NAIROBI CITY COUNTY

COUNTY FISCAL STRATEGY PAPER

2020

''FOCUSING MEDIUM TERM DEVELOPMENT TOWARDS SHARED PROSPERITY AND SUSTAINABILITY''

FEBRUARY, 2020

VISION

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

MISSION

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

TABLE OF CONTENTS

EXECUTIVE SUMMARY v

CHAPTER ONE: OVERVIEW 1

1.0 Introduction 1

1.1 LEGAL FRAME WORK 1

1.2 Rationale 2

1.3 COUNTY ACHIEVEMENTS UPTO MID-YEAR 2019/2020. 3

CHAPTER TWO: MACRO ECONOMIC POLICY FRAMEWORK 9

2.1 MACRO ECONOMIC POLICY FRAMEWORK 9

2.2 REVENUE AND EXPENDITURE PERFORMANCE FOR FY 2018/19 13

2.3 EXPENDITURE PERFORMANCE FOR FY2018/19 17

2.4 KEY REVENUE STREAMS PERFORMANCE BY MID 2019/2020 18

2.5 EXPENDITURE PERFORMANCE FOR MID-YEAR 2019/20 20

CHAPTER THREE: POLICIES TO FOCUS MEDIUM TERM DEVELOPMENT TOWARDS SUSTAINABILITY AND SHARED PROSPERITY 25

3.1 Social and Community Development 26

3.2 Physical infrastructure and services 29

3.3 Economic empowerment 31

3.4 Enablers to achieve the medium term objectives 33

3.4.1 Governance and Stakeholder Participation 33

3.4.2 Financial Sustainability and prudent management of public resources 34

3..4.3 Institutional Transformation 37

3.4.4 Safety, Disaster preparedness and Environment Conservation 38

3.4.5 Spatial and Urban Planning 40

CHAPTER 4: BUDGET PRIORITIES FOR FY 2020/2021 SECTOR CEILINGS 41

4.0 Introduction 41

4.1 Guiding Philosophy 41

4.2 Resource Envelope 41

4.3 Revenue Projections 42

4.4 Revenue composition 45
4.5 Conditional Allocations and other Grants 50
4.6 Expenditure Review and 2020/2021 Projection 52
4.7 KEY SECTOR PRIORITIES AND CEILINGS FOR FY 2019/20 55
CHAPTER FIVE: FISCAL RESPONSIBILITY AND FISCAL RISK 67
5.1 Fiscal Responsibility Principles 67
5.2 FISCAL RISKS 70
ANNEX I: RESOURCE FRAMEWORK 2020/21 74
ANNEX II: SECTOR CEILINGS 76

EXECUTIVE SUMMARY

The Nairobi County Fiscal Strategy Paper is prepared pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012, and will provide the fiscal policy direction towards the budget 2020/2021. Being the third paper in the five year series of the CIDP 2018-2022, the county's eight development objectives remain the overaching goal, but it is also aligned to the national goals of development as espoused in the Third Medium Term Plan (The 'Big Four Agenda') and the Budget Policy Statement 2020.

The key focus of this paper is to advance the gains already achieved in the first two years of implementation of the CIDP, ensuring sustainability of county's investment in the medium term, and investing in all social areas to ensure positive development to all Nairobians.

The previous years were characterized by resource challenges, which affected negatively the implementation of planned programmes. The county missed its revenue targets by 26.8% and 19.2% in 2017/2018 and 2018/2019 respectively. The main contributor to this shortfall was the Own Source Revenue which only met 59% and 65.6% of the targets set in 2017/18 and 2018/19 respectively. Reversal of this dire situation has been considered substantially in this paper, with proposals on how to boost revenue from the five key sources. Upscaling the local component of budget supply will seek to re-engineer the entire resource mobilization framework in its entirety. In particular, the scheduled implementation of the 2019 land valuation roll upon approval by the County Assembly is projected to accelerate the strides towards the county's financial sufficiency.

Due to the afore mentioned, this CFSP 2020 proposes a budget of Ksh. 31.43 Billion, a 15% reduction from the Ksh. 36.98 B appoved in the FY 2019/2020. Recurrent expenditure of Ksh. 22B will utilize the largest share of the budget at 70%, comprised of Ksh. 14.7B for compensation to employees and Ksh. 7.3 B for operations and maintainace. Reduction of non essential expenditure remains a key agenda of the government, which, together with a reduction of the wage bill, will free up more resources for development in the medium term. For development in the FY 2020/2021, the paper recommends a freeze to implementation of new infrastructural projects, and all resources towards this function to be channeled towards ongoing and stalled projects. As recommended by the national treasury, the county has identified measures to resolve the pending bills, and towards this an allocation of Ksh. 3B is recommended for all years.

Its our hope that the short and medium terms interventions herein, will ensure that Nairbi remains the best county for all to invest, work and live in.

PAULINE KAHIGA – WAITITU
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING

CHAPTER ONE: OVERVIEW

1.0 Introduction

1. This chapter presents the philosophy behind financial planning, the legal framework underpinning the preparation of the fiscal strategy paper for the fiscal period 2020/2021. It provides a summary of key achievements for the fiscal period 2018/2019 and up to mid-2019/2020 for various County departments in terms of revenues, expenditures and results for capital programmes.

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

1. A description of budget implementation for the period 2018/2019 and first half of the year 2019/2020 (July to December), including revenue and expenditure performance.
2. A description of any changes to the budget during the year, such that may have necessitated revision of the approved financial plan.
3. An overview of the expected revenue and expenditure totals for the coming year, based on an assessment of the economy and any other determinants.
4. Ceilings on the amount of money each sector, will get in the upcoming budget and the basis for such capping.

1.1 LEGAL FRAME WORK

3. The County Treasury pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012 is mandated to prepare and submit the County Fiscal Strategy Paper to the County Assembly, by the 28th February of each year, and subsequently publish and publicize it not later than seven days after it has been submitted to the County Assembly. The county Treasury shall also align its County Fiscal Strategy Paper with the National objectives in the

Budget Policy Statement. In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the Medium Term.

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

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

5. Section 117(2) of PFM Act requires counties to align the CFSP with the national objectives in the Budget Policy Statement (BPS), and towards this, the County Treasury has aligned the proposed revenue and expenditure plan to the national financial objectives contained in the BPS 2020. Achieving the development agenda espoused in the County Integrated Development Plan, (CIDP 2018-2022) remains the overarching target. In this regard, the fiscal policies are geared towards triggering a multiplier effect towards the achievement of the national theme of economic transformation for shared prosperity resulting in: i) Restored good governance, public safety and security, ii) Enhanced access to decent and affordable housing, iii) Improved access to quality education and affordable healthcare, iv) Improved traffic and city transport management, v) An enabling environment for job creation, business growth and wealth creation, vi) Serene environment, clean water, sanitation and garbage management, vii) Plight of youth, women, People Living With Disabilities and adequate social protection.

1.2 Rationale

6. The Fiscal strategy Paper outlines the County's fiscal policies in the context of prevailing macro-economic policies and outlook while articulating the Nairobi County's strategic priorities and policies for the fiscal year 2020/2021, and how these will be achieved within the available resources. The County Fiscal Strategy Paper is the guide to the County Budget Process, with binding policy directions on budget formulation and implementation in the medium term. It analyzes the past and the present setting of the budget, and how they influence the future. The

Nairobi County Fiscal Strategy Paper specifies the broad strategic priorities and policy goals that guide the County government in preparing its budget for the coming financial year and over the medium term (3-5 years).

1.3 COUNTY ACHIEVEMENTS UPTO MID-YEAR 2019/2020.

1.3.1 TRANSPORT, INFRASTRUCTURE AND PUBLIC WORKS

7. The sector's mandate is to provide and maintain; transport facilities, roads, drainage systems, street and public lighting facilities. Roads and drainages in good functional status by mid 2019/20 were 690km. The sector managed to construct one (1) foot bridge and one (1) motorable bridge.The sector managed to construct 4.5km of NMT(non motorized transport) in 2018/2019 and 2km in mid 2019/20. This was meant to improve transport, connectivity and mobility across the City. In street and public lighting, a total of 1380 street lights were installed. To improve pedestrian safety and ease of commute, Luthuli avenue was blocked from all vehicles.

1.3.2 HEALTH SERVICES

8. The sector enhanced the level and quality of preventive, diagnostic and curative services targeting key drivers of morbidity in the County. These include targeted reduction of the high HIV related mortality and new infections prevalence rate in the County by growing the number of clients on ARVs by 17% in 2017/18 compared to performance of 5% in 2018/2019 .By mid 2019/2020 the number of targeted HIV clients on ARVs grew by 94%. Further the number of people counseled and tested for HIV grew by 7% from 1,267926 M to 1,173112 people in 2018/19. However 481,016 people were counseled and tested by mid-2019/20.

9. The Health sector further enhanced health efficiency in TB control by identifying and putting patients on treatment, actually, patients reduced from 13,164 in 2017/2018 to 12,869. By mid 2019/2020, 6,022 new patients put under treatment. Delivery of maternal child services targeting delivery by skilled attendants and expansion of immunization increased by more than 9% of the target in 2018/2019 and more by 3% in mid-year 2019/20 as compared to 8% which was attained in 2018/2019. Clients being screened and treated for mental health in 2018/19 were 23528 as compared to 18050 who were reported in 2017/18,by mid-year 2019/20 they had

attained a clientele of 15721. 11,540 Persons with disabilities received rehabilitation services. In mid-year 2019/20 the clientele was 8732. All these efforts led to better health outcomes for the people of Nairobi. Three County facilities namely Mama Lucy Kibaki, Mbagathi and Pumwani continued to offer specialized curative and diagnostic interventions.

1.3.3 ENVIRONMENT, ENERGY, WATER AND NATURAL RESOURCES

10 The sector managed an average daily collection of 1500 tons of waste, which was transported to the final destination of Dandora dumpsite. In order to improve access to the dumpsite, 23,000 tons of quarry chips were procured, and John Osogo Road improvemenet was 43% done. Other achievements include; three Monthly clean-ups, seven roundabounts were beautified along major roads, thirteen frontages were beautified, and thirteen bookings of the parks were secured.

11. Routine maintainace of the four public recreational grounds was done and seven boreholes drilling works commenced. Three ablution blocks construction commenced, and the process of drafting Sanitation Revoving Fund (SRF) was intiated.

1.3.4 EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICE

12. The introduction of a capitation based programme of Free ECDE education in the entire County's public ECDE centres at a cost of Ksh 52.9 Million has led to greater access to and higher retention rates for ECDE level of learning. There is an ongoing construction of one (1) ECDE centre. To ensure good transition of pupils from ECDE to primary level the county introduced free feeding programme and actually the number of pupils increased by 28% in 2018/19 as compared to the previous year 2017/18. Needy and bright secondary school students benefitted from Ksh 3.5 Million worth of bursaries in addition to 1,000 other learners who earned the Governor's full scholarship. This has led to greater transition to secondary schools.

13. In order to enhance access to high quality skill development opportunities for the Youth, the County upgraded Dandora Vocational Training Centre at a cost of Ksh 184 Million with support from partners. Four (4) no stadia are currently under construction at various stages of completion.So far dandora stadium is complete.City stadium is in phase two of refurbishment.

1.3.5 TRADE, COMMERCE, TOURISM AND COOPERATIVES SECTOR

14. The sector continued to sustain ongoing development and expansion of trade & markets. Three markets were constructed and six were rehabilitated. City Park Market was 70% complete at the end of 2017/18. Social impact assessment was done on Quarry road market through NAMSIP programme, reconstruction of drainage at Makina market stood at 70% while re-roofing of 8 other markets with 4 of the markets being 100% complete. In order to promote fair trade practices, New Wakulima market was equipped with a set of state of the art weighing equipment. A total of Ksh 6.8 Million was disbursed through the Nairobi City County Loans. Additionally, verification of 30,491 weighing equipment was done and 351750 pool tables licensed by the Gaming and Betting department.

1.3.6 URBAN RENEWAL, HOUSING AND PROJECT MANAGEMENT

15. The sector completed and obtained approval for a concept paper on social housing. The Nairobi County Housing policy was completed and technical support for building services offered to other County sectors and departments.

1.3.7 URBAN PLANNING

16. The implementation of flagship projects in the Nairobi Integrated Urban Development Masterplan (NIUPLAN) commenced in earnest with urban renewal programme of old estates, planning of the railway city and commencement of development control policy formulation began in earnest. So far relocation of jeevanjee/bachelor quarter tenants is already done, construction of huruma flats perimeter wall commenced. Already the contract for the development of ngong rd phase ii has been awarded .There has been an approval of six informal settlements by the county assembly. Other notable achievements include; establishment of online development approval system, strengthening of building construction, inspection and compliance and the enactment of the Nairobi City County Regularization of Development Act, 2015.

1.3.8 LANDS

17. The sector ensures that there is approval of developments as well as evaluating and regularizing developments that are safe & habitable. By mid-2019/2020, a draft new valuation roll was finalized, awaiting submission to the county excecutive committee and a subsequent tabling to the county assembly. The setor intends to complete the entire process by end of the financial year. There were 700 parcels of land which had been regularized too in the same period.

1.3.9 AGRICULTURE FOOD SECURITY AND FORESTRY

18. The sector continued to pursue its mission of improving livelihoods of Nairobi City County community by promoting innovative, commercially oriented, modern urban agriculture through appropriate policy environment, effective support services and sustainable natural resource management. In this regard the sector executed about 8,000 extension service visits for crop, Livestock and fisheries development and management in the preceding two financial years. Number of field days exhibition held increased, surveillance of food products improved.

1.3.10 FINANCE AND ECONOMIC PLANNING

19. The Economic planning department continued with the implementation and tracking of the CIDP 2018-2022 and in the process of preparing the CFSP 2020/21. The planning process was characterized by a strong public participation component for ADP 2020/21.The economic planning also prepared CFSP 2020, conducted two quarterly monitoring and evaluation exercises, prepared an annual performance sector report and trained sector working groups. Asset office initiated the process of valuation and asset tagging which is now complete.

1.3.11 ICT AND E-GOVERNMENT

20. The Nairobi City County Information, Communication and e-Government sector has been implementing a five (5) year ICT Transformation Roadmap that was initiated in the year 2013. The programme was intended to increase efficiency, improve service delivery and revenue collection through the implementation and deployment of technology solutions and shared services for County Governments. The e-learning department was able to train 55 members of

staff, and 10 network cabinets were obtained. The department of public relations managed to place 90 advertisements during the period under review

21. In particular, the following projects were successfully executed by mid-2019/20 of the financial year; e-payment solution, expansion of ICT infrastructure, Web Portal, Integrated City Management System (ICMS), Disaster Recovery Planning, Email Messaging and Collaboration, PABX/ Unified communication, ICT Governance, Citizen Relationship Management (CRM), Business Intelligent Tools and Analytics Tools, Geographical Information Systems (GIS), Intelligent City Surveillance and Traffic Management and Internet service promotion.

1.3.12 PUBLIC SERVICE MANAGEMENT, DEVOLUTION AND ADMINSTRATION

22. The sector continued to spear head prudent and efficient management of the County's human resources for high quality service delivery. The sector continuously pursues restructuring of the County government to achieve efficiency, decentralization of services, staff training & remuneration. County services at the Huduma Centres are still provided and administration of a staff medical scheme done.

23. The Sub-County Administration took command of decentralized service delivery with a presence in each of the 17 (Seventeen) Sub-Counties and 85 (Eighty Five) Wards, expansion of infrastructure that support service delivery at lower levels, capacity development and stakeholder engagement. So far ongoing projects include construction of sub county offices in Embakasi west , Embakasi East,kasarani and westlands.

1.3.13 GOVERNOR'S OFFICE

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

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

26. The Internal Audit department continued to fortify capacities for fiscal risk detection and mitigation through preparation of advisories and reports totaling to sixteen (16) on diverse subjects.

27. The Security and Compliance sector managed to map prime sports and also ensured the traffic flow with ease by securing all parking lots thus reducing traffic congestion. The investigation carried out operations in corruption prone areas, arraigned suspects in court of law and sensitized residents/customers on the dangers of criminal activities within the county. The sector also played a critical role in revenue mobilization and recovery of assets.

1.3.14 THE COUNTY ASSEMBLY

28. The county assembly has remained steadfast in achieving its legal mandate of legislation, representation and oversight. The assembly managed to consider and pass the; Nairobi City County Outdoor Advertising and Signage Control and Regulation Bill, 2018; Nairobi City County Trade Licensing Bill, 2019; Nairobi City County Community Health Services Bill, 2019; Nairobi City County Corporations Bill, 2019; Nairobi City County Revenue Administration Bill, 2019; in 2018/19, all with an aim to streamline service delivery and improve revenue collection.

In the current financial year 2019/2020, the assembly will consider the; Nairobi City County Sexual and Gender Based violence Management and Control Bill, 2019; Nairobi City County Pop-up Markets and Street Vending Bill, 2019; and the Nairobi City County Transport Bill, 2019

CHAPTER TWO: MACRO ECONOMIC POLICY FRAMEWORK

2.1 MACRO ECONOMIC POLICY FRAMEWORK

Global Economic Prospects

28. The global economy is estimated to have declined to 3.0 percent in 2019 compared to a revised growth of 3.7 percent in 2018. The sluggish global growth reflects the weak global trade and subdued investment and demand for capital goods. Growth in the Sub-Saharan African region is projected to rise to 3.6 percent in 2020 from 3.2 percent in 2019 largely on account of improved commodity prices and access to capital markets (Global Economic Prospects-World Bank, 2020).

29. Global economy is projected to grow marginally at 3.4 percent in 2020 from the estimated 3.0 percent in 2019. The projected pick up is on account of recoveries in stressed emerging markets and macroeconomic policy support in major economies (Global Economic Prospects-World Bank, 2020).

30. In advanced economies, growth is expected to slow down to 1.7 percent in 2020 from an estimated 2.3 percent in 2018 mainly due to trade tensions between the United States of America (U.S.A) and China, uncertainties surrounding the Brexit outcome, rising global oil prices due to tensions between U.S.A and Iran, and the pace of normalization of monetary policy in the advanced economies.

