NAIROBI CITY COUNTY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2023

FOREWORD

Section 118 of the Public Finance Management Act requires the County Treasury to prepare the County Budget Review and Outlook Paper (CBROP) for every financial year, specifying the details of the actual fiscal performance in the previous year, update the economic and fiscal forecasts and provide information on how the county adhered with the financial objectives and the fiscal responsibility principles.

This CBROP 2023 provides an in-depth analysis of budget performance for the financial year 2022/2023, assessing the performance towards achieving the revenue targets and a close look at how different sectors utilised their allocation; evaluates the recent economic development and outlook and the resultant effect to the County's forecasts; portrays the resource allocation framework and medium-term fiscal projections. All this in an effort to synchronise the lessons learnt from implementation of the previous budget, inform the changes in the current budget, and guide fiscal policy decisions in the medium term.

The document depicts a revenue challenge, with the largest contributor to this shortfall being the Own Source Revenue. In the FY 2022/23, the county achieved 80.5% (Ksh. 30.87 B) of the Ksh. 38.34 B targeted revenues. The OSR target of Ksh. 17.76 B was not realised with the county only attaining 59% of the target (Ksh. 10.56 B). The five biggest revenue streams in the financial year were Land rates, Parking fees, Single business permit, Billboards and advertisement, and Building permits; in that order. These top 5 revenue sources constituted 75% of the total county collection amassing Ksh. 7.921 B. They however did not meet their target, as all other revenue streams, with the top 5 cumulatively meeting only 56% of their total target.

Total expenditures by commitments in the financial year 2022/2023 amounted to Ksh. 29.5billion 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 Kshs3.87 billion and the recurrent Kshs 25.6

billion was utilised for recurrent expenditure. The positive overall fiscal balance reflects a positive balance despite the underperformance of own source revenues.

In the medium term, the County will implement revenue reforms, together with embracing strict financial discipline to ensure the budgets are fully implemented. Revenue projections depict a growth to Ksh. 40.54 B and Ksh 42 B in the FY 2024/2025 and 2025/2026 respectively. This will be in tandem with a similar projected expenditure to ensure a balanced budget.

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ACKNOWLEDGEMENT

The production of this paper is as a result of resolute dedication by many who congregated, shared ideas and opinions; all in the spirit of ensuring the paper comprehensively captures and communicates the County's fiscal performance as required by law. It will be an insightful document both for the new government and all stakeholders who have an interest in Nairobi County. I acknowledge the pool of resources, time and ideas offered by all.

It is my singular honour to applaud all members of staff of Nairobi City County, who both directly and indirectly participated in the production of this plan, and sincerely thank H.E. the Governor Johnson Sakaja and the Deputy Governor H.E. James Njoroge Muchiri for their leadership and support. I wish to acknowledge the County Executive Committee Member for Finance and Economic Planning Mr. Charles Kerich for his enthusiastic commitment and unwavering focus in all matters fiscal matters and specifically for steering this review process. Special thanks to the Acting County Secretary, Patrick Analo., for the impeccable coordination throughout the process.

Finally, allow me to appreciate the magnificent dedication and zeal of the Finance and Economic Planning staff and all others who made significant contributions to the finalisation of this document.

ASHA ABDI

CHIEF OFFICER – FINANCE AND ECONOMIC PLANNING

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

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

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

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

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

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

Paper;

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

Strategy Paper for that financial year;

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

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

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

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

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

Fiscal responsibility principles in Public Financial Management

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

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

PART I: INTRODUCTION

Objective of the County Budget Review and Outlook Paper 2023

1. The CBROP 2023 has been prepared in accordance with the provisions of the Public Finance Management Act 2012 Section 118. The CBROP 2023 provides a review of the fiscal performance for the financial year 2022/23 including adherence to the objectives and principles outlined in the County Fiscal Strategy Paper 2023 and the PFM Act, 2012. The document also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term, in addition to forming the basis for the formulation of the 2024 County Fiscal Strategy Paper that will outline the programmes to be funded over the medium term in line with the CIDP 2023-2027.

2. The fiscal performance for the financial year 2022/2023 closed with a positive growth in total revenues from Kshs 28.5 billion to Kshs 30.9 billion. The growth was largely occasioned by the improvement of own source revenues from Kshs 9.3 billion to Kshs 10.56 billion in financial years 2021/2022 and 2022/2023 respectively. The revenue mobilisation strategies undertaken by this administration are beginning to bear results. Overall total revenues of in FY 2022/2023 Kshs 30.9 billion fell short of the target Kshs 38.3 billion largely due to challenges experienced with system and other revenue administration challenges.

3. The Public Finance Management Act 2012 aims at ensuring that the annual budget processes improve the efficiency and effectiveness of the revenue mobilisation and public spending to stimulate economic activity and ensure debts sustainability. This CBROP 2023 therefore provides indicative sector ceilings which will guide the budget preparation process for the FY 2024/25 and the medium term. The sector ceilings are based on the overall resource envelope informed by the medium-term macro-fiscal projections as presented in other of this document. Sector ceilings will be aligned to priority programmes outlined in the County Integrated Development Plan 2023-2027 and firmed up in the CFSP 2024.

PART II: REVIEW OF FISCAL PERFORMANCE IN FY 2022/2023

REVENUE PERFORMANCE

5. By the end of the financial year 2022/2023, the total revenue including equitable share, conditional grants and own source revenues amounted to Ksh 30.87 billion against revised target of Kshs. 38.34 billion. Total collections from own source revenues amounted to Kshs 10.56 billion against a target of Kshs 17.75 billion. This represents 59% performance on OSR and an overall shortfall of Kshs. 7.19 billion on own source revenues. (**Table1**). Receipts from the National Government includes the revenues from the equitable share and conditional grants as outlined in the County Allocation of Revenue Act 2022 and County Government Additional Allocations Act 2022. Total receipts from the National government amounted to Kshs 20.31 Billion against a revised target of Kshs 20.59 billion.

Table 1: Nairobi County Government FY 2022/2023 Revenues (Kshs 'Millions))

-	REVENUE STREAMS	FY 2021/2022 Actuals	FY 2022/2023			Growth
			Actuals	Target	Deviation	
1	Equitable Share	19,250	19,250	19,250	0	-
2	IDA (World Bank) Transforming Health Systems for Universal Care Project	0	0	0	0	-
3	DANIDA Grant-Primary Health Care in Devolved Context	0	0	51	-51	-
4	Sweden-Agricultural Sector Dev't Support Programme II	0	32	36	-5	32
5	World Bank -Kenya Informal Settlement Improvement Project II	0	100	100	0	100
6	World Bank-to Finance Locally Led Climate Action Plans (FFLoCA)	0	0	22	-22	-
7	Road Maintenance Levy Fund	0	927	1,127	-200	927
8	Own Source Revenues	9,237	10,562	17,755	-7,193	1,325
	Total Receipts from External & Internal Revenues	**28,486**	**30,870**	**38,341**	**-7,471**	**2,384**
	Adj to Cash: County Revenue Fund-rollover	**0**	**1,273**	**1,273**	**0**	**1,273**

	TOTAL REVENUE	**28,486**	**32,143**	**39,614**	**-7,471**	**3,657**

Source: County Treasury, 2023

OWN SOURCE REVENUES

6. By the end of June 2023 total cumulative internal revenues amounted to Kshs. 10.56 billion against a target of Kshs. 17.75 Billion. This represented a revenue performance of 59.5% of the revised target **(Table 2),** the underperformance affected the key revenue streams namely Rates, Single Business Permits, Parking Fees and Billboards that make up the major internal sources contributing the major component of the internal revenues

Table 2: Own Source Revenues Performance for FY 2022/2023 (Kshs)

	REVENUE STREAM	2021/2022 Actuals	FY 2022/2023				% Deviation	% Growth
			Actual	Target	Deviation from Target	Growth		
1	Rates	2,489,096,387	2,866,395,246	5,102,177,321	-2,235,782,075	377,298,859	-44	15
2	Parking Fees	1,878,217,887	1,861,601,275	3,025,000,001	-1,163,398,726	-16,616,612	-39	-1
3	Single Business Permits	1,370,382,679	1,633,513,224	3,000,000,000	-1,366,486,776	263,130,545	-46	19
4	Building Permits	591,463,190	963,349,767	1,750,000,000	-786,650,233	371,886,577	-45	63
5	Advertisements and Billboards	926,288,774	593,283,759	1,200,000,000	-606,716,241	-333,005,015	-51	-36
6	Housing Rents	441,822,949	450,419,350	600,000,000	-149,580,650	8,596,401	-25	2
7	Markets	355,424,682	250,509,468	538,770,000	-288,260,532	-104,915,214	-54	-30
8	Fire Certificates	191,497,874	202,611,108	450,000,000	-247,388,892	11,113,234	-55	6
9	Food Handlers Certificates	118,419,155	132,717,178	250,000,000	-117,282,822	14,298,023	-47	12
10	Other Incomes	611,326,315	1,368,882,315	1,589,064,347	-220,182,032	757,556,000	-14	124
11	Liquor Fees	262,645,129	238,309,894	250,000,000	-11,690,106	-24,335,235	-5	-9
	Total	**9,236,585,021**	**10,561,592,584**	**17,755,011,669**	**-7,193,419,085**	**1,325,007,563**	-41	14

Source; County Treasury 2023

Rates

7. Total accumulated collections from Land Rates in FY 2022/2023 was Kshs. 2.87 billion against a target of Kshs. 5.10 billion (**56.2 % performance of the target**). The deviation from target is largely as a result of system development related issues which were work in progress. There is a notable increase of over Kshs 300 million from the previous FY 2021/22-year rates collections this was made possible by effort to reach all ratepayers using short messages (SMS). As part of the revenue enhancement strategy, the county will improve on data collection to reach and register all ratepayers to Nairobi pay system, establish of a dedicated call centre and introduce charges of rates per improved site value as opposed to unimproved site value

Parking Fees

8. The total cumulative receipts from parking fees amounted to Kshs. 1.86 billion against a target of kshs. 3 billion (**62% performance of the target),** therefore recording a deviation from the target of Kshs. 1.16 billion**.** The underperformance was attributed to non-collection during system downtime, public service vehicles terminating outside the Central Business District thereby evading payment of seasonal parking fees, closure of law courts parking bay which was never resolved, parking bays occupied by government entities, loss of spaces due to conversion of parking bays into walkways.

