NAIROBI CITY COUNTY

BUDGET REVIEW AND OUTLOOK PAPER 2016/2017

SEPTEMBER 2017

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

ADP	ANNUAL DEVELOPMENT PLAN
BROP	BUDGET REVIEW OUTLOOK PAPER
CBK	CENTRAL BANK OF KENYA
CIDP	COUNTY INTEGRATED DEVELOPMENT PLAN
CFSP	COUNTY FISCAL STRATEGY PAPER
DANIDA	DANISH INTERNATIONAL DEVELOPMENT AGENCY
EPZ	EXPORT PROCESSING ZONE
FY	FINANCIAL YEAR
GDP	GROSS DOMESTIC PRODUCT
GOK	GOVERNMENT OF KENYA
ICT	INFORMATION COMMUNICATION TECHNOLOGY
JKIA	JOMO KENYATTA INTERNATIONAL AIRPORT
KENHA	KENYA NATIONAL HIGHWAY AUTHORITY
KURA	KENYA URBAN ROADS AUTHORITY
NCC	NAIROBI CITY COUNTY
NHC	NATIONAL HOUSING COOPERATION
NSSF	NATIONAL SOCIAL SECURITY FUND
PFMA	PUBLIC FINANCE MANAGEMENT ACT
SBP	SINGLE BUSINESS PERMIT
SSA	SUB SAHARAN AFRICA

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

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

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

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

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

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

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

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

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

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

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

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

1.2 Fiscal responsibility principles in the Public Financial Management Law

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

1) The County government recurrent expenditure shall not exceed the county government‘s total revenue.
2) Over the medium term a minimum of 30% of the county government‘s budget shall be allocated to development expenditure.
3) The county governments expenditure on wages and benefits to employees shall not exceed a percentage of the county government‘s total revenue by regulations.
4) Over the medium term, the government’s borrowings shall only be used only for the purpose of financing development expenditure only; and short term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%) of most recent audited county government revenue,
5) The County debt shall be maintained at a sustainable level as approved by County assembly.
6) Fiscal Risks shall be managed prudently
7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in future.

SECTION I: INTRODUCTION

1. Objectives of County Budget Review and Outlook Paper

1. The objective of the 2016/2017 County Budget Review and Outlook Paper is to provide a review of the fiscal performance in the financial year 2016/2017 and how this impacts the financial objectives and fiscal responsibility principles set out in the last County Fiscal Strategy Paper 2017/2018. This together with updated macroeconomic outlook provides a basis for the revision of the in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term.

2. The document further provides indicative sector ceilings for the FY 2018/2019 and the Medium Term and this sets in motion the budget preparation for the FY 2018/2019 and the Medium Term. The Sector ceilings are based on the resource envelope guided informed by the macro economic and fiscal outlook.

2. Organization of the document

3. The rest of the document is organized as follows. **Section II** provides a review of the fiscal performance in financial year 2016/2017 and its implication on the financial objectives set out in the last CFSP. **Section III,** provides highlights of the recent economic developments and the outlook. **Section IV** provides the resource allocation framework and conclusion is provided in **Section V**.

SECTION II: REVIEW OF FISCAL PERFORMANCE IN 2016/2017

2.1 OVERVIEW

4. Total revised budget for the year 2016/2017 amounted to Kshs 34.8billion as compared to Kshs 29.1billion in the year 2015/2016. The budget was to financed from both transfers from the Equitable share, conditional grants and own sources of revenue. Total receipts amounted to Kshs 25.8billion against a target of Kshs 34.billion. Total expenditures amounted to Kshs 25.2billion against a target of Kshs 34.8billion, **a deviation of 28% from the target**. The deviation of internal revenues by over 44% had a significant impact on the cash flows and therefore the absorption of the overall budget.

2.2 REVENUE PERFORMANCE

5. In the financial year 2016/2017, the total revenue from both internal and external sources amounted to Ksh 25.8billion against revised target of Ksh. 34.1 billion (**a deviation of 24.4 % from the target**).

Table1. The shortfall in the revenue was mainly as a result of under performance in internal revenues.

Table 1: County Government Revenue

County Government Revenue FY 2016/2017 (millions)					
	2015/2016	2016/2017			%
	Actual	Target	Actual	Deviation	Deviation
External Revenues					
Equitable Share	**12,997**	**14,024**	**14,024**	**-**	**-**
Conditional Grants	**472**	**509**	**577**	**68**	**13.3**
Others Disbursements (MOH)	**-**	**-**	**251**	**251**	
Sub-total External Revenues	**13,469**	**14,533**	**14,851**	**318**	**2.2**
Internal Revenues				**-**	
Rates	3,110	5,500	2,253	**(3,247)**	**(59.0)**
Parking Fees	2,038	3,540	1,974	**(1,566)**	**(44.2)**
Single business Permits	1,786	3,600	1,776	**(1,824)**	**(50.7)**

Building Permits	1,171	1,700	843	**(857)**	**(50.4)**
Billboards & Adverts	663	1,200	720	**(480)**	**(40.0)**
Other Incomes	2,946	4,026	3,363	**(663)**	**(16.5)**
Sub-total Internal Revenues	**11,714**	**19,566**	**10,930**	**(8,636)**	**(44.1)**
Total Revenues	**25,183**	**34,099**	**25,781**	**(8,318)**	**(24.4)**

2.2.1 EXTERNAL REVENUES

6. External revenues accounts for the revenues from the equitable share, conditional grants as outlined in the County Government Revenue Allocation Act 2016. The total amount targeted from the National Government was Kshs 14.5billion **excluding leasing of medical equipments**. Total exchequer receipts amounted to Kshs 14.85billion representing an excess over Kshs 318million. This was attributed to receipts of Kshs 68million of free maternity funds for the previous years disbursed in 2016/2017 and Kshs 215million that was received from the Ministry of Health as funds for payment of nurses and doctors allowances. The amount of Kshs 95.744million meant for leasing of medical equipments was not received as there were no equipments installed in any of the health facilities.

Equitable Sharing Formulae

7. The CRA sharing formula for revenue among counties 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%. Considering that Nairobi being the capital City of Kenya and a host of many government headquarters and many multinational companies that have chosen the City as their Africa hub requires that service delivery standards equivalent to other big cities in the world. This indeed will require huge amount of resources than what its currently being received from the equitable share. In view of this the County needs to engage the CRA with a view to revise the formulae to take into consideration the status of NAIROBI as a capital city .

Road Maintenance Levy

8. While this is a devolved function, KURA & KERRA continues to receive funding from Government for repair and maintenance of urban roads. This funding that is currently being channeled to KURA and KERRA for urban roads should actually be channeled to the County and therefore both governments needs to engage to resolve this matter amicably.

2.2.2 INTERNAL REVENUES

9. By the end of June 2017 total cumulative internal revenues amounted to Kshs 10.9billion against a target of Kshs 19.6billion.This represented a revenue shortfall of Kshs8.6billion **(or 44.1% deviation from the target**).The internal revenues also fell below the 2015/2016 actual by Kshs 775million. This mainly affected rates, single business permits ,parking fees and billboards and these make up the major internal sources contributing almost 80% of the internal revenues and therefore the underperformance of these sources has a serious impact on the realization of the financial objectives as set out in the County Fiscal Strategy Paper . Further there was a significant drop of internal revenues from the 2015/2016 Actuals of Kshs 11.7billion by almost Kshs 780million primarily on rates due to the reduction of the rates struck from 34% to 25% in the FY 2016/2017.The drop was intended to reduce the cost of doing business and encourage compliance and hence it's expected that the positive effect will start being felt in the year 2017/2018 and the medium term.

Performance of the major internal revenues sources

Rates

10. Total accumulated collections from rates was Kshs 2.253billion against a target of Kshs 5.5billion (**or 59 % deviation from the target**.) . Further the rates revenues fell below the 2015/2016 actual by almost Kshs 857million which is a significant drop of almost 26% from the 2015/2016 actual. The reason for this significant drop from the 2015/2016 actual was the revision of the rates struck from 34% to 25%. The reasons for the deviation from the target of Kshs 5.5billion includes but not limited to :poor rates records, poor collection mechanisms and enforcement challenges. As part of the revenue enhancement strategy the county will leverage on digitization of rates to make it easier for customers to obtain bills and pay online. In addition data cleansing of rates records is critical to ensure only accounts that are ratable are found in the records. This is a continuous process that should ensure that all sub divisions are regularly updated in the rates records.

Parking Fees

11. The total cumulative receipts from parking fees amounted to Kshs 1.974billion against a target of 3.540billion .This is a Kshs 1.566billion (**or 44.2 % deviation from target**). The actual revenues also fell below the 2015/2016 actual by Kshs 63million. In order to optimise revenues from parking fees, there is need to undertake proper deployment of adequate skilled manpower and enhanced supervision as well as increase enforcement. The demand for parking in the county has outpaced supply and therefore parking demand is relatively price inelastic. Rise in parking fee should therefore attract a commensurate rise in parking revenue. This however has not been realized despite increase in parking fee in the FY 2013/14.The County has a total of 12,000 parking slots; of which daily and seasonal ticket holders slots are 10,399, while loading zones are 1,601 (private 1145 & public 466) and county bus station has 59 parking slots.

