# NAIROBI CITY COUNTY

COUNTY FISCAL STRATEGY PAPER

2021

*Institution transformation for Recovery, resilience and improved services*

**VISION**

*"The city of choice to Invest, Work and Live in"*

**MISSION**

*To provide affordable, accessible and sustainable quality service, enhancing community participation and creating a secure climate for political, social and economic development through the commitment of a motivated and dedicated team.*

## FOREWORD

The Nairobi County Fiscal Strategy Paper is prepared pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012, and will provide the fiscal policy direction towards the budget 2021/2022. The CFSP 2021 is the fourth paper towards the implementation of the CIDP 2018-2022, and focus remains on the finalization of the county's eight development objectives, while at the same time proposing interventions that will cushion Nairobian's from the effects of the Covid-19 Pandemic and help them towards the recovery path in consonance with the Budget Policy Statement 2021.

The Government dint report much successes in the FY 2019/2020 due to the Covid-19 pandemic that largely affected County's performance both in revenue collection and expenditure. Total expenditures by commitments in financial year 2019/2020 amounted to Ksh. 23.35 B against a target of Ksh. 36.98 B. This paper proposes a budget of Ksh. 37.1 Billion, which will finance both the retained functions, and the ones transferred to NMS; a 31.9 % increment from the final accounts of FY 2019/2020, where Ksh 20.7 B was actualized. It is projected that a total of Ksh. 19.8 Billions will be collected from own source revenue (53.4% of total) and Ksh 17.3 Billion as external revenue (46.6% of total). To finance the transferred functions, the Nairobi Metropolitan Service has been allocated 49.6% of the budget comprised of Ksh. 8.6B for personnel emolument, Ksh. 3.2 B for operations and Ksh. 6.6 B for development. In aggregate, the total county budget will be utilized for recurrent expenditure at 70% (Ksh. 15.6B for personnel and Ksh. 10.4B for operations) and 30% will be utilized for development (Ksh. 11.1 B). Reduction of non-essential expenditure remains a key agenda of the government, which will free up more resources for development in the medium term. For development in the FY 2021/2022, the paper recommends more focus to be on ongoing projects.

The interventions towards recovery and resilience creation proposed herein are expected to not only improve the wellbeing of households, but also rejuvenate the development momentum of the city; towards being the best city for all to invest, work and live in.

**ALLAN ESABWA IGAMBI**
**COUNTY EXECUTIVE COMMITTEE MEMBER**
**FINANCE AND ECONOMIC PLANNING**

**ACKNOWLEDGEMENT**

The production of this CFSP 2021-2022 could not have been successful if not for the dedication of many who participated in process. Despite the hurdles, the process was participatory and inclusive, and brought together diverse stakeholders, whose inputs enriched the quality of this paper. We acknowledge the pool of resources, time and ideas offered by members of the public, private sector and other stakeholders.

It is my singular honour to applaud all staff of Nairobi City County who both directly and indirectly participated in the production of this plan, with my sincere gratitude to the County's top management for their leadership.

I wish to acknowledge the County Executive Committee Member for Finance and Economic Planning Mr. Allan Igambi for his dedication towards the timely preparation of this plan, and his role in coordination of all County Executive Committee Members, whose sectoral inputs were immense. Special thanks to the Acting County Secretary Dr. Jairus Musumba, for the impeccable coordination and support across the 10 sectors. I also convey my utmost appreciation to all County Chief Officers, members of respective sector working groups, and Sub-County Administrators for the distinguished role they played, particularly in receiving and analysing inputs from members of the public.

I appreciate the magnificent dedication of the Director of Economic Planning Mr. Geoffrey Sianga and the Head of Budget Mr. James Ngunjiri, and am pleased to single out the team of economists that guided the formulation and production process.  This include Grace Chabari, Petronilla Kangara, and Molly Achieng; whose commitment and unquantifiable effort made this process successful. All the support staff in the Economic Planning department are acknowledged for the various roles they played in the production process. I acknowledge the support of all Heads of Department in the Finance and Economic Planning Sector for their cooperation and support.

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

**HALKANO WAQO**
**COUNTY CHIEF OFFICER - FINANCE AND ECONOMIC PLANNING**

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# CHAPTER ONE: OVERVIEW

## 1.0 Introduction

**1.** This chapter presents the philosophy behind financial planning, the legal framework underpinning the preparation of the fiscal strategy paper for the fiscal period 2021/2022. It provides a summary of key achievements for the financial year 2019/2020 and up to mid-2020/2021 for various County departments.

**2.** Section 117 of the Public Finance Management Act 2012 requires all counties to table a County Fiscal Strategy Paper (CFSP) in their respective county assemblies by 28 February each year. The Paper should have at least four core elements namely Performance review, priority setting for the medium term, projections of revenue and expenditure and expenditure ceilings for respective sectors. Specifically the paper shall provide the following information:

1. A description of budget implementation for the period 2019/2020 and first half of the year 2020/2021 (July to December), including revenue and expenditure performance.
2. A description of any changes to the budget during the year, such that may have necessitated revision of the approved financial plan.
3. An overview of the expected revenue and expenditure totals for the coming year, based on an assessment of the economy and any other determinants.
4. Ceilings on the amount of money each sector, will get in the upcoming budget and the basis for such capping.

## 1.1 LEGAL FRAME WORK

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

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

i. The Commission on Revenue Allocation
ii. The Public
iii. Any interested persons or groups
iv. Any other forum that is established by legislation

**5.** Section 117(2) of PFM Act requires counties to align the CFSP with the national objectives in the Budget Policy Statement (BPS), and towards this, the County Treasury has aligned the proposed revenue and expenditure plan to the national financial objectives contained in the BPS 2021. Achieving the development agenda espoused in the County Integrated Development Plan, (CIDP 2018-2022) remains the overarching target. In this regard, the fiscal policies are geared towards triggering a multiplier effect towards the achievement of the national theme of **building back: strategy for resilient and sustainable economic recovery** through implementation of policies to provide an enabling environment for economic recovery to safeguard livelihoods, jobs, businesses and industrial and institutions recovery. The policies highlighted in chapter three have also been anchored on the Medium-Term Plan III of the Vision 2030 as prioritized in the "Big Four" Agenda.

### 1.2 Rationale

**6.** The Fiscal strategy Paper outlines the County's fiscal policies in the context of prevailing macro-economic policies and outlook while articulating the Nairobi County's strategic priorities and policies for the fiscal year 2021/2022, and how these will be achieved within the available resources. The County Fiscal Strategy Paper is the guide to the County Budget Process, with binding policy directions on budget formulation and implementation in the medium term. It analyzes the past and the present setting of the budget, and how they influence the future. The Nairobi County Fiscal Strategy Paper specifies the broad strategic priorities and policy goals that guide the County government in preparing its budget for the coming financial year and over the medium term.

## 1.3 COUNTY ACHIEVEMENTS UPTO MID-YEAR 2020/2021

### 1.3.1 EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICE

**7.** To improve retention and boost nutrition of pupils from ECDE, the county introduced free feeding programme which is ongoing. Needy and bright secondary school students also benefitted from Ksh 3.5 Million worth of bursaries at the ward level. In addition 1,000 other learners have benefitted from executive full scholarship. This has led to greater transition to secondary schools.

**8.** In order to enhance access to sport and enhance skill development opportunities for the Youth, the County is still pursuing completion of phase 1 of rehabilitating city stadium which is 80% complete. Four (4) No. stadia (Dandora, Kihumbuini, Ziwani, and Riruta) are currently under construction at 80 % completion. In addition construction of Ruai children rehabilitation centre is ongoing at 48% completion level. Funds were also invested in the rehabilitation of kaloleni library which is 100% complete and Eastlands at 80% level of completion.

### 1.3.2 COMMERCE, TOURISM AND COOPERATIVES SECTOR

**9**. The sector continued to sustain ongoing development and expansion of trade & markets. The sector completed the construction of Kariokor common leather manufacturing facility and Shaurimoyo market, established and equipped trade information desk at Westlands. The sector also ensured reconstruction of burnt markets of Makina at 95%, Jogoo road (100%) and city market (60%). Ongoing construction work also at Muthurwa market, Wakulima markets, Ngara market, kayole spine road and Jericho market among others.

### 1.3.3 AGRICULTURE, FOOD SECURITY AND FORESTRY

**10.** In the financial year 2019/ 2020, the Sector approved budget was Ksh. 349,561,169 for recurrent and development of Ksh. 126 Million. However during supplementary budget, sector allocation was revised to Ksh. 334,737,606 and 79.3 Million respectively. The rate of absorption was 49 percent, mainly towards personnel remunerations and payment of some pending bills. Activities of sector functions received minimal funding. However, in addition to collaboration with partners and stakeholders, the sector provided a significant portion of its functions, including developing a draft Food System Strategy, reached 16,097 farmers/ clients with extension messages and 1,642 with food safety requirement messages, planted total of 22,193 tree seedlings and vaccinated 29,028 animals. Also daily regulation of the operations of 9 abattoirs, 17 slaughter slabs, 2 meat markets, 11 tanneries, 9 fish markets, tree cutting and pruning and movement of animals; these generated revenue amounting to Ksh.32,026,952. By mid-2020/2021 the sector reached out to 5,951 farmers through farm visits and trainings, planted a total of 4,842 trees, licensed 400 dogs and conducted 2 food security surveillance missions.

### 1.3.4 FINANCE AND ECONOMIC PLANNING

**11.** The Economic planning department continued with the implementation and tracking of the CIDP 2018-2022, and in the process of preparing the CFSP 2021/22, conducted two quarterly monitoring and evaluation exercises, prepared an annual performance sector report and trained sector working groups. Revenue department managed to collect a total of Ksh. 8.5 B for the financial year 2019/20 and Ksh. 4B by mid-2020/21. The asset department managed to insure all county assets and staff, updated the county asset inventory and formulated a draft asset management policy.

### 1.3.5 ICT AND E-GOVERNMENT

**12.** During the years under review, the sector carried out the following projects; e-payment solution, expansion of ICT infrastructure connectivity, Integrated City Management System (ICMS), Citizen Relationship Management (CRM), provision of support licenses for unified communication equipment, Intelligent City Surveillance and Internet service promotion and refurbishment of ICT offices.

### 1.3.6 PUBLIC SERVICE MANAGEMENT, DEVOLUTION AND ADMINSTRATION

**13.** The sector continued to spear head prudent and efficient management of the County's human resources for high quality service delivery. The sector has continued to work towards create highly skilled workforce to provide quality services. During the financial year 2019/2020 and mid of FY 2020/21the sector was able recruit 818 constables and 300 firemen, promoted 6,585 Staff, developed VERs policy. In addition about 75% of renovations work was done for PSM offices.

### 1.3.7 GOVERNOR'S OFFICE

**14.** The Governor's Office consists of Administration, Internal Audit and Risk Management, Security and Compliance, Legal and Fire, Rescue and Disaster Management Sub-Sectors.

**15.** The Administration department completed renovation of the communication's office, digitization of personnel Registry and rebranding of records.

**16.** The Internal Audit department continued to fortify capacities for fiscal risk detection and mitigation through staff skill development where seventeen (17) auditors were trained.

**17.** The legal department carried their continuous role of prosecuting and defending the county in all legal matters and also drafted amendments to county laws.

### 1.3.8 COUNTY PUBLIC SERVICE BOARD

**18.** During the financial years under review, the public service board achieved the following:

- 6,355 No. staff were promoted
- 1,110 No. new recruitments were done
- 213No. disciplinary cases were finalized
- 213 No. confirmations of appointment were done
- 198 No. cases of historical injustices and stagnations were resolved

### 1.3.9 THE COUNTY ASSEMBLY

**19.** The county assembly has remained steadfast in achieving its legal mandate of legislation, representation and oversight. The assembly managed to consider and pass the; Nairobi City County Outdoor Advertising and Signage Control and Regulation Bill, 2018; Nairobi City County Trade Licensing Bill, 2019; Nairobi City County Community Health Services Bill, 2019; Nairobi City County Corporations Bill, 2019; Nairobi City County Revenue Administration Bill, 2019; in 2018/19, all with an aim to streamline service delivery and improve revenue collection, Nairobi City County Sexual and Gender Based violence Management and Control Bill, 2019; Nairobi City County Pop-up Markets and Street Vending Bill, 2019; and the Nairobi City County Transport Bill, 2019

# CHAPTER TWO:  MACRO ECONOMIC POLICY FRAMEWORK

## 2.1 MACRO ECONOMIC POLICY FRAMEWORK

***Global Economic Prospects/outlook***

**20.** The year 2020 witnessed a near collapse of global economy with a major decline in global economic growth at a contraction rate of 4.3 percent due to the impact of Covid-19 pandemic up from a growth rate of 2.3 percent in 2019. The negative growth was due to reduced personal interface due to either official restiction or personal decisions, policies that discouraged investments, disruption of education that slowed human capital accumulation and the adverse effects on tourism. Although the spread of the virus across the Sub-Saharan Africa (SSA) has not been as rapid as initially feared, the region was also hard hit by COVID-19 pandemic impact leading to an expected shrinkage of 3.7 percent in 2020 up from 2.4 percent growth in 2019. However, growth in SSA is predicted to resume at a moderate rate of 2.7 percent in 2021 mainly due to expected accelerated export growth in line with rebound. However,  the pandemic impact is expected to weigh on growth  due to expected lag in rollout of vaccine in the region as well as weaker than expected recoveries in key trading partners (World Bank Group, 2020)[1].

**21.** Global economy is however projected to expand by 4 percent in 2021 and a moderate growth rate of 3.8 percent in 2022. The projected pick up is due to confidence on the ongoing vaccination, improvement in consumption and trade. However, there are major risks that are likely to dampen these projections such as emergence of new corona virus strands that can lead to re-introduction of restrictive measures as well as uncertainity about the post-pandemic economic landscape (World Bank Group, 2020).

**22**. In advanced economies, growth is expected rise to 3.3 percent in 2021 from a negative growth of 5.4 percent in 2020 compared to a 1.6 percent positive growth in 2019. The positive projection is attributed towidespread vaccination and sustained monetary policy accommodation, that is expected to more than offset the partial unwinding of fiscal support. (World Bank Group,

[1] World Bank Group 2020 *Global Economic Prospects* Washington, DC International Bank for Reconstruction and Development / The World Bank

2020). However, apart from the negative impact of the pandemic on potential growth, the macroeconomic effects of demographic change (aging and slower population growth) could also weigh on the medium-term forecast these economies (IMF, 2020)[2].

**23**. Like other regions, growth in emerging markets and developing economies is expected to increase in 2021 by 3.4 percent up from an estimated contraction of 5 percent in 2020, reflecting recoveries from adverse effect of Covid-19 that resulted in decline in investments and increased unemployment whose long-term effect is likely to erode growth prospects for developing economies. However, a major risk to the projected growth of these economies could arise from weak fiscal position and the financial stress due to high debt levels for the developing countries (World Bank Group, 2020).

**24**. Growth in the East African Community (EAC) region is estimated to slow down to 1 percent in 2020 compared to 6.2 percent in 2019. The positive growth is mainly attributed to a positive growth in Kenya, Tanzania and Rwanda. However, economic activities in Uganda and Burundi are expected to contract in 2020 (The Kenya National Treasury and Planning, 2021)[3].

***Domestic Economy***

**25**. Although the Kenya's economy has over the previous years remained strong and resilient; it also experienced a slight decline in growth due to the pandemic. Despite the various policy instruments employed by the government to dampen the effect of the pandemic, the economy is projected to experience a negligible growth of 0.6 percent in 2020 up from a growth of 5.4 percent in 2019 mainly due to the swift containment measured that adversely affected businesses and other economic activities as well as contraction in the service and industry sub-sector. A major contraction of the economy occurred during the second quarter of 2020 with a negative growth of 5.7 percent from a growth of 4.9 percent in the first quarter of 2020 (World Bank Group, 2020; Economic Survey, 2020; The Kenya National Treasury and Planning, 2021).

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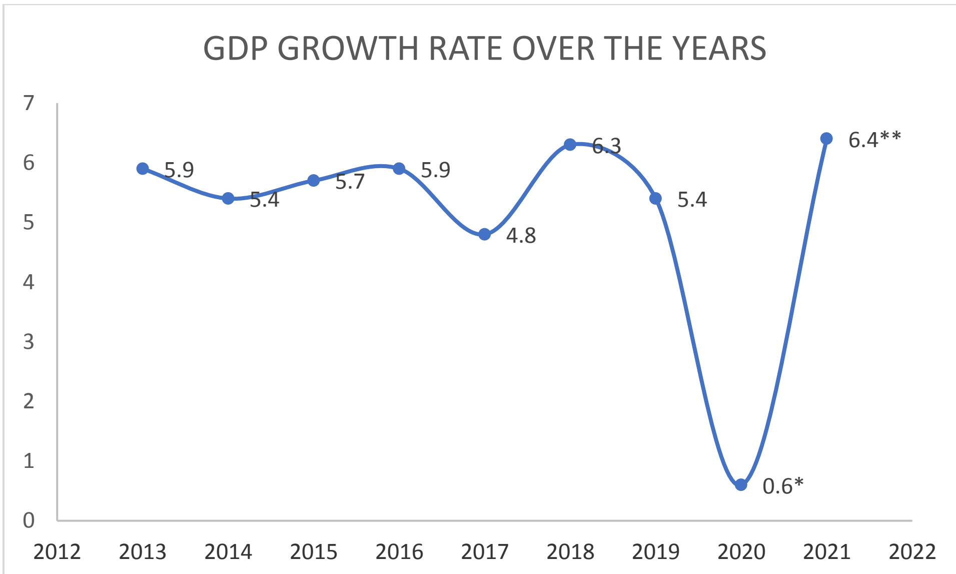
[2] IMF 2020 *World Economic Outlook: A long and Difficult Ascent* Washington, DC International Monetary Fund

[3] The Kenya National Treasury and Planning 2021 *Draft 2021 Budget Policy Statement* Nairobi GOK

**26.** It is however projected that the economy would expand by a growth rate of 6.4 percent in 2021 and 6.2 percent over the medium term. This growth would be in part due to the ongoing prioritization of development programs of the Government under the "Big Four" Agenda as well as the continued prudent coordination of monetary and fiscal policies.

***Figure 2.1: Trends in GDP growth rate in percent*[4]**




***Source:*** Economic Survey 2018 and 2020; The Kenya National Treasury and Planning, 2021)

***Inflation***

**27**. The economy continues to experience low and stable inflation rates and since end of 2017 it has remained within the targeted government range of 5(+/-2.5) that is mostly attributed to sound monetary policies. The inflation rate as at December 2020, was 5.6 percent that is mainly attributed to reduction in food prices; that of December 2018 was 5.8 percent. Inflation rate is expected to remain within the government target. It's projected to be 5.5 percent in 2020 and 5.0 percent in 2021 ( The Kenya National Treasury and Planning, 2021; (IMF, 2020)).

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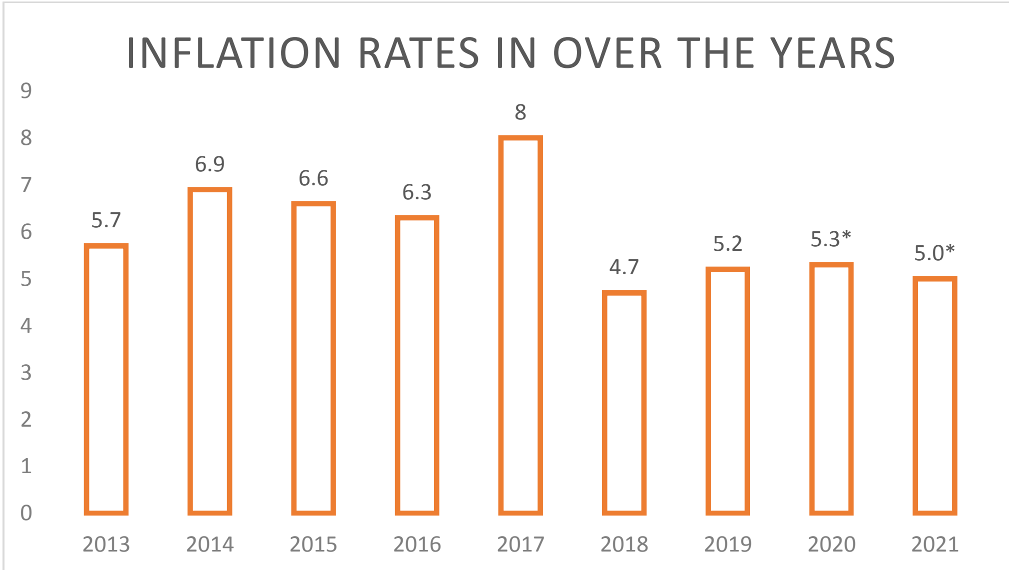
[4] *represents estimates and ** is the projections

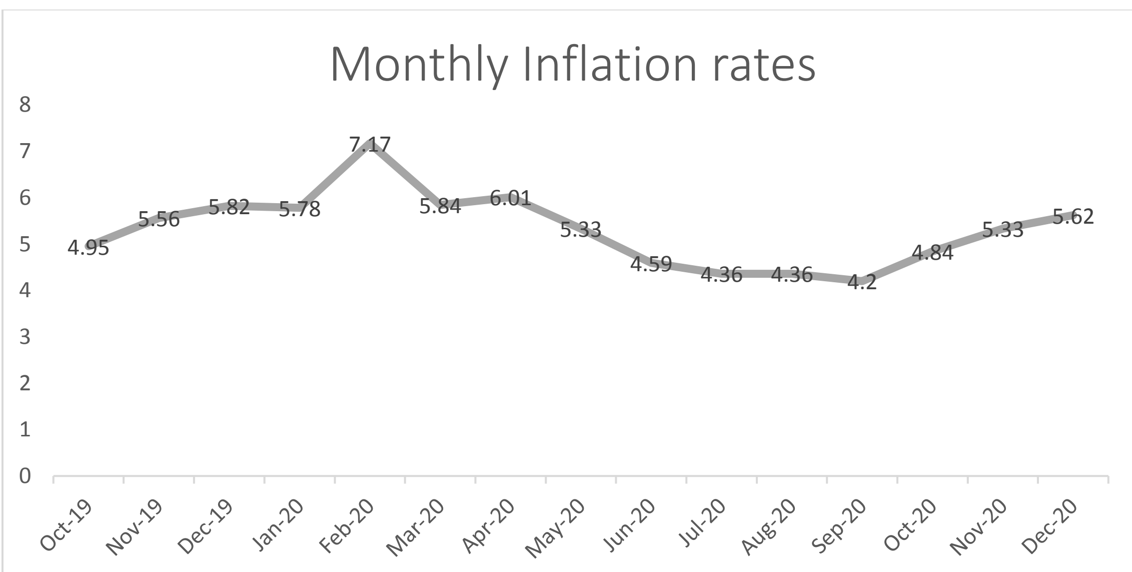
*Figure 2.2: Trend in inflation rate in percentages over the years*[5]




***Source: Economic survey 2018, 2020 and World Economic Outlook (IMF)***

***Figure 2.3: Monthly Trend in inflation rate in percentages over the last 15 months***

Like the yearly inflation rates, the monthly rates have also remained fairly stable in the past 15 months, with the highest month being in February 2020.




