NAIROBI CITY COUNTY

FISCAL STRATEGY PAPER

2023

THEME: COUNTY ECONOMIC RECOVERY FOR INCLUSIVE GROWTH

FEBRUARY, 2023

VISION

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

TABLE OF CONTENTS

CHAPTER ONE: OVERVIEW

1.0 Introduction

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

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

i. A description of budget implementation for the period 2019/2020 and theyear 2020/2021, including revenue and expenditure performance.

ii. A description of any changes to the budget during the year, such that may have necessitated revision of the approved financial plan.

iii. An overview of the expected revenue and expenditure totals for the coming year, based on an assessment of the economy and any other determinants.

iv. Ceilings on the amount of money each sector will get in the upcoming budget and the basis for such capping.

1.1 LEGAL FRAME WORK

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.

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

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

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

1.2 Rationale

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

CHAPTER TWO: MACRO ECONOMIC POLICY FRAMEWORK

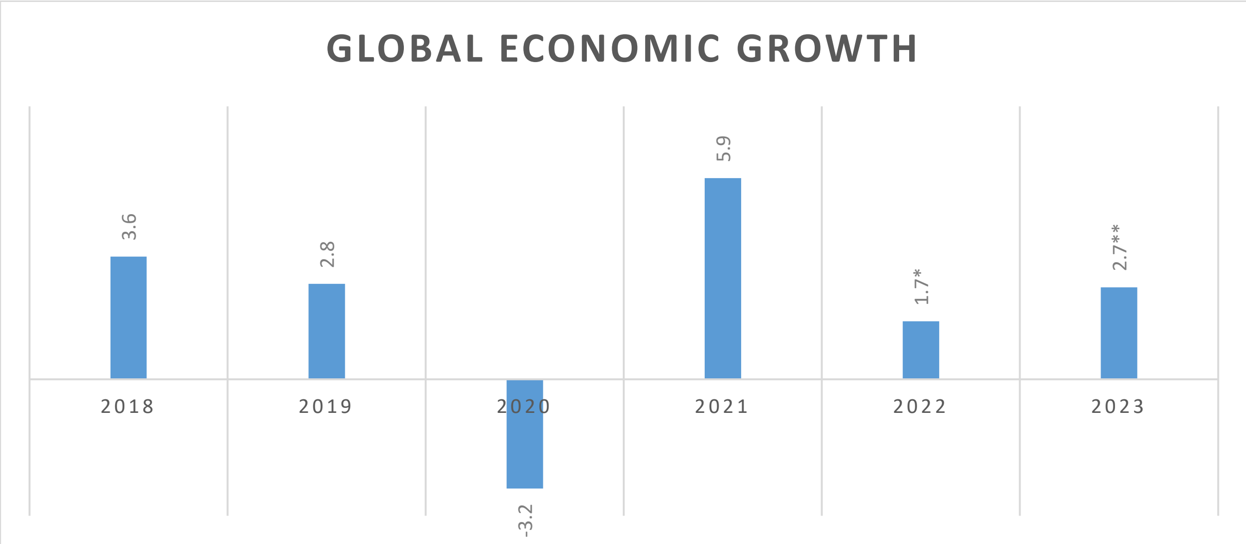
2.1 MACRO ECONOMIC POLICY FRAMEWORK

Global Economic Prospects/outlook

The global economy grew by 5.9 percent in 2021 after a near collapse in 2020 that saw the global GDP contract by 3.2 percent. The growth in real GDP was mainly due to increased global trade and increased activities resulting from easing of COVID-19 restriction measures. Growth in Advanced Economies was 5.3 percent in 2021 following a contraction of 4.3 percent in 2020. Sub Saharan Africa economy endure pandemic induced challenges registering a growth of 4.3 percent in 2021 following a contraction of 2.0 percent in 2020. East African Community (EAC) real GDP grew by 4.9 percent in 2021 compared to a growth of 1 percent in 2020 supported by the global economic recovery (see Global Economic Prospects-World Bank, January 2023; Kenya Economic Survey, 2022; Regional Economic Outlook for Sub-Saharan Africa -International Monetary Fund (IMF), October 2022)

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

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



Statistics from Global Economic Prospects January, 2023

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

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

The SSA region economic growth is estimated to have decelerated to 3.4 percent in 2022 and is projected to grow at 3.6 percent in 2023. The low performance is mainly due to the soaring inflation resulting from both supply and demand factors including large price increases for food and energy products priced in U.S. dollars as well as tighter macroeconomic policies globally. There exist macroeconomic imbalances

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

in the region as authorities struggled to protect lives and livelihoods over the past few years. Fiscal positions for these economies have deteriorated, increasing regional public debt to about 60 percent of GDP; the substitution of low-cost, long-term multilateral debt with higher-cost private funds has resulted in rising debt-service costs and higher rollover risks for most of the region's economy. Large current account deficits are also likely to keep currencies under pressure in several countries in the region, adding to inflation and external vulnerabilities (Global Economic Prospects-World Bank, January 2023; Regional Economic Outlook for SSA-IMF, October 2022).

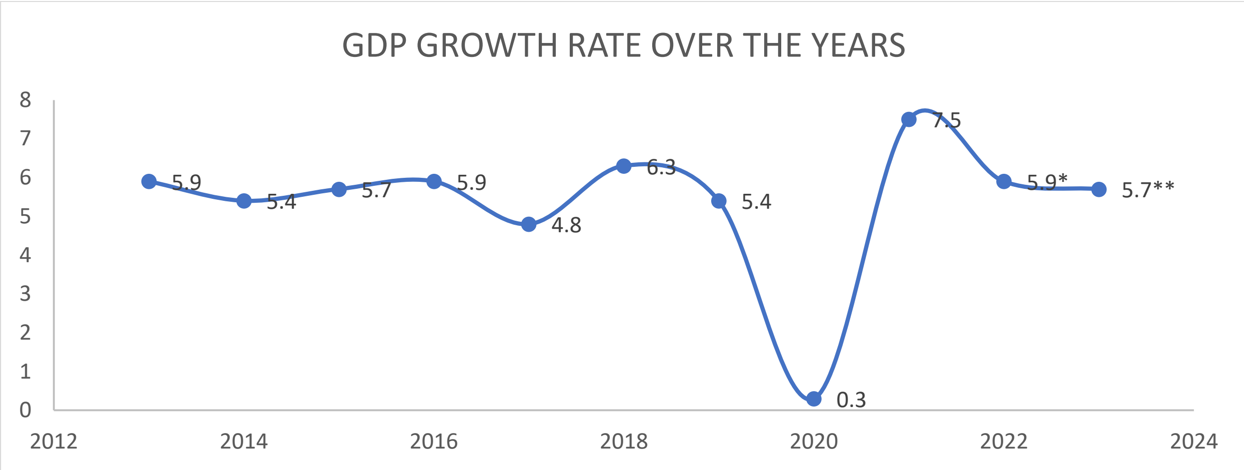
Growth in the East African Community (EAC) region witnessed a slow recovery in 2022 at 4.7 percent. The slowdown is due to the lingering effects of COVID-19; the continued Russia-Ukraine conflict; climate change and devastating locust invasion, together with regional conflicts and tensions. These factors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

Domestic Economy

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

Kenya's economic in 2022 is estimated to have decelerated, registering a growth rate of 5.9 percent and thereafter projected to decrease further to 5.7 percent in 2023 due to decline in domestic and external demand as a result of lower income and increase in food and fuel import cost. The supply side influences such as tepid economic activities across sectors due to cost-push factors and below average rainfalls and higher temperature that have intensified drought in some parts of the Country as well as Government debt distress are also likely to contribute to the slowing down of growth (Global Economic Prospects-World Bank, January 2023; Kenya Economic Outlook-Africa Development Bank, May 2022[2]).

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



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

Inflation

The annual inflation as measured by the Consumer Price Index (CPI) increased to 6.1 percent in 2021 from 5.4 per cent in 2020. Although the CBK raised the CBR from 7.7 percent to 8.25 percent in a bid to anchor inflation expectations, overall inflation in 2022 rose to 7.6 percent[4] due to a steady depreciation of the Kenya shilling relative to the U.S. dollar, disruptions to global supply chains due to COVID-19, and the rising global oil prices, which increased domestic food and energy prices. The inflation rate is expected to increase further in 2023 with the month of January 2023 recording 8.98 percent rate quite high compared to the month of January 2022 that was 5.38 percent[5] (see Kenya Economic Survey, 2022; CBK Monetary Policy Committee, October 2022; East Africa Economic Outlook- Africa Development Bank (ADB) October 2022).