12. The various streams under parking are: on-street; off-street; seasonal ticket-private; seasonal ticket-matatu; impounding clamping-car park; impounding clamping-TLB; country bus; loading and route registration, which are capable of realizing Ksh 3B. The County can improve on this revenue collection with decentralizing of these revenue streams. There are Oil tankers in industrial area that do not pay seasonal or daily parking; Taxi cabs who are also supposed to pay daily parking or seasonal ticket do not pay due to existing court cases. These has led to revenue loss and there is need to expedite the cases

Single Business Permits

13. Total collections from single business permits amounted to Kshs 1.775billion against a target of Kshs 3.6billion, **a deviation of 50.7 % from the target.** The underperformance was due to: poor enforcement; evasion by unscrupulous business people; inaccuracy of records on business establishments, undercharging based on e-payment system, and slow pace of devolution of this stream to the sub-counties. However, enhanced enforcement and ensuring wider use of the E payment platform as well as sealing off the leakages will help improve revenue collection.

There is also need to carry out a baseline census on business establishment in the County to establish accurate records for proper projections to enable optimize revenue from this stream,

Building Permits

14. Total collections in the Fy 2016/2017 amounted to Kshs 842million against a target of Kshs 1.171billion (**or 50.4 % deviation from the target**). The decline and continued low outturns in this stream can still be attributed to non-disclosure and adherence of county building regulations; weak enforcement of building standards and regulations; under valuation as it's based on user own assessment; collusion & evasion and lack of awareness on requirements for building approval. In order to enhance revenue from this stream, there is need for use of E-construction and increase in enforcement of building regulations.

Advertisements & Bill Boards

15. The total accumulated revenues for billboards and advertisements as at June 2017 was Kshs 720million against a target of Kshs 1.2billion (**or 40% deviation from target).**This revenue stream can be improved by enhancing monitoring all billboards by leveraging on private sector expertise in monitoring billboards.

16. Overall the entire revenue administration systems requires a major overhaul to enhance improve efficiency and effectiveness in revenue management. This will include a thorough review of the Finance Act 2013 and subsequent amendments to enhance efficiency in addition to collaboration with other government agencies like Kenya Revenue Authority in collection of rates and other fees.

2.3 EXPENDITURE PERFORMANCE

17. Total expenditures by commitments amounted to Kshs 25.2billion against a target of Kshs 34.8billion reflecting an overall absorption rate of 72% of the total. The under absorption was recorded in both recurrent and development but was more prevalent in development. Out of the total expenditure recurrent expenditures accounted for Kshs 21.1billion (**or 83% of the total targeted expenditure**.

TABLE 2: Expenditure Summary FY 2016/2017

Expenditure Summary FY 2016/2017				
	2016/2017			%
Expenditures	**Target**	**Actuals**	**Deviation**	**Deviation**
Wages & Salaries	13,981	13,423	(558)	(4.0)
Other Operations and maintenance	9,261	7,547	(1,714)	(18.5)
Mortgage & gratuity	220	110	(110)	(50.1)
Development Expenditures	11,324	4,095	(7,229)	(63.8)
Total Executive	**34,785**	**25,174**	**(9,611)**	**(27.6)**

18. Development expenditure accounted for **Kshs 4.095billion** against a target of Kshs 11.324billon (**or 64% deviation from the target**). The slow rate of absorption of development funds impacts negatively on service delivery. However this is mainly attributable to shortfalls in revenue and procurement challenges.

19. Wages and salaries to staff including the County Assembly constitutes a bigger percentage of the total recurrent expenditure accounting for almost 67% of the total recurrent expenditure. This implies that a huge portion of the recurrent expenditure goes to salaries and wages and therefore less resources are available for service delivery. Urgent measures therefore needs to be taken to reduce the wage bill in order to free resources for service delivery

Expenditure by Sectors

20. Total expenditures by sectors amounted to Kshs 24.156billion against a target of Kshs 34.785Billion (or 31 % deviation from the target. Development expenditure was the most affected across all sectors as reflected in the (**Table 3).** In addition an amount of Kshs 1,017,93,280 was taken by the Kenya Revenue Authority from the County Accounts in settlement of old debts.

TABLE 3: EXPENDITURE BY SECTORS FY 2016/2017(IN MILLIONS)

	Sector	Recurrent			Development			Total		
		Target	Actual	Deviation	Target	Actual	Deviation	Target	Actual	Deviation
5311	COUNTY PUBLIC SERVICE BOARD	85	50	(35)	28	7	(21)	113	57	(56)
5312	OFFICE OF GOVERNOR & DEPUTY GOVERNOR	5,516	5,068	(448)	569	126	(443)	6,085	5,194	(891)
5313	ICT, E-GOVT & PUBLIC COMMUNICATIONS	304	188	(116)	150	135	(15)	454	323	(131)
5314	FINANCE & ECONOMIC PLANNING	2,923	2,769	(154)	100	22	(78)	3,023	2,791	(233)
5315	HEALTH	5,228	4,077	(1,151)	1,070	153	(917)	6,298	4,230	(2,068)
5316	URBAN PLANNING AND LANDS	314	245	(68)	435	28	(407)	749	273	(476)
5317	PUBLIC WORKS, TRANSPORT & INFRASTRUCTURE	1,349	1,025	(324)	4,916	2,205	(2,711)	6,265	3,230	(3,035)
5318	EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	1,641	1,330	(311)	242	124	(118)	1,883	1,453	(430)
5319	TRADE, COMMERCE, TOURISM & COOPERATIVES	594	318	(276)	570	55	(515)	1,164	373	(791)
5320	PUBLIC SERVICE MANAGEMENT	1,544	1,428	(116)	115	21	(94)	1,659	1,448	(211)
5321	AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	384	285	(99)	150	94	(56)	534	379	(155)
5322	COUNTY ASSEMBLY	1,493	1,378	(115)	209	194	(15)	1,702	1,572	(130)
5323	ENVIROMENT,WATER,ENERGY & NATURAL RESOURCES	1,862	1,755	(107)	970	399	(571)	2,832	2,154	(678)
5324	URBAN RENEWAL AND HOUSING	193	135	(58)	188	24	(164)	381	159	(222)
5325	WARD DEVELOPMENT FUND	31	11	(20)	1,612	510	(1,102)	1,643	521	(1,122)
	TOTAL BY SECTORS	**23,461**	**20,061**	**(3,399)**	**11,324**	**4,095**	**(7,229)**	**34,785**	**24,157**	**(10,628)**
	TRANSFER TO KRA		**1,017**	1,017				-	1,017	1,017
	TOTAL EXPENDITURES	**23,461**	**21,079**	**(2,382)**	**11,324**	**4,095**	**(7,229)**	**34,785**	**25,174**	**(9,610)**

Expenditure By Sectors FY 2016/2017(in millions)

2.4 FISCAL PERFORMANCE FOR THE FY 2016/2017 IN RELATION TO FINANCIAL OBJECTIVES

21. The performance of own sources of revenues fell below the target by 44.1% and therefore this is bound to affect the revenue projections for the financial 2017/2018 and this may translate to a downward adjustment on the expenditures. Additionally, the base for projecting the revenues and expenditures for the FY 2018/2019 and the medium term is lowered by the poor performance there by affecting the financial objectives envisaged in the 2017/2018 Fiscal Strategy Paper.

22. In addition under absorption of both recurrent and development has an effect on the projects projections for various sectors in the 2017/2018 and the medium term. As enumerated above the reasons for deviating from the financial objectives remains shortfalls in revenue and low absorption rates for especially development funds

23. In order to achieve the fiscal targets set in this budget, the government is committed to up scaling fiscal discipline in order to free additional resources for priority programmes. This will involve tightening expenditure controls, enhancing revenue performance and directing resources towards priority programmes in a timely manner for greater social economic dividends for the people of Nairobi. Specific policy actions to be undertaken include:

a) Improving Revenue management. This will be achieved through digitization of all revenue streams, leveraging on private sector efficiency in enforcement, upgrading records and tightening internal control systems.
b) Partnership for growth. The government will leverage on low cost capital financing options particularly with the private sector and other development partners to finance priority capital programmes. This will include PPs, Leasing, JVCs and mutual strategic partnerships to provide services and facilities for service delivery.
c) Wage Bill. The current wage cost of the County accounts for 57% of the total budget. This excludes County Assembly wages and salaries. In the medium term, the Government will seek to offer a voluntary retired scheme as an incentive for exit of aging workforce. The target is to reduce the annual wage bill by 30% in the medium term.
d) Streamlining Procurement. The public procurement process continues to be cited as a major bottleneck to facilitating a vibrant and efficient public sector. In this regard, our priority will be to put in place self-regulating systems in order to improve efficiency to facilitate timely implementation of plans and budgets

Adherence to Fiscal Responsibility Principles

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

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

Total recurrent expenditure amounted to Kshs 21.79billion against total revenues of Kshs 25.8bilion.