***Source:*** KNBS Statistical Release: Leading Economic Indicator January 2020 and CPI and Inflation rate December 2020)

[5] * Projections based on World Economic Outlook (IMF)

***Foreign exchange***

**28**. The foreign exchange market remained stable though slightly affected by the strengthening of major currencies such as the US Dollar, the Sterling Pound and Euro in the global market; but also, as a result of uncertainty and other Covid-19 pandemic impacts. The slight weakening of the shilling against major currencies was supported mainly by narrowing in the current account deficit which narrowed to 4.8% of GDP in the 12 months to October from 5.6% in April 2020. The improvement in current account can also be attributed to decline in imports by 7.3% in the year to September 2020 as a result of both fall in demand in crude oil due to decline in demand as economic activity fell following restriction around April 2020 and a decline in international oil prices as well as strong diaspora remittance. The marginal export increase mainly from tea (due to increased production) also played a key role. In the year up to September 2020 export grew by 2.8 percent (see CBK, October 2020[6]; The Kenya National Treasury and Planning, 2021).

***Interest rates***

**29**. Interest rates remained stable and fairly low. Upton the period ending December 2020, the Central Bank Rates (CBR) remain at 7 percent from April 2020 when it was lowered, signalling a lower lending rates to improve credit access as a measure to offer reprieve to businesses that have experienced distress due to the COVID-19 pandemic. The short-term rates such as interbank, term auction deposit and Reverse Repo have remained below the CBR, an indicator of improvement in liquidity in the market. The interbank rate averaged 2.92 percent in the last 6 months to October 2020 compared to 4.76 percent in the six months to April 2020. The interest rates for government securities similarly declined during the six months to October 2020 an indication of improved liquidity in government securities market as well (CBK, October 2020). The stable and lower rates in the market reflects the prudent liquidity management in the economy both by the monetary and fiscal authorities amidst the pandemic.

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[6] CBK October 2020 *25th Bi-Annual Report of the Monetary Policy Committee* Nairobi Central Bank of Kenya

*Nairobi County Economy*

**30.** Nairobi City County operates within the global and national economic framework. The global and national economic dynamics impacts both directly and indirectly on county fiscal decisions and operations. The Global dynamics impact the grants and loans that are targeted support to counties; while the National economic growth is a parameter that influences the national government share of transfers to the Counties. Therefore, the higher the GDP growth, the more allocation is expected to counties and the more stable the global economic performance the more support the County are likely to receive.

**31.** Exchange rate fluctuations also affects the county processes with currency devaluation making our imports more expensive. Inflation changes the costs of goods and services which in turn affect peoples' purchasing power. Since the inflation is expected to remain within the target in the medium term, the welfare of the people in county will improved and cost of doing business in Nairobi will ease. This is expected to attract both foreign and private investments leading the realization of Nairobi County's vision of being an investment hub.

**32**. Interest rates affect the cost of local borrowing for both domestic use and business enterprise. The low and stable interest rates have been geared towards cushioning the economy from the impact of Covid-19 pandemic. Nairobi being the Capital City of Kenya, with a population of 4.3 million and 1.4 million household; as well as housing a majority of SMEs whose survival during and post the pandemic depends greatly on ease and affordability of credit in the economy.

## 2.2 REVENUE AND EXPENDITURE PERFORMANCE FOR FY 2019/20

### 2.2.1 Key County Revenue Sources and their Performance for FY 2019/20

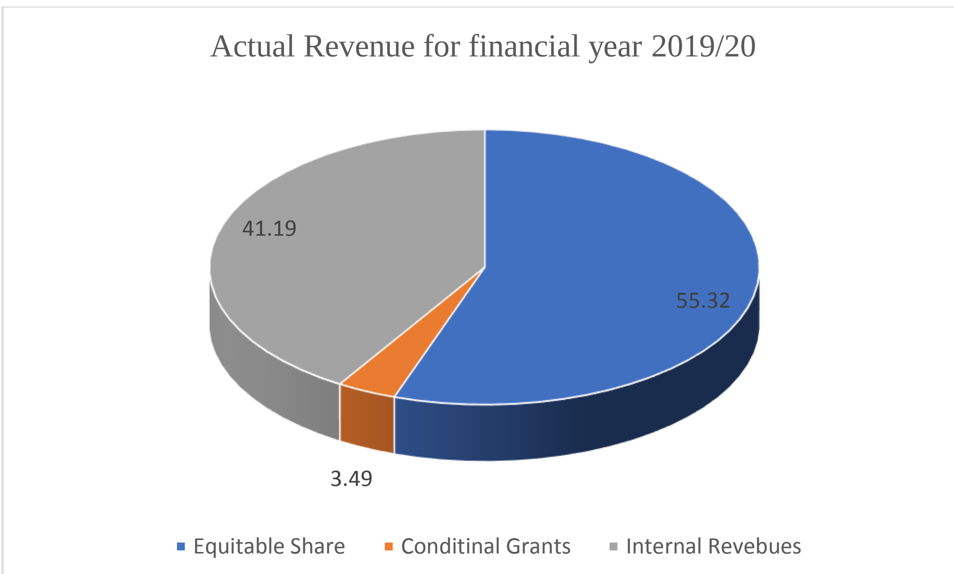
**33.** The key county revenue sources for the year under review were equitable share from National government, conditional grants and own source revenue. By the end of financial year 2019/20, the total actual revenues realized amounted to Ksh. 20.69 billion against a target of approximately Ksh. 34.2 billion (see Table 2.1). This is a decline of Ksh 5 billion compared to the actual revenue realized in 2018/19 of Ksh. 26.1 billion. The 2019/2020 performance was below target by approximately Ksh. 13.5 billion. Own internal revenue was Ksh. 8.6 billion against a target of Ksh. 17.16 billion reflecting an under performance of 50.32 percent from the revised target.

**Table 2.1: Total Revenue (Millions) Performance as at 30th June 2020**

| ITEM | Approved | Revised | Actual | % Performance |
|---|---|---|---|---|
| Equitable Share | 15,920 | 15,920 | 11,446 | 71.89 |
| Conditional Grants | 1,165 | 1,165 | 723 | 62.06 |
| Internal Revenues | 17,316 | 17,156 | 8,523 | 49.68 |
| Total Revenues | 34,401 | 34,240 | 20,693 | 60.44 |

***Source: County Treasury***

***Fig2.3: Summary of key actual revenue sources in percentage***

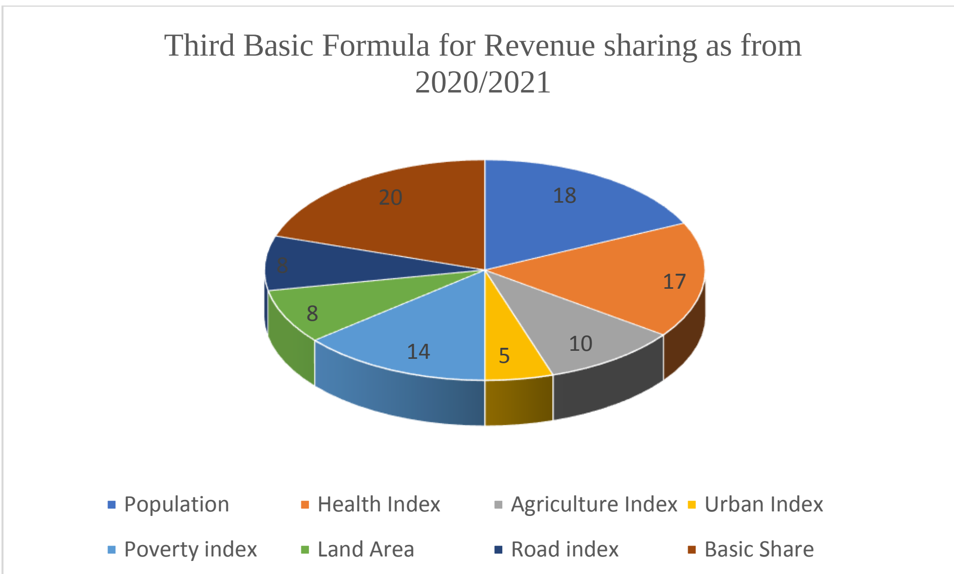



**External Revenues**

**34.** By the end of the financial year 2019/20 total receipts from the National government amounted to Ksh. 12.17 billion a drop compared to the Ksh 15.967 billion received in financial year 2018/19. The Ksh 12.7 billion share from National government included an equitable share of Ksh. 11.45 billion and a conditional grant of Ksh. 723 million.

**35.** The National Government has continually honored its obligation by disbursing the amounts set by CRA formula. The CRA sharing formula for revenue among counties that have been in place for a period of 3 financial year up to end of 2019/20 considers the following parameters: population with a weight of (45%); Poverty Index (20%); Land Area (8%); Basic Equal Share of (25%) and Fiscal responsibility of (2%). However, this sharing has been disadvantageous to Nairobi in terms of per capita allocation of equitable share; but the revised Third basis Formula that will be implemented as from 2020/2021 financial year has introduced more parameters which will see the County receive Ksh 17.5 billion which includes leasing of medical equipment of Ksh 153.2 million and loans and grants of 17.52 million.

***Fig2.4: Proportion of parameters in the Third Basic Formula***




**Own Source Revenues**

**36.** By end of 30th June 2020 total own source revenues amounted to Ksh 8.5 billion against a target of Ksh 17.2 billion; compared to financial year 2019/20 of Ksh10.2 billion is an underperformance. The total own sources revenues fell short of target by 50.32 percent. The underperformance mainly affected the key revenue streams of rates, single business permits, parking fees and billboards that make up the major internal sources contributing over 75% of the internal revenue targets. This was attributed to;

- The impact of COVID-19 on the economy greatly impacted on businesses that are key source of revenue to the county.

- The key revenue collection system is old and cannot handle the no. of transactions thus there are frequent down time and it cannot be easily integrated with other system.
- Default by GoK and its agencies to pay rates and loading zones
- Lack of legal framework to enforce on defaulters e.g., for rates the county did not implement the new valuation roll that is meant to increase the number of properties and give the current value of land. The rates being implemented is 25 percent of value of land based on their 1982 valuation. Some revenue streams have not been legislative such as parking.

The key revenue streams in absolute terms are parking fees, rates, single business permit, house rents, building permits and billboards and adverts. They were the dominant drivers of the local revenue constituting approximately 18.6%, 22%, 18.62%, 5.8%, 5.29% and 8.85% respectively in Financial Year 2018/19. (See Table 2.2).

**Table 2.2: Internal Revenue/Own Sources Revenue (OSR) FY 2019/20 as at 30th June 2020**

| REVENUE STREAM | Target | Actual | Deviation from Target | % Performance compared to Target |
|---|---|---|---|---|
| RATES | 3,925 | 1,873 | (2,052) | 47.71 |
| SINGLE BUSINESS PERMITS | 2,892 | 1,587 | (1,305) | 54.88 |
| PARKING FEES | 2,763 | 1,545 | (1,218) | 55.92 |
| BLDNG PERMITS | 2,101 | 457 | (1,644) | 21.75 |
| BILLBOADS & ADVERTS | 1,425 | 754 | (671) | 52.91 |
| FIRE SERVICES | 458 | 218 | (241) | 47.59 |
| HOUSE RENTS | 615 | 495 | (120) | 80.49 |
| FOOD HANDLERS CERT | 300 | 128 | (172) | 42.66 |
| OTHER MARKETS | 232 | 56 | (177) | 24.14 |
| WAKULIMA MARKET | 192 | 109 | (83) | 56.77 |
| REGUL. OF BLDNG/ CHANGE/AMALG/SUB | 166 | 88 | (78) | 53.01 |
| WAYLEAVE | 150 | 110 | (40) | 73.33 |
| BETTING CONTROL & LOTTERIES | 120 | 1 | (119) | 0.83 |
| GARBAGE/TIP CHARGES | 120 | 24 | (96) | 20.00 |
| MARKET STALLS RENTS | 102 | 87 | (15) | 85.29 |
| MUTHURWA MARKET | 72 | 43 | (29) | 59.7 |
| LIQUOR LICENSES | 289 | 179 | (110) | 61.94 |
| OTHER INCOMES | 1,232 | 769 | (463) | 62.42 |
| **TOTAL OSR REVENUES** | **17,156** | **8,523** | **(8,632)** | **49.68** |

**Parking Fees**

**37.** The total cumulative receipts from parking fees amounted to Ksh. 1.545 billion against a target of 2.76 billion indicating a performance of 53.42 percent. To enhance revenue collection for this stream over the medium term the county will embark on the following interventions;

- Implementation of hourly parking charges within CBD
- Enhance supervision as well as increase enforcement.
- Expedite the construction of the sunken park to increase revenue
- Issue demand notices to all SACCOs for all of their vehicles
- Forward Sacco's defaulters list to enforcement officer

**Rates**

**38.** Total accumulated collections from rates in the financial year 2019/20 were Ksh. 1.873 billion against a target of Ksh. 3.926 billion, representing a 47.71% rate of performance. The underperformance in rates more so during the COVID-19 pandemic is attributed to lack of effective enforcement mechanisms of rate defaulters. However, the outdated rates record as well as the use of old valuation based on 1982 values of land remains an impediment to realization of improved collection of rates. As part of the revenue enhancement strategy the county will do the following:

- Expedite the approval of the New Valuation Roll
- Follow up on GoK properties and institutions
- Leverage on digitization of rates to make it easier for customers to obtain bills and pay online.
- Cleaning of rates records/data to ensure only accounts that are ratable are found in the records.
- Undertake enforcement to ensure reduced defaults on rates

### Single Business Permits

**39.** Total collections from single business permits in FY 2019/20 amounted to Ksh. 1.587 billion against a target of Ksh. 2.892 billion. This implies that this revenue stream performance rate was 54.88%; a fall compared to achievement of 76.6% of target in the FY 2018/2019. The shortfall was due to: The impact of COVID-19 pandemic that saw the government enforce certain restrictions that would help curb the spread of the virus. A number of SME shut down business for a period of time while others have closed up business completely. However, there is optimism that the economy will recover from the adverse effects of the pandemic thus supporting revenue collections. Other contributors to the low collections include: weak enforcement; invasion by unscrupulous business people; inaccuracy of records on business establishments, undercharging based on e-payment system. Going forward the county will also enact the following interventions to help improve collection in this category:

- Expedite full implementation of trade licensing act of 2019.
- Enhanced enforcement and sealing off the leakages.
- Carry out a baseline census on business in the County to establish accurate records for proper projections to enable optimize revenue from this stream
- Adoption of electronic integrated revenue system for all revenue streams to make it easier for customers/businesses to obtain bills and pay online.
- Carryout continuous inspections and enforcement

### Building Permits

**40.** Total collections in the FY 2019/2020 amounted to Ksh. 457 million against a target of Ksh.2.1 billion which is a performance of 21.75%. Apart from the COVID-19 that led to uncertainty in the economy and restriction of movements that affected the construction industry; the decline and continued low outturns in this stream can also be attributed to non-disclosure and adherence of county building regulations; weak enforcement of building standards and regulations; undervaluation as it’s based on user own assessment; collusion and evasion as well as lack of awareness on requirements for building approval. In order to enhance revenue from this stream, there is need for embrace integrated electronic system and increase in enforcement of building regulations.

**Advertisements & Bill Boards**

**41.** The total accumulated revenues from billboards and advertisements as at June 2020 was Ksh. 754 million against a target of Ksh. 1.425 billion showing a performance of 52.91%. This revenue stream can be improved by continues monitoring all billboards; enhance capacity for enforcement; surveillance; compliance; and prompt billing for advertisers.

## 2.3 EXPENDITURE PERFORMANCE FOR FY 2019/20

**42.** Total expenditures for the FY 2019/20 amounted to Ksh. 23.353 billion against a revised budget of Ksh. 36,981 billion (see Table 2.4). The overall absorption rate of the total budgeted was 63.15 percent. Development expenditure amounted to Ksh 1. 980 billion against a revised budget of Ksh. 8.085 billion indicating a performance of 24.49 percent which is an underperformance compared to and expenditure of Ksh. 4.009 billion in the FY 2018/19. The low absorption of the budget can be attributed to structural changes in the County with the introduction of NMS as well as the adverse impact of OVID-19 that affected activities and service delivery of the county for almost half year financial year. Out of the total actual expenditure, recurrent expenditure accounted for Ksh. 20.07 billion representing 91.02 percent of the total actual expenditure.

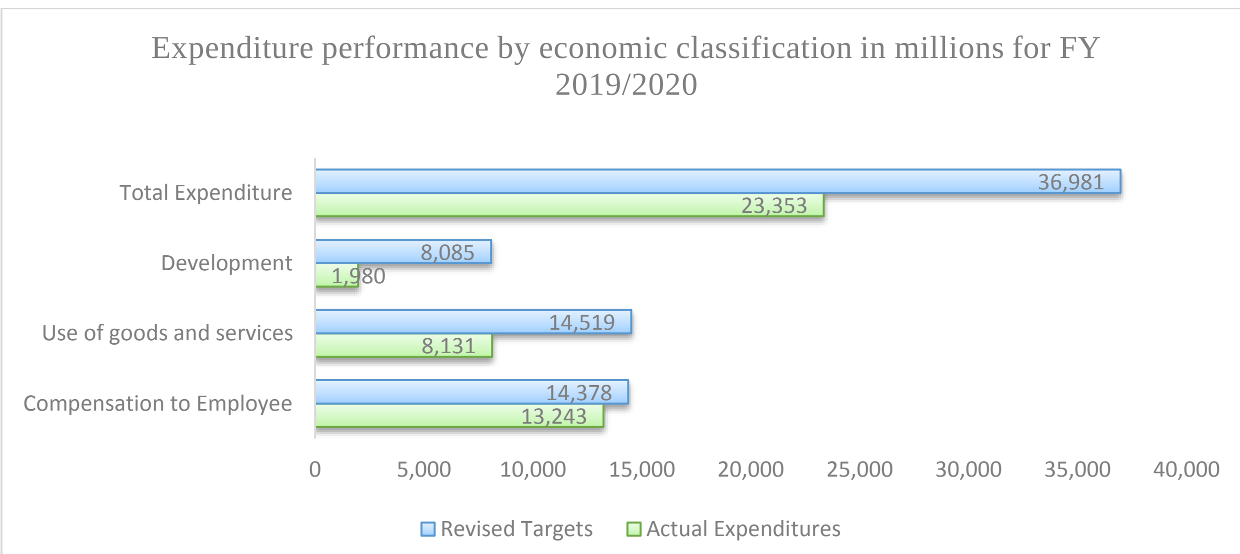
**43**. The expenditure on compensation to employees was Ksh. 13.243 billion against a revised target of Ksh. 14.378 billion (indicating approximately 92.11 percent absorption rate). The expenditure on other recurrent that is, drugs, medical insurance, garbage and bursaries among others was 8.130 billion against a revised target of 14.518 billion (indicating an absorption rate of approximately 56%)

**Table 2.4: Expenditure by Economic classification in Millions**

| ITEM | Approved Target | Revised Target | Actuals | % Performance |
|---|---|---|---|---|
| TRANSFERS TO COUNT ASSEMBLY | | | | |
| Personal Emolument/ Employee Costs | 761.3 | 761.3 | 706.2 | 92.76 |
| Use of goods and services | 648.7 | 648.7 | 597.8 | 92.15 |
| Development | 1,530 | 45 | - | 0.00 |
| Sub-total (County Assembly) | 2,940 | 1,455 | 1,304 | 89.62 |
| COUNTY EXECUTIVE | | | | |
| Personal Emolument/ Employee Costs | 13,562 | 13,617 | 12,537 | 92.07 |
| Use of goods and services | 10,739 | 13,870 | 7,533 | 54.31 |
| Development | 9,741 | 8,040 | 1,980 | 24.63 |
| Sub-total (County Executive) | 34,041 | 35,527 | 22,050 | 62.07 |
| TOTAL EXPENDITURES | 36,981 | 36,981 | 23,353 | 63.15 |

***Source: County treasury***

**Figure 2.4: summary of expenditure by economic classification**




A general observation from Figure 2.4 on expenditure compared to the revised budget allocations for this period is that there is underperformance in all categories mainly attributed to effects of COVID-19 pandemic on the county's activities and service delivery.

