



# Green finance assessment of Nairobi City county



**fsd**  
Kenya

Creating value through  
inclusive finance

# Green finance assessment of Nairobi county



**April 2024**

Financial Sector Deepening Kenya (FSD Kenya) is an independent trust dedicated to the achievement of a financial system that delivers value for a green and inclusive digital economy while improving financial health and capability for women and micro and small enterprises (MSEs).

FSD Kenya works closely with the public sector, the financial services industry, and other partners to develop financial solutions that better address the real-world challenges that low-income households, micro and small enterprises, and underserved groups such as women and youth face.

Current FSD Kenya funders are UK International Development, the Swedish International Development Cooperation Agency (Sida), The International Fund for Agricultural Development (IFAD), and the Bill & Melinda Gates Foundation.

**Project lead:** Anzette Were.

**Authors:** Agosto & Co. team led by Yinka Adelekan, Isaac Babatunde, Ikechukwu (Ike) Iheagwam, Christine Wanjiru and Michael Mugala.

**Contributors:** FSD Kenya team led by Dr. Milkah Chebii and Michael Njeru; Adaptation Consortium (ADA) team led by Kennedy Ododa, Victor Orindi, Dr Molly Ochuka, Pauline Makutsa and Jacob Agoch; Capital Market Authority led by Wycliff Shamiah, Luke Ombara and Justus Agoti; Nairobi Security Exchange led by Geoffrey Odundo, Mbithe Muema and Justus Ogalo; The National Treasury and Economic Planning led by Peter Odhengo and Hillary Korir.

Except where otherwise noted, this work is licensed under CC BY-ND 4.0. Quotation permitted. Contact FSD Kenya via [communications@fsdkenya.org](mailto:communications@fsdkenya.org) regarding derivatives requests.

Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of April 2024. Nevertheless, FSD Kenya cannot accept responsibility for the consequences of its use for other purposes or in other contexts.



# Table of contents

<b>1. Project background</b>	<b>1</b>
<b>2. Project objectives</b>	<b>2</b>
<b>3. Macroeconomic and fiscal assessment of Nairobi City County</b>	<b>3</b>
3.1 Macroeconomic analysis	3
3.1.1 Population size and structure	4
3.1.2 Level of employment and economic diversification	5
3.1.3 Macroeconomic variables	5
3.1.4 Level of infrastructure	8
3.2 Fiscal assessment	8
3.2.1 Governance structure	8
3.2.2 Finances of Nairobi City County Government	12
3.2.3 Revenue collection mechanism	13
3.2.4 Nairobi City County debt profile	13
3.2.5 Compliance with the Public Finance Management Act	13
<b>4. Credit risk assessment of Nairobi City County</b>	<b>15</b>
4.1 Rating rationale	15
4.2 Financial condition review	17
4.3 Rating outlook	19
4.4 Counties financing framework	20
<b>5. Green asset and activity assessment</b>	<b>23</b>
5.1 Preliminary green priority areas	27
5.2 Green assets identified	30
5.3 Suggested green projects	32
<b>6. Risk analysis on suggested green projects</b>	<b>36</b>
<b>7. Green finance capability assessment</b>	<b>38</b>
<b>8. Recommendations</b>	<b>42</b>
<b>9. Appendices</b>	<b>44</b>
9.1 Nairobi City County profile summary	44
9.2 Three-year financial summary Nairobi city county government	45
9.3 Rating definitions	47
9.4 List of stakeholders engaged during the workshops	48
9.5 List of key documents accessed	49

# List of figures

<b>Figure 1:</b> Map of Kenya showing Nairobi City County	3
<b>Figure 2:</b> Total Population in Nairobi	4
<b>Figure 3:</b> Nairobi Gross County Product (GCP) in Current Prices	5
<b>Figure 4:</b> Gross County Product Contribution by Economic Activity	6
<b>Figure 5:</b> Nairobi City County Assembly Composition	10
<b>Figure 6:</b> Government Revenue vs Spending of Nairobi City County (2017/18 -2022/23)	12
<b>Figure 7:</b> Breakdown of Nairobi County Government Spending (2017/18-2022/23)	13
<b>Figure 8:</b> Strengths, Weaknesses, Opportunities and Challenges	16
<b>Figure 9:</b> Breakdown of Nairobi County's Revenue - FY 2022/23	17
<b>Figure 10:</b> Own Source Revenue Ksh'millions (FY2020/21 - FY2023/24 Budget)	18
<b>Figure 11:</b> Recurrent & Development to Total Expenditure	18
<b>Figure 12:</b> Pre-requisites for Counties Financing	21
<b>Figure 13:</b> Critical Stakeholders to Support County's Financing Framework	22
<b>Figure 14:</b> Nairobi City County Schedule of Activities	23
<b>Figure 15:</b> Workshop with County Secretary and senior county officials (day 1)	24
<b>Figure 16:</b> Cross Section of participants at workshop with county officials (day 1)	24
<b>Figure 17:</b> Cross section of participants at workshop with county officials (day 1)	24
<b>Figure 18:</b> Workshop with CECM, Green Nairobi and Director, Donor Coordination (day 1)	24
<b>Figure 19:</b> Workshop with the CEO of the Nairobi Securities Exchange (day 1)	24
<b>Figure 20:</b> Workshop with Civil Society Organisations and private sector (day 2)	24
<b>Figure 21:</b> Workshop with Civil Society Organisations and private sector (day 2)	24
<b>Figure 22:</b> Participants at workshop with CSOs, CBOs and private sector (day 2)	24
<b>Figure 23:</b> Participants at the workshop for CSOs, CBOs and private sector (day 2)	25
<b>Figure 24:</b> Participants at workshop for CSOs, CBOs and private sector (day 2)	25
<b>Figure 25:</b> Site Visit to Muthurwa Market - Traders at the Fresh Produce Section (day 3)	25
<b>Figure 26:</b> Site visit to Muthurwa Market - office location (day 3)	25
<b>Figure 27:</b> Site visit to Muthurwa Market - clothes section (day 3)	25
<b>Figure 28:</b> Site visit to County Government houses in Bahati Estate (day 3)	25

<b>Figure 29:</b> Site visit to County Government houses in Bahati Estate (day 3)	25
<b>Figure 30:</b> Site visit to County Government houses at Maringo Estate (day 3)	25
<b>Figure 31:</b> Site visit to the Uncompleted Material Recovery facility along Kangundo Road (day 3)	26
<b>Figure 32:</b> Site visit to the Uncompleted Material Recovery facility along Kangundo Road – Unsorted Waste Dumped (Day 3)	26
<b>Figure 33:</b> Site Visit to Kariobangi Sewerage Treatment Plant - Intake Facility (Day 3)	26
<b>Figure 34:</b> Site Visit to Kariobangi Sewerage Treatment Plant - Biological Sewage Water Pits (Day 3)	26
<b>Figure 35:</b> Site Visit to Dandora Dumpsite - Trucks Queueing at the Weighbridge (Day 3)	26
<b>Figure 36:</b> Site Visit to Dandora Dumpsite - Excavators at Work in the Dumpsite (Day 3)	26
<b>Figure 37:</b> Dumpsite at the Muthurwa Market (Day 3)	26
<b>Figure 38:</b> Participants at the Kariobangi Sewerage Treatment Plant (Day 3)	26
<b>Figure 39:</b> Nairobi City County Key Green Priority Areas	27
<b>Figure 40:</b> Map of the Distribution of Green Assets in Nairobi City County	30
<b>Figure 41:</b> Ngong Road Forest Map	31
<b>Figure 42:</b> Nairobi City County Suggested Green Projects	32
<b>Figure 43:</b> Kariobangi Sewerage Treatment Plant - Sludge Drying Pits	33
<b>Figure 44:</b> Kariobangi Sewerage Treatment Plant - Biogas storage Tank	33
<b>Figure 45:</b> Kangundo Material Recovery Facility	33
<b>Figure 46:</b> Dandora Dumpsite, Nairobi	33
<b>Figure 47:</b> County Government Houses in Bahati Estate that have been earmarked for Redevelopment	34
<b>Figure 48:</b> Muthurwa Market lighting provided by the County Government which can be Solarized	34
<b>Figure 49:</b> Recommendations to the National Government	43

# List of tables

<b>Table 1:</b> Sub-County and Assembly Wards of Nairobi City County	4
<b>Table 2:</b> Key County Executives in Nairobi City County	9
<b>Table 3:</b> Nairobi City County Elected Members of the County Assembly as at 31 December 2022	10
<b>Table 4:</b> Centrally distributed funds by National Treasury - FY2020/21 - FY2023/24 budget (Ksh'millions)	17
<b>Table 5:</b> Green Assets in Nairobi City County	31
<b>Table 6:</b> Nairobi City County Capability Assessment	39
<b>Table 7:</b> Recommendations to the Nairobi City County Government	42

# Acknowledgement

This report is the result of the partnership, expertise, and work of numerous specialists from FSD Kenya, Agosto & Co., ADA Consortium, The National Treasury and Economic Planning, The Capital Markets Authority, the Nairobi Securities Exchange, and the County Governments of Embu, Kirinyaga, Kisumu, Laikipia, Nairobi City, Makueni, Nandi, Taita-Taveta,

# 1 Project background

Vihiga, and Wajir.

The Financial Sector Deepening Kenya (FSD Kenya) is an independent trust dedicated to the achievement of a financial system that delivers value for a green and inclusive digital economy, while improving the financial health and capabilities of women and micro and small enterprises. FSD Kenya has a green finance program dedicated to supporting the development of a green finance ecosystem and a greener real economy that is resilient to climatic and other environmental shocks, resource efficient and generates green investment, employment, and income generation opportunities for low-income Kenyans.

This **county green finance assessment** is related to FSD Kenya's mission to support the development of an inclusive green finance ecosystem in Kenya. The 2010 Kenyan Constitution devolved important natural resource and environment-related sectors such as agriculture, water provision and transport to the counties. Thus, counties have a pertinent role to play in Kenya's sustainable development agenda which can only be realised if counties have the requisite capacities and capabilities including financial resources. Yet, counties face a funding gap, with most, if not all, of them fully

Green finance is defined as structured financial activity created to ensure a better environmental outcome. Green finance includes climate finance but is not limited to it as it encompasses a wider range of other environmental objectives, such as industrial pollution control, water sanitation, biodiversity protection and environmental benefits.

reliant on transfers from the National Treasury as their own-source revenue remains very low.

Green finance instruments such as green county bonds, present an opportunity for counties to generate resources for the much-needed development of county infrastructure such as water piping, county roads and the development of agriculture, in a green and climate-resilient manner. While not yet tested locally, their widespread application in other markets as well as the recent approval by the National Treasury for the Laikipia County Infrastructure Bond illustrate their potential.

## Project Partners

This project was initiated and completed with the

approval and partnership of The National Treasury, Climate Finance and Green Economy Unit. The Unit provides technical support to The National Treasury on all matters relating to green and climate financing, and green growth. The Capital Markets Authority was the regulatory partner on this project, providing insight and leadership on green finance instruments, processes, and structures in the capital markets applicable to county governments, including related policy and legislation requirements. The Capital Markets Authority is an independent public agency, under the National Treasury and Planning and has a twin mandate of regulating and facilitating the development of capital markets in Kenya.

FSD Kenya commissioned Augusto & Co. Limited as the lead consultant for this project. Augusto & Co. is registered as a credit rating agency by the Kenyan and Rwandan Capital Markets Authorities and the Securities Exchange Commission in Nigeria. Augusto & Co. is also Certified as an Approved Verifier by the Climate Bond Standards Board as the first company of African origin to have the capabilities to perform verification of green bonds, projects, and assets in Africa.

The Adaptation (ADA) Consortium engaged county government and stakeholders to provide on-site coordination, site visit and meeting arrangements for the project. ADA consortium is a non-profit that supports county governments to mainstream climate change into development and planning. The Nairobi Securities Exchange (NSE) was the private sector partner in the project. The NSE operates under the jurisdiction of the Capital Markets Authority of Kenya and is a full member of the World Federation of Exchange, a founder member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA), and member of the Association of Futures Market and is a partner exchange in the United Nations-led SSE initiative.

Finally, the Government of Nairobi City County was one of the 10 county governments that provided valuable insight on the dynamics, information and opportunities in their county. The Nairobi City County is the creation of the Constitution of Kenya 2010 and successor of the defunct City Council of Nairobi. It operates under the auspices of the Cities and Urban Areas Act, The Devolved Governments Act and a host of other Acts. The Nairobi City County is charged with the responsibility of providing a variety of services to residents within its area of jurisdiction. These include the services that were hitherto provided by the defunct City Council and the



2

# Project objectives

ones that have been transferred from the national government.

This project assessed the potential for counties to access and apply to the green finance market for the development of green activities and consisted of the following assessments:

- **Economic and fiscal assessment:** County fiscal performance (historical and projected), strengths, challenges, and ability to take on (additional) debt including the consideration of potential revenue generation sources.
- **Credit risk assessment:** Estimate the county government's relative likelihood of defaulting on its obligations from capital raising initiatives- includes a

shadow credit rating.

- **Green asset and activity assessment:** Availability of green investment opportunities in the selected

The green finance market is defined as the pool of funding constituting a range of green financial instruments that meet the objectives of green finance such as Government Grants; development grants; guarantee funds; subsidies; concessionary loans; commercial loans; results-based finance; blended finance; Green Bonds etc.

3

# Macroeconomic and fiscal assessment of Nairobi County

counties.

- **Green finance capability assessment:** County government skills and ability to manage green financial instruments and related projects.

## 3.1 Macroeconomic analysis

Nairobi City County (“the County”, “Nairobi City” or “Nairobi”) was created as a result of the 2010 Kenya Constitution which devolved powers to counties and the successor of the defunct Nairobi City Council. Nairobi is the capital city since Kenya gained independence in 1963. Nairobi is bounded to the north and west by Kiambu County, to the south by Kajiado County, and to the east by Machakos County. The County covers



Figure 1: Map of Kenya showing Nairobi City County

Source: Alamy

circa 696 square kilometres of land area and is often referred to as ‘the City under the Sun’ due to its unique topography - adjacent to the eastern edge of the Rift Valley, and to the west, are the Ngong Hills. The most notable geographical feature of Nairobi County is the Ngong Hills, which are situated to the west of the city. Due to its favourable climate, and appealing physical,

social, and economic characteristics that offer promising opportunities for socioeconomic development, Nairobi is a preferred residential zone. It is one of Africa’s largest and most well-known cosmopolitan capital cities.

Nairobi also serves as the country’s main administrative hub, hosting the national government executive, the National Assembly, and the Senate, as well as Diplomatic

offices, International and multinational institutions, and other local, regional, and intercontinental dignitaries.

The County consists of 17 sub-counties which are further subdivided into 85 assembly wards as noted in table 1 below.

**Table 1: Sub-County and Assembly Wards of Nairobi City County**

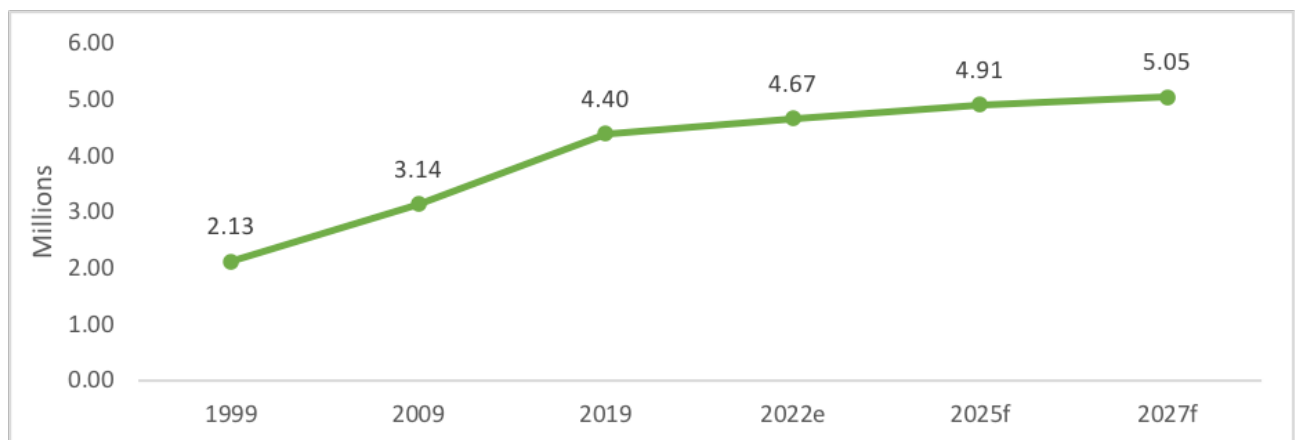
S/N	Constituencies	Wards
1	Westlands	Kitisuru, Parklands/Highridge, Karura, Kangemi and Mountain View
2	Dagoretti North	Kilimani, Kawangware, Gatina, Kileleshwa, Kabiro
3	Dagoretti South	Mutu-ini, Ngando, Riruta, Uthiru/Ruthimitu, Waithaka
4	Langata	Karen, Nairobi West, Mugumu-Ini, South C, Nyayo Highrise
5	Kibra	Laini saba, Lindi Makina, Woodley /Kenyatta Golf Course, Sarangombe
6	Roysambu	Githurai, Kahawa West, Zimmerman, Roysambu, Kahawa
7	Kasarani	Clay City, Mwiki, Kasarani, Njiru, Ruai
8	Ruaraka	Baba Dogo, Utalii, Mathare North, Lucky Summer, Korogocho
9	Embakasi South	Imara Daima, Kwa Njenga, Kwa Ruben, Pipeline, Kware
10	Embakasi North	Kariobangi North, Dandora Area I, Dandora Area II, Dandora Area III, Dandora Area IV
11	Embakasi Central	Kayole North, Kayole Central, Kayole South, Komarock, Matopeni/Spring Valley
12	Embakasi East	Upper Savannah, Lower Savannah, Embakasi, Utawala, Mihango
13	Embakasi West	Umoja I, Umoja II, Mowlem, Kariobangi South
14	Makadara	Viwandani, Harambee, Makongeni, Maringo/Hamza
15	Kamujkunji	Eastleigh South, Airbase, California, Pumwani, Eastleigh North

16	Starehe	Pangani, Ziwani/Kariokor, Landimawe, Nairobi South, Nairobi Central, Ngara
17	Mathare	Mabatani, Huruma, Ngei, Mlangoni, Kileleshwa, Hurlingham, Kileleshwa, Hurlingham

Source: Nairobi City County Website

Nairobi City County’s population was estimated at 4,397,073 people as per the 2019 Kenya Population and Housing Census, which represented a 40.1% growth from the last census conducted in 2009. The gender structure of Nairobi City is 50.1% female and 49.9% male population. The County had 1,506,888 households and

### 3.1.1 Population size and structure



an average household size of 2.9 persons based on the 2019 Census.

**Figure 2: Total population of Nairobi**

Source: Kenya National Bureau of Statistics & Agosto & Co. Research

It was estimated that by the end of 2022, the total population rose to 4,671,906 and is expected to reach 5,049,701 persons by 2027<sup>1</sup>. The rapid increase in population and density will place additional strain on the County’s meagre resources; consequently, the provision of physical and social amenities at a rate commensurate with population growth will be required to meet the needs and aspirations of its citizens and dwellers.