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

Although the amount allocated for development was more than 30% of the total budget actual development expenditure on a commitment basis amounted to Kshs 4.1billion including Assembly against a total expenditure of Kshs 25.2billion which is about 16% of the total. The under spending on development was mainly due to revenue shortfalls and procurement challenges which the new Government is taking seriously inorder to reverse this trend. Specifically this is about improving revenue management and restructuring procurement.

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

***Regulation 25(b) of the PFM Regulations 2015 sets the limit for wages and salaries at 35% of the total revenues. However the total expenditure on wages and salaries including Assembly amounted to Kshs 13.4billion against total revenues of Kshs 25billion which is about 52% of total revenues. The Government is exploring early retirement programme in collaboration with the national Government aimed at reducing the cost s of staff by 30% in the medium term*.**

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

During the year 2016/2017 the Government did not engage in any long term borrowings. However going forward this is an otption that needs to be explored further inorder to finance development. Speciffically the government is in collaboration with the PDMU at the National Treasury in the process of establishing a Debt Management Unit that will be charged with the management of public debt.

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

The County payables as at 31st Aug 2017 stood at Ksh 58 Billion including government guaranteed loans. The government proposes to renegotiate settlement options that include debt swapping in order to forestall further penalties

f) Fiscal Risks shall be managed prudently

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

g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in future.

The government has initiated a process of reviewing the finance act 2013 and any other subsequent ammemendments in order to make it simple and easier to implement. Specifically the government will reviewing the many revenues streams and classes in order to reduce them

25. The County Government Fiscal Projections in **(Table 4**) provide comparisons with the updated projections in the BROP 2017 and the projections for the 2018/2019 and the medium term. The projections will provide a basis for the revision of the 2017/2018 and the projections for the FY 2018/2019 and the medium term.

Table 4: NAIROBI CITY COUNTY GOVERNMENT FISCAL PROJECTIONS FY 2017/2018-2020/2021

	2016/17		2017/18		2018/19		2019/20		2020/21
	Budget	**Actual**	**Budget**	**BROP 17**	**CFSP 17**	**BROP 17**	**CFSP 17**	**BROP 17**	**BROP 17**
External Revenues									
Equitable Share	**14,023**	**14,023**	14,967	15,402	15,715	16,172	16,501	16,980	17,830
CONDITIONAL GRANTS									
Free Maternal Health Care	**200**	**282**	303	-	303	-	303	-	-
Compensation For User Fees Forgone	**80**	**80**	73	79	73	83	73	87	92
Road Maintenance Levy	**215**	**215**	394	554	394	582	394	611	641
DANIDA	**14**	**-**			-		-		
Youth Polytechnics	**-**	**-**	-	31	-	33	-	34	35
Kenya Devolution Support Programme	**-**	**-**		78	-	82	-	86	90
Agricultural Support Programme (ASDSP II)	**-**	**-**	-	9	-	-	-	-	-
Other disbursemnent-MOH		**251**			-		-		
Health Support-DANIDA & World Bank				75					
Sub-total External Revenues	**14,532**	**14,851**	**15,737**	**16,228**	**16,485**	**16,952**	**17,271**	**17,798**	**18,688**
Internal Revenues									
Rates	5,500	2,253	5,555	3,648	5,722	3,830	5,893	5,022	5,273
Parking Fees	3,540	1,974	3,575	2,503	3,682	2,673	3,793	2,806	2,946
Single business Permits	3,600	1,776	3,636	2,545	3,745	2,628	3,857	2,759	2,897
Building Permits	1,700	843	1,717	1,403	1,769	1,473	1,822	1,546	1,624
Billboards & Adverts	1,200	720	1,212	760	1,248	798	1,286	838	880
Other Incomes	4,026	3,363	4,483	3,387	4,188	3,556	4,313	3,735	3,921
Sub-total Internal Revenues	**19,566**	**10,929**	**20,178**	**14,245**	**20,354**	**14,958**	**20,964**	**16,706**	**17,541**
Total Revenues	**34,098**	**25,780**	**35,915**	**30,473**	**36,839**	**31,910**	**38,235**	**34,504**	**36,229**
Expenditures									
COUNTY EXECUTIVE									
Wages & Salaries	13,329	12,771	15,361	14,600	15,608	13,100	15,700	11,700	11,635
Other Operations and maintenance	8,639	6,930	7,465	7,063	7,715	7,415	8,270	8,744	9,585
Development Expenditures	11,115	3,901	11,467	7,196	12,040	9,931	12,643	12,499	13,358
Total Executive	**33,083**	**23,602**	**34,293**	**28,859**	**35,363**	**30,446**	**36,613**	**32,943**	**34,578**
COUNTY ASSEMBLY									
Wages & Salaries	651	651	697	697	767	753	843	813	878
Other Operations and maintenance	622	617	596	596	654	656	719	688	723
Mortgage & gratuity	220	110			0		0	0	0
Development Expenditures	209	194	321	321	55	55	60	60	50
Total County Assembly	1,702	1,572	1,614	1,614	1,476	1,464	1,622	1,561	1,651
Total Expenditures	**34,785**	**25,174**	**35,907**	**30,473**	**36,839**	**31,910**	**38,235**	**34,504**	**36,229**
Surplus/Deficit	**-687**	**606**	**8**	**0**	**0**	**0**	**0**	**0**	**0**
Other Statistics									
Total wages and salaries	13,980	13,422	16,058	15,297	16,375	13,853	16,543	12,513	12,513

Total development expenditure	11,324	4,095	11,788	7,517	12,095	9,986	12,703	12,559	13,408
Total recurrent expenditure	**23,461**	**21,079**	**24,119**	**22,956**	**24,744**	**21,924**	**25,532**	**21,945**	**22,821**
Ratios									
% of wages and salaries to revenues	41	52	45	50	44	43	43	36	35
% of development to total expenditure	33	16	33	25	33	31	33	36	37
% of recurrent expenditure to totalexpenditure	67	84	67	75	67	69	67	64	63

26. The policies and reform measures for FY 2017/18 revised budget and the FY 2018/2019 & medium term will focus on implementing programmes that will foster rapid economic growth and regeneration of the City. These will revolve around the following pillars.

a. Governance, Public Safety and Security;
b. Housing and Settlement
c. Education and Health
d. Environment, Water, Sanitation and Garbage
e. Traffic and City Transport
f. Jobs, Business Environment and Wealth Creation
g. Youth, Women, People Living With Disabilities and Social Protection

SECTION III: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 OVERVIEW

3.1.1 Global and Regional scene

27. The global economy is estimated to have expanded by 2.9 per cent in 2016 compared to a revised growth of 3.1 per cent in 2015. The slowed growth was occasioned by constrained global trade, subdued investment and heightened policy uncertainty associated with the United Kingdom (UK) decision to leave the European Union (EU); and elections in the United States of America (USA). Growth in advanced economies expanded by 2.1 per cent in 2016 compared to 1.9 per cent in 2015. The United States of America recorded a growth of 1.5 per cent in 2016 compared to 2.6 per cent in 2015, mainly due to weak exports, subdued investments in the manufacturing sector and uncertainty surrounding the 2016 elections. Growth in China decelerated on account of slowed investment as the economy rebalanced towards services and consumption. In Japan, the level of economic activity was robust owing to fiscal support, lower oil prices and accommodative financial conditions.

28. In the Sub-Saharan Africa, lower commodity prices for metal exporting countries and domestic shocks from a generally less supportive global economic environment slowed the economic performance. The region's real gross domestic product is estimated to have expanded by 1.5 per cent in 2016 compared to 3.8 per cent growth registered in 2015. The slowdown in growth was mainly on account of decelerated growth in South Africa and the oil exporting countries whose economic activities were strained by a considerable drop in international oil prices. However, growth remained solid in agricultural exporting countries as well as in the commodity importing economies.

29. During the period under review, global inflation was estimated at 2.9 per cent compared to 2.8 per cent recorded in 2015. In emerging markets and developing economies, headline inflation remained steady as currencies remained broadly stable, or appreciated in some cases. Rising input prices in many emerging economies particularly China, where producer price inflation became positive for the first time in four years also contributed to the rise in inflation. Core inflation remained comparatively stable at low levels, reflecting persistent economic slack and weak global price pressures, particularly in Japan where the effective exchange rate appreciated substantially over the past year.

