitizing collection systems, and improving compliance enforcement; Revenue performance in FY 2025/2026 significantly improved from the previous FY 2024/2025 but however remained below target. The County will continue with the revenue administration reforms in the current year and the medium term to scale up revenue performance.
- ii.** Improving efficiency in public spending through better prioritization and absorption of the development budget. The County has entrenched the use of electronic procurement to improve the efficiency in procurements and ensured value for money.
- iii.** Strengthening fiscal discipline by controlling growth in recurrent expenditure and adhering to approved budgets. The high recurrent expenditure continues to limit the fiscal space and therefore there is a need to accelerate the fiscal consolidation plan aimed at reducing the operational costs to expand the fiscal space for development spending. This will be achieved through the entrenchment of the Zero-Based Budgeting Techniques across all County entities.
- iv.** Increasing the share of development spending to support infrastructure development and service delivery. Development spending in FY 2025/2026 remained the same as the previous FY figure of Kshs 3.99 to Kshs 3.99 billion. The overall development ratio to total revenues remained low due to the cost of recurrent expenditures and most notably the wages and salaries.
- v.** Ensuring transparency and accountability in budget execution and reporting. This has ensured timely reporting in accordance with Public Finance Management Act 2012 on budget execution through preparation of various quarterly reports.

2.7.1 Adherence to Fiscal Responsibility Principles

The County made progress towards compliance with the fiscal responsibility principles, including maintaining recurrent expenditure within the overall revenue envelope and allocating resources for development. Nevertheless, the expenditure structure remains a concern because high personnel and operational costs reduce the resources available for development and other discretionary priorities. Fiscal consolidation will therefore remain central to the medium-term strategy, alongside strengthened budget execution controls and measures to prevent accumulation of new pending bills.

2.8 ACHIEVEMENTS IN PROGRAMMES/PROJECTS IMPLEMENTATION.

Sector Achievements in the FY 2025/26

This section describes the sector performance in terms of key outcomes achieved and key services provided for the FY 2025/2026

Sector Programmes Performance

2.8.1 MOBILITY AND WORKS.

Mobility

i. Traffic & Parking Management

In the period under review, the Directorate for Traffic and Parking Management marked 20km of roads which includes street lanes and pedestrian crossings and installed 210 traffic signs to enhance road safety. To enhance accessibility and reduce congestion in the lower CBD, the Directorate reorganized 7 streets and improved 2 junctions. To regulate public and privately operated car parks in order to reduce congestion and enhance revenue in accordance with Nairobi City County Transport Act 2020, the Directorate developed Car park licensing, Car Parking Standards and Designated Areas Parking regulations which are at the tail end of finalization and operationalization. Other regulations include developed include Low Emission Zones to reduce pollution and encourage shift to use of more environmentally friendly automobiles such as electric and hydrogen powered vehicles and Traffic Impact Assessment regulations

aimed at preventing traffic congestion from new developments and making developers pay for any mitigation works

ii. Transport Infrastructure

In the period under review, the Directorate for Transport management constructed 18 public transport facilities and expanded 29,780 meters squared of walkways to enhance access to public transportation. The sector also developed six regulations that included the permit to operate public transport termini, fare table regulations, terminal regulations, motor cycle regulations, tuk tuk regulations and the taxi cab regulations. The directorate also developed and gazette the bus route network plan for Nairobi.

Works

i. Energy and Lighting.

In the period under review, the Directorate for Energy & Lighting increased the installation of street lights by 1,105 No. through installations in various sub counties in Nairobi.

The Directorate also maintained 69,290 No of street and public lights in the 17 sub counties. The installations and maintenance greatly improved security and safety of the people of Nairobi as they are able to walk freely in the night. Small scale traders are also able to operate late into the night as they feel more secure. This is confirmed by the many positive responses by many stakeholders after the works are done.

ii. Public Works.

In the period under review, the Structural Engineering Services achieved the following: -

- a) Commenced construction of 2 No Motorable bridges at Eastleigh South, and Dandora IV.
- b) Completed construction of 2 No foot bridges at Njiru and Ruai and 1 No. footbridge was on-going

Building Works Services maintained all institutional facilities 100% and undertook 485 No. installations and fabrications

iii. Roads and Storm Water Drainage

Directorate of roads undertook construction and maintenance of roads and storm water drainages across the 85 wards of the county with an aim of improving the road network and increasing mobility, safety and accessibility. During the period under review the directorate constructed over 6.0KM of storm water drains, improved 3.0 KM of roads from gravel to bitumen standards, graveled 122KM of earth roads to improve the riding surface and maintained 181KM of existing tarmac roads through base repairs, regulation patchwork and overlay works. The Directorate also replaced 23 No. Road names that had either been stolen or vandalized and 165 Manholes covers that were either broken or vandalized

2.8.2 HEALTH, WELLNESS AND NUTRITION

In the financial year under review: The Health Wellness & Nutrition Sector recorded strong performance across the four programmes, with most indicators achieved as indicated below.

Public Health

Public health recorded strong overall performance, with most indicators meeting or exceeding the set targets. HIV testing reached 873,060 persons against a target of 871,000, while HIV prevalence was maintained at 4.2% against a target of 5%. Public health emergencies also performed strongly, with 16,540 travelers vaccinated against a target of 12,000 and 134,560 suspected cases screened and investigated. Community health services expanded to 796 functional Community Health Units against 782, while referrals from community units exceeded the target by 2,430. Health promotion also surpassed its target through increased outreaches and community campaigns

Medical Services

Medical services recorded very good performance in direct clinical and curative medical care. Primary healthcare and reproductive health services

performed strongly, with skilled deliveries reaching approximately 141,594 against a target of 140,379, while family planning services reached approximately 550,197 women against a target of 545,476. NCD services were also strong, with 366,747 clients screened and 133,142 treated, exceeding the respective targets. Mental health screening and treatment, adolescent and youth services, dental care, rehabilitation, diagnostic services and emergency/referral services also recorded good performance. The programme therefore demonstrated improved access to medical services and increased utilisation of healthcare services.

Health Facilities

Health facilities performed well in supporting and sustaining service delivery, rather than duplicating the clinical functions under Medical Services. Key achievements included 313 functional Quality Improvement Teams against a target of 300, maintenance of 129 medical and hospital equipment and plants against 124, and achievement of the target for availability and management of health products and technologies. The sector also achieved 100% access to quality health data and information, while staff salaries and training were fully provided for. Health personnel trained in technical and professional areas reached 52.25 against a target of 50. These results indicate improvements in facility readiness, equipment functionality, quality assurance, commodities management, information systems and administrative support. However, budget constraints affected some activities, including the Health Sector Service Delivery Awards, while continued investment is needed in infrastructure, equipment maintenance, commodities and facility-level quality improvement.

School Feeding and nutrition

The school feeding Programme recorded good performance, although slightly below the annual target. Approximately 98% of targeted school-going children received meals against a target of 100%, while nutritional assessment also achieved about 98% coverage. The programme benefited from integration

with school health interventions, which strengthened the response to health and nutrition needs among learners. Other nutrition interventions performed positively, including Iron and Folate supplementation for pregnant women, which exceeded its target, and exclusive breastfeeding, which also performed above target. Overall, the programme continues to make an important contribution to child nutrition, school attendance, health promotion and early identification of health and nutritional problems.

2.8.3 GREEN NAIROBI (Environment, Water and Sanitation)

2.8.3.1 FOOD, AGRICULTURE AND NATURAL RESOURCES

1. Agriculture, Livestock Development, Fisheries & Forestry – 2025/26 achievements

Key achievements include:

- Agricultural extension and food security: Continued support to farmers through extension services, demonstrations and the Nairobi International Trade Fair (NITF). The 2025/26 performance framework reports 3,900 farmers/clients reached, against a target of 4,000.
- Food safety: Continued aflatoxin surveillance and stakeholder sensitization, with the 2025/26 framework targeting 24 surveillance visits and 320 food-safety stakeholders.
- Livestock development: Continued farmer training, demonstrations and pest-control interventions, including maintenance of two armyworm traps and increased livestock demonstration activities.
- Fisheries: Maintained 100% licensing of fish dealers, conducted inspections of fish-trading premises and sensitized fisheries stakeholders on food safety.
- Veterinary services: Sustained 100% animal-health surveillance implementation and inspection coverage, together with zoonotic/food-borne hazard surveillance and animal vaccination.
- Food systems: Progressed implementation of the Nairobi Food System Strategy, food-waste management and stakeholder coordination.

- Urban greening: The wider Food, Agriculture and Natural Resources portfolio reports substantial tree-growing and nursery establishment, including 578,741 trees planted/nurtured and three tree nurseries established.

Proposed Agriculture budget – 2026/27

The proposed allocation for Agriculture, Livestock Development, Fisheries & Forestry is KSh 398.883 million. Major allocations are:

The budget is particularly weighted toward Crop Development, which accounts for about KSh 219.1 million, while total capital expenditure is proposed at KSh 224.7 million.

For 2026/27, the sector plans to reach 23,700 farmers/clients in 17 sub-counties, conduct 96 aflatoxin surveillance visits, sensitize 14,150 food-safety stakeholders, license all fish dealers, vaccinate 4,500 animals, and continue 100% meat inspection.

2.8.3.2. Environment, Water, Energy & Natural Resources

2.1 Environment

The Environment programme focused on solid waste management, parks and beautification, tree growing, environmental compliance, climate change, air quality and environmental awareness.

Key performance areas include:

- Solid waste management: The reported baseline for 2025/26 was 62% city cleanliness, with the 2026/27 target raised to 100%.
- Parks and recreation: Continued maintenance of county parks and recreation grounds.
- Beautification: The 2025/26 framework targeted improvement of city beautification to 70%.
- Tree and forest cover: The programme maintained a target of 1.1 million trees for the year and subsequent years.
- Environmental compliance: The 2025/26 target was to raise compliance with environmental laws, regulations and policies to 80%, with a 2026/27

target of 100%.

- Climate and air quality: The programme targeted increased climate resilience, improved air-quality monitoring and increased uptake of renewable energy.

Proposed Environment budget – 2026/27

The proposed 2026/27 targets include:

- 100% city cleanliness
- 4 parks/recreation grounds maintained
- 70% city beautification
- 1.1 million trees grown
- 100% environmental compliance
- 100% climate resilience target
- 60% renewable-energy uptake
- 70% environmental awareness.

There will be a shift from maintaining basic services toward higher cleanliness, greening, environmental compliance and climate-resilience targets.

2.2. Water

The Water and Sanitation portfolio continued to address water access, drought mitigation and sanitation infrastructure. The sub-sector achievements including a borehole at Umoja I Primary School, procurement of 200 10,000-litre water tanks, completion of water works at Loco and Sinai, a 2.5 km simplified sewer extension at Kwa Reuben, and construction of an ablution block.

For the 2025/26 programme, the major interventions included:

- Water storage: Procurement/distribution of 285 water tanks to areas experiencing unreliable supply.
- Groundwater development: Drilling and equipping 10 boreholes.
- Rainwater harvesting: Installation of systems in 20 institutions.
- Sanitation: Construction of 10 ablution blocks in informal settlements.

The 2026/27 performance framework also targets 10 boreholes, increased

water availability of 665,000 m³/day, maintaining clean-water household connectivity at 82%, and increasing city sewer coverage from 52% to 54%.