31. Among emerging markets and developing economies, growth is expected to pick up to 4.6 percent in 2020 from an estimated 3.9 percent in 2019 reflecting recoveries in stressed economies such as Turkey, Argentina and Iran as well pickup in growth for Brazil, Mexico, India, Russia and Saudi Arabia which recorded significant slowdowns in 2019 relative to 2018.

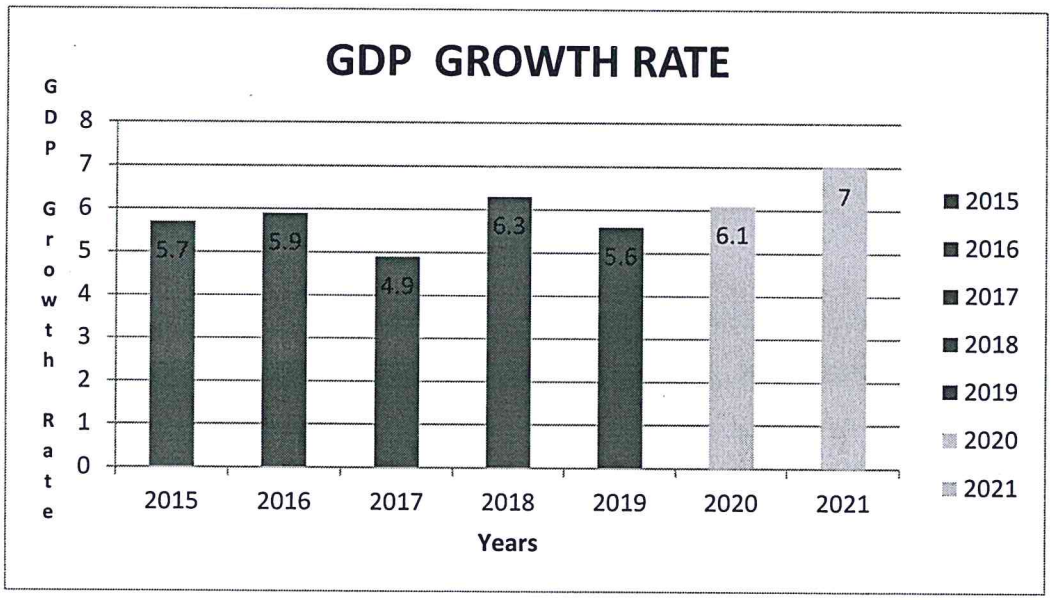
32. Growth in the East African Community (EAC) region is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly supported by the stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

Domestic Economy

33. On the domestic scene, Kenya's economic growth has remained strong and resilient. The economy grew by 6.3 percent in 2018 up from a growth of 4.9 percent in 2017. In the year 2019, the economy is estimated to have expanded by 5.6 percent in part reflecting the impact of delayed rainfall in the first half of 2019 that affected agricultural production (Economic Survey,2018).

34. It is project the economy to further expand by above 6.1 percent in 2020 and 7.0 percent over the medium term. This growth will be supported by the strong services sector, stable macroeconomic environment and ongoing investments strategic priorities of the Government under the "Big Four" Agenda.

Figure 2.1: Trends in GDP growth rate in percent

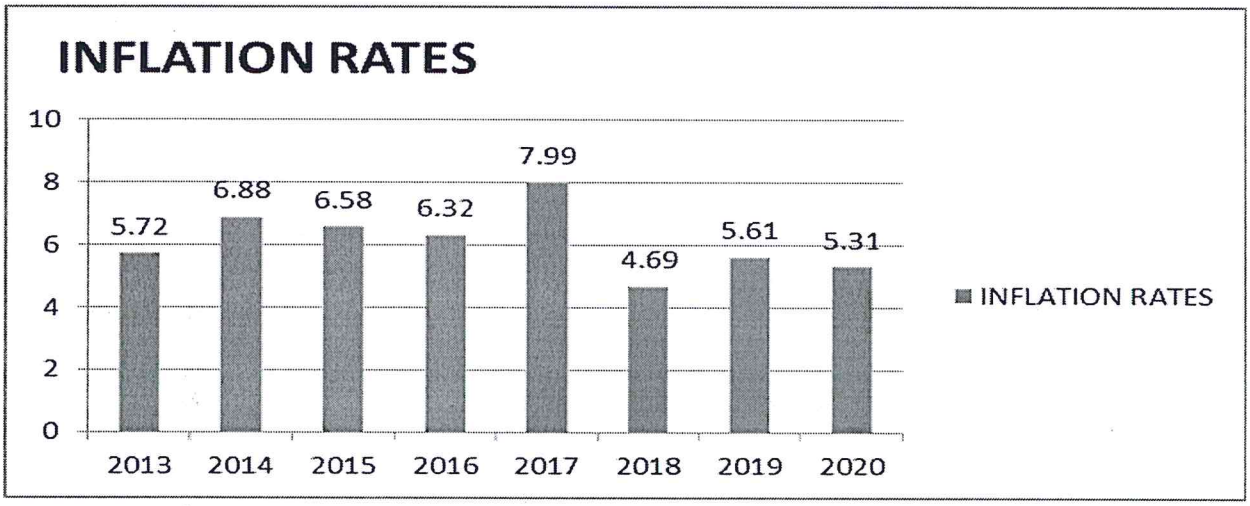


Source: Economic Survey, 2018

Inflation

35. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. At 5.8 percent in December 2019, year-on-year overall inflation remained stable and within the 5 (+/-2.5) percent target largely due to lower food prices following favorable weather conditions. Inflation is expected to remain within target in 2020, largely due to lower energy prices and expected stability in food prices (Kenya national bureau of statistics).

Figure 2.2: Trend in inflation rate over the five years



Source: Kenya National Bureau of Statistics

Foreign exchange

36. The foreign exchange market remains stable supported by the narrowing of the current account deficit. The current account deficit is estimated at 4.3 percent of GDP in 2019 down from 5.0 percent in 2018. The narrowing deficit reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports due to lower food imports and the decline in international oil prices.

Interest rates

37. Interest rates remained stable and low in the period 2013 to October 2019, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations. The Central Bank Rate was reduced to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity. The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The interest rates for government securities have been declining indicating that the implementation of government domestic borrowing program supported market stability.

Nairobi County Economy

38. Nairobi City County operates within the global and national economic framework. The global and national economic dynamics impacts both directly and indirectly on county fiscal decisions and operations. Economic growth is a parameter that influences national government transfer to the counties. Therefore, the higher the GDP growth, the more allocation is expected to go the counties.

39. Exchange rate fluctuations also affect the county processes with currency devaluation making our imports more expensive. Inflation changes the costs of goods and services which in turn affect peoples' purchasing power. Since the inflation is expected to remain within the target in the medium term, the welfare of the people in county will improved and cost of doing business in Nairobi will ease. This will attract foreign and private investment leading to growth of Nairobi county economy.

40. Interest rates affect the cost of local borrowing to SMEs. So far interest rate capping has negatively affected access of credit by SMEs as banks have resorted to lending large corporate borrowers and investing in government securities. Considering that SMEs account for a large share of enterprises in Nairobi City County, rationing out the SMEs by banks will adversely impact their contribution to county economic growth.

2.2 REVENUE AND EXPENDITURE PERFORMANCE FOR FY 2018/19

2.2.1 Key County Revenue Sources and their Performance for FY 2018/19

41. The key county revenue sources for the year under review were equitable share from National government, conditional grants and own source revenue. By the end of financial year 2018/19, the total accumulated revenues amounted to Kshs 26.1 billion against a target of Kshs 32 billion (Table 2.1). This performance was below target by Kshs 5.9 billion. Own source revenue was Kshs 10.2 billion against a target of Kshs 15.5 billion reflecting an under performance of 34.4% from the target.

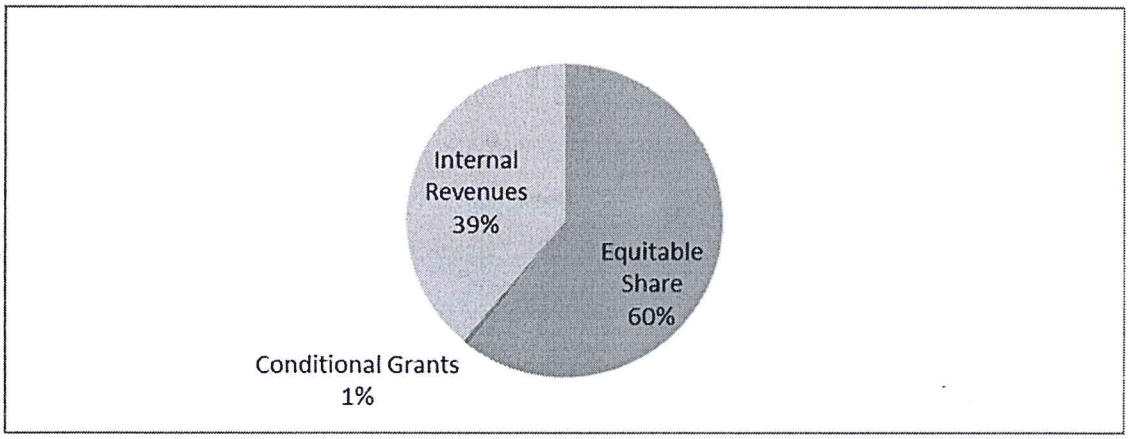
Table 2.1: Total Revenue (Millions) Performance as at 30th June 2019

ITEM	Approved	Revised	Cumm. Total	% Performance
Equitable Share	15,794	15,794	15,794	**100**
Conditional Grants	719	745	173	**23.2**
Internal Revenues	15,497	15,497	10,172	**65.6**
Total Revenues	**32,011**	**32,036**	**26,139**	**81.6**

Source; County Treasury

Fig2.3: Summary of key revenue sources in percentage

ACTUAL REVENUES



External Revenues

42. By the end of the financial year 2018/2019 total receipts from the National government amounted to Kshs 15.967 billion. This included an equitable share of Kshs 15.8 Billion and a conditional grant of Kshs 173 Millions.

43. The National Government has continually honored its obligation by disbursing the amounts set by CRA formula. The CRA sharing formula for revenue among counties considers the following parameters: population with a weight of 45%; Poverty Index (20%); Land Area (8%); Basic Equal Share of (25%) and Fiscal responsibility of 2%. However, this sharing formulae continues to be disadvantageous to Nairobi in terms of per capita allocation of equitable share and requires a review to take into consideration the population aspect and the status of Nairobi County as the capital city. The county should therefore adhere to the fiscal responsibility stipulated in PFMA Act, 2015.

Own Source Revenues

44. By end of 30th June 2019 total own source revenues amounted to Kshs 10.2 billion against a target of Kshs 15.5 billion. The total own sources revenues fell short of target by 34%. This was attributed to;

- Default by GoK and its agencies to pay rates and loading zones
- System change over in the month of June 2019 made many tax payers not able to make payments. This resulted to a drop from average collection of 700 million to actual collection of 400 million.
- Lack of legal framework to enforce on defaulters e.g rates.

The key revenue streams in absolute terms are parking fees, rates, single business permit, building permits and billboards and adverts (**Table 2.2**). They were the dominant drivers of the local revenue constituting 19%, 20%, 19% , 10% and 8% respectively in Financial Year 2018/19.

Table 2.2: Own Sources Revenue (OSR) FY 2018/2019 as at 30th June 2019 (Kshs)

Own Source Revenues (OSR)	2018/2019	
	Target	Actual
RATES	3,600	1,994
SINGLE BUSINESS PERMITS	2,600	1,991
PARKING FEES	3,030	1,933
BLDNG PERMITS	1,500	1,018
BILLBOADS & ADVERTS	1,000	797
House Rents	560	537
FOOD HANDLERS CERT	230	199
FIRE INSPECTION CERT	340	344
REGUL. OF BLDNG /CHANGE /AMALG/SUB	180	25
WAKULIMA MARKET	125	100
OTHER MARKETS	227	92
OTHER INCOMES-**(Including Liqour Fees)**	2,105	1,142
Total own source revenue	**15,497**	**10,172**

Parking Fees

45. The total cumulative receipts from parking fees amounted to Kshs 1.933 billion against a target of 3.03 billion indicating a performance of 63.8 percent. To enhance revenue collection for this stream over the medium term the county will embark on the following interventions;

- Setting of targets for each street and attendant;
- Real-time monitoring of performance and prompt interventions;
- Clamping of all non-compliant vehicles;
- Tow clamped vehicles that have not been paid 2 hours after clamping;
- Issue demand notices to all SACCOs for all their vehicles;
- Forward Sacco's defaulters list to enforcement officer; and
- Follow up on all loading zone arrears.

Rates

46. Total accumulated collections from rates were Kshs 1.994 billion against a target of Kshs 3.6 billion, representing a 55.4% rate of performance. The underperformance in rates is attributed to lack of effective enforcement mechanisms of rate defaulters and outdated rates records. As part of the revenue enhancement strategy the county will do the following;

- Prompt billing for 2020 Rates
- Issuance of legal demand notices
- Serving of demand notices through the sub county using GIS maps
- Follow up on GoK properties and institutions
- Publish large Rates defaulters (list of shame)
- Clamping of properties with arrears
- Institute legal process to recover arrears
- Finalize the new Valuation Roll

Single Business Permits

47. Total collections from single business permits in FY 2018/2019 amounted to Kshs 1.991billion against a target of Kshs 2.6 billion. This implies that this revenue stream performance rate was 76.6%. The shortfall was due to: lack of adequate revenue payer's data; weak legislative framework; and weak enforcement. Going forward the county will embark on the following interventions;

- Establish a SBP register for each ward
- Upload the SBP register in the automated system
- Issuance of bills and demand notices
- Public awareness and collections in all wards
- Periodic production of defaulters lists and follow up on arrears
- Carryout continuous inspections and enforcement

Advertisements & Bill Boards

48. The total accumulated revenues for billboards and advertisements as at June 2019 was Kshs 797 million against a target of Kshs 1 billion showing a performance of 79.7%. This revenue stream can be improved by enhancing monitoring all billboards; Follow up on all defaulters; Engage the sub county officers in surveillance and compliance; and prompt billing for advertisers

2.3 EXPENDITURE PERFORMANCE FOR FY2018/19

49. Total expenditures for the FY 2018/19 amounted to Kshs 26.5 billion against a revised budget of Kshs 33.3 billion (Table 2.4). The overall absorption rate of the total budgeted was 79.6%. Development expenditure amounted to Kshs 4.009 billion against a revised budget of Ksh. 6.178 billion indicating a performance of 64.9%. The slow uptake of development funds is attributed to slow implementation of projects by the implementing agencies. Departments therefore need to have a clear project implementation matrix including the establishment of project implementation committees. Sectors will also be required to have done the preliminary processes before any projects are included in the 2020/21 budget. Out of the total expenditure, recurrent expenditure accounted for Kshs 22.3 B representing 74% of the total targeted expenditure.

50. The expenditure on compensation to employees was kshs12.899 billion against a revised target of Kshs 13.609 Billion (indicating 94.8% absorption rate). The expenditure on other recurrent that is, drugs, medical insurance, garbage and bursaries among others was 7.429 billion against a revised target of 8.928 billion (indicating an absorption rate of 83.2%)

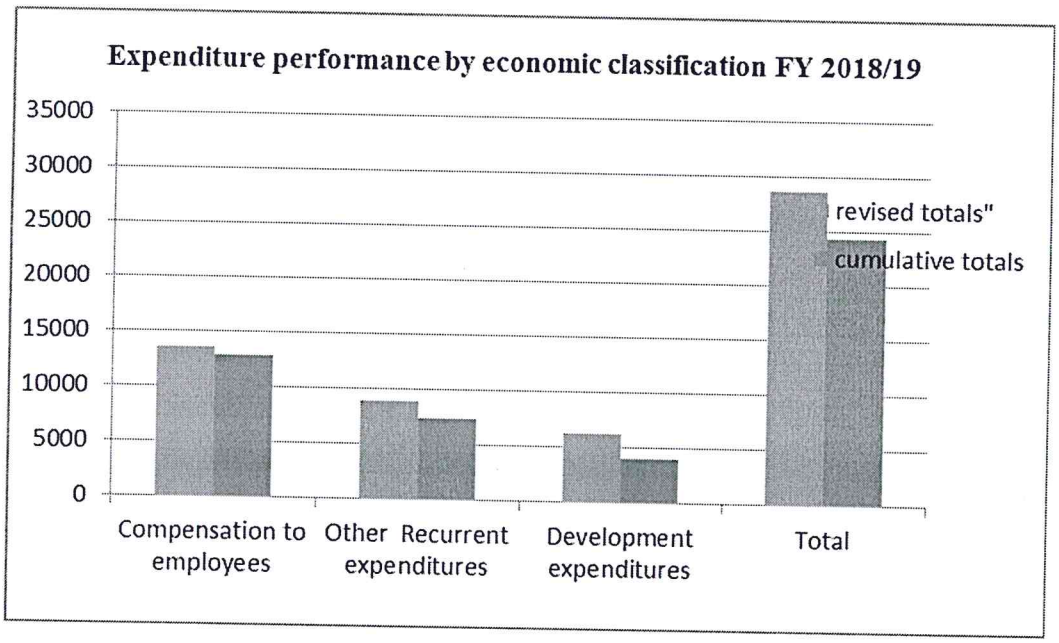
Table 2.4: Expenditure by Economic classification

ITEM	Approved	Revised	Cumulative Total	% Performance
Compensation to employees	14,008	13,609	12,899	94.8
Other Recurrent	7,466	8,928	7,429	83.2

ITEM	Approved	Revised	Cumulative Total	% Performance
expenditures				
Debt resolution	-	4,631	2,188	47.2
Total recurrent	14,008	24,725	22,516	91
Development expenditures	10,836	6,178	4,009	64.9
Total	**32,310**	**33,346**	**26,525**	**84.8**

Source: County treasury

Figure 2.4: summary of expenditure by economic classification



2.4 KEY REVENUE STREAMS PERFORMANCE BY MID 2019/2020

51. By mid FY 2019/20 (31st December 2019) a total of 9.227 Billion had been achieved being 14.4 % performance on annual target. Out of the revenue realized, 6.089 Billion (19.4% of annual target) was received from external revenue, 3.137 Billion (18.1% of annual target) from own source revenue streams while 122.8 Million (27.3% of annual target) was collected from AIA- Liquor license fees. The dominant local revenue streams as at December 2018 were:

parking fees (29%), Building Permits (10.2%), Single Business Permits(14.6%), Rates(8.5%) and billboards(25.5%).