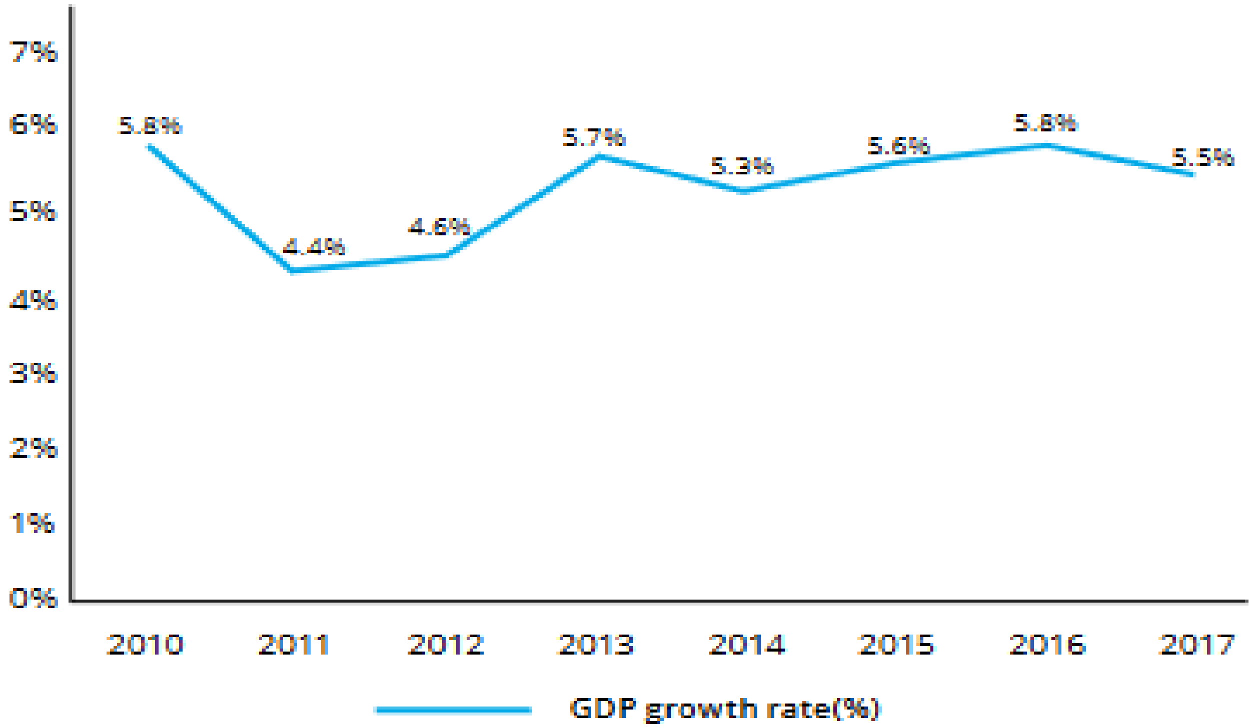
30. Growth of the global trade slowed in 2016 to 1.9 per cent from 2.6 per cent growth in 2015. Imports from major economies such as China continued to depress trade flows. Similarly, the sharp drop in oil prices from mid-2014 to early 2016 resulted in income losses in oil exporting countries. The slowdown in global investment in 2015-16 also played an important role in slowing the pace of world trade as capital goods account for about one third of world goods trade.

31. The global unemployment rate was estimated at 5.7 per cent in 2016 compared to 5.8 per cent in 2015. This was occasioned by improvements in developed economies such as the United States of America and the European Union where unemployment levels fell by 1.4 million in 2016. Labour market conditions in emerging economies in Latin America and the Caribbean continued to deteriorate in 2016, resulting in a 6.7 per cent unemployment rate compared to a 6.5 per cent in 2015.

3.2 DOMESTIC SCENE

32. The economy experienced a relatively conducive environment for growth during the first three quarters of 2016. However, the last quarter's growth was undermined by a persistent drought that impacted negatively on the agriculture sector and a slower growth of the electricity supply industry, though to a smaller extent. The country's real Gross Domestic Product (GDP) is estimated to have maintained growth momentum for the third consecutive year to expand at 5.8 per cent in 2016 compared to a revised growth of 5.7 per cent in 2015. Generally, the growth was well spread and robust in most sectors but subdued in a few. Accommodation and food services registered the most improved growth of 13.3 per cent in 2016 from a contraction of 1.3 per cent in 2015.

FIG 1: GDP GROWTH RATE TRENDS 2010-2017



Source: Kenya National Bureau of Statistics, EIU

33. Other remarkable improvements in economic activities were realized in the information and communication sector; real estate; and transport and storage. On the other hand, construction; mining and quarrying; and financial and insurance activities registered the most notable slowdown in growths. From the demand side of the GDP, the growth was mainly driven by consumption in both the private and public sectors. Addition to fixed assets (Gross Fixed Capital Formation) contracted significantly, mainly due to a considerable decline in investments in transport equipment in 2016. Declines in investments in civil works and residential buildings also contributed to a slowdown in additions to fixed assets during the review period.

34. Key macroeconomic indicators remained fairly stable in 2016. Annual average inflation was contained within the Central Bank's target of ±5.0 per cent to stand at 6.3 per cent compared to an average of 6.6 per cent in 2015. The easing in inflation was mostly due to significant slowdowns in prices of transportation; housing and utilities; and communication. Transport costs were benefitted from a fall of 21.7 per cent in the international oil prices to an average of USD 40.68 in 2016. The Kenyan shilling's performance against its main trading currencies varied significantly during the period under review. The Shilling strengthened against the Pound Sterling, South African Rand, Ugandan Shilling, Tanzanian Shilling and the Rwandan France but weakened against the US Dollar, Euro, and the Yen in 2016. On the whole, the shilling depreciated as reflected in the overall foreign exchange index which rose by 0.5 per cent to 114.83 in 2016.

35. The Central Bank Rate (CBR) was revised downward twice to 10.50 per cent in June and 10.00 per cent in December. The amendment of the Banking Act in August 2016 to cap the lending rates to a maximum of 4.0 per cent above the Central Bank Rate (CBR) resulted in a substantial decline in the interest rates during the month of September to 13.84 compared to 16.75 during the same month in 2015. However, there was a decline in credit to the private sector despite the capping of the rates. Overall, domestic credit growth decelerated from 20.8 per cent in 2015 to 6.4 per cent in 2016, with credit to private sector expanding by 4.3 per cent against a target of 6.8 per cent.

36. The current account deficit narrowed further to stand at KSh 370.8 billion in 2016 after declining by 24.9 per cent to KSh 421.1 billion in 2015. In line with the improvement in the current account, the overall balance of payments improved to a surplus of KSh 13.1 billion 2016 from a deficit of KSh 24.9 billion 2015. The fiscal deficit as a percentage of GDP is expected to rise to 9.9 per cent in 2016/17 compared to 8.6 per cent in 2015/16.

3.3 RECENT DEVELOPMENTS

TABLE5: KEY ECONOMIC AND SOCIAL INDICATORS, 2012 - 2016

	DESCRIPTION	UNIT	2012	2013	2014	2015	2016*
1.	Population	(Million)	40.7	41.8	43.0	44.2	45.4
2.	Growth of GDP at Constant Prices	(Per cent)	4.5	5.9	5.4	5.7	5.8
3.	GDP at Market Prices :	(KSh Mn)	4,261,370.0 4	745,143.4 5	402,410.0 6	260,646.3 7	158,695.0

	DESCRIPTION	UNIT	2012	2013	2014	2015	2016*
4.	Total value of petroleum products	(KSh Mn)	307,556.1	291,622.6	335,671.3	226,125.7	197,528.3
5.	Trade balance	(KSh Mn)	-856,740.0	-911,029.2	-1,081,085.3	-996,511.7	-853,678.0
6.	Money Supply (M3)	(KSh Mn)	1,727,686.0	1,996,242.0	2,329,978.6	2,658,165.5	2,753,528.0
7.	Total domestic credit	(KSh Mn)	1,702,510.0	1,978,522.0	2,312,178.0	2,793,924.0	2,972,874.0
8.	Balance of Payments (current account balance)	(KSh Mn)	-356,389.1	-417,019.6	-560,761.1	-421,082.1	-370,801.9
9.	Coffee-marketed production	('000 tonnes)	46.1	38.4	42.5	32.2	39.7
10.	Tea-marketed production	('000 tonnes)	369.4	432.4	445.1	399.2	473.0
11.	Fresh Horticultural Produce exports	('000 tonnes)	205.7	213.8	220.2	238.7	261.2
12.	Maize-marketed production	('000 tonnes)	387.3	316.4	289.4	295.3	265.8
13.	Wheat-marketed production	('000 tonnes)	155.0	184.9	218.0	227.3	215.9
14.	Sugar-cane production	('000 tonnes)	5,824.0	6,673.7	6,410.0	7,164.8	7,160.8
15.	Milk sold centrally	(Mn litres)	495.2	523.0	541.3	615.9	650.3
16.	Manufacturing output	(KSh Mn)	1,619,622.0	1,737,699.0	1,820,369.0	1,976,793.0	2,132,259.0
17.	Construction output	(KSh Mn)	513,390.0	582,896.0	683,376.0	805,703.0	819,448.0
18.	Cement Consumption	('000 tonnes)	3,991.2	4,266.5	5,196.7	5,708.8	6,303.0
19.	Petroleum Consumption	('000 tonnes)	3,638.0	3,707.9	3,937.9	4,738.5	5,044.2
20.	Electricity consumption	(GWh)	6,414.4	6,928.1	7,415.4	7,826.4	8,053.2
21.	Tourism earnings	(KSh Mn)	96,020.0	93,970.0	87,080.0	84,600.0	99,690.0
22.	New registration of motor vehicles and cycles	(Number)	173,044.0	222,178.0	218,057.0	247,181.0	213,715.0
23.	Rail freight	(`000	1,394.0	1,214.0	1,509.0	1,575.0	1,429.0