Proposed Water budget – 2026/27

The Water and Sanitation programme is centered on:

1. Water resource management and drought mitigation
2. Increased water availability
3. Borehole development
4. Water storage and rainwater harvesting
5. Sewerage and sanitation infrastructure
6. Ablution blocks in underserved settlements
7. Improved sewer coverage and wastewater management

The proposed investment therefore places emphasis on increasing water supply resilience and expanding sanitation infrastructure, particularly in areas facing unreliable supply and informal settlements.

The Green Nairobi Sector point to a **“food secure, clean, green and water-secure Nairobi”** agenda:

Area	Main 2026/27 priority
Agriculture	Urban food production, extension services, food safety, livestock/fisheries and crop development
Environment	Solid waste, greening, parks, climate resilience, air quality and environmental compliance
Water	Boreholes, water storage, rainwater harvesting, sewerage and sanitation
Major Agriculture allocation	KSh 398.88 million
Key Agriculture investment	KSh 219.09m Crop Development; KSh 224.66m total capital expenditure
Key Environment targets	100% cleanliness/compliance; 1.1m trees; 70% beautification
Key Water targets	10 boreholes; 665,000 m ³ /day water availability; 54% sewer coverage

In summary: the 2025/26 achievements demonstrate continued investment in urban agriculture, environmental management, greening and water/sanitation infrastructure, while the 2026/27 budget shifts strongly toward scaling these interventions—particularly crop development, tree cover, solid-waste cleanliness, climate resilience, boreholes, water storage and sanitation infrastructure.

2.8.5 BUSINESS AND HUSTLER OPPORTUNITIES

The Sector made significant progress across its key programmes. In liquor licensing and regulation, 4,800 liquor licences were issued, four stakeholder engagements and 20 sensitization campaigns conducted across 17 sub-counties, one liquor licensing regulation developed, five capacity-building programmes undertaken, and 200 compliance enforcement operations carried out. In Betting, Lotteries and Gaming, 20 casinos were supervised, 615 pool tables and 12 public gaming premises licensed, 17 sensitization exercises and four stakeholder engagements conducted, and Ksh.34.59 million collected in revenue. The Micro and Small Enterprises (MSEs) programme established a database of 13,382 MSEs across 85 wards, supported 5,950 Nyota beneficiaries to access Ksh.297.5 million, trained 8,013 MSEs, promoted 563 enterprises through exhibitions and trade fairs, developed 201 bankable business plans, and conducted 17 awareness campaigns. In the cooperative sector, 41 cooperatives were registered, 504 education forums and 71 inspections conducted, 1,420 general meetings held, 61 dormant cooperatives revived, and two exhibition days and Ushirika Day celebrated. To promote accountability, 632 cooperative audits were undertaken, 603 audited accounts presented, Ksh.15.96 million raised in audit fees, 258 cooperative leaders trained, and a financial management manual developed. The Markets Sub-Sector managed and maintained 53 markets, drafted a market management policy and held 11 stakeholder engagements. In business licensing, a database of 286,779 businesses was developed, 12,021 unlicensed businesses identified and licensed, Ksh.2.683 billion generated from Unified Business Permits, 9,460 inspections and 4,712 enforcement actions undertaken, alongside enhanced public awareness. Under Trade and Industrialization, 10,976 traders were mapped, seven stakeholder engagements held, draft Trade, Industry and Investment Policy and Bill documents developed, Nairobi participated in the Nairobi International Trade Fair, and 3,600 traders trained in entrepreneurship. In

consumer protection and fair trading, 15,634 weighing and measuring instruments were verified, 571 compliance inspections and 78 pre-packed goods assessments conducted, 17 trader education programmes held, Ksh.13.58 million collected in revenue, and weights and measures equipment worth Ksh.29.45 million received, while procurement of a mobile verification unit was advanced.

2.8.6 BUILT ENVIRONMENT AND URBAN PLANNING

Urban Planning.

During the period under review, the sub sector Developed a GIS based physical address web app for the pilot areas, issued 5014 No renovations permits, issued 3967 No Enforcement Notices on illegal structures within 17 sub-counties, Evaluated 1716No. of Building plans, 26 No. advertisements application. The sector Complied with Physical Land Use Planning Act, No. 13 of 2019 by customizing and adopting PLUPA 2019 Statutory forms; Urban areas and Cities Act, 2011, The National Rating Act, 2024, Sectional Properties Act, 2020, Land Act, 2012, Land Registration Act 2012, National Building Code, 2024.

Lands

During the period under review, the Lands sub-sector carried out a title survey of 2,036 parcels within 6No. county schemes, surveyed 107 No. public facilities, prepared 532 No. leases, digitized 14,622 No. properties into cadastral base, Developed Land information management system infrastructure by 95%, 1,011 No. parcels were verified and surrendered. The sub sector Achieved over 100% by carrying out Topographical surveys of roads, NMT facilities and drainage with a combined length of 28.178 km; and other sites with a combined acreage of 54.414 Ha. Prepared requisite engineering and topographical survey drawings for the above, Reviewed and customized the National Rating Act by drafting the Nairobi City County Rating Bill, 2025, Enacted the National Rating (Nairobi City County Rating) Regulations, 2025, Expanded the ratable base by 8320 new properties, updated ratepayers'

database, Engaged NLC on payment of CILOR, approved 7 No & Processed 15 Lease Renewals, approved 6 No & Processed 5 lease Extensions.

Housing and Urban Renewal.

During the period under review, the sector implemented the Resettlement Action Plan (RAP) for KISIP II projects, held 11 No. Community engagement & Sensitization meeting, processed 100 % architectural designs as per received requests, enforced tenancy agreement conditions, coordinated waste management in county estates and also held tenant engagement Forums with tenant's welfare committees, e.g., Woodley estate.

Notably, The Sector managed to collect revenue amounting to Kshs **6,587,128,223**

2.8.7 DISASTER MANAGEMENT AND COORDINATION

During FY 2025/26, the Disaster Management and Coordination subsector strengthened fire safety, emergency response and disaster preparedness across the County. Construction of the Gikomba Fire Station was undertaken to enhance fire safety and emergency response capacity within Kamukunji Sub-County. The subsector also inspected 22,954 premises and 30 fire hydrants, contributing to improved compliance with fire safety requirements and reduced exposure to fire incidents. In addition, 16 fire engines were repaired, improving the operational readiness and response capacity of the Fire and Rescue Services.

The subsector further conducted 20 community engagement and public awareness activities across the 17 sub-counties, strengthening public knowledge on disaster preparedness, prevention and response. Timely and effective pre-hospital medical care was provided to individuals requiring emergency assistance, while psychological support was extended to persons affected by disasters to support their recovery and wellbeing.

2.8.8 FINANCE AND ECONOMIC PLANNING

In the period under review, The Finance Sector implemented various initiatives: For the Accounting services, the department was able to train Accountants on accrual reporting as per the recent directive by National Treasury. The Department prepared and submitted annual financial statements and received Qualified audit reports on financial statements for CRF, NCCE, ROR and level 4 and 5 hospitals. The Economic Planning department successfully did the midterm review of the CIDP 2023-2027 and also initiated the establishment of County Statistical Abstract, established and operationalized Project Implementation Management (PIM) which is key in streamlining the management of public investments. The department successfully conducted Monitoring and Evaluation of County projects.

Supply chain Management was able to train 45 staff on e-GP and filled statutory reports on PPIP portal as well as preparing and publishing County Integrated Procurement plan.

The Sector adhered to statutory requirements and IFRS compliance in preparing and submitting reports for Nairobi County Government as per the PFM act requirements.

2.8.9 OFFICE OF THE GOVERNOR

The Office of the Governor has effectively continued to play a central and strategic role in providing high-level leadership, policy direction, and coordination across all sectors of the County Government. Through deliberate efforts to strengthen interdepartmental collaboration and enhance vertical coordination between the County and National government, the Office has fostered a more cohesive and responsive governance framework. In addition, the Office has prioritised stakeholder engagement by cultivating strategic partnerships with development partners, private-sector actors, and civil society organisations, thereby broadening the resource base and enhancing the inclusivity of development processes.

2.8.9.1 OFFICE OF COUNTY SECRETARY AND HEAD OF PUBLIC SERVICE

During FY 2025/26, the subsector strengthened administrative coordination, staff welfare, records management and performance monitoring across the County. A total of 200 staff were provided with uniforms and protective gear to minimize exposure to occupational health hazards, while repairs and maintenance were undertaken in the Committee Room, Governor's Office and Deputy Governor's Office. The subsector also participated in national events, including DEVCON, and effectively coordinated County Executive Committee meetings.

Records management was strengthened through the production of 60-minute books and the development, review, approval and implementation of the Records Management Policy. The subsector coordinated the receipt of 182 policies and research documents from 10 sectors and developed a policy submission tracking tool to improve monitoring and accountability.

Performance management was enhanced through sensitization of 200 staff, negotiation and vetting of 144 Performance Contract targets, and three quarterly performance review meetings. Three monitoring and evaluation reports were also prepared, covering project outcomes and service delivery. In addition, 26 public complaints were resolved, contributing to improved responsiveness and accountability in County administration.

2.8.9.2 SECURITY AND COMPLIANCE

In the period under review, the Sub-Sector achieved the following: increased compliance to law and order by controlling hawking menace and removing illegal structures, increased public involvement and accountability by 40% through engagement with internal and external stakeholders and community activities, reduced congestion and restored order by 87% through traffic control, impounding vehicles causing obstruction and manning public transport stages/termini, enhanced safety and security by 100% through guarding 443 county institutions and installations, providing VIP protection and ensuring safety and security to Nairobians, Reduced crime by 96% through

investigations, information analysis and dissemination, and apprehended suspects. Prevented crime by 84% through sensitization forums, intelligence gathering, and verification and validation exercises

2.8.9.3 AUDIT

The Internal Audit Services subsector strengthened oversight, accountability and financial management across the County in the period under review. A total of six Audit Committee meetings were conducted to review audit matters and strengthen follow-up on identified issues. The subsector also prepared 11 audit reports, providing management with independent assessments and recommendations to improve internal controls, compliance and operational efficiency. In addition, 25 auditors were trained to enhance their technical capacity and effectiveness in undertaking audit assignments.

2.8.9.4 BOROUGHES AND SUBCOUNTY ADMINISTRATION

In the period under review, the subsector strengthened citizen engagement and coordination of County activities at the grassroots level. A total of 68 public participation forums were held to engage residents on County services, providing a platform for citizens to express their views and contribute to County programmes and priorities. County activities and programmes were also effectively coordinated across the sub-county and ward levels, enhancing implementation and service delivery at the local level.

The subsector further developed one legal framework and policy document to strengthen the institutional framework for service delivery. In addition, six vehicles were procured to enhance mobility and operational capacity across sub-counties and wards, enabling County officers to undertake field activities, coordinate programmes and respond more effectively to local service-delivery needs.

2.8.10 PUBLIC SERVICE MANAGEMENT

In the period under review, the sub-sector achieved key milestones, held (5) five number Sectorial /departmental Training and Development Committees meeting; Implemented of the Competency Framework and Training Needs Assessment in three areas (Technical, Professional and Strategic); trained (local/ overseas/ short courses/ workshops/ seminars).Sensitized 3750No. of staff on various areas e.g. performance contract, national values, Alcohol abuse, financial management, gender and disability mainstreaming, HIV AIDS, fire safety etc. Rehabilitated 45No.of staff. Inducted 500No. newly recruited employees. Attached 4,363No. students in various Sectors and Departments from various universities/colleges from July 2025 to June 2026 to gain experience; Updated 334 no Personal Files in the skills inventory (O'Level/ certificate/ diploma/degree/masters/Phd) and a report prepared; Prepared Performance Appraisal System Reports (Midterm and End Term Reports and issued 18,570 PAS forms in Sectors/Department

The directorate of Compensation and Benefits On boarded 3853 new staff into County payroll, on boarded of 54000 staff and dependents into Social Health Insurance Fund Medical Scheme. The directorate also processed salaries for July 2025 to June 2026 and submission to Finance for processing out.