Table 2.5: SUMMARY OF REVENUE FOR THE HALF YEAR ENDED 31ST DECEMBER 2019

No.	Revenue Stream	Annual Targeted Revenue (Kshs)	Actual Revenue Total (Kshs)	% Performance against Annual Target
1	RATES	3,925,000,000	332,772,439	8.5
2	SINGLE BUSINESS PERMITS	2,892,000,000	422,872,567	14.6
3	PARKING FEES	2,763,000,000	801,630,921	29.0
4	BLDNG PERMITS	2,101,000,000	215,256,364	10.2
5	BILLBOADS & ADVERTS	1,425,000,000	362,993,263	25.5
6	FIRE SERVICES	458,400,000	58,567,751	12.8
7	HOUSE RENTS	615,000,000	242,942,263	39.5
8	FOOD HANDLERS CERT	300,000,000	72,399,318	24.1
9	OTHER MARKETS	232,400,000	26,486,998	11.4
10	WAKULIMA MARKET	192,000,000	51,959,117	27.1
11	REGUL. OF BLDNG /CHANGE /AMALG/SUB	166,000,000	49,012,581	29.5
12	WAYLEAVE	150,000,000	36,173,109	24.1
13	BETTING CONTROL & LOTTERIES	120,295,889	833,660	0.7
14	GARBAGE/TIP CHARGES	120,000,000	12,585,115	10.5
15	TPS-MARKET RENTS	102,000,000	53,214,765	52.2
16	MUTHURWA MARKET	72,000,000	16,615,045	23.1
17	OTHER INCOMES	1,232,200,000	258,812,955	21.0
18	Sub Total to CRF	16,866,295,889	3,015,128,231	17.9
19	LIQUOR LICENSES-AIA	450,000,000	122,812,174	27.3
20	TOTAL OWN SOURCE REVENUES	**17,316,295,889**	**3,137,940,405**	**18.1**
21	**EXTERNAL SOURCES**			

22	Equitable Share	15,919,950,000	5,635,662,300	35.4
23	Compensation For User Fees Foregone	79,423,251	-	-
24	Road Maintenance Levy 2018/2019	415,845,530	415,847,530	100.0
25	Road Maintenance Levy-2019/20	451,898,344	-	-
26	KDSP (Level 1 grant allocation)	30,000,000	-	-
27	Danida -Universal Healthcare in Devolved Governments	47,156,250	23,578,125	50.0
28	World Bank Loan for Transforming Health systems for universal healthcare	96,359,510	13,977,255	14.5
29	Conditional grant for Development of Youth Poly technics	22,998,298	-	-
30	Agriculture Development Support Project	21,183,840	-	-
31	**Sub Total (External Sources)**	17,084,815,023	6,089,065,210	19.4
32	**TOTAL REVENUES**	34,401,110,912	9,227,005,615	14.4

52. In order to enhance revenue collection, the following measures are proposed; Aggressive enforcement on non- compliant customers; Monitoring and evaluation of performance; Business process review including review of the revenue structure of the revenue collection responsibilities; Legislation of all revenue streams; Leveraging on technology to enhance efficiency; Revenue potential study /create database of all revenue possible as well as encouraging and adopting innovation.

2.5 EXPENDITURE PERFORMANCE FOR MID-YEAR 2019/20

53. By mid FY 2019/2020 (December 2019) the cumulative expenditure was Kshs 11.106 Billion (30%) against an annual target of Kshs 36.981 Billion. Out of the total budget, Kshs 10.474 Billion (41% of the annual target) was spent on recurrent expenditure while as Kshs 632 Million (6% of the annual expenditure) was spent on development expenditure (**See Table 2.7**).

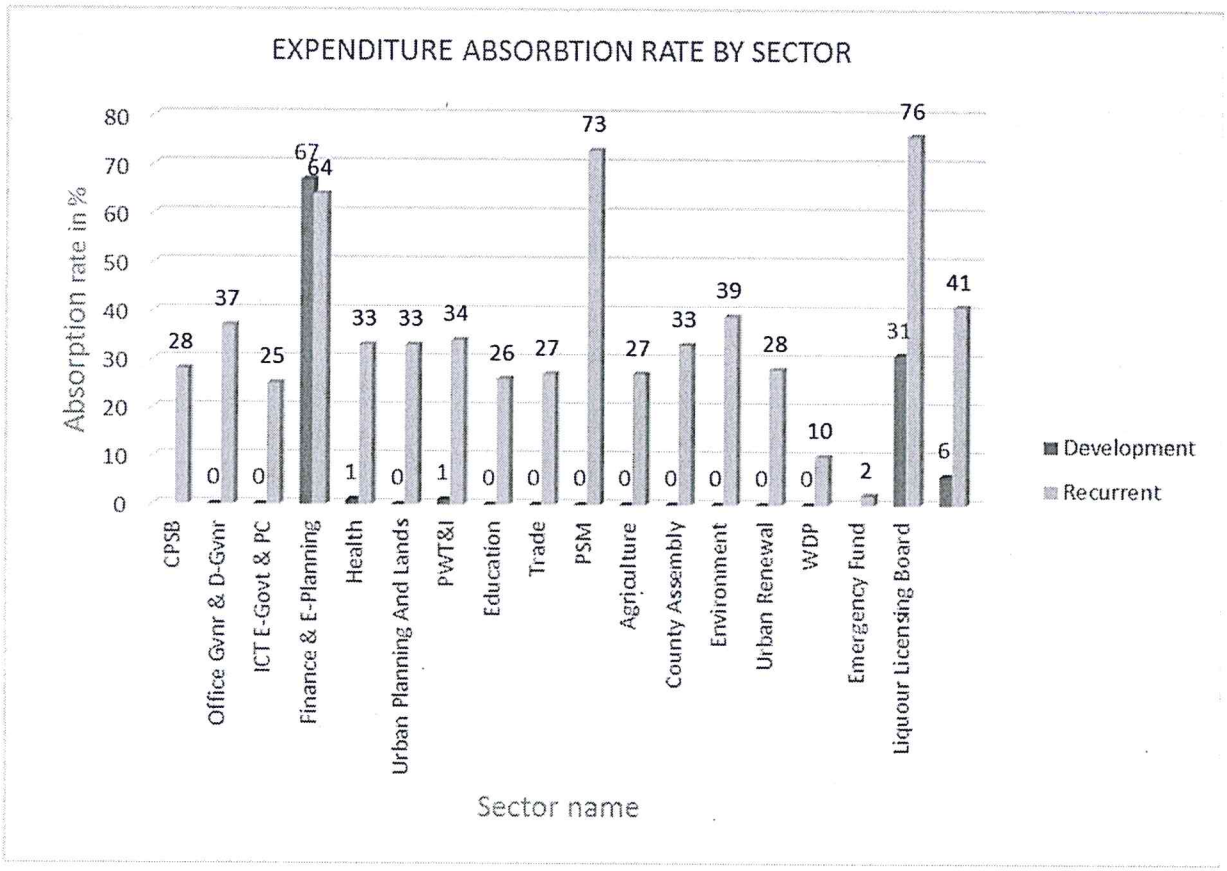
Table 2.7: MID FY 2019/2020 EXPENDITURE

Expenditure Items	Approved Estimates 2018/2019 (Ksh)	Cumulative actual as at December 2018 (Ksh)	% Performance
Recurrent Expenditure	25,710,129,939	10,474,946,231	41
Development	11,271,260,947	632,047,655	6

Expenditure Items	Approved Estimates 2018/2019 (Ksh)	Cumulative actual as at December 2018 (Ksh)	% Performance
Expenditure			
Total Expenditure	**36,981,390,886**	**11,106,993,886**	**30**

Table 2.8: MID FY 2019/2020 EXPENDITURE BY SECTOR

SNO	NAME OF SECTOR	Budget		Cumulative Total		Absorption %	
		Development	Recurrent	Development	Recurrent	Development	Recurrent
1	5311000000 COUNTY PUBLIC SERVICE BOARD	0	52,214,502	-	14,452,879		28
2	5312000000 OFFICE OF GOVERNOR & DEPUTY GOVERNOR	628,000,000	5,479,449,208	-	2,003,308,152	-	37
3	5313000000 ICT, E-GOVT & PUBLIC COMMUNICATIONS	349,000,000	203,511,356	-	50,483,870	-	25
4	5314000000 FINANCE & ECONOMIC PLANNING	862,106,000	4,660,771,540	580,000,000	2,979,245,003	67	64
5	5315000000 HEALTH	658,000,000	6,719,215,048	8,478,423	2,190,248,477	1	33
6	5316000000 URBAN PLANNING AND LANDS	168,000,000	488,475,285	-	159,412,620	-	33
7	5317000000 PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	3,638,000,000	1,141,277,939	31,308,606	390,918,384	1	34
8	5318000000 EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	441,654,947	1,534,805,021	-	399,335,398	-	26
9	5319000000 TRADE,COMMERCE,TOURISM & COOPERATIVES	473,500,000	611,904,578	-	164,643,471	-	27
10	5320000000 PUBLIC SERVICE MANAGEMENT	91,000,000	1,026,447,638	-	753,221,656	-	73
11	5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	126,000,000	360,561,168	-	98,399,131	-	27
12	5322000000 COUNTY ASSEMBLY	1,530,000,000	1,409,977,879	-	466,503,299	-	33
13	5323000000 ENVIROMENT,WATER,ENERGY & NATURAL RESOURCES	463,000,000	1,519,801,814	-	594,221,359	-	39
14	5324000000 URBAN RENEWAL AND HOUSING	500,000,000	151,716,963	-	42,950,614	-	28
15	5325000000 WARD DEVELOPMENT PROGRAMMES	1,304,000,000	39,000,000	-	4,000,420	-	10
16	5326000000 EMERGENCY FUND		100,000,000	-	2,300,000		2
17	5327000000 LIQOUR LICENSING BOARD	39,000,000	211,000,000	12,260,626	161,301,497	31	76
	TOTAL EXPENDITURES	**11,271,260,947**	**25,710,129,939**	**632,047,655**	**10,474,946,231**	**6**	**41**



54. From figure 2.6 it is evident that the absorption of development expenditure my sectors is zero except finance sector where 67% of the development expenditure was absorbed. However, it is good to note that the amount was used to pay pending bills.

Debts

55. The county debt as at 31st December 2019 stood at 76.5B as compared to the last year debt of 66.6 B. this shows an increase in debts by 15 percent. With strained county revenues and due to accrued interests and penalties especially on statutory debts, the county debt has continued to grow which is a worrying trend.

Table 2.9: Summary of Outstanding Liabilities as at 31st December 2019 in billions

S/N	CATEGORIES		KSH	OUTSTANDING AS AT 31ST DECEMBER 2019 (KSH)
A	**STATUTORY**			
1	PAYE			1,316,065,973
2	NHIF			-
3	STAFF DUE (RETIREES)			171,662,290
4	LAP TRUST	PRINCIPAL	6,695,009,201	-
		PENALTY (1.25% PER MONTH)	7,341,651,955	14,036,661,156
5	LAP FUND	PRINCIPAL	2,135,146,120	
		PENALTY (3% PER MONTH)	21,541,073,615	23,676,219,734
6	OTHERS – KPLC			612,660,745
7	OTHERS – KCB LOAN			4,310,087,246
8	OTHER – CONTIGENT LIABILITIES	ACTUAL DEFICIT	2,624,372,573	
		GOVERNMENT GUARANTEE	15,328,285,000	
		ON WATER LOAN	3,815,640,000	21,768,297,573
	Sub Total (Section A)			**65,891,654,717**
B	**ELIGIBLE BILLS**			
	ELIGIBLE PENDING BILLS	**PENDING BILLS AS PER THE OAG SPECIAL REPORT**	**ELIGIBLE PAID**	**OUTSTANDING ELIGIBLE BILLS 31ST DECEMBER 2019**
	Procurement of Goods	3,491,068,580	612,358,808.60	2,878,709,771.40
	Procurement of Services	986,073,810	159,820,889.35	826,252,920.65
	Construction Contracts	1,213,453,351	248,323,408.43	965,129,942.57
	Legal	5,576,497,550	52,261,085.45	5,524,236,464.55
	Hospital Creditors	10,869,808	-	10,869,808.00
	NSSF	424,878,803	43,342,692.00	381,536,111.00
	NITA	80,987,170	-	80,987,170.00
	Sub Total (Section	**11,783,829,072**	**1,116,106,883.**	**10,667,722,188.17**

	B)		83	
	GRAND TOTALS			79,559,376,905.36

56. In the current financial year 2019/2020 the county paid pending bills of Kshs 1.1B to suppliers and contractors. The county also paid Kshs 3B to KRA for accrued arrears for unremitted VAT, WHT and PAYE.

57. The county has proposed a supplementary budget allocation of Kshs 3.5B for settling part of eligible pending bills as recommended in the OAG special report on pending bills before the end of the current financial year. The county also proposes a budget allocation of Kshs 5B towards payment of eligible pending bills in the financial year 2020/2021.The county has come up with a payment plan that will focus on first settling eligible pending bills owed to SME's, AGPO's and other disadvantaged groups.

58. Over the medium term, the county government will undertake the following measures together with debt management strategies highlighted in the debt strategy paper. These measures include:

- Verification and prioritization payments of eligible pending bills
- Negotiation with other creditors like national government
- Enhancing revenue collection

Wages

59. By the end of FY 2018/19, the total amount paid as compensation to employees was Kshs 12.899 Billion against an actual revenue collection of Kshs 26.139 Billion. This represents a proportion of 49.3 percent wage costs to the total revenue. The PFMA Act, 2015, requires that county government wage bill shall not exceed 35 percent of their total budget. This undermined the realization of the fiscal responsibility. In regard to this, the PSM is in the process of developing a policy on voluntarily early retirement policy to reduce work force therein reducing wage bill and effecting productivity.

CHAPTER THREE: POLICIES TO FOCUS MEDIUM TERM DEVELOPMENT TOWARDS SUSTAINABILITY AND SHARED PROSPERITY

60. The CFSP 2020 will seek to provide more force towards the achievement of the eight development objectives espoused by the CIDP 2018-2022. This is an effort to ensure that the envisaged county growth and transformation in the medium term translates to shared prosperity and improved quality of life. The CIDP charts out an eight point development agenda which aims to deliver,

i. Quality physical infrastructure in the city;
ii. Rapid economic growth opportunities to diverse groups including youth, women, PWD's;
iii. Provision of reliable, accessible, quality and affordable healthcare;
iv. Provision of accessible, affordable and quality ECD and vocational opportunities for all;
v. Food and nutritional security for all;
vi. Good governance, public participation and rule of law;
vii. Greater access to affordable and quality housing; and,
viii. Provision of clean energy, safe drinking water, waste management and sanitary services in a secure sustainable environment.

61. Guided by the Kenya vision 2030, and benefitting from the national "big four" agenda which seeks to transform the well-being of all Kenyans, the sustained implementation of prioritized programmes in the CIDP 2018-2022 is expected to transform the county, positioning Nairobi as the City of choice for all to Invest, Work and live in. This in turn will translate into expanded employment opportunities and rapid poverty reduction. Coupled with sustained inclusive growth, this will culminate into a shared prosperity for all, and an improved quality of life. The eight objectives will strategically yield huge strides in both the social and infrastructural development, together with achieving economic empowerment of the people.

3.1 Social and Community Development

62. The government recognizes the important role played by the social sectors of Education and health in making sustainable socioeconomic transformation a reality. A well-coordinated and fully functional social package will reduce the burden of economic shocks on households and enhance access to services by most Nairobians. In this regard, the Government will continue investing in quality and accessible healthcare services and free quality early childhood education as well as strengthening the social protection programmes. This investment will target the Youth, Women, Children and People living with disabilities for social inclusion.

Healthcare

63. Nairobi County government is leading the way to making universal health coverage a reality in line with the 'big four agenda' and the Kenya Health Policy (2014-2030) and the Kenya Health Sector Strategic and Investment Plan, through rapid health infrastructure expansion, acquisition of specialized equipment and capacity building, we continue to register impressive gains in this sector. We are committed to improve access to high quality free maternity services in all our facilities. Provision of free primary health care remains paramount, and this will still be provided in all our primary health facilities. The medium term strategy is to build on lessons learnt from the transformation of Pumwani Maternity hospital. The hospital recently acquired an 8 adult capacity and 50 infant capacity cold room.

Education, Children and Youth development

64. While the education sector continues to record impressive outcomes in terms of gross enrolment rate of over 98% and a pre-school retention rate estimated at 99.8% and a transition rate of 98%, there is need to expand the scope of access to quality formal education. With over 80% of the operational ECDE centers being non-formal, the government is committed to ensure access to quality education is guaranteed.

Free ECDE

65. Primary and Secondary education functions still remain with the National government. However, with a recorded dropout rate of 3.6% and a transition Rate of only 65.7%, there is need for concerted efforts towards addressing the underlying challenges.

Bursary scheme

66. The DICECE and CICECE department was transferred to the management of the County Government in the year 2015. This department is charged with the responsibility of training ECDE teachers in two (2) established centers in the County. The government will avail adequate resources towards supporting this department execute its mandate more effectively.

67. Improving and expanding schools and training institutions infrastructure through construction/ rehabilitation of class rooms and integration of ICT in curriculum delivery will be a target for the medium term.

68. The government is committed towards aligning education and training curricula to the demands of changing labour markets by developing competency based education and training for TVET and revitalizing the 11 Youth Polytechnics in the County.

69. The overall strategy in education during the medium term is to focus on developing educational delivery standards and strengthening quality control, continued curriculum reforms and educational inspectorate services in order to enforce and uphold quality education.

Housing developement

70. Housing needs for the City stand at 100,000 units annually. To be able to benefit from the similar intentions from the 'big four agenda', and to mitigate this demand, the County government seeks to redevelop7 no of old estates through urban renewal program. The targeted estates are: Old Ngara, Jevanjee, New Ngara, Suna Road, Uhuru, Pangani and Ngong Road. This programme is expected to deliver additional 10,000 housing units within the medium term. The bulk of resources for this program will be harnessed through EPC.

