THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

# COUNTY GOVERNMENTS ANNUAL BUDGET IMPLEMENTATION REVIEW REPORT

## FY 2018/19

## AUGUST, 2019

THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

# COUNTY GOVERNMENTS
# ANNUAL BUDGET IMPLEMENTATION REVIEW REPORT

## FY 2018/19

## AUGUST, 2019

# PREFACE

I am pleased to present the Annual County Governments Budget Implementation Review Report (CBIRR) for the Financial Year (FY) 2018/19. The report has been prepared in conformity with Article 228 (6) of the Constitution and Section 9 of the Controller of Budget Act, 2016, which requires the Controller of Budget (COB) to submit to Parliament a report on the implementation of the budgets of the national and County Governments every four months.

This report presents budget performance of the forty seven County Governments for the period of July, 2018 to June, 2019. It is based on analysis of reports on financial and non-financial performance submitted to the Office of the Controller of Budget (OCOB) by County Treasuries, financial reports generated from the Integrated Financial Management Information System (IFMIS) and financial information maintained by the OCOB. In addition to performance, the report highlights the key challenges encountered by the Counties in budget implementation and also contains suggested measures to address the challenges.

Preparation of this report was made possible through concerted efforts of staff from County Treasuries and the Office of the Controller of Budget to whom I am grateful.

The information contained in this report is useful to many stakeholders including; policy makers, legislators, analysts, practitioners, and the general public. While successful budget implementation depends on a number of factors, public participation and effective monitoring of its implementation remain critical principles. It is my hope that this report will generate interest and participation by the public and other stakeholders in monitoring budget implementation by the Counties.

I urge all readers to constructively engage County Governments in order to improve prudence in utilization of public funds.

**CPA Stephen Masha**
**Ag. CONTROLLER OF BUDGET**

# TABLE OF CONTENTS


PREFACE ..... II

ACRONYMS ..... XV

EXECUTIVE SUMMARY ..... XVII

KEY HIGHLIGHTS ..... XIX

1 INTRODUCTION ..... 1

2 FINANCIAL ANALYSIS OF COUNTY GOVERNMENTS PERFORMANCE IN FY 2018/19 ..... 2

2.1 Introduction ..... 2

2.2 Funds Released to the Counties ..... 5

2.3 Expenditure Analysis ..... 7

2.4 Pending Bills as of 30th June, 2019 ..... 14

3 BUDGET PERFORMANCE BY COUNTY ..... 16

3.1 Baringo County ..... 16

3.2 Bomet County ..... 22

3.3 Bungoma County ..... 28

3.4 Busia County ..... 34

3.5 Elgeyo Marakwet County ..... 40

3.6 Embu County ..... 46

3.7 Garissa County ..... 52

3.8 Homa Bay County ..... 58

3.9 Isiolo County ..... 64

3.10 Kajiado County ..... 71

3.11 Kakamega County ..... 77

3.12 Kericho County ..... 83

3.13 Kiambu County ..... 89

3.14 Kilifi County ..... 96

3.15 Kirinyaga County ..... 102

3.16 Kisii County ..... 109

3.17 Kisumu County ..... 115

3.18 Kitui County ..... 121

3.19 Kwale County ..... 127

3.20 Laikipia County ..... 133

3.21 Lamu County ..... 139

3.22 Machakos County ..... 145

3.23 Makueni County ..... 151

3.24 Mandera County ..... 158

3.25 Marsabit County ..... 164
3.26 Meru County ..... 170
3.27 Migori County ..... 176
3.28 Mombasa County ..... 182
3.29 Murang'a County ..... 188
3.30 Nairobi City County ..... 194
3.31 Nakuru County ..... 201
3.32 Nandi County ..... 207
3.33 Narok County ..... 214
3.34 Nyamira County ..... 221
3.35 Nyandarua County ..... 227
3.36 Nyeri County ..... 234
3.37 Samburu County ..... 240
3.38 Siaya County ..... 246
3.39 Taita Taveta County ..... 252
3.40 Tana River County ..... 259
3.41 Tharaka Nithi County ..... 266
3.42 Trans Nzoia County ..... 272
3.43 Turkana County ..... 279
3.44 Uasin Gishu County ..... 286
3.45 Vihiga County ..... 292
3.46 Wajir County ..... 299
3.47 West Pokot County ..... 305

4 KEY CHALLENGES AND RECOMMENDATIONS ..... 312
4.1 High Expenditure on Personnel Emoluments ..... 312
4.2 Delays in Submission of Financial Reports to the Controller of Budget ..... 312
4.3 High Expenditure on Travel Costs ..... 312
4.4 Failure to Establish County Budget and Economic Forums(CBEF) ..... 313
4.5 Failure to Establish Internal Audit Committees ..... 313

5 CONCLUSION ..... 314

# LIST OF TABLES


**Table 2.1:** Conditional Grants as per CARA, 2018 ..... 2

**Table 2.2:** Own Source Revenue Collection for FY 2018/19 ..... 3

**Table 2.3:** The Exchequer Issues to the County Assembly and the County Executive for FY 2018/19 ..... 6

**Table 2.4:** Expenditure by Economic Classification - FY 2018/19 ..... 7

**Table 2.5:** County Budget Allocation, Expenditure and Absorption Rate for FY 2018/19 ..... 9

**Table 2.6:** MCAs Budget Allocation, Expenditure and Absorption Rate in FY 2018/19 ..... 11

**Table 2.7:** Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in FY 2018/19 (Kshs.Million) ..... 13

**Table 2.8:** Pending Bills for the Counties as at June 30th, 2019 ..... 14

**Table 3.1:** Baringo County, Conditional Grants/Loans Received in the FY 2018/19 ..... 17

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

**Table 3.3:** Baringo County, Budget Performance by Department ..... 21

**Table 3.4:** Bomet County, Conditional Grants/Loans Received in the FY 2018/19 ..... 23

**Table 3.5:** Bomet County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 25

**Table 3.6:** Bomet County, Budget Performance by Department in FY 2018/19 ..... 26

**Table 3.7:** Bungoma County, Conditional Grants/Loans Received in the FY 2018/19 ..... 29

**Table 3.8:** Bungoma County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 31

**Table 3.9:** Bungoma County, Budget Performance by Department in FY 2018/19 ..... 33

**Table 3.10:** Busia County, Conditional Grants/Loans Received in the FY 2018/19 ..... 35

**Table 3.11:** Busia County, Budget Performance by Department in FY 2018/19 ..... 38

**Table 3.12:** Elgeyo Marakwet County, Conditional Grants/Loans Received in the FY 2018/19 ..... 41

**Table 3.13:** Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 43

**Table 3.14:** Elgeyo Marakwet County, Budget Performance by Department in FY 2018/19 ..... 45

**Table 3.15:** Embu County, Conditional Grants/Loans Received in the FY 2018/19 ..... 47

**Table 3.16:** Embu County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 49

**Table 3.17:** Embu County, Budget Performance by Department in FY 2018/19 ..... 51

**Table 3.18:** Garissa County, Conditional Grants/Loans Received in the FY 2018/19 ..... 54

**Table 3.19:** Garissa County, Budget Performance by Department in FY 2018/19 ..... 57

**Table 3.20:** Homa Bay County, Conditional Grants/Loans Received in the FY 2018/19 ..... 59

**Table 3.21:** Homa Bay County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 61

**Table 3.22:** Homa Bay County, Budget Performance by Department in FY 2018/19 ..... 63

**Table 3.23:** Isiolo County, Conditional Grants/Loans Received in the FY 2018/19 ..... 66

**Table 3.24:** Isiolo County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 67

**Table 3.25:** Isiolo County, Budget Performance by Department in FY 2018/19 ..... 69

**Table 3.26:** Kajiado County, Conditional Grants/Loans Received in the FY 2018/19 ..... 72

**Table 3.27:** Kajiado County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 74

**Table 3.28:** Kajiado County, Budget Performance by Department in FY 2018/19 ..... 76

**Table 3.29:** Kakamega County, Conditional Grants/Loans Received in the FY 2018/19 ..... 78
**Table 3.30:** Kakamega County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 80
**Table 3.31:** Kakamega County, Budget Performance by Department in FY 2018/19 ..... 82
**Table 3.32:** Kericho County, Conditional Grants/Loans Received in the FY 2018/19 ..... 85
**Table 3.33:** Kericho County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 86
**Table 3.34:** Kericho County, Budget Performance by Department in FY 2018/19 ..... 88
**Table 3.35:** Kiambu County, Conditional Grants/Loans Received in the FY 2018/19 ..... 91
**Table 3.36:** Kiambu County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 93
**Table 3.37:** Kiambu County, Budget Performance by Department in FY 2018/19 ..... 94
**Table 3.38:** Kilifi County, Conditional Grants/Loans Received in the FY 2018/19 ..... 97
**Table 3.39:** Kilifi County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 99
**Table 3.40:** Kilifi County, Budget Performance by Department in FY 2018/19 ..... 101
**Table 3.41:** Kirinyaga County, Conditional Grants/Loans Received in the FY 2018/19 ..... 104
**Table 3.42:** Kirinyaga County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 106
**Table 3.43:** Kirinyaga County, Budget Performance by Department in FY 2018/19 ..... 108
**Table 3.44:** Kisii County, Conditional Grants/Loans Received in the FY 2018/19 ..... 110
**Table 3.45:** Kisii County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 112
**Table 3.46:** Kisii County, Budget Performance by Department in FY 2018/19 ..... 114
**Table 3.47:** Kisumu County, Conditional Grants/Loans Received in the FY 2018/19 ..... 116
**Table 3.48:** Kisumu County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 118
**Table 3.49:** Kisumu County, Budget Performance by Department in FY 2018/19 ..... 119
**Table 3.50:** Kitui County, Conditional Grants/Loans Received in the FY 2018/19 ..... 122
**Table 3.51:** Kitui County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 124
**Table 3.52:** Kitui County, Budget Performance by Department in FY 2018/19 ..... 126
**Table 3.53:** Kwale County, Conditional Grants/Loans Received in the FY 2018/19 ..... 128
**Table 3.54:** Kwale County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 130
**Table 3.55:** Kwale County, Budget Performance by Department in FY 2018/19 ..... 132
**Table 3.56:** Laikipia County, Conditional Grants/Loans Received in the FY 2018/19 ..... 134
**Table 3.57:** Laikipia County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 136
**Table 3.58:** Laikipia County, Budget Performance by Department in FY 2018/19 ..... 138
**Table 3.59:** Lamu County, Conditional Grants/Loans Received in the FY 2018/19 ..... 140
**Table 3.60:** Lamu County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 142
**Table 3.61:** Lamu County, Budget Performance by Department in FY 2018/19 ..... 144
**Table 3.62:** Machakos County, Conditional Grants/Loans Received in the FY 2018/19 ..... 146
**Table 3.63:** Machakos County, List of Development Projects with the Highest Expenditure in the FY 2018/19 ..... 148
**Table 3.64:** Machakos County, Budget Performance by Department in FY 2018/19 ..... 150
**Table 3.65:** Makueni County, Conditional Grants/Loans Received in the FY 2018/19 ..... 153
**Table 3.66:** Makueni County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 155
**Table 3.67:** Makueni County, Budget Performance by Department in FY 2018/19 ..... 156

**Table 3.68:** Mandera County, Conditional Grants/Loans Received in the FY 2018/19 ..... 159
**Table 3.69:** Mandera County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 161
**Table 3.70:** Mandera County, Budget Performance by Department in FY 2018/19 ..... 163
**Table 3.71:** Marsabit County, Conditional Grants/Loans Received in the FY 2018/19 ..... 165
**Table 3.72:** Marasabit County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 167
**Table 3.73:** Marsabit County, Budget Performance by Department in FY 2018/19 ..... 169
**Table 3.74:** Meru County, Conditional Grants/Loans Received in the FY 2018/19 ..... 171
**Table 3.75:** Meru County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 173
**Table 3.76:** Meru County, Budget Performance by Department in FY 2018/19 ..... 175
**Table 3.77:** Migori County, Conditional Grants/Loans Received in the FY 2018/19 ..... 177
**Table 3.78:** Migori County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 179
**Table 3.79:** Migori County, Budget Performance by Department in FY 2018/19 ..... 181
**Table 3.80:** Mombasa County, Conditional Grants/Loans Received in the FY 2018/19 ..... 183
**Table 3.81:** Mombasa County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 185
**Table 3.82:** Mombasa County, Budget Performance by Department in FY 2018/19 ..... 187
**Table 3.83:** Murang'a County, Conditional Grants/Loans Received in the FY 2018/19 ..... 189
**Table 3.84:** Murang'a County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 191
**Table 3.85:** Murang'a County, Budget Performance by Department in FY 2018/19 ..... 193
**Table 3.86:** Nairobi City County, Conditional Grants/Loans Received in the FY 2018/19 ..... 196
**Table 3.87:** Nairobi City County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 198
**Table 3.88:** Nairobi City County, Budget Performance by Department in FY2018/19 ..... 200
**Table 3.89:** Nakuru County, Conditional Grants/Loans Received in the FY 2018/19 ..... 202
**Table 3.90:** Nakuru County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 204
**Table 3.91:** Nakuru County, Budget Performance by Department in FY 2018/19 ..... 206
**Table 3.92:** Nandi County, Conditional Grants/Loans Received in the FY 2018/19 ..... 209
**Table 3.93:** Nandi County County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 211
**Table 3.94:** Nandi County, Budget Performance by Department in the FY 2018/2019 ..... 213
**Table 3.95:** Narok County, Conditional Grants/Loans Received in the FY 2018/19 ..... 216
**Table 3.96:** Narok County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 218
**Table 3.97:** Narok County, Budget Performance by Department in the FY 2018/19 ..... 219
**Table 3.98:** Nyamira County, Conditional Grants/Loans Received in the FY 2018/19 ..... 222
**Table 3.99:** Nyamira County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 224
**Table 3.100:** Nyamira County, Budget Performance by Department in FY 2018/2019 ..... 226
**Table 3.101:** Nyandarua County, Conditional Grants/Loans Received in the FY 2018/19 ..... 229
**Table 3.102:** Nyandarua County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 231
**Table 3.103:** Nyandarua County, Budget Performance by Department in the FY 2018/19 ..... 233
**Table 3.104:** Nyeri County, Conditional Grants/Loans Received in the FY 2018/19 ..... 235
**Table 3.105:** Nyeri County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 237

**Table 3.106:** Nyeri County, Budget Performance by Department in FY 2018/19 ..... 239
**Table 3.107:** Samburu County, Conditional Grants/Loans Received in the FY 2018/19 ..... 241
**Table 3.108:** Samburu County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 243
**Table3.109:** Samburu County, Budget Performance by Department in the FY 2018/2019 ..... 245
**Table 3.110:** Siaya County, Conditional Grants/Loans Received in the FY 2018/19 ..... 247
**Table 3.111:** Siaya County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 249
**Table 3.112:** Siaya County, Budget Performance by Department in the FY 2018/19 ..... 251
**Table 3.113:** Taita Taveta County, Conditional Grants/Loans Received in the FY 2018/19 ..... 254
**Table 3.114:** Taita Taveta County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 256
**Table 3.115:** Taita Taveta County, Budget Performance by Department in the FY 2018/19 ..... 258
**Table 3.116:** Tana River County, Conditional Grants/Loans Received in the FY 2018/19 ..... 261
**Table 3.117:** Tana River County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 263
**Table 3.118:** Tana River County, Budget Performance by Department in FY 2018/2019 ..... 265
**Table 3.119:** Tharaka Nithi County, Conditional Grants/Loans Received in the FY 2018/19 ..... 267
**Table 3.120:** Tharaka Nithi County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 269
**Table 3.121:** Tharaka Nithi County, Budget Performance by Department for the FY 2018/19 ..... 271
**Table 3.122:** Trans Nzoia County, Conditional Grants/Loans Received in the FY 2018/19 ..... 274
**Table 3.123:** Trans Nzoia County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 276
**Table 3.124:** Trans Nzoia County, Budget Performance by Department in FY 2018/19 ..... 278
**Table 3.125:** Turkana County, Conditional Grants/Loans Received in the FY 2018/19 ..... 280
**Table 3.126:** Turkana County County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 284
**Table 3.127:** Turkana County, Budget Performance by Department in FY 2018/19 ..... 284
**Table 3.128:** Uasin Gishu County, Conditional Grants/Loans Received in the FY 2018/19 ..... 287
**Table 3.129:** Uasin Gishu County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 289
**Table 3.130:** Uasin Gishu County, Budget Performance by Department in FY 2018/19 ..... 291
**Table 3.131:** Vihiga County, Conditional Grants/Loans Received in the FY 2018/19 ..... 294
**Table 3.132:** Vihiga County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 296
**Table 3.133:** Vihiga County, Budget Performance by Department in FY 2018/19 ..... 298
**Table 3.134:** Wajir County, Conditional Grants/Loans Received in the FY 2018/19 ..... 300
**Table 3.135:** Wajir County, Budget Performance by Department in FY 2018/19 ..... 304
**Table 3.136:** West Pokot County, Conditional Grants/Loans Received in the FY 2018/19 ..... 306
**Table 3.137:** West Pokot County, List of Development Projects with the Highest Expenditure in FY 2018/19 ..... 308
**Table 3.138:** West Pokot County, Budget Performance by Department in FY 2018/19 ..... 310

# LIST OF FIGURES


**Figure 2.1:** Expected Sources of Budget Financing in FY 2018/19 ..... 2

**Figure 3.1:** Baringo County, Expected Sources of Budget Financing in FY 2018/19 ..... 16

**Figure 3.2:** Baringo County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 17

**Figure 3.3:** Baringo County, Expenditure by Economic Classification ..... 19

**Figure 3.4:** Baringo County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 20

**Figure 3.5:** Bomet County, Expected Sources of Budget Financing in FY 2018/19 ..... 22

**Figure 3.6:** Bomet County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 23

**Figure 3.7:** Bomet County, Expenditure by Economic Classification ..... 24

**Figure 3.8:** Bomet County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 26

**Figure 3.9:** Bungoma County, Expected Sources of Budget Financing in FY 2018/19 ..... 28

**Figure 3.10:** Bungoma County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 29

**Figure 3.11:** Bungoma County, Expenditure by Economic Classification ..... 31

**Figure 3.12:** Bungoma County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 32

**Figure 3.13:** Busia County, Expected Sources of Budget Financing in FY 2018/19 ..... 34

**Figure 3.14:** Busia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 35

**Figure 3.15:** Busia County, Expenditure by Economic Classification ..... 37

**Figure 3.16:** Busia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 38

**Figure 3.17:** Elgeyo Marakwet County, Expected Sources of Budget Financing in FY 2018/19 ..... 40

**Figure 3.18:** Elgeyo Marakwet County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 41

**Figure 3.19:** Elgeyo Marakwet County, Expenditure by Economic Classification ..... 43

**Figure 3.20:** Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 44

**Figure 3.21:** Embu County, Expected Sources of Budget Financing in FY 2018/19 ..... 46

**Figure 3.22:** Embu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 47

**Figure 3.23:** Embu County, Expenditure by Economic Classification ..... 49

**Figure 3.24:** Embu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 50

**Figure 3.25:** Garissa County, Expected Sources of Budget Financing in FY 2018/19 ..... 53

**Figure 3.26:** Garissa County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 53

**Figure 3.27:** Garissa County, Expenditure by Economic Classification ..... 55

**Figure 3.28:** Garissa County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 56

**Figure 3.29:** Homa Bay County, Expected Sources of Budget Financing in FY 2018/19 ..... 58

**Figure 3.30:** Homa Bay County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 59

**Figure 3.31:** Homa Bay County, Expenditure by Economic Classification ..... 61

**Figure 3.32:** Homa Bay County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 62

**Figure 3.33:** Isiolo County, Expected Sources of Budget Financing in FY 2018/19 ..... 65
**Figure 3.34:** Isiolo County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 65
**Figure 3.35:** Isiolo County, Expenditure by Economic Classification ..... 67
**Figure 3.36:** Isiolo County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 68
**Figure 3.37:** Kajiado County, Expected Sources of Budget Financing in FY 2018/19 ..... 71
**Figure 3.38:** Kajiado County, Own Source Revenue Collection for FY 2014/15 to FY 2018/19 ..... 72
**Figure 3.39:** Kajiado County, Expenditure by Economic Classification ..... 73
**Figure 3.40:** Kajiado County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 75
**Figure 3.41:** Kakamega County, Expected Sources of Budget Financing in FY 2018/19 ..... 77
**Figure 3.42:** Kakamega County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 78
**Figure 3.43:** Kakamega County, Expenditure by Economic Classification ..... 80
**Figure 3.44:** Kakamega County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 81
**Figure 3.45:** Kericho County, Expected Sources of Budget Financing in FY 2018/19 ..... 83
**Figure 3.46:** Kericho County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 84
**Figure 3.47:** Kericho County, Expenditure by Economic Classification ..... 86
**Figure 3.48:** Kericho County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 87
**Figure 3.49:** Kiambu County, Expected Sources of Budget Financing in FY 2018/19 ..... 90
**Figure 3.50:** Kiambu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 90
**Figure 3.51:** Kiambu County, Expenditure by Economic Classification ..... 92
**Figure 3.52:** Kiambu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 94
**Figure 3.53:** Kilifi County, Expected Sources of Budget Financing in FY 2018/19 ..... 96
**Figure 3.54:** Kilifi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 97
**Figure 3.55:** Kilifi County, Expenditure by Economic Classification ..... 99
**Figure 3.56:** Kilifi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 100
**Figure 3.57:** Kirinyaga County, Expected Sources of Budget Financing in FY 2018/19 ..... 103
**Figure 3.58:** Kirinyaga County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 104
**Figure 3.59:** Kirinyaga County, Expenditure by Economic Classification ..... 105
**Figure 3.60:** Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 107
**Figure 3.61:** Kisii County, Expected Sources of Budget Financing in FY 2018/19 ..... 109
**Figure 3.62:** Kisii County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 110
**Figure 3.63:** Kisii County, Expenditure by Economic Classification ..... 112
**Figure 3.64:** Kisii County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 113
**Figure 3.65:** Kisumu County, Expected Sources of Budget Financing in FY 2018/19 ..... 115
**Figure 3.66:** Kisumu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 116
**Figure 3.67:** Kisumu County, Expenditure by Economic Classification ..... 118

**Figure 3.68:** Kisumu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 119
**Figure 3.69:** Kitui County, Expected Sources of Budget Financing in FY 2018/19 ..... 121
**Figure 3.70:** Kitui County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 122
**Figure 3.71:** Kitui County, Expenditure by Economic Classification ..... 124
**Figure 3.72:** Kitui County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 125
**Figure 3.73:** Kwale County, Expected Sources of Budget Financing in FY 2018/19 ..... 127
**Figure 3.74:** Kwale County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 128
**Figure 3.75:** Kwale County, Expenditure by Economic Classification ..... 130
**Figure 3.76:** Kwale County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 131
**Figure 3.77:** Laikipia County, Expected Sources of Budget Financing in FY 2018/19 ..... 133
**Figure 3.78:** Laikipia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 134
**Figure 3.79:** Laikipia County, Expenditure by Economic Classification ..... 136
**Figure 3.80:** Laikipia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 137
**Figure 3.81:** Lamu County, Expected Sources of Budget Financing in FY 2018/19 ..... 139
**Figure 3.82:** Lamu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 140
**Figure 3.83:** Lamu County, Expenditure by Economic Classification ..... 142
**Figure 3.84:** Lamu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 143
**Figure 3.85:** Machakos County, Expected Sources of Budget Financing in FY 2018/19 ..... 145
**Figure 3.86:** Machakos County, Trend in Own Source Revenue Collection in FY 2018/19 ..... 146
**Figure 3.87:** Machakos County, Expenditure by Economic Classification ..... 148
**Figure 3.88:** Machakos County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 149
**Figure 3.89:** Makueni County, Expected Sources of Budget Financing in FY 2018/19 ..... 152
**Figure 3.90:** Makueni County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 152
**Figure 3.91:** Makueni County, Expenditure by Economic Classification ..... 154
**Figure 3.92:** Makueni County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 156
**Figure 3.93:** Mandera County, Expected Sources of Budget Financing in FY 2018/19 ..... 158
**Figure 3.94:** Mandera County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 159
**Figure 3.95:** Mandera County, Expenditure by Economic Classification ..... 161
**Figure 3.96:** Mandera County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 162
**Figure 3.97:** Marsabit County, Expected Sources of Budget Financing in FY 2018/19 ..... 164
**Figure 3.98:** Marsabit County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 165
**Figure 3.99:** Marsabit County, Expenditure by Economic Classification ..... 167
**Figure 3.100:** Marsabit County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 168
**Figure 3.101:** Meru County, Expected Sources of Budget Financing in FY 2018/19 ..... 170
**Figure 3.102:** Meru County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 171

**Figure 3.103:** Meru County, Expenditure by Economic Classification....173
**Figure 3.104:** Meru County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....174
**Figure 3.105:** Migori County, Expected Sources of Budget Financing in FY 2018/19....176
**Figure 3.106:** Migori County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19....177
**Figure 3.107:** Migori County, Expenditure by Economic Classification....179
**Figure 3.108:** Migori County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....180
**Figure 3.109:** Mombasa County, Expected Sources of Budget Financing in FY 2018/19....182
**Figure 3.110:** Mombasa County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19....183
**Figure 3.111:** Mombasa County, Expenditure by Economic Classification....185
**Figure 3.112:** Mombasa County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....186
**Figure 3.113:** Murang'a County, Expected Sources of Budget Financing in FY 2018/19....188
**Figure 3.114:** Murang'a County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19....189
**Figure 3.115:** Murang'a County, Expenditure by Economic Classification....191
**Figure 3.116:** Murang'a County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....192
**Figure 3.117:** Nairobi City County, Expected Sources of Budget Financing in FY 2018/19....195
**Figure 3.118:** Nairobi City County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19....196
**Figure 3.119:** Nairobi City County, Expenditure by Economic Classification....197
**Figure 3.120:** Nairobi City County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....199
**Figure 3.121:** Nakuru County, Expected Sources of Budget Financing in FY 2018/19....201
**Figure 3.122:** Nakuru County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19....202
**Figure 3.123:** Nakuru County, Expenditure by Economic Classification....204
**Figure 3.124:** Nakuru County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....205
**Figure 3.125:** Nandi County, Expected Sources of Budget Financing in FY 2018/19....208
**Figure 3.126:** Nandi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19....209
**Figure 3.127:** Nandi County, Expenditure by Economic Classification....211
**Figure 3.128:** Nandi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....212
**Figure 3.129:** Narok County, Expected Sources of Budget Financing in FY 2018/19....215
**Figure 3.130:** Narok County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19....216
**Figure 3.131:** Narok County, Expenditure by Economic Classification....217
**Figure 3.132:** Narok County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....219
**Figure 3.133:** Nyamira County, Expected Sources of Budget Financing in FY 2018/19....221
**Figure 3.134:** Nyamira County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19....222
**Figure 3.135:** Nyamira County, Expenditure by Economic Classification....224
**Figure 3.136:** Nyamira County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19....225
**Figure 3.137:** Nyandarua County, Expected Sources of Budget Financing in FY 2018/19....228

**Figure 3.138:** Nyandarua County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 229
**Figure 3.139:** Nyandarua County, Expenditure by Economic Classification..... 231
**Figure 3.140:** Nyandarua County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19..... 232
**Figure 3.141:** Nyeri County, Expected Sources of Budget Financing in FY 2018/19 ..... 234
**Figure 3.142:** Nyeri County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19..... 235
**Figure 3.143:** Nyeri County, Expenditure by Economic Classification ..... 237
**Figure 3.144:** Nyeri County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 238
**Figure 3.145:** Samburu County, Expected Sources of Budget Financing in FY 2018/19..... 240
**Figure 3.146:** Samburu County, Own Source Revenue Collection from the FY 2013/14 to FY 2018/19..... 241
**Figure 3.147:** Samburu County, Expenditure by Economic Classification ..... 243
**Figure 3.148:** Samburu County, Operations and Maintenance Expenditure by Major Categories in theFY 2018/19..... 244
**Figure 3.149:** Siaya County, Expected Sources of Budget Financing in FY 2018/19..... 246
**Figure 3.150:** Siaya County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 247
**Figure 3.151:** Siaya County, Expenditure by Economic Classification..... 248
**Figure 3.152:** Siaya County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19..... 250
**Figure 3.153:** Taita Taveta County, Expected Sources of Budget Financing in FY 2018/19 ..... 253
**Figure 3.154:** Taita Taveta County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19..... 254
**Figure 3.155:** Taita Taveta County, Expenditure by Economic Classification ..... 256
**Figure 3.156:** Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 257
**Figure 3.157:** Tana River County, Expected Sources of Budget Financing in FY 2018/19..... 260
**Figure 3.158:** Tana River County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19..... 261
**Figure 3.159:** Tana River County, Expenditure by Economic Classification ..... 263
**Figure 3.160:** Tana River County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 264
**Figure 3.161:** Tharaka Nithi County, Expected Sources of Budget Financing in FY 2018/19..... 266
**Figure 3.162:** Tharaka Nithi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 267
**Figure 3.163:** Tharaka Nithi County, Expenditure by Economic Classification..... 269
**Figure 3.164:** Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19..... 270
**Figure 3.165:** Trans Nzoia County, Expected Sources of Budget Financing in FY 2018/19..... 273
**Figure 3.166:** Trans Nzoia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19..... 274
**Figure 3.167:** Trans Nzoia County, Expenditure by Economic Classification ..... 276
**Figure 3.168:** Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 277
**Figure 3.169:** Turkana County, Expected Sources of Budget Financing in FY 2018/19..... 279
**Figure 3.170:** Turkana County, Own Source Revenue Collection for the FY 2013/14 to FY 2018/19 ..... 280
**Figure 3.171:** Turkana County, Expenditure by Economic Classification..... 282
**Figure 3.172:** Turkana County, Operations and Maintenance Expenditure by Major Categories in the FY 2018/19..... 283

**Figure 3.173:** Uasin Gishu County, Expected Sources of Budget Financing in FY 2018/19 ..... 286
**Figure 3.174:** Uasin Gishu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 287
**Figure 3.175:** Uasin Gishu County, Expenditure by Economic Classification..... 289
**Figure 3.176:** Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19..... 290
**Figure 3.177:** Vihiga County, Expected Sources of Budget Financing in FY 2018/19 ..... 293
**Figure 3.178:** Vihiga County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19..... 294
**Figure 3.179:** Vihiga County, Expenditure by Economic Classification ..... 296
**Figure 3.180:** Vihiga County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19 ..... 297
**Figure 3.181:** Wajir County, Expected Sources of Budget Financing in FY 2018/19..... 299
**Figure 3.182:** Wajir County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 300
**Figure 3.183:** Wajir County, Expenditure by Economic Classification..... 302
**Figure 3.184:** Wajir County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19..... 303
**Figure 3.185:** West Pokot County, Expected Sources of Budget Financing in FY 2018/19 ..... 305
**Figure 3.186:** West Pokot County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19 ..... 306
**Figure 3.187:** West Pokot County, Expenditure by Economic Classification..... 308
**Figure 3.188:** West Pokot County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19..... 309

# ACRONYMS

| | |
|---|---|
| **ADP** | Annual Development Plan |
| **A-I-A** | Appropriations in Aid |
| **ASDSP** | Agriculture Sector Development Support Programme |
| **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 |
| **ERP** | Enterprise Resource Planning |
| **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 |
| **KDSP** | Kenya Devolution Support Programme |
| **KRB** | Kenya Roads Board |
| **Kshs** | Kenya Shillings |
| **KUSP** | Kenya Urban Support Project |
| **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 |
| **RMLF** | Road Maintenance Levy Fund |
| **SRC** | Salaries and Remuneration Commission |
| **THSUC** | Transforming Health Systems for Universal Health Care |
| **UHC** | Universal Health Care |
| **UIG** | Urban Institutional Grants |
| **WSDP** | Water & Sanitation Development Project |

# EXECUTIVE SUMMARY

This is the Annual County Budget Implementation Review Report (CBIRR) for the financial year 2018/19. It covers the period July, 2018 to June, 2019. The report 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. It highlights the status of the County budget implementation by analysing revenue and expenditure performance against the annual budget estimates. Expenditure is based on financial reports submitted by County Treasuries and those generated from the Integrated Financial Management System (IFMIS).

During the year, aggregate budget estimates for the 47 County Governments amounted to **Kshs.483.47** billion comprising Kshs.297.71 billion (61.6 per cent) for recurrent expenditure and Kshs.185.76 billion (38.4 per cent) for development expenditure. In order to finance the budget, County Governments were allocated Kshs.314 billion as equitable share of revenue raised nationally and Kshs.62.48 billion as conditional grants from the National Government and Development Partners. Additionally, County Governments expected to generate own source revenue amounting to Kshs.53.86 billion, and also utilize Kshs.55.08 billion projected cash balance from FY 2017/18.

The total revenue available to the County Governments in FY 2018/19 amounted to **Kshs.445.36 billion** which comprised of Kshs.314 billion as equitable share of revenue raised nationally, Kshs.4.33 billion grant to Level 5 Hospitals, Kshs.900 million for Foregone User Fees, Kshs.960.64 million for rehabilitation of Youth Polytechnics, Kshs.7.42 billion from the Road Maintenance Fuel Levy Fund, Kshs.22.37 billion from development partners, Kshs.40.30 billion as revenue raised from own sources, and Kshs.55.08 billion as cash balance from FY 2017/18.

The aggregate own source revenue raised by County Governments of Kshs.40.30 billion was 74.8 per cent of the annual target of Kshs.53.86 billion. This was a significant improvement compared to Kshs.32.49 billion generated in FY 2017/18. Analysis of own source revenue as a proportion of the annual revenue target indicated that thirteen counties namely; Lamu, Vihiga, Taita Taveta, Narok, Elgeyo Marakwet, Isiolo, Nakuru, Bungoma, Tana River, Kwale, Laikipia, Kirinyaga, and Kiambu exceeded their annual targets.

During the period, the Controller of Budget (COB) authorised withdrawal of **Kshs.405.17 billion** from the County Revenue Funds to the various County Operational Accounts. This amount consisted of Kshs.285.66 billion (70.5 per cent) for recurrent expenditure and Kshs.119.51 billion (29.5 per cent) for development activities. Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.24.43 billion followed by Mombasa and Kiambu at Kshs.22.33 billion and Kshs.14.95 billion respectively. The Counties that received the least amounts were; Samburu at Kshs.4.54 billion, Elgeyo Marakwet at Kshs.4.47 billion, and Lamu at Kshs.2.97 billion.

The total expenditure in FY 2018/19 was **Kshs.376.43 billion** which comprised of Kshs.269 billion for recurrent expenditure (90.4 per cent of the annual recurrent budget) and Kshs.107.44 billion for development expenditure (57.8 per cent of the annual development budget). This expenditure was 77.9 per cent of the total annual County Government budgets. Analysis of development expenditure as a proportion of approved annual development budget shows that Narok, Marsabit, and Mandera Counties attained the highest absorption rate at 95.4 per cent, 81.5 per cent, and 81.3 per cent respectively. Lamu County, and Turkana County and Nakuru County reported the lowest absorption rate of development budget at 30.4 per cent, 29.1 per cent, and 18.4 per cent respectively. Absorption rate is computed as a percentage of total expenditure to the Approved Budget. A review of expenditure by economic classification showed that Kshs.162.77 billion (43.2 per cent) was spent on personnel emoluments, Kshs.106.23 billion (28.2 per cent) on operations and maintenance, and Kshs.107.44 billion (28.5 per cent) on development expenditure.

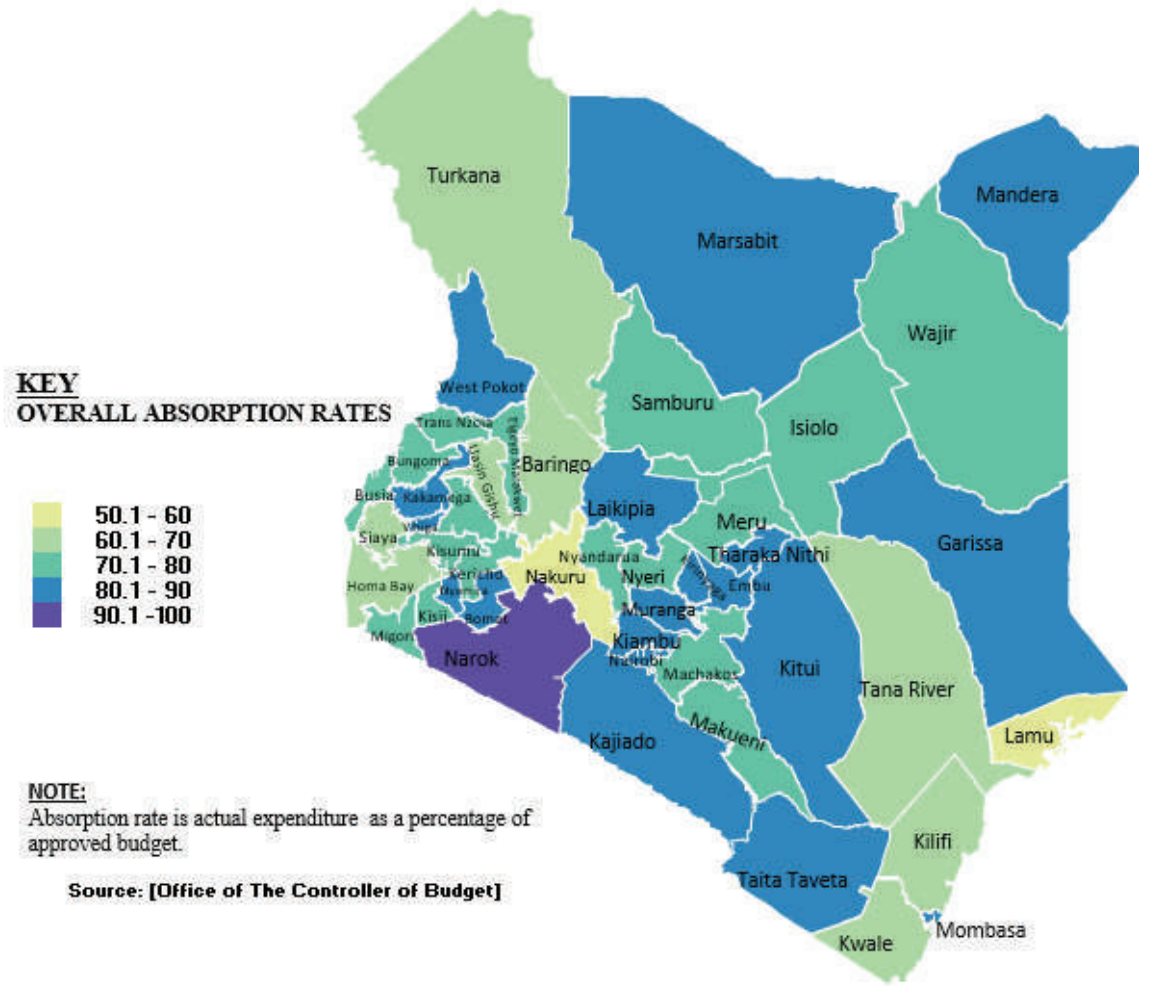
The expenditure of Kshs.162.77 billion on personnel emoluments represented 60.5 per cent of the total recurrent expenditure and 43.2 per cent of total expenditure. This expenditure was an increase from Kshs.151.09 billion spent in FY 2017/18 when expenditure on personnel emoluments translated to 49.7 per cent of the total expenditure. Counties that reported the highest percentage of expenditure on personnel emoluments to total expenditure included; Nakuru, Baringo, Nyamira and Homa Bay, which recorded 58.4 per cent, 57.5 per cent, 56 per cent and 54.5 per cent respectively. Only five counties: namely Tana River, Marsabit, Turkana, Mandera and Kilifi reported expenditure on personnel emoluments that was within the maximum allowed limit of 35 per cent of their total expenditure in FY 2018/19 at 34 per cent, 32.7 per cent, 29.2 per cent, 24.2 per cent and 21.1 per cent respectively.

The key challenges identified by the Office as hindering effective budget execution by County Governments incuded; high expenditure on personnel emoluments, delay in submissions of financial reports by County Treasuries to the Controller of Budget contrary to Section 166 and 168 of the PFM Act, 2012, under-performance of own source revenue collection, high expenditure on travel costs which amounted to Ksh.16.2 billion and was 4.3 per cent of total expenditure for the year.

The Office recommends that the County Governments should establish an optimal staffing level to ensure that expenditure on personnel emoluments is within the set limit of 35 per cent of the County's total revenue as provided in Regulation 25 (1) of the Public Finance Management (County Governments) Regulations, 2015. County Treasuries should also develop and implement strategies to enhance own source revenue collection, ensure compliance with PFM Act, 2012 on submission of financial and non-financial expenditure returns. Finally, Office recommends that expenditure on non-core activities, such as travelling, should be rationalised in order to free fund for implementation of key development programmes.

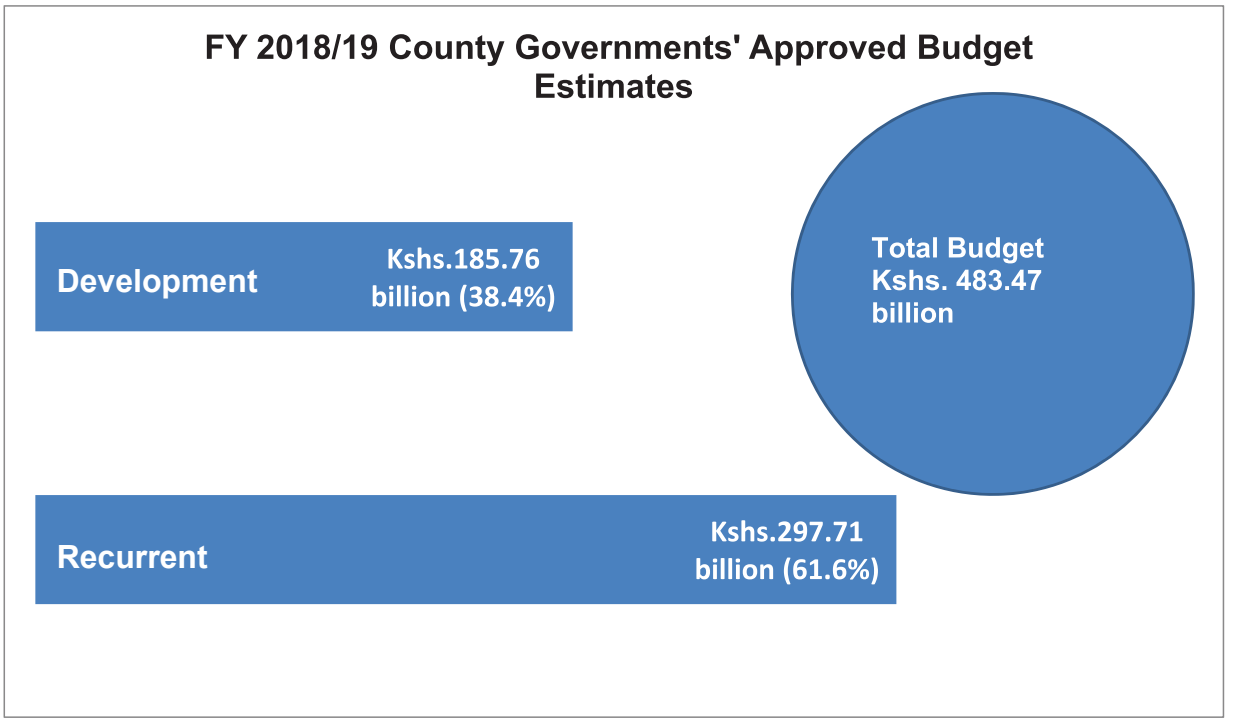
# KEY HIGHLIGHTS

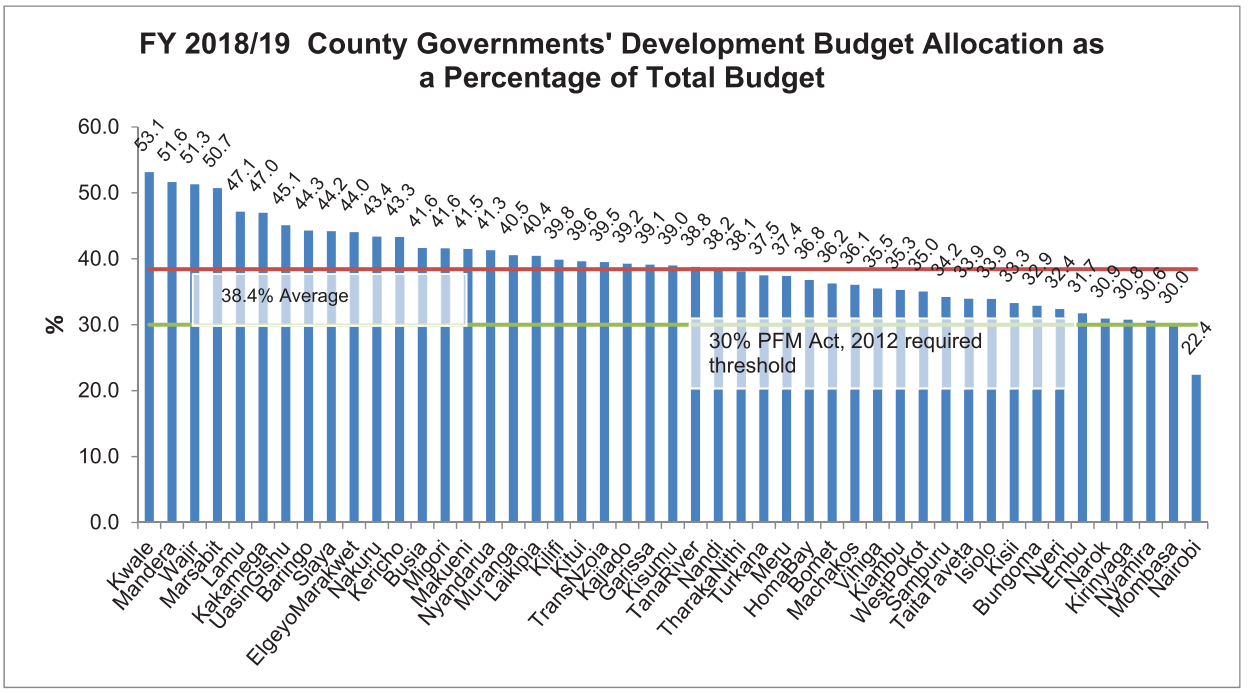
## OVERALL ABSORPTION RATE FOR THE FY 2018/19

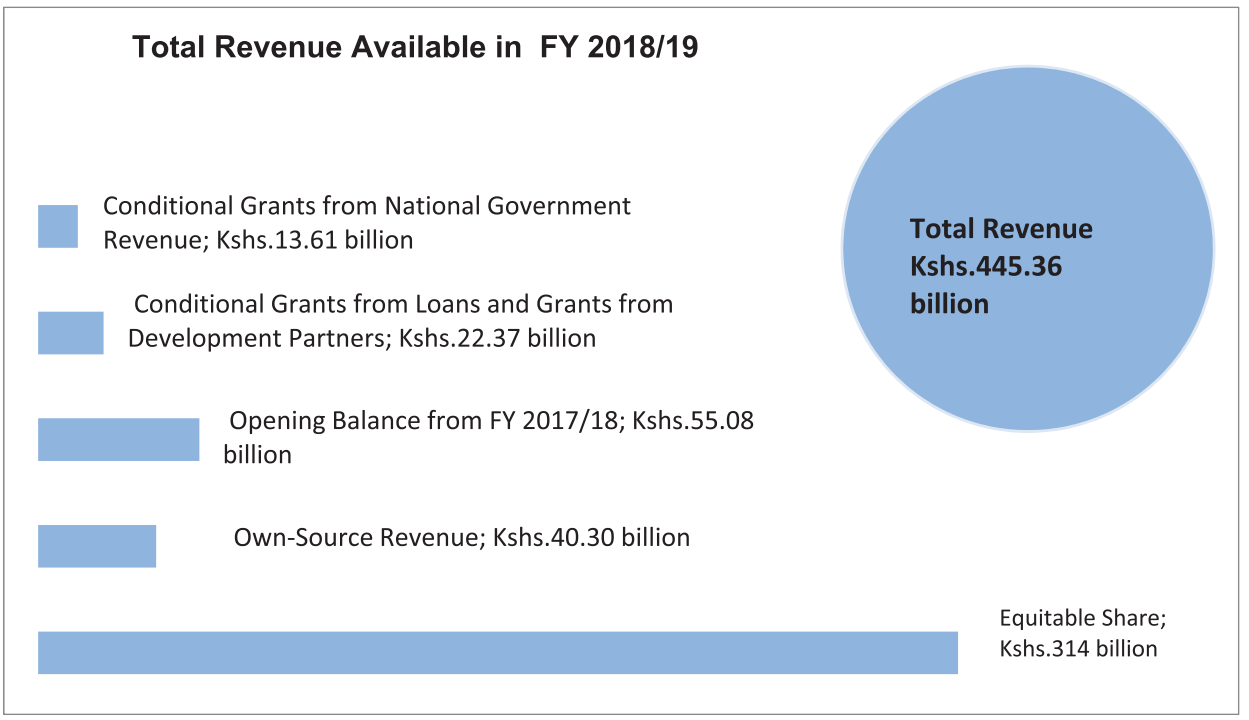


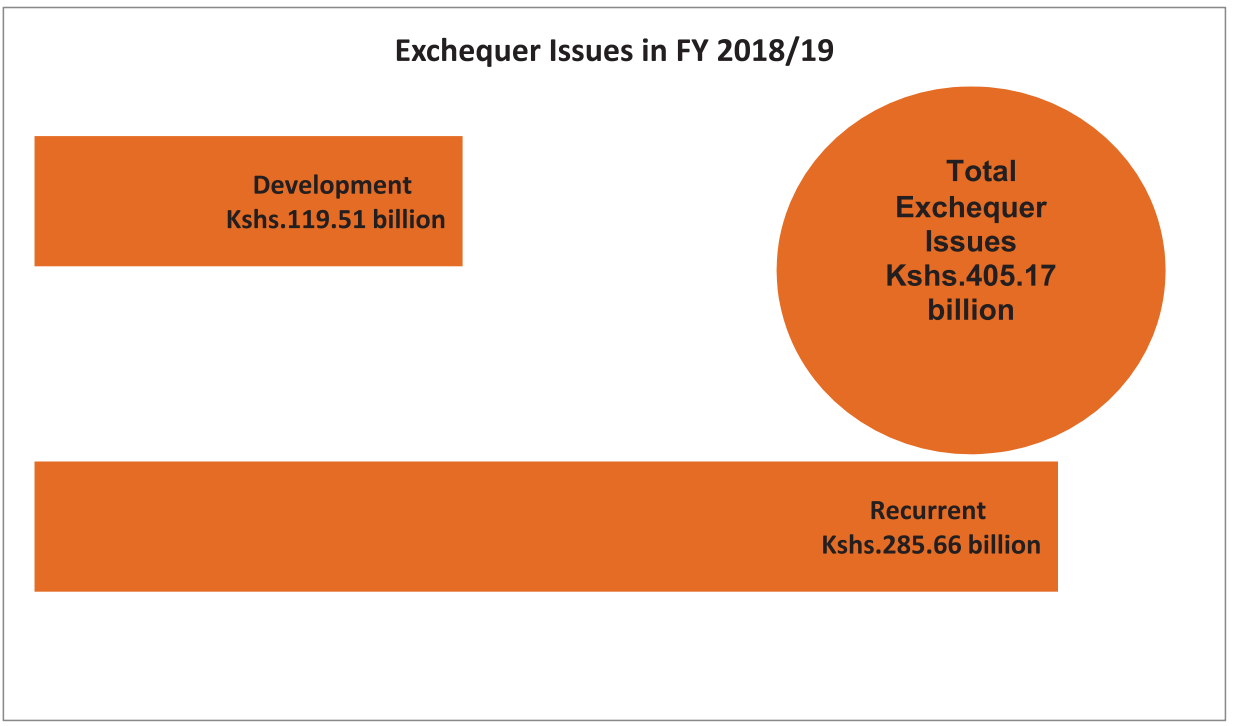

**NOTE:**
Absorption rate is actual expenditure as a percentage of approved budget.

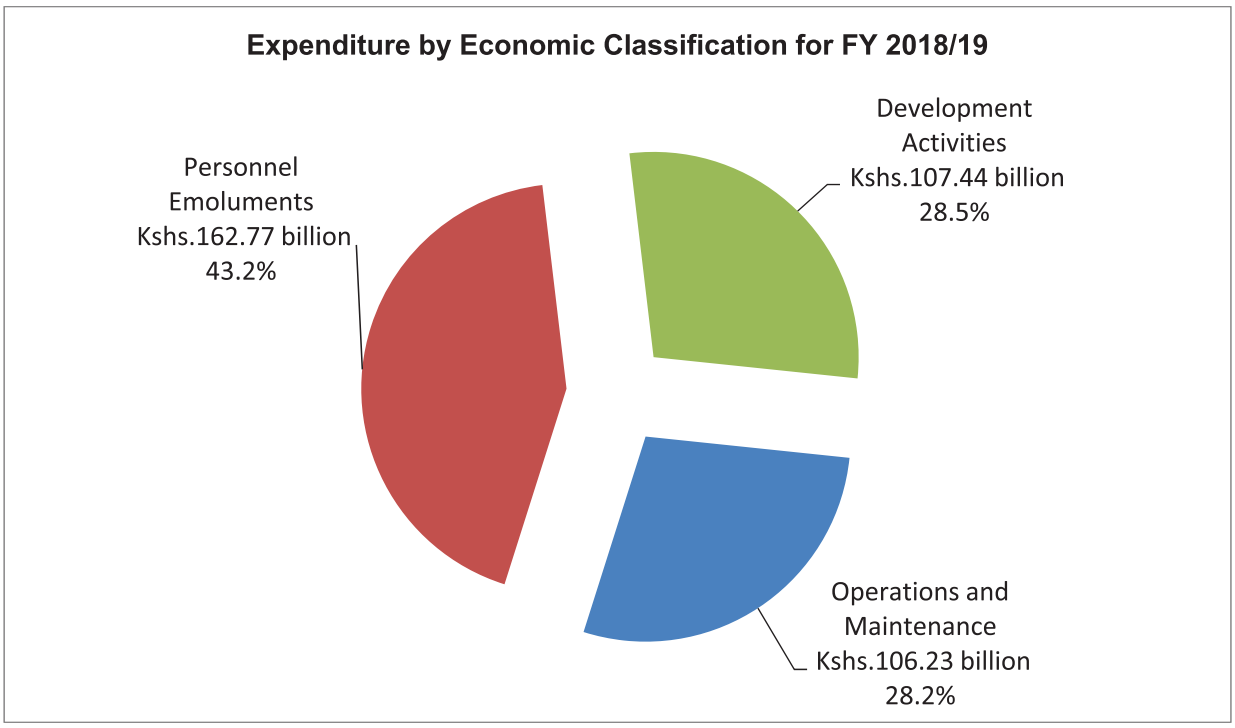
**Source: [Office of The Controller of Budget]**

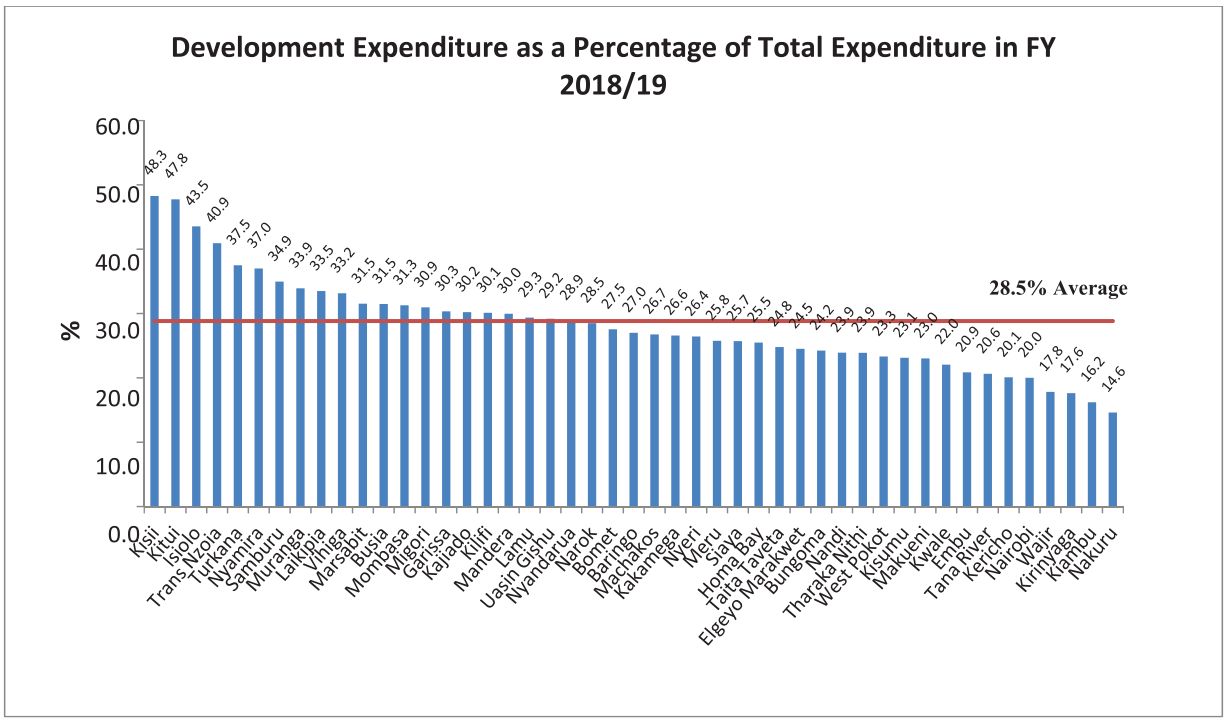

FY 2018/19 County Governments' Approved Budget Estimates
Development
Kshs.185.76 billion (38.4%)
Total Budget Kshs. 483.47 billion
Recurrent
Kshs.297.71 billion (61.6%)


FY 2018/19 County Governments' Development Budget Allocation as a Percentage of Total Budget
%
60.0
50.0
40.0
30.0
20.0
10.0
0.0
38.4% Average
30% PFM Act, 2012 required threshold
53.1 51.6 51.3 50.7 47.1 47.0 45.1 44.3 44.2 44.0 43.4 43.3 41.6 41.6 41.5 41.3 40.5 40.4 39.8 39.6 39.5 39.2 39.1 39.0 38.8 38.2 38.1 37.5 37.4 36.8 36.2 36.1 35.5 35.3 35.0 34.2 33.9 33.9 33.3 32.9 32.4 31.7 30.9 30.8 30.6 30.0 22.4
Kwale Mandera Wajir Marsabit Lamu Kakamega UasinGishu Baringo Siaya ElgeyoMarakwet Nakuru Kericho Busia Migori Makueni Nyandarua Muranga Laikipia Kilifi Kitui TransNzoia Kajiado Garissa Kisumu TanaRiver Nandi TharakaNithi Turkana Meru HomaBay Bomet Machakos Vihiga Kiambu WestPokot Samburu TaitaTaveta Isiolo Kisii Bungoma Nyeri Embu Narok Kirinyaga Nyamira Mombasa Nairobi


Total Revenue Available in FY 2018/19
Conditional Grants from National Government Revenue; Kshs.13.61 billion
Conditional Grants from Loans and Grants from Development Partners; Kshs.22.37 billion
Opening Balance from FY 2017/18; Kshs.55.08 billion
Own-Source Revenue; Kshs.40.30 billion
Equitable Share; Kshs.314 billion
Total Revenue Kshs.445.36 billion


Exchequer Issues in FY 2018/19
Development Kshs.119.51 billion
Recurrent Kshs.285.66 billion
Total Exchequer Issues Kshs.405.17 billion


Expenditure by Economic Classification for FY 2018/19
Development Activities Kshs.107.44 billion 28.5%
Personnel Emoluments Kshs.162.77 billion 43.2%
Operations and Maintenance Kshs.106.23 billion 28.2%


Development Expenditure as a Percentage of Total Expenditure in FY 2018/19
%
60.0
50.0
40.0
30.0
20.0
10.0
0.0
28.5% Average
48.3 47.8 43.5 40.9 37.5 37.0 34.9 33.9 33.5 33.2 31.5 31.5 31.3 30.9 30.3 30.2 30.1 30.0 29.3 29.2 28.9 28.5 27.5 27.0 26.7 26.6 26.4 25.8 25.7 25.5 24.8 24.5 24.2 23.9 23.9 23.3 23.1 23.0 22.0 20.9 20.6 20.1 20.0 17.8 17.6 16.2 14.6
Ksii Kitui Isiolo Trans Nzoia Turkana Nyamira Samburu Muranga Laikipia Vihiga Marsabit Busia Mombasa Migori Garissa Kajiado Kilifi Mandera Lamu Uasin Gishu Nyandarua Narok Bomet Baringo Machakos Kakamega Meri Meru Siaya Homa Bay Taita Taveta Elgeyo Marakwet Bungoma Nandi Tharaka Nithi West Pokot Kisumu Makueni Kwale Embu Tana River Kericho Nairobi Wajir Kirinyaga Kiambu Nakuru

# 1 INTRODUCTION

The Office of the Controller of Budget (OCOB) is an oversight institution established under Article 228 of the Constitution of Kenya, 2010 with the mandate to oversee and report on the implementation of the budgets for both the National and County Governments. Article 228(4) and 228 (6) of the Constitution, and Section 9 of the Controller of Budget (COB) Act, 2016, require the Controller of Budget to authorize withdrawal of public funds and report on budget implementation to each House of Parliament every four months.

The report presents performance on budget implementation by the 47 County Governments for the financial year 2018/19. It contains information on the approved budgets, disbursement of equitable share of revenue from the National Treasury, conditional grants from both the National Government and Development Partners, own source revenue performance, expenditure, and the key challenges encountered in budget execution during the financial year.

The County Budget Implementation Review Report (CBIRR) is primarily aimed at providing information to the Legislature and Executive. The report is also useful to other stakeholders and the public at large as it also satisfies the requirements of Section 39(8) of the Public Finance Management (PFM) Act, 2012, which obliges the COB to ensure that members of the public are provided with information on budget implementation.

The report is organized into five chapters. Chapter one is the introduction, Chapter two provides aggregate analysis of budget performance by the Counties during the reporting period. It presents revenue performance, exchequer issues to the County Governments and expenditure performance disaggregated into development and recurrent expenditure in line with Section 9 (3) (a) of the Controller of Budget Act, 2016. Analysis of the revenues received by the County Governments is based on the various revenue sources such as equitable share of revenue from the National Government, conditional grants from the National Government and Development Partners, and own-source revenues collected by the Counties.

Chapter three presents performance by individual Counties. The chapter presents information on revenue, budget allocation, exchequer issues, and expenditure performance. The key challenges faced by the County Governments in implementing their budgets are highlighted in chapter four, which also provides suggested measures to address the challenges. Finally, chapter five provides the conclusion.

# 2 FINANCIAL ANALYSIS OF COUNTY GOVERNMENTS PERFORMANCE IN FY 2018/19

## 2.1 Introduction

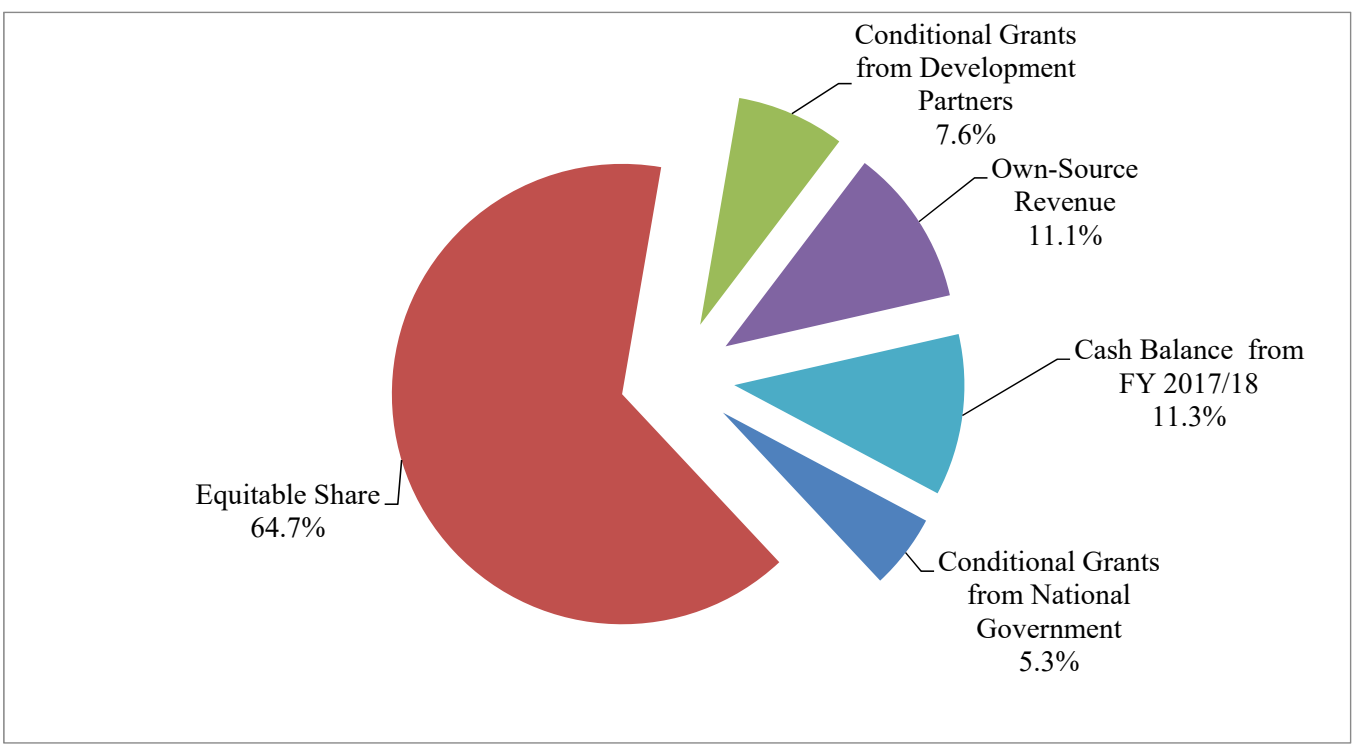
This chapter presents status of budget implementation in aggregated terms by County Governments in the FY 2018/19.

### 2.1.1 Revenue Analysis

In FY 2018/19, the combined County Governments' budgets approved by the county assemblies amounted to Kshs.483.47 billion and comprised of Kshs.297.71 billion (61.6 per cent) allocated to recurrent expenditure and Kshs.185.76 billion (38.4 per cent) for development expenditure.

In order to finance the budgets, County Governments expected to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.62.48 billion as total conditional grants from the National Government and development partners, generate Kshs.53.86 billion from own revenue sources, and utilize Kshs.55.08 billion as cash balance from FY 2017/18. Figure 2.1 shows expected sources of budget financing in FY 2018/19.

**Figure 2.1: Expected Sources of Budget Financing in FY 2018/19**




The breakdown of conditional grants as per CARA, 2018 are shown in Table 2.1.

**Table 2.1: Conditional Grants as per CARA, 2018**

| S / No. | Grants Contained in CARA, 2018 | Annual CARA, 2018 Allocation (Kshs.) |
|---|---|---|
| | **Conditional grants from the National Government** | |
| 1 | Leasing of Medical Equipment | 9,400,000,000 |

| S / No. | Grants Contained in CARA, 2018 | Annual CARA, 2018 Allocation (Kshs.) |
|---|---|---|
| 2 | Level 5 Hospitals | 4,326,000,000 |
| 3 | Road Maintenance Fuel Levy Fund | 8,269,000,000 |
| 4 | Compensation of User Fee Foregone | 900,000,000 |
| 5 | Rehabilitation of Village Polytechnics | 2,000,000,000 |
| 6 | Construction of County Headquarters | 605,000,000 |
| | **Sub Total** | **25,500,000,000** |
| | **Conditional grants from the Development Partners** | |
| 7 | Transforming Health Systems for Universal Car Project (World Bank), | 3,636,589,847 |
| 8 | IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP) | 2,949,138,423 |
| 9 | IDA (World Bank)- Kenya Climate Smart Agriculture Project (KCSAP), | 3,039,000,000 |
| 10 | IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) "Level 1 grant", | 2,300,000,000 |
| 11 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) | 11,464,702,500 |
| 12 | DANIDA for Universal Healthcare in Devolved System Program | 1,012,500,000 |
| 13 | EU for Instruments for Devolution Advice and Support (IDEAS) | 1,040,000,000 |
| 14 | IDA ( World Bank) credit: Water & Sanitation Development Project (WSDP) | 3,800,000,000 |
| 15 | IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) "Level 2 grant" | 4,000,000,000 |
| 16 | Sweden-Agricultural Sector Development Support Programme (ASDSP) II + Bal c/f in FY 2017/18 | 1,005,453,368 |
| 17 | EU for Water Tower Protection and Climate Change Mitigation and Adaption Programme (WaTER) | 880,000,000 |
| 18 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP)-Urban Institutional Grants (UIG) + Bal c/f in FY 2017/18. | 1,854,000,000 |
| | **Sub Total** | **36,981,384,138** |
| | **Grand Total** | **62,481,384,138** |

*Source: CARA, 2018*

### 2.1.2 Revenue Out-turn

The total funds available to the County Governments in FY 2018/19 amounted to Kshs.445.36 billion. This amount consisted of Kshs.314 billion as equitable share of revenue raised nationally, Kshs.4.33 billion as grant for Level 5 Hospitals, Kshs.900 million for Foregone User Fees, Kshs.960.64 million for Rehabilitation of Youth Polytechnics, Kshs.7.42 billion from the Road Maintenance Fuel Levy Fund, Kshs.22.37 billion from development partners, Kshs.40.30 billion as revenue raised from own sources, and Kshs.55.08 billion as cash balance from FY 2017/18.

### 2.1.3 Own- Source Revenue

The aggregate annual own source revenue target for counties was Kshs.53.86 billion compared to actual collection of Kshs.40.30 billion, which was 74.8 per cent of the target. This was an increase compared to Kshs.32.49 billion generated in FY 2017/18, which was 66 per cent of annual revenue target. Analysis of quarterly own source revenue collection for the period July 2018-June 2019 is shown in Table 2.2.

**Table 2.2: Own Source Revenue Collection for FY 2018/19**

| County | Annual Own Source Revenue Target FY 2018/19 (Kshs.) | 1st Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 2nd Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 3rd Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 4th Quarter, FY 2018/19 Own Source Revenue (Kshs.) | FY 2018/19 Total Own Source Revenue (Kshs.) | % of Own Source Revenue Against Annual Revenue Target |
|---|---|---|---|---|---|---|---|
| Baringo | 371,147,446 | 127,485,620 | 61,615,499 | 79,881,897 | 90,338,504 | 359,321,520 | 96.8 |
| Bomet | 245,000,000 | 26,576,616 | 39,305,287 | 61,885,811 | 77,708,676 | 205,476,390 | 83.9 |
| Bungoma | 753,185,810 | 137,738,703 | 250,884,303 | 216,407,481 | 183,302,702 | 788,333,189 | 104.7 |
| Busia | 452,519,662 | 51,300,608 | 55,560,317 | 75,041,448 | 110,830,324 | 292,732,697 | 64.7 |

| County | Annual Own Source Revenue Target FY 2018/19 (Kshs.) | 1st Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 2nd Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 3rd Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 4th Quarter, FY 2018/19 Own Source Revenue (Kshs.) | FY 2018/19 Total Own Source Revenue (Kshs.) | % of Own Source Revenue Against Annual Revenue Target |
|---|---|---|---|---|---|---|---|
| Elgeyo/ Marakwet | 130,438,893 | 31,144,600 | 25,728,858 | 48,804,491 | 36,178,554 | 141,856,503 | 108.8 |
| Embu | 950,000,000 | 129,137,644 | 126,713,806 | 224,393,645 | 149,184,730 | 629,429,825 | 66.3 |
| Garissa | 250,000,000 | 25,888,954 | 19,568,754 | 35,939,146 | 26,900,580 | 108,297,434 | 43.3 |
| Homa Bay | 172,996,417 | 14,800,000 | 22,288,000 | 21,180,000 | 43,700,000 | 101,968,000 | 58.9 |
| Isiolo | 150,861,337 | 54,018,229 | 33,241,463 | 39,948,242 | 34,559,388 | 161,767,322 | 107.2 |
| Kajiado | 1,583,856,996 | 189,767,731 | 174,125,862 | 367,162,108 | 345,642,843 | 1,076,698,544 | 68.0 |
| Kakamega | 1,200,000,000 | 116,332,994 | 96,598,242 | 356,950,026 | 288,454,320 | 858,335,582 | 71.5 |
| Kericho | 694,819,121 | 38,239,441 | 65,109,734 | 202,017,983 | 168,611,242 | 473,978,400 | 68.2 |
| Kiambu | 2,736,734,640 | 443,119,237 | 563,383,200 | 830,834,362 | 904,886,319 | 2,742,223,118 | 100.2 |
| Kilifi | 1,345,066,521 | 117,304,323 | 146,126,594 | 288,148,675 | 240,914,219 | 792,493,811 | 58.9 |
| Kirinyaga | 430,000,000 | 68,189,093 | 62,557,392 | 191,587,958 | 110,304,005 | 432,638,447 | 100.6 |
| Kisii | 950,000,000 | 59,441,728 | 60,848,093 | 139,811,094 | 82,545,775 | 342,646,690 | 36.1 |
| Kisumu | 1,382,567,120 | 153,863,368 | 251,439,702 | 147,836,651 | 289,676,677 | 842,816,398 | 61.0 |
| Kitui | 797,985,098 | 98,979,332 | 107,654,882 | 118,202,978 | 115,686,731 | 440,523,923 | 55.2 |
| Kwale | 303,112,305 | 46,645,873 | 49,039,867 | 116,569,260 | 102,770,181 | 315,025,181 | 103.9 |
| Laikipia | 800,000,000 | 164,311,119 | 121,463,522 | 287,043,147 | 242,972,370 | 815,790,157 | 102.0 |
| Lamu | 70,000,000 | 6,152,697 | 11,731,571 | 24,342,404 | 39,610,655 | 81,837,327 | 116.9 |
| Machakos | 1,720,061,674 | 210,000,629 | 231,882,889 | 85,556,271 | 1,029,790,000 | 1,557,229,789 | 90.5 |
| Makueni | 796,500,000 | 76,463,362 | 65,424,891 | 175,394,062 | 194,419,757 | 511,702,072 | 64.2 |
| Mandera | 179,089,080 | 17,850,940 | 20,019,620 | 28,761,230 | 27,602,790 | 94,234,580 | 52.6 |
| Marsabit | 140,000,000 | 16,706,255 | 16,950,779 | 42,942,072 | 47,505,864 | 124,104,970 | 88.6 |
| Meru | 1,228,796,286 | 131,008,515 | 86,534,234 | 144,208,404 | 188,338,675 | 550,089,828 | 44.8 |
| Migori | 1,452,626,670 | 69,202,604 | 64,281,920 | 126,606,412 | 116,133,825 | 376,224,761 | 25.9 |
| Mombasa | 4,741,939,082 | 298,643,016 | 706,556,984 | 1,606,566,184 | 1,093,631,863 | 3,705,398,047 | 78.1 |
| Murang'a | 1,000,000,000 | 131,294,165 | 117,986,598 | 244,298,891 | 210,450,766 | 704,030,420 | 70.4 |
| Nairobi City | 15,496,709,206 | 1,794,436,818 | 2,080,733,392 | 4,367,220,300 | 2,006,034,875 | 10,248,425,385 | 66.1 |
| Nakuru | 2,685,000,000 | 545,562,704 | 1,000,000,000 | 413,076,924 | 855,988,897 | 2,814,628,525 | 104.8 |
| Nandi | 459,293,246 | 41,322,950 | 42,051,284 | 62,425,372 | 62,545,418 | 208,345,024 | 45.4 |
| Narok | 2,862,640,836 | 1,193,858,907 | 647,322,628 | 823,191,193 | 458,010,932 | 3,122,383,660 | 109.1 |
| Nyamira | 255,566,158 | 32,822,467 | 31,646,767 | 55,832,317 | 45,146,019 | 165,447,570 | 64.7 |
| Nyandarua | 410,000,000 | 63,937,791 | 55,739,244 | 89,077,278 | 194,648,228 | 403,402,541 | 98.4 |
| Nyeri | 1,000,000,000 | 170,264,077 | 160,757,830 | 269,975,066 | 218,814,700 | 819,811,673 | 82.0 |
| Samburu | 254,030,128 | 87,248,352 | 87,248,352 | 15,830,532 | 53,533,865 | 243,861,101 | 96.0 |
| Siaya | 325,000,000 | 27,628,284 | 36,330,000 | 51,776,000 | 73,933,738 | 189,668,022 | 58.4 |
| Taita/Taveta | 300,000,000 | 66,827,522 | 57,419,785 | 93,717,983 | 114,747,262 | 332,712,552 | 110.9 |
| Tana River | 60,000,000 | 10,751,827 | 9,222,820 | 12,238,356 | 30,435,711 | 62,648,714 | 104.4 |
| Tharaka -Nithi | 300,000,000 | 44,347,211 | 39,964,044 | 45,303,459 | 115,702,446 | 245,317,160 | 81.8 |
| Trans Nzoia | 500,000,000 | 36,234,629 | 41,221,772 | 154,202,867 | 139,165,483 | 370,824,751 | 74.2 |
| Turkana | 250,000,000 | 36,361,611 | 33,559,561 | 43,206,777 | 61,900,802 | 175,028,751 | 70.0 |
| Uasin Gishu | 1,200,000,000 | 157,220,822 | 125,609,483 | 397,045,447 | 239,066,500 | 918,942,252 | 76.6 |

| County | Annual Own Source Revenue Target FY 2018/19 (Kshs.) | 1st Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 2nd Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 3rd Quarter, FY 2018/19 Own Source Revenue (Kshs.) | 4th Quarter, FY 2018/19 Own Source Revenue (Kshs.) | FY 2018/19 Total Own Source Revenue (Kshs.) | % of Own Source Revenue Against Annual Revenue Target |
|---|---|---|---|---|---|---|---|
| Vihiga | 153,669,000 | 30,251,751 | 32,633,794 | 59,153,229 | 55,194,516 | 177,233,290 | 115.3 |
| Wajir | 200,000,000 | 12,693,040 | 13,517,043 | 19,531,255 | 14,381,774 | 60,123,112 | 30.1 |
| West Pokot | 122,370,189 | 27,040,000 | 22,130,000 | 38,260,000 | 31,394,134 | 118,824,134 | 97.1 |
| **Total** | **53,863,582,922** | **7,430,418,158** | **8,171,730,662** | **13,339,386,688** | **11,363,297,634** | **40,304,833,142** | **74.8** |

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

During the period under review, the Nairobi City County generated the highest amount of own source revenue at Kshs.10.24 billion, followed by Mombasa and Narok at Kshs.3.71 billion and Kshs.3.12 billion respectively. Counties that generated the lowest amount were Lamu, Tana River and Wajir at Kshs.81.84 million, Kshs.62.65 million and Kshs.60.12 million respectively.

Analysis of own source revenue as a proportion of the annual revenue target indicates that thirteen counties namely; Lamu, Vihiga, Taita Taveta, Narok, Elgeyo Marakwet, Isiolo, Nakuru, Bungoma, Tana River, Kwale, Laikipia, Kirinyaga, and Kiambu exceeded their annual targets. On the contrary, counties that recorded below 50 per cent against annual targets were Nandi at 45.4 per cent, Meru at 44.8 per cent, Garissa at 43.3 per cent, Kisii at 36.1 per cent, Wajir at 30.1 per cent, and Migori at 25.9 per cent.

## 2.2 Funds Released to the Counties

### 2.2.1 Funds released to counties from the Consolidated Fund

In FY 2018/19, the Controller of Budget (COB) approved transfer of Kshs.342.56 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) in accordance with Article 206 (4) of the Constitution. The transfer comprised of Kshs.314 billion as equitable share of revenue raised nationally, Kshs.4.33 billion for Level 5 Hospitals, Kshs.900 million as Compensation for User Fees Foregone, Kshs.960.64 million for Rehabilitation of Village Polytechnics, and Kshs.22.37 million from Development Partners. Counties also received Kshs.7.42 billion from the Road Maintenance Fuel Levy Fund which was directly disbursed to the County Revenue Fund. Detailed analysis of released equitable and conditional grants to each county is provided in chapter three.

### 2.2.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.405.17 billion from the County Revenue Funds to County Operational Accounts of the County Governments. The transfers comprised of Kshs.285.66 billion (70.5 per cent) for recurrent expenditure and Kshs.119.51 billion (29.5 per cent) for development expenditure.

From the Kshs.285.66 billion released for recurrent activities, Kshs.245.96 billion was for the County Executive while Kshs.39.7 billion was for the County Assemblies. On the other hand, out of Kshs.119.51 billion released towards development activities, the County Executive and the County Assemblies received Kshs.113.23 billion and Kshs.6.28 billion respectively. The exchequer issues to the County Assembly and the County Executive in FY 2018/19 are shown in Table 2.3.

## Table 2.3: The Exchequer Issues to the County Assembly and the County Executive for FY 2018/19

| ExchequerReleasesfromCRFtoCountyOperationsAccounts,FY2017/18(Kshs.Million) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| County | COUNTY ASSEMBLY | | | COUNTY EXECUTIVE | | | COMBINED EXCHEQUER ISSUES | | |
| | 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 | 629.01 | 13.60 | 642.61 | 3,767.04 | 1,516.92 | 5,283.96 | 4,396.04 | 1,530.52 | 5,926.57 |
| Bomet | 570.50 | 43.93 | 614.43 | 4,333.75 | 2,017.61 | 6,351.36 | 4,904.25 | 2,061.54 | 6,965.79 |
| Bungoma | 829.53 | 100.28 | 929.81 | 6,446.15 | 1,747.89 | 8,194.05 | 7,275.68 | 1,848.17 | 9,123.86 |
| Busia | 728.00 | 33.90 | 761.90 | 4,108.26 | 2,431.02 | 6,539.28 | 4,836.26 | 2,464.92 | 7,301.18 |
| Elgeyo/ Marakwet | 566.64 | 1.13 | 567.76 | 2,551.25 | 1,349.80 | 3,901.05 | 3,117.89 | 1,350.93 | 4,468.82 |
| Embu | 558.04 | - | 558.04 | 3,994.64 | 1,432.59 | 5,427.23 | 4,552.68 | 1,432.59 | 5,985.27 |
| Garissa | 754.50 | 7.50 | 762.00 | 5,852.92 | 2,367.95 | 8,220.87 | 6,607.42 | 2,375.45 | 8,982.87 |
| HomaBay | 833.09 | 32.70 | 865.79 | 4,496.69 | 1,462.62 | 5,959.31 | 5,329.78 | 1,495.32 | 6,825.11 |
| Isiolo | 413.00 | 85.00 | 498.00 | 3,109.32 | 1,277.78 | 4,387.10 | 3,522.32 | 1,362.78 | 4,885.10 |
| Kajiado | 656.83 | 95.17 | 752.00 | 5,060.12 | 1,969.90 | 7,030.01 | 5,716.95 | 2,065.07 | 7,782.01 |
| Kakamega | 941.65 | - | 941.65 | 6,619.19 | 5,359.21 | 11,978.40 | 7,560.83 | 5,359.21 | 12,920.04 |
| Kericho | 725.98 | 9.70 | 735.68 | 3,988.91 | 1,776.35 | 5,765.25 | 4,714.89 | 1,786.05 | 6,500.93 |
| Kiambu | 1,102.82 | 8.89 | 1,111.72 | 9,388.54 | 4,448.57 | 13,837.11 | 10,491.37 | 4,457.46 | 14,948.82 |
| Kilifi | 903.51 | 177.63 | 1,081.14 | 7,029.73 | 3,500.29 | 10,530.02 | 7,933.24 | 3,677.92 | 11,611.16 |
| Kirinyaga | 601.73 | 27.60 | 629.33 | 3,446.19 | 1,144.02 | 4,590.22 | 4,047.93 | 1,171.62 | 5,219.55 |
| Kisii | 950.70 | 36.66 | 987.35 | 6,338.63 | 2,564.96 | 8,903.59 | 7,289.33 | 2,601.62 | 9,890.95 |
| Kisumu | 684.80 | - | 684.80 | 6,468.24 | 3,211.25 | 9,679.49 | 7,153.04 | 3,211.25 | 10,364.29 |
| Kitui | 806.57 | - | 806.57 | 6,113.54 | 3,368.45 | 9,481.98 | 6,920.11 | 3,368.45 | 10,288.56 |
| Kwale | 584.76 | 89.22 | 673.98 | 4,670.80 | 2,780.66 | 7,451.46 | 5,255.56 | 2,869.88 | 8,125.44 |
| Laikipia | 469.20 | 1.71 | 470.91 | 3,532.66 | 1,935.31 | 5,467.97 | 4,001.87 | 1,937.02 | 5,938.88 |
| Lamu | 388.92 | 116.53 | 505.45 | 1,854.13 | 607.67 | 2,461.80 | 2,243.05 | 724.20 | 2,967.25 |
| Machakos | 916.78 | 24.33 | 941.10 | 7,711.81 | 3,073.99 | 10,785.80 | 8,628.59 | 3,098.31 | 11,726.90 |
| Makueni | 744.18 | 79.49 | 823.66 | 5,163.18 | 2,644.50 | 7,807.68 | 5,907.36 | 2,723.98 | 8,631.34 |
| Mandera | 680.45 | 53.47 | 733.92 | 5,631.56 | 5,713.80 | 11,345.37 | 6,312.02 | 5,767.27 | 12,079.29 |
| Marsabit | 597.00 | 38.24 | 635.24 | 3,646.52 | 3,808.72 | 7,455.25 | 4,243.52 | 3,846.96 | 8,090.48 |
| Meru | 936.67 | 4.51 | 941.18 | 6,741.50 | 2,760.56 | 9,502.06 | 7,678.18 | 2,765.07 | 10,443.25 |
| Migori | 828.13 | 100.00 | 928.13 | 4,056.37 | 2,875.94 | 6,932.31 | 4,884.50 | 2,975.94 | 7,860.43 |
| Mombasa | 7,672.76 | 2,896.09 | 10,568.85 | 8,356.09 | 3,410.66 | 11,766.75 | 16,028.85 | 6,306.75 | 22,335.60 |
| Murang'a | 595.00 | 32.00 | 627.00 | 4,331.43 | 3,010.71 | 7,342.14 | 4,926.43 | 3,042.71 | 7,969.14 |
| NairobiC-ity | 1,284.35 | 22.03 | 1,306.38 | 19,595.59 | 3,531.20 | 23,126.79 | 20,879.94 | 3,553.23 | 24,433.17 |
| Nakuru | 940.50 | 158.08 | 1,098.58 | 8,127.74 | 3,982.22 | 12,109.95 | 9,068.24 | 4,140.29 | 13,208.54 |
| Nandi | 631.18 | 95.39 | 726.57 | 4,470.83 | 2,042.66 | 6,513.50 | 5,102.01 | 2,138.05 | 7,240.07 |
| Narok | 705.00 | 45.00 | 750.00 | 6,328.71 | 2,968.05 | 9,296.76 | 7,033.71 | 3,013.05 | 10,046.76 |
| Nyamira | 587.43 | 65.89 | 653.32 | 3,999.16 | 963.87 | 4,963.03 | 4,586.59 | 1,029.76 | 5,616.35 |
| Nyandarua | 640.54 | 130.74 | 771.28 | 3,373.73 | 1,545.99 | 4,919.72 | 4,014.26 | 1,676.74 | 5,691.00 |
| Nyeri | 654.26 | 1.72 | 655.98 | 4,926.39 | 2,184.87 | 7,111.26 | 5,580.65 | 2,186.59 | 7,767.24 |
| Samburu | 474.01 | 70.00 | 544.00 | 3,111.71 | 888.63 | 4,000.34 | 3,585.72 | 958.63 | 4,544.35 |
| Siaya | 648.66 | 54.23 | 702.89 | 3,882.31 | 1,671.98 | 5,554.29 | 4,530.96 | 1,726.21 | 6,257.17 |
| Taita/Tav-eta | 597.88 | 1,223.79 | 1,821.67 | 3,248.04 | - | 3,248.04 | 3,845.92 | 1,223.79 | 5,069.71 |
| TanaRiver | 499.27 | 56.00 | 555.27 | 3,888.84 | 1,633.27 | 5,522.12 | 4,388.11 | 1,689.27 | 6,077.38 |

| ExchequerReleasesfromCRFtoCountyOperationsAccounts,FY2017/18(Kshs.Million) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| County | COUNTY ASSEMBLY | | | COUNTY EXECUTIVE | | | COMBINED EXCHEQUER ISSUES | | |
| | 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 |
| Tharaka–Nithi | 352.00 | - | 352.00 | 2,980.33 | 1,396.13 | 4,376.46 | 3,332.33 | 1,396.13 | 4,728.46 |
| TransNzoia | 614.08 | 34.59 | 648.67 | 4,176.92 | 2,077.57 | 6,254.50 | 4,791.00 | 2,112.16 | 6,903.17 |
| Turkana | 839.00 | 114.60 | 953.60 | 7,733.26 | 2,484.91 | 10,218.17 | 8,572.26 | 2,599.51 | 11,171.77 |
| UasinG-ishu | 671.48 | - | 671.48 | 4,506.49 | 2,591.16 | 7,097.66 | 5,177.97 | 2,591.16 | 7,769.14 |
| Vihiga | 607.25 | 18.35 | 625.61 | 3,895.28 | 1,713.97 | 5,609.25 | 4,502.53 | 1,732.32 | 6,234.85 |
| Wajir | 719.76 | - | 719.76 | 5,329.99 | 4,560.07 | 9,890.05 | 6,049.75 | 4,560.07 | 10,609.81 |
| WestPokot | 559.79 | 78.97 | 638.76 | 3,578.29 | 1,422.71 | 5,001.00 | 4,138.07 | 1,501.68 | 5,639.76 |
| **Total** | **39,697.19** | **6,278.65** | **45,975.84** | **245,962.76** | **113,228.96** | **359,191.72** | **285,659.95** | **119,507.62** | **405,167.57** |

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

Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.24.43 billion followed by Mombasa and Kiambu at Kshs.22.33 billion and Kshs.14.95 billion respectively. The Counties that received the least amounts were; Samburu at Kshs.4.54 billion, Elgeyo Marakwet at Kshs.4.47 billion, and Lamu at Kshs.2.97 billion.

## 2.3 Expenditure Analysis

The total expenditure by County Governments was Kshs.376.43 billion representing an absorption rate of 77.9 per cent of the total annual County Governments Budgets. This was an increase from an absorption rate of 74 per cent reported attained in FY 2017/18 where total expenditure was Kshs.303.83 billion.

Recurrent expenditure was Kshs.269 billion, representing 90.4 per cent of the annual recurrent budget, and an increase from 87.3 per cent reported in FY 2017/18. Development expenditure amounted to Kshs.107.44 billion, representing an absorption rate of 57.8 per cent, and an improvement from 48.1 per cent attained in FY 2017/18 when total development expenditure was Kshs.66.89 billion. The analysis of expenditure by economic classification in FY 2018/19 is provided in Table 2.4.

### Table 2.4: Expenditure by Economic Classification - FY 2018/19

| County | Personnel Emoluments (Kshs.) | Operations & Maintenance (Kshs.) | Development Expenditure (Kshs.) | Total Expenditure (Kshs.) |
|---|---|---|---|---|
| | A | B | C | D=A+B+C |
| Baringo | 3,190,741,416 | 1,203,488,641 | 1,158,453,258 | 5,552,683,315 |
| Bomet | 2,623,682,974 | 2,197,979,360 | 2,062,222,096 | 6,883,884,430 |
| Bungoma | 4,416,591,562 | 2,809,822,580 | 2,344,534,589 | 9,570,948,730 |
| Busia | 2,766,782,649 | 1,940,808,960 | 1,941,069,347 | 6,648,660,955 |
| Elgeyo/Marakwet | 2,386,608,991 | 707,689,170 | 1,333,298,209 | 4,427,596,370 |
| Embu | 3,118,656,203 | 1,433,377,168 | 1,361,227,707 | 5,913,261,077 |
| Garissa | 4,457,773,195 | 2,157,456,657 | 2,375,450,323 | 8,990,680,175 |
| Homa Bay | 3,128,810,057 | 1,598,176,621 | 1,011,124,450 | 5,738,111,128 |
| Isiolo | 1,593,195,581 | 1,688,022,368 | 997,919,995 | 4,279,137,943 |
| Kajiado | 2,891,245,856 | 2,444,431,464 | 2,391,165,152 | 7,726,842,472 |
| Kakamega | 5,115,975,529 | 2,078,656,671 | 4,983,672,543 | 12,178,304,743 |
| Kericho | 2,691,540,024 | 2,023,236,810 | 1,417,092,688 | 6,131,869,521 |
| Kiambu | 6,782,284,756 | 2,982,733,872 | 4,495,230,979 | 14,260,249,607 |

| County | Personnel Emoluments (Kshs.) | Operations & Maintenance (Kshs.) | Development Expenditure (Kshs.) | Total Expenditure (Kshs.) |
|---|---|---|---|---|
| | A | B | C | D=A+B+C |
| Kilifi | 2,033,543,362 | 4,041,396,535 | 3,566,776,766 | 9,641,716,662 |
| Kirinyaga | 2,651,192,066 | 1,374,426,935 | 1,138,536,760 | 5,164,155,761 |
| Kisii | 4,970,075,151 | 2,306,198,247 | 2,285,485,763 | 9,561,759,161 |
| Kisumu | 3,706,438,962 | 1,996,601,074 | 2,675,712,471 | 8,378,752,507 |
| Kitui | 4,098,136,433 | 2,464,959,259 | 3,304,560,650 | 9,867,656,342 |
| Kwale | 2,844,820,617 | 2,239,794,306 | 2,609,959,368 | 7,694,574,291 |
| Laikipia | 2,615,036,511 | 1,308,930,671 | 1,786,323,193 | 5,710,290,375 |
| Lamu | 1,255,555,520 | 953,075,824 | 693,597,322 | 2,902,228,666 |
| Machakos | 5,855,014,163 | 2,699,710,867 | 3,097,867,113 | 11,652,592,143 |
| Makueni | 3,520,098,664 | 2,260,632,718 | 2,655,814,732 | 8,436,546,115 |
| Mandera | 2,916,207,728 | 3,375,166,005 | 5,750,394,712 | 12,041,768,445 |
| Marsabit | 2,442,105,638 | 1,420,605,596 | 3,604,986,532 | 7,467,697,766 |
| Meru | 4,631,249,713 | 2,507,794,404 | 2,641,428,774 | 9,780,472,891 |
| Migori | 2,917,576,591 | 1,634,976,232 | 1,814,501,119 | 6,367,053,942 |
| Mombasa | 5,186,689,426 | 4,235,930,145 | 3,106,495,130 | 12,529,114,701 |
| Murang'a | 3,445,674,168 | 1,213,067,902 | 2,502,675,836 | 7,161,417,906 |
| Nairobi City | 13,743,088,955 | 9,754,637,347 | 5,900,444,727 | 29,398,171,029 |
| Nakuru | 5,917,705,416 | 2,741,517,627 | 1,477,684,677 | 10,136,907,720 |
| Nandi | 3,015,806,400 | 1,978,516,671 | 1,732,666,834 | 6,726,989,905 |
| Narok | 3,628,687,800 | 3,323,474,645 | 3,008,044,853 | 9,960,207,298 |
| Nyamira | 3,137,344,977 | 1,344,442,722 | 1,120,561,537 | 5,602,349,236 |
| Nyandarua | 2,046,553,633 | 1,847,420,994 | 1,581,899,396 | 5,475,874,023 |
| Nyeri | 3,171,532,145 | 1,989,519,923 | 1,884,346,404 | 7,045,398,473 |
| Samburu | 1,982,198,152 | 1,455,801,848 | 745,009,897 | 4,183,009,897 |
| Siaya | 2,747,470,326 | 1,779,063,628 | 1,175,705,946 | 5,702,239,901 |
| Taita/Taveta | 2,244,753,358 | 1,520,205,034 | 1,301,833,262 | 5,066,791,654 |
| Tana River | 1,630,706,624 | 1,572,704,860 | 1,588,651,645 | 4,792,063,129 |
| Tharaka -Nithi | 2,061,327,018 | 1,145,558,516 | 1,395,664,063 | 4,602,549,597 |
| Trans Nzoia | 2,253,544,401 | 1,739,023,756 | 2,395,371,724 | 6,387,939,881 |
| Turkana | 3,019,004,331 | 5,654,742,620 | 1,675,363,778 | 10,349,110,728 |
| Uasin Gishu | 3,281,556,563 | 1,828,271,847 | 1,635,428,851 | 6,745,257,261 |
| Vihiga | 2,437,889,137 | 1,691,801,761 | 1,569,376,058 | 5,699,066,956 |
| Wajir | 3,860,809,620 | 2,000,489,933 | 4,520,065,725 | 10,381,365,278 |
| West Pokot | 2,336,220,000 | 1,563,284,979 | 1,619,910,000 | 5,519,414,979 |
| **Total** | **162,769,502,361** | **106,229,625,770** | **107,435,606,955** | **376,434,735,086** |

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

Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.29.4 billion, Kiambu at Kshs.14.26 billion, and Mombasa at Kshs.12.53 billion. The lowest expenditure was recorded by Isiolo, Samburu, and Lamu counties at Kshs.4.28 billion, Kshs.4.18 billion, and Kshs.2.90 billion respectively.

A review of cumulative expenditure by economic classification showed that Kshs.162.77 billion (43.2 per cent) was spent on personnel emoluments, Kshs.106.23 billion (28.2 per cent) on operations and maintenance, and Kshs.107.44 billion (28.5 per cent) on development expenditure.

### 2.3.1 Development Expenditure

The County Governments spent Kshs.107.44 billion on development activities, representing an absorption rate of 57.8 per cent of the annual development budget, which is an improvement from 48.1 per cent, reported in FY 2017/18 when development expenditure was Kshs.66.89 billion. The Analysis of county budgets and expenditure in FY 2018/19 is provided in Table 2.5.

**Table 2.5: County Budget Allocation, Expenditure and Absorption Rate for 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 | 4,528.48 | 3,596.55 | 8,125.03 | 4,394.23 | 1,158.45 | 5,552.68 | 97.0 | 32.2 | 68.3 |
| Bomet | 5,186.16 | 2,947.82 | 8,133.98 | 4,821.66 | 2,062.22 | 6,883.88 | 93.0 | 70.0 | 84.6 |
| Bungoma | 8,571.21 | 4,194.11 | 12,765.31 | 7,226.41 | 2,344.53 | 9,570.95 | 84.3 | 55.9 | 75.0 |
| Busia | 5,152.32 | 3,674.16 | 8,826.48 | 4,707.59 | 1,941.07 | 6,648.66 | 91.4 | 52.8 | 75.3 |
| Elgeyo/Marakwet | 3,135.27 | 2,465.81 | 5,601.08 | 3,094.30 | 1,333.30 | 4,427.60 | 98.7 | 54.1 | 79.0 |
| Embu | 4,660.95 | 2,166.29 | 6,827.24 | 4,552.03 | 1,361.23 | 5,913.26 | 97.7 | 62.8 | 86.6 |
| Garissa | 6,528.52 | 4,193.71 | 10,722.24 | 6,615.23 | 2,375.45 | 8,990.68 | 101.3 | 56.6 | 83.9 |
| Homa Bay | 5,354.43 | 3,112.91 | 8,467.34 | 4,726.99 | 1,011.12 | 5,738.11 | 88.3 | 32.5 | 67.8 |
| Isiolo | 3,624.21 | 1,859.88 | 5,484.10 | 3,281.22 | 997.92 | 4,279.14 | 90.5 | 53.7 | 78.0 |
| Kajiado | 5,835.96 | 3,769.29 | 9,605.25 | 5,335.68 | 2,391.17 | 7,726.84 | 91.4 | 63.4 | 80.4 |
| Kakamega | 7,685.24 | 6,804.18 | 14,489.42 | 7,194.63 | 4,983.67 | 12,178.30 | 93.6 | 73.2 | 84.0 |
| Kericho | 4,773.71 | 3,644.26 | 8,417.97 | 4,714.78 | 1,417.09 | 6,131.87 | 98.8 | 38.9 | 72.8 |
| Kiambu | 10,949.23 | 5,965.12 | 16,914.35 | 9,765.02 | 4,495.23 | 14,260.25 | 89.2 | 75.4 | 84.3 |
| Kilifi | 8,711.84 | 5,770.64 | 14,482.48 | 6,074.94 | 3,566.78 | 9,641.72 | 69.7 | 61.8 | 66.6 |
| Kirinyaga | 4,093.31 | 1,818.15 | 5,911.46 | 4,025.62 | 1,138.54 | 5,164.16 | 98.3 | 62.6 | 87.4 |
| Kisii | 8,013.42 | 3,997.58 | 12,011.00 | 7,276.27 | 2,285.49 | 9,561.76 | 90.8 | 57.2 | 79.6 |
| Kisumu | 7,246.43 | 4,629.11 | 11,875.53 | 5,703.04 | 2,675.71 | 8,378.75 | 78.7 | 57.8 | 70.6 |
| Kitui | 7,059.91 | 4,628.76 | 11,688.67 | 6,563.10 | 3,304.56 | 9,867.66 | 93.0 | 71.4 | 84.4 |
| Kwale | 5,398.24 | 6,119.78 | 11,518.02 | 5,084.61 | 2,609.96 | 7,694.57 | 94.2 | 42.6 | 66.8 |
| Laikipia | 4,125.79 | 2,802.17 | 6,927.96 | 3,923.97 | 1,786.32 | 5,710.29 | 95.1 | 63.7 | 82.4 |
| Lamu | 2,562.14 | 2,284.60 | 4,846.74 | 2,208.63 | 693.60 | 2,902.23 | 86.2 | 30.4 | 59.9 |
| Machakos | 9,569.68 | 5,395.55 | 14,965.22 | 8,554.73 | 3,097.87 | 11,652.59 | 89.4 | 57.4 | 77.9 |
| Makueni | 6,234.36 | 4,417.36 | 10,651.72 | 5,780.73 | 2,655.81 | 8,436.55 | 92.7 | 60.1 | 79.2 |
| Mandera | 6,633.04 | 7,076.92 | 13,709.96 | 6,291.37 | 5,750.39 | 12,041.77 | 94.8 | 81.3 | 87.8 |
| Marsabit | 4,296.84 | 4,421.96 | 8,718.80 | 3,862.71 | 3,604.99 | 7,467.70 | 89.9 | 81.5 | 85.7 |
| Meru | 7,862.71 | 4,693.39 | 12,556.10 | 7,139.04 | 2,641.43 | 9,780.47 | 90.8 | 56.3 | 77.9 |
| Migori | 5,141.56 | 3,659.55 | 8,801.12 | 4,552.55 | 1,814.50 | 6,367.05 | 88.5 | 49.6 | 72.3 |
| Mombasa | 10,112.51 | 4,343.98 | 14,456.50 | 9,422.62 | 3,106.50 | 12,529.11 | 93.2 | 71.5 | 86.7 |
| Murang'a | 5,262.20 | 3,588.58 | 8,850.78 | 4,658.74 | 2,502.68 | 7,161.42 | 88.5 | 69.7 | 80.9 |
| Nairobi City | 25,662.42 | 7,405.82 | 33,068.25 | 23,497.73 | 5,900.44 | 29,398.17 | 91.6 | 79.7 | 88.9 |
| Nakuru | 10,467.35 | 8,011.58 | 18,478.94 | 8,659.22 | 1,477.68 | 10,136.91 | 82.7 | 18.4 | 54.9 |
| Nandi | 5,206.59 | 3,220.26 | 8,426.86 | 4,994.32 | 1,732.67 | 6,726.99 | 95.9 | 53.8 | 79.8 |
| Narok | 7,041.48 | 3,153.37 | 10,194.86 | 6,952.16 | 3,008.04 | 9,960.21 | 98.7 | 95.4 | 97.7 |
| Nyamira | 4,828.60 | 2,130.48 | 6,959.07 | 4,481.79 | 1,120.56 | 5,602.35 | 92.8 | 52.6 | 80.5 |
| Nyandarua | 4,502.83 | 3,166.70 | 7,669.54 | 3,893.97 | 1,581.90 | 5,475.87 | 86.5 | 50.0 | 71.4 |
| Nyeri | 5,975.85 | 2,860.69 | 8,836.54 | 5,161.05 | 1,884.35 | 7,045.40 | 86.4 | 65.9 | 79.7 |
| Samburu | 3,856.21 | 2,004.91 | 5,861.12 | 3,438.00 | 745.01 | 4,183.01 | 89.2 | 37.2 | 71.4 |

| 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 |
| Siaya | 4,712.63 | 3,730.96 | 8,443.59 | 4,526.53 | 1,175.71 | 5,702.24 | 96.1 | 31.5 | 67.5 |
| Taita/Taveta | 3,955.76 | 2,031.69 | 5,987.45 | 3,764.96 | 1,301.83 | 5,066.79 | 95.2 | 64.1 | 84.6 |
| Tana River | 4,637.30 | 2,936.06 | 7,573.36 | 3,203.41 | 1,588.65 | 4,792.06 | 69.1 | 54.1 | 63.3 |
| Tharaka-Nithi | 3,542.94 | 2,178.06 | 5,721.00 | 3,206.89 | 1,395.66 | 4,602.55 | 90.5 | 64.1 | 80.5 |
| Trans Nzoia | 4,867.14 | 3,175.42 | 8,042.56 | 3,992.57 | 2,395.37 | 6,387.94 | 82.0 | 75.4 | 79.4 |
| Turkana | 9,600.34 | 5,751.96 | 15,352.30 | 8,673.75 | 1,675.36 | 10,349.11 | 90.3 | 29.1 | 67.4 |
| Uasin Gishu | 5,469.52 | 4,488.54 | 9,958.06 | 5,109.83 | 1,635.43 | 6,745.26 | 93.4 | 36.4 | 67.7 |
| Vihiga | 4,517.44 | 2,485.13 | 7,002.57 | 4,129.69 | 1,569.38 | 5,699.07 | 91.4 | 63.2 | 81.4 |
| Wajir | 6,417.51 | 6,758.18 | 13,175.69 | 5,861.30 | 4,520.07 | 10,381.37 | 91.3 | 66.9 | 78.8 |
| West Pokot | 4,139.23 | 2,230.28 | 6,369.51 | 3,899.50 | 1,619.91 | 5,519.41 | 94.2 | 72.6 | 86.7 |
| **Total** | **297,710.85** | **185,762.26** | **483,473.12** | **268,999.13** | **107,435.61** | **376,434.74** | **90.4** | **57.8** | **77.9** |

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

Analysis of development expenditure as a proportion of approved annual development budget shows that Narok, Marsabit, and Mandera Counties attained the highest absorption rate at 95.4 per cent, 81.5 per cent, and 81.3 per cent respectively. Lamu County, Turkana County, and Nakuru County reported the lowest absorption rate of their development budget at 30.4 per cent, 29.1 per cent, and 18.4 per cent respectively. Detailed analysis of development projects undertaken by counties is provided in chapter three.

### 2.3.2 Recurrent Expenditure

The Counties spent an aggregate of Kshs.269 billion or 71.5 per cent of the total expenditure on recurrent activities. This expenditure represents 90.4 per cent of the annual County Government's budget for recurrent activities, and an improvement from 87.3 per cent recorded in FY 2017/18 when expenditure stood at Kshs.236.94 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.23.5 billion, followed by Kiambu and Mombasa Counties at Kshs.9.77 billion and Kshs.9.42 billion respectively. Counties with the lowest expenditure on recurrent activities included Tana River at Kshs.3.20 billion, Elgeyo at Kshs.3.09 billion, and Lamu at Kshs.2.21 billion.

#### 2.3.2.1 Personnel Emoluments

In the period July, 2018 to June, 2019, County Governments spent Kshs.162.77 billion on personnel emoluments, representing 60.5 per cent of the total recurrent expenditure and 43.2 per cent of total expenditure. This expenditure was an increase from Kshs.151.09 billion spent in FY 2017/18 when personnel expenditure translated to 49.7 per cent of the total expenditure.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Nakuru, Baringo, Nyamira and Homa Bay recorded the highest percentage at 58.4 per cent, 57.5 per cent, 56 per cent and 54.5 per cent respectively. Turkana, Mandera, and Kilifi reported the least proportions at 29.2 per cent, 24.2 per cent and 21.1 per cent respectively.

#### 2.3.2.2 Operations and Maintenance Expenditure

A total of Kshs.106.23 billion was spent on operations and maintenance (O&M) during the reporting period, which translated to 28.2 per cent of the total expenditure. Counties that reported the highest expenditure on

operations and maintenance were; Nairobi City at Kshs.9.75 billion, Turkana at Kshs.5.65 billion and Mombasa at Kshs.4.24 billion. Tharaka Nithi, Lamu, and Elgeyo Marakwet Counties reported the least expenditure at Kshs.1.15 billion, Kshs.953.08 million, and Kshs.707.69 million respectively.

### 2.3.2.3 Review of MCAs Sitting Allowances

During the reporting period, the County Assemblies spent Kshs.2.2 billion on MCAs Sitting allowances against an approved budget allocation of Kshs.2.58 billion. This expenditure translates to 85.7 per cent of the approved MCAs sitting allowance budget, and an increase from 62.3 per cent attained in FY 2017/18 when Kshs.1.46 billion was spent. Table 2.6 shows the budgetary allocation and expenditure on MCAs and Speakers sitting allowances in FY 2018/19.

**Table 2.6: MCAs Budget Allocation, Expenditure and Absorption Rate in FY 2018/19**

| County | MCA Sitting Allowances | | | | |
|---|---|---|---|---|---|
| | Budgetary Allocation (Kshs) | Expenditure (Kshs) | Absorption % | No. of MCAs & Speaker | Average monthly sitting allowance Per MCA (Kshs) |
| | A | B | C=B/A*100 | D | E=B/D/12 |
| Baringo | 10,000,000 | 7,251,786 | 72.5 | 46 | 13,137 |
| Bomet | 30,387,430 | 30,387,430 | 100.0 | 37 | 68,440 |
| Bungoma | 26,901,036 | 21,715,222 | 80.7 | 61 | 29,666 |
| Busia | 113,529,600 | 94,704,788 | 83.4 | 54 | 146,149 |
| Elgeyo/Marakwet | 35,900,555 | 29,975,400 | 83.5 | 35 | 71,370 |
| Embu | 31,262,810 | 31,262,810 | 100.0 | 35 | 74,435 |
| Garissa | 121,213,200 | 60,095,300 | 49.6 | 49 | 102,203 |
| Homa Bay | 108,492,400 | 108,492,400 | 100.0 | 61 | 148,214 |
| Isiolo | 26,532,950 | 26,532,950 | 100.0 | 18 | 122,838 |
| Kajiado | 34,500,000 | 26,929,443 | 78.1 | 42 | 53,431 |
| Kakamega | 134,784,000 | 114,894,514 | 85.2 | 90 | 106,384 |
| Kericho | 44,685,199 | 44,685,199 | 100.0 | 48 | 77,578 |
| Kiambu | 74,000,000 | 90,638,600 | 122.5 | 93 | 81,217 |
| Kilifi | 96,844,800 | 59,634,814 | 61.6 | 54 | 92,029 |
| Kirinyaga | 80,000,000 | 33,548,900 | 41.9 | 35 | 79,878 |
| Kisii | 100,822,400 | 98,260,878 | 97.5 | 71 | 115,330 |
| Kisumu | 55,106,000 | 39,898,600 | 72.4 | 49 | 67,855 |
| Kitui | 45,120,800 | 39,674,608 | 87.9 | 54 | 61,226 |
| Kwale | 60,956,000 | 33,881,415 | 55.6 | 34 | 83,043 |
| Laikipia | 15,000,000 | 14,500,000 | 96.7 | 24 | 50,347 |
| Lamu | 14,500,000 | 12,255,900 | 84.5 | 19 | 53,754 |
| Machakos | 40,714,903 | 40,714,903 | 100.0 | 60 | 56,548 |
| Makueni | 52,992,093 | 52,262,100 | 98.6 | 49 | 88,881 |
| Mandera | 41,760,000 | 35,553,400 | 85.1 | 49 | 60,465 |
| Marsabit | 35,489,089 | 35,489,089 | 100.0 | 31 | 95,401 |
| Meru | 82,664,400 | 82,664,400 | 100.0 | 69 | 99,836 |
| Migori | - | 69,108,818 | - | 57 | 101,036 |
| Mombasa | 43,707,600 | 35,119,900 | 80.4 | 43 | 68,062 |
| Murang'a | 66,955,200 | 51,177,323 | 76.4 | 54 | 78,977 |
| Nairobi City | 108,101,400 | 101,878,628 | 94.2 | 128 | 66,327 |

| County | MCA Sitting Allowances | | | | |
|---|---|---|---|---|---|
| | Budgetary Allocation (Kshs) | Expenditure (Kshs) | Absorption % | No. of MCAs & Speaker | Average monthly sitting allowance Per MCA (Kshs) |
| | A | B | C=B/A*100 | D | E=B/D/12 |
| Nakuru | 106,800,000 | 106,800,000 | 100.0 | 79 | 112,658 |
| Nandi | 38,103,996 | 35,974,900 | 94.4 | 40 | 74,948 |
| Narok | 63,813,760 | 63,741,814 | 99.9 | 48 | 110,663 |
| Nyamira | 66,643,200 | 66,643,200 | 100.0 | 37 | 150,097 |
| Nyandarua | 43,757,188 | 43,757,144 | 100.0 | 40 | 91,161 |
| Nyeri | 79,164,800 | 39,761,800 | 50.2 | 45 | 73,633 |
| Samburu | 29,019,944 | 29,019,944 | 100.0 | 28 | 86,369 |
| Siaya | 48,693,500 | 48,707,800 | 100.0 | 43 | 94,395 |
| Taita/Taveta | 23,948,000 | 20,653,000 | 86.2 | 34 | 50,620 |
| Tana River | 39,951,600 | 39,947,281 | 100.0 | 24 | 138,706 |
| Tharaka –Nithi | 28,370,000 | 20,171,654 | 71.1 | 21 | 80,046 |
| Trans Nzoia | 69,297,600 | 31,486,500 | 45.4 | 40 | 65,597 |
| Turkana | 81,764,000 | 23,448,900 | 28.7 | 48 | 40,710 |
| Uasin Gishu | 40,509,389 | 40,509,389 | 100.0 | 48 | 70,329 |
| Vihiga | 44,678,400 | 38,138,550 | 85.4 | 39 | 81,493 |
| Wajir | 23,751,000 | 23,524,693 | 99.0 | 46 | 42,617 |
| West Pokot | 21,156,314 | 17,850,560 | 84.4 | 34 | 43,751 |
| **Total** | **2,582,346,557** | **2,213,326,648** | **85.7** | **2,243** | **82,231** |

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

Four County Assemblies reported higher expenditure on sitting allowance than Salaries and Remuneration Commission (SRC) recommended monthly ceiling of Kshs.124, 800. These were; were: Busia at Kshs.146,149, Homa Bay at Kshs.148,214, Nyamira at Kshs.150,097, and Tana River at Kshs.138,706. Migori County Assembly reported an expenditure of Kshs.69.11 million without a budget allocation for MCAs sitting allowance in the Approved Budget.

### 2.3.2.4 Review of Expenditure on Domestic and Foreign Travels

The County Governments incurred Kshs.11.36 billion on domestic and foreign travel during the reporting period. This amount comprised of Kshs.9.86 billion on domestic travel and Kshs.1.5 billion on foreign travel and was a decrease of 6.5 per cent compared to Kshs.12.15 billion incurred in FY 2016/17.

The expenditure on domestic and foreign travels by both the County Assembly and the County Executive in FY2017/18 is presented in Table 2.7.

## Table 2.7: Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in FY 2018/19 (Kshs.Million)

| County | County Assembly | | | County Executive | | | Total Expenditure | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 80.37 | 27.25 | 107.63 | 46.39 | 29.22 | 75.61 | 126.76 | 56.48 | 183.24 |
| Bomet | 97.98 | 30.08 | 128.06 | 132.07 | 52.44 | 184.51 | 230.05 | 82.52 | 312.56 |
| Bungoma | 19.78 | 3.16 | 22.94 | 333.57 | 24.77 | 358.35 | 353.35 | 27.93 | 381.28 |
| Busia | 63.20 | 14.97 | 78.17 | 78.27 | 31.27 | 109.53 | 141.47 | 46.24 | 187.71 |
| Elgeyo/Marak-wet | 67.80 | 14.92 | 82.72 | 25.22 | 2.71 | 27.93 | 93.02 | 17.63 | 110.65 |
| Embu | 156.52 | - | 156.52 | 139.35 | 3.77 | 143.12 | 295.87 | 3.77 | 299.64 |
| Garissa | 112.04 | - | 112.04 | 308.09 | 8.41 | 316.50 | 420.13 | 8.41 | 428.54 |
| Homa Bay | 143.20 | - | 143.20 | 217.82 | - | 217.82 | 361.02 | - | 361.02 |
| Isiolo | 65.40 | 3.74 | 69.14 | 106.57 | 23.41 | 129.98 | 171.97 | 27.14 | 199.12 |
| Kajiado | 153.31 | 42.64 | 195.95 | 294.23 | 70.92 | 365.15 | 447.54 | 113.56 | 561.10 |
| Kakamega | 163.69 | 15.36 | 179.04 | 201.83 | 22.86 | 224.70 | 365.52 | 38.22 | 403.74 |
| Kericho | 127.44 | 25.36 | 152.80 | 116.35 | 43.93 | 160.28 | 243.79 | 69.29 | 313.08 |
| Kiambu | 221.05 | 115.19 | 336.24 | 174.52 | 77.61 | 252.13 | 395.57 | 192.80 | 588.37 |
| Kilifi | 187.91 | 31.42 | 219.33 | 167.34 | 50.27 | 217.61 | 355.25 | 81.69 | 436.94 |
| Kirinyaga | 76.00 | 28.00 | 104.00 | 46.13 | 17.08 | 63.21 | 122.13 | 45.08 | 167.21 |
| Kisii | 102.53 | 33.33 | 135.86 | 404.39 | 57.48 | 461.87 | 506.92 | 90.81 | 597.73 |
| Kisumu | 131.81 | 32.18 | 163.99 | 87.81 | 13.74 | 101.55 | 219.62 | 45.92 | 265.54 |
| Kitui | 106.21 | 61.99 | 168.20 | 297.85 | 10.46 | 308.32 | 404.06 | 72.45 | 476.51 |
| Kwale | 97.54 | 20.80 | 118.34 | 316.37 | 42.93 | 359.30 | 413.91 | 63.74 | 477.65 |
| Laikipia | 65.10 | 7.98 | 73.08 | 122.95 | - | 122.95 | 188.05 | 7.98 | 196.03 |
| Lamu | 63.87 | 32.15 | 96.02 | 118.83 | 5.13 | 123.96 | 182.70 | 37.28 | 219.98 |
| Machakos | 269.57 | 57.54 | 327.11 | 280.49 | 35.33 | 315.82 | 550.06 | 92.87 | 642.93 |
| Makueni | 92.49 | 11.21 | 103.70 | 106.60 | 21.04 | 127.64 | 199.09 | 32.25 | 231.34 |
| Mandera | 82.24 | 24.71 | 106.95 | 103.45 | 21.50 | 124.95 | 185.69 | 46.21 | 231.90 |
| Marsabit | 88.26 | 19.51 | 107.77 | 115.26 | 21.10 | 136.36 | 203.52 | 40.61 | 244.13 |
| Meru | 190.53 | 69.48 | 260.01 | 63.41 | 4.96 | 68.37 | 253.94 | 74.44 | 328.37 |
| Migori | 96.99 | 22.45 | 119.44 | 430.71 | 12.56 | 443.26 | 527.70 | 35.01 | 562.71 |
| Mombasa | 0.11 | 6.08 | 6.19 | 333.32 | 217.67 | 550.99 | 333.43 | 223.75 | 557.18 |
| Murang'a | 150.43 | 19.74 | 170.17 | 117.02 | 4.86 | 121.88 | 267.45 | 24.61 | 292.06 |
| Nairobi City | 55.28 | 40.32 | 95.60 | 414.46 | 131.05 | 545.51 | 469.73 | 171.38 | 641.11 |
| Nakuru | 125.11 | 42.60 | 167.72 | 157.94 | 51.90 | 209.84 | 283.06 | 94.50 | 377.56 |
| Nandi | 41.61 | 28.05 | 69.66 | 135.01 | 27.78 | 162.80 | 176.62 | 55.83 | 232.45 |
| Narok | 246.43 | 10.45 | 256.88 | 164.33 | 57.36 | 221.69 | 410.76 | 67.81 | 478.57 |
| Nyamira | 114.55 | 33.06 | 147.61 | 215.83 | 27.93 | 243.75 | 330.38 | 60.98 | 391.37 |
| Nyandarua | 75.20 | 22.30 | 97.51 | 176.91 | 17.68 | 194.59 | 252.11 | 39.99 | 292.10 |
| Nyeri | 160.70 | 52.91 | 213.60 | 111.11 | 7.73 | 118.84 | 271.81 | 60.63 | 332.44 |
| Samburu | 53.50 | 18.94 | 72.44 | 40.80 | 3.69 | 44.49 | 94.30 | 22.63 | 116.93 |
| Siaya | 122.36 | 9.90 | 132.26 | 190.14 | 43.44 | 233.58 | 312.50 | 53.34 | 365.84 |
| Taita/Taveta | 134.63 | 54.14 | 188.77 | 240.13 | 41.34 | 281.47 | 374.75 | 95.48 | 470.24 |
| Tana River | 21.31 | 28.39 | 49.71 | 141.60 | 62.55 | 204.15 | 162.91 | 90.94 | 253.85 |
| Tharaka-Nithi | 80.44 | 17.05 | 97.49 | 86.38 | 13.24 | 99.62 | 166.82 | 30.29 | 197.11 |

| County | County Assembly | | | County Executive | | | Total Expenditure | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Trans Nzoia | 108.77 | 24.00 | 132.77 | 42.03 | 10.94 | 52.97 | 150.80 | 34.94 | 185.74 |
| Turkana | 203.16 | 3.88 | 207.04 | 84.17 | 1.21 | 85.38 | 287.32 | 5.09 | 292.42 |
| Uasin Gishu | 109.54 | 33.00 | 142.54 | 97.28 | 27.56 | 124.84 | 206.82 | 60.56 | 267.38 |
| Vihiga | 99.65 | 12.57 | 112.22 | 202.50 | 16.38 | 218.88 | 302.15 | 28.95 | 331.10 |
| Wajir | 75.30 | 17.34 | 92.64 | 210.19 | 1.98 | 212.17 | 285.49 | 19.32 | 304.81 |
| West Pokot | 120.10 | 35.60 | 155.70 | 226.33 | 23.77 | 250.10 | 346.43 | 59.37 | 405.80 |
| Total | **5,221.00** | **1,255.78** | **6,476.78** | **8,223.35** | **1,494.94** | **9,718.30** | **13,444.35** | **2,750.72** | **16,195.07** |

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

In absolute terms, Machakos County had the highest expenditure of domestic and foreign travel at Kshs.642.93 million, followed by Nairobi City and Kisii at Kshs.641.11 million and Kshs.597.73 million respectively. The Counties that had the least absolute expenditure were Kirinyaga, Samburu, and Elgeyo Marakwet at Kshs.167.21 million, Kshs.116.93 million and Kshs.110.65 million respectively.

## 2.4 Pending Bills as of 30th June, 2019

A pending bill is an unsettled financial obligation at the end of a financial year and arises where an entity fails to settle invoiced amounts for goods and services properly procured and delivered or rendered as at the end of a financial year. As at June 30, 2019, Counties reported accumulated pending bills amounting to Kshs.34.54 billion. Table 2.8 shows the pending bills as at 30th June, 2019.

### Table 2.8: Pending Bills for the Counties as at June 30th, 2019

| County | Recurrent Pending Bills ( Kshs. Million) | Development Pending Bills (Kshs. Million) | Total Pending Bills (Kshs.Million) |
|---|---|---|---|
| Baringo | 45.21 | 67.34 | 112.55 |
| Bomet | 108.99 | 458.54 | 567.53 |
| Bungoma | 34.96 | 198.62 | 233.58 |
| Busia | 549.89 | 285.76 | 835.64 |
| Elgeyo/Marakwet | 37.27 | 637.60 | 674.87 |
| Embu | 439.69 | 609.25 | 1,048.94 |
| Garissa | 166.35 | 453.29 | 619.64 |
| Homa Bay | 89.70 | 949.75 | 1,039.44 |
| Isiolo | - | - | - |
| Kajiado | 252.18 | 486.67 | 738.85 |
| Kakamega | 270.98 | 265.22 | 536.20 |
| Kericho | 17.52 | 1,610.13 | 1,627.65 |
| Kiambu | 1,226.21 | 1,300.27 | 2,526.48 |
| Kilifi | 369.18 | 771.77 | 1,140.95 |
| Kirinyaga | 53.67 | 44.46 | 98.13 |
| Kisii | 89.46 | 852.77 | 942.23 |
| Kisumu | 742.79 | - | 742.79 |
| Kitui | - | 936.16 | 936.16 |
| Kwale | 31.66 | 2,632.00 | 2,663.66 |
| Laikipia | 50.60 | 29.50 | 80.10 |
| Lamu | 57.53 | 54.78 | 112.32 |

| County | Recurrent Pending Bills ( Kshs. Million) | Development Pending Bills (Kshs. Million) | Total Pending Bills (Kshs.Million) |
|---|---|---|---|
| Machakos | 73.44 | 486.15 | 559.59 |
| Makueni | 1.47 | 6.99 | 8.46 |
| Mandera | - | - | - |
| Marsabit | - | - | - |
| Meru | 276.81 | 966.55 | 1,243.36 |
| Migori | 596.94 | 392.04 | 988.99 |
| Mombasa | 3,261.38 | 762.77 | 4,024.14 |
| Murang'a | 39.52 | 317.80 | 357.32 |
| Nairobi City | - | - | - |
| Nakuru | 42.00 | 52.47 | 94.47 |
| Nandi | 12.95 | 1,757.39 | 1,770.34 |
| Narok | 316.94 | 867.11 | 1,184.05 |
| Nyamira | 1.52 | 1.54 | 3.06 |
| Nyandarua | 93.12 | 718.07 | 811.20 |
| Nyeri | 39.51 | 22.18 | 61.69 |
| Samburu | - | 134.91 | 134.91 |
| Siaya | 258.26 | 187.42 | 445.67 |
| Taita/Taveta | - | 199.41 | 199.41 |
| Tana River | 490.51 | 891.60 | 1,382.11 |
| Tharaka –Nithi | 189.61 | 143.60 | 333.21 |
| Trans Nzoia | 421.71 | 317.51 | 739.22 |
| Turkana | 345.07 | 1,889.36 | 2,234.43 |
| Uasin Gishu | 229.78 | 51.73 | 281.51 |
| Vihiga | 113.51 | 61.25 | 174.76 |
| Wajir | 188.45 | 40.00 | 228.45 |
| West Pokot | - | - | - |
| **Total** | **11,626.34** | **22,911.73** | **34,538.06** |

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

Five Counties namely: Isiolo, Mandera, Marsabit, Nairobi City, and West Pokot had not submitted the status of pending bills as the time of finalizing this report. Counties that reported the highest amount of pending bills were: Mombasa at Kshs.4.02 billion, Kwale at Kshs.2.66 billion, and Kiambu at Kshs.2.53 billion. The pending bill reported by Taita Taveta County was not disaggregated into recurrent and development expenditure.

# 3 BUDGET PERFORMANCE BY COUNTY

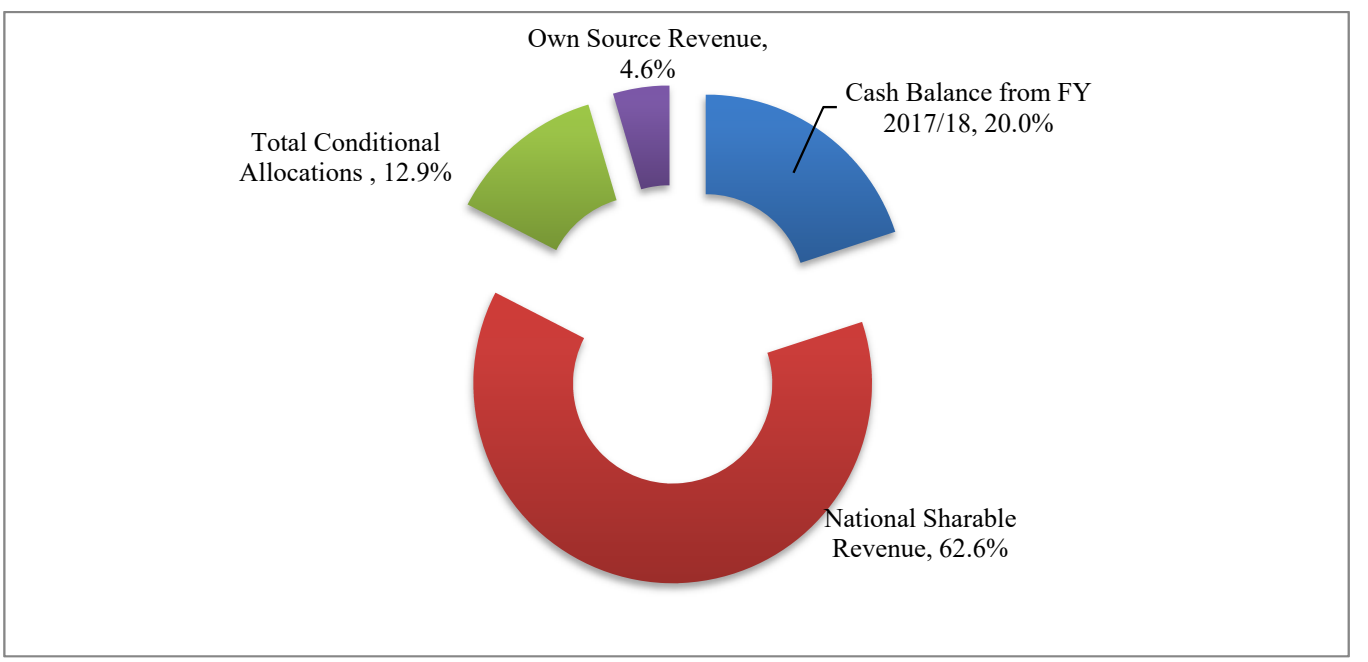
## 3.1 Baringo County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.13 billion, comprising of Kshs.4.52 billion (55.7 per cent) and Kshs.3.59 billion (44.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.09 billion (62.6 per cent) as equitable share of revenue raised nationally, Kshs.1.05 billion (12.9 per cent) as total conditional grants, generate Kshs.371.15 million (4.6 per cent) from own-source of revenue, and Kshs.1.62 billion (20 per cent) cash balance from FY 2017/18.

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




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

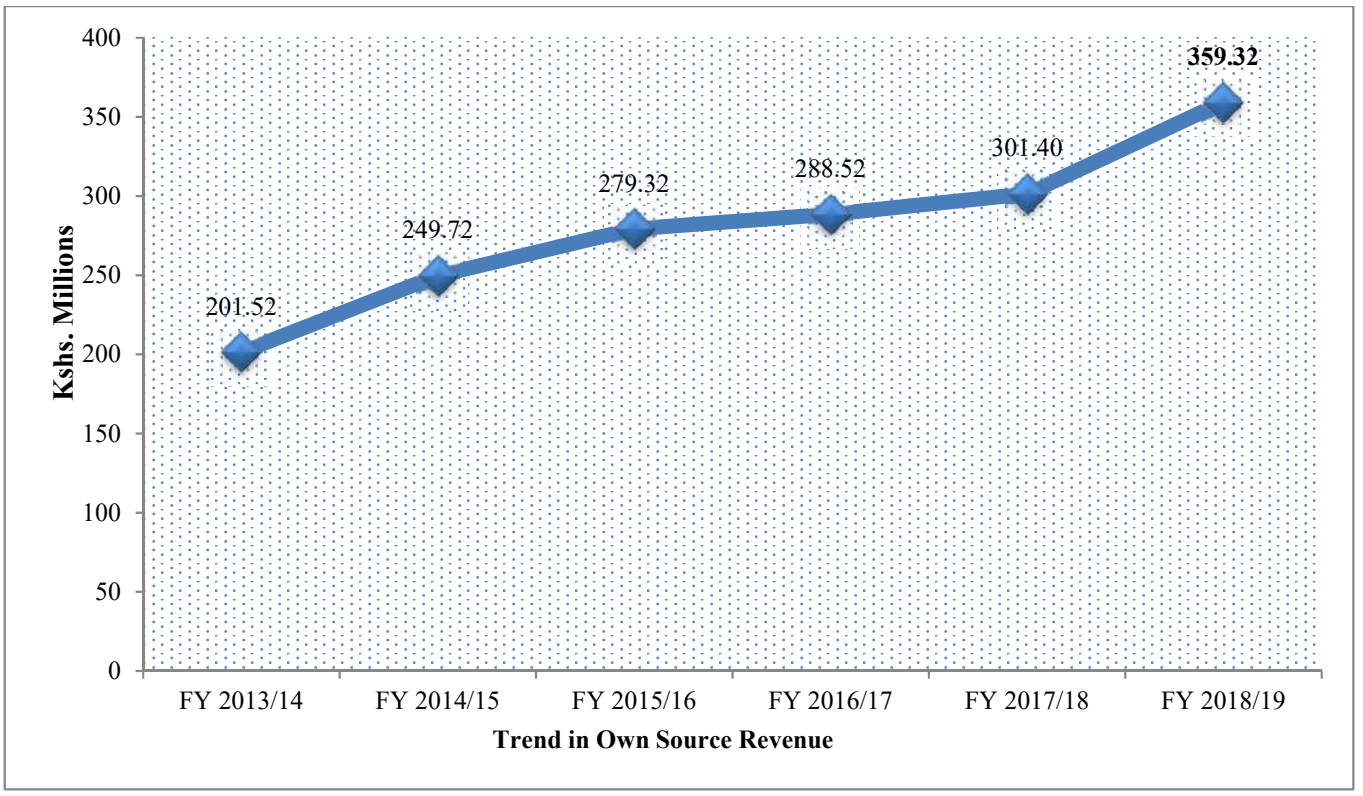
A breakdown of the conditional grants is provided in Table 3.1.

### 3.1.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.22 billion available for budget implementation. This amount consisted of Kshs.5.09 billion received as equitable share of the revenue raised nationally, Kshs.779.75 million as conditional grants, Kshs.359.32 million generated from own sources of revenue, and a cash balance of Kshs.1.62 billion from FY 2017/18.

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

**Figure 3.2: Baringo County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.359.32 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.57.92 million compared to that realised in FY 2017/18 and was 96.8 per cent of the annual target.

### 3.1.3 Conditional Grants

During the reporting period, the County received Kshs.779.75 million as conditional grants as shown in Table 3.1.

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

| S/No | Grant Details | Annual Allocation-(CARA, 2018)(Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Compensation for User Fee Foregone | 13,191,000 | 13,191,000 | 13,191,000 | 100 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 133,931,014 | 133,931,014 | 133,931,014 | 100 |
| 4 | Rehabilitation of Village Polytechnics | 35,605,000 | 35,605,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 78,899,347 | 78,899,347 | 34,008,071 | 43.1 |
| 6 | Kenya Devolution Support Project (KDSP) "Level III grant" | - | - | 138,074,112 | - |
| 7 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 49,627,345 | 42.4 |
| 8 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 43,729,455 | 43,729,455 | - | - |
| 9 | Kenya Urban Support Programme | 52,360,500 | 52,360,500 | 52,360,500 | 100 |
| 10 | DANIDA Grant | 16,706,250 | 16,706,250 | 16,706,250 | 100 |
| 11 | EU Grant for instrument for Devolution Advice and support | 85,000,000 | 85,000,000 | 73,254,422 | 86.2 |
| 12 | Kenya Devolution Support Project (KDSP) "Level II grant" | - | 173,023,342 | 173,023,342 | 100 |

| S/No | Grant Details | Annual Allocation-(CARA, 2018)(Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 13 | ASDPS (Agricultural Sector Development Support Programme) | - | 20,718,749 | 20,718,749 | 100 |
| 14 | KUSP (Balance 2017/2018) | - | 41,200,000 | 41,200,000 | 100 |
| 15 | Road Maintenance Fuel Levy 2017/18 FY | - | 33,653,742 | 33,653,742 | 100 |
| **Sub Total** | | **776,422,566** | **1,045,018,399** | **779,748,547** | **100.4** |

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

During the reporting period, receipts from the Compensation for User Fee Foregone, Road Maintenance Fuel Levy, Kenya Urban Support Programme, DANIDA Grant, Kenya Devolution Support Project and Agricultural Sector Development Support Programme, conditional grant recorded the highest performance in percentage terms, and accounted 100 per cent respectively of the annual target.

### 3.1.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.93 billion from the CRF account. The withdrawals represented 72.9 per cent of the Approved Supplementary Budget and translated to an increase of 12.2 per cent from Kshs.5.28 billion in FY 2017/18 and comprised of Kshs.4.39 billion (74.2 per cent) towards recurrent activities and Kshs.1.53 billion (25.8 per cent) for development expenditure.

### 3.1.5 Overall Expenditure Review

A total of Kshs.5.55 billion was spent on both development and recurrent activities. This expenditure represented 93.7 per cent of the total funds released from the CRF account, and was an increase of 6.7 per cent from Kshs.5.20 billion spent in FY 2017/18.

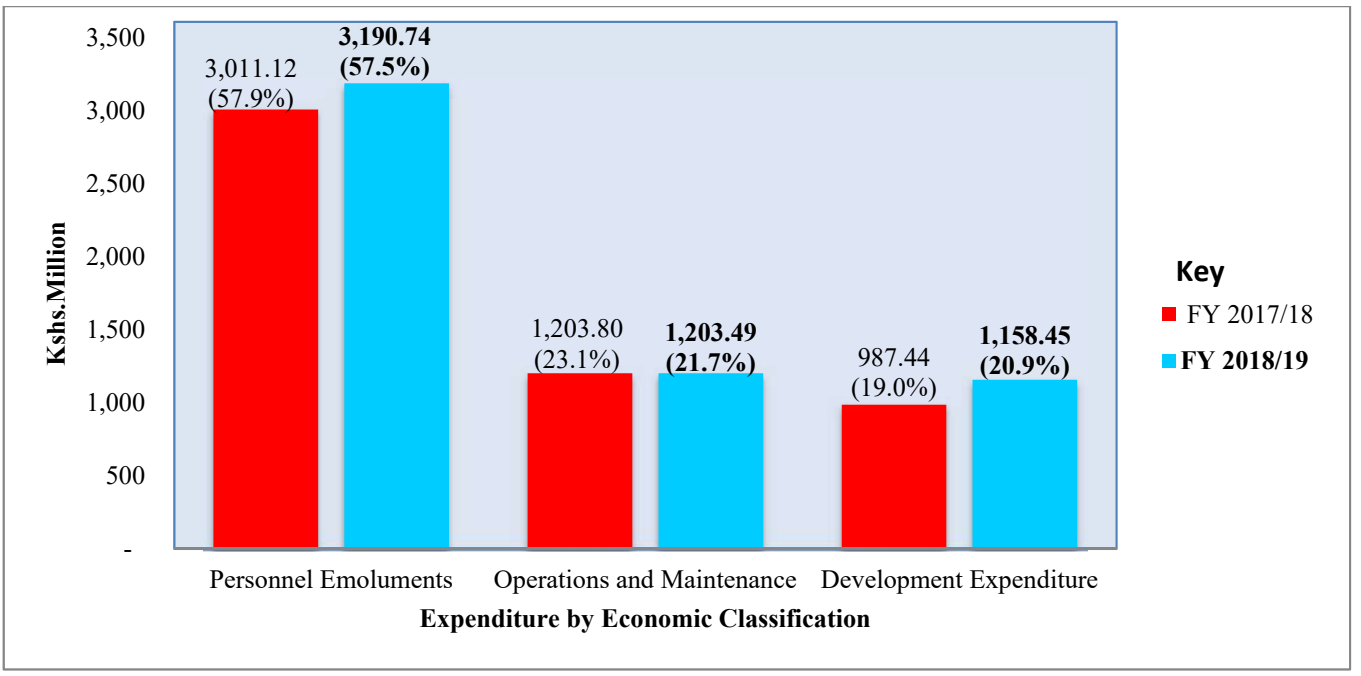
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.67.34 million for development activities and Kshs.45.21 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.16 billion while Kshs.4.39 billion was spent on recurrent activities. The development expenditure was 75.5 per cent of the funds released for development programmes, while recurrent expenditure was 100 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 32.2 per cent, which was a decrease from 36.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 97 per cent of the annual recurrent budget, a decrease from 97.0 per cent recorded in FY 2017/18.

Figure 3.3 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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




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

### 3.1.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.16 billion represented 32.2 per cent of the annual development expenditure estimates of Kshs.3.59 billion. Table 3.2 provides a summary of development projects with the highest expenditure in the financial year.

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

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Buildings-Others Building of Ravine Markets | Ravine Ward | 5,733,036 | 6,582,676 | 114.8 |
| 2 | Equipping of Mogotio Information Centre | Mogotio Ward | 6,390,100 | 6,649,608 | 104.1 |
| 3 | Construction of Youth empowerment centres at Eldama Ravine | Ravine Ward | 6,414,545 | 6,544,036 | 102 |
| 4 | Construction of Guest House at ATC | Lembus Perkerra | 6,994,000 | 6,999,000 | 100.1 |
| 5 | Tartar-Sosion water pipe | Sacho Ward | 7,000,000 | 7,000,000 | 100 |
| 6 | Rehabilitation of Marigat water Supply | Marigat Ward | 5,500,000 | 5,500,000 | 100 |
| 7 | Kapkein Water Project | Marigat Ward | 4,500,000 | 4,498,468 | 100 |
| 8 | Sambaka Footbridge | Mochongoi | 8,000,000 | 7,970,462 | 99.6 |
| 9 | Kabarak Ochii Polythechnic | Tenges Ward | 18,504,016 | 6,194,136 | 33.5 |
| 10 | Improvement of sports ground and cultural facilities in Lembus Kwen Primary Schools - Moringwo, Kapcholoi, Kewangoi, Sigoro, Kiptuno, Arama, and Kipkuyang | Lembus Kwen | 128,670,470 | 10,483,856 | 8.1 |

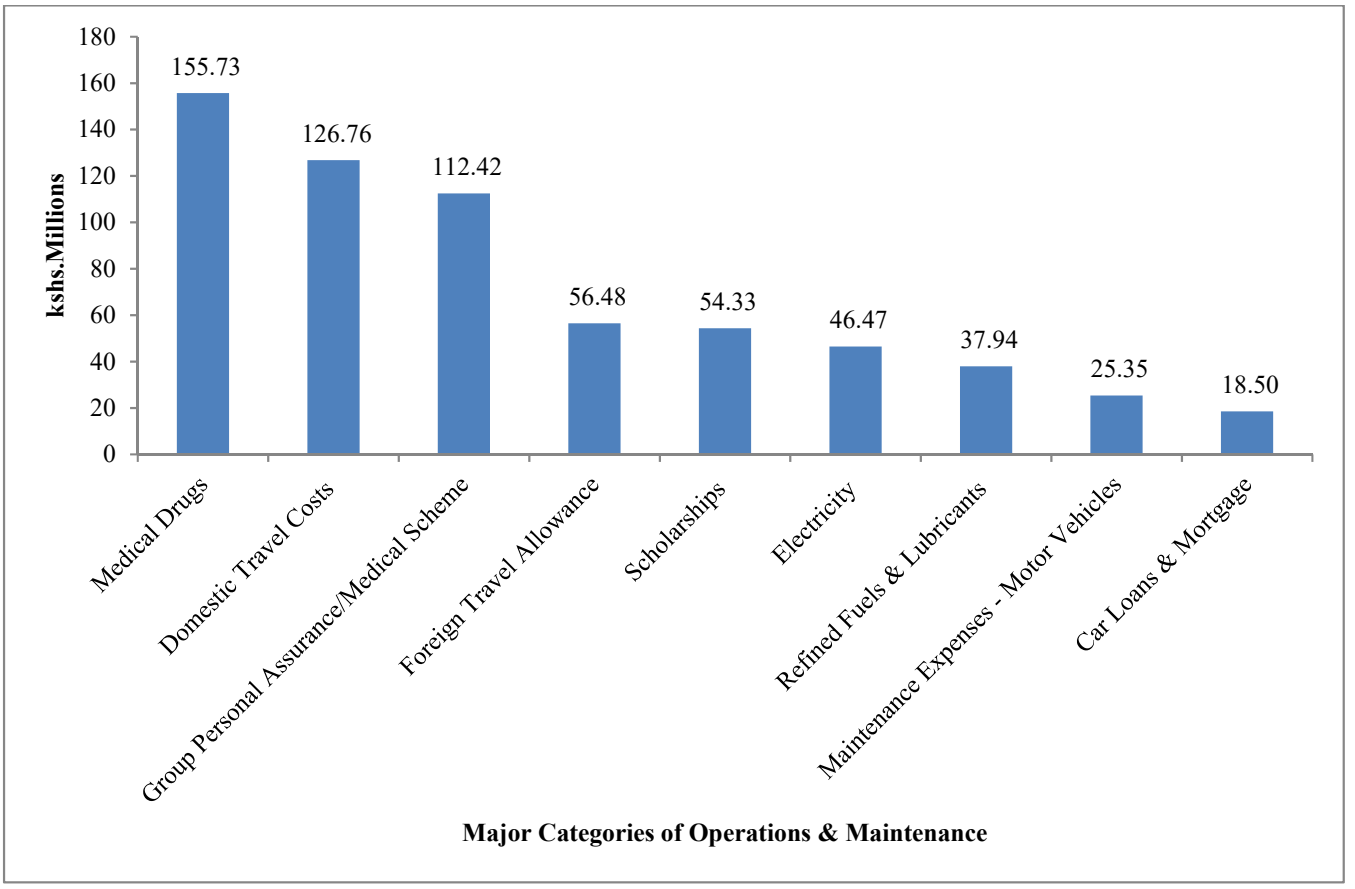
***Source:*** *Baringo County Treasury*

### 3.1.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.39 billion comprised of Kshs.3.19 billion (72.7 per cent) incurred on personnel emoluments and Kshs.1.20 billion (27.3 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.3.01 billion and was 57.5 per cent of the total expenditure in FY 2018/19. Figure 3.4 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.4: Baringo County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




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

The County spent Kshs.7.25 million on committee sitting allowances for the 46 MCAs and Speaker against the annual budget allocation of Kshs.10 million. This represented a decrease of 81.1 per cent compared to Kshs.38.47 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.13,137 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.183.24 million, and comprised of Kshs.107.62 million spent by the County Assembly and Kshs.75.61 million by the County Executive. This expenditure represented 4.2 per cent of total recurrent expenditure and was an increase of 32.2 per cent compared to Kshs.138.65 million spent in FY 2017/18.