## 2.4 KEY REVENUE STREAMS PERFORMANCE BY MID 2020/2021

**44.** By mid FY 2020/21 (31st December 2010) a total of approximately 6.714 billion had been achieved in terms total revenue being 18.10 percent performance on the annual target of Ksh 37.101 billion. Out of the revenue realized, 2.627 billion (12.73 percent of annual target of Ksh 20. 642 billion) was received from external revenue, 4.087 billion (24.83 percent of annual target of Ksh 16.460) from own source revenue streams. The dominant local revenue streams as at December 2020 performed as follows: parking fees (24.47%), Building Permits (21.44%), Single Business Permits (18.36%), Rates (21.39%) and billboards (24.27%). Ksh 136 million (54.49% of annual target) was also collected from AIA- Liquor license fees.

**45.** In order to enhance revenue collection, the following measures are proposed; Leveraging on technology that offers integrated electronic system for all revenue streams that will allow online billion, tracking and payment as well as receipt generation; Expedite passage and implementation of various legislations related to all revenue streams; Continuous enforcement and sealing off of leakages in revenues.

**Table 2.5: summary of revenue for the half year ended 31st December 2020**

| | Revenue Stream | Annual Targeted Revenue (Ksh.) | Actual Revenue Total (Ksh.) | % Performance against Annual Target |
|---|---|---|---|---|
| 1 | RATES | 5,057,511,170 | 1,081,646,905 | 21.39 |
| 2 | SINGLE BUSINESS PERMITS | 2,562,102,000 | 470,303,434 | 18.36 |
| 3 | PARKING FEES | 2,800,000,000 | 685,276,037 | 24.47 |
| 4 | BUILDING PERMITS | 1,500,000,000 | 321,604,243 | 21.44 |
| 5 | BILLBOARDS & ADVERTS | 1,200,000,000 | 291,275,018 | 24.27 |
| 6 | FIRE SERVICES | 450,000,000 | 55,651,076 | 12.37 |
| 7 | HOUSE RENTS | 606,000,000 | 296,588,566 | 48.94 |
| 8 | FOOD HANDLERS CERT | 210,000,000 | 50,055,381 | 23.84 |
| 9 | OTHER MARKETS | 144,972,000 | 85,014,789 | 58.64 |
| 10 | WAKULIMA MARKET | 216,000,000 | 80,802,632 | 37.41 |
| 11 | REGUL. OF BLDNG /CHANGE /AMALG/SUB | 150,000,000 | 60,796,120 | 40.53 |
| 12 | OTHER INCOMES | 1,212,926,000 | 471,810,431 | 38.90 |
| 13 | LIQUOR LICENSES-AIA | 250,000,000 | 136,213,000 | 54.49 |

| | | | | |
|---|---|---|---|---|
| **14** | **TOTAL OWN SOURCE REVENUES** | **16,459,511,170** | **4,087,037,632** | **24.83** |
| | | | | |
| 15 | **EXTERNAL SOURCES** | | | |
| 16 | Equitable Share | 15,951,600,000 | 2,626,791,750 | 16.47 |
| 17 | Equitable Share FY 2019/2020- Unremitted | 3,500,697,260 | - | - |
| 18 | Compensation for User Fees Foregone | 79,423,251 | - | - |
| 19 | Road Maintenance Levy 2010/2020 | 451,898,344 | - | - |
| 20 | Road Maintenance Levy-2020/21 | 475,436,588 | - | - |
| 21 | KDSP (Level 1 grant allocation) | 45,000,000 | - | - |
| 22 | Danida -Universal Healthcare in Devolved Governments | 45,270,000 | - | - |
| 23 | World Bank Loan for Transforming Health systems for universal healthcare | 60,494,430 | - | - |
| 24 | Conditional grant for Development of Youth Poly technics | 16,009,894 | - | - |
| 25 | Agriculture Development Support Project | 15,955,893 | - | - |
| **26** | **Sub Total (External Sources)** | **20,641,785,660** | **2,626,791,750** | **12.73** |
| **27** | **TOTAL REVENUES** | **37,101,296,830** | **6,713,829,382** | **18.10** |

## 2.5 EXPENDITURE PERFORMANCE FOR MID-YEAR 2020/21

**46.** By mid FY 2020/2021 (December 2020) the cumulative expenditure was approximately Ksh. 3.849 billion (10.21 percent) against an annual target of Ksh. 37.704 billion. Out of the total budget, entire realized expenditure of Ksh 3.849 was spent on recurrent expenditure; which was also 14.33 percent of the approved budget for recurrent expenditure. The development budget had not been utilized by mid-financial year (See **Table 2.7**). The under absorption is largely attributed to the late approval of the Appropriation Act 2020 and the non-inclusion of expenses incurred by the Nairobi Metropolitan Services on the transferred functions.

***Table 2.7*: *MID FY 2020/2021 EXPENDITURE***

| Expenditure Items | Approved Estimates 2019/2020 (Ksh) | Cumulative actual as at December 2019 (Ksh) | % Performance |
|---|---|---|---|
| Recurrent Expenditure | 26,862,510,286 | 3,849,409,955 | 14.33 |
| Development Expenditure | 10,842,465,995 | - | 0.00 |
| **Total Expenditure** | **37,704,976,281** | **3,849,409,955** | **10.21** |

*Table 2.8*: *MID FY 2019/2020 EXPENDITURE BY SECTOR*

| NAME OF SECTOR | Budget | | Cumulative Total | | Absorption % | |
|---|---|---|---|---|---|---|
| | Development | Recurrent | Development | Recurrent | Development | Recurrent |
| 5311000000 COUNTY PUBLIC SERVICE BOARD | 35,000,000 | 91,503,677 | - | 24,711,366 | | 27.01 |
| 5312000000 OFFICE OF GOVERNOR & DEPUTY GOVERNOR | 243,550,000 | 4,370,425,463 | - | 1,421,755,166 | - | 32.53 |
| 5313000000 ICT, E-GOVT & PUBLIC COMMUNICATIONS | 279,000,00 | 214,223,797 | - | 51,549,480 | - | 24.06 |
| 5314000000 FINANCE & ECONOMIC PLANNING | - | 1,584,048,051 | - | 452,639,413 | | 28.57 |
| 5318000000 EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES | 72,515,995 | 1,926,066,202 | - | 388,250,483 | - | 20.16 |
| 5319000000 TRADE, COMMERCE, TOURISM & COOPERATIVES | 392,000,000 | 500,527,550 | - | 96,885,416 | - | 19.36 |
| 5320000000 PUBLIC SERVICE MANAGEMENT | 36,400,000 | 1,268,789,722 | - | 70,384,233 | - | 5.55 |
| 5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY | 111,000,000 | 260,266,253 | - | 83,047,356 | - | 31.91 |
| 5322000000 COUNTY ASSEMBLY | 600,000,000 | 1,409,977,879 | - | 478,492,176 | - | 33.94 |
| 5327000000 LIQOUR LICENSING BOARD | 50,000,000 | 200,000,000 | - | 93,757,291 | - | 46.88 |
| 5328000000 NAIROBI METROPOLITAN SERVICES | 9,023,000,000 | 14,907,081,689 | - | | - | - |

**47**. Figure 2.8 gives absorption by sector for both recurrent and development expenditure for half FY 2020/21. The report indicates zero percent performance on development as developments activities undertaken by sectors that were seconded to NMS have not been captured. The sectors under NMS who's recurrent and development expenditure statistics have not been included in figure 2.8 include: Health, Urban Planning and Lands, Public Works, Transport and Infrastructure, Environment, Water, Energy and Natural Resources, Urban Renewal and Housing and Ward Development Programmes. It's also important to note that the low performance of both recurrent and development expenditure for the entire county sectors was due to delays in the enactment of the Appropriation Act. The non-commencement of projects for the first half of the financial year 2020/2021 resulted from limitations of the Vote on Account. However, implementation is expected to pick up in the 3rd. & 4th Quarter.

**Debt**

**48**. The county debt as at 31st December 2020 was Ksh 76.9 billion a slight increase from that of 31st December 2019 at Ksh76.5 billion. Although the growth between the two periods was not high compared to 15 percent growth between December 2018 and December 2019, the strained county revenues is still a hurdle, hence the need for continual management of debt.

**Table 2.9: Summary of Outstanding Liabilities as at 31st December 20120 in billions**

| S/N | CATEGORIES | | KSH | OUTSTANDING AS AT 31ST DECEMBER 2020 (KSH) |
|---|---|---|---|---|
| 1 | PAYE | | | 1,309,620,070 |
| 2 | NSSF | | | 381,157,096 |
| 3 | STAFF DUES (RETIREES) | | | 173,583,267 |
| 4 | LAP TRUST | PRINCIPAL | 6,695,009,201 | - |
| | | PENALTY (1.25% PER MONTH) | 9,462,201,164 | 16,157,210,365 |
| 5 | LAP FUND | PRINCIPAL | 2,135,146,120 | |
| | | PENALTY (3% PER MONTH) | 18,757,992,882 | 20,893,139,002 |
| 6 | Electricity Bills | | | 691,584,316 |
| 7 | Water Bills | | | 234,997,059 |
| 8 | OTHERS – KCB LOAN | | | 4,449,656,183 |
| 9 | OTHER – CONTINGENT LIABILITIES | ACTUAL DEFICIT | 2,624,372,573 | |
| 10 | | GOVERNMENT GUARANTEE | 15,328,285,000 | |
| 11 | | ON WATER LOAN | 3,815,640,000 | 21,768,297,573 |
| 12 | Suppliers and contractors | | | 6,729,913,977 |
| 13 | Litigations and Decretals | | | 4,113,165,423 |
| | **TOTALS** | | | **76,902,325,177** |

**49**. The county's liabilities has grown over the years; and with some accruing interest, full implementation of the County Debt Management Strategy Paper is crucial in containing its growth. The county will still continue with a payment plan that focuses first on settling eligible pending bills owed to SME's, AGPO's and other disadvantaged groups.

**50**. Over the medium term, the county government will continue to ensure fiscal prudent management of County resources and emphasis on efficiency in operation to ensure payment obligations are met on time and at lowest possible cost. There will also be implementation of recommendations contained in the debt management strategies of 2020/2021 as follows:

- Verification and prioritization of payments of eligible pending bills
- Continue renegotiation with creditors like national government and possibly seek for debt write off.
- Seek for debt rescheduling for bank loans
- Enhance revenue collection
- A robust automated Debt payment system
- Minimize Debt profile
- Establish Debt Policy, procedure and Registry
- Expenditure control
- Seek for Public Private Partnership for the development of high investment return projects like multi-storey parking among others

**Wages**

**51.** For the financial year 2019/20, the total amount spent on compensation to employ was Ksh 13,243 billion against actual realized revenue of Ksh 20.693 billion giving a proportion of approximately 64 percent of wage cost. This wage cost has risen compared to that of financial year 2018/19, the total amounted to Ksh. 12.899 billion against an actual revenue collection of Ksh. 26.139 billion; which was 49.3 percent wage costs to the total revenue. These wage costs are clearly way higher that the PFMA Act, 2015, that ceiling to county governments that states that the wage bill shall not exceed 35 percent of their total revenue. This undermined the realization of the fiscal responsibility. The PSM is still in the process of formulating a policy on voluntarily early retirement that would reduce work force and thus reduce wage bill.

## CHAPTER THREE: INSTITUTIONAL TRANSFORMATION TOWARDS RECOVERY, RESILIENCE CREATION AND BETTER SERVICE DELIVERY

### 3.1 INTRODUCTION

**52**. The financial years 2019/2020 and 2020/21 had unprecedented characteristics. There was an institution adjustment that was activated by the signing of the deed of transfer of functions signed on 25$^{th}$ February, 2020, which transferred four county functions to the National Government. This led to a considerable operational shift, and a new platform of service provision was created forthwith.

**53**. The Covid 19 was reported in the country in the third quarter of 2019/2020, with its severe impacts being felt both locally and across the borders. This situation prevailed towards the end of FY 2019/2020 and worsened in the first half of the FY 2020/21. The ensuing containment measures ravaged the economy by disrupting businesses and livelihoods with a consequent nationwide increase in unemployment**.**

### 3.2 Guiding Philosophy

**54**. This paper aims at bolstering the gains already accumulated by the institutional transformation, in order to provide better services to Nairobians and create resilience in future unforeseen circumstances. Further adjustments in governance and improvement in inter-sectoral working relations are advised. This will also be a precondition for providing adequate services, and a favorable environment to enable the populace bounce back from the devastating effect of the covid19 pandemic.

**55**. This paper will be the second last towards the implementation of the CIDP 2018-2022; the focus therefore will be on completion of all ongoing projects, for the citizens to derive value out of the already invested resources.

**56**. The overall budget implementation will be guided by the eight development agenda espoused in the CIDP, all in an effort to contribute to the achievement of the national big four agenda and the Vision 2030.

### 3.3 Institutional transformation for improved service delivery

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

**58**. The county remains fully committed to provide the fourteen functions allocated by the constitution, through continuous improvement of the institution and cooperation with its agencies, stakeholders and the National government. The transfer of the four functions and creation of Nairobi Metropolitan Services is a key service delivery transformation that is expected to improve the quality of services to Nairobians. In order to build on the institutional adjustments that happened in the previous years, the following structural changes in 2021/22 are necessary;

#### 3.3.1 Governance and Stakeholder Participation

**59**. Good governance is a prerequisite for sustainable economic development and growth. It helps to deliver to the expectations of the people in a timely, efficient and predictable manner. Furthermore, good governance is a major ingredient for attracting quality investment that is expected to trigger economic development in the County. The Government seeks to further entrench gains made in inculcating principles and values of good governance. These include; Accountability, Transparency, Excellence, Accessibility, Integrity, Responsiveness, Teamwork and Equity.

**60**. To enable the county synergize the functioning of all its agents i.e. NCC, NMS, KRA and NWSC, a proper coordination framework will be created. This will eradicate the previous management wrangles that almost brought the operations of these institutions to a standstill. It is however notable that the constitutional responsibility for the performance of the county functions as assigned by the fourth schedule of the constitution remains with NCC. It is therefore paramount for close collaboration through all processes of planning, budgeting and reporting, which can only be achieved by the existence of a seamless information sharing.

**Stakeholder Participation and civic education**

**61**. Public participation is not only a legal requirement but also a necessary tool in the process of policy formulation. The constitution of Kenya considers public participation as a principle of public finance management (Article201 a) and requires the county assembly to entrench it as a requisite process in legislative process and other businesses of the house (Article 196 1b). The CGA makes it mandatory for public participation to be done during county planning (section 115), and the PFMA requires the same in the budget process (section 125 2) while stipulating the public participation process (Section 207). Currently, the county has made considerable strides in entrenching the public participation process in planning, budgeting, policy development and legislation.

**62**. To improve the process, the government will pursue the full implementation of the Nairobi County public participation act 2015. The national policy on public participation and their respective guidelines will be customized to suit the County. This will provide the framework for effective public consultation at all levels, and for all county governance processes.

**63**. Civic education is a precondition for effective public participation. It can also be utilized as a platform to provide necessary feedback to the people, and an avenue to assess the quality of county services. The process will also inform the public on their civic roles in policy formulation and governance.

**64**. Civic education has not been fully embraced by the county, a situation that must be rectified going forward. To strengthen civic education in the county, the 'jukumu langu' initiative will be pursued and adopted to the lowest level of governance. The identified civic education champions will be trained to enable the process be as comprehensive and as productive as possible.

**Organizational structure and capacity building**

**65**. The government has completed and adopted a structure that defines the flow and is in the process of making substantive appointments for suitably qualified staff in order to bring to an end uncertainty and low morale among staff that have been in acting capacity for a long time. The County Public Service Board (CPSB) is expected to complete the exercise of making appointments with clear terms and conditions of service in order to streamline functional relations in the government structure in order to enhance efficiency in service delivery.

**66**. Continuous capacity development is necessary to ensure that staff remain competent and with relevant skills in the ever changing work environment. The misalignment of skills, personnel deployment as well as lack of adequate succession planning has led to overstaffing in some of the lower levels as well as misplacement of skills in some key positions. The human resource department and the county public service board will ensure the availability of sufficient, fit-for-purpose staff.

**67**. The County government seeks to further the existing partnership for staff training with the Kenya School of Government towards implementation of an effective working culture and a positive attitude towards service delivery through professional training.

### 3.3.2 Improved Governance and institutional capacity

**68**. A right governance structure and related policies remain the management tool towards effective and efficient service delivery. To ensure that the county remains on a proper path towards a predictable governance, several policy developments, operational improvements and institutional adjustments are necessary.

**69**. The city inspectorate is a key organ in ensuring order in the city and enforce conformity to the county laws. This department plays a key role and influence in the county's image given its first hand interaction with the populace. To ensure a smooth operation of this department, the city inspectorate act will be amended and modernized and the city inspectorate training school will be accredited to ensure high quality trainees. Sufficient resources will be allocated to ensure intelligence collection is timely and adequate.

**70**. To improve access to and the quality of ECDE, the county will finalize the development of ECDE policy. The GBV, Disability and VTC policies will also be completed. New policies that will be pursued during this plan include county regulations on child Care services, the family and social protection policy; youth policy; community development policy; and the arts and talent development and management policy.

**71**. To enable smooth county operations through the existing pool of vehicles and machinery, the county fleet will be improved and the fleet management policy will be fast tracked. Sufficient resources will be set aside for fuelling and maintenance of county vehicles

**72**. For proper management of disasters, the county will formulate the NCC disaster Management Act and also proposes for creation of a standing committee at the County assembly to enhance multi sectoral coordination and response. This will be coupled by developing operating procedures for multi-agency operations and conducting a hazard mapping to identify risk sites.

**73**. For improvement of urban agriculture in pursuit of achieving food security, the county, through the food and agriculture sector, will complete and roll out the food system strategy and amend the urban agriculture act of 2015. The county will also operationalize the agriculture board and recruit sufficient agriculture officers in the medium term. However, interns will be used as a stop gap measure in supplementing the capacity of the agriculture sector.

### 3.3.3 Reforms in County Treasury and county planning

**a. County Treasury**

**74**. In line with chapter twelve of the Constitution of Kenya and the Public Finance Management Act 2012, the Government is committed to ensure sound long-term financial principles are upheld.

**75**. This can only be achieved by the county treasury enforcing the fiscal responsibility principles as Stipulated in section 107 of the PFMA. The county treasury, through exercising its powers as per section 105 of the PFM act, and to meet its obligations provided by section 104 of the PFMA, will adjust management of expenditure, revenue, and county planning.

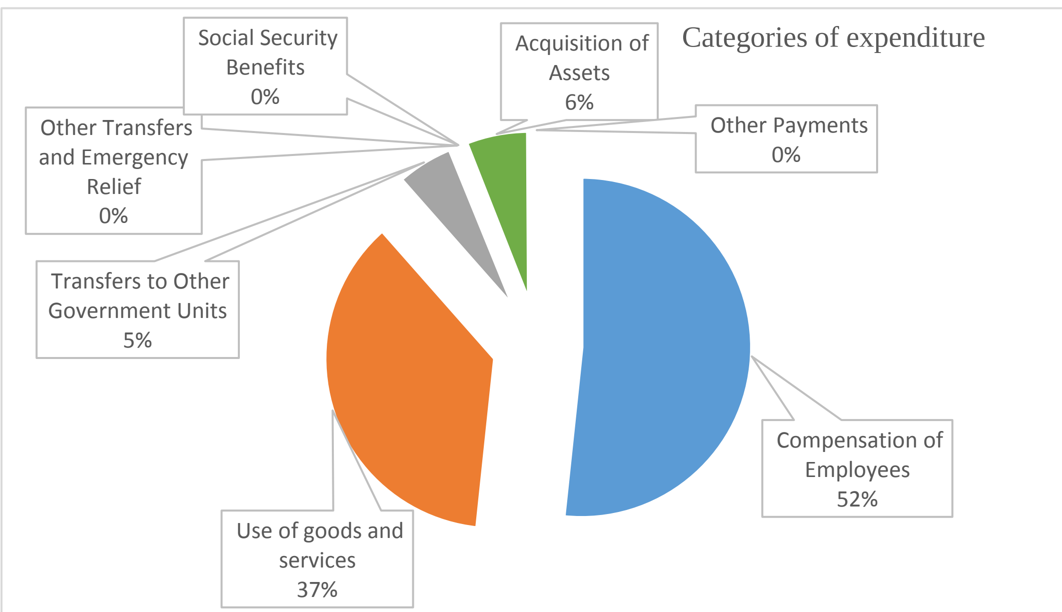
#### 3.3.3.1 Expenditure and Cost Management

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

**77**. The government is committed to ensuring prudent application of public resources for maximum returns to the public. In this regard, ongoing reforms in public procurement will be accelerated in 2021/22 to guarantee value for money in each expenditure. Non priority expenditure will be minimized so as to free more resources towards critical service delivery and development areas.

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

**79**. Expenditure towards compensation to employees has been high, compared to the envisaged position of having it lower than 35% of county revenue. In actual figures, the largest expenditure remains the Employee emoluments, which constituted 52% of actual resource use in 2019/20




**80**. The proposed Voluntary early retirement Scheme remains the most effective method to correct the current wage bill situation. However, the high debt to pension schemes and retirement benefits remains an impediment to the success of the VERS. The county has an accumulated Debt of Ksh. 37.5Billion owed to Laptrust, Lapfund and NSSF. To overcome this situation, and to tame the rapidly rising interest and penalties related to these debts, the government will have to source for substantial resources for a one-off resolution of all pension related debt, and implement the VERS.