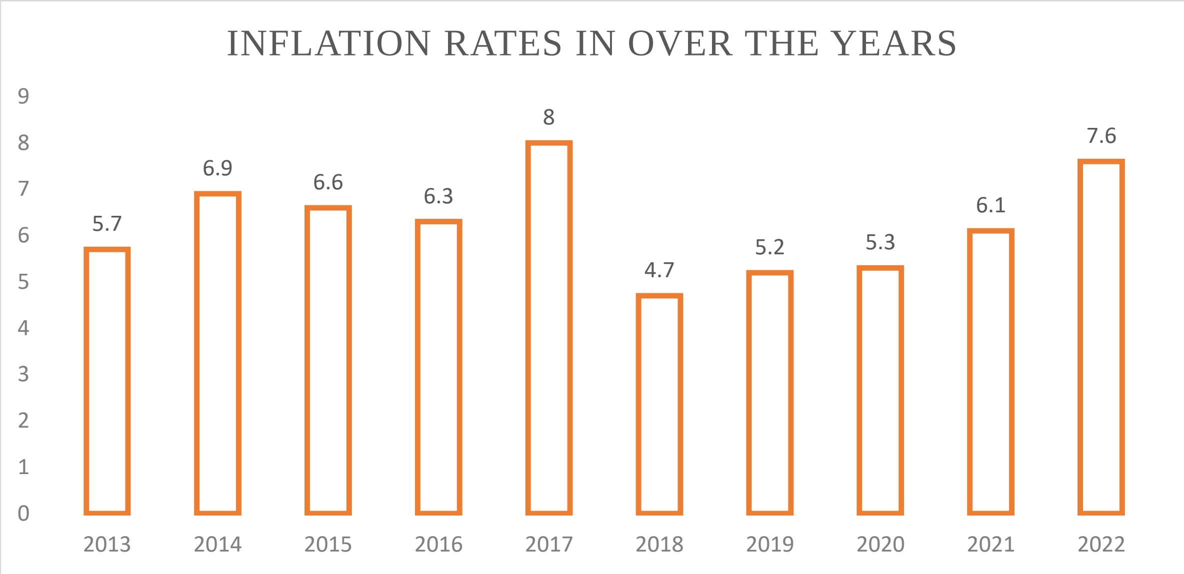
[2] https://www.afdb.org/en/countries-east-africa-kenya/kenya-economic-outlook

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

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

[5] See figure 2.4 on montly inflation rates.

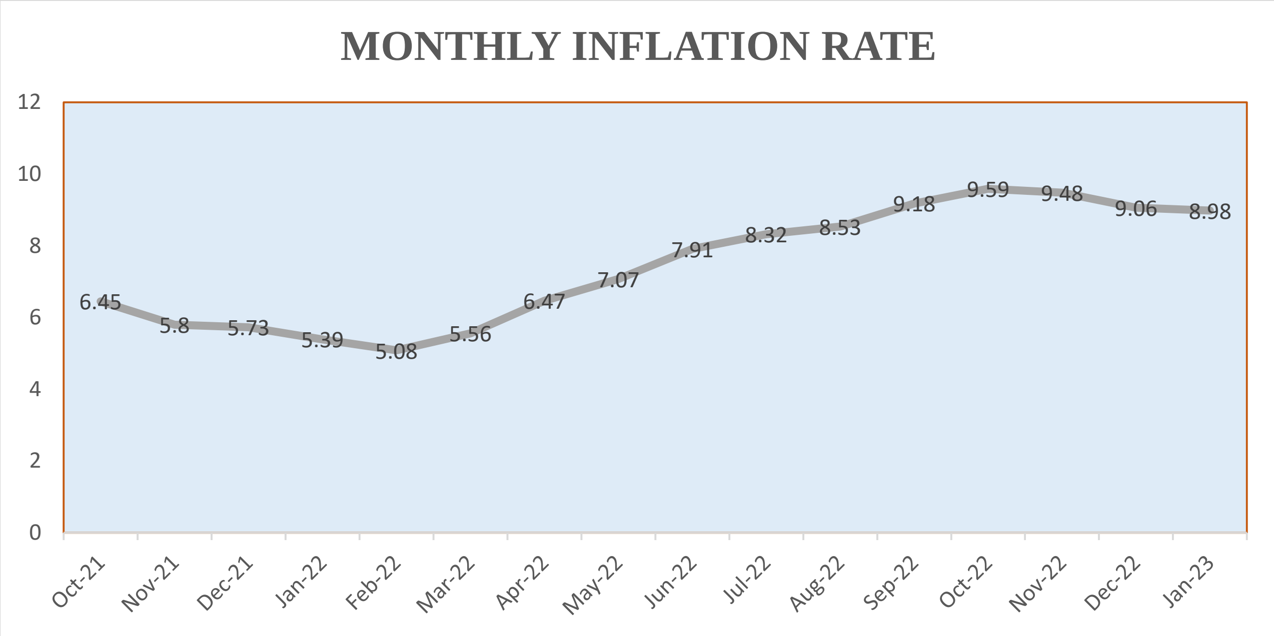
Figure 2.3: Trend in inflation rate in percentages over the years



Source: Economic survey 2020 and 2021 and CBK website)

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

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

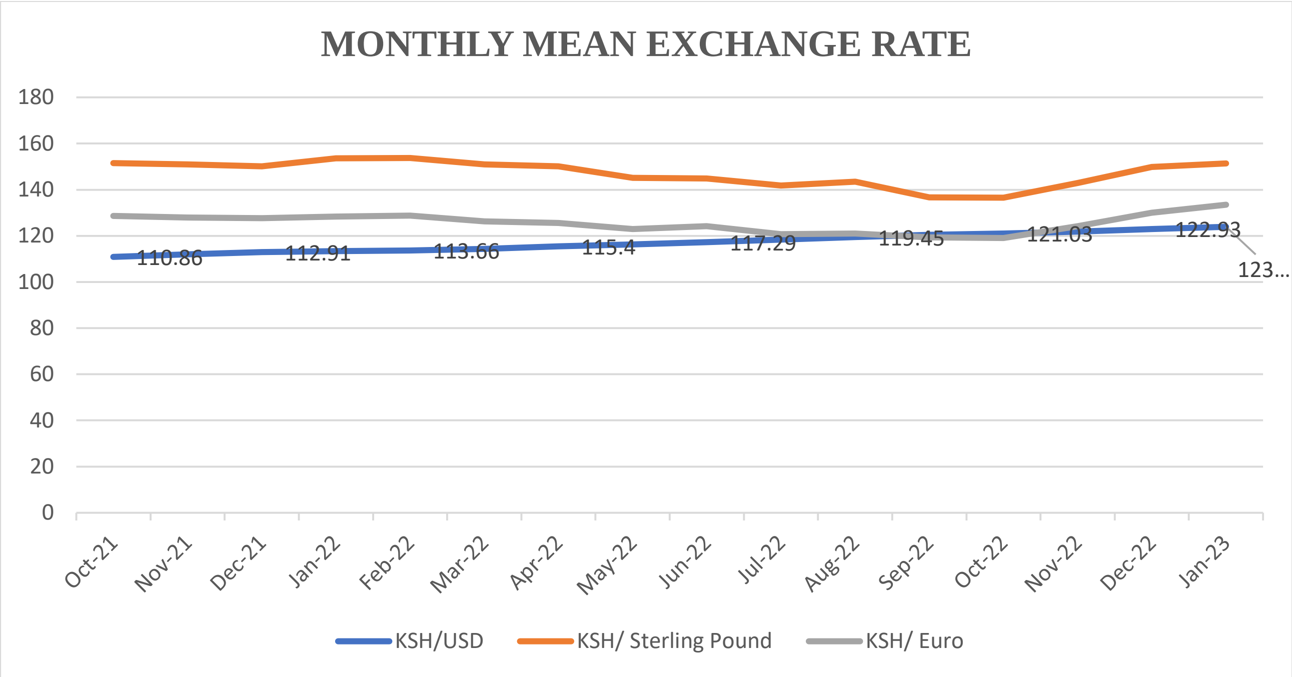


Source: CBK website)

Foreign exchange

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

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



Source: CBK website[6])

Balance of Payment

The Current Account deficit narrowed to 4.4 percent of GDP in 2020 compared to 5.5 percent of GPD in 2019. In 2021 the current account improved slightly to 5.3 percent of GDP. However, in the 12-months to October 2022 the deficit was 5.5 percent of GDP. The wider deficit was attributed to an increase of 15.1 percent in imports which more than offset the 13.5 percent rise in exports in the 12 months to October 2022, relative to a similar period in 2021. The increase in imports was largely due to an increase in international oil prices attributed to increased global demand as economies reopened amid supply disruptions exacerbated by the war in Ukraine. Receipts from services exports increased reflecting continued improvement in international travel and transport. (CBK Monetary Policy Committee, October 2022).

Interest rates

Interest rates continue to remain stable and fairly low. Up to the period ending August 2021, the Central Bank Rates (CBR) remain at 7 percent from April 2020 when it was lowered from 8.25 percent, a move that was aimed at improving credit access as a measure to offer reprieve to businesses that have experienced distress due to the COVID-19 pandemic. Throughout 2021, CBR remained at 7.00 percent

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

a downward revision from 8.25 percent in March 2020. However, the rate has since been revised upward back to 8.25 percent on September 2022.

The weighted average real interest rate for commercial bank deposits increased to 0.77 percent in 2021 from 0.68 percent in 2020; while loans and advances rate increased from 12.02 per cent in December 2020 to 12.16 per cent in December 2021 and to 12.4 percent in October 2022. The average interbank rates reduced to 5.10 percent in December 2021 from 5.29 per cent in December 2020. The interbank interest rates, however, increased slightly between December 2021 and early March 2022, partly on account of seasonal increased demand for liquidity during the festive season, and temporary tight liquidity condition following higher government receipts relative to payments, respectively but decreased slightly in July to Mid-September 2022, partly due to improved liquidity conditions in the money markets following seasonal increased government payments towards the end of the fiscal year (Kenya Economic Survey, 2022; CBK 28th Bi-Annual Report of the MPC, April 2022; CBK Monetary Policy Committee, September 2022; CBK Monetary Policy Committee, October 2022). The stable and lower interest rates in the market were therefore more favorable to economic activities This stability is partly due to effective coordination of monetary and fiscal policies, particularly in the implementation of the Government domestic borrowing programme.