In order to optimise revenues from parking fees, the County aggressively identify and mark new parking slots in the sub counties and wards to expand revenue base, manage public service vehicles terminating outside Central Business District using the sub Counties to ensure full compliance and follow up on payment for spaces occupied by the National Government

Single Business Permits

9. Total collections from Single Business Permits in FY 2022/2023 amounted to Kshs.

1.63 billion against a target of Kshs. 3 billion (**performance of 54.5% of the target).** The deviation from the target was due to: migration of Data to Nairobi Revenue Collection System registering fewer clients than in the previous system, closure of LAIFOMS system which had primary data, system failure to produce receipts and permits for customers, inability of the system to bill all customers and inaccurate data for the Enforcement team. The County intend to reverse the poor performance by engaging the development team to improve the system related issues, automating all the processes, cascade the inspections and enforcement in all Sub Counties, continuously update the Business Permit data and widen the database of licensed businesses from the current situation where only about 250,000 businesses are in the database

Building Permit

10. Total collections in the FY 2022/2023 amounted to Kshs. 963 Million against a target of Ksh.1.75 billion (**55 % performance of the target**), which was an improvement from the previous performance. The deviation from the target was attributed by: Delays in approvals of Building plans due to system related issues whereby all payment via RTGS and EFT were not automatically posted in the system.

In order to enhance revenue from this stream, the County has engaged the system developer to map all payments automatically.

Advertisements & Billboards

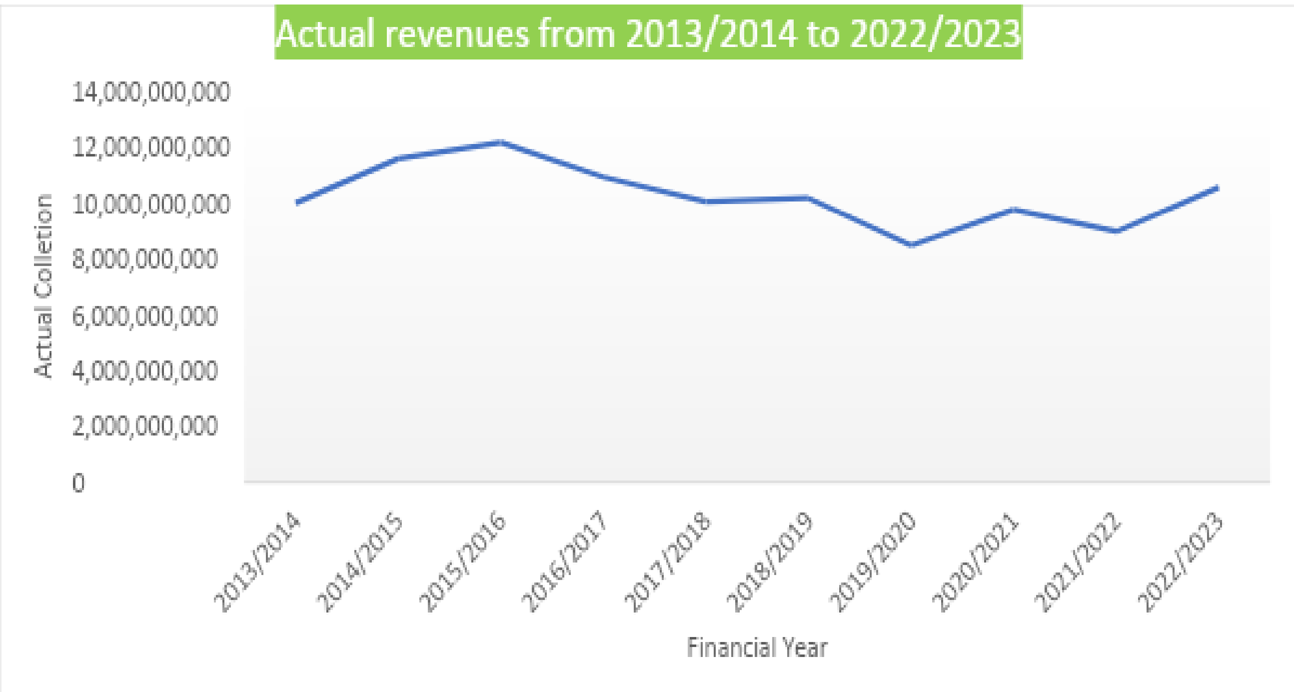
11. The total accumulated revenues for billboards and advertisements in respect to FY 2022/2023 was Kshs. 593 million against a target of Ksh.1.2 billion (49.4 **% performance of the target).** The non-achievement of targets was caused by lack of appropriate and adequate equipment for monitoring and enforcement operations, and wrong coding of advertisement revenues to plan approval. In order to enhance revenues in this area the County will decentralise small format advertisement revenue management to the sub counties.

12. Other Strategies towards revenue mobilization in FY 2023/2024 & the medium term

- Establish digital linkage between land office property records and Nairobi County valuation record.
- Public sensitization to enlighten clients on voluntary payment of County dues.
- Leverage technology in adopting reliable and efficient revenue collection systems.
- Charging of rates at USV to be reviewed to enable use of improved site value
- Enhance enforcement mechanisms across all revenue streams

- Undertake business process reviews to strengthen internal control mechanisms to reduce fiduciary and other risks that may lead to revenue leakages.
- Revenue administration reforms to enhance accountability of the revenue function
- Sensitize the public on online registration and payment of County Fees and charges and the consequences of non-payment.
- Expansion of revenue base through aggressive data collection on property owners.

Figure 1 Actual Revenues from 2013/2014-2021/2023



Actual Collections from 2013/2014-2022/2023 in Millions

FY	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Kshs	10,004	11,587	12,173	10,930	10,053	10,174	8,476	9,756	9,236	10,562

EXPENDITURE PERFORMANCE

13. Total spending in the financial year 2022/2023 amounted to Ksh. 29.5billion against a revised target of Ksh. 39.6 billion representing an under spending of Kshs 10.14billion (equivalent to 26% of total target. The shortfall was attributed to low absorption on both recurrent and development expenditure items **(Table 3**). The low spending is attributed to the delayed approval of the appropriation act 2022, non -inclusion of hospital expenditures and shortfall in overall revenues

14. Wages and salaries to staff constitute a bigger percentage of the total recurrent expenditure. This therefore implies that fewer 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.

15. Development spending amounted to Kshs 3,871b against a revised target of Kshs 9,243b representing a deviation of Kshs 5,372b or 58%. The low spending is attributed to late approval of development budget in November 2022 and revenue shortfall. As a result, this led to huge stock of rollovers of projects to FY 2023/2024 that may necessitate of a review of FY 2023/24 development projects.

TABLE 3: Total Expenditure for FY 2022/2023

	2021/2022 Actual*	2022/2023		Deviation	% Deviation
		Actual*	Targets		
1.RECURRENT	**24,006,770,074**	**25,597,510,793**	**30,369,963,848**	**-4,772,453,055**	**-16**
Transfers to County Assembly	1,302,938,136	1,728,651,942	2,275,288,302	-546,636,360	**-24**
Transfers to Nairobi Metropolitan Services	9,815,619,606	3,726,066,440	4,557,232,910	-831,166,470	**-18**
Wages and Salaries	4,892,416,338	11,185,554,751	**11,914,521,146**	-728,966,395	**-6**
Operations and Maintenance	7,796,342,649	8,758,557,669	11,422,921,490	-2,664,363,821	**-23**
Liquor Board Expenses	199,453,345	198,679,992	200,000,000	-1,320,008	**-1**
2.DEVELOPMENT	**3,024,714,779**	**3,871,861,258**	**9,243,952,431**	**-5,372,091,173**	**-58**
Transfers to County Assembly	0	20,158,456	134,000,000	-113,841,544	**-85**
Transfers to Nairobi Metropolitan Services	1,987,298,857			-	
Other Development Expenditures	1,037,415,922	3,826,349,839	9,059,952,431	-5,233,602,592	**-58**
Liquor Board Expenses		25,352,963	50,000,000	-24,647,037	**-49**
TOTAL EXPENDITURE	**27,031,484,853**	**29,469,372,052**	**39,613,916,279**	**-10,144,544,227**	**-26**

Source: County Treasury, 2023

Table 4: Summary of Wages and Salaries

ITEM	FY 2022/2023	
	Actuals	**Target**
Total Revenues	32,142,785,417	39,613,916,279
Wages & salaries		
County Assembly	689,584,476	695,777,134
NCCG	11,185,554,751	11,914,521,146
NMS	2,750,920,463	3,582,086,932
Total Wage Bill	14,626,059,689	16,192,385,212
% of total revenue	**45.5**	**40.9**

Expenditure by Sectors

16. Total spending by sectors and other county entities including County Assembly amounted to Ksh.29.46billion against a target of Ksh 39.6 Billion (Or 26 % deviation from the target. (**Table 5)**