The population of Nairobi is comprised of people from nearly all tribes, nationalities and races. Due to its national and regional significance, the County experiences positive net migration from other counties and countries. Together with rapid population growth, this has contributed to the emergence and spread of informal settlements. Residents of slums have inferior access to services and utilities, diminishing their overall quality of life. Nairobi City aspires to become a globally-recognized and well-developed city with a high quality of life for its residents, through the implementation of the government’s mandate which seeks to bring order to the City’s service delivery, restore the dignity of its citizens, hope, and provide opportunities for shared prosperity and inclusive growth<sup>2</sup>.

**3.1.2 Level of employment and economic diversification**

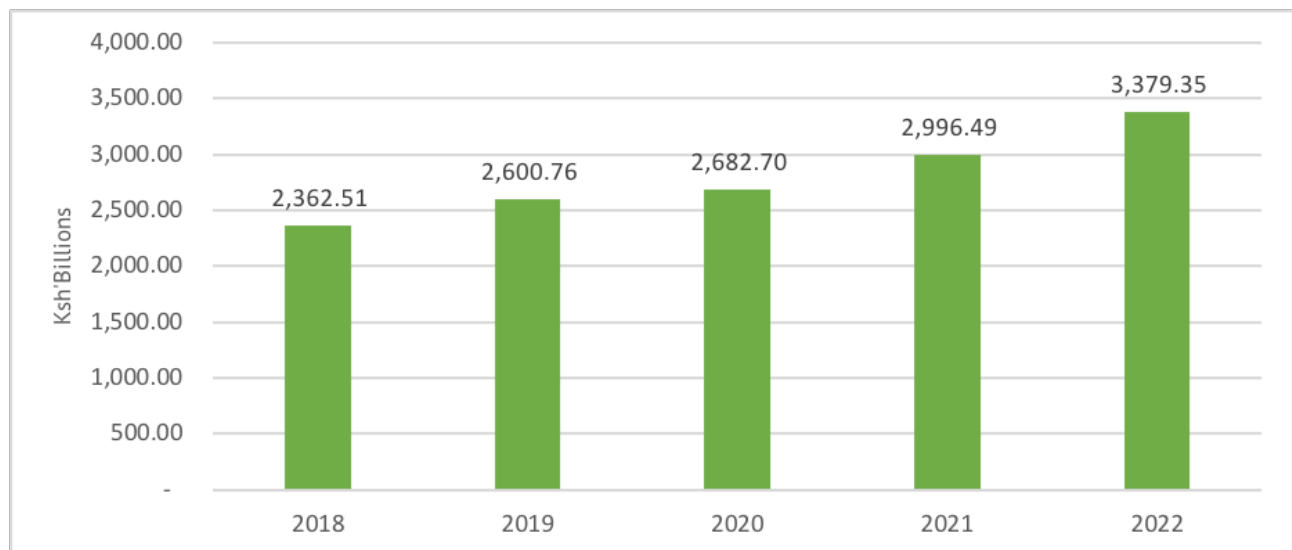
According to the 2019 Census, the labour force age group (15-64 years) was 3,002,314 accounting for 68% of the population in 2019, with a projected increase to 3,117,077 in 2022 and 3,453,079 in 2027. The County intends to create opportunities for self-employment to ensure that this group is gainfully employed. In addition, the government plans to incentivise investors and entrepreneurs to create more job opportunities. Furthermore, the government is constructing new

technical training facilities and youth polytechnics to allow people to develop technical, vocational, and entrepreneurial skills that will improve their employability.

Nairobi is home to major manufacturing firms, accounting for about 80% of the country’s total industries<sup>3</sup>. These industries provide a diverse range of job opportunities for people both inside and outside the County. Given that Nairobi County is a regional economic hub and a transit route to several destinations in East and Central Africa, it is also home to a large number of small and medium enterprises (SMEs). As an economic hub, creating an enabling environment for business and investment is a continuous effort to attract local, regional, and international investors. Based on the County Fiscal Strategy Paper 2023, the Business and Hustler Opportunities Department seeks to increase business growth opportunities for informal and formal Micro & Small Medium Enterprises (MSME) in the fiscal year 2023/24 through increased MSME financing, MSME capacity development, the establishment of incubation centres for startups, construction and equipping of common user facilities, and the holding of trade fairs and exhibitions.

**3.1.3 Macroeconomic variables**

Nairobi City County contributed 27.5% to the country’s gross domestic product (GDP) in 2022 as per the Gross County Product (GCP) 2023 report, making it the highest contributor to the gross value added of the nation. The high contribution by the County can be attributed to the wide range of economic activities as well as vibrant urban centres leading to a big disparity between Nairobi City County and the rest of the counties. The County’s GCP has grown at a compounded annual growth rate of 10.7% over the last eight years and we anticipate that this growth trajectory will be maintained in the near term as a result of the implementation of the 2023 - 2027 County Integrated Development Plan (CIDP) strategies, which



aim to provide an enabling environment for socioeconomic growth and long-term development.

<sup>1</sup> Kenya National Bureau of Statistics and Nairobi County Integrated Development Plan 2023-2027

<sup>2</sup> Nairobi City County’s Governor Manifesto

<sup>3</sup> Nairobi County Integrated Development Plan 2023-2027

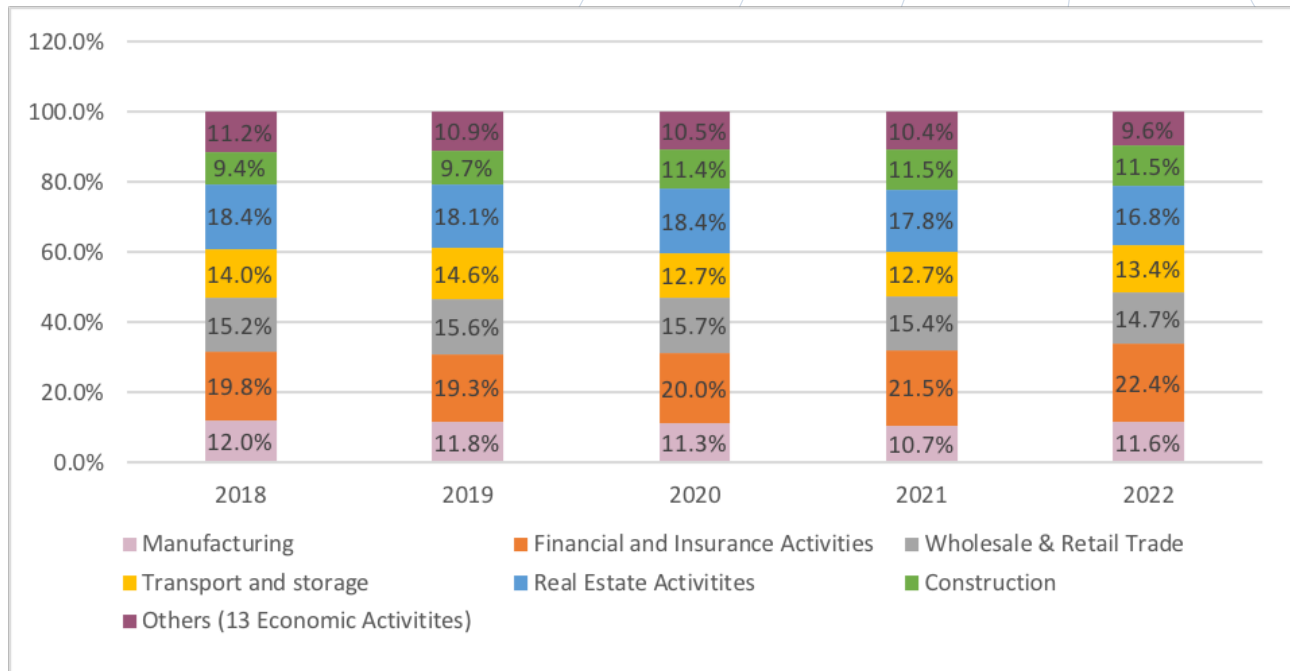
**Figure 3: Nairobi’s Gross County Product (GCP) in current prices**

Source: Gross County Product 2023 Report, KNBS

The key sectors of the County’s economy include financial and insurance activities (22.4%), real estate activities (16.8%), wholesale and retail trade (14.7%), transport and storage (13.4%), construction (11.5%) and manufacturing (11.6%), while the remaining 13 sectors contributed 9.6% to the GCP. In the near term, accelerated growth in the real estate and construction sectors in the County is expected due to the ongoing implementation of the urban renewal program by the Nairobi City County

Government and the Kenya Slum Upgrading Programme (KENSUP) by the Government of Kenya and UN-HABITAT, with the agenda of providing affordable and decent housing to the residents of Nairobi County.

The Nairobi City County 2023 fiscal strategy paper (CFSP) depicts optimism fuelled by a change in government, as well as significant institutional and operational reforms. It also aims to revitalize the program-based budget for the financial year 2023/2024, which kicks off the implementation of the third-generation CIDP. As a nexus for achieving the current administration’s goals of order, dignity, hope, and opportunities for all in Nairobi City



County, the CFSP proposes a slew of policy, operational and institutional reforms as a prerequisite for providing adequate services and creating a favourable environment for growth and investment.

**Figure 4: Gross County Product contribution by economic activity**

Source: Gross County Product 2023 Report, KNBS

Nairobi County’s performance will have a significant impact on the country’s overall performance since it is the single largest contributor to the country’s economy and well-being. This necessitates a collaborative effort between the national government and Nairobi City County to ensure that it fulfils its mandate satisfactorily by realizing the untapped potential while providing support to the already performing sectors for them to continue thriving.

## Key Sectoral Analysis

### Financial and insurance

According to the 2023 Gross County Product Report, the financial and insurance sector made up 22.4% of the County’s GCP, making it the largest contributor. Nairobi County has the highest concentration of financial institutions due to its hosting of the country’s

capital city. Leading domestic and international banks have established themselves in the City, resulting in a vibrant and competitive financial ecosystem. Equity, KCB, and Cooperative Bank are among Kenya’s largest banks while Absa Bank, Standard Chartered Bank, and Bank of Africa are among the leading international banks with a presence in the County. There are 43 commercial banks with a network of 364 branches in the County. Furthermore, there are 94 registered Forex Bureaus<sup>4</sup>, 13 microfinance banks and numerous credit-only microfinance institutions in the County. Mobile banking is also expanding with the help of Safaricom, the country’s largest telecommunications company through its M-PESA payment system. The County is a regional financial services hub due to its extensive network of financial institutions and highly skilled personnel, which makes it an attractive destination for international companies to setup operating hubs/offices for east and central African operations.

### Real estate

The real estate sector contributed 16.8% of the County’s

<sup>4</sup> Nairobi County Integrated Development Plan 2018 -2022

GCP as of the end of 2022. Under the urban renewal project, 520 County rental housing units were rehabilitated in the common areas of BuruBuru, Kariobangi South and Jamhuri, according to a review of the 2018 - 2022 CIDP strategies implementation. Furthermore, construction of 1,562 and 3,000 affordable dwelling units<sup>5</sup> in the Pangani and Jeevanjee estates respectively, in collaboration with private developers commenced in 2019 and is still ongoing as at the end of March 2024. Going forward, the sector is expected to expand due to private sector-led developments and the planned redevelopment of eight Eastlands County Estates which include Bahati, Jericho, Lumumba, Embakasi North, Ziwani, Maringo, Woodley and Kariobangi North.

### Wholesale and retail trade

Nairobi County is a major commercial centre that creates a favourable environment for both local as well as international companies to conduct business. According to the 2023 GCP Report, the wholesale and retail trade sector contributed 14.7% to the County's GCP. The majority of Nairobi residents, particularly low-income earners are engaged in businesses such as the sale of clothes, household equipment, construction materials and owning retail shops among others. Open-air markets, self-constructed markets, development tenant purchase markets, rental markets and wholesale markets are all examples of markets found in Nairobi County that host various businesses. There are about 50 formal County owned markets in Nairobi City and a hundred informal markets<sup>6</sup>. The Gikomba Market is one of Nairobi County's largest open-air markets that sells second-hand clothing, furniture, accessories, fresh produce and processed materials at reasonable prices. Maasai Market, located on Taifa Road, is another open-air market that contains stores that sell jewellery, fashion, ornaments and paintings. Other markets include Toi Market, City Market, Muthurwa Market and Githurai Market.

Nairobi City County is also home to a variety of businesses, including retail traders, supermarkets, wholesale traders, hawkers, hotels, gas stations, liquor outlets and informal enterprises. According to the 2023-2027 CIDP, Nairobi City County had 17,590 and 258,000 registered and licensed businesses respectively, as of the end of 2022. The County Government seeks to improve the business environment by launching a unified business license; providing more trading spaces through the construction of markets and modern kiosks; improving the city aesthetics and tree cover; and providing adequate water supply.

### Transport and storage

The transportation sector in Nairobi accounted for 13.4% of the County's GCP. Nairobi is a transportation and communication hub, as well as the home of Jomo Kenyatta International Airport (JKIA), one of the largest airports in East and Central Africa and the focal point for major aviation activity in the region. Because of its significance as an aviation centre, it sets the standard for other airports in the region.

One of Nairobi County's goals is to become a City of order, and for that to happen, proper public transportation

systems must be in place given the chaotic traffic situation. The County government plans to provide the necessary infrastructure as well as control over matatus and boda boda to address this growing concern. Some of the projects that the County would like to implement under this sector to reduce congestion include a City Metro Light Rail, Bus Rapid Transit (BRT) as well as expansion of non-motorized transport infrastructure to encourage cycling.

### Construction

The construction sector contributed 11.5% to the Nairobi County GCP<sup>7</sup>. Over the years, there has been a rising demand for housing in Nairobi which has also led to the growth of the construction sector. The most common wall materials used in the County are stone, brick/block, mud/wood, and corrugated iron sheet. Stone and block-walled houses make up 65.9%, while wood and corrugated iron sheets account for 31.1% of the total<sup>8</sup>. In addition, about 75.8% of households have cement floors, 14.2% have earthen floors, 7.5% have tiles and 2.2% have wooden floors based on the floor type classification. The majority of Nairobi households (56.6%) have corrugated iron sheet roofed houses. Tile and concrete roofs account for 12.4% and 27.9% of total roofs respectively.

During the CIDP 2018-2022 implementation period, five mega markets namely Quarry Road (324 stalls), New Kangundo road (370 stalls), Karandini (204 stalls), Mwariri (360 stalls) and Westlands (371 stalls) were constructed in collaboration with the national government and development partners at an estimated cumulative cost of Ksh 3 billion<sup>9</sup>. Furthermore, thirty markets were rehabilitated to improve hygiene and sanitation as well as functionality. Given the aforementioned market construction activities, among others, the construction industry expanded during the review period. Furthermore, sustained growth in the industry is expected in the near term as a result of the ongoing Urban Renewal Project, the construction of additional markets and infrastructure developments in the County.

### Manufacturing

The manufacturing sector contributed 11.6% of the County's GCP in 2022. The major industries (covering agricultural products processing, oil refining, cement manufacturing, paper and plastic manufacturing among others) provide a diverse range of formal and informal job opportunities, with the majority of these industries located in the Industrial Area, Kariobangi, and Baba Dogo.

As part of the initiatives to boost the manufacturing sector, the County government acquired a leather manufacturing facility to support the tides and skin industry artisans in Kariokor with the view of providing direct employment and catalysing the shoe-making and production industry in Nairobi. The proposed facility envisages growth of shoe production from 2 million to 10 million pairs per year. Artisans in Kariokor have been a major supplier of both shoes and casual wear in the Eastern Africa region. In the near term, growth in the manufacturing sector is expected on account of the plans to provide infrastructure for startup incubation through the construction of incubation centres for

<sup>5</sup> Nairobi County Integrated Development Plan 2023 -2027

<sup>6</sup> Nairobi City County Website

<sup>7</sup> Gross County Product 2023

<sup>8</sup> Nairobi County Integrated Development Plan 2018-2022

<sup>9</sup> Nairobi County Integrated Development Plan 2023 - 2027

leather, textile, furniture/woodworks, metal works/fabrication, food value addition & processing and other light industry clusters.

### 3.1.4 Level of infrastructure

The underlying foundation for the County's development is infrastructure. According to Nairobi County's CIDP 2023-2027, the City's total road network spans 4,181 kilometres, with 1,855 kilometres of tarmac and 2,326 kilometres of gravelled earth roads. The County's Road network is insufficient in terms of coverage to meet current and future demands, as envisioned in Vision 2030 under the expansion of roads programme which seeks to ease congestion and enhance connectivity in cities, urban areas and municipalities. Most of the roads are congested, especially during the morning and evening peak periods. The current condition of the road network is a significant impediment to socioeconomic growth, resulting in high transportation costs and low productivity. The County government will need to provide the necessary infrastructure and control framework to create order in the City, particularly for the public transportation system.

Jomo Kenyatta International Airport, Wilson Airport and Eastleigh Airport are all located in Nairobi County. Jomo Kenyatta International Airport (JKIA) is one of the largest airports in East and Central Africa and serves as the regional hub for major aviation activities. JKIA is 18 kilometres east of Nairobi City Centre and serves over 40 passenger airlines and 25 cargo airlines<sup>10</sup>. It offers direct flights to Europe, the Middle East, the Far East and the rest of Africa. JKIA has five cargo facilities with a combined capacity of 200,000 tonnes of cargo per year, as well as an animal holding facility covering 4,318.95 square feet. On 4,472.2 hectares of land, the airport has a runway that is 4,117m long and 45m wide.

Wilson Airport is the County's second airport with two runways (1,463m long and 24m wide and 1,558m long and 24m wide), a displaced threshold and a landing distance of 1,350m. Kenya Air Force flies out of Eastleigh Airport. The County has a 75-kilometre railway network and ten operational railway stations: Embakasi (Imara Daima), Makadara, Nairobi main terminal, Dandora, Githurai, Kahawa, Kibra, Dagoretti, JKIA and Syokimau. The establishment of the Makadara and Imara Daima railway stations, as well as the expansion of the Nairobi SGR platform, have improved public transportation in Nairobi.

The sub-sector of postal and telecommunications has seen mixed growth in recent years. While the County has 38 post office branches, postal service growth has been slowing due to increased mobile phone and internet penetration. In Nairobi, mobile telephony has the highest coverage compared to other parts of the country, with over 95% of the population having access to mobile communication. Safaricom, Telkom, and Airtel are among the leading mobile telecommunications players, while Kenya Postal Corporation, Group 4 Securities (G4S), DHL

and Wells Fargo are among the mailing service providers.

## 3.2 Fiscal assessment

### 3.2.1 Governance structure

Nairobi County Government comprises two arms, namely the County Assembly and the County Executive. The County Governor, the Deputy Governor, the members of the County Executive Committee and the County Public Service Board make up the executive arm of the County Government. The County Public Service Board is primarily responsible for the management of the County's human resources. County Executive Committee (CECM) members are appointed by the Governor with the approval of the County Assembly. Under Section 5 of the County Government Act 2012, the devolved functions of the county government are county legislation in accordance with article 185 of the 2010 Kenya Constitution which confers the county's legislative authority to the County Assembly. Another devolved task is exercising executive functions per Article 183 of the Constitution which provides for the following roles:

- a) Implementation of county legislation;
- b) implementation of national legislation within the county if the legislation so requires;
- c) management and coordination of the functions of the county administration and its departments;
- d) performance of any other functions conferred by the Constitution or national legislation.