### 3.1.8 Budget Performance by County Department

Table 3.3 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 662.24 | 19.50 | 629.01 | 13.60 | 628.28 | 5.07 | 99.9 | 37.3 | 94.9 | 26.0 |
| Governor/ County Executive Services | 510.10 | 33.43 | 510.88 | 9.27 | 492.70 | 6.48 | 96.4 | 69.9 | 96.6 | 19.4 |
| County Treasury Services | 312.85 | 21.16 | 278.58 | 3.00 | 309.13 | 10.55 | 111.0 | 351.8 | 98.8 | 49.9 |
| Transport and Infrastructure | 64.52 | 883.78 | 64.46 | 622.08 | 62.96 | 347.04 | 97.7 | 55.8 | 97.6 | 39.3 |
| Industrialization, Commerce and Tourism | 75.70 | 20.37 | 75.70 | 20.42 | 68.77 | 16.06 | 90.8 | 78.7 | 90.8 | 78.9 |
| Education and ICT | 337.58 | 313.54 | 336.64 | 170.34 | 335.46 | 147.85 | 99.6 | 86.8 | 99.4 | 47.2 |
| Youth, Gender & Social Security Services | 36.10 | 75.47 | 35.93 | 30.58 | 34.86 | 38.59 | 97.0 | 126.2 | 96.6 | 51.1 |
| Health | 2,004.11 | 735.55 | 1,981.11 | 135.15 | 1,998.54 | 134.04 | 100.9 | 99.2 | 99.7 | 18.2 |
| Lands, Housing & Urban Development | 120.50 | 191.45 | 79.25 | 68.70 | 76.08 | 80.44 | 96.0 | 117.1 | 63.1 | 42.0 |
| Agriculture, Livestock, Fisheries & Marketing | 247.89 | 446.01 | 247.58 | 187.10 | 230.82 | 103.63 | 93.2 | 55.4 | 93.1 | 23.2 |
| Water & Irrigation | 121.05 | 799.79 | 121.37 | 225.33 | 120.96 | 225.08 | 99.7 | 99.9 | 99.9 | 28.1 |
| Environment & Natural Resources | 35.82 | 56.49 | 35.54 | 44.96 | 35.68 | 43.61 | 100.4 | 97.0 | 99.6 | 77.2 |
| **Total** | **4,528.48** | **3,596.55** | **4,396.04** | **1,530.52** | **4,394.23** | **1,158.45** | **100.0** | **75.7** | **97.0** | **32.2** |

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

Analysis of expenditure by department shows that the Department of Trade, Industrialisation and Commerce recorded the highest absorption rate of development budget at 78.9 per cent while the department of Health recorded the lowest at 18.2 per cent. The Department of Water and Irrigation had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Lands, Housing and Urban Development had the lowest at 63.1 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 of own-source revenue collection by 19.2 per cent from Kshs.301.40 million in FY 2017/18 to Kshs.359.32 million in the reporting period.

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

1. Slow implementation of development activities during FY 2018/19. The County spent Kshs.1.16 billion, which represented 32.2 per cent of the annual development budget of Kshs.3.60 billion.
2. Failure to constitute the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
3. A high wage bill that increased by 6 per cent from Kshs.3.01 billion in FY 2017/18 to Kshs.3.19 billion in the reporting period. The wage bill accounted for 57.5 per cent of total expenditure in the reporting period.

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

1. *The County should identify and address issues that cause delays in implementation of development projects.*
2. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137*

*of the PFM Act, 2012.*

3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

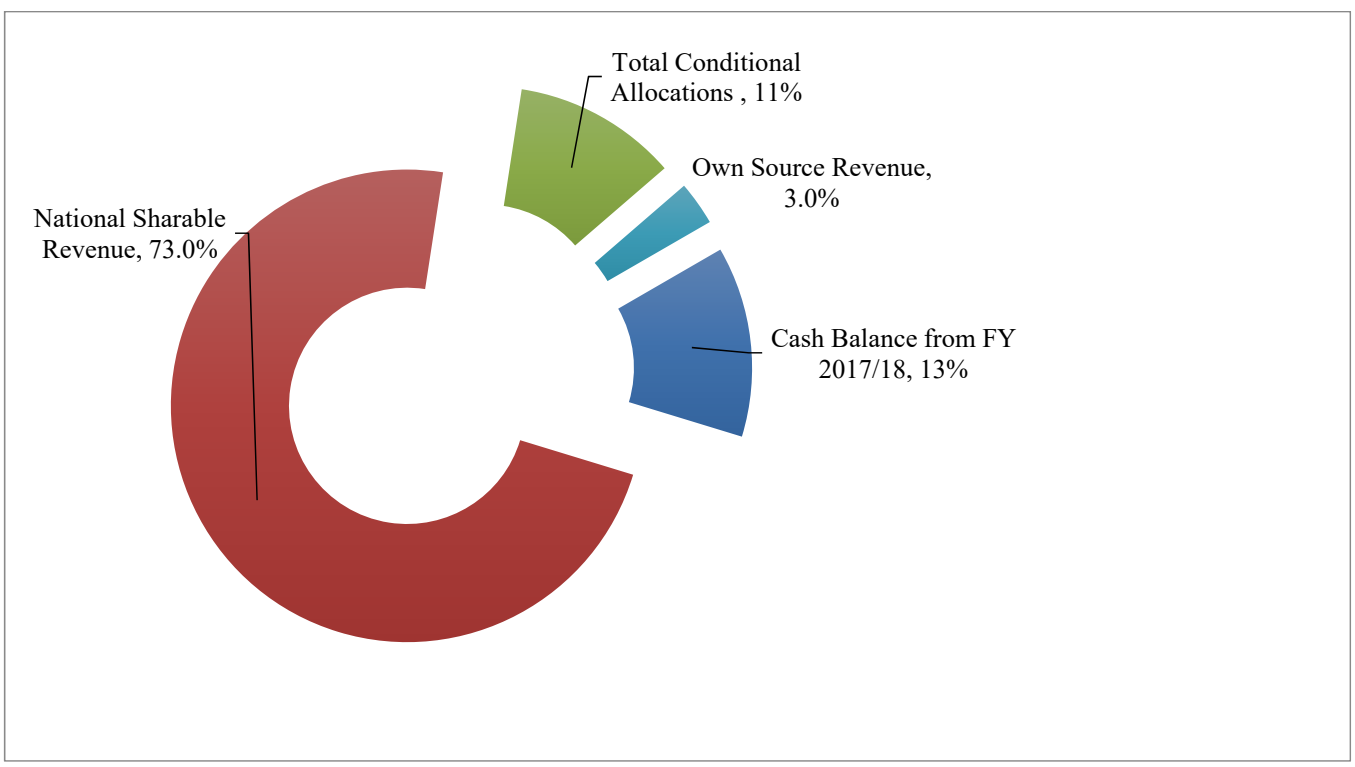
## 3.2 Bomet County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.14 billion, comprising of Kshs.2.95 billion (36.2 per cent) and Kshs.5.19 billion (63.8 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.93 billion (73 per cent) as equitable share of the revenue raised nationally, Kshs.916.77 million ( 11 per cent) as total conditional grants, generate Kshs.245 million (3 per cent) from own sources of revenue, and Kshs.1.06 billion (13 per cent) cash balance from FY 2017/18.

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




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

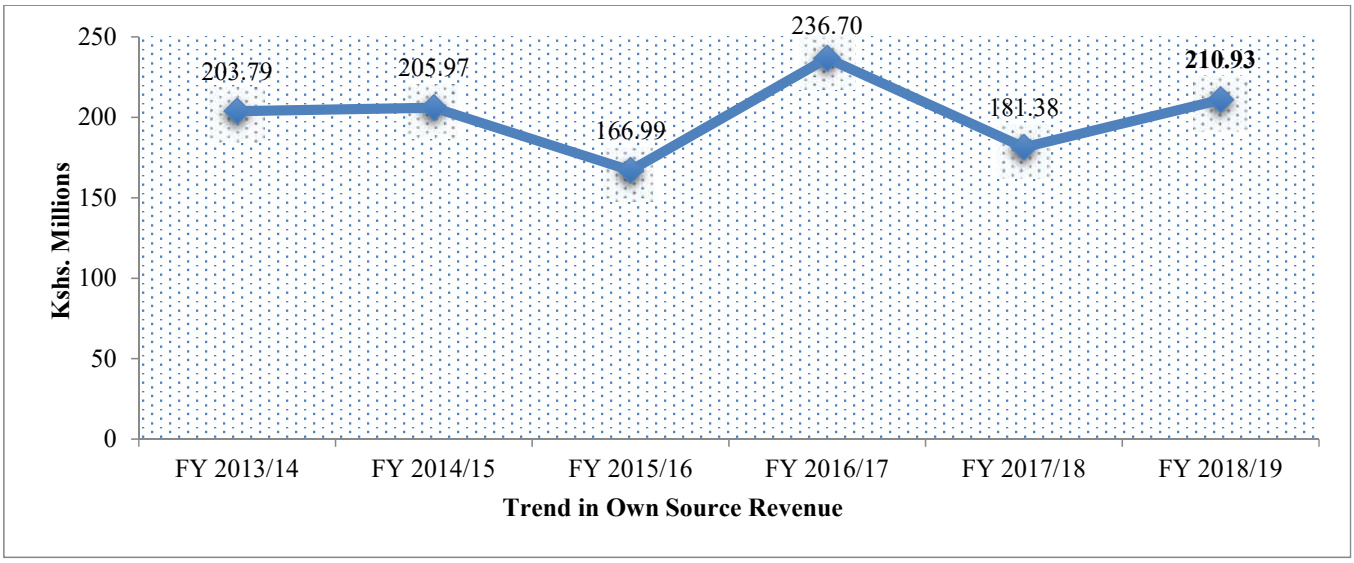
A breakdown of the conditional grants is provided in Table 3.4.

### 3.2.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.76 billion available for budget implementation. This amount consisted of Kshs.5.93 billion received as equitable share of the revenue raised nationally, Kshs.575.05 million as conditional grants, Kshs.210.93 million generated from own sources of revenue, and a cash balance of Kshs.1.06 billion from FY 2017/18.

Figure 3.6 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.6: Bomet County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.210.93 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.29.55 million compared to that realised in FY 2017/18 and was 74 per cent of the annual target.

### 3.2.3 Conditional Grants

During the reporting period, the County received Kshs.575.05 million as conditional grants as shown in Table 3.4.

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

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Compensation for User Fee Foregone | 16,713,356.00 | 16,713,356 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000.00 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 156,252,849.00 | 156,252,849 | 275,556,847 | 176.4 |
| 4 | Transforming Health Systems for Universal Care Project (World Bank) | 86,405,581.00 | 86,405,581 | 34,250,678 | 39.6 |
| 5 | IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000.00 | 117,000,000 | 46,841,567 | 40 |
| 6 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 209,534,800 | 209,534,800 | 168,000,000 | 80.2 |
| 7 | DANIDA - Universal Healthcare in Devolved System Programme | 17,617,500 | 17,617,500 | - | - |
| 8 | Kenya Devolution Support Programme "Level 1 grant" | 44,888,193 | 44,888,193 | - | - |
| 9 | Agricultural Sector Development Support Programme(ASDSP) | 20,485,395 | 20,485,395 | 14,258,275 | 69.6 |
| 10 | CA- Development of Youth polytechnics | 47,875,000 | 47,875,000 | 36,145,625 | 75.5 |
| **Total** | | **916,772,674** | **916,772,674** | **575,052,992** | **62.7** |

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

During the reporting period, receipts from the Road Maintenance Fuel Levy conditional grant recorded the highest performance in percentage terms, and accounted 176.4 per cent of the annual target.

### 3.2.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.96 billion from the CRF account. The withdrawals represented 85.6 per cent of the Approved Supplementary Budget and translated to an increase 32.1 per cent from Kshs.5.27 billion in FY 2017/18 and comprised of Kshs.2.06 billion (29.6 per cent) towards development activities and Kshs.4.90 billion (70.4 per cent) for recurrent expenditure.

### 3.2.5 Overall Expenditure Review

A total of Kshs.6.88 billion was spent on both development and recurrent activities. This expenditure represented 99 per cent of the total funds released from the CRF account, and was an increase of 28.1 per cent from Kshs.4.95 billion spent in FY 2017/18.

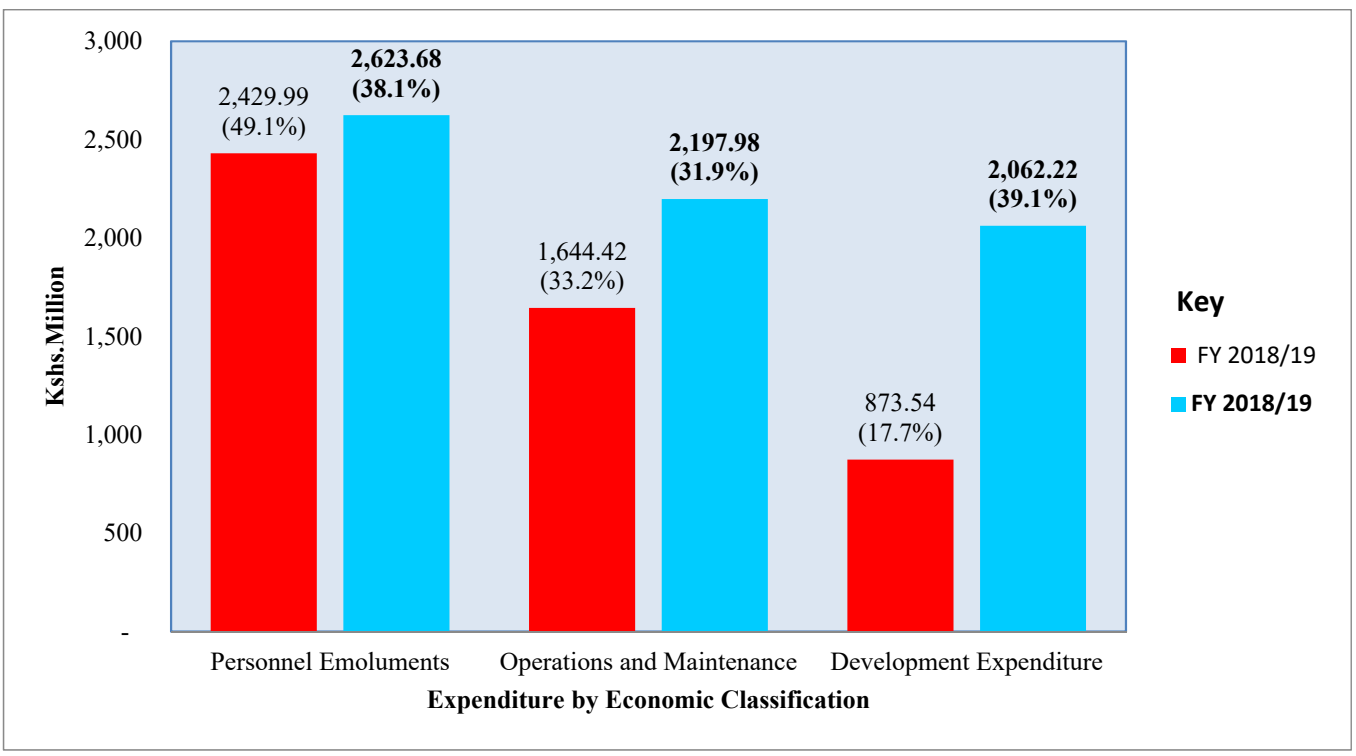
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.458.54 million for development activities and Kshs.108.99 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.06 billion while Kshs.4.82 billion was spent on recurrent activities. The development expenditure was 100 per cent of the funds released for development programmes, while recurrent expenditure was 98.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 70 per cent, which was an increase from 46.9 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 93 per cent of the annual recurrent budget, a decrease from 93.1 per cent recorded in FY 2017/18.

Figure 3.7 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.7: Bomet County, Expenditure by Economic Classification**




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

### 3.2.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.06 billion represented 70 per cent of the annual development expenditure estimates of Kshs.2.95 billion. Table 3.5 provides a summary of development projects with the highest expenditure in the financial year.

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

| S/ No. | Project Name | Project Location | Project Budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Roads | Varied | 579,172,515 | 578,936,432 | 100.0 |
| 2 | Development of Water Supply | Sotik , Chepalungu, Konoin, Bomet East, Bomet Central | 264,761,471 | 265,915,171 | 100.4 |
| 3 | Construction of ECDs | Kametori, Kipraisi, Nyatembe, Chebelion etc | 143,422,164 | 140,875,943 | 98.2 |
| 4 | Development of Sport facilities | Bomet Town | 29,000,000 | 29,000,000 | 100 |
| 5 | Construction of Mini Chamber- County Assembly | County Assembly | 59,124,178 | 28,820,575 | 48.7 |
| 6 | Purchase of Fire Engine | Bomet Town | 32,000,000 | 25,000,000 | 78.1 |
| 7 | Market Development | Bomet Town | 23,808,564 | 22,808,564 | 95.8 |
| 8 | Construction of Cattle Dips and Slaughter Houses | Varied | 20,600,000 | 20,490,967 | 99.5 |
| 9 | Automation of own Source Revenue System | Treasury Department | 22,427,759 | 13,606,861 | 60.7 |

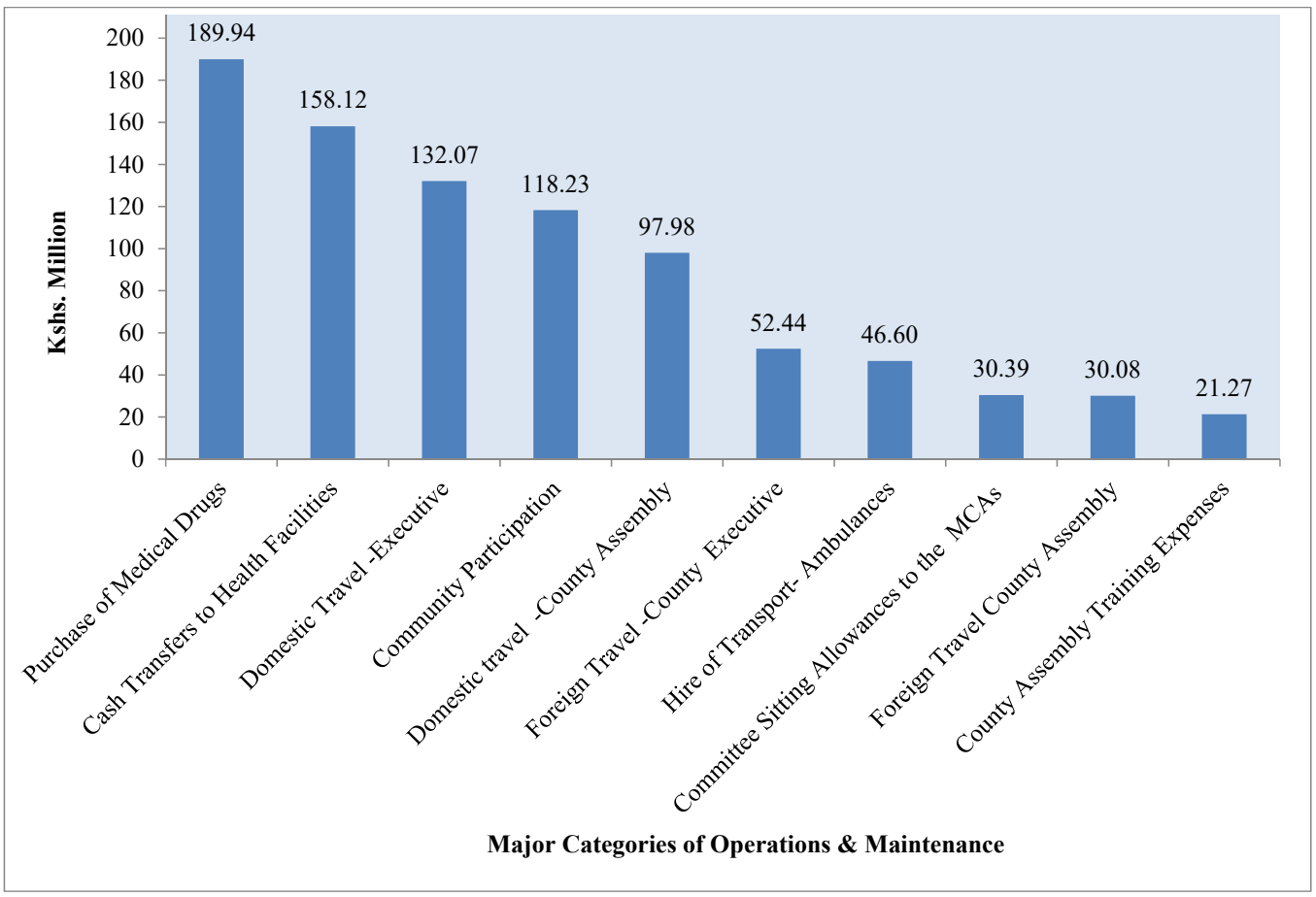
***Source:*** *Bomet County Treasury*

### 3.2.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.82 billion comprised of Kshs.2.62 billion (55.3 per cent) incurred on personnel emoluments and Kshs.2.2 billion (44.7 per cent) on operations and maintenance as shown in Figure 3.7.

Expenditure on personnel emoluments represented an increase of 8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.43 billion and was 38.1 per cent of the total expenditure in FY 2018/19. Figure 3.8 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.8: Bomet County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




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

The County spent Kshs.30.39 million on committee sitting allowances for the 37 MCAs and Speaker against the annual budget allocation of Kshs.30.39 million. This represented an increase of 74 per cent compared to Kshs.7.95 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.68,440 per MCA against the SRC's recommended monthly ceiling of Kshs.124,000.

Expenditure on domestic and foreign travel amounted to Kshs.312.57 million, and comprised of Kshs.128.05 million spent by the County Assembly and Kshs.184.5 million by the County Executive. This expenditure represented 6.6 per cent of total recurrent expenditure and was an increase of 24.2 per cent compared to Kshs.237.04 million spent in FY 2017/18.

### 3.2.8 Budget Performance by County Department

Table 3.6 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.6: Bomet County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executives | 540.82 | - | 496.33 | - | 493.49 | - | 99.4 | - | 91.2 | - |
| Public Service Board | 56.47 | - | 56.44 | - | 55.18 | - | 97.8 | - | 97.7 | - |
| Administration | 432.49 | 125.19 | 423.98 | 50.85 | 429.69 | 41.03 | 101.3 | 80.7 | 99.4 | 32.8 |
| ICT | 42.22 | 16.56 | 38.42 | - | 39.76 | 4.75 | 103.5 | | 94.2 | 28.7 |

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Finance | 356.66 | 50.93 | 350.89 | 11.00 | 342.20 | 16.11 | 97.5 | 146.4 | 95.9 | 31.6 |
| Economic Planning & Development | 194.73 | - | 131.35 | - | 130.92 | - | 99.7 | | 67.2 | - |
| Lands & Urban Planning | 206.03 | 254.82 | 205.50 | 198.25 | 164.29 | 209.87 | 79.9 | 105.9 | 79.7 | 82.4 |
| Youth, Sports, Gender and Culture | 152.58 | 36.50 | 123.47 | 11.62 | 149.63 | 33.15 | 121.2 | 285.4 | 98.1 | 90.8 |
| Agriculture, Livestock and Cooperatives | 264.05 | 355.84 | 251.70 | 197.91 | 202.42 | 207.46 | 80.4 | 104.8 | 76.7 | 58.3 |
| Medical Services and Public Health | 1,259.52 | 381.91 | 1,219.04 | 371.65 | 1,252.46 | 144.30 | 102.7 | 38.8 | 99.4 | 37.8 |
| Water, Sanitation and Environment | 159.82 | 280.77 | 151.39 | 233.45 | 148.29 | 178.02 | 98.0 | 76.3 | 92.8 | 63.4 |
| Education and Vocational Training | 636.14 | 149.35 | 634.85 | 68.21 | 589.66 | 132.39 | 92.9 | 194.1 | 92.7 | 88.6 |
| Roads, Public Works and Transport | 206.61 | 969.04 | 198.81 | 822.41 | 170.26 | 959.91 | 85.6 | 116.7 | 82.4 | 99.1 |
| Trade, Energy, Tourism and Industry | 52.10 | 149.26 | 51.60 | 52.26 | 40.08 | 90.64 | 77.7 | 173.4 | 76.9 | 60.7 |
| County Assembly | 625.90 | 177.65 | 570.50 | 43.93 | 613.33 | 44.61 | 107.5 | 101.5 | 98.0 | 25.1 |
| **TOTAL** | **5,186** | **2,948** | **4,904** | **2,062** | **4,822** | **2,062** | **98.3** | **100.0** | **93.0** | **70.0** |

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

Analysis of expenditure by department shows that the Department of Roads, Public Works and Transport recorded the highest absorption rate of development budget at 99.1 while the County Assembly recorded the lowest at 25.1 per cent. The Department of Administration and the Department of Medical Services and Public Health had the highest percentage of recurrent expenditure to recurrent budget at 99.4 per cent, while the Department of Economic Planning Development had the lowest at 67.2 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. Improvement in absorption of development funds from 46.9 per cent in FY 2017/18 to 70 per cent in the reporting period.
ii. Automation of revenue collection which has led to improved revenue performance. The own revenue collection improved by 16.3 per cent from Kshs.181.38 million in FY 2017/18 to Kshs.210.93 million in the reporting period

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

1. Late submission of reports on financial and non-financial performance by the County Treasury. The quarterly report for the reporting period was not submitted on time contrary to Section 166 of the PFM Act, 2012.
2. The County's wage bill has remained high, having increased by 8 per cent from Kshs.2.43 billion in FY 2017/18 to Kshs.2.62 billion in the period under review. The increase in wage bill is due to continuous staff recruitment, which may result in unsustainable salary costs.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*

2. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments).*

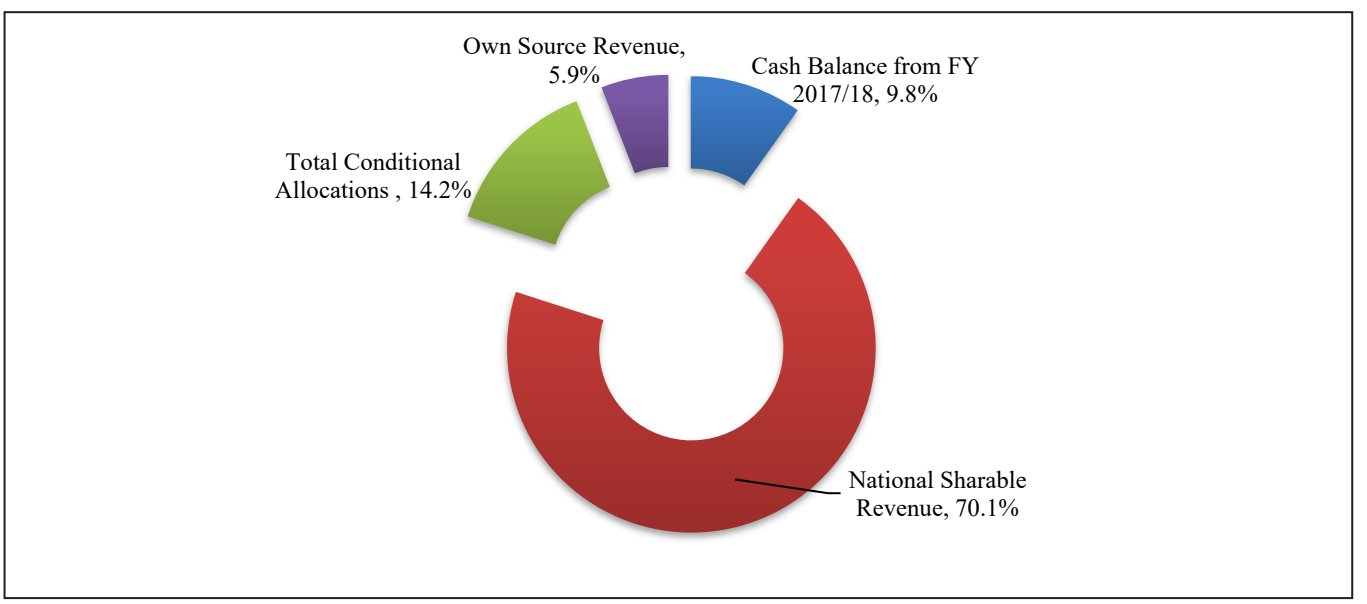
## 3.3 Bungoma County

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

The County's FY 2018/19 Supplementary Budget was Kshs.12.77 billion, comprising of Kshs.8.57 billion (67.1 per cent) and Kshs.4.19 billion (32.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.95 billion (70.1 per cent) as equitable share of the revenue raised nationally, Kshs.1.81 billion (14.2 per cent) as total conditional grants, generate Kshs.753.18 million (5.9 per cent) from own sources of revenue, and Kshs.1.26 billion (9.8 per cent) cash balance from FY 2017/18.

**Figure 3.9: Bungoma County, Expected Sources of Budget Financing in FY 2018/19**




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

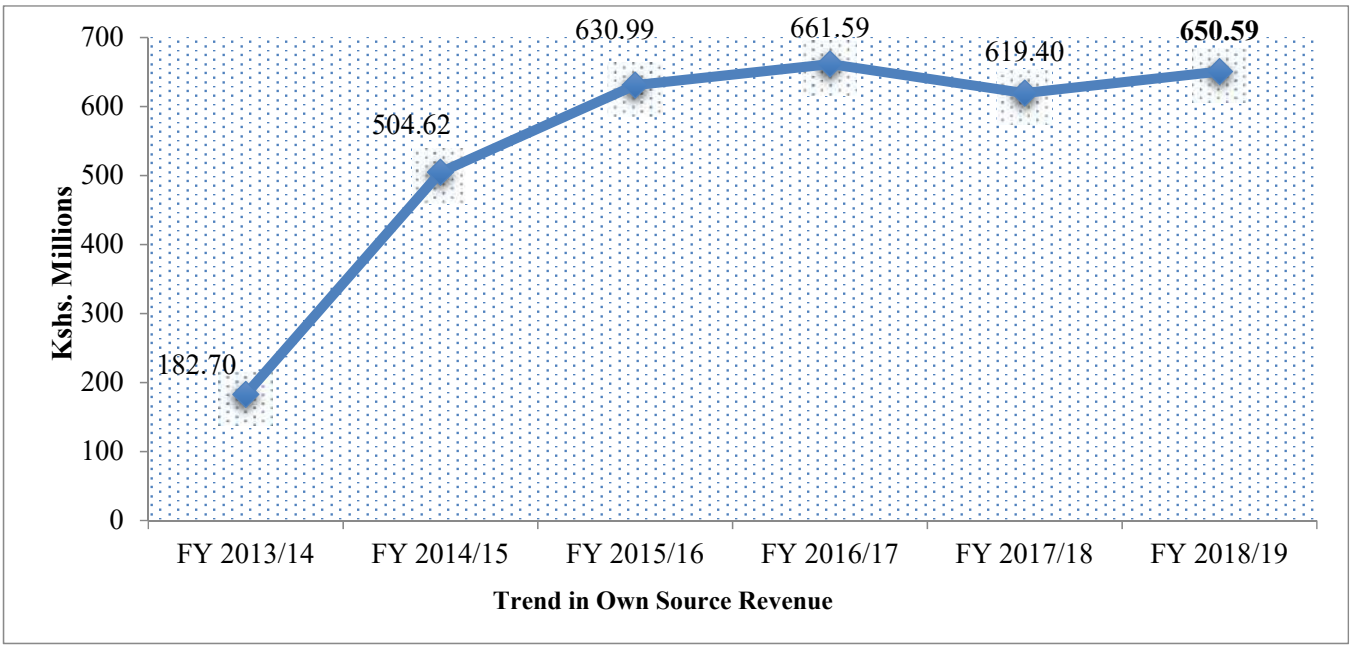
A breakdown of the conditional grants is provided in Table 3.7.

### 3.3.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.11.82 billion available for budget implementation. This amount consisted of Kshs.8.95 billion received as equitable share of the revenue raised nationally, Kshs.957.37 million as conditional grants, Kshs.650.59 million generated from own sources of revenue, and a cash balance of Kshs.1.26 billion from FY 2017/18.

Figure 3.10 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.10: Bungoma County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.650.59 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.31.19 million compared to that realised in FY 2017/18 and was 86.4 per cent of the annual target.

### 3.3.3 Conditional Grants

During the reporting period, the County received Kshs.957.37 million as conditional grants as shown in Table 3.7.

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

| S/ No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 235,619,376 | 235,619,376 | 117,809,688 | 50.0 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 58,329,310 | 74,742,386 | 212,537,789 | 284.4 |
| 4 | Compensation for User Fee Foregone | 32,838,307 | 32,837,307 | 32,837,307 | 100.0 |
| 5 | DANIDA Grant | 29,362,500 | 41,551,298 | 29,362,500 | 71.0 |
| 6 | Agriculture, livestock fisheries and coop development: ASDSP II | 22,404,685 | 22,404,685 | - | - |
| 7 | Development of Youth Polytechnics | 65,500,000 | 141,776,625 | - | - |
| 8 | Water and natural resources | 80,000,000 | 80,000,000 | - | - |
| 9 | World Bank Loan for Transforming Health System for universal Care Project | 100,000,000 | 115,388,909 | 72,564,291 | 73.0 |
| 10 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 181,550,578 | 50,078,476 | 36.0 |
| 11 | Kenya Urban Support Project (KUSP) | 342,177,100 | 342,177,100 | 342,177,100 | 100.0 |
| **Sub Total** | | **1,306,666,441** | **1,468,048,264** | **857,367,151** | **66.0** |
| B | **Other Grants** | | | | |

| S/ No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 13 | Roads and Public works: RMLF | - | 239,129,429 | - | - |
| 14 | Sirisia Hospital Grant | - | 99,999,945 | 99,999,945 | - |
| **Sub Total** | | - | 339,129,374 | 99,999,945 | - |
| **Grand Total** | | **1,306,666,441** | **1,807,177,638.0** | **957,367,096.4** | **73.0** |

*Source: Bungoma County Treasury*

During the reporting period, receipts from the Kenya Devolution Support Programme (KDSP) conditional grant recorded the highest performance in percentage terms, and accounted 284.4 percent of the annual target.

### 3.3.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.9.12 billion from the CRF account. The withdrawals represented 71.5 per cent of the Approved Supplementary Budget and translated to a decrease of 0.7 per cent from Kshs.9.06 billion in FY 2017/18 and comprised of Kshs.1.85 billion (20.3 per cent) towards development activities and Kshs.7.28 billion (79.7 per cent) for recurrent expenditure.

### 3.3.5 Overall Expenditure Review

A total of Kshs.9.57 billion was spent on both development and recurrent activities. This expenditure represented 104.9 per cent of the total funds released from the CRF account, and was an increase of 10.9 per cent from Kshs.8.63 billion spent in FY 2017/18.

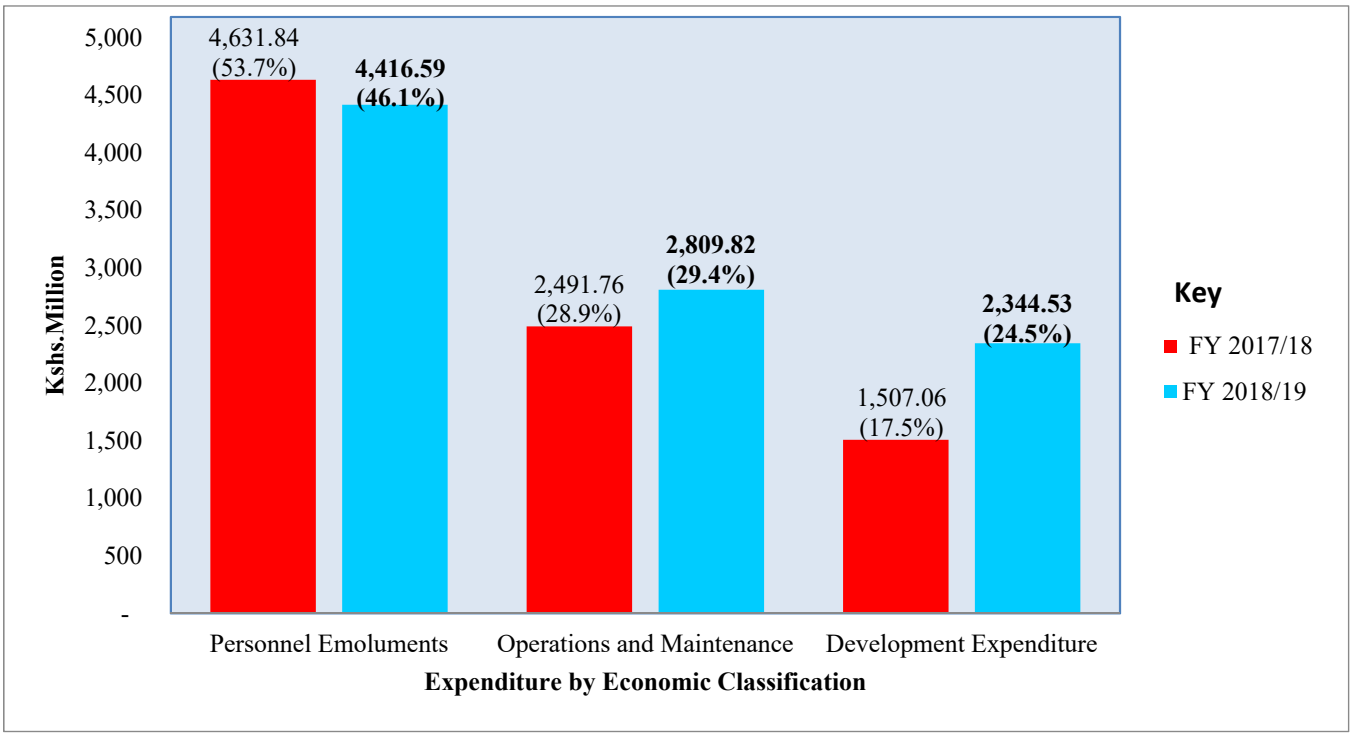
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.198.62 million for development activities and Kshs.34.96 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.34 billion while Kshs.7.23 billion was spent on recurrent activities. The development expenditure was 126.9 per cent of the funds released for development programmes, while recurrent expenditure was 99.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 55.9 per cent, which was an increase from 42.3 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 84.3 per cent of the annual recurrent budget, a decrease from 92.6 per cent recorded in FY 2017/18.

Figure 3.11 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.11: Bungoma County, Expenditure by Economic Classification




*Source: Bungoma County Treasury*

### 3.3.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.34 billion represented 55.9 per cent of the annual development expenditure estimates of Kshs.4.19 billion. Table 3.8 provides a summary of development projects with the highest expenditure in the financial year.

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

| S/No. | Project Name | Project location | Project budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1. | Construction of Office Block | County Assembly | 220,972,464 | 56,561,575 | 25.6 |
| 2. | Procurement of Fertilizer | all 45 wards | 101,686,974 | 40,418,500 | 39.7 |
| 3. | Procurement of certified maize seed | all 45 wards | 32,462,500 | 31,543,866 | 97.2 |
| 4. | Construction of Intake, Pipeline And Tanks | Chebukwabi-Kibingei Water Project Phase 11 | 38,390,917 | 30,712,726 | 80.0 |
| 5. | Construction of storm water drainage | Bungoma town | 37,257,250 | 28,358,395 | 76.1 |
| 6. | Establishment of a county processing plant | Webuye Sub County | 56,918,708 | 27,207,968 | 47.8 |
| 7. | Purchase of GIS system | Survey office | 17,983,952 | 13,730,000 | 76.3 |
| 8. | Construction of Theatre at Bumula Hospital | Bumula | 12,000,000 | 10,709,630 | 89.2 |
| 9. | Construction of Periphery fence phase1 | Mabanga ATC | 9,029,585 | 8,199,866 | 90.8 |
| 10. | Rehabilitation of Buildings at Mabanga ATC | Mabanga ATC | 8,370,445 | 7,820,743 | 93.4 |

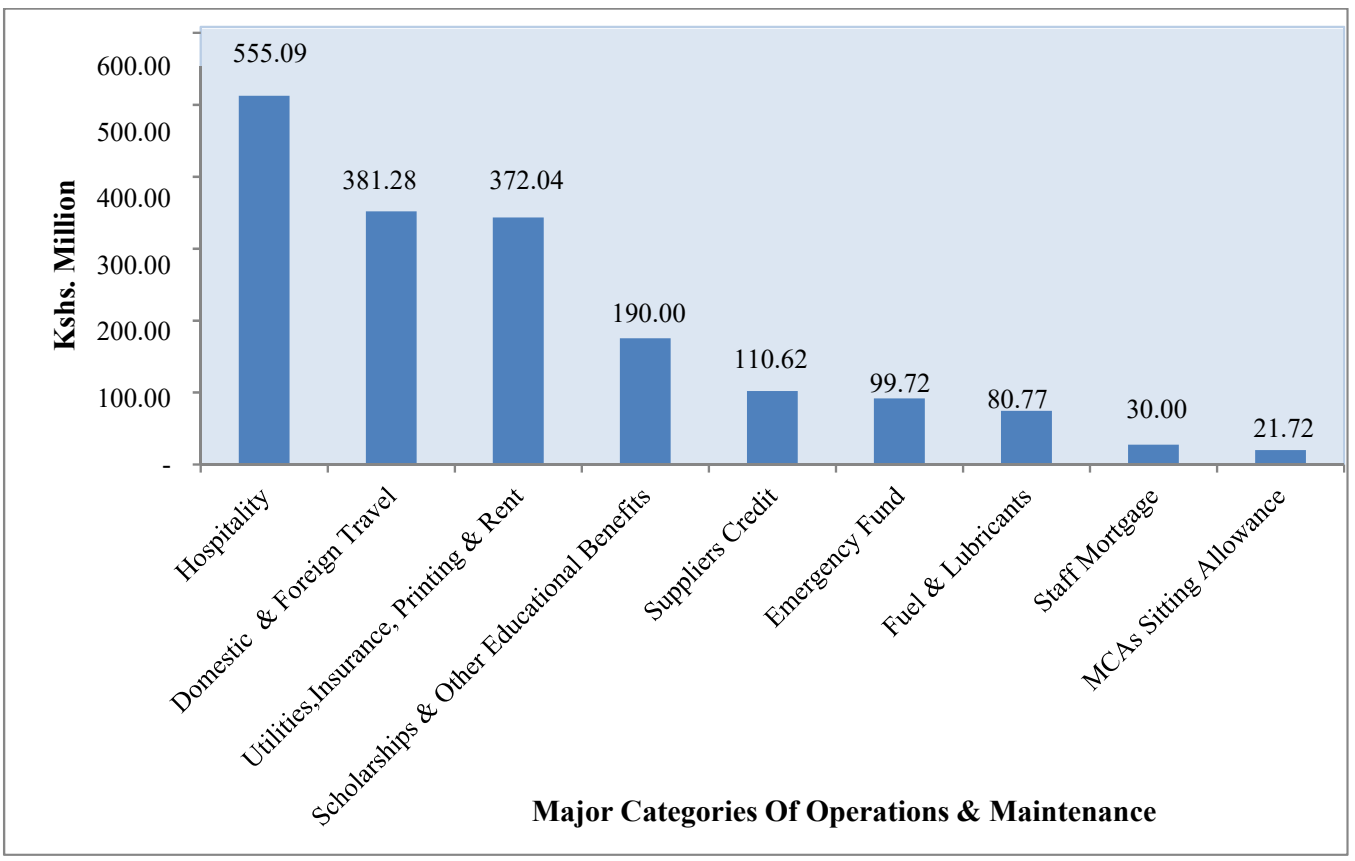
***Source:*** *Bungoma County Treasury*

### 3.3.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.23 billion comprised of Kshs.4.42 billion (61.1 per cent) incurred on personnel emoluments and Kshs.2.81 billion (38.9 per cent) on operations and maintenance as shown in Figure 3.11.

Expenditure on personnel emoluments represented a decrease of 4.6 per cent compared to FY 2017/18 when the County spent Kshs.4.63 billion and was 46.1 per cent of the total expenditure in FY 2018/19. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.12: Bungoma County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Bungoma County Treasury*

The County spent Kshs.21.72 million on committee sitting allowances for the 61 MCAs and Speaker against the annual budget allocation of Kshs.26.90 million. This represented a decrease of 24.3 per cent compared to Kshs.35.81 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.29,666 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.381.28 million, and comprised of Kshs.27.93 million spent by the County Assembly and Kshs.353.35 million by the County Executive. This expenditure represented 4.9 per cent of total recurrent expenditure and was an increase of 107.9 per cent compared to Kshs.183.42 million spent in FY 2017/18.

### 3.3.8 Budget Performance by County Department

Table 3.9 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.9: Bungoma County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (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 | 434.72 | 504.59 | 427.68 | 218.37 | 411.88 | 269.54 | 96.3 | 123.4 | 94.7 | 53.4 |
| Tourism, Forestry ,Environment and Natural Resources | 152.14 | 13.64 | 105.98 | - | 150.01 | 10.48 | 141.6 | 0.00 | 98.6 | 76.8 |
| Water | 46.12 | 499.87 | 45.71 | 355.98 | 45.74 | 266.64 | 100.1 | 74.9 | 99.2 | 53.3 |
| Roads and Public Works | 184.09 | 1,513.41 | 184.09 | 574.76 | 170.72 | 1,155.04 | 92.7% | 201.0 | 92.7 | 76.3 |
| Education, Science and ICT | 1,106.31 | 436.12 | 1,104.56 | 132.99 | 1,054.82 | 154.44 | 95.5 | 116.1 | 95.3 | 35.4 |
| Health and Sanitation | 3,120.43 | 304.57 | 2,371.58 | 13.31 | 2,189.81 | 47.07 | 92.3 | 353.6 | 70.2 | 15.5 |
| Trade, Energy and industrialization | 52.61 | 142.71 | 52.61 | 35.12 | 41.64 | 100.85 | 79.1 | 287. | 79.1 | 70.7 |
| Land, Urban and Physical Planning | 82.06 | 125.24 | 81.06 | 63.73 | 76.73 | 175.18 | 94.7 | 274.9 | 93.5 | 139.9 |
| Gender, Culture, Youth and Sports | 129.94 | 106.00 | 105.14 | - | 114.80 | - | 109.2 | 0.0 | 88.4 | - |
| Finance and Planning | 1,175.68 | 66.37 | 963.65 | 24.06 | 1,152.70 | 66.17 | 119.6 | 275.0 | 98.0 | 99.7 |
| County Public Service | 51.06 | - | 46.69 | - | 50.82 | - | 108.8 | 0.00 | 99.5 | - |
| Governors & D/Governors Office | 472.09 | - | 422.50 | - | 439.99 | - | 104.1 | 0.00 | 93.2 | - |
| Public Administration& County Secretary | 609.72 | 55.55 | 504.64 | 9.57 | 449.12 | 12.00 | 89.0 | 125.4 | 73.7 | 21.6 |
| Housing | 29.06 | 22.96 | 28.64 | 19.02 | 24.66 | 22.84 | 86.1 | 120.1 | 84.9 | 99.5 |
| County Assembly | 874.98 | 100.10 | 829.53 | 100.28 | 852.98 | 64.29 | 102.8 | 64.1 | 97.5 | 64.2 |
| Municipal Boards | 50.20 | 302.98 | 1.62 | 300.98 | - | - | - | - | - | - |
| **TOTAL** | **8,571.21** | **4,194.11** | **7,275.68** | **1,848.17** | **7,226.41** | **2,344.53** | **99.3** | **126.9** | **84.3** | **55.9** |

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

Analysis of expenditure by department shows that the Department of Land, Urban and Physical Planning recorded the highest absorption rate of development budget at 139.9 per cent while the Department of Health and Sanitation recorded the lowest at 15.5 per cent. The Department of County Public Service had the highest percentage of recurrent expenditure to its recurrent budget at 99.5 per cent while the Department of Health and Sanitation had the lowest at 70.2 per cent. The Municipal Boards did not record any expenditure in FY 2018/19.

### 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 by 5 per cent from Kshs.619.40 million in FY 2017/18 to Kshs.650.59 million in the reporting period.

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

1. Late submission of reports on financial and non-financial performance by the County Treasury. The quarterly report for the reporting period was not submitted on time contrary to Section 166 of the PFM Act, 2012.
2. Although the wage bill has declined by 4.6 per cent from Kshs.4.63 billion in FY 2017/18 to Kshs.4.42 billion in the reporting period, the wage bill accounted for 46.1 per cent of total expenditure in the reporting period .

3. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Land, Urban and Physical Planning. This is contrary to Section 135 and 154 of PFM Act, 2012.
4. High expenditure on foreign and domestic travel, which increased by 107.9 per cent from Kshs.183.42 million in FY 2017/18 to Kshs.381.28 million in the reporting period.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
3. *The County Treasury should ensure expenditure is within the approved budget.*
4. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

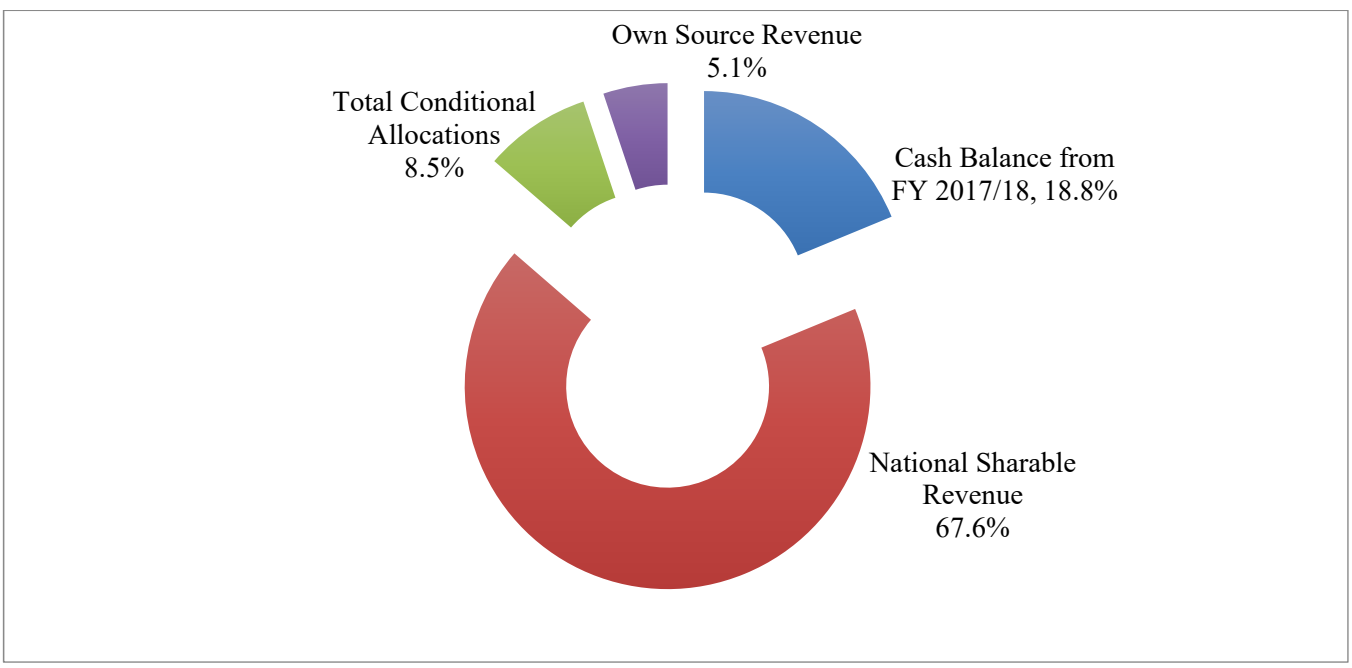
## 3.4 Busia County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.83 billion, comprising of Kshs.5.15 billion (58.4 per cent) and Kshs.3.67 billion (41.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.97 billion (67.6 per cent) as equitable share of the revenue raised nationally, Kshs.750.44 million ( 8.5 per cent) as total conditional grants, generate Kshs.452.52 million (5.1 per cent) from own sources of revenue, and Kshs.1.66 billion (18.8 per cent) cash balance from FY 2017/18.

**Figure 3.13: Busia County, Expected Sources of Budget Financing in FY 2018/19**




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

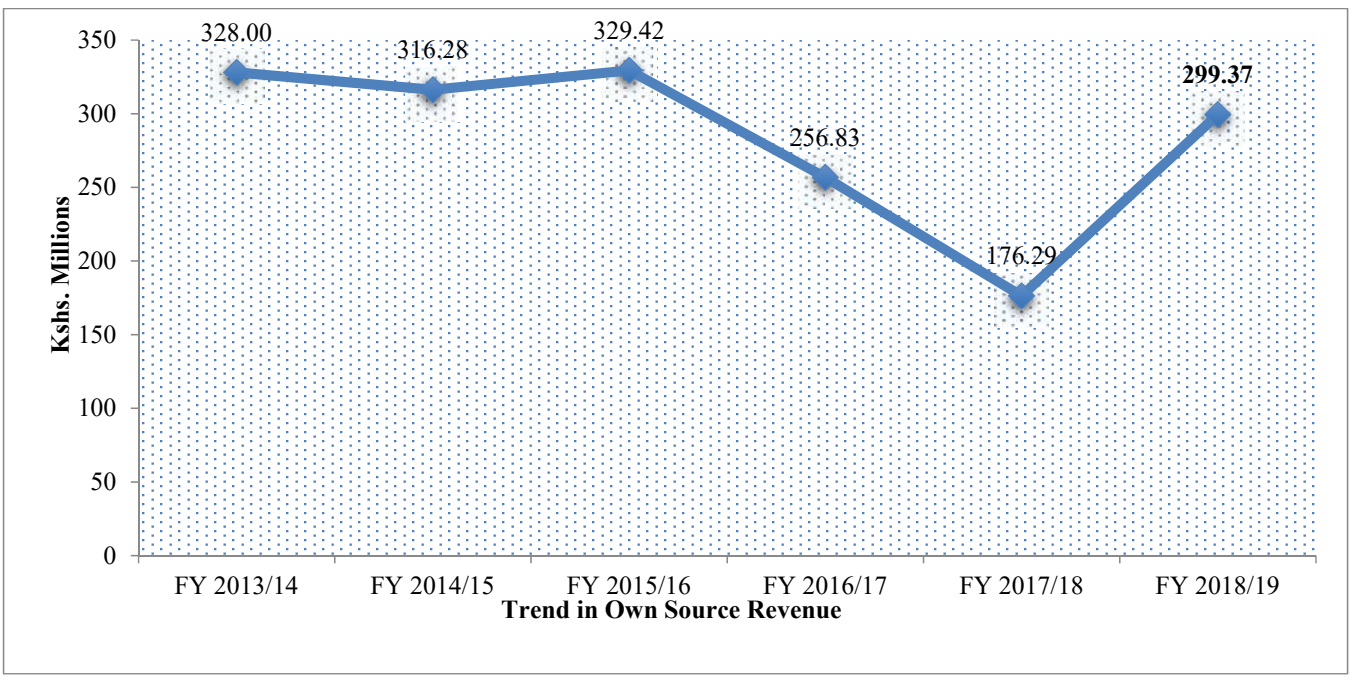
A breakdown of the conditional grants is provided in Table 3.10.

### 3.4.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.83 billion available for budget implementation. This amount consisted of Kshs.5.97 billion received as equitable share of the revenue raised nationally, Kshs.580.59 million as conditional grants, Kshs.299.37 million generated from own sources of revenue, and a cash balance of Kshs.1.66 billion from FY 2017/18.

Figure 3.14 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.14: Busia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.299.37 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.123.08 million compared to that realised in FY 2017/18 and was 66.2 per cent of the annual target.

### 3.4.3 Conditional Grants

During the reporting period, the County received Kshs.580.59 million as conditional grants as shown in Table 3.10.

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

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1. | Road Maintenance Fuel Levy Fund | 157,079,584 | 157,079,584 | 157,079,584 | 100 |
| 2. | Kenya Devolution Support Programme (KDSP) | 47,393,422 | 47,393,422 | 111,305,294 | 234.9 |
| 3. | Compensation for User Fee Foregone | 16,934,085 | 16,934,085 | 16,934,085 | 100 |
| 4. | DANIDA Grant | 19,541,250 | 19,541,250 | 19,541,250 | 100 |
| 5. | Kenya climate smart programme | 117,000,000 | 117,000,000 | 41,146,884 | 35.2 |
| 6. | Development of Youth Polytechnics | 61,960,000 | 61,960,000 | 46,779,800 | 75.5 |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 7. | World Bank Loan for Transforming Health System for universal Care Project | 86,622,298 | 86,622,298 | 37,651,624 | 43.5 |
| 8. | Kenya Urban Support Programme | 101,071,500 | 101,071,500 | 101,071,500 | 100 |
| 9. | Kenya Urban Institutional Grant | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| **Sub Total** | | **648,802,139** | **648,802,139** | **572,710,021** | **88.3** |
| B | **Other Grants** | | | | |
| 10. | Kenya Agricultural Support Grant | 21,640,239 | 21,640,239 | 7,878,728 | 36.4 |
| 11. | Water Tower Protection and Climate Change Mitigation | 80,000,000 | 80,000,000 | - | - |
| **Sub Total** | | **101,640,239** | **101,640,239** | **7,878,728** | **7.8** |
| **Grand Total** | | **750,442,378** | **750,442,378** | **580,588,748** | **77.4** |

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

During the reporting period, receipts from the Kenya Devolution Support Programme (KDSP) conditional grant recorded the highest performance in percentage terms, and accounted 234.9 per cent of the annual target.

### 3.4.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.30 billion from the CRF account. The withdrawals represented 82.7 per cent of the Approved Supplementary Budget and translated to an increase of 20.3 per cent from Kshs.6.07 billion in FY 2017/18 and comprised of Kshs.2.46 billion (33.8 per cent) towards development activities and Kshs.4.84 billion (66.2 per cent) for recurrent expenditure.

### 3.4.5 Overall Expenditure Review

A total of Kshs.6.65 billion was spent on both development and recurrent activities. This expenditure represented 91.1 per cent of the total funds released from the CRF account, and was an increase of 14.5 per cent from Kshs.5.81 billion spent in FY 2017/18.

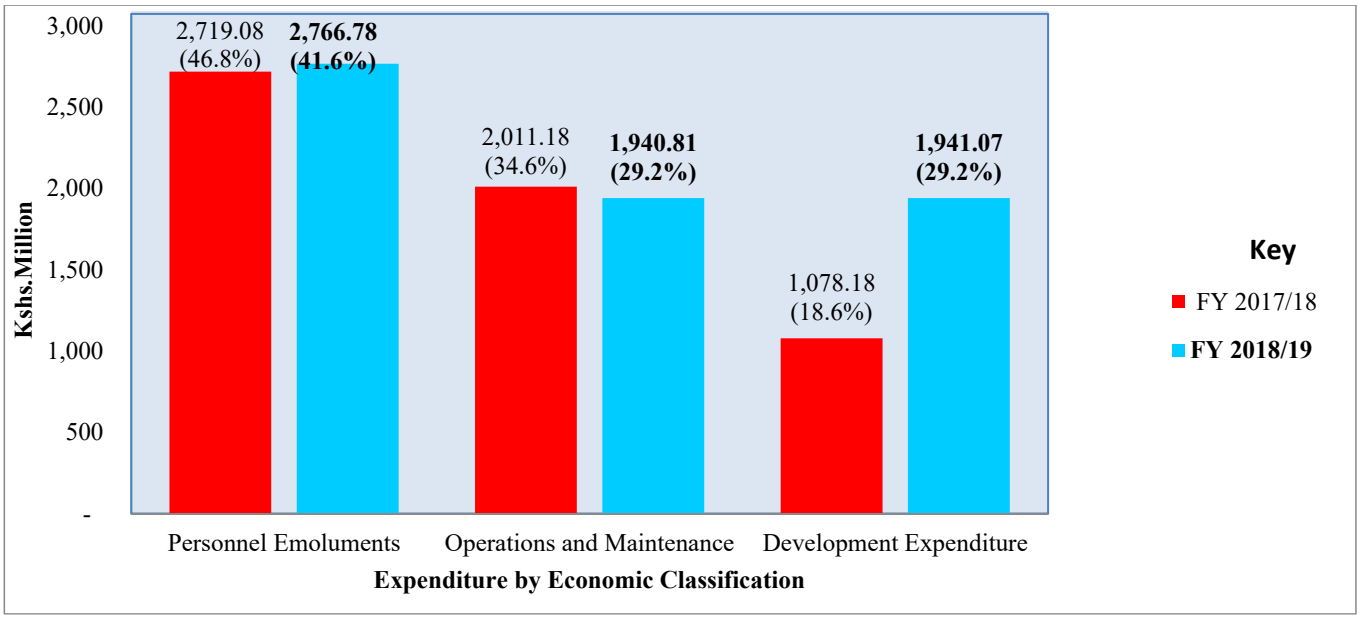
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.285.76 million for development activities and Kshs.549.89 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.94 billion while Kshs.4.71 billion was spent on recurrent activities. The development expenditure was 78.7 per cent of the funds released for development programmes, while recurrent expenditure was 97.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 52.8 per cent, which was an increase from 45.1 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 91.4 per cent of the annual recurrent budget, a decrease from 93.5 per cent recorded in FY 2017/18.

Figure 3.15 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.15: Busia County, Expenditure by Economic Classification**




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

### 3.4.6 Development Expenditure Analysis

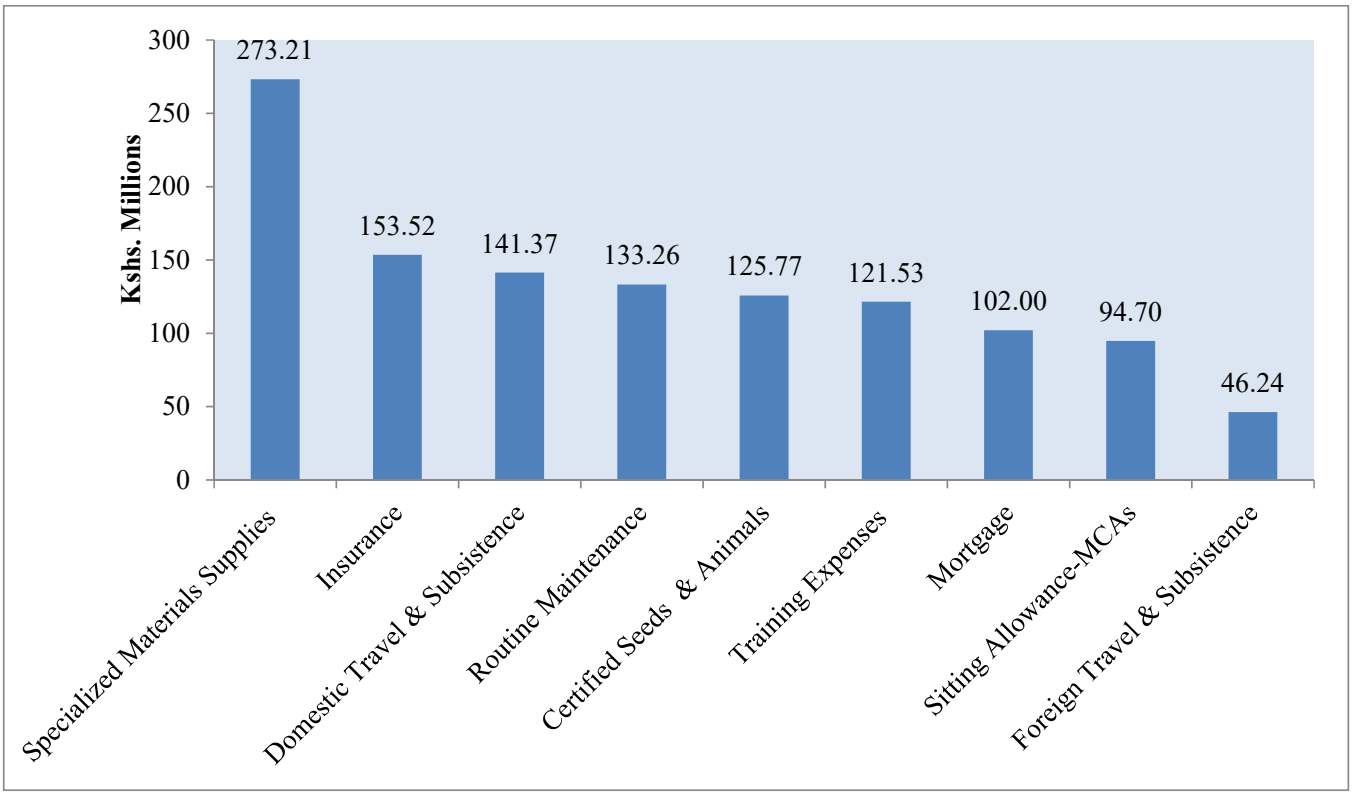
The total development expenditure of Kshs.1.94 billion represented 52.8 per cent of the annual development expenditure estimates of Kshs.3.67 billion. The County did not provide a report on projects implemented in FY 2018/19.

### 3.4.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.71 billion comprised of Kshs.2.77 billion (58.8 per cent) incurred on personnel emoluments and Kshs.1.94 million (41.2 per cent) on operations and maintenance as shown in Figure 3.15.

Expenditure on personnel emoluments represented an increase of 1.8 per cent compared to FY 2017/18 when the County spent Kshs.2.72 billion and was 41.6 per cent of the total expenditure in FY 2018/19. Figure 3.16 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.16: Busia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Busia County Treasury*

The County spent Kshs.94.70 million on committee sitting allowances for the 54 MCAs and speaker against the annual budget allocation of Kshs.113.53 million. This represented an increase of 48.5 per cent compared to Kshs.48.69 million spent in of FY 2017/18. The average monthly sitting allowance translated to Kshs.146,149 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.187.61 million, and comprised of Kshs.78.07 million spent by the County Assembly and Kshs.109.53 million by the County Executive. This expenditure represented 4 per cent of total recurrent expenditure and was a decrease of 0.4 per cent compared to Kshs.188.31 million spent in FY 2017/18.

### 3.4.8 Budget Performance by County Department

Table 3.11 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.11: Busia County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | | Dev | |
| Agriculture and Animal Resources | 236.3 | 420.1 | 204.5 | 250.9 | 207.2 | 193.5 | 101.3 | 77.1 | 87.7 | 46.1 |
| Trade, Cooperatives and Industrialization | 58.9 | 138.0 | 49.5 | 68.8 | 50.6 | 38.5 | 102.4 | 55.9 | 85.9 | 27.9 |
| Education and Vocational Training | 476.2 | 275.1 | 283.8 | 132.7 | 330.3 | 201.5 | 116.4 | 151.9 | 69.4 | 73.2 |
| Finance, Economic Planning and ICT | 1,461.3 | 75.6 | 1,431.4 | 23.1 | 1,325.0 | 11.0 | 92.6 | 47.7 | 90.7 | 14.6 |

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | | Dev | |
| Youth, Culture, sports, Tourism and Social Services | 76.9 | 110.6 | 76.9 | 85.3 | 74.3 | 109.3 | 96.5 | 128.2 | 96.5 | 98.9 |
| Roads, Public Works, Energy and Transport | 74.6 | 1,121.1 | 73.4 | 890.6 | 68.3 | 904.0 | 93.1 | 101.5 | 91.7 | 80.6 |
| Public Service Management | 50.6 | - | 50.6 | - | 45.3 | - | 89.6 | - | 89.6 | - |
| Lands, Housing and urban Development | 114.1 | 360.1 | 72.9 | 233.5 | 60.7 | 40.7 | 83.2 | 17.4 | 53.1 | 11.3 |
| Water Environment and Natural Resources | 126.1 | 473.5 | 122.6 | 295.9 | 116.2 | 191.1 | 94.8 | 64.6 | 92.2 | 40.4 |
| Health and Sanitation | 1,365.7 | 613.8 | 1,366.2 | 448.9 | 1,355.8 | 224.5 | 99.2 | 50.0 | 99.3 | 36.6 |
| County Public Service Board | 48.4 | - | 48.3 | - | 43.6 | - | 90.4 | - | 90.2 | - |
| The Governorship | 334.6 | 16.1 | 328.1 | 1.3 | 329.4 | 0.1 | 100.4 | 6.0 | 98.4 | 0.5 |
| County Assembly | 728.5 | 70.0 | 728.0 | 33.9 | 700.9 | 26.9 | 96.3 | 79.3 | 96.2 | 38.4 |
| **TOTAL** | **5,152.3** | **3,674.2** | **4,836.3** | **2,464.9** | **4,707.6** | **1,941.1** | **97.3** | **78.7** | **91.4** | **52.8** |

*Source: Busia County Treasury*

Analysis of expenditure by department shows that the Department of Youth, Culture, Sports and Tourism recorded the highest absorption rate of development budget at 98.9 per cent while the Governorship recorded the lowest at 0.5 per cent. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 99.3 per cent while the Department of Lands Housing and Urban development had the lowest at 53.1 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 collection of own source revenue by 16.6 per cent from 256.83 million in FY 2017/18 to Kshs.299.37 million FY 2018/19.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure by the County to provide a report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.1.94 billion during the reporting period.
3. Increase in wage bill by 1.8 per cent from Kshs.2.72 billion in FY 2017/18 to Kshs.2.77 billion in the reporting period. The wage bill accounted for 41.6 per cent of total expenditure in FY 2018/19.

The County should implement the following measures 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.*
2. *The County Treasury should provide complete reports on financial and non-financial performance in line with Section 166 of the PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

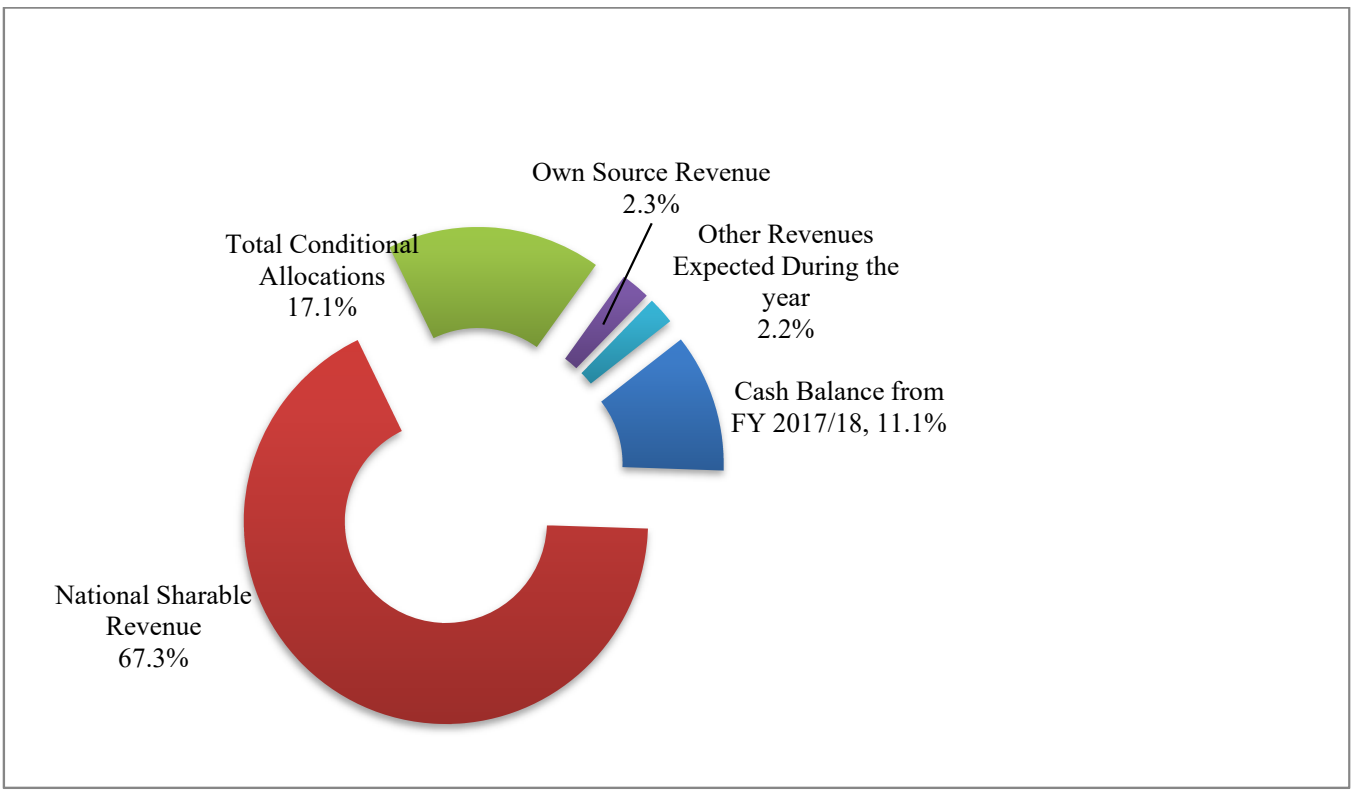
## 3.5 Elgeyo Marakwet County

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

The County's FY 2018/19 Supplementary Budget was Kshs.5.60 billion, comprising of Kshs.3.14 billion (56.1 per cent) and Kshs.2.47 billion (43.9 per cent) allocation for recurrent and expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.77 billion (67.3 per cent) as equitable share of the revenue raised nationally, Kshs.959.44 billion (17.1 per cent) as total conditional grants, generate Kshs.130.44 million (2.3 per cent) from own sources of revenue, Kshs.620.90 million (11.1 per cent) cash balance from FY 2017/18, and Kshs.122.30 million (2.2 per cent) from other sources.

**Figure 3.17: Elgeyo Marakwet County, Expected Sources of Budget Financing in FY 2018/19**




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

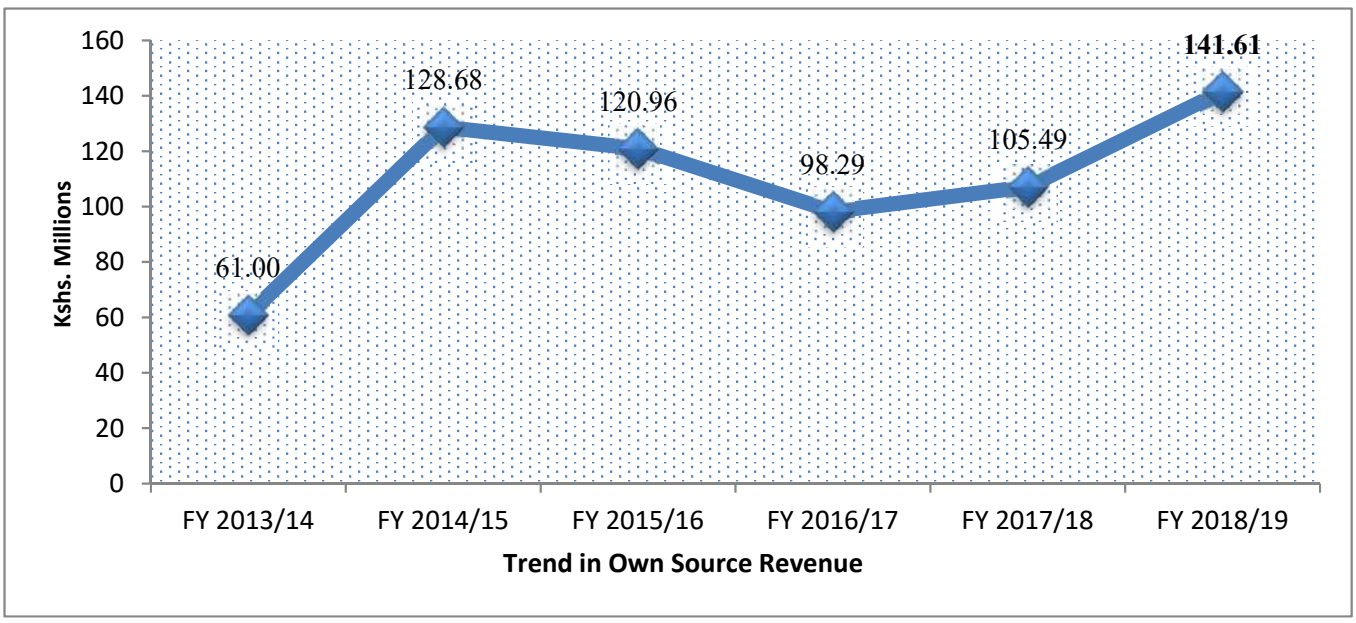
A breakdown of the conditional grants is provided in Table 3.12.

### 3.5.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.4.94 billion available for budget implementation. This amount consisted of Kshs.3.77 billion received as equitable share of the revenue raised nationally, Kshs.343.54 million as conditional grants, Kshs.141.61 million generated from own sources of revenue, cash balance of Kshs.620.90 million from FY 2017/18 and Kshs.66.50 million from other received revenue.

Figure 3.18 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.18: Elgeyo Marakwet County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.141.61 million from own revenue sources in FY 2018/19. This amount represented an increase of 34.2 per cent compared to Kshs.105.49 million realised in FY 2017/18 and was 108.6 per cent of the annual target.

### 3.5.3 Conditional Grants

During the reporting period, the County received Kshs.343.54 million as conditional grants as shown in Table 3.12.

**Table 3.12: Elgeyo Marakwet County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Compensation for User Fee Foregone | 8,788,919 | 8,788,919 | 8,788,919 | 100 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 99,208,158 | 201,183,138 | 99,208,159 | 49.3 |
| 4 | Rehabilitation of Village Polytechnics | 41,800,000 | 79,441,245 | 31,559,000 | 39.7 |
| 5 | Transforming Health Systems for Universal Care Project (World Bank) | 50,000,000 | 50,000,000 | 22,067,993 | 44.1 |
| 6 | IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 31,698,328 | 27.1 |
| 7 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 38,552,919 | 60,461,883 | - | - |
| 8 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 89,802,100 | 131,002,100 | 131,002,100 | 100.0 |
| 9 | DANIDA - Universal Healthcare in Devolved System Programme | 12,150,000 | 12,150,000 | 12,150,000 | 100.0 |
| 10 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 19,408,938 | 19,408,938 | 7,066,361 | 36.4 |
| 11 | EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER) | 80,000,000 | 80,000,000 | - | - |

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 12 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | - | - | - |
| | **Sub Total** | **797,911,034** | **959,436,223** | **343,540,860** | **35.8** |
| | **Other Revenue Sources** | | | | |
| 13 | World Bank – Maternal Health | - | 1,009,812 | - | - |
| 14 | Savings from Staff Exists | - | 54,797,763 | - | - |
| 15 | Retention Monies | - | 66,495,981 | 66,495,981 | 100.0 |
| | **Sub Total** | **-** | **122,303,556** | **66,495,981** | **54.4** |
| **Grand Total** | | **797,911,034** | **1,081,739,779** | **410,036,840** | **37.9** |

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

During the reporting period, receipts from the Compensation for User Fee Foregone, and Kenya Urban Support Project (KUSP) conditional grants recorded the highest performance in percentage terms, and accounted 100 per cent of the annual target.

### 3.5.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.4.47 billion from the CRF account. The withdrawals represented 79.8 per cent of the Approved Supplementary Budget and translated to an increase of 9.8 per cent from Kshs.4.07 billion in FY 2017/18 and comprised of Kshs.1.35 billion (30.2 per cent) towards development activities and Kshs.3.12 billion (69.8 per cent) for recurrent expenditure.

### 3.5.5 Overall Expenditure Review

A total of Kshs.4.43 billion was spent on both development and recurrent activities. This expenditure represented 99.1 per cent of the total funds released from the CRF account, and was an increase of 14.5 per cent from Kshs.3.87 billion spent in FY 2017/18.

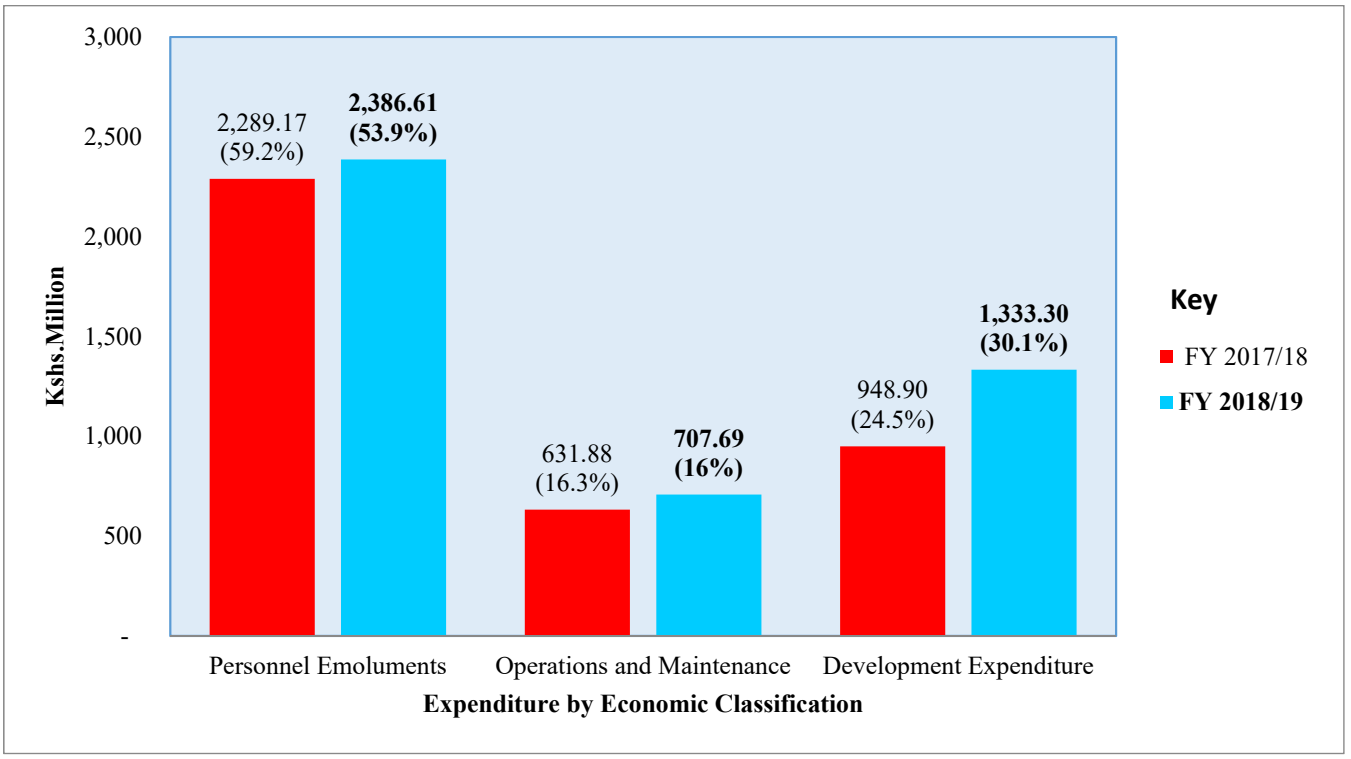
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.637.60 million for development activities and Kshs.37.27 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.33 billion while Kshs.3.09 billion was spent on recurrent activities. The development expenditure was 98.7 per cent of the funds released for development programmes, while recurrent expenditure was 99.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 54.1 per cent, which was an increase from 49 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 98.4 per cent of the annual recurrent budget, an increase from 97.2 per cent recorded in FY 2017/18.

Figure 3.19 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.19: Elgeyo Marakwet County, Expenditure by Economic Classification




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

### 3.5.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.33 billion represented 54.1 per cent of the annual development expenditure estimates of Kshs.2.47 billion. Table 3.13 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.13: Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Opening, Construction and Maintenance of Salaba-Kabulwo Road | Emsoo | 10,000,000 | 8,656,290 | 86.6 |
| 2 | Grading and Murramming of Kipkochiro Benet - Kapsich - Tenden-Simat -Magoi- Lochin-Lamaon-Kabelio-Karmoson-Yatia-Kapchore-Kapsurgat-Jemunada | Cherangany | 9,000,000 | 8,901,158 | 98.9 |
| 3 | Emsoo Water Project | Emsoo | 8,560,499 | 7,844,820 | 91.6 |
| 4 | Supply of Spare Parts | All Wards | 8,000,000 | 8,000,000 | 100.0 |
| 5 | Supply of FMD | County | 8,000,000 | 7,971,680 | 99.6 |
| 6 | Maintenance of Chesubet – Kapkanyar – Kabaranget - Kipteber Primary Junction | Sengwer | 8,000,000 | 5,945,380 | 74.3 |
| 7 | Kochokwo/Kowoi Borehole and Muskut HF Water Tank | Soy North | 6,550,591 | 6,254,054 | 95.5 |
| 8 | Cheminya Water Project | Soy North | 6,200,000 | 6,200,000 | 100.0 |
| 9 | Opening and Maintenance of Kamui Dispensary -Marsitet Road | Kapsowar | 6,000,000 | 5,830,755 | 97.2 |
| 10 | Opening and maintenance of Taiya - Kiptengwer Road | Metkei | 6,000,000 | 5,146,000 | 85.8 |

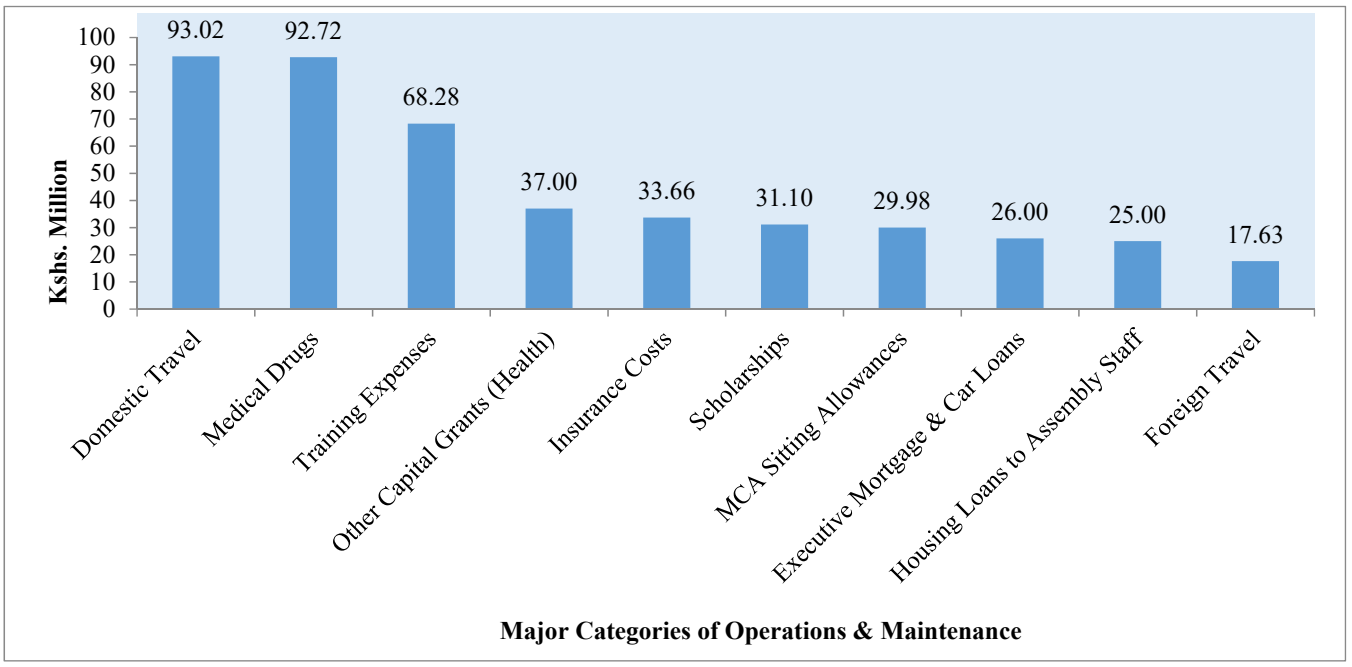
***Source:*** *Elgeyo Marakwet County Treasury*

### 3.5.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.09 billion comprised of Kshs.2.39 billion (77.3 per cent) incurred on personnel emoluments and Kshs.707.69 million (22.7 per cent) on operations and maintenance as shown in Figure 3.19.

Expenditure on personnel emoluments represented an increase of 4.3 per cent compared to FY 2017/18 when the County spent Kshs.2.29 billion and was 53.9 per cent of the total expenditure in FY 2018/19. Figure 3.20 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.20: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




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

The County spent Kshs.29.98 million on committee sitting allowances for the 34 MCAs and Speaker against the annual budget allocation of Kshs.35.90 million. This represented a significant increase of 147 per cent compared to Kshs.12.13 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.71,370 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.110.65 million, and comprised of Kshs.82.72 million spent by the County Assembly and Kshs.27.93 million by the County Executive. This expenditure represented 3.6 per cent of total recurrent expenditure and was a significant increase of 74.3 per cent compared to Kshs.63.49 million spent in FY 2017/18.

### 3.5.8 Budget Performance by County Department

Table 3.14 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.14: Elgeyo Marakwet County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 566.84 | 1.13 | 566.64 | 1.13 | 566.48 | 1.13 | 100 | 100 | 99.9 | 100. |
| Office of the Governor | 161.59 | - | 160.87 | - | 159.97 | - | 99.4 | - | 99.0 | - |
| Finance and Economic Planning | 243.24 | - | 235.09 | - | 219.38 | - | 93.3 | - | 90.2 | - |
| Agriculture, and Irrigation | 96.76 | 277.93 | 96.66 | 147.62 | 95.75 | 117.37 | 79.5 | 79.5 | 99.0 | 42.2 |
| Education and Tech. Training | 212.63 | 384.99 | 212.55 | 198.87 | 211.52 | 241.22 | 99.5 | 121.3 | 99.5 | 62.7 |
| Health and Sanitation | 1,384.06 | 478.89 | 1,378.81 | 149.76 | 1,378.90 | 137.59 | 100.0 | 91.9 | 99.6 | 28.7 |
| Water, Lands, Environment & Climate Change | 73.79 | 553.57 | 73.42 | 368.73 | 73.16 | 324.68 | 99.6 | 88.1 | 99.1 | 58.7 |
| Roads, Public Works and Transport | 65.28 | 478.05 | 65.10 | 292.82 | 63.97 | 328.28 | 98.3 | 112.1 | 98.0 | 68.7 |
| Tourism, Culture, Wildlife, Trade & Industry | 36.93 | 54.62 | 36.38 | 35.12 | 36.39 | 37.86 | 100.0 | 107.8 | 98.5 | 69.3 |
| Youth Affairs, Sports, ICT & Social Services | 36.77 | 117.76 | 36.39 | 75.22 | 35.07 | 72.02 | 96.4 | 95.7 | 95.4 | 61.2 |
| Public Service Management & County Administration | 108.49 | 76.67 | 108.01 | 43.48 | 107.28 | 35.01 | 99.3 | 80.5 | 98.9 | 45.7 |
| County Public Service Board | 55.44 | 0.48 | 54.86 | 0.48 | 54.26 | 479.00 | 98.9 | 100.0 | 97.9 | 100 |
| Livestock Production, Fisheries & Cooperative Development | 93.43 | 41.72 | 93.11 | 37.70 | 92.15 | 37.67 | 99.0 | 99.8 | 98.6 | 90.3 |
| **Total** | **3,135.27** | **2,465.81** | **3,117.89** | **1,350.93** | **3,091.30** | **1,333.30** | **99.2** | **98.7** | **98.7** | **54.1** |

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

Analysis of expenditure by department shows that the County Public service Board and County Assembly recorded the highest absorption rate of development budget at 100 while the Department of Health and Sanitation recorded the lowest at 28.7 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Finance and Economic planning had the lowest at 90.2 per cent.

### 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. Improvement in the absorption of the development budget from 49 per cent attained in FY 2017/18 to 54.1 per cent in the reporting period.
ii. Improvement in own source revenue collection by 34.2 per cent from Kshs.105.49 million collected in the FY 2017/18 to Kshs.141.61 million in the reporting period, which represented 108.6 per cent of annual target.

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

1. A high wage bill that increased by 4.4 per cent from Kshs.2.29 billion in the FY 2017/18 to Kshs.2.39 billion in the reporting period. The wage bill accounted for 53.9 per cent of total expenditure in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

3. Late submission of financial reports by the County Treasury to the OCOB, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
4. High expenditure on foreign and domestic travel, which increased by 74.3 per cent from Kshs.63.49 million in FY 2017/18 to Kshs.110.65 million in the reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) 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.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act, 2012.*
4. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

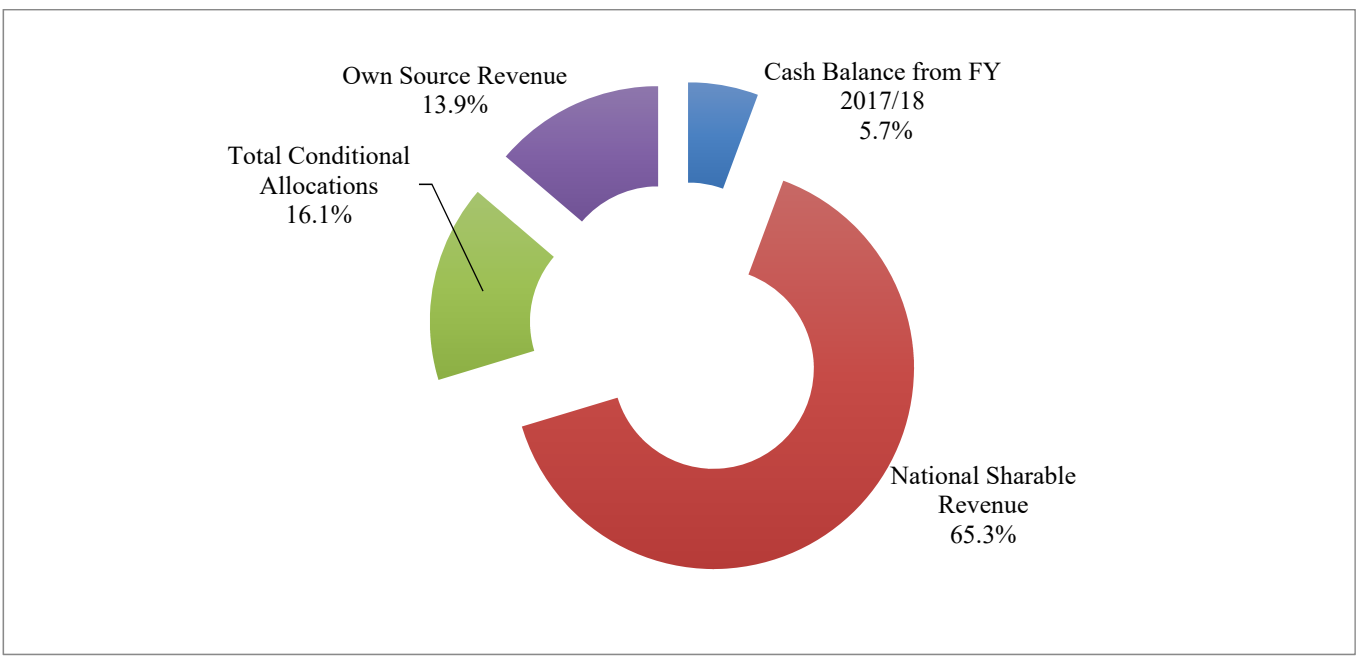
## 3.6 Embu County

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

The County's FY 2018/19 Supplementary Budget was Kshs.6.83 billion, comprising of Kshs.4.66 billion (68.3 per cent) and Kshs.2.17 billion (31.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.46 billion (65.3 per cent) as equitable share of revenue raised nationally, Kshs.1.10 billion (16.1 per cent) as total conditional grants, generate Kshs.950 million (13.9 per cent) from own-source of revenue, and Kshs.389.88 million (5.7 per cent) cash balance from FY 2017/18.

**Figure 3.21: Embu County, Expected Sources of Budget Financing in FY 2018/19**




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

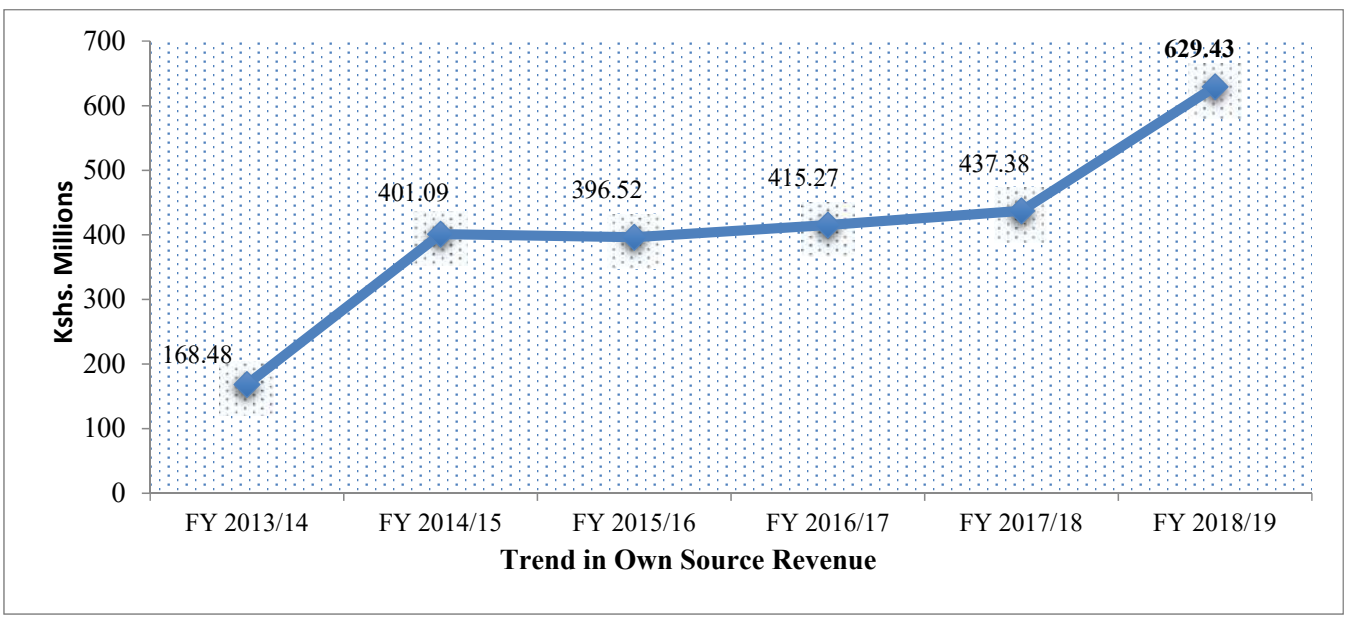
A breakdown of the conditional grants is provided in Table 3.15.

### 3.6.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.6.17 billion available for budget implementation. This amount consisted of Kshs.4.46 billion received as equitable share of the revenue raised nationally, Kshs.692.68 million as conditional grants, Kshs.629.43 million generated from own sources of revenue, and a cash balance of Kshs.389.88 million from FY 2017/18.

Figure 3.22 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.22: Embu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.629.43 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.192.05 million compared to that realised in FY 2017/18 and represented 66.3 per cent of the annual target.

### 3.6.3 Conditional Grants

During the reporting period, the County received Kshs.692.68 million as conditional grants as shown in Table 3.15.

**Table 3.15: Embu County, Conditional Grants/Loans Received in the FY 2018/19**

| No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Grants to Level- 5 Hospital | 301,040,462 | 301,040,462 | 301,040,462 | 100.0 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | 50,078,476 | 35.7 |
| 4 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 119,892,100 | 119,892,100 | 119,892,100 | 100.0 |
| 5 | Road Maintenance Fuel Levy | 117,396,321 | 117,396,321 | 117,396,321 | 100.0 |
| 6 | Transforming Health Systems for Universal Care Project (World Bank) | 50,000,000 | 50,000,000 | 38,574,958 | 77.1 |

| No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 7 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | 41,200,000 | 41,200,000 | 100.0 |
| 8 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 40,595,727 | 40,595,727 | - | - |
| 9 | Rehabilitation of Village Polytechnics | 37,900,000 | 37,900,000 | - | - |
| 10 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 17,741,363 | 23,241,363 | - | - |
| 11 | DANIDA - Universal Healthcare in Devolved System Programme | 13,770,000 | 13,770,000 | 13,770,000 | 100 |
| 12 | Compensation for User Fee Foregone | 10,724,225 | 10,724,225 | 10,724,225 | 100 |
| **Grand Total** | | **1,090,695,361** | **1,096,195,361** | **692,676,542** | **63.5** |

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

During the reporting period, receipts from the grants to Level- 5 Hospital, Kenya Urban Support Project (KUSP), Road Maintenance Fuel Levy, DANIDA grant and Compensation for User Fee Foregone recorded the highest performance in percentage terms, and accounted 100 per cent of the annual target.

### 3.6.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.99 billion from the CRF account. The withdrawals represented 87.7 per cent of the Approved Supplementary Budget and translated to an increase of 11.2 per cent from Kshs.5.38 billion in FY 2017/18 and comprised of Kshs.1.43 billion (23.9 per cent) towards development activities and Kshs.4.55 billion (76.1 per cent) for recurrent expenditure.

### 3.6.5 Overall Expenditure Review

A total of Kshs.5.91 billion was spent on both development and recurrent activities. This expenditure represented 98.8 per cent of the total funds released from the CRF account, and was an increase of 16.8 per cent from Kshs.5.06 billion spent in FY 2017/18.

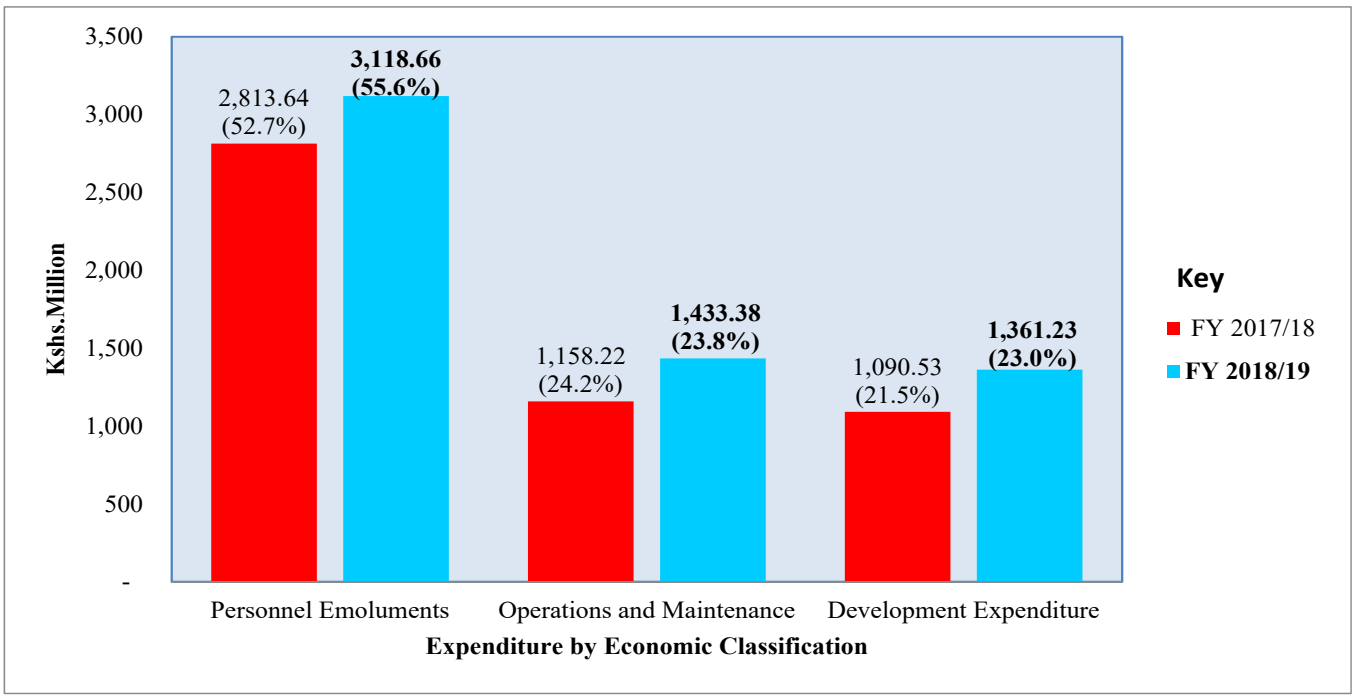
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.609.25 million for development activities and Kshs.439.69 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.36 billion while Kshs.4.55 billion was spent on recurrent activities. The development expenditure was 95 per cent of the funds released for development programmes, while recurrent expenditure was 100 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 62.8 per cent, which was an increase from 58.7 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 97.7 per cent of the annual recurrent budget, an increase from 92 per cent recorded in FY 2017/18.

Figure 3.23 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.23: Embu County, Expenditure by Economic Classification




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

### 3.6.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.36 billion represented 62.8 per cent of the annual development expenditure estimates of Kshs.2.17 billion. Table 3.16 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.16: Embu County, List of Development Projects with the Highest Expenditure in FY 2018/19

| No | Project Name | Project Location | Project budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Geo-Referencing at Mwea 58 Parcels of Land-Other Parcels of Lands | Mwea Scheme | 7,057,340 | 70,115,856 | 993.5 |
| 2 | Tarmacking of Mukuuri/Nduuri Road | Runyenjes Central | 147,728,002 | 59,155,331 | 40.0 |
| 3 | Upgrading to Bitumen - Kwa Mutoi - Nduuri Road | Runyenjes Central | 147,728,002 | 49,288,317 | 33.4 |
| 4 | Construction of Badea Wards Phase II | Level 5- Kirimari | 27,585,695 | 24,393,402 | 88.4 |
| 5 | Rehabilitation of Bus Parks, Parking lots within CBD and Pedestrian Walkways along Beekay- Kubukubu Road; Rupingazi river to Governor's Office; Installation of Cabro Pavement on Mama Ngina Street | Kirimari | 50,000,000 | 19,046,132 | 38.1 |
| 6 | Equipping of Level 4 Hospitals- | Kianjokoma, Runyenjes, Ishiara, Siakago, Kiritiri, Kairuri | 25,475,000 | 18,583,417 | 72.9 |
| 7 | Tarmacking of Kutus Wholesalers-Kenya Power-Blue Valley Road (1.2KM), Rehabilitation of Kirimari Shell to Jatomy Supermarket | Kirimari | 50,000,000 | 18,000,000 | 36.0 |
| 8 | Rehabilitation Paving and Cabros for Runyenjes Town and Ishiara. | Runyenjes Town and Ishiara | 50,800,000 | 17,362,160 | 34.2 |
| 9 | Construction of Kindaruma, Mutuovare and Gitaru Mathigira Kenda Water Supply System | Kindaruma, Mutuovare and Gitaru Mathigira Kenda | 17,228,000 | 17,228,000 | 100.0 |
| 10 | Upgrading of Oxygen Plant | Level 5- Kirimari | 88,000,000 | 17,000,000 | 19.3 |

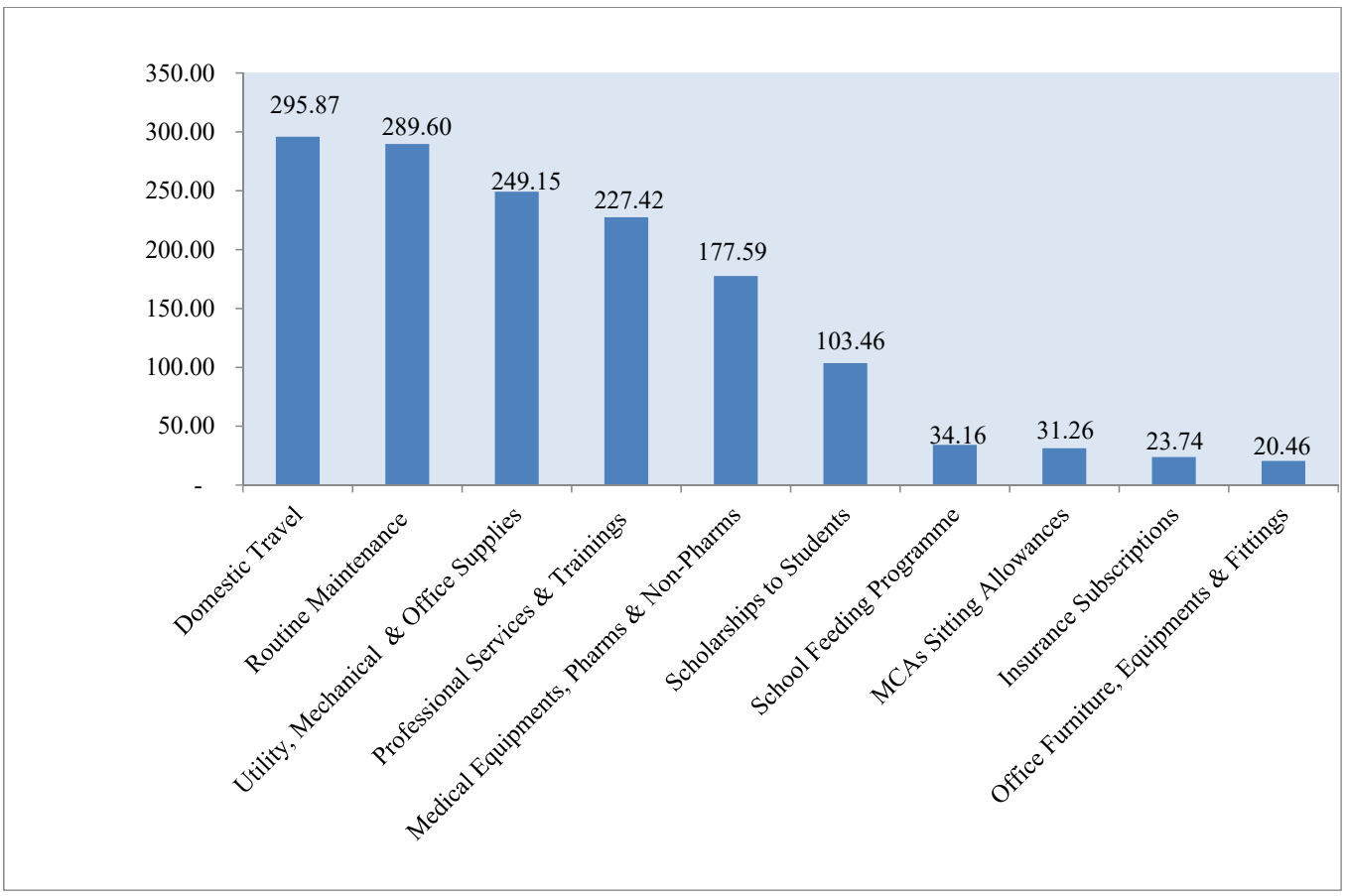
***Source:*** *Embu County Treasury*

### 3.6.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.55 billion comprised of Kshs.3.12 billion (68.5 per cent) incurred on personnel emoluments and Kshs.1.43 billion (31.5 per cent) on operations and maintenance as shown in Figure 3.23.

Expenditure on personnel emoluments represented an increase of 10.8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.81 billion and was 55.6 per cent of the total expenditure in FY 2018/19. Figure 3.24 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.24: Embu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




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

The County spent Kshs.31.26 million on committee sitting allowances for the 34 MCAs and Speaker against the annual budget allocation of Kshs.31.26 million. This represented a decrease of 3.4 per cent compared to Kshs.32.36 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.74,435 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.299.64 million, and comprised of Kshs.156.52 million spent by the County Assembly and Kshs.143.12 million by the County Executive. This expenditure represented 6.6 per cent of total recurrent expenditure and was an increase of 115.8 per cent compared to Kshs.138.85 million spent in FY 2017/18.

### 3.6.8 Budget Performance by County Department

Table 3.17 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.17: Embu County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 171.89 | - | 171.89 | - | 168.82 | - | 98.2 | 0 | 98.2 | - |
| County Public Service Board | 27.72 | - | 27.72 | - | 27.13 | - | 97.9 | - | 97.9 | - |
| Finance, Economic Planning | 174.63 | 21.00 | 148.93 | 21.00 | 176.80 | 15.98 | 118.7 | 76.1 | 101.2 | 76.1 |
| Education, Youth Empowerment & Sports | 437.38 | 113.54 | 414.81 | 67.60 | 419.15 | 63.51 | 101.0 | 93.9 | 95.8 | 55.9 |
| Health & Sanitation | 1,929.10 | 247.23 | 1,900.43 | 101.03 | 1,928.88 | 74.11 | 101.5 | 73.4 | 100.0 | 30.0 |
| Infrastructure, Public Works, Housing & Energy | 68.32 | 854.29 | 68.32 | 676.73 | 66.28 | 717.56 | 97.0 | 106.0 | 97.0 | 84.0 |
| Trade, Tourism, Investment & Industrialization | 18.88 | 85.19 | 18.88 | 75.74 | 18.33 | 67.93 | 97.0 | 89.7 | 97.0 | 79.7 |
| Agriculture, Livestock, Fisheries & Co-op Devt | 379.28 | 160.23 | 379.28 | 76.61 | 300.15 | 59.39 | 79.1 | 77.5 | 79.1 | 37.1 |
| Water, Environment & Natural Resources | 57.38 | 83.82 | 57.38 | 26.91 | 51.35 | 57.16 | 89.5 | 212.4 | 89.5 | 68.2 |
| Lands, Physical Planning & Urban Development | 91.26 | 188.35 | 94.23 | 141.68 | 88.82 | 134.25 | 94.3 | 94.8 | 97.3 | 71.3 |
| Gender, Culture, Children & Social Services | 8.48 | 38.50 | 8.87 | 38.50 | 7.92 | 19.37 | 89.3 | 50.3 | 93.4 | 50.3 |
| Public Service and Administration | 468.45 | 11.00 | 468.45 | 11.00 | 507.83 | 10.99 | 108.4 | 100.0 | 108.4 | 100.0 |
| Embu Level Five Hospital | 235.45 | 291.12 | 235.45 | 195.78 | 234.52 | 140.96 | 99.6 | 72.0 | 99.6 | 48.4 |
| County Assembly | 592.74 | 72.00 | 558.04 | - | 556.07 | - | 99.6 | - | 93.8 | 0.0 |
| **TOTAL** | **4,661.95** | **2,166.29** | **4,552.68** | **1,432.59** | **4,552.03** | **1,361.23** | **100.0** | **95.0** | **97.7** | **62.8** |

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

Analysis of expenditure by department shows that the Department of Public Service and Administration recorded the highest absorption rate of development budget at 100 per cent while the Department of Health recorded the lowest at 30 per cent. The Department of Public Service and Administration had the highest percentage of recurrent expenditure to its recurrent budget at 108.4 per cent while the Department of Agriculture, Livestock, Fisheries & Co-operatives Development had the lowest at 79.1 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 by 43.9 per cent from Kshs.437.38 million in the FY 2017/18 to Kshs.629.43 million in the reporting period.
ii. Improvement in absorption of the development budget by 24.8 per cent from Kshs.1.09 billion in FY 2017/18 to Kshs.1.36 billion in the reporting period.

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

1. Inadequate budgetary control that resulted in expenditure above approved budget such as on "Geo-Referencing at Mwea 58 Parcels of Land-Other Parcels of Lands".This is contrary to Section 135 and 154 of PFM Act, 2012.
2. The County operationalised the Emergency Fund and spent Kshs.5.55 million before enactment of appropriate legislation as provided under Section 116 of the PFM Act, 2012.
3. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, Bursary Fund and the Youth and Women Funds contrary to Section 168 of the PFM Act, 2012.
4. 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.
5. A high wage bill that increased by 10.8 per cent from Kshs.2.81 billion in FY 2017/18 to Kshs.3.12 billion in the reporting period. The wage bill accounted for 55.6 per cent of total expenditure in the reporting period.

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

1. *The County Treasury should ensure expenditure is within the approved budget.*
2. *The County Treasury should enact legislation to operationalize the county Emergency Fund in compliance to section 116 of the PFM Act 2012*
3. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
4. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
5. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

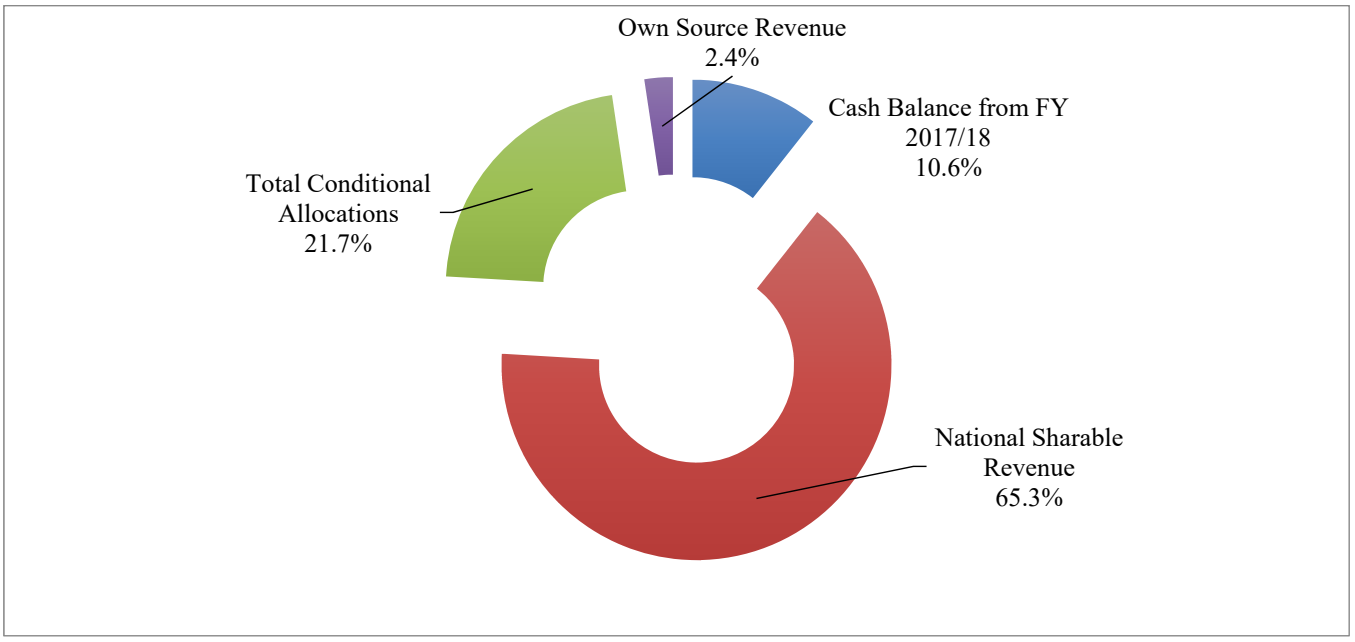
## 3.7 Garissa County

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

The County's FY 2018/19 Supplementary Budget was Kshs.10.72 billion, comprising of Kshs.6.53 billion (60.9 per cent) and Kshs.4.19 billion (39.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.94. billion (65.3 per cent) as equitable share of the revenue raised nationally, Kshs.2.31 billion (21.7 per cent) as total conditional grants, generate Kshs.250 million (2.4 per cent) from own sources of revenue, and Kshs.1.13 billion (10.6 per cent) cash balance from FY 2017/18.

**Figure 3.25: Garissa County, Expected Sources of Budget Financing in FY 2018/19**




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

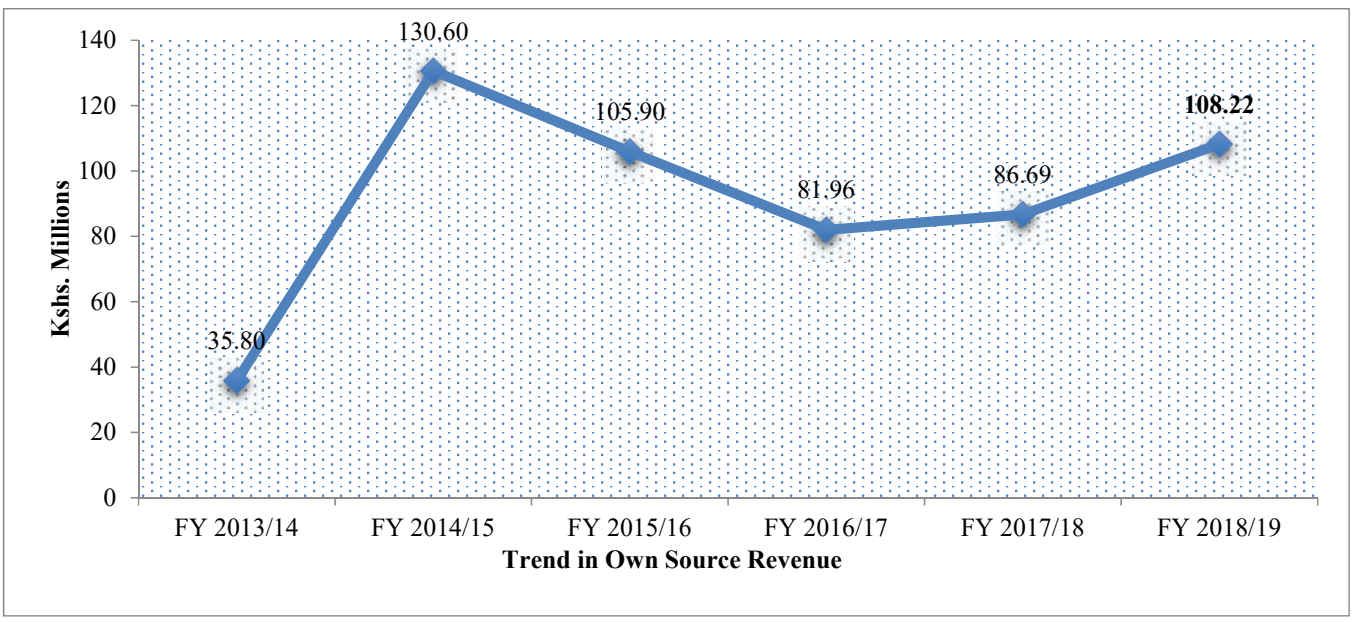
A breakdown of the conditional grants is provided in Table 3.18.

### 3.7.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.9.17 billion available for budget implementation. This amount consisted of Kshs.6.94 billion received as equitable share of the revenue raised nationally, Kshs.890.06 million as conditional grants, Kshs.108.22 million generated from own sources of revenue, and a cash balance of Kshs.1.13 billion from FY 2017/18.

Figure 3.26 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.26: Garissa County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.108.22 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.21.53 million compared to that realised in FY 2017/18 and was 43.3 per cent of the annual target.

### 3.7.3 Conditional Grants

During the reporting period, the County received Kshs.890.06 million as conditional grants as shown in Table 3.18.

**Table 3.18: Garissa County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Conditional Grants to Level - 5 Hospital | 344,739,884. | 344,739,884 | 344,739,884 | 100 |
| 3 | Compensation for User Fee Foregone | 12,964,636. | 12,964,636 | 12,964,636 | 100 |
| 4 | Leasing of Medical Equipment | 200,000,000. | 200,000,000 | - | - |
| 5 | Road Maintenance Fuel Levy | 182,708,358. | 182,708,358 | 91,354,179 | 50 |
| 6 | Grants to Youth polytechnic | 35,355,000. | 35,355,000 | 35,355,000 | 100 |
| 7 | Transforming Health Systems for Universal Care Project (WB) | 100,000,000 | 100,000,000 | 68,556,430 | 68.9 |
| 8 | Water and Sanitation Development (World Bank) | 1,000,000,000 | 1,000,000,000 | - | - |
| 9 | Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 55,847,540 | 37.2 |
| 10 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 47,735,752 | 47,735,752 | 47,735,752 | 100 |
| 11 | Kenya Urban Support Project (KUSP) | 233,506,000 | 233,506,000 | 233,506,000 | 100 |
| **Total** | | **2,307,009,630** | **2,307,009,630** | **890,059,421** | **38.6** |

*Garissa County Treasury*

During the reporting period, receipts from the Grants to Level -5 Hospital, Compensation for User Fess Foregone, grants to Youth Polytechnic, Kenya Devolution Support Project, and Kenya Urban Support Project conditional grant recorded the highest performance in percentage terms, and accounted 100 per cent respectively of the annual target.

### 3.7.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.8.84 billion from the CRF account. The withdrawals represented 82.5 per cent of the Approved Supplementary Budget and translated to an increase of 35.2 per cent from Kshs.6.54 billion in FY 2017/18 and comprised of Kshs.2.38 billion (26.9 per cent) towards development activities and Kshs.6.47 billion (73.1 per cent) for recurrent expenditure.

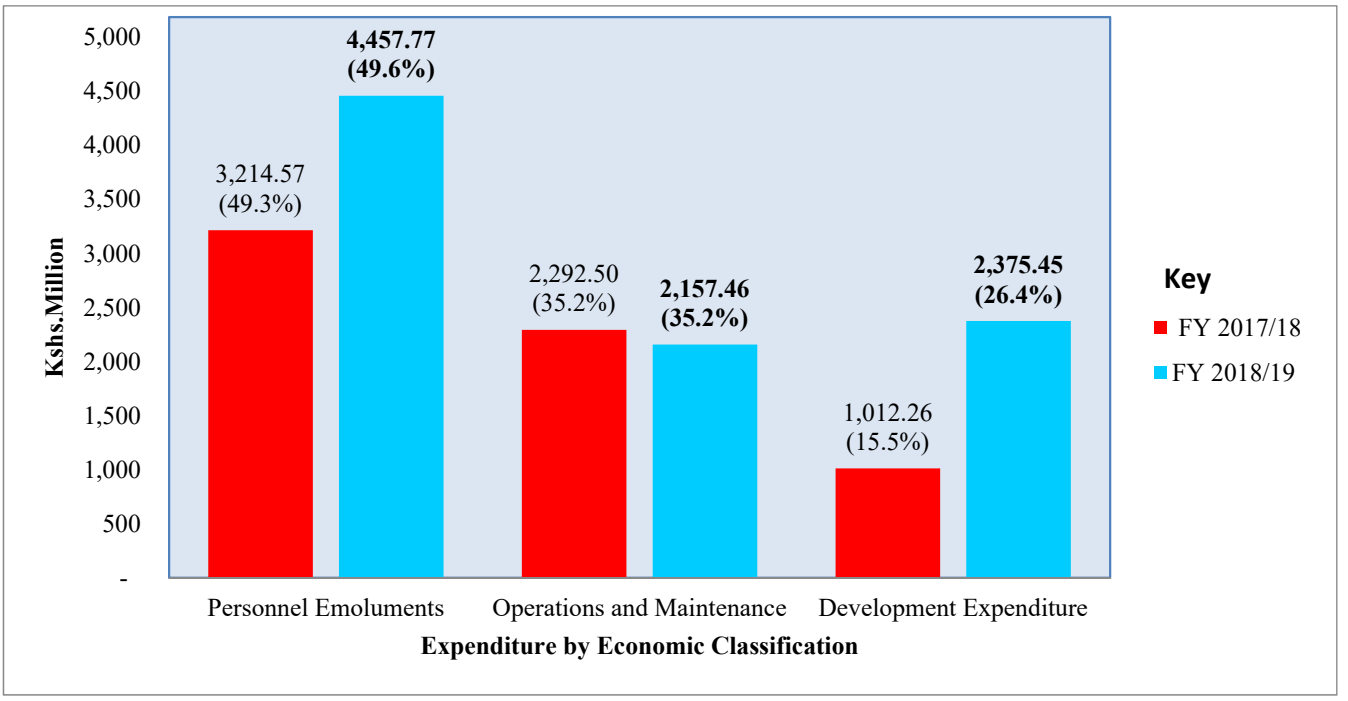
### 3.7.5 Overall Expenditure Review

A total of Kshs.8.95 billion was spent on both development and recurrent activities. This expenditure represented 101.2 per cent of the total funds released from the CRF account, and was an increase of 37.3 per cent from Kshs.6.52 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.453.29 million for development activities and Kshs.167.35 million for recurrent costs.

Development expenditure recorded an absorption rate of 55.5 per cent, which was an increase from 42.2 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 101.3 per cent of the annual recurrent budget, an increase from 98.4 per cent recorded in FY 2017/18.

Figure 3.27 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.27: Garissa County, Expenditure by Economic Classification**




***Source**: Garissa County Treasury*

### 3.7.6 Development Expenditure Analysis

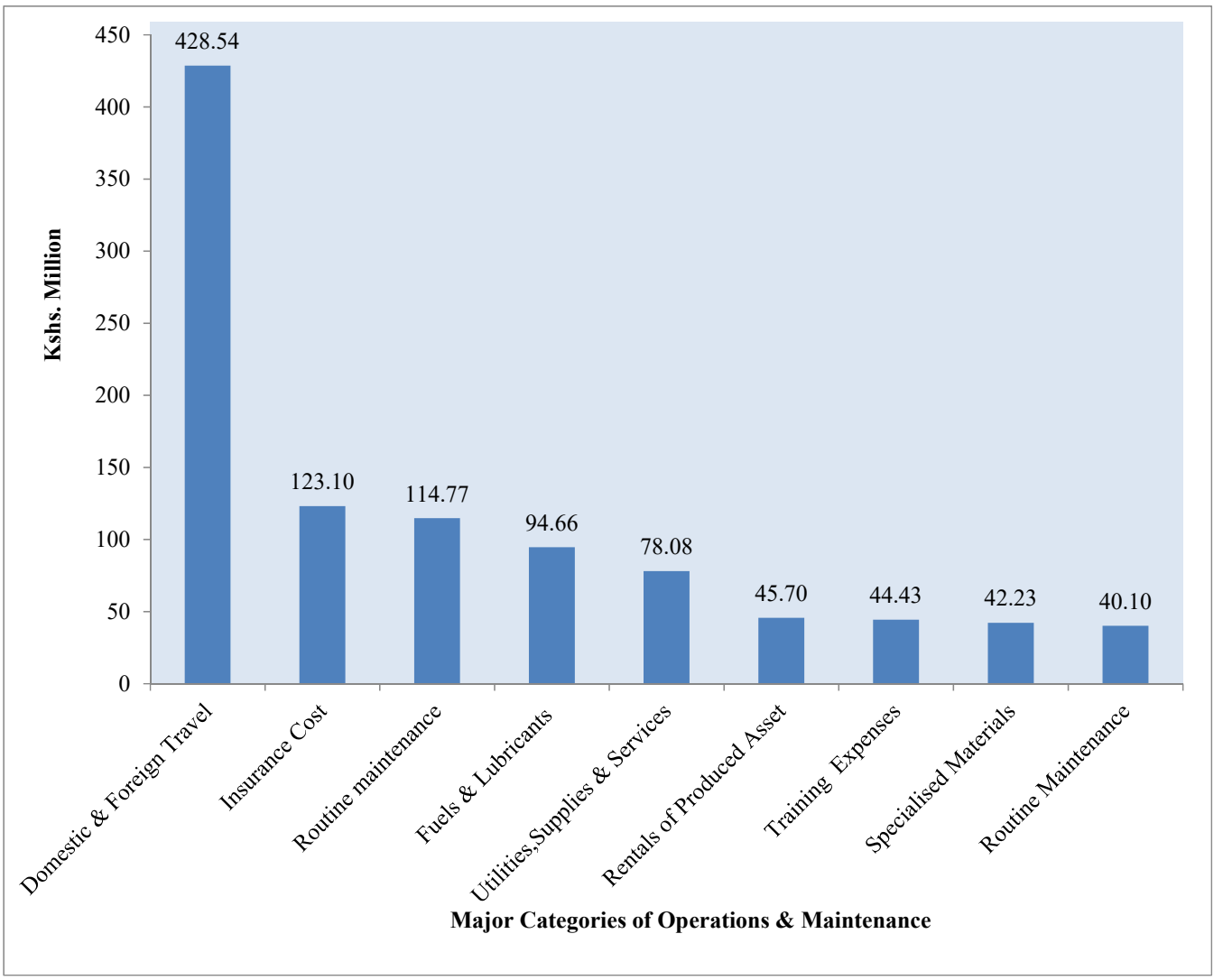
The total development expenditure of Kshs.2.38 billion represented 55.5 per cent of the annual development expenditure estimates of Kshs.4.19 billion. The County Treasury did not provide a complete report on projects implemented in FY 2018/19.

### 3.7.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.62 billion comprised of Kshs.4.46 billion (67.4 per cent) incurred on personnel emoluments and Kshs.2.16 billion (32.6 per cent) on operations and maintenance as shown in Figure 3.27.

Expenditure on personnel emoluments represented an increase of 38.7 per cent compared to FY 2017/18 when the County spent Kshs.3.21 billion and was 49.6 per cent of the total expenditure in FY 2018/19. Figure 3.28 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.28: Garissa County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




*Source: Garissa County Treasury*

The County spent Kshs.60.09 million on committee sitting allowances for the 49 MCAs and Speaker against the annual budget allocation of Kshs.121.21 million. This represented an increase of 49.1 per cent compared to Kshs.41.72 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.102,203 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.428.54 million, and comprised of Kshs.112.04 million spent by the County Assembly and Kshs.316.50 million by the County Executive.

### 3.7.8 Budget Performance by County Department

Table 3.19 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.19: Garissa County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, & co-operatives | 220.02 | 398.01 | 217.49 | 189.39 | 227.10 | 188.20 | 104.4 | 99.4 | 103.2 | 47.3 |
| Environment, Energy and Natural resources | 51.49 | 34.70 | 51.49 | 11.32 | 50.46 | 10.98 | 98.0 | 97.0 | 98.0 | 31.6 |
| Roads and Transports | 81.36 | 327.71 | 81.36 | 125.22 | 81.36 | 125.18 | 100.0 | 100.0 | 100.0 | 38.2 |
| Trades, Enterprises Dev. and Tourism | 108.94 | 71.33 | 98.69 | 56.60 | 97.99 | 37.10 | 99.3 | 65.5 | 89.9 | 52.0 |
| Health and sanitation | 2,456.77 | 549.93 | 2,456.75 | 326.79 | 2,455.89 | 324.60 | 100.0 | 99.3 | 100.0 | 59.0 |
| Education and labour | 838.74 | 106.63 | 824.09 | 95.49 | 823.92 | 94.37 | 100.0 | 98.8 | 98.2 | 88.5 |
| County Assembly | 747.19 | 50.00 | 747.01 | 7.50 | 746.04 | 7.50 | 99.9 | 100.0 | 99.8 | 15.0 |
| Executives services | 272.33 | 115.08 | 272.33 | 94.05 | 272.23 | 93.20 | 100.0 | 99.1 | 100.0 | 81.0 |
| Finance and Economic Planning | 1,058.72 | 265.00 | 1,048.62 | 278.71 | 1,188.96 | 268.60 | 113.4 | 96.4 | 112.3 | 101.4 |
| Gender and Social Services | 70.39 | 168.60 | 70.39 | 88.26 | 70.39 | 85.30 | 100.0 | 96.6 | 100.0 | 50.6 |
| Water and Irrigation Services | 167.61 | 1,626.02 | 167.61 | 651.59 | 167.01 | 650.17 | 99.6 | 99.8 | 99.6 | 40.0 |
| Lands, Housing and Urban | 408.89 | 480.71 | 386.32 | 443.16 | 384.30 | 441.84 | 99.5 | 99.7 | 94.0 | 91.9 |
| County Public Services Board | 46.05 | - | 46.05 | - | 48.89 | - | 106.2 | 0.0! | 106.2 | - |
| **Total** | **6,529.20** | **4,194.45** | **6,468.21** | **2,368.40** | **6,615.45** | **2,375.45** | **102.3** | **98.3** | **101.3** | **55.5** |

*Source: Garissa County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 91.9 per cent while the County Assembly recorded the lowest at 15 per cent. The Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 112.3 per cent while the Department of Trade, Enterprise Development and Tourism had the lowest at 89.9 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 own source revenue collection by 24.8 per cent from Kshs.86.68 million collected in the FY 2017/18 to Kshs.108.22 million in the reporting period.

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

1. High wage bill that increased by 38.7 per cent from Kshs.3.21 billion in FY 2017/18 to Kshs.4.46 billion during the period under review. The wage bill accounted for 49.6 per cent of the total expenditure in the reporting period.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County as required by Section 155 of the PFM Act, 2012.
3. Failure by the County to provide a report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.2.38 billion during the reporting period.
4. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Finance and Economic Planning and the County Public Service Board. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure sustainable wage bill.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County Treasury should provide complete reports on financial and non-financial performance in line with Section 166 of the PFM Act, 2012.*
4. *The County Treasury should ensure expenditure is within the approved budget.*

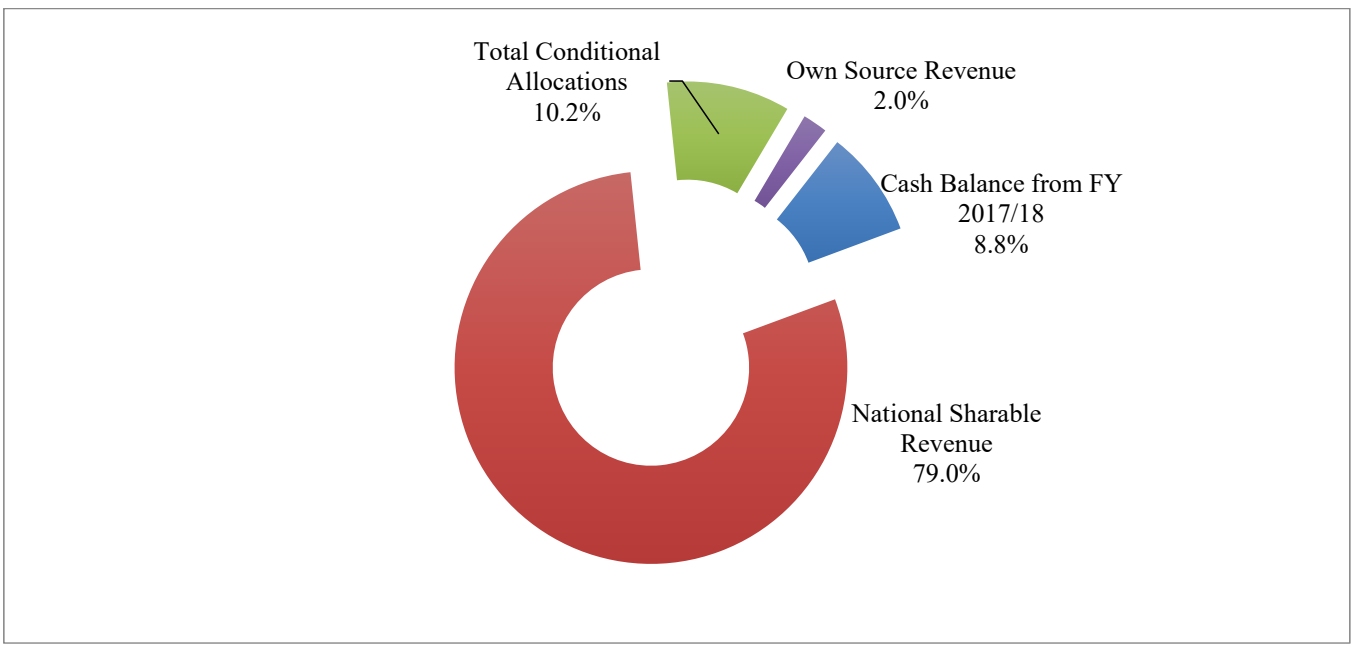
## 3.8 Homa Bay County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.46 billion, comprising of Kshs.5.35 billion (63.2 per cent) and Kshs.3.11billion (36.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.69 billion (79 per cent) as equitable share of the revenue raised nationally, Kshs.861.94 million ( 10.2 per cent) as total conditional grants, generate Kshs.172.99 million (2 per cent) from own sources of revenue, and Kshs.744.20 million (8.8 per cent) cash balance from FY 2017/18.

**Figure 3.29: Homa Bay County, Expected Sources of Budget Financing in FY 2018/19**




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

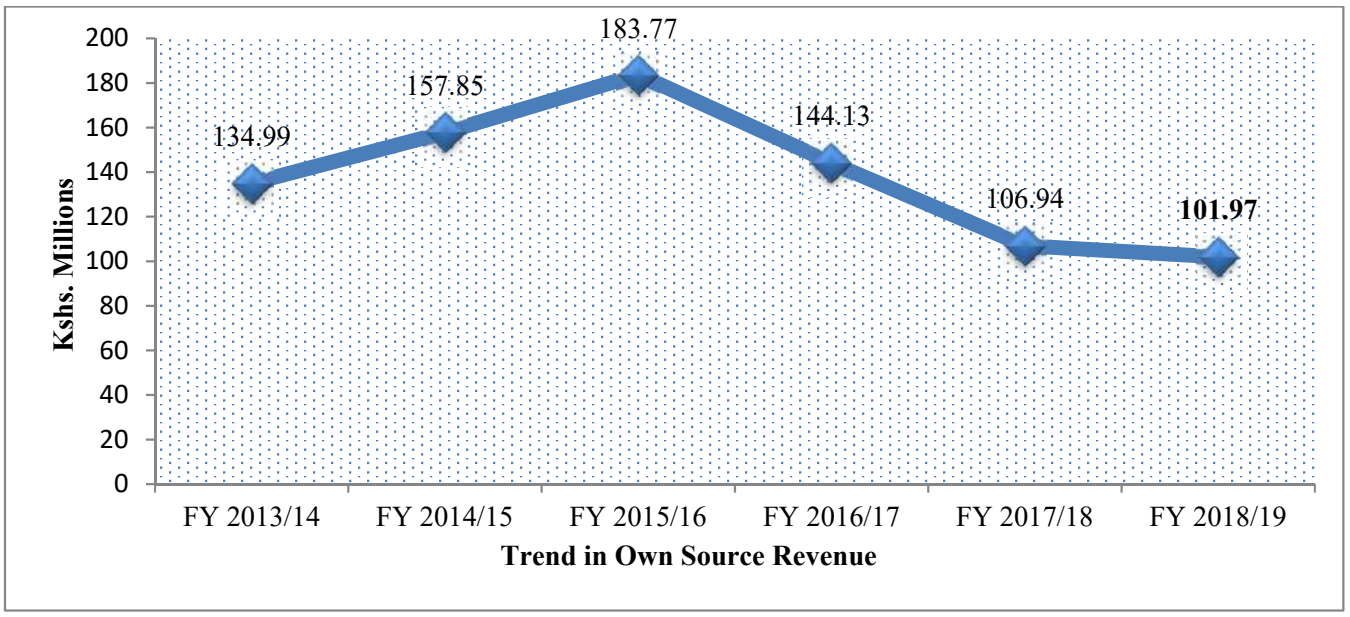
A breakdown of the conditional grants is provided in Table 3.20.

### 3.8.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.86 billion available for budget implementation. This amount consisted of Kshs.6.69 billion received as equitable share of the revenue raised nationally, Kshs.481.16 million as conditional grants, Kshs.101.97 million generated from own sources of revenue, and a cash balance of Kshs.591.16 million from FY 2017/18.