Recurrent spending was Kshs 25.59billion out of the total spending of Kshs 29.46billion; accounting for 87% of the total spending by all agencies**.** Development spending amounted to Kshs 3,871 billion against the revised target of Kshs 9,243billion**.** Total spending on development by all county entities fell far below the revised targets due to delayed approval of the development budget

TABLE 5: Expenditure by Sectors FY 2022/2023 (Ksh. M's)

HEADS	Recurrent			Development			Total			% of Total Expen to Target
	Actual	Target	Variance	Actual	Target	Variance	Actual	Target	Variance	
5311000000 COUNTY PUBLIC SERVICE BOARD	80	103	-23	6	10	-4	85	113	-27	76
5312000000 OFFICE OF GOVERNOR & DEPUTY GOVERNOR	4,914	5,618	-704	141	273	-132	5,055	5,891	-837	86
5313000000 ICT, E-GOVT & PUBLIC COMMUNICATIONS	140	156	-16	109	316	-207	249	472	-223	53
5314000000 FINANCE & ECONOMIC PLANNING	3,452	3,885	-433	591	1,362	-772	4,043	5,248	-1,205	77
5315000000 HEALTH	4,622	5,456	-834	153	512	-360	4,775	5,969	-1,194	80
5316000000 URBAN PLANNING AND LANDS	219	286	-67	38	87	-50	257	373	-116	69
5317000000 PUBLIC WORKS, TRANSPORT & INFRASTRUCTURE	847	936	-90	904	2,462	-1,558	1,750	3,398	-1,648	52
5318000000 EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	1,813	2,336	-523	171	611	-439	1,985	2,946	-962	67
5319000000 TRADE, COMMERCE, TOURISM & COOPERATIVES	518	576	-59	69	226	-157	587	802	-215	73
5320000000 PUBLIC SERVICE MANAGEMENT	1,740	2,014	-274	0	15	-14	1,740	2,028	-288	86
5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	186	238	-52	-	9	-9	186	247	-61	75
5322000000 COUNTY ASSEMBLY	1,729	2,275	-547	20	134	-114	1,749	2,409	-660	73
5323000000 ENVIROMENT, WATER, ENERGY & NATURAL RESOURCES	1,322	1,621	-298	870	1,274	-404	2,192	2,895	-703	76
5324000000 URBAN RENEWAL AND HOUSING	6	17	-12	44	210	-165	50	227	-177	22
5325000000 WARD DEVELOPMENT PROGRAMMES	86	93	-8	730	1,693	-962	816	1,786	-970	46
5327000000 LIQOUR BOARD	199	200	-1	25	50	-25	224	250	-26	90
5328000000 NAIROBI METROPOLITAN SERVICES	3,726	4,557	-831	-	-	-	3,726	4,557	-831	82
TOTAL	**25,598**	**30,370**	**-4,772**	**3,872**	**9,244**	**-5,372**	**29,469**	**39,614**	**-10,145**	**74**

OVERALL BALANCE AND FINANCING

17. The positive overall fiscal balance reflects a positive balance despite the underperformance of own source revenues and this was largely occasioned by the late release of the June 2023 equitable share allocation which could not be fully utilized due to year end procedures delayed implementation of road maintenance funded programmes.

TABLE 6

-	2021/2022 Actuals	FY 2022/2023		Deviation	% Deviation
		Actuals	Target		
TOTAL REVENUE	**28,486**	**32,143**	**39,614**	**-7,471**	**-19**
Equitable Share	19,250	19,250	19,250	**0**	**0**
Conditional Grants	0	1,059	1,337	**-278**	**-21**
Own Source Revenues	**9,237**	**10,562**	**17,755**	**-7,193**	**-41**
Adj to Cash: County Revenue Fund	**0**	1,273	1,273	**-**	**-**
1.RECURRENT	**24,007**	**25,598**	**30,370**	**-4,772**	**-16**
2.DEVELOPMENT	**3,025**	**3,872**	**9,244**	**-5,372**	**-58**
TOTAL EXPENDITURE	**27,031**	**29,469**	**39,614**	**-10,145**	**-26**
Net	**1,455**	**2,673**	-		

FISCAL PERFORMANCE IN RELATION TO FINANCIAL OBJECTIVES

18. The fiscal performance in the FY 2022/23 is broadly in line with the financial objectives outlined in the CSFP2023.

i. The underperformance performance of key revenues will be addressed in the ongoing revenue administration reforms aimed at surpassing the revenue targets set in FY 2023/2024. This will be anchored mainly on the full implementation of the new valuation roll in January 2023. The outcome of the new revenue drive builds confidence in the revenue projections for the FY 2023/24 and over the medium term. As such, the overall own source revenue projections will be retained at the levels outlined in the 2023 CFSP. Any adjustments to the revenue targets will be only to reflect movements in the macroeconomic indicators where necessary.

ii. The FY 2023/2024 revenues will be retained at the same levels at the 2023 CFSP, and therefore the overall resource envelope therefore, will not be changed. Therefore, the overall baseline expenditure ceilings for spending departments will largely be retained at the same levels as per the 2023 CFSP. Any adjustments would be to reflect any change in priorities across departments and any identified unforeseen events.;

iii. The under-spending in both recurrent and development budget for the FY 2022/23 can be explained in part by underperformance of own source revenues. The Government will put in place appropriate measures to improve absorption of resources and possibly explore alternative financing strategies early in the financial year to ensure the budget is fully funded.

iv. As outlined in the 2023 CFSP, the government will seek to improve revenue collection by implementing new policy measures, reducing collection expenditures, strengthening revenue administration aimed at expanding the base and improving compliance.

Adherence to Fiscal Responsibility Principles

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

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

Total recurrent expenditures amount to Kshs 25.59 billion against total revenues of Kshs 32.1billion therefore not exceeding the revenues.

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

Total development allocation for the FY 2022/2023 and the medium term was set at above 30% of total expenditure**.** In FY 2022/2023 revised development allocation was 23.3% while actual development spending was 13% of total spending. The development allocation in FY 2023/2024 is 33% and the trend is expected to remain so in the medium term.

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

Regulation 25(b) of the PFM Regulations 2015 sets the limit for wages and salaries at 35% of the total revenues. The county government has frozen employment of new staff save for key specialized areas like health and engineering where shortages are rampant. In addition, the county is exploring ways of containing the wage bill such as early voluntary retirement schemes.

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

The county government did not engage in borrowing during the FY 2022/2023 as stipulated in the Public Finance Management Act 2012. This option however remains a viable option in the future considering the revenue constraints and the demand for services.

e) The County debt shall be maintained at a sustainable level as approved by the County assembly***. Debts largely remain at the same position in FY 2022/2023 as in FY2021/22.***

TABLE 7: Debts for 2022/2023

	CATEGORY	30TH JUNE 2022	30THJUNE, 2023	Net Change	% Change
1	**Statutory bodies**	**46,606,468,574**	**41,616,071,384**	4,990,397,190	11
2	**Suppliers and Contractors**	**4,532,362,657**	**8,139,432,339**	-3,607,069,682	-80
3	**Legal Creditors**	**21,210,002,361**	**21,371,004,293**	-161,001,932	-1
4	**Utilities**				
5	KPLC- Electricity	293,633,341	495,102,248	-201,468,907	-69
6	Water Bills	234,997,059	234,997,059	0	-
7	**Loans**	**4,504,199,426**	**4,504,199,426**	0	0
8	**Contingent Liabilities**				
9	**Pensions**	**2,624,372,573**	**2,624,372,573**	0	-
10	Government guaranteed loans	15,328,285,000	15,328,285,000	0	-
11	On lent Water (Foreign Loans)	3,815,640,000	3,815,640,000	0	-
12	Employee benefits-Retirees/ Deceased	**222,411,928**	**218,403,618**	4,008,310	2
13	**GRAND TOTAL**	**99,372,372,918**	**98,347,507,939**	**1,024,864,979**	**1**

F) Fiscal Risks shall be managed prudently

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

20) The fiscal projections for FY 2023/2024 will largely remain consistent with CFSP 2023 estimates and shall inform the projections for the FY 2024/2025 and the medium term. Any changes in the macroeconomic position will be reflected in the CFSP 2024.

TABLE 8: Revenue Projections for 2022/2023

_	_	2022/2023			2023/24	PROJECTIONS		
	ITEM	**Approved**	**Revised**	**Prel Actual**		**2024/25**	**2025/26**	**2026/27**
1	**REVENUES**							
2	Equitable Share	19,250	19,250	19,250	20,072	20,072	20,875	21,710
3	Conditional Grants	1,286	1,337	1,059	607	11	11	11
4	Own Source Revenues	18,278	17,755	10,562	19,990	20,461	21,112	21,657
5	**County Revenue Fund**	800	1,273	1,273	994	0	0	0
6	**Road Maintenance Levy Fund**		0	0	667	0	0	0
7	**TOTAL REVENUE**	**39,614**	**39,614**	**32,143**	**42,330**	**40,544**	**41,998**	**43,378**
8								
9	**EXPENDITURE**							
10	**COUNTY ASSEMBLY**							
11	Transfers to County Assembly-Recurrent	1,624	2,275	1,729	2,024	1,920	2,060	2,060
12	Transfers to County Assembly-Development	1,861	134	20	1,215	1,180	1,105	1,105
13	Sub-total (County Assembly)	3,485	2,409	1,749	3,239	3,100	3,165	3,165
14	**COUNTY EXECUTIVE**							
15	Personnel Emoluments	10,678	11,915	11,186	15,397	16,937	16,937	16,937
16	Other Recurrent expenses	9,913	11,423	8,759	10,674	9,274	10,151	11,117
17	Transfer to NMS	5,237	4,557	3,726	0	0	0	0
18	Capital Projects	10,051	9,060	3,826	12,730	10,933	11,444	11,858
19	Sub-total (County Executive)	35,879	36,955	27,497	38,801	37,144	38,533	39,913
20	Total Expenditures- Revenue Fund	**39,364**	**39,364**	**29,245**	**42,040**	**40,244**	**41,698**	**43,078**
21								
22	**LIQOUR BOARD**							
23	Other Recurrent expenses	200	200	199	221	250	250	250
24	Capital Projects	50	50	25	70	50	50	50
25	**Sub-total (LIQOUR BOARD)**	**250**	**250**	**224**	**291**	**300**	**300**	**300**
26	**Total Expenditure**	**39,614**	**39,614**	**29,469**	**42,330**	**40,544**	**41,998**	**43,378**
27	**NET FINANCING**	**0**	**0**	**2,674**	**0**	**0**	**0**	**0**
28	Total Development Expenditure	11,962	9,244	3,872	14,015	12,163	12,599	13,013
29	% of Development to Revenues	30	23	12	33	30	30	30

PART III: ACHIEVEMENTS IN PROGRAMMES/PROJECTS IMPLEMENTATION.