**81**. Despite the county having insufficient technical personnel in most sectors, the county remains cautious not to indulge in an employment spree. All county agencies are also advised to comprehensively analyse their employment policy, in full appreciation of the fast rising wage bill against the stagnant county revenue. Wage sustainability will be considered before any form of employment.

### 3.3.3.2 Revenue Management

**82**. Challenges continue to hamper full realization of internal revenue targets towards financing the budget. Historically, the fiscal gap has been wide and even worsening with time, with a revenue shortfall of 48.6% in 2019/2020. The best performance was recorded in 2015/2016 with an internal revenue of 11.7 B, a 77% achievement of the said year's target, and the worst being 2019/2020 with a collection of 8.82 B.

**83**. These below par outcomes are attributed to a weak and opaque revenue collection systems, non-optimal collection in major revenue streams particularly in Rates and Parking, leakages in the system due to inadequate internal controls and undercharging in some areas. The continued over reliance on LAIFOMS is the biggest impediment to revenue growth, the system being rigid and not open to integration with other systems, and lacking the ability to handle the high number of transactions.

**84**. To overcome the challenges brought about by use of LAIFOMS, the government will accelerate the pace of completion of the Integrated County Management System, and sufficient focus will be put on all revenue sources. The revenue department will be allocated sufficient resources to ensure policy and coordination at the county level does not weaken. This will be bolstered by ensuring there is a workable revenue management structure that links collectors, county sectors and collecting agents.

**85**. The key revenue collection agent, Kenya Revenue Authority, has provided optimism towards improving the performance of own source revenue. Close collaboration between KRA and the revenue management department will be continued for proper target setting and revenue raising strategies.

**86**. The government will seek to expand its revenue basket by reaching the segments that have not been targeted before. Nairobi is a tourist destination, but the county has not received any meaningful revenue from it. In this regard, the government will reach out to all national government tourist destinations and seek for its rightful share. A city tourism levy will also be initiated.

**87**. To provide an opportunity for all traders to fulfil their civic duty, provision of TOL's will be improved to bring on board businesses that operate on temporary structures that can't be issued a trade license.

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

**89**. In conjunction with the county assembly, the revenue department will ensure there exists sufficient legislation on all revenue streams in an effort to boost compliance by the public. The already existing bills will be accelerated and finalized, and subsequently be enforced. Other initiatives to improve on the County revenue will be conducting a revenue census, revenue enhancement strategy and update of the GIS based land valuation roll. These are expected to turn around revenue fortunes in the county fundamentally.

**b. Reforms in County Planning**

**90**. Section 105 1 e of the county government act requires the county planning unit to ensure collection, collation, storage and updating of data and information suitable for the planning process. Towards this end, and in order to boost the existing data management efforts, a statistics management unit shall be created under the department of economic planning. Finalization of the draft county statistics strategy will be prioritized as a precondition, followed by identification of relevant sector statistics managers.

**91**. To achieve the intention of section 106 I of the county government act, further synergy in planning will be pursued between NCC and all its agencies and the national government, to ensure greater outcomes through concerted implementation efforts.

**92**. Implementation of the Monitoring & Evaluation framework provided in the County Integrated Development Plan (CIDP) 2018-2022 will be strengthened in order to improve on absorption of development budget and guarantee feasible returns on capital investment. Sufficient resources will be set aside to ensure proper monitoring and evaluation of projects at all levels of government. Additionally, and to improve project conceptualization and management, sector-wide capacity development on project design, Planning and Management will be enhanced to ensure that only projects with the highest propensity to address priority socio-economic concerns are funded.

**c. Resource allocation and management of county assets**

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

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

**95**. Management of county assets can only be achieved by the existence of a proper policy, and the requisite institutional structures. The draft policy on asset management has remained uncompleted and therefore still remains a priority in the fiscal year 2021/22 to avert the risk of asset loss. The county will customize the existing national asset management regulations. We are committed to setting up a functional central asset and risk management registry and continually update the county asset register.

**d. Management of procurement and debt**

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

**97**. There has been a rapid and persistent increase of the county debt. By the end of December 2020, the county debt stood at 76.9Billion, an increase of 15.5% compared to the 66.6 Billion debt in June 2018. Resolution of this debt remains a key priority to keep the county afloat. In this regard, the county will allocate sufficient resources towards debt resolution, with at least 10% of the budget being set aside for this in the medium term.

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

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

### 3.4 Recovery and resilience creation

**100**. The onset of Covid 19 saw a catastrophic turn in fortunes both in economic and social spheres. Its impact on the economy were severe, combining both supply and demand shocks. Previous economic shocks in the country were mostly to political and post-election uncertainties, and the covid situation was unprecedented. It resulted to contraction of the economy by 5.7% in the second quarter of 2020, consequently leading to considerable productivity and welfare losses.

**101**. Findings by the IMF and KNBS show that almost all households in Kenya had a decrease in their disposable income, with approximately 2.67 Million households have insufficient food stocks. It is therefore backed by the findings that the government need to chip in and cushion the households from these hardships, help them recover and create resilience against future shocks.

**102**. The county will employ direct interventions through social protection and indirect interventions through improving access to social amenities to help individuals and households regain their social and economic stability.

**103*. Interventions through the education sector:*** The government recognizes the important role played by the education sector in making sustainable socioeconomic transformation a reality. A well-coordinated and fully functional social package will reduce the burden of economic shocks on households and enhance access to services by most Nairobians. To ensure access to ECDE, the government will implement the free ECDE program in all public early childhood schools. This program saw and increased access and retention of county ECDEs with enrolment increasing from 17,000 pupils in 2018, to 25,514 pupils by March 2020. Given that some private ECDE classes closed down after covid, and inability of parents to afford fees charged in private institutions, the enrolment in county ECDEs is expected to reach 30,000 by 2022.

**104**. To manage the expected rise of pupils in our schools, the county will set aside sufficient resources to cater for free school feeding programme, nutrition supplementation through the free milk programme and purchase of didactic materials for all ECD centres. The county will also focus on construction of more classrooms and renovation of existing ones where necessary.

**105**. To improve transition and retention of students in secondary and college levels, the county will strengthen the bursary scheme to ensure that bright and needy student meet their education needs. Every ward will be allocated an education bursary of not less than Ksh. 3.5 Million, with approximately 50,000 students being targeted to benefit county wide. The executive bursary will also be implemented, targeting to benefit over 62,000 students in secondary boarding schools.

**106**. There was a reported increase in Gender based violence during the pandemic. The county will construct a safe house for gender violence victims for a more responsive rescue. The mjiwa Huruma home for the elderly will also be provided with a standby vehicle to ease the transportation challenges.

**107**. To increase access to social and education facilities the government will construct five social halls and renovate existing ones, complete the construction of stadia, and provide training to community groups towards financial sustainability. The government is committed to promoting an active reading culture in the County and existing library services will be automated, modernized and equipped to actualize this goal over the medium term. New libraries will be constructed in identified sub-counties with the establishment of a mobile component to complement existing facilities.

**108**. Empowering Youth, Women and Persons with Disabilities, Youth polytechnics and TVETs will be equipped with facilities for technical training to promote the competitiveness of the Youth in the labor market. The government recognizes the great potential for a social turn around through empowerment of Youth, Women and persons with disabilities. In this regard, 30% of available procurement opportunities will be dedicated to enterprises run by these three categories.

**109.** ***Interventions through food and agriculture:*** The government recognizes the enormous potential in urban agriculture for socio-economic transformation of communities. In addition to addressing food security, nutritional status and food safety, the sector will also seek to empower Nairobians with use of household agriculture as a strategy for resilience.

**110**. Through the food and agriculture sector, the county will provide greenhouses to organized groups and institutions. This will be done county wide, in areas where sufficient land is available for installation. Multi storey gardens will also be provided in congested areas including the informal settlements.

**111**. The county will also support poultry farming in the city, and groups will be provided with poultry units, chicks, feeds and necessary vaccination. This will be implemented in every sub county, together with provision of fish tanks.

**112.** ***Interventions through Trade and Industry:*** The government recognizes the important role played by Trade and Industry in employment creation, income generation for households and thus boosting improvement of quality of life to the people. It is also an important catalyst to economic development. In further development of this sector, the government will inject resources for development of well planned, regulated and maintained trading facilities and enforcement of relevant legislation.

**113**. Provision of a good environment of doing business will help traders bounce back. Following the difficult period that the education sector went through during the pandemic, trade licences were waived for schools that were not in operation during the shutdown. Single business permits were also reviewed for the hospitality industry due to WHO health protocols which siting capacity

**114**. Designated trading centres for informal traders will be established, a weights and measures modern laboratory will be established and a centralized automated monitoring system operationalized in the County. A programme will be rolled out towards facilitating growth of the Small Micro and Medium Enterprises while reviewing the policy on Single Business Permit to ease the process of establishing and running businesses in the City.

**115**. In recognition of the enormous potential of the cooperative movement in capital formation and employment creation, the County government will enforce existing legislation; revive dormant cooperatives and upscale registration and supervision of new enterprises.

**116*.* *Safety and Security:*** The Government is committed to guaranteeing a safe and secure environment for residents, investors and workers to operate in. In this regard, resources will be invested in security surveillance, intelligence gathering, personnel training and equipment. The city inspectorate department will be modernized to achieve a trustworthy and recognized law enforcement status that strictly observes human rights in the discharge of their mandate. This sector will require a lot of collaboration with members of the public, National security agencies and other development partners to actualize.

**117. *Disaster Management and preparedness:*** The City is prone to a number of natural and manmade disasters. These include terrorism, Flooding, Infrastructure failure, disease outbreaks and poverty. In this regard the Government is committed to developing and implementing a resilience plan aimed at mitigating against adverse effects of such occurrences. In the recent past, the City has made considerable progress in mitigation and response particularly for floods and fires.

**118**. In order to achieve better response times during emergencies, the Government will adopt a distributive approach of fire and ambulance services across the County. In particular, ambulance services will be operationalized through sub-counties while fire sub-stations will be established on either side of the City away from the CBD. Resources will be injected in opening up access routes especially in the Eastlands and informal settlements.

**119.** ***Environmental management and Climate Change:*** The government is committed to confronting the realities of climate change through adoption of technologies for climate change mitigation and resilience, human resource development and partnership with academia and other research institutions.

**120**. Over the last decade, the City has witnessed a systematic depletion of forest cover as development of housing and other urban infrastructure take precedence. This trend continues to threaten the rich urban nature and biodiversity that Nairobi is endowed with. In this regard, the government will coordinate a structured programme to restore forest cover and conserve biodiversity for shared prosperity.

### 3.5 Prioritization of ongoing projects CIDP 2018-2022

**121**. Infrastructure remains an enabler to the success of all other sectors. As we go towards the conclusion of implementation of the CIDP 2018-2020, focus will be on completion of all ongoing projects, and only necessary new projects will be brought on board. The county remains resolute to achieve the following infrastructural developmentsin order to ensure sustained economic transformation, and a competitive city economy.

**Improvement of physical infrastructure**

**122**. Non-Motorized transport facilities serve a significant proportion of the population and constitute a major mode of transport in the City. Over the recent years, investment in these critical facilities has improved.The government will continue to expand NMT facilities and reach areas out of the CBD. Maintenance of the existing NMT infrastructure will also be continued.

**123**. Considerable progress has been made in the implementation of road rehabilitation and construction programme and a number of key projects have been completed. Over the medium term, the strategy is to develop the road transport in order to have an effective, efficient and secure road network, step up road transport safety and regulation through developing and implementing road transport policies for an efficient and safe transport system.This will involve patching, sealing, filing ruts, cracks and depressions and rectifying defects arising from use.

**124**. The Street lighting programme has seen significant gains and acts as an avenue towards revolutionizing Nairobi towards a 24 hour economy. Security and ease of doing business is improved by having sufficient lighting. The ward development fund has played a huge role in ensuring this success is felt in every corner of this county. To accelerate the benefits already accumulated over the years, further investment will be focused towards maintenance of existing street lights and installation of new ones where necessary.

**125**. The current road network coupled with the state of traffic management systems are inadequate to meet the current and future demands as envisaged in the Kenya Vision 2030 blue print. The deterioration of traffic conditions can be explained by the rapid increase in the number of private cars, lack of an efficient Rapid mass public transport system, poor enforcement of traffic regulations and lack of discipline on motorists and other road users. In the medium term, the target remains to roll out a traffic simulation system, implement and expand signalized junctions, develop an Intelligent Transport System for the City, construct and commission commuter rail and operationalize a Rapid Public mass Transport System for the City.

**126**. A well-functioning drainage system is a major safeguard for road infrastructure, property and lives of people during flash floods which have become more regular and heavier in impact over the last few years.In this regard, the government will invest in maintenance of storm water drainage through regular cleaning and replacing damaged parts and installation of storm water drains in the CBD. Additionally, missing manholes will be fitted alongside drainage improvement in identified roads across the county to improve safety and reduce dumping in the system.

**127**. The County will upscale its capacity for provision of clean and safe water, improve sanitation conditions in order to meet rising demand for these services as a result of rapid population growth. The rapid population growth in the City has led to an increase in the demand for water for domestic and industrial use. With 76% of households connected to water system, the County seeks to ensure that supply of water is reliable. In this regard, investment in developing ground water, development of the Northern collector and rehabilitation of the cleansing depot remain a priority for the water sub-sector.

**128**. Cognizant that only 50% of the population is connected to the sewer line, the government will invest in expansion of the sewer line so as to serve a greater proportion of Nairobians. Further, improvement of sanitation facilities particularly in the informal settlement areas will be actualized.

## CHAPTER 4: BUDGET PRIORITIES FOR FY 2021/2022 AND SECTOR CEILINGS

### 4.0 Introduction

**129**. This chapter outlines; the County's guiding policy on expenditure, the resource envelope, and the expenditure and revenue projections. It also includes the key priorities for the sectors for the FY 2021/2022.

### 4.1 Resource Envelope

**130**. During the FY 2020/21, the county approved a budget of Ksh. 37.1 B, showing an increase of 7.85% from the Ksh 34.4 Billion approved budget in 2019/2020. This was a slightly higher budget compared to the previous years which saw a budget Ksh. 34.4 Billion approved for FY 2016/17, Ksh. 35.91B in 2017/18, Ksh. 32.31B in 2018/19 and Ksh 34.4 Billion in 2019/20. In all the previous years, however, the revenue raised did not match up to expectation, and these shortfalls largely impeded full actualization of the budget objectives. In addition the shortfall led to accumulation of pending bills. To avoid this shortfall of revenue over medium term, the County treasury proposes a robust revenue mobilization strategies geared towards increased own source revenue. To achieve the medium term objectives set in the CIDP 2018-2022, optimal utilization of resources, fiscal discipline and reduction of non-essential expenditure is advised.

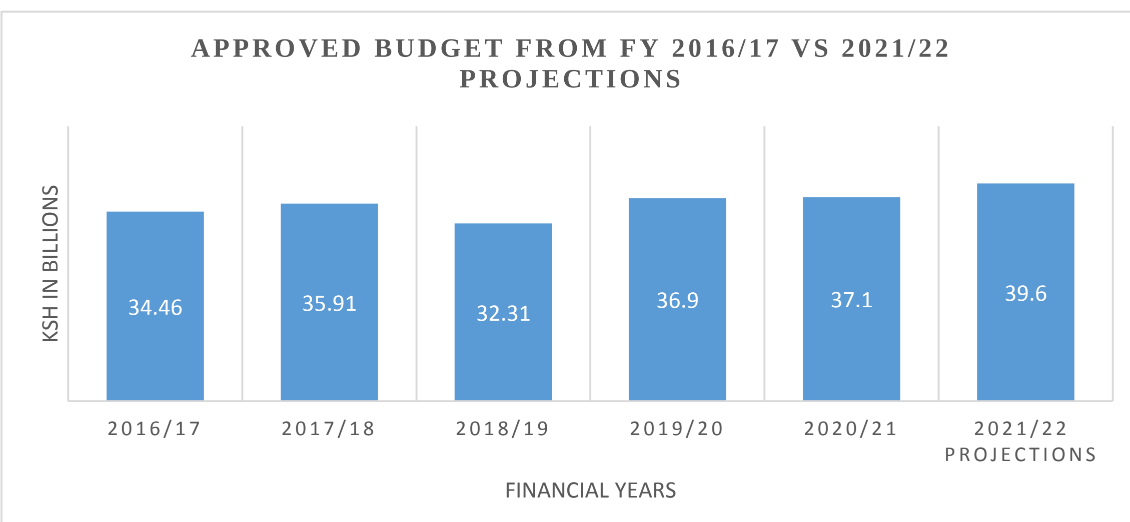


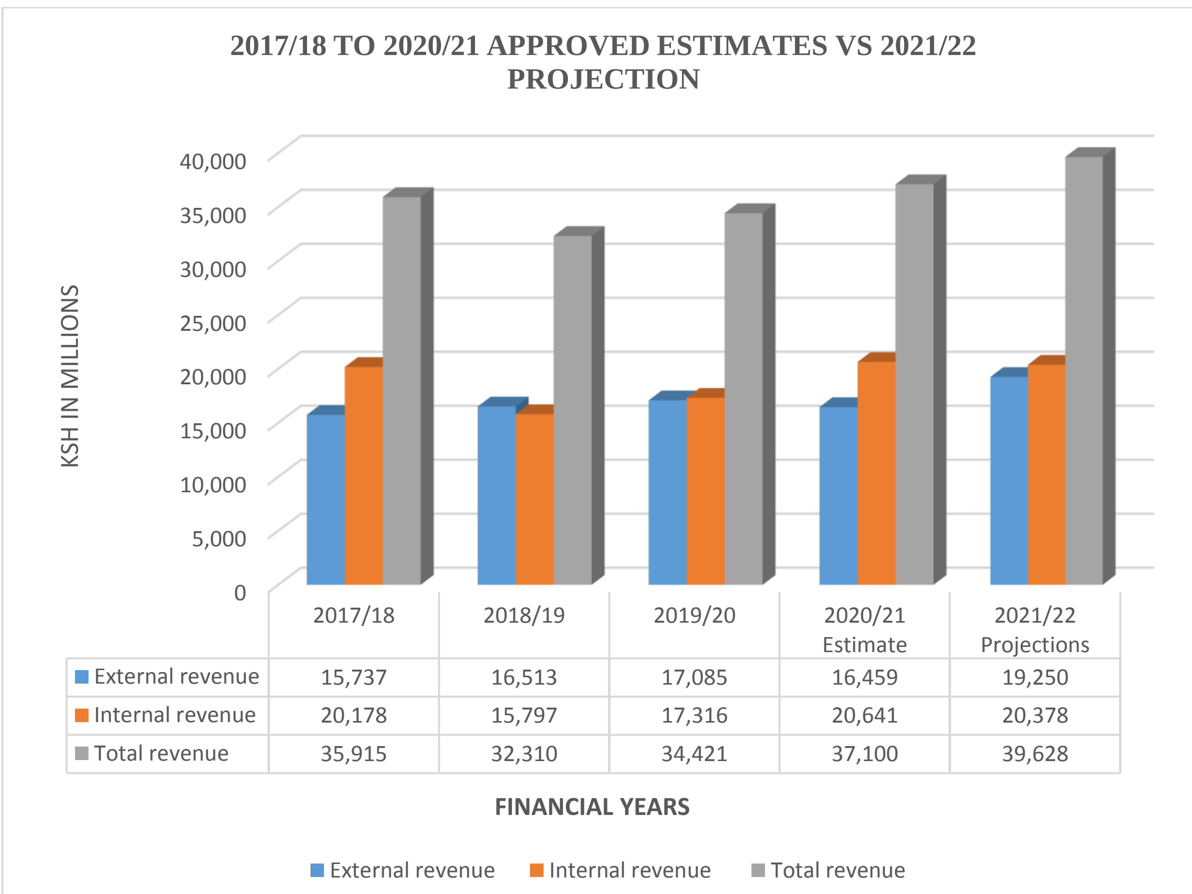

**Fig 4.1 Previous Approved Budgets Vs 2020/21 Projection**
*Source: County treasury*

**131**. The 2021/22 budget will be 39.63 B showing, a 6.7 percent increase compared to the approved budget for 2020/2021. This increase is due to increased resource requirements by sectors to deliver their key mandates.

## 4.2 Revenue Projections

**132**. The revenue growth remained invariable over the years, a situation anticipated to persist in the medium term. To match the increased resource requirement by sectors, the county will increase its revenue mobilization efforts and also cast a wider net to bring more tax payers on board. The projected revenue for 2021/22 will consequently shift significantly compared to the preceding one as shown below.