A county executive committee can also prepare proposed legislation for consideration by the county assembly. The committee provides the assembly with full and regular reports on matters relating to the county. Under the Fourth Schedule of the 2010 Constitution of Kenya, the devolved sectors and activities performed by county governments are:

1. Agriculture, including crop and animal husbandry, livestock sale yards, county abattoirs (slaughterhouses), plant and animal disease control and fisheries.
2. County health services, including, in particular – county health facilities and pharmacies, ambulance services, promotion of primary health care, licensing and control of undertakings that sell food to the public, veterinary services (excluding regulation of the profession which is a national government function), cemeteries, funeral parlours and crematoria, and refuse removal, refuse dumps and solid waste disposal.
3. Control of air pollution, noise pollution, other public nuisances and outdoor advertising.
4. Cultural activities, public entertainment and public amenities, including – betting, casinos and other forms of gambling, racing, liquor

<sup>10</sup> Kenya Airports Authority website

- licensing, cinemas, video shows and hiring, libraries, museums, sports and cultural activities and facilities, and county parks, beaches and recreation facilities.
5. County transport, including – County roads (Class D, E and Unclassified Roads), street lighting, traffic and parking, public road transport, and ferries and harbours (excluding the regulation of international and national shipping and matters related thereto).
  6. Animal control and welfare, including – licensing of dogs, and facilities for the accommodation, care and burial of animals.
  7. Trade development and regulation, including – markets, trade licences (excluding regulation of professions), fair trading practices, local tourism and cooperative societies.
  8. County planning and development, including – statistics, land survey and mapping, boundaries and fencing, housing, and electricity and gas reticulation and energy regulation.
  9. Education – only pre-primary education (ECD), village polytechnics, home craft centres and childcare facilities.
  10. Implementation of specific national government policies on natural resources and environmental conservation, including soil and water conservation and forestry.
  11. County public works and services, including – stormwater management systems in built-up areas, and water and sanitation services.
  12. Firefighting services and disaster management.
  13. Control of drugs and pornography.
  14. Ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers and participation in governance at the local level.

The key personnel in Nairobi County's executive arm are listed in Table 2 below:

**Table 2: Key county executives in Nairobi City County**

S/N	Name	Designation
1	<b>H.E. Sakaja Arthur Johnson</b>	Governor
2	<b>H.E. James Njoroge Muchiri</b>	Deputy Governor
3	Mr. Patrick Mbogo	CECM Mobility and Works
4	<b>Ms. Maureen Njeri</b>	CECM Green Nairobi (Environment, Water, Food and Agriculture)
5	<b>Mr. Stephen Gathuita Mwangi</b>	CECM Built Environment and Urban Planning
6	Mr. Brian Mulama	CECM Talents, Skills Development and Care
7	<b>Mr. Ibrahim Auma Nyangoya</b>	CECM Boroughs Administration and Personnel
8	<b>Ms. Rosemary Kariuki</b>	CECM Business and Hustler Opportunities
9	<b>Dr. Anastasia Mutethya Nyalita</b>	CECM Health Wellness and Nutrition
10	<b>Mr. Michael Gumo</b>	CECM Innovation and Digital Economy
11	<b>Mr. Charles Kerich</b>	CECM Finance and Economic Planning Affairs
12	<b>Ms. Suzanne Silantoi</b>	CECM Inclusivity, Public Participation and Customer Service Sector

Source: Nairobi City County Website

Further to the County Executive team functions, Article 187 of the Constitution of Kenya 2010 provides for the transfer of functions and powers of the National and County Governments. Article 187 (1) states that the function of the government at one level may be transferred to a government at the other level by agreement between the government if:

- a) The functions or power would be more effectively performed or exercised by the receiving government and;
- b) The transfer of the function or power is not prohibited by the legislation under which it is to be performed or exercised.

Article 187(2) states that if a function is transferred from the government at one level to a government at the

- a) Arrangements shall be put in place to ensure that the resources necessary for the performance of the function or exercise of the power are transferred and
- b) Constitutional responsibility for the performance of the function or exercise of the power shall remain with the government to which it is assigned by the fourth schedule.

In pursuance of these articles, the National Government took over some of the functions of the Nairobi County Government in February 2020 following the barring of the then Governor of Nairobi by the Anti-Corruption Court from accessing his office at city hall due to corruption charges and subsequent impeachment of the erstwhile Governor. In March 2020, the President formed the Nairobi Metropolitan Services (NMS) under the Executive Office of the President as per Executive Order No.1 of 2020 (revised), to perform all the aforementioned



functions under the following services:

- a) County Health Services
- b) County Transport Services
- c) County Planning and Development Services
- d) County Public Works, utilities and ancillary Services

NMS executed these functions until September 2022 when the national government returned the services to

the newly elected Nairobi City County Government.

The County Assembly is in charge of enacting county laws, overseeing the County Executive and representing the people. It is made up of Members of County Assembly (MCAs) elected from the various Assembly Wards, nominated MCAs representing special interests such as persons with disabilities and youth as prescribed by an Act of Parliament, and the Speaker, who serves as an ex-officio member. The County Assembly is led by the



Speaker, who also serves as Chairman of the County Assembly Service Board. The Nairobi County Assembly is made up of the following:

Figure 5: Nairobi City County Assembly composition

Source: Nairobi City County Website

Table 3 below outlines the names of the elected County Assembly members and the wards they represent:

Table 3: Nairobi City County elected Members of the County Assembly as at 31 December 2022

	Elected Member of County Assembly (MCA)	Ward
1	Hon. Anthony Kiragu Karanja	Waithaka Ward
2	Hon. Paul Kados Kiguathi Muiruri	Mihango Ward
3	Hon. Jateso Peter Imwatok	Makongeni Ward
4	Hon. Abel Osumba Atito	Utalii Ward
5	Hon. Daniel Oria Odhiambo	Dandora Area IV Ward
6	Hon. Paul Mathu Njambi	Dandora Area III Ward
7	Hon. Allan Maina Gathuku	Dandora Area I Ward
8	Hon. Joel Munuve Kimanzi	Kariobangi North Ward
9	Hon. Moses Mutinda Kitema	Kware Ward
10	Hon. Musango Maithya	Pipeline Ward
11	Hon. Scolastica Muthoni Mande	Kwa Reuben Ward
12	Hon. Evans Okaru Nyangicha	Imara Daima Ward
13	Hon. Absalom Odhiambo Onyango	Korogocho Ward
14	Hon. Victor Omondi Ochola	Lucky Summer Ward
15	Hon. Oscar Otieno Lore	Mathare North Ward
16	Hon. Colins Omondi Ogenga	Kayole South Ward
17	Hon. James Karanja Kariuki	Ruai Ward
18	Hon. Carrington Gichunji Heho	Njiru Ward
19	Hon. Anthony Mburu Jasho Ngaruiyah	Kasarani Ward

20	Hon. Samuel Kanyi Kago	Mwiki Ward
21	Hon. Eutyclus Mukiri Muriuki	Kahawa Ward
	<b>Elected Member of County Assembly (MCA)</b>	<b>Ward</b>
22	Hon. Sospeter Gathahu Mumbi	Roysambu Ward
23	Hon. Stephen Mugo Kimani	Zimmerman Ward
24	Hon. Dabar Ahmedqadar Mohamed	Eastleigh North Ward
25	Hon. Francis Kimondo Kiragu	Kwa Njenga Ward
26	Hon. Joseph Karanja Ndung'u	Kiamaiko Ward
27	Hon. Peter Owera Oluoch	Huruma Ward
28	Hon. Mark Thiga Ruyi	Hospital Ward
29	Hon. Simon Maina Mugo	Landimawe Ward
30	Hon. Gerald Irungu Mukuru	Ziwani Kariokor Ward
31	Hon. John Mwaniki Kwenya	Nairobi Central Ward
32	Hon. Athman Hashim Kamau	California Ward
33	Hon. Nicholas Juma Okwacho	Eastleigh South Ward
34	Hon. Paul Wachira Kariuki	Kayole North Ward
35	Hon. Patrick Mwangi Macharia	Maringo Hamza Ward
36	Hon. Martin Wairobi Waithaka	Mowlem Ward
37	Hon. Aaron Kangara Wangare	Viwandani Ward
38	Hon. Shadrack Namunyua Machanje	Umoja II Ward
39	Hon. David Magoba Odhiambo	Lower Savannah Ward
40	Hon. Ricardo Nyantika Billy	Embakasi Ward
41	Hon. James Koria Karanja	Matopeni Spring Valley Ward
42	Hon. Chris Wanjohi Githinji Mutumishi	Komarock Ward
43	Hon. Deonysias Mwangi Waithira	Githurai Ward
44	Hon. Jeremiah Karani Themendu	Kayole Central Ward
45	Hon. Susan Makungu Kavaya	Mlango Kubwa Ward
46	Hon. Stazo Omung'ala Elija Ang'ila	Upper Savannah Ward
47	Hon. Maurice Onyango Ochieng	Mountain View Ward
48	Hon. Esther Waithera Chege	Nairobi South Ward
49	Hon. Jared Ondieki Akama	Mugumu-Ini Ward
50	Hon. Kennedy Odhiambo Oyugi	Nyayo Highrise Ward
51	Hon. Silas Matara Ongwae	Dandora Area II Ward
52	Hon. Geoffrey Odhiambo Majiwa	Baba Dogo Ward
53	Hon. Fuad Hussein Mohamed	Airbase Ward
54	Hon. Samora Wacira Mwaura	Clay City Ward
55	Hon. Mark Ronaldo Mugambi	Umoja I Ward
56	Hon. Rosemary Masitsa Shitote	Makina Ward
57	Hon. Moses Nyangaresi Ogeto	Kilimani Ward
58	Hon. Alvin Olando Palapala	Kitisuru Ward
59	Hon. Clarence Kipkemboi Munga	Kabiro Ward
60	Hon. Mwaura Chege	Ngara Ward
61	Hon. Fredrick Njogu Njoroge	Kawangware Ward
62	Hon. Wilfred Oluoch Odalo	Mabatini Ward
63	Hon. Peter Wahinya Njau	Pangani Ward
64	Hon. Robert Mbatia	Kariobangi South Ward

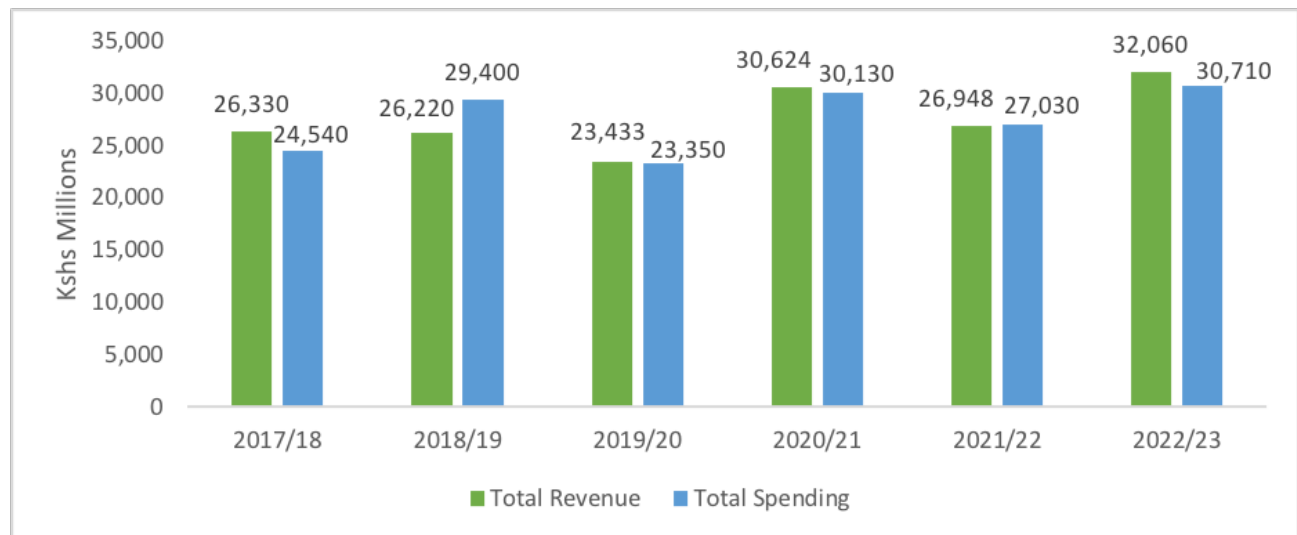
65	Hon. Robert Alai Onyango	Kileleshwa Ward
66	Hon. Davidson Dng Ngibuini	Woodley Kenyatta Golf Course
67	Hon. Samson Ochieng’ Jera Ooko	Lindi Ward
68	Hon. John Ndile Musila	Laini Saba Ward
69	Hon. Abass Ibrahim Khalif	South C Ward
70	Hon. Antony Maragu Muthoni	Karen Ward
71	Hon. Peter Maina Mwangi	Uthiru Ruthimitu Ward
72	Hon. Eric Kiogora Murigu	Riruta Ward
73	Hon. Cyrus Mugo Mubea	Ngando Ward
74	Hon. Martin Mbugua Mwangi	Mutu-ini Ward
75	Hon. Clement Nganga Kamaru	Kahawa West Ward
76	Hon. Kennedy Swaka	Gatina Ward
77	Hon. Hamisi Suleiman Maleya	Kangemi Ward
78	Hon. Kamau Thuo Fiunifu	Karura Ward
79	Hon. Stephen Gitau Ndegwa	Parklands Highridge
80	Hon. Patrick Karani	Utawala Ward
81	Hon. Lawrence Otieno Odhiambo	Sarangombe Ward
82	Hon. Redson Otieno Onyango	Ngei Ward
83	Hon. Paul Ndungu Irungu	Pumwani Ward
84	Hon. Antony Kimemia Gathumbi	Harambee Ward

Source: Nairobi County Assembly Website

### 3.2.2 Finances of Nairobi City County government

Nairobi’s total revenue stood at Kshs 32.06 billion at the

end of the fiscal year ended 30 June 2023, representing a 19% increase from Kshs 26.9 billion in the previous year. The growth in the revenue was largely driven by an increase in conditional grants and own source revenue in the review period. In FY 2022/23, the County received Kshs.19.25 billion (60%) as an equitable share of national revenue, Kshs.1.06 billion (3.3%) as conditional grants,



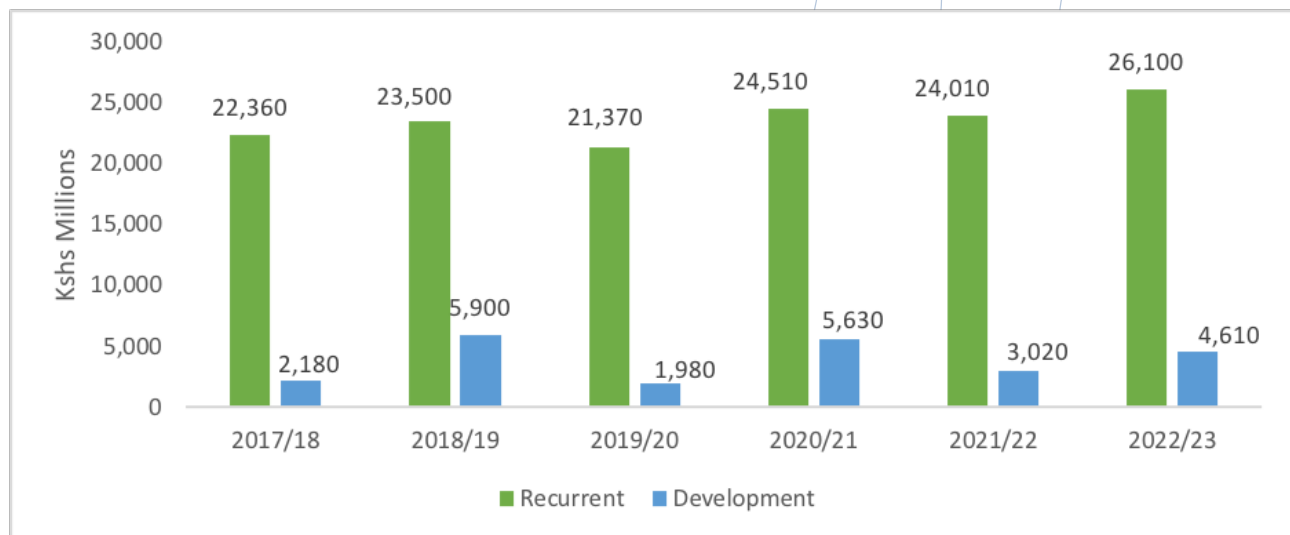
generated Kshs.10.48 billion (32.7%) as own source revenue and had a cash balance of Kshs.1.27 billion from FY 2021/22<sup>11</sup>.

Figure 6: Government revenue vs spending of Nairobi City County (2017/18 -2022/23)

By the end of June 2023, the Nairobi County Government spent a total of Kshs 30.71 billion, which represents

a 13.6% increase from FY 2021/22 (FYE 2021/22: Kshs 27.03 billion). In the fiscal year 2022/23, expenditure on development programs was Kshs 4.61 billion (15%), while expenditure on recurring programs was Kshs 26.1 billion

<sup>11</sup> County Governments Budget Implementation Review Report for FY 2022/23



(85%).

**Figure 7: Breakdown of Nairobi County Government spending (2017/18-2022/23)**

Source: Office of the Controller of Budget

The Nairobi County Government typically spends more on recurring expenses such as employee salaries, operating costs and other maintenance costs. The County Government's wage and benefit expenditure is meant to be within 35% of the total revenue limit under Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015. However, Nairobi City County spent 38% of its annual realised revenue on employee compensation in the fiscal year 2022/23, exceeding the set limit, based on the 2023 Controller of Budget report.

### 3.2.3 Revenue collection mechanism

In FY 2022/23, Nairobi City County generated a total of Kshs 10.48 billion as own-source revenue based on the County Governments Budget Implementation Review Report for FY 2022/23. This amount represented an increase of 13.4% compared to Kshs 9.24 billion realised in FY 2021/22. The realised revenue was 59% of the annual target and 54.4% of the equitable revenue share disbursed during the period. The County has been falling short of its revenue target since 2013, nonetheless, continued automation of the OSR collection system through the 'My Nairobi App' which is a payment platform developed in partnership with Safaricom to allow residents and businesses to pay parking fees, business permits, rents and food and health certificates digitally, is expected to increase the County's OSR. The key revenue streams for the County include parking fees, land rates, single business permits, plans and inspections (building permits), billboards and advertisements, house and stall rent, fire inspection certificates, food handler's certificates and markets and liquor licences.

### 3.2.4 Nairobi city county debt profile

In 2011, the defunct Nairobi City Council obtained a Ksh5 billion loan from Equity Bank to enable the former to settle statutory debts owed to the National Social Security Fund, the Kenya Revenue Authority, Local

Authorities Pension Trust and Local Authorities Provident Fund. The outstanding balance on the loan was inherited by Nairobi City County following the creation of the devolved governments in 2013. Subsequently, Kenya Commercial Bank (KCB) bought the loan from Equity Bank in September 2014 offering better credit terms to the County. The County has defaulted on the loan obligations and the Bank has approached the courts to compel the County to honour the Arbitrators ruling in 2019 to pay the defaulted loan and interest totalling Ksh4.5 billion, however, the loan remains unpaid at end of the FY2022/23 fiscal year. Aside from the loan obtained under the erstwhile Nairobi City Council before the county devolution in 2013, the current County dispensation has not obtained any long-term commercial loans.