2.8.11 OFFICE OF THE COUNTY ATTORNEY

During the FY 2025/2026, the Office of the County Attorney achieved 100% performance in key legal services, digitization, compliance, and resolution of public complaints. The Office e-filed 478 civil cases, prepared 478 No brief, assessed 105 legal fee notes, received 43 No status reports, prepared 78 contracts agreements, 95 MOUs, 20 No local bonds and 37 No conveyancing advisories, and verified 19 No consents, offered 29 No advisories. It provided 32 No legal advisories, formulated 32 No legislative proposals, developed 15 No policy guidelines, drafted/reviewed 17 No Bills, initiated 9 No law reviews,

and publicized 23 No legislative instruments.

The Office of County Attorney further provided 80 No legal opinions, undertook 65 No legal research activities, sensitized 126 staff, offered 29 No legal guidance, coordinated 300 No prosecution matters, provided 325 No. liaison services, coordinated 225 No procurement of instructions, and identified 20 No legal gaps across the sectors. It also undertook 2No. legal analysis, developed 1 No. matrix and questionnaire on legal compliance, operationalized the Sectoral Public Complaints Committee and ensured timely resolution and reporting of public complaints.

2.8.12 TALENTS SKILLS EDUCATION AND CARE (TSDC} Achievements 2025/2026

2.8.12.1. Vocational Education and Training:

The Vocational Education and Training Unit implemented various programmes and activities aimed at enhancing vocational skills development and improving access to training opportunities.

2.8.12.2. Children and Rehabilitation Services:

The Children and Rehabilitation Services Unit implemented programmes aimed at supporting children and strengthening rehabilitation services for vulnerable children and other beneficiaries.

2.8.12.3. Community Development:

The Community Development Unit conducted 620 visits to community groups to monitor their groups and projects. It also organized five community exhibitions and four community group exchange programmes. The unit trained 353 community group participants in various group development and business skills and trained 109 community groups on table banking. In addition, it conducted 10 community conversations to discuss issues affecting development and achieved 90% development of the Community Development Policy.

2.8.12.4. Control of Drugs and Pornography:

The Control of Drugs and Pornography Unit undertook programmes and interventions aimed at addressing drug abuse, pornography and related social challenges within the community.

2.8.12.5. Youth Affairs:

The Youth Affairs Unit implemented various programmes and activities aimed at empowering young people, promoting their participation in development and addressing issues affecting the youth. The Department conducted 15 sensitization forums on refugee management and 20 youth engagement forums on peacebuilding, mental health, and refugee management across nine sub-counties. The department also commemorated World Refugee Day on 20 June 2026 and International Youth Day on 12 August 2026, attracting over 800 participants. In addition, 254 youth were trained in digital skills at the One Stop Youth Centre, while 85 staff members were sensitized on NCRIS 2025–2030 and refugee management. The One Stop Youth Centre was also equipped with the requisite furniture to enhance its operations and service delivery.

2.8.12.6. Sports Services:

The Sports Services Unit identified and nurtured 1,497 participants in sports talent. It equipped 32 teams with sports kits and sensitised 95 staff on refugee matters and their inclusion, including 30 referees. The unit successfully held two Nairobi City Marathon events, which were well attended. It also acknowledged and registered 10 local teams with the County Government, undertook 12 tournaments and festivals, established and operationalised the Sports Fund, and successfully participated in the KICOSCA and EALASCA Championships.

2.8.12.7. Talent, Recreational and Welfare Services:

The Talent, Recreational and Welfare Services Unit organised eight talent search activities, conducted eight capacity-building forums, organised three exchange programmes and conducted four Martial Arts events.

2.8.12.8. Library and Information Services:

The Library and Information Services Unit undertook various activities aimed at promoting access to information, reading and library services among residents.

2.8.12.9. Early Childhood Development and Education:

The Early Childhood Development and Education Unit strengthened the capacity of 1,000 ECDE teachers through capacity-building programmes. It disbursed KSh 560.4 million in fees for secondary schools and tertiary colleges, benefiting 51,983 secondary and college students through Ward Bursaries and Executive Scholarships. The unit also facilitated co-curricular activities, with Drama and Film involving 110 ECDE centres at the national level and Music involving six ECDE centres at the national level. In addition, 230 ECDE centres received assorted instructional materials. Infrastructure projects at Tumaini and Ayany ECDE Centers reached 100% completion, while those at Skyway and Starehe ECDE Centers reached 90% completion. The Raila Odinga ECDE Centre infrastructure project reached 70% completion.

2.8.12.10. Family:

The Family Unit implemented various programmes aimed at strengthening family welfare, supporting vulnerable families and addressing social challenges affecting households.

2.8.13 INCLUSIVITY, PUBLIC PARTICIPATION AND CUSTOMER CARE

Despite significant resource constraints during FY 2025/26, the Sector sustained core service delivery, thanks to strategic partnerships in the implementation of key digital and policy interventions.

2.8.13.1 Public Participation, Civic Education and Customer Service

Public Participation recorded a strong performance in citizen engagement, conducting 76 public participation forums on the four statutory documents and 68 civic education campaigns. For customer service, all 25 targeted customer service contact centres were activated,

while the Customer Service Charter and Customer Satisfaction Survey were completed as planned. Staff reorientation reached 1,000 of the targeted 5,000 staff (20%). With the support of the World Bank, the sub-sector is developing the Digital Public Participation Tool, Real-Time Chatbox/CRM system and Customer Complaint Software, which remained under development during the year.

2.8.13.2 City Culture, Arts and Tourism

City Culture and Arts developed two mobile studios, one in California and another in Kabiru ward. It also held two festival build-up events and four capacity-building activities, delivering on the massive cultural celebrations held in December. Go Down Arts Centre supported the development of the Culture Policy, which is still in development,

Tourism promotion achieved two of three planned promotional activities, while two of three planned capacity-building workshops were undertaken. Several planned investments, including tourism products, tourist information centre, signage and mobile application, were not implemented. The

2.8.13.3 Gender and Inclusivity

The sub-sector conducted six of eight planned gender sensitisation forums (75%) and completed the baseline survey as planned. Staff sensitisation reached 52 of 150 targeted staff (34.7%), while sanitary-towel support reached 300 of 5,000 targeted girls (6%).

Under GBV interventions, 15 of 600 targeted survivors (2.5%) were rescued and sheltered, while 13 of 120 targeted survivors (10.8%) received economic empowerment support.

Disability mainstreaming recorded four of six planned sensitisation forums (66.7%), 42 of 180 targeted beneficiaries (23.3%) receiving training support and 38 of 200 targeted staff (19%) trained. Nonetheless, no assistive devices were provided against a target of 2,500, and no economic empowerment grants were provided against a target of 500 beneficiaries.

2.8.14 INNOVATION AND DIGITAL ECONOMY

Digital economy and start ups

Advanced tech integration through capacity building for Nairobi County staff by training 600No. staff on digital skills.

Over 2600No. Youths were sensitized on Digital Economy and startups opportunities

Inspired creativity through establishment of 1No. innovation hub at Jericho.

16No. Nairobi County staff were awarded Artificial Intelligence (AI) Certifications in collaboration with Muuia Ltd.

Supported Startups by Nominating 5No. startups for Accelerate Africa Startup Acceleration Program (AASAP). Three have made it to the finals in Kigali, Rwanda.

45No. Nairobi Youth were trained and graduated on ICDL Modules and awarded Certifications

Smart Nairobi

Air Quality Data Management System (AQDMS): Enables collection, analysis, and public access to reliable air-quality data for planning, policymaking, and public awareness.

VTC Enrollment Portal: Provides a one-stop platform for course information, enrollment, and fee payments, reducing physical visits, costs, and improving transparency.

Health Scientific Conference Platform: Facilitates abstract submission, tracking, peer review, and sharing of health research and conference materials. Digital Attendance Register:

Automates meeting registration, reduces errors and paperwork, and enables digital attendance tracking and reporting.

Customer Service Bills Tracker: Tracks bills generated and provides reports on clients served across different revenue streams.

Liquor Pay System: Automates liquor licensing, renewals, tracking, and

payments, reducing paperwork while improving compliance and revenue collection.

Ict infrastructure

Installed and deployed internet connectivity in 39 No. Sub- County Offices/ Satellite offices.

Installed and integrated MPLS in 39 No. Sub- County Offices/ Satellite offices.

Delivered internet connectivity equipment to 26No. Sub- County Offices/ Satellite offices.

Distributed 20 No. IP phones to Sub-County Offices/ Satellite offices.

2.8.15 WARD DEVELOPMENT PROGRAMME

During the period under review, the Ward Development Programme aimed to implement 85 projects within 85 wards for the 2024/2025 Financial Year. By the conclusion of the planned period, 158 projects were substantially completed with the remaining projects classified as ongoing. Furthermore, the sub-sector has initiated the procurement of an additional 85 projects for the 2025/2026 Financial Year, all of which are currently in various stages of contract Implementation.

2.8.16 PUBLIC SERVICE BOARD

By the end of FY 2025/2026, the CPSB recruited a total number of four thousand seven hundred and thirty-one (4731) staff, effectively filling most planned vacancies. A total number of two thousand, nine hundred and fifty-nine (2,959) staff were confirmed into permanent and pensionable terms of service. The board also handled one hundred and fourteen (114) disciplinary cases. This has strengthened staffing across departments and increased service delivery and morale.

2.8.17 NAIROBI REVENUE AUTHORITY

In the period under review, the authority targeted to increase revenue collection by achieving 100% of the financial year targets of Ksh. 21.578 billion in OSR which included FIF, Liquor, betting and gaming. At the end of the planned period, the authority managed to increase its own sources revenues by 13.5 % by collecting Ksh. 15.5 billion. This is an increase of 1.85 billion as compared to the FY2024/2025 where the County collected 13.67 billion. The county has continued with the upward trend of collecting the highest OSR figure of Ksh. 15.519 billion which is the highest ever collected by the County and in the Country.

PART 3: MACROECONOMIC REVIEW AND FORECASTS

CHAPTER THREE: MACRO ECONOMIC POLICY FRAMEWORK AND FORECAST

3.0 Global Economic Prospects/outlook

The IMF World Economic Outlook Update January 2026 describes the global economy as holding steady amid divergent forces, a classic case of offsetting tailwinds and headwinds keeping real GDP growth remarkably resilient. Globally, real GDP growth is projected to be 3.3 percent in 2026 and then ease only slightly to 3.2 percent in 2027. This stability reflects a delicate equilibrium, strong positive supply-side shocks from surging technology related investment, especially in artificial intelligence (AI) combined with still-accommodative financial conditions, fiscal support in key economies, and impressive private sector adaptability are successfully counterbalancing headwinds from evolving trade policies (including tariffs and export controls) and persistent geopolitical risks.