Sports, Recreation, Arts and Culture

71. The Government recognizes the important role played by sports in enhancing national cohesion. Additionally, there are considerable health benefits associated with functional sporting and recreational services in the County. In this regard, the government will invest in modern and high quality sporting and recreational facilities that are well distributed across the County.

72. The City is a centre of cultural diversity with a marked presence of both local and external content. It is the commitment of the government to promote artistic and cultural development through festivals, museums and art exhibitions.

73. Provision of safe and accessible public open spaces and parks is also key for recreation and social wellbeing of the public. The county will continue to regularly maintain the five public parks, and ensure safety of residents utilizing them. The government will also secure all parks to ward off possible encroachment.

Libraries

74. The government is committed to promoting an active reading culture in the County. Existing library services will be automated, modernized and equipped to actualize this goal over the medium term. New libraries will be constructed in identified sub-counties with the establishment of a mobile component to complement existing facilities.

Cemeteries, Crematorium and Corona Services

75. Currently, there exists an acute shortage of cemetery facilities due to inadequate land available for this important facility. The City's main cemetery ground at Langata is constrained and there is urgent need for developing a new facility. The government targets to acquire 200 acres of land towards developing this facility.

76. The Government is committed to expanding, modernizing and improving the quality of services offered at the City mortuary. Installation of ...capacity cold rooms at Pumwani

Maternity hospital is a great stride in restoring dignity to those who succumb to ailments during treatment.

3.2 Physical infrastructure and services

77. In order to ensure sustained economic transformation, and a competitive City economy, the government will accelerate the pace for investment in Road network expansion and maintenance, street lighting, energy, expansion of non-motorized transport facilities and traffic decongestion.

Road Network Rehabilitation & Expansion

78. Considerable progress has been made in the implementation of road rehabilitation and construction programme and a number of key projects have been completed. Over the medium term, the strategy is to develop the road transport in order to have an effective, efficient and secure road network, step up road transport safety and regulation through developing and implementing road transport policies for an efficient and safe transport system.

79. In this regard, the target for the medium term is to maintain 550Kms of Roads across the county on required basis. This will involve patching, sealing, filing ruts, cracks and depressions and rectifying defects arising from use.

Traffic Management and Decongestion

80. The current road network coupled with the state of traffic management systems are inadequate to meet the current and future demands as envisaged in the Kenya Vision 2030 blue print. The deterioration of traffic conditions can be explained by the rapid increase in the number of private cars, lack of an efficient Rapid mass public transport system, poor enforcement of traffic regulations and lack of discipline on motorists and other road users.

81. In the medium term, the target is to roll out a traffic simulation system, implement and expand signalized junctions, develop an Intelligent Transport System for the City, construct and commission commuter rail and operationalize a Rapid Public mass Transport System for the City.

Non-Motorized Transport

82. Non-Motorized transport facilities serve a significant proportion of the population and constitute a major mode of transport in the City. Over the recent years, investment in these critical facilities has not matched the demand. Over and above targeted expansion of identified NMT facilities, maintenance of the existing 5000 M NMT infrastructure will remain a top priority in the transport sub-sector. Street lighting programme will be enhanced in 2019/20 to build on the gains achieved in 2017/18 where 39,000 number of lights and 20,800 street lights maintained. In this regard, the Government is keen on developing and rolling out a green building promotion programme in order to diversify into other eco-friendly energy sources, promote the adoption of more efficient energy infrastructure such as LED lights and implementation of a maintenance programme for energy infrastructure.

Drainage Infrastructure

83. A well-functioning drainage system is a major safeguard for road infrastructure, property and lives of people during flash floods which have become more regular and heavier in impact over the last few years.

84. In this regard, the government will invest in maintenance of storm water drainage through regular cleaning and replacing damaged parts. Installation of storm water drains in the CBD. Additionally, missing manholes will be fitted alongside drainage improvement in identified roads across the County.

Water & Sewerage Infrastructure

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

water, development of the Northern collector and rehabilitation of the cleansing depot remain a priority for the water sub-sector.

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

Waste Management

87. The Nairobi City County generates an estimated 2000 tons of refuse daily with 68% of this being domestic waste. The County government is committed to proper waste management to ensure the city is clean. A number of strategies will be employed to effectively deal with solid Waste. This includes further investment in SWD infrastructure, creating additional landfills, enhancing the capacity for timely collection and disposal of wastes. Behavioral change programmes for the resident in order to inculcate the 4Rs plan will be key in addressing the waste management sustainably.

3.3 Economic empowerment

Empowering Youth, Women and Persons with Disabilities

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

Trade and industry, Cooperative and Enterprise development

89. The government recognizes the important role played by Trade and Industry in employment creation, income generation for households and thus boosting improvement of quality of life to the people. It is also an important catalyst to economic development. In further development of

this sector, the government will inject resources for development of well planned, regulated and maintained trading facilities and enforcement of relevant legislation.

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

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

The cooperative development policy and registration will be relooked at with a view to achieving an optimal modus operandi that will catalyze growth in this sub-sector.

Tourism & wildlife

92. The Government seeks to establish a world class and well developed modern tourism facilities with a comprehensive and enabling tourism policy. Towards this end, investments will be made in development of adequate modern tourism infrastructure which efficiently supports tourists to visit tourist hotspots. Complementary County branding and marketing as an internationally recognized tourist destination will be undertaken.

Agriculture, Livestock, Fisheries

93. The government recognizes the enormous potential in urban agriculture for socio-economic transformation of communities. Harnessing this potential is key in supplementing the national agenda towards achieving food and nutrition security. The food and agriculture sector have prioritized food security, nutritional status and food safety as the key outcome in the medium term.

94. The strategy for the medium term is to mainstream urban agriculture into the urban planning process, review County Acts and policies for food safety and enhance zoonotic control.

95. The target for fisheries in the medium term is to increase fish production to meet at least 50% of the local demand for fish. In this regard, aquariums will be constructed, fish ponds and coordination of fish production enhanced as well as investing in market infrastructure. A review of policies governing this sub sector will be undertaken.

3.4 Enablers to achieve the medium term objectives

96. In order to achieve the broad development objectives, good governance and stakeholder participation, financial sustainability, safety and security and prudent spatial planning must be promoted

3.4.1 Governance and Stakeholder Participation

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

Stakeholder Participation

98. The government will upgrade the communication protocol for internal and external stakeholders so as to achieve full participation of all stakeholders in governance, development planning, resource allocation, service delivery and monitoring and Evaluation. In realization of the objects of devolution, already considerable gains have been made through activation of seventeen (17) Sub-County and eighty five (85) ward services. The government will be rolling out an elaborate communication plan as a component of the draft Public Participation policy that seeks to roll out implementation of The Nairobi City County Public Participation Act, 2015.

Further, the government will allocate adequate resources for public participation in all the sectors in the County.

Enabling Legislation

99. The essence of devolution is to bring an administration, and provision of services closer to the public. Devolution is still being entrenched to the lowest level of administration, the goal being achieving full devolution, and proper decentralization in the medium term, it is important for relevant instruments of governance to be legislated on in order to fill existing gaps in the legal framework for effective delivery of the mandate of the County government.

The government will be working towards reviewing relevant laws especially in Food and Agriculture, Property Rating and Valuation, Revenue laws, Education, Security and Disaster Management in order to align them to thematic mandates of relevant sectors.

Corruption Eradication

100. Corruption in all its forms must be eradicated from all arms of our institution in order for all to obtain high quality of service and equitable socio-economic development. The government has recently concluded government functional reorganization that was partly meant to cut existing cartel networks in order to improve service delivery and employee productivity.

101. The government has resolved fully implemented the Internet Banking (I/B) protocol as a component of the Integrated Financial Management Information System (IFMIS) in all its financial transactions. This is expected to promote controlled expenditure, eliminate cheque chasing by suppliers while promoting transparency and accountability. Inadequate resources continue to undermine the realization of outcomes in this performance area.

3.4.2 Financial Sustainability and prudent management of public resources

102. In line with Article 226 of the Constitution of Kenya and the Public Finance Management Act 2012, the Government is committed to ensure sound long-term financial principles.

Revenue Management

103. Challenges continue to hamper full realization of Internal revenue targets towards financing the budget with a fiscal gap ranging between 20-25% between 2013/14-, 2016/17 with the worst performance of internal revenues achieving only 58.7% of the revised targets for the financial year 2017/18 turning into a deficit of 21% as a proportion of total projected revenues.

104. These below par outcomes are attributed to overreliance on automation without a corresponding effort in innovation, a weak and opaque revenue collection systems, non-optimal collection in major revenue streams particularly in Rates and Parking, leakages in the system due to inadequate internal controls and undercharging in some areas.

105. In this regard, the government will accelerate the pace of integration of revenue management systems through an ERP system, innovation of creative enforcement models for rapid growth of own source revenue. Conclusion of the ongoing revenue census, revenue enhancement strategy and update of the GIS based land valuation roll are expected to turn around revenue fortunes in the county fundamentally.

106. Introduction of an agency model in revenue collection is a key innovation for enhancing the Government grip on Payers while creating thousands of jobs for its people.

Debt management

107. By mid-2019/2020, the county debt stood at Ksh. 76.5 B. This debt has been accumulated over time, a situation that is worsened by rapidly accruing interests and penalties. The county has made strides towards resolving the debt issue with debt audit already done. The county further, in the first two quarters of FY 2019/2020, paid Ksh. 1.1 B to contractors and suppliers, Ksh. 3B to KRA, and proposed to set aside Ksh 3.5B through the supplementary budget. To cushion the county from further debt, statutory deduction will be duly and timely remitted, debt renegotiations will be undertaken, and considerable resources will be set aside for debt resolution in the medium term.

Expenditure and Cost Management

108. 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 2019/20 to guarantee value for money in each expenditure. Non priority expenditure will be minimized so as to free more resources towards critical service delivery and development areas.

Integrated Planning, Monitoring and Evaluation

109. Implementation of the Monitoring & Evaluation framework provided in the County Integrated Development Plan (CIDP) 2018-2022 will be strengthened in order to improve on development budget absorption and guarantee feasible returns on capital investment.

110. In the medium term, the County treasury is committed to enhancing budgetary resources towards Economic Planning in order to facilitate timely production and dissemination of development plans, research, production and dissemination of County statistics as well as regular monitoring and Evaluation. Emphasis will be put in impact studies on core poverty alleviation, population and social sector investment outcomes.

111. Additionally, 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 facing Nairobians receive funding.

Resource allocation and Absorption

112. 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.

113. this regard, the Government is committed towards a realistic, balanced and pro-growth budget that is in perfect consonance with the fiscal responsibility principles. This includes

sustaining the wage bill at current levels with prospects of a decline due to exit, exercising restraint from non-core borrowing while allocating resources towards debt resolution and accelerating resource allocation for programmes geared towards addressing development in low income areas.

114. Expanding resource outlay through Public Private Partnerships particularly for high return programmes in Health, Housing and Infrastructure will particularly be leveraged on. Particularly Urban Renewal programmes that have been ongoing are expected to yield first fruits this year.

Asset Management

115. Finalization of the draft policy on Asset management remains behind schedule. This predicament continues exposing the County to the risk of losing its assets. The Government will fast track the operationalization of the county Asset management Policy in order to address the inherited state where no framework existed for taking stock and updating the Asset register. This has led to many county properties finding their way into private hands. These assets include land and buildings. We are committed to setting up a functional central asset and risk management registry.

3..4.3 Institutional Transformation

116. Gains of the ongoing culture change programme will be built on in order to ensure that the County Government has put in place systems to ensure that the entire organization shifts gear from the grim image of the defunct City Council.

Organizational structure

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

Capacity Building

118. Implementation of Capacity Assessment and Rationalization Programme (CARPS) report recommendations remain a priority for the Public Service Management.The misalignment of skills, personnel deployment as well as lack of adequate succession planning has led to overstaffing in some of the lower levels as well as misplacement of skills in some key positions. The Government has initiated a number of programmes for capacity building for staff.

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

Performance Management

120. The County has embraced the results based Approach in all its operations. In furtherance of this practice sector performance targets have been agreed upon, RRI teams constituted and the practice of Monitoring & Evaluation across all departments.

3.4.4 Safety, Disaster preparedness and Environment Conservation

Safety and Security

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

Disaster Management

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

Emergency services

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

Traffic Management & Parking Control

124. During the medium term, the Government is committed to up scaling Traffic management reforms initiated in the last one year so as to achieve an efficient traffic management system. A programme to sensitize all traffic users on compliance to traffic rules and embracing traffic courtesy will be rolled out in the county. Development of adequate infrastructure for buses and matatus will be undertaken to cut down on obstruction. BRT lanes have already been established in major roads of the City. Recently, the City won funding to a tune of Ksh 152 Million for disaster management support from a UK based institution aimed at supporting the County develop policies and plans for better preparedness and coordination of disaster response.

Environmental management and Climate Change

125. The government is committed to confronting the realities of climate change through adoption of technologies for climate change mitigation and resilience, human resource development and partnership with academia and other research institutions.

Forestry

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

Natural resources

127. Government is committed to ensuring that natural resource endowments in the county are sustainably exploited for the maximum benefits of both the current and future generations. In this regard, control measures will be institutionalized in the management of quarrying and water resources in the County

3.4.5 Spatial and Urban Planning

127. The Government seeks to achieve a well regulated and integrated urban development which ensures an inclusive City that is responsive to both the needs of the present and future generations. Towards this end, resources will be availed in developing an integrated urban development Plan, controlled development, enforcing development code, pursue regularization programme for past developments and establishment of a robust physical address system.

Land Valuation and Property Management

128. The Government seeks to modernize its land management registry through adoption and implementation of a GIS based valuation system. This will ensure that all properties are frequently updated in the central land registry. Towards this end, investment in attainment of a valuation and rating system backed by an effective IT system is paramount. A harmonized land and property zoning system and a secure registration and survey system will be operationalized.

CHAPTER 4: BUDGET PRIORITIES FOR FY 2020/2021 SECTOR CEILINGS

4.0 Introduction

129. This chapter outlines; the County's guiding policy on expenditure, the resource envelope, and the expenditure and revenue projections. It also includes the key priorities for the sectors for the FY 2020/2021 and Ward Development Programme.

4.1 Guiding Philosophy

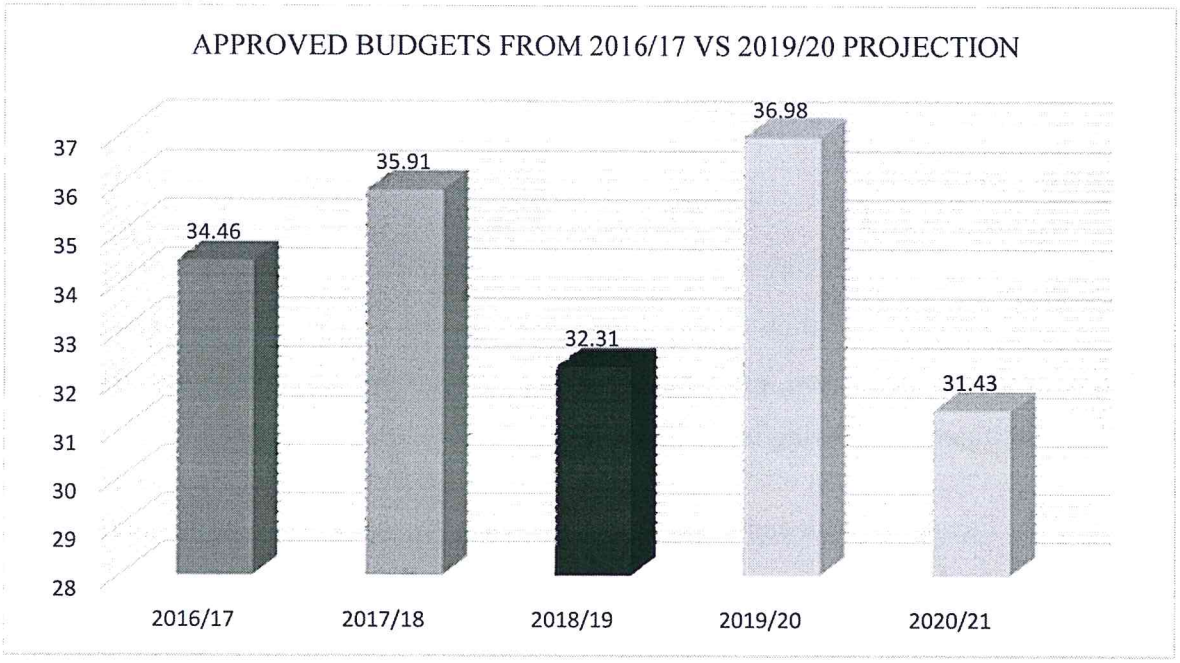
130. This paper aims at refocusing the medium term development to achieve a prosperous and sustainable future. To achieve this, financial discipline will be sought, as a panacea to the ever persistent cash flow challenges, growing debt, inconsistent development, and development disparities orchestrated by growing inequality.

Cognizant of the transfer of four functions (Health services, transport, Public works utilities and ancilliary services and government planning and development) to the national government as per gazette notice number 1609 of 25th February 2020, this paper acknowledges the imminent operational changes before the onset of FY 2020/21. It's however expected that transitional mechanisms towards achievement of the transfer will have been completed, and implementation of the priorities idenfied herein actualized.

4.2 Resource Envelope

131. During the FY 2019/2020, the county approved a budget of Ksh. 36.981 B, a 14.5% increase from the Ksh 32.31 Billion approved in 2018/2019. This was the highest budget compared to the previous years which saw a budget of Ksh. 34.46 Billion approved for FY 2016/17, Ksh. 35.91B in 2017/18 and Ksh. 32.31B in 2018/19. In all the previous years, however, the revenue raised did not match up to expectation, and these shortfalls largely impeded full actualization of the budget objectives. To avoid this recurrent challenge the County treasury proposes a reduced budget of Ksh. 31.43 Billion in the FY 2020/2021. To achieve the medium term objectives set in the CIDP 2018-2022, optimal utilization of resources, fiscal discipline and reduction of non-essential expenditure is advised.