According to the Controller of Budget, County Government Budget Implementation review report for the 2022/23 financial year, pending bills amounted to Kshs 107.33 billion as of 30 June 2023. Furthermore, the County has a short-term credit facility with the Cooperative Bank to pay salaries. With the inconsistency of exchequer release from the National Treasury, the County uses this credit facility to ensure that staff salaries are paid consistently. However, information on the credit facility's accrued balances as of 30 June 2023 was not provided in the Controller of Budget's report.

### 3.2.5 Compliance with the public finance management act

Part 4 of the Public Finance Management (PFM) Act of 2012 outlines the County Government's duties regarding the management and supervision of public finances. It establishes the guidelines for good financial management that County Treasuries must adhere to. As outlined in Chapter 12 of the Constitution, the pillar is responsible for upholding the essential values of prudent financial management, accountability and responsibility.

While overseeing and reporting on the implementation of the Nairobi City County FY 2022/23 budget, the Office of the Controller of Budget (OCOB) identified the following

challenges to effective budget implementation:

1. Low expenditure on development programmes in the FY 2022/23, with development expenditure representing 13.9% of the total expenditure in the review period. The COB recommends that the County leadership develops and implements strategies to enhance expenditure on development programmes to enhance the living standards of its citizens.
2. A high level of outstanding bills which stood at Kshs 107.33 billion at the end of the fiscal year 2022/23. The COB recommends that County leadership addresses the pending bills situation to ensure that genuine bills are paid on time in the upcoming fiscal year. Further, a payment plan should be provided at the beginning of the financial year.
3. The late submission of financial reports to the Controller of Budget by the County Treasury hampered the timely preparation of the budget implementation report. To address this issue, the COB recommended that the County treasury should ensure that financial reports are prepared and submitted to the Office of the Controller of Budget timely, as required by Section 166 of the PFM Act, 2012.
4. Own-source revenue was Ksh 10.24 billion, falling short of the annual target of Ksh 17.51 billion and accounting for 58.4% of the target. To fully fund the approved budget, the COB recommends that the County improves its OSR performance.

## 4

# Credit risk assessment of Nairobi County

## 4.1 Rating rationale

- Agusto & Co. hereby assigns a “Bbb ken” Shadow Credit Rating to the Nairobi City County (“Nairobi City County”, “Nairobi” or “the County”). The assigned rating reflects the County’s stable political environment, strategic importance to the country as the capital city as well as financial and technology services hub in east Africa, improving governance framework, satisfactory own source revenue (also known as internally generated revenue) accounting for 31% of total revenue in FYE 2022/2023 and modest financial flexibility owing to minimal leverage. However, the rating is constrained by the county’s high personnel expenses at 38% of revenue higher than the 35% limit set by Regulation 25 (1b) of the Public Finance Management (PFM) Act of 2012, rising overhead costs elicited by higher inflationary pressures, reliance on equitable share of income distributed by the Exchequer as well as the qualified audit opinions over the last five years by the Auditor General of Kenya.
  - Nairobi City County is the capital city of Kenya and also one of the most populous cities in east Africa with an estimated population of 4.6 million people as at the end of 2022. Nairobi is also a cosmopolitan African capital city and plays host to numerous diplomatic offices, international and multinational institutions, and other local, regional and intercontinental organizations given its unique location, climatic condition and strategic importance as a financial and technology centre in East Africa. Based on the 2023 Gross County Product (GCP) report by the Kenya National Bureau of Statistics (KNBS), Nairobi City County’s GCP was estimated at Kshs3.38 trillion, representing about 27.5% of the Country’s Gross Domestic Product (GDP), evidencing its strategic importance to the Country. The major economic activities in the County include financial and insurance, real estate, wholesale and retail trade, transport and storage, construction and manufacturing. Nairobi County’s favourable climate, huge tourist attractions as well
- as increasing economic and commercial activities occasioned by the presence of major industries (accounting for about 80% of the country’s total industries) and one of the largest international airports in East and Central Africa (Jomo Kenyatta International Airport) portend huge opportunities for growth across various sectors.
- In the financial year ended 30 June 2023 (FY 2022/23), Nairobi City County reported total revenue of Kshs29.6 billion which was 5% higher than the prior year due to an increase in conditional grants and other capital receipts distributed by the Exchequer in the period. In the same vein, the County’s own source revenue (OSR) grew by 4% year-on-year (YoY) to Ksh9.29 billion (representing 31% of total revenue) on account of increased collections on rates, parking fees, single business permits, building permits, billboards and adverts in the period under review. While we recognize the ongoing strategic initiatives implemented by the County government in terms of unified business payment systems and periodic monitoring of all income lines, we believe that digitizing all government processes would help drive higher OSR receipts from business permits, building approvals fees, land rates, hotel fees and parking fees amongst others as well as minimize leakages as this is considered to be the most stable source of income for a county. Nairobi County, like most counties, will continue to be reliant on the equitable share disbursements from the National Government through the Exchequer which accounted for circa 69% of revenue in FY2022/23, though to a lower extent compared to most counties which have an average of 80% revenue from the Central Government.
  - In the financial year ended 30 June 2023, Nairobi County reported a total expenditure of Ksh29.2 billion (FY 2021/22: Ksh27.6 billion), comprising recurrent (88%) and development expenditure (12%). Akin to most counties, Nairobi County’s personnel cost (including payroll costs of the County Assembly) is the largest recurrent cost component and

accounted for 38% of total revenue in FY 2021/22, which is higher than the 35% limit set by Regulation 25 (1b) of the Public Finance Management Act (County Regulations), 2015. The County's operations and maintenance costs (also known as overheads) have been negatively impacted by inflationary pressures over the last three years. Nonetheless, Nairobi's overhead cost-to-revenue ratio of 26% in FY2022/23 and the three-year (FY 2020/2021 – 2022/23) average of 28% requires improvement in our view. Going forward, Agosto & Co. expects Nairobi City County's personnel expenses to revenue ratio to remain above the 35% threshold on account of the expanded workforce following the transfer of the erstwhile services under the Nairobi Metropolitan Services<sup>12</sup> to the County government, while the overhead cost to revenue ratio is projected to remain elevated on the back of higher inflationary cost pressures.

- In FY 2022/23, Nairobi City County spent Kshs3.54 billion on development activities which represented circa 12% of total expenditure - lower than the 30% minimum requirement as per Section 107 (2b) of the PFM Act. While we expect Nairobi to moderately increase capital spending in tandem with available revenue, we note the County's reliance on the Exchequer distributions which are susceptible to delays as well as the paucity of funds at the National Government level. In our view, the County will need to explore alternative capital market financing options to fund development projects across water, healthcare, public infrastructure, education,

waste management and transportation sectors which are expected to boost the County's economic development trajectory.

- As at the end of the 2022/23 financial year (30 June 2023), Nairobi County's only third-party borrowings is the outstanding Kenya Commercial Bank loan (Ksh4.4 billion) obtained by the defunct Nairobi City Council in 2011 before county devolution in 2013. The County has defaulted on the loan obligations and it remains unpaid as at the end of FY2022/23 despite an Arbitration ruling in 2019 and the case is now before the courts. Based on the FY2022/23 financial statements, the County's accumulated outstanding payables (pending bills) arising from contracted goods and services stood at Ksh98.3 billion as at 30 June 2023.
- Given Nairobi City County's strategic importance as the regional epicentre in East and Central Africa coupled with its vibrant commercial and industrial economy as well as cosmopolitan city status, we believe that there is huge potential to generate higher local incomes from licenses, land rates, business permits, market fees, among other levies through digitization of processes. Furthermore, we expect the County to continue to enjoy central government support as it is the main administrative centre in the country playing host to key government offices as well as numerous diplomatic offices, and international and multinational institutions.
- Based on the above, Agosto & Co. hereby attach a stable outlook to Nairobi City County.

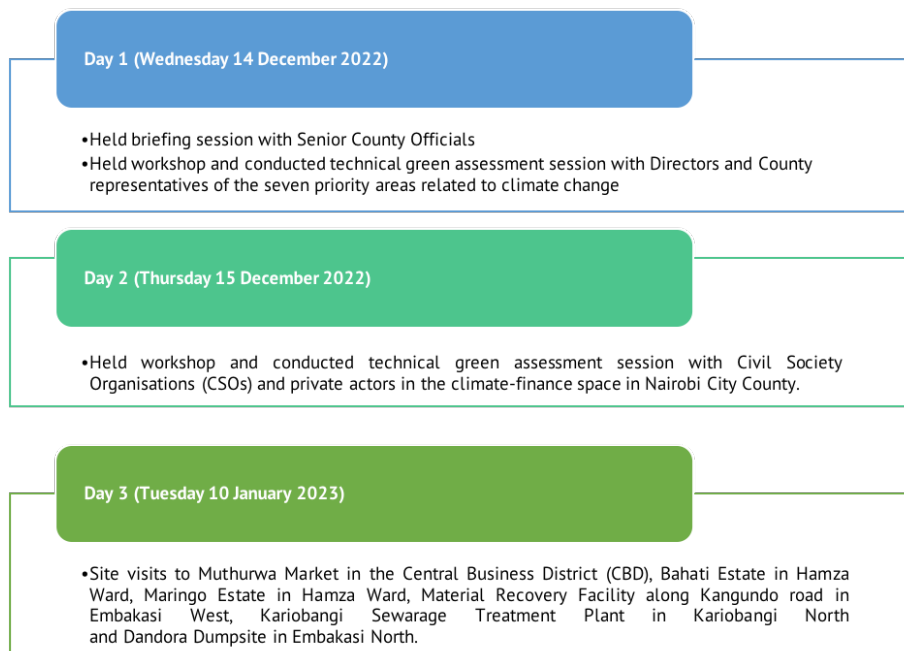


Figure 8: Strengths, Weaknesses, Opportunities and Challenges

<sup>11</sup> In March 2020, four core functions (Health Services, Transport Services, Public Works, Utilities and Ancillary Services, and Physical Planning and Development) were transferred from Nairobi City County Government to the Nairobi Metropolitan Services (NMS) due to the void created in services and leadership in the County Executive.

## 4.2 Financial condition review

### Analysts' comments

- Nairobi City County prepared its financial statements for the fiscal year ended 30 June 2023 in line with the International Public Sector Accounting Standards (IPSAS) cash basis.
- We have analyzed the financial statements of Nairobi City County over the period FY 2020/21 to 2022/23 relying on the audited accounts by the Auditor General of Kenya, draft financial statements by the County and the Office of the Controller of Budget report on the County.

### Revenue profile

Nairobi City County generates its own source revenue (also known as internally generated revenue) from fines, licenses, levies and user fees as stipulated in Article 209 of the 2010 Kenya Constitution. Also, the County receives quarterly income from the National Government as an equitable share of revenue collected and distributed nationally. Article 202 of the Kenya Constitution provides that revenue raised nationally shall be shared equitably among the National and county governments, with the sharing structure determined yearly through the County Allocation of Revenue Act (CARA). The sharing formula is developed by the Commission on Revenue Allocation and approved by the Parliament per Article 217 of the Kenya Constitution.

In the financial year ended 30 June 2023 (FY 2022/23), Nairobi City County's total revenue grew by 5% to Kshs29.6 billion (FY 2021/22: Kshs 28.2 billion) due to an increase in conditional grants and other capital receipts distributed by the Exchequer in the period. To finance the County's approved FY 2022/23 budget of Ksh39.61 billion, Nairobi City County was expected to receive Ksh19.25 billion as the equitable share of revenue raised nationally, Ksh1.34 billion as conditional grants and also generate Ksh17.51 billion from its own source revenue. Although, the County received Ksh19.25 billion as the equitable share of the revenue raised nationally (representing 100% of the budget), conditional allocations and OSR receipts fell short of the budget, leaving the County's revenue performance at 74.8% of the budget.

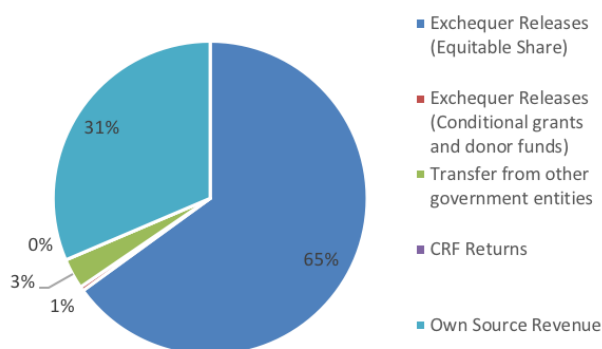


Figure 9: Breakdown of Nairobi County's revenue - FY 2022/23

A breakdown of FY 2022/23 total revenue shows that Nairobi County's equitable share of income distributed by the Exchequer which remained at par with the prior year at Ksh19.25 billion accounted for 65% of total revenue while own source revenue represented 31%. Furthermore, Ksh131.6 million was received by the County as conditional grants (representing less than 1% of total revenue), while transfers from other government agencies stood at Ksh927.3 million and accounted for 3% of total revenue. Table 2 shows the details of centrally distributed funds received by Nairobi County over the last three years.

Table 4: Centrally distributed funds by National Treasury - FY2020/21 - FY2023/24 budget (Ksh'millions)

Centrally generated revenue	FY2020 /21	FY2021 /22	FY2022 /23	FY2023 /24 Budget
Exchequer releases (equitable share)	19,500.1	19,247.7	19,249.7	20,072
Exchequer releases (Conditional grants and donor funds)	74.5	-	131.6	607
Transfer from other government entities	100.2	-	927.3	667
CRF Returns	168.0	1.4	0.1	994
Total Centrally Generated Revenue	19,842.8	19,251.1	20,308.7	22,340

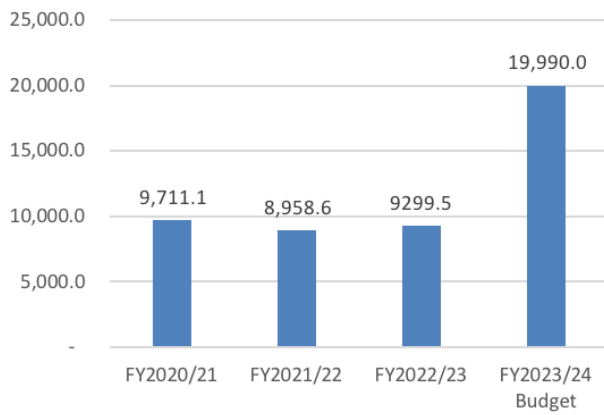
Source: Controller of Budget's County Governments Budget Review Report FY2022/23 & Nairobi City County Budget Review and Outlook Paper 2023

In the fiscal year ended 30 June 2023, Nairobi County's own source revenue (OSR) grew by 4% year-on-year (YoY) to Ksh9.29 billion representing 31% of total revenue. This was due to increased collections on rates, parking fees, single business permits, building permits, billboards and adverts in the period under review. On the back of ongoing strategic initiatives implemented by the County government in terms of unified online payments and periodic monitoring of all OSR income lines, we expect continued improvement in collections going forward. In addition, Augusto & Co. believes that digitizing all county government processes would help drive higher receipts in the form of business permits, licenses, building approvals fees, land rates, hotel fees and parking fees amongst others. In our view, Nairobi County has the potential to increase OSR in the medium term. However, similar to most counties in the country, Nairobi County remains dependent on the disbursements from the National government through the Exchequer.

Based on the FY 2023/24 budget, Nairobi City County intends to generate a total revenue of Ksh42.3 billion (43% higher than FY2022/23 performance) with equitable share from the National Government accounting for 47.4% of the total revenue, while conditional grants and allocation from Exchequer (1.4%), transfer from government entities (1.6%), CRF returns (2.3%) and County Own Source Revenue (47.2%). The County's projected revenue growth



is expected to be spurred by a significant rise in OSR collections driven by full automation of all income lines.



**Figure 10: Own source revenue Ksh'millions (FY2020/21 - FY2023/24 Budget)**

Going forward, the County intends to leverage technology in adopting reliable and efficient revenue collection systems to address the challenges associated with revenue leakages in the near term. Furthermore, Nairobi County intends to increase OSR through the following initiatives: full implementation of single business permits; enhance enforcement mechanisms across all revenue streams; expansion of revenue base through aggressive data collection on property owners; fast track the implementation of the new geographic information system (GIS) based valuation roll to increase land-based revenue; compliance with building permits and approvals; sensitize the public on online registration and payment of County fees and the consequences of non-payment; public campaign to enlighten on voluntary payment of County dues; establish digital linkage between land office property records and Nairobi County valuation record; and engage third parties to partner in the collection of land rates; amongst others. In our view, the successful implementation of these initiatives would translate into higher OSR in the near to medium term.

In our opinion, Nairobi County’s overall revenue profile is satisfactory. However, improvement is required in deepening OSR sources to reduce dependence on the national government’s distributions.

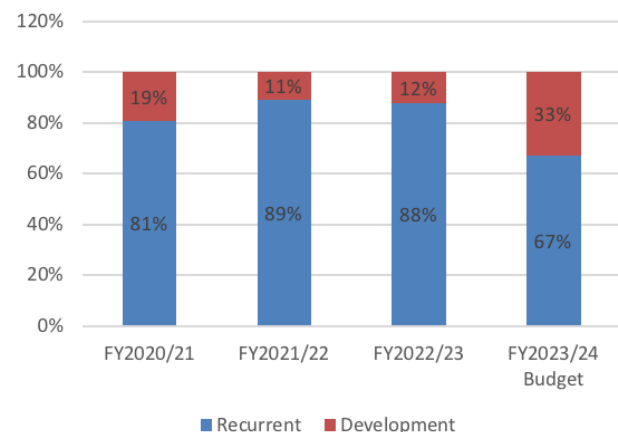
**Expenditure profile**

The Public Finance Management Act 2012 (PFM) classifies counties’ expenditures into two main broad categories – recurrent and development expenditure. Recurrent expenditure comprises expenses incurred in the services provided by the county government such as compensation of government employees, purchase of goods and services and interest payments on borrowings, amongst others. Development expenditure covers the payment for the acquisition or renewal of assets (property, plant and equipment) and Section 107 (2b) of the PFM provides that a minimum of 30% of a county’s budget be allocated to this expense category.

In the financial year ended 30 June 2023, Nairobi City County reported a total expenditure of Ksh29.2 billion (FY 2021/22: Ksh27.6 billion), comprising recurrent (88%) and development expenditure (12%). A breakdown

of the County’s recurrent expenditure revealed that Ksh11.1 billion was spent on employee compensation (representing 38% of total expenditure), while Ksh7.6 billion on operations and maintenance (accounting for 26%), Ksh1.7 billion as transfers to the County Assembly (for compensation, operations and maintenance and development activities) and Ksh5.1 billion as payments to the Nairobi Metropolitan Services and other contingencies. Also, the County spent Kshs3.54 billion on development activities which represented circa 12% of total expenditure, which was significantly lower than the 30% minimum requirement as enshrined in Section 107 (2b) of the PFM Act of 2012.

Based on our analysis, Nairobi’s total personnel cost (processed through the Integrated Personnel and Payroll Database (IPPD) system and manual payroll) including the payroll of the County Assembly represented 38% of total revenue in FY 2021/22 which is higher than the 35% limit set by Regulation 25 (1) (b) of the Public Finance Management (County Regulations), 2015. Augusto & Co. notes that the County personnel wages and benefits as a percentage of revenue have trended upwards in absolute terms and higher than the statutory threshold over the last three years. In the same vein, operations and maintenance expenses have remained upbeat over the last three years reflecting higher inflationary pressures. Nonetheless, Nairobi’s overhead cost-to-revenue ratio of 26% in FY2022/23 and the three-year (FY 2020/2021 – 2022/23) average of 28% requires improvement in our view.