Figure 3.30 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.30: Homa Bay County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.101.97 million from own revenue sources in FY 2018/19. This amount represented a decrease of Kshs.4.97 million compared to that realised in FY 2017/18 and was 58.9 per cent of the annual target.

### 3.8.3 Conditional Grants

During the reporting period, the County received Kshs.481.16 million as conditional grants as shown in Table 3.20.

**Table 3.20: Homa Bay County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the 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 | 176,094,481 | 176,094,481 | 132,070,861 | 75 |
| 3 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | 57,775,478 | 41.1 |
| 4 | Kenya Urban Support Project (KUSP) | 160,561,500 | 119,361,500 | 160,561,500 | 100 |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 85,820,342 | 85,820,342 | 41,265,527 | 48.1 |
| 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 | 35,239,625 | 75.5 |
| 8 | DANIDA Grant | 21,870,000 | 21,870,000 | 21,870,000 | 100 |
| 9 | Compensation for User Fee Foregone | 22,185,346 | 22,185,346 | 22,185,346 | 100 |
| 10 | Sweden-Agricultural Sector Development Support Programme (ASDSP)II | 21,091,658 | - | - | - |
| **Sub Total** | | **924,234,016** | **861,942,358** | **470,968,337** | **51** |
| **B** | **Other Grants** | | | | |
| 11 | UN Habitat - Nyakwere Market Upgrade | - | - | 10,188,000 | - |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| A | Grants Contained in the CARA, 2018 | | | | |
| Sub Total | | - | - | 10,188,000 | - |
| Grand Total | | 924,234,016 | 861,942,358 | 481,156,337 | 52.1 |

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

During the reporting period, receipts from Kenya Urban Support Project (KUSP), DANIDA and Compensation for User Fee Foregone conditional grants recorded the highest performance in percentage terms, and accounted 100 per cent of the annual target respectively.

### 3.8.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.83 billion from the CRF account. The withdrawals represented 80.6 per cent of the Approved Supplementary Budget and translated to an increase of 8.4 per cent from Kshs.6.29 billion in FY 2017/18 and comprised of Kshs.1.50 billion (21.9 per cent) towards development activities and Kshs.5.33 billion (78.1 per cent) for recurrent expenditure.

### 3.8.5 Overall Expenditure Review

A total of Kshs.5.74 billion was spent on both development and recurrent activities. This expenditure represented 84.1 per cent of the total funds released from the CRF account, and was an increase of 11.4 per cent from Kshs.5.15 billion spent in FY 2017/18.

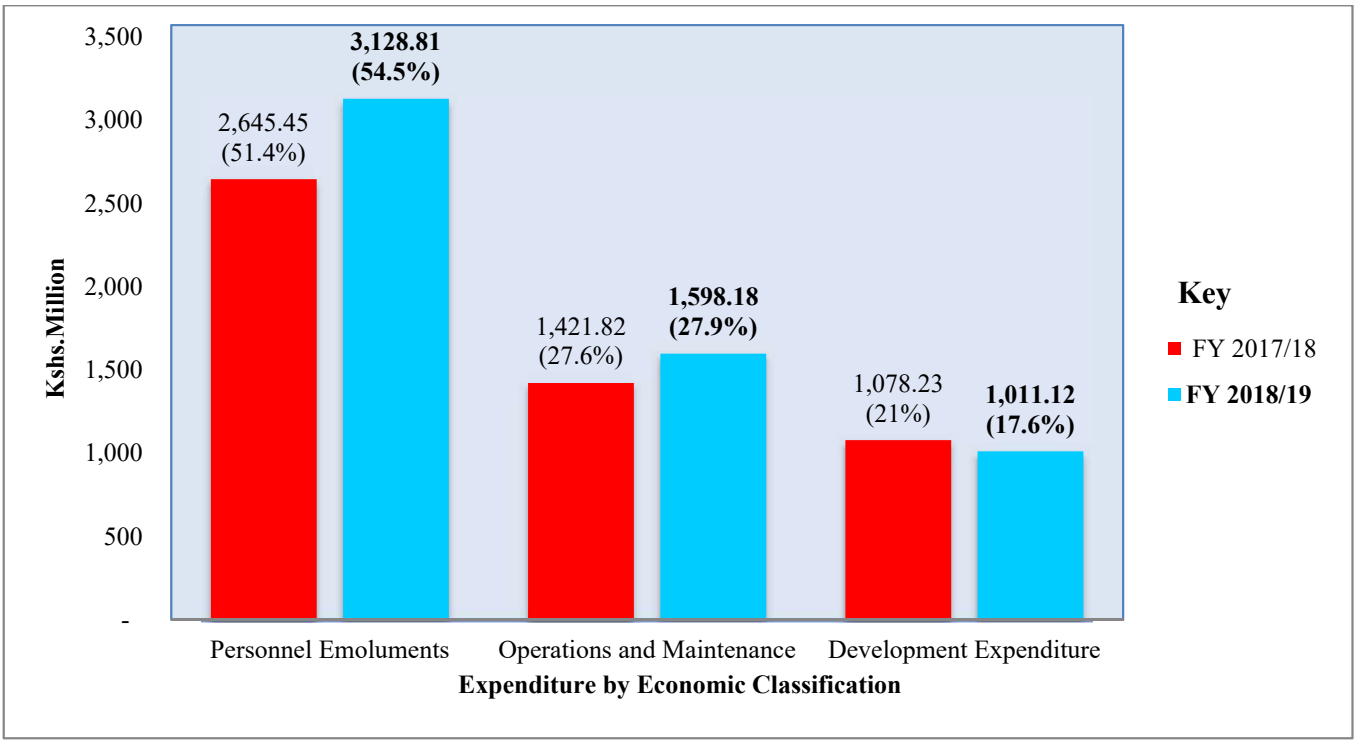
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.949.74 million for development activities and Kshs.89.70 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.01 billion while Kshs.4.73 billion was spent on recurrent activities. The development expenditure was 67.6 per cent of the funds released for development programmes, while recurrent expenditure was 88.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 32.5 per cent, which was a decrease from 42.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 88.3 per cent of the annual recurrent budget, an increase from 80.6 per cent recorded in FY 2017/18.

Figure 3.31 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.31: Homa Bay County, Expenditure by Economic Classification




*Source: Homa Bay County Treasury*

### 3.8.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.01 billion represented 32.5 per cent of the annual development expenditure estimates of Kshs.3.11 billion. Table 3.21 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.21: Homa Bay County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Finance Department Offices | Homa Bay Town | 47,004,390 | 35,153,621 | 74.8 |
| 2 | Construction of Animal Feeds Factory | Arujo Ward | 45,160,064 | 32,901,425 | 72.9 |
| 3 | Upgrading of Nyakwere Market | Nyakwere Market | 50,544,193 | 27,643,272 | 54.7 |
| 4 | Refurbishment of Homa bay Referral Hospital | Homa bay Sub county | 111,000,000 | 27,000,000 | 24.3 |
| 5 | Construction of Homa Bay Municipal Market | Homa Bay Town | 119,892,100 | 21,000,000 | 17.5 |
| 6 | Installation of Revenue Collection Automated Machines | Across the County | 18,093,200 | 18,093,200 | 100.0 |
| 7 | Perimeter Wall Fencing of Homa Bay Stadium | Arujo Ward Homa -Bay Sub County | 28,000,000 | 14,548,551 | 52.0 |
| 8 | Construction of Maternity Block Rangwe | Rangwe Sub County | 11,792,003 | 11,792,003 | 100.0 |
| 9 | Maintenance of Ongeng- Nyagidha-Kaneto - Obera Road | North Kabuoch Ward | 10,277,198 | 9,805,422 | 95.4 |
| 10 | Market Solar Lighting | Suba and Mbita Sub Counties | 10,368,000 | 9,518,000 | 91.8 |

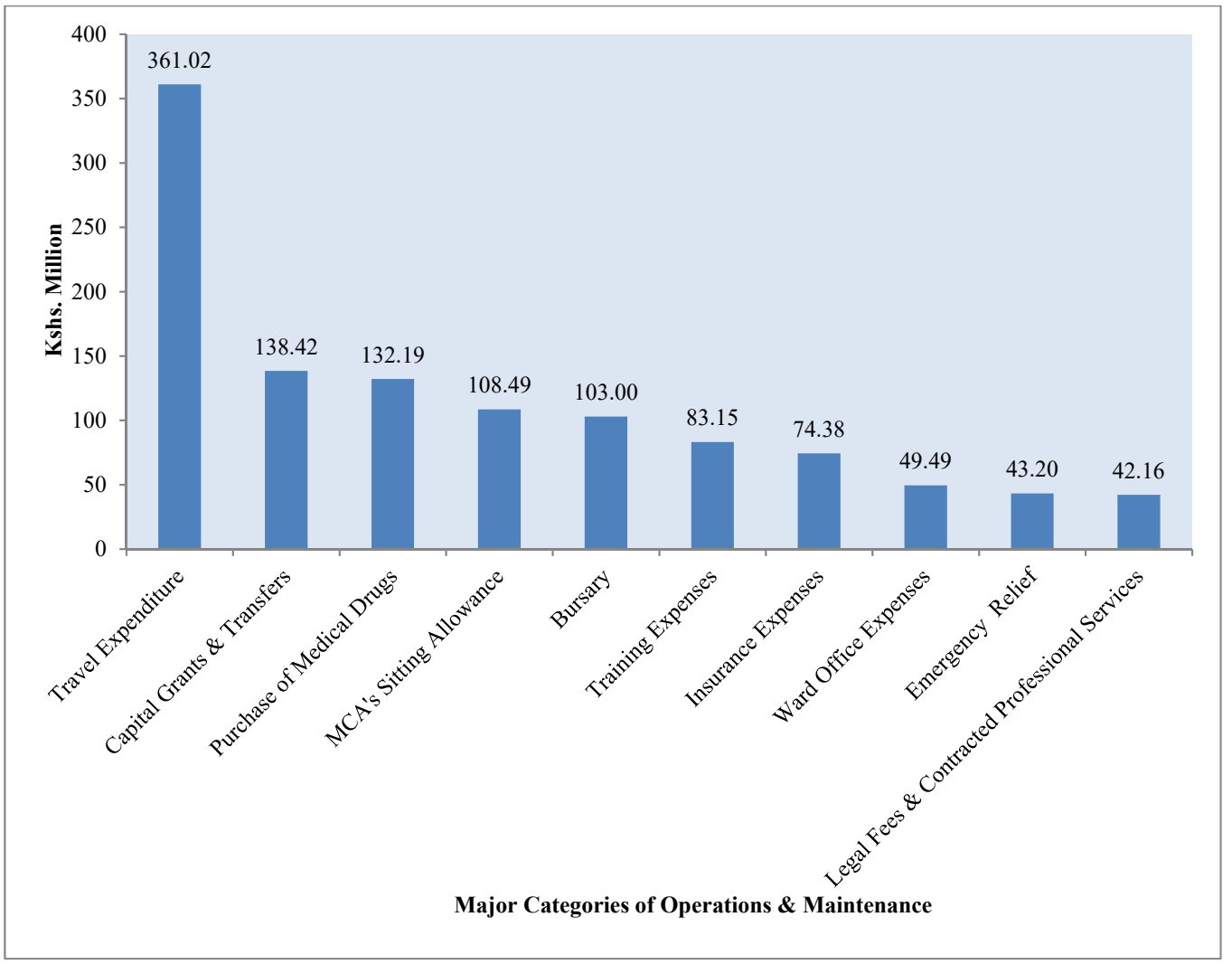
***Source**: Homa Bay County Treasury*

### 3.8.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.73 billion comprised of Kshs.3.13 billion (66.2 per cent) incurred on personnel emoluments and Kshs.1.60 billion (33.8 per cent) on operations and maintenance as shown in Figure 3.31.

Expenditure on personnel emoluments represented an increase of 18.3 per cent compared to FY 2017/18 when the County spent Kshs.2.65 billion and was 54.5 per cent of the total expenditure in FY 2018/19. Figure 3.32 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.32: Homa Bay County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




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

The County spent Kshs.108.49 million on committee sitting allowances for the 61 MCAs and Speaker against the annual budget allocation of Kshs.108.49 million. This represented an increase of 157 per cent compared to Kshs.42.22 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.148,214 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.361.02 million, and comprised of Kshs.143.20 million spent by the County Assembly and Kshs.217.82 million by the County Executive.

### 3.8.8 Budget Performance by County Department

Table 3.22 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.22: Homa Bay County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, Fisheries and Food Security | 195.13 | 371.58 | 195.13 | 112.33 | 172.77 | 62.26 | 88.5 | 55.4 | 88.5 | 16.8 |
| Tourism, Sports, Youth Gender, Culture and Social Services | 88.20 | 203.14 | 88.20 | 4.85 | 75.67 | 3 | 85.8 | 61.9 | 85.8 | 1.5 |
| Roads, Transport and Public Works | 73.59 | 580.65 | 73.59 | 383.25 | 73.90 | 363.32 | 100.4 | 94.8 | 100.4 | 62.6 |
| Energy and Mining | 34.74 | 72.46 | 34.74 | 49.47 | 34.32 | 13.16 | 98.8 | 26.6 | 98.8 | 18.2 |
| Education and ICT | 517.71 | 172.56 | 517.71 | 116.82 | 462.77 | 47.03 | 89.4 | 40.3 | 89.4 | 27.3 |
| Health Services | 2,097.47 | 480.27 | 2,097.47 | 242.50 | 1,763.04 | 94.47 | 84.1 | 39 | 84.1 | 19.7 |
| Lands, Housing, Urban Development and Physical Planning | 77.67 | 226.13 | 77.67 | 143.11 | 66.03 | 87.92 | 85 | 61.4 | 85 | 38.9 |
| Trade, Industry, Cooperatives and Enterprise Development | 184.11 | 222.15 | 184.11 | 68.62 | 181.56 | 75.84 | 98.6 | 110.5 | 98.6 | 34.1 |
| Water, Environment and Natural Resources | 163.77 | 326.99 | 163.77 | 222.90 | 150.61 | 94.96 | 92 | 42.6 | 92 | 29 |
| Finance, Economic Planning and Service Delivery | 340.25 | 267.10 | 340.25 | 98.12 | 297.72 | 109.09 | 87.5 | 111.2 | 87.5 | 40.8 |
| Office of the Governor | 633.46 | 85 | 633.46 | 20.66 | 598.14 | 58.14 | 94.4 | 281.4 | 94.4 | 68.4 |
| County Public Service Board | 90.43 | 2 | 90.43 | | 22.40 | 1.94 | 24.8 | - | 24.8 | 97 |
| County Assembly | 857.89 | 102.88 | 833.09 | 32.70 | 828.07 | - | 99.4 | - | 96.5 | - |
| **Total** | **5,354.43** | **3,112.91** | **5,329.63** | **1,495.32** | **4,726.99** | **1,011.12** | **88.7** | **67.6** | **88.3** | **32.5** |

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

Analysis of expenditure by department shows that the Office of the Governor recorded the highest absorption rate of development budget at 68.4 while the County Assembly did not spend on development activities. The Department of Roads, Transport and Public Works had the highest percentage of recurrent expenditure to recurrent budget at 100.4 per cent while the County Public Service Board had the lowest at 24.8 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 and non-financial performance reports by the County Treasury to the COB, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. High wage bill that increased by 18.3 per cent from Kshs.2.65 billion in FY 2017/18 to Kshs.3.13 billion in the reporting period. The wage bill accounted for 54.5 per cent of total expenditure in the

reporting period.

4. Delay by Fund Administrators to submit expenditure reports to the COB of the Car Loan and Mortgage Fund and Bursary Fund contrary to Section 168 of the PFM Act, 2012.
5. Under-performance in own-source revenue collection, which declined by 4.6 per cent from Kshs.106.94 million in FY 2017/18 to Kshs.101.97 million in the reporting period.
6. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Roads, Transport and Public Works. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial and non-financial performance reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
4. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
5. *The County Treasury should address the under-performance of own-source revenue in order to enhance budget execution.*
6. *The County Treasury should ensure expenditure is within the approved budget.*

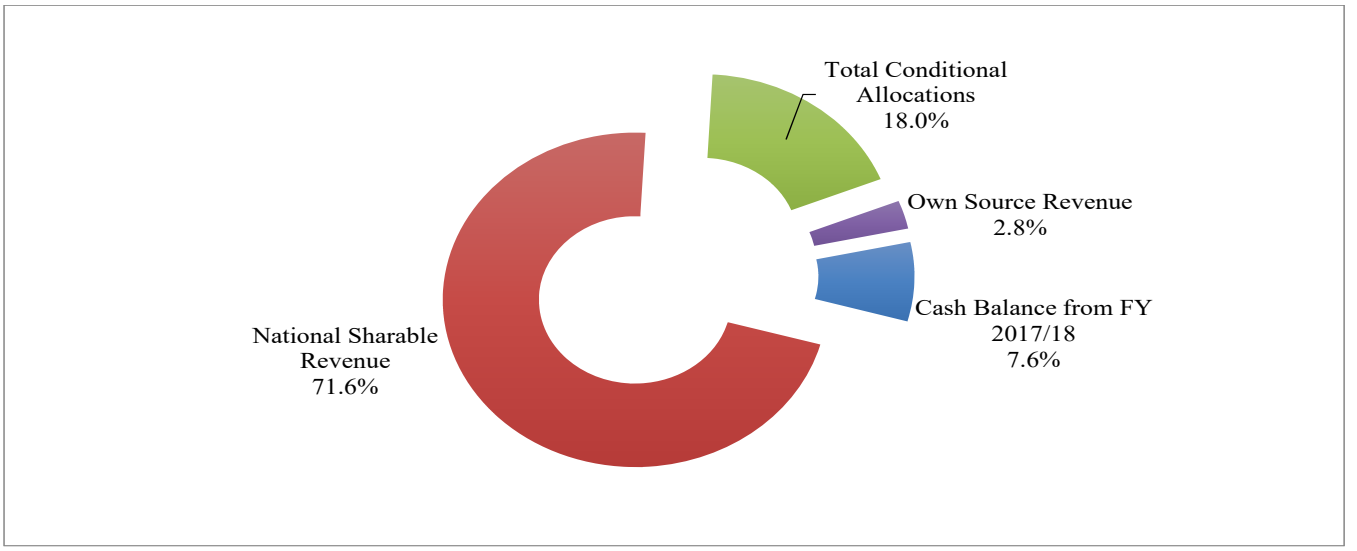
## 3.9 Isiolo County

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

The County's FY 2018/19 Supplementary Budget was Kshs.5.48 billion, comprising of Kshs.1.86 billion (33.9 per cent) and Kshs.3.62 billion (66.1 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.93 billion (71.6 per cent) as equitable share of the revenue raised nationally, Kshs.989.58 million (18 per cent) as total conditional grants, generate Kshs.150.86 million (2.8 per cent) from own sources of revenue, and Kshs.418.66 million (7.6 per cent) cash balance from FY 2017/18.

**Figure 3.33: Isiolo County, Expected Sources of Budget Financing in FY 2018/19**




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

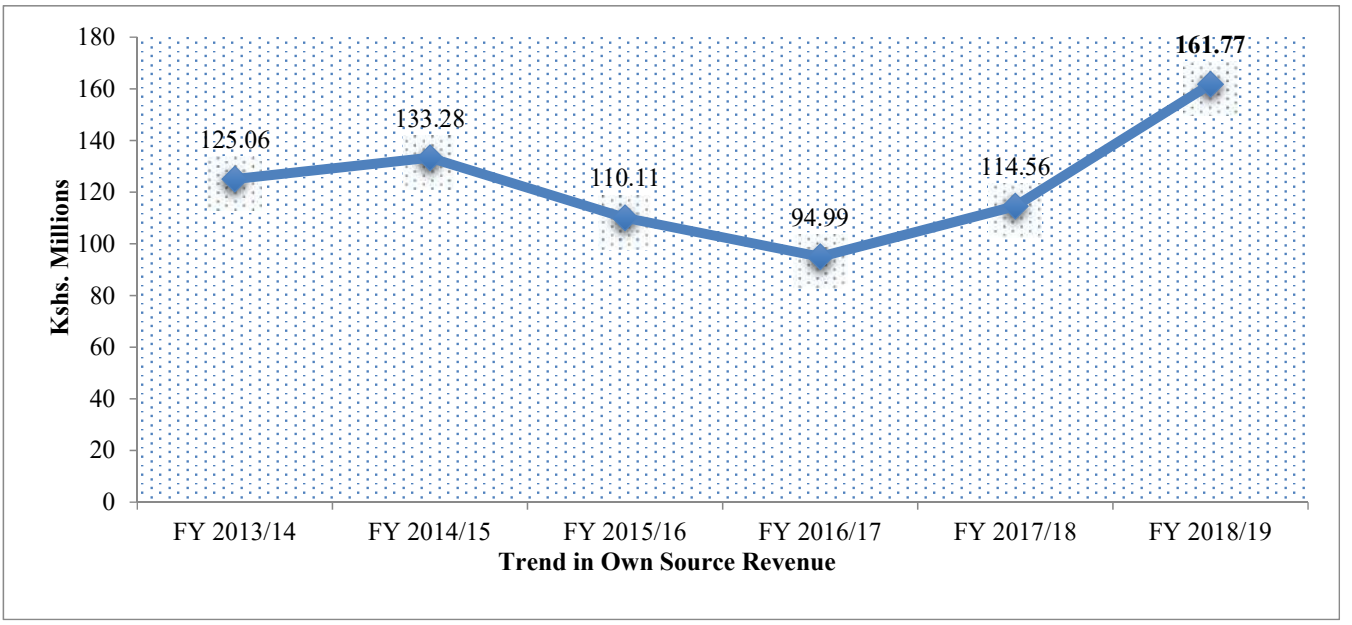
A breakdown of the conditional grants is provided in Table 3.23.

### 3.9.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.4.98 billion available for budget implementation. This amount consisted of Kshs.3.93 billion received as equitable share of the revenue raised nationally, Kshs.475.8 million as conditional grants, Kshs.161.77 million generated from own sources of revenue, and a cash balance of Kshs.418.66 million from FY 2017/18.

Figure 3.34 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.34: Isiolo County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.161.77 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.47.21 million compared to that realised in FY 2017/18 and was 107.2 per cent of the annual target.

### 3.9.3 Conditional Grants

During the reporting period, the County received Kshs.475.8 million as conditional grants as shown in Table 3.23.

**Table 3.23: Isiolo County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | World Bank Loan for Climate Smart Agriculture Project | 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 Fund | 103,341,833 | 103,341,833 | 77,506,374 | 75 |
| 4 | Urban Support Project- Development | 93,968,100 | 93,968,100 | 93,968,100 | 100 |
| 5 | World Bank Loan for Transforming Health System for universal Care Project | 66,229,830 | 66,229,830 | 40,147,057 | 60.6 |
| 6 | Urban Support Project- Recurrent (2017/18+2018/19) | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 7 | Sweden Agricultural Sector Development Support Programme (ASDSP) | 22,028,970 | 22,028,970 | 8,020,256 | 36.4 |
| 8 | Development of Youth Polytechnics | 21,235,000 | 21,235,000 | - | - |
| 9 | DANIDA Grant | 12,656,250 | 12,656,250 | 12,656,250 | 100 |
| 10 | Kenya Devolution Support Programme | 38,668,826 | 38,668,826 | - | - |
| 11 | Food and Agriculture Organization of the United Nations-Livestock grant | - | 9,023,720 | - | - |
| 12 | Compensation for User Fee Foregone | 3,472,461 | 3,472,461 | 3,472,461 | 100 |
| **Sub Total** | | **673,801,270** | **682,824,990** | **309,937,321** | **46** |
| **B** | **Other Grants** | | | | |
| 13 | Universal Health Care (UHC) | - | 283,586,466 | 142,698,094 | - |
| 14 | Road Maintenance Fuel Levy Fund bal. 2017/18 | - | 23,164,758 | 23,164,758 | - |
| **Sub Total** | | **-** | **306,751,224** | **165,862,852** | **-** |
| **Grand Total** | | **673,801,270** | **989,576,214** | **475,800,173.4** | **70.6** |

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

During the reporting period, receipts from the DANIDA Grant, Compensation for User Fee Foregone, Urban Support Project conditional grant recorded the highest performance in percentage terms, and accounted 100 per cent of the annual target respectively.

### 3.9.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.4.89 billion from the CRF account. The withdrawals represented 89.1 per cent of the Approved Supplementary Budget and translated to an increase of 29.9 per cent from Kshs.3.76 billion in FY 2017/18 and comprised of Kshs.1.36 billion (27.9 per cent) towards development activities and Kshs.3.52 billion (72.1 per cent) for recurrent expenditure.

### 3.9.5 Overall Expenditure Review

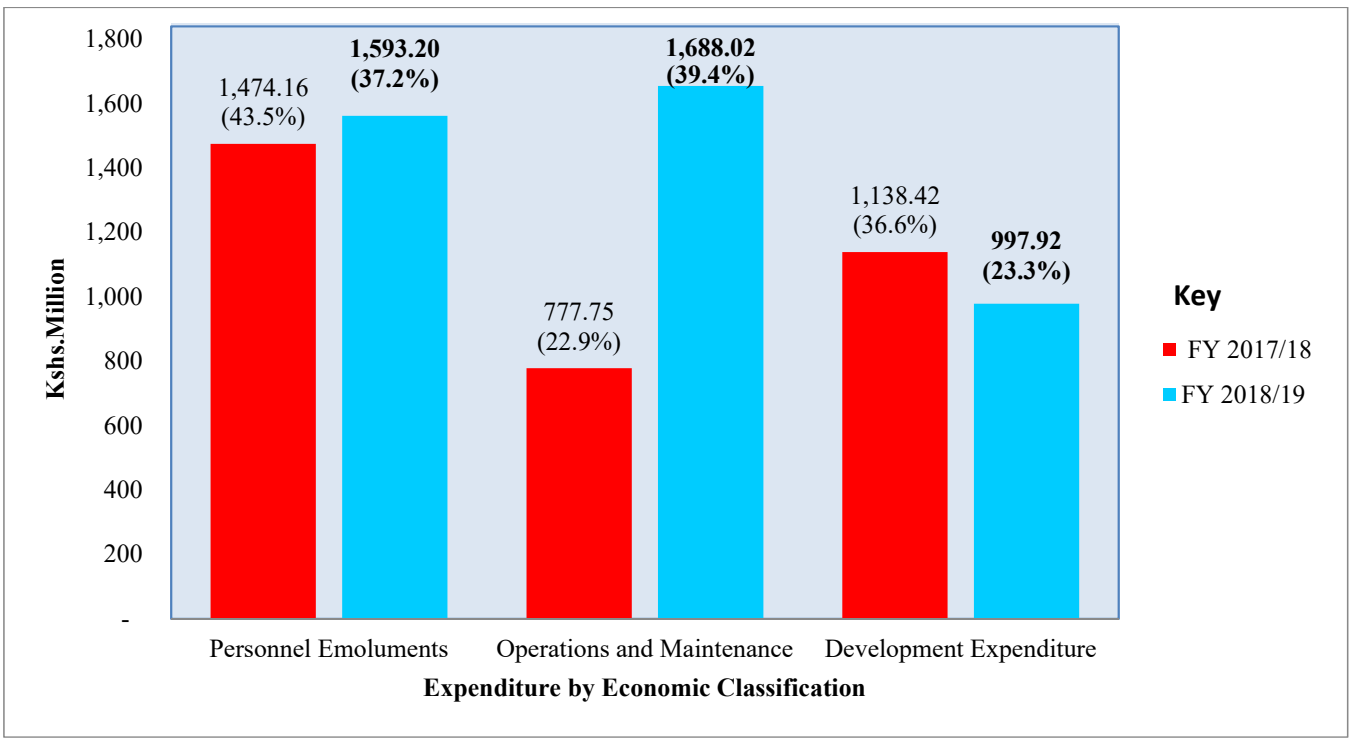
A total of Kshs.4.28 billion was spent on both development and recurrent activities. This expenditure represented 87.6 per cent of the total funds released from the CRF account, and was an increase of 26.2 per cent from Kshs.3.39 billion spent in FY 2017/18.

Expenditure on development programmes amounted to Kshs.997.92 million while Kshs.3.28 billion was spent on recurrent activities. The development expenditure was 73.2 per cent of the funds released for development programmes, while recurrent expenditure was 93.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 53.7 per cent, which was a decrease from 72.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.5 per cent of the annual recurrent budget, an increase from 81.3 per cent recorded in FY 2017/18.

Figure 3.35 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.35: Isiolo County, Expenditure by Economic Classification**




***Source**: Isiolo County Treasury*

### 3.9.6 Development Expenditure Analysis

The total development expenditure of Kshs.997.92 million represented 53.7 per cent of the annual development expenditure estimates of Kshs.1.86 billion. Table 3.24 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.24: Isiolo County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Location | Project budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Isiolo Stadium | Wabera | 130,000,000 | 130,000,000 | 100.0 |
| 2 | Construction of County HQ | Wabera | 200,000,000 | 79,000,000 | 39.5 |
| 3 | Construction of Isiolo Market | Bula pesa | 13,042,362 | 13,042,362 | 100.0 |
| 4 | Sericho Polytechnic | Sericho | 12,985,000 | 10,087,596 | 77.7 |
| 5 | Oldonyiro Youth Polytechnic | Oldonyiro | 12,987,916 | 5,342,639 | 41.1 |
| 6 | Titling | Bula pesa | 15,000,000 | 5,000,000 | 33.3 |
| 7 | Construction of perimeter fence at ATC | Burat | 4,500,000 | 4,451,666 | 98.9 |

| S/No. | Project Name | Project Location | Project budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 8 | Repair of Main Abattoir Building | Burat | 4,200,000 | 4,169,272 | 99.3 |
| 9 | Expansion of Kulamawe Water Supply | Kinna | 4,000,000 | 3,939,200 | 98.5 |
| 10 | Supply of Borehole Generator | Cherab | 4,000,000 | 3,927,124 | 98.2 |

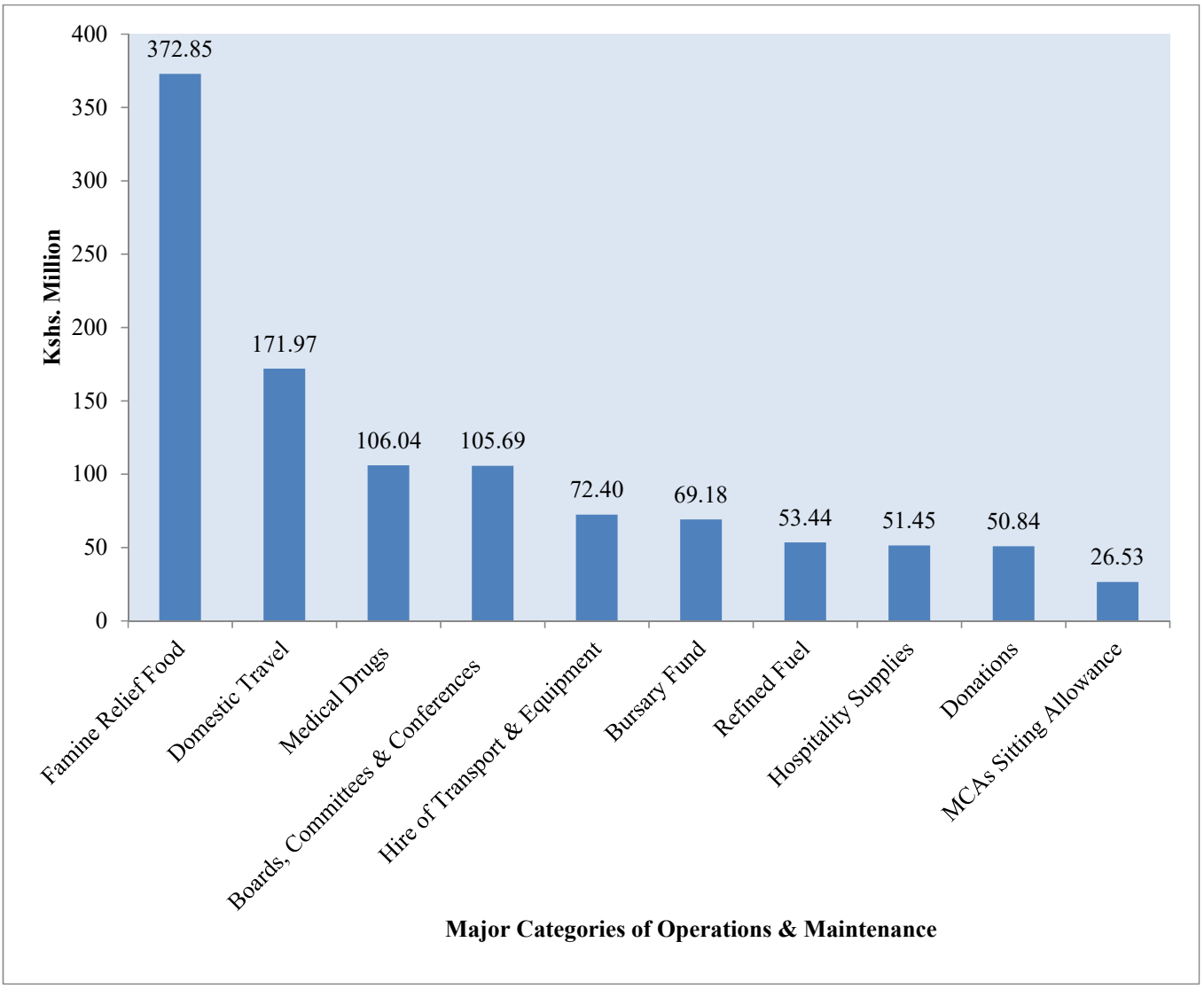
***Source**: Isiolo County Treasury*

### 3.9.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.28 billion comprised of Kshs.1.59 billion (48.6 per cent) incurred on personnel emoluments and Kshs.1.69 billion (51.4 per cent) on operations and maintenance as shown in Figure 3.35.

Expenditure on personnel emoluments represented an increase of 8.1 per cent compared to FY 2017/18 when the County spent Kshs.1.47 billion and was 37.2 per cent of the total expenditure in FY 2018/19. Figure 3.36 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.36: Isiolo County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:** Isiolo County Treasury*

The County spent Kshs.26.53 million on committee sitting allowances for the 18 MCAs and speaker against the annual budget allocation of Kshs.26.53 million. This represented an increase of 63.8 per cent compared to Kshs.16.2 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.122,838 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.171.97 million, and comprised of Kshs.65.4 million spent by the County Assembly and Kshs.106.57 million by the County Executive. This expenditure represented 5.2 per cent of total recurrent expenditure and was a decrease of 5 per cent compared to Kshs.180.32 million spent in FY 2017/18.

### 3.9.8 Budget Performance by County Department

Table 3.25 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.25: Isiolo County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 415.28 | 85 | 413 | 85 | 393.67 | 76.21 | 95.3 | 89.7 | 94.8 | 89.7 |
| Office of the Governor | 298.44 | - | 295.24 | - | 293.17 | - | 99.3 | - | 98.2 | - |
| County Public Service Board | 52.41 | - | 52.41 | - | 54.55 | - | 104.1 | - | 104.1 | - |
| County Secretary | 33.16 | 3.94 | 30.71 | - | 30.06 | 2.38 | 97.9 | - | 90.6 | 60.3 |
| Administration and PSM | 167.14 | 29.80 | 162.42 | 29.80 | 132.17 | 49.09 | 81.4 | 164.7 | 79.1 | 164.7 |
| Delivery Unit | 10.48 | - | 9.28 | - | 10.11 | - | 108.9 | - | 96.4 | - |
| Office of the Deputy Governor | 24.00 | - | 23.33 | - | 20.96 | - | 89.8 | - | 87.3 | - |
| Cohesion, Intergovernmental Relations, coordination, Disaster Management | 45.88 | - | 44.46 | - | 41.40 | - | 93.1 | - | 90.2 | - |
| Finance and Economic Planning | 222.05 | 210.91 | 219.57 | 99.98 | 173.33 | 79.57 | 78.9 | 79.6 | 78.1 | 37.7 |
| Special Programmes and ICT | 432.37 | 17.37 | 431.85 | 17.37 | 414.44 | 3.51 | 96 | 20.2 | 95.9 | 20.2 |
| Economic Planning | 44.43 | - | 43.75 | - | 39.77 | - | 90.9 | - | 89.5 | - |
| Lands and Physical Planning | 31.12 | 34.39 | 23.10 | 24.39 | 28.71 | 28.87 | 124.3 | 118.4 | 92.3 | 83.9 |
| Roads and Infrastructure | 15.60 | 163.05 | 14.55 | 163.05 | 14.22 | 100.88 | 97.8 | 61.9 | 91.2 | 61.9 |
| Public Works and Housing | 27.77 | 3.30 | 23.88 | - | 26.01 | 3.30 | 108.9 | - | 93.7 | 100 |
| Municipal Administration | 82.16 | 135.81 | 43.59 | 133.05 | - | 49.09 | - | 36.9 | - | 36.2 |
| Agriculture | 54.08 | 223 | 53.76 | 37.13 | 52.59 | 19.71 | 97.8 | 53.1 | 97.2 | 8.8 |
| Livestock, Veterinary and Fisheries | 123.57 | 71.41 | 123.09 | 70.97 | 94.60 | 31.36 | 76.9 | 44.2 | 76.6 | 43.9 |
| Education and Vocational Training | 225.21 | 89.97 | 212.76 | 85.50 | 210.72 | - | 99 | - | 93.6 | - |
| Youth and Sports | 24.85 | 136 | 20.23 | 130 | 16.45 | 164.50 | 81.3 | 126.5 | 66.2 | 121 |
| Culture and Social Services | 37.90 | 17.10 | 33.71 | 5.90 | 28.54 | 1.50 | 84.7 | 25.4 | 75.3 | 8.8 |
| Tourism and Wildlife Management | 126.75 | 19.87 | 126.75 | 15.20 | 111.43 | 13.30 | 87.9 | 87.5 | 87.9 | 66.9 |
| Trade, Industries, Cooperatives | 25.08 | 4.75 | 24.29 | - | 13.30 | - | 54.8 | - | 53 | - |
| Water and Irrigation | 67.78 | 99.87 | 64.89 | 99.60 | 62.16 | 84.15 | 95.8 | 84.5 | 91.7 | 84.3 |

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Environment and Natural Resources | 34.41 | 15.68 | 34.29 | 14.97 | 31.44 | 3.40 | 91.7 | 22.7 | 91.4 | 21.7 |
| Health Services | 1,002.28 | 498.67 | 997.39 | 350.87 | 987.42 | 287.10 | 99 | 81.8 | 98.5 | 57.6 |
| **Total** | **3,624.21** | **1,859.88** | **3,522.32** | **1,362.78** | **3,281.22** | **997.92** | **93.2** | **73.2** | **90.5** | **53.7** |

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

Analysis of expenditure by department shows that the Department of Administration and Public Service Management recorded the highest absorption rate of development budget at 164.7 while the Department of Trade, Industries, and Cooperatives and the Department of Education and Vocational Training did not spend on development budget. The County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 104.1 per cent while the Department of Municipal Administration did not spend on the recurrent budget.

### 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 41.2 per cent from Kshs.114.56 million in FY 2017/18 to Kshs.161.77 million in FY 2018/19.
ii. Establishment and operationalization of an Audit Committee and the Internal Audit Department in line with Section 155 of 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 nationally by the National Treasury.
2. During the reporting period, it was observed that the County did not process all payments through IFMIS and the Internet Banking platform contrary to Government Policy.
3. Decline in absorption of development budget. In the reporting period, the County attained an absorption rate of 53.7 per cent compared to 72.4 per cent in FY 2017/18.
4. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Administration and PSM and the County Public Service Board. This is contrary to Section 135 and 154 of PFM Act, 2012.
5. Increase in wage bill by 8.1 per cent from Kshs.1.47 billion in FY 2017/18 to Kshs.1.59 billion in the reporting period. The wage bill accounted for 37.2 per cent of total expenditure in FY 2018/19.
6. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.

The County should implement the following measures 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.*
2. *The County should ensure all payments are processed through IFMIS and the Internet Banking platform.*
3. *The County should formulate strategies to enhance absorption of development budget.*
4. *The County Treasury should ensure expenditure is within the approved budget.*
5. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
6. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as*

*requested by the Controller of Budget in line with COB Act, 2016.*

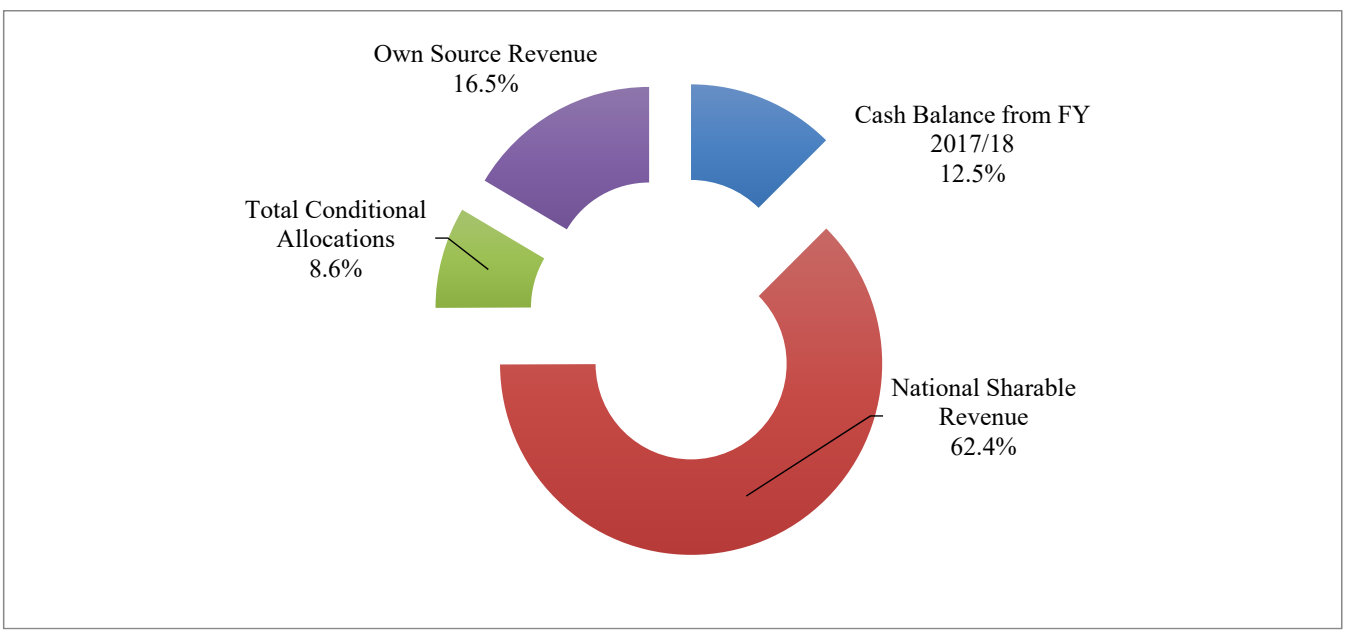
## 3.10 Kajiado County

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

The County's FY 2018/19 Supplementary Budget was Kshs.9.61 billion, comprising of Kshs.3.77 billion (39.2 per cent) and Kshs.5.84 billion (60.8 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.99 billion (62.4 per cent) as equitable share of the revenue raised nationally, Kshs.823.99 million (8.6 per cent) as total conditional grants, generate Kshs.1.58 billion (16.5 per cent) from own sources of revenue, and Kshs.1.2 billion (12.5 per cent) cash balance from FY 2017/18.

**Figure 3.37: Kajiado County, Expected Sources of Budget Financing in FY 2018/19**




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

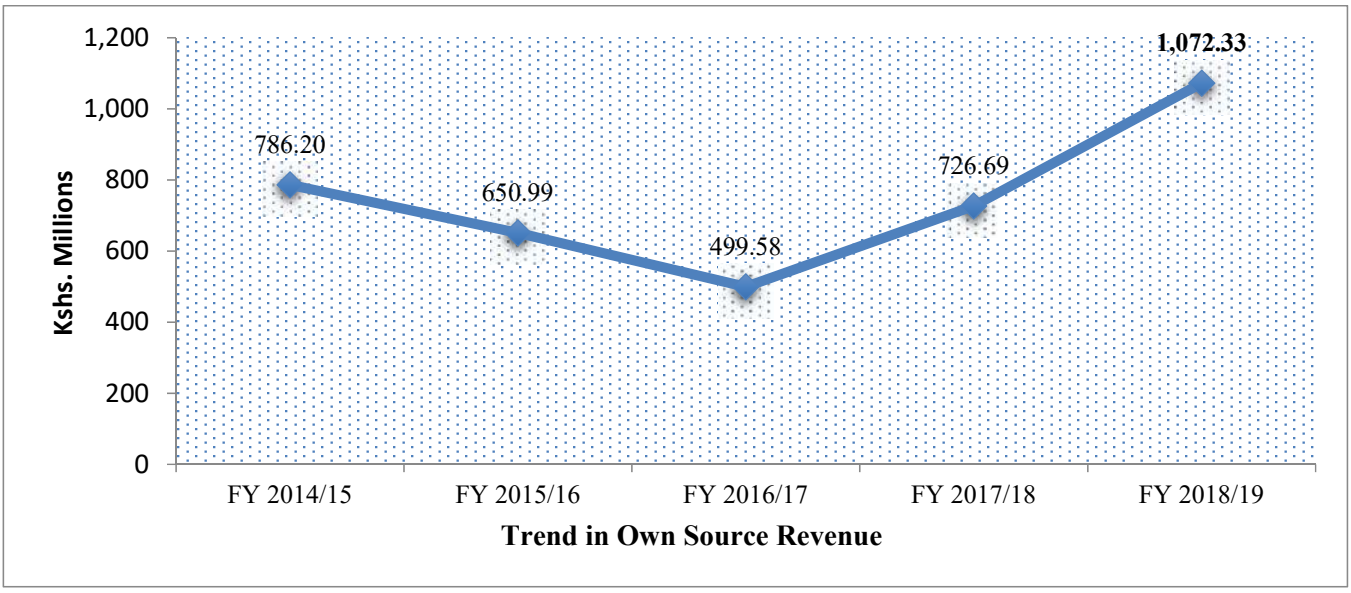
A breakdown of the conditional grants is provided in Table 3.26.

### 3.10.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.92 billion available for budget implementation. This amount consisted of Kshs.5.99 billion received as equitable share of the revenue raised nationally, Kshs.653.77 million as conditional grants, Kshs.1.07 billion generated from own sources of revenue, and a cash balance of Kshs.1.20 billion from FY 2017/18.

Figure 3.38 shows the annual trend in own-source revenue collection from FY 2014/15 to FY 2018/19.

**Figure 3.38: Kajiado County, Own Source Revenue Collection for FY 2014/15 to FY 2018/19**




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

The County generated a total of Kshs.1.07 billion from own source revenue in FY 2018/19. This amount represented an increase of Kshs.345.64 million compared to that realised in FY 2017/18 and was 67.7 per cent of the annual target.

### 3.10.3 Conditional Grants

During the reporting period, the County received Kshs.653.77 million as conditional grants as shown in Table 3.26.

**Table 3.26: Kajiado County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the 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 | 16,995,365 | 28,197,865 | 16,607,973 | 97.7 |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy Fund | 157,906,319 | 157,906,319 | 157,906,320 | 100 |
| 4 | Rehabilitation of Village Polytechnics | 40,345,000 | 40,345,000 | 30,460,475 | 75.5 |
| 5 | Transforming Health Systems for Universal Care Project (World Bank) | 62,478,710 | 62,478,710 | 12,775,524 | 20.4 |
| 6 | IDA (World Bank)-Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 34,359,919 | 29.4 |
| 7 | IDA (World Bank) Kenya Devolution Support Project (KDSP) "Level 1 grant" | 45,860,424 | 64,324,384 | 66,231,532 | 144.4 |
| 8 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 307,160,300 | 307,160,300 | 307,150,300 | 100 |
| 9 | DANIDA - Universal Healthcare in Devolved System Programme | 19,338,750 | 26,277,348 | 20,884,748 | 108 |
| 10 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 20,305,981 | 20,305,981 | 7,392,954 | 36.4 |
| **Total** | | **987,390,849** | **823,995,907** | **653,769,744** | **66.2** |

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

During the reporting period, receipts from the Kenya Devolution Support Programme conditional grant recorded the highest performance in percentage terms, and accounted for 144.4 per cent of the annual target.

### 3.10.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.78 billion from the CRF account. The withdrawals represented 81 per cent of the Approved Supplementary Budget and translated to an increase of 20.3 per cent from Kshs.6.47 billion in FY 2017/18 and comprised of Kshs.2.07 billion (26.5 per cent) towards development activities and Kshs.5.72 billion (73.5 per cent) for recurrent expenditure.

### 3.10.5 Overall Expenditure Review

A total of Kshs.7.73 billion was spent on both development and recurrent activities. This expenditure represented 99.3 per cent of the total funds released from the CRF account, and was an increase of 40.3 per cent from Kshs.5.51 billion spent in FY 2017/18.

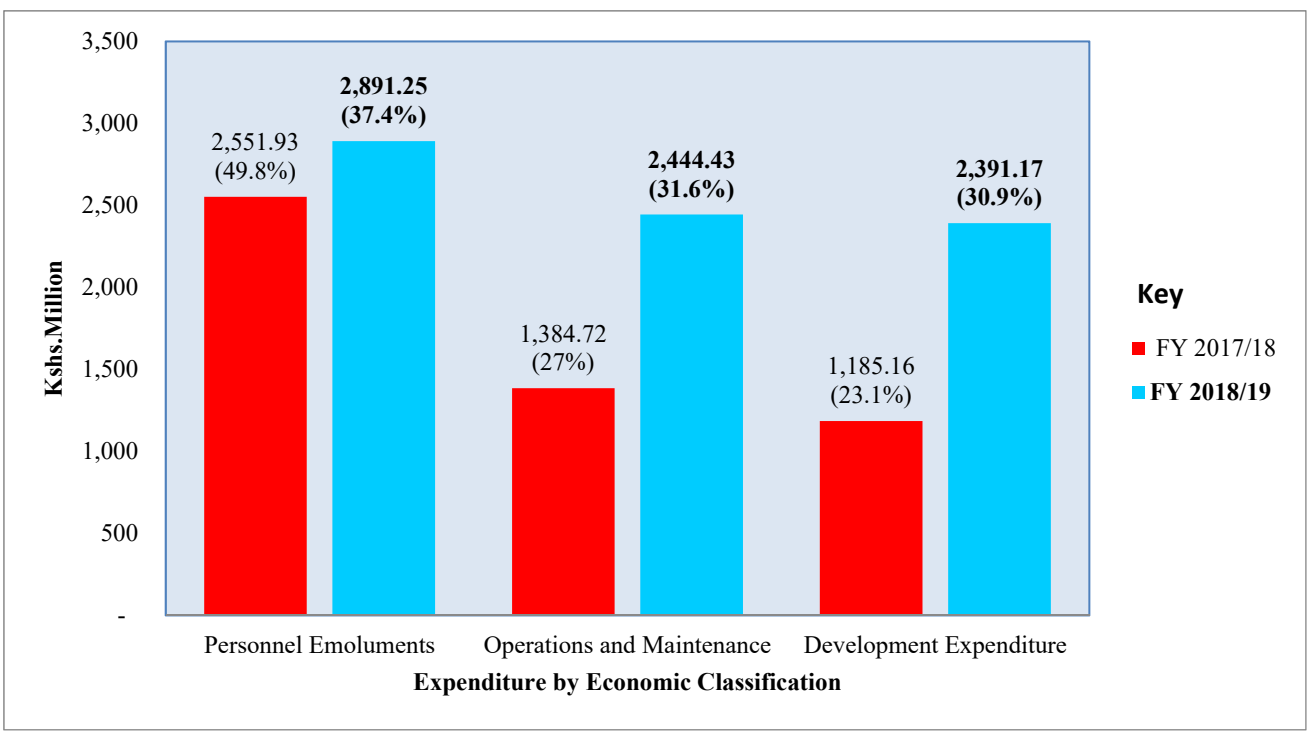
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.486.67 million for development activities and Kshs.252.18 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.39 billion while Kshs.5.34 billion was spent on recurrent activities. The development expenditure was 115.8 per cent of the funds released for development programmes, while recurrent expenditure was 93.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 63.4 per cent, which was an increase from 37.2 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 91.4 per cent of the annual recurrent budget, an increase from 86.4 per cent recorded in FY 2017/18.

Figure 3.39 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.39: Kajiado County, Expenditure by Economic Classification**




***Source**: Kajiado County Treasury*

### 3.10.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.39 billion represented 63.4 per cent of the annual development expenditure estimates of Kshs.3.77 billion. Table 3.27 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.27: Kajiado County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Ngong sport complex | Ngong | 198,464,940 | 16,000,096 | 8.1 |
| 2 | Maternity wing & wards at Kajiado referral hospital | Ildamat | 66,407,983 | 6,432,014 | 9.7 |
| 3 | Construction of Kiserian market | Keekonyokie | 61,242,373 | 10,037,631 | 16.4 |
| 4 | Payment for Consultancy services for preparation of Kajiado county spatial plan | Headquarters | 52,534,358 | 52,534,358 | 100 |
| 5 | Construction of Kitengela market | Kitengela | 39,564,363 | 24,110,484 | 60.9 |
| 6 | Tarmacking of JCN A104 KCB Kitengela - Ora-ta-Saitoti Hospital Road | Kitengela | 37,935,190 | 20,125,909 | 53.1 |
| 7 | MRI & CT scan machine and civil works | Headquarters | 37,120,000 | 28,828,052 | 77.7 |
| 8 | Dining hall at Olkejuado High School | Dalalekutuk Ward | 36,980,846 | 19,289,721 | 52.2 |
| 9 | Modern drug store at Kajiado county referral hospital | Ildamat Ward | 32,298,889 | 19,273,516 | 59.7 |
| 10 | Upgrading of Loitoktok hospital | Kuku Ward | 29,977,592 | 19,875,324 | 66.3 |

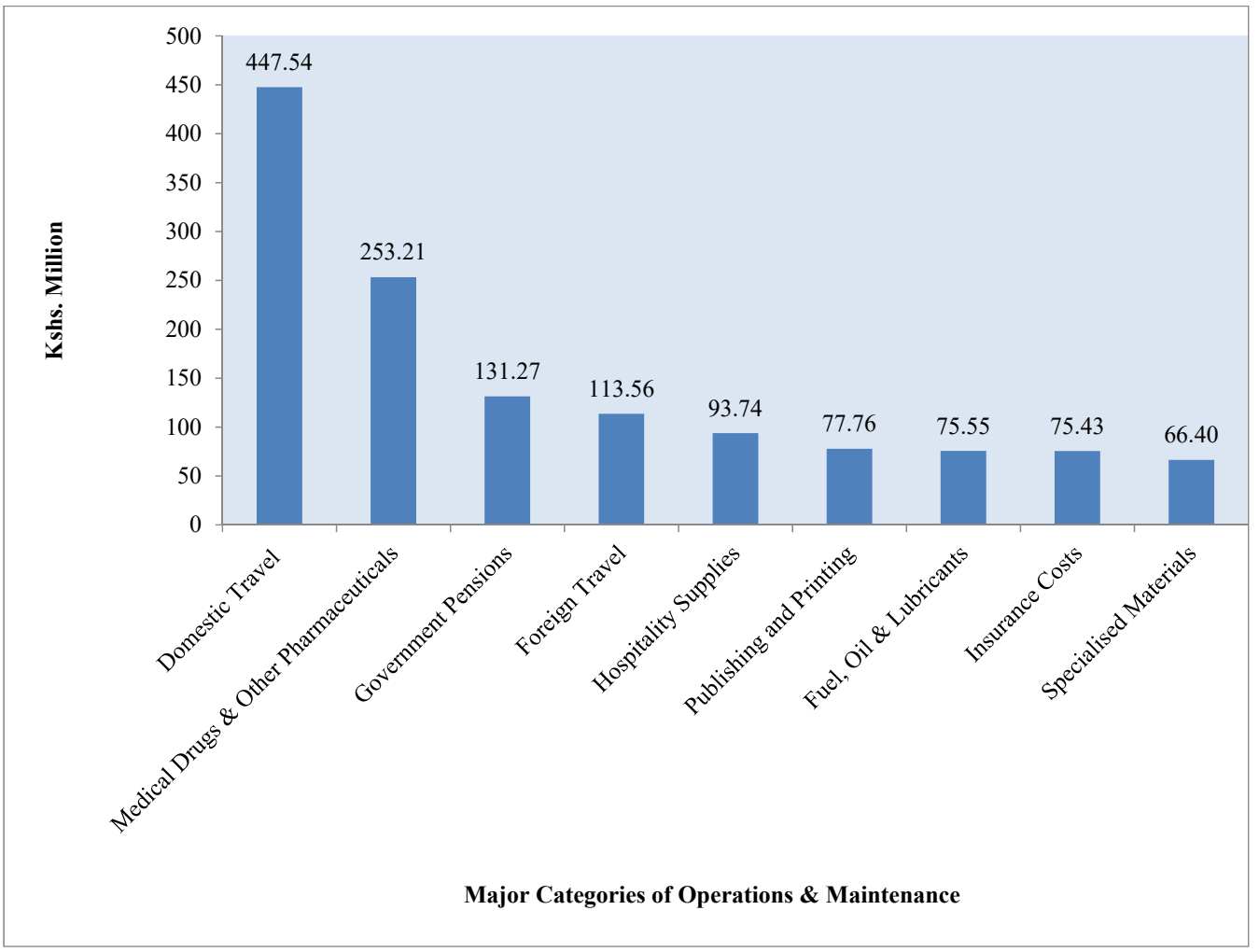
***Source**: Kajiado County Treasury*

### 3.10.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.34 billion comprised of Kshs.2.89 billion (54.2 per cent) incurred on personnel emoluments and Kshs.2.44 billion (45.8 per cent) on operations and maintenance as shown in Figure 3.39.

Expenditure on personnel emoluments represented an increase of 13.3 per cent compared FY 2017/18 when the County spent Kshs.2.55 billion and was 37.4 per cent of the total expenditure in FY 2018/19. Figure 3.40 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.40: Kajiado County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Kajiado County Treasury*

The County spent Kshs.26.93 million on committee sitting allowances for the 42 MCAs and Speaker against the annual budget allocation of Kshs.34.50 million. This represented an increase of 186.7 per cent compared to Kshs.9.39 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.53,431 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.561.10 million, and comprised of Kshs.195.95 million spent by the County Assembly and Kshs.365.15 million by the County Executive. This expenditure represented 10.5 per cent of total recurrent expenditure and was an increase of 179.9 per cent compared to Kshs.200.47 million spent in FY 2017/18.

## 3.10.8 Budget Performance by County Department

Table 3.28 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.28: Kajiado County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor & Deputy Governor | 348.25 | - | 348.25 | - | 316.36 | - | 90.8 | - | 90.8 | - |
| County Public Service Board | 107.80 | - | 107.80 | - | 102.37 | - | 95.0 | - | 95.0 | - |
| Education & Vocational Training | 484.84 | 286.85 | 484.84 | 139.79 | 482.25 | 176.02 | 99.5 | 125.9 | 99.5 | 61.4 |
| Medical Services, Public Health & Sanitation | 2,011.12 | 386.50 | 1,985.31 | 186.71 | 1,970.78 | 237.22 | 99.3 | 127.1 | 98.0 | 61.4 |
| Youth, Sports, Gender & Social Services | 178.04 | 131.50 | 178.04 | 25.54 | 156.78 | 18.27 | 88.1 | 71.5 | 88.1 | 13.9 |
| Agriculture, Livestock, Fisheries & Cooperative Development | 350.40 | 195.00 | 338.07 | 31.73 | 317.86 | 13.73 | 94.0 | 43.3 | 90.7 | 7.0 |
| Water, Irrigation, Environment & Natural Resources | 220.62 | 311.00 | 220.62 | 133.26 | 198.07 | 195.56 | 89.8 | 146.7 | 89.8 | 62.9 |
| Roads, Transport, Public Works, Housing & Energy | 165.61 | 842.91 | 165.61 | 354.37 | 145.29 | 556.01 | 87.7 | 156.9 | 87.7 | 66.0 |
| Public Service, Administration & Citizen Participation | 464.02 | 15.00 | 464.02 | 0.00 | 346.79 | 7.57 | 74.7 | - | 74.7 | 50.5 |
| County Treasury | 612.17 | 1,029.99 | 531.31 | 749.17 | 510.87 | 1,002.06 | 96.2 | 133.8 | 83.5 | 97.3 |
| Trade, Culture, Tourism & Wildlife | 93.23 | 106.50 | 93.23 | 54.71 | 77.85 | 52.20 | 83.5 | 95.4 | 83.5 | 49.0 |
| Lands & Physical Planning | 143.01 | 321.96 | 143.01 | 294.61 | 60.80 | 35.96 | 42.5 | 12.2 | 42.5 | 11.2 |
| County Assembly | 656.83 | 142.09 | 656.83 | 95.17 | 649.63 | 96.57 | 98.9 | 101.5 | 98.9 | 68.0 |
| **Total** | **5,835.96** | **3,769.29** | **5,716.95** | **2,065.07** | **5,335.68** | **2,391.17** | **93.3** | **115.8** | **91.4** | **63.4** |

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

Analysis of expenditure by department shows that the County Treasury recorded the highest absorption rate of development budget at 97.3 per cent while the Department of Agriculture, Livestock, Fisheries & Cooperative Development recorded the lowest at 7 per cent. The Department of Education and Vocational Training had the highest percentage of recurrent expenditure to recurrent budget at 99.5 per cent while the Department of Lands and Physical Planning had the lowest at 42.5 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 47.6 per cent from Kshs.726.69 million collected in FY 2017/18 to Kshs.1.07 billion in FY 2018/19.

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

1. High expenditure on domestic travel, which increased by 187 per cent from Kshs.156.02 million in FY 2017/18 to Kshs.447.54 million in the reporting period.
2. Failure by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, Bursary Fund, Disability Fund and the Youth and Women Enterprise Fund contrary to Section 168 of the PFM Act, 2012.
3. Late submission of reports on financial and non-financial performance by the County Treasury to the

Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

4. Increase in wage bill by 13.3 per cent from Kshs.2.55 billion in FY 2017/18 to Kshs.2.89 billion in the reporting period. The wage bill accounted for 37.4 per cent of total expenditure in FY 2018/19.

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

1. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*

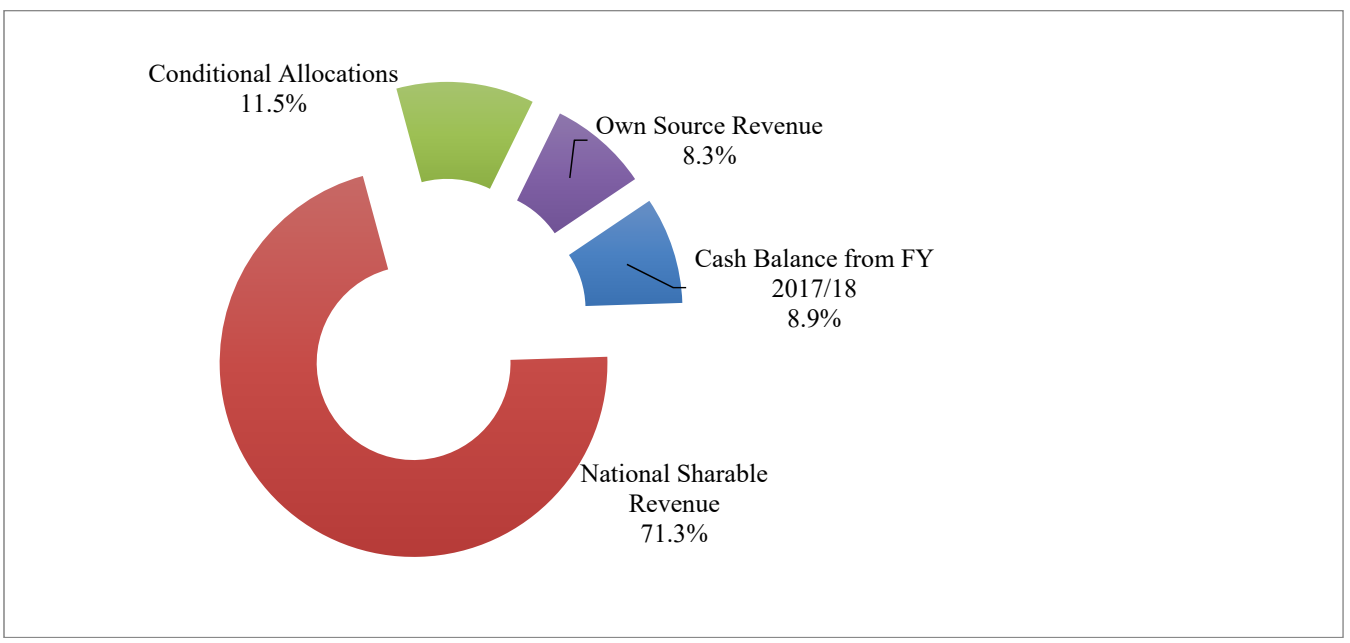
## 3.11 Kakamega County

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

The County's FY 2018/19 Supplementary Budget was Kshs.14.49 billion, comprising of Kshs.6.80 billion (47 per cent) and Kshs.7.69 billion (53 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.33 billion (71.3 per cent) as equitable share of the revenue raised nationally, Kshs.1.66 billion (11.5 per cent) as total conditional grants, generate Kshs.1.2 billion (8.3 per cent) from own sources of revenue, and Kshs.1.29 billion (8.9 per cent) cash balance from FY 2017/18.

**Figure 3.41: Kakamega County, Expected Sources of Budget Financing in FY 2018/19**




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

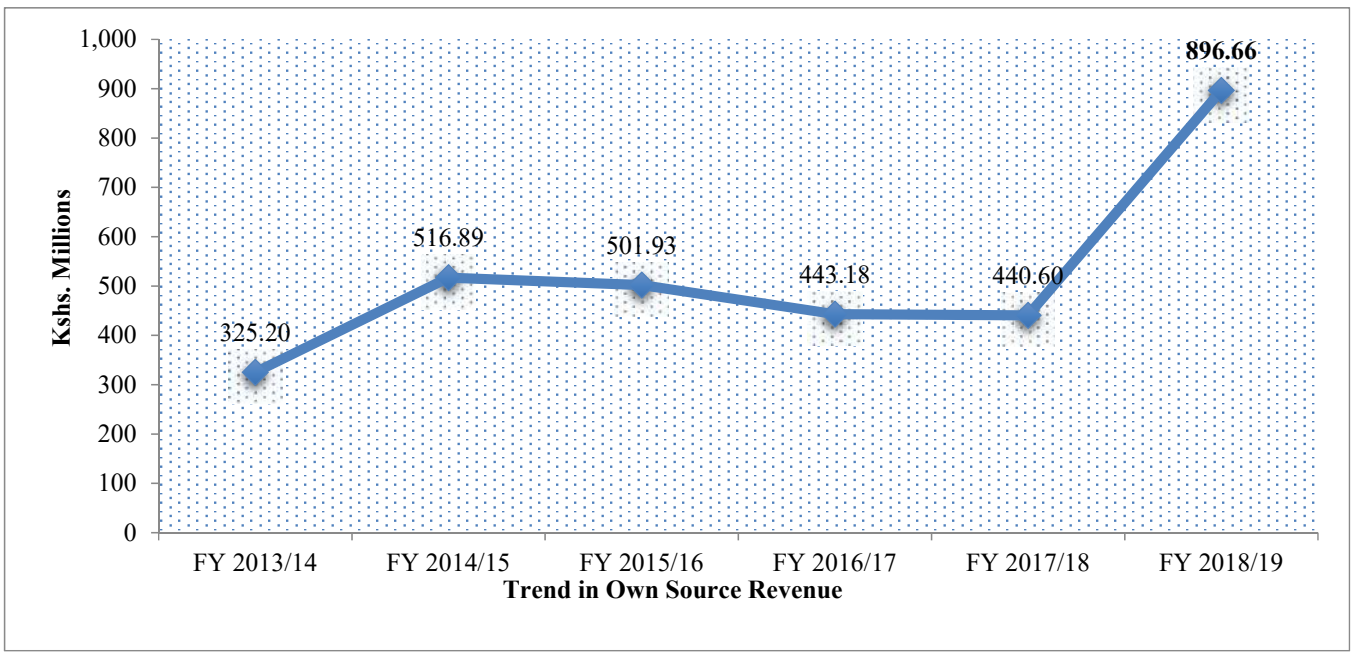
A breakdown of the conditional grants is provided in Table 3.29.

### 3.11.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.14.15 billion available for budget implementation. This amount consisted of Kshs.10.33 billion received as equitable share of the revenue raised nationally, Kshs.1.62 billion as conditional grants, Kshs.896.66 million generated from own sources of revenue, and a cash balance of Kshs.1.29 billion from FY 2017/18.

Figure 3.42 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.42: Kakamega County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.896.66 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.456.06 million compared to that realised in FY 2017/18 and was 74.7 per cent of the annual target.

### 3.11.3 Conditional Grants

During the reporting period, the County received Kshs.1.62 billion as conditional grants as shown in Table 3.29.

**Table 3.29: Kakamega County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1. | Grants to Level- 5 Hospital | 427,283,237 | 427,283,237 | 427,283,241 | 100 |
| 2. | IDA (World Bank) -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 | 271,995,701 | 100 |
| 4. | IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 41,643,182 | 35.6 |
| 5. | Transforming Health Systems for Universal Care Project (World Bank) | 100,000,000 | 100,000,000 | 67,018,603 | 67 |
| 6. | EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER) | 80,000,000 | 80,000,000 | - | - |
| | Rehabilitation of Village Polytechnics | 69,910,000 | 69,910,000 | 52,782,050 | 75.5 |

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 7. | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 63,508,830 | 63,508,830 | - | - |
| 8. | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 9. | Compensation for User Fee Foregone | 37,789,290 | 37,789,290 | 37,789,290 | 100 |
| 10. | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 23,774,757 | 33,716,311 | - | - |
| 11. | DANIDA - Universal Healthcare in Devolved System Programme | 33,311,250 | 33,311,250 | 33,311,250 | 100 |
| 12. | IDA (World Bank) Kenya Devolution Support Programme "Level II grant" | - | - | 262,583,677 | - |
| **Grand Total** | | **1,654,891,865** | **1,664,833,419** | **1,624,725,794** | **98.2** |

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

During the reporting period, the County received Kshs.262.58 million for the World Bank funded Kenya Devolution Support Programme – Level II grant which was neither captured in the CARA, 2018 nor the budget.

### 3.11.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.12.92 billion from the CRF account. The withdrawals represented 89.2 per cent of the Approved Supplementary Budget and translated to an increase of 17.8 per cent from Kshs.10.97 billion in FY 2017/18, and comprised of Kshs.5.36 billion (41.5 per cent) towards development activities and Kshs.7.56 billion (58.5 per cent) for recurrent expenditure.

### 3.11.5 Overall Expenditure Review

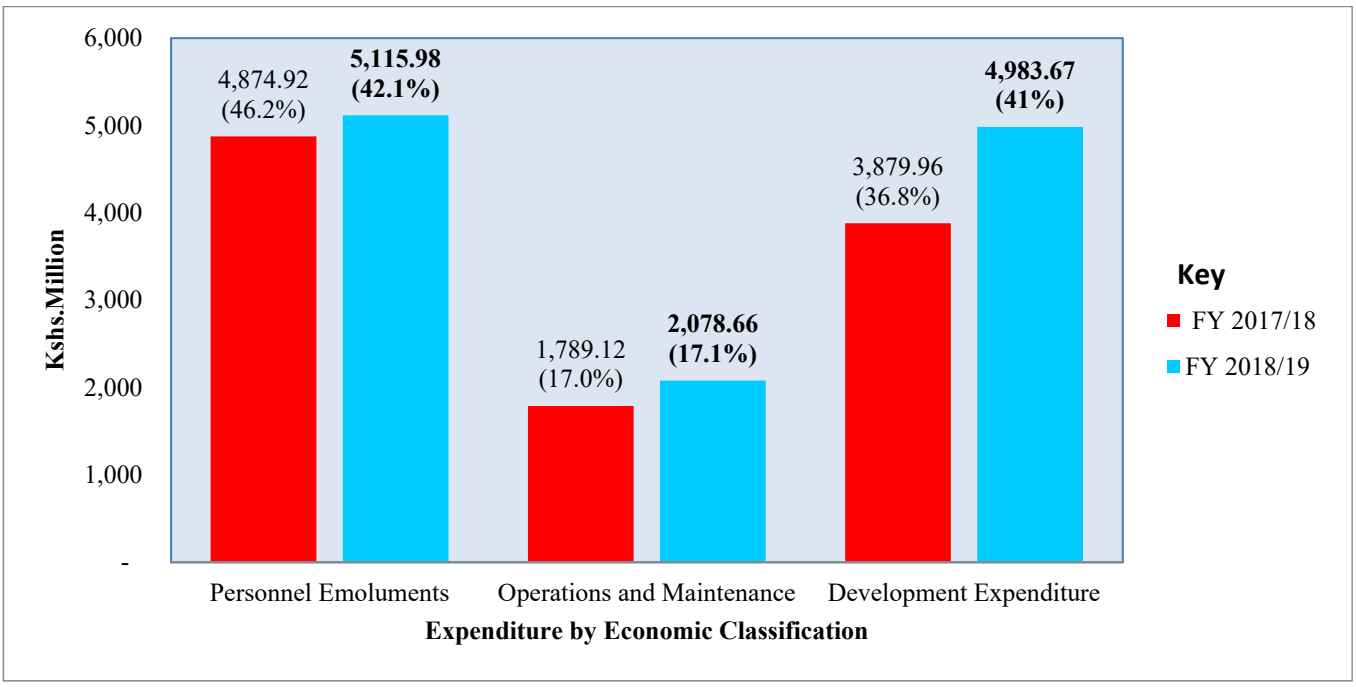
A total of Kshs.12.18 billion was spent on both development and recurrent activities. This expenditure represented 94.3 per cent of the total funds released from the CRF account, and was an increase of 15.5 per cent from Kshs.10.54 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.265.22 million for development activities and Kshs.270.98 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.4.98 billion while Kshs.7.19 billion was spent on recurrent activities. The development expenditure was 93 per cent of the funds released for development programmes, while recurrent expenditure was 95.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 73.2 per cent, which was an increase from 69 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 93.6 per cent of the annual recurrent budget, an increase from 91.5 per cent recorded in FY 2017/18.

Figure 3.43 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.43: Kakamega County, Expenditure by Economic Classification**




***Source**: Kakamega County Treasury*

## 3.11.6 Development Expenditure Analysis

The total development expenditure of Kshs.4.98 million represented 73.2 per cent of the annual development expenditure estimates of Kshs.6.8 billion. Table 3.30 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.30: Kakamega County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Bitumen Road | Countywide | 751,014,412 | 743,688,041 | 99 |
| 2 | Farm Inputs | Countywide | 392,837,041 | 391,975,715 | 100 |
| 3 | Level 5 Hospital Grant | Kakamega Town | 427,283,237 | 370,723,771 | 87 |
| 4 | 10km per ward roads-Ward based | All the wards | 365,848,904 | 338,895,808 | 93 |
| 5 | Road Levy Fund | Countywide | 379,809,498 | 320,215,609 | 84 |
| 6 | Kakamega Teaching and Referral | Kakamega Town | 300,000,000 | 299,515,171 | 100 |
| 7 | County Youth Services-Ward Based | All the wards | 250,000,000 | 220,757,110 | 88 |
| 8 | ECD Centres-Ward Based | All the wards | 160,000,000 | 158,959,288 | 99 |
| 9 | Water Infrastructure Development | All the wards | 150,620,000 | 141,493,789 | 94 |
| 10 | Enterprise Resource Planning (ERP) | At the County Headquarters | 132,036,000 | 131,891,997 | 100 |

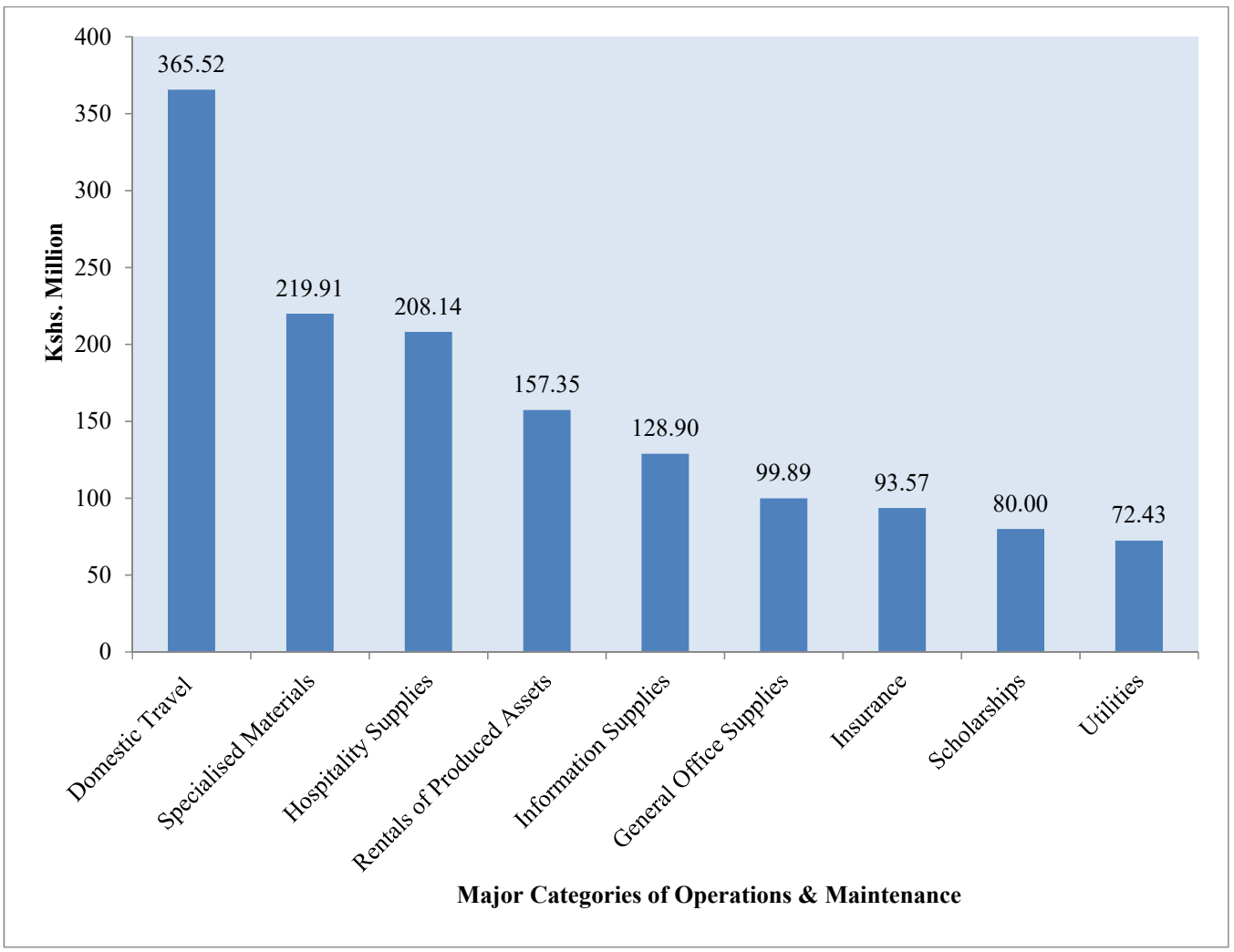
***Source:** Kakamega County Treasury*

## 3.11.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.19 billion comprised of Kshs.5.12 billion (71.1 per cent) incurred on personnel emoluments and Kshs.2.08 billion (28.9 per cent) on operations and maintenance as shown in Table 3.30.

Expenditure on personnel emoluments represented an increase of 4.9 per cent compared to FY 2017/18 when the County spent Kshs.4.87 billion and was 42.1 per cent of the total expenditure in FY 2018/19. Figure 3.44 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.44: Kakamega County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Kakamega County Treasury*

The County spent Kshs.114.89 million on committee sitting allowances for the 90 MCAs and speaker against the annual budget allocation of Kshs.134.78 million. This represented a decrease of 12.8 per cent compared to Kshs.131.79 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.106,384 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.403.74 million, and comprised of Kshs.179.04 million spent by the County Assembly and Kshs.224.70 million by the County Executive. This expenditure represented 5.6 per cent of total recurrent expenditure and was an increase of 15.3 per cent compared to Kshs.350.16 million spent in FY 2017/18.

### 3.11.8 Budget Performance by County Department

Table 3.31 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.31: Kakamega County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Public Service Board | 29.82 | - | 29.83 | - | 29.73 | - | 99.7 | - | 99.7 | - |
| Public Service and Administration | 5,030.71 | 156.22 | 5,057.07 | 49.27 | 4,865.67 | 60.05 | 96.2 | 121.9 | 96.7 | 38.4 |
| County Assembly | 1,061.36 | - | 941.65 | - | 1,059.93 | - | 112.6 | - | 99.9 | - |
| Health Services | 519.89 | 1,339 | 519.54 | 1,212.70 | 389.10 | 1,135.71 | 74.9 | 93.7 | 74.8 | 84.8 |
| Office of the Governor | 200.58 | 83 | 201.36 | 28.19 | 177.08 | 34.49 | 87.9 | 122.3 | 88.3 | 41.6 |
| ICT, E-government & Communication | 52.75 | 199.04 | 52.75 | 115.51 | 42.78 | 139.84 | 81.1 | 121.1 | 81.1 | 70.3 |
| Labour, Social Services, Youth and Sports | 49.11 | 225.50 | 49.11 | 85.05 | 37.15 | 138.90 | 75.6 | 163.3 | 75.6 | 61.6 |
| Lands, Housing, Urban Areas and Physical Planning | 205.47 | 527.47 | 176.96 | 505.20 | 130.17 | 112.15 | 73.6 | 22.2 | 63.4 | 21.3 |
| Environment, Natural Resources, Water & Forestry | 41.56 | 328.82 | 41.56 | 117.28 | 34.34 | 185.34 | 82.6 | 158.0 | 82.6 | 56.4 |
| Agriculture, Livestock, Fisheries and Cooperatives | 61.38 | 841.55 | 61.38 | 559.72 | 51.59 | 609.57 | 84.0 | 108.9 | 84.0 | 72.4 |
| Education, Science & Technology & ICT | 114.15 | 635.91 | 114.66 | 565.89 | 113.61 | 575.37 | 99.1 | 101.7 | 99.5 | 90.5 |
| County Treasury and Economic Planning | 233.07 | 255.00 | 233.47 | 90.06 | 200.03 | 93.28 | 85.7 | 103.6 | 85.8 | 36.6 |
| Industrialization, Trade and Tourism | 40.47 | 260.00 | 38.06 | 100.52 | 37.43 | 104.42 | 98.3 | 103.9 | 92.5 | 40.2 |
| Transport, Infrastructure & Public Works | 44.93 | 1,952.67 | 43.44 | 1,929.81 | 26.02 | 1,794.56 | 59.9 | 93.0 | 57.9 | 91.9 |
| **Total** | **7,685.25** | **6,804.18** | **7,560.84** | **5,359.20** | **7,194.63** | **4,983.68** | **95.2** | **93.0** | **93.6** | **73.2** |

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

Analysis of expenditure by department shows that the Department of Transport, Infrastructure & Public Works recorded the highest absorption rate of development budget at 91.9 per cent while the Department of Lands, Housing, Urban Areas and Physical Planning recorded the lowest at 21.3 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Transport, Infrastructure & Public Works had the lowest at 57.9 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. The absolute collection of own source revenue is on an upward trajectory. The collection in the FY 2013/14 was Kshs.325.2 million while that of FY 2018/19 was Kshs.896.7 million. Collection of own source revenue is expected to be enhanced further by the digitization of revenue collection in FY 2018/19.

ii. Improvement in the overall absorption of the budget. The total budget absorption for the reporting period was 84 per cent compared to 81.7 per cent in FY 2017/18, while expenditure on development budget was 73.2 per cent compared to 69 per cent achieved in FY 2017/18

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

1. A high wage bill that increased by 4.9 per cent from Kshs.4.87 billion in FY 2017/18 to Kshs.5.12

billion in the reporting period. The wage bill accounted for 42.1 per cent of total expenditure in the reporting period

2. The COB has noted, from the analysis of bank statements and expenditure reports that the County maintains numerous accounts at the commercial banks and has continued to make payments from those bank accounts through Cheques. This contravenes Government policy which requires all payments by government to be made online through Internet Banking platform.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *All Accounting Officers in the County should ensure all payments are made online through the prescribed Internet Banking platform at the Central Bank of Kenya Ltd.*

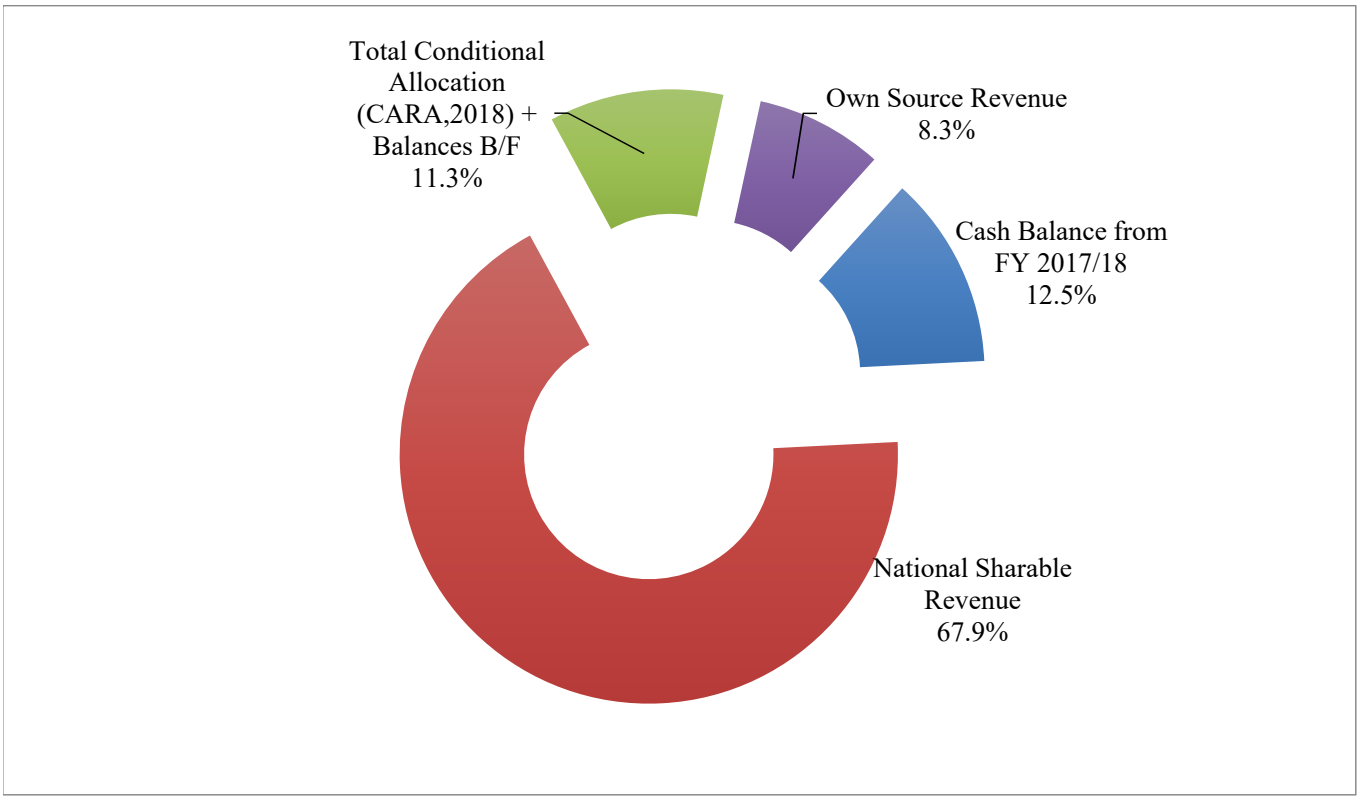
## 3.12 Kericho County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.42 billion, comprising of Kshs.3.65 billion (43.3 per cent) and Kshs.4.77 billion (56.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.71 billion (67.9 per cent) as equitable share of the revenue raised nationally, Kshs.953.04 million (11.3 per cent) as total conditional grants, generate Kshs.694.82 million (8.3 per cent) from own sources of revenue, and Kshs.1.06 billion (12.5 per cent) cash balance from FY 2017/18.

**Figure 3.45: Kericho County, Expected Sources of Budget Financing in FY 2018/19**




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

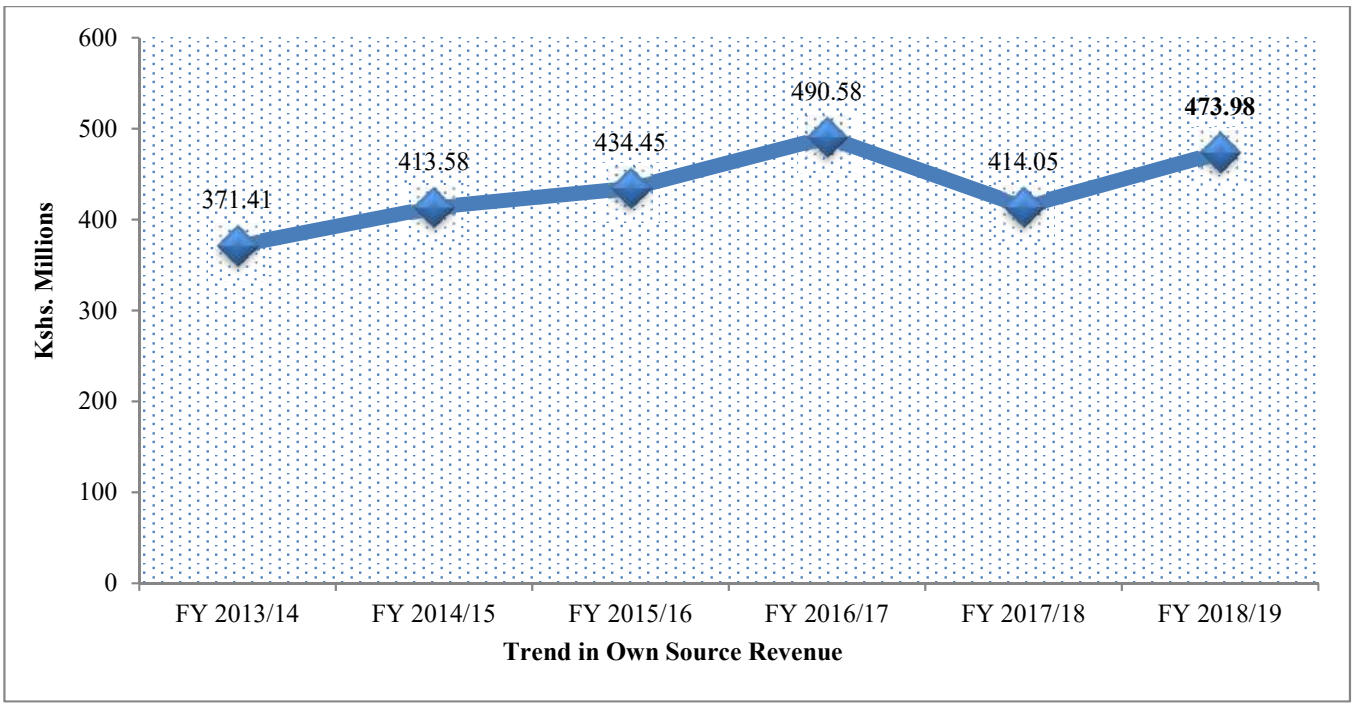
A breakdown of the conditional grants is provided in Table 3.32.

### 3.12.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.8 billion available for budget implementation. This amount consisted of Kshs.5.71 billion received as equitable share of the revenue raised nationally, Kshs.559.34 million as conditional grants outlined in CARA,2018, Kshs.473.98 million generated from own sources of revenue, a cash balance of Kshs.1.06 billion and unspent conditional grants of Kshs.181.28 million from FY 2017/18

Figure 3.46 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.46: Kericho County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.473.98 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.59.93 million compared to that realised in FY 2017/18 and was 68.2 per cent of the annual target.

### 3.12.3 Conditional Grants

During the reporting period, the County received Kshs.559.34 million as conditional grants as shown in Table 3.32.

## Table 3.32: Kericho County, Conditional Grants/Loans Received in the FY 2018/19

| S/No. | Grants/Loans | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual receipts in FY 2018/19 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1. | IDA (World Bank) -Kenya Urban Support Project | 256,299,000 | 256,299,000 | 256,299,000 | 100 |
| 2. | Road Maintenance Fuel Levy Fund +Bal.C/F in FY2017/18 | 150,465,707 | 287,501,906 | 150,465,707 | 100 |
| 3. | IDA (World Bank)-Kenya Climate Smart Agriculture Project | 116,443,510 | 116,443,510 | 42,837,552 | 36.6 |
| 4. | World Bank-Transforming Health Systems for Universal Care Project +Bal.C/F in FY 2017/18 | 61,507,974 | 70,007,974 | 26,017,062 | 42.3 |
| 5. | IDA (World Bank)Kenya Devolution Support Programme "Level 2 grant" | 44,538,343 | 44,538,343 | - | - |
| 6. | SIDA -Kenya Urban Institutional Support Program | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 7. | Rehabilitation of Village Polytechnics +Bal.C/F in FY2017/18 | 41,005,000 | 76,752,121 | - | - |
| 8. | Agricultural Sector development support Fund(ASDSP II) | 24,732,548 | 24,732,548 | 6,957,746 | 36.4 |
| 9. | Compensation for User Fee Foregone | 18,048,789 | 18,048,789 | 18,048,789 | 100 |
| 10. | DANIDA - Universal Healthcare to Devolved System Programme | 17,516,250 | 17,516,250 | 17,516,250 | 100 |
| **Total** | | **771,757,121** | **953,040,441** | **559,342,106** | **73** |

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

During the reporting period, the County received full allocation from the Kenya Urban Support Program (KUSP), Road Maintenance Fuel Levy, Kenya Urban Institutional Grant (KUIG), User Fees Foregone, and DANIDA grant for Universal Health Care in Devolved System Programme.

### 3.12.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.5 billion from the CRF account. The withdrawals represented 77.2 per cent of the Approved Supplementary Budget and translated to an increase of 22.6 per cent from Kshs.5.31 billion authorised in FY 2017/18 and comprised of Kshs.1.79 billion (27.5 per cent) towards development activities and Kshs.4.71 billion (72.5 per cent) for recurrent expenditure.

### 3.12.5 Overall Expenditure Review

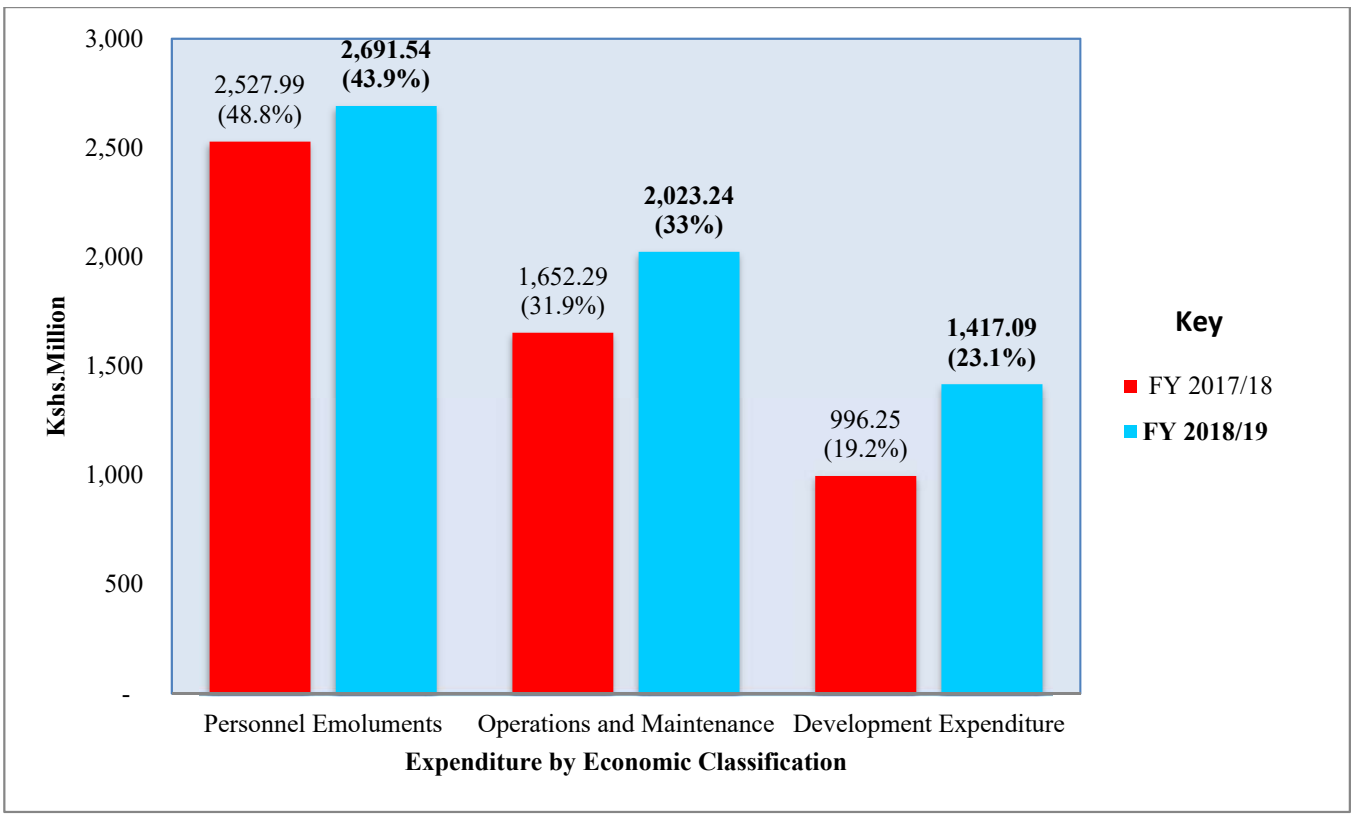
A total of Kshs.6.13 billion was spent on both development and recurrent activities. This expenditure represented 94.3 per cent of the total funds released from the CRF account, and was an increase of 18.5 per cent from Kshs.5.18 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.61 billion for development activities and Kshs.17.5 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.42 billion while Kshs.4.71 billion was spent on recurrent activities. The development expenditure was 79.3 per cent of the funds released for development programmes, while recurrent expenditure was 100 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 38.9 per cent, which was a decrease from 48.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 98.8 per cent of the annual recurrent budget, an increase from 92.9 per cent recorded in FY 2017/18. Figure 3.47 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.47: Kericho County, Expenditure by Economic Classification




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

### 3.12.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.42 billion represented 38.9 per cent of the annual development expenditure estimates of Kshs.3.65 billion. Table 3.33 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.33: Kericho County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/ No. | Project Name | Project Location | Project budget (Kshs.) | Project Expenditure in FY 2018/19 (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Payment for the Construction & Completion of County Access Roads (Including FY 2017/18 Pending bill works) | Across 29 wards | 601,500,000 | 466,381,062 | 77.5 |
| 2 | Routine Maintenance of road works funded by Fuel Levies | Across 29 wards | 287,501,906 | 117,267,835 | 40.8 |
| 3 | Construction of Water & Sewerage Infrastructures to benefit areas not covered by Kericho Water & Sanitation Company | County Wide | 299,390,901 | 111,054,906 | 37.1 |
| 4 | Establishment & Construction of Health Centres & Dispensaries | County Wide | 189,298,939 | 66,555,665 | 35.2 |
| 5 | Rehabilitation, Tarmacking & Construction of Drainage structures | Londiani & Kapkatet Townships | 113,894,482 | 57,036,630 | 50.1 |
| 6 | Enhancement of Industrial Crops | Across 29 wards | 42,817,629 | 42,827,421 | 100 |
| 7 | Construction & Completion of model ECDE classrooms | Across 29 wards | 101,756,091 | 37,568,176 | 36.9 |
| 8 | Provision of Universal Healthcare Coverage | County Wide | 36,000,000 | 36,000,000 | 100 |
| 9 | Development of County Spatial Plans | County Wide | 32,000,000 | 32,911,010 | 102.8 |
| 10 | Grants paid to Tililbei Water & Sanitation Company (TILIL-WASCO) | Kapkatet Ward | 25,000,000 | 26,602,429 | 106.4 |

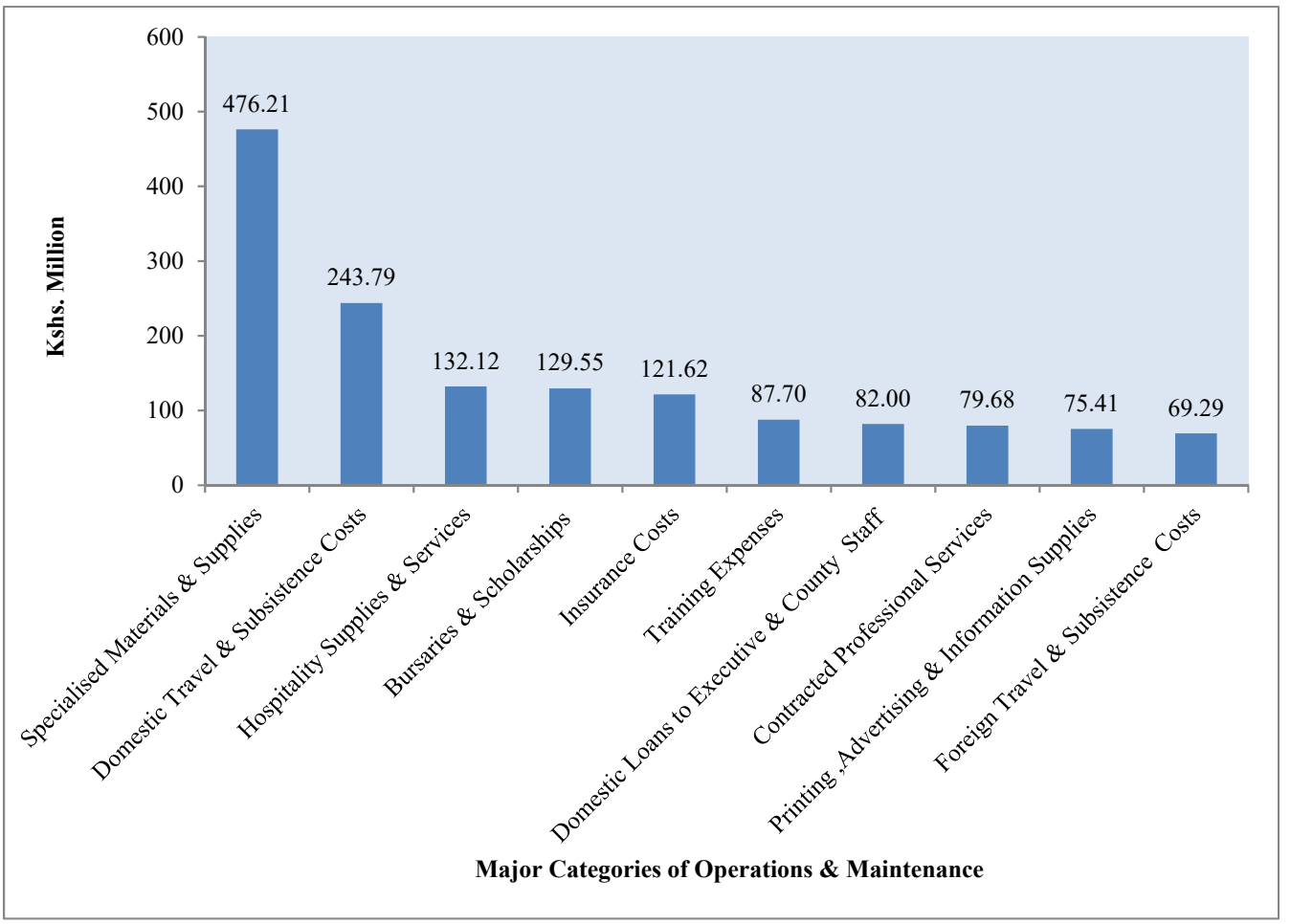
***Source:*** *Kericho County Treasury*

### 3.12.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.71 billion comprised of Kshs.2.69 billion (57.1 per cent) incurred on personnel emoluments and Kshs.2.02 billion (42.9 per cent) on operations and maintenance as shown in Figure 3.47.

Expenditure on personnel emoluments represented an increase of 6.5 per cent compared to FY 2017/18 when the County spent Kshs.2.53 billion and was 43.9 per cent of the total expenditure in FY 2018/19. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.48: Kericho County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




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

The County spent Kshs.44.69 million on committee sitting allowances for the 47 MCAs and Speaker against the annual budget allocation of Kshs.44.69 million. This represented an increase of 31.4 per cent compared to Kshs.34 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.77,579 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.313.08 million, and comprised of Kshs.152.80 million spent by the County Assembly and Kshs.160.28 million by the County Executive. This expenditure represented 6.6 per cent of total recurrent expenditure and was an increase of 8.7 per cent compared to Kshs.287.95 million spent in FY 2017/18.

### 3.12.8 Budget Performance by County Department

Table 3.34 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.34: Kericho County, Budget Performance by Department in FY 2018/19**

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly Services | 727.14 | 32 | 725.98 | 9.70 | 725.89 | 9.70 | 100 | 100 | 99.8 | 30.3 |
| Public Service & Administration | 296.72 | 32.13 | 296.49 | - | 295.52 | 4.62 | 99.7 | - | 99.6 | 14.4 |
| Office of the Governor & Deputy Governor | 160.23 | - | 160.21 | - | 184.54 | - | 115.2 | - | 115.2 | - |
| County Public Service Board | 57.11 | - | 56.75 | - | 52.13 | - | 91.9 | - | 91.3 | - |
| Finance & Economic Planning | 351.88 | 442.53 | 343.71 | 64.71 | 373.75 | 109.80 | 108.7 | 169.7 | 106.2 | 24.8 |
| Agriculture, Livestock &Fisheries | 202.53 | 281.80 | 201.49 | 85.14 | 182.24 | 107.47 | 90.4 | 126.2 | 90 | 38.1 |
| Environment, Water, Energy & Natural Resources | 157.30 | 370.19 | 156.38 | 181.15 | 159.32 | 164.11 | 101.9 | 90.6 | 101.3 | 44.3 |
| Education, Youth, Culture & Social services | 398.09 | 195.92 | 372.95 | 46.40 | 366.45 | 51.32 | 98.3 | 110.6 | 92.1 | 26.2 |
| Health Services | 2,111.91 | 681.39 | 2,111.86 | 297.50 | 2,096.67 | 254.36 | 99.3 | 85.5 | 99.3 | 37.3 |
| Land, Housing & Physical Planning | 77.33 | 379.30 | 76.96 | 357.14 | 72.89 | 55.37 | 94.7 | 15.5 | 94.3 | 14.6 |
| Public Works, Roads & Transport | 81.66 | 1,023.63 | 80.54 | 640.78 | 81.44 | 591.56 | 101.10 | 92.3 | 99.7 | 57.8 |
| ICT & E-Government | 83.10 | 166.72 | 67.04 | 90.15 | 68.96 | 54.18 | 102.90 | 60.1 | 83 | 32.5 |
| Trade, Industrialization, Tourism, Wildlife & Cooperative Development | 68.71 | 38.67 | 64.55 | 13.38 | 54.98 | 14.62 | 85.2 | 109.3 | 80 | 37.8 |
| **Total** | **4,773.71** | **3,644.26** | **4,714.89** | **1,786.05** | **4,714.78** | **1,417.09** | **100.00** | **79.3** | **98.8** | **38.9** |

*Source: Kericho County Treasury*

Analysis of expenditure by department shows that the Department of Public Works, Roads & Transport recorded the highest absorption rate of development budget at 57.8 per cent while Department of Public Service and Administration had the lowest at 14.4 per cent. The Office of Governor & Deputy Governor posted the highest percentage of recurrent expenditure to recurrent budget at 115.2 per cent while the Department of Trade, Industrialization, Tourism, Wildlife & Cooperative Development registered the lowest at 80 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 performance of own -source of revenues by 14.5 per cent from Kshs.414.05 million achieved in FY 2017/18 to Kshs.473.98 million in the reporting period.
ii. Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act ,2012 to oversee financial operations of the County

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

1. Late submission of reports on financial and non-financial performance by the County Treasury. The quarterly report for the reporting period was not submitted on time contrary to Section 166 of the PFM Act, 2012.
2. Low absorption of development budget. In the reporting period, the County posted an absorption rate of 38.9 per cent of the annual development budget, a decrease from 48.8 per cent attained in FY

2017/18.

3. High expenditure on employee emoluments. The County spent Kshs.2.69 billion on personnel emoluments which was an increase of 6.5 per cent from Kshs.2.53 billion incurred in FY 2017/18 and accounted for 43.9 per cent of the total expenditure of Kshs.6.13 billion in the reporting period.
4. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
5. High pending bills at the end of the financial year which amounted to Kshs.1.61 billion for development activities and Kshs.17.5 million for recurrent activities.
6. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Finance & Economic Planning, the Department of Environment, Water, Energy & Natural Resources, and the Office of the Governor and Deputy Governor. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of the PFM Act ,2012*
2. *The County should identify and address the causes of low absorption of development budget in order to ensure effective budget implementation*
3. *The County Public Service Board should expedite on establishment of an optimal staffing structure and devise strategies to contain escalating wage bill within 35 per cent of the County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
5. *The County should identify and address the causes of huge pending bills as at the end of the financial year. These pending bills should be verified and paid as a first charge in FY 2019/20.*
6. *The County Treasury should ensure expenditure is within the approved budget.*

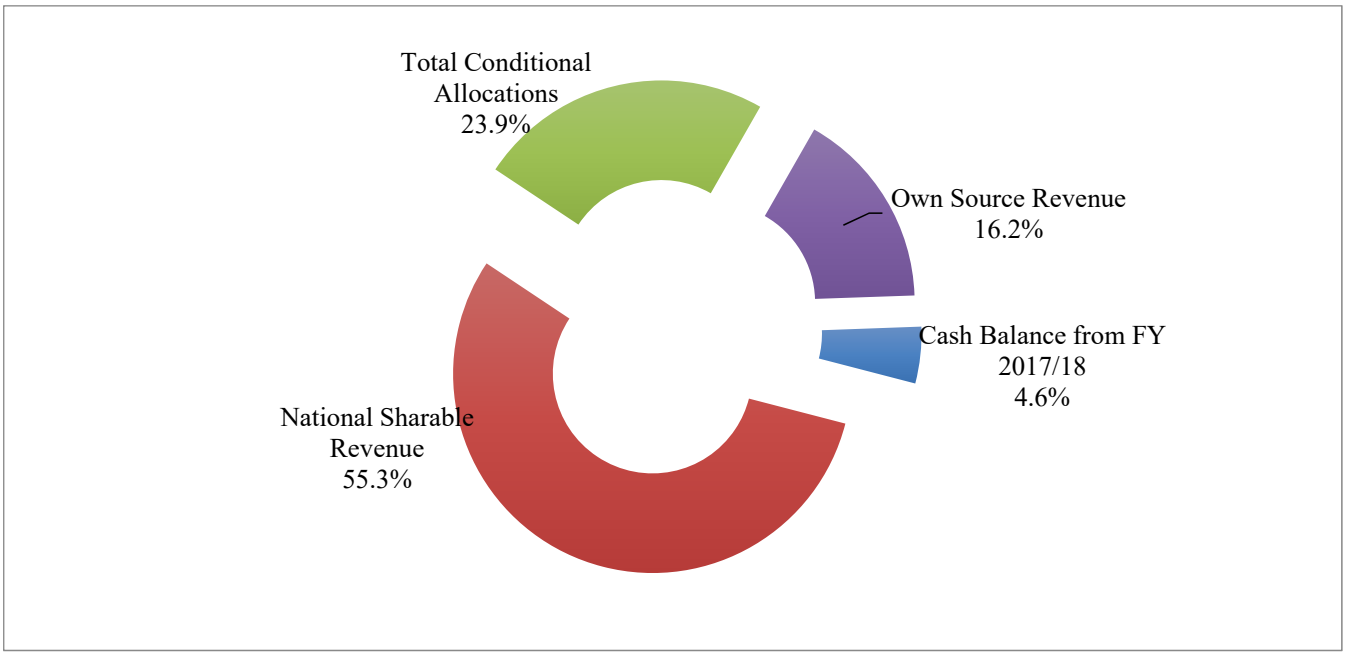
## 3.13 Kiambu County

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

The County's FY 2018/19 Supplementary Budget was Kshs.16.91 billion, comprising of Kshs.5.97 billion (35.3 per cent) and Kshs.10.95 billion (64.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expected to receive Kshs.9.36 billion (55.3 per cent) as equitable share of the revenue raised nationally, Kshs.4.05 billion (23.9 per cent) as total conditional grants, generate Kshs.2.74 billion (16.2 per cent) from own sources of revenue, and a cash balance of Kshs.774.03 million (4.6 per cent) from FY 2017/18.

**Figure 3.49: Kiambu County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Kiambu County Treasury*

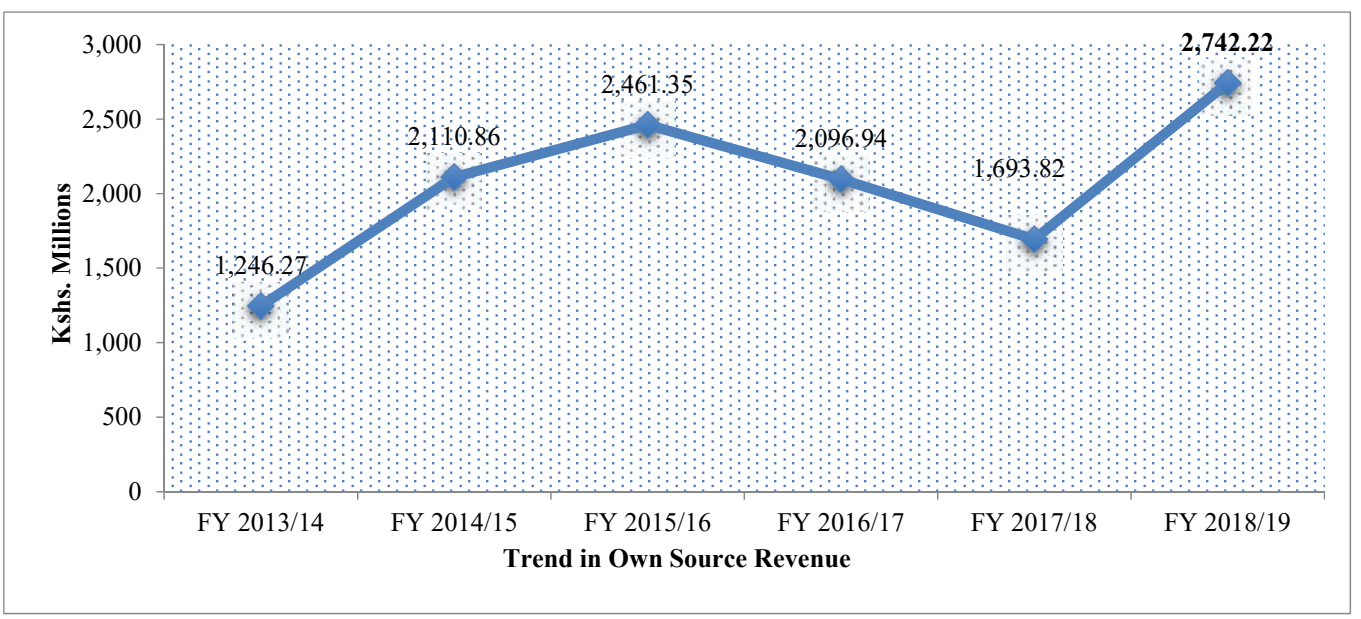
A breakdown of the conditional grants is provided in Table 3.35.

### 3.13.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.16.13 billion available for budget implementation. This amount consisted of Kshs.9.36 billion received as equitable share of the revenue raised nationally, Kshs.3.25 billion as conditional grants, Kshs.2.74 billion generated from own sources of revenue, and had a cash balance of Kshs.774.03 million from FY 2017/18.

Figure 3.50 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.50: Kiambu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Kiambu County Treasury*

The County generated a total of Kshs.2.74 billion from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.1.05 billion compared to that realised in FY 2017/18 and represented 100.2 per cent of the annual target.

### 3.13.3 Conditional Grants

During the reporting period, the County received Kshs.3.25 billion as conditional grants as shown in Table 3.35.

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

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | IDA (World Bank) credit: Kenya Urban Support Project(KUSP) | 1,885,993,000 | 1,885,993,000 | 1,885,993,000 | 100 |
| 2 | Conditional Grants to Level - 5 Hospital | 538,716,763 | 538,716,765 | 538,716,762 | 100 |
| 3 | Kenya Devolution Support Project (KDSP) "Level 2 grant" | 289,565,839 | 527,565,839 | 289,565,839 | 100 |
| 4 | Conditional Grant-Road Maintenance Fuel Levy | 246,366,927 | 394,366,926 | 302,930,786 | 123 |
| 5 | Conditional Grant-Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 6 | IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 146,935,163 | 50,078,476 | 36 |
| 7 | Conditional Grant-Rehabilitation of Village Polytechnics | 68,110,000 | 108,796,220 | 51,423,050 | 76 |
| 8 | IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) " Level 1 grant" | 60,455,156 | 60,455,156 | - | - |
| 9 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 20,524,353 | 41 |
| 10 | IDA World Bank Credit; Kenya Urban Support Project (KUSP) Urban Institutional Grants (UIG) | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 11 | Conditional Grant-Compensation for User Fee Foregone | 34,671,542 | 34,671,542 | 34,671,542 | 100 |
| 12 | DANIDA Grant (Universal Healthcare in Devolved System Program) | 32,400,000 | 32,400,000 | 32,400,000 | 100 |
| 13 | Sweden Agricultural Sector Development Support Programme(ASDSP) II | 20,468,461 | 25,968,641 | 7,452,110 | 36 |
| **Sub Total** | | **3,608,382,851** | **3,847,069,252** | **3,254,955,918** | **90** |
| **B** | **Other Grants** | | | | |
| 14 | Market Grant- Githurai Market | | 200,000,000 | - | - |
| **Sub Total** | | **-** | **200,000,000** | **-** | **-** |
| **Grand Total** | | **3,608,382,851** | **4,047,069,252** | **3,254,955,918** | **90** |

***Source:*** *Kiambu County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy grant recorded the highest performance in percentage terms, and accounted 123 per cent of the annual target.

### 3.13.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.14.95 billion from the CRF account. The withdrawals represented 88.4 per cent of the Approved Supplementary Budget and translated to an increase of 25.4 per cent from Kshs.11.92 billion in FY 2017/18, and comprised of Kshs.4.46 billion (29.8 per cent) towards development activities and Kshs.10.49 billion (70.2 per cent) for recurrent expenditure.

### 3.13.5 Overall Expenditure Review

A total of Kshs.14.26 billion was spent on both development and recurrent activities. This expenditure represented 95.4 per cent of the total funds released from the CRF account, and was an increase of 32.5 per cent from Kshs.10.76 billion spent in FY 2017/18.

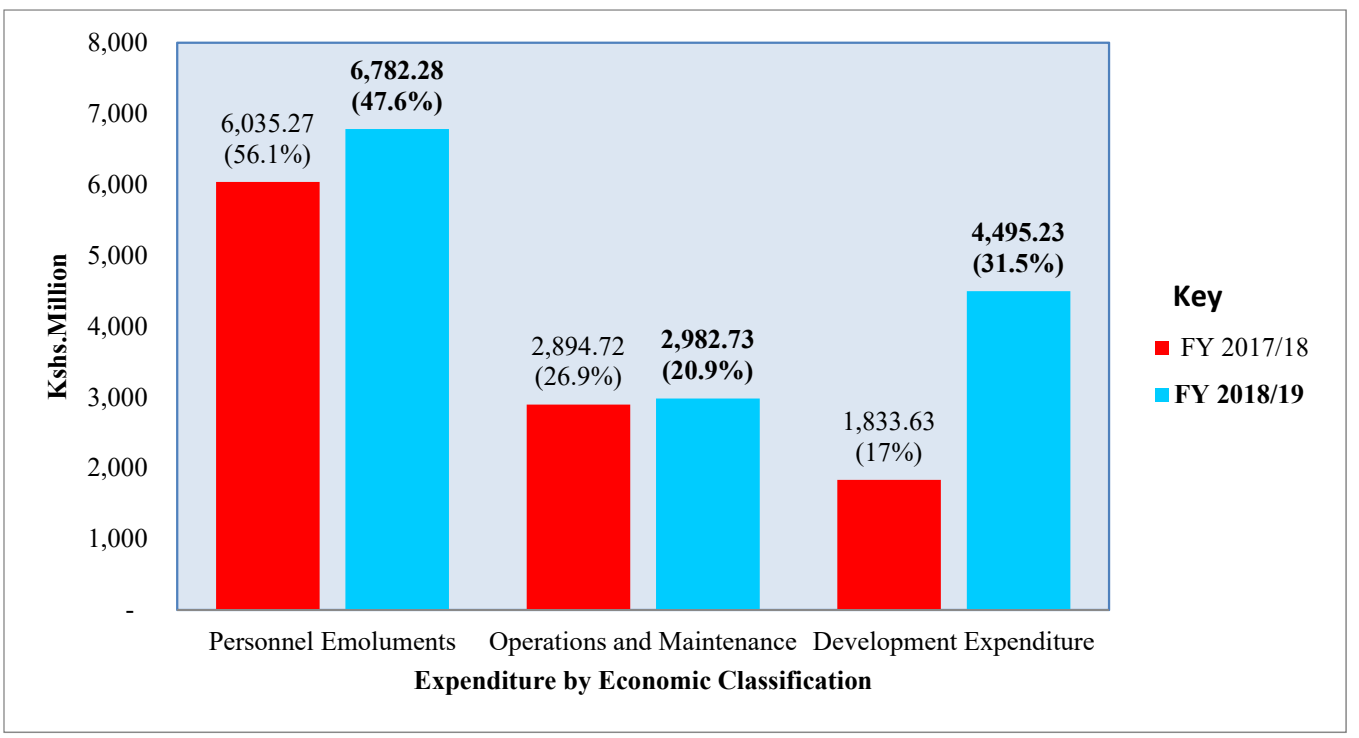
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.30 billion for development activities and Kshs.1.23 billion for recurrent costs.

Expenditure on development programmes amounted to Kshs.4.50 billion while Kshs.9.77 billion was spent on recurrent activities. The development expenditure was 100.8 per cent of the funds released for development programmes, while recurrent expenditure was 93.1 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 75.4 per cent, which was an increase from 66.1 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 89.2 per cent of the annual recurrent budget, a decrease from 91 per cent recorded in FY 2017/18.

Figure 3.51 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.51: Kiambu County, Expenditure by Economic Classification**




***Source**: Kiambu County Treasury*

### 3.13.6 Development Expenditure Analysis

The total development expenditure of Kshs.4.50 billion represented 75.4 per cent of the annual development expenditure estimates of Kshs.5.97 billion. Table 3.36 provides a summary of development projects with the highest expenditure in the financial year.

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

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Githunguri-Ndumberi Road | Githunguri | 340,801,794 | 318,760,290 | 93.5 |
| 2 | Construction of RH unit in Thika level 5 hospital (Conditional Grant) | Hospital, Kiambu | 766,002,030 | 189,897,659 | 24.8 |
| 3 | Improvement of Kiambu Level 5 Hospital (Conditional Grant) | Hospital, Kiambu | 538,716,763 | 189,897,659 | 35.3 |
| 4 | Construction of level 4 Hospital at Githunguri Health Centre | Githunguri | 676,000,000 | 180,759,533 | 26.7 |
| 5 | Construction of Gatitu Junction and other Roads | Thika | 221,005,870 | 162,034,722 | 73.3 |
| 6 | Transfer ( Kiambu County Polytechnics) | Kiambu County Polytechnics | 108,796,220 | 108,622,420 | 99.8 |
| 7 | A2 Junction Kimbo Matangini | Kimbo | 170,552,896 | 93,929,411 | 55.1 |
| 8 | Thogoto-Ndaire Road | Thogoto | 181,452,510 | 81,327,181 | 44.8 |
| 9 | Construction of Githunguri CBD roads | Githunguri | 103,997,581 | 78,019,224 | 75.0 |
| 10 | Purchase of vehicles and equipment (2 graders purchased) | Headquarters | 65,857,070 | 39,057,070 | 59.3 |

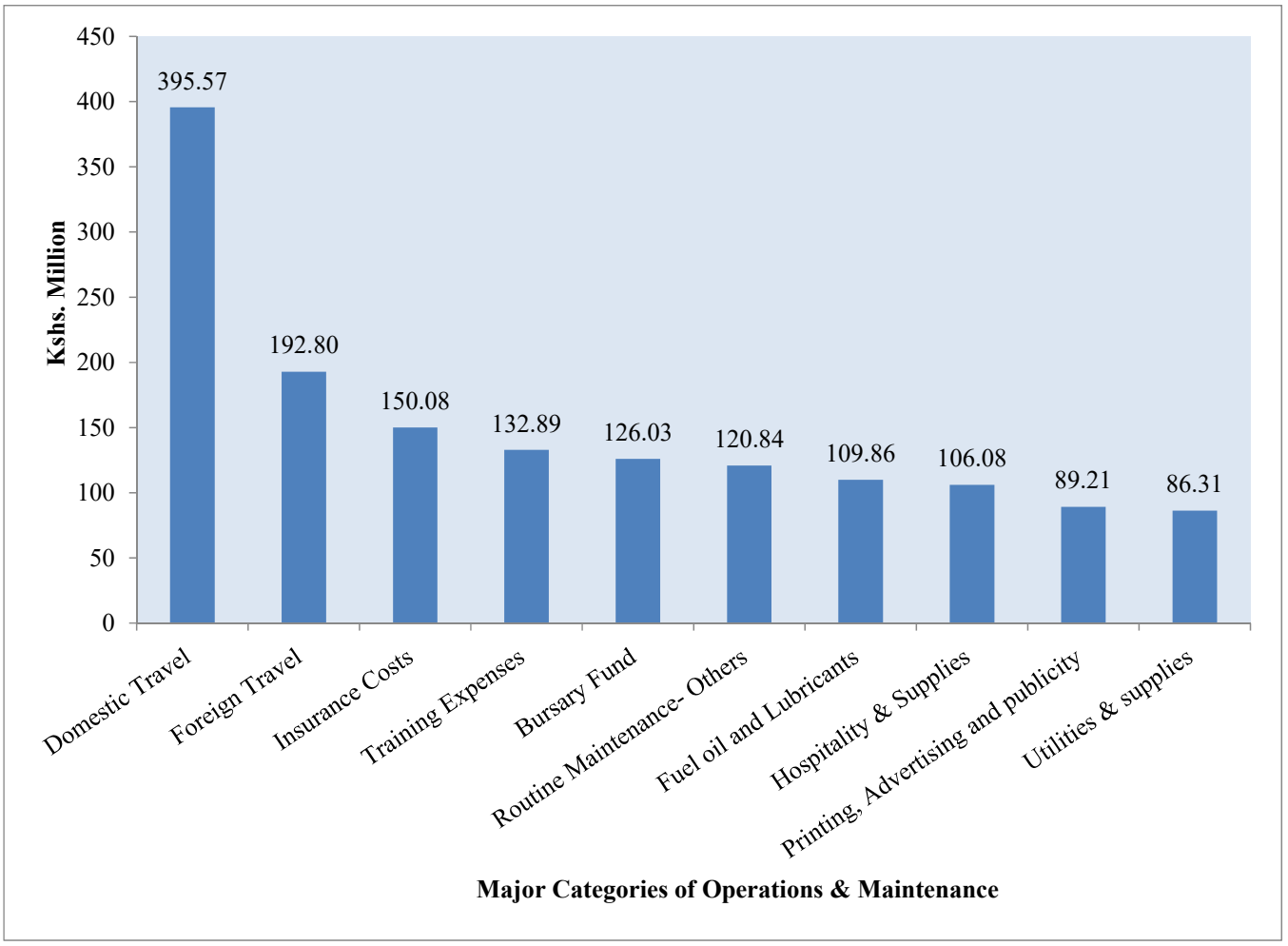
***Source**: Kiambu County Treasury*

### 3.13.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.9.77 billion comprised of Kshs.6.78 billion (69.5 per cent) incurred on personnel emoluments and Kshs.2.98 billion (30.5 per cent) on operations and maintenance as shown in Figure 3.51 .

Expenditure on personnel emoluments represented an increase of 12.4 per cent compared to FY 2017/18 when the County spent Kshs.6.04 billion and was 47.6 per cent of the total expenditure in FY 2018/19. Figure 3.52 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.52: Kiambu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Kiambu County Treasury*

The County spent Kshs.90.64 million on committee sitting allowances for the 93 MCAs and Speaker against the annual budget allocation of Kshs.74 million. This represented an increase of 61.1 per cent compared to Kshs.56.25 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.81,217 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.558.37 million, and comprised of Kshs.336.24 million spent by the County Assembly and Kshs.252.13 million by the County Executive. This expenditure represented 6 per cent of total recurrent expenditure and was an increase of 81 per cent compared to Kshs.325.14 million spent in FY 2017/18.

### 3.13.8 Budget Performance by County Department

Table 3.37 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.37: Kiambu County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (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 | 1,102.82 | 8.89 | 1,101.89 | 8.89 | 99.9 | 100 | 91.8 | 16.2 |
| County Executive | 409.94 | 8.56 | 359.94 | - | 336.42 | 3.38 | 93.5 | - | 82.1 | 39.5 |

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Public Service Board | 76.32 | - | 76.32 | - | 64.01 | - | 83.9 | - | 83.9 | - |
| Finance, ICT and Economic Planning | 1,118.98 | 573.77 | 1,118.98 | 248.90 | 964.40 | 298.45 | 86.2 | 119.9 | 86.2 | 52 |
| Administration, Public Service & Communication | 1,212.03 | 14.50 | 1,212.03 | 11.96 | 1,155.45 | 11.25 | 95.3 | 94 | 95.3 | 77.6 |
| Agriculture, Crop Production and Irrigation | 239.26 | 284.59 | 239.26 | 121.90 | 224.56 | 176.10 | 93.9 | 144.5 | 93.9 | 61.9 |
| Water, Environment & Natural Resources | 290.68 | 223.23 | 290.68 | 145.92 | 262.84 | 104.50 | 90.4 | 71.6 | 90.4 | 46.8 |
| Health Services | 4,234.49 | 833.07 | 4,006.78 | 661.51 | 3,774.35 | 600.10 | 94.2 | 90.7 | 89.1 | 72.0 |
| Education, Youth, Sports Culture, & Social Service | 1,065.76 | 417.54 | 1,024.85 | 159.77 | 971.74 | 269.52 | 94.8 | 168.7 | 91.2 | 64.6 |
| Youth and Sports | 90.68 | 25.13 | 90.68 | - | 80.17 | - | 88.4 | - | 88.4 | 0.0 |
| Lands, Physical Planning & Housing | 262.20 | 1,937.76 | 221.00 | 1,937.76 | 144.93 | 1,941.37 | 65.6 | 100.2 | 55.3 | 100.2 |
| Trade, Tourism, Industry & Cooperative | 159.48 | 259.89 | 159.48 | 56.51 | 145.28 | 61.35 | 91.1 | 108.6 | 91.1 | 23.6 |
| Roads, Transport & Public Works | 347.89 | 1,208.11 | 347.89 | 1,091.38 | 315.52 | 991.10 | 90.7 | 90.8 | 90.7 | 82.0 |
| Livestock, Fisheries and Marketing | 240.65 | 123.97 | 240.65 | 12.95 | 223.46 | 29.22 | 92.9 | 225.6 | 92.9 | 23.6 |
| **TOTAL** | **10,949** | **5,965** | **10,491** | **4,457** | **9,765** | **4,495** | **93.1** | **100.8** | **89.2** | **75.4** |

*Source: Kiambu County Treasury*

Analysis of expenditure by department shows that the Department of Lands, Physical Planning & Housing recorded the highest absorption rate of development budget at 100.2 per cent while the Department of Youth and Sports did not spend on the development budget. The Department of Administration, Public Service & Communication had the highest percentage of recurrent expenditure to recurrent budget at 95.3 per cent while the Department of Lands, Physical Planning & Housing had the lowest at 55.3 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 absorption of development expenditure by 145.2 per cent from Kshs.1.83 billion in FY 2017/18 to Kshs.4.50 billion in the reporting period.
ii. Improvement in the collection of own source revenue by 61.9 per cent from Kshs.1.69 billion in FY 2017/18 to Kshs.2.74 billion in the reporting period, and was 100.2 per cent of the annual target.

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

1. High expenditure on personnel emoluments which has increased by 12.4 per cent from Kshs.6.04 billion to Kshs.6.78 billion. The wage bill accounted for 47.6 per cent of total expenditure in the reporting period.
2. High expenditure on foreign and domestic travel, which increased by 81 per cent from Kshs.325.14 million in FY 2017/18 to Kshs.558.37 million in the reporting period.
3. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Lands, Physical Planning & Housing. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Public Service Board should put in place measures to ensure the wage bill does not increase above the legal limit in the medium term.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County Treasury should ensure expenditure is within the approved budget.*

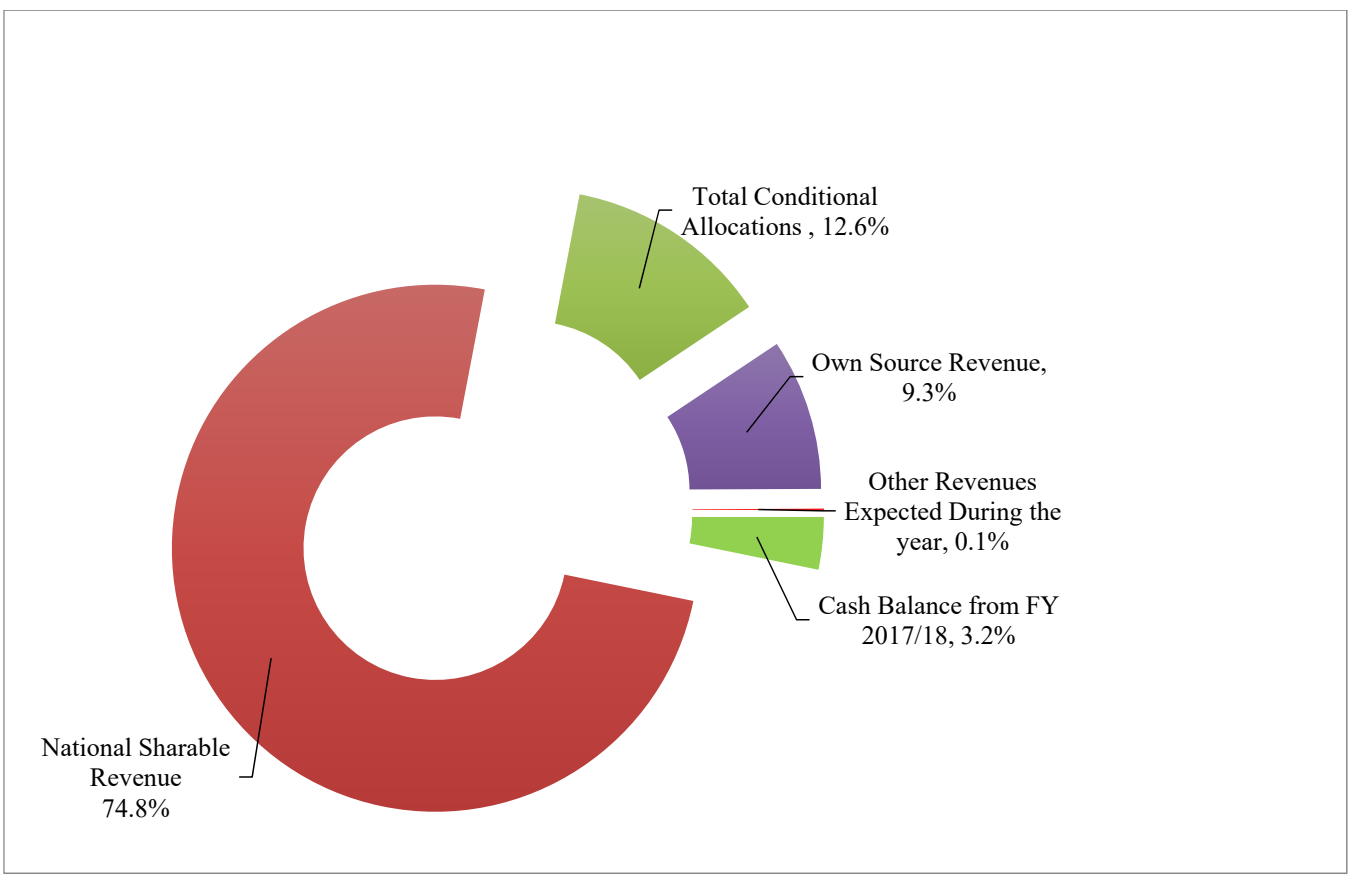
## 3.14 Kilifi County

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

The County's FY 2018/19 Supplementary Budget was Kshs.14.48 billion, comprising of Kshs.8.71 billion (60.2 per cent) and Kshs.5.77 billion (39.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.83 billion (74.8 per cent) as equitable share of the revenue raised nationally, Kshs.1.83 billion (12.6 per cent) as total conditional grants, generate Kshs.1.35 billion (9.3 per cent) from own sources of revenue, Kshs.10.99 million (0.1 per cent) as other revenues expected during the year and Kshs.465.43 million (3.2 per cent) cash balance from FY 2017/18.

**Figure 3.53: Kilifi County, Expected Sources of Budget Financing in FY 2018/19**




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

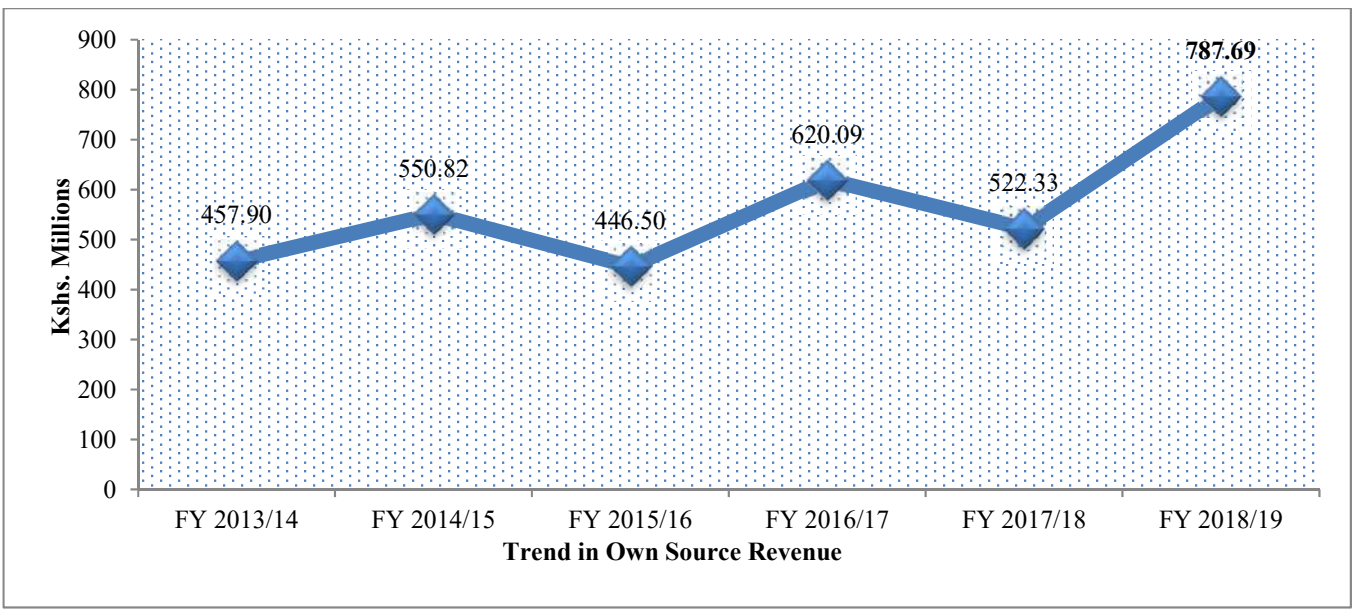
A breakdown of the conditional grants is provided in Table 3.38.

### 3.14.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.12.86 billion available for budget implementation. This amount consisted of Kshs.10.83 billion received as equitable share of the revenue raised nationally, Kshs.1.06 billion as conditional grants, Kshs.787.69 million generated from own sources of revenue, and a cash balance of Kshs.180.51 million from FY 2017/18.

Figure 3.54 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.54: Kilifi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.787.69 million from own revenue sources in FY 2018/19. This amount represented an increase of 50. 8 per cent compared to Kshs.522.33 million realised in FY 2017/18 and was 58.6 per cent of the annual target.

### 3.14.3 Conditional Grants

During the reporting period, the County received Kshs.1.06 billion as conditional grants as shown inTable 3.38.

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

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation(Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 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 | 293,653,337 | 103 |
| 4 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 5 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 196,045,018 | 112,109,855 | 79.8 |
| 6 | World Bank Loan for Transforming Health Systems for Universal Care (WB) (THSUC) | 100,000,000 | 101,527,335 | 81,946,553 | 81.9 |
| 7 | WB -Kenya Devolution Support Programme (KDSP) | 61,148,106 | 83,874,401 | 22,726,295 | 37.2 |
| 8 | Development of Youth Polytechnics/ Rehabilitation of Village Polytechnic | 53,035,000 | 87,896,049 | 74,902,474 | 141.2 |
| 9 | DANIDA Grant | 33,361,875 | 45,178,279 | 45,178,279 | 135.4 |

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation(Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 10 | Compensation for User Fee Foregone | 25,969,864 | 26,072,672 | 39,166,163 | 150.8 |
| 11 | Agricultural Sector Development Support Programme(ASDSP)II | 23,653,874 | 22,011,311 | 13,611,847 | 57.7 |
| 12 | Kenya Urban Support Programme-Urban Institutional Grant | - | 41,200,000 | 41,200,000 | - |
| **Total** | | **1,653,361,837** | **1,827,992,901** | **1,055,029,303** | **63.8** |

*Source: Kilifi County Treasury*

During the reporting period, receipts from the Compensation for User Fee Foregone conditional grant recorded the highest performance in percentage terms, and accounted for 150.8 per cent of the annual target.

### 3.14.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.11.61 billion from the CRF account. The withdrawals represented 80.2 per cent of the Approved Supplementary Budget and translated to an increase of 8.4 per cent from Kshs.10.71 billion in FY 2017/18, and comprised of Kshs.3.68 billion (31.7 per cent) towards development activities and Kshs.7.93 billion (68.3 per cent) for recurrent expenditure.

### 3.14.5 Overall Expenditure Review

A total of Kshs.9.64 billion was spent on both development and recurrent activities. This expenditure represented 83 per cent of the total funds released from the CRF account, and was an increase of 1.2 per cent from Kshs.9.53 billion spent in FY 2017/18.

