COUNTY ASSEMBLIES FORUM (CAF)
P. O. Box 73552 - 00200,
NAIROBI, KENYA

REPUBLIC OF KENYA

# OFFICE OF THE CONTROLLER OF BUDGET

# COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

## FIRST HALF FINANCIAL YEAR 2018/19

FEBRUARY, 2019

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# PREFACE

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It is my pleasure to present the County Budget Implementation Review Report (CBIRR) for the first half of the Financial Year (FY) 2018/19. This report has been prepared in conformity with Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget (COB) Act, 2016 which require the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments every four months.

The report provides information on budget implementation by the forty seven county governments for the period from July to December, 2018. It contains analyses of county government budgets, revenue and expenditure out-turn for the reporting period, and also compares performance with that of a similar period in the previous financial year in order to assess progress.

This report is based on analysis of the approved County Governments Budgets, receipts into the County Revenue Funds, withdrawals from the County Revenue Funds, financial reports from the County Governments, data generated from the Integrated Financial Management Information System (IFMIS) and information obtained by the Office of the Controller of Budget (OCOB) in the course of overseeing budget implementation. The report highlights some of the key issues that hampered effective budget implementation, some of which were identified in previous reports. They included: delay in disbursement of equitable share of revenue raised nationally by the National Treasury, and low absorption of development funds.

The production of this report was made possible through collective efforts between staff from OCOB and those from the County Treasuries. I therefore, take this opportunity to appreciate all staff who were involved in the preparation of this report for their dedication and commitment.

It is my hope that readers of this report, especially, Parliament, the public and key stakeholders will find it informative and useful in promoting transparency and accountability in the use of the public funds. The Office will continue to publish regular reports on budget implementation by County Governments in order to provide basis for effective assessment and engagement on budget implementation.

**Mrs. Agnes Odhiambo, CBS**

**CONTROLLER OF BUDGET**

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# ACRONYMS

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| | |
|---|---|
| **ADP** | Annual Development Plan |
| **A-I-A** | Appropriations-in-Aid |
| **CA** | County Assembly |
| **CARA** | County Allocation of Revenue Act |
| **CBEF** | County Budget and Economic Forum |
| **CBIRR** | County Budget Implementation Review Report |
| **CBK** | Central Bank of Kenya |
| **CBROP** | County Budget Review and Outlook Paper |
| **CEC** | County Executive Committee |
| **CFSP** | County Fiscal Strategy Paper |
| **CECM-F** | County Executive Committee Member for Finance |
| **CIDP** | County Integrated Development Plan |
| **COB** | Controller of Budget |
| **CRF** | County Revenue Fund |
| **DANIDA** | Danish International Development Agency |
| **EU** | European Union |
| **ECDE** | Early Childhood Development Education |
| **FAO** | Food and Agriculture Organization |
| **FY** | Financial Year |
| **IB** | Internet Banking |
| **ICT** | Information Communication Technology |
| **IDA** | International Development Association |
| **IDEAS** | Instruments for Devolution Advice and Support |
| **IFMIS** | Integrated Financial Management Information System |
| **IPPD** | Integrated Payroll Personnel Database |
| **KASP** | Kenya Agricultural Support Programme |
| **KCSAP** | Kenya Climate Smart Agriculture Project |

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| | |
|---|---|
| **KDSP** | Kenya Devolution Support Programme |
| **Kshs** | Kenya Shillings |
| **MCA** | Member of County Assembly |
| **NARIGP** | National Agricultural and Rural Inclusive Growth Project |
| **O&M** | Operations and Maintenance |
| **OCOB** | Office of the Controller of Budget |
| **PE** | Personnel Emoluments |
| **PFM** | Public Finance Management |
| **SRC** | Salaries and Remuneration Commission |
| **WSDP** | Water & Sanitation Development Project |

# EXECUTIVE SUMMARY

COUNTY ASSEMBLIES FORUM (CAF)
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This County Budget Implementation Review Report (CBIRR) covers the first six months of the Financial Year (FY) 2018/19. It has been prepared in fulfilment of the requirements of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016 and highlights status of budget implementation by the Counties by presenting information on revenue and expenditure performance against annual budget and comparison with performance in the first six months of FY 2017/18.

The aggregate budget estimates for the 47 County Governments in FY 2018/19 is Kshs.463.93 billion comprising of Kshs.276.44 billion (59.6 per cent) for recurrent expenditure and Kshs.187.49 billion (40.4 per cent) for development activities. In order to finance the budget, county governments expect to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.25.5 billion as conditional grants from the National Government, Kshs.36.98 billion as conditional grants from Development Partners, generate Kshs.51.32 billion from own sources of revenue, and Kshs.46.12 billion cash balance from FY 2017/18.

The total funds available to the County Governments in the first half of FY 2018/19 amounted to Kshs.224.65 billion. This amount consisted of Kshs.115.14 billion as equitable share of revenue raised nationally, Kshs.15.37 billion as revenue raised from own sources, Kshs.613.57 million for the Transforming Health Systems for Universal Car Project (World Bank), Kshs.11.46 billion as IDA (World Bank) credit for the Kenya Urban Support Project (KUSP), and Kshs.46.12 billion cash balance from FY 2017/18.

The aggregate own source revenue raised by County Governments of Kshs.15.37 billion was 29.9 per cent of the annual target of Kshs.51.32 billion, and was an improvement of 54.5 per cent compared to Kshs.9.95 billion generated in a similar period of FY 2017/18, which was 18.1 per cent of the annual revenue target. Counties that raised a higher proportion of actual own source revenue against annual target were; Narok, Samburu, and Isiolo at 74.1 per cent, 68.7 per cent and 57.8 per cent respectively. On the contrary, counties that recorded the lowest proportion of own source revenue against annual targets were Kisii at 12.7 per cent, Wajir at 13.1 per cent and Kericho at 13.5 per cent.

During the reporting period, the Controller of Budget (COB) authorised withdrawal of Kshs.145.11 billion from the County Revenue Funds (CRF) to the various County Operational Accounts. This amount comprised of Kshs.117.13 billion (80.7 per cent) for recurrent expenditure and Kshs.27.97 billion (19.3 per cent) for development activities. The authorised withdrawal was an improvement of 32.5 per cent from Kshs.109.45 billion released in a similar period of FY 2017/18. Kiambu County received the highest amount from its CRF account to the operational accounts at Kshs.6.20 billion followed by Nairobi City County and Nakuru County at Kshs.6.15 billion and Kshs.5.69 billion respectively.

The total expenditure in the first six months of FY 2018/19 was Kshs.136.98 billion representing an absorption rate of 29.5 per cent of the total annual County Governments' budgets. This was an improvement from an absorption rate of 25.9 per cent attained in a similar period of FY 2017/18 when total expenditure was Kshs.104.36 billion. The expenditure comprised of Kshs.112.25 billion for recurrent expenditure (40.6 per cent of the annual recurrent budget) and Kshs.24.73 billion for development expenditure (13.2 per cent of the annual development budget).

Analysis of expenditure by economic classification shows that Kshs.80.02 billion (58.4 per cent) was spent on personnel emoluments, Kshs.32.23 billion (23.5 per cent) on operations and maintenance, and Kshs.24.73 billion (18.1 per cent) on development activities. The personnel emoluments of Kshs.80.02 billion was an increase from Kshs.66.48 billion incurred in the first half of FY 2017/18. Analysis of personnel emoluments as a percentage of total expenditure by county shows that Wajir County, Baringo County, and Nyamira County recorded the highest percentage at 89.3 per cent, 76.5 per cent and 75.7 per cent respectively. The development expenditure of Kshs.24.73 billion represented an absorption rate of 13.2 per cent of the annual

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development budget, and was an increase from 8 per cent, reported in a similar period, of FY2017/18, when development expenditure was Kshs.11.36 billion. Two Counties, namely; Isiolo and Wajir did not report any expenditure on development activities.

During the reporting period, the Office identified the key challenges that affected budget execution by County Governments. These incuded; high expenditure on personnel emoluments, delay in submissions of financial reports to the Office of the Controller of Budget by County Treasuries contrary to Section 166 and 168 of the PFM Act, 2012, under-performance in own source revenue collection compared to annual target, and delay by the National Treasury to disburse the equitable share of revenue raised nationally.

The Office recommends that County Governments should establish an optimal staffing level to ensure that personnel expenditure is within 35 per cent of the County's total revenue as provided in Regulation 25 (1) of the Public Finance Management (County Governments) Regulations, 2015. Further, County Treasuries should develop and implement strategies to enhance own source revenue collection, and ensure compliance with PFM Act, 2012 on submission of financial and non-financial reports to the OCOB. Finally, the National Treasury should disburse the equitable share of revenue raised nationally in a timely manner in order to enhance budget execution by the Counties.

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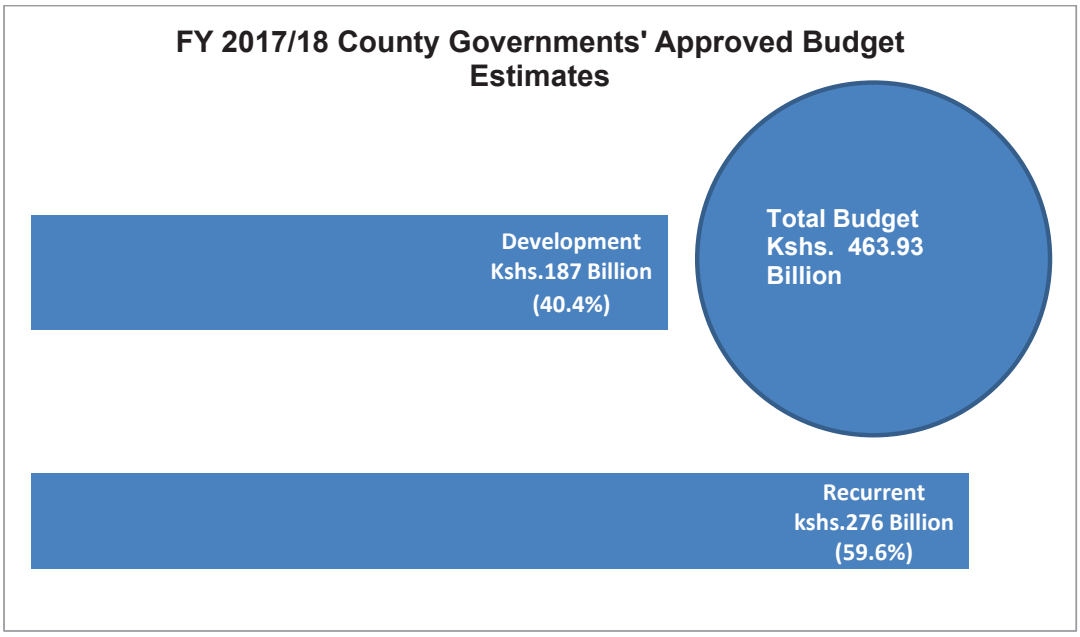


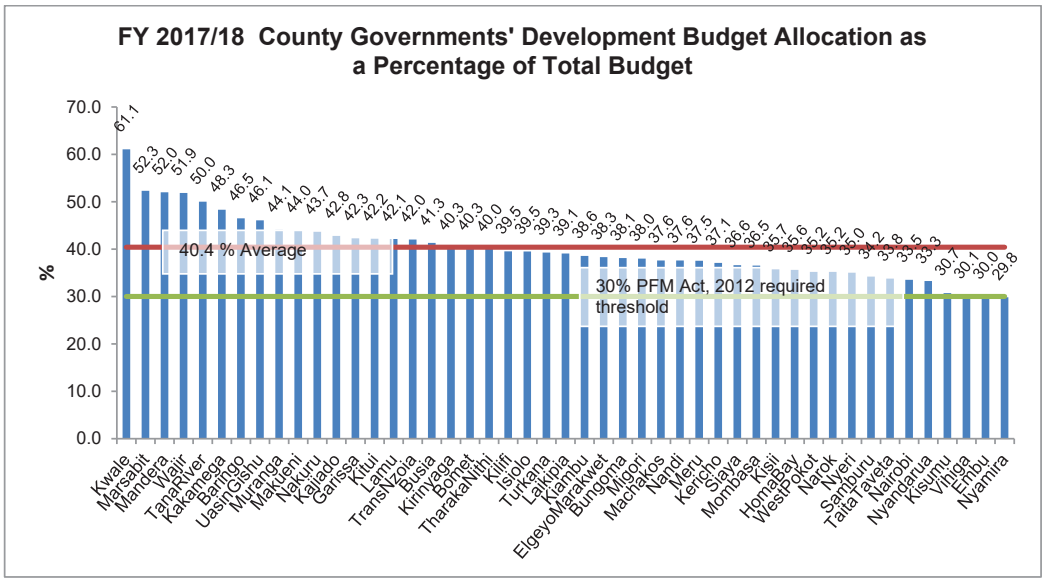

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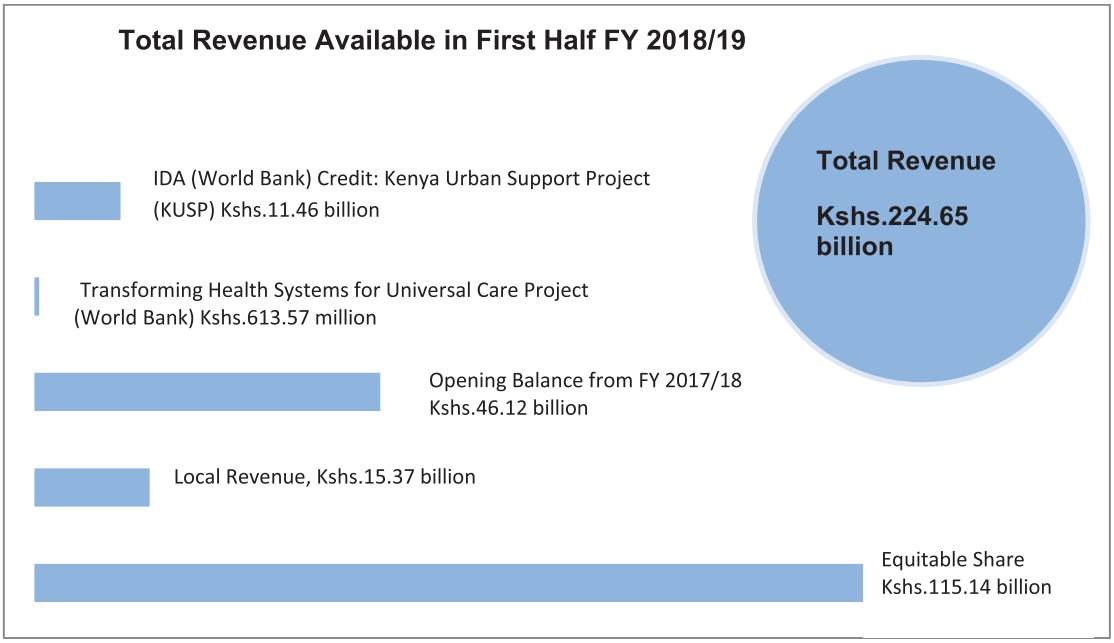


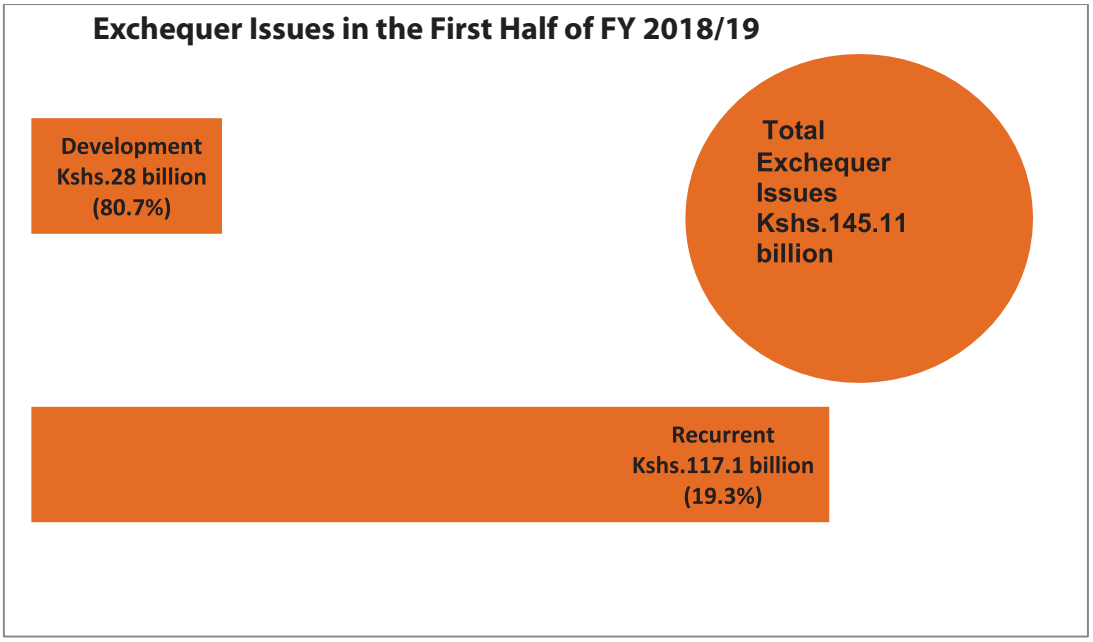

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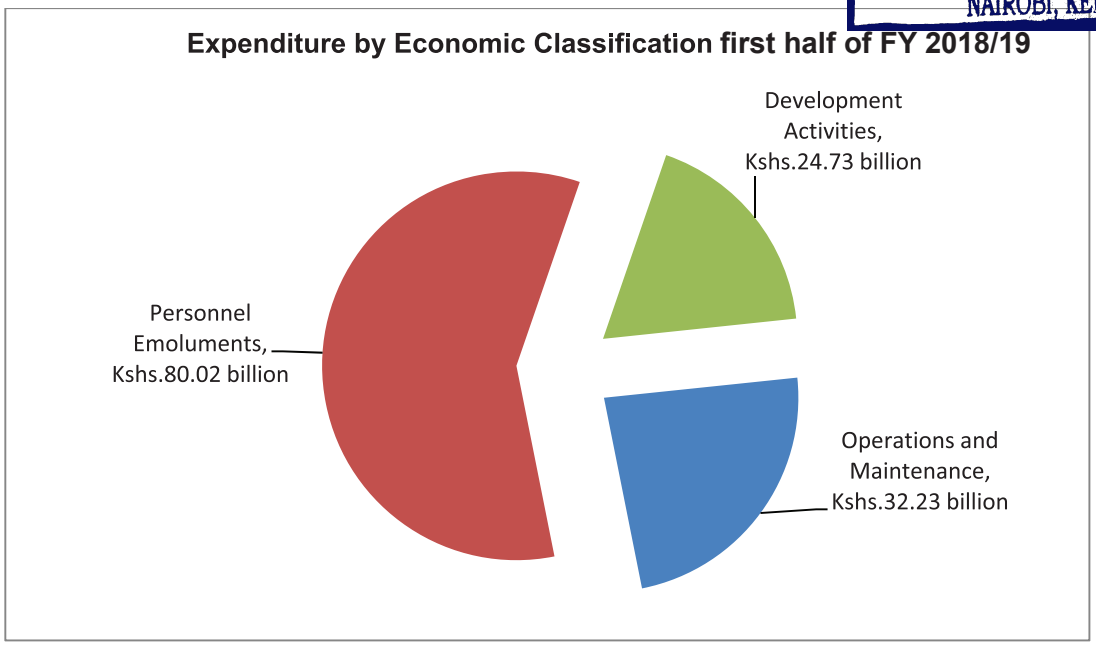


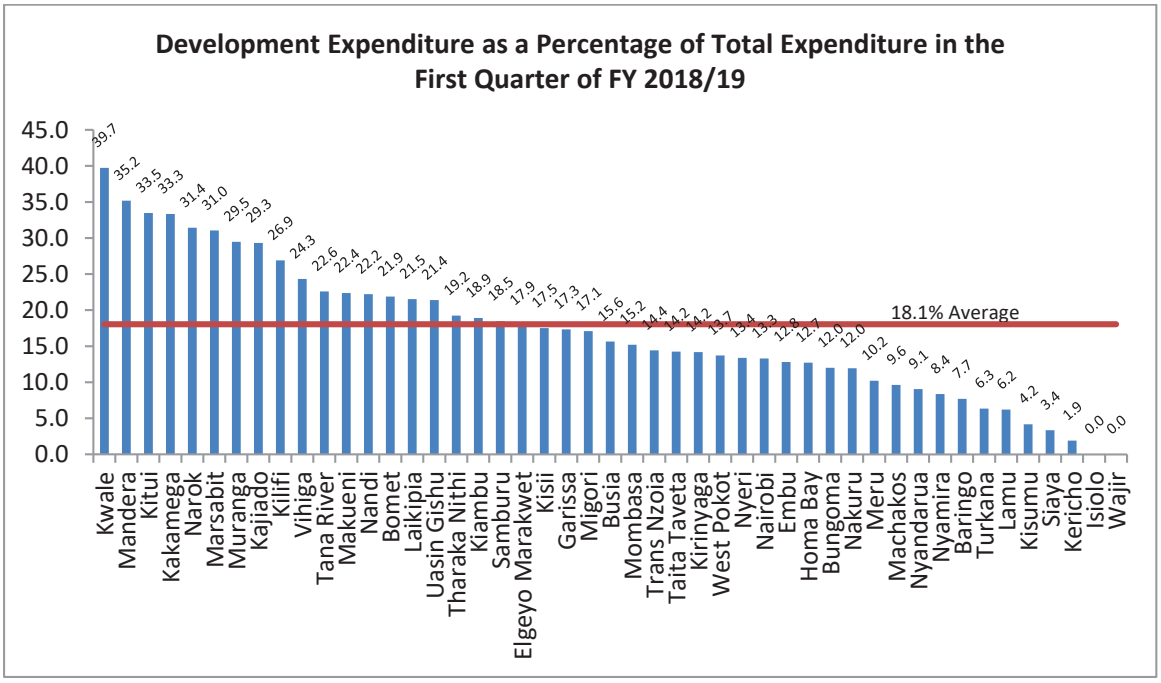

# 1 INTRODUCTION

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Article 228 (4) and (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016 mandate the Office of the Controller of Budget (OCOB) to oversee and report implementation of the budgets of both the National and County Governments. Specifically, the Controller of Budget is required to authorize withdrawals from public funds and also report on budget implementation to each House of Parliament every four months. This report has been prepared in fulfilment of this requirement and presents the progress made on budget implementation by the 47 County governments in the first half of the Financial Year (FY) 2018/19.

The report provides information on budget implementation by the 47 Counties and covers the period from July to December, 2018. It contains analyses on County budgets, own-source revenue generated, fiscal transfers from the National Government and expenditure, and is based on reports on financial and non-financial performance from the County Governments, which were submitted in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012; the County Allocation of Revenue Act (CARA), 2018, data obtained from the Integrated Financial Management Information System (IFMIS), and information obtained by the Office in the course of overseeing budget implementation.

The structure of this report proceeds as follows: Chapter one offers the introduction while Chapter two provides the overall analysis of revenue and expenditure performance, which is compared with annual targets. Expenditure is categorised into recurrent and development expenditure. Recurrent expenditure is further disaggregated into Personnel Emoluments (PE) and Operations and Maintenance (O&M), and absorption rate, which is computed as percentage of expenditure against the approved annual budget estimates is used to measure performance.

Chapter three presents the County-specific performance. It covers information on budget allocation, revenue, exchequer issues received and expenditure incurred in the first half of FY 2018/19. It also highlights the progress made in implementing recommendations made in prior reports issued by the OCOB and identifies the issues that continued to negatively affect budget execution in the reporting period.

The cross-cutting challenges that affected budget implementation by County Governments are presented in chapter four, which also contains recommendations aimed at addressing the challenges so as to enhance smooth execution of budgets. Lastly, chapter five provides the conclusion.

# 2 FINANCIAL ANALYSIS OF OVERALL BUDGET PERFORMANCE IN THE FIRST HALF OF FY 2018/19

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## 2.1 Introduction

This chapter presents analysis of the aggregate budget performance by the counties in the first half of FY 2018/19.

## 2.2 Revenue Analysis

In FY 2018/19, the combined County governments' budgets approved by the County Assemblies amounted to Kshs.463.93 billion and comprised of Kshs.276.44 billion (59.6 per cent) allocated to recurrent expenditure and Kshs.187.49 billion (40.4 per cent) for development expenditure.

In order to finance the budgets, county governments expect to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.25.5 billion as total conditional grants from the National Government, Kshs.36.98 billion as conditional grants from Development Partners, generate Kshs.51.32 billion from own sources of revenue, and Kshs.46.12 billion cash balance from FY 2017/18. Conditional grants from the National Government comprise of Kshs.9.4 billion for Leasing of Medical Equipment, Kshs.4.33 billion for Level 5 Hospitals, Kshs.8.27 billion from the Road Maintenance Fuel Levy Fund, Kshs.900 million for compensation of User Fee Foregone, Kshs.2 billion for Rehabilitation of Village Polytechnics, Kshs.605 million for Construction of County Headquarters in Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi Counties.

The Conditional grants from Development Partners comprise of Kshs.3.64 billion for Transforming Health Systems for the Universal Car Project from the World Bank, Kshs.2.95 billion credit from the International Development Association (World Bank) for the National Agricultural and Rural Inclusive Growth Project (NARIGP), Kshs.3.04 billion from IDA for the Kenya Climate Smart Agriculture Project (KCSAP), and Kshs.2.3 billion credit from IDA for Kenya Devolution Support Project (KDSP) "Level 1 grant". Other grants are; Kshs.11.46 billion credit from IDA for Kenya Urban Support Project (KUSP), Kshs.1.01 billion grant from DANIDA for the Universal Healthcare in Devolved System Program, Kshs.1.04 billion grant from the EU for the Instruments for Devolution Advice and Support (IDEAS) program, Kshs.3.8 billion credit from IDA for the Water & Sanitation Development Project (WSDP), Kshs.4 billion credit from IDA for Kenya Devolution Support Project (KDSP) "Level 2 grant", Kshs.1 billion for the Sweden-Agricultural Sector Development Support Programme (ASDSP), Kshs.880 million for the EU-Water Tower Protection and Climate Change Mitigation and Adaption Programme (WaTER), and Kshs.1.84 billion credit from IDA for the Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG).

## 2.3 Revenue Out-turn

The total funds available to the County Governments in the first six months of FY 2018/19 amounted to Kshs.224.65 billion. This amount comprised of Kshs.115.14 billion as equitable share of revenue, Kshs.613.57 million for Transforming Health Systems for Universal Car Project (World Bank), Kshs.11.46 billion credit from IDA (World Bank) for the Kenya Urban Support Project (KUSP), Kshs.15.37 billion as revenue raised from own revenue sources, and Kshs.46.12 billion cash balance from FY 2017/18.

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## 2.4 Own Source Revenue

The aggregate annual own source revenue target for counties in FY 2018/19 is Kshs.51.52 billion. During the reporting period, county governments generated a total of Kshs.15.37 billion, which was 29.9 per cent of the annual target. This was an increase of 54.5 per cent compared to Kshs.9.95 billion generated in a similar period of FY 2017/18, which was 18.1 per cent of the annual revenue target.

The monthly own source revenue collection for the period July to December 2018 is shown Table 2.1

### Table 2.1: Quarterly Own Source Revenue Collection for the Period July-December 2018

| County Title | First Half Of FY 2018/19 Own Source Revenue (Kshs.) | | | Annual Local Revenue Target for FY 2018/19 (Kshs.) | % of Local Revenue Against Annual Local Revenue Target |
|---|---|---|---|---|---|
| | First Quarter of FY 2018/19 | Second Quarter of FY 2018/19 | Total Own Source Revenue | | |
| Baringo | 127,485,620 | 61,615,499 | 189,101,119 | 371,147,448 | 51.0 |
| Bomet | 26,576,616 | 39,305,287 | 65,881,903 | 210,221,723 | 31.3 |
| Bungoma | 137,738,703 | 250,884,303 | 388,623,006 | 1,101,000,000 | 35.3 |
| Busia | 51,300,608 | 55,560,317 | 106,860,925 | 452,519,662 | 23.6 |
| Elgeyo Marakwet | 31,144,600 | 25,728,858 | 56,873,458 | 130,000,000 | 43.7 |
| Embu | 129,137,644 | 126,713,806 | 255,851,450 | 950,000,000 | 26.9 |
| Garissa | 25,888,954 | 19,568,754 | 45,457,708 | 250,000,000 | 18.2 |
| Homa Bay | 14,800,000 | 22,288,000 | 37,088,000 | 172,996,417 | 21.4 |
| Isiolo | 54,018,229 | 33,241,463 | 87,259,692 | 150,861,337 | 57.8 |
| Kajiado | 189,767,731 | 174,125,862 | 363,893,593 | 1,583,856,996 | 23.0 |
| Kakamega | 116,332,994 | 96,598,242 | 212,931,236 | 1,043,624,284 | 20.4 |
| Kericho | 38,239,441 | 65,109,734 | 103,349,175 | 762,935,000 | 13.5 |
| Kiambu | 443,119,237 | 563,383,200 | 1,006,502,437 | 2,736,734,640 | 36.8 |
| Kilifi | 117,304,323 | 146,126,594 | 263,430,916 | 1,345,066,521 | 19.6 |
| Kirinyaga | 68,189,093 | 62,557,392 | 130,746,485 | 650,000,000 | 20.1 |
| Kisii | 59,441,728 | 60,848,093 | 120,289,821 | 950,000,000 | 12.7 |
| Kisumu | 153,863,368 | 251,439,702 | 405,303,070 | 1,382,567,120 | 29.3 |
| Kitui | 98,979,332 | 107,654,882 | 206,634,214 | 500,000,000 | 41.3 |
| Kwale | 46,645,873 | 49,039,867 | 95,685,740 | 303,112,305 | 31.6 |
| Laikipia | 164,311,119 | 121,463,522 | 285,774,640 | 800,000,000 | 35.7 |
| Lamu | 6,348,348 | 11,041,284 | 17,389,632 | 70,000,000 | 24.8 |
| Machakos | 210,000,629 | 231,882,889 | 441,883,518 | 1,720,061,674 | 25.7 |
| Makueni | 76,463,362 | 65,424,891 | 141,888,253 | 670,500,000 | 21.2 |
| Mandera | 17,850,940 | 20,019,620 | 37,870,560 | 169,589,080 | 22.3 |
| Marsabit | 16,706,255 | 16,950,779 | 33,657,034 | 140,000,000 | 24.0 |
| Meru | 131,008,515 | 86,534,234 | 217,542,749 | 1,228,796,286 | 17.7 |
| Migori | 69,202,604 | 64,281,920 | 133,484,524 | 450,000,000 | 29.7 |
| Mombasa | 298,643,016 | 706,556,984 | 1,005,200,000 | 3,877,215,398 | 25.9 |
| Muranga | 131,294,165 | 117,986,598 | 249,280,763 | 1,000,000,000 | 24.9 |
| Nairobi City | 1,794,436,818 | 2,080,733,392 | 3,875,170,210 | 15,208,873,206 | 25.5 |
| Nakuru | 545,562,704 | 1,000,000,000 | 1,545,562,704 | 2,685,000,000 | 57.6 |
| Nandi | 41,322,950 | 42,051,284 | 83,374,234 | 459,293,246 | 18.2 |
| Narok | 1,193,858,907 | 647,322,628 | 1,841,181,534 | 2,485,210,000 | 74.1 |
| Nyamira | 18,257,040 | 46,212,194 | 64,469,234 | 255,566,158 | 25.2 |

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| County Title | First Half Of FY 2018/19 Own Source Revenue (Kshs.) | | | Annual Local Revenue Target for FY 2018/19 (Kshs.) | % of Local Revenue Against Annual Local Revenue Target |
|---|---|---|---|---|---|
| | First Quarter of FY 2018/19 | Second Quarter of FY 2018/19 | Total Own Source Revenue | | |
| Nyandarua | 63,937,791 | 55,739,244 | 119,677,035 | 410,000,000 | 29.2 |
| Nyeri | 170,264,077 | 160,757,830 | 331,021,907 | 1,000,000,000 | 33.1 |
| Samburu | 87,248,352 | 87,248,352 | 174,496,703 | 254,031,228 | 68.7 |
| Siaya | 27,628,284 | 36,330,000 | 63,958,284 | 275,000,000 | 23.3 |
| Taita Taveta | 66,827,522 | 57,419,785 | 124,247,307 | 300,000,000 | 41.4 |
| Tana River | 9,522,294 | 11,256,280 | 20,778,574 | 60,000,000 | 34.6 |
| Tharaka Nithi | 44,347,211 | 39,964,044 | 84,311,255 | 300,000,000 | 28.1 |
| Trans Nzoia | 36,234,629 | 41,221,772 | 77,456,401 | 500,000,000 | 15.5 |
| Turkana | 36,361,611 | 33,559,561 | 69,921,172 | 250,000,000 | 28.0 |
| Uasin Gishu | 157,220,822 | 125,609,483 | 282,830,305 | 1,200,000,000 | 23.6 |
| Vihiga | 30,251,751 | 32,633,794 | 62,885,545 | 153,592,702 | 40.9 |
| Wajir | 12,693,040 | 13,517,043 | 26,210,083 | 200,000,000 | 13.1 |
| West Pokot | 27,044,075 | 20,955,925 | 48,000,000 | 152,370,189 | 31.5 |
| **Total** | **7,414,822,924** | **8,186,465,184** | **15,369,404,590** | **51,321,742,620** | **29.9** |

***Source:*** *County Treasuries*

During the period under review, the Nairobi City County generated the highest amount of own source revenue at Kshs.3.88 billion, followed by Narok and Nakuru at Kshs.1.84 billion and Kshs.1.55 billion respectively. The Counties that generated the lowest amount were Wajir, Tana River and Lamu at Kshs.26.21 million, Kshs.20.78 million, and Kshs.17.39 million respectively.

Analysis of own source revenue as a proportion of the annual revenue target indicates that, Narok, Samburu, and Isiolo Counties recorded the highest proportions at 74.1 per cent, 68.7 per cent and 57.8 per cent respectively. Conversely, Kisii at 12.7 per cent, Wajir at 13.1 per cent and Kericho at 13.5 recorded the lowest proportion of own source revenue against annual target.

## 2.5 Funds Released to the Counties

## 2.6 Funds released to Counties from the Consolidated Fund

In the first half of FY 2018/19, the Controller of Budget (COB) approved transfer of Kshs.115.14 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) as equitable share of revenue and grants for Level 5 Hospitals, in accordance with Article 206 (4) of the Constitution.

During the same period, Counties received Kshs.613.57 million as World Bank loan for Transforming Health Systems for the Universal Care Project and Kshs.11.46 billion as World Bank grant for Kenya Urban Support Project (KUSP). Fund disbursement was made directly to the individual County Revenue Fund Accounts.

## 2.7 Funds Released to County Operational Accounts

During the reporting period, the COB authorised withdrawal of Kshs.145.11 billion from the County Revenue Funds to the County Governments' County Operational Accounts. The transfers comprised of Kshs.117.13 billion (80.7 per cent) for recurrent expenditure and Kshs.27.97 billion (19.3 per cent) for development expenditure and represented an increase by 32.5 per cent from Kshs.109.45 billion released in a similar period of FY 2017/18.

From the Kshs.117.13 billion released for recurrent activities, Kshs.22.42 billion was for the County Assemblies while Kshs.94.72 billion went to the County Executives. The development exchequer comprised of Kshs.4.26 billion for the County Assemblies and Kshs.23.71 billion for the County Executives.

The exchequer issues to the County Assembly and the County Executive in the first six months of FY 2018/19 are shown in Table 2.2

COUNTY ASSEMBLIES FORUM (CAF)
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## Table 2.2: The Exchequer Issues to the County Assembly and the County Executive for the First Half of FY 2018/19 (Kshs. Million)

| County | COUNTY ASSEMBLY (KSHS. MILLION) | | | COUNTY EXECUTIVE (KSHS. MILLION) | | | COMBINED EXCHEQUER ISSUES (KSHS. MILLION) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Total | Rec | Dev | Total | Rec | Dev | Total |
| | A | B | C=A+B | D | E | F=D+E | G=A+D | H=B+E | I=G+H |
| Baringo | 278.10 | - | 278.10 | 1,777.41 | 184.38 | 1,961.79 | 2,055.51 | 184.38 | 2,239.89 |
| Bomet | 302.00 | - | 302.00 | 2,089.39 | 600.78 | 2,690.16 | 2,391.39 | 600.78 | 2,992.16 |
| Bungoma | 458.87 | 56.33 | 515.20 | 2,921.14 | 372.72 | 3,293.86 | 3,380.02 | 429.05 | 3,809.06 |
| Busia | 320.00 | - | 320.00 | 1,715.18 | 674.62 | 2,389.80 | 2,035.18 | 674.62 | 2,709.80 |
| Elgeyo/Marak-wet | 302.64 | - | 302.64 | 1,192.72 | 387.51 | 1,580.22 | 1,495.35 | 387.51 | 1,882.86 |
| Embu | 191.55 | - | 191.55 | 1,578.78 | 271.46 | 1,850.24 | 1,770.33 | 271.46 | 2,041.79 |
| Garissa | 330.40 | - | 330.40 | 2,663.69 | - | 2,663.69 | 2,994.09 | - | 2,994.09 |
| Homa Bay | 303.00 | - | 303.00 | 1,887.34 | 305.00 | 2,192.34 | 2,190.34 | 305.00 | 2,495.34 |
| Isiolo | 195.00 | - | 195.00 | 1,106.52 | 77.19 | 1,183.71 | 1,301.52 | 77.19 | 1,378.71 |
| Kajiado | 277.60 | 40.44 | 318.04 | 2,016.18 | 474.40 | 2,490.57 | 2,293.78 | 514.84 | 2,808.62 |
| Kakamega | 405.72 | - | 405.72 | 2,519.79 | 2,099.95 | 4,619.74 | 2,925.51 | 2,099.95 | 5,025.46 |
| Kericho | 364.02 | - | 364.02 | 1,674.23 | 81.78 | 1,756.01 | 2,038.24 | 81.78 | 2,120.02 |
| Kiambu | 413.37 | - | 413.37 | 4,992.36 | 797.39 | 5,789.75 | 5,405.73 | 797.39 | 6,203.12 |
| Kilifi | 263.66 | 385.00 | 648.66 | 2,541.16 | 27.40 | 2,568.56 | 2,804.82 | 412.40 | 3,217.22 |
| Kirinyaga | 320.03 | 27.60 | 347.63 | 1,602.53 | 287.59 | 1,890.13 | 1,922.57 | 315.19 | 2,237.76 |
| Kisii | 428.18 | 10.09 | 438.27 | 3,077.89 | 819.83 | 3,897.71 | 3,506.07 | 829.91 | 4,335.98 |
| Kisumu | 291.00 | - | 291.00 | 3,026.28 | 132.62 | 3,158.91 | 3,317.28 | 132.62 | 3,449.91 |
| Kitui | 283.91 | - | 283.91 | 2,546.48 | 1,258.55 | 3,805.03 | 2,830.39 | 1,258.55 | 4,088.94 |
| Kwale | 311.58 | 17.41 | 328.99 | 2,374.28 | 1,145.45 | 3,519.73 | 2,685.85 | 1,162.86 | 3,848.71 |
| Laikipia | 220.90 | - | 220.90 | 1,779.80 | 598.24 | 2,378.04 | 2,000.70 | 598.24 | 2,598.94 |
| Lamu | 164.02 | - | 164.02 | 727.70 | 159.58 | 887.28 | 891.72 | 159.58 | 1,051.30 |
| Machakos | 1,949.39 | - | 1,949.39 | 137.36 | - | 137.36 | 2,086.75 | - | 2,086.75 |
| Makueni | 320.23 | 5.83 | 326.06 | 1,910.70 | 641.78 | 2,552.48 | 2,230.93 | 647.61 | 2,878.54 |
| Mandera | 375.90 | - | 375.90 | 2,408.53 | 1,658.65 | 4,067.18 | 2,784.43 | 1,658.65 | 4,443.08 |
| Marsabit | 215.00 | - | 215.00 | 1,856.71 | 1,138.49 | 2,995.20 | 2,071.71 | 1,138.49 | 3,210.20 |
| Meru | 473.92 | 4.51 | 478.42 | 3,409.33 | 208.20 | 3,617.54 | 3,883.25 | 212.71 | 4,095.96 |
| Migori | 290.00 | - | 290.00 | 1,812.92 | 1,207.95 | 3,020.87 | 2,102.92 | 1,207.95 | 3,310.87 |
| Mombasa | 222.95 | - | 222.95 | 3,582.23 | 794.87 | 4,377.11 | 3,805.19 | 794.87 | 4,600.06 |
| Murang'a | 255.00 | 12.00 | 267.00 | 2,151.05 | 1,233.60 | 3,384.64 | 2,406.05 | 1,245.60 | 3,651.64 |
| Nairobi City | 305.90 | - | 305.90 | 5,402.81 | 437.10 | 5,839.91 | 5,708.71 | 437.10 | 6,145.81 |
| Nakuru | 3,628.01 | 1,640.82 | 5,268.83 | 412.70 | 5.10 | 417.80 | 4,040.71 | 1,645.92 | 5,686.63 |
| Nandi | 321.13 | 2.00 | 323.13 | 2,067.59 | 814.22 | 2,881.81 | 2,388.72 | 816.22 | 3,204.94 |
| Narok | 3,639.31 | 1,509.00 | 5,148.31 | 385.00 | 10.00 | 395.00 | 4,024.31 | 1,519.00 | 5,543.31 |
| Nyamira | 261.52 | 3.08 | 264.60 | 1,769.56 | 216.97 | 1,986.53 | 2,031.08 | 220.05 | 2,251.13 |
| Nyandarua | 300.25 | 20.02 | 320.27 | 1,529.60 | 356.13 | 1,885.74 | 1,829.86 | 376.15 | 2,206.01 |
| Nyeri | 268.10 | 1.72 | 269.82 | 2,003.25 | 284.08 | 2,287.33 | 2,271.35 | 285.80 | 2,557.15 |
| Samburu | 166.81 | - | 166.81 | 1,093.64 | 194.00 | 1,287.64 | 1,260.46 | 194.00 | 1,454.46 |
| Siaya | 332.20 | - | 332.20 | 1,804.97 | 253.50 | 2,058.47 | 2,137.17 | 253.50 | 2,390.67 |
| Taita/Taveta | 220.88 | - | 220.88 | 1,323.37 | 216.77 | 1,540.14 | 1,544.25 | 216.77 | 1,761.02 |

COUNTY ASSEMBLIES FORUM (CAF)
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| County | COUNTY ASSEMBLY (KSHS. MILLION) | | | COUNTY EXECUTIVE (KSHS. MILLION) | | | COMBINED EXCHEQUER ISSUES (KSHS. MILLION) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Total | Rec | Dev | Total | Rec | Dev | Total |
| | A | B | C=A+B | D | E | F=D+E | G=A+D | H=B+E | I=G+H |
| Tana River | 249.00 | 525.93 | 774.93 | 1,275.11 | 19.00 | 1,294.11 | 1,524.11 | 544.93 | 2,069.05 |
| Tharaka –Nithi | 157.71 | - | 157.71 | 1,366.83 | 333.71 | 1,700.54 | 1,524.54 | 333.71 | 1,858.25 |
| Trans Nzoia | 307.04 | - | 307.04 | 2,031.45 | 871.16 | 2,902.61 | 2,338.49 | 871.16 | 3,209.65 |
| Turkana | 562.00 | - | 562.00 | 1,960.18 | 840.08 | 2,800.25 | 2,522.18 | 840.08 | 3,362.25 |
| Uasin Gishu | 328.36 | - | 328.36 | 1,972.59 | 685.90 | 2,658.49 | 2,300.95 | 685.90 | 2,986.85 |
| Vihiga | 299.48 | - | 299.48 | 2,027.48 | 267.33 | 2,294.81 | 2,326.95 | 267.33 | 2,594.29 |
| Wajir | 326.33 | - | 326.33 | 1,864.17 | - | 1,864.17 | 2,190.50 | - | 2,190.50 |
| West Pokot | 216.00 | - | 216.00 | 1,350.31 | 266.09 | 1,616.40 | 1,566.31 | 266.09 | 1,832.40 |
| **Total** | **22,417.96** | **4,261.77** | **26,679.73** | **94,720.29** | **23,711.11** | **118,431.40** | **117,138.25** | **27,972.88** | **145,111.13** |

***Source:*** *County Treasuries and OCOB*

Kiambu County received the highest amount from its CRF account to the operational accounts at Kshs.6.20 billion followed by Nairobi City County and Nakuru County at Kshs.6.15 billion and Kshs.5.69 billion respectively. Counties that received the lowest releases were; Samburu at Kshs.1.45 billion, Isiolo at 1.38 billion and Lamu at Kshs.1.05 billion.

## 2.8 Expenditure Analysis

The total expenditure by County governments was Kshs.136.98 billion representing an absorption rate of 29.5 per cent of the total annual County Governments Budgets. This was an increase from an absorption rate of 25.9 per cent attained in a similar period of FY 2017/18 where total expenditure was Kshs.104.36 billion.

Recurrent expenditure was Kshs.112.25 billion, representing 40.6 per cent of the annual recurrent budget and an increase from 36 per cent reported in a similar period of FY 2017/18. Development expenditure amounted to Kshs.24.73 billion, representing an absorption rate of 13.2 per cent and an increase from 8 per cent attained in the first half of FY 2017/18 where total development expenditure was Kshs.11.36 billion. The analysis of expenditure by economic classification in the first half of FY 2018/19 is provided in Table 2.3.

### Table 2.3: Expenditure by Economic Classification in the First Half of FY 2018/19

| County Title | Personnel Emoluments (Kshs.) | Operations & Maintenance (Kshs.) | Development Expenditure (Kshs.) | Total Expenditure (Kshs.) |
|---|---|---|---|---|
| | A | B | C | D=A+B+C |
| Baringo | 1,603,707,148 | 332,186,864 | 161,381,684 | 2,097,275,696 |
| Bomet | 1,422,218,027 | 510,112,208 | 541,326,521 | 2,473,656,756 |
| Bungoma | 2,719,736,878 | 1,049,612,788 | 514,312,620 | 4,283,662,287 |
| Busia | 1,410,909,101 | 611,737,957 | 374,969,456 | 2,397,616,514 |
| Elgeyo/Marakwet | 1,185,770,315 | 294,564,254 | 322,135,204 | 1,802,469,773 |
| Embu | 956,969,548 | 322,550,560 | 187,937,692 | 1,467,457,800 |
| Garissa | 2,163,670,620 | 431,249,485 | 544,027,945 | 3,138,948,050 |
| Homa Bay | 1,464,071,869 | 613,289,843 | 302,745,337 | 2,380,107,049 |
| Isiolo | 623,825,176 | 322,563,452 | - | 946,388,627 |
| Kajiado | 774,565,557 | 763,979,133 | 638,143,166 | 2,176,687,856 |
| Kakamega | 2,565,476,671 | 613,769,586 | 1,589,433,788 | 4,768,680,045 |
| Kericho | 1,357,675,576 | 641,237,241 | 38,941,569 | 2,037,854,386 |
| Kiambu | 3,222,337,466 | 1,025,435,298 | 990,517,376 | 5,238,290,140 |
| Kilifi | 959,714,896 | 913,387,625 | 689,119,567 | 2,562,222,088 |

COUNTY ASSEMBLIES FORUM (CAF)
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| County Title | Personnel Emoluments (Kshs.) | Operations & Maintenance (Kshs.) | Development Expenditure (Kshs.) | Total Expenditure (Kshs.) |
|---|---|---|---|---|
| | A | B | C | D=A+B+C |
| Kirinyaga | 1,137,640,334 | 541,321,761 | 277,403,856 | 1,956,365,951 |
| Kisii | 2,518,540,567 | 909,734,638 | 728,402,207 | 4,156,677,412 |
| Kisumu | 1,897,580,270 | 561,960,911 | 107,340,542 | 2,566,881,723 |
| Kitui | 2,002,834,979 | 844,309,245 | 1,431,972,705 | 4,279,116,929 |
| Kwale | 878,266,747 | 516,898,989 | 920,196,643 | 2,315,362,379 |
| Laikipia | 1,480,013,364 | 335,918,159 | 498,157,983 | 2,314,089,506 |
| Lamu | 579,106,924 | 263,150,722 | 55,775,000 | 898,032,646 |
| Machakos | 2,524,283,049 | 706,171,550 | 344,566,254 | 3,575,020,853 |
| Makueni | 1,714,689,589 | 945,651,072 | 766,916,102 | 3,427,256,763 |
| Mandera | 1,489,157,471 | 1,391,277,067 | 1,564,230,462 | 4,444,665,000 |
| Marsabit | 1,231,037,260 | 424,089,055 | 745,183,659 | 2,400,309,975 |
| Meru | 2,599,166,944 | 1,016,686,653 | 411,646,476 | 4,027,500,073 |
| Migori | 1,353,970,409 | 741,794,509 | 432,186,367 | 2,527,951,285 |
| Mombasa | 2,374,390,000 | 1,572,720,000 | 708,370,000 | 4,655,480,000 |
| Murang'a | 1,675,720,883 | 414,555,094 | 873,998,404 | 2,964,274,381 |
| Nairobi City | 7,014,105,074 | 2,247,978,915 | 1,420,017,048 | 10,682,101,037 |
| Nakuru | 3,030,450,140 | 1,027,931,239 | 550,850,751 | 4,609,232,130 |
| Nandi | 1,645,752,316 | 784,633,299 | 694,233,716 | 3,124,619,331 |
| Narok | 2,182,067,312 | 1,086,990,393 | 1,497,995,005 | 4,767,052,710 |
| Nyamira | 1,725,202,798 | 362,621,137 | 190,492,534 | 2,278,316,469 |
| Nyandarua | 1,012,556,942 | 501,462,869 | 150,899,469 | 1,664,919,281 |
| Nyeri | 1,721,964,686 | 451,554,798 | 335,837,477 | 2,509,356,961 |
| Samburu | 912,215,966 | 218,865,286 | 256,351,961 | 1,387,433,213 |
| Siaya | 1,350,664,287 | 607,431,106 | 67,884,023 | 2,025,979,417 |
| Taita/Taveta | 1,147,881,953 | 651,258,546 | 298,778,344 | 2,097,918,843 |
| Tana River | 750,128,595 | 578,934,116 | 388,164,543 | 1,717,227,254 |
| Tharaka -Nithi | 1,054,961,116 | 313,836,009 | 326,040,848 | 1,694,837,973 |
| Trans Nzoia | 1,287,618,746 | 670,685,393 | 330,007,650 | 2,288,311,789 |
| Turkana | 2,017,339,693 | 1,386,770,307 | 230,490,000 | 3,634,600,000 |
| Uasin Gishu | 1,488,160,082 | 696,195,701 | 594,546,749 | 2,778,902,532 |
| Vihiga | 925,905,555 | 416,914,537 | 431,518,565 | 1,774,338,657 |
| Wajir | 1,956,610,944 | 233,888,219 | - | 2,190,499,163 |
| West Pokot | 913,379,524 | 358,602,018 | 202,400,030 | 1,474,381,572 |
| **Total** | **80,024,013,367** | **32,228,469,608** | **24,727,847,299** | **136,980,330,273** |

***Source:*** *County Treasuries and OCOBS*

The Counties that attained the highest total expenditure were; Nairobi City at Kshs.10.68 billion, Kiambu at Kshs.5.24 billion and Narok at Kshs.4.77 billion. The lowest expenditure was recorded by Samburu, Isiolo and Lamu at Kshs.1.28 billion, Kshs.946.39 million and Kshs.898.03 million respectively.

Review of cumulative expenditure by economic classification showed that Kshs.80.02 billion (58.4 per cent) was incurred on personnel emoluments, Kshs.32.23 billion (23.5 per cent) on operations and maintenance and Kshs.24.73 billion (18.1 per cent) on development activities.

## 2.9 Development Expenditure

County governments incurred Kshs.24.73 billion on development activities, representing an absorption rate of 13.2 per cent of the annual development budget, which is an increase from 8 per cent, reported in a similar period of FY 2017/18, when development expenditure was Kshs.11.36 billion.

Analysis of county budgets and expenditure in the first half of FY 2018/19 is provided in Table 2.4.

COUNTY ASSEMBLIES FORUM (CAF)
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## Table 2.4: County Budget Allocation, Expenditure and Absorption Rate in the First Half of FY 2018/19

| County | Budget Estimates (Kshs. Million) | | | Expenditure (Kshs. Million) | | | Recurrent Absorption Rate (%) | Development Absorption Rate (%) | Overall Absorption Rate |
|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Total | Rec | Dev | Total | | | |
| | A | B | C=A+B | D | E | F=D+E | G=D/A*100 | H=E/B*100 | I=F/C*100 |
| Baringo | 4,296.12 | 3,733.25 | 8,029.37 | 1,935.89 | 161.38 | 2,097.28 | 45.1 | 4.3 | 26.1 |
| Bomet | 4,399.93 | 2,969.87 | 7,369.80 | 1,932.33 | 541.33 | 2,473.66 | 43.9 | 18.2 | 33.6 |
| Bungoma | 8,052.68 | 4,956.84 | 13,009.52 | 3,769.35 | 514.31 | 4,283.66 | 46.8 | 10.4 | 32.9 |
| Busia | 5,106.71 | 3,596.93 | 8,703.64 | 2,022.65 | 374.97 | 2,397.62 | 39.6 | 10.4 | 27.5 |
| Elgeyo/ Marakwet | 3,096.02 | 1,924.00 | 5,020.01 | 1,480.33 | 322.14 | 1,802.47 | 47.8 | 16.7 | 35.9 |
| Embu | 4,507.47 | 1,933.08 | 6,440.55 | 1,279.52 | 187.94 | 1,467.46 | 28.4 | 9.7 | 22.8 |
| Garissa | 5,760.03 | 4,219.86 | 9,979.89 | 2,594.92 | 544.03 | 3,138.95 | 45.1 | 12.9 | 31.5 |
| Homa Bay | 4,976.89 | 2,755.20 | 7,732.09 | 2,077.36 | 302.75 | 2,380.11 | 41.7 | 11.0 | 30.8 |
| Isiolo | 3,146.60 | 2,053.91 | 5,200.51 | 946.39 | - | 946.39 | 30.1 | - | 18.2 |
| Kajiado | 5,444.39 | 4,069.65 | 9,514.04 | 1,538.54 | 638.14 | 2,176.69 | 28.3 | 15.7 | 22.9 |
| Kakamega | 7,499.28 | 7,008.47 | 14,507.75 | 3,179.25 | 1,589.43 | 4,768.68 | 42.4 | 22.7 | 32.9 |
| Kericho | 4,518.23 | 2,665.89 | 7,184.12 | 1,998.91 | 38.94 | 2,037.85 | 44.2 | 1.5 | 28.4 |
| Kiambu | 9,595.65 | 6,027.43 | 15,623.08 | 4,247.77 | 990.52 | 5,238.29 | 44.3 | 16.4 | 33.5 |
| Kilifi | 8,719.58 | 5,700.40 | 14,419.98 | 1,873.10 | 689.12 | 2,562.22 | 21.5 | 12.1 | 17.8 |
| Kirinyaga | 3,671.39 | 2,481.53 | 6,152.92 | 1,678.96 | 277.40 | 1,956.37 | 45.7 | 11.2 | 31.8 |
| Kisii | 7,708.07 | 4,288.73 | 11,996.80 | 3,428.28 | 728.40 | 4,156.68 | 44.5 | 17.0 | 34.6 |
| Kisumu | 6,384.89 | 2,833.00 | 9,217.89 | 2,459.54 | 107.34 | 2,566.88 | 38.5 | 3.8 | 27.8 |
| Kitui | 6,805.63 | 4,969.60 | 11,775.23 | 2,847.14 | 1,431.97 | 4,279.12 | 41.8 | 28.8 | 36.3 |
| Kwale | 4,764.23 | 7,468.68 | 12,232.92 | 1,395.17 | 920.20 | 2,315.36 | 29.3 | 12.3 | 18.9 |
| Laikipia | 4,052.92 | 2,599.70 | 6,652.62 | 1,815.93 | 498.16 | 2,314.09 | 44.8 | 19.2 | 34.8 |
| Lamu | 2,604.90 | 1,897.47 | 4,502.38 | 842.26 | 55.78 | 898.03 | 32.3 | 2.9 | 19.9 |
| Machakos | 7,630.30 | 4,600.80 | 12,231.11 | 3,230.45 | 344.57 | 3,575.02 | 42.3 | 7.5 | 29.2 |
| Makueni | 5,895.51 | 4,630.21 | 10,525.72 | 2,660.34 | 766.92 | 3,427.26 | 45.1 | 16.6 | 32.6 |
| Mandera | 6,423.74 | 6,955.00 | 13,378.75 | 2,880.43 | 1,564.23 | 4,444.67 | 44.8 | 22.5 | 33.2 |
| Marsabit | 4,127.00 | 4,526.51 | 8,653.51 | 1,655.13 | 745.18 | 2,400.31 | 40.1 | 16.5 | 27.7 |
| Meru | 7,807.57 | 4,692.02 | 12,499.60 | 3,615.85 | 411.65 | 4,027.50 | 46.3 | 8.8 | 32.2 |
| Migori | 5,294.41 | 3,245.60 | 8,540.01 | 2,095.76 | 432.19 | 2,527.95 | 39.6 | 13.3 | 29.6 |
| Mombasa | 8,626.12 | 4,965.65 | 13,591.77 | 3,947.11 | 708.37 | 4,655.48 | 45.8 | 14.3 | 34.3 |
| Murang'a | 4,927.54 | 3,883.24 | 8,810.78 | 2,090.28 | 874.00 | 2,964.27 | 42.4 | 22.5 | 33.6 |
| Nairobi City | 21,473.79 | 10,836.45 | 32,310.24 | 9,262.08 | 1,420.02 | 10,682.10 | 43.1 | 13.1 | 33.1 |
| Nakuru | 10,319.90 | 7,995.85 | 18,315.75 | 4,058.38 | 550.85 | 4,609.23 | 39.3 | 6.9 | 25.2 |
| Nandi | 5,106.58 | 3,077.66 | 8,184.24 | 2,430.39 | 694.23 | 3,124.62 | 47.6 | 22.6 | 38.2 |
| Narok | 6,264.42 | 3,400.48 | 9,664.90 | 3,269.06 | 1,498.00 | 4,767.05 | 52.2 | 44.1 | 49.3 |
| Nyamira | 4,578.54 | 1,947.89 | 6,526.43 | 2,087.82 | 190.49 | 2,278.32 | 45.6 | 9.8 | 34.9 |
| Nyandarua | 4,217.28 | 2,102.37 | 6,319.64 | 1,514.02 | 150.90 | 1,664.92 | 35.9 | 7.2 | 26.3 |
| Nyeri | 5,522.00 | 2,976.13 | 8,498.13 | 2,173.52 | 335.84 | 2,509.36 | 39.4 | 11.3 | 29.5 |
| Samburu | 3,856.21 | 2,004.91 | 5,861.12 | 1,131.08 | 256.35 | 1,387.43 | 29.3 | 12.8 | 23.7 |
| Siaya | 4,442.42 | 2,565.17 | 7,007.59 | 1,958.10 | 67.88 | 2,025.98 | 44.1 | 2.6 | 28.9 |
| Taita/Taveta | 3,870.33 | 1,975.30 | 5,845.63 | 1,799.14 | 298.78 | 2,097.92 | 46.5 | 15.1 | 35.9 |

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| County | Budget Estimates (Kshs. Million) | | | Expenditure (Kshs. Million) | | | Recurrent Absorption Rate (%) | Development Absorption Rate (%) | Overall Absorption Rate |
|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Total | Rec | Dev | Total | | | |
| | A | B | C=A+B | D | E | F=D+E | G=D/A*100 | H=E/B*100 | I=F/C*100 |
| Tana River | 4,573.56 | 4,573.56 | 9,147.12 | 1,329.06 | 388.16 | 1,717.23 | 29.1 | 8.5 | 18.8 |
| Tharaka -Nithi | 3,430.29 | 2,290.71 | 5,721.00 | 1,368.80 | 326.04 | 1,694.84 | 39.9 | 14.2 | 29.6 |
| Trans Nzoia | 4,437.33 | 3,214.43 | 7,651.76 | 1,958.30 | 330.01 | 2,288.31 | 44.1 | 10.3 | 29.9 |
| Turkana | 8,218.31 | 5,317.15 | 13,535.46 | 3,404.11 | 230.49 | 3,634.60 | 41.4 | 4.3 | 26.9 |
| Uasin Gishu | 5,356.51 | 4,574.04 | 9,930.55 | 2,184.36 | 594.55 | 2,778.90 | 40.8 | 13.0 | 28.0 |
| Vihiga | 4,502.56 | 1,938.08 | 6,440.64 | 1,342.82 | 431.52 | 1,774.34 | 29.8 | 22.3 | 27.5 |
| Wajir | 6,342.70 | 6,832.99 | 13,175.69 | 2,190.50 | - | 2,190.50 | 34.5 | - | 16.6 |
| West Pokot | 4,081.98 | 2,217.24 | 6,299.22 | 1,271.98 | 202.40 | 1,474.38 | 31.2 | 9.1 | 23.4 |
| **Total** | **276,438.54** | **187,492.92** | **463,931.46** | **112,252.48** | **24,727.85** | **136,980.33** | **40.6** | **13.2** | **29.5** |

***Source:*** *OCOB and County Treasuries*

Kakamega County recorded the highest expenditure on development activities at Kshs.1.59 billion, followed by Mandera County and Narok County at Kshs.1.56 billion and Kshs.1.49 billion respectively. Two counties, namely; Isiolo and Wajir did not report any expenditure on development activities. Further information on development projects undertaken by counties is provided in chapter three.

## 2.10 Recurrent Expenditure

The Counties incurred an aggregate of Kshs.112.25 billion or 81.9 per cent of the total expenditure on recurrent activities. This expenditure represents 40.6 per cent of the annual county governments' budget for recurrent activities and an increase from 36 per cent recorded in a similar period of FY 2017/18 when expenditure stood at Kshs.93 billion.

Analysis of the expenditure shows that, Nairobi City County attained the highest expenditure on recurrent activities at Kshs.9.26 billion, followed by Kiambu and Nakuru Counties at Kshs.4.25 billion and Kshs.4.06 billion respectively. The lowest recurrent expenditure was recorded by Samburu, Isiolo and Lamu Counties at Kshs.1.13 billion, Kshs.946.39 million and Kshs.842.26 million respectively.

## 2.11 Personnel Emoluments

During the first half of FY 2018/19, the County Governments incurred Kshs.80.02 billion on personnel emoluments, representing 71.3 per cent of the total recurrent expenditure and 58.4 per cent of total expenditure. This was an increase from Kshs.66.48 billion incurred in the first half of FY 2017/18 when personnel expenditure translated to 64.1 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.7.01 billion, followed by Kiambu and Nakuru Counties at Kshs.3.22 billion and Kshs.3.03 billion respectively. Analysis of personnel emoluments as a percentage of total expenditure shows that, Wajir, Baringo and Nyamira Counties recorded the highest percentage at 89.3 per cent, 76.5 per cent and 75.7 per cent respectively.

## 2.12 Operations and Maintenance Expenditure

During the reporting period, a total of Kshs.32.23 billion was incurred on operations and maintenance, which translated to 23.5 per cent of total expenditure. Counties that reported the highest expenditure on operations and maintenance in absolute terms were Nairobi City at Kshs.2.25 billion, Mombasa at Kshs.1.57 billion and Mandera at Kshs.1.39 billion. Analysis of the expenditure on operations and maintenance as a proportion of the total expenditure indicated that Turkana County attained the highest proportion at 38.2 per cent, followed by Kilifi and Kajiado Counties at 35.6 per cent and 35.1 per cent respectively.

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## 2.13 Review of MCAs Committee Sitting Allowances

County Assemblies incurred Kshs.1.08 billion on MCAs committee sitting allowances compared to the approved budget allocation of Kshs.2.78 billion. This expenditure translated to 38.9 per cent of the approved budget and an increase by 156.5 per cent compared to a similar period of FY 2017/18 when a total of Kshs.422.06 million was incurred.

Table 2.5 shows the County budgetary allocation and expenditure on MCAs committee sitting allowances in the first six months of FY 2018/19.

**Table 2.5 : Budget Allocation, Expenditure and Absorption Rate of MCAs Committee Sitting Allowance in the First Half of FY 2018/19**

| MCA Committee Sitting Allowances | | | | | |
|---|---|---|---|---|---|
| County | Budgetary Allocation (Kshs) | Expenditure (Kshs) | Absorption % | No. of MCAs | Average monthly sitting allowance per MCA (Kshs) |
| | A | B | C=B/A*100 | D | E=B/D/6 |
| Baringo | 30,000,000 | 1,507,201 | 5.0 | 46 | 5,460.87 |
| Bomet | 20,732,000 | 10,900,120 | 52.6 | 37 | 49,099.64 |
| Bungoma | 113,691,719 | 35,847,957 | 31.5 | 61 | 97,945.24 |
| Busia | 113,529,600 | 35,032,422 | 30.9 | 54 | 108,124.76 |
| Elgeyo/Marakwet | 43,097,328 | 18,346,900 | 42.6 | 34 | 89,935.78 |
| Embu | 31,500,000 | 5,945,306 | 18.9 | 35 | 28,310.98 |
| Garissa | 121,213,200 | 32,871,802 | 27.1 | 49 | 111,808.85 |
| Homa Bay | 98,342,000 | 15,450,400 | 15.7 | 61 | 42,214.21 |
| Isiolo | 26,532,950 | 11,888,150 | 44.8 | 18 | 110,075.46 |
| Kajiado | 17,250,000 | 8,834,447 | 51.2 | 42 | 35,057.33 |
| Kakamega | 134,784,000 | 66,897,473 | 49.6 | 88 | 126,699.76 |
| Kericho | 81,535,200 | 21,979,583 | 27.0 | 48 | 76,318.00 |
| Kiambu | 100,000,000 | 46,072,000 | 46.1 | 93 | 82,566.31 |
| Kilifi | 96,844,800 | 31,049,100 | 32.1 | 56 | 92,408.04 |
| Kirinyaga | 80,000,000 | 15,762,047 | 19.7 | 34 | 77,264.94 |
| Kisii | 94,822,400 | 47,411,100 | 50.0 | 70 | 112,883.57 |
| Kisumu | 55,106,000 | 21,137,019 | 38.4 | 49 | 71,894.62 |
| Kitui | 65,936,000 | 23,965,258 | 36.3 | 55 | 72,621.99 |
| Kwale | 60,956,000 | 22,803,475 | 37.4 | 34 | 111,781.74 |
| Laikipia | 15,000,000 | 8,595,212 | 57.3 | 24 | 59,688.97 |
| Lamu | 18,000,000 | 6,752,800 | 37.5 | 19 | 59,235.09 |
| Machakos | 80,214,903 | 10,012,800 | 12.5 | 60 | 27,813.33 |
| Makueni | 67,992,093 | 26,437,200 | 38.9 | 49 | 89,922.45 |
| Mandera | 41,760,000 | 23,387,200 | 56.0 | 49 | 79,548.30 |
| Marsabit | 35,489,098 | 10,262,000 | 28.9 | 31 | 55,172.04 |
| Meru | 101,935,200 | 43,230,114 | 42.4 | 69 | 104,420.57 |
| Migori | - | 32,058,000 | - | 57 | 93,736.84 |
| Mombasa | 43,705,600 | 22,710,200 | 52.0 | 43 | 88,024.03 |
| Murang'a | 66,955,200 | 25,953,059 | 38.8 | 50 | 86,510.20 |
| Nairobi City | 66,560,000 | 61,339,078 | 92.2 | 128 | 79,868.59 |
| Nakuru | 111,000,000 | 55,677,358 | 50.2 | 79 | 117,462.78 |
| Nandi | 38,103,996 | 16,476,800 | 43.2 | 40 | 68,653.33 |

COUNTY ASSEMBLIES FORUM (CAF)
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| MCA Committee Sitting Allowances | | | | | |
|---|---|---|---|---|---|
| County | Budgetary Allocation (Kshs) | Expenditure (Kshs) | Absorption % | No. of MCAs | allowance per MCA (Kshs) |
| | A | B | C=B/A*100 | D | E=B/D/6 |
| Narok | 53,813,760 | 12,843,350 | 23.9 | 48 | 44,594.97 |
| Nyamira | 66,643,200 | 22,754,551 | 34.1 | 37 | 102,497.98 |
| Nyandarua | 57,219,200 | 20,817,948 | 36.4 | 40 | 86,741.45 |
| Nyeri | 80,371,200 | 21,447,000 | 26.7 | 45 | 79,433.33 |
| Samburu | 25,466,200 | 18,586,018 | 73.0 | 28 | 110,631.06 |
| Siaya | 47,929,600 | 24,099,100 | 50.3 | 43 | 93,407.36 |
| Taita/Taveta | 32,448,000 | 16,216,295 | 50.0 | 35 | 77,220.45 |
| Tana River | 39,951,600 | 7,898,000 | 19.8 | 23 | 57,231.88 |
| Tharaka –Nithi | 28,370,000 | 8,751,071 | 30.8 | 21 | 69,452.94 |
| Trans Nzoia | 69,297,600 | 15,510,400 | 22.4 | 40 | 64,626.67 |
| Turkana | 81,764,000 | 13,700,000 | 16.8 | 48 | 47,569.44 |
| Uasin Gishu | 37,509,398 | 21,587,000 | 57.6 | 48 | 74,954.86 |
| Vihiga | 44,678,400 | 27,290,150 | 61.1 | 39 | 116,624.57 |
| Wajir | 23,751,000 | 19,562,292 | 82.4 | 46 | 70,877.87 |
| West Pokot | 21,156,314 | 14,996,350 | 70.9 | 34 | 73,511.52 |
| **Total** | **2,782,958,759** | **1,082,653,106** | **38.9** | **2237** | **80,662.58** |

***Source:*** *OCOB and County Treasuries*

From Table 2.5 above, the Kakamega County Assembly recorded higher expenditure on committee sitting allowance than the Salaries and Remuneration Commission (SRC) recommended monthly ceiling of Kshs.124,800.

## 2.14 Review of Expenditure on Domestic and Foreign Travels

The County Governments spent Kshs.6.51 billion on domestic and foreign travel during the reporting period. This expenditure comprised of Kshs.5.68 billion on domestic travel and Kshs.826.42 million on foreign travel and was an increase of 89 per cent compared to Kshs.3.77 billion incurred in a similar period of FY 2017/18.

The expenditure on domestic and foreign travels by both the County Assembly and the County Executive in the first six months of FY 2018/19 is presented in Table 2.6.

### Table 2.6: Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in the First Half of FY 2018/19 (Kshs. Million)

| County | County Assembly (Kshs. Million) | | | County Executive (Kshs. Million) | | | Total Expenditure (Kshs. Million) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic Exp. | Foreign Exp. | Total | Domestic Exp. | Foreign Exp. | Total | Domestic Exp. | Foreign Exp. | Total |
| | A | B | C=B+A | D | E | F=D+E | G=A+D | H=B+E | I=G+H |
| Baringo | 32.81 | 4.66 | 37.47 | 13.01 | 4.63 | 17.64 | 45.82 | 9.29 | 55.11 |
| Bomet | 27.81 | 7.38 | 35.19 | 62.27 | 4.68 | 66.95 | 90.08 | 12.06 | 102.14 |
| Bungoma | 14.16 | 0.91 | 15.06 | 143.45 | 10.58 | 154.03 | 157.61 | 11.49 | 169.10 |
| Busia | 50.03 | 6.49 | 56.52 | 36.33 | 10.94 | 47.27 | 86.36 | 17.43 | 103.79 |
| Elgeyo/Marak-wet | 37.63 | 3.97 | 41.60 | 4.15 | 1.39 | 5.53 | 41.78 | 5.36 | 47.13 |
| Embu | 61.52 | - | 61.52 | 20.22 | 1.49 | 21.70 | 81.73 | 1.49 | 83.22 |
| Garissa | 60.54 | - | 60.54 | 166.32 | 2.45 | 168.77 | 226.87 | 2.45 | 229.32 |

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| County | County Assembly (Kshs. Million) | | | County Executive (Kshs. Million) | | | Total Expenditure (Kshs. Million) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic Exp. | Foreign Exp. | Total | Domestic Exp. | Foreign Exp. | Total | Domestic Exp. | Foreign Exp. | Total |
| | A | B | C=B+A | D | E | F=D+E | G=A+D | H=B+E | I=G+H |
| Homa Bay | 53.93 | - | 53.93 | 117.41 | - | 117.41 | 171.35 | - | 171.35 |
| Isiolo | 36.18 | 2.77 | 38.96 | 46.81 | 5.20 | 52.01 | 82.99 | 7.97 | 90.96 |
| Kajiado | 56.79 | 17.77 | 74.56 | 58.98 | 10.56 | 69.54 | 115.77 | 28.33 | 144.10 |
| Kakamega | 77.84 | - | 77.84 | 54.01 | 9.92 | 63.93 | 131.85 | 9.92 | 141.77 |
| Kericho | 70.13 | 5.53 | 75.67 | 61.75 | - | 61.75 | 131.88 | 5.53 | 137.42 |
| Kiambu | 78.68 | 33.00 | 111.67 | 63.84 | 22.28 | 86.12 | 142.51 | 55.28 | 197.79 |
| Kilifi | 35.79 | 3.05 | 38.84 | 48.68 | 9.79 | 58.47 | 84.47 | 12.84 | 97.31 |
| Kirinyaga | 66.91 | 17.11 | 84.02 | 25.86 | 5.75 | 31.61 | 92.77 | 22.85 | 115.63 |
| Kisii | 59.19 | 10.69 | 69.88 | 232.33 | 21.52 | 253.85 | 291.52 | 32.21 | 323.73 |
| Kisumu | 55.03 | 2.83 | 57.86 | 114.42 | 13.83 | 128.26 | 169.45 | 16.66 | 186.12 |
| Kitui | 59.59 | - | 59.59 | 124.80 | - | 124.80 | 184.40 | - | 184.40 |
| Kwale | 78.13 | 17.06 | 95.20 | 38.19 | 6.04 | 44.23 | 116.32 | 23.11 | 139.43 |
| Laikipia | 33.27 | 1.54 | 34.81 | 57.92 | 0.79 | 58.71 | 91.19 | 2.33 | 93.52 |
| Lamu | 26.42 | 12.24 | 38.67 | 33.90 | 0.92 | 34.82 | 60.33 | 13.16 | 73.49 |
| Machakos | 45.30 | 2.43 | 47.73 | 38.88 | 9.02 | 47.90 | 84.17 | 11.45 | 95.62 |
| Makueni | 31.54 | 3.54 | 35.08 | 57.13 | 7.97 | 65.10 | 88.67 | 11.51 | 100.19 |
| Mandera | 19.63 | 12.49 | 32.12 | 38.85 | 8.82 | 47.67 | 58.48 | 21.31 | 79.79 |
| Marsabit | 38.19 | 11.59 | 49.77 | 53.61 | 6.97 | 60.58 | 91.80 | 18.56 | 110.36 |
| Meru | 129.13 | 31.27 | 160.40 | 35.61 | 1.58 | 37.19 | 164.73 | 32.85 | 197.59 |
| Migori | 34.43 | 5.52 | 39.94 | 208.37 | 2.62 | 210.99 | 242.80 | 8.14 | 250.94 |
| Mombasa | 2.20 | 21.30 | 23.50 | 60.05 | 26.41 | 86.46 | 62.25 | 47.71 | 109.96 |
| Murang'a | 73.77 | - | 73.77 | 55.94 | 1.81 | 57.74 | 129.70 | 1.81 | 131.51 |
| Nairobi City | 19.02 | 23.43 | 42.44 | 138.33 | 18.82 | 157.15 | 157.35 | 42.24 | 199.59 |
| Nakuru | 43.06 | 0.00 | 43.06 | 62.68 | 0.00 | 62.68 | 105.74 | 0.00 | 105.74 |
| Nandi | 26.73 | 14.02 | 40.75 | 74.04 | 19.38 | 93.42 | 100.76 | 33.41 | 134.17 |
| Narok | 102.15 | 0.00 | 102.15 | 102.15 | 0.00 | 102.15 | 204.29 | 0.00 | 204.29 |
| Nyamira | 57.36 | 10.55 | 67.91 | 61.07 | 11.74 | 72.82 | 118.43 | 22.30 | 140.73 |
| Nyandarua | 39.54 | 6.89 | 46.43 | 68.54 | 7.46 | 76.00 | 108.07 | 14.36 | 122.43 |
| Nyeri | 75.66 | 21.53 | 97.19 | 26.92 | 0.83 | 27.75 | 102.58 | 22.36 | 124.94 |
| Samburu | 17.12 | 18.81 | 35.93 | 38.90 | 3.38 | 42.28 | 56.02 | 22.19 | 78.21 |
| Siaya | 51.94 | 1.71 | 53.65 | 94.91 | 20.04 | 114.95 | 146.85 | 21.75 | 168.60 |
| Taita/Taveta | 77.14 | 42.17 | 119.30 | 103.57 | 27.99 | 131.57 | 180.71 | 70.16 | 250.87 |
| Tana River | 38.81 | 5.86 | 44.67 | 55.14 | 23.04 | 78.18 | 93.95 | 28.90 | 122.85 |
| Tharaka –Nithi | 32.75 | 12.64 | 45.39 | 18.85 | 3.14 | 21.99 | 51.60 | 15.77 | 67.38 |
| Trans Nzoia | 49.17 | 17.00 | 66.17 | 16.51 | 3.36 | 19.87 | 65.67 | 20.36 | 86.04 |
| Turkana | 134.18 | 3.63 | 137.82 | 102.91 | 13.17 | 116.08 | 237.09 | 16.81 | 253.90 |
| Uasin Gishu | 37.74 | 14.06 | 51.81 | 54.51 | 12.20 | 66.72 | 92.26 | 26.26 | 118.52 |
| Vihiga | 71.74 | - | 71.74 | 57.23 | 6.22 | 63.45 | 128.97 | 6.22 | 135.19 |
| Wajir | 30.98 | 7.87 | 38.85 | 46.06 | - | 46.06 | 77.04 | 7.87 | 84.91 |
| West Pokot | 50.97 | 10.66 | 61.63 | 82.96 | 1.71 | 84.68 | 133.93 | 12.37 | 146.31 |
| **Total** | **2,402.65** | **445.96** | **2,848.61** | **3,278.36** | **380.47** | **3,658.83** | **5,681.01** | **826.42** | **6,507.44** |

***Source:*** *OCOB and County Treasuries*

Kisii County incurred the highest expenditure on domestic and foreign travel at Kshs.323.73 million, followed by Turkana and Migori at Kshs.253.90 million and Kshs.250.94 million respectively.

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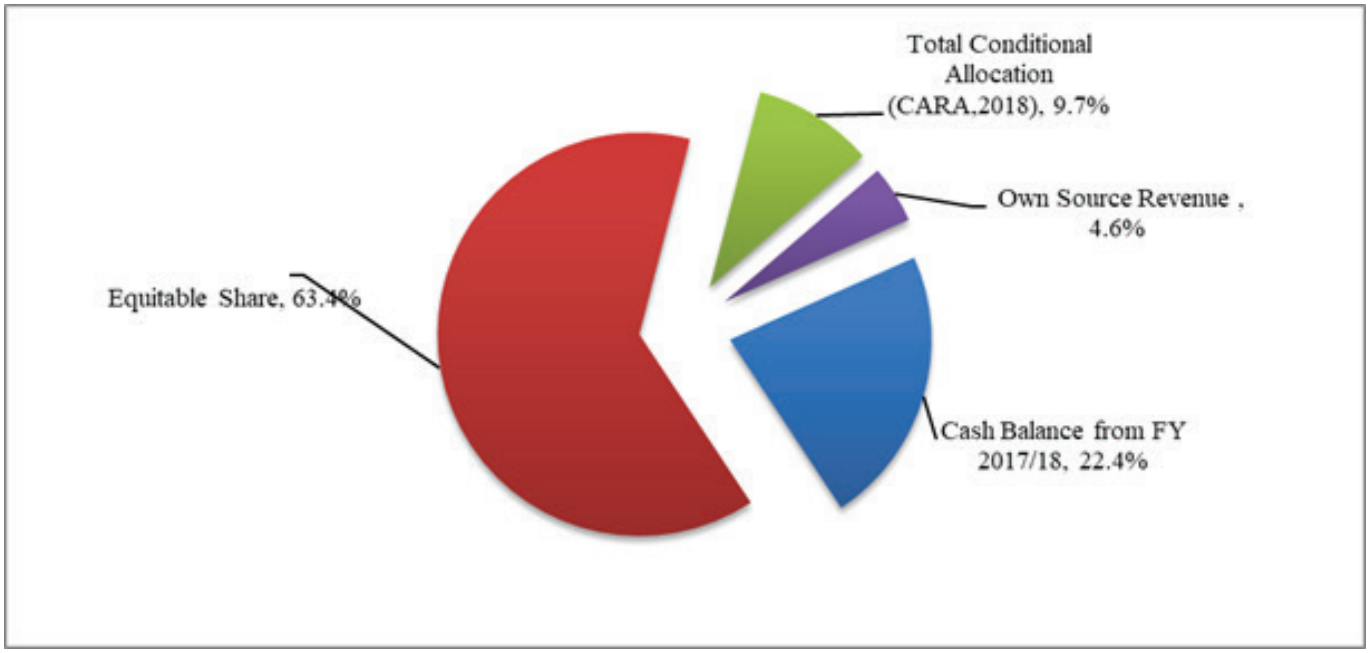
## 3.1 Baringo County

### 3.1.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.8.03 billion, comprising of Kshs.4.30 billion (53.5 per cent) and Kshs.3.73 billion (46.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.09 billion (63.4 per cent) as equitable share of revenue raised nationally, Kshs.776.42 million (9.7 per cent) as total conditional grants, generate Kshs.371.15 million (4.6 per cent) from own revenue sources, and Kshs.1.60 billion (22.4 per cent) cash balance from FY 2017/18.

**Figure 3.1: Baringo County Sources of Budget Financing in FY 2018/19**




***Source**: Baringo County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.78.90 million (10.2 per cent) from the World Bank for Transforming Healthcare Systems for Universal Care Project, Kshs.117 million (15.1 per cent) from the World Bank to support the Kenya Climate Smart Agriculture Project, Kshs.43.73 million (5.6 per cent) credit from the World Bank to support Kenya Devolution Support Programme "Level 1 ", credit of Kshs.52.36 million (6.7 per cent) from World Bank towards Kenya Urban Support Project, grant of Kshs.16.71 million (2.2 per cent) from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.85 million (10.9 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.13.19 million (1.7 per cent) Compensation for User Fees Foregone, Kshs.200 million (25.8 per cent) for Leasing of Medical Equipment, Kshs.133.93 million (17.2 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.35.61 million (4.6 per cent) for Rehabilitation of Village Polytechnics.

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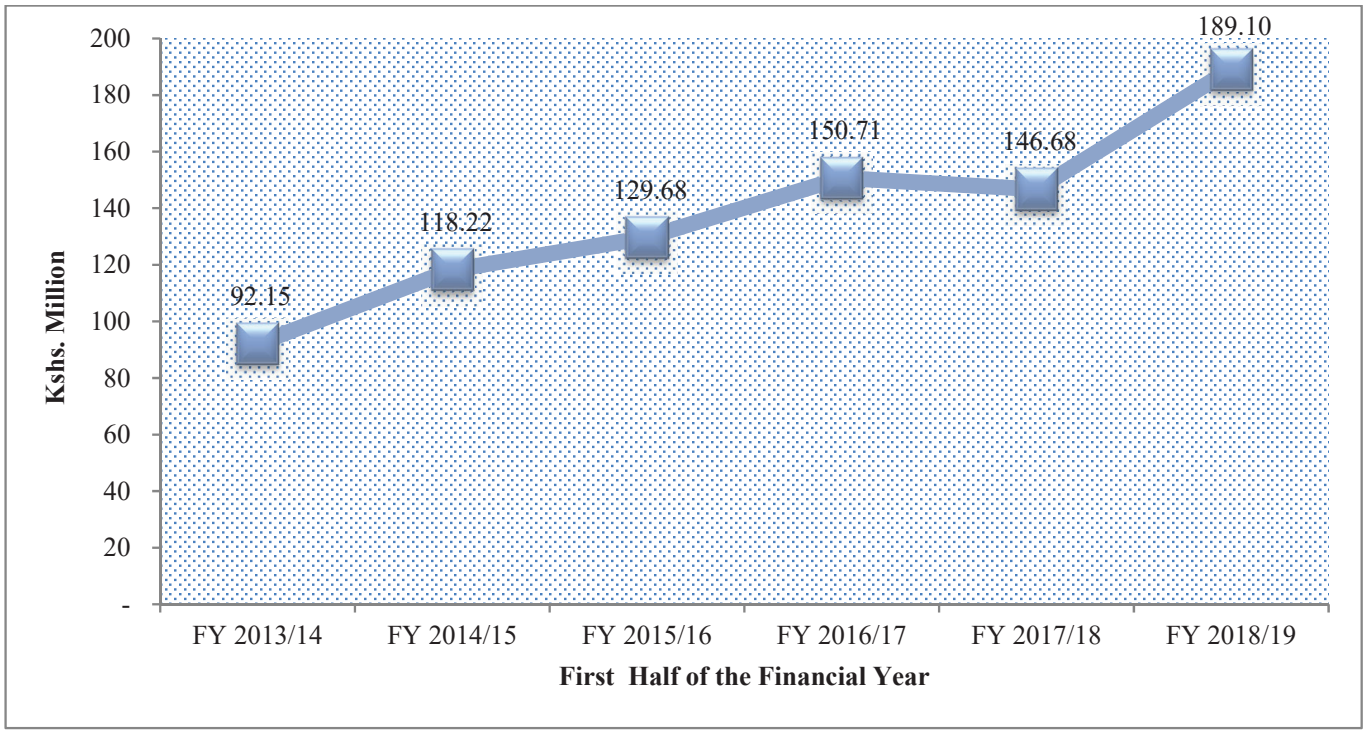
### 3.1.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.07 billion as equitable share of revenue raised nationally, Kshs.183.85 million as total conditional grants, raised Kshs.189.10 million from own source revenue, and had a cash balance of Kshs.1.61 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.04 billion.

Figure 3.2 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.2: Baringo County, Trend in Own Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Baringo County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.189.10 million from own-source revenue sources. This amount was an increase of 28.9 per cent when compared to Kshs.146.68 million realised during the same period of FY 2017/18 and represented 51 per cent of the annual target.

### 3.1.3 Conditional Grants

The County received Kshs.183.84 million as conditional grants as shown in Table 3.1 .

**Table 3.1 : Baringo County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | Grants/Loans contained in CARA, 2018 | | | | |
| 1 | Compensation for User Fee Foregone-National Government | 13,191,000 | 13,191,000 | - | - |
| 2 | Leasing of Medial Equipment-National Government | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy-National Government | 133,931,014 | 133,931,014 | - | - |

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| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 4 | Rehabilitation of Village Polytechnics-National Government | 35,605,000 | 35,605,000 | | - |
| 5 | Transforming Health Systems for Universal Care Project- World Bank | 78,899,347 | 78,899,347 | 7,793,305 | 9.9 |
| 6 | Kenya Climate Smart Agriculture Project-World Bank | 117,000,000 | 117,000,000 | - | - |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 Grant"-World Bank | 43,729,455 | 43,729,455 | 42,084,111 | 96.2 |
| 8 | Kenya Urban Support Project (KUSP)-World Bank | 52,360,500 | 52,360,500 | 52,360,500 | 100.0 |
| 9 | Universal Healthcare Project-DANIDA | 16,706,250 | 16,706,250 | 8,353,125 | 50.0 |
| 10 | Instruments for Devolution Advice and Support (IDEAS)-EU | 85,000,000 | 85,000,000 | 73,254,422 | 86.2 |
| **Total** | | **776,422,566** | **776,422,566** | **183,845,463** | **23.7** |

***Source:*** *Baringo County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant followed by the Kenya Urban Support project. The receipts accounted for 86.2 per cent and 100 per cent of annual allocation respectively.

### 3.1.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.24 billion from the CRF account. The withdrawals represented 27.9 per cent of the Approved Budget and translated to an increase of 16.7 per cent from Kshs.1.92 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.06 billion (91.8 per cent) to fund recurrent expenditure and Kshs.184.38 million (8.2 per cent) for development activities.

### 3.1.5 Overall Expenditure Review

The County government spent a total of Kshs.2.10 billion on both recurrent and development activities. This expenditure represented 93.6 per cent of the total funds released from the CRF account and was an increase of 15.4 per cent from Kshs.1.82 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018.

Expenditure on recurrent activities amounted to Kshs.1.94 billion while that on development activities was Kshs.161.38 million. The recurrent expenditure was 93.6 per cent of the funds released for recurrent activities, while development expenditure was 87.5 per cent of funds released for development activities.

The recurrent expenditure represented 45.1 per cent of the annual recurrent budget an increase from 41.8 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 4.3 per cent, which was a decrease from 5.7 per cent attained in the first half of FY 2017/18. Figure 3.3 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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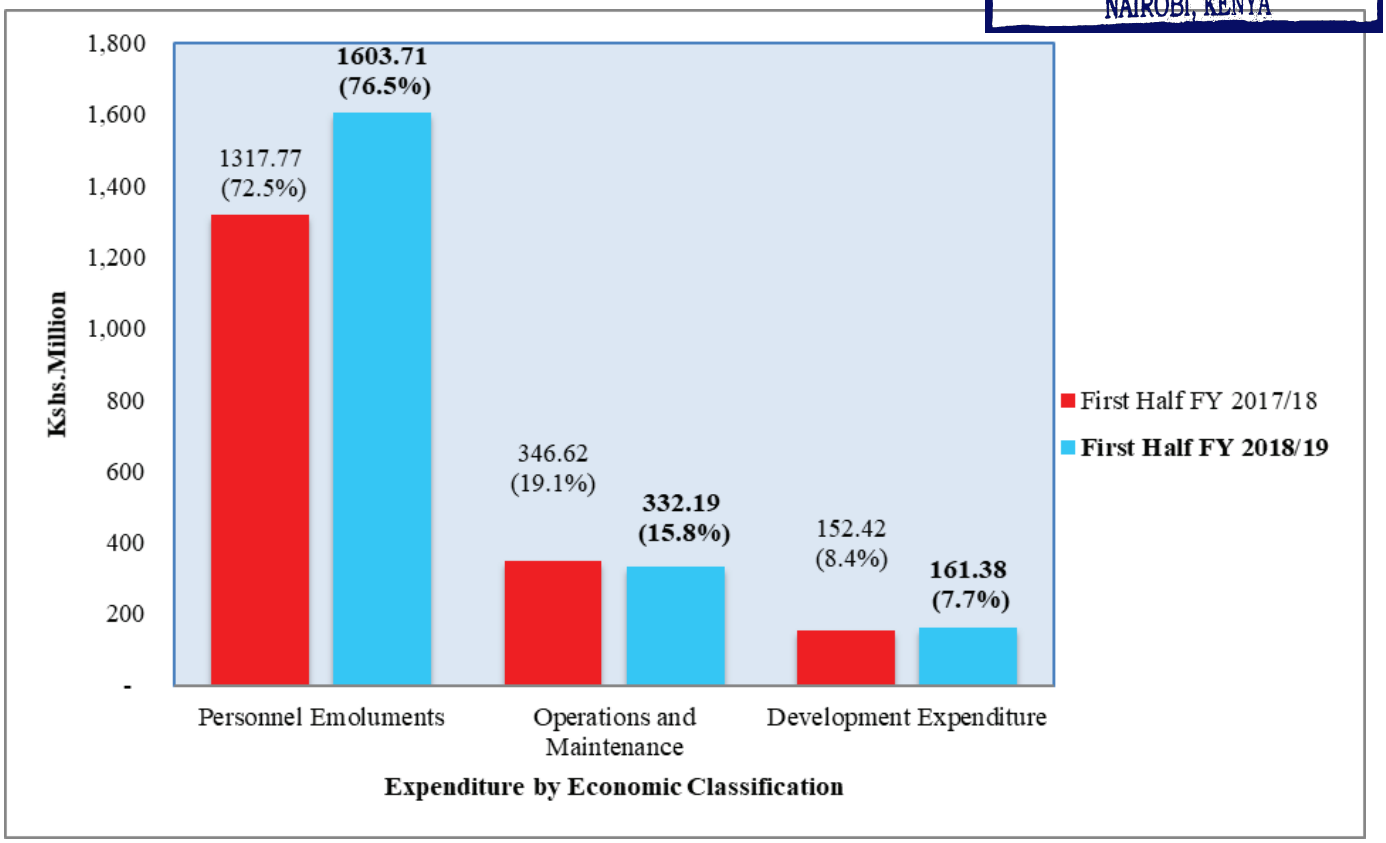
**Figure 3.3: Baringo County, Expenditure by Economic Classification**




***Source:*** *Baringo County Treasury*

### 3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.94 billion comprised of Kshs.1.60 billion (82.8 per cent) incurred on personnel emoluments and Kshs.332.19 million (17.2 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 21.7 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.32 billion, and was 76.5 per cent of total expenditure for the period. Figure 3.4 shows a summary of operations and maintenance expenditure by major categories.

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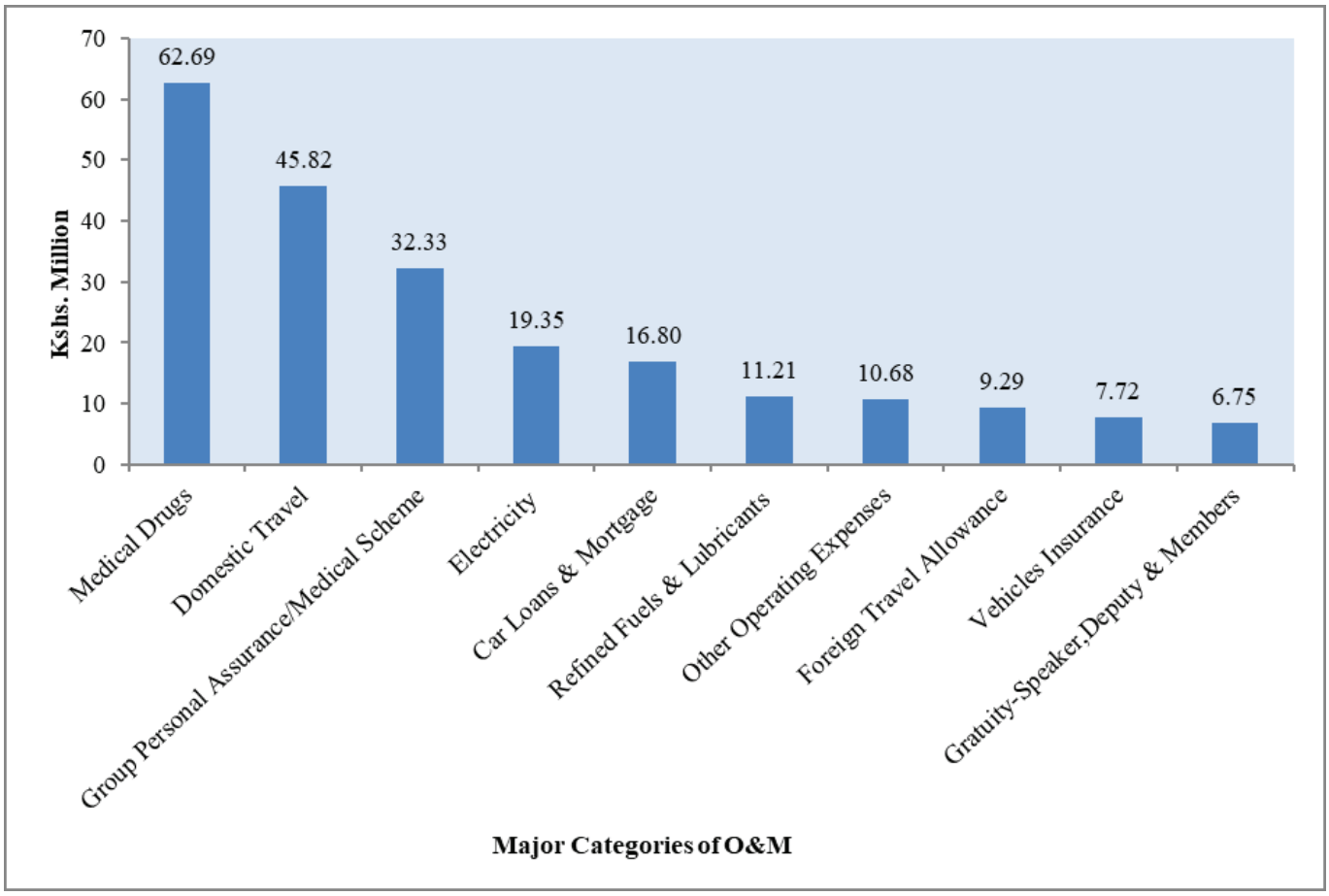
**Figure 3.4: Baringo County, Operations and Maintenance Expenditure Major Categories in the First Half of FY 2018/19**




***Source**: Baringo County Treasury*

The County spent Kshs.1.51 million on MCAs' committee sitting allowances for the 46 MCAs against the annual budget allocation of Kshs.30 million. This amount represented a decline of 80.6 per cent compared to Kshs.7.75 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.5,461 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.45.82 million and comprised of Kshs.32.81 million spent by the County Assembly and Kshs.13.01 million spent by the County Executive. This represented 2.4 per cent of total recurrent expenditure.

### 3.1.7 Development Expenditure

The total development expenditure of Kshs.161.38 million represented 4.3 per cent of the annual development budget of Kshs.3.73 billion. Table 3.2 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.2: Baringo County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Upgrading of C55-mlimani saw mill | Ravine Ward | 15,880,600 | 8,045,088 | 50.7 |
| 2 | Upgrading of Chemolingot Town road | Ribkwo Ward | 15,846,463 | 5,263,911 | 33.2 |
| 3 | Opening of Kabirmet-Rorobai-Kibingor | Marigat Ward | 4,982,200 | 4,618,656 | 92.7 |
| 4 | Rehabilitation of Chambai Releng road | Saimo Kipsaraman Ward | 5,244,360 | 4,288,056 | 81.8 |
| 5 | Lelabei footbridge construction | Barwessa Ward | 4,000,000 | 3,998,492 | 100.0 |
| 6 | Andama-Osiemon-Kwa Thuku road routine maintenance | Andama-Osiemon- | 3,500,000 | 3,496,800 | 99.9 |
| 7 | Kabarnet Town Cabro parking | Kabarnet Ward | 3,200,000 | 3,192,900 | 99.8 |
| 8 | Cheplambus-Lelbatai-Nduoro road maintenance | Tenges Ward | 4,069,860 | 3,114,194 | 76.5 |
| 9 | Kaptoroboni sesiani and arusin ECD Classrooms | Kaptoroboni sesiani | 3,000,000 | 3,003,588 | 100.1 |
| 10 | C55 Juction-Sagat road works | Lembus Perkerra Ward | 2,989,221 | 2,981,282 | 99.7 |

***Source:*** *Baringo County Treasury*

### 3.1.8 Budget Performance by County Department

Table 3.3 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.3: Baringo County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 655.24 | 45 | 278.1 | - | 263.66 | - | 94.8 | - | 40.2 | 0 |
| Governor/County Executive services | 435.37 | 93.42 | 196.77 | - | 155.2 | - | 78.9 | - | 35.6 | 0 |
| County Treasury Services | 274.17 | 12.6 | 114.92 | 4.1 | 114.92 | 4.01 | 100 | 97.8 | 41.9 | 31.8 |
| Transport and Infrastructure | 61.47 | 851.84 | 30.63 | 79.67 | 22.23 | 77.23 | 72.6 | 96.9 | 36.2 | 9.1 |
| Industrialization, Commerce and Tourism | 77.63 | 70.69 | 38.72 | 1.57 | 28.85 | 1.56 | 74.5 | 99.6 | 37.2 | 2.2 |
| Education, Sports, Culture & Art | 344.48 | 337.41 | 140.64 | 24.23 | 134.69 | 22.63 | 95.8 | 93.4 | 39.1 | 6.7 |
| Health | 30.6 | 105.47 | 15.44 | 8.45 | 12.52 | 7 | 81.1 | 82.8 | 40.9 | 6.6 |
| Housing & Urban Development | 1,940.71 | 767.72 | 1,005.99 | 22.16 | 1,028.1 | 21.89 | 102.2 | 98.8 | 53 | 2.9 |
| Agriculture, Livestock, Fisheries & Marketing | 77.18 | 210.56 | 37.85 | 21.9 | 29.45 | 9.83 | 77.8 | 44.9 | 38.2 | 4.7 |
| Youth, Gender & Social Security Services | 246.89 | 467.76 | 131.09 | 9.84 | 80.94 | 4.77 | 61.7 | 48.5 | 32.8 | 1 |
| Water & Irrigation | 119.65 | 709.27 | 49.14 | 8.45 | 49.13 | 8.44 | 100 | 99.9 | 41.1 | 1.2 |
| Environment & Natural Resources | 32.72 | 61.5 | 16.22 | 4.01 | 16.21 | 4 | 100 | 99.9 | 49.5 | 6.5 |
| **TOTAL** | **4,296.11** | **3,733.24** | **2,055.51** | **184.38** | **1,935.90** | **161.36** | **94.2** | **87.5** | **45.1** | **4.3** |

*Source: Baringo County Treasury*

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Analysis of expenditure by department shows the Department of Treasury Services recorded the highest absorption rate of development budget at 31.8 per cent while the County Assembly and the Office of the Governor did not incur any development expenditure. The Department of Environment & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 49.5 per cent while the Department of Youth, Gender & Social Security Services had the lowest at 32.8 per cent.

### 3.1.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the use of IFMIS to process financial transactions.
ii. Improvement of own-source revenue collection. The County collected Kshs.189.10 million during the first half of FY 2018/19 which was an increase of 28.9 per cent from Kshs.146.68 million realised in a similar period of the FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay by Fund Administrators to submit financial reports on the established County Funds contrary to Section 168 of the PFM Act, 2012.
2. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports contrary to Section 166 of the PFM Act, 2012.
3. Failure to constitute the County Budget and Economic Forum as required by Section 137 of the PFM Act, 2012 for consultation in the budget making process.
4. High expenditure on personnel emoluments which represented 76.5 per cent of total expenditure in the reporting period. This may affect execution of other key programmes if not contained at a sustainable level.

The County should implement the following recommendations in order to improve budget execution;

1. *All Funds Administrators should provide quarterly financial reports on County established Funds in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
3. *The County should establish the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.*
4. *The County Public Service Board should come up with strategies to contain the wage at a sustainable level.*

## 3.2 Bomet County

### 3.2.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.37 billion, comprising of Kshs.4.40 billion (60 per cent) and Kshs.2.97 billion (40 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.93 billion (81 per cent) as equitable share of revenue raised nationally, Kshs.895.09 million (11.7 per cent) as total conditional grants, generate Kshs.210.22 million (2.9 per cent) from own revenue sources, and Kshs.329.89 million (4.5 per cent) cash balance from FY 2017/18.

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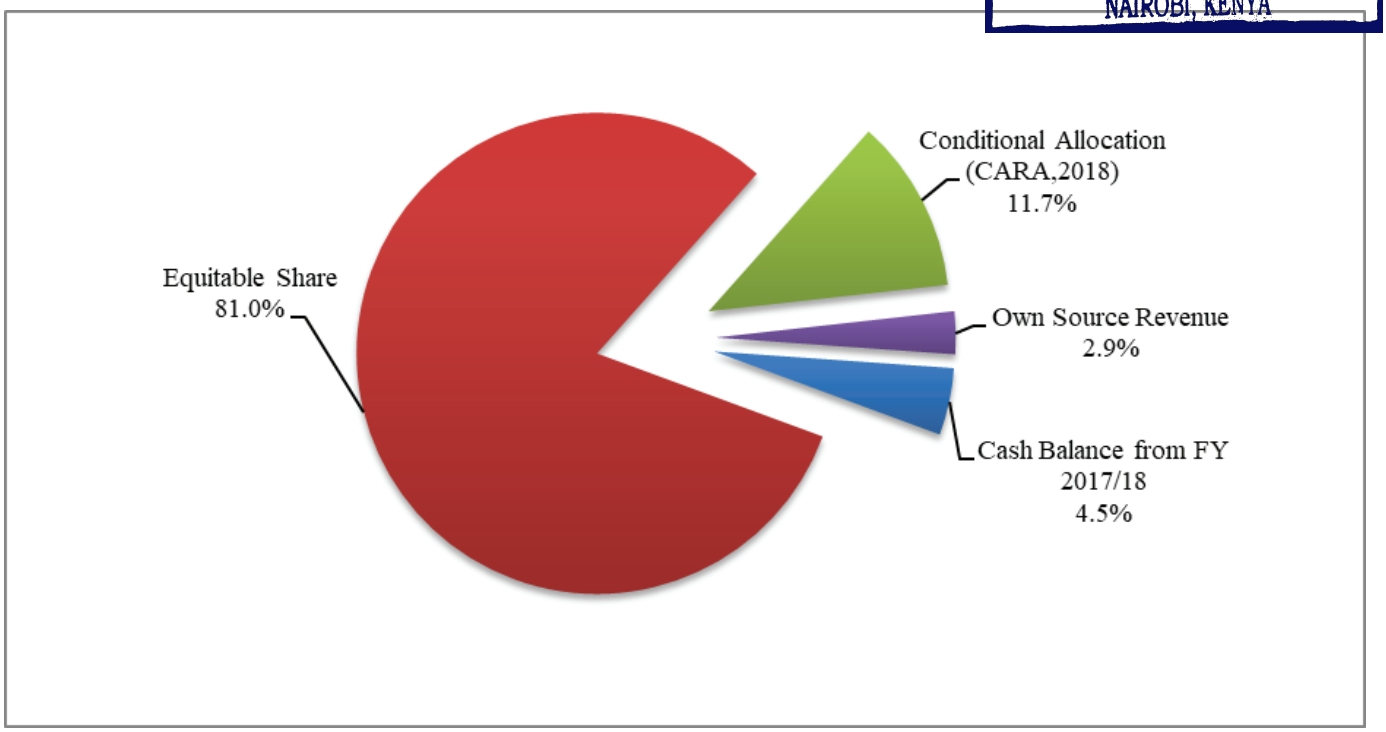
**Figure 3.5: Bomet County Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Bomet County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.86.41 million (6.5 per cent) to support the Transformation of Health Systems for Universal Care Project, Kshs.117 million (8.8 per cent) from IDA (World Bank) towards Kenya Climate Smart Agriculture Project, credit of Kshs.44.89 million (3.4 per cent) from (World Bank) to support Kenya Devolution Support Programme "Level 1 Grant", credit of Kshs.208.33 million (15.7 per cent) from (World Bank ) for Kenya Urban Support Project, Kshs.17.62 million (1.3 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.16.71 million (1.3 per cent) from the National government as Compensation for User Fees Foregone, Kshs.200 million (15 per cent) for Leasing of Medical Equipment, Kshs.156.25 million (11.7 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.47.88 million (3.6 per cent) for Rehabilitation of Village Polytechnics,

The County did not budget for Kshs.41.2 million from IDA (World Bank) Kenya Urban Support Project (KUSP) and Kshs.20.49 million from Swedish Agricultural Sector Development Support programme (ASDSP).

### 3.2.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.05 billion as equitable share of revenue raised nationally, Kshs.211.99 million as conditional grants, raised Kshs.65.88 million from own source revenue, and had a cash balance of Kshs.1.07 billion from FY 2017/18. The total available funds amounted to Kshs.3.4 billion. Figure 3.6 Provides the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

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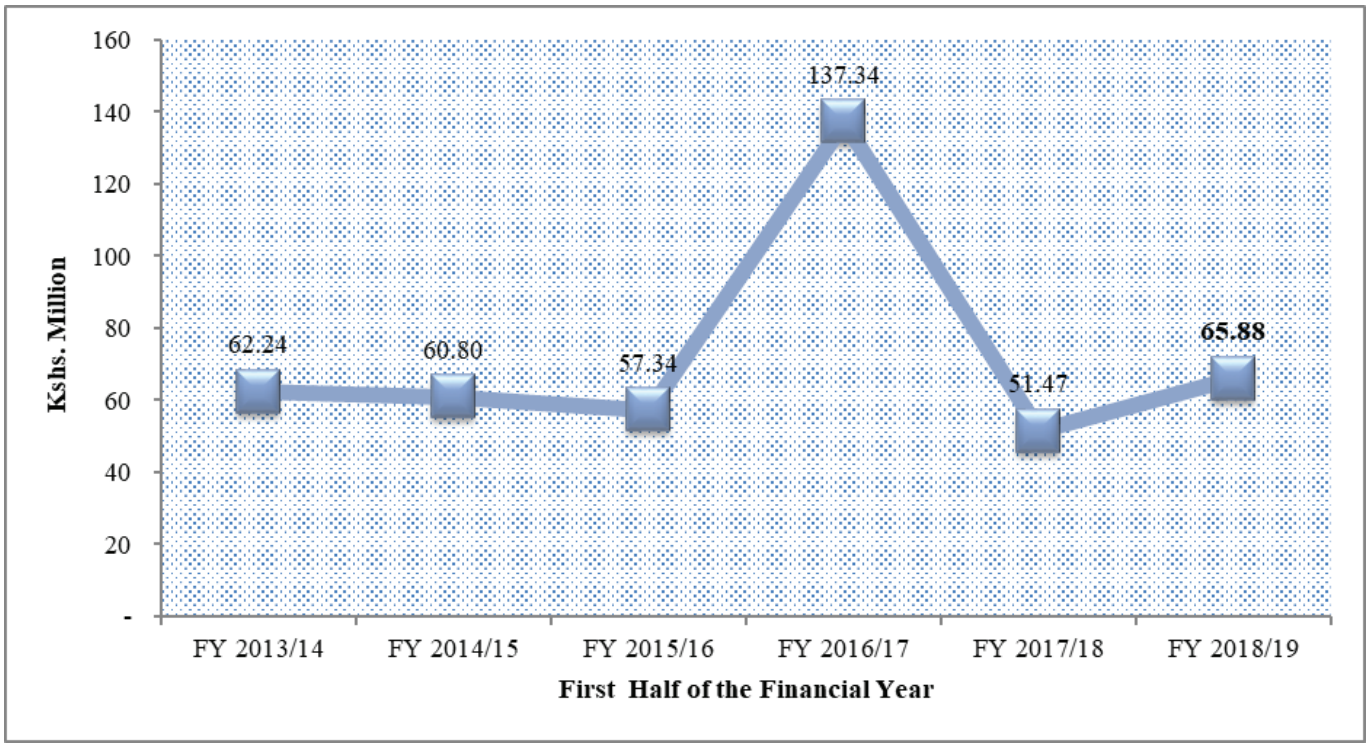
**Figure 3.6: Bomet County, Trend in Own Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Bomet County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs. 65.88 million as own-source revenue, representing an increase of 28 per cent compared to Kshs.51.47 million generated in the first half of FY 2017/18, and represented 31.4 per cent of the annual target.

### 3.2.3 Conditional Grants

The County received Kshs.211.99 million as conditional grants as shown in Table 3.4 .

**Table 3.4: Bomet County, Conditional Grants Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Kenya Urban Support Project (KUSP)- IDA (World Bank) | 41,200,000 | - | - | - |
| 2 | Compensation for User Fee Foregone-National Government | 16,713,356 | 16,713,356 | - | - |
| 3 | Leasing of Medical Equipment-National Government | 200,000,000 | 200,000,000 | - | - |
| 4 | Road Maintenance Fuel Levy-National Government | 156,252,849 | 156,252,849 | - | - |
| 5 | Rehabilitation of Village Polytechnics-National Government | 47875000 | 47,875,000 | - | - |
| 6 | Transforming Health Systems for Universal Care Project-IDA (World Bank) | 86,405,581 | 86,405,581 | 7,809,340 | 9 |
| 7 | Kenya Climate Smart Agriculture Project (KCSAP)-World Bank | 117,000,000 | 117,000,000 | 35,841,567 | 30.6 |

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| | Grants Contained in the CARA, 2018 | | | | |
|---|---|---|---|---|---|
| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
| | **Grants Contained in the CARA, 2018** | | | | |
| 9 | Sweden Agricultural Sector Development Support programme (ASDSP) -Sweden | 20,485,395 | - | - | - |
| **Total** | | **916,772,674** | **895,087,279** | **211,985,707** | **23.7** |

***Source:*** *Bomet County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project followed by the grant from Kenya Climate Smart Agriculture project. The receipts accounted for 80.8 per cent and 30.6 per cent of annual allocation respectively.

### 3.2.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.2.99 billion from the CRF account, which was 40.6 per cent of the Approved Budget. This amount represented an increase of 37.8 per cent from Kshs.2.17 million approved in the first half of FY 2017/18. This comprised of Kshs.2.39 billion (80 per cent) for recurrent expenditure and Kshs.600.78 million (20 per cent) for development activities.

### 3.2.5 Overall Expenditure Review

The County spent Kshs.2.47 billion, which was 82.6 per cent of the total funds released for operations. This was an increase of 15.4 per cent from Kshs.2.14 billion spent in the first half of FY 2017/18.

A total of Kshs.1.93 billion was spent on recurrent activities while Kshs.514.33 million was spent on development activities. The recurrent expenditure was 80.8 per cent of the funds released for recurrent activities, while development expenditure was 90.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.42.05 million for development activities and Kshs.84.42 million for recurrent expenditure as at December 31, 2018.

The recurrent expenditure represented 43.9 per cent of the annual recurrent budget, a decrease from 50.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 18.2 per cent, which was an increase from 3.4 per cent attained in the first half of FY 2017/18. Figure 3.6 presents a comparison between the total expenditure in the first half quarter of FY 2018/19 and the first half quarter of FY 2017/18.

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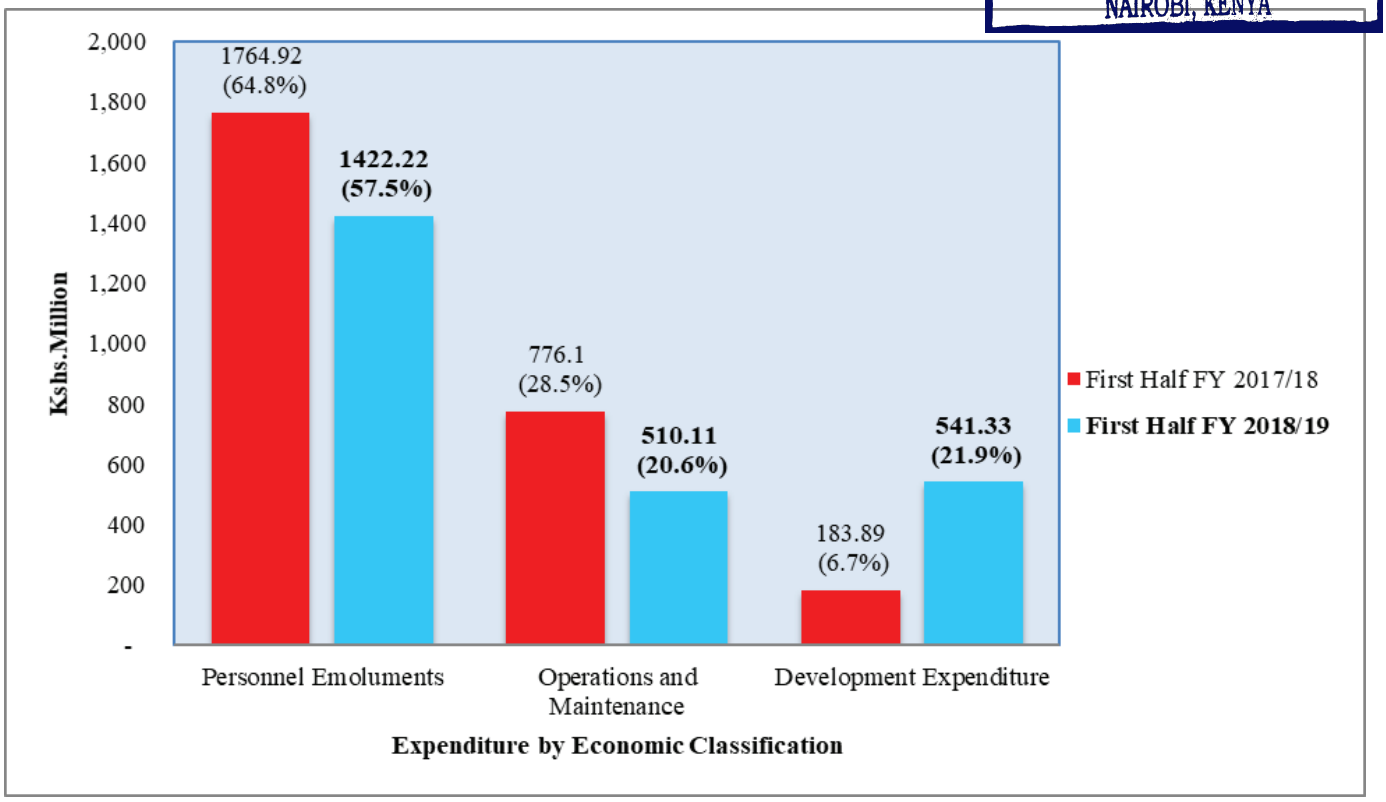
**Figure 3.6: Bomet County, Expenditure by Economic Classification**




***Source:*** *Bomet County Treasury*

### 3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.93 billion comprised of Kshs.1.42 billion (73.6 per cent) incurred on personnel emoluments and Kshs.510.11 million (26.4 per cent) on operations and maintenance as shown in Figure 3.6.

Expenditure on personnel emoluments represented a decrease of 19.4 per cent compared to the first half quarter of FY 2017/18 when the County spent Kshs.1.76 billion, and was 57.5 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.7 shows a summary of operations and maintenance expenditure by major categories.

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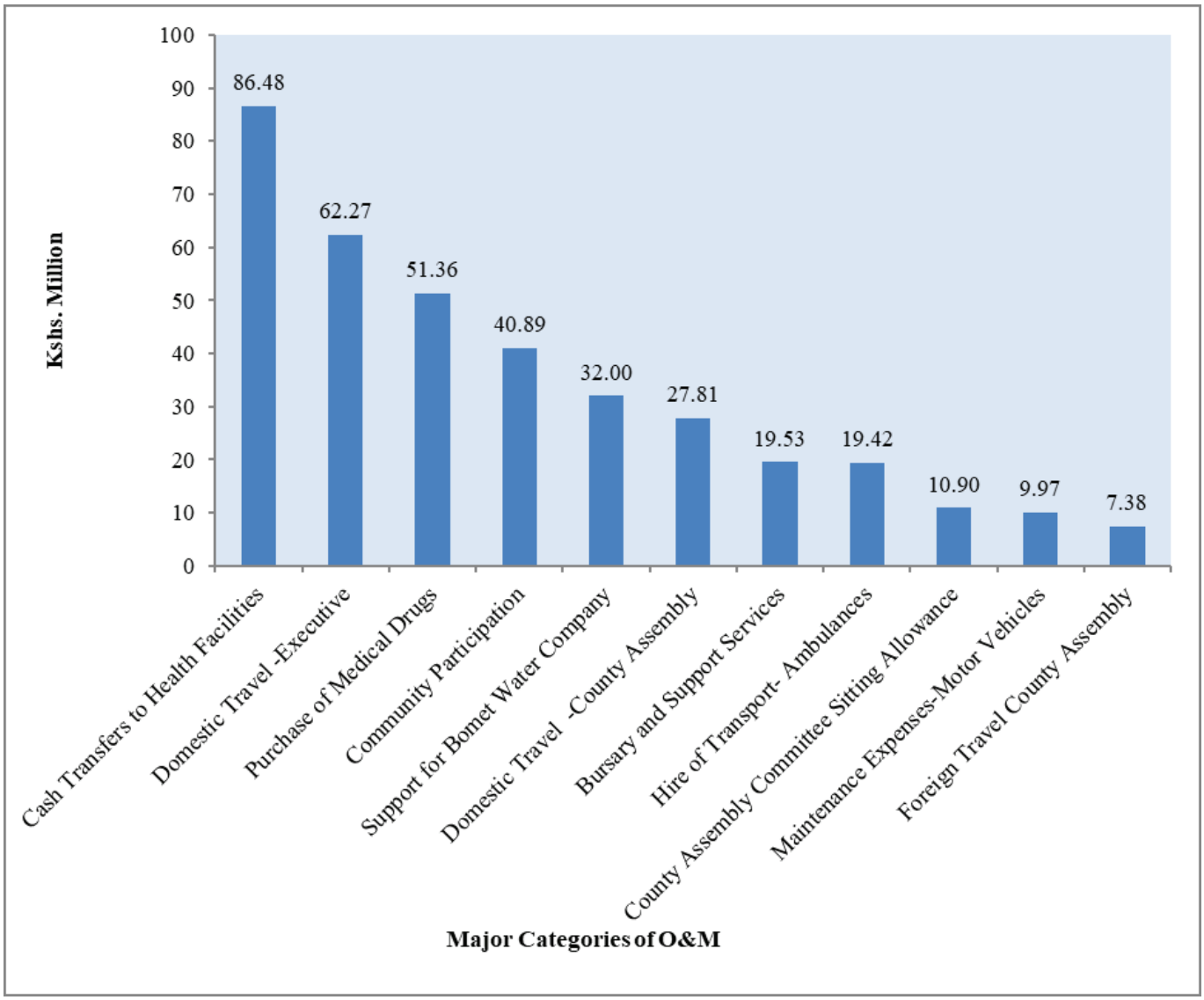
**Figure 3.7: Bomet County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19**




***Source:*** *Bomet County Treasury*

The County spent Kshs.10.90 million on MCAs' committee sitting allowances to the 37 MCAs against the annual budget allocation of Kshs.22.73 million. This was an increase of 291.3 per cent compared to Kshs.2.79 million spent in the first half quarter of FY 2017/18. The average monthly sitting allowance was Kshs.49,100 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.90.08 million and comprised of Kshs.27.81 million spent by the County Assembly and Kshs.62.27 million by the County Executive. This represented 4.7 per cent of total recurrent expenditure and was a decrease of 12.6 per cent compared to Kshs.103.08 million spent in the first half of FY 2017/18.

### 3.2.7 Development Expenditure Analysis

The total development expenditure of Kshs.541.33 million represented 18.2 per cent of the annual development budget of Kshs.2.97 billion. Table 3.5 provides a summary of development projects with the highest expenditure in the first quarter of the financial year.

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## Table 3.5: Bomet County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Roads | Across Wards | 350,074,413 | 105,191,875 | 30 |
| 2 | Development Of Water Supply | Sotik, Chepalungu, Konoin, Bomet East, Bomet Central | 255,361,471 | 32,078,730 | 13 |
| 3 | ECD Infrastructure development | Across Wards | 123,000,000 | 10,601,811 | 9 |
| 4 | Hospital/ Dispensary Development | Bomet Maternity wing, Mulot Dispensary | 68,000,000 | 539,071 | 1 |
| 5 | Purchase of Ambulance(2) | Longisa Hospital | 30,000,000 | 23,200,000 | 77 |
| 6 | Hire of Transport -Ambulances | Headquarters | 30,000,000 | 19,424,690 | 65 |
| 7 | Industrial Development- Jua kali | Kametori, Kipraisi, Nyatembe, Chebelion etc. | 20,000,000 | 1,375,728 | 7 |
| 8 | Construction of Building Veterinary offices | Headquarters | 13,500,000 | 3,712,155 | 27 |
| 9 | Cooperative Societies Developments | Across Wards | 13,500,000 | 3,712,155 | 27 |
| 10 | Development of ICT infrastructure | Merigi, Kiptenden, Embomos, Kapkures | 10,000,000 | 1,597,400 | 16 |

***Source:*** *Bomet County Treasury*

### 3.2.8 Budget and Budget Performance Analysis by Department

Table 3.6 shows a summary of budget estimates and budget performance by department in the first half quarter of FY 2018/19.

## Table 3.6: Bomet County, Budget Performance by Department

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executives | 526.71 | - | 230.94 | - | 201.07 | - | 87.1 | - | 38.2 | - |
| Public Service Board | 59.72 | - | 34.26 | - | 35.24 | - | 102.9 | - | 59.0 | - |
| Administration | 274.88 | 184.97 | 194.01 | 14.07 | 189.17 | - | 97.5 | - | 68.8 | - |
| ICT | 46.20 | - | 24.87 | - | 12.65 | 8.06 | 50.9 | - | 27.4 | - |
| Finance | 280.21 | 10.43 | 175.95 | - | 170.11 | - | 96.7 | - | 60.7 | - |
| Economic Planning | 151.39 | - | 46.00 | - | 36.57 | - | 79.5 | - | 24.2 | - |
| Lands, Public and Environment | 167.49 | 312.73 | 85.09 | 173.93 | 102.24 | 173.89 | 120.2 | 100 | 61 | 55.6 |
| Youth, Sports, Gender and Culture | 161.94 | 91.00 | 46.11 | - | 41.04 | - | 89.0 | - | 25.3 | - |
| Agriculture, Livestock and Cooperatives | 228.08 | 304.40 | 659.69 | 12.82 | 86.24 | 12.40 | 13.1 | 96.7 | 37.8 | 4.1 |
| Education and Vocational Trainings | 464.26 | 153.99 | 118.24 | 13.85 | 292.71 | 10.60 | 247.6 | 76.5 | 63 | 6.9 |
| Trade, Energy, Tourism and Industry | 68.18 | 208.71 | 88.32 | 9.61 | 13.95 | 7.77 | 15.8 | 80.9 | 20.5 | 3.7 |

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| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Medical Services and Public Health | 1,077.59 | 386.76 | 84.66 | 46.75 | 500.44 | 45.45 | 591.1 | 97.2 | 46.4 | 11.8 |
| Roads, Transport and Public Works | 171.33 | 656.33 | 30.83 | 270.88 | 56.95 | 249.27 | 184.7 | 92.0 | 33.2 | 38.0 |
| County Assembly | 593.55 | 300 | 302 | - | 142.17 | 1.68 | 47.1 | - | 24.0 | 0.6 |
| **Total** | **4,399.93** | **2,969.87** | **2,391.39** | **600.78** | **1,932.33** | **541.33** | **80.8** | **90.1** | **43.9** | **18.2** |

***Source:*** *Bomet County Treasury*

Analysis of budget performance by department shows that, the Department of Lands, Public and Environment attained the highest absorption rate of development budget at 55.6 per cent. The Department of Administration recorded the highest percentage of recurrent expenditure to recurrent budget at 68.8 per cent while the Department of Trade and energy had the lowest at 20.5 per cent.

### 3.2.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. The County has embraced the use of IFMIS in processing financial transactions.
ii. Establishment of an Internal Audit Committee in compliance to Section 155 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
2. Failure by Fund Administrators to submit expenditure reports on the established County Funds contrary to Section 168 of the PFM Act, 2012.
3. The County experienced challenges with IFMIS as a result of down times and poor internet connectivity. This delayed payments to suppliers.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2018.*
2. *The County Executive Committee Member for Finance (CECM-F) should designate substantive Administrators for all established County Funds and ensure quarterly reports are prepared and submitted in line with Section 116 of the PFM Act, 2012.*
3. *The County Treasury should liaise with the IFMIS directorate to address the poor internet connectivity and system down times to enhance efficiency in processing financial transactions.*

## 3.3 Bungoma County

### 3.3.1 Overview of the FY 2018/19 Budget

The County's Approved supplementary Budget for FY 2018/19 is Kshs.13.01 billion, comprising of Kshs.8.05 billion (61.9 per cent) and Kshs.4.96 billion (38.1 per cent) allocation for recurrent and development expenditure respectively.

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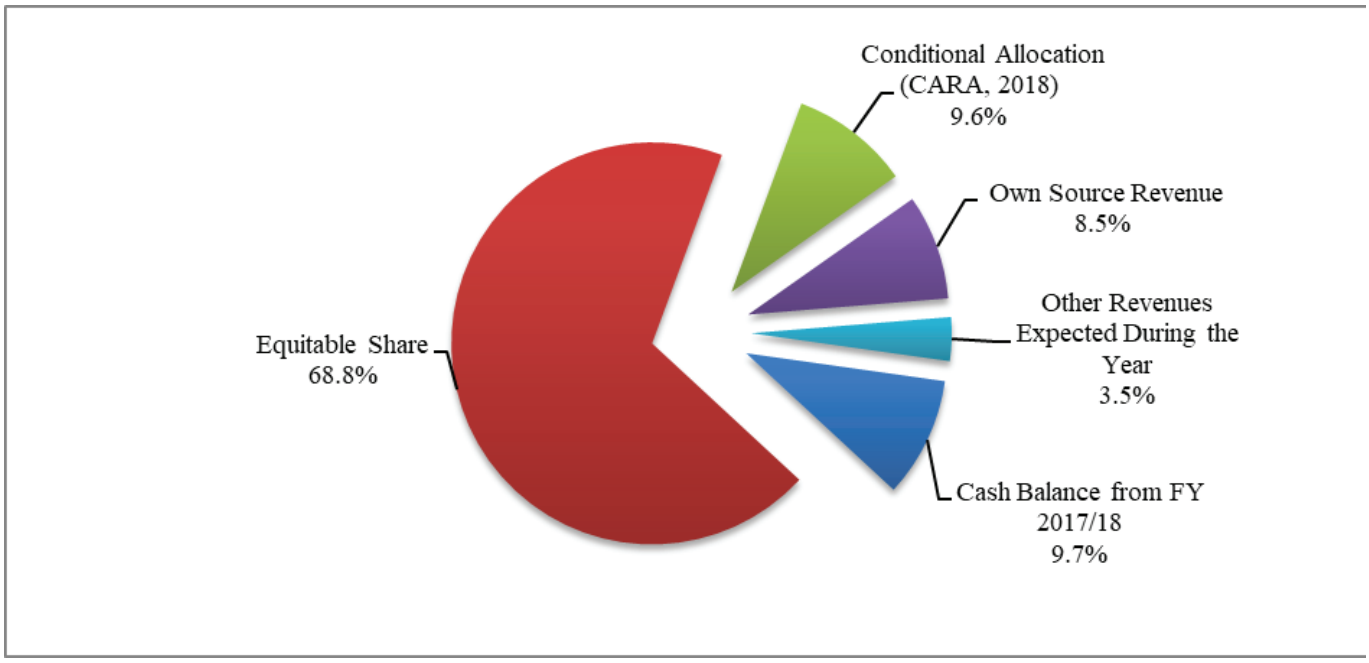
To finance the budget, the County expects to receive Kshs.8.95 billion (68.8 per cent) as equitable share of revenue raised nationally, Kshs.1.25 billion (9.6 per cent) as total conditional grants, generate Kshs.1.10 billion (8.5 per cent) from own source revenue, Kshs.1.26 billion (9.7 per cent) cash balance from FY 2017/18 and Kshs.456.52 million (3.5 per cent) as other revenues expected during the year.

**Figure 3.8: Bungoma County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Bungoma County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (8.6 per cent) for Transforming Healthcare Systems for Universal Care Project, loan of Kshs.140.44 million (12.1 per cent) from IDA (World Bank) for National Agricultural and Rural Inclusive Growth Project, Kshs.58.33 million (5.0 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.300.98 million (25.9 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.29.36 million (2.5 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.32.84 million (2.8 per cent) Compensation for User Fees Foregone, Kshs.200 million (17.2 per cent) for Leasing of Medical Equipment, Kshs.235.62 million (20.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.65.50 million (5.6 per cent) for Rehabilitation of Village Polytechnics, Kshs.80.00 million (6.1 per cent) grant from EU for Water Tower Protection and Climate Change Mitigation and Adaption Programme, Kshs.22.40 million (1.7 per cent) Agricultural Sector Development Support Programme (ASDSP) and grant for Kshs.41.20 million (3.2 per cent) to finance Kenya Urban Support Project (KUSP).

The County also budgeted to receive Kshs.41.12 million grant for Agriculture, Livestock, Fisheries and co-op development (NARGP) programme, Kshs.76.28 million grant for Development of Youth Polytechnics, Kshs.239.13 million grant for Roads and Public Works: RMLF, and Kshs.99.99 million as grant for Sirisia Hospital grant.

### 3.3.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.12 billion as equitable share of revenue raised nationally, Kshs.388.47 million as total conditional grants, raised Kshs.388.62 million from own source revenue, and had a cash balance of Kshs.1.26 billion from FY 2017/18. The total available funds amounted to Kshs.5.15 billion.

Figure 3.9 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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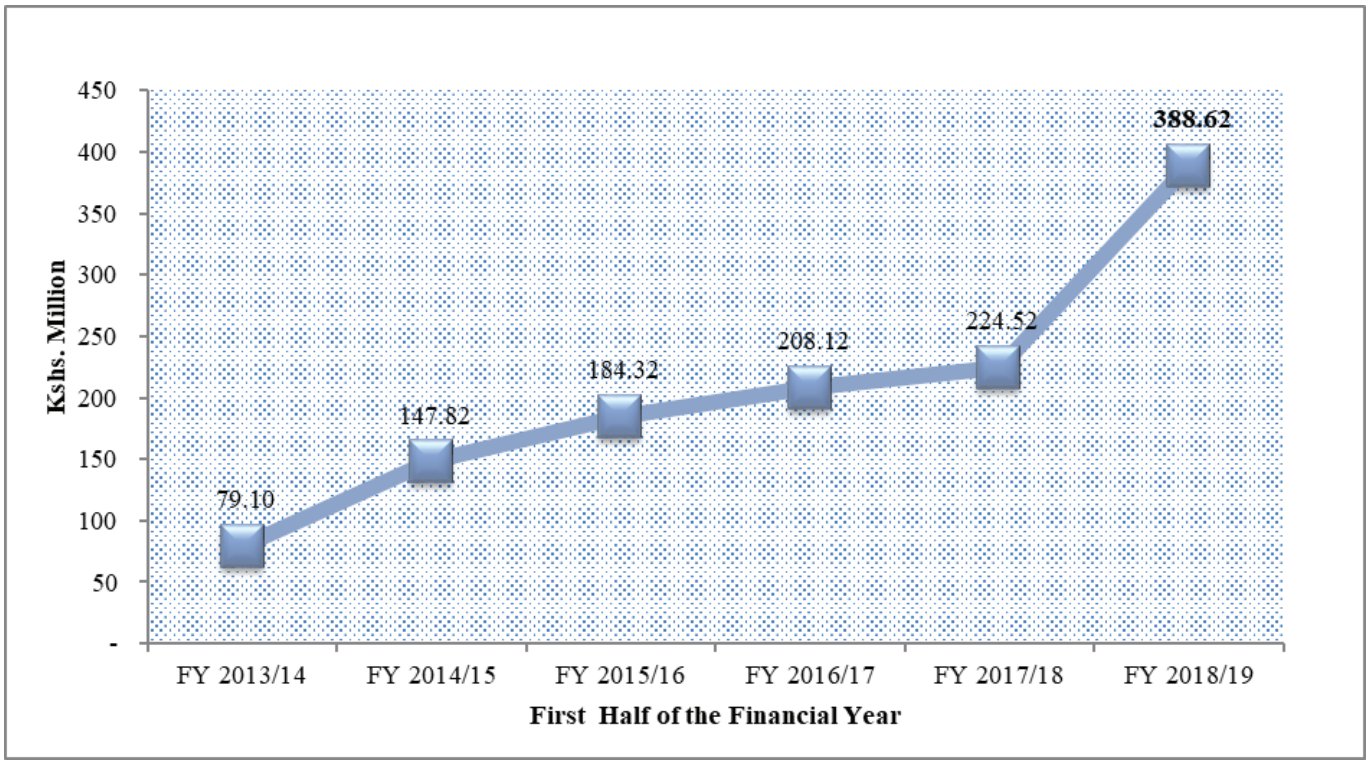
**Figure 3.9: Bungoma County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source:*** *Bungoma County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.388.62 million as own-source revenue. The own-source revenue collected during the period represented an increase of 73.1 per cent compared to Kshs.224.52 million realised during the same period of the FY 2017/18 and represented 35.3 per cent of the annual target.

### 3.3.3 Conditional Grants

The County received Kshs.388.47 million as conditional grants as shown in Table 3.7 .

**Table 3.7: Bungoma County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Road Maintenance Fuel Levy-National Government | 235,619,376 | 235,619,376 | 54,658,605 | 23.2 |
| 2 | Leasing of Medical Equipment-National Government | 200,000,000 | 200,000,000 | - | - |
| 3 | National Agricultural and Rural Inclusive Growth Project -(World Bank) | 140,435,163 | 140,435,163 | 5,737,704 | 4.1 |
| 4 | Transforming Healthcare Systems for Universal Care Project-World Bank | 100,000,000 | 115,388,909 | 27,098,735 | 27.1 |
| 5 | Kenya Urban Support Project-World Bank | 300,977,100 | 340,977,100 | 300,977,100 | 100.0 |
| 6 | Rehabilitation of Village Polytechnics | 65,500,000 | 65,500,000 | - | - |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant"-World Bank | 58,329,310 | 74,742,377 | - | - |

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| S/No | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as a Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 9 | Universal Healthcare to Devolved System Programme- DANIDA | 29,362,500 | 41,551,298 | - | - |
| | **Sub Total** | **1,163,060,756** | **1,247,051,530** | **388,472,144** | **33.4** |
| B | **Other Grants** | | | | |
| 10 | Agriculture, Livestock, Fisheries and Co-op Development (NARGP) | - | 41,115,415 | - | - |
| 11 | Development of youth polytechnics | - | 76,276,635 | - | - |
| 12 | Sirisia Hospital grant | - | 99,999,945 | - | - |
| 13 | Roads and Public works: RMLF | - | 239,129,429 | - | - |
| | **Sub Total** | **-** | **456,521,424** | **-** | **-** |
| **Total** | | **1,163,060,756** | **1,703,572,954** | **388,472,144** | **33.4** |

***Source:*** *Bungoma County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project. The receipt accounted for 100 per cent per cent of annual allocation respectively.

### 3.3.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.81 billion from the CRF account. The withdrawals represented 29.3 per cent of the Approved Budget and translates to an increase of 69.5 per cent from Kshs.2.25 billion approved in the first half of FY 2017/18 and comprised of Kshs.3.38 billion (88.7 per cent) to fund recurrent expenditure and Kshs.429.05 million (11.3 per cent) for development activities.

### 3.3.5 Overall Expenditure Review

The County government spent a total of Kshs.4.28 billion on recurrent and development activities. The total expenditure represented 112.5 per cent of the total funds released from the CRF account and was an increase of 46.4 per cent from Kshs.2.93 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.352.01 million for development activities and Kshs.170.08 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.77 million while Kshs.514.32 million was spent on development activities. The recurrent expenditure was 111.5 per cent of the funds released for recurrent activities, while development expenditure was 119.9 per cent of funds released for development activities.

The recurrent expenditure represented 46.8 per cent of the annual recurrent budget, an increase from 34.8 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 10.4 per cent, which was an increase from 9 per cent attained in the first half of FY 2017/18.Figure 3.10 presents a comparison between the total expenditure in the first half of FY 2018/19 and first half of the FY 2017/18.

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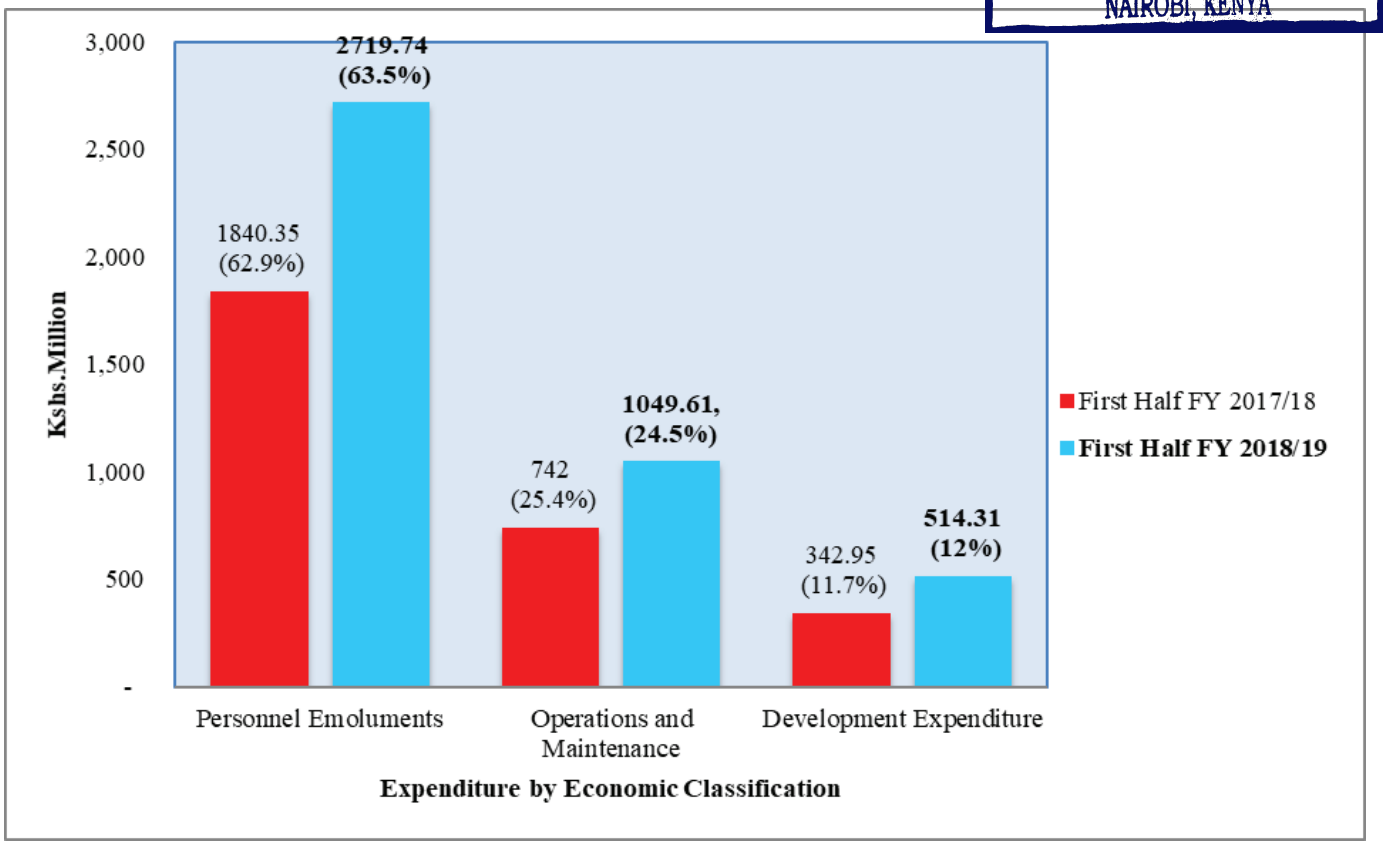
**Figure 3.10: Bungoma County, Expenditure by Economic Classification**




***Source:*** *Bungoma County Treasury*

### 3.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.77 billion comprised of Kshs.2.72 billion (72.2 per cent) incurred on personnel emoluments and Kshs.1.05 billion (27.8 per cent) on operations and maintenance as shown in Figure 3.10.

Expenditure on personnel emoluments represented an increase of 47.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.84 billion, and was 63.5 per cent of total expenditure in the first half of FY 2018/19. Figure 3.11 shows a summary of operations and maintenance expenditure by major categories.

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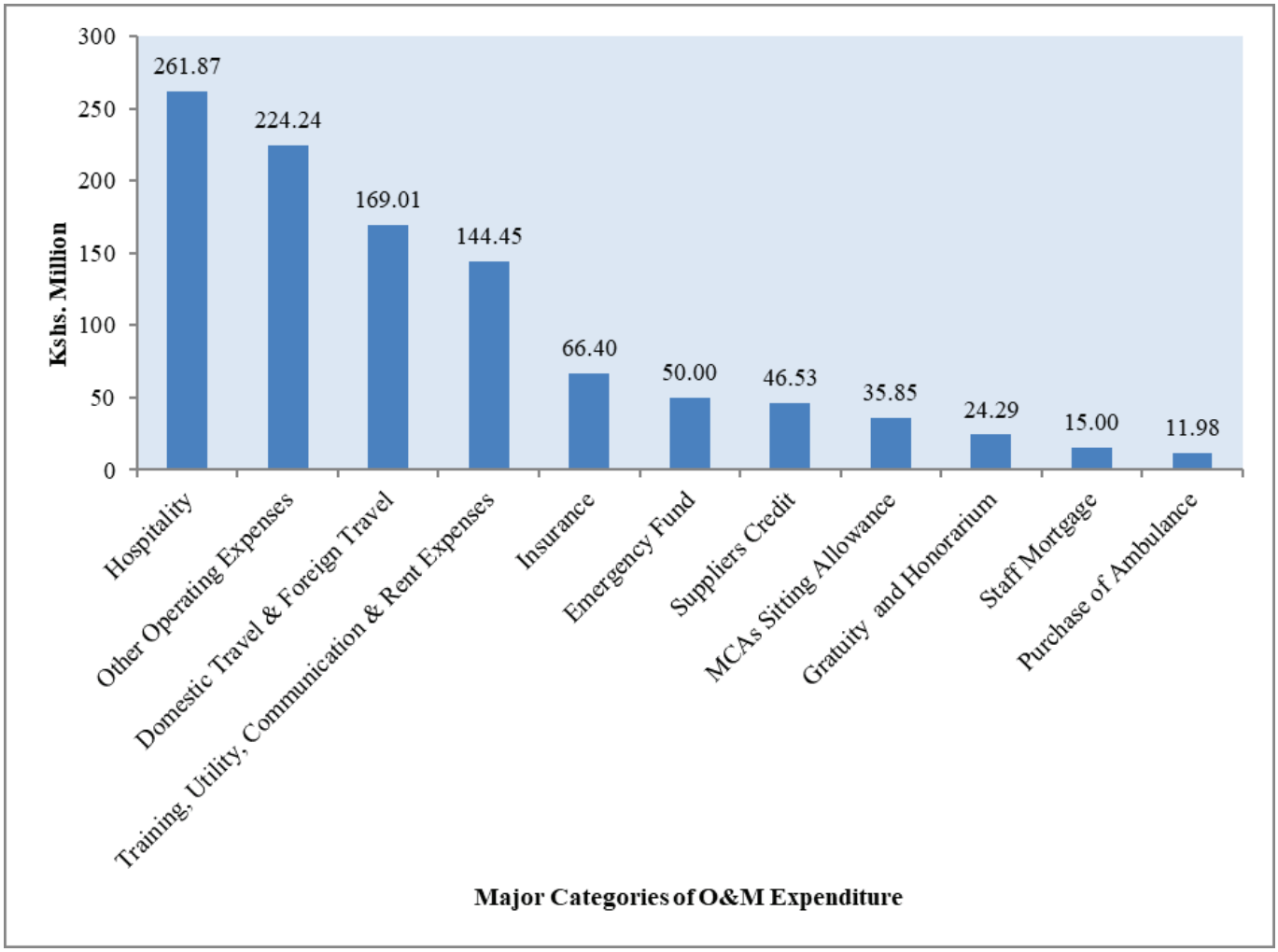
**Figure 3.11: Bungoma County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Bungoma County Treasury*

The County spent Kshs.35.85 million to cater for the committee sitting allowances for the 61 MCAs against the annual budget allocation of Kshs.113.69 million. This represented an increase of 26.3 per cent compared to Kshs.28.37 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.97, 945 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.157.61 million and comprised of Kshs.14.16 million spent by the County Assembly and Kshs.143.45 million spent by the County Executive, and represented 4.2 per cent of total recurrent expenditure.