**Figure 11: Recurrent & Development to Total Expenditure**

Per section 116 of the PFM Act, 2012, county governments are allowed to establish and allocate monies from the budget to public funds with approval from the County Executive Committee and the County Assembly. However, Nairobi County did not make any budgetary allocations to county-established funds over the last two fiscal periods.

Based on the FY2023/24 Budget, the County’s recurrent expenditure is estimated at Ksh28.3 billion (representing 67% of the overall budget) and development expenditure at Ksh 14 billion, thus bringing the total expenditure budget to Kshs42.3 billion. Furthermore, we note that the development expenditure accounting for 33% of the overall Budget is expected to facilitate the completion of existing projects across the County.

Going forward, Agosto & Co. expects Nairobi City County's personnel expenses to revenue ratio to remain above the 35% threshold on account of the expanded workforce following the full transfer of the erstwhile services under Nairobi Metropolitan Services (NMS) to the County government departments. In addition, we project that the County's overhead cost-to-revenue ratio will remain elevated on the back of inflationary pressures on cost items such as utilities supplies & services, travel, insurance and general office expenses. Also, we expect capital development expenditure to increase moderately given the plans to complete ongoing projects in the FY2023/24 Budget and commence new flagship initiatives earmarked in the CIDP 2023 – 2027.

In our opinion, Nairobi City County's overall expenditure profile is weak and requires improvement.

### Debt profile

County governments in Kenya can borrow funds for short-term or medium to long-term purposes in line with the Public Finance Management Act 2012. However, the County Treasury is expected to include in the County Fiscal Strategy Paper, the financial outlook for the county government revenues, expenditures and borrowing for the coming financial year and over the medium term. Based on the PFM, a county government authorized by the County Assembly can borrow short-term only for cash management purposes which is repayable within twelve months. In addition, short-term borrowings are not expected to exceed 5% of the most recent audited county government revenue in line with Section 107 (3) of the PFM. Furthermore, Section 107 (2d) of the PFM allows county governments to borrow over the medium term only for financing development expenditure and this must align with Regulation 25 (1) (d) of the Public Finance Management (County Regulations), 2015 which provides for a 20% of total revenue borrowing limit on the total county public debt at any time.

In 2011, the defunct Nairobi City Council obtained a Ksh5 billion loan from Equity Bank to enable the former to settle statutory debts owed to the National Social Security Fund, the Kenya Revenue Authority, Local Authorities Pension Trust and Local Authorities Provident Fund. The outstanding balance on the loan was inherited by Nairobi City County following the creation of the devolved governments in 2013. Subsequently, Kenya Commercial Bank (KCB) bought the loan from Equity Bank in September 2014 offering better credit terms to the County. The County has defaulted on the loan obligations and the Bank has approached the courts to compel the County to honour the Arbitrators ruling in 2019 to pay the defaulted loan and interest totalling Ksh4.5 billion, however, the loan remains unpaid as at end of the FY2022/23 fiscal year.

Aside from the loan obtained under the erstwhile Nairobi City Council before the county devolution in 2013, the current County dispensation has not obtained any long-term commercial loans. Based on the unaudited financial statements for FY2022/23, Nairobi County's outstanding pending bills as at 30 June 2023 stood at Ksh98.3 billion.

While we recognize that Nairobi City County has not obtained any third-party or commercial borrowing over

the last five years, we note that proper reconciliation and settlement of existing loans and third-party pending bills will provide clarity on the County's financial flexibility going into the future. This is imperative given the County government plans to access capital market financing to execute development projects such as the building of 30km walkways and non-motorized transport facilities, construction of a waste-to-energy plant at the Dandora dumpsite, development of Bus Rapid Transit (BRT) projects and a City Metro Commuter Light Rail, amongst others.

In our view, Nairobi City County has a low-leverage position. However, the County's financial flexibility to meet future debt obligations will hinge on the settlement of existing third-party obligations as well as improvement in own source revenue.

### 4.3 Rating outlook

The FY 2023/24 Nairobi City County budget seeks to improve the socioeconomic condition and simultaneously develop policies and reform measures to accelerate the regeneration of the County towards achieving the vision of making Nairobi "a city of Order, Dignity, Hope and Opportunities for all". To achieve this, the County government has prioritised key initiatives such as:

- Administrative Reforms for improved service delivery covering resource mobilization and financial management, expenditure and cost management, internal financial controls to ensure value for money and efficient management of county assets to avoid duplication of common assets and promote sharing of assets.
- Attain food security for all, employment creation, income generation, poverty reduction and ensuring sustainable agricultural land use.
- Restore good governance, enforce fiscal discipline, seal loopholes for inefficient use of public resources, and eliminate corruption.
- Develop an inclusive and fair system in which the poor have access to decent and affordable housing facilities
- Support education, sports, youth and social services initiatives.
- Institutionalize preventive and promotive health services.
- Promote a clean healthy County in which water is safe, accessible and affordable for all and its supply is regular and reliable.
- Create a congestion-free City in which pedestrians have safe walkways; children do not suffer injuries from road accidents and public transport is seamlessly connected and sustainable.
- Promote equal work opportunity, decent wages and prosperity for all residents

While we recognise the anticipated reforms from the FY2023/24 Budget, we note that if these initiatives are implemented successfully Nairobi City County will be

better positioned to attract further investments to boost economic growth and development given its unique strategic position as the financial and technology hub in East and Central Africa.

Based on the aforementioned, we hereby assign a **“Bbb Ken”** rating and attach a **stable** outlook to the Nairobi City County Government of Kenya. The rating reflects a county with a satisfactory financial condition and adequate capacity to meet obligations as and when they fall due relative to all other issuers in the same country.

## 4.4 Counties financing framework

### Background

The Government of Kenya has been under considerable financial pressure due to macroeconomic headwinds and the impact of Covid-19, which will ultimately limit the near-term funds available for developing infrastructure projects across the 47 Counties. As such, counties in Kenya have been urged to embrace the debt capital markets for infrastructure development financing.

### Excerpts of Statutory requirements for County borrowing under the PFM Act 2012

- 58.** (1) Subject to subsection (2), the Cabinet Secretary may guarantee a loan of a county government or any other borrower on behalf of the national government and that loan shall be approved by Parliament.
- (2) The Cabinet Secretary shall not guarantee a loan under subsection (1) unless—
- the loan is for a capital project;
  - the borrower is capable of repaying the loan, and paying any interest or other amount payable in respect of it;
  - in the case of a private borrower, there is sufficient security for the loan;
  - the financial position of the borrower over the medium term is likely to be satisfactory;
  - the terms of the guarantee comply with the fiscal responsibility principles and financial objectives of the national government;
  - where Parliament has passed a resolution setting a limit for the purposes of this section—
    - the amount guaranteed does not exceed that limit; or
    - if it exceeds that limit, the draft guarantee document has been approved by resolution of both Houses of Parliament;
  - the Cabinet Secretary takes into account the equity between the national government’s interests and the county government’s interests so as to ensure fairness;
  - the borrower complies with any conditions imposed by the Cabinet Secretary in accordance with the regulations;
  - the Cabinet Secretary has taken into account the recommendation of the Intergovernmental Budget and Economic Council in respect of any guarantee to a county government; and

- the loan is made in accordance with provisions of this Act and any regulations made thereunder.
- (3) Parliament may approve a draft loan guarantee document as provided by subsection (2)(f)(ii) only if satisfied that—
- the guarantee is in the public interest;
  - the borrower’s financial position is strong enough to enable the borrower to repay the loan proposed to be guaranteed and to pay interest or other amounts payable in respect of the loan; and
  - the loan is geared towards stimulating economic growth in a county government.
- (4) To enable Parliament to decide whether or not to approve a draft loan guarantee document as provided by subsection (3), the Cabinet Secretary shall prepare and submit to each of the House of Parliament a paper that—
- gives details of the loan that is proposed to be guaranteed, including the amount of the loan, the terms of repayment, and the details of the interest or any other amount payable under the loan;
  - specifies the national government’s total contingent liability under guarantees given under this section; and
  - specifies any other information that the Cabinet Secretary considers relevant.
- 59.** Not later than fourteen days after the guarantee is entered into, the Cabinet Secretary shall submit to Parliament and publish a statement:
- stating that a guarantee is entered into; and
  - containing details of:
    - the guarantee, including the name and other particulars of the borrower whose loan is guaranteed;
    - the duration and nature of the guarantee;
    - a risk assessment in respect of the guarantee; and
    - any other information prescribed by regulations for the purposes of this subsection.
- 140.** (1) A County Executive Committee member for finance may, on behalf of the county government, raise a loan for that Government’s purposes, only if the loan and the terms and conditions for the loan are set out in writing and are in accordance with:
- Article 212 of the Constitution;
  - sections 58 and 142 of this PFM Act;
  - the fiscal responsibility principles and the financial objectives of the county government set out in its most recent County Fiscal Strategy Paper; and
  - the debt management strategy of the county government over the medium term.
- (2) A loan may be raised either within Kenya or outside Kenya.

- 141.** (1) In borrowing money, a county government shall ensure that its financing needs and payment obligations are met at the lowest possible cost in the market that is consistent with a prudent degree of risk while ensuring that the overall level of public debt is sustainable.
- (4) A public debt incurred by a county government is a charge on the County Revenue Fund unless the County Executive Committee member for finance determines that all or part of the public debt that would otherwise be a charge on that Fund shall be a charge on another public fund established by that county government or any of its entities.
- (5) The County Executive Committee member for finance shall pay the proceeds of any loan raised under this Act into the County Revenue Fund or any other public fund established by the county government or as the County Executive Committee member for finance may determine.
- (6) A County Executive Committee member for finance may establish a sinking fund or funds for the redemption of loans raised under this Act for the county government or any of its entities as the County Executive Committee member for finance considers necessary.
- 142.** (1) The County Assembly may authorise short-term borrowing by county government entities for cash management purposes only.
- (2) Any borrowing under subsection (1) may not exceed five percent of the most recent audited revenues of the entity.
- (3) A county government entity that has any such borrowing shall ensure that the money borrowed is repaid within a year from the date on which it was borrowed.
- 144.** (1) The county government may issue securities,

- whether for money that it has borrowed or for any other purpose, only in one or more series and only in accordance with this Act and regulations.
- (2) The County Executive Committee member for finance may issue securities on behalf of the county government, for money borrowed by the county government in accordance with the criteria prescribed by regulations made for this subsection.
- (3) Subject to the provisions of section 141 of this Act, the authority of the County Executive Committee member for finance to borrow money includes the authority to borrow money by issuing county government securities in accordance with the regulations.
- (4) Any county government securities issued by the County Executive Member for finance under this section shall be within the borrowing limits set out by the County Assembly under subsection 141(2) of this Act.
- (5) A county government securities:
- (a) may be issued in one or more series; and
  - (b) may be issued in accordance with loan agreements entered into in accordance with regulations developed by the County Executive Committee member for finance and approved by the County Assembly.
- (6) An agreement to obtain a loan by a county government entity made under subsection (5), may be amended from time to time and where the amendment results in further indebtedness or prejudice to the entity that borrowed, the amendment shall be approved by the County Assembly.
- (7) The County Executive Committee member for finance shall ensure that every county government security issued under this section is given in the name of that County.



Figure 12: Pre-requisites for counties financing

Source: Agosto & Co. Research



Figure 13: Critical stakeholders to support county's financing framework

Source: Agosto & Co. Research

5

# Green asset and activity assessment

To understand the availability of green assets and investment opportunities, Nairobi City County was subjected to a green asset identification and risk analysis. The approach employed involved field visits to Nairobi County, where general sessions were held with members of specific stakeholder groups (county officials, civil society organizations, private actors and community representatives) who were invited to a workshop to discuss issues on the identification of green assets, projects and capabilities of the various stakeholder groups in the County. Furthermore, the workshop served as a medium for gathering information relevant to the County's macroeconomic, fiscal and credit assessments.

To guide the assessment process, information-gathering questionnaires/assessment tools targeting various actors in the counties were prepared and shared in advance of the visit. During the visit, Augusto & Co. engaged three types of stakeholders using the conference/workshop model, namely;

1. County officials which included directors and county representatives of the seven priority areas related to climate change (Disaster risk management; food and nutrition security; water and the blue economy; forestry, wildlife and tourism; health, sanitation and human settlements; manufacturing; and energy and transport) and finance and budget department (Day 1)
2. Civil Society Organisations (CSOs) and private actors in the climate-finance space in Nairobi (Day 2)
3. Community representatives (day 3)

Figure 14 below outlines the activities for the visit to Nairobi City County:

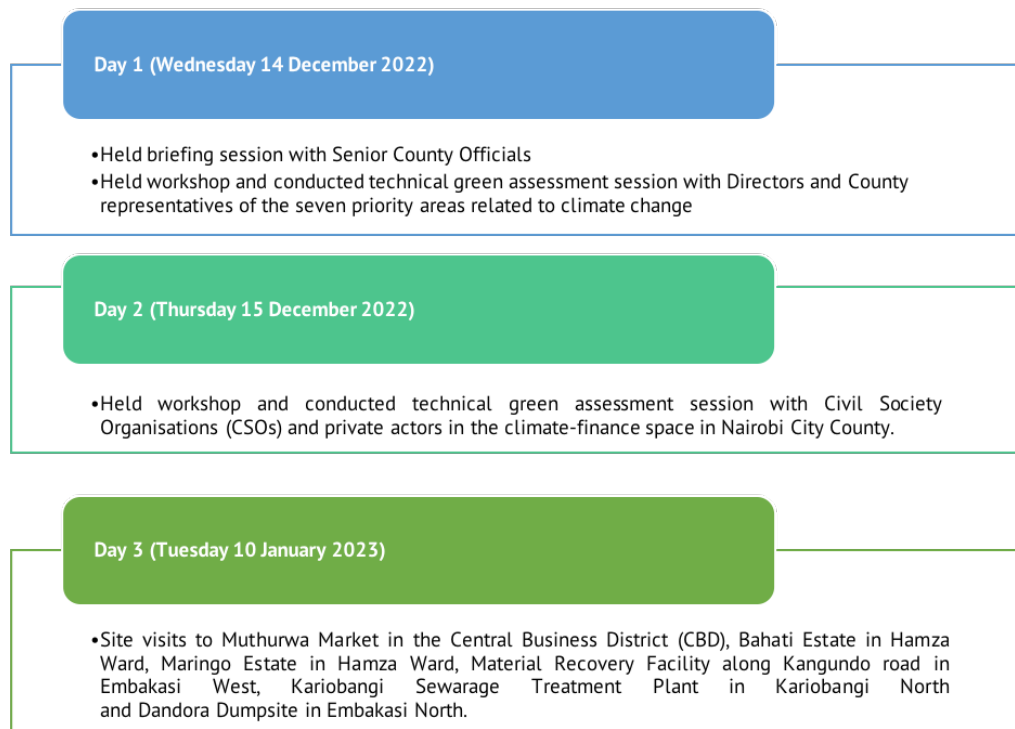


Figure 14: Nairobi City County schedule of activities



Figure 15: Workshop with County Secretary and senior county officials (day 1)



Figure 16: Cross Section of participants at workshop with county officials (day 1)



Figure 17: Cross section of participants at workshop with county officials (day 1)



Figure 18: Workshop with CECEM, Green Nairobi and Director, Donor Coordination (day 1)



Figure 19: Workshop with the CEO of the Nairobi Securities Exchange (day 1)



Figure 20: Workshop with Civil Society Organisations and private sector (day 2)



Figure 21: Workshop with Civil Society Organisations and private sector (day 2)



Figure 22: Participants at workshop with CSOs, CBOs and private sector (day 2)



Figure 23: Participants at the workshop for CSOs, CBOs and private sector (day 2)



Figure 24: Participants at workshop for CSOs, CBOs and private sector (day 2)



Figure 25: Site Visit to Muthurwa Market - Traders at the Fresh Produce Section (day 3)



Figure 26: Site visit to Muthurwa Market - office location (day 3)



Figure 27: Site visit to Muthurwa Market - clothes section (day 3)



Figure 28: Site visit to County Government houses in Bahati Estate (day 3)



Figure 29: Site visit to County Government houses in Bahati Estate (day 3)



Figure 30: Site visit to County Government houses at Maringo Estate (day 3)





Figure 31: Site visit to the Uncompleted Material Recovery facility along Kangundo Road (day 3)



Figure 32: Site visit to the Uncompleted Material Recovery facility along Kangundo Road – Unsorted Waste Dumped



Figure 33: Site Visit to Kariobangi Sewerage Treatment Plant - Intake Facility (Day 3)



Figure 34: Site Visit to Kariobangi Sewerage Treatment Plant - Biological Sewage Water Pits (Day 3)



Figure 35: Site Visit to Dandora Dumpsite - Trucks Queueing at the Weighbridge (Day 3)



Figure 36: Site Visit to Dandora Dumpsite - Excavators at Work in the Dumpsite (Day 3)



Figure 37: Dumpsite at the Muthurwa Market (Day 3)



Figure 38: Participants at the Kariobangi Sewerage Treatment Plant (Day 3)

## 5.1 Preliminary green priority areas

The following thematic areas emerged as key priority sectors for Nairobi City County as a result of discussions

and interactions with various stakeholders, as well as assessments conducted during workshops and site visits.

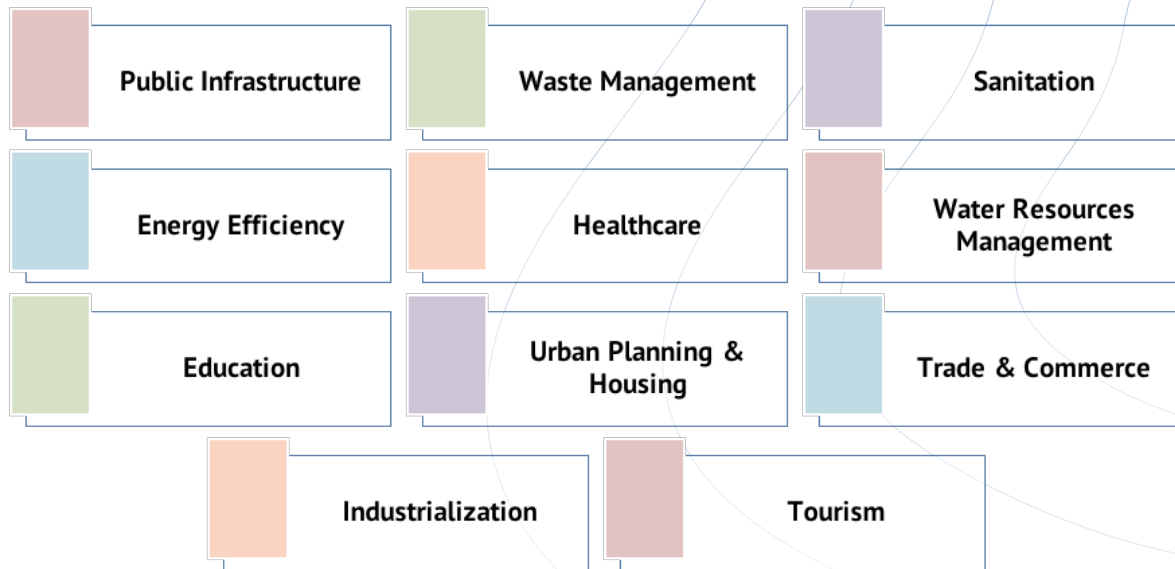


Figure 39: Nairobi City County key green priority areas

These sectors are also identified as priority areas in the Nairobi City County Integrated Development Plan (CIDP), which the County Government is keen to implement projects in the medium term.