**Fig 4.2: 2017/18, 2018/19, 2019/20 Approved Estimates VS 2021/22 Projection**



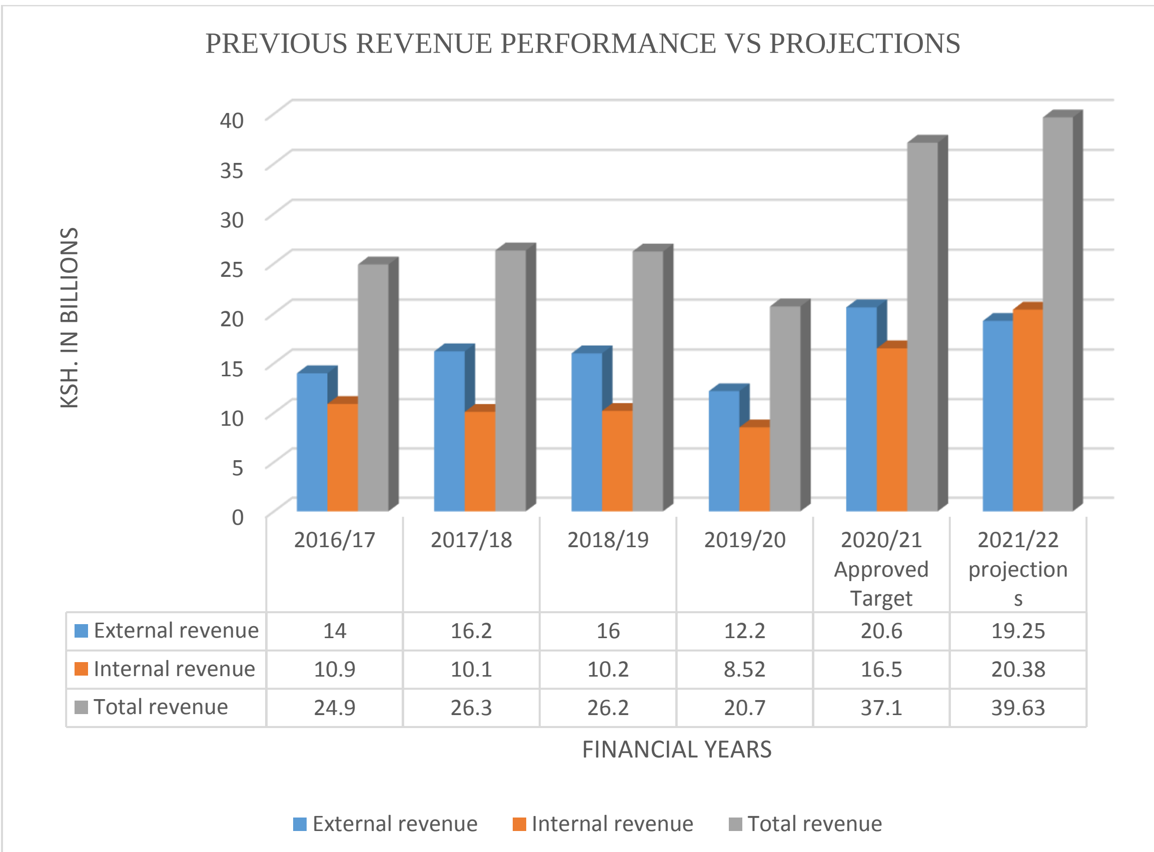

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 Estimate | 2021/22 Projections |
|---|---|---|---|---|---|
| External revenue | 15,737 | 16,513 | 17,085 | 16,459 | 19,250 |
| Internal revenue | 20,178 | 15,797 | 17,316 | 20,641 | 20,378 |
| Total revenue | 35,915 | 32,310 | 34,421 | 37,100 | 39,628 |

**Source: County treasury**

**133**. The projections depict a 6.8 percent increase in targeted revenue for the financial year 2021/2022 from the Ksh. 37.1 B targeted in the FY 2020/2021. Revenue performance has consistently fallen below the set targets in the previous years, a situation that must remedied for the county to finance its functions.

## 4.3 REVENUE PERFORMANCE

**Fig. 4.3: 2021/2022 Projections versus Previous Revenue Performance**




*Source: County Treasury*

**134**. The 2021/22 projection of Ksh. 39.63 B will be a 91 % increment from the final accounts of FY 2019/2020, where Ksh 20.7 B was actualized. This will require robust resource mobilization strategies to be able to meet the target.

**Previous Revenue Shortfalls**

**135**. The revenue targets have characteristically remained high, with a notable deficit being experienced since the start of county government. Over the years, the deficit was Ksh. 9.56 B, Ksh 9.61 B, Ksh 6.1 B and 13.7B in the financial years 2016/17, 2017/18 , 2018/19 and 2019/20 respectively. This translated into severe cash flow crunches and accumulation of pending bills over time.

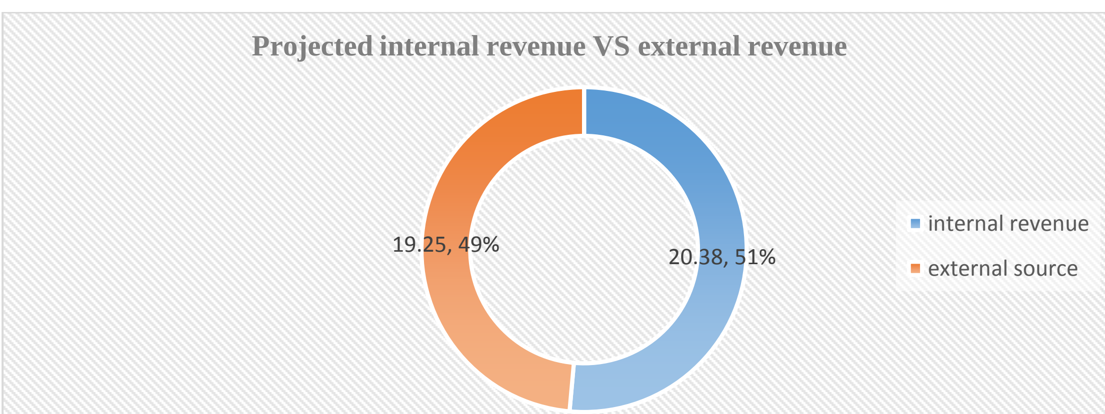
## 4.4 Revenue composition

**136**. The county budget is funded by revenue from two main sources; Internal and external sources. The county will venture to ensure a balanced budget in the medium term hence exchequer from the national government and local revenue remain the key and only financing options. Over the period, the projected external revenue has always surpassed the revenue generated internally.

**Sources of Revenue for FY 2021/22**

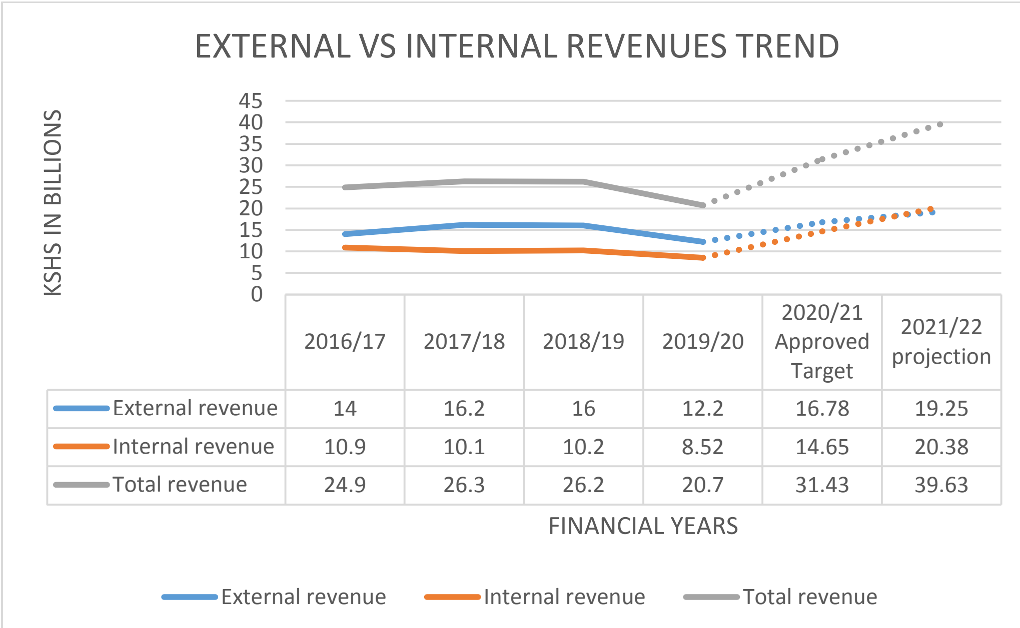
**137**. It is projected that a total of Ksh. 20.38 Billions will be collected from own source revenue and Ksh 19.25 Billion from external revenue. Thus internal revenue will constitute 51.4 % of total revenue, while external revenue generates approximately 48.6 % as shown in figure below. Historically, the contribution of external revenue to the total revenue has been predominantly higher than internal revenue.

**Figure 4.4: Sources of Revenue for FY 2021/22**




*Source: County treasury*

**Fig: 4.5 Trend of external revenue vs internal revenue**




| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 Approved Target | 2021/22 projection |
|---|---|---|---|---|---|---|
| External revenue | 14 | 16.2 | 16 | 12.2 | 16.78 | 19.25 |
| Internal revenue | 10.9 | 10.1 | 10.2 | 8.52 | 14.65 | 20.38 |
| Total revenue | 24.9 | 26.3 | 26.2 | 20.7 | 31.43 | 39.63 |

**138**. Over the years, it is evident that the contribution of external revenue to the total revenue has been predominantly higher than internal revenue. Projections show that the local revenue will be slightly higher than external revenue. It is important to appreciate the significance of the role played by predictability of the huge external revenues, but at the same breadth acknowledge that a boost in internal revenue to match the same level of confidence will be a panacea to the perpetual cash flow crunches.

**Internal Revenue**

**139**. Local revenue streams have been underperforming over the years, missing the set targets by a big margin. This results to a shortfall in budget financing hence frequent cash flow challenges, and accumulation of pending bills. The top five performing revenue streams in absolute terms are rates, parking fees, single business permits, billboards & adverts and building permits. The best performance of internal revenue was in 2014/15 at 85% while the lowest was in 2019/20 at 50% of the set target.

**140**. The underperformance in Revenue collection in FY 2019/2020 was largely attributed to the Covid-19 pandemic, which resulted to reduced activities both by the government and the public.

The second half of the financial year was largely characterized by reduced movement due to cessation, and staff working from home due to the advisory to combat Covid-19. It is also necessary to note that revenue peaks in the second and third quarters.

**Table4.1: Performance of revenue streams 2014/15 – 2019/20 (Ksh. IN BILLIONS)**

| STREAM | 2014/2015 | | | 2015/2016 | | | 2016/2017 | | | 2017/2018 | | | 2018/19 | | | 2019/20 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Target | Actual | % | Target | Actual | % | Target | Actual | % | Target | Actual | % | Target | Actual | % | Target | Actual | % |
| RATES | 2,800 | 2,593 | 93 | 3,800 | 3,160 | 83 | 5,500 | 2,253 | 41 | 4,842 | 1,871 | 39 | 3,600 | 1,994 | 55.4 | 3,950 | 1,873 | 48 |
| SINGLE BUSINESS PERMITS | 2,200 | 1,814 | 82 | 2,826 | 1,786 | 63 | 3,600 | 1,776 | 49 | 3,169 | 1,786 | 56 | 2,600 | 1,991 | 76.6 | 2,892 | 1,586 | 55 |
| PARKING FEES | 2,800 | 2,016 | 72 | 2,600 | 2,038 | 78 | 3,540 | 1,974 | 56 | 3,116 | 1,878 | 60 | 3,030 | 1,933 | 63.8 | 2,763 | 1,545 | 56 |
| BUILDING PERMITS | 1,300 | 1,349 | 104 | 1,650 | 1,171 | 71 | 1,700 | 843 | 50 | 1,497 | 239 | 16 | 1,500 | 1,018 | 67.9 | 2,101 | 456 | 22 |
| BILLBOARDS & ADVERTS | 700 | 676 | 97 | 800 | 663 | 83 | 1,200 | 720 | 60 | 1,056 | 829 | 79 | 1,000 | 797 | 79.7 | 1,425 | 753 | 53 |
| OTHER INCOMES | 3,764 | 3,134 | 83 | 3,614 | 2,890 | 80 | 4,026 | 3,363 | 84 | 3,549 | 3,506 | 99 | 3,767 | 2,349 | 62.4 | 1,232 | 769 | 62 |
| **TOTAL OWN SOURCE REVENUES** | **13,564** | **11,582** | **85** | **15,290** | **11,708** | **77** | **19,566** | **10,929** | **56** | **17,229** | **10,109** | **59** | **15,497** | **10,172** | 65.6 | 17,316 | 8,523 | 50 |

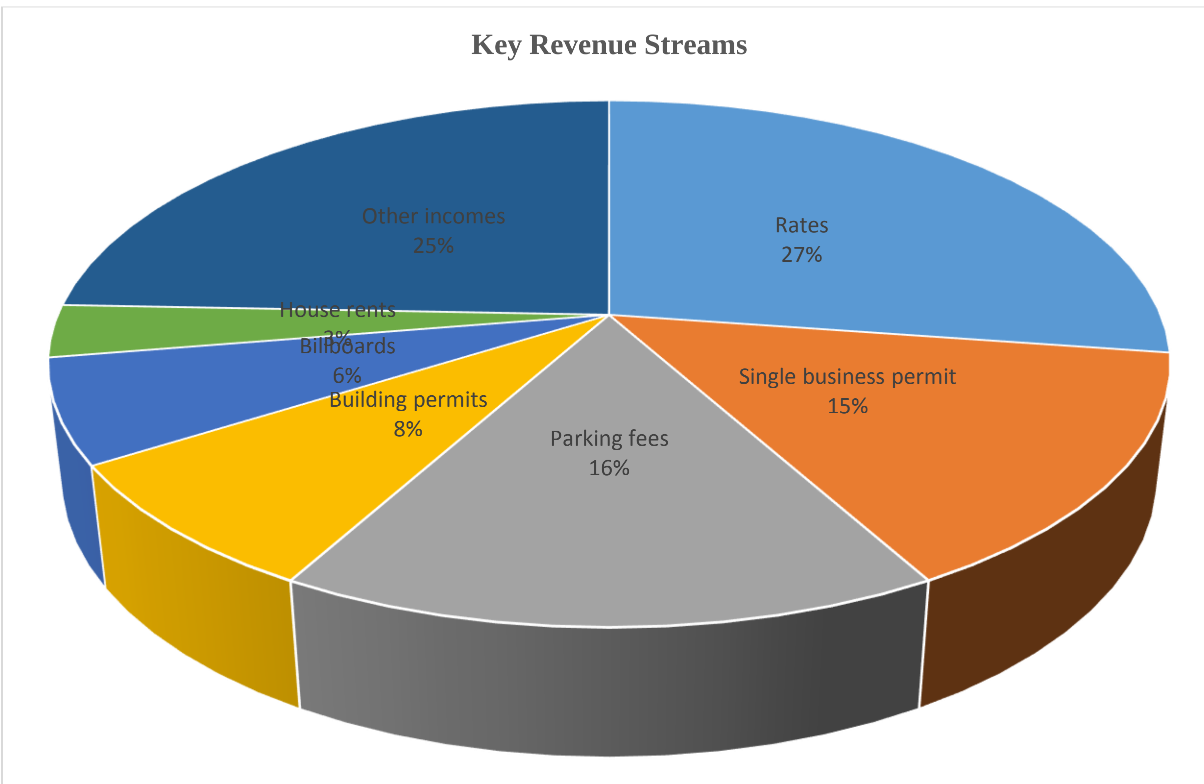
*Source: County treasury*

**Mid-year internal revenue performance for FY 2020/21**

**141**. The half year internal revenue performance for 2020/2021 is not very promising in achieving the set revenue target. By the end of December 2020, internal revenue collected was Ksh.4B against annual target of 37.1B representing 10.8% of the annual approved target.

**142**. The internal revenue projection for FY 2021/22 is 20.38 B depicting an increase of 24.3 % from 16.4B approved in FY 2020/21. The key internal revenue sources are shown in the figure below;

**Fig: 4.6: Key Revenue Streams**

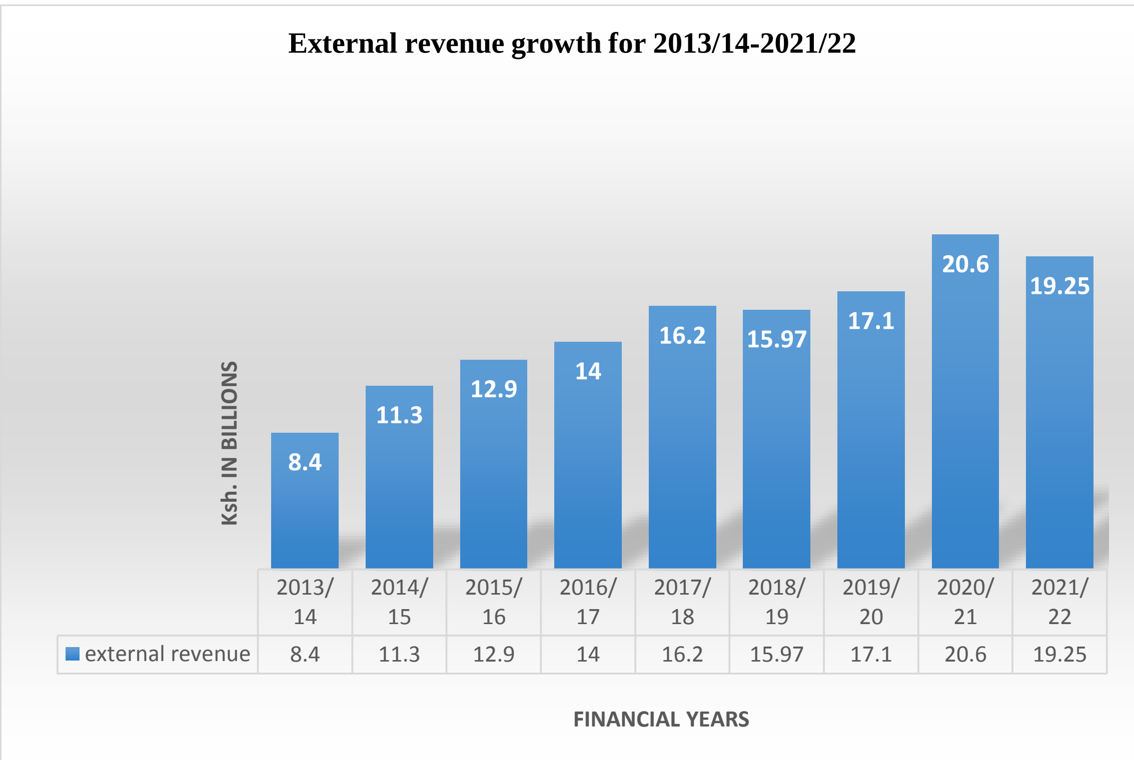



*Source: County treasury*

**External Revenue**

**143**. External revenue has been a major component of the county revenue, and will constitute 49 % of the projected 2021/22 budget. The equitable share from the national government is expected to be Ksh. 19.25 Billion. The county will also benefit from conditional grants including leasing of medical equipment (Ksh. 153.3 M) and loan & grants (Ksh. 866.8 M). External revenue growth has been resilient since 2013, and this is expected to persist, and even improve in the medium term (see figures 4.6).

**Fig. 4.6: External Revenue Growth**




## 4.5 Conditional Allocations and other Grants

**Leasing of medical equipment**

**144**. This conditional grant allocation will be used to supplement financing of health care medical equipment. The budget allocation on leasing of medical equipment for the FY2021/22 is Ksh. 153.3 Million.

**Loans and grants**

**145**. For the FY2021/22, the county is expected to get an allocation of Ksh. 866.8 M as loan and grants. This will finance devolved functions in accordance with signed agreements for the loan/grant.

## 4.6 Expenditure Review and 2021/2022Projection

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

**147**. Total expenditures by commitments in financial year 2019/2020 amounted to Ksh. 23.35B against a target of Ksh. 36.98 B. The under absorption was recorded in both recurrent and development expenditures but was more prevalent in development. Out of the total expenditure, only Ksh. 20B was utilized for recurrent expenditure and 1.98B for development expenditure .This means 91.5% of actual expenditure went to recurrent while as 8.5% went to the development expenditure.

**148**. The revised recurrent expenditure was ksh.27.5 B out of which Ksh. 20.0 B was spent. This represents an absorption rate of 73%. On other hand the revised development expenditure was Ksh. 8.0 B out of which the actual expenditure was Ksh. 1.98 B. This shows an absorption rate of 25%. The overall county budget absorption rate for the FY 2019/20 was 63%.

**Table4.7: FY 2019/20 budget absorption.**

| Expenditures | Approved | Revised | Actuals | Performance (%) |
|---|---|---|---|---|
| Transfers to county assembly | 2,939,977,879 | 1,454,677,879 | 1,303,773,508 | 90 |
| Recurrent expenditure | 24,300,152,062 | 27,486,581,031 | 20,069,713,421 | 73 |
| Development expenditure | 9,741,260,947 | 8,040,131,978 | 1,979,948,407 | 25 |
| **Total expenditure** | **36,981,390,888** | **36,981,390,888** | **23,353,435,337** | **63** |

*Source: County treasury*

**149**. Actual expenditure on development expenditure has been experiencing a downward trend, meaning it has suffered most when revenue targets are unmet. The county will strive to improve revenue generations and achieve 30% allocation towards development in the medium term.

**150**. To improve budget absorption and fiscal discipline in 2021/22, the county treasury will issue guidelines on commitments and expenditure control. This will synchronize quarterly cash flow projections with sector expenditure expectations. Financial commitments towards the end of the financial year will be highly discouraged.

**Recurrent Expenditure**

**151**. The key recurrent expenditure items include: Personnel Emoluments; Operation and Maintenance; Debt repayment and Emergency fund and other funds. Personnel costs constitute the largest portion of recurrent expenditure. In this regard, the FY 2021/22 budget allocation will be as follows:

**Budget Distribution (In Ksh. M's)**

| | RECURRENT EXPENDITURE | | DEVELOPMENT EXPENDITURE | **TOTAL** |
|---|---|---|---|---|
| | P.E | O&M | | |
| COUNTY EXECUTIVE | 5,973 | 6,570 | 1,771 | **14,314** |
| COUNTY ASSEMBLY | 1,075 | 1,347 | 1,706 | **4,129** |
| NMS | 8,575 | 3,213 | 7,414 | **19,202** |
| WDF | 0 | 59.442 | 1,922 | **1,981.44** |
| **TOTAL** | **15,623** | **11,189.44** | **12,813** | **39,626** |

**152**. In order to free up resources for development, non-essential recurrent expenditure will be reduced by; cutting down local and foreign travels, reduce expenditure on stationery and consider other options including going paperless.