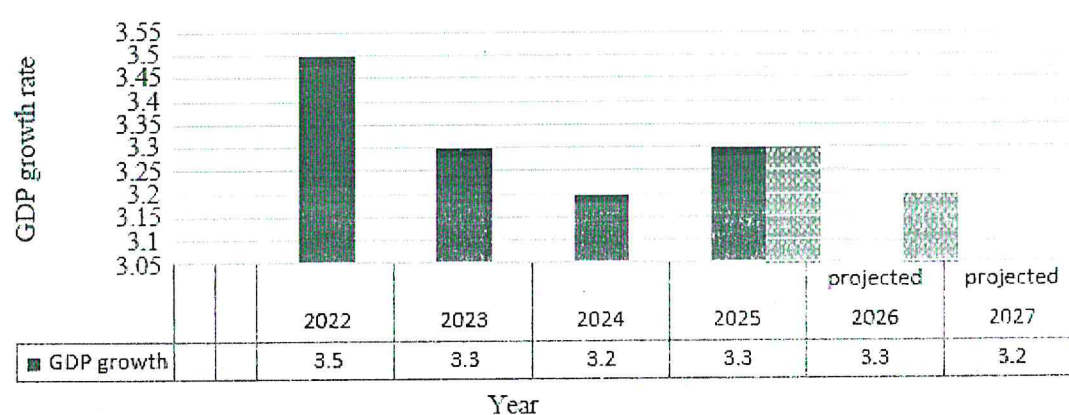
In Sub-Saharan Africa, the outlook is distinctly positive, with growth accelerating from 4.4 percent in 2025 to 4.6 percent in both 2026 and 2027. This pickup stems from successful macroeconomic stabilization efforts, ongoing structural reforms, and improved policy frameworks in several large economies. Nigeria, for instance, is forecasted to grow at around 4.4 percent in 2026, reflecting stronger domestic momentum. South Africa's recovery, however, remains more subdued at roughly 1.4 percent, constrained by structural bottlenecks. That said, the region continues to face significant vulnerability to external shocks such as reductions in official development assistance, commodity price volatility, or renewed global financial tightening as well as elevated public debt burdens. Sustained efforts to rebuild fiscal buffers, ensure debt sustainability, and strengthen external resilience remain critical.

Among the major advanced and emerging economies, paths continue to diverge sharply: For instance, in 2026 the United States is projected to achieve a GDP growth rate of 2.4%, driven by significant investments in the technology sector (AI Tec), corporate tax incentives, and a supportive monetary policy that

includes lower interest rates. In contrast, China is expected to experience a slowdown, with growth forecasted at 4.5% due to ongoing weaknesses in the property market, deleveraging pressures, and reduced external demand. The euro area is anticipated to maintain a low growth rate of 1.3%, hampered by persistent supply-side constraints from high energy prices, weaker manufacturing performance, and limited participation in the AI and tech investment boom.

Figure 3: Trends in the Global GDP growth rate in percentage

WORLD GDP RATE



Source: IMF-World economic outlook, January 2026

Global inflation has fallen sharply from nearly 9% in 2022 to 4.1% in 2025 and is projected to ease further to 3.8% in 2026 and 3.4% in 2027. Advanced economies outside the US are converging faster toward central bank targets, while the US faces a slower return due to domestic and trade pressures. Despite resilience supported by technology driven productivity gains, risks from trade tensions, geopolitical conflicts, and commodity price shocks mean policymakers must stay vigilant on fiscal discipline, price stability, and structural reforms.

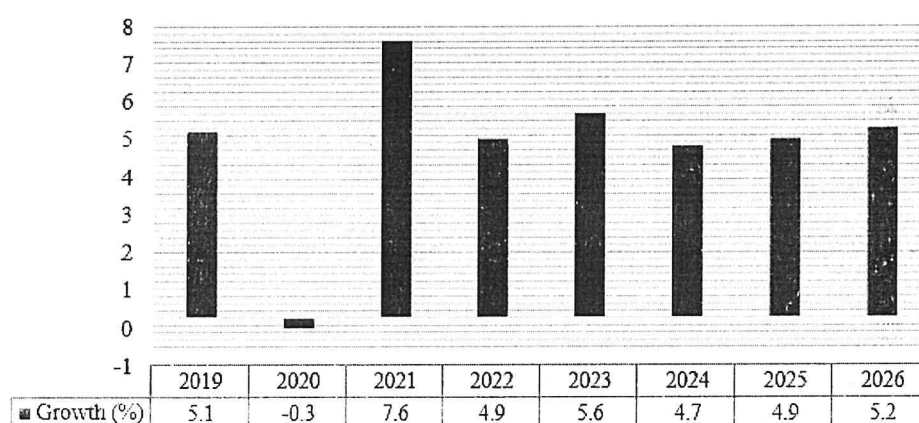
3.1 Domestic Economy

Kenya's economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and

regional averages. This strength is rooted in deliberate policies and the benefits of a diversified economy. The economy has thus been able to withstand adverse impacts of domestic and external shocks.

In 2024, the real Gross Domestic Product grew by 4.7 percent supported by positive growths in all sub-sectors except construction, and mining and quarrying. Further, in the first, second and third quarters of 2025, the economy remained strong with a growth of 4.9 percent, 5.0 percent and 4.9 percent, respectively with an average growth rate of 4.9 percent. This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector, and the resilience of services sector

Figure 4: Trends in Kenya GDP growth rate in percentage



Source: Economic survey 2025

a) Inflation

Kenya's inflation in 2023 eased significantly compared to the high levels seen in 2022. The Economic Survey reports that average inflation declined to about 7.7 percent in 2023, down from double-digit levels the year before, reflecting easing global commodity prices, improved domestic food supply, and tighter monetary policy.

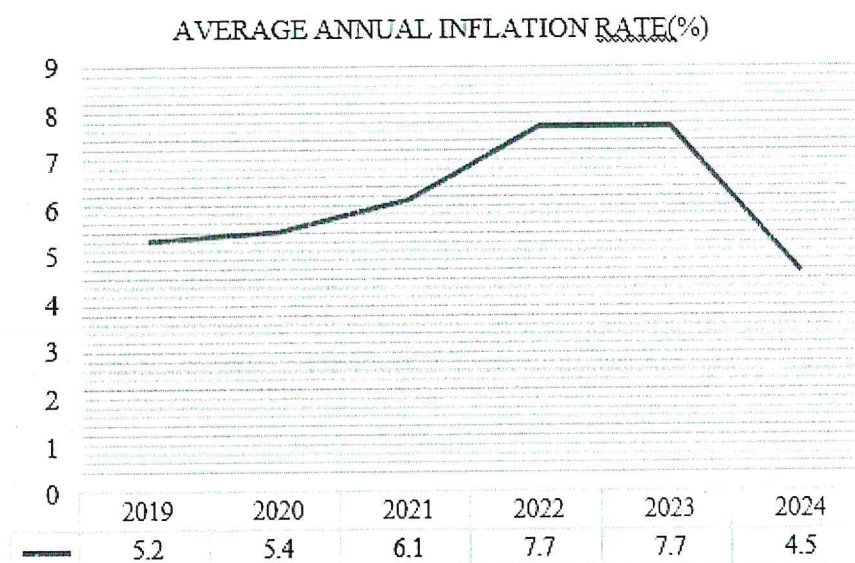
This moderation continued into 2024, with inflation trending further downward as exchange-rate pressures stabilized and agricultural output improved, helping to lower food and energy costs. Overall, the 2023–2024 period is characterized by a

shift from inflationary stress toward greater price stability.

Looking ahead, the Draft 2026 BPS projects that inflation will remain on a downward and stable path through 2026–2027, anchored by prudent fiscal consolidation, tight but supportive monetary policy, and supply-side interventions under the Bottom-Up Economic Transformation Agenda (BETA)

The inflation is expected to converge toward the Government's medium-term target range (around 5 percent ± 2.5) by 2026, assuming normal weather conditions, stable exchange rates, and continued improvements in food production and logistics.

Figure 5: Trend in inflation rate over the years



Source: KNBS Economic survey 2025

b) Foreign exchange

Building on the strong performance in the second half of 2024, the foreign exchange market in 2025 remained broadly stable. The Kenya Shilling showed relative stability against major currencies, with the USD/Ksh exchange rate hovering around Ksh.129.24 to Ksh.129.50. By mid-October 2025, the rate remained stable at Ksh.129.24 per U.S. dollar, supported by adequate foreign exchange reserves, improved investor confidence and stronger diaspora remittances (CBK 2025). With inflation easing and the current account deficit

narrowing, pressure on the currency is likely to remain contained. However, risks persist from global factors such as U.S. interest rate policy, oil prices, and geopolitical tensions.

Stability and predictability of the Kenyan shilling translate to: Lower cost of imported inputs and development projects, Improved budget predictability and planning, Reduced exposure to foreign-currency debt servicing risks, boosted investor confidence and supports PPP financing, Limited imports inflation affecting county operations.

c) Interest rates

The easing cycle that began in late 2024 continued into 2025, as inflation remained below the mid-point of the target range and the exchange rate stayed stable. In 2025, the Central Bank of Kenya (CBK) through the Monetary Policy Committee (MPC) consistently lowered the Central Bank Rate (CBR), ending the year at 9.00% in December 2025, down from 11.25% in December 2024. This easing is part of eight consecutive rate cuts, aimed to augment the previous policy actions aimed at stimulating lending by banks to the private sector and supporting economic activities. It also seeks to ensure that inflationary expectations remain firmly anchored and the exchange rate also remains stable. The 182-day Treasury Bills rate declined to 7.9 percent in October 2025 from 15.8 percent in October

2024 while the 364-day Treasury Bills also declined to 9.4 percent from 16.1 percent over the same period. The decrease in government domestic borrowing rates has led to lower debt servicing costs. On the other hand, Commercial banks average lending and deposit rates decreased in the year to September 2025 in tandem with the easing of the monetary policy. The average lending rate decreased to 15.1 percent in September 2025 from 16.9 percent in September 2024 while the average deposit rate also decreased to 7.6 percent from 11.2 percent over the same period. Consequently, the average interest rate spread increased to 7.4 percent in September 2025 from 5.7 percent in September 2024.

Overall Effect

Stable forex and low inflation together create a supportive macroeconomic environment that strengthens county service delivery, protects household welfare, and promotes inclusive economic growth.

d) Unemployment Rate

In 2024, Kenya's national unemployment rate decreased slightly to approximately 5.4%, down from 5.6% in 2023. The formal employment sector experienced a growth of 2.4%, reaching 3.4 million jobs, with the private sector being the largest employer, providing 2.1 million jobs compared to 881,400 in the public sector. The informal sector, however, continues to dominate the labor market, accounting for around 81% of non-agricultural employment. Key industries contributing to formal private-sector employment included manufacturing, agriculture, and wholesale/retail trade.

e) Trade Balance

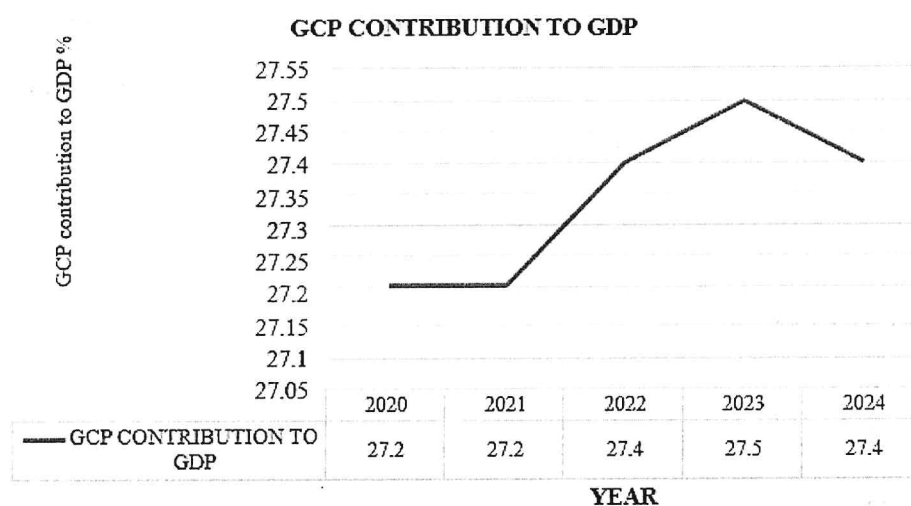
Kenya's trade balance plays a crucial role in shaping domestic liquidity, exchange rates, and GDP growth. In FY 2024, the merchandise trade deficit narrowed by 2.3% to Ksh. 1,306.7 billion, driven by a 9.1% increase in exports, which surpassed the 3.8% rise in imports. The current account deficit improved significantly, decreasing by 45.4% to Ksh.208.9 billion, supported by a substantial surplus in the services trade and strong diaspora remittances. However, by Q3 2025, the trade deficit widened again to Ksh.355.8 billion due to increased import expenditures on essential industrial goods, leading to greater reliance on external debt, which reached Ksh. 5,618.2 billion by September 2025.