HEALTH, WELLNESS AND NUTRITION

21. For FY 2022-23, the sector managed to reduce cases of HIV related Mortality and new infections by 3.7% from a baseline target of 3 %. In addition, it achieved increased promotion of wellness, mental wellbeing and prevention by establishing 1No. rehabilitation Centre which increased access of mental health services and therefore the number of people screened and treated for mental, neurological and substance use disorders rose from a baseline of 10000 to 10432, a 4.32 % increase. Number of cases of TB identified and put on treatment surged by 138% from 10275 as target to14269 cases. Number of preterm and low birth weight neonates initiated on kangaroo mother care rose to 4406 from a target of 4000.Marking a 10.1 % rise. Epidemiology Disease Control, the number of people (travellers) vaccinated as per international travel health regulations increased from 2000 to 2554.

In non-communicable diseases the number of men screened for prostate cancer above 40 years rose from 500 to 568 while women tested for both cervical and breast was never 100%. From a target of 50,000 only 6585 were tested for cervical cancer. From a target 450,000 only 202,928 were tested for breast cancer.

Further the sector managed to increase accessibility of medical services in the county facilities. This was attributed to the following;

a. Construction of medical block at Mama Lucy Kibaki Hospital (MLKH)-45%

b. Construction of medical block at Kamiti health Centre is at 100%

c. Established an ICU and NICU at Mama Lucy Kibaki Hospital is at 100% done

d. Construction of medical block for OPD, HDU &ICU at Mbagathi is at 15 %

e. Construction and equipping of lucky summer dispensary are at 80%

f. Construction of OPD COMPLEX at Mutuini hospital is at 55%.

g. Households reached by CHVs with health promotion messages were at 845,448 from a target of 750,000.

TALENT, SKILLS DEVELOPMENT AND CARE

22. For the year under review, the sector increased access and retention to quality ECDE through construction of 5No. of new ECDE centres and benefitting 107,000 No. of needy students with bursaries. They also provided in service training for 613 teachers from a target of 600.

The welfare of children was improved through which 369 no. of children were rescued from a target of 350 through rehabilitation services. In addition, 142 no. of children were reintegrated and reconciled with their families and those provided with psychosocial support rose from 2500 to 2734.

The sector further showed increased sporting activities by establishing 2 no. sport complexes, 5no. basket courts constructed and equipped 13 no. teams with sporting kits.

Finally, it recorded increased library services achieved through automation of 1no. library. Number of registered users of the library rose to 2000 from 1482 while they also acquired information materials at 2700 numbers from a baseline of 2000

ENVIRONMENT, WATER AND SANITATION

23. In regard to key outcomes, the sector achieved the following; Increased daily solid waste collection from 2500 tonnes to 3200 tonnes, Improved aesthetic value of environment by growing 570,000 no. of trees, maintenance of 5No. parks and establishment of 1No. tree nursery at uhuru park. There was installation of a new weighbridge ramp at dandora dumpsite. Increased water supply by drilling 10 boreholes in different wards. Improved sanitation through construction of 4No. of ablution blocks and extension of Kawangware sewer (it is at 80 % completion).

They also rehabilitated three parks namely; Uhurupark, Jeevanjee gardens and central park.

FOOD, AGRICULTURE AND NATURAL RESOURCES

24. In regard to key outcomes, the sector achieved the following; increased food production and nutrition this was achieved, through extension services to farmers where 12,809 no. of farmers were reached and trained. There was establishment of 6No. of greenhouses in various schools in the county which improved food production and nutrition. In the achievement of greening Nairobi, 164,450 no. of trees were grown. Through veterinary services, incidences of animal diseases and pests were reduced by vaccinating 2,370 no. of animals.

BUSINESS & HUSTLER OPPORTUNITIES

25. For the year under review, the sector recorded enhanced business investment through provision of conducive trading spaces. This was achieved through the following; Rehabilitation of a number of markets for example Makina market. Construction of canopy at Muthurwa market. Construction of markets sheds for informal traders was at 80% complete when review was done.

BUILT ENVIRONMENT AND URBAN PLANNING

26. For the year 2022-23 the sector increased access to decent and affordable housing in the city. This was attributed to the urban renewal program where 1562 units were developed at Pangani and more 1802 units developed at Jeevanjee through joint ventures. In addition, 1962 housing units were renovated at Huruma, Uhuru, Outering road and Harambee estates (At 81% completion).

INCLUSIVITY, PUBLIC PARTICIPATION AND CUSTOMER CARE

27. Enhanced public engagement for increased accountability and good governance principles. This was achieved through conduction of 68 No. of public engagement forums for various county processes marking a 100% achievement. Increased customers satisfaction through operationalization of 17no. of customers service stations. Numbers of customers attended were 79,500 out of the 48,000 target, marking over 100% achievement.

Enhanced city culture and arts: this was achieved through holding of 6no. cultural festivals meant to empower and promote city culture. Further 1no. of cultural exhibition was organized to showcase diversity of cultures in the city.

Enhanced tourism development; this was achieved through the following activities; developed 1no. policy, celebrated 1no. World tourism week and developed 1no. tourism database.

INNOVATION & DIGITAL ECONOMY SECTOR

28. For the year under review the sector was able to improve ICT infrastructure connectivity through installation of structured cabling and fibre connectivity in 5 out of the target 17no. Further the sector increased ICT literacy among staff by training 800 no. of staff and created 1No. of E learning Centre and information hub.

OFFICE OF GOVERNOR & DEPUTY GOVERNOR

29. Percentage compliance to statutory requirements relating to County Government operations and service delivery was at 100% according to article 10 of the constitution. Proportion of timely policy advisories delivered was at 100%. Percentage improvement on hospitality and relations to external and internal stakeholders. They also developed 1 Nairobi County Policy on External Resource Mobilization. 1office was renovated and furnished.

DISASTER MANAGEMENT AND COORDINATION

30. They managed to reduce the response time from 10 mins in a radius of 15 kms to 9 mins. Out of target of 200, they trained 88 fire fighters

SECURITY AND COMPLIANCE

31. For the financial year under review the Sub sector enhanced enforcement and compliance with county law through implantation of the following activities; Purchased 2000 No of uniforms for enforcement officers, completed 97 No. of cases, submitted 12 No. monthly crime reports, 38No actionable Intelligence collected and devolved 45No of Investigation Officers to Sub-Counties

AUDIT SERVICES

32. In terms of key outcome, the Department improved risk management and quality assurance through production of 11no. of audit assessment reports and conducted 11 no. of audit reviews out of a target of 15.

BOROUGHS AND SUB-COUNTY ADMINISTRATION

33. For the period under review the sector improved the working environment for the staff by renovating offices at City Hall Annex, constructed an office in Makadara and installed a containerized office at South B.

COUNTY PUBLIC SERVICE BOARD

34. For the period under review the board was able to promote a motivated workforce by promoting 1,411 No. of staff, confirming 1762 No. of staff and recruiting additional 369 No. of staff.

WARD DEVELOPMENT PROGRAMME.

35. For the financial year 2022-23 the WDP worked towards ensuring equity in distribution of development projects across all wards in the areas of improved road connectivity, improved Safety and Security, maintained institutional facilities and improved water supply and sanitation. This was achieved through drilling of 3no. boreholes, construction of 3no. ECDE classes, construction of trading kiosks, construction of 2no. social halls, installation of street lights and 3no. high mast and construction of 2.9Kms of road network.

PART IV: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

GLOBAL ECONOMIC PROSPECTS

36. The global economy is estimated to have grown by 3.7 percent in 2022 compared to a 6.3 percent growth recorded in 2021. The drop is attributed to high global inflation, energy and value chain disruptions, and impact of monetary policy tightening in most world economies which weighed on economic activity. The growth is projected to slow down further to 3.0 percent in 2023 and 2024 due to the impact of ongoing monetary policy tightening to address inflationary pressures. Further, the intensification of the conflict in Ukraine, volatility in the global oil prices and extreme weather-related shocks may weigh on the global economic outlook.