**153**. The total recurrent cost for the FY 2021/22 is projected at Ksh 25.98 Billion while as development cost is projected to be Ksh. 26.81 B.

**Emergency Reserve**

**154**. For the FY 2021/22, Ksh 140M is set aside for emergency. This amount is considerably high compared to the previous allocations. To enhance preparedness and response, emergency reserve will be boosted in the medium term.

**Debt resolution**

**155**. To continue with the already started process of clearing pending bills, and also to conform to the directives of the national treasury, Ksh 300M will be set aside in 2021/22 to clear pending bills related to pensions and another Ksh. 600M for other debts. The DMSP of 2021/22 is expected to chart a proper path of significantly reducing the pending bills to a sustainable level in the medium term.

**Development Expenditure**

**156**. The fiscal responsibility principles stipulated by section 107 (2) of the PFMA 2012 requires counties to allocate not less than 30% of their budgets towards development, over the medium term. Achievement of this for the county has been elusive, given the high recurrent cost that depletes the low revenues raised each year. This usually worsens during the supplementary budget process where reallocation is done towards recurrent.

**157**. Development Expenditure for the FY 2021/2022 is projected to be Ksh. 12.8 B representing 32.3% of the entire budget. If this remains, then the fiscal responsibility principle of at least 30% allocation towards development in the medium term will be achieved.

## 4.7KEY SECTOR PRIORITIES AND RESOURCE REQUIREMENT FOR FY 2021/22

### 4.7 .1 Trade, Commerce & Industry, Tourism, culture and Cooperatives

**158.** The sector's main goal is to support growth and development of local and foreign trade and investment through formulation and implementation of a sound policy, legal and regulatory framework. This will be achieved through the following: Trade development endeavors to establish a textile centre of excellence for capacity building and tooling towards meeting requisite market standards especially among youth and women.

**159.** In addition, micro and small enterprises/industries will be supported through developing incubation centers to improve on production skills in order to compete will both larger industries and other competitive imports in the wood, food, and metal industries. Further an ICT information desk will be established at the New Kangundo road fresh produce market, for relaying real time produce prices to inform on prevailing prices, and advise on prudent entry into trade, in the whole country and in the East African region.

**160.** Upon accenting Gaming & betting draft bill, its implementation will increase its revenue by about 80%. It will also see better regulation of gaming and betting practices in the county. Weights and measures department plans to increase coverage of the county in regards to verification and assessment of measuring equipment and packaged goods respectively, by acquisition of mobile verification units. This will go a long way in consumer protection and fair-trading practices.

**161.** The cooperative movement in the county is important as an investment tool that pools MSEs resources towards increased savings for growth, development and diversification. The cooperative directorate shall continue with registration processes for SACCO, revival of dormant ones, training and capacity building, attending their meetings as well as continuous financial auditing to monitor fraudulence and ensure prudent use of public resources.

**162.** Tourism will be revamped through increased activities in collaboration with stakeholders and the national government. This will be in a bid to position Nairobi City as the tourist destination of choice in the region and globally. To expose MSEs to the market the sector shall sponsor at least 4 trade exhibitions. This platform is important as a producers and traders meet to create market linkages, an important aspect of growth and development of enterprises.

**163.** The Liquor Board intends to conduct awareness campaigns/Publicity/ Sensitization in order to reduce the Alcohol and Drug abuse (ADA). Further, three Rehabilitation Centres are planned to be constructed in Riruta, Kariobangi North and Jericho Health Centres. The three Centres require funds for equipment and maintenance for them to be utilized to rehabilitate the alcoholic addicts.

**164.** To improve the Liquor Board service delivery at Sub-County level, eight containerized offices will be constructed these being the remaining Sub-Counties without offices after construction of nine of them. The Sub-County Committees will carry out inspection of liquor premises while enforcement unit enforce the Liquor Act to control the alcoholic drinks within the County. Liquor Board will organize retreats to facilitate the discussion on monitoring and evaluation on implementation of the liquor planning documents, its overall performance and the way forward. In addition, trainings Liquor Board staff will be conducted.

**165**. For the FY 2021/22, the sector will be allocated a total budget of Kshs.1.028 B; Ksh 704M (68.5 %) towards recurrent expenditure, and Ksh. 324 M (31.5%) for development.

### 4.7.2 Education, Youth, Sports, Gender Affairs & Social Services

**166**. For early childhood development, the sector will seek to: Improve learning environment at ECDE centers through infrastructure development as well as enhance stakeholder's relationship for partnership in infrastructure development. Access to ECDE will be improved through the implementation of free Pre-primary programme. The bursary scheme will be implemented; teaching/learning material for ECDE will be distributed to improve access and quality of education.

**167.** During FY 2021/22, the sector will also endeavor on promotion of vocational education and training through: Formulation of VET policies, Establishment of a new VTCs, Construction of more training facilities in the existing VTCs, Refurbish the existing dilapidated VTCs' facilities, Procurement of VET materials, tools and equipment and Recruitment of new 110staffs(Vocational trainers and workshop assistants). The sector will also encourage the VTCs to participate in drama, music, ball games, athletics and other sports activities.

**168.** The sector will also promote Community Social Welfare in the County through rescue and rehabilitation of street families and vulnerable children, continued support to home for the aged and providing psychosocial support to the traumatized and counseling services to the vulnerable and the aged. The sector will also seek to improve collaboration with stake holders for achievement of its mandate.

**169.** Promotion of sports through engagement of communities in sports, theatre and cultural activities to nurture talents, as well as improving state of sport facilities will remain a top priority for the sub-sector in FY 2021/22. The sub-sector harness youth talents by organizing sports tournament and ensuring teams have enough sports gear.

**170.** For youth welfare development the sector will embark on capacity building of youth to empower them, establishment of a data base of youth serving organization in the county and rebranding of one-stop youth centre and provision of ICT infrastructure and Wi-Fi connections in social halls. For library and information services, the sector seek to digitization and automation of library services.

**171.** To enhance the implementation of the sector priorities for FY 2021/22, the sector will be allocated a total budget of Ksh. 2.233 Billion. Allocation towards recurrent expenditure will be Ksh. 1.687Billion (75.5% of total sector budget), and allocation towards development expenditure will be Ksh.546 M (24.5% of total sector budget).

### 4.7.3 Agriculture, Livestock & Fisheries Forestry & Natural Resources

**172.** The overall goal of the sector is to attain food security for all, employment creation, income generation, poverty reduction and ensuring sustainable agricultural land use.

**173.** To achieve its overall goal in FY 2021/22, the sector will continue efforts to enhance increased food security as well as improved food safety through crop development, livestock development and fisheries development. The sector will also embark on knowledge and skill development for farmers through extension services. Through veterinary services, the sector will ensure that there is reduced prevalence of notifiable diseases and vectors. The sector will also ensure forestry development through conservation and management of natural resources.

**174.** Further, the sector will work towards increased support of value addition of agricultural products, therefore linkages and collaborations among value chain actors will be created.

**175.** With regard to this, the sector will be allocated a total budget of Ksh.409 M to achieve its 2021/22 targets. Allocation towards recurrent expenditure will be Ksh.324 M (79% of the total sector budget) and that allocation towards development will be Ksh.85M (21%).

### 4.7.4 Finance & Economic Planning

**176.** The finance and economic planning sector is charged with the responsibility of ensuring prudent, financial managements of financial resources, formulating fiscal economic and fiscal policies to facilitate socio-economic development, resource mobilization and control of public finance resource. For the sector to achieve its mandate in FY 2021/22, and enable adherence to public financial management principles, the sector will; enhance revenue collection through efficient and effective revenue collection system and increased enforcement and compliance; strengthen policy formulation, planning budgeting and implementation of CIDP and Nairobi City County Strategic Plan 2015-2025; enhance evidence based decision making for socioeconomic development through conducting feasibility studies, economic surveys and development of county statistical data management system; and improve tracking of implementation of development policies, strategies and programmes.

**177.** For achievement of the above, the sector will; improve work environment and enhance staff mobility, automate asset management, ensure efficient and effective budget formulation and control, ensure financial standards, principles and guidelines are adhered to appropriately. reporting  decentralize financial and planning services, paying of pending bills, enhance statistical development capacity, and improve project monitoring and evaluation in the county.

**178.** The sector will be allocated a total budget of Ksh. 2.22 Billion for FY 2021/22. This will comprise of Ksh. 2.2B for recurrent expenditure and Ksh. 53 M for development expenditure.

**4.7.5 ICT, E-Government and Public communication.**

**179.** In the FY 2021/22, sector will develop and adopt ICT policies. The sector will also undertake internet connectivity to enable communication and efficient sharing of information. Information security will be improved, with installation of an information security application, training staff on information security.

**180.** The sector will also work on Integrated City Management System (ICMS) geared towards improved revenue collection. It will also ensure proper maintenance of LAIFOMS and E-payments.  Operationalization of data centres and establishment of staff lab will remain key priorities.

**181.** For the implementation of the sector priorities for FY 2021/22, the sector will be allocated a total budget of Ksh. 559M. Allocation towards recurrent expenditure will be Ksh.300M (53.7 % of total sub-sector budget) and allocation towards development will be Ksh.259M (46.3% of total sub-sector budget).

### 4.7.6 Public Service Management

**182.** Devolution and Sub County Administration will work towards entrenching devolution by providing office space both at Sub county and ward level. To improve service delivery, the Department intends to bolster its supervision and coordination capacity. Public participation will also be strengthened.

**183.** The PSM supports public policy, adoption and implementation to achieve deliverable outcomes for the interest of the City through coordination, management and general administrative of the overall County Public Service. For the FY 2021/22, the sector will embark on development of policies like M&E policy, corruption prevention policy, RBM policy; conduction of RRI waves; implementation of staff car loan & mortgage schemes. Staff motivation through promotions, installation of biometric card readers, development of capacity building programs for staff, youth empowerment programs, digitization of personnel records will also be key priorities for the sector

**184** To enhance the implementation of the **Public Service Management & Devolution** priorities for FY 2021/22, a total budget of Ksh.1.73 will be utilized as recurrent expenditure while Ksh.25M will be used for development expenditure.

### 4.7. 7 GOVERNOR'S OFFICE

**185**. The security and inspectorate sub-sector will continuously enforce county laws, provide security services to county properties and installations, investigate crimes, manage disasters and ensure participation in national parades. The sector will also procure specialized equipment and tools, improve skills and capacity of its staff.To improve inspectorate services, specialized transport and communication equipment will be procured to improve supervision, staff training will be done, and office space provided at the devolved levels.

**186.** The internal audit department will endeavor to strengthen internal controls systems as well as providing advisory services to the management of public funds through Audit reports. It will also seek to procure audit software in order to embrace technology in service delivery. Risk management awareness and sensitization within sector will also be undertaken. The department will also procure motor vehicle to enable mobility in carrying out audit field assignments.

**187**. The disaster management and coordination sub-sector is responsible for disaster mitigation, fire rescue and emergency response. To achieve this the sub sector will undertake public awareness and training, provision of firefighting services to state functions and provision of emergency ambulances.

**188.** The legal affairs department provides legal service to the county and offers appropriate legal advice towards county policies. In FY 2021/22, timely dispensation of justice will be a key priority, by recruitment of legal counsel, amendments of county laws and digitization of court cases library. The department will also seek to renovate city courts and procure bulk cabinets.

**189.** The governor's office will be allocated a total budget of Ksh. 5.4 Billion in 2021/22. Allocation towards recurrent expenditure will be Ksh.5.02 Billion (92.5% of total sector budget) and Allocation towards development expenditure will be Ksh.381M (7.5 % of total sector budget).

### 4.7.8 County Public Service Board

**190.** The County Public Service Board will continuously commit on establishing and developing a skilled and adequate workforce in the county public service through promotions, recruitment, staff motivation and improvement of positive work ethics. The board will ensure timely posting of appropriate staff to meet sector capacity needs.

**191. The County Public Service Board** will be allocated a total budget of Ksh. 143.5M for the implementation of their sector priorities and service delivery. Ksh. 94.7M (66%) will be utilized for recurrent expenditure while Ksh. 48.8M (34%) for development.

### 4.7.9 County Assembly

**192.** The County Assembly (CA) is an independent arm of County Government that consists of 85 elected Members of County Assembly (MCA's), 42 nominated MCA's and the County Assembly Speaker who is an ex-officio member. The major roles of the CA are; perform the legislative functions within the County including approval of County laws, policies, budgets and expenditures, integrated development plans, tariffs, rates and service charges.

**193.** The CA will play an important role in scrutinizing reports received from the County Executive, approving County borrowing, ensuring community and stakeholder participation as well as playing an oversight role of the County Executive.

**194.** For the FY 2021/22, the county assembly will the construction of phase11 of county assembly block, construction of ward offices, acquisition of motor vehicles, purchase of computer tablets for members, acquisition of additional office furniture for the County Assembly Offices, acquisition of offices for nominated members and staffing, provision for training and capacity building for staff and full implementation County Assembly Service Board resolution on staff structure.

**195.** In addition to the above expenditure activities, the County Assembly will be undertaking the usual operational activities which include medical insurances, continuous capacity building for the Members, strengthening the oversight function of the County Assembly, transfer of the gratuity benefits for the Members to Local Administrator of Pension Fund and other critical operational activities.

**196.** For FY 2021/22, County Assembly will be allocated a total budget of Kshs.4.13 Billion. Ksh. 1.7 B of this budget will be allocated for development while Ksh. 2.4B for recurrent expenditure.

**Ward Development Programme**

**197.** The ward development programme is aimed at reducing disparities in resource allocation and development among wards and will constitute 5% of the revenues realized in latest audited accounts. The projects to be implemented under this programme will be ward based depending on the priorities of individual wards. The proposals from wards are development oriented, mostly in infrastructure development. The total allocation for this programme for the FY 2021/22 will be Ksh.1.98 Billion.

## 4.8 PRIORITIES FOR TRANSFERRED FUNCTIONS TO NMS FOR FY2021/22

**Transport, Infrastructure & Public Works**

**198**. In FY 2021//22, the sector priority will be to enhance pedestrian safety and connectivity through construction and rehabilitation of roads, storm water drainage and bridges. In project implementation, Completion of ongoing road works will be targeted as the key priority, together with rehabilitation of already completed works. Reduction of congestion remains a priority in the medium term, and collaborative efforts with the national government will be sought to achieve this. The specific key outputs priorities for the sector will be:

- Construction of 110 KMs of road network
- Rehabilitation of 20 KMs of roads
- Construction of 10 No. motorable bridges
- Construction of 10 No. footbridge bridges
- Construction of 10No. Culverts
- Construction of 20 KMs of storm water drainage

**Health Services**

**199**. Preventive and promotive health services remains the first priority in this sector. To achieve this, the sector will work towards; reducing the HIV/AIDS risk factors, reducing TB and other communicable conditions including malaria, and promote Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH). The sector will also seek to reduce risks associated with Non Communicable Diseases (NCDs).

**200**. Curative care is the next priority area that the sector will focus on. Provision of these services will require huge resources which will be utilized to enhance the provision of essential emergency and medical rehabilitative services as well as essential health care medical services. For curative care, the resources will be directed to the purchase of drugs and non-pharmaceuticals, construction, rehabilitation and upgrading of health facilities. During the fiscal year, the sector will invest in construction of 1No. Health facility, upgrade 8No. Health facilities and rehabilitate 7No. Health facilities.

**Housing and urban renewal**

**201.** For the FY 2021/22, the sector will seek to: Provide decent, affordable and adequate housing to Nairobi residents by maintenance of rental house, preparation of county asset titles and implementing the programme of urban renewal.

**202.** To ensure spatial order in the county, urban planning department will develop and implement development control policies and guidelines, prepare integrated area plans, prepare SEA related plans to embed environmental aspects into urban planning, implement the physical address system, implement outdoor advertisement Act and regularise development. Issuance of occupation certificate, surveillance and audit of buildings for safety will be continuously undertaken.

**203.** For proper land management, the land sub sector will continuously survey county properties, allotted properties and properties in site and service scheme. The sector will also work towards the approval of the New Valuation Rolls and increase the number of ratable properties by 2000. Security of tenure will be promoted by regularization of county lands and land buying companies.

**Environment, Energy, Water & Sanitation**

**204.** This sector's priorities in FY 2021/22 remains: improvement of solid waste management through provision of efficient waste management services from source to site and increase daily waste collection to 3100 tonnes. The sector will also strategize on efficient waste collection and transportation, waste recycling, and educate the public on waste management.

**205.** To enhance the aesthetic appeal of the City, landscaping and civil works for beautification and greening will also be done. Maintenance of 5 existing city parks will also be implemented.

**206.** The water subsector in FY 2021/22 will seek to increase water production and supply as well as ensuring access to water and sanitation. To improve access to water and sanitation services the sector will seek to increase water supply in the city by drilling boreholes and extension of water system; and improve sanitation by expanding sewer lines and public toilets especially in informal areas.

**207.** The budget allocation to the transferred functions to NMS will be Ksh. 19.2 B. Of this, a total of Ksh. 11.79B will be allocated to recurrent expenditure and Ksh. 7.4 B for development expenditure.

**Resource Allocation Criteria**

**208.** The total resource requirement proposals by sectors amounted to over Ksh. 56 B, which is far much beyond the expected county revenues. There was need therefore, through intensive deliberations with all stakeholders, to rationalize the sector proposals to match with the expected revenues. In doing this, and in order to ensure that the priorities of sectors are not hampered, the following criteria was employed;

*Mandatory expenditure:* Non-discretionary expenditure was given first priority in resource allocation. This includes allocation to compensation to employees, Utilities, insurance, and fleet management.

*Ongoing Projects:* Finalization of ongoing projects was factored before new projects. This is with an intention of completing all ongoing projects and enable the Nairobians reap from investment of public resources.

*Linkages to CIDP and ADP:* Project implementation and resource utilization must be guided by the planning framework. Expenditure that has been proposed by the ADP 2021/22 will guide this policy.

*Sector Priorities:* Priority areas proposed by sectors, and areas that may influence the operations of other sectors will be recommended for funding.

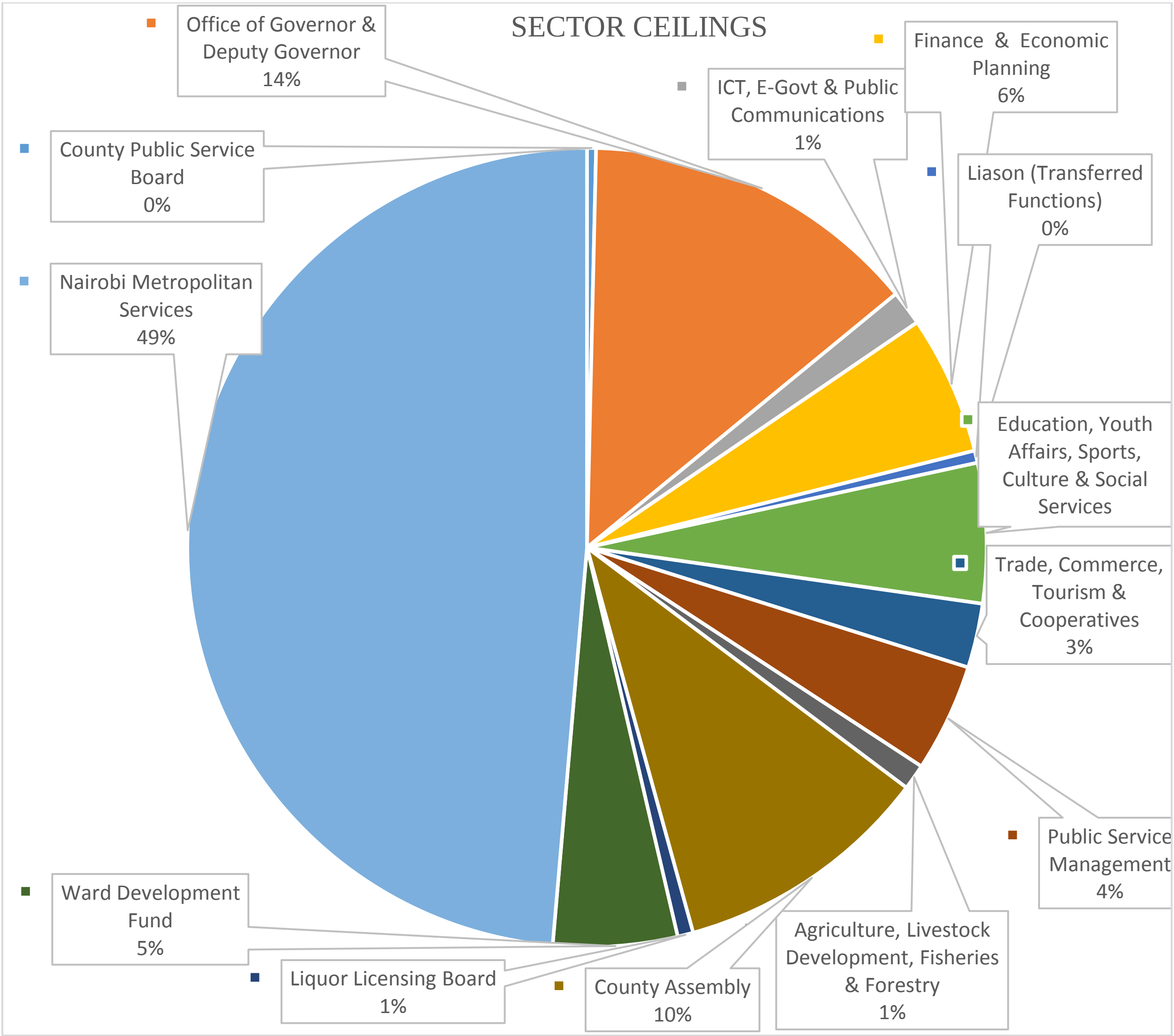
*Debt service obligation:* In an attempt to reduce the county debt, significant resources were proposed to be set aside for debt resolution

*Public Input:* Recommendations by stakeholders was considered and shaped the policy direction that will be implemented in the 2021/22 budget

*Deed of transfer:* The proposed allocations will meet the minimum requirements of the deed of transfer

*Fiscal responsibility principles:* Section 107 (2) provides the fiscal responsibility principles that guide resource allocation.