### Public infrastructure

The Ward Development Fund (WDF) sector, which oversees the development of all 85 wards in Nairobi City County, is in charge of public infrastructure in the County. The Sector’s core mandate is to ensure equity by providing quality physical infrastructure within Wards, which includes improving road connectivity, safety and security, developing and maintaining institutional facilities, and improving water supply and sanitation. According to the 2024 County Fiscal Strategy Paper (CFSP), the sector will prioritize the provision of sustainable mobility, safety and accessibility, enhanced drainage infrastructure and improved security in the streets through the construction of 45kms road network, 110kms stormwater drainage, developing 2kms of common service ducts, 30kms of gravel road as well as maintaining the existing infrastructure. Additionally, the County intends to construct 15 footbridges and 10 motorable bridges, among other initiatives in the medium term. Enhancing non-motorized transportation is expected to reduce greenhouse gas emissions while simultaneously decreasing congestion, which remains a medium-term priority for Nairobi City County.

### Waste management

According to the 2023-2027 CIDP, there has been an improvement in waste collection in the County from an average daily collection of 1,800 tonnes in 2018 to 3,000 tonnes in 2022. This was achieved through improvement in the collection and transportation of solid waste which

was boosted by the purchase of heavy machinery and waste collection trucks. Also, two material recovery facilities are undergoing construction to improve reuse and recycling, while illegal dumpsites were closed during the review period. The sector’s priorities will be to make the city green, clean and safe through proper solid waste management and the enhancement of the city’s aesthetic value. The County plans to install 7,500 litter bins, as well as fifteen skip loaders, three refuse compactors, fourteen tippers, thirty assorted skips, two bulldozers, three excavators, and one weighbridge ramp, to ensure proper solid waste management and disposal which aligns with United Nations Sustainable Development Goals (SDGs) 11 – Sustainable Cities and Communities.

### Energy efficiency

Nairobi County’s primary energy sources are electricity, solar, liquefied petroleum gas (LPG), biogas, paraffin, charcoal and firewood. Lack of access to clean energy sources is a major challenge due to air pollution from other industrial activities which causes health problems such as respiratory infections. High-level energy sources are cleaner, but they cost more and are used by households with higher income levels, as opposed to simpler fuel sources, such as firewood, which are used by households with a lower socioeconomic profile. 63.2% of the population in the County uses paraffin as a cooking fuel<sup>13</sup>. Other cooking energy sources include LPG (20.2%), charcoal (10.5%) and firewood (1.8%). Approximately 68.2% of households use electricity for lighting, 28.8% use paraffin, and 2.9% and 1.7% use grass and dry cells respectively. According to the 2023 CFSP, providing clean energy in tandem with SDG 7 (Affordable and Clean Energy) should be a priority in the medium term, and this will be accomplished by promoting

<sup>13</sup> County Integrated Development Plan 2018 - 2022

policies on solarization of buildings in the County, including government buildings such as the City Hall, as well as other initiatives including the installation of a waste-to-energy plant at the Dandora dumpsite.

## Healthcare

Nairobi City County had 681 health facilities, of which 115 (17%) were publicly owned<sup>14</sup>. Residents in the County continue to have limited access to health services, owing to rapid population growth and thus increased demand for health services. Furthermore, existing Level 4 and Level 5 hospitals are not performing optimally due to insufficient specialist units, lack of enough supplies of medicines, financial constraints as well as health workers among other challenges. To improve access to healthcare services, the existing facilities should be revamped and conversion of dispensaries and clinics to health centres, as well as health centres converted to sub-county referral hospitals. Furthermore, to lower the overall cost of power, the County Government should promote solarization of all healthcare facilities as a way to reduce the cost of operation in the health facilities. The healthcare facilities must also be adequately equipped to provide services commensurate with their levels of care to improve the quality of healthcare in the County. The healthcare department must also work with other departments such as the public infrastructure department to improve access roads to some of the healthcare facilities.

## Water resources management

Nairobi County lacks a major water tower and relies on water supplies from neighbouring counties in the Tana Basin, which is approximately 50 kilometres from the city centre. This bulk water supply is unreliable during droughts and is also threatened by reservoir siltation caused by deforestation in the catchment areas. The supply problem is exacerbated by the distribution system's poor condition, which results in approximately 38% losses due to leakage, illegal connections, and inefficient and wasteful water use by consumers.

Nairobi City Water & Sewerage Company Limited which is the County's water service provider is wholly owned by the County Government. Its mandate is to provide Nairobi residents with water and sanitation services on behalf of the County. The water connection in the County is at about 80%<sup>15</sup>. However, only 40% of those with home connections receive continuous water supply. Large private consumers (industrial enterprises and hotel complexes) and individual residential owners operate boreholes and shallow wells, which provide backup to the intermittent supply from the water service provider. Going forward, implementing measures such as expanding supply sources to keep up with an ever-increasing population, reducing water losses through the use of a metered zoning system, and dealing with water cartels will help to ensure future water supply sustainability.

## Sanitation

In the County, flush toilets are used by approximately 61.5% of the population, while pit latrines are used by 32.1%<sup>16</sup>. The remaining 6.4% of the population has no means of sewerage disposal, indicating the need for expansion of the County's existing sewer system. The responsibility for water supply and sewerage in Nairobi is shared by an asset holding company, Athi Water Services Board (AWSB), and an operating company, Nairobi City Water and Sewerage Company (NWSC). Therefore, the County will need to provide the necessary support to NWSC to facilitate the much-needed expansion of the sewer system which stood at 50% coverage by the end of 2022<sup>17</sup>. Per the 2023 CFSP, the County intends to improve sanitation by expanding existing sewer line coverage by 42% and building public toilets, particularly in informal settlements.

## Education

The County has 211 public early childhood development (ECD) centres, 205 public primary schools and 2,000 private primary schools, 95 public secondary schools and 57 private secondary schools, 12 Vocational Education and Training Centers, 10 private universities, and 16 campuses operated by both public and private universities<sup>18</sup>. In the proposed strategies as provided in the Nairobi County 2023-2027 CIDP, the County seeks to enhance access to education, including improved retention and transition between different levels, by providing a school feeding program to all primary schools, free early childhood development (ECD) that includes adequate teachers and didactic materials. Furthermore, the provision of bursaries and scholarships to students who are in need, improved learning experience in all vocational colleges, and increased access to library services is part of the program trust of the CIDP. The County government is also keen to promote and support the uptake of solar power systems in public primary and secondary schools, and technical and vocational training institutes. Over the medium term, the department's priority is to increase access and retention to quality ECDE while also improving the transition to primary school through the construction of 10 new ECDE centers, the rehabilitation of 44 ECDE centers, the construction of 5 centers for disabled children, the construction of 100 classes in already overcrowded ECD centers, and the provision of bursaries and scholarships to 107,000 needy students<sup>19</sup>. For vocational education and training, the sector will establish well-branded and well-equipped vocational training centers (VTCs) in all Sub-Counties, one VTC boarding facility, bursaries for VTC learners, employ personnel and diversify VTC programs and courses to meet market demands. We anticipate that by implementing these initiatives, the County will increase access to improved learning experiences in the various education centers.

<sup>14</sup> County Integrated Development Plan 2018 - 2022

<sup>15</sup> County Integrated Development Plan 2018 - 2022

<sup>16</sup> Nairobi County Integrated Development Plan 2018 - 2022

<sup>17</sup> Nairobi City Water and Sewerage Company

<sup>18</sup> County Integrated Development Plan 2018 - 2022

<sup>19</sup> County Fiscal Strategy Paper 2023

## Urban planning and housing

The Urban Planning and Lands Sector promotes spatial order for sustainable urban development through city delineation, sub-centre plan implementation and planning clinics. During the review of the 2018-2022 CIDP implementation plans, the delivery unit improved urban development coordination by operationalizing an automated development application and approval system, reducing the number of days required to process development applications to a maximum of 14 days and developing three policies: Nairobi County Land Use Policy, Nairobi County Development Control Policy and Property Address and Street Naming Policy. Furthermore, the housing and urban renewal sub-sector facilitated the rehabilitation of 520 County rental housing units and common areas in BuruBuru, Kariobangi South and Jamhuri in the implementation of the 2018 – 2022 CIDP strategies.

The Urban Planning and Housing Department seeks to improve the habitability of County rental houses in FY 2023/24 by renovating and rehabilitating 240 housing units at Kariokor. The County government also intends to increase Nairobi residents' access to decent, affordable and adequate housing through the implementation of green urban renewal programs, as well as to improve living conditions in informal settlements through a slum upgrading program that will build 1,562 housing units with private financing. By conforming to the green building codes related to energy efficiency within the building design of the affordable housing units, the County Government seeks to access green financing for the developments. The implementation of these strategies will improve Nairobi City County's alignment with SDG 11 - Sustainable Cities and Communities, which aims to provide adequate, safe, and affordable housing and basic services to all by 2030, as well as to upgrade slums. The County Government is also on accessing green financing by conforming to the green building codes related to energy efficiency within the building design of the affordable housing units.

## Industrialisation, trade and commerce

Nairobi City is home to many major industries, which together account for approximately 80% of all industries in the country<sup>20</sup>. People living within and neighbouring counties have access to a diverse range of employment opportunities owing to the presence of these industries. The majority of these businesses can be found in the Baba Dogo, Kariobangi and Industrial Area neighbourhoods. These industries are agricultural products processing, oil refining, cement manufacturing, and paper and plastic manufacturing among others. The provision of green infrastructure and incentives by the Nairobi City County government to attract manufacturing investments will help to increase industrialization and job creation in the County while also promoting sustainability in the operations of the industries.

## Tourism

Nairobi County has several parks and museums that serve as major tourist attractions and activity centres. Nairobi National Park, Nairobi Safari Walk and Nairobi Mini Orphanage are the three main national parks. Nairobi National Park was the first park to be gazetted in Kenya in 1946, and it is the only wildlife park in the world that is located in a city. The National Park also hosts the Nairobi Animal Orphanage which was founded in 1963 and serves as a rehabilitation center for wild animals like lions, cheetahs, hyenas, jackals and servals among others. The Nairobi Safari Walk is a popular tourist attraction because it provides a unique foot experience for wildlife viewing. The ever-increasing demand for land for real estate development and road construction continues to endanger the numerous parks and forests that are home to a wide variety of wildlife in the City. Consequently, the County intends to undertake extensive afforestation and reforestation initiatives, particularly in the parks and green spaces.

<sup>20</sup> County Integrated Development Plan 2023 - 2027

## 5.2 Green assets identified

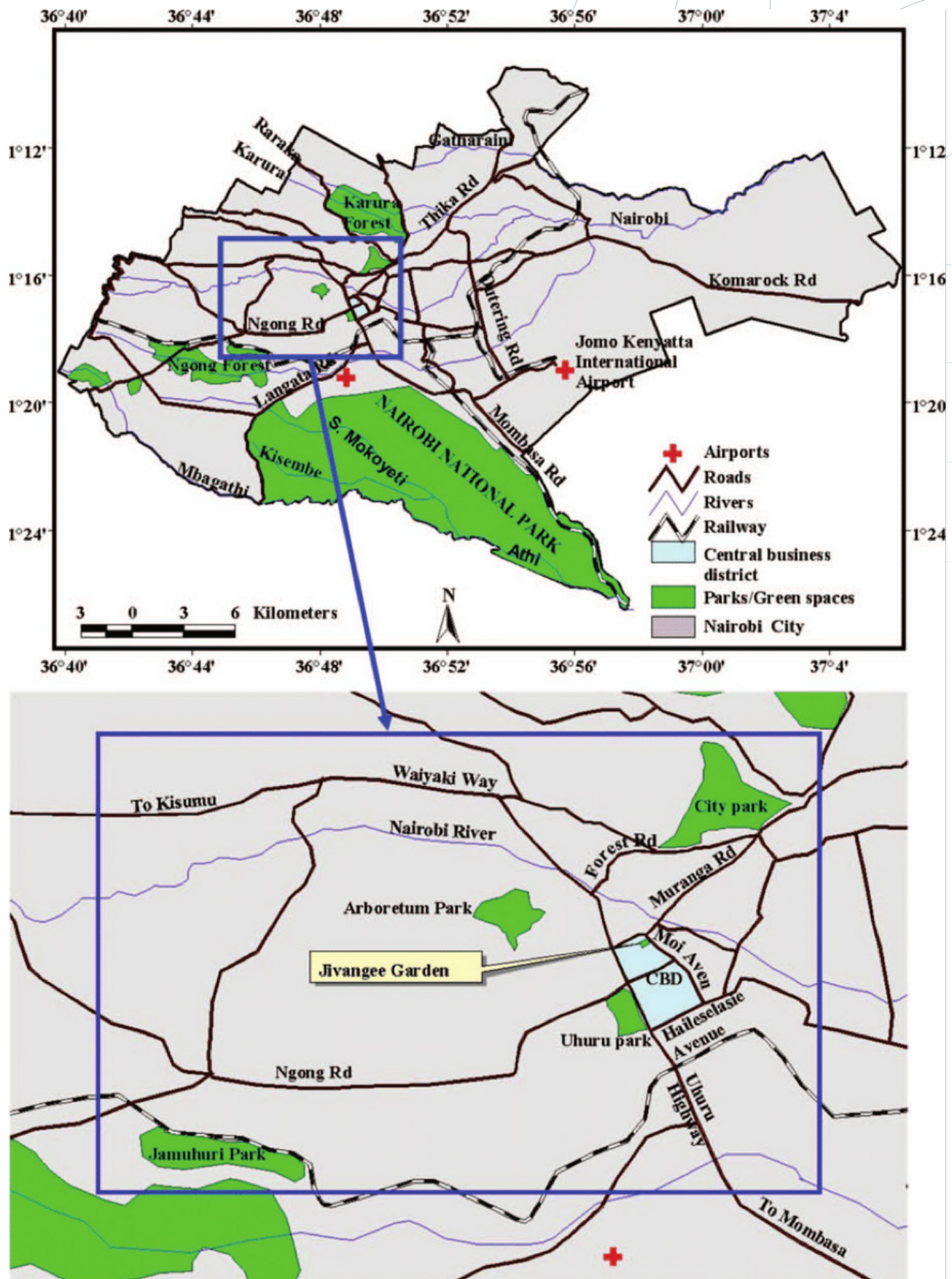


Figure 40: Map of the distribution of green assets in Nairobi City County

Source: ResearchGate

### Overview of green assets in Nairobi City County

Nairobi City County is located 1,798 meters above sea level. Due to its high elevation, the County has a relatively cool climate with temperatures ranging from 100 to 290 degrees Celsius. The rainfall pattern is bimodal with the long rainy season lasting from March to May, with an average rainfall of 899 millimetres (mm), while the short rainy season lasts from October to December, with an average rainfall of 638 mm.

The terrain on the eastern side of the County is gently rolling, but steep valleys separate it from the city boundaries. Several streams with steep-sided valleys covered in vegetation dominate the County's landscape. Nairobi River, Ngong River and Kabuthi River are the County's main rivers. The effluent from open sewers and industrial waste pollutes these rivers significantly. The main water reservoirs are the Nairobi Dam, which is located along the Ngong River, and the Jamhuri Dam. The main types of soils are black cotton and red soils, which form patches throughout the county.

The county's distinct landscape profile includes the following key green assets.

Table 5: Green assets in Nairobi City County

Rivers	Dams	Forests and Parks
Nairobi River	Nairobi Dam	Uhuru Park
Ngong River	Jamhuri Dam	Karura Forest
Kabuthi River		Ngong Forest
		Nairobi Arboretum
		Central Park
		Jeevanjee Gardens
		City Park
		Kamukunji Gardens

Source: Nairobi City County Integrated Development Plan 2023- 2027 and Agosto & Co. Research

### Green assets shared with other counties

The Ngong River and Ngong Road Forest have been identified as two of the major green assets shared with other counties, specifically Kajiado County. The Ngong River begins in the Motoine forest near Dagoretti and runs alongside the Southern bypass until it reaches the Ngong Road interchange, where it enters the Ngong Road forest. The Ngong River then flows through the Ngong Road forest before entering Kibera in Soweto, where the pollution begins. Due to the many factories and informal settlements found next to the river, particularly in the sections of Mukuru Kayaba and Mukuru kwa Njenga, the

river faces multiple pollution from industrial discharge and human waste.

Ngong Road Forest is located on the outskirts of Nairobi City County. The Kenya Forest Service and the Ngong Road Forest Association, a Community Forest Association formed under the Forest Act of 2005, manage the 1,224 hectares of forest. The forest is divided into two sections by Ngong Road: the Miotoni Section to the northwest and the Racecourse and Kibera Section to the southeast. The Southern Bypass, which runs through the forest, separates these sections even further.



Figure 41: Ngong Road Forest map

Source: Ngong Road Forest Website

### Green assets owned by the national government

The Ngong Road Forest and Karura Forest are gazetted by the Kenya Forest Service (KFS) as national forests. The Kenya Forest Service manages Karura Forest in collaboration with the Friends of Karura Forest Community Forest Association, which was gazetted in

1932. Similarly, the KFS manages the Ngong Road Forest in partnership with the Ngong Road Forest Association (NRFA). The Nairobi National Park which is managed by the Kenya Wildlife Service (KWS) was the first park to be gazetted in Kenya in 1946. The park which covers an area of 117 km<sup>2</sup> is the only wildlife park in the world that is in a metropolitan city.

### 5.3 Suggested green projects

Based on the identified thematic areas and Augusto

& Co.'s evaluation of the green assets, the following green projects were proposed for development and implementation:



Figure 42: Nairobi City County suggested green projects

### Water harvesting, management and distribution (infrastructure and treatment facilities)

Nairobi County's daily water demand is estimated at 850,000 cubic meters, while the supply is 525,000 cubic meters<sup>21</sup>. As a result, significant investment in water harvesting, management, and distribution is required to meet current demand. The main sources of water for Nairobi County residents are Ndakaini Dam (76%) in Murangá County, Sasumua Dam (11%) in Nyandarua, Kikuyu Springs (1%), Ruiru Dam (4%) and Ngethu water works. Although the Nairobi River is permanent, the water it contains is not suitable for human consumption due to pollution by human and industrial activities. Borehole water, water kiosks, especially in informal settlements, shallow wells and roof catchments are used by some residents as their main source of water. More than 80% of the County residents have access to piped water<sup>22</sup>. On average, 52.5% and 24.7% of the population take less than 1 minute and between 1 and 4 minutes to get water respectively. Only 0.9% of the population travels 30 minutes or more to the nearest water source<sup>23</sup>.

The County's sewerage system coverage was expected to reach 65% by the end of 2022<sup>24</sup>, however, due to challenges relating to the availability of funds and

capacity required to facilitate the projects among others, the target was not achieved. The Nairobi City Water & Sewerage Company Ltd manages two water treatment plants, one in Kariobangi and the other in Ruai. The Kariobangi Water Treatment Plant was established in 1952 and serves Nairobi's central business district (CBD) and Westlands, whereas the Ruai Plant serves Nairobi's southern region. The Kariobangi Treatment Plant receives 32,000 cubic meters of sewage per day, which is then biologically treated and released into the Nairobi River. However, the by-product of the treatment process, known as sludge which can be used to generate biogas, is dried and sold as compost manure to farmers.