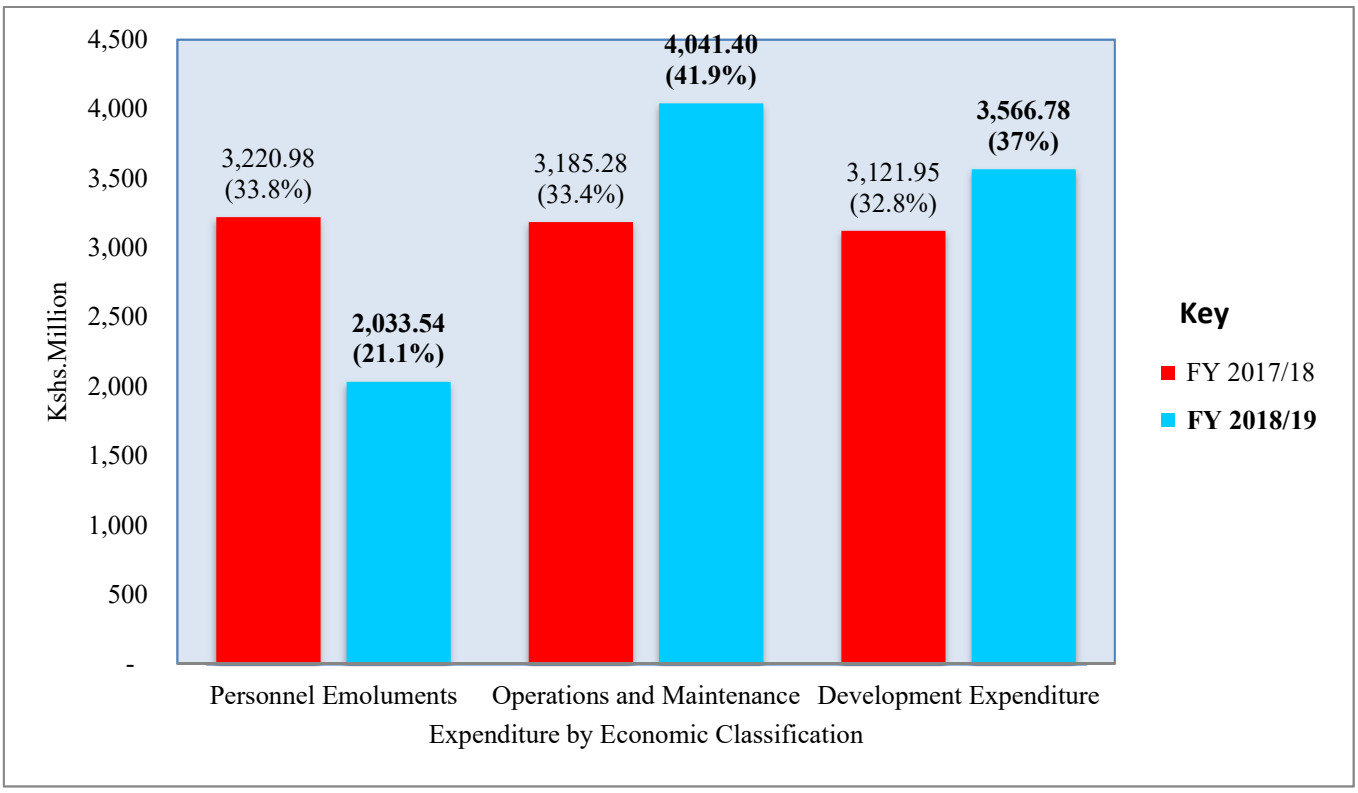
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.771.77 million for development activities and Kshs.369.18 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.3.57 billion while Kshs.6.07 billion was spent on recurrent activities. The development expenditure was 97 per cent of the funds released for development programmes, while recurrent expenditure was 76.6 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 61.8 per cent, which was a decrease from 73.1 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 69.7 per cent of the annual recurrent budget, a decrease from 81.5 per cent recorded in FY 2017/18.

Figure 3.55 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.55: Kilifi County, Expenditure by Economic Classification




***Source**: Kilifi County Treasury*

### 3.14.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.57 billion represented 61.8 per cent of the annual development budget of Kshs.5.77 billion. Table 3.39 provides a summary of development projects with the highest expenditure in the financial year.

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

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Medical Equipment | Kilifi HQ | 295,000,000 | 262,701,535 | 89.1 |
| 2 | Construction of Hospital Complex | Kilifi HQ | 200,000,000 | 110,935,318 | 55.5 |
| 3 | Completion of the upgrading to Cabro standards A7(BP Petro station)/A7(Tamani Jua) road | Malindi | 60,000,000 | 62,604,000 | 104.3 |
| 4 | Completion of 2.5 KM Upgrading of BP- Sultan Palace Road | | 50,000,000 | 50,000,000 | 100 |
| 5 | Mbegu Fund | Kilifi HQ | 30,000,000 | 30,000,000 | 100 |
| 6 | Purchase of garbage Collection Compactor for Mtwapa Town | Mtwapa | 21,000,000 | 24,849,520 | 118 |
| 7 | Baricho - Magarini Pipeline Rehabilitation | Magarini | 25,000,000 | 24,749,427 | 99 |
| 8 | Water Pipeline Mariakani | Mariakani | - | 14,704,850 | - |
| 9 | Construction & installation of steel water Tanks at County Treasury | Kilifi HQ | 9,993,191 | 9,993,191 | 100 |
| 10 | 40 No. Dairy Cows | Kilifi HQ | 10,000,000 | 9,900,000 | 99 |

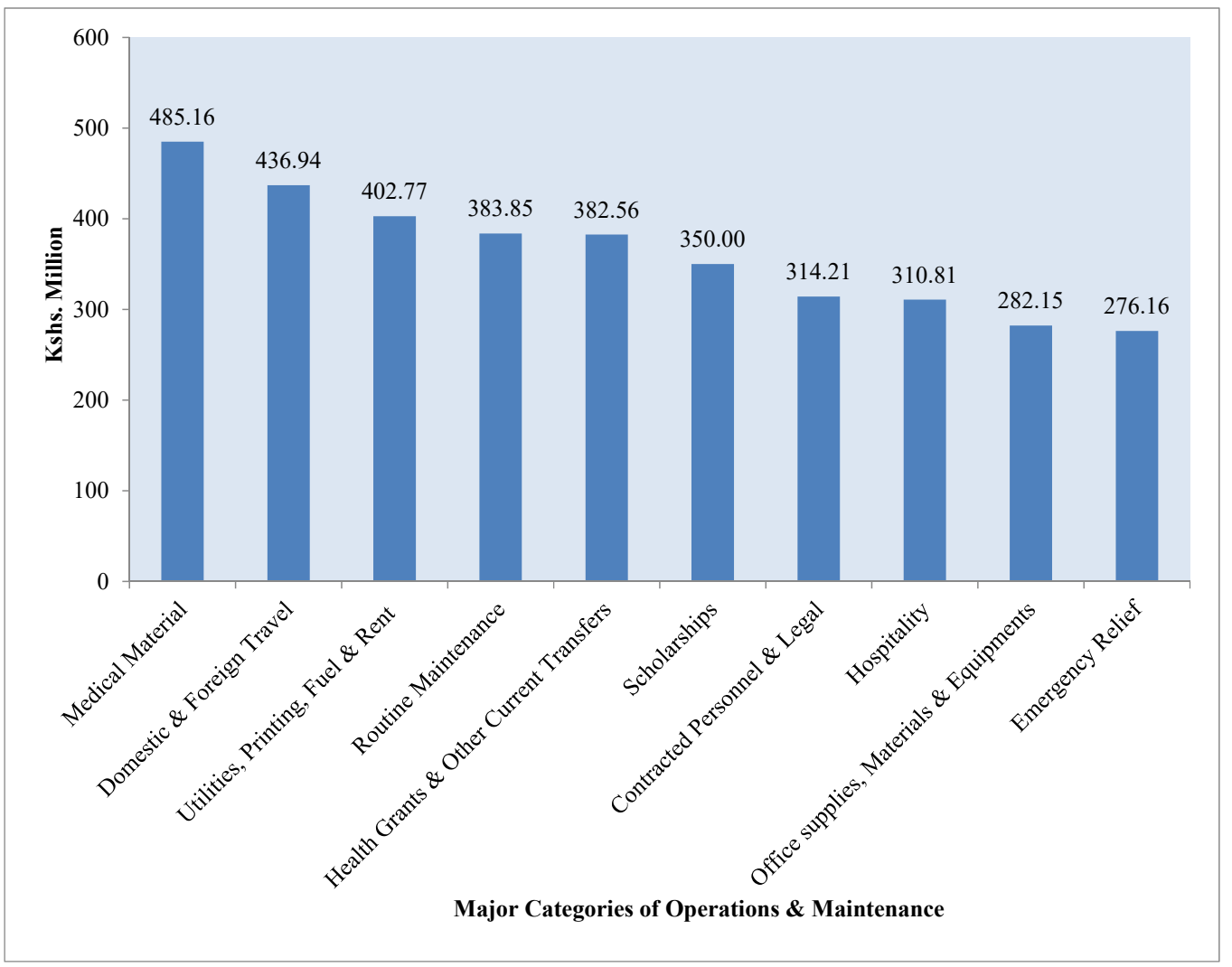
***Source**: Kilifi County Treasury*

### 3.14.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.07 billion comprised of Kshs.2.03 billion (33.5 per cent) incurred on personnel emoluments and Kshs.4.04 billion (66.5 per cent) on operations and maintenance as shown in Figure 3.55.

Expenditure on personnel emoluments represented a decrease of 36.9 per cent compared to FY 2017/18 when the County spent Kshs.3.22 billion and was 21.1 per cent of the total expenditure in FY 2018/19. The decline in personnel emoluments was as a result of laying off casuals by the County Government. Figure 3.56 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.56: Kilifi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Kilifi County Treasury*

The County spent Kshs.59.63 million on committee sitting allowances for the 54 MCAs and speaker against the annual budget allocation of Kshs.96.84 million. This represented an increase of 143.6 per cent compared to Kshs.24.49 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.92,029 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.436.94 million, and comprised of Kshs.219.33 million spent by the County Assembly and Kshs.217.61 million by the County Executive. This expenditure represented 7.2 per cent of total recurrent expenditure and was an increase of 75.9 per cent compared to Kshs.248.28 million spent in FY 2017/18.

### 3.14.8 Budget Performance by County Department

Table 3.40 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.40: Kilifi County, Budget Performance by Department in FY 2018/19**

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 903.51 | 311.17 | 903.51 | 177.63 | 895.97 | 128.22 | 99.2 | 72.2 | 99.2 | 41.2 |
| Office of the Governor | 371.34 | - | 325.62 | - | 306.72 | - | 94.2 | - | 82.6 | - |
| County Attorney | 121.51 | - | 120.77 | - | 95.98 | - | 79.5 | - | 79.0 | - |
| Finance | 577.80 | 18.81 | 365.08 | 18.81 | 361.33 | 7.89 | 99.0 | 41.9 | 62.5 | 41.9 |
| Economic Planning | 51.13 | - | 34.43 | - | 35.36 | - | 102.7 | - | 69.1 | - |
| Agriculture | 584.40 | 183.47 | 479.46 | 123.99 | 415.56 | 105.73 | 86.7 | 85.3 | 71.1 | 57.6 |
| Livestock | 28.50 | 131.80 | 22.60 | 111.95 | 22.99 | 97.07 | 101.7 | 86.7 | 80.7 | 73.7 |
| Fisheries | 28.80 | 59.23 | 5.67 | 30.49 | 23.27 | 21.51 | 410.7 | 70.6 | 80.8 | 36.3 |
| Water and Sanitation | 241.08 | 988.62 | 210.06 | 621.61 | 216.31 | 595.26 | 103.0 | 95.8 | 89.7 | 60.2 |
| Environment , Natural Resources and Wildlife | 89.72 | 95.50 | 56.85 | 107.21 | 82.17 | 69.40 | 144.5 | 64.7 | 91.6 | 72.7 |
| Education Sports & Youth Affairs | 930.85 | 838.48 | 930.85 | 385.69 | 659.96 | 400.09 | 70.9 | 103.7 | 70.9 | 47.7 |
| Information, Communication & Technology | 37.00 | 10.00 | 34.97 | 5.00 | 23.21 | 4.02 | 66.4 | 80.4 | 62.7 | 40.2 |
| Medical Services | 2,671.17 | 845.79 | 2,646.92 | 388.34 | 1,227.59 | 434.91 | 46.4 | 112.0 | 46.0 | 51.4 |
| Public Health | 267.69 | - | 214.18 | - | 256.80 | - | 119.9 | - | 95.9 | - |
| Roads, Transport and Public Works | 466.69 | 1,213.59 | 449.74 | 1,037.70 | 460.49 | 1,071.15 | 102.4 | 103.2 | 98.7 | 88.3 |
| Lands and energy | 151.39 | 61.80 | 138.91 | 27.45 | 107.06 | 27.53 | 77.1 | 100.3 | 70.7 | 44.6 |
| Physical Planning ,Urban Development and Housing | 52.36 | 539.61 | 40.36 | 400.69 | 27.54 | 352.88 | 68.3 | 88.1 | 52.6 | 65.4 |
| Gender, Culture, Social Services and Sports | 184.44 | 217.99 | 169.39 | 55.03 | 118.26 | 77.45 | 69.8 | 140.7 | 64.1 | 35.5 |
| Trade and Tourism | 119.89 | 186.95 | 118.84 | 136.09 | 101.50 | 157.96 | 85.4 | 116.1 | 84.7 | 84.5 |
| Cooperatives Development | 9.57 | - | - | - | 8.32 | - | - | - | 86.9 | - |
| County Public Service Board | 72.45 | - | 66.69 | - | 60.27 | - | 90.4 | - | 83.2 | - |
| Devolution, Public Service and Disaster Management | 750.53 | 67.84 | 598.36 | 50.24 | 568.27 | 15.70 | 95.0 | 31.2 | 75.7 | 23.1 |
| **Total** | **8,712** | **5,771** | **7,933** | **3,678** | **6,075** | **3,567** | **76.6** | **97** | **69.7** | **61.8** |

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

Analysis of expenditure by department shows that the Department of Roads, Transport and Public Works recorded the highest absorption rate of development budget at 88.3 per cent while the Department of Devolution, Public Service and Disaster Management recorded the lowest at 23.1 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.2 per cent while the Department of Medical Services had the lowest at 46 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 internet connectivity, resulting into effective use of IFMIS
ii. Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.

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

1. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
2. Delay by Fund Administrators to submit expenditure reports of the Mbegu Fund, Emergency Fund, Scholarship Fund and the County Assembly Staff Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance of own-source revenue collection. The County collected Kshs.787.69 million which was 58.6 per cent of the annual target of Kshs.1.35 billion.
4. The County Treasury operationalised the Housing and Car Loans to Public Servants by depositing Kshs.39 million to this Fund before getting an approval from the Controller of Budget for withdrawal from the CRF. This is an indication of a weak financial control as the amount was diverted from other funded programmes.
5. High expenditure on foreign and domestic travel, which increased by 75.9 per cent from Kshs.248.28 million in FY 2017/18 to Kshs.436.94 million in the reporting period.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
3. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
4. *The County Treasury should put in place proper systems to ensure that funds are utilised in line with Article 201, 207 & 228 of the Constitution, and Section 109 of the PFM Act, 2012.*
5. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

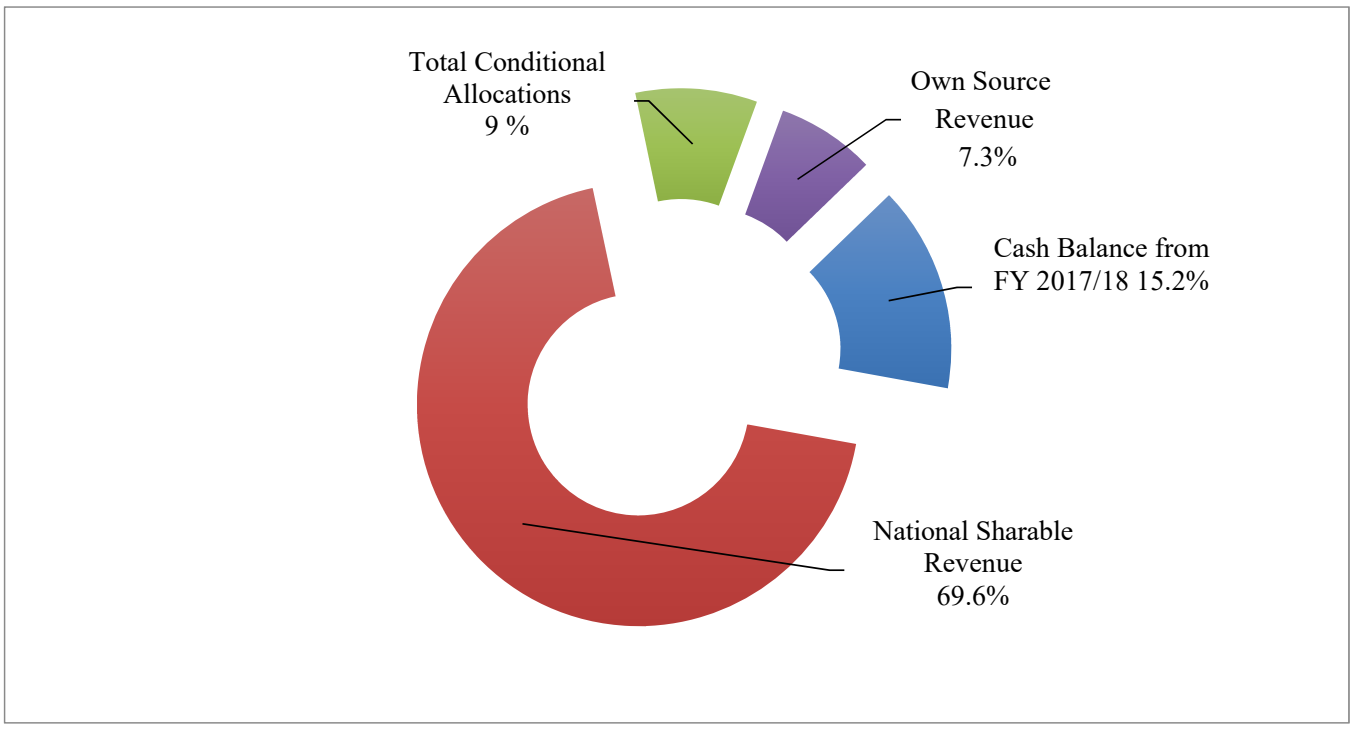
## 3.15 Kirinyaga County

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

The County's FY 2018/19 Supplementary Budget was Kshs.5.91 billion, comprising of Kshs.1.82 billion (30.8 per cent) and Kshs.4.09 billion (69.2 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (69.6 per cent) as equitable share of the revenue raised nationally, Kshs.530.59 million ( 9.0 per cent) as total conditional grants, generate Kshs.430 million (7.3 per cent) from own sources of revenue, and Kshs.900.12 million (15.2 per cent) cash balance from FY 2017/18.

**Figure 3.57: Kirinyaga County, Expected Sources of Budget Financing in FY 2018/19**




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

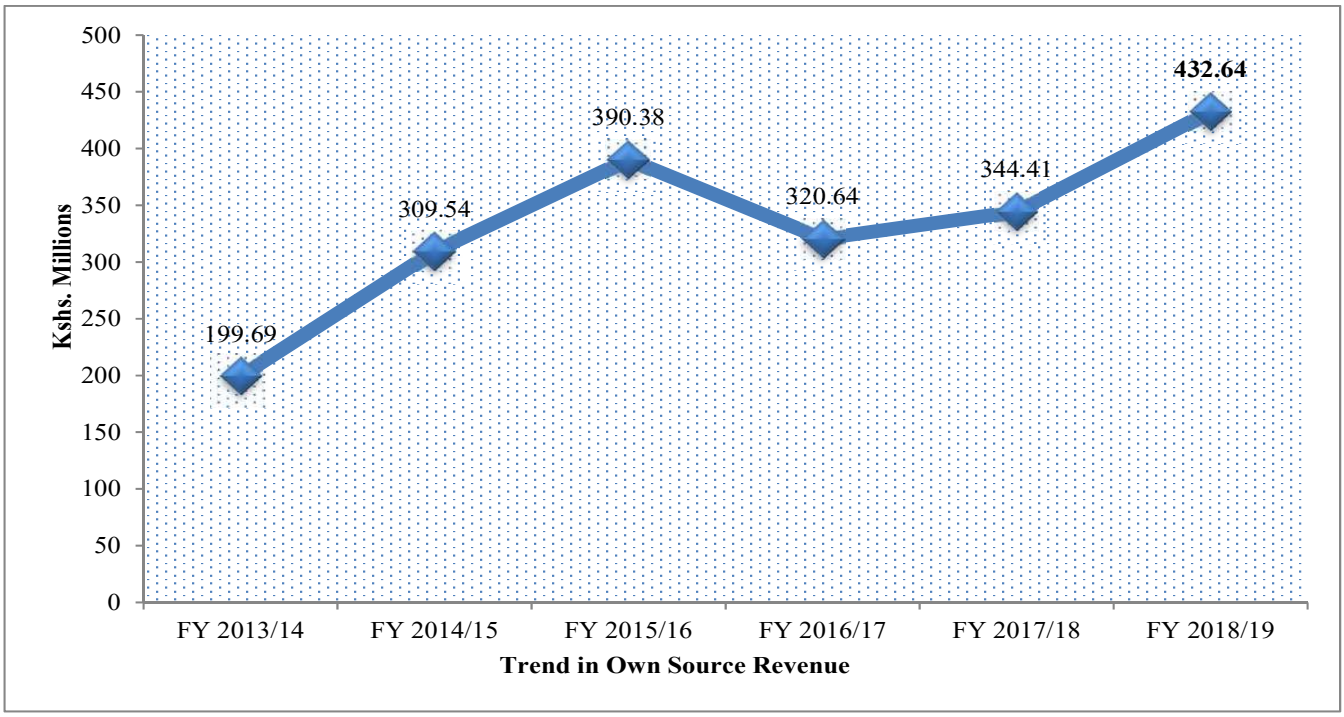
A breakdown of the conditional grants is provided in Table 3.41.

### 3.15.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.5.65 billion available for budget implementation. This amount consisted of Kshs.4.11 billion received as equitable share of the revenue raised nationally, Kshs.359.85 million as conditional grants, Kshs.432.64 million generated from own sources of revenue, and a cash balance of Kshs.831.68 million from FY 2017/18.

Figure 3.58 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

## Figure 3.58: Kirinyaga County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19




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

The County generated a total of Kshs.432.64 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.88.23 million compared to that realised in FY 2017/18 and represented 100.6 per cent of the annual target.

### 3.15.3 Conditional Grants

During the reporting period, the County received Kshs.359.85 million as conditional grants as shown in Table 3.41.

## Table 3.41: Kirinyaga County, Conditional Grants/Loans Received in the FY 2018/19

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 108,302,240 | 108,302,240 | 108,302,240 | 100 |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | | - |
| 3 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 23,485,608 | 47 |
| 4 | Kenya Devolution Support Programme (KDSP) | 41,078,830 | 41,078,830 | - | - |
| 5 | Compensation for User Fee Foregone | 11,282,570 | 11,282,570 | 11,282,570 | 100 |
| 6 | DANIDA Grant | 14,782,500 | 14,782,500 | 14,782,500 | 100 |
| 7 | Kenya Urban Support Project (KUSP) | 71,302,200 | 71,302,200 | 71,302,200 | 100 |
| 9 | Development of Youth Polytechnics | 52,210,000 | 52,210,000 | 39,418,550 | 75.5 |
| 12 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 140,435,163 | 50,078,476 | 35.7 |
| 13 | IDA (World Bank) as credit for Kenya Urban Support Project- Urban Institution Grant | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| **Total** | | **730,593,503** | **530,593,503** | **359,852,144** | **49.3** |

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

During the reporting period, receipts from the Road maintenance Fuel Levy, Kenya Urban Support Project (KUSP), Compensation for User Fee Foregone and DANIDA conditional grant recorded the highest performance in percentage terms, and accounted for 100 per cent of the respective annual target.

### 3.15.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.22 billion from the CRF account. The withdrawals represented 88.3 per cent of the Approved Supplementary Budget and translated to an increase of 11 per cent from Kshs.4.70 billion in FY 2017/18 and comprised of Kshs.1.17 billion (22.4 per cent) towards development activities and Kshs.4.05 billion (77.6 per cent) for recurrent expenditure.

### 3.15.5 Overall Expenditure Review

A total of Kshs.5.16 billion was spent on both development and recurrent activities. This expenditure represented 98.9 per cent of the total funds released from the CRF account, and was an increase of 12.4 per cent from Kshs.4.59 billion spent in FY 2017/18.

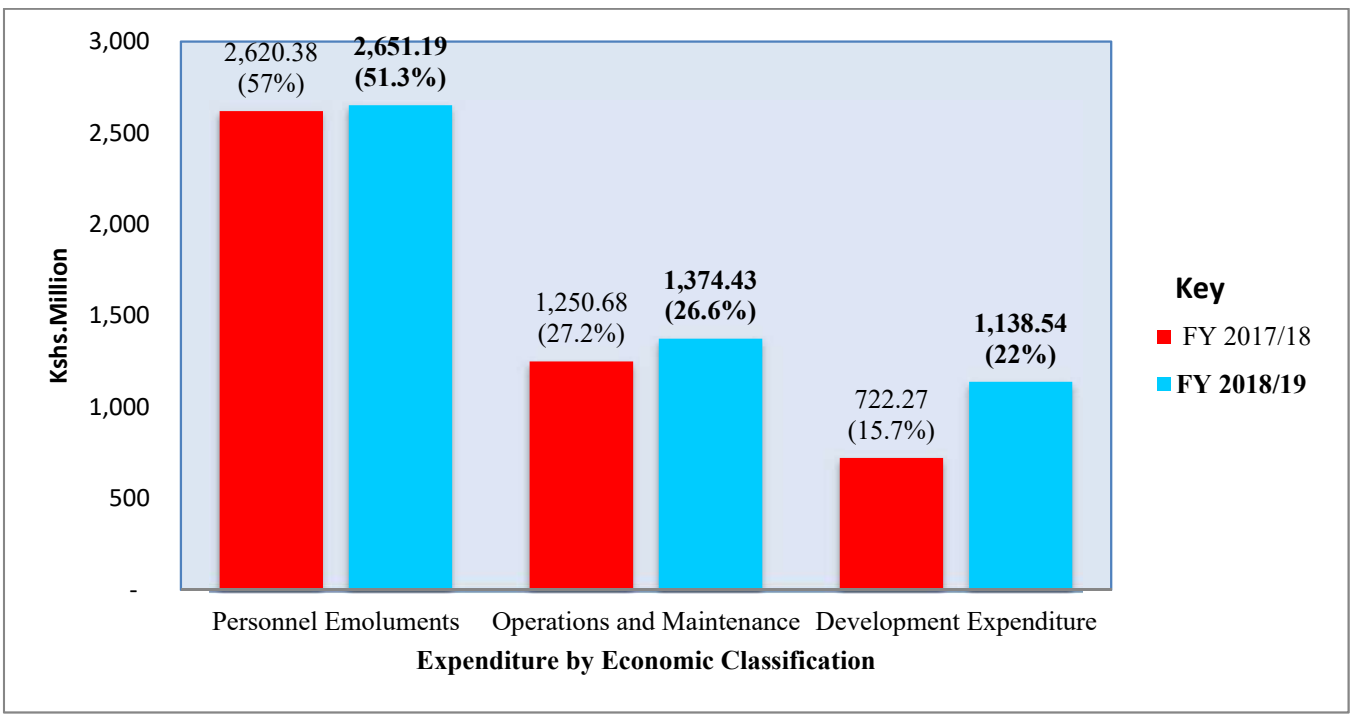
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.44.46 million for development activities and Kshs.53.67 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.14 billion while Kshs.4.03 billion was spent on recurrent activities. The development expenditure was 97.2 per cent of the funds released for development programmes, while recurrent expenditure was 99.4 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 62.6 per cent, which was an increase from 42.3 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 98.3 per cent of the annual recurrent budget, an increase from 97.1 per cent recorded in FY 2017/18.

Figure 3.59 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.59: Kirinyaga County, Expenditure by Economic Classification**




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

### 3.15.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.14 billion represented 62.6 per cent of the annual development expenditure estimates of Kshs.1.82 billion. Table 3.42 provides a summary of development projects with the highest expenditure in the financial year.

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

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Kerugoya medical complex | Kerugoya | 200,000,000 | 199,817,391 | 99.9 |
| 2 | Paving and Marking of Kianyaga Matatu Parking and Including market access road in Baragwi Ward | Baragwi ward | 57,038,114 | 47,807,798 | 83.8 |
| 3 | Paving & Marking of Kutus Matatu Parking and Marking in Kabare/ Nyangati Wards (County Funded) | Kabare/Nyangati wards | 45,506,916 | 45,181,829 | 99.3 |
| 4 | Town Parkings Improvement - Kagio | Kagio | 60,604,414 | 43,424,824 | 71.7 |
| 5 | Erection And Completion Of A Power House, a kitchen and power house | Kerugoya | 61,000,000 | 40,238,792 | 66 |
| 6 | Construction of Kagio Matatu Parking Sector 10 – LOT 2 in Mutithi Ward (County Funded) | Mutithi ward | 32,605,048 | 31,990,089 | 98.1 |
| 7 | Construction of Kagio Matatu Parking Phase 1– LOT 1 in Kiine Ward (County Funded) | Kiine ward | 30,097,476 | 30,097,475 | 100 |
| 8 | County Assembly -Development and refurbishments-Chambers | | 52,117,442 | 27,598,200 | 53 |
| 9 | Renovation of Kianyaga and Kerugoya Stadiums | Mutithi ward | 28,000,000 | 21,842,219 | 78 |
| 10 | Access Roads | County wide | 22,000,000 | 21,600,000 | 98.2 |

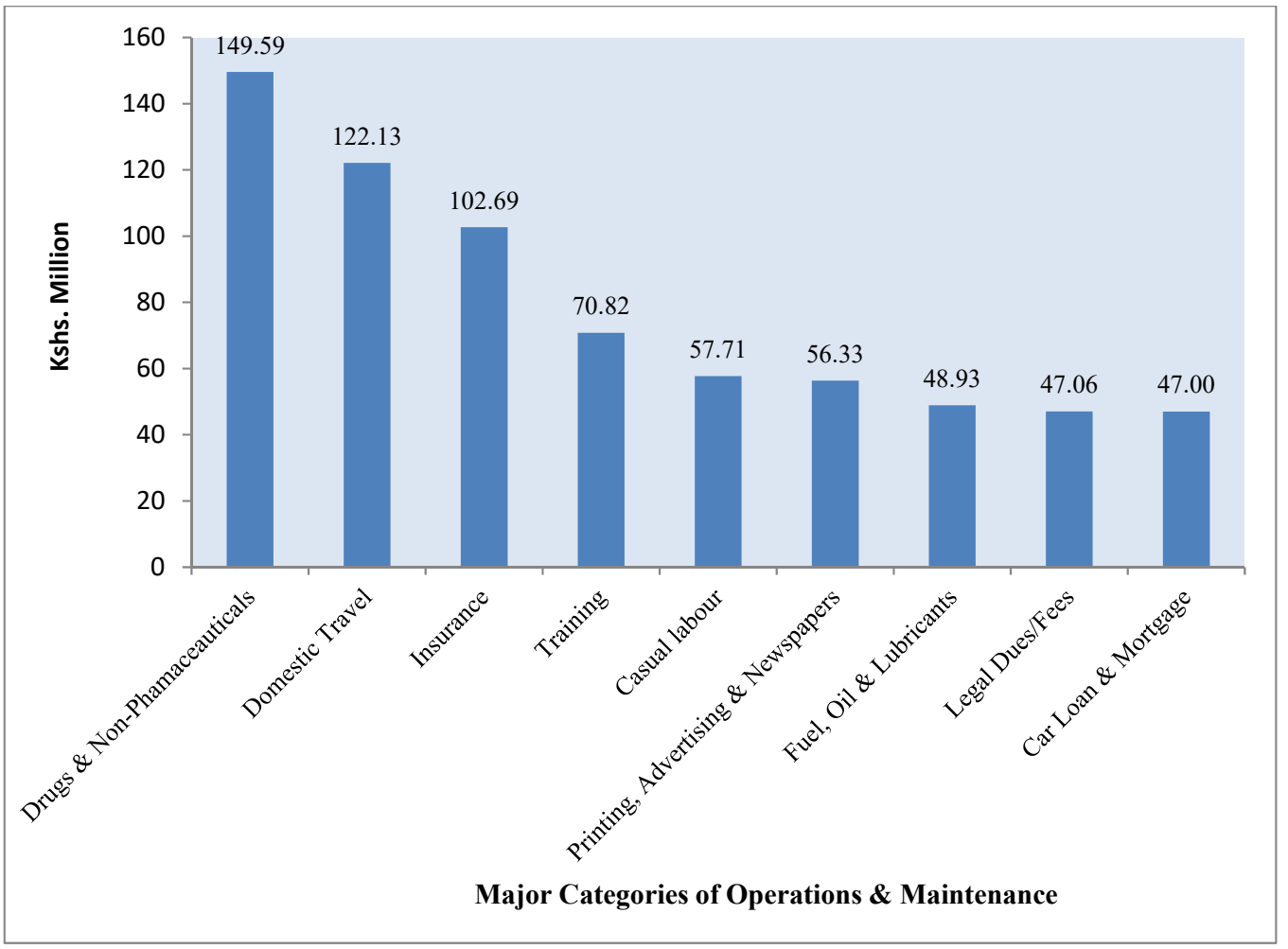
***Source**: Kirinyaga County Treasury*

### 3.15.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.03 billion comprised of Kshs.2.65 billion (66.1 per cent) incurred on personnel emoluments and Kshs.1.37 billion (33.9 per cent) on operations and maintenance as shown in Figure 3.59 .

Expenditure on personnel emoluments represented an increase of 1.2 per cent compared to FY 2017/18 when the County spent Kshs.2.62 billion and was 57 per cent of the total expenditure in FY 2018/19. Figure 3.60 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.60: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




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

The County spent Kshs.33.55 million on committee sitting allowances for the 34 MCAs and speaker against the annual budget allocation of Kshs.80 million. This represented an increase of 65.5 per cent compared to Kshs.20.27 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.79,878 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.167.21 million, and comprised of Kshs.103.99 million spent by the County Assembly and Kshs.63.21 million by the County Executive. This expenditure represented 4.2 per cent of total recurrent expenditure and was an increase of 7.8 per cent compared to Kshs.155.15 million spent in FY 2017/18.

## 3.15.8 Budget Performance by County Department

Table 3.43 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.43: Kirinyaga County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev. | Rec | Dev. | Rec | Dev. | Rec | Dev. | Rec | Dev. |
| County Executive (Office of the Governor) | 472.44 | 86.08 | 450.94 | 76.33 | 450.94 | 68.22 | 100.0 | 89.4 | 95.4 | 79.3 |
| Culture and Social Services | 47.24 | 27.61 | 47.24 | 7.72 | 42.72 | 7.72 | 90.4 | 100.0 | 90.4 | 28.0 |
| Trade Development and Cooperatives | 42.6 | 129.5 | 39.67 | 64.92 | 39.03 | 64.92 | 98.4 | 100.0 | 91.6 | 50.1 |
| Finance and Planning | 347.7 | 32.74 | 347.7 | 21.84 | 344.07 | 21.84 | 99.0 | 100.0 | 99.0 | 66.7 |
| Environment and Natural resources | 92.4 | 107.44 | 90.73 | 57.44 | 88.6 | 56.17 | 97.7 | 97.8 | 95.9 | 52.3 |
| Agriculture, &Livestock, Development | 276.28 | 185.22 | 270.62 | 73.2 | 270.62 | 66.24 | 100.0 | 90.5 | 98.0 | 35.8 |
| Health Services | 1,811.25 | 409.38 | 1,808.27 | 305.02 | 1,802.86 | 297.14 | 99.7 | 97.4 | 99.5 | 72.6 |
| Transport, Roads and Public Works | 88.31 | 574.62 | 88.31 | 423.63 | 82.76 | 417.28 | 93.7 | 98.5 | 93.7 | 72.6 |
| Education | 208.96 | 72.64 | 208.96 | 9.33 | 208.96 | 9.33 | 100.0 | 100.0 | 100.0 | 12.8 |
| Physical Planning And Development | 72.25 | 77.3 | 70.71 | 71.3 | 70.41 | 71.3 | 99.6 | 100.0 | 97.5 | 92.2 |
| Youth And Sports | 31.95 | 43.49 | 23.06 | 33.28 | 22.91 | 33.28 | 99.3 | 100.0 | 71.7 | 76.5 |
| County Assembly | 601.93 | 72.12 | 601.73 | 27.6 | 601.73 | 25.08 | 100.0 | 90.9 | 100.0 | 34.8 |
| **Total** | **4,093.31** | **1,818.14** | **4,047.94** | **1,171.61** | **4,025.61** | **1,138.52** | **99.4** | **97.2** | **98.3** | **62.6** |

***Source**: Kirinyaga County Treasury*

Analysis of expenditure by department shows that the Department of Physical Planning and Development recorded the highest absorption rate of development budget at 92.2 while the Department of Education recorded the lowest at 12.8 per cent. The Department of Education had the highest percentage of recurrent expenditure to its recurrent budget at 100 per cent while the Department of Youth and Sports had the lowest at 71.7 per cent.

### 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. Improved performance of own-source revenue collection. At the end of the period under review, the County had collected Kshs.432.64 million representing 100.6 per cent of the annual target of Kshs.430 million.
ii. Establishment of Internal Audit Committee in compliance to Section 155 (5) of the PFM Act, 2012.
iii. 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. A high wage bill that increased by 1.2 per cent from Kshs.2.62 billion in FY 2017/18 to Kshs.2.65 billion in the reporting period. The wage bill accounted for 51.3 per cent of total expenditure in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. High expenditure on foreign and domestic travel, which increased by 7.8 per cent from Kshs.155.15 million in FY 2017/18 to Kshs.167.21 million in the reporting period.

The County should implement the following measures 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 Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
3. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

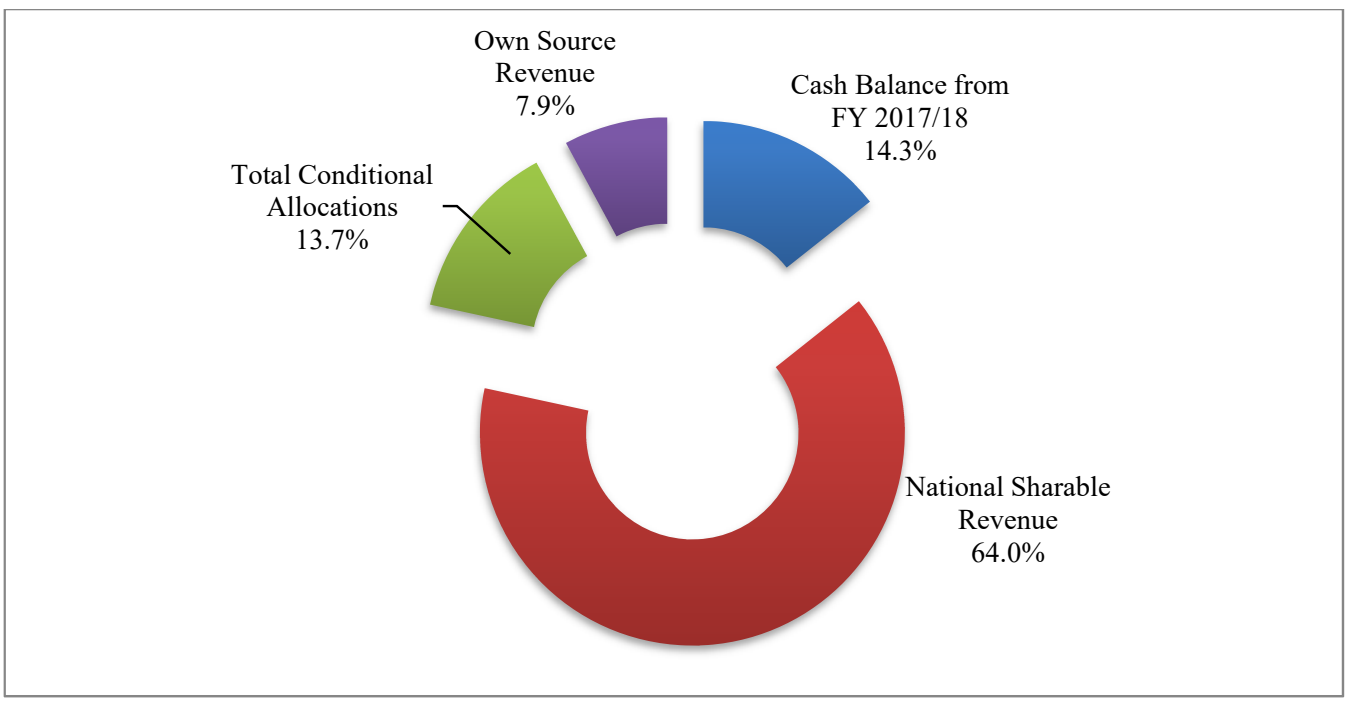
## 3.16 Kisii County

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

The County's FY 2018/19 Supplementary Budget was Kshs.12.01 billion, comprising of Kshs.4.00 billion (33.3 per cent) and Kshs.8.01 billion (66.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.69 billion (64 per cent) as equitable share of the revenue raised nationally, Kshs.1.65 billion (13.7 per cent) as total conditional grants, generate Kshs.950 million (7.9 per cent) from own sources of revenue, and Kshs.1.72 billion (14.3 per cent) cash balance from FY 2017/18.

**Figure 3.61: Kisii County, Expected Sources of Budget Financing in FY 2018/19**




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

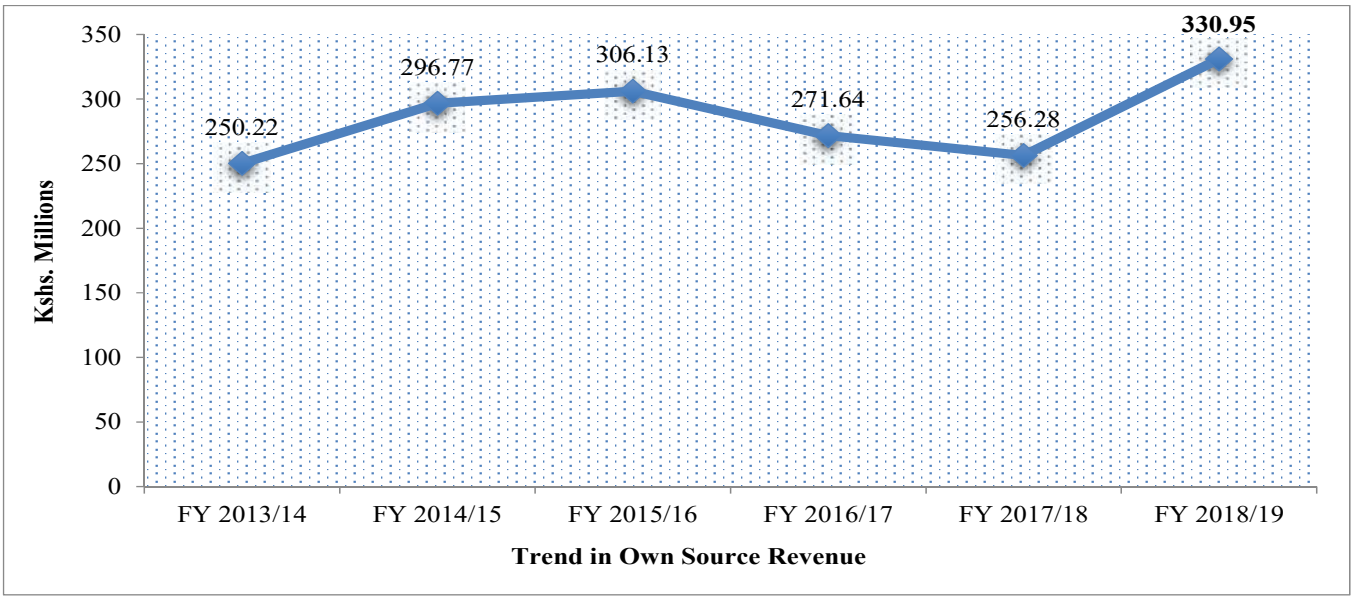
A breakdown of the conditional grants is provided in Table 3.44.

### 3.16.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.07 billion available for budget implementation. This amount consisted of Kshs.7.69 billion received as equitable share of the revenue raised nationally, Kshs.1.16 billion as conditional grants, Kshs.330.95 million generated from own sources of revenue, and a cash balance of Kshs.1.50 billion from FY 2017/18.

Figure 3.62 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

## Figure 3.62: Kisii County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19




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

The County generated a total of Kshs.330.95 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.74.66 million compared to that realised in FY 2017/18 and was 34.8 per cent of the annual target.

### 3.16.3 Conditional Grants

During the reporting period, the County received Kshs.1.16 billion as conditional grants as shown in Table 3.44.

## Table 3.44: Kisii County, Conditional Grants/Loans Received in the FY 2018/19

| S/No | Grant Details | Annual Allocation-CARA, 2018)(Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Grant to Level-5 Hospital | 417,572,254 | 417,572,254 | 417,572,254 | 100 |
| 2 | Road Maintenance Fuel Levy | 203,376,725 | 203,376,725 | 203,376,725 | 100 |
| 3 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 4 | IDA (World Bank) credit: Kenya Devolution Support Programme (KDSP) | 53,938,093 | 180,384,638 | 126,446,545 | 70.1 |
| 5 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 164,053,800 | 164,053,800 | 164,053,800 | 100 |
| 6 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 140,435,163 | 50,000,000 | 35.6 |
| 7 | World Bank Loan for Transforming Health System for universal Care Project | 74,159,514 | 74,159,514 | 36,746,947 | 49.6 |
| 8 | Development of Youth Polytechnics | 70,090,000 | 70,090,000 | 52,917,950 | 75.5 |
| 9 | EU Grant- Instruments for Devolution Advice and Support- IDEAS) | 70,000,000 | 70,000,000 | 48,161,217 | 68.8 |
| 10 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | 41,200,000 | - | - |
| 11 | DANIDA Grant | 24,907,500 | 36,171,944 | 24,907,500 | 68.9 |
| 12 | Compensation for User Fee Foregone | 26,138,997 | 26,138,997 | 26,138,997 | 100 |
| 13 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 22,011,311 | 22,011,311 | 8,013,827 | 36.4 |
| **Total** | | **1,507,883,357** | **1,645,594,346** | **1,158,335,762** | **70.4** |

*Source: Kisii County Treasury*

During the reporting period, receipts from the Grant to Kisii Level-5 Hospital, Road Maintenance Fuel Levy, IDA (World Bank) -Kenya Urban Support Project (KUSP), and Compensation for User Fee Foregone conditional grant recorded the highest performance in percentage terms, and accounted 100 per cent of the respective annual targets.

### 3.16.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.9.89 billion from the CRF account. The withdrawals represented 82.3 per cent of the Approved Supplementary Budget and translated to an increase of 14.5 per cent from Kshs.8.64 billion in FY 2017/18 and comprised of Kshs.2.60 billion (26.3 per cent) towards development activities and Kshs.7.29 billion (73.7 per cent) for recurrent expenditure.

### 3.16.5 Overall Expenditure Review

A total of Kshs.9.56 billion was spent on both development and recurrent activities. This expenditure represented 96.7 per cent of the total funds released from the CRF account, and was an increase of 11.4 per cent from Kshs.8.58 billion spent in FY 2017/18.

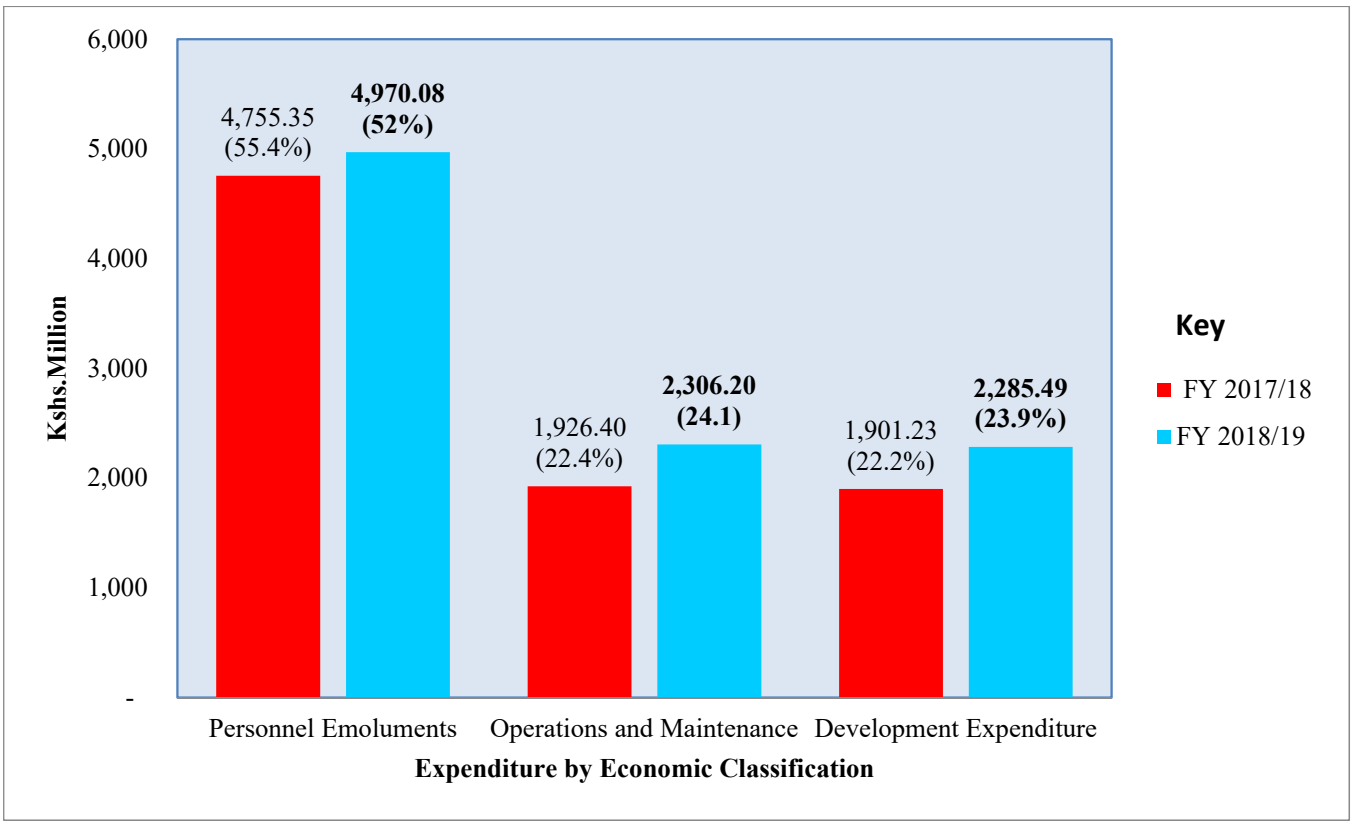
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.852.77 million for development activities and Kshs.89.77 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.29 billion while Kshs.7.28 billion was spent on recurrent activities. The development expenditure was 87.8 per cent of the funds released for development programmes, while recurrent expenditure was 99.8 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 57.2 per cent, which was an increase from 56.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.8 per cent of the annual recurrent budget, an increase from 88.7 per cent recorded in FY 2017/18.

Figure 3.63 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.63: Kisii County, Expenditure by Economic Classification




*Source: Kisii County Treasury*

### 3.16.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.29 billion represented 57.2 per cent of the annual development expenditure estimates of Kshs.4.0 billion. Table 3.45 provides a summary of development projects with the highest expenditure in the financial year.

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

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Upgrade of Marani Level 4 Hospital | Marani | 96,000,000 | 31,537,876 | 32.9 |
| 2 | Supply and Delivery of Brand New Fire Truck Vehicles(10,000 Litres And 5,000 litres) | Kisii Town | 72,600,000 | 36,000,000 | 49.6 |
| 3 | Delivery of Drilling Rig plus Test Pumping Unit complete with its Accessories & Tools | County Headquarter | 60,000,000 | 60,000,000 | 100.0 |
| 4 | Mother – Child Hospital | Kisii Level 6 Hospital | 51,019,422 | 50,660,016 | 99.3 |
| 5 | Hire of Machinery & Equipment | County Headquarters | 50,822,581 | 49,200,000 | 96.8 |
| 6 | Completion of Gusii Stadium | Kisii Town | 49,452,681 | 47,440,153 | 95.9 |
| 7 | Purchase of Medical Equipment | Kisii Level 6 Hospital | 48,337,476 | 48,337,476 | 100.0 |
| 8 | Purchasing of Assorted Medical Equipment | Kisii Level 6 Hospital | 35,630,000 | 35,630,000 | 100.0 |
| 9 | Supply & Installation of Computer Networking & Software Upgrade | Kisii Level 6 Hospital | 33,000,000 | 32,998,569 | 100.0 |
| 10 | Supply, Delivery & Installation of Morgue / Pathology Equipment & Rehabilitation / Mechanical Works | Kisii Level 6 Hospital | 31,000,000 | 31,000,000 | 100.0 |

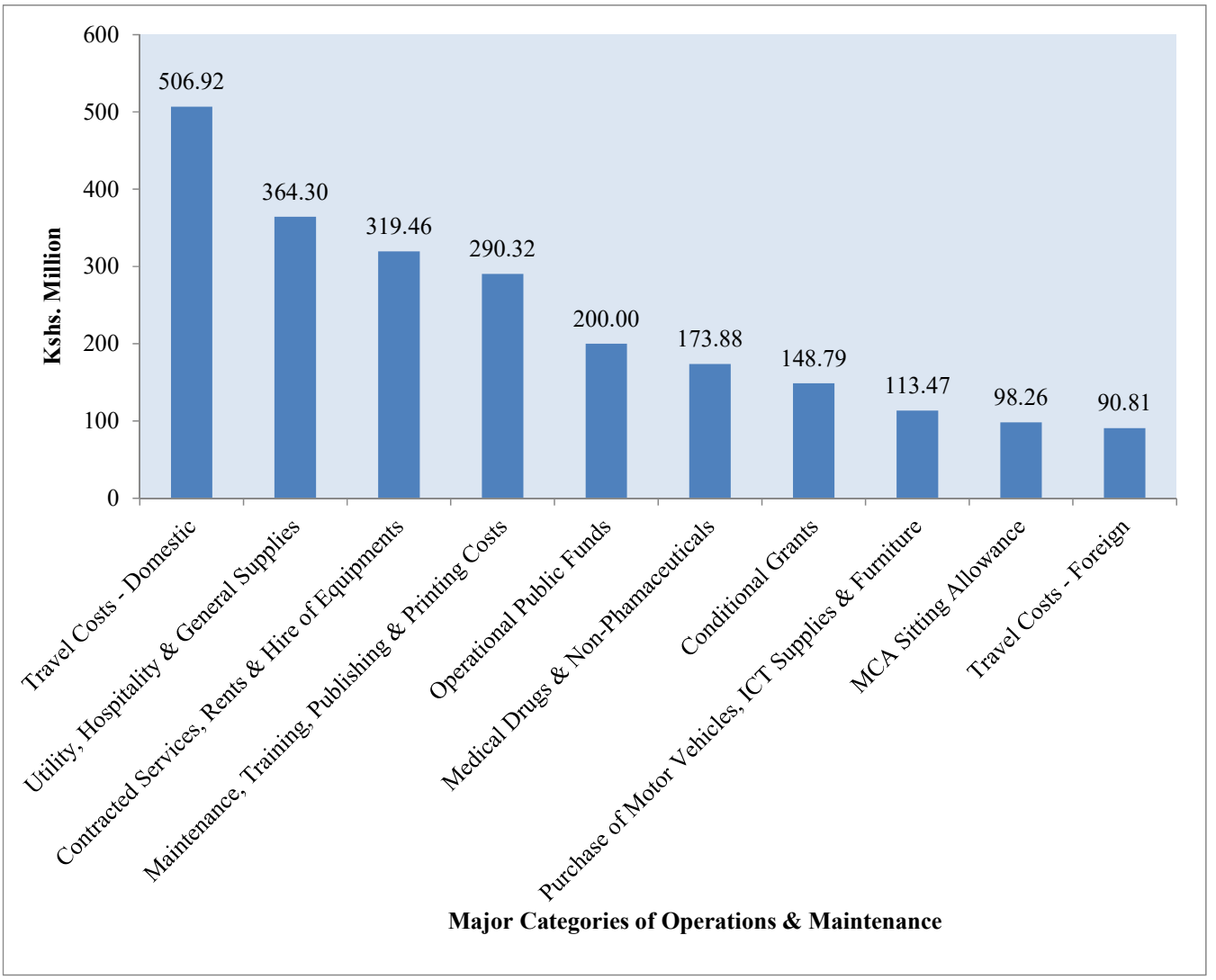
***Source:*** *Kisii County Treasury*

### 3.16.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.28 billion comprised of Kshs.4.97 billion (68.3 per cent) incurred on personnel emoluments and Kshs.2.31 billion (31.7 per cent) on operations and maintenance as shown in Figure 3.63.

Expenditure on personnel emoluments represented an increase of 4.5 per cent compared to FY 2017/18 when the County spent Kshs.4.79 billion and was 52 per cent of the total expenditure in FY 2018/19. Figure 3.64 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.64: Kisii County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Kisii County Treasury*

The County spent Kshs.98.26 million on committee sitting allowances for the 71 MCAs and Speaker against the annual budget allocation of Kshs.100.82 million. This represented an increase of 107.6 per cent compared to Kshs.47.32 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.115,330 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.597.73 million, and comprised of Kshs.135.86 million spent by the County Assembly and Kshs.461.87 million by the County Executive. This expenditure represented 8.2 per cent of total recurrent expenditure and was an increase of 23.1 per cent compared to Kshs.485.60 million spent in FY 2017/18.

### 3.16.8 Budget Performance by County Department

Table 3.46 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.46: Kisii County, Budget Performance by Department in FY 2018/19**

| Department | Annual Budget (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 991.84 | 130.00 | 950.70 | 36.66 | 950.62 | 36.18 | 100.0 | 98.7 | 95.8 | 27.8 |
| Office of the Governor | 500.38 | 7.50 | 463.82 | 3.57 | 461.20 | 3.57 | 99.4 | 100.0 | 92.2 | 47.6 |
| Finance & Economic Planning | 1,227.70 | 161.54 | 1,075.58 | 58.86 | 1,071.76 | 58.86 | 99.6 | 100.0 | 87.3 | 36.4 |
| Agriculture, Livestock, Fisheries & Co-operative Development | 356.26 | 508.20 | 339.74 | 316.24 | 337.81 | 255.58 | 99.4 | 80.8 | 94.8 | 50.3 |
| Energy, Water, Environment & Natural Resources | 194.62 | 227.12 | 164.33 | 123.61 | 162.65 | 121.86 | 99.0 | 98.6 | 83.6 | 53.7 |
| Education, Youth Affairs & Social Development | 596.48 | 210.13 | 579.83 | 113.13 | 581.25 | 60.22 | 100.2 | 53.2 | 97.4 | 28.7 |
| County Health Services | 2,919.99 | 1,025.37 | 2,701.69 | 603.48 | 2,700.24 | 600.08 | 99.9 | 99.4 | 92.5 | 58.5 |
| Lands, Physical Planning & Urban Development | 115.91 | 214.30 | 76.44 | 152.41 | 76.44 | 152.41 | 100.0 | 100.0 | 65.9 | 71.1 |
| Roads, Public Works, Transport & Housing | 185.28 | 899.89 | 136.12 | 843.59 | 135.35 | 720.29 | 99.4 | 85.4 | 73.1 | 80.0 |
| Trade Development, Industry & Tourism | 86.16 | 151.86 | 62.16 | 44.78 | 61.34 | 44.45 | 98.7 | 99.3 | 71.2 | 29.3 |
| Culture and Social Services | 88.08 | 141.65 | 83.92 | 61.88 | 81.00 | 60.32 | 96.5 | 97.5 | 92.0 | 42.6 |
| Kisii Town Administration | 129.65 | 194.46 | 81.26 | 173.91 | 83.74 | 102.16 | 103.1 | 58.7 | 64.6 | 52.5 |
| Administration & Stakeholder Management | 621.07 | 125.56 | 573.74 | 69.51 | 572.86 | 69.51 | 99.8 | 100.0 | 92.2 | 55.4 |
| **Total** | **8,013.42** | **3,997.58** | **7,289.33** | **2,601.62** | **7,276.27** | **2,285.49** | **99.8** | **87.8** | **90.8** | **57.2** |

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

Analysis of expenditure by department shows that the Department of Roads, Public Works, Transport and Housing recorded the highest absorption rate of development budget at 80 per cent while the County Assembly recorded the lowest at 27.8 per cent. The Department of Education, Youth Affairs & Social Development had the highest percentage of recurrent expenditure to recurrent budget at 97.4 per cent while the Department of Kisii Town Administration had the lowest at 64.6 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 absorption of development budget by 20.2 per cent from Kshs.1.9 billion in the FY 2017/18 to Kshs.2.29 billion in the reporting period.

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

1. A high wage bill that increased by 4.5 per cent from Kshs.4.76 billion in FY 2017/18 to Kshs.4.97 billion in the reporting period. The wage bill accounted for 52 per cent of total expenditure in the

reporting period.

2. Under performance in own-source revenue collection which stood at 34.8 per cent of the annual target. This may hinder effective budget implementation if not addressed.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection as well as come up with realistic revenue projections to avoid hidden budget deficits and resultant pending bills.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*

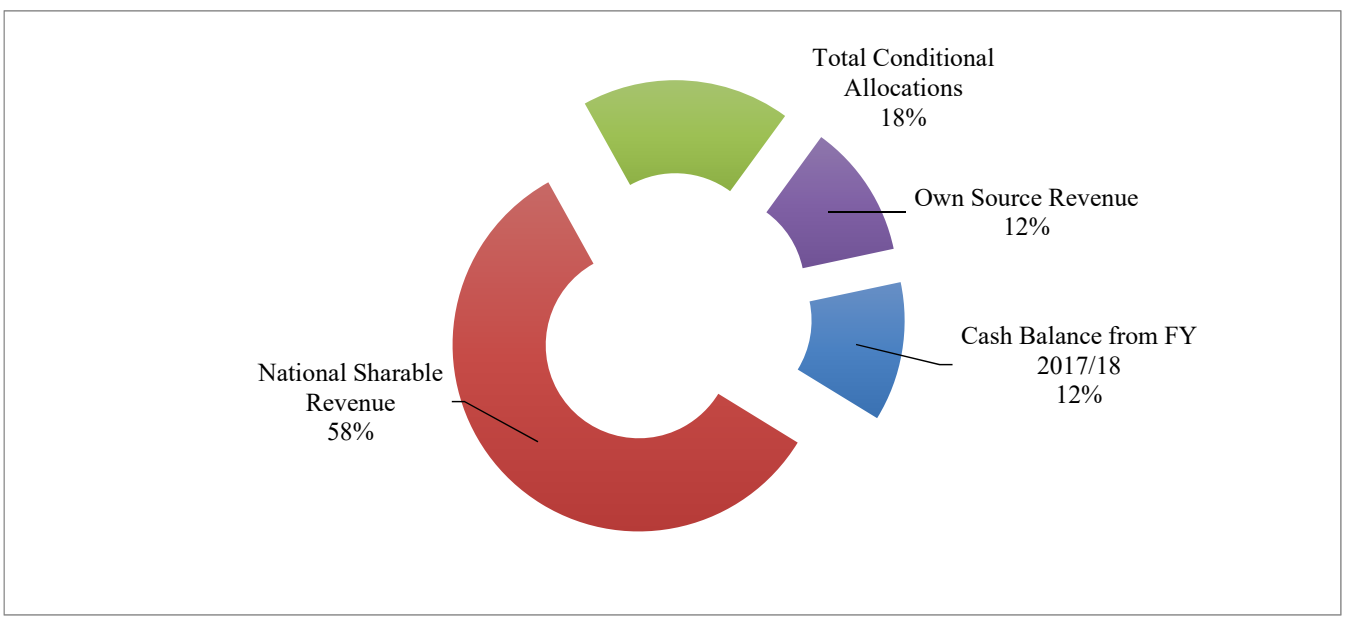
## 3.17 Kisumu County

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

The County's FY 2018/19 Supplementary Budget was Kshs.11.88 billion, comprising of Kshs.4.63 billion (39 per cent) and Kshs.7.25 billion (61 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.91 billion (58.2 per cent) as equitable share of the revenue raised nationally, Kshs.2.15 billion (18.1 per cent) as total conditional grants, generate Kshs.1.38 billion (11.6 per cent) from own sources of revenue, and Kshs.1.44 billion (12.1 per cent) cash balance from FY 2017/18.

**Figure 3.65: Kisumu County, Expected Sources of Budget Financing in FY 2018/19**




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

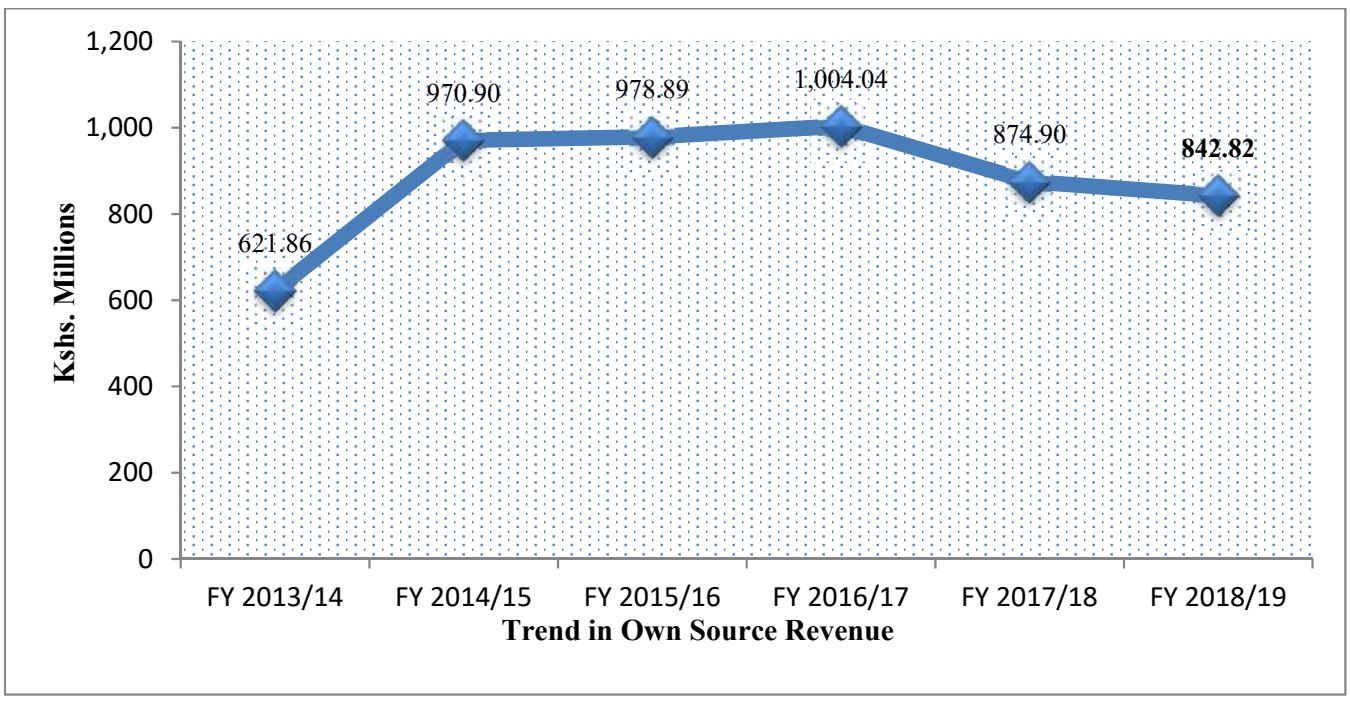
A breakdown of the conditional grants is provided in Table 3.47 .

### 3.17.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.87 billion available for budget implementation. This amount consisted of Kshs.6.91 billion received as equitable share of the revenue raised nationally, Kshs.1.68 billion as conditional grants, Kshs.842.82 million generated from own sources of revenue, and a cash balance of Kshs.1.44 billion from FY 2017/18.

Figure 3.66 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.66: Kisumu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.842.82 million from own revenue sources in FY 2018/19. This amount represented a decrease of Kshs.32.09 million compared to that realised in FY 2017/18 and was 61 per cent of the annual target.

### 3.17.3 Conditional Grants

During the reporting period, the County received Kshs.1.68 billion as conditional grants as shown in Table 3.47.

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

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | World Bank credit for Kenya Urban Support Project (KUSP) | 773,573,300 | 773,573,300 | 773,573,300 | 100 |
| 2 | Conditional Grant to Level 5 Hospital | 369,017,341 | 369,017,341 | 369,017,341 | 100 |
| 3 | Universal Health Coverage | 274,576,632 | 274,576,632 | 132,164,132 | 48.1 |
| 4 | Conditional Allocation from the Road Maintenance Fuel Levy Fund | 181,881,624 | 181,881,624 | 179,467,760 | 98.7 |
| 5 | World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 39,654,018 | 33.9 |
| 6 | EU Grant for Instrument for Devolution Advice & Support (IDEAS) | 90,000,000 | 90,000,000 | 58,304,401 | 64.8 |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 7 | EU - Water Tower and Protection Climate Change Mitigation and Adaptive Programme (WATER) | 80,000,000 | 80,000,000 | - | - |
| 8 | World Bank credit for Transforming Health Systems for Universal Care Project | 67,364,355 | 67,364,355 | 28,263,789 | 42.0 |
| 9 | World Bank credit for Kenya Devolution Support Project (KDSP) - Level 1 | 49,642,674 | 49,642,674 | - | - |
| 10 | Conditional Allocation for Rehabilitation of Youth Polytechnics | 41,650,000 | 41,650,000 | 31,445,750 | 75.5 |
| 11 | IDA (World Bank) credit - Kenya Urban Support Project (KUSP) Urban Institution Grants | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 12 | DANIDA grant - Universal Healthcare for Devolved System Program | 21,971,250 | 21,971,250 | 21,971,250 | 100 |
| 13 | Conditional Allocation to support abolishment of user fees in health centres and dispensaries | 21,299,489 | 21,299,489 | - | - |
| 14 | Sweden Agricultural Sector Development Support Program (ASDSP) | 19,953,472 | 19,953,472 | 7,264,613 | 36.4 |
| **Total** | | **2,149,130,137** | **2,149,130,137** | **1,682,326,354** | **78.3** |

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

During the reporting period, receipts from World Bank credit for Kenya Urban Support Project (KUSP), Conditional grant to Level 5 Hospital, IDA (World Bank) credit - Kenya Urban Support Project (KUSP) Urban Institution Grants, and DANIDA grant recorded the highest performance in percentage terms, and accounted for 100 per cent of the annual target respectively.

### 3.17.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.10.36 billion from the CRF account. The withdrawals represented 87.3 per cent of the Approved Supplementary Budget and translated to an increase of 41.2 per cent from Kshs.7.34 billion in FY 2017/18 and comprised of Kshs.7.15 billion (69 per cent) towards development activities and Kshs.3.21 billion (31 per cent) for recurrent expenditure.

### 3.17.5 Overall Expenditure Review

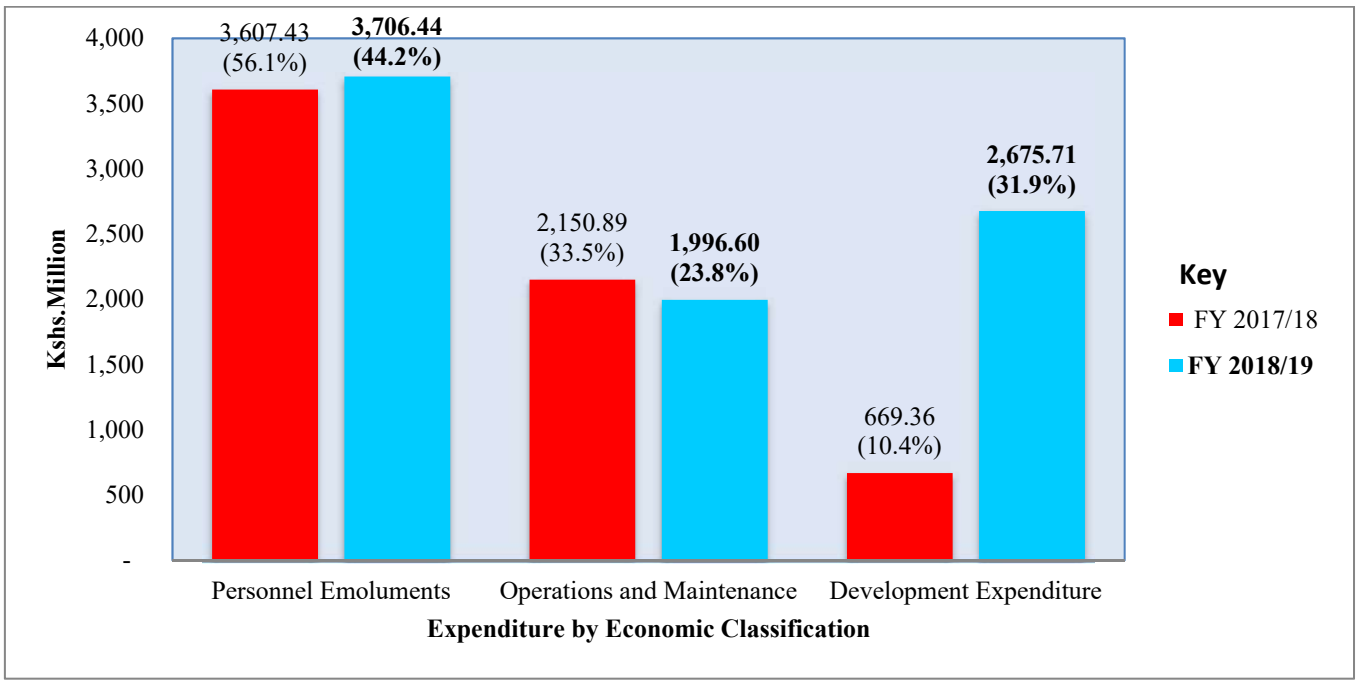
A total of Kshs.8.38 billion was spent on both development and recurrent activities. This expenditure represented 80.8 per cent of the total funds released from the CRF account, and was an increase of 30.4 per cent from Kshs.6.43 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.933.60 million for development activities and Kshs.742.79 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.68 billion while Kshs.5.7 billion was spent on recurrent activities. The development expenditure was 83.3 per cent of the funds released for development programmes, while recurrent expenditure was 79.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 57.8 per cent, which was an increase from 23.7 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 78.7 per cent of the annual recurrent budget, a decrease from 90.3 per cent recorded in FY 2017/18.

Figure 3.67 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.67: Kisumu County, Expenditure by Economic Classification**




***Source**: Kisumu County Treasury*

## 3.17.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.68 billion represented 57.8 per cent of the annual development expenditure estimates of Kshs.4.63 billion. Table 3.48 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.48: Kisumu County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Opening and murraming of Kandege - Kagayi Road | Muhoroni -Koru ward | 5,551,827 | 5,527,539 | 99.6 |
| 2 | Opening and improvement of Masogo-Omuga Access Road | Miwani Ward | 4,642,125 | 4,640,131 | 100.0 |
| 3 | Installation of high-speed internet connectivity service | County HQ | 6,533,414 | 3,197,424 | 48.9 |
| 4 | Supply and delivery of drilling materials and accessories | County HQ | 26,793,810 | 26,793,810 | 100.0 |
| 5 | Supply and delivery of construction materials | County HQ | 4,812,500 | 4,812,500 | 100.0 |
| 6 | Desilting of Alewra Stream | Nyalenda B Ward | 4,119,400 | 3,288,708 | 79.8 |
| 7 | Proposed renovation works at Moi Stadium - Kisumu | County HQ | 4,051,323 | 3,315,099 | 81.8 |

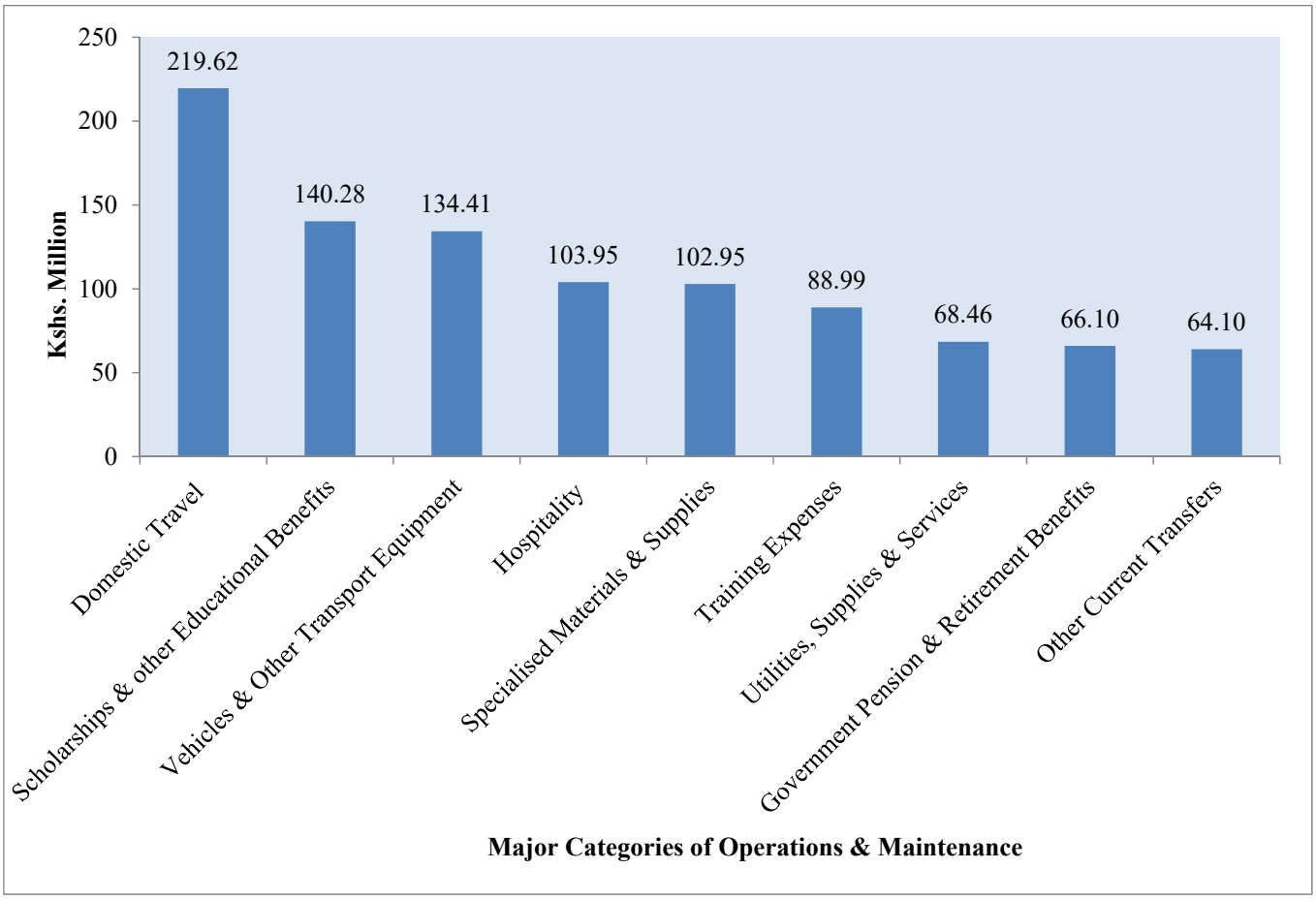
***Source:** Kisumu County Treasury*

## 3.17.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.7 billion comprised of Kshs.3.71 billion (65 per cent) incurred on personnel emoluments and Kshs.2 billion (35 per cent) on operations and maintenance as shown in Figure 3.67 .

Expenditure on personnel emoluments represented an increase of 2.7 per cent compared to FY 2017/18 when the County spent Kshs.3.61 billion and was 44.2 per cent of the total expenditure in FY 2018/19. Figure 3.68 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.68: Kisumu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Kisumu County Treasury*

The County spent Kshs.39.9 million on committee sitting allowances for the 50 MCAs and speaker against the annual budget allocation of Kshs.55.11 million. This represented a decrease of 9.4 per cent compared to Kshs.44.05 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.67,855 per MCA against the SRC's recommended monthly ceiling of 124,800.

Expenditure on domestic and foreign travel amounted to Kshs.265.54 million, and comprised of Kshs.163.99 million spent by the County Assembly and Kshs.101.55 million by the County Executive. This expenditure represented 4.7 per cent of total recurrent expenditure and was an increase of 65.7 per cent compared to Kshs.160.28 million spent in FY 2017/18.

## 3.17.8 Budget Performance by County Department

Table 3.49 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.49: Kisumu County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | FY 2018/19 Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock and Fisheries | 271.77 | 247.36 | 271.85 | 169.22 | 218.74 | 88.13 | 80.5 | 52.1 | 80.5 | 35.6 |
| City of Kisumu | 753.98 | 925.23 | 753.98 | 917.03 | 717.89 | 364.37 | 95.2 | 39.7 | 95.2 | 39.4 |
| Kisumu County Public Service Board | 81.26 | - | 81.26 | - | 63.38 | - | 78.0 | - | 78.0 | - |

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | FY 2018/19 Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Education, Gender, Youth, Human Resource Development, ICT and Social Services | 404.19 | 294.42 | 404.19 | 160.27 | 305.63 | 220.33 | 75.6 | 137.5 | 75.6 | 74.8 |
| Office of the Governor and County Administration | 513.75 | 120.95 | 513.75 | 109.00 | 375.36 | 64.63 | 73.1 | 59.3 | 73.1 | 53.4 |
| Health Services | 3,101.94 | 401.86 | 3,008.48 | 166.00 | 2,400.19 | 115.24 | 79.8 | 69.4 | 77.4 | 28.7 |
| Economic Planning | 49.11 | 62.94 | 49.11 | 53.46 | 32.68 | 55.19 | 66.5 | 103.2 | 66.5 | 87.7 |
| Tourism, Culture, Sports and Information | 92.19 | 210.10 | 92.19 | 38.18 | 65.19 | 151.35 | 70.7 | 396.4 | 70.7 | 72 |
| Roads, Transport and Public Works | 190.10 | 539.80 | 190.10 | 260.59 | 131.15 | 447.36 | 69.0 | 171.7 | 69 | 82.9 |
| Lands, Housing and Physical Planning | 100.04 | 121.90 | 100.04 | 96.97 | 39.67 | 53.81 | 39.7 | 55.5 | 39.7 | 44.1 |
| Business, Energy and Industry | 123.08 | 371.52 | 123.08 | 167.46 | 75.22 | 155.70 | 61.1 | 93 | 61.1 | 41.9 |
| Finance | 733.54 | 963.68 | 733.54 | 815.08 | 538.86 | 831.55 | 73.5 | 102 | 73.5 | 86.3 |
| Water, Environment and Natural Resources | 146.67 | 318.60 | 146.67 | 257.99 | 113.64 | 128.06 | 77.5 | 49.6 | 77.5 | 40.2 |
| County Assembly | 684.80 | 50.76 | 684.80 | - | 625.45 | - | 91.3 | - | 91.3 | - |
| **Total** | **7,246** | **4,629** | **7,153** | **3,211** | **5,703** | **2,676** | **79.7** | **83.3** | **78.7** | **57.8** |

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

Analysis of expenditure by department shows that the Department of Economic Planning recorded the highest absorption rate of development budget at 87.7 per cent while the County Assembly did not incur any development expenditure. The Department of City of Kisumu had the highest percentage of recurrent expenditure to recurrent budget at 95.2 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 39.7 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. Improvement in absorption of development budget by 229.7 per cent from Kshs.669.36 million in FY 2017/18 to Kshs.2.68 billion in the reporting period.

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

1. Under-performance of own-source revenue collection. The County collected Kshs.842.82 million which was 61 per cent of the annual target of Kshs.1.38 billion in the reporting period.
2. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report. Section 166 of the PFM Act, 2012 requires the financial reports to be submitted by the 15th day after the end of each quarter.
3. A high wage bill that increased by 2.71 per cent from Kshs.3.61 billion in FY 2017/18 to Kshs.3.71 billion in the reporting period. The wage bill accounted for 44.2 per cent of total expenditure in the reporting period.
4. Delay in disbursement of equitable share of revenue raised nationally by the National Treasury.
5. Failure by Fund Administrators to submit expenditure reports of all the County Established Funds contrary to Section 168 of the PFM Act, 2012.
6. Failure by the County to provide a complete report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.2.68 billion during the reporting period.

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

1. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
2. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
4. *The County Treasury should liaise with the National Treasury to ensure that the funds are released in timely manner.*
5. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
6. *The County Treasury should provide complete report on development projects implemented in FY 2018/19 in line with Section 166 of the PFM Act, 2012.*

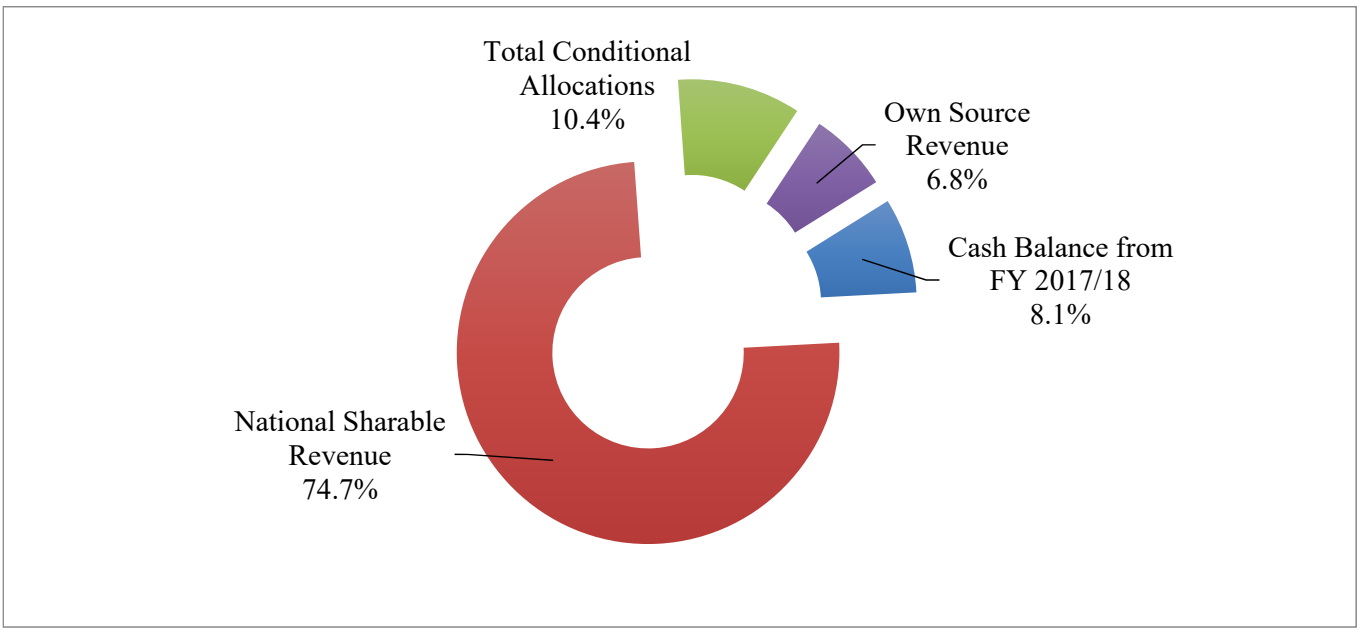
## 3.18 Kitui County

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

The County's FY 2018/19 Supplementary Budget was Kshs.11.69 billion, comprising of Kshs.4.63 billion (39.6 per cent) and Kshs.7.06 billion (60.4 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.73 billion (74.7 per cent) as equitable share of the revenue raised nationally, Kshs.1.22 billion (10.4 per cent) as total conditional grants, generate Kshs.797.99 million (6.8 per cent) from own sources of revenue, and Kshs.941.22 million (8.1 per cent) cash balance from FY 2017/18.

**Figure 3.69: Kitui County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Kitui county Treasury*

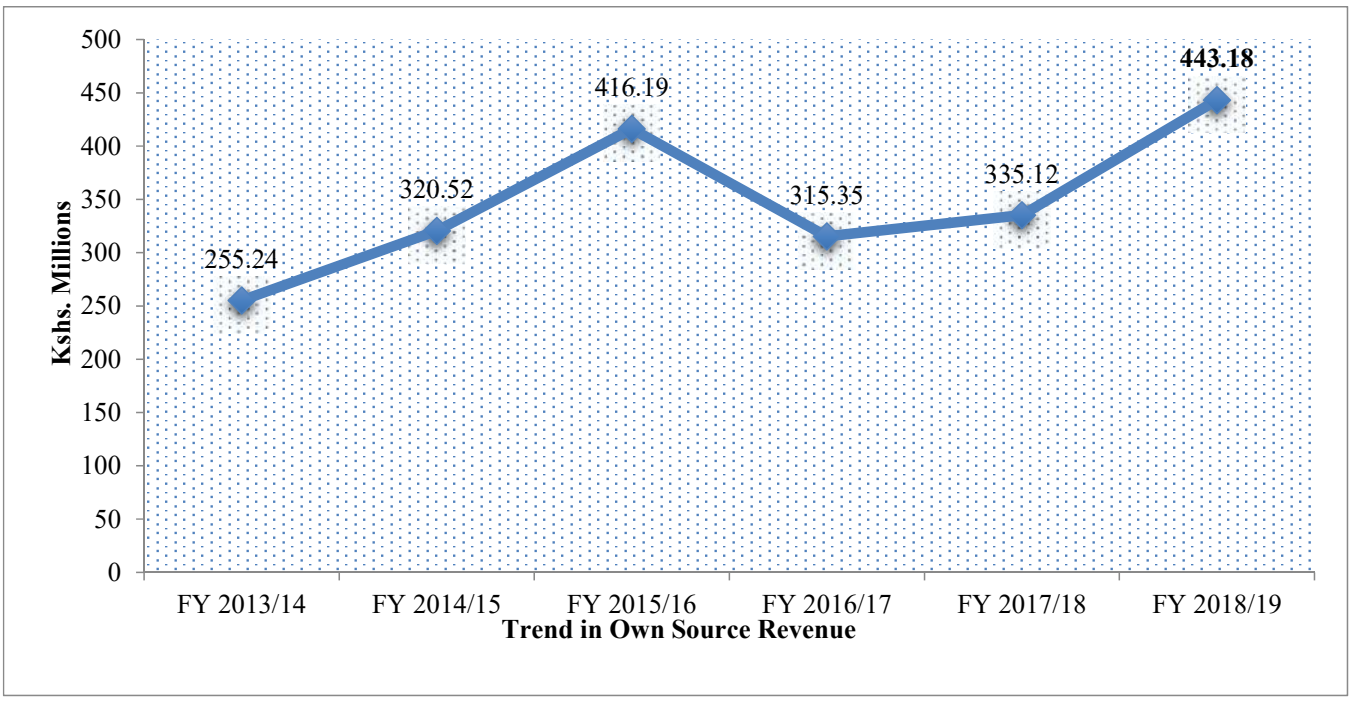
A breakdown of the conditional grants is provided in Table 3.50.

### 3.18.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.84 billion available for budget implementation. This amount consisted of Kshs.8.73 billion received as equitable share of the revenue raised nationally, Kshs.725.16 million as conditional grants, Kshs.443.18 million generated from own sources of revenue, and a cash balance of Kshs.941.22 million from FY 2017/18.

Figure 3.70 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.70: Kitui County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Kitui County Treasury*

The County generated a total of Kshs.443.18 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.108.64 million compared to that realised in FY 2017/18 and represented 55.5 per cent of the annual target.

### 3.18.3 Conditional Grants

During the reporting period, the County received Kshs.725.16 million as conditional grants as shown in Table 3.50.

**Table 3.50: Kitui County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | World Bank Loan for Kenya Urban Support Program | 232,374,200 | 232,374,200 | 232,374,200 | 100 |
| 2 | Road Maintenance Fuel Levy Fund | 229,832,234 | 326,050,314 | 229,832,234 | 100 |
| 3 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 4 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 191,257,349 | 50,078,000 | 35.7 |
| 5 | World Bank Loan for Transforming Health System for universal Care Project | 100,000,000 | 147,468,520 | 67,082,451 | 67.1 |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 6 | Development of Youth Polytechnics | 58,465,000 | 126,041,636 | 44,141,075 | 75.5 |
| 7 | Kenya Devolution Support Programme (KDSP) | 57,462,594 | 65,054,392 | - | - |
| 8 | Kenya Urban Support Project - urban institutional grant | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 9 | DANIDA Grant | 29,008,125 | 33,824,572 | 29,008,125 | 100 |
| 10 | Agriculture Sector Development Support Programme (ASDSP) | 24,573,008 | 24,573,008 | 8,946,484 | 36.4 |
| 11 | Compensation for User Fee Foregone | 22,499,905 | 22,499,906 | 22,499,906 | 100 |
| 12 | FAO Support Vaccination Program | - | 9,925,960 | - | - |
| **Sub Total** | | **1,135,850,229** | **1,220,269,857** | **725,162,475** | **63.8** |

***Source:*** *Kitui County Treasury*

During the reporting period, receipts from the Kenya Urban Support Program, Road Maintenance Fuel levy fund, Urban Institutional Grants, DANIDA grant, and Compensation for User Fees Foregone recorded the highest performance in percentage terms, and accounted for 100 per cent of the annual target respectively.

### 3.18.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.10.29 billion from the CRF account. The withdrawals represented 88 per cent of the Approved Supplementary Budget and translated to an increase of 4.9 per cent from Kshs.9.81 billion in FY 2017/18, and comprised of Kshs.3.37 billion (32.8 per cent) towards development activities and Kshs.6.92 billion (67.2 per cent) for recurrent expenditure.

### 3.18.5 Overall Expenditure Review

A total of Kshs.9.87 billion was spent on both development and recurrent activities. This expenditure represented 95.9 per cent of the total funds released from the CRF account, and was an increase of 9.32 per cent from Kshs.9.32 billion spent in FY 2017/18.

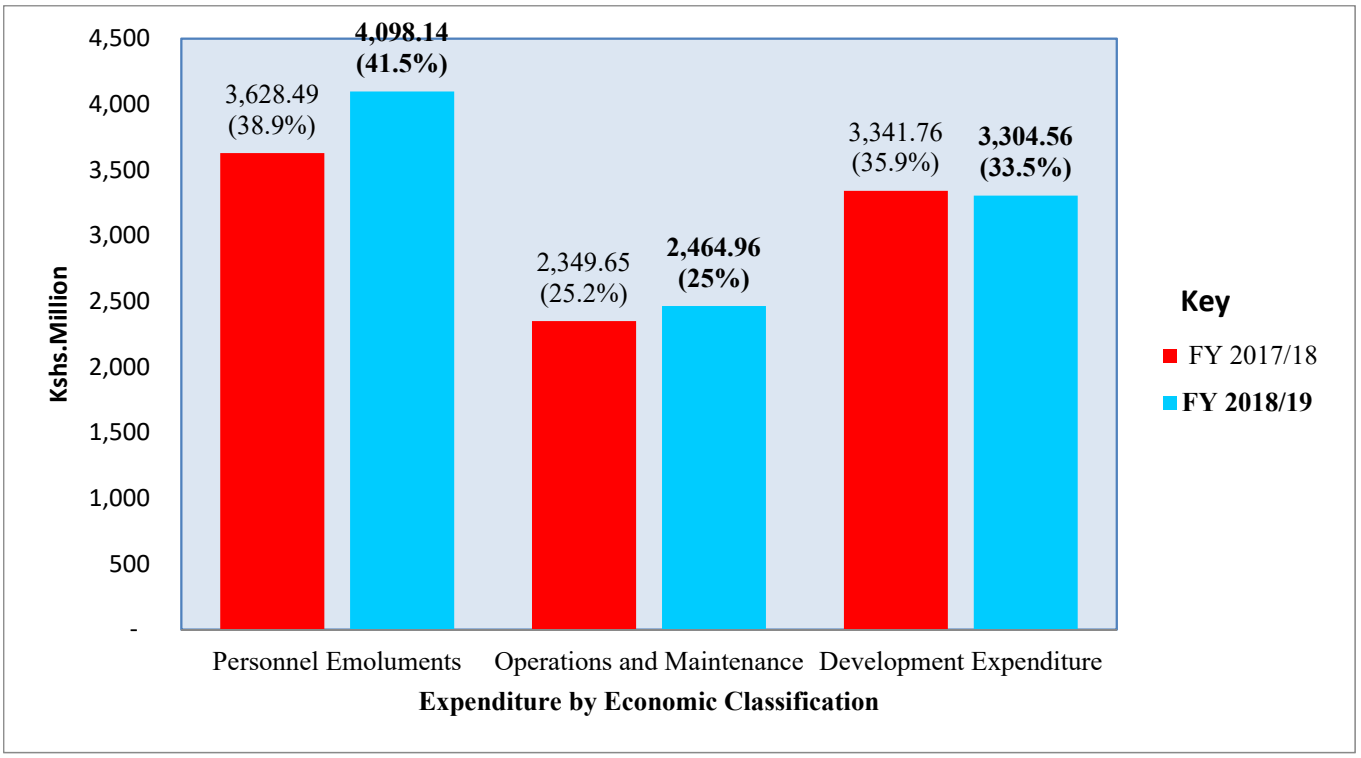
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.936.16 million for development activities and Kshs.230.93 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.3.30 billion while Kshs.6.56 billion was spent on recurrent activities. The development expenditure was 98.1 per cent of the funds released for development programmes, while recurrent expenditure was 94.8 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 71.4 per cent, which was a decrease from 73.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 92.9 per cent of the annual recurrent budget, an increase from 89.4 per cent recorded in FY 2017/18.

Figure 3.71 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.71: Kitui County, Expenditure by Economic Classification




***Source**: Kitui County Treasury*

### 3.18.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.30 million represented 71.4 per cent of the annual development expenditure estimates of Kshs.4.63 billion. Table 3.51 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.51: Kitui County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Supply and installation of stationery stone crusher | Kitui Central | 85, 305, 490 | 85, 305, 490 | 100 |
| 2 | Supply, delivery & training of CT Scan machines and accessories | County referral hospital | 80, 000, 000 | 80, 000, 000 | 100 |
| 3 | Supply of X-Ray machines | County wide | 70, 000, 000 | 70, 000, 000 | 100 |
| 4 | Completion of Governor's office block | County HQ | 35, 558, 638 | 14, 297, 125 | 39 |
| 5 | Upgrading of Kitui school-showground-Kitui Airstrip road | Kitui Central | 30, 525, 638 | 27, 007, 177 | 88 |
| 6 | Consultancy services for bankable affordable housing | Kitui central | 18, 560, 000 | 18, 560, 000 | 100 |
| 7 | Construction of Kitui shool-showground from Kulundu box culvert | Kitui central | 11, 980, 503 | 11, 978, 677 | 100 |
| 8 | Construction of outpatient at Mbitini health centre | Kitui rural | 10, 652, 488 | 10, 652, 488 | 100 |
| 9 | Construction of 135m$^3$ water tank at Mathuki | Mwingi central | 9, 480, 467 | 6, 636, 327 | 70 |
| 10 | Extension of Mwathe pipeline | Kitui south | 5, 493, 752 | 5, 493, 752 | 100 |

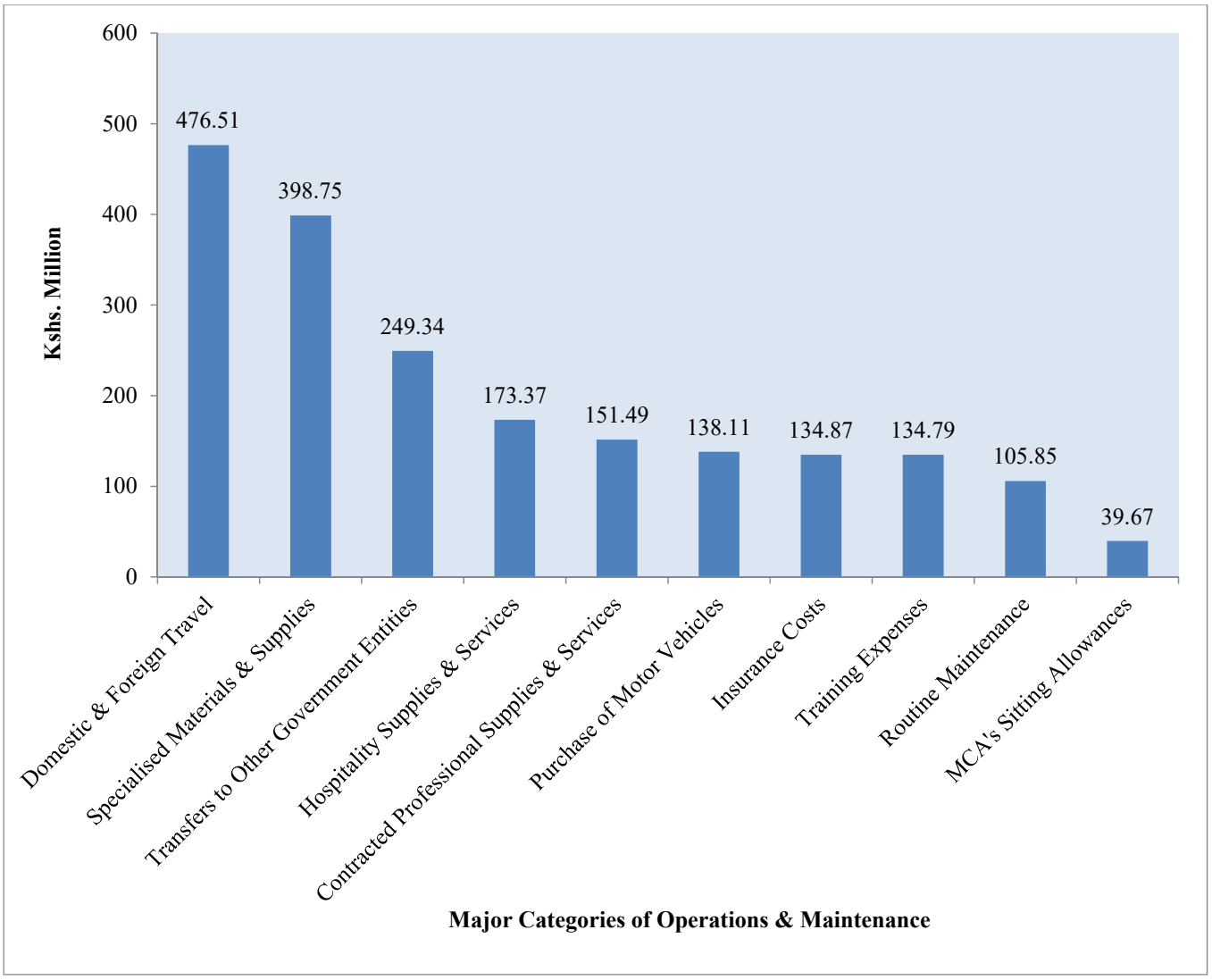
***Source**: Kitui County Treasury*

### 3.18.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.56 billion comprised of Kshs.4.10 billion (62.5 per cent) incurred on personnel emoluments and Kshs.2.46 billion (37.5 per cent) on operations and maintenance as shown in Figure 3.71.

Expenditure on personnel emoluments represented an increase of 12.9 per cent compared to FY 2017/18 when the County spent Kshs.3.62 billion and was 41.5 per cent of the total expenditure in FY 2018/19. Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.72: Kitui County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Kitui County Treasury*

The County spent Kshs.39.67 million on committee sitting allowances for the 54 MCAs and speaker against the annual budget allocation of Kshs.45.12 million. This represented an increase of 132.1 per cent compared to Kshs.17.09 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.61,226 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.476.51 million, and comprised of Kshs.168.20 million spent by the County Assembly and Kshs.308.31 million by the County Executive. This expenditure represented 6.2 per cent of total recurrent expenditure and was a decrease of 1.9 per cent compared to Kshs.485.54 million spent in FY 2017/18.

### 3.18.8 Budget Performance by County Department

Table 3.52 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.52: Kitui County, Budget Performance by Department in FY 2018/19**

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 577.94 | 795.87 | 576.33 | 528.90 | 528.54 | 459.30 | 91.7 | 86.8 | 91.5 | 57.7 |
| Administration & Coordination Of County Affairs | 373 | - | 373.00 | - | 333.59 | - | 89.4 | - | 89.4 | - |
| County Treasury | 383.31 | 68.05 | 383.31 | - | 359.84 | 13.35 | 93.9 | - | 93.9 | 19.6 |
| Health and Sanitation | 2, 791.04 | 640.35 | 2, 788.7 | 475.58 | 2, 686 | 492.99 | 96.3 | 103.7 | 96.2 | 77 |
| Basic Education, ICT & Youth development | 537.47 | 204.84 | 537.47 | 108.90 | 513.22 | 65.36 | 95.5 | 60.0 | 95.5 | 31.9 |
| Trade, Co-operatives and investments | 101.61 | 263.89 | 101.61 | 225.10 | 90.41 | 185.68 | 89.0 | 82.5 | 89.0 | 70.4 |
| Lands, Infrastructure, Housing and Urban Development. | 353.85 | 757.16 | 353.85 | 585.12 | 350.21 | 754.54 | 99.0 | 129.0 | 99.0 | 99.7 |
| Tourism, Sports and Culture | 135.08 | 101.07 | 135.08 | 44.15 | 115.28 | 68.74 | 85.3 | 155.7 | 85.3 | 68 |
| Agriculture, Water and Livestock Development | 476.13 | 1, 251.11 | 476.13 | 1, 058.29 | 463.38 | 1, 033.32 | 97.3 | 97.6 | 97.3 | 82.6 |
| Environment and Natural Resources | 122.89 | 100.34 | 122.89 | 66.60 | 113.35 | 61.59 | 92.2 | 92.5 | 92.2 | 61.4 |
| County Public Service Board | 61.14 | - | 61.14 | - | 44.77 | - | 73.2 | - | 73.2 | - |
| County Assembly | 904.80 | 130 | 806.57 | - | 795.18 | 16.04 | 98.6 | - | 87.9 | 12.3 |
| Kitui Town Administration | 159.66 | 272.08 | 122.04 | 243.12 | 117.27 | 118.15 | 96.1 | 48.6 | 73.4 | 43.4 |
| Mwingi Town Administration | 81.99 | 44 | 81.99 | 32.69 | 52.06 | 35.51 | 63.5 | 108.6 | 63.5 | 80.7 |
| **Total** | **7, 059.91** | **4, 628.76** | **6, 920.11** | **3, 368.45** | **6, 563.10** | **3, 304.57** | **94.8** | **98.1** | **93.0** | **71.4** |

***Source:*** *Kitui County Treasury*

Analysis of expenditure by department shows that the Department of Lands, Infrastructure, Housing and Urban Development recorded the highest absorption rate of development budget at 99.7 per cent while the County Assembly recorded the lowest at 12.3 per cent. The Department of Lands, Infrastructure, Housing and Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 99 per cent while the Department of Mwingi Town Administration had the lowest at 63.5 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 own source revenue collection by 32.2 per cent from Kshs.335.12 million in FY 2017/18 to Kshs.443.18 million in the reporting period.
ii. Improvement rationalised spending on non core activities resulting in reduction in expenditure on domestic and foreign travel by Kshs.9.03 million from Kshs.485.54 million in FY 2017/18 to

Kshs.476.51 million in the reporting period.

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

1. A high wage bill that increased by 12.9 per cent from Kshs.3.63 billion in FY 2017/18 to Kshs.4.1 billion in the reporting period. The wage bill accounted for 41.5 per cent of total expenditure in the reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

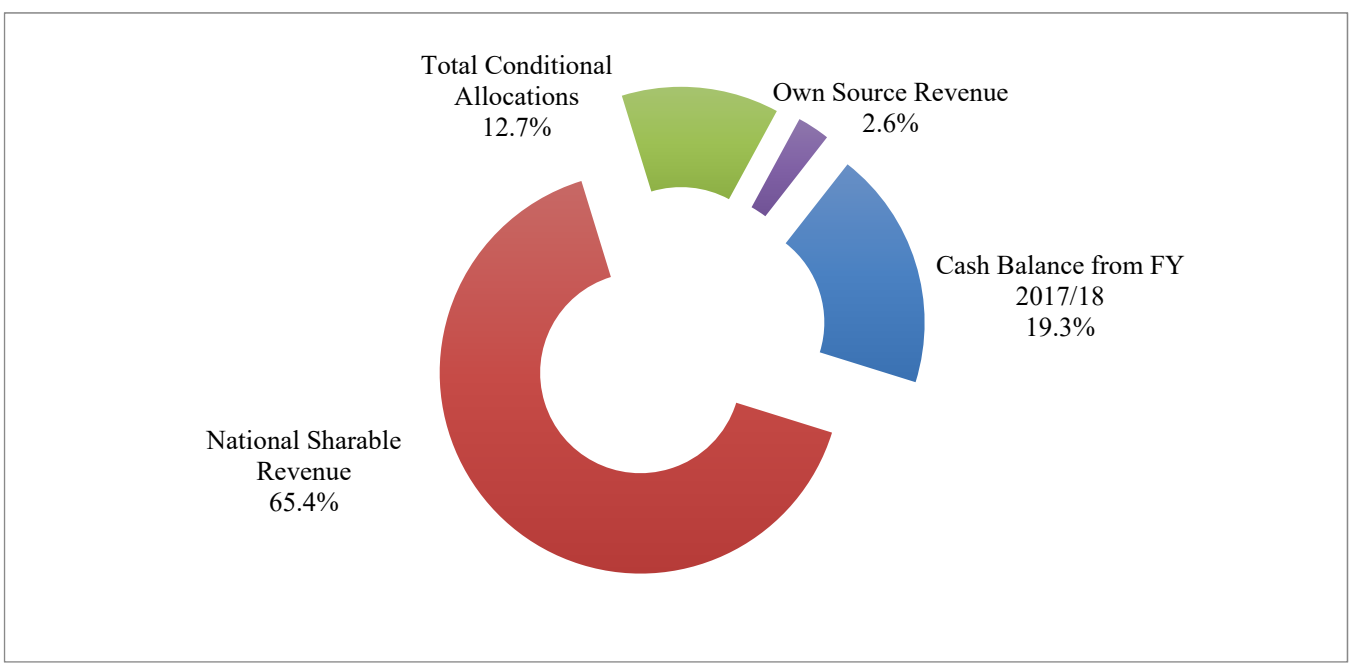
## 3.19 Kwale County

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

The County's FY 2018/19 Supplementary Budget was Kshs.11.52 billion, comprising of Kshs.6.12 billion (53.1 per cent) and Kshs.5.40 billion (46.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.54 billion (65.4 per cent) as equitable share of revenue raised nationally, Kshs.1.46 billion (12.7 per cent) as total conditional grants, generate Kshs.303.11 million (2.6 per cent) from own revenue sources, and Kshs.2.22 billion (19.3 per cent) cash balance from FY 2017/18.

**Figure 3.73: Kwale County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Kwale County Treasury*

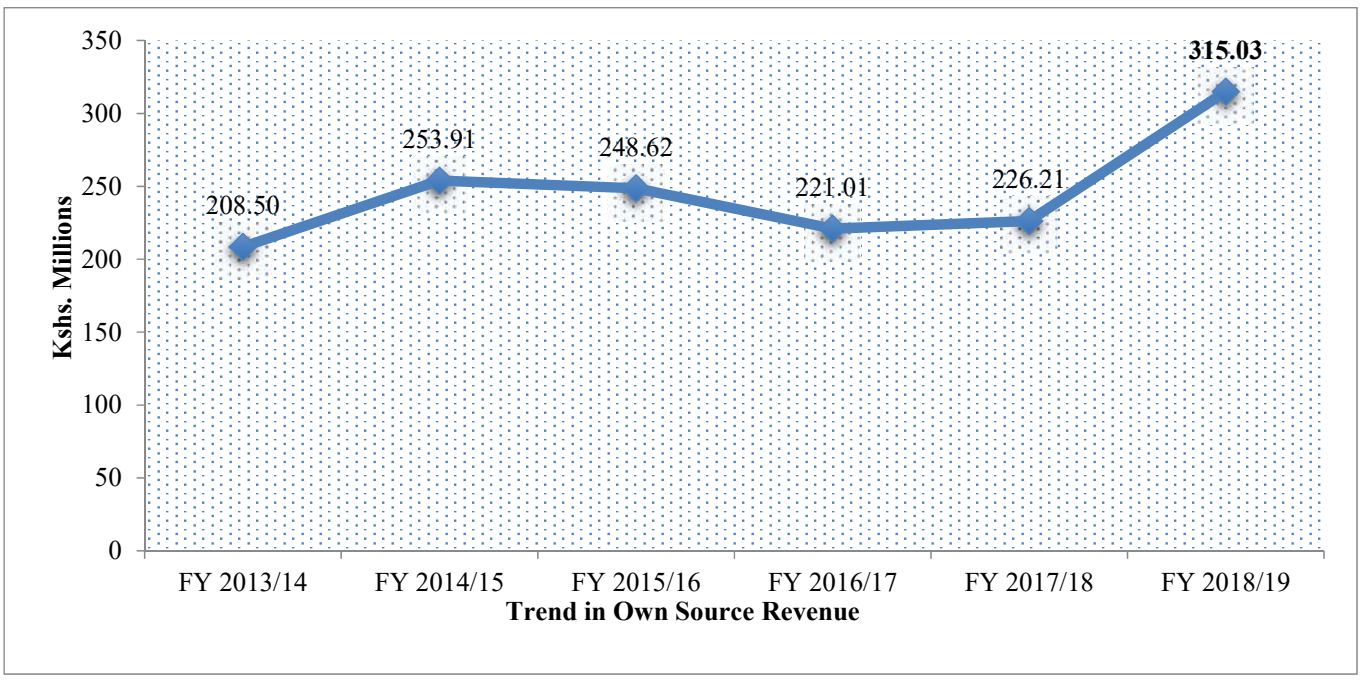
A breakdown of the conditional grants is provided in Table 3.53.

### 3.19.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.69 billion available for budget implementation. This amount consisted of Kshs.7.54 billion received as equitable share of the revenue raised nationally, Kshs.526.86 million as conditional grants, Kshs.315.03 million generated from own sources of revenue, and a cash balance of Kshs.2.22 billion from FY 2017/18.

Figure 3.74 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.74: Kwale County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Kwale County Treasury*

The County generated a total of Kshs.315.03 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.88.81 million compared to that realised in FY 2017/18 and was 103.9 per cent of the annual target.

### 3.19.3 Conditional Grants

During the reporting period, the County received Kshs.526.86 million as conditional grants and Kshs.50.03 million as other grants as shown in Table 3.53.

**Table 3.53: Kwale County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in 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 | 198,416,317 | 100 |
| 4 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 197,545,018 | 50,078,476 | 35.7 |
| 5 | World Bank-Transforming Health Systems for Universal Care Project | 98,175,267 | 98,175,267 | 57,611,664 | 58.7 |
| 6 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 50,747,782 | 77,810,388 | - | - |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 7 | IDA (WB) Kenya Urban Support (KUSP) - Urban Institutional Grant(UIG) | 91,000,000 | 91,200,000 | 91,200,000 | 100.2 |
| 8 | EU- Instruments for Devolution Advice and Support-(IDEAS) | 45,000,000 | - | - | - |
| 9 | Rehabilitation of Village Polytechnics | 41,860,000 | 85,622,833 | 31,604,300 | 75.5 |
| 11 | DANIDA - Universal Healthcare to Devolved System Programme | 24,300,000 | 24,300,000 | 24,300,000 | 100 |
| 12 | Sweden Agricultural Sector Development Support Programme (ASDSP) Level 2 Grant | 23,138,788 | 23,138,788 | 8,424,317 | 36.4 |
| 13 | Compensation for User Fees Forgone | 15,209,593 | 15,209,593 | 15,209,593 | 100 |
| **Sub Total** | | **1,328,282,910** | **1,411,418,204** | **476,844,667** | **35.9** |
| **B** | **Other Grants** | | | | |
| 14 | EU grant for construction of the Kombani market | - | 50,013,026 | 50,013,026 | - |
| **Sub Total** | | **-** | **50,013,026** | **50,013,026** | **-** |
| **Grand Total** | | **1,328,282,910** | **1,461,431,230** | **526,857,693** | **39.7** |

***Source:*** *Kwale County Treasury*

During the reporting period, receipts from the IDA (WB) Kenya Urban Support (KUSP) - Urban Institutional Grant (UIG) conditional grant recorded the highest performance in percentage terms, and accounted 100.2 per cent of the annual target.

### 3.19.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.8.13 billion from the CRF account. The withdrawals represented 70.5 per cent of the Approved Supplementary Budget and translated to an increase of 20.6 per cent from Kshs.6.74 billion in FY 2017/18 and comprised of Kshs.2.87 billion (35.3 per cent) towards development activities and Kshs.5.26 billion (64.7 per cent) for recurrent.

### 3.19.5 Overall Expenditure Review

A total of Kshs.7.69 billion was spent on both development and recurrent activities. This expenditure represented 94.7 per cent of the total funds released from the CRF account, and was an increase of 16.8 per cent from Kshs.6.59 billion spent in FY 2017/18.

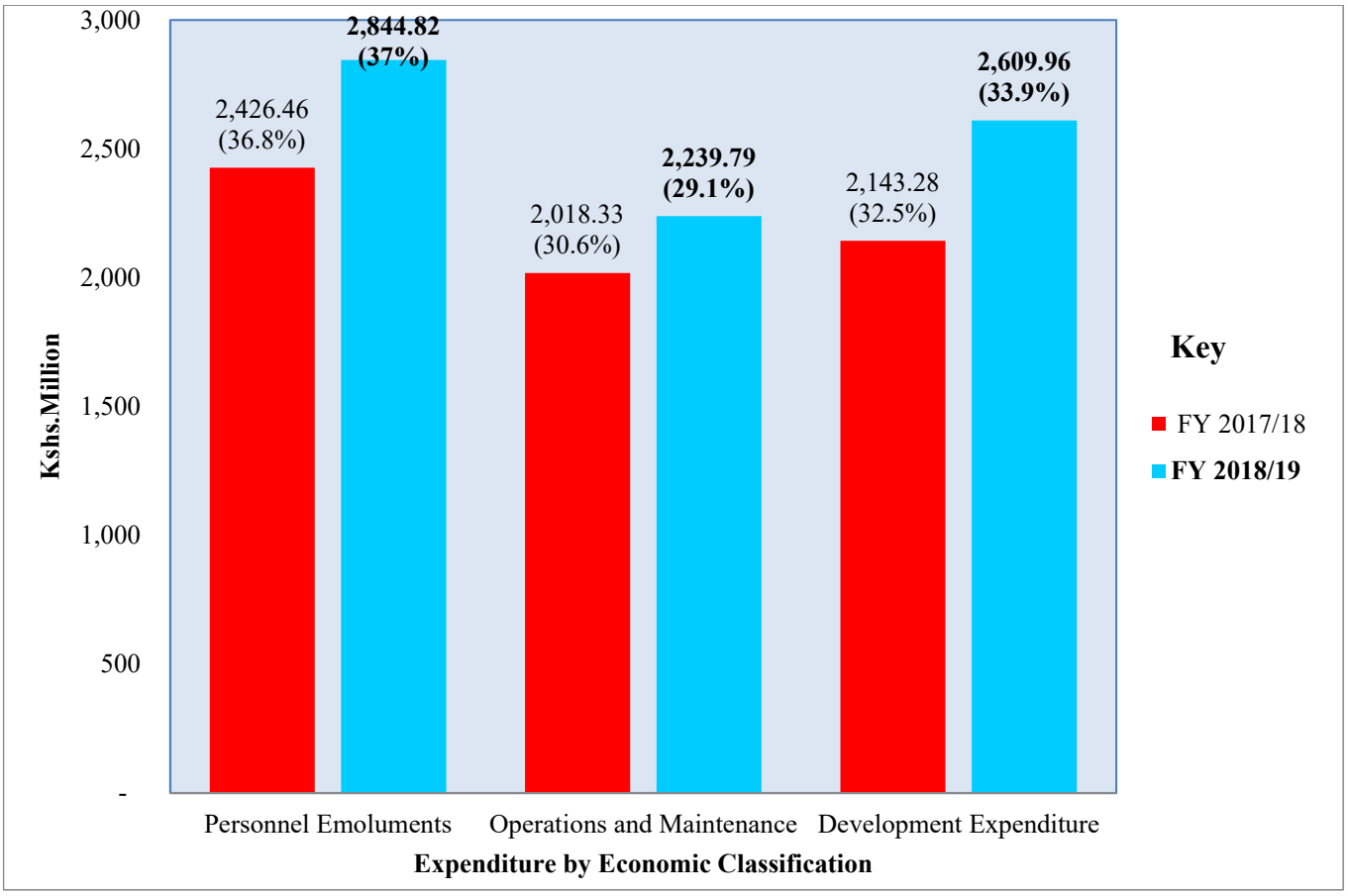
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.2.63 billion for development activities and Kshs.31.66 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.61 billion while Kshs.5.08 billion was spent on recurrent activities. The development expenditure was 91 per cent of the funds released for development programmes, while recurrent expenditure was 96.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 42.6 per cent, which was a decrease from 52.1 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 94.2 per cent of the annual recurrent budget, an increase from 85.4 per cent recorded in FY 2017/18.

Figure 3.75 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.75: Kwale County, Expenditure by Economic Classification




***Source:*** *Kwale County Treasury*

### 3.19.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.61 billion represented 42.6 per cent of the annual development budget estimates of Kshs.6.12 billion. Table 3.54 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.54: Kwale County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Grant to Youth Polytechnics | Kwale | 85,622,833 | 70,770,000 | 82.7 |
| 2 | Preparation of County Spatial Plan | Kwale | 98,455,290 | 67,909,761 | 69.0 |
| 3 | Purchase of Certified Seeds & seedlings | Kwale | 27,600,000 | 27,600,000 | 100.0 |
| 4 | Purchase of Graders/Shovel | Kwale | 28,000,000 | 26,967,000 | 96.3 |
| 5 | Proposed improvement Marere Godoni pipeline | Marere | 45,000,000 | 22,272,000 | 49.5 |
| 6 | Design & installation of fibre optic cable | Kwale | 18,396,057 | 18,396,056 | 100.0 |
| 7 | Maternity complex wing Phase 2 | Ramisi Ward | 27,867,352 | 16,440,008 | 59.0 |
| 8 | Purchase of Motorcycles | Kwale | 10,000,000 | 9,599,634 | 96.0 |
| 9 | Rehab Centre perimeter wall | Kombani | 9,699,980 | 8,426,231 | 86.9 |
| 10 | Construction of Kinango Biashara Centre | Kinango | 5,548,250 | 4,755,221 | 85.7 |

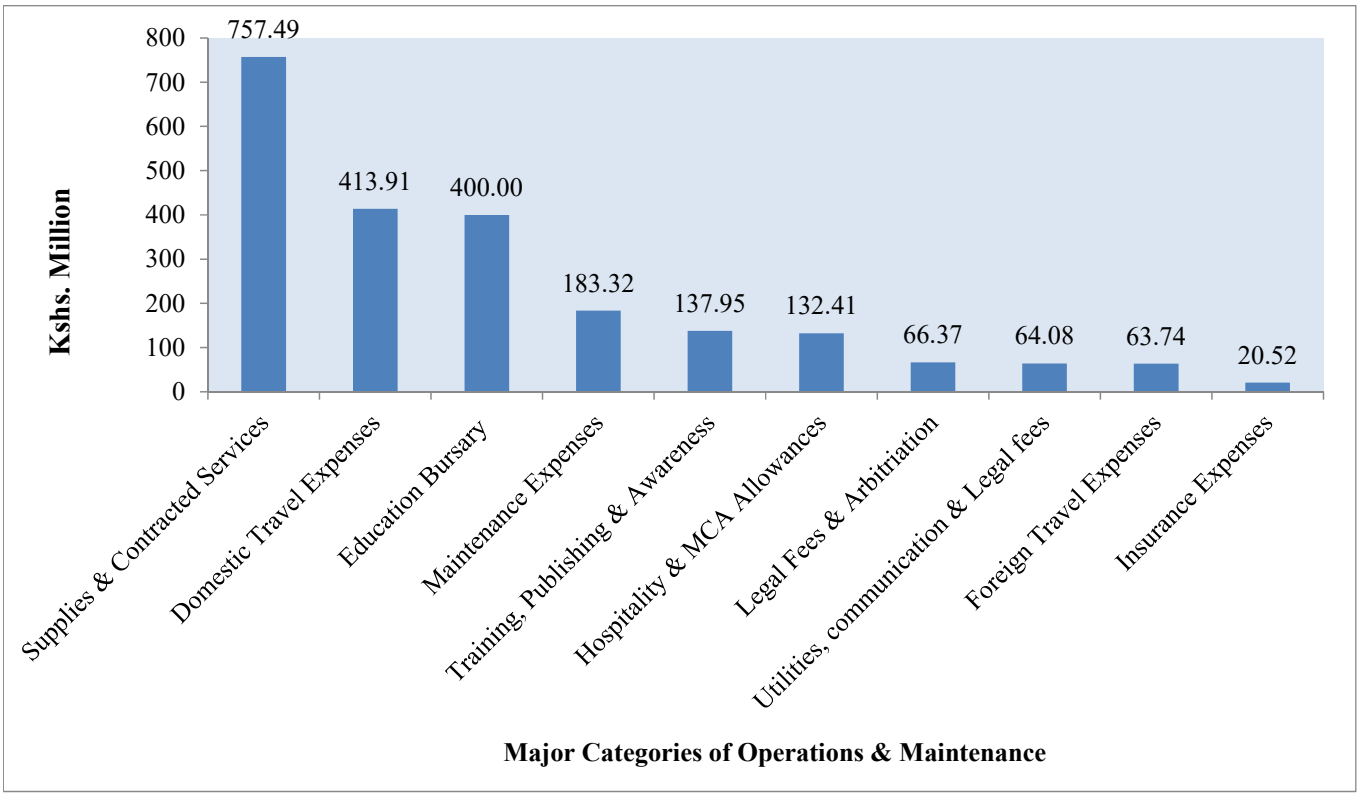
***Source:*** *Kwale County Treasury*

### 3.19.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.08 billion comprised of Kshs.2.84 billion (44.1 per cent) incurred on personnel emoluments and Kshs.2.24 billion (55.9 per cent) on operations and maintenance as shown in Figure 3.75.

Expenditure on personnel emoluments represented an increase of 17.2 per cent compared to FY 2017/18 when the County spent Kshs.2.43 billion and was 37 per cent of the total expenditure in FY 2018/19. Figure 3.76 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.76: Kwale County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Kwale County Treasury*

The County spent Kshs.33.88 million on committee sitting allowances for the 34 MCAs and Speaker against the annual budget allocation of Kshs.60.95 million. This represented a decrease of 25.9 per cent compared to Kshs.30.78 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.83,043 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.477.65 million, and comprised of Kshs.118.34 million spent by the County Assembly and Kshs.359.30 million by the County Executive.

### 3.19.8 Budget Performance by County Department

Table 3.55 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.55: Kwale County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Executive Services | 212.32 | 107.56 | 241.08 | 47.486 | 174.90 | 47.49 | 72.5 | 100 | 82.4 | 44.1 |
| Public Service & Administration | 174.99 | 60.16 | 248.93 | 39.88 | 172.29 | 39.88 | 69.2 | 100 | 98.5 | 66.3 |
| Finance & Economic Planning | 877.21 | 46.78 | 654.59 | 21.47 | 805.46 | 15.64 | 123 | 72.8 | 91.8 | 33.4 |
| Agriculture ,Livestock & Fisheries | 179.81 | 441.37 | 172.86 | 242.64 | 170.54 | 127.83 | 98.7 | 52.7 | 94.8 | 29.0 |
| Education, Research And Hr Development | 802.33 | 1,091.16 | 808.33 | 539.23 | 786.36 | 523.17 | 97.3 | 97 | 98 | 47.9 |
| Medical & Public Health Services | 1,985.33 | 1,097.53 | 1948.33 | 415.95 | 1,909.14 | 561.55 | 98 | 135 | 96.2 | 51.2 |
| Trade Investment & Cooperatives | 61.33 | 216.18 | 67.83 | 115.22 | 56.46 | 69.73 | 83.2 | 60.5 | 92.1 | 32.3 |
| Tourism & ICT | 53.36 | 109.71 | 46.56 | 76.65 | 50.63 | 77.51 | 108.7 | 101.1 | 94.9 | 70.6 |
| Social Services & Talent Management | 139.65 | 255.05 | 147.95 | 80.23 | 121.87 | 79.67 | 82.4 | 99.3 | 87.3 | 31.2 |
| Roads & Public Works | 140.33 | 784.53 | 145.02 | 578.48 | 133.06 | 361.53 | 91.8 | 62.5 | 94.8 | 46.1 |
| Land, Environment & Natural Resources | 104.48 | 232.07 | 102.98 | 189.7 | 47.90 | 128.07 | 46.5 | 67.5 | 45.8 | 55.2 |
| Water Services | 82.34 | 1,447.88 | 86.34 | 433.42 | 76.44 | 488.69 | 88.5 | 112.8 | 92.8 | 33.8 |
| County Assembly | 584.76 | 229.80 | 584.76 | 89.22 | 579.56 | 89.19 | 99.1 | 100 | 99.1 | 38.8 |
| **TOTAL** | **5,398.24** | **6,119.78** | **5,255.56** | **2,869.58** | **5,084.61** | **2,609.95** | **96.7** | **91** | **94.2** | **42.6** |

***Source:*** *Kwale County Treasury*

Analysis of expenditure by department shows that the Department of Tourism & ICT recorded the highest absorption rate of development budget at 70.6 per cent while the Department of Agriculture, Livestock and Fisheries had the lowest at 29 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.1 per cent while the Department Land, Environment and Natural Resources had the lowest at 45.8 per cent.

### 3.19.9 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 39.3 per cent to Kshs.315.03 million in the reporting period from Kshs.226.21 million in FY 2017/18.
ii. Timely preparation and approval of key planning documents such as the CBROP, CFSP and the budget estimates.

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

1. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 42.6 per cent compared to 52.1 per cent in a similar period in FY 2017/18.

2. A high wage bill that increased by 17.2 per cent from Kshs.2.43 billion in FY 2017/18 to Kshs.2.84 billion in the reporting period. The wage bill accounted for 37 per cent of total expenditure in the reporting period.

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

1. *The County should identify and address issues that cause delays in the implementation of development projects.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

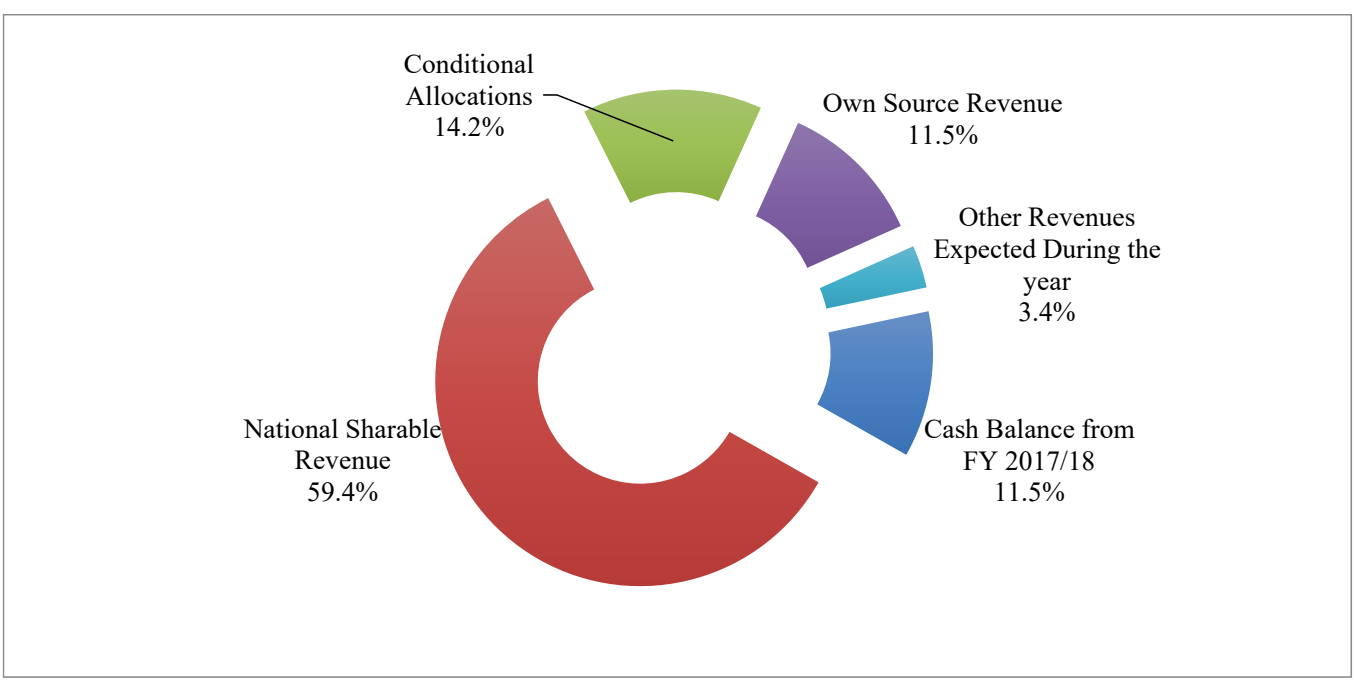
## 3.20 Laikipia County

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

The County's FY 2018/19 Supplementary Budget was Kshs.6.93 billion, comprising of Kshs.2.8 billion (40.4 per cent) and Kshs.4.13 billion (59.6 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.13 billion (59.4 per cent) as equitable share of the revenue raised nationally, Kshs.981.65 million (14.2 per cent) as total conditional grants, generate Kshs.800 million (11.5 per cent) from own sources of revenue, Kshs.800 million (11.5 per cent) cash balance from FY 2017/18 and Kshs.232.9 million (3.4 per cent) from other revenue sources expected during the year.

**Figure 3.77: Laikipia County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Laikipia County Treasury*

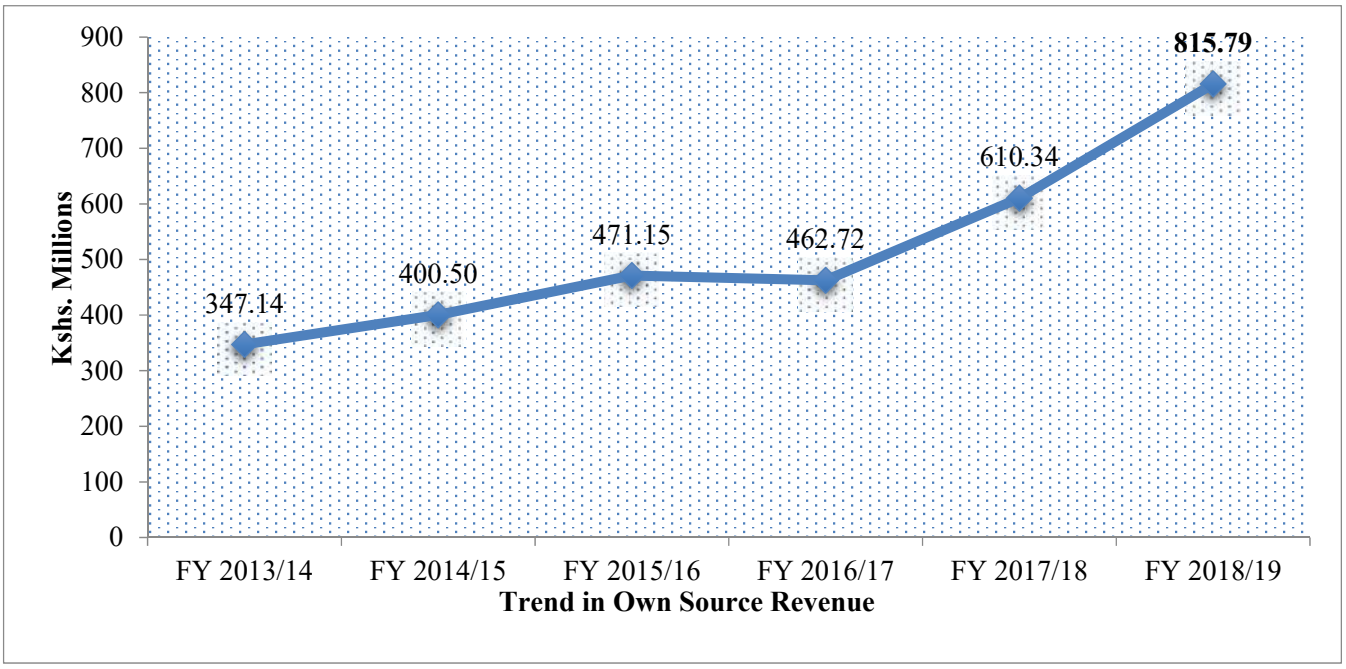
A breakdown of the conditional grants is provided in Table 3.56.

### 3.20.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs4.86 billion available for budget implementation. This amount consisted of Kshs.3.64 billion received as equitable share of the revenue raised nationally, Kshs.397.89 million as conditional grants, and Kshs.815.79 million generated from own sources of revenue.

Figure 3.78 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.78: Laikipia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Laikipia County Treasury*

The County generated a total of Kshs.815.79 million from own revenue sources in FY 2018/19. This amount represented an increase of 33.7 per cent compared to FY 2017/18 and represented 102 per cent of the annual target.

### 3.20.3 Conditional Grants

During the reporting period, the County received Kshs.397.89 million as conditional grants as shown in Table 3.56.

**Table 3.56: Laikipia County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the 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 | 15,209,593 | 9,968,208 | 9,968,208 | 66 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 198,416,317 | 109,128,974 | 109,128,974 | 55 |
| 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 | 42,077,093 | 63 |
| 6 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | - | 19,398,638 | 7,062,611 | - |
| 7 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 39,402,608 | 34 |
| 8 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 41,121,027 | 37,000,000 | - | - |
| 9 | Kenya Urban Support Project (KUSP) | 50,000,000 | 91,200,000 | 91,200,000 | 182 |
| 10 | Danish International Development Agency (DANIDA) Grant | 15,086,250 | 15,086,250 | 15,086,250 | 100 |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 11 | European Union Grant | 90,000,000 | 90,000,000 | 73,027,291 | 81 |
| 12 | Kenya Devolution Support Project (KDSP) "Level 2 grant" | - | 41,121,027 | - | - |
| 13 | Kenya Devolution Support Project (KDSP) "Investment grant" | - | 111,140,605 | - | - |
| **Sub Total** | | **835,770,915** | **936,646,430** | **386,953,035** | **46** |
| **B** | **Other Grants** | | | | |
| 14 | United Nations International Children's Emergency Fund(UNICEF) | - | 25,000,000 | 10,941,217 | - |
| 15 | World Bank Primary Health Care | - | 20,000,000 | - | - |
| **Sub Total** | | **-** | **-** | **10,941,217** | **-** |
| **Grand Total** | | **835,770,915** | **981,646,430** | **397,894,252** | **48** |

***Source:*** *Laikipia County Treasury*

During the reporting period, receipts from the Kenya Urban Support Project conditional grant recorded the highest performance in percentage terms, and accounted 182 percent of the annual target.

### 3.20.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.94 billion from the CRF account. The withdrawals represented 85.7 per cent of the Approved Supplementary Budget and translated to an increase of 23.8 per cent from Kshs.4.79 billion in FY 2017/18 and comprised of Kshs.1.94 billion (32.6 per cent) towards development activities and Kshs.4 billion (67.4 per cent) for recurrent expenditure.

### 3.20.5 Overall Expenditure Review

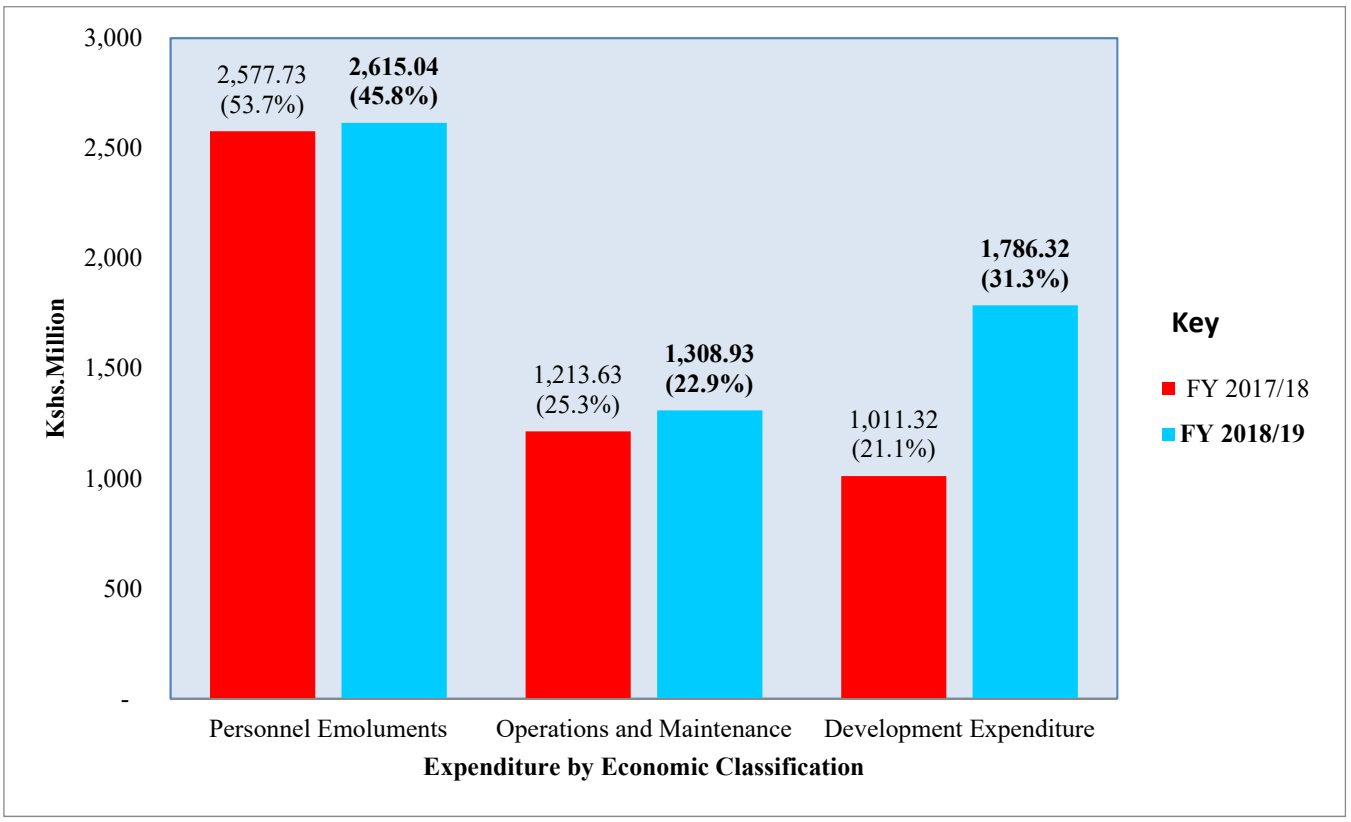
A total of Kshs.5.71 billion was spent on both development and recurrent activities. This expenditure represented 96.2 per cent of the total funds released from the CRF account, and was an increase of 18.9 per cent from Kshs.4.80 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.29.5 million for development activities and Kshs.50.6 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.79 billion while Kshs.3.92 billion was spent on recurrent activities. The development expenditure was 92.2 per cent of the funds released for development programmes, while recurrent expenditure was 98.1 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 63.7 per cent, which was an increase from 53.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 95.1 per cent of the annual recurrent budget, a decrease from 99.4 per cent recorded in FY 2017/18. Figure 3.79 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.79: Laikipia County, Expenditure by Economic Classification




***Source:*** *Laikipia County Treasury*

### 3.20.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.79 billion represented 63.7 per cent of the annual development expenditure estimates of Kshs.2.8 billion. Table 3.57 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.57: Laikipia County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Upgrading to cobble stone standard | Wiyumiririe | 46,751,729 | 46,751,729 | 100.0 |
| 2 | Supply of Building Material for Wiyumiririe | Wiyumiririe | 23,546,180 | 23,546,180 | 100.0 |
| 3 | Ewaso Ngiro River Bridge | H/O | 24,996,458 | 21,979,644 | 87.9 |
| 4 | Nanyuki Teaching and Referral Hospital Maternity | Nanyuki | 50,000,000 | 20,000,000 | 40.0 |
| 5 | Nyahururu Maternity | Igwamiti | 50,000,000 | 20,000,000 | 40.0 |
| 6 | Construction of box culvert | Wiyumiririe | 18,387,068 | 18,387,068 | 100.0 |
| 7 | Maintenance of Lenana Road | Nanyuki | 16,000,000 | 16,000,000 | 100.0 |
| 8 | Construction of Rumuruti county headquarters | Rumuruti | 13,055,000 | 11,754,063 | 90.0 |
| 9 | Construction of Nairutia water project | Ngobit | 11,594,374 | 9,487,396 | 81.8 |

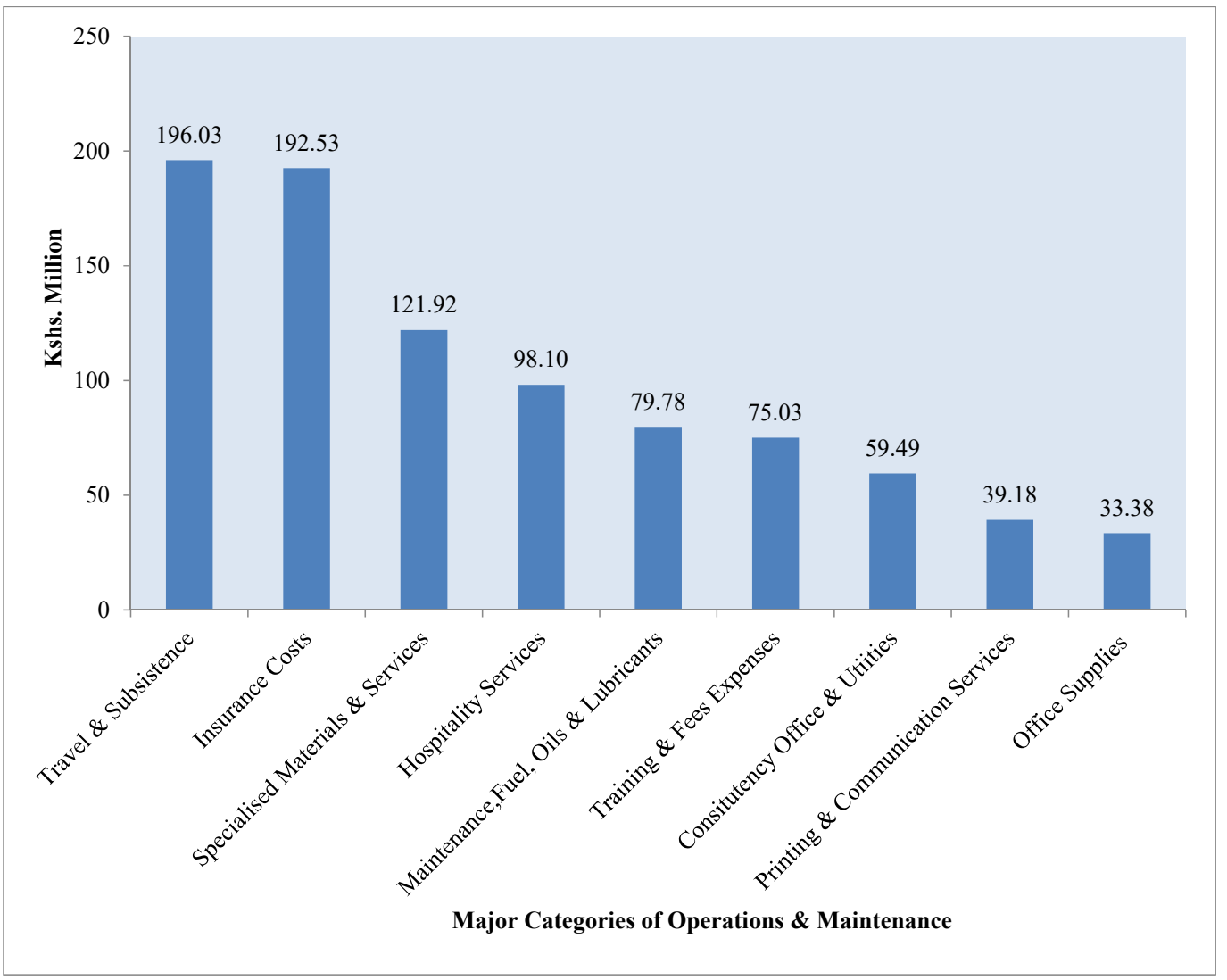
***Source****: Laikipia County Treasury*

### 3.20.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.92 billion comprised of Kshs.2.62 billion (66.6 per cent) incurred on personnel emoluments and Kshs.1.31 billion (33.4 per cent) on operations and maintenance as shown in Figure 3.79.