Figure 1.1: Trends in Global GDP growth rate in percent

	2021	2022	2023*	2024*
Advanced economies	5.4	2.7	1.5	1.4
EMDEs	6.8	4	4	4.1
SSA	4.7	3.9	3.5	4.1
Global economies	6.3	3.7	3	3

Source: Global Economic Outlook-IMF, July 2023

Like other economies, advanced economies growth is expected to decelerate to 1.5 percent in 2023 and 1.4 percent in 2024 from a recorded growth of 2.7 percent in 2022 due to aggressive monetary policy tightening in advanced economies that have increased concerns about escalating financial markets uncertainty, particularly persistent high interest rates and vulnerability of the banking sector.

The Emerging market and developing economies (EMDEs) real growth rate with China included is estimated as 4.0 percent in 2022. However, it is projected to be broadly stable at 4.0 percent in 2023 and 4.1 percent in 2024, although with notable shifts across regions.

The sluggish global growth, high inflation rates and the challenging global and domestic financial conditions continue to weigh on the growth for the sub-Saharan Africa region. The region's economic growth is projected to slow down to 3.5 percent in 2023 from 3.9 percent in 2022, before picking up to 4.1 percent in 2024.

World inflation rose from 4.7 per cent in 2021 to 8.7 per cent in 2022 on account of high energy prices, supply chain disruptions associated with the Russia-Ukraine war and significant currency depreciation, in most countries, relative to the US dollar which is the main international trading currency. Rise in energy prices had a trickle-down effect on other sectors of the economy worldwide. However, global inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024.

Global trade volume expanded by 5.1 per cent in 2022 compared to 10.6 per cent growth in 2021. The slowed growth was against a background of weakened global demand, the frequent lockdowns in China and appreciation of the US dollar.

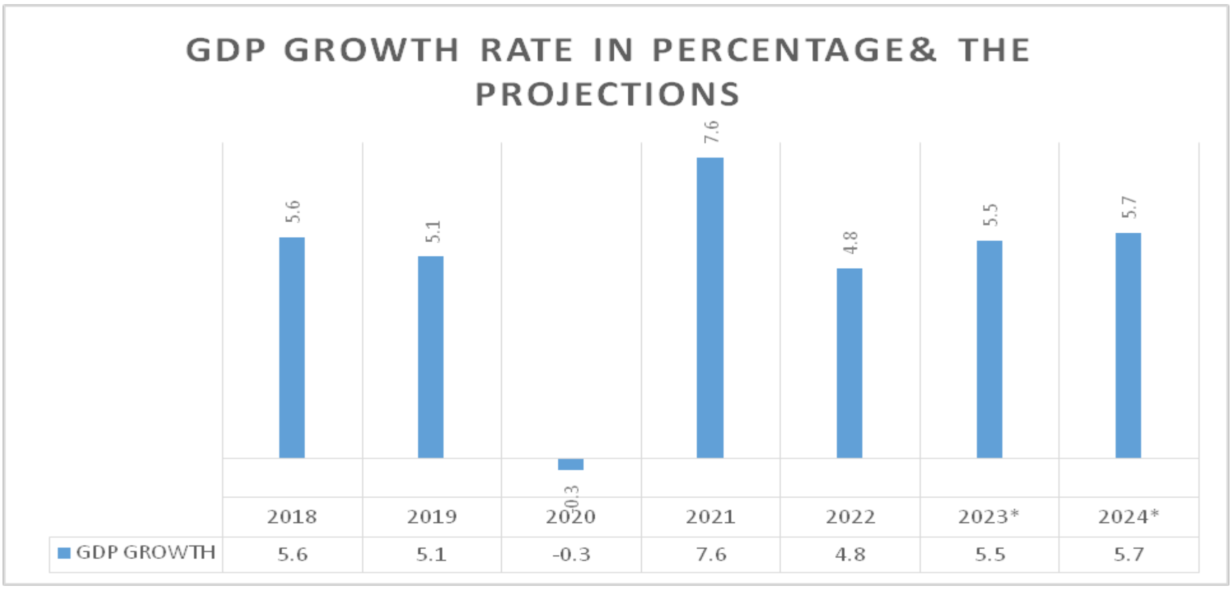
Domestic Economy

37. For the period under review, the economy sustained the growth momentum that started in 2021 after recovery from effects of the Covid 19 pandemic that had led to slowed down economic activity. However, the growth declined from 7.6 percent in 2021 to 4.8 in 2022 due to suppressed agricultural production owing to adverse weather conditions and inflationary pressure. The growth however, was spread across all sectors of the economy but was more pronounced in service-oriented activities.

Despite the weak global growth outlook, Kenya's economy is expected to remain resilient and is projected to grow to 5.5 percent in 2023 and 5.7 percent in 2024. This will be supported by a robust performance in the services sector and expected recovery in agriculture. The agriculture sector is likely to rebound in 2023 from two consecutive annual contractions supported by favourable weather conditions and subsidised fertiliser from the Government.

Further, the improved availability of raw materials following the recovery in agriculture and a decline in global commodity prices will support food processing in the manufacturing sector. Additionally, activities in the construction sector will be boosted by the rollout of the affordable housing programme. Services sector will be supported by resilient activities in the financial and insurance, information and communication, wholesale and retail trade and transport and storage. The easing of global commodity prices and supply chain constraints coupled with robust private sector investment are expected to support domestic demand.

Figure 1.2: Trends in Kenya GDP growth rate in percentage



Source: Kenya Economic Survey, 2023 and Global Economic Prospect- IMF, June 2023

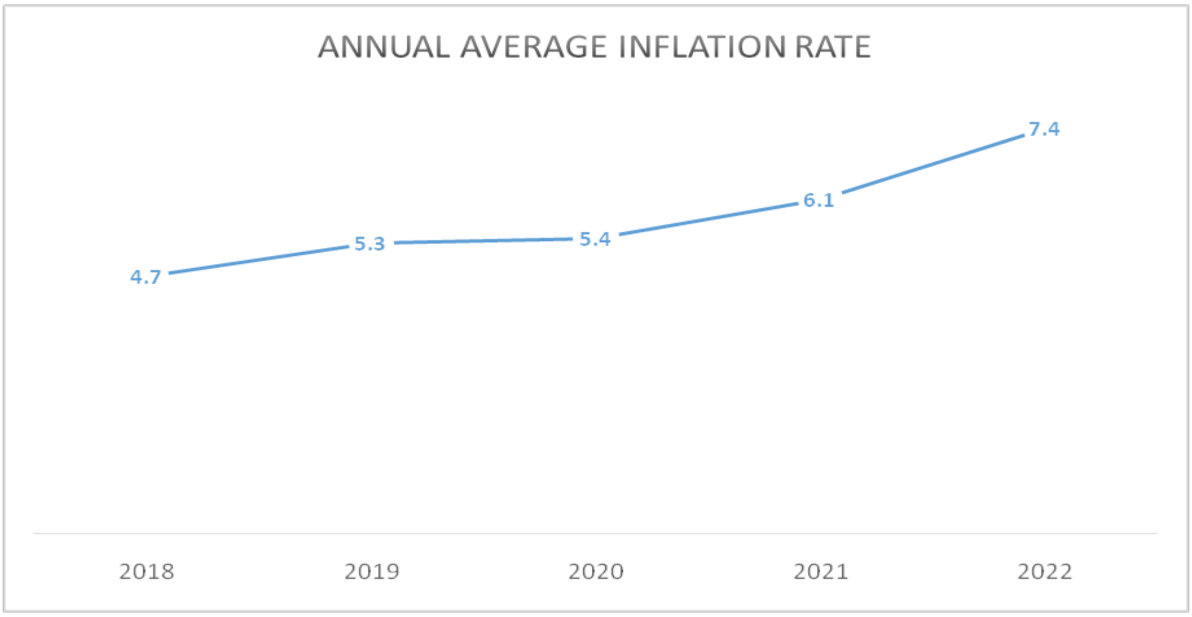
Inflation

Inflation remained above the Government target range of 5±2.5 percent from June 2022 to June 2023. The period under review was characterised by a build-up of inflationary pressures as prices of various commodities increased. The inflation rose from 6.1 per cent in 2021 to 7.4 per cent in 2022, mainly driven by a surge in food and energy prices.

Food inflation remained the dominant driver of overall inflation in August 2023. However, it declined to 7.5 percent in August 2023 from a peak of 15.0 percent in August 2022 reflecting easing of food prices arising from increased supply due to ongoing harvests, seasonal factors, international developments and Government measures on zero rated imports. Nonetheless, sugar prices remained elevated driven by domestic and global factors.

Fuel inflation remained elevated driven by high energy prices. It increased to 14.2 percent in August 2023 from 8.6 percent in August 2022. The increase reflects gradual withdrawal of the fuel subsidy from September 2022 and the upward adjustment of electricity tariff from April 2023. In addition, the upward adjustment of VAT on petroleum products in July 2023 from 8.0 percent to 16.0 percent exacted upward pressures on prices.

Figure 1.3: Trend in inflation rate over the years



Source: Kenya Economic survey 2023

Foreign exchange

The Kenyan foreign exchange market remained under pressure as global economic uncertainty regarding the ongoing Russian-Ukraine conflict as well as increase in interest rates in advanced economies in response to inflationary pressures weighed on the exchange rate.

The Kenya shilling exchanged at Ksh 143.9 in August 2023 compared to Ksh 119.5 in August 2022. Against the Euro, the Kenya shilling weakened to exchange at Ksh 157.1 in August 2023 compared to Ksh 121.0 in August 2022 while against the Sterling Pound the Kenyan shilling weakened to exchange at Ksh 182.9 compared to Ksh 143.5, over the same period.

The weakening of the Kenya Shilling against the US Dollar is likely to make imports expensive and slow trade with the rest of the world. Additionally, the projected decline in global demand due to deceleration in the global economy is expected to reduce demand for Kenyan goods.