Based on Augusto & Co's assessment, the treatment plants face power and efficiency challenges. The plants have the potential to use solar energy in various operations to reduce their power bills. Furthermore, to serve more people in the County, the water infrastructure and treatment plants need to be expanded. The existing infrastructure will also require to be renovated and upgraded to reduce the high level of non-revenue water<sup>25</sup>, which was estimated to be 43% by the end of 2022. Furthermore, treated water can be channelled to farms as irrigation water which can be beneficial to the plants, rather than disposing of it into the Nairobi River.

<sup>21</sup> Nairobi City County Integrated Development Plan 2023 - 2027

<sup>22</sup> Nairobi City County Integrated Development Plan 2018 - 2022

<sup>23</sup> Nairobi City County Integrated Development Plan 2018 - 2022

<sup>24</sup> Nairobi City County Integrated Development Plan 2018 - 2022

<sup>25</sup> The difference between the amount of water supplied into a distribution system and the amount of water that is billed to the customers.



**Figure 44: Kariobangi Sewerage Treatment Plant - Biogas storage tank**

Source: Augusto & Co. Research



**Figure 43: Kariobangi Sewerage Treatment Plant - Sludge drying pits**

### Integrated Waste Management System & Recycling Centre

Based on the CIDP, Nairobi County generates an estimated 3,200 tons per day, however, the Dandora dumpsite (Nairobi’s only official dumpsite) receives between 2,500 and 3,000 tonnes of waste per day. While 95% of Nairobi’s waste has the potential to be reused, only 5% is recycled or composted. The Dandora Dumpsite, which spans 70 acres, is open 24 hours a day. At the dumpsite, there is a weighbridge that weighs all

waste brought to the site, with charges of Kshs 200 per tonne of waste. Nonetheless, the dumpsite faces several challenges, the most significant of which is that its capacity of 500,000 metric tonnes has been exceeded since 2008. Among the challenges that require urgent attention are the improvement of the road network to the dumpsite as well as an increase in the number of weighbridges, the purchase of additional excavators and dozers to compact the waste, provision of protective gear and proper solar-powered lighting systems at the dump site.



**Figure 46: Dandora dumpsite, Nairobi**

Source: Augusto & Co. Research



**Figure 45: Kangundo Material Recovery Facility**

To address the challenges in the waste management system, the implementation of circular economy principles in Nairobi, as outlined in Kenya’s Nationally Appropriate Mitigation Actions, is a major mitigation action on waste prevention and reduction. It is estimated that more than 50% of the daily waste generated in Nairobi is organic waste that could be converted into compost<sup>26</sup>. Industries use recyclable waste such as paper, plastic, glass, and metal (16% of waste) to create new products. By implementing a circular economy in the waste sector, it is possible to reduce disposal costs while also generating additional revenue from the sale of recyclable materials and compost. As a result, Nairobi County has contributed to the development of several material

recovery facilities, including the Kangundo Material Recovery Facility, which is still under construction. The facility once completed will employ youths and support various community-based organizations in the sorting, separation and reuse of valuable waste.

In Nairobi County, there is still an untapped market for waste-to-value products because only 10% of potentially recyclable materials are currently recovered for recycling. More waste sorting centers and recycling points will need to be established in the County to improve the quality of sorting and recovered material. It will also be critical for the County Government to work with the private sector to ensure their participation in waste recycling and reuse.

<sup>26</sup> KenNairobi Climate Action Plan 2020 - 2050



## Road infrastructure development and maintenance

Nairobi's road network is currently insufficient in comparison to Kenya's Economic Blueprint Vision 2030. The existing road network of 4,181 kilometres cannot meet current and future demands, especially with the heavy traffic congestion on most city roads during peak traffic hours in the morning and evening. The increasing use of private cars, which account for 63% of all cars on Nairobi's roads, is a key driver of the traffic situation. This causes significant traffic congestion, which leads to gridlocked roads where vehicles emit large amounts of health-harming pollutants. To address these issues, the Bus Rapid Transit (BRT) and Light Rail Transit (LRT) projects in Nairobi have been earmarked for implementation and completion in the near term. The BRT, which was expected to be completed by the end of 2022, would include a park-and-ride system as well as other facilities and infrastructure. Furthermore, the County intends to build a City Metro Commuter Light Rail to help improve public transportation in the major city centre. The County has prioritized traffic congestion reduction in the medium term, according to the 2023 CFSP, through upgrading the traffic management system, which will include expanding the road network and stormwater drainage, as well as the construction of walkways and non-motorized transport facilities, among other activities. The implementation of these projects will help to reduce congestion in the City Centre and achieve one of the aspirations of the current regime of creating a City of Order.

## Affordable housing schemes in various estates (rent-to-own/sell scheme)

Nairobi is the country's largest and most populous city, with a population forecasted to reach nearly 8.5 million people by 2035, which will put a significant strain on the current housing stock. Nairobi City County accounts for the highest housing deficit, with roughly 60% of urban dwellers lacking access to affordable housing<sup>27</sup>. Nairobi County intends to redevelop eight county estates in Eastlands as part of the Green Urban Renewal Project: Bahati, Jericho, Lumumba, Embakasi North, Ziwani, Maringo, Woodley, and Kariobangi North Estates. The goal of the redevelopment will be to provide adequate, decent, and affordable housing to meet the needs of the target population that lives in these areas using the rent-to-own schemes. Analysis of two of the estates visited, Bahati Estate (37 hectares) and Maringo Estate (14.9 hectares), a public-private partnership (PPP) financing structure would be most suited for the redevelopment.



**Figure 47: County government houses in Bahati Estate that have been earmarked for redevelopment**

<sup>27</sup> Kenya Institute for Public Policy Research and Analysis (KIPPRA) – Analysis of the Housing Status in Nairobi City County 2021

Furthermore, to access green financing, the developments will need to conform to the green building codes related to energy efficiency within the building design. This may include higher-performance building materials and services such as lighting, appliances and solar hot water heating. This will also help to address the rapidly growing demand for energy from the residential sector.

## Development of green spaces or parks

Green spaces in Nairobi are under threat from urban expansion and environmental degradation, both within the City centre and in the surrounding areas. According to the Nairobi Climate Action Plan 2020-2050, public open spaces account for approximately 5.3% of the County's built-up area, which equates to a very small area per capita. Nairobi City County has a 7.6% tree cover lower than the national forest target cover of 10% of the land area. As a result, the County would have to embark on major afforestation and reforestation efforts especially in community and private lands to reach the national threshold.

As part of strategies in the CIDP, 30 medians<sup>28</sup> were beautified, Michuki Park was revitalised and Jeevanjee Gardens is in the process of being beautified with trees. Nonetheless, numerous parks and forests that are home to a variety of wildlife are still under threat as a result of the ever-increasing demand for land for real estate development and road construction. The County needs to work on increasing the amount of urban land designated and used as public space. This is especially important for future-proofing the city against stress and shocks associated with climate and health disaster risks.

## Energy efficiency across government offices, hospitals, schools, streets and markets

Nairobi County recognises the need to continue to scale up renewable energy to meet future demand as more people become connected and living standards rise. Through the NCCAP and the National Energy Act, the nation has also supported the development of rooftop photovoltaic systems. Furthermore, to encourage the use of renewable energy in the industrialization sector, the provision of green infrastructure and incentives to attract manufacturing investments will help to increase industrialization and job creation in the County while also promoting the sustainability of industrial operations.



**Figure 48: Muthurwa Market lighting provided by the county government which can be solarised**

<sup>28</sup> The area between opposing lanes of traffic, excluding turn lanes.

Based on Agosto & Co's assessment, health facilities face challenges due to insufficient and unreliable power supply. As a result, using alternative energy sources to supplement reliance on the grid would reduce the overall cost of power as well as the operational costs of the facilities. According to the 2023 Nairobi City CFSP, the County is committed to prioritizing the provision of clean energy through solarization of government offices, hospitals, schools, streets, and markets to improve energy efficiency and lower the cost of power for the majority of public facilities to promote a 24-hour economy.

The Muthurwa Market, which is located in the Central Business District (CBD) and hosts approximately 9,900 traders, is one of the facilities that can be considered in the full-scale solarization project. The market, which is open primarily during the day, has several sections, including fresh produce, clothing and a Matatus section. One of the challenges that the market faces is lighting, which could be improved by installing solar lighting so that the market can operate 24 hours a day. This initiative can also be replicated across several markets in the County.

6

# Risk analysis on suggested green projects

	Climate risks	Environmental risks	Legal risks	Reputational risks	Financial risks
<b>Water harvesting, management and distribution (infrastructure and treatment facilities)</b>	<p>Prolonged drought may lead to drying up or reduction in the water levels of the water sources.</p> <p>Release of the methane gas produced at the treatment plant into the atmosphere would lead to climate change risks.</p>	<p>Pollution of the water sources due to distribution activities such as developing the infrastructure that will take water to the tanks and the residents.</p> <p>There may be pollution of the Nairobi River if the water that is discharged to the River is not properly treated.</p> <p>The methane gas produced by the stored sludge leads to air pollution when not properly managed.</p>	<p>Unpaid bills for metered water to residents, thus leading to high non-revenue water proportion.</p>	<p>Diversion of funds allegations.</p> <p>Potential of water quantity and quality disruptions.</p>	<p>Inadequate funding.</p> <p>Diversion of project funds.</p> <p>The inability of the water company to run the project's profitability to repay their financial obligations.</p>
<b>Integrated waste management system and recycling centre</b>	<p>Improper management of the waste at the collection points may lead to flooding on account of drainage blockages and health hazards.</p>	<p>Air pollution from the dumpsite is due to the gases produced by the decomposing waste.</p> <p>Land pollution in the nearby area from waste accumulates as trucks deliver waste to the dumpsite and the recycling centres.</p> <p>Water pollution from floodwater collects in rivers from waste management and recycling centres.</p>	<p>Given that the Dandora Dumpsite is full, there has previously been an order from the Environment and Land Court that Nairobi's main and legal dumpsite be closed and relocated away from Dandora.</p>	<p>The Dandora dumpsite has continued to operate irrespective of the orders given to close it.</p> <p>The pollution caused by the Dandora Dumpsite causes health risks to the Community living in the area.</p>	<p>Lack of funding to set up the material recovery facilities.</p> <p>Diversion of funds may lead to failure in upgrading the existing Dandora dumpsite as in past instances.</p> <p>The possibility is that the construction of the material recovery facilities will be stalled due to the diversion of funds.</p>

	Climate risks	Environmental risks	Legal risks	Reputational risks	Financial risks
<b>Road infrastructure maintenance (footpaths, drainage and street lighting)</b>	<p>The materials and equipment used in road construction may lead to environmental pollution which may lead to climate change risks.</p> <p>Deforestation of existing land for infrastructure development could result in changes in rainfall patterns and the long run lead to drought.</p>	<p>Land pollution during the development of the infrastructure.</p> <p>Construction-related air pollution.</p> <p>Water pollution during construction of the facilities.</p>	<p>Probability of engaging contractors who may not fully deliver on the projects as per the stipulated standards as in previous instances where roads have been constructed without proper drainage systems.</p>	<p>The majority of projects previously implemented to reduce public transport congestion in Nairobi were unsuccessful because they were not utilized by the public; therefore, public participation will be essential in the selection and implementation of measures to reduce congestion.</p>	<p>Availability of resources for road infrastructure construction.</p> <p>Diversion of funds.</p>
<b>Affordable housing schemes in various estates (rent-to-own/sell scheme)</b>	<p>Clearing of land and trees may negatively impact existing natural resources and the ecosystem.</p>	<p>Land pollution during construction of the housing units.</p> <p>Air pollution from the construction processes.</p> <p>Water pollution.</p> <p>Sound Pollution during construction.</p>	<p>Lack of obtaining the required licenses from the relevant authorities to construct the houses.</p> <p>The responsibilities of the parties to be involved in the development will need to be clearly defined to avoid future litigations.</p>	<p>Greenwashing due to failure to meet the requirements of the certification scheme for green buildings.</p> <p>Lack of public-participation especially in the Urban Renewal Project which will require relocating the existing residents of the estates to allow for redevelopment.</p>	<p>Inadequate funding and lack of a suitable partner to support the development.</p> <p>Diversion and mismanagement of funds.</p> <p>The inability of the project to cover the operating costs.</p>
<b>Energy Efficiency across government offices, hospitals, schools, streets and markets</b>	<p>The process of installing solar systems may result in the release of greenhouse gases into the environment.</p>	<p>Some of the products used in the manufacturing of photovoltaic systems contain toxic materials and hazardous products which can indirectly affect the environment.</p>	<p>Potential conflict between the Kenya Power and Lighting Company (KPLC) and the County government, especially due to public institutions that heavily rely on the national power provider for energy, thus reducing the revenues received by KPLC.</p>	<p>Greenwashing, if the minimum criteria required for the renewable energy sectors is not met.</p> <p>Lack of proper and timely reporting as required.</p>	<p>Inadequate funding due to the initial high cost.</p> <p>Diversion of funds.</p>
<b>Development of green spaces or parks</b>	<p>Human activities from the people who visit the parks may harm the forests and wildlife.</p>	<p>Water pollution from the activities of planting trees along the rivers.</p>	<p>Inappropriate channels to obtain approval to facilitate the projects as some of the forests are managed by KFS.</p>	<p>Lack of public participation in project execution especially in public spaces.</p>	<p>The inability of the established tourism activities in the parks to break even, results in a loss-making venture.</p>

7

# Green finance capability assessment

Agusto & Co. conducted a green finance capability assessment for Nairobi City County to evaluate the county government's skills and ability to manage green financial instruments, with a focus on green bonds and related projects. Based on the assessment, there still exists a considerable knowledge gap among the County government staff and residents. As the County prepares to participate in the green finance market, the Nairobi City County government should put measures in place to provide capacity building for staff, and stakeholders (CBOs, CSOs and private sector players) on climate-related issues. We recognise that the County has climate-related laws and plans in place that could aid in the management of the projects and assets. The documents include broad plans and targets that could help reduce emissions in their respective sectors, whether directly or indirectly. Some of Nairobi County's climate-related laws, policies and plans are reviewed below.

- a) Nairobi City County Climate Change Management Bill, 2023:** The Bill will provide a legal framework for enhanced county climate change mitigation strategies and adaptation programmes; and for connected purposes. The Bill will ensure that Nairobi City County takes effective and timely action to contribute towards meeting the National obligations on Climate Change through facilitating the establishment of structures and systems for climate change adaptation, mitigation and financing of programs and projects in the County.
- b) Nairobi's Climate Action Plan (CAP) 2020 – 2050:** The Plan which was developed in partnership with C40 Cities (a global network of nearly 100 mayors of the world's leading cities that are united in action to confront the climate crisis) provides a roadmap for making informed decisions and understanding where and how to achieve the most significant and cost-effective emission reductions under other City and national policies, strategies, and planning. The plan includes an inventory of existing emissions and scenarios for future emissions, targets for reducing these emissions, and analysed and prioritized mitigation and adaptation actions, as well as elements to compose an implementation strategy, such as necessary resources and financing mechanisms. Because actions were identified through national and local policy reviews, the Nairobi CAP is strongly aligned with national policies. The majority of the actions outlined in the climate action plan are either inspired by or aligned with national

initiatives. There are other areas where Nairobi is going further or taking more detailed actions, which may present opportunities for the national government to improve their mitigation analysis and targets. In addition, there are priority national actions aimed at Nairobi City County.

- c) The Nairobi Metro 2030 Transport Plan:** The Nairobi Metro 2030 Transport Plan identifies the need to create a world-class metropolis by 2030 through various initiatives such as convenient and efficient public transportation with short connection times and a revamping of the commuter rail system. According to UN-Habitat, sustainable transportation can boost economic growth and increase accessibility. Furthermore, sustainable transportation promotes economic integration while protecting the environment, improving social equity, health, city resilience and urban-rural linkages. This is in line with the global push to create sustainable urban transportation in accordance with the Sustainable Development Goals (SDGs) 11 by 2030 to ensure accessible, safe, and sustainable transportation systems.
- d) The Integrated Solid Waste Management Plan (ISWMP) for the City of Nairobi (2010):** The Solid Waste Management Plan aims to reduce the waste quantity and increase recycling as well as encourage proper disposal of waste. The plan further aims to promote a healthy, safe, secure and sustainable solid waste management system fit for a world-class city, in a time of increasing resource scarcity. The goals of the plan include:
- i. To reduce waste quantities by introducing policies and instruments that regulate wasteful behaviour;
  - ii. To significantly extend resource recovery, both in terms of materials and energy, recognizing that this will require source separation as an essential component of sustainable waste management;
  - iii. To restructure and extend the efficient and equitable collection of source-separated resources and wastes, with a view to protecting public health and the environment;
  - iv. To build environmentally sound infrastructure and systems for safe disposal of residual waste, replacing current disposal sites which must be rehabilitated.