Expenditure on personnel emoluments represented an increase of 1.4 per cent compared to FY 2017/18 when the County spent Kshs.2.58 billion and was 45.8 per cent of the total expenditure in FY 2018/19. Figure 3.80 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.80: Laikipia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Laikipia County Treasury*

The County spent Kshs.14.5 million on committee sitting allowances for the 24 MCAs and Speaker against the annual budget allocation of Kshs.15 million. This represented an increase of 35.2 per cent compared to Kshs.10.72 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.50,347 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.196.03 million, and comprised of Kshs.73.08 million spent by the County Assembly and Kshs.122.95 million by the County Executive. This expenditure represented 5 per cent of total recurrent expenditure and was an increase of 26.2 per cent compared to Kshs.155.36 million spent in FY 2017/18.

### 3.20.8 Budget Performance by County Department

Table 3.58 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.58: Laikipia County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (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 | 2,698.19 | 63.04 | 2,746.02 | 63.08 | 101.8 | 100.1 | 100.4 | 91.5 |
| Finance and Planning | 310.62 | 936.50 | 286.63 | 844.93 | 261.01 | 918.13 | 91.1 | 108.7 | 84.0 | 98 |
| Health | 382.76 | 583.21 | 333.21 | 265.21 | 282.70 | 282.18 | 84.8 | 106.4 | 73.9 | 48.4 |
| Agriculture | 43.30 | 309.50 | 30.96 | 173.79 | 26.08 | 66.54 | 84.2 | 38.3 | 60.2 | 21.5 |
| Infrastructure | 67.00 | 433.77 | 67.00 | 337.24 | 26.02 | 201.05 | 38.8 | 59.6 | 38.8 | 46.3 |
| Education | 78.50 | 116.88 | 78.48 | 33.36 | 76.87 | 17.60 | 97.9 | 52.8 | 97.9 | 15.1 |
| Trade & Industrialization | 16.50 | 135.00 | 16.11 | 68.44 | 15.63 | 66.20 | 97.0 | 96.7 | 94.7 | 49 |
| Water | 22.20 | 211.50 | 22.07 | 149.31 | 20.44 | 169.85 | 92.6 | 113.8 | 92.1 | 80.3 |
| County Assembly | 469.27 | 6.90 | 469.20 | 1.71 | 469.20 | 1.71 | 100 | 100 | 100 | 24.8 |
| **TOTAL** | **4,126** | **2,802** | **4,002** | **1,937** | **3,924** | **1,786** | **98.1** | **92.2** | **95.1** | **63.7** |

***Source:*** *Laikipia County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Planning recorded the highest absorption rate of development budget at 98 per cent while the Department of Education recorded the lowest absorption rate of 15.1 per cent. The Department of County Administration had the highest percentage of recurrent expenditure to recurrent budget at 100.4 per cent while the Department of Infrastructure had the lowest at 38.8 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:

i. Improvement in the utilization of IFMIS and E-procurement module in processing financial transactions.
ii. Improvement in own-source revenue collection by 33.7 per cent from Kshs.610.34 million in FY 2017/18 to Kshs.815.79 million in the reporting period.

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

1. Diversion of development funds to pay salaries amounting to Kshs.136.41 million in June, 2019.
2. Failure to exercise prudence management of public funds which led to direct charge of Kshs.43 million from the County Bank Account by Kenya Revenue Authority (KRA) for non-remittance of salary tax deductions.
3. High expenditure on domestic and foreign travel, which increased by 26.2 per cent from Kshs.155.36 million in FY 2017/18 to Kshs.196.03 million in the reporting period.
4. A high wage bill that increased by 1.4 per cent from Kshs.2.58 billion in FY 2017/18 to Kshs.2.62 billion in the reporting period. The wage bill accounted for 45.8 per cent of total expenditure in the reporting period.

5. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of County Administration. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should ensure prudence in utilization of funds in compliance with Section 135, 154 and Regulation 42 of PFM Act 2012.*
2. *The County Treasury should ensure all statutory deductions are paid to the respective Government Institutions in line with the Law.*
3. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
5. *The County Treasury should ensure expenditure is within the approved budget.*

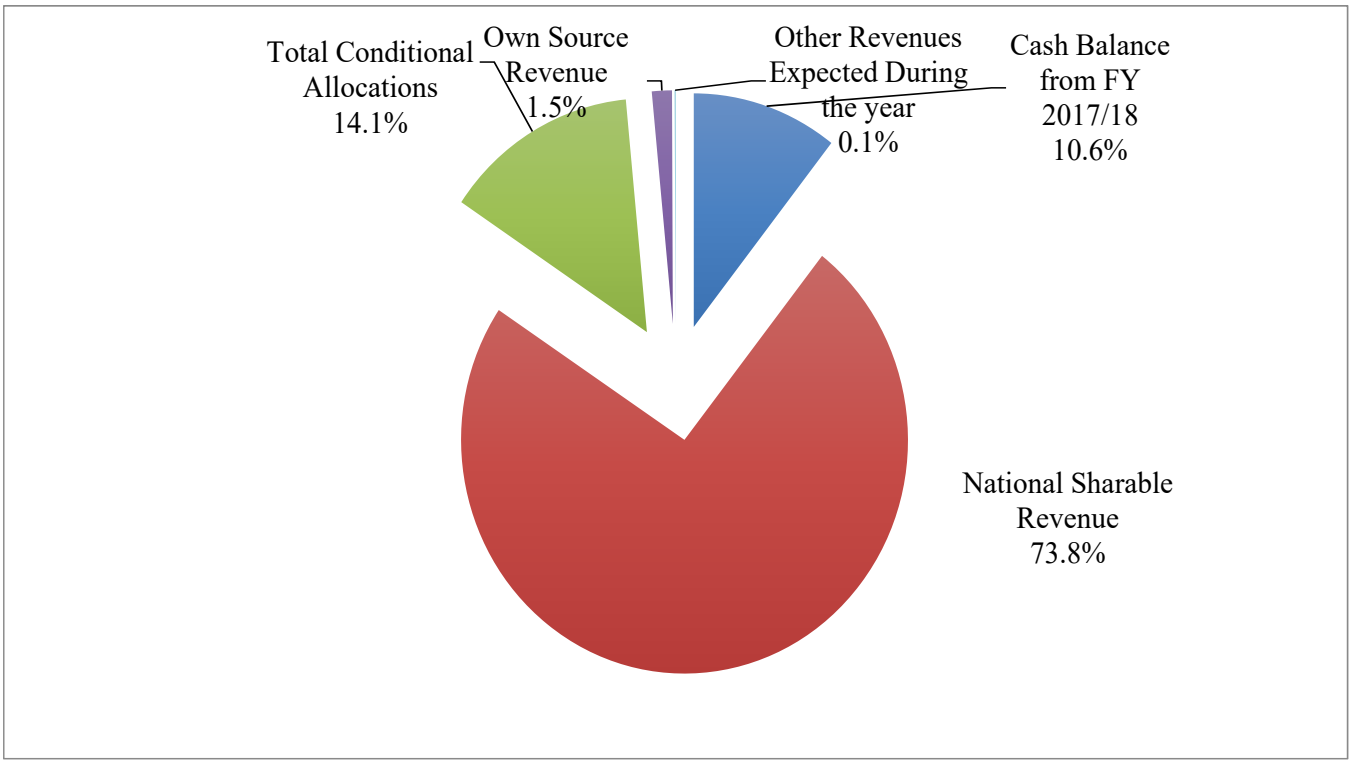
## 3.21 Lamu County

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

The County's FY 2018/19 Approved Supplementary Budget was Kshs.4.85 billion, comprising of Kshs.2.28 billion (47.1 per cent) and Kshs.2.56 billion (52.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.55 billion (73.2 per cent) as equitable share of the revenue raised nationally, Kshs.677.34 million (14 per cent) as total conditional grants, generate Kshs.70 million (1.4 per cent) from own sources of revenue, and Kshs.507.05 million (10.5 per cent) cash balance from FY 2017/18 and Ksh.2.95 million (0.1 per cent) as revenue from other sources.

**Figure 3.81: Lamu County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Lamu County Treasury*

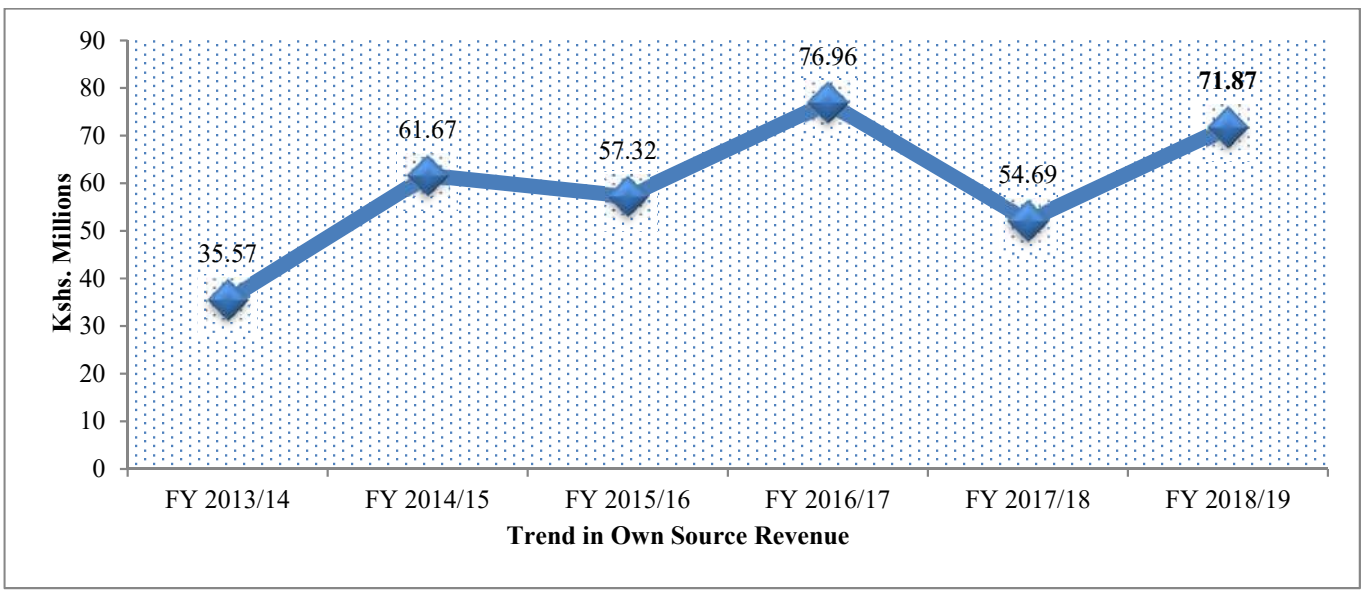
A breakdown of the conditional grants is provided in Table 3.59.

### 3.21.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.4.33 billion available for budget implementation. This amount consisted of Kshs.3.55 billion received as equitable share of the revenue raised nationally, Kshs.199.86 million as conditional grants, Kshs.71.87 million generated from own sources of revenue, and a cash balance of Kshs.507.05 million from FY 2017/18.

Figure 3.82 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.82: Lamu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Lamu County Treasury*

The County generated a total of Kshs.71.87 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.19.67 million compared to that realised in FY 2017/18 and was 102.7 per cent of the annual target.

### 3.21.3 Conditional Grants

During the reporting period, the County received Kshs.199.86 million as conditional grants as shown in Table 3.59.

**Table 3.59: Lamu County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual Receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 93,421,016 | 93,421,016 | - | - |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 33,793,559 | 33,793,559 | - | - |
| 4 | Compensation for User Fee Foregone | 2,451,034 | 2,451,034 | 2,451,034 | 100 |
| 5 | DANIDA Grant | 8,302,500 | 8,302,500 | 8,302,500 | 100 |
| 6 | Supplement for Construction of County Headquarters | 121,000,000 | 242,000,000 | - | - |
| 7 | Development of Youth Polytechnics (TVETs grants) | 31,210,000 | 31,210,000 | 23,563,550 | 75.5 |
| 8 | Conditional Allocation - Other Loans & Grants | - | 16,158,635 | - | - |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual Receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 9 | World Bank Loan for Transforming Health System for Universal Care Project | 50,000,000 | 50,000,000 | 20,540,204 | 41.1 |
| 10 | Kenya Climate Smart Agriculture Project | 150,000,000 | 150,000,000 | 53,806,243 | 36 |
| 11 | KENYA Urban Support Program | 50,000,000 | 50,000,000 | 91,200,000 | 182.4 |
| **Grand Total** | | **740,178,109.0** | **677,336,744.0** | **199,863,530.5** | **27** |

***Source:*** *Lamu County Treasury*

During the reporting period, receipts from the Kenya Urban Support Program (KUSP) conditional grant recorded the highest performance in percentage terms, and accounted 182.4 per cent of the annual target.

### 3.21.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.2.97 billion from the CRF account. The withdrawals represented 61.2 per cent of the Approved Supplementary Budget and translated to an increase of 25.9 per cent from Kshs.2.36 billion in FY 2017/18 and comprised of Kshs.724.20 million (24.4 per cent) towards development activities and Kshs.2.24 billion (75.6 per cent) for recurrent expenditure.

### 3.21.5 Overall Expenditure Review

A total of Kshs.2.90 billion was spent on both development and recurrent activities. This expenditure represented 97.8 per cent of the total funds released from the CRF account, and was an increase of 40.8 per cent from Kshs.2.06 billion spent in FY 2017/18.

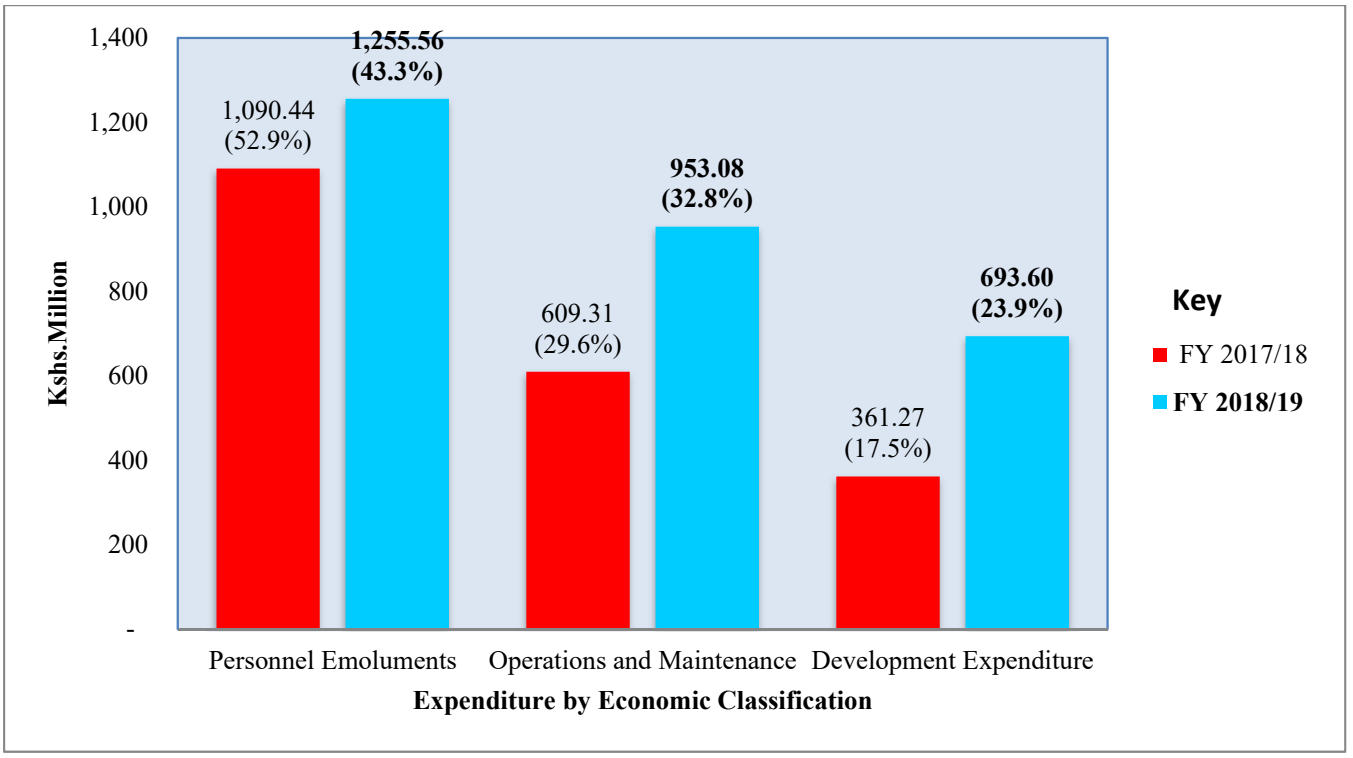
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.54.78 million for development activities and Kshs.57.53 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.693.60 million while Kshs.2.21 billion was spent on recurrent activities. The development expenditure was 95.8 per cent of the funds released for development programmes, while recurrent expenditure was 98.5 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 30.4 per cent, which was a decrease from 35.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 86.2 per cent of the annual recurrent budget, an increase from 84.6 per cent recorded in FY 2017/18.

Figure 3.83 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.83: Lamu County, Expenditure by Economic Classification




***Source:*** *Lamu County Treasury*

### 3.21.6 Development Expenditure Analysis

The total development expenditure of Kshs.693.60 million represented 30.4 per cent of the annual development expenditure estimates of Kshs.2.28 billion. Table 3.60 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.60: Lamu County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Project on street lighting | Lamu County | 162,000,000 | 124,071,835 | 77 |
| 2 | Universal Health Care Insurance | Lamu County | 120,000,000 | 113,627,100 | 95 |
| 3 | County Assembly headquarters. | Mokowe -Hindi ward | 245,000,000 | 67,102,000 | 27 |
| 4 | Speaker's residence | Shella/Manda ward | 160,000,000 | 49,427,000 | 31 |
| 5 | Supply and delivery of certified seeds | Lamu County | 32,636,000 | 32,636,000 | 100 |
| 6 | Transfers of vocational training village polytechnic | Lamu County | 62,990,441 | 31,780,441 | 50 |
| 7 | Maintenance of road A7 junction Mokowe | Mokowe village | 16,977,673 | 16,977,673 | 100 |
| 8 | Routine maintenance of bangure - kizuke junction | Mpeketoni | 15,945,682 | 15,945,682 | 100 |
| 9 | Road maintenance Mpeketoni - Ndambwe | Mpeketoni | 14,888,151 | 14,888,151 | 100 |
| 10 | Routine maintenance works at Ras Kitau | Shella ward | 14,605,792 | 14,605,792 | 100 |

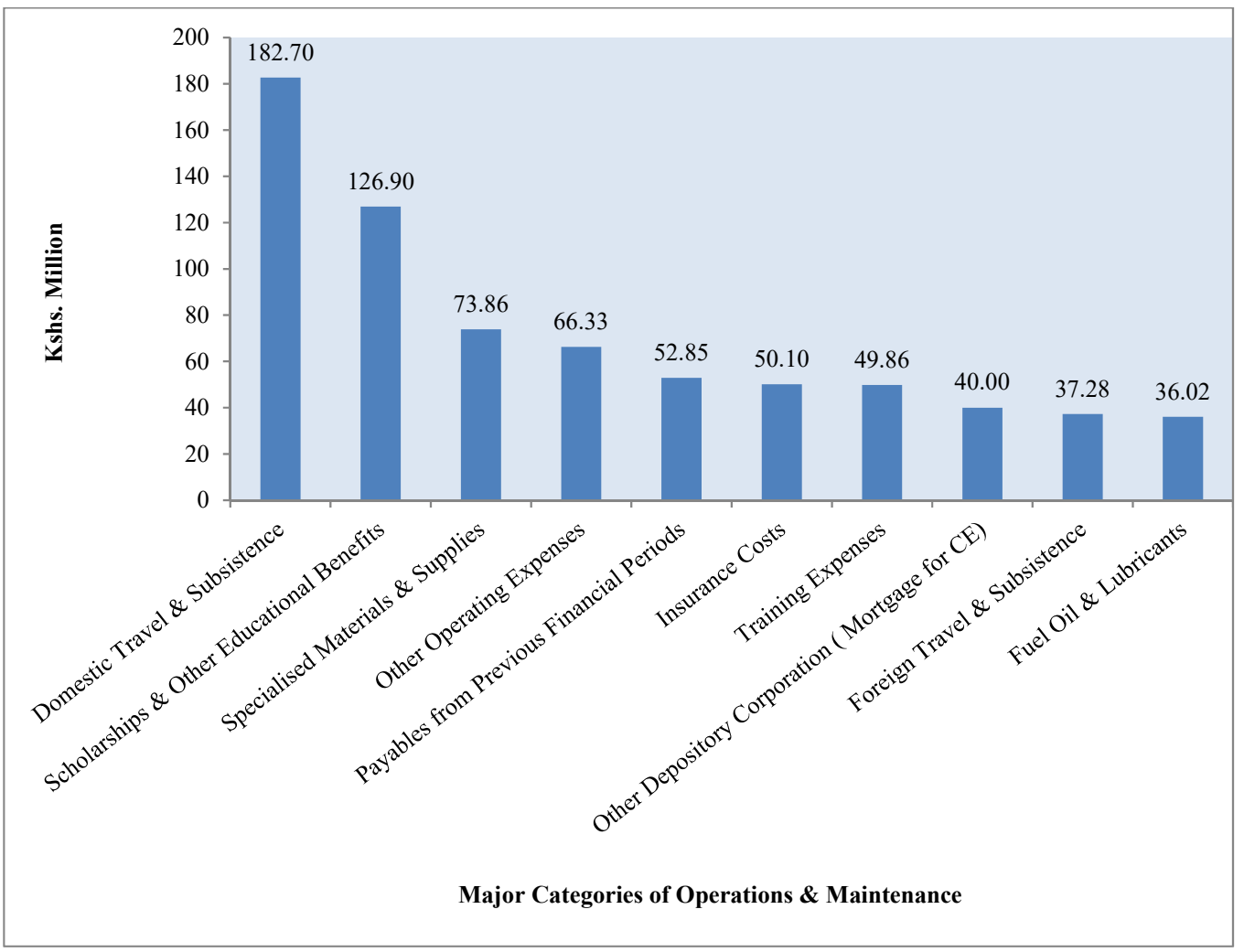
***Source:*** *Lamu County Treasury*

### 3.21.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.21 billion comprised of Kshs.1.26 billion (57 per cent) incurred on personnel emoluments and Kshs.953.08 million (43 per cent) on operations and maintenance as shown in Figure 3.83.

Expenditure on personnel emoluments represented an increase of 15.1 per cent compared to FY 2017/18 when the County spent Kshs.1.09 billion and was 43.3 per cent of the total expenditure in FY 2018/19.Figuer 3.84 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.84: Lamu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Lamu County Treasury*

The County spent Kshs.12.26 million on committee sitting allowances for the 18 MCAs and Speaker against the annual budget allocation of Kshs.14.50 million. This represented an increase of 2.9 per cent compared to Kshs.11.91 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.53,754 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.219.98 million, and comprised of Kshs.96.02 million spent by the County Assembly and Kshs.123.96 million by the County Executive. This expenditure represented 8.6 per cent of total recurrent expenditure and was an increase of 65.2 per cent compared to Kshs.133.14 million spent in FY 2017/18.

## 3.21.8 Budget Performance by County Department

Table 3.61 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.61: Lamu County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 404.00 | 250.00 | 388.92 | 116.53 | 353.69 | 116.53 | 90.9 | 100 | 87.6 | 46.6 |
| County Executive | 483.53 | 404.13 | 398.51 | 17.00 | 373.65 | 17.00 | 93.8 | 100 | 77.3 | 4.2 |
| Finance, Strategy and Economic Planning | 195.42 | 4.10 | 159.01 | - | 160.91 | - | 101.1 | - | 82.3 | - |
| Agriculture, Irrigation and Water | 130.41 | 339.27 | 124.38 | 101.89 | 71.04 | 36.61 | 57.1 | 35.9 | 54.5 | 10.8 |
| Land, Physical Planning, Infrastructure and Energy | 78.54 | 680.20 | 71.32 | 314.00 | 72.54 | 321.05 | 101.7 | 102.2 | 92.4 | 47.2 |
| Education, Gender, Sports, Youth, Culture & Social Services | 234.87 | 170.73 | 228.52 | 28.78 | 223.75 | 45.87 | 97.9 | 159.4 | 95.3 | 26.9 |
| Medical Services, Sanitation and Environment | 895.22 | 339.77 | 747.98 | 112.79 | 829.20 | 133.23 | 110.9 | 118.1 | 92.6 | 39.2 |
| Trade, Tourism & Investment Development | 24.54 | 35.50 | 21.47 | 3.50 | 19.44 | 4.39 | 90.5 | 125.4 | 79.2 | 12.4 |
| Fisheries, Livestock, Veterinary & Cooperative Development | 68.54 | 60.90 | 62.97 | 24.13 | 61.79 | 18.92 | 98.1 | 78.4 | 90.2 | 31.1 |
| Public Service Board | 45.56 | - | 39.96 | - | 42.61 | - | 106.6 | - | 93.5 | - |
| Public Health | 1.51 | - | - | 5.59 | - | - | - | - | - | - |
| **TOTAL** | **2,562.14** | **2,284.6** | **2,243.04** | **724.21** | **2,208.62** | **693.60** | **98.5** | **95.8** | **86.2** | **30.4** |

***Source:*** *Lamu County Treasury*

Analysis of expenditure by department shows that the Department of Land, Physical Planning, Infrastructure and Energy recorded the highest absorption rate of development budget at 47.2 per cent while the Department of Finance, Strategy & Economic Planning did not utilize its development budget. The Department of Education, Gender, Sports, Youth, and Culture & Social Services had the highest percentage of recurrent expenditure to recurrent budget at 95.3 per cent while the Department of Public Health did not incur any expenditure.

### 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. Improvement in the collection of own source revenue by 37.7 per cent from Kshs.52.2 million in FY 2017/18 to Ksh.71.87 million in the reporting period, which is 102.7 per cent of the annual target.

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

1. High wage bill that has risen by 15.1 per cent from Kshs.1.09 billion in FY 2017/18 to Kshs.1.26 billion in the period under review.
2. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 30.4 per cent which was a drop from 35.8 per cent in FY 2017/18.
3. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

The County should implement the following measures 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 should put mechanisms in place that will enhance absorption of development funds.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *The County Treasury should liaise with the IFMIS Directorate to address connectivity challenges.*

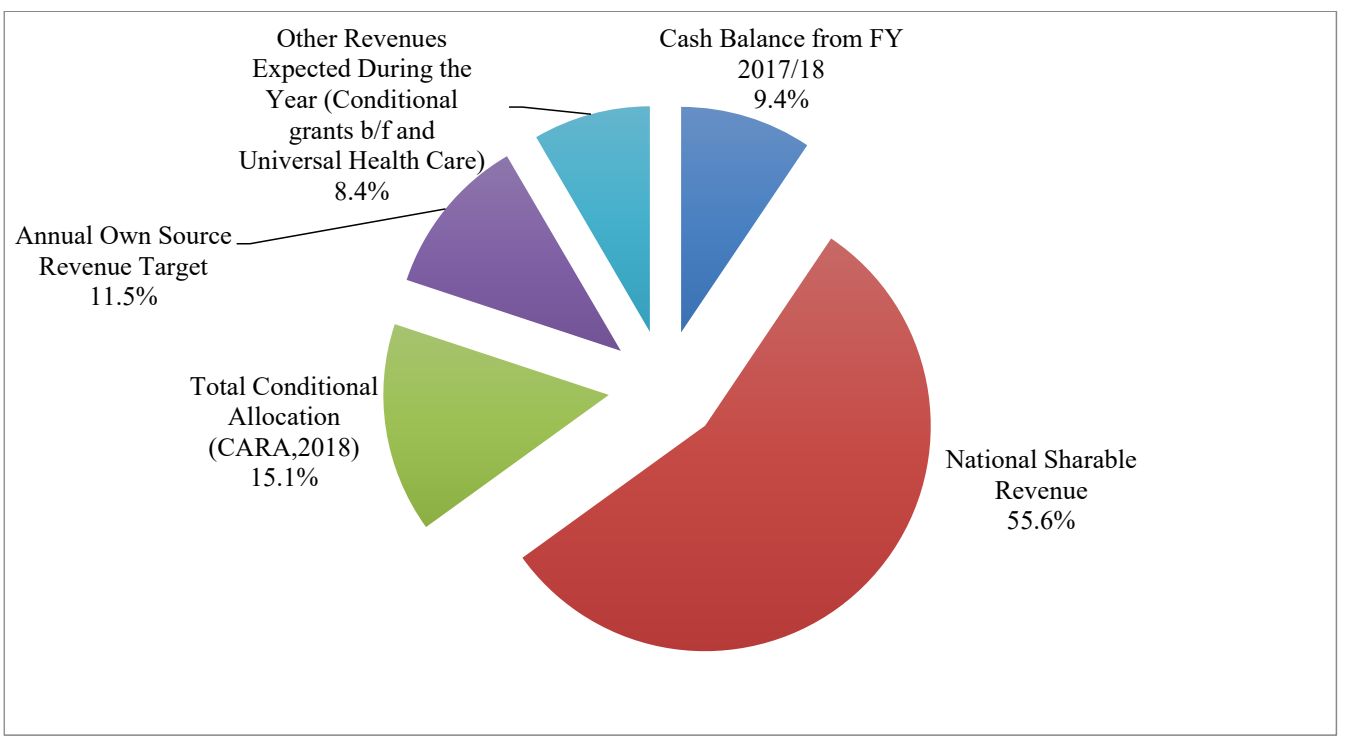
## 3.22 Machakos County

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

The County's FY 2018/19 Supplementary Budget was Kshs.14.97 billion, comprising of Kshs.5.40 billion (36.1 per cent) and Kshs.9.57 billion (63.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.32 billion (55.6 per cent) as equitable share of revenue raised nationally, Kshs.2.25 billion (15.1 per cent) as total conditional grants, generate Kshs.1.72 billion (11.5 per cent) from own-sources of revenue, Kshs.1.41 billion (8.4 per cent) as cash balance from FY 2017/18 and Kshs.1.26 billion (3.2 per cent) as other revenues.

**Figure 3.85: Machakos County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Machakos County Treasury*

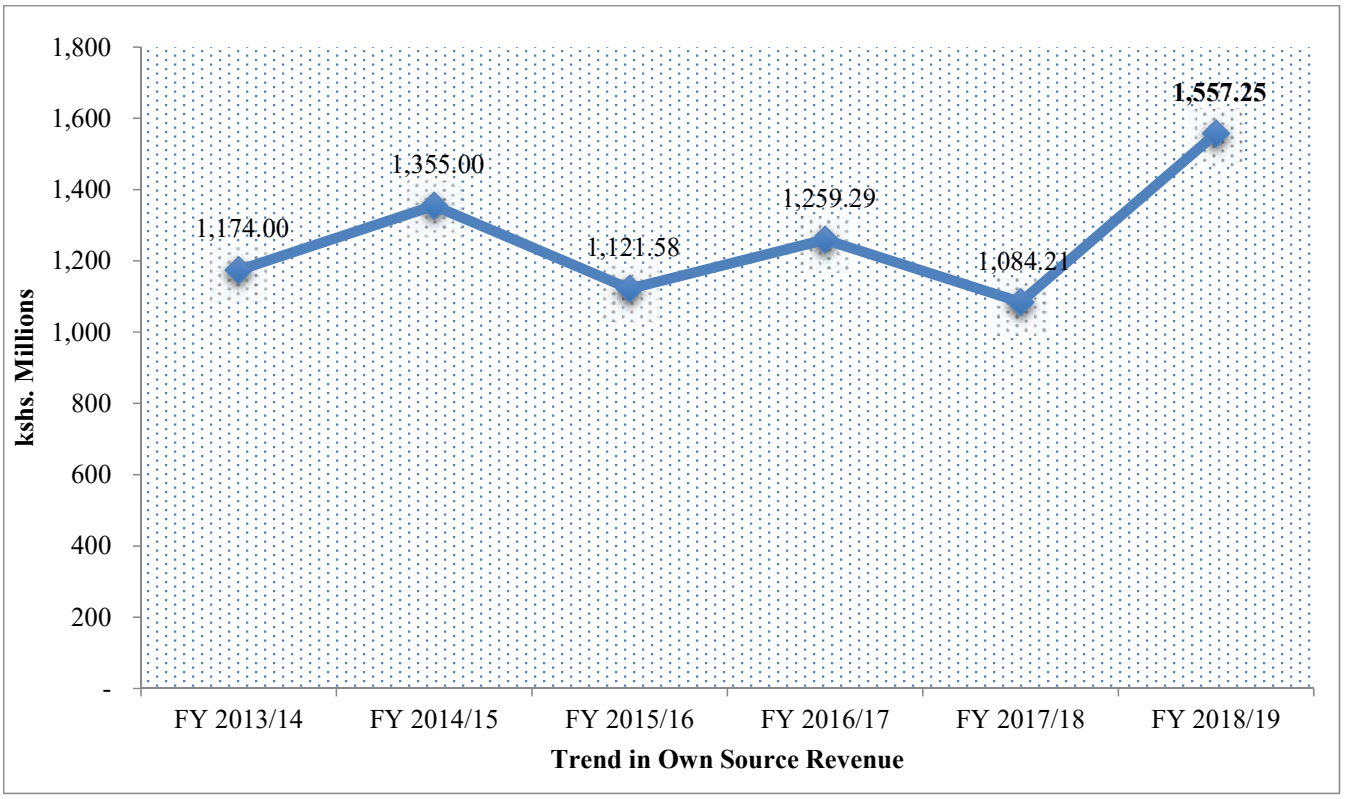
A breakdown of conditional grants is provided in Table 3.62.

### 3.22.2 Revenue Analysis

During FY 2018/19, the County had a total of kshs.13.47 billion available for budget implementation. This amount consisted of Kshs.8.32 billion as equitable share of revenue raised nationally, Kshs.2.01 billion as total conditional grants, raised Kshs.1.56 billion from own source revenue, and had a cash balance of Kshs.1.41 billion from FY 2017/18.

Figure 3.86 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.86: Machakos County, Trend in Own Source Revenue Collection in FY 2018/19**




***Source:*** *Machakos County Treasury*

The County generated a total of Kshs.1.56 billion as own-source revenue during FY 2018/19. The own-source revenue collected during the period represented an increase from Kshs.1.08 billion realised during the same period of the FY 2017/18 and represented 90.5 per cent of the annual target.

### 3.22.3 Conditional Grants

In the reporting period, the County received Kshs.2.01 billion as conditional grants as shown in Table 3.62.

**Table 3.62: Machakos County, Conditional Grants/Loans Received in the FY 2018/19**

| S / No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in 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 Hospital | 383,583,815 | 383,583,815 | 383,583,815 | 100 |
| 3 | Road Maintenance Fuel Levy Fund | 219,084,683 | 219,084,683 | 219,084,684 | 100 |
| 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 | 39,211,189 | 41.1 |
| 7 | Rehabilitation of Village Polytechnics | 54,295,000 | 54,295,000 | 40,992,725 | 75.5 |
| 8 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 53,423,784 | 53,423,784 | - | - |
| 9 | User Fee Foregone | 24,129,039 | 24,129,039 | 24,129,039 | 100 |
| 10 | DANIDA - Universal Healthcare to Devolved System Programme | 24,806,250 | 24,806,250 | 24,806,250 | 100 |

| S / No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 11 | IDA (World Bank) -Kenya Urban Support Project - Urban grants | 41,200,000 | 41,200,000.00 | 41,200,000 | 100 |
| 12 | Sweden- ASDSP | 21,107,671 | 21,107,671.00 | 7,684,832 | 36.4 |
| **Sub Total** | | **2,252,352,617** | **2,252,352,617** | **1,840,083,445** | **81.7** |
| **B** | **Other Grants** | | | | |
| 13 | Universal Health Coverage (UHC) Grants | - | 787,524,789 | 168,066,136.00 | 21.3 |
| **Sub Total** | | **-** | **787,524,789** | **168,066,136.00** | **21.3** |
| **Grand Total** | | **2,252,352,617** | **3,039,877,406** | **2,008,149,581** | **66.1** |

***Source:*** *Machakos County Treasury*

During the reporting period, receipts from the Kenya Urban Support Project, Grants to Level- 5 Hospital, Road Maintenance Fuel Levy Fund, User Fee Foregone, and DANIDA recorded the highest performance in percentage terms and accounted for 100 per cent of the annual target respectively.

### 3.22.4 Exchequer Issues

In order to finance the budget, the Controller of Budget approved the withdrawal of Kshs.11.73 billion from the CRF account. The withdrawals represented 78.4 per cent of the Approved Budget and translated to a an increase of 46.3 per cent from Kshs.8.02 billion approved in FY 2017/18 and comprised of Kshs.3.09 billion (26.4 per cent) towards development activities and Kshs.8.63 billion (73.6 per cent) for recurrent expenditure.

### 3.22.5 Overall Expenditure Review

A total of Kshs.11.65 billion was spent on both recurrent and development activities. The expenditure represented 99.6 per cent of the total funds released from the CRF account and was an increase of 58.1 per cent from Kshs.7.38 billion spent in FY 2017/18.

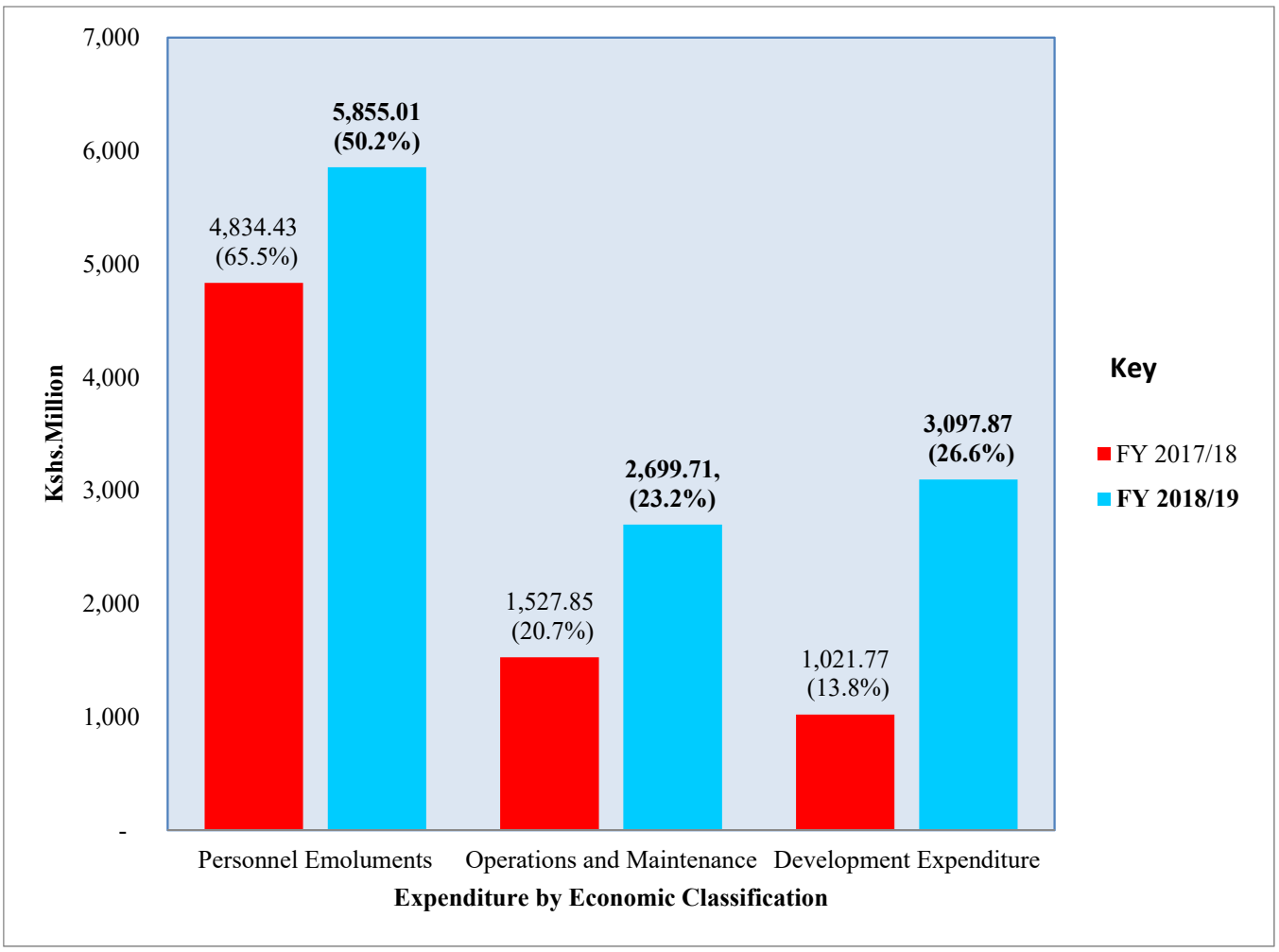
The expenditure excluded outstanding commitments as at June 30, 2019 which amounted to Kshs.73.44 million for development activities and Kshs.486.15 million for recurrent expenditure.

Expenditure on development programmes amounted to Kshs.3.09 billion while Kshs.8.55 billion was spent on recurrent activities. The development expenditure was 100 per cent of funds released for development activities while recurrent expenditure was 99.1 per cent of the funds released for recurrent activities, while development expenditure.

Development expenditure recorded an absorption rate of 57.4 per cent, which was an increase from 33.3 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 89.4 per cent of the annual recurrent budget, a decrease from 90.8 per cent recorded in FY 2017/18.

Figure 3.87 presents a comparison between the total expenditure in FY 2018/19 and the FY 2017/18.

## Figure 3.87: Machakos County, Expenditure by Economic Classification




***Source:*** *Machakos County Treasury*

### 3.22.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.09 billion represented 57.4 per cent of the annual development budget of Kshs.5.4 billion. Table 3.63 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.63: 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 FY 2018/19 (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of Nthungululu Dam | Yatta | 150,000,000 | 46,406,868 | 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 | 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 |

| S / No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure in FY 2018/19 (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|---|
| 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.*

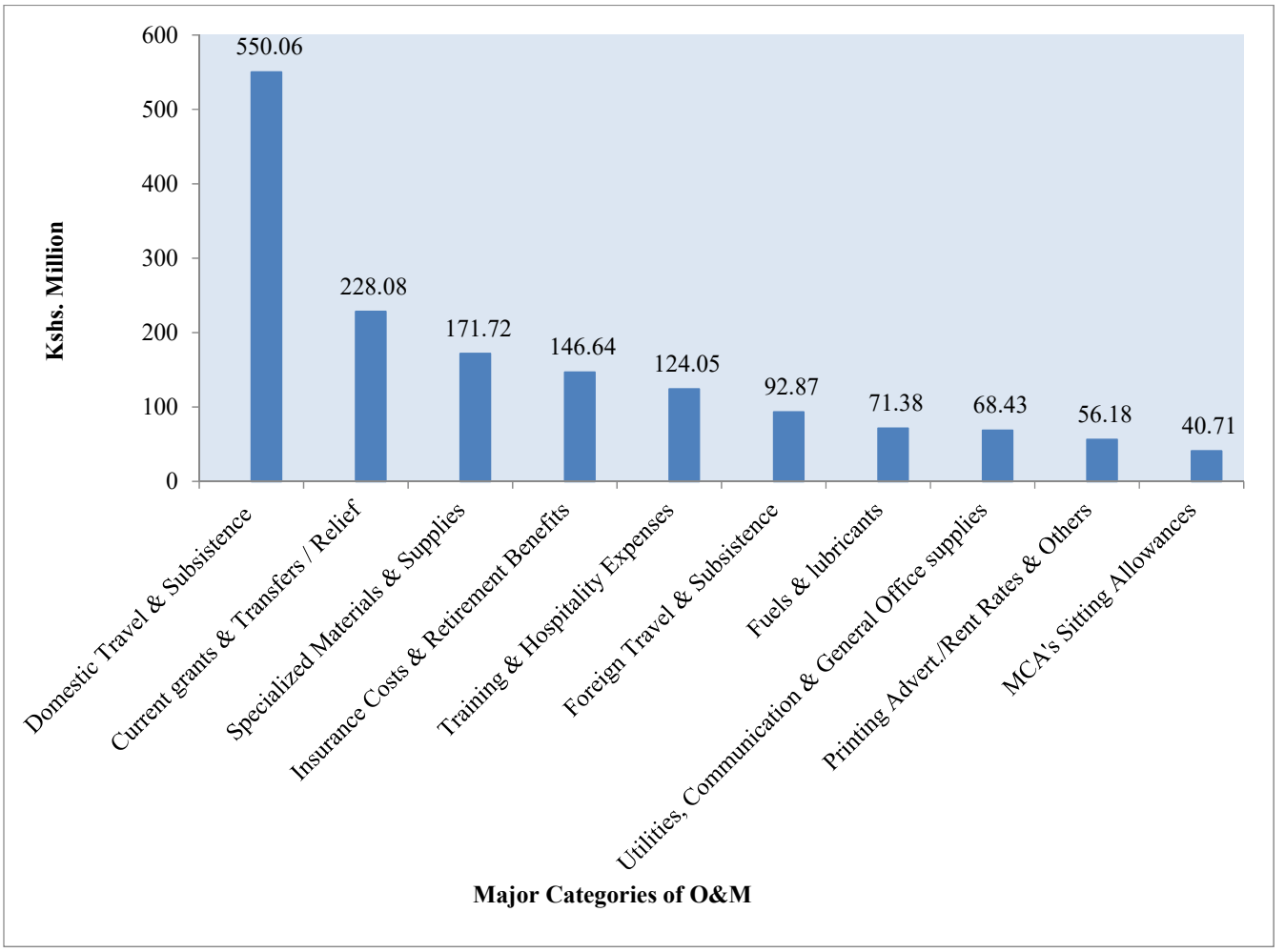
## 3.22.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.55 billion comprised of Kshs.5.86 billion (68.4 per cent) incurred on personnel emoluments and Kshs.2.70 billion (31.6 per cent) on operations and maintenance.

Expenditure on personnel emoluments represented an increase of 21.1 per cent compared to FY 2017/18 when the County spent Kshs.4.83 billion, and was 50.2 per cent of total expenditure in FY 2018/19.

Figure 3.88 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.88: Machakos County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Machakos County Treasury.*

The County spent Kshs.40.71 million on committee sitting allowances for the 61 MCAs against the annual budget allocation of Kshs.40.71 million. This represented an increase of 114.1 per cent compared to Kshs.19.02 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.56,548 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.642.93 million and comprised of Kshs.327.11 million spent by the County Assembly and Kshs.315.82 million spent by the County Executive. This represented 7.5 per cent of total recurrent expenditure and was an increase of 70.8 per cent compared to Kshs.376.37 million spent in FY 2017/18.

### 3.22.8 Budget Performance by County Department

Table 3.64 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.64: Machakos County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 595.71 | 16.84 | 545.76 | - | 389.62 | 10.89 | 71.4 | - | 65 | 65 |
| Public Service, Labour and ICT | 587.25 | 12.70 | 498.24 | - | 5,660.61 | 7.59 | 1136.1 | - | 963.9 | 60 |
| Trade, Investment, Economic Planning, Industrialization and Energy | 143.11 | 101.56 | 132.61 | 55.07 | 75.31 | 43.43 | 56.8 | - | 53 | 43 |
| Finance and Revenue Management | 439.15 | 15.73 | 383.07 | - | 186.79 | 11.96 | 48.8 | - | 43 | 76 |
| Decentralized Units, County Administration, Environment & Solid Waste mgt. | 461.83 | 31.00 | 459.82 | - | 83.23 | 31.33 | 18.1 | - | 18 | 101 |
| Agriculture, NR, Livestock, Water & Irrigation Development | 544.15 | 810.21 | 505.54 | 541.38 | 96.57 | 436.35 | 19.1 | 80.6 | 18 | 54 |
| Health and Emergency Services | 4,911.19 | 759.19 | 4,367.80 | 440.33 | 893.93 | 332.50 | 20.5 | 75.5 | 18 | 44 |
| Transport, Roads, Public Works and Housing | 190.10 | 1,856.77 | 190.09 | 948.72 | 66.68 | 981.23 | 35.1 | 103.4 | 35 | 53 |
| Education, Youth and Social Welfare | 413.23 | 295.75 | 286.89 | 57.48 | 129.04 | 72.11 | 45.0 | 125.5 | 31 | 24 |
| Lands, Energy & Urban development | 169.31 | 1,074.32 | 169.31 | 1,020.72 | 101.39 | 1,079.44 | 59.9 | 105.8 | 60 | 100 |
| Tourism, Sports and Culture | 117.89 | 118.92 | 112.72 | 3.49 | 24.39 | 59.90 | 21.6 | - | 21 | 50 |
| County Public Service Board | 59.97 | 8.55 | 59.96 | 6.79 | 4.85 | 6.79 | 8.1 | - | 8.1 | 79 |
| County Assembly | 936.78 | 294.00 | 916.78 | 24.33 | 842.32 | 24.34 | 91.9 | 100.0 | 90 | 8 |
| **TOTAL** | **9,569.67** | **5,395.54** | **8,628.59** | **3,098.31** | **8,554.73** | **3,097.86** | **99.1** | **100.0** | **89.4** | **57.4** |

***Source:*** *Machakos County Treasury*

Analysis of expenditure by department shows that the Department of Decentralized Units recorded the highest absorption rate of development budget at 101 per cent while the County Assembly had the lowest at 8 per cent. The Department of Public Service, Labour and ICT had the highest percentage of recurrent

expenditure to recurrent budget at 963.9 per cent while the County Public Service Board had the lowest at 8.1 per cent. The recurrent expenditure by the Department of Public Works, ICT and Labour exceeded the approved recurrent estimates as all wages bills were charged in 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. Timely submission of financial reports to the Controller of Budget by the County Treasury 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 21.1 per cent from Kshs.4.83 billion in FY 2017/18 to Kshs.5.85 billion in FY 2018/19. The wage bill accounted for 50.2 per cent of total expenditure in the reporting period.
2. High expenditure on foreign and domestic travel, which increased by 70.8 per cent from Kshs.376.37 million in FY 2017/18 to Kshs.642.93 million in the reporting period.
3. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Public Service, Labour and ICT and the Department of Decentralized Units, County Administration, Environment & Solid Waste Management. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County Treasury should ensure expenditure is within the approved budget.*

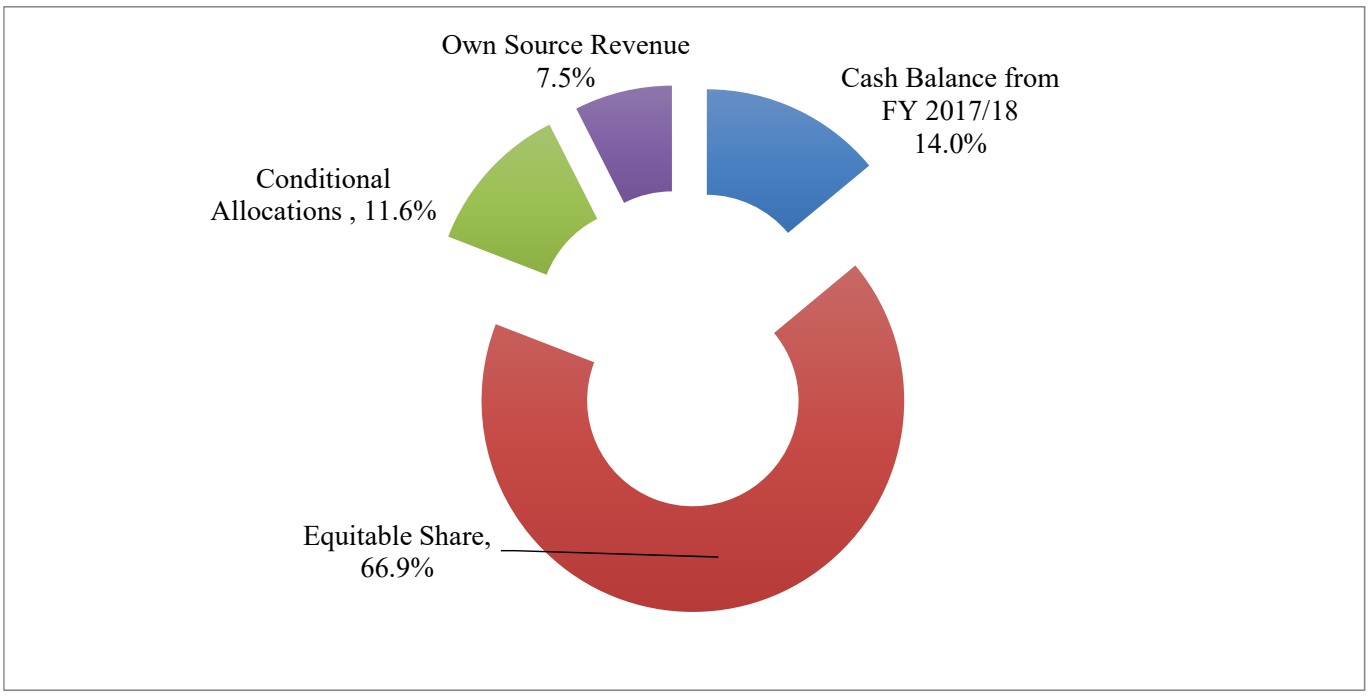
## 3.23 Makueni County

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

The County's FY 2018/19 Supplementary Budget was Kshs.10.65 billion, comprising of Kshs.4.42 billion (41.5 per cent) and Kshs.6.23 billion (58.5 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.13 billion (66.9 per cent) as equitable share of the revenue raised nationally, Kshs.1.24 billion ( 11.6 per cent) as total conditional grants, generate Kshs.796.50 million (7.5 per cent) from own sources of revenue, and Kshs.1.49 billion (14.0 per cent) cash balance from FY 2017/18. Included in own source revenue estimate is Kshs.116.0 million for NHIF-FIF- AIA and Kshs.10 million for Makueni Fruit Processing Plant AIA.

**Figure 3.89: Makueni County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Makueni County Treasury*

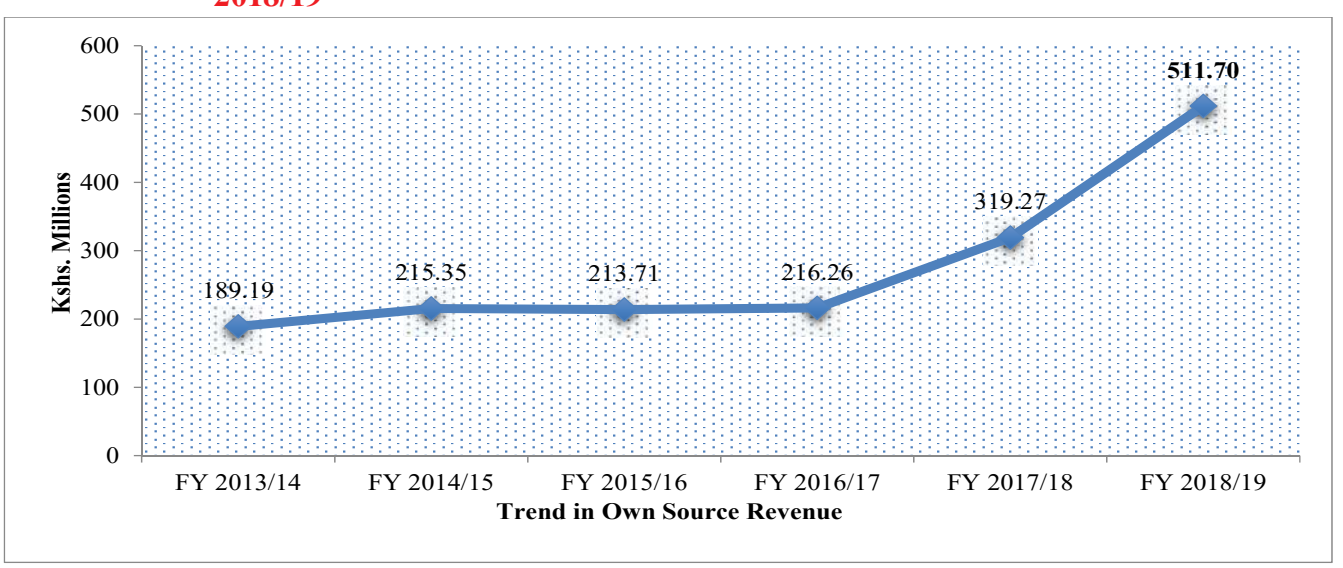
A breakdown of the conditional grants is provided in Table 3.65 .

### 3.23.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.9.49 billion available for budget implementation. This amount consisted of Kshs.7.13 billion received as equitable share of the revenue raised nationally, Kshs.758.19 million as conditional grants, Kshs.511.70 million generated from own sources of revenue, and a reported cash balance of Kshs.1.09 billion from FY 2017/18.

Figure 3.90 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.90: Makueni County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




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

The County generated a total of Kshs.511.70 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.192.44 million compared to that realised in FY 2017/18 and was 64.2 per cent of the annual target.

### 3.23.3 Conditional Grants

During the reporting period, the County received Kshs.758.19 million as conditional grants as shown in Table 3.65.

**Table 3.65: Makueni County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | 40,000,000 | 41,200,000 | 103 |
| 2 | Road Maintenance Fuel Levy | 187,668,766 | 187,668,766 | 187,668,767 | 100 |
| 3 | Compensation for User Fee Foregone | 19,435,760 | 19,435,760 | 19,435,760 | 100 |
| 4 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 136,261,600 | 136,261,600 | 136,261,600 | 100 |
| 5 | DANIDA - Universal Healthcare in Devolved System Programme | 22,882,500 | 22,882,500 | 22,882,500 | 100 |
| 6 | Rehabilitation of Village Polytechnics | 31,570,000 | 31,570,000 | 23,835,350 | 75.5 |
| 7 | Transforming Health Systems for Universal Care Project (World Bank) | 100,000,000 | 100,000,000 | 51,160,924 | 51.2 |
| 8 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 22,730,225 | 21,551,135 | 8,275,568 | 38.4 |
| 9 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | 50,078,476 | 35.7 |
| 10 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 11 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 50,750,604 | 50,750,604 | - | - |
| 12 | EU Grant- Instruments for Devolution Advice and Support- IDEAS) | 45,000,000 | 45,000,000 | - | - |
| **Sub Total** | | **997,934,618** | **995,555,528** | **540,798,945** | **54.2** |
| B | **Other Grants** | | | | |
| 14 | KDSP Grant - Investment Grant | - | 168,575,682 | 168,575,682 | 100 |
| 15 | EU Grant for instrument for Devolution Advice and support | - | 66,000,000 | 48,818,153 | 74 |
| 16 | DANIDA Grant (Universal Healthcare in Devolved System Program) - FY 2017/18 Funds | - | 9,479,639 | - | - |
| **Sub Total** | | - | 244,055,321 | 217,393,835 | 89.1 |
| **Grand Total** | | **997,934,618** | **1,239,610,849** | **758,192,780** | **71.3** |

***Source:*** *Makueni County Treasury*

During the reporting period, receipts from the Kenya Urban Support Project conditional grant recorded the highest performance in percentage terms, and accounted for 103 per cent of the annual target.

### 3.23.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.8.63 billion from the CRF account. The withdrawals represented 81 per cent of the Approved Supplementary Budget and translated to an increase of 8.2 per cent from Kshs.7.98 billion in FY 2017/18 and comprised of Kshs.2.72 billion (31.6 per cent) towards development activities and Kshs.5.91 billion (68.4 per cent) for recurrent expenditure.

### 3.23.5 Overall Expenditure Review

A total of Kshs.8.44 billion was spent on both development and recurrent activities. This expenditure represented 97.7 per cent of the total funds released from the CRF account, and was an increase of 17.3 per cent from Kshs.7.19 billion spent in FY 2017/18.

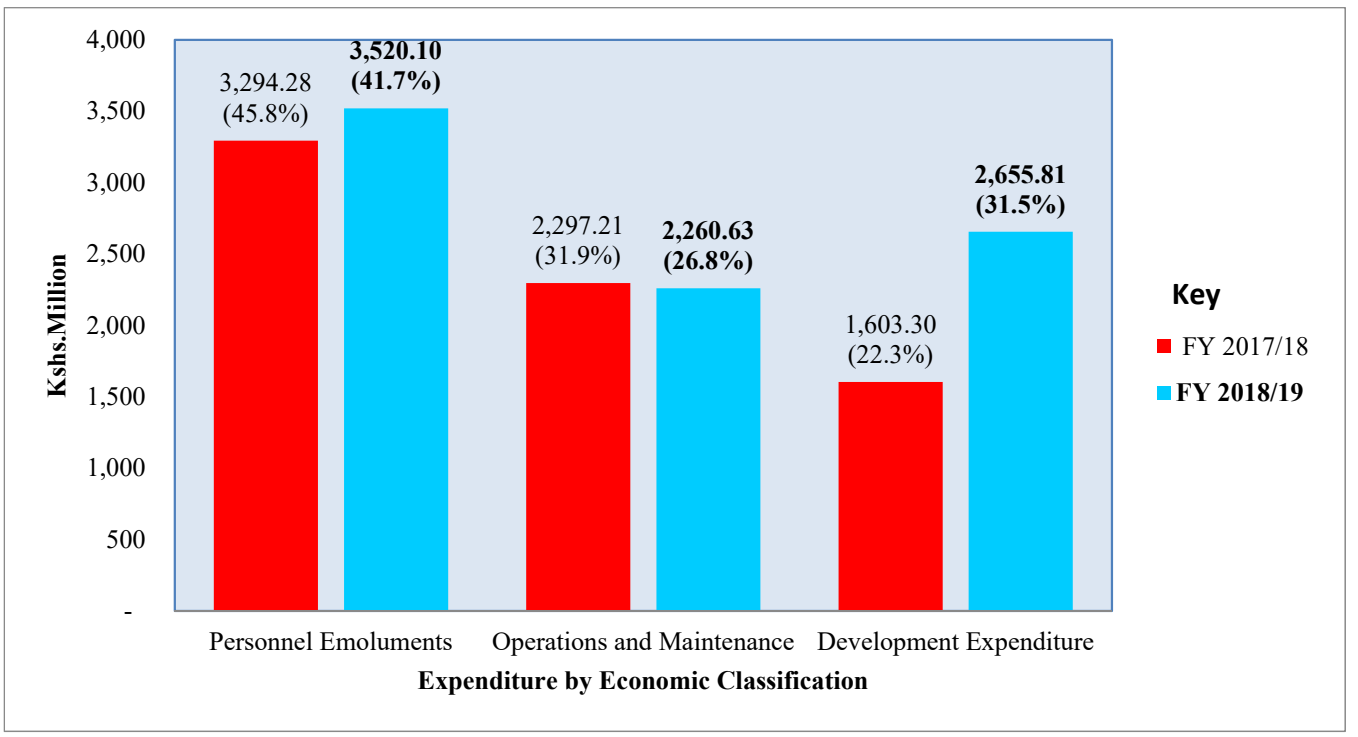
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.6.99 million for development activities and Kshs.1.47 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.66 billion while Kshs.5.78 billion was spent on recurrent activities. The development expenditure was 97.5 per cent of the funds released for development programmes, while recurrent expenditure was 97.9 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 60.1 per cent, which was an increase from 44.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 92.7 per cent of the annual recurrent budget, an increase from 91.7 per cent recorded in FY 2017/18.

Figure 3.91 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.91: Makueni County, Expenditure by Economic Classification**




***Source:*** *Makueni County Treasury*

### 3.23.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.66 billion represented 60.1 per cent of the annual development expenditure estimates of Kshs.4.42 billion. Table 3.66 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.66: Makueni County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/ No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Universal Health Care Programme | County Wide | 166,000,000 | 164,353,154 | 99 |
| 2 | IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) " Investment Grant" | County Wide | 168,575,682 | 131,753,797 | 78.2 |
| 3 | Construction of Thwake bridge substructures | Kalawa | 106,000,000 | 103,772,724 | 97.9 |
| 4 | Makueni fruit processing plant - Operationalization (Reconstituting Line & other operations) | Kalamba | 84,451,717 | 84,262,273 | 99.8 |
| 5 | Purchase of graders | Makueni County | 78,450,000 | 79,500,000 | 101.3 |
| 6 | IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP) | County Wide | 158,929,463 | 76,938,310 | 48.4 |
| 7 | IDA (World Bank) credit: Kenya Urban Support Project(KUSP) | Makueni County | 136,261,600 | 74,316,898 | 54.5 |
| 8 | Roads upgrade programme - ward - fuel levy funding | Makueni County | 39,082,714 | 65,144,591 | 166.7 |
| 9 | Transforming Health Systems for Universal Care Project (WB) | County Wide | 100,000,000 | 55,850,368 | 55.9 |
| 10 | EU Grant for instrument for Devolution Advice and support | Kalamba | 111,000,000 | 49,636,306 | 44.7 |
| 11 | Makueni Youth service - Youth Economic Empowerment strategy | County Wide | 47,058,285 | 42,479,176 | 90.3 |

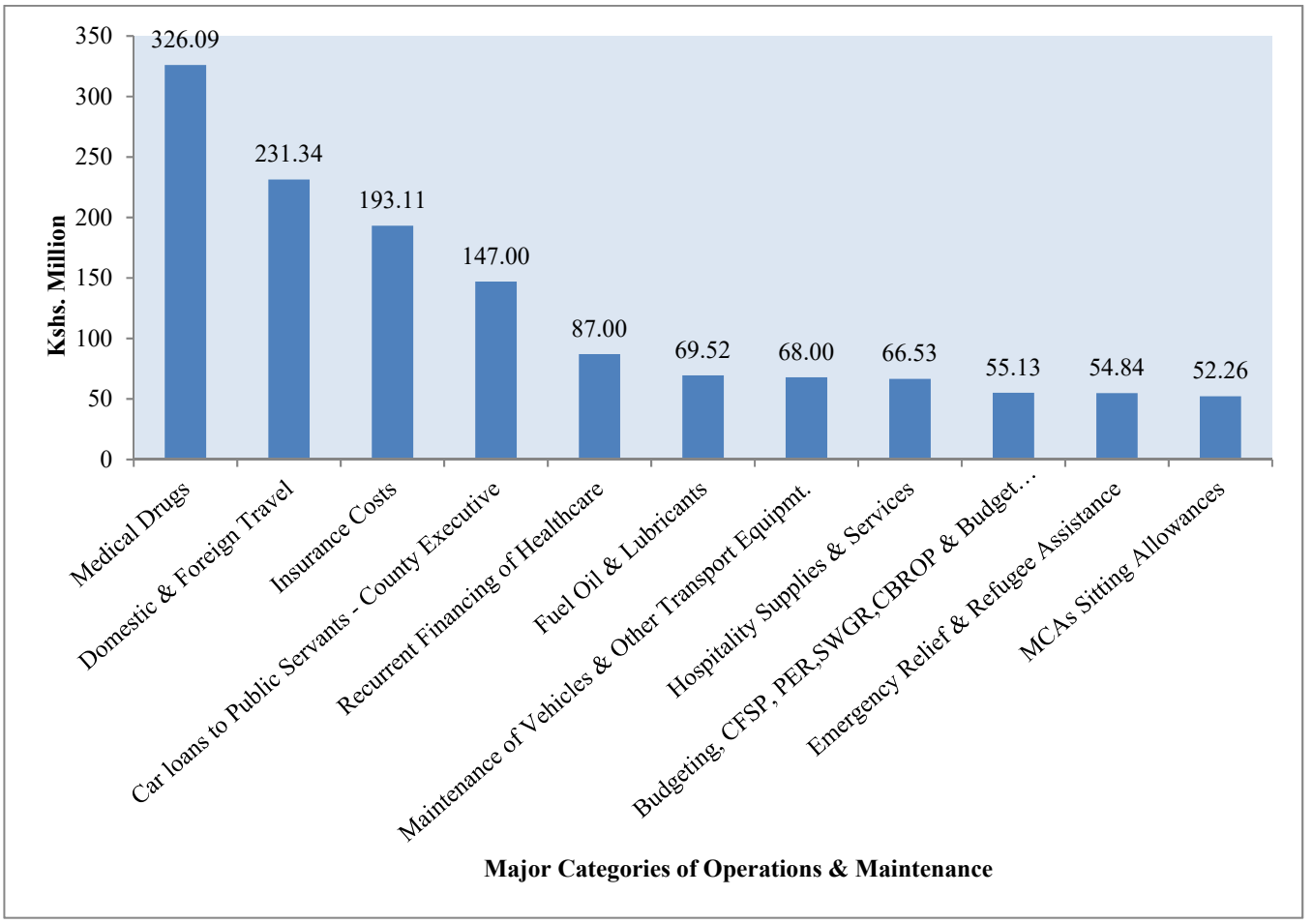
***Source:*** *Makueni County Treasury*

### 3.23.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.78 billion comprised of Kshs.3.52 billion (60.9 per cent) incurred on personnel emoluments and Kshs.2.26 billion (39.1 per cent) on operations and maintenance as shown in Figure 3.91.

Expenditure on personnel emoluments represented an increase of 6.9 per cent compared to FY 2017/18 when the County spent Kshs.3.29 billion and was 41.7 per cent of the total expenditure in FY 2018/19. Figure 3.92 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.92: Makueni County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Makueni County Treasury*

The County spent Kshs.52.26 million on committee sitting allowances for the 48 MCAs and Speaker against the annual budget allocation of Kshs.52.99 million. This represented an increase of 59.7 per cent compared to Kshs.32.73 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.88,881 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.231.34 million, and comprised of Kshs.103.70 million spent by the County Assembly and Kshs.127.64 million by the County Executive. This expenditure represented 4 per cent of total recurrent expenditure and was a decrease of 7.5 per cent compared to Kshs.250.14 million spent in FY 2017/18.

### 3.23.8 Budget Performance by County Department

Table 3.67 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.67: Makueni County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 746.36 | 101.09 | 744.18 | 79.49 | 657.64 | 69.83 | 88.4 | 87.9 | 88.1 | 69.1 |
| Office of the Governor | 187.28 | - | 161.54 | - | 181.07 | - | 112.1 | | 96.7 | - |

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Deputy Governor | 16.57 | - | 14.76 | - | 14.29 | - | 96.8 | | 86.2 | - |
| County Attorney's Office | 36.09 | - | 20.75 | - | 21.08 | - | 101.6 | | 58.4 | - |
| County Public Service Board | 61.24 | - | 56.60 | - | 58.74 | - | 103.8 | | 95.9 | - |
| Office of the County Secretary | 312.13 | - | 295.80 | - | 298.36 | - | 100.9 | | 95.6 | - |
| Devolution, Administration, Participatory Development & Public Service | 285.34 | 16.46 | 263.18 | - | 276.16 | 8.01 | 104.9 | | 96.8 | 48.7 |
| Finance & Socio Economic Planning | 643.10 | 90.43 | 614.64 | 30.52 | 618.26 | 42.41 | 100.6 | 139 | 96.1 | 46.9 |
| Agriculture, Irrigation, Livestock & Fisheries Development | 240.33 | 791.67 | 238.02 | 442.41 | 238.64 | 525.55 | 100.3 | 118.8 | 99.3 | 66.4 |
| Water, Environment & Climate Change | 190.11 | 972.90 | 182.23 | 591.89 | 172.36 | 423.08 | 94.6 | 71.5 | 90.7 | 43.5 |
| Education, Youth & ICT | 345.45 | 336.72 | 299.96 | 179.40 | 330.05 | 225.01 | 110.0 | 125.4 | 95.5 | 66.8 |
| Health Services | 2,798 | 766.35 | 2,673.2 | 390.52 | 2,581.2 | 392.09 | 96.6 | 100.4 | 92.3 | 51.2 |
| Lands, Urban Planning & Mining | 67.89 | 239.99 | 65.51 | 239.90 | 53.14 | 130.63 | 81.1 | 54.5 | 78.3 | 54.4 |
| Transport and Infrastructure | 193.35 | 989.13 | 174.53 | 685.02 | 181.78 | 753.27 | 104.2 | 110 | 94 | 76.2 |
| Trade, Tourism & Cooperatives | 50.95 | 78.39 | 46.20 | 52.57 | 46.15 | 52.49 | 99.9 | 99.8 | 90.6 | 67 |
| Department of Gender and Social Services | 60.12 | 34.23 | 56.29 | 32.27 | 51.79 | 33.44 | 92 | 103.6 | 86.1 | 97.7 |
| **Total** | **6,234.4** | **4,417.4** | **5,907.4** | **2,723.98** | **5,780.7** | **2,655.8** | **97.9** | **97.5** | **92.7** | **60.1** |

*Source: Makueni County Treasury*

Analysis of expenditure by department shows that the Department of Gender and Social Services recorded the highest absorption rate of development budget at 97.7 per cent while the Department of Water, Environment and Climate Change recorded the lowest at 43.5 per cent. The Department of Agriculture, Irrigation, and Livestock & Fisheries Development had the highest percentage of recurrent expenditure to recurrent budget at 99.3 per cent while the County Attorney's Office had the lowest at 58.4 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. Improvement in the collection of own source revenue by 60.3 per cent from Kshs.319.27 million in FY 2017/18 to Kshs.511.70 million in FY 2018/19
ii. Improvement in the absorption of the development budget to 60.1 per cent in FY 2018/19 compared to 44.8 per cent in FY 2017/18.

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

1. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage, Emergency Fund, Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. A high wage bill that increased by 6.9 per cent from Kshs.3.29 billion in FY 2017/18 to Kshs.3.52 billion in the reporting period. The wage bill accounted for 41.7 per cent of total expenditure in the reporting period.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports of established Funds in line with Section 168 of PFM Act 2012.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

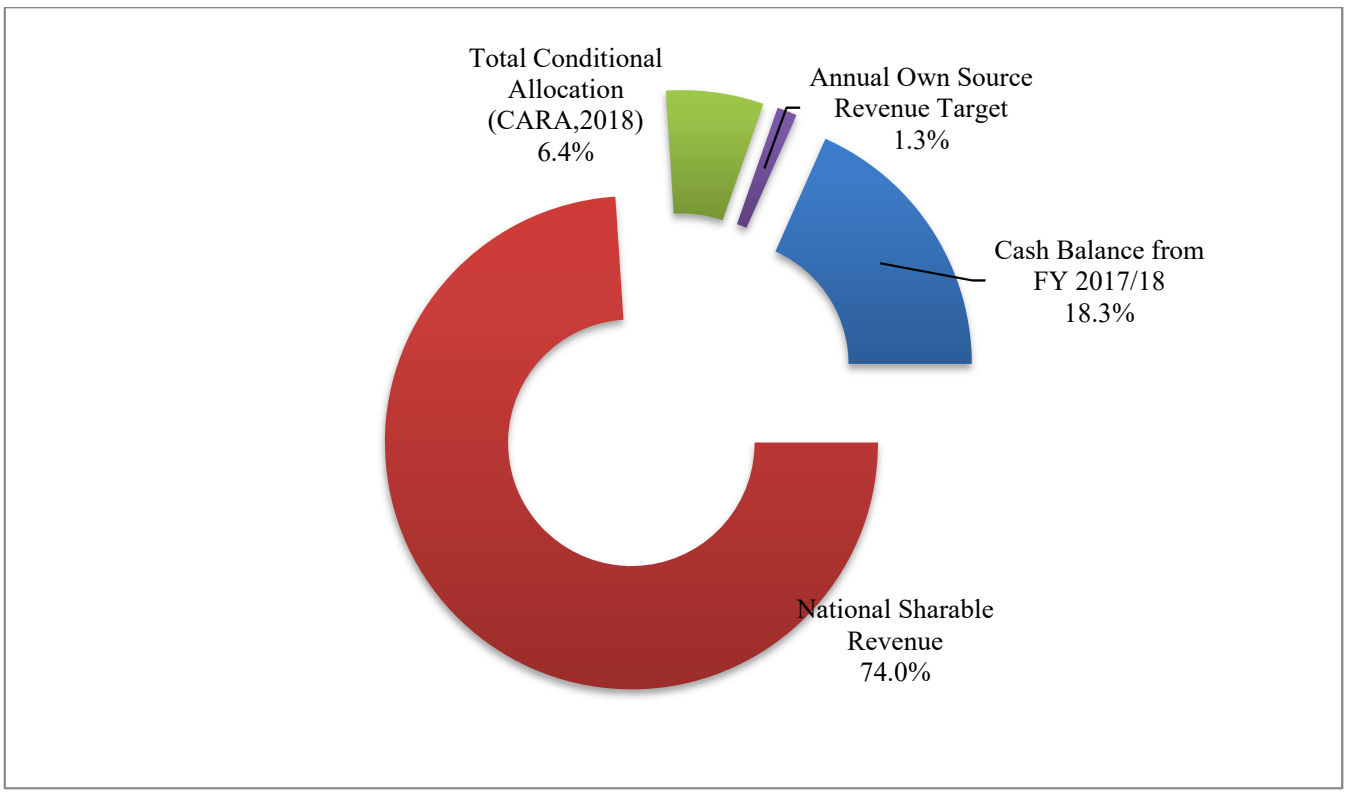
## 3.24 Mandera County

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

The County's FY 2018/19Supplementary Budget was Kshs.13.71 billion, comprising of Kshs.7.08 billion (51.6 per cent) and Kshs.6.63 billion (48.4 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.14 billion (74 per cent) as equitable share of the revenue raised nationally, Kshs.877.9 million (6.4 per cent) as total conditional grants, generate Kshs.179.09 million (1.3 per cent) from own sources of revenue, and Kshs.2.51 billion (18.3 per cent) cash balance from FY 2017/18.

**Figure 3.93: Mandera County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Mandera County Treasury*

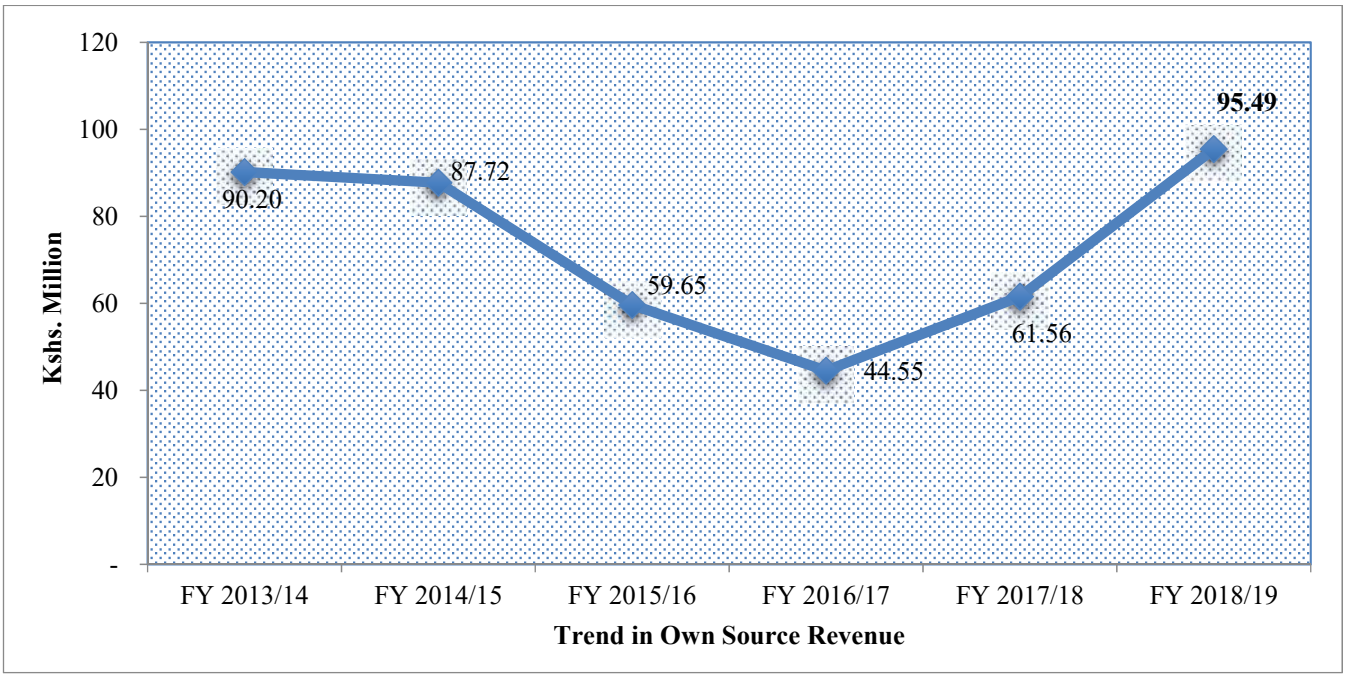
A breakdown of the conditional grants is provided in Table 3.68.

### 3.24.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.13.63 billion available for budget implementation. This amount consisted of Kshs.10.14 billion received as equitable share of the revenue raised nationally, Kshs.910.30 million as conditional grants, Kshs.95.49 million generated from own sources of revenue, and a cash balance of Kshs.2.48 billion from FY 2017/18.

Figure 3.94 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.94: Mandera County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Mandera County Treasury*

The County generated a total of Kshs.95.49 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.33.93 million compared to that realised in FY 2017/18 and was 53.3 per cent of the annual target.

### 3.24.3 Conditional Grants

During the reporting period, the County received Kshs.910.30 million as conditional grants as shown in Table 3.68 .

**Table 3.68: Mandera County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grant/Loans | Annual Allocation-CARA, 2018) (Kshs.) | Annual Budget Allocation (Kshs.) | Total Receipts (Kshs.) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Compensation for User Fee Foregone | 25,474,920 | 25,474,920 | 25,474,920 | 100 |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Road Maintenance Fuel Levy | 267,035,293 | 267,035,293 | 267,035,293 | 100 |
| 4 | Rehabilitation of Village Polytechnics | 31,240,000 | 31,240,000 | 23,586,200 | 75.5 |
| 5 | Transforming Health Systems for Universal Care Project (World Bank) | 100,000,000 | 100,000,000 | 85,173,208 | 85.2 |
| 6 | IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 54,858,856 | 36.6 |
| 7 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 58,673,488 | 58,673,488 | 235,542,828 | 401.4 |

| S/No. | Grant/Loans | Annual Allocation-CARA, 2018) (Kshs.) | Annual Budget Allocation (Kshs.) | Total Receipts (Kshs.) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 8 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 175,819,500 | 175,819,500 | 175,819,500 | 100 |
| 9 | DANIDA - Universal Healthcare in Devolved System Programme | 32,653,125 | 32,653,125 | 32,653,125 | 100 |
| 10 | Kenya Devolution Support Programme "Level 2 grant" | 41,200,000 | - | - | - |
| 11 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 27,908,979 | 37,000,000 | 10,161,036 | 27.5 |
| **Grand Total** | | **1,110,005,305** | **877,896,326** | **910,304,966** | **103.7** |

***Source:*** *Mandera County Treasury*

During the reporting period, receipts for Kenya Devolution Support Programme grant recorded the highest performance in percentage terms, and accounted 401.4 per cent of the annual target.

### 3.24.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.12.08 billion from the CRF account. The withdrawals represented 88.1 per cent of the Approved Supplementary Budget and translated to an increase of 18.5per cent from Kshs.10.20 billion in FY 2017/18, and comprised of Kshs.5.77 billion (47.7 per cent) towards development activities and Kshs.6.31 billion (52.3 per cent) for recurrent expenditure.

### 3.24.5 Overall Expenditure Review

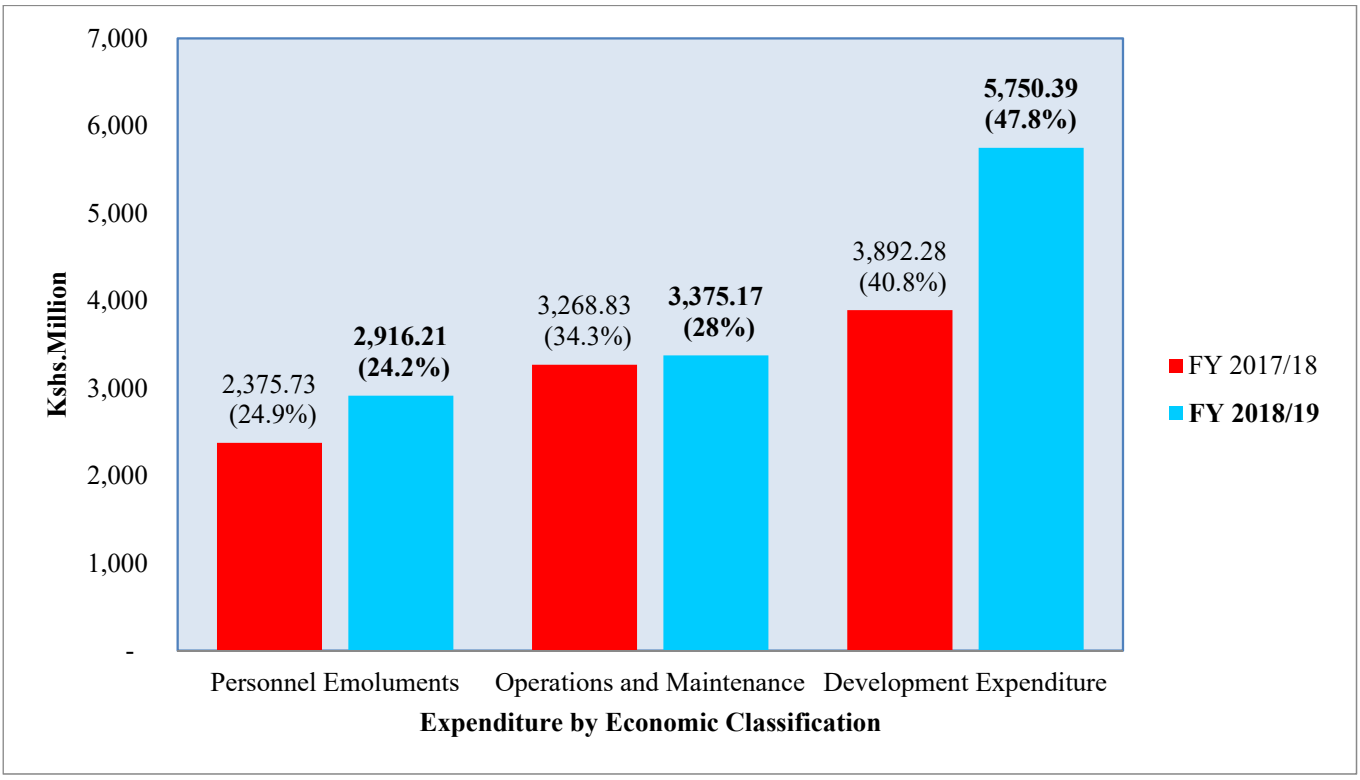
A total of Kshs.12.04 billion was spent on both development and recurrent activities. This expenditure represented 99.7 per cent of the total funds released from the CRF account, and was an increase of 26.3 per cent from Kshs.9.54 billion spent in FY 2017/18.

Expenditure on development programmes amounted to Kshs.5.75 billion while Kshs.6.29 billion was spent on recurrent activities. The development expenditure was 99.7 per cent of the funds released for development programmes, while recurrent expenditure was 99.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 81.3 per cent, which was an increase from 67.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 94.8 per cent of the annual recurrent budget, an increase from 87.2 per cent recorded in FY 2017/18.

Figure 3.95 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.95: Mandera County, Expenditure by Economic Classification




***Source:*** *Mandera County Treasury*

### 3.24.6 Development Expenditure Analysis

The total development expenditure of Kshs.5.75 billion represented 81.3 per cent of the annual development expenditure estimates of Kshs.7.08 billion. Table 3.69 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.69: Mandera County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Tarmac Roads Lot 1 | Countywide | 268,484,715 | 268,484,715 | 100 |
| 2 | Roads Maintenance Fuel Levy for 2018/2019 (Takaba-Gither, Rhamu - Malka Mari, Kutayu - Elwak, Elwak-Elgolicha, Awara-Morothiley & Guba-Choroqo ) | Takaba-Gither, Rhamu - Malka Mari, Kutayu - Elwak, Elwak-Elgolicha, Awara-Morothiley & Guba-Choroqo | 267,035,293 | 267,035,293 | 100 |
| 3 | Completion of County Headquarter | County Headquarter | 245,000,000 | 245,000,000 | 100 |
| 4 | Tarmac Roads Lot II | Countywide | 244,723,103 | 244,723,103 | 100 |
| 5 | Completion of Rest House | County Assembly | 140,000,000 | 140,000,000 | 100 |
| 6 | Procurement/Equipment Leasing (A & E and Maternity at Elwak and MCRH) | A & E and Maternity at Elwak and MCRH | 75,000,000 | 75,000,000 | 100 |
| 7 | Constructions of modern slaughter house in Mandera East | Mandera East | 61,291,705 | 61,291,705 | 100 |
| 8 | Elwak SME market Park completion | Elwak SME market Park | 57,101,136 | 57,101,136 | 100 |
| 9 | Proposed paved parking and drainage system at Elwak SME market Park | Elwak SME market Park | 50,000,000 | 50,000,000 | 100 |
| 10 | Mandera County Rehabilitation Centre | Mandera Town | 44,000,000 | 44,000,000 | 100 |

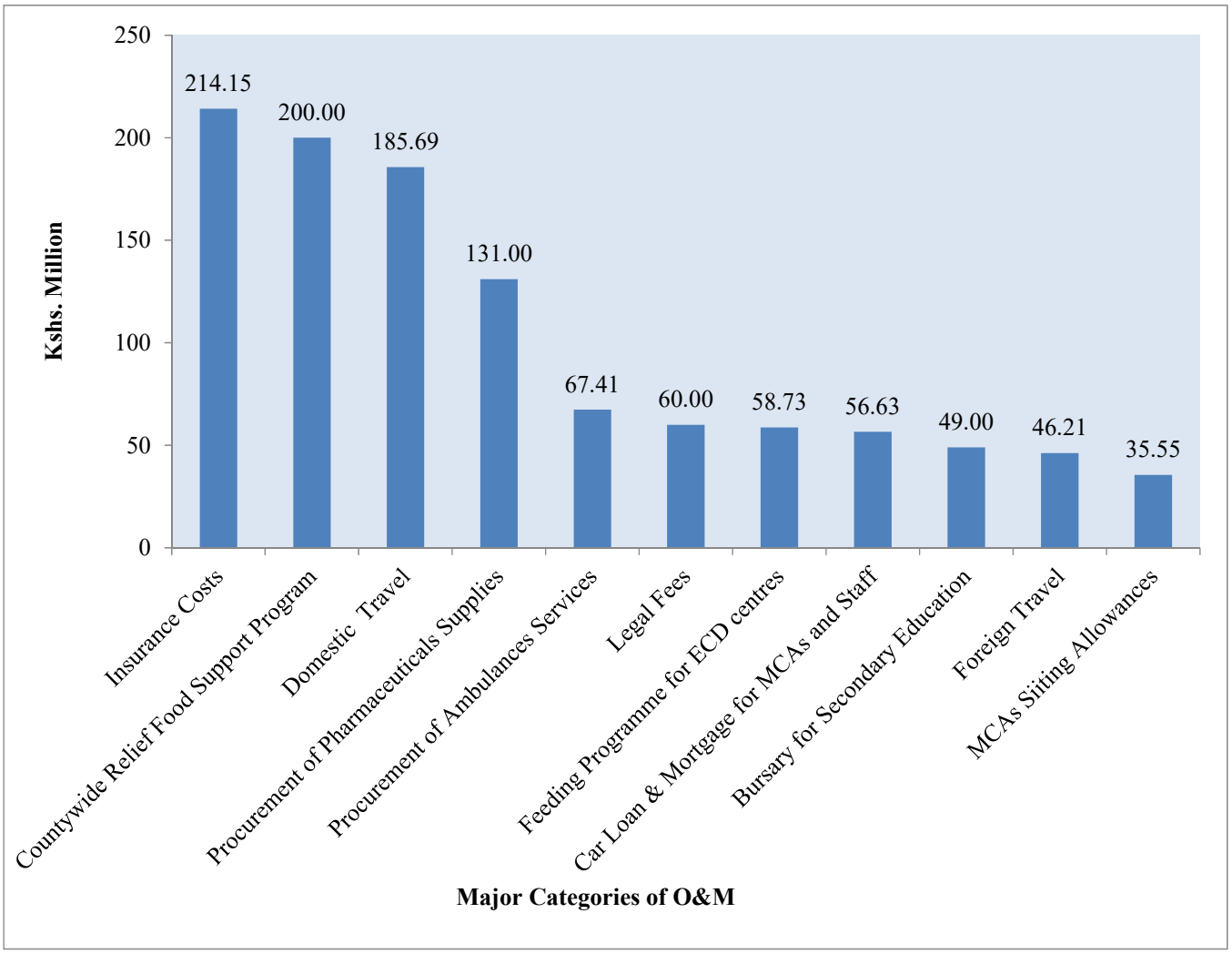
***Source:*** *Mandera County Treasury*

### 3.24.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.29 billion comprised of Kshs.2.92 billion (46.4 per cent) incurred on personnel emoluments and Kshs.3.38 billion (53.6 per cent) on operations and maintenance as shown in Figure 3.95.

Expenditure on personnel emoluments represented an increase of 22.8 per cent compared to FY 2017/18 when the County spent Kshs.2.38 billion and was 24.2 per cent of the total expenditure in FY 2018/19. Figure 3.96 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.96: Mandera County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Mandera County Treasury*

The County spent Kshs.35.55 million on committee sitting allowances for the 49 MCAs and speaker against the annual budget allocation of Kshs.41.76 million. This represented an increase of 12 per cent compared to Kshs.31.76 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.80,620 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.231.90 million, and comprised of Kshs.106.95 million spent by the County Assembly and Kshs.124.95 million by the County Executive. This expenditure represented 3.7 per cent of total recurrent expenditure and was an increase of 14 per cent compared to Kshs.203.50 million spent in FY 2017/18.

### 3.24.8 Budget Performance by County Department

Table 3.70 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.70: Mandera County, Budget Performance by Department in FY 2018/19**

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture Livestock and Fisheries | 205.06 | 649.99 | 202.64 | 366.63 | 200.66 | 366.63 | 99.0 | 100 | 97.8 | 56.4 |
| Education, Culture and Sports | 604.83 | 498.82 | 599.45 | 319.25 | 599.45 | 316.25 | 100 | 99.1 | 99.1 | 63.4 |
| Gender, Youth and Social Service | 97.31 | 129.05 | 96.98 | 123.39 | 96.98 | 123.39 | 100 | 100 | 99.7 | 95.6 |
| Finance and Economic Planning and ICT | 569.89 | 159.92 | 535.80 | 135.46 | 535.80 | 135.46 | 100 | 100 | 94.0 | 84.7 |
| Health Services | 1,716.69 | 810.94 | 1,700.56 | 594.05 | 1,698.41 | 580.57 | 99.9 | 97.7 | 98.9 | 71.6 |
| Trade, Investments Industrializations and Cooperative Development | 47.07 | 285.23 | 45.07 | 265.78 | 45.07 | 265.78 | 100 | 100 | 95.8 | 93.2 |
| County Assembly | 810.63 | 211.26 | 680.45 | 53.47 | 680.45 | 53.07 | 100 | 99.2 | 83.9 | 25.1 |
| Lands, Housing and Physical Planning | 63.20 | 156.70 | 63.20 | 45.43 | 63.20 | 45.43 | 100 | 100 | 100 | 29.0 |
| Office of the Governor and Deputy Governor | 667.60 | - | 610.42 | - | 610.42 | - | 100 | - | 91.4 | - |
| County Public Service Board | 70.06 | - | 65.02 | - | 65.02 | - | 100 | - | 92.8 | - |
| Public Service, Management and Devolved Unit | 1,267.13 | 453.00 | 1,211.49 | 438.77 | 1,211.49 | 438.77 | 100 | 100 | 95.6 | 96.9 |
| Public Works Roads and Transport | 102.81 | 2,030.51 | 93.31 | 1,832.71 | 93.31 | 1,832.71 | 100 | 100 | 90.8 | 90.3 |
| Water, Energy, Environment, Natural Resources Tourism and Wildlife | 410.74 | 1,691.49 | 407.61 | 1,592.32 | 391.11 | 1,592.32 | 96.0 | 100 | 95.2 | 94.1 |
| **Total** | **6,633.04** | **7,076.92** | **6,312.02** | **5,767.27** | **6,291.37** | **5,750.39** | **99.7** | **99.7** | **94.8** | **81.3** |

***Source:*** *Mandera County Treasury*

Analysis of expenditure by department shows that the Department of Public Service, Management and Devolved Unit recorded the highest absorption rate of development budget at 96.9 while the County Assembly recorded the lowest at 25.1 per cent. The Department of Lands, Housing and Physical Planning had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the County Assembly had the lowest at 83.9 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. Improvement in own source revenue collection by 55.1 per cent from Kshs.61.56 million in FY2017/18 to Kshs. 95.49 million in the reporting period.
ii. Improvement in the absorption of development budget from 67.4 per cent in FY2017/18 to 81.3 per cent in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. A high wage bill that increased by 22.8 per cent from Kshs.2.38 billion in FY 2017/18 to Kshs.2.92 billion in the reporting period.

3. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
4. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
2. *The County Public Service Board should put in place measures to ensure the wage bill does not increase above the legal limit in the medium term.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as requested by the Controller of Budget in line with COB Act, 2016.*

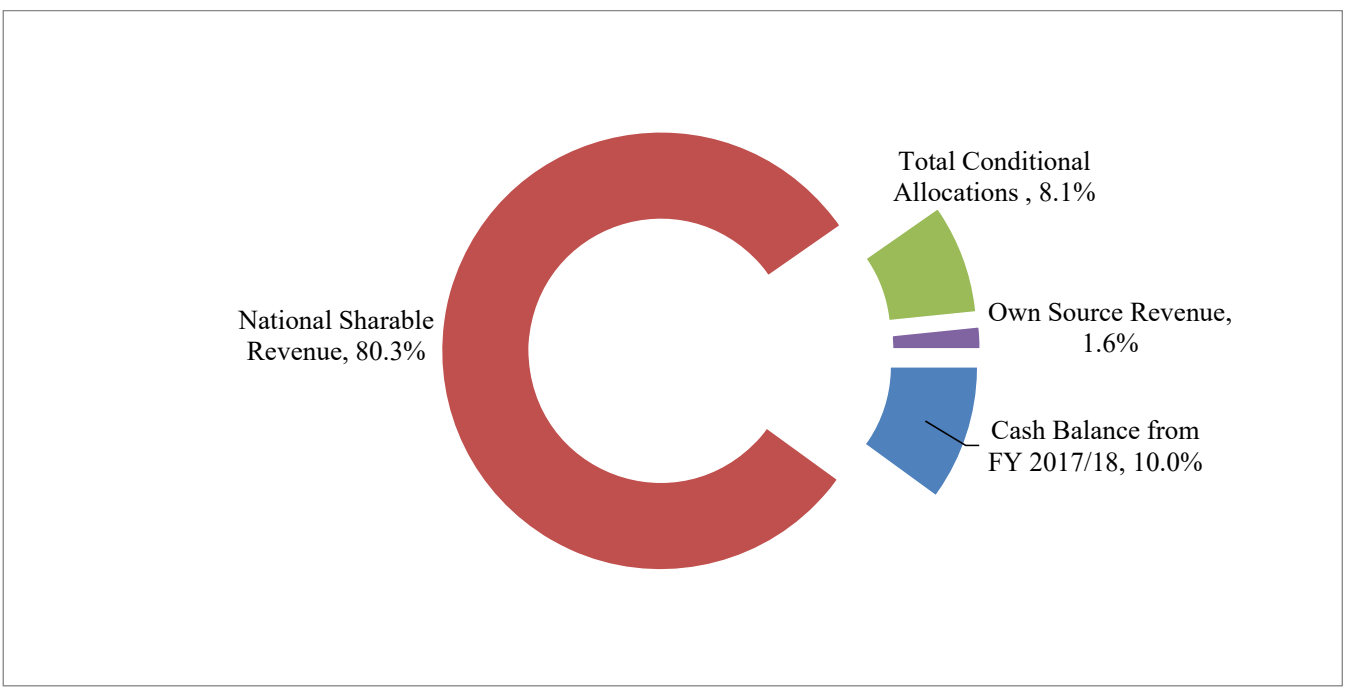
## 3.25 Marsabit County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.72 billion, comprising of Kshs.4.30 billion (49.3 per cent) and Kshs.4.42 billion (50.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.0 billion (80.3 per cent) as equitable share of the revenue raised nationally,Kshs.704.30 million (8.1 per cent) as total conditional grants, generate Kshs.140 million (1.6 per cent) from own sources of revenue, and Kshs.872.3 million (10 per cent) cash balance from FY 2017/18.

**Figure 3.97: Marsabit County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Marsabit County Treasury*

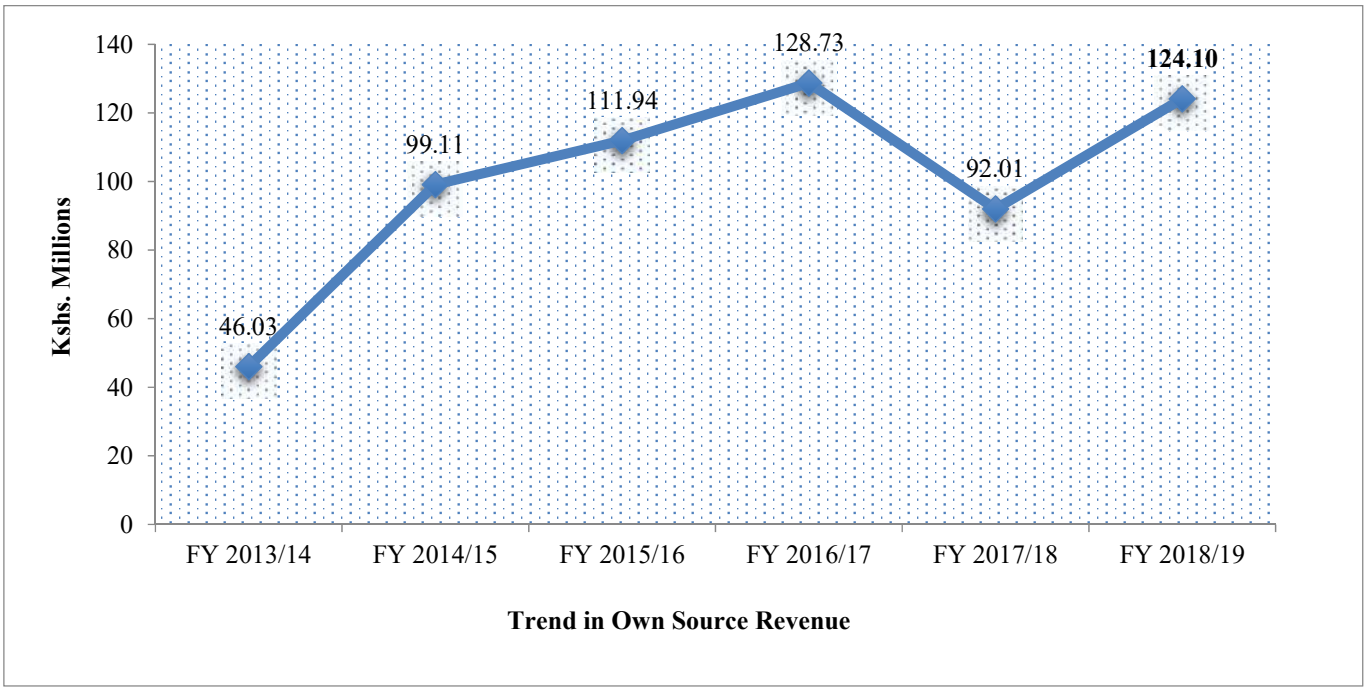
A breakdown of the conditional grants is provided in Table 3.71.

### 3.25.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.8.58 billion available for budget implementation. This amount consisted of Kshs.7.0 billion received as equitable share of the revenue raised nationally, Kshs.582.35 million as conditional grants, Kshs.124.1 million generated from own sources of revenue, and a cash balance of Kshs.872.30 million from FY 2017/18.

Figure 3.98 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.98: Marsabit County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Marsabit County Treasury*

The County generated a total of Kshs.124.1 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.32.1 million compared to that realised in FY 2017/18 and was 88.6 per cent of the annual target.

### 3.25.3 Conditional Grants

During the reporting period, the County received Kshs.582.35 million as conditional grants as shown in Table 3.71 .

**Table 3.71: Marsabit County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grants | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual Receipts (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 184,361,828 | 184,361,828 | 223,691,143 | 121.3 |
| 2 | IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 50,891,757 | 33.9 |
| 3 | World Bank Loan for Transforming Health System for universal Care Project | 100,000,000 | 100,000,000 | 82,026,760 | 82 |
| 4 | EU Grant- IDEAS | 80,000,000 | 90,000,000 | 70,007,619 | 57.5 |
| 5 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100 |
| 6 | Kenya Devolution Support Programme (KDSP) | 48,985,872 | 48,985,872 | - | - |

| S/No. | Grants | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual Receipts (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 7 | Rehabilitation of Village Polytechnics | 26,275,000 | 26,275,000 | 19,837,625 | 75.5 |
| 8 | DANIDA Grant | 22,072,500 | 22,072,500 | 22,072,500 | 100 |
| 9 | Conditional Grant - SIDA - (ASDSP II) | 19,968,188 | 19,968,188 | | - |
| 10 | Compensation for User Fee Foregone | 6,643,714 | 6,643,714 | 6,643,714 | 100 |
| 11 | Conditional Grant - FAO support Project | 5,996,770 | 5,996,770 | 5,996,770 | 100 |
| 12 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 27,420,231 | - | 9,983,094 | 36.4 |
| 13 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 41,200,000 | - | 41,200,000 | 100 |
| **Total** | | **762,924,103** | **704,303,872** | **582,350,981** | **76.3** |

***Source:*** *Marsabit County Treasury*

During the reporting period, receipts from the Roads Maintenance Levy Fund recorded the highest performance in percentage terms, and accounted 121.3 per cent of the annual target.

### 3.25.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.8.09 billion from the CRF account. The withdrawals represented 92.8 per cent of the Approved Supplementary Budget and translated to an increase of 18.7 per cent from Kshs.6.82 billion in FY 2017/18, and comprised of Kshs.3.85 billion (47.5 per cent) towards development activities and Kshs.4.24 billion (52.5 per cent) for recurrent expenditure.

### 3.25.5 Overall Expenditure Review

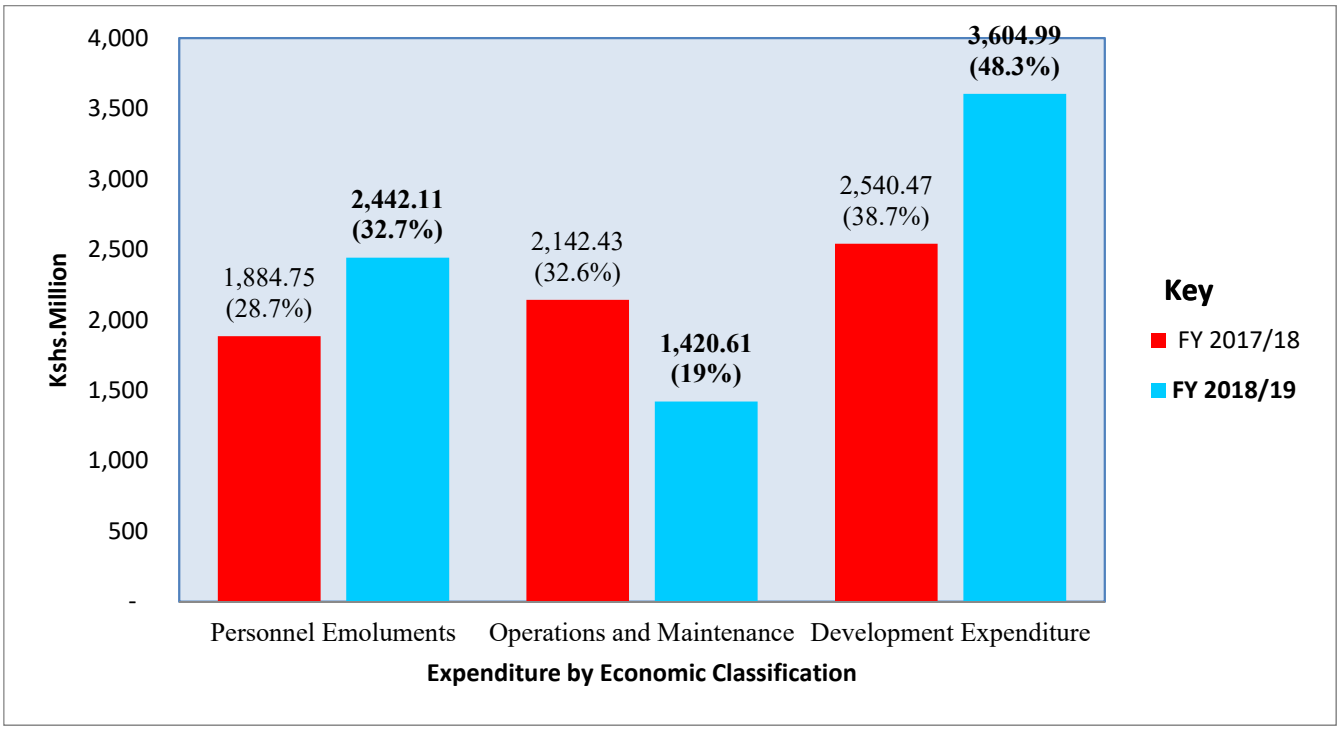
A total of Kshs.7.47 billion was spent on both development and recurrent activities. This expenditure represented 92.3 per cent of the total funds released from the CRF account, and was an increase of 13.7 per cent from Kshs.6.57 billion spent in FY 2017/18.

Expenditure on development programmes amounted to Kshs.3.6 billion while Kshs.3.86 billion was spent on recurrent activities. The development expenditure was 93.7 per cent of the funds released for development programmes, while recurrent expenditure was 91 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 81.5 per cent, which was an increase from 74 per cent attained in the FY 2017/18. Conversely, recurrent expenditure represented 89.9 per cent of the annual recurrent budget, a decrease from 93.7 per cent recorded in FY 2017/18.

Figure 3.99 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.99: Marsabit County, Expenditure by Economic Classification




***Source:*** *Marsabit County Treasury*

### 3.25.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.6 billion represented 81.5 per cent of the annual development expenditure estimates of Kshs.4.42 billion. Table 3.72 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.72: Marasabit County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Total Project Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1. | County Assembly Office Block | Headquarters | 50,000,000 | 41,641,374 | 83.3 |
| 2. | Spot improvement works on Goromuda roads | Moyale sub county | 6,950,488 | 6,950,488 | 100 |
| 3. | Spot improvement chief's office to Boruharo Road | Saku sub county | 6,889,148 | 6,889,148 | 100 |
| 4. | Spot improvement Gayososo - Maendeleo Farm Road | Saku sub county | 6,672,739 | 6,672,739 | 100 |
| 5. | Piping of Water- North Horr | North Horr | 5,944,982 | 5,944,982 | 100 |
| 6. | Provision of solid waste management in Marsabit Town | Marsabit Town | 5,833,333 | 5,833,333 | 100 |
| 7. | Expansion of Dukana water supply | North Horr | 5,000,000 | 5,000,000 | 100 |
| 8. | Proposed Inpatient Ward Turbi Dispensary | North Horr | 4,930,913 | 4,930,913 | 100 |
| 9. | Rehabilitation of treatment works | Moyale sub county | 4,700,000 | 4,700,000 | 100 |
| 10. | Drilling of Borehole- Moyale | Moyale sub county | 4,497,089 | 4,497,089 | 100 |

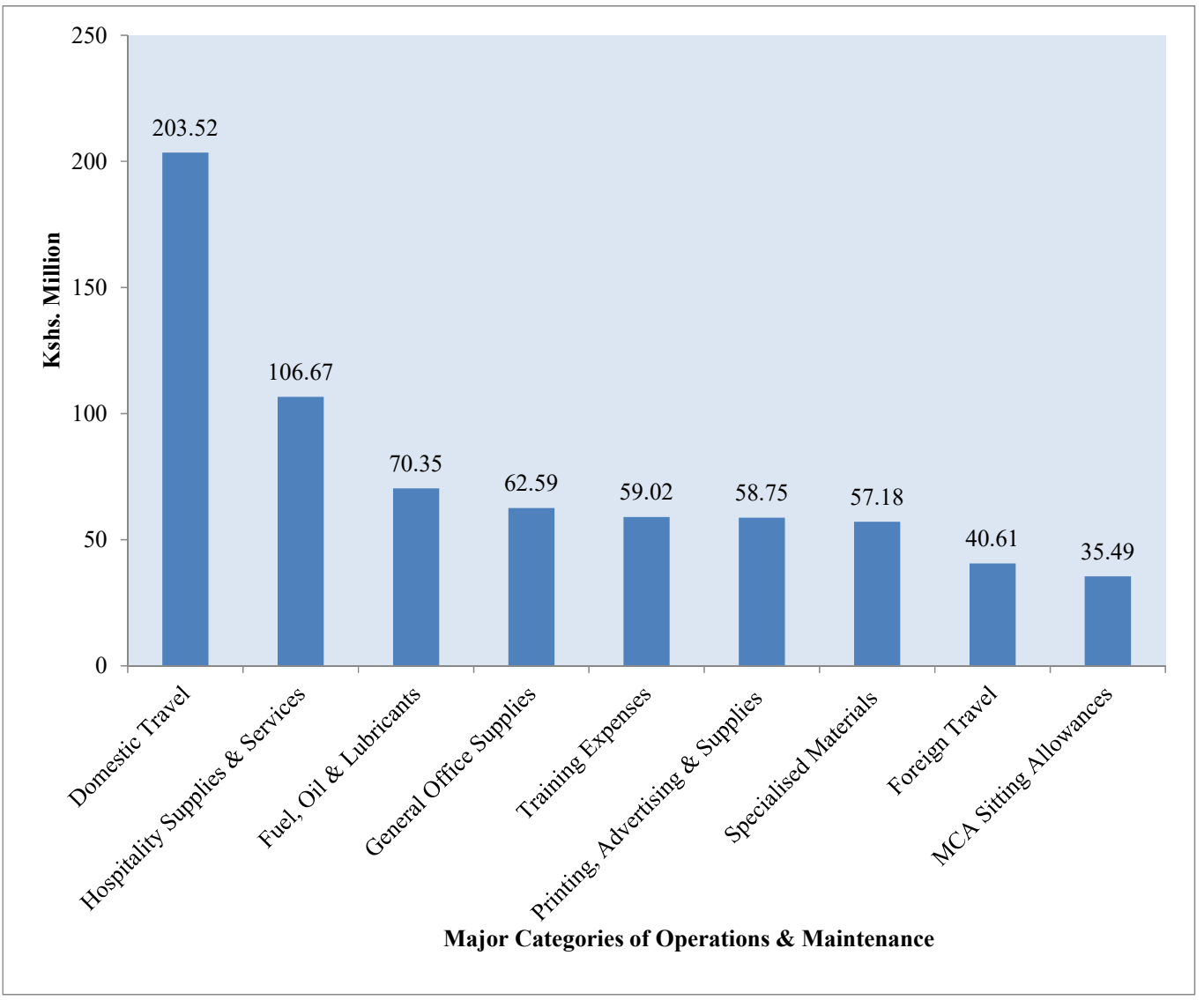
***Source:*** *Marsabit County Treasury*

### 3.25.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.86 billion comprised of Kshs.2.44 billion (63.2 per cent) incurred on personnel emoluments and Kshs.1.42 billion (36.8 per cent) on operations and maintenance as shown in Figure 3.99.

Expenditure on personnel emoluments represented an increase of 29.6 per cent compared to FY 2017/18 when the County spent Kshs.1.88 billion and was 32.7 per cent of the total expenditure in FY 2018/19. Figure 3.100 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.100: Marsabit County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Marsabit County Treasury*

The County spent Kshs.35.49 million on committee sitting allowances for the 31MCAs and Speaker against the annual budget allocation of Kshs.35.49 million. This represented a decrease of 21.1 per cent compared to Kshs.45 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.95,400 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.244.13 million, and comprised of Kshs.107.77 million spent by the County Assembly and Kshs.136.36 million by the County Executive. This expenditure represented 6.3 per cent of total recurrent expenditure and was an increase of 1.1 per cent compared to Kshs.241.53 million spent in FY 2017/18.

### 3.25.8 Budget Performance by County Department

Table 3.73 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.73: Marsabit County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 597.00 | 154.09 | 597.00 | 38.24 | 580.41 | 41.64 | 97.2 | 108.9 | 97.2 | 27.0 |
| County Executive Services | 531.44 | 556.76 | 531.44 | 420.50 | 444.38 | 538.50 | 83.6 | 128.1 | 83.6 | 96.7 |
| Finance Management Services | 450.22 | 11.00 | 401.23 | - | 338.88 | 9.30 | 84.5 | - | 75.3 | 84.6 |
| Agriculture, Livestock | 186.00 | 438.90 | 186.00 | 345.64 | 160.86 | 285.01 | 86.5 | 82.5 | 86.5 | 64.9 |
| County Public Service Board | 90.00 | 2.31 | 90.00 | - | 75.26 | 2.31 | 83.6 | - | 83.6 | 100. |
| Education Youth Affairs | 319.00 | 384.24 | 319.00 | 319.66 | 303.65 | 293.26 | 95.2 | 91.7 | 95.2 | 76.3 |
| Health Services | 1,262.24 | 877.28 | 1,257.91 | 905.82 | 1,231.29 | 731.59 | 97.9 | 80.8 | 97.5 | 83.4 |
| Administration and ICT | 367.40 | 15.30 | 367.40 | 15.30 | 303.48 | 15.24 | 82.6 | 99.6 | 82.6 | 99.6 |
| Physical Planning and Urban Development | 140.00 | 299.15 | 140.00 | 272.75 | 122.99 | 214.43 | 87.9 | 78.6 | 87.9 | 71.7 |
| Roads and Public Works | 77.00 | 516.94 | 77.00 | 435.08 | 70.08 | 415.55 | 91.0 | 95.5 | 91.0 | 80.4 |
| Water Services | 130.04 | 932.73 | 130.04 | 860.71 | 108.06 | 848.68 | 83.1 | 98.6 | 83.1 | 91.0 |
| Trade and Industry | 83.50 | 109.09 | 83.50 | 109.09 | 69.49 | 103.93 | 83.2 | 95.3 | 83.2 | 95.3 |
| Tourism, Culture and Social Services | 63.00 | 124.17 | 63.00 | 124.17 | 53.88 | 105.54 | 85.5 | 85.0 | 85.5 | 85.0 |
| **TOTAL** | **4,296.84** | **4,421.96** | **4,243.52** | **3,846.96** | **3,862.71** | **3,604.99** | **91.0** | **93.7** | **89.9** | **81.5** |

***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 99.6 while the County Assembly recorded the lowest at 27 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 97.5 per cent while the Department of Finance Management Service had the lowest at 75.3 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. Improvement in the own source revenue collection by 34.9 per cent from Kshs.92.01 million in FY201718 to Kshs.124.10 million in the reporting period.
ii. Establishment and operationalization of Internal Audit Committee to oversee financial operations in the County in line with 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 nationally by the National Treasury.
2. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
3. Failure to constitute the 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 measures 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.*
2. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
3. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

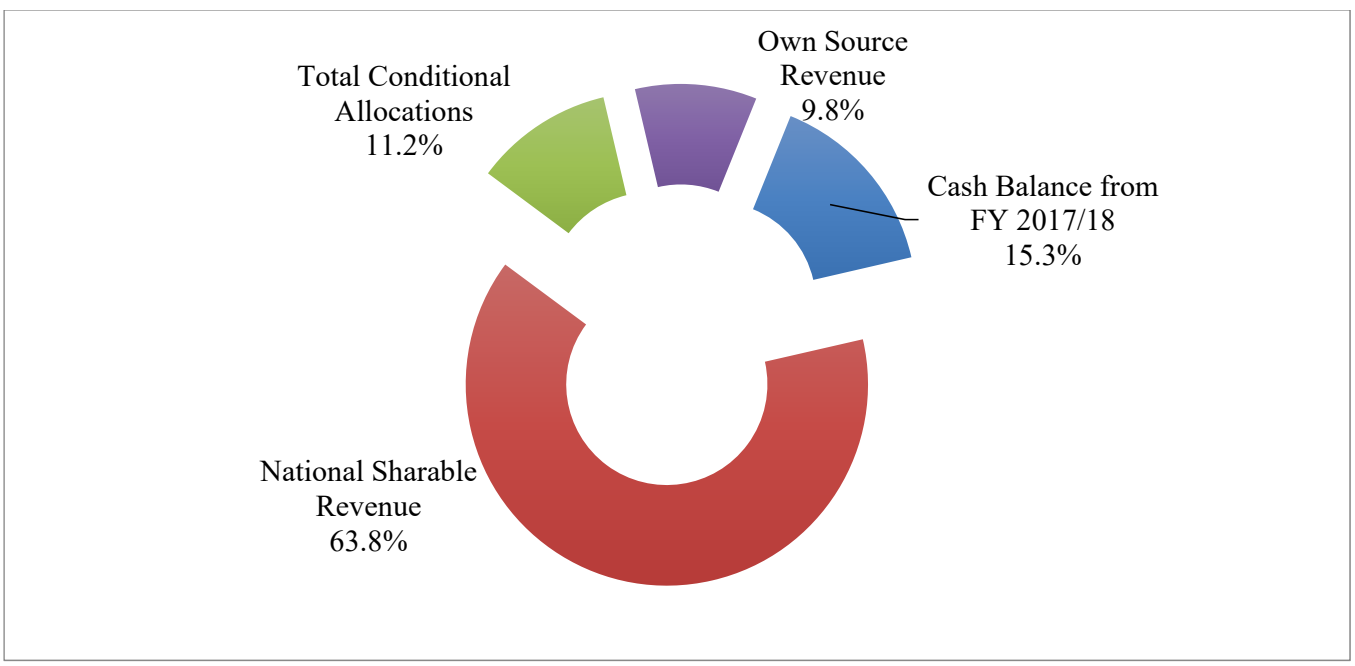
## 3.26 Meru County

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

The County's FY 2018/19 Supplementary Budget was Kshs.12.56 billion, comprising of Kshs.7.86 billion (62.6 per cent) and Kshs.4.69 billion (37.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.01 billion( 63.8 per cent) as equitable share of the revenue raised nationally, Kshs.1.40 billion (11.2 per cent) as total conditional grants, generate Kshs.1.23 billion (9.8 per cent) from own sources of revenue, and Kshs.1.92 billion (15.3 per cent) cash balance from FY 2017/18.

**Figure 3.101: Meru County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Meru County Treasury*

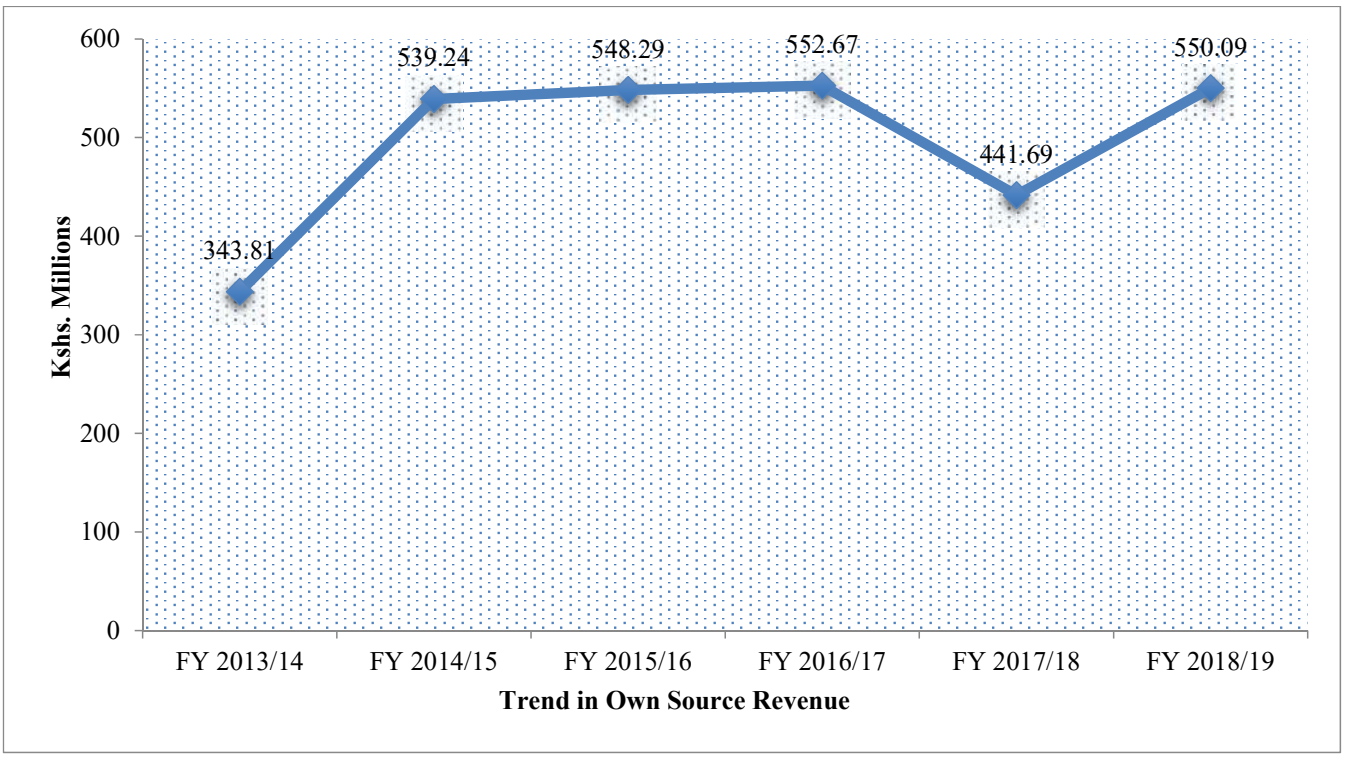
A breakdown of the conditional grants is provided in Table 3.74.

### 3.26.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.70 billion available for budget implementation. This amount consisted of Kshs.8.01 billion received as equitable share of the revenue raised nationally, Kshs.926.04 million as conditional grants, Kshs.550.09 million generated from own sources of revenue, and a cash balance of Kshs.1.22 billion from FY 2017/18.

Figure 3.102 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.102: Meru County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Meru County Treasury*

The County generated a total of Kshs.550.09 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.108.4 million compared to that realised in FY 2017/18 and was 44.8 per cent of the annual target.

### 3.26.3 Conditional Grants

During the reporting period, the County received Kshs.926.04 million as conditional grants as shown in Table 3.74.

**Table 3.74: Meru County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Level-5 Hospital | 373,872,832 | 373,872,832 | 373,872,832 | 100 |
| 2 | Road Maintenance Fuel Levy Fund | 210,817,337 | 210,817,337 | 210,817,337 | 100 |
| 3 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 4 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 140,435,163 | 50,078,476 | 36 |
| 5 | World Bank Urban Development grants for Kenya Urban Support Program | 116,890,200 | 116,890,200 | 116,890,200 | 100 |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 6 | Development of Youth Polytechnics | 80,698,764 | 80,698,764 | 49,848,875 | 62 |
| 7 | Kenya Devolution Support Program(KDSP) | 53,939,835 | 53,939,835 | - | - |
| 8 | World Bank Loan for Transforming Health System for universal Care Project | 50,000,000 | 50,000,000 | 18,327,157 | 37 |
| 9 | Kenya Urban Support Program- Urban Institution Grants | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 10 | Compensation for User Foregone Fee | 31,648,428 | 31,648,428 | 31,648,428 | 100 |
| 11 | DANIDA grants | 25,818,750 | 25,818,750 | 25,818,750 | 100 |
| 12 | GoK-ASDSP | 20,703,287 | 20,703,287 | 7,537,604 | 36 |
| **Sub Total** | | **1,346,024,596** | **1,346,024,596** | **926,039,659** | **69** |
| B | **Other Grants** | | | | |
| 13 | World Bank Loan for National Agricultural & Rural Inclusive Project(2017-18) | | 55,609,855 | - | - |
| **Sub Total** | | - | 55,609,855 | - | - |
| **Grand Total** | | **1,346,024,596** | **1,401,634,451** | **926,039,659** | **69** |

***Source:*** *Meru County Treasury*

During the reporting period, receipts from the grants to Level- 5 Hospital, Road Maintenance Fuel Levy Fund, World Bank Urban Development grants for Kenya Urban Support Program, Compensation for User Foregone Fee, and DANIDA grant recorded the highest performance in percentage terms, and accounted for 100 per cent of the respective annual target.

### 3.26.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.10.44 billion from the CRF account. The withdrawals represented 83.2 per cent of the Approved Supplementary Budget and translated to an increase of 23 per cent from Kshs.8.49 billion in FY 2017/18 and comprised of Kshs.2.77 billion (26.5 per cent) towards development activities and Kshs.7.68 billion (73.5 per cent) for recurrent expenditure.

### 3.26.5 Overall Expenditure Review

A total of Kshs.9.78 billion was spent on both development and recurrent activities. This expenditure represented 93.7 per cent of the total funds released from the CRF account, and was an increase of 43.8 per cent from Kshs.6.80 billion spent in FY 2017/18.

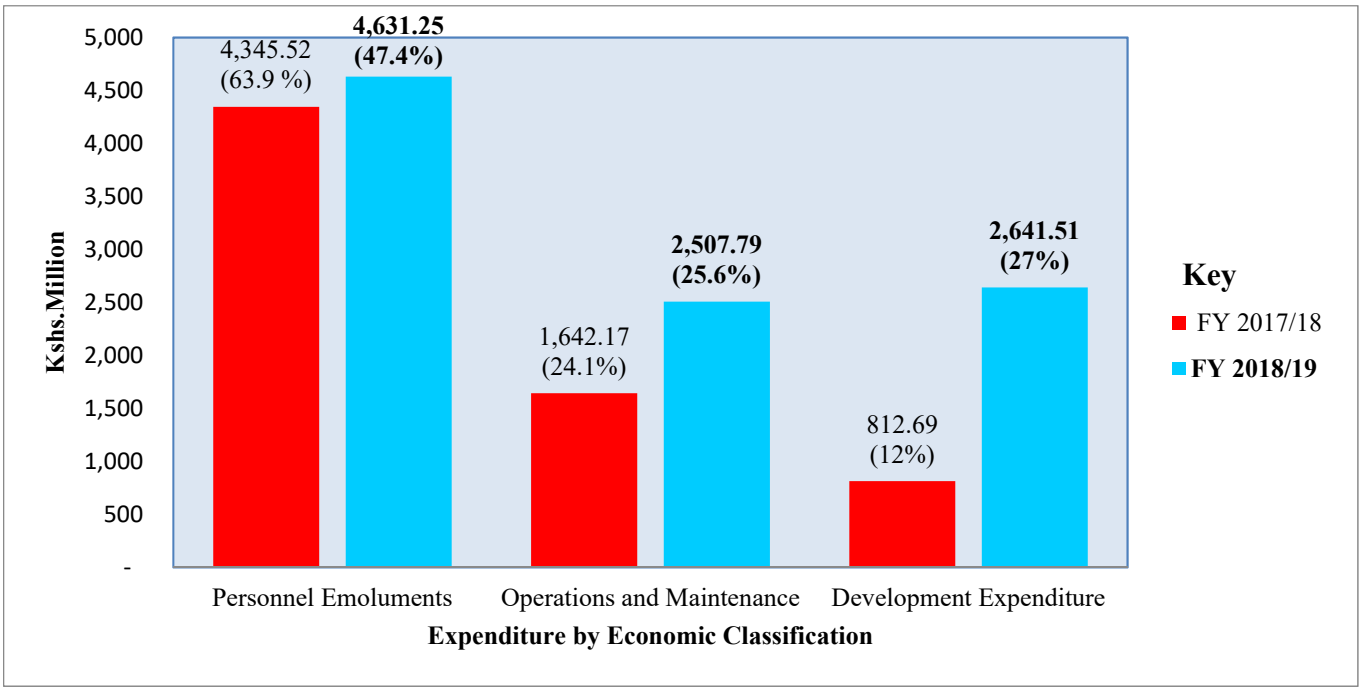
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.966.55 million for development activities and Kshs.276.81 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.64 billion while Kshs.7.14 billion was spent on recurrent activities. The development expenditure was 95.5 per cent of the funds released for development programmes, while recurrent expenditure was 93 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 56.3 per cent, which was an increase from 25.3 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.8 per cent of the annual recurrent budget, an increase from 79.6 per cent recorded in FY 2017/18.

Figure 3.103 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.103: Meru County, Expenditure by Economic Classification




***Source:*** *Meru County Treasury*

### 3.26.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.64 billion represented 56.3 per cent of the annual development expenditure estimates of Kshs.4.69 billion. Table 3.75 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.75: Meru County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Routine Maintenance of roads | County wide | 471,030,138 | 470,993,995 | 100 |
| 2 | Drilling and casing of Boreholes | County wide | 282,102,801 | 282,102,801 | 100 |
| 3 | Construction of ECDE Classes | County wide | 143,349,540 | 140,739,540 | 98 |
| 4 | Construction of County Headquarter | Headquarter | 120,000,000 | 110,000,000 | 92 |
| 5 | Construction of ward block at Meru Teaching and Referral Hospital | Municipality | 350,000,000 | 77,375,134 | 22 |
| 6 | Supply of UPVC pipes | County wide | 36,610,738 | 36,610,738 | 100 |
| 7 | Meru Youth Services training avenue | Municipality | 19,500,000 | 19,500,000 | 100 |
| 8 | CCTV installation at Meru Teaching and Referral Hospital | Municipality | 18,416,837 | 18,416,837 | 64 |
| 9 | Purchase of trucks | Buuri | 11,338,000 | 11,338,000 | 100 |
| 10 | Construction of Ngudune market | Nkubu | 10,868,963 | 10,868,963 | 100 |

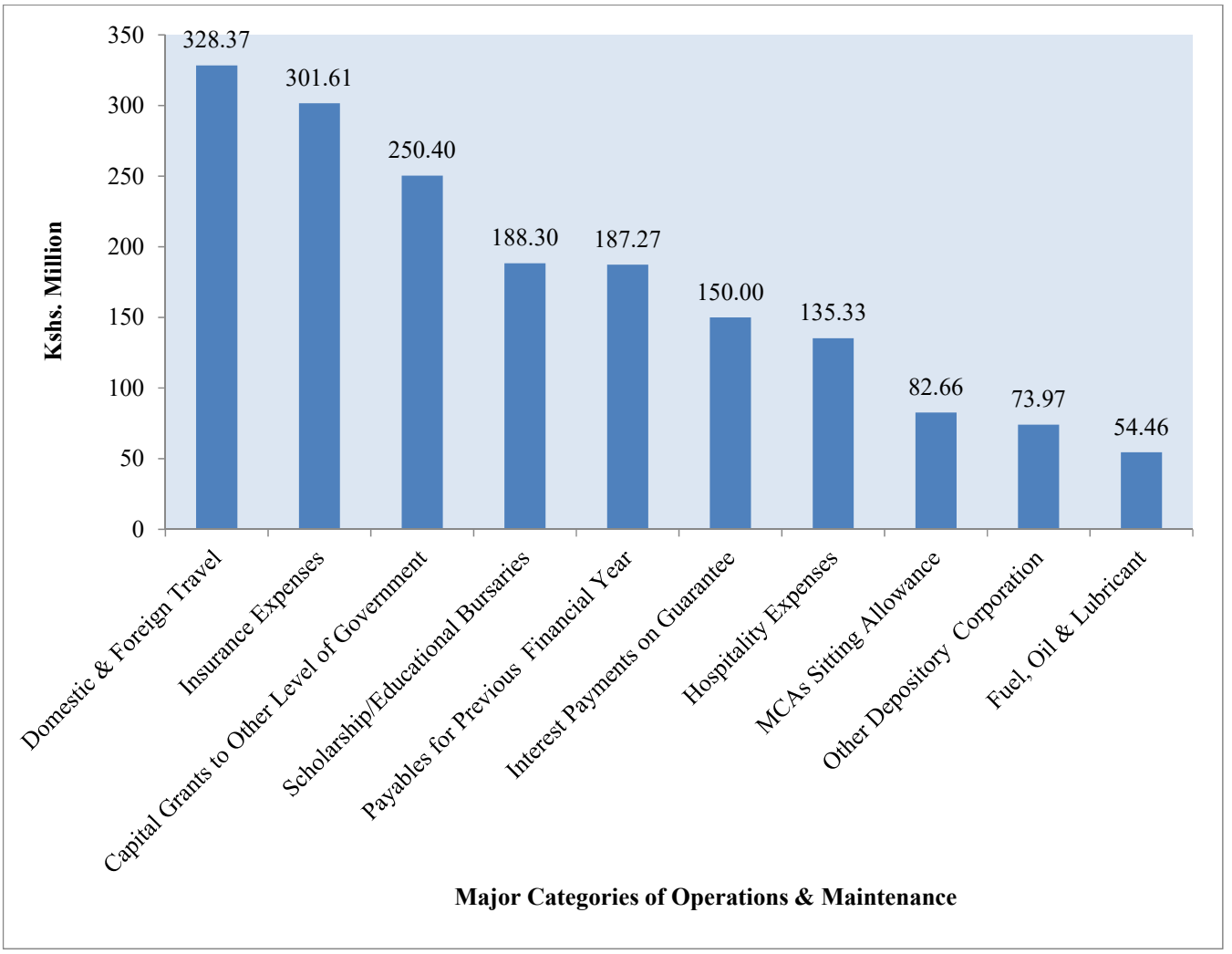
***Source:*** *Meru County Treasury*

### 3.26.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.14 billion comprised of Kshs.4.63 billion (64.8 per cent) incurred on personnel emoluments and Kshs.2.51 billion (35.2 per cent) on operations and maintenance as shown in Figure 3.103 .

Expenditure on personnel emoluments represented an increase of 6.6 per cent compared to FY 2017/18 when the County spent Kshs.4.35 billion and was 47.4 per cent of the total expenditure in FY 2018/19. Figure 3.104 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.104: Meru County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Meru County Treasury*

The County spent Kshs.82.66 million on committee sitting allowances for the 69 MCAs and Speaker against the annual budget allocation of Kshs.82.66 million. This represented an increase of 70.7 per cent compared to Kshs.48.41 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.99, 836 per MCA against the SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.328.37 million, and comprised of Kshs.260 million spent by the County Assembly and Kshs.68.37 million by the County Executive. This expenditure represented 4.6 per cent of total recurrent expenditure and was an increase of 80.9 per cent compared to Kshs.181.51 million spent in FY 2017/18.

### 3.26.8 Budget Performance by County Department

Table 3.76 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.76: Meru County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 937.22 | 82.00 | 936.67 | 4.51 | 930.31 | 4.51 | 99.3 | 100 | 99.3 | 5.5 |
| Office of the Governor | 333.71 | 5.50 | 319.78 | - | 279.44 | - | 87.4 | - | 83.7 | - |
| Finance, Economic Planning and ICT | 939.15 | 230.91 | 932.46 | 145.62 | 803.71 | 163.9 | 86.2 | 112.6 | 85.6 | 71 |
| Agriculture, Livestock and Fisheries | 360.48 | 468.04 | 336.66 | 199.32 | 355.54 | 162.63 | 105.6 | 81.6 | 98.6 | 34.7 |
| Water and Irrigation | 121.42 | 871.72 | 119.63 | 800.29 | 110.64 | 786.74 | 92.5 | 95.6 | 91.1 | 87.7 |
| Education, Technology, Gender, Culture and Social Development | 944.10 | 259.68 | 931.26 | 203.27 | 842.49 | 201.86 | 90.5 | 99.3 | 89.2 | 77.7 |
| Health Services | 2,963.91 | 645.00 | 2,931.50 | 218.13 | 2,881.86 | 164.91 | 98.5 | 75.6 | 97.2 | 25.6 |
| Lands, Physical Planning, Urban Development and Public Works | 156.63 | 340.70 | 156.49 | 184.67 | 71.25 | 166.56 | 45.5 | 90.2 | 45.5 | 48.9 |
| Public Service Administration and Legal Affairs | 698.07 | - | 628.93 | - | 608.83 | - | 96.8 | - | 87.2 | - |
| Road, Transport and Energy | 103.76 | 1,353.25 | 100.50 | 677.81 | 69.81 | 733.33 | 69.5 | 108.2 | 67.3 | 54.2 |
| Trade, Investment, Industrialization, Tourism and Cooperative Development | 99.59 | 206.37 | 86.79 | 174.36 | 82.16 | 150.83 | 94.7 | 86.5 | 82.5 | 73.1 |
| Youth Affairs and Sport | 138.67 | 156.91 | 134.31 | 111.95 | 68.26 | 98.03 | 50.8 | 87.6 | 49.2 | 62.5 |
| Public Services Board | 21.67 | - | 20.91 | - | 14.94 | - | 71.4 | - | 68.9 | - |
| Environment & Natural Resources | 44.34 | 73.32 | 42.29 | 45.15 | 19.79 | 30.20 | 46.8 | 66.9 | 44.6 | 41.2 |
| **Total** | **7,862.71** | **4,693.39** | **7,678.18** | **2,765.07** | **7,139.04** | **2,641.51** | **93.0** | **95.5** | **90.8** | **56.3** |

***Source:*** *Meru County Treasury*

Analysis of expenditure by department shows that the Department of Water and Irrigation recorded the highest absorption rate of development budget at 87.7 per cent while the Office of the Governor did not spend in its development budget. The Department of Agriculture, Livestock and Fisheries had the highest percentage of recurrent expenditure to recurrent budget at 98.6 per cent while the Department of Environment and Natural Resources had the lowest at 44.6 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 56.3 per cent compared to 25.3 per cent in FY 2017/18.
ii. Improvement in own source revenue collection by 24.5 per cent from Kshs.441.69 million in FY 2017/18 to Kshs.550.09 million in the reporting period.