Nairobi County Economy

Nairobi City County operates within the global and national macro-economic framework thus directly and indirectly influencing the county's fiscal decisions and operations. The Global dynamics impact the grants and loans that are targeted at supporting counties. Stable global economic performance also result in the higher national GDP growth that trick down to County levels. The National economic growth is a key parameter that influences the national government share of transfers to the Counties, the greater the domestic GDP, the more allocation counties expect. However, with the domestic economic growth in 2022 estimated to have decelerated at 5.9 percent and projected to further decrease to 5.7 percent in 2023, the equitable share allocation to Counties is unlikely to increase. This calls for the County to explore alternative financing for its developmental programs.

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

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

Exchange rate fluctuations also affects the County Government processes and operations. The continued weakening of the Kenya Shilling against key trading countries' currencies makes imports more expensive. This does not only affect the Nairobi residence in terms of expensive business inputs but also affects the County's Government cost of inputs for the developmental projects. Weaker Kenya shilling resulting to expensive imports also contributed to increased inflation. Inflation changes the costs of goods and services that in turn affect peoples' purchasing power and thus business performance too are affected which in the end, affects the various revenue streams of the county.

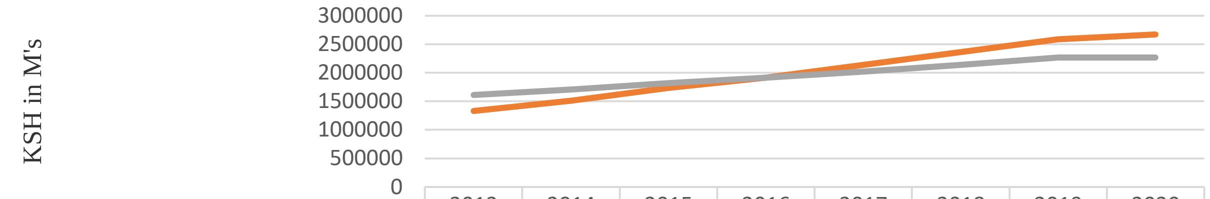
Gross County Product

Gross County Product estimates provide a picture of economic structure and relative size of economy for each county. The estimates inform county economic development plans. Nairobi County led in its contribution to national GDP at 27 percent in 2020, with an average contribution of 27.5 percent in 2013-2020 period. This is attributed to the county contribution to key economic activities. The GCP growth rate for the period 2014-2019 was 5%. The table 2.1 shows the Nairobi county GCP for 2013 to 2020.

Table 2.1 Nairobi County Economy

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

Source: KNBS-GCP 2019



	2013	2014	2015	2016	2017	2018	2019	2020
GCP AT CURRENT PRICES (MILLIONS)	1328511	1508534	1733377	1913903	2136097	2362505	2586926	2669829
GCP AT CONSANT (2016) PRICES (MILLIONS)	1612572	1707029	1817432	1912001	2020743	2137131	2268114	2267447

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

CHAPTER THREE: COUNTY ECONOMIC RECOVERY FOR INCLUSIVE GROWTH

3.1 INTRODUCTION

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

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

3.2 Guiding Philosophy

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

The overall budget implementation will be guided by the three aspirations espoused in the CIDP 2023-2027 which seeks to attain;

A City of Order;

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

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

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

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

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

A City of Dignity;

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

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

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

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

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

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

A City of Hope and Opportunities for all;

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

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

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

3.3 Policy directions towards the 2023/2024 budget

I. Administrative Reforms for improved service delivery

Boroughs

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.

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

II. Reforms in Resource Mobilization and Financial Management

a. **Resource mobilization (Own Source Revenue)**

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

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

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

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

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

To provide an opportunity for all traders to fulfil their civic duty, provision of TOL's will be improved to bring on board businesses that operate on temporary structures that can't be issued a trade license. Better strategies to ensure the continuity of payment from this segment of traders needs to be laid down, albeit with a caveat that them paying does not legalize their occupancy of the space.

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

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

b. Alternative Financing Mechanisms

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

Grants and Donations: States and sub national governments continue to partner towards creating synergy for socio-economic prosperity through official development Assistance, donations and grants.

Equally important is the offer of technical assistance, capacity development and knowledge transfer across states and sub national entities. In the medium term, the County Government has embarked on creating an enabling policy environment so as to actualize and leverage on the County's potential to raise additional resources from both market and non-market based resource mobilization instruments.

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

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

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

c. Reforms in the County Treasury

In line with chapter twelve of the Constitution of Kenya and the Public Finance Management Act 2012, the Government is committed to ensure sound long-term financial principles are upheld. This can only be achieved by the county treasury enforcing the fiscal responsibility principles as Stipulated in section 107 of the PFMA. The county treasury, through exercising its powers as per section 105 of the PFM act, and to meet its obligations provided by section 104 of the PFMA, will reform expenditure management and county planning.

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

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

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

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

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

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

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

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

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

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.

Management of county assets can only be achieved by the existence of a proper policy, and the requisite institutional structures. Implementation of the policy on asset management will be pursued to avert the risk of asset loss. The county will customize the existing national asset management regulations. We are committed to setting up a functional central asset and risk management registry and continually update the county asset register.

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

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

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.

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

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

4.0 Introduction

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

4.1 REVENUE PERFOMANCE 2019/20-2022-23 (Mid) –OSR and Ext

Revenue performance FY 2021/22

By the end of the financial year 2021/2022, the total revenue including equitable share, conditional grants and own source revenues amounted to Ksh. 28.486 billion against revised target of Ksh. 39.028 billion. This represents an overall shortfall of Ksh. 10.542 billion. The total amount received in the financial year 2021/2022 from the National Government was Ksh 19.250 billion

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

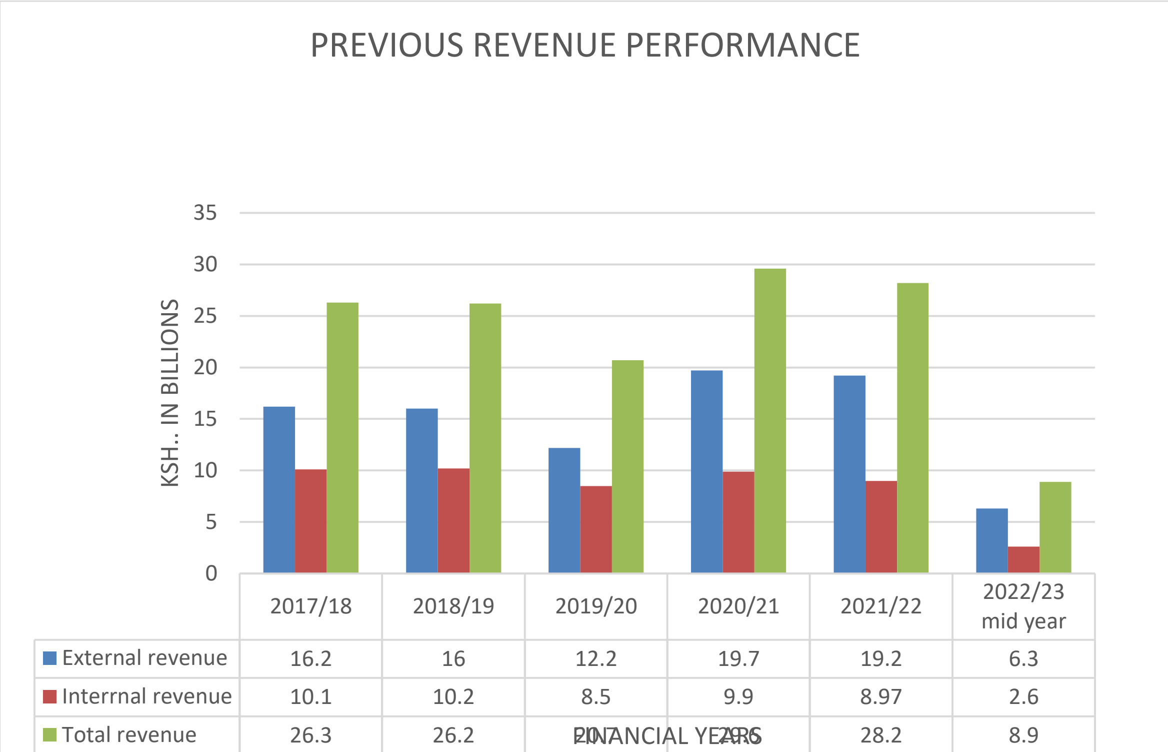
ITEM	Target	Actuals	Deviation	% Performance
Equitable Share	19,250	19,250		100
Equitable Share Fy 2019/2020-Unremitted				
DANIDA -Grant for Universal Healthcare in Devolved Governments	35	0	(35)	
Conditional Grants to Development of Youth Polytechnics	87	0	(87)	100
World Bank Loan for Transforming Health System for universal Care System	37	0	(37)	-
Agriculture Developmernt Support Project	7	0	(7)	85
Own Source Revenues (incldg Liqour)	**19,611**	**9,237**	**(10,374)**	**47.1**
TOTAL REVENUE	**39,028**	**28,486**	**(10,582)**	**72.9**

Source: County Treasury

4.2 Previous revenue performance (both OSR and external revenue)

The total cumulative internal revenues amounted to Ksh.. 28.2 billion against a target of Ksh.. 39.02B in FY 2021/22. This represented a shortfall of 10.58 of the targeted amount. The underperformance is depicted in all other previous years as indicated in fig 4.2.