### 3.3.7 Development Expenditure

The total development expenditure of Kshs.514.32 million represented 10.4 per cent of the annual development budget of Kshs.4.96 billion. Table 3.8 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.8: Bungoma County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Routine Maintenance of Roads | County wide | 474,748,805 | 164,060,902 | 35 |
| 2 | Construction of casualty department, parking Bay and walk ways at Bungoma County | Bungoma County Referral Hospital | 49,030,810 | 49,030,810 | 100 |
| 3 | Conditional Grants for VTCS | County wide | 76,176,625 | 26,665,000 | 35 |
| 4 | Construction of Perimeter wall fence | Bungoma County Referral Hospital | 32,463,132 | 32,463,132 | 100 |
| 5 | Construction of storm water drainage in Bungoma town | Bungoma Town | 37,257,250 | 12,737,530 | 34 |
| 6 | Distribution of ECDE books | Kanduyi | 6,256,500 | 6,256,500 | 100 |
| 7 | Drainage services | County wide | 11,000,000 | 990,000 | 9 |

***Source:*** *Bungoma County Treasury*

### 3.3.8 Budget Performance by County Department

Table 3.9 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.9: Bungoma County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, Fisheries and Co-operative Development | 461.50 | 574.63 | 188.84 | 8.55 | 151.35 | 14.29 | 80.2 | 167.1 | 32.8 | 2.5 |
| Tourism, Forestry, Environment, Water and Natural Resources | 164.16 | 505.42 | 92.21 | 28.68 | 88.03 | 21.27 | 95.5 | 74.2 | 53.6 | 4.2 |
| Roads and Public Works | 187.36 | 1,678.94 | 93.84 | 194.31 | 79.90 | 357.37 | 85.1 | 183.9 | 42.6 | 21.3 |
| Education | 1,048.13 | 491.56 | 453.11 | 87.08 | 463.98 | 32.92 | 102.4 | 37.8 | 44.3 | 6.7 |
| Health and Sanitation | 2,986.83 | 378.21 | 1,060.90 | 2.33 | 1,513.84 | 1.21 | 142.7 | 51.8 | 50.7 | 0.3 |
| Trade, Energy and Industrialization | 49.31 | 252.17 | 18.42 | 14.37 | 16.88 | 14.66 | 91.6 | 102.0 | 34.2 | 5.8 |
| Land, Urban and Physical Planning | 126.87 | 510.70 | 31.83 | 2.71 | 27.49 | 15.31 | 86.4 | 564.5 | 21.7 | 3 |
| Gender and Culture | 121.64 | 173.54 | 58.35 | - | 64.06 | - | 109.8 | - | 52.7 | - |
| Finance and Planning | 969.62 | 27.39 | 484.37 | 20.35 | 492.68 | 20.35 | 101.7 | 100 | 50.8 | 74.3 |
| County Public Service | 49.57 | | 26.42 | - | 23.60 | - | 89.3 | - | 47.6 | - |
| Governors & D/ Governor's Office | 442.42 | - | 204.70 | - | 208.77 | - | 102 | - | 47.2 | - |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Public Administration& County Secretary | 543.01 | 79.32 | 199.35 | 1.59 | 159.26 | 2.01 | 79.9 | 126.4 | 29.3 | 2.5 |
| Housing | 26.28 | 28.45 | 8.82 | 12.74 | 8.36 | - | 94.8 | - | 31.8 | - |
| County Assembly | 874.98 | 256.51 | 458.87 | 56.33 | 471.14 | 34.92 | 102.7 | 62.0 | 53.8 | 13.6 |
| **TOTAL** | **8,051.67** | **4,956.84** | **3,380.02** | **429.05** | **3,769.35** | **514.31** | **111.5** | **119.9** | **46.8** | **10.4** |

***Source:*** *Bungoma County Treasury*

Analysis of expenditure by department shows the Department of Finance and Planning recorded the highest absorption rate of development budget at 74.3 per cent while the Department of Gender and Culture and the Department of Housing did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 53.8 per cent while the Department of Land, Urban and Physical Planning had the lowest at 21.7 per cent.

### 3.3.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the collection of own-source revenue from Kshs.224.52 million in the first half of FY 2017/18 to Kshs.388.62 million in the reporting period.
ii. Timely submission of quarterly reports by the County Government in line with Section 166 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. A high wage bill that increased by 47.8 per cent from Kshs.1.84 billion in the first half of FY 2017/18 to Kshs.2.72 billion in the period under review.
2. Slow implementation of development activities during the first half of FY 2018/19. The County spent Kshs.500.02 million, which represented 10.4 per cent of the annual development budget of Kshs.4.96 billion against the expected absorption rate of 50 per cent.
3. Delay by Fund Administrators to submit expenditure reports on the established County Funds which included reports for Bursary Fund, Women Empowerment Fund, Youth Empowerment Fund and People with Disability Fund. This is contrary to Section 168 of the PFM Act, 2012.
4. The County Government reported gross expenditure of Kshs.4.28 billion, which was above the approved exchequer issues of Kshs.3.81 billion. This is an indication that the County may be spending own-source revenue at source in contravention of Section 109 of the PFM Act, 2012.
5. Large outstanding imprest to staff during the reporting period. The County staff had outstanding imprest amounting to Kshs 204.02 million as of 31st December, 2018.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
2. *The County should identify and address issues that cause delays in the implementation of development projects.*
3. *The Fund Administrator should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

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4. *The County should ensure adherence with Section 109 of the PFM Act, 2012 on banking all revenue receipts intact into the CRF account.*
5. *The County Treasury should ensure strict adherence to financial regulations on management of imprest staff.*

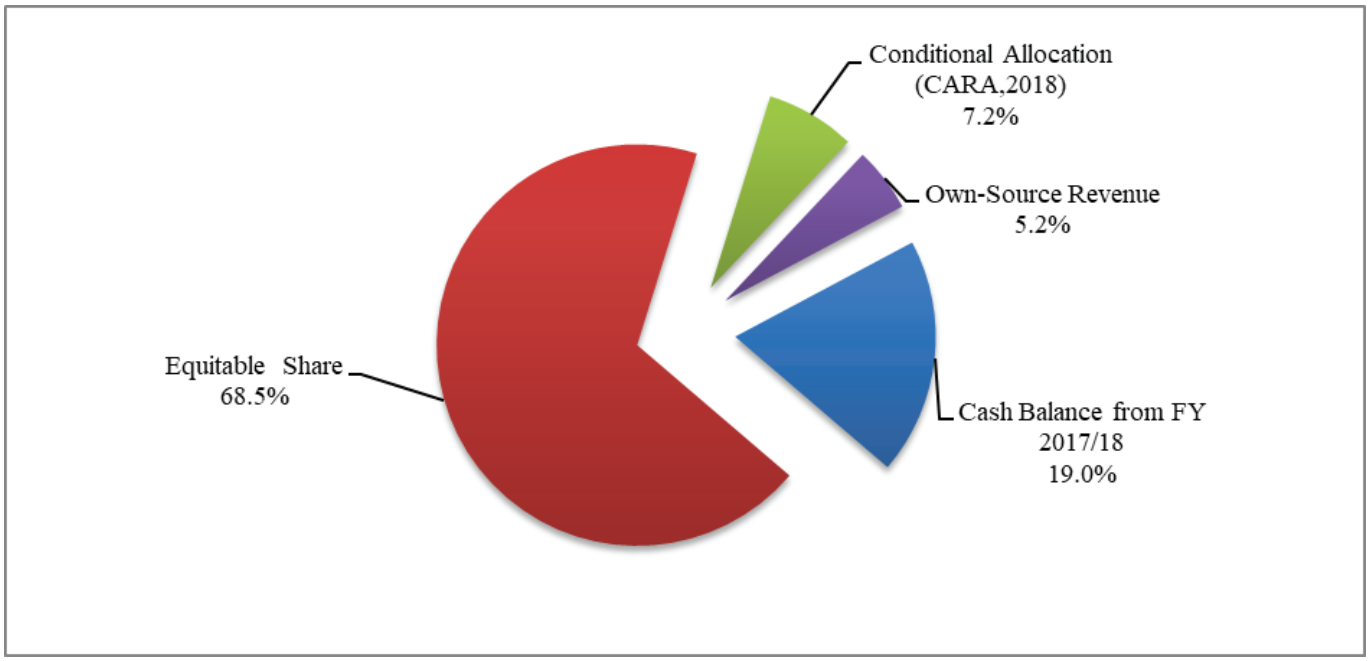
## 3.4 Busia County

### 3.4.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.70 billion, comprising of Kshs.5.11 billion (58.7 per cent) and Kshs.3.60 billion (41.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.97 billion (68.5 per cent) as equitable share of revenue raised nationally, Kshs.627.6 million (7.2 per cent) as total conditional grants, generate Kshs.452.52 million (5.2 per cent) from own sources, and Kshs.1.66 billion (19 per cent) cash balance from FY 2017/18.

**Figure 3.12: Busia County Sources of Budget Financing in FY 2018/19**




***Source**: Busia County Treasury*

The conditional grants/loans contained in the CARA, 2018 consist of; Kshs.86.62 million (9 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (12.1 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.47.39 million (4.9 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.101.07 million (10.5 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.19.54 million (2 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.16.93 million (1.8 per cent) as Compensation for User Fees Foregone, Kshs.200 million (20.8 per cent) for Leasing of Medical Equipment, Kshs.157.62 million (16.4 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.61.96 million (6.4 per cent) for Rehabilitation of Village Polytechnics.

In addition, the County budgeted to receive Kshs.20 million as grant from Kenya Urban Institutional Grant Programme.

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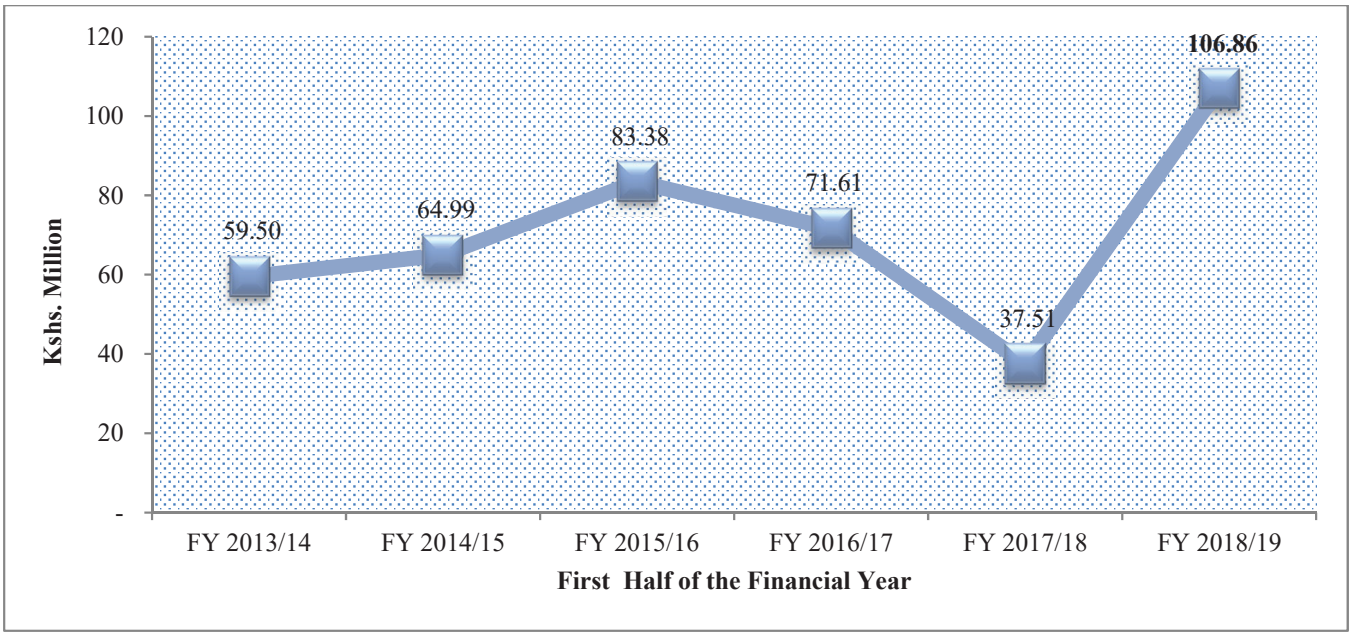
### 3.4.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.71 billion as equitable share of revenue raised nationally, Kshs.150.22 million as total conditional grants, raised Kshs.106.86 million from own-source revenue, and had a cash balance of Kshs.1.66 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.76 billion.

Figure 3.13 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.13: Busia County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Busia County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.106.86 million from own-source revenue. This amount was an increase of 158.4 per cent when compared to Kshs.37.5 million realised during the same period of FY 2017/18 and represented 23.6 per cent of the annual target.

### 3.4.3 Conditional Grants

The County received Kshs.150.05 million as conditional grants as shown in Table 3.10.

**Table 3.10: Busia County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| | A Grants Contained in the CARA, 2018 | | | | |
| 1 | Compensation for User Fee Foregone-National Government | 16,934,085 | 16,934,085 | - | - |
| 2 | Leasing of Medical Equipment-National Government | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy Fund-National Government | 157,619,376 | 157,079,584 | - | - |
| 4 | Rehabilitation of Village Polytechnics-National Government | 61,960,000 | 61,960,000 | - | - |

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| S/No | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| | **A Grants Contained in the CARA, 2018** | | | | |
| 5 | Transforming Health Systems for Universal Care Project- World Bank | 86,622,298 | 86,622,298 | 7,835,659 | 9 |
| 6 | Kenya Climate Smart Agriculture Project (KCSAP)-World Bank | 117,000,000 | 117,000,000 | 41,146,884 | 35.2 |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant"-World Bank | 47,393,422 | 47,393,422 | - | - |
| 8 | Kenya Urban Support Project (KUSP)-World Bank | 101,071,500 | 101,071,500 | 101,071,500 | 100 |
| 9 | Universal Healthcare in Devolved System Programme- DANIDA | 19,541,250 | 19,541,250 | - | - |
| **Sub Total** | | **808,141,931** | **607,602,139** | **150,054,043** | **24.7** |
| B | **Other Grants** | | | | |
| 10 | Kenya Urban Institutional Grant Programme. | - | 20,000,000 | - | - |
| 11 | Loans and Grants | 155,229,716 | - | - | - |
| **Total** | | **963,371,647** | **627,602,139** | **150,054,043** | **23.9** |

***Source:*** *Busia County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project which accounted for 100 per cent of annual allocation.

### 3.4.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.71 billion from the CRF account. The withdrawals represented 31.1 per cent of the Approved Supplementary Budget and translate to an increase of 23.9 per cent from Kshs.2.19 billion approved in the first half of FY 2017/18. This withdrawal comprised of Kshs.2.04 billion (75.1 per cent) to fund recurrent expenditure and Kshs.674.62 million (24.9 per cent) for development activities.

### 3.4.5 Overall Expenditure Review

The County government spent a total of Kshs.2.40 billion on both recurrent and development activities. This expenditure represented 88.5 per cent of the total funds released from the CRF account and was an increase of 20.7 per cent from Kshs.1.99 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.424.23 million for development activities and Kshs.359.17 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.02 billion while that on development activities was Kshs.374.96 million. The recurrent expenditure was 99.4 per cent of the funds released for recurrent activities, while development expenditure was 55.6 per cent of funds released for development activities.

The recurrent expenditure represented 39.6 per cent of the annual recurrent budget an increase from 35.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 10.4 per cent, which was a decrease from 10.8 per cent attained in the first half of FY 2017/18. Figure 3.14 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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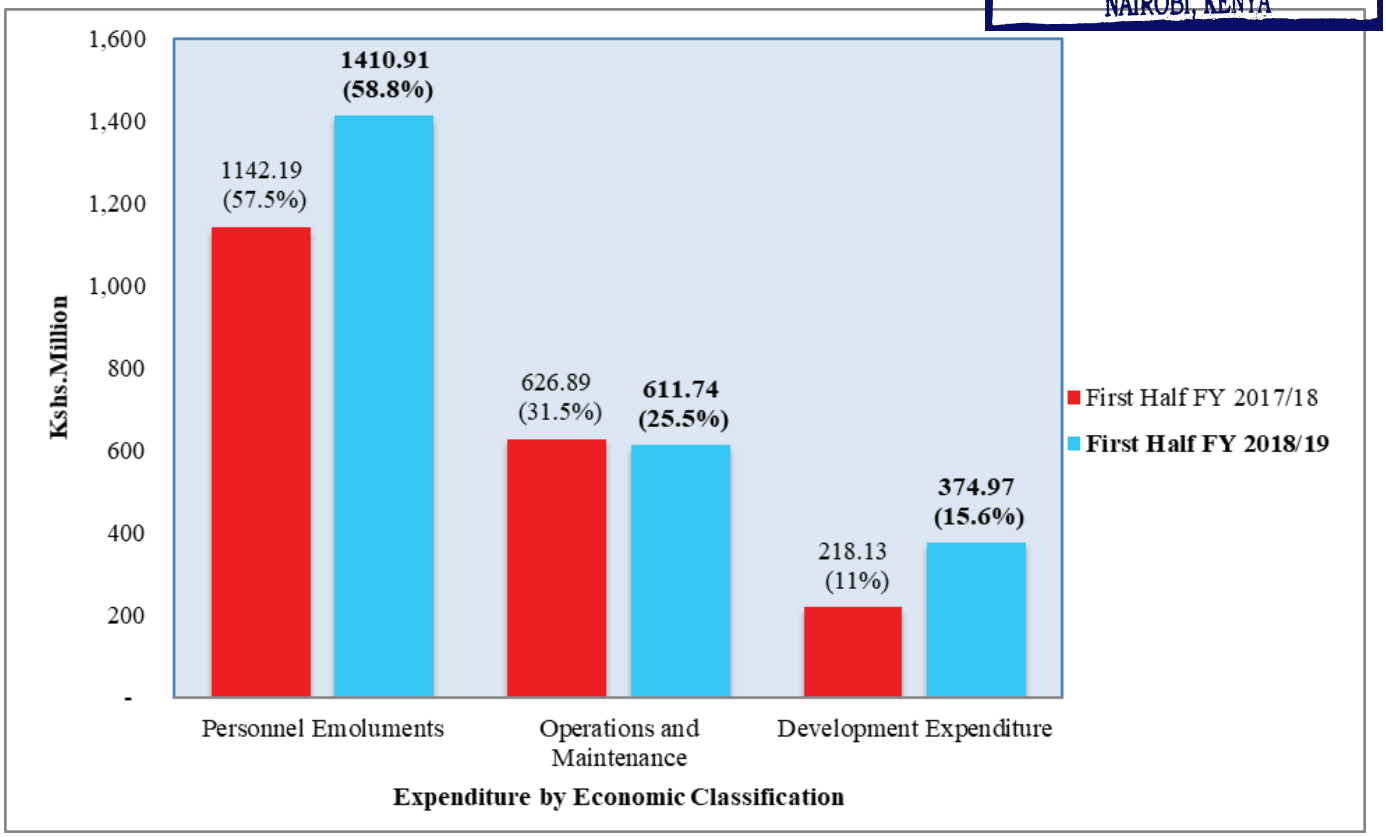
**Figure 3.14: Busia County, Expenditure by Economic Classification**




***Source:*** *Busia County Treasury*

### 3.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.02 billion comprised of Kshs.1.41 billion (69.8 per cent) incurred on personnel emoluments and Kshs.611.74 million (30.2 per cent) on operations and maintenance as shown in Figure 3.14.

Expenditure on personnel emoluments represented an increase of 2.5 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.14 billion, and was 58.8 per cent of total expenditure for the period. Figure 3.15 shows a summary of operations and maintenance expenditure by major categories.

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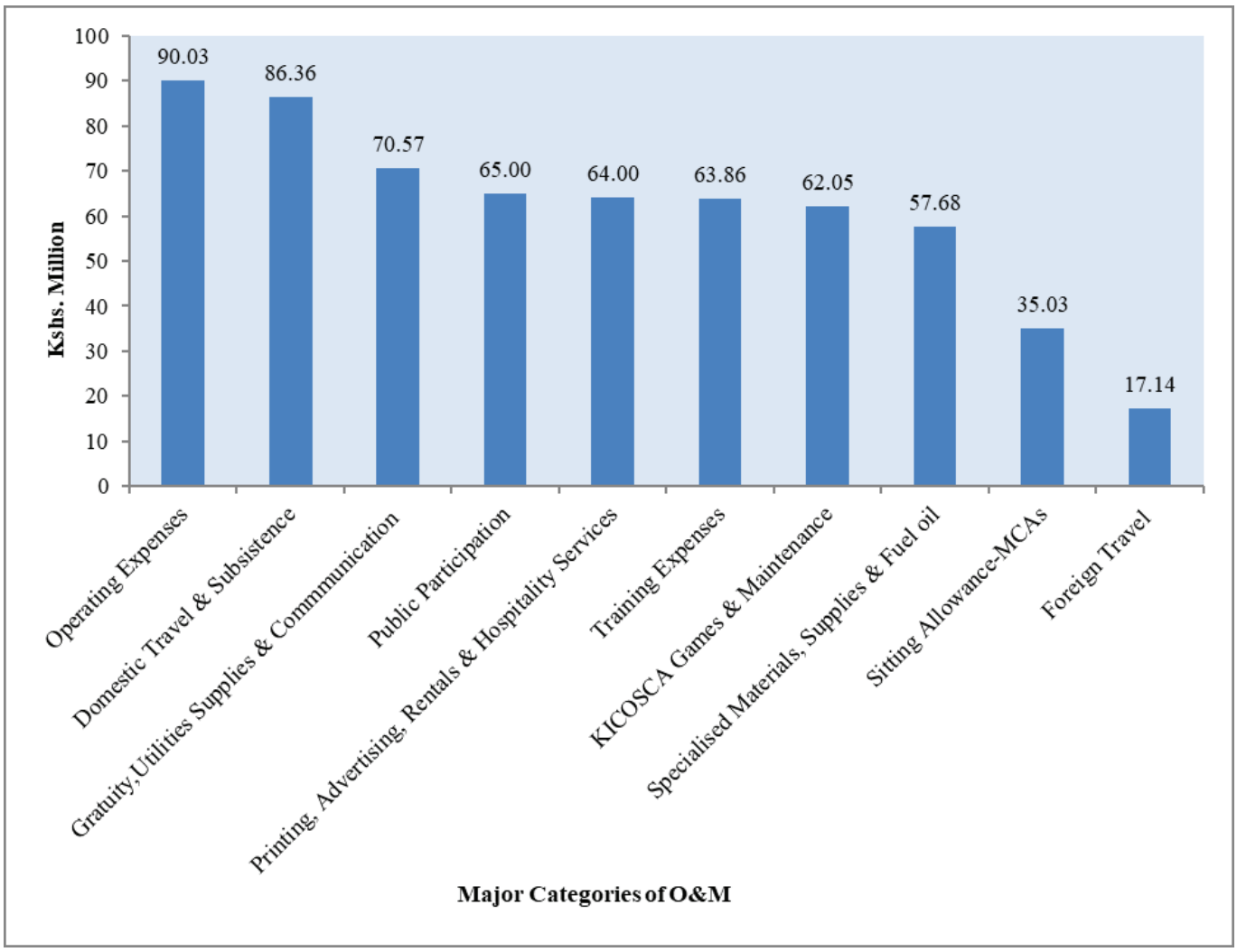
**Figure 3.15: Busia County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Busia County Treasury*

The County spent Kshs.35.03 million on MCAs' committee sitting allowances for the 54 MCAs against the annual budget allocation of Kshs.113.53 million. This amount represented an increase of 330.5 per cent compared to Kshs.8.13 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.108,124 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.86.36 million and comprised of Kshs.50.03 million spent by the County Assembly and Kshs.36.33 million spent by the County Executive and represented 4.2 per cent of total recurrent expenditure.

### 3.4.7 Development Expenditure

The total development expenditure of Kshs.374.97 million represented 10.4 per cent of the annual development budget of Kshs.3.59 billion. Table 3.11 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.11: Busia County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Major Roads | Works Headquarters | 368,811,120 | 106,397,487 | 29 |
| 2 | Maintenance of Roads, Ports and Jetties | Headquarters | 444,516,245 | 87,306,081 | 20 |
| 3 | Other Infrastructure and Civil Works | All Wards | 2,306,797,115 | 71,488,748 | 3 |
| 4 | Construction of Buildings-Others | Education Headquarters | 85,275,884 | 52,312,773 | 61 |
| 5 | Non Residential Buildings (Offices, Schools, Hospitals etc.) | Headquarters | 36,215,782 | 17,177,332 | 47 |
| 6 | Maintenance Of Plant, Machinery & Equipment(Including Lifts) | Works Headquarters | 25,342,955 | 10,912,119 | 43 |
| 7 | Grants To Cultural Groups | Headquarters | 87,707,600 | 9,334,012 | 11 |
| 8 | Purchase of Civil Works | Headquarters | 64,422,252 | 7,337,464 | 11 |
| 9 | Agricultural Materials Supplies and Small Equipment | Across the wards | 15,463,750 | 6,503,290 | 42 |
| 10 | Purchase of Tractors | Samia and Bunyala | 10,781,600 | 6,200,150 | 58 |

***Source:*** *Busia County Treasury*

### 3.4.8 Budget Performance by County Department

Table 3.12 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.12: Busia County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture and Animal Resources | 214.70 | 303.12 | 105.90 | 38.43 | 75.06 | 45.84 | 70.9 | 119.3 | 35.0 | 15.1 |
| Trade, Cooperatives and Industrialization | 58.95 | 138.04 | 26.67 | 5.62 | 14.34 | 2.54 | 53.8 | 45.2 | 24.3 | 1.8 |
| Educational and Vocational Training | 473.42 | 277.89 | 150.48 | 50.58 | 85.10 | 73.74 | 56.6 | 145.8 | 18.0 | 26.5 |
| Finance, Economic Planning and ICT | 1,441.31 | 75.61 | 344.86 | 11.60 | 671.59 | - | 194.7 | - | 46.6 | - |
| Youth, Culture, Sports, Tourism and Social Services | 76.95 | 110.59 | 55.13 | 8.55 | 29.00 | 21.36 | 52.6 | 249.9 | 37.7 | 19.3 |
| Roads, Public Works, Energy and Transport | 74.56 | 1,121.13 | 38.35 | 330.87 | 9.03 | 206.37 | 23.5 | 62.4 | 12.1 | 18.4 |
| Public Service Management | 50.57 | - | 22.56 | - | 3.32 | - | 14.7 | - | 6.6 | - |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Lands, Housing and Urban Development | 112.94 | 360.12 | 30.84 | 116.17 | 7.13 | 7.28 | 23.1 | 6.3 | 6.3 | 2.0 |
| Water, Environment and Natural Resources | 126.13 | 510.54 | 54.56 | 71.71 | 14.14 | 7.34 | 25.9 | 10.2 | 11.2 | 1.4 |
| Health and Sanitation | 1,365.74 | 613.78 | 749.22 | 41.10 | 734.56 | 9.41 | 98.0 | 22.9 | 53.8 | 1.5 |
| County Public Service Board | 48.36 | - | 19.39 | - | 4.76 | - | 24.5 | - | 9.8 | - |
| The Governorship | 334.59 | 16.10 | 117.23 | - | 80.34 | 1.10 | 68.5 | - | 24.0 | 6.8 |
| County Assembly | 728.50 | 70.00 | 320.00 | - | 294.28 | - | 92.0 | - | 40.4 | - |
| **Total** | **5,106.71** | **3,596.93** | **2,035.18** | **674.62** | **2,022.65** | **374.97** | **100.7** | **55.6** | **40.1** | **10.4** |

***Source:*** *Busia County Treasury*

Analysis of expenditure by department shows the Department of Educational and Vocational Training recorded the highest absorption rate of development budget at 26.5 per cent followed by the Department of Youth, Sports, Culture, Sports, Tourism and Social Sciences at 19.3 cent. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to its recurrent budget at 53.8 per cent while the Department of Housing and Urban Development had the lowest at 6.3 per cent.

### 3.4.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the human capacity through continuous training of key County staffs.
ii. Improvement in the collection of own-source revenue compared to a similar period in FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation:

1. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
2. Delay by Fund Administrators to submit expenditure reports on the established County Funds contrary to Section 168 of the PFM Act, 2012.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

## 3.5 Elgeyo Marakwet County

### 3.5.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.5.02 billion, comprising of Kshs.3.10 billion (61.7 per cent) and Kshs.1.92 billion (38.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.77 billion (75.1 per cent) as equitable share of revenue raised nationally, Kshs.657.3 million (13.1 per cent) as total conditional grants, generate Kshs.130 million (2.6 per cent) from own source of revenue, and Kshs.464.71 million (9.3 per cent) cash balance from FY 2017/18.

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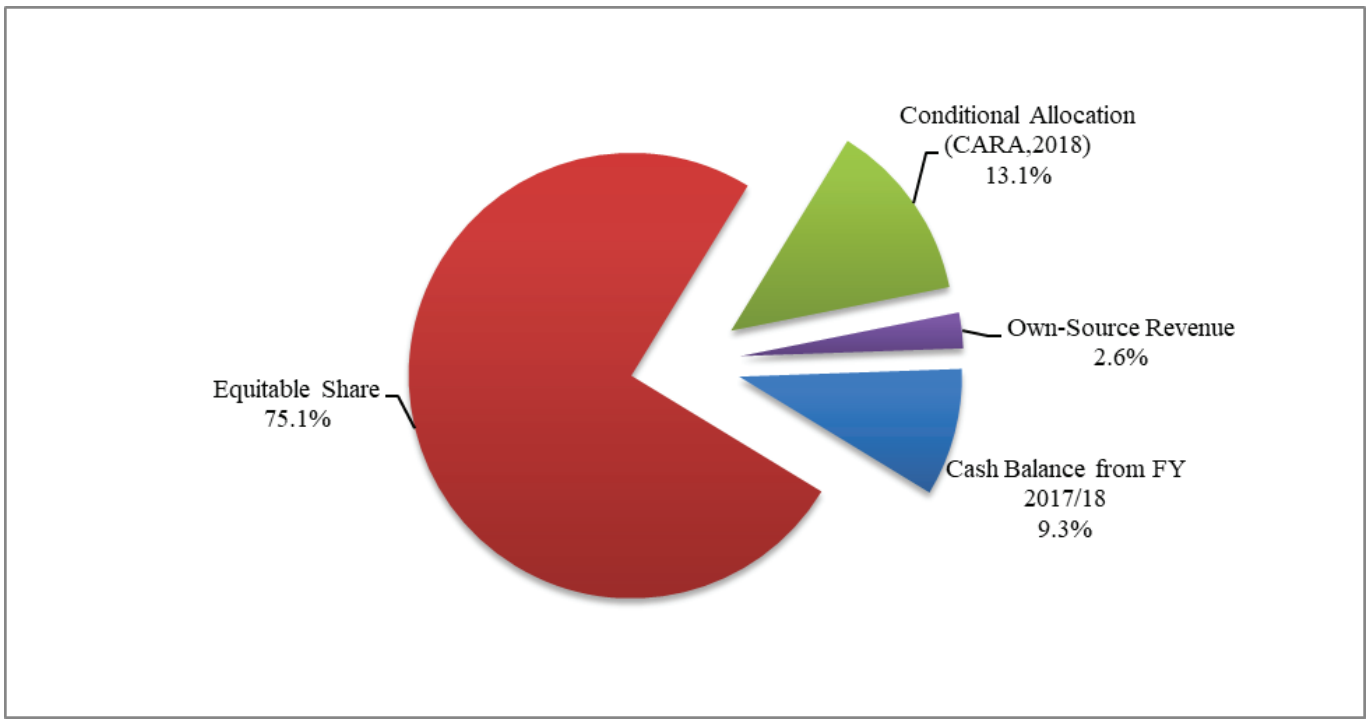
**Figure 3.16: Elgeyo Marakwet County Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Elgeyo Marakwet County Treasury*

The conditional grants contained in the CARA (Amendment), 2018 consist of; Kshs.50 million (6.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (14.7 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.38.55 million (4.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.89.8 million (11.3 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.12.15 million (1.5 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.80 million (10 per cent) grant from EU credit for Water Tower Protection and Climate Change Mitigation and adoption Programme (Water), Kshs.41.20 million (5.2 per cent) from IDA (World Bank) as credit for the Kenya Urban Support Project (KUSP)-Urban Institutional Grants (UIG) including balance from FY 2017/18, Kshs.19.41 million (2.4 per cent) from Sweden as credit for the Agricultural Sector Development Support Programme (ASDSP) including balance from FY 2017/18, Kshs.8.8 million (1.1 per cent) as Compensation for User Fees Foregone, Kshs.200 million (25.1 per cent) for Leasing of Medical Equipment, Kshs.99.21 million (12.4 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.41.8 million (5.2 per cent) for Rehabilitation of Village Polytechnics.

### 3.5.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.17 billion as equitable share of revenue raised nationally, Kshs.133.85 million as total conditional grants, raised Kshs.56.87 million from own source revenue, and had a cash balance of Kshs.464.71 million from FY 2017/18. The total available funds amounted to Kshs.1.82 billion.

Figure 3.17 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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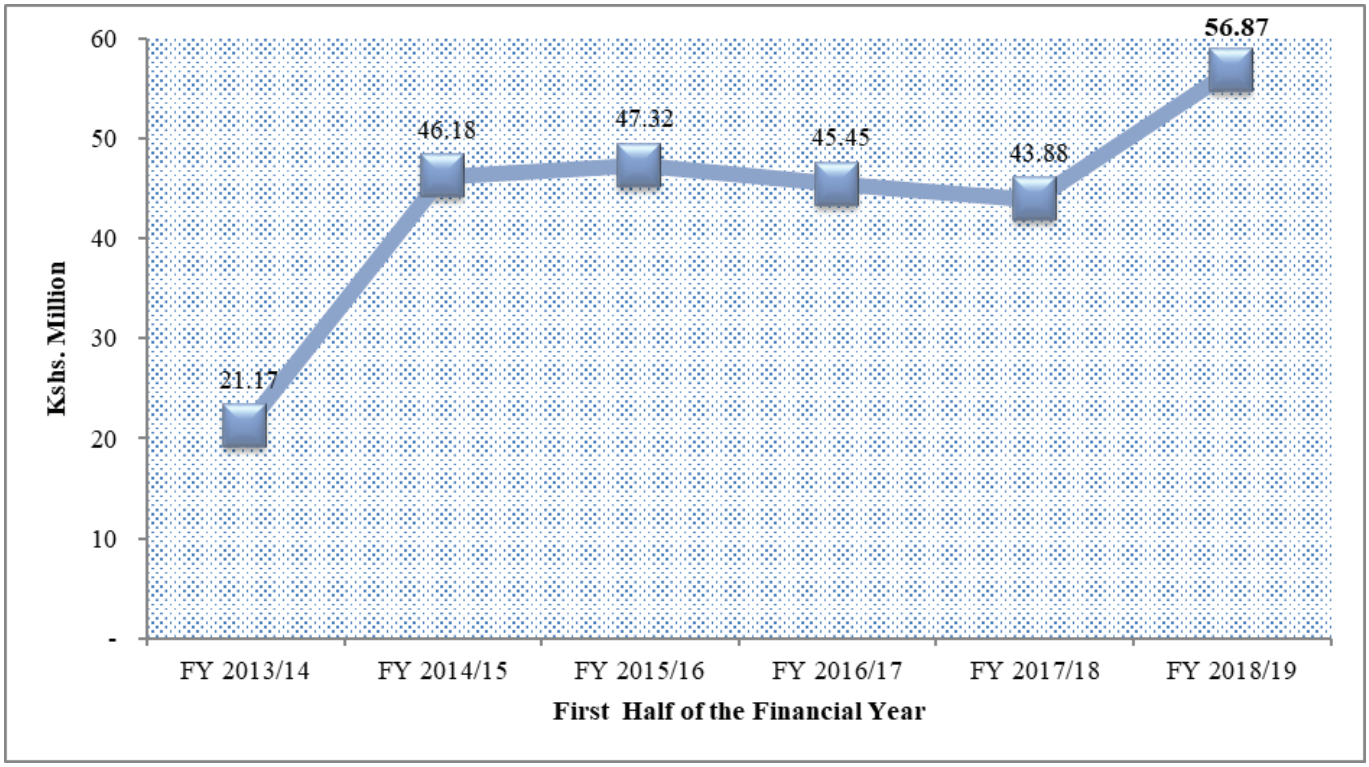
**Figure 3.17: Elgeyo Marakwet County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source:*** *Elgeyo Marakwet County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.56.87 million as own-source revenue. The own-source revenue collected during the period represented an increase of 29.6 per cent compared to Kshs.43.88 million realised during the same period of the FY 2017/18 and represented 43.7 per cent of the annual target.

### 3.5.3 Conditional Grants

The County received Kshs.133.85 million as conditional grants as shown in Table 3.13 .

**Table 3.13: Elgeyo Marakwet County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 2 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 31,698,328 | 27.1 |
| 3 | Road Maintenance Fuel Levy | 99,208,158 | 99,208,158 | - | - |
| 4 | Kenya Urban Support Project (KUSP) | 89,802,100 | 89,802,100 | 89,802,100 | 100 |
| 5 | Water Tower Protection and Climate Change Mitigation and adoption Programme (Water) | 80,000,000 | - | - | - |
| 6 | Transforming Health Systems for Universal Care Project (World Bank) | 50,000,000 | 50,000,000 | 6,277,493 | 12.6 |

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| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 7 | Rehabilitation of Village Polytechnics | 41,800,000 | 41,800,000 | - | - |
| 8 | Kenya Urban Support Project (KUSP)-Urban Institutional Grants (UIG)+Bal c/f in FY 2017/18 | 41,200,000 | - | - | - |
| 9 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 38,552,919 | 38,552,919 | - | - |
| 10 | Agricultural Sector Development Support Programme (ASDSP) + Bal c/f in FY 2017/18 | 19,408,938 | - | - | - |
| 11 | Universal Healthcare in Devolved System Programme- DANIDA | 12,150,000 | 12,150,000 | 6,075,000 | 50.0 |
| 12 | Compensation for User Fee Foregone | 8,788,919 | 8,788,919 | - | - |
| **Total** | | **797,911,034** | **657,302,096** | **133,852,921** | **5.2** |

***Source:*** *Elgeyo Marakwet County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project followed by the DANIDA grant. The receipt accounted for 100 per cent and 50 per cent of annual allocation respectively.

### 3.5.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.1.88 billion from the CRF account. The withdrawal represented 37.5 per cent of the Approved Budget and translated to an increase of 40.3 per cent from Kshs.1.34 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.1.50 billion (79.4 per cent) for recurrent expenditure and Kshs.387.51 million (20.6 per cent) for development activities.

### 3.5.5 Overall Expenditure Review

The County government spent a total of Kshs.1.80 billion on recurrent and development activities. The total expenditure represented 95.7 per cent of the total funds released from the CRF account and was an increase of 37.4 per cent from Kshs.1.31 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.436.86 million for development activities and Kshs.6 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.48 billion while Kshs.322.14 million was spent on development activities. The recurrent expenditure was 99 per cent of the funds released for recurrent activities, while development expenditure was 83.1 per cent of funds released for development activities.

The recurrent expenditure represented 47.8 per cent of the annual recurrent budget was an increase from 44.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 16.7 per cent, which was an increase from 10.5 per cent attained in the first half of FY 2017/18. Figure 3.18 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

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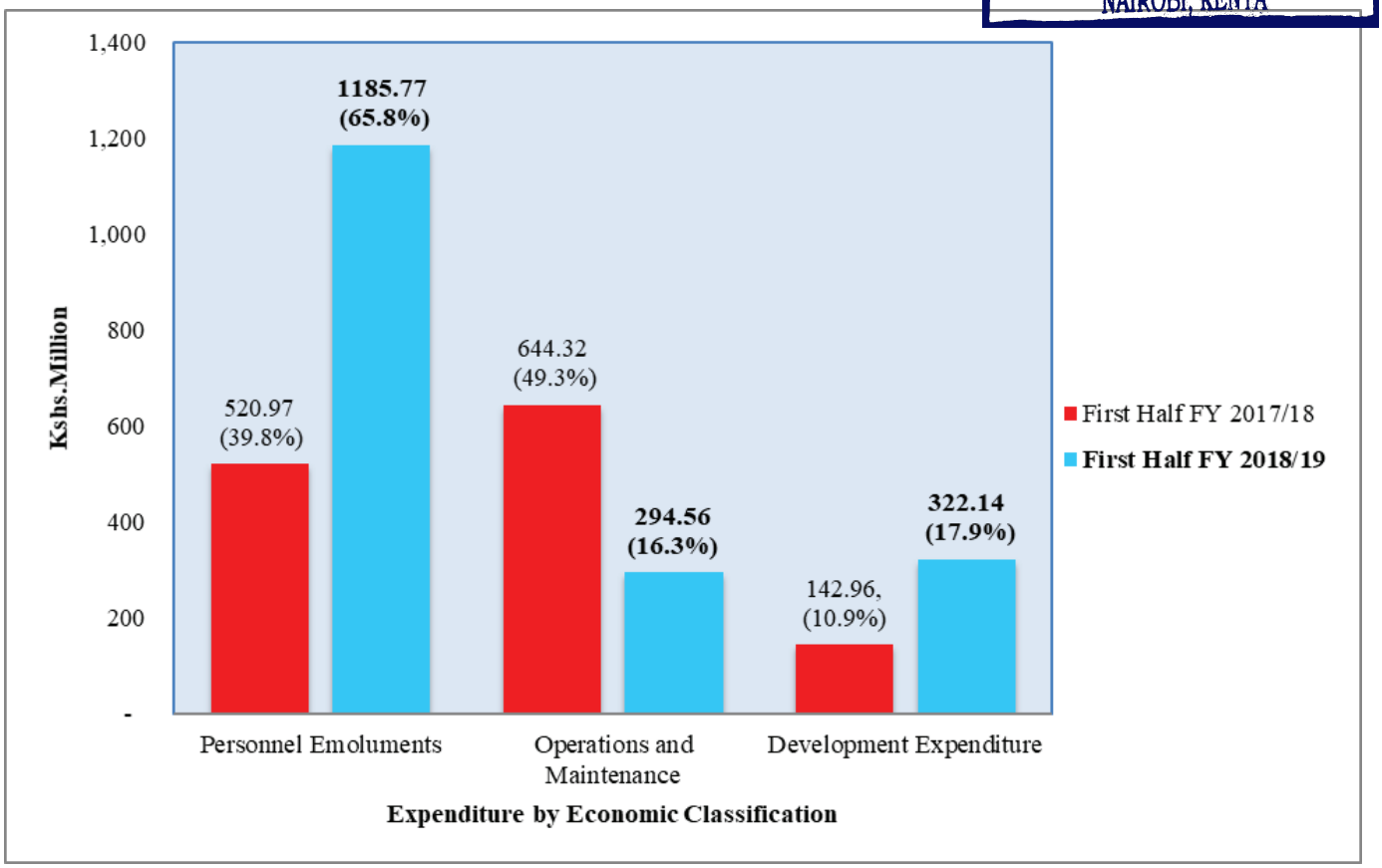
**Figure 3.18: Elgeyo Marakwet County, Expenditure by Economic Classification**




***Source:*** *Elgeyo Marakwet County Treasury*

### 3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.48 billion comprised of Kshs.1.19 billion (80.1 per cent) incurred on personnel emoluments and Kshs.294.56 million (19.9 per cent) on operations and maintenance as shown in Figure 3.18.

Expenditure on personnel emoluments represented a significant increase of 127.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.520.97 million, and was 65.8 per cent of total expenditure in the first half of FY 2018/19. Figure 3.19 shows a summary of operations and maintenance expenditure by major categories.

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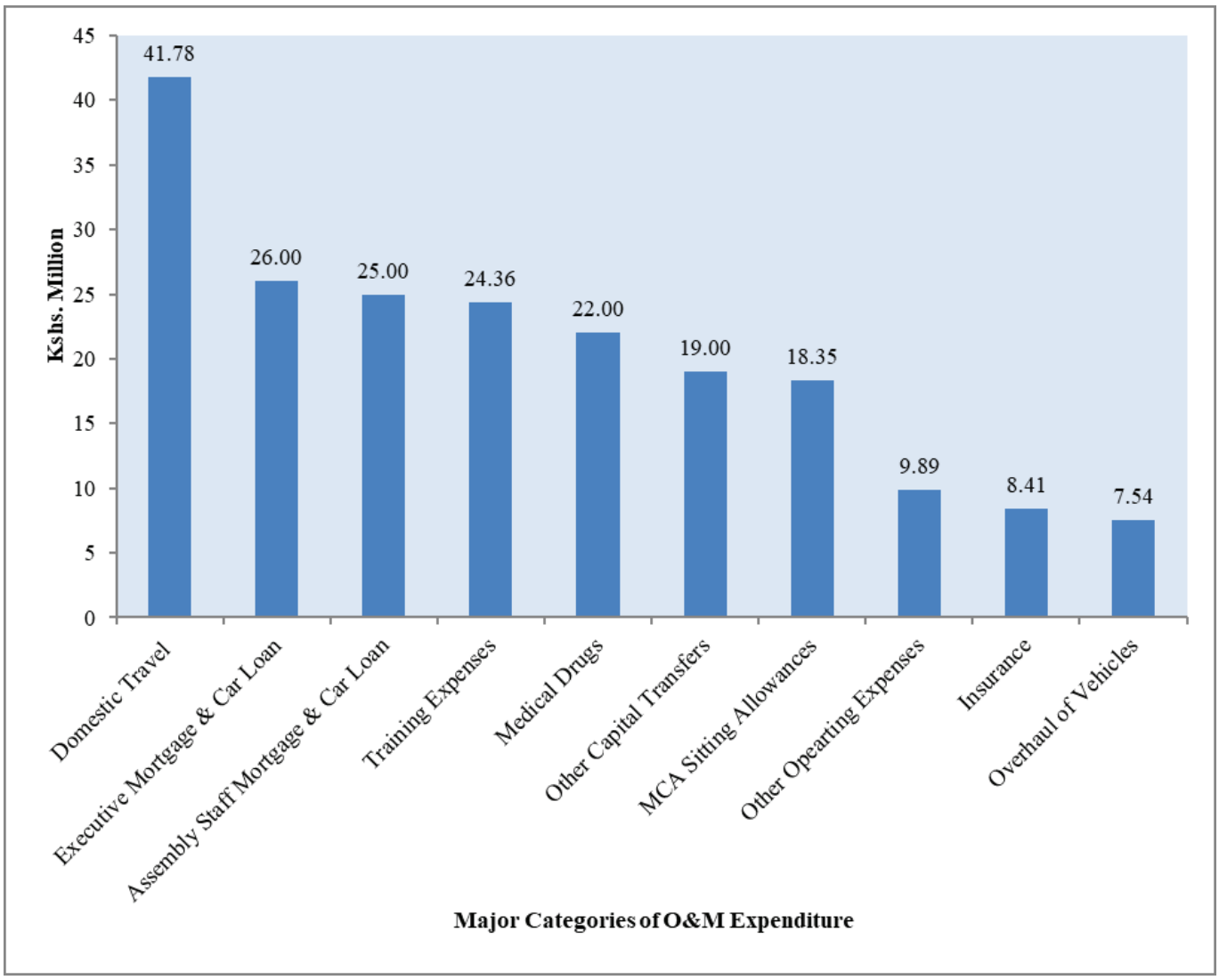
**Figure 3.19: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Elgeyo Marakwet County Treasury*

The County spent Kshs.18.35 million to cater for the MCAs' committee sitting allowances for the 34 MCAs against the annual budget allocation of Kshs.43.10 million. This represented an increase of 140.5 per cent compared to Kshs.7.63 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.89,936 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.41.78 million and comprised of Kshs.37.63 million spent by the County Assembly and Kshs.4.15 million spent by the County Executive. This represented 0.8 per cent of total recurrent expenditure and was a significant increase of 118.9 per cent compared to Kshs.19.09 million spent in the first half of FY 2017/18.

### 3.5.7 Development Expenditure

The total development expenditure of Kshs.322.14 million represented 16.7 per cent of the annual development budget of Kshs.1.92 billion. Table 3.14 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.14: Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | First Half expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Hire of Excavator for excavating-Cut to spoil Koitilial - Matira Road | Arror Ward | 3,999,975 | 3,999,975 | 100 |
| 2 | Mogil Water Project | Sambirir | 3,995,690 | 3,995,690 | 100 |
| 3 | Mogil Water Project | Sambirir | 3,995,690 | 3,995,690 | 100 |
| 4 | Hire of lorries to dump gravel in Chepkorio Ward Roads | Chepkorio | 3,285,350 | 3,285,350 | 100 |
| 5 | Hire of lorries to dump gravel in Chepkorio Ward Roads | Chepkorio | 3,132,050 | 3,132,050 | 100 |
| 6 | Kapkitony Water Project | Kabiemit | 3,000,000 | 2,836,080 | 94.5 |
| 7 | Nerkwo-Cheptongei-III Water Supply | Moiben/ Kuserwo | 2,811,700 | 2,811,700 | 100 |
| 8 | Kipriria Water Project | Kabiemit | 3,000,000 | 2,730,800 | 91.0 |
| 9 | Kapterit Water project | Sengwer | 4,000,000 | 2,601,800 | 65.0 |
| 10 | Kapsowar Water Project | Kapsowar | 11,561,565 | 2,508,210 | 21.7 |

***Source:*** *Elgeyo Marakwet County Treasury*

### 3.5.8 Budget Performance by County Department

Table 3.15 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.15: Elgeyo Marakwet County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 566.84 | - | 302.64 | - | 299.48 | - | 99.0 | - | 52.8 | - |
| Office of the Governor | 158.23 | - | 73.68 | - | 72.51 | - | 98.4 | - | 45.8 | - |
| Finance and Economic planning | 212.43 | - | 87.76 | - | 87.77 | - | 100.0 | - | 41.3 | - |
| Agriculture, and Irrigation | 108.93 | 231.87 | 46.52 | 61.14 | 45.97 | 19.01 | 98.8 | 31.1 | 42.2 | 8.2 |
| Education and Tech. Training | 213.67 | 276.64 | 87.51 | 40.52 | 86.86 | 66.07 | 99.3 | 163.1 | 40.7 | 23.9 |
| Health and Sanitation | 1,356.07 | 496.88 | 665.52 | 33.44 | 665.12 | 23.29 | 99.9 | 69.6 | 49.0 | 4.7 |
| Water, Lands, Environment & Climate Change | 73.72 | 371.73 | 35.06 | 162.08 | 33.87 | 83.72 | 96.6 | 51.7 | 45.9 | 22.5 |
| Roads, Public Works and Transport | 64.5 | 333.80 | 30.12 | 50.68 | 29.42 | 90.70 | 97.7 | 179.0 | 45.6 | 27.2 |
| Tourism, Culture, Wildlife, Trade & Industry | 34 | 28.46 | 16.11 | 8.64 | 14.60 | 6.55 | 90.6 | 75.8 | 42.9 | 23 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure as % of Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Youth Affairs, Sports, ICT & Social Services | 34.91 | 90.63 | 15.52 | 18.21 | 15.17 | 19.96 | 97.7 | 109.6 | 43.5 | 22 |
| Public Service Management & County Administration | 114.80 | 52.27 | 62.30 | 12.81 | 60.87 | 12.81 | 97.7 | 100 | 53.0 | 24.5 |
| County Public Service Board | 59.53 | - | 25.25 | - | 22.83 | - | 90.4 | - | 38.4 | - |
| Livestock Production, Fisheries & Cooperative Development | 98.38 | 41.72 | 47.39 | - | 45.88 | 0.02 | 96.8 | - | 46.6 | - |
| **TOTAL** | **3,096.02** | **1,924.00** | **1,495.35** | **387.51** | **1,480.35** | **322.14** | **99.0** | **83.1** | **47.8** | **16.7** |

***Source:*** *Elgeyo Marakwet County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.5.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Timely submission of quarterly reports by the County Government entities to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.
ii. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 16.7 per cent compared to 10.5 per cent in a similar period of FY 2017/18.
iii. Improvement in own source collection by 29.6 per cent from Kshs.43.88 million in the first half of FY 2017/18 to Kshs.56.87 million in the reporting period

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill which accounted for 65.8 per cent of the total expenditure during the reporting period thus constraining funding to other programmes.
2. Failure to budget for all conditional grants as provided for in CARA (Amendment), 2018.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
2. *The County should budget for the conditional grants as provided for in the CARA (Amendment), 2018.*

## 3.6 Embu County

### 3.6.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.6.44 billion, comprising of Kshs.4.51 billion (70 per cent) and Kshs.1.93 billion (30 per cent) allocation for recurrent and development expenditure respectively.

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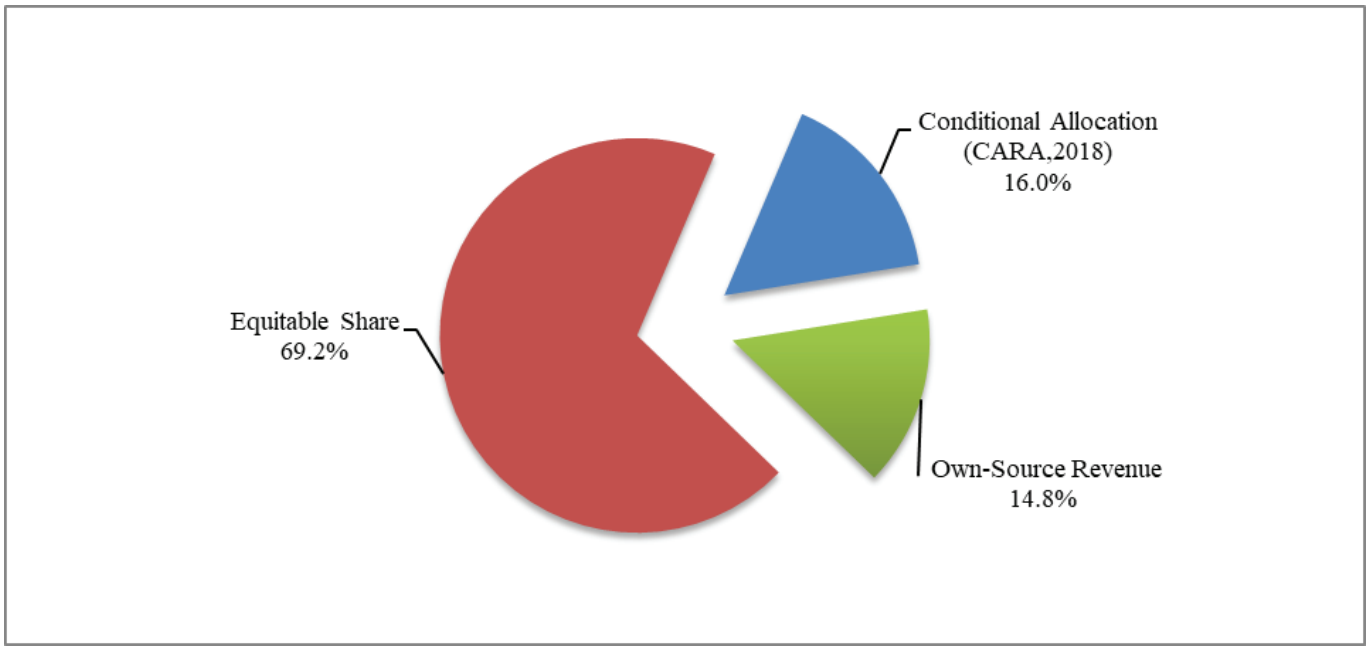
To finance the budget, the County expects to receive Kshs.4.46 billion (69.2 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (16 per cent) as total conditional grants and generate Kshs.950 million (14.8 per cent) from own source of revenue. The County did not budget for cash balance from FY 2017/18 in the approved budget, which amounted to Kshs.389.88 million.

**Figure 3.20 : Embu County, Expected Sources of Budget Financing in FY 2018/19**




***Source**: Embu County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (4.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.22 million (13.6 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.40.60 million (3.9 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.119.89 million (11.6 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.13.77 million (1.3 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.301.04 million (29.2 per cent) to Level-5 Hospital, Kshs.10.72 million (1 per cent) Compensation for User Fees Foregone, Kshs.200 million (19.4 per cent) for Leasing of Medical Equipment, Kshs.117.40 million (11.4 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.37.90 million (3.7 per cent) for Rehabilitation of Village Polytechnics.

### 3.6.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.31 billion as equitable share of revenue raised nationally, Kshs.237.51 million as total conditional grants, raised Kshs.255.85 million from own source revenue, and had a cash balance of Kshs.389.88 million from FY 2017/18. The total available funds amounted to Kshs.2.19 billion.

Figure 3.21 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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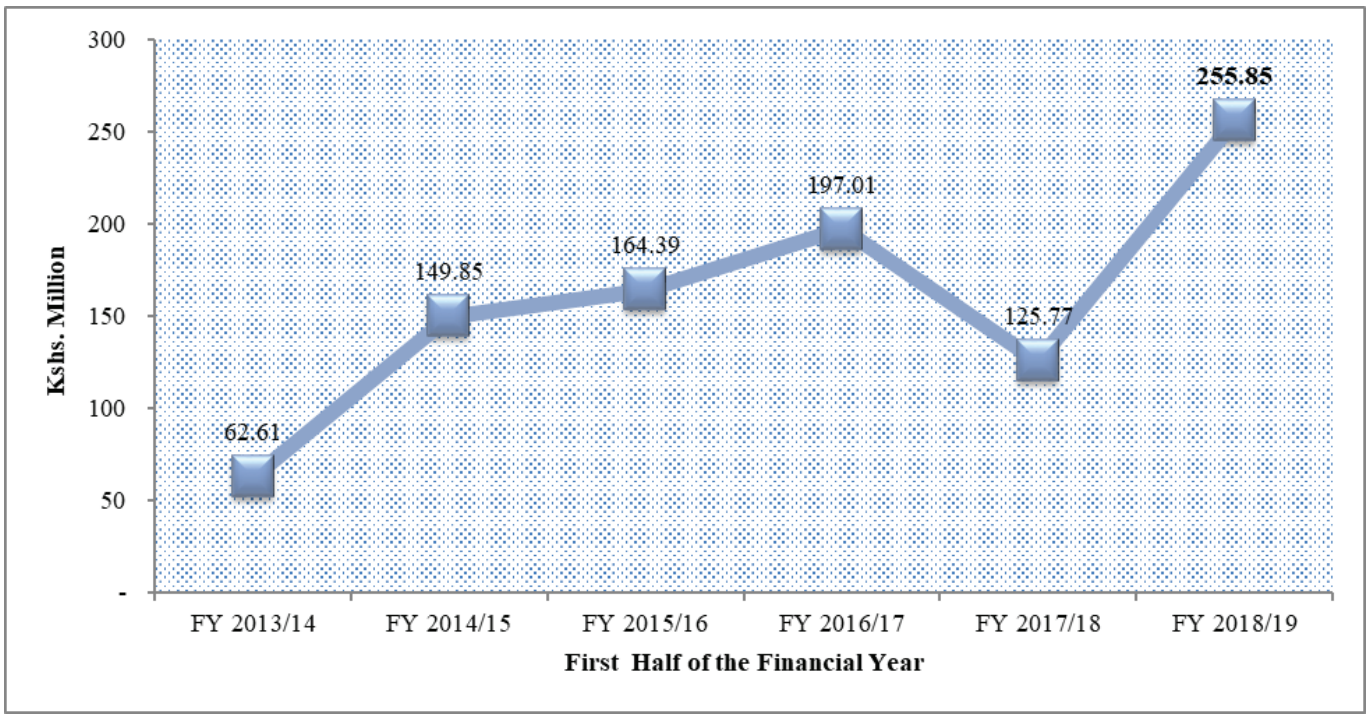
**Figure 3.21 : Embu County, Trend in Own Source Revenue Collection From the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Embu County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.255.85 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.125.77 million realised during the same period of the FY 2017/18 and represented 26.9 per cent of the annual target.

### 3.6.3 Conditional Grants

The County received Kshs.237.51 million as conditional grants as shown in Table 3.16.

**Table 3.16 : Embu County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | Grants Contained in the CARA, 2018 | | | | |
| 1 | Level - 5 Hospital | 301,040,462 | 301,040,462 | 90,229,642 | 30 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |
| 4 | Kenya Urban Support Project (KUSP) | 119,892,100 | 119,892,100 | 119,892,100 | 100 |
| 5 | Road Maintenance Fuel Levy | 117,396,321 | 117,396,321 | - | - |
| 6 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 20,502,971 | 41 |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 40,595,727 | 40,595,727 | - | - |
| 8 | Rehabilitation of Village Polytechnics | 37,900,000 | 37,900,000 | - | - |
| 9 | DANIDA Grant | 13,770,000 | 13,770,000 | 6,885,000 | 50 |

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| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 10 | Compensation for User Fee Foregone | 10,724,225 | 10,724,225 | - | - |
| **Total** | | **1,031,753,998** | **1,031,753,998** | **237,509,713** | **23.0** |

***Source:*** *Embu County Treasury*

Analysis of revenue from conditional grants indicated that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent, and 50 per cent of annual allocation respectively.

### 3.6.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.04 billion from the CRF account. The withdrawals represented 31.7 per cent of the Approved Budget and translated to an increase of 28 per cent from Kshs.1.60 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.77 billion (86.7 per cent) for recurrent expenditure and Kshs.271.49 million (13.3 per cent) for development activities.

### 3.6.5 Overall Expenditure Review

The County government spent a total of Kshs.1.47 billion on recurrent and development activities. The total expenditure represented 71.9 per cent of the total funds released from the CRF account and was a decline of 9.8 per cent from Kshs.1.63 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.833.42 million for development activities and Kshs.529.10 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.28 billion while Kshs.187.94 million was spent on development activities. The recurrent expenditure was 72.3 per cent of the funds released for recurrent activities, while development expenditure was 69.2 per cent of funds released for development activities.

The recurrent expenditure represented 28.4 per cent of the annual recurrent budget, a decrease from 42.6 per cent recorded in the first half of FY 2017/18. Figure 3.22 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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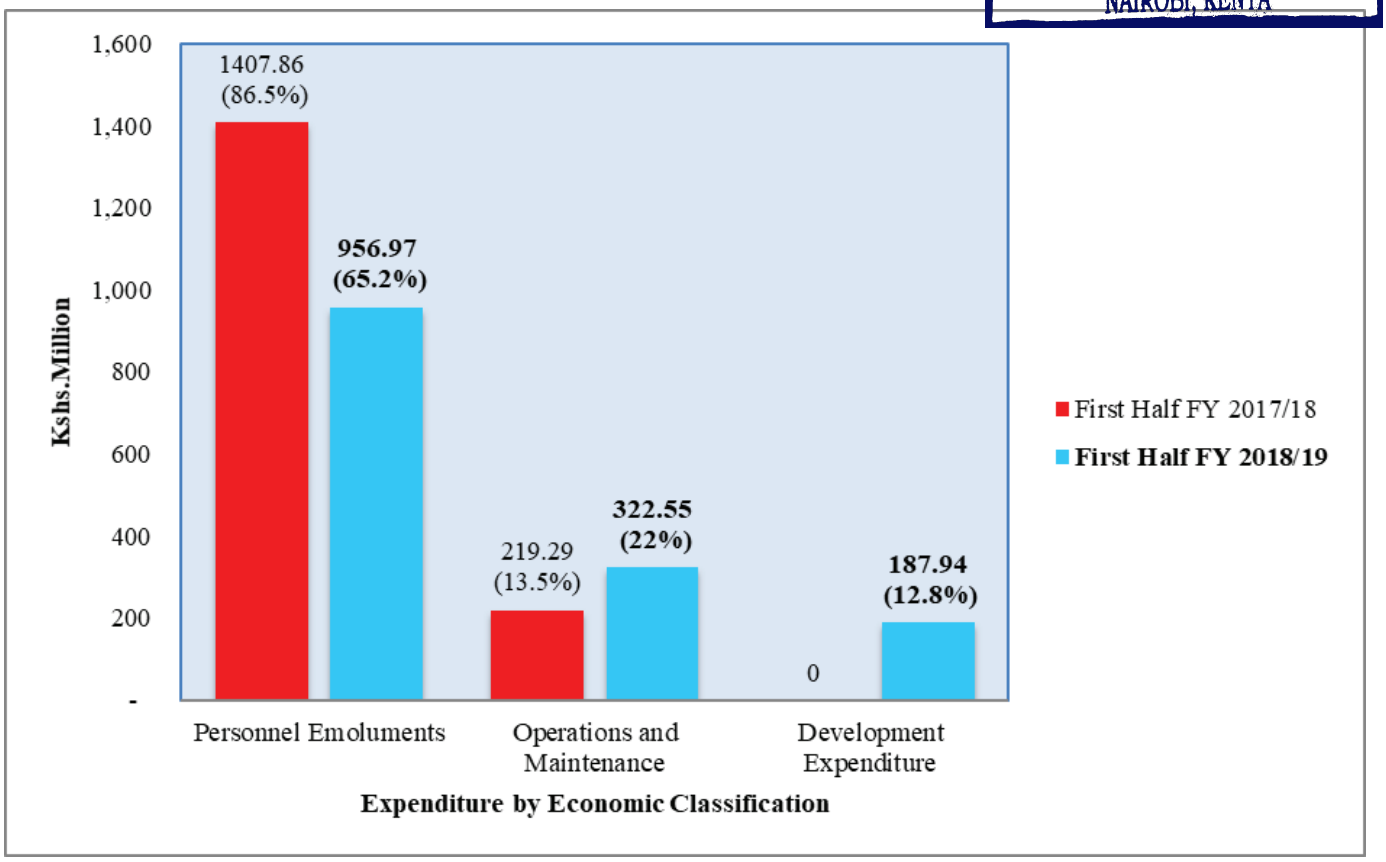
**Figure 3.22: Embu County, Expenditure by Economic Classification**




***Source:*** *Embu County Treasury*

### 3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.28 billion comprised of Kshs.956.97 million (74.8 per cent) incurred on personnel emoluments and Kshs.322.55 million (25.2 per cent) on operations and maintenance as shown in Figure 3.22. The personnel emolument does not include the December 2018 salaries for the County Executive staff as this was processed and paid in January, 2019.

Expenditure on personnel emoluments represented a decrease of 32 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.42 billion, and was 65.2 per cent of total expenditure in the first half of FY 2018/19. Figure 3.23 shows a summary of operations and maintenance expenditure by major categories.

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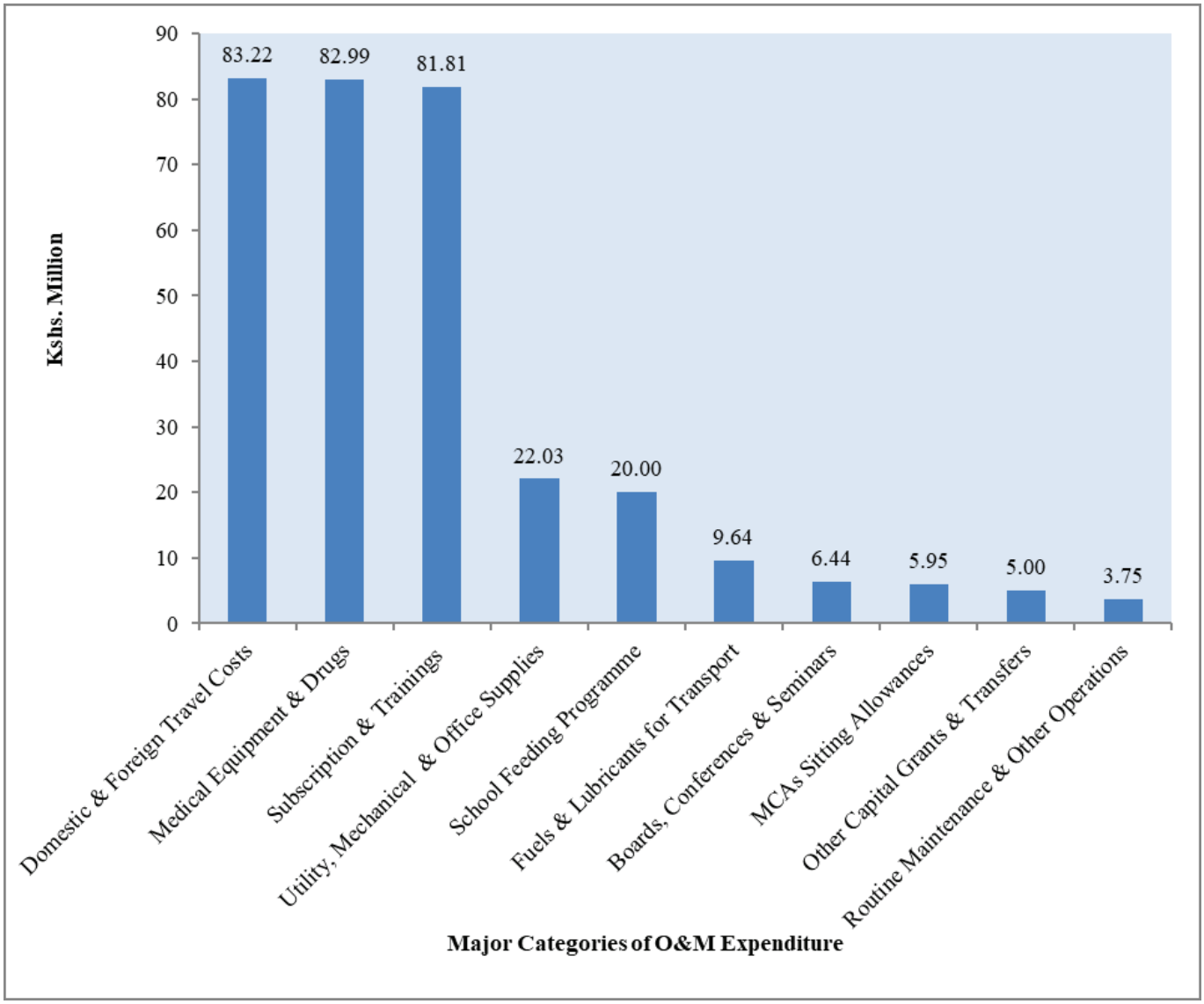
**Figure 3.23: Embu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Embu County Treasury*

The County spent Kshs.5.95 million to cater for the MCAs' committee sitting allowances for the 34 MCAs and the Speaker, against the annual budget allocation of Kshs.31.5 million. This represented a decline of 56 per cent compared to Kshs.13.5 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs. 28,311 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.81.74 million and comprised of Kshs.61.52 million spent by the County Assembly and Kshs.20.22 million spent by the County Executive. This represented 6.4 per cent of total recurrent expenditure and was an increase of 81.2 per cent compared to Kshs.45.09 million spent in the first half of FY 2017/18.

### 3.6.7 Development Expenditure

The total development expenditure of Kshs.187.94 million represented 9.7 per cent of the annual development budget of Kshs.1.93 billion. Table 3.17 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.17: Embu County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Expenditure in First Half of FY 2018/19 (Kshs.) |
|---|---|---|---|
| 1 | Upgrading to Bitumen - Kwa Mutoi - Nduuri Road | Runyenjes Central | 49,288,317 |
| 2 | Upgrading to Bitumen of Uchumi - Kiambuthi - Minni Inn Road | Kirimari | 9,957,295 |
| 3 | Construction of Badea Phase 1 | Kirimari | 7,632,521 |
| 4 | Installation of Milk Processing Equipment | County Wide | 3,994,750 |
| 5 | Construction of Microwave Incinerator Building | Kirimari | 3,967,331 |
| 6 | Conditional Allocation For Development of Youth Polytechnics (Vocational Training Centres Works) | County Wide | 3,964,319 |
| 7 | Construction of Maternity at Mbondoni Dispensary Phase Two | Makima | 3,862,811 |
| 8 | Expansion and rehabilitation of Muchonoke Earth dam | Evurore | 3,590,430 |
| 9 | Borehole Drilling, High Raised Storage Tank/Electrification/Water Point at Malikini Market (Nhinguni - Mwea Ward ) | Mwea | 3,494,152 |
| 10 | Proposed Construction of Kiogoma Drift Muminji Ward | Muminji | 3,426,567 |
| 11 | Construction of Irenge Drift - Muminji | Muminji | 3,426,567 |

***Source:*** *Embu County Treasury*

### 3.6.8 Budget Performance by County Department

Table 3.18 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.18: Embu County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, Fisheries & Coops | 326.34 | 150.67 | 27.28 | 105.80 | 70.79 | 3.99 | 259.5 | 3.8 | 21.7 | 2.7 |
| County Assembly | 592.74 | 45.00 | 132.08 | - | 253.56 | - | 192 | - | 42.8 | - |
| County Public Service Board | 34.13 | - | 191.55 | - | 12.19 | - | 6.4 | - | 35.7 | - |
| Education, Youth Empowerment & Sports | 559.12 | 185.77 | 23.57 | - | 91.90 | 5.46 | 389.8 | >100 | 16.4 | 2.9 |
| Embu Level 5 Hospital | 193.92 | 236.53 | 448.39 | - | 58.17 | 16.17 | 13.0 | >100 | 30.0 | 6.8 |
| Finance & Economic Planning | 138.54 | 15.97 | 54.03 | - | 10.71 | - | 19.8 | - | 7.7 | - |
| Gender, Culture, Children and Social Services | 10.86 | 61.14 | 78.34 | - | 2.35 | - | 3 | - | 21.6 | - |
| Health and Sanitation | 1,806.87 | 214.84 | 103.76 | - | 458.94 | 20.46 | 442.3 | >100 | 25.4 | 9.5 |
| Infrastructure & Public Works | 67.54 | 615.13 | 12.55 | - | 9.11 | 118.84 | 72.6 | >100 | 13.5 | 19.3 |
| Lands, Physical Planning & Urban Devpt. | 58.75 | 137.05 | 9.58 | - | 4.12 | 9.72 | 43 | >100 | 7.0 | 7.1 |
| Office of Governor | 159.37 | - | 127.55 | - | 57.44 | - | 45 | - | 36.0 | - |
| Public Service & Administration | 474.45 | 21.06 | 17.82 | - | 233.58 | - | 1,310.9 | - | 49.2 | - |
| Trade, Tourism & Industrialization | 23.97 | 92.52 | 513.93 | 55.66 | 2.68 | 9.70 | 0.5 | 17.4 | 11.2 | 10.5 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Water, Environment & Natural Resources | 60.88 | 157.41 | 29.91 | 110.00 | 13.98 | 3.59 | 46.7 | 3.3 | 23.0 | 2.3 |
| **Total** | **4,507.47** | **1,933.08** | **1,770.33** | **271.46** | **1,279.52** | **187.94** | **72.3** | **69.2** | **28.4** | **9.7** |

***Source:*** *Embu County Treasury*

Analysis of expenditure by department shows the Department of Infrastructure and Public Works recorded the highest absorption of development budget at 19.3 per cent, followed by the Department of Trade, Tourism, & Industrialisation at 10.5 per cent. The Department of Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 49.2 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest at 7 per cent.

### 3.6.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own-source revenue collection from Kshs.125.77 million in the first half of FY 2017/18 to Kshs.255.85 million in the reporting period.
ii. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 9.3 per cent while there was no expenditure on development projects in a similar period in FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay by the County Assembly to approve key planning policy documents, such as the CIDP (2018-2023).
2. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Assembly should observe the timelines stipulated in law in the approval of key planning documents so as to facilitate smooth implementation of the budget.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2018.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

## 3.7 Garissa County

### 3.7.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.9.98 billion, comprising of Kshs.5.76 billion (57.7 per cent) and Kshs.4.22 billion (42.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.93 billion (69.5 per cent) as equitable share of revenue raised nationally, Kshs.2.31 billion (23.1 per cent) as total conditional grants, generate Kshs.250 million (2.5 per cent) from own-source revenue sources, and Kshs.644 million (6.5 per cent) cash balance from FY 2017/18.

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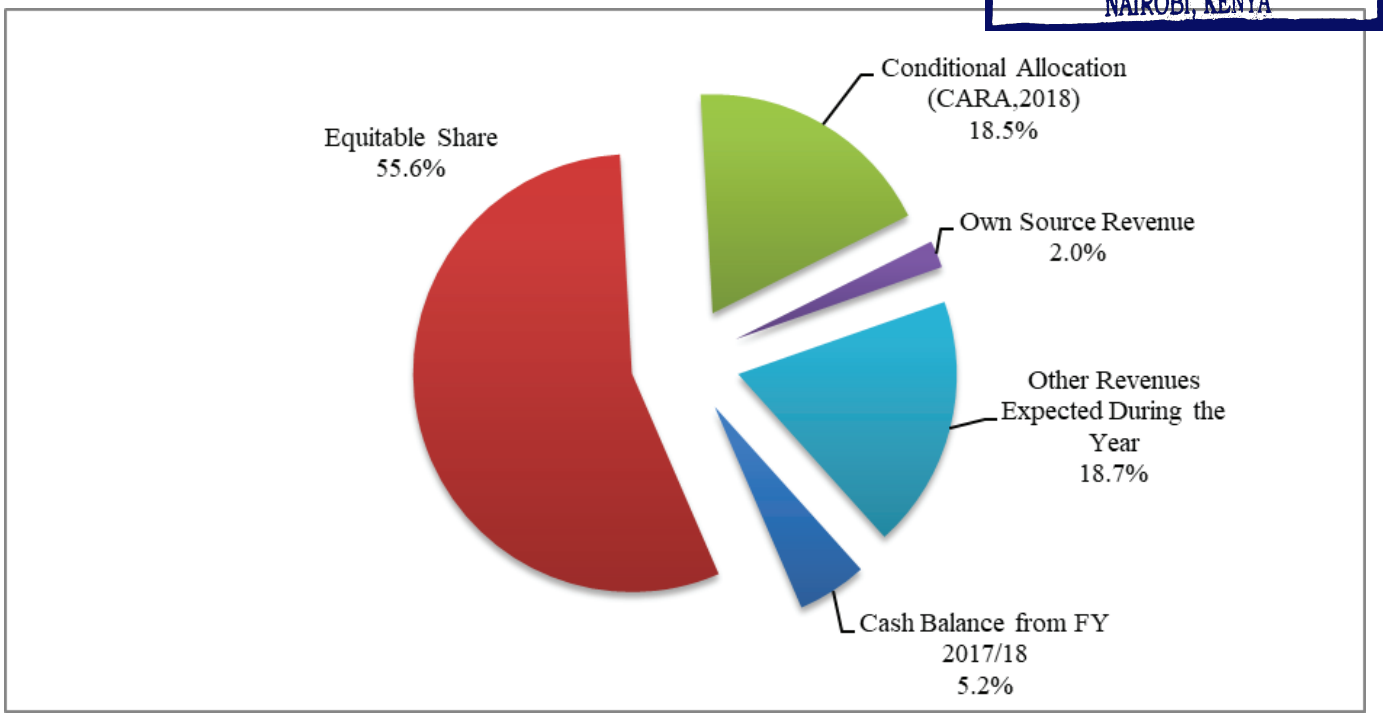
**Figure 3.24: Garissa County Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Garissa County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (4.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (6.5 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.47.74 million (2.1 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.233.51 million (10.1 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.22.33 million (1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.1 billion (43.3 per cent from IDA (World Bank) credit for Water & Sanitation Development Project (WSDP) and, Kshs.344.74 million (14.9 per cent) to Garissa Level-5 Hospital, Kshs.12.96 million (0.6 per cent) as Compensation for User Fees Foregone, Kshs.200 million (8.7 per cent) for Leasing of Medical Equipment, Kshs.182.71 million (7.9 per cent) from Road Maintenance Fuel Levy, and Kshs.35.36 million (1.5 per cent) for Grants to Youth Polytechnics.

### 3.7.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.47 billion as equitable share of revenue raised nationally, Kshs.315.68 million as total conditional grants. In addition, the County government raised Kshs.45.47 million from own source revenue, and had a cash balance of Kshs.1.12 billion from FY 2017/18. The total available funds amounted to Kshs.3.95 billion.

Figure 3.25 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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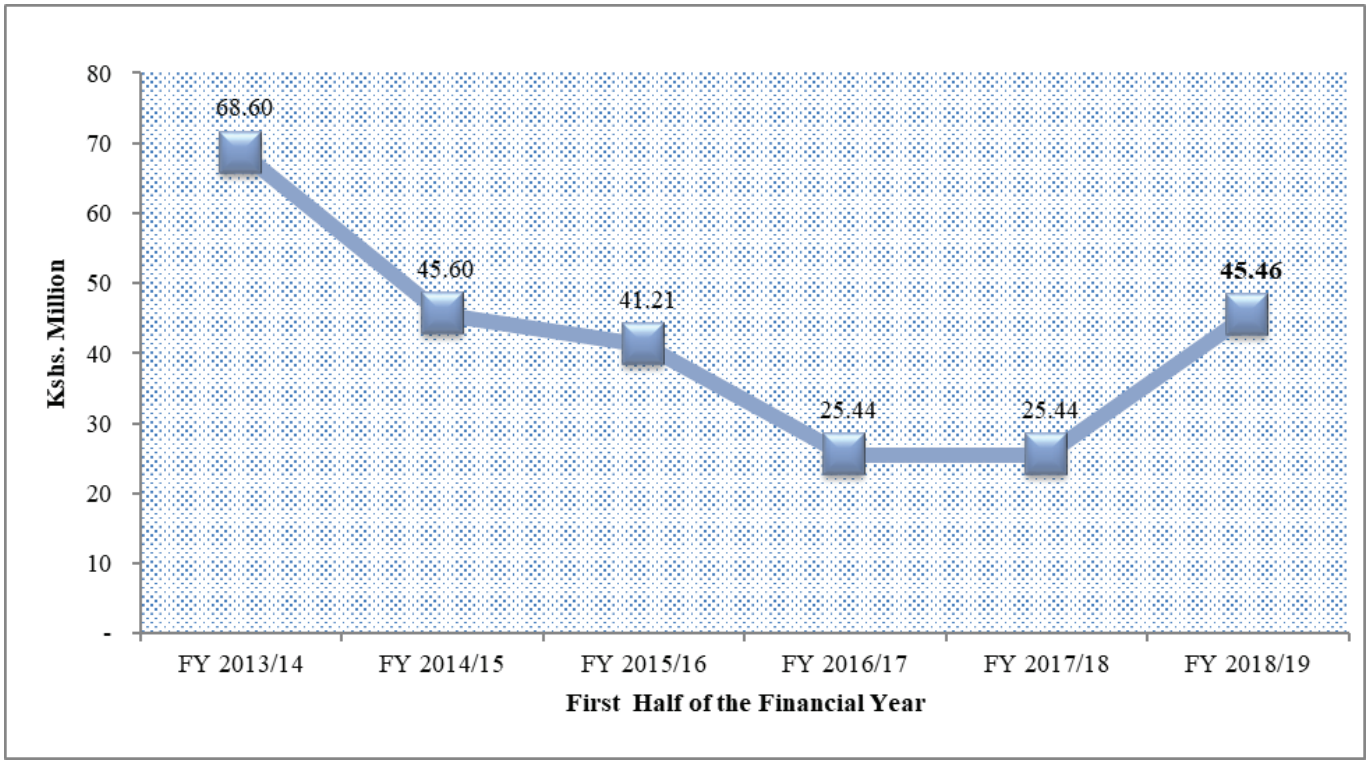
**Figure 3.25: Garissa County, Trend in Own Source Revenue Collection in the First Half from FY 2013/14 to FY 2018/19**




***Source:*** *Garissa County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.45.46 million as own-source revenue. The own-source revenue collected during the period represented an increase of 78.7 per cent from Kshs.25.4 million realised during the same period of the FY 2017/18 and represented 18.2 per cent of the annual target.

### 3.7.3 Conditional Grants

The County received Kshs.315.67 million as conditional grants as shown in Table 3.19.

**Table 3.19: Garissa County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Level- 5 Hospitals | 344,739,884 | 344,739,884 | 15,052,023 | 4.4 |
| 2 | Transforming Health Systems for Universal Care Project- (World Bank) | 100,000,000 | 100,000,000 | 107,225 | 0.10 |
| 3 | Kenya Climate Smart Agriculture Project-IDA (World Bank) | 150,000,000 | 150,000,000 | 55,847,540 | 37.2 |
| 4 | Kenya Devolution Support Programme "Level 1 grant"- IDA (World Bank) | 47,735,752 | 47,735,752 | - | - |
| 5 | Kenya Urban Support Project- IDA (World Bank | 233,506,000 | 233,506,000 | 233,506,087 | 100 |
| 6 | Universal Healthcare to Devolved System Programme- DANIDA- | 22,325,625 | 22,325,625 | 11,162,813 | 50 |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as a Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | Grants/Loans contained in CARA, 2018 | | | | |
| Total | | 2,329,335,255 | 898,307,261 | 315,675,687 | 13.6 |

***Source:*** *Garissa County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent, 50 per cent of annual allocation respectively.

### 3.7.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs 3.68 billion from the CRF account. The withdrawals represented 36.9 per cent of the Approved Budget and translate to an increase of 50.8 per cent from Kshs.2.44 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.99 billion (81.3 per cent) to fund recurrent expenditure and Kshs.682.76 million (18.7 per cent) for development activities.

### 3.7.5 Overall Expenditure Review

The County government spent a total of Kshs.3.14 billion on recurrent and development activities. The total expenditure represented 85.3 per cent of the total funds released from the CRF account and was an increase of 29.8 per cent from Kshs.2.42 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.455.23 million for development activities and Kshs.563.56 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.59 billion while Kshs.544.03 million was spent on development activities. The recurrent expenditure was 86.6 per cent of the funds released for recurrent activities, while development expenditure was 79.7 per cent of funds released for development activities.

The recurrent expenditure represented 44.9 per cent of the annual recurrent budget, an increase from 43.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 12.9 per cent, while there was no expenditure on development activities in a similar period of FY 2017/18. Figure 3.26 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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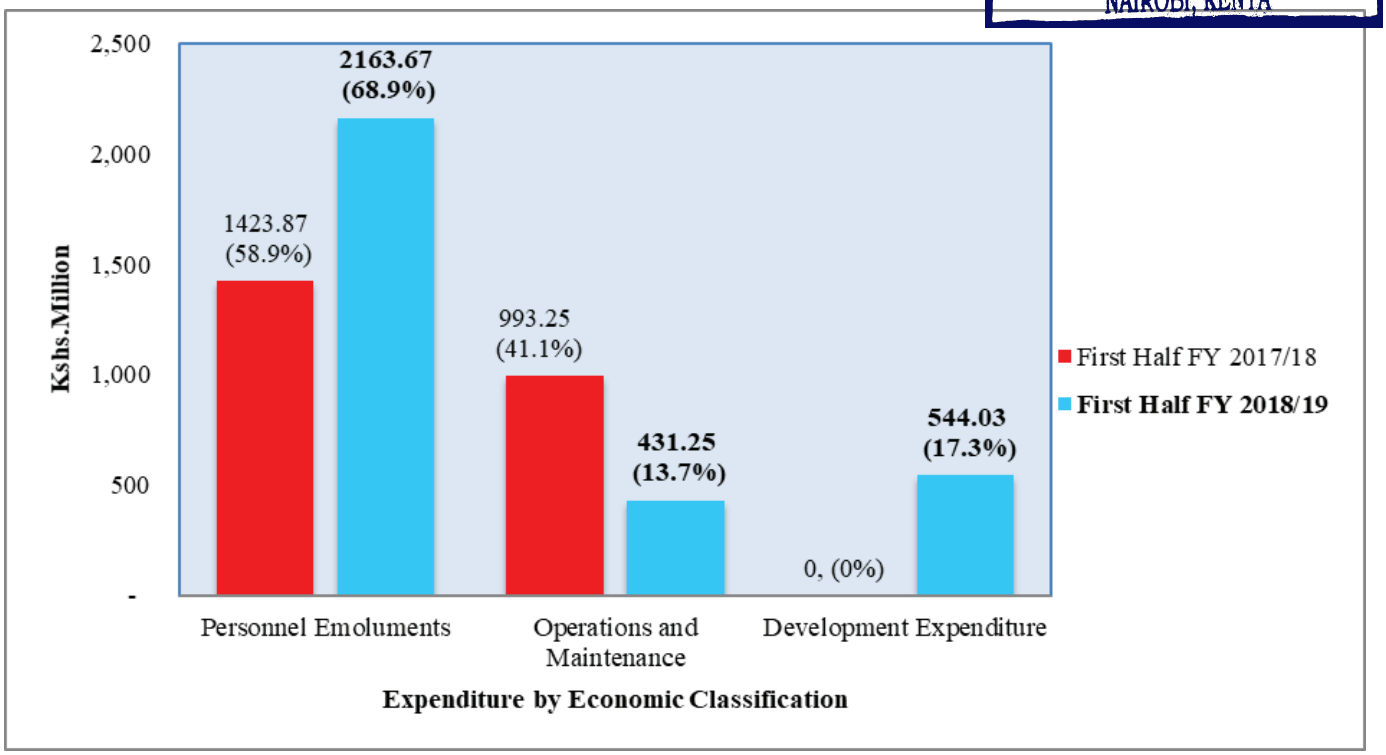
**Figure 3.26: Garissa County, Expenditure by Economic Classification**




***Source:*** *Garissa County Treasury*

### 3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.59 billion comprised of Kshs.2.16 billion (83.4 per cent) incurred on personnel emoluments and Kshs.431.25 million (16.6 per cent) on operations and maintenance as shown in Figure 3.26.

Expenditure on personnel emoluments represented an increase of 52.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.42 billion, and was 68.9 per cent of total expenditure in the first half of FY 2018/19. Figure 3.27 shows a summary of operations and maintenance expenditure by major categories.

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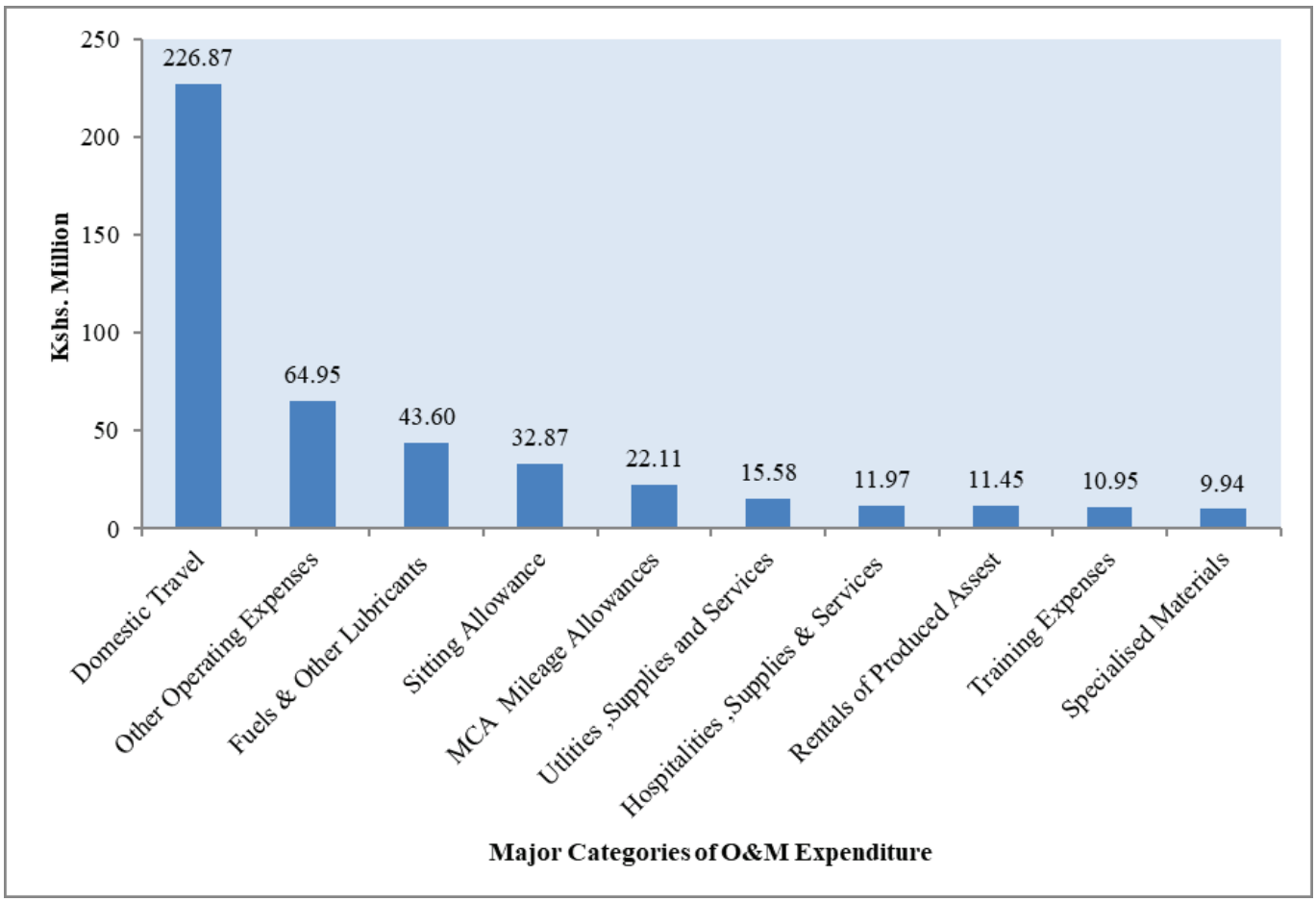
**Figure3.27: Garissa County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Garissa County Treasury*

The County spent Kshs.32.87 million to cater for the committee sitting allowances for the 49 MCAs' against the annual budget allocation of Kshs.121.21 million. This represented an increase of 395 per cent compared to Kshs.6.64 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.111, 809 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.226.86 million and comprised of Kshs.60.54 million spent by the County Assembly and Kshs.166.32 million spent by the County Executive.

### 3.7.7 Development Expenditure

The total development expenditure of Kshs.544.03 million represented 12.9 per cent of the annual development budget of Kshs.4.22 billion. Table 3.20 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.20: Garissa County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | First Half Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Proposed Construction of Bura SCA Offices | Bura | 67,746,378 | 37,501,543 | 55 |
| 2 | Proposed Construction of Township Sub County Administration Offices | Garissa | 275,521,642 | 35,276,035 | 13 |
| 3 | Proposed Construction of Masalani Sub County Administration offices | Masalani | 89,338,394 | 30,482,833 | 34 |
| 4 | Routine maintenance of Bura-ali road | Ijara | 29,644,990 | 18,365,517 | 62 |
| 5 | Improvement of Fafi/Ijara Road | Fafi/Ijara | 95,125,800 | 18,200,789 | 19 |
| 6 | Augmentation of Masalani water supply | Masalani | 23,963,280 | 11,636,291 | 49 |
| 7 | Routine maintenance of Sankuri-Abdisemet Road | Balambala | 18,260,870 | 10,578,538 | 58 |
| 8 | Routine maintenance of Sheikh Hassan-Dertu | Garissa | 14,500,005 | 8,250,415 | 57 |
| 9 | Routine maintenance of Gababa-Junction Road | Garissa | 20,018,120 | 7,429,311 | 37 |
| 10 | Sankuri Water Supply | Sankuri | 16,105,338 | 6,623,540 | 41 |

***Source:*** *Garissa County Treasury*

### 3.7.8 Budget Performance by County Department

Table 3.21 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.21: Garissa County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock and Co-operative | 210.27 | 370 | 163.69 | 82.98 | 159.90 | 70.40 | 97.7 | 84.8 | 76.0 | 19.0 |
| Environment, Energy and Natural | 52.50 | 30 | 26.41 | - | 25.10 | - | 95.0 | - | 47.8 | - |
| Roads and Transport | 83.36 | 100 | 35.88 | - | 33.22 | - | 92.6 | - | 39.9 | - |
| Trade, Enterprises Development and Tourism | 88.94 | 170 | 55.47 | 54.20 | 54.78 | 50.20 | 98.8 | 92.6 | 61.6 | 29.5 |
| Health and Sanitation | 2,161.47 | 520 | 1,154.98 | - | 838.24 | - | 72.6 | - | 38.8 | - |
| Education and Labour | 653.15 | 75.36 | 332.79 | 63.32 | 331.20 | 59.84 | 99.5 | 94.5 | 50.7 | 79.4 |
| County Assembly | 711.00 | 70 | 330.40 | - | 326.17 | - | 98.7 | - | 45.9 | - |
| Executive Services | 276.34 | 180 | 131.37 | 178.76 | 130.29 | 165.69 | 99.2 | 92.7 | 47.1 | 92.1 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Finance and Economic planning | 979.72 | 300 | 286.18 | - | 280.72 | - | 98.1 | - | 28.7 | - |
| Gender, Social services and sports | 76.59 | 281 | 64.23 | - | 63.10 | - | 98.2 | - | 82.4 | - |
| Water and Irrigation | 171.61 | 1,680 | 171.33 | 70 | 165.60 | 52.00 | 96.7 | 74.3 | 96.5 | 3.1 |
| Land ,Housing and Urban | 244.19 | 443.51 | 178.70 | 233.51 | 170.90 | 145.90 | 95.6 | 62.5 | 70.0 | 32.9 |
| County Public services Board | 51.04 | - | 16.68 | - | 15.70 | - | 94.1 | - | 30.8 | - |
| **Total** | **5,760.18** | **4,219.87** | **2,948.11** | **682.77** | **2,594.92** | **544.03** | **88.0** | **79.7** | **45.0** | **12.9** |

***Source:*** *Garissa County Treasury*

Analysis of expenditure by department shows that the Executive Services Department recorded the highest absorption rate of development budget at 92.1 per cent followed by Department of Education and Labour at 79.4 per cent. The Department of Water & Irrigation had the highest percentage of recurrent expenditure to recurrent budget at 96.5 per cent while the Department of Finance and Economic Planning had the lowest at 28.7 per cent.

### 3.7.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development budget compared to a similar period of FY 2017/18.
ii. Although the own source revenue represented 18.2 per cent of annual target, it was an improvement of 78.7 per cent compared to a similar period in FY 2017/18

Despite the above progress, the following challenges continued to hamper effective budget implementation:

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
2. High personnel emolument costs, which accounted for 68.9 per cent of total expenditure during the reporting period. A high wage bill may affect implementation of development projects.

The County should implement the following recommendations in order to improve budget execution;

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Public Service Board should establish and implement an optimal staffing structure in order to manage the wage bill.*

## 3.8 Homa Bay County

### 3.8.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget is Kshs.7.73 billion, comprising of Kshs.4.97 billion (64.4 per cent) and Kshs 2.76 billion (35.6 per cent) allocation for recurrent and development expenditure respectively.

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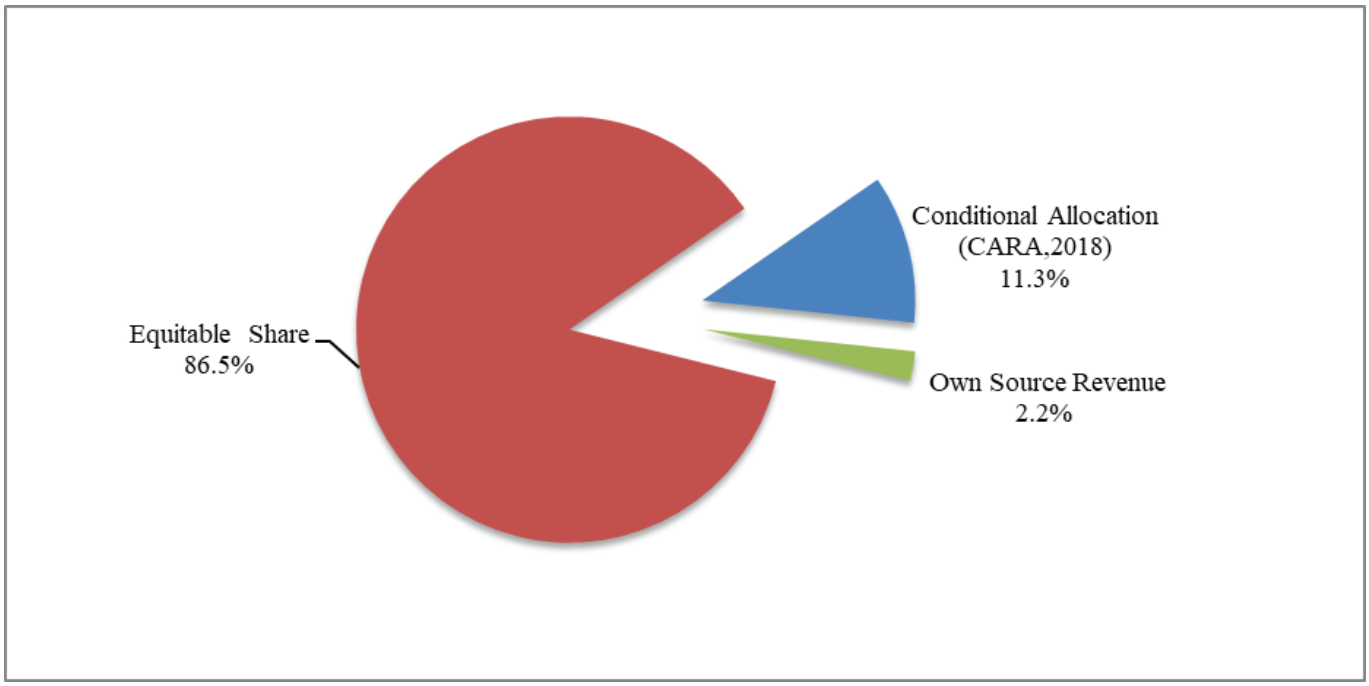
To finance the budget, the County expects to receive Kshs.6.69 billion (86.5 per cent) as equitable share of revenue raised nationally, Kshs.870.9 million (11.3 per cent) as total conditional grants, generate Kshs.173 million (2.2 per cent) from own-source revenue. The County did not budget for cash balance from FY 2017/18 which amounted to Kshs.591.16 million.

**Figure 3.28: Homa Bay County, Sources of Budget Financing in FY 2018/19**




***Source:*** *Homa Bay County Treasury*

The conditional grants contained in the CARA, 2018 consist of; include Kshs.200 million (23.2 per cent) for Leasing of Medical Equipment, Kshs.176.09 million (20.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.140.44 million (16.3 per cent) as World Bank loan for National Agriculture and Rural Inclusive Growth Project, Kshs.119.36 million (13.8 per cent) for Kenya Urban Support Project, Kshs.85.82 million (9.9 per cent) World Bank loan for Transforming Health System for Universal Care Project, Kshs.49.5 million (5.7 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.46.68 million (5.4 per cent) for Rehabilitation of Village Polytechnics, Kshs.21.87 million (2.5 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, and Kshs.22.18 million (2.6 per cent) as Compensation for User Fee Foregone.

### 3.8.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.07 billion as equitable share of revenue raised nationally, Kshs.156.44 million as total conditional grants, raised Kshs.37.09 million from own-source revenue, and had a cash balance of Kshs.591.16 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.86 billion.

Figure 3.29 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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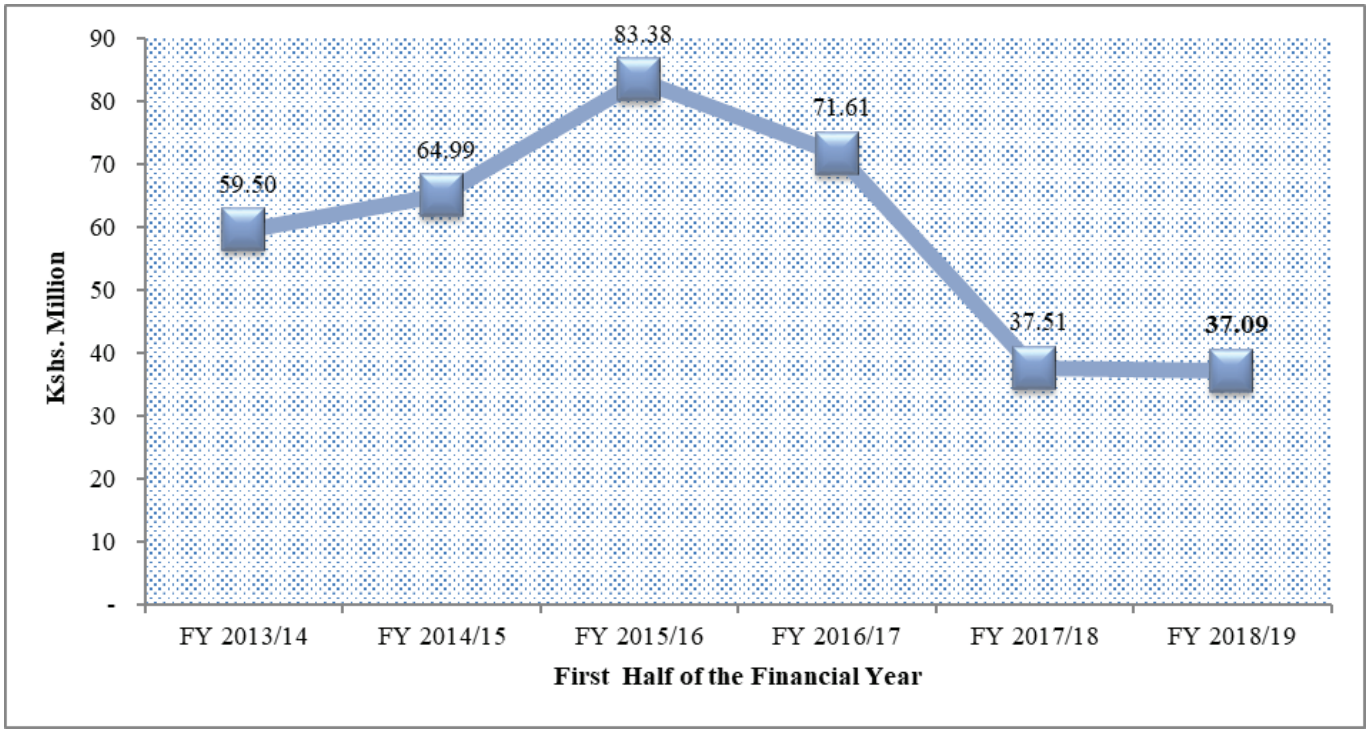
**Figure 3.29: Homa Bay County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Homa Bay County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.37.09 million as own-source revenue. This amount was a decrease of 1.1 per cent when compared to Kshs.37.51 million realised during the same period of FY 2017/18 and represented 21.4 per cent of the annual target.

### 3.8.3 Conditional Grants

The County received Kshs.156.44 million as conditional grants as shown in Table 3.22.

**Table 3.22: Homa Bay County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | Grants Contained in the CARA, 2018 | | | | |
| 1 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 2 | Road Maintenance Fuel Levy Fund | 176,094,481 | 176,094,481 | - | - |
| 3 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |
| 4 | Kenya Urban Support Project (KUSP) | 119,361,500 | 119,361,500 | 119,361,500 | 100.0 |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 85,820,342 | 85,820,342 | 15,955,798 | 18.6 |
| 6 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 49,500,526 | 49,500,526 | - | - |
| 7 | Rehabilitation of Village Polytechnics | 46,675,000 | 46,675,000 | - | - |
| 8 | DANIDA Grant | 21,870,000 | 30,818,129 | 10,935,000 | 35.5 |
| 9 | Compensation for User Fee Foregone | 22,185,346 | 22,185,346 | - | - |

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| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| **Sub Total** | | 861,942,358 | 870,890,487 | 146,252,298 | 16.8 |
| B | **Other Grants** | | | | |
| 10 | UN Habitat- Nyakwere Market Upgrade | - | - | 10,188,000 | - |
| **Total** | | **861,942,358.0** | **870,890,487.0** | **156,440,298.0** | **18.0** |

***Source:*** *Homa Bay County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.8.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.50 billion from the CRF account. The withdrawals represented 32.3 per cent of the Approved Budget and translate to an increase of 2.5 per cent from Kshs.2.43 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.19 billion (87.8 per cent) to fund recurrent expenditure and Kshs.305 million (12.2 per cent) for development activities.

### 3.8.5 Overall Expenditure Review

The County government spent a total of Kshs.2.38 billion on both recurrent and development activities. This expenditure represented 95.4 per cent of the total funds released from the CRF account and was a decrease of 0.6 per cent from Kshs.2.39 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.537.01 million for development activities and Kshs.52.32 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.08 billion while that on development activities was Kshs.302.75 million. The recurrent expenditure was 94.8 per cent of the funds released for recurrent activities, while development expenditure was 99.3 per cent of funds released for development activities.

The recurrent expenditure represented 41.7 per cent of the annual recurrent budget an increase from 41.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 11.0 per cent, which was a decrease from 15.1 per cent attained in the first half of FY 2017/18. Figure 3.30 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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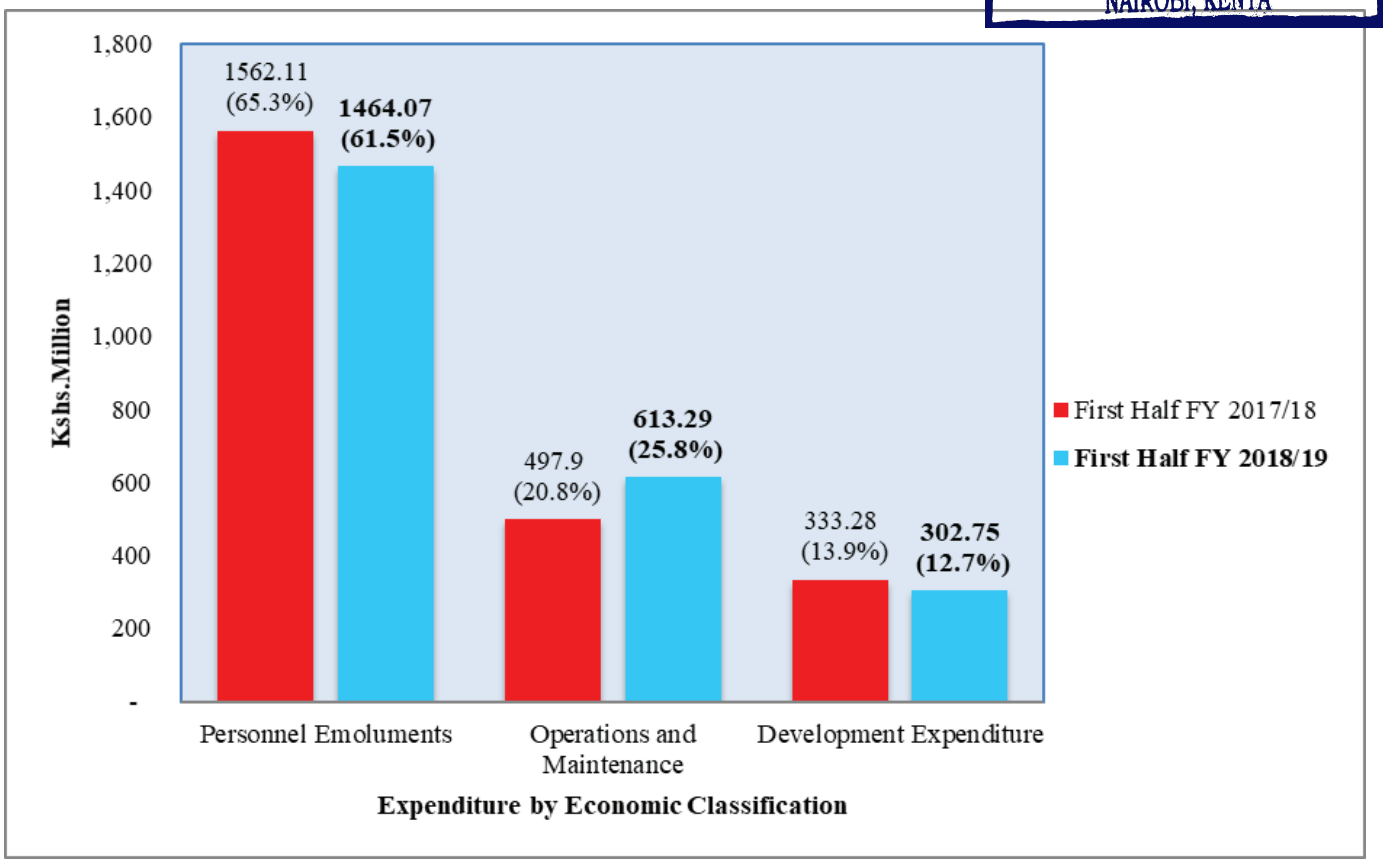
**Figure 3.30: Homa Bay County, Expenditure by Economic Classification**




***Source:*** *Homa Bay County Treasury*

### 3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.08 billion comprised of Kshs.1.46 billion (70.5 per cent) incurred on personnel emoluments and Kshs.613.29 million (29.5 per cent) on operations and maintenance as shown in Figure 3.30.

Expenditure on personnel emoluments represented a decrease of 6.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.56 billion, and was 61.5 per cent of total expenditure for the period. Figure 3.31 shows a summary of operations and maintenance expenditure by major categories.

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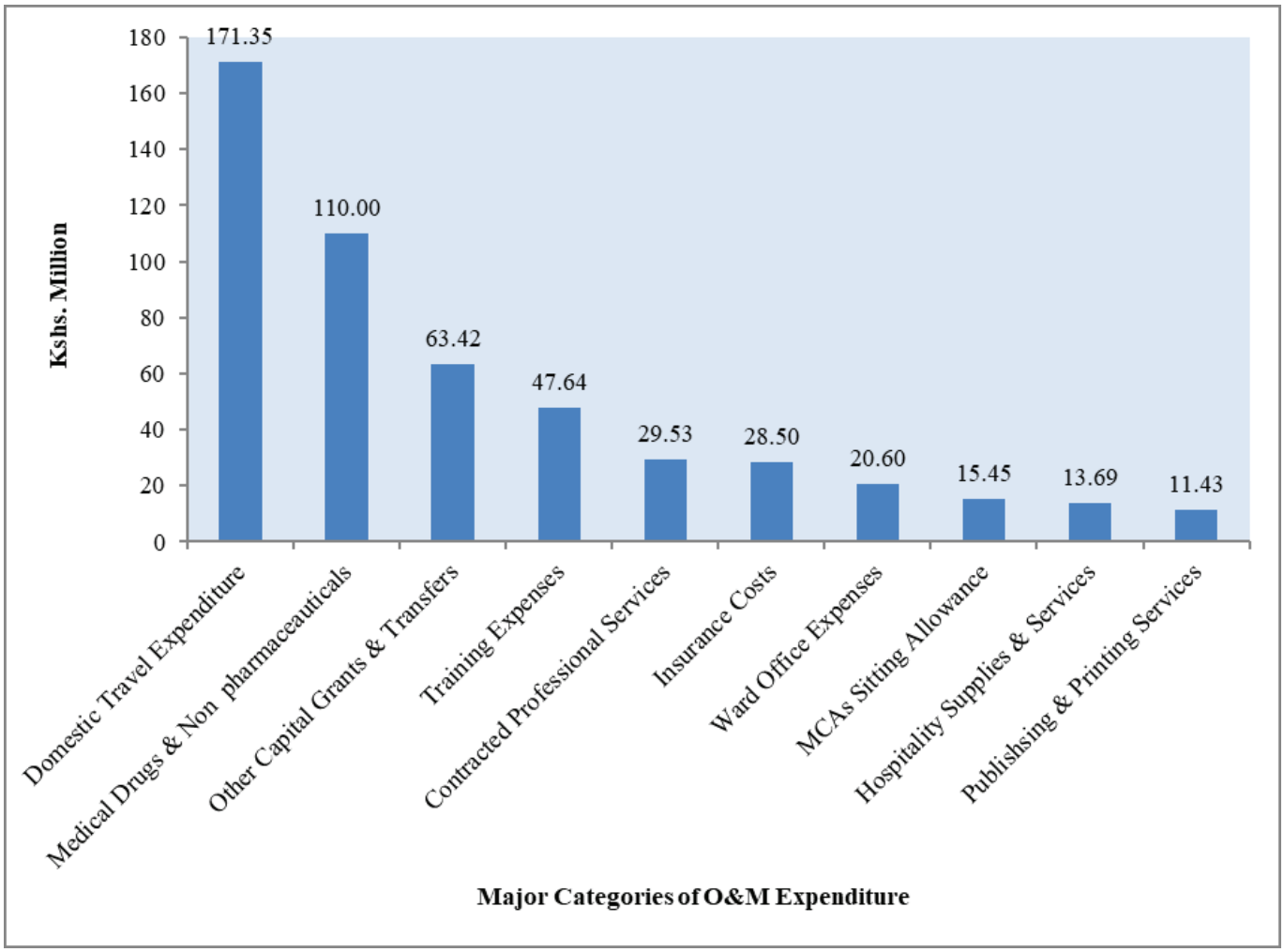
**Figure 3.31: HomaBay County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Homa Bay County Treasury*

The County spent Kshs.15.45 million on MCAs' committee sitting allowances for the 61 MCA against the annual budget allocation of Kshs.98.34million. This amount represented an increase of 50.9 per cent compared to Kshs.10.24 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.42,214 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.171.35 million and comprised of Kshs.53.94 million spent by the County Assembly and Kshs.117.41 million spent by the County Executive and represented 8.2 per cent of total recurrent expenditure.

### 3.8.7 Development Expenditure

The total development expenditure of Kshs.302.75 million represented 11 per cent of the annual development budget of Kshs.2.76 billion. Table 3.23 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.23: Homa Bay County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Other Infrastructure and Civil Works | All Wards | 1,051,878,400 | 144,525,057 | 14 |
| 2 | Pre-feasibility, Feasibility & Appraisal Studies | All Sub Counties | 208,834,960 | 2,824,800 | 1 |
| 3 | Maintenance of Roads ,Ports and Jetties | All Sub Counties | 195,543,214 | 6,153,097 | 3 |
| 4 | Engineering and Design Plans | All Sub Counties | 177,850,000 | 22,298,818 | 13 |
| 5 | Major Roads | All Sub Counties | 164,114,948 | 59,000,000 | 36 |
| 6 | Purchase of Medical and Dental Equipment | Homa Bay | 150,000,000 | 4,200,000 | 3 |
| 7 | Emergency Relief ( food, medicine , Blankets) | Across the County | 150,000,000 | 14,500,000 | 10 |
| 8 | Purchase of Educational Aids and Related Equipment | Across the County | 13,958,942 | 6,196,303 | 44 |
| 9 | Bridges | Across the County | 12,895,000 | 4,726,950 | 37 |
| 10 | Purchase of Graders | Homa Bay | 12,000,000 | 3,844,828 | 32 |

***Source:*** *Homa Bay County Treasury*

### 3.8.8 Budget Performance by County Department

Table 3.24 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.24: Homa Bay County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, Fisheries and Food Security | 193.18 | 202.54 | 100.40 | 21.39 | 110.85 | 33.01 | 110.4 | 154.4 | 57.4 | 16.3 |
| Tourism, Sports, Youth Gender, Culture and Social Services | 69.50 | 106.71 | 37.50 | 4.85 | 24.74 | 3.00 | 66.0 | 61.9 | 35.6 | 2.8 |
| Roads, Transport and Public Works | 72.74 | 501.80 | 50.50 | 26.00 | 48.07 | 117.81 | 95.2 | 453.1 | 66.1 | 23.5 |
| Energy and Mining | 34.74 | 75.46 | 23.60 | 5.70 | 20.72 | 2.00 | 87.8 | 35.1 | 59.6 | 2.7 |
| Education and ICT | 534.20 | 119.60 | 275.00 | 108.82 | 172.29 | 21.71 | 62.7 | 19.9 | 32.3 | 18.1 |
| Health Services | 2,073.69 | 440.39 | 827.54 | 7.70 | 963.64 | 20.54 | 116.4 | 266.8 | 46.5 | 4.7 |
| Lands, Housing, Urban Development and Physical Planning | 68.12 | 204.86 | 46.40 | 35.50 | 28.78 | 2.00 | 62.0 | 5.6 | 42.3 | 1.0 |
| Trade, Industrialization, Cooperatives and Enterprise Development | 192.18 | 150.41 | 123.60 | 37.30 | 86.50 | 16.74 | 70.0 | 44.9 | 45.0 | 11.1 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Water, Environment and Natural Resources | 152.77 | 311.99 | 98.20 | 57.74 | 61.45 | 32.53 | 62.6 | 56.3 | 40.2 | 10.4 |
| Finance, Economic Planning and Service Delivery | 111.15 | 503.12 | 80.40 | - | 62.59 | 24.79 | 77.8 | - | 56.3 | 4.9 |
| Office of the Governor | 533.92 | 78.00 | 211.00 | - | 238.19 | 28.12 | 112.9 | - | 44.6 | 36.1 |
| County Public Service Board | 33.43 | 1.00 | 13.20 | - | 9.73 | 0.50 | 73.7 | - | 29.1 | 50.0 |
| County Assembly | 907.26 | 59.32 | 303 | - | 249.80 | | 82.4 | - | 27.5 | - |
| **Total** | **4,976.89** | **2,755.20** | **2,190.34** | **305.00** | **2,077.36** | **302.75** | **94.8** | **99.3** | **41.7** | **11.0** |

***Source:*** *Homa Bay County Treasury*

Analysis of expenditure by department shows the County Public Service Board recorded the highest absorption rate of development budget at 50 per cent while the County Assembly did not incur any development expenditure. The Department of Roads, Transport and Public Works had the highest percentage of recurrent expenditure to recurrent budget at 66.1 per cent while the County Assembly had the lowest at 27.5 per cent.

### 3.8.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports contrary to Section 166 of the PFM Act, 2012.
2. Failure by the County to budget for the unspent cash balance from FY 2017/18 of Kshs.591.16 million. This affected payment of pending bills.
3. High wage bill which accounted for 61.7 per cent of the total expenditure during the reporting period thus constraining funding to other programmes.
4. Spending of own-source revenue at source in contravention of Section 109 of the PFM Act 2012. From analysis of bank statements and expenditure returns, the Office noted that the Department of Trade, Industrialisation, Cooperatives and Enterprise Development did not bank all its revenue receipts, specifically liquor licencing fees into the CRF account.
5. Failure by the County to budget for the UN-Habitat grant of Kshs.10.19 million which was received during the reporting period.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County should budget for the unspent cash balance from FY 2017/18 in the Supplementary Budget.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

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4. *The County should adhere to Section 109 of the PFM Act, 2012 and bank all revenue receipts intact into the CRF account.*
5. *The County should budget for all revenue streams in the Supplementary Budget.*

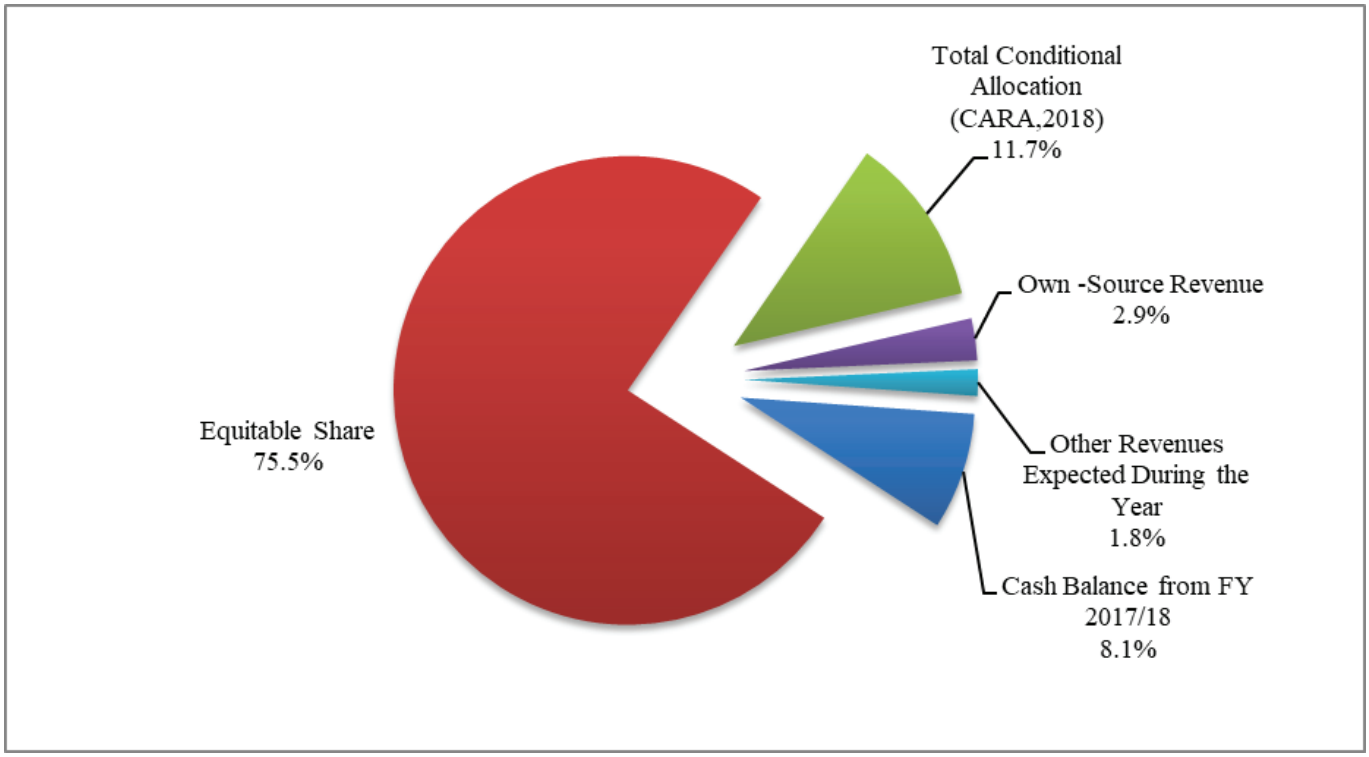
## 3.9 Isiolo County

### 3.9.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget is Kshs.5.20 billion, comprising of Kshs.3.15 billion (60.5 per cent) and Kshs.2.05 billion (39.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.93 billion (75.5 per cent) as equitable share of revenue raised nationally, Kshs.696.97 million (13.4 per cent) as total conditional grants, generate Kshs.150.86 million (2.9 per cent) from own source of revenue, and Kshs.418.66 million (8.1 per cent) cash balance from FY 2017/18.

**Figure 3.32: Isiolo County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Isiolo County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.66.23 million (9.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (22.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.38,67 million (5.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.93.97 million (13.9 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.12.66 million (1.9 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.22.03 million (3.3 per cent) grant from Sweden Agricultural Sector Development Support Programme (ASDSP), Kshs.41.20 million (6.1 per cent) from IDA (World Bank) credit for Kenya Urban Support Project ( FY 2017/18 and 2018/19), Kshs.121 million (18 per cent) Supplement for Construction of County Headquarters, Kshs.3.47 million (0.5 per cent) as Compensation for User Fees Foregone, Kshs.103.34 million (15.3 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.21.24 million (3.2 per cent) for Rehabilitation of Village Polytechnics.

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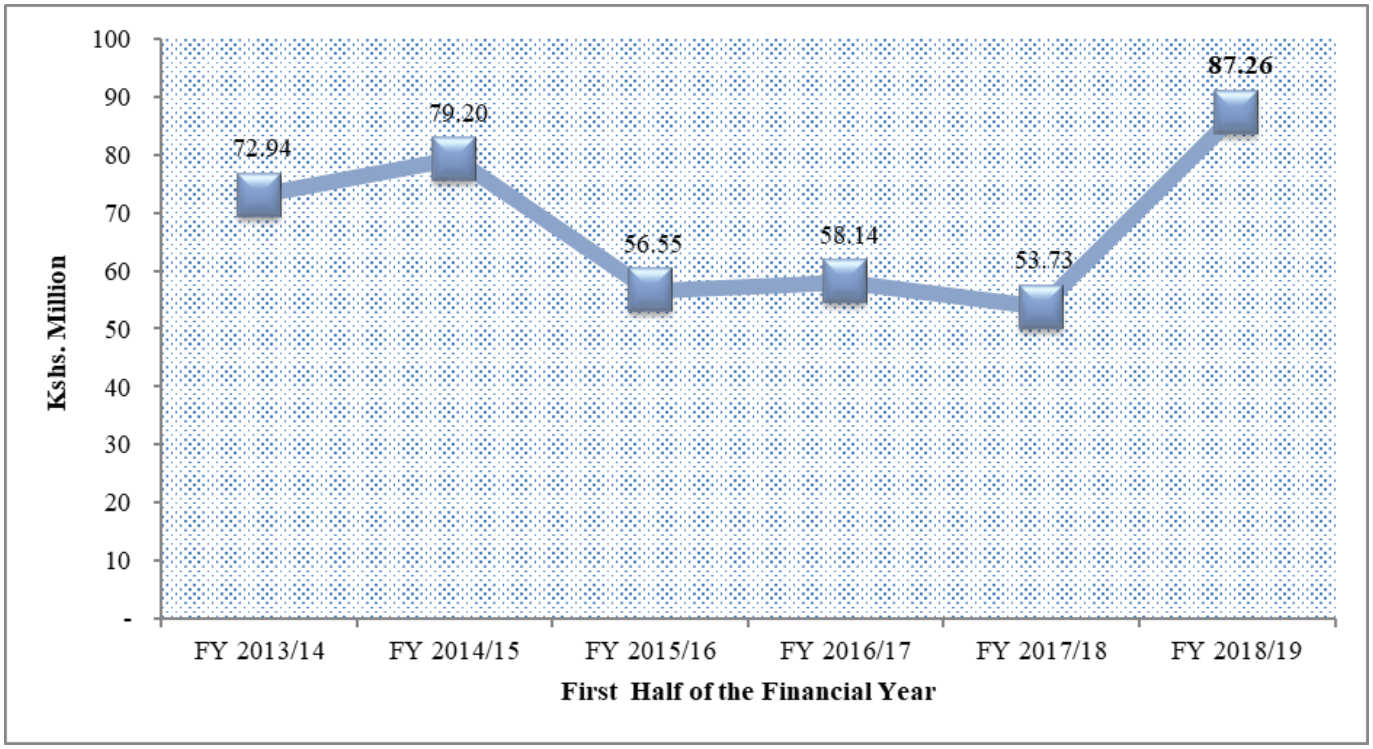
The County also budgeted to receive Kshs.9.02 million as grant for Food and Agriculture Organization of the United Nations-Livestock grant programme, which is not contained in the

### 3.9.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.22 billion as equitable share of revenue raised nationally, Kshs.238.82 million as total conditional grants, raised Kshs.87.26 million from own source revenue, and had a cash balance of Kshs.418.66 million from FY 2017/18. The total available funds amounted to Kshs.1.96 billion.

Figure 3.33 shows the half yearly trend in own source revenue collection from the first half of FY 2013/14 to the first half of FY 2018/19.

**Figure 3.33: Isiolo County, Trend in Own Source Revenue Collection to the First Half of FY 2018/19**




***Source:*** *Isiolo County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.87.26 million as own-source revenue. This amount represented an increase of 62.4 per cent over the Kshs.53.73 million realised during the same period of the FY 2017/18 and was 57.8 per cent of the annual target.

### 3.9.3 Conditional Grants

The County received Kshs.238.82 million as conditional grants as shown in Table 3.25.

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**Table 3.25: Isiolo County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 32,966,823 | 22 |
| 2 | Supplement for Construction of County Headquarters | 121,000,000 | 121,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 103,341,833 | 103,341,833 | - | - |
| 4 | Kenya Urban Support Project (KUSP) | 93,968,100 | 93,968,100 | 93,968,100 | 100 |
| 5 | Transforming Health Systems for Universal Care Project- (WB) | 66,229,830 | 66,229,830 | 6,188,976 | |
| 6 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 38,668,826 | 38,668,826 | 4,853,724 | 12.6 |
| 7 | Rehabilitation of Village Polytechnics | 21,235,000 | 21,235,000 | - | - |
| 8 | DANIDA Grant | 12,656,250 | 12,656,250 | 6,328,125 | 50 |
| 9 | Compensation for User Fee Foregone | 3,472,461 | 3,472,461 | - | - |
| 10 | Urban Support Project- | 41,200,000 | 41,200,000 | - | - |
| 11 | Road Levy Fund balance from FY2017/18 | - | 23,164,758 | 23,164,758 | 100 |
| 12 | Sweden Agricultural Sector Development Support Programme (ASDSP) | 22,028,970 | 22,028,970 | - | - |
| **Sub Total** | | **673,801,270** | **696,966,028** | **167,470,506** | **24** |
| B | **Other Grants** | | | | |
| 13 | Food and Agriculture Organization of the United Nations-Livestock grant | - | 9,023,720 | - | - |
| 14 | Universal Health Care Project | - | - | 71,349,047 | - |
| **Sub Total** | | - | 9,023,720 | 71,349,047 | - |
| **Total** | | **673,801,270.0** | **705,989,748.0** | **238,819,553.4** | **33.8** |

***Source:*** *Isiolo County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, Road Levy Fund grant and the DANIDA grant. The receipts accounted for 100 per cent, 100 per cent and 50 per cent of annual allocation respectively.

### 3.9.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.1.38 billion from the CRF account. The withdrawals represented 26.5 per cent of the Approved Budget and translate to an increase of 37.5 per cent from Kshs.1 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.30 billion (94.4 per cent) to fund recurrent expenditure and Kshs.77.19 million (5.6 per cent) for development activities.

### 3.9.5 Overall Expenditure Review

The County government spent a total of Kshs.946.39 million on recurrent activities. The total expenditure represented 68.6 per cent of the total funds released from the CRF account and was a decline of 7.3 per cent from Kshs.1.02 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.13.72 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.946.39 million. There was no development expenditure. The recurrent expenditure was 72.7 per cent of the funds released for recurrent activities. The recurrent

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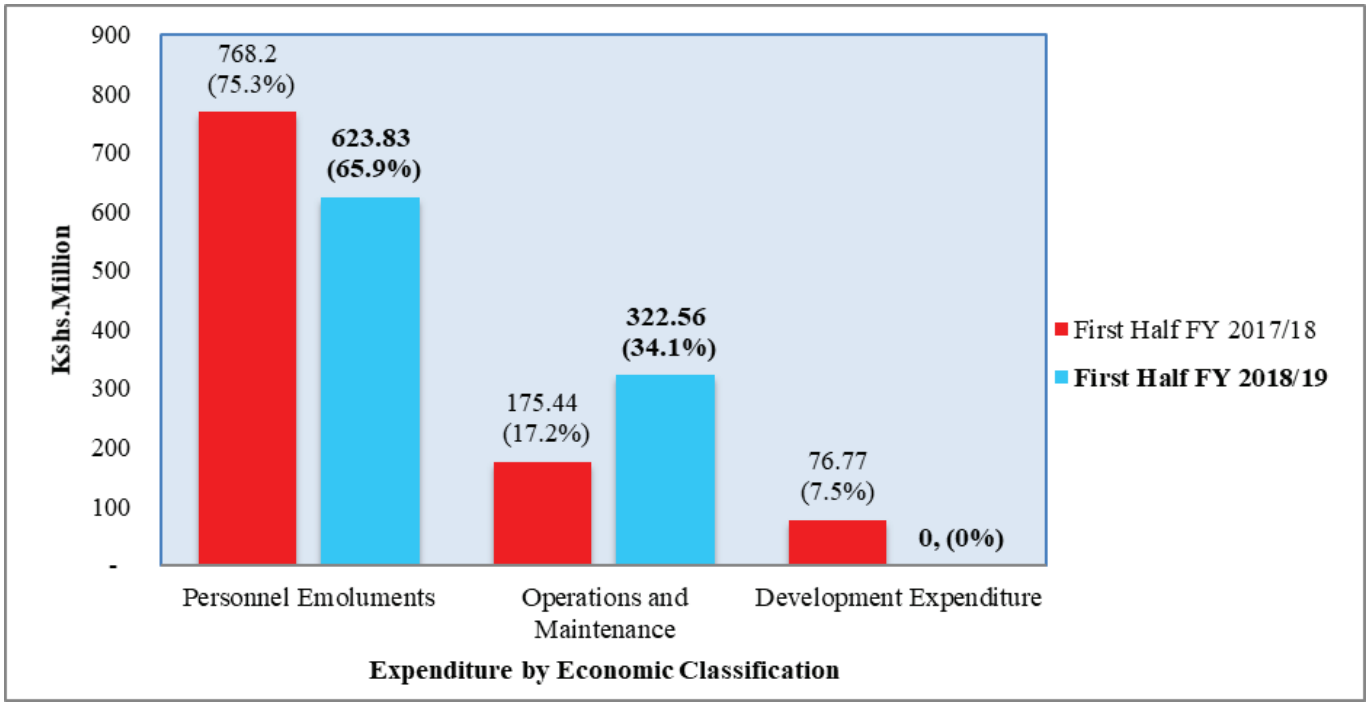
expenditure represented 30.1 per cent of the annual recurrent budget, a decrease from 64.3 per cent recorded in the first half of FY 2017/18.Figure 3.34 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

**Figure 3.34: Isiolo County, Expenditure by Economic Classification**




***Source:*** *Isiolo County Treasury*

### 3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.946.39 million comprised of Kshs.623.83 million (65.9 per cent) incurred on personnel emoluments and Kshs.322.56 million (34.1 per cent) on operations and maintenance as shown in Figure 3.34.

Expenditure on personnel emoluments represented a decrease of 18.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.768.20 million, and was 65.9 per cent of total expenditure in the first half of FY 2018/19. Figure 3.35 shows a summary of operations and maintenance expenditure by major categories.

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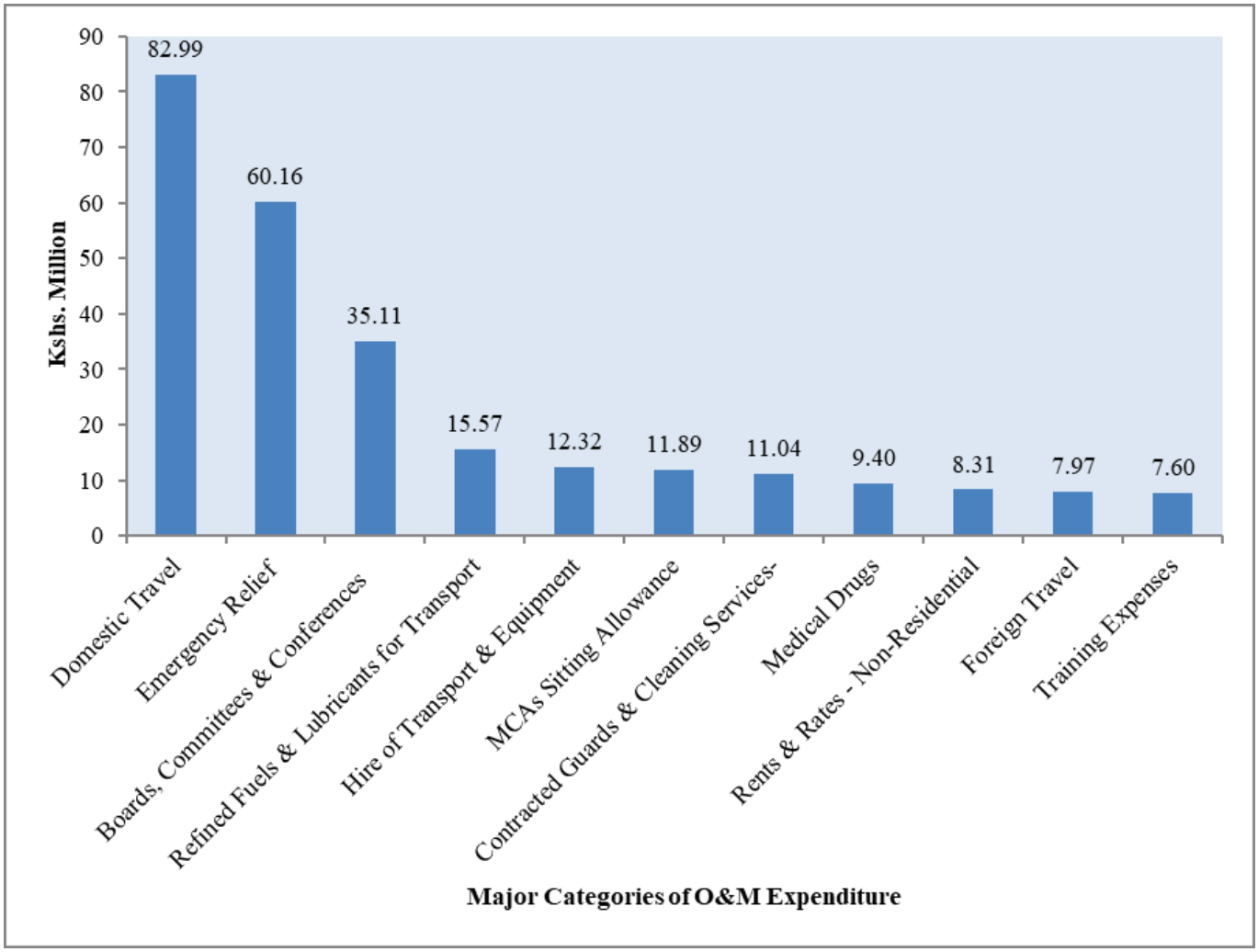
**Figure 3.35: Isiolo County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Isiolo County Treasury*

The County spent Kshs.11.89 million on MCAs' committee sitting allowances for the 18 MCAs against the annual budget allocation of Kshs.26.53 million. This represented an increase of 222.3 per cent compared to Kshs.3.69 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.110,075 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.82.99 million and comprised of Kshs.36.18 million spent by the County Assembly and Kshs.46.81 million spent by the County Executive. This represented 8.8 per cent of total recurrent expenditure and was an increase of 88.8 per cent compared to Kshs.48.33 million spent in the first half of FY 2017/18.

### 3.9.7 Development Expenditure

There was no development expenditure during the reporting period.

### 3.9.8 Budget Performance by County Department

Table 3.26 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

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## Table 3.26: Isiolo County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 415.28 | 85.00 | 195.00 | - | 160.99 | - | 82.6 | - | 38.8 | - |
| Office of the Governor | 277.21 | 50.00 | 127.92 | - | 76.68 | - | 59.9 | - | 27.7 | - |
| County Public Service Board | 74.32 | - | 31.71 | - | 9.80 | - | 30.9 | - | 13.2 | - |
| County Secretary | 25.94 | 3.94 | 11.28 | - | 3.14 | - | 27.8 | - | 12.1 | - |
| Administration and PSM | 125.47 | 29.80 | 17.00 | - | 3.32 | - | 19.5 | - | 2.6 | - |
| Delivery Unit | 10.48 | - | 0.68 | - | 0.52 | - | 76.5 | - | 5.0 | - |
| Office of the Deputy Governor | 24.00 | - | 7.93 | - | 2.02 | - | 25.5 | - | 8.4 | - |
| Cohesion, Intergovernmental Relations, Aid Coordination, Disaster Management | 44.54 | - | 19.90 | - | 18.57 | - | 93.3 | - | 41.7 | - |
| Finance and Economic Planning | 220.09 | 300.91 | 128.10 | - | 32.04 | - | 25.0 | - | 14.6 | - |
| Special Programmes and ICT | 160.06 | 47.45 | 28.13 | - | 13.41 | - | 47.7 | - | 8.4 | - |
| Economic Planning | 42.65 | - | - | - | 7.75 | - | - | - | 18.2 | - |
| Lands and Physical Planning | 24.02 | 34.39 | 8.46 | - | 6.55 | - | 77.4 | - | 27.3 | - |
| Roads and Infrastructure | 15.60 | 205.23 | 4.03 | 23.16 | 3.59 | - | 89.1 | - | 23.0 | - |
| Public Works and Housing | 26.47 | 10.00 | 7.95 | - | 7.30 | - | 91.8 | - | 27.6 | - |
| Municipal Administration | 63.17 | 296.47 | 4.10 | - | 2.90 | - | 70.8 | - | 4.6 | - |
| Agriculture | 53.68 | 223.00 | 21.26 | 5.56 | 11.64 | - | 54.8 | - | 21.7 | - |
| Livestock, Veterinary and Fisheries | 102.08 | 74.91 | 47.80 | - | 26.60 | - | 55.6 | - | 26.1 | - |
| Education and Vocational Training | 225.21 | 89.97 | 76.00 | 32.97 | 66.84 | - | 88.0 | - | 29.7 | - |
| Youth and Sports | 21.95 | 179.50 | 3.43 | 15.50 | 2.41 | - | 70.1 | - | 11.0 | - |
| Culture and Social Services | 19.42 | 17.10 | 6.18 | - | 4.18 | - | 67.6 | - | 21.5 | - |
| Tourism and Wildlife Management | 144.30 | 20.87 | 63.84 | - | 27.27 | - | 42.7 | - | 18.9 | - |
| Trade, Industries, Cooperatives | 25.37 | 6.75 | 10.27 | - | 7.58 | - | 73.7 | - | 29.9 | - |
| Water and Irrigation | 60.27 | 103.87 | 39.44 | - | 18.33 | - | 46.5 | - | 30.4 | - |
| Environment and Natural Resources | 34.43 | 15.68 | 18.86 | - | 3.20 | - | 16.9 | - | 9.3 | - |
| Health Services | 910.58 | 259.08 | 422.27 | - | 429.79 | - | 101.8 | - | 47.2 | - |
| **Total** | **3,146.60** | **2,053.91** | **1,301.52** | **77.19** | **946.39** | **-** | **72.7** | **-** | **30.1** | **-** |

***Source:*** *Isiolo County Treasury*

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Analysis of expenditure by departments shows that the Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 47.2 per cent while the Department of Administration and Public Service Management had the lowest at 2.6 per cent.

### 3.9.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own-source revenue collection by 62.4 per cent compared to a similar period of the FY 201718.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of budget implementation reports.
2. Delay in implementation of development projects as evidenced by failure to report any development expenditure during the first half of FY 2018/19.
3. Failure by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan Fund, and the County Bursary Funds contrary to Section 168 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations contrary to Section 155 of PFM Act 2012.
5. Failure to constituted the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012 for consultation in the budget making process.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with section 166 of PFM Act, 2012.*
2. *The County should prioritize implementation of the development activities.*
3. *The Bursary and County Assembly Members Car Loan, Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.*

## 3.10 Kajiado County

### 3.10.1 Overview of the FY 2018/19 Budget

The Approved Budget for FY 2018/19 was Kshs.9.51 billion, comprising of Kshs.5.44 billion (57.2 per cent) and Kshs.4.07 billion (42.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.99 billion (63 per cent) as equitable share of revenue raised nationally, Kshs.732.78 million (7.7 per cent) as total conditional grants, generate Kshs.1.58 billion (16.6 per cent) from own sources, and Kshs.1.20 billion (12.6 per cent) cash balance from FY 2017/18.

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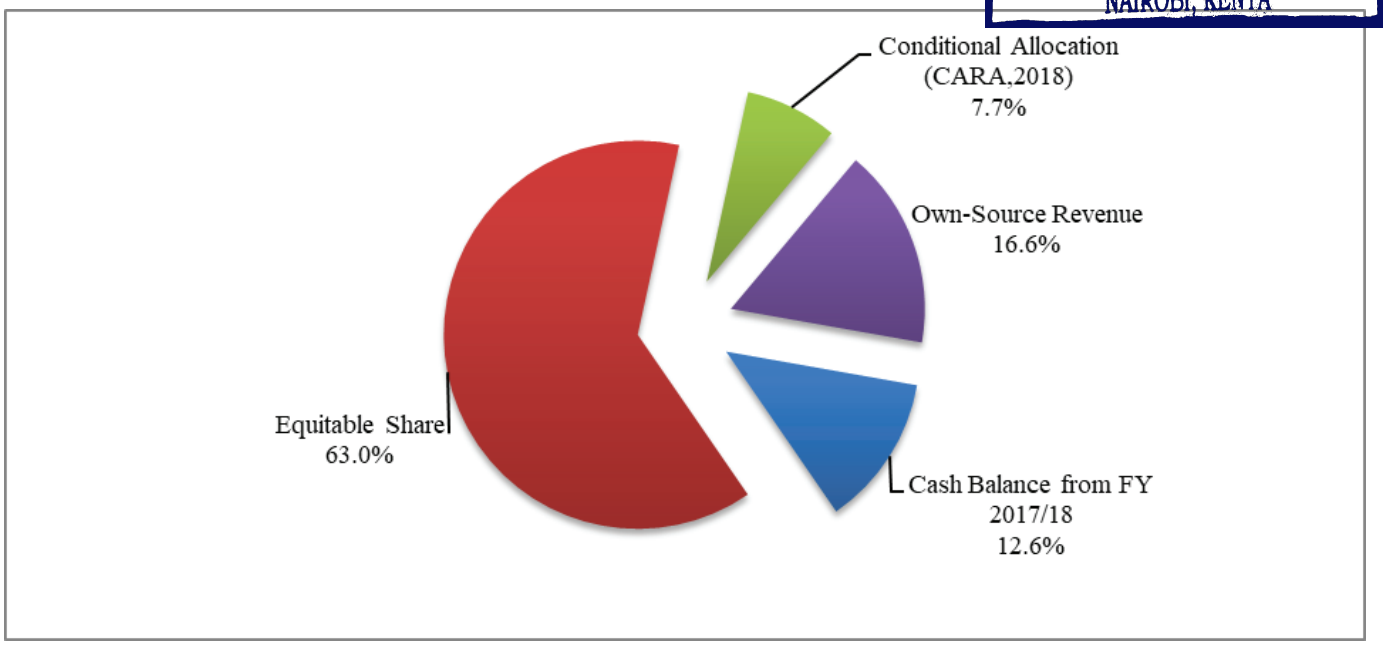
**Figure 3.36: Kajiado County Sources of Budget Financing in FY 2018/19**




***Source**: Kajiado County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.62.48 million (6.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (12.6 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.45.86 million (5 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.265.95 million (28.7 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.19.34 million (3.6 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.17 million (1.8 per cent) as Compensation for User Fees Foregone, Kshs.157.91 million (17.1 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.40.35 million (4.4 per cent) for Rehabilitation of Village Polytechnics.