Fig 4.1 Previous Approved Budgets Vs 2020/21 Projection

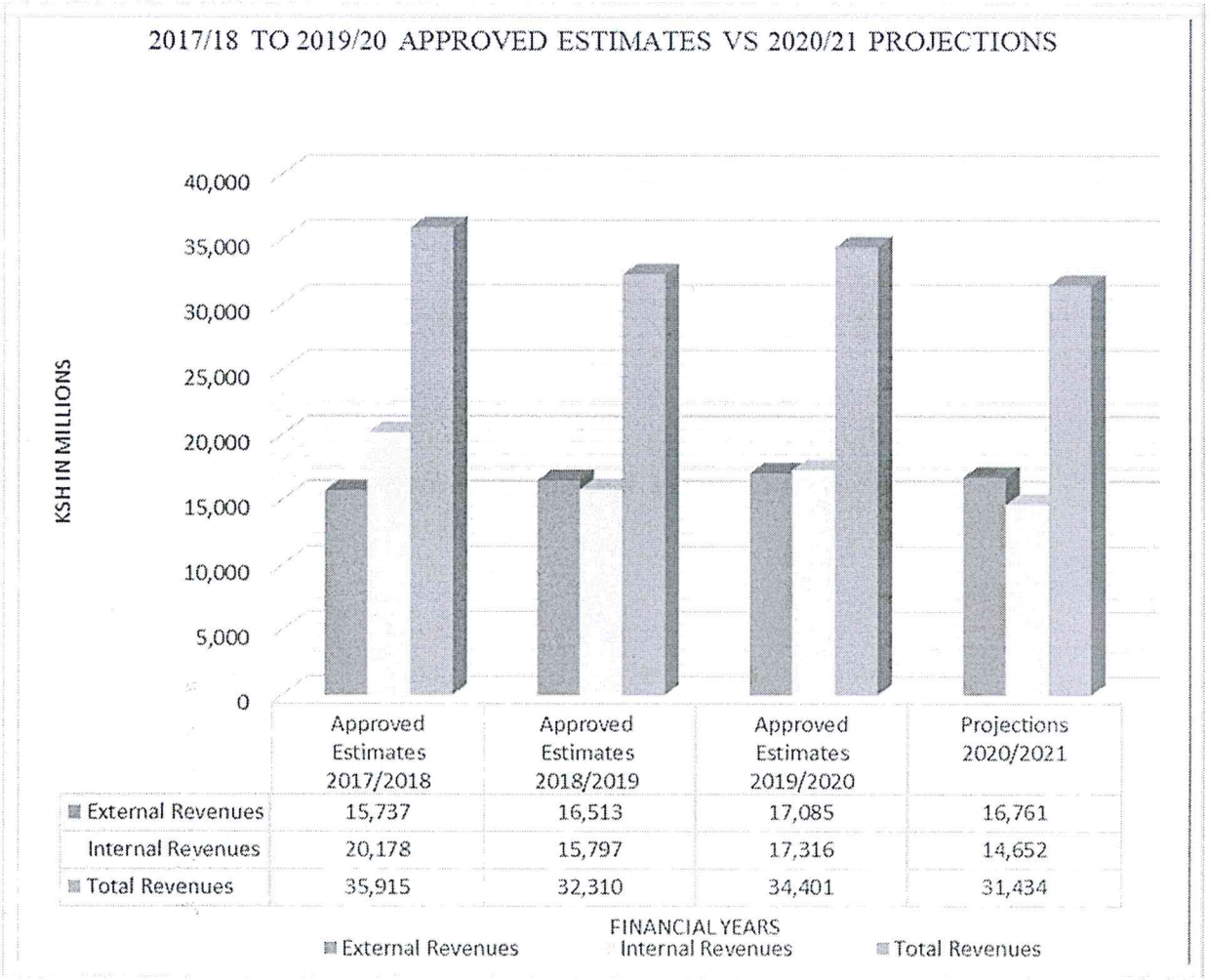


132. The 2020/21 budget will see a 15% decrease from the preceding approved budget, which is also a 2.7% reduction from the 2018/19 approved budget. The low budget is recommended, in an effort to ensure a balanced budget and to reconcile expenditure to the dwindling revenues.

4.3 Revenue Projections

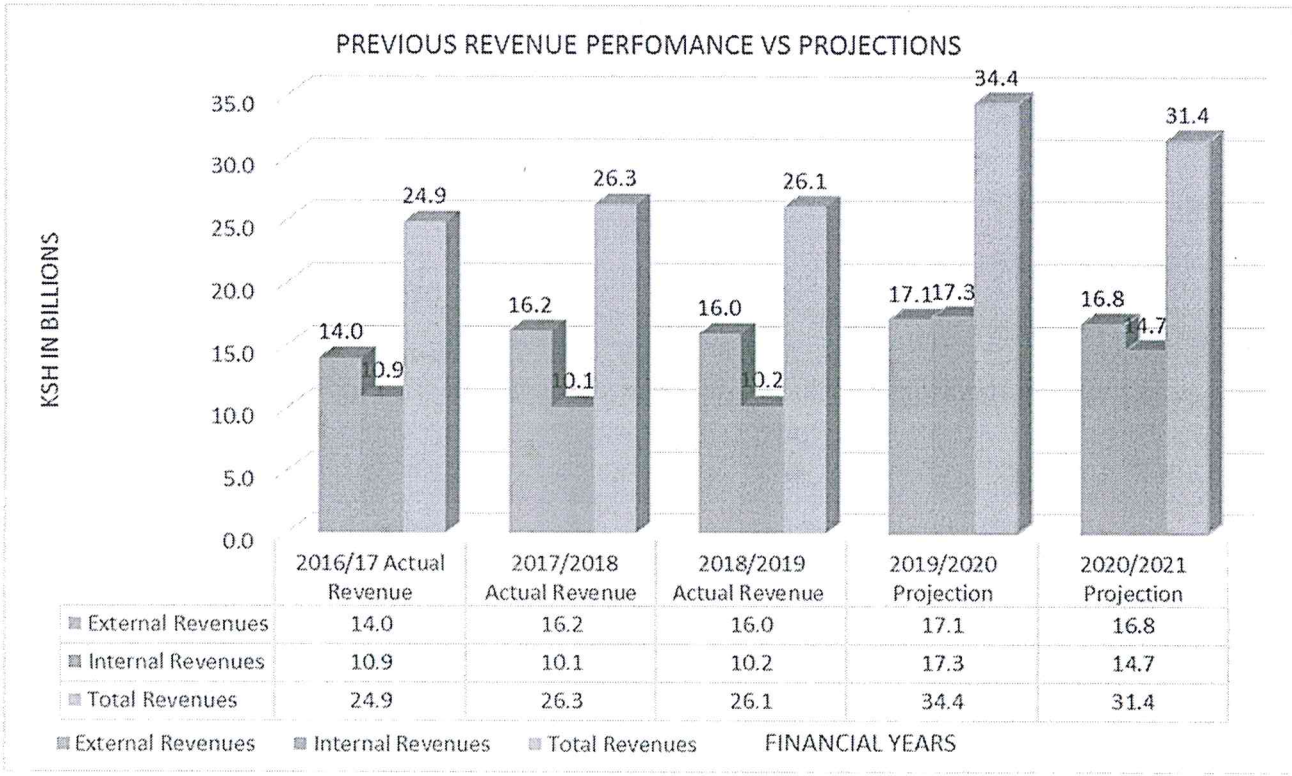
133. The revenue growth has been lackluster over the years, a situation anticipated to persist in the medium term. The projected revenue for 2020/21 will consequently shift marginally compared to the preceding one as shown below.

Fig 4.2: 2017/18, 2018/19 Approved Estimates Vs 2020/21 Projection

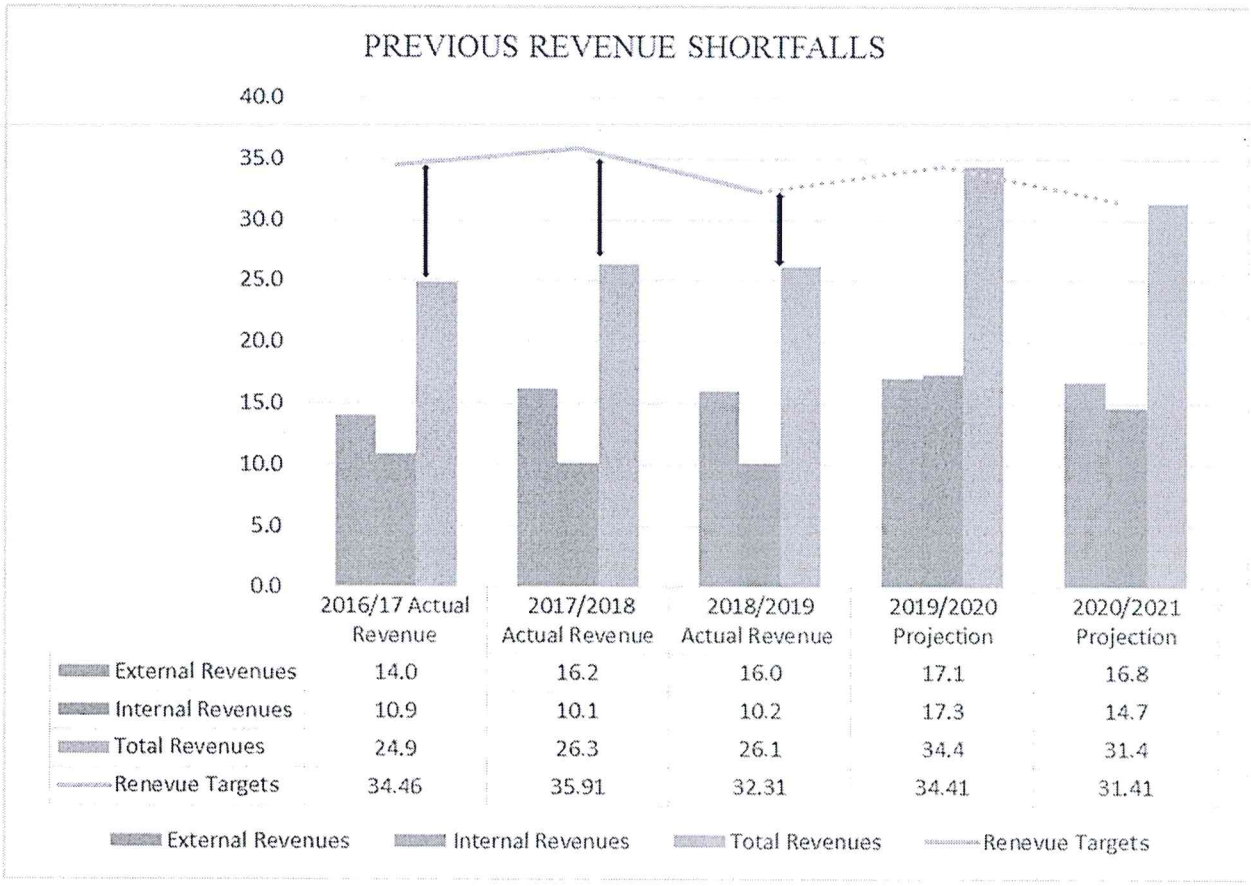


134. The projections depict an 8.6% decrease in revenue compared to the approved estimates for FY 2019/2020. Revenue performance has consistently fallen below the set targets in the previous years.

Fig. 4.3: 2020/2021 Projections versus Previous Revenue Performance



135. The 2020/21 projection of Ksh. 31.4 B will be a 20.3% increment from the final accounts of FY 2018/2019, where Ksh 26.1 B was actualized. This will require robust resource mobilization measures, coupled with innovative revenue raising approaches, and thorough enforcement, to be able to meet the target.

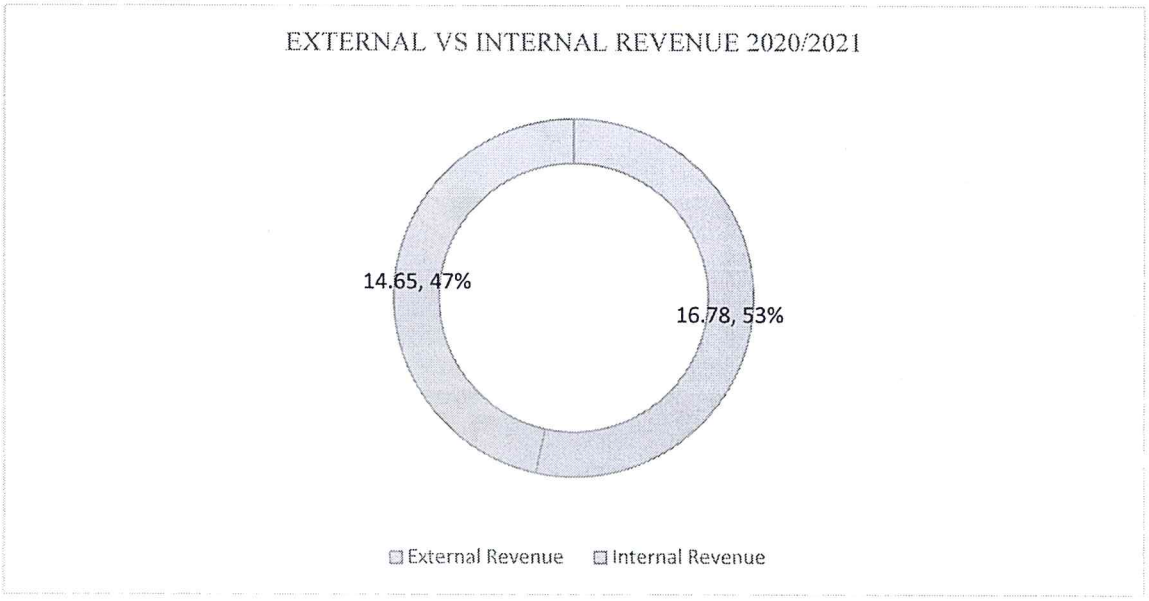


136. The revenue targets have characteristically remained high, with a notable deficit being experienced since the start of county government. Over the years, the deficit was Ksh. 9.56 B, Ksh 9.61 B, and Ksh 6.21 B in the financial years 2016/17, 2017/18 and 2018/19 respectively. This translated into severe cash flow crunches and accumulation of pending bills over time.

4.4 Revenue composition

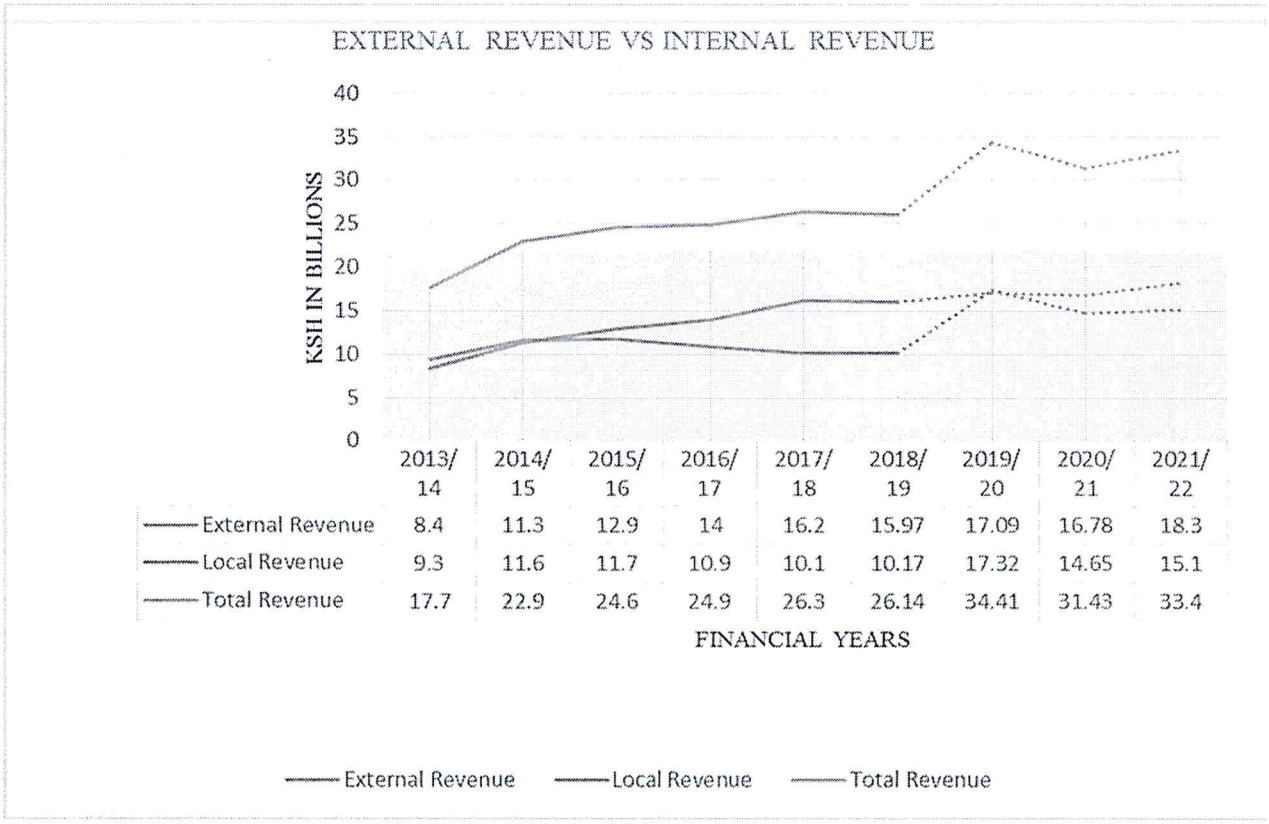
137. The county budget is funded by revenue from two main sources; Internal and external sources. Debt may be used to finance any budget deficit, although it may only be sought to finance development as stipulated by the PFMA 2012. The county endeavors to ensure a balanced budget in the medium term hence exchequer from the national government and local revenue remain the key and only financing options. In the FY 2019/20, the projected external revenue will outstrip the revenue generated internally.

Figure 4.4: Sources of Revenue for FY 2020/21



138. It is projected that internal revenue will constitute 47% of total revenue, while external revenue generate approximately 53% as shown in figure above. Historically, the contribution of internal revenue was higher in the first two years of inception of the county, but this changed with external revenue being predominantly higher in all the other years. This state will persist in the medium term, but a total reversal will be sought after in the long term to ensure financial predictability and sustainability.