Interest rates

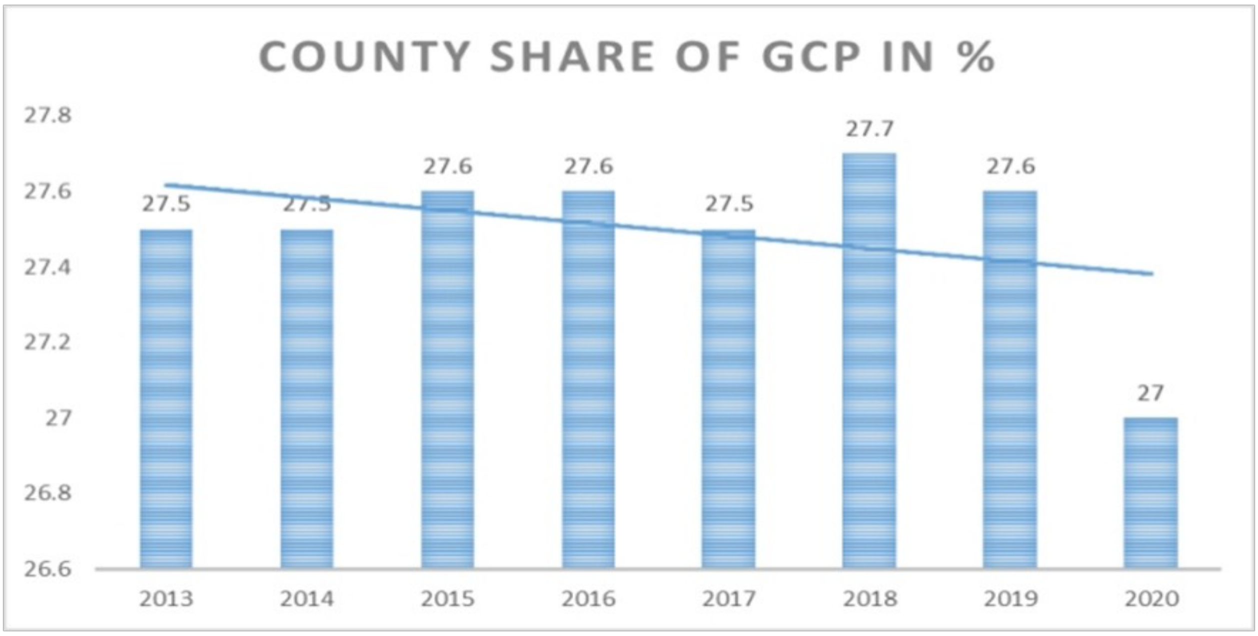
The Central Bank Rate (CBR) was revised upwards from 7.00 per cent in December 2021 to 7.50 per cent in June, 8.25 per cent in October and 8.75 per cent in December 2022. As a result, average loans and advances interest rates rose to 12.67 per cent in December 2022 from 12.16 per cent in December 2021. The 2023 growth will be hampered by a decline in domestic demand as a result of elevated inflation and sustained high interest rates. The reduction in domestic demand is likely to suppress private investment.

COUNTY ECONOMIC PERFORMANCE AND OUTLOOK

38. Nairobi City County, with a contribution of 27.5 percent to overall national GDP is the Kenya’s richest county. This is attributed to the fact that Nairobi is a vibrant commercial urban, vibrant construction activities, high electricity consumption, densely populated and has a diversity of economic activities like manufacturing, transportation, real estate among others. However, Nairobi is low in agricultural production. The fortunes of Nairobi city can easily trickle to all areas of the country, and can be used to dictate the pace of development in the region. The county's per capita GCP was Ksh 596,467 which was above the national per

capita (ksh 215,455). The highest GCP was recorded in 2018 while the lowest was recorded in 2020.

Fig 1.4: Nairobi County GCP % contribution to national GDP, 2013 - 2020.



Source: KNBS-GCP 2021

CONTRIBUTION OF MAIN ECONOMIC ACTIVITIES TO NAIROBI COUNTY GCP

39. Availability of GCP estimates has helped the counties to quantify the size of respective county economies. This in-turn forms a critical knowledge for counties to estimate their revenue potential. Nairobi County is backed by thriving economic activities such as manufacturing, financial activities, wholesale and retail trade, construction activities, transport, real estate sector and service activities.

The poorest contributor to the national economy in the county is the agriculture sector despite the fact that it is the main backbone for national economic development. There however still exists a great untapped potential in urban agriculture, fishing, forestry and adoption of modern farming techniques which if tapped will yield a better result.

Nairobi County is leading in manufacturing activities contributing 36.4 percent of the total manufacturing output. In other industries (excluding manufacturing activities) Nairobi County is contributing 30.2 percent and this is supported by vibrant construction activities and high electricity consumption. In the service industry Nairobi County has the highest contribution at 36.1 percent.

Despite the already high contribution to the country's economy, many areas have not been fully utilized. The potential for further growth is evident in almost all sectors. There is notable untapped potential in urban agriculture, and ICT. This calls for substantial investment in these areas by the county.

IMPLICATION OF MACRO- ECONOMIC FACTORS TO THE NAIROBI ECONOMY PERFORMANCE

40. Nairobi City County operates within the global and national macro-economic environment thus directly and indirectly influencing the county's fiscal framework. In addition, Nairobi County is not exempted from global and domestic macroeconomic shocks. The external shocks are likely to be volatile financial markets, spikes in oil prices, global supply chain destruction caused by continued Ukraine-Russian war and climate change. While internal shocks are inflation, harsh weather conditions, debt distress, floods among others. All these shocks will have an impact on the fiscal decisions and operations of the county.

The Global dynamics impact on the grants and loans that are targeted at supporting counties. The projected global growth is likely to decline thus having a negative effect on the amount available for counties inform of grants and loans.

The real interest rates reflect the real cost of borrowing, savings and return on investment for both the County Government and Nairobi business communities. With the now expected rise in interest rates, the domestic demand is going to decline thus suppressing private investment.

Global and domestic inflation remains high and continues to erode household purchasing power. Policy tightening by central banks in response to inflation has raised the cost of borrowing, curtailing the supply of credit.

The National GDP growth is expected to increase to 5.5 percent in 2023 and 5.7 percent in 2024. With a projected positive growth in 2023 and 2024, the County is expecting to have increased allocation from the National Government.

Exchange rate fluctuations also affect the County Government processes and operations. The weakening of the Kenya Shilling against key trading countries' currencies in 2022 made imports more expensive. This not only affected the Nairobi residence in terms of expensive business inputs but also financing the County's Government cost of inputs for the developmental projects. Devaluation of Kenya shilling against the dollar will pose a risk to financial flows and further put pressure on the exchange rate.

To achieve macroeconomic stability and in the effort of cushioning the residents of Nairobi from the adverse effects of macroeconomic shocks like inflation, the county will embark on supporting socio economic policies geared towards spurring economic growth and as well providing social protection services. The county will also pursue prudent financial management in order to increase revenue and reduce unnecessary spending for effective and efficient service delivery. Over the medium-term the county will direct its resources in robust capital investment and labour-intensive programmes.

PART V-RESOURCE ALLOCATION FRAMEWORK

IMPLEMENTATION OF THE FY 2023/2024 BUDGET ESTIMATES

41. The commencement of implementation of the FY 2023/2024 budget estimates is progressing well with own source revenues for July 2023 and August 2023 amounting to Kshs 1.627bilion and 582.7millon respectively. The National government is doing everything else possible to ensure the equitable share allocations are remitted in time. Total spending has not picked steadily owing to the delay in the implementation of procurement plans as the government gravitates towards e-procurement.
42. Total Projected revenues are estimated at 42.3Billion with own source revenues estimated at Kshs 19. 9billions.Total expenditure projections are projected at 42.3billion with development expenditure projected at Kshs 14.01billion or 33% total expenditure. The carryovers from the previous financial year in terms of pending bills and ongoing projects are expected to exert pressure on the budget which may necessitate a revision of the budget to deal with the emerging expenditure pressures.

FISCAL POLICY FOR FY 2024/2025 & MEDIUM-TERM BUDGET

43. The fiscal policy for the FY 2024/2025 and the medium aims at supporting programmes that will accelerate the transformation agenda of the current administration in making NAIROBI a city to live to its motto of; **City of Order, Dignity, Hope and Opportunities** though a fiscal consolidation plan aimed at slowing down the growth in pending bills and without affecting service delivery.

44. To this end a lot of efforts will go robust revenue mobilisation while also looking for opportunities for alternative source of finance. The County will continue to undertake revenue administration reforms including full implementation of the Revenue administration Act 2019 and the new valuation roll. Plans are also underway to ensure legislation of all revenue streams during the period 2023-2027.

45. On the expenditure side the government will sustain the efforts to improve efficiency in public spending and ensure that the taxpayers get value for money. These measures will include phasing out of all non-priority expenditures, use of alternative public private partnerships as alternatives for bankable projects ad rolling out e-procurement.

46. The reforms on both the revenue and expenditure side are expected to stimulate and sustain economic activity and reposition Nairobi on a sustainable and growth pattern.

FY 2024/2025 FISCAL & THE MEDIUM-TERM PROJECTIONS

47. Total revenue projections in the FY 2024/2025 are projected at Kshs 40.5billion and expected to grow to Kshs 41.9billion in 2025/2026 and Kshs 43.4billion in FY 2026/2027.The drop from Kshs 42.3billion in FY 2023/24 to Kshs 40.5billionin FY 2024/2025 is largely to the proportion of unspent balances from the FY 2022/2023. In line with our fiscal consolidation plan the budget estimates for the FY 2024/2025, 2025/2026 & 2026/2027 shall be balanced with development expenditure allocation remaining at 30% of total revenues in the FY 2024/2025 and in the medium term.