### 3.10.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.13 billion as equitable share of revenue raised nationally, Kshs.66.69 million as total conditional grants, raised Kshs.363.89 million from own-source revenue, and had a cash balance of Kshs.1.2 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.76 billion.

Figure 3.37 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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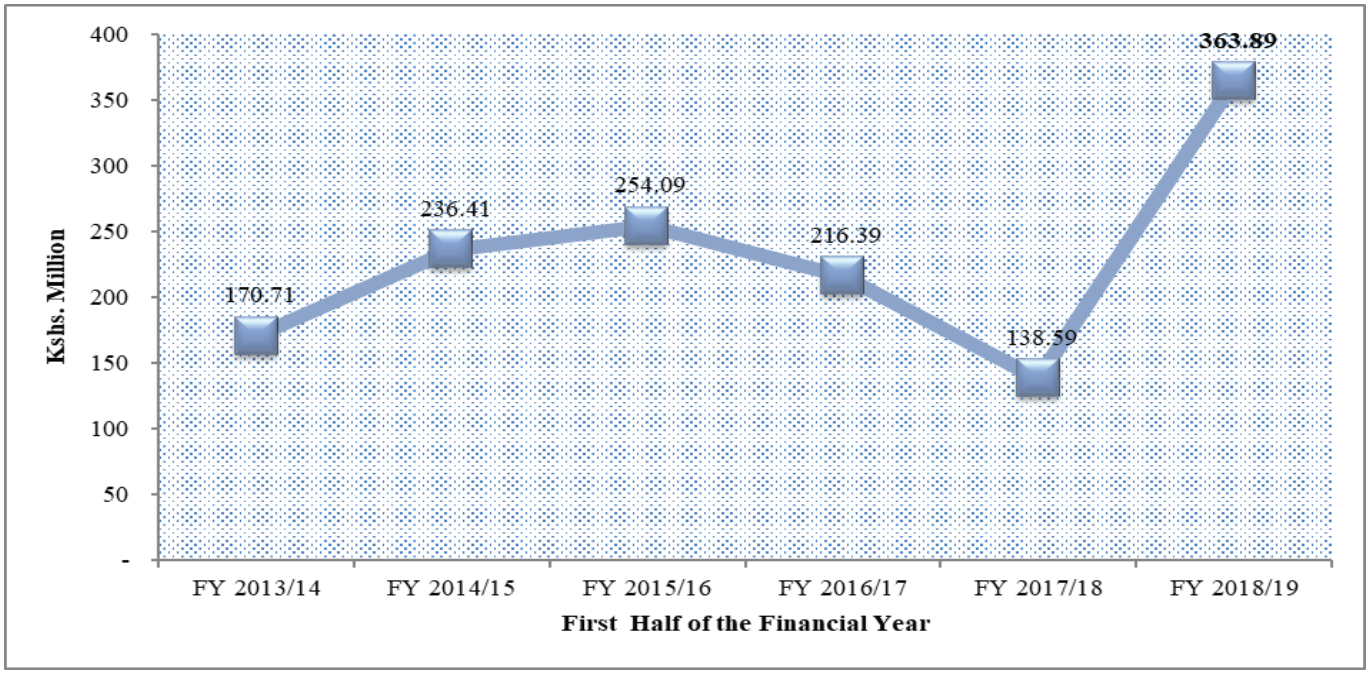
**Figure 3.37: Kajiado County, Trend in Own-Source Revenue Collection in the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source**: Kajiado County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.363.89 million from own-source revenue sources. This amount was an increase of 54.7 per cent when compared to Kshs.138.59 million realised during the same period of FY 2017/18 and represented 23 per cent of the annual target.

### 3.10.3 Conditional Grants

The County received Kshs.66.69 million as conditional grants as shown in Table 3.27.

**Table 3.27: Kajiado County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants Contained in the CARA, 2018 | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Compensation for User Fee Foregone | 16,995,365 | 16,955,365 | - | - |
| 2 | Leasing of Medial Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy | 157,906,319 | 157,906,319 | - | - |
| 4 | Rehabilitation of Village Polytechnics | 40,345,000 | 40,345,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 62,478,710 | 62,478,710 | 15,717,778 | 25.2 |
| 6 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 34,359,919 | 29.4 |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 45,860,424 | 45,860,424 | - | - |
| 8 | Kenya Urban Support Project (KUSP) | 265,950,300 | 265,960,300 | - | - |
| 9 | DANIDA Grant | 19,338,750 | 26,277,348 | 16,607,973 | 63.2 |
| 10 | Agriculture Sector Development Support Programme (ASDSP) | 20,305,981 | - | - | - |
| **Total** | | **946,180,849** | **732,783,466** | **66,685,670** | **9.1** |

***Source**: Kajiado County Treasury*

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Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant which accounted for 63.1 per cent of annual allocation.

### 3.10.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.81 billion from the CRF account. The withdrawals represented 29.5 per cent of the Approved Budget and translate to an increase of 41.9 per cent from Kshs.1.63 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.29 billion (81.7 per cent) to fund recurrent expenditure and Kshs.514.84 million (18.3 per cent) for development activities.

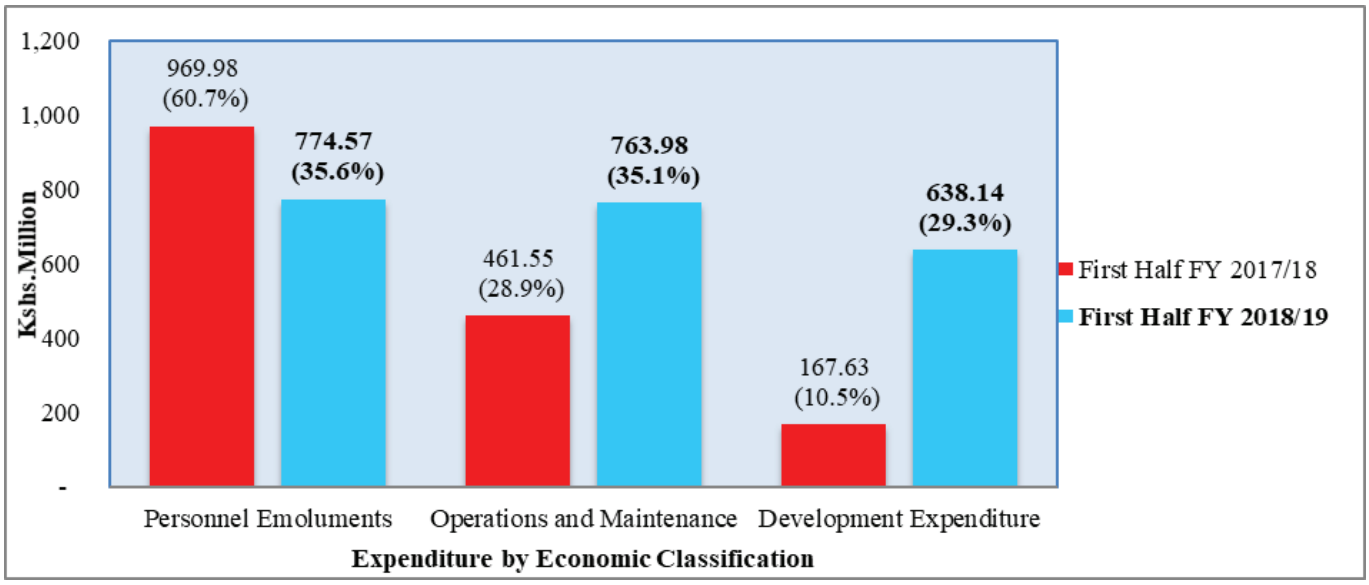
### 3.10.5 Overall Expenditure Review

The County government spent a total of Kshs.2.18 billion on both recurrent and development activities. This expenditure represented 77.5 per cent of the total funds released from the CRF account and was an increase of 36.1 per cent from Kshs.1.59 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.77.63 million for development activities and Kshs.208.54 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.54 billion while that on development activities was Kshs.638.14 million. The recurrent expenditure was 67.1 per cent of the funds released for recurrent activities, while development expenditure was 124 per cent of funds released for development activities.

The recurrent expenditure represented 28.3 per cent of the annual recurrent budget and was a decrease from 32.8 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 15.7 per cent, which was an increase from 9 per cent attained in the first half of FY 2017/18. Figure 3.38 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

**Figure 3.38: Kajiado County, Expenditure by Economic Classification**




***Source:*** *Kajiado County Treasury*

### 3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.54 billion comprised of Kshs.774.57 million (50.3 per cent) incurred on personnel emoluments and Kshs.763.98 million (49.7 per cent) on operations and maintenance as shown in Figure 3.38.

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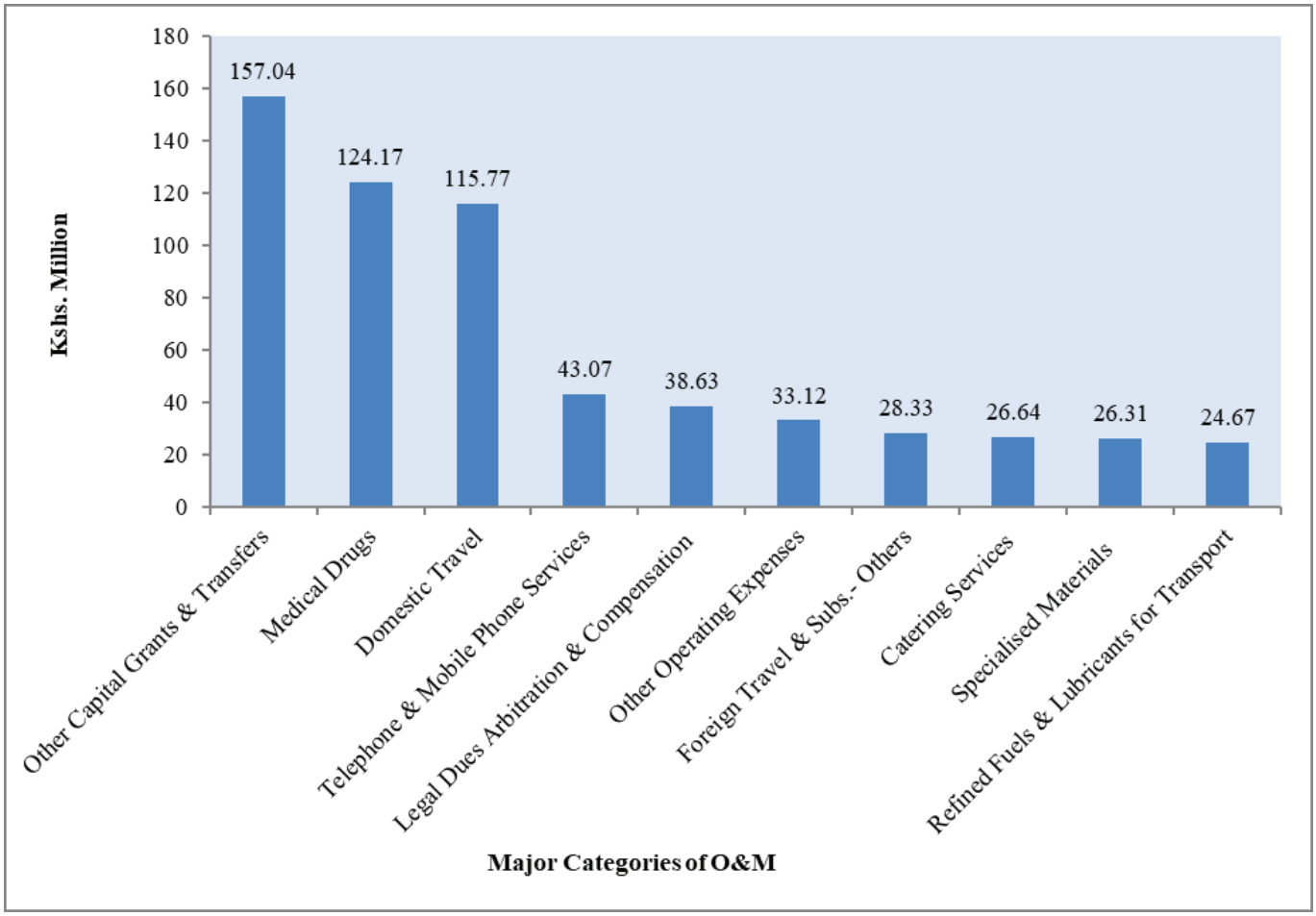
Expenditure on personnel emoluments represented a decrease of 20.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.969.98 million, and was 35.6 per cent of total expenditure for the period. Figure 3.39 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.39: Kajiado County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Kajiado County Treasury*

The County spent Kshs.8.83 million on MCAs' committee sitting allowances for the 42 MCAs against the annual budget allocation of Kshs.17.25 million. This amount represented an increase of 633.8 per cent compared to Kshs.1.20 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.35,057 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.144.10 million and comprised of Kshs.74.56 million spent by the County Assembly and Kshs.69.54 million spent by the County Executive. This represented 7.5 per cent of total recurrent expenditure.

### 3.10.7 Development Expenditure

The total development expenditure of Kshs.638.14 million represented 15.7 per cent of the annual development budget of Kshs.4.07 billion. Table 3.28 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.28: Kajiado County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Ngong Sport Complex | Ngong | 198,464,940 | 16,000,096 | 8 |
| 2 | Maternity Wing and Wards at Kajiado Referral Hospital | Ildamat | 66,467,983 | 21,621,588 | 33 |
| 3 | Construction of Dining Hall at Olkejuado High School | Dalalekutuk | 36,980,846 | 13,102,432 | 35 |
| 4 | Fencing of TARDA Farm in Emali | Kenyewa/Poka | 29,575,082 | 15,887,638 | 54 |
| 5 | Ongata Rongai Town Road | Ongata Rongai | 18,493,648 | 10,710,280 | 58 |
| 6 | World Medical Relief | HQ | 14,308,812 | 14,308,812 | 100 |
| 7 | Supply and Deliver of GIS and Related Equipment | HQ | 13,007,792 | 13,007,792 | 100 |
| 8 | Construction of Kajiado Market | Ildamat | 12,947,108 | 9,812,672 | 76 |
| 9 | Olgumi Box Culvert | Oloosirkon/Sholinke | 9,976,568 | 9,976,568 | 100 |
| 10 | Perimeter Fence at Kitengela Stadium | Oloosirkon/Sholinke | 9,838,888 | 9,838,888 | 100 |

***Source:*** *Kajiado County Treasury*

### 3.10.8 Budget Performance by County Department

Table 3.29 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.29: Kajiado County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor & Deputy Governor | 303.58 | - | 123.36 | - | 82.82 | - | 67.1 | - | 27.3 | - |
| County Public Service Board | 98.85 | - | 43.93 | - | 19.81 | - | 45.1 | - | 20.0 | - |
| Education & Vocational Training | 453.56 | 291.85 | 220.56 | 51.71 | 120.59 | 14.50 | 54.7 | 28.0 | 26.6 | 5.0 |
| Medical Services, Public Health & Sanitation | 1,986.38 | 386.50 | 878.17 | 36.96 | 560.15 | 24.50 | 63.8 | 66.3 | 28.2 | 6.3 |
| Youth, Sports, Gender & Social Services | 145.98 | 31.50 | 33.88 | - | 48.45 | - | 143.0 | - | 33.2 | - |
| Agriculture, Livestock, Fisheries & Cooperative Development | 340.50 | 266.00 | 198.36 | 29.57 | 80.15 | - | 40.4 | - | 23.5 | - |
| Water, Irrigation, Environment & Natural Resources | 198.30 | 371.00 | 111.92 | 35.55 | 58.64 | - | 52.4 | - | 29.6 | - |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Roads, Transport, Public Works, Housing & Energy | 144.21 | 831.91 | 79.69 | 66.11 | 42.81 | - | 53.7 | - | 29.7 | - |
| Public Service, Administration & Citizen Participation | 438.87 | 30.00 | 117.50 | - | 69.37 | 3.36 | 59.0 | - | 15.8 | 11.2 |
| County Treasury | 551.74 | 1,259.44 | 156.74 | 244.68 | 151.11 | 543.91 | 96.4 | 222.3 | 27.4 | 43.2 |
| Trade, Culture, Tourism & Wildlife | 76.28 | 103.50 | 24.98 | 9.81 | 15.50 | 10.04 | 62.0 | 102.3 | 20.3 | 9.7 |
| Lands & Physical Planning | 79.01 | 397.96 | 27.08 | - | 15.71 | - | 58.0 | - | 19.9 | - |
| County Assembly | 627.13 | 100 | 277.60 | 40.44 | 279.32 | 41.83 | 100.6 | 103.4 | 44.5 | 41.8 |
| **Total** | **5444.39** | **4,069.65** | **2,293.78** | **514.84** | **1,544.43** | **638.14** | **67.3** | **124.0** | **28.4** | **15.7** |

***Source:*** *Kajiado County Treasury*

Analysis of expenditure by department shows that the County Treasury recorded the highest absorption rate of development budget at 43.2 per cent followed by the Department of Public Service, Science Administration & Citizen Participation at 11.2 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 44.5 per cent while the Department of Public Service, Administration & Citizen Participation had the lowest at 15.8 per cent.

### 3.10.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own source revenue collection by over 100 per cent from Kshs.164.84 million generated in the first half of FY 2017/18 to Kshs.363.89 million in the reporting period.
ii. Improvement in the absorption of development budget compared to a similar period in FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. The County has not constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
2. Failure to designate Fund Administrators for the county funds contrary to Section 116 of the PFM Act, 2012 which has led to delays in submission of expenditure reports contrary to Section 168 of the PFM Act, 2012.
3. Failure to budget for all conditional grants as per CARA, 2018.

The County should implement the following recommendations in order to improve budget execution;

1. *The County should establish an effective CBEF in line with Section 137 of the PFM Act, 2012.*
2. *The County Executive Committee Member for Finance should designate Administrators for the County Funds in line with Section 116 of the PFM Act, 2012 and also ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018.*

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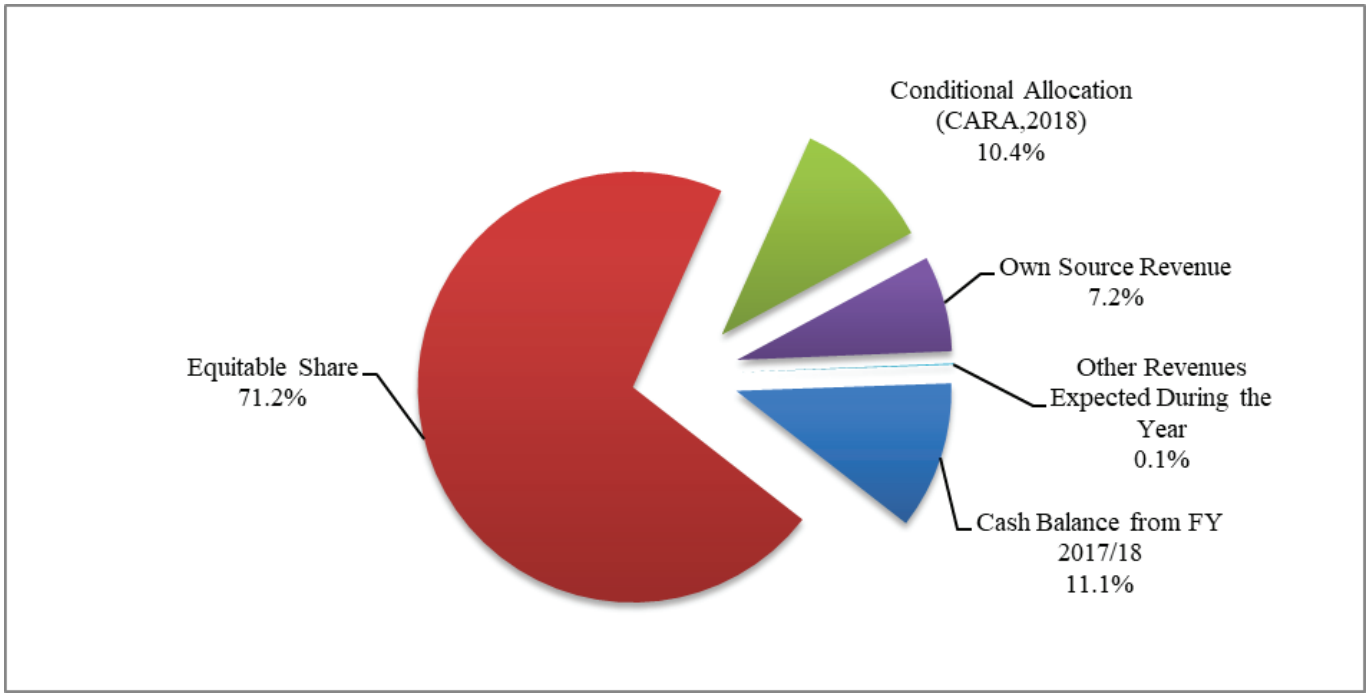
## 3.11 Kakamega County

### 3.11.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.14.51 billion, comprising of Kshs.7.50 billion (51.7 per cent) and Kshs.7.01 billion (48.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.33 billion (71.2 per cent) as equitable share of revenue raised nationally, Kshs.1.51 billion (10.4 per cent) as total conditional grants, generate Kshs.1.04 billion (7.2 per cent) from own sources, Kshs.14.43 million (0.1 per cent) in other revenues and Kshs.1.61 billion (11.1 per cent) cash balance from FY 2017/18.

**Figure 3.40: Kakamega County Sources of Budget Financing in FY 2018/19**




***Source**: Kakamega County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100.00 million (5.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (6.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.63.51 million (3.4 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.389.12 million (21 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.33.31 million (1.8 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.427.28 million (23 per cent) to Level-5 Hospital, Kshs.37.79 million (2 per cent) as Compensation for User Fees Foregone, Kshs.272 million (14.7 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.69.91 million (4.6 per cent) for Rehabilitation of Village Polytechnics.

In addition, the County budgeted to receive Kshs.14.43 million as grant for Kenya Agricultural Support Programme (KASP), which is not contained in the CARA, 2018.

### 3.11.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.20 billion as equitable share of revenue raised nationally, Kshs.675.37 million as total conditional grants, raised Kshs.212.93 million from own-source revenue, and had a cash balance of Kshs.1.3 billion from FY 2017/18. The total funds available for the period amounted to Kshs.5.39 billion.

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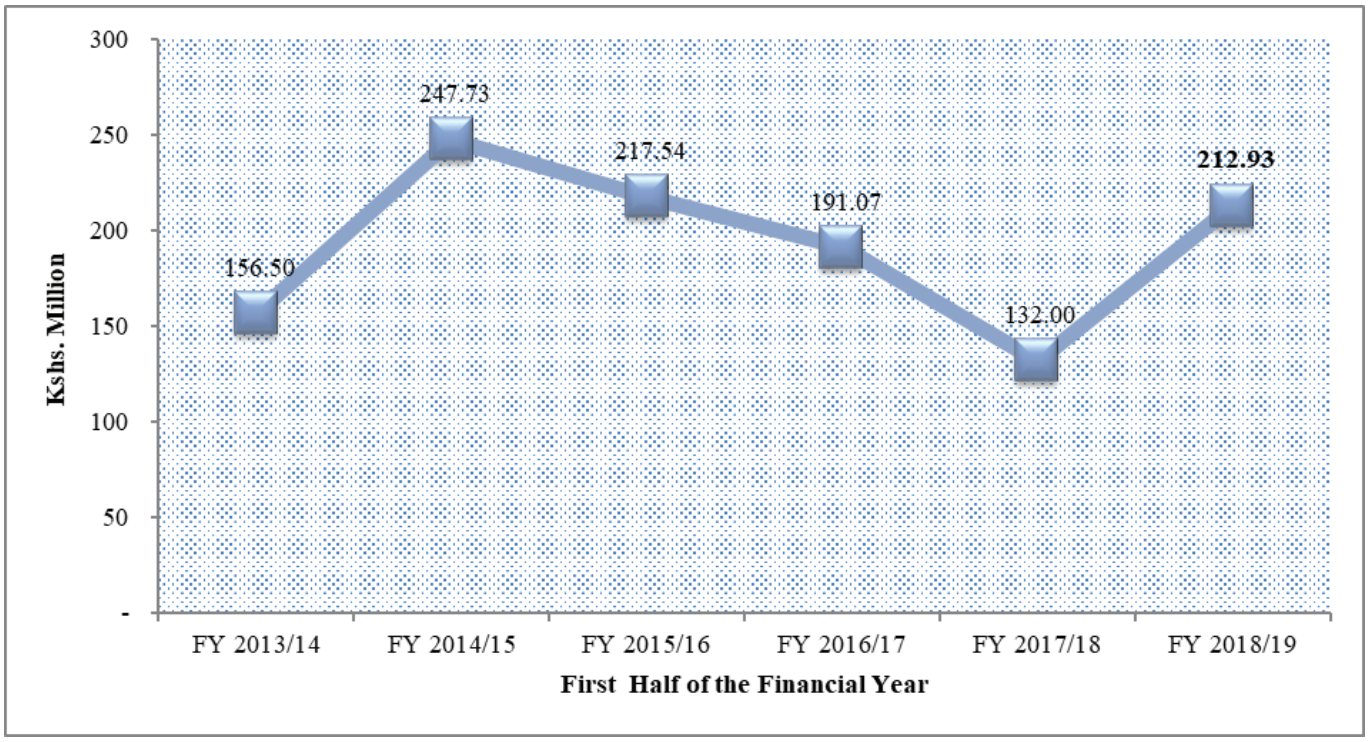
Figure 3.41 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.41: Kakamega County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Kakamega County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.212.93 million from own-source revenue sources. This amount was an increase of 61.3 per cent when compared to Kshs.132 million realised during the same period of FY 2017/18 and represented 20.4 per cent of the annual target.

### 3.11.3 Conditional Grants

The County received Kshs.675.37 million as conditional grants as shown in Table 3.30.

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**Table 3.30: Kakamega County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Level - 5 Hospital | 427,283,237 | 427,283,237 | 209,368,789 | 49 |
| 2 | Kenya Urban Support Project (KUSP) | 389,118,800 | 389,118,800 | 389,118,800 | 100 |
| 3 | Road Maintenance Fuel Levy | 271,995,701 | 271,995,701 | - | - |
| 4 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 5 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 41,643,182 | 35.6 |
| 6 | Transforming Health Systems for Universal Care Project (WB) | 100,000,000 | 100,000,000 | 18,581,542 | 18.6 |
| 7 | Water Tower Protection & Climate Change Mitigation & Adaptation Programme. (Wa-TER) | 80,000,000 | - | - | - |
| 8 | Rehabilitation of Village Polytechnics | 69,910,000 | 69,910,000 | - | - |
| 9 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 63,508,830 | 63,508,830 | - | - |
| 10 | Kenya Urban Support Project (KUSP) - 2017-18 Balance | 41,200,000 | - | - | - |
| 11 | Compensation for User Fee Foregone | 37,789,290 | 37,789,290 | - | - |
| 12 | DANIDA Grant (Universal HealthCare in Devolved System Programme) | 33,311,250 | 33,311,250 | 16,655,625 | 50 |
| 13 | Agricultural Sector Development Support Programme (ASDP) | 23,774,757 | - | - | - |
| **Total** | | **1,854,891,865** | **1,509,917,108** | **675,367,938** | **44.7** |

***Source:*** *Kakamega County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received highest percentage of receipts to annual allocation from the DANIDA grant. The receipt accounted for 50 per cent, 43.8 per cent of annual allocation.

### 3.11.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.5.03 billion from the CRF account. The withdrawals represented 34.6 per cent of the approved budget and translate to a decrease of 7.4 per cent from Kshs.3.16 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.93 billion (58.2 per cent) to fund recurrent expenditure and Kshs.2.10 billion (41.8 per cent) for development activities.

### 3.11.5 Overall Expenditure Review

The County government spent a total of Kshs.4.77 billion on both recurrent and development activities. This expenditure represented 94.9 per cent of the total funds released from the CRF account and was an increase of

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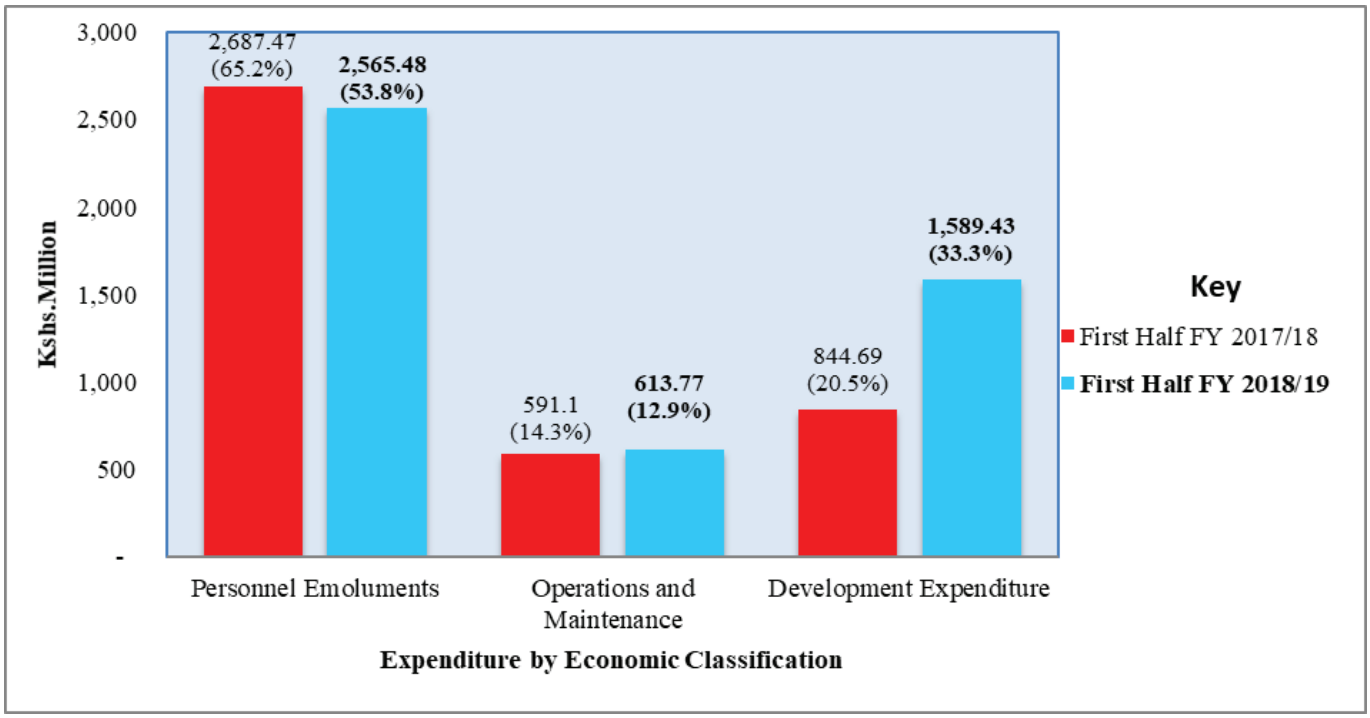
15.7 per cent from Kshs.4.12 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.147.42 million for development activities and Kshs.110 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.18 billion while that on development activities was Kshs.1.59 billion. The recurrent expenditure was 108.7 per cent of the funds released for recurrent activities, while development expenditure was 75.7 per cent of funds released for development activities.

The recurrent expenditure represented 42.4 per cent of the annual recurrent budget and was a decrease from 48 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.7 per cent, which was an increase from 13.4 per cent attained in the first half of FY 2017/18. Figure 3.42 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

**Figure 3.42: Kakamega County, Expenditure by Economic Classification**




***Source:*** *Kakamega County Treasury*

### 3.11.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.18 billion comprised of Kshs.2.57 billion (80.7 per cent) incurred on personnel emoluments and Kshs.613.77 million (19.3 per cent) on operations and maintenance as shown in Figure 3.42.

Expenditure on personnel emoluments represented a decrease of 4.5 per cent compared to the first half of FY 2017/18 when the County spent Kshs.2.69 billion, and was 53.8 per cent of total expenditure for the period. Figure 3.43 shows a summary of operations and maintenance expenditure by major categories.

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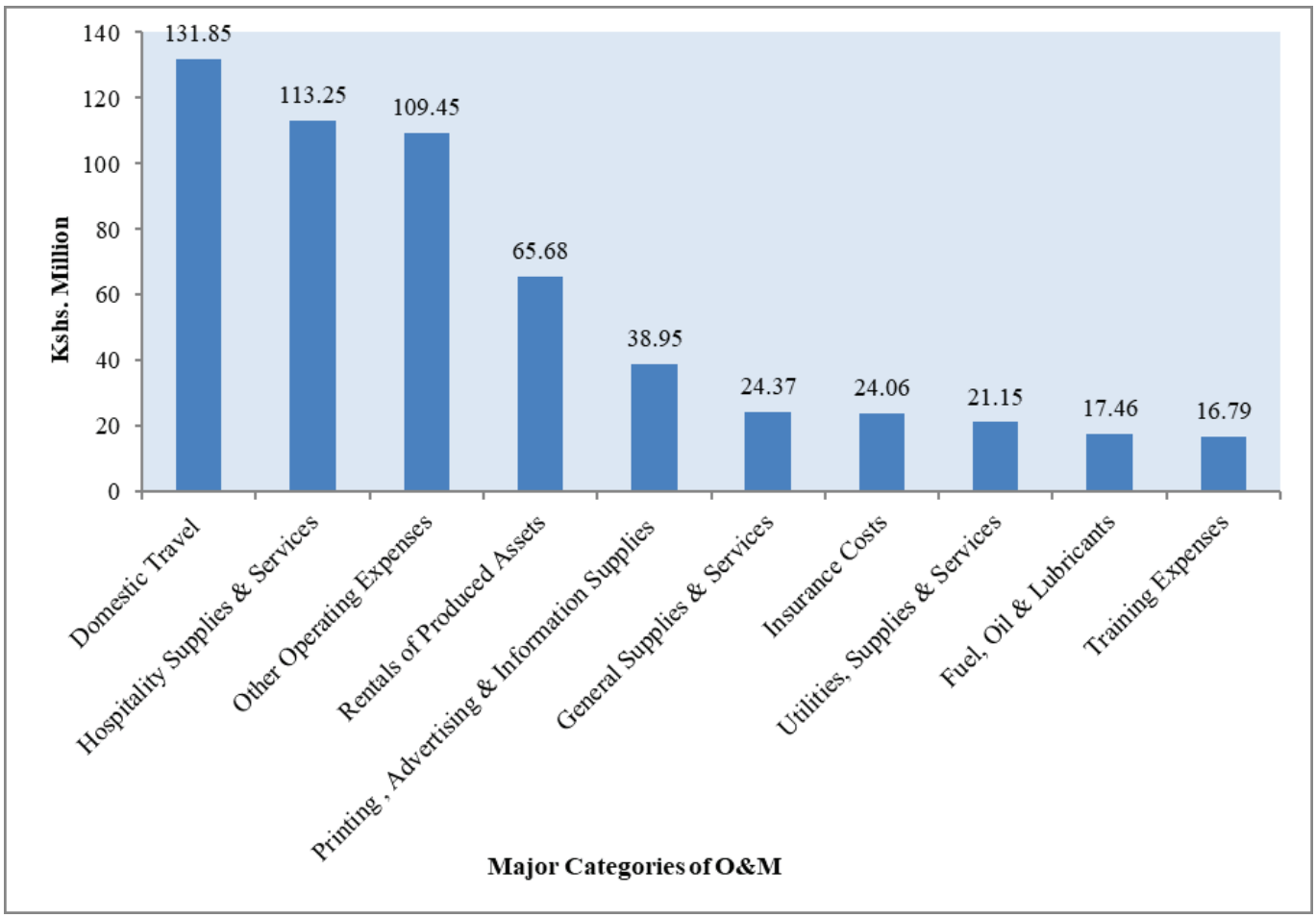
**Figure 3.43: Kakamega County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Kakamega County Treasury*

The County spent Kshs.66.90 million on MCAs' committee sitting allowances for the 90 MCAs against the annual budget allocation of Kshs.134.78 million. This amount represented an increase of 17.1 per cent compared to Kshs.57.12 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.123,884 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.131.85 million and comprised of Kshs.77.84 million spent by the County Assembly and Kshs.54.01 million spent by the County Executive. This represented 4.1 per cent of total recurrent expenditure and was an increase of 54.9 per cent compared to Kshs.91.54 million spent in the first half of FY 2017/18.

### 3.11.7 Development Expenditure

The total development expenditure of Kshs.1.59 billion represented 22.7 per cent of the annual development budget of Kshs.7.01 billion. Table 3.31 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.31: Kakamega County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Bitumen Road | Spread across the county | 520,000,000 | 365,473,361 | 70.3 |
| 2 | 10 km per ward roads-Ward based | Spread across the county | 300,000,000 | 202,365,990 | 67.5 |
| 3 | Kakamega Teaching and Referral | Kakamega Town | 400,000,000 | 165,103,722 | 41.3 |
| 4 | Road Maintenance Fuel Levy Fund | Spread across the county | 271,995,701 | 99,369,039 | 36.5 |
| 5 | Enterprise Resource Planning System | Headquarters | 88,000,000 | 80,600,663 | 91.6 |
| 6 | ECD Centres-ward based | Spread across the county | 215,000,000 | 67,989,488 | 31.6 |
| 7 | Electrification-ward based | Spread across the county | 130,000,000 | 60,861,000 | 46.8 |
| 8 | Imarisha Afya ya Mama na Mtoto Programme | Spread across the county | 100,000,000 | 60,000,000 | 60.0 |
| 9 | Bukhungu Stadium | Kakamega Town | 400,000,000 | 56,002,157 | 14.0 |
| 10 | Bridges | Spread across the county | 72,000,000 | 44,269,814 | 61.5 |

***Source:*** *Kakamega County Treasury*

### 3.11.8 Budget Performance by County Department

Table 3.32 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.32: Kakamega County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 200.58 | 93.00 | 95.41 | 2.79 | 72.40 | 2.79 | 75.9 | 100.0 | 36.1 | 3 |
| Public Service and Administration | 5,209.01 | 159.51 | 2,032.96 | 33.94 | 2,394.11 | 17.29 | 117.8 | 50.9 | 46.0 | 10.8 |
| County Treasury and Economic Planning | 233.19 | 205.00 | 81.45 | 60.06 | 40.94 | 27.71 | 50.3 | 46.1 | 17.6 | 13.5 |
| Environment, Natural Resources, Water & Forestry | 41.56 | 361.00 | 5.90 | 20.35 | 9.19 | 20.21 | 155.7 | 99.3 | 22.1 | 5.6 |
| Labour, Social Services, Youth and Sports | 45.31 | 511.00 | 16.20 | 62.02 | 13.05 | 62.58 | 80.6 | 100.9 | 28.8 | 12.2 |
| Transport, Infrastructure & Public Works | 44.93 | 1,598.00 | 11.88 | 1,016.93 | 3.32 | 772.34 | 27.9 | 75.9 | 7.4 | 48.3 |
| Lands, Housing, Urban Areas and Physical Planning | 136.07 | 566.62 | 50.27 | 22.04 | 30.98 | 13.91 | 61.6 | 63.1 | 22.8 | 2.5 |
| Health Services | 382.95 | 1,470.00 | 174.45 | 555.79 | 144.14 | 335.95 | 82.6 | 60.4 | 37.6 | 22.9 |
| Agriculture, Livestock, Fisheries and Cooperatives | 61.38 | 701.43 | 9.39 | 92.40 | 13.34 | 86.44 | 142.1 | 93.5 | 21.7 | 12.3 |
| Industrialization, Trade and Tourism | 27.42 | 365.00 | 3.75 | 40.84 | 3.97 | 51.60 | 105.8 | 126.3 | 14.5 | 14.1 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Education, Science & Technology & ICT | 34.15 | 782.91 | 10.75 | 109.77 | 7.23 | 118.00 | 67.3 | 107.5 | 21.2 | 15.1 |
| Public service Board | 29.82 | - | 15.00 | - | 22.08 | | 147.2 | - | 74.0 | - |
| ICT, E-government & Communication | 54.20 | 145 | 12.39 | 83.01 | 16.86 | 80.60 | 136.1 | 97.1 | 31.1 | 55.6 |
| County Assembly | 998.72 | 50.00 | 405.72 | - | 418.46 | - | 103.1 | - | 41.9 | - |
| **TOTAL** | **7,499.28** | **7,008.47** | **2,925.51** | **2,099.94** | **3,190.07** | **1,589.42** | **109.0** | **75.7** | **42.5** | **22.7** |

***Source:*** *Kakamega County Treasury*

Analysis of expenditure by department shows that the Department of ICT, E-Government and Communication recorded the highest absorption rate of development budget at 55.6 per cent while the County Assembly did not have expenditure on development activities. The Public Service Board had the highest percentage of recurrent expenditure to its recurrent budget at 74.0 per cent while the Department of Transport, Infrastructure & Public Works had the lowest at 7.4 per cent.

### 3.11.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the collection of own-source revenue, which was 61.3 per cent higher than that attained in a similar period of FY 2017/18.
ii. Improvement in absorption of development budget, which stood at 22.7 per cent as compared to 13.4 per cent in a similar period FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue by the National Treasury.
2. Failure by Fund Administrators to submit expenditure reports on the Car Loan and Mortgage Fund, Bursary and Scholarship Fund, and Imarisha Maisha ya Mama na Mtoto Fund contrary to Section 168 of the PFM Act, 2012.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA 2018.*
2. *Fund Administrators of the Car Loan and Mortgage Fund, Bursary and Scholarship Fund, and the Imarisha Maisha ya Mama na Mtoto Fund should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

## 3.12 Kericho County

### 3.12.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.7.18 billion, comprising of Kshs.4.52 billion (62.9 per cent) and Kshs.2.67 billion (37.1 per cent) allocation for recurrent and development expenditure respectively.

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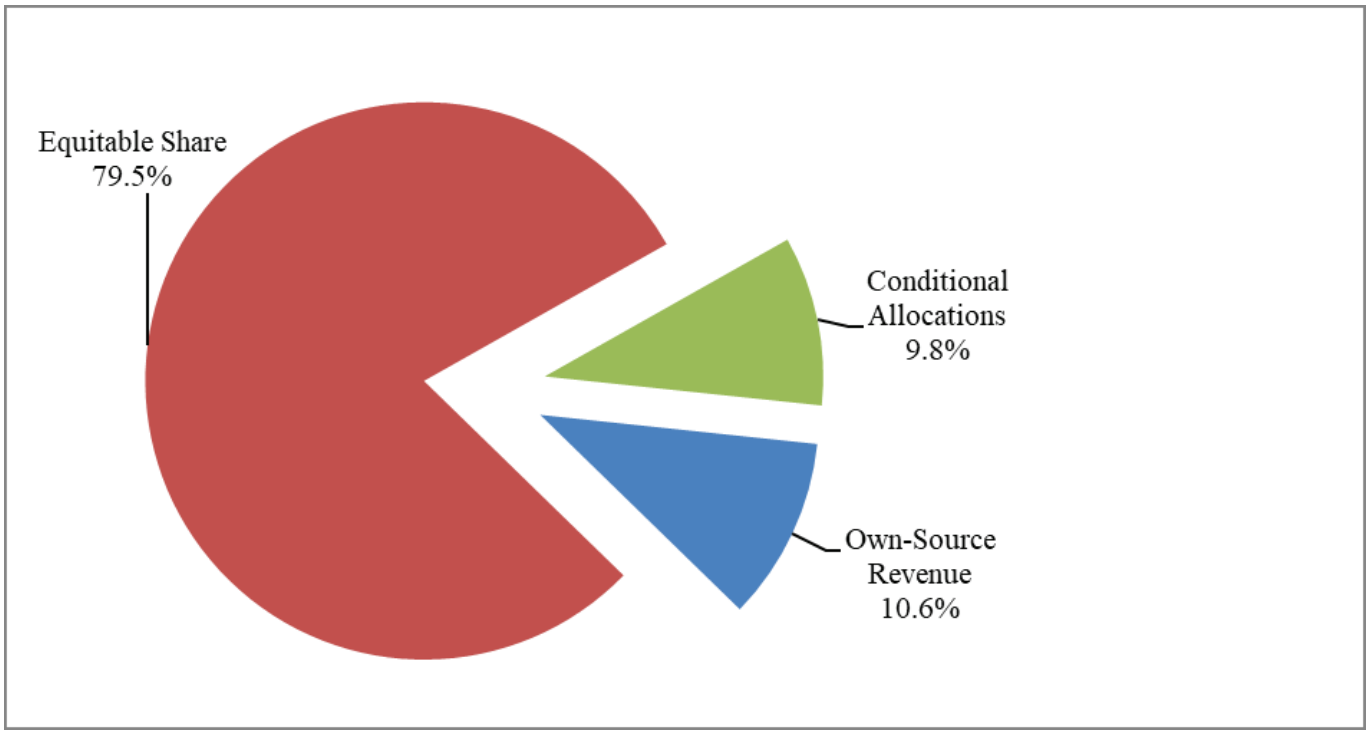
To finance the budget, the County expects to receive Kshs.5.71 billion (79.5 per cent) as equitable share of revenue raised nationally, Kshs.706.38 million (9.8 per cent) as total conditional grants, and generate Kshs.762.94 million (10.6 per cent) from own source revenue. The County did not budget for cash balance from FY 2017/18 which amounted to Kshs.1.13 billion.

**Figure 3.44: Kericho County Sources of Budget Financing in FY 2018/19**




***Source:*** *Kericho County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.256.30 million (36.3 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.150.46 million (21.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.117 million (16.6 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.61.51 million (8.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.44.54 million (6.3 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme "Level 2 grant", Kshs.41 million (5.8 per cent) for Rehabilitation of Youth Polytechnics, Kshs.18.05 million (2.6 per cent) Compensation for User Fees Foregone, and Kshs.17.52 million (2.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme.

### 3.12.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.2 billion as equitable share of revenue raised nationally, Kshs.315.16 million as total conditional grants, raised Kshs.103.35 million from own-source revenue, and had a cash balance of Kshs.1.13 billion from FY 2017/18. The total funds available for the period amounted to Kshs.2.75 billion.

Figure 3.45 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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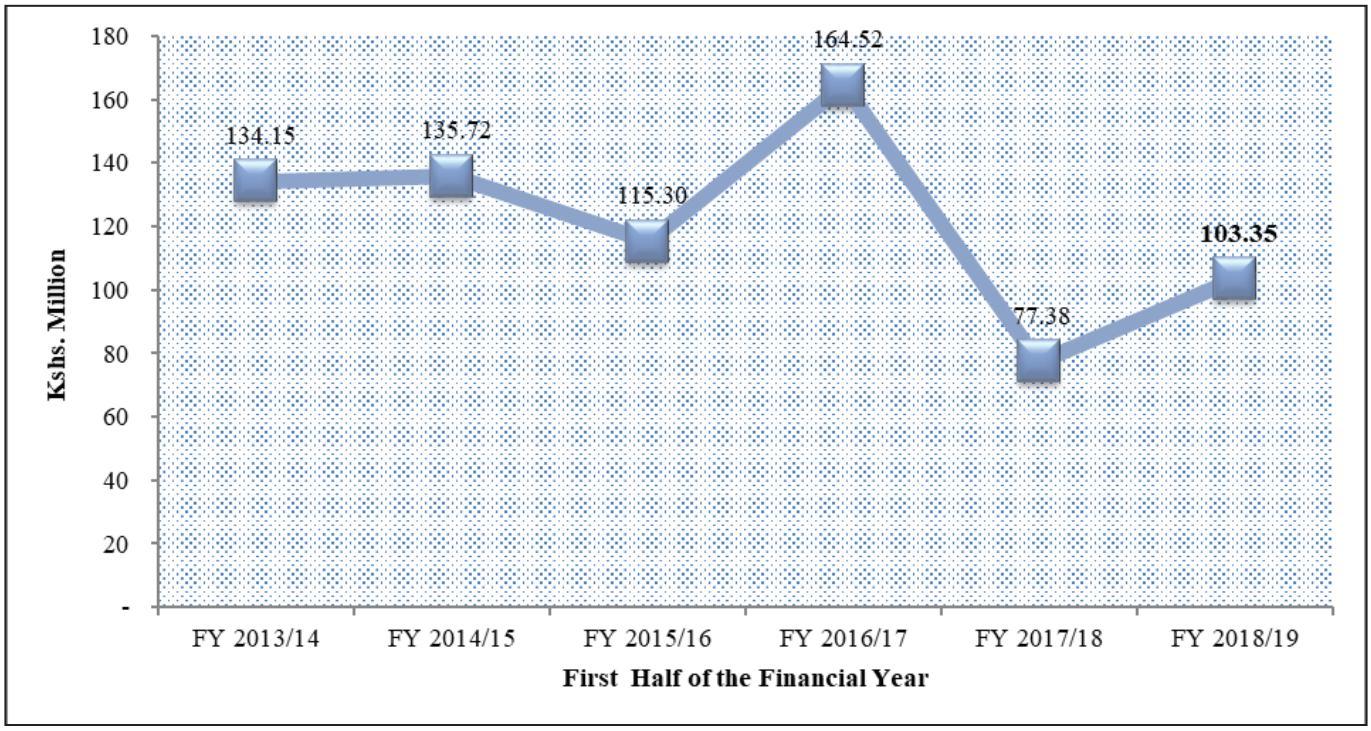
**Figure 3.45: Kericho County, Trend in Own-Source Revenue Collection for the First Half from FY 2013/14 to Half of FY 2018/19**




***Source:*** *Kericho County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.103.35 million as own-source revenue. This amount was an increase of 33.6 per cent when compared to Kshs.77.38 million realised during the same period of FY 2017/18, and represented 13.8 per cent of the annual target.

### 3.12.3 Conditional Grants

The County received Kshs.315.16 million as conditional grants as shown in Table 3.33.

**Table 3.33: Kericho County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | Grants/Loans contained in CARA, 2018 | | | | |
| 1 | IDA (World Bank) -Kenya Urban Support Project | 256,299,000 | 256,299,000 | 256,299,000 | 100.0 |
| 2 | Road Maintenance Fuel Levy Fund | 150,465,707 | 150,465,707 | - | - |
| 3 | IDA (World Bank)-Kenya Climate Smart Agriculture Project | 117,000,000 | 117,000,000 | 42,837,552 | 36.6 |
| 4 | World Bank-Transforming Health Systems for Universal Care Project | 61,507,974 | 61,507,974 | 7,264,046 | 11.8 |
| 5 | IDA (World Bank) Kenya Devolution Support Programme "Level 2 grant" | 44,538,343 | 44,538,343 | - | - |
| 6 | Rehabilitation of Village Polytechnics | 41,005,000 | 41,005,000 | - | - |
| 7 | Compensation for User Fee Foregone | 18,048,789 | 18,048,789 | - | - |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 8 | DANIDA - Universal Healthcare to Devolved System Programme | 17,516,250 | 17,516,250 | 8,758,125 | 50.0 |
| **Total** | | **706,381,063** | **706,381,063** | **315,158,723** | **44.6** |

***Source**: Kericho County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, and the DANIDA grant. The receipts accounted for 100 per cent, 50 per cent and 34.6 per cent of annual allocation respectively.

### 3.12.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.12 billion from the CRF account. The withdrawal represented 29.5 per cent of the Approved Budget and translated to an increase of 17.9 per cent from Kshs.1.80 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.04 billion (96.1 per cent) to fund recurrent expenditure and Kshs.81.78 million (3.9 per cent) for development activities.

### 3.12.5 Overall Expenditure Review

The County government spent a total of Kshs.2.04 billion on both recurrent and development activities. This expenditure represented 96.1 per cent of the total funds released from the CRF account and was an increase of 30.1 per cent from Kshs.1.57 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.229.12 million for development activities and Kshs.173.01 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2 billion while that on development activities was Kshs.38.94 million. The recurrent expenditure was 98.1 per cent of the funds released for recurrent activities, while development expenditure was 47.6 per cent of funds released for development activities.

The recurrent expenditure represented 44.2 per cent of the annual recurrent budget and was an increase from 30.7 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 1.5 per cent, which was a decrease from 10.9 per cent attained in the first half of FY 2017/18. Figure 3.46 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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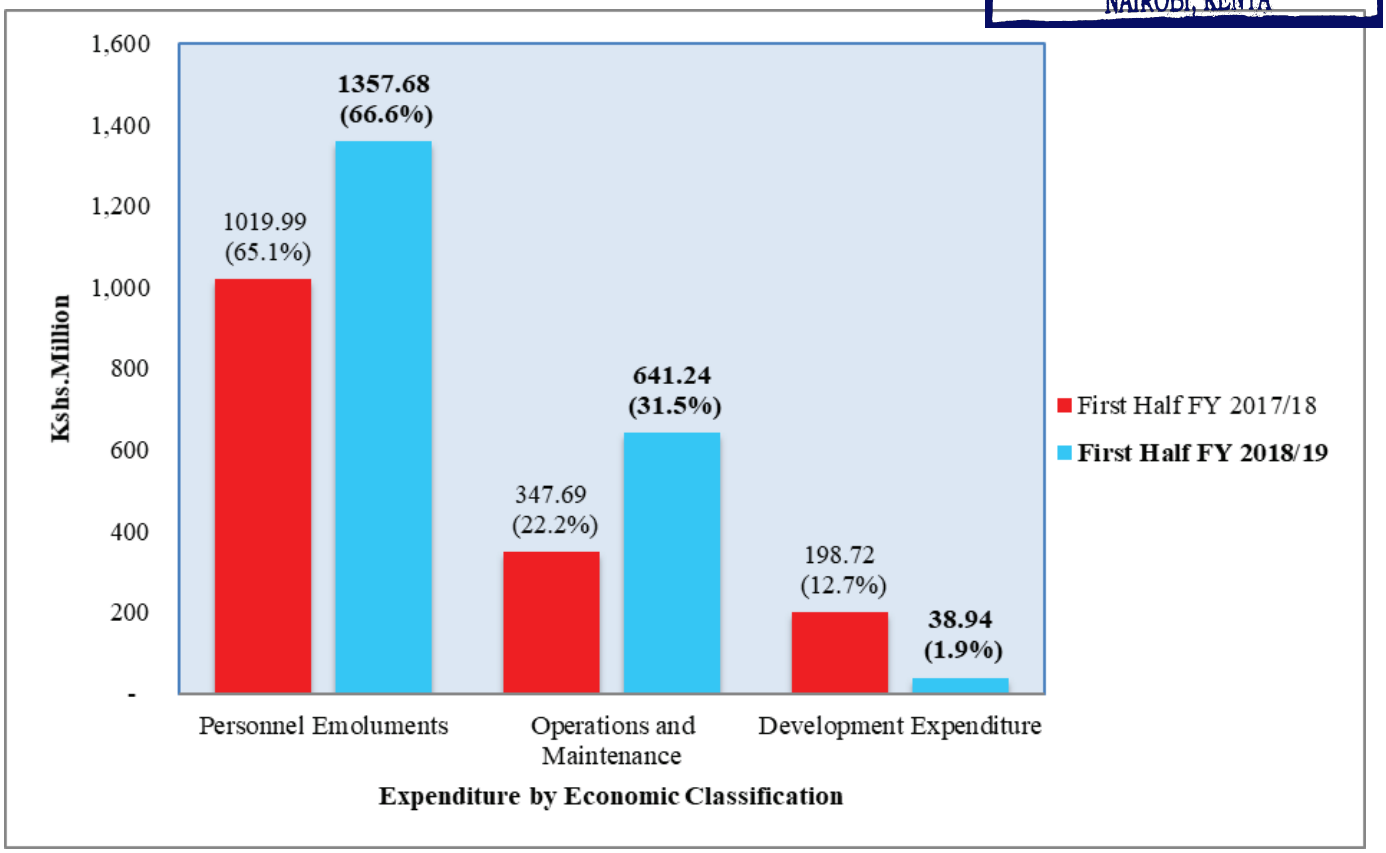
**Figure 3.46: Kericho County, Expenditure by Economic Classification**




***Source**: Kericho County Treasury*

### 3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2 billion comprised of Kshs.1.36 billion (67.9 per cent) incurred on personnel emoluments and Kshs.641.24 million (32.1 per cent) on operations and maintenance as shown in Figure 3.46.

Expenditure on personnel emoluments represented an increase of 33.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.02 billion, and was 66.6 per cent of total expenditure for the period. Figure 3.47 shows a summary of operations and maintenance expenditure by major categories.

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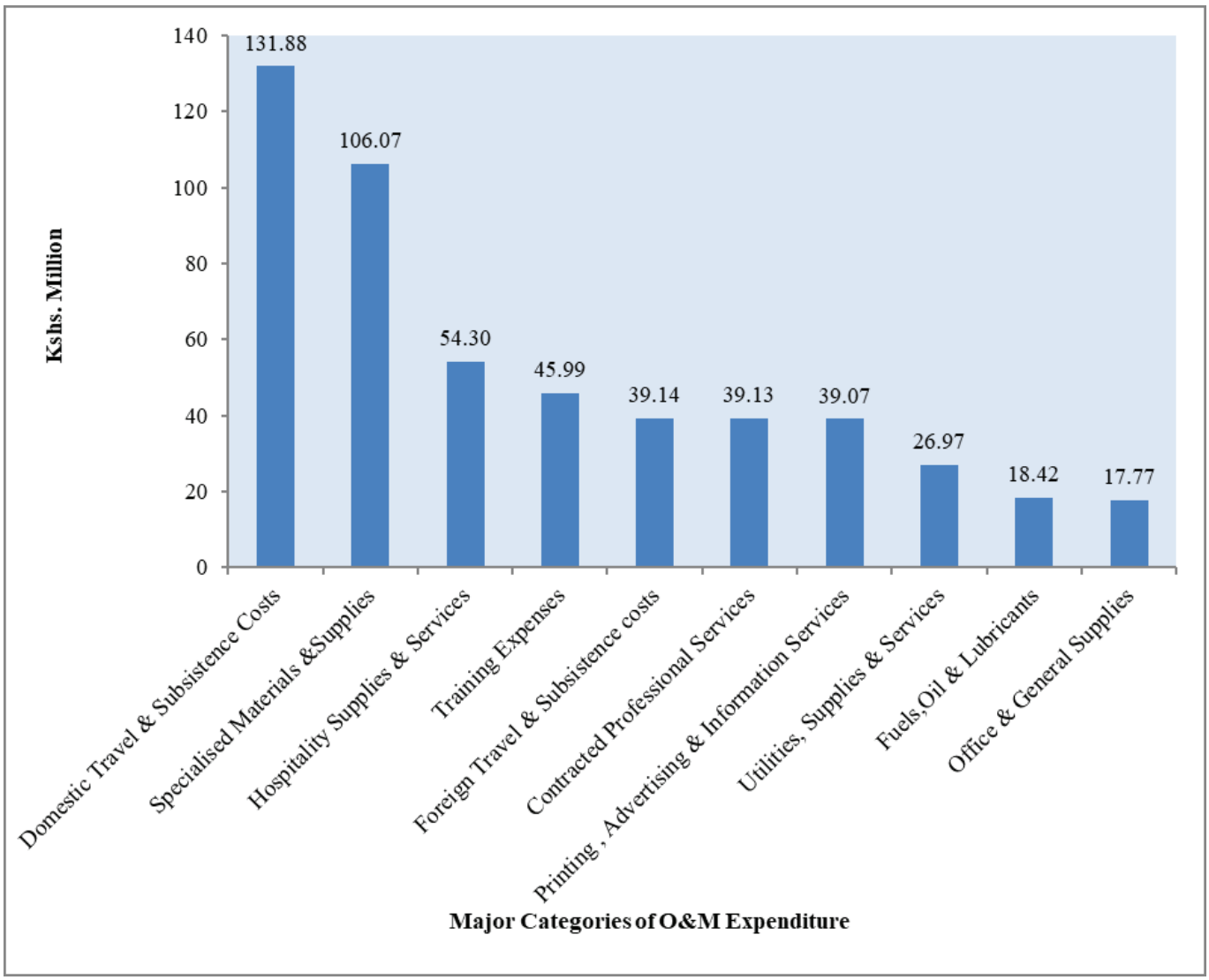
**Figure 3.47: Kericho County, Operations and Maintenance Expenditure Major Categories in the First Half of FY 2018/19**




***Source**: Kericho County Treasury*

The County spent Kshs.21.98 million on MCAs' committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.81.54 million. This amount represented an increase of 311.3 per cent compared to Kshs.5.34 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.76,318 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.131.88 million and comprised of Kshs.70.13 million spent by the County Assembly and Kshs.61.75 million spent by the County Executive. This represented 6.6 per cent of total recurrent expenditure and was an increase of 110.3 per cent compared to Kshs.62.71 million spent in the first half of FY 2017/18.

### 3.12.7 Development Expenditure

The development expenditure during the reporting period of Kshs.38.94 million comprised of Kshs.23.03 million from World Bank for Transforming Health Systems for Universal Care and Kshs.15.91 million from DANIDA grant. The entire development expenditure was recorded by the Department of Health.

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### 3.12.8 Budget Performance by County Department

Table 3.34 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.34: Kericho County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly Services | 661.43 | 102.00 | 364.02 | - | 363.12 | - | 99.8 | - | 54.9 | - |
| Public Service and Administration | 284.03 | 10.23 | 136.51 | - | 128.70 | - | 94.3 | - | 45.3 | - |
| Office of the Governor & Deputy Governor | 130.98 | - | 64.94 | - | 95.81 | - | 147.5 | - | 73.2 | - |
| County Public Service Board | 61.59 | - | 23.80 | - | 20.66 | - | 86.8 | - | 33.5 | - |
| Finance & Economic Planning | 325.54 | 344.53 | 89.65 | - | 110.01 | - | 122.7 | - | 33.8 | - |
| Agriculture, Livestock Development & Fisheries | 205.36 | 191.09 | 88.33 | 42.84 | 83.49 | - | 94.5 | - | 40.7 | - |
| Environment, Water, Energy & Natural Resources | 131.77 | 214.30 | 69.54 | - | 56.91 | - | 81.8 | - | 43.2 | - |
| Education, Youth, Culture & Social services | 403.30 | 147.00 | 106.00 | - | 113.88 | - | 107.4 | - | 28.2 | - |
| Health Services | 1,985.36 | 380.04 | 999.25 | 38.94 | 909.50 | 38.94 | 91.0 | 100 | 45.8 | 10.2 |
| Land, Housing & Physical Planning | 76.07 | 475.98 | 19.33 | - | 25.15 | - | 130.1 | - | 33.1 | - |
| Public Works, Roads & Transport | 74.87 | 651.13 | 29.23 | - | 33.54 | - | 114.7 | - | 44.8 | - |
| ICT & E-Government | 107.20 | 118.56 | 21.08 | - | 30.09 | - | 142.7 | - | 28.1 | - |
| Trade, Industrialization, Tourism, Wildlife & Cooperative Development | 70.73 | 31.02 | 26.57 | - | 28.04 | - | 105.5 | - | 39.6 | - |
| **TOTAL** | **4,518.23** | **2,665.89** | **2,038.24** | **81.78** | **1,998.91** | **38.94** | **98.1** | **47.6** | **44.2** | **1.5** |

***Source**: Kericho County Treasury*

Analysis of expenditure by department shows the Office of the Governor & Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 73.2 per cent while the Department of ICT & E-Government posted the lowest at 28.1 per cent.

### 3.12.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own-source revenue collection by 33.6 per cent from Kshs.77.38 million generated in the first half of FY 2017/18 to Ksh.103.35 million in the reporting period.

i. Continuous improvement in utilization of IFMIS and the Internet Banking platform to process financial transactions.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill, which has increased by 33.1 per cent from Kshs.1.02 billion in the first half FY

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2017/18 to Kshs.1.36 billion in the reporting period.

2. Failure to budget for cash balances of Kshs.1.13 billion from FY 2017/18.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should establish an optimal staffing structure and formulate strategies to address the rising wage bill.*
2. *The County Treasury should prepare a Supplementary Budget to include the unspent cash balances from the FY 2017/18 for smooth budget execution.*

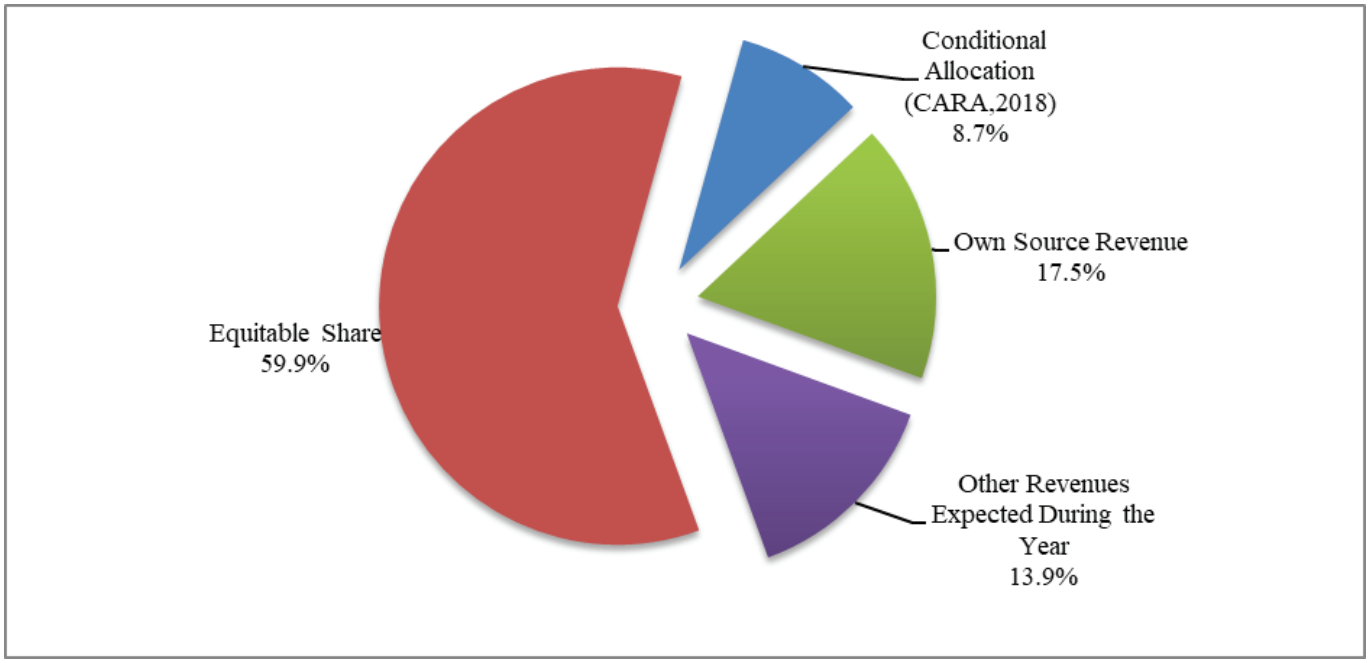
## 3.13 Kiambu County

### 3.13.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.15.62 billion, comprising of Kshs.9.60 billion (61.4 per cent) and Kshs.6.03 billion (38.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.36 billion (59.9 per cent) as equitable share of revenue raised nationally, Kshs.1.36 billion (8.7 per cent) as total conditional grants, generate Kshs.2.74 billion (17.5 per cent) from own-source revenue, and Kshs.2.17 billion (13.9 per cent) cash balance brought forward from FY 2017/18.

**Figure 3.48: Kiambu County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Kiambu County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.1.89 billion (56.8 per cent) for Kenya Urban Support Project (KUSP), Kshs.538.72 million (16.2 per cent) for Conditional Grants to Level - 5 Hospitals, Kshs.246.37 million (7.4 per cent) for Road Maintenance Fuel Levy, Kshs.200 million (6.0 per cent) for Leasing of Medical Equipment, Kshs.140.44 million (4.2 per cent) for National Agricultural and Rural Inclusive Growth Project (NARIGP), Kshs.68.11 million (2.1 per cent) for Rehabilitation of Village Polytechnics, Kshs.60.46 million (1.8 per cent) for Kenya Devolution Support Project (KDSP) "Level 1 grant", Kshs.50 million (1.5 per cent) for Transforming Health Systems for Universal Care Project (WB), Kshs.41.20 million (1.2 per cent) from the World Bank Credit for the Kenya Urban Support Project (KUSP)

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Urban Institutional Grants (UIG), Kshs.34.67 million (1 per cent) for compensation for loss of livelihoods, Kshs.32.40 million (1.0 per cent) for DANIDA Grant, and Kshs.20.47 million (0.6 per cent) for the Agricultural Sector Development Support Programme (ASDSP) II supported by Sweden.

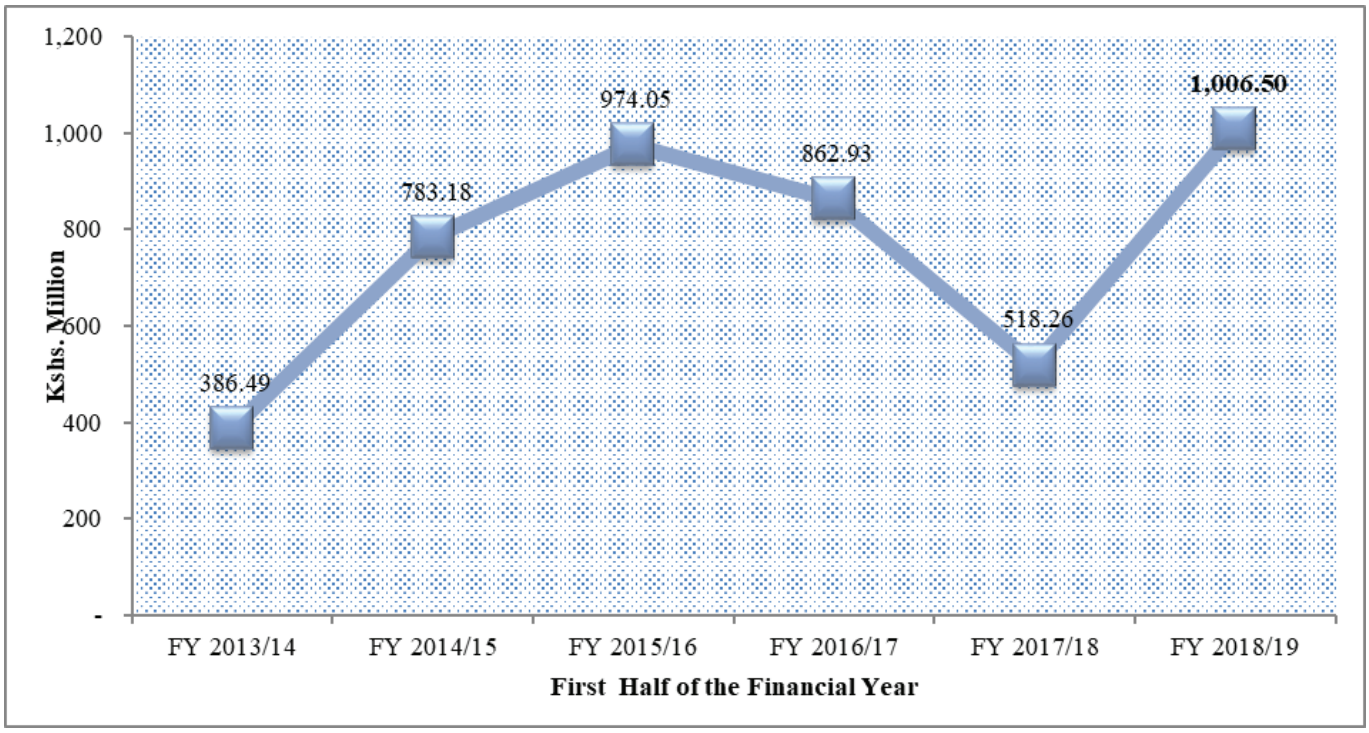
The County also budgeted to receive Kshs.2.17 billion as grant for Loans and Grants, which is not contained in the CARA, 2018

### 3.13.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.84 billion as equitable share of revenue raised nationally, Kshs.1.94 million as total conditional grants, raised Kshs.1.01 billion from own source revenue, and had a cash balance of Kshs.774.03 million from FY 2017/18. The total available funds amounted to Kshs.7.55 billion.

Figure 3.49 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

**Figure 3.49: Kiambu County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source**: Kiambu County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.1.01 billion as own-source revenue. The own-source revenue collected during the period represented an increase of 94.2 per cent as compared to Kshs.518.28 million realised during the same period of the FY 2017/18 and represented 36.8 per cent of the annual target.

### 3.13.3 Conditional Grants

The County received Kshs.1.94 billion as conditional grants as shown in Table 3.35.

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**Table 3.35: Kiambu County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Kenya Urban Support Project (KUSP) | 1,885,993,000 | - | 1,885,993,000 | 100 |
| 2 | Level - 5 Hospital | 538,716,763 | 538,716,763 | 26,935,838 | 5.0 |
| 3 | Road Maintenance Fuel Levy | 246,366,927 | 246,366,927 | - | - |
| 4 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 5 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | - | - | - |
| 6 | Rehabilitation of Village Polytechnics | 68,110,000 | 68,110,000 | - | - |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 60,455,156 | 272,000,000 | - | - |
| 8 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | - | 7,416,464 | 14.8 |
| 9 | IDA World Bank Credit; Kenya Urban Support Project (KUSP) Urban Institutional Grants (UIG) | 41,200,000 | 34,671,542 | - | - |
| 10 | Compensation for User Fee Foregone | 34,671,542 | - | 16,200,000 | 46.7 |
| 11 | DANIDA Grant | 32,400,000 | - | - | - |
| 12 | Sweden Agricultural Sector Development Support Programme(ASDSP) II | 20,468,461 | - | - | - |
| **Sub Total** | | **3,318,817,012** | **1,359,865,232** | **1,936,545,302** | **58.4** |
| B | **Other Grants** | | | | |
| 13 | Loans and Grants | - | 2,169,283,320 | - | - |
| **Sub Total** | | **-** | **2,169,283,320** | **-** | **-** |
| **Total** | | **3,318,817,012** | **3,529,148,552** | **1,936,545,302** | **54.9** |

***Source**: Kiambu County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project. The receipt accounted for 100 per cent of annual allocation.

### 3.13.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.6.20 billion from the CRF account. The withdrawal represented 39.7 per cent of the Approved Budget and translates to an increase of 35.2 per cent from Kshs.4.59 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.5.41 billion (87.1 per cent) to fund recurrent expenditure and Kshs.797.39 million (12.9 per cent) for development activities.

### 3.13.5 Overall Expenditure Review

The County government spent a total of Kshs.5.24 billion on recurrent and development activities. The total expenditure represented 84.4 per cent of the total funds released from the CRF account and was an increase of 24.9 per cent from Kshs.4.19 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.534.57 million for development activities and Kshs.314.23 million for recurrent expenditure.

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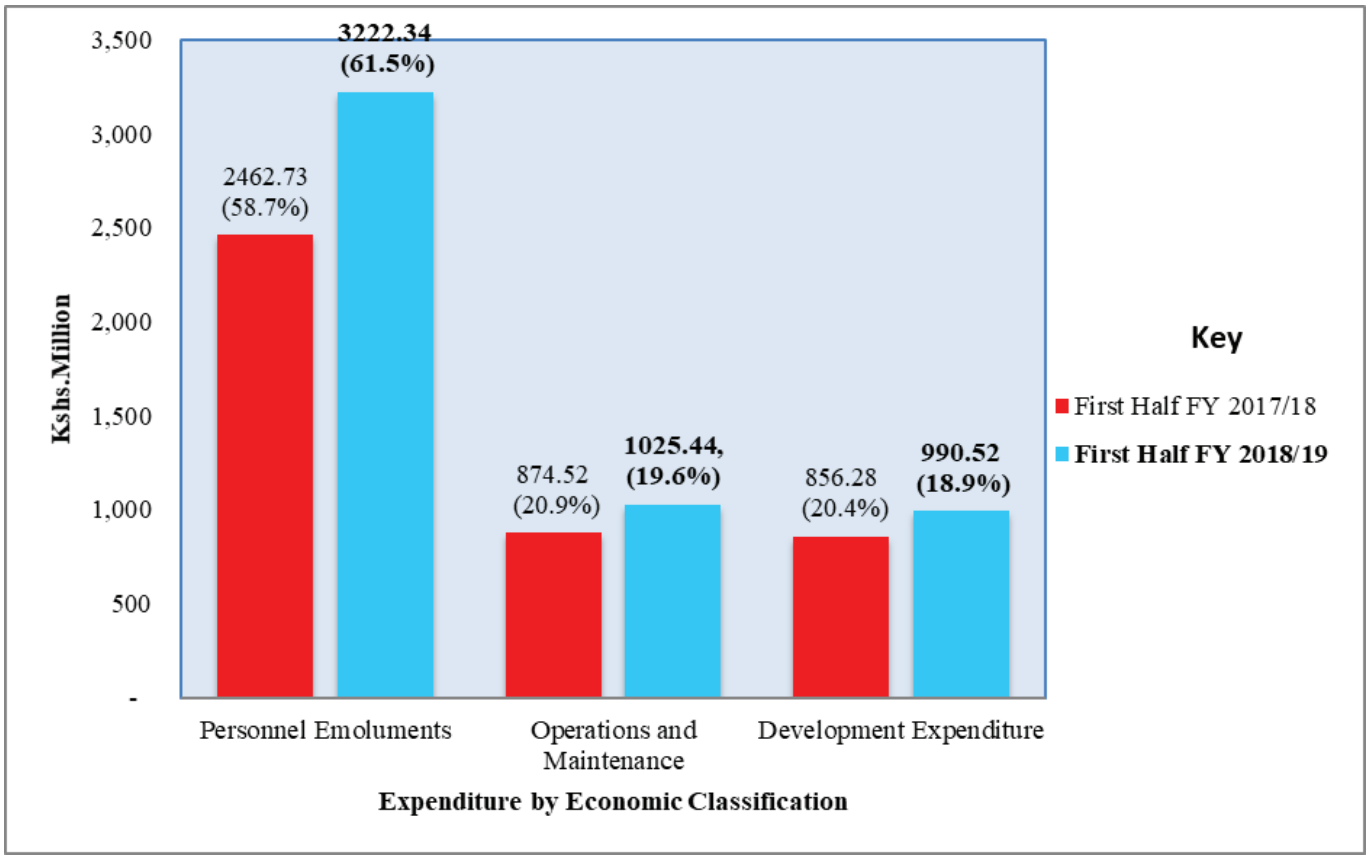
Expenditure on recurrent activities amounted to Kshs.4.25 billion while Kshs.990.52 million was spent on development activities. The recurrent expenditure was 78.6 per cent of the funds released for recurrent activities, while development expenditure was 124.2 per cent of funds released for development activities.

The recurrent expenditure represented 44.3 per cent of the annual recurrent budget, an increase from 35.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 16.4 per cent, which was a decrease from 21.4 per cent attained in the first half of FY 2017/18.Figure 3.50 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

**Figure 3.50: Kiambu County, Expenditure by Economic Classification**




***Source**: Kiambu County Treasury*

### 3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.25 billion comprised of Kshs.3.22 billion (75.9 per cent) incurred on personnel emoluments and Kshs.1.03 billion (24.1 per cent) on operations and maintenance as shown in Figure 3.50.

Expenditure on personnel emoluments represented an increase of 30.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.2.46 billion, and was 61.5 per cent of total expenditure in the first half of FY 2018/19. Figure 3.51 shows a summary of operations and maintenance expenditure by major categories.

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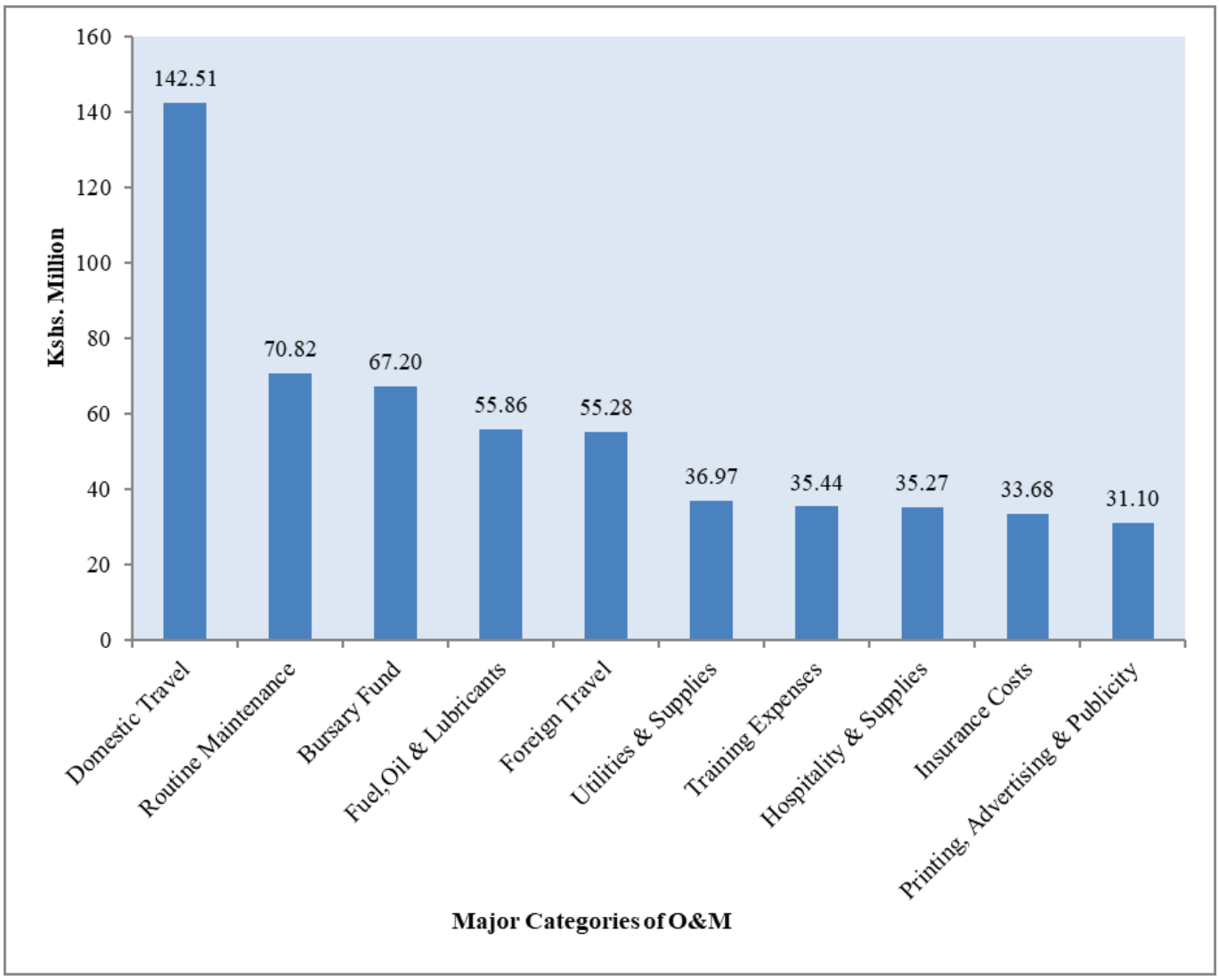
**Figure 3.51: Kiambu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source**: Kiambu County Treasury*

The County spent Kshs.46.07 million on MCAs' committee sitting allowances for the 93 MCAs against the annual budget allocation of Kshs.100.00 million. This represented an increase of 45 per cent compared to Kshs.31.77 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.82,566 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.142.51 million and comprised of Kshs.78.68 million spent by the County Assembly and Kshs.63.84 million spent by the County Executive. This represented 3.4 per cent of total recurrent expenditure and was an increase of 13.9 per cent compared to Kshs.122.65 million spent in the first half of FY 2017/18.

### 3.13.7 Development Expenditure

The total development expenditure of Kshs.990.52 million represented 16.4 per cent of the annual development budget of Kshs.6.03 billion. Table 3.36 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.36: Kiambu County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Githunguri-Ndumberi road | Githunguri | 340,801,794 | 318,760,290 | 93.5 |
| 2 | Construction of Gatitu junction and other roads | Thika | 221,005,870 | 162,034,722 | 73.3 |
| 3 | Rural access roads | All wards | 600,000,000 | 120,000,000 | 20.0 |
| 4 | Fuel levy roads | All wards | 168,716,800 | 107,171,690 | 63.5 |
| 5 | A2 Junction Kimbo Matangini | Kimbo | 170,552,896 | 93,929,411 | 55.1 |
| 6 | Thogoto-Ndaire road | Thogoto | 181,452,510 | 81,327,181 | 44.8 |
| 7 | Construction of Githunguri CBD roads | Githunguri | 103,997,581 | 78,019,224 | 75.0 |
| 8 | Construction of an elevated steel tank. | Cianda, Sigona, Kanyara, Ngoliba Community Borehole, Ngecha Community –Limuru, Mwana Mukia Water Project- Limuru, Munyaka- Juja, Kwa Mutiso , Ruiru Level Hospital, Lari Ward- Kabunge , Uthiru Primary, Ha Gitonga Borehole, Muthurwa -Karuri | 55,563,868 | 51,723,628 | 93.1 |
| 9 | Purchase of vehicles and equpment | Headquarters | 65,857,070 | 39,057,070 | 59.3 |
| 10 | Construction of fire stations Limuru, Githunguri, Kiambu | Limuru, Githunguri, Kiambu | 61,605,198 | 37,193,150 | 60.4 |
| 11 | Road C64-C65 | Githunguri | 145,346,505 | 33,623,810 | 23.1 |

***Source**: Kiambu County Treasury*

### 3.13.8 Budget Performance by County Department

Table 3.37 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.37: Kiambu County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 1,200.86 | 55.00 | 413.37 | - | 339.20 | - | 82.1 | | 28.2 | - |
| County Executive | 332.52 | 8.56 | 235.14 | - | 158.90 | 3.34 | 67.6 | | 47.8 | 39.0 |
| County Public Service Board | 74.32 | - | 63.15 | - | 17.43 | - | 27.6 | | 23.5 | |
| Finance and Econ. Planning | 1,267.52 | 121.71 | 661.15 | 7.26 | 449.17 | 9.46 | 67.9 | 130.3 | 35.4 | 7.8 |
| Administrative & Public Service | 535.73 | 135.50 | 421.56 | 4.32 | 226.07 | - | 53.6 | - | 42.2 | - |
| Agriculture, Crop Production and Irrigation | 239.26 | 150.82 | 219.16 | 59.31 | 90.83 | 7.84 | 41.4 | 13.2 | 38.0 | 5.2 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Water, Environment & Natural Resources | 237.47 | 325.94 | 212.17 | 99.73 | 99.59 | 62.55 | 46.9 | 62.7 | 41.9 | 19.2 |
| Health Services | 3,962.09 | 967.47 | 1,915.75 | 88.22 | 2,219.18 | 148.31 | 115.8 | 168.1 | 56.0 | 15.3 |
| Education, Youth, Sports Culture, & Social Service | 944.20 | 623.38 | 600.62 | 44.47 | 384.80 | 51.53 | 64.1 | 115.9 | 40.8 | 8.3 |
| Lands, Physical Planning & Housing | 146.15 | 2,067.37 | 132.85 | 36.93 | 53.55 | 22.40 | 40.3 | 60.7 | 36.6 | 1.1 |
| Trade, Tourism, Industry & Cooperative | 119.48 | 294.39 | 101.53 | 12.91 | 34.76 | 37.59 | 34.2 | 291.2 | 29.1 | 12.8 |
| Roads, Transport & Public Works | 296.80 | 1,126.47 | 215.40 | 444.24 | 135.55 | 647.51 | 62.9 | 145.8 | 45.7 | 57.5 |
| Livestock, Fisheries and Marketing | 239.26 | 150.82 | 213.88 | - | 38.74 | - | 18.1 | | 16.2 | - |
| **TOTAL** | **9,595.65** | **6,027.43** | **5,405.73** | **797.39** | **4,247.77** | **990.52** | **78.6** | **124.2** | **44.3** | **16.4** |

***Source**: Kiambu County Treasury*

Analysis of expenditure by department shows the Department of Roads, Transport & Public Works recorded the highest absorption rate of development budget at 57.5 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 56 per cent while the Department of Livestock, Fisheries and Marketing had the lowest at 16.2 per cent.

### 3.13.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the own-source revenue collection by 94.2 per cent from Kshs.518.26 million generated in the first half of FY2017/18 to Kshs.1.01 billion in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Inaccuracies in financial reporting by the County Treasury whereby, financial reports on development activities indicated an expenditure of Kshs.990.52 million while the submitted schedule of development projects implemented in the same period reflected an expenditure of Kshs.1.12 billion.
2. Late submission of financial reports by the County Treasury to the COB, which affected timely preparation of budget implementation review reports.
3. Failure to budget for all conditional grants as contained in CARA, 2018.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should enhance internal controls and ensure all reports are adequately reviewed for accurate reporting.*
2. *The County Treasury should ensure timely preparation and submission of financial returns in line with Section 166 of the PFM Act, 2012.*
3. *The County should budget for all revenue streams as contained in the CARA, 2018.*

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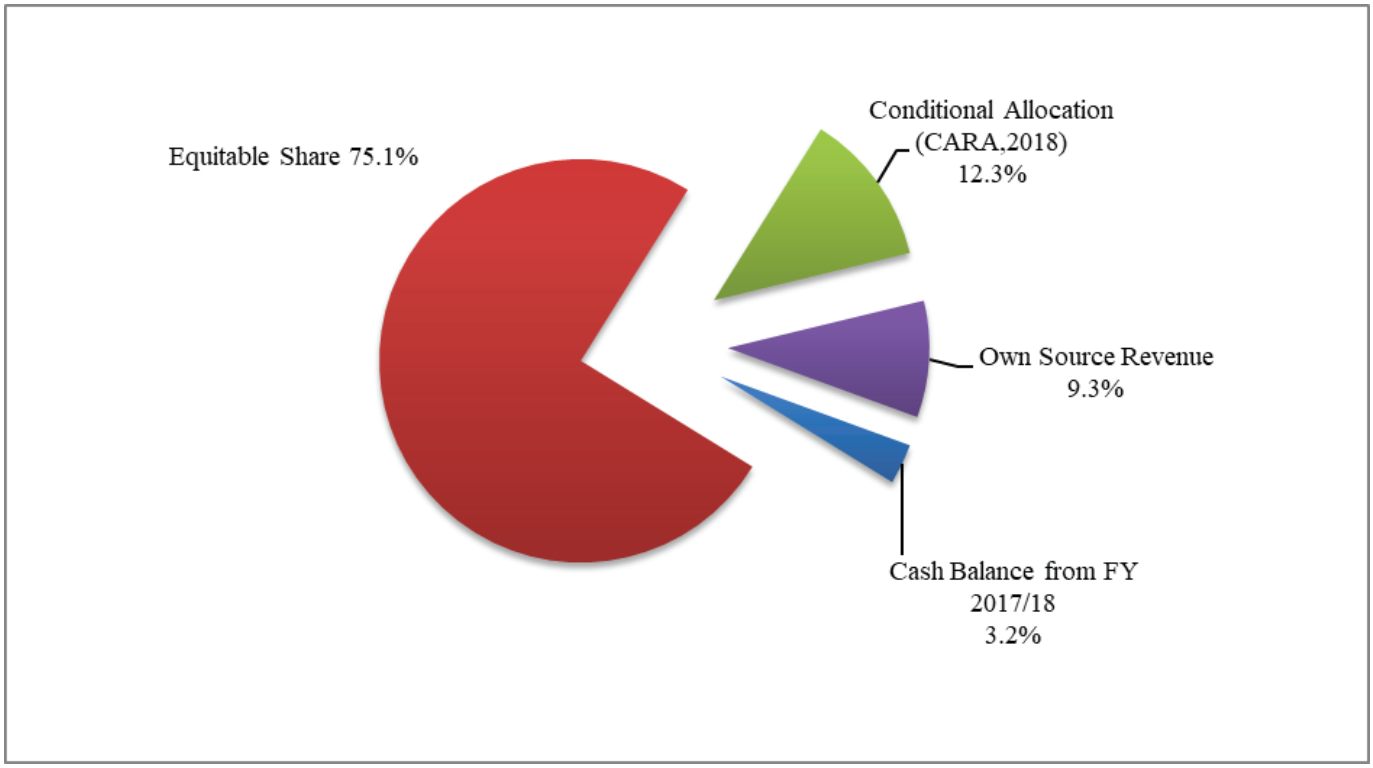
## 3.14 Kilifi County

### 3.14.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.14.42 billion, comprising of Kshs.8.72 billion (60.5 per cent) and Kshs.5.7 billion (39.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.83 billion (75.1 per cent) as equitable share of revenue raised nationally, Kshs.1.78 billion (12.3 per cent) as total conditional grants, generate Kshs.1.35 billion (9.3 per cent) from own sources, and Kshs.465.43 million (3.2 per cent) cash balance from FY 2017/18.

**Figure 3.52: Kilifi County Sources of Budget Financing in FY 2018/19**




***Source:*** *Kilifi County Treasury*

The conditional grants include those contained in the CARA, 2018 of; Kshs.100 million (5.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.196.05 million (11 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.83.87 million (4.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.330.53 million (18.6 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.45.18 million (2.5 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.400 million (22.5 per cent) from IDA (World Bank) credit for Water & Sanitation Development Project (WSDP), Kshs.26.07 million (1.5 per cent) Compensation for User Fees Foregone, Kshs.200 million (11.3 per cent) for Leasing of Medical Equipment, Kshs.293.65 million (16.5 per cent) from Road Maintenance Fuel Levy, Kshs.87.9 million (4.9 per cent) for Rehabilitation of Village Polytechnics and Kshs.11.7 million (0.7 per cent) for Agricultural Sector Development Support Programme(ASDSP)II.

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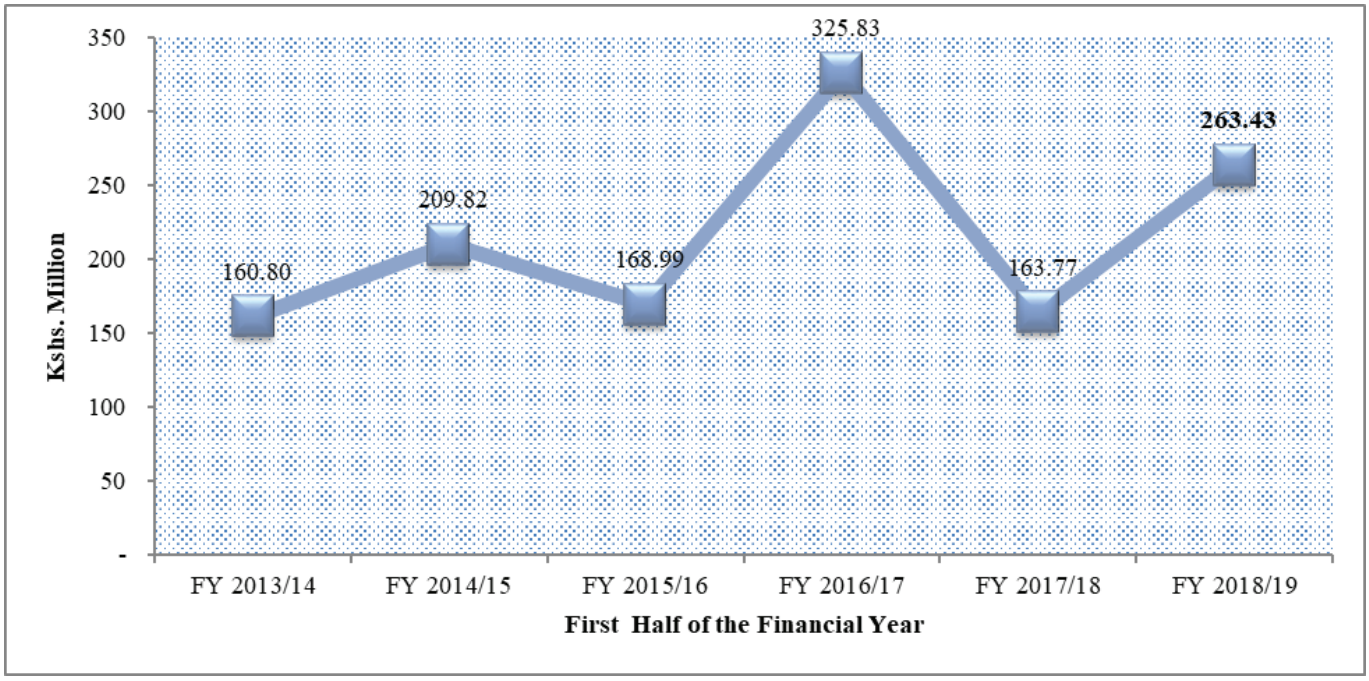
### 3.14.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.36 billion as equitable share of revenue raised nationally, Kshs.488 million as total conditional grants, raised Kshs.263.43 million from own-source revenue, and had a cash balance of Kshs.180.51 million from FY 2017/18. The total funds available for the period amounted to Kshs.4.29 billion.

Figure 3.53 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.53: Kilifi County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Kilifi County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.263.43 million from own-source revenue sources. This amount was an increase of 60.9 per cent when compared to Kshs.163.77 million realised during the same period of FY 2017/18 and represented 19.6 per cent of the annual target.

### 3.14.3 Conditional Grants

The County received Kshs.488 million as conditional grants during the reporting period as shown in Table 3.38.

**Table 3.38: Kilifi County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (Kshs) | Annual Budget Allocation for FY2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Water and Sanitation Development Project (WSDP) | 400,000,000 | 400,000,000 | - | - |
| 2 | Kenya Urban Support Programme (KUSP) | 330,534,500 | 330,534,500 | 330,534,500 | 100 |
| 3 | Road Maintenance Fuel Levy Fund | 285,223,455 | 293,653,336 | - | - |

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| S/No | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (Kshs) | Annual Budget Allocation for FY2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 5 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 196,045,018 | 55,000,000 | 28.1 |
| 6 | World Bank Loan for Transforming Health Systems for Universal Care (WB) (THSUC) | 100,000,000 | 101,527,335 | 33,046,561 | 32.5 |
| 7 | WB -Kenya Devolution Support Programme (KDSP) | 61,148,106 | 83,874,401 | 22,726,295 | 27.1 |
| 8 | Development of Youth Polytechnics/Rehabilitation of Village Polytechnic | 53,035,000 | 87,896,049 | - | - |
| 9 | DANIDA Grant | 33,361,875 | 45,178,279 | 28,497,342 | 63.1 |
| 10 | Compensation for User Fee Foregone | 25,969,864 | 26,072,672 | 13,196,299 | 50.6 |
| 11 | Agricultural Sector Development Support Programme(ASDSP)II | 23,653,874 | 11,700,590 | 5,000,000 | 42.7 |
| **Total** | | **1,653,361,837** | **1,776,482,180** | **488,000,997** | **27.5** |

***Source:*** *Kilifi County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent and 63.1 per cent of annual allocation respectively.

### 3.14.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.3.22 billion from the CRF account. The withdrawals represented 22.3 per cent of the Approved Supplementary Budget and translated to a decrease of 0.3 per cent from Kshs.3.23 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.8 billion (87.2 per cent) to fund recurrent expenditure and Kshs.412.4 million (12.8 per cent) for development activities.

### 3.14.5 Overall Expenditure Review

The County government spent a total of Kshs.2.56 billion on both recurrent and development activities. This expenditure represented 79.6 per cent of the total funds released from the CRF account and was a decrease of 36.9 per cent from Kshs.4.06 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.544.01 million for development activities and Kshs.327.71 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.87 billion while that on development activities was Kshs.689.12 million. The recurrent expenditure was 66.8 per cent of the funds released for recurrent activities, while development expenditure was 167.1 per cent of funds released for development activities. Development expenditure included payments for activities done in FY 2017/18 which was paid in the current financial year.

The recurrent expenditure represented 21.5 per cent of the annual recurrent budget was a decrease from 30.3 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 12.1 per cent, which was a decrease from 42.1 per cent attained in the first half of FY 2017/18. Figure 3.54 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

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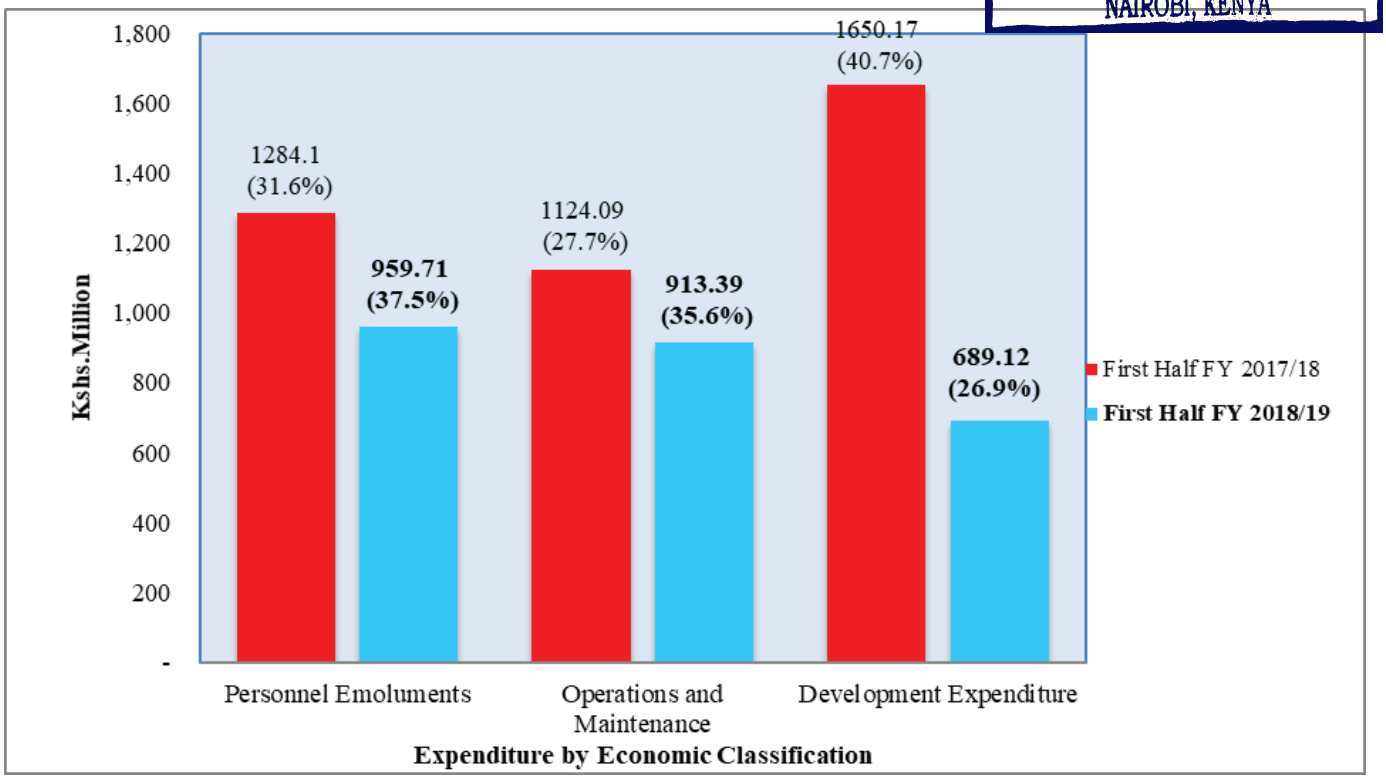
**Figure 3.54: Kilifi County, Expenditure by Economic Classification**




***Source:*** *Kilifi County Treasury*

### 3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.87 billion comprised of Kshs.959.71 million (51.2 per cent) incurred on personnel emoluments and Kshs.913.39 million (48.8 per cent) on operations and maintenance as shown in Figure 3.54.

Expenditure on personnel emoluments represented a decrease of 25.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.28 billion, and was 31.6 per cent of total expenditure for the period. Figure 3.55 shows a summary of operations and maintenance expenditure by major categories.

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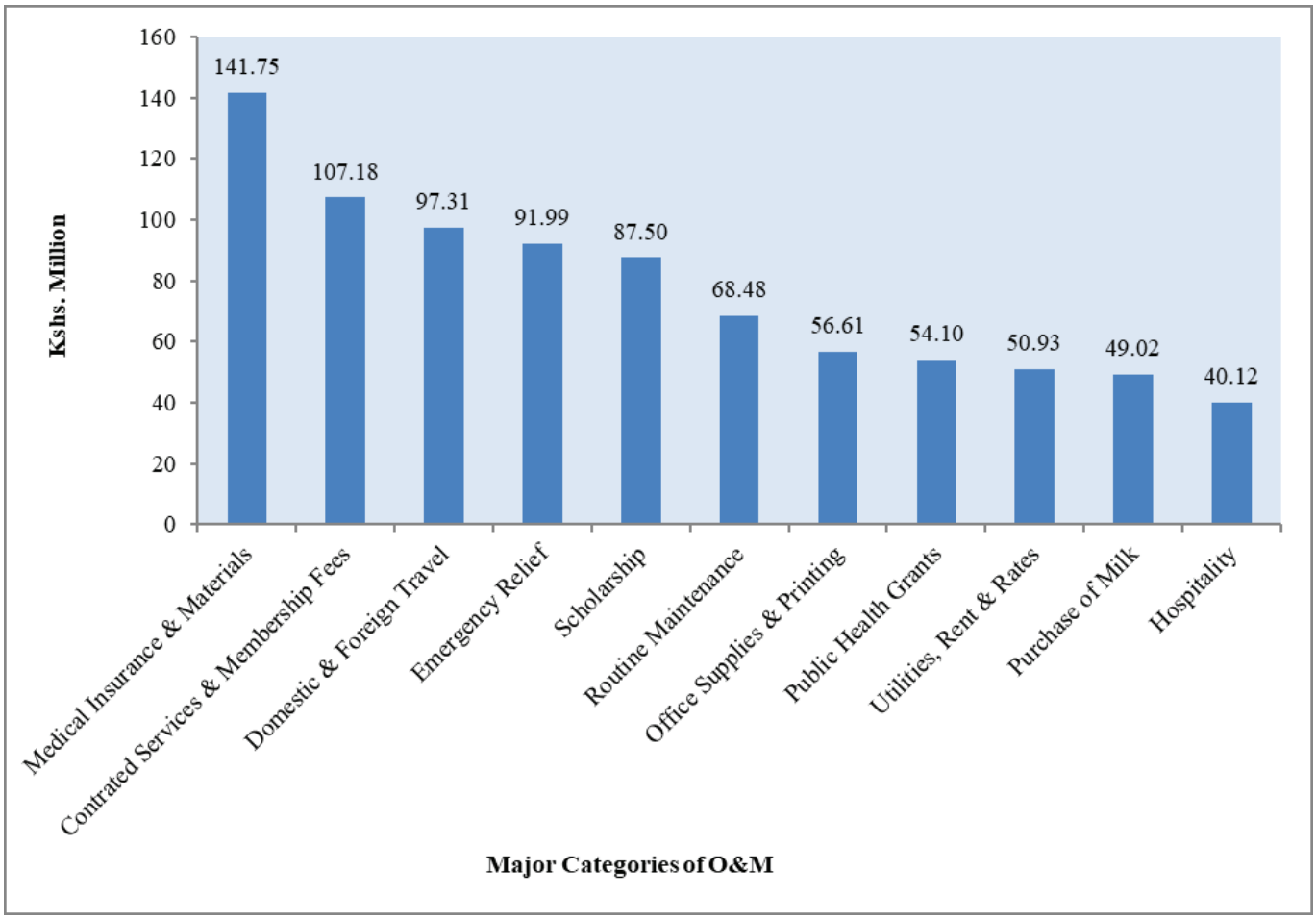
**Figure 3.55: Kilifi County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Kilifi County Treasury*

The County spent Kshs.31.05 million on MCAs' committee sitting allowances for the 54 MCAs against the annual budget allocation of Kshs.96.84 million. This amount represented an increase of 384.6 per cent compared to Kshs.6.41 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs. 95,831 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.84.47 million and comprised of Kshs.35.79 million spent by the County Assembly and Kshs.48.68 million spent by the County Executive. This represented 4.5 per cent of total recurrent expenditure and was an increase of 5 per cent compared to Kshs.80.41 million spent in the first half of FY 2017/18.

### 3.14.7 Development Expenditure

The total development expenditure of Kshs.689.12 million represented 12.1 per cent of the annual development budget of Kshs.5.7 billion. Table 3.39 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.39: Kilifi County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Hospital Complex | Kilifi HQ | 209,696,959 | 40,924,960 | 19.5 |
| 2 | Completion of the upgrading to Cabro standards A7 (BP petrol station) /A7 (Tamani jua) road. | Malindi Town/Sabaki | 60,000,000 | 60,000,000 | 100.0 |
| 3 | Completion of Mtwapa dispensary | Mtwapa | 5,000,000 | 5,000,000 | 100.0 |
| 4 | Construction of six Bed General Ward at Mariakani | Mariakani | 14,648,000 | 5,468,360 | 37.3 |
| 5 | Completion of Dongo Kundu dispensary and construction of 2 No. toilets | Dabaso | 3,000,000 | 3,646,228 | 121.5 |
| 6 | Cowdry dispensary - Construction of modern maternity wing, pediatric ward, laboratory | Chembe Kibabamche | 18,000,000 | 6,873,063 | 38.2 |
| 7 | Completion of Kilifi County Hospital Funeral home | HQ | 20,000,000 | 8,660,618 | 43.3 |
| 8 | Construction of Assembly Main Block Offices | Malindi | 171,166,800 | 47,125,350 | 27.5 |
| 9 | Provision of Teaching & Learning Materials | All County | 22,377,478 | 18,512,000 | 82.7 |
| 10 | Kibao Cha Fundisa Road | Adu | 50,000,000 | 18,345,632 | 36.7 |
| 11 | Completion of Mariakani Highrise | Mariakani | 13,580,602 | 5,167,442 | 38.1 |

***Source:*** *Kilifi County Treasury*

### 3.14.8 Budget Performance by County Department

Table 3.40 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.40: Kilifi County, Budget Performance by Department**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 903.51 | 311.17 | 263.66 | 27.40 | 254.08 | 83.96 | 96.4 | 306.4 | 28.1 | 27.0 |
| Office of the Governor | 366.40 | - | 94.68 | - | 73.99 | - | 78.2 | - | 20.2 | - |
| County Attorney | 121.51 | - | 29.88 | - | 30.48 | - | 102.0 | - | 25.1 | - |
| Finance | 585.07 | 18.81 | 143.24 | - | 81.74 | - | 57.1 | - | 14.0 | - |
| Economic Planning | 51.13 | - | 9.85 | - | 3.74 | - | 38.0 | - | 7.3 | - |
| Agriculture | 570.59 | 183.47 | 118.19 | 60.00 | 60.77 | 15.90 | 51.4 | 26.5 | 10.7 | 8.7 |
| Livestock | 28.50 | 131.80 | - | - | 4.82 | 14.17 | - | - | 16.9 | 10.7 |
| Fisheries | 28.80 | 59.23 | - | - | 4.02 | - | - | - | 14.0 | - |
| Water and Sanitation | 187.83 | 985.63 | 103.95 | 16.78 | 51.03 | 80.44 | 49.1 | 479.5 | 27.2 | 8.2 |
| Environment, Natural Resources And Wildlife | 86.72 | 69.50 | 13.74 | - | 20.32 | 0.53 | 147.9 | - | 23.4 | 0.8 |
| Education Sports & Youth Affairs | 1,058.78 | 848.48 | 337.73 | 38.56 | 233.80 | 78.67 | 69.2 | 204.0 | 22.1 | 9.3 |

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| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Information, Communication & Technology | 37 | 10 | - | - | 5.43 | - | - | - | 14.7 | - |
| Medical Services | 2,815.78 | 847.79 | 1,050.97 | 120.26 | 681.14 | 136.20 | 64.8 | 113.3 | 24.2 | 16.1 |
| Public Health | 267.69 | - | 70.57 | - | 55.24 | - | 78.3 | | 20.6 | |
| Roads, Transport and Public Works | 428.76 | 1,166.59 | 223.34 | 120.82 | 75.04 | 247.66 | 33.6 | 205 | 17.5 | 21.2 |
| Lands and Energy | 151.39 | 56.80 | 36.48 | - | 30.68 | - | 84.1 | | 20.3 | - |
| Physical Planning ,Urban Development and Housing | 52.36 | 498.41 | 9.34 | - | 2.63 | - | 28.1 | | 5.0 | - |
| Gender, Culture, Social Services and Sports | 149.44 | 252.99 | 40.38 | - | 9.65 | - | 23.9 | | 6.5 | - |
| Trade and Tourism | 111.34 | 191.90 | 34.03 | 28.58 | 27.17 | 31.60 | 79.8 | 110.5 | 24.4 | 16.5 |
| Cooperatives Development | 9.57 | - | - | - | 1.71 | - | | | 17.8 | - |
| County Public Service Board | 66.87 | - | 28.82 | - | 18.39 | - | 63.8 | | 27.5 | - |
| Devolution, Public Service and Disaster Management | 640.53 | 67.84 | 195.96 | - | 147.27 | - | 75.2 | | 23.0 | - |
| **Total** | **8,719.58** | **5,700.40** | **2,804.82** | **412.40** | **1,873.10** | **689.12** | **66.8** | **167.1** | **21.5** | **12.1** |

***Source:*** *Kilifi County Treasury*

According to the data from the County Treasury, the County Assembly recorded the highest absorption rate of development budget at 27 per cent, followed by the Department of Roads, Transport and Public Works at 21.2 per cent. County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 25.1 per cent while the Department of Physical Planning, Urban Development and Housing had the lowest at 5 per cent.

### 3.14.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improved capacity of technical staff in the Finance Department through training.
ii. Improved internet connectivity, resulting into effective use of IFMIS.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Low absorption of development budget, which was 12.1 per cent compared to 42.1 per cent in a similar period in FY 2017/18.
2. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
3. Submission of incomplete financial reports by the County Treasury, which affected timely preparation of budget implementation reports as the returns had to be returned for correction.
4. Low own-source revenue collection which was 19.6 per cent of the annual target of Kshs.1.35 billion.

The County should implement the following recommendations in order to improve budget execution;

1. *The County should institute mechanisms to enhance absorption of development funds.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the*

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*county are released in a timely manner in line with the CARA, 2018.*

3. *The County Treasury should ensure adequate internal review of financial returns and statements before submission to oversight institutions. The returns should also be prepared and submitted in line with Section 166 of PFM Act, 2012.*
4. *The County should enhance own source revenue collection.*

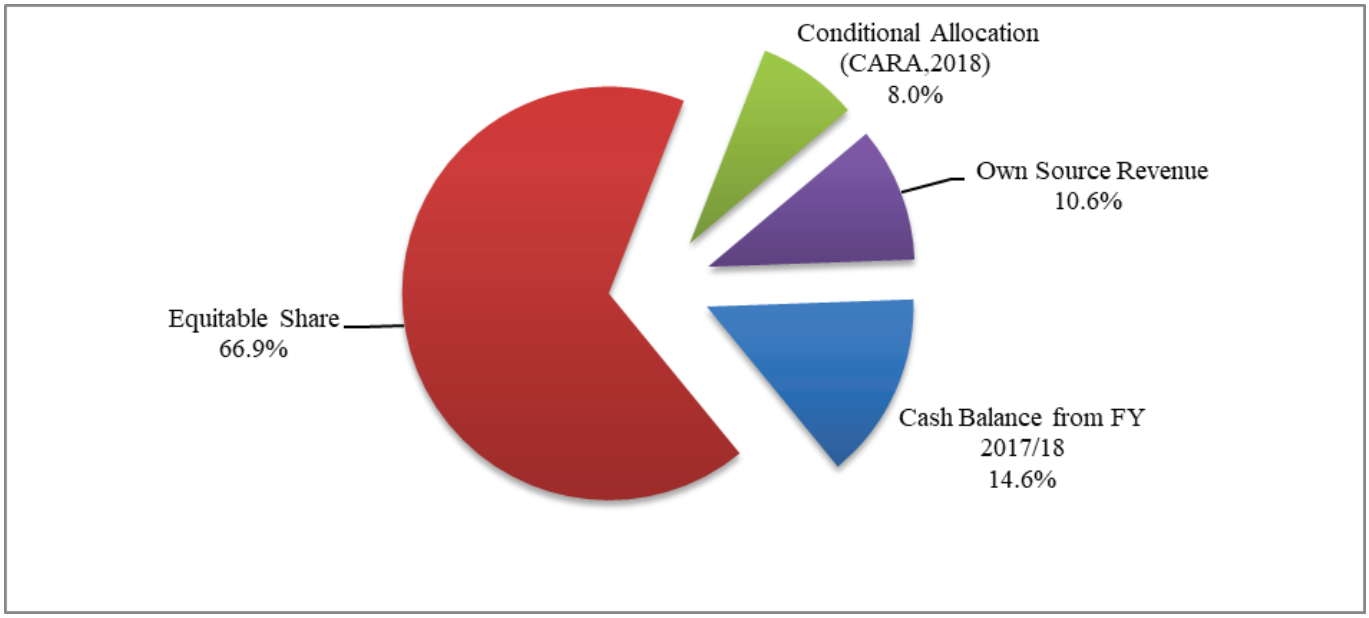
## 3.15 Kirinyaga County

### 3.15.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.6.15 billion, comprising of Kshs.3.67 billion (59.7 per cent) and Kshs.2.48 billion (40.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (66.9 per cent) as equitable share of revenue raised nationally, Kshs.489.39 million (8 per cent) as total conditional grants, generate Kshs.650 million (10.6 per cent) from own source of revenue, and Kshs.900.12 million (14.6 per cent) cash balance from FY 2017/18.

**Figure 3.56: Kirinyaga County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Kirinyaga County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (7.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (20.4 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.41.08 million (6.0 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.71.30 million (10.8 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.14.78 million (2.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.11.28 million (1.6 per cent) as Compensation for User Fees Foregone, Kshs.108.30 million (15.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.52.21 million (10.7 per cent) for Rehabilitation of Village Polytechnics, and Kshs.41.20 million from IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant plus balance carried forward from FY 2017/18, and Kshs.16.50 million for Agricultural Sector Development Support Programme (ASDSP).

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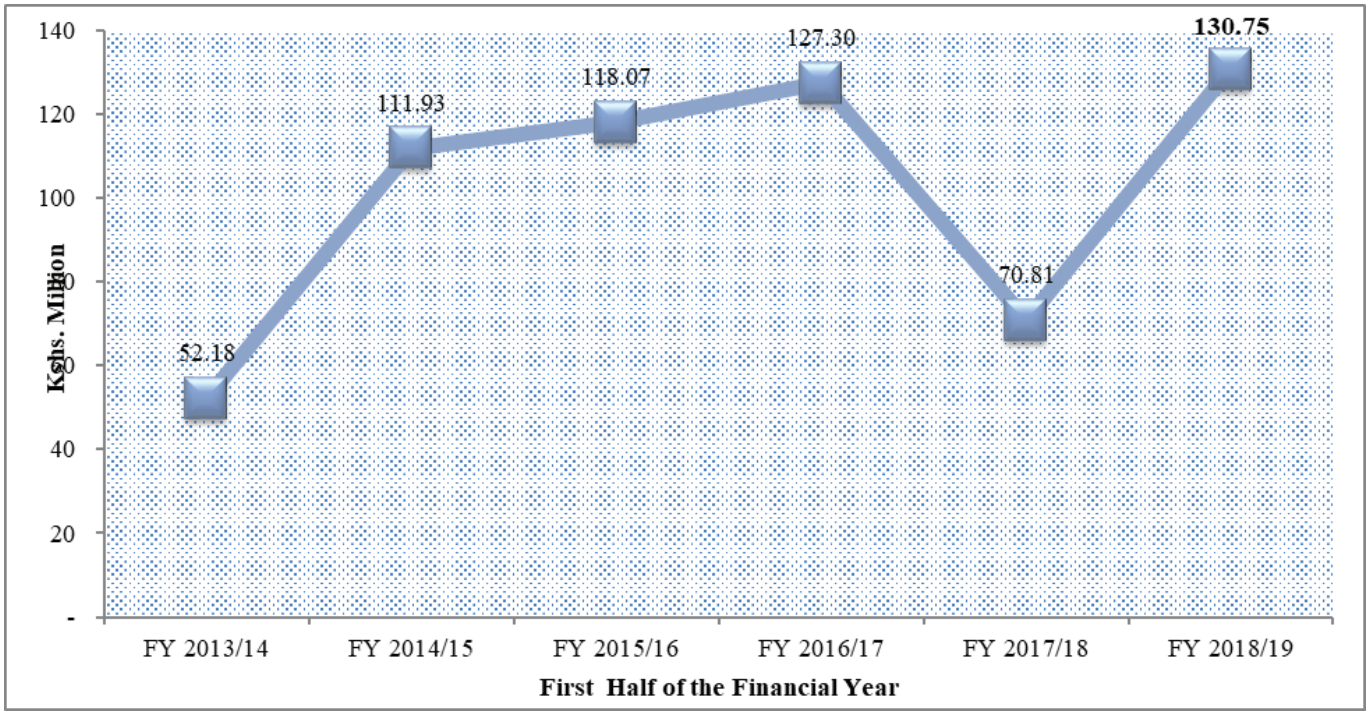
### 3.15.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.28 billion as equitable share of revenue raised nationally, Kshs.83.99 million as total conditional grants, raised Kshs.130.75 million from own source revenue, and had a cash balance of Kshs.831.68 million from FY 2017/18. The total available funds amounted to Kshs.2.32 billion.

Figure 3.57 shows the half yearly trend in own source revenue collection from the first half of FY 2013/14 to the first half of FY 2018/19.

**Figure 3.57: Kirinyaga County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source**: Kirinyaga County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.130.75 million as own-source revenue. This amount represented an increase of 84.6 per cent when compared to Kshs.70.81 million realised during the same period in the FY 2017/18, and represented 20.1 per cent of the annual target.

### 3.15.3 Conditional Grants

The County received Kshs.83.99 million as conditional as shown in Table 3.41.

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**Table 3.41: Kirinyaga County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (Kshs) | Annual Budget Allocation for FY2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 11,282,570 | 11,282,570 | - | - |
| 2 | Leasing of Medial Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy | 108,302,240 | 108,302,240 | - | - |
| 4 | Rehabilitation of Village Polytechnics | 52,210,000 | 52,210,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 5,303,285 | 10.6 |
| 6 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 41,078,830 | 41,078,830 | - | - |
| 8 | Kenya Urban Support Project (KUSP) | 71,302,200 | 71,302,200 | 71,302,200 | 100 |
| 9 | DANIDA Grant | 14,782,500 | 14,782,500 | 7,391,250 | 50 |
| **Total** | | **689,393,503** | **489,393,503** | **83,996,735** | **17.2** |

***Source**: Kirinyaga County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent and 50 per cent of annual allocation respectively.

### 3.15.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.24 billion from the CRF account. The withdrawals represented 36.4 per cent of the Approved Budget and translate to an increase of 47.6 per cent from Kshs.1.52 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.92 billion (85.9 per cent) to fund recurrent expenditure and Kshs.315.19 million (14.1 per cent) for development activities.

### 3.15.5 Overall Expenditure Review

The County government spent a total of Kshs.1.96 billion on recurrent and development activities. The total expenditure represented 87.4 per cent of the total funds released from the CRF account and was an increase of 30.9 per cent from Kshs.1.49 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.61.27 million for development activities and Kshs.89.72 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.68 billion while Kshs.277.4 million was spent on development activities. The recurrent expenditure was 87.3 per cent of the funds released for recurrent activities, while development expenditure was 88.0 per cent of funds released for development activities.

The recurrent expenditure represented 45.7 per cent of the annual recurrent budget, an increase from 44.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 11.2 per cent while there was no development expenditure in the first half of FY 2017/18.Figure 3.58 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

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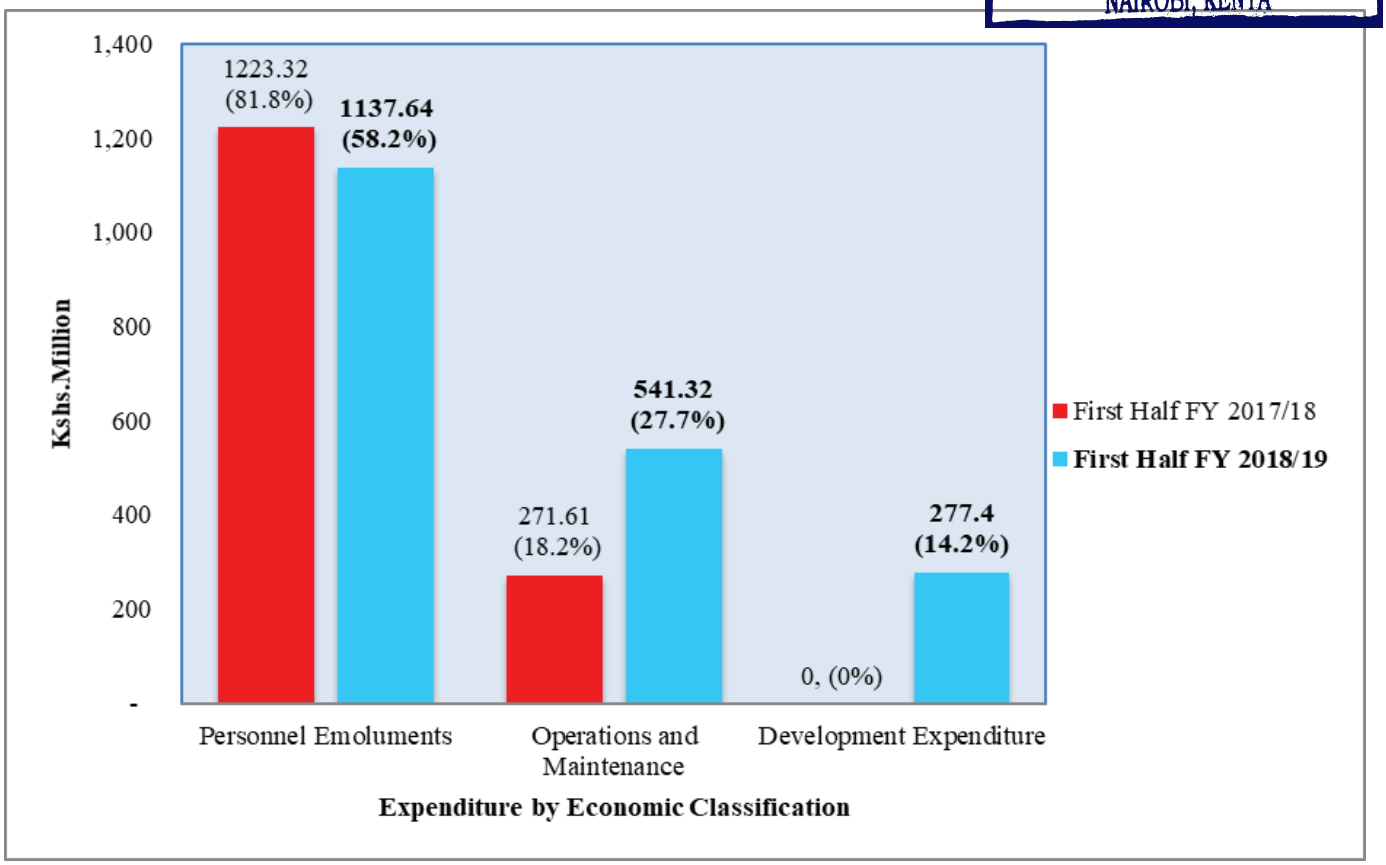
**Figure 3.58: Kirinyaga County, Expenditure by Economic Classification**




***Source:*** *Kirinyaga County Treasury*

### 3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.68 billion comprised of Kshs.1.14 billion (67.8 per cent) incurred on personnel emoluments and Kshs.541.32 million (32.2 per cent) on operations and maintenance as shown in Figure 3.58.

Expenditure on personnel emoluments represented a decrease of 7 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.22 billion, and was 58.2 per cent of total expenditure in the first half of FY 2018/19. Figure 3.59 shows a summary of operations and maintenance expenditure by major categories.

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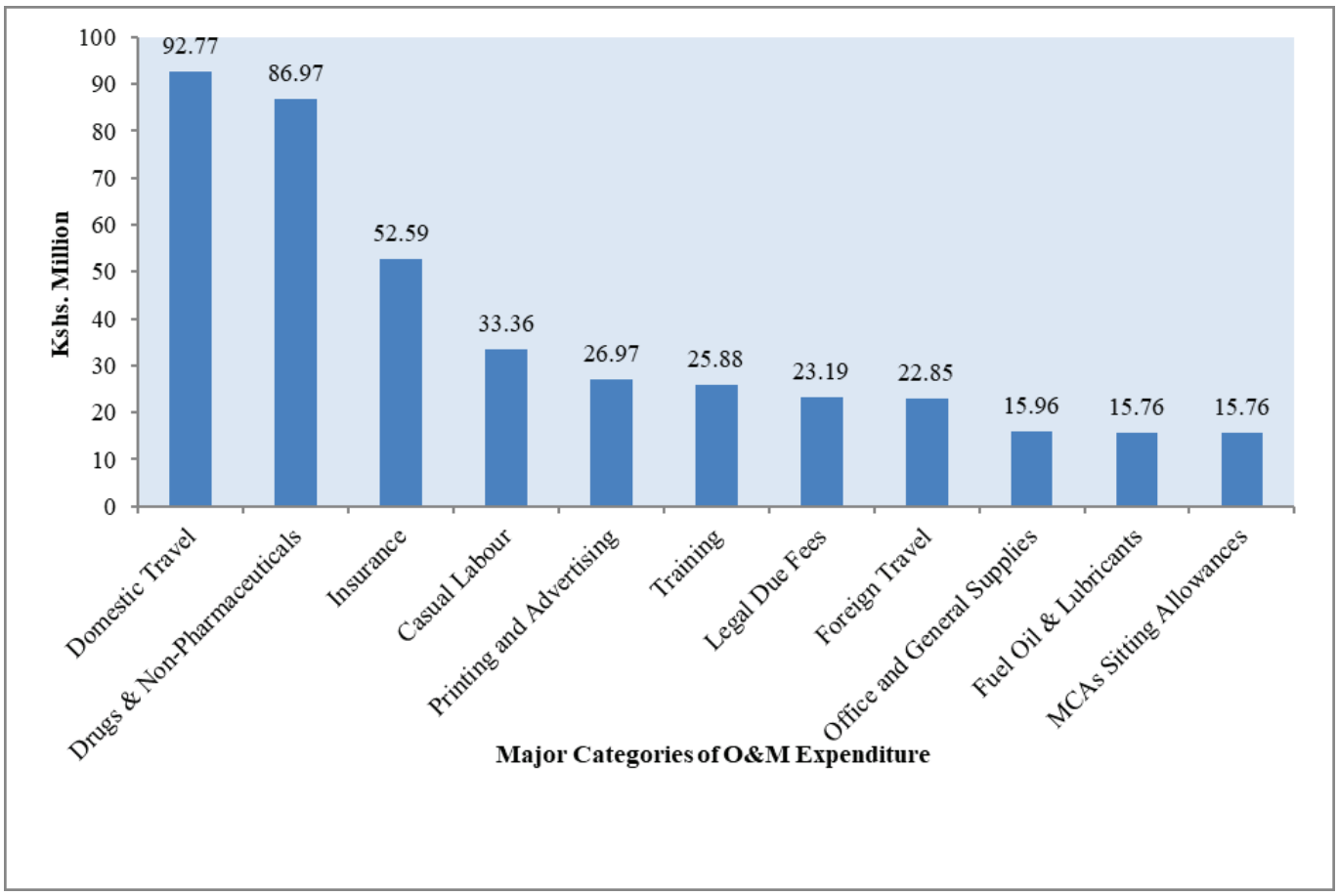
**Figure 3.59: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Kirinyaga County Treasury*

The County spent Kshs.15.76 million on MCAs' committee sitting allowances for the 34 MCAs against the annual budget allocation of Kshs.80 million. This represented an increase of 300.3 per cent compared to Kshs.3.94 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.77, 265 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.92.77 million and comprised of Kshs.66.91 million spent by the County Assembly and Kshs.25.86 million spent by the County Executive, and represented 5.5 per cent of total recurrent expenditure.

### 3.15.7 Development Expenditure

The total development expenditure of Kshs.277.4 million represented 11.2 per cent of the annual development budget of Kshs.2.48 billion. Table 3.42 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.42: Kirinyaga County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Access Roads | County Wide | 119,561,364 | 94,591,577 | 79.1 |
| 2 | Other Infrastructural Works | County Wide | 175,820,216 | 63,686,329 | 36.2 |
| 3 | Purchase of Software | County H/Qs/Kerugoya | 28,351,923 | 26,619,580 | 93.9 |
| 5 | Non Residential Building | Kerugoya | 43,317,442 | 25,084,259 | 57.9 |
| 6 | Purchase of Vaccine and Sera | County H/Qs | 20,600,000 | 14,100,000 | 68.4 |
| 7 | Purchase of Trucks and Trailers | County H/Qs | 7,625,000 | 5,999,700 | 78.7 |
| 8 | Water Supplies and Sewerages | Kianyaga | 14,958,274 | 1,168,400 | 7.8 |
| 9 | Specialised Materials | County H/Qs | 4,052,675 | 997,600 | 24.6 |
| 10 | Maintenance of Machinery | County wide | 1,000,000 | 653,610 | 65.4 |

***Source:*** *Kirinyaga County Treasury*

### 3.15.8 Budget Performance by County Department

Table 3.43 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.43: Kirinyaga County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 601.73 | 158.32 | 320.03 | 27.60 | 320.03 | 25.08 | 100.0 | 90.9 | 53.2 | 15.8 |
| County Executive Services | 461.17 | 250.00 | 214.23 | 51.12 | 180.05 | 44.50 | 84.0 | 87.1 | 39.0 | 17.8 |
| Finance and Economic planning | 304.65 | 38.39 | 163.95 | 13.30 | 140.04 | 13.30 | 85.4 | 100.0 | 46.0 | 34.7 |
| Medical Services | 1,628.82 | 598.17 | 944.79 | 32.47 | 810.96 | 24.59 | 85.8 | 75.7 | 49.8 | 4.1 |
| Education | 241.20 | 37.06 | 45.35 | - | 45.35 | | 100 | - | 18.8 | - |
| Agriculture | 173.43 | 191.18 | 102.24 | 14.10 | 83.47 | 14.10 | 81.6 | 100 | 48.1 | 7.4 |
| Gender/Culture &Social Services | 37.54 | 33.71 | 21.14 | 0.995 | 12.41 | 0.99 | 58.7 | 100 | 33.1 | 3.0 |
| Youth and Sports | 19.51 | 50.49 | 12.50 | 1.49 | 6.41 | 1.49 | 51.3 | 100 | 32.8 | 3.0 |
| Trade & Co-operative Development | 4.31 | 165.08 | 13.03 | 8.12 | 11.30 | 8.12 | 86.7 | 100 | 261.9 | 4.9 |
| Environment and natural resources | 76.23 | 158.22 | 39.85 | 8.44 | 35.88 | 7.17 | 90 | 85 | 47.1 | 4.5 |
| Physical Planning and Housing | 19.69 | 115.91 | 9.58 | - | 6.93 | - | 72.3 | - | 35.2 | - |
| Transport and Infrastructure | 64.29 | 685.01 | 35.86 | 157.56 | 26.13 | 138.05 | 72.9 | 87.6 | 40.6 | 20.2 |
| **Total** | **3,632.57** | **2,481.53** | **1,922.57** | **315.19** | **1,678.96** | **277.40** | **87.3** | **88.0** | **46.2** | **11.2** |

***Source:*** *Kirinyaga County Treasury*

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Analysis of expenditure by department shows that the Department of Finance and Economic Planning and the Department of Transport and Infrastructure recorded the highest absorption rate of development budget at 34.7 per cent and 20.2 per sent respectively. The Department of Trade & Co-operatives reported recurrent expenditure of KShs.11.3 million against the budget allocation of Kshs.4.3 million. This should be regularised before the end of the financial year.

### 3.15.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.
ii. Improvement in the administration and reporting on the established funds in line with Section 116 and 168 of the PFM Act , 2012

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Huge wage bill which accounted for 58.2 per cent of the total expenditure during the reporting period thus constraining funding of other programmes.
2. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
3. Failure to budget for pending bills under the development budget.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should develop and implement an optimal staffing structure to address the escalating wage bill.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA 2018.*
3. *The County should verify all development pending bills and budget for them appropriately.*

## 3.16 Kisii County

### 3.16.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.12 billion, comprising of Kshs.7.71 billion (64.3 per cent) and Kshs.4.29 billion (35.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.69 billion (64.1 per cent) as equitable share of revenue raised nationally, Kshs.1.50 billion (12.5 per cent) as total conditional grants, generate Kshs.950 million (7.9 per cent) from own sources, Kshs.1.81 billion (15.1 per cent) cash balance from FY 2017/18, and Kshs.48 million (0.4 per cent) from other revenue sources.

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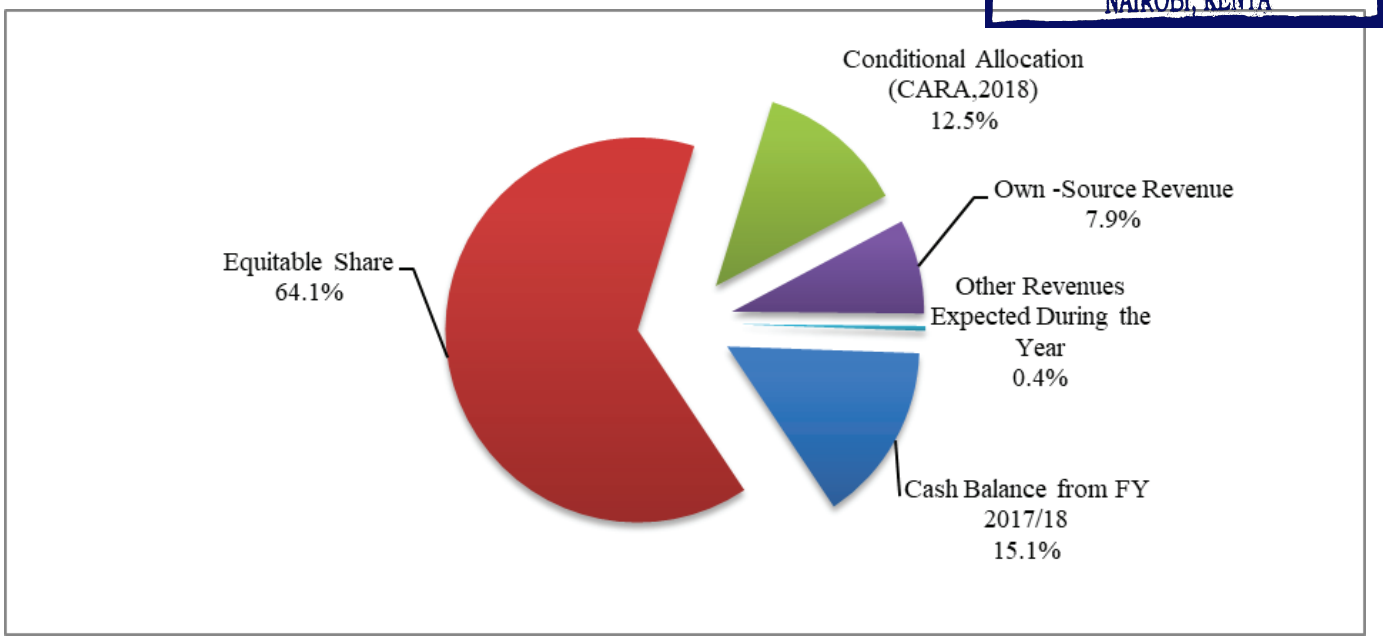
**Figure 3.60: Kisii County Sources of Budget Financing in FY 2018/19**




***Source**: Kisii County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.74.16 million (5.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (9.9.7 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.53.94 million (3.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.164.05 million (11.4 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.24.91 million (1.7 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (4.8 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.417.57 million (28.9 per cent) to Level-5 Hospital, Kshs.26.14 million (1.8 per cent) as Compensation for User Fees Foregone, Kshs.200 million (13.8 per cent) for Leasing of Medical Equipment, Kshs.203.38 million (14.1 per cent) from Road Maintenance Fuel Levy Fund, and Kshs.70.09 million (4.9 per cent) for Rehabilitation of Village Polytechnics.

The County also budgeted to receive Kshs.40 million as Urban Institutional grant and Kshs.8.46 million as Agricultural Sector Development Support Programme (ASDSP –SIDA) programme.

### 3.16.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.27 billion as equitable share of revenue raised nationally, Kshs.373.51 million as total conditional grants, raised Kshs.120.29 million from own-source revenue, and had a cash balance of Kshs.1.64 billion from FY 2017/18. The total funds available for the period amounted to Kshs.4.40 billion.

Figure 3.61 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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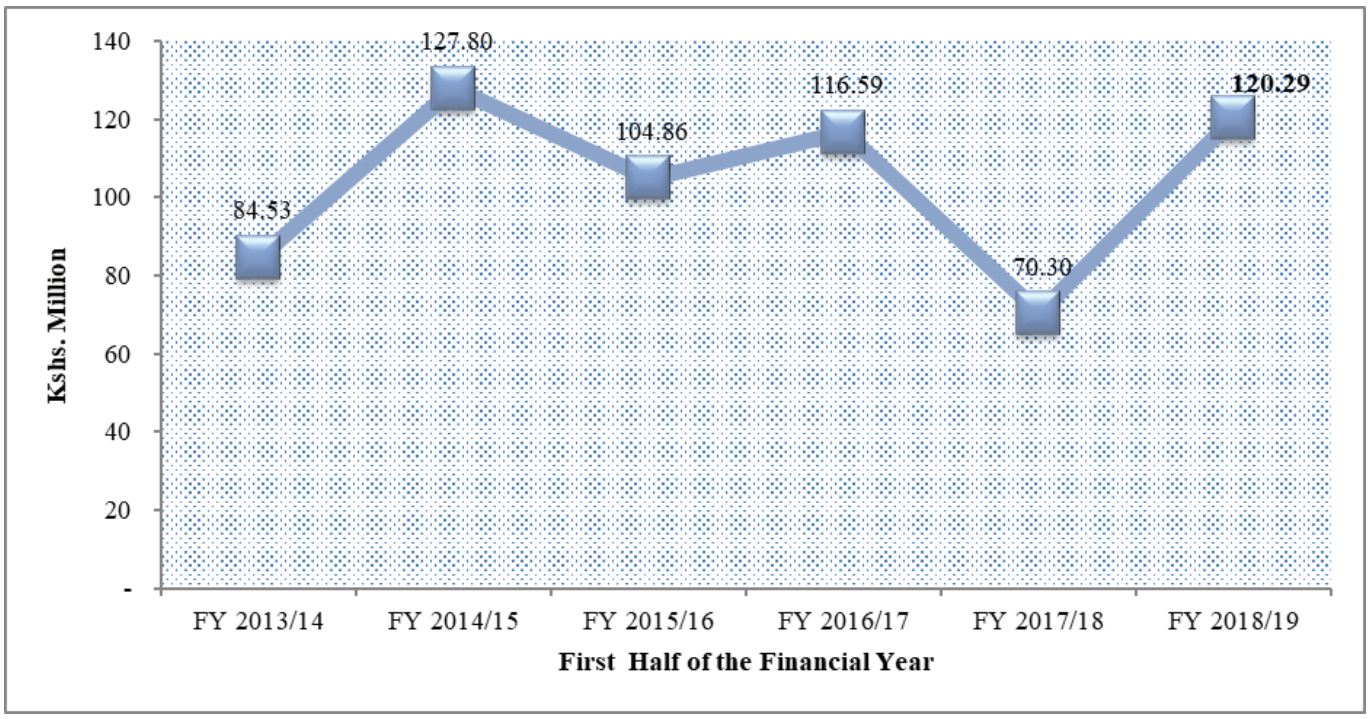
**Figure 3.61: Kisii County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source**: Kisii County Treasury*

The County generated a total of Kshs.120.29 million as own-source revenue during the first half of FY 2018/19. This amount was an increase of 71.1 per cent when compared to Kshs 70.30 million realised during the same period of FY 2017/18 and represented 12.7 per cent of the annual target.

### 3.16.3 Conditional Grants

The County received Kshs.373.51 million as conditional grants as shown in Table 4.44.

**Table 4.44: Kisii County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (Kshs) | Annual Budget Allocation for FY2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Conditional Grants to Level- 5 Hospitals | 417,572,254 | 417,572,254 | 135,710,983 | 32.5 |
| 2 | Compensation for User Fee Foregone | 26,138,997 | 26,138,997 | - | - |
| 3 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 4 | Road Maintenance Fuel Levy Fund | 203,376,725 | 203,376,725 | - | - |
| 5 | Rehabilitation of Village Polytechnics | 70,090,000 | 70,090,000 | - | - |
| 6 | World Bank-Transforming Health Systems for Universal Care Project | 74,159,514 | 74,159,514 | 13,128,256 | 17.7 |
| 7 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 140,435,163 | - | - |
| 8 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 53,938,093 | 53,938,093 | - | - |

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| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (Kshs) | Annual Budget Allocation for FY2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 9 | IDA (World Bank) -Kenya Urban Support Project | 164,053,800 | 164,053,800 | 164,053,800 | 100.0 |
| 10 | DANIDA - Universal Healthcare to Devolved System Programme | 24,907,500 | 36,171,944 | 12,453,750 | 34.4 |
| 11 | EU- Instruments for Devolution Advice and Support (IDEAS) | 70,000,000 | 110,000,000 | 48,161,217 | 43.8 |
| 12 | Urban Institutional Grant | - | 40,000,000 | - | - |
| 13 | SIDA -Agricultural Sector Development Support Programme | - | 8,455,986 | - | - |
| **Sub Total** | | **1,444,672,046** | **1,495,936,490** | **373,508,006** | **25** |
| | **Other Grants** | | | | |
| 14 | Urban Institutional Grant | - | 40,000,000 | - | - |
| 15 | ASDSP -SIDA | - | 8,455,986 | - | - |
| **Sub-Total** | | **-** | **48,455,986** | **-** | **-** |
| **Total** | | **1,444,672,046** | **1,544,392,476** | **373,508,006** | **24.2** |

***Source**: Kisii County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project which accounted for 100 per cent of annual allocation.

### 3.16.4 Exchequer Issues

To finance the budget, the Controller of Budget approved withdrawal of Kshs.4.34 billion from the CRF account. The withdrawals represented 36.1 per cent of the Approved Budget and translated to an increase of 72.2 per cent from Kshs.2.52 billion approved in the first half of FY 2017/18. This comprised of Kshs.3.51 billion (80.9 per cent) for recurrent expenditure and Kshs.829.91 million (19.1 per cent) for development activities.

### 3.16.5 Overall Expenditure Review

The County government spent a total of Kshs.4.16 billion on both recurrent and development activities. This expenditure represented 95.9 per cent of the total funds released from the CRF account and was an increase 68.7 per cent from Kshs.2.46 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.93.88 million for development activities and Kshs.27.45 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.43 billion while that on development activities was Kshs.728.40 million. The recurrent expenditure was 97.1 per cent of the funds released for recurrent activities, while development expenditure was 87.8 per cent of funds released for development activities.