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



4.3 Mid-year Revenue performance for FY 2022/23

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

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

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Equitable Share	19,249,677,412	3,176,196,775	4,716,170,967	7,892,367,742	41.00
Conditional Grants	1,286,404,625		927,334,931	927,334,931	72.09

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Own Source Revenues	18,277,834,347	1,237,789,110	1,495,882,659	2,733,671,769	14.96
Total	**38,813,916,384**	**4,413,985,885**	**7,139,388,557**	**11,553,374,442**	**29.77**

External Revenues

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

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

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

Source: County Treasury

Own Source Revenues

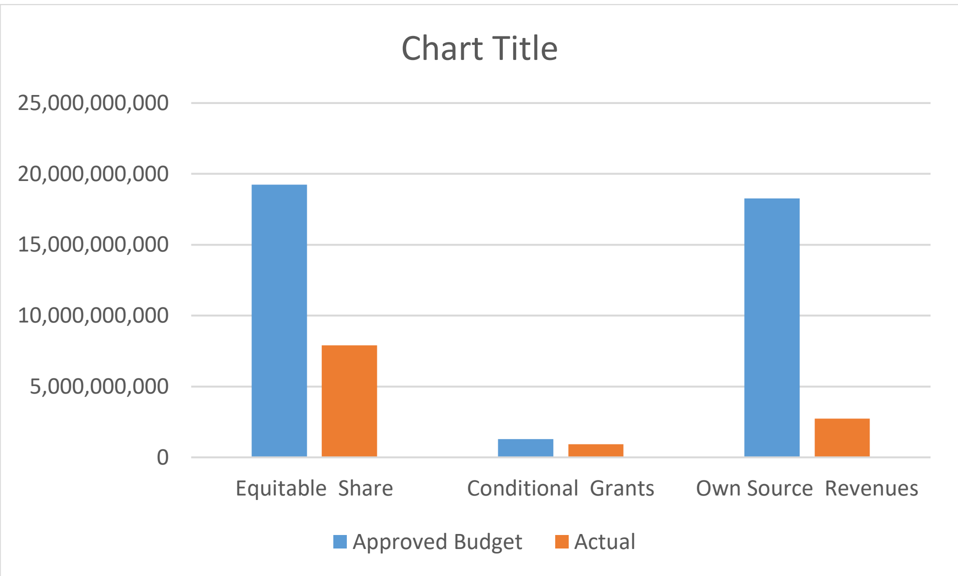
By end of 31st December 2022 total own source revenues amounted to Ksh. 2.7 billion against an annual target of Ksh. 18.3 billion or 14.96 % of the annual target.

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

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Land Rates	5,625,000,000	151,827,225	150,480,203	302,307,428	5.37
Parking fees	3,025,000,000	373,976,829	424,698,163	798,674,992	26.40

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

Source: County Treasury



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Source: County Treasury

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TOTAL (OSR)	**18,277,834,347**	**1,237,789,110**	**1,495,882,659**	**2,733,671,769**	14.96

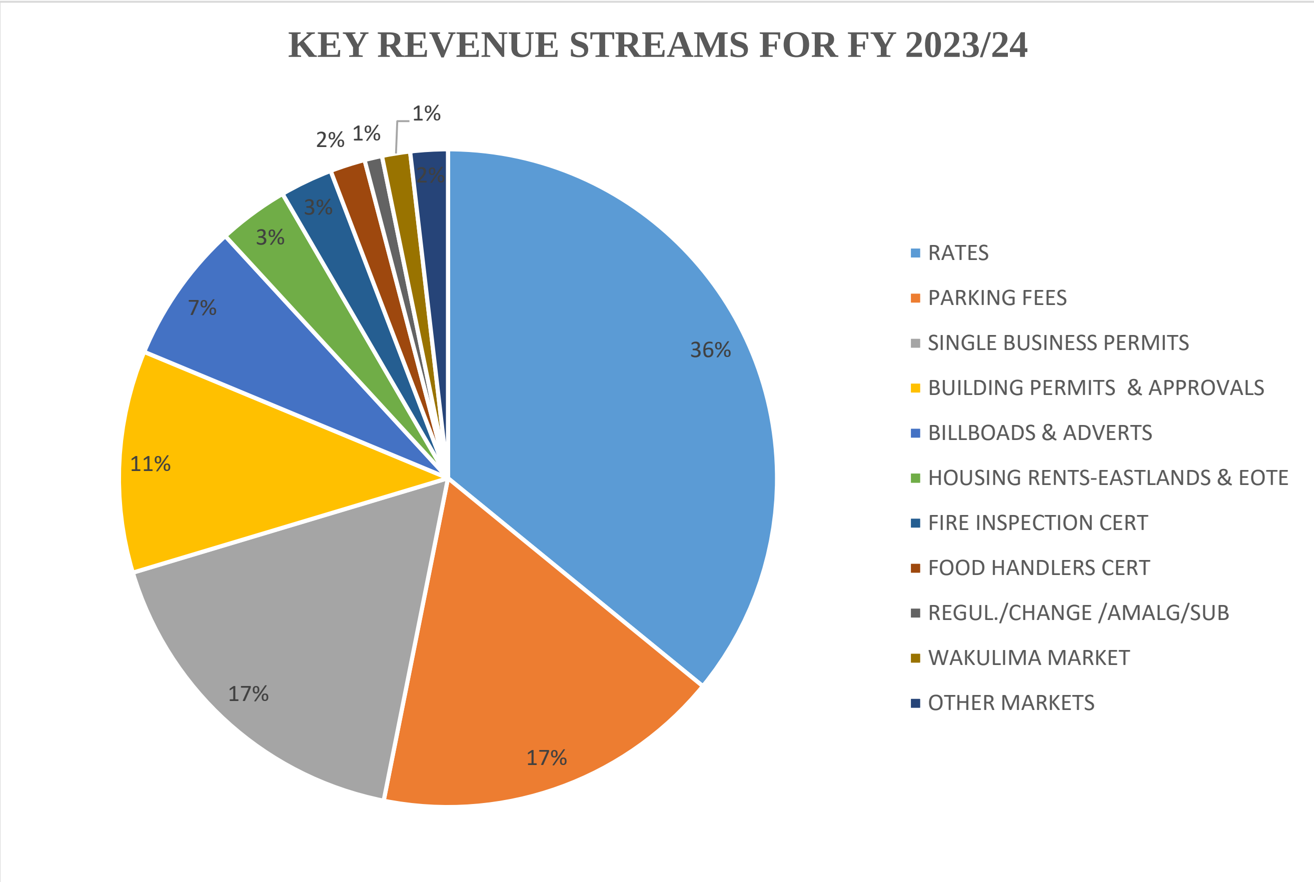
Source: County Treasury

4.4 REVENUE OUTLOOK OVER THE MEDIUM TERM (Revenue components)

Revenue composition

The county budget is funded by revenue from two main sources; Internal and external sources. Over the period, the projected external revenue has always surpassed the revenue generated internally. This is therefore a clear indication that the county has been relying much on external sources of revenue. This is attributed to the continuous challenges to hamper full realization of internal revenue targets towards financing the budget. This calls for a need to extensively mobilize external sources of revenue. The menu for resource mobilization outside own source revenue and transfers from National Government, offers a wide array of options for supplementing County budgets. These include grants, donations, loans, public Private Partnerships, bonds and joint ventures. The key contributor for internal revenue will be rates, parking fees, single business permits, building permits and billboards& Adverts respectively as shown in the figure 4.5.

Fig: 4.5: Key Revenue Streams



Source: County Treasury

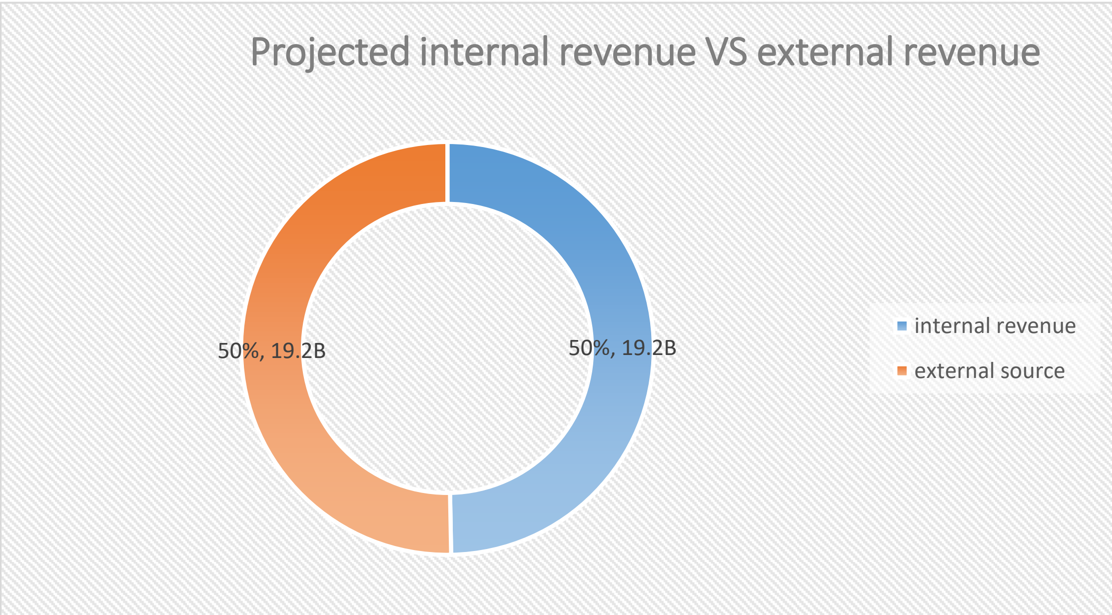
Revenue Projections for FY 2023/24

The revenue growth has been declining over the years, a situation predictable to continue over the medium term. The projected revenue for FY2023/24 is Ksh.. 38.4B which shows a slight decline compared to the previous year projected revenue.