	DESCRIPTION	UNIT	2012	2013	2014	2015	2016*
		tonnes)					
24.	Air passengers handled	('000) No.	8,583.8	8,231.6	8,882.0	8,993.2	10,043.8
25.	Mobile Subscriptions	('000) No.	30,482.8	31,309.0	33,632.6	37,716.0	38,982.0
26.	Estimated Internet Users	('000) No.	14,032.4	21,273.7	26,163.6	35,550.0	39,351.0
27.	Wage employment	('000) No.	2,155.8	2,283.1	2,370.2	2,478.0	2,554.3
28.	Education-primary enrolment	('000) No.	. 9,757.6	9,857.6	9,951.0	10,090.8	10,269.4
29.	Education-secondary enrolment	('000) No.	1914.8	2,104.3	2,331.7	2,559.0	2,720.6
30.	Education-University enrolment	('000) No.	251.2	361.4	443.8	510.7	564.5
31.	Education-other post secondary enrolment (TIVET+TTC)	('000) No.	127.7	148.0	147.8	153.3	202.6
32.	Registered doctors and dentists	(Number)	9,077.0	9,727.0	10,239.0	10,699.0	11,525.0
33.	GDP Per capita	(KSh)	104,702.0	113,520.2	125,637.4	141,644.0	157,681.0
34.	GDP Per capita (Constant)	(KSh)	84,721.2	87,105.4	89,240.4	91,890.1	94,757.3
35.	Net lending/borrowing (% of GDP) at Current Market Prices	(Per cent)	-8.7	-10.2	-11.5	-10.2	-6.8
36.	Net lending/borrowing	(KSh Mn)	-368,729.6	-484,395.6	-618,615.9	-641,572.2	-484,672.8
37.	Recurrent Revenue and Grants	(KSh Mn)	896,496.5	1,001,374.8	1,140,407.5	1,262,720.3	1,566,459.3
38.	Total Expenditure	(KSh Mn)	1,241,396.4	1,532,993.0	1,953,509.4	2,047,351.8	2,496,107.9
39.	External Debt Service Charge as % of GDP2	(Per cent)	0.8	1.0	1.8	1.8	1.1
40.	External Debt Service as % of Exports of	(Per cent)	3.8	4.8	10.3	10.8	7.5

	DESCRIPTION	UNIT	2012	2013	2014	2015	2016*
	Goods & Services						
41.	INDEX NUMBERS	2012-2016 ANNUAL % RATE OF CHANGE					
42.	Export volumes: (2009=100)	113.4	104.0	109.9	105.0	111.6	-0.4
43.	Import volumes: (2009=100)	104.8	106.7	113.9	102.5	100.6	-10
44.	Terms of trade	78.7	81.1	73.1	76.0	78.8	0.03
45.	NSE 20 Share: (1966=100)	4,133.0	4,927.0	5,113.0	4,040.0	3,186.0	-6.3
46.	Consumer Price Index: (Feb 2009=100)	132.5	140.1	149.7	159.6	169.7	6.4
47.	Real wages: (June 2009=100)	84.4	90.9	91.2	93.8	93.9	2.7
48.	Agriculture terms of trade: (2001 =100)	52.9	46.6	49.3	50.2	49.3	-1.7

3.4 MEDIUM TERM OUTLOOK

37. The global real GDP is projected to grow by 3.3 per cent in 2017 based on the sustained growth in emerging and advanced economies. The real GDP in the advanced economies is projected to expand by 1.9 per cent in 2017 following strengthened recovery in the United States of America and fiscal stimulus in Japan. However, uncertainty associated with policies of the new administration in the United States of America and the decision of the United Kingdom to leave the European Union is likely to influence growth of the advanced economies.

38. The OECD real GDP is projected to grow by 2.0 per cent in 2017. The increased policy uncertainty from UK decision to leave the EU and the banking sector concerns in the Euro Area is projected to slow down the economic growth of the bloc to 1.6 per cent in 2017. Real GDP growth in the emerging economies of Brazil, Russia, India, and China, is projected to grow by 3.5 per cent in 2017. Growth in China is projected to slow to 6.5 per cent in 2017, reflecting weak external demand, uncertainty surrounding global trade and slower private investment.

39. In the Sub-Saharan Africa, the expected stabilization of commodity prices and a projected large fiscal adjustments are expected to boost the economic activity in the region to a forecast real GDP growth of 2.8 per cent in 2017. In EAC countries, real GDP is projected to be 6.3 per cent in 2017. Real GDP growth in ASEAN~5 countries is projected to expand by 4.9 per cent in 2017 supported by domestic demand. In Maghreb countries, real GDP growth is expected to remain robust with a projected growth of 5.7 per cent in 2017.

3.5 RISKS TO THE OUTLOOK

40. Kenya's GDP growth is projected to decelerate to 5.5%, a 0.5 percentage point mark down from the 2016 forecast, according to the World Bank's Kenya Economic Update released in 2017.

41. Consistent with its robust performance in recent years, once again economic growth in Kenya was solid in 2016, coming in at an estimated 5.9%—a five-year high. This has been supported by a stable macroeconomic environment, low oil prices, earlier favorable harvest, rebound in tourism, strong remittance inflows, and an ambitious public investment drive. Nonetheless, Kenya is currently facing headwinds that are likely to dampen GDP growth in 2017.

42. Firstly, the ongoing drought which has led to crop failure, dying herds of livestock, and increased food insecurity. Further, with hydropower being the cheapest source of energy in Kenya, poor rains increase energy costs, their effects spilling over to other sectors. The rise of in food and energy prices drove inflation to a five-year high of 10.3% in March.

43. Secondly, Kenya faces a marked slowdown in credit growth to the private sector. At 4.3%, this remains well below the ten-year average of 19% and is weighing on private investment and household consumption.

44. Thirdly, as a net oil importer, the rise in global oil prices compared to the lows of 2016 has a dampening effect on economic activity. However, in the medium term, economic growth is projected to rebound to 5.8% in 2018 and 6.1% in 2019, consistent with Kenya's underlying growth potential.

45. Prolonged political activity in 2017 does not portend well for stability sensitive sectors such as tourism which contribute significantly in the overall economic performance of the country.

46. But while the medium- to long-term outlook appears favorable, Kenya's economy remains vulnerable to downside risks. These include potential for fiscal slippages, a more prolonged drought in 2017, and external risks from a weaker than expected growth amongst Kenya's trading partners, as well as uncertainties related to US interest rate hikes and the resultant stronger dollar.

SECTION IV: RESOURCE ALLOCATION FRAMEWORK

4.1 ADJUSTMENTS OF THE 2017/2018 FY BUDGET

47. The policies and reform measures for FY 2017/18 revised budget will focus on implementing programmes that will foster rapid economic growth and regeneration of the City. These include: Governance, Public Safety and Security; Housing and Settlement, Education and Health, Environment, Water, Sanitation and Garbage, Traffic and City Transport, Jobs, Business Environment and Wealth Creation, Youth, Women, People Living With Disabilities and Social Protection

48. The FY 2017/2018 Budget will be revised to accommodate new emerging priorities and since there are no new resources to finance them ,the FY 2017/2018 budget will be revised to ensure that priority programmes are funded through tradeoffs and reallocations of the existing budgetary provisions.

49. Further the implementation of the 2017/2018 commenced with adverse effects of prolonged electioneering period which may affect business and revenue collection. In this regard the County Government will continue monitoring the situation and possible revisions through issuance of austerity measures will be considered**.** However the government is keen on leveraging on digitization on key revenues in order to balance the budget for the first time in the FY 2017/2018.

4.2 MEDIUM TERM FISCAL PROJECTIONS

50. In the medium term revenue from the total revenues are expected to increase from Kshs 31.9billion in 2018/2019 to Kshs 36.2billion in 2020/2021. The growth in the external transfers will be fueled by the continued reforms in tax administration expected to yield more revenues. In addition the restructuring of revenue administration systems in regard to local revenues are also expected to result to increased revenues in the medium term.

51. Further in order to reorient more expenditures to development ,the government will pursue policies to address the high recurrent expenditures through early retirement programmes,private partnerships and mutual cooperation with National Government and other development partners.

52. In the medium term the government expects to maintain a balanced budget. This is because public borrowing is still not an option for counties until when the national government establishes guidelines for public borrowings for public borrowing.

4.3 2018/2019 FY BUDGET FRAMEWORK

Revenue Projections

53. The FY 2018/2019 targets revenue collection including equitable share, conditional grants and others at Kshs 31.9 billion made up of external revenues of Kshs 16.95 billion and own sources of revenue of Kshs 14.98 billion. This revenue projection will be underpinned by the ongoing revenue reforms that will include the following:

- Leveraging on ICT by automating all revenue streams
- Public Private Partneships
- Business Process Re-engineering
- Segmentation of our customers
- Taxpayers awareness and engagement
- Corporatization
- Tax reforms i.e revising the Finance Act
- Improving human resource management issues with collectors to ensure a motivated work force

Expenditure Projections

54. The total expenditure projections for the FY 2018/2019 including the County Assembly is projected at Kshs 31.9billion up from Kshs 30.4.billion FY 2017/2018 proposed revised projections. Recurrent expenditure is targeted at Kshs 24.7 billion including the County Assembly (**or 69% of the total expenditure**) .