The recurrent expenditure represented 44.5 per cent of the annual recurrent budget and was an increase from 35.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 17 per cent, which was an increase from 3.5 per cent attained in the first half of FY 2017/18. Figure 3.62 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

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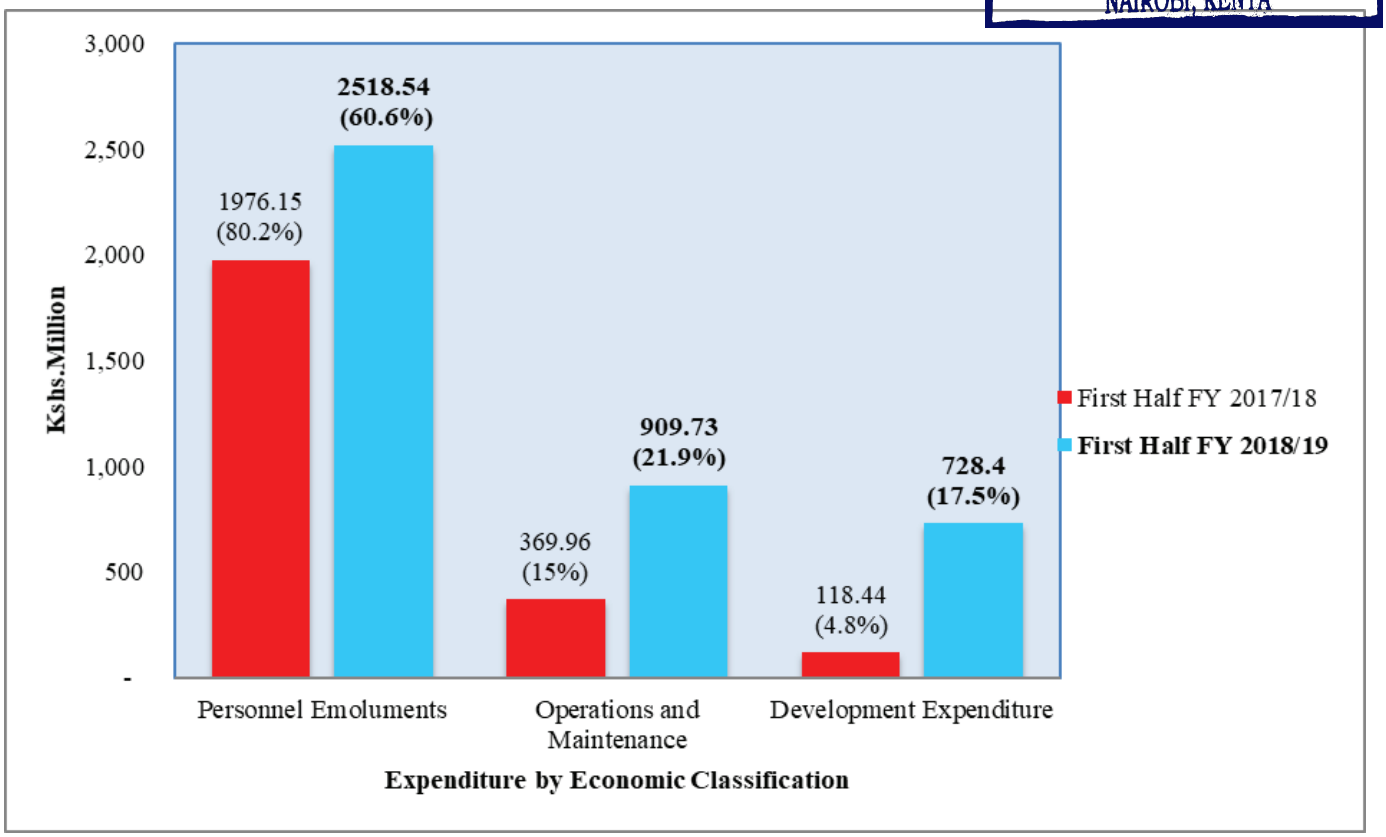
**Figure 3.62: Kisii County, Expenditure by Economic Classification**




***Source:*** *Kisii County Treasury*

### 3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.43 billion comprised of Kshs.2.52 billion (73.5 per cent) incurred on personnel emoluments and Kshs.909.73 million (26.5 per cent) on operations and maintenance as shown in Figure 3.62.

Expenditure on personnel emoluments represented an increase of 27.4 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.98 billion, and was 60.6 per cent of total expenditure for the period. Figure 3.63 shows a summary of operations and maintenance expenditure by major categories.

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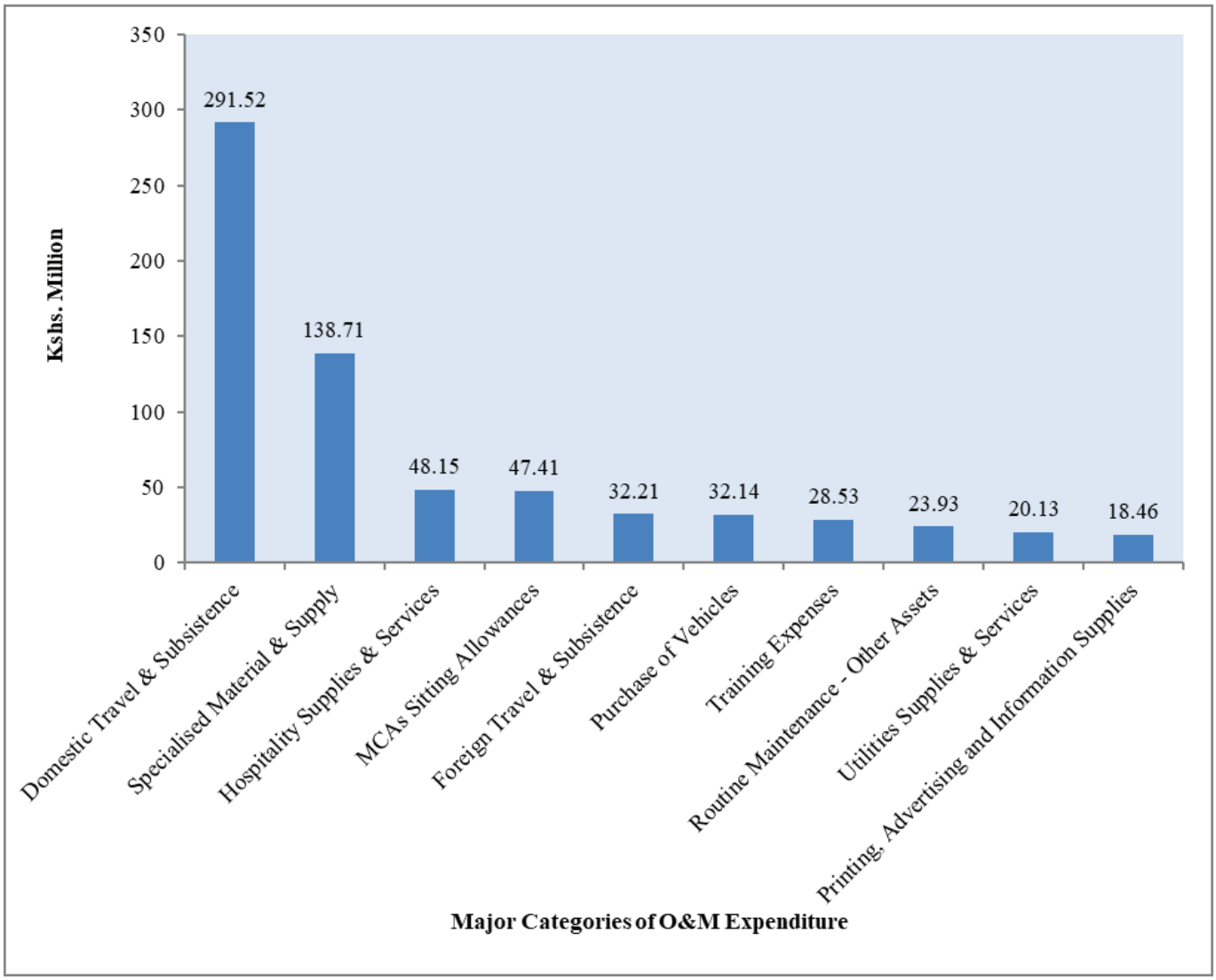
**Figure 3.63: Kisii County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Kisii County Treasury*

The County spent Kshs.47.41 million on MCAs' committee sitting allowances for the 70 MCAs against the annual budget allocation of Kshs.94.82 million. This amount represented an increase of 469 per cent compared to Kshs.8.33 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.112,884 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.291.52 million and comprised of Kshs.59.19 million spent by the County Assembly and Kshs.232.33 million spent by the County Executive. This represented 8.5 per cent of total recurrent expenditure and was an increase of 82.7 per cent compared to Kshs.159.57 million spent in the first half of FY 2017/18.

### 3.16.7 Development Expenditure

The total development expenditure of Kshs.728.40 million represented 17 per cent of the annual development budget of Kshs.4.29 billion. Table 3.45 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.45: Kisii County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Artificial Insemination Programme | Countywide (All 45 wards) | 70,000,000 | 61,654,175 | 88.1 |
| 2 | Purchase of Drilling Rig and other Equipment | County Headquarters (Public Works) | 83,000,000 | 41,500,000 | 50.0 |
| 3 | Completion of Gusii Stadium | Kisii Town | 45,000,000 | 29,389,724 | 65.3 |
| 4 | Construction of Casualty / Theatre at Marani Level 4 Hospital | Marani ward | 30,000,000 | 16,947,260 | 56.5 |
| 5 | Construction of Perimeter Wall at Kisii Level 5 Hospital | KTRH (Kisii Town) | 28,500,000 | 14,892,503 | 52.2 |
| 6 | Construction of MCAs' Offices | County Assembly Headquarters | 40,000,000 | 10,087,409 | 25.2 |
| 7 | Integrated Strategic Urban Development Plan | Bomachoge Chache (Ogembo) | 43,000,000 | 9,595,875 | 22.3 |
| 8 | Kisii Main Stage - Getare Road | Kitutu Chache South (Getare) | 30,000,000 | 8,837,808 | 29.5 |
| 9 | Development of Integrated County Management Information System (ERP) for all Departments | County Headquarters | 20,000,000 | 8,782,560 | 43.9 |
| 10 | Establishment of Basic Human Anatomy Laboratory at Kisii Level 5 Hospital | KTRH (Kisii Town) | 9,000,000 | 7,771,162 | 86.3 |

***Source:*** *Kisii County Treasury*

### 3.16.8 Budget Performance by County Department

Table 3.46 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.46: Kisii County, Budget Performance by Department**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 961.84 | 250.00 | 453.18 | 10.09 | 397.47 | 10.09 | 87.7 | 100.0 | 41.3 | 4.0 |
| County Executive and Public Service Board | 460.48 | 25.00 | 235.71 | 3.57 | 221.36 | 3.57 | 93.9 | 100.0 | 48.1 | 14.3 |
| Finance and Economic Planning | 1,197.77 | 181.73 | 526.64 | 17.84 | 521.49 | 17.84 | 99.0 | 100.0 | 43.5 | 9.8 |
| Agriculture and Cooperative Development | 348.25 | 525.99 | 155.21 | 180.44 | 141.29 | 103.78 | 91.0 | 57.5 | 40.6 | 19.7 |
| Energy, Water, Environment and Natural Resources | 195.73 | 307.60 | 61.25 | 66.51 | 56.06 | 45.52 | 91.5 | 68.4 | 28.6 | 14.8 |
| Education, Youth Affairs and Social Development | 607.89 | 251.38 | 225.80 | 37.87 | 226.07 | 8.05 | 100.1 | 21.3 | 37.2 | 3.2 |
| County Health Services | 2,686.15 | 989.81 | 1,370.00 | 141.38 | 1,381.02 | 170.88 | 100.8 | 120.9 | 51.4 | 17.3 |

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| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Lands, Physical Planning and Urban Development | 108.20 | 247.40 | 44.38 | 52.09 | 35.53 | 48.92 | 80.0 | 93.9 | 32.8 | 19.8 |
| Roads, Public Works and Transport | 195.45 | 878.14 | 65.03 | 255.18 | 63.41 | 255.18 | 97.5 | 100.0 | 32.4 | 29.1 |
| Trade Development, Industry and Tourism | 94.58 | 147.96 | 26.47 | 10.24 | 21.12 | 10.24 | 79.8 | 100.0 | 22.3 | 6.9 |
| Culture and Social Services | 95.00 | 173.00 | 52.86 | 33.30 | 47.31 | 33.30 | 89.5 | 100.0 | 49.8 | 19.2 |
| Kisii Town Urban Area | 139.28 | 194.46 | 30.63 | 3.04 | 40.76 | 2.67 | 133.1 | 87.7 | 29.3 | 1.4 |
| Administration and Stakeholder Management | 617.45 | 116.25 | 283.90 | 18.36 | 275.39 | 18.36 | 97.0 | 100.0 | 44.6 | 15.8 |
| **TOTAL** | **7,708.07** | **4,288.73** | **3,531.07** | **829.91** | **3,428.28** | **728.40** | **97.1** | **87.8** | **44.5** | **17.0** |

***Source:*** *Kisii County Treasury*

Analysis of expenditure by department shows the Department of Roads, Public Works and Transport recorded the highest absorption of development budget at 29.1 per cent while the Kisii Town Urban Area recorded the least absorption at 1.4 per cent. The County Health Services Department had the highest percentage of recurrent expenditure to recurrent budget at 51.4 per cent while the Department of Trade Development, Industry and Tourism had the lowest at 22.3 per cent.

### 3.16.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the absorption of development budget from 3.5 per cent in the first half of FY 2017/18 to 17 per cent in the period under review.
ii. Timely submission of financial reports by the County Treasury to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill of Kshs.2.52 billion, which increased by 27.4 per cent compared to a similar period in FY 2017/18 and accounted for 60.6 per cent of the total expenditure in the first half of FY 2018/19.
2. Under-performance in own-source revenue collection which represented 12.7 per cent of annual target. This may hamper effective budget implementation.
3. Delay in disbursement of equitable share of revenue raised by the National Treasury.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should ensure an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in timely manner in line with CARA, 2018.*

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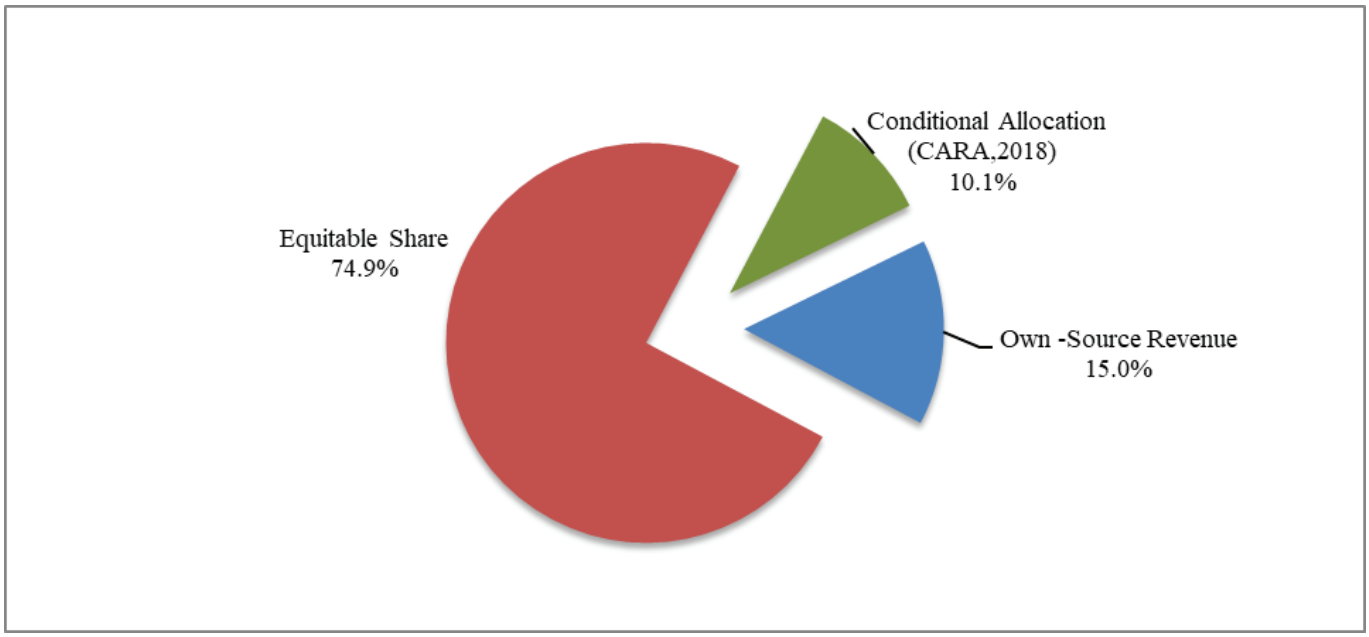
## 3.17 Kisumu County

### 3.17.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.9.22 billion, comprising of Kshs.6.38 billion (69.3 per cent) and Kshs.2.83 billion (30.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.91 billion (74.9 per cent) as equitable share of revenue raised nationally, Kshs.927.32 million (10.1 per cent) as total conditional grants, and generate Kshs.1.38 billion (15 per cent) from own revenue sources.

**Figure 3.64: Kisumu County, Sources of Budget Financing in FY 2018/19**




***Source**: Kisumu County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.67.36 million (3.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.49.64 million (2.6 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.21.97 million (1.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (4.7 per cent) grant from EU for Instruments for Devolution Advice and Support- (IDEAS), Kshs.369.02 million (19.1 per cent) to Kitui Level-5 Hospital, Kshs.21.30 million (1.1 per cent) Compensation for User Fees Foregone, Kshs.242.06 million (9.4 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.41.65 million (2.2 per cent) for Rehabilitation of Village Polytechnics.

### 3.17.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.45 billion as equitable share of revenue raised nationally, Kshs.1.06 billion as total conditional grants, raised Kshs.405.3 million from own-source revenue, and had a cash balance of Kshs.1.44 billion from FY 2017/18. The total funds available for the period amounted to Kshs.4.35 billion.

Figure 3.65 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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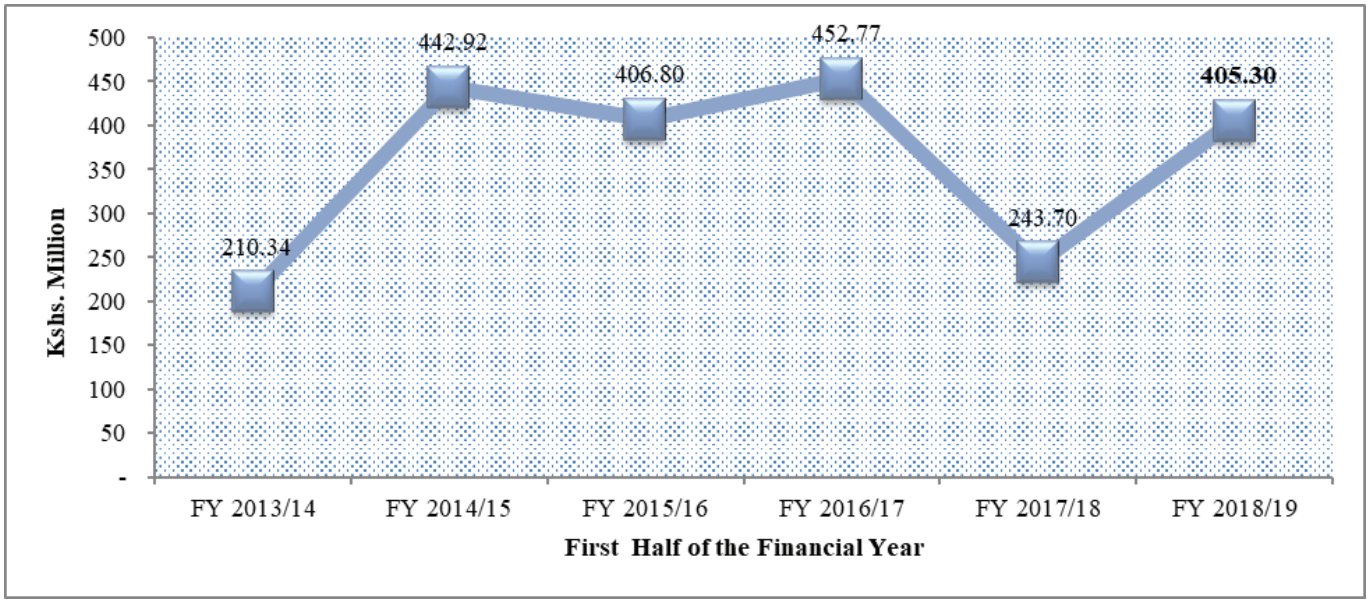
**Figure 3.65: Kisumu County, Trend in Own-Source Revenue Collection in the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Kisumu County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.405.3 million as own-source revenue sources. This amount was an increase of 66.3 per cent when compared to Kshs.243.7 million realised during the same period of FY 2017/18 and represented 29.3 per cent of the annual target.

### 3.17.3 Conditional Grants

The County received Kshs.1.06 billion as conditional grants as shown in Table 3.47.

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**Table 3.47: Kisumu County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | World Bank credit for Kenya Urban Support Project (KUSP) | 773,573,300 | - | 773,573,300 | - |
| 2 | Kisumu Level 5 Hospital | 369,017,341 | 369,017,341 | 18,450,867 | 5.0 |
| 3 | Conditional Allocation from the Road Maintenance Fuel Levy Fund | 181,881,624 | 242,061,249 | 43,056,542 | 17.8 |
| 4 | World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | - | - | - |
| 5 | EU Grant for Instrument for Devolution Advice & Support (IDEAS) | 90,000,000 | 156,000,000 | 58,304,401 | 37.4 |
| 6 | World Bank credit for Transforming Health Systems for Universal Care Project | 67,364,355 | 46,312,993 | 39,654,018 | 85.6 |
| 7 | World Bank credit for Kenya Devolution Support Project (KDSP) - Level 1 | 49,642,674 | 46,361,941 | - | - |
| 8 | Rehabilitation of Youth Polytechnics | 41,650,000 | 30,000,000 | 20,159,586 | 67.2 |
| 9 | Compensation for User Fees Foregone | 21,299,489 | 21,165,550 | 2,128,751 | 10.1 |
| 10 | DANIDA grant - Universal Healthcare for Devolved System Program | 21,971,250 | 16,403,019 | 10,985,625 | 67.0 |
| **Sub Total** | | **1,733,400,033** | **927,322,093** | **966,313,090** | **104.2** |
| B | **Other Grants** | | | | |
| 11 | Universal Health Care | - | - | 91,525,545 | - |
| **Total** | | **1,733,400,033** | **927,322,093** | **1,057,838,635** | **114.1** |

***Source**: Kisumu County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Transforming Health Systems for Universal care Project grant. The receipt accounted for 85.6 per cent of annual allocation.

### 3.17.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.3.45 billion from the CRF account. The withdrawal represented 37.4 per cent of the Approved Budget and translated to an increase of 85 per cent from Kshs.1.87 billion approved in the first half of FY 2017/18. This comprised of Kshs.3.32 billion (96.2 per cent) to fund recurrent expenditure and Kshs.132.62 million (3.8 per cent) for development activities.

### 3.17.5 Overall Expenditure Review

The County government spent a total of Kshs.2.57 billion on both recurrent and development activities. This expenditure represented 74.4 per cent of the total funds released from the CRF account and was an increase of 27 per cent from Kshs.2.02 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.2.46 billion while that on development activities was Kshs.107.34 million. The recurrent expenditure was 74.1 per cent of the funds released for recurrent activities, while development expenditure was 80.9 per cent of funds released for development activities.

The recurrent expenditure represented 38.5 per cent of the annual recurrent budget an increase from 30.5 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of

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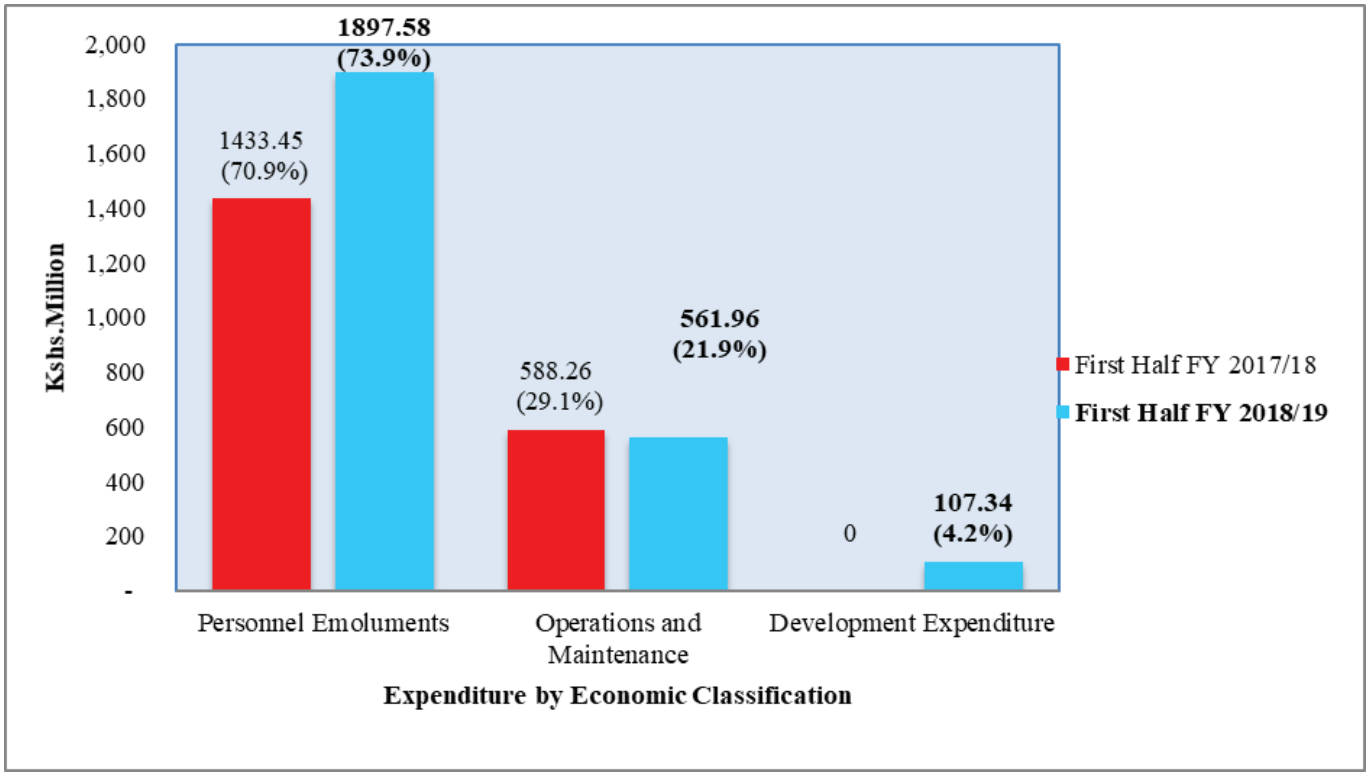
3.8 per cent, while there was no expenditure on development activities in the first half of FY 2018/19. Figure 3.66 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

**Figure 3.66: Kisumu County, Expenditure by Economic Classification**




***Source:*** *Kisumu County Treasury*

### 3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.57 billion comprised of Kshs.1.9 billion (77.2 per cent) incurred on personnel emoluments and Kshs.561.96 million (22.8 per cent) on operations and maintenance as shown in Figure 3.66.

Expenditure on personnel emoluments represented an increase of 32.4 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.43 billion, and was 73.9 per cent of total expenditure for the period. Figure 3.67 shows a summary of operations and maintenance expenditure by major categories.

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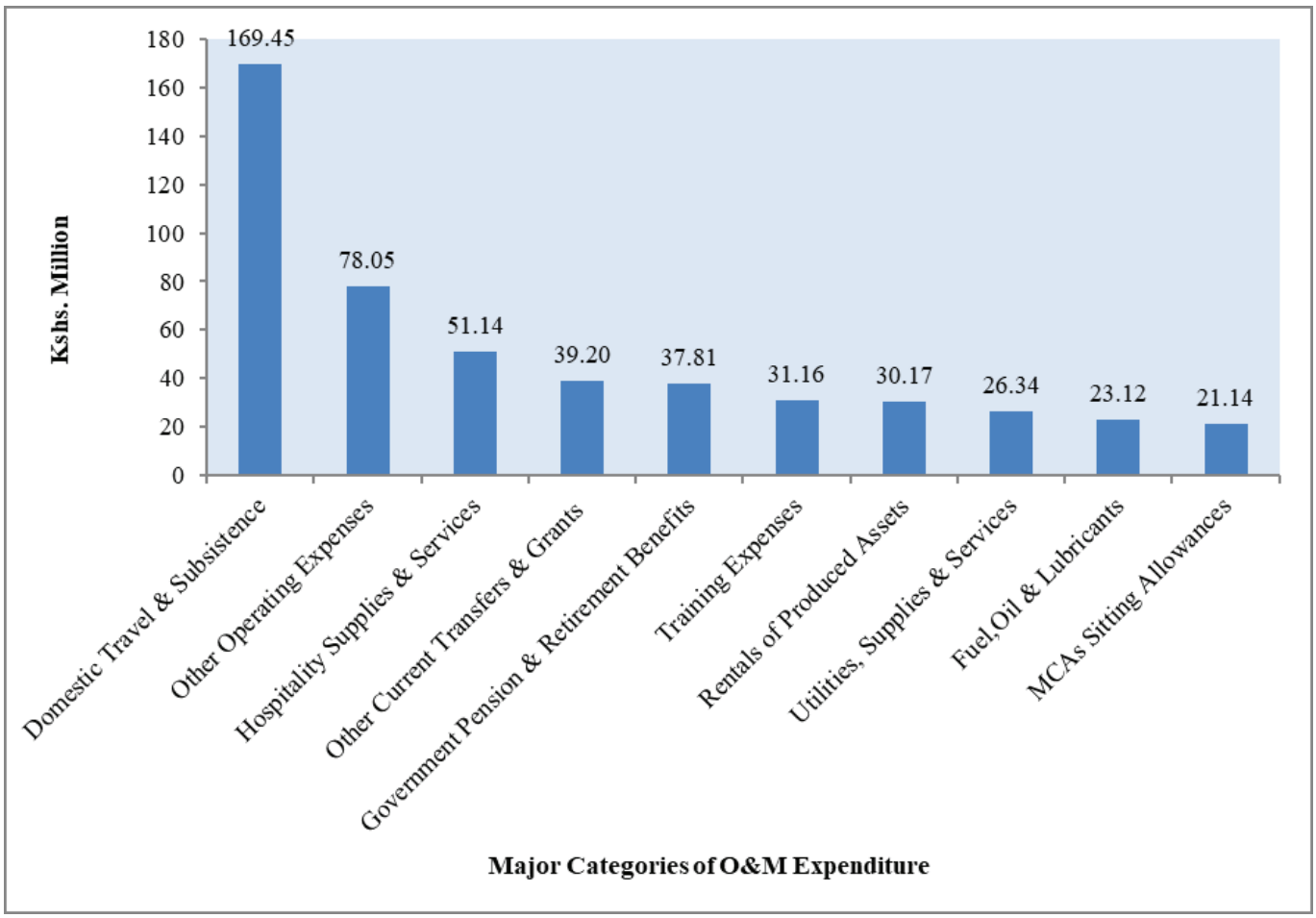
**Figure 3.67: Kisumu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Kisumu County Treasury*

The County spent Kshs.21.14 million on MCAs' committee sitting allowances for the 49 MCAs against the annual budget allocation of Kshs.55.11 million. This amount represented an increase of 164.3 per cent compared to Kshs.8 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.71,895 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.169.45 million and comprised of Kshs.55.03 million spent by the County Assembly and Kshs.114.42 million spent by the County Executive. This represented 6.9 per cent of total recurrent expenditure.

### 3.17.7 Development Expenditure

The total development expenditure of Kshs.107.34 million represented 3.8 per cent of the annual development budget of Kshs.2.83 billion. Table 3.48 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.48: Kisumu County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Project Expenditure in First Half of FY 2018/19 (Kshs.) |
|---|---|---|---|
| 1 | Kachok dumpsite Rehabilitation | Kachok | 39,144,200 |
| 2 | Valuation Roll | County wide | 18,560,000 |
| 3 | Constraction of Huduma Centre at Nyando | Nyando | 8,122,308 |
| 4 | Constraction of Huduma Centre at Seme | Seme | 7,124,935 |
| 5 | Ahero Youth Polytechnic | Ahero | 5,370,000 |
| 6 | Rotary Youth Polytechnic | Rotary | 4,717,616 |
| 7 | Akado Youth Polytechnic | Akado | 3,060,000 |
| 8 | Katito Youth Polytechnic | Katito | 1,860,000 |
| 9 | Kitambo Youth Polytechnic | Kitambo | 1,740,000 |
| 10 | Wachara Youth Polytechnic | Wachara | 1,635,000 |

***Source:*** *Kisumu County Treasury*

### 3.17.8 Budget Performance by County Department

Table 3.49 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.49: Kisumu County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock and Fisheries | 282.84 | 104.40 | 138.64 | - | 112.33 | - | 81 | - | 39.7 | - |
| City of Kisumu | 693.01 | 267.86 | 354.59 | 39.14 | 294.21 | - | 83 | - | 42.5 | - |
| Kisumu County Public Service Board | 81.26 | - | 42.94 | - | 30.02 | - | 69.9 | - | 36.9 | - |
| Education, Gender, Youth, Human Resource Development, ICT and Social Services | 268.36 | 247.77 | 142.33 | 8.49 | 111.83 | 27.43 | 78.6 | 323.2 | 41.7 | 11.1 |
| Office of the Governor and County Administration | 442.75 | 199.76 | 267.67 | - | 156.85 | - | 58.6 | - | 35.4 | - |
| Health Services | 2,845.05 | 300.78 | 1,440.79 | - | 1,223.95 | 15.25 | 84.9 | - | 43.0 | 5.1 |
| Economic Planning | 66.96 | 74.17 | 38.29 | 10.01 | 17.96 | - | | - | - | |
| Tourism, Culture, Sports and Information | 89.08 | 77.10 | 51.91 | - | 13.68 | - | 26.4 | - | 15.4 | - |
| Roads, Transport and Public Works | 182.20 | 599.98 | 102.60 | - | 58.41 | 3.76 | 56.9 | - | 32.1 | 0.6 |
| Lands, Housing and Physical Planning | 43.89 | 116.90 | 21.88 | 16.67 | 3.82 | 18.56 | 17.5 | 111.3 | 8.7 | 15.9 |
| Business, Energy and Industry | 119.70 | 381.32 | 69.58 | 58.30 | 27.31 | - | 39.3 | - | 22.8 | 0.0 |
| Finance | 436.31 | 173.60 | 272.28 | - | 99.14 | 42.34 | 36.4 | - | 22.7 | 24.4 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Water, Environment and Natural Resources | 148.66 | 238.60 | 82.76 | - | 40.91 | - | 49.4 | - | 27.5 | - |
| County Assembly | 684.80 | 50.76 | 291.00 | - | 269.12 | - | 92.5 | - | 39.3 | - |
| **TOTAL** | **6,385** | **2,833** | **3,317** | **132.62** | **2,459** | **107.34** | **74.1** | **80.9** | **38.5** | **3.8** |

***Source:*** *Kisumu County Treasury*

Analysis of expenditure by department shows the Department of Finance recorded the highest absorption rate of development budget at 24.4 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 43 per cent.

### 3.17.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Timely submission of quarterly financial reports to the Office of Controller of Budget in line with Section 166 of the PFM Act, 2012.
ii. Improvement in own source revenue collection by 66.3 per cent compared to a similar period in FY 2017/18.

During the period under review, the office identified the following challenges that affected budget implementation:

1. Failure to factor in Kshs.1.44 billion cash balance from the FY 2017/18 in the approved budget.
2. Failure by Hospitals and Health Centres to account for expenditure on capital and current transfers from the County Treasury through IFMIS.
3. Delay in disbursement of equitable share of revenue raised by the National Treasury.

The County should implement the following recommendations in order to improve budget execution;

1. *The County should prepare a Supplementary Budget to factor in the Kshs.1.44 billion cash balance from the FY 2017/18.*
2. *The County Treasury should liaise with IFMIS Directorate to build capacity and ensure use of IFMIS at all the Hospitals.*
3. *The County Treasury should liaise with the National Treasury to ensure that the funds allocated to the County are released in timely manner.*

## 3.18 Kitui County

### 3.18.1 Overview of the FY 2018/19 Budget

The Approved Budget for FY 2018/19 is Kshs.11.78 billion, comprising of Kshs.6.81 billion (57.8 per cent) and Kshs.4.97 billion (42.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.73 billion (74.1 per cent) as equitable share of revenue raised nationally,Kshs.910.08 million (7.7 per cent) as total conditional grants, generateKshs.500 million (4.2 per cent) from own revenue sources, and Kshs.1.64 billion (13.9 per cent) cash balance from FY 2017/18.

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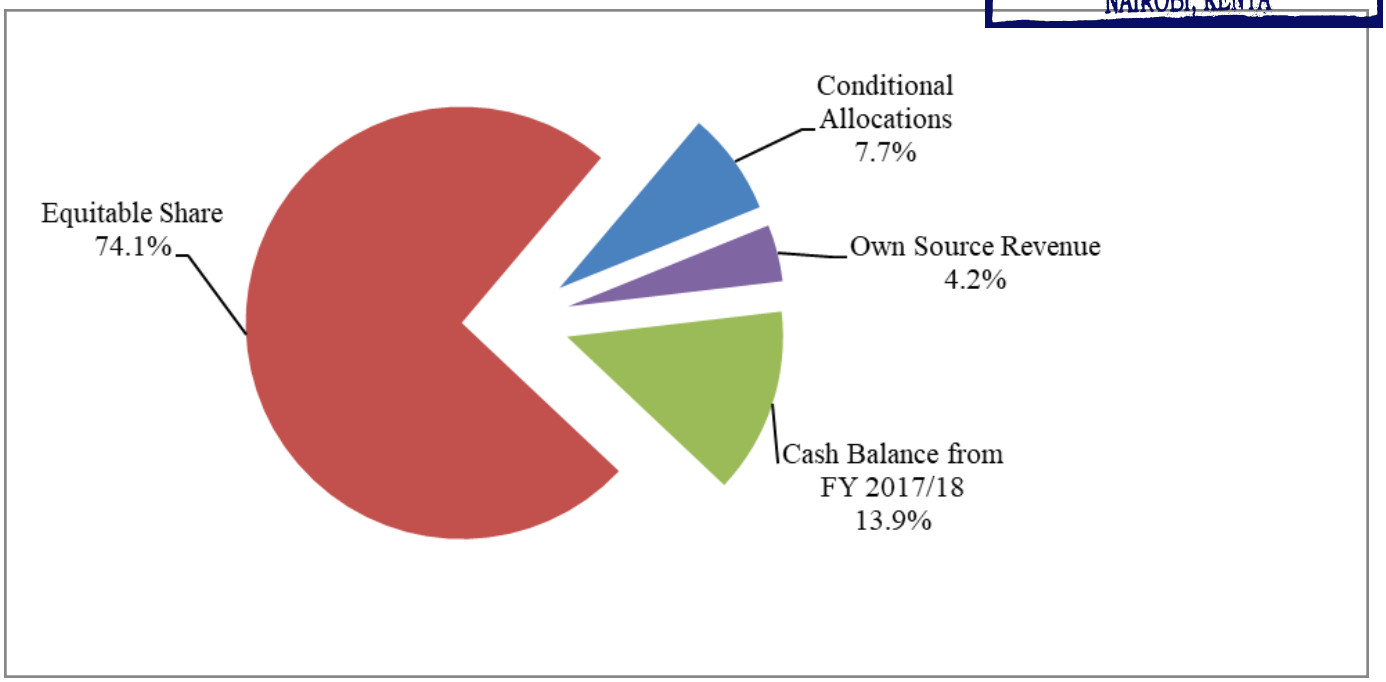
**Figure 3.68: Kitui County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Kitui County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (11 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (15.4 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.57.46 million (6.3 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.272.37 million (29.9 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.29 million (3.2 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.22.5 million (2.5 per cent) Compensation for User Fees Foregone, Kshs.229.83 million (25.3 per cent) from Road Maintenance Fuel Levy Fund, and Kshs.58.47 million (6.4 per cent) for Rehabilitation of Village Polytechnics

### 3.18.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.97 billion as equitable share of revenue raised nationally, Kshs.263.07 million as total conditional grants, raised Kshs.206.63 million from own-source revenue, and had a cash balance of Kshs.895.63 million from FY 2017/18. The total available funds amounted to Kshs.4.33 billion.

Figure 3.69 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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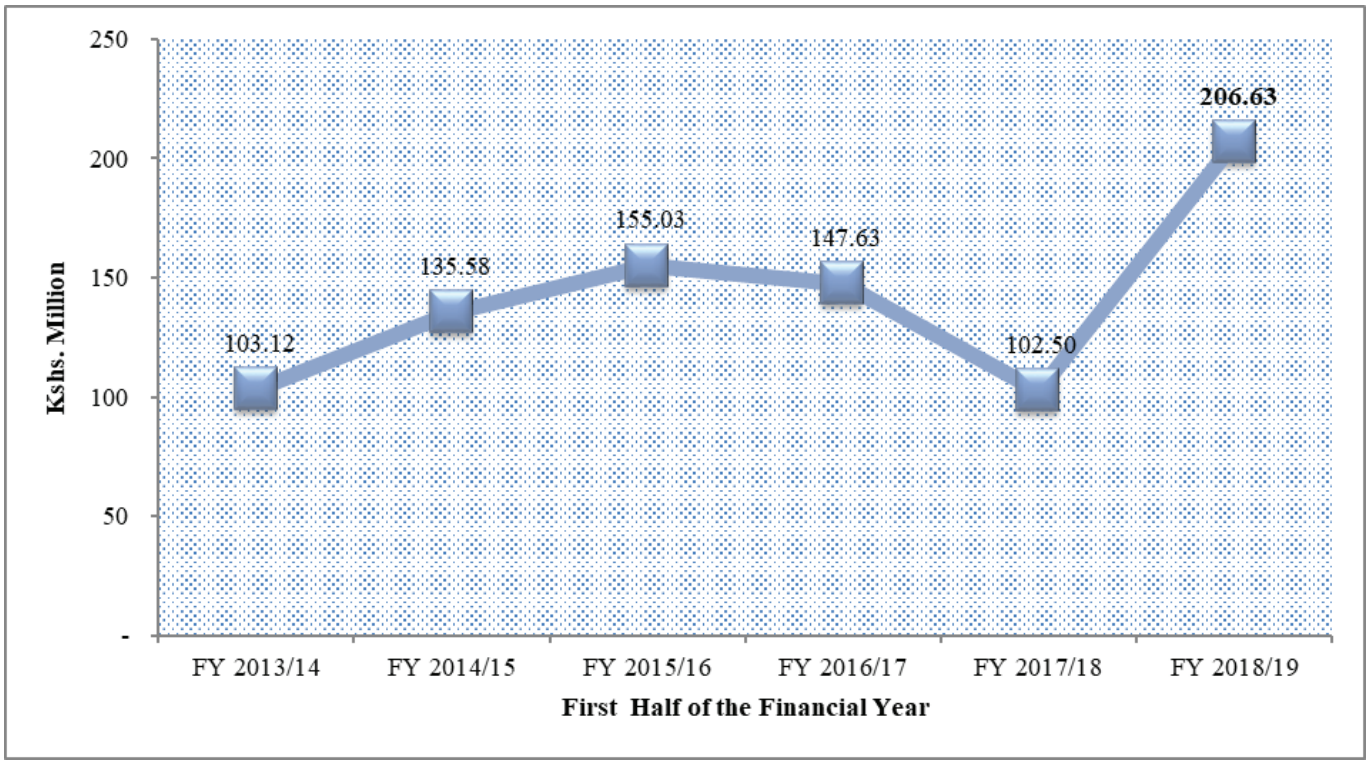
**Figure 3.69: Kitui County, Trend in Own Source Revenue Collection for the First Half of from FY 2013/14 to FY 2018/19**




***Source:*** *Kisumu County Treasur*

During the first half of FY 2018/19, the County generated a total of Kshs.206.63 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.102.50 million realised during the same period of FY 2017/18 and represented 41.3 per cent of the annual target.

### 3.18.3 Conditional Grants

The County received Kshs.263.07 million as conditional grants as shown in Table 3.50.

**Table 3.50: Kitui County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grant /Loan | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Q2 of FY 2018/19(Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | GRANTS & LOANS REVENUE, CARA, 2018 | | | | |
| 1 | IDA (World Bank) -Kenya Urban Support Project | 232,374,200 | 272,374,200 | 232,374,200 | 100.0 |
| 2 | Road Maintenance Fuel Levy Fund | 229,832,234 | 229,832,234 | - | - |
| 3 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 4 | IDA (World Bank) –National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 140,435,163 | - | - |
| 5 | World Bank-Transforming Health Systems for Universal Care Project | 100,000,000 | 100, 000, 000 | 16,194,790 | 16.2 |
| 6 | Rehabilitation of Village Polytechnics | 58,465,000 | 58, 465, 000 | - | - |
| 7 | IDA (World Bank)-Kenya Devolution Support Programme "Level 1 grant" | 57,462,594 | 57,462,594 | - | - |
| 8 | DANIDA - Universal Health care in Devolved System Programme | 29,008,125 | 29,008,125 | 14,504,063 | 50.0 |

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| S/No | Grant /Loan | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Q2 of FY 2018/19(Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **GRANTS & LOANS REVENUE, CARA, 2018** | | | | |
| 9 | Compensation for User Fee Foregone | 22,499,906 | 22,499,906 | - | - |
| **Total** | | **1,070,077,222** | **751,612,222** | **263,073,053** | 24.6 |

Source: Kitui County Treasury

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant. The receipts accounted for 50 per cent of annual allocation.

### 3.18.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.09 billion from the CRF account. The withdrawals represented 34.8 per cent of the Approved Budget and translated to an increase of 58.5 per cent from Kshs.2.58 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.83 billion (69.2 per cent) to fund recurrent expenditure and Kshs.1.26 billion (30.8 per cent) for development activities.

### 3.18.5 Overall Expenditure Review

The County government spent a total of Kshs.4.28 billion on recurrent and development activities. The total expenditure represented 104.6 per cent of the total funds released from the CRF account and was an increase of 100.3 per cent from Kshs.2.14 billion spent in the first half of FY 2017/18.The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.843.85 million for development activities and Kshs.363.34 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.85 billion while Kshs.1.43 billion was spent on development activities. The recurrent expenditure was 100.6 per cent of the funds released for recurrent activities, while development expenditure was 113.8 per cent of funds released for development activities.

The recurrent expenditure represented 41.8 per cent of the annual recurrent budget, an increase from 32.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 28.8 per cent, which was an increase from 2.8 per cent attained in the first half of FY 2017/18.Figure 3.70 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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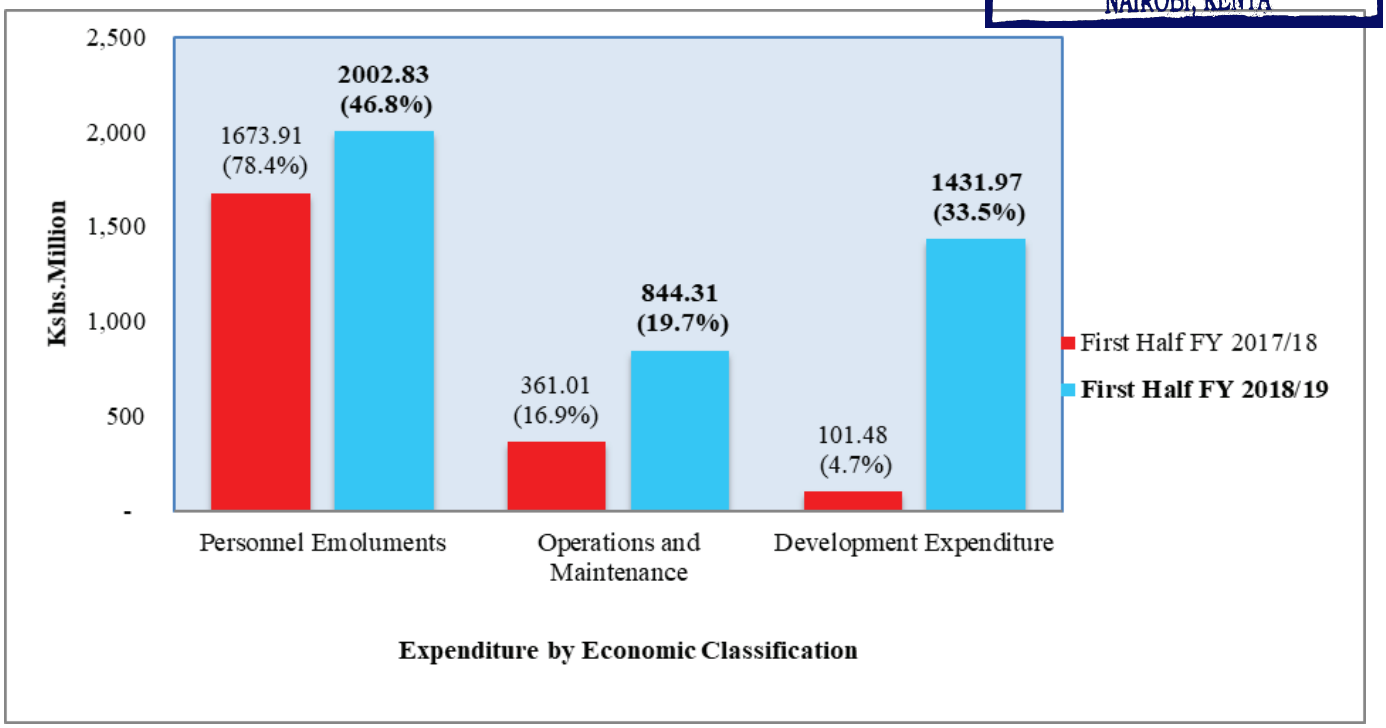
**Figure 3.70: Kitui County, Expenditure by Economic Classification**




***Source:*** *Kitui County Treasury*

## 3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.85 billion comprised of Kshs.2 billion (70.2 per cent) incurred on personnel emoluments and Kshs.844.31 million (29.8 per cent) on operations and maintenance as shown in Figure 3.70. Expenditure on personnel emoluments represented an increase of 19.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.67 billion, and was 46.8 per cent of total expenditure in the first half of FY 2018/19. Figure 3.71 shows a summary of operations and maintenance expenditure by major categories.

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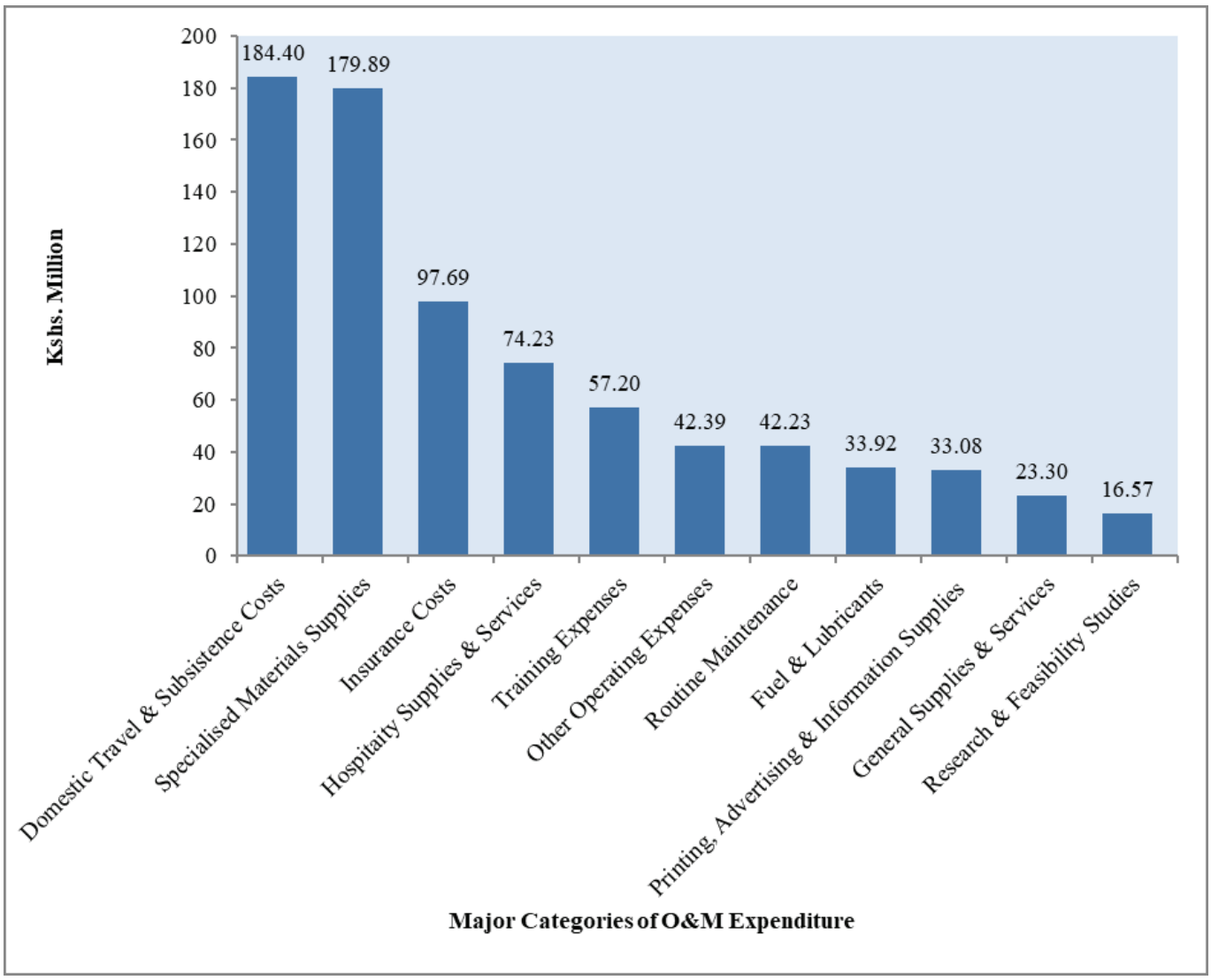
**Figure 3.71: Kitui County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Kitui County Treasury*

The County spent Kshs.23.97 million on MCAs' committee sitting allowances for the 55 MCAs against the annual budget allocation of Kshs.65.94 million. This represented an increase of 296.7 per cent compared to Kshs.6.04 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.72,622 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.184.40 million and comprised of Kshs.59.59 million spent by the County Assembly and Kshs.124.80 million spent by the County Executive. This represented 6.5 per cent of total recurrent expenditure and was an increase of 103 per cent compared to Kshs.90.85 million spent in the first half of FY 2017/18.

### 3.18.7 Development Expenditure

The total development expenditure of Kshs.1.43 billion represented 28.8 per cent of the annual development budget of Kshs.4.97 billion. Table 3.51 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.51: Kitui County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | First Half Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Supply and installation of CT Scan machine and accessories | Kitui Central | 80,000,000 | 46,747,747 | 58.4 |
| 2 | Supply, installation and commissioning of machines at Kitui Garment Factory | Kitui Central | 66,416,000 | 26,416,000 | 39.8 |
| 3 | Upgrading to Bitumen standards Oil Libya-Jubilee College Road | Kitui Central | 51,450,952 | 21,056,833 | 40.9 |
| 4 | Supply and delivery of Horticulture seeds | County wide | 32,138,405 | 32,138,405 | 100 |
| 5 | Construction of Mekyuyu earth dam | Kitui South | 7,515,130 | 7,515,130 | 100 |
| 6 | Construction of Kalisasi borehole | Mwingi Central | 3,989,394 | 3,989,394 | 100 |
| 7 | Construction of Kisuini earth dam | Kitui Rural | 5,421,740 | 4,337,392 | 80.0 |
| 8 | Refurbishment of Kavalyani playground Phase 1 | Mwingi West | 3,797,202 | 3,657,528 | 96.3 |
| 9 | Fencing and installation of goal posts at Nzalae community grounds | Kitui West | 2,827,060 | 2,827,060 | 100 |
| 10 | Construction of ECDE classroom at Kyoea Centre | Mwingi North | 945,210 | 945,210 | 100 |

***Source:*** *Kitui County Treasury*

### 3.18.8 Budget Performance by County Department

Table 3.52 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.52: Kitui County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 583.43 | 825.00 | 250.85 | 216.90 | 248.75 | 248.81 | 99.2 | 114.7 | 42.6 | 30.2 |
| Administration & Coordination of County Affairs | 373.00 | - | 174.73 | - | 170.22 | - | 97.4 | - | 45.6 | - |
| County Treasury | 458.17 | 107.46 | 160.91 | - | 137.84 | 2.43 | 85.7 | - | 30.1 | 2.3 |
| Health and Sanitation | 2, 420.27 | 506.98 | 1,023.36 | 175.84 | 1,177.72 | 191.81 | 115.1 | 109.1 | 48.7 | 37.8 |
| Basic Education, ICT and Youth Development | 548.37 | 160.47 | 241.88 | 25.30 | 213.65 | 46.20 | 88.3 | 182.6 | 39.0 | 28.8 |
| Trade, Co-operatives and Investments | 102.84 | 644.2 | 56.91 | 112.42 | 31.16 | 110.39 | 54.7 | 98.2 | 30.3 | 17.1 |
| Lands, Infrastructure, Housing and Urban Development | 325.45 | 789.07 | 172.72 | 83.96 | 170.05 | 225.95 | 98.5 | 269.1 | 52.3 | 28.6 |
| Tourism, Sports and Culture | 148.05 | 124.08 | 55.67 | 10.21 | 62.53 | 21.57 | 112.3 | 211.3 | 42.2 | 17.4 |
| Agriculture, Water and Livestock | 494.84 | 1, 219.84 | 246.18 | 358.64 | 215.40 | 520.39 | 87.5 | 145.1 | 43.5 | 42.7 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues, [illegible] (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Environment and Natural Resources | 141.46 | 115.13 | 58.82 | 27.59 | 44.02 | 28.08 | 74.8 | 101.8 | 31.1 | 24.4 |
| County Public Service Board | 61.14 | - | 20.89 | - | 27.88 | - | 133.5 | - | 45.6 | - |
| County Assembly | 904.80 | 130.00 | 283.91 | - | 278.25 | - | 98.0 | - | 30.8 | - |
| Kitui Town | 161.81 | 292.88 | 46.53 | 238.16 | 49.05 | 12.36 | 105.4 | 5.2 | 30.3 | 4.2 |
| Mwingi Town | 81.99 | 54.50 | 37.01 | 9.56 | 20.71 | 23.96 | 56.0 | 250.6 | 25.3 | 44.0 |
| **TOTAL** | **6, 805.63** | **4, 969.60** | **2,830.39** | **1,258.55** | **2,847.14** | **1,431.97** | **100.6** | **113.8** | **41.8** | **28.8** |

***Source:*** *Kitui County Treasury*

Analysis of expenditure by department shows the Mwingi Town Administration recorded the highest absorption rate of development budget at 44 per cent followed by the Department of Agriculture, Water and Livestock at 42.7 per cent while the County Assembly did not incur any development expenditure. The Department of Lands, Infrastructure, Housing & Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 52.3 per cent while Mwingi Town Administration had the lowest at 25.3 per cent.

### 3.18.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the own revenue collection by 102.5 per cent from Kshs.102.50 million to Kshs.206.63 million compared to a similar period last financial year.
ii. The County has established a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation:

1. High wage bill which represented an increase of 19.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.67 billion. The wage bill was 46.7 per cent of total expenditure in the first half of FY 2018/19.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should devise strategies to contain expenditure on personnel costs within 35 per cent of the County's total revenue in line with Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015.*

## 3.19 Kwale County

### 3.19.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget is Kshs.12.23 billion, comprising of Kshs.4.76 billion (38.9 per cent) and Kshs.7.47 billion (61.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.54 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.1.37 billion (10.3 per cent) as total conditional grants, generate Kshs.303.11 million (2.5 per cent) from own-source revenues, and Kshs.3.13 billion (25.6 per cent) cash balance from FY 2017/18.

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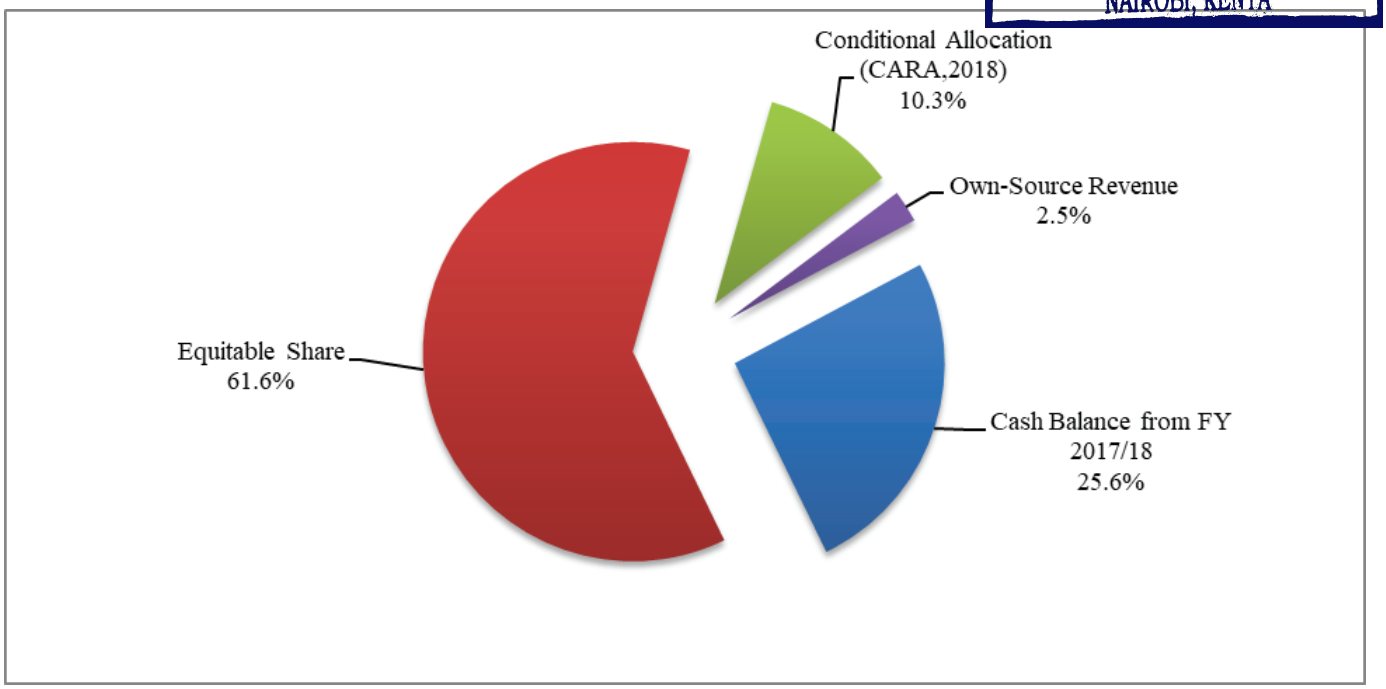
**Figure 3.72: Kwale County, Expected Sources of Budget Financing in FY 2018/19**




***Source**: Kwale County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.98.18 million (7.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (10.6 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.50.75 million (3.8 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (3.8 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.24.30 million (1.8 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (3.4 per cent) grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.400 million (30.1 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.15.21 million (1.2 per cent) Compensation for User Fees Foregone, Kshs.200 million (14.9 per cent) for Leasing of Medical Equipment, Kshs.198.42 million (15.1 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.41.86 million (3.2 per cent) for Rehabilitation of Village Polytechnics

The County also budgeted to receive Kshs.110 million as EU grant for Construction of Kombani Market project, which is not contained in the CARA, 2018.

### 3.19.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.34 billion as equitable share of revenue raised nationally, Kshs.127.61 million as total conditional grants, raised Kshs.95.69 million from own source revenue, and had a cash balance of Kshs.2.12 billion from FY 2017/18. The total available funds amounted to Kshs.4.67 billion.

Figure 3.73 shows the half yearly trend in own source revenue collection from the first half of FY 2013/14 to the first half of FY 2018/19.

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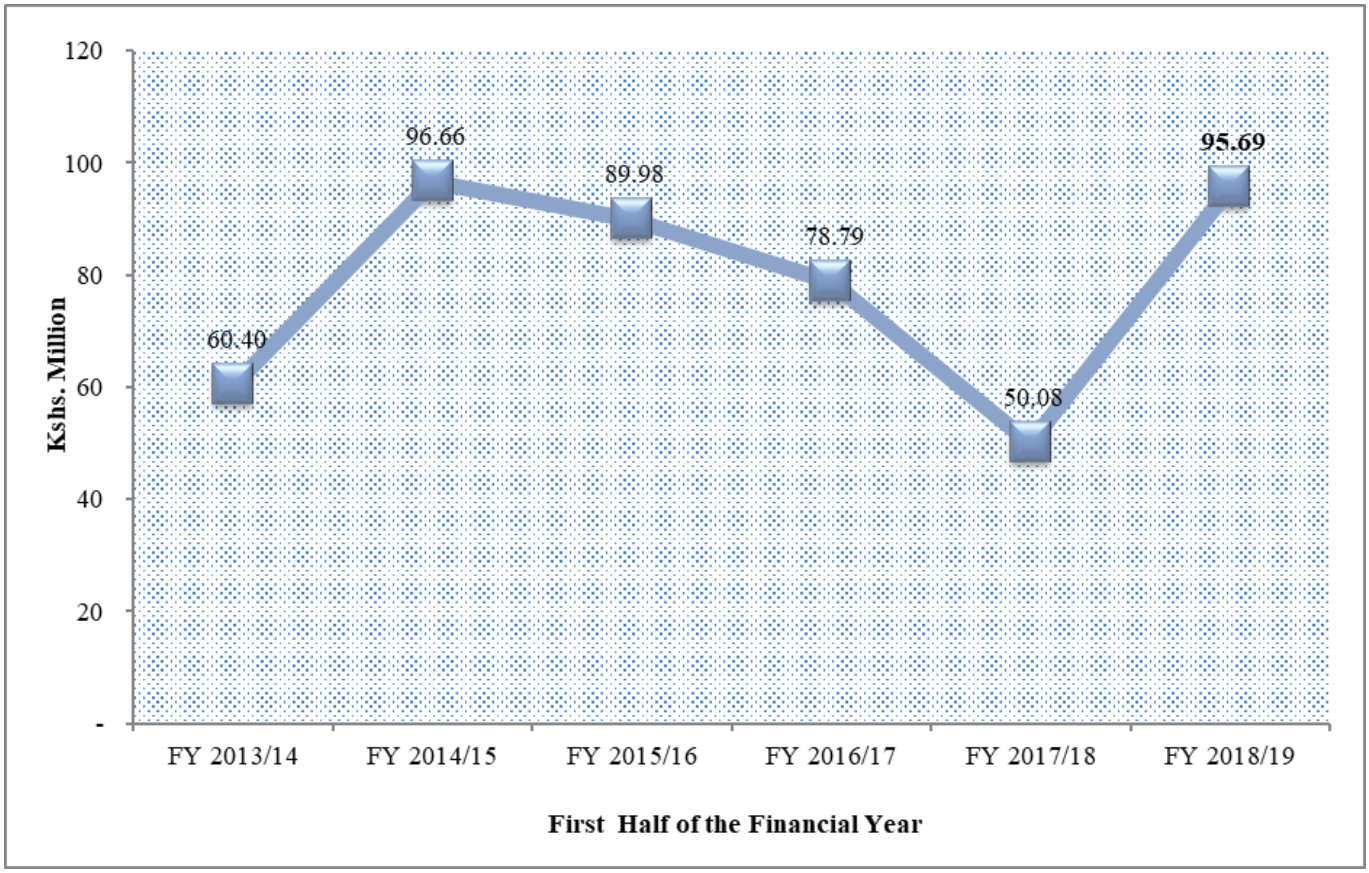
**Figure 3.73: Kwale County, Trend in Own Source Revenue Collection from the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source**: Kwale County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.95.69 million as own-source revenue. The own-source revenue collected during the period represented an increase of 91.1 per cent from Kshs.50.08 million realised during the same period of the FY 2017/18 and represented 31.6 per cent of the annual target.

### 3.19.3 Conditional Grants

The County received Kshs.126.61 million as conditional as shown in Table 3.53.

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**Table 3.53: Kwale County, Conditional Grants/Loans Received in the First Half of FY 2018/19.**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | IDA (World Bank) - Water & Sanitation Development Project (WSDP) | 400,000,000 | 400,000,000 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy Fund | 198,416,317 | 198,416,317 | | - |
| 4 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 140,435,163 | | - |
| 5 | World Bank-Transforming Health Systems for Universal Care Project | 98,175,267 | 98,175,267 | 15,444,095 | 15.7 |
| 6 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 50,747,782 | 50,747,782 | - | - |
| 7 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100 |
| 8 | EU- Instruments for Devolution Advice and Support- (IDEAS) | 45,000,000 | 45,000,000 | - | - |
| 9 | Rehabilitation of Village Polytechnics | 41,860,000 | 41,860,000 | - | - |
| 10 | IDA (WB) Kenya Urban Support (KUSP) - Urban Institutional Grant(UIG) | 41,200,000 | - | | - |
| 11 | DANIDA - Universal Healthcare to Devolved System Programme | 24,300,000 | 24,300,000 | 12,150,000 | 50 |
| 12 | Sweden Agricultural Sector Development Support Programme(ASDSP) Level 2 Grant | 23,138,788 | - | - | - |
| 13 | Compensation for User Fees Forgone | 15,209,593 | 15,209,593 | - | - |
| **Sub Total** | | **1,328,482,910** | **1,264,144,122** | **77,594,095** | **6.1** |
| B | **Other Grants** | | | | |
| 14 | EU grant for construction of the Kombani market | - | 110,000,000 | 50,013,026 | 45.5 |
| **Total** | | **1,328,482,910** | **1,374,144,122** | **127,607,120.8 0** | **9.3** |

***Source**: Kwale County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project grant which accounted for 100 per cent of annual allocation.

### 3.19.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.85 billion from the CRF account. The withdrawals represented 31.5 per cent of the Approved Budget and translated to an increase of 32.7 per cent from Kshs.2.90 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.69 billion (69.8 per cent) to fund recurrent expenditure and Kshs.1.16 billion (30.2 per cent) for development activities.

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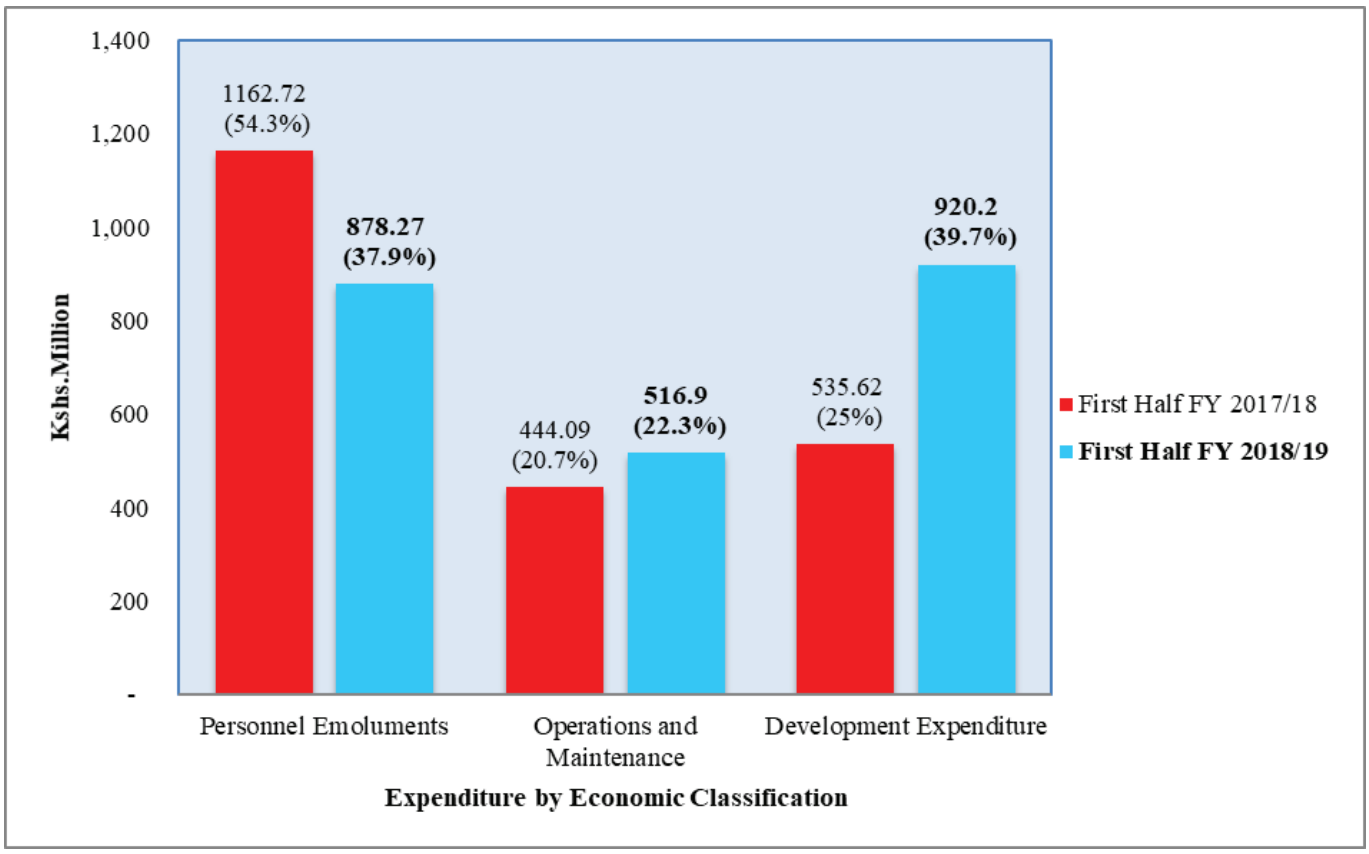
### 3.19.5 Overall Expenditure Review

The County government spent a total of Kshs.2.32 billion on recurrent and development activities. The total expenditure represented 61.3 per cent of the total funds released from the CRF account and was an increase of 30.2 per cent from Kshs.2.14 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.1.57 billion for development activities and Kshs.39.51 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.40 billion while Kshs.920.20 million was spent on development activities. The recurrent expenditure was 51.9 per cent of the funds released for recurrent activities, while development expenditure was 79.1 per cent of funds released for development activities.

The recurrent expenditure represented 29.3 per cent of the annual recurrent budget, a decrease from 32.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 12.3 per cent, which was an increase from 11.2 per cent attained in the first half of FY 2017/18.Figure 3.74 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

**Figure 3.74: Kwale County, Expenditure by Economic Classification**




***Source**: Kwale County Treasury*

### 3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.40 billion comprised of Kshs.878.27 billion (63 per cent) incurred on personnel emoluments and Kshs.516.90 million (37 per cent) on operations and maintenance as shown in Figure 3.74.

Expenditure on personnel emoluments represented a decrease of 24.5 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.16 billion, and was 37.9 per cent of total expenditure in the first half of FY 2018/19. Figure 3.75 shows a summary of operations and maintenance expenditure by major categories.

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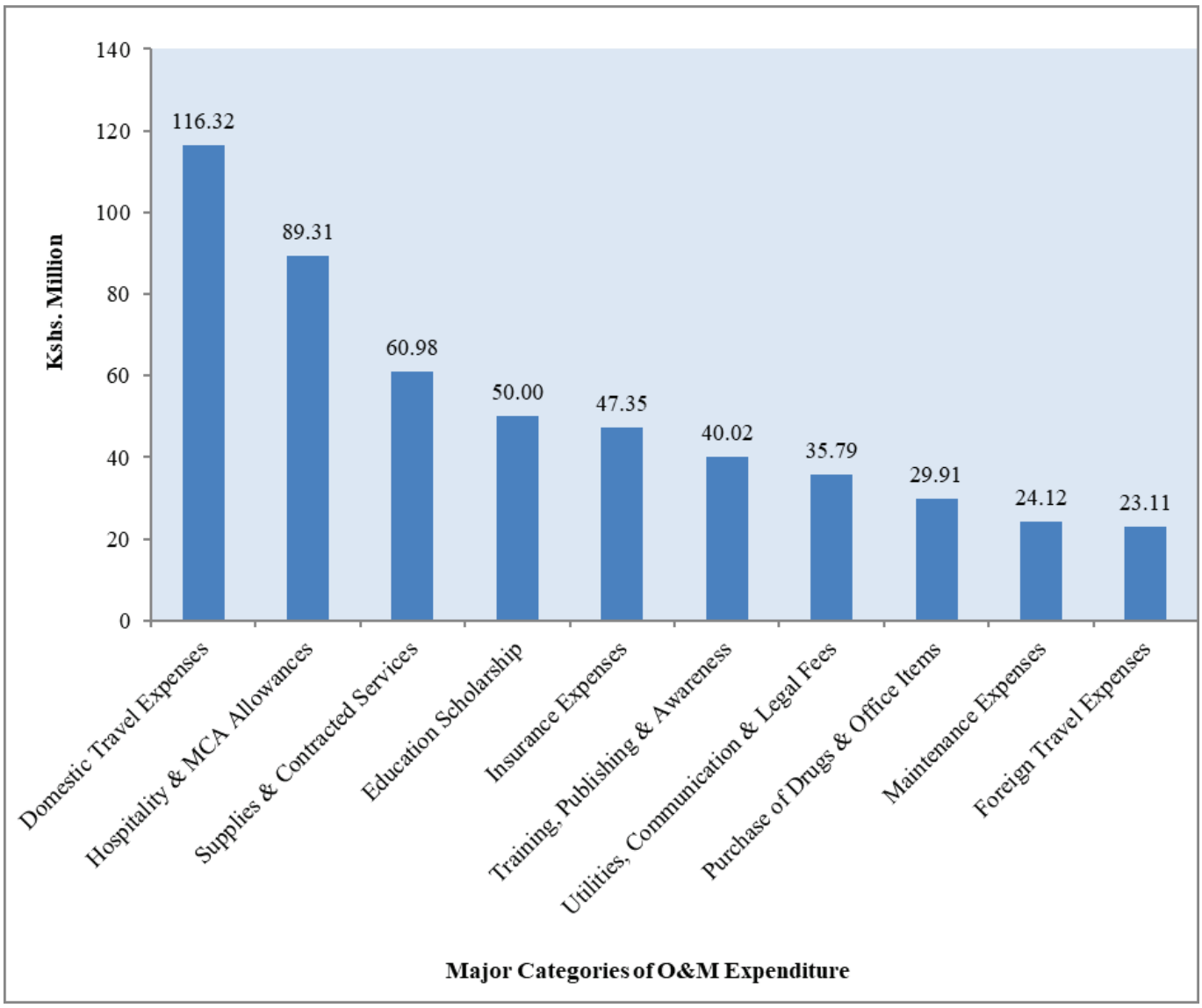
**Figure 3.75: Kwale County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source**: Kwale County Treasury*

The County spent Kshs.22.80 million on MCAs' committee sitting allowances for the 34 MCAs against the annual budget allocation of Kshs.60.96 million. This represented an increase of 84.7 per cent compared to Kshs.12.35 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.111,782 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.116.32 million and comprised of Kshs.78.13 million spent by the County Assembly and Kshs.38.19 million spent by the County Executive. This represented 8.3 per cent of total recurrent expenditure and was an increase of 63.2 per cent compared to Kshs.84.33 million spent in the first half of FY 2017/18.

### 3.19.7 Development Expenditure

The total development expenditure of Kshs.920.20 million represented 12.3 per cent of the annual development budget of Kshs.7.47 billion. Table 3.54 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.54: Kwale County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Flagship Project 2-Build 3 Dams ( Mwakalanga, Dziweni Gitegemee, & Kizingo Dams) | Mwereni, Ndavaya and Mackinon wards | 220,000,000 | 57,867,240 | 26.3 |
| 2 | Construction of Governor Residence | Golini Ward | 149,216,375 | 22,445,021 | 15.0 |
| 3 | Improvement Marere Godoni Kwale water pipeline | Marere Ward | 45,000,000 | 22,272,000 | 49.5 |
| 4 | Designed & installed backbone fibre optic network infrastructure | Kwale | 18,396,057 | 18,396,056 | 100.0 |
| 5 | Installation of LAN-Headquarter | Kwale | 14,779,078 | 14,779,078 | 100.0 |
| 6 | Construction Kombani Rehab Wall | Kombani Ward | 9,699,980 | 4,214,280 | 43.4 |
| 7 | Rehabilitated Ndavaya - Mtumwa (12 KM)- KRB | Ndavaya Ward | 8,783,200 | 8,733,200 | 99.4 |
| 8 | Building Main Drug Store at Msambweni Hospital | Ramisi Ward | 7,985,080 | 4,800,806 | 60.1 |
| 9 | Ukunda YP Admin Block | Ukunda Ward | 7,648,692 | 7,648,692 | 100.0 |
| 10 | Build Market stalls at Nyumba Mbovu | Puma Ward | 5,995,810 | 5,995,810 | 100.0 |

***Source**: Kwale County Treasury*

### 3.19.8 Budget Performance by County Department

Table 3.55 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.55: Kwale County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office Of The Governor | 210.93 | 257.15 | 93.46 | 22.45 | 31.59 | 22.45 | 33.8 | 100 | 15.0 | 8.7 |
| Public Service & Administration | 275.65 | 75.94 | 183.04 | 13.82 | 53.20 | 13.82 | 29.1 | 100 | 19.3 | 18.2 |
| Finance & Economic Planning | 467.80 | 62.06 | 217.60 | 5.83 | 109.63 | - | 50.4 | 0.0 | 23.4 | 0.0 |
| Agriculture ,Livestock And Fisheries | 178.22 | 396.71 | 92.81 | 69.52 | 29.24 | 13.41 | 31.5 | 19.3 | 16.4 | 3.4 |
| Education, Research And HR Development | 760.69 | 1,294.94 | 520.72 | 228.99 | 190.19 | 176.27 | 36.5 | 77.0 | 25.0 | 13.6 |
| Health Services | 1,845.53 | 1,164.74 | 1,012.28 | 172.08 | 558.53 | 165.84 | 55.2 | 96.4 | 30.3 | 14.2 |
| Trade and Cooperative Development | 71.58 | 241.72 | 32.92 | 30.06 | 14.09 | 15.02 | 42.8 | 50.0 | 19.7 | 6.2 |
| ICT & Tourism | 61.64 | 126.57 | 25.61 | 36.83 | 13.04 | 30.88 | 50.9 | 83.8 | 21.2 | 24.4 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Community Development, Youth & Women Empowerment & Social Services | 117.97 | 380.07 | 72.56 | 24.12 | 37.78 | 20.51 | 52.1 | 85.0 | 32.0 | 5.4 |
| Infrastructure & Public Works | 97.61 | 1,194.33 | 61.38 | 242.88 | 35.64 | 199.51 | 58.1 | 82.1 | 36.5 | 16.7 |
| Land, Environment & Natural Resources | 51.65 | 235.31 | 18.85 | 76.35 | 14.84 | 22.31 | 78.7 | 29.2 | 28.7 | 9.5 |
| Water & Urban Planning | 65.43 | 1,809.35 | 43.04 | 222.53 | 16.01 | 218.28 | 37.2 | 98.1 | 24.5 | 12.1 |
| County Assembly | 559.53 | 229.80 | 311.58 | 17.41 | 291.37 | 21.90 | 93.5 | 125.8 | 52.1 | 9.5 |
| **Total** | **4,764.23** | **7,468.68** | **2,685.85** | **1,162.86** | **1,395.17** | **920.20** | **51.9** | **79.1** | **29.3** | **12.3** |

***Source**: Kwale County Treasury*

Analysis of expenditure by department shows that the Department of ICT and Tourism recorded the highest absorption of development budget at 24.4 per cent while the Department of Finance and Economic Planning did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 52.1 per cent while Office of the Governor had the lowest at 15 per cent.

### 3.19.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own source revenue collection by 91.1 per cent compared to a similar period in FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation:

1. Frequent IFMIS down time, which slowed down approval of procurement requests and payments to suppliers.
2. Late submission of financial reports and statements by the County Treasury to the Office of Controller contrary to Section 166 of the PFM Act, 2012.
3. Failure to budget for all conditional grants as contained in CARA,2018

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The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the IFMIS Directorate for support in utilization of IFMIS and E-procurement module.*
2. *The County Treasury should comply with the law and ensure that financial returns and statements are submitted in line with Section 166 of the PFM Act, 2012.*
3. *The County should prepare a Supplementary Budget and budget for all the conditional grants in CARA, 2018.*

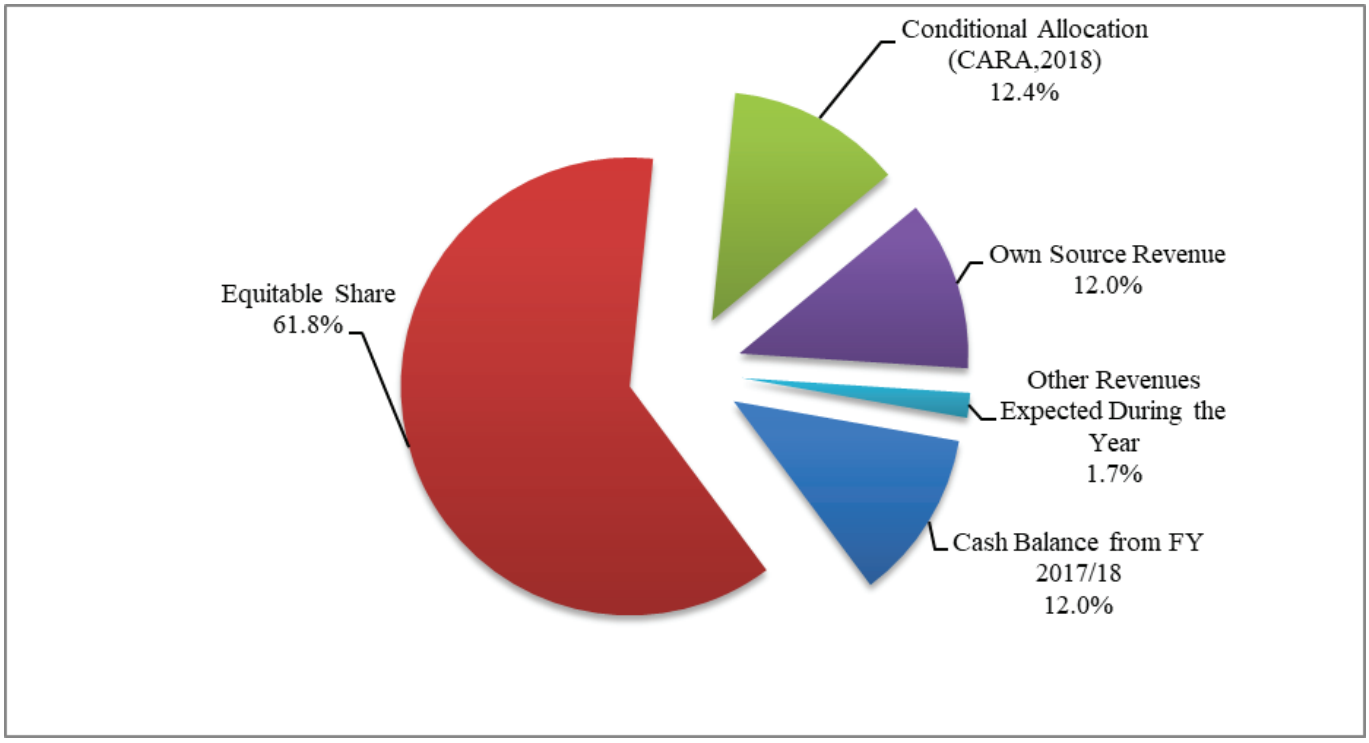
## 3.20 Laikipia County

### 3.20.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.6.65 billion, comprising of Kshs.4.05 billion (60.9 per cent) and Kshs.2.6 billion (39.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (61.8 per cent) as equitable share of revenue raised nationally, Kshs.822.91 million (12.4 per cent) as total conditional grants, Kshs.116.32 million (1.7 per cent) as other revenue sources, generate Kshs.800 million (12 per cent) from own revenue sources including Hospital Facility Improvement Fund, and Kshs.800 million (12 per cent) cash balance-pending bills from FY 2017/18.

**Figure 3.76: Laikipia County Sources of Budget Financing in FY 2018/19**




***Source**: Laikipia County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.67 million (7.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.18 million (1.9 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.117 million (12.5 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.41.12 million (4.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.90 million (9.6 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.15.09 million (1.6 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (9.6 per cent) grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.37 million (3.9

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per cent) for Kenya Devolution Support Project (KDSP) "Level 2 grant", Kshs.9.97 million (11.4 per cent) as Compensation for User Fees Foregone, Kshs.200 million (21.3 per cent) for Leasing of Medical Equipment, Kshs.109.13 million (11.6 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.28.5 million (3 per cent) for Rehabilitation of Village Polytechnics.

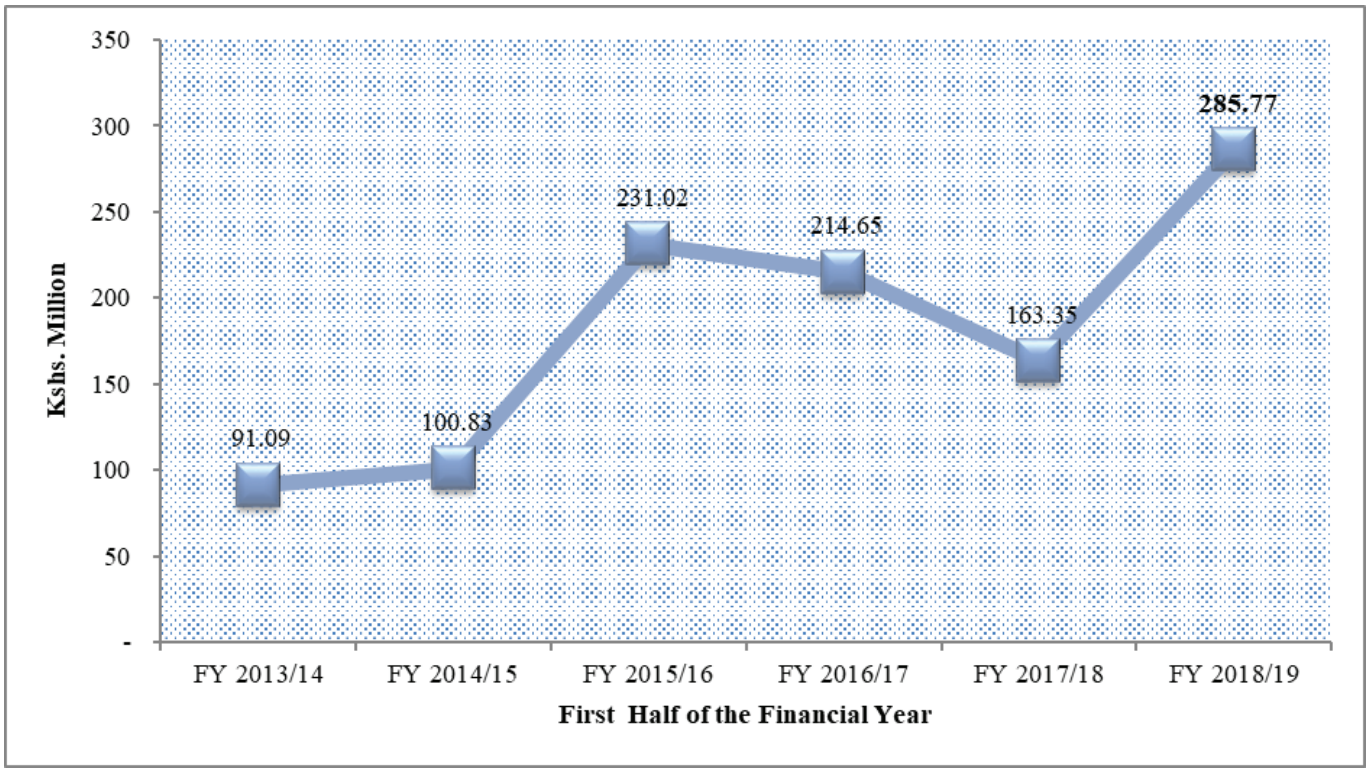
The County also budgeted to receive Kshs.111.14 million (11.8 per cent) for Kenya Devolution Support Project (KDSP) "Investment" and Kshs.5.18 million (0.6 per cent) from UNICEF, which are not contained in CARA, 2018.

### 3.20.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.47 billion as equitable share of revenue raised nationally, Kshs.318.86 million as total conditional grants, raised Kshs.285.77 million from own-source revenue, and had a cash balance of Kshs.545.37 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.73 billion.

Figure 3.77 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.77: Laikipia County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Laikipia County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.285.77 million from own-source revenue sources. This amount was an increase of 74.9 per cent when compared to Kshs.163.35 million realised during the same period of FY 2017/18 and represented 35.7 per cent of the annual target.

The Office noted that, the first quarter own source revenue collection was indicated as Kshs.113.11 million instead of earlier reported amount of Kshs.164.31 million. The County Treasury should therefore, reconcile the own source revenue collection as reported in the First and Second Quarter Financial Statements for FY 2018/19.

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### 3.20.3 Conditional Grants

The County received Kshs.318.86 million as conditional grants during the reporting period as shown in Table 3.56.

**Table 3.56: Laikipia County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 15,209,593 | 9,968,208 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 198,416,317 | 109,128,974 | 26,143,057 | 24 |
| 4 | Rehabilitation of Village Polytechnics | 41,860,000 | 28,525,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 67,077,728 | 67,077,728 | 6,427,476 | 9.6 |
| 6 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | - | 18,000,000 | - | - |
| 7 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 39,402,608 | 33.7 |
| 8 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 41,121,027 | 41,121,027 | - | - |
| 9 | Kenya Urban Support Project (KUSP) | 50,000,000 | 90,000,000 | 50,000,000 | 55.6 |
| 10 | DANIDA Grant | 15,086,250 | 15,086,250 | 7,543,125 | 50 |
| 11 | EU –IDEAS Grant | 90,000,000 | 90,000,000 | 73,027,291 | 81.1 |
| 12 | Kenya Devolution Support Project (KDSP) "Level 2 grant" | - | 37,000,000 | - | - |
| **Sub Total** | | **835,770,915** | **822,907,187** | **202,543,557** | **24.6** |
| 13 | Kenya Devolution Support Project (KDSP) "Investment" | - | 111,140,605 | 111,140,605 | 100 |
| 14 | UNICEF | - | 5,177,150 | 5,177,350 | 100 |
| **Sub Total** | | **-** | **116,317,955** | **116,317,955** | **100** |
| **Total** | | **835,770,915** | **939,224,942** | **318,861,512** | **33.9** |

***Source:*** *Laikipia County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the EU-IDEAS grant. The receipts accounted for 55.6 per cent and 81.1 per cent of annual allocation respectively.

### 3.20.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.6 billion from the CRF account. The withdrawals represented 39.1 per cent of the Approved Budget and translated to an increase of 30.9 per cent from Kshs.1.79 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2 billion (77 per cent) to fund recurrent expenditure and Kshs.598.2million (23 per cent) for development activities.

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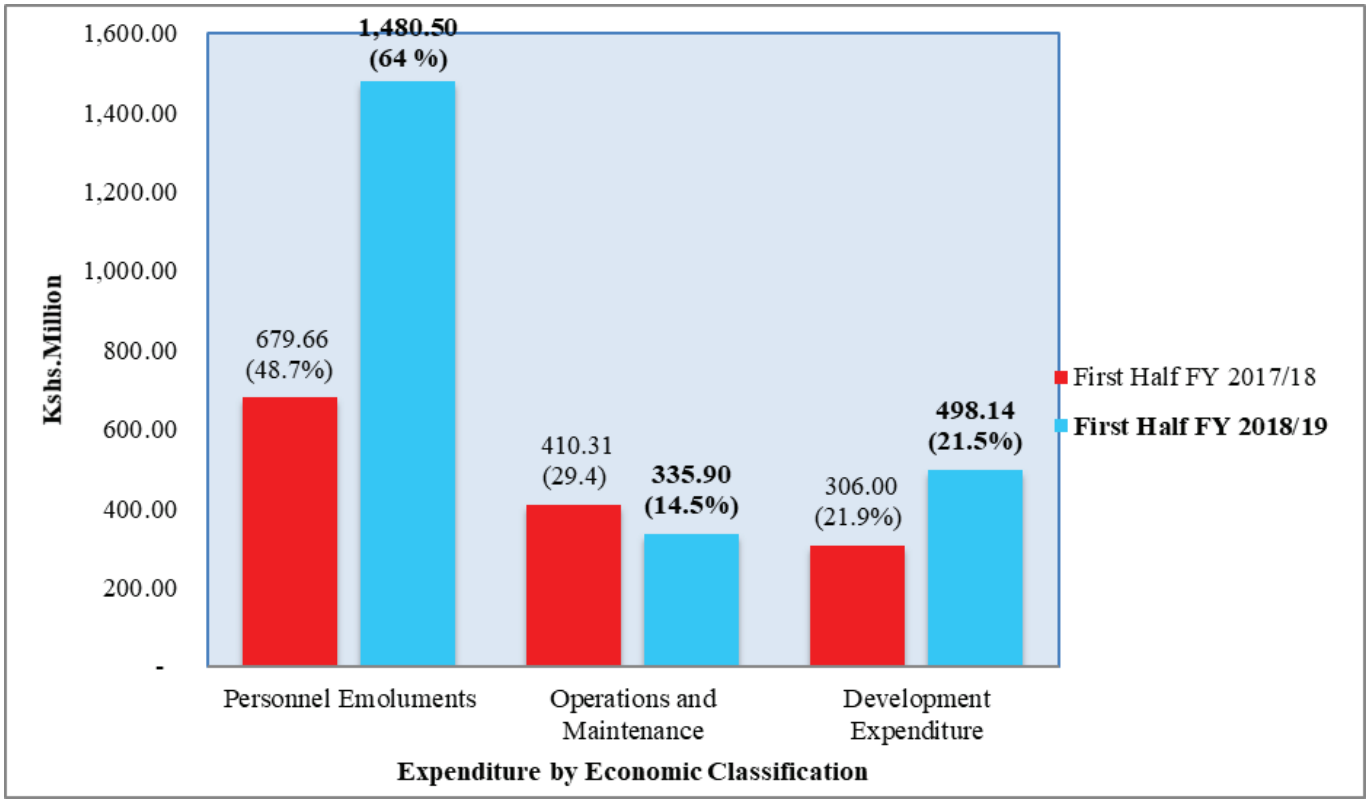
### 3.20.5 Overall Expenditure Review

The County government spent a total of Kshs.2.31 billion on both recurrent and development activities. This expenditure represented 89.04 per cent of the total funds released from the CRF account and was an increase of 60.2 per cent from Kshs.1.39 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.1.82 billion while that on development activities was Kshs.498.14 million. The recurrent expenditure was 90.8 per cent of the funds released for recurrent activities, while development expenditure was 83.3 per cent of funds released for development activities.

The recurrent expenditure represented 44.8 per cent of the annual recurrent budget, and an increase and was from 43.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 83.27 per cent, which was an increase from 21.9 per cent attained in the first half of FY 2017/18. Figure 3.78 presents a comparison between the total expenditure in the first half of FY 2018/19 and first half of FY 2017/18.

**Figure 3.78: Laikipia County, Expenditure by Economic Classification**




***Source:*** *Laikipia County Treasury*

### 3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.82 billion comprised of Kshs.1.48 billion (81.5 per cent) incurred on personnel emoluments and Kshs.335.9 million (14.5 per cent) on operations and maintenance as shown in Figure 3.78.

Expenditure on personnel emoluments represented an increase of 117.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.679.66 million, and was 64 per cent of total expenditure for the period. Figure 3.79 shows a summary of operations and maintenance expenditure by major categories.

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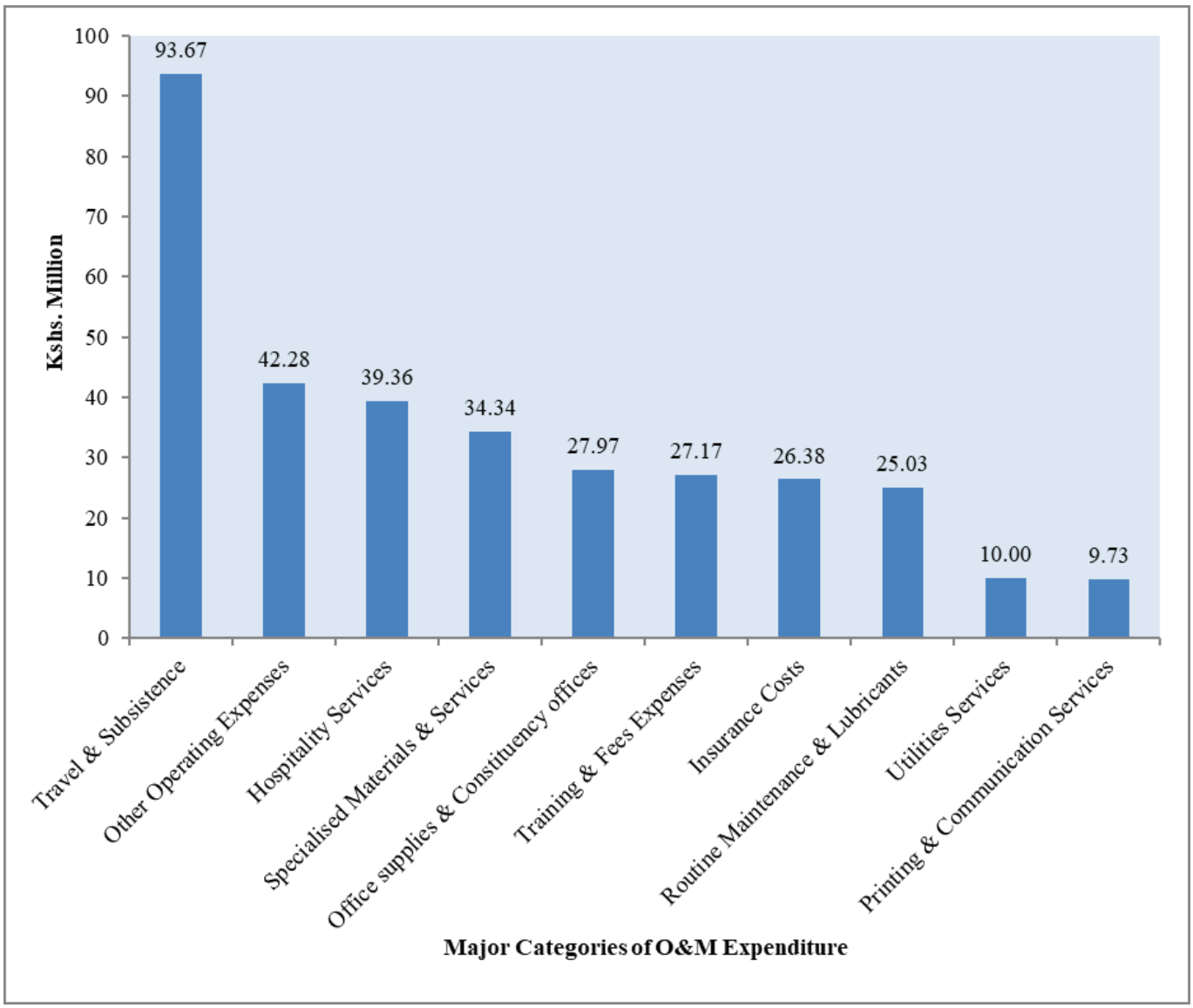
**Figure 3.79: Laikipia County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Laikipia County Treasury*

The County spent Kshs.8.6 million on MCAs' committee sitting allowances for the MCAs against the annual budget allocation of Kshs.15 million. This amount represented an increase of 329.8 per cent compared to Kshs.2 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.59,688 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.91.19 million and comprised of Kshs.32.27 million spent by the County Assembly and Kshs.57.92 million spent by the County Executive, and represented 48.3 per cent of total recurrent expenditure.

### 3.20.7 Development Expenditure

The total development expenditure of Kshs.498.14 million represented 20.1 per cent of the annual development budget of Kshs.2.48 billion. Table 3.57 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.57: Laikipia County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Half Year expenditure (Kshs.) |
|---|---|---|---|
| 1 | Construction of a workshop for Rumuruti vocational training centre | Rumuruti | 29,112,018 |
| 2 | Construction of 120 bed mother-child unit | Igwamiti | 20,000,000 |
| 3 | Construction of 120 bed mother-child unit | Nanyuki | 20,000,000 |
| 4 | Commissioning of Dispensaries (Ethi,Seria,Timau,Naiperere) | Mukogodo East & West, Marmanet, Umande | 15,000,000 |
| 5 | Construction of Theatre at Doldol Hospital | Mukogodo East | 15,000,000 |
| 6 | Construction of Theatre at Ndindika Hospital | Githiga | 15,000,000 |
| 7 | Construction of Theatre at Lamuria Health Centre | Tigithi | 15,000,000 |

***Source:*** *Laikipia County Treasury*

### 3.20.8 Budget Performance by County Department

Table 3.58 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.58: Laikipia County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Administration | 2,735.64 | 68.90 | 1,431.06 | - | 1,436.52 | - | 100.4 | - | 52.5 | - |
| Finance and Planning | 310.62 | 815.36 | 146.22 | 304.48 | 136.25 | 364.13 | 93.2 | 119.6 | 43.9 | 44.7 |
| Health | 315.76 | 555.47 | 155.86 | 24.26 | 71.74 | 92.21 | 46.0 | 380.1 | 22.7 | 16.6 |
| Agriculture | 41.90 | 309.50 | 10.62 | 127.31 | 8.47 | 3.25 | 79.8 | 2.6 | 20.2 | 1.1 |
| Infrastructure | 65.80 | 304.13 | 10.93 | 102.29 | 15.80 | 26.58 | 144.6 | 26.0 | 24.0 | 8.7 |
| Education | 78.50 | 83.53 | 11.55 | 28.53 | 9.21 | - | 79.8 | - | 11.7 | - |
| Trade & Industrialization | 16.50 | 135.00 | 3.68 | 10.00 | 9.26 | 10.00 | 251.9 | 100.0 | 56.1 | 7.4 |
| Water | 22.20 | 206.50 | 9.90 | 1.37 | 6.53 | 1.97 | 66.0 | 143. | 29.4 | 1.0 |
| County Assembly | 466.00 | 5.00 | 220.90 | - | 122.22 | - | 55.3 | - | 26.2 | - |
| **TOTAL** | **4,052.92** | **2,483.38** | **2,000.70** | **598.24** | **1,816.00** | **498.14** | **90.8** | **83.3** | **44.8** | **20.1** |

***Source:*** *Laikipia County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Health recorded the highest absorption rate of development budget at 44.7 and 16.6 per cent respectively while the County Assembly and County Administration did not incur any development expenditure. The Department Trade & Industrialization had the highest percentage of recurrent expenditure to its recurrent budget at 56.1 per cent while the Department of Agriculture had the lowest at 20.2 per cent.

### 3.20.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

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i. Establishment of an Audit Committee in line with Section 155 of the PFM Act, 2012.
ii. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports contract to Section 166 of the PFM Act, 2012.
2. Failure by Fund Administrators of the County Executive Car & Mortgage Fund, County Bursary and Scholarship Fund, and the Co-operative Fund and Enterprise Fund to submit quarterly reports contrary to Section 168 of the PFM Act, 2012.
3. High wage bill that increased by 117.8 per cent compared to a similar period of FY 2017/18. This may affect implementation of key programmes and projects.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *All Funds Administrators should provide quarterly financial statements for County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Public Service Board should establish and implement an optimal staffing structure in order to maintain the wage bill within sustainable levels.*

## 3.21 Lamu County

### 3.21.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.4.50 billion, comprising of Kshs.2.60 billion (57.9 per cent) and Kshs.1.90 billion (42.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.55 billion (78.8 per cent) as equitable share of revenue raised nationally, Kshs.540.18 million (12.0 per cent) as total conditional grants, generate Kshs.70 million (1.6 per cent) from own sources, and Kshs.344 million (7.6 per cent) cash balance from FY 2017/18.

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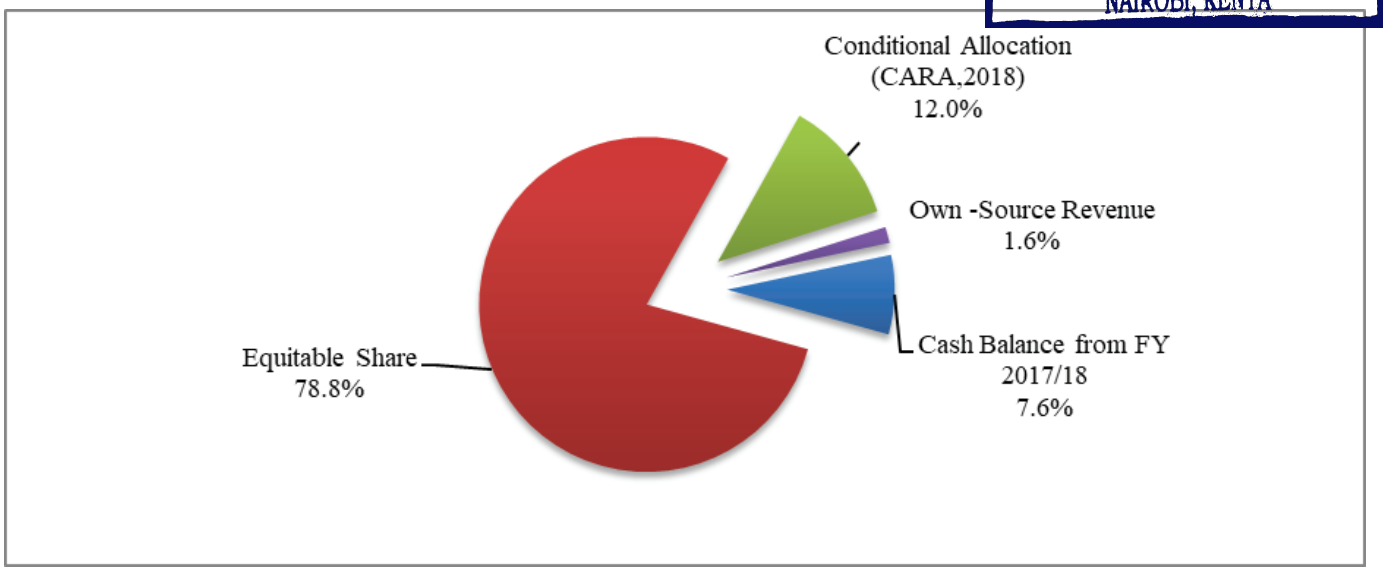
**Figure 3.80: Lamu County Sources of Budget Financing in FY 2018/19**




***Source**: Lamu County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (6.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (20.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.33.79 million (4.6 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (6.8 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.8.30 million (1.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.121 million (16.3 per cent) as Supplement for Construction of County Headquarters, Kshs.2.45 million (0.3 per cent) as Compensation for User Fees Foregone,Kshs.93.42 million (12.6 per cent) from Road Maintenance Fuel Levy, and Kshs.31.21 million (4.2 per cent) for Rehabilitation of Village Polytechnics, and Kshs.200 million for Leasing of Medical Equipment.

### 3.21.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.10 billion as equitable share of revenue raised nationally, Kshs.112.34 million as total conditional grants, raised Kshs.17.39 million from own-source revenue, and had a cash balance of Kshs.344 million from FY 2017/18. The total funds available for the period amounted to Kshs.1.57 billion.

Figure 3.81 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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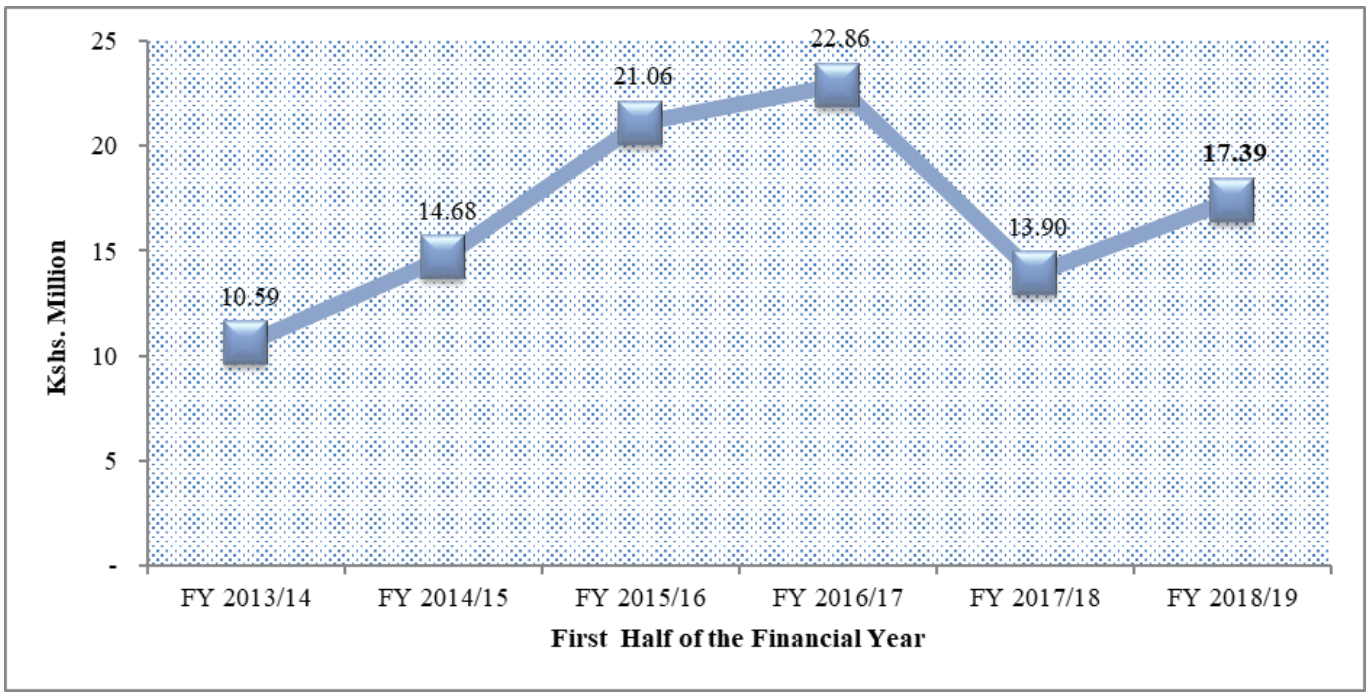
**Figure 3.81: Lamu County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Lamu County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.17.39 million from own-source revenue. This amount was an increase of 21.1 per cent when compared to Kshs.13.90 million realised during the same period of FY 2017/18 and represented 24.8 per cent of the annual target.

### 3.21.3 Conditional Grants

The County received Kshs.112.34 million as conditional grants as shown in Table 3.59.

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**Table 3.59: Lamu County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 53,806,243 | 35.9 |
| 2 | Supplement for Construction of County Headquarters | 121,000,000 | 121,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 93,421,016 | 93,421,016 | - | - |
| 4 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 4,387,382 | 8.8 |
| 5 | Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100.0 |
| 6 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 33,793,559 | 33,793,559 | - | - |
| 7 | Rehabilitation of Village Polytechnics | 31,210,000 | 31,210,000 | - | - |
| 8 | DANIDA Grant | 8,302,500 | 8,302,500 | 4,151,250 | 50.0 |
| 9 | Compensation for User Fee Foregone | 2,451,034 | 2,451,034 | - | - |
| **Total** | | **540,178,109** | **540,178,109** | **112,344,875** | **20.8** |

***Source:*** *Lamu County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent and 50 per cent of annual allocation respectively.

### 3.21.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs 1.05 billion from the CRF account. The withdrawals represented 23.3 per cent of the Approved Budget and translate to an increase of 25.1 per cent from Kshs.840.23 million approved in the first half of FY 2017/18. This amount comprised of Kshs.891.72 million (84.8 per cent) to fund recurrent expenditure and Kshs.159.58 million (15.2 per cent) for development activities.

### 3.21.5 Overall Expenditure Review

The County government spent a total of Kshs.898.03 million on both recurrent and development activities. This expenditure represented 85.4 per cent of the total funds released from the CRF account and was an increase of 32.8 per cent from Kshs.676.45 million spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.70.62 million for development activities and Kshs.42.98 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.842.26 million while that on development activities was Kshs.55.76 million. The recurrent expenditure was 94.5 per cent of the funds released for recurrent activities, while development expenditure was 35 per cent of funds released for development activities.

The recurrent expenditure represented 32.3 per cent of the annual recurrent budget a decrease from 34.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 2.9 per cent, which was a decrease from 3.6 per cent attained in the first half of FY 2017/18.

Figure 3.82 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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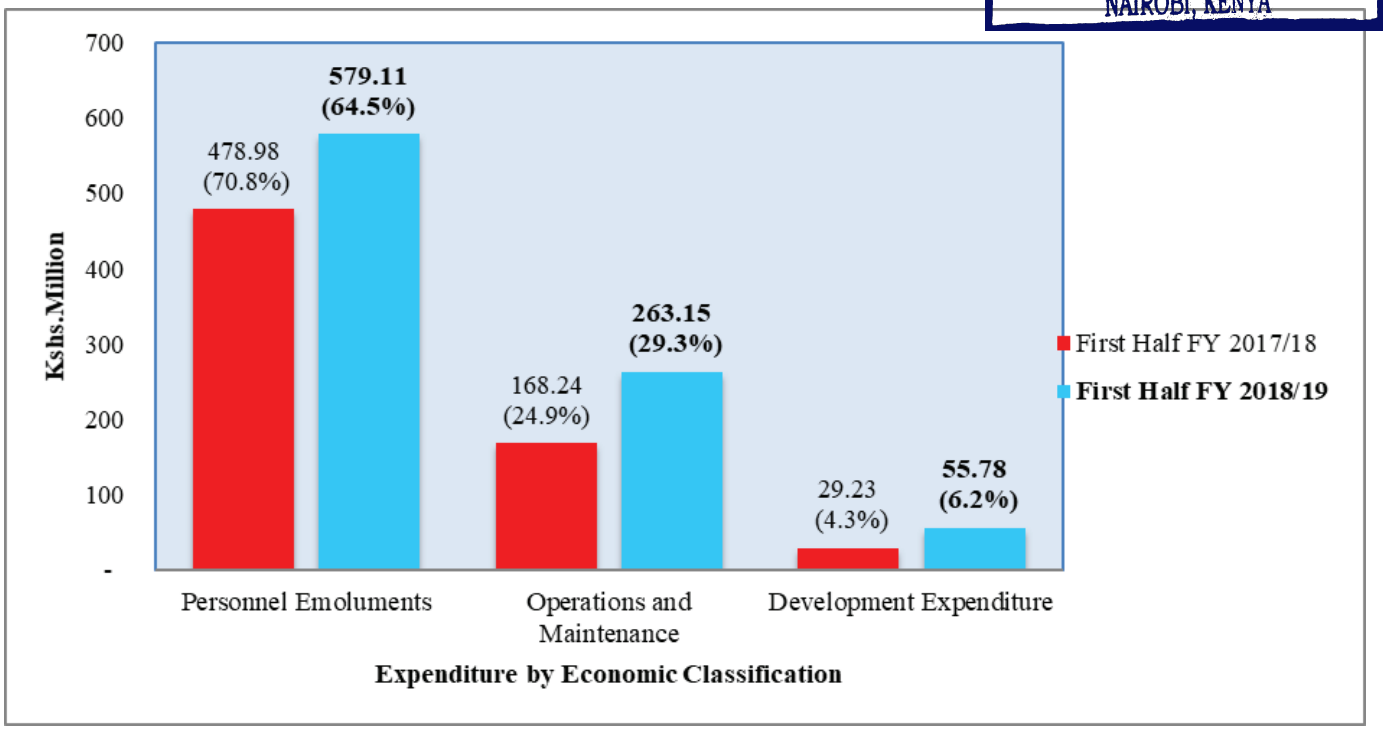
**Figure 3.82: Lamu County, Expenditure by Economic Classification**




***Source:*** *Lamu County Treasury*

### 3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.842.26 million comprised of Kshs.579.11 million (68.8 per cent) incurred on personnel emoluments and Kshs.263.15 million (31.2 per cent) on operations and maintenance as shown in Figure 3.82.

Expenditure on personnel emoluments represented an increase of 20.9 per cent compared to the first half of FY 2017/18 when the County spent Kshs.478.98 million, and was 64.5 per cent of total expenditure for the period.

Figure 3.83: shows a summary of operations and maintenance expenditure by major categories.

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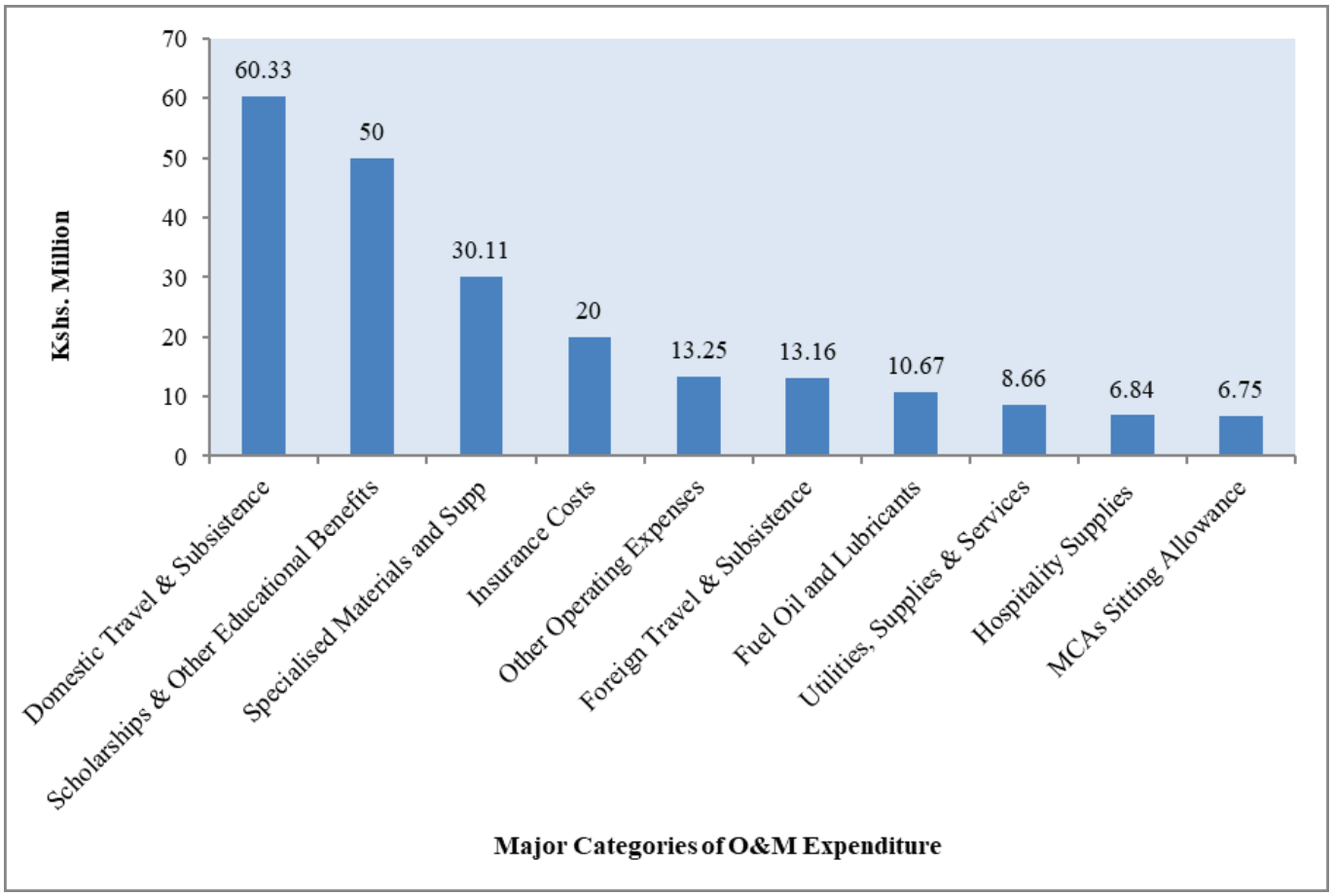
**Figure 3.83: Lamu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Lamu County Treasury*

The County spent Kshs.6.75 million on MCAS' committee sitting allowances for the 19 MCAs against the annual budget allocation of Kshs.18 million. This amount represented an increase of 230.3 per cent compared to Kshs.2.04 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.59, 235 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.60.33 million and comprised of Kshs.26.42 million spent by the County Assembly and Kshs.33.91 million spent by the County Executive. This represented 7.2 per cent of total recurrent expenditure and was an increase 79.9 per cent compared to Kshs.33.53 million spent in the first half of FY 2017/18.

### 3.21.7 Development Expenditure

The total development expenditure of Kshs.55.78 million represented 2.9 per cent of the annual development budget of Kshs.1.90 billion. This expenditure comprised of Kshs.54 million spent on street lighting and Kshs.1.78 million on purchase of educational materials.

### 3.21.8 Budget Performance by County Department

Table 3.60 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

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**Table 3.60: Lamu County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 404.00 | 250.00 | 164.02 | - | 137.49 | - | 83.8 | - | 34 | - |
| County Executive, County Public Service and Disaster Management | 415.20 | 282.44 | 126.93 | - | 121.78 | - | 95.9 | - | 29.3 | - |
| Finance, Strategy and Economic Planning | 164.63 | - | 44.64 | - | 39.48 | - | 88.4 | - | 24 | - |
| Agriculture and Irrigation | 100.18 | 333.20 | 30.26 | 53.81 | 24.09 | - | 79.6 | - | 24.1 | - |
| Lands, Physical planning and Infrastructure Development | 80.37 | 593.42 | 33.59 | 104.00 | 29.46 | 54.00 | 87.7 | 51.9 | 36.7 | 9.1 |
| Education, Vocational Training, Youth Affairs, Culture, Gender and Social Services | 318.79 | 128.21 | 92.75 | 1.78 | 87.70 | 1.78 | 94.6 | 100 | 27.5 | 1.4 |
| Health, Environment, Natural resources and Sanitation | 965.10 | 258.50 | 340.82 | - | 355.87 | - | 104.4 | - | 36.9 | - |
| Fisheries, Livestock and Co-operative Development | 82.10 | 31.70 | 32.09 | - | 23.97 | - | 74.7 | - | 29.2 | - |
| Trade, Tourism and Industrialization | 29.18 | 20.00 | 7.70 | - | 4.83 | - | 62.7 | - | 16.6 | - |
| Public Service Board | 45.35 | - | 18.92 | - | 17.59 | - | 93 | - | 38.8 | - |
| **Total** | **2,604.90** | **1,897.47** | **891.72** | **159.58** | **842.26** | **55.78** | **94.5** | **34.95** | **32.3** | **2.9** |

***Source:*** *Lamu County Treasury*

Analysis of expenditure by department shows the Department of Lands, Physical Planning and Infrastructure Development recorded the highest absorption rate of development budget at 9.1 followed by the Department of Education, Vocational Training, Youth Affairs, Culture, Gender and Social Services at 1.4 per cent while all the other departments did not incur any development expenditure. The County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 38.8 per cent while the Department of Trade, Tourism and Industrialization had the lowest at 16.6 per cent.

### 3.21.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
ii. Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
iii. Improvement in the use of IFMIS and Internet Banking Platform in processing financial transactions.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill that has increased by 20.9 per cent from Kshs.478.98 million in the first half of FY 2017/18 to Kshs.579.11 million during the period under review.
2. Operational delays and IFMIS connectivity challenges, which slowed approvals of procurement

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requests and payment to suppliers.

3. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report by the OCOB contrary to Section 166 of the PFM Act, 2012.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury to liaise with IFMIS Directorate for intervention measures and support in utilization of IFMIS and E-procurement module.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

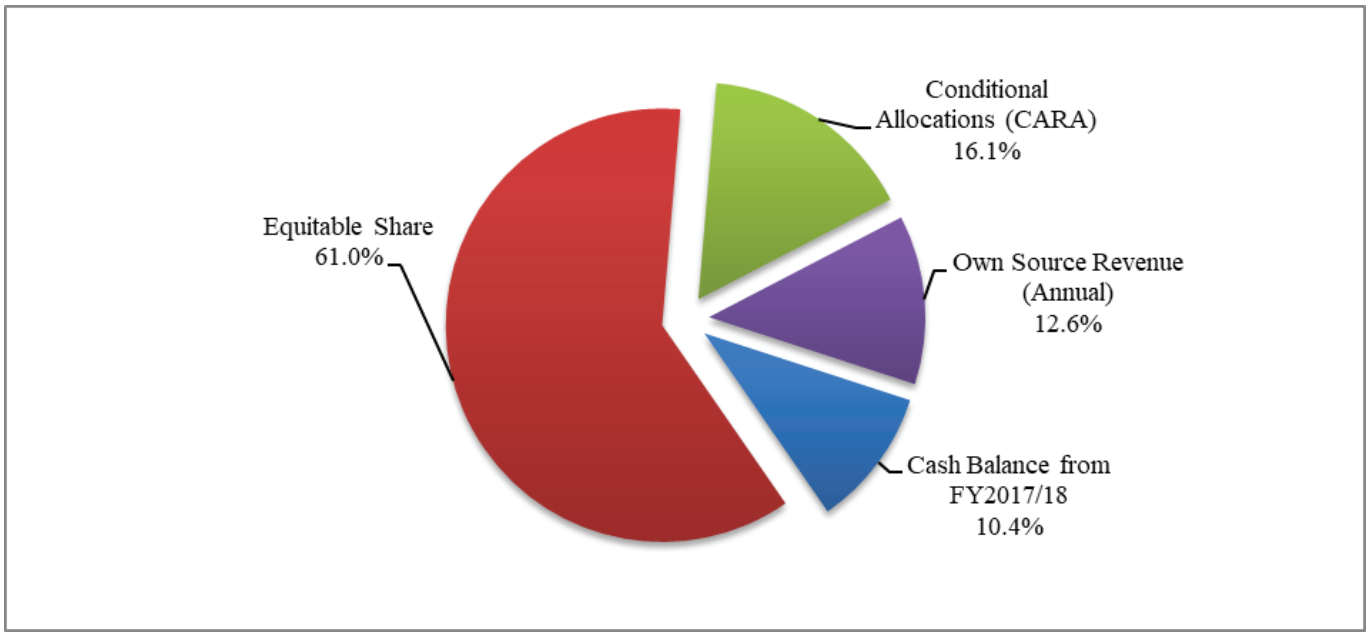
## 3.22 Machakos County

### 3.22.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 was Kshs.12.23 billion, comprising of Kshs.7.63 billion (62.4 per cent) and Kshs.4.60 billion (37.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.32 billion (61 per cent) as equitable share of revenue raised nationally, Kshs.2.19 billion (16.1 per cent) as total conditional grants, and generate Kshs.1.72 billion (12.6 per cent) from own revenue sources. The County did not budget for Kshs.1.41 billion (10.4 per cent) cash balance from FY 2017/18.

**Figure 3.84: Machakos County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Machakos County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.1.02 billion (46.5 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.383.58 million (17.5 per cent) for Level-5 Hospitals, Kshs.219.08 million (10 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.200 million (9.1 per cent) Leasing of Medical Equipment, Kshs.117 million (5.3 per cent) from IDA (World Bank) as credit for Kenya Climate Smart Agriculture Project (KCSAP), Kshs.95.40 million (4.4 per cent) World Bank Loan for Transforming Health System for Universal Care System, Kshs.54.30 million (2.5 per cent) for

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Rehabilitation of Village Polytechnics, Kshs.53.42 million (2.4 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.24.81 million (1.1 per cent) from DANIDA, and Kshs.24.13 million (1.1 per cent) as Compensation for User Fee Foregone.

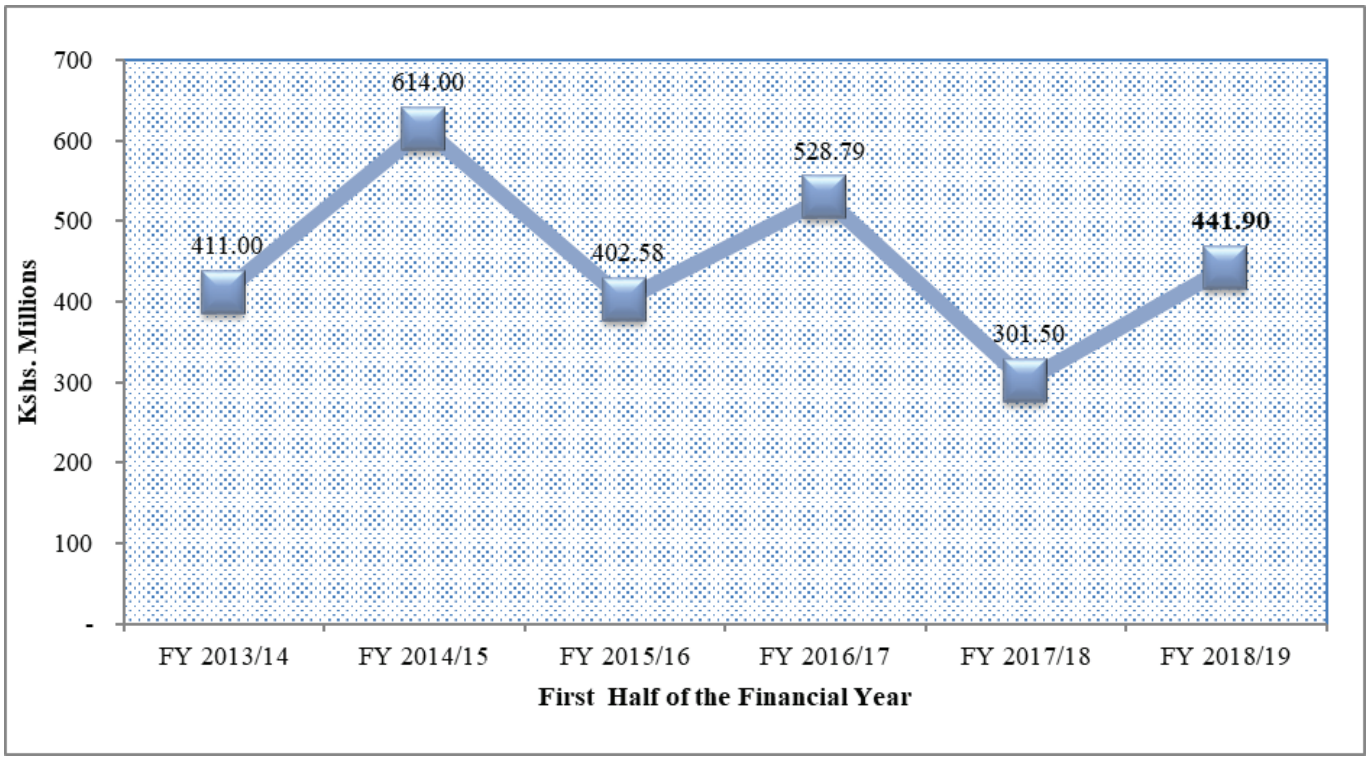
The County received Kshs.84.03 million as grant for Universal Health Coverage (UHC) programme during the reporting period, which is not contained in the CARA, 2018.

### 3.22.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.18 billion as equitable share of revenue raised nationally, Kshs.1.16 billion as total conditional grants, raised Kshs.441.90 million from own source revenue, and had a cash balance of Kshs.1.41 billion from FY 2017/18. The total available funds amounted to Kshs.6.20 billion.

Figure 3.85 shows the half yearly trend in own source revenue collection from the first half of FY 2013/14 to the first half of FY 2018/19.

**Figure 3.85: Machakos County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source**: Machakos County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.441.90 million as own-source revenue. This amount was an increase of 102.1 per cent from Kshs.301.49 million realised during the same period of the FY 2017/18 and represented 25.7 per cent of the annual target.

### 3.22.3 Conditional Grants

The County received Kshs.1.16 billion as conditional grants in the first half of the financial year 2018/19 disaggregated as shown in Table 3.61.

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**Table 3.61: Machakos County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | IDA (World Bank) -Kenya Urban Support Project | 1,018,320,500 | 1,018,320,500 | 1,018,320,500 | 100 |
| 2 | Conditional Grants to Level- 5 Hospitals | 383,583,815 | 383,583,815 | - | - |
| 3 | Road Maintenance Fuel Levy Fund | 219,084,683 | 219,084,683 | - | - |
| 4 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 5 | IDA (World Bank) -Kenya Climate Smart Agriculture Project | 117,000,000 | 117,000,000 | 41,070,411 | 35.1 |
| 6 | World Bank-Transforming Health Systems for Universal Care Project | 95,401,875 | 95,401,875 | 8,165,513 | 8.6 |
| 7 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 54,295,000 | 54,295,000 | - | - |
| 8 | Rehabilitation of Village Polytechnics | 53,423,784 | 53,423,784 | - | - |
| 9 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 24,806,250 | 24,806,250 | 12,403,125 | 50.0 |
| 10 | DANIDA - Universal Healthcare to Devolved System Programme | 24,129,039 | 24,129,039 | - | - |
| 11 | Universal Health Coverage (UHC) Grants | - | - | 84,033,068 | - |
| **Total** | | **2,190,044,946** | **2,190,044,946** | **1,163,992,617** | **53.1** |

***Source**: Machakos County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the Kenya Devolution Support Programme grant. The receipts accounted for 100 per cent and 50 per cent of annual allocation respectively.

### 3.22.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.13 billion from the CRF account. The withdrawals represented 33.8 per cent of the Approved Budget and translates to a an increase of 148.1 per cent from Kshs.2.74 billion approved in the first half of FY 2017/18 and comprised of Kshs.3.74 billion (90.5 per cent) to fund recurrent expenditure and Kshs.393.94 million (9.5 per cent) for development activities.

### 3.22.5 Overall Expenditure Review

The County government spent a total of Kshs.3.58 billion on recurrent and development activities. The total expenditure represented 87 per cent of the total funds released from the CRF account and was an increase of 28 per cent from Kshs.2.81 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.798.01 million for development activities and Kshs.156.19 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.23 billion while Kshs.344.57 million was spent on development activities. The recurrent expenditure was 86.5 per cent of the funds released for recurrent activities, while development expenditure was 87.5 per cent of funds released for development activities.

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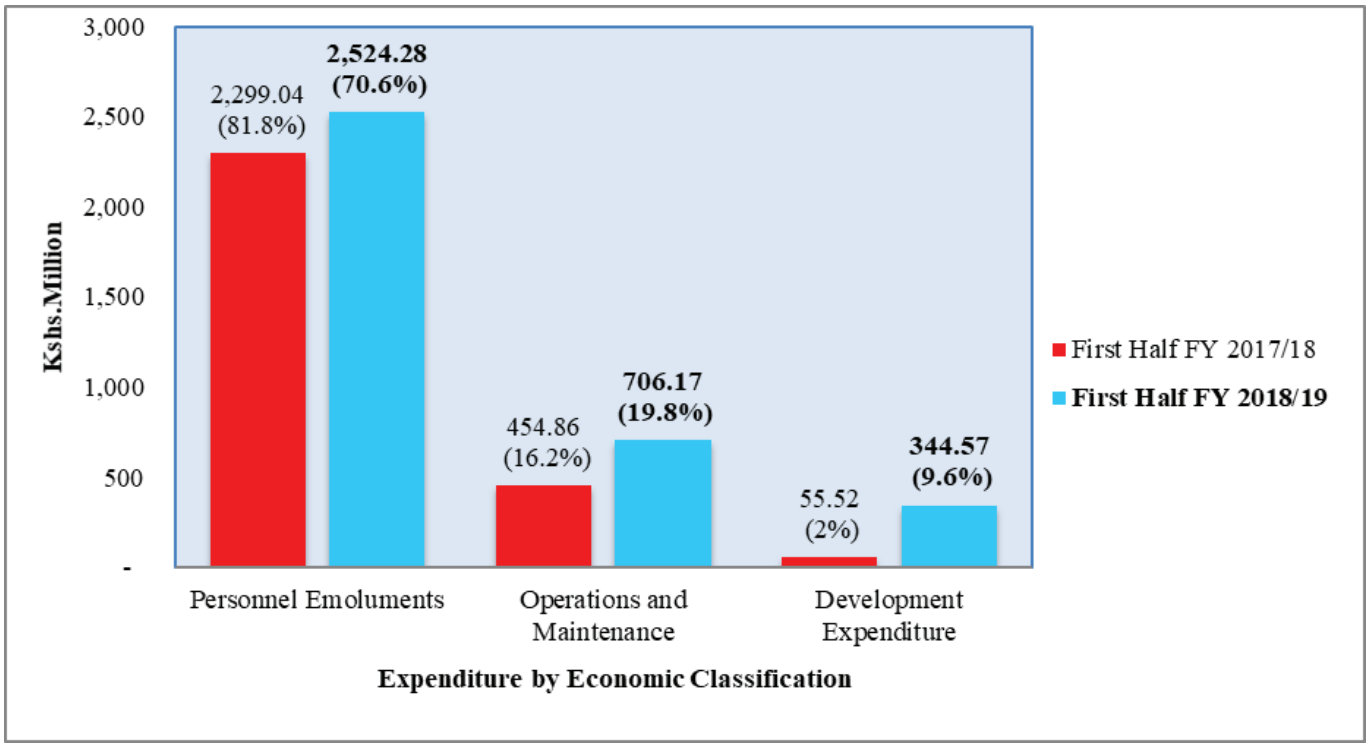
The recurrent expenditure represented 42.3 per cent of the annual recurrent budget, an increase from 39.3 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 7.5 per cent, which was an increase from 1.9 per cent attained in the first half of FY 2017/18.Figure 3.86 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

**Figure 3.86: Machakos County, Expenditure by Economic Classification**




***Source**: Machakos County Treasury*

### 3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.23 billion comprised of Kshs.2.52 billion (78.1 per cent) incurred on personnel emoluments and Kshs.706.17 million (21.9 per cent) on operations and maintenance as shown in Figure 3.86.

Expenditure on personnel emoluments represented an increase of 9.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.2.30 billion, and was 70.6 per cent of total expenditure in the first half of FY 2018/19. Figure 3.87 shows a summary of operations and maintenance expenditure by major categories.

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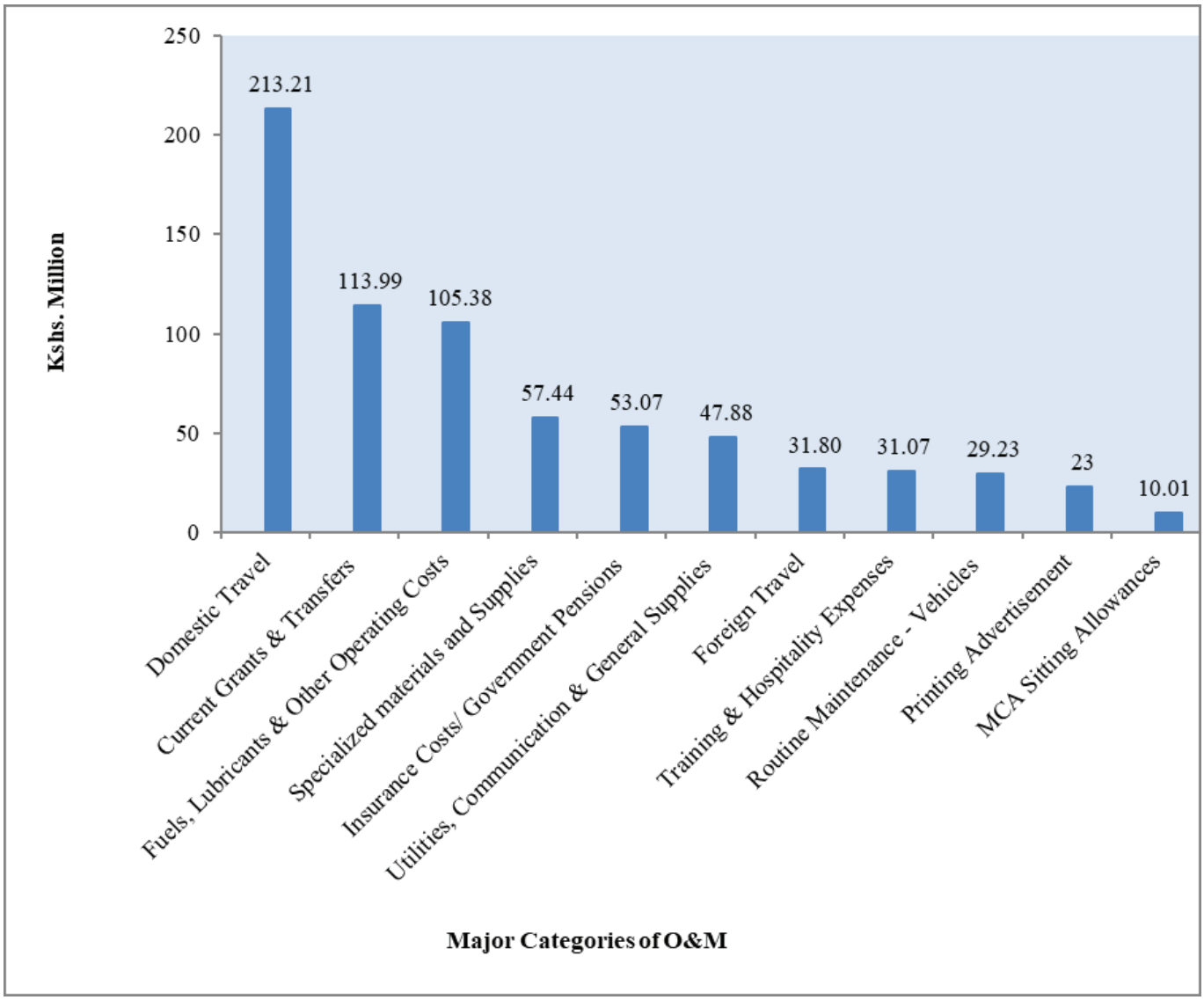
**Figure 3.87: Machakos County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source**: Machakos County Treasury*

The County spent Kshs.10.01 million to cater for the MCAs' committee sitting allowances for the 60 MCAs against the annual budget allocation of Kshs.80.21 million. This represented an increase of 113.7 per cent compared to Kshs.4.69 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.27,813 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.213.21 million and comprised of Kshs.69.90 million spent by the County Assembly and Kshs.143.90 million spent by the County Executive. This represented 6.6 per cent of total recurrent expenditure.