ALTERNATIVE SOURCES OF FINANCING:

48. In the medium term, the key streams for generating additional resources to complement Own Source Revenue include Public Private Partnerships, Bonds and Grants. The three streams present a formidable opportunity which when harnessed has the potential for significantly bankrolling the County’s flagship capital intensive programmes and facilitating the delivery of high-quality services across the sectors.

1.0 PUBLIC PRIVATE PARTNERSHIPS

49. Public Private Partnership means a contractual arrangement between a contracting authority and a private party under which a private party;

a. Undertakes to perform a public function or provide a service on behalf of a contracting authority
b. Receives a benefit for performing a public function by way of-

    i. Compensation from a public fund
    ii. Charges or fees collected by the private party from users or consumers of a public service to them or
    iii. A combination of such compensation and such charges or fees.

c. Is generally liable for risks arising from the performance of the function in accordance with the terms of the project agreement.
d. Transfers the facility to the contracting authority.

The County's potential for employing one of the various models of PPP is greatest in implementation of priority capital intensive projects in the Transportation, Housing, Markets, Health, and Water and Sanitation sectors.

TABLE 9: The projects are summary

Sub-sector	Project Type	Estimated Cost (Ksh)	PPP Model
Transport	City Metro	97 B	DFBOT
Housing	Affordable Housing	-	JV
Water & Sanitation	Water & Sewer Infrastructure	68.0B	BOT
Health	Health Infrastructure & Equipment	-	
Trade	Construction of Open-Air Markets		DB
Environment	Waste to Energy Plant	25.0B	DBFO
Public Transport	Multi-Story Car Park	5.0B	DBFO
Business and Hustler Opportunities	MSME Revolving Fund	5.0 B	JV

PPP Fiscal Risk

From the Government of Kenya experience with PPPs we appreciate the significant importance of monitoring Fiscal Risks stemming from PPP projects, and has such, developed a policy approach to providing support and guarantees to private entities transacting public investment projects in October 2018[1]. The policy provides clarity on the types and means of providing various Government Support Measures (GSMs) to privately-financed public investment projects; and the way in which they, with associated liabilities, are to be disclosed.

TABLE 10: PPP Fiscal Risk

Sector	Cost Type	Likelihood	Impact
Energy	Contingent Liability	Low	High
Roads	Contingent Liability	Low	High
Housing	Contingent Liability	Low	High
Health	Contingent Liability	High	High

The National Treasury recognizes the need for fiscal responsibility with respect to issuance and monitoring GSMs for these projects, this is achieved through continuous management of fiscal costs and risks arising from issued GSMs. Measures include an ex-ante assessment of the Fiscal Costs and Contingent Liabilities (FCCL) in PPP projects at the various approval stages as outlined in the PPP Act, 2013, and a clear approval mechanism for GSMs. In the interest of keeping up with consistency and transparency, GSM requests can only be channelled through the National Treasury and approved by both Cabinet and the Attorney General. The GSM policy outlines a clear accounting, disclosure and monitoring framework for the various GSMs.

Mitigation Measures

The risk emanating from PPP contingent liabilities are better mitigated by closely monitoring each party's performance against their contracting obligations and enforcing regulatory requirements. The County Government will work with the National Treasury's PPP Directorate in order to revitalize the PPP program including a review of the PPP legal framework to ensure that projects to be delivered as PPPs are affordable and fiscally sustainable. Additionally, all candidate projects that are to be financed through the private sector, in whole

1

or part, will also be assessed through the PPP Directorate and any GSM application will be assessed in line with the GSM Policy.

Invigorating PPP as an Instrument of Asset Development and Service Delivery

To enhance the contribution of Public-Private Partnerships (PPPs) in Nairobi City's development landscape, consider the following key strategies:

1. **Transparent Regulatory Framework**: Establish a clear and transparent regulatory framework for PPPs. This includes standardized procedures for project approval, risk allocation, and dispute resolution. Clarity in regulations can attract more private sector involvement.

2. **Project Pipeline Development:** Create a robust pipeline of infrastructure projects that require private sector investment. These should align with the city's development goals, such as transportation, water supply, and waste management.

3. **Capacity Building:** Invest in building the capacity of public institutions to effectively manage PPP projects. Training and skill development for government officials can improve project planning, execution, and oversight.

4. **Risk Mitigation:** Develop mechanisms to mitigate risks associated with PPPs. This can include risk-sharing arrangements, insurance options, or government guarantees to attract private sector investors.

5. **Stakeholder Engagement:** Foster strong partnerships and collaboration between the public and private sectors. Engage with local communities, civil society, and relevant stakeholders to ensure projects meet the needs of the city's residents.

6. **Financial Innovation:** Explore innovative financing mechanisms, such as green bonds, public bonds, or blended finance models, to mobilize funds for PPP projects.

7. **Performance Monitoring:** Implement robust monitoring and evaluation mechanisms to track project performance. This ensures that projects are delivering on their promises and allows for adjustments when needed.

8. **Local Content and Job Creation:** Encourage private sector partners to hire locally and use local resources wherever possible. This can stimulate economic growth and create jobs within the city.

9. **Sustainability:** Prioritize sustainability in PPP projects by incorporating green and environmentally friendly practices. This aligns with global trends and can attract socially responsible investors.

10. **Transparency and Accountability:** Maintain transparency in project procurement, implementation, and financial transactions. Regularly report on project progress and expenditures to build trust with stakeholders.

11. **Inclusive Growth:** Ensure that PPP projects contribute to inclusive growth and benefit all segments of the population, especially marginalized communities.

12. **Legal Framework:** Continuously review and update the legal framework governing PPPs to adapt to changing circumstances and international best practices.

13. **Peer Learning:** Learn from successful PPP experiences in other cities or countries. Benchmarking against similar initiatives can provide valuable insights.

14. **Technology Adoption:** Leverage technology for project management and communication. Digital tools can enhance transparency, streamline processes, and reduce administrative overhead.

15. **Long-term Planning:** Develop a long-term vision for the city's development that integrates PPPs as a key component. This ensures continuity and consistency in pursuing PPP projects.

16. **Public Awareness:** Educate the public about the benefits of PPPs and their role in city development. Building public support can help in overcoming resistance or scepticism.

Implementing these strategies requires strong leadership, commitment, and collaboration between the public and private sectors. Regular assessment and adaptation of these strategies are essential to maximize the contribution of PPPs to Nairobi City's development landscape

2.0 BONDS

50. A bond is a debt security that the County may issue in order to raise money from investors for investment in public projects that hold the promise of significant social, economic or environmental benefits. The incentive for investors is the guarantee of a return on their investment.

Finances raise from bond issue have number of benefits for the County Government. These include providing operating cash flow, financing debt, funding capital investments such as schools, health facilities, transport projects, water and sanitation projects, Housing among others.

A municipal bond will typically be either general or revenue based. General obligation bonds are not secured by assets but by the “full faith and credit of the issuer” while Revenue bonds are backed by revenues from a specific project or source such as highway tolls or lease fees.

3.0 GREEN FINANCING

51. These are financial investments that flow into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. Green financing generates green assets when well invested and promotes the circular economy model.

In recent years, the green bond market has developed rapidly. In 2019, the volume was primarily driven by the European market which accounted for 45% of global issuance and was followed by the Asia-Pacific markets representing 25% of the issuance volume and North-America with a 23% share of the volume.

The year-on-year increase for the issued volume in Europe was almost USD 49.5 billion. In the same year US issuers contributed 51.3 billion to the total issued volume while China and France brought USD 31.3 bn and USD 30.1 bn respectively to the market.

Green Bonds

These instruments offer a framework that provides information to investors on how their investments in green bonds will be used, and how the institution intends to report on the use of proceeds.

Green Bonds have the capacity to accelerate the transition to a low-carbon and climate-resilient economy by connecting investment needs with the latent demand for sustainability themed investments from institutional investors whose asset holdings in green assets is expected to increase dramatically following the renewed global focus on taming the negative aspects of climate change.

As such, the *green* label is a tool for investors to help in quickly identifying capital raise initiatives that fit within the specifications of their portfolios and align with their investment credo.

Social Bonds

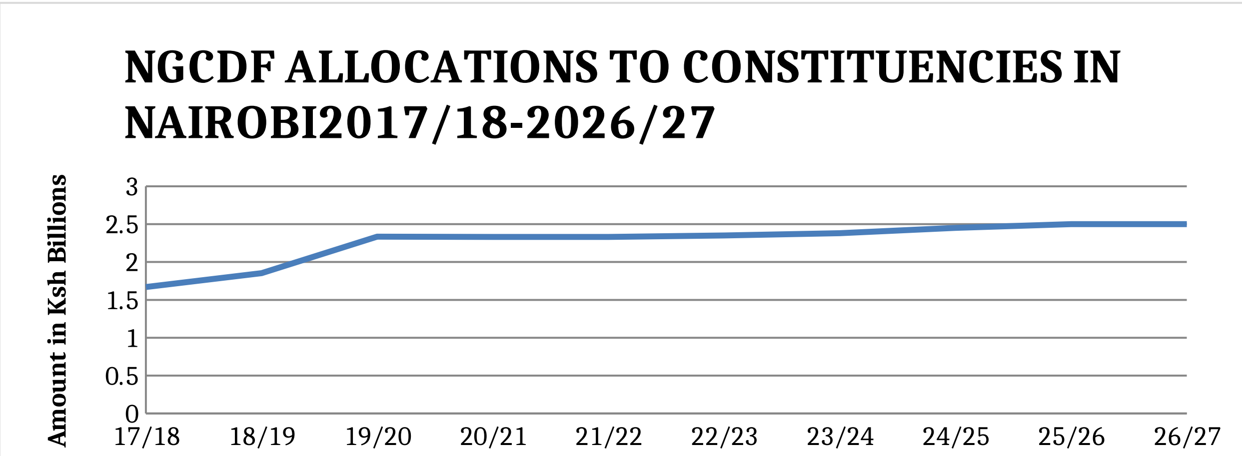
These are bonding whose target is to invest proceeds raised thereto for new and existing projects with positive social outcomes.