55. Wages and salaries for all county staff including the County assembly continues to be a major cost to the County. The salaries are projected at Kshs 13.853billion which is about 43% of the total projected revenues. This projection is pegged on the envisaged early retirement programme targeting the staff above the age of 50 years.Therefore the government will be pursuing this policy towards with a view to secure funding for this programme.

Financing of the budget

56. Reflecting the projected revenues and expenditures the budget is balanced. The government will be investing heavily in revenue generation in order to achieve a balanced budget. As has been stated above improvements in revenue administration through digitization and private sector expertise in enforcement will remain key to achieving the this agenda.

4.4 MEDIUM TERM EXPENDITURE FRAME WORK

57. Resource allocation will continue to be aligned to the transformation of the government as highlighted in the Budget Policy Statement and County Fiscal Strategy Paper. The FY 2018/2019 medium term expenditure framework will focus on the following key priority areas.

4.4.1 Governance, Public Safety and Security;

58. The Government has embarked on a reform agenda to restore good governance, enforce fiscal discipline, seal loopholes for inefficient use of public resources, eliminate corruption and redirect at least 30% of the County's annual budget towards capital expenditure. The outcome of a city administration anchored in the practice of values of transparency, accountability and responsiveness to the people will require a series of legal reforms to put in place sunshine laws and an efficient, well trained and motivated workforce.

59. The government shall focus on service delivery re-engineering by leveraging on ICT to decentralize county services closer to the people. Security challenges that undermine the living and business environment will be confronted through decentralization of fire, increased public lighting security and emergency services and establishment of a rapid response team.

4.4.2 Housing and Settlement

60. In the medium term, priority will be given in developing an affordable housing plan, public land recovery actualized and a review of County spatial planning framework. Specifically, targeting private partnerships for the redevelopment of 14 of the City's old estates expected to yield a mass of decent, low cost housing for Nairobians and provision of basic sanitation amenities and other economic facilities to make informal settlements livable.

4.4.3 Education

61. Accelerated investment in expansion of access to Early Childhood Development Education for the 0.3 million eligible children, collaboration with the National Government and other partners to modernize and expand access to high quality primary and secondary education will be an area of key focus in the medium term. In order to respond to industry deficit in essential technical skills, the Government will design, develop and implement a T-VET master plan for competitive skills development.

4.4.4 Health

62. The government is committed to stem the rising infant mortality rates, halt and reverse declining child nutrition indicators, enhance immunization coverage and eradicate preventable causes of morbidity in the City. This will be achieved through improved access to quality healthcare services, narrowing health personnel: patient ratios and improvement of working conditions and ensure reliable availability of medical and pharmaceutical commodities for both communicable and non-communicable diseases in public health facilities.

4.4.5 Environment, Water, Sanitation and Garbage

63. The aspiration in this pillar is to deliver a clean healthy city in which water is safe, accessible and affordable for all and its supply is regular and reliable; a city in which garbage is collected and safely disposed of and in which the sewage is treated and the environment is green and alive and free of man-made waste.

4.4.6 Traffic and City Transport

64. The target is to achieve a congestion-free City in which pedestrians have safe walkways; children do not suffer injuries from road accidents and public transport is so seamlessly connected that private cars are unnecessary in most parts of the City. Investment in expansion and improvement of road infrastructure, commuter rail and non-motorized transport (NMT) facilities, enacting structural changes to accommodate the deployment of a rapid bus transit system are important components of a sustainable city decongestion strategy.

65. In the medium term, a pricing strategy that will suppress demand for on street parking will be evaluated coupled with investment in multi-deck parking infrastructure with a view to improve supply of secure parking spaces for consumers.Specifically the government seeks to revolutionize the public transport scenario through targeted investments in,enforcement of traffic and public order rules,Road improvement, marking and signage,Expansion of Non- Motorized Transport Infrastructure,expansion of Cross City Routes,automation of bus Termini.

4.4.7 Jobs, Business Environment and Wealth Creation

66. The medium term target is to deliver a city where every Nairobi resident has an equal opportunity to find work, earn a decent wage and prosper; a city providing essential needs for its people, their rights protected and in which no one is excluded from a rewarding social and economic participation. The focus will be in business environment re-engineering to accelerate investment, skill development among the youth, entrepreneurship support, trade and tourism promotion, agribusiness investment and incubating cooperatives for capital formation. The formation of the Nairobi Socio-Economic Council, creation of business information centres, review and upgrading service delivery standards, expansion and development of new markets and leveraging of creative designs to provide inclusive trading spaces for small scale traders. A framework for monitoring job creation across public and private sector entities will be fast tracked. Specifically we target to Expand the formal market space by targeting expansion and rehabilitation of existing markets, Social economic empowerment of Youth and Women through entrepreneurship support, Leveraging on existing Huduma centres to expand and improve on our sphere of service decentralization, provide an enabling environment and regulations for small scale traders to prosper.

4.4.8 Youth, Women, People Living With Disabilities and Social Protection.

67. The Government recognizes that the people of Nairobi are its partners and that their skills, talents and knowledge are the county's most valuable asset. Progressive policies for talent identification, nurturing, development and deployment of such talents, skills and knowledge for maximum returns will be developed and implemented. In particular, creating opportunities for the Youth, Women and people living with disabilities shall be given primacy. In Particular the focus shall be on the following key areas;

1. Investment in Arts and talent to promote innovation, creativity as a source of livelihood.
2. Investment in expansion of existing sports grounds including City Stadium and others at the ward level.
3. Developing and support sporting activities in the County.
4. Expanding the scope of training offered at the County's Vocational and Technical Institutes.
5. Develop and equip community social halls to facilitate online employment for qualified youths.
6. Partner with NITA to fast track training of technical skills for the Youth and Women
7. Ensuring there is a framework for supporting PLWDs, the elderly and homeless

68. Reflecting the above medium term expenditure framework for the Fy 2018/2019 are the tentative budget ceilings for classified by every sector. The ceilings have not been classified into programmes and sub programmes in order to the sectors an opportunity to review the current programmes in light of the new priorities of the current administration in **Table 4: Medium Term Sector Ceilings FY 2018/2019-2020/2021.**

Table 4: Medium Term Tentative Sector Ceilings FY 2018/2019-2020/2021.

SECTOR		2017/2018 Approved	Projections 2018 / 2019	2019 / 2020	2020 / 2021	% share of total expenditure Estimates 2017 / 2018	2018 / 2019	2019 / 2020	2020 / 2021
COUNTY PUBLIC SERVICE BOARD	**Sub-total**	**100**	**75**	**81**	**83**	**0.28**	**0.24**	0.24	0.23
	Recurrent	71	**60**	**65**	**68**	**0.20**	**0.19**	0.19	0.19
	Development	29	**15**	**16**	**15**	**0.08**	**0.05**	0.05	0.04
				-	-	-	-	-	-
OFFICE OF GOVERNOR & DEPUTY GOVERNOR	**Sub-total**	**5,678**	**5,350**	**5,350**	**5,400**	**15.81**	**16.77**	15.51	14.91
	Recurrent	5,305	**5,100**	**5,000**	**5,000**	**14.77**	**15.98**	14.49	13.80
	Development	373	**250**	**350**	**400**	**1.04**	**0.78**	1.01	1.10
				-	-	-	-	-	-
ICT, E-GOVT & PUBLIC COMMUNICATIONS	**Sub-total**	**458**	**500**	**700**	**800**	**1.28**	**1.57**	2.03	2.21
	Recurrent	285	**300**	**300**	**300**	**0.79**	**0.94**	0.87	0.83
	Development	173	**200**	**400**	**500**	**0.48**	**0.63**	1.16	1.38
				-	-	-	-	-	-
FINANCE & ECONOMIC PLANNING	**Sub-total**	**3,180**	**2,550**	**2,480**	**2,380**	**8.86**	**7.99**	7.19	6.57
	Recurrent	3,010	**2,500**	**2,400**	**2,300**	**8.38**	**7.83**	6.96	6.35
	Development	170	**50**	**80**	**80**	**0.47**	**0.16**	0.23	0.22
				-	-	-	-	-	-
HEALTH	**Sub-total**	**7,641**	**7,526**	**8,000**	**8,432**	**21.28**	**23.59**	23.19	23.27
	Recurrent	6,387	**6,100**	**6,200**	**6,500**	**17.79**	**19.12**	17.97	17.94
	Development	1,254	**1,426**	**1,800**	**1,932**	**3.49**	**4.47**	5.22	5.33
				-	-	-	-	-	-
URBAN PLANNING AND LANDS	**Sub-total**	**823**	**550**	**740**	**630**	**2.29**	**1.72**	2.14	1.74
	Recurrent	379	**350**	**340**	**330**	**1.06**	**1.10**	0.99	0.91
	Development	444	**200**	**400**	**300**	**1.24**	**0.63**	1.16	0.83
				-	-	-	-	-	-
PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	**Sub-total**	**6,110**	**5,300**	**5,931**	**6,453**	**17.02**	**16.61**	17.19	17.81
	Recurrent	1,169	**1,100**	**1,053**	**1,253**	**3.26**	**3.45**	3.05	3.46
	Development	4,941	**4,200**	**4,878**	**5,200**	**13.76**	**13.16**	14.14	14.35
				-	-	-	-	-	-
EDUCATION,YOUTH AFFAIRS, SPORTS,	**Sub-total**	**1,743**	**1,500**	**1,800**	**1,900**	**4.85**	**4.70**	5.22	5.24