### 3.22.7 Development Expenditure

The total development expenditure of Kshs.344.57 million represented 7.5 per cent of the annual development budget of Kshs.4.60 billion. Table 3.62 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.62: Machakos County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Nthngululu Dam | Yatta | 150,000,000 | 46,406,868.30 | 30.9 |
| 2 | Construction of a 12 storey building at the Machakos New City. | Machakos | 394,999,999 | 41,407,638 | 10.5 |
| 3 | Construction of Government building at The Machakos New City | Machakos | 399,640,361 | 34,165,960 | 8.5 |
| 4 | Construction of Mumbuni Dam | Kibauni | 78,000,000 | 19,915,410.90 | 25.5 |
| 5 | Construction of Machakos County Office | Machakos | 287,110,237 | 14,971,734 | 5.2 |
| 6 | Routine Maintenance of Kithini – Vota road | Machakos | 21,339,957 | 12,494,431 | 58.5 |
| 7 | Routine Maintenance of Kenol-Mutwani-Lukenya road | Yatta | 11,225,331 | 11,211,046 | 99.9 |
| 8 | Construction of Machakos Conference facility at Machakos People's Park | Machakos | 74,170,816 | 10,830,451 | 14.6 |
| 9 | Routine Maintenance at Kathiani – Kangundo Road | Kangundo | 16,211,916 | 9,994,316 | 61.6 |
| 10 | Installation of drainage facilities at Kituluni-Kitambaasye road | Matungulu | 9,806,000 | 9,732,800 | 99.3 |

***Source**: Machakos County Treasury*.

### 3.22.8 Budget Performance by County Department

Table 3.63 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.63: Machakos County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 605.72 | 6.83 | 201 | - | 182.66 | 3.31 | 90.9 | - | 30.2 | 48.5 |
| Public Service, Labour and ICT | 433.74 | 12.70 | 270 | - | 2,367.81 | - | 875.9 | - | 545.9 | - |
| Trade, Investment, Economic Planning, Industrialization and Energy | 135.11 | 91.58 | 68 | - | 18.81 | - | 27.8 | - | 13.9 | - |
| Finance and Revenue Management | 393.94 | 11.80 | 189 | - | 41.88 | - | 22.2 | - | 10.6 | - |
| Decentralized Units, County Administration, Environment & Solid Waste mgt. | 374.83 | 31.00 | 251 | - | 24.16 | - | 9.6 | - | 6.4 | - |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, NR, Livestock, Water & Irrigation Development | 502.63 | 665.61 | 287 | 108 | 22.23 | 80.59 | 7.7 | 74.8 | 4.4 | 12.1 |
| Health and Emergency Services | 3,545.37 | 748.44 | 1,787 | 80 | 145.06 | 21.83 | 8.1 | 27.4 | 4.1 | 2.9 |
| Transport, Roads, Public Works and Housing | 187.10 | 1,436.30 | 120 | 190 | 50.06 | 230.32 | 41.8 | 121.2 | 26.8 | 16.0 |
| Education, Youth and Social Welfare | 295.22 | 289.30 | 77 | 16 | 5.69 | 2.64 | 7.4 | 16.0 | 1.9 | 0.9 |
| Lands, Energy & Urban development | 97.20 | 1,054.32 | 59 | - | 13.54 | 5.88 | 23.1 | - | 13.9 | 0.6 |
| Tourism, Sports and Culture | 81.27 | 14.92 | 60 | - | 6.31 | - | 10.6 | - | 7.8 | - |
| County Public Service Board | 41.40 | 2.01 | 25 | - | 0.54 | - | 2.1 | - | 1.3 | - |
| County Assembly | 936.78 | 236.00 | 340 | - | 351.70 | - | 103.4 | - | 37.5 | - |
| **Total** | **7,630.31** | **4,600.81** | **3,734.35** | **393.95** | **3,230.45** | **344.57** | **86.5** | **87.5** | **42.3** | **7.5** |

***Source**: Machakos County Treasury*

Analysis of expenditure by department shows that the Office of the Governor recorded the highest absorption rate of development budget at 48.5 per cent followed by the Department of Transport, Roads, Public Works, and Housing at 16 per cent. The Department of Public Service, Labour and ICT had the highest percentage of recurrent expenditure to recurrent budget at 545.9 per cent while the County Public Service Board had the lowest at 1.3 per cent. The recurrent expenditure by the Department of Public works, ICT and Labour exceeded the approved recurrent estimates as all wages bills are irregularly charged by the department.

### 3.22.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
ii. Improved performance in own-source revenue collection by 46.6 per cent from Kshs.301.49 million in the first half of FY 2017/18 to Kshs.441.88 million in the first half of FY 2018/19.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. A high wage bill that increased by 9.6 per cent from Kshs.2.30 billion in the first half of FY 2017/18 to Kshs.2.52 billion in the first half of FY 2018/19. The wage bill accounted for 70.6 per cent of total expenditure in the reporting period.
2. Delays by Fund Administrators of both the County Assembly and the County Executive Funds to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.
3. Late submission of financial reports to the Controller of Budget by the County Treasury contrary to Section 166 of the PFM Act, 2012, which affected timely preparation of budget implementation review report by the OCOB.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the ballooning wage bill.*

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2. *The CECM-F should ensure the Fund Administrators prepare and submits expenditure reports in the in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

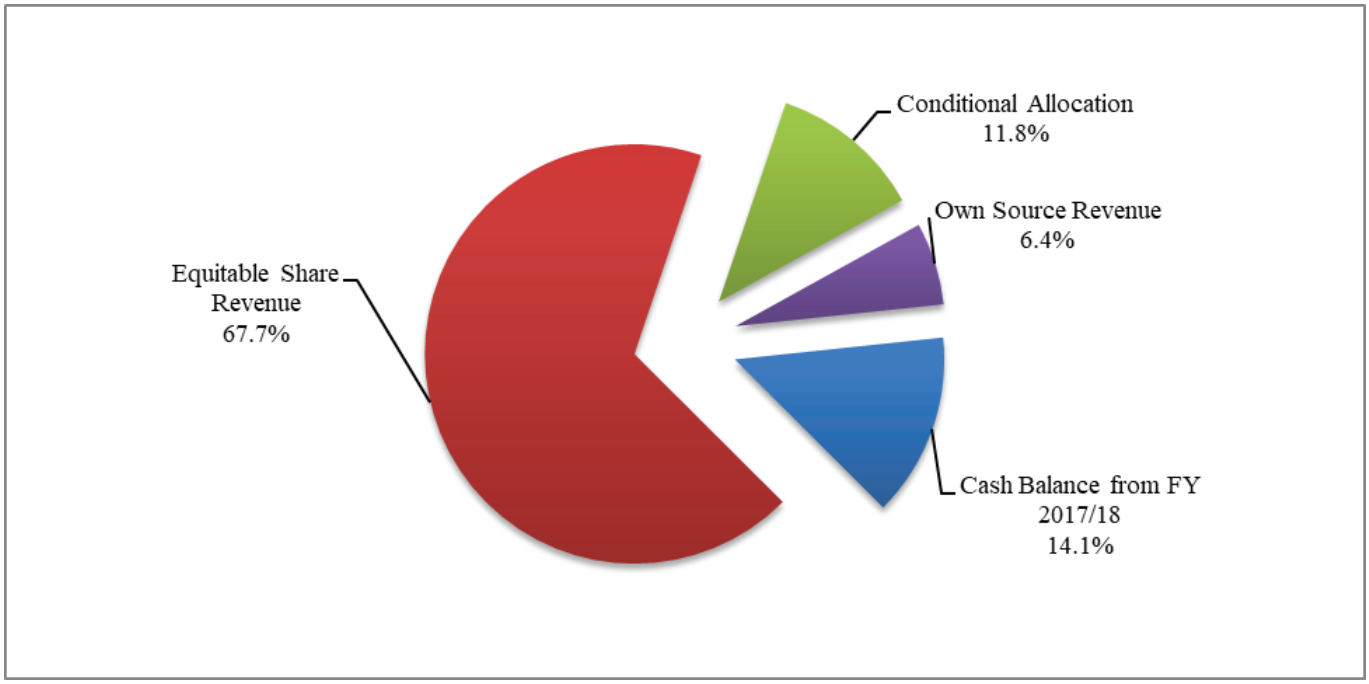
## 3.23 Makueni County

### 3.23.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.10.53 billion, comprising of Kshs.5.90 billion (56 per cent) and Kshs.4.63 billion (44 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.13 billion (67.7 per cent) as equitable share of revenue raised nationally, Kshs.1.24 billion (11.8 per cent) as total conditional grants, generate Kshs.670.5 million (6.4 per cent) from own sources, and Kshs.1.49 billion (14.1 per cent) cash balance from FY 2017/18.

**Figure 3.88: Makueni County Sources of Budget Financing in FY 2018/19**




***Source**: Makueni County Treasury*

The conditional grants include those contained in the CARA, 2018 of; Kshs.100 million (10.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (15 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.50.75 million (5.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme (KDSP) "Level 1 grant", Kshs.136.26 million (14.6 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.22.88 million (2.4 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (4.8 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.19.44 million (2.1 per cent) as Compensation for User Fees Foregone, Kshs.200 million (21.4 per cent) for Leasing of Medical Equipment, Kshs.187.67 million (20.1 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.31.57 million (3.4 per cent) for Rehabilitation of Village Polytechnics.

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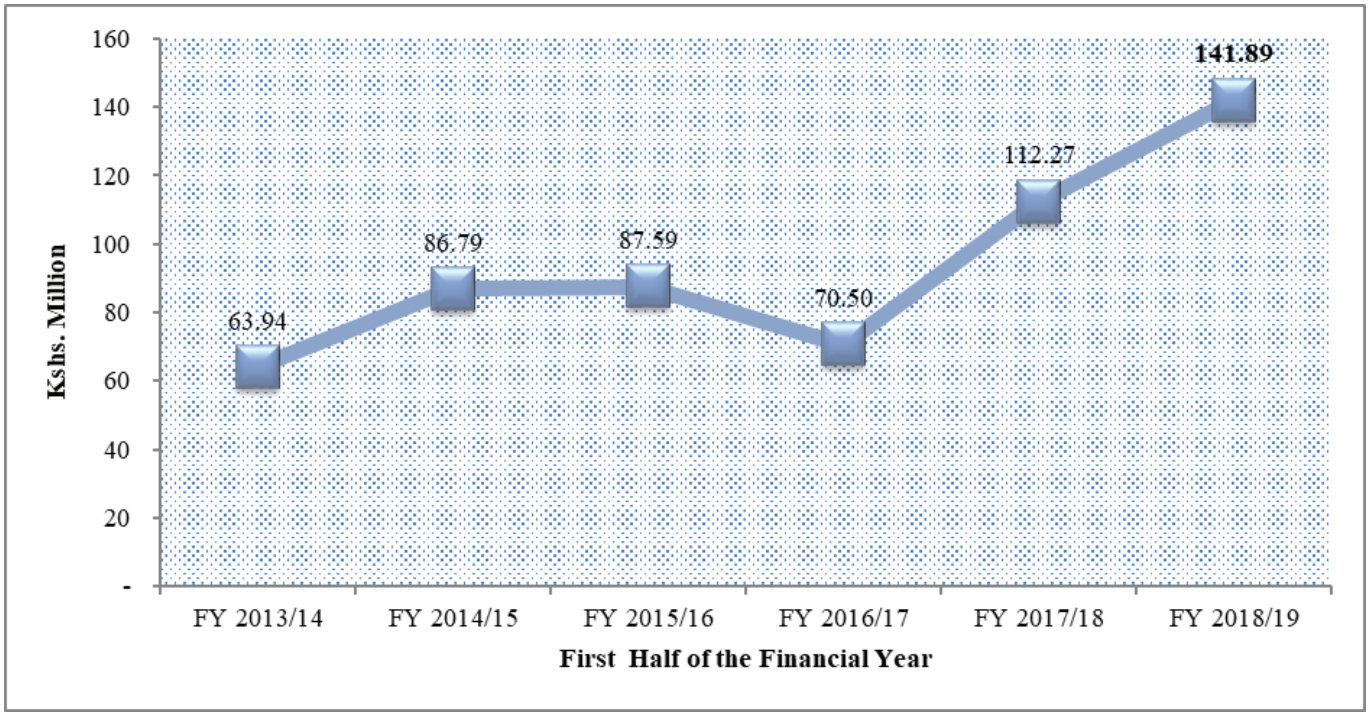
In addition, the County also budgeted to receive Kshs.168.58 million as KDSP grant, Kshs.[illegible] million for DANIDA Grant, Kshs.21.55 million for Agriculture Sector Support Development Programme, Kshs.66 million as EU grant for Instruments for Devolution Advice and Support, and Kshs.40 million for Kenya Urban Support Programme Urban Institutional Grant which are not contained in the CARA, 2018.

### 3.23.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.2 billion as equitable share of revenue raised nationally, Kshs.374.38 million as total conditional grants, raised Kshs.141.89 million from own-source revenue, and had a cash balance of Kshs.1.09 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.81 billion.

Figure 3.89 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.89: Makueni County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Makueni County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.141.89 million as own-source revenue. This amount was an increase of 26.4 per cent when compared to Kshs.112.27 million realised during the same period of FY 2017/18 and represented 21.2 per cent of the annual target.

### 3.23.3 Conditional Grants

The County received Kshs.374.38 million as conditional grants as shown in Table 3.64.

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**Table 3.64: Makueni County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 2 | Road Maintenance Fuel Levy | 187,668,766 | 187,668,766 | - | - |
| 3 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |
| 4 | Kenya Urban Support Project (KUSP) - WB | 136,261,600 | 136,261,600 | 136,261,600 | 100.0 |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 100,000,000 | 100,000,000 | 9,285,335 | 9.3 |
| 6 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 50,750,604 | 50,750,604 | - | - |
| 7 | EU Grant | 45,000,000 | 45,000,000 | - | - |
| 8 | Rehabilitation of Village Polytechnics | 31,570,000 | 31,570,000 | - | - |
| 9 | DANIDA Grant | 22,882,500 | 22,882,500 | 11,441,250 | 50.0 |
| 10 | Compensation for User Fee Foregone | 19,435,760 | 19,435,760 | | - |
| **Sub Total** | | **934,004,393** | **934,004,393** | **156,988,185** | **16.8** |
| B | **Other Grants (Non-CARA)** | | | | |
| 11 | Investment Grant - KDSP | - | 168,575,682 | 168,575,682 | 100.0 |
| 12 | EU Grant for instrument for Devolution Advice and support | - | 66,000,000 | 48,818,153 | 74.0 |
| 13 | Kenya Urban Support Programme - Urban institutional Grant | - | 40,000,000 | - | - |
| 14 | Agriculture Sector Support Development Programme- Donor funds | - | 21,551,135 | - | - |
| 15 | DANIDA Grant (Universal Healthcare in Devolved System Program) - FY 2017/18 Funds | - | 9,479,639 | - | - |
| **Sub Total** | | **-** | **305,606,456** | **217,393,835** | **71.1** |
| **Total** | | **934,004,393** | **1,239,610,849** | **374,382,020** | **30.2** |

***Source:*** *Makueni County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent and 50 per cent of annual allocation respectively.

### 3.23.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.88 billion from the CRF account. The withdrawal represented 27.3 per cent of the Supplementary Budget and translated to an increase of 23.2 per cent from Kshs.2.34 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.23 billion (77.5 per cent) to fund recurrent expenditure and Kshs.647.61 million (22.5 per cent) for development activities.

### 3.23.5 Overall Expenditure Review

The County government spent a total of Kshs.3.43 billion on both recurrent and development activities. This expenditure represented 119.1 per cent of the total funds released from the CRF account and was an increase of 53.7 per cent from Kshs.2.23 billion spent in the first half of FY 2017/18.

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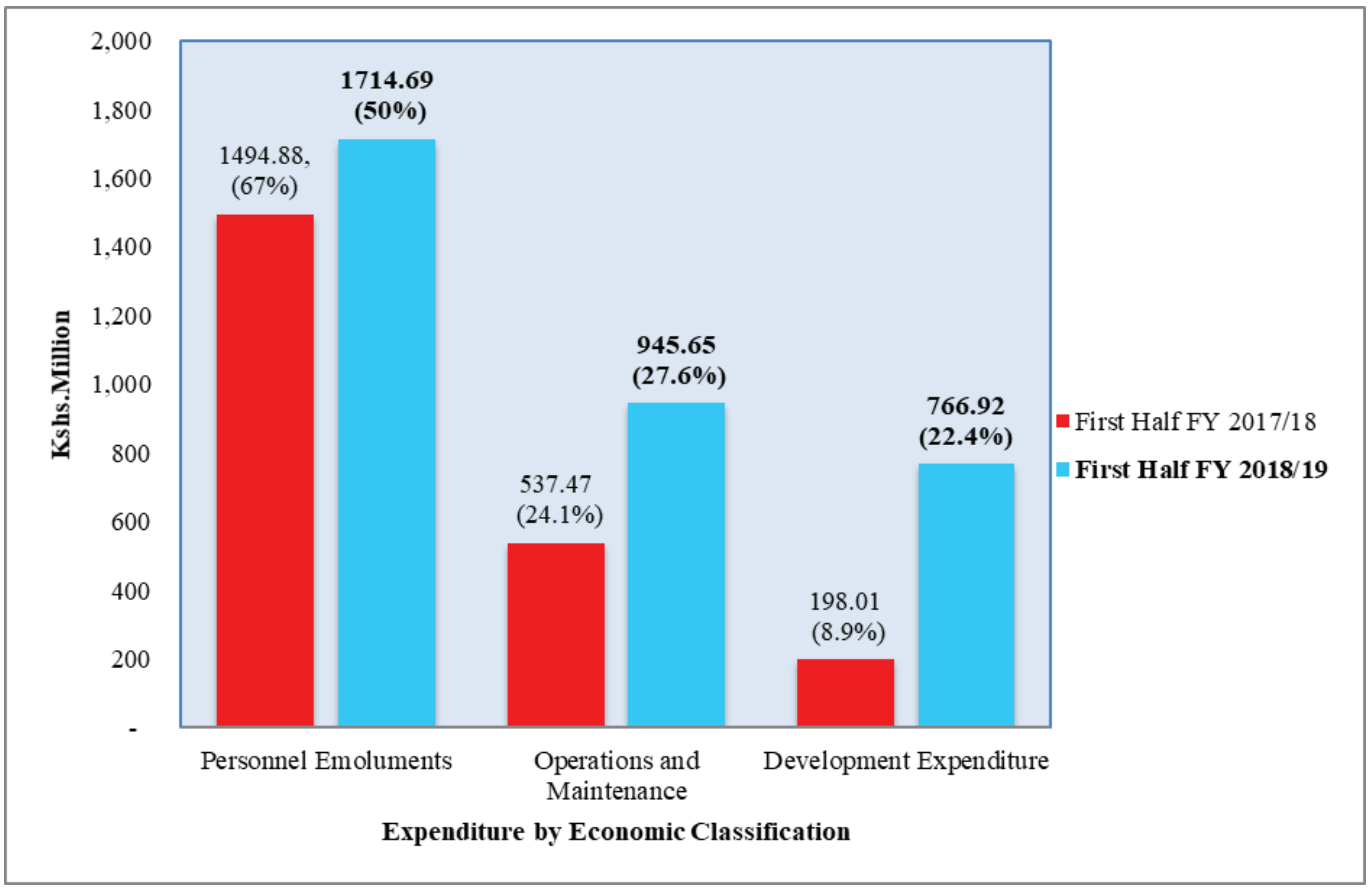
Expenditure on recurrent activities amounted to Kshs.2.66 billion while that on development activities was Kshs.766.92 million. The recurrent expenditure was 119.2 per cent of the funds released for recurrent activities, while development expenditure was 118.4 per cent of funds released for development activities.

The recurrent expenditure represented 45.1 per cent of the annual recurrent budget and was an increase from 34.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 16.6 per cent, which was an increase from 5.3 per cent attained in the first half of FY 2017/18. Figure 3.90 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

**Figure 3.90: Makueni County, Expenditure by Economic Classification**




***Source:*** *Makueni County Treasury*

### 3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.66 billion comprised of Kshs.1.71 billion (64.5 per cent) incurred on personnel emoluments and Kshs.945.65 million (35.5 per cent) on operations and maintenance as shown in Figure 3.90.

Expenditure on personnel emoluments represented an increase of 14.7 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.49 billion, and was 50 per cent of total expenditure for the period. Figure 3.91 shows a summary of operations and maintenance expenditure by major categories.

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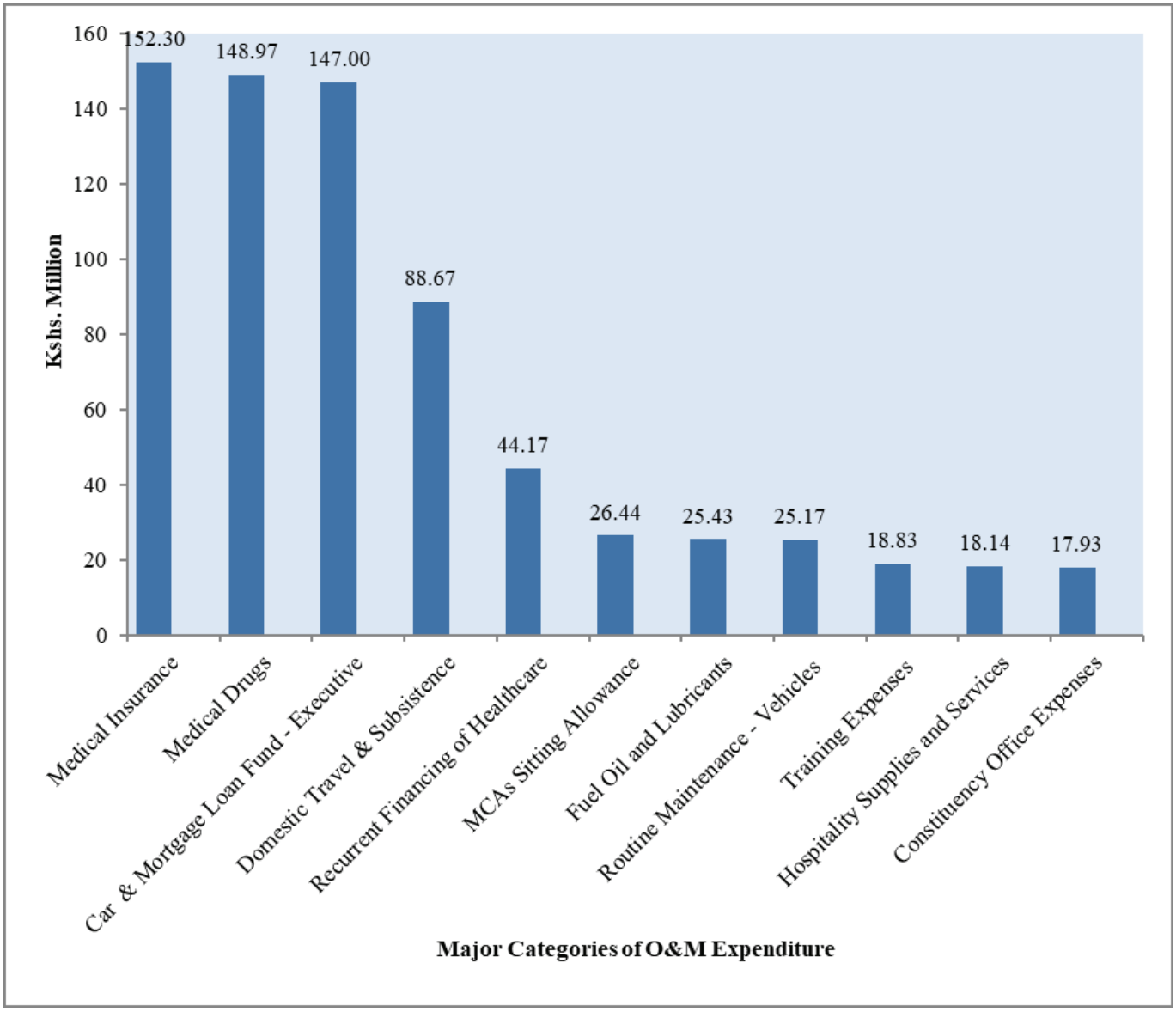
**Figure 3.91: Makueni County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Makueni County Treasury*

The County reported Kshs.26.44 million on MCAs' committee sitting allowances for the 49 MCAs (including the Speaker) against the annual budget allocation of Kshs.67.99 million. This amount represented an increase of 265.6 per cent compared to Kshs.7.23 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.89,922 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.88.67 million and comprised of Kshs.31.54 million spent by the County Assembly and Kshs.57.13 million spent by the County Executive. This represented 3.3 per cent of total recurrent expenditure.

### 3.23.7 Development Expenditure

The total development expenditure of Kshs.766.92 million represented 16.6 per cent of the annual development budget of Kshs.4.63 billion. Table 3.65 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.65: Makueni County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Universal Health Care Programme | Across the County | 150,000,000 | 126,097,303 | 84.1 |
| 2 | Construction of Thwake bridge substructures | Kalawa | 75,000,000 | 73,772,724 | 98.4 |
| 3 | EU Grant for Instrument for Devolution Advice and support | Across the County | 111,000,000 | 48,818,153 | 44.0 |
| 4 | Roads upgrade programme - ward - fuel levy funding | Across the County | 39,082,714 | 32,226,918 | 82.5 |
| 5 | Transforming Health Systems for Universal Care Project (WB) | Across the County | 100,000,000 | 30,287,868 | 30.3 |
| 6 | Completion of Guesthouse (Under Department of Transport and Infrastructure) | Wote/ Nziu | 19,993,542 | 19,330,614 | 96.7 |
| 7 | IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP) | Across the County | 158,929,463 | 19,118,260 | 12.0 |
| 8 | Conditional Allocation for Development of Youth Polytechnics | All wards | 47,643,027 | 16,073,027 | 33.7 |
| 9 | Makueni Fruit Processing Plant - Operationalization (Reconstituting Line & other operations) | Nzaui/ Kilili/ Kalamba | 81,521,713 | 14,169,896 | 17.4 |
| 10 | Nguu Masumba NLC - Land issues (Department of Lands, Urban Planning and Mining) | Nguu/ Masumba | 14,215,750 | 12,406,290 | 87.3 |

***Source:*** *Makueni County Treasury*

### 3.23.8 Budget Performance by County Department

Table 3.66 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.66: Makueni County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 746.36 | 101.09 | 320.23 | 5.83 | 255.06 | 6.14 | 79.7 | 105.4 | 34.2 | 6.1 |
| Office of Governor | 163.88 | - | 48.41 | - | 63.84 | - | 131.9 | | 39.0 | |
| Office of the Deputy Governor | 8.45 | - | 2.18 | - | 2.12 | - | 97.3 | | 25.1 | - |
| County Attorney's Office | 26.09 | - | 6.96 | - | 8.54 | - | 122.7 | | 32.7 | - |
| County Public Service Board | 61.24 | 10 | 28.18 | - | 23.65 | - | 83.9 | | 38.6 | - |
| County Secretary Office | 381.73 | - | 195.13 | - | 194.68 | - | 99.8 | | 51.0 | - |
| Devolution, Administration, Participatory Development& Public Service | 249.78 | 19.76 | 90.35 | - | 108.07 | 0.70 | - | - | - | - |
| Finance & Socio- Economic Planning | 576.15 | 371.32 | 115.82 | - | 300.96 | 0.07 | 259.8 | ∞ | 52.2 | - |
| Agriculture, Irrigation, Livestock & Fisheries Development | 240.03 | 816.34 | 94.23 | 72.83 | 117.30 | 116.80 | 124.5 | 160.4 | 48.9 | 14.3 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Water, Environment and Climate Change | 164.38 | 1,055.94 | 64.04 | 164.93 | 63.90 | 142.06 | 99.8 | 86.1 | 38.9 | 13.5 |
| Education, Youth & ICT | 349.61 | 310.18 | 110.74 | 25.56 | 133.74 | 50.21 | 120.8 | 196.4 | 38.3 | 16.2 |
| Health Services | 2,583.85 | 748.46 | 1,021.66 | 137.91 | 1,243.20 | 187.22 | 121.7 | 135.8 | 48.1 | 25.0 |
| Lands, Urban Planning and Mining | 60.14 | 250.07 | 22.05 | 159.05 | 18.62 | 21.54 | 84.4 | 13.5 | 31.0 | 8.6 |
| Transport & Infrastructure | 174.85 | 798.70 | 70.98 | 58.61 | 82.99 | 224.45 | 116.9 | 383.0 | 47.5 | 28.1 |
| Trade, Tourism & Cooperatives | 50.56 | 92.68 | 18.85 | 12.88 | 18.37 | 8.48 | 97.5 | 65.9 | 36.3 | 9.2 |
| Gender and Social Services | 58.40 | 55.66 | 21.11 | 10.01 | 25.27 | 9.23 | 119.7 | 92.2 | 43.3 | 16.6 |
| **TOTAL** | **5,895.51** | **4,630.21** | **2,230.93** | **647.61** | **2,660.34** | **766.92** | **119.2** | **118.4** | **45.1** | **16.6** |

***Source:*** *Makueni County Treasury*

Analysis of expenditure by department shows the Department of Transport and Infrastructure recorded the highest absorption rate of development budget at 28.1 per cent while the County Public Service Board did not incur any development expenditure. The Department of Finance and Socio-Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 52.2 per cent while the Office of the Deputy Governor had the lowest at 25.1 per cent.

### 3.23.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Increase in the absorption of development budget from 5.3 per cent in the first half of FY 2017/18 to 16.6 per cent in the reporting period.
ii. Improvement in own source revenue performance by 26.4 per cent when compared to a similar period of FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
2. Delay by Fund Administrators of Bursary, Emergency Fund, Car Loan & Mortgage (County Assembly) to submit quarterly expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
2. *All Funds Administrators should provide quarterly financial statements for County Funds in line with Section 168 of the PFM Act, 2012.*

## 3.24 Mandera County

### 3.24.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.13.38 billion, comprising of Kshs.6.42 billion (48 per cent) and Kshs.6.96 billion (52 per cent) allocation for recurrent and development expenditure respectively.

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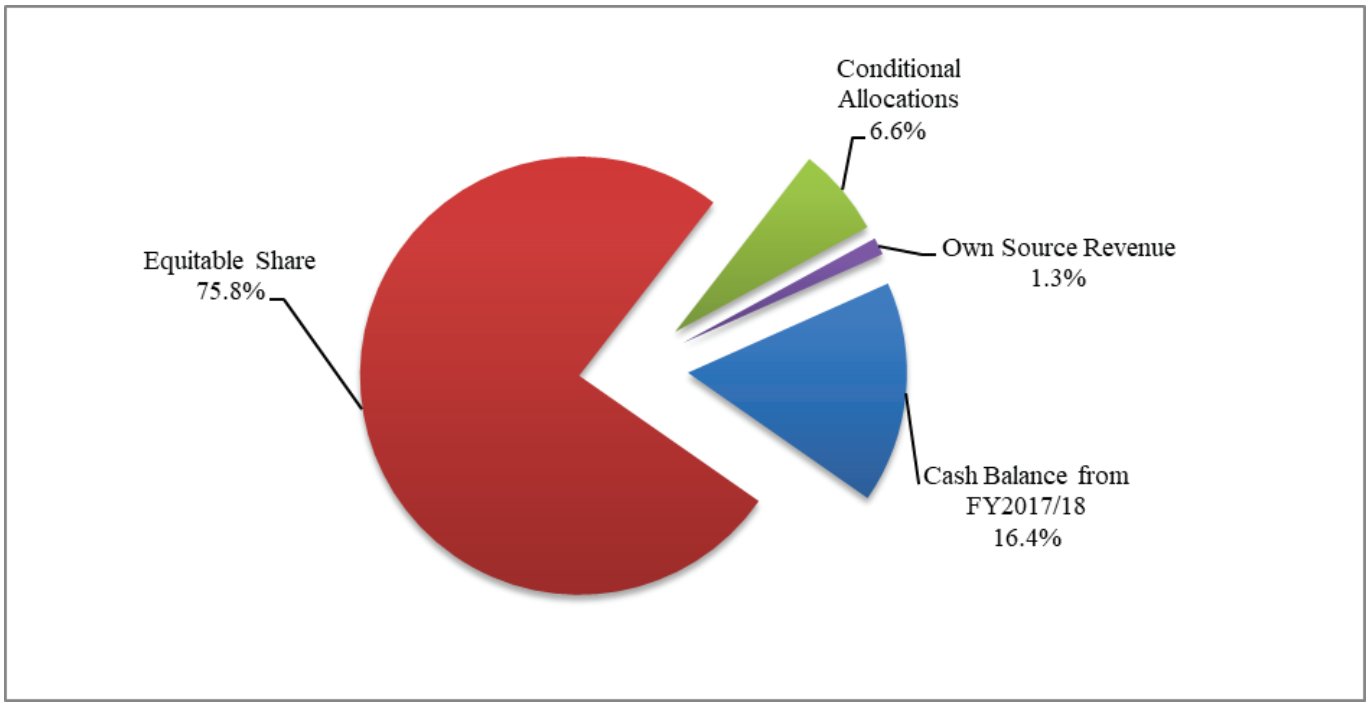
To finance the budget, the County expects to receive Kshs.10.14 billion (75.8 per cent) as equitable share of revenue raised nationally, Kshs.877.90 million (6.6 per cent) as total conditional grants, generate Kshs.169.59 million (1.3 per cent) from own revenue sources, and Kshs.2.19 billion (16.4 per cent) cash balance from FY 2017/18.

**Figure 3.92: Mandera County, Expected Sources of Budget Financing in FY 2018/19**




***Source**: Mandera County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (9.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (14.4 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.58.67 million (5.6 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.175.82 million (16.9 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.32.65 million (3.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.25.47 million (2.4 per cent) as Compensation for User Fees Foregone, Kshs.267.04 million (25.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.31.24 million (3 per cent) for Rehabilitation of Village Polytechnics, Kshs.27.91 million for Sweden-ASDP II, Kshs.41.2 million for KUSP-Urban Institutional Grant (UIG), and Kshs.200 million for Leasing of Medical Equipment.

### 3.24.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.4.06 billion as equitable share of revenue raised nationally, Kshs.302.62 million as total conditional grants, raised Kshs.37.87 million from own source revenue, and had a cash balance of Kshs.2.42 billion from FY 2017/18. The total available funds amounted to Kshs.6.82 billion.

Figure 3.93 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

**Figure 3.93: Mandera County, Trend in Own Source Revenue Collection from the First Half of FY 2013/14 to the First Half of FY 2018/19**

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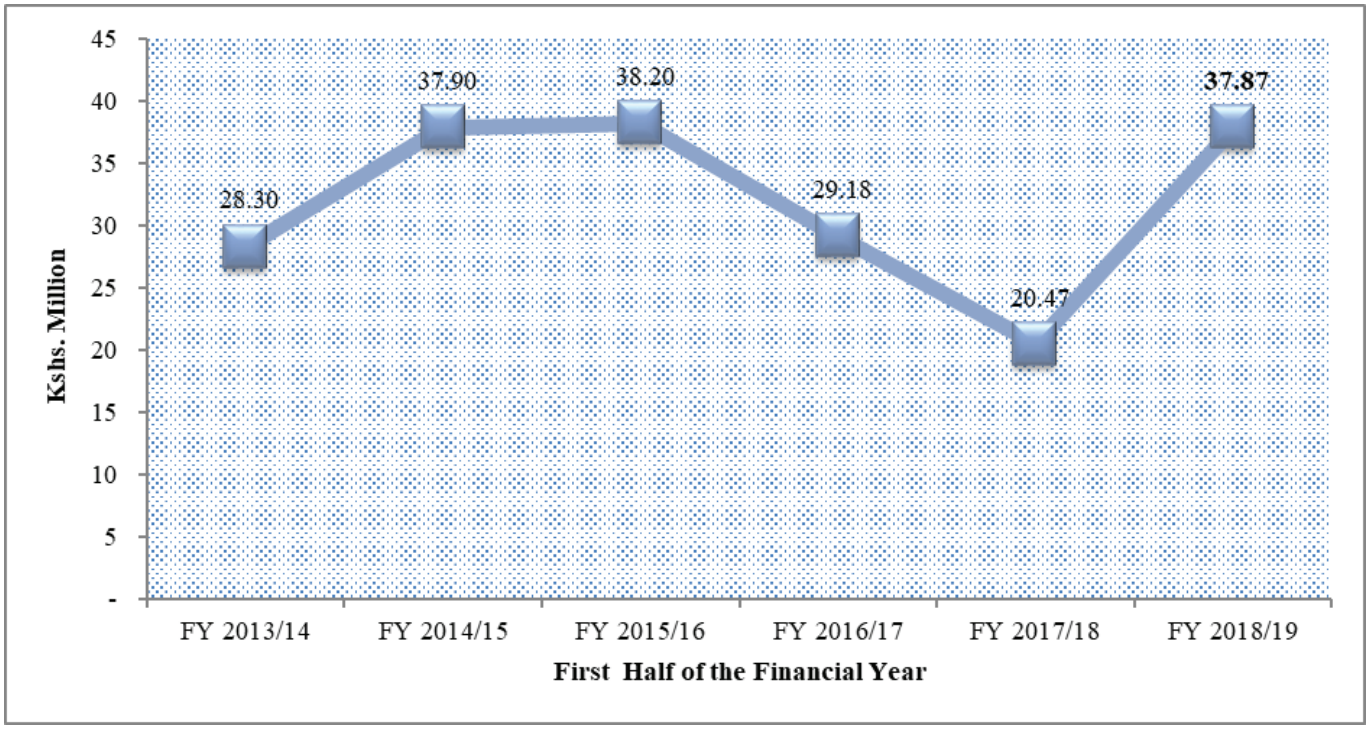


***Source:*** *Mandera County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.37.87 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.20.47 million realised during the same period of FY 2017/18 and represented 22.3 per cent of the annual target.

### 3.24.3 Conditional Grants

The County received Kshs.302.62 million as conditional grants as shown in Table 3.67.

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**Table 3.67: Mandera County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grant/ Loan | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in the First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Compensation for User Fee Foregone | 25,474,920 | 25,474,920 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy | 267,035,293 | 267,035,293 | - | - |
| 4 | Rehabilitation of Village Polytechnics | 31,240,000 | 31,240,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project-World Bank | 100,000,000 | 100,000,000 | 39,283,686 | 39.3 |
| 6 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | - | 37,000,000 | - | - |
| 7 | Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 54,858,856 | 36.6 |
| 8 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 58,673,488 | 58,673,488 | - | - |
| 9 | Kenya Urban Support Project (KUSP) | 175,819,500 | 175,819,500 | 175,819,500 | 100 |
| 10 | DANIDA Grant | 32,653,125 | 32,653,125 | 32,653,125 | 100 |
| 11 | Sweden –ASDP II | 27,908,979 | - | - | - |
| 12 | KUSP-Urban Institutional Grant (UIG) | 41,200,000 | - | - | - |
| | **Total** | **1,110,005,305** | **877,896,326** | **302,615,167** | **34.5** |

***Source:*** *Mandera County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent and 100 per cent of annual allocation respectively.

### 3.24.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.44 billion from the CRF account. The withdrawals represented 33.2 per cent of the Approved Budget and translates to a an increase of 36.1 per cent from Kshs.3.26 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.78 billion (62.7 per cent) to fund recurrent expenditure and Kshs.1.66 billion (37.3 per cent) for development activities.

### 3.24.5 Overall Expenditure Review

The County government spent a total of Kshs.4.44 billion on recurrent and development activities. The total expenditure represented 100 per cent of the total funds released from the CRF account and was an increase of 67.9 per cent from Kshs.2.65 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.2.88 billion while Kshs.1.56 billion was spent on development activities. The recurrent expenditure was 103.4 per cent of the funds released for recurrent activities, while development expenditure was 94.3 per cent of funds released for development activities.

The recurrent expenditure represented 44.8 per cent of the annual recurrent budget, an increase from 34.9 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.5 per cent, which was an increase from 8.3 per cent attained in the first half of FY 2017/18.Figure 3.94 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

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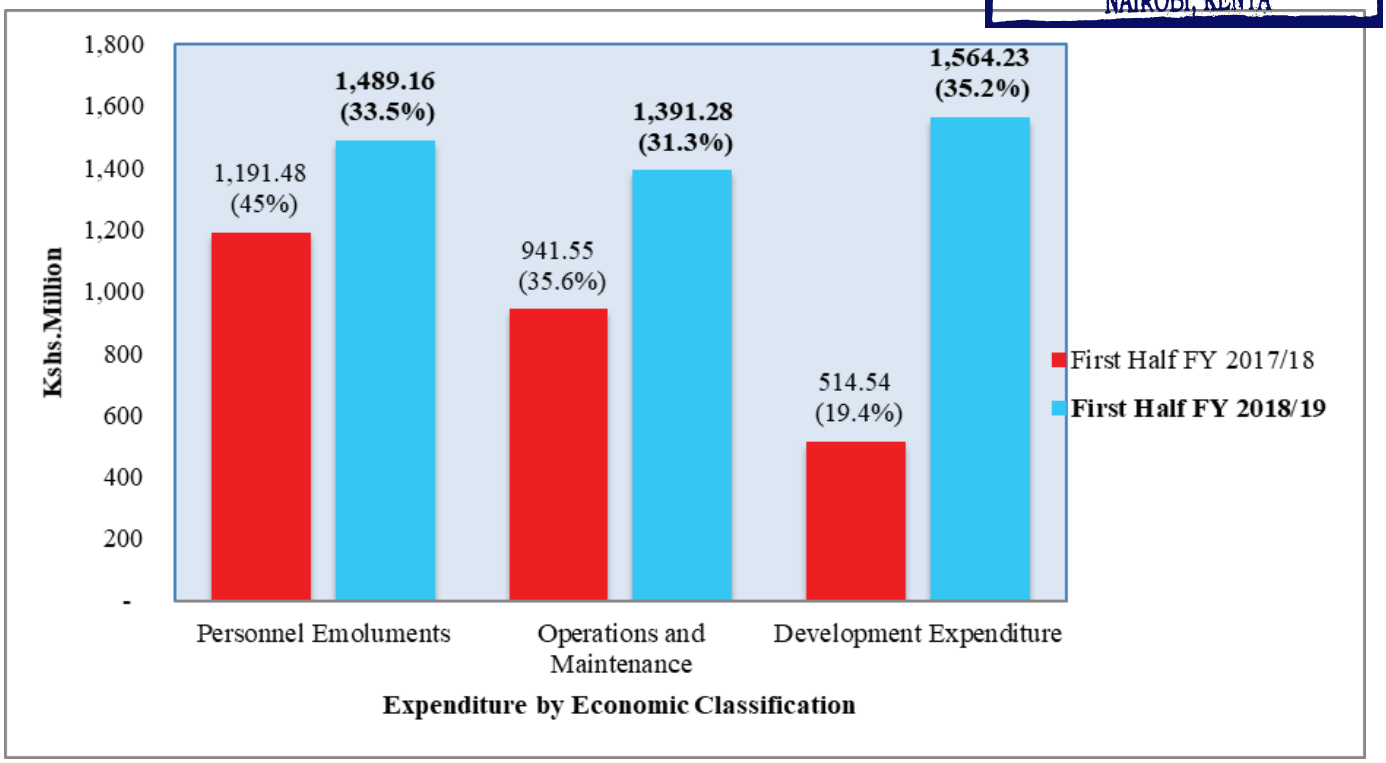
**Figure 3.94: Mandera County, Expenditure by Economic Classification**




***Source:*** *Mandera County Treasury*

### 3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.88 billion comprised of Kshs.1.49 billion (51.7 per cent) incurred on personnel emoluments and Kshs.1.39 billion (48.3 per cent) on operations and maintenance as shown in Figure 3.94.

Expenditure on personnel emoluments represented an increase of 25 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.19 billion, and was 33.5 per cent of total expenditure in the first half of FY 2018/19. Figure 3.95 shows a summary of operations and maintenance expenditure by major categories.

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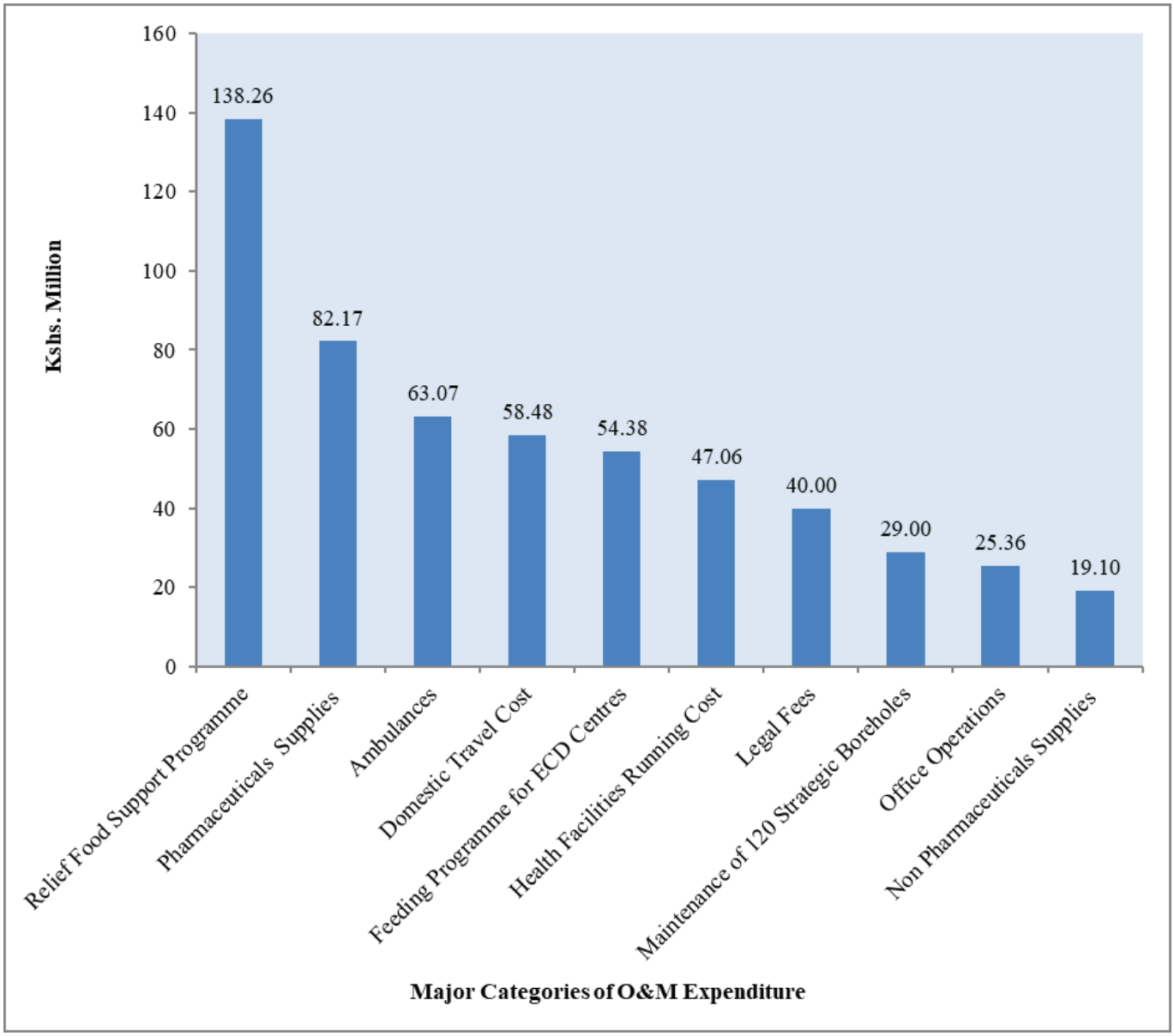
**Figure 3.95: Mandera County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Mandera County Treasury*

The County spent Kshs.23.39 million on MCAs' committee sitting allowances for the 49 MCAs against the annual budget allocation of Kshs.41.76 million. This represented an increase of 158.5 per cent compared to Kshs.9.05 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.79,548 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.58.48 million and comprised of Kshs.19.63 million spent by the County Assembly and Kshs.38.85 million spent by the County Executive. This represented 2 per cent of total recurrent expenditure.

### 3.24.7 Development Expenditure

The total development expenditure of Kshs.1.56 billion represented 22.5 per cent of the annual development budget of Kshs.6.96 billion. Table 3.68 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.68: Mandera County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | First Half Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Mandera Town Tarmac Road LOT 1 | Mandera Town | 1,200,000,000 | 818,774,222 | 68.2 |
| 2 | Mandera Town Tarmac Road LOT 2 | Mandera Town | 1,200,000,000 | 800,000,000 | 66.7 |
| 3 | Proposed Sub-County Headquarters at Takaba In Mandera West | Takaba-Mandera West | 69,500,956 | 40,000,000 | 57.6 |
| 4 | Proposed Construction of Municipality Office Block | Mandera East | 59,021,552 | 40,000,000 | 67.8 |
| 5 | Proposed Completion of Mmira Market | Mandera | 39,032,886 | 30,761,947 | 78.8 |
| 6 | Proposed construction of Elwak Sub-County Head Quarters | Elwak Sub-County | 50,172,731 | 30,000,000 | 59.8 |
| 7 | Mandera Technical Training Institutes 2 workshops | Mandera East | 30,000,000 | 27,290,671 | 91.0 |
| 8 | Supply, Delivery, Installation, Testing and Commissioning of Oxygen Plant at Elwak Referral Hospital | Elwak Town | 24,269,470 | 24,296,470 | 100 |
| 9 | Proposed Construction of Maternity Wing at Takaba Hospital in Mandera West | Takaba Town | 65,384,577 | 23,400,000 | 35.8 |
| 10 | Proposed Construction of Dandu Theatre Block in Mandera west Sub county | Dandu-Mandera West Sub County | 24,799,338 | 22,083,926 | 89.1 |

***Source:*** *Mandera County Treasury*

### 3.24.8 Budget Performance by County Department

Table 3.69 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.69: Mandera County, Budget Performance by Department

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture Livestock and Fisheries | 222.59 | 612.06 | 78.09 | 62.23 | 82.72 | 21.29 | 105.9 | 34.2 | 37.2 | 3.5 |
| Education, Culture and Sports | 530.44 | 457.06 | 204.00 | 100.46 | 223.55 | 97.75 | 109.6 | 97.3 | 42.1 | 21.4 |
| Youth and Social Service | 76.20 | 99.35 | 11.51 | 12.00 | 12.51 | 12.00 | 108.7 | 100.0 | 16.4 | 12.1 |
| Finance and Economic Planning and ICT | 677.83 | 137.92 | 271.04 | 101.40 | 281.08 | 101.40 | 103.7 | 100.0 | 41.5 | 73.5 |
| Health Services | 1,641.52 | 761.36 | 853.76 | 238.98 | 946.20 | 238.88 | 110.8 | 100.0 | 57.6 | 31.4 |
| Trade, Investments Industrializations and Cooperative Development | 35.06 | 198.43 | 13.02 | 49.10 | 14.77 | 43.33 | 113.5 | 88.3 | 42.1 | 21.8 |
| County Assembly | 850.63 | 211.26 | 375.90 | - | 296.09 | - | 78.8 | - | 34.8 | - |
| Lands, Housing and Physical Planning | 58.88 | 273.53 | 18.42 | 158.59 | 20.83 | 129.70 | 113.1 | 81.8 | 35.4 | 47.4 |

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| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor and Deputy Governor | 629.42 | - | 233.55 | - | 250.90 | - | 107.4 | - | 39.9 | - |
| County Public Service Board | 64.06 | - | 27.24 | - | 29.64 | - | 108.8 | - | 46.3 | - |
| Public Service, Management and Devolved Unit | 1,181.42 | 358.79 | 490.45 | - | 507.25 | - | 103.4 | - | 42.9 | - |
| Public Works Roads and Transport | 103.45 | 2,257.43 | 37.93 | 483.78 | 41.33 | 467.76 | 108.9 | 96.7 | 39.9 | 20.7 |
| Water, Environment and Natural Resources | 352.24 | 1,587.81 | 169.52 | 452.12 | 173.57 | 452.12 | 102.4 | 100.0 | 49.3 | 28.5 |
| **TOTAL** | **6,423.74** | **6,955.00** | **2,784.43** | **1,658.65** | **2,880.43** | **1,564.23** | **103.4** | **94.3** | **44.8** | **22.5** |

***Source:*** *Mandera County Treasury*

Analysis of expenditure by department shows the Department of Finance and Economic Planning and ICT recorded the highest absorption rate of development budget at 73.5 per cent while the County Assembly and the Department of Public Service, Management and Devolved Unit did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 57.6 per cent while the Department of Gender, Youth and Social Service had the lowest at 16.4 per cent.

### 3.24.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
ii. Improvement of own-source revenue collection from Kshs.20.47 million in the first half of FY 2017/18 to Kshs.37.87 million in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Failure to budget for all conditional grants as per CARA, 2018.

The County should implement the following recommendations in order to improve budget execution;

1. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018.*

## 3.25 Marsabit County

### 3.25.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.65 billion, comprising of Kshs.4.13 billion (47.7 per cent) and Kshs.4.53 billion (52.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7 billion (80.9 per cent) as equitable share of revenue raised nationally, Kshs.678.33 million (7.8 per cent) as total conditional grants, generate Kshs.140 million (1.6 per cent) from own source of revenue, and Kshs.832.97 million (9.6 per cent) cash balance from FY 2017/18.

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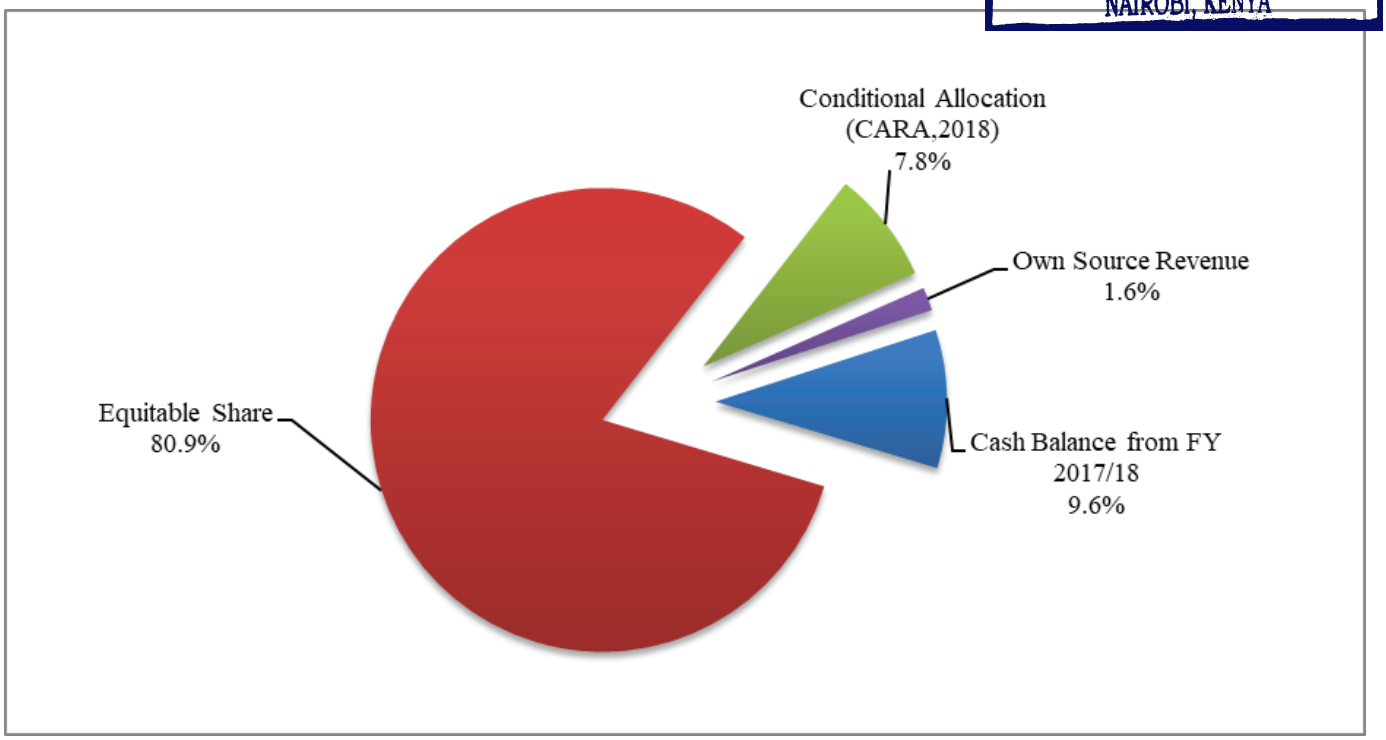
**Figure 3.96: Marsabit County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Marsabit County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (11.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (17.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.48.99 million (5.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (5.8 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.22.07 million (2.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.80 million (9.2 per cent) as grant from EU for Instruments for Devolution Advice and Support- (IDEAS), Kshs.6.64 million (0.8 per cent) as Compensation for User Fees Foregone, Kshs.184.36 million (21.2 per cent) from Road Maintenance Fuel Levy, and Kshs.26.28 million (3.0 per cent) for Rehabilitation of Village Polytechnics.

### 3.25.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.17 billion as equitable share of revenue raised nationally, Kshs.255.51 million as total conditional grants, raised Kshs.33.66 million from own source revenue, and had a cash balance of Kshs.832.97 million from FY 2017/18. The total available funds amounted to Kshs.3.29 billion.

Figure 3.97 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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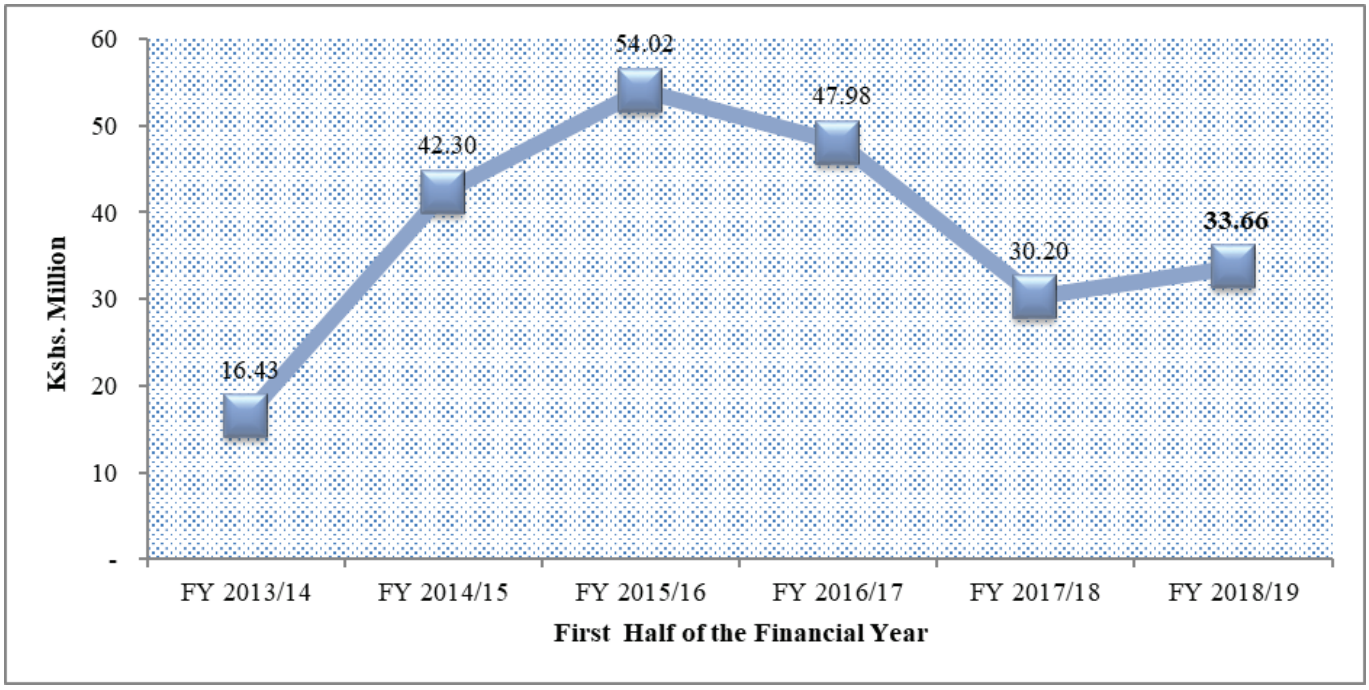
**Figure 3.97: Marsabit County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source**: Marsabit County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs 33.66 million as own-source revenue. The own-source revenue collected during the period represented an increase of Kshs 3 per cent compared to Kshs. 32.64 million generated during the same period of the FY 2017/18 and represented 24 per cent of the annual target.

### 3.25.3 Conditional Grants

The County received Kshs.255.51 million as conditional grants in the first half of the FY 2018/19 as shown in Table 3.70.

**Table 3.70: Marsabit County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 6,643,714 | 6,643,714 | | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy Fund | 184,361,828 | 184,361,828 | 39,329,315 | 21.3 |
| 4 | Rehabilitation of Village Polytechnics | 26,275,000 | 26,275,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 100,000,000 | 100,000,000 | 34,242,032 | 34.2 |
| 6 | Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 50,891,757 | 33.9 |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 48,985,872 | 48,985,872 | - | - |

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| S/No | Grants | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in the Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 8 | Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100.0 |
| 9 | DANIDA Grant | 22,072,500 | 22,072,500 | 11,036,250 | 50.0 |
| 10 | EU Grant ( IDEAS) | 80,000,000 | 90,000,000 | 70,007,619 | 77.8 |
| **Total** | | **868,338,914** | **678,338,914** | **255,506,973** | **37.7** |

***Source**: Marsabit County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the EU grant. The receipts accounted for 100 per cent and 77.8 per cent of annual allocation respectively.

### 3.25.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.21 billion from the CRF account. The withdrawal represented 37.1 per cent of the Approved Budget and translates to an increase of 61.1 per cent from Kshs.1.99 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.07 billion (64.5 per cent) to fund recurrent expenditure and Kshs.1.14 billion (35.5 per cent) for development activities.

### 3.25.5 Overall Expenditure Review

The County government spent a total of Kshs.2.40 billion on recurrent and development activities. The total expenditure represented 74.8 per cent of the total funds released from the CRF account and was an increase of 43 per cent from Kshs.1.68 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.1.66 billion while Kshs.745.18 million was spent on development activities. The recurrent expenditure was 79.9 per cent of the funds released for recurrent activities, while development expenditure was 65.5 per cent of funds released for development activities.

The recurrent expenditure represented 40.1 per cent of the annual recurrent budget, an increase from 36.5 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 16.5 per cent, which was an increase from 5.3 per cent attained in the first half of FY 2017/18.Figure 3.98 presents a comparison between the total expenditure in the first half of FY 2018/19 and first half of the FY 2017/18.

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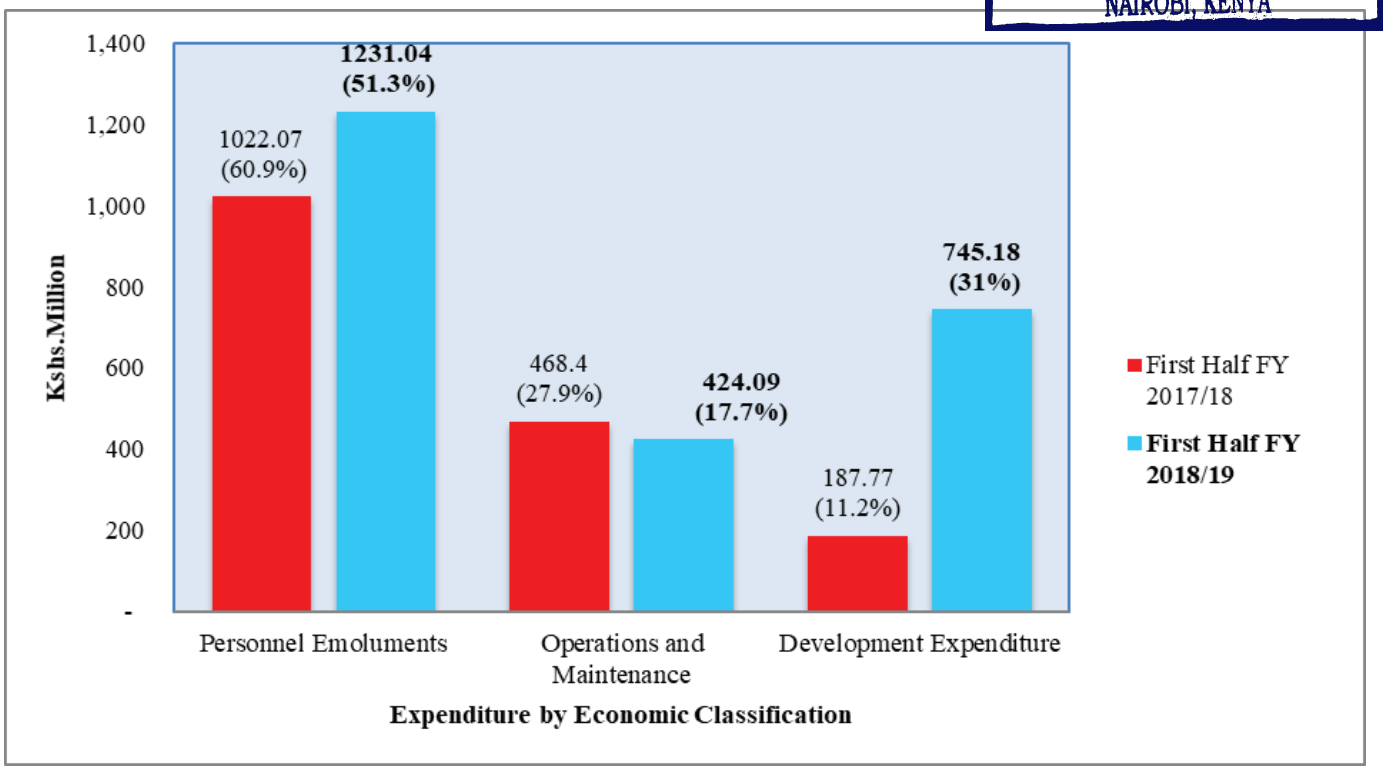
**Figure 3.98: Marsabit County, Expenditure by Economic Classification**




***Source**: Marsabit County Treasury*

### 3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.66 billion comprised of Kshs.1.23 billion (74.4 per cent) incurred on personnel emoluments and Kshs.424.09 million (25.6 per cent) on operations and maintenance as shown in Figure 3.98.

Expenditure on personnel emoluments represented an increase of 20.4 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.02 billion, and was 51.3 per cent of total expenditure in the first half of FY 2018/19. Figure 3.99 shows a summary of operations and maintenance expenditure by major categories.

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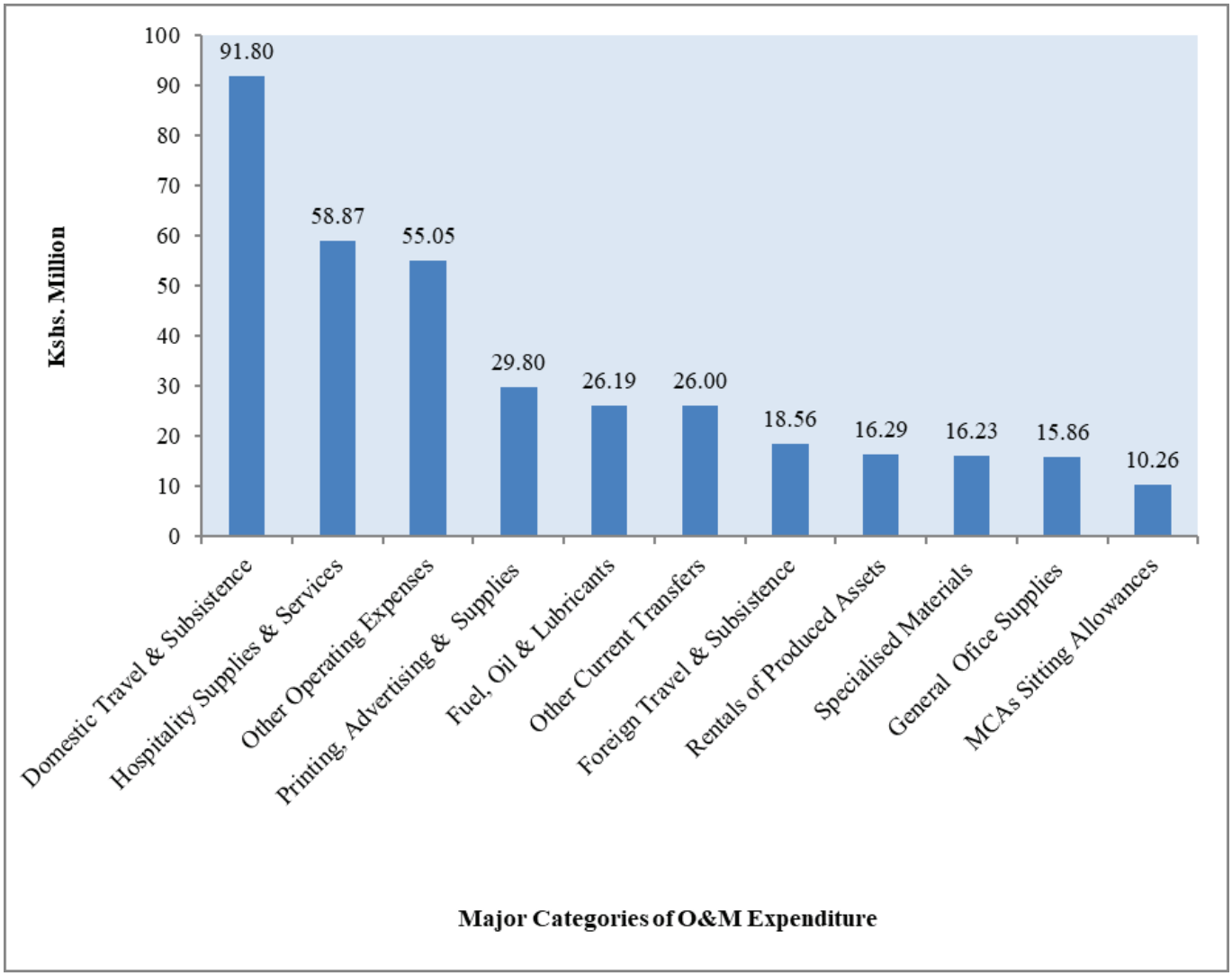
**Figure 3.99: Marsabit County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source**: Marsabit County Treasury*

The County spent Kshs.10.26 million to cater for the MCAs' committee sitting allowances for the 30 MCAs against the annual budget allocation of Kshs.35.49 million. This represented an increase of 162.5 per cent compared to Kshs.3.91 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.55,172 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.110.36 million and comprised of Kshs.49.77 million spent by the County Assembly and Kshs.60.58 million spent by the County Executive and represented 6.7 per cent of total recurrent expenditure.

### 3.25.7 Development Expenditure

The total development expenditure of Kshs.745.18 million represented 16.5 per cent of the annual development budget of Kshs.4.53 billion. Table 3.71 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.71: Marsabit County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Drugs & Non-pharmaceuticals supplies | Countywide | 133,000,000 | 24,013,749 | 18.1 |
| 2 | Supply & delivery of relief foods commodities | Countywide | 180,000,000 | 22,294,750 | 12.4 |
| 3 | Development of Marsabit Stadium Pavilion | Saku Sub-county | 15,200,000 | 15,109,833 | 99.4 |
| 4 | Drilling of Balachaloki Borehole of 200 m depth | North-Horr sub-county | 8,000,000 | 7,989,190 | 99.9 |
| 5 | Construction of Kalacha water supply | North-Horr sub-county | 7,000,000 | 6,486,991 | 92.7 |
| 6 | Feasibility Study Environment & Engineering Design of Moyale Town Roads | Moyale Sub-county | 6,000,000 | 5,514,580 | 91.9 |
| 7 | Spot Improvement works on Walda Dadach-Elele-Yashare Road | Moyale Sub-county | 5,000,000 | 4,999,457 | 100.0 |
| 8 | Sports Improvement works on Hurri Hills Balesa Road | North Horr Sub-county | 5,000,000 | 4,999,091 | 100.0 |
| 9 | Erection & Completion of Dormitory Block at Saku Vtc | Saku Sub-county | 4,500,000 | 4,496,740 | 99.9 |
| 10 | Rehabilitation of Masonry tank, pump house, piping & 15m long trough Bori borehole | Moyale sub-county | 5,000,000 | 4,087,490 | 81.7 |

***Source**: Marsabit County Treasury*

### 3.25.8 Budget Performance by County Department

Table 3.72 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.72: Marsabit County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 647.59 | 154.09 | 215.00 | - | 194.71 | - | 90.6 | - | 30.1 | - |
| County Executive Services | 531.44 | 476.76 | 261.18 | 173.54 | 213.34 | 143.83 | 81.7 | 82.9 | 40.1 | 30.2 |
| Finance Management Services | 378.99 | 10.00 | 222.91 | - | 93.41 | - | 41.9 | - | 24.6 | 0.0 |
| Agriculture, Livestock and Fisheries | 186 | 436.93 | 112.65 | 178.01 | 77.70 | 14.28 | 69.0 | 8.0 | 41.8 | 3.3 |
| County Public Service | 90 | 2.31 | 42.80 | - | 29.95 | - | 70.0 | - | 33.3 | - |
| Education Youth Affairs | 259 | 444.74 | 136.24 | 173.91 | 112.26 | 83.08 | 82.4 | 47.8 | 43.3 | 18.7 |
| County Health Services | 1,192.24 | 943.78 | 629.10 | 293.12 | 621.43 | 139.83 | 98.8 | 47.7 | 52.1 | 14.8 |
| Administration and ICT | 339.20 | 15.30 | 167.10 | - | 133.93 | 7.55 | 80.2 | - | 39.5 | 49.4 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Physical Planning and Development | 140.00 | 299.15 | 69.82 | 68.00 | 41.43 | 64.06 | 59.3 | 94.2 | 29.6 | 21.4 |
| Roads and Public Works | 77.00 | 557.25 | 47.34 | - | 35.27 | 60.58 | 74.5 | - | 45.8 | 10.9 |
| Water Services | 130.04 | 895.73 | 79.23 | 179.77 | 51.27 | 208.20 | 64.7 | 115.8 | 39.4 | 23.2 |
| Trade and Industry | 83.50 | 139.09 | 46.55 | 64.64 | 26.76 | 2.40 | 57.5 | 3.7 | 32.0 | 1.7 |
| Tourism, Culture and Social Services | 72.00 | 151.37 | 41.80 | 7.50 | 23.67 | 21.38 | 56.6 | 285 | 32.9 | 14.1 |
| **Total** | **4,127.00** | **4,526.51** | **2,071.71** | **1,138.49** | **1,655.13** | **745.18** | **79.9** | **65.5** | **40.1** | **16.5** |

***Source**: Marsabit County Treasury*

Analysis of expenditure by department shows that the Department of Administration and ICT recorded the highest absorption rate of development budget at 49.4 per cent while the County Assembly and Department of Finance Management Services and the County Public Service did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 52.1 per cent while the Department of Finance and Management Services had the lowest at 24.6 per cent.

### 3.25.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of an Internal Audit Department and strengthening of the internal audit function in line with Section 155 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Under-performance in own source revenue collection which represented 24 per cent of the annual target.
2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund and the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
4. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports by OCOB contrary to Section 166 of the PFM Act, 2012.
5. Failure to constitute the County Budget and Economic Forum (CBEF) contrary to Section 137 of the PFM Act, 2012 for consultation in the budget making process

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should develop and implement strategies to enhance own-source revenue collection.*
2. *All Fund Administrators should submit financial returns in line with Section 168 of the PFM Act, 2012.*
3. *The National Treasury should ensure timely disbursement of funds in line with CARA, 2018.*
4. *The County Treasury should ensure timely preparation and submission of financial reports in line*

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*with Section 166 of PFM Act, 2012*

5. *The County should establish the CBEF in line with Section 137 of the PFM Act, 2012*

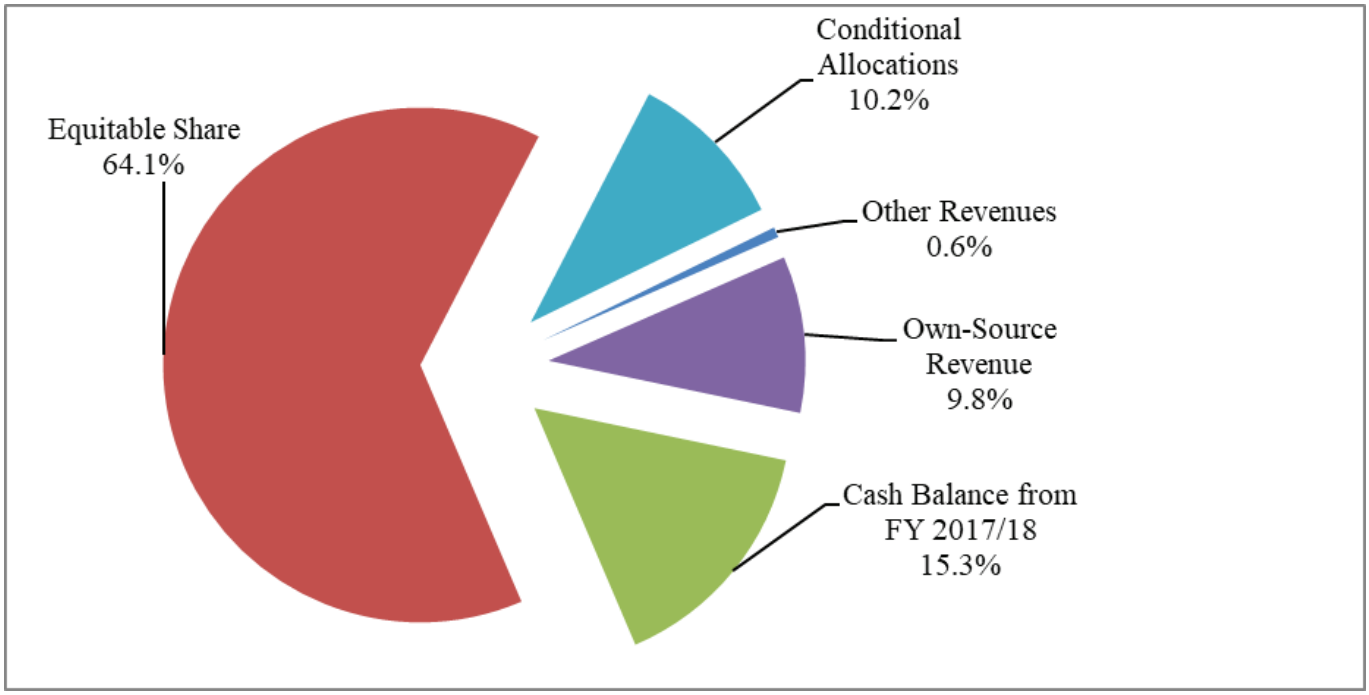
## 3.26 Meru County

### 3.26.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.12.50 billion, comprising of Kshs.7.81 billion (62.5 per cent) and Kshs.4.70 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.01 billion (64.1 per cent) as equitable share of revenue raised nationally, Kshs.1.27 billion (10.2 per cent) as total conditional grants, generate Kshs.1.23 billion (9.8 per cent) from own sources, Kshs.1.91 billion (15.3 per cent) cash balance from FY 2017/18, and Kshs.81.19 million (0.6 per cent) as other revenues.

**Figure 3.100: Meru County, Sources of Budget Financing in FY 2018/19**




***Source:*** *Meru County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (3.9 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (11.1 per cent) from IDA(World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.53.94 million (4.2 per cent) from IDA(World Bank) as credit for Kenya Devolution Support Programme "Level 1grants", Kshs.116.89 million (9.2 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.25.82 million (2 per cent) grant from DANIDA for Universal Healthcare for Devolved System Programme, Kshs.373.87 million (29.5 per cent) for Level-5 Hospital, Kshs.31.65 million (2.5 per cent) as Compensation for User Fees Foregone, Kshs.200 million (15.8 per cent) for Leasing of Medical Equipment, Kshs.210.82 million (16.6 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.66.03 million (5.2 per cent) for Rehabilitation of Village Polytechnics

The County also budgeted to receive Kshs.20.08 million as grant for Agricultural Sector Development Support Programme (ASDSP), Kshs.55.61 million as grants for World Bank for National Agricultural and Rural Inclusive Growth Project balance from FY 2017/18, Kshs.5.5 million as grants for ASDSP Project from FY 2017/18.

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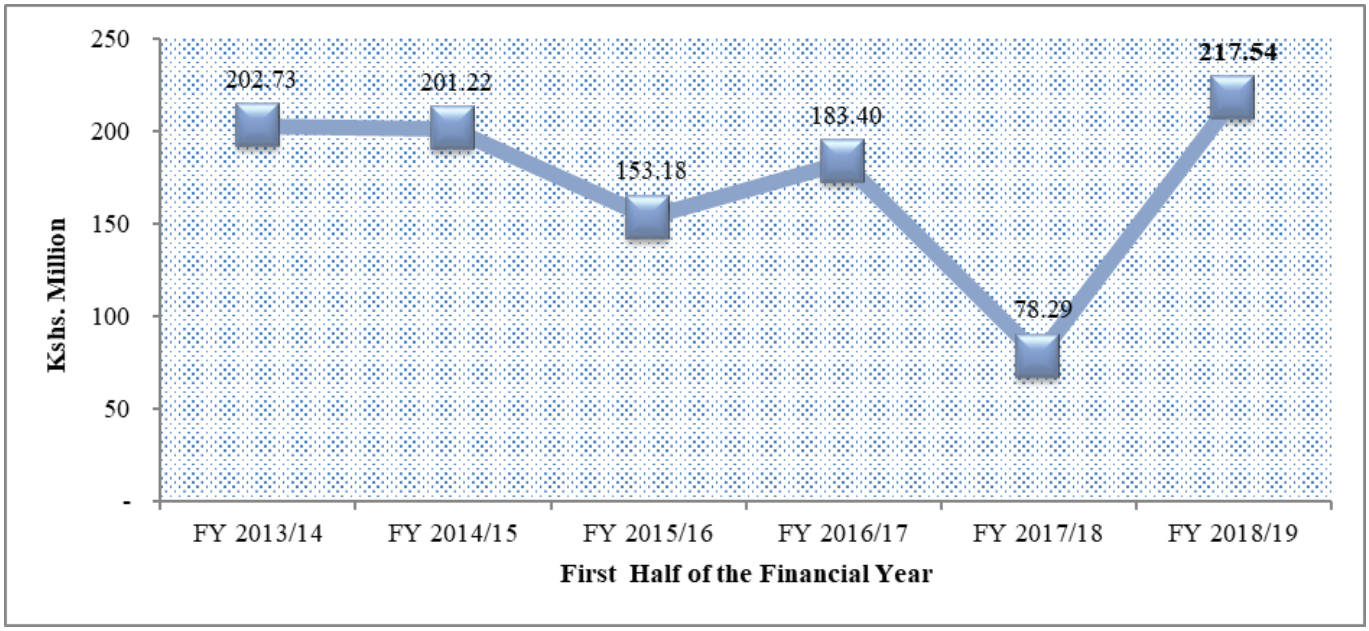
### 3.26.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.63 billion as equitable share of revenue raised nationally, Kshs.135.13 million as total conditional grants, raised Kshs.217.54 million as own-source revenue, and had a cash balance of Kshs.1.22 billion from FY 2017/18. The total funds available for the period amounted to Kshs.4.21 billion.

Figure 3.101 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.101: Meru County, Trend in Own-Source Revenue Collection for the First Half from FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Meru County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.217.54 million as own-source revenue. This amount was an increase of 177.9 per cent when compared to Kshs.78.29 million realised during the same period of FY 2017/18 and represented 17.7 per cent of the annual target.

### 3.26.3 Conditional Grants

The County received Kshs.135.13 million as conditional grants as shown in Table 3.73.

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**Table 3.73: Meru County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grant or Loan Details | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Level- 5 Hospital | 373,872,832 | 373,872,832 | - | - |
| 2 | Compensation for User Fee Foregone | 31,648,428 | 31,648,428 | - | - |
| 3 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 4 | Road Maintenance Fuel Levy Fund | 210,817,337 | 210,817,337 | - | - |
| 5 | Rehabilitation of Village Polytechnics | 66,025,000 | 66,025,000 | - | - |
| 6 | Transforming Health Systems for Universal Care Project- World Bank | 50,000,000 | 50,000,000 | 5,330,281 | 10.7 |
| 7 | National Agricultural and Rural Inclusive Growth Project- IDA (World Bank) | 140,435,163 | 140,435,163 | - | - |
| 8 | Kenya Devolution Support Programme "Level 1 grant" -IDA (World Bank) | 53,939,835 | 53,939,835 | - | - |
| 9 | Kenya Urban Support Project -IDA(World Bank) | 116,890,200 | 116,890,200 | 116,890,200 | 100 |
| 10 | DANIDA - Universal Healthcare to Devolved System Programme | 25,818,750 | 25,818,750 | 12,909,375 | 50 |
| 11 | Agricultural Sector Development Support Programme- (ASDSP) | - | 20,075,209 | - | - |
| 12 | Agricultural and Rural Inclusive Growth Project Balance B/F 2017-18 | - | 55,609,855 | - | - |
| 13 | ASDSP Project Balance B/F 2017-18 | - | 5,500,000 | - | - |
| | **TOTAL** | **1,269,447,545** | **1,350,632,609** | **135,129,856** | **10** |

***Source:*** *Meru County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent and 50 per cent of annual allocation respectively.

### 3.26.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.4.10 billion from the CRF account. The withdrawal represented 32.8 per cent of the Approved Supplementary Budget and translated to an increase of 45.9 per cent from Kshs.2.81 billion approved in the first half of FY 2017/18. This comprised of Kshs.3.88 billion (49.7 per cent) to fund recurrent activities and Kshs.212.71 million (4.5 per cent) for development activities.

### 3.26.5 Overall Expenditure Review

The County government spent a total of Kshs.4.03 billion on both recurrent and development activities. This expenditure represented 98.3 per cent of the total funds released from the CRF account and was an increase of 73 per cent from Kshs.2.33 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.338.01 million for development activities and Kshs.138.69 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.62 billion while that on development activities was Kshs.411.65 million. The recurrent expenditure was 93.1 per cent of the funds released for recurrent activities, while development expenditure was 193.5 per cent of funds released for development activities.

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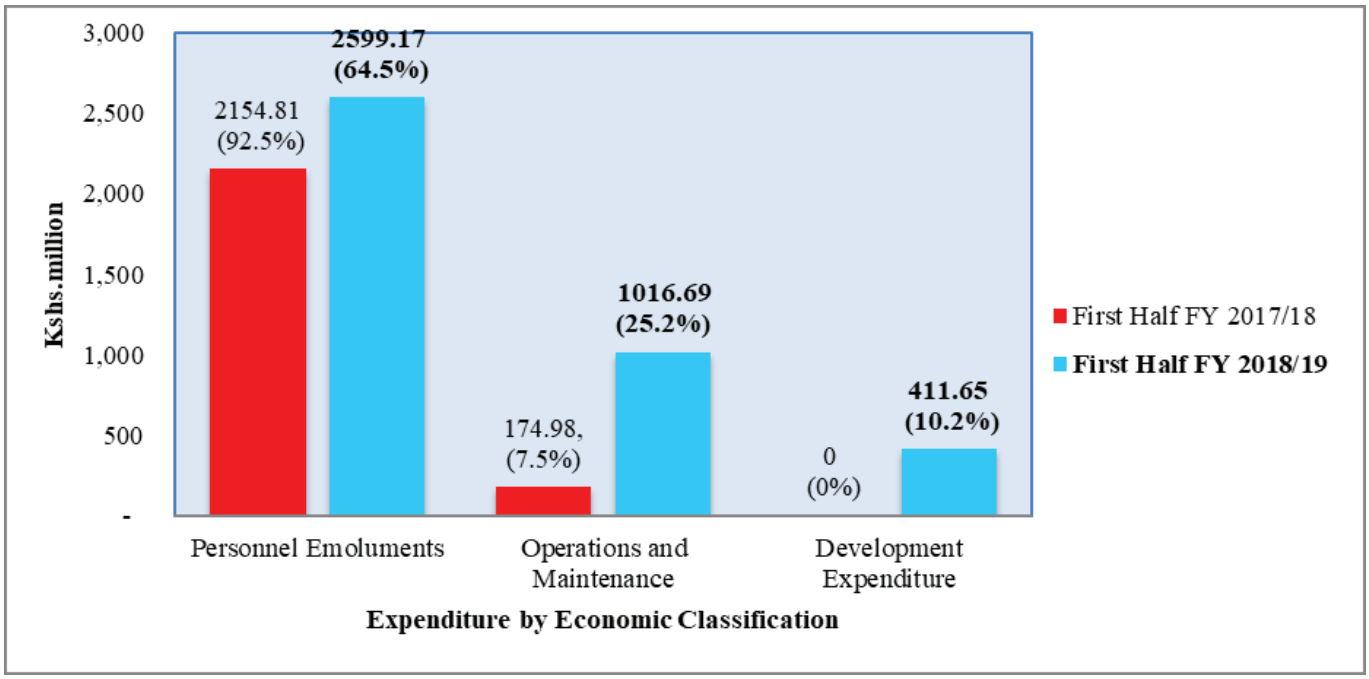
The recurrent expenditure represented 46.3 per cent of the annual recurrent budget and was an increase from 34.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 8.8 per cent, while there was no development expenditure in the first half of FY 2017/18. Figure 3.102 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

**Figure 3.102: Meru County, Expenditure by Economic Classification**




***Source:*** *Meru County Treasury*

### 3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.62 billion comprised of Kshs.2.60 billion (71.9 per cent) incurred on personnel emoluments and Kshs.1.02 billion (28.1 per cent) on operations and maintenance as shown in Figure 3.102.

Expenditure on personnel emoluments represented an increase of 20.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.2.15 billion, and was 64.5 per cent of total expenditure for the period. Figure 3.103 shows a summary of operations and maintenance expenditure by major categories.

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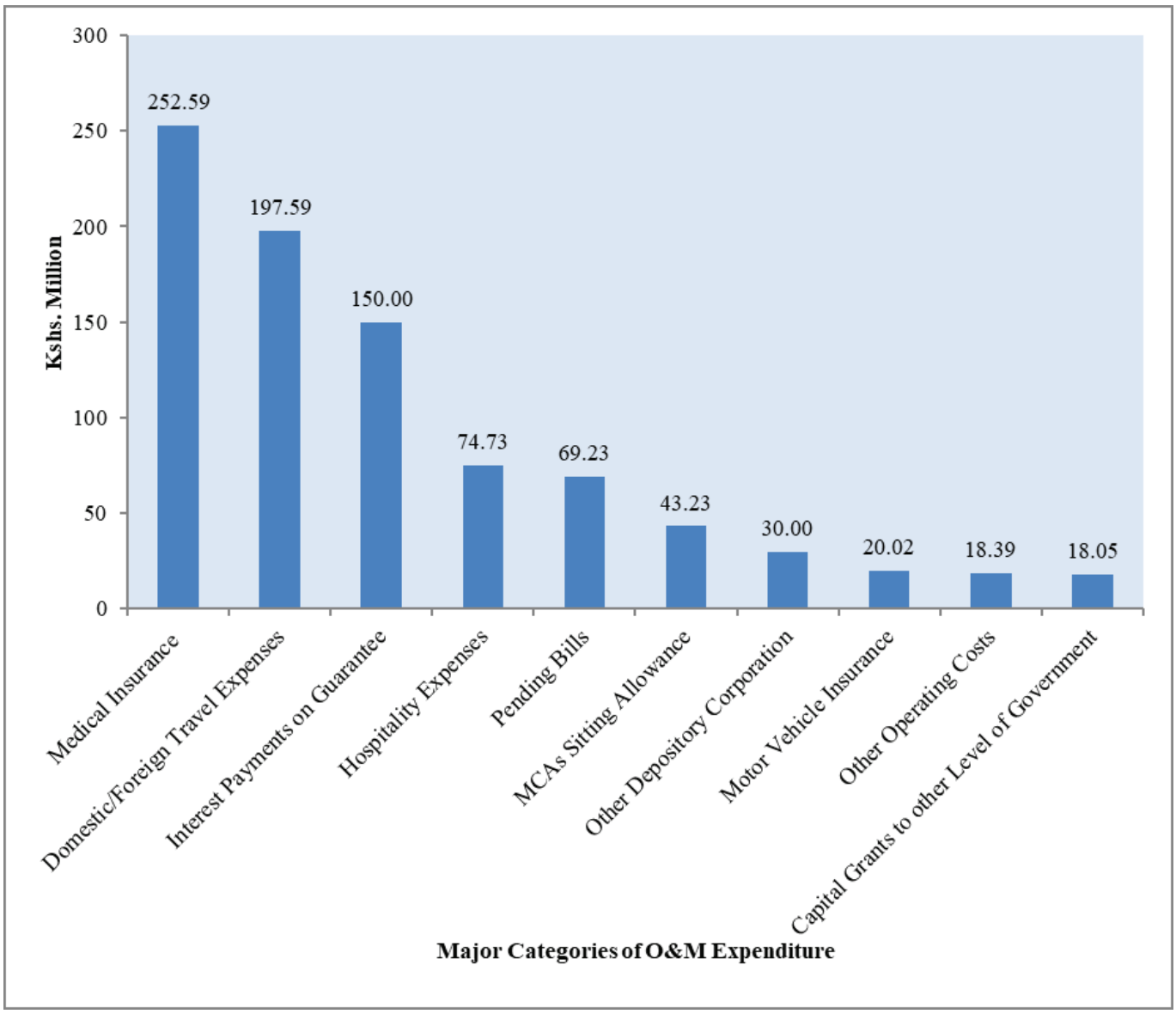
**Figure 3.103: Meru County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Meru County Treasury*

The County spent Kshs.43.23 million on MCAs' committee sitting allowances for the 69 MCAs against the annual budget allocation of Kshs.101.94 million. This amount represented an increase of 915.98 per cent compared to Kshs.4.23 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.104,421 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.197.59 million and comprised of Kshs.160.40 million spent by the County Assembly and Kshs.37.19 million spent by the County Executive. This represented 5.5 per cent of total recurrent expenditure.

### 3.26.7 Development Expenditure

The total development expenditure of Kshs.411.65 million represented 8.8 per cent of the annual development budget of Kshs.4.69 billion. Table 3.74 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.74: Meru County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Office Block | Headquarters | 120,000,000 | 45,000,000 | 37.5 |
| 2 | Routine Maintenance of Mwiciume- Ngongo-Kinoro road | Abogeta East | 30,159,497 | 21,204,360 | 70.3 |
| 3 | Meru Youth Services | Municipality | 19,500,000 | 19,500,000 | 100 |
| 4 | Construction of Iraru water project | Abogeta East | 28,808,745 | 17,543,000 | 60.9 |
| 5 | Upgrading of the Kanyakine loop road | Abogeta East | 16,311,815 | 16,306,894 | 100 |
| 6 | Upgrading of Gitimbine-Majengo loop road | Municipality | 39,604,798 | 16,025,456 | 40.5 |
| 7 | Supply of the Medical Equipment | Municipality | 190,398,231 | 13,537,005 | 7.1 |
| 8 | Murera gate – Rhino camp road | Kianjai Road | 28,404,925 | 11,766,280 | 41.4 |
| 9 | Capital transfer to National Agricultural and Rural Inclusive Growth Project (NARIGP) | Headquarter | 140,435,163 | 10,365,588 | 7.4 |
| 10 | Rehabilitation of Mariara river catchment area | Abothuguchi West and Central | 9,992,200 | 9,992,200 | 100 |

***Source:*** *Meru County Treasury*

### 3.26.8 Budget Performance by County Department

Table 3.75 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.75: Meru County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 937.22 | 82.00 | 473.92 | 4.51 | 473.92 | 4.51 | 100 | 100 | 50.6 | 5.5 |
| Office of the Governor | 334.87 | 10.50 | 171.16 | - | 92.38 | - | 54 | - | 27.6 | - |
| County Finance, Economic Planning and ICT | 951.26 | 245.91 | 442.42 | 45.00 | 425.73 | 45.00 | 96.2 | 100 | 44.8 | 18.3 |
| Agriculture, Livestock and Fisheries | 356.98 | 469.21 | 179.16 | 3.47 | 168.78 | 66.59 | 94.2 | 1917 | 47.8 | 14.2 |
| Water and Sanitation | 115.29 | 861.35 | 62.93 | 17.54 | 49.29 | 24.81 | 78.3 | 141.4 | 42.7 | 2.9 |
| Education, Technology, Gender, Culture & Social Development | 940.03 | 245.00 | 375.09 | - | 299.90 | - | 80 | - | 31.9 | - |
| Health Services | 2,986.93 | 643.50 | 1,542.09 | 17.77 | 1,593.02 | 17.77 | 103.3 | 100 | 53.3 | 2.8 |
| Lands, Physical Planning, Urban Development and Public Works | 109.83 | 341.70 | 72.72 | 96.89 | 37.77 | - | 51.9 | - | 34.4 | - |
| Public Services, Administration and Legal Affairs | 686.13 | - | 416.28 | - | 367.86 | - | 88.4 | - | 53.6 | - |
| Roads, Transport and Energy | 101.13 | 1,349.65 | 36.83 | 3.11 | 30.39 | 168.25 | 82.5 | 5412.4 | 30.1 | 12.5 |
| Trade, Investment, Industrialization, Tourism and Cooperative Development | 86.60 | 210.78 | 42.76 | 10.73 | 34.84 | 38.90 | 81.5 | 356.9 | 40.2 | 18.2 |
| Youth Affairs and Sports | 145.30 | 156.91 | 42.17 | 3.70 | 28.53 | 33.26 | 67.7 | 898.9 | 19.6 | 21.2 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Public Services Board | 21.67 | - | 8.07 | - | 7.93 | - | 98.2 | - | 36.6 | - |
| Environment, Wildlife & Natural Resources | 34.32 | 75.52 | 17.65 | 9.99 | 5.54 | 13.17 | 31.4 | 131.8 | 16.1 | 17.4 |
| **TOTAL** | **7,807.57** | **4,692.02** | **3,883.25** | **212.71** | **3,615.85** | **411.65** | **93.1** | **193.5** | **46.3** | **8.8** |

***Source:*** *Meru County Treasury*

Analysis of expenditure by department shows the Department of Youth Affairs and Sport recorded the highest absorption rate of development budget at 21.2 per cent. The Department of Public Services, Administration and Legal Affairs had the highest percentage of the recurrent expenditure to recurrent budget at 53.6 per cent while the Department of Environment, Wildlife and Natural Resources had the lowest at 16.1 per cent.

### 3.26.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 8.8 per cent while there was no expenditure on development activities in a similar period FY 2017/18.
ii. Improvement in own-source revenue collection from Kshs.78.29 million in the first half of FY 2017/18 to Kshs.217.54 million in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delayed disbursement of funds by the National Treasury during the period under review which affected the budget implementation.
2. High wage bill that increased by 20.6 per cent from Kshs.2.15 billion in the first half of FY 2017/18 to Kshs.2.6 billion in the reporting period.

The County should implement the following recommendations in order to improve budget execution;

1. *The National Treasury should ensure timely disbursement of funds to Counties for smooth budget implementation.*
2. *The County Public Services Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

## 3.27 Migori County

### 3.27.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.8.54 billion, comprising of Kshs.5.29 billion (62 per cent) and Kshs.3.25 billion (38 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.72 billion (78.7 per cent) as equitable share of revenue raised nationally, Kshs.1.37 billion (16 per cent) as total conditional grants, and generate Kshs.450 million (5.3 per cent) from own sources.

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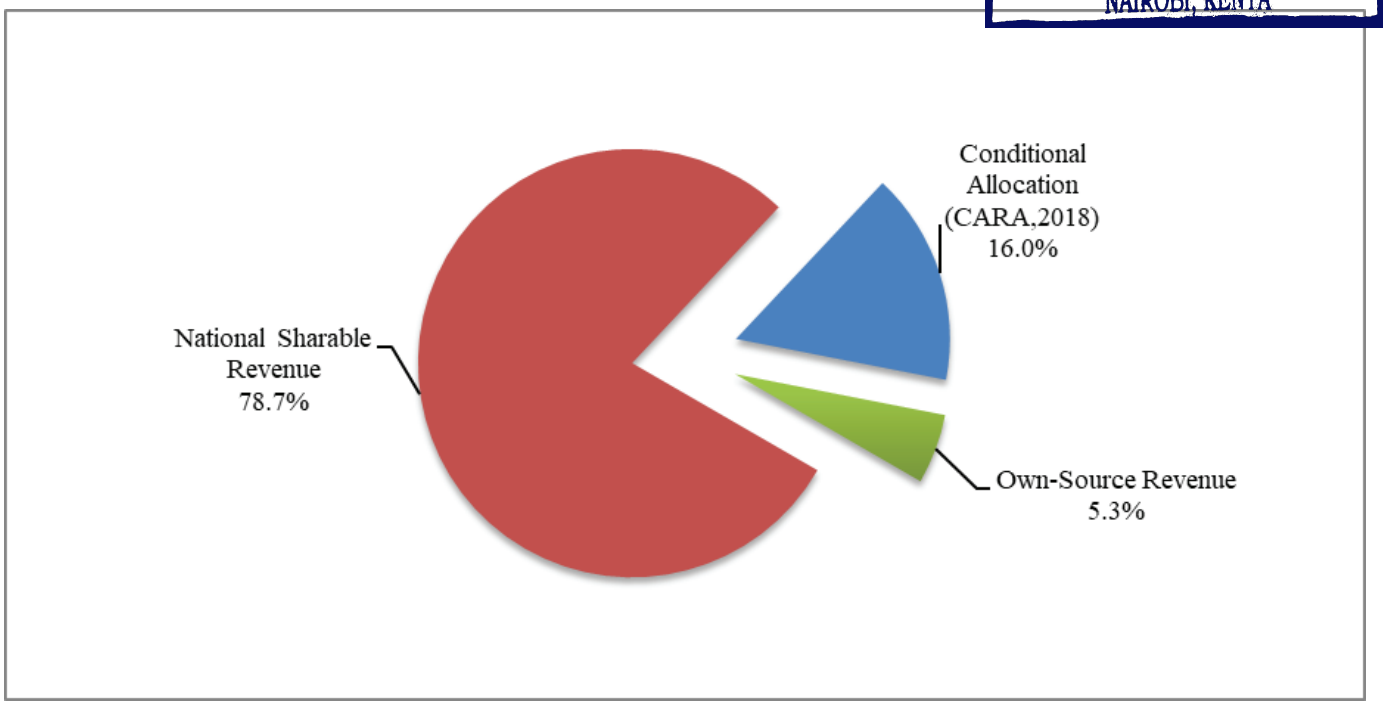
**Figure 3.104: Migori County Sources of Budget Financing in FY 2018/19**




***Source:*** *Migori County Treasury*

The conditional grants include those contained in the CARA, 2018 of; Kshs.100 million (7.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (10.4 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.49.61 million (3.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.518.37 million (38.4 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.21.67 million (1.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (6.7 per cent) grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.21.66 million (1.6 per cent) Compensation for User Fees Foregone, Kshs.200 million (14.8 per cent) for Leasing of Medical Equipment, Kshs.176.92 million (13.1 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.31.75 million (2.4 per cent) for Rehabilitation of Village Polytechnics.

### 3.27.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.08 billion as equitable share of revenue raised nationally, Kshs.647.73 million as total conditional grants, raised Kshs.133.48 million as own-source revenue, and had a cash balance of Kshs.599.33 million from FY 2017/18. The total funds available for the period amounted to Kshs.3.46 billion.

Figure 3.105 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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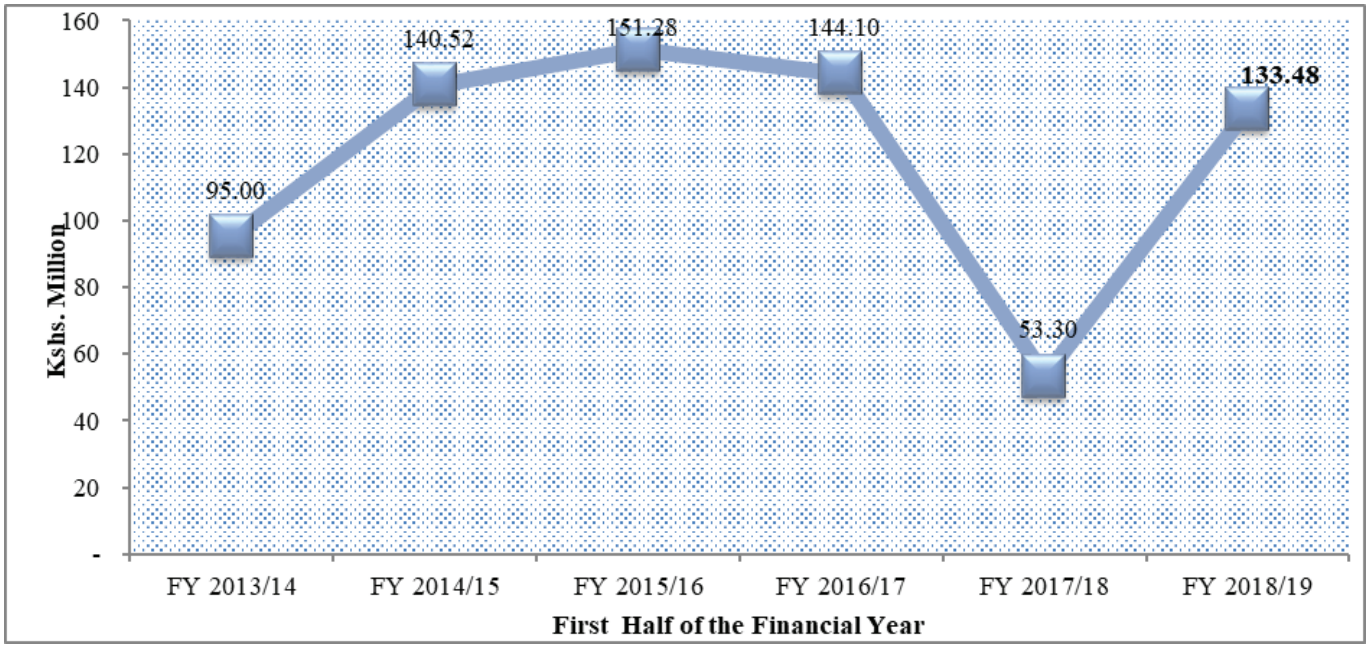
**Figure 3.105: Migori County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Migori County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.133.48 million as own-source revenue. This amount was an increase of 150.4 per cent when compared to Kshs.53.30 million realised during the same period of FY 2017/18, and represented 29.7 per cent of the annual target.

### 3.27.3 Conditional Grants

The County received Kshs.647.73 million as conditional grants as shown in Table 3.76.

**Table 3.76: Migori County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 21,655,884 | 21,655,884 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy Fund | 176,921,216 | 176,921,216 | 44,235,684 | 25.0 |
| 4 | Rehabilitation of Village Polytechnics | 31,750,000 | 31,750,000 | - | - |
| 5 | World Bank-Transforming Health Systems for Universal Care Project | 100,000,000 | 100,000,000 | 23,592,136 | 23.6 |
| 6 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 140,435,163 | - | - |
| 7 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 49,609,593 | 49,609,593 | - | - |
| 8 | IDA (World Bank) -Kenya Urban Support Project | 518,367,800 | 558,367,800 | 518,367,800 | 92.8 |
| 9 | DANIDA - Universal Healthcare to Devolved System Programme | 21,667,500 | 21,667,500 | 10,833,750 | 50 |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 10 | EU- Instruments for Devolution Advice and Support- IDEAS) | 90,000,000 | 70,000,000 | 50,704,556 | 72.4 |
| **Total** | | **1,350,407,156** | **1,370,407,356** | **647,733,926** | **47.3** |

***Source:*** *Migori County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest disbursements for Kenya Urban Support Project and the IDEAS project. These receipts accounted for 92.8 per cent and 72.4 per cent of the annual allocation respectively.

### 3.27.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.3.31 billion from the CRF account. The withdrawals represented 38.8 per cent of the Approved Budget and translated to an increase of 67 per cent from Kshs.1.98 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.10 billion (63.5 per cent) to fund recurrent expenditure and Kshs.1.21 billion (36.5 per cent) for development activities.

### 3.27.5 Overall Expenditure Review

The County government spent a total of Kshs.2.53 billion on both recurrent and development activities. This expenditure represented 76.4 per cent of the total funds released from the CRF account and was an increase of 32.3 per cent from Kshs.1.91 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.271.28 million for development activities and Kshs.131.27 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.10 billion while that on development activities was Kshs.432.19 million. The recurrent expenditure was 99.7 per cent of the funds released for recurrent activities, while development expenditure was 35.8 per cent of funds released for development activities.

The recurrent expenditure represented 39.6 per cent of the annual recurrent budget and was a decrease from 43.8 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 13.3 per cent, which was a decrease from 15.6 per cent attained in the first half of FY 2017/18. Figure 3.106 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

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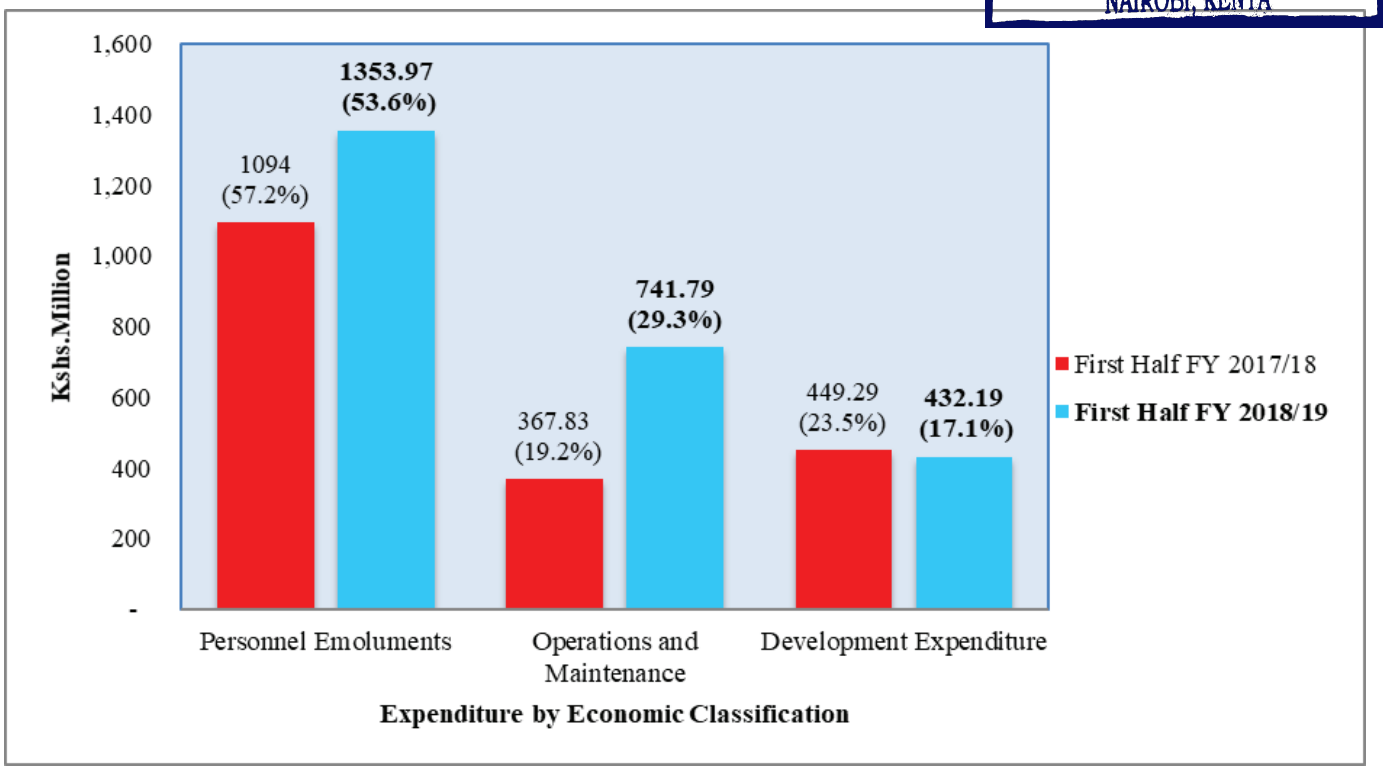
**Figure 3.106: Migori County, Expenditure by Economic Classification**




***Source:*** *Migori County Treasury*

### 3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.10 billion comprised of Kshs.1.35 billion (64.6 per cent) incurred on personnel emoluments and Kshs.741.79 million (35.4 per cent) on operations and maintenance as shown in Figure 3.106.

Expenditure on personnel emoluments represented an increase of 23.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.09 billion, and was 53.6 per cent of total expenditure for the period. Figure 3.107 shows a summary of operations and maintenance expenditure by major categories.

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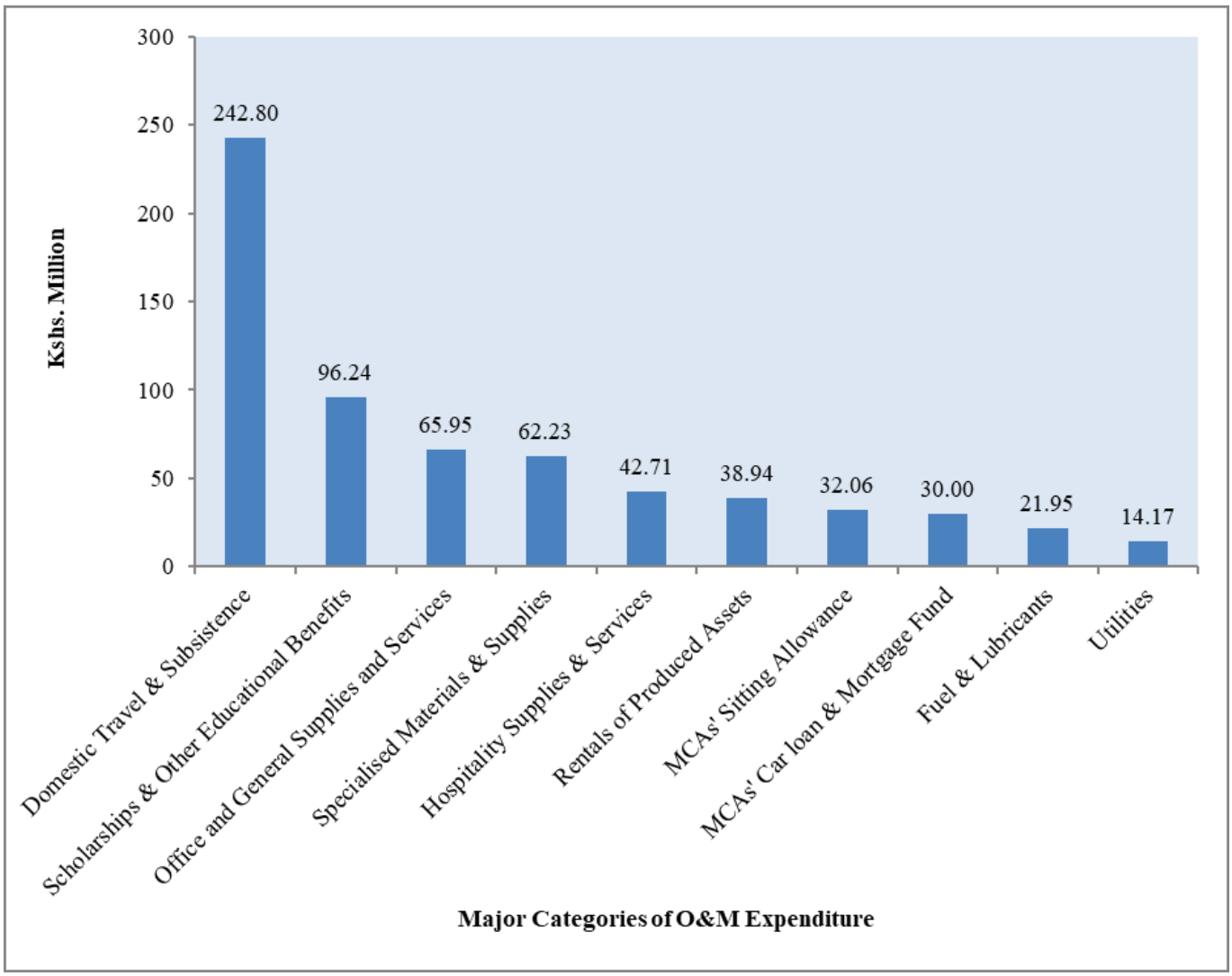
**Figure 3.107: Migori County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Migori County Treasury*

The County spent Kshs.32.06 million on MCAs' committee sitting allowances for the 57 MCAs. The Assembly did not explicitly budget for this expenditure in FY 2018/19. This amount represented an increase of 986.3 per cent compared to Kshs.2.95 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.93,737 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.242.80 million and comprised of Kshs.34.43 million spent by the County Assembly and Kshs.208.37 million spent by the County Executive. This represented 11.6 per cent of total recurrent expenditure and was an increase of 54 per cent compared to Kshs.157.67 million spent in the first half of FY 2017/18.

### 3.27.7 Development Expenditure

The total development expenditure of Kshs.432.19 million represented 13.3 per cent of the annual development budget of Kshs.3.25 billion. Table 3.77 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.77: Migori County, List of Development Projects with the Highest Expenditure in the First Half of FY 2018/19

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Supply and Installation of Floodlights | Countywide | 59,000,000 | 58,443,500 | 99.1 |
| 2 | Upgrade to Bitumen Standard of Uriri - Oria Road | Uriri Sub- County | 105,562,867 | 50,000,000 | 47.4 |
| 3 | Integrated Plan for Migori Town | County Headquarters | 44,972,838 | 17,561,164 | 39.0 |
| 4 | Rehabilitation of Migori Water Supply (Ombo Borehole) | Suna East Sub- County | 14,636,400 | 14,636,400 | 100 |
| 5 | Access Road to Nyakona River | Nyatike Sub - County | 12,523,893 | 12,523,893 | 100 |
| 6 | Construction of Amenity Ward at Migori County Referral Hospital | Migori County Referral Hospital | 16,990,428 | 11,235,100 | 66.1 |
| 7 | Construction of Ward Administrator's Office | Rabuor (Suna East Sub-County) | 13,000,000 | 11,140,000 | 85.7 |
| 8 | Equiping and Distribution of Kematare Borehole | Masaba Ward | 10,814,933 | 10,814,933 | 100 |
| 9 | Purchase of Motor Grader 180 - 200HP | County Headquarters | 27,671,000 | 10,000,000 | 36.1 |
| 10 | Opening and Spot Improvement of Nyangere - Lisori Road | Nyatike Sub - County | 9,518,061 | 9,518,061 | 100 |

***Source:*** *Migori County Treasury*

### 3.27.8 Budget Performance by County Department

Table 3.78 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.78: Migori County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, Fisheries and Veterinary | 420.72 | 152.58 | 159.17 | 47.15 | 103.05 | 19.01 | 64.7 | 40.3 | 24.5 | 12.5 |
| Trade, Industrialization, Cooperative Development and Tourism | 76.04 | 39.27 | 35.44 | 4.28 | 27.07 | - | 76.4 | - | 35.6 | - |
| Health | 1,489.06 | 471.00 | 699.67 | 60.09 | 799.13 | 19.16 | 114.2 | 31.9 | 53.7 | 4.1 |
| Education, Youth Development, Sports, Culture and Social Services | 300.34 | 113.25 | 184.14 | 22.89 | 188.11 | 0.78 | 102.2 | 3.4 | 62.6 | 0.7 |
| Public Works, Roads and Transport | 63.43 | 1,044.42 | 28.97 | 378.14 | 28.19 | 174.13 | 97.3 | 46.0 | 44.4 | 16.7 |
| Lands, Housing and Physical Planning | 118.04 | 621.86 | 43.42 | 573.72 | 28.11 | 43.80 | 64.7 | 7.6 | 23.8 | 7.0 |
| Environment, Disaster Management and Forestry | 153.91 | 26.15 | 44.52 | 5.83 | 19.91 | 8.13 | 44.7 | 139.4 | 12.9 | 31.1 |
| Finance and Economic Planning | 582.50 | 189.00 | 237.97 | 1.93 | 293.80 | - | 123.5 | - | 50.4 | - |
| Public Service Management | 668.55 | 176.20 | 247.27 | 50.01 | 179.97 | 16.84 | 72.8 | 33.7 | 26.9 | 9.6 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive | 536.24 | 8.70 | 95.30 | 0.53 | 99.15 | - | 104.0 | - | 18.5 | - |
| County Assembly | 787.25 | 100.00 | 290.00 | - | 306.92 | - | 105.8 | | 39.0 | - |
| Water and Energy | 98.32 | 303.16 | 37.04 | 63.36 | 22.35 | 150.34 | 60.3 | 237.3 | 22.7 | 49.6 |
| **TOTAL** | **5,294.40** | **3,245.59** | **2,102.92** | **1,207.95** | **2,095.76** | **432.19** | **99.7** | **35.8** | **39.6** | **13.3** |

***Source:*** *Migori County Treasury*

Analysis of expenditure by department shows the Department of Water and Energy recorded the highest absorption rate of development budget at 49.6 per cent. The Department of Education, Youth Development, Sports, Culture and Social Services had the highest percentage of recurrent expenditure to recurrent budget at 62.6 per cent while the Department of Environment, Disaster Management and Forestry had the lowest at 12.9 per cent.

### 3.27.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own source revenue collection by 150.4 per cent from Kshs.53.30 million collected in the first half of FY 2017/18 to Kshs.133.48 million collected in the period under review.
ii. Timely submission of financial reports by the County Treasury to the Controller of Budget.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill at Kshs.1.35 billion, which increased by 23.8 per cent compared to a similar period of the last financial year and accounted for 53.6 per cent of the total expenditure for the first half of FY2018/19.
2. High expenditure on domestic travel which increased by 54 per cent from Kshs.157.67 million in the first six months of FY 2017/18 to Kshs.242.80 million in the reporting period.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should ensure an optimal staffing structure in order to manage the wage bill.*
2. *The County Treasury should ensure that expenditure on non- essential budget items is rationalised to provide more resources for development projects.*

## 3.28 Mombasa County

### 3.28.1 Overview of the FY 2018/19 Budget

The Approved Budget for FY 2018/19 was Kshs.13.59 billion, comprising of Kshs.8.63 billion (63.5per cent) and Kshs.4.97 billion (36.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.23 billion (60.5 per cent) as equitable share of revenue raised nationally, Kshs.1.48 billion (10.9 per cent) as total conditional grants, generate Kshs.3.87 billion (28.5 per cent) from own revenue sources.

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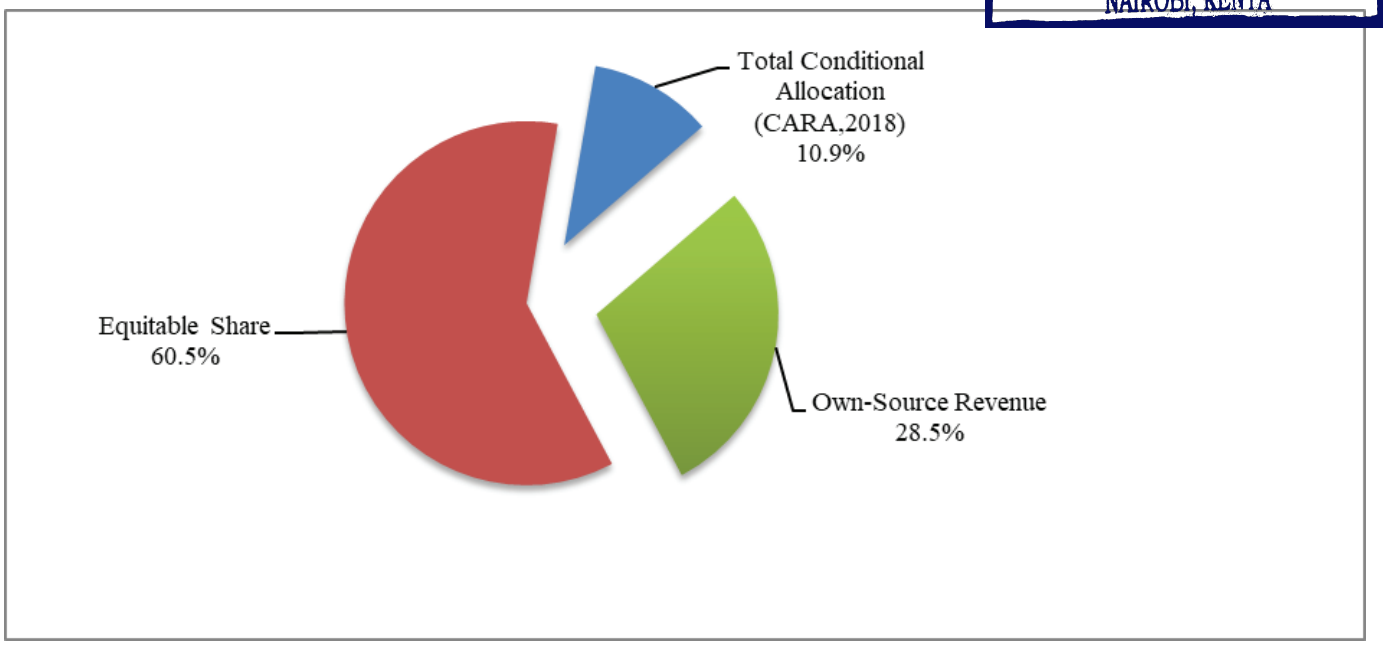
**Figure 3.108: Mombasa County, Expected Sources of Budget Financing in FY 2018/19**




***Source**: Mombasa County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (3.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.103.14 million (6.9 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.35.6 million (2.4 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.600 million (40.3 per cent) from IDA (World Bank) credit for the Kenya Devolution Support Programme "Level 2 grant", Kshs.388.44 million (26.1 per cent) to Level-5 Hospital, Kshs.23.38 million (1.6 per cent) Compensation for User Fees Foregone, ,Kshs.216.60 million (14.6 per cent) from Road Maintenance Fuel Levy, and Kshs.39.89 million (2.7 per cent) for Rehabilitation of Village Polytechnics, Kshs.30.69 million ( 2.0 per cent) for National Agricultural and Rural Inclusive Growth Project ( NARIGP).

The County also budgeted to receive Kshs.103.14 million as grant for Kenya Devolution Support Project "level 1 grant", and Kshs.35.59 million as DANIDA grant.

### 3.28.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.4.60 billion as equitable share of revenue raised nationally, Kshs.140.64 million as total conditional grants, raised Kshs.1 billion from own source revenue. The total available funds amounted to Kshs.5.75 billion. Figure3.109 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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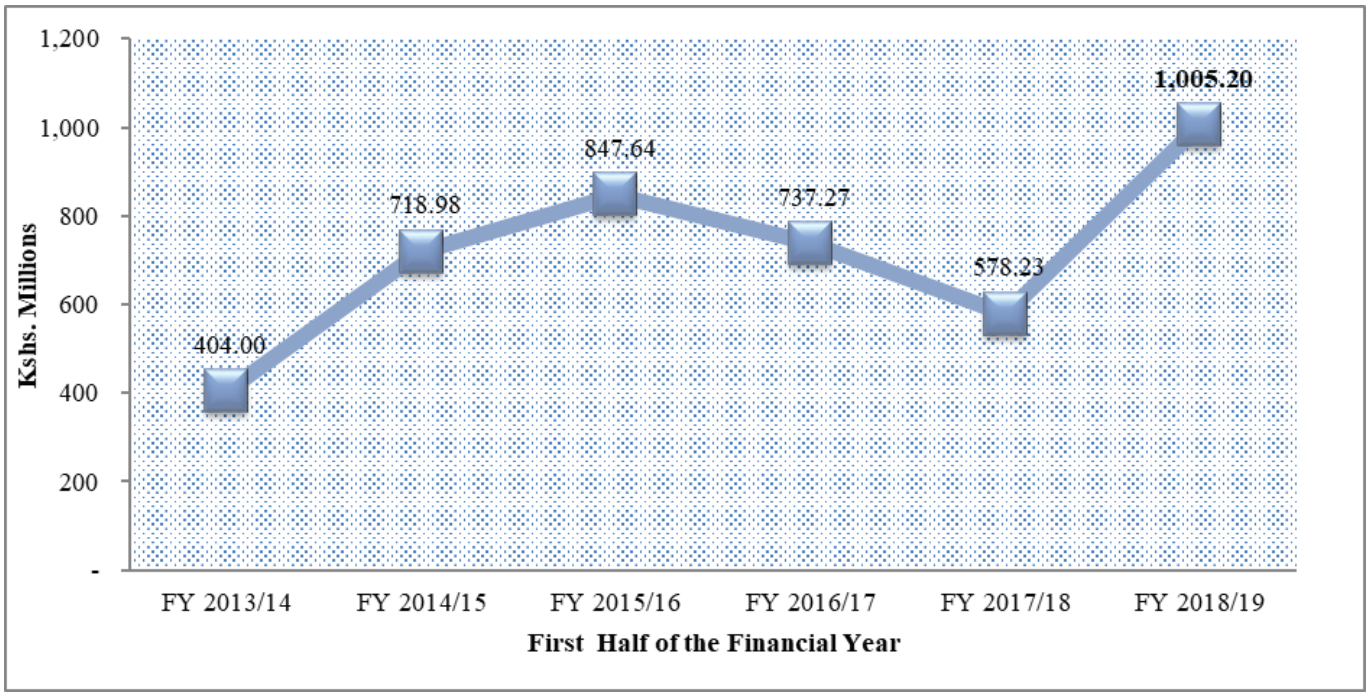
**Figure 3.109: Mombasa County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source**: Mombasa County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.1.00 billion as own-source revenue. This amount was an increase of 73.8 per cent up from Kshs.578.23 million realised during the same period of the FY 2017/18 and represented 25.9 per cent of the annual target.

### 3.28.3 Conditional Grants

The County received Kshs.140.64 million as conditional grants as shown in Table 3.79.

**Table 3.79: Mombasa County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Level- 5 Hospitals | 388,439,306 | 388,439,306 | 134,372,619 | 34.6 |
| 2 | Compensation for User Fee Foregone | 23,385,934 | - | - | - |
| 3 | Leasing of Medical Equipment | 200,000,000 | - | - | |
| 4 | Road Maintenance Fuel Levy Fund | 216,604,497 | 216,604,479 | - | - |
| 5 | Rehabilitation of Village Polytechnics | 65,710,000 | - | - | - |
| 6 | World Bank-Transforming Health Systems for Universal Care Project | 107,425,868 | 50,000,000 | 769,901 | 1.5 |
| 7 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 600,000,000 | 600,000,000 | - | -- |
| 8 | IDA (World Bank) -Kenya Urban Support Project | 53,000,000 | 35,591,582 | | - |
| 9 | Kenya Devolution Support Programme "Level 2 grant" | 27,337,500 | - | - | - |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 10 | Agricultural Sector Development Support Programme II | 50,000,000 | - | 5,500,000 | - |
| **Total** | | **1,706,088,105** | **1,487,756,493** | **140,642,520** | **9.5** |

***Source**: Mombasa County Treasury*

Analysis of revenue from conditional grants in the period under review indicates that, the County received Kshs.134.37 million for Mombasa Level 5 Hospital, Kshs.769,901 from the World Bank-Transforming Health Systems for Universal Care Project, and Kshs.5.5 million for Agriculture ASDP II.

### 3.28.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.60 billion from the CRF account. The withdrawals represented 33.9 per cent of the Approved Budget and translated to an increase of 40.7 per cent from Kshs.3.27 billion approved in the first half of FY 2017/18. This comprised of Kshs.3.81 billion (82.8 per cent) to fund recurrent expenditure and Kshs.794.87 million (17.2 per cent) for development activities.

### 3.28.5 Overall Expenditure Review

The County government spent a total of Kshs.4.65 billion on recurrent and development activities. The total expenditure represented 101.1 per cent of the total funds released from the CRF account and was an increase of 35.9 per cent from Kshs.3.42 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.671.90 million for development activities and Kshs.1.23 billion for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.95 billion while Kshs.708.37 million was spent on development activities. The recurrent expenditure was 103.7 per cent of the funds released for recurrent activities, while development expenditure was 89.1 per cent of funds released for development activities.

The recurrent expenditure represented 46.9 per cent of the annual recurrent budget, an increase from 30.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 14.3 per cent, which was a decrease from 20.2 per cent attained in the first half of FY 2017/18. Figure 3.110 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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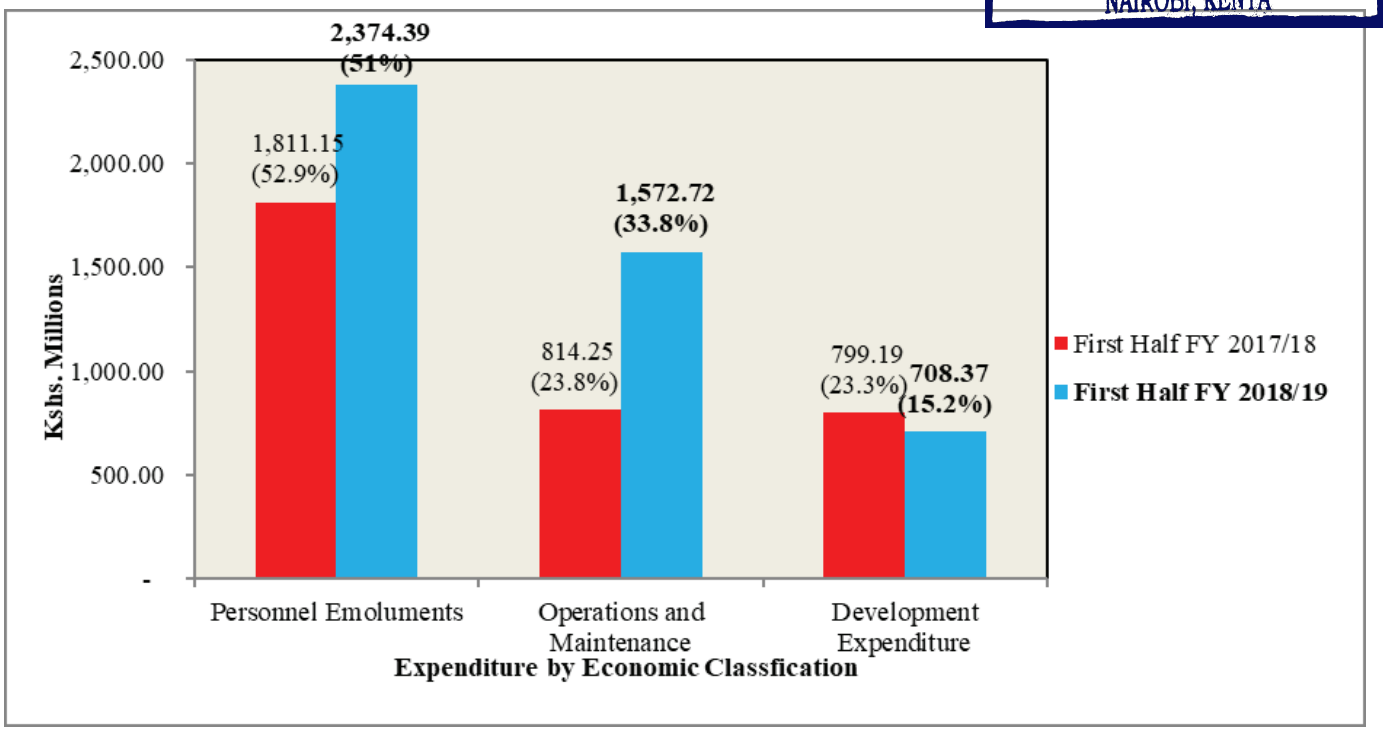
**Figure 3.110: Mombasa County, Expenditure by Economic Classification**




***Source:*** *Mombasa County Treasury*

### 3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.95 billion comprised of Kshs.2.37 billion (60.2 per cent) incurred on personnel emoluments and Kshs.1.57 billion (39.8 per cent) on operations and maintenance as shown in Figure 3.110.

Expenditure on personnel emoluments represented an increase of 31.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.81 billion, and was 51 per cent of total expenditure in the first half of FY 2018/19. Figure 3.111 shows a summary of operations and maintenance expenditure by major categories.

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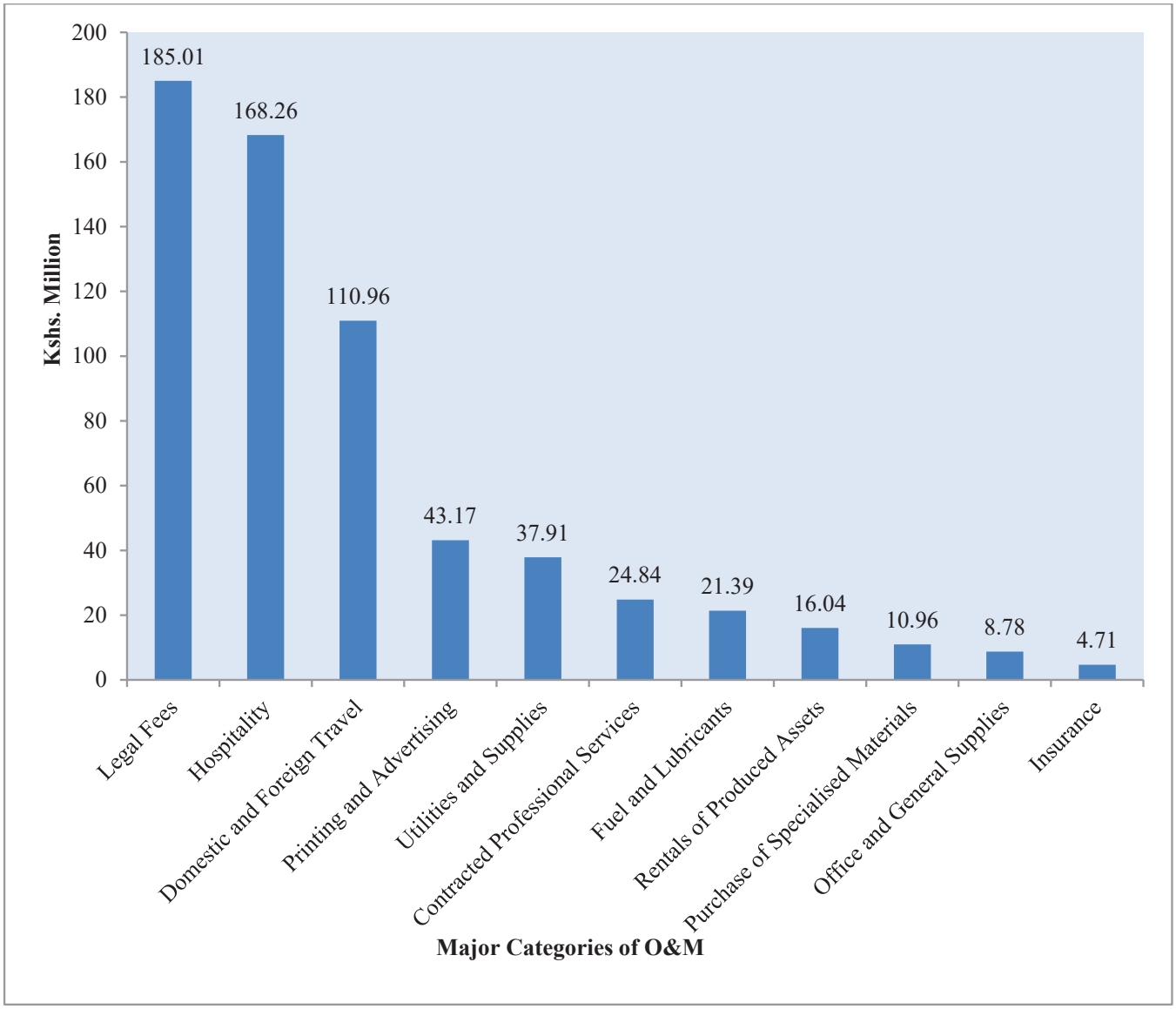
**Figure 3.111: Mombasa County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Mombasa County Treasury*

The County spent Kshs.22.7 million to cater for the committee sitting allowances for the 43 MCAs against the annual budget allocation of Kshs.43.7 million. This represented an increase of 136.5 per cent compared to Kshs.9.6 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.88,024 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.109.96 million and comprised of Kshs.23.5 million spent by the County Assembly and Kshs.86.5 million spent by the County Executive. This represented 2.8 per cent of total recurrent expenditure and was a decrease of 4.2 per cent compared to Kshs.114.73 million spent in the first half of FY 2017/18.

### 3.28.7 Development Expenditure

The total development expenditure of Kshs.708.37 million represented 14.3 per cent of the annual development budget of Kshs.4.97 billion. Table 3.80 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.80: Mombasa County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Routine maintenance of Mikindani Estate Road | Jomvu | 41,156,696 | 32,616,392 | 79.2 |
| 2 | Routine maintenance of Miritini Estate Road | Jomvu | 19,708,622 | 15,756,654 | 79.9 |
| 3 | Routine maintenance of Mji Mpya and Kambi Road | Nyali | 24,880,004 | 15,018,970 | 60.4 |
| 4 | Improvement to gravel standards of Paster lai Water-Vescon Estate Road | Kisauni | 15,027,169 | 12,183,644 | 81.1 |
| 5 | Maintenance of Ziwani & Mji Mpya Road | Nyali | 13,542,956 | 7,309,612 | 54.0 |
| 6 | Routine maintenance of Migadini Estate Road | Changamwe | 14,863,596 | 7,212,478 | 48.5 |
| 7 | Improvement of Karama-Kwamhindi-Makongeni Road | Nyali | 14,032,224 | 6,481,109 | 46.2 |
| 8 | Improvement to gravel standards of Kiembeni Police to Kiembeni Upperhill Road | Kisauni | 13,023,640 | 6,423,600 | 49.3 |
| 9 | Improvement of Jamvi la Wageni Road to cabro standard | Mvita | 15,074,252 | 4,987,188 | 33.1 |
| 10 | Drain cleaning works along Lunga Lunga Mtongwe Road | Likoni | 3,778,362 | 3,778,362 | 100.0 |

***Source:*** *Mombasa County Treasury*

### 3.28.8 Budget Performance by County Department

Table 3.81 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.81: Mombasa County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive | 382.87 | 88.42 | 213.12 | - | 168.98 | 2.98 | 79.3 | - | 44.1 | 3.4 |
| County Assembly | 632.74 | 45.77 | 247.22 | - | 78.22 | - | 31.6 | - | 12.4 | - |
| Public Service Board | 132.39 | 21.63 | 47.19 | - | 33.30 | - | 70.6 | - | 25.2 | - |
| Finance and Economic Planning | 1,107.52 | 302.44 | 454.09 | 176.99 | 809.49 | 167.77 | 178.3 | 94.8 | 73.1 | 55.5 |
| Energy, Environment and Waste Management | 509.80 | 410.37 | 230.29 | - | 218.19 | 45.29 | 94.7 | - | 42.8 | 11.0 |
| Education | 578.51 | 244.49 | 133.29 | 2.25 | 133.29 | 2.02 | 100.0 | 89.8 | 23.0 | 0.8 |
| Health | 2,454.38 | 240.25 | 1,580.56 | 134.37 | 1,553.88 | - | 98.3 | | 63.3 | - |
| Water and Sanitation | 137.28 | 767.05 | 15.32 | - | 14.01 | - | 91.4 | - | 10.2 | - |
| Youth, Gender and Sports | 230.29 | 1,269.84 | 89.21 | 1.41 | 83.97 | 1.48 | 94.1 | 105 | 36.5 | 0.1 |
| Trade and Cooperative Development | 405.46 | 95.63 | 153.77 | - | 149.65 | - | 97.3 | - | 36.9 | - |
| Lands, Housing and Physical Planning | 226.40 | 221.20 | 90.73 | - | 76.81 | 20.66 | 84.7 | - | 33.9 | 9.3 |
| Transport and Infrastructure Development | 468.59 | 837.85 | 100.40 | 479.85 | 94.73 | 418.86 | 94.4 | 87.3 | 20.2 | 50.0 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture and Fisheries Development | 236.38 | 266.59 | 77.07 | - | 90.86 | 44.11 | 117.9 | - | 38.4 | 16.5 |
| Devolution | 919.79 | 158.06 | 372.92 | - | 441.69 | 5.20 | 118.4 | - | 48.0 | 3.3 |
| **Total** | **8,422.40** | **4,969.59** | **3,805.18** | **794.87** | **3,947.07** | **708.37** | **103.7** | **89.1** | **46.9** | **14.3** |

***Source:*** *Mombasa County Treasury*

Analysis of expenditure by department shows the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 55.5 per cent followed by the Department of Transport and Infrastructure Development at 50 per cent. The Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 73.1 per cent while the Department of Water and Sanitation had the lowest at 10.2 per cent.

### 3.28.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
ii. Reduction in travel expenditure by 4.2 per cent from Kshs.114.73 million in the first half of FY 2017/18 to Kshs.109.96 million in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill that has increased by 31 per cent from Kshs.1.81 million in the first half of FY 2017/18 to Kshs.2.37 billion in the period under review.
2. Under-performance in own-source revenue collection which stood at 25.9 of the total annual budget projection.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
2. *The CECM-F should develop and implement strategies to mobilise own-source revenue.*

## 3.29 Murang'a County

### 3.29.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.8.81 billion, comprising of Kshs.4.93 billion (55.9 per cent) and Kshs.3.88 billion (44.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.25 billion (70.9 per cent) as equitable share of revenue raised nationally, Kshs.572.24 million (6.5 per cent) as total conditional grants, generate Kshs.1.0 billion (11.3 per cent) from own source of revenue, Kshs750 million (8.5per cent) cash balance from FY 2017/18, and Kshs.239.94 million as other revenues expected during the year.

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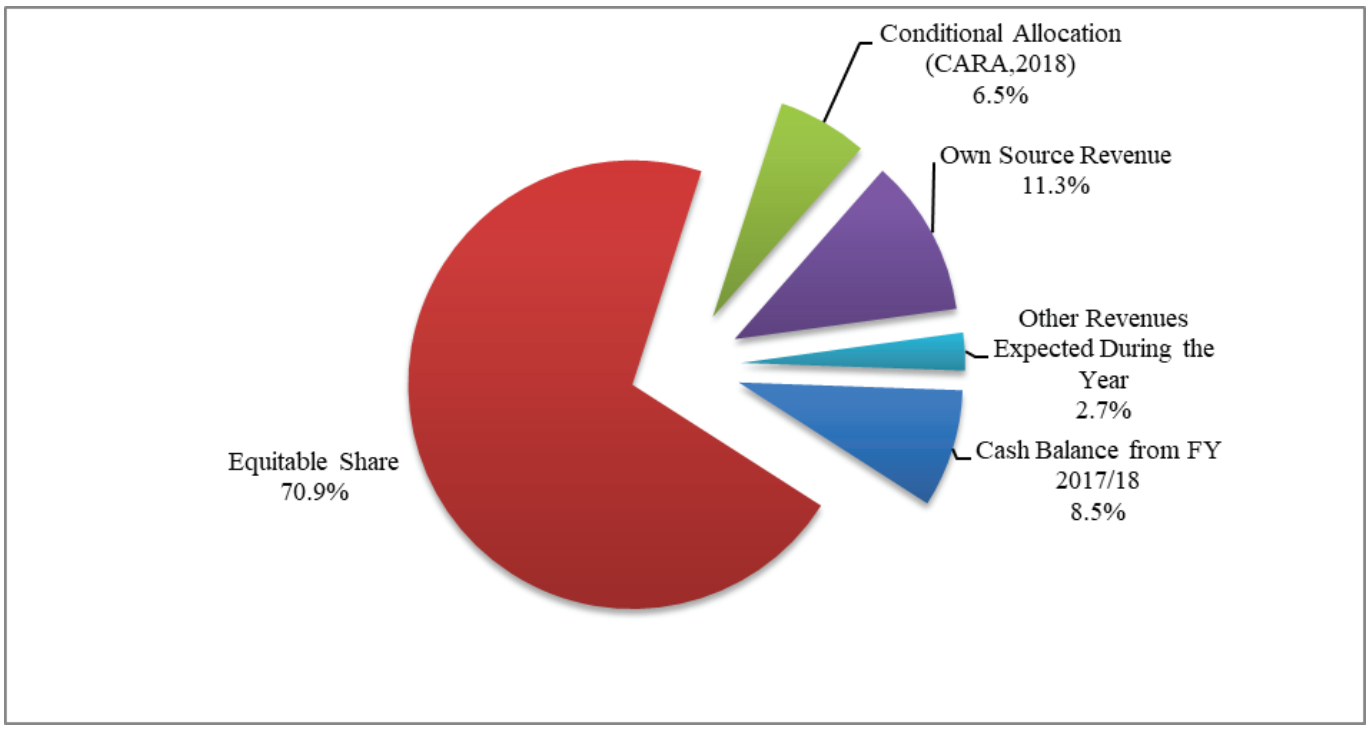
**Figure 3.112: County Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Murang'a County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (16.9 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.48.24 million (5.8 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.62.44 million (7.5per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.20.76 million (2.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.20.14 million (2.4 per cent) as Compensation for User Fees Foregone,Kshs.164.52 million (19.8 per cent) from Road Maintenance Fuel Levy, and Kshs.65.71 million (11.5 per cent) for Rehabilitation of Village Polytechnics, and Kshs.41.20 million (4.9 per cent) for IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant plus balance carried forward in FY 2017/8.

The County also budgeted to receive Kshs.40 million as Urban Institution Grant Programme, Kshs.41.21 million for Ad Valorem Levy, Kshs.19.05 million (2.3 per cent) for Agricultural Sector Development Support Programme (ASDSP).