Fig. 4.5: External Revenue Vs Internal Revenue



139. Local revenue was above external revenue in FY 2013/14 and 2014/15, but the situation reversed from the FY 2016/17 where there was a huge dip in local revenue, with an even bigger dip in 2017/18. Projections show that the local revenue will be persistently lower than external revenue in the medium term. It is important to appreciate the significance of the role played by predictability of the huge external revenues, but at the same breadth illuminate that a boost in internal revenue to match the same level of confidence will be a panacea to the perpetual cash flow crunches.

Internal Revenue

140. Local revenue streams have been underperforming over the years, missing the set targets by a big margin. This results to a shortfall in budget financing hence frequent cash flow challenges, and amassing of pending bills. The top five revenue streams (rates, parking fees, single business

permits, building permits and billboards & adverts), have not been able to meet the set targets over the years (except billboards and outdoor advertisement in 2013/14 at 133%).

Table 4.1: Performance of revenue streams 2014/15 – 2018/19

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

141. The best performance of internal revenue was in 2014/15 at 85% while the lowest was in 2016/17 at 56% of the set target. In absolute figures, the highest internal revenue collected since 2013 was 11.7Billion in FY 2015/16.

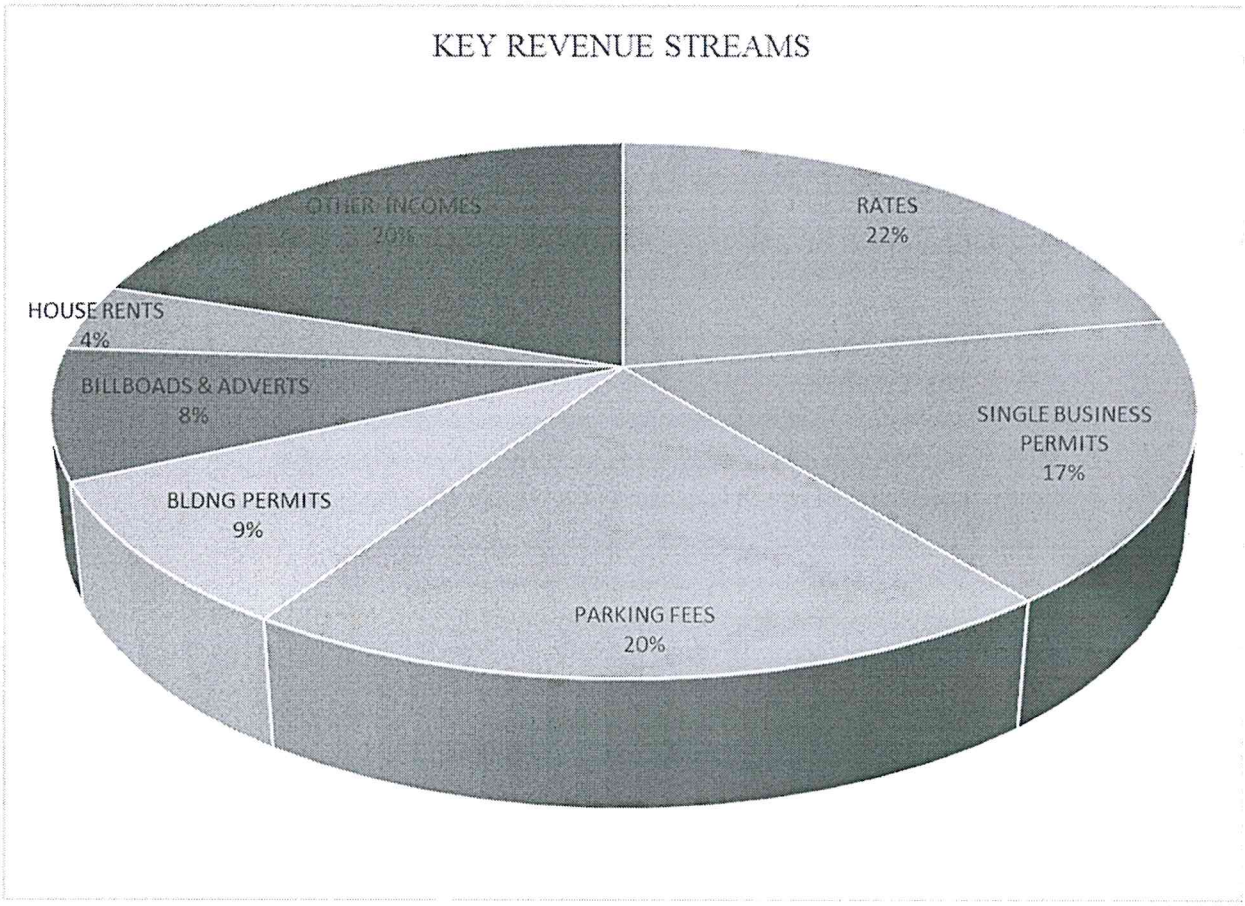
Mid-year internal revenue performance 2019/20

2017/18			2018/19			2019/20		
Actual Revenue	Annual target	% Performance	Actual Revenue	Annual target	% Performance	Actual Revenue	Annual target	% Performance
3.11	19.766	15.73	3.732	15.21	24.5	3.02	17.32	17.41

142. The half year internal revenue performance for 2019/2020 is the worst compared to the last two preceding years 2016/17 and 2017/2018 (In absolute terms). This is not very promising in achieving the set revenue target. Half year achievements of internal revenue stood at 17.41% of

the annual approved targets in 2018/19, a reduction compared to the previous year which stood at 24.5% in 2018/2019.

143. The internal revenue targets for FY 2020/21 is reduced by 15.4% to Ksh 14.65 Billion compared to Ksh 17.32 B approved for the FY 2018/19. The key internal revenue sources are shown in the figure below;



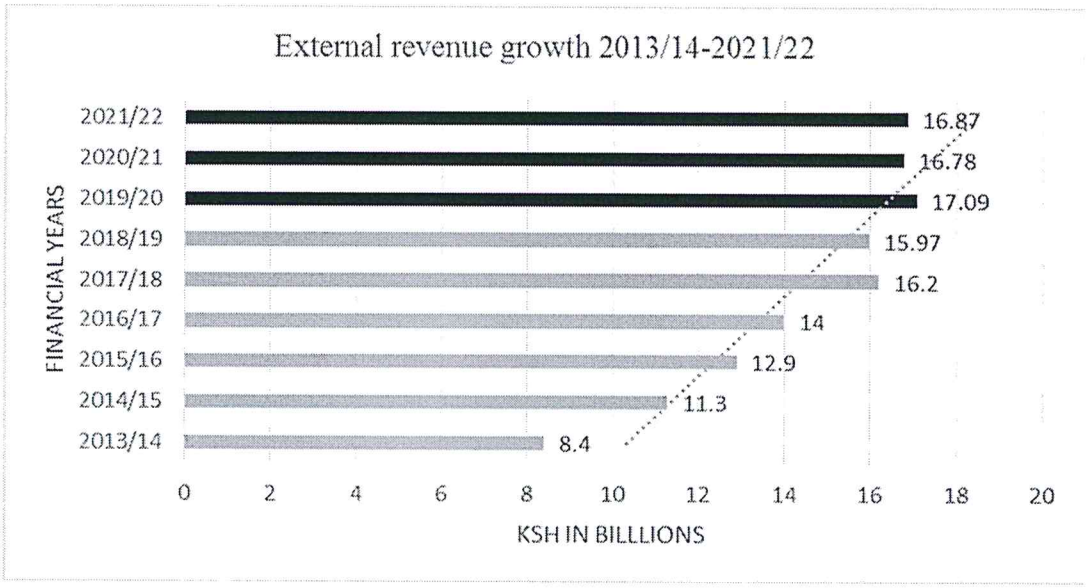
External Revenue

144. External revenue has been a major component of the county revenue, and will constitute 53% of the projected 2020/21 budget. The external sources are projected to be Ksh. 16.782 Billion, comprised of Ksh 16.5 Billion equitable share, and Ksh 764 Million **Conditional grants;** including leasing of medical equipment, compensation for user fees forgone,

rehabilitation of village polytechnics and road maintenance levy. This portrays a 1.8% reduction of external revenue compared to the 2010/20 estimates.

145. External revenue growth has been resilient since 2013, and this is expected to persist, and even improve in the medium term (Figures 4.6 and 4.7), with the proposed new formula of revenue allocation.

Fig. 4.6: External Revenue Growth



146. Its notable, however, that the growth of transfers to Nairobi County is not commensurate to the growth of resources shared nationally, a demeanor that disadvantages the county which drives the local and regional economies.

4.5 Conditional Allocations and other Grants

1. Roads Maintenance and Fuel Levy fund

147. The allocation under RMLF will be Ksh. 475 Million, a 5.1% increase from the previous allocation.

Conditions

i. This funding must be included in the budget estimate of the County government.
ii. Work plans must be prepared and shared with the state department of infrastructure with copies to the national treasury.
iii. The allocation must be used for the maintenance of the County roads
iv. County government must provide a report/proof that funds were used to maintain County roads

2. Health Sector Support Fund

148. The health sector support funds are mainly Compensation for user fees forgone and Sector Support Project Allocation from DANIDA. Allocation towards health in FY 2018/19 will be a minimum of 21% of total budget to ensure that the sector benefit from donor funding.

The Conditions are:

i. This funding must be included in the budget estimate of the County government
ii. The allocation must be used to supplement financing of the health care facilities in the County government
iii. County government must provide a report/proof that funds were used to finance County health care facilities
iv. Work plans must be prepared and shared with the ministry of health

Compensation for user fees forgone

150. It is the intention of government to sustain the policy of not charging user fees in public health facilities. The County is allocated a conditional allocation for this category at Ksh. 79 Million. Health is expected to benefit with Ksh. 47 Million for DANIDA

3. Rehabilitation of village polytechnics

151. This allocation is for the improvement of learning conditions in polytechnics. The county has been allocated Ksh. 16 M to achieve this.

4.6 Expenditure Review and 2020/2021 Projection

152. 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.

153. The approved budget for financial year 2018/19 was Ksh 32.31 B, which was revised to Ksh. 33.457 B. Total collection amounted to Ksh 26.1 B. This underperformance was largely due to the underperformance of Own Source Revenues (OSR) which only achieved 65.6% of the Ksh. 15.497 B. The shortfall of internal revenues by over 34% had a significant impact on the cash flows and therefore the absorption of the overall budget. Total expenditures on commitment basis amounted to Ksh 26.5 B against a target of Ksh 33.45 billion reflecting an overall absorption rate of 79.2% of the total. The under absorption was recorded in both recurrent and development expenditures but was more prevalent in development. Out of the total expenditure recurrent expenditures accounted for Ksh 18.96 billion (or 75.5% of the total targeted expenditure), 8.7% (Ksh. 2.19B) for debt resolution, and 15.8% was utilized for development.

Table: 2018/19 budget absorption Vs 2020/21 Projection

	2018/19		2019/20	2020/21
ITEM	**Approved**	**Actuals**	**Approved Budget**	**Projections**
COUNTY ASSEMBLY	**1,422**	**1,393**	**2,940**	**1,980**
Recurrent	1,387	1,365	1,410	1,480
Development	36	28	1,530	500
COUNTY EXECUTIVE	**31,923**	**25,132**	**34,042**	**29,454**
Compensation to employees	13,609	12,899	13,562	13,968
Use of goods and services	7,541	6,064	8,117	6,555
Development expenditures	6,142	3,961	9,158	5,930
Debt resolution (rec & Dev)	4631	2,188	3,204	3,000

	2018/19		2019/20	2020/21
ITEM	**Approved**	**Actuals**	**Approved Budget**	**Projections**
TOTAL	**33,345**	**26,525**	**36,982**	**31,434**

154. Actual expenditure on development expenditure has been experiencing a downward trend, meaning it has suffered most when revenue targets are unmet.

155. Development Expenditure for the FY 2020/2021 is projected to be Ksh. 6.43 B, 20.5% of the entire budget. The county will strive to improve revenue generations and achieve 30% allocation towards development in the medium term.

156. To improve budget absorption and fiscal discipline in 2020/21, the county treasury will issue guidelines on commitments and expenditure control. This will synchronize quarterly cash flow projections with sector expenditure expectations. Financial commitments towards the end of the financial year will be highly discouraged.

Recurrent Expenditure

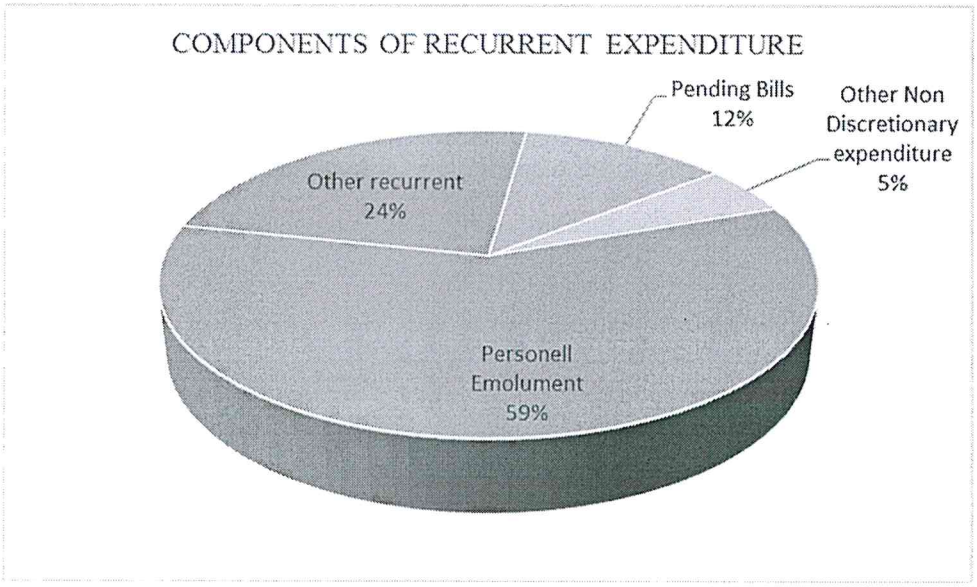
157. The key recurrent expenditure items include: Personnel Emoluments; Operation and Maintenance; Debt repayment and Emergency fund. Personnel costs constitutes the largest portion of recurrent expenditure. In the medium term, reduction of the wage bill remains a priority, for sustainability purposes

158. Non-discretionary recurrent expenditure is given priority and receives the first share before resources are allocated for other use. In FY 2020/21, the non-discretionary expenditure will be composed of; salaries and wages (14.7 B), medical and general insurance (900M), garbage collection contracts (1B), drugs and non-pharmaceuticals (600M), electricity (360M) and bursaries at Ksh 400 Million. Ksh. 350 Million will be set aside for facilitating revenue mobilization. This will ensure all revenue streams are adequately funded.

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

160. The total recurrent cost for the FY 2020/21 is projected at Ksh 25. Billion, a 2.8% reduction from the 2019/20 approved allocation of Ksh 25.71 B. This constitutes Ksh. 14.71 B for employee compensation and Ksh. 7.3 B for operations and maintenance, and Ksh. 3B for pending bills.

Figure 4.11: Recurrent Expenditure by Category for FY 2020/2021



161. Employee Cost will account for 59% of the recurrent cost while other recurrent, pending bills, and other non-discretionary recurrent will consume 24%, 12% and 5% respectively. The Employee cost will consume 46.8% of the total revenue and will surpass own source revenue by Ksh. 57 M.

Emergency Reserve

162. In the year 2020/21, Ksh. 100M is set aside for emergency. This amount is considerably low, given the number of emergencies in the city. To enhance preparedness and response, emergency reserve will be boosted in the medium term.

Debt resolution

163. To continue with the already started process of clearing pending bills, and also to conform to the directives of the national treasury, Ksh 3 Billion will be set aside in 2020/21. The DMSP of 2020/21 is expected to chart a proper path of significantly reducing the pending bills to a sustainable level in the medium term.

Development Expenditure

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

165. Development Expenditure for the FY 2020/2021 is projected to be Ksh. 6.43 B, 20.5% of the entire budget. In an effort to meet the fical responsibility principle of at least 30% allocation towards development in the medium term, and also to reinvigorate infrastructural investment in the county, the pending bills allocation will be channeled towards development oriented expenditure. This being the case, the entire resources channeled towards development in 2020/21 will constitute 30 % of the budget.

4.7 KEY SECTOR PRIORITIES AND CEILINGS FOR FY 2019/20

Transport, Infrastructure & Public Works

166. In FY 2020//21, the sector priority will be to enhance pedestrian safety and connectivity through construction and maintenance of roads and drainage infrastructure. In project implementation, Completion of ongoing road works will be targeted as the key priority, together with maintenance of already completed works. To guide this, a transport and drainage infrastructure development plan, Asset Management System and Road Safety Policy and Strategy will be developed. A storm water drainage master plan and implementation of critical storm water drainage investments and other flood mitigation will be done.

167. Reduction of congestion remains a priority in the medium term, and collaborative efforts with the national government will be sought to achieve this. The sector will also seek to improve traffic flow in the county through construction and maintenance of public transport facilities, NMT facilities, traffic management facilities and parking development. The sector is already doing a transport master plan, which together with the other plans by the national government will improve the transportation system.

168. To facilitate the implementation of the sector priorities for FY 2020/21, the sector will be allocated a total budget of Kshs.4.01 Billion. The recurrent expenditure will take Kshs.1.15 Billion (28% of the sector budget) and the development expenditure will take Ksh. 2.9 Billion (72% of total sector budget).

Health Services

169. Preventive and promotive health services remains the first priority in this sector. To achieve this, the sector will work towards; reducing the HIV/AIDS risk factors, reducing TB and other communicable conditions including malaria, and promote Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH). The sector will also seek to halt and reverse the rising burden of non-communicable conditions through promoting public health services.

170. Curative care is the next priority area that the sector will focus on. Provision of these services will require huge resources which will be utilized to enhance the provision of essential emergency and medical rehabilitative services as well as essential health care medical services. For curative care, the resources will be directed to the purchase of drugs and non-pharmaceuticals, rehabilitation, equipping and fencing of health facilities.

171. To achieve the sector priorities for FY 2020/21, the sector will be allocated a total budget of Ksh. 7.21 Billion. The allocation for recurrent expenditure will be Kshs.6.47 Billion (89.7% of sector budget). This huge recurrent will comprise of Ksh 5.3B for compensation to employees, 600M for drugs and non-pharmaceuticals, and Ksh. 259M for other recurrent expenditure. Development expenditure will be Ksh. 748M (10.3 % of sector allocation).