**Sector Ceilings**



## CHAPTER FIVE: FISCAL RESPONSIBILITY AND FISCAL RISK

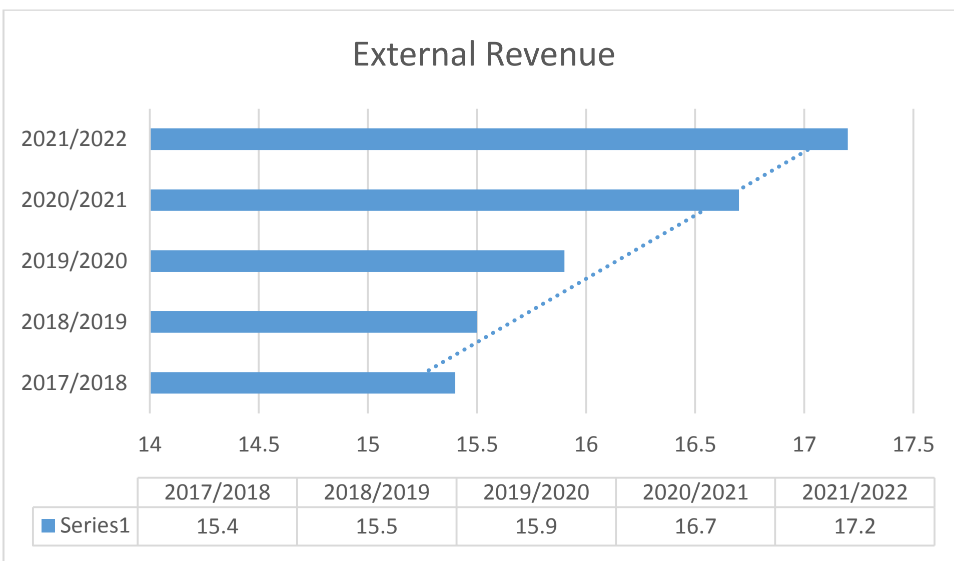
### 5.1 Fiscal Responsibility Principles

**209.** In line with the Constitution, the Public Finance Management Act, 2012 sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107 (2) states that in managing the county's public finances the county treasury shall enforce the following fiscal responsibility principles:

**210.** That the recurrent expenditure shall not exceed the County government's total revenue. However the county own source has been having declining trend. The table 1 below shows the summary of own source revenue as from 2014/2015 up to 2019/2020 and the projections 2020/21.

| 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|---|---|---|---|---|---|---|
| 11.6 | 11.8 | 10.9 | 10.1 | 10.17 | 8.2 | 16.46 |

Money sourced from equitable shares has a rising trend.

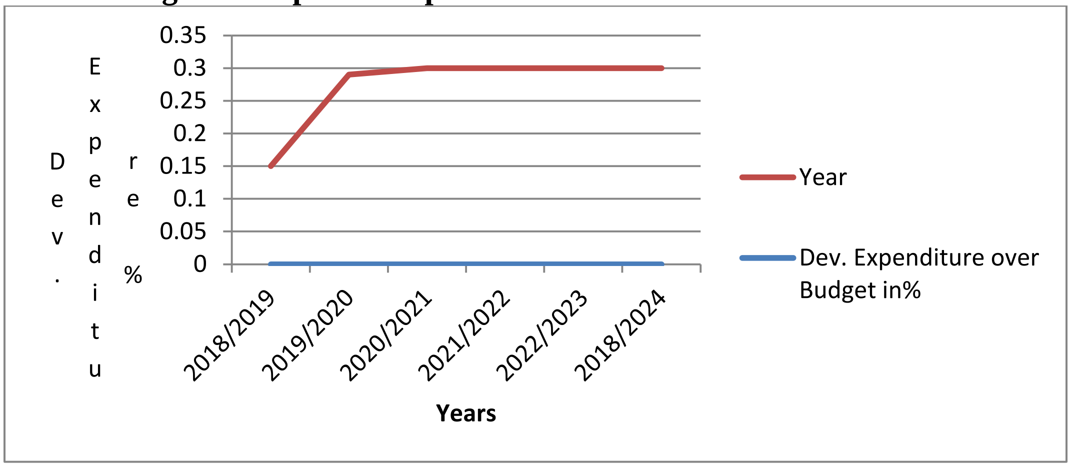


**211**. Resources from equitable shares have been having a rising trend since 2017/2018 up to 2020/2021 after which the projected external revenue will be at 17.2 billion Kenya shillings.

In this regard, the county government shall put in place austerity measures to ensure that recurrent expenditure shall not exceed the total revenue. The county of Nairobi has conformed to this particular principle in the sense that in the fiscal period 2017/2018 total revenue was 26.337 billion while recurrent expenditure was 22.362 billion, For FY 2018/2019 total revenue was Ksh 26.139 billion while recurrent expenditure was Ksh.20.33 billion. For fiscal year 2019/2020, the total revenue is 21.6 billion while the recurrent expenditure will be 20.1 billion. In 2020/2021 total expenditure is 37.7 billion, recurrent being 27.68 billion while development expenditure 9.6 billion. In 2021/2022 projections for the total development expenditure will be 13.6 billion and the recurrent expenditure will be 31.56 billion. In order to sustain this trend the county will enhance revenue collection, motivate employees, reduce the foreign and local travels, reduce non-essential recurrent expenditures among other cost cutting measures in general operations.

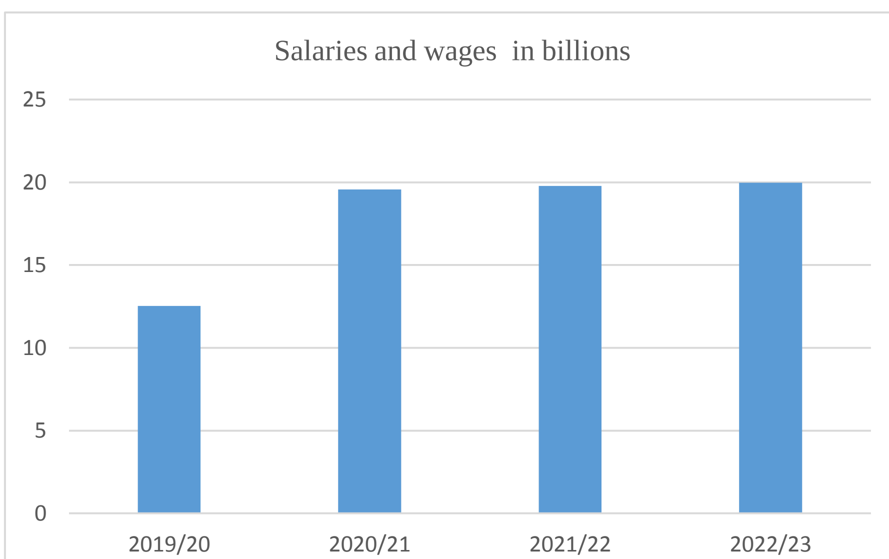
**212.** That a minimum of thirty percent of the county governments' budget shall be allocated to the development expenditure. The county government will ensure adherence to development to recurrent expenditure ratio of at least 30:70, over the medium term as set out in the PFM Act, 2012. In the year 2019/2020 the total budget realized was 21.96 billion of which 20.9 billion was spent on recurrent, 1.9 billion was spent on development while county assembly was allocated 1.3 billion shillings. The line graph below shows the projected development expenditure in percentage of the total budget as from 2017/18 to 2020/2021and projections for 2021/2022.These are 8.8%, 33.5%, 33.3%, 33.4% and 33.4% respectively.

**Fig: 5.1: Percentage Development Expenditure**




**213.** The County government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly**.** In regard to this, the county government expenditure on wages and benefits to employees shall not exceed 35% of the county government's total revenue by regulations. This has not been the case for the financial year 2019/2020. The actual salaries and wages were 57.87% of the total budget. This is attributed to the bloated workforce and delay of voluntary early retirement package for aged employees. The following bar graph below shows the actual 2019/2020 and the projected salaries/wages on total revenue of the county as from 2019/2020 to 2023/2024 respectively. From the bar graph there is a rising trend.

**Fig: 5.2: Salaries and wages presented in bar graph.**



**214.** The actual salary and wages in 2019/2020 was 57% of total revenue. Which will dropped to 50% in approved budget of 2020/2021 fiscal year. In the projected budget 2021/2022, salaries will constitute 52% of total revenues and 50.3 % in the fiscal year 2022/23. The remuneration is expected to remain high in the medium term. This is however expected to naturally diminish after about five years, given the high number of staff nearing retirement.

**215.** Actually the county should strictly maintain the 35% ceiling of the expenditure on salaries/wages and the following strategies will be implemented to curb any bloated wage bill:

**216. Payroll cleansing**. The payroll master will ensure that all the employees who are deceased and dismissed are struck out of the payroll to avoid unnecessary expenses;

**217. Adoption of technology**. The county will embrace technology to replace some aspects of human labor e.g. using tools and machinery to carry out environmental duties like slashing and maintaining lawn in the county. This will save the county a lot of money which could have been paid to casual workers. Automation of employees reporting time register is essential for it will curb ghost workers menace hence reducing the wage bill.

**218. Outsourcing cheap labor instead of employing or undertaking capacity building**. It is far much cheaper for the Nairobi County to outsource certain technical skills rather than employing. Recruiting new employees would cost the county a lot of money rather than outsourcing. The existing employees should be trained from time to time to equip them with skills. Preparing a sendoff package to motivate early retirement of less productive staff should be encouraged to reduce wage bill.

## 5.2 FISCAL RISKS

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

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

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

**Risks experienced in Nairobi County government**

1. **Low absorption capacity**

**222.** Absorption capacity for development budget across sectors remained largely low over the period 2013-2020. This is largely attributed to poor conceptualization of programs, inadequate capacity for technical designs, delay of disbursement of equitable share by the national government, long and complex procurement process, declining own source revenue and inefficient costing of projects.

**223. Mitigation measure:** The County departments will uphold principles of proper project conceptualization in good time to avoid speculative projects from budgeted for. In this regard, only projects that have gone through the preliminary processes will be accommodated in the budget. Secondly, there is need to upgrade technical capacities for design through further training and outsourcing, in order to improve flow and control of resources required for implementation of development programs. The County treasury will need to decentralize fiscal responsibility to delegate to accounting officers at the sector level through issuance of quarterly A.I.Es based on cash flow projections and bureaucracy should be eliminated during the procurement process. The costing regime for development programs requires total overhaul to ensure realistic cost estimates and ultimately value for money.

**2. Shortfall in internal revenue**

**224.** The main fiscal risk that is likely to be faced by the county government is the shortfall in local revenue flows. Revenue generation from internal sources has continued to face challenges that must be progressively mitigated in order to achieve county development goals. For instance rates revenues have continued to be below expectation due to high default rates among statutory bodies and land buying companies. The existing valuation roll is not as per market rate therefore the revenue realized from rates is far below expectation. Since the Unified business permit came into being in the calendar 2017 less revenue has been realized compared to the former single business permit.

**225. Mitigation measure:** In the medium term, the County will undertake measures aimed at expanding the revenue base and increasing tax compliance through integration of technology in revenue collection. Receivables will be targeted as an avenue for raising capital by giving incentives with an aim of getting payments. Issuance of waivers on penalties will also be considered. Implementation of the new valuation roll, which is in its final stages, will be a huge boost to local revenue, as it aligns the rates to current market values. For the unified business permit it is advisable to separate each revenue charge to lessen the burden on the clients to reduce default. Identified legal gaps will be addressed through proposed legislation particularly for the key revenue streams. The finance bill 2020/21 will be used as an avenue to instill changes to some of the charges. Finally the County will publicize and streamline the use of electronic payment system to ensure effectiveness in revenue collection. Also spending money at source should be discouraged.

**3. Fiduciary Risk**

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

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

**4**. **Pending debts/bills**

**228.** The issue of Pending debts/bills continues to be a major economic policy challenge facing the Nairobi County government having inherited a huge debt from the defunct City Council. This has subjected the County to the risk of higher interest rate and other unpredictable cost elements. The debt trend has been increasing from one year to another.

**229. Mitigation measure:** Establishment of digitized debt servicing management systems to improve accountability and prevent fraudulent loan amounts; Creation of new channels of revenues to ease on the loan amounts required to finance development projects; Utilizing cheap loan opportunities available in the money and or capital markets; Raising money by offering its shares to the public as a financing option.

### 5.3 Wage bill

**230.** Salaries and wages has been surpassing the stipulated 35% of the total budget this has led to budget cuts on development programs.

**231. Adoption of technology**. The county will embrace technology to replace some aspects of human labor e.g. using tools and machinery to carry out environmental duties like slashing and maintaining lawn in the county. This will save the county a lot of money which could have been paid to casual workers. Automation of employees reporting time register is essential for it will curb ghost workers menace hence reducing the wage bill. The paymaster should ensure that all the employees who are deceased and dismissed are struck out of the payroll to avoid unnecessary expenses.

APPENDIX I: REVENUE AND EXPENDITURE PROJECTIONS FOR FY 2021/22 -2023/24 (Ksh. M's)

| | 2019/2020 | | | 2020/2021 | Projections | | |
|---|---|---|---|---|---|---|---|
| **ITEM** | **Approved Estimates** | **Revised Estimates** | **Prel. Actuals** | **Budget Estimates** | **CFSP 2021/22** | **2022/2023** | **2023/2024** |
| **REVENUES** | | | | | | | |
| RATES | 3,925 | 3,925 | 1,873 | 5,058 | 7,625 | 7,854 | 8,089 |
| SINGLE BUSINESS PERMITS | 2,892 | 2,892 | 1,587 | 2,562 | 2,750 | 2,833 | 2,917 |
| PARKING FEES | 2,763 | 2,763 | 1,545 | 2,800 | 3,025 | 3,116 | 3,209 |
| BLDNG PERMITS | 2,101 | 2,101 | 457 | 1,500 | 1,500 | 1,545 | 1,591 |
| BILLBOADS & ADVERTS | 1,425 | 1,425 | 754 | 1,200 | 1,200 | 1,236 | 1,273 |
| MARKETS (Cess & Rentals) | 598 | 598 | 295 | 601 | 674 | 694 | 715 |
| FIRE SERVICES | 458 | 458 | 218 | 453 | 453 | 466 | 480 |
| HOUSE RENTS | 615 | 615 | 495 | 600 | 606 | 624 | 643 |
| FOOD HANDLERS CERT | 300 | 300 | 128 | 210 | 250 | 258 | 265 |
| LIQUOR LICENSES | 450 | 289 | 179 | 250 | 250 | 258 | 265 |
| OTHER INCOMES | 1,788 | 1,788 | 993 | 1,226 | 1,445 | 1,489 | 1,533 |
| CASH BALANCES C/F | | | | | 600 | 0 | 0 |
| SUB TOTAL OSR REVENUES | 17,316 | 17,156 | 8,523 | 16,460 | 20,378 | 20,373 | 20,980 |
| **EXTERNAL SOURCES** | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equitable Share | 15,920 | 15,920 | 12,419 | 15,952 | 19,250 | 20,213 | 21,223 |
| Equitable Share-2019/20 | 0 | 0 | 0 | 3,501 | 0 | 0 | 0 |
| Conditional Grants ( Cash transfers) | 1,165 | 1,165 | 723 | 1,189 | 0 | 0 | 0 |
| **Sub Total (External Sources)** | 17,085 | 17,085 | 13,142 | 20,642 | 19,250 | 20,213 | 20,523 |
| **TOTAL REVENUES** | 34,401 | 34,240 | 21,665 | 37,101 | 39,628 | 40,586 | 41,503 |
| **EXPENDITURES** | | | | | | | |
| ***COUNTY ASSEMBLY*** | | | | | | | |
| Recurrent | 1,410 | 1,410 | 1,304 | 1,410 | 2,425 | 2,304 | 2,439 |
| Development | 1,530 | 45 | | 600 | 1,706 | 1620.7 | 1539.665 |
| **Sub-total ( County Assembly)** | 2,940 | 1,455 | 1,304 | 2,010 | 4,131 | 3,924 | 3,978 |
| | | | | | | | |
| ***COUNTY EXECUTIVE*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee Costs | 13,562 | 13,617 | 12,537 | 5,263 | 5,973 | 5,976 | 5,979 |
| Other Recurrent Expenses | 7,768 | 7,160 | 4,644 | 4,702 | 6,570 | 5,472 | 5,635 |
| Devt-Retained Functions | 7,815 | 4,371 | 1,091 | 1,169 | 1,770 | 2,987 | 4,033 |
| **Sub-total ( Executive)** | 29,144 | 25,147 | 18,271 | 11,135 | 14,313 | 14,435 | 15,647 |
| Transferred Functions to National Government-NMS | | | | | | | |
| Employee Costs | 0 | 0 | 0 | 11,075 | 8,576 | 8,575 | 8,575 |
| Other Recurrent Expenses | 0 | 2,252 | | 3,802 | 3,430 | 3,657 | 3,113 |
| Development | 0 | 1,249 | | 7,719 | 7,632 | 7,965 | 8,115 |
| Debts Resolutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Sub-total (Transferred Functions)** | | 3,501 | | 22,596 | 19,638 | 20,197 | 19,803 |
| ***FUNDS*** | | | | | | | |
| **Ward Development Fund** | 1,343 | 1,340 | 214 | 1,334 | 1,545 | 2,029 | 2,075 |
| **TOTAL EXPENDITURES** | 36,981 | 36,981 | 23,898 | 37,705 | 39,627 | 40,586 | 41,503 |
| Net Financing | -2,580 | -2,741 | -2,233 | -604 | 0 | | |
| Unutilized cash from previous year re-appropriated. | 2,580 | 2,741 | 2,741 | 604 | 0 | | |
| Net Financing (Adjusted) | 0 | 0 | 508 | 0 | 0 | 0 | 0 |
| Deve Totals | 10,688 | 7,004 | 1,305 | 10,822 | 12,653 | 14,602 | 15,763 |
| % Development to Total budget | 29 | 19 | 5 | 29 | 31.93 | 35.98 | 37.98 |