### 3.29.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.56 billion as equitable share of revenue raised nationally, Kshs.76.25 million as total conditional grants, raised Kshs.249.28 million from own source revenue, and had a cash balance of Kshs.1.03 billion from FY 2017/18. The total available funds amounted to Kshs.3.91 billion.

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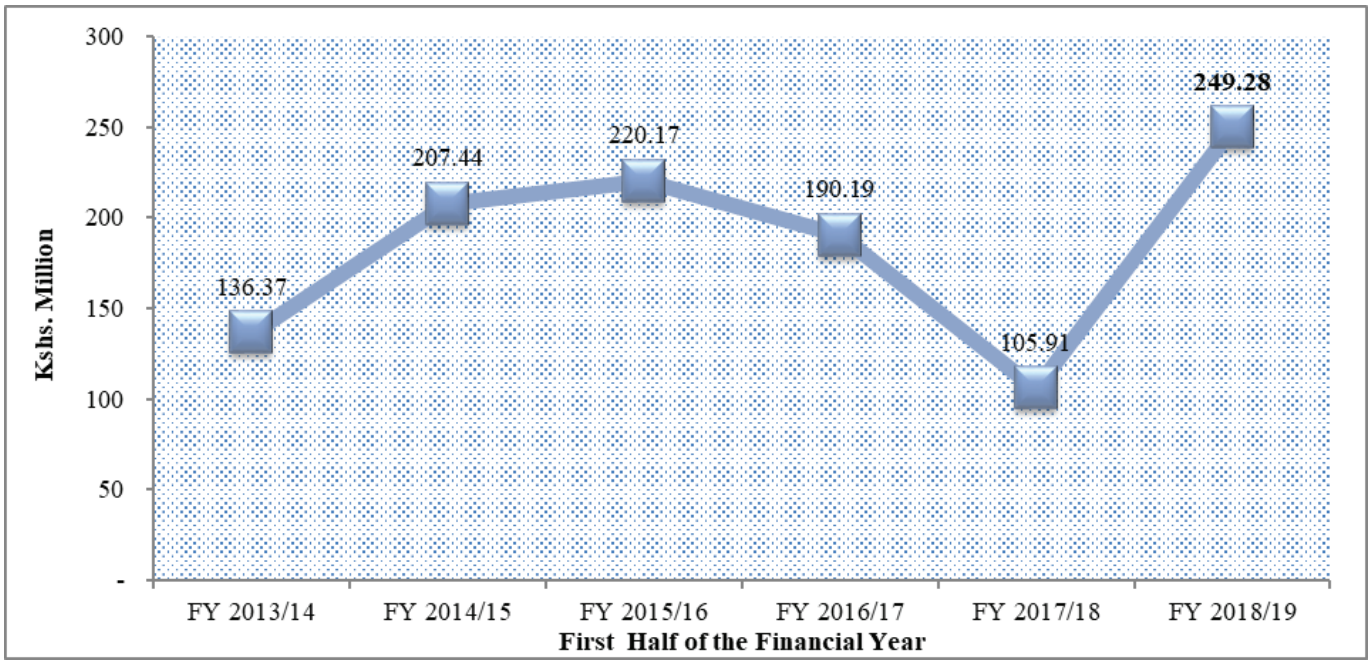
Figure 3.113 shows the half yearly trend in own source revenue collection from the first half of FY 2013/14 to the first half of FY 2018/19.

**Figure 3.113: Murang'a County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source:*** *Murang'a County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.249.28 million as own-source revenue. This amount represented an increase of 135.4 per cent compared to Kshs.105.91 million realised during the same period of the FY 2017/18 and was 24.9 per cent of the annual target.

### 3.29.3 Conditional Grants

The County received Kshs.76.25 million as conditional grants as shown in Table 3.82.

**Table 3.82: Murang'a County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 20,138,691 | 20,138,691 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy Fund | 164,520,196 | 164,520,196 | - | - |
| 4 | Rehabilitation of Village Polytechnics | 65,710,000 | 65,710,000 | - | - |
| 5 | World Bank-Transforming Health Systems for Universal Care Project | 50,000,000 | 50,000,000 | 3,431,424 | 6.9 |
| 6 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 140,435,163 | - | - |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 7 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 48,244,593 | 48,244,593 | - | - |
| 8 | IDA (World Bank) -Kenya Urban Support Project | 62,437,600 | 62,437,600 | 62,437,600 | 100 |
| 9 | DANIDA - Universal Healthcare to Devolved System Programme | 20,756,250 | 20,756,250 | 10,378,125 | 50 |
| 10 | EU- Instruments for Devolution Advice and Support- IDEAS) | 48,244,593 | 48,244,593 | - | - |
| 11 | Agricultural Sector development support programme (ASDSP) | 19,046,832 | - | - | - |
| 12 | IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant plus balance carried forward in FY 2017/8 | 41,200,000 | - | - | - |
| **Total** | | **832,489,325** | **572,242,493** | **76,247,149** | **13.3** |

***Source:*** *Murang'a County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the DANIDA grant. The receipts accounted for 100 per cent and 50 per cent of annual allocation respectively.

### 3.29.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.65 billion from the CRF account. The withdrawals represented 41.4 per cent of the Approved Budget and translated to an increase of 42.1 per cent from Kshs.2.57 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.41 billion (65.9 per cent) to fund recurrent expenditure and Kshs.1.25 billion (34.1 per cent) for development activities.

### 3.29.5 Overall Expenditure Review

The County government spent a total of Kshs.2.96 billion on recurrent and development activities. The total expenditure represented 81.2 per cent of the total funds released from the CRF account and was an increase of 5.7 per cent from Kshs.2.80 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.114.06 million for development activities and Kshs.35.16 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.09 billion while Kshs.873.99 million was spent on development activities. The recurrent expenditure was 86.9 per cent of the funds released for recurrent activities, while development expenditure was 70.2 per cent of funds released for development activities.

The recurrent expenditure represented 42.4 per cent of the annual recurrent budget, an increase from 38.9 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.5 per cent, which was an increase from 21.9 per cent attained in the first half of FY 2017/18 Figure 3.114 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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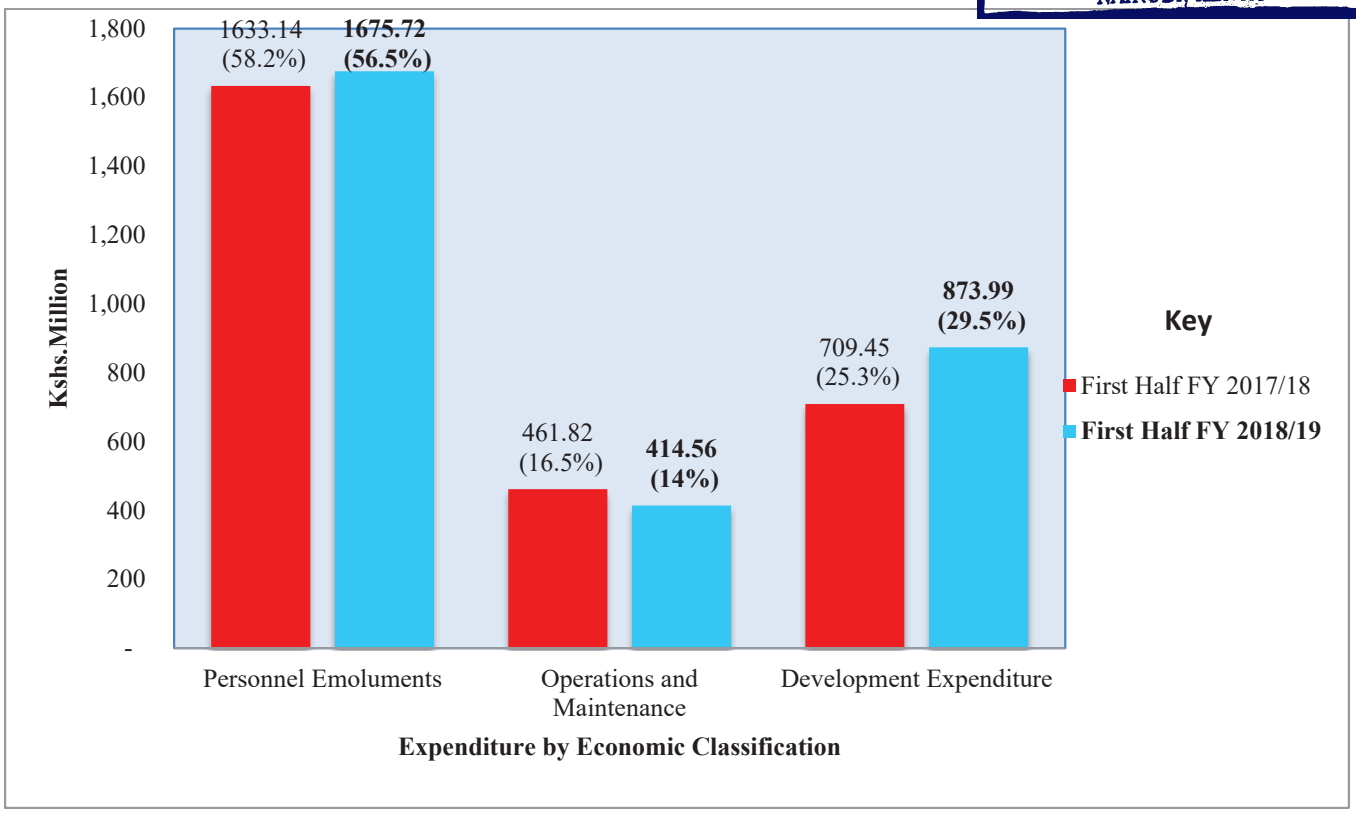
**Figure 3.114: Murang'a County, Expenditure by Economic Classification**




***Source:*** *Murang'a County Treasury*

### 3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.09 billion comprised of Kshs.1.68 billion (80.4 per cent) incurred on personnel emoluments and Kshs.414.56 million (19.6 per cent) on operations and maintenance as shown in Figure 3.114.

Expenditure on personnel emoluments represented an increase of 2.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.63 billion, and was 56.5 per cent of total expenditure in the first half of FY 2018/19.

Figure 3.115 shows a summary of operations and maintenance expenditure by major categories.

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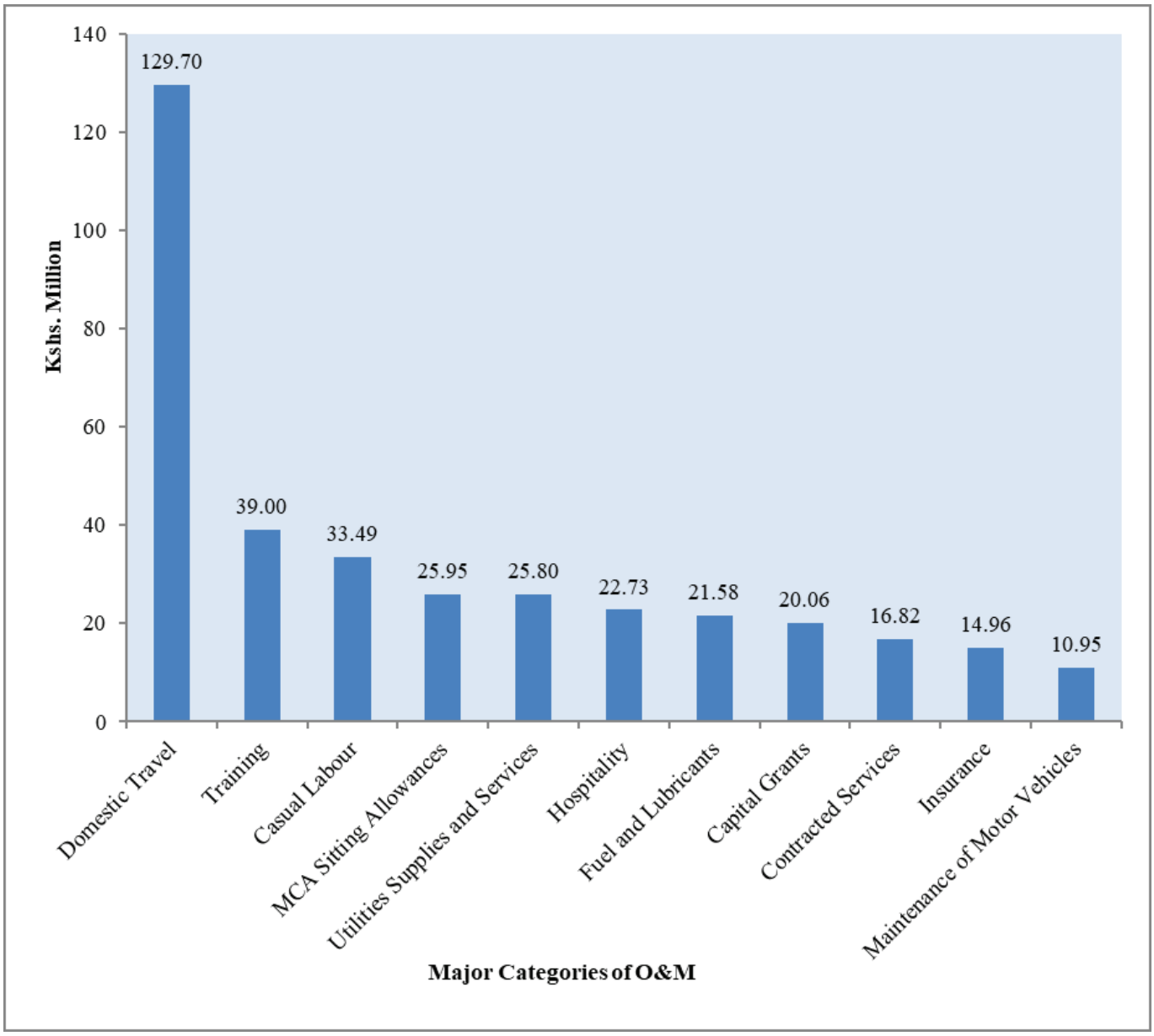
**Figure 3.115: Murang'a County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Murang'a County Treasury*

The County spent Kshs.25.95 million to cater for the committee sitting allowances for the 50 MCAs against the annual budget allocation of Kshs.66.96 million. This represented an increase of 1141.6 per cent compared to Kshs.2.09 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.86,510 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.129.70 million and comprised of Kshs.73.77 million spent by the County Assembly and Kshs.55.94 million spent by the County Executive. This represented 6.2 per cent of total recurrent expenditure.

### 3.29.7 Development Expenditure

The total development expenditure of Kshs.873.99 million represented 22.5 per cent of the annual development budget of Kshs.3.88 billion. Table 3.83 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.83: Murang'a County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) |
|---|---|---|---|---|
| 1 | Maintenance of Roads | 227,761,534 | 199,958,161 | 87.8 |
| 2 | Infrastructural & Civil Works | 295,769,228 | 179,793,743 | 60.8 |
| 3 | Specialised Material | 37,500,000 | 29,287,192 | 78.1 |
| 4 | Purchase of Certified Crop Seeds | 106,250,000 | 18,110,500 | 17 |
| 5 | Refurbishment of Non Residential Building | 25,000,000 | 16,579,755 | 66.3 |
| 6 | Cooperative Societies | 50,000,000 | 13,934,064 | 27.9 |
| 7 | Youth Programme | 15,000,000 | 10,273,955 | 68.5 |
| 8 | Energy development programme-Electricity | 10,000,000 | 9,406,563 | 94.1 |
| 9 | Breeding Stock | 72,500,000 | 8,772,120 | 12.1 |

***Source:*** *Murang'a County Treasury*y

### 3.29.8 Budget Performance by County Department

Table 3.84 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.84: Murang'a County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 686.38 | 207.65 | 255.00 | 12.00 | 255.00 | 12.00 | 100.0 | 100 | 37.2 | 5.8 |
| Governorship, County Coordination and Administration | 236.08 | - | 11.86 | - | 106.55 | | 898.1 | | 45.1 | |
| Finance, Information Technology | 198.54 | 49.16 | 82.17 | 6.62 | 76.80 | 6.62 | 93.5 | 100 | 38.7 | 13.5 |
| Agriculture, Livestock and Fisheries | 206.09 | 699.09 | 88.83 | 175.53 | 88.83 | 61.41 | 100 | 35 | 43.1 | 8.8 |
| Energy, Transport and Infrastructure | 98.24 | 1,138.27 | 45.00 | 358.35 | 40.37 | 358.35 | 89.7 | 100 | 41.1 | 31.5 |
| Commerce, Trade, Industry and Tourism | 24.05 | 187.91 | 7.06 | 35.49 | 7.06 | 33.42 | 100.0 | 94.2 | 29.4 | 17.8 |
| Health and Sanitation | 2,104.28 | 838.58 | 1,086.22 | 433.84 | 1,020.65 | 334.6 | 94 | 77.1 | 48.5 | 39.9 |
| Lands, Housing and Physical Planning | 20.26 | 139.44 | 10.90 | 62.44 | 3.69 | | 33.8 | - | 18.2 | 0.0 |
| Public Service Administration | 914.09 | - | 446.40 | - | 298.02 | | 66.8 | | 32.6 | - |
| Education and Technical Training | 291.75 | 477.78 | 197.50 | 123.74 | 141.83 | 29.98 | 71.8 | 24.2 | 48.6 | 6.3 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Youth, Culture, Gender, Social Services & Cooperatives | 102.34 | 110.35 | 53.47 | 35.93 | 32.71 | 35.93 | 61.2 | 100 | 32.0 | 32.6 |
| Environment & Nat. Resources | 17.50 | 35.00 | 7.61 | 1.65 | 5.67 | 1.65 | 74.5 | 100 | 32.4 | 4.7 |
| Public Service Board | 27.95 | - | 7.25 | - | 13.11 | - | 180.8 | | 46.9 | - |
| **Total** | **4,927.54** | **3,883.24** | **2,299.27** | **1,245.60** | **2,090.28** | **874** | **90.9** | **70.2** | **42.4** | **22.5** |

***Source:*** *Murang'a County Treasury*

Analysis of expenditure by department shows the Department of Health and Sanitation recorded the highest absorption rate of development budget at 39.9 per cent while The Department of Lands, Housing and Physical Planning did not incur any development expenditure. The Department of Education and Technical Training had the highest percentage of recurrent expenditure to recurrent budget at 48.6 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 18.2 per cent.

### 3.29.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in human capacity through continuous training.
ii. Improved absorption of development budget by 23.2 per cent from Kshs.709.45 million incurred in a similar period of FY 2017/18 to Ksh.873.99 million.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. A high wage bill, which accounted for 56.5 per cent of the total expenditure during the reporting period thus constraining funding of other programmes.
2. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
3. Under performance in own revenue collection which was at 24.9 per cent of the annual target.
4. Late Submission of financial reports by the County Treasury, which affected timely preparation of budget implementation review reports.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2018.*
3. *The County should develop and implement strategies to enhance own revenue collection.*
4. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

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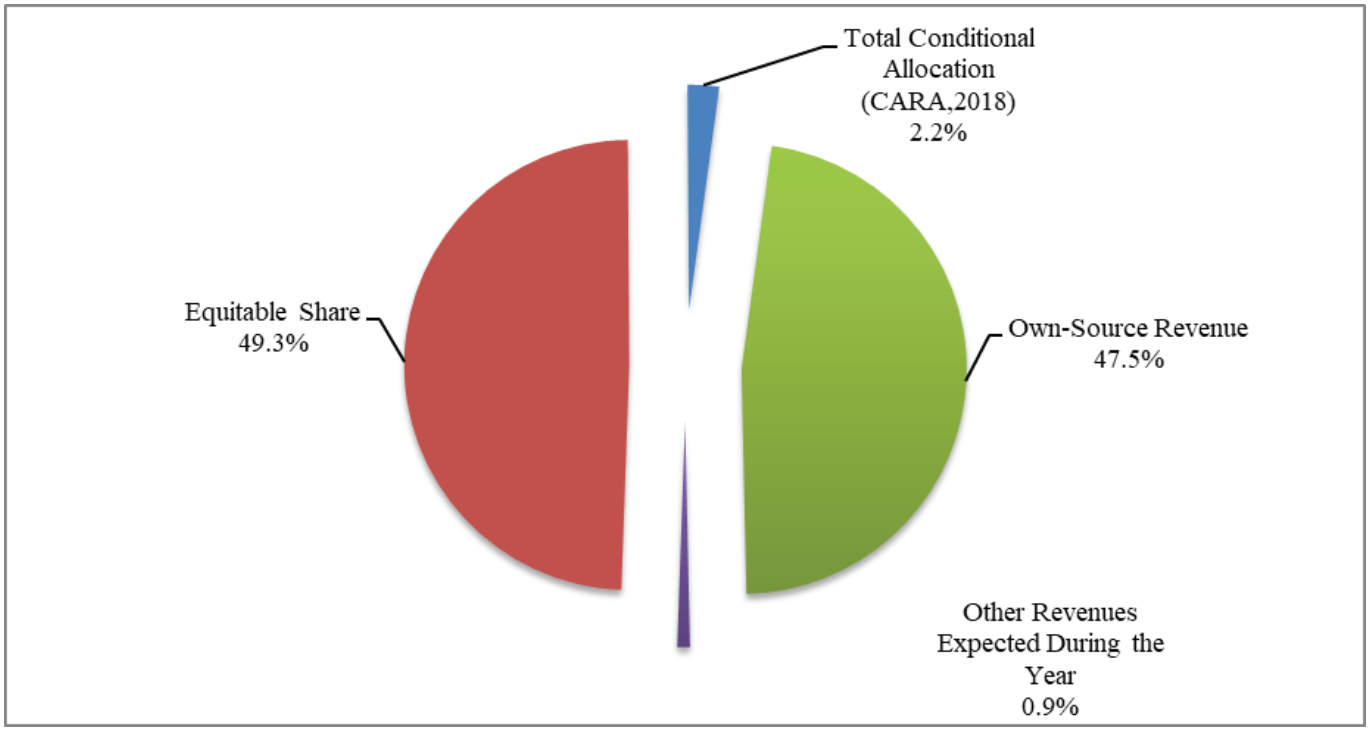
## 3.30 Nairobi City County

### 3.30.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.32.31 billion, comprising of Kshs.21.47 billion (66.5 per cent) and Kshs.10.84 billion (33.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.15.80 billion (48 per cent) as equitable share of revenue raised nationally, Kshs.719.33 million (2.2 per cent) as total conditional grants, generate Kshs.15.21 billion (46.2 per cent) from own-source revenue, Kshs.287.84 million from liquor license fees, and Kshs.300 million cash balance from FY 2017/18.

**Figure 3.116: Nairobi City County Sources of Budget Financing in FY 2018/19**




***Source**: Nairobi City County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.79.42 million (8.4 per cent) as Compensation for User Fees Foregone, Kshs.415.85 million (44 per cent) as Road Maintenance Fuel Levy Fund, Kshs.34.57 million (3.7 per cent) for Rehabilitation of Village Polytechnics, Kshs.54.43 million (5.8 per cent) for Transforming Health Systems for Universal Care Project (WB), Kshs.83.42 million (8.8 per cent) grant for Kenya Devolution Support Project (KDSP) "Level 1 grant", and Kshs.51.64 million (5.5 per cent) grant from DANIDA, and Kshs.200 million for Leasing of Medical Equipment.

### 3.30.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.4.90 billion as equitable share of revenue raised nationally, Kshs.25.82 million as total conditional grants, raised Kshs.3.88 billion from own-source revenue, and received Kshs.105.42 million from other sources. The total funds available for the period amounted to Kshs.8.90 billion.

Figure 3.117 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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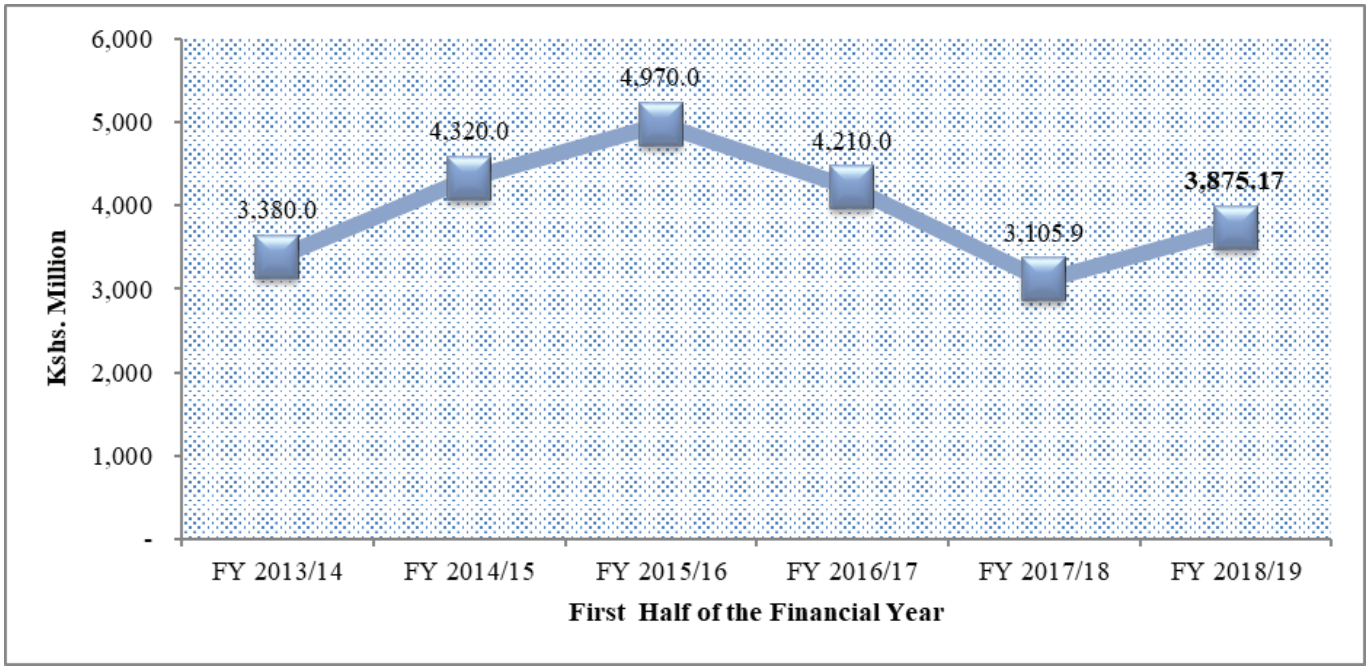
**Figure 3.117: Nairobi City County: Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Nairobi City County Treasury*

During the first half of FY 2018/19, The County generated a total of Kshs.3.88 billion from own-source revenue sources. This amount was an increase of 19.9 per cent when compared to Kshs.3.11 billion realised during the same period of FY 2017/18 and represented 25.5 per cent of the annual target.

### 3.30.3 Conditional Grants

The County received Kshs.25.82 million as conditional grants as shown in Table 3.85.

**Table 3.85: Nairobi City County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S / No. | Grant/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 79,423,251 | 79,423,251 | - | - |
| 2 | Leasing of Medial Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy | 415,847,530 | 415,847,530 | - | - |
| 4 | Rehabilitation of Village Polytechnics | 34,570,000 | 34,570,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 54,429,184 | 54,429,184 | - | - |
| 6 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 83,424,144 | 83,424,144 | - | - |
| 7 | DANIDA Grant | 51,637,500 | 51,637,500 | 25,818,750 | 50.0 |
| 8 | Agricultural Sector Development Support Programme (ASDSP) | 25,659,140 | - | - | - |
| | **Total** | **919,331,609** | **719,331,609** | **25,818,750** | **3.6** |

***Source:*** *Nairobi City County Treasury*

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Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant. The receipt accounted for 50 per cent and 63.1 per cent of annual allocation.

### 3.30.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.6.15 billion from the CRF account. The withdrawals represented 18.7 per cent of the Approved Budget and translate to a decrease of 37 per cent from Kshs.9.75 billion approved in the first half of FY 2017/18. This comprised of Kshs.5.71 billion (92.9 per cent) to fund recurrent expenditure and Kshs.437.10 million (7.1 per cent) for development activities.

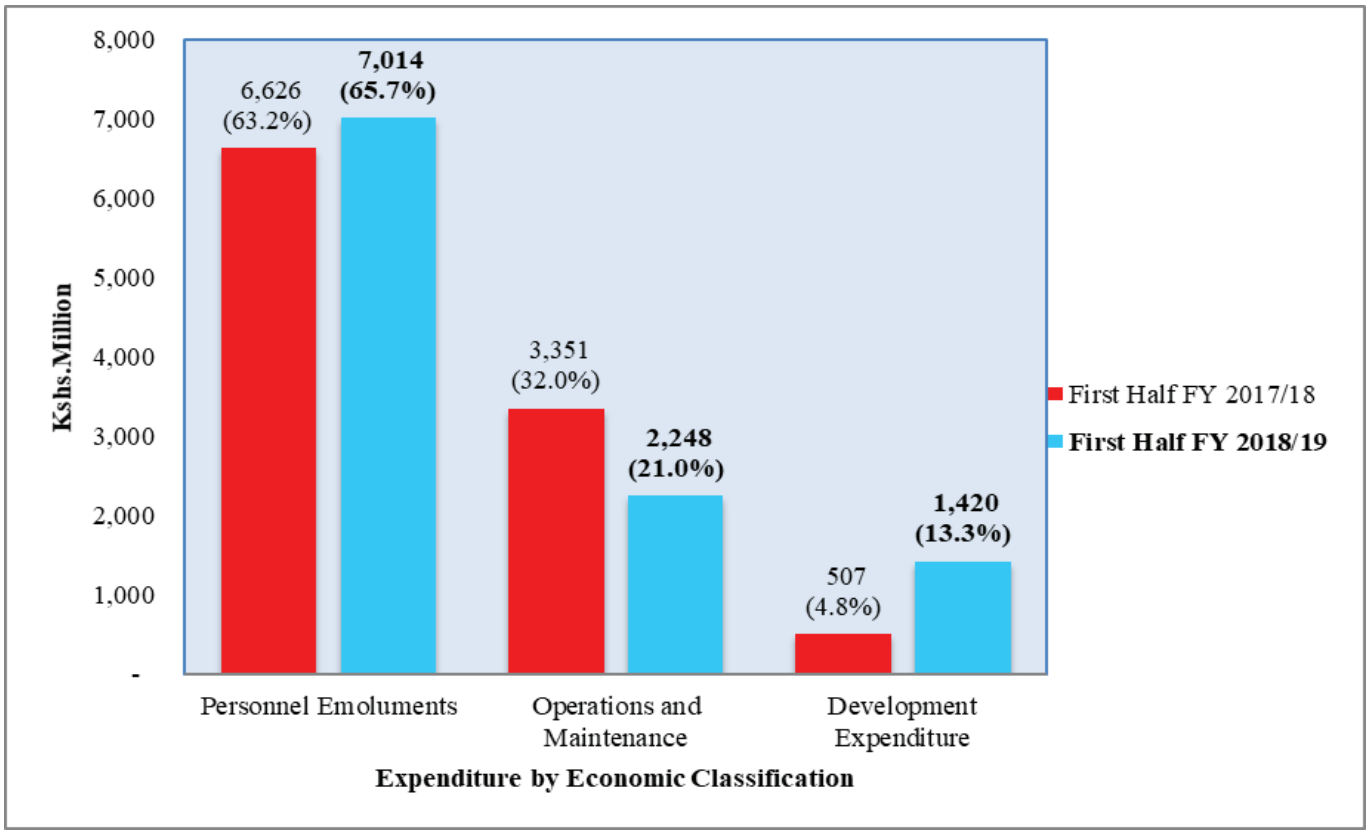
### 3.30.5 Overall Expenditure Review

The County government spent a total of Kshs.10.68 billion on both recurrent and development activities. This expenditure represented 173.8 per cent of the total funds released from the CRF account and was an increase of 1.9 per cent from Kshs.10.48 billion spent in the first half of FY 2017/18. The expenditure included outstanding commitments as at 31st December, 2018.

Expenditure on recurrent activities amounted to Kshs.9.26 billion while that on development activities was Kshs.1.42 billion. The recurrent expenditure was 162.2 per cent of the funds released for recurrent activities, while development expenditure was 324.9 per cent of funds released for development activities.

The recurrent expenditure represented 43.1 per cent of the annual recurrent budget and was an increase from 29.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 13.1 per cent, which was an increase from 4.3 per cent attained in the first half of FY 2017/18. Figure 3.118 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

**Figure 3.118: Nairobi City County, Expenditure by Economic Classification**




***Source:*** *Nairobi City County Treasury*

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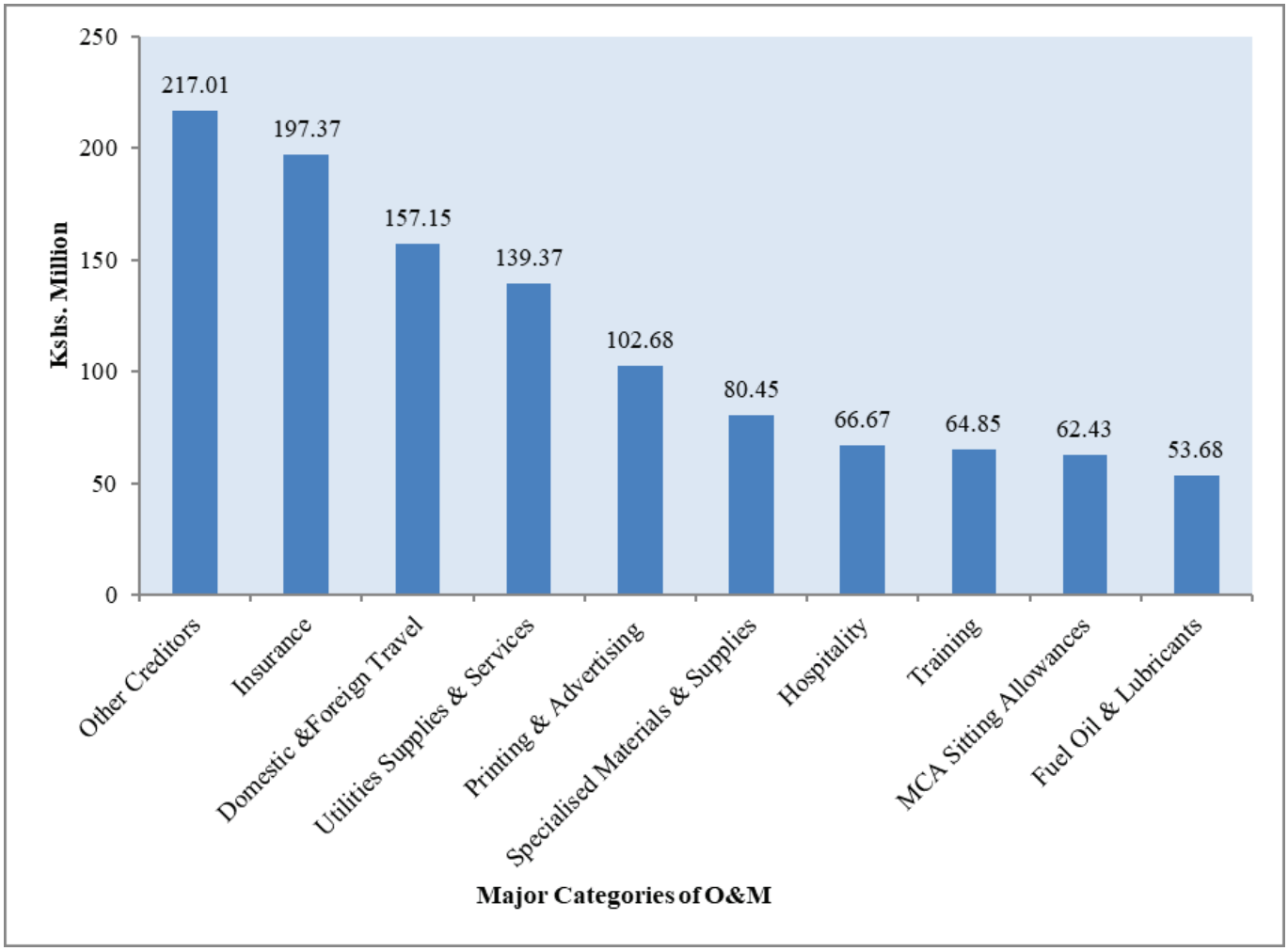
### 3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.9.26 billion comprised of Kshs.7.01 billion (75.7 per cent) incurred on personnel emoluments and Kshs.2.25 billion (24.3 per cent) for operations and maintenance as shown in Figure 3.118.

Expenditure on personnel emoluments represented an increase of 5.9 per cent compared to the first half of FY 2017/18 when the County spent Kshs.6.63 billion, and was 65.7 per cent of total expenditure for the period. Figure 3.119 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.119: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Nairobi City County Treasury*

The County spent Kshs.62.45 million on MCAs' committee sitting allowances for the 128 MCAs against the annual budget allocation of Kshs.66.56 million. This amount represented an increase of 251.3 per cent compared to Kshs.17.46 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.79,869 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.157.35 million and comprised of Kshs.19.02 million spent by the County Assembly and Kshs.138.33 million spent by the County Executive.

### 3.30.7 Development Expenditure

The total development expenditure of Kshs.1.42 billion represented 13.1 per cent of the annual development budget of Kshs.10.84 billion. The County did not provide a report on development projects

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### 3.30.8 Budget Performance by Department

Table 3.86 provides a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.86: Nairobi City County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in Q1 of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Public Service Board | 54.62 | 5.00 | 13.13 | - | 16.61 | - | 126.5 | - | 30.4 | - |
| Office of Governor & Deputy Governor | 4,462.17 | 90.00 | 1,340.71 | - | 2,279.21 | 4.66 | 170.0 | - | 51.1 | 5.2 |
| ICT, E-Govt. & Public Communications | 239.43 | 188.00 | 374.10 | - | 95.56 | 9.65 | 25.5 | - | 39.9 | 5.1 |
| Finance & Economic Planning | 2,130.56 | 154.00 | 566.66 | - | 1,005.44 | - | 177.4 | - | 47.2 | - |
| Health | 6,323.58 | 601.36 | 1,737.55 | - | 2,402.89 | 7.31 | 138.3 | - | 38.0 | 1.2 |
| Urban Planning and Lands | 369.82 | 132.50 | 165.03 | - | 180.72 | 0.77 | 109.5 | - | 48.9 | 0.6 |
| Public Works Transport & Infrastructure | 1,206.18 | 5,405.00 | 266.04 | 421.70 | 523.64 | 1,052.07 | 196.8 | 249.5 | 43.4 | 19.5 |
| Education, Youth Affairs, Sports, Culture & Social Services | 1,647.37 | 473.00 | 297.34 | 15.40 | 451.43 | 55.57 | 151.8 | 361.0 | 27.4 | 11.7 |
| Trade, Commerce, Tourism & Cooperatives | 491.43 | 318.00 | 184.11 | - | 204.02 | 0.97 | 110.8 | - | 41.5 | 0.3 |
| Public Service Management | 1,112.57 | 70.00 | 77.94 | - | 203.14 | - | 260.6 | - | 18.3 | - |
| Agriculture, Livestock Development, Fisheries & Forestry | 372.57 | 149.00 | 75.83 | - | 117.30 | - | 154.7 | - | 31.5 | - |
| Environment, Water, Energy & Natural Resources | 1,357.05 | 962.50 | 247.17 | - | 1,046.90 | 13.77 | 423.6 | - | 77.1 | 1.4 |
| Urban Renewal and Housing | 89.27 | 320.60 | 52.65 | - | 49.56 | - | 94.1 | - | 55.5 | 0.0 |
| Ward Development Fund | 25.66 | 1,212.50 | 4.57 | - | 6.76 | 273.61 | 147.8 | - | 26.3 | 22.6 |
| Liquor Licensing Board | 204.84 | 83.00 | - | - | 124.92 | - | - | - | 61.0 | - |
| Emergency Fund | - | 80.00 | - | - | - | - | - | - | - | - |
| County Assembly | 1,386.67 | 592.00 | 305.90 | - | 553.98 | 1.64 | 181.1 | - | 40 | 0.3 |
| **TOTAL** | **21,473.79** | **10,836.45** | **5,708.71** | **437.10** | **9,262.08** | **1,420.02** | **162.2** | **324.9** | **43.1** | **13.1** |

***Source:*** *Nairobi City County Treasury*

Analysis of expenditure by department shows that the Ward Development Fund recorded the highest absorption rate of development budget at 22.6 per cent followed by the Department of Public Works, Transport and

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Infrastructure at 19.5 per cent. The Department of Environment, Water, and Energy & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 77.1 per cent. While there was no expenditure reported on the Emergency Fund.

### 3.30.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own-source revenue collection by 19.9 per cent from Kshs.3.11 billion in a similar period in FY 2017/18 to Kshs.3.87 billion in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Failure by the County Treasury to submit a report on development projects, including the geographical location of projects to the Controller of Budget.
2. The County's wage bill has remained high, accounting for 65.7 per cent of the total expenditure in the first half of FY 2018/19.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should put in systems to ensure requested financial information is provided in a timely manner to all oversight institutions.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

## 3.31 Nakuru County

### 3.31.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget is Kshs18.32 billion, comprising of Kshs.10.32 billion (56.3 per cent) and Kshs.8.0 billion (43.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.45 billion (51.6 per cent) as equitable share of revenue raised nationally, Kshs.2.32 billion (12.7 per cent) as total conditional grants, generate Kshs.2.0 billion (10.9 per cent) from local revenue sources, and Kshs.3.86 billion (21.1 per cent) cash balance brought forward from FY 2017/18. The county also planned to collect Kshs.685 million (3.7 per cent) as Facility Improvement Fund.

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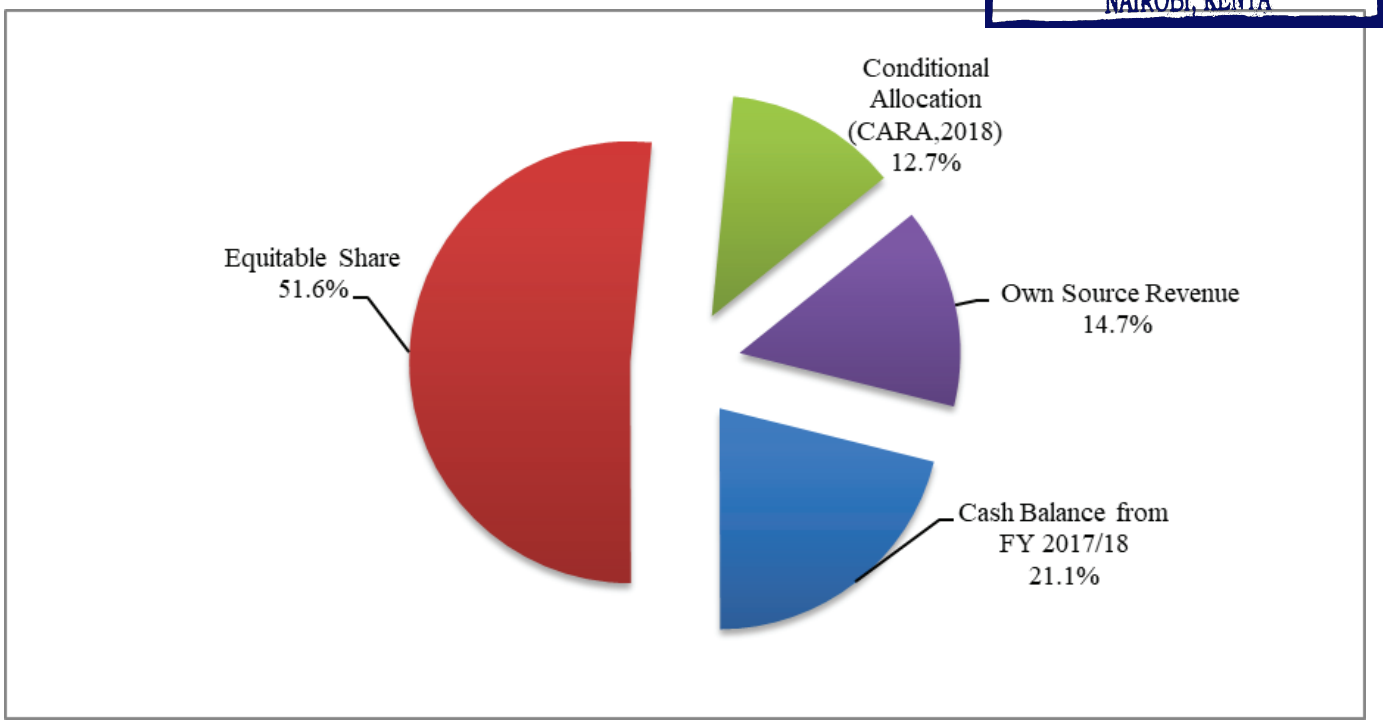
**Figure 3.120: Nakuru County Sources of Budget Financing in FY 2018/19**




***Source**: Nakuru County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.95.04 million (4.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (6 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.1.08 billion (46.7 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.31.08 million (1.3 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.60.28 million (2.6 per cent) from IDA (World Bank) credit for the Kenya Devolution Support Programme "Level 2 grant", Kshs.373.87 million (16.1 per cent) to Level-5 Hospital, Kshs.38.72 million (1.7 per cent) as Compensation for User Fees Foregone, Kshs.200 million (8.6 per cent) for Leasing of Medical Equipment, Kshs.248.85 million (10.7 per cent) from Road Maintenance Fuel Levy, and Kshs.47.8 million (2.1 per cent) for Rehabilitation of Village Polytechnics.

The County did not budget for Kshs.21.9 million from ASDPS and Kshs.41.2 million from World Bank Urban Support Program as contained in the revised CARA, 2018.

### 3.31.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.0 billion as equitable share of revenue raised nationally, Kshs.1.17 billion as total conditional grants, raised Kshs.1 billion from own-source revenue, and had a cash balance of Kshs.3.89 billion from FY 2017/18. The total funds available for the period amounted to Kshs.8.01 billion.

Figure 3.121 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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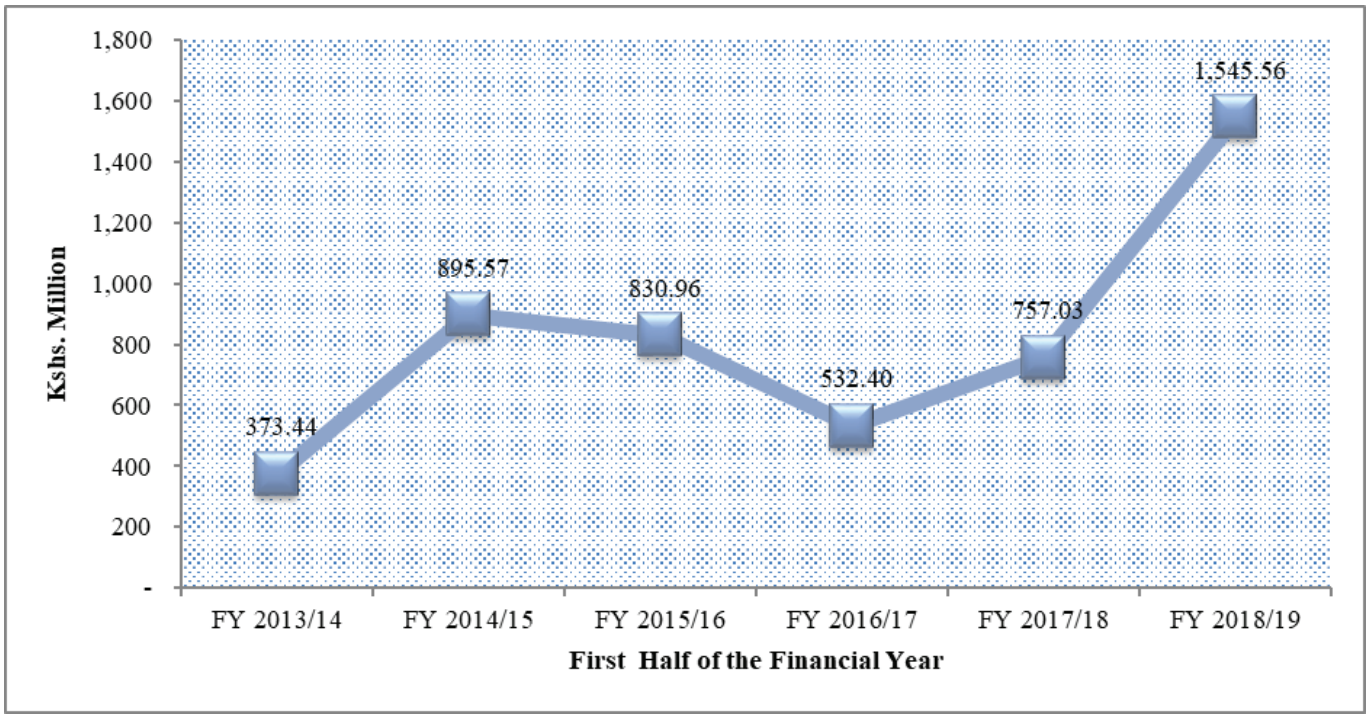
**Figure 3.121: Nakuru County, Trend in Own-Source Revenue Collection from the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source**: Nakuru County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.1.55 billion as own-source revenue. This amount was an increase of 32.1 per cent when compared to Kshs.757.03 million realised during the same period of FY 2017/18 and represented 37.4 per cent of the annual target.

### 3.31.3 Conditional Grants

The County received Kshs.1.17 billion as conditional grants during the reporting period as shown in Table 3.87.

**Table 3.87: Nakuru County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Kenya Urban Support Project (KUSP) | 1,084,843,300 | 1,084,843,300 | 1,084,843,300 | 100 |
| 2 | Conditional Grants to Level - 5 Hospitals | 373,872,832 | 373,872,832 | - | - |
| 3 | Road Maintenance Fuel Levy | 248,847,131 | 248,847,131 | - | - |
| 4 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 5 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |
| 6 | Transforming Health Systems for Universal Care Project (WB) | 95,036,352 | 95,036,351 | 27,755,760 | 29.2 |
| 7 | Kenya Devolution Support Project (KDSP) "Level 2 grant" | 60,282,958 | 60,282,958 | - | - |

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| S/No | Grants | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in the Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 8 | Rehabilitation of Village Polytechnics | 47,800,000 | 47,800,000 | - | - |
| 9 | Compensation for User Fee Foregone | 38,723,265 | 38,723,265 | - | - |
| 10 | DANIDA Grant | 31,083,750 | 31,083,750 | 57,438,910 | 185 |
| **Sub Total** | | **2,320,924,751** | **2,320,924,750** | **1,170,037,970** | **50.4** |
| B | **Other Grants** | | | | |
| 11 | Sweden (ASDSP) | 21,983,635 | - | - | - |
| 12 | World bank Kenya Urban Support Project (KUSP) | 41,200,000 | - | - | - |
| **Sub Total** | | 63,183,635 | - | - | - |
| **Total** | | **2,384,108,386.0** | **2,320,924,750.0** | **1,170,037,970** | **50.4** |

***Source**: Nakuru County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received funds from Kenya Urban Support Program and a grant from DANIDA. The receipts accounted for 100 per cent and 185 per cent of the annual allocation respectively.

### 3.31.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.5.27 billion from the CRF account. The withdrawals represented 28.8 per cent of the Approved Budget and translate to an increase of 40.2 per cent from Kshs.3.76 billion approved in the first half of FY 2017/18 and comprised of Kshs.3.63 billion (68.1 per cent) to fund recurrent expenditure and Kshs.1.64 billion (31.1 per cent) for development activities.

### 3.31.5 Overall Expenditure Review

The County government spent a total of Kshs.4.61 billion on both recurrent and development activities. This expenditure represented 87.5 per cent of the total funds released from the CRF account and was an increase of 51.8 per cent from Kshs.3.03 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.1.41 billion for development activities and Kshs.25.94 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.4.06 billion while that on development activities was Kshs.550.85 million. The recurrent expenditure was 111.9 per cent of the funds released for recurrent activities, while development expenditure was 33.6 per cent of funds released for development activities.

The recurrent expenditure represented 39.3 per cent of the annual recurrent budget and was an increase from 7.1 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 6.9 per cent, which was an increase from nil per cent attained in the first half of FY 2017/18. Figure 3.122 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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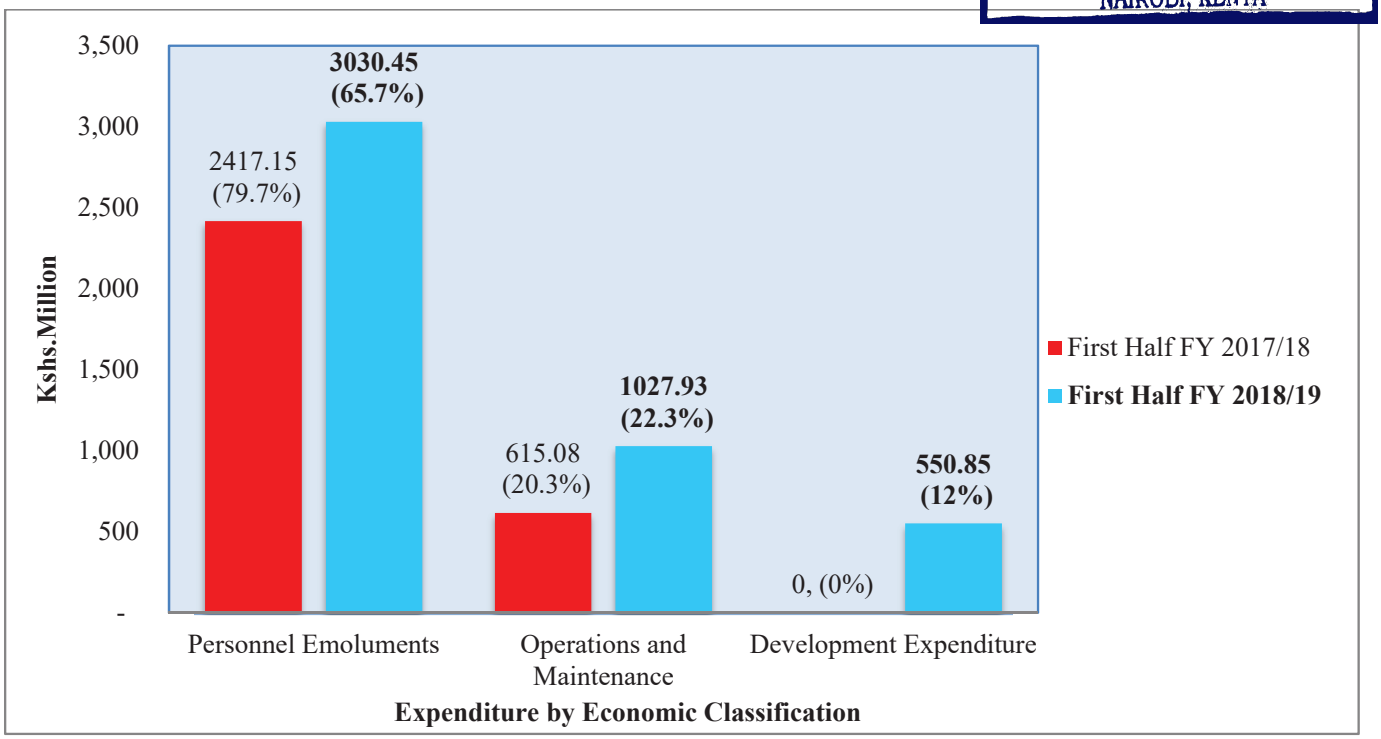
**Figure 3.122: Nakuru County, Expenditure by Economic Classification**




***Source**: Nakuru County Treasury*

## 3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.06 billion comprised of Kshs.3.03 billion (74.7 per cent) incurred on personnel emoluments and Kshs.1.03 billion (25.3 per cent) on operations and maintenance as shown in Figure 3.122.

Expenditure on personnel emoluments represented an increase of 25 per cent compared to the first half of FY 2017/18 when the County spent Kshs.2.42 billion and was 65.7 per cent of total expenditure for the period. Figure 3.123: shows a summary of operations and maintenance expenditure by major categories.

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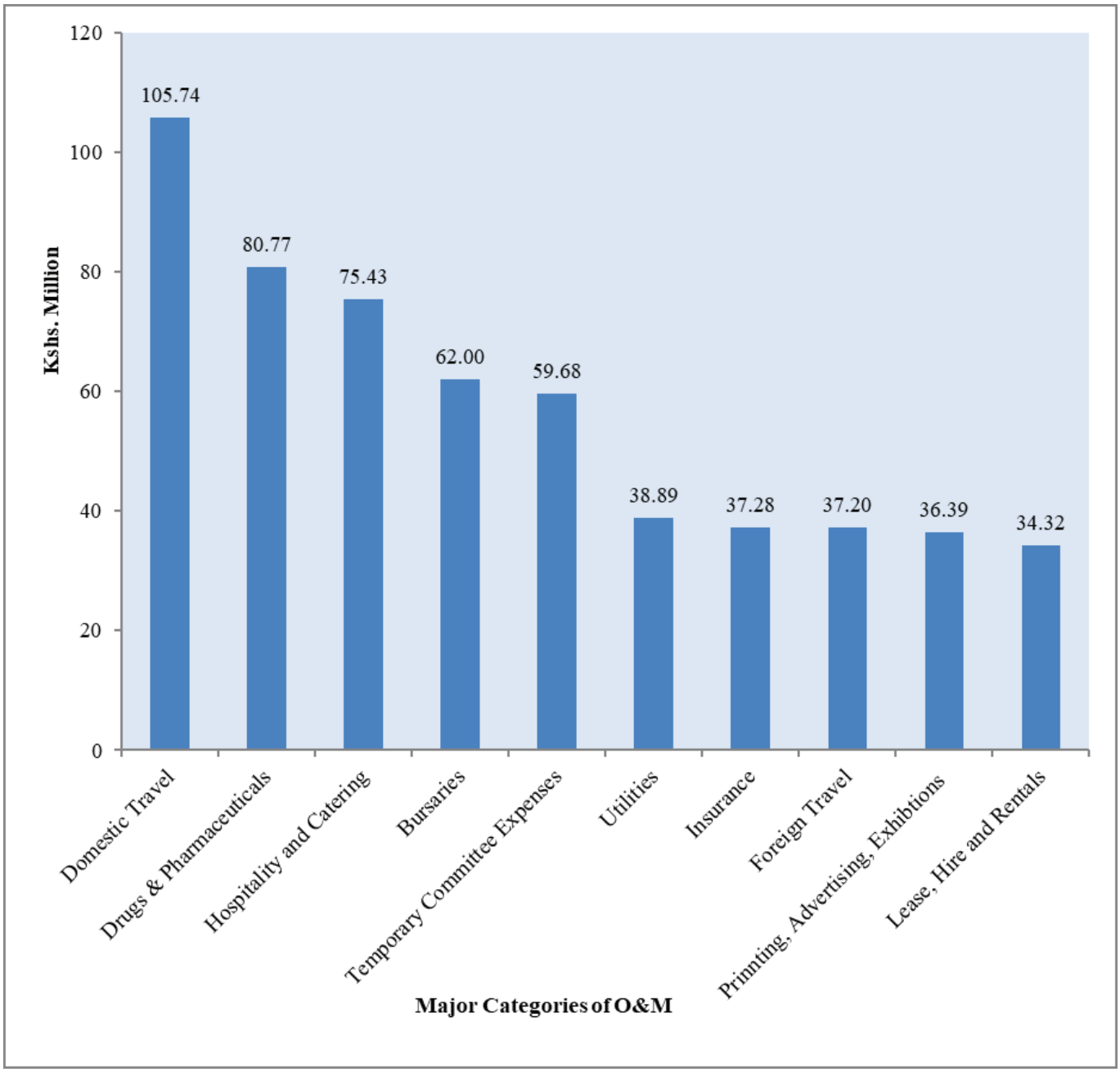
**Figure 3.123: Nakuru County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source**: Nakuru County Treasury*

The County spent Kshs.55.68 million on MCAs' committee sitting allowances for the 79 MCAs against the annual budget allocation of Kshs.110 million. This amount represented an increase of 733.6 per cent compared to Kshs.6.68 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.117,462 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.105.74 million and comprised of Kshs.43.06 million spent by the County Assembly and Kshs.62.68 million spent by the County Executive. This represented 2.7 per cent of total recurrent expenditure and was an increase 100.5 per cent compared to Kshs.64.51 million spent in the first half of FY 2017/18.

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### 3.31.7 Development Expenditure

The total development expenditure of Kshs.550.85 million represented 6.9 per cent of the annual development budget of Kshs.8.0 billion. Table 3.88 provides a summary of development projects with the highest expenditure in the first half of the financial year.

**Table 3.88: Nakuru County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Provision for purchase of medical equipment (Conditional Fund for Level 5 Hospital (Nakuru PGH)) | Nakuru | 153,744,213.00 | 25,844,249.00 | 17 |
| 2 | Purchase of Vaccines | Across the County | 60,416,356 | 35,499,999.00 | 59 |
| 3 | Proposed Construction of Kahuho - Kiambogo Bridge in Naivasha East Ward, Naivasha Sub County | Naivasha | 3,499,733 | 3,499,732 | 100 |
| 4 | Routine Maintenance and Spot Improvement :Tarmacking and Extension of Menengai Climb Road to Capital Hill Hotel (0.5km )in Nakuru East Sub County | Nakuru | 10,504,000 | 10,504,000 | 100 |
| 5 | Proposed Routine Maintenance and Periodic Improvement of Bus Park Tarmacking in Gilgil Sub County | Gilgil Sub-County | 9,454,080 | 9,454,080 | 100 |
| 6 | Routine Maintenance and Spot Improvement of Gwa Kihanga-Magomano-Kwa Haji Road - IDP Road in Subukia Sub County | Subukia Sub-County | 8,492,708 | 8,492,708 | 100 |
| 7 | Construction of Bridge and Road Connecting Korao (Tinet) and Kiptagich Ward in Kuresoi South Sub County | Kiptagich Ward | 8,487,400 | 8,487,400 | 100 |
| 8 | Development of Revenue Management System | HQ | 40,000,000 | 22,490,301.10 | 56 |
| 9 | Grading and Gravelling of Sasimwa-Githiriga -Kamwaura Roads in Nyota Ward in Kuresoi North Sub County | Kuresoi North | 4,994,000 | 4,994,000 | 100 |
| 10 | Refurbishment of County Assembly buildings | HQ | 24,665,240 | 6,337,767 | 26 |

***Source**: Nakuru County Treasury*

### 3.31.8 1.1.8 Budget Performance by County Department

Table 3.89: shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.89: Nakuru County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Finance and Economic Planning | 974.49 | 292.73 | 391.40 | 30.20 | 258.84 | 42.32 | 66.1 | 140.1 | 26.6 | 14.5 |
| Agriculture, Livestock and Fisheries | 599.98 | 444.51 | 225.78 | 70.39 | 183.69 | 73.36 | 81.4 | 104.2 | 30.6 | 16.5 |
| Health | 5,123.30 | 1,091.47 | 1,786.62 | 135.00 | 1,612.54 | 150.22 | 90.3 | 111.3 | 31.5 | 13.8 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Youth, Culture, Gender, Sports and Social Services | 345.87 | 118.63 | 66.27 | - | 100.04 | - | 151.0 | | 28.9 | - |
| Lands, Physical Planning and Housing | 140.26 | 1,350.37 | 58.06 | 1,084.84 | 51.73 | - | 89.1 | 0.0 | 36.9 | - |
| Infrastructure | 307.23 | 2,129.97 | 114.00 | 473.41 | 76.71 | 154.21 | 67.3 | 32.6 | 25.0 | 7.2 |
| Public Service Management | 768.93 | 52.00 | 293.42 | - | 269.33 | - | 91.8 | | 35.0 | - |
| Trade, Industry and Tourism | 171.77 | 365.50 | 43.81 | - | 26.32 | - | 60.1 | | 15.3 | - |
| Education, Vocational Training, ICT and Government | 346.15 | 853.50 | 74.62 | - | 18.48 | 42.23 | 24.8 | | 5.3 | 4.9 |
| Office of the Governor and Deputy Governor | 171.86 | 103.86 | 74.44 | - | 30.01 | 1.15 | 40.3 | | 17.5 | 1.1 |
| County Public Service Board | 50.13 | 4.41 | 22.67 | - | 17.09 | 3.50 | 75.4 | | 34.1 | 79.4 |
| County Assembly | 999.54 | 287.46 | 427.70 | 5.10 | 279.94 | 56.35 | 65.5 | 1104.9 | 28.0 | 19.6 |
| **Total** | **10,319.82** | **7,995.85** | **3,700.24** | **1,821.99** | **3,030.45** | **550.86** | **81.9** | **30.2** | **29.4** | **6.9** |

***Source**: Nakuru County Treasury*

Analysis of expenditure by department shows that the Country Public Service Board had the highest absorption rate of development budget at 79.4 per cent while the departments of Youth Culture Gender and Sports, Lands Physical Planning and Housing, Public Service Management and Trade Industry and Tourism did not incur any development expenditure. The Department of Lands, Physical Planning and Housing had the highest percentage of recurrent expenditure to its recurrent budget at 36.9 per cent while the Department of Education Vocational Training, CT and E-Government and Urban Development had the lowest at 5.3 per cent.

### 3.31.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the own-source revenue from Kshs.757.03 million collected in same period of FY 2017/18 to Kshs.1.55 billion in FY 2018/19.
ii. Increased absorption of development budget to Kshs.550.85 million in FY 2018/19. There was no development expenditure in the same period of FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Huge wage bill that amounted to Kshs.3.03 billion and accounting for 65.7 per cent of the total expenditure for the reporting period.
2. Delay in disbursement of equitable share of revenue raised by the National Treasury.

The County should implement the following recommendations in order to improve budget execution;

1. *The County needs to address the high wage bill.*
2. *The County should liaise with National Treasury in order to ensure timely disbursement of funds.*

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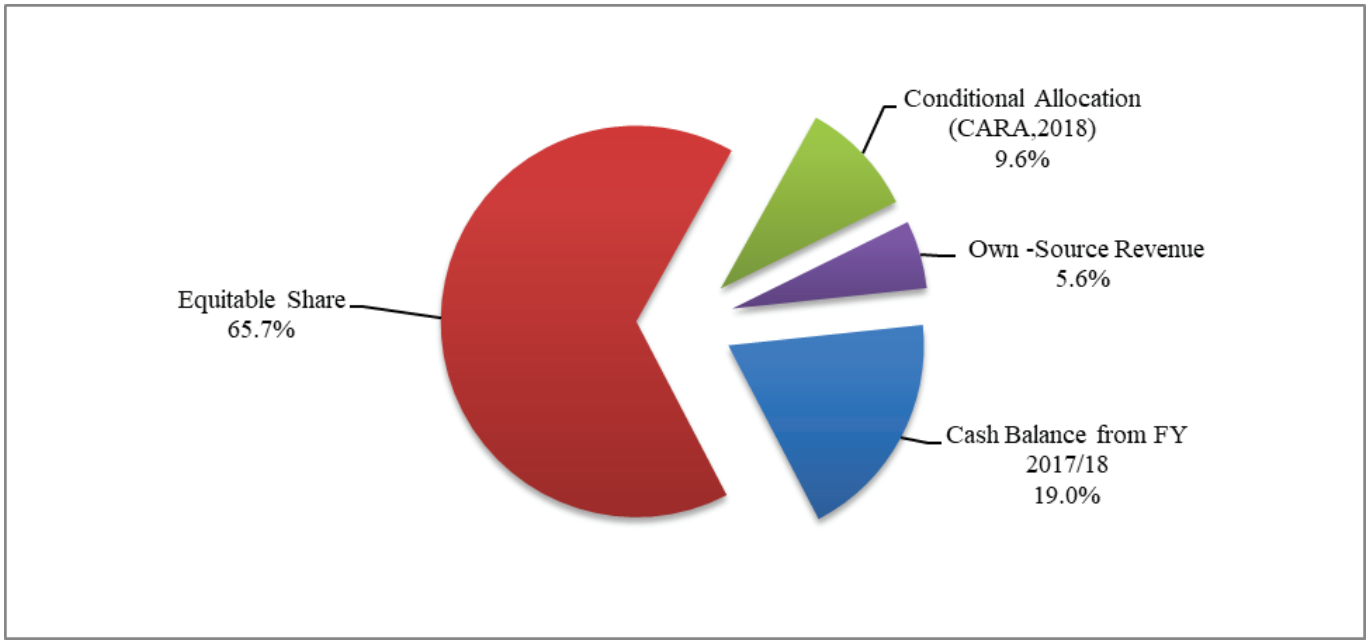
## 3.32 Nandi County

### 3.32.1 Overview of the FY 2018/19 Budget

The Approved Budget for FY 2018/19 was Kshs.8.18 billion, comprising of Kshs.5.11 billion (62.4 per cent) and Kshs.3.08 billion (37.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.37 billion (65.7 per cent) as equitable share of revenue raised nationally, Kshs.784.66 million (9.6 per cent) as total conditional grants, generate Kshs.459.29 million (5.7 per cent) from own source revenue, and Kshs.1.55 billion (19 per cent) cash balance from FY 2017/18.

**Figure 3.124: Nandi County Sources of Budget Financing in FY 2018/19**




***Source**: Nandi County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.97.23 million (9.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (13.9 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.44.55 million (4.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.177.23 million (17.5 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.17.11 million (1.7 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.18.06 million (1.8 per cent) as Compensation for User Fees Foregone, Kshs.200 million (19.7 per cent) for Leasing of Medical Equipment, Kshs.141.37 million (13.9 per cent) from the Road Maintenance Fuel Levy, and Kshs.37.23 million (3.7 per cent) for Rehabilitation of Village Polytechnics.

The County also budgeted to receive Kshs.80 million as grant for European Union Water Tower programme, Kshs.40 million as grant from the Food and Agriculture Organization (FAO) and Kshs.50 million as grant for World Bank Urban Institutional which are not contained in the CARA, 2018.

### 3.32.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.66 billion as equitable share of revenue raised nationally, Kshs.204.61 million as total conditional grants, raised Kshs.83.37 million from own-source revenue, and had a cash balance of Kshs.1.55 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.51 billion.

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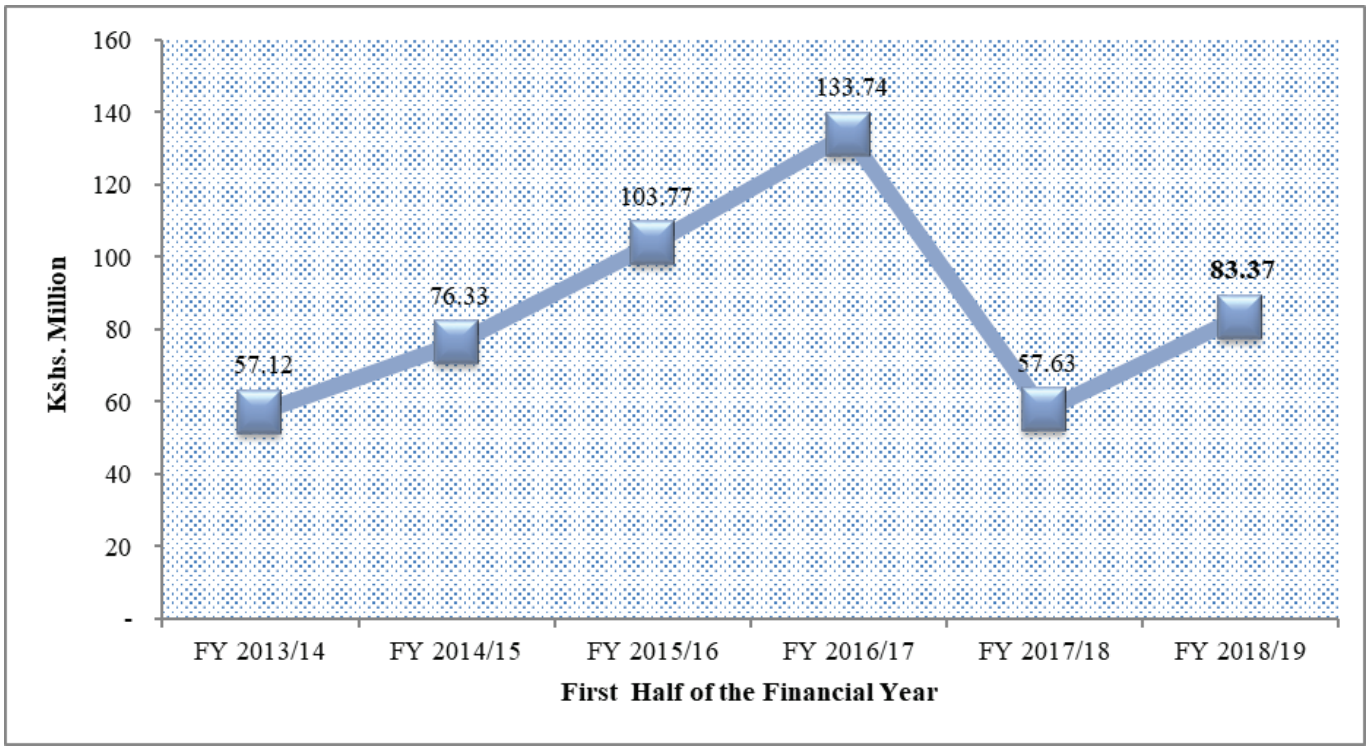
Figure 3.125 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.125: Nandi County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Nandi County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.83.37 million from own-source revenue sources. This amount was an increase of 44.7 per cent when compared to Kshs.57.63 million realised during the same period of FY 2017/18 and represented 18.2 per cent of the annual target.

### 3.32.3 Conditional Grants

The County received Kshs.204.61 million as conditional grants during the reporting period as shown in Table 3.90.

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**Table 3.90: Nandi County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 18,063,363 | 18,086,363 | | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | | - |
| 3 | Road Maintenance Fuel Levy Fund | 141,371,626 | 141,371,626 | | - |
| 4 | Rehabilitation of Village Polytechnics | 37,255,000 | 37,255,000 | | - |
| 5 | World Bank-Transforming Health Systems for Universal Care Project | 97,229,498 | 97,229,498 | 18,820,472 | 19.4 |
| 6 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 140,435,163 | | - |
| 7 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 44,551,044 | 44,551,044 | | - |
| 8 | IDA (World Bank) -Kenya Urban Support Project | 177,231,700 | 88,615,580 | 177,231,700 | 200.0 |
| 9 | DANIDA - Universal Healthcare to Devolved System Programme | 17,111,250 | 17,111,250 | 8,555,625 | 50.0 |
| 10 | Kenya Urban Support Project (KUSP) | 41,200,000 | 50,000,000 | | - |
| **Sub Total** | | | | | |
| 11 | Sweden-Agricultural Sector Development Support | - | 19,236,534 | - | - |
| 12 | EU -Water Tower Protection and Climate Change Mitigation and Adaptation Programme | - | 80,000,000 | - | - |
| 13 | Grant from the Food and Agriculture Organization (FAO) | - | 40,000,000 | - | |
| **Total** | | **1,013,685,178** | **973,892,058** | **204,607,797** | **26.1** |

***Source:*** *Nandi County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.32.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.3.20 billion from the CRF account. The withdrawals represented 39.2 per cent of the Approved Budget and translated to an increase of 94.1 per cent from Kshs.1.65 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.39 billion (74.5 per cent) to fund recurrent expenditure and Kshs.816.22 million (25.5 per cent) for development activities.

### 3.32.5 Overall Expenditure Review

The County government spent a total of Kshs.3.12 billion on both recurrent and development activities. This expenditure represented 97.5 per cent of the total funds released from the CRF account and was an increase of

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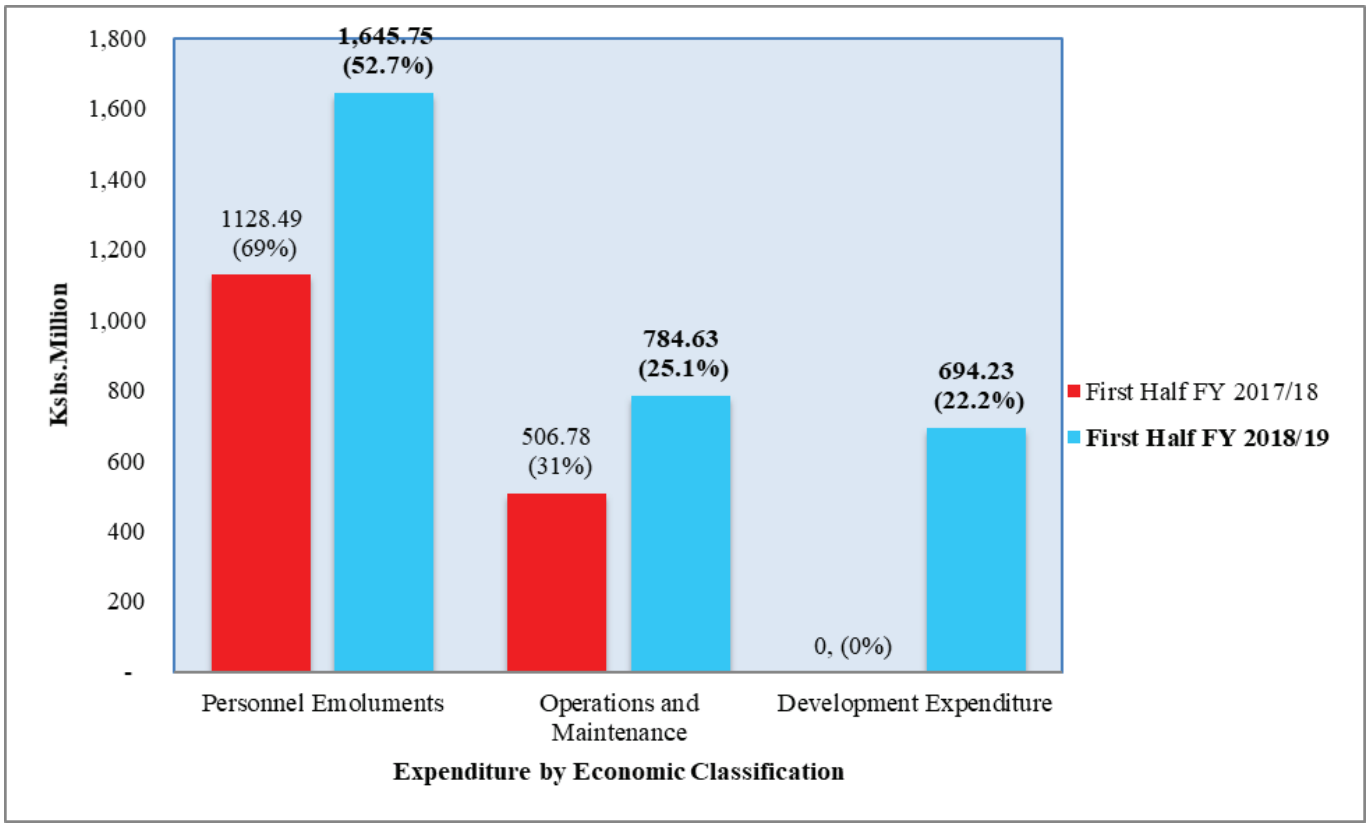
91.1 per cent from Kshs.1.64 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.858.62 million for development activities and Kshs.146.9 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.43 billion while Kshs.694.23 million was spent on development activities. The recurrent expenditure was 101.8 per cent of the funds released for recurrent activities, while development expenditure was 85.1 per cent of funds released for development activities.

The recurrent expenditure represented 47.6 per cent of the annual recurrent budget was an increase from 35.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.6 per cent, while there was no development expenditure in the first half of FY 2017/18. Figure 3.126 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

**Figure 3.126: Nandi County, Expenditure by Economic Classification**




***Source:*** *Nandi County Treasury*

### 3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.43 billion comprised of Kshs.1.65 billion (67.7 per cent) incurred on personnel emoluments and Kshs.784.63 million (32.3 per cent) on operations and maintenance as shown in Figure 3.126.

Expenditure on personnel emoluments represented an increase of 45.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.13 billion, and was 52.7 per cent of total expenditure for the period. Figure 3.127 shows a summary of operations and maintenance expenditure by major categories.

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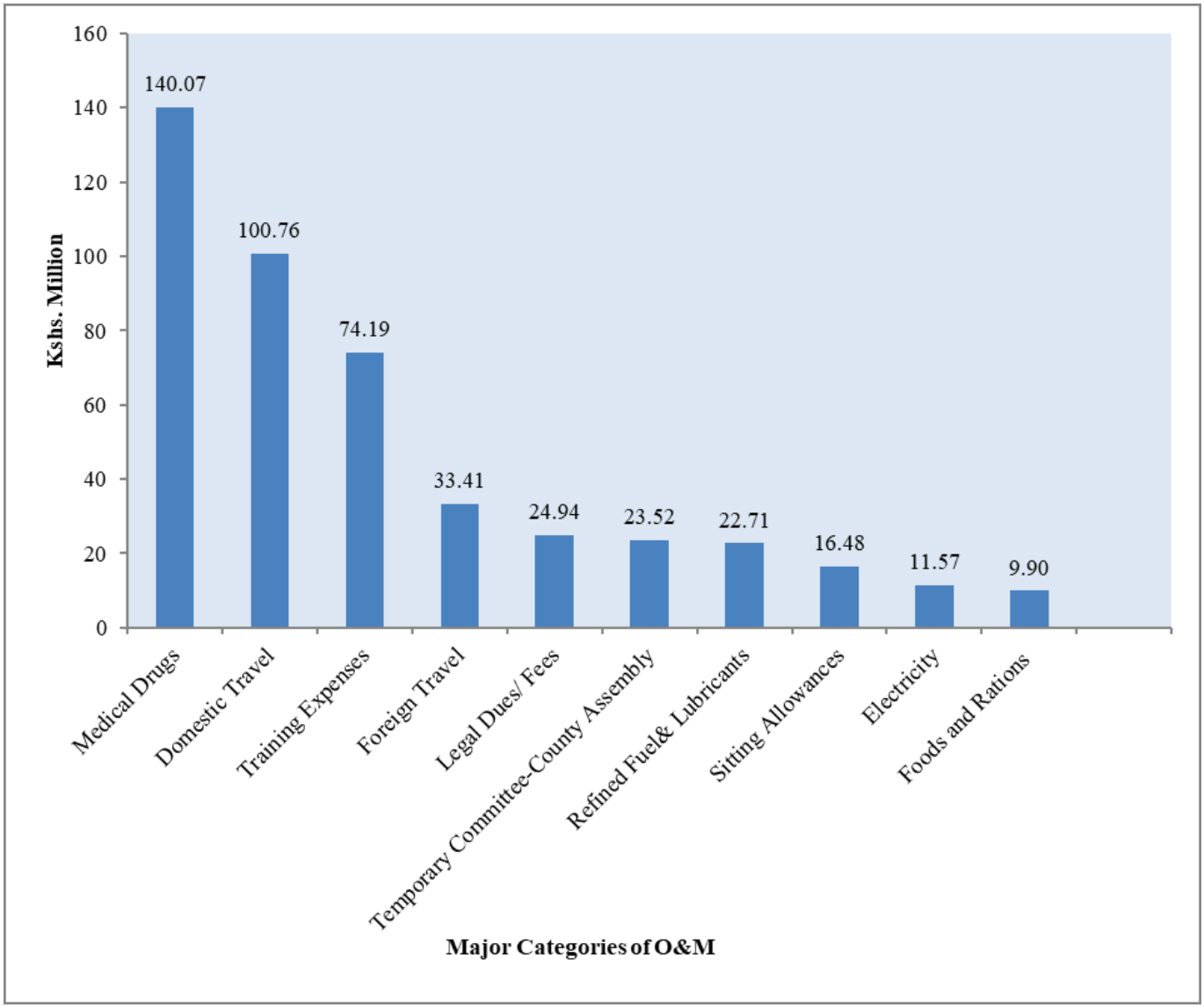
**Figure 3.127: Nandi County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Nandi County Treasury*

The County spent Kshs.16.48 million on MCAs' committee sitting allowances for the 40 MCAs against the annual budget allocation of Kshs.38.10 million. This amount represented an increase of 118.1 per cent compared to Kshs.7.55 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.68,653 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic & foreign travel amounted to Kshs.134.17 million and comprised of Kshs.40.75 million spent by the County Assembly and Kshs.93.42 million spent by the County Executive. This represented 4.1 per cent of total recurrent expenditure.

### 3.32.7 Development Expenditure

The total development expenditure of Kshs.694.23 million represented 22.6 per cent of the annual development budget of Kshs.3.08 billion. Table 3.91 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.91: Nandi County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project location | Project budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Access Roads | County Wide | 470,290,966 | 338,878,598 | 72.1 |
| 2 | Water Supplies and Sewages | County Wide | 279,000,000 | 84,929,084 | 30.4 |
| 3 | Construction of ECDE | County Wide | 222,645,000 | 41,915,074 | 18.8 |
| 4 | Purchase of Certified Seeds | ATC Kaimosi | 30,000,000 | 12,771,426 | 42.6 |
| 5 | Construction of Youth Empowerment Centre | Kapsabet | 30,000,000 | 11,694,023 | 39.0 |
| 6 | Purchase of Medical & Dental Equipment | Kapsabet | 50,000,000 | 10,115,118 | 20.2 |
| 7 | Construction of Bridges and Foot Bridges | County Wide | 30,000,000 | 6,269,529 | 20.9 |

***Source:*** *Nandi County Treasury*

### 3.32.8 Budget Performance by County Department

Table 3.92 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.92: Nandi County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor & Deputy Governor | 427.33 | 85.00 | 193.64 | 4.74 | 173.39 | 7.70 | 89.5 | 162.6 | 40.6 | 9.1 |
| Finance and Economic Planning | 972.64 | 131.40 | 355.35 | 8.34 | 341.24 | 8.75 | 96.0 | 104.9 | 35.1 | 6.7 |
| Devolved Units and Special Programmes | 320.58 | 152.62 | 188.33 | 93.72 | 122.85 | 11.71 | 65.2 | 12.5 | 38.3 | 7.7 |
| Health and Sanitation | 1,578.55 | 360.50 | 719.04 | 34.23 | 1,069.09 | 43.53 | 148.7 | 127.2 | 67.7 | 12.1 |
| Agriculture, Livestock and Fisheries | 303.69 | 449.72 | 188.75 | 125.70 | 134.02 | 92.12 | 71.0 | 73.3 | 44.1 | 20.5 |
| Tourism, Culture and Co-operative Development | 58.44 | 55.00 | 22.67 | - | 16.00 | - | 70.6 | - | 27.4 | - |
| Youth, Gender and Social Services | 60.88 | 121.00 | 34.71 | 16.32 | 10.78 | 18.75 | 31.1 | 114.9 | 17.7 | 15.5 |
| Education Research and Vocational Training | 322.76 | 288.90 | 182.66 | 79.31 | 98.11 | 41.92 | 53.7 | 52.9 | 30.4 | 14.5 |
| Lands, Environment and Natural Resources | 145.68 | 334.25 | 48.62 | 74.82 | 37.75 | 89.56 | 77.6 | 119.7 | 25.9 | 26.8 |
| Roads Transport and Public Works | 193.77 | 723.47 | 91.69 | 377.05 | 66.70 | 373.25 | 72.7 | 99.0 | 34.4 | 51.6 |
| Trade and Industrial Development | 57.80 | 112.30 | 25.94 | - | 23.20 | 4.96 | 89.4 | - | 40.1 | 4.4 |
| Public Service and Labour | 33.29 | - | 16.17 | - | 13.05 | - | 80.7 | - | 39.2 | - |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 631.18 | 263.50 | 321.13 | 2.00 | 324.78 | 2 | 101.1 | 100 | 51.5 | 0.8 |
| **Total** | **5,106.58** | **3,077.66** | **2,388.72** | **816.22** | **2,430.96** | **694.23** | **101.8** | **85.1** | **47.6** | **22.6** |

***Source:*** *Nandi County Treasury*y

Analysis of expenditure by department shows the Department of Roads Transport and Public Works recorded the highest absorption rate of development budget at 51.6 per cent while the Department of Tourism, Culture and Co-operative Development did not incur any development expenditure. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 67.7 per cent while the Department of Youth, Gender and Social Services had the lowest at 17.7 per cent.

### 3.32.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
ii. Improvement in the use of IFMIS and the Internet Banking platform to process financial transactions.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High expenditure on personnel emoluments which increased by 45.8 per cent from Kshs.1.13 billion in first half of FY 2017/18 to Kshs.1.65 billion in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should devise strategies to contain expenditure on personnel costs within 35 per cent of the County's total revenue in line with Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2018.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

## 3.33 Narok County

### 3.33.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 was Kshs.9.66 billion, comprising of Kshs.6.26 billion (64.8 per cent) and Kshs.3.4 billion (35.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.37 billion (66 per cent) as equitable share of revenue raised nationally, Kshs.805.48 million (8.3 per cent) as total conditional grants, generate Kshs.2.48 billion (25.7 per cent) from own revenue sources. The County did not budget for Kshs.619.05 million cash balance from FY 2017/18.

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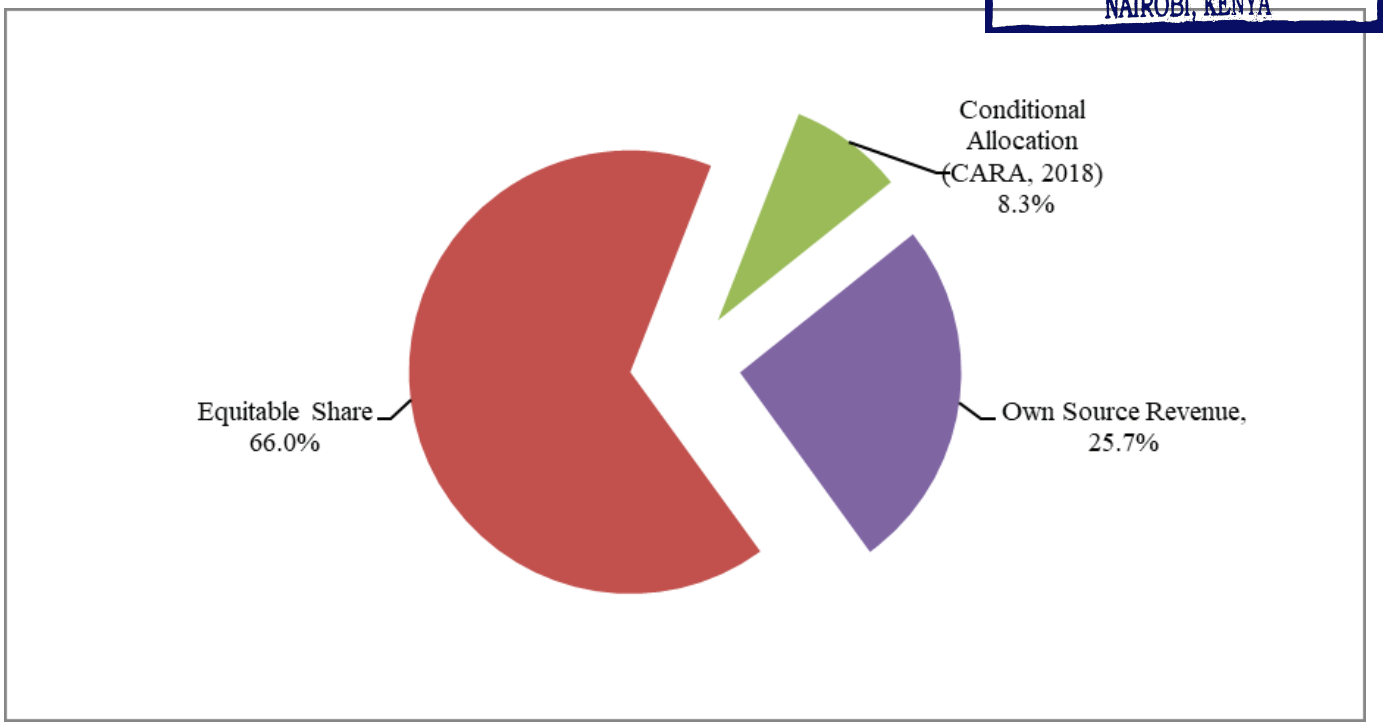
**Figure 3128 : Narok County Expected Sources of Budget Financing in FY 2018/19.**




***Source:*** *Narok County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.30.8 million (3.8 per cent) for rehabilitation od village polytechnics, Kshs.167.83 million (20.8 per cent) from Road Maintenance Levy Fund, Kshs.20.6 Million (2.6 per cent) for Health Centre and Dispensaries User Fees Foregone, grant for Kshs.200 million (24.8 per cent) for Leasing of Medical Equipment, Kshs. 49.04 million (6.09 per cent) as grants to support Kenya Devolution Support Programme (KDSP), Kshs.74.9 million (9.3 per cent) grant from Kenya Urban Support Programme, Kshs.100 million (12.4 per cent) World Bank grant to support Transformation of Health Systems, Kshs.140.4 million (17.4 per cent) World Bank credit to support National Agricultural and Rural Inclusive Growth Project and Kshs.21.8 million (2.7 per cent) grant from DANIDA to finance Universal Healthcare in the County. The County also received Kshs.199.99 million being NHIF disbursement which has been treated as revenue income not contained in the CARA, 2018.

### 3.33.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.74 billion as equitable share of revenue raised nationally, Kshs.122.81 million as total conditional grants, Kshs.200 million as revenue from NHIF, raised Kshs.1.84 billion from own-source revenue streams, and Kshs.619.05 million cash balance from FY 2017/18. The total funds available for the period amounted to Kshs.5.52 billion.

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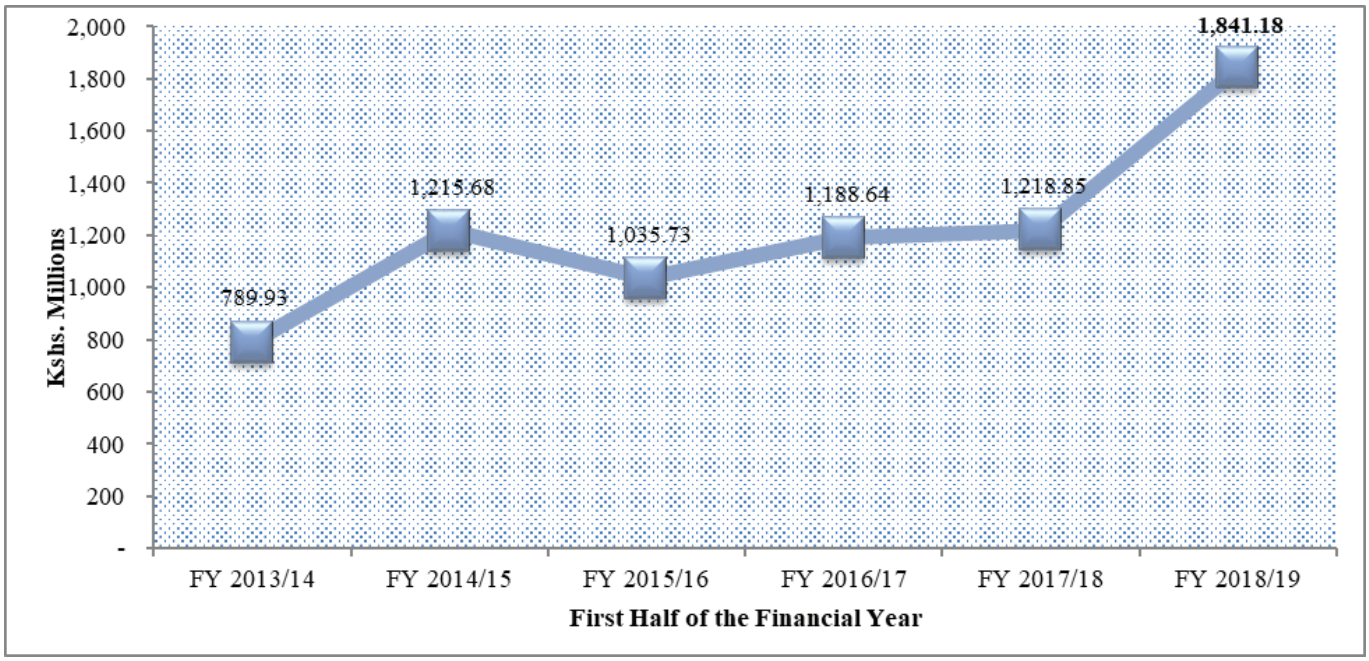
**Figure 3.129: Narok County, Trend in Own-Source Revenue Collection in the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Narok County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.1.84 billion as own-source revenue. This amount was an increase of 51.1 per cent when compared to Kshs.1.22 billion realised during the same period of FY 2017/18 and represented 74.1 per cent of the annual target.

### 3.33.3 Conditional Grants

The County received Kshs.122.8 million as conditional grants during the reporting period as shown in Table 3.93.

**Table 3.93: Narok County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Rehabilitation of Village Polytechnics-National Government | 30,820,000 | 30,820,000 | - | - |
| 2 | Road Maintenance Fuel Levy-National Government | 167,827,135 | 167,827,135 | - | - |
| 3 | Compensation for User Fees Foregone-National Government | 20,595,297 | 20,595,297 | - | - |
| 4 | Leasing of Medical Equipment-National Government | 200,000,000 | 200,000,000 | - | - |
| 5 | Kenya Devolution Support Programme-World Bank | 49,037,031 | 49,037,031 | - | - |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 6 | Kenya Urban Support Programme-World Bank | 74,905,300 | 74,905,300 | 74,905,300 | 100.0 |
| 7 | Transforming Healthcare Systems for Universal Care Project-World Bank | 100,000,000 | 100,000,000 | 36,974,292 | 37.0 |
| 8 | Agricultural & Rural Inclusive Growth Project-World Bank | 140,435,163 | 140,435,163 | - | - |
| 9 | Universal Healthcare in Devolved Systems-DANIDA | 21,870,000 | 21,870,000 | 10,935,000 | 50.0 |
| **Total** | | **805,489,926** | **805,489,926** | **122,814,592** | **15.2** |

***Source:*** *Narok County Treasury*y

Analysis of the revenues from conditional grants and loans to the County shows that, the County government received grants and loans to finance the following programmes/projects: Kenya Urban Support Program (KUSP), Kshs.74.90 million; Transformation of Healthcare Systems for Universal Care Project, Kshs.36.97 million; and Universal Healthcare in Devolved Systems Project, Kshs.10.93 million.

### 3.33.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.5.14 billion from the CRF account. The withdrawals represented 53.3 per cent of the Approved Budget and translated to an increase of 29.2 per cent from Kshs.3.98 billion approved in the first half of FY 2017/18. This comprised of Kshs.3.63 billion (70.7 per cent) to fund recurrent expenditure and Kshs.1.51 billion (29.3 per cent) for development activities.

### 3.33.5 Overall Expenditure Review

The County government spent a total of Kshs.4.77 billion on both recurrent and development activities. This expenditure represented 92.6 per cent of the total funds released from the CRF account and was an increase of 19.7 per cent from Kshs.3.98 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.1.10 billion for development activities and Kshs.506 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.26 billion while that on development activities was Kshs.1.49 billion. The recurrent expenditure was 89.8 per cent of the funds released for recurrent activities, while development expenditure was 99.3 per cent of funds released for development activities.

The recurrent expenditure represented 52.2 per cent of the annual recurrent budget a decrease from 55.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 44.1 per cent, which was an increase from 12.1 per cent attained in the first half of FY 2017/18. Figure 3.130 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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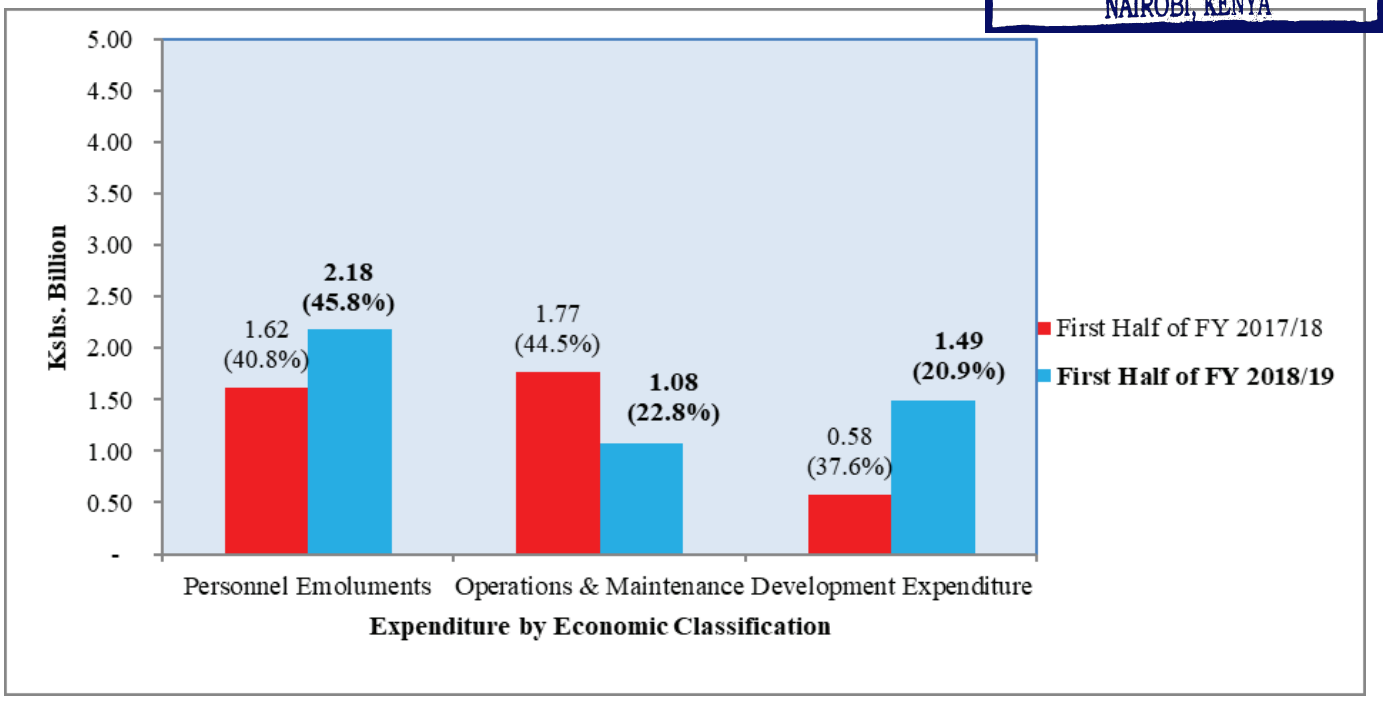
**Figure 3.130: Narok County, Expenditure by Economic Classification**




***Source:*** *Narok County Treasury*

### 3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.26 billion comprised of Kshs.2.18 billion (45.8 per cent) incurred on personnel emoluments and Kshs.1.08 billion (22.8 per cent) on operations and maintenance as shown in Figure 3.131

Expenditure on personnel emoluments represented an increase of 34.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.62 billion, and was 45.8 per cent of total expenditure for the period.

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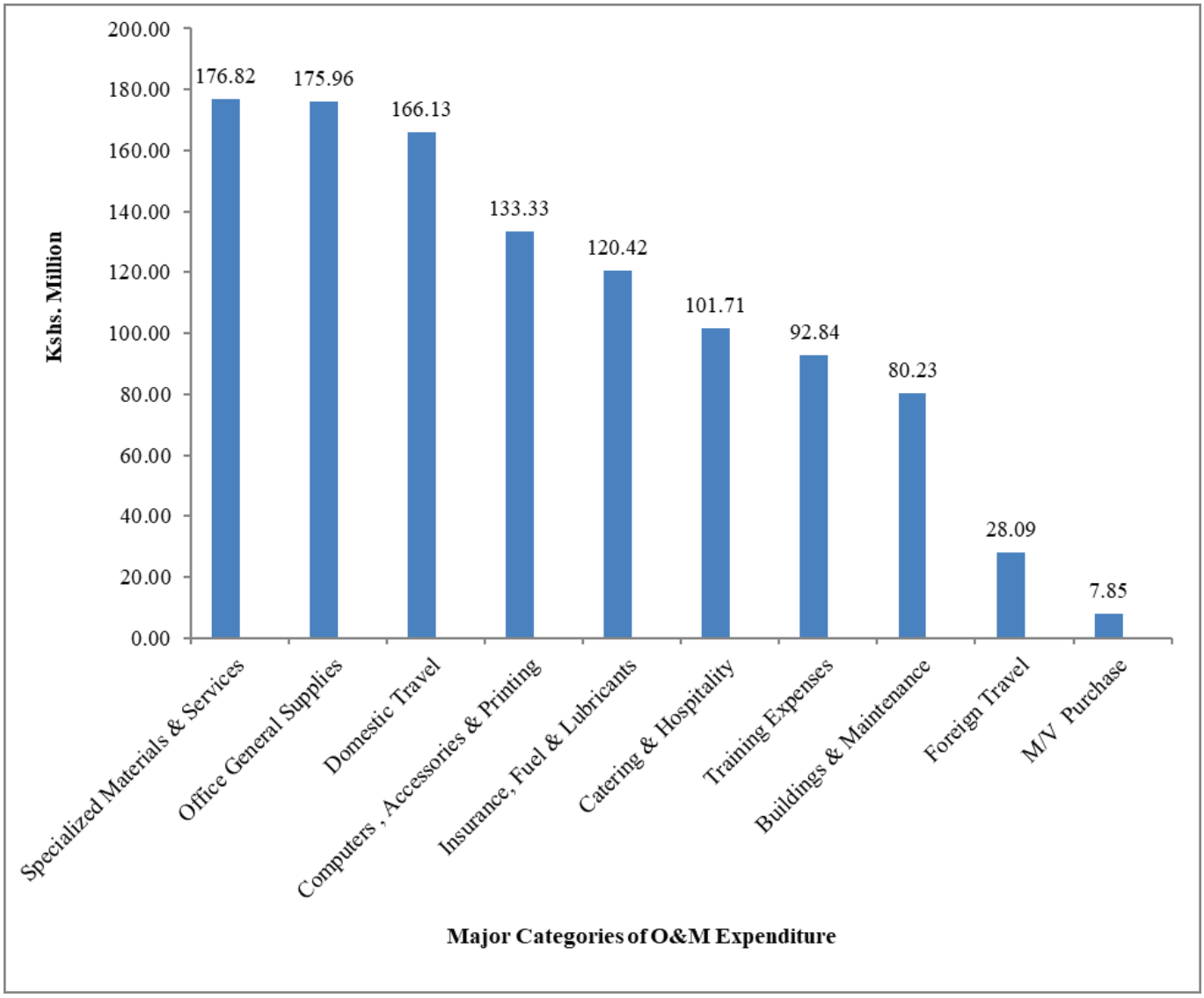
**Figure 3.131: Narok County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Narok County Treasury*

The County spent Kshs.12.8 million on MCAs' committee sitting allowances for the 48 MCAs and the speaker against the annual budget allocation of Kshs.53.81 million. The average monthly sitting allowance translated to Kshs.44,594 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.166.12 million and comprised of Kshs.102.15 million spent by the County Assembly and Kshs.63.98 million spent by the County Executive. This represented 5.1 per cent of total recurrent expenditure.

### 3.33.7 Development Expenditure

The total development expenditure of Kshs.1.49 billion represented 44.1 per cent of the annual development budget of Kshs.3.4 billion. Table 3.94 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.94: Narok County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Roads infrastructure | Narok south, North, East, Kilgoris | 976,147,135 | 540,708,234 | 55.4 |
| 2 | Civil works and infrastructure | Narok south, North, East, Kilgoris | 459,312,435 | 275,229,006 | 59.9 |
| 3 | Acquisition of roads & civil works machines | County Head Quarters | 228,000,000 | 230,037,238 | 100.9 |
| 4 | Buildings infrastructure-education | Narok south, North, East, Kilgoris | 352,799,000 | 241,024,426 | 68.3 |
| 5 | Transfers to Bursary fund & Maasai Mara | County Head Quarters | 569,375,110 | 110,800,000 | 19.5 |
| 6 | Rehabilitation of Mara & Markets yards | Narok south, North, East, Kilgoris | 130,000,000 | 100,196,100 | 77.1 |

***Source:*** *Narok County Treasury*

### 3.33.8 Budget Performance by County Department

Table 3.95 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.95: Narok County, Budget Performance by Department**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 674.49 | 200.0 | 385.00 | 10.0 | 321.54 | 9.54 | 83.5 | 95.4 | 47.7 | 4.8 |
| Office of the Governor | 278.88 | - | 218.02 | - | 204.56 | - | 93.8 | - | 73.4 | - |
| Finance and Economic Planning | 564.33 | 386.56 | 389.14 | - | 380.51 | 80.08 | 97.8 | - | 67.4 | 20.7 |
| Roads, Transport and Public works | 191.34 | 976.15 | 128.82 | 633.12 | 122.05 | 631.32 | 94.7 | 99.7 | 63.8 | 64.7 |
| Education, Youth , Sports, Culture & Social Services | 915.51 | 444.93 | 413.97 | 348.88 | 400.26 | 339.85 | 96.7 | 97.4 | 43.7 | 76.4 |
| Environment Protection, Energy, Water and Natural resources | 89.53 | 225.50 | 58.12 | 115.0 | 56.38 | 42.20 | 97.0 | 36.7 | 63.0 | 18.7 |
| County Public service Board | 71.37 | - | 48.60 | - | 46.91 | - | 96.5 | - | 65.7 | - |
| Agriculture, Livestock and Fisheries | 313.33 | 504.37 | 204.91 | 194.0 | 185.99 | 193.45 | 90.8 | 99.7 | 59.4 | 38.4 |
| Health and Sanitation | 2,010.51 | 251.41 | 1,087.83 | 91.00 | 916.88 | 88.45 | 84.3 | 97.2 | 45.6 | 35.2 |
| Lands, Housing, Physical Planning and Urban Development | 80.50 | 192.90 | 51.67 | 65.00 | 44.96 | 62.95 | 87.0 | 96.8 | 55.9 | 32.6 |
| Tourism and Wildlife | 61.99 | 130.86 | 40.78 | 33.00 | 36.30 | 31.56 | 89.0 | 95.6 | 58.6 | 24.1 |
| County Administration and Public Service Management | 924.15 | 38.55 | 561.71 | 19.00 | 552.72 | 18.60 | 98.4 | 97.9 | 59.8 | 48.2 |

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| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Trade and Industrialization | 88.51 | 49.26 | 50.75 | - | - | - | - | - | - | - |
| **TOTAL** | **6,264.44** | **3,400.49** | **3,639.32** | **1,509.00** | **3,269.06** | **1,498.00** | **89.8** | **99.3** | **52.2** | **44.1** |

***Source:*** *Narok County Treasury*

Analysis of expenditure by department shows that the Department of Education, Youth, Sports, Culture & Social Services recorded the highest absorption rate of development budget at 74.6 per cent, followed by the Department of Roads, Transport and Public works at 64.7 per cent.

### 3.33.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the collection of own source revenue by 51.1 per cent compared to a similar period in FY 2017/18.
ii. Improvement in the absorption of the development budget compared to a similar period in FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation:

1. IFMIS connectivity challenges and frequent down time affected processing of payments to suppliers.
2. Failure to budget for all the conditional grants as per CARA, 2018.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the IFMIS Directorate for support in order to address the IFMIS challenges.*
2. *The County should budget for all conditional grants as contained in CARA, 2018.*

## 3.34 Nyamira County

### 3.34.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 was Kshs.6.53 billion, comprising of Kshs.4.58 billion (70.2 per cent) and Kshs.1.95 billion (29.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (14.5 per cent) as equitable share of revenue raised nationally, Kshs.554.77 million (8.5 per cent) as total conditional grants, generate Kshs.255.57 million (3.9 per cent) from own sources, and Kshs.943.29 million (14.5 per cent) cash balance from FY 2017/18.

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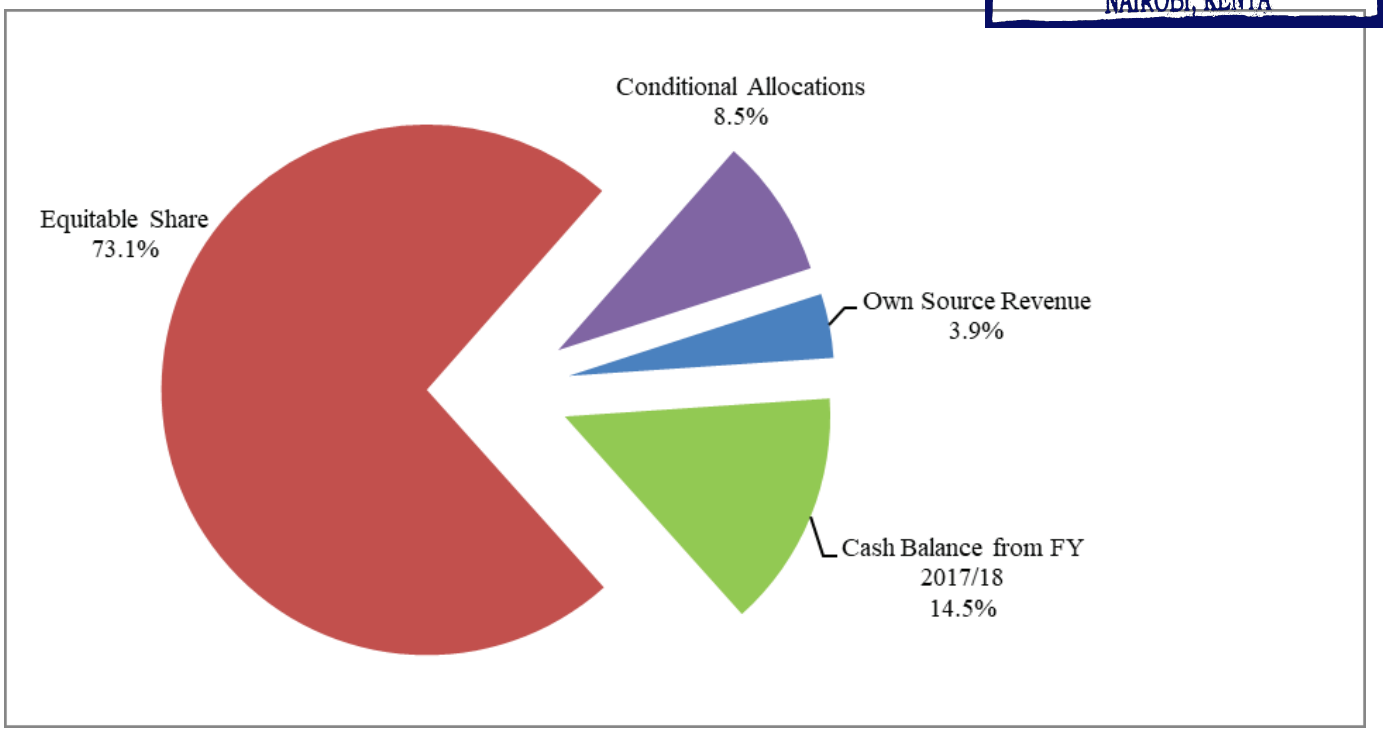
**Figure 3.132: Nyamira County Sources of Budget Financing in FY 2018/19**




***Source**: Nyamira County Treasury*

The conditional grants include those contained in the CARA, 2018 consist of; Kshs.50 million (6.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (18.6 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.42.38 million (5.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.114.71 million (15.2 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.15.49 million (2.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.13.18 million (1.7 per cent) Compensation for User Fees Foregone, Kshs.200 million (26.5 per cent) for Leasing of Medical Equipment, Kshs.125.66 million (16.6 per cent) from the Road Maintenance Fuel Levy, and Kshs.52.92 million (7.0 per cent) for Rehabilitation of Village Polytechnics.

### 3.34.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.48 billion as equitable share of revenue raised nationally, Kshs.130.95 million as total conditional grants, raised Kshs.49.90 million from own-source revenue, and had a cash balance of Kshs.1.31 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.99 billion.

Figure 3.133 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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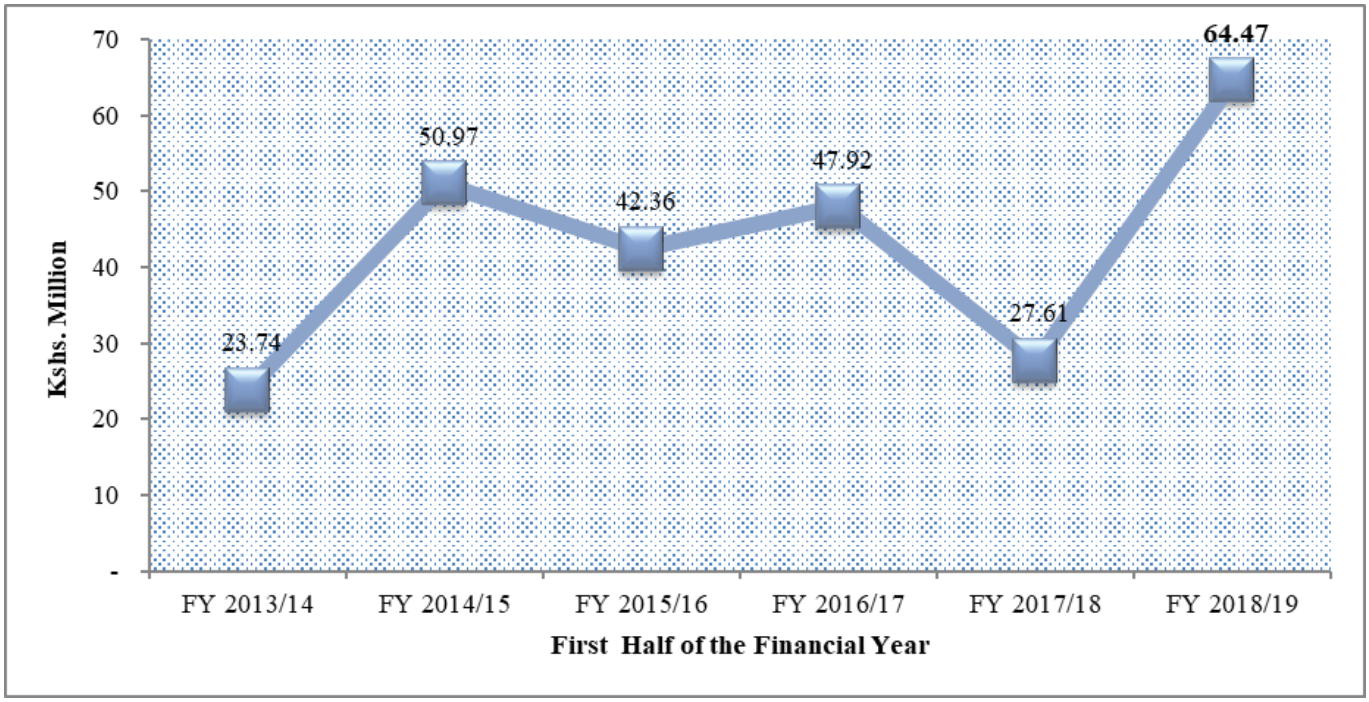
**Figure 3.133: Nyamira County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Nyamira County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.64.47 million from own-source revenue sources. This amount was an increase of 133.5 per cent when compared to Kshs.27.61 million realised during the same period of FY 2017/18 and represented 25.2 per cent of the annual target. The first quarter FY 2018/19 own revenue was revised from Kshs.18.26 million to Kshs.32.82 million after recognising revenue from public health fees.

### 3.34.3 Conditional Grants

The County received Kshs.130.95 million as conditional grants during the reporting period as shown in Table 3.96.

**Table 3.96: Nyamira County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants/Loans contained in CARA, 2018** | | | | |
| | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |
| | Road Maintenance Fuel Levy | 125,663,667 | 125,663,667 | - | - |
| | Kenya Urban Support Project (KUSP) | 114,705,300 | 114,705,300 | 114,705,300 | 100.0 |
| | Rehabilitation of Village Polytechnics | 52,915,000 | 52,915,000 | - | - |
| | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 8,501,050 | 17.0 |
| | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 42,383,765 | 42,383,765 | - | - |
| | DANIDA Grant | 15,491,250 | 15,491,250 | 7,745,625 | 50.0 |
| | Compensation for User Fee Foregone | 13,175,221 | 13,175,221 | - | - |
| | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | Grants/Loans contained in CARA, 2018 | | | | |
| | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| Grand Total | | 754,769,366 | 554,769,366 | 130,951,975 | 23.6 |

***Source:*** *Nyamira County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received disbursements from Kenya Urban Support Project (KUSP), the DANIDA Grant, and Transforming Health Systems for Universal Care Project (WB) grant. These receipts accounted for 100 per cent, 50 per cent, and 17 per cent of the annual allocation respectively.

### 3.34.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.25 billion from the CRF account. The withdrawals represented 34.5 per cent of the Approved Budget and translate to an increase 28.6 per cent from Kshs.1.58 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.03 billion (90.2 per cent) to fund recurrent expenditure and Kshs.220.05 million (9.8 per cent) for development activities.

### 3.34.5 Overall Expenditure Review

The County government spent a total of Kshs.2.28 billion on both recurrent and development activities. This expenditure represented 101.2 per cent of the total funds released from the CRF account and was an increase of 45 per cent from Kshs.1.57 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.155.44 million for development activities and Kshs.73.91 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.09 million while that on development activities was Kshs.190.49 million. The recurrent expenditure was 102.8 per cent of the funds released for recurrent activities, while development expenditure was 86.6 per cent of funds released for development activities.

The recurrent expenditure represented 45.6 per cent of the annual recurrent budget and was an increase from 37.5 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 9.8 per cent, which was an increase from 0.8 per cent attained in the first half of FY 2017/18. Figure 3.134 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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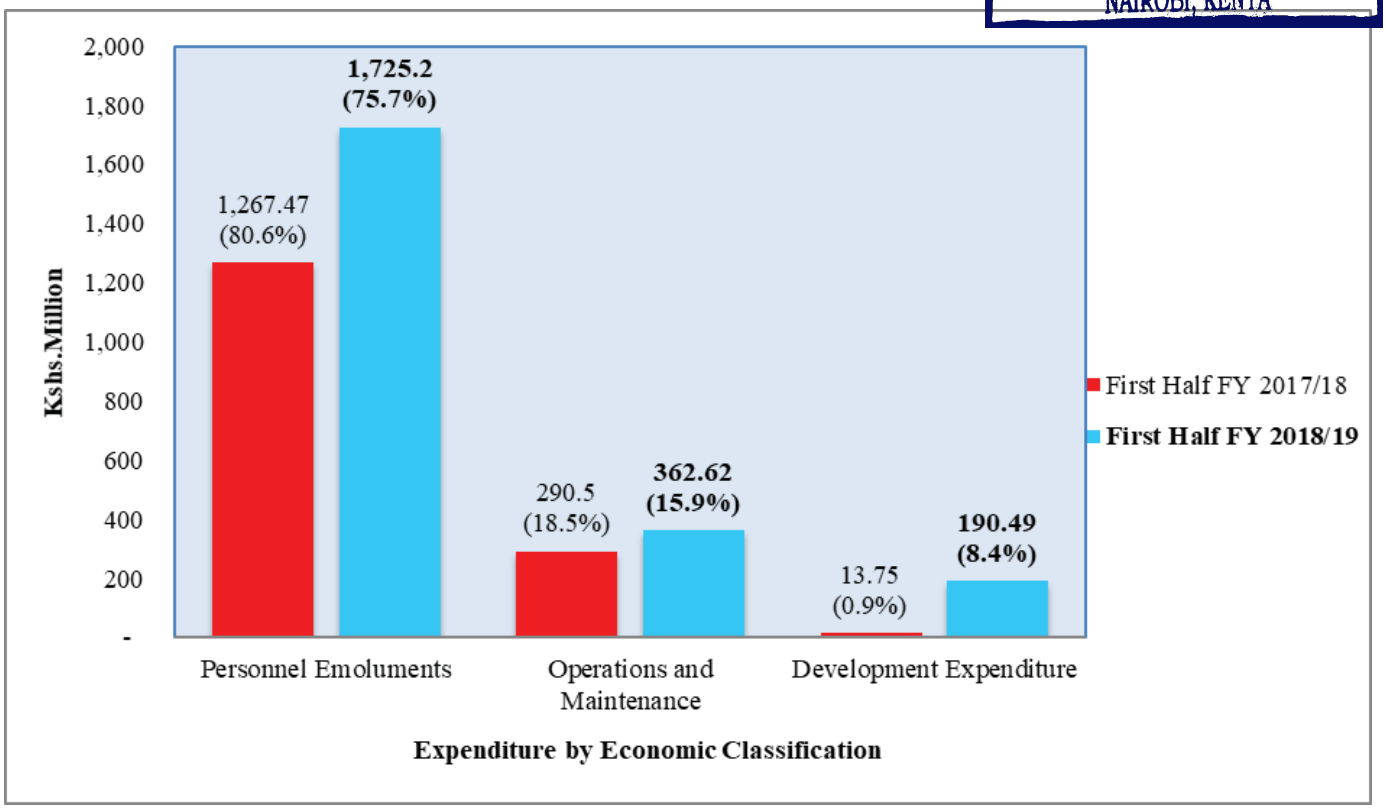
**Figure 3.134: Nyamira County, Expenditure by Economic Classification**




***Source:*** *Nyamira County Treasury*

### 3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.09 billion comprised of Kshs.1.73 billion (82.6 per cent) incurred on personnel emoluments and Kshs.362.62 million (17.4 per cent) on operations and maintenance as shown in Figure 3.134.

Expenditure on personnel emoluments represented an increase of 36.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.27 billion, and was 75.7 per cent of total expenditure for the period. Figure 3.135 shows a summary of operations and maintenance expenditure by major categories.

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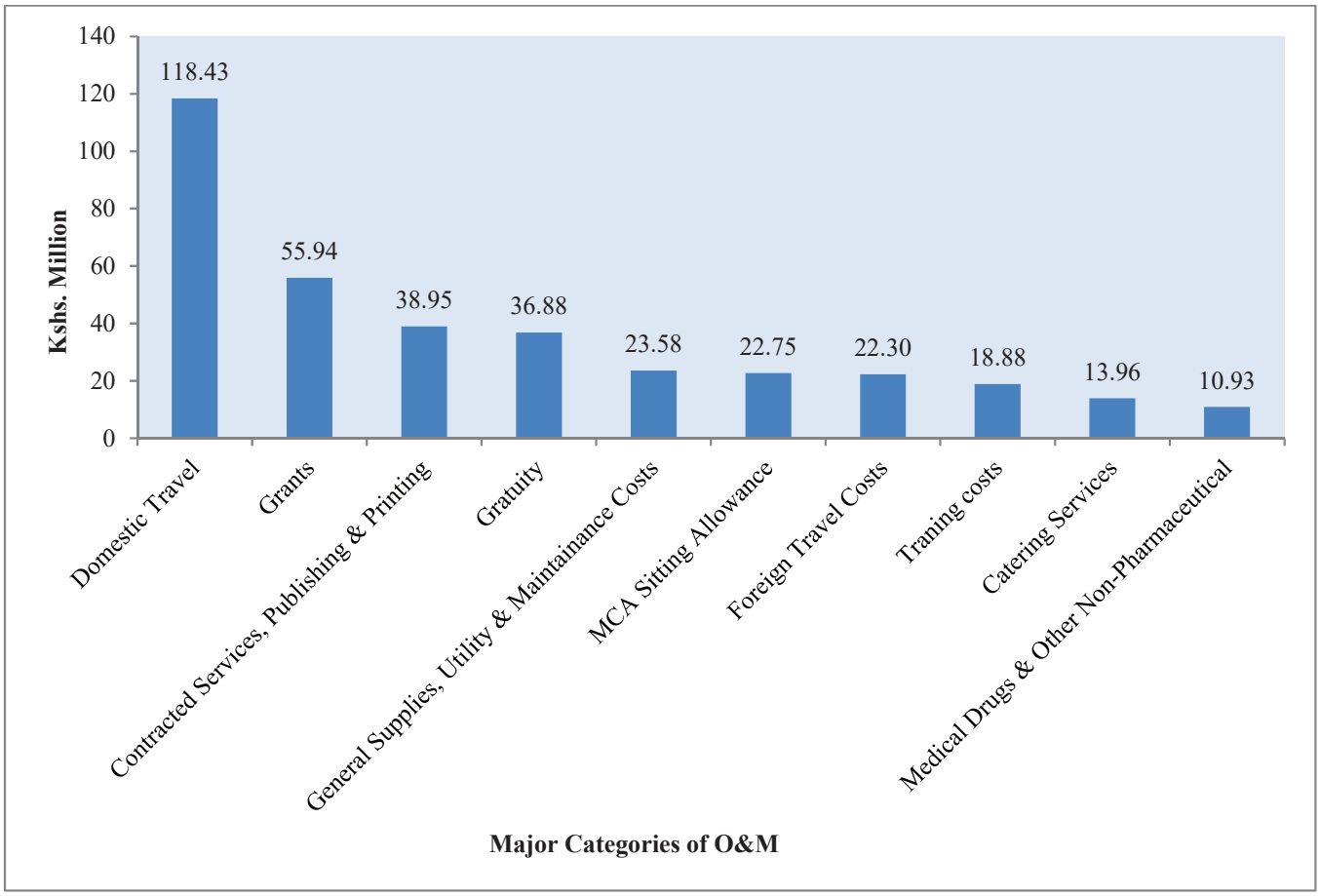
**Figure 3.135: Nyamira County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Nyamira County Treasury*

The County spent Kshs.22.75 million on MCAs' committee sitting allowances for the 37 MCAs against the annual budget allocation of Kshs.66.64 million. This amount represented an increase of 244.4 per cent compared to Kshs.6.61 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.102,498 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.118.43 million and comprised of Kshs.57.36 million spent by the County Assembly and Kshs.61.07 million spent by the County Executive. This represented 5.7 per cent of total recurrent expenditure.

### 3.34.7 Development Expenditure

The total development expenditure of Kshs.190.49 million represented 9.8 per cent of the annual development budget of Kshs.1.95 billion. Table 3.97 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.97: Nyamira County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Proposed Construction of Amenity Block with the Doctor's Plaza at Nyamira Referral (Female and Male Wards) | Nyamira Town | 126,000,000 | 6,259,890 | 5 |
| 2 | Youth Polytechnic Education Support Programme In Collaboration With The Ministry of Education (National Government) | County Wide | 52,915,950 | 25,410,000 | 48 |
| 3 | Civil Works for the Construction and Completion of Nyambaria I Water Supply | Magombo | 13,215,000 | 11,252,805 | 85.2 |
| 4 | Proposed Construction of Car Parking Lots Between Nyamira County Referral Hospital and Huduma Centre | Nyamira Town | 13,000,000 | 7,800,000 | 60 |
| 5 | Civil Works for the Construction and Completion of Raitigo II Water Supply | Raitigo | 8,500,000 | 4,766,505 | 56.1 |
| 6 | Proposed Repair and Maintenance of (D209) Eng. Chencha-Simbaut M.C Junc-Dam-Kamau Junction Road | Nyansiongo | 4,022,800 | 4,022,800 | 100 |
| 7 | Refurbishment of Staff Quarters Block at Nyamira County Referral Hospital | Nyamira Town | 4,000,000 | 4,000,000 | 100 |
| 8 | Proposed Repair and Maintenance of (D225) Onseka - Eturungi Junction -Amakura Prim Sch - Mokomoni Junc -Road | Kiabonyoru | 3,895,620 | 3,895,620 | 100 |
| 9 | Completion of Typical 3 No. ECDE Classrooms & Pit Latrine at Rianyakangi Primary School | Rianyakangi | 3,710,000 | 3,701,131 | 99.8 |
| 10 | Completion of Typical 3 No. ECD Classrooms and Pit Latrine at Rianyakangi Primary School | Kiabonyoru | 3,701,131 | 3,701,131 | 100 |

***Source:*** *Nyamira County Treasury*

### 3.34.8 Budget Performance by County Department

Table 3.98 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.98: Nyamira County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 587.43 | 200.00 | 261.52 | 3.08 | 260.85 | 3.08 | 99.7 | 100.0 | 44.4 | 1.5 |
| County Executive | 477.37 | | 202.64 | - | 173.10 | - | 85.4 | - | 36.3 | - |
| Finance & Economic Planning | 361.02 | 140.00 | 146.74 | - | 151.48 | 0.91 | 103.2 | - | 42.0 | 0.7 |
| Agriculture, Livestock & Fisheries | 309.32 | 102.28 | 102.39 | 0.90 | 121.17 | 28.89 | 118.3 | 3,209.9 | 39.2 | 28.2 |
| Environment, Water, Natural Resources, Mining & Energy | 114.92 | 198.52 | 52.17 | 27.19 | 55.13 | 39.37 | 105.7 | 144.8 | 48.0 | 19.8 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Education & Youth Empowerment | 457.80 | 199.42 | 166.01 | 13.34 | 191.56 | 15.41 | 115.4 | 115.5 | 41.8 | 7.7 |
| Health Services | 1,649.55 | 199.00 | 781.60 | 13.59 | 830.90 | 14.65 | 106.3 | 107.8 | 50.4 | 7.4 |
| Lands, Housing & Physical Planning | 81.30 | 276.41 | 42.58 | 129.37 | 38.39 | - | 90.2 | 0.0 | 47.2 | - |
| Roads, Transport & Public Works | 113.21 | 447.25 | 58.00 | 20.29 | 50.67 | 16.57 | 87.4 | 81.7 | 44.8 | 3.7 |
| Trade, Tourism, Industrialisation & Cooperative Development | 53.09 | 87.00 | 27.15 | 7.53 | 26.93 | 19.81 | 99.2 | 263.0 | 50.7 | 22.8 |
| Sports, Gender, Culture & Social Services | 59.05 | 92.85 | 26.90 | 4.75 | 24.22 | 51.80 | 90.0 | 1,090.5 | 41.0 | 55.8 |
| County Public Service Board | 59.07 | - | 37.82 | - | 20.96 | - | 55.4 | - | 35.5 | - |
| Public Service Management | 255.42 | 51.64 | 125.56 | - | 142.47 | | 113.5 | - | 55.8 | - |
| **TOTAL** | **4,578.54** | **1,994.36** | **2,031.08** | **220.05** | **2,087.82** | **190.49** | **102.8** | **86.6** | **45.6** | **9.6** |

***Source:*** *Nyamira County Treasury*

Analysis of expenditure by department shows the Department of Sports, Gender, Culture & Social Services recorded the highest absorption rate of development budget at 55.8 per cent while the Department of Lands, Housing & Physical Planning and that of Public Service Management did not incur any development expenditure. The Department of Public Service Management had the highest percentage of recurrent expenditure to recurrent budget at 55.8 per cent while the County Public Service Board had the lowest at 35.5 per cent.

### 3.34.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own source revenue collection by 133.5 per cent compared to that realised during the same period of FY 2017/18.
ii. Improvement in absorption of development budget from 0.8 per cent attained in the first half of FY 2017/18 to 9.8 per cent in the reporting period.
iii. Harmonisation of key economic planning documents, such as CIDP, ADP, and CFSP, which promoted smooth budget implementation.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
2. The County's wage bill has remained high at 75.7 per cent of total expenditure for the period and has increased by 36.1 per cent from Kshs.1.27 billion spent in first half of FY 2017/18 to Kshs.1.73 billion in the reporting period.
3. Delay by Fund Administrators of the County Assembly Car & Mortgage Fund, County Executive Car & Mortgage Fund as well as the Bursary Fund to submit financial reports contrary to Section 168 of the PFM Act, 2012.
4. Delay in implementation of development activities during first half of FY 2018/19. The County spent Kshs.190.49 million on development projects which represents 9.8 per cent of the annual development

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budget of Kshs.1.95 billion.

The County should implement the following recommendations in order to improve budget execution:

1. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
2. *The County Public Service Board should establish an optimal staffing structure to ensure a sustainable wage bill.*
3. *All Fund Administrators should submit quarterly financial statements in line with Section 168 of the PFM Act, 2012.*
4. *The County should identify and address issues that caused delay in implementation of development projects.*

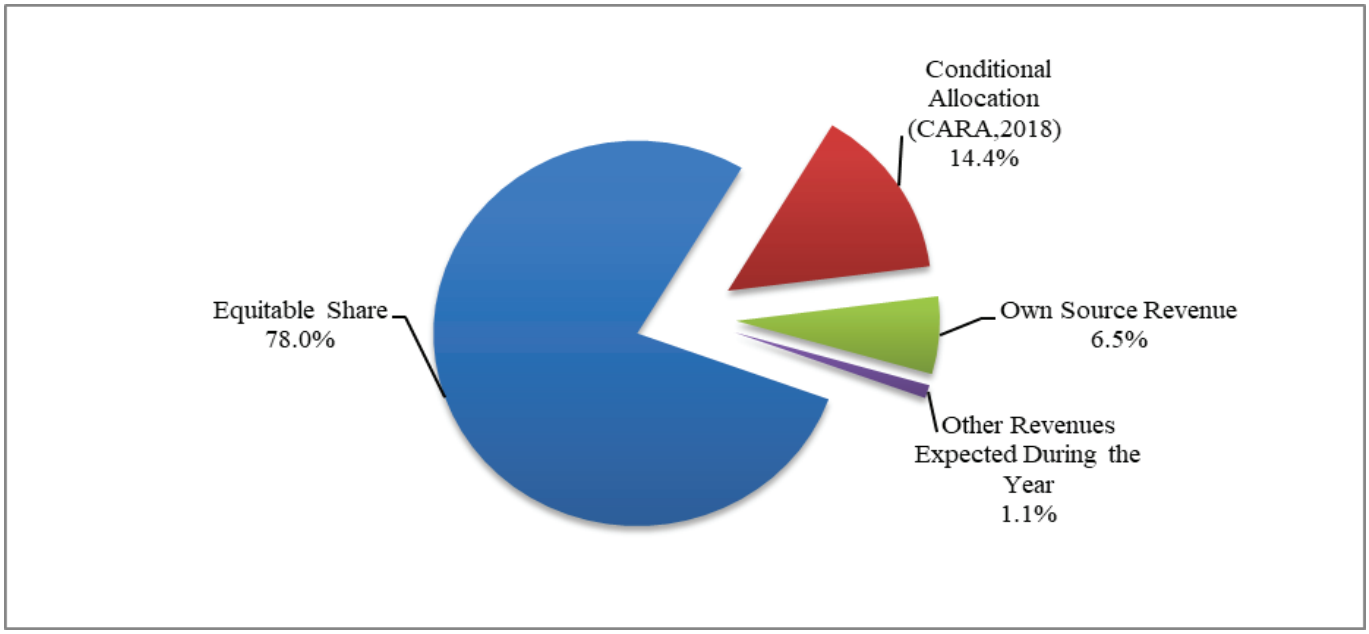
## 3.35 Nyandarua County

### 3.35.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 was Kshs.6.32 billion, comprising of Kshs.4.22 billion (66.7 per cent) and Kshs.2.10 billion (33.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (78 per cent) as equitable share of revenue raised nationally, Kshs.979.84 million (15.5 per cent) as total conditional grants (CARA), Kshs.70 million (1.1 per cent) as other conditional grants not contained in the CARA, 2018, and generate Kshs.410 million (6.5 per cent) from own source.

**Figure 3.136: Nyandarua County Sources of Budget Financing in FY 2018/19**




***Source**: Nyandarua County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (5.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (12.9 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.43.07 million (4.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.135.54 million (14.9 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.16 million (1.8 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (4.9 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.121 million (13.3 per cent) Supplement for Construction of County Headquarters, Kshs.12.74 million (1.4 per cent) Compensation for User Fees

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Foregone, Kshs.200 million (22 per cent) for Leasing of Medical Equipment, Kshs.120.6 million (24.3 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.39.7 million (4.4 per cent) for Rehabilitation of Village Polytechnics.

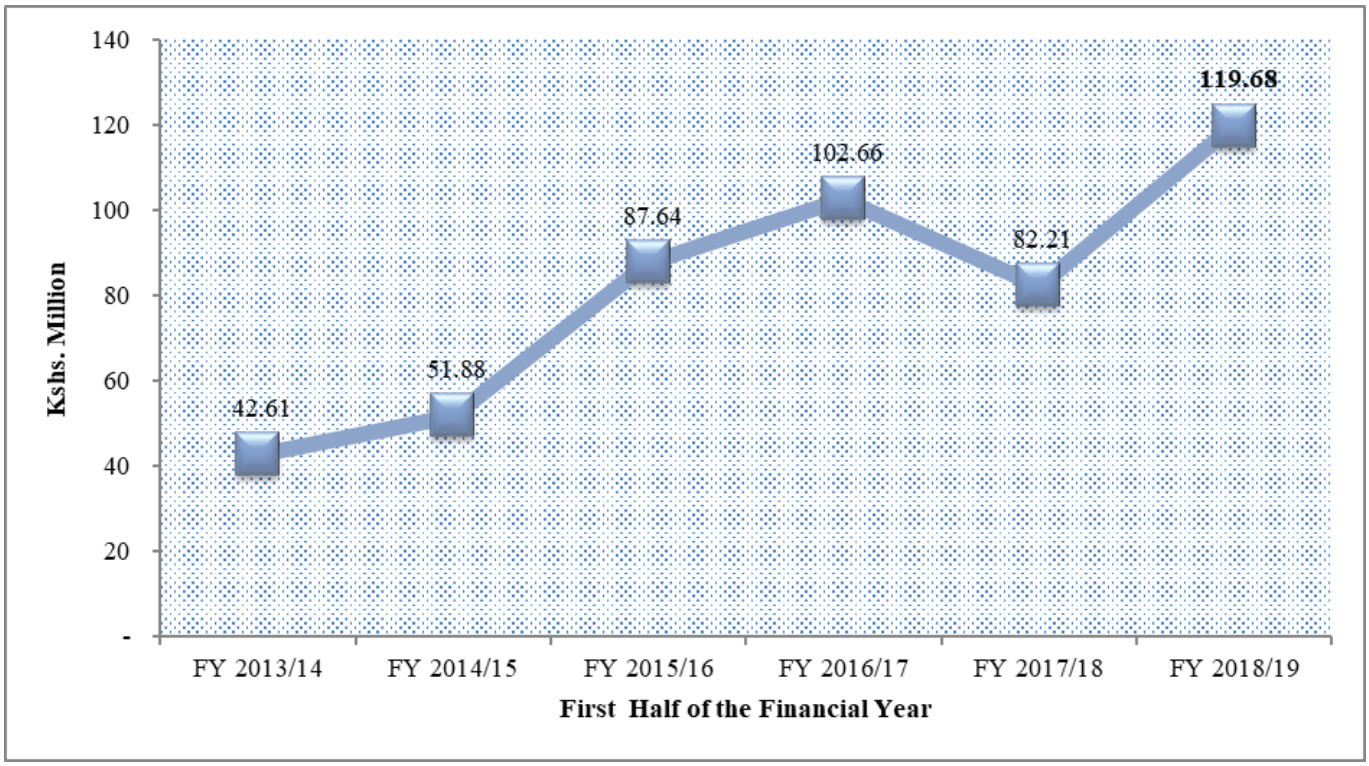
The County also budgeted to receive Kshs.40 million as grant for the World Bank Grant for Kenya Urban Support Programme (KUSP) Level 1programme and Kshs.30 million as grant for the Linda mama (A-I-A) Programme, which is not contained in the CARA, 2018.

### 3.35.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.77 billion as equitable share of revenue raised nationally, Kshs.55.86 million as total conditional grants, raised Kshs.119.68 million from own-source revenue, and had a cash balance of Kshs.1.06 billion from FY 2017/18. The total funds available for the period amounted to Kshs.4.01 billion.

Figure 3.137 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.137: Nyandarua County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Nyandarua County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.119.68 million from own-source revenue sources. This amount was an increase of 45.6 per cent when compared to Kshs.82.21 million generated during the same period of FY 2017/18 and represented 29.2 per cent of the annual target.

### 3.35.3 Conditional Grants

The County received Kshs.55.86 million as conditional grants during the reporting period as shown in Table 3.99.

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**Table 3.99: Nyandarua County, Conditional Grants/Loans Received in First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in First Half of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| | **Grants contained in CARA,2018** | | | | |
| 1 | Supplement for Construction of County Headquarters | 121,000,000 | 121,000,000 | - | - |
| 2 | Compensation for User Fee Foregone | 12,735,922 | 12,735,922 | - | - |
| 3 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 4 | Road Maintenance Fuel Levy | 129,797,341 | 129,797,341 | 32,641,949 | 25.1 |
| 5 | Rehabilitation of Village Polytechnics | 39,700,000 | 39,700,000 | 5,798,328 | 15.1 |
| 6 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 17,240,363 | 34.5 |
| 7 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | - | - |
| 8 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 43,069,316 | 43,069,316 | - | - |
| 9 | Kenya Urban Support Project (KUSP) | 135,543,400 | 135,543,400 | 135,543,400 | 100 |
| 10 | DANIDA Grant | 15,997,500 | 15,997,500 | - | - |
| 11 | EU Grant | 45,000,000 | 45,000,000 | - | - |
| **Sub Total** | | **909,843,479** | **909,843,479** | **55,860,640** | **6.1** |
| | **Other Grants** | | | | |
| 12 | World Bank Grant for Kenya Urban Support Programme (KUSP) Level 1 | 41,200,000 | 40,000,000 | - | - |
| 13 | Linda mama (A-I-A) | - | 30,000,000 | - | - |
| **Sub Total** | | - | 70,000,000 | - | - |
| **Total** | | **909,843,479** | **979,843,479** | **55,860,640** | **5.7** |

***Source:*** *Nyandarua County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.35.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.21 billion from the CRF account. The withdrawals represented 34.9 per cent of the Approved Budget and translate to an increase of 56.9 per cent from Kshs.1.41 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.1.83 billion (82.9 per cent) to fund recurrent expenditure and Kshs.376.15 million (17.1 per cent) for development activities.

### 3.35.5 Overall Expenditure Review

The County government spent a total of Kshs.1.67 billion on both recurrent and development activities. This expenditure represented 75.5 per cent of the total funds released from the CRF account and was a increase of 22.4 per cent from Kshs.1.36 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.27.51 million for development activities and Kshs.189.32 million for recurrent expenditure.

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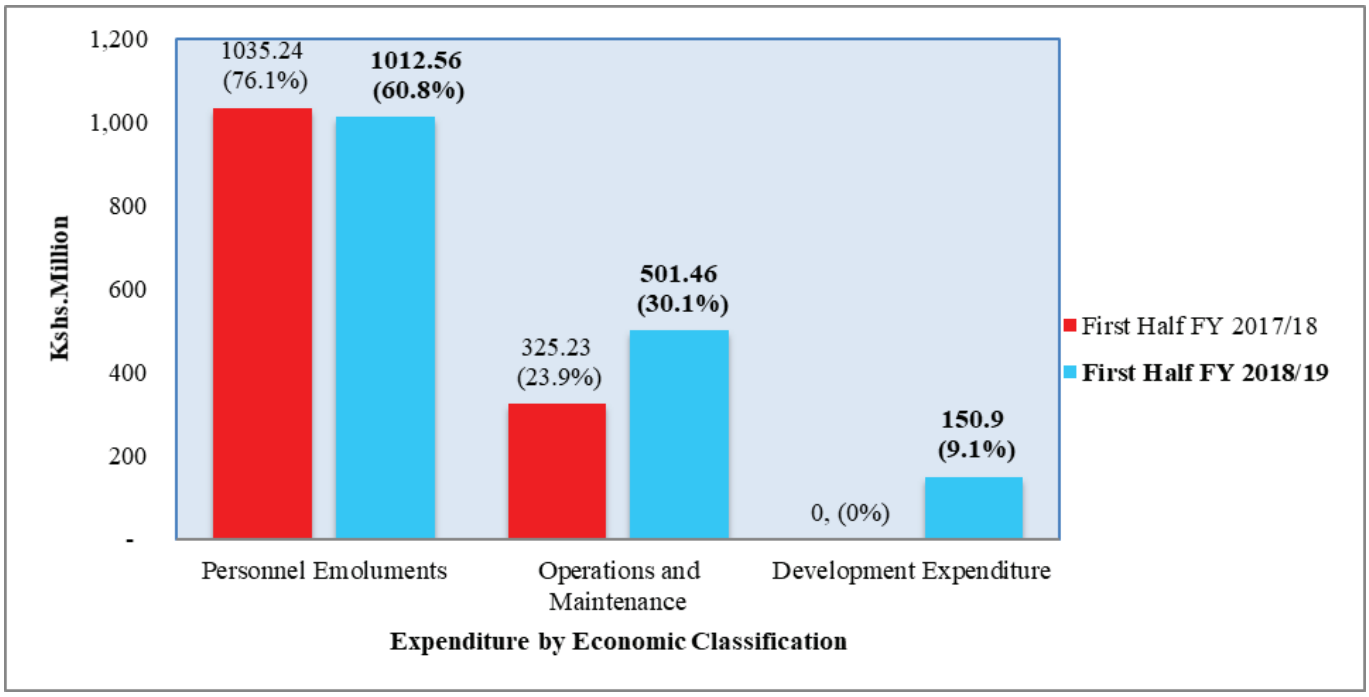
Expenditure on recurrent activities amounted to Kshs.1.51 billion while that on development activities was Kshs.150.90 million. The recurrent expenditure was 82.7 per cent of the funds released for recurrent activities, while development expenditure was 40.1 per cent of funds released for development activities.