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

1. A high wage bill that increased by 6.6 per cent from Kshs.4.35 billion in FY 2017/18 to Kshs.4.63 billion in the reporting period. The wage bill accounted for 47.4 per cent of total expenditure in the reporting period.
2. High expenditure on travel, which increased by 80.9 per cent from Kshs.181.51million in FY 2017/18 to Kshs.328.37 million in the reporting period.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
4. Late submission of reports on financial and non-financial performance by the County Treasury to the

Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
4. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*

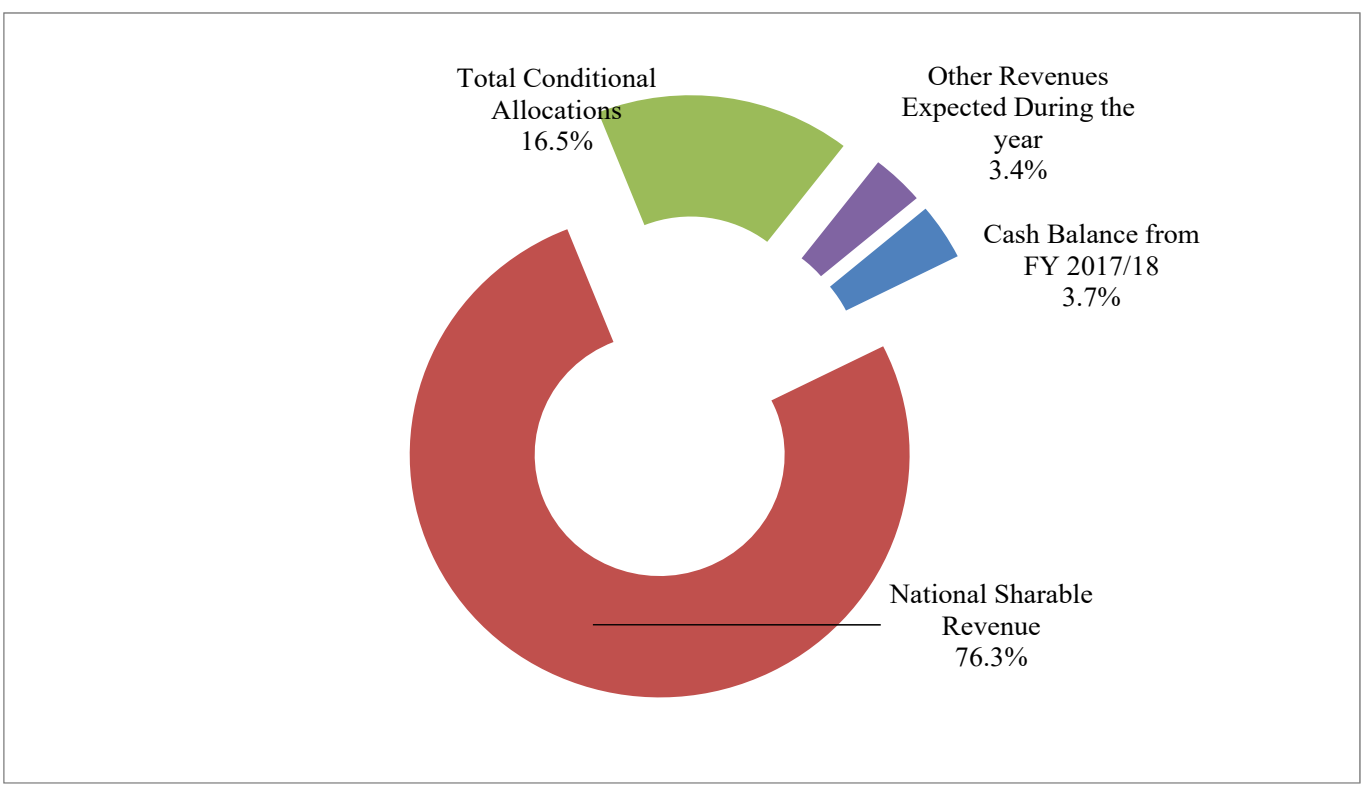
## 3.27 Migori County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.80 billion, comprising of Kshs.3.66 billion (41.6 per cent) and Kshs.5.14 billion (58.4 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.72 billion (76.3 per cent) as equitable share of the revenue raised nationally, Kshs.1.45 billion (16.5 per cent) as total conditional grants, generate Kshs.300 million (3.4 per cent) from own sources of revenue, and Kshs.328.89 million (3.7 per cent) cash balance from FY 2017/18.

**Figure 3.105: Migori County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Migori County Treasury*

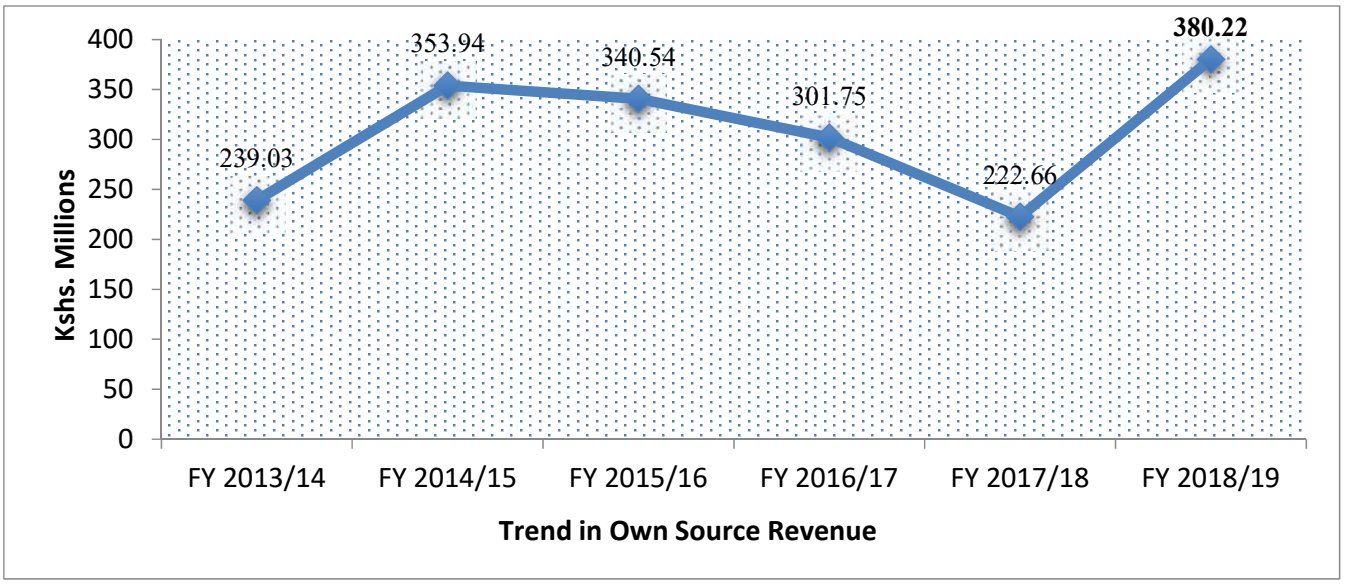
A breakdown of the conditional grants is provided in Table 3.77.

### 3.27.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.50 billion available for budget implementation. This amount consisted of Kshs.6.72 billion received as equitable share of the revenue raised nationally, Kshs.1.07 billion as conditional grants, Kshs.380.22 million generated from own sources of revenue, and a cash balance of Kshs.328.89 million from FY 2017/18.

Figure 3.106 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19

**Figure 3.106: Migori County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Migori County Treasury*

The County generated a total of Kshs.380.22 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.157.56 million compared to that realised in FY 2017/18 and was 126.7 per cent of the annual target.

### 3.27.3 Conditional Grants

During the reporting period, the County received Kshs.1.07 billion as conditional grants as shown in Table 3.77.

**Table 3.77: Migori County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grant Details | Annual Allocation-CARA, 2018)(Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 518,367,800 | 518,367,800 | 518,367,800 | 100 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 176,921,216 | 216,921,216 | 216,921,216 | 122.6 |
| 4 | IDA (World Bank) National Agriculture and Rural Inclusive Growth Project) (NARIGP) | 140,435,163 | 140,435,163 | 57,652,716 | 41.1 |
| 5 | Transforming Health Systems for Universal Care Project (World Bank) | 100,000,000 | 100,000,000 | 100,000,000 | 100 |
| 6 | EU Grant -Instruments for Devolution Advice and Support -(IDEAS) | 90,000,000 | 90,000,000 | 50,705,556 | 56.3 |

| S/No | Grant Details | Annual Allocation-CARA, 2018)(Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 7 | IDA (World Bank)-Kenya Devolution Support Programme " Level 1 grant" | 49,609,593 | 49,609,593 | 11,812,287 | 23.8 |
| 8 | IDA (World Bank ) Credit: Kenya Urban Support Project (KUSP)- Urban Institutional Grants | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 9 | Rehabilitation of Village Polytechnics | 31,750,000 | 31,750,000 | 31,750,000 | 100 |
| 10 | DANIDA- Universal Healthcare in Devolved System Programme | 21,667,500 | 21,667,500 | 21,667,500 | 100 |
| 11 | Compensation for User Fee Forgone | 21,655,884 | 21,655,884 | 21,655,884 | 100 |
| 12 | Sweden -Agriculture Sector Development Support Programme(ASDSP) II+Bal C/F 2017/2018 | 21,019,514 | 21,019,514 | - | - |
| **Grand Total** | | **1,412,626,670** | **1,452,626,670** | **1,071,732959** | **75.9** |

***Source:*** *Migori County Treasury*

During the reporting period, receipts from the Roads Maintenance Fuel Levy Fund recorded the highest performance in percentage terms, and accounted 122.6 per cent of the annual target.

### 3.27.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.86 billion from the CRF account. The withdrawals represented 89.3 per cent of the Approved Supplementary Budget and translated to increase of 14 per cent from Kshs.6.89 billion in FY 2017/18 and comprised of Kshs.2.98 billion (37.9 per cent) towards development activities and Kshs.4.88 billion (62.1 per cent) for recurrent expenditure.

### 3.27.5 Overall Expenditure Review

A total of Kshs.6.37 billion was spent on both development and recurrent activities. This expenditure represented 81 per cent of the total funds released from the CRF account, and was an increase of 7.3 per cent from Kshs.5.93 billion spent in FY 2017/18.

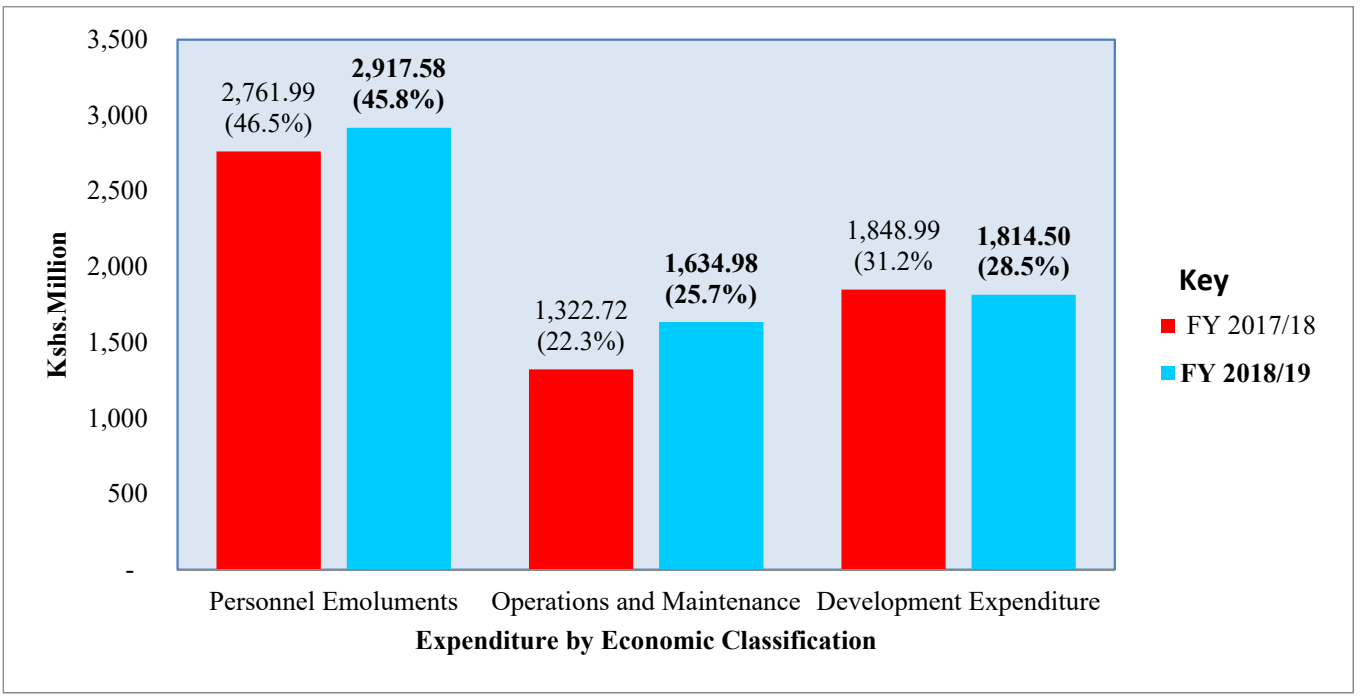
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.392 million for development activities and Kshs.596.94 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.81 billion while Kshs.4.55 billion was spent on recurrent activities. The development expenditure was 93.2 per cent of the funds released for development programmes, while recurrent expenditure was 61 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 49.6 per cent, which was a decrease from 63.6 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 88.5 per cent of the annual recurrent budget an increase, from 74.7 per cent recorded in FY 2017/18.

Figure 3.107 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.107: Migori County, Expenditure by Economic Classification




***Source**: Migori County Treasury*

### 3.27.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.81 billion represented 49.6 per cent of the annual development expenditure estimates of Kshs.3.66 billion. Table 3.78 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.78: Migori County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Upgrade to Bitumen Standard of Uriri - Oria Road | Central and North Kanyamkago Wards | 150,000,000 | 136,042,000 | 90.7 |
| 2 | Supply and Installation of Floodlights | Countywide | 59,000,000 | 58,443,500 | 99.1 |
| 3 | Construction of Awendo roads to bitument standard | Central Sakwa ward | 161,749,669 | 50,752,135 | 31.4 |
| 4 | Construction of Rongo roads to bitumen standard | Central Kamagambo ward | 164,756,963 | 47,985,413 | 29 |
| 5 | Construction of Ombo modern market | Suna Central Ward | 82,910,116 | 34,655,775 | 42 |
| 6 | Construction of Awendo recreation park | South Sakwa ward | 56,912,624 | 27,862,539 | 49 |
| 7 | Supply of tissue Culture banana seedlings | County wide | 19,360,000 | 19,360,000 | 100 |
| 8 | Integrated Plan for Migori Town | County Headquarters | 44,972,838 | 17,561,164 | 100 |
| 9 | Construction of Amenity ward at Migori County Referral Hospital | Suna Central Ward | 22,745,784 | 16,990,456 | 75 |
| 10 | Rehabilitation of Migori water supply (Ombo bore hole) | Suna Central Ward | 14,636,400 | 14,636,400 | 100 |

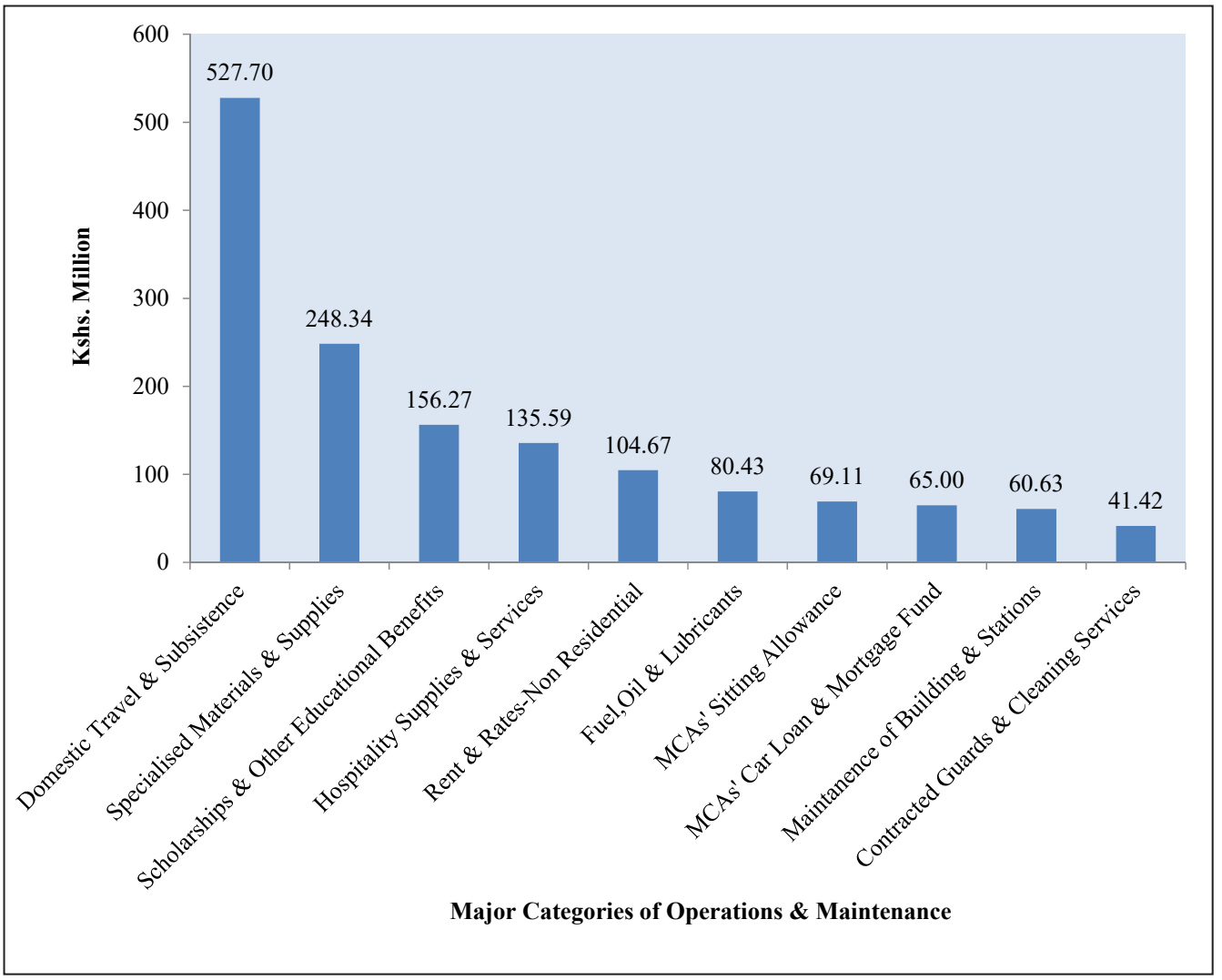
***Source:** Migori County Treasury*

### 3.27.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.55 billion comprised of Kshs.2.91 billion (64.1 per cent) incurred on personnel emoluments and Kshs.1.63 billion (35.9 per cent) on operations and maintenance as shown in Figure 3.107.

Expenditure on personnel emoluments represented increase of 5.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.76 billion and was 45.8 per cent of the total expenditure in FY 2018/19. Figure 3.108 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.108: Migori County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Migori County Treasury*

The County spent Kshs.69.11 million on committee sitting allowances for the 57 MCAs and Speaker although there was no budget allocation. This represented an increase of 89.4 per cent compared to Kshs.36.49 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.101,036 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.562.70 million, and comprised of Kshs.119.44 million spent by the County Assembly and Kshs.443.26 million by the County Executive. This expenditure represented 12.4 per cent of total recurrent expenditure and was increase of 28.1 per cent compared to Kshs.439.43 million spent in FY 2017/18.

### 3.27.8 Budget Performance by County Department

Table 3.79 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.79: Migori County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Fisheries, Livestock and Veterinary | 207.24 | 385.75 | 251.65 | 191.40 | 199.40 | 90.75 | 79.2 | 47.4 | 96.2 | 23.5 |
| County Assembly | 828.13 | 100.00 | 828.13 | 100 | 828.08 | 56.56 | 100 | 56.6 | 100 | 56.6 |
| County Executive | 451.93 | 188.70 | 356 | 0.53 | 301.20 | 81.28 | 84.6 | 15,335.8 | 66.6 | 43.1 |
| Education, Youth, Sports ,Culture and Social Services | 332.82 | 131.69 | 266.41 | 131.69 | 294.20 | 53.39 | 110.4 | 40.5 | 88.4 | 40.5 |
| Finance and Economic Planning | 594.40 | 8.00 | 581.32 | 8 | 580.05 | 1.96 | 99.8 | 24.5 | 97.6 | 24.5 |
| Health | 1,648.38 | 449.50 | 1,663.35 | 194.50 | 1,640.97 | 95.03 | 98.7 | 48.9 | 99.6 | 21.1 |
| Lands, Physical planning and Housing | 105.49 | 612.49 | 85.04 | 610.94 | 60.79 | 280.64 | 71.5 | 45.9 | 57.6 | 45.8 |
| Management Environment ,Natural Resources and Disaster Management | 204.19 | 5.00 | 135.25 | 13.64 | 75.81 | 20.35 | 56.1 | 149.2 | 37.1 | 407 |
| Public Service Management | 549.40 | 135.03 | 499.68 | 135.02 | 423.29 | 112.07 | 84.7 | 83.0 | 77 | 83 |
| Roads, Transport and Public works | 59.34 | 1,247.66 | 59.33 | 1,246.60 | 53.64 | 754 | 90.4 | 60.5 | 90.4 | 60.4 |
| Trade, Tourism and Cooperative Development | 71.56 | 69.63 | 69.52 | 69.63 | 50.95 | 5.59 | 73.3 | 8 | 71.2 | 8 |
| Water and Energy | 88.81 | 326.11 | 88.80 | 273.92 | 44.45 | 262.86 | 50.1 | 96.0 | 50.1 | 80.6 |
| **Total** | **5,142** | **3,660** | **4,884** | **2,976** | **4,553** | **1,814** | **93.2** | **61** | **88.5** | **49.6** |

***Source**: Migori County Treasury*

Analysis of expenditure by department shows that the Department of Management Environment Natural Resources and Disaster Management recorded the highest absorption rate of development budget at 407 per cent while the Department of Trade, Tourism and Cooperative Management recorded the lowest at 8 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Management Environment Natural Resources and Disaster Management had the lowest at 37.1 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. The progress made included:

i. Improvement in own source revenue collection by 70.8 per cent from Kshs.222.66 million collected in FY 2017/18 to Kshs.380.22 million collected in the period under review.

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

1. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012
2. High expenditure on domestic travel, which increased by 23 per cent from Kshs.428.51 million in FY 2017/18 to Kshs.527.70 million in the reporting period
3. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 49.6 per cent compared to 68.6 per cent in FY 2017/18.

4. A high wage bill that increased by 5.6 per cent from Kshs.2.76 billion in FY 2017/18 to Kshs.2.91 billion in the reporting period. The wage bill accounted for 45.8 per cent of total expenditure in the reporting period.
5. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Management Environment, Natural Resources and Disaster Management. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County should identify and address issues that cause delays in the implementation of development projects.*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations.*
5. *The County Treasury should ensure expenditure is within the approved budget.*

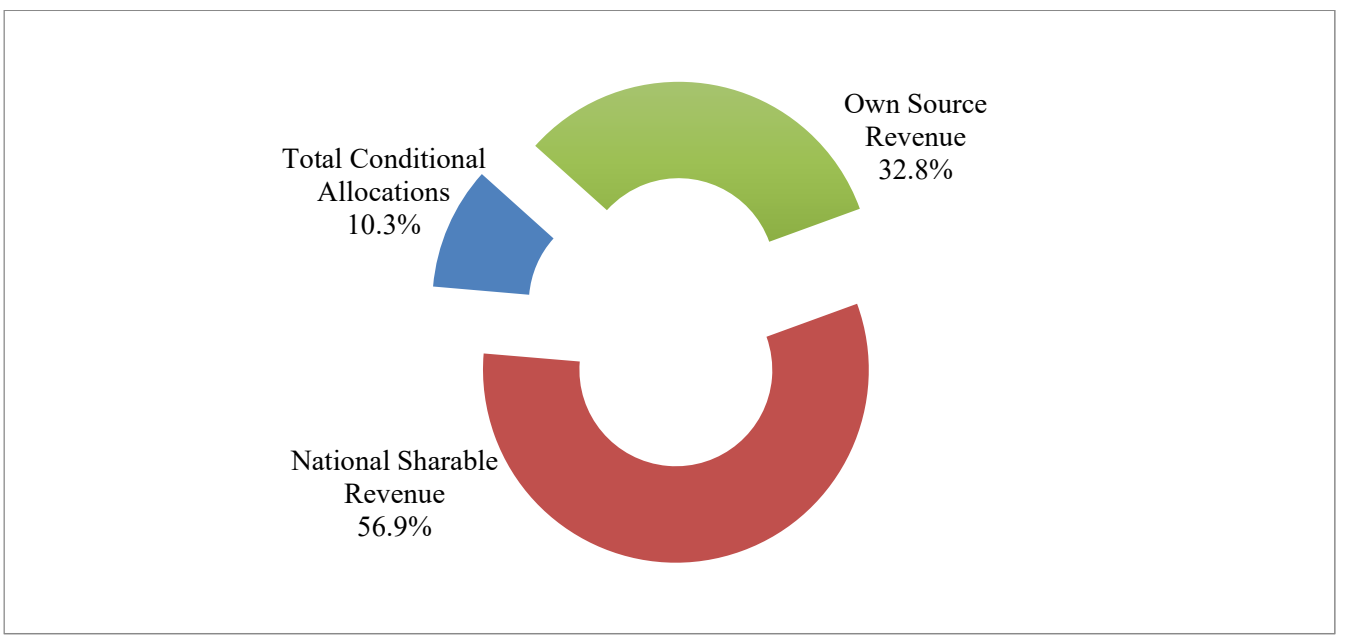
## 3.28 Mombasa County

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

The County's FY 2018/19 Supplementary Budget was Kshs.14.46 billion, comprising of Kshs.4.34 billion (30 per cent) and Kshs.10.11 billion (70 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.23 billion (56.9 per cent) as equitable share of the revenue raised nationally, Kshs.1.49 billion (10.3 per cent) as total conditional grants, generate Kshs.4.74 billion (32.8 per cent) from own sources of revenue.

**Figure 3.109: Mombasa County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Mombasa County Treasury*

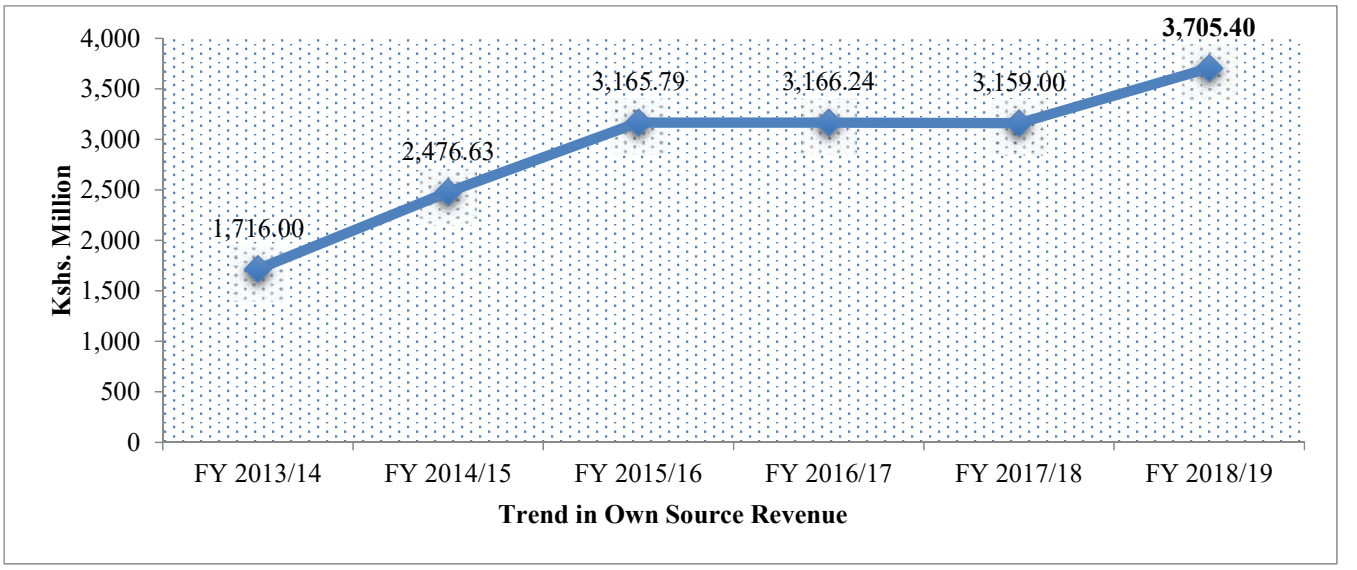
A breakdown of the conditional grants is provided in Table 3.80.

### 3.28.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.12.65 billion available for budget implementation. This amount consisted of Kshs.8.23 billion received as equitable share of the revenue raised nationally, Kshs.722.63 million as conditional grants, and generated Kshs.3.71 billion from own sources of revenue.

Figure 3.110 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.110: Mombasa County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Mombasa County Treasury*

The County generated a total of Kshs.3.71 billion from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.545.6 million compared to that realised in FY 2017/18 and was 78.1 per cent of the annual target.

### 3.28.3 Conditional Grants

During the reporting period, the County received Kshs.722.63 million as conditional grants as shown in Table 3.80.

**Table 3.80: Mombasa County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Grants to Level- 5 Hospital | 388,439,306 | 600,000,000 | 388,439,306 | 100 |
| 2 | Supplement for Construction of County Headquarters | - | 388,439,306 | - | - |
| 3 | Compensation for User Fee Foregone | 23,385,934 | 216,604,479 | 23,385,934 | 100 |
| 4 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 5 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | - | 103,142,787 | - | - |
| 6 | Road Maintenance Fuel Levy | 216,604,479 | 50,000,000 | 255,997,699 | 118.2 |
| 7 | Transforming Health Systems for Universal Care Project (World Bank) | 50,000,000 | 39,895,000 | 27,473,711 | 54.9 |
| 8 | Rehabilitation of Village Polytechnics | 39,895,000 | 35,591,582 | - | - |
| 9 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP) | - | 30,697,405 | - | - |
| 10 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 53,333,725 | 23,385,934 | - | - |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 11 | DANIDA - Universal Healthcare in Devolved System Programme | 27,337,500 | - | 27,337,500 | - |
| **Grand Total** | | **998,995,944** | **1,487,756,493** | **722,634,150** | **72.3** |

***Source:*** *Mombasa County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy Fund recorded the highest performance in percentage terms, and accounted 118.2 per cent of the annual target.

### 3.28.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.12.39 billion from the CRF account. The withdrawals represented 85.8 per cent of the Approved Supplementary Budget and translated to an increase of 17.3 per cent from Kshs.10.57 billion in FY 2017/18 and comprised of Kshs.3.41 billion (27.5 per cent) towards development activities and Kshs.8.99 billion (72.5 per cent) for recurrent expenditure.

### 3.28.5 Overall Expenditure Review

A total of Kshs.12.64 billion was spent on both development and recurrent activities. This expenditure represented 101.1 per cent of the total funds released from the CRF account, and was an increase of 21.6 per cent from Kshs.10.30 billion spent in FY 2017/18.

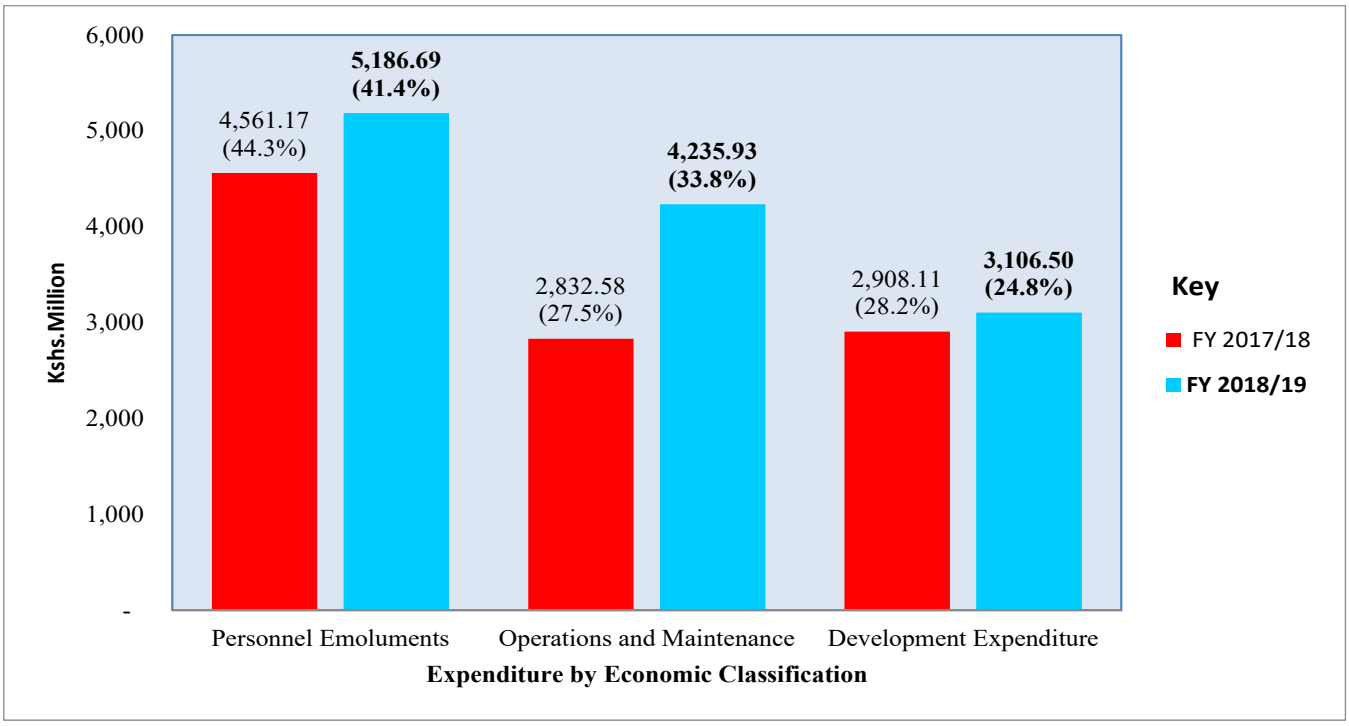
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.762.79 million for development activities and Kshs.3.26 billion for recurrent costs.

Expenditure on development programmes amounted to Kshs.3.11 billion while Kshs.9.53 billion was spent on recurrent activities. The development expenditure was 91.1 per cent of the funds released for development programmes, while recurrent expenditure was 104.8 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 71.5 per cent, which was a decrease from 76 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 93.2 per cent of the annual recurrent budget, a decrease from 83.9 per cent recorded in FY 2017/18.

Figure 3.111 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.111: Mombasa County, Expenditure by Economic Classification




***Source:*** *Mombasa County Treasury*

### 3.28.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.11 billion represented 71.5 per cent of the annual development expenditure estimates of Kshs.4.34 billion. Table 3.81 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.81: Mombasa County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S / No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Water and Sanitation Development Project | Mvita | 600,000,000 | 10,000,000 | 24.2 |
| 2 | Supply of Trucks | Mvita | 102,000,000 | 24,655,172 | 55.6 |
| 3 | Development of Mombasa County Stadium | Bondeni | 65,000,000 | 36,171,557 | 55.6 |
| 4 | Construction of Street Light Masts | Countywide | 42,000,000 | 36,635,775 | 87.2 |
| 5 | Purchase of High Density Fibre Fishing Boats | Kisauni | 53,000,000 | 28,547,326 | 53.9 |
| 6 | Purchase of Fire Engine | Majengo | 25,000,000 | 23,706,896 | 94.8 |
| 7 | Kongowea Storm Water Drainage Project | Kongowea | 9,626,707 | 9,128,774 | 94.8 |
| 8 | Chaani Storm Water Project | Chaani | 9,017,248 | 8,550,839 | 94.8 |
| 9 | Routine Maintenance of Meru-Mwamba-Bokole Drive Road | Mvita | 9,007,491 | 8,541,586 | 94.8 |
| 10 | Routine Maintenance of Mwamba Drive-1st Avenue Access | Mvita | 8,880,040 | 8,420,727 | 94.8 |

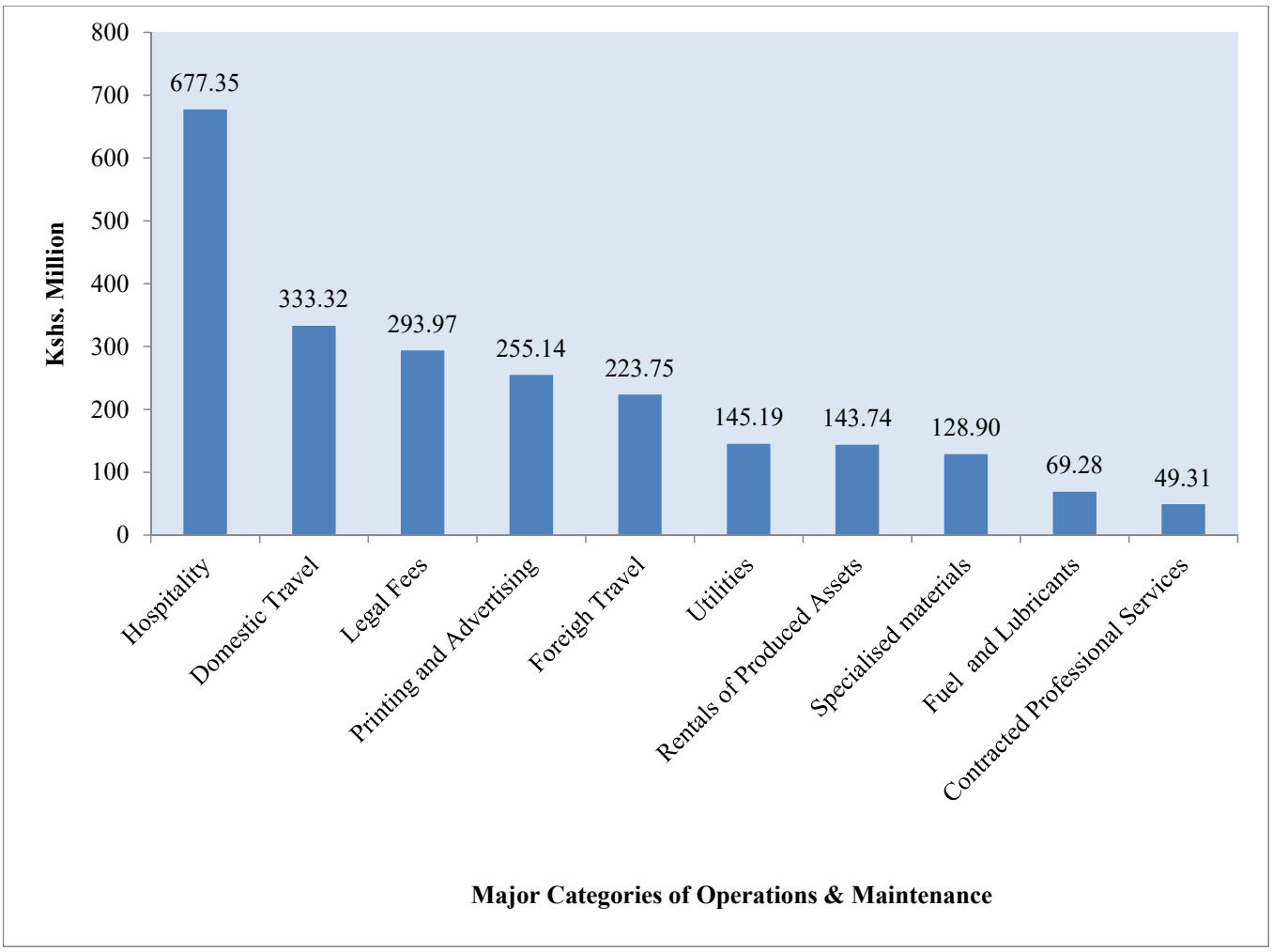
***Source:*** *Mombasa County Treasury*

### 3.28.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.9.42 billion comprised of Kshs.5.19 billion (55.1 per cent) incurred on personnel emoluments and Kshs.4.24 billion (44.9 per cent) on operations and maintenance as shown in Figure 3.111 .

Expenditure on personnel emoluments represented an increase of 13.7 per cent compared to FY 2017/18 when the County spent Kshs.4.56 billion and was 41.4 per cent of the total expenditure in FY 2018/19. Figure 3.112 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.112: Mombasa County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Mombasa County Treasury*

The County spent Kshs.35.11 million on committee sitting allowances for the 43 MCAs and Speaker against the annual budget allocation of Kshs.43.71 million. This represented an increase of 44.6 per cent compared to Kshs.24.28 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.68,061 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.557.18 million, and comprised of Kshs.6.19 million spent by the County Assembly and Kshs.550.98 million by the County Executive. This expenditure represented 5.9 per cent of total recurrent expenditure and was an increase of 118.3 per cent compared to Kshs.255.18 million spent in FY 2017/18.

### 3.28.8 Budget Performance by County Department

Table 3.82 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.82: Mombasa County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive | 392.85 | 8.92 | 411.63 | 1.38 | 357.39 | 7.31 | 86.8 | 529.7 | 91 | 82 |
| County Assembly | 707.11 | - | 631.78 | - | 177.16 | - | 28 | - | 25.1 | - |
| Public Service Board | 97.28 | 4.51 | 103.22 | | 75.89 | 4.29 | 73.5 | - | 78 | 95.1 |
| Finance and Economic Planning | 2,203.65 | 572.18 | 1,901.63 | 581.60 | 2,162.05 | 559.38 | 113.7 | 96.2 | 98.1 | 97.8 |
| Energy, Environment and Waste Management | 571.43 | 257.53 | 521.86 | 114.68 | 527.76 | 209.64 | 101.1 | 182.8 | 92.4 | 81.4 |
| Education | 477.62 | 97.24 | 403.11 | 30.53 | 380.17 | 54.12 | 94.3 | 177.3 | 79.6 | 55.7 |
| Health | 2,469.81 | 116.56 | 2,493.55 | 63.74 | 2,931.48 | 100.77 | 117.6 | 158.1 | 118.7 | 86.5 |
| Water and Sanitation | 69.28 | 600.00 | 82.44 | 35.96 | 52.73 | 15.56 | 64.0 | 43.3 | 76.1 | 2.6 |
| Youth, Gender and Sports | 203.33 | 147.48 | 169.6 | 188.29 | 184.98 | 92.45 | 109.1 | 49.1 | 91 | 62.7 |
| Trade and Cooperative Development | 483.85 | 146.52 | 341.82 | 108.28 | 376.26 | 99.94 | 110.1 | 92.3 | 77.8 | 68.2 |
| Lands, Housing and Physical Planning | 150.70 | 244.15 | 133.29 | 113.66 | 124.69 | 184.37 | 93.5 | 162.2 | 82.7 | 75.5 |
| Transport and Infrastructure Development | 452.15 | 1,915.74 | 321.23 | 2,036.78 | 427.48 | 1,589.46 | 133. | 78 | 94.5 | 83 |
| Agriculture and Fisheries Development | 208.84 | 172.55 | 189.39 | 130.36 | 190.93 | 132.81 | 100.8 | 101.9 | 91.4 | 77 |
| Devolution | 1,625.21 | 60.60 | 1,283.29 | 5.38 | 1,565.33 | 56.38 | 122.0 | 1,048 | 96.3 | 93 |
| **Total** | **10,113** | **4,344** | **8,988** | **3,411** | **9,534** | **3,106** | **104.8** | **91.1** | **94.3** | **71.5** |

***Source:*** *Mombasa County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 97.8 per cent while the department of Water and Sanitation recorded the lowest at 2.6 per cent. The Department of Health had the highest percentage of recurrent expenditure to recurrent budget at 118.7 per cent while the County Assembly had the lowest at 25.1 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. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 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. A high wage bill that increased by 13.7 per cent from Kshs.4.56 billion in FY 2017/18 to Kshs.5.19 billion in the reporting period. The wage bill accounted for 41.4 per cent of total expenditure in the reporting period.
2. Delayed disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. High expenditure on foreign and domestic travel, which increased by118.3 per cent from Kshs.255.18 million in FY 2017/18 to Kshs.557.18 million in the reporting period.
4. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Health. This is contrary to Section 135 and 154 of PFM Act, 2012.

The County should implement the following measures 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 should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
3. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
4. *The County Treasury should ensure expenditure is within the approved budget.*

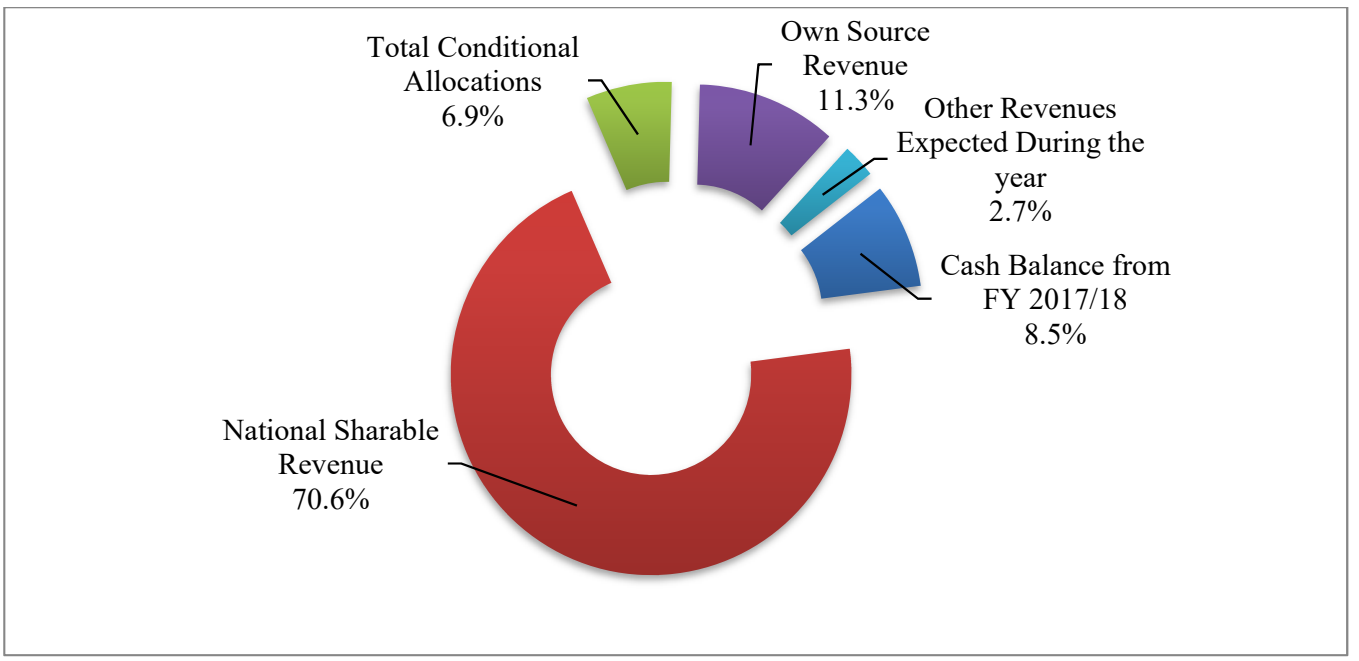
## 3.29 Murang'a County

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

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.85 billion, comprising of Kshs.3.59 billion (40.5 per cent) and Kshs.5.26 billion (59.5 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.25 billion (70.6 per cent) as equitable share of the revenue raised nationally, Kshs.613.44 million ( 6.9 per cent) as total conditional grants, generate Kshs.1 billion (11.3 per cent) from own sources of revenue, and Kshs.750 million (8.5 per cent) cash balance from FY 2017/18. The County also budgeted to received Kshs.40 million as Ad Valorem Levy, and Kshs.13.15 million for Agricultural Sector Development Support which were not contained in CARA, 2018.

**Figure 3.113: Murang'a County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Murang'a County Treasury*

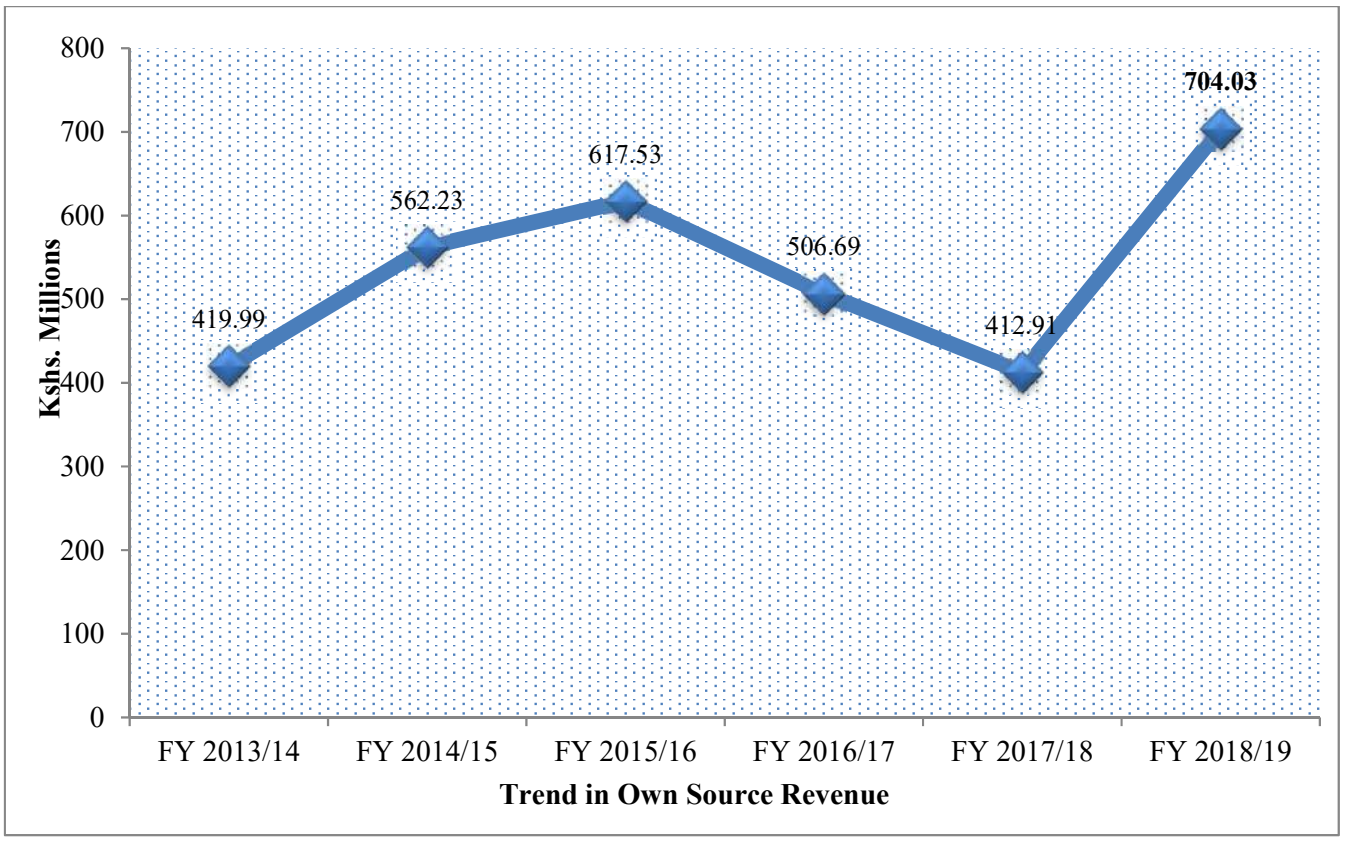
A breakdown of the conditional grants is provided in Table 3.83.

### 3.29.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.37 billion available for budget implementation. This amount consisted of Kshs.6.25 billion received as equitable share of the revenue raised nationally, Kshs.389.19 million as conditional grants, Kshs.704.03 million generated from own sources of revenue, and a cash balance of Kshs.1.03 billion from FY 2017/18.

Figure 3.114 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.114: Murang'a County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Murang'a Treasury*

The County generated a total of Kshs.704.03 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.291.12 million compared to that realised in FY 2017/18 and was 70.4 per cent of the annual target respectively.

### 3.29.3 Conditional Grants

During the reporting period, the County received Kshs.389.19 billion as conditional grants as shown in Table 3.83.

**Table 3.83: Murang'a County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual receipts in the FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 164,520,196 | 164,520,196 | 164,520,196 | 100 |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 48,244,593 | 48,244,593 | - | - |
| 4 | Agricultural Sector development support programme (ASDSP) | 19,046,832 | - | 6,934,526 | 36 |
| 5 | DANIDA Grant | 20,756,250 | 20,756,250 | 20,756,250 | 100 |
| 6 | Kenya Urban Support Project (KUSP) | 62,437,600 | 62,437,600 | 62,437,600 | 100 |
| 7 | Development of Youth Polytechnics | 65,710,000 | 65,710,000 | - | - |
| 8 | Compensation for User Fee Foregone | 20,138,691 | 20,138,691 | 20,138,691 | 100 |

| S/No | Grants | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual receipts in the FY 2018/19 (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 9 | World Bank Loan for Transforming Health System for universal Care Project | 50,000,000 | 50,000,000 | 23,120,327 | 46 |
| 10 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 140,435,163 | 50,078,476 | 36 |
| 11 | IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant plus balance carried forward in FY 2017/8 | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| **Sub Total** | | **832,489,325** | **613,442,493** | **389,186,066** | **47** |
| B | **Other Grants** | | | | |
| 12 | Ad valorem Levy | - | 40,013,000 | - | - |
| 13 | Agricultural Sector development Support | - | 13,153,855 | - | - |
| **Sub Total** | | **-** | **53,166,855** | **-** | **-** |
| **Grand Total** | | **832,489,325** | **666,609,348** | **389,186,066** | **47** |

***Source:*** *Murang'a County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy Fund, DANIDA grant, Kenya Urban Support Project (KUSP), Compensation for User Fee Foregone, IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant conditional grants recorded the highest performance in percentage terms, and accounted for 100 per cent of the annual target respectively.

### 3.29.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.97 billion from the CRF account. The withdrawals represented 90 per cent of the Approved Supplementary Budget and translated to an increase of 22.6 per cent from Kshs.6.50 billion in FY 2017/18 and comprised of Kshs.3.04 billion (38.2 per cent) towards development activities and Kshs.4.93 billion (61.8 per cent) for recurrent expenditure.

### 3.29.5 Overall Expenditure Review

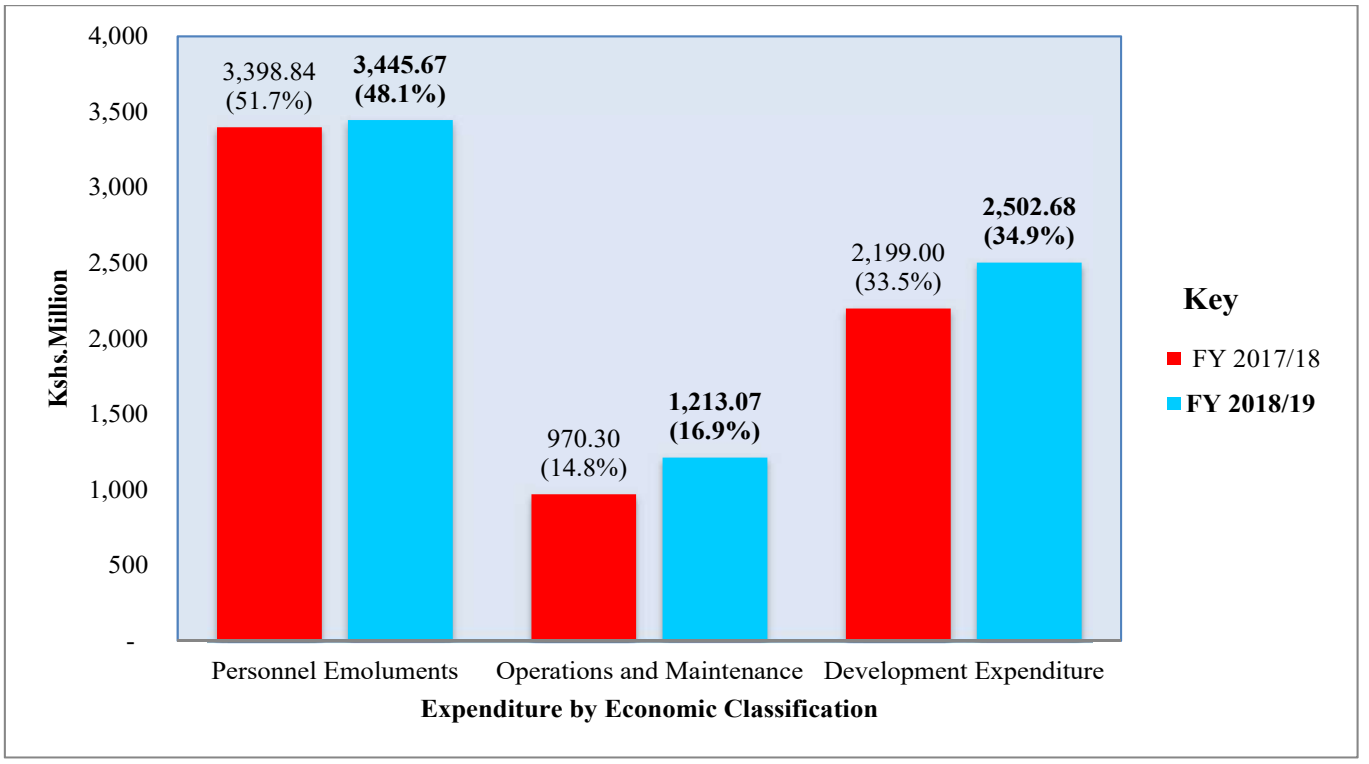
A total of Kshs.7.16 billion was spent on both development and recurrent activities. This expenditure represented 89.9 per cent of the total funds released from the CRF account, and was an increase of 9 per cent from Kshs.6.57 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.317.80 million for development activities and Kshs.39.52 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.50 billion while Kshs.4.66 billion was spent on recurrent activities. The development expenditure was 82.3 per cent of the funds released for development programmes, while recurrent expenditure was 94.6 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 69.7 per cent, which was a decrease from 72.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 88.5 per cent of the annual recurrent budget, an increase from 82.7 per cent recorded in FY 2017/18. Figure 3.115 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.115: Murang'a County, Expenditure by Economic Classification




***Source:*** *Murang'a County Treasury*

### 3.29.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.50 billion represented 69.7 per cent of the annual development expenditure estimates of Kshs.3.59 billion. Table 3.84 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.84: Murang'a County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Maintenance of Access Roads | County Wide | 550,000,000 | 550,000,000 | 100 |
| 2 | Food and Nutrition Security Programme | County Wide | 186,000,000 | 185,000,000 | 99.5 |
| 3 | Opening of Access Roads | County Wide | 42,000,000 | 42,000,000 | 100 |
| 4 | Grading of Access Roads | All Wards | 40,000,000 | 40,000,000 | 100 |
| 5 | Construction of Bridges/ Footbridges and Box Culvert | 10 Wards | 30,000,000 | 30,000,000 | 100 |
| 6 | Avocado support project | County Wide | 50,000,000 | 26,800,000 | 53.6 |
| 7 | Cabro Works | Kiria-ini and Murang'a | 20,000,000 | 20,000,000 | 100 |
| 8 | Improvement of waste disposal sites | Kangema and Kiharu | 8,500,000 | 8,500,000 | 100 |
| 9 | Firefighting and rescue equipment | Murang'a Kenol and Kangari | 10,000,000 | 5,950,000 | 59.5 |
| 10 | Dairy Breeding/Cow Ownership | County Wide | 10,000,000 | 5,000,000 | 100 |

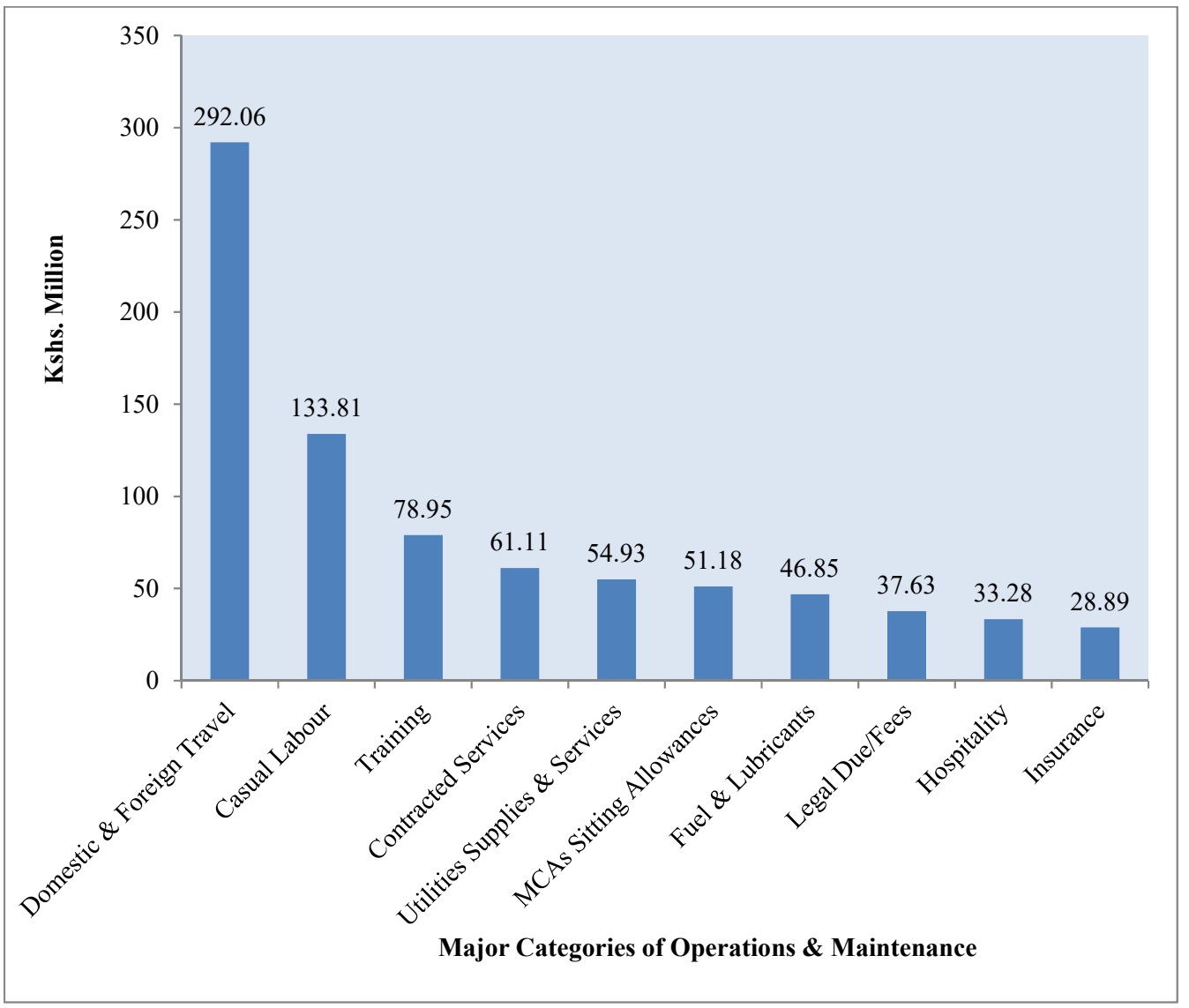
***Source:*** *Murang'a County Treasury*

### 3.29.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.66 billion comprised of Kshs.3.45 billion (74 per cent) incurred on personnel emoluments and Kshs.1.21 billion (26 per cent) on operations and maintenance as shown in Figure 3.115.

Expenditure on personnel emoluments represented an increase of 1.4 per cent compared to FY 2017/18 when the County spent Kshs.3.40 billion and was 48.1 per cent of the total expenditure in FY 2018/19 Figure 3.116 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.116: Murang'a County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source*:** *Murang'a County Treasury*

The County spent Kshs.51.18 million on committee sitting allowances for the 54 MCAs and Speaker against the annual budget allocation of Kshs.66.96 million. This represented an increase of 86.4 per cent compared to Kshs.27.46 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.78,977 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.292.06 million, and comprised of Kshs.170.17 million spent by the County Assembly and Kshs.121.88 million by the County Executive. This expenditure represented 6.3 per cent of total recurrent expenditure and was an increase of 36.6 per cent compared to Kshs.213.77 million spent in FY 2017/18.

### 3.29.8 Budget Performance by County Department

Table 3.85 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.85: Murang'a County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation in (Kshs. Million) | | Exchequer Issues in (Kshs. Million) | | Expenditure in (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 786.38 | 50.00 | 595 | 32 | 643.79 | 22.81 | 108.2 | 71.3 | 81.9 | 45.6 |
| Governorship, County Coordination and Administration | 367.78 | - | 341.92 | - | 305.09 | - | 89.2 | - | 83 | - |
| Finance, Information Technology | 247.30 | 19.16 | 188.45 | 2.01 | 178.76 | 7.41 | 94.9 | 369.4 | 72.3 | 38.7 |
| Agriculture, Livestock and Fisheries | 207.09 | 695.30 | 205.04 | 582.00 | 192.78 | 412.13 | 94 | 70.8 | 93.1 | 59.3 |
| Energy, Transport and Infrastructure | 98.44 | 1,104.06 | 98.24 | 966.74 | 82.35 | 955.74 | 83.8 | 98.9 | 83.7 | 86.6 |
| Health and Sanitation | 2,137.28 | 1,020.58 | 2,131.26 | 942.82 | 2,083.72 | 810.81 | 97.8 | 86 | 97.5 | 79.4 |
| Commerce, Trade, Industry and Tourism | 24.35 | 199.91 | 24.03 | 159.62 | 16.89 | 132.72 | 70.3 | 83.2 | 69.4 | 66.4 |
| Lands, Housing and Physical Planning | 60.56 | 102.94 | 20.26 | 69.11 | 21.36 | 2.89 | 105.4 | 4.2 | 35.3 | 2.8 |
| Public Service Administration | 885.09 | - | 884.09 | - | 725.19 | - | 82 | - | 81.9 | - |
| Youth, Culture, Gender, Social Services & Cooperatives | 103.19 | 90.35 | 102.03 | 27.02 | 85.26 | 64.75 | 83.6 | 239.6 | 82.6 | 71.7 |
| Education and Technical Training | 293.75 | 293.78 | 290.67 | 256.99 | 288.05 | 88.02 | 99.1 | 34.2 | 98.1 | 30 |
| Environment & Natural Resources | 17.70 | 12.50 | 17.50 | 4.40 | 10.36 | 5.40 | 59.2 | 122.7 | 58.5 | 43.2 |
| Public Service Board | 33.30 | - | 27.94 | - | 25.11 | - | 89.9 | - | 75.4 | - |
| **TOTAL** | **5,262.20** | **3,588.58** | **4,926.43** | **3,042.71** | **4,658.74** | **2,502.68** | **94.6** | **82.3** | **88.5** | **69.7** |

*Source: Murang'a County Treasury*

Analysis of expenditure by department shows that the Department of Energy, Transport and Infrastructure recorded the highest absorption rate of development budget at 86.6 per cent while the Department of Lands, Housing and Physical Planning recorded the lowest at 2.8 per cent. The Department of Education and Technical Training had the highest percentage of recurrent expenditure to recurrent budget at 98.1 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 35.3 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 own revenue collection by 170.5 per cent from Kshs.412.91 million in FY 2017/18 to Kshs.704.03 million in the reporting period.

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

1. A high wage bill that increased by 1.4 per cent from Kshs.3.40 billion in FY 2017/18 to Kshs.3.45 billion in the reporting period. The wage bill accounted for 48.1 per cent of total expenditure in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
4. Failure by the County to provide a comprehensive report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.2.50 billion during the

reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of 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.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *The County Treasury should provide complete reports on status of implemented development projects in line with Section 166 of the PFM Act, 2012.*

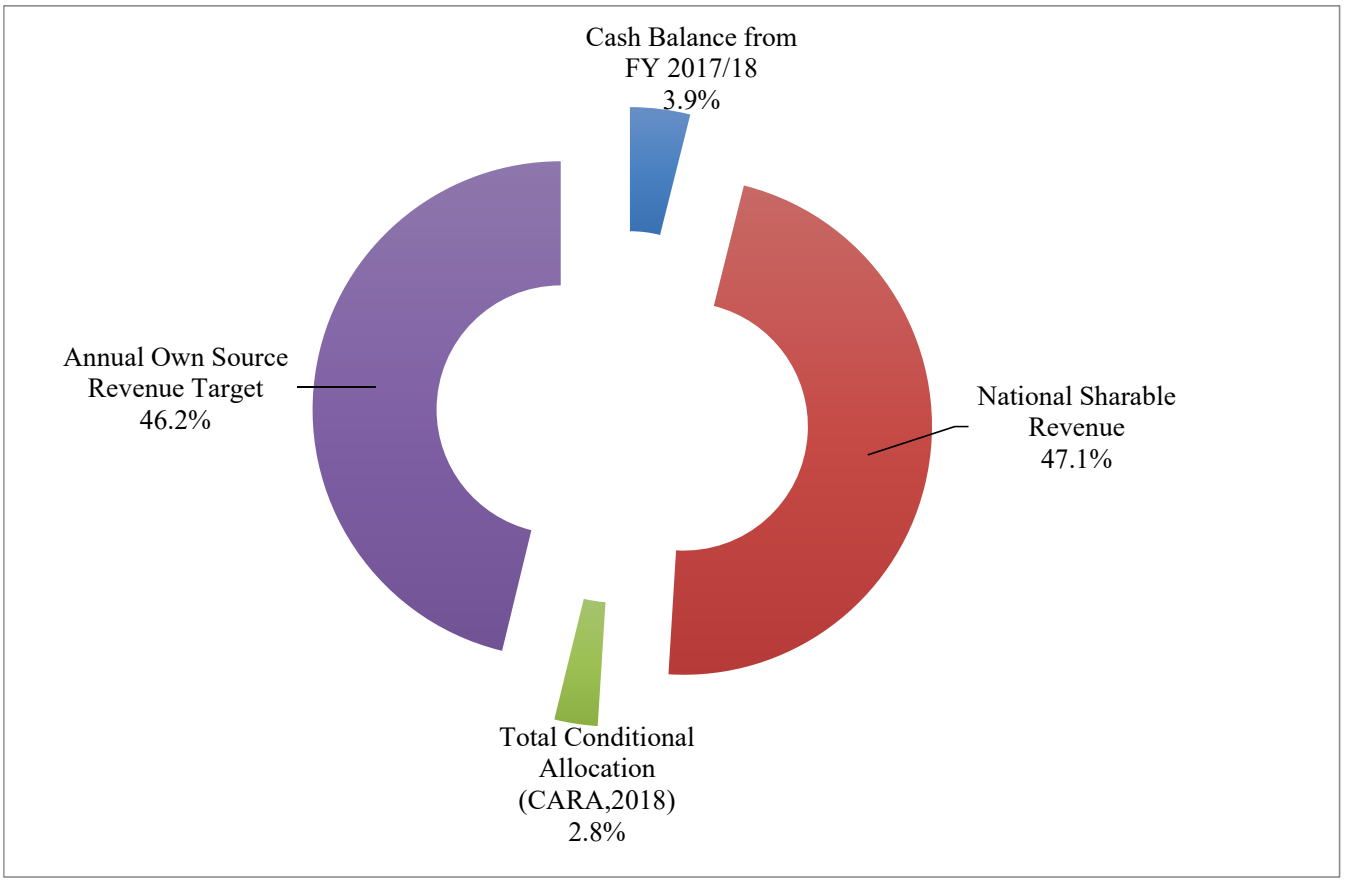
## 3.30 Nairobi City County

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

The County's FY 2018/19 Supplementary Budget was Kshs.33.34 billion, comprising of Kshs.7.48 billion (22.4 per cent) and Kshs.25.87 billion (77.6 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.15.79 billion (46.2 per cent) as equitable share of the revenue raised nationally, Kshs.744.99 billion (2.8 per cent) as total conditional grants, generate Kshs.15.50 billion (47.1 per cent) from own sources of revenue, and Kshs.1.31 billion (3.9 per cent) cash balance from FY 2017/18.

**Figure 3.117: Nairobi City County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Nairobi City County Treasury*

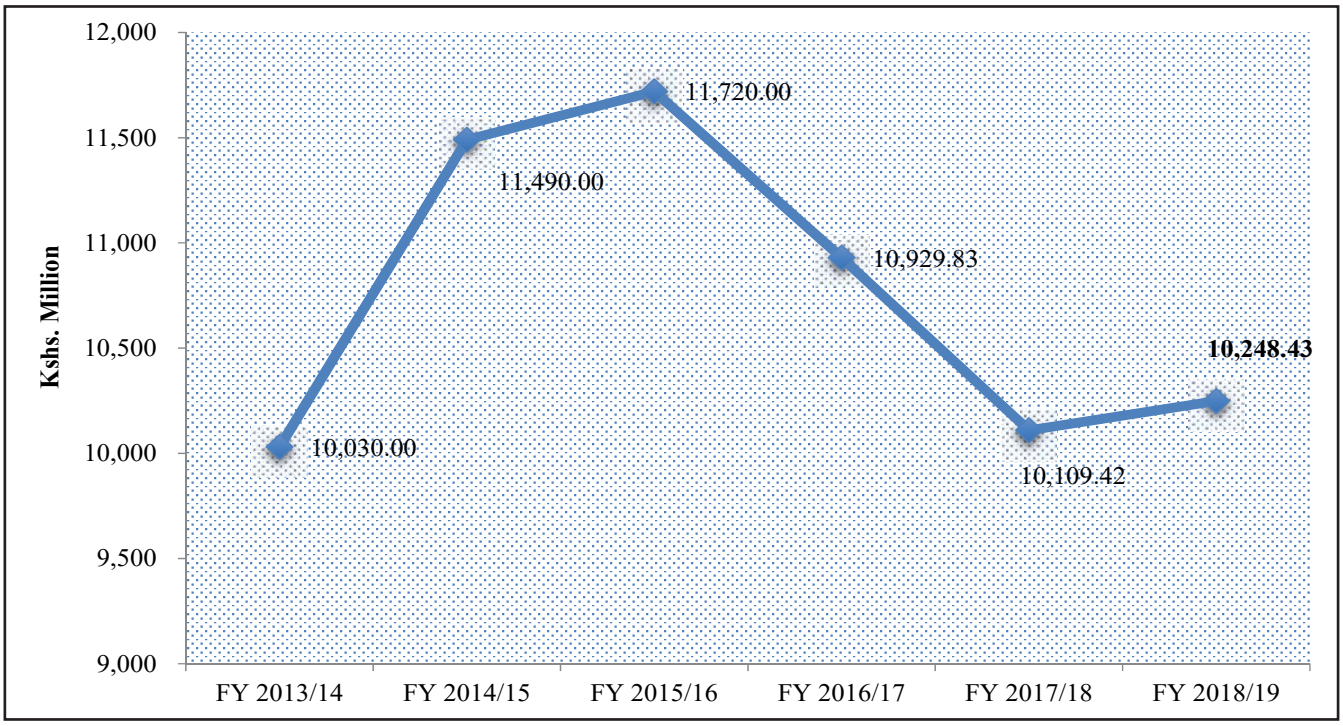
A breakdown of the conditional grants is provided in Table 3.86.

### 3.30.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.26.22 billion available for budget implementation. This amount consisted of Kshs.15.79 billion received as equitable share of the revenue raised nationally, Kshs.172.97 million as conditional grants, and Kshs.10.25 billion generated from own sources of revenue.

Figure 3.118 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.118: Nairobi City County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Nairobi City County Treasury*

The County generated a total of Kshs.10.25 billion from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.139.01 million compared to that realised in FY 2017/18 and was 66.1 per cent of the annual target.

### 3.30.3 Conditional Grants

During the reporting period, the County received Kshs.172.97 million as conditional grants as shown in Table 3.86 .

**Table 3.86: Nairobi City County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Compensation for User Fee Foregone | 79,423,251 | 79,423,251 | 79,423,251 | 100 |
| 2 | Leasing of Medical 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 (World Bank) | 54,429,184 | 54,429,184 | 32,562,789 | 59.8 |
| 6 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 83,424,144 | 83,424,144 | - | - |
| 7 | DANIDA - Universal Healthcare in Devolved System Programme | 51,637,500 | 51,637,500 | 51,637,500 | 100 |
| 8 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 25,659,140 | 25,659,140 | 9,341,920 | 36.4 |
| **Total** | | **944,990,749** | **744,990,749** | **172,965,460** | **23.2** |

***Source:*** *Nairobi City County Treasury*

During the reporting period, receipts from the Compensation for User Fee Foregone and DANIDA recorded the highest performance in percentage terms, and accounted 100 per cent of their respective annual targets.

### 3.30.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.24.43 billion from the CRF account. The withdrawals represented 73.3 per cent of the Approved Supplementary Budget and translated to an increase of 15.6 per cent from Kshs.21.13 billion in FY 2017/18 and comprised of Kshs.3.55 billion (14.5 per cent) towards development activities and Kshs.20.88 billion (85.5 per cent) for recurrent expenditure.

### 3.30.5 Overall Expenditure Review

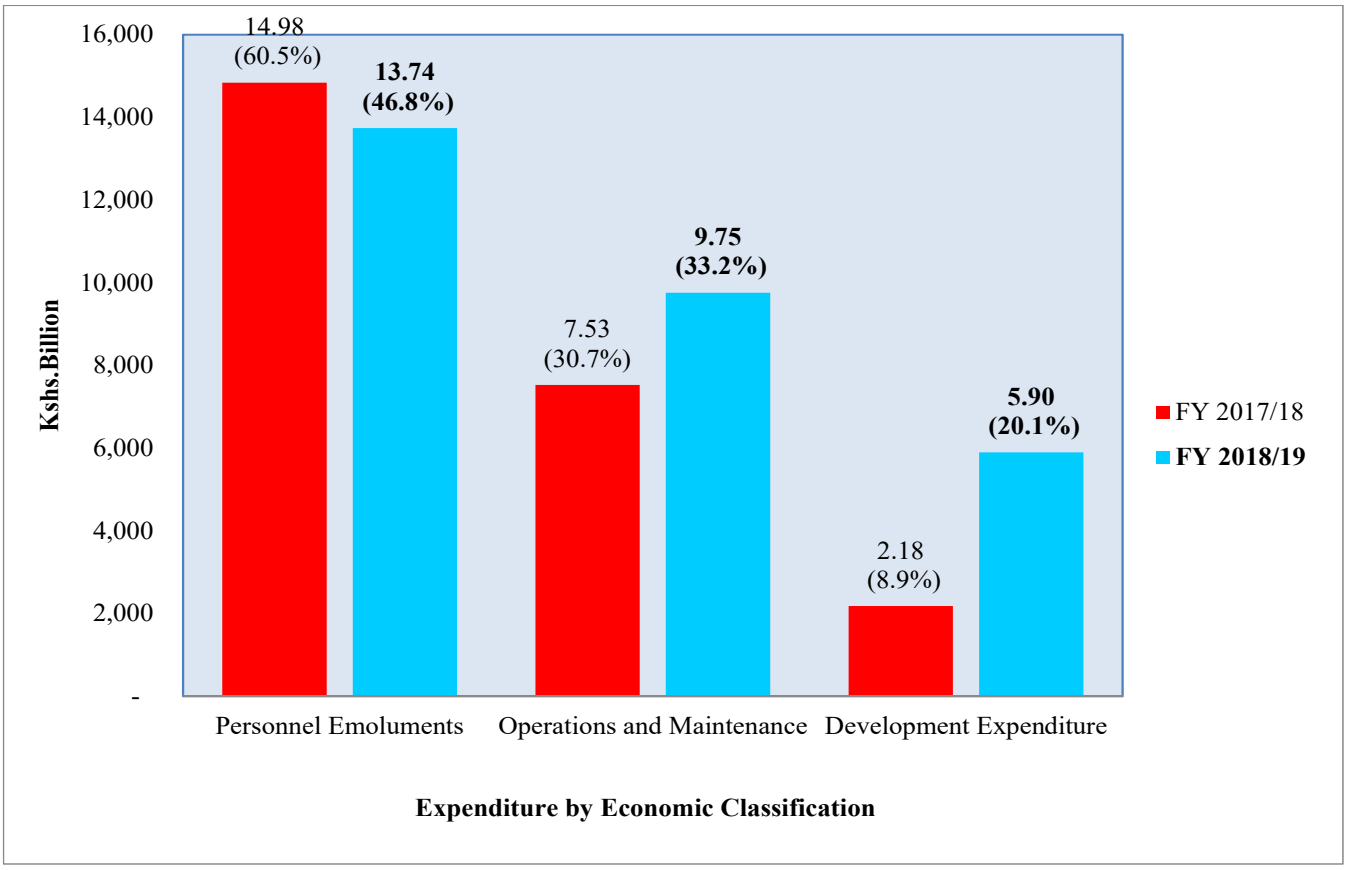
A total of Kshs.29.40 billion was spent on both development and recurrent activities. This expenditure represented 120.3 per cent of the total funds released from the CRF account, and was an increase of 19.8 per cent from Kshs.24.54 billion spent in FY 2017/18.

Expenditure on development programmes amounted to Kshs.5.90 billion while Kshs.23.50 billion was spent on recurrent activities. The development expenditure was 166.1 per cent of the funds released for development programmes, while recurrent expenditure was 112.5 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 78.9 per cent, which was an increase from 26.1per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.8 per cent of the annual recurrent budget, an increase from 88.4 per cent recorded in FY 2017/18.

Figure 3.119 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.119: Nairobi City County, Expenditure by Economic Classification**




***Source:*** *Nairobi City County Treasury*

### 3.30.6 Development Expenditure Analysis

The total development expenditure of Kshs.5.90 billion represented 78.9 per cent of the annual development expenditure estimates of Kshs.7.48 billion. Table 3.87 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.87: Nairobi City County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Location | Project Expenditure in FY 2018/19 (Kshs.) |
|---|---|---|---|
| 1 | Nairobi Regeneration Projects | Countywide | 800,000,000 |
| 2 | Construction of Matopeni Estate Roads | Matopeni | 119,615,595 |
| 3 | Construction of selected roads in Utawala Estate | Utawala | 70,116,749 |
| 4 | Rehabilitation of Gathuru Road | Kawangware | 58,070,164 |
| 5 | Construction of Perimeter Fence Wall at Highway Depot | Highways | 52,436,302 |
| 6 | Supply of water tanks | Citywide | 51,775,862 |
| 7 | Reconstruction of Jadongo Road | Ngara | 40,622,332 |
| 8 | Construction of Plainview Likoni Link Road | South B Ward | 36,655,194 |
| 9 | Construction of Kimondo Road | Pipeline | 33,000,000 |
| 10 | Construction of Lumumba Drive | Roysambu | 22,000,000 |

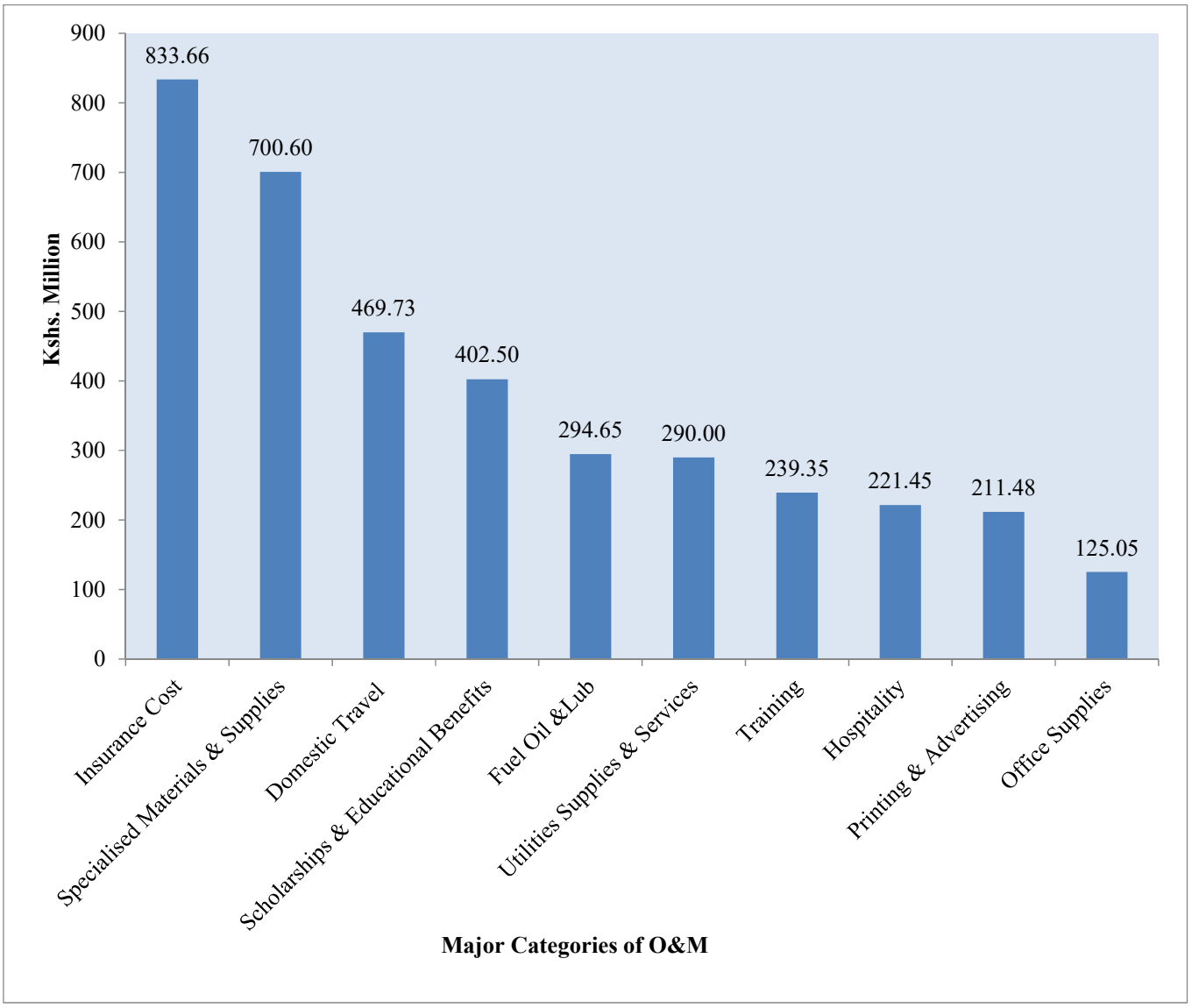
***Source:*** *Nairobi City County Treasury*

### 3.30.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.23.50 billion comprised of Kshs.13.74 billion (58.5 per cent) incurred on personnel emoluments and Kshs.9.75 billion (41.5 per cent) on operations and maintenance as shown in Figure 3.119.

Expenditure on personnel emoluments represented a decrease of 7.4 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.14.84 billion and was 47.2 per cent of the total expenditure in FY 2018/19. Figure 3.120 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.120: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Nairobi City County Treasury*

The County spent Kshs.101.88 million on committee sitting allowances for the 128 MCAs and speaker against the annual budget allocation of Kshs.108.10 million. This represented an increase of 37.8 per cent compared to Kshs.73.93 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.88,436 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.641.11 million, and comprised of Kshs.95.60 million spent by the County Assembly and Kshs.545.51million by the County Executive. This expenditure represented 2.7 per cent of total recurrent expenditure and was an increase of 6.9 per cent compared to Kshs.599.61 million spent in FY 2017/18.

## 3.30.8 Budget Performance by County Department

Table 3.88 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.88: Nairobi City County, Budget Performance by Department in FY2018/19

| Department | Annual Budget Allocation in FY 2018/19 (Kshs. Million) | | Exchequer Issues in FY 2018/19 (Kshs. Million) | | Expenditure in 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 | 45.50 | - | 37.86 | - | 26.79 | - | 70.8 | - | 58.9 | - |
| Office Of Governor & Deputy Governor | 7,039.66 | 20.00 | 5,109.65 | 6.12 | 6,423.15 | 8.13 | 125.7 | 132.7 | 91.2 | 40.6 |
| ICT, E-Govt & Public Communications | 268.11 | 50.00 | 225.91 | - | 223.96 | - | 99.1 | - | 83.5 | - |
| Finance & Economic Planning | 3,099.59 | 1,409.00 | 2,098.77 | 87.01 | 2,806.43 | 1,352.00 | 133.7 | 1553.9 | 90.5 | 96.0 |
| Health | 6,251.73 | 304.34 | 5,784.80 | 84.38 | 5,415.70 | 154.49 | 93.6 | 183.1 | 86.6 | 50.8 |
| Urban Planning and Lands | 369.09 | 85.93 | 370.24 | 10.20 | 354.83 | 66.57 | 95.8 | 652.7 | 96.1 | 77.5 |
| Public Works ,Transport & Infrastructure | 1,173.35 | 4,411.36 | 1,078.46 | 3,180.78 | 1,095.49 | 3,589.42 | 101.6 | 112.8 | 93.4 | 81.4 |
| Education, Youth Affairs, Sports, Culture & Social Services | 1,608.40 | 342.44 | 1,510.46 | 47.65 | 1,540.54 | 316.86 | 102.0 | 665.0 | 95.8 | 92.5 |
| Trade, Commerce, Tourism & Cooperatives | 481.44 | 187.50 | 461.44 | 14.46 | 439.42 | 94.24 | 95.2 | 651.6 | 91.3 | 50.3 |
| Public Service Management | 953.94 | - | 773.52 | - | 925.93 | - | 119.7 | - | 97.1 | - |
| Agriculture, Livestock Development, Fisheries & Forestry | 369.99 | 63.40 | 249.27 | 16.65 | 261.95 | 28.47 | 105.1 | 170.9 | 70.8 | 44.9 |
| Environment, Water, Energy & Natural Resources | 2,471.11 | 245.20 | 1,790.50 | 81.90 | 2,293.54 | 97.05 | 128.1 | 118.5 | 92.8 | 39.6 |
| Urban Renewal And Housing | 128.15 | 84.97 | 104.72 | 2.05 | 109.85 | 41.43 | 104.9 | 2025.5 | 85.7 | 48.8 |
| Ward Development Fund | 15.70 | 86.11 | - | - | 13.65 | 86.11 | - | - | 87.0 | 100 |
| Emergency Fund | - | 80.00 | - | - | - | 29.68 | - | - | - | 37.1 |
| Liquor Board | 204.84 | 71.77 | - | - | 201.88 | 7.46 | - | - | 98.6 | 10.4 |
| County Assembly | 1,386.67 | 35.57 | 1,284.35 | 22.03 | 1,364.60 | 28.52 | 106.2 | 129.5 | 98.4 | 80.2 |
| **Total** | **25,867.26** | **7,477.59** | **20,879.94** | **3,553.23** | **23,497.73** | **5,900.44** | **112.5** | **166.1** | **90.8** | **78.9** |

***Source:*** *Nairobi City County Treasury*

Analysis of expenditure by department shows that the Ward Development Fund Unit recorded the highest absorption rate of development budget at 100 per cent while the Department of ICT, E-Govt & Public Communications did not spend on the development budget. The Department of Liquor Board had the highest percentage of recurrent expenditure to recurrent budget at 98.6 per cent while the County Public Service Board had the lowest at 58.9 per cent.

### 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 1.4 per cent from Kshs.10.11 billion in FY 2017/18 to Kshs.10.25 billion in the reporting period.

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

1. Although the wage bill has declined by 7.4 per cent from Kshs.14.84 billion in FY 2017/18 to

Kshs.13.74 billion FY 2018/19 the wage bill was high accounting for 46.8 per cent of total expenditure in the reporting period.

2. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report.
3. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
3. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as requested by the Controller of Budget in line with COB Act, 2016.*

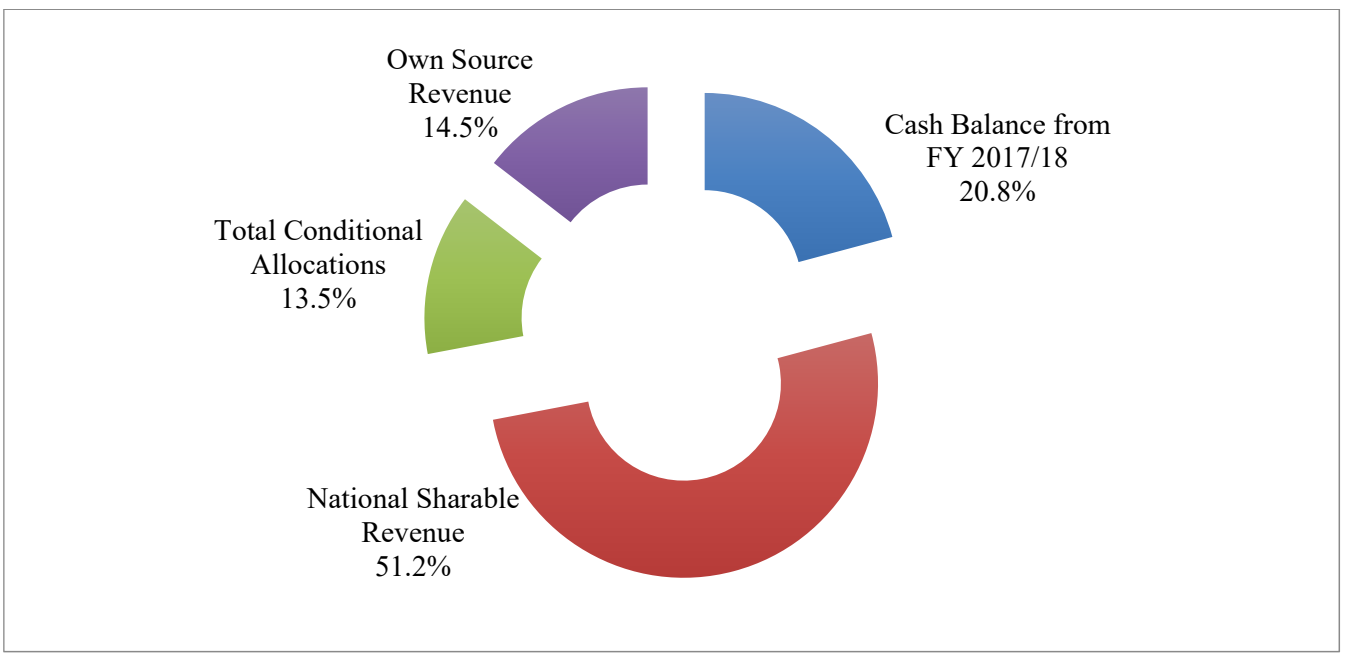
## 3.31 Nakuru County

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

The County's FY 2018/19 Supplementary Budget was Kshs.18.48 billion, comprising of Kshs.10.47 billion (57 per cent) and Kshs.8 billion (43 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.45 billion (51.2 per cent) as equitable share of the revenue raised nationally, Kshs.2.48 billion ( 13.5 per cent) as total conditional grants, generate Kshs.2.69 billion (14.5 per cent) from own sources of revenue, and Kshs.3.85 billion (20.8 per cent) cash balance from FY 2017/18.

**Figure 3.121: Nakuru County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Nakuru County Treasury*

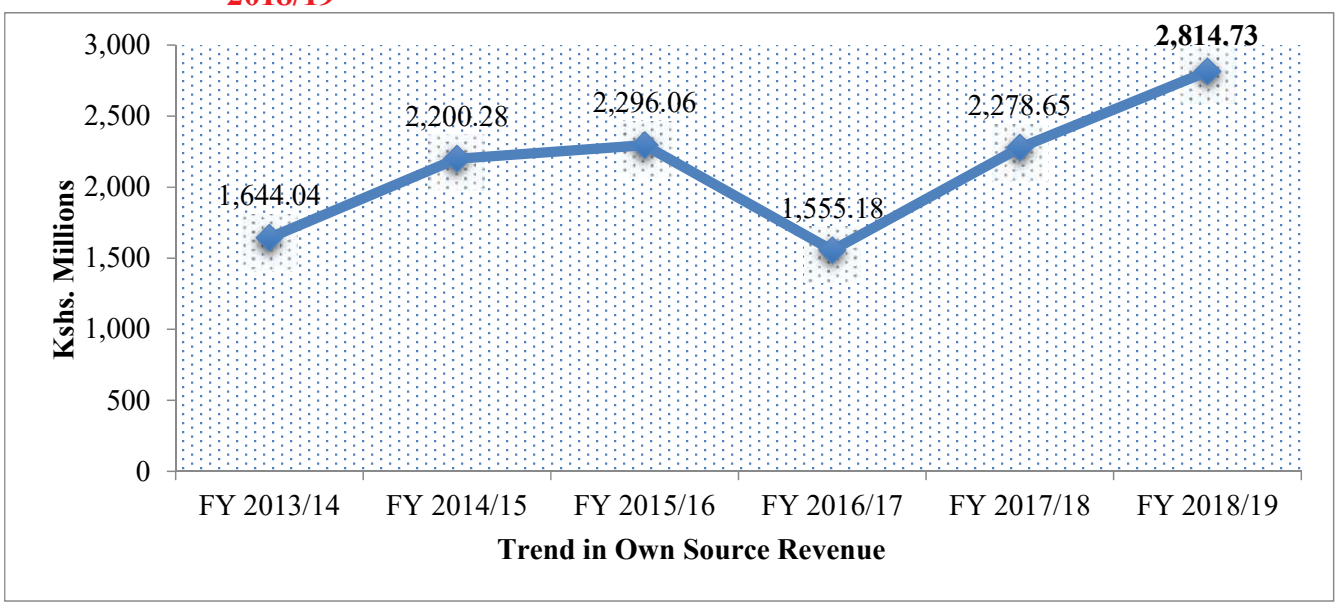
A breakdown of the conditional grants is provided in Table 3.89.

### 3.31.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.18.4 billion available for budget implementation. This amount consisted of Kshs.9.45 billion received as equitable share of the revenue raised nationally, Kshs.2.16 billion as conditional grants, Kshs.2.81 billion generated from own sources of revenue and a cash balance of Kshs.3.85 billion from FY 2017/18.

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

**Figure 3.122: Nakuru County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Nakuru County Treasury*

The County generated a total of Kshs.2.81 billion from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.545.56 million compared to that realised in FY 2017/18 and was 104.8 per cent of the annual target.

### 3.31.3 Conditional Grants

During the reporting period, the County received Kshs.2.16 billion as conditional grants as shown in Table 3.89.

**Table 3.89: Nakuru County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 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 Hospital | 373,872,832 | 373,872,832 | 373,872,833 | 100 |
| 3. | Road Maintenance Fuel Levy | 248,847,131 | 248,847,131 | 248,847,131 | 100 |
| 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 | 50,000,000 | 36 |
| 6. | Health Grant from National Government | 99,999,999 | 99,999,999 | 99,999,945 | 100 |
| 7. | Transforming Health Systems for Universal Care Project (WB) | 95,036,352 | 95,036,351 | - | - |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in Year of FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 8. | Kenya Devolution Sector support program (Level 1) | 60,282,958 | 60,282,958 | 27,755,760 | 46 |
| 9. | Rehabilitation of Village Polytechnics | 47,800,000 | 47,800,000 | 36,089,000 | 76 |
| 10. | Kenya Urban Support Program (KUSP) | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 11. | Compensation for User Fee Foregone | 38,723,265 | 38,723,265 | 38,723,265 | 100 |
| 12. | DANIDA Grant | 31,083,750 | 31,083,750 | 31,083,750 | 100 |
| 13. | Agricultural Sector Support Program | 21,983,635 | 21,983,635 | - | - |
| 14. | DANIDA Grant (Previous FY Balance) | - | - | 27,755,760 | - |
| 15. | Kenya Devolution Sector support program (Level 1) | - | - | 100,974,396 | - |
| **Total** | | **2,484,108,385** | **2,484,108,384** | **2,161,145,140** | **92** |

***Source:*** *Nakuru County Treasury*

During the reporting period, receipts from the Road Maintenance, Level 5 Hospitals, Kenya Urban Support Project, grant to Nakuru Level-5 Hospital, Kenya Urban Support Program, Compensation for User Fee Foregone and DANIDA grant recorded the highest performance in percentage terms, and accounted for 100 per cent of the annual target respectively.

### 3.31.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.13.2 billion from the CRF account. The withdrawals represented 71.5 per cent of the Approved Supplementary Budget and translated to an increase of 44.3 per cent from Kshs.9.07 billion in FY 2017/18 and comprised of Kshs.4.14 billion (31.3 per cent) towards development activities and Kshs.9.07 billion (68.7 per cent) for recurrent expenditure.

### 3.31.5 Overall Expenditure Review

A total of Kshs.10.14 billion was spent on both development and recurrent activities. This expenditure represented 76.7 per cent of the total funds released from the CRF account, and was decrease of 4.9 per cent from Kshs.10.66 billion spent in FY 2017/18.

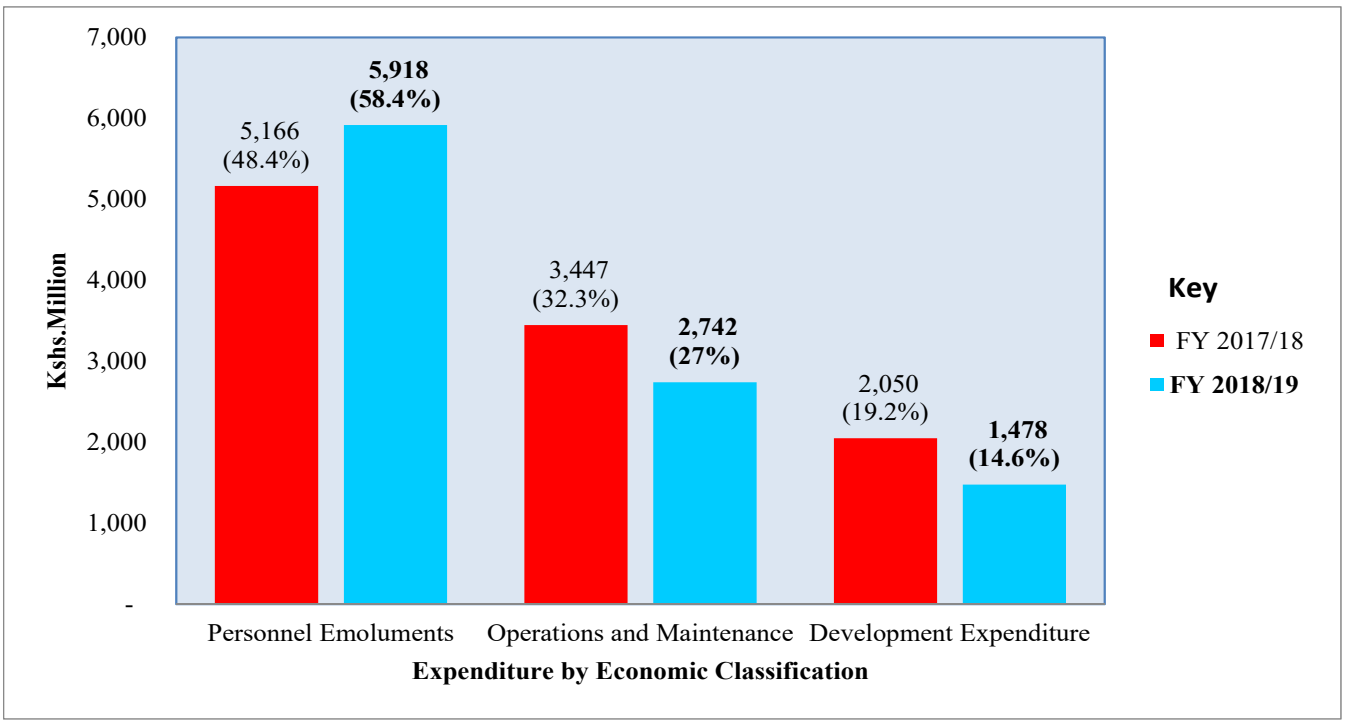
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.52.47 million for development activities and Kshs.42 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.48 billion while Kshs.8.66 billion was spent on recurrent activities. The development expenditure was 35.7 per cent of the funds released for development programmes, while recurrent expenditure was 95.5 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 18.4 per cent, which was a decrease from 25.6 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 82.7 per cent of the annual recurrent budget, a decrease from 80.2 per cent recorded in FY 2017/18.

Figure 3.123 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.123: Nakuru County, Expenditure by Economic Classification**




***Source:*** *Nakuru County Treasury*

## 3.31.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.48 billion represented 18.4 per cent of the annual development expenditure estimates of Kshs.8.01 billion. Table 3.90 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.90: Nakuru County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) | Absorption rate (%) |
|---|---|---|---|---|
| 1 | Rehabilitation of Rural Road (Provision for purchase of Tippers 8No) | 64,000,000 | 64,000,000 | 100 |
| 2 | Provision for purchase of medical equipment (Conditional Fund for Level 5 Hospital (Nakuru PGH)) | 70,000,000 | 60,000,000 | 86 |
| 3 | Development of Revenue Management System | 40,000,000 | 34,616,109 | 87 |
| 4 | Purchase of Medical Equipment s& dental Equipment for various new health centres(HQ) | 15,593,213 | 15,593,213 | 100 |
| 5 | Routine Maintenance and Spot Improvement :Tarmacking and Extension of Menengai Climb Road to Capital Hill Hotel (0.5km )in Nakuru East Sub County | 10,504,000 | 10,504,000 | 100 |
| 6 | Supply and Installation of 34 No., 9m, 60W LED Solar lights in Nakuru County | 9,860,000 | 9,860,000 | 100 |
| 7 | Proposed Routine Maintenance and Periodic Improvement of Bus Park Tarmacking in Gilgil Sub County | 9,454,080 | 9,454,080 | 100 |
| 8 | Routine Maintenance and Spot Improvement of Gwa Kihanga-Magomano-Kwa Haji Road - IDP Road in Subukia Sub County | 8,492,708 | 8,492,708 | 100 |
| 9 | Construction of Bridge and Road Connecting Korao (Tinet) and Kiptagich Ward in Kuresoi South Sub County | 8,487,400 | 8,487,400 | 100 |
| 10 | Design and construction of administration block, polytechnic, and equipping of classrooms at Rhonda resource centre | 7,000,000 | 6,982,588 | 100 |

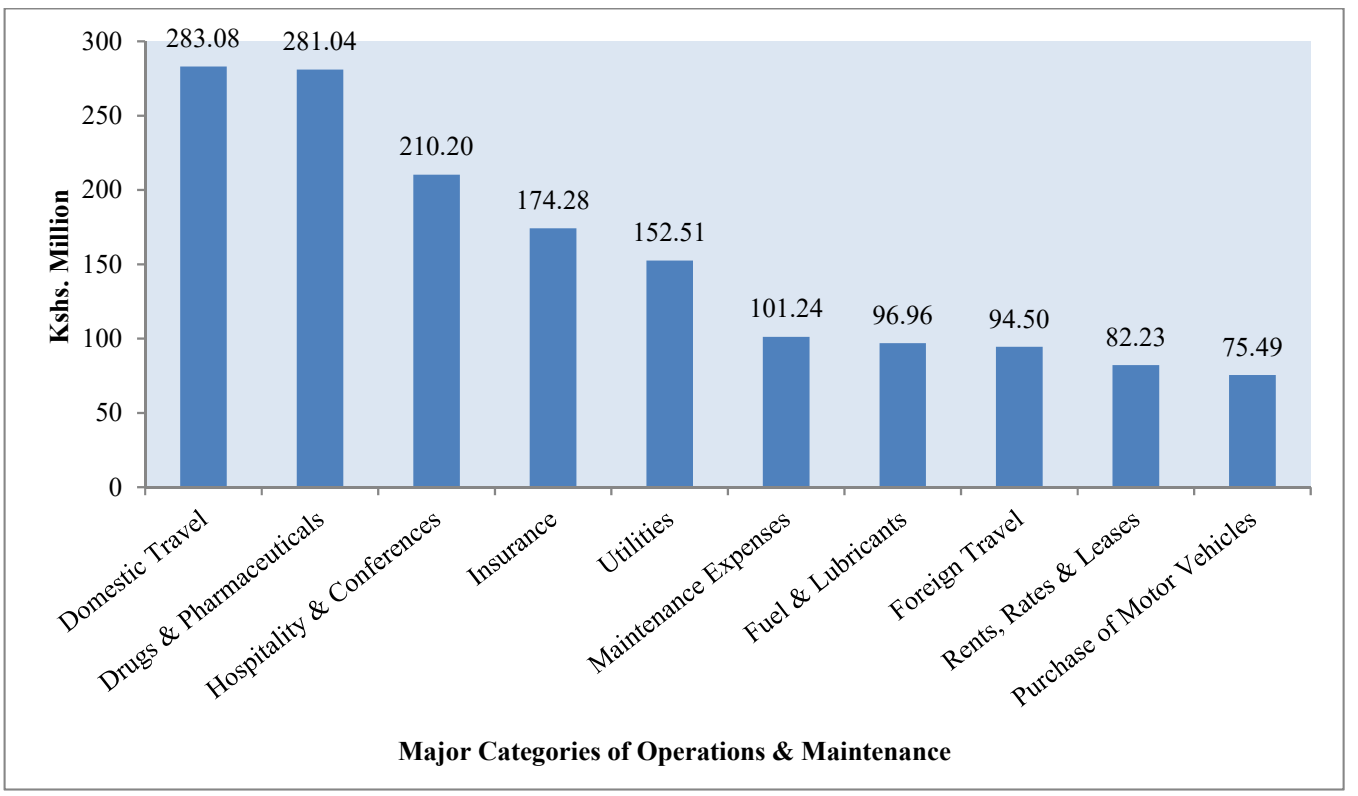
***Source:*** *Nakuru County Treasury*

### 3.31.7 Analysis of Recurrent Expenditure

The total recurrent expenditure comprised of Kshs.5.92 billion (68.3 per cent) incurred on personnel emoluments and Kshs.2.74 billion (31.7 per cent) on operations and maintenance as shown in Figure 3.123 .

Expenditure on personnel emoluments represented an increase of 14.6 per cent compared to FY 2017/18 when the County spent Kshs.5.17 billion and was 68.3 per cent of the total expenditure in FY 2018/19. Figure 3.124 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.124: Nakuru County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Nakuru County Treasury*

The County spent Kshs.106.8 million on committee sitting allowances for the 79 MCAs and speaker against the annual budget allocation of Kshs.106.8 million. This represented an increase of 124.6 per cent compared to Kshs.47.56 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.112,658 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.377.58 million, and comprised of Kshs.167.7 million spent by the County Assembly and Kshs.209.8 million by the County Executive. This expenditure represented 5.2 per cent of total recurrent expenditure and was an increase of 45.6 per cent compared to Kshs.259.4 million spent in FY 2017/18.

### 3.31.8 Budget Performance by County Department

Table 3.91 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.91: Nakuru County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 999.54 | 287.46 | 940.50 | 158.08 | 946.57 | 167.33 | 100.6 | 105.9 | 94.7 | 58.2 |
| Finance and Economic Planning | 984.49 | 266.45 | 873.17 | 181.72 | 945.34 | 106.51 | 108.3 | 58.6 | 96.0 | 40.0 |
| Public Service Training and Devolution | 749.55 | 30.00 | 729.83 | 15.60 | 729.91 | 10.11 | 100.0 | 64.8 | 97.4 | 33.7 |
| Agriculture, Livestock and Fisheries | 551.76 | 460.59 | 551.52 | 293.12 | 509.54 | 136.16 | 92.4 | 46.5 | 92.3 | 29.6 |
| Lands, Physical Planning and Housing | 197.38 | 1,340.05 | 185.32 | 1,185.16 | 168.32 | 20.47 | 90.8 | 1.7 | 85.3 | 1.5 |
| Office of The Governor and Deputy Governor | 254.86 | 71.61 | 222.99 | 35.00 | 275.89 | 2.75 | 123.7 | 7.9 | 108.2 | 3.8 |
| Education, ICT and E-Government | 323.10 | 839.53 | 265.23 | 271.68 | 279.85 | 150.79 | 105.5 | 55.5 | 86.6 | 18.0 |
| Trade, Industry Marketing and Tourism | 171.77 | 354.95 | 157.11 | 81.87 | 155.00 | 45.81 | 98.7 | 56.0 | 90.2 | 12.9 |
| Youth, Culture, Sports and Social Services | 340.42 | 127.13 | 300.35 | 35.49 | 372.44 | 13.18 | 124.0 | 37.1 | 109.4 | 10.4 |
| Infrastructure, Roads, Public Works and Transport | 387.49 | 2,127.35 | 343.25 | 1,254.59 | 391.72 | 527.30 | 114.1 | 42.0 | 101.1 | 24.8 |
| Environment, Water, Energy and Natural Resources | 308.26 | 915.14 | 286.96 | 96.10 | 294.75 | 85.19 | 102.7 | 88.6 | 95.6 | 9.3 |
| Health Services | 5,152.40 | 1,186.91 | 4,177.82 | 528.38 | 3,556.35 | 209.14 | 85.1 | 39.6 | 69.0 | 17.6 |
| CPSB | 46.33 | 4.41 | 34.20 | 3.50 | 32.83 | 2.23 | 96.0 | 63.8 | 70.9 | 50.6 |
| **Total** | **10,467** | **8,012** | **9,068** | **4,140** | **8,659** | **1,477** | **95.5** | **35.7** | **82.7** | **18.4** |

***Source:*** *Nakuru County Treasury*

Analysis of expenditure by department shows that the County Assembly recorded the highest absorption rate of development budget at 58.2 while the Department of Lands Physical Planning and Housing recorded the lowest at 1.5 per cent. The Department of Youth, Culture, Sports and Social Services had the highest percentage of recurrent expenditure to recurrent budget at 109.4 per cent while the Department of Health Services the lowest at 69 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 own-source revenue collection by 23.5 per cent to Kshs.2.81 billion in the reporting period compared to Kshs.2.28 billion in FY 2017/18.

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

1. High expenditure on domestic and foreign travel which increased by 45.6 per cent from Kshs.259.5 million in FY 2017/18 to Kshs.377.58 million in the reporting period.
2. Slow implementation of development activities in the reporting period. The County spent Kshs.1.48 billion, which represented 18.4 per cent of the annual development budget of Kshs.8.01 billion.
3. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
4. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund,

Emergency Fund, Bursary Fund and the Trade Enterprise Fund contrary to Section 168 of the PFM Act, 2012.

5. A high wage bill that increased by 14.6 per cent from Kshs.5.19 billion in FY 2017/18 to Kshs.5.92 billion in the reporting period. The wage bill accounted for 68.3 per cent of total expenditure in the reporting period.

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

1. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
2. *The County should identify and address issues that cause delays in the implementation of development projects.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
5. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

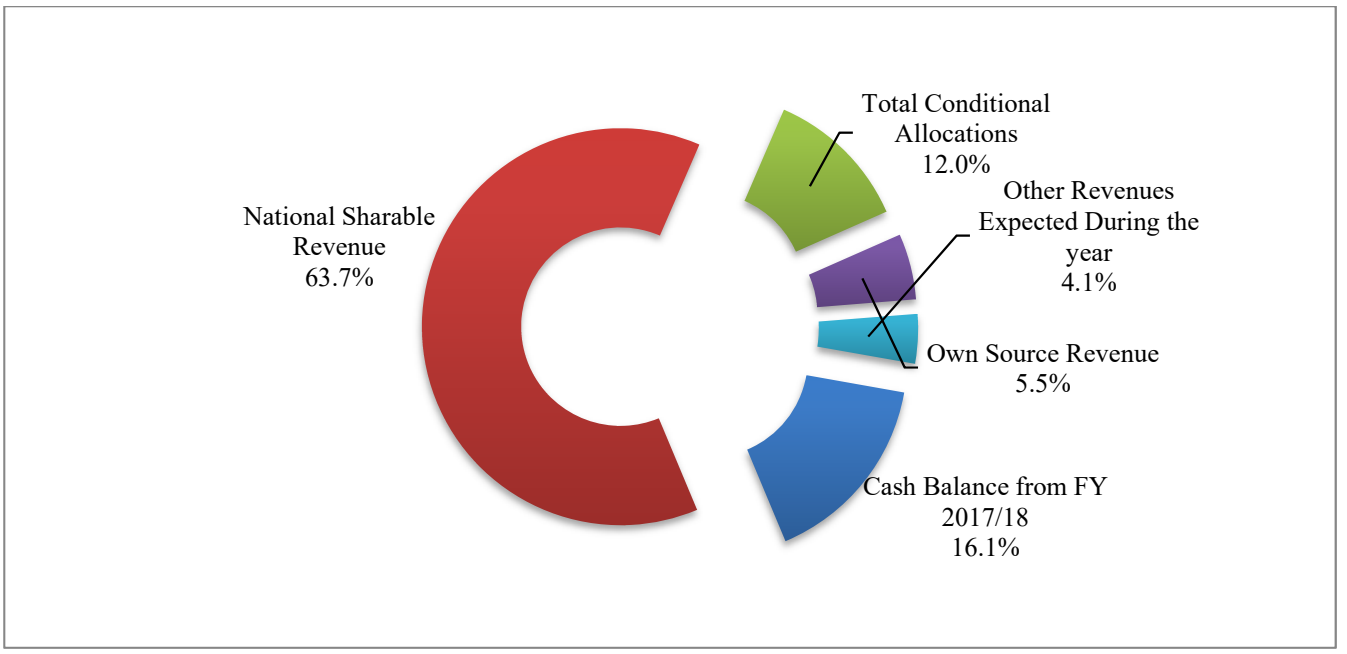
## 3.32 Nandi County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.43 billion, comprising of Kshs.5.21 billion (61.8 per cent) and Kshs.3.22 billion (38.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.37 billion (63.7 per cent) as equitable share of revenue raised nationally, Kshs.972.51 million (11.5 per cent) as total conditional grants, generate Kshs.459.29 million (5.5 per cent) from own-sources of revenue, Kshs.344 million (4.1 per cent) as other revenue expected and Kshs.1.36 billion (16.1 per cent) cash balance from FY 2017/18.

**Figure 3.125: Nandi County, Expected Sources of Budget Financing in FY 2018/19**



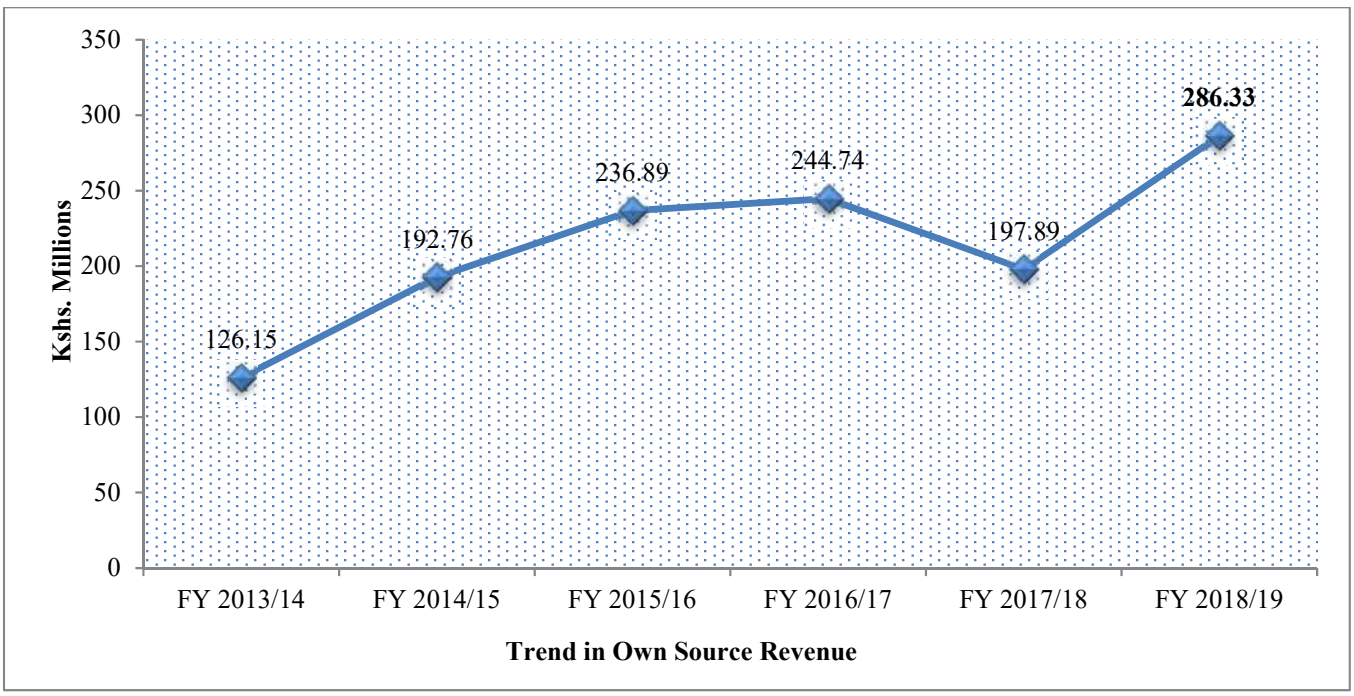

***Source:*** *Nandi County Treasury*

A breakdown of the conditional grants is provided in Table 3.92.

### 3.32.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.7.85 billion available for budget implementation. This amount consisted of Kshs.5.37 billion received as equitable share of the revenue raised nationally, Kshs.530.44 million as conditional grants, Kshs.286.33 million generated from own sources of revenue, Kshs.299 million as other revenue sources and a cash balance of Kshs.1.36 billion from FY 2017/18. Figure 3.126 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

## Figure 3.126: Nandi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19




***Source:*** *Nandi County Treasury*

The County generated a total of Kshs.286.33 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.88.43 million compared to that realised in FY 2017/18 and was 62.3 per cent of the annual target.

### 3.32.3 Conditional Grants

During the reporting period, the County received Kshs.530.44 million as conditional grants as shown in Table 3.92.

## Table 3.92: Nandi County, Conditional Grants/Loans Received in the FY 2018/19

| S/No. | Grants/Loans | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual Receipts (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Compensation for User Fees Foregone | 18,086,363 | 18,086,363 | 18,086,363 | 100.0 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Road Maintenance Fuel Levy | 141,371,626 | 141,371,626 | 218,431,700 | 154.5 |
| 4 | Rehabilitation of Village Polytechnics | 37,255,000 | 37,255,000 | - | - |
| 5 | Transforming Health Systems for Universal Care Project (World Bank) | 97,229,498 | 97,229,498 | 42,496,971 | 43.7 |
| 6 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | 50,078,476 | 35.7 |
| 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 (KUSP) | 177,231,700 | 177,231,700 | 177,231,700 | 100.0 |
| 9 | DANIDA - Universal Healthcare in Devolved System Programme | 17,111,250 | 17,111,250 | 17,111,250 | 100.0 |
| 10 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 19,236,534 | 19,236,534 | 7,003,592 | 36.4 |

| S/No. | Grants/Loans | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual Receipts (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 11 | EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER) | 80,000,000 | 80,000,000 | - | - |
| **Sub Total** | | **972,508,178** | **972,508,178** | **530,440,052** | **54.5** |
| **B** | **Other Revenue Sources** | | | | |
| 12 | Food and Agriculture Organization | - | 40,000,000 | - | - |
| 13 | Ford Foundation | - | 5,000,000 | - | - |
| 14 | County Health Facility Supplies | - | 299,000,000 | 299,000,000 | 100 |
| **Sub Total** | | **-** | **344,000,000** | **299,000,000** | **98.4** |
| **Grand Total** | | **972,508,178** | **1,316,508,178** | **829,440,052** | **65** |

***Source:*** *Nandi County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy, DANIDA, and Compensation for User Fee Foregone, Kenya Urban Support Project and grant for County Health Facility Supplies recorded the highest performance in percentage terms and accounted for 100 per cent of respective annual target.

### 3.32.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.24 billion from the CRF account. The withdrawals represented 85.9 per cent of the Approved Supplementary Budget translating to an increase of 33.8 per cent from the Kshs.5.41 billion withdrawn during the FY 2017/18. The total withdrawal comprised of Kshs.2.14 billion (29.5 per cent) towards development activities and Kshs.5.10 billion (70.5 per cent) for recurrent expenditure.

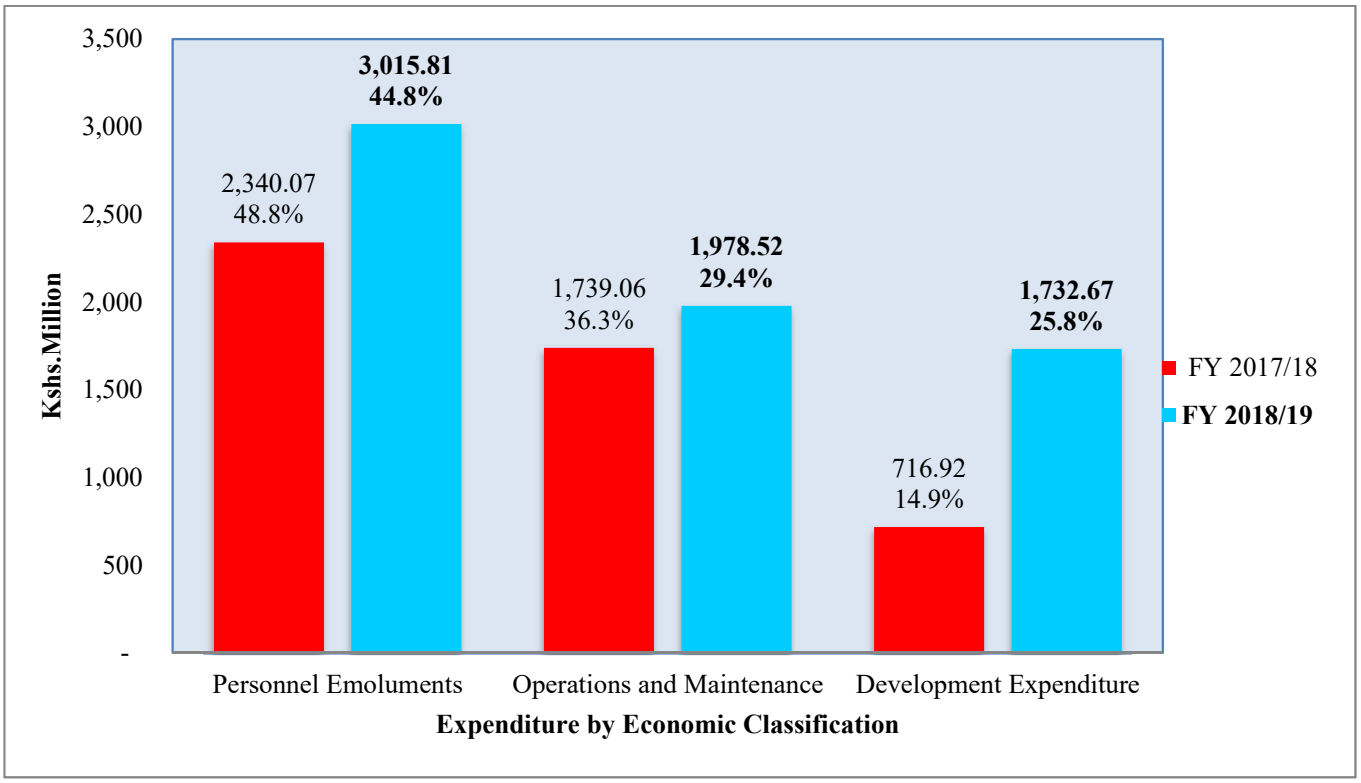
### 3.32.5 Overall Expenditure Review

A total of Kshs.6.73 billion was spent on both development and recurrent activities. This expenditure represented 92.9 per cent of the total funds released from the County Revenue Fund account, and was an increase of 40.3 per cent from Kshs.4.80 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.76 billion for development activities and Kshs.12.95 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.73 billion while Kshs.4.99 billion was spent on recurrent activities. The development expenditure was 81 per cent of the funds released for development programmes, while recurrent expenditure was 97.9 per cent of funds released for recurrent activities.

Figure 3.127 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18. The figure also shows personnel emoluments, operations and development expenditure as a percentage of total annual expenditure.

## Figure 3.127: Nandi County, Expenditure by Economic Classification




***Source:*** *Nandi County Treasury*

### 3.32.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.73 billion represents an absorption rate of 53.8 per cent of the annual development expenditure estimates of Kshs.3.22 billion.. Table 3.93 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.93: Nandi County County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure (Kshs) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Building of Access Roads | County Wide | 313,771,626 | 257,139,008 | 82.0 |
| 2 | Water Supplies and Sewerage | County Wide | 357,050,000 | 168,593,920 | 47.2 |
| 3 | Livestock Products Value Addition and Marketing | County Wide | 311,830,163 | 165,367,677 | 53.0 |
| 4 | Construction of ECDE | County Wide | 288,900,000 | 124,047,077 | 42.9 |
| 5 | Construction of Buildings | Kapsabet County Referral Hospital | 226,000,000 | 115,039,683 | 50.9 |
| 6 | Construction of County Assembly Building | Kapsabet Town | 135,250,000 | 95,391,990 | 70.5 |
| 7 | Hire of Equipment, Plant and Machinery | County Wide | 248,015,000 | 78,965,798 | 31.8 |
| 8 | Construction of Nandi County Modern athletics Training Camp | Kapsabet | 101,000,000 | 26,374,632 | 26.1 |
| 9 | Purchase of Medical and Dental Equipment | Kapsabet County Referral Hospital | 50,000,000 | 22,894,785 | 45.8 |
| 10 | Other Infrastructure and Civil Works)-Urban Planning, Investment and Research | Kapsabet Town & Nandi Hills | 157,231,160 | 14,998,500 | 9.5 |

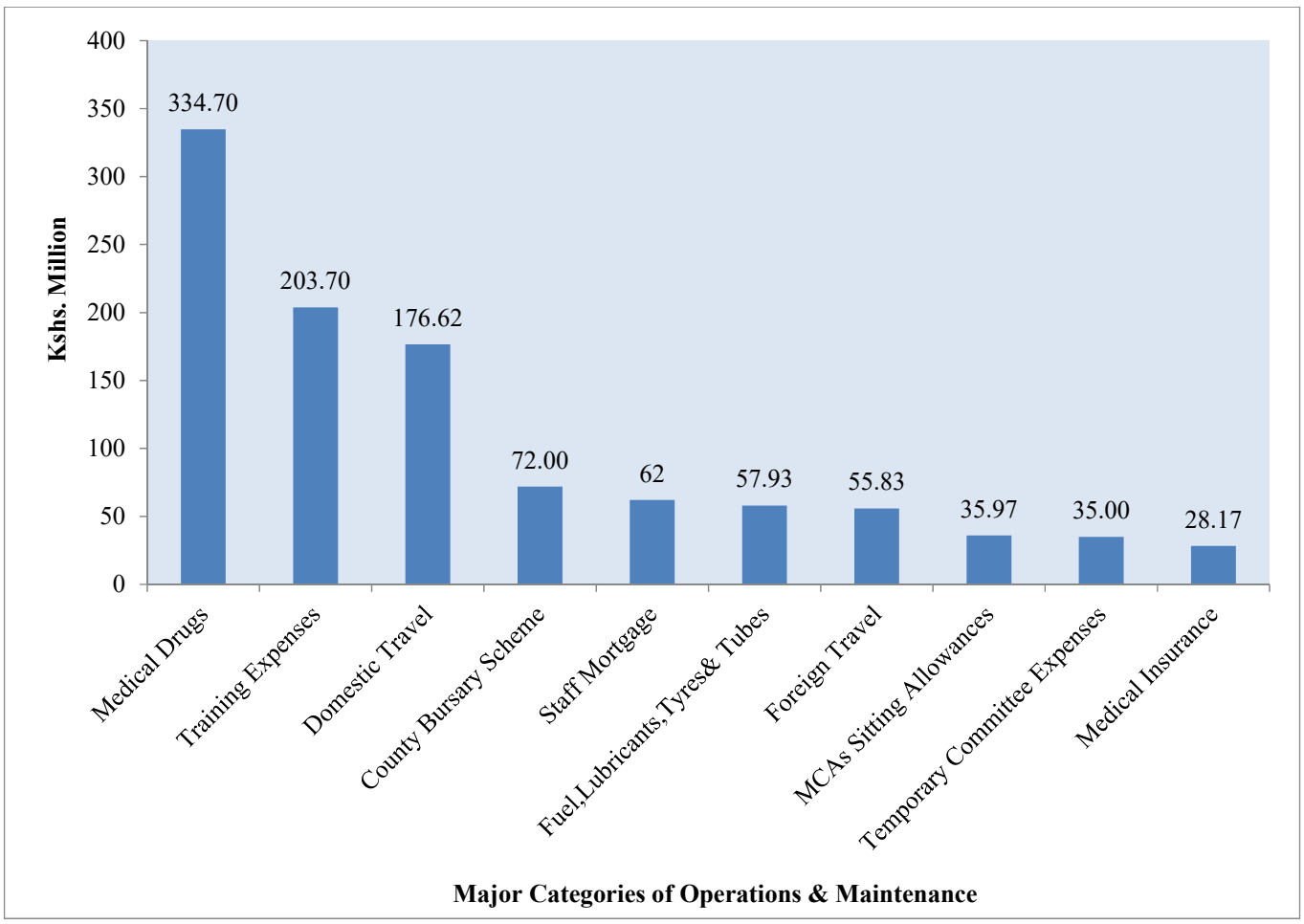
***Source:*** *Nandi County Treasury*

### 3.32.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.99 billion comprised of Kshs.3.02 billion (60.5 per cent) incurred on personnel emoluments and Kshs.1.97 billion (39.5 per cent) on operations and maintenance as shown in Figure 3.127.

Expenditure on personnel emoluments represented an increase of 28.9 per cent compared to FY 2017/18 when the County spent Kshs.2.34 billion and was 44.8 per cent of the total expenditure in FY 2018/19. Figure 3.128 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.128: Nandi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Nandi County Treasury*

The County spent Kshs.35.97 million on committee sitting allowances for the 40 MCAs and speaker against the annual budget allocation of Kshs.38.10 million. This represented an increase of 63.6 per cent compared to Kshs.21.99 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.74,948 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.232.45 million, and comprised of Kshs.69.66 million spent by the County Assembly and Kshs.162.80 million by the County Executive. This expenditure represented 3.5 per cent of total recurrent expenditure and was a decrease of 30.8 per cent compared to Kshs.255.10 million spent in FY 2017/18.

### 3.32.8 Budget Performance by County Department

Table 3.94 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.94: Nandi County, Budget Performance by Department in the FY 2018/2019**

| Department | Budget Allocation (Kshs. Million) | | Total Exchequer Issues (Kshs. Million) | | Total Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive | 361.94 | 15.0 | 339.24 | 12.22 | 328.01 | 13.38 | 96.7 | 109.5 | 90.6 | 89.2 |
| Finance and Economic Planning | 941.04 | 30.0 | 888.87 | 29.63 | 916.08 | 30.00 | 103.1 | 101.2 | 97.3 | 100.0 |
| Devolved Units and Special Programmes | 318.33 | 223.98 | 316.02 | 203.74 | 307.52 | 56.41 | 97.3 | 27.7 | 96.6 | 25.2 |
| Health and Sanitation | 1,843.04 | 626.0 | 1,832.99 | 192.54 | 1,763.05 | 239.55 | 96.2 | 124.4 | 95.7 | 38.3 |
| Agriculture, Livestock and Fisheries | 308.6 | 531.33 | 305.74 | 296.07 | 300.33 | 256.29 | 98.2 | 86.6 | 97.3 | 48.2 |
| Tourism, Culture and Co-operative Development | 46.43 | 49.00 | 45.48 | 3.19 | 40.15 | 3.47 | 88.3 | 108.8 | 86.5 | 7.1 |
| Youth, Gender and Social Services | 56.78 | 112.50 | 55.61 | 65.62 | 53.53 | 47.03 | 96.3 | 71.7 | 94.3 | 41.8 |
| Education Research and Vocational Training | 312.61 | 288.90 | 311.96 | 258.06 | 303.30 | 163.26 | 97.2 | 63.3 | 97.0 | 56.5 |
| Lands, Environment and Natural Resources | 122.34 | 402.05 | 117.06 | 232.50 | 121.93 | 216.15 | 104.2 | 93.0 | 99.7 | 53.8 |
| Roads Transport and Public Works | 183.34 | 711.95 | 178.75 | 709.50 | 157.17 | 556.10 | 87.9 | 78.4 | 85.7 | 78.1 |
| Trade and Industrial Development | 53.52 | 94.30 | 52.57 | 39.60 | 49.23 | 55.29 | 93.6 | 139.6 | 92.0 | 58.6 |
| Public Service and Labour | 27.44 | - | 26.54 | - | 25.80 | - | 97.2 | - | 94.0 | - |
| County Assembly | 631.18 | 135.25 | 631.18 | 95.39 | 628.23 | 95.39 | 99.5 | 100.0 | 99.5 | 70.5 |
| **Total** | **5,206.59** | **3,220.26** | **5,102.01** | **2,138.05** | **4,994.32** | **1,732.33** | **97.9** | **81.0** | **95.9** | **53.8** |

***Source:*** *Nandi County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 100 while the Department of Tourism, Culture and Co-operative Development recorded the lowest at 7.1 per cent. The Department of Lands, Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 99.7 per cent while the Department of Roads, Transport and Public Works had the lowest at 85.7 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. Improvement in own-source revenue collection by 44.7 per cent from Kshs.197.89 million in FY 2017/18 to Kshs.286.33 million in FY 2018/19.
ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
iii. 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. A high wage bill that increased by 28.9 per cent from Kshs.2.34 billion in FY 2017/18 to Kshs.3.02 billion in the reporting period. The wage bill accounted for 44.8 per cent of total expenditure in the

reporting period.

2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, and the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. Late submission of reports on financial and non-financial performance by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*

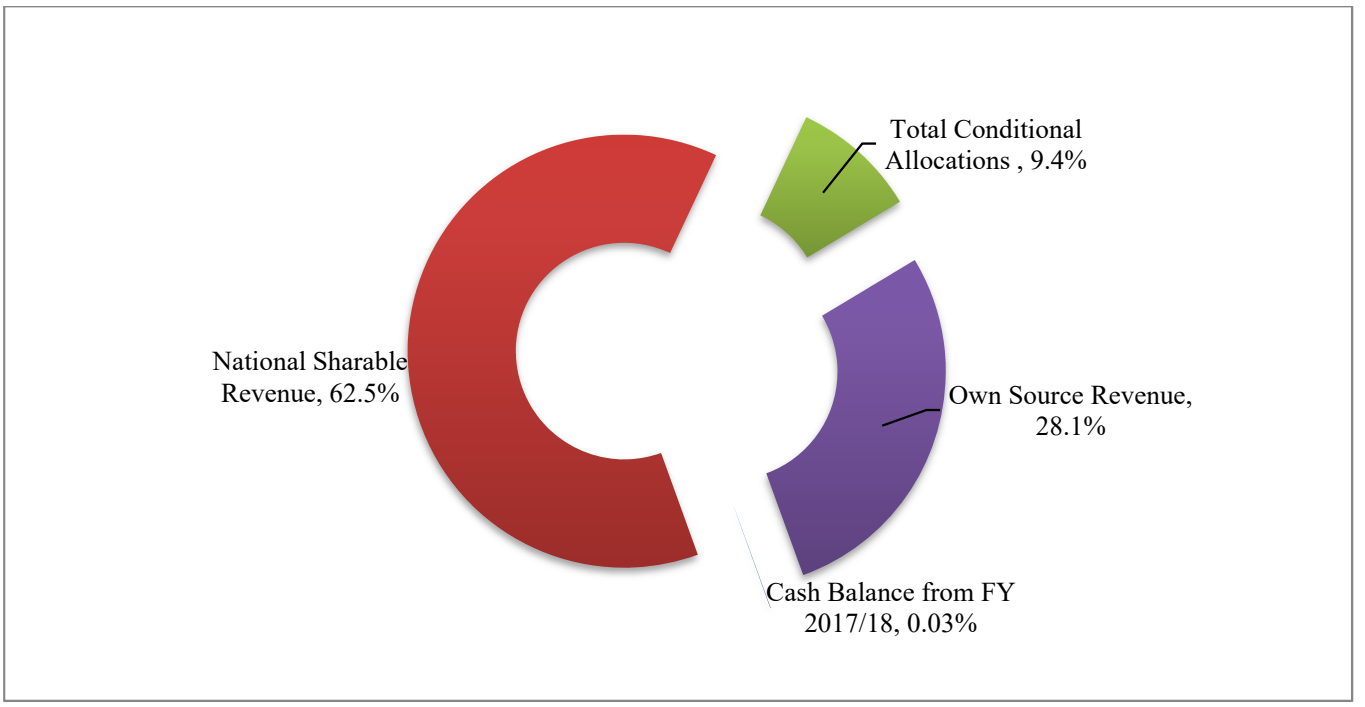
## 3.33 Narok County

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

The County's FY 2018/19 Approved Supplementary Budget was Kshs.10.19 billion, comprising of Kshs.7.04 billion (69.1 per cent) and Kshs.3.15 billion (30.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.37 billion (62.5 per cent) as equitable share of revenue raised nationally, Kshs.958.17 million (9.4 per cent) as total conditional grants, generate Kshs.2.86 billion (28.1 per cent) from own revenue sources, and a cash balance of Kshs.2.67 million (0.03 per cent) from FY 2017/2018.

**Figure 3.129: Narok County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Narok County Treasury*

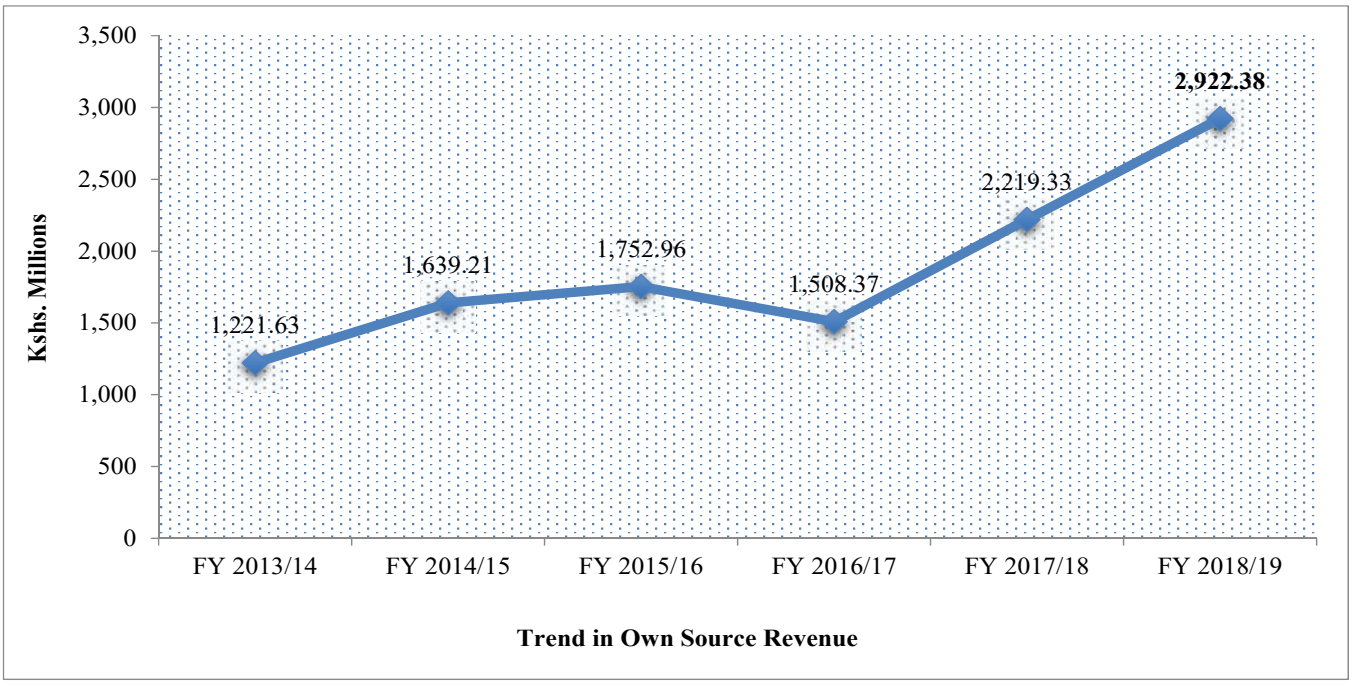
A breakdown of the conditional grants, as per CARA, 2018, is provided in Table 3.95 .

### 3.33.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.10.14 billion available for budget implementation. This amount consisted of Kshs.6.37 billion received as equitable share of the revenue raised nationally, Kshs.631.15 million as conditional grants, Kshs.2.92 billion generated from own sources of revenue, and a cash balance of Kshs.2.67 million from the FY 2017/18.