CULTURE & SOCIAL SERVICES	Recurrent	1,398	**1,200**	**1,200**	**1,200**	**3.89**	**3.76**	3.48	3.31
	Development	345	**300**	**600**	**700**	**0.96**	**0.94**	1.74	1.93
				-	**-**	**-**	**-**	-	-
TRADE,COMMERCE,TOURISM & COOPERATIVES	**Sub-total**	**1,178**	**1,000**	**1,200**	**1,350**	**3.28**	**3.13**	3.48	3.73
	Recurrent	618	**600**	**600**	**650**	**1.72**	**1.88**	1.74	1.79
	Development	560	**400**	**600**	**700**	**1.56**	**1.25**	1.74	1.93
				-	**-**	**-**	**-**	-	-
PUBLIC SERVICE MANAGEMENT	**Sub-total**	**2,368**	**1,280**	**1,300**	**1,350**	**6.59**	**4.01**	3.77	3.73
	Recurrent	2,251	**1,200**	**1,200**	**1,250**	**6.27**	**3.76**	3.48	3.45
	Development	117	**80**	**100**	**100**	**0.33**	**0.25**	0.29	0.28
				-	**-**	**-**	**-**	-	-
AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	**Sub-total**	**529**	**499**	**500**	**600**	**1.47**	**1.56**	1.45	1.66
	Recurrent	375	**419**	**400**	**450**	**1.04**	**1.31**	1.16	1.24
	Development	154	**80**	**100**	**150**	**0.43**	**0.25**	0.29	0.41
			-	**-**	**-**	**-**	**-**	-	-
COUNTY ASSEMBLY	**Sub-total**	**1,614**	**1,463**	**1,561**	**1,651**	**4.49**	**4.58**	4.52	4.56
	Recurrent	1,293	**1,408**	**1,501**	**1,591**	**3.60**	**4.41**	4.35	4.39
	Development	321	**55**	**60**	**60**	**0.89**	**0.17**	0.17	0.17
				-	**-**	**-**	**-**	-	-
ENVIROMENT,WATER, ENERGY & NATURAL RESOURCES	**Sub-total**	**2,285**	**1,971**	**2,150**	**2,291**	**6.36**	**6.18**	6.23	6.32
	Recurrent	1,385	**1,271**	**1,350**	**1,500**	**3.86**	**3.98**	3.91	4.14
	Development	900	**700**	**800**	**791**	**2.51**	**2.19**	2.32	2.18
				-	**-**	**-**	**-**	-	-
URBAN RENEWAL AND HOUSING	**Sub-total**	**320**	**619**	**837**	**950**	**0.89**	**1.94**	2.42	2.62
	Recurrent	140	**219**	**237**	**300**	**0.39**	**0.69**	0.69	0.83
	Development	180	**400**	**600**	**650**	**0.50**	**1.25**	1.74	1.79
				-	**-**	**-**	**-**	-	-
WARD DEVELOPMENT FUND	**Sub-total**	**1,790**	**1,596**	**1,725**	**1,812**	**4.99**	**5.00**	5.00	5.00
	Recurrent	54	**46**	**50**	**60**	**0.15**	**0.14**	0.14	0.17
	Development	1,736	**1,550**	**1,675**	**1,752**	**4.83**	**4.86**	4.85	4.83
EMERGENCY FUND	**Sub-total**	**90**	**131**	**150**	**148**	**0.25**	**0.41**	0.43	0.41
	Recurrent	**0**	**51**	**50**	**58**	**-**	**0.16**	0.14	0.16
	Development	90	**80**	**100**	**90**	**0.25**	**0.25**	0.29	0.25

						-	**-**	-	-
	TOTAL	**35,907**	**31,910**	**34,504**	**36,230**	**100.00**	**100.00**	100.00	100.00
	Recurrent	24,120	21,924	21,945	22,810	**67.17**	**68.71**	63.60	62.96
TOTAL	Development	**11,787**	**9,986**	**12,559**	**13,420**	**32.83**	**31.29**	**36.40**	37.04

SECTION V : CONCLUSION

69. The 2018/2019 and the medium term projections takes into account the revevue reform measures being undertaken by the Government in reforming the revenue administration systems. The growth in revenues is moderate as the government reviews the overall financing model of the County.

70. Further the Government will be partnering with the National Government with a view to review the revenue sharing formulae to take into account the city status of Nairobi. In order to reduce the wage bill the government is keen on pursuing an early retirement programme on a voluntary basis with possible funding from the National Government. Adjustments to personnel costs will be made once the programme is fuly confirmed.

71. Going forward, the tentative ceilings for FY 2018/2018 has been presented in sector format to give room for sectors to review the current programs and sub-programmes to be in line with the already ongoing reorganization of the various departments . Sector working Groups will be expected to critically review all programmes in line with the various policies outlined in this paper and the Governors manifesto. The final ceilings will be issued in the County Fiscal Strategy Paper 2018 in February 2018 after a thorough review of all sector priorities.

ANNEXE 1: Local Revenues Performance & Projections (in millions)

	STREAM	2013/2014		2014/2015		2015/2016		2016/2017	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
1	RATES	3,050	2,582	2,800	2,593	3,800	**3,160**	5,500	2,253
2	SINGLE BUSINESS PERMITS	1,600	1,542	2,200	1,814	2,826	**1,786**	3,600	1,776
3	PARKING FEES	1,820	1,551	2,800	2,016	2,600	**2,038**	3,540	1,974
4	BLDNG PERMITS (1.25 of const. cost)	2,200	760	1,300	1,349	1,650	**1,171**	1,700	843
5	BILLBOADS & ADVERTS	520	693	700	676	800	**663**	1,200	720
6	LIQUOR LICENSES	-	-	300	210	450	**208**	379	233
7	RENTS-other estates	300	318	250	296	300	**292**	300	284
8	Rents-EASTLANDS	290	270	250	291	280	**290**	300	291
9	CONSTRUCTION SITE BOARD	60	71	100	137	270	**167**	200	325
10	DECENTRALIZATION-WARDS	226	214	240	243	238	**221**	240	188
11	FOOD HANDLERS CERT	30	57	140	89	200	**64**	217	201
12	FIRE INSPECTION CERT	110	216	140	148	160	**163**	180	433
13	REGUL. OF BLDNG /CHANGE /AMALG/SUB	70	101	140	130	140	**135**	260	161
14	WAKULIMA MARKET	124	112	140	115	123	**113**	144	180
15	OTHER MARKETS	100	139	170	105	120	**99**	144	76
16	OTHER INCOMES	1,626	701	1,894	1,370	1,333	**1,138**	1,662	991
17	**TOTAL LOCAL SOURCES**	**12,126**	**9,327**	**13,564**	**11,583**	**15,290**	**11,710**	**19,566**	**10,930**

ANNEXE II: RESOURCE ENVELOPE FOR FY 2017/2018 & PROJECTIONS FOR 2018/2019 & MEDIUM TERM

ITEM	2017/2018 Budget	2017/2018 Revised	Projections		
			2018/2019	2019/2020	2020/2021
External Revenues					
Equitable Share	14,967	15,402	16,172	16,980	17,830
Free Maternal Health Care	303	-	-	-	-
Compensation For User Fees Forgone	73	79	83	87	91
Road Maintenance Levy	394	554	582	611	641
Youth Polytechnics	-	31	33	34	36
Kenya Devolution Support Programme		78	82	86	90
Agricultural Devt Support Prgramme (**ASDSPII**)	-	9			
MOH Reimburement	-	-	-	-	-
Health Support-DANIDA & World Bank		75			
Total External Revenues	**15,737**	**16,228**	**16,951**	**17,799**	**18,688**
Internal Revenues					
RATES	5,555	3,648	3,830	5,022	5,273
SINGLE BUSINESS PERMITS	3,636	2,545	2,673	2,806	2,946
PARKING FEES	3,575	2,503	2,628	2,759	2,897
BLDNG PERMITS	1,717	1,403	1,473	1,546	1,624
BILLBOADS & ADVERTS	1,212	760	798	838	880
LIQUOR LICENSES	383	270	284	298	313
House Rents-other estates	303	303	318	334	351
House Rents-EASTLANDS	303	319	335	352	369
REGUL. OF BLDNG /CHANGE /AMALG/SUB	263	148	156	164	172
DECENTRALIZATION-WARDS	242	238	250	262	276
FOOD HANDLERS CERT	219	160	168	176	185
CONSTRUCTION SITE BOARD	202	216	227	238	250
FIRE INSPECTION CERT	182	179	188	197	207
Other Incomes	1,974	1,554	1,632	1,713	1,799
Total Internal Revenues	**19,766**	**14,245**	**14,958**	**16,706**	**17,541**
REVENUES					