3.3 Nairobi County Economic Performance and Outlook

The Gross County Product (GCP) is a disaggregation of the Gross Domestic Product (GDP) by county that shows how much each county contributes to the national economy. Nairobi city county is the largest contributor to National GDP at 27. 4 percent (KNBS-GCP 2025). This is attributed to the fact that Nairobi has

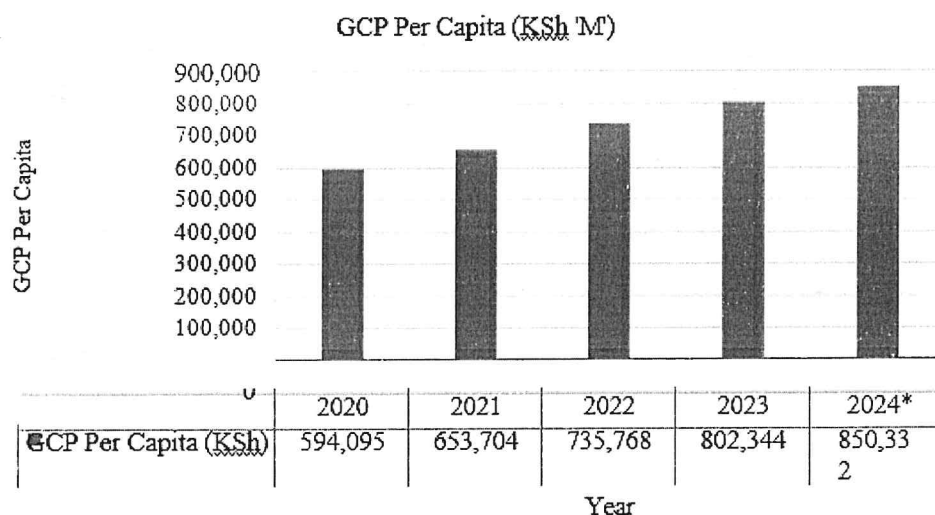
large commercial centers, vibrant construction activities, high electricity consumption, densely populated and a diversity of economic activities like manufacturing, transportation, real estate among others. Additionally, the city leads with a GDP per capita of Ksh. 850,332.

Figure 6: Nairobi County GCP% contribution to national GDP,2020-2024.



Source: KNBS-GCP2025

Figure 7: Nairobi County GCP per capita, 2020-2024.

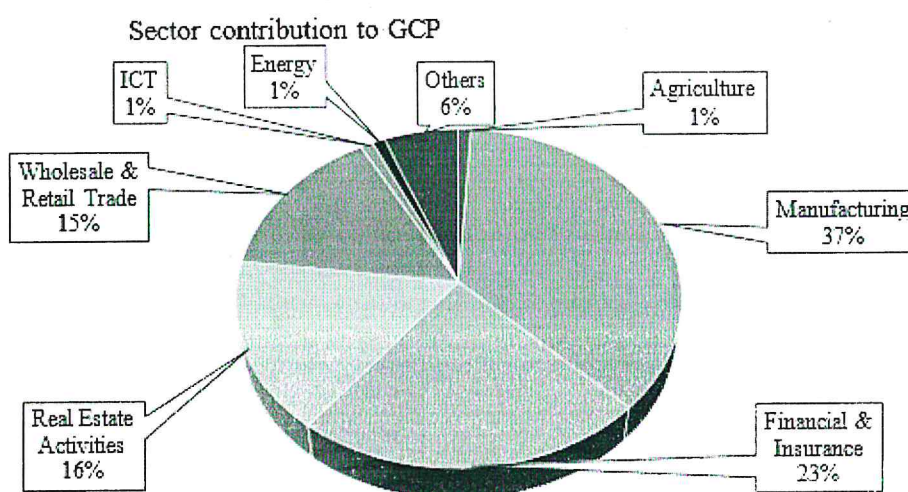


Source: KNBS-GCP2025

3.4 Contribution of Main Economic Activities to Nairobi County GCP

Nairobi County is backed by thriving economic activities such as Financial & insurance activities, real estate sector, Transport & storage, wholesale and retail trade, construction activities and manufacturing respectively. This calls for substantial investment in the areas by the county. The poorest contributor to national economy in the county is agriculture sector.

Figure 8: Contributions to the Nairobi County GCP by Sectors of the Economy



Source: KNBS GCP 2025

3.5 Nairobi County Economic Outlook

Nairobi City County's fiscal trajectory is increasingly shaped by the interplay of global and domestic dynamics. With global growth projected at 3.3% in 2026 and inflation easing both internationally and nationally, households are expected to experience improved purchasing power, while national transfers to counties should remain stable the county's fiscal space is not without vulnerabilities. External shocks such as the withdrawal of U.S. government funding, volatile financial markets, and climate change combine with internal pressures like inflationary trends, debt distress, and exchange rate fluctuations to constrain fiscal flexibility.

Key Challenges

- **Loss of donor funding:** Reduced inflows for health, education, and governance programs will strain service delivery.
- **Urban infrastructure demand:** Rapid population growth intensifies pressure on housing, water, and sanitation systems.
- **Debt sustainability risks:** Heavy reliance on borrowing to bridge fiscal gaps could undermine long-term stability.
- **Climate vulnerabilities:** Flooding and drought threaten food security and weaken infrastructure resilience.

Despite these challenges, Nairobi County's macroeconomic outlook remains positive but fragile. National GDP recovery and easing inflation provide a supportive environment, but donor withdrawal and urban pressures necessitate proactive fiscal management. The county's resilience will depend on its ability to diversify revenue streams, strengthen fiscal discipline, and foster an enabling environment for investment

PART 4-RESOURCE ALLOCATION FRAMEWORK

4.1 IMPLEMENTATION OF THE FY 2026/2027 BUDGET ESTIMATES

The Implementation of the FY 2026/2027 budget has been affected by delays in the approval and commencement of the budget process, creating uncertainty for programme implementation. The County is also reviewing stalled, incomplete and ongoing projects to determine implementation status, funding requirements and priority for completion. The outcome of this review will inform rationalisation of expenditure and strengthen project prioritisation.

Total Projected revenues are estimated at Kshs. 49.3 billion is largely projected to remain except for adjustment in expenditure components. Additionally, the revenue administration reforms are expected to produce tangible results towards growing our own source revenues even further. Expenditure controls will be enhanced to ensure actual revenues are aligned to expenditure commitments.

4.2 FISCAL POLICY FOR FY 2027/2028 & MEDIUM-TERM BUDGET

The fiscal policy for FY 2027/2028 and the medium term will support the County Government's transformation agenda towards making **Nairobi** a city that lives up to its motto of ***"City of Order, Dignity, Hope and Opportunities for all."***

The fiscal strategy will seek to mobilise more revenue, optimise expenditure and ensure sustainable and impactful use of public resources.

Therefore, resource allocation will prioritise high-impact programmes and projects that support economic growth, employment, essential service delivery and improved livelihoods.

The County will strengthen revenue administration through technology, improved rate and property data management, enhanced compliance and measures to reduce revenue leakages.

On expenditure, emphasis will be placed on efficiency, value for money, stronger procurement and budget controls, giving priority to completion of ongoing projects and settlement of verified pending bills.

4.3 FY 2027/2028 FISCAL & THE MEDIUM-TERM PROJECTIONS

The fiscal policy approach for FY 2027/28 and the medium term is designed to support the County Integrated Development Plan 2023-2027 and the identified priorities in the Governor Manifesto. This will focus on strengthening revenue performance, improving expenditure efficiency, enhancing public investment management, reducing pending bills and ensuring long term fiscal responsibility while maintaining quality of public service delivery.

To achieve this objective, the exercise of reviewing programme implementation and resource allocation is paramount. For revenue administration and expansion,

County will continue to implement policies meant to improve own source revenue OSR through automation, improved compliance and expansion of Tax base;

- I. Ensure compliance with financial and non-financial agreements with partners on counterpart fund Programs.
- II. Continuous engagement and cultivate strategic partnerships with development partners, private sector actors, and civil society organizations, thereby broadening the revenue base.
- III. The county government will continue to ensure measures aimed at strengthening expenditure controls and enhancing the efficiency and effectiveness of public spending are strictly adhered to.

Such measures include:

- I. Full implementation of the e- procurement system to all Procurement of Services & Goods

- II. Full adoption of accrual-basis of accounting to improve transparency, completeness, and accuracy of county financial reporting in line with IPSAS standards;
- III. Continuous consolidation and consideration of the public issues identified through the Ward-based Sub County public participation forums.
- IV. Ensure full funding of the counterpart projects funded by development partners which are backed by relevant financial Agreements.
- V. Continuous conduct of programme performance reviews to analyse the previous budget allocation, actual expenditure, and expected outcomes/outputs.
- VI. Adopt the zero-based budgeting to prioritize the resource allocation depending on programme efficiency and necessity. All programs for 2027/2028 FISCAL & MEDIUM TERM will be justified anew emphasizing efficiency, effectiveness and economy.

4.4 REVENUE PROJECTIONS

Total revenue projections in the FY 2027/2028 are projected at Kshs 50.6billion made external revenues of Kshs 23.4 billion and Own source revenues of Kshs 27.2billion This ambitious target reflects the County's commitment to unlocking the revenue potential through ongoing and other planned revenue reforms. While the FY 2027/2028 is ambitious we remain hopeful that it is achievable if the current reform momentum is sustained.

4.5 EXPENDITURE PROJECTIONS

In line with the fiscal policy of enhancing service delivery and reducing recurrent expenditures, the county aims at allocating 30% of the total projected revenues towards development expenditures. Measures will be put in place to ensure development programmes get priority in actual resource allocations. Additionally, all the facility improvement funds collected by all health facilities, Pumwani School of Nursing & midwifery and Nairobi Funeral Home will be included in the budget estimates. The total projected recurrent and development expenditures for the FY 2027/2028 stands at **Kshs. 35,459,415,114** or 70(%) and **Kshs. 15,196,892,192** 30(%) respectively.

The fiscal framework maintains a balanced budget with expenditures expected to match revenues resources available. The County anticipates no borrowing during the medium term but is exploring alternative financing models such as Public Private Partnerships and other forms of donor funding.

4.6 ALTERNATIVE TO SUPPORT THE MEDIUM-TERM FRAMEWORK

Total revenue was Kshs. 37,918,115,330 against a target of Kshs. 44,620,889,339 (85 per cent). The equitable share was received in full at Kshs. 21,417,128,399. Own source revenue realized Kshs. 12,340,553,968 against Kshs. 19,942,050,589, a performance of 62 per cent and a shortfall of Kshs. 7,601,496,621.