Sources of Revenue for FY 2023/24

It is projected that a total of Ksh. 19.2 Billion will be collected from own source revenue and Ksh. 19.2 Billion from external revenue. Thus internal revenue will constitute 50% of total revenue, while external revenue generates approximately 50 % as shown in figure 4.4.

Figure 4.4: Sources of Revenue for FY 2023/24



Historically, the contribution of external revenue to the total revenue has predominantly higher than internal revenue. However, in FY2022/23, the two sources will have equal contribution to the total revenue. To meet the own source revenue target, it will require robust revenue mobilization strategies to specific revenue streams.

REVENUE RAISING MEASURES – OSR

4.5 REVENUE RAISING MEASURES - OSR

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

JUSTIFICATION FOR THE REVENUE TARGETS FOR FY 2023/2024 AND REVENUE RAISING MEASURES

Determination of NCCG'S OSR targets

The County Own Source Revenue target are set in line with the CIDP, ADP, CSFP and tabled to the County Assembly by 30th April of every year to under the public participation and eventually pronounced as budget estimates together with finance bill that contains the revenue raising measures and assumptions used to determine the target,

The following assumptions and revenue raising measures especially for the major revenue streams as summarized below:

Land Rates

The highest collection from this stream was Ksh. 3.16 B realized in FY 2015/16

The medium term projections depict an Increase to Ksh. 6.25B starting from the FY 2023/24, from the latest collection of Ksh. 2.48B achieved in FY 2021/2022. The projection will be achieved by:

- Use the GIS based valuation roll with the current land values replacing the old one done in 1982 and increasing annual rates by 1B from Ksh. 2.9B to Ksh. 3.9b
- Add approximately 100,000 new properties recently issued with titles in the Rates database and charged an average annual rates of Ksh. 10,000 and increase collections by Ksh. 1B
- Grant waiver on interest and penalties to recover part of the Ksh. 17B principal arrears and collect at least 20% of the arrears (Ksh. 3.4B)
- Follow up on Government debts (Ksh. 62 B) through lobbying, negotiations and resolution through the provisions of the Inter-Governmental Relations Act, also through the COG
- Follow up on all the other defaulters.

RATES			
Valuation	**CURRENT VALUE (NVR)**	**OLD VALUE (1982)**	**ADDITIONAL REVENUE**
	3,900,000,000.00	2,900,000,000.00	1,000,000,000
Titling prog (issue new title)	100,000	10,000	1,000,000,000
principal rate arrears	17,000,000,000.00	20%	3,400,000,000.00
Government Debtors			2.8B -
Current collection			2,400,000,000.00
Total projection			**6,800,000,000.00**

Parking Fees

The highest collection from this stream was Ksh. 2.03 B realised in FY 2015/16

The medium term projections depict an Increase to Ksh. 3 B starting from the FY 2023/24, from the latest collection of Ksh. 1.87 B achieved in FY 2021/2022. The projection will be achieved by:

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

COLLECTION LAST FY	**1878217887**			
PARKING		**Charges**	**Days**	**Amount**
ON STREET	12000 Slots	200	288	691200000
LOADING ZONES	1000 Slots	220000	1	220000000
SEASONAL PRIVATE	2000 vehicles	5000	12	120000000
SACCOS PSV	25000 matatus	6000	12	1800000000
PSV TERMINATING OUTSIDE CBD	3000 matatus	3000	12	108000000
COUNTRY BUS	100000 daily collection		365	36500000
OFFSTREET	150000 Daily collection		288	43200000
Projected amount				**3018900000**

Single Business Permits

The highest collection from this stream was Ksh. 1.8 B realized in FY 2014/15

The medium term projections depict an Increase to Ksh.3 B starting from the FY 2023/24, from the latest collection of Ksh. 1.37 B achieved in FY 2021/2022. The projection will be achieved by:

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

Outdoor Advertising and Billboards

The highest collection from this stream was Ksh. 0.93 B realised in FY 2021/22

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

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

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

Building Permits and Approvals

The highest collection from this stream was Ksh. 1.6 B (Including regularization) realized in FY 2014/15

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

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

Markets, Health and Fire Certificates and Other revenues streams

The highest collection from this streams was Ksh. 3.2 B (Including regularization) realized in FY 2015/16

The medium term projections depict an Increase to Ksh. 3.86B starting from the FY 2023/24, from the latest collection of Ksh. 1.7 B achieved in FY 2021/2022. The projection will be achieved by:

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

- Carryout enforcement actions

Revenue Stream	**Actual 2021/2022**	**Target 2023/2024**	**Increase**	**Reviewed target**
Land Rates	2.48	6.25	3.77	
Parking Fees	1.87	3.0	1.13	
Single Business Permits	1.37	3.0	1.63	
Building Plans & Approvals	0.59	1.9	1.31	
Billboards & Advertisements	0.92	1.2	0.28	
Other Revenues	1.7	3.86	2.16	
Total	**8.97**	**19.21**	**10.24**	

4.6 BUDGET PERFOMANCE 2019-2022

Expenditure performance Review FY 2021/22

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

TABLE 4.8: Total Expenditure for FY 2021/2022

DESCRIPTION	**Approved**	**Revised**	**Actual**	**Deviation from target**	**% Absorption**
RECURRENT					
Transfer to County Assembly	1,545,872,087	1,545,872,087	1,302,938,136	(242,933,951)	84
County Executive	12,813,784,597	15,441,667,880	12,688,758,987	(2,752,908,893)	82
NMS-Transferred Functions	12,106,040,000	12,106,040,000	9,815,619,606	(2,290,420,394)	81
Liquor Board	200,000,000	200,000,000	199,453,345	(546,655)	100
Total Recurrent	26,665,696,684	29,293,579,967	24,006,770,074	(5,286,809,893)	
DEVELOPMENT					
Transfer to County Assembly	1,506,000,000	53,000,000	-	-	0
County Executive	3,373,768,736	3,325,469,033	1,037,415,922	(2,288,053,111)	31
NMS-Transferred Functions	8,032,070,580	6,905,487,000	1,987,298,857	(4,918,188,143)	29

DESCRIPTION	Approved	Revised	Actual	Deviation from target	% Absorption
Liqour Board	50,000,000	50,000,000	-	-	0
Total Development	12,961,839,316	10,333,956,033	3,024,714,779	(7,309,241,254)	29
Total Expenditure	39,627,536,000	39,627,536,000	27,031,484,853	(12,596,051,147)	68
% Devt Expenditure	33	26	11		

Source: County Treasury, 2022

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

Expenditure by Sectors

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

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

Department	Recurrent			Development			Total		
	Actual	Target	Absorption	Actual	Target	Absorption	Actual	Target	Absorption
County Public Service Board	52,645,970	89,315,050	59	5,950,000	44,617,830	13	58,595,970	133,932,880	44
Office Of The Governor And Deputy Governor	4,306,765,868	5,208,443,652	83	146,687,000	281,151,134	52	4,453,452,868	5,489,594,786	81
ICT, E-Govt & Public Communications	153,802,876	260,966,530	59		96,500,000	-	153,802,876	357,466,530	43
Finance & Economic Planning	4,036,659,791	4,244,311,242	95	199,260,558	459,793,416	43	4,235,920,349	4,704,104,658	90
Health	80,916,619	245,070,806	33			-	80,916,619	245,070,806	33
Urban Planning And Lands	16,928,113	51,864,014	33			-	16,928,113	51,864,014	33
Public Works ,Transport & Infrastructure	24,422,949	74,782,690	33	247,074,339	454,432,659	54	271,497,288	529,215,349	51
Education, Youth Affairs, Sports, Culture & Social Services	1,606,836,890	1,941,696,353	83	125,760,160	302,136,483	42	1,732,597,050	2,243,832,836	77
Trade, Commerce,	610,382,447	723,557,024	84	45,563,500	127,357,916	36	655,945,947	850,914,940	77

Department	Recurrent			Development			Total		
	Actual	**Target**	**Absorption**	**Actual**	**Target**	**Absorption**	**Actual**	**Target**	**Absorption**
Tourism & Cooperatives									
Public Service Management	1,126,242,647	1,628,686,474	69	2,304,230	21,000,000	11	1,128,546,877	1,649,686,474	68
Agriculture, Livestock Development, Fisheries & Forestry	166,457,676	336,173,568	50		45,697,300	-	166,457,676	381,870,868	44
County Assembly	1,302,938,136	1,545,872,087	84		53,000,000	-	1,302,938,136	1,598,872,087	81
Environment, Water, Energy & Natural Resources	19,243,824	52,934,581	36				19,243,824	52,934,581	36
Ward Development Programmes	16,797,807	113,210,386	15	264,816,135	1,492,782,295	18	281,613,942	1,605,992,681	18
Emergency Fund	470,655,510	470,655,510	100		-		470,655,510	470,655,510	100
Liquor Licensing Board	199,453,345	200,000,000	100	-	50,000,000	-	199,453,345	250,000,000	80
Nairobi Metropolitan Services	9,815,619,606	12,106,040,000	81	1,987,298,857	6,905,487,000	29	11,802,918,463	19,011,527,000	62
Total	**24,006,770,074**	**29,293,579,967**	**82**	**3,024,714,779**	**10,333,956,033**	**29**	**27,031,484,853**	**39,627,536,000**	**68**

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.