	35,503	**30,473**	**31,909**	**34,504**	**36,229**
Expenditures					
Transfers to County Assembly	1,614	1,614	1,464	1,561	1,651
Salaries	15,361	14,600	13,100	11,700	11,635
Medical Insurance	850	1,300	750	700	650
General Insurance	260	260	268	276	284
Solid Waste Management	752	1,111	1,144	1,179	1,214
Development Projects	11,467	7,196	9,931	12,499	13,358
Debts Resolutions	1,029	1,029	1,788	3,022	3,762
Drugs & non-pharms	480	480	494	509	525
Domestic travel	485	250	258	265	273
Hospitality and supplies	341	200	206	212	219
Office and general supplies	333	250	258	265	273
Printing ,advertising and informatio supplies	312	250	258	265	273
Specialised materials and supplies	301	200	206	212	219
Training expenses	300	150	155	159	164
Electricity	285	400	412	424	437
Bursaries	183	183	188	194	200
Other O & M	1,554	1,000	1,030	1,061	1,093
Total Expenditures	**35,907**	**30,473**	**31,909**	**34,504**	**36,230**
Projected Deficit	**(404)**	**0**	**(0)**	**0**	**(0)**
Ratio of development expenditure to total expenditure	**31.9**	**24**	**31**	**36**	**37**
Ratio of personel costs to revenues	43	48	41	34	32
Two major Assumptions:					
1. Review of the valuation roll to be completed by 2019/2020					
2. Strategies for reduction of the wage bill to be addressed urgently.					

ANNEXE III: MEDIUM TERM FISCAL PROJECTIONS FOR 2018/2019- 2020/2021

	2016/17		2017/18		2018/19		2019/20		2020/21
	Budget	**Actual**	**Budget**	**BROP 17**	**CFSP 17**	**BROP 17**	**CFSP 17**	**BROP 17**	**BROP 17**
External Revenues									
Equitable Share	**14,023**	**14,023**	14,967	15,402	15,715	16,172	16,501	16,980	17,830
CONDITIONAL GRANTS									
Free Maternal Health Care	**200**	**282**	303	-	303	-	303	-	-
Compensation For User Fees Forgone	**80**	**80**	73	79	73	83	73	87	92
Road Maintenance Levy	**215**	**215**	394	554	394	582	394	611	641
DANIDA	**14**	**-**			-		-		
Youth Polytechnics	**-**	**-**	-	31	-	33	-	34	35
Kenya Devolution Support Programme	**-**	**-**		78	-	82	-	86	90
Agricultural Support Programme (ASDSP II)	**-**	**-**	-	9	-	-	-	-	-
Other disbursemnent-MOH		**251**			-		-		
Health Support-DANIDA & World Bank				75					
Sub-total External Revenues	**14,532**	**14,851**	**15,737**	**16,228**	**16,485**	**16,952**	**17,271**	**17,798**	**18,688**
Internal Revenues									
Rates	5,500	2,253	5,555	3,648	5,722	3,830	5,893	5,022	5,273
Parking Fees	3,540	1,974	3,575	2,503	3,682	2,673	3,793	2,806	2,946
Single business Permits	3,600	1,776	3,636	2,545	3,745	2,628	3,857	2,759	2,897
Building Permits	1,700	843	1,717	1,403	1,769	1,473	1,822	1,546	1,624
Billboards & Adverts	1,200	720	1,212	760	1,248	798	1,286	838	880
Other Incomes	4,026	3,363	4,483	3,387	4,188	3,556	4,313	3,735	3,921
Sub-total Internal Revenues	**19,566**	**10,929**	**20,178**	**14,245**	**20,354**	**14,958**	**20,964**	**16,706**	**17,541**
Total Revenues	**34,098**	**25,780**	**35,915**	**30,473**	**36,839**	**31,910**	**38,235**	**34,504**	**36,229**
Expenditures									
COUNTY EXECUTIVE									
Wages & Salaries	13,329	12,771	15,361	14,600	15,608	13,100	15,700	11,700	11,635
Other Operations and maintenance	8,639	6,930	7,465	7,063	7,715	7,415	8,270	8,744	9,585
Development Expenditures	11,115	3,901	11,467	7,196	12,040	9,931	12,643	12,499	13,358
Total Executive	**33,083**	**23,602**	**34,293**	**28,859**	**35,363**	**30,446**	**36,613**	**32,943**	**34,578**
COUNTY ASSEMBLY									
Wages & Salaries	651	651	697	697	767	753	843	813	878
Other Operations and maintenance	622	617	596	596	654	656	719	688	723
Mortgage & gratuity	220	110			0		0	0	0
Development Expenditures	209	194	321	321	55	55	60	60	50
Total County Assembly	1,702	1,572	1,614	1,614	1,476	1,464	1,622	1,561	1,651
Total Expenditures	**34,785**	**25,174**	**35,907**	**30,473**	**36,839**	**31,910**	**38,235**	**34,504**	**36,229**
Surplus/Deficit	**-687**	**606**	**8**	**0**	**0**	**0**	**0**	**0**	**0**
Other Statistics									
Total wages and salaries	13,980	13,422	16,058	15,297	16,375	13,853	16,543	12,513	12,513
Total development expenditure	11,324	4,095	11,788	7,517	12,095	9,986	12,703	12,559	13,408

Total recurrent expenditure	**23,461**	**21,079**	**24,119**	**22,956**	**24,744**	**21,924**	**25,532**	**21,945**	**22,821**
Ratios									
% of wages and salaries to revenues	41	52	45	50	44	43	43	36	35
% of development to total expenditure	33	16	33	25	33	31	33	36	37
% of recurrent expenditure to totalexpenditure	67	84	67	75	67	69	67	64	63

ANNEXE III: REVISED BUDGET CALENDAR FY 2018/2019

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	**Develop and issue MTEF guidelines**	**County Treasury**	**30th August 2017**
2	**Launch Sector Working Groups**	**All Sectors**	**By 8th September 2017**
3	**Performance Review and Strategic planning**	**All Sectors**	By 15th September 2017
	Review and update of sector plans	"	By 15th September 2017
	Review of programme outputs and outcomes	"	By 15th September 2017
	Expenditure review	"	By 15th September 2017
	Preparation of annual sector plans	"	By 15th September 2017
4	**Determination of 2018/2019 Fiscal Framework**	**County Treasury**	**18th September 2017**
	Estimation of Resource Envelope	"	"
	Determination of policy priorities	"	"
	Preliminary resource allocation to Sectors	"	"
	Draft Budget Review and Outlook Paper	"	18th September 2017
	Submission of BROP to County Budget Economic Forum for review	"	20th September 2017
	Submission of BROP to County Executive Committee for approval	"	25th September 2017
	Submission of BROP to County Assembly	"	29th September 2017
5	**Preparation of MTEF Budget proposals**	**Sectors**	**1st October 2017**
	Submission of Draft Sector Reports to County Treasury	Sector Working Groups	3rd November 2017
	Convene Public Sector hearings	County Treasury	15th November 2017
	Review of public proposals for inclusion in the Sector Reports	Sector Working Groups	20th November 2017
	Submit Sector Reports to County Treasury	Sector Working Groups	30th November 2017
6	**County Fiscal Strategy Paper**		
	Public participation	County Treasury	15th January 2018
	Draft County Fiscal Strategy Paper	County Treasury	31st January 2018
	Submission of Draft CFSP to CBEF for review	County Treasury	5th February 2018

	Submission of CFSP to County Executive Committee for approval	County Treasury	12th February 2018
	Submission of CFSP to County Assembly	County Treasury	28th February 2018
7	**Preparation of Final Sectors Programme Based Budgets**		
	Issue final guidelines on preparation of 2018/2019 estimates	County Treasury	2nd March 2018
	Preparation of Final budget proposals in IFMIS.	All Sectors	19th March 2018
	Submission of Final Budget Proposals to Treasury	All sectors	19th March 2018
	Consolidation of Draft Budget Estimates	County Treasury	31st March 2018
	Submission of Draft budget estimates to CBEF	County Treasury	2nd April 2018
	Submission of Draft budget Estimates to County Executive Committee	County Treasury	9th April 2018
	Submission of Draft Estimates to County Assembly	County Treasury	30th April 2018
	Review and report of budget estimates by County Assembly	County Assembly	By 31st May 2018
	Consolidation of final Budget Estimates	County Treasury	6th June 2018
	Submission of Appropriation Bill to Assembly	County Treasury	11th June 2018
	Appropriation bill passed	County Assembly	30th June 2018