**e) The Draft Clean and Sustainable Energy Policy:**

The Policy, once passed into law, is expected to include specific goals for reducing GHG emissions per the country's revised nationally determined contribution. (NDC). It is proposed that this will be accomplished primarily through national-level measures aimed at the transportation and waste sectors, including but not limited to the development of mass rapid transit systems and non-motorized modes of transportation, more effective waste

management, and waste utilization for clean energy production. The policy also includes renewable energy targets, such as a proposal to allocate 2% of the County's budget to sustainable energy and climate change response, and the establishment of a County Energy Access Fund (CEAF). These initiatives could be aided by the passage of a Nairobi County Sustainable Energy Act. Table 6: Nairobi City County Capability Assessment

Table 6: Nairobi City County Capability Assessment

S/n	County capabilities assessment	Status	Justification
<b>CCCF governance, stability, and performance</b>			
1	Presence of a legal and regulatory framework for green/climate finance	No	There exists the Nairobi Climate Action Plan (CAP) 2020 – 2050 which will guide the County to achieve the most significant and cost-effective emission reductions in accordance with other City and national policies, strategies, and planning. Furthermore, the County is in the final stages of enacting the Nairobi City County Climate Change Management Bill, 2023 which will guide the County on green/climate finance.
2	Political commitment to green growth and support for use of green finance	Yes	Existence of a County Department that has the mandate covering Environment & Climate Change (the Green Nairobi Department – Environment, Water, Food & Agriculture). The County also has various climate-related plans in place such as the County Climate Action Plan (CAP 2020 -2050) which provides a framework for an integrated approach to planning and sustainable development for the County by ensuring the conservation of the environment.
3	County government familiarity with the Green Bond Frameworks and requirements	No	Capacity building in the areas of Green Bond Framework is still required.
4	County capability in managing green funds (preferably for financial return)	No	For the green projects that have been implemented in the County, the funding was from the County Resource Allocation.
5	County's ability to apply county-level financial tools	Yes	The County has Finance Bills and policies in place which have been applied previously.
6	County's understanding of frameworks for green finance instruments	No	There is still a need for capacity building in this area
7	County's understanding of stakeholder engagements in the origination, design, implementation, and monitoring and evaluation (M&E) of projects.	Yes	The County has previously implemented projects where various stakeholders were involved. Public Participation is very critical for the County before the implementation of any projects.
<b>Green project and finance experience</b>			
1	County staff dedicated to green finance issues	Yes	Staff in the Green Nairobi Department are knowledgeable on green finance issues. (At least 8 members of staff as disclosed in the responses received from the Directorate of Climate Change & Air Quality Monitoring)
2	County staff trained in environmental management, climate/ green finance, or related areas	Yes	County staff in the Green Nairobi Department. (At least 8 members of staff as disclosed in the responses received from the Directorate of Climate Change & Air Quality Monitoring)
3	County staff with project management experience particularly with bonds and green projects	Yes	County staff in the Green Nairobi Department have experience with projects as evidenced by the green spaces/parks projects implemented in the County.
4	County staff with experience with accessing and prudentially utilising other green financial resources (e.g., donor funds)	Yes	The County has previously received funding from the County Resource Allocation to facilitate the rehabilitation of green spaces. (At least 8 members of staff as per the responses received from the Directorate of Climate Change & Air Quality Monitoring)

S/n	County Capabilities Assessment	Status	Justification
<b>Access to appropriate green finance and project experts</b>			
1	Ability of County government to identify and procure experts to support green finance projects	Yes	The County government has previously implemented projects successfully and hence can procure the support services of experts.
2	Ability of County government to mobilise financing to secure and pay for services rendered	Yes	Under the Housing and Urban Renewal Project, the County has mobilized financing to pay for the services rendered by consultants to conduct a feasibility study on the old County Estates redevelopment among other services.
3	Existence of coordination mechanisms and experience working with national government ministries and agencies such as the National Treasury that can provide the necessary support.	Yes	Nairobi City County has various policies and plans that are aligned with those of the national government. For instance, the Green Nairobi Department agreed on vertical integration with the national government in the implementation of its Climate Action Plan 2020 – 2050.
4	County's qualification for Financing Locally Led Climate Action (FLLoCA) funds	Yes	Nairobi City County is in the process of enacting the County Climate Change Bill, 2023 and therefore qualifies to access the FLLoCA Funds.
5	Has the County successfully received and dispersed FLLoCA funds	No	So far, the County has not received FLLoCA funds



## 8

# Recommendations

Based on the sessions and workshops with the various stakeholders as well as assessments of existing green assets, Augusto & Co. hereby posit that Nairobi City County considers the following recommendations in the near term:

**Table 7: Recommendations to the Nairobi City County Government**

Section	Recommendations
<b>County credit risk assessment</b>	<ul style="list-style-type: none"> <li>Nairobi City County's overall revenue profile is satisfactory. However, improvement is required in deepening own source revenue (OSR) by having a unified business license permit and digitizing all county government processes to reduce dependence on the National government's quarterly distributions. This will also help to address challenges associated with revenue leakages.</li> <li>Nairobi County's overall expenditure profile requires improvement, particularly in moderating payroll expenses, which have consistently exceeded the 35% statutory threshold.</li> <li>Nairobi County will need to prudently manage existing rising pending bills as the County's financial flexibility to meet future debt obligations will hinge on the reconciliation and settlement of existing third-party pending bills as well as improvement in own source revenue.</li> <li>Nairobi City County will need to embrace the Debt Capital Markets for Infrastructure Development financing as macroeconomic headwinds have placed significant pressure on the Government of Kenya's finances, which would ultimately limit near-term funds available for developing infrastructure projects.</li> <li>Nairobi County enjoys favourable national government support given its strategic importance to the country as the capital as well as its unique location, huge tourist attractions, increasing economic and commercial activities occasioned by the presence of major industries, favourable climatic conditions and strategic importance as a financial and technology services hub in East Africa County. These strategic advantages can be leveraged to increase its own source revenue, which will enhance its financial flexibility.</li> <li>Nairobi City County should explore the option of soliciting an independent external auditor to audit its financial statements.</li> </ul>
<b>Green asset and activity assessment</b>	<ul style="list-style-type: none"> <li>The Nairobi City County Government needs to increase public sensitization on reforestation and afforestation, especially in green spaces and parks.</li> <li>Provision of green infrastructure and incentives to attract investments in manufacturing and value addition to products.</li> <li>Continued investment in County infrastructure to promote tourism activities.</li> <li>Enhance the protection of rivers, particularly the Nairobi River, from human and industrial pollution.</li> <li>Awareness of climate change impact and policies to ensure the protection of the natural ecosystem</li> <li>A deliberate policy of energy efficiency at government offices, schools, hospitals, markets and street lighting.</li> </ul>
<b>County green assets and climate related legislations</b>	<ul style="list-style-type: none"> <li>Establishing a legal and regulatory framework to guide the County on green/climate finance in terms of attracting green funds and implementing green projects.</li> <li>There is a need to create awareness in the communities on climate change plans and impacts by leveraging various stakeholders.</li> <li>Enforce compliance with established County laws and policies relating to climate change.</li> </ul>

Section	Recommendations
<b>Green finance capability assessment</b>	<ul style="list-style-type: none"> <li>Capacity building of county Staff in all departments on climate change and green finance</li> <li>Capacity building and awareness for key stakeholders such as Members of County Assembly (MCAs), civil society organisations (CSOs), community based organisations (CBOs) and private actors in the County.</li> <li>General County-wide awareness and sensitization on the impact of climate change and how the citizens can support government efforts in restoring the natural ecosystem.</li> </ul>

In our opinion, the county will be properly positioned to implement the suggested green projects if the following steps are pursued in the near to medium term;

- Development of Concept Notes for the various suggested projects by relevant County Stakeholders
- Undertake feasibility and viability studies on proposed projects as well as cost-benefit analysis
- Obtain requisite approvals (County Executive and Assembly) for the selected projects
- Design and develop approved projects in tandem with sustainability standards
- Obtain relevant County and National Government approval to raise finance to fund projects
- Subject proposed projects to green verification standards such as the Climate Bonds Standards

- Issue green County instruments to raise funds to execute projects
- Monitor utilization of proceeds and report on use and impact on the environment and the welfare of the citizens.
- Alternatively, Nairobi City County can utilize a special purpose vehicle (SPV) to ring-fence the green assets to raise funds from the green finance market to execute priority infrastructure projects or partner/support private enterprises in the County (with the provision of land, infrastructure and incentives) to access the green finance market to finance identified green projects, especially in the agro-processing and value additions to agricultural produce.

To support the growth of the green finance market, the national government has a key role to play through:

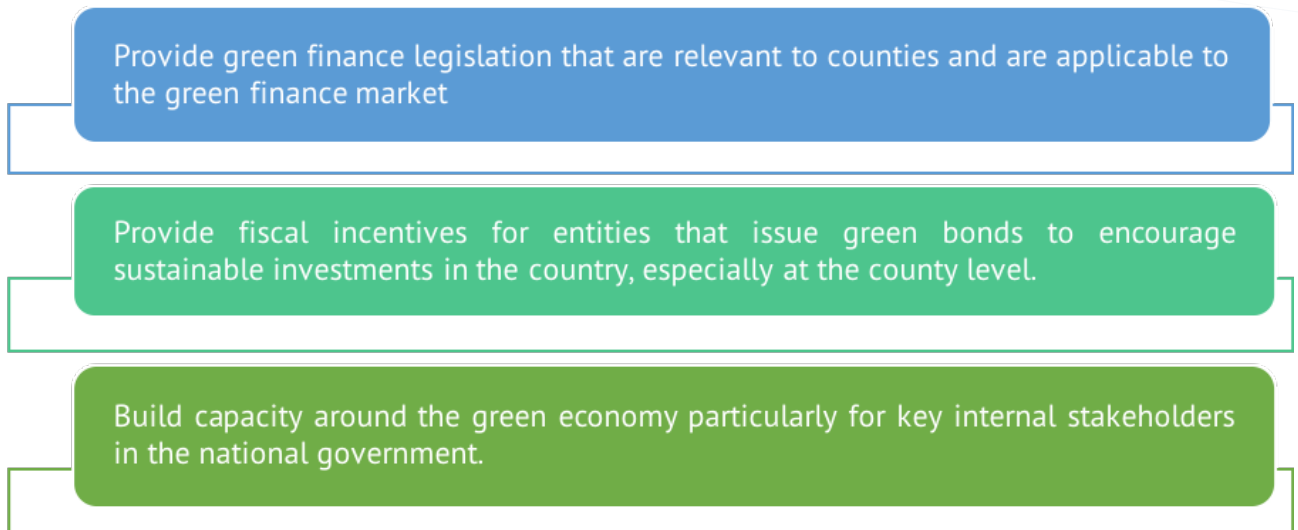


Figure 49: Recommendations to the national government



# Appendices

## 9.1 Nairobi city county profile summary

No	Indicator	County 2022	National 2022
1.	Estimated County Population	4,397,073 (KNBS, 2019)	9.2% of the total country's population
	Males	2,192,452	49.9%
	Females	2,204,376	50.1%
	Intersex	245	0.0%
2.	Estimated Population Density (persons/km <sup>2</sup> )	6,247	82
3.	Persons with disability (%)	2.6	2.2
4.	Population living in rural areas (%)	0.0%	68.8
5.	Children (0-14 years) (%)	32.5	41.1
6.	School going age (4-18 years) (%)	31.9	35.7
7.	Youth 15-29 years (%)	34.1	25.6
8.	Labour force (15-64 years) (%)	68.3	51.2
9.	Elderly population (over 65-year-old)	1.3	3.5
10.	Poverty (%)	16.6 (2015/2016)	36.1
11.	Multi-dimensional Poverty (%)	12.6 (2015/2016)	56.1
12.	Stunted children %	6	19
13.	Gross County Product (Kshs Million)	2,669,829 (2020)	27% Share of total GDP (2020)
14.	Average growth of Nominal GCP/GDP (%)	10.5 (2013-2020)	15.30%
15.	GCP per capita (Kshs)	607,183.23	179,021.60
16.	Percentage of children under 1 year of age fully immunized	94.8%	84%
	Child Mortality Rate (CMR)	60/1000	31.7/1000
	Under Five Mortality Rate (U5MR)	64/1000	52/1000
	Maternal Mortality Rate	-	355 /100,000
17.	Percentage of deliveries conducted by skilled attendants in health facilities	89%	60%
	Percentage of pregnant women attending at least 4 ANC visits	98%	42%
	Latrine coverage	93.6%	85%
18.	Open Defecation Free (ODF) rate	-	10%
	Doctor Population Ratio	-	1:16000
19.	Nurse Population Ratio	-	1:1034

20.	Health Insurance Coverage	-	6%
21.	The proportion of HHs accessing piped water (%)	88	24.0
22.	The proportion of HHs accessing improved sanitation services (%)	42	82.5
23.	Tree cover	13.74%	12.13%
24.	Average farm size (Small scale) (ha)	0.53	0.04
25.	Average farm size (Large scale) (ha)	10	8.9

Source: KNBS and County Integrated Development Plan (2018 – 2022 and 2023-2027)

## 9.2 Three year financial summary Nairobi City County Government

Revenue & expenditure	2020/2021		2021/2022		2022/2023	
	KES'mns	%	KES'mns	%	KES'mns	%
<b>Revenue</b>						
<b>Centrally Distributed Revenue</b>						
Share of Exchequer releases (Equitable Share)	19,500.1	66%	19,249.7	68%	19,249.7	65%
Share of Exchequer releases (Donor & Grant Funds)	74.5	0%	-		131.6	0%
Other Capital Receipts (other government entities)	100.2	0%	-		927.3	3%
CRF Returns/Reallocation budget	168.0	1%	1.4	0%	0.1	0%
<b>Centrally Generated Revenue (CGR)</b>	<b>19,842.8</b>	<b>67%</b>	<b>19,251.1</b>	<b>68%</b>	<b>20,308.7</b>	<b>69%</b>
<b>County-Owned Source Revenue</b>						
<b>Asset sales</b>	-		-		-	
<b>Investment Income</b>	-		-		-	
<b>Others - licenses, permits, fines &amp; fees</b>	9,711.1	33%	8,958.6	32%	9,299.5	31%
<b>County Own Source Revenue (OSR)</b>	<b>9,711.1</b>	<b>33%</b>	<b>8,958.6</b>	<b>32%</b>	<b>9,299.5</b>	<b>31%</b>
<b>TOTAL REVENUE</b>	<b>29,553.9</b>	<b>100%</b>	<b>28,209.7</b>	<b>100%</b>	<b>29,608.1</b>	<b>100%</b>
<b>Direct Donations and Grants Receipts</b>	-		-		-	
<b>TOTAL REVENUE &amp; GRANTS</b>	<b>29,553.9</b>		<b>28,209.7</b>		<b>29,608.1</b>	
<b>EXPENDITURE</b>						
<b>Transfers (County Assembly, others)</b>	1,822.6	6%	1,302.9	5%	1,748.8	6%
Interest Payments	38.0	0%	4.9	0%	2.6	0%
Departments Expenditure	27,721.4	94%	26,335.2	95%	27,493.9	94%
<b>TOTAL EXPENDITURE</b>	<b>29,582.0</b>	<b>100%</b>	<b>27,643.0</b>	<b>100%</b>	<b>29,245.3</b>	<b>100%</b>
<b>Department's expenditure comprises</b>						
Personnel costs	6,430.3	22%	4,982.2	18%	11,185.5	38%
Purchase of goods & services	9,165.4	31%	7,642.8	28%	7,672.9	26%
Capital expenditure	1,097.5	4%	1,053.9	4%	3,547.6	12%
Other Payments (NMS, contingency, scholarship, subsidies, etc)	11,028.3	37%	12,656.2	46%	5,087.9	17%
<b>Total Departments Expenditure</b>	<b>27,721.4</b>	<b>94%</b>	<b>26,335.2</b>	<b>95%</b>	<b>27,493.9</b>	<b>94%</b>
<b>Foreign loan balance</b>	-		-		-	
<b>Domestic loan balance</b>	4,449.7		4,504.2		4,504.2	
<b>Total Pending Bills</b>	73.3		99.4		98.3	
<b>AUDITORS OPINION</b>	Adverse		Adverse Unaudited			

<b>KEY RATIOS</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>
<b>Revenue</b>			
OSR as % of GCP	0%	0%	0%
Centrally Generated Revenue as % of GCP	1%	1%	1%
Total revenue as % of GCP	1%	1%	1%
OSR as % of total revenue & grants	33%	32%	31%
Centrally Generated Revenue as % of total revenue & grants	67%	68%	69%
Growth in Centrally generated revenue	50%	-3%	5%
<b>Spending</b>			
<b>Total Expenditure as % of GCP</b>			
Non-discretionary expenditure* as % of Centrally generated revenue	42%	33%	64%
Capital expenditure as % of total expenditure	4%	4%	12%
Payroll as % of revenue	22%	18%	38%
Overheads as a % of revenue	31%	27%	26%
Budget balance/revenue	0%	2%	1%
<b>Leverage</b>			
Budget balance (Ksh'mns)	(28.11)	566.62	362.79
Debt as % of nominal GCP	0%	0%	0%
Interest payments as % of total revenue	0%	0%	0%
Principal due as % of Revenue	15%	16%	15%
<b>Financial flexibility</b>			
<b>Discretionary revenue** as % of total revenue</b>			
Net Debt as % of Free Cash Flow ***	17%	14%	18%
Non-discretionary expenditure as % of total expenditure	28%	23%	44%
Outstanding Debt/Revenue	15%	16%	15%
<b>* Non-discretionary spending is made up of statutory transfers, interest payments and personnel costs</b>			
<b>** Discretionary revenue is total revenue minus non-discretionary spending</b>			
<b>*** Free cash flow is defined as revenue minus non-discretionary spending</b>			

### 9.3 Rating definitions

<b>Aaa</b>	A county with the best financial condition and the strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>Aa</b>	A county with a very strong financial condition and a very strong capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>A</b>	A county with a good financial condition and a strong capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>Bbb</b>	A county with a satisfactory financial condition and adequate capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>Bb</b>	A county with a satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>B</b>	A county with a weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>C</b>	A county with a very weak financial condition and very weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>D</b>	County in default.

#### Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect a comparative position within the rating category. Therefore, a rating with a + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

## 9.4 List of stakeholders engaged during the workshops

### Day 1

Institution Name	Designation of Attendees
Nairobi City County Government	County Secretary
Nairobi City County Government	CECM from the Green Nairobi Department (Environment, Water, Food and Agriculture)
Nairobi City County Government	Director and representatives from the Green Nairobi Department (Environment, Water, Food and Agriculture)
Nairobi City County Government	Director, Donor Coordination and Partnerships
Nairobi City County Government	Director, Protocol
Nairobi City County Government	Director, Budget
C40 Cities	City Advisor
National Environment Management Authority of Kenya (NEMA)	Environment Officer
Nairobi City Water and Sewerage Company Ltd	Engineer

### Day 2

Institution Name	Designation of Attendees
Nairobi City County Government	Representatives from the Green Nairobi Department (Environment, Water, Food and Agriculture)
Sheria Online	Representative
Latewa Community Based Organization	Director
Blue Economy Protestors Community Based Organization	Representative
Water & Sanitation for The Urban Poor	Country Manager
Growth4Change	Coordinator
Qubic Agency	Director
Sanergy	General Manager Expansion
Kenya Climate Change Working Group	Representative
WeForest	Representative
Akiba Mashinani Trust (AMT)	Executive Director
Institute of Public Finance (IPF) Kenya	Head of Research
Greenslum Innovation Hub	Program Coordinator

### Day 3

Institution Name	Designation of Attendees
Nairobi City County Government	Representatives from the Green Nairobi Department (Environment, Water, Food and Agriculture)
Muthurwa Market	Committee Members and Management Team
Nairobi City County Government	Director, Housing and Urban Planning
Nairobi City County Government	Director, Donor Coordination and Partnerships
Nairobi City County Government	Estate Officer
Nairobi City Water and Sewerage Company Ltd – Kariobangi Sewerage Treatment Plant	Management Team and Engineers
Nairobi City Water and Sewerage Company Ltd	Waste Water Coordinator

## 9.5 List of key documents accessed

### List of Documents Accessed

Nairobi City County Integrated Development Plan (CIDP) 2018-2022
Nairobi City County Integrated Development Plan (CIDP) 2023-2027
Controller of Budget Performance Report from 2017/18 to 2022/23
County Government's Budget Implementation Review Report from 2016/17 to 2022/23 by the Office of the Controller of Budget
Nairobi City County Fiscal Strategy Paper 2022
2019, Kenya Population and Housing Census
Nairobi City County Governor's Manifesto – A Sakaja Johnson & Njoroge Muchiri Manifesto
Kenya Integrated Household Budget Survey 2015/2016
Gross County Product 2023 Report
Nairobi City County Bills, Plans and Policies
Nairobi City County Climate Action Plan 2020 - 2050
Public Finance Management Act 2012
Audited financial statements of Nairobi City County from 2016/17 to 2021/22 by the Auditor General of Kenya
The Public Finance Management (County Governments) Regulations, 2015
KNBS ECONOMIC SURVEY 2022
Nairobi City County Fiscal Strategy Paper 2023
Nairobi City County Fiscal Strategy Paper 2024 - Draft
Nairobi City County FY2022/23 Revised Program Based and Itemized Budget
Nairobi City County Annual Development Plan (CADP) 2021/2022
Nairobi City County Annual Development Plan (CADP) 2022/2023
Nairobi City County Finance Act 2022











📍 Riverside Green Suites  
(Palm Suite), Riverside Drive  
Nairobi, Kenya

✉️ P.O Box 11353, 00100,  
Nairobi, Kenya

📞 +254 20 513 7300

✉️ info@fsdkenya.org

**in** @FSDKe

✂️ @FSDKe

🌐 www.fsdkenya.org

Creating value through  
**inclusive finance**