Table 6: Performance of conditional grants, FY 2025/2026 (Kshs.)

Conditional Grant	FY 2024/25 Actual	FY 2025/26 Target	FY 2025/26 Actual	% Perf.	Variance
Court Fines	-	Not budgeted	2,457,707	n/a	+2,457,707
National Agricultural Value Chain Development Project (NAVCDP)	-	Not budgeted	127,659,373	n/a	+127,659,373
Mineral (Mining) Royalties	-	Not budgeted	3,884	n/a	+3,884
IDA Credit – Second Kenya Devolution Support Programme (KDSP II)	-	390,000,000	70,503,589	18%	(319,496,411)
Road Maintenance Levy Fund (RMLF)	120,057,803	Not budgeted	-	-	-
DANIDA – Primary Health Care in a Devolved Context	24,521,250	35,838,750	25,653,000	72%	(10,185,750)
World Bank – Kenya Informal Settlements Improvement Project II (KISIP II)	260,000,000	200,000,000	-	0%	(200,000,000)
TOTAL CONDITIONAL GRANTS	404,579,053	625,838,750	226,277,553	36%	(399,561,197)

- Grants contracted 44 per cent year on year and now fund 0.60 per cent of the County budget, down from 1.12 per cent – a strikingly thin external base for the capital city.
- Two lines recorded nil receipts: KISIP II against a target of Kshs. 200,000,000, and the RMLF against Kshs. 120,057,803 received in the prior year.
- Three grants totaling Kshs. 130,120,964 were received with no appropriation and

could not lawfully be spent within the year.

- Data quality: the growth column reports Kshs. +201,756,303 for own source revenue against an arithmetic decline of Kshs. 2,676,241,417, and several "100 per cent" growth entries denote new items rather than doubling. These should be corrected before the Paper is laid.

GRANT-BY-GRANT ANALYSIS

Grant	Purpose	FY 2025/26 Performance	Assessment and Required Action
Court Fines	Returns to the County the proceeds of fines imposed by courts for contravention of County legislation, reimbursing enforcement cost and preserving the incentive to legislate and enforce.	Kshs. 2,457,707 received; unbudgeted; no prior-year comparator.	Not a measure of enforcement but of a broken reconciliation chain between the Judiciary, the National Treasury and the County. Nairobi is the most intensively regulated jurisdiction in the Republic. Establish a claims ledger of fines imposed under County legislation and reconcile quarterly.
NAVCDP	IDA-financed; increases market participation and value addition in selected value chains – urban and peri-urban agriculture, matching grants to producer groups, extension, post-harvest handling and market linkages. Matching-grant instrument.	Kshs. 127,659,373 received – the largest single grant receipt, 56 per cent of all grants; unbudgeted.	The one positive result, reflecting ready departmental structures. Because it was unbudgeted, it risks idle year-end balances and audit query on expenditure without appropriation. Reconcile the entitlement against the Schedule and appropriate in full.
Mineral Royalties	The County's 20 per cent share of royalties on minerals won within its jurisdiction under Section 183 of the Mining Act, 2016, compensating for the externalities of extraction.	Kshs. 3,884 received; unbudgeted.	De minimis and analytically significant. Nairobi hosts substantial ballast, building stone, murram and sand extraction in Njiru, Kasarani, Embakasi and Dagoretti. The figure indicates extraction is largely unlicensed, unreported or not attributed to Nairobi – a revenue stream escaping capture. Reconcile with the State Department for Mining and register extraction sites.
KDSP II	World Bank Programme-for-Results; strengthens county institutional performance in financial and expenditure management, intergovernmental coordination and human resources, and oversight and accountability. Level 1 finances institutional strengthening, Level 2 finances investments.	Kshs. 70,503,589 against Kshs. 390,000,000 – 18 per cent; shortfall of Kshs. 319,496,411, being 80 per cent of the portfolio shortfall.	Performance-based, so the shortfall is diagnostic: Minimum Access Conditions or Disbursement Linked Indicators were not met – typically timely audited accounts, a pending bills action plan, public investment management, automated exchequer processes, grievance redress and evidenced public participation. A low score compounds into the next cycle. No provision appears in FY 2026/27 at all.
RMLF	Ring-fenced share of the fuel levy for maintenance of county roads in Classes D to G, subject	Nil in FY 2025/26 against Kshs. 120,057,803 in FY	Not a capacity failure. The National Assembly excluded counties for FY 2024/25 and FY 2025/26; the High Court declared that

Grant	Purpose	FY 2025/26 Performance	Assessment and Required Action
	to a separate account, an annual works plan and reporting to the Kenya Roads Board.	2024/25; no target set.	unconstitutional on 5 June 2025 and ordered disbursement of Kshs. 10.52 billion; the Court of Appeal suspended the declaration to July 2026 for Parliament to legislate. The Kenya Roads (Amendment) (No. 3) Bill, 2025 proposes 15 per cent to counties against the Council of Governors' demand for 42 per cent. Carry a memorandum provision and engage through the Council of Governors and the IGRTC.
DANIDA – Primary Health Care	Danish grant disbursed as direct facility financing to Level 2 and Level 3 facilities for operations, commodities, minor repairs, outreach and community health. Funds may not be applied to salaries or capital works.	Kshs. 25,653,000 against Kshs. 35,838,750 – 72 per cent; growth of 4.6 per cent on the prior year.	The best performer in the portfolio and the only line growing against a stated target. The residual shortfall reflects tranche conditionality where facility returns are late or unreconciled. The instructive lesson: where the receiving unit is small and the reporting officer is named, absorption is acceptable; where responsibility is diffuse, it collapses. No provision in FY 2026/27 – quantify and fund the resulting facility gap.
KISIP II	World Bank with AFD and EIB co-financing; improves basic services and tenure security in informal settlements through settlement planning, surveying and titling, and investment in roads, footpaths, drainage, water, sanitation, lighting and public spaces.	Nil against a target of Kshs. 200,000,000 – 0 per cent, following Kshs. 260,000,000 in FY 2024/25.	The most undesirable outcome in this Chapter. The project runs to a fixed closing date: undisbursed balances are cancelled and revert to the financier, so this is permanent forfeiture of investment in Kibra, Mathare, Mukuru, Korogocho, Kawangware and Kayole, not deferral. Likely causes are unconcluded procurement, uncleared safeguards and resettlement instruments, unreleased counterpart funding and unsubmitted withdrawal applications. KISIP II carries 39 per cent of the FY 2026/27 envelope; a recovery plan is the first order of business.

DRIVERS OF UNDERPERFORMANCE AND THE SENSITIVITY OF DONOR FUNDING

- Inadequate capacity in user departments. Grants are received by the Treasury but implemented by sector departments that lack a dedicated project accountant, a safeguards officer and familiarity with financier procurement rules, and lose institutional memory on transfer.
- Failure to adhere to conditions. There is no consolidated register mapping each condition, Minimum Access Condition, Disbursement Linked Indicator and reporting deadline to a named officer and a due date, so conditions are

encountered at the point of disbursement rather than managed toward it.

- Competing priorities from own source revenue underperformance. The Kshs. 7.60 billion shortfall displaced counterpart funding, which has no immediate service consequence when omitted. The County thereby forgoes external money already awarded in order to protect internal money it failed to collect, at a multiple of the sum withheld.
- Contributing factors: receipt without appropriation; procurement initiated after rather than before the financial year; delayed exchequer releases and slow operationalization of designated accounts; no single project management structure owning aggregate absorption; pending bills constraining fresh commitments; legislative uncertainty on the RMLF; and weak reconciliation with remitting institutions.

Donor financing behaves differently from the equitable share, which is a constitutional entitlement disbursed against a gazetted schedule. Donor funding is a conditional promise converting into cash only on demonstrated attainment of agreed objectives. Accordingly: funds are purpose-bound and refundable if misapplied; disbursement follows verified results rather than need under performance-based instruments such as KDSP II and FLLoCA; reporting is a condition precedent, so a lapse stops disbursement, which reduces expenditure, which removes the basis for the next report; allocations expire at fixed closing dates and undisbursed balances are cancelled, not carried forward; safeguards compliance is a hard gate before works may commence or expenditure be certified eligible; counterpart obligations are binding, so an internal revenue shortfall forfeits external financing; and poor absorption prejudices successor allocations – the disappearance of KDSP II from the FY 2026/2027 estimates being a concrete illustration. Absorption capacity, not resource availability, is now the binding constraint on externally financed development.

EXTERNAL RESOURCE PROJECTIONS, FY 2026/2027

The FY 2026/2027 estimates project external resources of Kshs. 1,325,519,797 across

seven quantified lines and one unquantified line – 112 per cent above the FY 2025/2026 target and 5.9 times the outturn.

Table 7: Projected external resources, purpose and principal conditions, FY 2026/2027 (Kshs.)

Resource Line	Src.	Purpose and Principal Conditions	FY 2026/27 Estimate	% of Env.	FY 2025/26 Actual
Court fines and 20% share of mineral royalties	U	Return of fines imposed under County legislation and the County's 20 per cent royalty share under the Mining Act, 2016. Now classified as unconditional, so applicable to any lawful County purpose subject to appropriation. Realisation depends on reconciliation with the Judiciary and the State Department for Mining.	85,372,284	6.4%	2,461,591
Community Health Promoters	N	Co-finances the monthly stipend and equipping of Promoters attached to community health units under the Primary Health Care Act, 2023, for household-level promotive and preventive services, referral and disease surveillance. Ring-fenced to stipends; the County must remit a matching share, creating a county obligation of comparable magnitude.	224,010,000	16.9%	– (new)
County Aggregation and Industrial Parks (CAIPs)	N	Establishes a park providing shared aggregation, cold chain, processing, packaging and light manufacturing facilities for MSMEs and producers. The County must provide land with clean title, access, water and power servicing, a matching contribution and an operating model – obligations that commonly exceed the national contribution.	250,000,000	18.9%	– (new)
0.5% of housing levy to County Rural and Urban Affordable Housing Committees	N	Funds the operations of the Committees under the Affordable Housing Act, 2024 in identifying and planning projects, verifying beneficiaries, identifying land and overseeing implementation. Restricted to the Committee's statutory functions, with reporting to the Affordable Housing Board.	93,159,341	7.0%	– (new)
IDA – Responsive and Resilient Health Systems	D	Improves utilization and quality of primary health care and the effectiveness of planning, financing and procurement of health products, including commodity availability at community, dispensary and health centre level. Requires Environmental and Social Framework compliance and approved county work plans; part results-linked.	82,936,136	6.3%	– (new)
NAVCDP	D	Market participation and value addition in selected value chains. Matching-grant	70,000,000	5.3%	127,659,373

Resource Line	Src.	Purpose and Principal Conditions	FY 2026/27 Estimate	% of Env.	FY 2025/26 Actual
		instrument requiring counterpart funding, functioning community structures and timely statements of expenditure.			
KISIP II	D	Basic services and tenure security in informal settlements. Requires safeguards and resettlement compliance, procurement under Bank procedures, timely withdrawal applications and counterpart funding. Undisbursed balances are cancelled at the closing date.	520,042,036	39.2%	–
FLLoCA – Financing Locally-Led Climate Action	D	Builds County climate institutions – climate change unit, County Climate Change Fund and ward participatory planning – and finances ward-level resilience investments. Performance-based, with Minimum Access Conditions and an Annual Performance Assessment on the same logic as KDSP II.	Not quantified	–	– (new)
TOTAL PROJECTED EXTERNAL RESOURCES			1,325,519,797	100.0 %	226,277,553

key: U = unconditional; N = conditional allocation from the national Government share of revenue; D = conditional allocation from the proceeds of loans or grants from development partners. The FY 2025/26 comparator for line 1 combines court fines (Kshs. 2,457,707) and mineral royalties (Kshs. 3,884), classified as conditional in that year.