The recurrent expenditure represented 35.9 per cent of the annual recurrent budget and was an increase from 23.9 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 7.2 per cent, while there was no expenditure on development activities in the first half of FY 2017/18. Figure 3.138 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

**Figure 3.138: Nyandarua County, Expenditure by Economic Classification**




***Source:*** *Nyandarua County Treasury*

### 3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.51 billion comprised of Kshs.1.01 billion (66.9 per cent) incurred on personnel emoluments and Kshs.501.46 million (33.1 per cent) on operations and maintenance as shown in Figure 3.138.

Expenditure on personnel emoluments represented a decrease of 2.2 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.04 billion, and was 60.8 per cent of total expenditure for the period. Figure 3.139 shows a summary of operations and maintenance expenditure by major categories.

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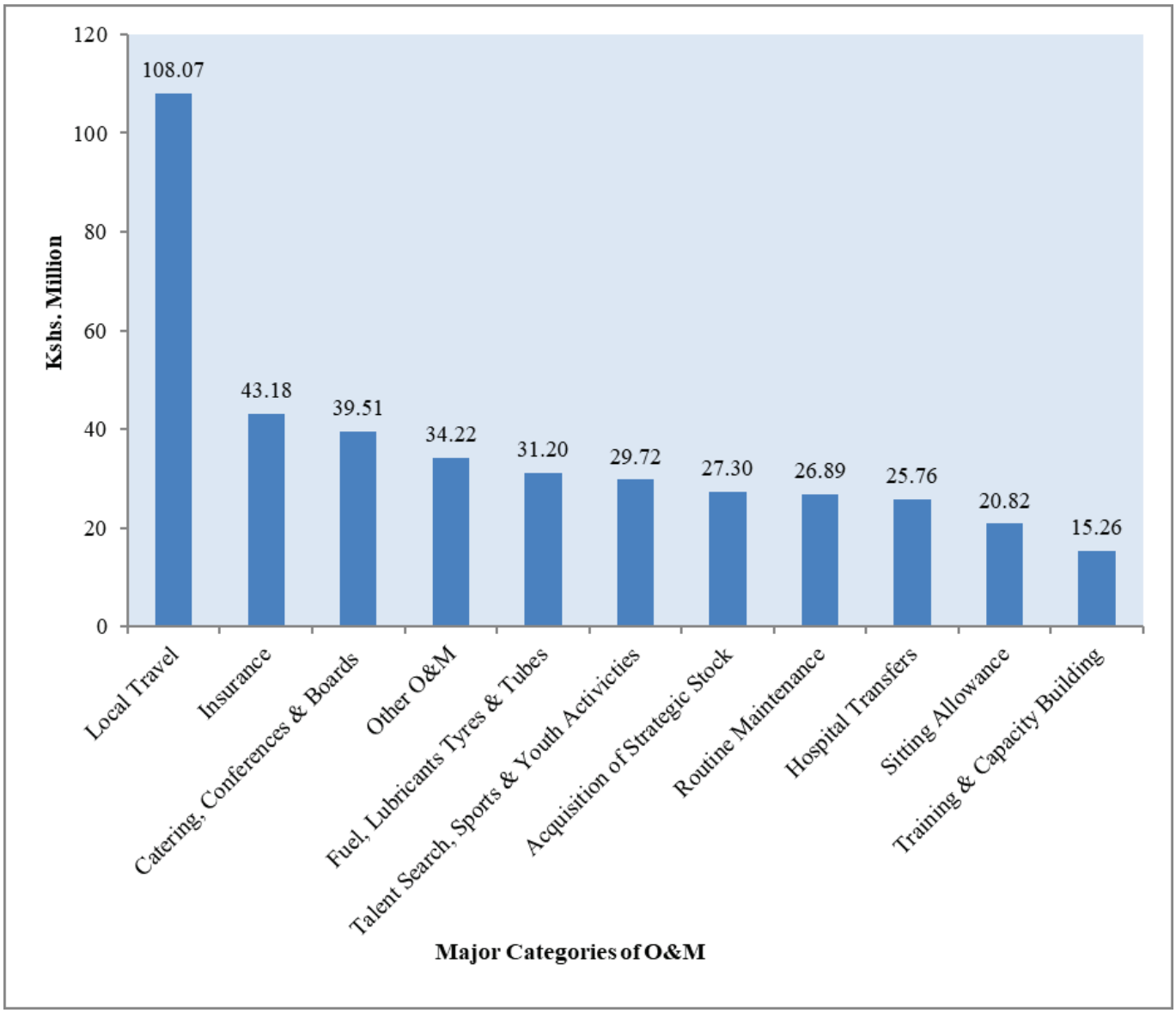
**Figure 3.139: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Nyandarua County Treasury*

The County spent Kshs.20.82 million on MCAs' committee sitting allowances for the 40 MCAs against the annual budget allocation of Kshs.57.22 million. This amount represented an increase of 319.1 per cent compared to Kshs.4.97 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.86,741 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.108.07 million and comprised of Kshs.39.54 million spent by the County Assembly and Kshs.68.54 million spent by the County Executive and represented 7.1 per cent of total recurrent expenditure.

### 3.35.7 Development Expenditure

The total development expenditure of Kshs.150.90 million represented 7.2 per cent of the annual development budget of Kshs.2.10 billion. Table 3.100 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.100: Nyandarua County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|
| 1 | Fuel Levy Fund | 129,797,341 | 25,712,452 | 19.8 |
| 2 | Construction of an Office Block | 186,000,000 | 20,016,489 | 10.8 |
| 3 | Number 3 bridge | 4,000,000 | 4,000,000 | 100.0 |
| 4 | Mugoiri Rd | 2,500,000 | 2,500,000 | 100.0 |
| 5 | Nandarasi-Kitriri sub-location assorted Road | 3,000,000 | 2,435,030 | 81.2 |
| 6 | Baraka Rd | 2,000,000 | 2,000,000 | 100.0 |
| 7 | MC Dan Rd | 2,500,000 | 1,984,160 | 79.4 |
| 8 | JJ Davis-Blue City | 3,000,000 | 1,981,570 | 66.1 |
| 9 | Flyover-Kento Rd | 1,900,000 | 1,900,000 | 100.0 |
| 10 | AIC Kangodo Rd | 2,000,000 | 1,845,304 | 92.3 |
| 11 | Kayole Wakagwa Rd | 1,900,000 | 1,800,000 | 94.7 |

***Source:*** *Nyandarua County Treasury*

### 3.35.8 Budget Performance by County Department

Table 3.101 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.101: Nyandarua County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Transport, Energy & Public Works | 61.99 | 777.85 | 27.86 | 132.84 | 34.17 | 126.01 | 122.6 | 94.9 | 55.1 | 16.2 |
| Agriculture Livestock & Fisheries | 91.00 | 236.78 | 15.39 | 82.88 | 11.61 | - | 75.5 | - | 12.8 | - |
| County Assembly | 643.47 | 186.00 | 300.25 | 20.02 | 291.47 | 20.02 | 97.1 | 100.0 | 45.3 | 10.8 |
| County Attorney | 8.98 | 1.00 | 0.84 | - | 1.20 | - | 143.6 | - | 13.4 | - |
| County Public Service Board | 10.23 | - | 4.68 | - | 2.28 | - | 48.6 | - | 22.3 | - |
| Education, Gender, Youth, Culture and Social Services | 74.59 | 107.50 | 12.15 | - | 13.97 | - | 114.9 | - | 18.7 | - |
| Finance & Economic Development | 475.96 | - | 348.05 | - | 84.71 | - | | | | |
| Governor's Office & Service Delivery | 111.59 | - | 42.80 | - | 44.41 | - | 103.7 | - | 39.8 | - |
| Health Services | 597.01 | 128.45 | 94.38 | 4.87 | 60.66 | 4.87 | 64.3 | 100 | 10.2 | 3.8 |
| Industrialization Cooperatives, Trade & Enterprise Development | 23.22 | 147.07 | 7.22 | - | 4.33 | - | 60.0 | - | 18.7 | - |
| Lands, Housing & Physical Planning | 62.25 | 252.59 | 9.71 | 135.54 | 7.59 | - | 78.1 | - | 12.2 | - |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Public Administration & ICT | 37.73 | - | 11.11 | - | 9.75 | - | 87.8 | - | 25.8 | - |
| The County Secretary | 1,920.32 | - | 924.24 | - | 890.86 | - | 96.4 | - | 46.4 | - |
| Water , Environment, Tourism &Natural resources | 58.77 | 210.62 | 12.64 | - | 26.71 | - | 211.2 | - | 45.4 | - |
| Youth, Sports and Arts | 40.16 | 54.50 | 18.52 | - | 30.31 | - | 163.7 | - | 75.5 | - |
| **Total** | **4,217.28** | **2,102.37** | **1,829.86** | **376.15** | **1,514.02** | **150.90** | **82.7** | **40.1** | **35.9** | **7.2** |

***Source:*** *Nyandarua County Treasury*

Analysis of expenditure by department shows the Department of Transport Energy and Public recorded the highest absorption rate of development budget at 16.2 per cent followed by the County Assembly and the Health Services department at 10.8 per cent and 3.8 per cent respectively the other departments did not incur any development expenditure. The Department of Youth Sports and the Arts had the highest percentage of recurrent expenditure to recurrent budget at 75.5 per cent while the Health Services Department had the lowest at 10.2 per cent.

### 3.35.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own-source revenue collection by 45.6 per cent when compared to the same period in FY 2017/18

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
2. High wage bill which represented 60.8 per cent of the total expenditure in the reporting period.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2018.*
2. *The County Public Service Board should devise strategies to ensure the wage bill is sustainable.*

## 3.36 Nyeri County

### 3.36.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.8.50 billion, comprising of Kshs.5.52 billion (65 per cent) and Kshs.2.96 billion (35 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.02 billion (59.1 per cent) as equitable share of revenue raised nationally, Kshs.1.08 billion (12.8 per cent) as total conditional grants, generate Kshs.1 billion (11.8 per cent) from own sources, and Kshs.1.38 billion (16.3 per cent) cash balance from FY 2017/18.

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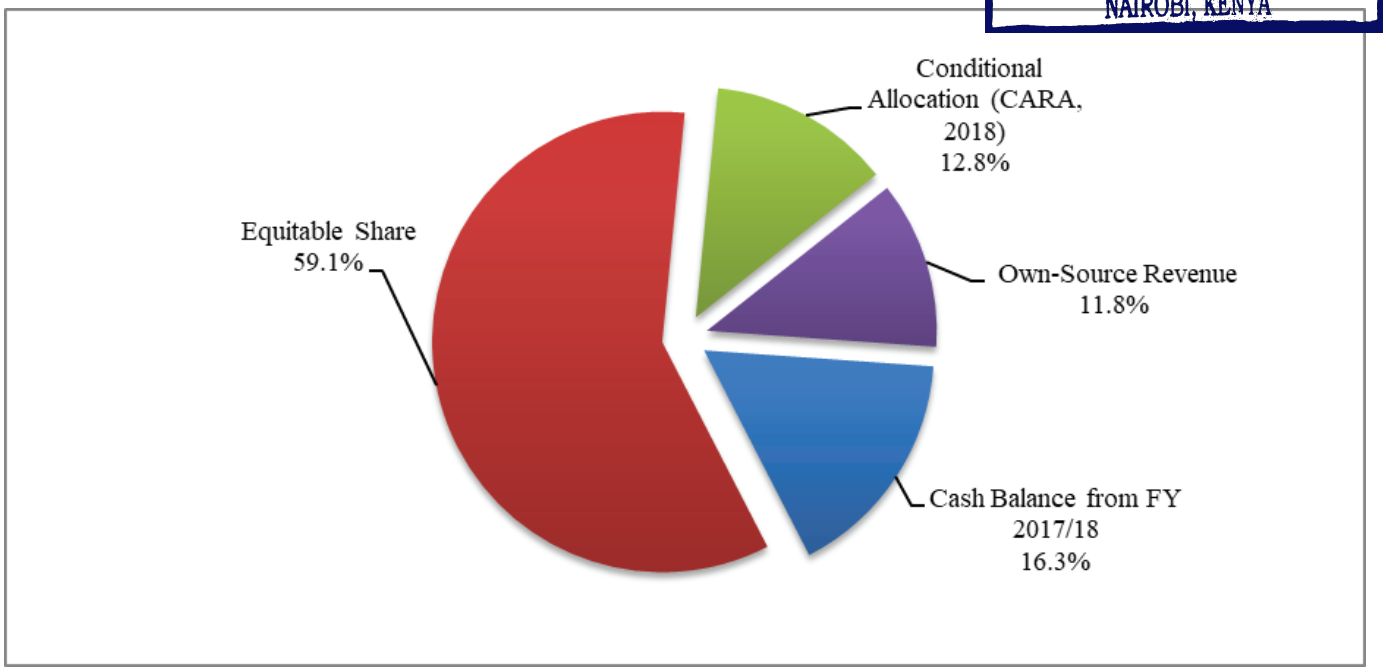
**Figure 3.140: Nyeri County Sources of Budget Financing in FY 2018/19**




***Source**: Nyeri County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (4.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117.0 million (10.8 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.43.74 million (4 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.276.64 million (25.5 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.16.6 million (1.5 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.407.86 million (37.5 per cent) to the Nyeri Level-5 Hospital, Kshs.13.7 million (1.3 per cent) as Compensation for User Fees Foregone, Kshs.132.28 million (12.2 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.28.79 million (2.6 per cent) for Rehabilitation of Village Polytechnics.

### 3.36.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.06 billion as equitable share of revenue raised nationally, Kshs.426.76 million as total conditional grants, raised Kshs.331.02 million from own-source revenue, and had a cash balance of Kshs.1.39 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.2 billion.

Figure 3.141 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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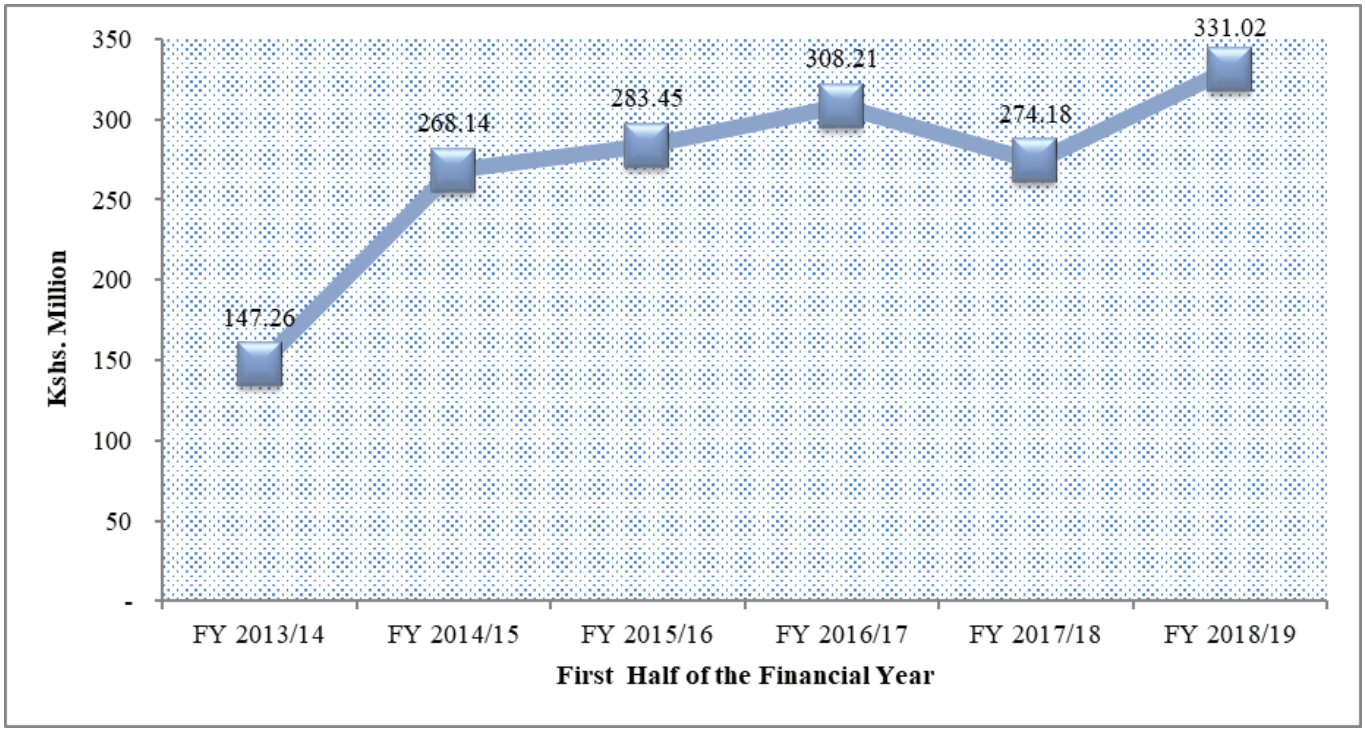
**Figure 3.141: Nyeri County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Nyeri County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.331.02 million from own-source revenue. This amount was an increase of 20.7 per cent when compared to Kshs.274.18 million realised during the same period of FY 2017/18 and represented 33.1 per cent of the annual target.

### 3.36.3 Conditional Grants

The County received Kshs.426.76 million as conditional grants as shown in Table 3.102.

**Table 3.102: Nyeri County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Level- 5 Hospitals | 407,861,272 | 407,861,272 | 20,393,064 | 5 |
| 2 | Compensation for User Fee Foregone | 13,701,379 | 13,701,379 | | - |
| 3 | Road Maintenance Fuel Levy Fund | 132,277,544 | 132,277,544 | 33,719,250 | 25.5 |
| 4 | Rehabilitation of Village Polytechnics | 28,795,000 | 28,795,000 | - | - |
| 5 | World Bank-Transforming Health Systems for Universal Care Project | 50,000,000 | 50,000,000 | 15,081,053 | 30.2 |
| 6 | IDA (World Bank) -Kenya Climate Smart Agriculture Project | 117,000,000 | 117,000,000 | 40,980,203 | 35 |
| 7 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 117,000,000 | 117,000,000 | 40,980,203 | 35 |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 8 | IDA (World Bank) -Kenya Urban Support Project | 236,639,100 | 276,639,100 | 236,639,100 | 100 |
| 9 | DANIDA - Universal Healthcare to Devolved System Programme | 16,605,000 | 16,605,000 | - | - |
| 10 | Universal Health Care (UHC) -World Bank | - | - | 79,947,195 | - |
| **Total** | | 1,086,620,293 | 1,086,620,293 | 426,759,864 | 39.3 |

***Source:*** *Nyeri County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.36.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.56 billion from the CRF account. The withdrawals represented 30.1 per cent of the Approved Supplementary Budget and translate to an increase of 34.5 per cent from Kshs1.9 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.27 billion (88.8 per cent) to fund recurrent expenditure and Kshs.285.80 million (11.2 per cent) for development activities.

### 3.36.5 Overall Expenditure Review

The County government spent a total of Kshs.2.51 billion on both recurrent and development activities. This expenditure represented 98.1 per cent of the total funds released from the CRF account and was an increase of 46.5 per cent from Kshs.1.71 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.641.29 million for development activities and Kshs.138.31 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.17 billion while that on development activities was Kshs.335.84 million. The recurrent expenditure was 95.7 per cent of the funds released for recurrent activities, while development expenditure was 117.5 per cent of funds released for development activities.

The recurrent expenditure represented 39.4 per cent of the annual recurrent budget and was an increase from 31.1 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 11.3 per cent, while there was no expenditure in the first half of FY 2017/18. Figure 3.142 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

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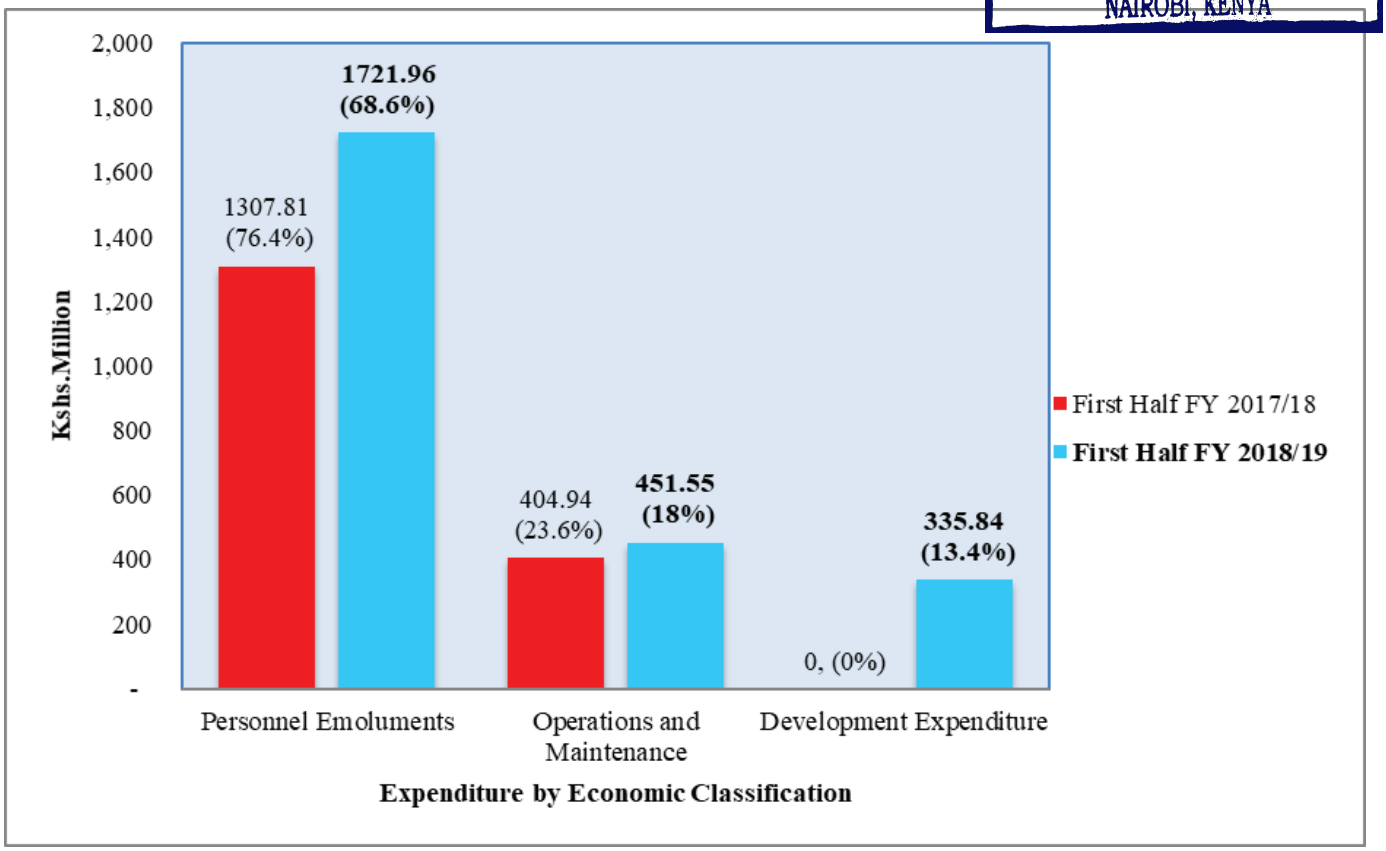
**Figure 3.142: Nyeri County, Expenditure by Economic Classification**




***Source:*** *Nyeri County Treasury*

### 3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.17 billion comprised of Kshs.1.72 billion (79.2 per cent) incurred on personnel emoluments and Kshs.451.55 million (20.8 per cent) on operations and maintenance as shown in Figure 3.142.

Expenditure on personnel emoluments represented an increase of 31.7 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.31 billion, and was 68.6 per cent of total expenditure for the period. Figure 3.143 shows a summary of operations and maintenance expenditure by major categories.

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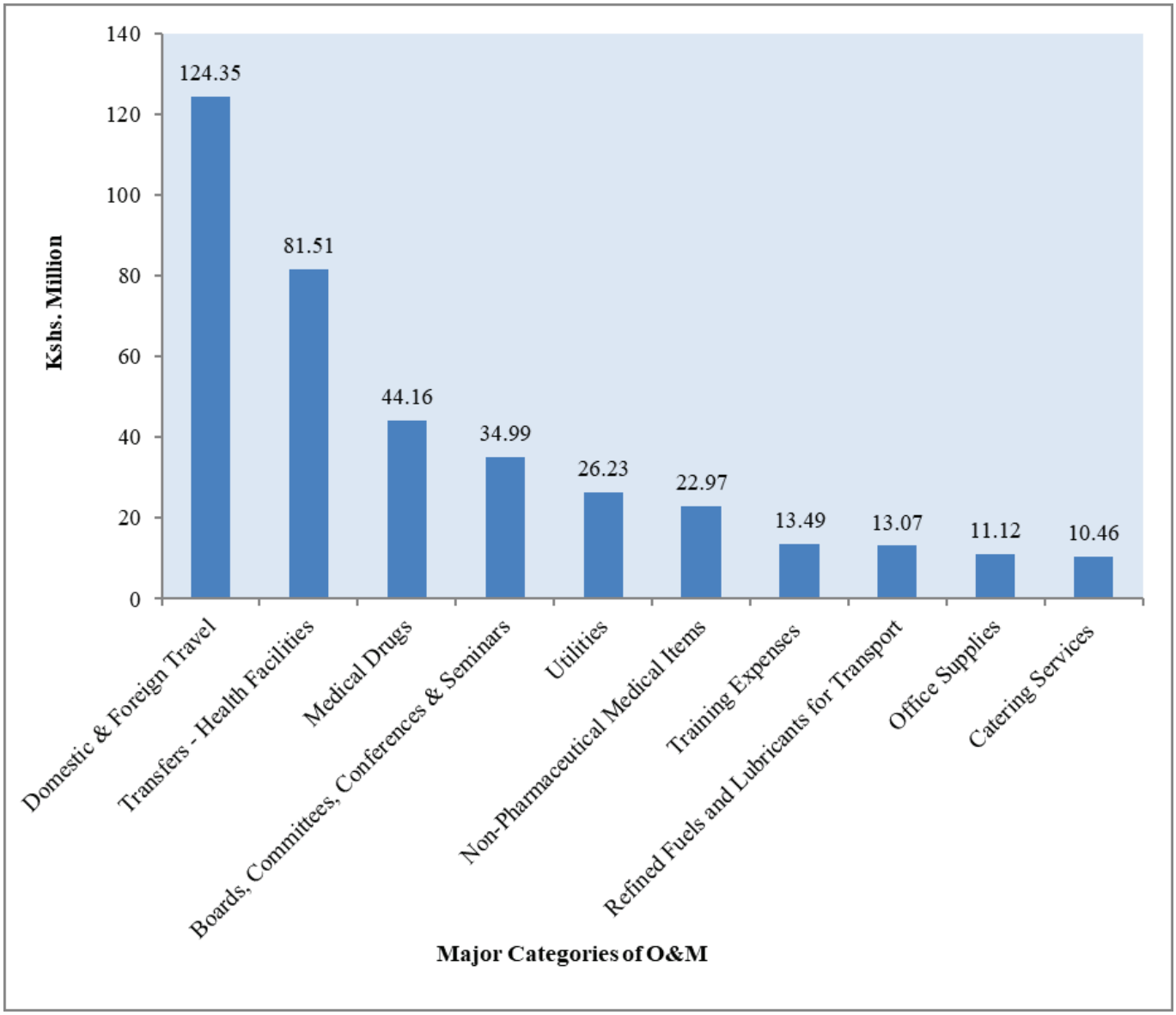
**Figure 3.143: Nyeri County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Nyeri County Treasury*

The County spent Kshs.21.45 million on MCAs' committee sitting allowances for the 45 MCAs against the annual budget allocation of Kshs.80.37 million. This amount represented an increase of 358.7 per cent compared to Kshs.4.68 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.79,433 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.102.58 million and comprised of Kshs.75.66 million spent by the County Assembly and Kshs.26.92 million spent by the County Executive and represented 4.7 per cent of total recurrent expenditure.

### 3.36.7 Development Expenditure

The total development expenditure of Kshs.335.84 million represented 11.3 per cent of the annual development budget of Kshs.2.97 billion. Table 3.103 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.103: Nyeri County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Recarpeting of Kimathi Way | Rware | 53,872,650 | 47,599,480 | 88 |
| 2 | Roads improvement | Rthegu, Gakawa, Konyu, Mugunda, Rware, Mweiga | 45,603,981 | 45,603,981 | 100 |
| 3 | Preparation - Spacial Plan | County-wide | 29,832,949.00 | 29,832,949 | 100 |
| 4 | Purchase of Lime | County-wide | 18,152,747.00 | 18,152,747 | 100 |
| 5 | Construction-Youth Polytechnic Workshop | Iriani, Kirimukuyu, Kabaru, Aguthi, Mukurwe-ini West, Endarasha | 15,458,627 | 15,458,627 | 100 |
| 6 | Construction and Renovation of EDCE Centres | Mweiga, Konyu, Magutu, Kabaru, Ruguru, Kirimukuyu, Gikondi, Aguthi, Wamagana, Mukurwe-ini West, Thegu, Rware, Mugunda, Rugi, Endarasha, Magutu | 15,367,774 | 15,367,774 | 100 |
| 7 | Bus park improvement | Karatina & Mukurwe-ini | 9,216,826 | 9,216,826 | 100 |
| 8 | Agricultural Materials & Small Equipment | County-wide | 6,176,670 | 6,176,670 | 100 |
| 9 | Markets Improvement | Nyeri Town & Ihururu | 5,189,173 | 5,189,173 | 100 |
| 10 | Supply of Seedlings & Fingerings | County-wide | 3,248,050 | 3,248,050 | 100 |

***Source:*** *Nyeri County Treasury*

### 3.36.8 Budget Performance by County Department

Table 3.104 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.104: Nyeri County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor & Deputy Governor | 155.68 | 53.10 | 70.57 | - | 42.30 | - | 59.9 | - | 27.2 | 0.0 |
| Office of the County Secretary | 222.58 | 15.19 | 28.64 | - | 15.32 | - | 53.5 | - | 6.9 | 0.0 |
| Finance and Economic Planning | 493.99 | 381.19 | 188.50 | 179.00 | 153.53 | 166.17 | 81.4 | 92.8 | 31.1 | 43.6 |
| Lands, Physical Planning, Housing and Urbanization | 52.61 | 357.55 | 21.05 | - | 15.06 | 0.61 | 71.6 | - | 28.6 | 0.2 |
| Health, Public Health and sanitation | 2,449.64 | 284.55 | 1,143.71 | 16.88 | 1,243.07 | 3.57 | 108.7 | 21.1 | 50.7 | 1.3 |
| Gender and Social Services | 123.24 | 20.38 | 27.78 | - | 18.91 | - | 68.1 | - | 15.3 | 0.0 |
| County Public Service, Administration & Youth Affairs | 182.57 | 5.00 | 78.91 | - | 80.62 | - | 102.2 | - | 44.2 | 0.0 |
| Agriculture, Livestock and Fisheries | 366.28 | 204.72 | 131.49 | 13.00 | 122.14 | 15.32 | 92.9 | 117.8 | 33.3 | 7.5 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Trade, Culture, Tourism & Cooperative Development | 62.99 | 119.37 | 22.70 | - | 10.43 | - | 46.0 | - | 16.6 | 0.0 |
| Education, Science and Technology | 413.26 | 163.30 | 159.58 | 30.60 | 104.87 | 36.53 | 65.7 | 119.4 | 25.4 | 22.4 |
| Water, Environment & Natural resources | 139.55 | 320.31 | 50.47 | - | 52.87 | - | 104.8 | - | 37.9 | - |
| County Public Service Board | 41.22 | - | 15.75 | - | 12.67 | - | 80.5 | - | 30.7 | - |
| Transport, Public Works & Infrastructure | 158.94 | 1,046.46 | 66.48 | 44.60 | 38.61 | 111.93 | 58.1 | 251.0 | 24.3 | 10.7 |
| County Assembly | 659.45 | 5.00 | 268.10 | 1.72 | 263.10 | 1.72 | 98.1 | 100.0 | 39.9 | 34.4 |
| **TOTAL** | **5,522.00** | **2,976.13** | **2,273.72** | **285.80** | **2,173.52** | **335.84** | 95.6 | 117.5 | 39.4 | 11.3 |

***Source:*** *Nyeri County Treasury*

Analysis of expenditure by department shows the Department of Finance & Economic Planning recorded the highest absorption rate of development budget at 43.6 per cent followed by the County Assembly at 34.4 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 39.9 per cent while the Office of the County Secretary had the lowest at 6.9 per cent.

### 3.36.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Compliance with Section 116 of the PFM Act, 2012 by ensuring that legislation establishing County Public Funds is gazetted.
ii. Improvement in own-source revenue collection compared to a similar period of FY 2017/18.
iii. Improvement in the absorption of development budget compared to a similar period of FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Failure by the National Treasury to disburse the equitable share of revenue raised nationally as per CARA, 2018.
2. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the National Treasury to ensure that allocated funds are released in a timely manner in line with CARA, 2018.*
2. *The County Treasury should ensure observance of the government expenditure timelines and put in place mechanisms for adherence with Section 166 of the PFM Act, 2012.*

## 3.37 Samburu County

### 3.37.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.5.86 billion, comprising of Kshs.3.86 billion (65.8 per cent) and Kshs.2 billion (34.2 per cent) allocation for recurrent and development expenditure respectively.

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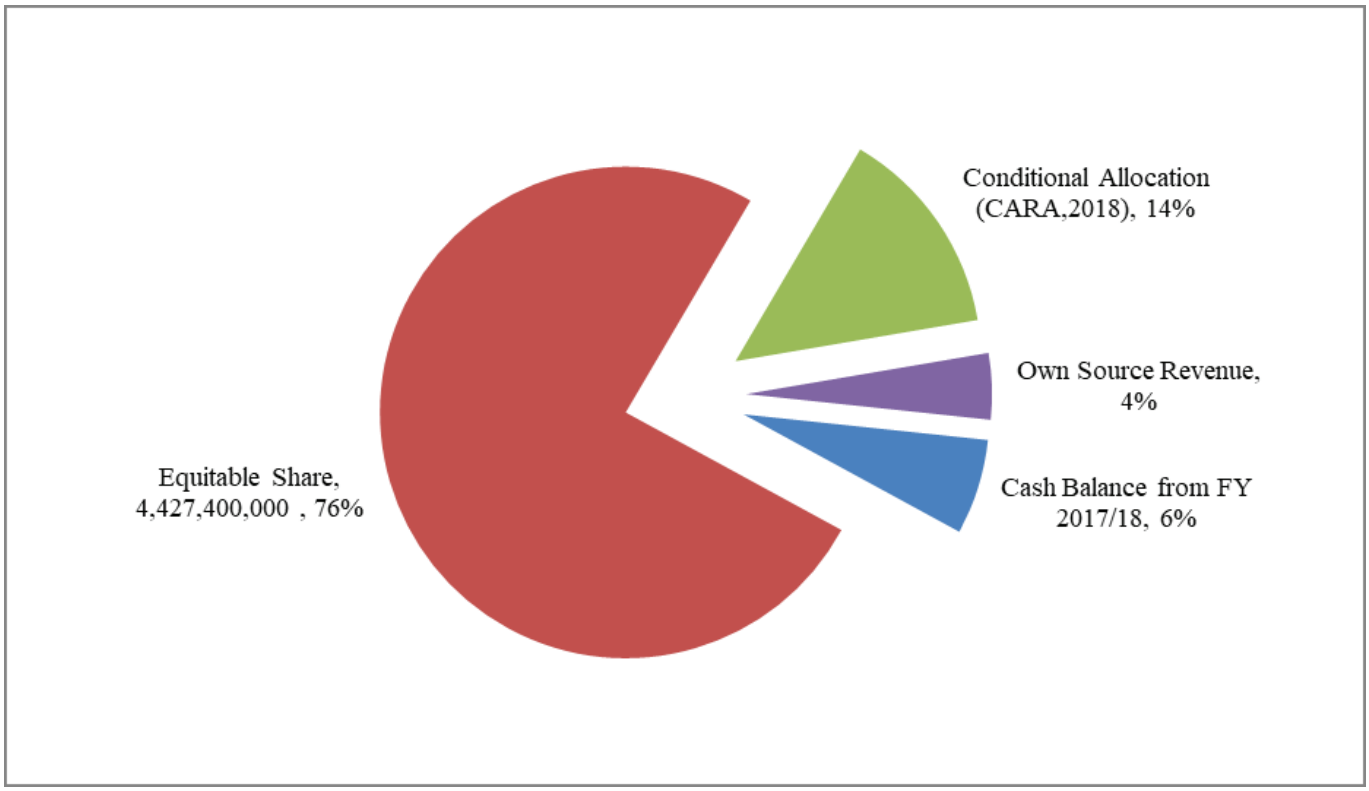
To finance the budget, the County expects to receive Kshs.4.43 billion (76 per cent) as equitable share of revenue raised nationally, Kshs.811.22 million (14 per cent) as total conditional grants, generate Kshs.254.03 million (4 per cent) from own source of revenue, andKshs.367.47 million (6 per cent) cash balance from FY 2017/18.

**Figure 3.144: Samburu County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Samburu County Treasury*

The conditional grants contained in the CARA, 2018 consist of;Kshs.97.14 million (20.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (29.7 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.39.33 million (8.3 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (10.6 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.12.76 million (2.7 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (14.8 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.41.2 million (8.7 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme "Level 2 grant".

### 3.37.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.45 billion as equitable share of revenue raised nationally, Kshs.125.72 million as total conditional grants, raised Kshs.174.5 million from own source revenue. The total available funds amounted to Kshs.1.75 billion.

Figure 3.145 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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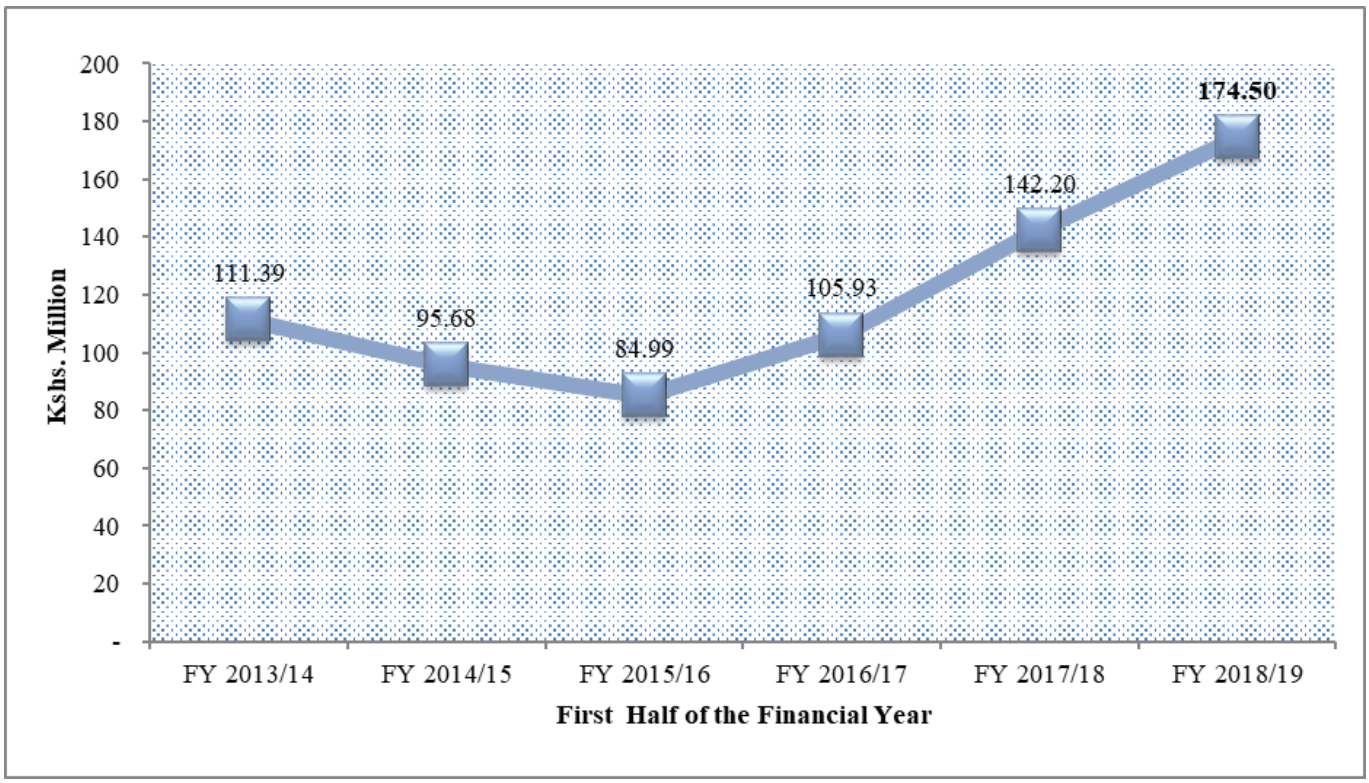
**Figure 3.145: Samburu County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source:*** *Samburu County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.174.50 million as own-source revenue. The own-source revenue collected during the period represented an increase of 22.7 per cent compared to Kshs.142.2 million realised during the same period of the FY 2017/18 and represented 68.7 per cent of the annual target.

### 3.37.3 Conditional Grants

The County received Kshs.125.72 million as conditional grants as shown in Table 3.105.

**Table 3.105: Samburu County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants | Annual Allocation per CARA, 2018 (in Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Agriculture Sector Development Support Programme (ASDSP) | 18,839,203 | 18,839,203 | - | - |
| 2 | Compensation for User Fee Foregone | 5,235,578 | 5,235,578 | - | - |
| 3 | Leasing of Medial Equipment | 200,000,000 | 200,000,000 | - | - |
| 4 | ADSP | 22,652,198 | - | - | - |
| 5 | Road Maintenance Fuel Levy | 116,569,586 | 116,569,586 | 46,441,197 | 39.8 |
| 6 | Rehabilitation of Village Polytechnics | 20,905,000 | 20,905,000 | | - |

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| S/No | Grants | Annual Allocation per CARA, 2018 (in Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 8 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |
| 9 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 39,330,852 | 39,330,852 | - | - |
| 10 | Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100.0 |
| 11 | DANIDA Grant | 12,757,500 | 12,757,500 | 6,378,750 | 50.0 |
| 12 | EU Grant | 70,000,000 | 70,000,000 | | - |
| 13 | IDA (World Bank) Kenya Urban Support Project - Urban Institutional Grants | 41,200,000 | 40,000,000 | | - |
| **Total** | | **835,068,690** | **811,216,492** | **125,719,747** | **15.5** |

***Source:*** *Samburu County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support Project, which accounted for 100 per cent of annual allocation.

### 3.37.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.1.45 billion from the CRF account. The withdrawals represented 27.4 per cent of the Approved Budget and translated to a decrease of 20.1 per cent from Kshs.1.82 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.26 billion (86.7 per cent) to fund recurrent expenditure and Kshs.194 million (13.3 per cent) for development activities.

### 3.37.5 Overall Expenditure Review

The County government spent a total of Kshs.1.39 billion on recurrent and development activities. The total expenditure represented 95.4 per cent of the total funds released from the CRF account and was a decline of 8.7 per cent from Kshs.1.52 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.247.67 million for development activities and Kshs.184.08 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.13 billion while Kshs.256.35 million was spent on development activities. The recurrent expenditure was 87.7 per cent of the funds released for recurrent activities, while development expenditure was 132.1 per cent of funds released for development activities.

The recurrent expenditure represented 29.3 per cent of the annual recurrent budget, a decrease from 41.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 12.8 per cent, which was a decrease from 13.7 per cent attained in the first half of FY 2017/18. Figure 3.146 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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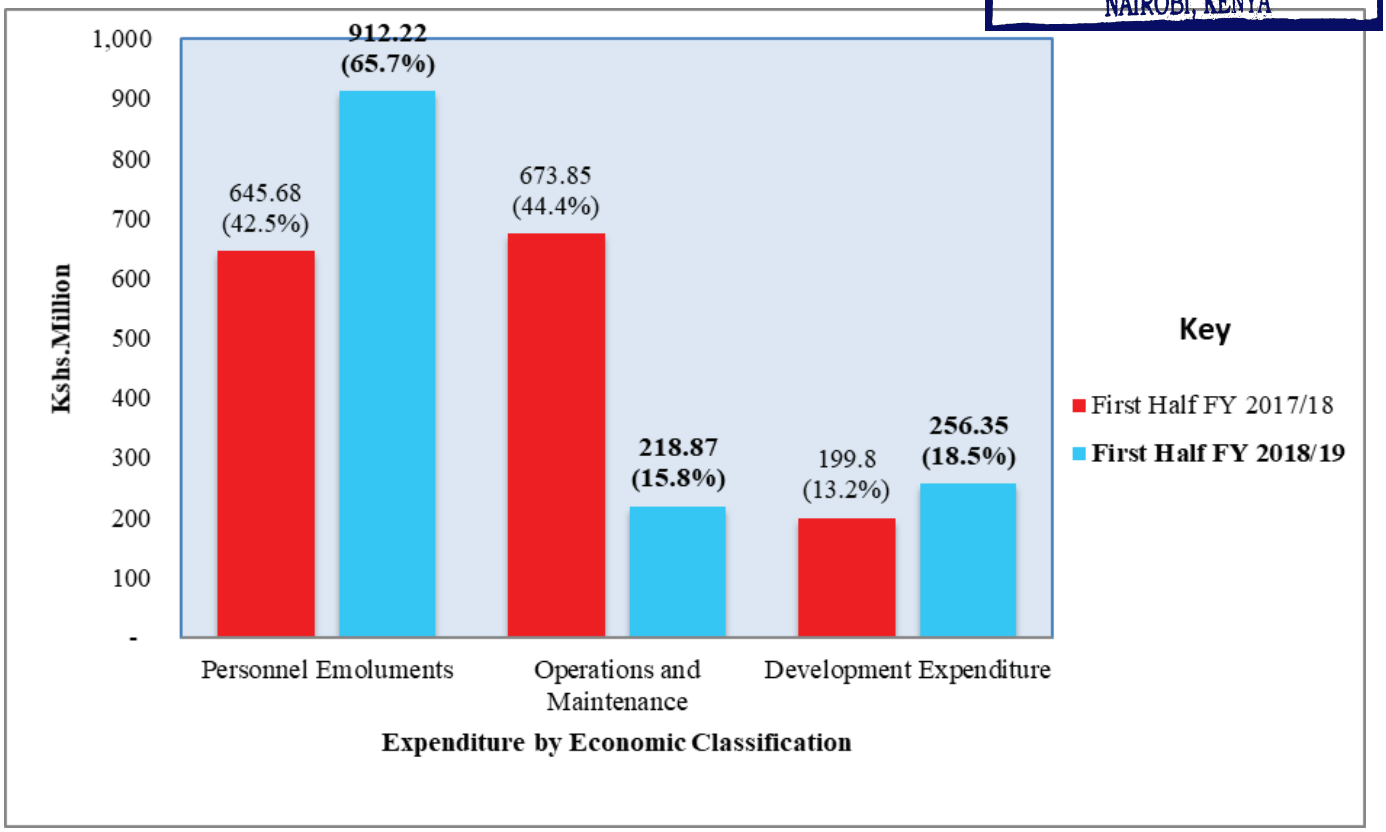
**Figure 3.146: Samburu County, Expenditure by Economic Classification**




***Source:*** *Samburu County Treasury*

### 3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.13 billion comprised of Kshs.912.22 billion (80.6 per cent) incurred on personnel emoluments and Kshs.218.87 million (19.4 per cent) on operations and maintenance as shown in Figure 3.146.

Expenditure on personnel emoluments represented an increase of 41.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.645.68 million, and was 65.7 per cent of total expenditure in the first half of FY 2018/19. Figure 3.147 shows a summary of operations and maintenance expenditure by major categories.

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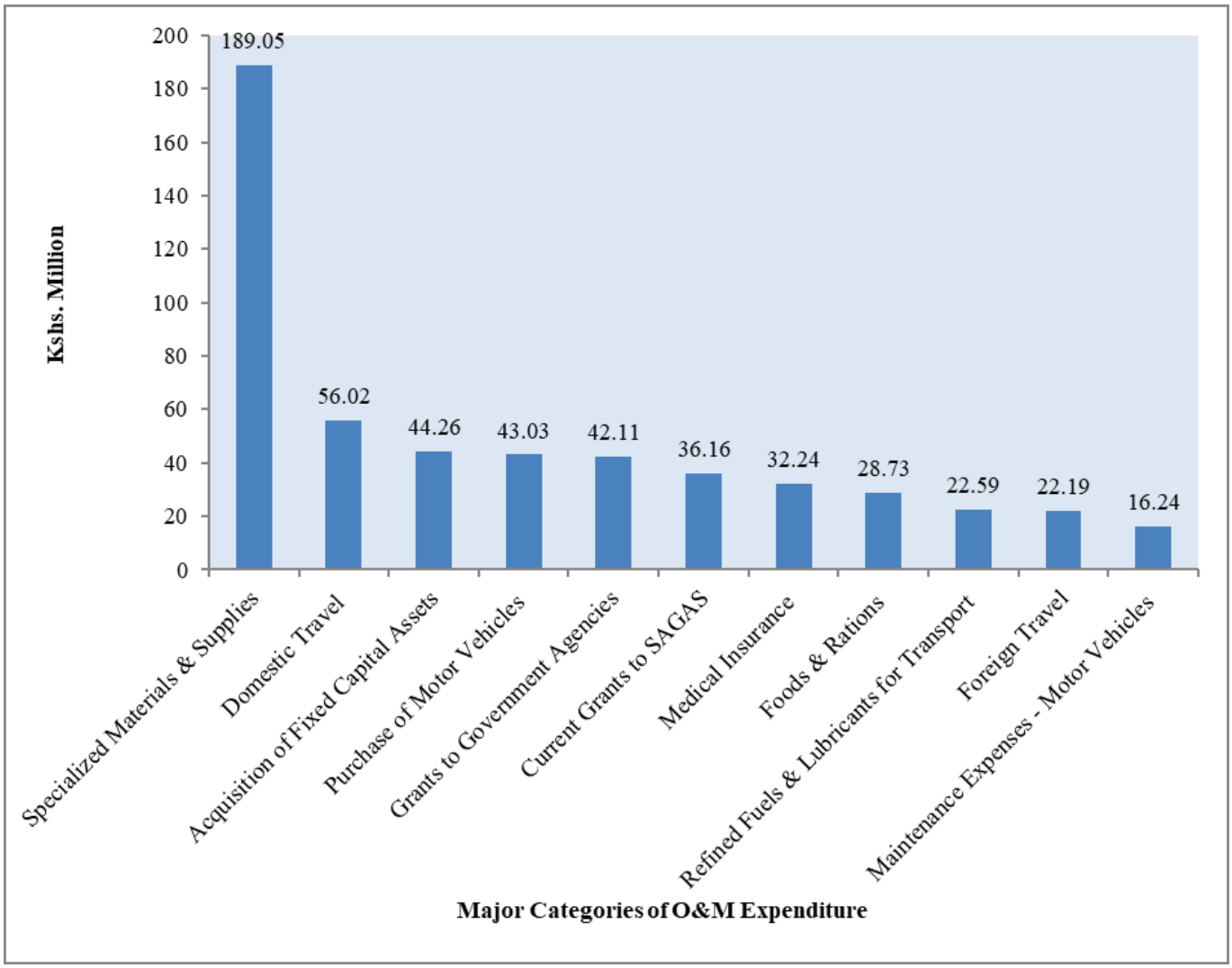
**Figure 3.147: Samburu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Samburu County Treasury*

The County spent Kshs.18.59 million to cater for the MCAs' committee sitting allowances for the 28 MCAs against the annual budget allocation of Kshs.25.47 million. This represented a decline of 32.9 per cent compared to Kshs.27.69 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.110,631 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.56.02 million and comprised of Kshs.17.12 million spent by the County Assembly and Kshs.38.90 million spent by the County Executive. This represented 5per cent of total recurrent expenditure and was a decrease of 9.2 per cent compared to Kshs.61.71 million spent in the first half of FY 2017/18.

### 3.37.7 Development Expenditure

The total development expenditure of Kshs.256.35 million represented 12.8 per cent of the annual development budget of Kshs.1.93 billion. Table 3.106 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.106: Samburu County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|
| 1 | Residential Buildings (including hostels) | 10,761,338 | 2,988,834 | 27.8 |
| 2 | Non-Residential Buildings (offices, schools, hospitals, etc.) | 242,021,549 | 29,808,466 | 12.3 |
| 3 | Construction of Buildings | 275,569,634 | 34,496,604 | 12.5 |
| 4 | Major Roads | 68,000,000 | 16,710,429 | 24.6 |
| 5 | Access Roads | 144,200,000 | 21,534,500 | 14.9 |
| 6 | Construction of Roads | 97,500,000 | 18,560,858 | 19.0 |
| 7 | Bridges Constructed | 23,009,174 | 8,165,625 | 35.5 |
| 8 | Other Infrastructure and Civil Works | 507,674,244 | 78,413,520 | 15.4 |
| 9 | Purchase of Medical and Dental Equipment | 236,558,825 | 28,245,648 | 11.9 |
| 10 | Purchase of ICT Networking and Communication Equipment | 46,160,890 | 11,455,464 | 24.8 |

***Source:*** *Samburu County Treasury*

### 3.37.8 Budget Performance by County Department

Table 3.107 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.107: Samburu County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 474.01 | 75.00 | 166.81 | - | 166.81 | - | 100.0 | - | 35.2 | - |
| County Executive | 420.25 | 17.90 | 131.03 | - | 131.03 | 7.44 | 100.0 | - | 31.2 | 41.6 |
| Finance & Economic planning | 638.60 | 44.16 | 161.34 | - | 161.34 | 9.49 | 100.0 | - | 25.3 | 21.5 |
| Agriculture, Livestock, Veterinary & Fisheries | 327.73 | 278.83 | 96.99 | 28.00 | 96.99 | 17.66 | 100.0 | 63.1 | 29.6 | 6.3 |
| Environment & Natural Resources | 171.49 | 302.16 | 66.81 | 32.00 | 65.16 | 40.37 | 97.5 | 126.2 | 38.0 | 13.4 |
| Education, Youth Affairs & Social Development | 364.05 | 175.10 | 105.70 | - | 105.70 | 8.85 | 100.0 | - | 29.0 | 5.1 |
| County Health Services | 887.51 | 342.11 | 407.57 | 43.00 | 407.57 | 46.54 | 100.0 | 108.2 | 45.9 | 13.6 |
| Lands, Physical Planning and Urban Development | 128.48 | 126.66 | 38.37 | 13.00 | 21.55 | 8.79 | 56.2 | 67.6 | 16.8 | 6.9 |
| County Transport, Public Works and Water Services | 116.73 | 431.74 | 31.90 | 53.00 | 31.35 | 56.95 | 98.3 | 107.5 | 26.9 | 13.2 |
| Trade, Tourism, Cooperatives and Enterprise Development | 190.94 | 171.55 | 53.93 | 25.00 | 45.36 | 53.75 | 84.1 | 215.0 | 23.8 | 31.3 |
| Culture, Social Services and Gender | 136.43 | 39.69 | - | - | 47.89 | 6.52 | - | - | 35.1 | 16.4 |
| **TOTAL** | **3,856.21** | **2,004.91** | **1,260.45** | **194.00** | **1,131.08** | **256.35** | **89.7** | **132.1** | **29.3** | **12.8** |

***Source:*** *Samburu County Treasury*

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According to the data from the County Treasury, the Department of Trade, Tourism, Cooperatives and Enterprise Development recorded the highest absorption rate of development budget at 88.0 per cent while the County Assembly did not incur any development expenditure. The County Health Services Department had the highest percentage of recurrent expenditure to recurrent budget at 45.9 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest at 16.8 per cent.

### 3.37.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own source revenue collection from Kshs.142.2 million realised in a similar period of FY 2017/18 to Kshs.174.5 million in the reporting period.
ii. Improved internet connectivity, resulting into effective use of IFMIS.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. The County's wage bill has remained high, having increased by 41.3 per cent from Kshs.645.68 million in the first half of FY 2017/18 to Kshs.912.22 million in the period under review.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

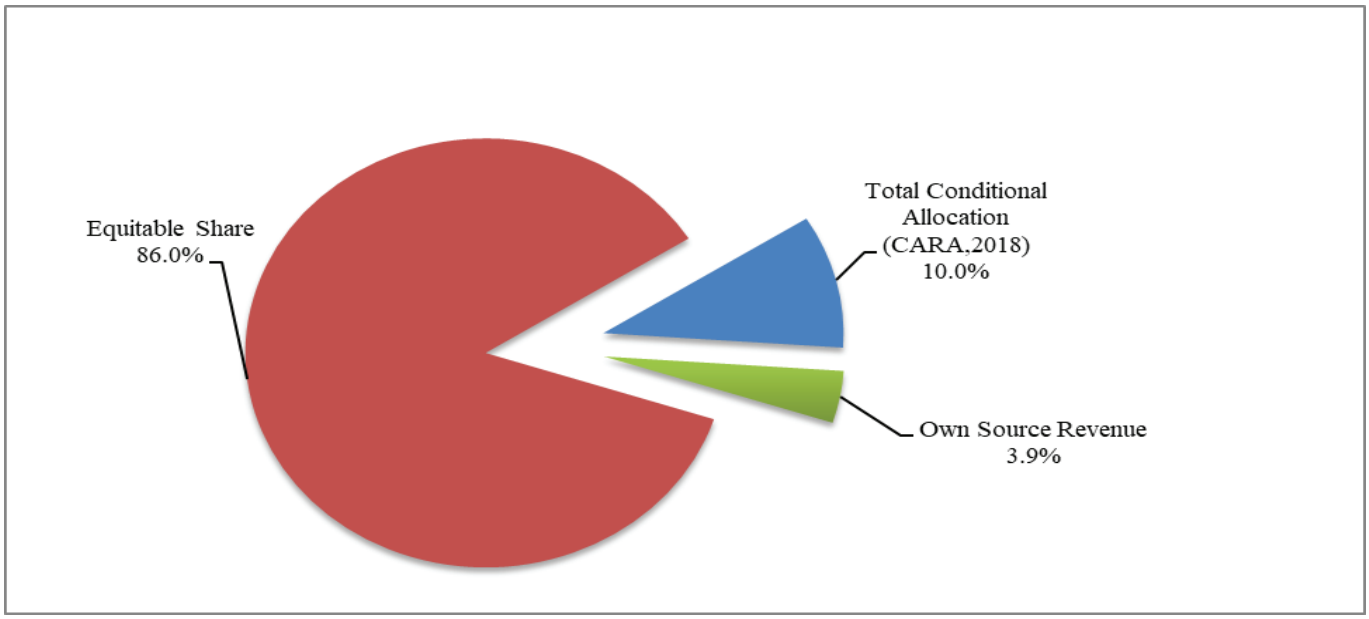
## 3.38 Siaya County

### 3.38.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.7.01 billion, comprising of Kshs.4.44 billion (63.4 per cent) and Kshs.2.56 billion (36.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.03 billion (86 per cent) as equitable share of revenue raised nationally, Kshs.703.79 million (10 per cent) as total conditional grants and generate Kshs.275 million (3.9 per cent) from own sources of revenue.

**Figure 3.148: Siaya County Sources of Budget Financing in FY 2018/19**




***Source:*** *Siaya County Treasury*

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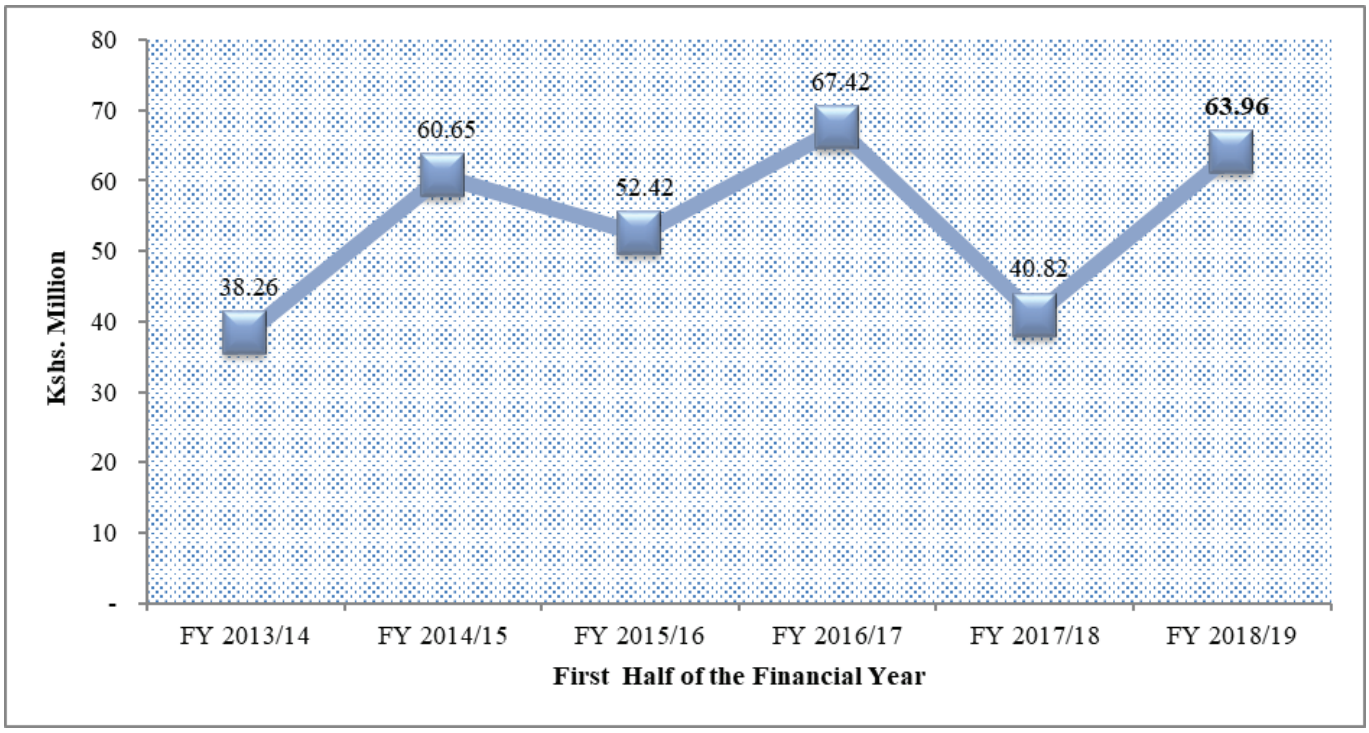
The conditional grants contained in the CARA, 2018 consist of; Kshs.56.76 million (8.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (16.6 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.46.08 million (6.5 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (7.1 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.18.53 million (2.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.18.19 million (2.6 per cent) as Compensation for User Fees Foregone, Kshs.200 million (28.4 per cent) for Leasing of Medical Equipment, Kshs.158.73 million (22.6 per cent) from Road Maintenance Fuel Levy, and Kshs.38.5 million (5.5 per cent) for Rehabilitation of Village Polytechnics

### 3.38.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.87 billion as equitable share of revenue raised nationally, Kshs.101.11 million as total conditional grants, raised Kshs.63.96 million from own-source revenue, and had a cash balance of Kshs.1.24 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.27 billion.

Figure 3.149 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.149: Siaya County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Siaya County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.63.96 million from own-source revenue sources. This amount was an increase of 56.7 per cent when compared to Kshs.40.82 million realised during the same period of FY 2017/18 and represented 23.3 per cent of the annual target.

### 3.38.3 Conditional Grants

The County received Kshs.101.11 million as conditional grants as shown in Table 3.108

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**Table 3.108: Siaya County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants | Annual Allocation per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Leasing of Medical Equipment Grant | 200,000,000 | 200,000,000 | - | - |
| 2 | Conditional Allocation from the Road Maintenance Fuel Levy Fund | 158,733,053 | 158,733,053 | - | - |
| 3 | World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 38,278,224 | 32.7 |
| 4 | World Bank credit for Transforming Health Systems for Universal Care Project | 56,758,154 | 56,758,154 | 3,569,181 | 6.3 |
| 5 | World Bank credit for Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100 |
| 6 | World Bank credit for Kenya Devolution Support Project (KDSP) - Level 1 | 46,076,429 | 46,076,429 | - | - |
| 7 | Conditional Allocation for Rehabilitation of Youth Polytechnics | 38,500,000 | 38,500,000 | - | - |
| 8 | DANIDA grant - Universal Healthcare for Devolved System Program | 18,528,750 | 18,528,750 | 9,264,375 | 50 |
| 9 | Compensation for User Fees Foregone | 18,194,808 | 18,194,808 | - | - |
| **Total** | | **703,791,194** | **703,791,194** | **101,111,780** | **14.4** |

***Source:*** *Siaya County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support Project, which accounted for 100 per cent, of annual allocation.

### 3.38.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.39 billion from the CRF account. The withdrawals represented 34.1 per cent of the Approved Budget and translate to an increase of 68 per cent from Kshs.1.42 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.14 billion (89.4 per cent) to fund recurrent expenditure and Kshs.253.5 million (10.6 per cent) for development activities.

### 3.38.5 Overall Expenditure Review

The County government spent a total of Kshs.2.03 billion on both recurrent and development activities. This expenditure represented 84.7 per cent of the total funds released from the CRF account and was an increase of 70.6 per cent from Kshs.1.19 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.1.96 billion while that on development activities was Kshs.67.88 million. The recurrent expenditure was 91.6 per cent of the funds released for recurrent activities, while development expenditure was 26.8 per cent of funds released for development activities.

The recurrent expenditure represented 44.1 per cent of the annual recurrent budget an increase from 25.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 2.6 per cent, while there was no expenditure on development activities in the first half of FY 2017/18. Figure 3.150 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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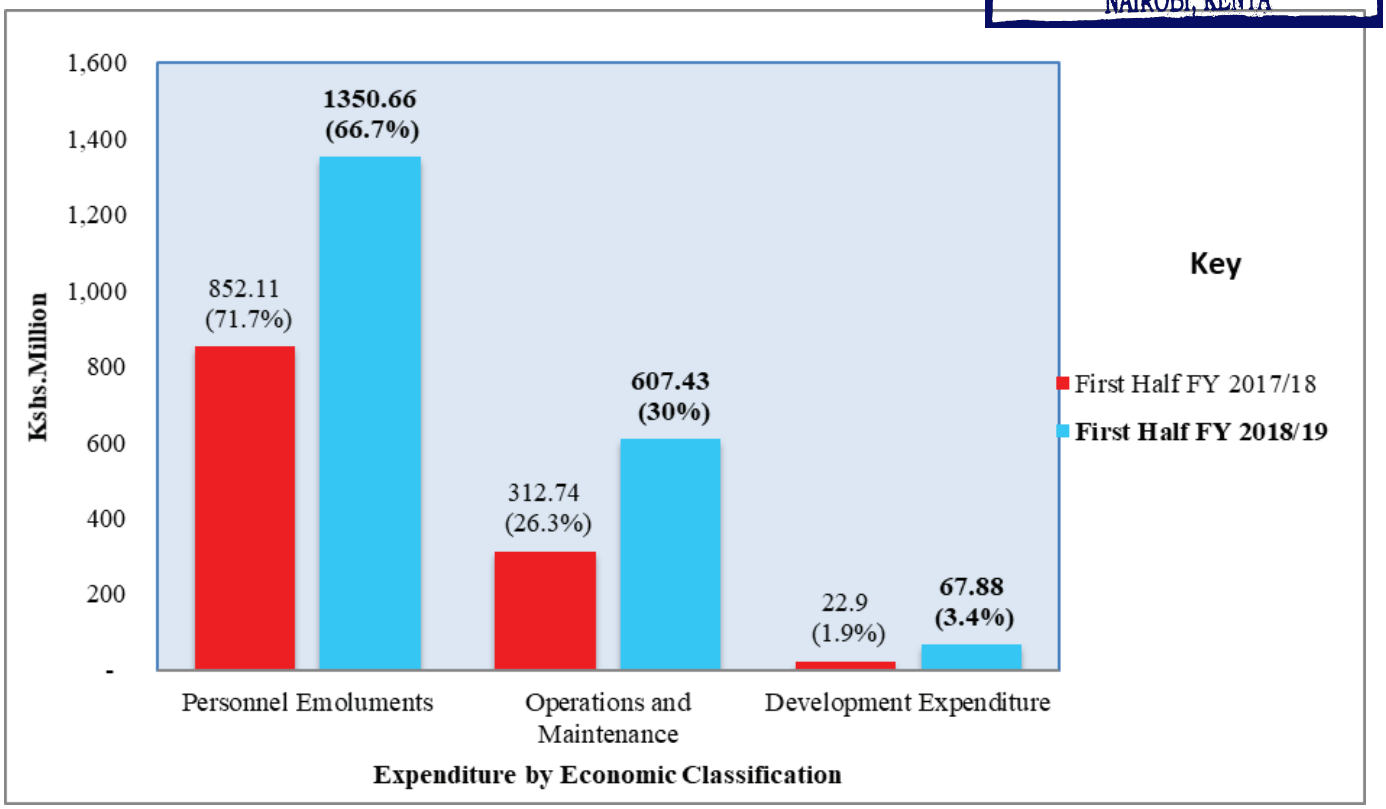
**Figure 3.150: Siaya County, Expenditure by Economic Classification**




***Source:*** *Siaya County Treasury*

### 3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.96 billion comprised of Kshs.1.35 billion (69 per cent) incurred on personnel emoluments and Kshs.607.43 million (31 per cent) on operations and maintenance as shown in Figure 3.150.

Expenditure on personnel emoluments represented an increase of 58.5 per cent compared to the first half of FY 2017/18 when the County spent Kshs.852.11 million, and was 66.7 per cent of total expenditure for the period. Figure 3.151 shows a summary of operations and maintenance expenditure by major categories.

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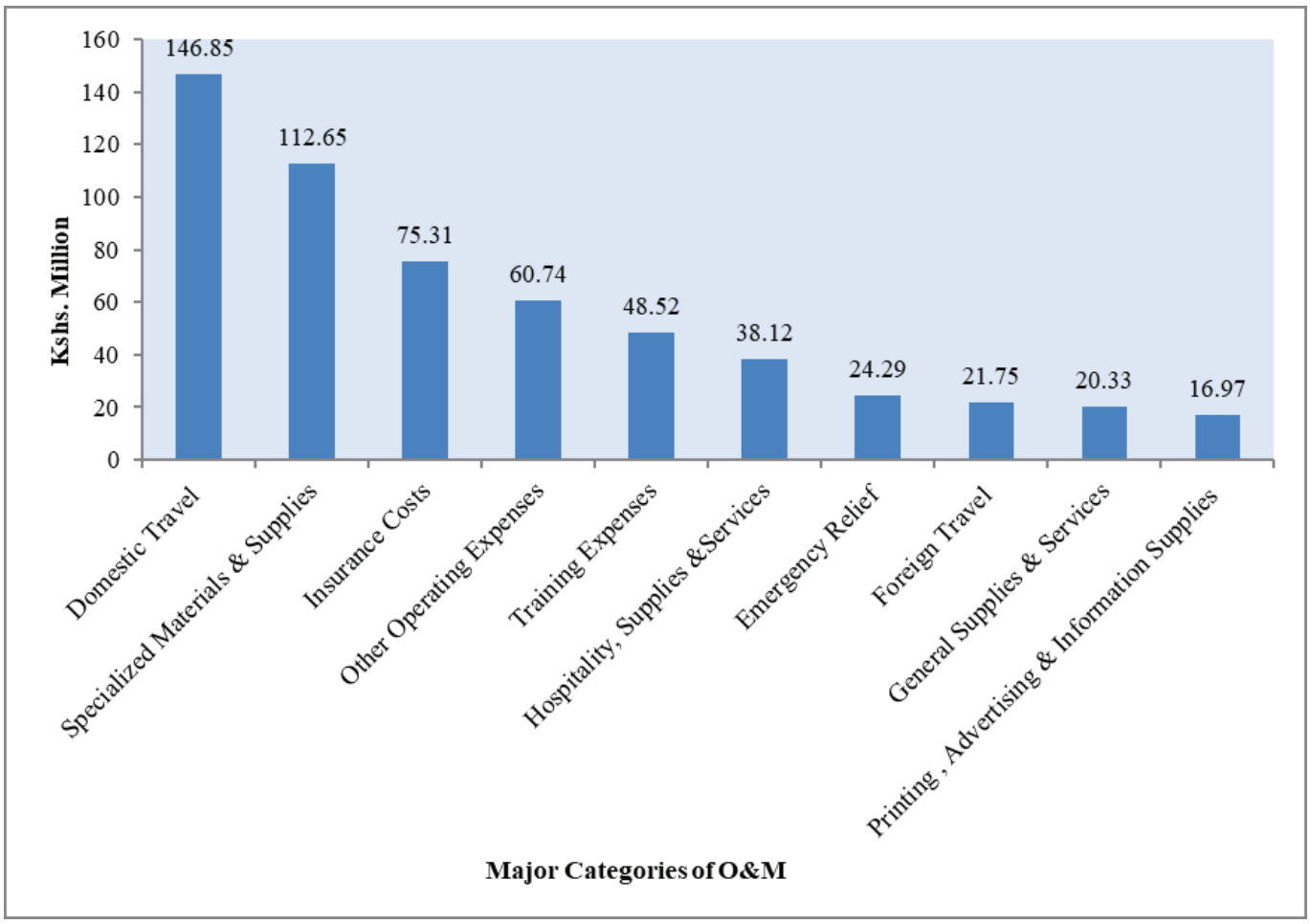
**Figure 3.151: Siaya County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Siaya County Treasury*

The County spent Kshs.24.1 million on MCAs' committee sitting allowances for the 43 MCAs against the annual budget allocation of Kshs.47.93 million. This amount represented an increase of 647 per cent compared to Kshs.3.23 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.93,407 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.168.6 million and comprised of Kshs.53.65 million spent by the County Assembly and Kshs.114.95 million spent by the County Executive. This represented 7.5 per cent of total recurrent expenditure.

### 3.38.7 Development Expenditure

The total development expenditure of Kshs.67.88 million represented 2.6 per cent of the annual development budget of Kshs.2.57 billion. Table 3.111 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.111: Siaya County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project location | Project budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Proposed Construction of Stadium for the County Government of Siaya | Siaya Town | 100,000,000 | 39,466,177 | 39.5 |
| 2 | Grading And Gravelling of Kogado Kolo Road | North Uyoma | 4,146,732 | 4,945,393 | 119.3 |
| 3 | Maintenance of Segere Uhuru Ogaso Road | Central Alego | 4,600,212 | 4,524,696 | 98.4 |
| 4 | Construction of Fuludhi Box Culvert | North Gem | 8,353,382 | 4,214,309 | 50.5 |
| 5 | Maintenance of Siaya Akala Road | South East Alego | 4,046,700 | 4,035,524 | 99.7 |
| 6 | Maintenannce of Tingwangi Randago Road | South East Alego | 3,844,787 | 3,826,716 | 99.5 |
| 7 | Maintenance of Pap Kodero Kagowi Road | West Uyoma | 5,770,750 | 2,776,988 | 48.1 |
| 8 | Maintenance of Pap Kodero Kagowi Road | West Uyoma | 5,770,750 | 2,277,660 | 39.5 |
| 9 | Maintenance of Kahagia Junction Bar Achuth Road | North Ugenya | 6,278,235 | 1,816,560 | 28.9 |

***Source:*** *Siaya County Treasury*

### 3.38.8 Budget Performance by County Department

Table 3.112 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.112: Siaya County, Budget Performance by Department**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive | 571.08 | 135.15 | 300.72 | - | 351.53 | - | 116.9 | - | 61.6 | - |
| Finance, Planning and Vision 2030 | 565.00 | 2.00 | 299.00 | - | 386.86 | - | 129.4 | - | 68.5 | - |
| Agriculture, Livestock & Fisheries | 266.75 | 167.00 | 141.20 | - | 145.43 | - | 103 | - | 54.5 | - |
| Water, Environment & Natural Resources | 84.42 | 306.05 | 47.03 | - | 30.86 | - | 65.6 | - | 36.6 | - |
| Education, Youth Affairs, Sports & Social Services | 264.96 | 224.45 | 95.97 | 38.5 | 49.48 | - | 51.6 | - | 18.7 | - |
| Health Services | 1,691.22 | 376.60 | 750.08 | - | 652.40 | - | 87.0 | - | 38.6 | - |
| Lands, Housing, Physical Planning & Survey | 71.45 | 105.30 | 28.79 | 50.00 | 13.71 | - | 47.6 | - | 19.2 | - |
| Trade, Industry and Cooperative Development | 90.14 | 151.98 | 36.80 | - | 27.06 | - | 73.5 | - | 30.0 | - |
| Tourism and ICT | 107.61 | 138.15 | 61.04 | 39.47 | 9.35 | 39.47 | 15.3 | 100.0 | 8.7 | 28.6 |
| Roads, Transport & Public Works | 81.13 | 699.59 | 44.33 | 125.53 | 6.83 | 28.42 | 15.4 | 22.6 | 8.4 | 4.1 |
| County Assembly | 648.66 | 258.90 | 332.20 | - | 284.58 | - | 85.7 | - | 43.9 | - |
| **TOTAL** | **4,442.42** | **2,565.17** | **2,137.17** | **253.50** | **1,958.10** | **67.88** | **91.6** | **26.8** | **44.1** | **2.6** |

***Source:*** *Siaya County Treasury*

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Analysis of expenditure by department shows the Department of Tourism and ICT recorded the highest absorption rate of development budget at 28.6 per cent followed by the Department of Roads, Transport & Public Works at 4.1 per cent. The Department of Finance, Planning and Vision 2030 had the highest percentage of recurrent expenditure to recurrent budget at 68.5 per cent while the Department of Roads, Transport & Public Works had the lowest at 8.4 per cent.

### 3.38.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation:

1. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Failure to factor in Kshs.1.24 billion cash balance from the FY 2017/18 in the current financial year's budget.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Failure to constitute a County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2018.*
2. *The County should liaise with the IFMIS Directorate to address IFMIS connectivity challenges.*
3. *The County should prepare a Supplementary Budget and factor in the Kshs.1.24 billion cash balance from FY 2017/18.*
4. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
5. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

## 3.39 Taita Taveta County

### 3.39.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.5.85 billion, comprising of Kshs.3.87 billion (66.2 per cent) and Kshs.1.97 billion (33.8per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.05 billion (59.1 per cent) as equitable share of revenue raised nationally, Kshs.1.18 billion (12.8 per cent) as total conditional grants, generate Kshs.300 million (11.8 per cent) from own revenue sources, and Kshs.311.66 million (16.3 per cent) cash balance from FY 2017/18.

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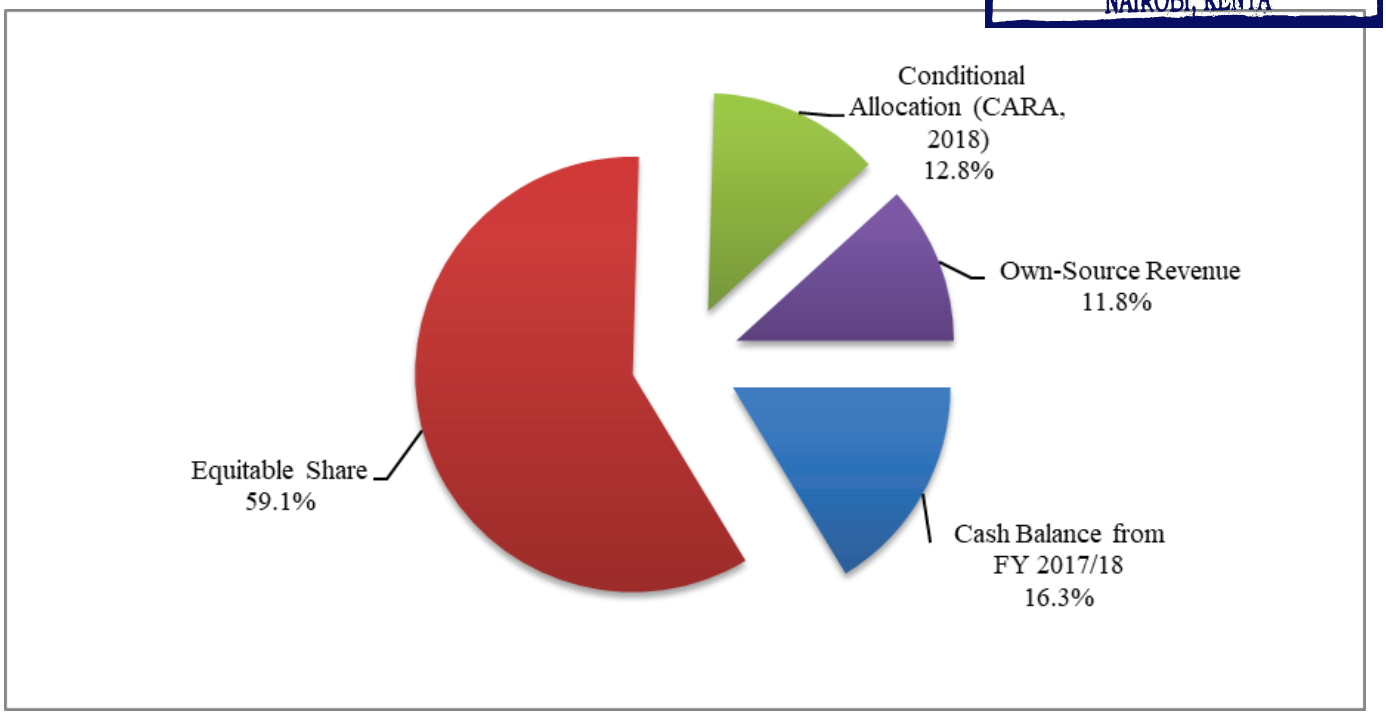
**Figure 3.152: Taita Taveta County Sources of Budget Financing in FY 2018/19**




***Source:*** *Taita Taveta County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (4.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (14.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.39.33 million (4.8 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (6.1 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.13.06 million (1.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (11 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.400 million (48.7 per cent) from IDA (World Bank) credit for Water & Sanitation Development Project (WSDP), Kshs.41.2 million (5 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme "Level 2 grant", and Kshs.19.99 million (2.4 per cent) as grant from Sweden for Agriculture sector Development support programme (ASDSP).

In addition, the County also budgeted to receive Kshs.131.73 million (11.1 per cent) from the Road Maintenance Fuel Levy, Kshs.5.3 million (0.4 per cent) as Compensation for User Fees Foregone, Kshs.99.42 million (8.4 per cent) for Rehabilitation of Village Polytechnics and Kshs.136.77 million(11.6 per cent ) as Grant from other Development Partners.

### 3.39.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.26 billion as equitable share of revenue raised nationally, Kshs.172.76 million as total conditional grants, raised Kshs.124.25 million from own-source revenue, and had a cash balance of Kshs.311.66 million from FY 2017/18. The total funds available for the period amounted to Kshs.1.85 billion.

Figure 3.153 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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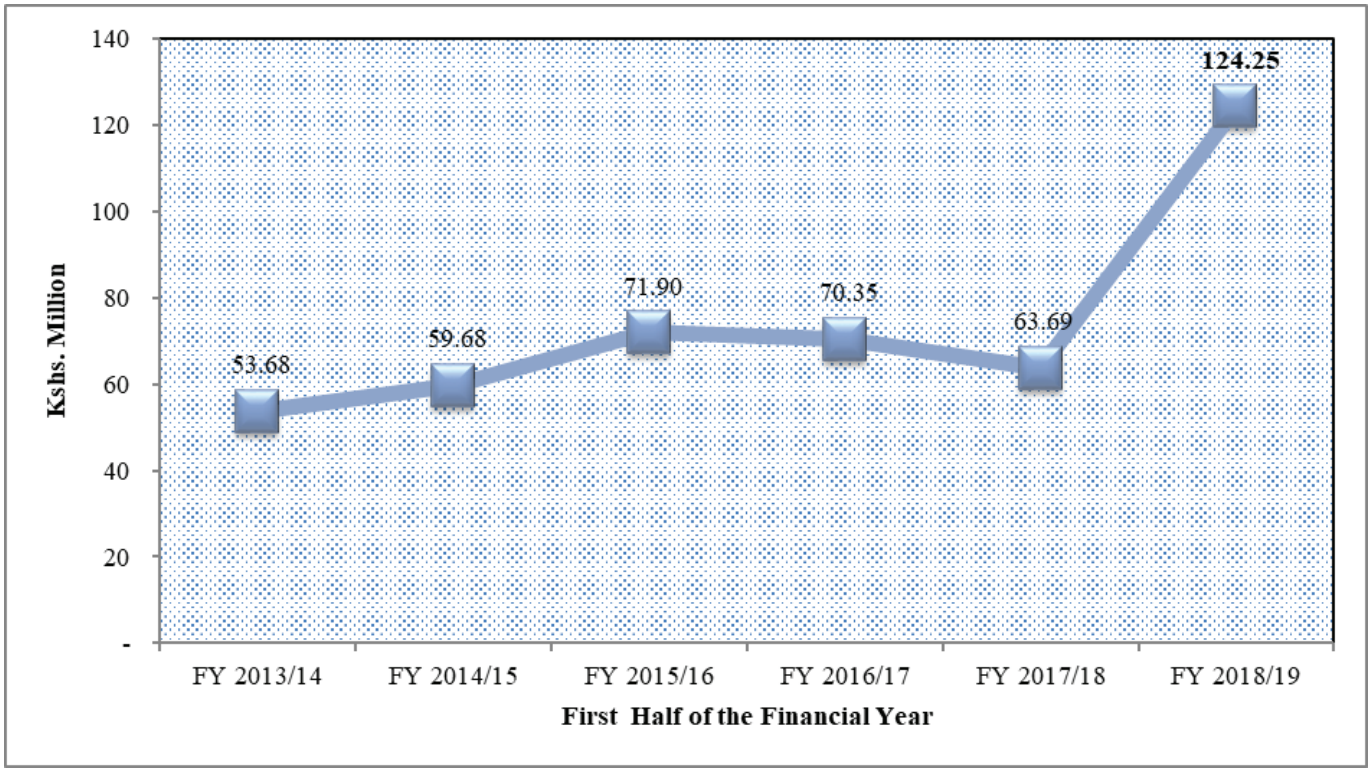
**Figure 3.153: Taita Taveta County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Taita Taveta County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.124.25 million from own-source revenue sources. This amount was an increase of 95.1 per cent when compared to Kshs.63.69 million realised during the same period of FY 2017/18, and represented 41.4 per cent of the annual target.

### 3.39.3 Conditional Grants

The County received Kshs.172.76 million as conditional grants during the reporting period as shown in Table 3.113.

**Table 3.113: Taita Taveta County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Water and Sanitation Development Project (WSDP) | 400,000,000 | 399,994,798 | | - |
| 2 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 40,805,066 | 34.9 |
| 3 | EU Grant (instruments for Devolution Advice and Support IDEAS) | 90,000,000 | 90,000,000 | 51,979,709 | 57.8 |
| 4 | Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100 |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 9,093,409 | 18.2 |

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| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 7 | Kenya Devolution Support Project (KDSP) Urban Intuitional Grants(UIG) b/f in FY 2017-18 | 41,200,000 | 40,000,000 | - | - |
| 8 | DANIDA Grant (Universal Healthcare in Developed System Program) | 13,061,250 | 18,316,734 | 20,879,518 | 114 |
| 9 | Sweden: Agriculture Sector Development support programme(ASDSP) | 19,996,264 | 5,500,000 | - | - |
| **Sub Total** | | **820,585,453** | **810,139,471** | **172,757,702** | **21.3** |
| B | **Other Grants** | | | | |
| 10 | Grants From Development Partners | - | 136,772,544 | - | - |
| 11 | Road Maintenance Fuel Levy | - | 131,730,957 | - | - |
| 12 | Rehabilitation of Village polytechnics | - | 99,422,167 | - | - |
| 13 | Compensation for User Fee Foregone | - | 5,296,305 | - | - |
| **Sub Total** | | **-** | **373,221,973** | **-** | **-** |
| **Total** | | **820,585,453** | **1,183,361,444** | **172,757,702** | **14.6** |

***Source:*** *Taita Taveta County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant which accounted for 114 per cent, of annual allocation.

### 3.39.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.1.76 billion from the CRF account. The withdrawals represented 30.1 per cent of the Approved Budget and translated to an increase of 15.5 per cent from Kshs.1.52 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.54 billion (87.3 per cent) to fund recurrent expenditure and Kshs.216.77 million (12.3 per cent) for development activities.

### 3.39.5 Overall Expenditure Review

The County government spent a total of Kshs.2.1 billion on both recurrent and development activities. This expenditure represented 119.1 per cent of the total funds released from the CRF account and was an increase of 46.1 per cent from Kshs.1.44 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.256.79 million for development activities and Kshs.55.75 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.8 billion while that on development activities was Kshs.298.78 million. The recurrent expenditure was 116.5 per cent of the funds released for recurrent activities, while development expenditure was 137.8 per cent of funds released for development activities.

The recurrent expenditure represented 46.5 per cent of the annual recurrent budget and was an increase from 44.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 15.1 per cent, which was an improvement compared to the first half of FY 2017/18 when the County did not record any development expenditure. Figure 3.153 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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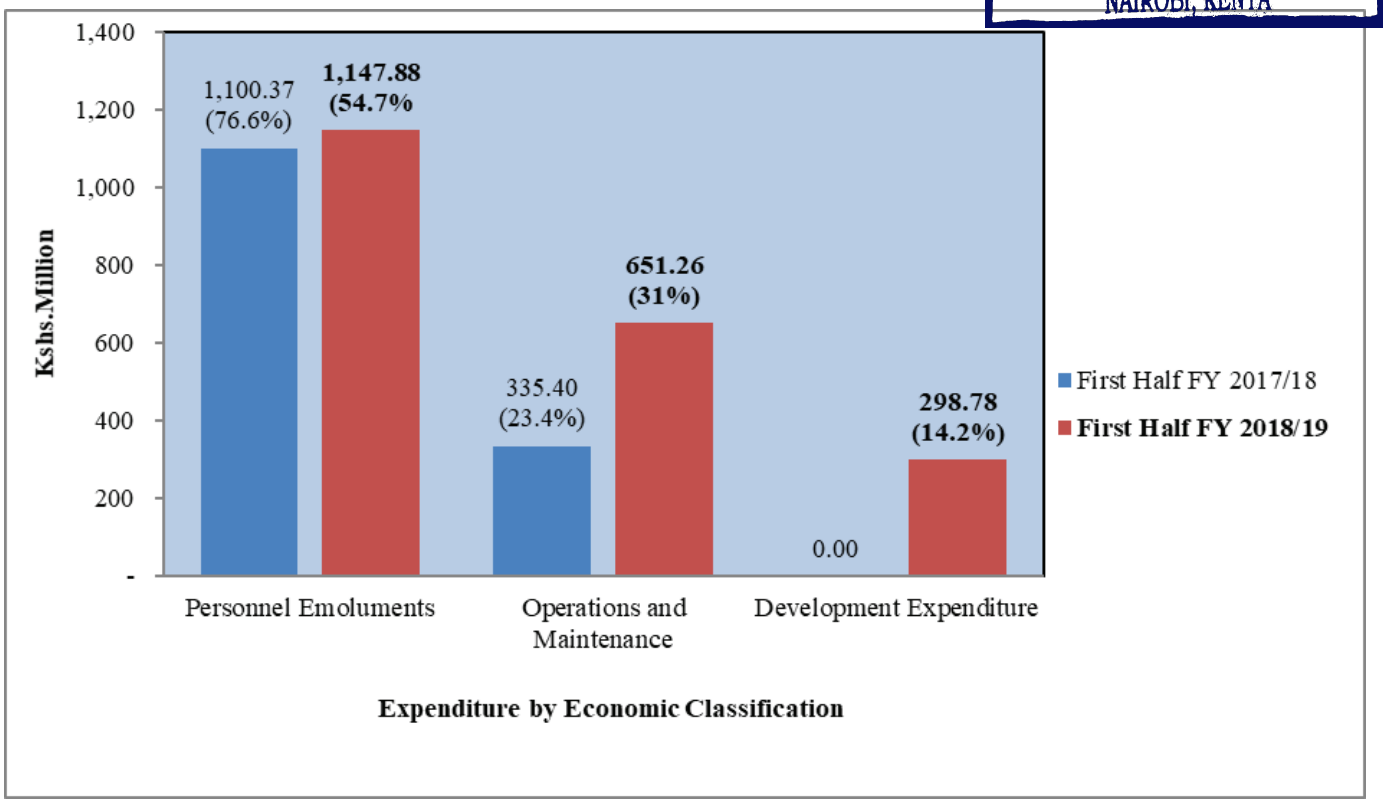
**Figure 3.153: Taita Taveta County, Expenditure by Economic Classification**




***Source:*** *Taita Taveta County Treasury*

## 3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.8 billion comprised of Kshs.1.15 billion (63.8 per cent) incurred on personnel emoluments and Kshs.651.26 million (36.2 per cent) on operations and maintenance as shown in Figure 3.153.

Expenditure on personnel emoluments represented a decrease of 4.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.10 billion, and was 54.7 per cent of total expenditure for the period. Figure 3.154 shows a summary of operations and maintenance expenditure by major categories.

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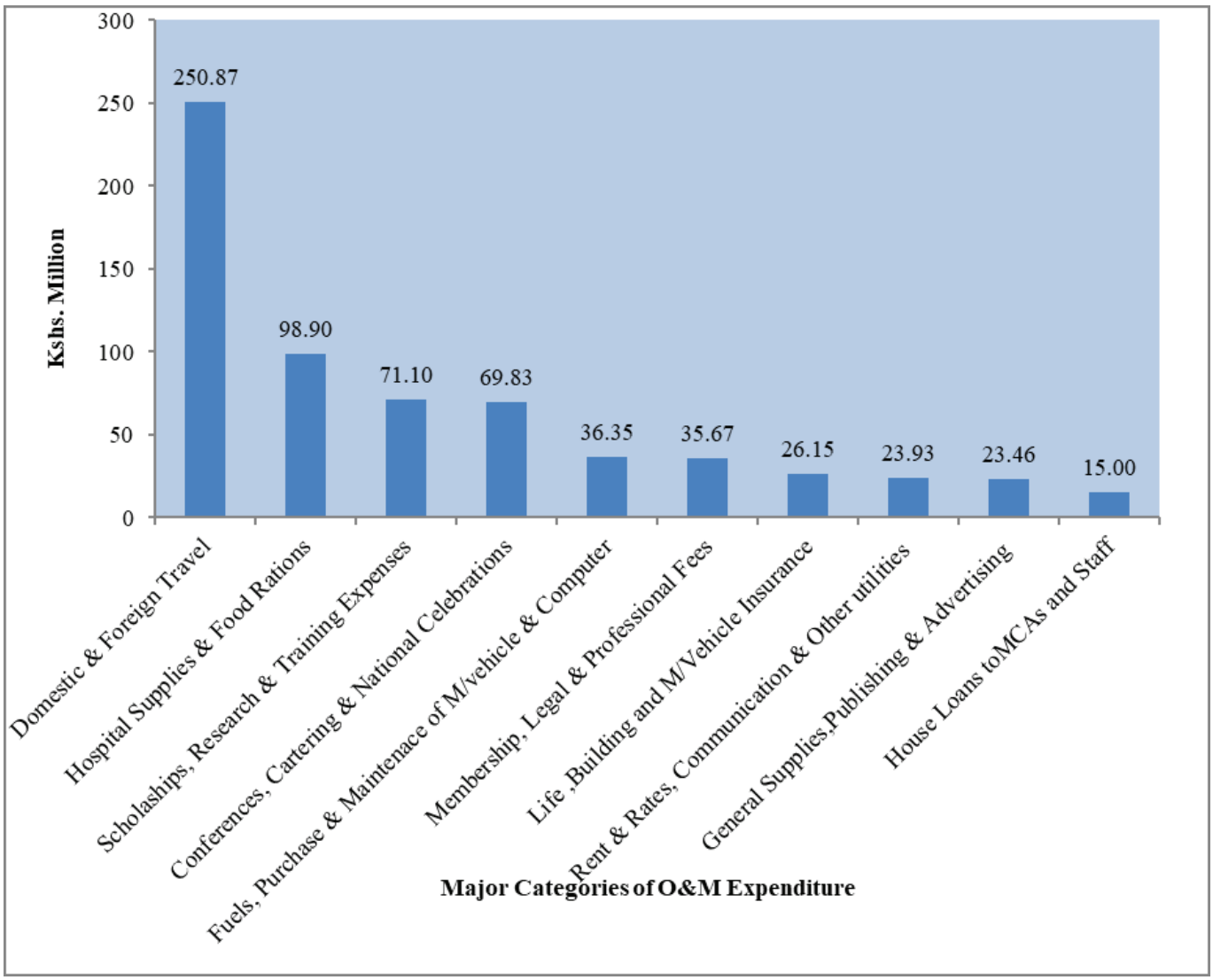
**Figure 3.154: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Taita Taveta County Treasury*

The County spent Kshs.16.22 million on MCAs' committee sitting allowances for the 35 MCAs against the annual budget allocation of Kshs.32.45 million. This amount represented a decline of 7.3 per cent compared to Kshs.17.49 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.77,220 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.250.87 million and comprised of Kshs.119.30 million spent by the County Assembly and Kshs.131.57 million spent by the County Executive. This represented 14 per cent of total recurrent expenditure and was an increase of 53.3 per cent compared to Kshs.163.61 million spent in the first half of FY 2017/18.

### 3.39.7 Development Expenditure

The total development expenditure of Kshs.298.78 million represented 15.1 per cent of the annual development budget of Kshs.1.98 billion. Table 3.114 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.114: Taita Taveta County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Water Projects & Bore Hole | County Wide | 158,500,000 | 27,400,863 | 17.3 |
| 2 | Construction and Maintenance of Access Roads | County Wide | 131,730,957 | 35,937,249 | 27.3 |
| 3 | Refurbishment of County Assembly Headquarter | Headquarters | 105,000,000 | 30,309,437 | 28.9 |
| 4 | Construction of ECD Classrooms | County Wide | 100,801,967 | 33,750,597 | 33.5 |
| 5 | VTC Capitation & support programme | County Wide | 99,422,167 | 56,925,887 | 57.3 |
| 6 | Completion and maintenance of access roads | County Wide | 85,725,000 | 35,937,249 | 41.9 |
| 7 | Purchase of Artificial Insemination Semen Kit, Vacancies and Certified Crop Seed | Headquarters | 50,759,706 | 16,783,422 | 33.1 |
| 8 | Purchase of ICT Networking and Communication Equipment | Headquarters | 23,700,000 | 1,564,300 | 6.6 |

***Source:*** *Taita Taveta County Treasury*

### 3.39.8 Budget Performance by County Department

Table 3.115 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.115: Taita Taveta County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 590.00 | 105.00 | 220.88 | - | 349.34 | 30.31 | 158.2 | - | 59.2 | 28.9 |
| Administration and Devolution | 2,268.83 | 6.00 | 942.86 | 0.86 | 1,014.58 | - | 107.6 | - | 44.7 | 0.0 |
| The Governor's and Deputy Governor's Office | 111.99 | 32.70 | 58.02 | 4.71 | 78.91 | 1.56 | 136.0 | 33.1 | 70.5 | 4.8 |
| Finance and Economic Planning | 231.95 | 5.00 | 88.72 | 0.60 | 126.49 | - | 142.6 | - | 54.5 | - |
| Agriculture, Livestock and Fisheries | 45.64 | 285.74 | 23.05 | 51.35 | 11.49 | 16.78 | 49.8 | 32.7 | 25.2 | 5.9 |
| Water and Irrigation | 19.92 | 558.49 | 9.67 | 22.82 | 6.53 | 27.40 | 67.5 | 120.1 | 32.8 | 4.9 |
| Education and Libraries | 204.15 | 227.92 | 61.61 | 18.64 | 53.63 | 90.68 | 87.0 | 486.5 | 26.3 | 39.8 |
| Health Services | 222.76 | 169.99 | 94.88 | 34.75 | 119.65 | 42.15 | 126.1 | 121.3 | 53.7 | 24.8 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Trade, Tourism and Cooperative Development | 37.06 | 53.80 | 13.67 | 7.75 | 10.09 | 24.85 | 73.8 | 320.6 | 27.2 | 46.2 |
| County Public Service Board | 17.30 | | 5.45 | - | 9.01 | - | 165.3 | - | 52.1 | - |
| Public Works, Housing and Infrastructure | 27.36 | 280.76 | 10.07 | 46.39 | 5.51 | 64.30 | 54.7 | 138.6 | 20.1 | 22.9 |
| Lands, Environment and Natural Resources | 63.79 | 89.00 | 6.99 | 5.61 | 13.92 | 0.75 | 199.1 | 13.3 | 21.8 | 0.8 |
| Mining | 9.11 | 6.70 | 2.89 | 1.08 | - | - | - | - | - | - |
| Youth, Gender, Sports, Culture and Social Services | 20.45 | 154.20 | 5.49 | 22.20 | - | - | - | - | - | - |
| **TOTAL** | **3,870.31** | **1,975.30** | **1,544.25** | **216.76** | **1,799.15** | **298.78** | **116.5** | **137.8** | **46.5** | **15.1** |

***Source:*** *Taita Taveta County Treasury*

Analysis of expenditure by department shows that the Department of Trade, Tourism and Cooperative Development recorded the highest absorption rate of development budget at 46.2 per cent while the Administration, Finance & Planning, Mining and Department of Youth, Gender, Sports, Culture & Social Services did not incur any development expenditure. The Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 70.5 per cent while the Department of Mining and the Department of Youth, Gender, Sports, Culture and Social Services did not spend during the reporting period.

### 3.39.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own revenue collection by 95.1 per cent from Kshs.63.69 million in the First Half of FY 2017/18 to Kshs.124.25 million in the reporting period.
ii. Improved internet connectivity, which has enhanced effective use of IFMIS.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill, which accounted for 54.7 per cent of the total expenditure during the reporting period thus constraining funding of other programs.
2. Delay by the County Treasury to submit quarterly financial returns to Office of the Controller of budget Contrary to Section 166 of PFM Act 2012.
3. Non-adherence with Section 136(2) of PFM Act on the requirement to deposit unspent funds at the end of the financial year into the County Revenue Account maintained at the Central Bank of Kenya.
4. Delay by the National Treasury to disburse the equitable share of revenue raised nationally, which affected implementation of the development budget.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should develop an optimal staffing structure and device strategies to address the escalating wage bill.*
2. *The County Treasury should ensure the quarterly returns are submitted in line with Section 166 of the PFM Act, 2012.*

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3. *The County Treasury and the County Assembly should ensure all unspent funds at the close of a financial year are deposited into the CRF in line with Section 136(2) of the PFM Act, 2012.*
4. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of funds.*

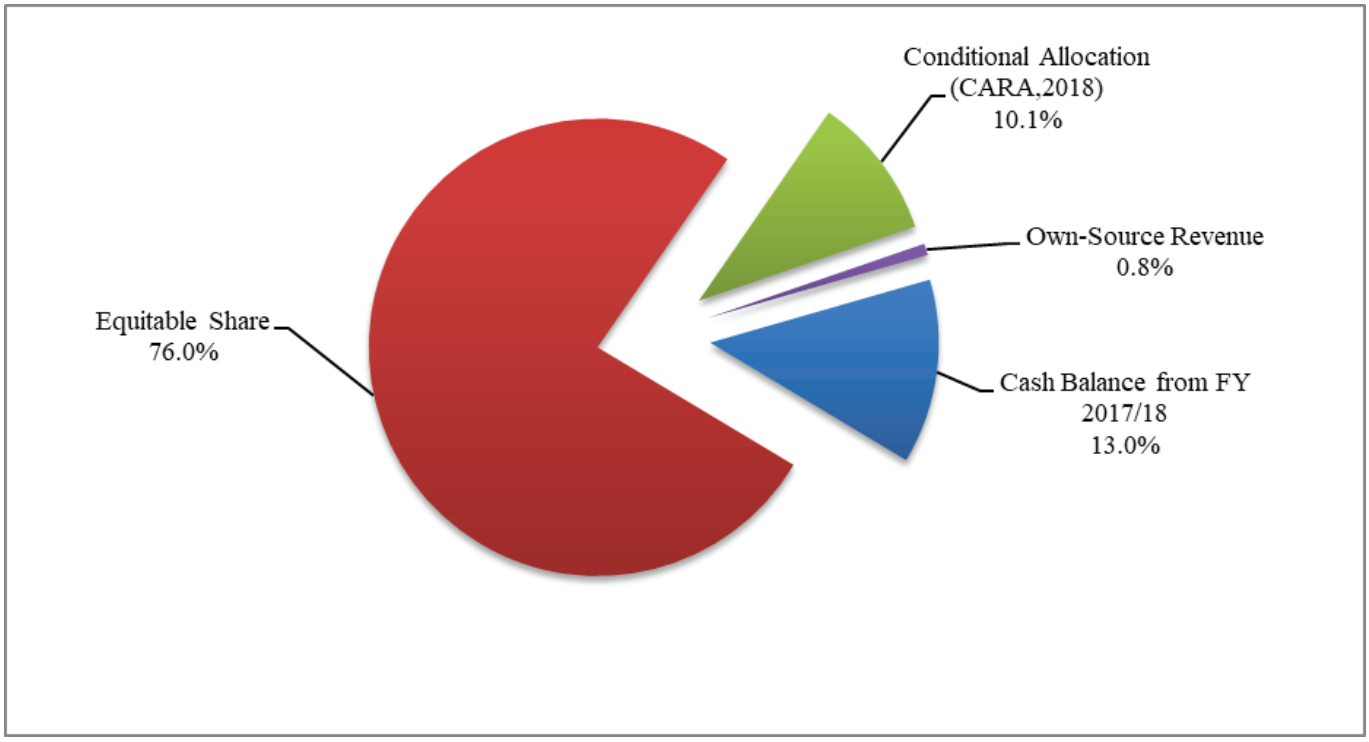
## 3.40 Tana River County

### 3.40.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.7.31 billion comprising of Kshs.4.57 billion (62.6 per cent) and Kshs.2.74 billion (37.4per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.56 billion (76.0 per cent) as equitable share of revenue raised nationally, Kshs.739.43 million (10.1 per cent) as total conditional grants, generate Kshs.60 million (0.8 per cent) from own source of revenue, and Kshs.952.98 million (13 per cent) cash balance from FY 2017/18.

**Figure 3.155: County, Expected Sources of Budget Financing in FY 2018/19**




***Source**: Tana River County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (12.1 per cent) for Transforming Health Systems for Universal Care Project, (World Bank) Kshs.150 million (18.1 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.44 million (5.3 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (6 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.17.92 million (2.2 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.80 million (9.7 per cent) as grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.80 million (9.7 per cent) EU grant, Kshs.153.57 million (34.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.121 million (28.7 per cent) Supplement for Construction of County Headquarters, Kshs.5.68 million (1.3 per cent) Compensation for User Fees Foregone, Kshs.17.92 million (4.2 per cent) being DANIDA grant, and Kshs.24.49 million (5.8 per cent) for Rehabilitation of Village Polytechnics.

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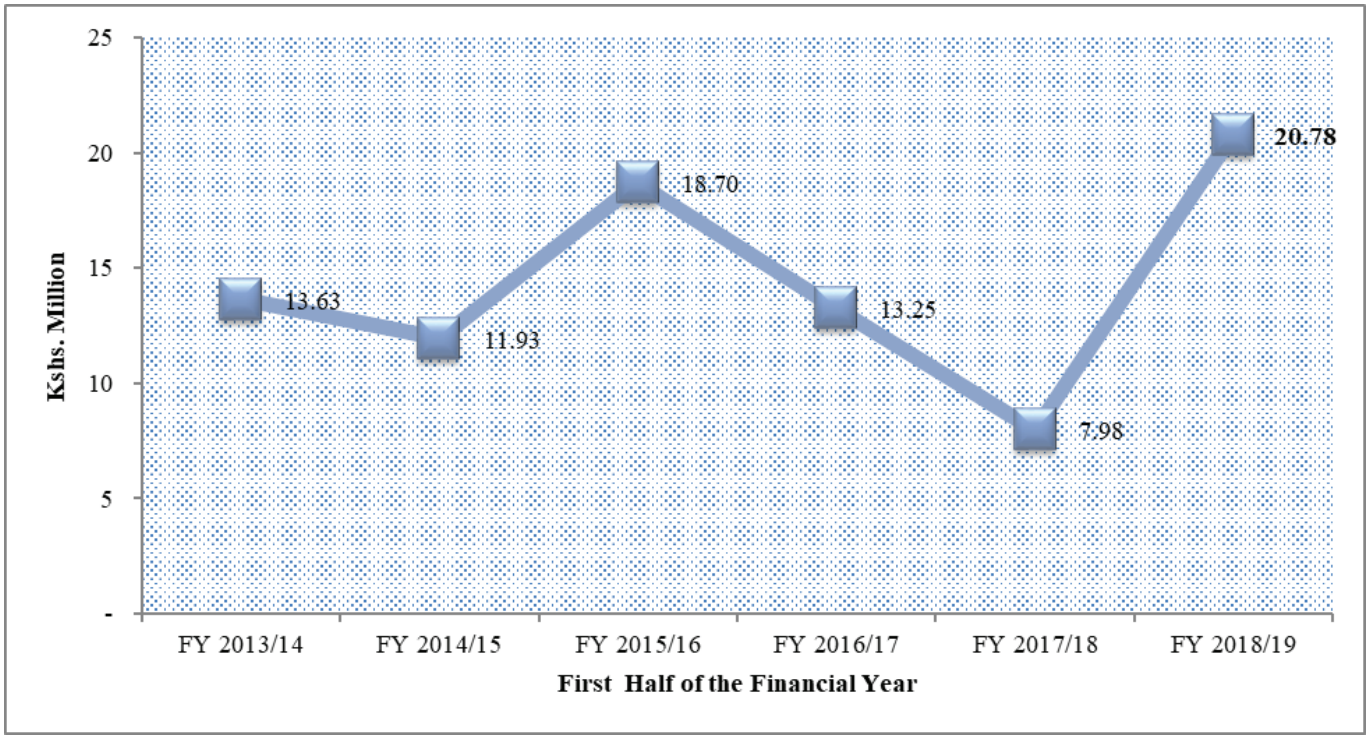
### 3.40.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.82 billion as equitable share of revenue raised nationally, Kshs.242.69 million as total conditional grants, raised Kshs.20.78 million as own source revenue, and had a cash balance of Kshs.1.25 billion from FY 2017/18. The total available funds amounted to Kshs.3.14 billion.

Figure 3.156: shows the half yearly trend in own source revenue collection from the first half from FY 2013/14 to FY 2018/19.

**Figure 3.156: Tana River County, Trend in Own Source Revenue Collection to the First Half of FY 2018/19**




***Source**: Tana River County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.20.78 million as own-source revenue. This represented an increase of 160.6 per cent compared to Kshs.7.98 million realised during the same period of the FY 2017/18, and represented 34.6 per cent of the annual target.

### 3.40.3 Conditional Grants

The County received Kshs.242.69 million as conditional grants as shown in Table 3.116.

**Table 3.116: Tana River County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | Supplement for Construction of County Headquarters | 121,000,000 | 121,000,000 | - | - |
| 2 | Compensation for User Fee Foregone | 5,682,537 | 5,682,537 | - | - |
| 3 | Leasing of Medial Equipment | 200,000,000 | - | - | - |

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| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 4 | Road Maintenance Fuel Levy | 146,332,034 | 146,332,034 | 146,332,034 | 100 |
| 5 | Rehabilitation of Village Polytechnics | 24,490,000 | 24,490,000 | - | - |
| 6 | Transforming Health Systems for Universal Care Project (WB) | 100,000,000 | 100,000,000 | 5,808,959 | 5.8 |
| 7 | Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 31,585,475 | 21.5 |
| 8 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 44,003,842 | 44,003,842 | - | - |
| 9 | Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100 |
| 10 | DANIDA Grant | 17,921,250 | 17,921,250 | 8,960,625 | 50 |
| 11 | EU Grant | 80,000,000 | 80,000,000 | -` | - |
| 12 | Sweden- Agricultural Sector Development Support Programme (ASDP) II + Bal c/f in FY 2017/18 | 24,526,177 | - | - | - |
| 13 | IDA- Kenya Urban Support Project -Urban Institutional Grant + Bal C/F in FY 2017/18 | 41,200,000 | - | - | - |
| **Total** | | **1,005,155,840** | **739,429,663** | **242,687,093** | **32.8** |

***Source**: Tana River County Treasury*

Analysis of revenue from conditional grants in the period under review indicates that, the County received the highest amount from the Road Maintenance Fuel Levy, the Kenya Urban Support Programme and the Kenya Climate Smart Agricultural Project. The receipts accounted for 100 per cent, 100 per cent, and 21.5 per cent of the annual allocation respectively.

### 3.40.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.07 billion from the CRF account. The withdrawals represented 28.3 per cent of the Approved Budget and translated to an increase of 68.2 per cent from Kshs.1.23 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.29 billion (73.7 per cent) to fund recurrent expenditure and Kshs.774.93 million (26.3 per cent) for development activities.

### 3.40.5 Overall Expenditure Review

The County government spent a total of Kshs.1.72 billion on recurrent and development activities. The total expenditure represented 86.3 per cent of the total funds released from the CRF account and was an increase of 70.3 per cent from Kshs.1.04 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.156.69 million for development activities and Kshs.101.45 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.33 billion while Kshs.388.16 million was spent on development activities. The recurrent expenditure was 87.2 per cent of the funds released for recurrent activities, while development expenditure was 71.2 per cent of funds released for development activities.

The recurrent expenditure represented 29.1 per cent of the annual recurrent budget, a decrease from 29.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 14.2 per cent, which was an increase from 2.5 per cent attained in the first half of FY 2017/18. Figure 3.157 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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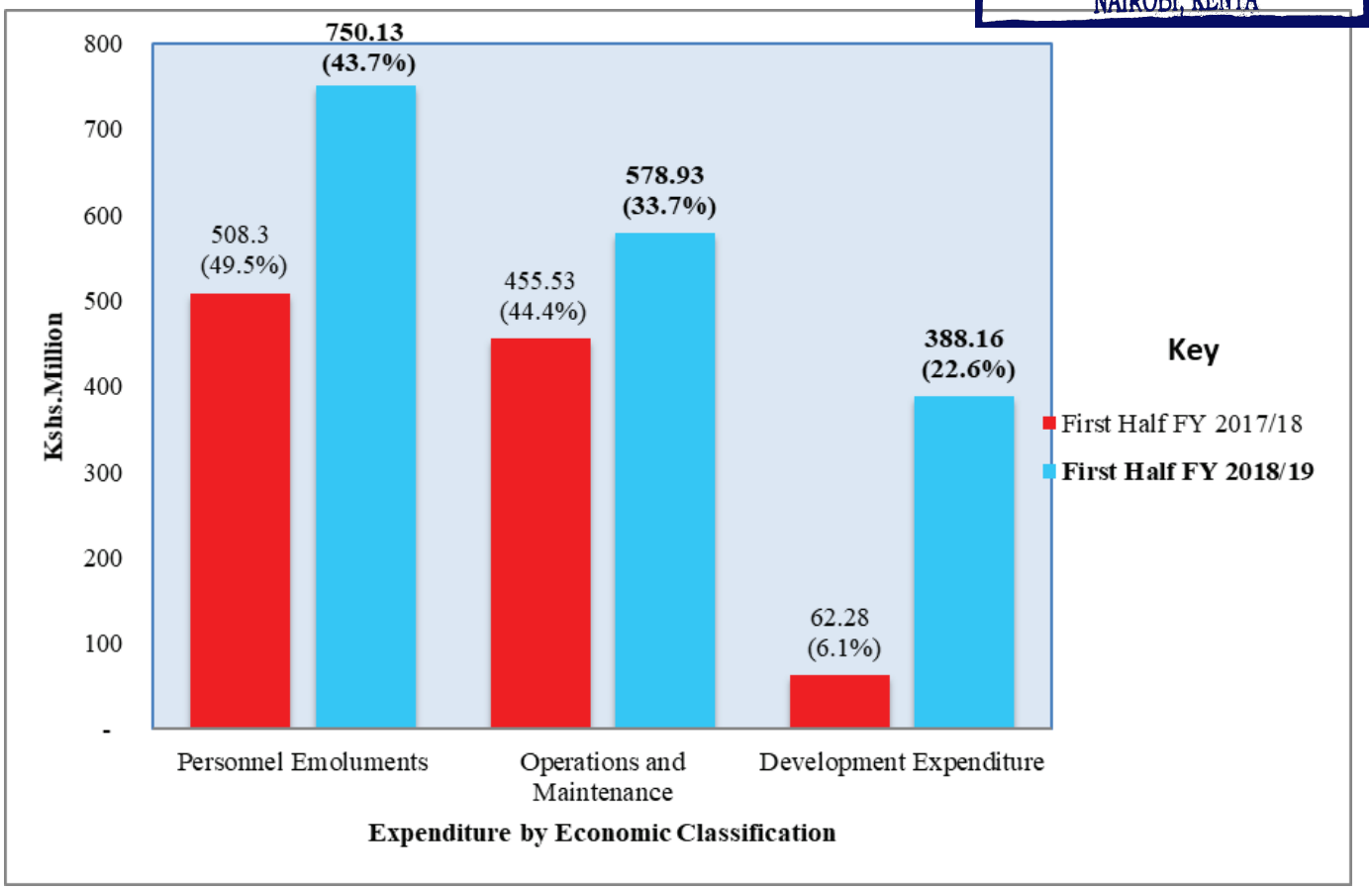
**Figure 3.157: Tana River County, Expenditure by Economic Classification**




***Source**: Tana River County Treasury*

### 3.40.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.33 billion comprised of Kshs.750.13 million (56.4 per cent) incurred on personnel emoluments and Kshs.578.93 million (43.6 per cent) on operations and maintenance as shown in Figure 3.157.

Expenditure on personnel emoluments represented an increase of 47.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.508.3 million, and was 43.7 per cent of total expenditure in the first half of FY 2018/19. Figure 3.158 shows a summary of operations and maintenance expenditure by major categories.

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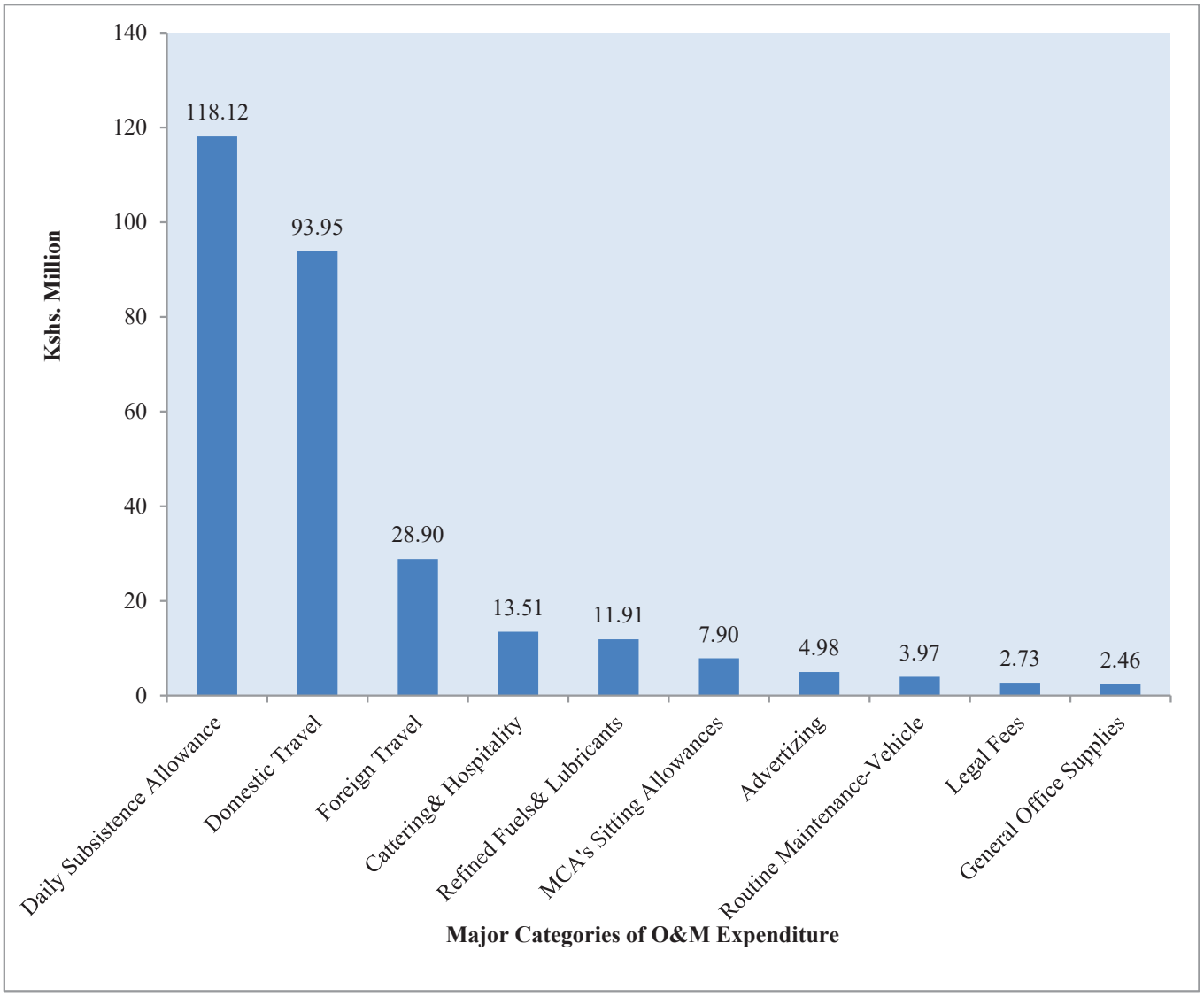
**Figure 3.158: Tana River County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source**: Tana River County Treasury*

The County spent Kshs.7.9 million to cater for the committee sitting allowances for the 23 MCAs against the annual budget allocation of Kshs.27 million. This represented a decrease of 62 per cent compared to Kshs.20.78 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.57,232 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.93.95 million and comprised of Kshs.38.81 million spent by the County Assembly and Kshs.55.14 million spent by the County Executive. This represented 7.1 per cent of total recurrent expenditure.

### 3.40.7 Development Expenditure

The total development expenditure of Kshs.388.16 million represented 14.2 per cent of the annual development budget of Kshs.2.74 billion. The County Treasury did not provide a list of development projects undertaken during the reporting period.

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### 3.40.8 Budget Performance by County Department

Table 3.117 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.117: Tana River County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly HQ | 509.82 | 200.00 | 249.00 | 19.00 | 249.43 | 6.89 | 100.2 | 36.3 | 48.9 | 3.4 |
| Office of the Governor | 507.36 | - | 139.42 | - | 139.24 | - | 99.9 | - | 27.4 | - |
| Finance & Economic Planning | 415.68 | 150.00 | 53.67 | 13.26 | 57.75 | 2.04 | 107.6 | 15.4 | 13.9 | 1.4 |
| Public Service, Admin& Public Participation | 343.64 | 66.50 | 122.05 | - | 28.38 | - | 23.3 | - | 8.3 | - |
| Trade, Tourism, Wildlife, Coop Dev, Weights & Measures | 228.84 | 160.00 | 31.83 | 25.81 | 39.87 | 25.00 | 125.2 | 96.9 | 17.4 | 15.6 |
| Agriculture & Rural Development, Lands and Physical Planning, Livestock, Veterinary and Fisheries | 410.96 | 404.74 | 115.71 | 85.99 | 54.55 | 3.71 | 47.1 | 4.3 | 13.3 | 0.9 |
| Culture, Gender, Youth, Sports and Social Services | 83.80 | 92.50 | 35.77 | 4.75 | 12.00 | 3.71 | 33.5 | 78.1 | 14.3 | 4.0 |
| Education, Vocational Training | 408.71 | 219.99 | 94.64 | 98.21 | 64.07 | 12.82 | 67.7 | 13.1 | 15.7 | 5.8 |
| Medical Services, Public Health and Sanitation | 1,181.31 | 200.80 | 516.62 | 32.59 | 516.03 | 13.64 | 99.9 | 41.8 | 43.7 | 6.8 |
| County Cohesion & Special Programmes | 260.63 | 10.00 | 68.27 | - | 48.45 | - | 71.0 | - | 18.6 | - |
| Roads, Transport, Public Works, Housing & Urbanization | 113.55 | 969.72 | 49.81 | 265.32 | 76.83 | 320.35 | 154.2 | 120.7 | 67.7 | 33.0 |
| Water, Irrigation, Environment and Natural Resources | 109.26 | 262.40 | 47.31 | - | 42.48 | - | 89.8 | - | 38.9 | - |
| **Total** | **4,573.56** | **2,736.65** | **1,524.11** | **544.93** | **1,329.06** | **388.16** | **87.2** | **71.2** | **29.1** | **14.2** |

***Source**: Tana River County Treasury*

According to the data from the County Treasury, the Department of Roads, Transport, Public Works, Housing & Urbanization recorded the highest absorption of development budget at 33 per cent, followed by the Department of Trade, Tourism, Wildlife, Coop Dev, Weights & Measures at 15.6 per cent. The Department of Roads, Transport, Public Works, Housing & Urbanization had the highest percentage of recurrent expenditure to recurrent budget at 67.7 per cent while the Department of Public Service, Admin& Public Participation had the lowest at 8.3 per cent.

### 3.40.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

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i. Improvement in own source revenue collection by 160.6 per cent compared to a similar period in FY 2017/18
ii. Improvement in the absorption of development budget compared to a similar period in FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Failure by the County Treasury to provide a report on development projects undertaken in the reporting period to the Office of the Controller of Budget.
2. Failure to budget for all conditional grants as per CARA, 2018.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should put in mechanisms to ensure that public financial data is kept in an accessible manner for ease of retrieval when requested by oversight institutions.*
2. *The County should budget for all conditional grants as contained in CARA, 2018.*

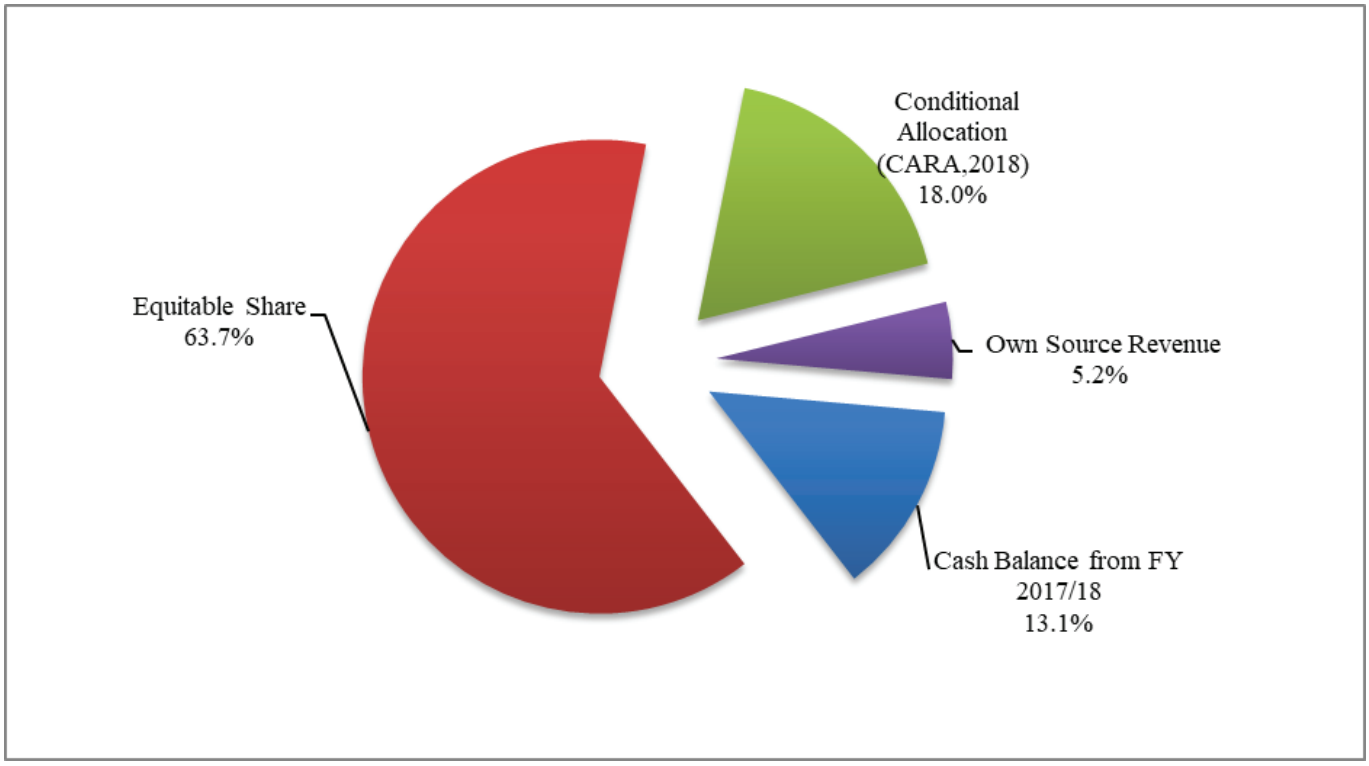
## 3.41 Tharaka Nithi County

### 3.41.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs5.72 billion, comprising of Kshs.3.43billion (60 per cent) and Kshs.2.29 billion (40 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.64 billion (63.7 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (18 per cent) as total conditional grants, generate Kshs.300 million (5.2 per cent) from own sources, and Kshs.749.93 million (13.1 per cent) cash balance from FY 2017/18.

**Figure 3.159: Tharaka Nithi County Sources of Budget Financing in FY 2018/19**




***Source**: Tharaka Nithi County Treasury*

The conditional grants include those contained in the CARA, 2018 of; Kshs.50 million (18.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (43.7 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.38.54 million (14.4 per cent) from IDA (World

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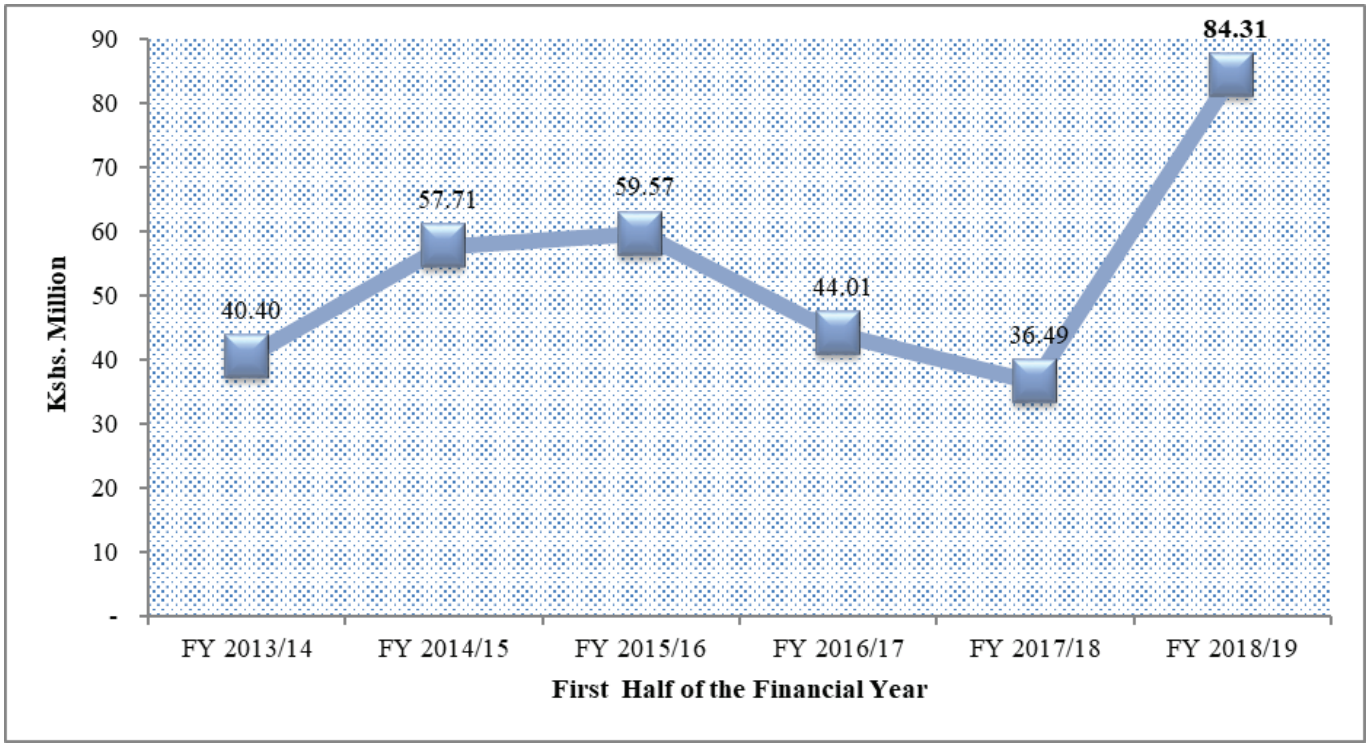
Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (3.2 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.12.35 million (4.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme,, Kshs.8.21 million (0.8 per cent) Compensation for User Fees Foregone, Kshs.128.1 million (12.5 per cent) from Road Maintenance Fuel Levy, Kshs.78.21 million (7.6 per cent) for Rehabilitation of Village Polytechnics, Kshs.12.35 million(1.2 per cent) ASDP Grant and Kshs. 453.36 (44.1 per cent) million as other conditional grants.

### 3.41.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.12 billion as equitable share of revenue raised nationally, Kshs.102.37 million as total conditional grants, raised Kshs.84.31 million from own-source revenue, and had a cash balance of Kshs.749.93 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.06 billion.

Figure 3.160 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.160: Tharaka Nithi County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source**: Tharaka Nithi County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.84.31 million from own-source revenue. This amount was an increase of 131 per cent when compared to Kshs.36.49 million realised during the same period of FY 2017/18 and represented 28.1 per cent of the annual target.

### 3.41.3 Conditional Grants

The County received Kshs.102.37 million as conditional grants during the reporting period as shown in Table 3.118.

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**Table 3118: Tharaka Nithi County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Supplement for Construction of County Headquarters | 121,000,000 | - | - | -- |
| 2 | Compensation for User Fee Foregone | 8,218,119 | 8,218,119 | - | -- |
| 3 | Leasing of Medial Equipment | 200,000,000 | - | - | - |
| 4 | Road Maintenance Fuel Levy | 95,901,220 | 128,101,220 | - | - |
| 5 | Rehabilitation of Village Polytechnics | 40,090,000 | 78,211,638 | - | - |
| 6 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 6,636,793 | 13.3 |
| 7 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 117,000,000 | | - | - |
| 8 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 39,557,498 | 33.8 |
| 9 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 38,536,081 | 77,072,162 | - | - |
| 10 | Kenya Urban Support Project (KUSP) | 50,000,000 | 92,000,000 | 50,000,000 | 54.3 |
| 11 | DANIDA Grant | 12,352,500 | 12,352,500 | 6,176,250 | 50.0 |
| 12 | Other Conditional Grants | - | 453,361,325 | - | - |
| 13 | Agriculture Sector Development Support Programme | - | 12,352,500 | - | - |
| **Total** | | **850,097,920** | **1,028,669,464** | **102,370,541** | 10.0 |

***Source**: Tharaka Nithi County Treasury*

Analysis of the revenue from conditional grants indicates that, the County received disbursements from the Kenya Urban Support Project, grant from DANIDA and grant from Kenya Climate Smart Agriculture Project. These receipts accounted for 54.0 per cent, 50 per cent, and 33.8 per cent of the annual allocation respectively.

### 3.41.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.1.86 billion from the CRF account. The withdrawals represented 32.5 per cent of the Supplementary Budget and translate to an increase of 14.9 per cent from Kshs.1.36 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.52 billion (82 per cent) to fund recurrent expenditure and Kshs.333.71 million (18 per cent) for development activities.

### 3.41.5 Overall Expenditure Review

The County government spent a total of Kshs.1.69 billion on both recurrent and development activities. This expenditure represented 91.2 per cent of the total funds released from the CRF account and was an increase of 56 per cent from Kshs.1.11 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.99.42 million for development activities and Kshs.84.84 million for recurrent expenditure.

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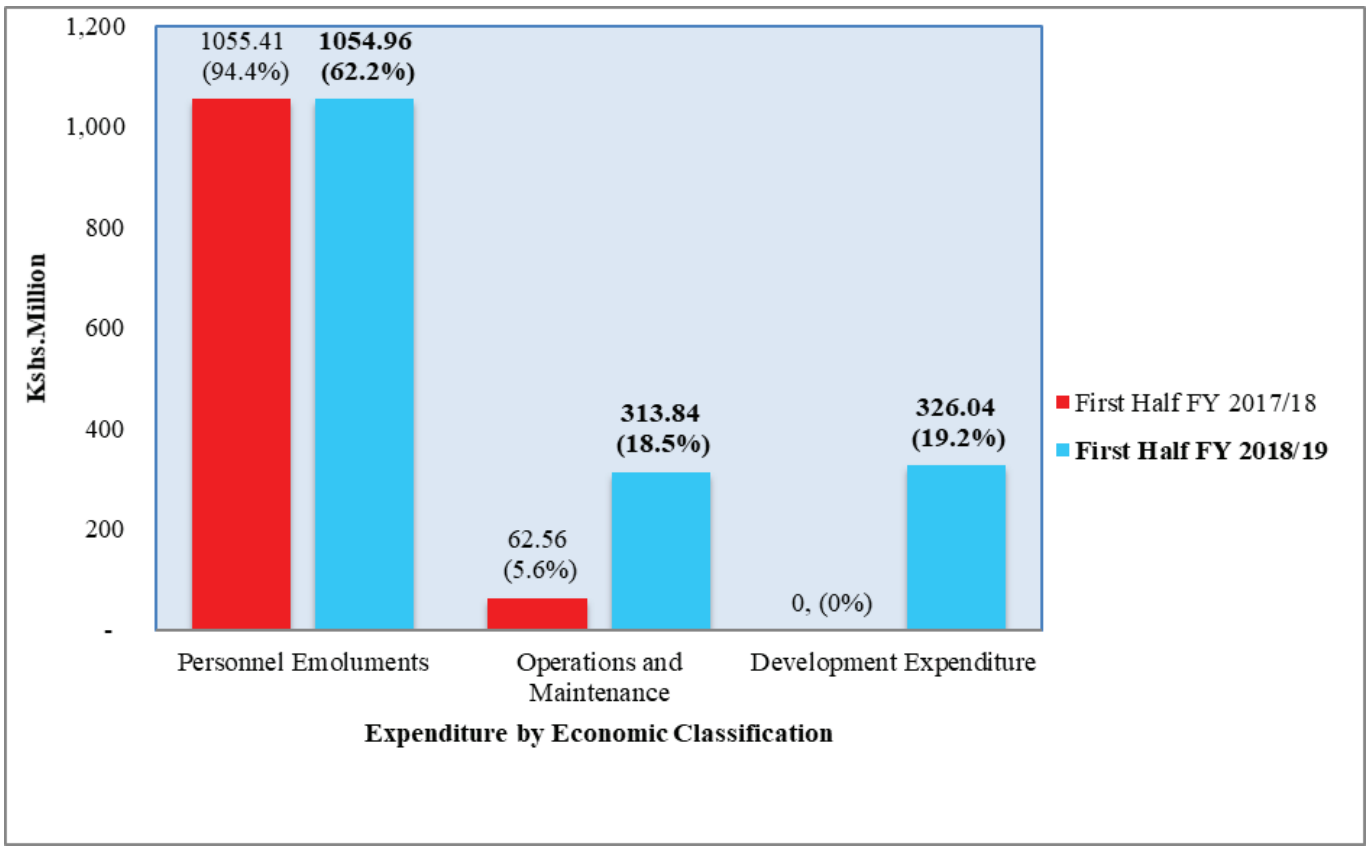
Expenditure on recurrent activities amounted to Kshs.1.36 billion while that on development activities was Kshs.326.04 million. The recurrent expenditure was 89.8 per cent of the funds released for recurrent activities, while development expenditure was 97.7 per cent of funds released for development activities.

The recurrent expenditure represented 39.9 per cent of the annual recurrent budget and was an increase from 38.8 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 14.2 per cent, which was an improvement compared to the first half of FY 2017/18 when there was no development expenditure. Figure3.161 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

**Figure 3.161: Tharaka Nithi County, Expenditure by Economic Classification**




***Source:*** *Tharaka Nithi County Treasury*

### 3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.36 billion comprised of Kshs.1.05 billion (77.1 per cent) incurred on personnel emoluments and Kshs.313.83 million (22.9 per cent) on operations and maintenance as shown in Figure 3.161.

Expenditure on personnel emoluments represented a decrease of 0.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.06 billion, and was 62.2 per cent of total expenditure for the period. Figure 3.162:shows a summary of operations and maintenance expenditure by major categories.

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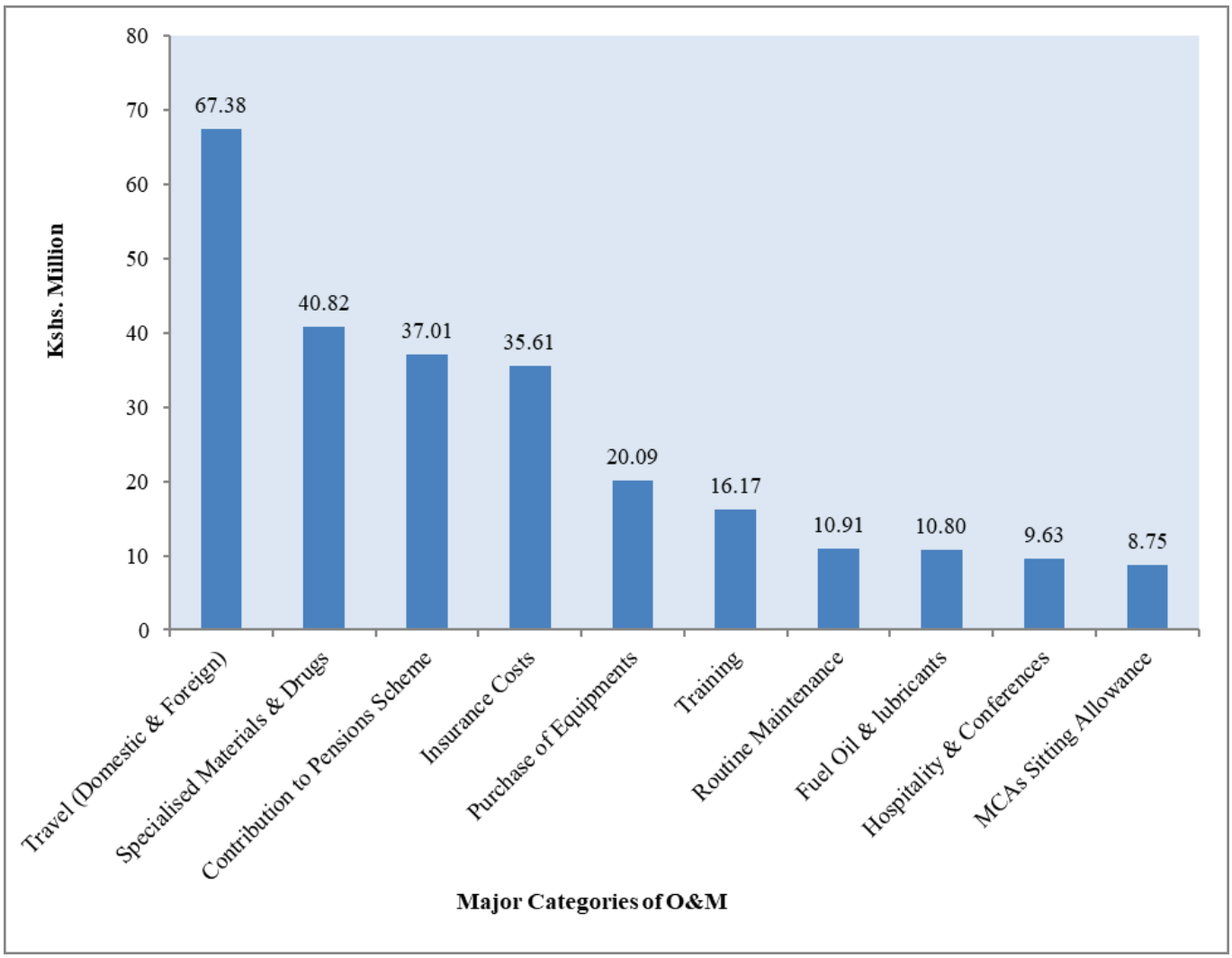
**Figure 3.162: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Tharaka Nithi County Treasury*

The County spent Kshs.8.75 million on MCAs' committee sitting allowances for the 21 MCAs against the annual budget allocation of Kshs.28.37 million. This amount represented an increase of 332.8 per cent compared to Kshs.2.02 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.69,452 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.67.38 million and comprised of Kshs.45.39 million spent by the County Assembly and Kshs.21.98 million spent by the County Executive.

### 3.41.7 Development Expenditure

The total development expenditure of Kshs.326.04 million represented 14.2 per cent of the annual development budget of Kshs.2.29 billion. Table 3.119 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.119: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Garbage Incinerator | karingani ward | 40,000,000 | 34,998,500 | 87 |
| 2 | Construction of Vetlab | Marimanti ward | 20,000,000 | 9,972,751 | 50 |
| 3 | Construction of ATI (Completion) | Igambang'ombe Ward | 28,000,000 | 20,816,767 | 74 |
| 4 | Construction of Grain Store | Mukothima ward | 23,000,000 | 16,949,190 | 74 |
| 5 | Construction of ECDE classes | County wide | 32,590,000 | 14,852,028 | 46 |
| 6 | Roads Grading and Civil Works | County wide | 277,500,000 | 98,984,621 | 36 |
| 7 | Construction of Bus Park | Chogoria ward | 10,000,000 | 3,835,516 | 38 |
| 8 | Chuka KMTC,OPD and Laboratory | Karingani ward | 144,000,000 | 63,363,503 | 44 |
| 9 | Marimanti OPD and Gate | Marimanti ward | 15,000,000 | 12,750,000 | 85 |
| 10 | Domestic Payables from Previous FY | County wide | 276,124,808 | 48,818,253 | 18 |

***Source:*** *Tharaka Nithi County Treasury*

## 3.41.8 Budget Performance by County Department

Table 3.120 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.120: Tharaka Nithi County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 352.00 | 17.00 | 157.71 | - | 158.38 | - | 100.4 | - | 45.0 | 0.0 |
| County Executive | 154.43 | - | 55.27 | - | 64.27 | - | 116.3 | 0.0 | 41.6 | 0.0 |
| Finance and Economic Planning | 291.27 | 276.12 | 80.65 | 49.42 | 55.73 | 48.82 | 69.1 | 98.8 | 19.1 | 17.7 |
| Agriculture | 107.43 | 227.00 | 55.88 | 86.58 | 69.42 | 37.77 | 124.2 | 43.6 | 64.6 | 16.6 |
| Environment and Natural Resource | 1.02 | 35.00 | - | 35 | - | 35.00 | 0.0 | 100.0 | 0.0 | 100 |
| Education, Cultural and Vocational Training | 230.03 | 107.59 | 59.19 | 7.46 | 47.88 | 14.85 | 80.9 | 199.0 | 20.8 | 13.8 |
| Medical Services | 1,476.03 | 313.70 | 781.61 | 69.55 | 775.43 | 76.11 | 99.2 | 109.4 | 52.5 | 24.3 |
| Physical Planning And Land | 129.22 | 225.50 | 33.33 | 4.53 | 12.70 | 4.54 | 38.1 | 100 | 9.8 | 2 |
| Roads, Transport, Housing, Public Works | 49.69 | 809.80 | 14.45 | 71.19 | 8.56 | 98.98 | 59.3 | 139 | 17.2 | 12.2 |
| Administration and Public Services | 261.06 | - | 128.10 | - | 120.35 | - | 93.9 | - | 46.1 | - |
| Trade, Industry and Cooperatives | 94.65 | - | 48.77 | - | 9.66 | - | 19.8 | - | 10.2 | - |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Water Services and Irrigation | 51.24 | 162.00 | 16.41 | - | 14.87 | - | 90.6 | - | 29.0 | - |
| County Public Services Board | 12.46 | - | 6.69 | - | 4.57 | - | 68.2 | - | 36.7 | - |
| Livestock, Veterinary and Fisheries Development | 71.90 | 55.00 | 35.29 | 9.97 | 14.67 | 9.97 | 41.6 | 100 | 20.4 | 18.1 |
| Public Health and Sanitation | 61.49 | - | 18.96 | - | 1.27 | - | 6.7 | - | 2.1 | - |
| Energy and ICT | 38.36 | 24.00 | 6.20 | - | 5.96 | - | 96.1 | - | 15.5 | - |
| Youth ,Culture, Sport and Tourism | 48.02 | 38.00 | 26.02 | - | 5.07 | - | 19.5 | - | 10.6 | - |
| **TOTAL** | **3,430.29** | **2,290.71** | **1,524.54** | **333.71** | **1,368.80** | **326.04** | **89.8** | **97.7** | **39.9** | **14.2** |

***Source:*** *Tharaka Nithi County Treasury*

Analysis of expenditure by department shows the Department of Environment and Natural Resource attained the highest absorption rate of development budget at 100 per cent followed by the Department of Medical Services at 24.3 per cent. The Department of Agriculture had the highest percentage of recurrent expenditure to recurrent budget at 64.6 per cent while the Department of Environment and Natural resource did not incur any recurrent expenditure.