Figure 3.130 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.130: Narok County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Narok County Treasury*

The County generated a total of Kshs.2.92 billion from own revenue sources in FY 2018/19. This amount represents an increase of Kshs.703.05 million compared to that realised in FY 2017/18 and was 102.1 per cent of the annual target.

### 3.33.3 Conditional Grants

During the reporting period, the County received Kshs.631.15 million as conditional grants as shown in Table 3.95.

**Table 3.95: Narok County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grant/Loans | Annual Allocation, CARA, 2018 (Kshs) | Annual Budget Allocation (Kshs) | Total Receipts(Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Allocation for Rehabilitation of Village Polytechnics | 30,820,000 | 30,820,000 | - | - |
| 2 | Road Maintenance Levy Fund | 167,827,135 | 167,827,135 | 167,827,135 | 100 |
| 3 | Compensation for User Fees Foregone | 20,595,297 | 20,595,297 | 20,595,297 | 100 |
| 4 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 5 | World Bank-Kenya Devolution Support Programme (KDSP) Level II | 130,963,563 | 130,963,563 | 185,020,331 | 141 |
| 6 | IDA (World Bank)-Kenya Urban Support Programme (KUSP) | 116,262,252 | 116,262,252 | 116,105,300 | 100 |
| 7 | World Bank-Transforming Health Systems for Universal Care Project | 100,000,000 | 100,000,000 | 69,649,081 | 70 |
| 8 | World Bank-National Agricultural & Rural Inclusive Growth Project (NAGRIP) | 140,435,163 | 140,435,163 | 50,078,476 | 36 |
| 9 | DANIDA-Universal Healthcare for Devolved System Programme | 30,267,011 | 30,267,011 | 21,870,000 | 72 |
| 10 | Agricultural Sector Development Support Program (ASDSP) | 21,002,709 | 21,002,709 | - | - |
| **Grand Total** | | **958,173,130** | **958,173,130** | **631,145,620** | **69.5** |

***Source:*** *Narok County Treasury*

During the reporting period, receipts from World Bank in support of the Kenya Devolution Support Programme Level II recorded the highest performance accounting for 141 per cent of the annual target.

### 3.33.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.10.04 billion from the CRF account. The withdrawals represented 98.5 per cent of the Approved Supplementary Budget and translated to an increase of 20.6 per cent from Kshs.8.33 billion in FY 2017/18 and comprised of Kshs.3.01 billion (30 per cent) towards development activities and Kshs.7.03 billion (79 per cent) for recurrent expenditure.

### 3.33.5 Overall Expenditure Review

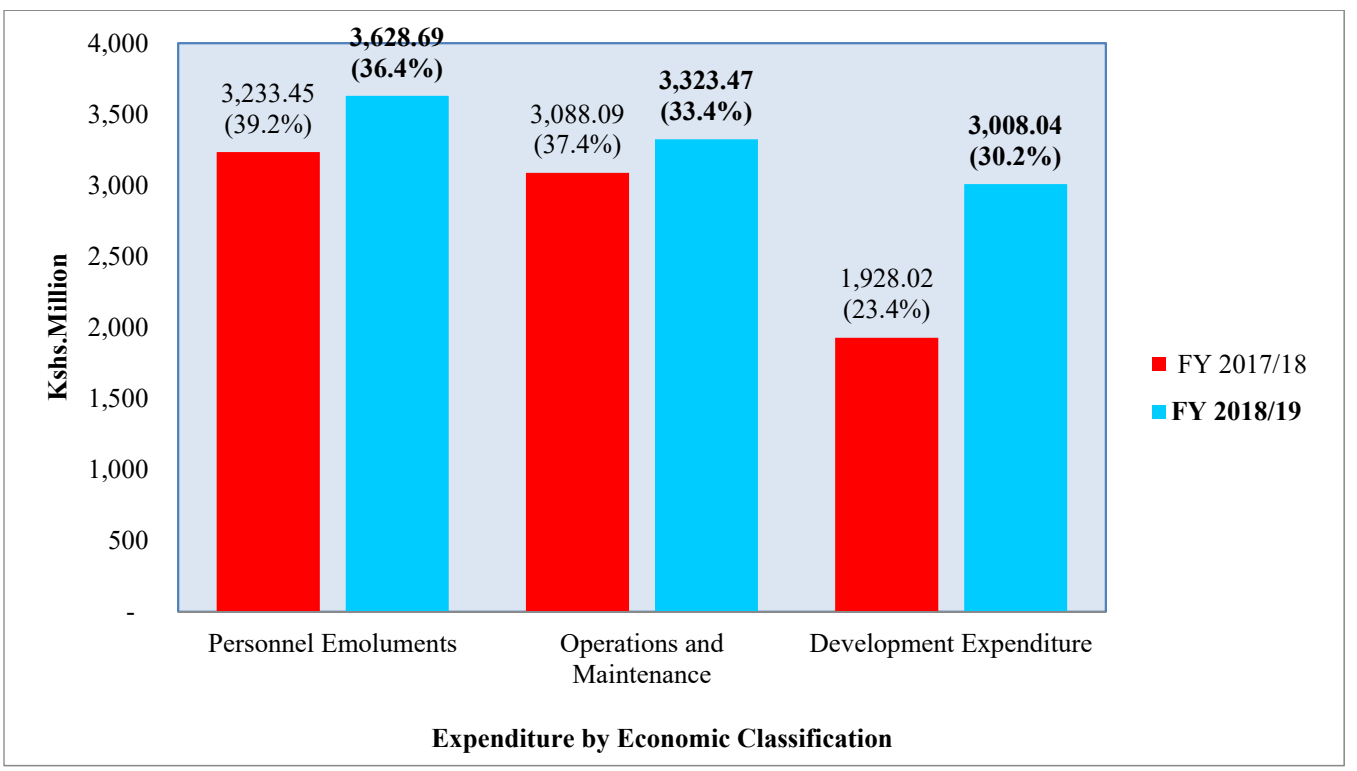
A total of Kshs.9.96 billion was spent on both development and recurrent activities. This expenditure represented 99.1 per cent of the total funds released from the CRF account, and was an increase of 20.7 per cent from Kshs.8.25 billion spent in FY 2017/18. The expenditure excluded pending bills which amounted to Kshs.867.11 million for development activities and Kshs.316.94 million for recurrent expenditure as at June 30, 2019.

Expenditure on development programmes amounted to Kshs.3.0 billion while Kshs.6.95 billion was spent on recurrent activities. The development expenditure was 99.8 per cent of the funds released for development programmes, while recurrent expenditure was 98.8 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 95.4 per cent on total funds released, which was an increase from 58.6 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 98.7 per cent of the annual recurrent budget, an increase from 97 per cent recorded in FY 2017/18.

Figure 3.131 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.131: Narok County, Expenditure by Economic Classification**




***Source:*** *Narok County Treasury*

### 3.33.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.0 billion represented 95.4 per cent of the annual development expenditure estimates of Kshs.3.15 billion. Table 3.96 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.96: Narok County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs) | Project Expenditure (Kshs) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Roads Infrastructure | Narok South, North, East, Kilgoris | 976,147,135 | 976,810,921 | 100 |
| 2 | Civil works and Infrastructure | Narok South, North, East, Kilgoris | 459,312,435 | 433,985,584 | 94 |
| 3 | Acquisition of roads & civil works machines | County Head Quarters | 228,000,000 | 240,037,239 | 105 |
| 4 | Buildings & Infrastructure | Narok South, North, East, Kilgoris | 352,799,000 | 352,272,650 | 100 |
| 5 | Transfers to Bursary fund & Maasai Mara & Assembly | County Head Quarters | 569,375,110 | 439,198,662 | 77 |
| 6 | Rehabilitation of Mara & Markets yards | Narok South, North, East, Kilgoris | 130,000,000 | 129,623,208 | 100 |
| 7 | Specialised Supplies & Services | Health Facilities & Head Quarters | 313,547,716 | 312,203,444 | 100 |
| 8 | Hospital Equipment & Related Maintenance | Health Facilities & Head Quarters | 124,191,973 | 123,913,145 | 100 |

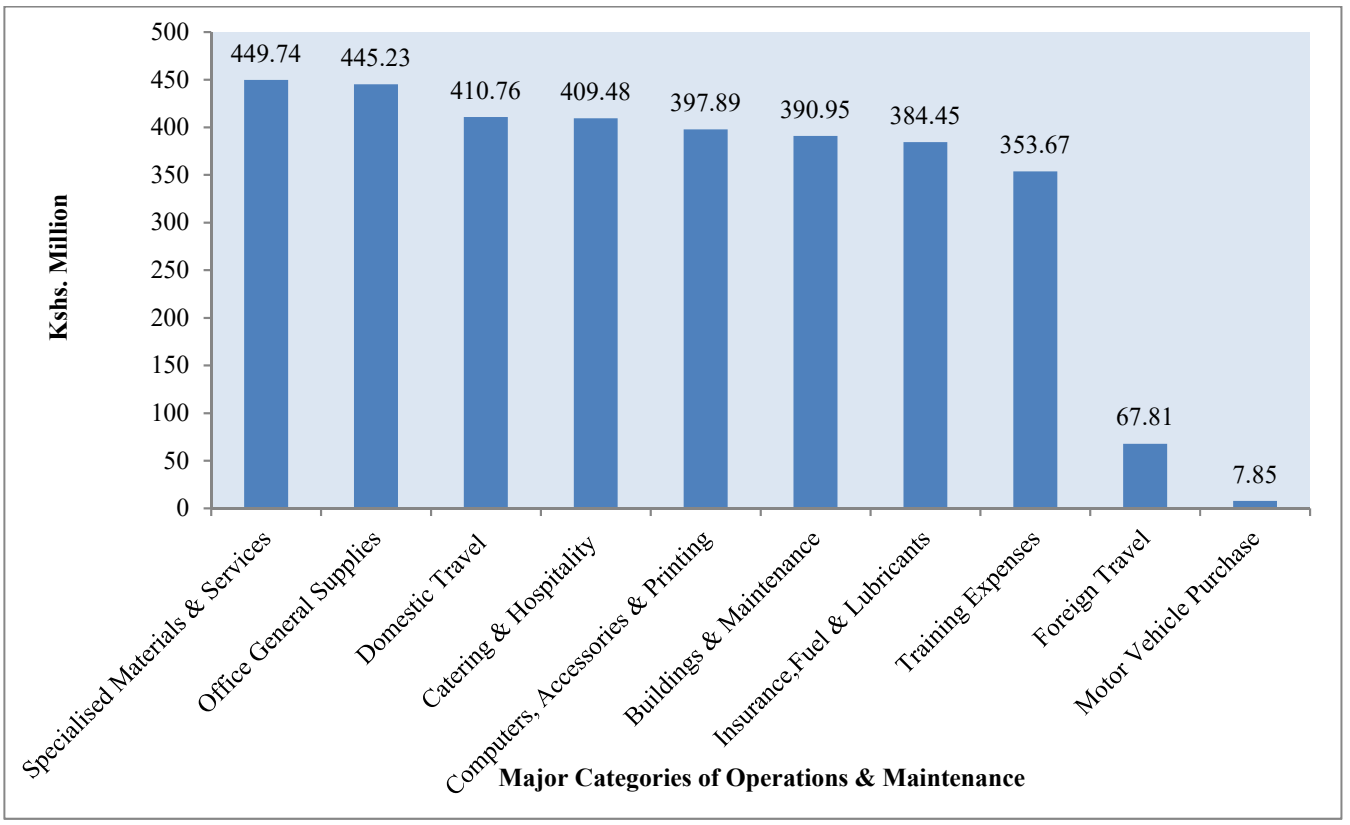
***Source:*** *Narok County Treasury*

### 3.33.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.95 billion comprised of Kshs.3.63 billion (52.2 per cent) incurred on personnel emoluments and Kshs.3.32 billion (47.8 per cent) on operations and maintenance as shown in Figure 3.131.

Expenditure on personnel emoluments represented an increase of 12.2 per cent compared to FY 2017/18 when the County spent Kshs.3.23 billion and was 36.4 per cent of the total expenditure in FY 2018/19. Figure 3.132 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.132: Narok County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Narok County Treasury*

The County spent Kshs.63.74 million on committee sitting allowances for the 48 MCAs and Speaker against the annual budget allocation of Kshs.63.81 million. This represents an increase of 99.5 per cent compared to Kshs.31.9 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.110,663 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.478.57 million, and comprised of Kshs.256.88 million spent by the County Assembly and Kshs.221.69 million by the County Executive. This expenditure represented 5.9 per cent of total recurrent expenditure and was an increase of 187.4 million compared to Kshs.166.49 million spent in FY 2017/18.

## 3.33.8 Budget Performance by County Department

Table 3.97 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.97: Narok County, Budget Performance by Department in the FY 2018/19**

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Total Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 709.07 | 120.00 | 705.0 | 704.99 | 44.69 | 44.69 | 100 | 99.3 | 99.4 | 37.2 |
| Office of the Governor | 306.11 | | 305.75 | 302.63 | - | - | 99 | - | 98.9 | - |
| Finance and Economic Planning | 553.27 | 299.56 | 552.98 | 546.02 | 259.82 | 259.82 | 98.7 | 99.9 | 98.7 | 86.7 |
| Roads, Transport and Public Works | 233.47 | 922.14 | 233.32 | 231.35 | 899.51 | 899.51 | 99.2 | 99.8 | 99.1 | 97.5 |

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Total Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Education, Youth, Sports, Culture & Social Services | 917.51 | 394.93 | 917.22 | 902.01 | 394.32 | 394.32 | 98.3 | 99.8 | 98.3 | 99.8 |
| Environment Protection, Energy, Water and Natural Resources | 89.35 | 315.04 | 89.31 | 88.12 | 314.07 | 314.07 | 98.7 | 99.7 | 98.6 | 99.7 |
| County Public Service Board | 71.45 | - | 71.35 | 70.85 | - | - | 99.3 | - | 99.2 | - |
| Agriculture, Livestock and Fisheries | 350.71 | 516.37 | 350.70 | 344.31 | 513.66 | 513.66 | 98.2 | 99.9 | 98.2 | 99.5 |
| Health and Sanitation | 2,310.53 | 206.76 | 2,310.40 | 2,277.00 | 206.46 | 206.46 | 98.6 | 99.9 | 98.5 | 99.9 |
| Lands, Housing, Physical Planning and Urban Development | 183.98 | 166.91 | 183.95 | 183.28 | 166.57 | 166.57 | 99.6 | 99.8 | 99.6 | 99.8 |
| Tourism, Wildlife, Trade, Industry and Cooperative Development | 103.36 | 131.86 | 103.19 | 96.33 | 174.19 | 174.19 | 93.4 | 100. | 93.2 | 99.2 |
| County Administration and Public Service Management | 1,125.36 | 35.55 | 1,123.27 | 1,125.13 | 34.76 | 34.76 | 100.2 | 98.5 | 100 | 97.8 |
| **Total** | **7,041.48** | **3,153.37** | **7,033.71** | **3,013.05** | **6,952.16** | **3,008.04** | **98.8** | **99.8** | **98.7** | **95.4** |

***Source:*** *Narok County Treasury*

Analysis of expenditure by department shows that the Department of Health and Sanitation recorded the highest absorption rate of development budget at 99.9 while the County Assembly recorded the lowest at 37.2 per cent. The Department of County Administration and Public Service Management had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Tourism, Wildlife, Trade, Industry and Cooperative Development had the lowest at 93.2 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. Automation of own source revenue collections which enabled the County to improve revenue collection by 31.7 per cent from Kshs.2.23 billion in FY 2017/18 to Kshs.2.92 billion in the reporting period.
ii. Improvement in the absorption of development budget from 58.6 per cent in FY 2017/18 to 95.4 per cent in FY 2018/19.

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 to the County.
2. IFMIS connectivity challenges which led to delays in the approval of procurement requests and payment of suppliers.
3. Inadequate budgetary control that resulted to high pending bills at the end of the financial year which amounted to Kshs.1.19 billion.
4. High expenditure on personnel emoluments which has increased by 12.2 per cent from Kshs.3.23 billion to Kshs.3.63 billion. The wage bill accounted for 36.4 per cent of total expenditure in the reporting period.
5. High expenditure on foreign and domestic travel, which increased by187.4 per cent from Kshs.166.49 million in FY 2017/18 to Kshs.478.57 million in the reporting period.

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

1. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of equitable share of revenue raised nationally.*
2. *The County Treasury should liaise with the IFMIS Directorate to address the IFMIS connectivity challenge.*
3. *The County leadership should finalize verification of the pending bills and provide for the same as a first charge on the FY 2019/20 budget.*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
5. *The County Treasury should ensure that expenditure on non-core budget items is rationalized to provide more resources for development projects.*

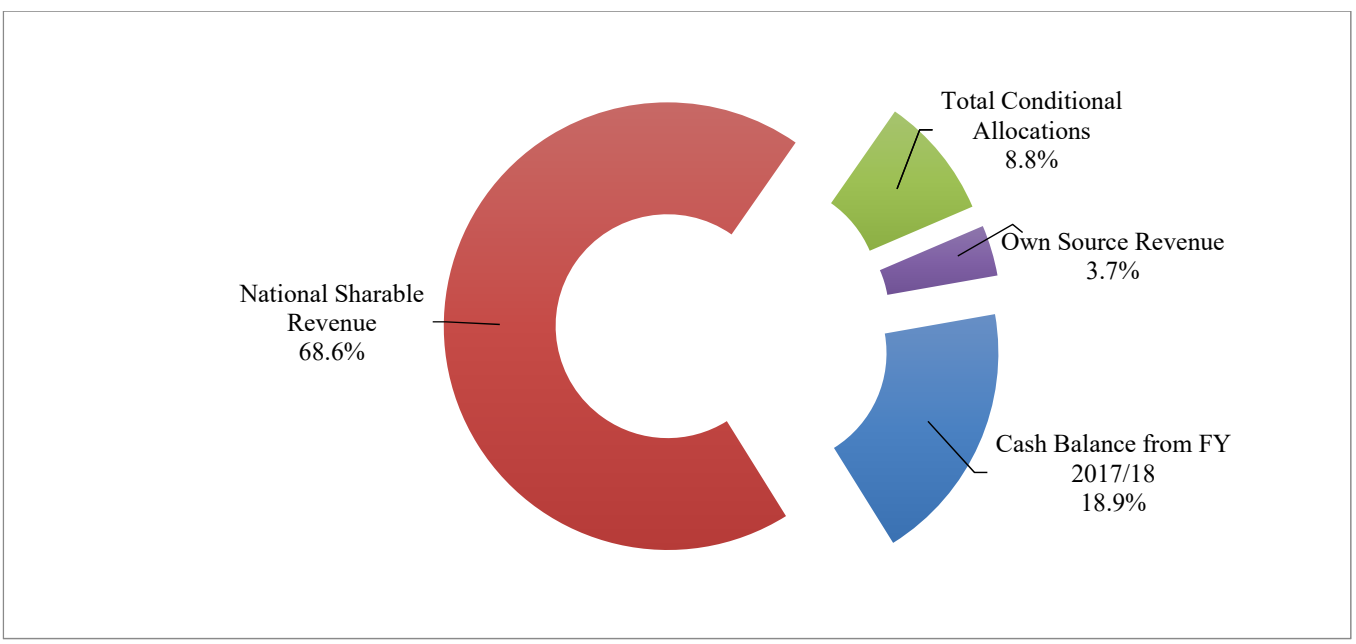
## 3.34 Nyamira County

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

The County's FY 2018/19 Supplementary Budget was Kshs.6.96 billion, comprising of Kshs.2.13 billion (30.6 per cent) and Kshs.4.83 billion (69.4 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (68.6 per cent) as equitable share of the revenue raised nationally, Kshs.615.80 million (8.8 per cent) as total conditional grants, generate Kshs.255.57 million (3.7 per cent) from own sources of revenue, and Kshs.1.31 billion (18.9 per cent) cash balance from FY 2017/18.

**Figure 3.133: Nyamira County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Nyamira County Treasury*

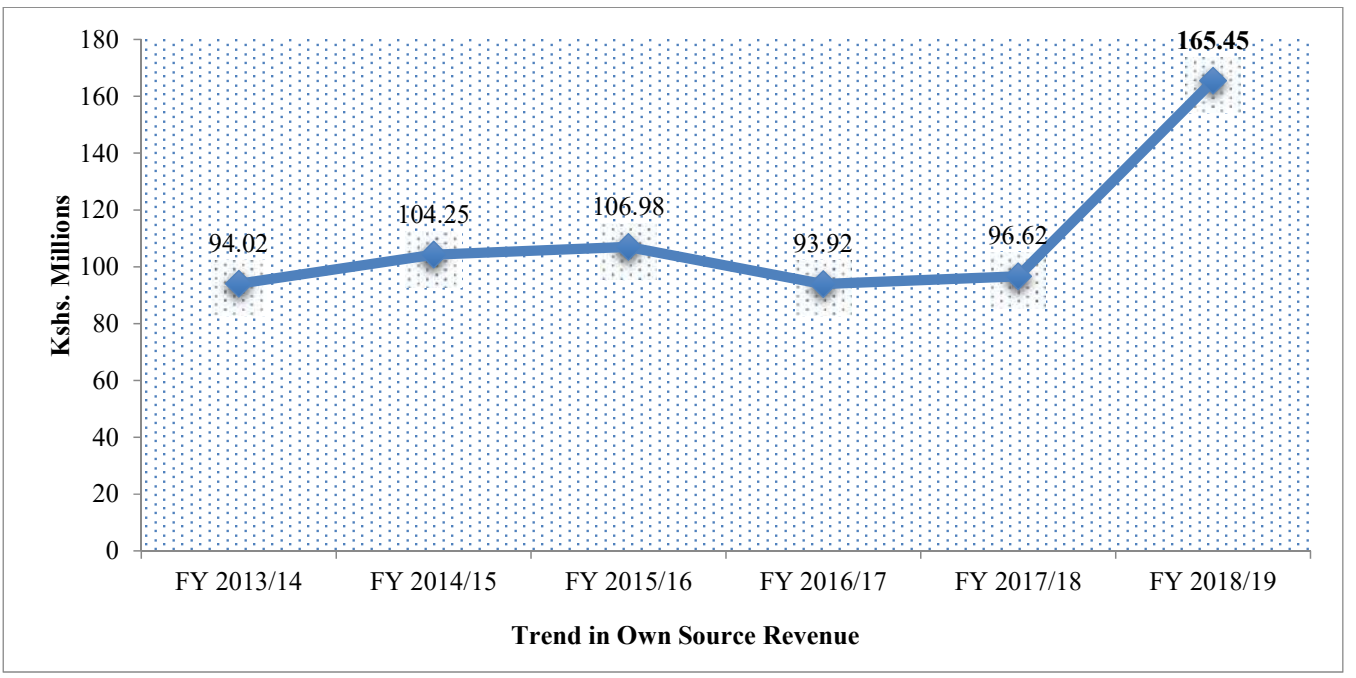
A breakdown of the conditional grants is provided in Table 3.98.

### 3.34.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.6.68 billion available for budget implementation. This amount consisted of Kshs.4.77 billion received as equitable share of the revenue raised nationally, Kshs.431.47 million as conditional grants, Kshs.165.45 million generated from own sources of revenue, and a cash balance of Kshs.1.31 billion from FY 2017/18.

Figure 3.134 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.134: Nyamira County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Nyamira County Treasury*

The County generated a total of Kshs.165.45 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.68.83 million compared to that realised in FY 2017/18 and was 64.7 per cent of the annual target.

### 3.34.3 Conditional Grants

During the reporting period, the County received Kshs.431.47 million as conditional grants as shown in Table 3.98.

**Table 3.98: Nyamira County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grant/Loans | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Total Receipts (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 140,435,163 | 50,078,476 | 35.7 |
| 2 | Road Maintenance Fuel Levy | 125,663,667 | 125,663,667 | 125,663,668 | 100 |
| 3 | IDA (World Bank) Credit: Kenya Urban Support Programme | 114,705,300 | 114,705,300 | 114,705,300 | 100 |
| 4 | Rehabilitation of Youth Polytechnics | 52,915,000 | 52,915,000 | 39,950,825 | 75.5 |
| 5 | World Bank Loan for Transforming Health System for universal Care Project | 50,000,000 | 50,000,000 | 23,985,548 | 48 |

| S/No. | Grant/Loans | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Total Receipts (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 6 | Kenya Devolution Support Programme (KDSP) "Level 1 grant" | 42,383,765 | 42,383,765 | - | - |
| 7 | IDA (World Bank) Credit: Kenya Urban Support Programme (KUSP) - Urban Institutional Grant (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | 41,200,000 | 41,200,000 | 100.0 |
| 8 | Sweden - Agricultural Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 19,827,574 | 19,827,574 | 7,218,777 | 36.4 |
| 9 | DANIDA Grant (Universal Healthcare in Devolved Systems Program) | 15,491,250 | 15,491,250 | 15,491,250 | 100.0 |
| 10 | Compensation for User Fee Foregone | 13,175,221 | 13,175,221 | 13,175,221 | 100.0 |
| 11 | Leasing of Medical Equipment | 200,000,000 | - | - | 0.0 |
| **Grand Total** | | **815,796,940** | **615,796,940** | **431,469,065** | **52.9** |

***Source:*** *Nyamira County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy, IDA (World Bank) Credit: Kenya Urban Support Programme, DANIDA Grant (Universal Healthcare in Devolved Systems Program), and, Compensation for User Fee Foregone conditional grants recorded the highest performance in percentage terms, and accounted for 100 per cent of their respective annual targets.

### 3.34.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.62 billion from the CRF account. The withdrawals represented 80.7 per cent of the Approved Supplementary Budget and translated to an increase of 15.9 per cent from Kshs.4.85 billion in FY 2017/18 and comprised of Kshs.1.03 billion (18.3 per cent) towards development activities and Kshs.4.59 billion (81.7 per cent) for recurrent expenditure.

### 3.34.5 Overall Expenditure Review

A total of Kshs.5.60 billion was spent on both development and recurrent activities. This expenditure represented 99.8 per cent of the total funds released from the CRF account, and was an increase of 32.4 per cent from Kshs.4.23 billion spent in FY 2017/18.

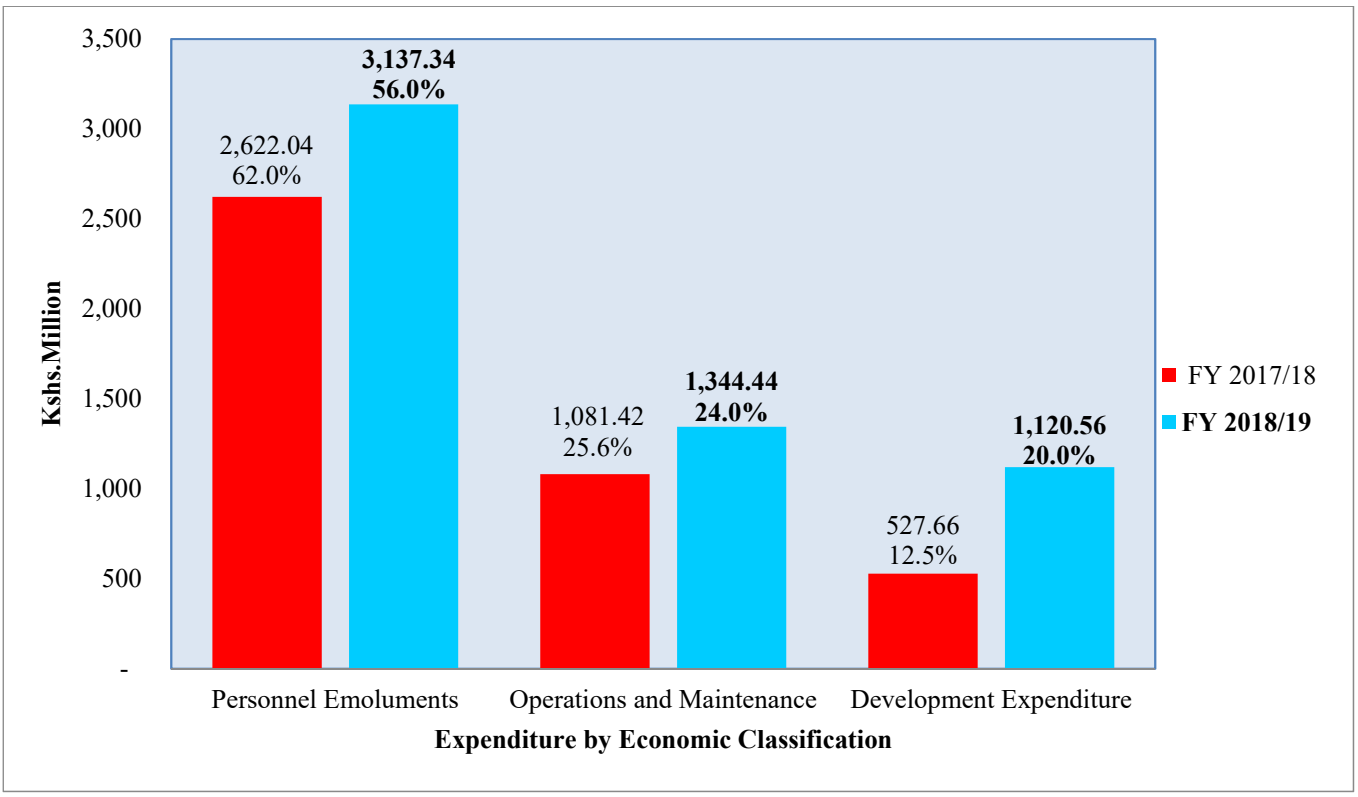
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.54 million for development activities and Kshs.1.52 million for recurrent costs for the County Assembly. The County Executive did not provide pending bills report as of June, 30th 2019.

Expenditure on development programmes amounted to Kshs.1.12 billion while Kshs.4.48 billion was spent on recurrent activities. The development expenditure was 108.8 per cent of the funds released for development programmes while recurrent expenditure was 97.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 52.6 per cent, which was an increase from 27.9 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 92.8 per cent of the annual recurrent budget, an increase from 87.7 per cent recorded in FY 2017/18.

Figure 3.135 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.135: Nyamira County, Expenditure by Economic Classification




*Source: Nyamira County Treasury*

### 3.34.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.12 billion represents 52.6 per cent of the annual development expenditure estimates of Kshs.2.13 billion. Table 3.99 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.99: Nyamira County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Proposed Construction and Completion of Nyamira County Head Quarters | Township | 382,970,401 | 32,600,000 | 8.5 |
| 2 | Proposed Construction of Amenity Block with the Doctor's Plaza at Nyamira Referral (Female and Male Wards) | Township | 142,319,154 | 25,921,364 | 18.2 |
| 3 | Hire of Equipment and Mechanical Services from the Mechanical Transport Fund for road construction across the County | County Wide | 100,000,000 | 99,801,500 | 99.8 |
| 4 | Youth Polytechnic Education Support Programme in Collaboration with the Ministry of Education (National Government) | County Wide | 52,915,950 | 25,410,000 | 48 |
| 5 | Supply, Delivery, Customization, Commissioning & Maintenance of Revenue Collection Automation in the County | County wide | 50,000,000 | 14,030,000 | 28.1 |
| 6 | Construction of 6th Floor Office Block for MCAs and Staff Phase II | Nyamira Town HQs | 47,092,269 | 44,091,179 | 93.6 |
| 7 | Proposed Delivery, Installation, Testing and Commissioning of Medical Oxygen Generating Plant at Nyamira County Referral Hospital | Township | 26,000,000 | 26,000,000 | 100 |
| 8 | Proposed Construction and Completion of Kiabonyoru 1 Water Supply | Kiabonyoru | 22,181,629 | 15,583,978 | 70.3 |

| S/No. | Project Name | Project Location | Project Budget | Project Ex-penditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 9 | Supply of Fuel for Roads Construction works across the County | County Wide | 16,110,000 | 13,530,000 | 84.0 |
| 10 | Supply, Delivery, Installation, Commissioning, and Maintenance of Solar Powered Street Lighting within the County | County Wide | 14,783,040 | 14,783,040 | 100 |

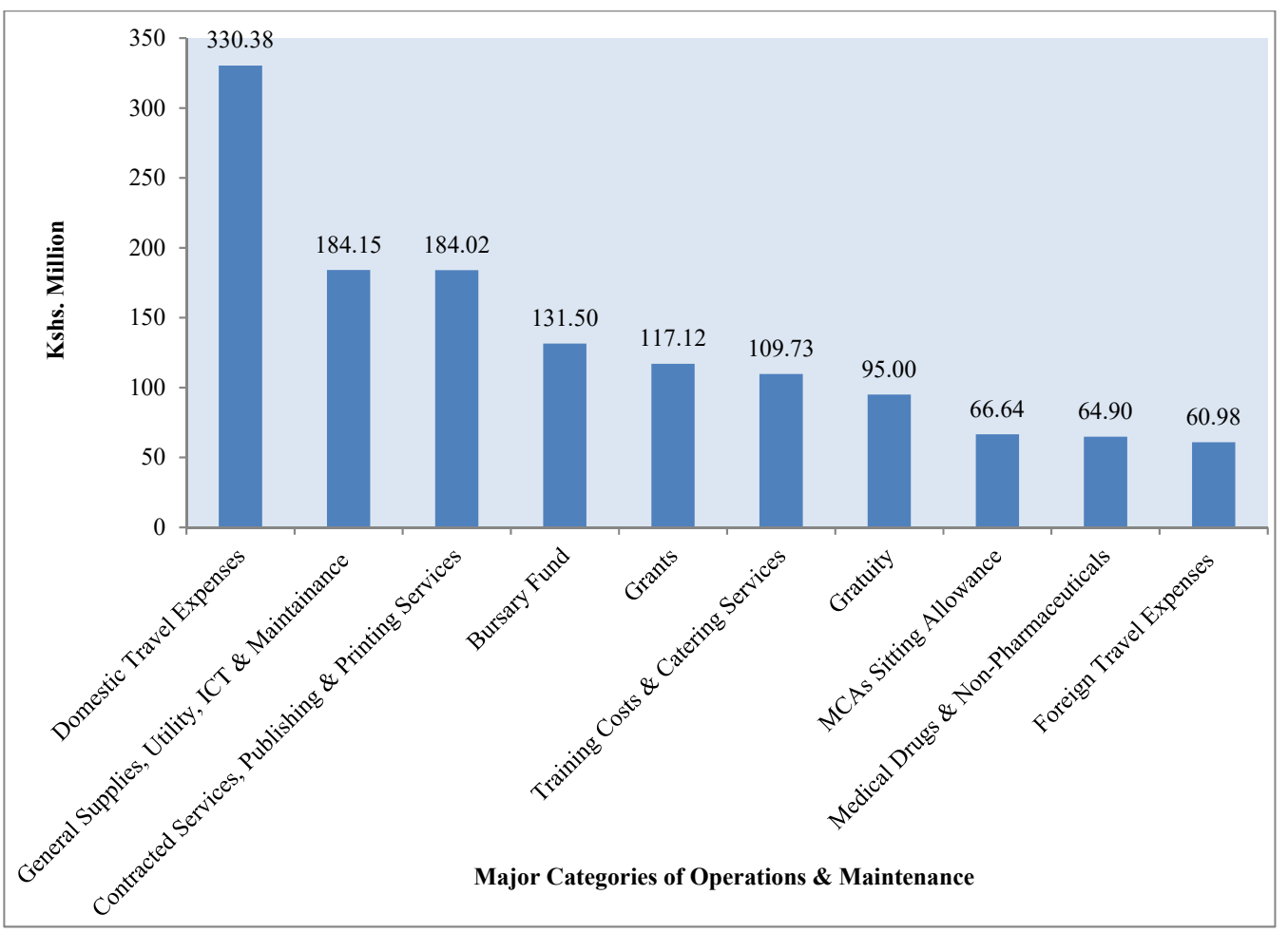
***Source:*** *Nyamira County Treasury*

### 3.34.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.48 billion comprised of Kshs.3.14 billion (70 per cent) incurred on personnel emoluments and Kshs.1.34 billion (30 per cent) on operations and maintenance as shown Figure 3.135.

Expenditure on personnel emoluments represented an increase of 19.7 per cent compared to FY 2017/18 when the County spent Kshs.2.62 billion and was 56 per cent of the total expenditure in FY 2018/19. Figure 3.136 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.136: Nyamira County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source***: *Nyamira County Treasury*

The County spent Kshs.66.64 million on committee sitting allowances for the 36 MCAs and Speaker against the annual budget allocation of Kshs.66.64 million. This represented an increase of 109.6 per cent compared to Kshs.31.80 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.150,097 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.391.37 million, and comprised of Kshs.147.61 million spent by the County Assembly and Kshs.243.75 million by the County Executive. This expenditure represented 8.7 per cent of total recurrent expenditure and was an increase of 40 per cent compared to Kshs.280.24 million spent in FY 2017/18.

### 3.34.8 Budget Performance by County Department

Table 3.100 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.100: Nyamira County, Budget Performance by Department in FY 2018/2019**

| Department | Annual Budget Allocation (Kshs. M) | | Total Exchequer Issues (Kshs. Million) | | Total Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 587.43 | 80.00 | 587.43 | 65.89 | 587.43 | 64.35 | 100 | 97.7 | 100.0 | 80.4 |
| Executive Office | 477.21 | - | 477.21 | - | 417.41 | - | 87.5 | - | 87.5 | - |
| Finance & Economic Planning | 457.03 | 50.33 | 446.47 | 14.03 | 380.45 | 17.03 | 85.2 | 121.4 | 83.2 | 33.8 |
| Agriculture, Livestock & Fisheries | 188.95 | 260.17 | 182.14 | 85.26 | 208.15 | 79.92 | 114.3 | 93.7 | 110.2 | 30.7 |
| Environment, Water, Natural Resources, Energy & Mining | 133.05 | 223.52 | 116.67 | 98.89 | 104.68 | 142.78 | 89.7 | 144.4 | 78.7 | 63.9 |
| Education & Youth Empowerment | 506.27 | 295.83 | 487.86 | 85.17 | 499.11 | 132.00 | 102.3 | 155.0 | 98.6 | 44.6 |
| Health Services | 1,716.98 | 267.50 | 1,618.34 | 101.21 | 1,634.32 | 148.31 | 101.0 | 146.5 | 95.2 | 55.4 |
| Lands, Housing & Urban Development | 152.77 | 197.61 | 102.53 | 170.43 | 103.82 | 58.04 | 101.3 | 34.1 | 68.0 | 29.4 |
| Roads, Transport & Public Works | 129.17 | 606.47 | 118.75 | 384.93 | 115.97 | 433.23 | 97.7 | 112.5 | 89.8 | 71.4 |
| Trade, Tourism, Industrialization & Cooperatives Development | 59.78 | 87.00 | 52.52 | 19.44 | 51.38 | 28.11 | 97.8 | 144.6 | 85.9 | 32.3 |
| Gender, Culture & Social Services | 76.68 | 57.47 | 61.54 | 3.30 | 48.97 | 15.59 | 79.6 | 472.4 | 63.9 | 27.1 |
| County Public Service Board | 59.23 | - | 57.13 | - | 55.38 | - | 96.9 | - | 93.5 | - |
| Public Service Management | 280.55 | 3.20 | 277.99 | 1.20 | 274.71 | 1.20 | 98.8 | 100.0 | 97.9 | 37.5 |
| **Total** | **4,825.10** | **2,129.10** | **4,586.59** | **1,029.76** | **4,481.79** | **1,120.56** | **97.7** | **108.8** | **92.9** | **52.6** |

***Source:*** *Nyamira County Treasury*

Analysis of expenditure by department shows that the County Assembly recorded the highest absorption rate of development budget at 80.4 per cent while the Department of Sports, Gender, and Culture & Social Services recorded the lowest at 27.1 per cent. The Department of Agriculture, Livestock & Fisheries had the highest percentage of recurrent expenditure to recurrent budget at 110.2 per cent while the Department of Sports, Gender, Culture & Social Services had the lowest at 63.9 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 the performance of own-source revenue by 71.2 per cent when compared to Kshs.96.62 million realised in FY 2017/18.
ii. Improvement in the absorption of development budget by 112.4 per cent from Kshs.527.66 million in FY 2017/18 to Kshs.1.12 billion in the reporting period.

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

1. A high wage bill that increased by 19.7 per cent from Kshs.2.62 billion in FY 2017/18 to Kshs.3.14 billion in the reporting period. The wage bill accounted for 56 per cent of total expenditure in the reporting period.
2. The average monthly MCAs sitting allowance translated to Kshs.150,097 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.
6. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Agriculture, Livestock & Fisheries. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Assembly should ensure the MCAs sitting allowance is within the SRC set ceiling.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
4. *The County Treasury should liaise with the IFMIS Directorate to address connectivity challenges.*
5. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as requested by the Controller of Budget in line with COB Act, 2016.*
6. *The County Treasury should ensure expenditure is within the approved budget.*

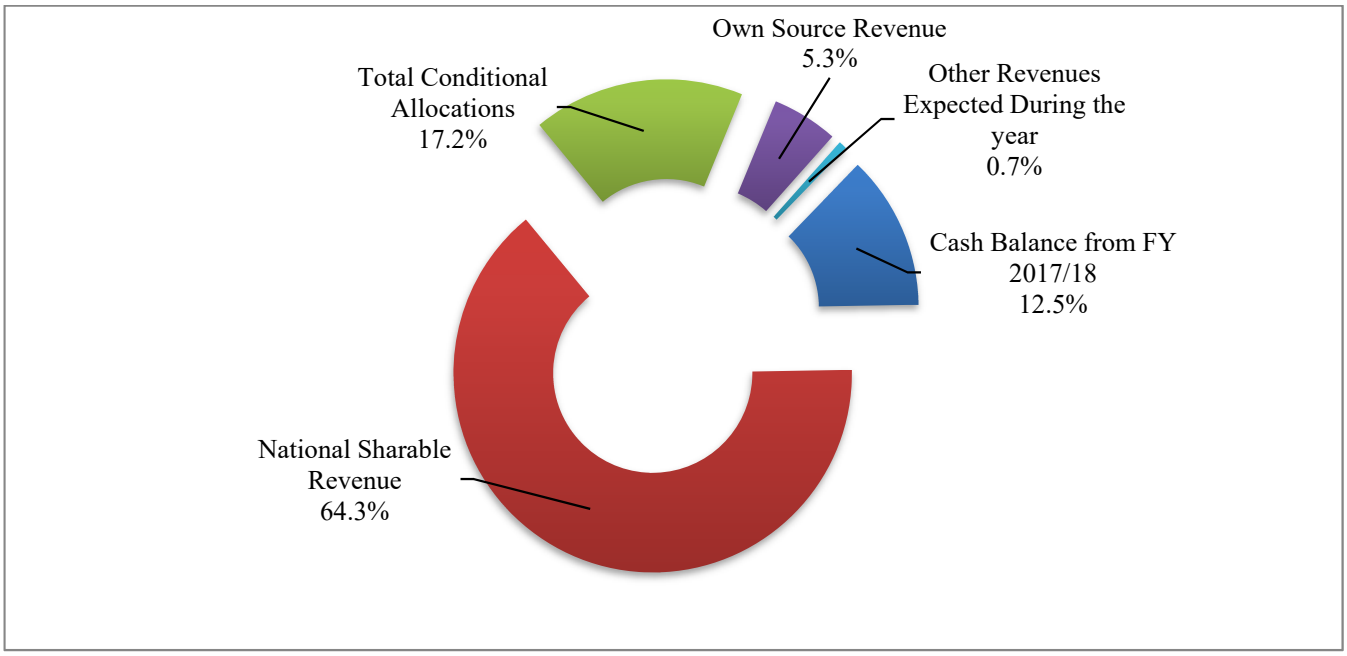
## 3.35 Nyandarua County

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

The County's FY 2018/19 Second Supplementary Budget was Kshs.7.67 billion, comprising of Kshs.3.17 billion (41.3 per cent) and Kshs.4.5 billion (58.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (64.3 per cent) as equitable share of revenue raised nationally, Kshs.1.37 billion (17.2 per cent) as total conditional grants, generate Kshs.410 million (5.3 per cent) from own-source of revenue, Kshs.51.27 million (0.7 per cent) as other expected revenues, and Kshs.959.84 million (12.5 per cent) cash balance from FY 2017/18.

**Figure 3.137: Nyandarua County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Nyandarua County Treasury*

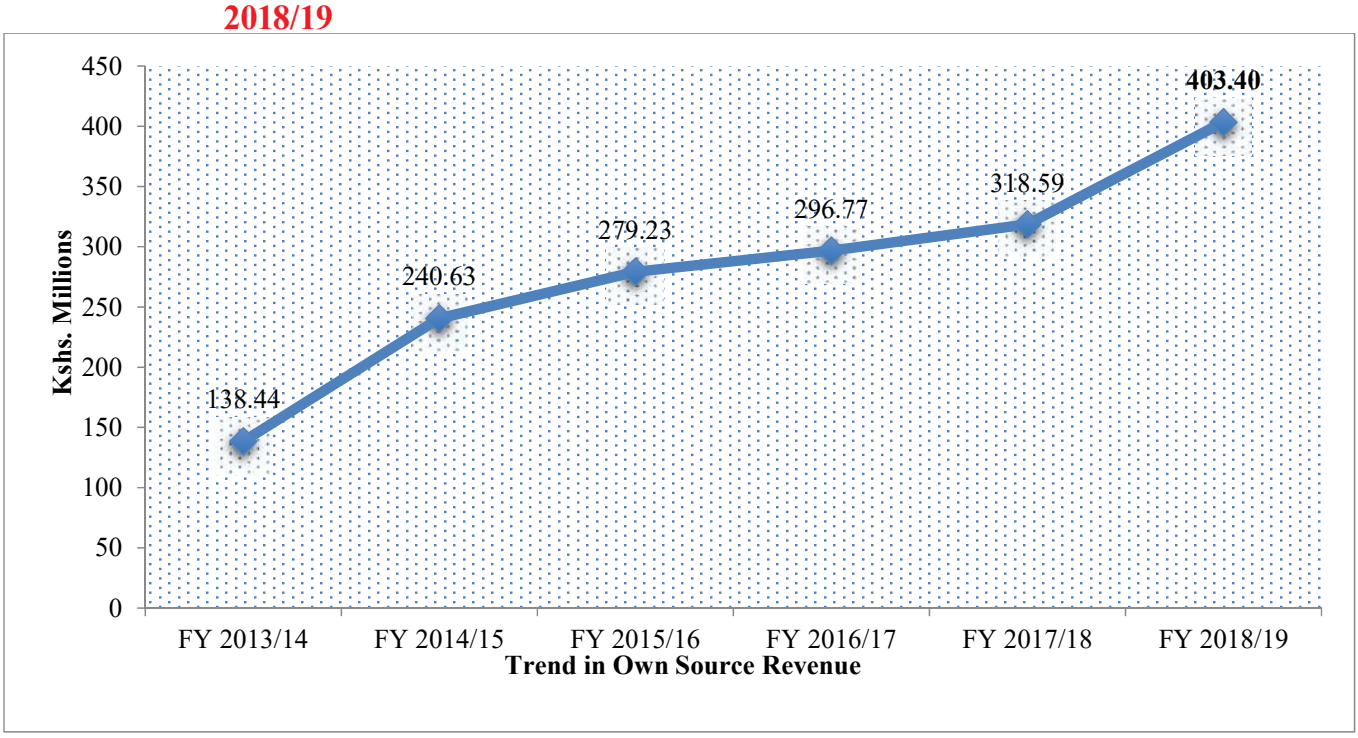
A breakdown of the conditional grants is provided in Table 3.101.

### 3.35.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.01 billion available for budget implementation. This amount consisted of Kshs.4.93 billion received as equitable share of the revenue raised nationally, Kshs.721.89 million as conditional grants, Kshs.403.4 million generated from own sources of revenue, and a cash balance of Kshs.959.84 million from FY 2017/18.

Figure 3.138 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.138: Nyandarua County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Nyandarua County Treasury*

The County generated a total of Kshs.403.4 million from own revenue sources in FY 2018/19. This amount represented an increaseof Kshs.84.82 million compared to that realised in FY 2017/18 and was 98.4 per cent of the annual target.

## 3.35.3 Conditional Grants

During the reporting period, the County received Kshs.721.89 million as conditional grants as shown in Table 3.101.

**Table 3.101: Nyandarua County, Conditional Grants/Loans Received in the FY 2018/19**

| S/ No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in 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 | 121,000,000 | - | - |
| 2 | Compensation for User Fee Foregone | 12,735,922 | 12,735,922 | 12,735,922 | 100 |
| 3 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 4 | Road Maintenance Fuel Levy Fund | 129,797,341 | 129,797,341 | 129,797,341 | 100 |
| 5 | Rehabilitation of Village Polytechnics | 39,700,000 | 39,700,000 | - | - |
| 6 | Transforming Health Systems for Universal Care Project (World Bank) | 50,000,000 | 50,000,000 | 17,501,836 | 35 |
| 7 | IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 37,877,017 | 32 |
| 8 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 43,069,316 | 43,069,316 | - | - |
| 9 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 135,543,400 | 135,543,400 | 135,543,400 | 100 |
| 10 | DANIDA - Universal Healthcare in Devolved System Programme | 15,997,500 | 15,997,500 | 15,997,500 | 100 |
| 11 | EU Grant- Instruments for Devolution Advice and Support- IDEAS) | 45,000,000 | 78,766,766 | 78,775,576 | 175 |
| 12 | Kenya Devolution Support Programme "Level 2 grant" Bal C/F in FY 2017/18 | - | 282,647,811 | 254,280,493 | - |
| 13 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 18,522,640 | 18,522,640 | 6,743,680 | 36 |

| S/ No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 14 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | 41,200,000 | | - |
| 15 | Road Maintenance Fuel Levy Bal C/F in FY 2017/18 | - | 32,641,949 | 32,641,949 | - |
| **Sub Total** | | **969,566,119** | **1,318,622,645** | **721,894,714** | **74** |
| B | **Other Grants** | | | | |
| 16 | Rehabilitation of Village Polytechnics Bal C/F 2017/18 | - | 21,274,457 | | - |
| 17 | Linda Mama | - | 30,000,000 | | - |
| **Sub Total** | | - | 51,274,457 | - | - |
| **Grand Total** | | **969,566,119.0** | **1,369,897,102.0** | **721,894,714.0** | **74** |

***Source:*** *Nyandarua County Treasury*

During the reporting period, the County Government received a grant from the European Union towards the Instrument for Devolution Advice and Support project which recorded the highest performance in percentage terms accounting for 175 per cent of the annual target.

### 3.35.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.69 billion from the CRF account. The withdrawals represented 74.2 per cent of the Approved Supplementary Budget and translated to an increase of 18.3 per cent from Kshs.4.81 billion in FY 2017/18 and comprised of Kshs.1.68 billion (29.5 per cent) towards development activities and Kshs.4.01 billion (70.5 per cent) for recurrent expenditure.

### 3.35.5 Overall Expenditure Review

A total of Kshs.5.48 billion was spent on both development and recurrent activities. This expenditure represented 96.2 per cent of the total funds released from the CRF account, and was an increase of 20.5 per cent from Kshs.4.54 billion spent in FY 2017/18.

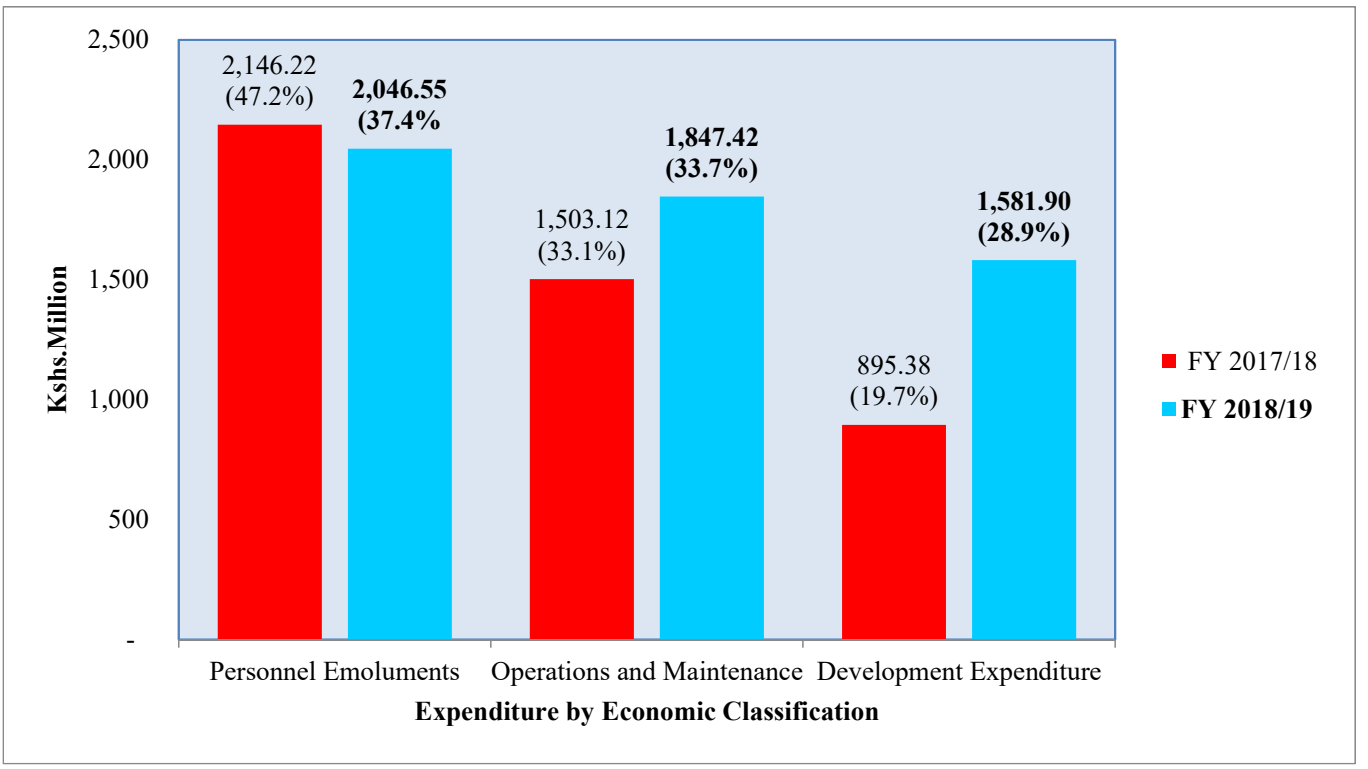
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.718.07 million for development activities and Kshs.93.12 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.58 billion while Kshs.3.89 billion was spent on recurrent activities. The development expenditure was 94.3 per cent of the funds released for development programmes, while recurrent expenditure was 97.0 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 50 per cent, which was an increase from 44.2 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 86.5 per cent of the annual recurrent budget, a decrease from 89.4 per cent recorded in FY 2017/18.

Figure 3.139 presents a comparison between the total expenditure in FY 2018/19and FY 2017/18.

## Figure 3.139: Nyandarua County, Expenditure by Economic Classification




***Source:*** *Nyandarua County Treasury*

### 3.35.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.58 billion represented 50 per cent of the annual development expenditure estimates of Kshs.3.17 billion. Table 3.102 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.102: Nyandarua County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project budget (Kshs.) | Project Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|
| 1 | Construction of an Office Block | 186,100,000 | 119,241,819 | 64 |
| 2 | Purchase of a Fire Truck | 52,400,000 | 52,400,000 | 100 |
| 3 | Construction of Bus Parks, Parking lots and Drainage | 40,000,000 | 40,000,000 | 100 |
| 4 | Other Infrastructure and Civil Works- (Climate Smart Agricultural Projects) | 101,170,050 | 37,877,017 | 37 |
| 5 | Upgrading of Olkalou markets and construction of new stalls | 30,000,000 | 30,000,000 | 100 |
| 6 | Construction of 20 kilometre Municipal Roads | 26,543,400 | 26,543,400 | 100 |
| 7 | Construction of street lighting of roads in Huruma, Jua Kali Estates and Housing Scheme Estates | 20,000,000 | 20,000,000 | 100 |
| 8 | Construction of Lands Office | 20,000,000 | 19,724,032 | 99 |
| 9 | Input subsidy (fertilizer and seeds) | 21,000,000 | 18,210,000 | 87 |
| 10 | County Spatial Plan | 15,688,971 | 15,688,971 | 100 |

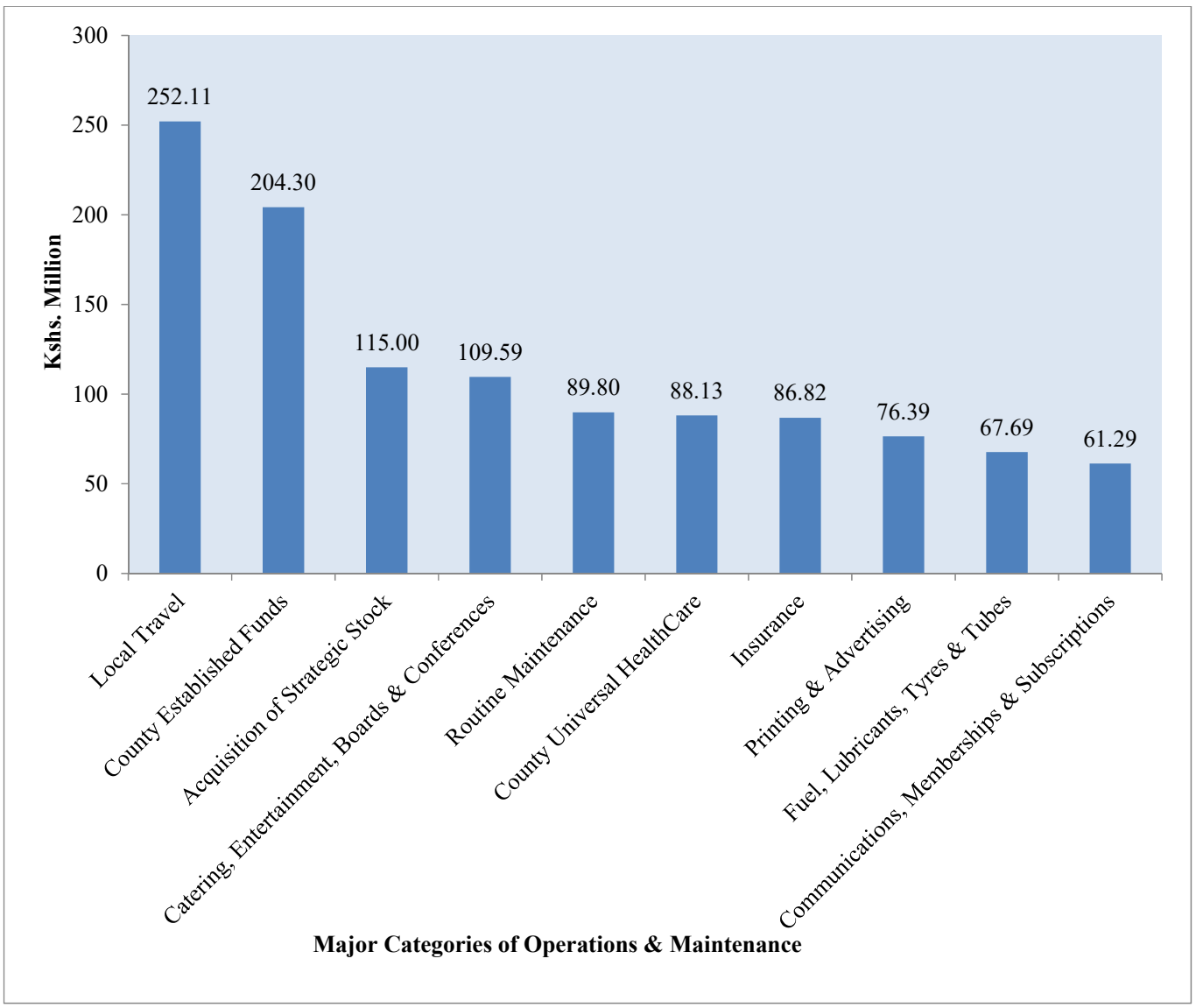
***Source:*** *Nyandarua County Treasury*

### 3.35.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.89 billion comprised of Kshs.2.05 billion (52.6 per cent) incurred on personnel emoluments and Kshs.1.85 billion (47.4 per cent) on operations and maintenance as shown in Figure 3.139.

Expenditure on personnel emoluments represented a decrease of 4.6 per cent compared FY 2017/18 when the County spent Kshs.2.15 billion and was 37.4 per cent of the total expenditure in FY 2018/19. Figure 3.140 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.140: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Nyandarua County Treasury*

The County spent Kshs.43.76 million on committee sitting allowances for the 40 MCAs and Speaker against the annual budget allocation of Kshs.43.76 million. This represented an increase of 98.1 per cent compared to Kshs.22.66 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.91,161 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.292.1 million, and comprised of Kshs.97.51 million spent by the County Assembly and Kshs.194.59 million by the County Executive. This expenditure represented 5.3 per cent of total recurrent expenditure and was an increase of 48.1 per cent compared to Kshs.151.69 million spent in FY 2017/18.

### 3.35.8 Budget Performance by County Department

Table 3.103 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.103: Nyandarua County, Budget Performance by Department in the FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Total Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Transport, Energy & Public Works | 89.50 | 1,124.67 | 88.81 | 673.32 | 88.27 | 619.95 | 99.4 | 92.1 | 98.6 | 55.1 |
| Agriculture Livestock & Fisheries | 127.30 | 281.51 | 104.87 | 142.40 | 93.99 | 91.82 | 89.6 | 64.5 | 73.8 | 32.6 |
| County Assembly | 643.47 | 196.10 | 640.54 | 130.74 | 639.74 | 129.24 | 99.9 | 98.9 | 99.4 | 65.9 |
| County Attorney | 15.03 | 1.76 | 15.03 | 0.75 | 15.03 | 0.75 | 100.0 | 100.0 | 100 | 42.9 |
| County Public Service Board | 12.69 | - | 12.68 | - | 10.69 | - | 84.3 | - | 84.2 | - |
| Education, Gender, Youth, Culture and Social Services | 96.70 | 184.26 | 61.44 | 65.11 | 96.60 | 65.01 | 157.2 | 99.8 | 99.9 | 35.3 |
| Finance & Economic Development | 549.51 | - | 459.25 | - | 473.33 | - | 103.1 | - | 86.1 | - |
| Governor's Office & Service Delivery | 178.85 | 5.00 | 177.14 | - | 173.90 | - | 98.2 | - | 97.2 | - |
| Health Services | 597.17 | 188.04 | 368.15 | 98.38 | 255.32 | 98.38 | 69.4 | 100.0 | 42.8 | 52.3 |
| Industrialization Cooperatives, Trade & Enterprise Development | 43.18 | 453.73 | 28.17 | 48.93 | 29.52 | 50.82 | 104.8 | 103.9 | 68.4 | 11.2 |
| Lands, Housing & Physical Planning | 76.37 | 300.89 | 74.75 | 233.81 | 75.38 | 242.65 | 100.9 | 103.8 | 98.7 | 80.6 |
| Public Administration & ICT | 54.37 | 2.50 | 52.58 | 1.00 | 49.24 | 1.00 | 93.6 | 100.0 | 90.6 | 39.9 |
| County Secretary | 1,911.05 | - | 1,824.35 | - | 1,786.22 | - | 97.9 | - | 93.5 | - |
| Water , Environment, Tourism &Natural resources | 62.55 | 349.66 | 61.56 | 207.02 | 62.55 | 207.02 | 101.6 | 100 | 100 | 59.2 |
| Youth, Sports and Arts | 45.08 | 78.58 | 44.94 | 75.26 | 44.18 | 75.25 | 98.3 | 100 | 98.0 | 95.8 |
| **Total** | **4,502.83** | **3,166.7** | **4,014.26** | **1,676.74** | **3,893.97** | **1,581.90** | **97.0** | **94.3** | **86.5** | **50.0** |

***Source:*** *Nyandarua County Treasury*

Analysis of expenditure by department shows that the Department of Youth, Sports and the Arts recorded the highest absorption rate of development budget at 95.8 while the Department of Industrialization, Cooperatives, Trade & Enterprise Development recorded the lowest at 11.2 per cent. The Department of Water, Environment, Tourism & Natural Resources and the County Attorney recorded the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Health Services had the lowest at 42.8 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 revenue collection by 26.6 per cent from Kshs.318.59 million in FY 2017/18 to

Kshs.403.4 million realised in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. High expenditure on foreign and domestic travel, which increased by 48.1 per cent from Kshs.151.69 million in FY 2017/18 to Kshs.292.1 million in the reporting period.
3. Although the wage bill has declined by 4.6 per cent from Kshs.2.15 billion in FY 2017/18 to Kshs.2.05 billion in the reporting period.

The County should implement the following measures 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.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

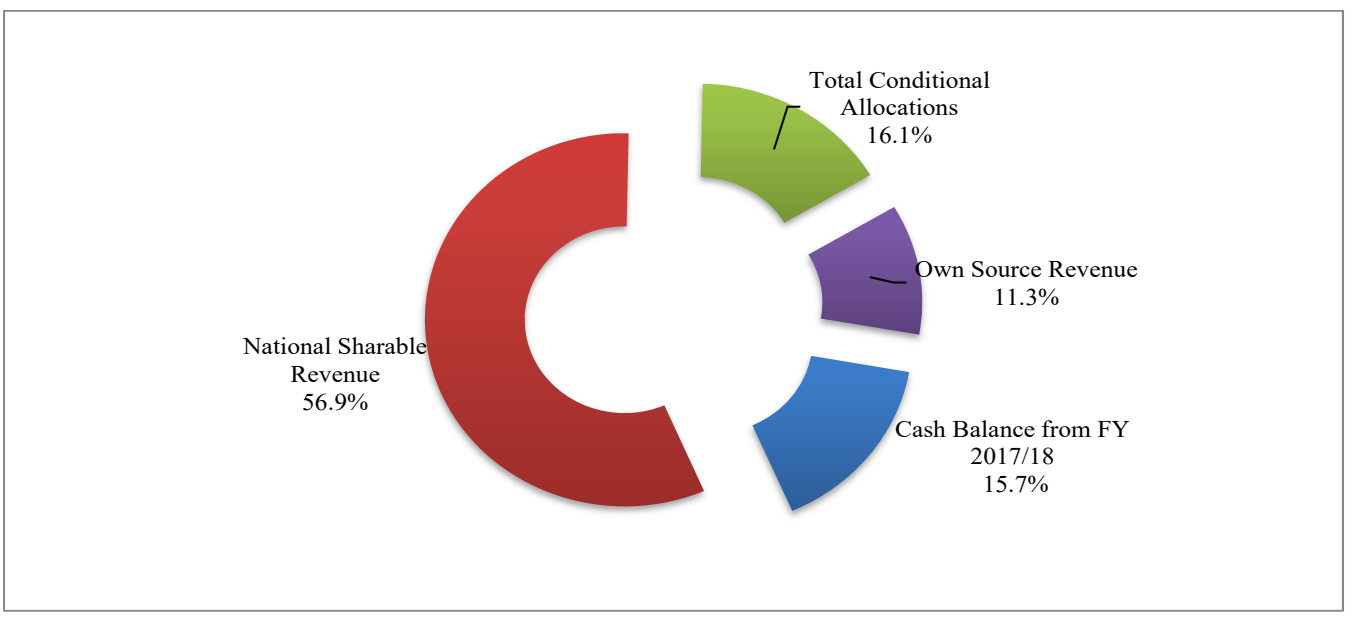
## 3.36 Nyeri County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.84 billion, comprising of Kshs.2.86 billion (32.4 per cent) and Kshs.5.98 billion (67.6 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.02 billion (56.9 per cent) as equitable share of the revenue raised nationally, Kshs.1.43 billion (16.1 per cent) as total conditional grants, generate Kshs.1.0 billion (11.3 per cent) from own sources of revenue, and Kshs.1.39 billion (15.7 per cent) cash balance from FY 2017/18.

**Figure 3.141: Nyeri County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Nyeri County Treasury*

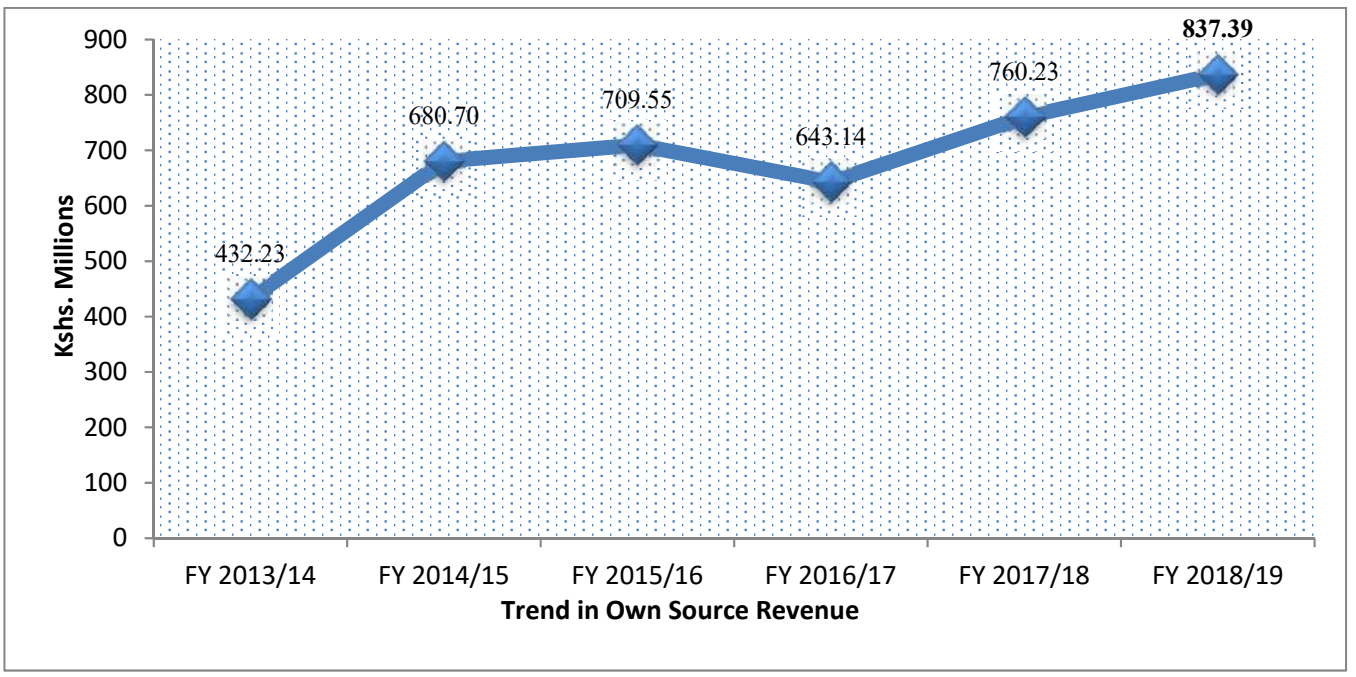
A breakdown of the conditional grants is provided in Table 3.104.

### 3.36.2 Revenue Analysis

During the FY 2018/19, the County had a total of Khs.8.60 billion available for budget implementation. This amount consisted of Kshs.5.02 billion received as equitable share of the revenue raised nationally, Kshs.1.35 billion as conditional grants, Kshs.837.39 million generated from own sources of revenue, and a cash balance of Kshs.1.39 billion from FY 2017/18.

Figure 3.142 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.142: Nyeri County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Nyeri County Treasury*

The County generated a total of Kshs.837.39 million from own revenue sources in the FY 2018/19. This amount represented an increase of Kshs.77.16 million compared to that realised in FY 2017/18 and was 83.7 per cent of the annual target.

### 3.36.3 Conditional Grants

During the reporting period, the County received Kshs.1.35 billion as conditional grants as shown in Table 3.104 .

**Table 3.104: Nyeri County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grant/Loans | Annual Allocation CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Total Receipts (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 236,639,100 | 236,639,100 | 236,639,100 | 100 |
| 2 | DANIDA - Universal Healthcare in Devolved System Programme | 16,605,000 | 16,605,000 | 16,605,000 | 100 |
| 3 | Transforming Health Systems for Universal Care Project (World Bank) | 50,000,000 | 50,000,000 | 27,901,561 | 55.8 |
| 4 | Grants to Level- 5 Hospital | 407,861,272 | 407,861,272 | 407,861,272 | 100 |
| 5 | Sweden-Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 17,424,659 | 17,424,659 | 6,343,929 | 36.4 |

| S/No. | Grant/Loans | Annual Allocation CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Total Receipts (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 6 | Leasing of Medical Equipment | 117,000,000 | - | - | - |
| 7 | IDA (World Bank) – Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 40,980,203 | 35 |
| 8 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 9 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 43,740,998 | 43,740,998 | - | - |
| 10 | Rehabilitation of Village Polytechnics | 28,795,000 | 28,795,000 | - | - |
| 11 | Road Maintenance Fuel Levy | 132,277,544 | 132,277,544 | 165,996,793 | 125.5 |
| 12 | Compensation for User Fee Foregone | 13,701,379 | 13,701,379 | 13,701,379 | 100 |
| 13 | Transforming Health Systems for Universal Care Project (GOK) | 319,788,780 | 319,788,780 | 159,894,390 | 50 |
| 14 | Kenya Devolution Support Programme-Level 2 | - | - | 229,776,792 | - |
| **Grand Total** | | **1,542,033,732** | **1,425,033732** | **1,346,900,419** | **87.3** |

***Source:*** *Nyeri County Treasury*

During the reporting period, receipts from the Roads Maintenance Fuel Levy recorded the highest performance in percentage terms accounting for 125.5 per cent of the annual target.

### 3.36.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.77 billion from the CRF account. The withdrawals represented 87.9 per cent of the Approved Supplementary Budget and translated to an increase of 18.8 per cent from Kshs.6.54 billion in the FY 2017/18 and comprised of Kshs. 2.19 billion (28.2 per cent) towards development activities and Kshs.5.58 billion (71.8 per cent) for recurrent expenditure.

### 3.36.5 Overall Expenditure Review

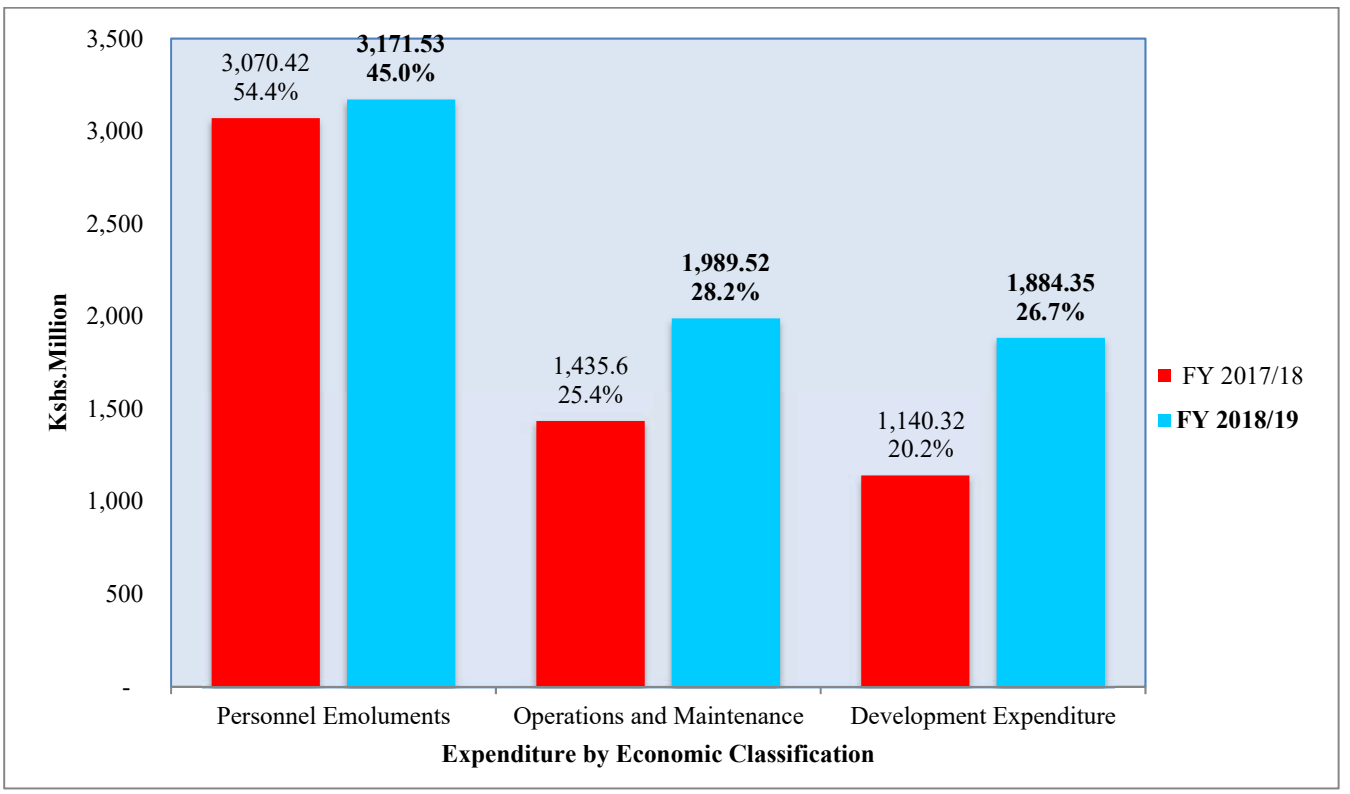
A total of Kshs.7.05 billion was spent on both development and recurrent activities. This expenditure represented 90.7 per cent of the total funds released from the CRF account, and was an increase of 24.8 per cent from Kshs.5.65 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.22.18 million for development activities and Kshs.39.51 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.88 billion while Kshs.5.16 billion was spent on recurrent activities. The development expenditure was 86.2 per cent of the funds released for development programmes, while recurrent expenditure was 92.5 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 65.9 per cent, which was an increase from 45.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 86.1 per cent of the annual recurrent budget, an increase from 82.4 per cent recorded in FY 2017/18.

Figure 3.143 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18 and shows personnel emoluments, operations and maintenance and development expenditure as a percentage of total annual expenditure.

## Figure 3.143: Nyeri County, Expenditure by Economic Classification




***Source:*** *Nyeri County Treasury*

### 3.36.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.88 billion represented 65.9 per cent of the annual development expenditure estimates of Kshs.2.86 billion. Table 3.105 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.105: Nyeri County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Access Roads Improvement | County-wide | 615,517,337 | 546,528,999 | 89 |
| 2 | Re-carpeting of Town Roads | Nyeri, Karatina & Othaya towns | 288,125,859 | 126,104,937 | 44 |
| 3 | Installation of Street Lights | County-wide | 70,000,000 | 63,592,523 | 91 |
| 4 | Preparation of County Spatial Plan | County-wide | 59,500,000 | 56,682,604 | 95 |
| 5 | Construction/Refurbishment Health Facilities | County-wide | 100,643,830 | 52,746,936 | 52 |
| 6 | Purchase of 5 Dump Truck Tippers | County-wide | 45,000,000 | 42,150,000 | 94 |
| 7 | Purchase of Medical Equipment | County-wide | 36,638,000 | 24,510,068 | 67 |
| 8 | Purchase of Bulldozer | County-wide | 25,000,000 | 22,580,000 | 90 |
| 9 | Greening Program | County-wide | 22,000,000 | 20,563,990 | 93 |
| 10 | Purchase of Lime | County-wide | 15,151,290 | 15,151,290 | 100 |

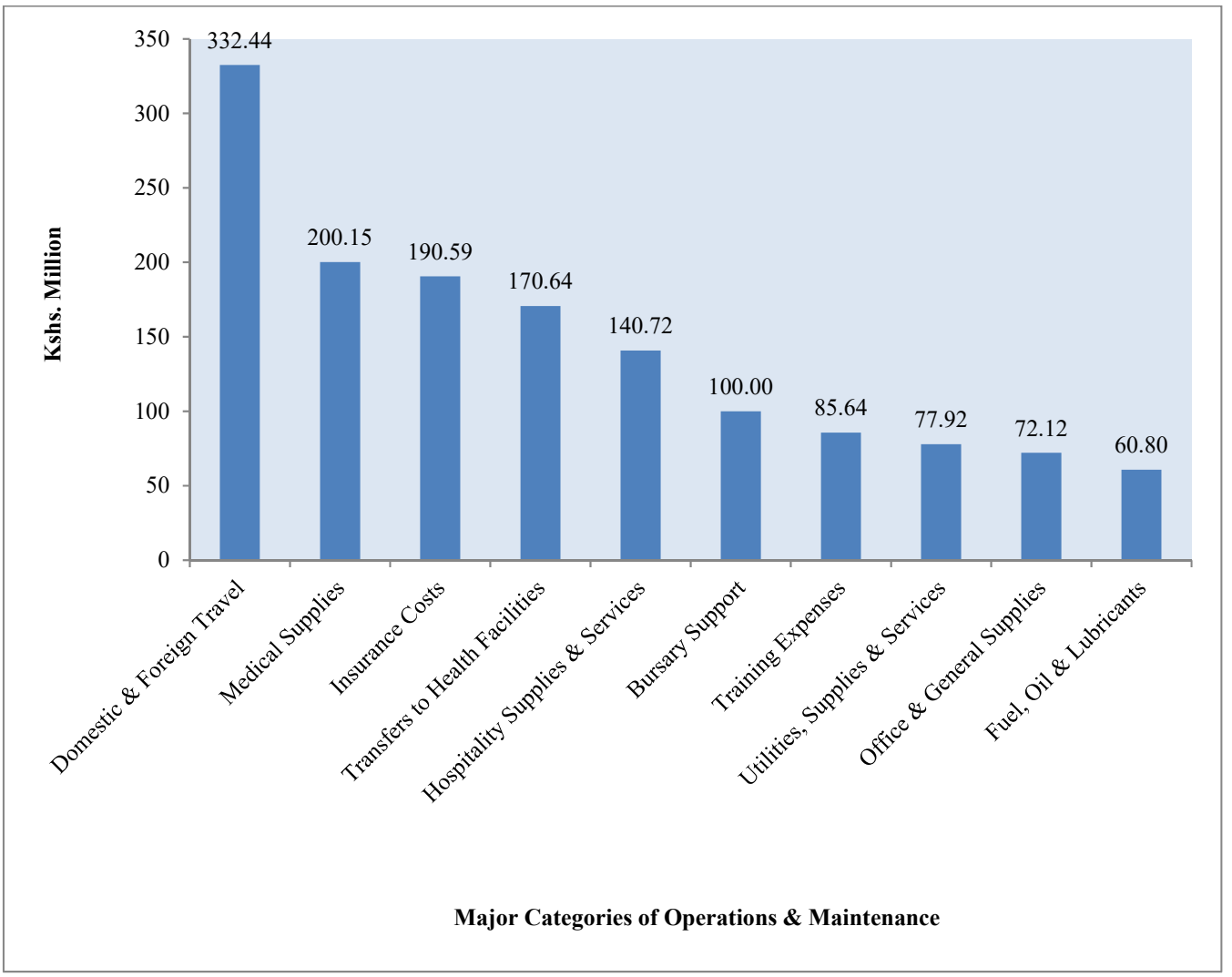
***Source:*** *Nyeri County Treasury*

### 3.36.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.16 billion comprised of Kshs.3.17 billion (61.4 per cent) incurred on personnel emoluments and Kshs.1.99 billion (38.6 per cent) on operations and maintenance as shown in Figure 3.143 .

Expenditure on personnel emoluments represented an increase of 3.3 per cent compared to FY 2017/18 when the County spent Kshs.3.07 billion and was 45 per cent of the total expenditure in FY 2018/19. Figure 3.144 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.144: Nyeri County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Nyeri County Treasury*

The County spent Kshs.39.76 million on committee sitting allowances for the 44 MCAs and the Speaker against the annual budget allocation of Kshs.79.16 million. This represented an increase of 93.1 per cent compared to Kshs.20.59 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.73,633 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.332.44 million. This amount comprised of Kshs.213.6 million and Kshs.118.84 million spent by the County Assembly and the County Executive respectively. This expenditure represented 6.4 per cent of the total recurrent expenditure and was an increase of 60.4 per cent compared to Kshs.200.86 million spent in FY 2017/18.

## 3.36.8 Budget Performance by County Department

Table 3.106 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

### Table 3.106: Nyeri County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 659.45 | 5.00 | 654.26 | 1.72 | 650.07 | 1.72 | 99.4 | 100.0 | 98.6 | 34.4 |
| Office of the Governor & Deputy Governor | 166.26 | 40.00 | 165.86 | 0.00 | 128.22 | 0.00 | 77.3 | - | 77.1 | - |
| Office of the County Secretary | 234.58 | 8.39 | 212.29 | 2.49 | 211.24 | 1.74 | 99.5 | 69.7 | 90.0 | 20.7 |
| Finance and Economic Planning | 557.99 | 311.19 | 488.16 | 259.66 | 455.03 | 271.49 | 93.2 | 104.6 | 81.5 | 87.2 |
| Lands, Physical Planning, Housing and Urbanization | 52.61 | 358.75 | 49.75 | 307.60 | 49.28 | 78.81 | 99.0 | 25.6 | 93.7 | 22.0 |
| Health Services | 2,809.43 | 244.55 | 2,616.54 | 158.58 | 2,315.09 | 105.75 | 88.5 | 66.7 | 82.4 | 43.2 |
| Youth, Gender and Social Services | 122.14 | 21.48 | 121.84 | 8.05 | 109.79 | 9.82 | 90.1 | 122.0 | 89.9 | 45.7 |
| County Public Service & Administration | 184.57 | 5.00 | 183.46 | 5.00 | 181.70 | 4.98 | 99.0 | 99.6 | 98.4 | 99.6 |
| Agriculture, Livestock and Fisheries | 372.34 | 216.09 | 315.89 | 159.25 | 333.44 | 109.12 | 105.6 | 68.5 | 89.6 | 50.5 |
| Trade, Culture, Tourism & Cooperative Development | 63.29 | 119.37 | 61.24 | 80.49 | 59.95 | 84.03 | 97.9 | 104.4 | 94.7 | 70.4 |
| Education, Science and Technology | 413.56 | 163.30 | 380.53 | 132.73 | 377.19 | 133.85 | 99.1 | 100.8 | 91.2 | 82.0 |
| Water, Environment & Natural resources | 139.55 | 320.31 | 129.00 | 227.01 | 119.38 | 241.22 | 92.5 | 106.3 | 85.5 | 75.3 |
| County Public Service Board | 43.22 | - | 42.02 | - | 39.15 | - | 93.2 | - | 90.6 | - |
| Transport, Public Works & Infrastructure | 156.86 | 1,047.26 | 156.66 | 847.17 | 131.52 | 841.81 | 84.0 | 99.4 | 83.8 | 80.4 |
| **Total** | **5,975.85** | **2,860.69** | **5,577.50** | **2,189.74** | **5,161.05** | **1,884.35** | **92.5** | **86.1** | **86.4** | **65.9** |

***Source:*** *Nyeri County Treasury*

Analysis of expenditure by department shows that the Department of County Public Service & Administration had the highest absorption rate of development budget at 99.6 per cent while the Office of the Governor and Deputy Governor did not spend on development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 98.6 per cent while the Office of the Governor and Deputy Governor had the lowest at 77.1 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. Improvement in the own-source revenue performance by 10 per cent to Kshs.837.39 million, from Kshs.760.23 million in FY2017/18.
ii. Improvement in the absorption of the development budget to 65.9 per cent compared to 45.8 per cent in FY 2017/18.

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

1. A high wage bill that increased by 3.3 per cent from Kshs.3.07 billion in the FY 2017/18 to Kshs.3.17

billion during the reporting period. The wage bill accounted for 45 per cent of total expenditure in the reporting period.

2. High expenditure on domestic and foreign travel, which increased by 60.4 per cent from Kshs.200.86 million in FY 2017/18 to Kshs.332.44 million in the reporting period.
3. Failure to constitute the County Budget and Economic Forum (CBEF) as required under Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

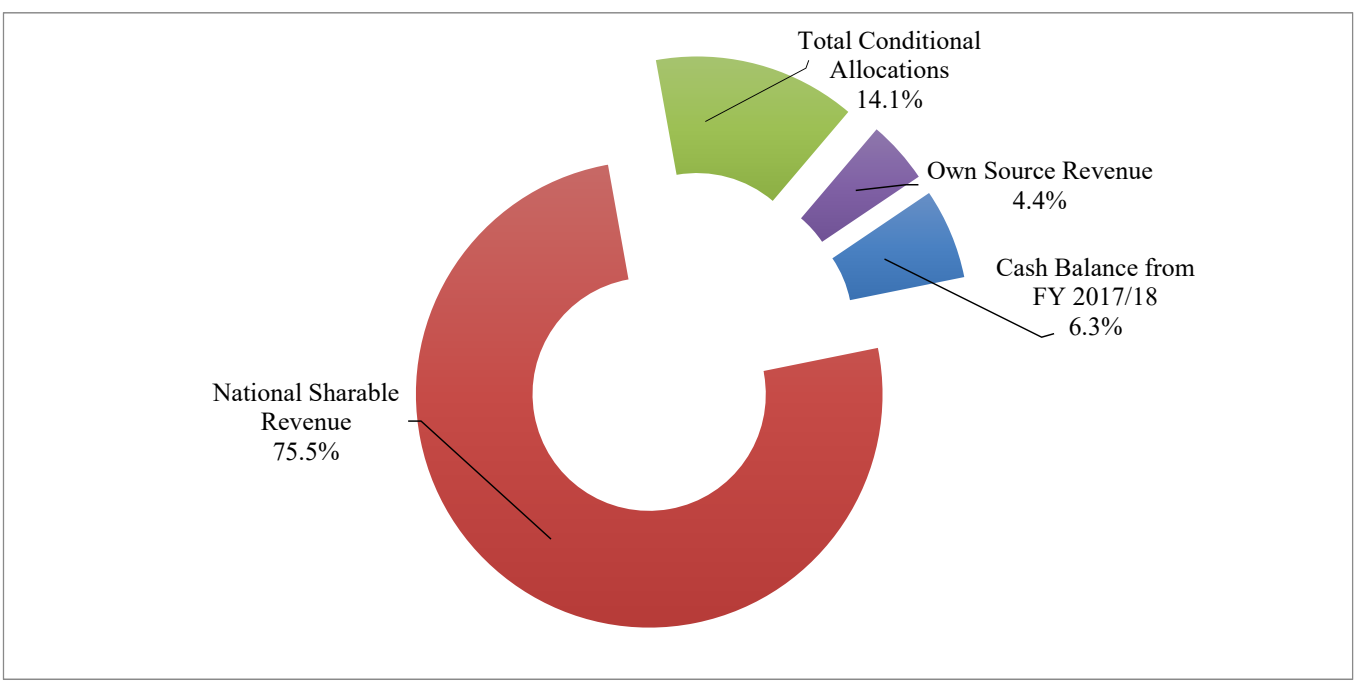
## 3.37 Samburu County

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

The County's FY 2018/19 Supplementary Budget was Kshs.5.86 billion, comprising of Kshs.3.86 billion (65.8 per cent) and Kshs.2.0 billion (34.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.43 billion (75.5 per cent) as equitable share of revenue raised nationally, Kshs.825 million (14 per cent) as total conditional grants, generate Kshs.255.03 million (4.4 per cent) from own-sources of revenue, and Kshs.367.47 million (6.3 per cent) cash balance from FY 2017/18.

**Figure 3.145: Samburu County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Samburu County Treasury*

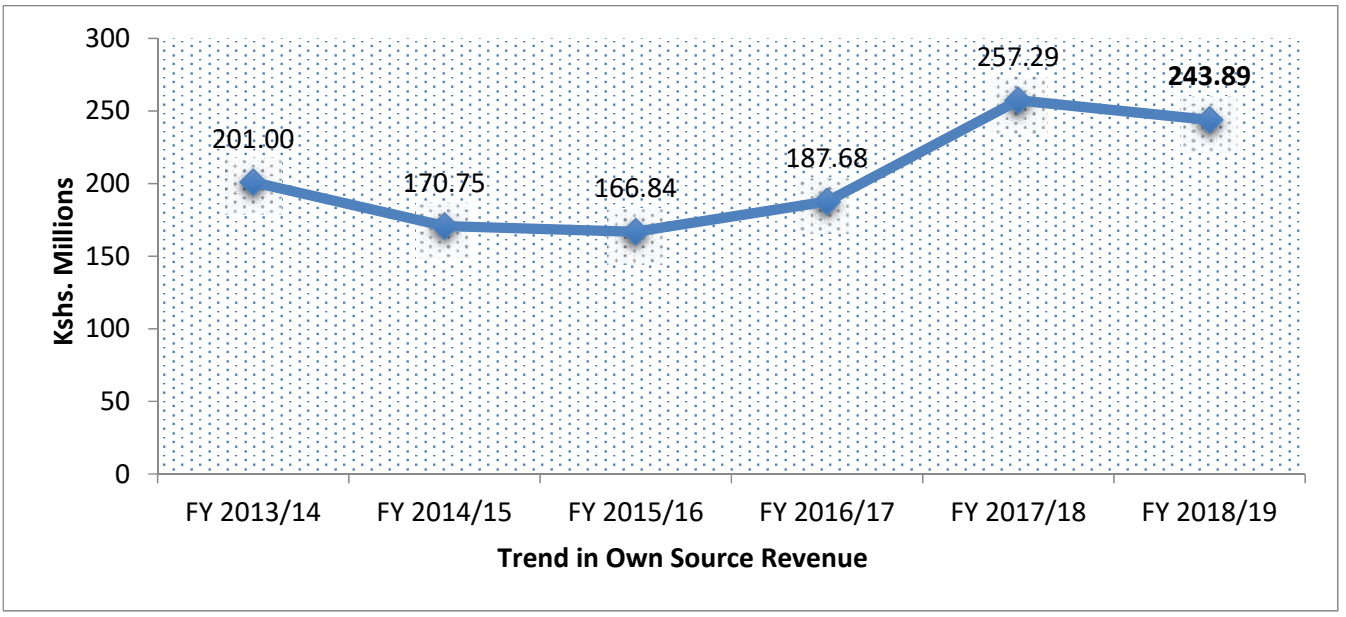
The conditional grants contained in the CARA, 2018 are shown in Table 3.107.

### 3.37.2 Revenue Analysis

During the FY 2018/19, the County received Kshs.4.43 billion as equitable share of the revenue raised nationally, Kshs.350.76 million as total conditional grants, raised Kshs.243.89 million from own-sources of revenue, and had a cash balance of Kshs.367.47 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.39 billion.

Figure 3.146 shows the trend in annual own-source revenue collection from the FY 2013/14 to the FY 2018/19.

**Figure 3.146: Samburu County, Own Source Revenue Collection from the FY 2013/14 to FY 2018/19**




***Source:*** *Samburu County Treasury*

The County generated a total of Kshs.243.89 million from own revenue sources during the FY 2018/19. This amount represented a decrease of Kshs.13.4 million compared to that realised during a similar period of the FY 2017/18 and was 96 per cent of the annual target.

### 3.37.3 Conditional Grants

The County received Kshs.350.76 million as conditional grants in the financial year 2018/19 as shown in Table 3.107.

**Table 3.107: Samburu County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grants | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual Receipts (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Agriculture Sector Development Support Programme (ASDSP) | 22,652,198 | 22,652,198 | - | - |
| 2 | Compensation for User Fee Foregone | 5,235,578 | 5,235,578 | 5,235,578 | 100 |
| 3 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 4 | FAO Funds | - | 8,766,690 | - | - |
| 5 | Road Maintenance Fuel Levy | 116,569,586 | 116,569,586 | 143,493,610 | 123 |
| 6 | Rehabilitation of Village Polytechnics | 20,905,000 | 20,905,000 | | - |
| 7 | Transforming Health Systems for Universal Care Project (WB) | 97,143,610 | 97,143,610 | 47,993,129 | 49 |
| 8 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | 50,078,476 | 36 |
| 9 | EU Grant for Instrument for devolution advice and support (IDEAS) | 70,000,000 | 70,000,000 | - | - |

| S/No. | Grants | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual Receipts (Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 10 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 39,330,852 | 39,330,852 | - | - |
| 11 | DANIDA Grant | 12,757,500 | 12,757,500 | 12,757,500 | 100 |
| 12 | IDA (World Bank) Kenya Urban Support Project - Urban Institutional Grants | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 13 | Kenya Urban Support Programme | 50,000,000 | 50,000,000 | 50,000,000 | 100 |
| | **Total** | **816,229,487** | **824,996,177** | **350,758,293** | **43** |

***Source:*** *Samburu County Treasury*

During the FY 2018/19, the County Government received the highest receipts as a percentage of annual budget allocation from Road Maintenance Fuel Levy Fund at 123 per cent of the annual target.

### 3.37.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.54 billion from the CRF account. The withdrawals represented 94 per cent of the Approved Budget and translated to an increase of 14.7 per cent from Kshs.3.96 billion approved in the FY 2017/18 and comprised of Kshs.3.59 billion (78.9 per cent) to fund recurrent expenditure and Kshs.958.63 million (21.1 per cent) for development activities.

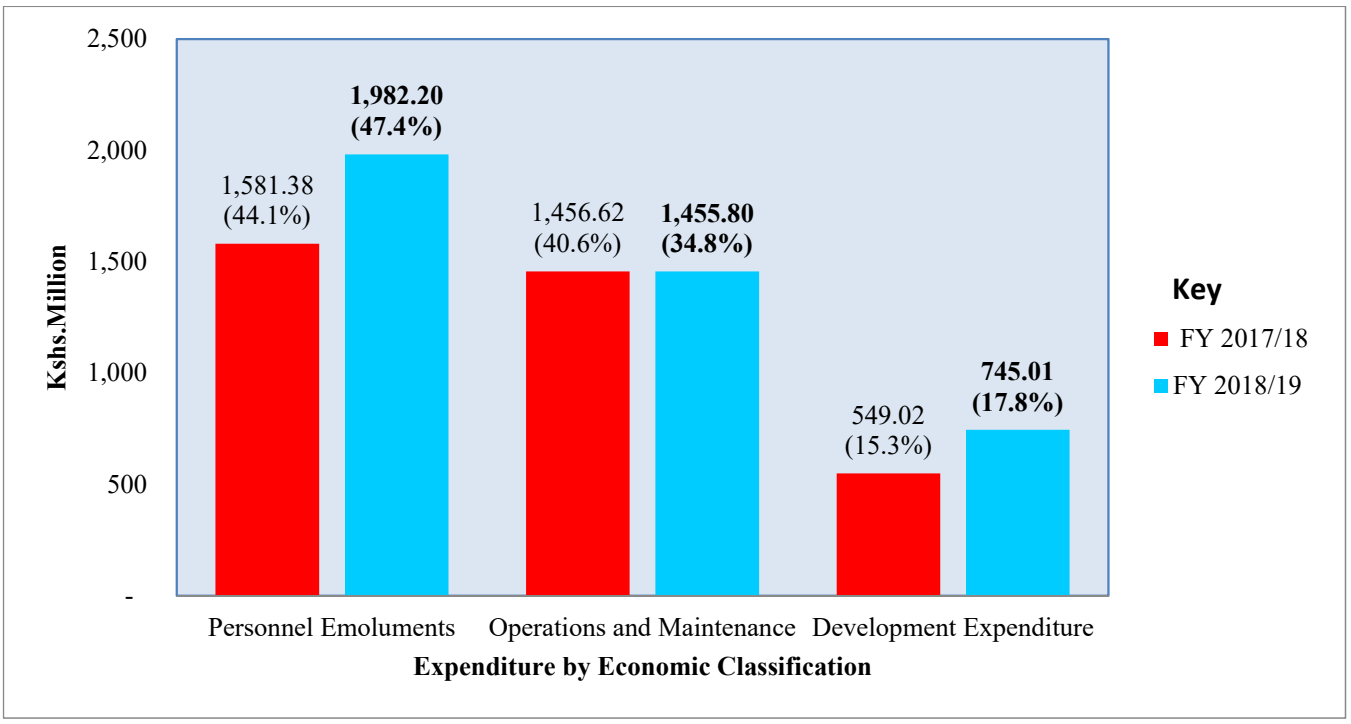
### 3.37.5 Overall Expenditure Review

The County Government spent a total of Kshs.4.18 billion on recurrent and development activities. This expenditure represented 92 per cent of the total funds released from the CRF account and was an increase of 16.6 per cent from Kshs.3.59 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.134.9 million for development activities.

Expenditure on recurrent activities amounted to Kshs.3.44 billion while Kshs.745.01 million was spent on development activities. The recurrent expenditure was 95.9 per cent of the funds released for recurrent activities, while development expenditure was 77.7 per cent of funds released for development activities.

The recurrent expenditure represented 89.2 per cent of the annual recurrent budget, a decrease from 89.9 per cent recorded in the FY 2017/18. Development expenditure recorded an absorption rate of 37.2 per cent, which was a decrease from 37.6 per cent attained in FY 2017/18. Figure 3.147 presents a comparison between the total expenditure in the FY 2018/19 and in FY 2017/18.

**Figure 3.147: Samburu County, Expenditure by Economic Classification**




***Source:*** *Samburu County Treasury*

## 3.37.6 Development Expenditure Analysis

The total development expenditure of Kshs.745.01 million represented 37.2 per cent of the annual development expenditure budget of Kshs.2.0 billion. Table 3.108 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.108: Samburu County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure (Kshs.) |
|---|---|---|---|---|
| 1 | Construction of County Headquarters | Maralal Ward | 1,041,603,768 | 49,461,530 |
| 2 | Construction of Roads | Waso Ward | 27,783,000 | 14,879,049 |
| 3 | Construction of borehole and piping system | Loosuk,Suguta | 8,918,003 | 8,918,003 |
| 4 | Construction of Access Roads | Poro Ward | 19,179,060 | 8,486,000 |
| 5 | Construction of Roads | Wamba | 20,345,880 | 9,310,000 |
| 6 | Construction of Buildings | Samburu North | 25,811,498 | 8,073,089 |
| 7 | Construction of Roads | Ndoto Ward | 21,966,300 | 7,550,000 |
| 8 | Construction of cafeteria | Malaso Ward | 5,802,356 | 5,802,356 |

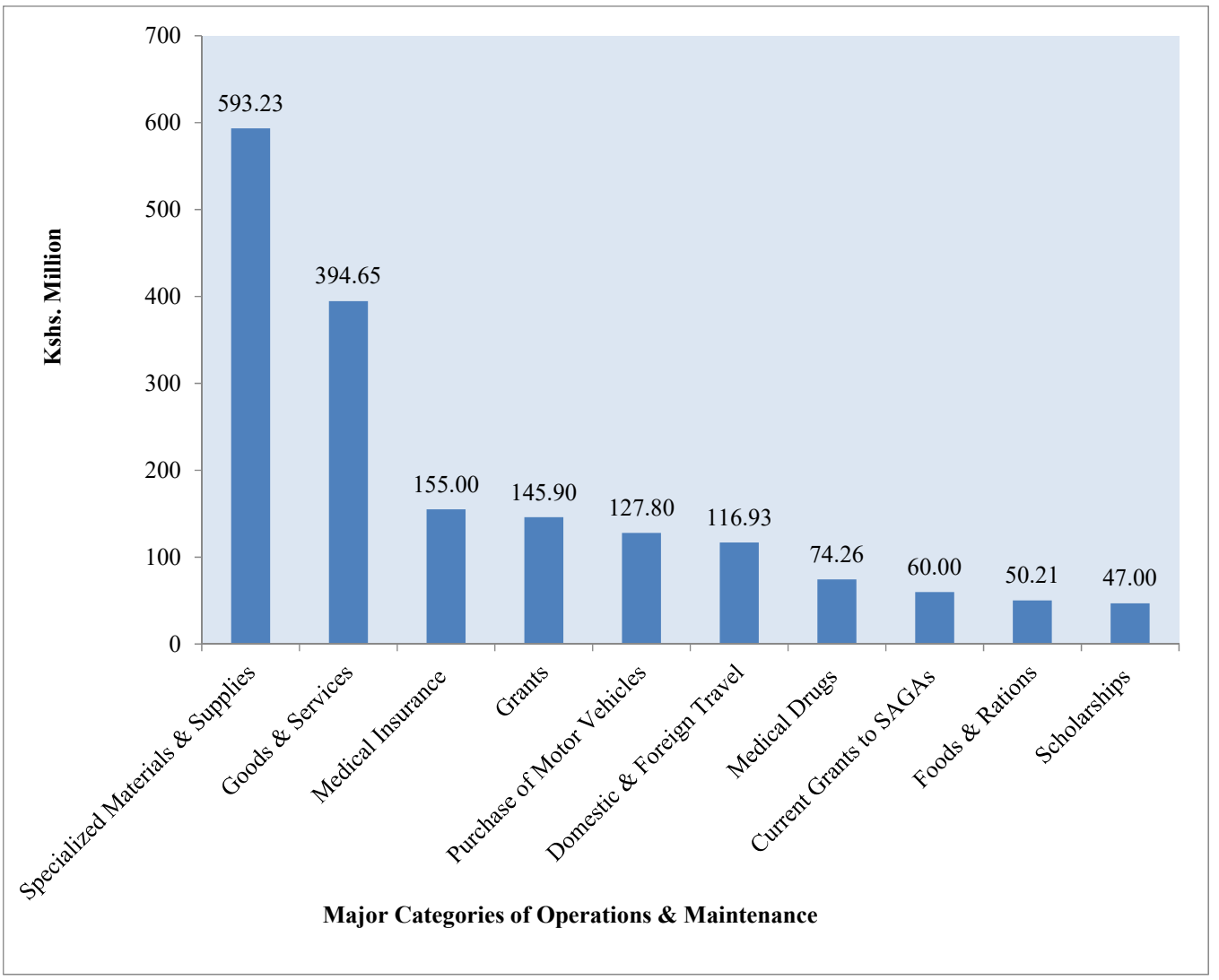
***Source:*** *Samburu County Treasury*

## 3.37.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.44 billion comprised of Kshs.1.98 billion (57.7 per cent) incurred on personnel emoluments and Kshs.1.46 billion (42.3 per cent) on operations and maintenance as shown in Figure 3.147.

Expenditure on personnel emoluments represented an increase of 25.3 per cent compared to FY 2017/18 when the County spent Kshs.1.58 billion and was 47.4 per cent of total expenditure in the FY 2018/19. Figure 3.148 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.148: Samburu County, Operations and Maintenance Expenditure by Major Categories in theFY 2018/19**




***Source:*** *Samburu County Treasury*

The County spent Kshs.29.02 million on committee sitting allowances for the 28 MCAs and Speaker against the annual budget allocation of Kshs.29.02 million. This represented an increase of 159.3 per cent compared to Kshs.11.19 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.86,369 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.116.93 million and comprised of Kshs.72.44 million spent by the County Assembly and Kshs.44.49 million spent by the County Executive.

### 3.37.8 Budget Performance by County Department

Table3.109 shows a summary of the approved budget allocation and performance by department in the FY 2018/19.

## Table3.109: Samburu County, Budget Performance by Department in the FY 2018/2019

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Total Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. |
| County Executive | 420.25 | 17.90 | 417.55 | 12.60 | 402.09 | 12.60 | 96.3 | 100.0 | 95.7 | 70.4 |
| Finance & Economic planning | 638.60 | 44.16 | 598.82 | 19.00 | 573.87 | 11.66 | 95.8 | 61.4 | 89.9 | 26.4 |
| Agriculture, Livestock, Veterinary & Fisheries | 327.73 | 278.83 | 279.42 | 51.69 | 267.80 | 36.23 | 95.8 | 70.1 | 81.7 | 13.0 |
| Environment & Natural Resources | 171.49 | 302.16 | 143.49 | 121.50 | 128.75 | 121.45 | 89.7 | 100.0 | 75.1 | 40.2 |
| Education, Youth Affairs & Social Development | 364.05 | 175.10 | 356.92 | 73.00 | 343.25 | 71.45 | 96.2 | 97.9 | 94.3 | 40.8 |
| County Health Services | 887.51 | 342.11 | 826.15 | 109.92 | 825.85 | 63.21 | 100.0 | 57.5 | 93.1 | 18.5 |
| Lands, Physical Planning and Urban Development | 128.48 | 126.66 | 106.99 | 119.81 | 100.25 | 43.17 | 93.7 | 36.0 | 78.0 | 34.1 |
| Transport, Public Works and Water Services | 116.73 | 431.74 | 105.07 | 256.17 | 80.79 | 192.19 | 76.9 | 75.0 | 69.2 | 44.5 |
| Trade, Tourism, Cooperatives and Enterprise Development | 190.94 | 171.55 | 163.78 | 115.79 | 162.80 | 113.89 | 99.4 | 98.4 | 85.3 | 66.4 |
| Culture, Social Services and Gender | 136.43 | 39.69 | 113.50 | 9.17 | 102.04 | 9.13 | 89.9 | 99.6 | 74.8 | 23.0 |
| County Assembly | 474.01 | 75.00 | 474.01 | 70.00 | 450.65 | 70.00 | 95.1 | 100.0 | 95.1 | 93.3 |
| **Total** | **3,856.21** | **2,004.91** | **3,585.70** | **958.65** | **3,438.00** | **745.00** | **95.9** | **77.7** | **89.2** | **37.2** |

***Source:*** *Samburu County Treasury*

Analysis of expenditure by department shows that the County Assembly recorded the highest absorption rate of development budget at 93.3 per cent while the Department of Agriculture, Livestock, Veterinary & Fisheries had the lowest absorption of development budget at 13 per cent. The County Executive had the highest percentage of recurrent expenditure to recurrent budget at 95.7 per cent while the Department of Transport, Public Works and Water Services had the lowest absorption rate at 69.2 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. 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 and COB Act, 2016.
ii. Improved internet connectivity, resulting into effective use of IFMIS. This has led to an improvement in the processing of financial transactions.

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

1. A high wage bill that increased by 25.3 per cent from Kshs.1.58 billion in the FY 2017/18 to Kshs.1.98 billion in the reporting period. The wage bill accounted for 47.4 per cent of total expenditure in the reporting period.
2. Delay in the disbursement of equitable share of revenue raised nationally by the National Treasury.

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

1. *The County Public Service Board should ensure expenditure on personnel costs are within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government)*

*Regulations, 2015.*

2. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*

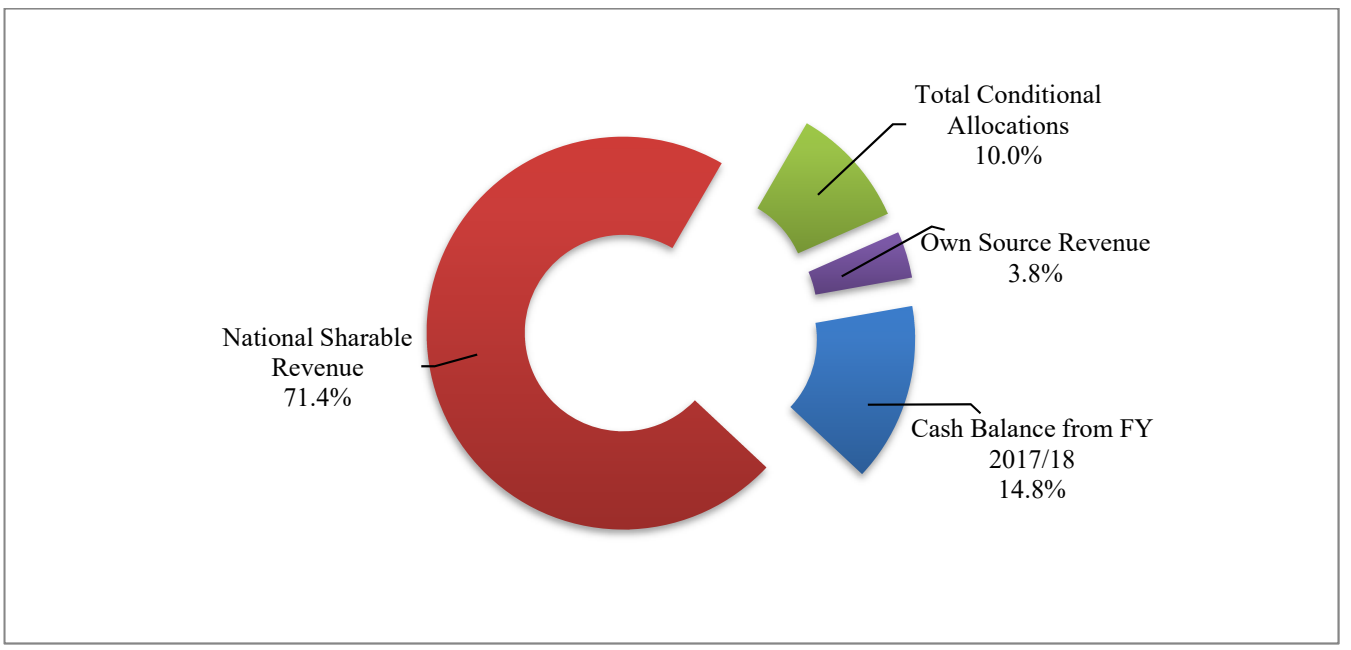
## 3.38 Siaya County

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

The County's FY 2018/19 second Supplementary Budget was Kshs.8.44 billion, comprising of Kshs.4.71 billion (55.8 per cent) and Kshs.3.74 billion (44.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.03 billion (71.4 per cent) as equitable share of the revenue raised nationally, Kshs.844.3 million (10 per cent) as total conditional grants, generate Kshs.325 million (3.8 per cent) from own sources of revenue, and Kshs.1.25 billion (14.8 per cent) cash balance from FY 2017/18.

**Figure 3.149: Siaya County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Siaya County Treasury*

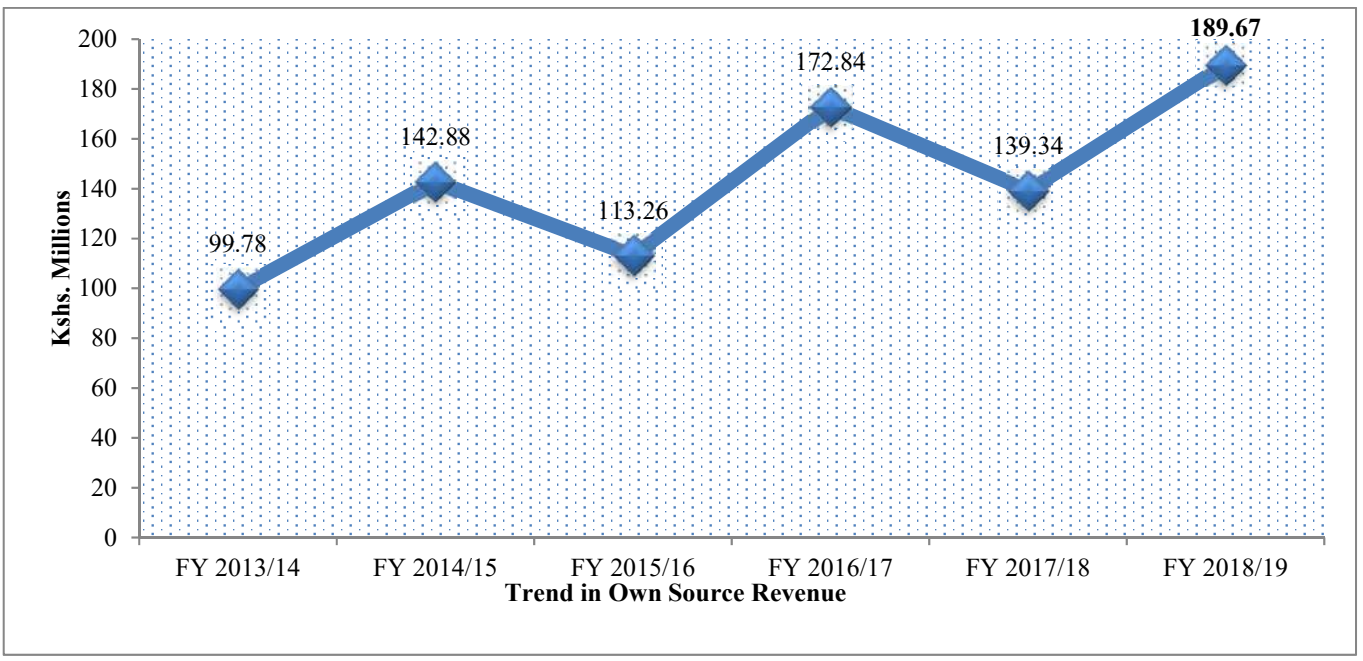
A breakdown of the conditional grants is provided in Table 3.110.

### 3.38.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.86 billion available for budget implementation. This amount consisted of Kshs.6.03 billion received as equitable share of the revenue raised nationally, Kshs.392.99 million as conditional grants, Kshs.189.67 million generated from own sources of revenue, and a cash balance of Kshs.1.25 billion from FY 2017/18.

Figure 3.150 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

## Figure 3.150: Siaya County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19




***Source:*** *Siaya County Treasury*

The County generated a total of Kshs.189.67 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.50.33 million compared to that realised in FY 2017/18 and was 58.4 per cent of the annual target.

### 3.38.3 Conditional Grants

During the reporting period, the County received Kshs.392.99 million as conditional grants as shown in Table 3.110.

## Table 3.110: Siaya County, Conditional Grants/Loans Received in the FY 2018/19

| S/No. | Grants | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Total Receipts (Kshs.) | Total Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 2 | Road Maintenance Fuel Levy Fund | 158,733,053 | 158,733,053 | 158,733,053 | 100 |
| 3 | (World Bank)-Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 38,278,224 | 32.7 |
| 4 | EU - Water Tower and Protection Climate Change Mitigation and Adaptive Programme (WATER) | 80,000,000 | 80,000,000 | - | - |
| 5 | (World Bank)-Transforming Health Systems for Universal Care Project | 56,758,154 | 56,758,154 | 31,951,817 | 56.3 |
| 6 | (World Bank)- Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100 |
| 7 | (World Bank)- Kenya Devolution Support Project (KDSP) - Level 1 | 46,076,429 | 46,076,429 | - | - |
| 8 | IDA (World Bank) - Kenya Urban Support Project (KUSP) Urban Institution | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 9 | Rehabilitation of Youth Polytechnics | 38,500,000 | 38,500,000 | 29,067,500 | 75.5 |
| 10 | Sweden- Agricultural Sector Development Support Program (ASDSP) | 19,311,593 | 19,311,593 | 7,030,920 | 36.4 |
| 11 | DANIDA - Universal Healthcare for Devolved System Program | 18,528,750 | 18,528,750 | 18,528,750 | 100 |
| 12 | Compensation for User Fees Foregone | 18,194,808 | 18,194,808 | 18,194,808 | 100 |
| **Total** | | **844,302,787** | **844,302,787** | **392,985,072** | **46.5** |

***Source:*** *Siaya County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy Fund, Kenya Urban Support Project, DANIDA, and Compensation for User Fees Foregone recorded the highest performance in percentage terms, accounting for 100 per cent of the respective annual target.

### 3.38.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.26 billion from the CRF account. The withdrawals represented 74.1 per cent of the Approved Supplementary Budget and translated to an increase of 15.1 per cent from Kshs.5.44 billion in FY 2017/18 and comprised of Kshs.4.53 billion (72.4 per cent) towards recurrent activities and Kshs.1.73 billion (27.6 per cent) for development expenditure.

### 3.38.5 Overall Expenditure Review

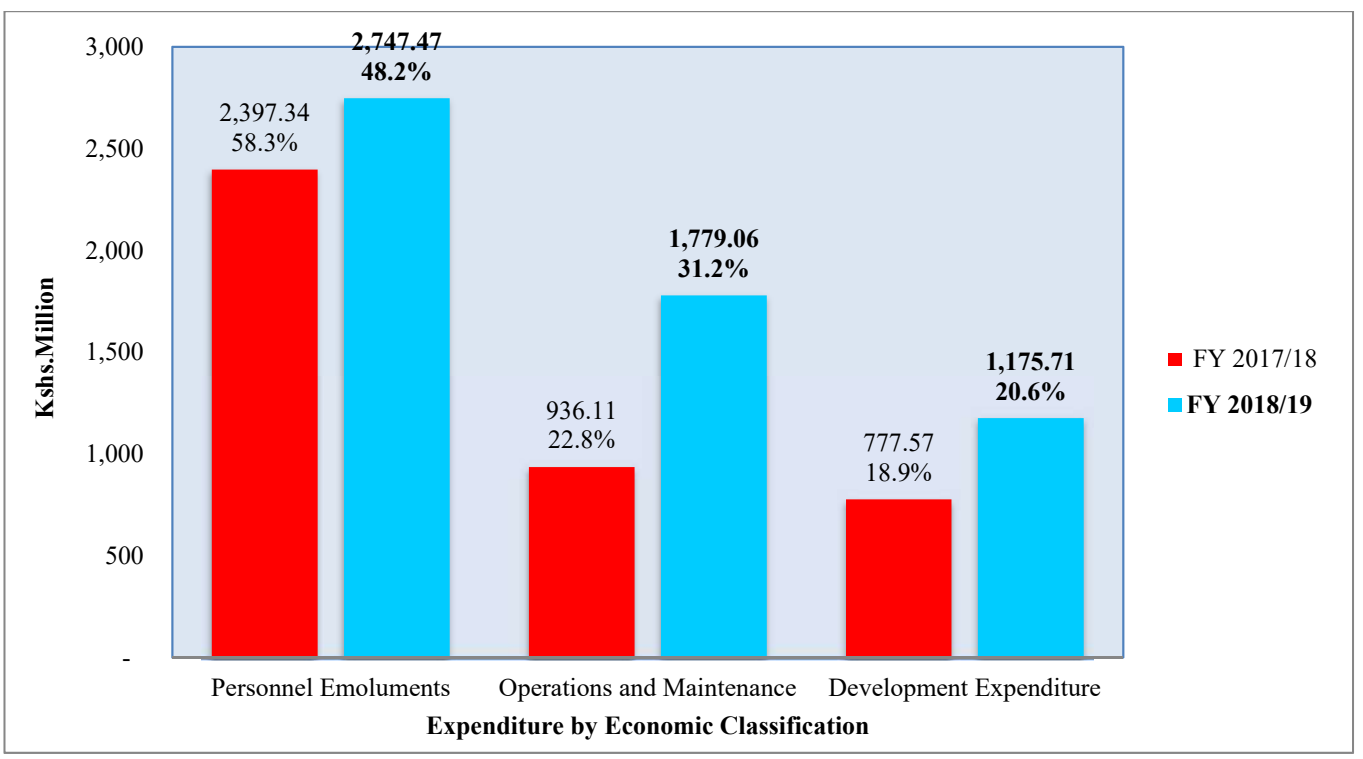
A total of Kshs.5.7 billion was spent on both development and recurrent activities. This expenditure represented 91 per cent of the total funds released from the CRF account, and was an increase of 38.7 per cent from Kshs.4.11 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.187.42 million for development activities and Kshs.258.26 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.18 billion while Kshs.4.53 billion was spent on recurrent activities. The development expenditure was 68.1 per cent of the funds released for development programmes, while recurrent expenditure was 99.9 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 31.5 per cent, which was an increase from 30.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 96.1 per cent of the annual recurrent budget, an increase from 77.5 per cent recorded in FY 2017/18. Figure 3.151 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

**Figure 3.151: Siaya County, Expenditure by Economic Classification**




***Source:*** *Siaya County Treasury*

### 3.38.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.18 billion represented 31.5 per cent of the annual development expenditure estimates of Kshs.3.74 billion. Table 3.111 provides a summary of development projects with the highest expenditure in the financial year.

**Table 3.111: Siaya County, List of Development Projects with the Highest Expenditure in FY 2018/19**

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 16. | Construction of Siaya County Stadium | Siaya town | 180,000,000 | 85,303,489 | 47.4 |
| 17. | Acquisition, Supervision and Installation of Hansard and Information Technology System Infrastructure and Equipment Development | County Assembly Chambers | 60,735,050 | 32,897,056 | 54.2 |
| 18. | Maintenance of River Yala and Lake Kanyaboli dykes | Central Alego Ward | 20,000,000 | 19,925,666 | 99.6 |
| 19. | Preparation of Siaya County Spatial Plan | County Headquarters | 35,000,000 | 18,483,200 | 52.8 |
| 20. | Provision of WAN and Internet services (Recurring development costs) | County Headquarters | 18,000,000 | 18,000,000 | 100 |
| 21. | Construction of County Annex Siaya | County Headquarters | 35,000,000 | 11,995,022 | 34.3 |
| 22. | Development of East Uyoma Water Project (co-funding of the project) | East Uyoma Ward | 10,000,000 | 9,915,691 | 99.2 |
| 23. | Increasing access and quality of health care for the vulnerable group through Universal Health Care | Spread across the entire County | 20,000,000 | 9,000,000 | 45 |
| 24. | Construction of Pap - Kodero Twin Box Culvert FL | West Uyoma Ward | 12,119,733 | 8,954,460 | 73.9 |
| 25. | Routine Maintenance Of Ndai/Kanyaboli/Kubar Pr. Sch. /Obambo Pr. Sch. Road | Central Alego Ward | 8,265,600 | 8,252,145 | 99.8 |

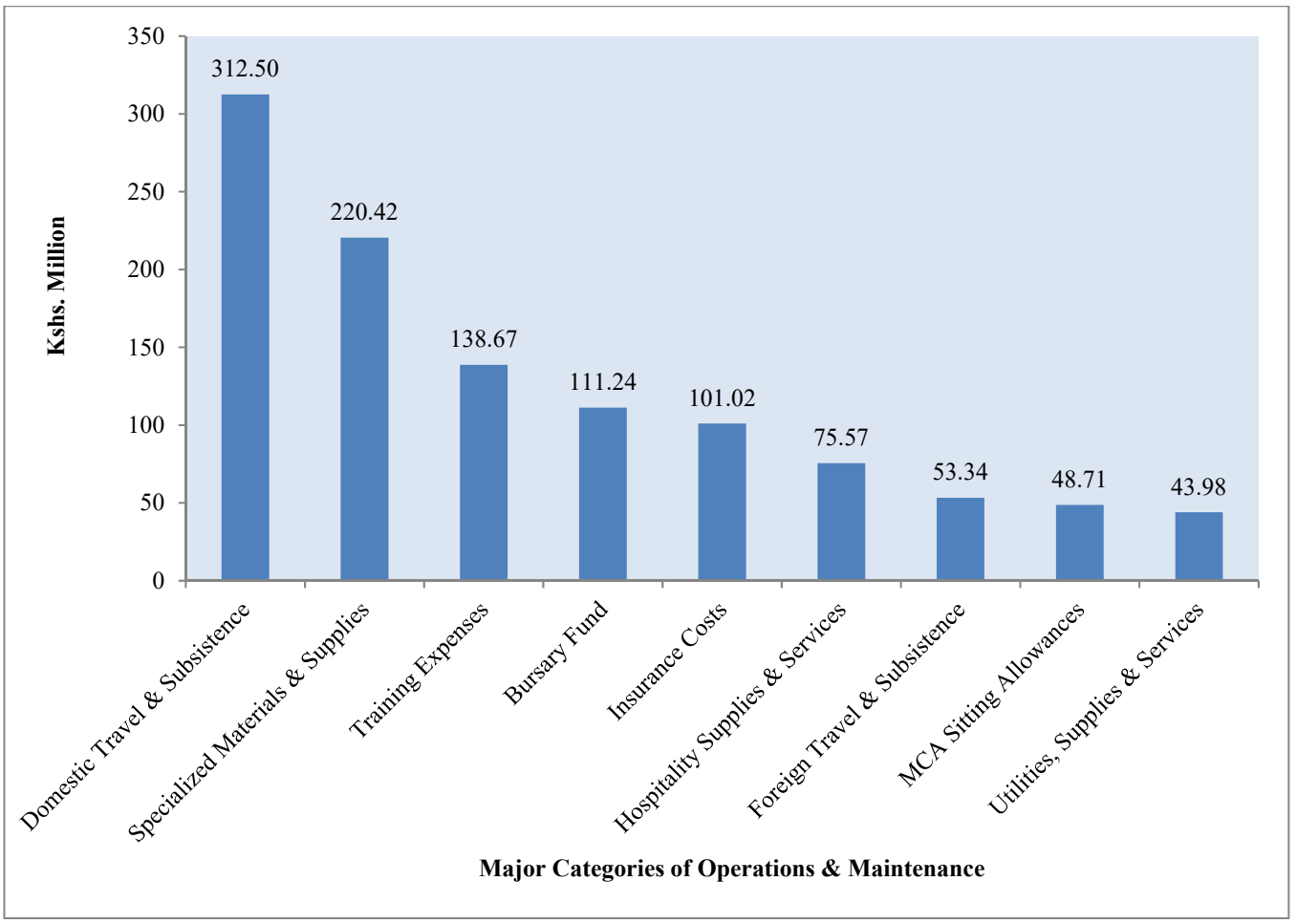
***Source:*** *Siaya County Treasury*

### 3.38.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.53 billion comprised of Kshs.2.75 billion (60.7 per cent) incurred on personnel emoluments and Kshs.1.78 billion (39.3 per cent) on operations and maintenance as shown in Figure 3.151.

Expenditure on personnel emoluments represented an increase of 14.6 per cent compared to FY 2017/18 when the County spent Kshs.2.40 billion and was 48.2 per cent of the total expenditure in FY 2018/19. Figure 3.152 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.152: Siaya County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Siaya County Treasury*

The County spent Kshs.48.71 million on committee sitting allowances for the 43 MCAs and Speaker against the annual budget allocation of Kshs.48.69 million. This represented an increase of 136 per cent compared to Kshs.20.64 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.94,395 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.365.84 million, and comprised of Kshs.132.26 million spent by the County Assembly and Kshs.233.58 million by the County Executive. This expenditure represented 6.9 per cent of total recurrent expenditure and was an increase of 116.4 per cent compared to Kshs.169.02 million spent in FY 2017/18.

## 3.38.8 Budget Performance by County Department

Table 3.112 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.112: Siaya County, Budget Performance by Department in the FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Governance and Administration | 571.08 | 39.77 | 571.08 | 19.34 | 569.47 | 12.00 | 99.7 | 62.0 | 99.7 | 30.2 |
| Finance, and Economic Planning | 640.30 | 13.94 | 585.22 | 8.54 | 640.16 | 7.90 | 109.4 | 92.6 | 100.0 | 56.7 |
| Agriculture, Livestock & Fisheries | 282.06 | 264.30 | 269.78 | 103.70 | 281.17 | 41.06 | 104.2 | 39.6 | 99.7 | 15.5 |
| Water, Environment & Natural Resources | 84.42 | 410.56 | 84.42 | 202.57 | 83.05 | 127.03 | 98.4 | 62.7 | 98.4 | 30.9 |
| Education, Youth Affairs, Sports & Social Services | 297.46 | 440.81 | 297.46 | 223.81 | 295.86 | 183.91 | 99.5 | 82.2 | 99.5 | 41.7 |
| Health Services | 1,725.16 | 548.33 | 1,700.35 | 150.82 | 1,622.08 | 69.98 | 95.4 | 46.4 | 94.0 | 12.8 |
| Lands, Housing, Physical Planning & Survey | 120.95 | 113.12 | 71.45 | 72.85 | 117.64 | 27.40 | 164.6 | 37.6 | 97.3 | 24.2 |
| Trade, Industry and Cooperative Development | 98.80 | 154.13 | 98.80 | 24.78 | 91.08 | 18.89 | 92.2 | 76.2 | 92.2 | 12.3 |
| Tourism and ICT | 122.61 | 223.82 | 122.61 | 112.17 | 116.22 | 109.40 | 94.8 | 97.5 | 94.8 | 48.9 |
| Roads, Transport & Public Works | 81.13 | 1,059.31 | 81.13 | 753.40 | 61.49 | 523.91 | 75.8 | 69.5 | 75.8 | 49.5 |
| County Assembly | 688.66 | 462.87 | 648.66 | 54.23 | 648.31 | 54.23 | 99.9 | 100.0 | 94.1 | 11.7 |
| **Total** | **4,712.63** | **3,730.96** | **4,530.96** | **1,726.21** | **4,526.53** | **1,175.71** | **99.9** | **68.1** | **96.1** | **31.5** |

***Source:*** *Siaya County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 56.7 per cent while the County Assembly recorded the lowest at 11.7 per cent. The Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Roads, Transport & Public Works had the lowest at 75.8 per cent.

### 3.38.9 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 from 30.5 per cent in the previous financial year to 31.5 per cent in the reporting period.

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 report contrary to section 166 of the PFM Act, 2012.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. A high wage bill that increased by 14.6 per cent from Kshs.2.4 billion in the FY 2017/18 to Kshs.2.74 billion in the reporting period. The wage bill accounted for 48.2 per cent of total expenditure in the reporting period
4. Under-performance of own-source revenue collection. At the end of the period under review, the County had collected Kshs.189.67 million; representing 58.4 per cent of the annual target of Kshs.325 million.
5. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
6. Failure by the County Executive to establish an Internal Audit Committee to oversee financial

operations in the County contrary to Section 155 of the PFM Act, 2012.

7. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, and Bursary Fund contrary to Section 168 of the PFM Act, 2012.
8. 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 measures 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 liaise with the National Treasury to ensure that funds are released in a timely manner in line with the disbursement schedule.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
4. *The County Treasury should undertake a review aimed at enhancing own source revenue collection.*
5. *The County should liaise with the IFMIS Directorate to address IFMIS connectivity issues.*
6. *The County should establish an Internal Audit Committee and strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
7. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
8. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

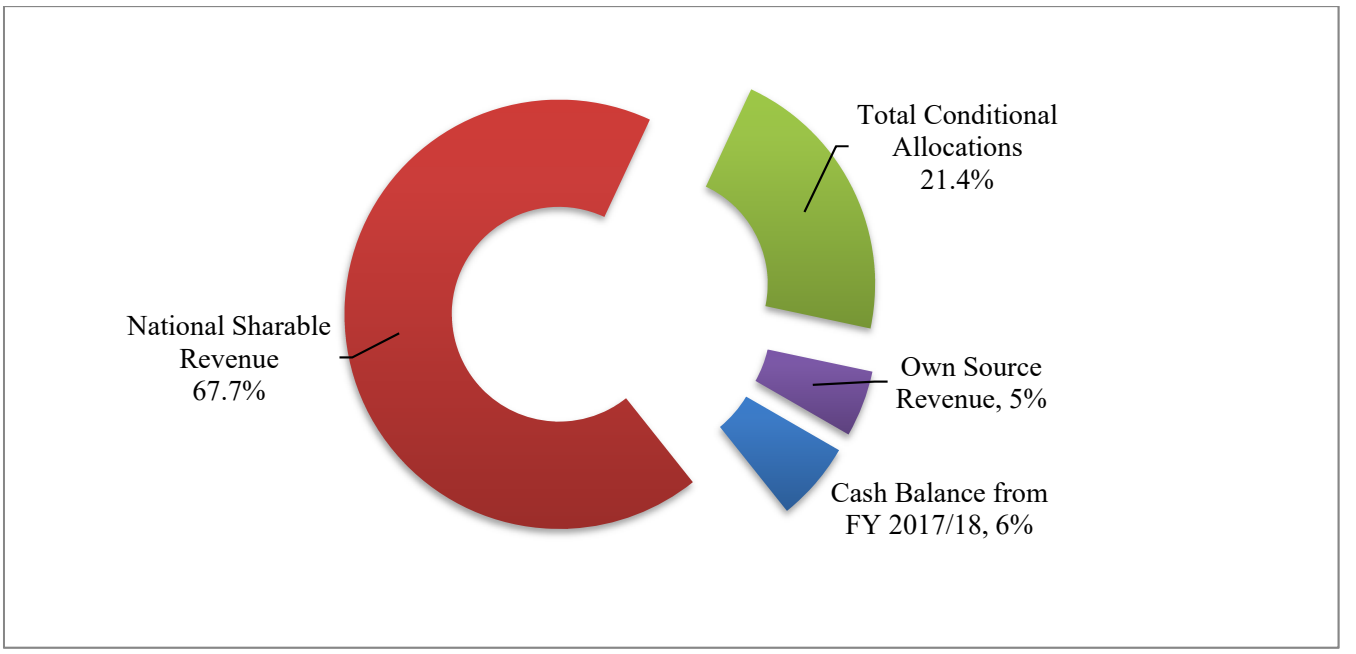
## 3.39 Taita Taveta County

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

The County's FY 2018/19 Supplementary Budget was Kshs.5.99 billion comprising of Kshs.3.96 billion (66.1 per cent) and Kshs.2.03 billion (33.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.05 billion (67.7 per cent) as equitable share of the revenue raised nationally, Kshs.1.28 billion (21.4 per cent) as total conditional grants, generate Kshs.300 million (5 per cent) from own sources of revenue, and Kshs.356.66 million (6 per cent) cash balance from FY 2017/18.

**Figure 3.153: Taita Taveta County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Taita Taveta County Treasury*

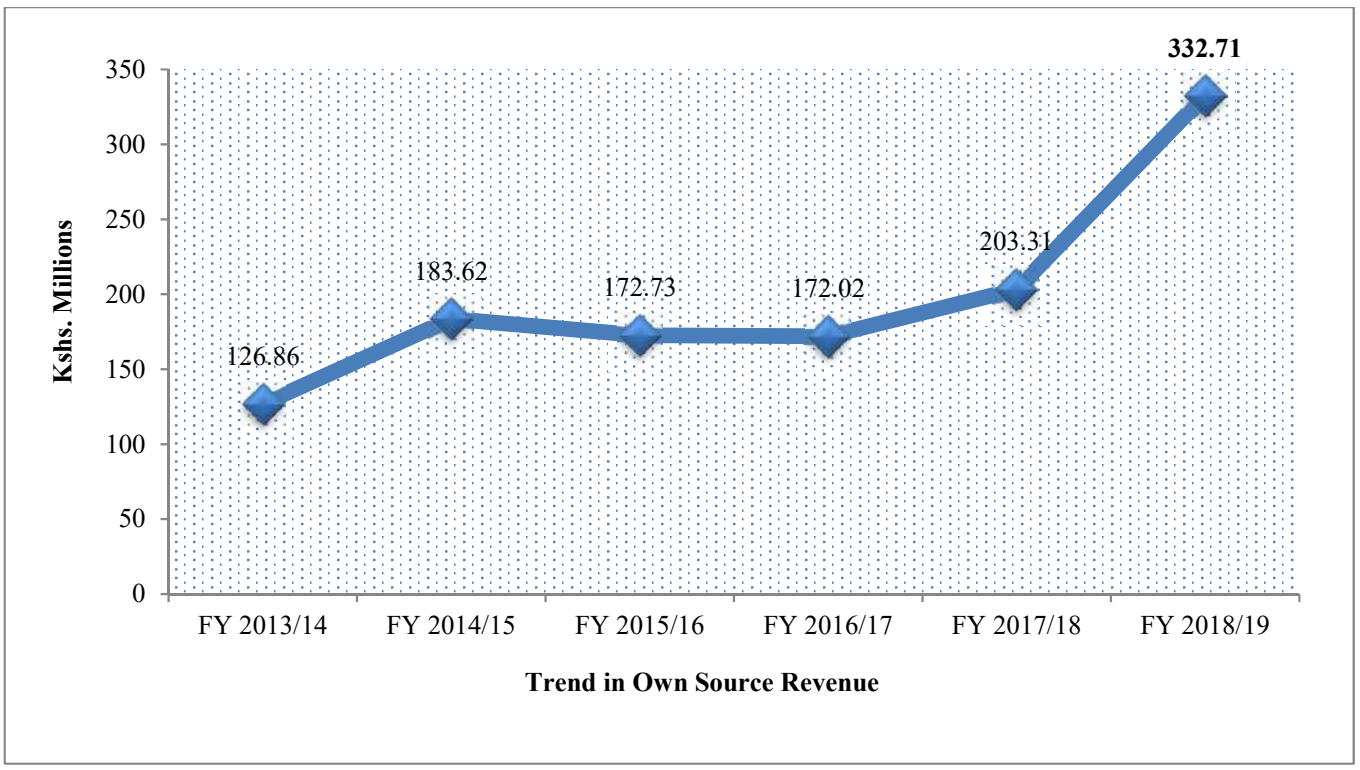
A breakdown of the conditional grants, as contained in CARA, 2018, is provided in Table 3.113.

### 3.39.2 Revenue Analysis

During the FY 2018/19, the County had a total of Khs.5.46 billion available for budget implementation. This amount consisted of Kshs.4.05 billion received as equitable share of the revenue raised nationally, Kshs.431.09 million as conditional grants, Kshs.332.71 million generated from own sources of revenue, and a cash balance of Kshs.356.66 million from FY 2017/18.

Figure 3.154 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.154: Taita Taveta County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Taita Taveta County Treasury*

The County generated a total of Kshs.332.71 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.129.41 million compared to that realised in FY 2017/18 and was 110.9 per cent of the annual target.

### 3.39.3 Conditional Grants

During the reporting period, the County received Kshs.431.09 million as conditional grants as shown in Table 3.113.

**Table 3.113: Taita Taveta County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grants/Loans | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual Receipts (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 | IDA (World Bank) Kenya Climate Smart Agriculture Project (KSSAP) | 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 | 55,179,709 | 61.3 |
| 4 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 91,200,000 | 182.4 |
| 5 | Transforming Health Systems for Universal Care Project (WB) | 50,000,000 | 50,000,000 | 29,240,344 | 58.4 |
| 6 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + balance C/F in FY 2017/18 | 41,200,000 | 41,200,000.00 | 41,200,000 | 100 |
| 7 | IDA(World Bank) credit; Kenya Devolution Support Project (KDSP) "Level 1 grant" | 39,327,939 | 39,327,939.00 | - | - |

| S/No. | Grants/Loans | Annual CARA, 2018 Allocation (Kshs) | Annual Budget Allocation (Kshs) | Actual Receipts (Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 8 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 19,996,264 | 19,996,264.00 | 7,280,193 | 26.4 |
| 9 | DANIDA-Universal Healthcare in Devolved System Programme | 13,061,250 | 13,061,250.00 | 13,061,250 | 100 |
| 10 | Allocation for Rehabilitation of Youth Polytechnics balance c/f from FY 2017/18 | 37,504,625 | 49,747,167 | 37,504,625 | 100 |
| 11 | Compensation for User fees Foregone | 5,296,305 | 5,296,305 | 5,296,305 | 100 |
| **Sub Total** | | **863,386,383** | **875,628,925** | **320,767,492** | **37.2** |
| B | **Other Revenue Sources** | | | | |
| 12 | Grants from other development partners | - | 136,772,544 | - | - |
| 13 | Allocation from Road Maintenance And Fuel Levy Fund FY 2017/18 BF | - | 106,648,770 | 79,986,578 | - |
| 14 | Water Sector Trust Fund Programme (EU) | - | 76,000,000 | - | - |
| 15 | Allocation for Rehabilitation of Youth Polytechnics c/f from FY 2018/19 | - | 49,675,000 | - | - |
| 16 | Allocation from Road Maintenance And Fuel Levy Fund FY 2017/18 BF | - | 25,082,187 | 25,082,187 | - |
| 17 | DANIDA (Universal Healthcare in Devolved System Programme)(FY 2017/18 BF) | - | 5,255,484 | 5,255,484 | - |
| 18 | IDA (World Bank) Credit: Kenya Devolution Support Project (KDSP) "Level 1 Grant" balance b/f from FY 2017/2018 | - | 5,125,249 | - | - |
| **Sub Total** | | **-** | **404,559,234** | **110,324,249** | **-** |
| **Grand Total** | | **863,386,383** | **1,280,188,159** | **431,091,741** | **49.9** |

***Source:*** *Taita Taveta County Treasury*

During the reporting period, receipts from IDA (World Bank) Kenya Urban Support Programme recorded the highest performance in percentage terms, accounting for 182.4 per cent of the annual target.

## 3.39.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved the withdrawal of Kshs.5.07 billion from the CRF account. The withdrawals represented 84.7 per cent of the Approved Supplementary Budget and translated to an increase of 21.5 per cent from Kshs.4.17 billion realised in the FY 2017/18 and comprised of Kshs.1.22 billion (24.1 per cent) towards development activities and Kshs.3.85 billion (75.9 per cent) for recurrent expenditure.