# APPENDIX II: BUDGET CEILINGS FOR THE FY 2021/2022

| HEAD | 2019/20 Approved Budget | | | 2020/21 Approved Budget | | | Budget Ceilings FY 2021/2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recurrent | Development | Total | Recurrent | Development | Total | Recurrent | Development | Total |
| 5311: COUNTY PUBLIC SERVICE BOARD | 52,214,502 | 0 | **52,214,502** | 91,503,677 | 35,000,000 | 126,503,677 | 94,783,895 | 48,767,830 | 143,551,725 |
| 5312: OFFICE OF GOVERNOR & DEPUTY GOVERNOR | | | | | | | | | |
| 5312000100 Headquarters | 466,292,312 | 25,000,000 | **491,292,312** | 465,299,233 | 10,000,000 | 475,299,233 | 472,004,267 | 128,175,000 | 600,179,267 |
| 5312000700 Decentralization | 1,925,002,186 | 148,000,000 | **2,073,002,186** | 1,821,995,141 | 75,750,000 | 1,897,745,141 | 1,951,868,516 | 82,080,873 | 2,033,949,389 |
| 5312000200 County Executive | 355,423,965 | 0 | **355,423,965** | 359,371,304 | | 359,371,304 | 286,153,145 | - | 286,153,145 |
| 5312001100 Audit | 89,100,941 | 10,000,000 | **99,100,941** | 94,154,396 | 6,000,000 | 100,154,396 | 111,597,682 | 14,000,000 | 125,597,682 |
| 5312000400 Inspectorate | 2,020,682,478 | 20,000,000 | **2,040,682,478** | 777,946,791 | 20,000,000 | 797,946,791 | 1,041,564,265 | 37,500,000 | 1,079,064,265 |
| 5312000800 Investigation Department | 67,897,401 | 23,000,000 | **90,897,401** | 75,249,505 | | 75,249,505 | 95,163,027 | 10,000,000 | 105,163,027 |
| 5312000500 Fire Department | 279,744,784 | 371,000,000 | **650,744,784** | 59,160,863 | 131,800,000 | 190,960,863 | 470,186,409 | 72,500,000 | 542,686,409 |
| 5312000300 Legal Department | 275,305,142 | 31,000,000 | **306,305,142** | 717,248,233 | 0 | 717,248,233 | 597,334,408 | 35,950,000 | 633,284,408 |
| | | | | | | | | | |
| 5313: ICT, E-GOVT & PUBLIC COMMUNICATIONS | 203,511,356 | 349,000,000 | **552,511,356** | 214,223,797 | 279,000,000 | 493,223,797 | 300,090,944 | 259,150,000 | 559,240,944 |
| 5314:FINANCE & ECONOMIC PLANNING | 4,660,771,540 | 862,106,000 | **5,522,877,540** | 1,584,048,051 | 0 | 1,584,048,051 | 2,169,082,000 | 53,000,000 | 2,222,082,000 |
| 5315:HEALTH | 6,719,215,048 | 658,000,000 | **7,377,215,048** | 0 | 0 | 0 | 49,310,206 | 0 | 49,310,206 |
| 5316:PLANNING & LANDS | 488,475,285 | 168,000,000 | **656,475,285** | 0 | 0 | 0 | 46,954,375 | 0 | 46,954,375 |
| 5317:ROADS,PUBLIC WORKS & TRANSPORT | 1,141,277,939 | 3,638,000,000 | **4,779,277,939** | 0 | 0 | 0 | 50,385,875 | 0 | 50,385,875 |
| 5318:EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES | 1,534,805,021 | 441,654,947 | **1,976,459,968** | 1,926,066,203 | 72,515,995 | 1,998,582,198 | 1,687,583,127 | 545,850,000 | 2,233,433,127 |
| 5319: TRADE,COMMERCE,TOURISM & COOPERATIVES | 611,904,578 | 473,500,000 | **1,085,404,578** | 500,527,549 | 392,000,000 | 892,527,549 | 703,687,342 | 324,337,738 | 1,028,025,080 |
| 5320: PUBLIC SERVICE MANAGEMENT | 1,026,447,638 | 91,000,000 | **1,117,447,638** | 1,268,789,722 | 36,400,000 | 1,305,189,722 | 1,701,687,127 | 25,000,000 | 1,726,687,127 |
| 5321: AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY | 360,561,169 | 126,000,000 | **486,561,169** | 259,866,254 | 111,000,000 | 370,866,254 | 324,334,155 | 84,675,000 | 409,009,155 |
| 5322:COUNTY ASSEMBLY | 1,409,977,879 | 1,530,000,000 | **2,939,977,879** | 1,409,977,879 | 600,000,000 | 2,009,977,879 | 2,424,579,000 | 1,706,000,000 | 4,130,579,000 |
| 5323:ENVIRONMENT/WATER/ENERGY | 1,519,801,814 | 463,000,000 | **1,982,801,814** | 0 | 0 | 0 | 48,803,116 | 0 | 48,803,116 |
| 5324; URBAN RENEWAL & HOUSING | 151,716,963 | 500,000,000 | **651,716,963** | 0 | 0 | 0 | 0 | 0 | 0 |
| 5325: WARD DEVELOPMENT FUND | 39,000,000 | 1,304,000,000 | **1,343,000,000** | 0 | 0 | 0 | 0 | 0 | 0 |
| 5326: EMERGENCY FUND | 100,000,000 | - | **100,000,000** | 130,000,000 | 0 | 130,000,000 | 140,000,000 | 0 | 140,000,000 |
| 5327: LIQOUR LICENSING BOARD | 211,000,000 | 39,000,000 | **250,000,000** | 200,000,000 | 50,000,000 | 250,000,000 | 200,000,000 | 50,000,000 | 250,000,000 |
| Retained Functions | 25,710,129,941 | 11,271,260,947 | 36,981,390,888 | 11,955,428,597 | 1,819,465,995 | 13,774,894,592 | 14,967,152,881 | 3,476,986,441 | 18,444,139,322 |
| NAIROBI METROPOLITAN SERVICES | | | | | | | | | |
| WARD DEVELOPMENT FUND | | | **0** | 30,000,000 | 1,304,000,000 | 1,334,000,000 | 52,504,000 | 1,492,782,000 | 1,545,286,000 |
| Transferred Functions/Ancillary Services | | | **0** | 4,877,081,689 | ,719,000,000 | 22,596,081,689 | 12,006,040,000 | 7,632,071,000 | 19,638,111,000 |
| NAIROBI METROPOLITAN SERVICES | - | - | 0 | 14,907,081,689 | 9,023,000,000 | 23,930,081,689 | 12,058,544,000 | 9,124,853,000 | 21,183,397,000 |
| TOTAL | 25,710,129,941 | 11,271,260,947 | 36,981,390,888 | 26,862,510,286 | 10,842,465,995 | 37,704,976,281 | 27,025,696,881 | 12,601,839,441 | 39,627,536,332 |

APPENDIX III: NMS PRIORITIES

## ROADS, TRANSPORT & PUBLIC WORKS PRIORITIES FOR THE FY 2021/2022

| Projected Output | Activities | Budget 2021/22 | | Baseline/ Status as at 1st July, 2021 | Target 2021/22 FY | Means of Verification | Linkage with CIDP |
|---|---|---|---|---|---|---|---|
| | | Requirement | Allocation | | | | |
| **Programme 1: Roads** | | | | | | | |
| **Activities** | | | | | | | |
| 85km of newly constructed road network (1km per ward wards) | Construction of new road network | 5.1B | 2.88B | Gravel/ earth roads with no functional drains | 85km | No. of km constructed | In CIDP Development of transport and drainage infrastructure development plan, Asset Management is captured under Key Development Priorities and Strategies for the sector |
| Rehabilitated road network | Rehabilitation of existing road network | 1.9B | 1.07B | Worn out roads with no functional drains | 40km | No. of km rehabilitated | |
| Maintained road networks | Maintenance of existing road network | 500M | 0.283B | Roads with potholes, clogged/ isolated damages on drains | 100km | No. of km maintained | |
| **Programme 2: Transport and Public Works** | | | | | | | |
| **Activities** | | | | | | | |
| Construction and Operationalization of Automated Public Transport Facilities (PTF) | Development of new public transport facilities | 1.55B | 350M | Currently, there are very few inefficient public transport facilities across the County. Existing ones are dilapidated and not automated | 21 | No. of PTF developed | Development of transport infrastructure & Asset Management System is covered under Key Development Priorities and Strategies for the sector |
| Improved traffic flow through use of modern Traffic Management Systems | Maintenance and Upgrading of existing Traffic Management Systems (TMS) to Intelligent transport Systems (ITS) | 530M | 250M | Currently Nairobi has traffic signals at 23junctions in CBD (Managed by NMS) and 17junctions outside CBD (managed by KURA) which are not well coordinated, inefficient and frequently interrupted/ replaced by traffic police. | 100% | %level of completion | In the CIDP Traffic improvement schemes to improve traffic congestion in CBD is well captured under Development Priorities and Strategies for the sector |
| Developed Non- Motorised Transport Facilities and Pedestrian Safety Fences across the county | Construction of Non-Motorised Transport Facilities and Pedestrian Safety Fences | 325M | 266M | Existing NMT facilities are inadequate and many areas are not served with NMT | 116km | Km of NMT constructed | This is captured in CIDP under Development Priorities and Strategies for the sector |
| **Programme 3: Bridges** | | | | | | | |
| **Activities** | | | | | | | |

| Projected Output | Activities | Budget 2021/22 | | Baseline/ Status as at 1st July, 2021 | Target 2021/22 FY | Means of Verification | Linkage with CIDP |
|---|---|---|---|---|---|---|---|
| | | Requirement | Allocation | | | | |
| Developed Storm Water Drainage and Storm Water Master Plan | Construction of Storm Water Drainage and Development of Storm Water Master Plan | 300M | 200M | Major trunk drains across the county have not been developed hence flash floods usually experienced whenever there is down pour. Currently there is no storm water master plan to guide mitigation measure for flood prone areas | 100% | %level of completion | Key Development Priorities and Strategies for the sector as presented in CIDP |
| Developed and Well Maintained Bridges | Construction and maintenance of motorable/ pedestrian bridges, box culverts and pedestrian ramps | 850M | 200M | Many areas in the county do not have crossing facilities across rivers, streams roads etc causing people to walk or drive long distances to reach their destinations | 100% | %level of completion | Key Development Priorities and Strategies for the sector as presented in CIDP |

## BRIDGE AND DRAINAGE STRUCTURES ASSET MANAGEMENT

| BRIDGES | BUDGET |
|---|---|
| Construction of Charles Lwanga Motorable Bridge | 30,000,000 |
| Construction of Uthiru Kagondo Motorable Bridge | 34,000,000 |
| Construction of Andolo Ngeno Bridge | 13,000,000 |
| Construction of Kisumu Ndogo Bridge Along Sura Studio | 15,000,000 |
| Construction of Nyando Bridge | 15,000,000 |
| Construction of Motorable Bridge in Gatina Ward | 35,000,000 |
| **Foot bridges** | |
| Construction of Footbridge Across Kiu River at Maziwa River Side and ODM | 13,000,000 |
| Construction of A Footbridge at on Jordan | 13,000,000 |
| Construction of Footbridge in Dagoreti | 13,000,000 |
| **Box culverts** | |
| Construction of Single Box Culvert at Ruthimitu | 15,000,000 |
| Construction of Double Box Culvert Across Riara at Bundalangi Area | 22,000,000 |
| Construction of a Box Culvert at Clay City | 15,000,000 |
| **SUB-TOTAL FOR BRIDGES DEVELOPMENT** | **233,000,000** |

## NON-MOTORISED TRANSPORT (NMT) PROJECTS

| DESCRIPTION | LENGTH (Km) | RATE PER KM. | AMOUNT (KSHS) |
|---|---|---|---|
| **Package No. 1 (Total length 36 km)** | | | |
| Jogoo road corridor to the CBD (10 km) from Outer Ring – Jogoo – Landhies – Haile Selassie, with bicycle parking at the KR station (100 slots capacity) | 10 | 15,500,000 | 155,000,000 |
| Juja road corridor to the CBDfrom Outer Ring – RingRoad Ngara – Race course and terminates at Landhies round-about (10 km) | 10 | 15,500,000 | 155,000,000 |
| Mumias South road, through Rabai road, across KR lines to Tanga road to Lunga Lunga road (6 km) | 6 | 15,500,000 | 93,000,000 |
| First Avenue Eastleighfrom Juja across Jogoo road to Likoni up to enterprise Road (6 km). | 6 | 15,500,000 | 93,000,000 |
| Lunga Lunga road from Likoni to Outer Ring Road (4 km) | 4 | 15,500,000 | 62,000,000 |
| **Package No. 2 (Total length 55 km)** | | | |
| Kibera to industrial area: Mbagathi – Langata – Lusaka – Jogoo road round- about (7 km) | 7 | 15,500,000 | 108,500,000 |
| Enterprise from Lusaka to Likoni road intersection (3 km) | 3 | 15,500,000 | 46,500,000 |
| Kibera – Kilimani – Westlands: Kibera drive – KR crossing – James Kangethe – NMT-only route – Ring Road Kilimani – Kitale lane – Githunguri (15 km) | 15 | 15,500,000 | 232,500,000 |
| Kawangware – Kilimani – CBD: Gitanga – Ole Dume – Argwings Kodhek – | 15 | 15,500,000 | 232,500,000 |
| Valley road – Kenyatta Avenue (15 km) | | | |
| Kawangware – Westlands/Waiyaki Way: Chalbi drive – Isaac Gathanju – Mugumo – Olenguruone – Ring road Kileleshwa – Ring road Westlands (15 km) | 15 | 15,500,000 | 232,500,000 |
| **Pedestrianization of the CBD** | | | |
| (1) Harry Thuku– Muindi Mbingu – Mama Ngina – Wabera – Taifa – Harambee – Tumbo – City Square Post Office – Workshop – Industrial area; (2) Upper Hill (community) – Uhuru park – City Hall way – Luthuli/Ronald Ngala – River Road – Landhies – Jogoo. Aga Khan Walk, part of Harambee Avenue, Parliament road, and around the Holy family Basilica should be NMT priority areas. | 25 | 2,500,000.00 | 62,500,000.00 |
| **SUB-TOTAL FOR NMT** | | | **1,473,000,000** |

## PROPOSED STORM WATER DRAINAGE PROJECTS

| Project Name | Ward | Length (km) | Estimated Cost (Ksh) |
|---|---|---|---|
| Trunk Drainage Improvement in Gatina, Kabiro and Kawangware Wards | Gatina, Kabiro and Kawangware | 2.5 | 77,500,000 |
| Rehabilitation of South C Outfall Drain and capacity improvement within South C | South C | 1.5 | 46,500,000 |
| Drainage Improvement Estate 1 Outfall Drains | Umoja | 0.8 | 24,800,000 |
| Drainage Improvement of Umoja Nasra Estate Outfall Drains | Komarock | 1.5 | 46,500,000 |
| Drainage Improvement of Moi Nairobi Girls School Outfall Drain | Woodley | 0.8 | 24,800,000 |
| Drainage Improvement of Tena/Doonholm/Umoja 2 Outfall Drains | Umoja/ Upper Savanah | 2.5 | 77,500,000 |
| Drainage Improvement/ Canalisation of Imara Daima Stream | Kwa Reuben, Kwa Njenga, Imara Daima | 2 | 62,000,000 |
| Drainage Improvement of Kayole Canalised Stream | Kayole South Central & North | 3.8 | 117,800,000 |
| Drainage Improvement - Green Outfall Drain Muguga - Thome | Upper Parklands | 1 | 31,000,000 |
| Drainage Improvement Ridgeways Outfall Drains | Roysambu | 5 | 155,000,000 |
| Drainage Improvement - Ruai, Kamulu | Ruai | 5 | 155,000,000 |
| Drainage Mwiki Improvement-Kasarani | Kasarani, Mwiki | 5 | 155,000,000 |
| Drainage improvement – Dandora industrial Zone | Mowlem | 5 | 155,000,000 |
| Improvement of Drainage in Runda | Karura | 5 | 155,000,000 |
| Construction of Drainage in Karen Plains | Karen | 4 | 124,000,000 |
| Drainage improvement in Magiwa Estate/Mbagathi | Woodley/Kenyatta Golfcourse | 2 | 62,000,000 |
| Development of Storm Water Master Plan | Citywide | Consultancy | 50,000,000 |
| Total | | 41.4 | 1,519,400,000 |

## PROPOSED PUBLIC TRANSPORT FACILITIES

| PROJECT DESCRIPTION | AMOUNT(KSHS) |
|---|---|
| CONSTRUCTION OF MAJI MAZURI PUBLIC TRANSPORT FACILITY ALONG KASARANI MWIKI ROAD | 70,000,000 |
| CONSTRUCTION OF RUAI PUBLIC TRANSPORT FACILITY | 80,000,000 |
| CONSTRUCTION OF CARBANAS PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF DAGORETTI PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF KAYOLE JUNCTION PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF UMOJA I & II PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF DONHOLM PUBLIC TRANSPORT FACILITY | 80,000,000 |
| CONSTRUCTION OF KOMAROCK ROAD DANDORA PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF UTAWALA PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF EASTLEIGH PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF INDUSTRIAL AREA PUBLIC TRANSPORT FACILITY (ENTERPRISE ROAD) | 70,000,000 |
| CONSTRUCTION OF KAMITI ROAD PUBLIC TRANSPORT FACILITY | 80,000,000 |
| CONSTRUCTION OF LANGATA ROAD PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF KAREN PUBLIC TRANSPORT FACILITY (NGONG ROAD/ LANGATA ROAD) | 70,000,000 |
| CONSTRUCTION OF SOUTH C PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF LOWER KABETE ROAD PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF WEST LANDS PUBLIC TRANSPORT FACILITY | 80,000,000 |
| CONSTRUCTION OF HIGHRIDGE PUBLIC TRANSPORT FACILITY (NEAR CITY PARK) | 70,000,000 |
| CONSTRUCTION OF KAWANGWARE (46/ 56) PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF RIRUTA PUBLIC TRANSPORT FACILITY | 70,000,000 |
| CONSTRUCTION OF NJIRU/ KANGUNDO ROAD PUBLIC TRANSPORT FACILITY | 80,000,000 |
| **SUB-TOTAL FOR PTF** | **1,520,000,000** |

## APPENDIX IV: PUBLIC PARTICIPATION ON THE PROCESS

| SUB COUNTY | VENUE | WARD | MALE | FEMALE | TOTAL |
|---|---|---|---|---|---|
| Dagoretti North | Dagoretti Muslim Primary School | Gatina | 5 | 3 | 8 |
| | | Kilimani | 1 | 1 | 2 |
| | | Kileleshwa | 3 | 3 | 6 |
| | | Kawangware | 3 | 4 | 7 |
| | | Kabiro | 7 | 3 | 10 |
| | | | 19 | 14 | 33 |
| Embakasi Central | Kayole II Social Hall | Kayole Central | 52 | 28 | 80 |
| | | Kayole South | 41 | 24 | 65 |
| | | Komarock | 14 | 10 | 24 |
| | | Kayole North | 16 | 15 | 31 |
| | | Matopeni | 13 | 3 | 16 |
| | | | 136 | 80 | 216 |
| Kibra | Joseph Kangethe Social Hall | Lindi | 1 | 0 | 1 |
| | | Makina | 3 | 3 | 6 |
| | | Sarangombe | 3 | 1 | 4 |
| | | Woodley | 2 | 0 | 2 |
| | | Laini Saba | - | - | - |
| | | | 9 | 4 | 13 |
| Westlands | Parklands Day Nursery. | Kangemi | 3 | 2 | 5 |
| | | Karura | 3 | 0 | 3 |
| | | Kitisuru | 5 | 1 | 6 |
| | | Mt. View | 2 | 2 | 4 |
| | | Parklands | 9 | 4 | 13 |
| | | | 22 | 9 | 31 |
| Langata | Uhuru Gardens Primary School | Mugumoini | 25 | 75 | 100 |
| | | Karen | 7 | 27 | 34 |
| | | Nairobi West | 5 | 18 | 23 |
| | | Nyayo Highrise | 11 | 24 | 35 |
| | | South C | 3 | 8 | 11 |
| | | | 51 | 152 | 203 |
| Embakasi East | Embakasi Social Hall | Mihango | 5 | 3 | 8 |
| | | Embakasi Airport | 41 | 41 | 82 |
| | | Lower Savannah | 2 | 2 | 4 |
| | | Upper savannah | 6 | 3 | 9 |
| | | Utawala | 2 | 2 | 4 |
| | | | 56 | 51 | 107 |
| Kamukunji | Eastleigh North Social Hall. | California | 4 | 0 | 4 |
| | | Eastleigh Airbase | 4 | 2 | 6 |
| | | Eastleigh North | 8 | 0 | 8 |
| | | Eastleigh South | 6 | 1 | 7 |
| | | Pumwani | 4 | 2 | 6 |
| | | | 26 | 5 | 31 |
| Embakasi South | Mkuru Health Centre (Imara Daima) | Kwa Njenga | 7 | 2 | 9 |
| | | Imara Daima | 4 | 7 | 11 |
| | | Kware | 7 | 5 | 12 |
| | | Kwa Reuben | 9 | 11 | 20 |
| | | Pipeline | 6 | 4 | 10 |
| | | | 33 | 29 | 62 |
| Mathare | Undugu Social Hall | Hospital | 5 | 2 | 7 |
| | | Huruma | 16 | 1 | 17 |

| SUB COUNTY | VENUE | WARD | MALE | FEMALE | TOTAL |
|---|---|---|---|---|---|
| | | Kiamaiko | 10 | 1 | 11 |
| | | Mabatini | 3 | 0 | 3 |
| | | Mlango Kubwa | 3 | 2 | 5 |
| | | Ngei | 10 | 15 | 25 |
| | | | 47 | 21 | 68 |
| Ruaraka | Ruaraka Resource Centre Korogocho CDF Hall | Babadogo | 4 | 2 | 6 |
| | | Korogocho | 4 | 8 | 12 |
| | | Lucky Summer | 5 | 0 | 5 |
| | | Mathare North | 24 | 5 | 29 |
| | | Utalii | 8 | 2 | 10 |
| | | | 45 | 17 | 62 |
| Kasarani | MajiMazuri Grounds | Clay City | 22 | 11 | 33 |
| | | Kasarani | 23 | 12 | 45 |
| | | Mwiki | 7 | 7 | 14 |
| | | Njiru | 16 | 2 | 18 |
| | | Ruai | 6 | 7 | 13 |
| | | | 74 | 39 | 123 |
| Starehe | Kariokor Social Hall | Kariokor | 3 | 6 | 9 |
| | | Nairobi Central | 16 | 8 | 24 |
| | | Nairobi South | 3 | 5 | 8 |
| | | Ngara | 1 | 1 | 2 |
| | | Land Mawe | | | |
| | | Pangani | 2 | 3 | 5 |
| | | | 25 | 23 | 48 |
| Makadara | Jericho Social Hall | Harambee | 19 | 5 | 24 |
| | | Makangoni | 7 | 8 | 15 |
| | | Maringo/Hamza | 6 | 5 | 11 |
| | | Viwandani | 8 | 7 | 15 |
| | | | 40 | 25 | 65 |
| Embakasi West | Sub County Administrator's Office (UMOJA 1) | Kariobangi South | 37 | 1 | 38 |
| | | Mowlem | 10 | 6 | 16 |
| | | Umoja I | 9 | 12 | 21 |
| | | Umoja II | 15 | 9 | 24 |
| | | | 71 | 28 | 99 |
| Dagoretti South | Waithaka Social Hall | Waithaka | 28 | 13 | 41 |
| | | Uthiru | 4 | 4 | 8 |
| | | Riruta | 9 | 4 | 13 |
| | | Mutuini | 1 | 1 | 2 |
| | | Ngando | 0 | 1 | 1 |
| | | | 42 | 23 | 65 |
| Roysambu | Kahawa West Market Parking Lot. | Githurai | 11 | 7 | 18 |
| | | Kahawa | 3 | 5 | 8 |
| | | Kahawa West | 24 | 26 | 50 |
| | | Roysambu | 10 | 8 | 18 |
| | | Zimmerman | 9 | 8 | 17 |
| | | | 57 | 54 | 111 |
| Embakasi North | Dandora III Social Hall | Dandora I | 16 | 18 | 34 |
| | | Dandora II | 4 | 11 | 15 |
| | | Dandora III | 4 | 1 | 5 |
| | | Dandora IV | 3 | 0 | 3 |
| | | Dandora V | | | |
| | | Kariobangi North | 4 | 0 | 0 |

| SUB COUNTY | VENUE | WARD | MALE | FEMALE | TOTAL |
|---|---|---|---|---|---|
| | | | 31 | 30 | 57 |
| | TOTAL | | 784 | 604 | 1394 |