Trade, Commerce & Industry, Tourism, culture and Cooperatives

172. The strategic objectives of the Sector is to promote trade and investment through; Creating an enabling environment for domestic and international trade and investment; providing adequate business space for traders; promoting compliance with cooperative legislation; improving effectiveness in issuance, control and regulating business licensing; provide effective Legal Metrology and consumer protection; and promoting tourism development within the county.

173. To achieve its strategic objectives in FY 2020/21 the sector will seek to: Promote trade development and market services through construction and rehabilitation of markets, provision of loans and capacity building of MSMEs; Promote licensing and fair trade practices ,and liquor licensing. Trade regulation and promotion by automation of licensing services, establishment of weighing centers, verification of weighing and measuring equipment, calibration of county legal metrology standards and construction of weights and measures laboratory remains medium term targets. Regulation and control of betting, gaming and lotteries will also be promoted during the fiscal year. In addition, the sector will promote co-operative development and management through continuous support and training of cooperative societies.

174. For the FY 2020/21, the sector will be allocated a total budget of Kshs.680 M; Ksh 502M (30.75%) towards recurrent expenditure, and Ksh. 178 M (26.2%) for development.

Education, Youth, Sports, Gender Affairs & Social Services

175. The sector will seek to: provide adequate Educational, Culture, Social and sporting services through infrastructural development; develop bills and policies on E.C.D.E & VTC on education; Improve work environment at ECDE centers through infrastructure development as well as enhance stakeholder's relationship for partnership in infrastructure development. The bursary scheme will be implemented, teaching/learning material for ECDE will be distributed, and teachers trained on new curriculum, to improve access and quality of education. Access to ECDE will be improved through the implementation of free Pre-primary programme.

176. The sector will also promote Community Social Welfare in the County through rescue and rehabilitation of street families and vulnerable children, continued support to home for the aged, and equipping the youths with relevant skills. The sector will also seek to improve collaboration with stake holders for achievement of its mandate

177. Promotion of sports through engagement of communities in sports, theatre and cultural activities to nurture talents will remain a top priority for the sub-sector in FY 2020/21. The sub-sector harness talents by organizing sports tournament and ensuring teams have enough sports gear. Construction of four ultra-modern stadia will be commenced, and rehabilitation of existing stadia will be undertaken. The sub-sector will also undertake: Entrepreneurship and mentorship; organize environmental sustainability and sanitation programs and caring out sensitization on gender mainstreaming; organize empowerment programmes for Youths, Women and PLWD to be able to access 30% value of all procurement at the County.

178. To enhance the implementation of the sector priorities for FY 2020/21, the sector will be allocated a total budget of Ksh. 1.49 Billion. Allocation towards recurrent expenditure will be Ksh.1.39 Billion (93.3% of total sector budget), and allocation towards development expenditure will be Ksh.100 M (6.7% of total sector budget).

Urban Planning, Housing and Lands

179. For the FY 2020/21, the sector will seek to: Provide decent, affordable and adequate housing to Nairobi residents while enhancing socio – economic empowerment by implementing the programme of urban renewal. The county intends to construct 100,000 housing units in the medium term, with a target of 10,000 units in 2019/2020. This will also be in line the big four agenda of the national government.

180. To ensure spatial order in the county, urban planning department will develop and implement development control policies and guidelines, prepare integrated area plans, prepare SEA related plans to embed environmental aspects into urban planning, implement the physical address system, implement outdoor advertisement Act and regularise development. Issuance of

occupation certificate, surveillance and audit of buildings for safety will be continuously undertaken.

181. For proper land management, the land sub sector will continuously survey county properties, allotted properties and properties in site and service scheme. Security of tenure will be promoted by regularization of county lands and land buying companies. The sector will also seek to expand the GIS database and implement the valuation roll.

182. To enhance the implementation of Urban Planning and Lands priorities for FY 2020/21, the sub-sector will be allocated a total budget of Ksh.440 M; recurrent expenditure will take Kshs.420M (95.5 % of total sector budget) and the development expenditure will take Ksh. 20 M (4.5 % of total sector allocation).

183. To enable Urban Renewal and Housing sector to effectively ensure continuous maintenance of the existing estates, and to follow up on the implementation of the urban renewal programme, a total budget of Ksh. 190 M will be allocated, consisting of Ksh. 140 M (73.7 % of total sector budget) for recurrent expenditure and 50 M (26.3 % of total sector allocation) for development expenditure

Environment, Energy, Water & Sanitation

184. This sector's priorities in FY 2020/21 remains: improvement of solid waste management through provision of efficient waste management services; from source to site, through implementation of Integrated Solid Waste Management Plan (ISWMP). The sector will strategize on efficient waste collection and transportation, waste recycling, and improve the status of waste disposal sites, and educate the public on waste management. Further, the youth empowerment programme will be implemented to empower youth economically through solid waste management; enforcement of environmental laws enhanced, and waste to energy initiative launched.

185. To enhance the aesthetic appeal of the City, landscaping and civil works for beautification and greening will also be done. Measures to reduce pollution will also be undertaken through

procurement of necessary tools for monitoring and surveillance. Partnership with other stakeholders towards this end will be sought.

186. The water subsector in FY 2020/21 will seek to conserve and protect water resources by: enhancing the regeneration of Nairobi rivers, with emphasis on rehabilitation of the Riparian reserve through reforestation, recovery and protection, removal of solid waste, blocking of illegal discharge into the rivers and development of the Riparian zone policy. To improve access to water and sanitation services the sector will seek to increase water supply in the city by drilling boreholes and extension of water system; and improve sanitation by expanding sewer lines and public toilets especially in informal areas.

187. With regard to the implementation of the sector priorities for FY 2020/21, the sector will be allocated a total budget of Kshs.1.78 Billion. Allocation towards recurrent expenditure will be Ksh.1.63 Billion (91.6 % of total sector budget), comprised of allocations of Ksh. 534 M, Ksh. 1B and Ksh. 100 M for personnel emoluments, garbage collection contracts and other recurrent respectively. Allocation towards development expenditure will be Ksh.150 M, 8.4% of total sector budget.

Agriculture, Livestock & Fisheries Forestry & Natural Resources

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

189. To achieve its overall goal in FY 2020/21, the sector will continue efforts to promote: urban and peri-urban agriculture; agro forestry development; agribusiness development and marketing through development of agribusiness plans and dissemination of market information; conservation and management of natural resources; crop, livestock and fisheries production. Value addition of agricultural products remains a key objective, therefore linkages and collaborations among value chain actors will be created.

190. Further, the sector will: provide agricultural integrated extension services; extermination and baiting of stray dogs; promote food processing technologies through capacity building and support of aqua/agro-industries; and food safety and quality assurance.

191. With regard to this, the sector will be allocated a total budget of Ksh.318 M to achieve its 2020/21 targets. Allocation towards recurrent expenditure will be Ksh.298 M (93.7% of the total sector budget) and that allocation towards development will be Ksh.20 M (6.3%).

Finance & Economic Planning

192. The finance and economic planning sector is charged with the responsibility of ensuring prudent, financial managements of financial resources, formulating fiscal economic and fiscal policies to facilitate socio-economic development, resource mobilization and control of public finance resource. For the sector to achieve its mandate in FY 2020/21, and enable adherence to public financial management principles, the sector will; enhance revenue collection through efficient and effective revenue collection system and increased enforcement and compliance; strengthen policy formulation, planning budgeting and implementation of CIDP and Nairobi City County Strategic Plan 2015-2025; enhance evidence based decision making for socioeconomic development through conducting feasibility studies, economic surveys and development of county statistical data management system; and improve tracking of implementation of development policies, strategies and programmes.

193. For achievement of the above, the sector will; improve work environment and enhance staff mobility, automate asset management, ensure efficient and effective budget formulation and control, ensure financial standards, principles and guidelines are adherence appropriately. reporting decentralize financial and planning services, strategize on debt management, enhance statistical development capacity, engage an integrated revenue management system in revenue collection, and improve project monitoring and evaluation in the county.

194. The sector will be allocated, a total budget of Ksh. 1.95 Billion for FY 2020/21. All this allocation will be channeled towards recurrent expenditure, which is comprised of Ksh 989 M

for personnel emoluments, Ksh. 200 M for general insurance, Ksh 350 M allocation for resource mobilization and Ksh. 326 M for other recurrent expenditure.

ICT, E-Government and Public communication.

195. In the FY 2019/20, the Information, Communication and E-Government sector will develop and adopt ICT policies. The sector will also undertake business re-engineering process to all service delivery areas. Information security will be improved, with installation of an information security application, training staff on information security.

196. Connectivity and access to information will be improved, with LAN/WAN installed at the devolved levels, and introduction of County E-learning Labs. Collaboration with partners will ease the achievement of this initiative.

197. The sector will acquire ICT infrastructure, and plan for other infrastructural requirements which are requisite in the medium term. (ERP, call center, Disaster recovery planning, County e learning lab, information hub, command center).

198. For the implementation of the sector priorities for FY 2020/21, the sector will be allocated a total budget of Ksh. 478 M. Allocation towards recurrent expenditure will be Ksh.208 M (43.5 % of total sub-sector budget) and allocation towards development will be Ksh.270 (56.5% of total sub-sector budget).

Devolution, public service and administration

Administration

199. The administration department will continuously play a coordination role, improve the work environment for improved service delivery, and bolster relations between the county and the national government

Devolution

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

Public Service Management

201. In Management and development of the human resource, Human Resource policy and procedure manuals will be developed and a biometric registration of staff will be set up and identification cards issued. The CARPS report will be implemented to ensure proper matching of skills and qualification to job placement. Digitization of personnel records will be done. In an effort to reduce the wage bill and a transformation of the public service, a voluntary early retirement programme will be launched, Training needs assessment will be done and capacity building/sensitization/training programmes rolled out. Culture change programme will be implemented and an internship programme rolled out to equip students with work related skills. Continuous performance appraisal will be undertaken in an effort to improve employees' productivity.

202. The County Public Service Board will continuously promote best labor practices in recruitment, allocating, motivating and effectively utilizing human resources for improved public service delivery and promote public service integrity. The board will ensure timely posting of appropriate staff to meet sector capacity needs.

203. The internal audit department will provide audit assurance, consulting and advisory services designed to add value and improve Nairobi City County's operations, and risk awareness training will be conducted amongst staff. The county risk register will also be updated.

Security, Compliance and Disaster Management

204. The sub-sector will continuously enforce county laws, provide security services to county properties and installations, investigate crimes, manage disasters and ensure participation in

national parades. The sector will also procure specialized equipment and tools, improve skills and capacity of its staff.

205. To improve fire rescue services, a disaster information and management center will be developed, boreholes will be sunk in fire sub stations to supplement water supply, and fire sub stations will be created to hasten response.

206. To improve inspectorate services, specialized transport and communication equipment will be procured to improve supervision, staff training will be done, and office space provided at the devolved levels.

207. The legal affairs department provides legal service to the county and offers appropriate legal advice towards just county policies. In FY 2020/21, timely dispensation of justice will be a key priority, by decentralization of county courts. Handling of inmates will also be improved by rehabilitation of the holding cells, procurement of prison bus and development of appropriate legislation.

208. The governor's office will be allocated a total budget of Ksh. 5.12 Billion in 2020/21. Allocation towards recurrent expenditure will be Ksh.4.97 Billion (97.1% of total sector budget) and Allocation towards development expenditure will be Ksh.145M (2.9 % of total sector budget)

209. To enhance the implementation of the **Public Service Management & Reforms** priorities for FY 2020/21, a total budget of Kshs.999 M will be utilized as recurrent expenditure. This will be comprised of allocations of Ksh. 274M, Ksh. 650M and Ksh. 75M for personell emoluments, medical insurance and other recurrent expenditure, respectively.

210. The County Public Service Board will be allocated a total budget of Ksh. 73M (93.2%) for the implementation of their sector priorities and service delivery. Ksh. 68 M (6.8%) will be utilized for recurrent expenditure while Ksh. 5M for development.

County Assembly

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

212. The CA will play an important role in scrutinizing reports received from the County Executive, approving County borrowing, ensuring community and stakeholder participation as well as playing an oversight role of the County Executive. The priorities for 2020/21 will be to enhance the legislative process, improve the oversight function, enhance representation role of the MCA, and enhance transparency and accountability in financial planning and reporting

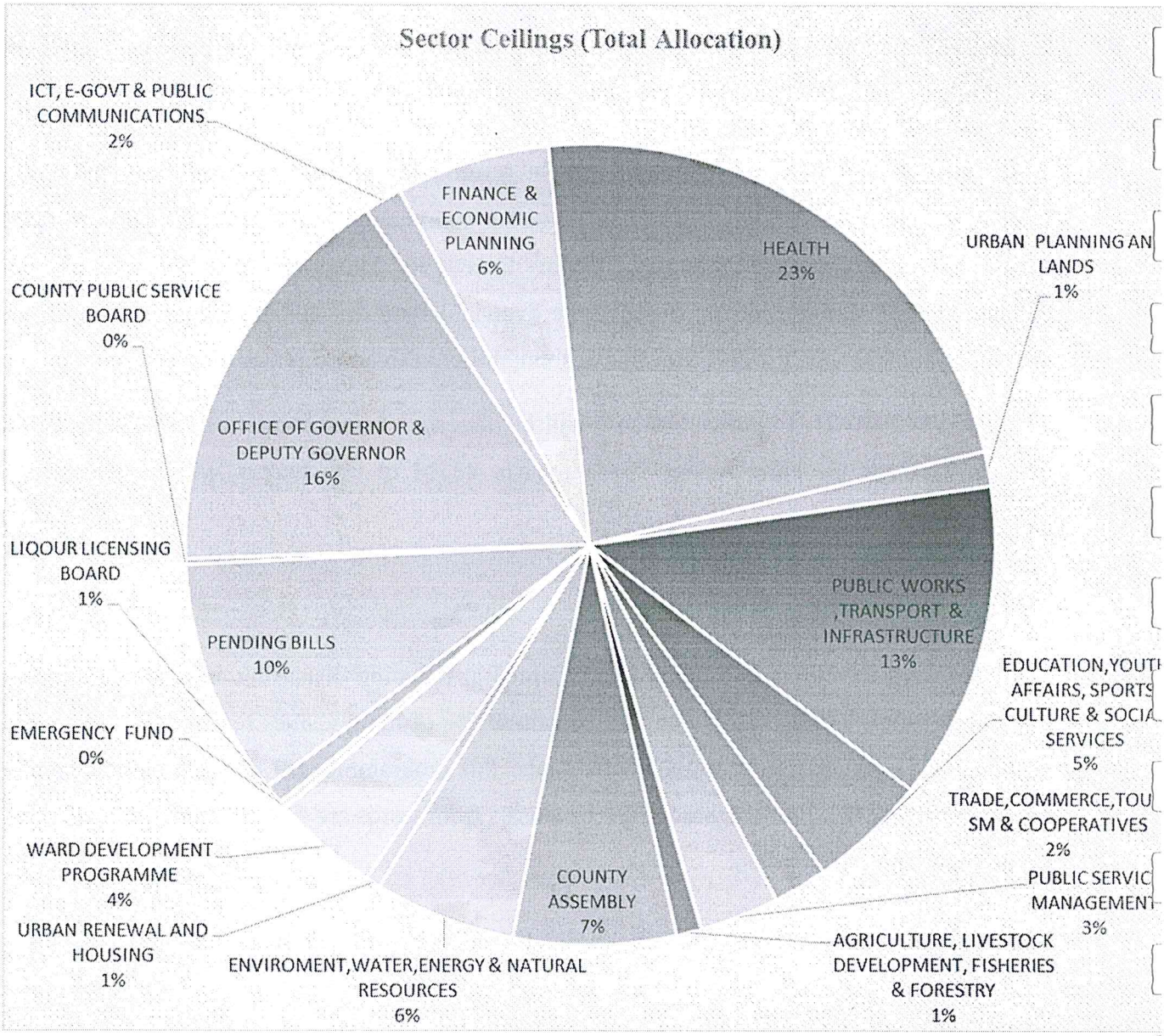
213. For FY 2020/21, County Assembly will be allocated a total budget of Kshs.2.233 Billion. This is 7.1% of the entire county budget. Ksh. 435M of this budget will be allocated for development.

Ward Development Programme

214. The ward development programme is aimed at reducing disparities in resource allocation and development among wards and will constitute 5% of the revenues realized in latest audited accounts. The projects to be implemented under this programme will be ward based depending on the priorities of individual wards. The proposals from wards are development oriented, mostly in infrastructure development.