Expenditures by end of 2nd quarter 2022/23

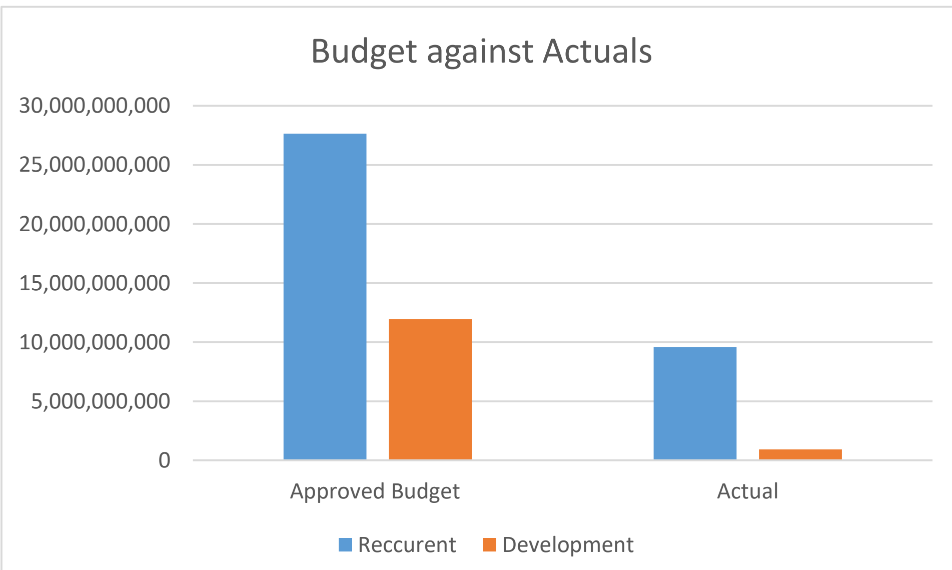
Total expenditures including County Assembly amounted to Ksh. 10.5 billion out of the total budget of 39.6Billion. The overall absorption rate of the total budgeted was 25.56% of the total budget. Development expenditure amounted to Ksh. 927.3 million which is about 7.75 % of the total development budget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

Table 4: Expenditure by classification

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
EXPENDITURE					
RECURRENT					
Transfer to County Assembly	1,624,288,302	126,783,100	252,706,784	379,489,884	23.36
County Executive	20,590,493,988	1,204,856,701	3,379,970,928	4,584,827,629	22.27
Liqour Board	200,000,000	36,820,270	35,540,557	72,360,827	36.18
Transferred functions	5,236,639,977	2,233,218,088	2,324,014,821	4,557,232,909	87.03
Recurrent	**27,651,422,267**	**3,601,678,159**	**5,992,233,090**	**9,593,911,249**	34.70
DEVELOPMENT					

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Transfer to County Assembly	1,861,000,000				
County Executive	10,051,494,012		927,334,931	927,334,931	9.23
Liqour Board	50,000,000			-	-
Development	**11,962,494,012**		**927,334,931**	**927,334,931**	7.75
Total Expenditure	**39,613,916,279**	**3,601,678,159**	**6,919,568,021**	**10,521,246,180**	26.56

Total Budget against Total Expenditure



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

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

4.7 RESOURCE ALLOCATION CRITERIA

Non-discretionary expenditure

Resource allocation is a complex affair, given the insufficiency compared to the competing demands. Some expenditure cannot be avoided and will hence be given priority before allocation to all other needs. In this regard, salaries and wages, utilities, transfer to other government agencies, insurance and commission for revenue mobilization will be allocated sufficient resources before consideration of other expenditure areas.

Ongoing projects and Counter-part funding

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

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

Governors Manifesto: Towards making Nairobi a city of order, dignity and opportunities, H.E the governor pin-pointed clear strategies that must be pursued by all sectors. Financing of these strategies will determine resource allocation

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

Ward Development: To ensure equality in development in all wards, the Ward Development fund act was developed. Towards this end, 5% of the resource basket will be allocated to the Ward Development Programme

Service improvement areas and proposed institution transformation areas: Transformation of service delivery by NCCG is a key area of focus. This is towards ensuring that the services offered by the government are adequate, responsive and provided in a good environment and in a friendly way. Intiatives that are geared towards a Customer-Centric service delivery will be given priority

Debt: In order to tame the pace of growth of the county debt, resources will be set aside for debt resolution.

4.8 SECTOR PERFOMANCE, PRIORITIES AND STRATEGIES AND CEILINGS

MOBILITY AND WORKS

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

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

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

It will also be a sector priority to enhance road safety through construction of 30km of walkways and NMT facilities, construction of 2no. Public transport facilities, 10no.footbridges, 10No. Of motorable bridges and 5No. Of box culverts.

Pedestrialisation of streets, improvement of 5No. junctions and installation of 8160 No. Of light fixtures and installation of asphalt plant at Nanyuki road will be prioritized during the fiscal year. Reduction of congestion remains a priority in the medium term through upgrading of traffic management system.

The total resource requirement for the sector is Ksh. 27.1 Billion for FY 2023/24. The recurrent expenditure will comprise of Ksh. 5.7 B while as development expenditure will be 21.4B.

HEALTH WELLNESS AND NUTRITION

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

To enhance wellness in the county, the sector is planning to establish 3no. Wellness centres. It will also give priority on mental Wellbeing and prevention of mental disorders. To achieve this the sector will be drafting a mental health bill during the fiscal year.

To promote nutrition, there is a plan to create distribution network for human milk at PMH by establishing 1no. Satellite human milk bank. Further, the sector will establish a school feeding program for learners in public primary schools and ECD centers. This will be actualized through construction of 10.no central kitchen and 10no. Serving sheds.

To promote curative services, the sector plan to implement the following projects; Establish Cancer treatment centre at Mama Lucy Kibaki Hospital, Establish Multi drug resistant Tuberculosis isolation and treatment Centre at Bahati health Centre, Establish County Dialysis unit at Pumwani Nyayo wards.

Finally, the sector will embark on promoting emergency and referral services through purchase of 10no. Fully equipped ambulances and establishment of 1no. Emergency operation center.

For the implementation of the sector priorities for FY 2023/24, the sector resource requirement is Ksh.14.8B. Allocation towards recurrent expenditure will be Ksh.13.2B and allocation towards development will be Ksh.1.6B.

TALENTS SKILLS DEVELOPMENT AND CARE

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

1. EARLY CHILDHOOD DEVELOPMENT AND EDUCATION –ECDE

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

2. VOCATIONAL EDUCATION AND TRAINING

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

Further, Enrolment in the VTCs increased admitting 1200 trainees and 1108 trainees in the subsequent mid financial year.

In addition, 8no. Vocational Centers were equipped with training tools and equipment and 5no. of existing Vocational Training Centres were rehabilitated.

3. CHILDREN AND REHABILITATION SERVICES

In an effort to safeguard and promote the welfare and rights of children through Rescue, Rehabilitation and Reintegration of street and other vulnerable children in Nairobi, the department was able to Rescue and Rehabilitate 412 Street connected children and OVC and 256 children in the subsequent mid financial year. 204 and 34 children were Reintegrated and placed back to families within the first year and mid financial year respectively.

The department succeeded in offering trauma healing and child therapy programs to 512 no. And 269 no. of children in the FY 2021-2022 and FY 2022-2023 respectively.

4. FAMILY AND SOCIAL WELFARE

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

5. COMMUNITY DEVELOPMENT

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

6. YOUTH AFFAIRS

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

- 1NO. NCC youth policy was developed
- Renovated 1no. One-stop youth centre

- First-Aid training in collaboration with Red Cross where youth benefited were organized.

7. RECREATION SERVICES

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

8. SPORT DEVELOPMENT

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

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

9. LIBRARY

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

This sector is mandated to provide quality Early Childhood Education, Vocational training and social protection and care programs as well as promote community development, recreation and sporting services, provide youth empowerment, library services as well as control of drug and pornography.

Over the medium term, it will be a priority also to increase access and retention to quality ECDE as well as improve the transition to Primary school through construction of 10 no. New ECDE centres, Rehabilitation of 44 No. of ECDE centers, construction of 5No. Centres for children living with disability, Construction of 100 No. of classes in already crowded ECD center and provision of bursary& scholarship to 107,00 No. of needy students.

For vocation education &training, the sector will establish a well branded and Equipped VTCs in all the Sub Counties, establish 1No.VTC boarding facility, give bursary to VTC learners, employ personnel and diversify VTC programs and courses to suit market demands

Under youth empowerment, the sector purpose to promote and provide socio-economic opportunities for youth empowerment by establishment of a Data base of youth serving organizations in Nairobi County, Implementation of the Digital skills programme at One-stop Youth Centre, establish 5No. Innovation and digital hubs and ensuring Full implementation of NCCG Youth Policy.