- Concentration risk. KISIP II alone carries Kshs. 520,042,036, being 39.2 per cent of the envelope and 2.6 times the target against which the County absorbed nothing at all.
- Novelty risk. Four new instruments – Community Health Promoters, CAIPs, the housing levy allocation and the IDA health operation – total Kshs. 650,105,477, or 49 per cent of the envelope, from instruments the County has never administered.
- Discontinued lines. KDSP II (Kshs. 390,000,000 target), DANIDA (Kshs. 25,653,000 received) and the RMLF carry no provision. Establish whether the KDSP II exclusion rests on Annual Performance Assessment grounds, since FLLoCA is gated by the same logic; quantify and fund the Level 2 and Level 3 facility gap left by DANIDA; and carry a memorandum RMLF provision against the July 2026 legislative deadline.
- Unquantified co-financing. Community Health Promoters and CAIPs carry matching obligations and KISIP II and NAVCDP require counterpart funding. The

envelope is an entitlement conditional on County expenditure, which should be quantified and appropriated as a first charge against the equitable share.

- Realisation scenarios. At the FY 2025/2026 portfolio rate of 36 per cent, receipts would be approximately Kshs. 480 million; at the budgeted-grant rate of 15 per cent, approximately Kshs. 204 million; at 75 per cent following remedial measures, approximately Kshs. 994 million. The County Fiscal Strategy Paper should adopt a scenario rather than the gross entitlement figure. Estimation risk is material at both ends: the fines and royalties' projection is 34.7 times the Kshs. 2,461,591 realised, while NAVCDP at Kshs. 70,000,000 is 45 per cent below the Kshs. 127,659,373 received.

- Corrections required to the schedule: the column heading reads "2026/26"; the FLLoCA line is labelled 2025/26 and carries no amount; "KISSIP II" is misspelt; no total is struck; no prior-year comparator is shown; and the reclassification of fines and royalties from conditional to unconditional requires a stated basis, since it changes how the funds may lawfully be applied.

FINANCING OUTLOOK: THE COOPERATION AGREEMENT WITH THE NATIONAL GOVERNMENT

On 17 February 2026 the National Government, acting through the Prime Cabinet Secretary and Cabinet Secretary for Foreign and Diaspora Affairs, and the Nairobi City County Government, acting through the Governor, executed a Cooperation Agreement under Section 6 of the Urban Areas and Cities Act, cap 275, read with Articles 6(2), 186 and 189(2) of the Constitution and Section 23(a) of the Intergovernmental Relations Act, Cap 265F. It is effective fourteen days from execution for an initial twenty-four months, renewable and terminable on six months' notice, and does not constitute a transfer of functions. Collaboration is confined to five areas: solid waste management; County roads, non-motorized transport and street lighting; markets and MSME trading facilities; housing-related infrastructure; and water and sanitation. Governance is two-tier – a Steering Committee chaired by the Prime Cabinet Secretary with the Governor as Vice-Chairperson meeting quarterly,

and an Implementation Committee chaired by the Governor meeting monthly, which places the County in control of project identification and sequencing. An indicative Kshs. 80 billion is projected for deployment into priority projects over the medium term.

- The Agreement is not an appropriation. Clause 7.3 requires every programme to be properly costed and provided for in the respective budgets and processed through the applicable budget cycles. The Kshs. 80 billion is a planning assumption; it is separate from, and must not be added to, the Kshs. 1,325,519,797 projected in Section 5.
- Not all of it passes through the County Revenue Fund. A substantial portion will be executed directly through national Ministries, Departments and Agencies and must be disclosed as off-budget complementary investment. Consolidating the whole figure into the County revenue forecast would overstate the resource envelope and distort the fiscal responsibility ratios.
- It creates County obligations, not only benefits: counterpart funding under Clause 7.1, provision of land and way-leaves, relocation and compensation, and a permanent operation and maintenance tail on completed assets that must be quantified at project identification and provided for in the recurrent ceilings.
- Its importance is heightened by the fact that the FY 2026/2027 grant projections contain no provision at all for solid waste, roads and street lighting, or water and sanitation – three of the five areas of collaboration. On the face of the projections the Agreement is the only external financing channel for those functions.
- Required County actions: negotiate a supplementary arrangement under Clause 11.1 fixing the project list, costings, cost-sharing ratios, flow of funds, procurement responsibility, asset ownership and handover, and operation and maintenance responsibility; establish a County-side secretariat to the Implementation Committee in the Office of the Governor; conduct and document public participation under Clause 6 before commitment; and use the Implementation Committee to escalate the stalled KISIP II, KDSP II and RMLF portfolios. Principal risks are the twenty-four-month term against longer

infrastructure cycles, the 2027 electoral cycle, termination on notice, appropriation risk, and the County's demonstrated 36 per cent conversion rate applied to an envelope of this magnitude.

6. OTHER AVAILABLE ALTERNATIVES FOR FINANCING PRIORITY PROJECTS

At Kshs. 1.33 billion the entire projected external envelope is smaller than the cost of a single substantial urban asset. The following modalities should be developed into a structured, institutionally owned pipeline rather than pursued opportunistically.

Modality	Application in Nairobi	Legal Basis and Key Requirements
Public Private Partnerships	Parking, market development and management, solid waste collection and waste-to-energy, street lighting under energy performance contracts, affordable housing on County land, bus termini, managed equipment services, revenue and ICT systems, storm-water assets – several in areas for which no grant financing is projected.	PPP Act, Cap 430, referenced in Clause 4.1 (vii) of the Agreement; County PPP Committee and Node; appraisal through the PPP Directorate at the National Treasury; Cabinet approval where contingent liabilities arise. Requires a fiscal commitment and contingent liability assessment disclosed in the fiscal risk statement, value for money against the public sector comparator, and County Assembly approval where fiscal commitments arise.
Joint Venture Agreements	Redevelopment of the County land bank – underutilized markets, decanting sites, staff housing estates, bus parks and social halls. The land requirement of the County Aggregation and Industrial Park is itself a candidate.	Land Act, 2012 and the National Land Commission; government valuation; County Assembly approval; competitive selection under Cap 412C. Guard against undervaluation and long alienation of prime public land through independent valuation, guaranteed minimum returns, performance security, step-in rights and reversion of the asset.
Technical Cooperation	Feasibility and transaction advisory work, GIS and valuation roll modernisation, revenue automation, mobility and climate planning, solid waste systems design, safeguards and procurement capability. This addresses the binding constraint directly – the absence of bankable projects and of the capability to convert allocations into disbursements.	Nairobi hosts UNEP and UN-Habitat and stands with New York, Geneva and Vienna as one of four cities hosting multiple United Nations headquarters. Partners include the World Bank, AfDB, GIZ, JICA, AFD, KfW, the European Union, Cities Alliance, C40 and UCLG Africa. Coordinate through the Directorate of Donor Coordination and Stakeholder Engagement, with all assistance in a single register cleared with the National Treasury and the Ministry of Foreign and Diaspora Affairs.
Sister City Agreements	Knowledge transfer and peer learning, trade and investment promotion, cultural and educational exchange, in-kind equipment, matched municipal grants and diaspora engagement, supporting the County's stated aspiration on the Global Cities Index.	A county has no treaty-making capacity: under Article 2(6) and the Treaty Making and Ratification Act, 2012 that power is reserved to the national executive. Arrangements must be non-binding administrative memoranda carrying the concurrence of the Ministry of Foreign and Diaspora Affairs and settled by the County Attorney – the Prime Cabinet Secretary holding that portfolio provides a ready channel. Each

Modality	Application in Nairobi	Legal Basis and Key Requirements
		should carry a work plan, deliverables, an accountable officer and a sunset review.
Philanthropy and Corporate Social Investment	Health equipment and facility improvement, including mitigation of the primary care gap left by the DANIDA withdrawal; early childhood development and school feeding; digital inclusion; urban greening and Nairobi rivers rehabilitation; rescue centres; scholarships; emergency response.	Codify a county policy on gifts, grants and donations: all donations recorded and audited, a published register, in-kind contributions valued and entered in the asset register, no conditions fettering regulatory discretion having regard to the Public Officer Ethics Act and the Bribery Act, 2016, and no recurrent commitments the County cannot sustain once the funding ends.

Further instruments merit development: County infrastructure and green bonds, within the constraint of Article 212 of the Constitution and Section 140 of the Public Finance Management Act permitting county borrowing only on a national Government guarantee approved by the County Assembly; climate finance through FLLoCA, the County Climate Change Fund, the Green Climate Fund and Article 6 carbon markets; land value capture through betterment levies, development charges and premiums on change of user; asset monetisation with proceeds ring-fenced to capital investment; and blended finance from development finance institutions. None will deliver without institutional ownership: establish a Project Preparation and Alternative Financing Unit in the Office of the Governor to maintain a single project pipeline register and ensure every non-exchequer arrangement is disclosed in this Paper, the County Fiscal Strategy Paper and the fiscal risk statement.

7. RECOMMENDATIONS

No.	Recommendation	Lead and Timing
1	Adopt a KISIP II recovery plan as the first order of business, the project carrying 39 per cent of the FY 2026/27 envelope: agree a time-bound disbursement and works plan with the National Programme Coordination Unit and the financier, prioritise contracts already procured, clear outstanding safeguards and resettlement instruments, and escalate to the Implementation Committee.	Urban Renewal, Housing and Lands – immediate
2	Establish a County Grants and Project Management Unit in the County Treasury with a dedicated grants accountant, procurement specialist and safeguards officer holding aggregate responsibility for absorption.	County Treasury / County Secretary – Q1 FY 2026/27
3	Appropriate every notified allocation without exception in the annual estimates, and recognize unanticipated receipts through the first supplementary budget of the year.	County Treasury – annual budget cycle
4	Maintain a consolidated conditions register mapping every condition, Minimum Access Condition, Disbursement Linked	County Treasury / sector departments – Q1 FY 2026/27,

No.	Recommendation	Lead and Timing
	Indicator and reporting deadline to a named officer and due date, reported quarterly to the County Executive Committee.	then quarterly
5	Quantify and appropriate as a first charge against the equitable share all matching and counterpart obligations under Community Health Promoters, CAIPs, KISIP II and NAVCDP, protected from re-allocation arising from own source revenue variance.	County Treasury – FY 2026/27 estimates
6	Prepare readiness plans for the four new instruments before the year opens – designated accounts, implementing structures, work plans, safeguards arrangements and reporting templates.	Sector Chief Officers / County Treasury – by 30 June 2026
7	Establish and disclose why KDSP II has been discontinued, since the same Annual Performance Assessment logic governs FLLoCA; quantify or remove the FLLoCA line after confirming Minimum Access Conditions are met; fund the Level 2 and Level 3 primary care gap left by the DANIDA withdrawal; and carry a memorandum provision for the Road Maintenance Levy Fund.	County Treasury / Devolution / Health – before tabling of the estimates
8	Front-load procurement, approving grant procurement plans and commencing tendering before 30 June for the following year; and reconcile with remitting institutions – a claims ledger for fines under County legislation, a register of extraction sites with the State Department for Mining, and RMLF entitlements through the Kenya Roads Board, the Council of Governors and the IGRTC.	Chief Officers / County Treasury / County Attorney – by 30 June, then quarterly
9	Strengthen own source revenue through automation, base expansion and enforcement; make absorption a contracted performance measure for County Executive Committee Members and Chief Officers; and publish quarterly grant performance reports under Section 118(4)(b).	County Treasury / County Secretary – FY 2026/27, then continuous

FY 2025/2026 performance was unsatisfactory – 36 per cent absorption, 15 per cent against budgeted grants, a 44 per cent contraction and one permanent forfeiture. The FY 2026/2027 projection of Kshs. 1,325,519,797 is a fair statement of entitlement, but 39 per cent of it sits in an instrument that absorbed nothing last year and 49 per cent in instruments the County has never administered. The Cooperation Agreement opens a further and much larger channel, and is the only projected external channel for solid waste, roads and water and sanitation. The determining variable is no longer the availability of resources but the County's demonstrated capacity to convert commitments into disbursed, accounted-for and audited expenditure delivering visible services to Nairobi residents.