The total allocation for this programme for the FY 2020/21 will be Ksh.1.33 Billion

Sector Ceilings 2020/2021



CHAPTER FIVE: FISCAL RESPONSIBILITY AND FISCAL RISK

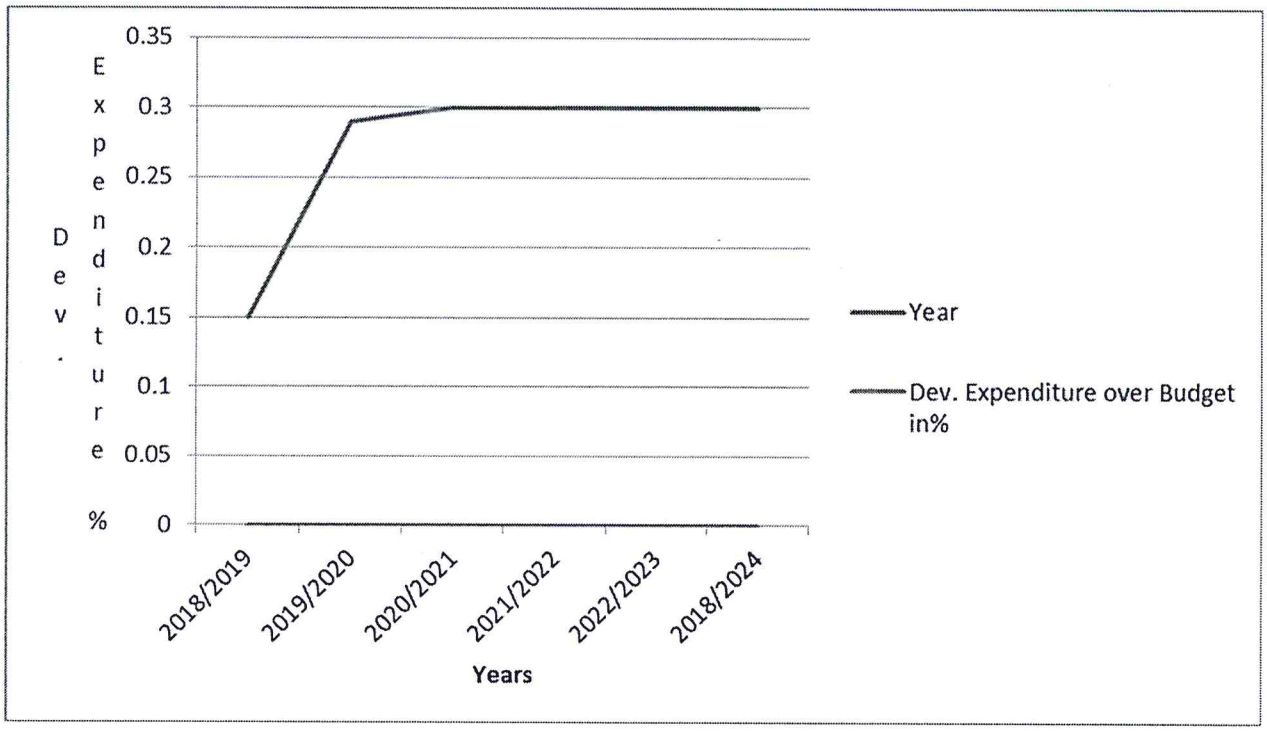
5.1 Fiscal Responsibility Principles

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

216. That the recurrent expenditure shall not exceed the County government's total revenue. In this regard, the county government shall put austerity measures to ensure that recurrent expenditure shall not exceed the total revenue. The county of Nairobi has conformed to this particular principle in the sense that in the fiscal period 2017/2018 total revenue was 26.337 billion while recurrent expenditure was 22.362 billion, For FY 2018/2019 total revenue was Ksh 26.139 while recurrent expenditure was Ksh.20.33B. Projections for 2019/2020, the total revenue will be 33.298 billion while the recurrent expenditure will be 22.31 billion and total revenue will be Ksh. 31.434billion while the recurrent expenditure will be Ksh. 22 billion. In order to sustain this trend the county will enhance revenue collection, motivate employees, reduce the foreign and local travels, reduce non essential recurrent expenditures among other cost cutting measures in general operations.

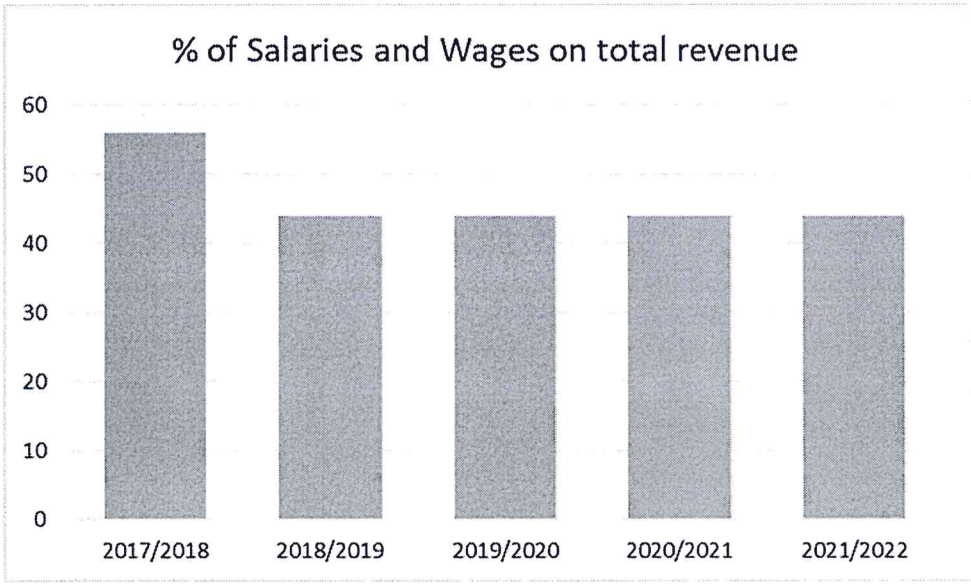
217. That a minimum of thirty percent of the county governments' budget shall be allocated to the development expenditure. The county government will ensure adherence to development to recurrent expenditure ratio of at least 30:70, over the medium term as set out in the PFM Act, 2012, by cutting recurrent expenditure and allocating more to development expenditure. In the year 2019/20 the total budget is projected to be 33.932B out of which 10.244 B will go to development budget which translates to 30.189 % of the total budget. The line graph below shows the projected development expenditure in percentage of the total budget as from 2017/18, 2018/19, 2019/2020; 2020/2021and 2021/2022.These are 8.8%, 33.5%, 33.3%, 33.4% and 33.4% respectively.

Fig: 5.1: Percentage Development Expenditure



218. The County government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly. In regard to this, the county government expenditure on wages and benefits to employees shall not exceed 35% of the county government's total revenue by regulations. This has not been the case for the financial year 2019/2020. The projected salaries and wages will be at 44 % of the total budget. This is attributed to the bloated workforce and delay of early retirement package for aged employees. The following bar graph below shows the percentage trend on projected salaries/wages on total revenue of the county as from 2016/2017 to 2020/2021 respectively. From the bar graph there is a declining trend.

Fig: 5.2: Percentage Salaries and wages



Source: Nairobi county government fiscal projections FY 2017/2018 to 2021/2022

219. The actual salary and wages in 2017/2018 was 56% of total revenue, which dropped to 48.6% in 2018/19. In the approved budget 2019/20, salaries will constitute 36.7% and projected to be 44.4% in the FY 2020/21. The remuneration is expected to remain high in the medium term. This is however expected to narurally diminish after about five years, given the high number of staff nearing retirement.

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

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

222. Adoption of technology. The county will embrace technology to replace some aspects of human labor e.g. using tools and machinery to carry out environmental duties like slashing and maintaining lawn in the county. This will save the county a lot of money which could have been

paid to casual workers. Automation of employees reporting time register is essential for it will curb ghost workers menace hence reducing the wage bill.

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

5.2 FISCAL RISKS

224. Fiscal outturns often differ substantially from budget or other fiscal projections, owing to shocks such as deviations of economic growth from expectations, terms of trade shocks, natural disasters, calls on government guarantees, or unexpected legal claims on the state. In many instances, failure to disclose and prepare for such risks has caused additional Nairobi county government obligations, larger public debts and occasionally refinancing difficulties and crises.
225. Moreover, unexpected spending pressures or revenue losses often require disruptive adhoc adjustments during the fiscal year. Indeed, even in counties where debts and deficits have been reduced, policymakers 'attention is turning toward risks—especially from contingent liabilities and off-balance-sheet items—that may not be fully apparent in "headline" fiscal indicators. To address the challenges posed by fiscal risks, several counties have recently increased their disclosure of such risks, so as to foster fiscal sustainability and to reduce borrowing costs and the likelihood of crises.

226. 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**

227. Absorption capacity for development budget across sectors remained largely low over the period 2013-2018. This is largely attributable to poor conceptualization of programmes, inadequate capacity for technical designs, low liquidity and inefficient costing of projects.

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

2. Shortfall in internal revenue

229. 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.

230. Mitigation measure: In the medium term, the County will undertake measures aimed at expanding the revenue base and increasing tax compliance through integration of technology in revenue collection. Receivables will be targeted as an avenue for raising capital by giving

incentives with an aim of getting payments. Issuance of waivers on penalties will also be considered. Implementation of the new valuation roll, which is in its final stages, will be a huge boost to local revenue, as it aligns the rates to current market values. For the unified business permit it is advisable to separate each revenue charge to lessen the burden on the clients to reduce default.

231. Identified legal gaps will be addressed through proposed legislation particularly for the key revenue streams. The finance bill 2020/21 will be used as an avenue to instill changes to some of the charges.

232. Finally the County will publicize and streamline the use of electronic payment system to ensure effectiveness in revenue collection. Also spending money at source will be discouraged.

3. Fiduciary Risk

234. Risks such as fiduciary risk, development risk and reputation risks are also risk in Nairobi 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.

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

4. Pending debts/bills

236. 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.

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

5.3 Wage bill

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

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

ANNEX I: RESOURCE FRAMEWORK 2020/21

FISCAL FRAMEWORK FY 2020/21- 2022/23								
	2018/2019		2019/20			PROJECTIONS		
	Target	Actual	Budget	CBROP 19	Supp 1 (Prop)	2020/2021	2021/2022	2022/2023
EXTERNAL SOURCES								
Equitable Share	15,794	15,794	15,920	15,920	15,920	16,017	16,117	16,217
Compensation For User Fees Forgone	79	79	79	79	79	79	79	79
Road Maintenance Levy FY 2018/2019			416	416	416			
Road Maintenance Levy FY 2019/2020	416	-	452	452	452	475	452	452
KDSP (Level 1 grant Allocation)	83	-	30	30	30	30	30	30
DANIDA -Grant for Universal Healthcare in Devolved Governments	52	52	47	47	47	47	47	47
Conditional Grants to Development of Youth Polytechnics	35	-	23	23	23	16	23	23
World Bank Loan for Transforming Health System for universal Care System	54	33	96	96	96	96	96	96
Agriculture Developmernt Support Project	26	9	21	21	21	21	21	21
TOTAL	**16,539**	**15,967**	**17,085**	**17,085**	**17,085**	**16,782**	**16,866**	**16,966**
Own Source Revenues (OSR)								
Rates	3,600	1,994	3,925	3,925	3,925	3,200	3,325	3,420
Single Business Permits	2,600	1,991	2,892	2,892	2,892	2,500	2,600	3,000
Parking Fees	3,030	1,933	2,763	2,763	2,763	2,800	3,000	3,200
Building Permits	1,500	1,018	1,908	1,908	1,908	1,500	1,350	1,200
Billboards & Adverts	1,000	797	1,425	1,425	1,425	1,200	1,200	1,200
House Rents	560	537	615	615	615	600	600	600
Other Incomes	3,207	1,902	3,788	3,788	3,788	2,852	3,000	3,192
Total OSR	**15,497**	**10,172**	**17,316**	**17,316**	**17,316**	**14,652**	**15,075**	**15,812**
Total Revenues	**32,036**	**26,139**	**34,401**	**34,401**	**34,401**	**31,434**	**31,941**	**32,778**

FISCAL FRAMEWORK FY 2020/21- 2022/23								
	2018/2019		2019/20			PROJECTIONS		
	Target	Actual	Budget	CBROP 19	Supp 1 (Prop)	2020/2021	2021/2022	2022/2023
Opening Cash Balances	1,309	1,309	2,580	2,580	2,580	0	0	0
Total Resources Available	33,345	27,448	36,981	36,981	36,981	31,434	31,941	32,778
EXPENDITURES								
TRANSFERS TO COUNT ASSEMBLY	**1,422**	**1,393**	**2,940**	**2,940**	**2,940**	**2,233**	**2,055**	**2,132**
Recurrent	**1,387**	**1,365**	**1,410**	**1,410**	**1,410**	**1,803**	**1,555**	**1,632**
Development	**36**	**28**	**1,530**	**1,530**	**1,530**	**430**	**500**	**500**
COUNTY EXECUTIVE	**31,923**	**25,132**	**34,041**	**34,041**	**34,041**	**29,454**	**29,886**	**30,646**
Salaries and Wages	**13,609**	**12,899**	**13,562**	**13,562**	**13,562**	**13,968**	**14,148**	**14,431**
Use of goods and services	**7,541**	**6,064**	**8,117**	**8,117**	**7,534**	**6,555**	**6,649**	**6,887**
Other Development Projects	**6,142**	**3,981**	**9,158**	**9,158**	**6,057**	**5,930**	**6,089**	**6,328**
Pending Bills	**4,631**	**2,188**	**3,204**	**3,204**	**6,888**	**3,000**	**3,000**	**3,000**
TOTAL EXPENDITURES	**33,345**	**26,525**	**36,981**	**36,981**	**36,981**	**31,434**	**31,941**	**32,778**
Developemnt expenditure including pending bills	6178	4009	10688	10688	7587	9430	9589	9828
% of total development expenditure	19	15	29	29	21	30	30	30

ANNEX II: SECTOR CEILINGS

CODE & TITLE		Approve Budget	CFSP 2020 PROJECTION	MEDIUM TERM PROJECTIONS		% Share in total expenditures			
		2019/20	2020/21	2021/22	2022/23	2019/20	2020/21	2021/22	2022/23
5311: COUNTY PUBLIC SERVICE BOARD	Sub_total	52	73	75	76	0.1	0.2	0.2	0.2
	Rec_Gross	52	68	70	71	0.1	0.2	0.2	0.2
	Dev_Gross	-	5	5	5	-	0	0	0
5312: OFFICE OF GOVERNOR & DEPUTY GOVERNOR	Sub_total	6,107	5,119	5,221	5,326	16.5	16.3	16.3	16.2
	Rec_Gross	5,479	4,974	5,074	5,175	14.8	15.8	15.9	15.8
	Dev_Gross	628	145	148	151	1.7	0.5	0.5	0.5
5313:ICT, E-GOVT & PUBLIC COMMUNICATIONS	Sub_total	553	478	489	497	1.5	1.5	1.5	1.5
	Rec_Gross	204	208	214	217	0.6	0.7	0.7	0.7
	Dev_Gross	349	270	275	281	0.9	0.9	0.9	0.9
5314: FINANCE & ECONOMIC PLANNING	Sub_total	2,319	1,945	1,984	2,024	6.3	6.2	6.2	6.2
	Rec_Gross	2,040	1,945	1,984	2,024	5.5	6.2	6.2	6.2
	Dev_Gross	279	-	-	-	0.8	-	-	-
5315: HEALTH	Sub_total	7,377	7,216	7,229	7,485	19.9	23	22.6	22.8
	Rec_Gross	6,719	6,468	6,467	6,707	18.2	20.6	20.2	20.5
	Dev_Gross	658	748	763	778	1.8	2.4	2.4	2.4
5316; URBAN PLANNING AND LANDS	Sub_total	656	440	449	457	1.8	1.4	1.4	1.4
	Rec_Gross	488	420	428	437	1.3	1.3	1.3	1.3
	Dev_Gross	168	20	20	21	0.5	0.1	0.1	0.1
5317: PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	Sub_total	4,779	4,037	4,159	4,359	12.9	12.8	13	13.3
	Rec_Gross	1,141	1,147	1,170	1,193	3.1	3.6	3.7	3.6
	Dev_Gross	3,638	2,890	2,989	3,166	9.8	9.2	9.4	9.7
5318:EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	Sub_total	1,977	1,490	1,520	1,550	5.3	4.7	4.8	4.7
	Rec_Gross	1,535	1,390	1,417	1,446	4.2	4.4	4.4	4.4
	Dev_Gross	442	100	102	104	1.2	0.3	0.3	0.3
5319: TRADE,COMMERCE,TOURISM & COOPERATIVES	Sub_total	1,086	680	694	707	2.9	2.2	2.2	2.2
	Rec_Gross	612	502	512	522	1.7	1.6	1.6	1.6
	Dev_Gross	474	178	182	185	1.3	0.6	0.6	0.6
5320: PUBLIC SERVICE MANAGEMENT	Sub_total	1,117	999	1,019	1,039	3	3.2	3.2	3.2
	Rec_Gross	1,026	999	1,019	1,039	2.8	3.2	3.2	3.2
	Dev_Gross	91	-	-	-	0.2	-	-	-
5321:AGRICULTURE, LIVESTOCK DEVELOPMENT,	Sub_total	487	318	324	331	1.3	1	1	1
	Rec_Gross	361	298	304	310	1	0.9	1	0.9

CODE & TITLE		Approve Budget	CFSP 2020 PROJECTION	MEDIUM TERM PROJECTIONS		% Share in total expenditures			
		2019/20	2020/21	2021/22	2022/23	2019/20	2020/21	2021/22	2022/23
FISHERIES & FORESTRY	Dev_Gross	126	20	20	21	0.3	0.1	0.1	0.1
5322: COUNTY ASSEMBLY	Sub_total	2,940	1,980	2,233	2,132	8	6.3	6.4	6.5
	Rec_Gross	1,410	1,480	1,803	1,632	3.8	4.7	4.9	5
	Dev_Gross	1,530	500	430	500	4.1	1.6	1.6	1.5
5323: ENVIROMENT,WATER, ENERGY & NATURAL RESOURCES	Sub_total	1,983	1,784	1,819	1,856	5.4	5.7	5.7	5.7
	Rec_Gross	1,520	1,634	1,666	1,700	4.1	5.2	5.2	5.2
	Dev_Gross	463	150	153	156	1.3	0.5	0.5	0.5
5324: URBAN RENEWAL AND HOUSING	Sub_total	652	190	194	197	1.8	0.6	0.6	0.6
	Rec_Gross	152	140	143	145	0.4	0.4	0.4	0.4
	Dev_Gross	500	50	51	52	1.4	0.2	0.2	0.2
5325: WARD DEVELOPMENT PROGRAMME	Sub_total	1,343	1,334	1,361	1,388	3.6	4.2	4.3	4.2
	Rec_Gross	39	30	31	31	0.1	0.1	0.1	0.1
	Dev_Gross	1,304	1,304	1,330	1,357	3.5	4.1	4.2	4.1
5326: EMERGENCY FUND	Sub_total	100	100	102	104	0.3	0.3	0.3	0.3
	Rec_Gross	100	100	100	100	0.3	0.3	0.3	0.3
	Dev_Gross	-	-	-	-	-	-	-	-
5327:LIQOUR LICENSING BOARD	Sub_total	250	250	255	260	0.7	0.8	0.8	0.8
	Rec_Gross	211	200	200	200	0.6	0.6	0.6	0.6
	Dev_Gross	39	50	51	52	0.1	0.2	0.2	0.2
TOTAL		33,778	28,434	28,941	29,781	91	90	91	91
PENDING BILLS	Sub_total	3,204	3,000	3,000	3,000				
GRAND TOTAL		36,982	31,434	31,941	32,781				