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

The sector will embark on provision of library services to manage knowledge and promote a reading culture. This will be achieved through automation and digitization of 3NO. libraries, Establishment of disability friendly library infrastructure (community libraries), Rehabilitate 2No. existing libraries, Conduct outreach programmes (e.g book week events, book launches,) and introduction of 1No. mobile library services to reach areas without library facilities. Development of regulatory framework to guide library services will also be prioritized.

The sector also seeks to promote and empower communities through socio-economic programs and to look into and safeguard the welfare and rights of children through Rehabilitation programs.

To enhance the implementation of the sector priorities for FY 2023/24, the sector requires a total budget of Kshs. 12.1 Billion. Allocation towards recurrent expenditure will be Ksh.4.7 Billion development expenditure will be Ksh. 7.4B.

GREEN NAIROBI

A. FOOD AND AGRICULTURE

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

The sub-sector’s key mandate is to ensure a food secure county through promotion and regulation of sustainable urban agriculture and forestry for food and nutrition security.

For crop development, the sector will provide extension services to farmers in order to equip them with skills and knowledge on urban farming. The plan is to reach 6000No. Of farmers through field visit, demonstration and exhibition. Priority will also be given to establishment of 2000 no. Of multi-storey/cone gardens, installation of 9No. Green houses and 34 No. Of hydroponic units for youth and women.

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

The sub-Sector will also promote tree growing as a way of ensuring sustainable agricultural land use and greening of the city to enhance environmental benefits associated with trees. This will be achieved through establishment of 2No. Of nurseries, grow 1M trees, plant 300,000 No. Of agro-forestry and fruit trees.

To promote food safety, the sub-sector will inspect food for contamination with micro-organisms, agro-chemicals, veterinary medicines and environmental, control zoonotic diseases to protect public health as well as carrying out 4420 no of animal health surveillance mission.

For improved urban food system, 7No. of food waste equipment will be installed in food markets.

The sub-sector need a facilitation of total budget of Ksh.1.1B to achieve its 2023/24 targets. Allocation towards recurrent expenditure will be Ksh.778 M and development will be Ksh.417 M.

B. ENVIROMENT, WATER & SANITATION

In the FY2021/22, the sub-sector managed to collect an average of 3100 tons per day. It also managed to construct 4 No. of recovery facilities. 50% of illegal dumpsites in 2021/2022 and 75% in mid-year 2022/2023 was closed. Revitalization of Uhuru park and central park is at 80%, Jevanjee is at 50% and Michuki park at 100%. Beautification and landscaping of the 19 newly constructed hospitals is complete.
In addition, free water distribution to all residents in informal settlement is at 100 %. further, 20km of sewerage extension was done under Mukuru SPA. The water company drilled 15 boreholes across the entire county and installed water and hand washing facilities, ablution blocks and water extension in 17 schools and markets.

B. ENVIRONMENT, WATER & SEWERAGE

The sub-sector is responsible for refuse removal, refuse dumps and solid waste disposal, control of water, air and noise pollution, control and regulation of public nuisances; management of county parks and recreation facilities, provision of water & sanitation services, promote electricity and gas reticulation and energy regulation.

This sector's priorities in FY 2023/24 will be to make the city green, clean and safe through proper solid waste management and improvement of aesthetic value of the city. for proper solid waste disposal endeavour to install 7500 No. Of litter bins, procure 15no. Skip loaders, 3No. Refuse compactors, 14No. Tippers, 30No. Assorted skips, 2No. Bulldozers, 3no. Excavators and 1no. Weigh bridge ramps.

The sector will also embark on providing reliable, clean and safe water for all through drilling of 10 No. Boreholes, purchase and distribute 850No. of water tanks. Waste water recycling and harvesting of rain water will also be prioritized. The sub-sector will oversee the Improvement of sanitation by expanding sewer lines coverage by 42% and construction of 4No. public toilets especially in informal areas.

provision of clean energy will be given a priority and this will be achieved through solarization of buildings at city hall and kaloleni depot and installation of waste to energy plant at Dandora dumpsite.

To facilitate the above, requires a budget of Ksh.8.2 B to achieve its 2023/24 targets. Allocation towards recurrent expenditure will be Ksh.232M and that allocation towards development will be Ksh.7.9B.

EXECUTIVE OFFICE OF THE GOVERNOR

1. SECURITY AND COMPLIANCE

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

1. INTERNAL AUDIT

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

2. DISASTER MANAGEMENT

In the quest to enhance Revenue Collection, the department managed to collect 304 million shs under the year of review. In addition, the sector was able to Improve Fire Fighting & Rescue Operations to 9mins within a radius of 15Kms. It further purchased 2 No. Of basic life support ambulances.

The sector is responsible for leadership and governance services towards delivery of the County mandate in a transparent and accountable manner.

In order to realize its mandate on Governance, the Sector seeks to establish a performance management framework, expedite processing of Policy Decisions, enhance local and international diplomacy and provide timely information to stakeholders (internal &external) through media campaigns and organized engagement forums.

To actualize the external resource mobilization mandate, the sector shall enact legislation to guide external resource mobilization. Develop and execute Financing through market instruments, conduct development finance assessment (DFA) and develop an Integrated County Financing framework. The sector seeks to finalize and keep updating a County investment profile and build capacities at sectoral level for alternative financing of priority projects. Tracking and reporting on results of implementation of Partnerships will form a critical component of the delivery strategy. Due to capacity gaps existing in the directorate, the sector seeks to boost human capital through recruitment and specialized training.

In order to achieve effective and efficient IGR relations, the sector seeks to establish a County Government and council of governor's liaison desk in every sector and Recruit staff to enhance capacity.

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

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

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

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

The governor's office resource requirement totals to Ksh. 6.67 Billion in 2023/24. Allocation towards recurrent expenditure will be Ksh.6.34 Billion and allocation towards development expenditure will be Ksh.218M.

BUSINESS AND HUSTLER OPPRTUNITIES

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

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

The sector is mandated to provide a sound policy, legal and regulatory framework for supporting local and foreign trade together with investments towards the county's socio-economic growth and development.

In the FY 2023/24 the sector will embark on increasing business growth opportunities for informal and formal Micro & Small Enterprises (MSEs) through increased MSME financing, MSME capacity development and establishment of 1No. incubation centres for startups, construction and equipping of 1No. Common user facility and holding 80No. Trade fairs & exhibition. Development of county investment policy and regulation will be a priority.

To improve effectiveness in service delivery for Gaming and Betting, the sector will oversee the development of Betting, Gaming policy and regulations, administering daily supervision of casinos and establishment of NCC lotteries.

For cooperative development, the sector will work to have a vibrant co-operative movement with financially strong and well managed cooperatives. This will be achieved through registration of 120 No. of new cooperatives together with reviving the dormant cooperatives.

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

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

For the FY 2023/24, the resource requirement for the sector is Kshs.10B. The total requirement comprises recurrent expenditure of ksh. 2.7B and Kshs. 7.4B for development.

BUILT ENVIRONMENT AND URBAN PLANNING

A. URBAN DEVELOPMENT AND PLANNING

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

B. Housing and urban renewal

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

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

C. LAND SUBSECTOR

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

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

The sector is responsible for county land and infrastructure surveying, GIS and mapping, county valuation services, land administration and property management and land registration.

For the FY 2023/24, the sector will seek to Improve habitability of county rental houses through renovations and rehabilitation of 240 No. Of units at kariokor. It also plans to increase access to decent, affordable and adequate housing to Nairobi residents by implementation of urban renewal programs and improve living conditions in informal settlements through slum upgrading program by developing 1562 No. Of housing units through private financing.

To ensure spatial order in the county, urban planning department will ensure efficient development of approval process as well as regularization of unauthorized development, preparation of plans and ensure compliance with building regulations.

For proper land management, the land sub sector will continuously increase parcels of land surveyed, regularize land ownership in informal settlement, enhance GIS expansion and integration as well as infrastructure survey. The sector will also continue with the registration and issuance of leases and ensure entrenchment of new valuation roll.

For the implementation of the sector priorities for FY 2023/24, the sector requires a total budget of Ksh.1.624B. Allocation towards recurrent expenditure will be Ksh.766M and allocation towards development will be Ksh.768M.

BOROUGHS ADMINISTRATION AND PERSONELL

During the year of review, the sub-county administration sub-sector constructed 1No. office carried out 68no. Public participation forums, trained 400no. Staff through capacity building, conducted 1no. Environment survey and 1600 No. Staff were sensitized on alcohol and substance abuse.

On the same year, public service recommended 359no. Of staff to CPSB for confirmation and insured 5247no. 0f county staff.

A. BOROUGH & SUB COUNTY ADMINISTRATION SUB SECTOR

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

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

The sub-sector requires a total budget of kshs. 4.71B for the fiscal year implementation of development priorities. The budget comprises of recurrent expenditure requirement of kshs. 3.12B and development expenditure of kshs. 1.59B.

B. PUBLIC SERVICE

The sub- ssector is mandated for Strategic Management, Development and Transformation of the organization’s Human Resource Capital, maintenance and maximization of employee’s performance within the Service of Nairobi City County Government**.** To achieve its mandate over the medium-term, the public service will commit **to** Improving employee productivity and performance through Innovative Programs: Coaching and Mentorship, Performance

Management;, Reward management and Talent management. In addition the sub-sector will work to create highly skilled work force to provide quality services and respond to emerging issues through career development and training..

It will also work to see that county is saved money that goes to salaries through implementation of VERS. It will give a priority in enhancing employee satisfaction through provision of conducive work environment, improved staff healthy and safety, promotions, right placement and staff appointment.