Sustainability bonds

These are bonds where the proceeds will be exclusively applied to finance or refinance a combination of both green and social projects.

4.0 National Government Constituencies Development Fund (NGCDF)

52. National Government Constituencies Development Fund (NGCDF) is established under section 4 of the National Government Constituencies Development Fund Act No. 30 of 2016 as amended in 2016 and 2022[2]. Under the Act, the Fund is a be a national government fund consisting of monies of an amount of not less than 2.5% (two and half per centum) of all the national government's share of revenue as divided by the annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution; and it comprises of any money accruing to or received by the Board from any other source.



Nairobi County continues to receive a significant amount of resources through the fund as illustrated in figure 3 above.

While the Act at section 24(a) limits the application of NGCDF only in respect of works and services falling within the functions of the national government under the Constitution; section 24(b) provides that such projects be community

[2] National Constituency Development Fund Act, 2016.

based in order to ensure that the benefits are available to a widespread cross-section of the inhabitants of a particular area.

The eligibility criteria for projects provided in section 25 offers an opportunity for partnership between the National Government entity and the County Government. Projects that offer such opportunity include:

a. Sports
b. Environment
c. Education bursaries
d. Emergencies

The Nairobi County Government priorities in greening Nairobi, Bursary scheme for needy children, talent and sport development as well as the school feeding programme that targets to supplement the nutritional needs of both ECDE and primary school learners.

The County Government will take a lead in seeking beneficial partnerships with each of the 17 Constituency Fund Committees in delivery of mutually eligible projects.

5.0 Grants and Donations

53. 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.

Conditional grants

a) Conditional Allocation to NCCG from National Government Revenue in Ksh Millions

NO.	FY 2022/23	FY 2023/24					
	Total Conditional Grants from the National Government Revenue	Grant for leasing Medical Equipment	Grant for Aggregated Industrial Parks Programme	Grant for provision of Fertilizer Subsidy Programme Ksh (Millions)	Total Conditional Grant allocation Ksh (Millions)	Total National Allocation (Ksh Billions)	
	110.638	124.723	100.00	14.721	239.445	16,016	
	National Average				340.766		

b) Conditional Allocation to NCCG from Proceeds of loans and grants from development partners in Ksh Millions. (Total Amount to all Counties Ksh 33.192 Billion)

FY 2022/23	FY 2023/24				
204.781	DANIDA Grant (Primary Healthcare	IDA-WB (Flloca)	Sweden-ASDSP	WB-KISIP II	Total Allocation from Loans and Grants
	29.048	11.0	3.507	400.0	443.556
National Average					706.215

c) *Unconditional Allocation to NCCG from Court Fines and Mineral Royalties in Ksh (Millions)*

FY 2022/23	FY 2023/24		
Total Unconditional Grants from National Revenue Share	Allocation for Court Fines	Allocation for Mineral Royalties	Total Unconditional Allocation
-	70.74	0.003884	70.74
National Average			64.757

PART VI: RESOURCE ALLOCATION CRITERIA

54. Therefore, in preparing the budget proposals for the FY 2024/2025 and the Medium Term, Sector Working Groups will be guided by the following broad criteria;

i. Linkage of programmes that Economic Recovery

ii. Linkage of programmes that support completion of ongoing projects

iii. Linkage of the programme with the priorities of County Integrated Development Plan 2023-2027 and the Vision 2030 blue print;

iv. Degree to which a programme addresses job creation and poverty reduction;

iv. Degree to which a programme addresses the core mandate of the department

v. Expected outputs and outcomes from a programme;

vi. Cost effectiveness and sustainability of the programme;

vii. Extent to which the Programme seeks to address viable stalled projects and verified pending bills;

ix. Requirements for furtherance and implementation of the Constitution and other legislations.

The 2024/2025 and the medium-term projections shall be guided by the ceilings provided in Annexe I and Annexe II. In addition, Sector working Groups are required to ensure compliance with timelines provided in Circular No 5/2023 and any other advisories that may issue from time to time

CONCLUSION

55. Due to the limited resources Sector Working Groups while working on the budget proposals for the FY 2024/2025 & the medium term are required to review critically evaluate and prioritize all budget allocations in line with the CIDP 2023-2027 as per the ceilings provided in Annexe I & II. The sector ceilings will be firmed up in the County Fiscal Strategy Paper 2024.

ANNEXE 1: FY 2024/2025 & MEDIUM TERM REVENUE AND EXPENDITURE PROJECTIONS								
		2022/2023			FY 2023/2024	PROJECTIONS		
		Approved	**Revised**	**Actuals**		**2024/25**	**2025/26**	**2026/27**
1	**REVENUES**							
2	Equitable Share	19,250	19,250	19,250	20,072	20,072	20,875	21,710
3	Conditional Grants	1,286	1,337	1,059	607	11	11	11
4	Own Source Revenues	18,278	17,755	10,562	19,990	20,461	21,112	21,657
5	**County Revenue Fund**	800	1,273	1,273	994	0	0	0
6	**Road Maintenance Levy Fund**		0	0	667	0	0	0
7	**TOTAL REVENUE**	**39,614**	**39,614**	**32,143**	**42,330**	**40,544**	**41,998**	**43,378**
8								
9	**EXPENDITURE**							
10	**COUNTY ASSEMBLY**							
11	Transfers to County Assembly-Recurrent	1,624	2,275	1,729	2,024	1,920	2,060	2,060
12	Transfers to County Assembly-Development	1,861	134	20	1,215	1,180	1,105	1,105
13	Sub-total (County Assembly)	3,485	2,409	1,749	3,239	3,100	3,165	3,165
14	**COUNTY EXECUTIVE**							
15	Personnel Emoluments	10,678	11,915	11,186	15,397	16,937	16,937	16,937
16	Other Recurrent expenses	9,913	11,423	8,759	10,674	9,274	10,151	11,117
17	Transfer to NMS	5,237	4,557	3,726	0	0	0	0
18	Capital Projects	10,051	9,060	3,826	12,730	10,933	11,444	11,858
19	Sub-total (County Executive)	35,879	36,955	27,497	38,801	37,144	38,533	39,913
20	Total Expenditures- Revenue Fund	**39,364**	**39,364**	**29,245**	**42,040**	**40,244**	**41,698**	**43,078**
21								
22	**LIQOUR BOARD**							
23	Other Recurrent expenses	200	200	199	221	250	250	250
24	Capital Projects	50	50	25	70	50	50	50
25	**Sub-total (LIQOUR BOARD)**	**250**	**250**	**224**	**291**	**300**	**300**	**300**
26	**Total Expenditure**	**39,614**	**39,614**	**29,469**	**42,330**	**40,544**	**41,998**	**43,378**
27	**NET FINANCING**	**0**	**0**	**2,674**	**0**	**0**	**0**	**0**
28	Total Development Expenditure	11,962	9,244	3,872	14,015	12,163	12,599	13,013
29	% of Development to Revenues	30	23	12	33	30	30	30

ANNEXE II-FY 2024/2025 BUDGET FRAMEWORK

	INDICATIVE BUDGET CEILINGS FY 2024/2025						
	SECTOR	FY 2023/2024			FY 2024/2025		
		Recurrent	Capital	Total	Recurrent	Capital	Total
1	**Boroughs Administration and Personnel**	7,026,623,522	1,241,000,000	8,267,623,522	7,026,623,522	655,000,000	7,681,623,522
2	**Finance and Economic Planning**	3,160,738,888	2,855,000,000	6,015,738,888	3,330,093,422	2,239,862,614	5,569,956,036
3	**Green Nairobi**	2,681,948,684	545,000,000	3,226,948,684	2,681,948,684	545,000,000	3,226,948,684
4	**Innovations and Digital Economy**	228,763,659	200,000,000	428,763,659	228,763,659	200,000,000	428,763,659
5	**Health, Wellness & Nutrition**	7,071,303,336	1,129,000,000	8,200,303,336	7,071,303,336	1,129,000,000	8,200,303,336
6	**Built Environment and Planning**	449,120,278	625,000,000	1,074,120,278	449,120,278	600,000,000	1,049,120,278
7	**Mobility and Works**	1,100,720,962	3,300,269,460	4,400,990,422	1,100,720,962	3,354,332,930	4,455,053,892
8	**Talent, skills development and care**	2,085,604,156	829,383,024	2,914,987,180	2,085,604,156	850,000,000	2,935,604,156
9	**Business & Hustler Opportunities**	833,069,601	1,515,000,000	2,348,069,601	833,069,601	850,000,000	1,683,069,601
10	**Inclusivity Public participation & Citizen Engagement**	1,653,705,565	560,000,000	2,213,705,565	1,653,705,565	560,000,000	2,213,705,565
11	**County Assembly**	2,024,000,000	1,215,000,000	3,239,000,000	1,919,836,417	1,180,000,000	3,099,836,417
12	**TOTAL**	**28,315,598,651**	**14,014,652,484**	**42,330,251,135**	**28,380,789,602**	**12,163,195,544**	**40,543,985,146**