PART 5: SECTORAL INDICATIVE BUDGET CEILINGS

5.1 This part outlines the indicative sectoral ceilings for the FY 2027/2028 Medium-term Expenditure Framework as indicated in **ANNEXE I & ANNEXE II**.

The indicative sectoral ceilings for FY 2027/2028 and the medium term will guide preparation of detailed departmental and sector budget proposals for the FY 2027/2028 . The ceilings will be reviewed within the overall resource envelope and adjusted where necessary to reflect approved policy decisions, changes in revenue projections and emerging fiscal issues and will be firmed up in the FY 2027/2028 County Fiscal Strategy Paper.

In preparing the budget proposals for the FY 2027/2028 and the Medium Term, Sector Technical Working Groups will be guided by the following broad criteria;

- i. Linkage of programmes that Economic Recovery
- ii. Linkage of programmes that support completion of ongoing projects
- iii. Linkage of the programme with the priorities of County Integrated Development Plan 2023-2027 and the Vision 2030 blue print;
- iv. Degree to which a programme addresses job creation and poverty reduction;
- i. Degree to which a programme addresses the core mandate of the department
- ii. Expected outputs and outcomes from a programme;
- iii. Cost effectiveness and sustainability of the programme;
- iv. Extent to which the Programme seeks to address viable stalled projects and verified pending bills;
- ix. Requirements for furtherance and implementation of the Constitution and other legislations.

The 2027/2028 and the medium-term projections shall be guided by the ceilings provided in Annexe I and Annexe II. In addition, Sector working Groups are required to ensure compliance with timelines provided in Circular No...2. /2026 and any other advisories that may issue from time to time

5.2 CONCLUSION

Due to the limited resources Sector Working Groups while working on the budget proposals for the FY 2027/2028 & the medium term are required to critically review, evaluate and prioritize all budget allocations in line with the CIDP 2023-2027 as per the ceilings provided in Annexe I & II. The sector ceilings will be firmed up in the County Fiscal Strategy Paper 2026.

ANNEXE 1: Fiscal Framework For FY 2027/2028-2029/2030

	FY 2025/2026		FY 2026/2027	Projections		
	Actuals	Approved	Approved	FY 2027/2028	FY 2028/2029	FY 2029/2030
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Total Revenues	37,918,115,331	44,620,889,339	49,271,943,291	50,656,307,306	52,337,833,127	54,431,346,452
Equitable Share	21,417,128,399	21,417,000,000	22,113,620,446	23,164,627,200	24,091,212,288	25,054,860,780
Conditional Grants	226,274,553	625,838,750	1,358,519,797	331,467,761		
Own Source Revenues	12,340,556,969	19,942,050,589	20,864,624,048	22,079,482,000	22,962,661,280	23,881,167,731
Liquor Board Revenue	316,369,572	400,000,000	400,000,000	500,000,000	520,000,000	540,800,000
Hospitals/Nairobi Funeral Home	2,874,784,659	1,236,000,000	2,700,000,000	4,445,551,345	4,623,373,399	4,808,308,334
betting and gaming	5,255,000		135,179,000	135,179,000	140,586,160	146,209,606
Cash Balances from previous fy	737,746,179	1,000,000,000	1,700,000,000	-	-	-
Total Expenditures	36,937,559,610	44,620,889,339	49,271,943,291	50,656,307,306	52,337,833,127	54,431,346,452
1.Recurrent	32,947,872,348	31,203,189,118	34,363,032,155	35,459,415,114	36,636,483,189	38,101,942,516
Transfers to County Assembly	1,193,631,027	1,638,909,510	2,726,499,528	1,850,000,000	1,924,000,000	2,000,960,000
Wages & Salaries	17,236,882,170	16,472,103,016	15,789,101,272	18,907,594,528	19,474,822,364	20,059,067,035
Operations & Maintenance	11,437,401,347	11,557,176,592	13,504,433,268	11,209,934,645	11,601,299,446	12,255,299,647
FIF-Facilities Improvement Funds	2,874,784,659	1,236,000,000	2,062,998,087	3,111,885,942	3,236,361,379	3,365,815,834
Liquor Board	205,173,144	299,000,000	280,000,000	380,000,000	400,000,000	420,800,000
2.Development	3,989,687,262	13,417,700,221	14,908,911,136	15,196,892,192	15,701,349,938	16,329,403,936
Transfers to County Assembly	111,700,857	1,000,000,000	1,800,000,000	1,400,000,000	1,400,000,000	1,400,000,000
Other Development Expenditures	3,842,653,980	12,316,700,221	12,929,881,136	12,343,226,788	12,794,337,918	13,366,911,435
FIF-Facilities Improvement Funds			59,030,000	1,333,665,404	1,387,012,020	1,442,492,500
Liquor Board	35,332,425	101,000,000	120,000,000	120,000,000	120,000,000	120,000,000
Ratios						
Devt -Revenues	11	30	30	30	30	30
Wages & salaries-Revenues	45	37	32	37	37	37

ANNEXE II-FY 2026/2027 INDICATIVE BUDGET CEILINGS

Vote	Employee Cost	Other Recurrent Expenses	Development	Total
5311000000 COUNTY PUBLIC SERVICE BOARD	49,617,332	50,000,000	15,000,000	114,617,332
5314000000 FINANCE & ECONOMIC PLANNING	1,443,948,951	1,540,461,123	1,000,000,000	3,984,410,074
5320000000 PUBLIC SERVICE MANAGEMENT	297,469,268	1,800,000,000	15,000,000	2,112,469,268
5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	152,740,701	40,000,000	220,000,000	412,740,701
5323000000 ENVIROMENT, WATER, ENERGY & NATURAL RESOURCES	2,317,185,411	1,700,000,000	1,500,000,000	5,517,185,411
5325000000 WARD DEVELOPMENT PROGRAMMES		60,000,000	2,255,000,000	2,315,000,000
5326000000 EMERGENCY FUND		200,000,000	-	200,000,000
5327000000 LIQOUR LICENSING BOARD		380,000,000	120,000,000	500,000,000
5329000000 BOROUGHES AND PUBLIC ADMINISTRATION	3,454,178,214	300,000,000	900,000,000	4,654,178,214
5330000000 COUNTY ATTORNEY	161,443,608	400,000,000	10,000,000	571,443,608
5331000000 INNOVATION AND DIGITAL ECONOMY	108,294,960	80,000,000	128,000,000	316,294,960
5332000000 HEALTH WELLNESS & NUTRITION	8,012,034,234	5,308,220,538	2,630,007,179	15,950,261,950
5333000000 BUILT ENVIROMENT & URBAN PLANNING	468,110,608	180,000,000	844,000,000	1,492,110,608
5334000000 MOBILITY AND WORKS	479,894,068	1,050,000,000	2,029,885,013	3,559,779,081
5335000000 TALENT SKILLS DEVT & CARE	1,046,673,658	990,000,000	1,000,000,000	3,036,673,658
5336000000 BUSINESS & HUSTLER OPPORTUNITIES	786,916,942	235,000,000	650,000,000	1,671,916,942
5337000000 INCLUSIVITY PUBLIC PARTICIPATION, & CITIZEN ENGAGEMENT	129,086,573	150,000,000	80,000,000	359,086,573
5338000000 NAIROBI REVENUE AUTHORITY		238,138,925	400,000,000	638,138,925
Total -EXECUTIVE	18,907,594,528	14,701,820,586	13,796,892,192	47,406,307,306
5322000000 COUNTY ASSEMBLY	1,178,165,499	671,834,501	1,400,000,000	3,250,000,000
Total	20,085,760,027	15,373,655,087	15,196,892,192	50,656,307,306
% OF TOTAL REVENUES	40	30	30	100

ANNEXE III: BUDGET CALENDER FOR THE FY2027/2028& THE MEDIUM -TERM

	ACTIVITY	TIMELINESS	RESPONSIBILITY
1	Issuance of 2027/28 Budget Preparation Guidelines	By 15 th August 2026	County Treasury
2	Submission of ADP 2027/28 to the County Assembly	By 1 st September 2026	County Treasury
3	Development of Medium-Term Budget Framework /Public Expenditure Reviews (PPRs)		
	Public Expenditure Reviews	By 20 th August 2026	Sector Working Groups
	Submission of Draft County Budget and review Outlook Paper (CBROP) 2026 to County Executive Committee	By 1 st September 2026	County Treasury
	Submission of County Budget and review Outlook Paper (CBROP) 2026 to County Assembly	By 3 rd September 2026	County Treasury
4	Preparation of Medium-Term Budget Proposals		
	Preparation Sector Budget proposals for 2027/28 & Medium Term	By 25 th September 2026	Sector Working Groups
	Submission of Preliminary Sector Reports (MTEF) to County Treasury	4 th October 2026-9 th October 2026	County Treasury/SWGs
	Public Hearings	By 18 th October 2026	County Treasury /Sector Working Group
	Review and incorporation of Public Inputs in the Sector Budget Proposals	By 23 rd October 2026	Sector Working Groups
	Submission of Final Budget Proposals for the FY 2027/2028 & The Medium Term	By 30 th October 2026	Sector Working Groups
quu5	Draft County Fiscal Strategy Paper (CFSP)		
	Draft CFSP 2027/2028	By 14 th December 2026	County Treasury
	Submission & Approval of CFSP to County Executive Committee for Approval	By 15 th December 2026	County Treasury
	Submission of final CFSP to County Assembly for approval	By 21 st December 2026	County Treasury
6	Preparation and approval of Final Budgets FY2027/28		
	Issue Final Budget Guidelines on preparation of 2027/2028 MTEF Budget	By 5 th January 2027	County Treasury
	Submission of FY 2027/28 & MTEF to County Treasury	By 22 nd January 2027	Sector Working Groups
	Consolidation of Draft Budget Estimates	By 29 th January 2027	County Treasury
	Consideration of the Draft Budget Estimates for FY 2027/2028 & The Medium Term by County Budget Economic Forum (CBEF)	By 12 th February 2027	County Treasury
	Consideration and approval Draft Budget Estimates by County Executive Committee	By 28 th February 2027	County Treasury
	Submission of Draft Budget Estimates & budget documents for FY2027/28 to County Assembly	By 1 st March 2027	County Treasury
7	Consolidation of Final Budget Estimates as Approved by Assembly	By 21 st April 2027	County Treasury
8	Submission of Appropriation Bill to Assembly	By 26 th April 2027	County Treasury
9	Appropriation Bill 2027 passed by County Assembly	By 30 th April 2027	County Assembly