For the implementation of the sector priorities for FY 2023/24, the sector resource requirement is kshs. 2.26B.

INNOVATION AND DIGITAL ECONOMY

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

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

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

Through Smart Nairobi the sector intends to acquiring internal and external user/system requirements specifications, roll out and automate system applications for major county processes, computerize all health centers within Nairobi County, roll out public participation portal, Install and electronically tag NCCG assets and Redevelop county website.

It will also give priority to Connecting all offices to structured cables and wireless access points, Fiber connection of satellite offices, operationalization of the county Data center, installing call center devices, increase internet connectivity to all county offices and ensure IT security within county government systems. E-learning intends to promote capacity building for staff to utilize ICT skill through digital learning platforms.

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

For the implementation of the sector priorities for FY 2023/24, the sector will require a total budget of Ksh. 2.84B. Allocation towards recurrent expenditure will be Ksh.135M and allocation towards development will be Ksh.2.69B.

FINANCE AND ECONOMIC PLANNING

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

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

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

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

The sector will seek to; ensure coordinated development planning and budgeting; enhance tracking of implementation of development policies and programs, maintain proper management of county statistical data.

The sector Resource requirement for the FY 2023/24 IS Ksh. 2.56 Billion. The recurrent expenditure will comprise of O&M (Ksh. 1.6 1B) and P.E. (Ksh. 946M).

INCLUSIVITY PUBLIC PARTICIPATION AND CUSTOMER SERVICE

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

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

The sector comprises of public participation, citizen engagement and customers service; culture, Arts and tourism; Gender & inclusivity.

Over the medium the sector will focus on promoting tourism and culture development through establishment of tourism information centres, purchasing and branding tourist buses, establishing digital heritage gallery/ culture village, promotion of culture festivals and exhibitions, conduction of peace& cohesion games, establishing music and dance studios and establishing digital cultural & artistic hub.

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

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

For the implementation of the sector priorities for FY 2023/24, the sector requires total budget of Ksh. 4.38B. Allocation towards recurrent expenditure will be Ksh.2.78B and allocation towards development will be Ksh.1.60B.

COUNTY PUBLIC SERVICE BOARD

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

For the FY2023/24, the CPSB resource requirement will be Kshs. 108M for the implementation of its priorities.

COUNTY ASSEMBLY

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

a) Legislation
b) Representation
c) Oversight

For the fiscal year 2023/24 the assembly will seek to Provide adequate office space and equipment to Members and staff of the County Assembly through construction and renovation of ward offices, acquisition of county assembly complex and speaker residence, Refurbishment and improvement of Assembly committee rooms and armory.

The priority will also be given to establishment of library and media centre and digitization of County Assembly services and Infrastructure.

For the implementation of the Assembly priorities for FY 2023/24, it requires a total budget of Ksh. 3.25B. Allocation towards recurrent expenditure will be Ksh.1.83B and allocation towards development will be Ksh.1.42B.

WARD DEVELOPMENT PROGRAMME

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

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

The total resource requirement for this programme for the FY 2023/24 will be Ksh.1.52 Billion.

Summary of resource requirement for the FY 2023/24

The total resource requirement for the FY 2023/24 is 103.1B against a projected revenue of 38.4B. This is in accordance to budget proposals from across the sectors. This is an indication that there will be a budget deficit of 64.7B. This calls for the sector to revise down their priorities or come up with alternative sources of financing the budget.

CHAPTER FIVE: FISCAL RESPONSIBILITY AND FISCAL RISK

5.1 Fiscal Responsibility Principles

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

1. The county government's recurrent expenditure shall not exceed the county government's total revenue
2. Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure
3. The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly (35% as per the regulations)
4. Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
5. The county debt shall be maintained at a sustainable level as approved by county assembly;
6. The fiscal risks shall be managed prudently
7. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

5.2 FISCAL RISKS

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

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 thelikelihood of crises.

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

Risks experienced in Nairobi County government

1. Low absorption capacity

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

Mitigation measure: The County departments will uphold principles of proper project conceptualization in good time to avoid speculative projects not 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 and the same 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 toensure realistic cost estimates and ultimately render value for money.

Shortfall in Own Source Revenue

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.

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 beconsidered. Implementation of the new valuation roll, which is in its final stage, 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 toreduce 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 changesto some of the former 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

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.

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 uplift its image, enhance monitoring and evaluation of development projects and also train employees on work ethics. Proper Costing will be carried out to identify beforehand, development project budget estimates for easy accountability.

4. Pending debts/bills

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.

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 markets or capital markets; Raising money by offering its shares to the public as a financing option.

5. Wage bill

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

RESOURCE REQUIREMENT BY SECTOR

SECTOR NAME	BUDGET VOTE HEADS & TITLES	SUB-SECTOR	RESOURCE REQUIREMENTS FOR FY 2023/2024			
			PE	O &M	CAPITAL	TOTAL
BOROUGHS ADMIN & PERSONNEL	5311 COUNTY PUBLIC SERVICE BOARD	County Public Service Board	44,487,754	64,300,566	-	108,788,320
	5312 OFFICE OF GOVERNOR & DEPUTY GOVERNOR	Office of County Secretary	581,868,884	315,188,949	-	897,057,833
		Internal Audit & Risk Management	61,147,405	81,750,000	77,500,000	220,397,405
		Office of Governor	-	618,300,000	-	618,300,000
		Security & Compliance	2,304,386,023	530,230,000	100,000,000	2,934,616,023
		Disaster Management & Coordination	300,709,010	251,750,000	-	552,459,010
		Office of County Attorney	115,768,120	1,206,254,126	40,500,000	1,362,522,246
		Boroughs & sub county administration	1,694,615,950	1,421,000,000	1,592,200,000	4,707,815,950
	5320 PUBLIC SERVICE MANAGEMENT	Public Service	486,283,860	1,777,510,098	-	2,263,793,958
INNOVATION & DIGITAL ECONOMY	5313 ICT, E-GOVT & PUBLIC COMMUNICATIONS	Digital Economy & startups	86,279,936	48,500,000	2,691,600,000	2,826,379,936
		ICT Infrastructure	-	-	-	-
		Smart Nairobi	-	-	-	-
FINANCE & ECONOMIC PLANNING	5314 FINANCE & ECONOMIC PLANNING	**Revenue**	-	500,000,000	-	500,000,000
		Finance	949,538,073	452,906,496	-	1,402,444,569
		Economic Planning	-	661,034,928	-	661,034,928
	5325 WARD DEVELOPMENT PROGRAMMES	**Ward Development Programmes**	-	72,375,466	1,445,000,000	1,517,375,466
HEALTH, WELLNESS &NUTRITION	5315 HEALTH	Public Health	-	769,755,077	200,000,000	969,755,077
		health facilities	7,163,502,959	3,050,338,487	895,000,000	11,108,841,446
		Medical Services	-	88,508,447	-	88,508,447
		Wellness, Nutrition & School feeding	-	2,303,000,000	330,000,000	2,633,000,000
BUILT ENVIRONMENT & URBAN PLANNING	5316URBAN PLANNING AND LANDS	Urban Development & Planning	434,616,214	159,000,000	197,000,000	790,616,214
		Lands	-	-	-	-
	5324URBAN RENEWAL AND HOUSING	Housing & Urban Renewal	-	263,000,000	571,000,000	834,000,000
MOBILITY & WORKS	5317 PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	Works	730,237,590	3,250,000,000	21,455,000,000	25,435,237,590
		Mobility	-	1,700,000,000	-	1,700,000,000
TALENT SKILLS DEVT & CARE	5318EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	ECD & Vocational Training	1,086,775,529	2,415,700,000	377,000,000	3,879,475,529
		Social Services	169,826,898	401,050,000	446,000,000	1,016,876,898
		Youth Talent & Sports	-	654,700,000	6,564,000,000	7,218,700,000
BUSINESS AND HUSTLER OPPORTUNITIES	5319TRADE,COMMERCE,TOURISM & COOPERATIVES	Business & hustler opportunities	540,248,565	866,800,000	4,380,000,000	5,787,048,565
		Markets & Trade	-	1,064,800,000	2,921,000,000	3,985,800,000
		Cooperatives	-	100,000,000	140,000,000	240,000,000
GREEN NAIROBI	5321 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	Food Agriculture & Natural Resources	209,514,349	469,845,000	417,160,000	1,096,519,349
	5323ENVIROMENT,WATER,ENERGY & NATURAL RESOURCES	Environment	1,294,118,659	5,778,000,000	230,000,000	7,302,118,659
		Water & Sewerage	-	686,000,000	165,000,000	851,000,000
INCLUSIVITY ,PUBLIC PARTICIPATION ,CITIZEN	TOURISM,CULTURE ,CITIZEN ENGAGEMENT & GENDER MAINSTREAMING	Public Participation, Citizen Engagement & Customer Service	-	1,540,500,000	570,666,667	2,111,166,667

ENGAGEMENT & CUSTOMER SERVICE		City Culture Arts & Tourism	-	654,000,000	375,333,333	1,029,333,333
		Gender and Inclusivity	-	576,348,320	658,800,000	1,235,148,320
COUNTY ASSEBLY	**5322 COUNTY ASSEMBLY**	COUNTY ASSEMBLY	957,000,000	882,000,000	1,415,000,000	3,254,000,000
TOTAL			**19,210,925,780**	**35,674,445,960**	**48,254,760,000**	**103,140,131,741**