### 3.41.9 Key Observations and Recommendations

i. The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:
ii. Improvement in own-source revenue collection by 131 per cent from Ksh.36.49 million in a similar period in FY 2017/18 to Ksh.84.31 million in the reporting period.
iii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
iv. Establishment of Internal audit Committee in line with Section 155 (5) of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation:

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally, which affected implementation on planned activities.
2. High wage bill that has accounted for 62.2 per cent of the total expenditure in the reporting period.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should liaise with the National Treasury so as to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

## 3.42 Trans Nzoia County

### 3.42.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.7.65 billion, comprising of Kshs.4.44 billion (58 per cent) and Kshs.3.21 billion (42 per cent) allocation for recurrent and development expenditure respectively.

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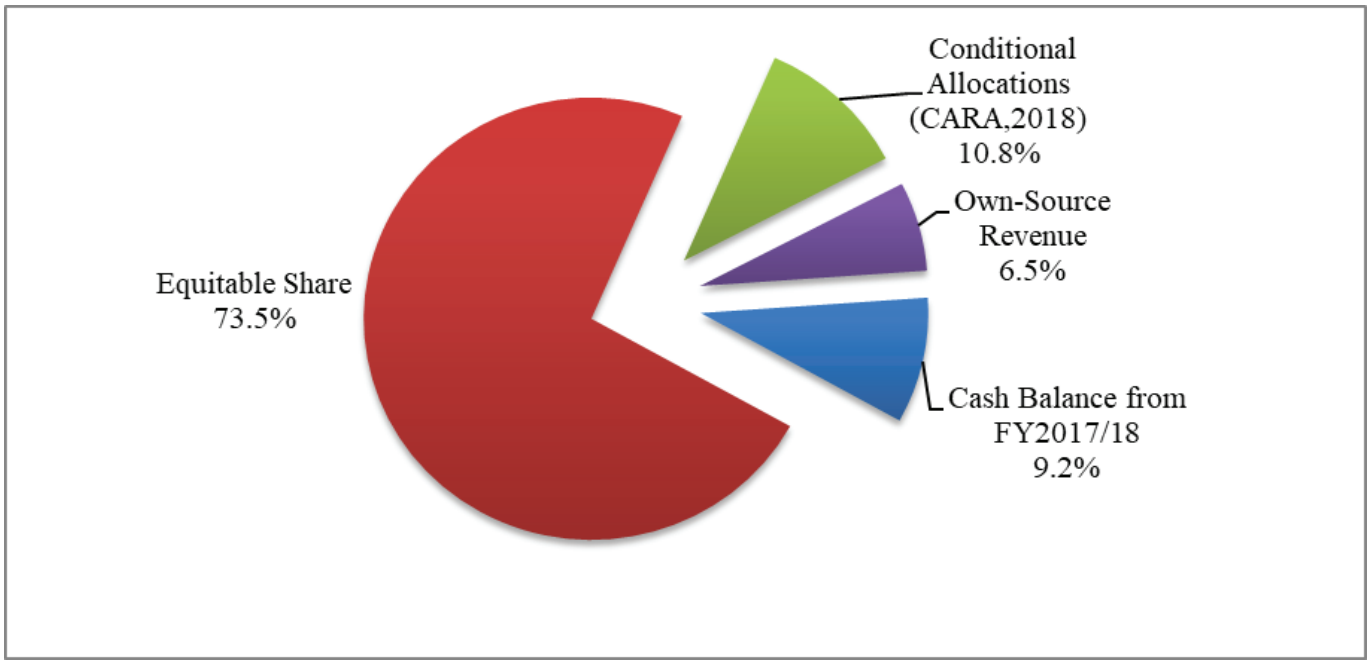
To finance the budget, the County expects to receive Kshs.5.62 billion (73.5 per cent) as equitable share of revenue raised nationally, Kshs.827.93 million (10.8 per cent) as total conditional grants, generate Kshs.500 million (6.5 per cent) from own-source revenue , and Kshs.703.23 million (9.2 per cent) cash balance from FY 2017/18.

**Figure 3.163: Trans Nzoia County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Trans Nzoia County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (9.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (13.7 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.46.46 million (4.5 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.299.11 million (29.1 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.18.93 million (1.8 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.21.30 million (2.1 per cent) Compensation for User Fees Foregone, Kshs.147.99 million (14.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.53.71 million (5.2 per cent) for Rehabilitation of Village Polytechnics, and Kshs.200 million for leasing of medical equipment.

### 3.42.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.06 billion as equitable share of revenue raised nationally, Kshs.318.39 million as total conditional grants, raised Kshs.77.46 million from own source revenue, and had a cash balance of Kshs.703.23 million from FY 2017/18. The total available funds amounted to Kshs.4.15 billion.

Figure 3.164: shows the quarterly trend in own source revenue collection from FY 2013/14 to the half of FY 2018/19.

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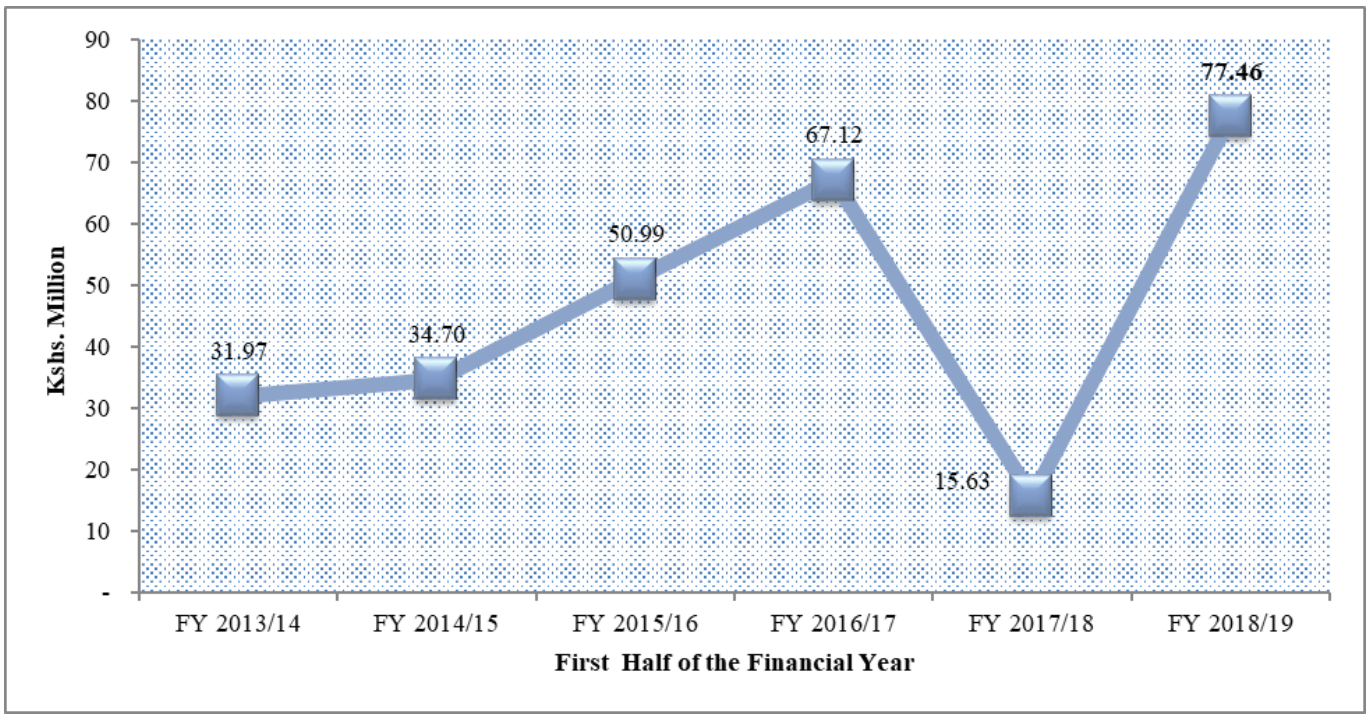
**Figure 3.164: Trans Nzoia County, Trend in Own Source Revenue Collection from the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Trans Nzoia County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.77.46 million from own-source revenue sources. This amount was an increase of 395.6 per cent compared to Kshs.15.63 million generated in the first half of FY 2017/18 and represented 15.5 per cent of the annual target.

### 3.42.3 Conditional Grants

The County received Kshs.318.28 million as conditional grants as shown in Table 3.121.

**Table 3.121: Trans Nzoia County, Analysis of Conditional Grants Received in the first quarter of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in the FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | IDA (World Bank) -Kenya Urban Support Project | 299,106,900 | 299,106,900 | 299,106,900 | 100 |
| 2 | DANIDA - Universal Healthcare to Devolved System Programme | 18,933,750 | 18,933,750 | 9,466,875 | 50 |
| 3 | World Bank-Transforming Health Systems for Universal Care Project | 100,000,000 | 100,000,000 | 9,817,216 | 10 |
| 4 | Compensation for User Fee Foregone | 21,304,915 | 21,304,915 | - | 0 |
| 5 | Leasing of Medical Equipment | 200,000,000 | - | - | 0 |
| 6 | Road Maintenance Fuel Levy Fund | 147,985,503 | 147,985,503 | - | 0 |
| 7 | Rehabilitation of Village Polytechnics | 53,710,000 | 53,710,000 | - | 0 |
| 8 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 140,435,163 | - | 0 |

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| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in the FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 9 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 46,456,661 | 46,456,661 | - | |
| **Total** | | **1,027,932,892** | **827,932,892** | **318,390,991** | 31 |

***Source:*** *Trans Nzoia County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.42.4 Exchequer Issues

To finance the implementation of the budget, the Controller of Budget approved withdrawal of Kshs.3.21 billion from the CRF account. The withdrawal represented 42 per cent of the Approved Budget and translates to an increase of 57.4 per cent from Kshs.2.04 million approved in the first half of FY 2018/19. This comprised of Kshs.2.34 billion (72.9 per cent) to fund recurrent expenditure and Kshs.871.16 million (27.1 per cent) for development activities.

### 3.42.5 Overall Expenditure Review

The County government spent a total of Kshs.2.29 billion on both recurrent and development activities. This expenditure represented 71.3 per cent of the total funds released from the CRF account and was an increase of 50.7 per cent from Kshs.1.52 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.271.07 million for development activities and Kshs.121.03 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.96 billion while that on development activities was Kshs.330.01 million. The recurrent expenditure was 83.7 per cent of the funds released for recurrent activities, while development expenditure was 37.9 per cent of funds released for development activities.

The recurrent expenditure represented 44.1 per cent of the annual recurrent budget, an increase from 31 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 10.3 per cent, an increase from 6 per cent attained in the first half of FY 2017/18. Figure 3.165 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first quarter of the FY 2017/18.

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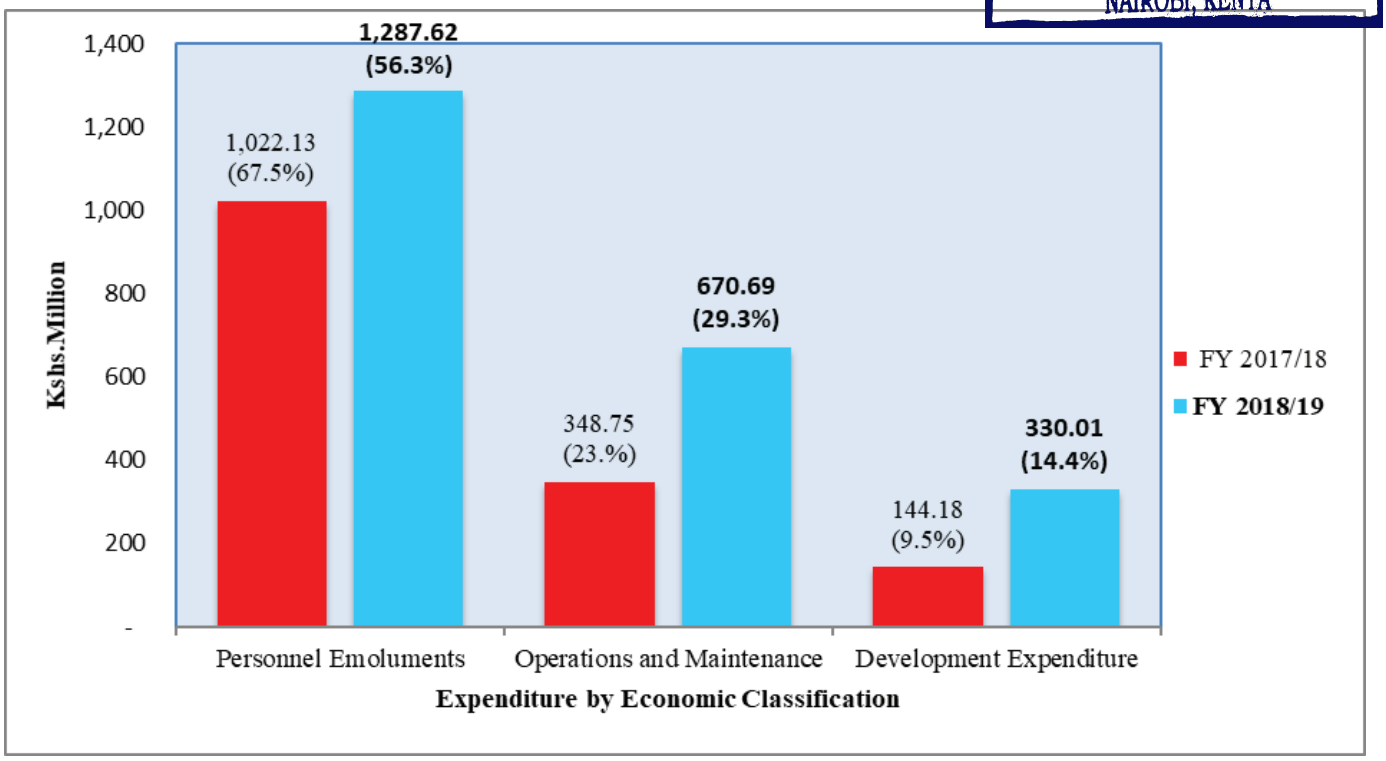
**Figure 3.165: Trans Nzoia County, Expenditure by Economic Classification**




***Source:*** *Trans Nzoia County Treasury*

## 3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.96 billion comprised of Kshs.1.29 billion (65.8 per cent) incurred on personnel emoluments and Kshs.670.69 million (34.2 per cent) on operations and maintenance as shown in Figure 3.165.

Expenditure on personnel emoluments represented an increase of 26 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.02 billion, and was 56.3 per cent of total expenditure in the first half of FY 2018/19. Figure 3.166 shows a summary of operations and maintenance expenditure by major categories.

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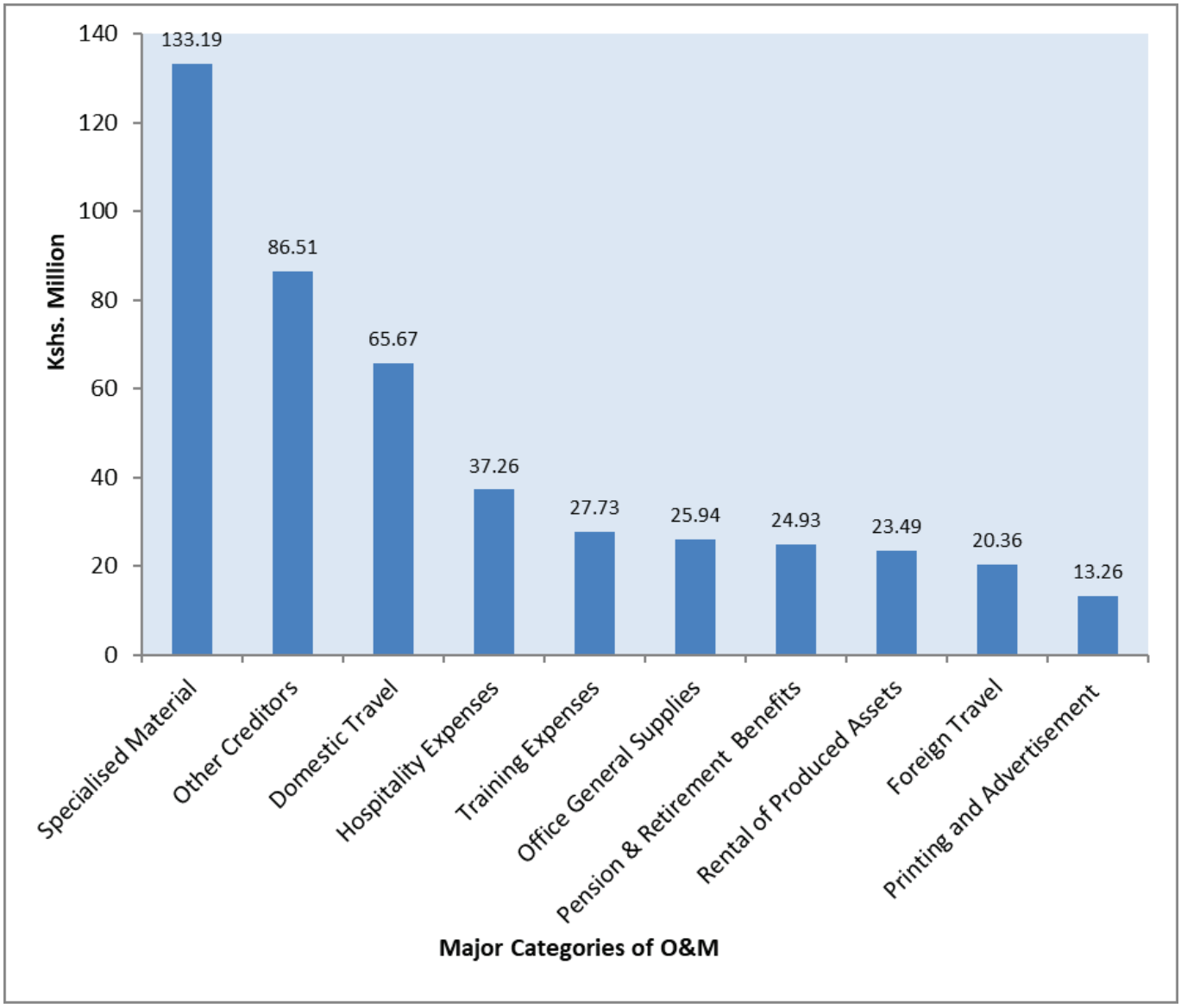
**Figure 3.166: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Trans Nzoia County Treasury*

The County spent Kshs.15.51 million on MCAs' committee sitting allowances to the 39 MCAs and the speaker against the annual budget allocation of Kshs.69.30 million. This was an increase compared Kshs.0.96 spent in the first half of FY 2017/18. The average monthly sitting allowance was Kshs.64,626 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.65.67 million and comprised of Kshs.49.17 million spent by the County Assembly and Kshs.16.51 million by the County Executive and represented 2.9 per cent of total recurrent expenditure.

### 3.42.7 Development Expenditure Analysis

The total development expenditure of Kshs.330.01 million represented 10.3 per cent of the annual development budget of Kshs.3.21 billion. Table 3.122 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.122: Trans Nzoia County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | Half Year Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Purchase of a Prime Mover | County Headquarters | 20,000,000 | 18,093,103 | 90.5 |
| 2 | Construction of Fresh Produce Market | Motosiet | 5,000,000 | 4,297,119 | 85.9 |
| 3 | Road Maintenance | County wide | 123,304,785 | 63,892,559 | 51.8 |
| 4 | Construction of County Referral Hospital | Matisi | 435,000,000 | 158,826,474 | 36.5 |
| 5 | Supply of ECDE Equipment's | County wide | 11,900,000 | 3,703,396 | 31.1 |
| 6 | Refurbishment of Kenyatta Stadium | Bidii | 20,000,000 | 5,575,890 | 27.9 |
| 7 | Construction of Market Shade | Kwanza | 13,760,458 | 3,243,301 | 23.6 |
| 8 | Pipeline Extension | County wide | 128,087,380 | 11,400,831 | 8.9 |

***Source:*** *Trans Nzoia County Treasury*

### 3.42.8 Budget and Budget Performance Analysis by Department

Table 3.122 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.123: Trans Nzoia County, Budget Performance by Department**

| Department | Annual Budget Allocation inFY 2018/19(Kshs. Million) | | Exchequer Issues in First Half ofFY 2018/19(Kshs. Million) | | Expenditure in First Half ofFY 2018/19(Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture | 287.89 | 281.07 | 163.35 | 48.89 | 148.31 | 9.46 | 90.8 | 19.4 | 51.5 | 3.4 |
| Livestock | 18.02 | 105.43 | 4.32 | 0.51 | 4.71 | 2.55 | 109.0 | 500.0 | 26.1 | 2.4 |
| Trade, Commerce and Industry | 45.05 | 49.26 | 23.12 | 8.37 | 2.32 | 9.49 | 10.1 | 113.4 | 5.2 | 19.3 |
| Water, Environment and Natural Resources | 68.26 | 322.41 | 32.71 | 85.63 | 21.36 | 39.41 | 65.3 | 46.0 | 31.3 | 12.2 |
| Public Works, Roads and Infrastructure | 217.97 | 584.15 | 102.99 | 166.75 | 64.53 | 89.70 | 62.7 | 53.8 | 29.6 | 15.4 |
| Health and Corporate Services | 1,493.23 | 703.32 | 906.92 | 204.35 | 971.33 | 163.35 | 107.1 | 80.0 | 65.1 | 23.2 |
| Lands, Housing and Urban Development | 60.89 | 362.21 | 25.26 | 304.71 | 15.83 | - | 62.7 | - | 26.0 | - |
| Gender, Youth, Sports, Culture, Social Services & Tourism | 85.07 | 120.26 | 36.17 | - | 25.81 | 5.58 | 71.4 | - | 30.3 | 4.6 |
| Governance | 88.40 | 15.10 | 31.86 | - | 56.67 | 4.83 | 177.9 | - | 64.1 | 32 |
| Public Service Management | 389.15 | 16.40 | 212.86 | 3.45 | 56.14 | - | 26.4 | - | 14.4 | - |
| County Public Service Board | 32.77 | 31.35 | 12.55 | - | 10.16 | - | 81.0 | - | 31.0 | - |
| Education and ICT | 346.72 | 367.10 | 190.46 | 48.50 | 143.62 | 5.64 | 75.4 | 11.6 | 41.4 | 1.5 |
| Finance | 656.17 | 82.90 | 274.96 | - | 145.99 | - | 53.1 | - | 22.3 | - |
| Economic Planning | 33.66 | 33.47 | 13.93 | - | 1.82 | - | 13.1 | - | 5.4 | - |

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| Department | Annual Budget Allocation inFY 2018/19(Kshs. Million) | | Exchequer Issues in First Half ofFY 2018/19(Kshs. Million) | | Expenditure in First Half ofFY 2018/19(Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 614.08 | 140 | 307.04 | - | 289.71 | - | 94.4 | - | 47.2 | - |
| **TOTAL** | **4,437.33** | **3,214.43** | **2,338.49** | **871.16** | **1,958.31** | **330.01** | **83.7** | **37.9** | **44.1** | **10.3** |

***Source:*** *Trans Nzoia County Treasury*

Analysis of expenditure by department shows the Department of Governance recorded the highest absorption rate of development budget at 32 per cent. The Department of Health and Corporate Services had the highest percentage of recurrent expenditure to recurrent budget at 65.1 per cent while the Department of Trade, Commerce and Industry had the lowest at 5.2 per cent.

### 3.42.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in own source of revenue collection by 106.5 per cent from Kshs.37.52 million in the first half of FY 2017/18 to Kshs.77.46 million in the first half of FY 2018/19.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports to the OCOB by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Slow implementation of development activities during the first half of FY 2018/19. The County spent 10.3 per of the annual development budget of Kshs.3.21 billion against the expected absorption rate of 50 per cent.
3. High wage bill that has increased by 26 per cent from Kshs.1.02 billion in the first half of FY 2017/18 to Kshs.1.29 billion during the period under review.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County should identify and address issues that cause delays in implementation of development projects.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

## 3.43 Turkana County

### 3.43.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 approved Budget was Kshs.13.54 billion, comprising of Kshs.8.22 billion (60.7 per cent) and Kshs.5.32 billion (39.3 per cent) allocation for recurrent and development expenditure respectively.

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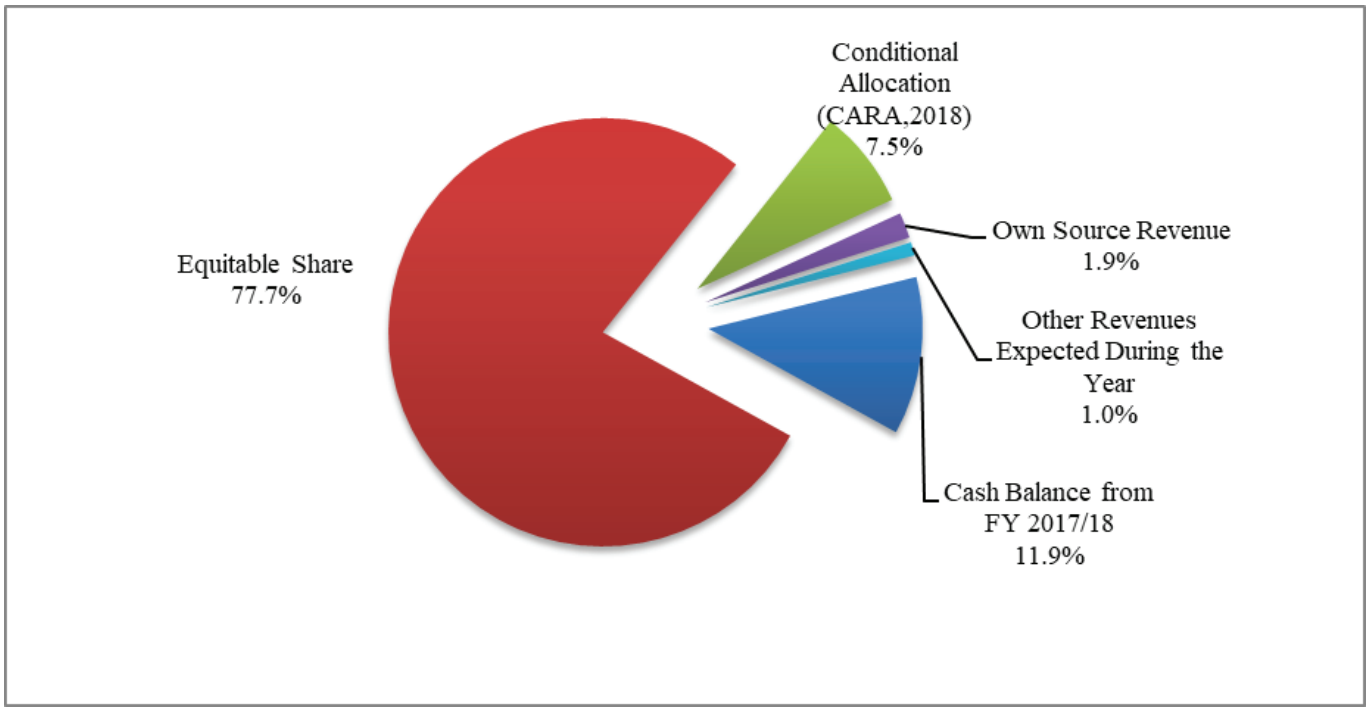
To finance the budget, the County expects to receive Kshs.10.07 billion (77.7 per cent) as equitable share of revenue raised nationally, Kshs.969.16 million (7.5 per cent) as total conditional grants, generate Kshs.250 million (1.9 per cent) from own source of revenue, Kshs.1.55 billion (11.9 per cent) cash balance from FY 2017/18, and Kshs.131.23 million as other revenues expected during the year.

**Figure 3.167: Turkana County, Expected Sources of Budget Financing in FY 2018/19**




***Source**: Turkana County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (10.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (14.5 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.65.45 million (6.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.95.02 million (9.8 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.33.77 million (3.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.25.63 million (2.6 per cent) Compensation for User Fees Foregone, Kshs.200 million (20.6 per cent) for Leasing of Medical Equipment, Kshs.283.57 million (29.3 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.25.29 million (2.6 per cent) for Rehabilitation of Village Polytechnics.

### 3.43.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.5 billion as equitable share of revenue raised nationally, Kshs.150.54 million as total conditional grants, raised Kshs.69.92 million from own source revenue, and had a cash balance of Kshs.1.55 million from FY 2017/18. The total available funds amounted to Kshs.5.4 billion.

Figure 3.168 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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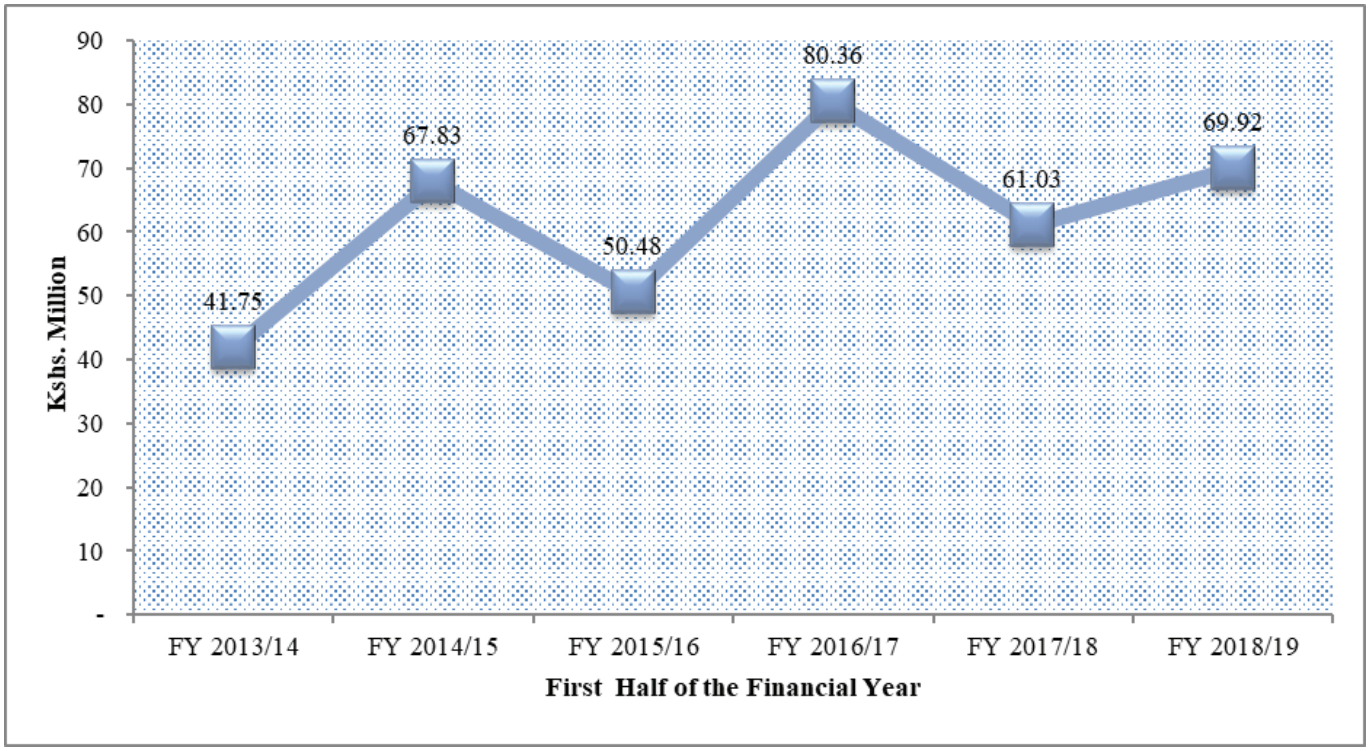
**Figure 3.168: Turkana County, Trend in Own Source Revenue Collection in the First Half of FY 2018/19**




***Source:*** *Turkana County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.69.92 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.61.03 million realised during the same period of the FY 2017/18 and represented 28 per cent of the annual target.

### 3.43.3 Conditional Grants

The County received Kshs.150.54 million as conditional grants as shown in Table 3.124.

**Table 3.124: Turkana County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 25,634,941 | 25,634,941 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 283,569,986 | 283,569,986 | - | - |
| 4 | Rehabilitation of Village Polytechnics | 25,285,000 | 25,285,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 100,000,000 | 100,000,000 | 19,316,375 | 19.3 |
| 6 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | - | - |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 65,446,016 | 65,446,016 | - | - |

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| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 8 | Kenya Urban Support Project (KUSP) | 95,023,200 | 95,023,200 | 95,023,200 | 100 |
| 9 | DANIDA Grant | 33,766,875 | 33,766,875 | 36,199,813 | 107.2 |
| **Total** | | **969,161,181** | **969,161,181** | **150,539,388** | **13.5** |

***Source:*** *Turkana County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant, the Kenya Urban Support Project, and the World Bank's Transforming Health Systems for Universal Care Project. The receipts accounted for 107.2 per cent, 100 per cent and 19.3 per cent of annual allocation respectively.

### 3.43.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.36 billion from the CRF account. The withdrawals represented 24.8 per cent of the Approved Budget and translated to an increase of 23 per cent from Kshs.2.73 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.52 billion (75 per cent) to fund recurrent expenditure and Kshs.840.08 million (25 per cent) for development activities.

### 3.43.5 Overall Expenditure Review

The County government spent a total of Kshs.1 billion on recurrent and development activities. The total expenditure represented 30 per cent of the total funds released from the CRF account and was a decline of 61.9 per cent from Kshs.2.63 billion spent in the first half of FY 2017/18. The county did not report on pending bills during the reporting period.

Expenditure on recurrent activities amounted to Kshs.2.8 billion while Kshs.230.49 million was spent on development activities. The recurrent expenditure was 99.7 per cent of the funds released for recurrent activities, while development expenditure was 62.4 per cent of funds released for development activities.

The recurrent expenditure represented 34.1 per cent of the annual recurrent budget, an increase from 30.3 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 4.3 per cent, which was a decrease from 11.1 per cent attained in the first half of FY 2017/18. Figure 3.169 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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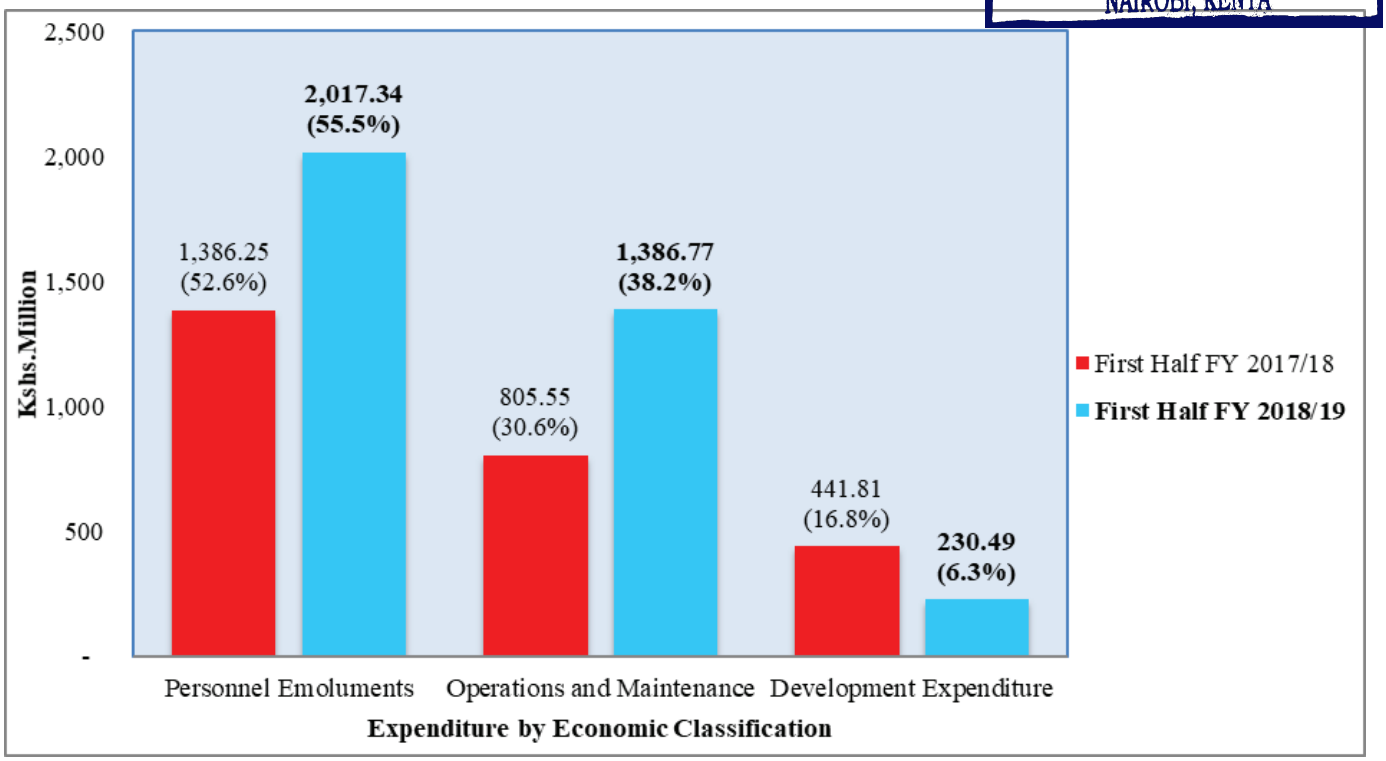
**Figure 3.169: Turkana County, Expenditure by Economic Classification**




***Source:*** *Turkana County Treasury*

## 3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.8 billion comprised of Kshs.2.02 billion (59.3 per cent) incurred on personnel emoluments and Kshs.1.39 billion (40.7 per cent) on operations and maintenance as shown in Figure 3.169.

Expenditure on personnel emoluments represented an increase of 45.5 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.39 billion, and was 55.5 per cent of total expenditure in the first half of FY 2018/19. Figure 3.170 shows a summary of operations and maintenance expenditure by major categories.

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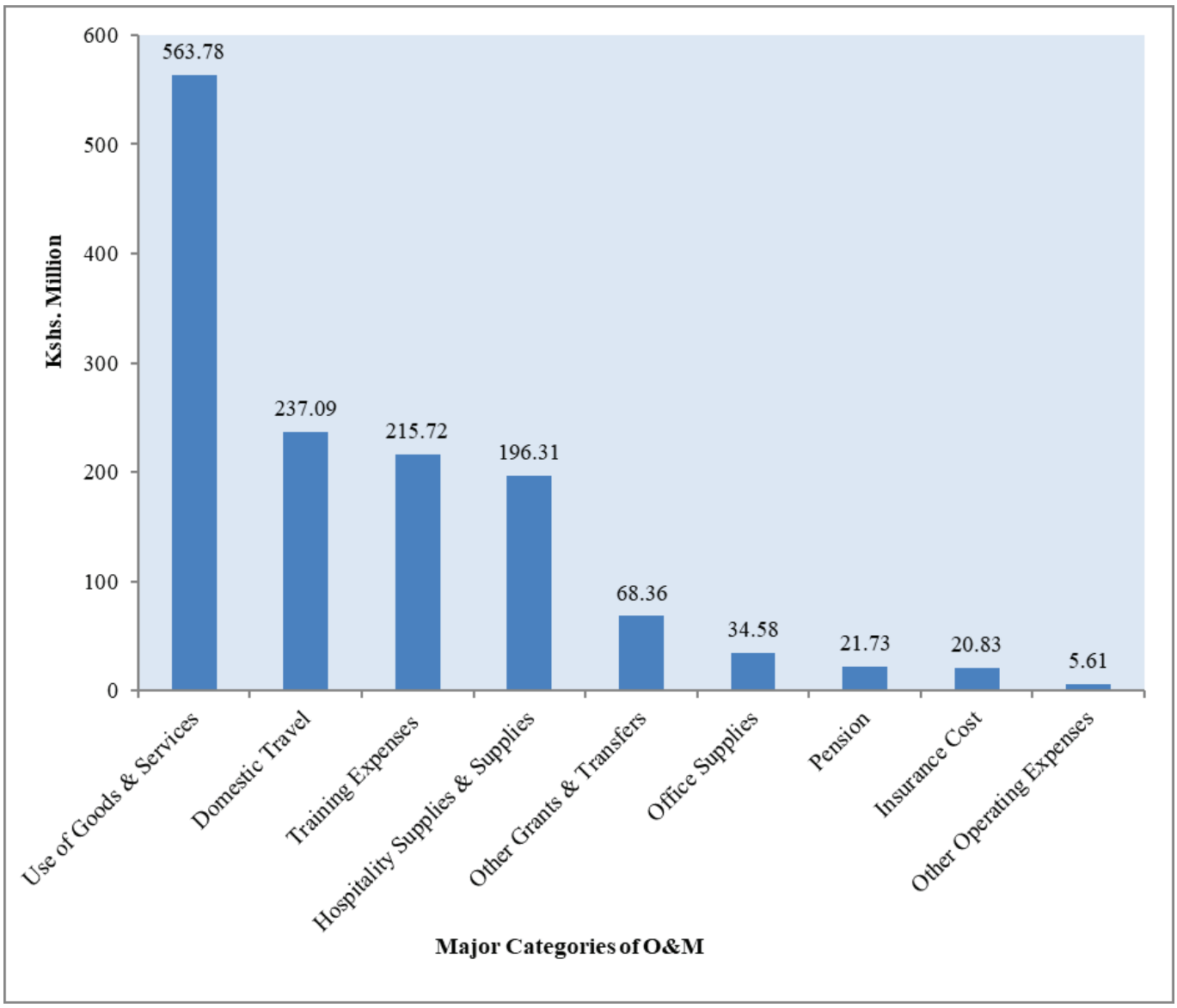
**Figure 3.170: Turkana County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Turkana County Treasury*

The County spent Kshs.13.7 million to cater for the MCAs' committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.81.76 million. This represented a decline of 47.4 per cent compared to Kshs.26.07 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.47,569 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.237.09 million and comprised of Kshs.134.18 million spent by the County Assembly and Kshs.102.91 million spent by the County Executive and represented 8.4 per cent of total recurrent expenditure.

### 3.43.7 Development Expenditure

The total development expenditure of Kshs.230.49 million represented 4.3 per cent of the annual development budget of Kshs.5.32 billion. The County did not submit a summary of development projects in the first half of the financial year.

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### 3.43.8 Budget Performance by County Department

Table 3.125 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.125: Turkana County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Governance (Office of the Governor and Liaison) | 320.2 | 243.14 | 70.1 | | 122.1 | - | 174.2 | | 38.1 | - |
| Office of the Deputy Governor | 21.14 | - | 11.1 | | 7.13 | - | 64.2 | | 33.7 | - |
| County Attorney | 80.27 | 10 | 42.03 | | 48.41 | - | 115.2 | | 60.3 | - |
| Finance and Planning | 490.48 | 463.01 | 193.25 | | 162.11 | 13.38 | 83.9 | | 33.1 | 2.9 |
| Water Services, Environment and Mineral Resources | 53.67 | 600.77 | - | 30.44 | 29.98 | 32.83 | - | 107.9 | 55.9 | 5.5 |
| Health & Sanitation Services | 888.29 | 623.79 | 298.85 | 90.04 | 179.84 | 66.55 | 60.2 | 73.9 | 20.2 | 10.7 |
| Trade, Gender and Youth Affairs | 104.43 | 492.25 | - | 11.42 | 22.44 | 32.84 | - | 287.6 | 21.5 | 6.7 |
| Education, Sports and Social Protection | 664.63 | 715.56 | 210.39 | 68.11 | 215.48 | 67.97 | 102.4 | 99.8 | 32.4 | 9.5 |
| Public Services, Decentralized Administration & Disaster Management | 4,240.96 | 180.35 | 2,131.24 | | 2,000.90 | - | 93.9 | | 47.2 | - |
| Infrastructure Transport & Public Works | 42.93 | 515.82 | 23.3 | 173.73 | 22.79 | 12.92 | 97.8 | 7.4 | 53.1 | 2.5 |
| Agriculture, Pastoral Economy & Fisheries | 168.22 | 617.74 | 29.82 | | 54.84 | 4 | 183.9 | | 32.6 | 0.6 |
| Tourism, Culture and Natural Resources | 115.9 | 166.23 | 17.9 | | 25.2 | - | 140.8 | | 21.7 | - |
| Lands, Energy, Housing & Urban Areas Mgt. | 65.97 | 236.21 | 17.66 | 95.02 | 20.1 | - | 113.8 | | 30.5 | - |
| County Public Service Board | 121.93 | - | - | | 14.18 | - | - | | 11.6 | |
| County Assembly | 839.3 | 452.28 | 476 | | 478.61 | - | 100.5 | | 57.0 | - |
| **Total** | **8,218.32** | **5,317.15** | **3,521.64** | **468.76** | **3,404.11** | **230.49** | **96.7** | **49.2** | **41.4** | **4.3** |

***Source:*** *Turkana County Treasury*

According to the data from the County Treasury, the Health and Sanitation Services recorded the highest absorption rate of development budget at 10.7 per cent followed by the Department of Education, Sports and Social Protection at 9.5 per cent. The County Attorney had the highest percentage of recurrent expenditure to recurrent budget at 60.3 per cent while the County Public Service Board had the lowest at 11.6 per cent.

### 3.43.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improved capacity of technical staff through training.
ii. Improved internet connectivity, resulting into effective use of IFMIS.

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Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 4.3 per cent compared to to the expected target of 50 per cent for the half year.
2. The County's wage bill has remained high, having increased by 45.5 per cent from Kshs.1.39 billion in the first half of FY 2017/18 to Kshs.2.02 billion in the period under review.

The County should implement the following recommendations in order to improve budget execution;

1. *The County should put mechanisms in place to enhance absorption of development funds.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

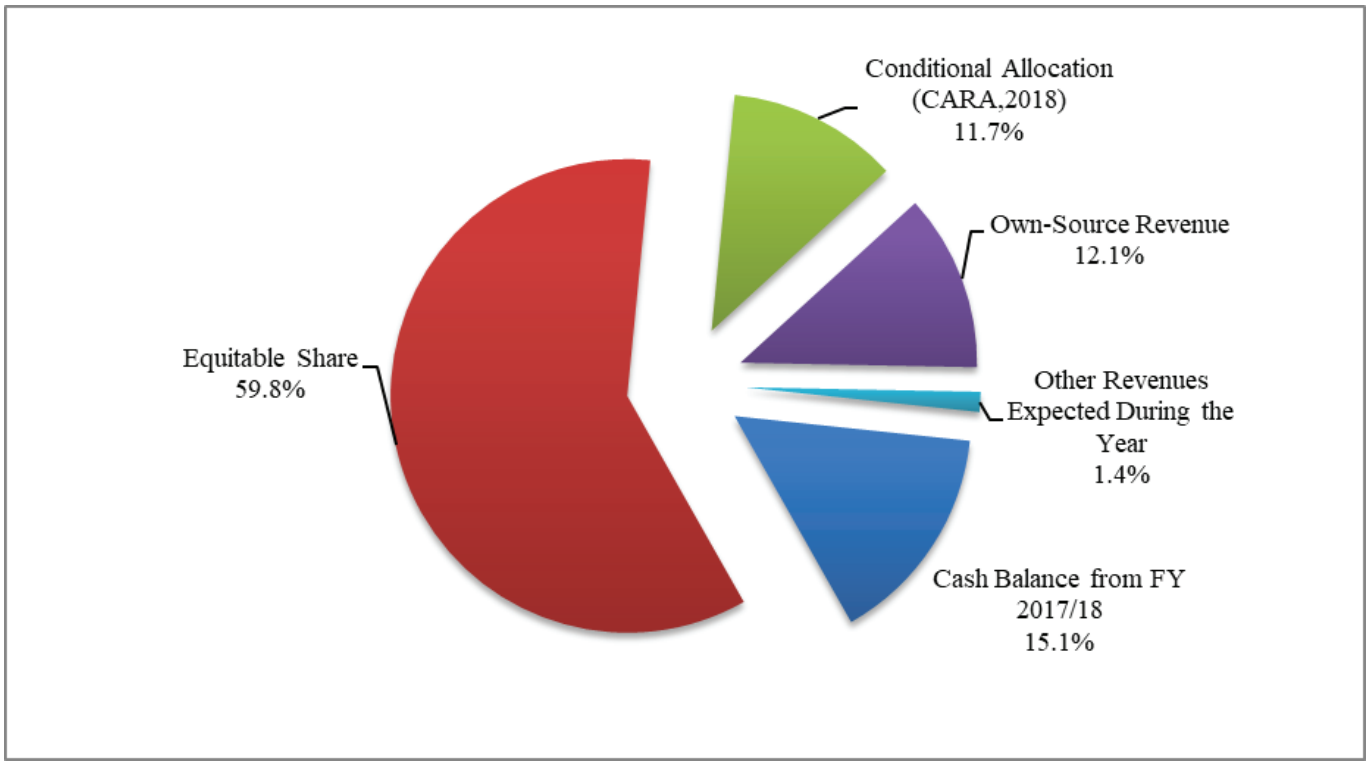
## 3.44 Uasin Gishu County

### 3.44.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.9.93 billion, comprising of Kshs.5.36 billion (54.0 per cent) and Kshs.4.57 billion (46.0 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.93 billion (59.7 per cent) as equitable share of revenue raised nationally, Kshs.1.29 billion (13.0 per cent) as total conditional grants, generate Kshs.1.20 billion (12.0 per cent) from own source of revenue, and Kshs.1.50 billion (15.1 per cent) cash balance from FY 2017/18.

**Figure 3.171: Uasin Gishu County Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Uasin Gishu County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.630.15 million (48.7 per cent) from IDA (World Bank ) credit for Kenya Urban Support Project, Kshs.156.25 million (12.1 per cent) from Road Maintenance Fuel Levy, Kshs.117.00 million (9.0 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.81.89 million (6.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.46.74 million (3.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support

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Programme Project (KDSP) "Level 1 grant", Kshs.45 million (3.5 per cent) as EU grant for Instruments for Devolution Advice and Support (IDEAS), Kshs.33.25 million (2.6 per cent) for Rehabilitation of Village Polytechnics and Kshs.20.81 million (1.6) per cent from Compensation of User Fees Foregone and Kshs.19.14 million (1.5 per cent) from DANIDA grant for Universal Healthcare in Devolved System Programme.

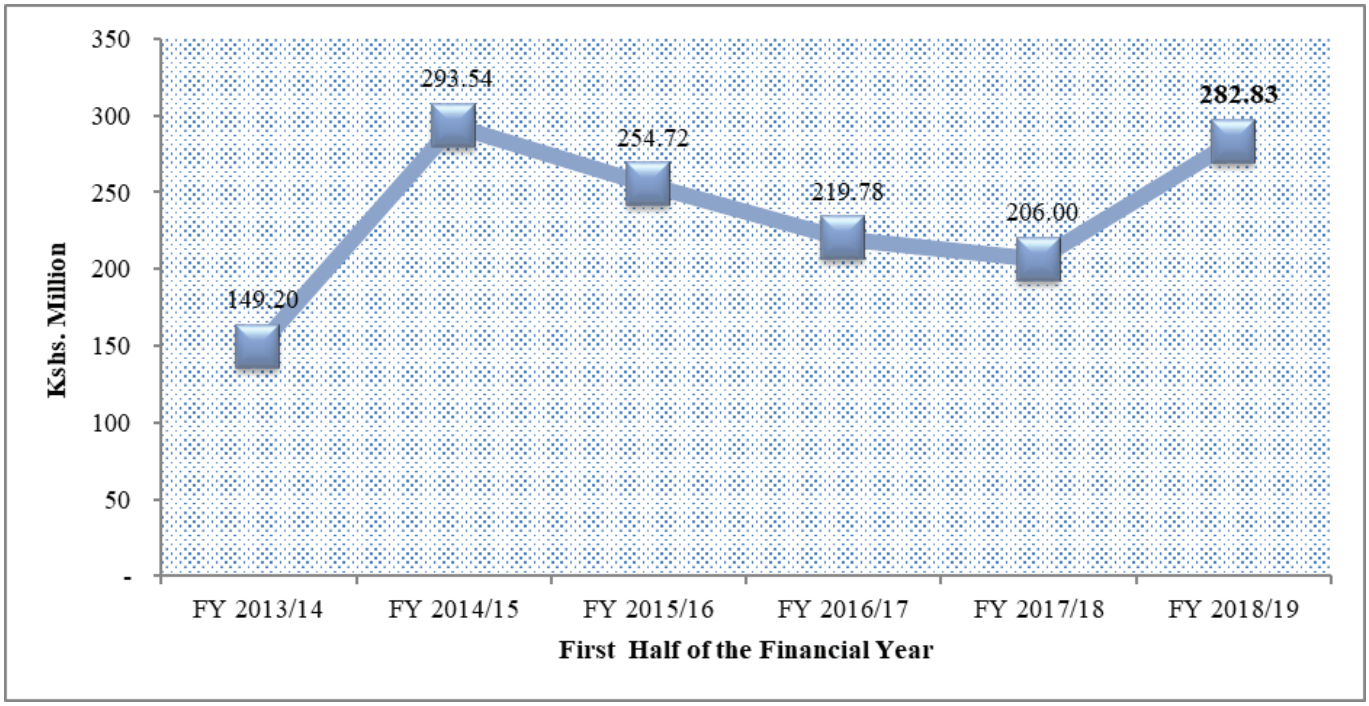
The County also budgeted to receive Kshs.135.00 million (10.4 per cent) as grant from IDA (World Bank) Kenya Climate Smart -Water, which is not contained in the CARA, 2018 and had rolled over of DANIDA of Kshs.8.24 million (0.6 per cent).

### 3.44.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.25 billion as equitable share of revenue raised nationally, Kshs.68.12 million as total conditional grants, raised Kshs.282.83 million from own source revenue, and had a cash balance of Kshs.1.50 billion from FY 2017/18. The total available funds amounted to Kshs.3.10 billion.

Figure 3.172 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

**Figure 3.172: Uasin Gishu County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19**




***Source:*** *Uasin Gishu County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.282.83 million as own-source revenue. The own-source revenue collected during the period represented an increase of 37.3 per cent when compared to Kshs.206 million realised during the same period of the FY 2017/18 and represented 23.6 per cent of the annual target.

### 3.44.3 Conditional Grants

The County received Kshs.68.12 million as conditional as shown in Table 3.126.

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**Table 3.126: Uasin Gishu County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual Receipts in First Half of FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1 | IDA (World Bank) Kenya Urban Support Project | 630,147,900 | 630,147,900 | 630,147,900 | 100 |
| 2 | Road Maintenance Fuel Levy | 156,252,849 | 156,252,849 | - | - |
| 3 | IDA (World Bank) Kenya Climate Smart Agriculture Project | 117,000,000 | 117,000,000 | 40,941,086 | 35.0 |
| 4 | Transforming Health Systems for Universal Care Project | 81,893,450 | 81,893,450 | 8,741,477 | 10.7 |
| 5 | IDA (World Bank) Kenya Devolution Support Project *Level 1 grant* | 46,739,163 | 46,739,163 | - | - |
| 6 | EU Grant –Instruments for Devolution Advice and Support (IDEAS). | 45,000,000 | 45,000,000 | - | - |
| 7 | Rehabilitation of Youth polytechnics | 33,250,000 | 33,250,000 | 8,868,153 | 26.7 |
| 8 | Compensation of User Fees Foregone | 20,813,065 | 20,813,065 | - | - |
| 9 | DANIDA grant for Universal Healthcare in Devolved System Programme | 19,136,250 | 27,379,194 | 9,568,125 | 34.9 |
| 10 | IDA (World Bank) Kenya Climate Smart -Water | - | 135,000,000 | - | - |
| **Total** | | **1,150,232,577** | **1,293,475,521** | **698,266,741** | **5.3** |

***Source:*** *Uasin Gishu County Treasury*

Analysis of revenue from conditional grants in the period under review indicates that, the County received disbursements from IDA-Kenya Urban Support Project, IDA (World Bank) Kenya Climate Smart Agriculture Project, and grant for Transforming Health Systems for Universal Care Project, Rehabilitation of Youth Polytechnics and DANIDA Grant for Universal healthcare in Devolved System Programme. The receipts accounted for100 per cent, 35.0 per cent, 10.7 per cent, 26.7 per cent and 34.9 per cent of the annual allocation respectively.

### 3.44.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.99 billion from the CRF account. The withdrawals represented 30.1 per cent of the Approved Budget and translates to a an increase of 7.9 per cent from Kshs.1.77 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.30 billion (76.9 per cent) to fund recurrent expenditure and Kshs.685.90 million (23.1 per cent) for development activities.

### 3.44.5 Overall Expenditure Review

The County government spent a total of Kshs.2.78 billion on recurrent and development activities. The total expenditure represented 93 per cent of the total funds released from the CRF account and was an increase of 141.7 per cent from Kshs.1.15 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.669.39 million for development activities and Kshs.297.98 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.18 billion while Kshs.594.55 million was spent on development activities. The recurrent expenditure was 94.9 per cent of the funds released for recurrent activities, while development expenditure was 86.7 per cent of funds released for development activities.

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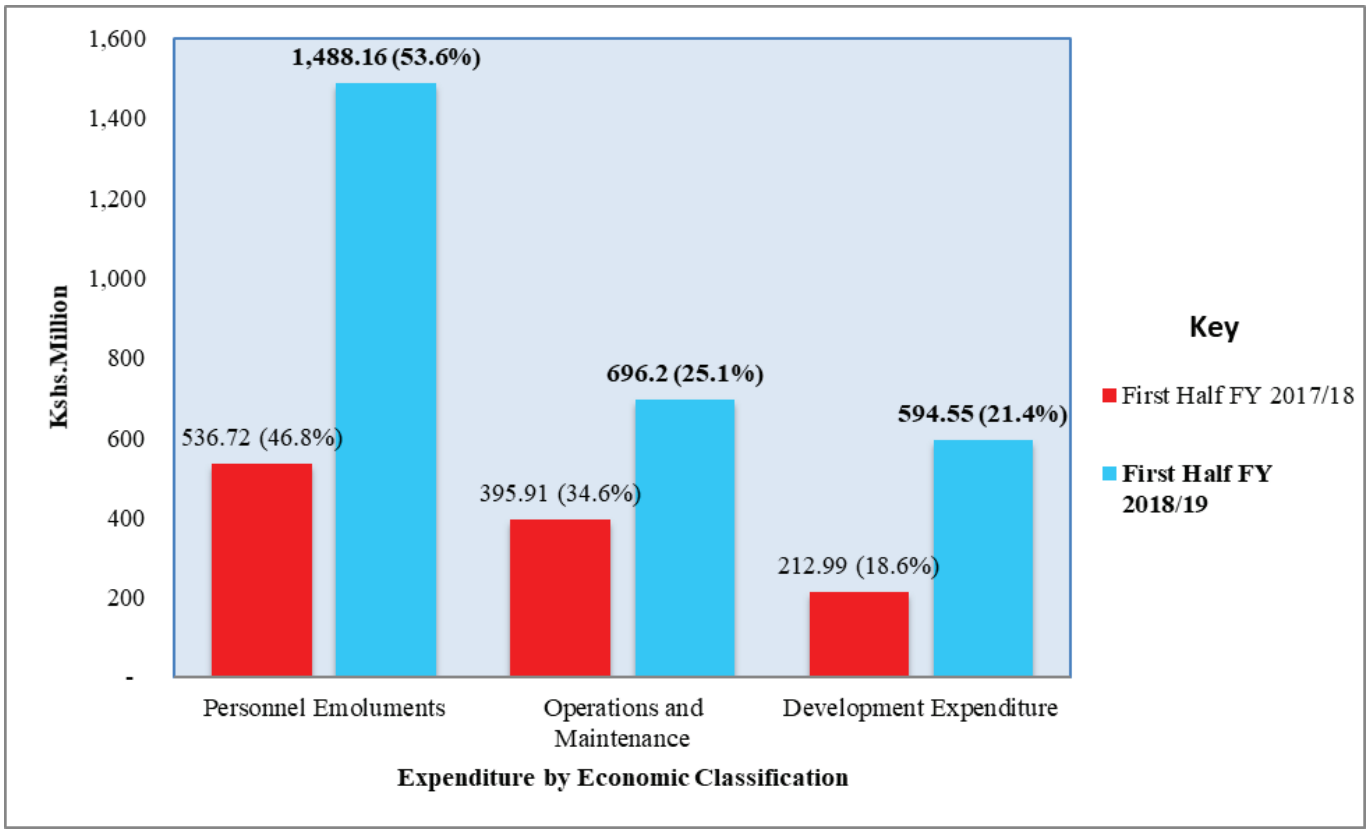
The recurrent expenditure represented 40.8 per cent of the annual recurrent budget, an increase from 28.5 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 13.0 per cent, which was an increase from 8.9 per cent attained in the first half of FY 2017/18.Figure 3.173 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

**Figure 3.173: Uasin Gishu County, Expenditure by Economic Classification**




***Source:*** *Uasin Gishu County Treasury*

### 3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.18 billion comprised of Kshs.1.49 billion (68.1 per cent) incurred on personnel emoluments and Kshs.696.20 million (31.9 per cent) on operations and maintenance as shown in Figure 3.173.

Expenditure on personnel emoluments represented an increase of 177.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.536.72 million, and was 53.6 per cent of total expenditure in the first half of FY 2018/19. Figure 3.174 shows a summary of operations and maintenance expenditure by major categories.

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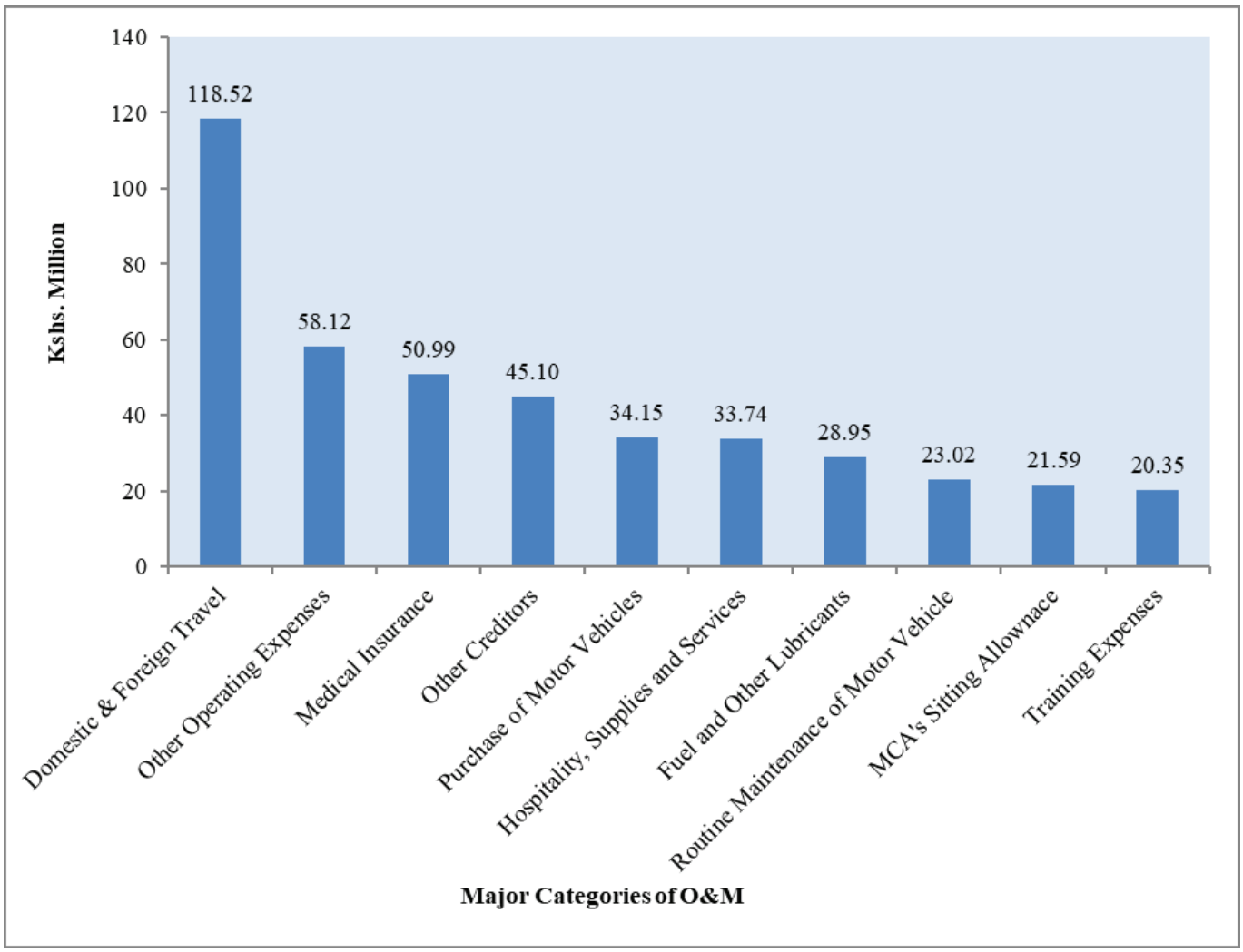
**Figure 3.174: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Uasin Gishu County Treasury*

The County spent Kshs.21.59 million to cater for the MCAs' committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.37.51 million. This represented an increase of 328.4 per cent compared to Kshs.5.04 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.74,955 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.118.52 million and comprised of Kshs.51.80 million spent by the County Assembly and Kshs.66.72 million spent by the County Executive and represented 5.4 per cent of total recurrent expenditure.

### 3.44.7 Development Expenditure

The total development expenditure of Kshs.594.55 million represented 13 per cent of the annual development budget of Kshs.4.57 billion. Table 3.127 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.127: Uasin Gishu County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Annual Project Budget (Kshs.) | First Half Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1. | Supply and Delivery of 4No. long arm Excavators and Supply and Delivery of 3No. Heavy duty tracked Dozers with ripper SD model | County Headquarters | 422,147,523 | 227,300,000 | 53.8 |
| 2. | Supply, delivery, testing and Commissioning of 32 Boreholes | County Wide | 132,500,000 | 74,264,298 | 56.0 |
| 3. | Supply, Delivery of Specialized plants (Two wheeled Back Hoe loaders ) | County Headquarters | 21,500,000 | 20,840,000 | 96.9 |
| 4. | Purchase of Educational Aids and Related Equipment | All Wards | 21,029,360 | 21,000,000 | 99.9 |
| 5. | Purchase of Agricultural Machinery and Equipment | AMS Station | 62,703,802 | 11,609,000 | 19.5 |
| 6. | Supply of FMD Disease Vaccines | Countywide | 15,666,125 | 9,975,000 | 63.7 |
| 7 | Acquisition of Land (Land Banking) | County Wide | 85,970,000 | 9,000,000 | 10.5 |
| 8. | Proposed Construction of 70 beds maternity at West Health Centre | Huruma | 24,000,000 | 7,368,575 | 30.7 |
| 9. | Construction of Chemalal-Kipkenyo Bridge | Kipkenyo | 6,548,408 | 6,139,996 | 93.8 |
| 10. | Construction of Kiborokwo –Kapngetuny Bridge | Segero/Barsombe | 9,826,012 | 6,139,996 | 62.5 |

***Source:*** *Uasin Gishu County Treasury*

## 3.44.8 Budget Performance by County Department

Table 3.128 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.128: Uasin Gishu County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Governor's Office | 115.94 | - | 58.89 | - | 54.39 | - | 92.4 | - | 46.9 | - |
| Finance | 401.94 | - | 131.76 | - | 141.70 | - | 107.5 | - | 35.3 | - |
| Public Service Management | 611.33 | 30.27 | 301.30 | - | 240.24 | - | 79.7 | - | 39.3 | - |
| ICT and E-Government | 36.96 | 47.14 | 17.75 | 0.80 | 23.34 | 0.80 | 131.5 | 100.0 | 63.1 | 1.7 |
| Roads, Transport, Energy and Public Works | 412.31 | 553.93 | 190.98 | 204.09 | 167.06 | 149.78 | 87.5 | 73.4 | 40.5 | 27.0 |
| Lands and Housing | 59.51 | 519.97 | 28.53 | 29.80 | 24.77 | 30.00 | 86.80 | 100.7 | 41.6 | 5.8 |
| Water, Environment, Natural Resources, Tourism and Wildlife Management | 130.68 | 900.61 | 58.96 | 211.93 | 53.77 | 190.65 | 91.2 | 90.0 | 41.2 | 21.2 |
| Health Services | 1,974.61 | 258.53 | 852.63 | 19.47 | 838.74 | 28.70 | 98.4 | 147.4 | 42.5 | 11.1 |
| Agriculture | 228.41 | 369.29 | 119.88 | 92.26 | 141.64 | 49.37 | 118.1 | 53.5 | 62.0 | 13.4 |
| Trade, Investment and Industrialization | 14.70 | 263.64 | 6.38 | 23.96 | 8.89 | 27.00 | 139.4 | 112.7 | 60.5 | 10.2 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Education, Culture and Social Services | 382.12 | 119.21 | 131.46 | 25.97 | 161.46 | 25.97 | 122.8 | 100.0 | 42.3 | 21.8 |
| County Public Service Board | 32.85 | - | 13.39 | - | 14.07 | - | 105.0 | - | 42.8 | - |
| County Assembly | 671.97 | 109.80 | 328.36 | - | 254.02 | - | 77.4 | - | 37.8 | - |
| Economic Planning | 72.50 | - | 17.21 | - | 10.38 | - | 60.3 | - | 14.3 | - |
| Devolution and Public Administration | 35.00 | 208.85 | 12.58 | - | 16.55 | - | 131.6 | - | 47.3 | - |
| Youth Affairs, Gender and Sports Development | 89.58 | 178.52 | 21.10 | 13.72 | 18.64 | 13.32 | 88.3 | 97.1 | 20.8 | 7.5 |
| Cooperatives and Enterprise Development | 16.88 | 65.91 | 3.64 | 3.46 | 3.32 | 7.97 | 91.1 | 230.6 | 19.7 | 12.1 |
| Livestock Development and Fisheries | 12.93 | 195.19 | 2.85 | 26.76 | 2.67 | 40.84 | 93.7 | 152.6 | 20.7 | 20.9 |
| Physical Planning and Urban Development | 56.34 | 753.20 | 3.29 | 33.68 | 8.70 | 30.15 | 264.1 | 89.5 | 15.4 | 4.0 |
| **TOTAL** | **5,356.51** | **4,574.04** | **2,300.95** | **685.90** | **2,184.34** | **594.55** | **94.9** | **86.7** | **40.8** | **13.0** |

***Source:*** *Uasin Gishu County Treasury*

Analysis of expenditure by department shows the Department of Roads, Transport, Energy and Public Works recorded the highest absorption rate of development budget at 27 per cent while the Departments of the Public Service Management, County Assembly and Devolution & Public Administration did not incur any development expenditure. The Department of ICT and E-Government had the highest percentage of recurrent expenditure to recurrent budget at 63.1 per cent while the Department of Economic Planning had the lowest at 14.3 per cent.

### 3.44.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the absorption of development budget by 179.1 per cent from Kshs.212.99 million in the first half of FY 2017/18 to Kshs.594.55 million in the period under review.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill that has increased by 177.3 per cent from Kshs.536.72 million in the first half of FY 2017/18 to Kshs.1.49 billion in the period under review.
2. The County Assembly did not comply with the requirement to ensure all payments are processed through IFMIS and Internet Banking platform. The expenditure report from the County Assembly shows that a total of Kshs.343.52 million was incurred during the period under review. However, only Kshs.254.02 million could be supported by the IFMIS system.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Assembly should ensure that all financial transactions are made on IFMIS and payments made online through the Internet Banking platform at the Central Bank of Kenya.*

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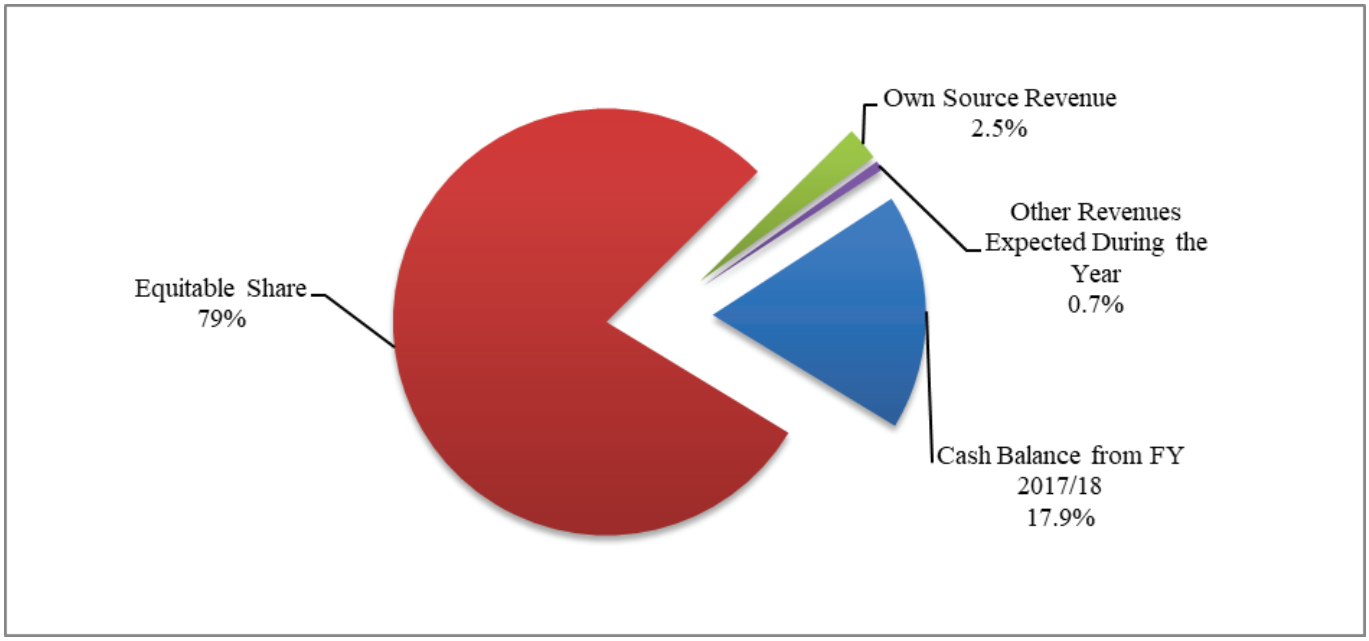
## 3.45 Vihiga County

### 3.45.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.6.44 billion, comprising of Kshs.4.50 billion (70 per cent) and Kshs.1.94 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.1.06 billion (6.1 per cent) as total conditional grants, generate Kshs.153.67 million (2.4 per cent) from local revenue sources, andKshs.1.08 billion (16.8 per cent) cash balance from FY 2017/18.

**Figure 3.175: Vihiga County Expected Sources of Budget Financing in FY 2018/19**




***Source**: Vihiga County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.49.37 million (7.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.50 million (7.9 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.67.91 million (10.7 per cent) as World Bank loan to supplement Free maternity Health care, Kshs.14.78 million (2.3 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.26.78 million (4.2 per cent) from IDA (World Bank) credit for the Kenya Devolution Support Programme "Level 2 grant, Kshs.12.93 million (2.0 per cent) Compensation for User Fees Foregone, Kshs.117.24 million (18.4 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.54.15 million (8.5 per cent) for Rehabilitation of Village Polytechnics.

### 3.45.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs936.35 million as equitable share of revenue raised nationally, Kshs.311.92 million as total conditional grants, raised Kshs.62.89 million from own source revenue, and had a cash balance of Kshs.1.33 billion from FY 2017/18. The total available funds amounted to Kshs.2.64billion.

Figure 3.176 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

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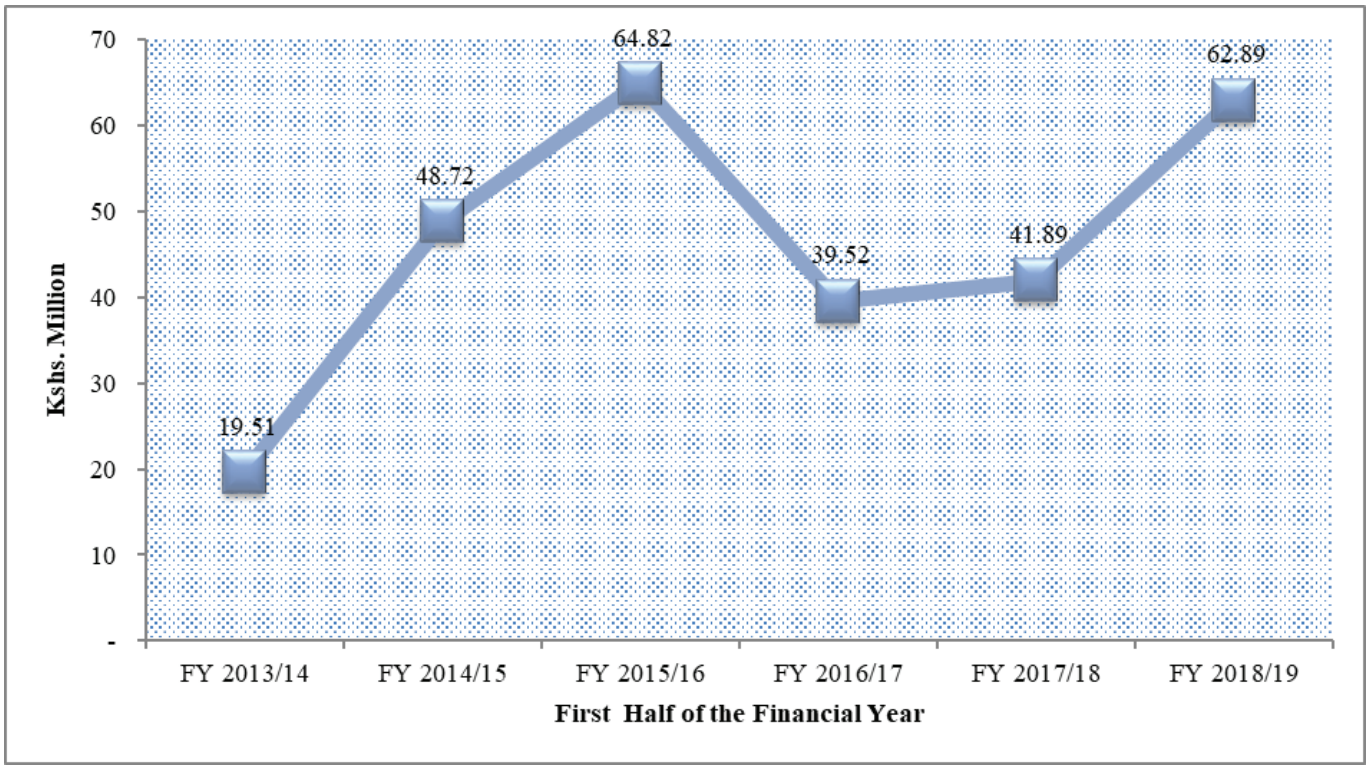
**Figure 3.176: Vihiga County, Trend in Own-Source Revenue Collection in the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Vihiga County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.62.89 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.41.89 million realised during the same period of the FY 2017/18 and represented 40.9 per cent of the annual target.

### 3.45.3 Conditional Grants

The County received Kshs.311.92 million as conditional grants as shown in Table 3.129.

**Table 3.129: Vihiga County, Conditional Grants Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation, per CARA, 2018 (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone | 12,657,201 | 19,158,582 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy | 117,396,321 | 212,686,815 | 29,340,225 | - |
| 4 | Rehabilitation of Village Polytechnics | 55,000,000 | 70,891,386 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 73,956,778 | 73,172,815 | 18,091,517 | 24.7 |
| 6 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 193,368,318 | | - |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 41,604112 | 75,302,439 | - | - |

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| | | | | | |
|---|---|---|---|---|---|
| 8 | Kenya Urban Support Project (KUSP) | 250,950,700 | 250,950,700 | 250,950,700 | 100.0 |
| 9 | DANIDA Grant | 14,782,500 | 20,930,173 | [illegible] | [illegible] |
| 10 | Water and Sanitation Development Project (WSDP) | 80,000,000 | 80,000,000 | - | - |
| **Sub Total** | | 945,178,663 | 996,461,228 | 311,921,365 | 31.3 |
| B | **Other Grants** | | | | |
| 11 | Agricultural Sector Development Support Programme(ADSP) | 12,661,321 | 18,161,321 | - | - |
| 12 | Urban Planning-(WORLD BANK) | 41,200,000 | 41,200,000 | - | - |
| **Sub Total** | | **53,861,321** | **59,361,321** | | **0.0** |
| **Total** | | **1,040,644,096** | **1,055,822,549** | **311,921,365** | **29.5** |

***Source:*** *Vihiga County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.45.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.37 billion from the CRF account, which was 36.8 per cent of the Approved Budget. This amount represent an increaseof 30.4 per cent from Kshs.1.65 billion approved in the first half of FY 2017/18and comprised of Kshs.2.17 billion (91.6 per cent) to fund recurrent expenditure and Kshs198.44 million 8.4per cent) for development activities.

### 3.45.5 Overall Expenditure Review

The County government spent a total of Kshs.1.77 billion on recurrent and development activities. The total expenditure represented 74.7per cent of the total funds released from the CRF account and was an increase/decline of 50.8 per cent from Kshs.868.66 million spent in the first half of FY 2017/18.The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.36.6 million for development activities and Kshs.73.8 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.34 billion while Kshs.431.52 million was spent on development activities. The recurrent expenditure was 63.8 per cent of the funds released for recurrent activities, while development expenditure was 161.4 per cent of funds released for development activities.

The recurrent expenditure represented 29.8 per cent of the annual recurrent budget, an increase from 26per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.3 per cent, which was an increasefrom 0.0per cent attained in the first half of FY 2017/18.Figure 3.177: presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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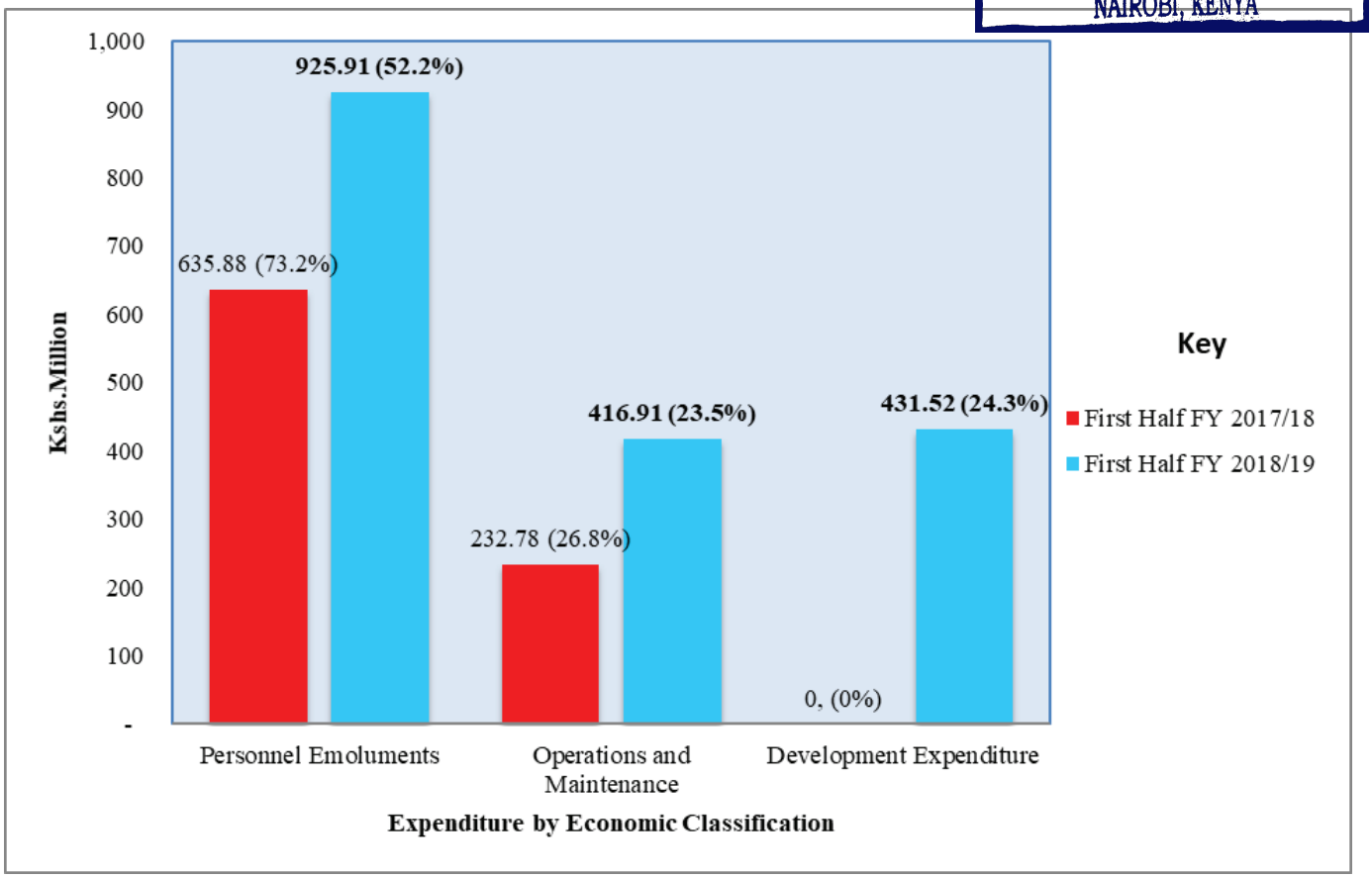
**Figure 3.177: Vihiga County, Expenditure by Economic Classification**




***Source:*** *Vihiga County Treasury*

### 3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.34 billion comprised of Kshs.925.91 million (69 per cent) incurred on personnel emoluments and Kshs.416.91 million (31 per cent) on operations and maintenance as shown in Figure 3.177:.

Expenditure on personnel emoluments represented an increase of 45.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.635.88 million, and was 52.2 per cent of total expenditure in the first half of FY 2018/19. Figure 3.178 shows a summary of operations and maintenance expenditure by major categories.

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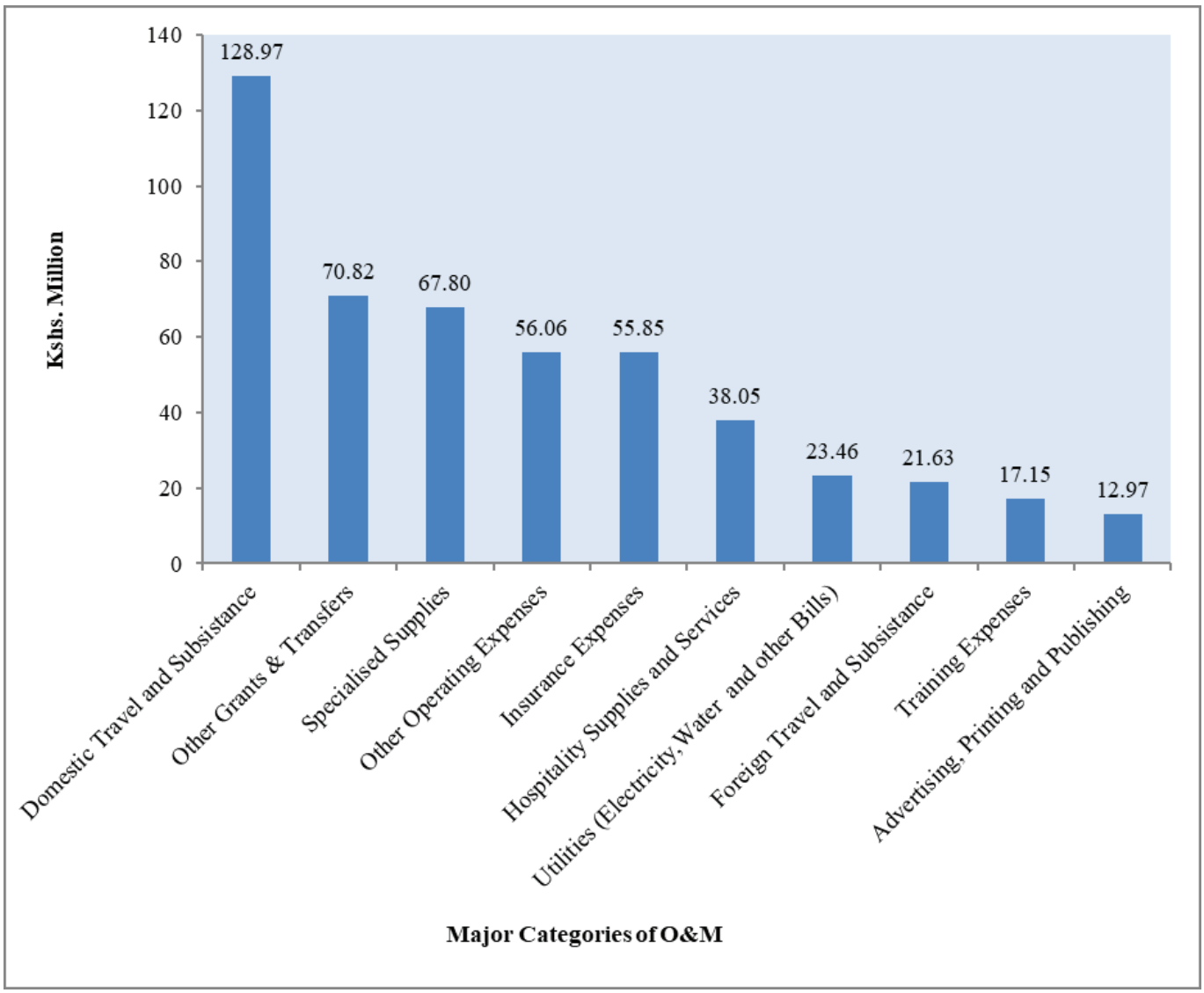
**Figure 3.178: Vihiga County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Vihiga County Treasury*

The County spent Kshs.27.29 million on MCAs' committee sitting allowances for the 39 MCAs against the annual budget allocation of Kshs.44.68 million. This represented an increase of 96.4 per cent compared to Kshs.0.97 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.116,625 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.128.97 million and comprised of Kshs.71.74 million spent by the County Assembly and Kshs.57.22 million spent by the County Executive. This represented 32.4 per cent of total recurrent expenditure and was an increase of 58.5 per cent compared to Kshs.56.12 million spent in the first half of FY 2017/18.

### 3.45.7 Development Expenditure

The total development expenditure of Kshs.413.52 million represented 22.3 per cent of the annual development budget of Kshs.1.94 billion. Table 3.130 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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## Table 3.130: Vihiga County, List of Development Projects with the Highest Expenditure in the FY 2018/19

| S/No. | Project Name | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|
| 1 | Overhaul of Other Infrastructure and Civil Works | 1,049,331,971 | 264,325,915 | 25 |
| 2 | Purchase of Fire fighting Vehicles and Equipment | 37,000,000 | 37,000,000 | 100 |
| 3 | Construction of Buildings | 68,649,700 | 30,166,209 | 44 |
| 4 | Purchase of Educational Aids and Related Equipment | 12,600,000 | 23,314,541 | 185 |
| 5 | Rehabilitation &Renovation - | 158,238,026 | 18,354,930 | 12 |
| 6 | Purchase of Lighting Equipment | 18,800,000 | 17,141,360 | 91 |
| 7 | Bridges | 9,821,753 | 12,173,675 | 124 |
| 8 | Purchase of Certified Seeds | 47,000,000 | 9,369,000 | 20 |
| 9 | Purchase of Animals and Breeding Stock | 13,131,250 | 6,000,000 | 46 |
| 10 | Residential Buildings (including hostels) | 45,000,000 | 5,000,000 | 11 |

***Source:*** *Vihiga County Treasury*

### 3.45.8 Budget Performance by County Department

Table 3.131 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

## Table 3.131: Vihiga County, Budget Performance by Department

| Department | Annual Budget Allocation for FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of The Governor | 453.08 | 40.80 | 208.41 | - | 109.65 | - | 52.6 | - | 24.2 | 0.0 |
| Finance & Economic Planning | 499.73 | 132.12 | 156.01 | - | 115.31 | - | 73.9 | - | 23.1 | 0.0 |
| Agriculture, Livestock, Fisheries &Cooperatives | 165.10 | 232.50 | 72.21 | 31.46 | 52.73 | 32.13 | 73.0 | 102.1 | 31.9 | 13.8 |
| Health Services | 1,313.15 | 321.79 | 651.30 | 60.64 | 536.26 | 78.91 | 82.3 | 130.1 | 40.8 | 24.5 |
| Education, Science, Technical and Vocational Training | 489.33 | 232.15 | 167.73 | 26.13 | 215.77 | 41.67 | 128.6 | 159.5 | 44.1 | 17.9 |
| Gender, Culture, Youth, Sports and Social Services | 158.87 | 87.00 | 93.94 | - | 31.27 | - | 33.3 | - | 19.7 | - |
| Trade, Industry, Tourism and Entrepreneurship. | 98.07 | 46.93 | 28.18 | 1.07 | 13.94 | 2.14 | 49.5 | 200.0 | 14.2 | 4.6 |
| County Public Service Board | 52.57 | - | 26.19 | - | 9.74 | - | 37.2 | - | 18.5 | - |
| Environment, Water, Energy & Natural Resources. | 86.85 | 71.11 | 38.70 | 7.86 | 32.88 | 23.83 | 85.0 | 303.2 | 37.9 | 33.5 |
| Transport, Infrastructure & Communication | 186.83 | 567.20 | 79.26 | 135.12 | 67.35 | 245.24 | 85.0 | 181.5 | 36.0 | 43.2 |

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| Department | Annual Budget Allocation for FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Physical Planning, Land and Housing | 70.93 | 67 | 31.88 | 2.94 | 21.95 | 2.60 | 68.9 | 88.4 | 30.9 | 3.9 |
| County Assembly | 560.96 | 94.03 | 299.48 | - | 241.66 | - | 80.7 | - | 43.1 | - |
| Administration and Coordination of County Affairs | 367.10 | 45.44 | 174.19 | 2.11 | 145.78 | 5.00 | 83.7 | 237.0 | 39.7 | 11 |
| Total | 4,502.57 | 1,938.07 | 2,027.48 | 267.33 | 1,594.29 | 431.52 | 78.6 | 161.4 | 35.4 | 22.3 |

***Source:*** *Vihiga County Treasury*

Analysis of expenditure by department shows that the Department of Transport, Infrastructure & Communication recorded the highest absorption rate of development budget at 43.2 per cent followed by the Department of Environment, Water, Energy & Natural Resources at 33.5 per cent. The Department of Education, Science, Technical and Vocational Training had the highest percentage of recurrent expenditure to recurrent budget at 44.1 per cent while the Department of Trade, Industry, Tourism and Entrepreneurship had the lowest at 14.2 per cent.

### 3.45.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Decentralising IFMIS to County departments and training of staff on use of IFMIS.
ii. Establishing of the Audit Committee in line with Section 155 of the PFM Act, 2012.
iii. Increase in own-source revenue collection by 50.1 per cent as compared to the same period of FY 2017/18.
iv. Establishment of the County Budget and Economic Forum in line with Section 137 of PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. E-Procurement challenges which delayed procurement requests, project implementation and supplier payments.
2. High wage bill which impacts negatively on development projects.

The Department will continue to implement the following recommendations in order to improve budget execution;

1. *Liaise with National Treasury for technical assistance as well as organize for more staff trainings on E-procurement.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

## 3.46 Wajir County

### 3.46.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.13.17 billion, comprising of Kshs.6.34 billion (48.1 per cent) and Kshs.6.83 billion (51.9 per cent) allocation for recurrent and development expenditure respectively.

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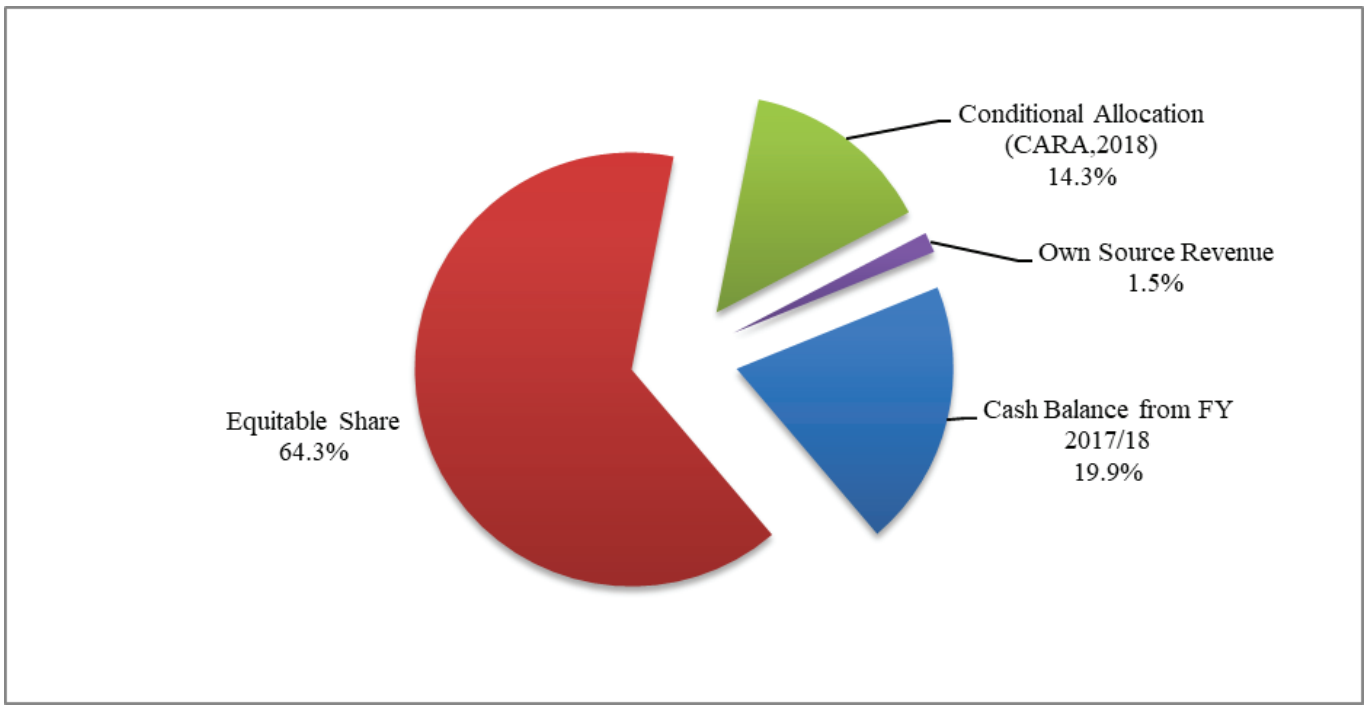
To finance the budget, the County expects to receive Kshs.8.48 billion (64.3 per cent) as equitable share of revenue raised nationally, Kshs.1.88 billion (14.3 per cent) as total conditional grants, generate Kshs.200 million (1.5 per cent) from local revenue sources, and Kshs.2.62 billion (19.9 per cent) cash balance brought forward from FY 2017/18.

**Figure 3.179 : Wajir County Sources of Budget Financing in FY 2018/19**




***Source**: Wajir County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (5.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.25 million (1.3 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.150 million (8 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.53.40 million (2.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.205.6 million (10.9 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.38.8 million (2.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (2.4 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.1 billion(53.2 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP) , Kshs.15.78 million (0.8 per cent) Compensation for User Fees Foregone, Kshs.223.22 million (11.9 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.21.29 million (1.1 per cent) for Rehabilitation of Village Polytechnics.

### 3.46.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.85 billion as equitable share of revenue raised nationally, Kshs.38.4 million as total conditional grants, raised Kshs.26.21 million from own-source revenue, and had a cash balance of Kshs.1.53 million from FY 2017/18. The total funds available for the period amounted to Kshs.4.4 billion.

Figure 3.180 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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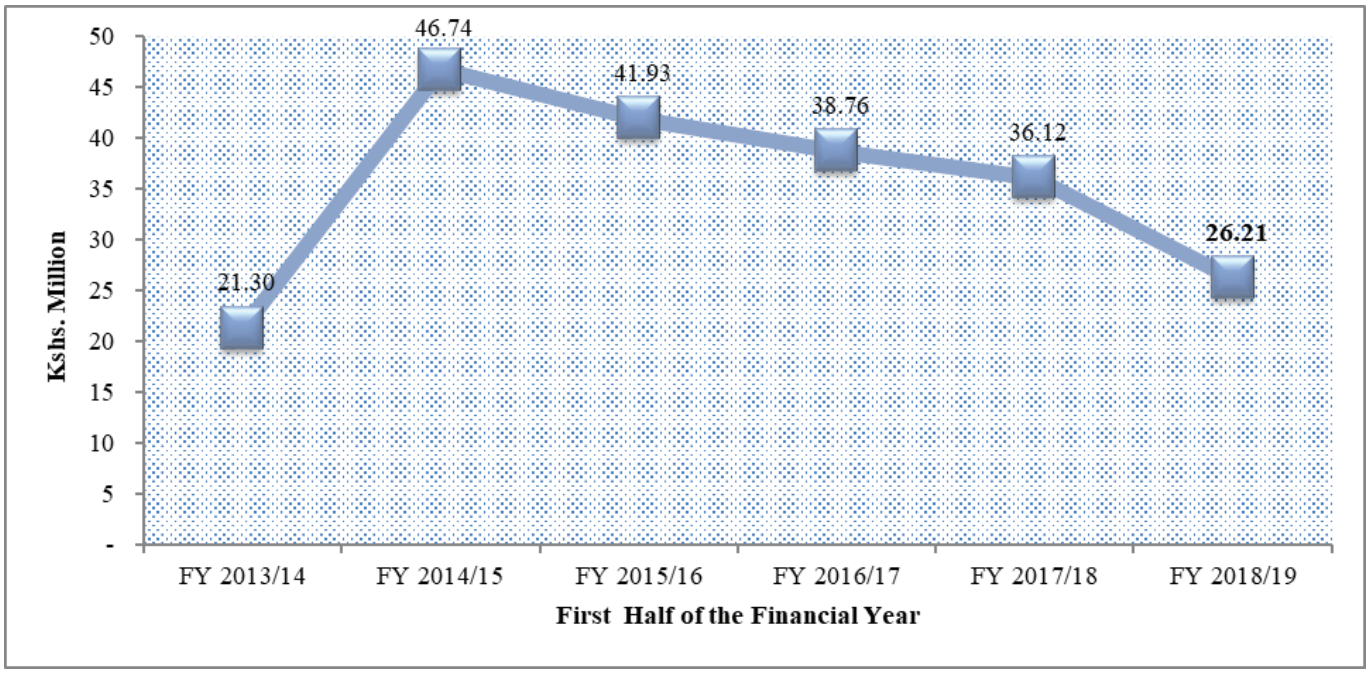
**Figure 3.180: Wajir County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *Wajir County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.26.21 million from own-source revenue. This amount was a decrease of 5 per cent when compared to Kshs.36.12 million realised during the same period of FY 2017/18 and represented 13.1 per cent of the annual target.

### 3.46.3 Conditional Grants

The County received Kshs.38.4 million as conditional grants as shown in Table 3.132.

**Table 3.132: Wajir County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Compensation for User Fee Foregone-National Government | 15,784,997 | 15,784,997 | - | - |
| 2 | Road Maintenance Fuel Levy-National Government | 223,218,356 | 223,218,356 | - | - |
| 3 | Rehabilitation of Village Polytechnics-National Government | 21,295,000 | 21,295,000 | - | - |
| 4 | Transforming Health Systems for Universal Care Project- World Bank | 100,000,000 | 100,000,000 | 24,771,251 | 24.8 |
| 5 | National Agricultural and Rural Inclusive Growth Project (NARIGP)-World Bank | 25,000,000 | 25,000,000 | - | - |
| 6 | Kenya Climate Smart Agriculture Project (KCSAP)-World Bank | 150,000,000 | 150,000,000 | - | - |
| 7 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 53,401,112 | 53,401,112 | - | - |

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| S/No. | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year as of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 8 | Kenya Urban Support Project (KUSP) | 205,643,500 | 205,643,500 | - | - |
| 9 | DANIDA Grant | 38,772,225 | 38,772,225 | 13,643,438 | 35.2 |
| 10 | EU Grant | 45,000,000 | 45,000,000 | - | - |
| 11 | Water and Sanitation Development Project (WSDP) | 1,000,000,000 | 1,000,000,000 | - | - |
| **Total** | | **1,878,115,190** | **1,878,115,190** | **38,414,689** | **2.0** |

***Source:*** *Wajir County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.46.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.19 billion from the CRF account. The withdrawals represented 16.6 per cent of the Approved Budget and translate to an an increase of 32.3 per cent from Kshs.1.65 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.2 billion (100 per cent) to fund recurrent expenditure.

### 3.46.5 Overall Expenditure Review

The County government spent a total of Kshs.2.17 billion on both recurrent and development activities. This expenditure represented 99.1 per cent of the total funds released from the CRF account and was an increase of 31.2 per cent from Kshs.1.66 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.20.6 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.17 million while there was no development expenditure. The recurrent expenditure was 99.1 per cent of the funds released for recurrent activities, while development expenditure was 0 per cent of funds released for development activities.

The recurrent expenditure represented 34.2 per cent of the annual recurrent budget and was an increase from 31.2 per cent recorded in the first half of FY 2017/18. Figure 3.181 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

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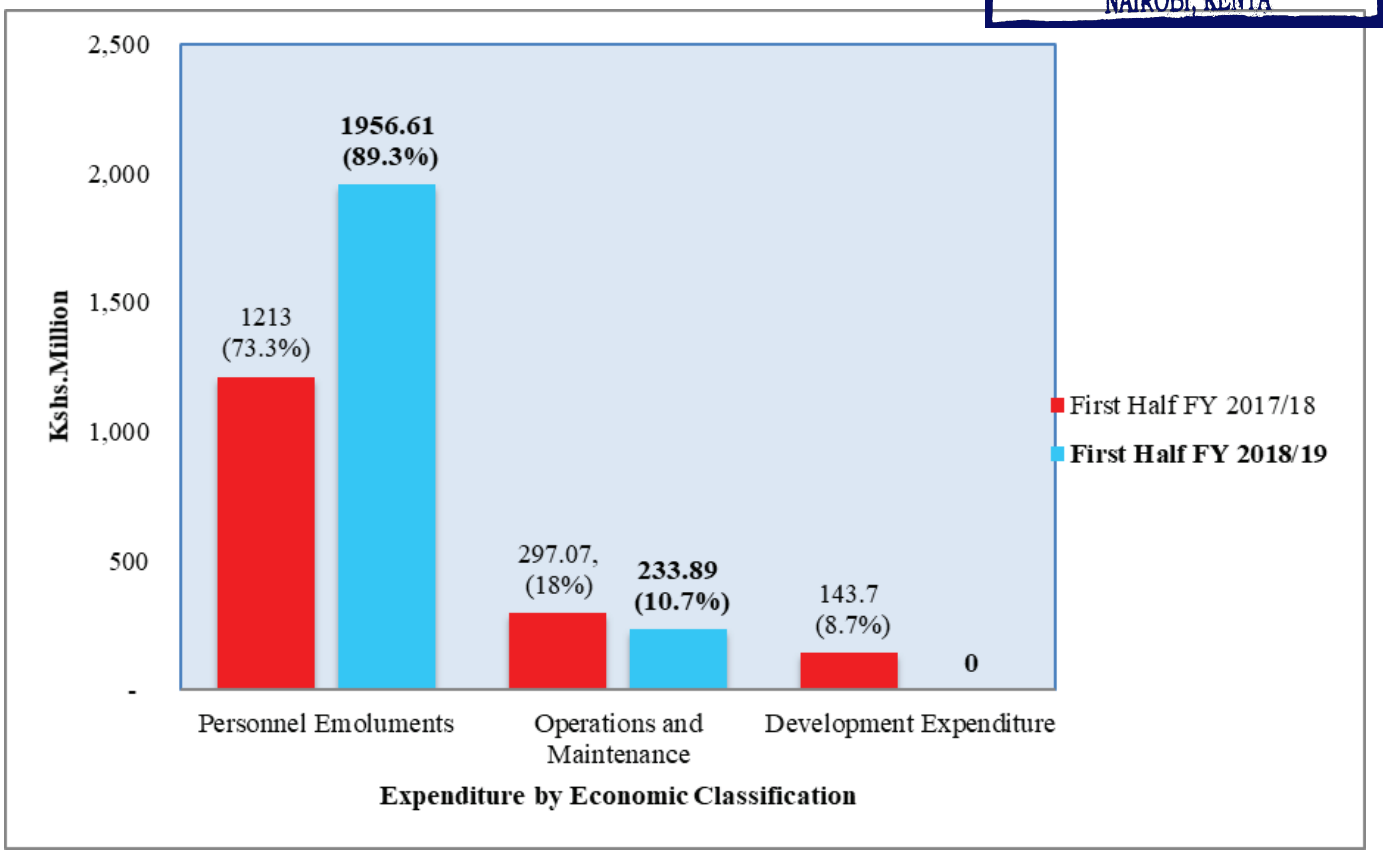
**Figure 3.181: Wajir County, Expenditure by Economic Classification**




***Source:*** *Wajir County Treasury*

### 3.46.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.17 billion comprised of Kshs.1.96 billion (89.3 per cent) incurred on personnel emoluments and Kshs.233.9million (10.7 per cent) on operations and maintenance as shown in Figure 3.181.

Expenditure on personnel emoluments represented an increase of 61.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.2 billion, and was 89.3 per cent of total expenditure for the period. Figure 3.182: shows a summary of operations and maintenance expenditure by major categories.

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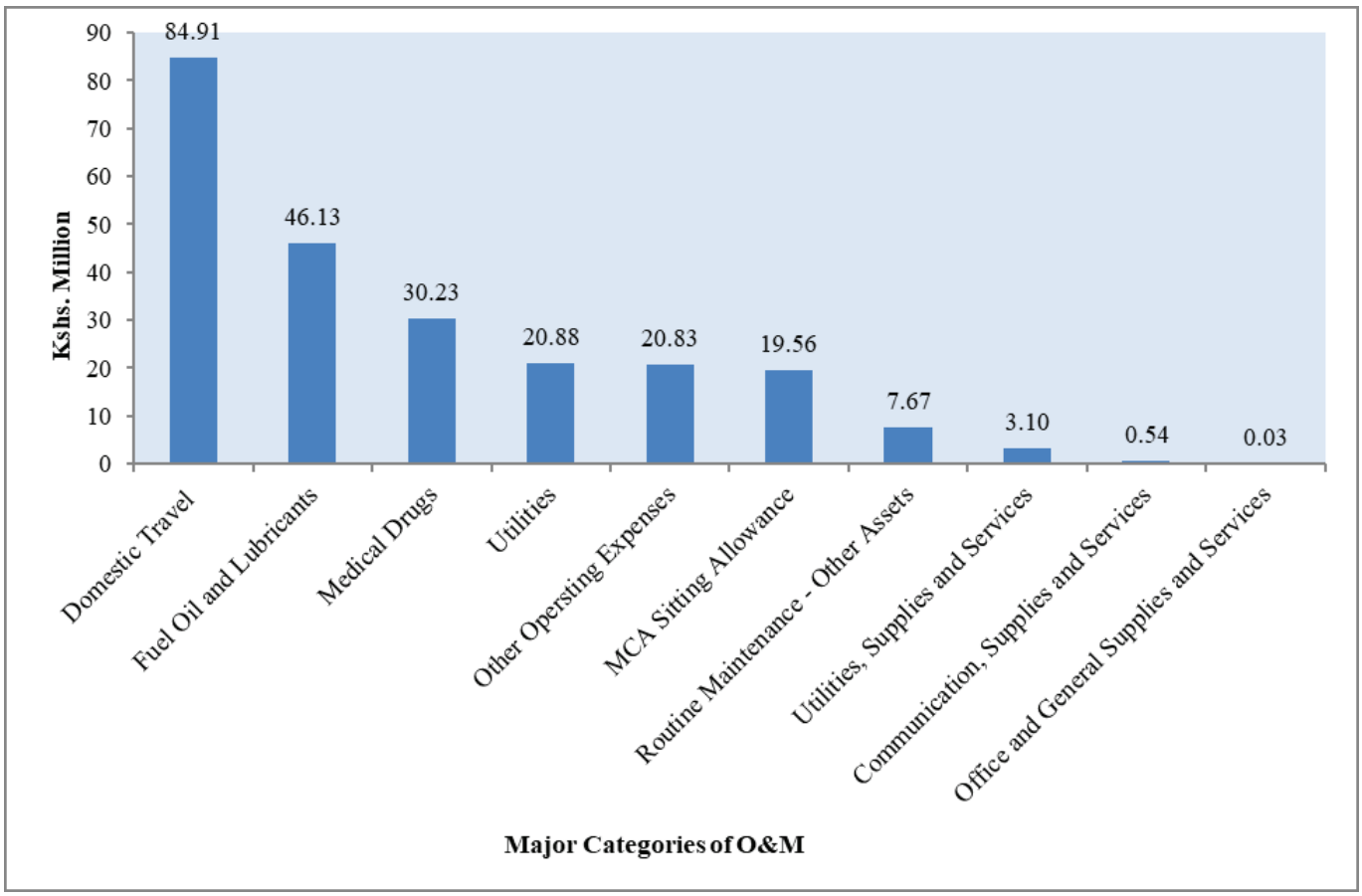
**Figure 3.182: Wajir County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *Wajir County Treasury*

The County spent Kshs.19.6 million on MCAs' committee sitting allowances for the 46 MCAs against the annual budget allocation of Kshs.23.75 million. This amount represented an increase of 596 per cent compared to Kshs.2.8 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.70,878 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.84.91 million and comprised of Kshs.38.8 million spent by the County Assembly and Kshs.46.1 million spent by the County Executive. This represented 4 per cent of total recurrent expenditure and was 60 per cent compared to Kshs.50.9 million spent in the first half of FY 2017/18.

### 3.46.7 Development Expenditure

There was no development expenditure in the reporting period.

### 3.46.8 Budget Performance by County Department

Table 3.133 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

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## Table 3.133: Wajir County, Budget Performance by Department

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 484 | - | 226.40 | - | 220.40 | - | 97.3 | - | 45.5 | - |
| Finance and Economic Planning | 751 | 528 | 142.34 | - | 142.34 | - | 100 | - | 19 | - |
| Agriculture and Livestock | 230 | 702 | 91.84 | - | 91.80 | - | 100 | - | 39.9 | - |
| Public Health and Medical Service | 1,641 | 573 | 698.80 | - | 698.80 | - | 100 | - | 42.6 | - |
| Roads and Transport | 145 | 1,433 | 38.40 | - | 38.40 | - | 100 | - | 26.4 | - |
| Water | 151 | 830 | 47.50 | - | 47.50 | - | 100 | - | 31.5 | - |
| Environment and Energy | 73 | 426 | 17.90 | - | 17.30 | - | 100 | - | | - |
| Public Service, Special Program and Town Adm | 1,078 | 219 | 317.25 | - | 312.20 | - | 98.4 | - | 29 | - |
| Education , Youth and Gender | 643 | 415 | 188.60 | - | 183.60 | - | 97.3 | - | 28.6 | - |
| ICT and Trade | 206 | 182 | 50.30 | - | 46.30 | - | 92 | - | 22.5 | - |
| Public Works , Land and Housing | 88 | 338 | 15.40 | - | 15.40 | - | 100 | - | 17.6 | - |
| WAJWASCO | 62 | 1,187 | - | - | - | - | - | - | - | - |
| 13- CPSP | 70 | - | 29.50 | - | 29.50 | - | 100 | - | 41.9 | - |
| 14 - County Assembly | 720 | - | 326.33 | - | 326.33 | - | 100 | - | 45.3 | - |
| **TOTAL** | **6,342.73** | **6,833.04** | **2,190.50** | **-** | **2,169.87** | **-** | **99** | **-** | **34.2** | **-** |

***Source:*** *Wajir County Treasury*

Analysis of expenditure by department shows that the Department of Agriculture, Finance and Health recorded the highest absorption rate of recurrent budget at 100 per cent while the County Assembly and Office of the Governor recorded 100 per cent and 97.3 respectively. The Department of ICT and Trade had the lowest at 92 per cent.

### 3.46.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Development of Regulations to operationalize the Bursary Funds.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the Budget Implementation Review Report contrary to 166 of the PFM Act, 2012.
2. Under-performance in own source revenue collection, which declined by 5 per cent from Kshs.36.1 million in the first half of FY 2017/18 to Kshs.26.2 million in the reporting period.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance own-source collection.*

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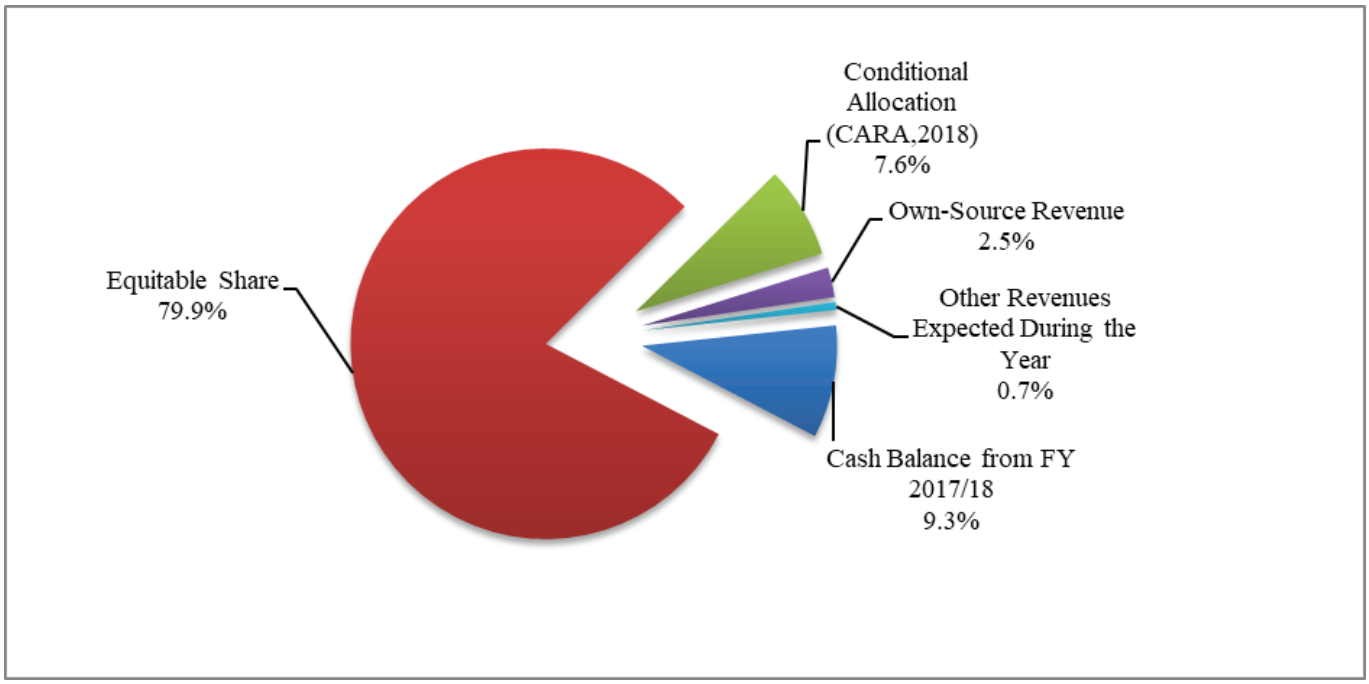
## 3.47 West Pokot County

### 3.47.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 was Kshs.6.30 billion, comprising of Kshs.4.08 billion (64.8 per cent) and Kshs.2.2 billion (35.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.79 billion (76.0 per cent) as equitable share of revenue raised nationally, Kshs.467.72 million (7.4 per cent) as total conditional grants, generate Kshs.152.37 million (2.4 per cent) from own sources, Kshs.574.97 million (9.1 per cent) cash balance from FY 2017/18 and Kshs.41.56 million as other revenue sources expected in the year.

**Figure 3.183: West Pokot County Sources of Budget Financing in FY 2018/19**




***Source**: West Pokot County Treasury*

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (10.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (12 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.42.92 million (4.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.73.39 million (7.5 per cent) from IDA (World Bank ) as credit for Kenya Urban Support Project, Kshs.15.90 million (1.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (7.2 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.22.09 million (2.3 per cent) for Sweden-Agricultural Sector Development Support Programme (ASDSP) II, Kshs.80 million (8.2 per cent) grant from EU for water tower protection and climate change mitigation and adaptation programme, Kshs.41.2 million (4.2 per cent) credit from IDA (World Bank) to support the Kenya Urban Support Project (KUSP), Kshs.12.13 million (1.2 per cent) Compensation for User Fees Foregone, Kshs.200 million (20.5 per cent) for Leasing of Medical Equipment, Kshs.129.80 million (13.3 per cent) for the Road Maintenance Fuel Levy Fund, and Kshs.28.89 million (3.1 per cent) for Rehabilitation of Village Polytechnics.

In addition, the County also budgeted to receive a Kshs.1.55 million grant for UNICEF grant for Repair of Boreholes Programme, which is not contained in the CARA, 2018.

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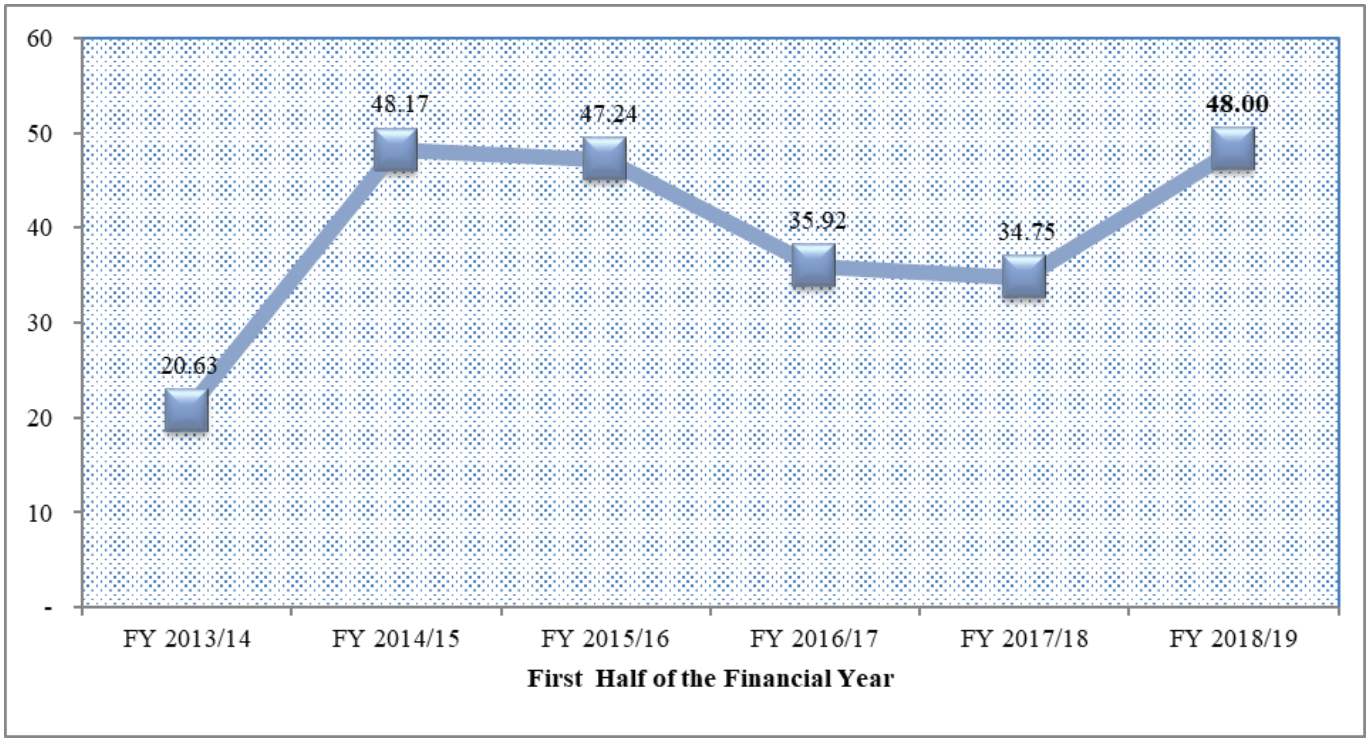
### 3.47.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.53 billion as equitable share of revenue raised nationally, Kshs.134.35 million as total conditional grants, raised Kshs.48 million from own-source revenue, and had a cash balance of Kshs.574.97 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.24 billion.

Figure 3.184 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.184: West Pokot County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19**




***Source:*** *West Pokot County Treasury*

During the first half of FY 2018/19, the County generated a total of Kshs.48 million as own-source revenue. This amount was an increase of 38.8 per cent when compared to Kshs.34.75 million realised during the same period of FY 2017/18 and represented 31.5 per cent of the annual target.

### 3.47.3 Conditional Grants

The County received Kshs.134.35 million as conditional grants as shown in Table 3.134.

**Table 3.134: West Pokot County, Conditional Grants/Loans Received in the First Half of FY 2018/19**

| S/No | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Compensation for Use Fees Foregone-National Government | 12,128,484 | 12,128,484 | - | - |

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| S/No | Grants/Loans | Annual Allocation per CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation for FY 2018/19 (Kshs) | Actual receipts in Half Year of FY 2018/19 (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | **Grants Contained in the CARA, 2018** | | | | |
| 3 | Kenya Urban Support Project (KUSP)-IDA (World Bank) | 41,200,000 | - | - | - |
| 4 | Road Maintenance Fuel Levy-National Government | 129,797,341 | 129,797,341 | - | - |
| 5 | Rehabilitation of Village Polytechnics-National Government | 28,885,000 | 28,885,000 | - | - |
| 6 | Transforming Health Systems for Universal Care Project-World Bank | 100,000,000 | 100,000,000 | 13,487,351 | 13.5 |
| 7 | Kenya Climate Smart Agriculture Project (KCSAP)-World Bank | 117,000,000 | 117,000,000 | 39,517,239 | 33.8 |
| 8 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 42,917,546 | 42,917,546 | 13,487,351 | 31.4 |
| 9 | Kenya Urban Support Project (KUSP)-World Bank | 73,392,300 | 73,392,300 | 73,392,300 | 100 |
| 10 | Universal Healthcare in Devolved System Programme- DANIDA | 15,896,250 | 15,896,250 | 7,948,125 | 50 |
| 11 | Instruments for Devolution Advice and Support (IDEAS)-EU | 70,000,000 | 77,504,904 | - | - |
| 12 | Agricultural Sector Development Support Programme (ASDSP)-Sweden | 22,091,862 | - | - | |
| 13 | Water Tower Protection and Climate Change Mitigation and Adaption-EU | 80,000,000 | - | - | - |
| **Sub Total** | | **933,308,783** | **597,521,825** | **134,345,015** | |
| **B** | **Other Grants** | | | | |
| 14 | UNICEF Grant for repair of boreholes | - | 1,554,500 | - | - |
| 15 | Urban Institutional Grants (UIG)-IDA | 41,200,000 | 40,000,000 | - | - |
| **Sub Total** | | | | | |
| **Total** | | **974,508,783** | **639,076,325** | **134,345,014** | **13.8** |

***Source:*** *West Pokot County Treasury*

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project, EU grant for IDEAS and the DANIDA grant. The receipts accounted for 100 per cent, 43.8 per cent and 34.6 per cent of annual allocation respectively.

### 3.47.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.1.83 billion from the CRF account. The withdrawals represented 29.1 per cent of the Approved Supplementary Budget and translate to an increase of 51.5 per cent from Kshs.1.21 billion approved in the first half of FY 2017/18 and comprised of Kshs.1.62 billion (85.5 per cent) to fund recurrent expenditure and Kshs.216 million (14.5 per cent) for development activities.

### 3.47.5 Overall Expenditure Review

The County government spent a total of Kshs.1.47 billion on both recurrent and development activities. This expenditure represented 80.5 per cent of the total funds released from the CRF account and was an increase of 27.2 per cent from Kshs.1.16 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.317.12 million for development activities.

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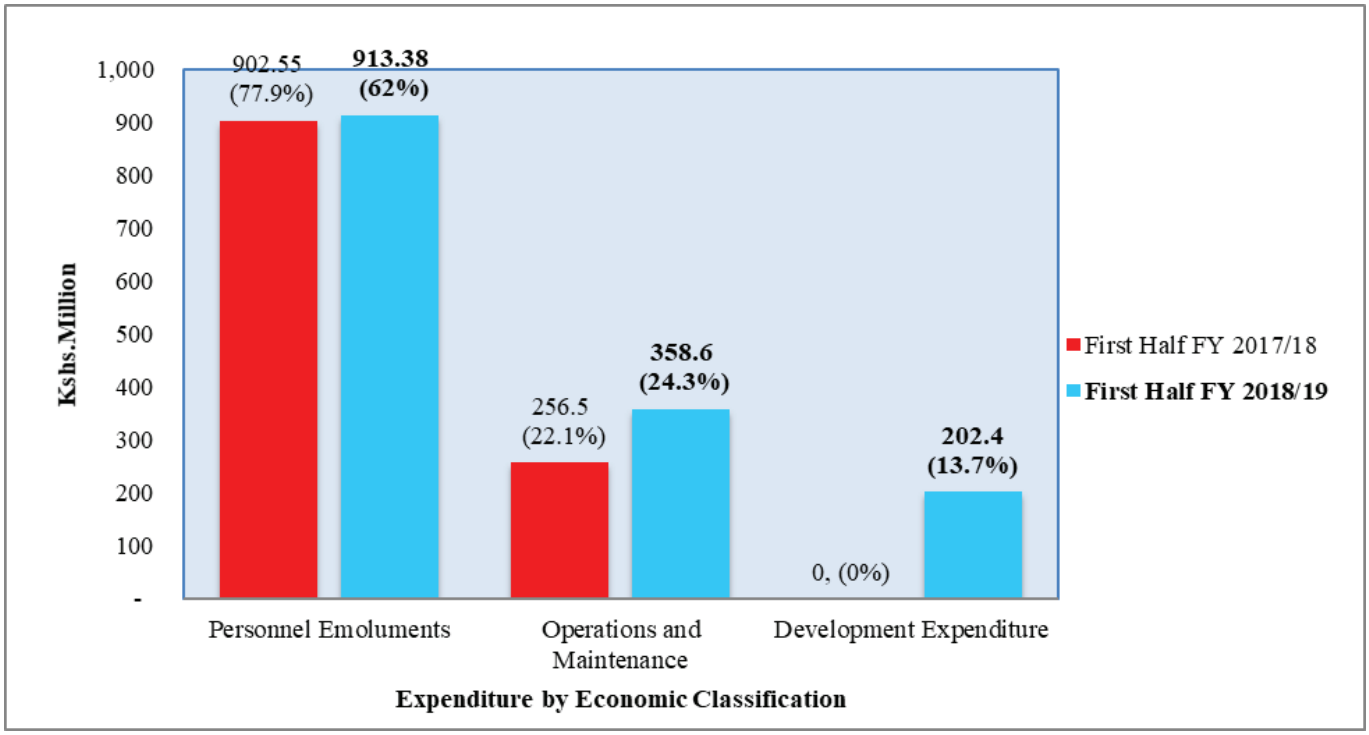
Expenditure on recurrent activities amounted to Kshs.1.27 billion while that on development activities was Kshs.202.4 million. The recurrent expenditure was 81.2 per cent of the funds released for recurrent activities, while development expenditure was 76.1 per cent of funds released for development activities.

The recurrent expenditure represented 31.2 per cent of the annual recurrent budget a decrease from 33.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 9.1 per cent, while there was no expenditure on development activities in the first half of FY 2017/18. Figure 3.185 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

**Figure 3.185: West Pokot County, Expenditure by Economic Classification**




***Source:*** *West Pokot County Treasury*

## 3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.27 billion comprised of Kshs.913.38 million (71.8 per cent) incurred on personnel emoluments and Kshs.358.60 million (28.2 per cent) on operations and maintenance as shown in Figure 3.185.

Expenditure on personnel emoluments represented an increase of 1.2 per cent compared to the first half of FY 2017/18 when the County spent Kshs.902.55 million, and was 62 per cent of total expenditure for the period. 3.186 shows a summary of operations and maintenance expenditure by major categories.

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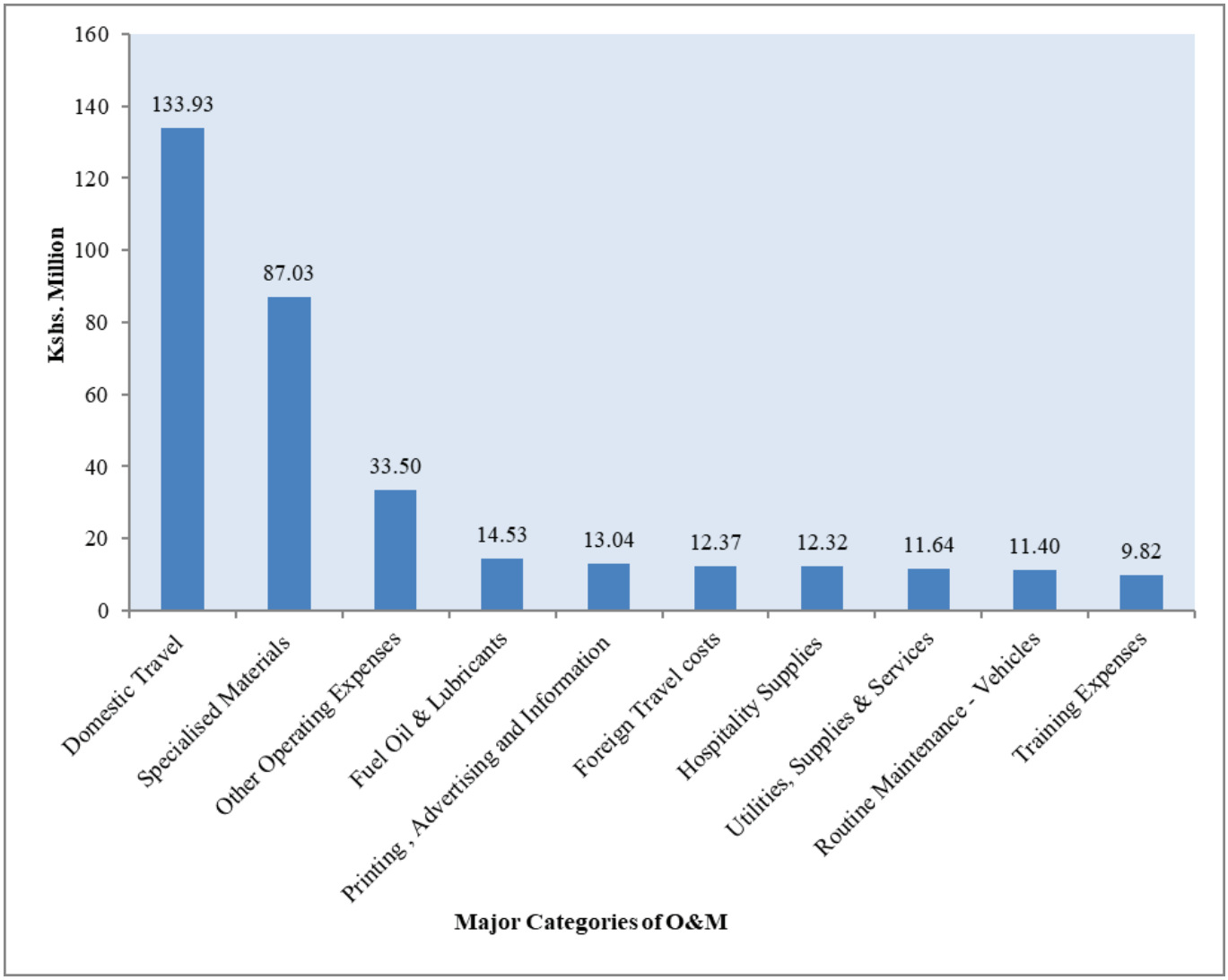
**Figure 3.186: West Pokot County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19**




***Source:*** *West Pokot County Treasury*

The County spent Kshs.15 million on MCAs' committee sitting allowances for the 34 MCAs against the annual budget allocation of Kshs.21.16 million. This amount represented an increase of 608.4 per cent compared to Kshs.2.11 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.73,512 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.133.93 million and comprised of Kshs.50.97 million spent by the County Assembly and Kshs.82.96 million spent by the County Executive. This represented 10.5 per cent of total recurrent expenditure and was an increase of 66.6 per cent compared to Kshs.87.8 million spent in the first half of FY 2017/18.

### 3.47.7 Development Expenditure

The total development expenditure of Kshs.202.4 million represented 9.1 per cent of the annual development budget of Kshs.2.12 billion. Table 3.135 provides a summary of development projects with the highest expenditure in the first half of the financial year.

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**Table 3.135: West Pokot County, List of Development Projects with the Highest Expenditure in the FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in First Half of FY 2018/19 (Kshs.) |
|---|---|---|---|---|
| 1 | Nasukuta Livestock Development Centre | West Pokot | 77,504,904 | 77,504,904 |
| 3 | Office Partitioning | Nairobi Office | 17,700,000 | 8,769,078 |
| 4 | Supply of Solar Powered Vaccine Fridges | Kapenguria | - | 5,400,000 |
| 5 | Chesta - Kapatet Road | Chesta | 3,480,000 | 4,601,256 |
| 6 | Sigor - Akiriamet Road | Sigor | 1,740,000 | 4,449,868 |
| 7 | Weiwei - Tamkal Road | Weiwei | 3,480,000 | 4,178,550 |
| 8 | Blood Tank Equipment | Kapenguria | 13,000,000 | 3,698,276 |
| 9 | Chepareria - Chepturguny Road | Chepareria | 3,693,353 | 3,693,353 |
| 10 | Construction of Operating Theatre at Kacheliba | Kacheliba | 7,300,000 | 3,682,241 |

***Source:*** *West Pokot County Treasury*

### 3.47.8 Budget Performance by County Department

Table 3.136 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

**Table 3.136: West Pokot County, Budget Performance by Department**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive | 439.03 | 40.62 | 163.94 | - | 110.09 | 8.77 | 67.2 | - | 25.1 | 21.6 |
| Finance and Economic Planning | 277.11 | - | 79.51 | - | 99.24 | - | 124.8 | - | 35.8 | - |
| Public Works , Transport and Infrastructure | 79.14 | 401.64 | 30.17 | 108.86 | 21.09 | 59.87 | 69.9 | 55.0 | 26.7 | 14.9 |
| Health, Sanitation and Emergencies | 1,256.36 | 480.16 | 608.71 | 22.33 | 546.10 | 60.00 | 89.7 | 268.7 | 43.5 | 12.5 |
| Education and Technical training | 590.68 | 186.70 | 140.04 | 17.89 | 96.97 | - | 69.2 | - | 16.4 | - |
| Agriculture and Irrigation | 114.41 | 175.73 | 39.88 | 39.52 | 52.37 | - | 131.3 | - | 45.8 | - |
| Pastoral Economy | 107.93 | 199.71 | 46.70 | 77.50 | 34.38 | 77.50 | 73.6 | 100 | 31.9 | 38.8 |
| Trade, Industrialization, Investment and Cooperative Development | 58.24 | 70.22 | 20.77 | - | 22.42 | 0.99 | 108.0 | - | 38.5 | 1.4 |
| Land, Housing ,Physical Planning and Urban Development | 78.40 | 133.14 | 33.80 | - | 19.81 | - | 58.6 | - | 25.3 | - |
| Water development, Environment and Natural Resources | 87.81 | 171.37 | 33.43 | - | 36.41 | 4.03 | 108.9 | - | 41.5 | 2.4 |

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| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in First Half of FY 2018/19 (Kshs. Million) | | Expenditure in First Half of FY 2018/19 (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Youths, Sports, Tourism, Gender and Social services | 72.72 | 127.85 | 37.71 | - | 27.77 | - | 73.6 | - | 38.2 | - |
| Public Service ,ICT and Decentralized Units | 231.62 | 22.10 | 55.49 | - | 57.67 | - | 103.9 | - | 24.9 | - |
| Special Programmes and Directorates | 119.08 | 65.00 | 60.17 | - | 54.54 | - | 90.6 | - | 45.8 | - |
| County Assembly | 569.46 | 143.00 | 216.00 | - | 221.25 | - | 102.4 | - | 38.9 | - |
| **Total** | **4,081.98** | **2,217.24** | **1,566.31** | **266.09** | **1,400.11** | **211.16** | **89.4** | **79.4** | **34.3** | **9.5** |

***Source:*** *West Pokot County Treasury*

Analysis of expenditure by department shows that the Department of Pastoral Economy recorded the highest absorption rate of development budget at 38.8 per cent while seven other Departments did not incur any development expenditure. The Department of Special Programmes and Directorates and the Department of Agriculture and Irrigation had the highest percentage of recurrent expenditure to its recurrent budget at 45.8 per cent while the Department of Education and Technical Training had the lowest at 16.4 per cent.

### 3.47.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development funds compared to a similar period in FY 2017/18.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports by the OCOB.
2. High wage bill, which increased by 1.2 per cent from Kshs.902.55 million in first half of FY 2017/18 to Kshs.913.38 million in the period under review.
3. Under performance in own-source revenue collection, which was 31.5 per cent of the annual target.

The County should implement the following recommendations in order to improve budget execution;

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County should develop and implement strategies to enhance own source revenue collection.*

# 4 KEY CHALLENGES AND RECOMMENDATIONS

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This chapter highlights cross-cutting issues that affected budget implementation in the first half of FY 2018/19 and also includes appropriate recommendations aimed at addressing the challenges in order to enhance smooth budget execution. The cross-cutting challenges included:

## 4.1 High Expenditure on Personnel Emoluments

Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.

On aggregate, county governments spent Kshs.80.02 billion on personnel emoluments (PE), which accounted for 58.4 per cent of the total expenditure for the period and an increase from Kshs.66.48 billion incurred in a similar period of FY 2017/18 when the personnel expenditure translated to 64.1 per cent of the total expenditure.

County Governments should ensure that expenditure on personnel emoluments is contained at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

## 4.2 Under-performance in Own Source Revenue Collection

Article 209 (3) of the Constitution allows County Governments to impose property rates, entertainment taxes and any other tax that a county is authorised to impose by an Act of Parliament.

During the reporting period, the County Governments generated a total of Kshs.15.37 billion, which was 29.9 per cent of the annual target of Kshs.51.32 billion against an expected performance of 50 per cent. The under-performance of own source revenue collection implies that some planned activities may not be implemented in the financial year as budgets will not be fully financed.

Counties should develop and implement strategies to mobilize own source revenue.

## 4.3 Delays in Disbursement of Equitable Share by the National Treasury

In the first half of FY 2018/19, the National Treasury disbursed a total of Kshs.115.14 billion to the Counties as equitable share of revenue raised nationally, which accounted for 36.7 per cent of the annual equitable share of revenue of Kshs.314 billion.

It is recommended that, the National Treasury should disburse funds to the Counties on a timely basis to ensure budget implementation is not adversely affected.

## 4.4 Delays in Submission of Financial Reports to the Office of the Controller of Budget

Section 166 (4) of the PFM Act, 2012 requires the County Treasury to prepare and submit financial reports to the Office of the Controller of Budget not later than one month after the end of each quarter. Further, Section 168 of the PFM Act, 2012 requires designated Fund Administrators of a County established Fund to submit financial reports to the Controller of Budget, not later than fifteen days after the end of each quarter.

During the period under review, the Office noted that, there were delays in submission of quarterly financial reports by Counties, leading to late publication of the County Budget Implementation Review Report (CBIRR).

County Governments should therefore, ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

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## 4.5 Failure to budget for all conditional grants as contained in CARA, 2018

The County Allocation of Revenue Act, 2018 provides for yearly allocation to the 47 county governments. The allocations include the equitable share of revenue raised nationally and conditional allocations from the National Government and Development Partners.

Some County governments failed to include some conditional grants in their Approved Budgets because of delay in the approval of CARA, 2018 by Parliament.

The Office recommends that Counties should align their budgets to allocations contained in CARA, 2018 through Supplementary Budgets. Further, Parliament should come up with strategies to ensure the annual County Allocation of Revenue Bill is approved in a timely manner.

# 5 CONCLUSION

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This report has been prepared in fulfilment of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. It provides information on the status of budget implementation in the first half of the FY 2018/19 by County Governments. It indicates the progress made during the reporting period and also identifies the challenges that hindered effected budget implementation.

The approved budget estimates for the 47 County governments for FY 2018/19 amounted to Kshs.463.93 billion and comprised of Kshs.276.44 billion (59.6 per cent) for recurrent expenditure and Kshs.187.49 billion (40.4 per cent) for development expenditure, which conforms to Section 107 (2(b)) of the PFM Act, 2012, that requires at least 30 per cent of budget must be allocated for development programs. To finance the budget, County Governments expect to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.25.5 billion as conditional grants from the National Government, Kshs.36.98 billion as conditional grants from Development Partners, generate Kshs.51.32 billion as own source revenue, and had Kshs.46.12 billion cash balance from FY 2017/18.

During the first half of FY 2018/19, the County Governments spent a total of Kshs.136.98 billion, which represents absorption of 29.5 per cent, and was an increase from the absorption rate of 25.9 per cent in the first half of FY 2017/18. A total of Kshs.112.25 billion was spent on recurrent expenditure and Kshs.24.73 billion on development activities against the recurrent budget of Kshs.276.44 billion and development budget of Kshs.187.49 billion. Development expenditure translated to an absorption rate of 13.2 per cent while recurrent expenditure was 40.6 per cent of the annual budget for recurrent expenditure.

This report has also identified challenges which hampered effective budget execution during the reporting period, they included; high expenditure on Personnel Emoluments, Under-performance of own source revenue collection which translated to 29.9 per cent of annual target, delays in the disbursement of equitable share by the National Treasury, late submission of quarterly financial reports to the Office of the Controller of Budget which is contrary to Section 166 and 168 of the PFM Act, 2012, and failure to budget for all conditional grants as contained in the CARA, 2018. The report has provided appropriate recommendations on how to address the identified challenges in order to enhance smooth execution of the budget in the future.

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