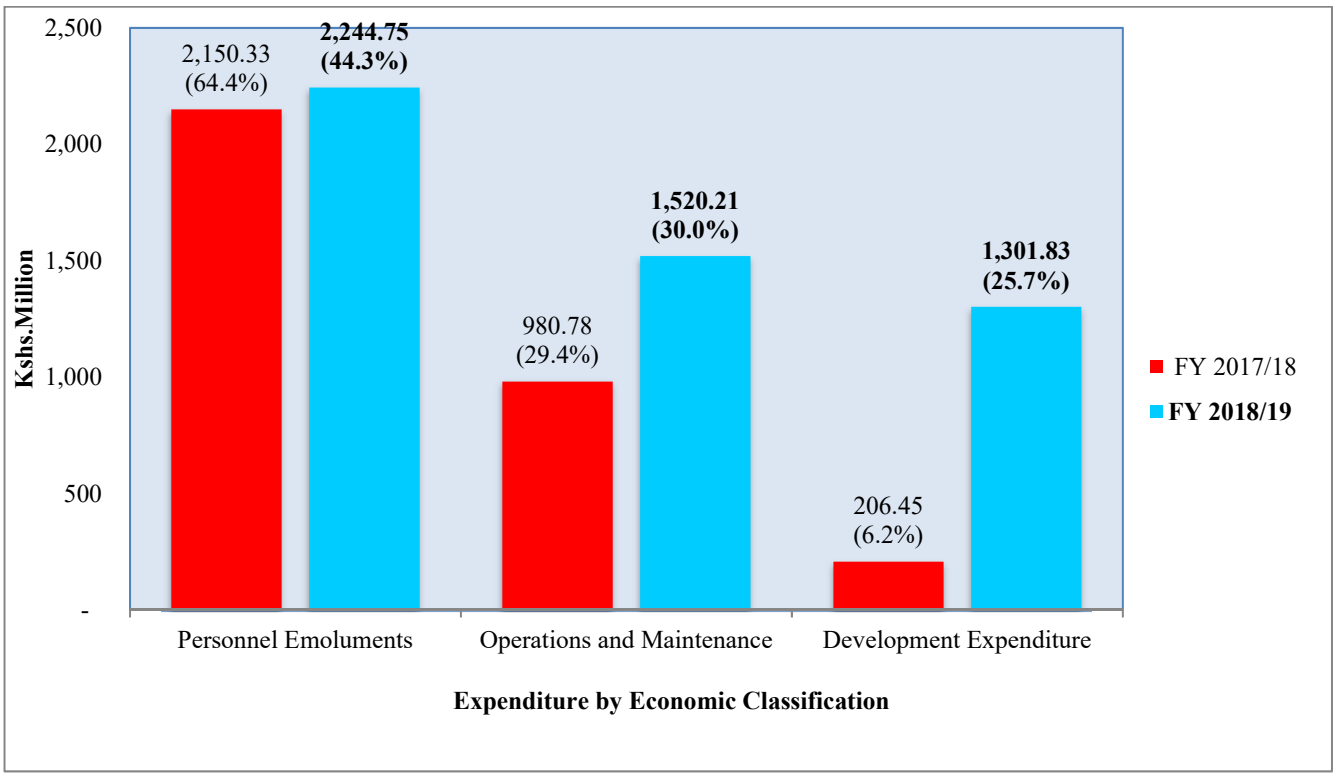
## 3.39.5 Overall Expenditure Review

A total of Kshs.5.06 billion was spent on both development and recurrent activities. This expenditure represented 99.9 per cent of the total funds released from the CRF account, and was an increase of 51.8 per cent from Kshs.3.34 billion spent in FY 2017/18. The expenditure included pending bills as at June 30, 2019 which amounted to Kshs.199.41 million for both development activities and recurrent costs.

Expenditure on development programmes amounted to Kshs.1.30 billion while Kshs.3.76 billion was spent on recurrent activities. The development expenditure was 106.4 per cent of the funds released for development programmes, while recurrent expenditure was 97.9 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 64.1 per cent, which was an increase from 12.7 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 95.2 per cent of the annual recurrent budget, an increase from 80.4 per cent recorded during the FY 2017/18. Figure 3.155 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.155: Taita Taveta County, Expenditure by Economic Classification




***Source:*** *Taita Taveta County Treasury*

### 3.39.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.30 billion represented 64.1 per cent of the annual development expenditure budget of Kshs.2.03 billion. Table 3.114 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.114: Taita Taveta County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Project Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of ECD Classrooms | County Wide | 89,023,868 | 86,296,719 | 97 |
| 2 | Water Projects & Bore Hole | County Wide | 187,475,783 | 185,303,796 | 99 |
| 3 | Construction and Maintenance of Access Roads | County Wide | 131,730,957 | 127,303,554 | 97 |
| 4 | Vocational Training Centre (VTC) Capitation & support programme | County Wide | 125,441,767 | 124,459,470 | 99 |
| 5 | Completion and maintenance of access roads-Roads Levy | County Wide | 75,277,932 | 73,159,328 | 97 |
| 6 | Construction of Mwatate Administration offices Pending Bill | Mwatate Administration | 23,300,000 | 22,090,388 | 95 |
| 7 | Completion and renovation of various Medical centres, Equipping and Stocking of Medical drugs | County Wide | 74,874,999 | 67,902,308 | 91 |
| 8 | Purchase of Artificial Insemination Semen Kit, Vaccines and Certified Crop Seed | Headquarter | 56,529,465 | 54,316,766 | 96 |
| 9 | Refurbishment of County Assembly Headquarter | Headquarter | 65,000,000 | 30,309,437 | 47 |
| 10 | Purchase of ICT Networking and Communication Equipment | Headquarter | 14,500,000 | 11,968,061 | 83 |

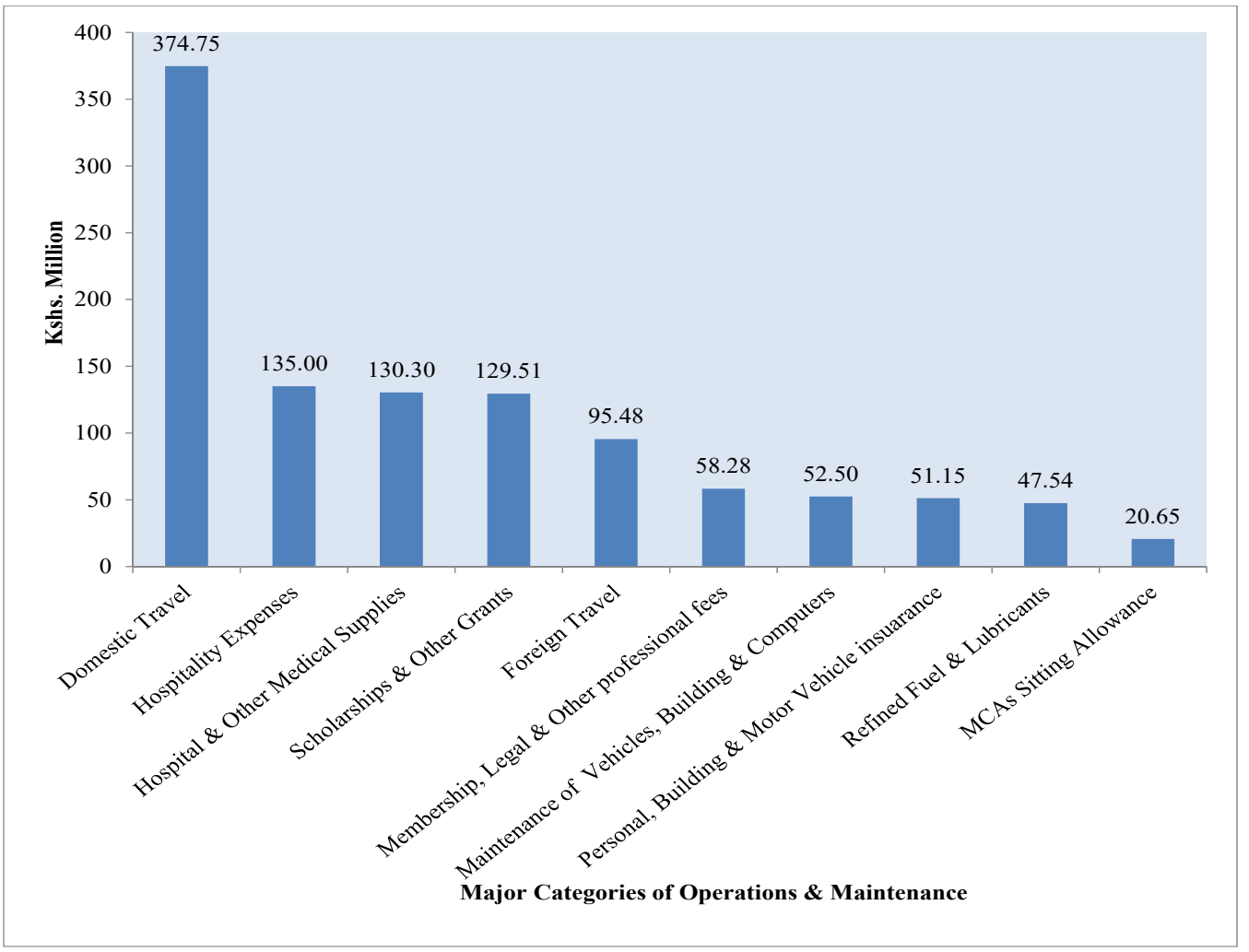
***Source:*** *Taita Taveta County Treasury*

### 3.39.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.76 billion comprised of Kshs.2.24 billion (59.6 per cent) incurred on personnel emoluments and Kshs.1.52 billion (40.4 per cent) on operations and maintenance as shown in Figure 3.155.

Expenditure on personnel emoluments represented an increase of 4.4 per cent compared to FY 2017/18 when the County spent Kshs.2.15 billion and was 64.4 per cent of the total expenditure in FY 2018/19. Figure 3.156 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.156: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Taita Taveta County Treasury*

The County spent Kshs.20.65 million on committee sitting allowances for the 34 MCAs and Speaker against the annual budget allocation of Kshs.23.95 million. This represented a decrease of 37.3 per cent compared to Kshs.32.95 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.50,620 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.470.25 million and comprised of Kshs.188.77 million spent by the County Assembly and Kshs.281.47 million by the County Executive.

## 3.39.8 Budget Performance by County Department

Table 3.115 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.115: Taita Taveta County, Budget Performance by Department in the FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Total Expenditure (Kshs. Million) | | Total Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 636.24 | 65.00 | 597.88 | - | 608.26 | 30.31 | 101.7 | - | 95.6 | 46.6 |
| Administration and Devolution | 2,233.51 | 23.30 | 2,209.39 | 15.93 | 2,081.67 | 22.10 | 94.2 | 138.7 | 93.2 | 94.8 |
| The Governor's And Deputy Governor's Office | 158.88 | 18.90 | 176.91 | 21.85 | 195.70 | 16.23 | 110.6 | 74.3 | 123.2 | 85.9 |
| Finance and Planning | 298.96 | 4.25 | 246.57 | 5.65 | 393.89 | 4.03 | 159.7 | 71.3 | 131.8 | 94.8 |
| Agriculture, Livestock and Fisheries | 43.79 | 300.81 | 42.83 | 167.28 | 33.81 | 128.02 | 78.9 | 76.5 | 77.2 | 42.6 |
| Water and Irrigation | 17.38 | 678.36 | 17.38 | 203.26 | 13.67 | 205.83 | 78.6 | 101.3 | 78.6 | 30.3 |
| Education and Libraries | 187.88 | 214.47 | 175.27 | 167.89 | 142.96 | 210.76 | 81.6 | 125.5 | 76.1 | 98.3 |
| Health | 227.76 | 148.49 | 239.66 | 132.01 | 191.79 | 113.09 | 80.0 | 85.7 | 84.2 | 76.2 |
| Trade , Tourism & Co-operative Development | 29.28 | 41.14 | 29.76 | 52.86 | 26.07 | 42.09 | 87.6 | 79.6 | 89.0 | 102.3 |
| County Public Service Board | 16.50 | | 17.37 | - | 17.03 | - | 98.0 | - | 103.2 | - |
| Infrastructure and Public Works | 26.06 | 283.43 | 28.11 | 259.38 | 16.62 | 283.43 | 59.1 | 109.3 | 63.8 | 100.0 |
| Lands , Environment & Natural Resources | 56.44 | 77.15 | 40.14 | 68.27 | 22.09 | 73.68 | 55.0 | 107.9 | 39.1 | 95.5 |
| Mining | 6.85 | 6.70 | 7.37 | 7.82 | 1.81 | 1.51 | 24.6 | 19.3 | 26.4 | 22.5 |
| Youth, Gender, sports, Culture and Social Services | 16.23 | 169.70 | 17.28 | 121.59 | 19.56 | 170.76 | 113.2 | 140.4 | 120.6 | 100.6 |
| **TOTAL** | **3,955.76** | **2,031.69** | **3,845.92** | **1,223.79** | **3,764.93** | **1,301.84** | **97.9** | **106.4** | **95.2** | **64.1** |

***Source:*** *Taita Taveta County Treasury*

Analysis of expenditure by department shows that the Department of Trade, Tourism & Cooperative Development recorded the highest absorption rate of development budget at 102.3 per cent while the Department of Mining recorded the lowest at 22.5 per cent. The Department of Finance & Planning had the highest percentage of recurrent expenditure to recurrent budget at 131.8 per cent while the Department of Mining had the lowest at 26.4 per cent.

## 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-source revenue collection, which increased by 63.7 per cent from Kshs.203.31 million in FY 2017/18 to Kshs.332.71 million in the reporting period. The collection surpassed the

annual target by 10.9 per cent.

ii. Improvement in the absorption of the development budget from 12.7 per cent in FY 2017/18 to 64.1 per cent in the reporting period.

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

1. Delay by the Car Loan and Mortgage Fund Administrator to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.
2. Weak budgetary controls which resulted in expenditures exceeding approved budget allocation.
3. A high wage bill that increased by 4.4 per cent from Kshs.2.15 billion in the FY 2017/18 to Kshs.2.24 billion in the reporting period. The wage bill represented 44.3 per cent of total expenditure in the reporting period.

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

1. *All fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section168 of PFM Act 2012.*
2. *The County Treasury should put in place adequate systems to ensure expenditure is within approved budget allocations.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*

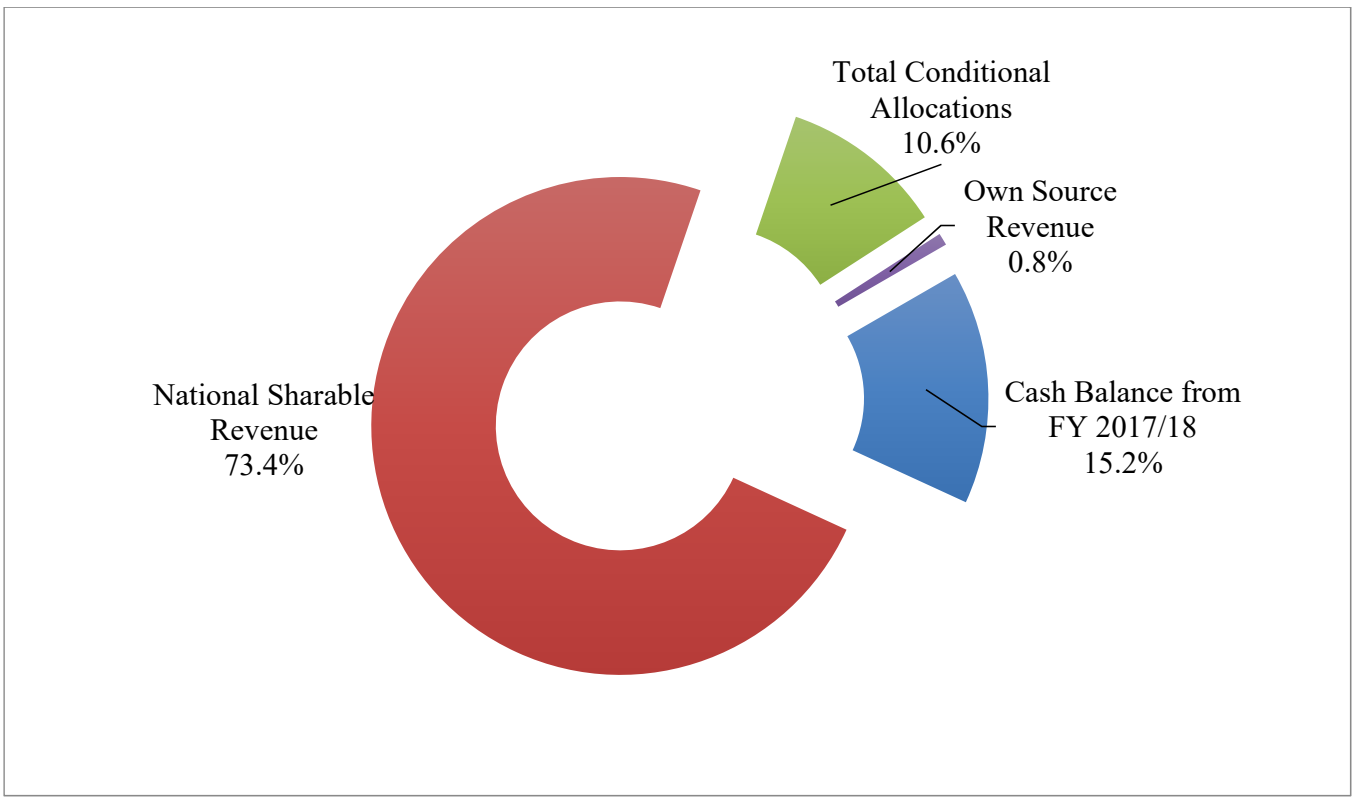
## 3.40 Tana River County

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

The County's FY 2018/19 Supplementary Budget was Kshs.7.57 billion comprising of Kshs.2.94 billion (38.8 per cent) and Kshs.4.64 billion (61.2 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.56 billion (73.4 per cent) as equitable share of the revenue raised nationally, Kshs.806.4 million (10.6 per cent) as total conditional grants, generate Kshs.60 million (0.8 per cent) from own sources of revenue, and Kshs.1.15 billion (15.2 per cent) cash balance from the FY 2017/18.

**Figure 3.157: Tana River County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Tana River County Treasury*

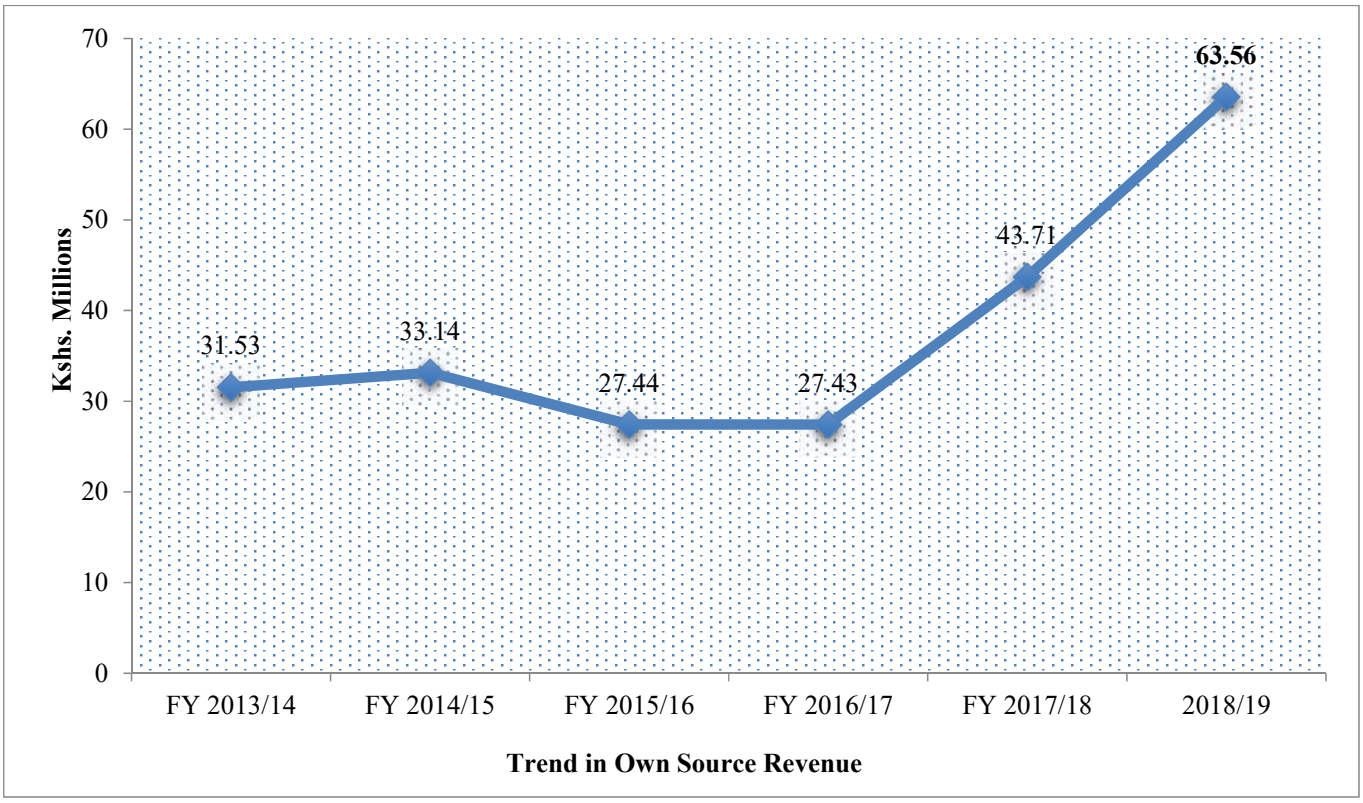
A breakdown of the conditional grants is provided in Table 3.116.

### 3.40.2 Revenue Analysis

During the FY 2018/19, the County had a total of Khs.7.20 billion available for budget implementation. This amount consisted of Kshs.5.56 billion received as equitable share of the revenue raised nationally, Kshs.430.57 million as conditional grants, Kshs.63.56 million generated from own sources of revenue, and a cash balance of Kshs.1.15 billion from FY 2017/18.

Figure 3.158 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.158: Tana River County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Tana River County Treasury*

The County generated a total of Kshs.63.56 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.19.85 million compared to that realised in FY 2017/18 and was 105.9 per cent of the annual own-source revenue collection target.

### 3.40.3 Conditional Grants

During the reporting period, the County received Kshs.430.57 million as conditional grants as shown in Table 3.116.

**Table 3.116: Tana River County, Conditional Grants/Loans Received in the FY 2018/19**

| | Grant/Loans | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Total Receipts (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 146,332,034 | 146,332,034 | 146,332,034 | 100.0 |
| 2 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 3 | Construction of County Headquarters | 121,000,000 | 121,000,000 | - | - |
| 4 | Kenya Climate Smart Agriculture Project (KCSAP) | 150,000,000 | 150,000,000 | 31,585,475 | 21.1 |
| 5 | User Fees Foregone | 5,682,537 | 5,682,537 | 5,682,537 | 100.0 |
| 6 | KSDP Level 1 Grant | 44,003,842 | 44,003,842 | - | - |
| 7 | EU Grant- IDEAS | 80,000,000 | 80,000,000 | 79,838,365 | 99.8 |
| 8 | IDA (World Bank) -Kenya Urban Support Project (KUSP) Bal 2017/18 | 41,200,000 | 41,200,000 | 41,200,000 | 100.0 |
| 9 | Rehabilitation of Village Polytechnics | 24,490,000 | 24,490,000 | 6,910,819 | 28.2 |
| 10 | ASDSP | 24,526,177 | 24,526,177 | - | - |
| 11 | FAO | - | 1,245,700.00 | - | - |
| 12 | Transforming Health Systems for Universal Care Project (World Bank) | 100,000,000 | 100,000,000 | 51,096,293 | 51.1 |

| | Grant/Loans | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Total Receipts (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 13 | Kenya Urban Support Project (KUSP) | 50,000,000 | 50,000,000 | 50,000,000 | 100.0 |
| 14 | DANIDA - Universal Healthcare in Devolved System Programme | 17,921,250 | 17,921,250 | 17,921,250 | 100.0 |
| | **Total** | **1,005,155,840** | **806,401,540** | **430,566,773** | **42.8** |

***Source:*** *Tana River County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy, User Fees Foregone, Kenya Urban Support Programmes and DANIDA conditional grants recorded the highest performance in percentage terms, and accounted for 100 per cent of the respective annual target.

### 3.40.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.08 billion from the CRF account. The withdrawals represented 80.2 per cent of the Approved Supplementary Budget and translated to an increase of 56 per cent from Kshs.3.90 billion in FY 2017/18 and comprised of Kshs.1.69 billion (27.8 per cent) towards development activities and Kshs.4.39 billion (72.2 per cent) for recurrent expenditure.

### 3.40.5 Overall Expenditure Review

A total of Kshs.4.79 billion was spent on both development and recurrent activities. This expenditure represented 79.8 per cent of the total funds released from the CRF account, and was an increase of 50.8 per cent from Kshs.3.18 billion spent in the FY 2017/18.

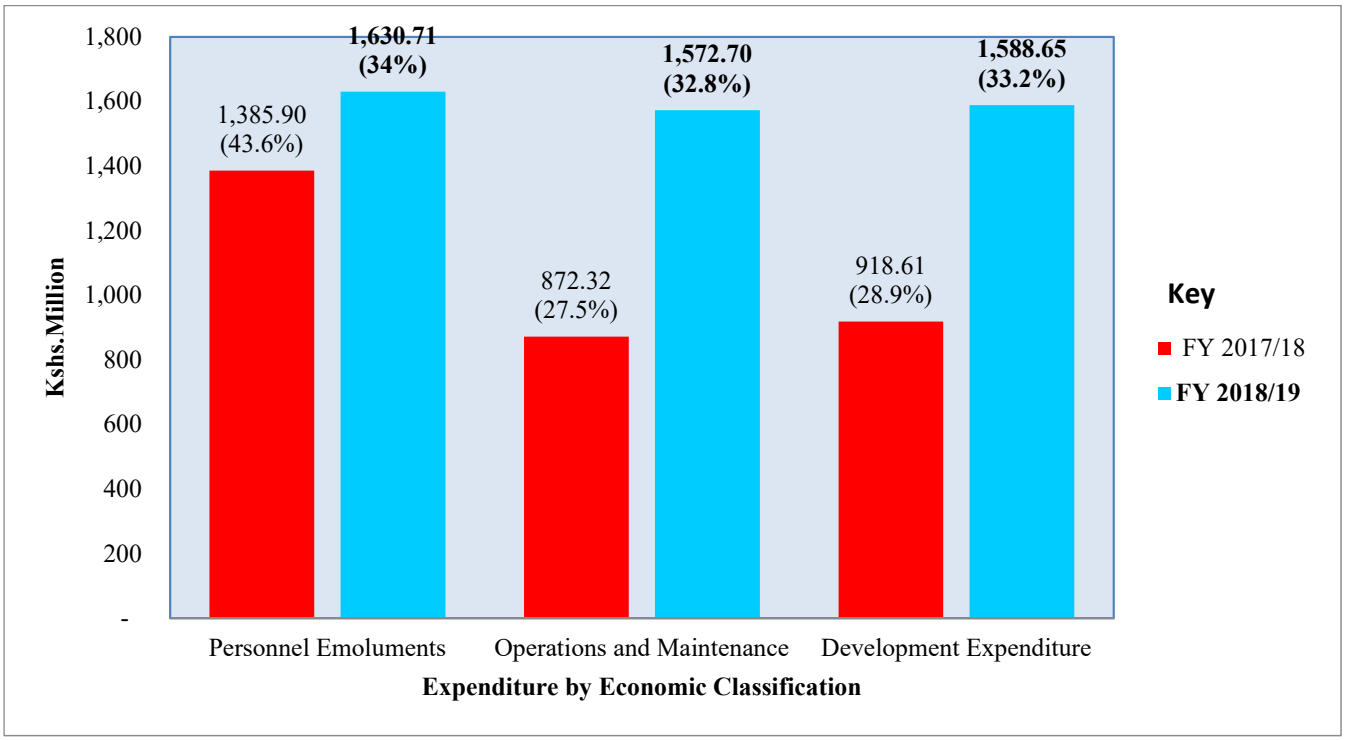
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.891.60 million for development activities and Kshs.490.51 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.59 billion while Kshs.3.20 billion was spent on recurrent activities. The development expenditure was 94 per cent of the funds released for development programmes, while recurrent expenditure was 73 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 54.1 per cent, which was an increase from 37.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 69.1 per cent of the annual recurrent budget, an increase from 59.9 per cent recorded in FY 2017/18.

Figure 3.159 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.159: Tana River County, Expenditure by Economic Classification




***Source:*** *Tana River County Treasury and IFMIS Data*

### 3.40.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.59 billion represents 54.1 per cent of the annual development expenditure estimates of Kshs.2.94 billion. Table 3.117 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.117: Tana River County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Expenditure (Kshs.) |
|---|---|---|---|
| 1 | Bububu ECD | Bububu Village | 3,287,300 |
| 2 | Water Supply- Renovation and Upgrading to Solar system of JICA 2 Borehole (Madogo) | Madogo | 6,806,996 |
| 3 | Water Supply- Installation transformer and associated accessories for Emmaus Bore-holes (Hola) | Chewani | 4,000,000 |
| 4 | Construction of WC washrooms and murraming of the inlet road including installation of a standard gate at the entrance for the Water Department Offices | Chewani | 4,000,000 |
| 5 | Water Supply-Rehabilitation of shallow wells in Garsen South Ward | Garsen South | 3,459,120 |
| 6 | Water Supply- Drilling and Test pumping of 2No Boreholes in Kipini for the KIPWA group. | Kipini east | 4,000,000 |
| 7 | Water bowsers | Chewani | 34,509,400 |
| 8 | Construction of a Fence at madogo polytechnic | Madogo | 4,000,000 |

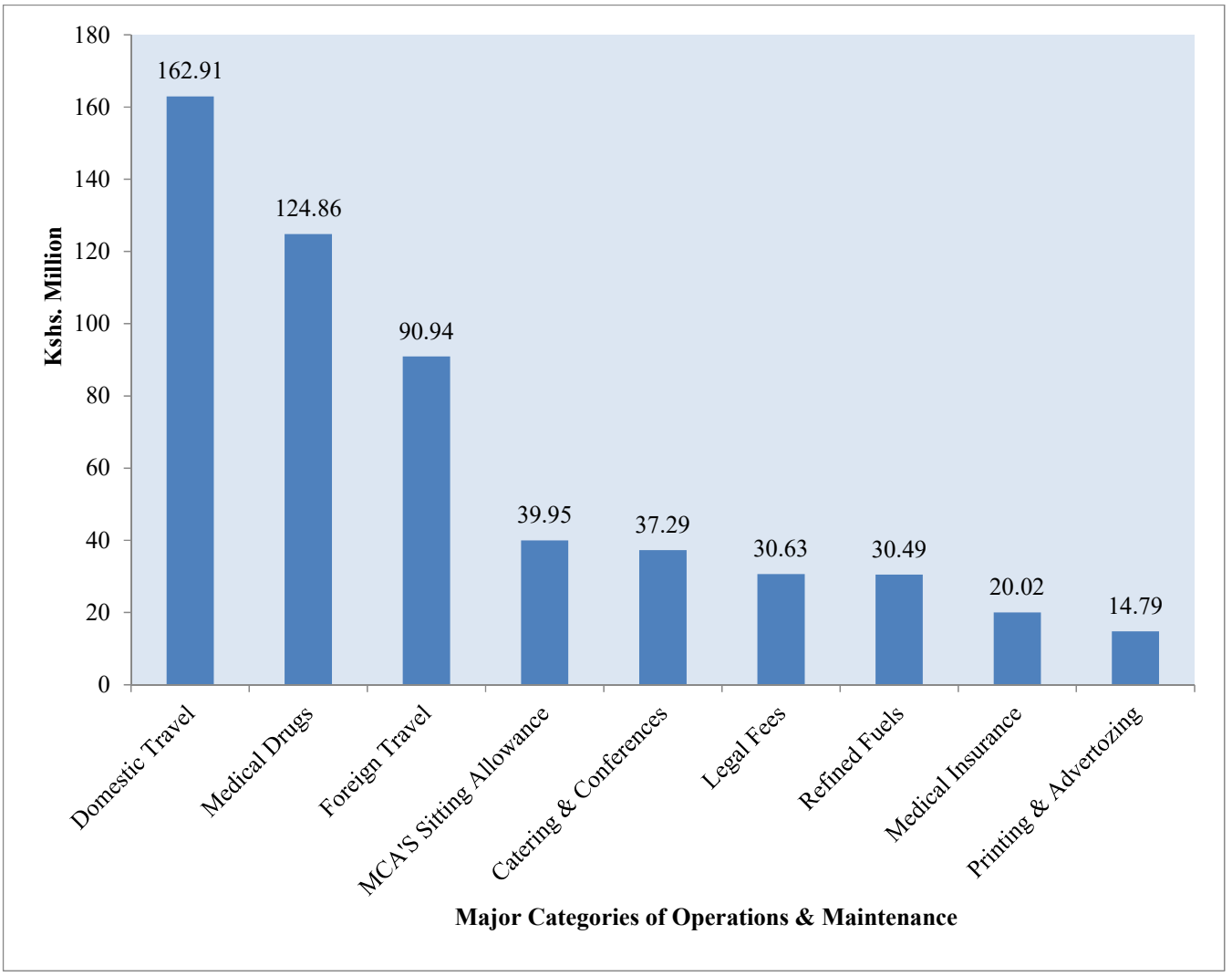
***Source:*** *Tana River County Treasury*

### 3.40.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.20 billion comprised of Kshs.1.63 billion (50.9 per cent) incurred on personnel emoluments and Kshs.1.57 billion (49.1 per cent) on operations and maintenance as shown in Figure 3.159 .

Expenditure on personnel emoluments represented an increase of 17.7 per cent compared to FY 2017/18 when the County spent Kshs.1.39 billion and was 34 per cent of the total expenditure in FY 2018/19. Figure 3.160 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.160: Tana River County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Tana River County Treasury*

The County spent Kshs.39.95 million on committee sitting allowances for the 23 Members of the County Assembly and Speaker against the annual budget allocation of Kshs.39.95 million. This represented an increase of 48.2 per cent compared to Kshs.26.96 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.138,706 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.253.85 million and comprised of Kshs.49.71 million spent by the County Assembly and Kshs.204.15 million by the County Executive. This expenditure represented 7.9 per cent of total recurrent expenditure and was a decrease of 13.9 per cent compared to Kshs.294.75 million spent in FY 2017/18.

### 3.40.8 Budget Performance by County Department

Table 3.118 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.118: Tana River County, Budget Performance by Department in FY 2018/2019

| Department | Annual Budget Allocation Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 509.82 | 200.00 | 499.27 | 56.00 | 373.02 | 41.96 | 74.7 | 74.9 | 73.2 | 21.0 |
| Office of the Governor | 507.36 | - | 502.35 | - | 306.43 | 3.16 | 61.0 | - | 60.4 | - |
| Finance & Planning | 508.68 | 230.00 | 508.68 | 223.19 | 498.31 | 36.47 | 98.0 | 16.3 | 98.0 | 15.9 |
| Trade, Tourism, Wildlife and Cooperative Development | 120.84 | 85.00 | 68.84 | 29.94 | 87.34 | 60.72 | 126.9 | 202.8 | 72.3 | 71.4 |
| Agriculture and Rural Development | 448.73 | 356.54 | 433.23 | 189.19 | 208.58 | 233.27 | 48.1 | 123.3 | 46.5 | 65.4 |
| Gender, Culture & Services | 83.80 | 92.50 | 81.56 | 28.06 | 47.51 | 37.96 | 58.3 | 135.3 | 56.7 | 41.0 |
| Water, Health& Sanitation | 1,185.31 | 161.00 | 1,115.24 | 107.93 | 326.26 | 78.01 | 29.3 | 72.3 | 27.5 | 48.5 |
| Education, Vocational Training | 368.71 | 226.83 | 345.60 | 78.94 | 273.77 | 66.90 | 79.2 | 84.7 | 74.2 | 29.5 |
| Cohesion & Special Programmes | 260.63 | 10.00 | 260.63 | 5.74 | 256.69 | 4.95 | 98.5 | 86.2 | 98.5 | 49.5 |
| Roads, Transport, Public Works, Housing and Urbanisation | 160.52 | 1,191.29 | 152.88 | 808.47 | 348.52 | 798.00 | 228.0 | 98.7 | 217.1 | 67.0 |
| Public Service, Administration and Citizen Participation | 379.64 | 66.50 | 316.58 | 19.41 | 296.41 | 19.09 | 93.6 | 98.3 | 78.1 | 28.7 |
| Environment and Natural Resources | 103.26 | 316.40 | 103.26 | 142.41 | 180.58 | 208.17 | 174.9 | 146.2 | 174.9 | 65.8 |
| **Total** | **4,637.30** | **2,936.06** | **4,388.11** | **1,689.27** | **3,203.41** | **1,588.65** | **73.0** | **94.0** | **69.1** | **54.1** |

***Source:*** *Tana River County Treasury and IFMIS Data*

Analysis of expenditure by department shows that the Department of Trade, Tourism and Industrialization recorded the highest absorption rate of development budget at 71.4 per cent while the Department of Finance & Planning recorded the lowest at 15.9 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:

i. Improvement in own source revenue collection by 45.4 per cent from Kshs.43.71 million in FY 2017/18 to Kshs.63.56 million in the reporting period, and was 105.9 per cent of the annual target.
ii. Improvement in the absorption of the development budget to 54.1 per cent compared to 37.4 per cent attained in FY 2017/18.

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

1. A high wage bill that increased by 17.7 per cent from Kshs.1.39 billion in the FY 2017/18 to Kshs.1.63 billion in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. 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.
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.
5. Delay by the County to provide a report on execution of development projects during the financial

year. This is despite reporting development expenditure of Kshs.1.59 billion during the reporting period.

The County should implement the following measures 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 are released in a timely manner.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of 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 provide complete financial reports in line with Section 166 of the PFM Act, 2012.*

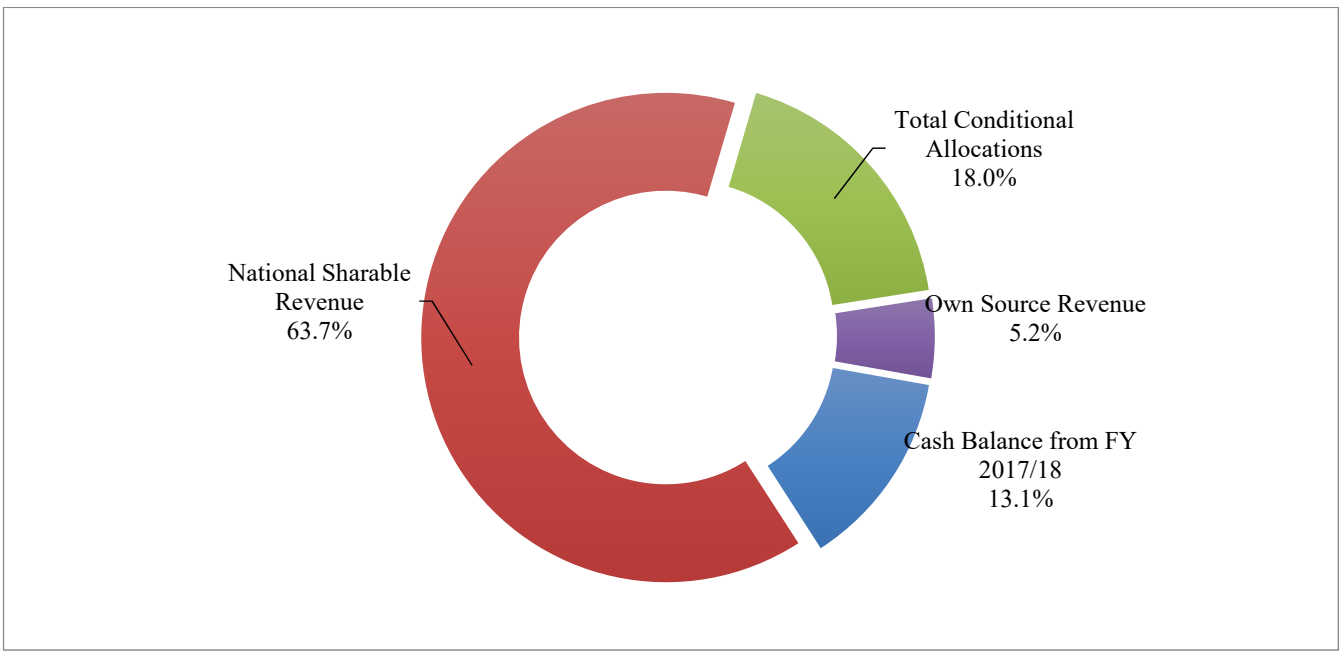
## 3.41 Tharaka Nithi County

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

The County's FY 2018/19 Supplementary Budget was Kshs.5.72 billion, comprising of Kshs.2.17 billion (38.1 per cent) and Kshs.3.54 billion (61.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.64 billion (63.7 per cent) as equitable share of the 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 of revenue, and Kshs.749.93 million (13.1 per cent) cash balance from the FY 2017/18.

**Figure 3.161: Tharaka Nithi County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Tharaka Nithi County Treasury*

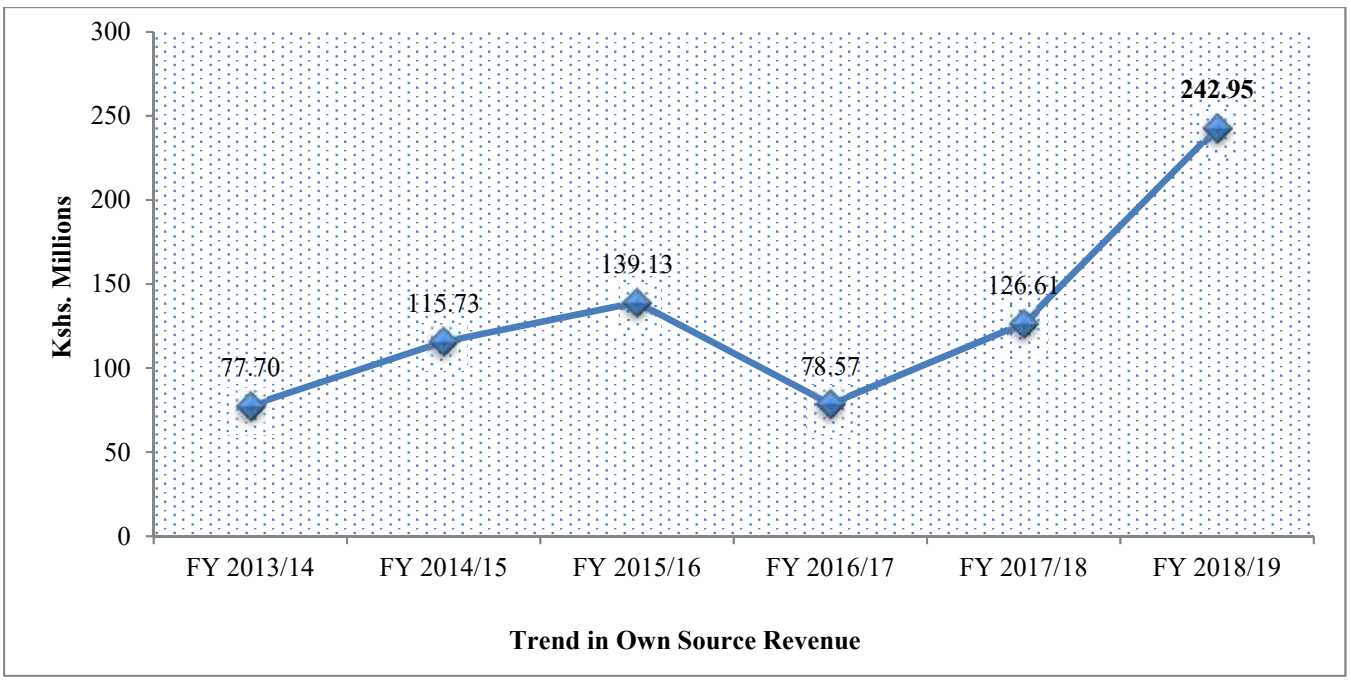
A breakdown of the conditional grants is provided in Table 3.119.

### 3.41.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.4.90 billion available for budget implementation. This amount consisted of Kshs.3.64 billion received as equitable share of the revenue raised nationally, Kshs.271.19 million as conditional grants, Kshs.242.95 million generated from own sources of revenue, and a cash balance of Kshs.749.93 million from FY 2017/18.

Figure 3.162 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.162: Tharaka Nithi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Tharaka Nithi County Treasury*

The County generated a total of Kshs.242.95 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.116.35 million compared to that realised in FY 2017/18 and was 81 per cent of the annual own revenue collection target.

### 3.41.3 Conditional Grants

During the reporting period, the County received Kshs.271.19 million as conditional grants as shown in Table 3.119.

**Table 3.119: Tharaka Nithi County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grants/Loans | Annual CARA, 2018 Allocation (Kshs.) | Annual Budget Allocation (Kshs.) | Total Receipts (Kshs.) | Total Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Supplement for Construction of County Headquarters | 121,000,000 | - | - | - |
| 2 | Compensation for User Fee Foregone | 8,218,119 | 8,218,119 | 8,218,119 | 100 |
| 3 | Leasing of Medical Equipment | 200,000,000 | | - | - |
| 4 | Road Maintenance Fuel Levy | 95,901,220 | 128,101,220 | 95,901,220 | 100 |
| 5 | Rehabilitation of Village Polytechnics | 40,090,000 | 78,211,638 | - | - |

| S/No. | Grants/Loans | Annual CARA, 2018 Allocation (Kshs.) | Annual Budget Allocation (Kshs.) | Total Receipts (Kshs.) | Total Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 6 | Transforming Health Systems for Universal Care Project (World Bank) | 50,000,000 | 50,000,000 | 17,451,240 | 34.9 |
| 7 | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP) | 117,000,000 | - | - | - |
| 8 | IDA (World Bank) -Kenya Climate Smart Agriculture Project | 117,000,000 | 117,000,000 | 39,557,498 | 33.8 |
| 9 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 38,536,081 | 77,072,162 | - | - |
| 10 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 50,000,000 | 92,000,000 | 91,200,000 | 182.4 |
| 11 | DANIDA - Universal Healthcare in Devolved System Programme | 12,352,500 | 12,352,500 | 12,352,500 | 100 |
| 12 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 12,352,500 | 12,352,500 | 6,509,045 | 52.7 |
| 13 | Other Conditional Grants | - | 453,361,325 | - | - |
| **Total** | | **862,450,420** | **1,028,669,464** | **271,189,622** | **31.4** |

***Source:*** *Tharaka Nithi County Treasury*

During the reporting period, receipts from IDA (World Bank) -Kenya Urban Support Project (KUSP) conditional grant recorded the highest performance in percentage terms, accounting for over 182 per cent of the respective annual budget allocation target.

### 3.41.4 Exchequer Issues

In order to implement the County budget, the Controller of Budget approved the withdrawal of Kshs.4.72 billion from the County Revenue Fund (CRF) account. The withdrawals represented 82.7 per cent of the Approved Supplementary Budget translating to an increase of 25.1 per cent from Kshs.3.78 billion withdrawn during the FY 2017/18. The total withdrawal comprised of Kshs.1.39 billion (29.5 per cent) towards development activities and Kshs.3.33 billion (70.5 per cent) for recurrent expenditure.

### 3.41.5 Overall Expenditure Review

A total of Kshs.4.60 billion was spent on both development and recurrent activities. This expenditure represented 97.3 per cent of the total funds released from the CRF account, and was an increase of 26.1 per cent from Kshs.3.65 billion spent in FY 2017/18.

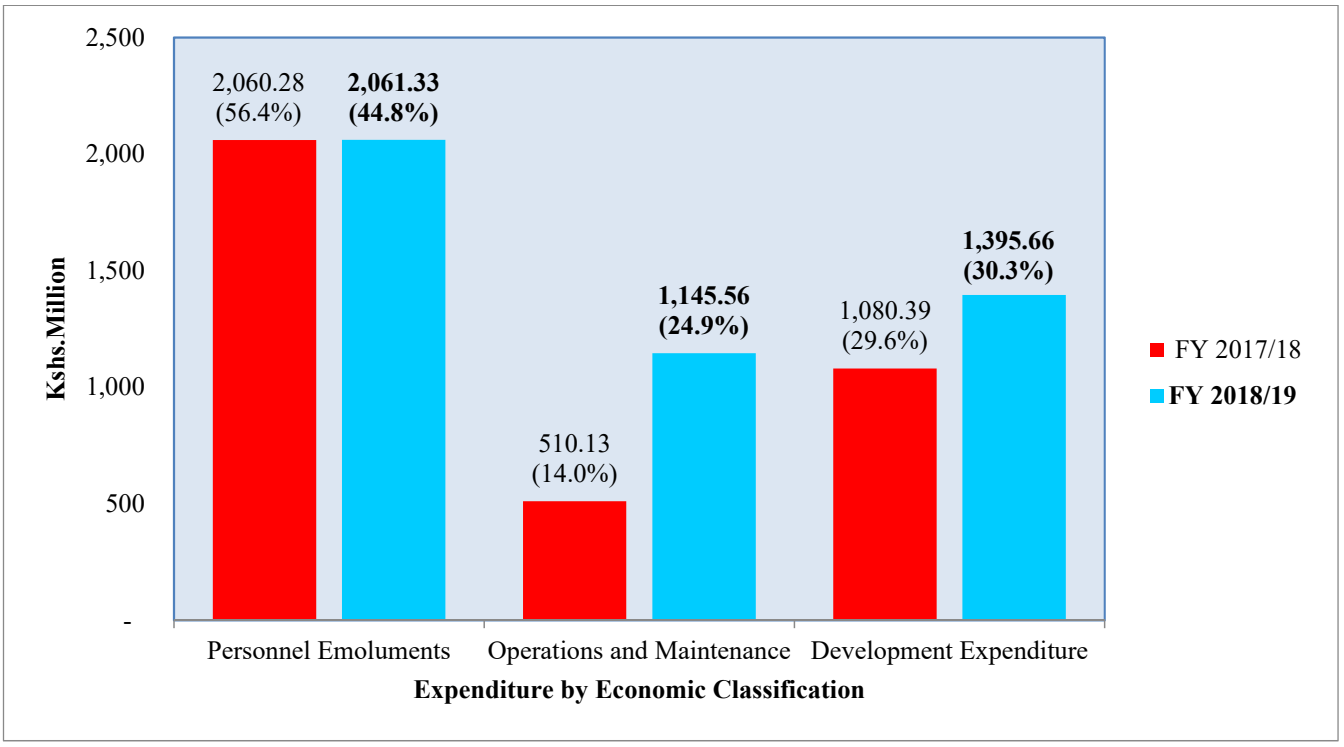
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.143.6 million for development activities and Kshs.189.61 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.4 billion while Kshs.3.21 billion was spent on recurrent activities. The development expenditure was 100 per cent of the funds released for development programmes, while recurrent expenditure was 96.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 64.1 per cent, which was a decrease from 67.7 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.5 per cent of the annual recurrent budget, an increase from 84.7 per cent recorded in FY 2017/18.

Figure 3.163 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18 and shows personnel emoluments, operations and maintenance and development expenditure as a percentage of total expenditure.

## Figure 3.163: Tharaka Nithi County, Expenditure by Economic Classification




***Source:*** *Tharaka Nithi County Treasury*

### 3.41.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.4 billion represented 64.1 per cent of the annual development expenditure estimates of Kshs.2.17 billion. Table 3.120 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.120: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | Total Project Expenditure (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Upgrading of Kambandi-Cheera-Ruguti Road to bitumen standards | Mungwe | 60,000,000 | 60,000,000 | 100 |
| 2 | Purchase of Rig | Countywide | 57,023,288 | 57,023,288 | 100 |
| 3 | Development of Kathwana Municipality | Igambang'ombe Ward | 50,000,000 | 34,831,662 | 70 |
| 4 | Construction of Garbage Incinerator | karingani ward | 35,000,000 | 34,998,500 | 100 |
| 5 | Upgrading of Kibugua Town Roads to Bitumen standards | Magumoni | 35,000,000 | 30,750,788 | 88 |
| 6 | Construction of ATC at Itugururu | Igambang'ombe Ward | 28,000,000 | 20,816,767 | 74 |
| 7 | Construction of Mukothima Grain Store | Mukothima | 23,000,000 | 22,999,999 | 100 |
| 8 | Subsidized A.I. Service | County wide | 20,000,000 | 19,897,319 | 99 |
| 9 | Construction of Vet. Laboratory at Marimanti | Marimanti | 18,000,000 | 17,035,644 | 95 |
| 10 | Construction of Magutuni Market | Mwimbi | 9,400,000 | 9,373,110 | 100 |

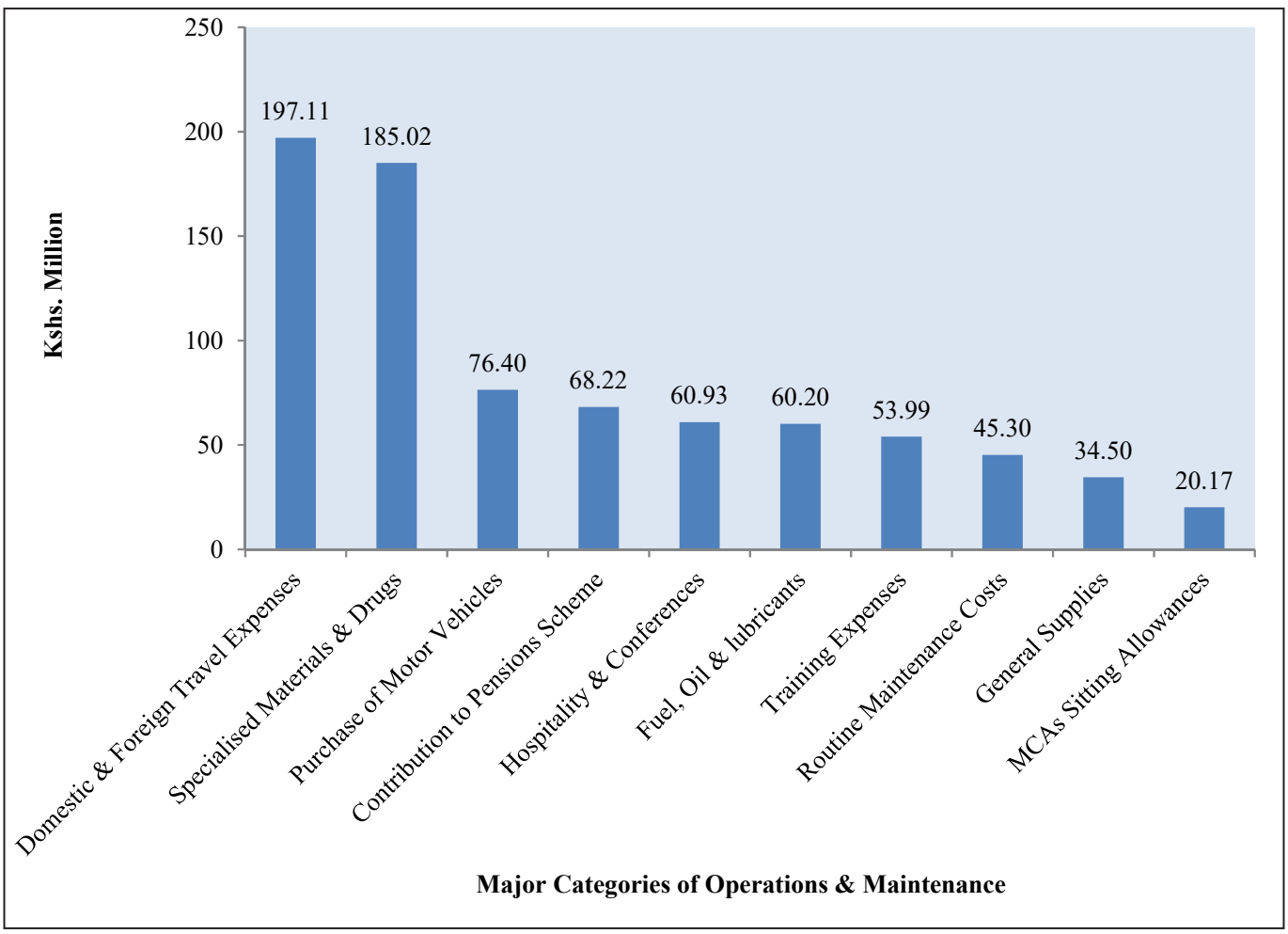
***Source:*** *Tharaka Nithi County Treasury*

### 3.41.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.21 billion comprised of Kshs.2.06 billion (64.3 per cent) incurred on personnel emoluments and Kshs.1.14 billion (35.7 per cent) on operations and maintenance as shown in Figure 3.163.

Expenditure on personnel emoluments represented a decrease of 0.1 per cent compared to FY 2017/18 when the County spent Kshs.2.06 billion and was 44.8 per cent of the total expenditure in FY 2018/19. Figure 3.164 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.164: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Tharaka Nithi County Treasury*

The County spent Kshs.20.17 million on committee sitting allowances for the 20 MCAs and Speaker against the annual budget allocation of Kshs.28.37 million. This represented an increase of 238.9 per cent compared to Kshs.5.9 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.80,046 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.197.11 million, and comprised of Kshs.97.49 million spent by the County Assembly and Kshs.99.61 million by the County Executive. This expenditure represented 6.1 per cent of total recurrent expenditure and was an increase of 70.9 per cent compared to Kshs.115.29 million spent in FY 2017/18.

## 3.41.8 Budget Performance by County Department

Table 3.121 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.121: Tharaka Nithi County, Budget Performance by Department for the FY 2018/19**

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 352.0 | 17.0 | 352.00 | - | 351.07 | - | 99.7 | - | 99.7 | - |
| County Executive | 161.2 | - | 159.25 | - | 150.38 | - | 94.4 | - | 93.3 | - |
| Finance and Economic Planning | 311.22 | 234.12 | 252.74 | 164.85 | 237.52 | 163.99 | 94.0 | 99.5 | 76.3 | 70 |
| Agriculture | 104.93 | 219.0 | 99.82 | 110.61 | 92.58 | 106.08 | 92.7 | 95.9 | 88.2 | 48.4 |
| Environment and Natural Resources | 99.0 | 35.0 | 0.74 | 35.0 | 0.72 | 35.00 | 97.0 | 100 | 72.3 | 100 |
| Education, Cultural and Vocational Training | 229.92 | 107.59 | 178.40 | 27.49 | 177.48 | 26.59 | 99.5 | 96.7 | 77.2 | 24.7 |
| Medical Services | 1,550.88 | 293.7 | 1,550.64 | 201.13 | 1,533.26 | 200.89 | 98.9 | 99.9 | 98.9 | 68.4 |
| Physical Planning and Land | 121.4 | 208.4 | 64.48 | 158.12 | 62.85 | 157.33 | 97.5 | 99.5 | 51.8 | 75.5 |
| Roads, Transport, Housing, Public Works | 49.89 | 783.25 | 43.44 | 528.86 | 42.16 | 528.38 | 97.1 | 99.9 | 84.5 | 67.5 |
| Administration and Public Services | 298.81 | - | 289.85 | - | 266.16 | - | 91.8 | 0.0 | 89.1 | - |
| Trade, Industry and Cooperatives | 94.20 | - | 88.94 | - | 92.05 | - | 103.5 | - | 97.7 | - |
| Water Services and Irrigation | 46.90 | 162.0 | 40.40 | 98.43 | 42.85 | 97.31 | 106.1 | 98.9 | 91.4 | 60.1 |
| County Public Services Board | 12.28 | - | 12.28 | - | 2.59 | - | 21.1 | - | 21.1 | - |
| Livestock, Veterinary and Fisheries Development | 69.45 | 53.0 | 67.19 | 45.54 | 58.62 | 44.71 | 87.2 | 98.2 | 84.4 | 84.4 |
| Public Health And Sanitation | 54.24 | - | 52.24 | - | 24.62 | - | 47.1 | - | 45.4 | - |
| Energy and ICT | 32.31 | 24.00 | 32.31 | 13.35 | 31.72 | 23.95 | 98.2 | 179.3 | 98.2 | 99.8 |
| Youth ,Culture, Sport And Tourism | 52.32 | 41.00 | 47.61 | 12.76 | 40.27 | 11.45 | 84.6 | 89.7 | 77.0 | 27.9 |
| **Total** | **3,542.94** | **2,178.06** | **3,332.33** | **1,396.13** | **3,206.89** | **1,395.66** | **96.2** | **100** | **90.5** | **64.1** |

***Source:*** *Tharaka Nithi County Treasury*

Analysis of expenditure by department shows that the Department of Environment and Natural Resources recorded the highest absorption rate of development budget at 100 per cent while the County Assembly did not spend on the development budget. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.7 per cent while the County Public Service Board had the lowest at 21.1 per cent.

## 3.41.9 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 collections by 91.9 per cent from Ksh.126.61 million in the FY 2017/18 to Ksh.242.95 million in the reporting period.
ii. Timely submission of financial reports to 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. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.
2. High expenditure on travel which increased by 70.9 per cent from Kshs.115.29 million in FY 2017/18 to Kshs.197.11 million in FY 2018/19.
3. A high wage bill that accounted for 44.8 per cent of total expenditure in the reporting period and is above 35 per cent of the county's revenue as required by Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.

The County should implement the following measures 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.*
2. *The County should rationalize expenditure on non-core budget items to free up resources for development programmes.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

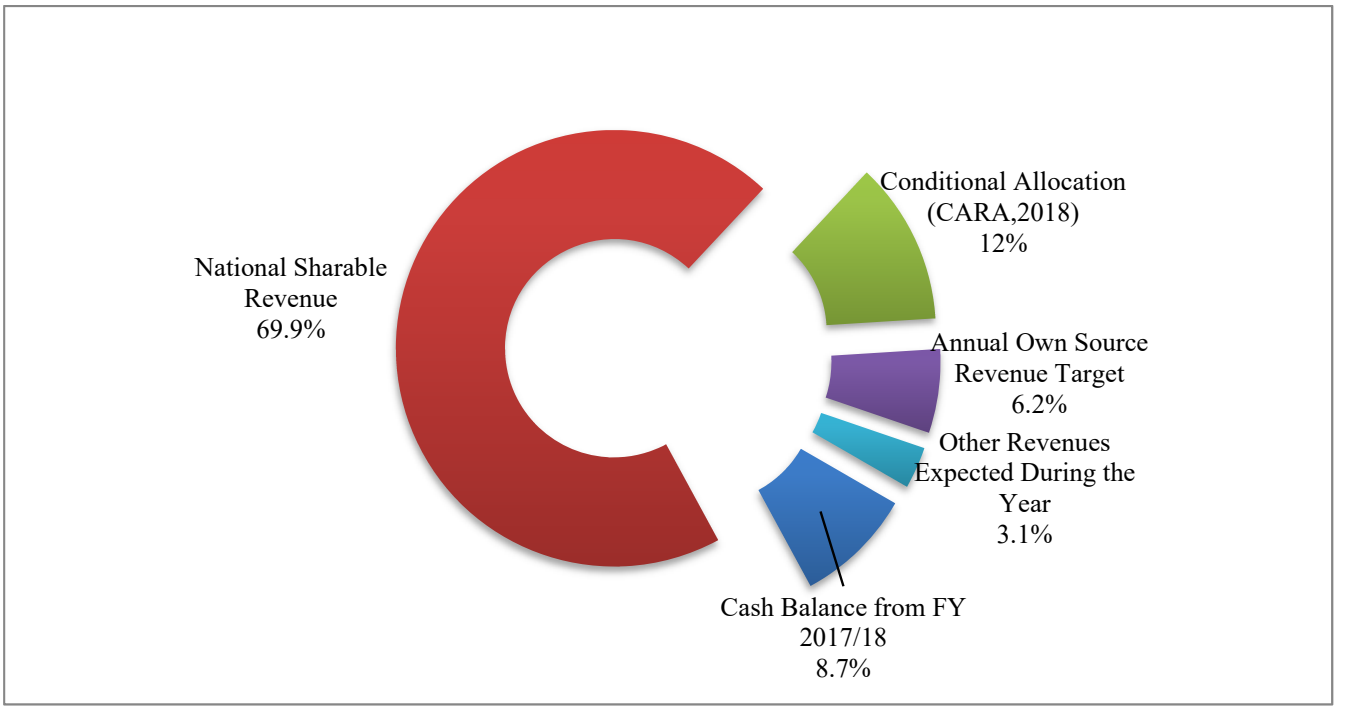
## 3.42 Trans Nzoia County

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

The County's FY 2018/19 Supplementary Budget was Kshs.8.04 billion, comprising of Kshs.4.87 billion (60.5 per cent) and Kshs.3.18 billion (39.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.62 billion (69.9 per cent) as equitable share of revenue raised nationally, Kshs.968.73 million (12.1 per cent) as total conditional grants, generate Kshs.500 million (6.2 per cent) from own-source of revenue, Kshs.250 million (3.1 per cent) as other grants and Kshs.703.23 million (8.7 per cent) cash balance from FY 2017/18.

**Figure 3.165: Trans Nzoia County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Trans Nzoia County Treasury*

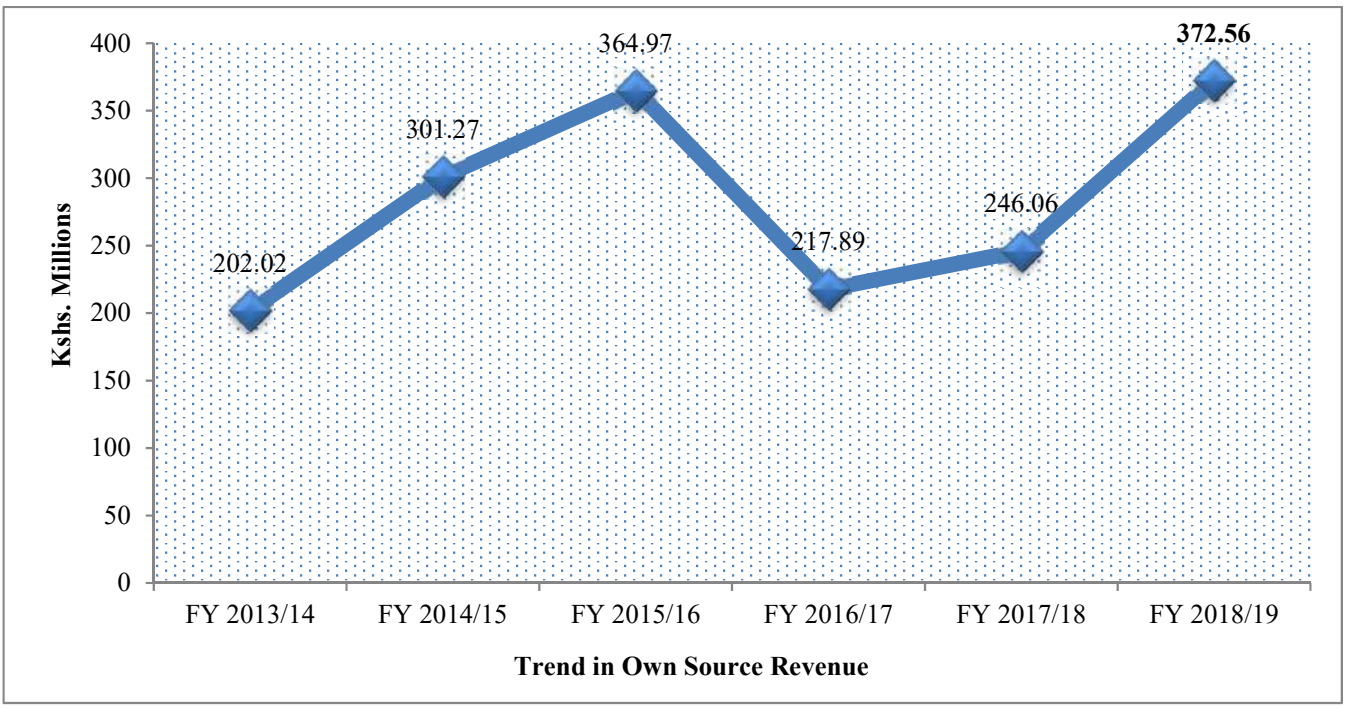
A breakdown of the conditional grants is provided in Table 3.122.

### 3.42.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.7.32 billion available for budget implementation. This amount consisted of Kshs.5.62 billion received as equitable share of the revenue raised nationally, Kshs.619.39 million as conditional grants, Kshs.372.56 million generated from own sources of revenue, and a cash balance of Kshs.703.23 million from FY 2017/18.

Figure 3.166 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.166: Trans Nzoia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Trans Nzoia County Treasury*

The County generated a total of Kshs.372.56 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.126.50 million compared to that realised in FY 2017/18 and was 74.5 per cent of the annual target.

### 3.42.3 Conditional Grants

During the reporting period, the County received Kshs.619.39 million as conditional grants as shown in.

**Table 3.122: Trans Nzoia County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No. | Grant/Loans | Annual Allocation- CARA, 2018 (Kshs) | Annual Budget Allocation(Kshs) | Actual Receipts (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 1. | IDA (World Bank) -Kenya Urban Support Project | 340,306,900 | 340,306,900 | 340,306,900 | 100 |
| 2. | DANIDA - Universal Healthcare to Devolved System Programme | 18,933,750 | 18,933,750 | 18,933,750 | 100 |
| 3. | Compensation for User Fee Foregone | 21,304,915 | 21,304,915 | 21,304,915 | 100 |
| 4. | Road Maintenance Fuel Levy Fund | 147,985,503 | 147,985,503 | 147,985,503 | 100 |
| 5. | World Bank-Transforming Health Systems for Universal Care Project | 100,000,000 | 100,000,000 | 40,855,977.9 | 40.9 |
| 6. | IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project | 140,435,163 | 140,435,163 | 50,000,000 | 35.6 |
| 7. | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 8. | Rehabilitation of Village Polytechnics | 53,710,000 | 53,710,000 | - | - |
| 9. | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 46,456,661 | 46,456,661 | - | - |
| 10. | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 19,595,837 | 19,595,837 | - | - |

| S/No. | Grant/Loans | Annual Allocation- CARA, 2018 (Kshs) | Annual Budget Allocation(Kshs) | Actual Receipts (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants/Loans contained in CARA, 2018** | | | | |
| 11. | EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WATER) | 80,000,000 | 80,000,000 | - | - |
| 12. | **Total** | **1,168,728,729** | **968,728,729** | **619,387,045.9** | **53** |

***Source:*** *Trans Nzoia County Treasury*

During the reporting period, receipts from Kenya Urban Support Project, DANIDA, Compensation for User Fee Foregone, and Road Maintenance Fuel Levy Fund recorded the highest performance in percentage terms, and accounted for 100 per cent of the respective annual target.

### 3.42.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.90 billion from the CRF account. The withdrawals represented 85.8 per cent of the Approved Supplementary Budget and translated to an increase of 19.2 per cent from Kshs.5.79 billion in FY 2017/18, and comprised of Kshs.2.11 billion (30.5 per cent) towards development activities and Kshs.4.79 billion (69.5 per cent) for recurrent expenditure.

### 3.42.5 Overall Expenditure Review

A total of Kshs.6.39 billion was spent on both development and recurrent activities. This expenditure represented 92.6 per cent of the total funds released from the CRF account, and was an increase of 51.4 per cent from Kshs.4.22 billion spent in FY 2017/18.

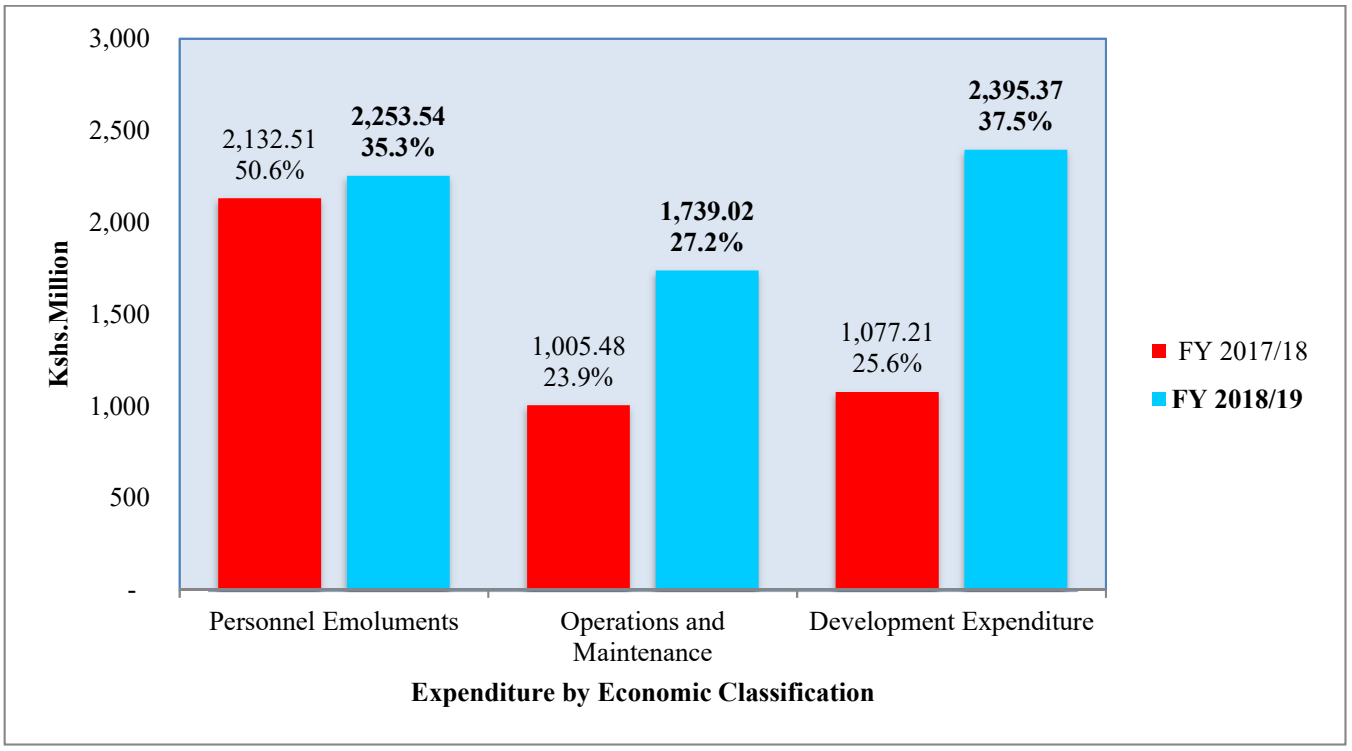
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.421.71 million for development activities and Kshs.317.51 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.40 billion while Kshs.3.99 billion was spent on recurrent activities. The development expenditure was 113.4 per cent of the funds released for development programmes, while recurrent expenditure was 83.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 75.4 per cent, which was an increase from 54 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 82 per cent of the annual recurrent budget, an increase from 67.7 per cent recorded in FY 2017/18.

Figure 3.167 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.167: Trans Nzoia County, Expenditure by Economic Classification




***Source:*** *Trans Nzoia County Treasury*

### 3.42.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.40 billion represented 75.4 per cent of the annual development expenditure estimates of Kshs.3.18 billion.Table 3.123 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.123: Trans Nzoia County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Construction of County Referral Hospital | Matisi | 435,000,000 | 408,032,302 | 93.8 |
| 2 | Road Construction and Maintenance | County wide | 203,912,852 | 190,524,208 | 93.4 |
| 3 | Purchase of Certified Seeds, Breeding Stock and Live Animals | County Wide | 41,000,000 | 31,677,200 | 77.3 |
| 4 | Rehabilitation and Renovation of Plant, Machinery and Equipment | County Wide | 42,827,111 | 32,279,288 | 75.4 |
| 5 | Refurbishment of Buildings | County Wide | 122,149,877 | 90,931,951 | 74.4 |
| 6 | Construction of County Assembly Perimeter Wall | Matisi | 32,700,000 | 19,958,026 | 61.0 |
| 7 | Purchase of Specialised Plant, Machinery and Equipment | County Wide | 224,103,221 | 113,888,999 | 50.8 |
| 8 | Construction of ECDE Classes | County wide | 155,252,171 | 77,121,921 | 49.7 |
| 9 | Research, Feasibility Studies, Project Preparation and Design | County Wide | 22,400,401 | 7,223,503 | 32.2 |
| 10 | Overhaul and Refurbishment of Construction and Civil Works | County wide | 121,200,000 | 33,737,930 | 27.8 |

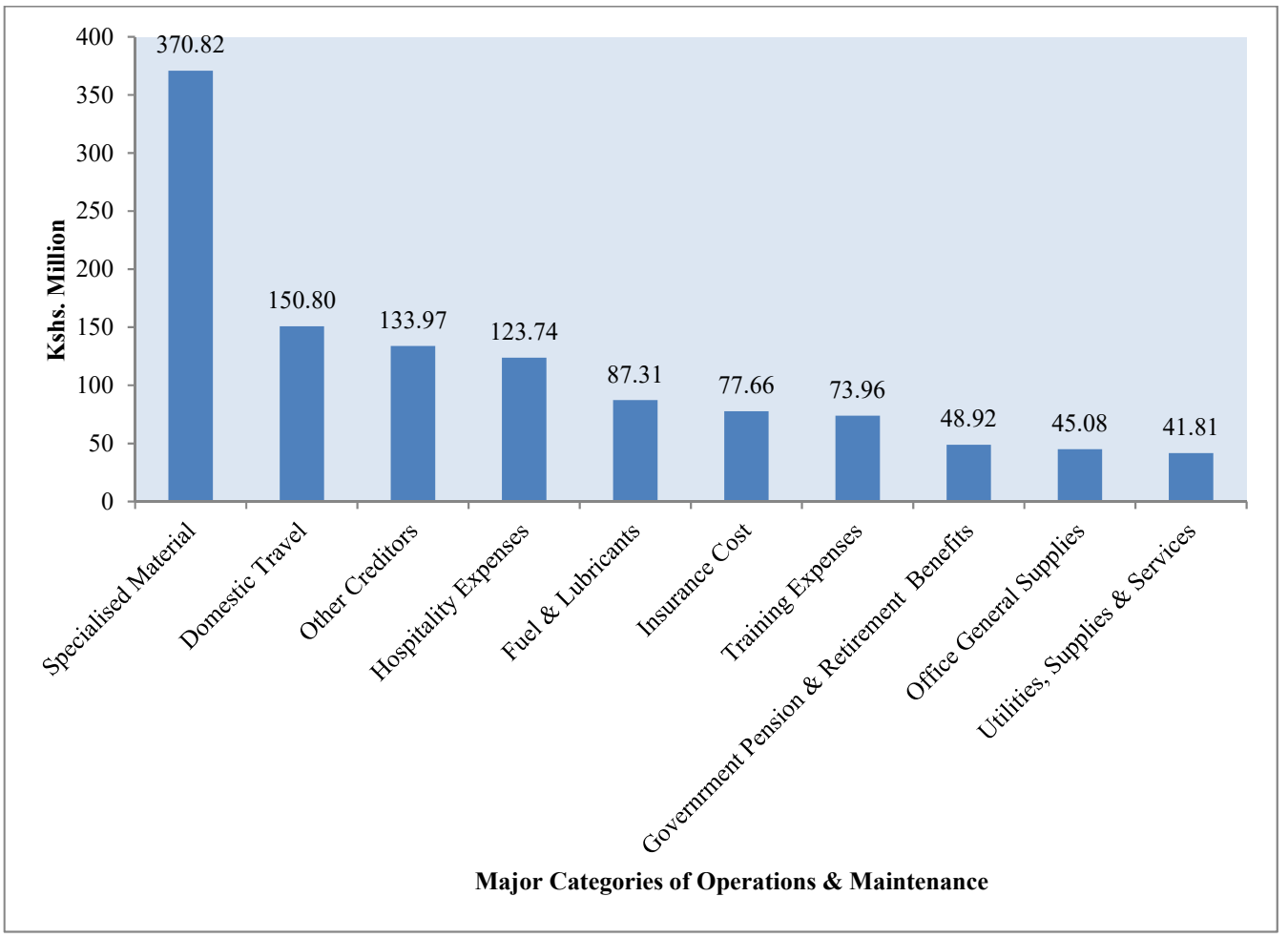
***Source:*** *Trans Nzoia County Treasury*

### 3.42.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.99 billion comprised of Kshs.2.25 billion (56.4 per cent) incurred on personnel emoluments and Kshs.1.74 billion (43.6 per cent) on operations and maintenance as shown in

Figure 3.167. Expenditure on personnel emoluments represented an increase of 5.7 per cent compared to FY 2017/18 when the County spent Kshs.2.13 billion and was 35.3 per cent of the total expenditure in FY 2018/19. Figure 3.168 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.168: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Trans Nzoia County Treasury*

The County spent Kshs.31.49 million on committee sitting allowances for the 39 MCAs and Speaker against the annual budget allocation of Kshs.69.30 million. This represented an increase of 114.4 per cent compared to Kshs.14.69 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.65,597 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.185.74 million, and comprised of Kshs.132.77 million spent by the County Assembly and Kshs.52.97 million by the County Executive.

### 3.42.8 Budget Performance by County Department

Table 3.124 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.124: Trans Nzoia County, Budget Performance by Department in FY 2018/19

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture | 297.64 | 328.15 | 289.53 | 184.18 | 268.60 | 142.94 | 92.8 | 77.6 | 90.2 | 43.6 |
| Livestock | 16.27 | 90.30 | 10.34 | 19.76 | 16.27 | 65.97 | 157.4 | 333.9 | 100 | 73.1 |
| Trade, Commerce and Industry | 38.44 | 53.26 | 38.44 | 8.78 | 14.62 | 32.06 | 38.0 | 365.1 | 38.0 | 60.2 |
| Water, Environment and Natural Resources | 85.84 | 377.02 | 73.79 | 181.56 | 58.77 | 323.30 | 79.6 | 178.1 | 68.5 | 85.8 |
| Public Works, Roads and Infrastructure | 279.42 | 514.40 | 275.83 | 514.20 | 211.29 | 464.66 | 76.6 | 90.4 | 75.6 | 90.3 |
| Health and Corporate Services | 1,675.59 | 638.94 | 1,672.12 | 424.74 | 1,433.27 | 522.28 | 87.7 | 123.0 | 85.5 | 81.7 |
| Lands, Housing and Urban Development | 66.14 | 426.91 | 56.02 | 361.46 | 33.15 | 388.45 | 59.2 | 107.5 | 50.1 | 91.0 |
| Gender, Youth, Sports, Culture, Social Services & Tourism | 72.42 | 74.56 | 61.94 | 20.10 | 52.34 | 66.79 | 84.5 | 332.3 | 72.3 | 89.6 |
| Governance and Public Service Management | 598.39 | 42.00 | 588.97 | 12.95 | 480.82 | 11.20 | 81.6 | 86.5 | 80.4 | 26.7 |
| County Public Service Board | 32.26 | 27.35 | 26.78 | 0 | 23.39 | 4.69 | 87.3 | 0 | 72.5 | 17.1 |
| Education and ICT | 344.42 | 285.00 | 344.42 | 204.60 | 333.69 | 178.44 | 96.9 | 87.2 | 96.9 | 62.6 |
| Finance | 711.08 | 146.56 | 711.07 | 134.84 | 442.90 | 135.09 | 62.3 | 100.2 | 62.3 | 92.2 |
| Economic Planning | 35.15 | 30.97 | 27.68 | 10.40 | 9.54 | 24.91 | 34.5 | 239.5 | 27.1 | 80.4 |
| County Assembly | 614.08 | 140.00 | 614.08 | 34.60 | 613.92 | 34.60 | 100 | 100.0 | 100 | 24.7 |
| **TOTAL** | **4,867.14** | **3,175.42** | **4,791.0** | **2,112.16** | **3,992.57** | **2,395.37** | **83.3** | **113.4** | **82.0** | **75.4** |

***Source:*** *Trans Nzoia County Treasury*

Analysis of expenditure by department shows that the Department of Finance recorded the highest absorption rate of development budget at 92.2 per cent while the Department of County Public Service Board recorded the lowest at 17.1 per cent. The Department of Livestock and the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent respectively while the Department of Economic Planning had the lowest at 27.1per 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 51.4 per cent from Kshs.246.06 million in the FY 2017/18 to Kshs.372.56 million in the reporting period.
ii. Improvement in the absorption of the development budget from 54 per cent in FY 2017/18 to 75.4 per cent in the reporting period.

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

1. A high wage bill that increased by 5.7 per cent from Kshs.2.13 billion in the FY 2017/18 to Kshs.2.25 billion in the reporting period. The wage bill accounted for 35.3 per cent of total expenditure in the reporting period.
2. Late submission of financial returns by the County Treasury, which affected timely preparation of

budget implementation report by OCOB contrary to Section 166 of the PFM Act, 2012.

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 measures in order to improve budget execution;

1. *The County Public Service Board should put in place measures to ensure the wage bill does not increase above the legal limit in the medium term.*
2. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

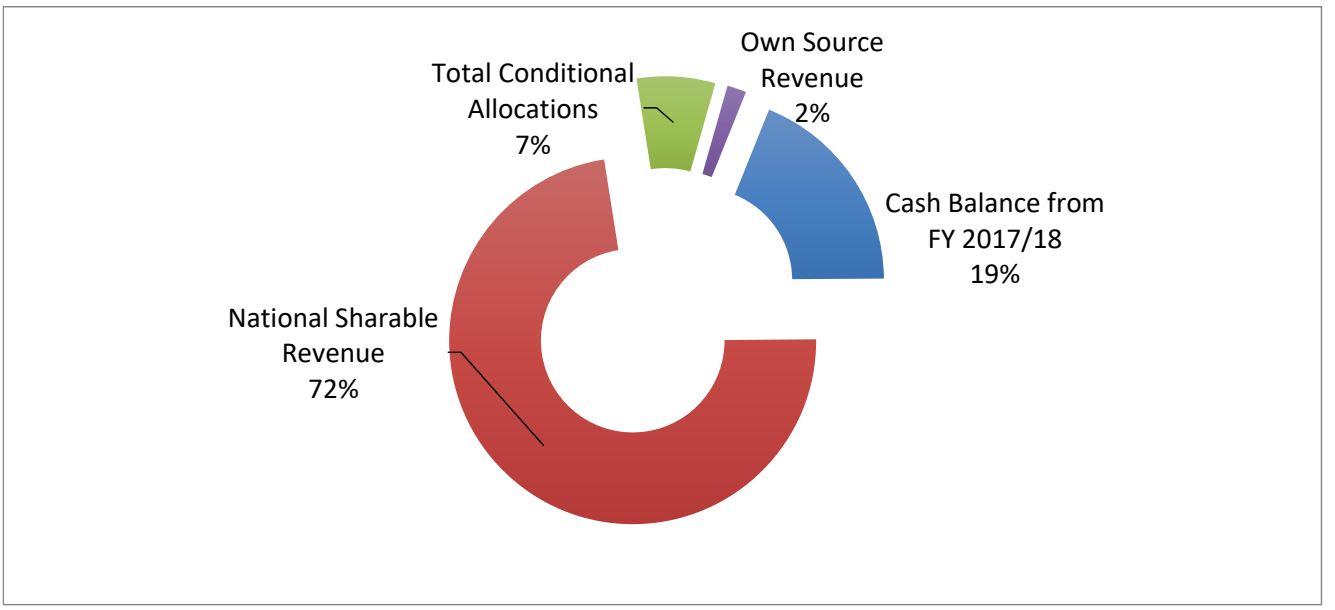
## 3.43 Turkana County

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

The County's FY 2018/19 Supplementary Budget was Kshs.15.35 billion, comprising of Kshs.9.6 billion (62.5 per cent) and Kshs.5.75 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.71 billion (69.8 per cent) as equitable share of revenue raised nationally, Kshs.1.02 billion (6.6 per cent) as total conditional grants, generate Kshs.250 million (1.6 per cent) from own-source of revenue, and Kshs.2.77 billion (18 per cent) cash balance from FY 2017/18.

**Figure 3.169: Turkana County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Turkana County Treasury*

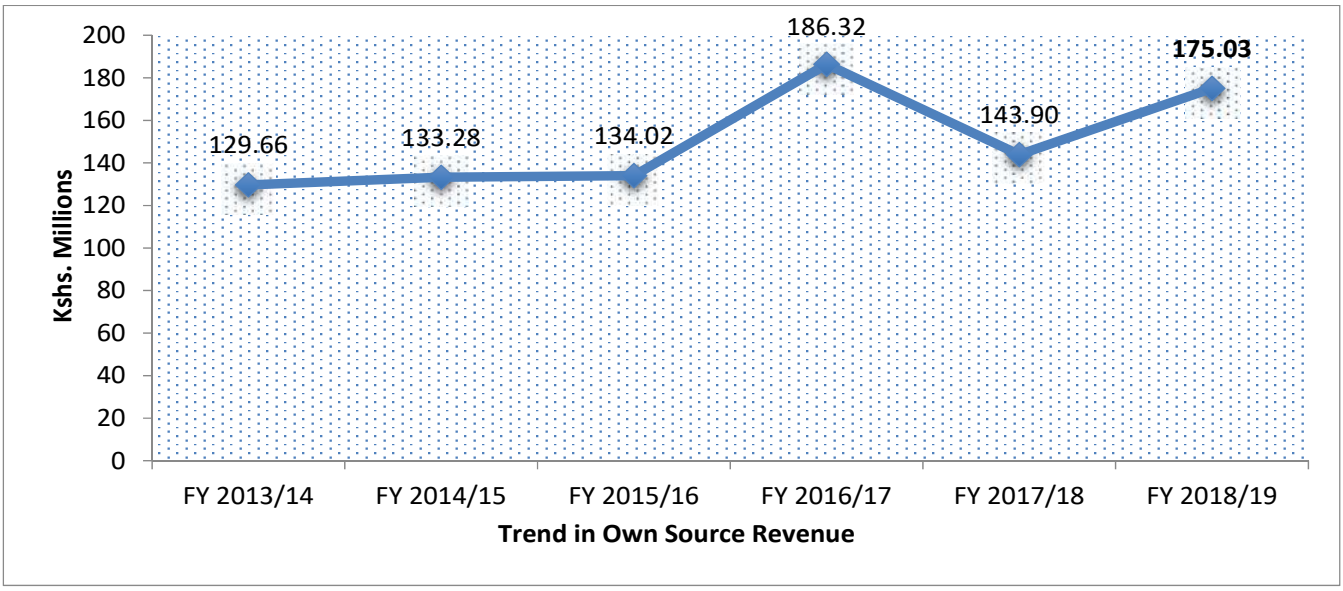
The conditional grants contained in the CARA, 2018 are shown in Table 3.125 .

### 3.43.2 Revenue Analysis

During the FY 2018/19, the County received Kshs.10.77 billion as equitable share of the revenue raised nationally, Kshs.588.43 million as total conditional grants, raised Kshs.175.03 million from own-source revenue, and had a cash balance of Kshs.2.77 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs. 14.3 billion.

Figure 3.170 shows the yearly trend in own-source revenue collection from the FY 2013/14 to the FY 2018/19.

**Figure 3.170: Turkana County, Own Source Revenue Collection for the FY 2013/14 to FY 2018/19**




***Source:*** *Turkana County Treasury*

The County generated a total of Kshs.175.03 million from own revenue sources during the FY 2018/19. This amount represented an increase of Kshs.31.13 million compared to that realised during a similar period of FY 2017/18 and was 70 per cent of the annual target.

### 3.43.3 Conditional Grants

The County received Kshs.588.43 million as conditional grants in the financial year 2018/19 as shown in Table 3.125.

**Table 3.125: Turkana County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Compensation for User Fee Foregone | 25,634,941 | 25,634,941 | 25,634,941 | 100 |
| 2 | Leasing of Medical Equipment | 200,000,000 | 200,000,000 | - | - |
| 3 | Kenya Urban Support Programme Bal C/F 2017/18 | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 4 | Road Maintenance Fuel Levy | 283,569,986 | 283,569,986 | 283,569,986 | 100 |
| 5 | Rehabilitation of Village Polytechnics | 25,285,000 | 25,285,000 | 26,258,855 | - |
| 6 | Transforming Health Systems for Universal Care Project (WB) | 100,000,000 | 100,000,000 | 48,512,781 | 49 |
| 7 | National Agricultural and Rural Inclusive Growth Project (NARIGP) | 140,435,163 | 140,435,163 | 50,078,476 | 36 |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 8 | FAO-Vaccination Programmes for PPR, SGP and Disease Surveillance | - | 9,912,300 | 10,641,040 | - |
| 9 | Kenya Devolution Support Project (KDSP) "Level 1 grant" | 65,446,016 | 65,446,016 | - | - |
| 10 | Kenya Urban Support Project (KUSP) | 95,023,200 | 95,023,200 | 95,023,200 | 100 |
| 11 | DANIDA Grant | 33,766,875 | 33,766,875 | 33,766,875 | 100 |
| **Total** | | **1,010,361,181** | **1,020,273,481** | **588,427,299** | **58** |

***Source:*** *Turkana County Treasury*

During the FY 2018/19, receipts from the Kenya Urban Support Project (KUSP), DANIDA grant, Road Maintenance Fuel Levy, and Compensation for User Fee Foregone received the highest receipts as percentage of annual budget allocation from conditional grant at 100 per cent of their respective annual allocation.

### 3.43.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.11.7 billion from the CRF account. The withdrawals represented 72.8 per cent of the Approved Budget and translated to an increase of 32.3 per cent from Kshs.8.45 billion approved in the FY 2017/18 and comprised of Kshs.8.57 billion (76.7 per cent) to fund recurrent expenditure and Kshs.2.6 billion (23.3 per cent) for development activities.

### 3.43.5 Overall Expenditure Review

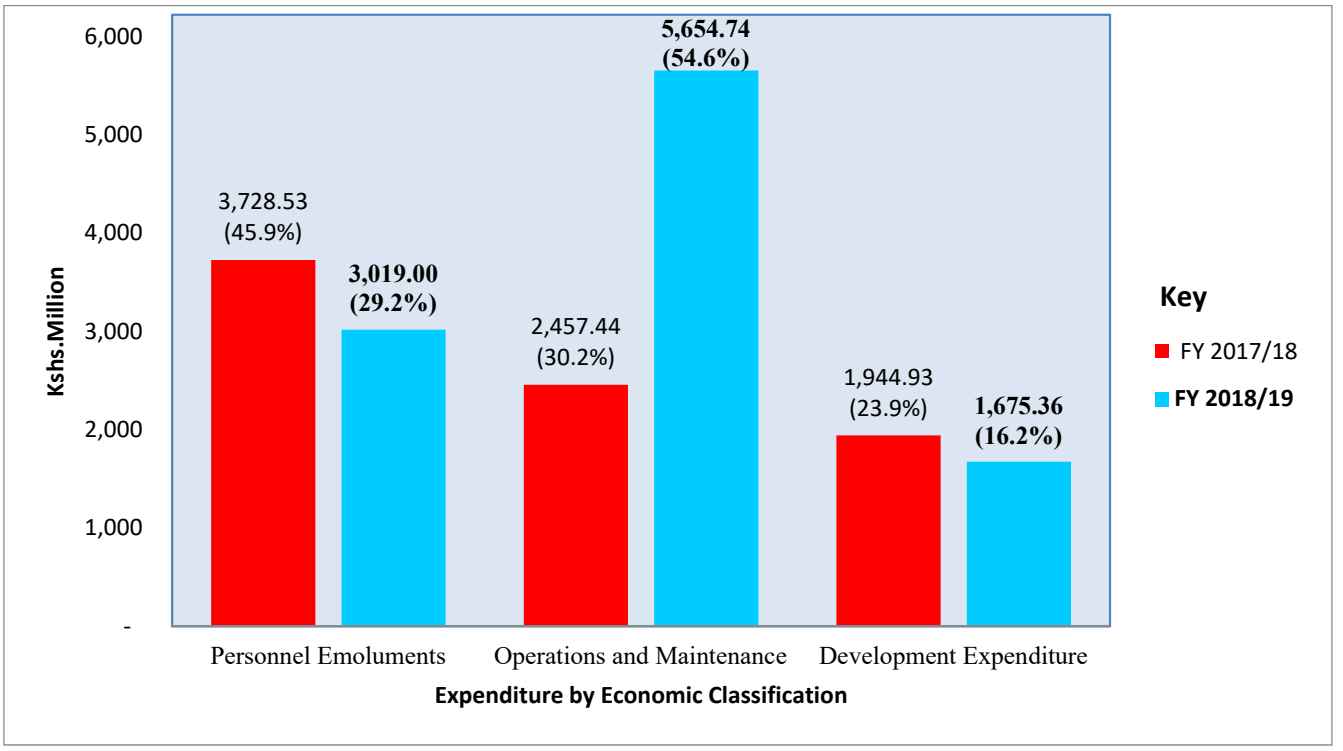
The County Government spent a total of Kshs.10.35 billion on recurrent and development activities. This expenditure represented 92.6 per cent of the total funds released from the CRF account and was an increase of 27.3 per cent from Kshs.8.13 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.9 billion for development activities and Kshs.345.07 million for recurrent costs.

Expenditure on recurrent activities amounted to Kshs.8.67 billion while Kshs.1.68 billion was spent on development activities. The recurrent expenditure was 101.2 per cent of the funds released for recurrent activities, while development expenditure was 64.4 per cent of funds released for development activities.

The recurrent expenditure represented 90.3 per cent of the annual recurrent budget, a decrease from 96.3 per cent recorded in FY 2017/18. Development expenditure recorded an absorption rate of 29.1 per cent, which was a decrease from 46.7 per cent attained in FY 2017/18. Figure 3.171 presents a comparison between the total expenditure in the FY 2018/19 and in FY 2017/18.

**Figure 3.171: Turkana County, Expenditure by Economic Classification**



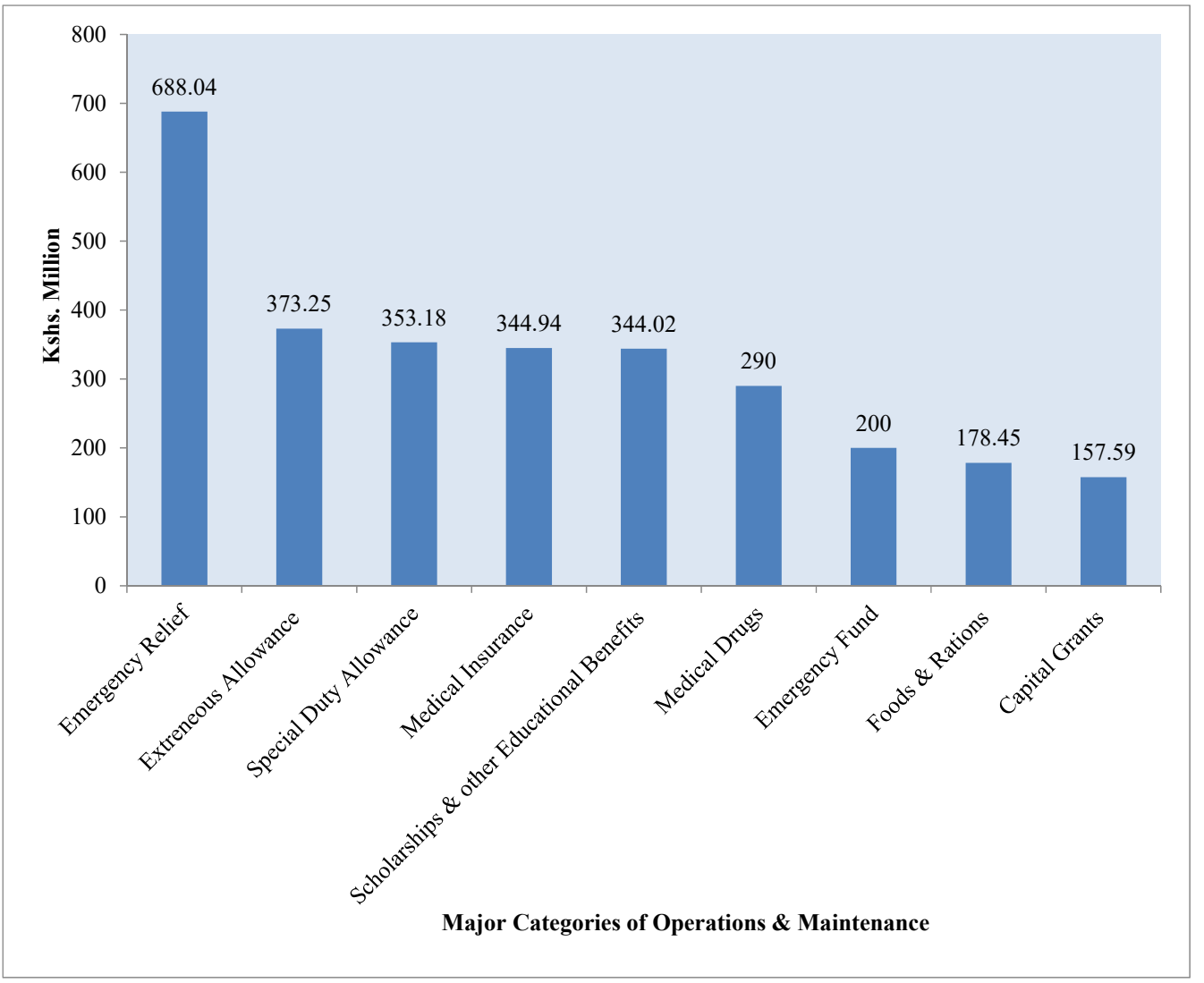

***Source:*** *Turkana County Treasury*

## 3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.67 billion comprised of Kshs.3.02 billion (65.2 per cent) incurred on personnel emoluments and Kshs.5.65 billion (34.8 per cent) on operations and maintenance as shown in Figure 3.171.

Expenditure on personnel emoluments represented a decrease of 19 per cent compared to FY 2017/18 when the County spent Kshs.3.73 billion and was 29.2 per cent of total expenditure in FY 2018/19. Figure 3.172 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.172: Turkana County, Operations and Maintenance Expenditure by Major Categories in the FY 2018/19**




***Source:*** *Turkana County Treasury*

The County spent Kshs.23.45 million on committee sitting allowances for the 48 MCAs and speaker against the annual budget allocation of Kshs.81.76 million. This represented an increase of over 100 per cent compared to Kshs.5.65 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.40,709 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.292.42 million and comprised of Kshs.207.04 million spent by the County Assembly and Kshs.85.38 million spent by the County Executive.

### 3.43.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.68 billion represented 29.1 per cent of the annual development expenditure budget of Kshs.5.75 billion. Table 3.126 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.126: Turkana County County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget (Kshs.) | FY 2018/19 Project Expenditure (Kshs.) |
|---|---|---|---|---|
| 1 | Construction of County Headquarters | Township | 695,854,432 | 465,517,656 |
| 2 | Lokiriama Revenue Resource Centre | Lokiriama | 95,894,400 | 83,190,308 |
| 3 | Installation of Air Conditioners And Other Mechanical at County Headquarters Building | Headquater | 82,588,770 | 82,588,770 |
| 4 | Citizen Resource Centre-Kaeris | Kaeris | 34,704,636 | 34,704,636 |
| 5 | Kakuma Resource Centre | Kakuma | 33,494,796 | 30,145,316 |
| 6 | Katilu Resource Centre | Katilu | 32,759,468 | 29,483,521 |
| 7 | Lowarengak Resource Centre | Lowarengak | 34,319,912 | 18,500,000 |
| 8 | Kerio Social Hall-Resource Centre | Kerio Delta | 18,209,410 | 17,547,592 |
| 9 | Kerio Social Hall-Resource Centre | Kerio Delta | 18,209,410 | 16,388,469 |
| 10 | Citizen Resource Centre-Kanamkemer | Kanamkemer Ward | 40,000,000 | 16,000,000 |

***Source:*** *Turkana County Treasury*

### 3.43.8 Budget Performance by County Department

Table 3.127 shows a summary of the approved budget allocation and performance by department in the FY 2018/19.

## Table 3.127: Turkana County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | FY Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Governance (Office of the Gvn and Liaison) | 397.94 | 205.14 | 121.70 | 25.00 | 307.68 | - | 252.8 | - | 77.3 | - |
| Office of the Deputy Governor | 24.42 | - | 21.14 | - | 15.91 | - | 75.3 | - | 65.2 | - |
| County Attorney | 125.27 | - | 43.27 | - | 138.10 | - | 319.2 | - | 110.2 | - |
| Finance and Planning | 587.19 | 448.01 | 341.14 | 178.41 | 219.24 | 251.31 | 64.3 | 140.9 | 37.3 | 56.1 |
| Water Services, Environment and Mineral Resources | 225.89 | 693.21 | 212.04 | 314.46 | 181.92 | 288.29 | 85.8 | 91.7 | 80.5 | 41.6 |
| Health & Sanitation Services | 1,046.28 | 584.89 | 955.53 | 311.50 | 990.96 | 159.34 | 103.7 | 51.2 | 94.7 | 27.2 |
| Trade, Gender and Youth Affairs | 105.43 | 481.25 | 106.63 | 281.42 | 101.98 | 105.00 | 95.6 | 37.3 | 96.7 | 21.8 |
| Education, Sports and Social Protection | 699.71 | 700.56 | 408.33 | 417.33 | 605.56 | 402.53 | 148.3 | 96.5 | 86.5 | 57.5 |
| Public Services, Decentralized Administration & Disaster Management | 4,860.71 | 156.35 | 5,006.03 | 22.15 | 4,541.38 | 146.06 | 90.7 | 659.4 | 93.4 | 93.4 |
| Infrastructure Transport & Public Works | 45.93 | 863.89 | 36.56 | 722.97 | - | 47.31 | - | 6.5 | - | 5.5 |
| Agriculture, Pastoral Economy & Fisheries | 221.93 | 757.38 | 296.56 | 158.21 | 255.73 | 191.70 | 86.2 | 121.2 | 115.2 | 25.3 |
| Tourism, Culture and Natural Resources | 158.53 | 139.73 | 30.37 | 22.19 | 125.41 | 23.00 | 412.9 | 103.7 | 79.1 | 16.5 |
| Lands, Energy, Housing & Urban Areas Mgt. | 138.41 | 265.68 | 53.51 | - | 129.28 | 60.82 | 241.6 | - | 93.4 | 22.9 |
| County Public Service Board | 123.38 | 3.60 | 100.46 | - | 97.07 | - | 96.6 | - | 78.7 | - |

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | FY Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 839.30 | 452.28 | 839.00 | 298.86 | 785.49 | 298.86 | 93.6 | 100.0 | 93.6 | 66.1 |
| **TOTAL** | **9,600.32** | **5,751.97** | **8,572.27** | **2,752.50** | **8,495.71** | **1,974.22** | **99.1** | **71.7** | **88.5** | **34.3** |

***Source:*** *Turkana County Treasury*

Analysis of expenditure by department shows that the Department of Water Services, Environment and Mineral Resources recorded the highest absorption rate of development budget at 74.9 while the County Public Service Board and Lands, Energy, Housing & Urban Areas Management did not incur any development expenditure. The Department of Agriculture, Pastoral Economy & Fisheries had the highest percentage of recurrent expenditure to its recurrent budget at 115.2 per cent while the Department of Public Services, Decentralized Administration & Disaster Management had the lowest at 0.9 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:

Improvement in own-source revenue collection by 21.6 per cent from Kshs.143.9 million generated in FY 2017/18 to Kshs.175.03 million in FY 2018/19.

i. Improved internet connectivity, resulting into effective use of IFMIS to process financial transactions.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure to constitute the County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.
3. Late submission of reports on financial and non-financial performance by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012. Further, the Office noted inconsistencies in development expenditure from the financial reports submitted by the County Treasury.
4. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Agriculture, Pastoral Economy & Fisheries and the Office of the County Attorney. This is contrary to Section 135 and 154 of 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 are released in a timely manner.*
2. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012. The County Treasury should further put in place mechanisms to ensure that the financial reports are reviewed and authenticated before submission to oversight institutions.*
4. *The County Treasury should ensure expenditure is within the approved budget.*

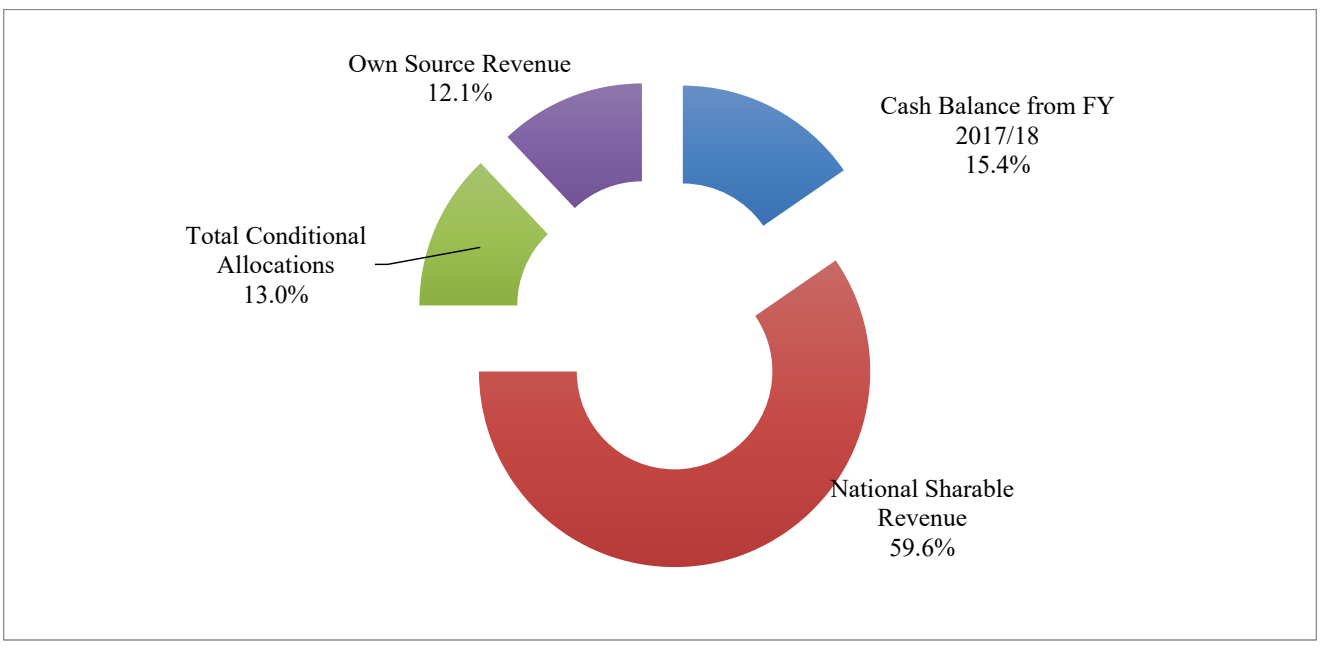
## 3.44 Uasin Gishu County

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

The County's FY 2018/19 Supplementary Budget was Kshs.9.96 billion, comprising of Kshs.4.49 billion (45.1 per cent) and Kshs.5.47 billion (54.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.94 billion (59.6 per cent) as equitable share of the revenue raised nationally, Kshs.1.29 billion (13 per cent) as total conditional grants, generate Kshs.1.20 billion (12.1 per cent) from own sources of revenue, and Kshs.1.53 billion (15.4 per cent) cash balance from FY 2017/18.

**Figure 3.173: Uasin Gishu County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Uasin Gishu County Treasury*

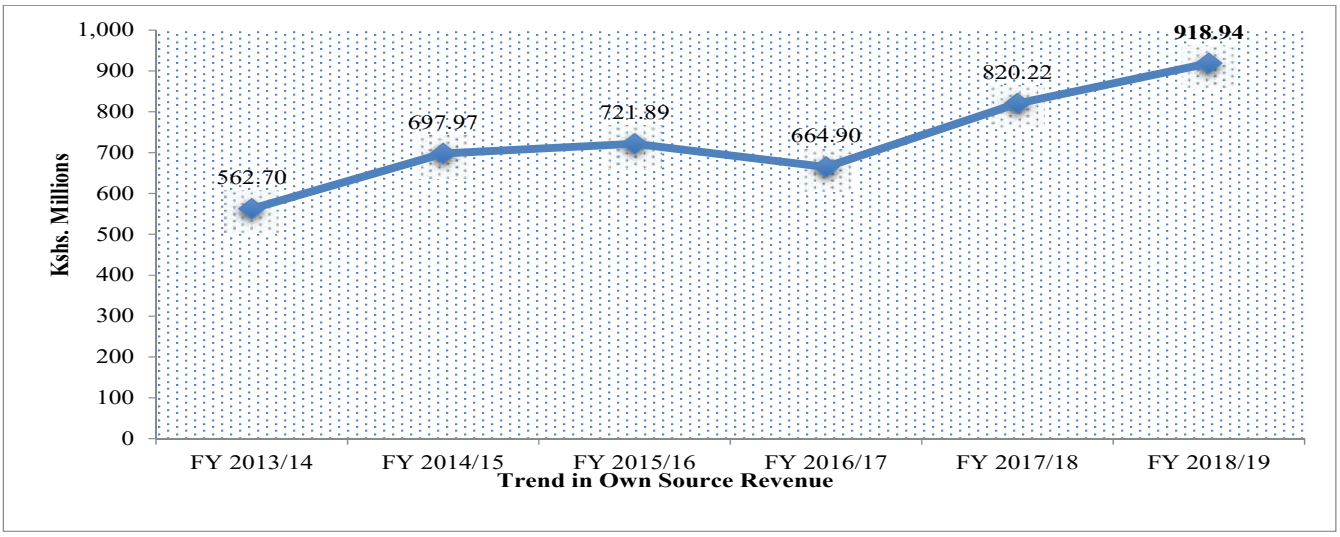
A breakdown of the conditional grants is provided in Table 3.128

### 3.44.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.9.42 billion available for budget implementation. This amount consisted of Kshs.5.93 billion received as equitable share of the revenue raised nationally, Kshs.1.04 billion as conditional grants, Kshs.918.94 million generated from own sources of revenue, and a cash balance of Kshs.1.53 billion from FY 2017/18.

Figure 3.174 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

## Figure 3.174: Uasin Gishu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19




***Source:*** *Uasin Gishu County Treasury*

The County generated a total of Kshs.918.94 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.110.20 million compared to that realised in FY 2017/18 and was 76.6 per cent of the annual target.

### 3.44.3 Conditional Grants

During the reporting period, the County received Kshs.1.04 billion as conditional grants as shown in Table 3.128

## Table 3.128: Uasin Gishu County, Conditional Grants/Loans Received in the FY 2018/19

| S/No | Grant Details | Annual Allocation-CARA, 2018) (Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 630,147,800 | 630,147,800 | 630,147,800 | 100.0 |
| 2 | Road Maintenance Fuel Levy | 156,252,849 | 156,252,849 | 156,252,849 | 100.0 |
| 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 (World Bank) | 81,893,450 | 81,893,450 | 38,716,725 | 47.3 |
| 5 | EU –Water Tower protection and Climate Change Mitigation and Adoption Programme (WATER) | 80,000,000 | 80,000,000 | - | - |
| 6 | IDA (World Bank) Kenya Devolution Support Project *Level 1 grant* | 46,739,163 | 46,739,163 | - | - |
| 7 | EU Grant –Instruments for Devolution Advice and Support (IDEAS) | 45,000,000 | 45,000,000 | 48,775,296 | 108.4 |
| 8 | World Bank - Kenya Urban Support Project (KUSP) - Urban Institutional Grants | 41,200,000 | 41,200,000 | 41,200,000 | 100.0 |
| 9 | Rehabilitation of Village Polytechnics | 33,250,000 | 33,250,000 | 25,103,750 | 75.5 |
| 10 | Compensation of User Fees Foregone | 20,813,065 | 20,813,065 | 20,813,065 | 100.0 |
| 11 | DANIDA grant for the Universal Healthcare in Devolved System Programme | 19,136,250 | 19,136,250 | 27,379,194 | 143.1 |
| 12 | Sweden Agriculture Sector Development Support programme (ASDSP) II + Bal C/F in FY2017/18 | 18,994,969 | 18,994,969 | 6,915,644 | 36.4 |
| **Grand Total** | | **1,290,427,546** | **1,290,427,546** | **1,036,245,409** | **80.3** |

***Source:*** *Uasin Gishu County Treasury*

During the reporting period, receipts from the DANIDA grant for the Universal Healthcare in Devolved System Programme recorded the highest performance in percentage terms, and accounted 143.1 per cent of the annual target.

### 3.44.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.77 billion from the CRF account. The withdrawals represented 78 per cent of the Approved Supplementary Budget and translated to an increase of 21.6 per cent from Kshs.6.39 billion in FY 2017/18 and comprised of Kshs.2.59 billion (33.3 per cent) towards development activities and Kshs.5.18 billion (66.7 per cent) for recurrent expenditure.

### 3.44.5 Overall Expenditure Review

A total of Kshs.6.75 billion was spent on both development and recurrent activities. This expenditure represented 86.9 per cent of the total funds released from the CRF account, and was an increase of 2 per cent from Kshs.6.29 billion spent in FY 2017/18.

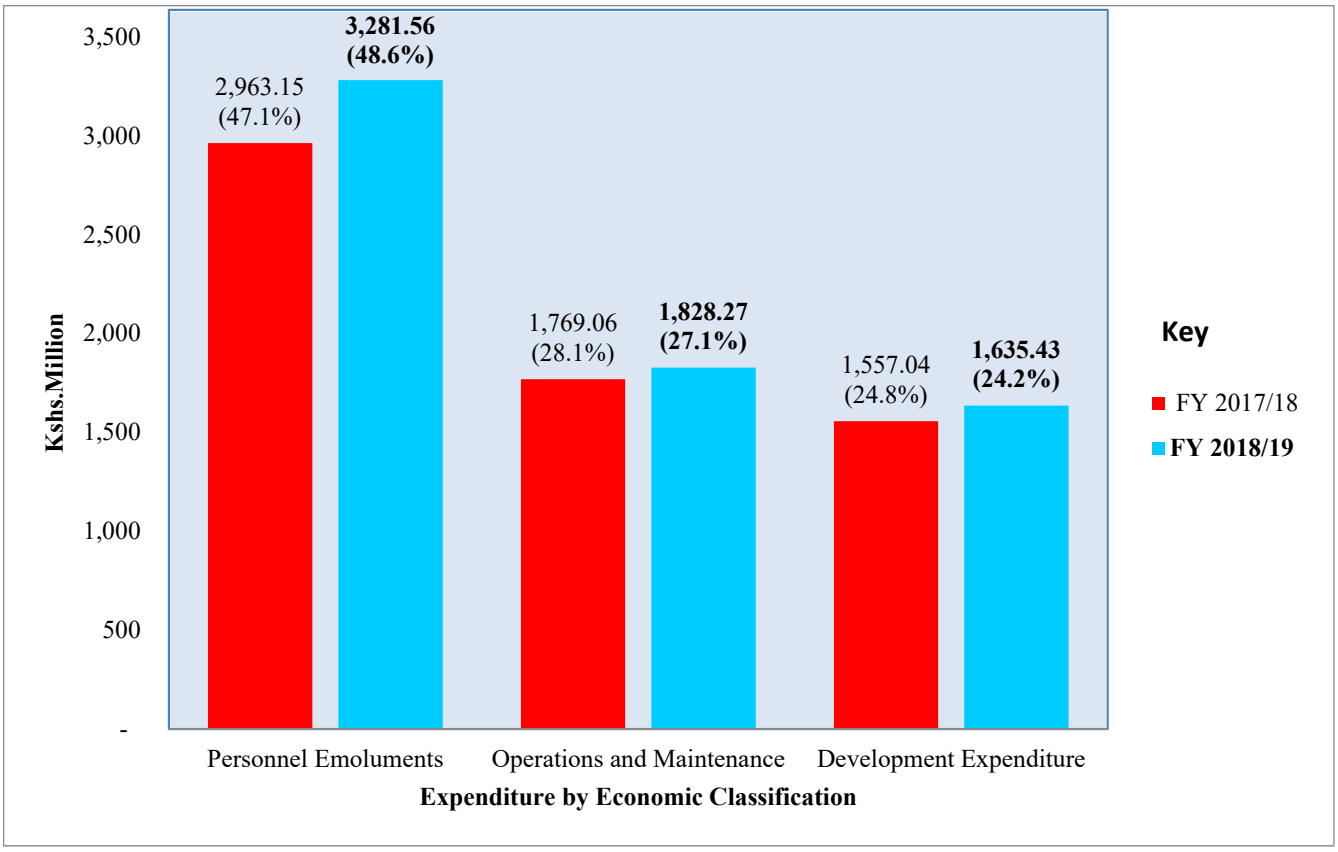
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.51.73 million for development activities and Kshs.229.8 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.64 billion while Kshs.5.11 billion was spent on recurrent activities. The development expenditure was 63.3 per cent of the funds released for development programmes, while recurrent expenditure was 98.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 36.4 per cent, which was a decrease from 52.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 93.4 per cent of the annual recurrent budget, a decrease from 94.3 per cent recorded in FY 2017/18.

Figure 3.175 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.175: Uasin Gishu County, Expenditure by Economic Classification




***Source:*** *Uasin Gishu County Treasury*

### 3.44.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.64 billion represented 36.4 per cent of the annual development expenditure estimates of Kshs.4.49 billion. Table 3.129 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.129: Uasin Gishu County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 1 | Supply and Delivery of assorted water Equipment and machinery (4No. Long Arm Excavators, 3No. Crawler Excavators, 6No. Large Tippers, 3No. Dozers, 2No. Fuel Tankers, 2No. Wheel Loaders and 2No. Back Hoe Loaders | Headquarters | 459,847,523 | 450,988,000 | 98.1 |
| 2 | Construction of Ward Offices | Countywide | 181,782,096 | 158,589,524 | 87.2 |
| 3 | Supply, Delivery, Installation, Testing and Commissioning of 32No. Boreholes | Countywide | 123,500,000 | 131,129,519 | 106.2 |
| 4 | Construction of Nyengilel VCT Centre | Nyengilel Ward | 65,000,000 | 34,693,015 | 53.4 |
| 5 | Renovation and Extension of Eldoret CBD Wholesale Market | Eldoret CBD | 25,000,000 | 33,670,998 | 134.7 |
| 6 | Supply and Delivery of Mouldboard Plough, Tipper and Double Cab | AMS Station –Chebororwa | 62,703,802 | 32,286,000 | 51.5 |
| 7 | Construction of Milk Coolers Generator Houses | Countywide | 29,851,500 | 26,517,335 | 88.8 |
| 8 | Supply of ECDE Teachers and Learning Materials | Countywide | 21,029,360 | 21,966,208 | 104.5 |

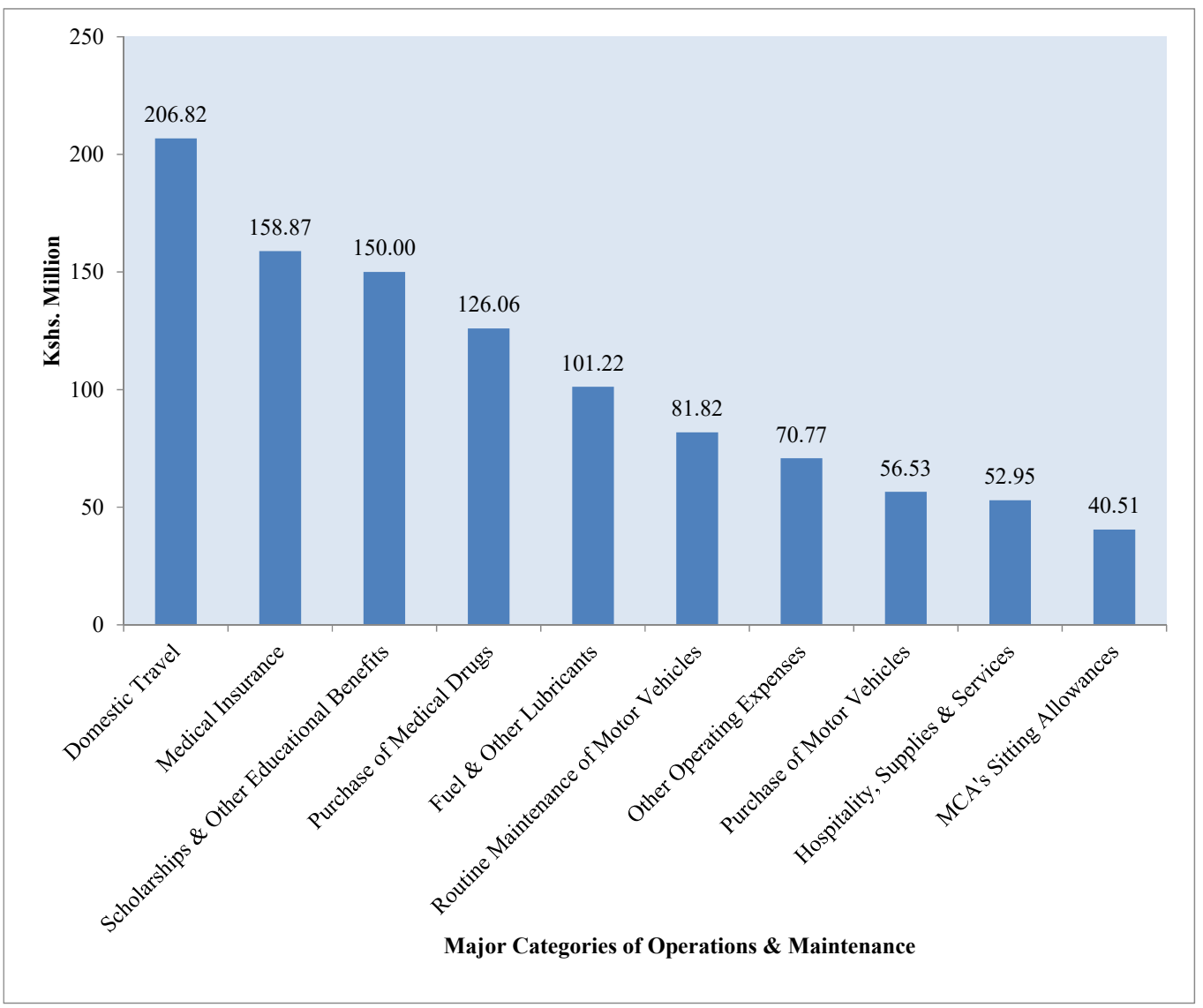
| S/No. | Project Name | Project Location | Project Budget | Project Ex-penditure in FY 2018/19 (Kshs.) | Absorption Rate (%) |
|---|---|---|---|---|---|
| 9 | Design Plans and BQs for 64 Stadium | Eldoret CBD | 30,000,000 | 17,458,452 | 58.2 |
| 10 | Supply of FMD Deseal Vaccine | Countywide | 15,666,125 | 15,310,475 | 97.7 |

***Source:*** *Uasin Gishu County Treasury*

### 3.44.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.11 billion comprised of Kshs.3.28 billion (64.2 per cent) incurred on personnel emoluments and Kshs.1.83 billion (35.8 per cent) on operations and maintenance as shown in Figure 3.175 Expenditure on personnel emoluments represented an increase of 10.7 per cent compared to FY 2017/18 when the County spent Kshs.2.96 billion and was 48.6 per cent of the total expenditure in FY 2018/19.Figure 3.176 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.176: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Uasin Gishu County Treasury*

The County spent Kshs.40.51 million on committee sitting allowances for the 47 MCAs and Speaker against the annual budget allocation of Kshs.40.51 million. This represented an increase of 35.9 per cent compared to Kshs.29.81 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.70,329 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.267.38 million, and comprised of Kshs.142.54 million spent by the County Assembly and Kshs.124.84 million by the County Executive.

### 3.44.8 Budget Performance by County Department

Table 3.130 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.130: Uasin Gishu County, Budget Performance by Department in FY 2018/19**

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues FY 2018/19 (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 115.94 | - | 114.90 | - | 115.33 | - | 100.4 | - | 99.5 | - |
| Finance | 407.64 | - | 357.11 | - | 353.55 | - | 99.0 | - | 86.7 | - |
| Public Service Management | 579.57 | 20.27 | 574.18 | 0.11 | 563.10 | 2.39 | 98.1 | 2,172.7 | 97.2 | 11.8 |
| ICT & E-Government | 36.96 | 47.14 | 35.91 | 13.14 | 35.75 | 13.15 | 99.5 | 100.1 | 96.7 | 27.9 |
| Roads, Transport, Energy and Public Works | 438.31 | 643.93 | 435.95 | 541.28 | 427.21 | 374.23 | 98.0 | 69.1 | 97.5 | 58.1 |
| Land and Housing | 59.51 | 519.97 | 56.94 | 41.12 | 54.26 | 41.32 | 95.3 | 100.5 | 91.2 | 7.9 |
| Water, Environment, Natural resources, Tourism and Wildlife | 138.09 | 888.49 | 132.85 | 728.08 | 117.91 | 649.78 | 88.8 | 89.2 | 85.4 | 73.1 |
| Health Services | 1,966.37 | 258.53 | 1,866.66 | 41.64 | 1,884.62 | 46.49 | 101.0 | 111.6 | 95.8 | 18.0 |
| Agriculture | 247.40 | 349.29 | 230.59 | 111.87 | 225.48 | 74.06 | 97.8 | 66.2 | 91.1 | 21.2 |
| Trade, Investment and Industrialization | 38.70 | 222.64 | 38.13 | 117.74 | 36.20 | 54.28 | 94.9 | 46.1 | 93.5 | 24.4 |
| Education, culture and Social Services | 382.12 | 110.21 | 381.09 | 91.90 | 380.90 | 92.86 | 100.0 | 101.0 | 99.7 | 84.3 |
| County Public Service Board | 32.85 | - | 31.59 | - | 28.19 | - | 89.2 | - | 85.8 | - |
| County Assembly | 671.97 | 100.80 | 671.48 | - | 670.94 | - | 99.9 | - | 99.8 | - |
| Budget and Economic Planning | 82.69 | - | 79.58 | - | 56.59 | - | 71.1 | - | 68.4 | - |
| Devolution and Public Administration | 38.37 | 192.85 | 31.67 | 75.26 | 27.75 | 92.57 | 87.6 | 123.0 | 72.3 | 48.0 |
| Youth, Affairs, Gender and Sports Development | 89.58 | 178.52 | 88.67 | 85.99 | 88.61 | 64.37 | 99.9 | 74.9 | 98.9 | 36.1 |
| Cooperatives and Enterprise Development | 72.12 | 10.67 | 24.99 | 4.57 | 19.22 | 9.09 | 76.9 | 198.9 | 26.7 | 85.1 |
| Physical Planning and Urban Development | 57.39 | 750.05 | 14.33 | 671.26 | 10.88 | 79.73 | 75.9 | 11.9 | 18.9 | 10.6 |
| Livestock Development and Fisheries | 13.93 | 195.19 | 11.35 | 67.20 | 13.35 | 41.11 | 117.6 | 61.2 | 95.8 | 21.1 |
| **TOTAL** | **5,469.52** | **4,488.54** | **5,177.97** | **2,591.16** | **5,109.83** | **1,635.43** | **98.7** | **63.1** | **93.4** | **36.4** |

***Source**: Uasin Gishu County Treasury*

Analysis of expenditure by department shows that the Department of Cooperatives and Enterprise Development recorded the highest absorption rate of development budget at 85.1 while the County Assembly did not implement its development budget. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.8 per cent while the Department of Physical Planning and Urban Development had the lowest at 18.9 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 own source revenue collection by 13.6 per cent to Kshs.918.94 million compared to Kshs.820.22 million raised in FY 2017/18.
ii. Improvement in the use of E-procurement, IFMIS and Internet Banking.

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

1. Slow implementation of development activities during FY 2018/19. The County spent Kshs.1.64 billion, which represented 36.4 per cent of the annual development budget of Kshs.4.49 billion. This was a decline from an absorption rate of 52.5 per cent reported in FY 2017/18.
2. Delays by the County to provide quarterly reports on the execution of development projects during the financial year.
3. A high wage bill that increased by10.7 per cent from Kshs.2.96 billion in the FY 2017/18 to Kshs.3.28 billion in the reporting period. The wage bill accounted for 48.6 per cent of total expenditure in the reporting period.

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

1. *The County should identify and address issues that cause delays in the implementation of development projects.*
2. *The County should provide complete financial reports in line with Section 166 of the PFM Act, 2012.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*

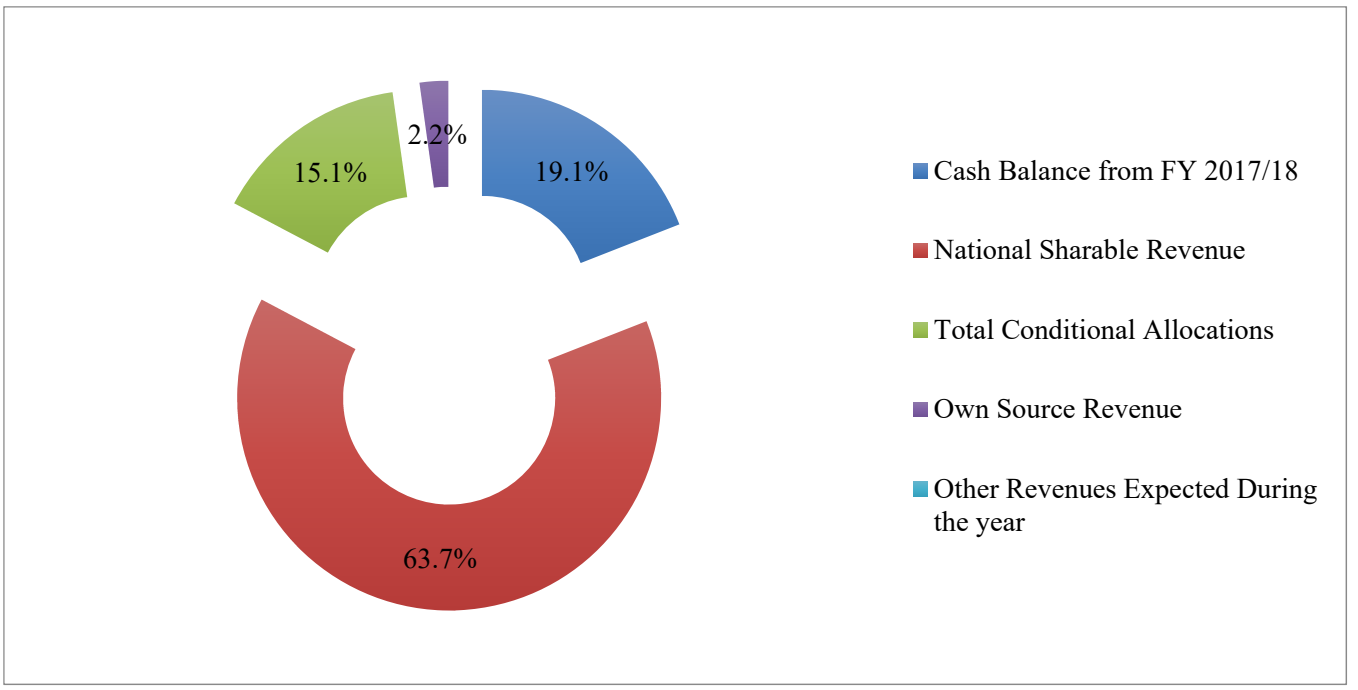
## 3.45 Vihiga County

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

The County's FY 2018/19 Supplementary Budget was Kshs.7.00 billion, comprising of Kshs.4.51 billion (64.5 per cent) and Kshs.2.49 billion (35.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.56 billion (63.7 per cent) as equitable share of the revenue raised nationally, Kshs.1.06 billion ( 19.1 per cent) as total conditional grants, generate Kshs.153.67 million (2.1 per cent) from own sources of revenue, and Kshs.1.33 billion (15.1 per cent) cash balance from FY 2017/18.

**Figure 3.177: Vihiga County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *Vihiga County Treasury*

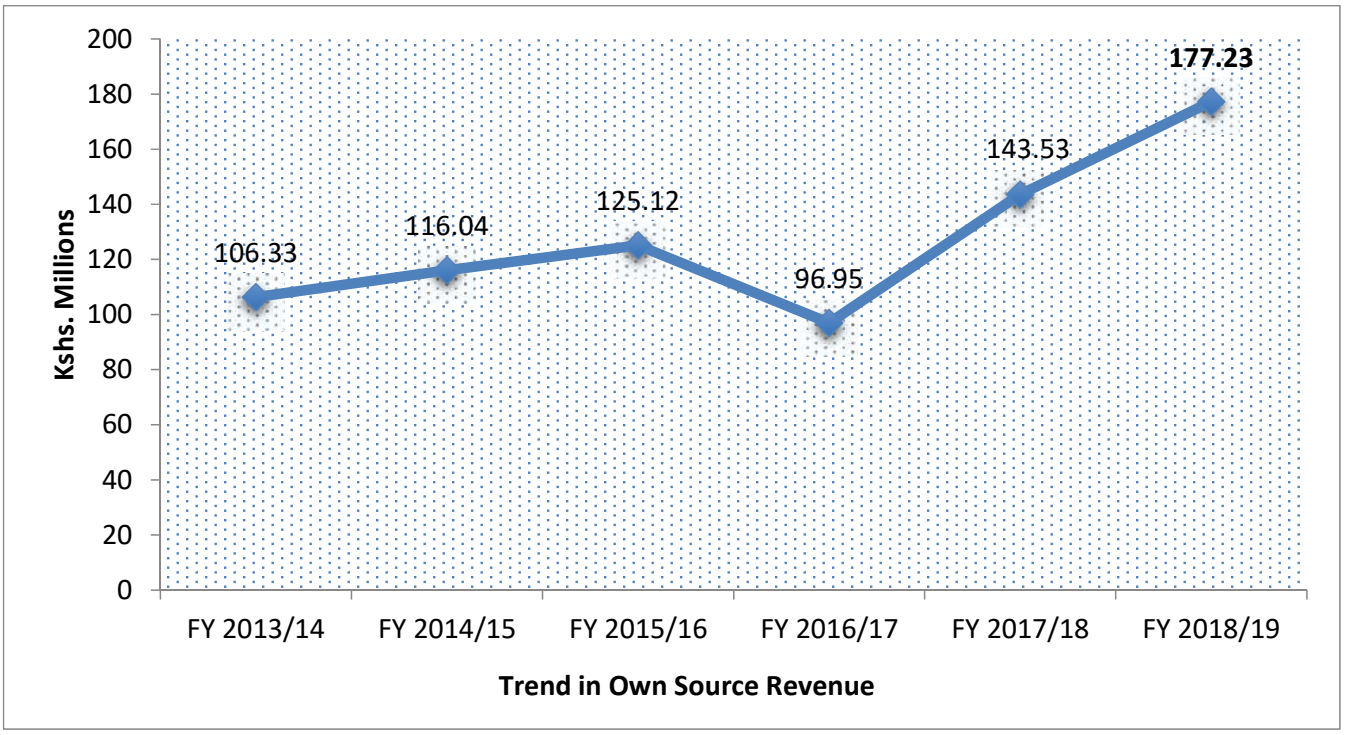
A breakdown of the conditional grants is provided in Table 3.131.

### 3.45.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.6.58 billion available for budget implementation. This amount consisted of Kshs.4.56 billion received as equitable share of the revenue raised nationally, Kshs.604.8 million as conditional grants, Kshs.177.23 million generated from own sources of revenue, and a cash balance of Kshs.1.33 billion from FY 2017/18.

Figure 3.178 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.178: Vihiga County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *Vihiga County Treasury*

The County generated a total of Kshs.177.23 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.143.53 million compared to that realised in FY 2017/18 and represented 115.3 per cent of the annual target.

### 3.45.3 Conditional Grants

During the reporting period, the County received Kshs.604.80 million as conditional grants as shown in Table 3.131

**Table 3.131: Vihiga County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 117,396,321 | 212,686,815 | 146,949,295 | 125.2 |
| 2 | Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18 | 18,161,321 | 18,161,320 | 6,612,131 | 36.4 |
| 3 | Compensation for User Fee Foregone | 12,657,201 | 19,158,582 | 12,657,201 | 100.0 |
| 4 | DANIDA Grant | 14,782,500 | 20,930,173 | 14,782,500 | 100.0 |
| | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| 5 | IDA (World Bank) -Kenya Urban Support Project (KUSP) | 250,950,700 | 250,950,700 | 250,950,700 | 100.0 |
| 6 | IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant" | 41,604,116 | 75,302,439 | - | - |
| 7 | Development of Youth Polytechnics | 55,000,000 | 70,891,386 | 41,525,000 | 75.5 |
| 8 | IDA (World Bank) - Water & Sanitation Development Project (WSDP) | 80,000,000 | 80,000,000 | - | - |
| 9 | World Bank Loan for Transforming Health System for universal Care Project | 73,956,778 | 73,172,815 | 40,048,468 | 54.2 |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| 10 | World Bank Loan for National Agricultural & Rural Inclusive Project | 140,435,163 | 193,368,318 | 50,078,480 | 35.7 |
| 11 | IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18 | 41,200,000 | 41,200,000 | 41,200,000 | 100.0 |
| **Total** | | **1,046,144,100** | **1,055,822,548** | **604,803,775** | **57.8** |

***Source:*** *Vihiga County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy Fund conditional grant recorded the highest performance in percentage terms, and accounted 125.2 per cent of the annual target.

### 3.45.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.23 billion from the CRF account. The withdrawals represented 89 per cent of the Approved Supplementary Budget and translated to an increase of 35.5 per cent from Kshs.4.02 billion in FY 2017/18, and comprised of Kshs.1.73 billion (27.8 per cent) towards development activities and Kshs.4.5 billion (72.2 per cent) for recurrent expenditure.

### 3.45.5 Overall Expenditure Review

A total of Kshs.5.70 billion was spent on both development and recurrent activities. This expenditure represented 91.4 per cent of the total funds released from the CRF account, and was an increase of 52.5 per cent from Kshs.2.71 billion spent in FY 2017/18.

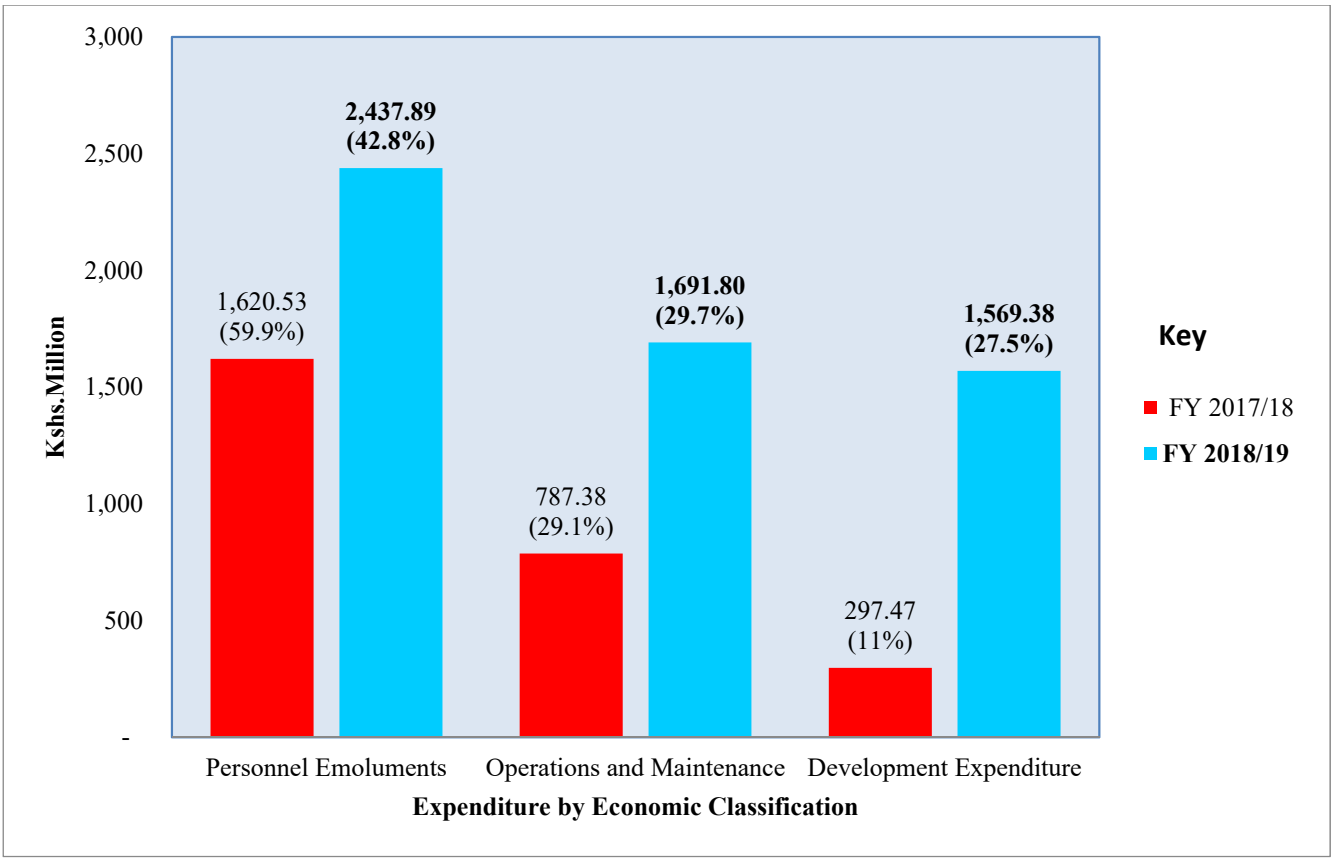
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.61.25 million for development activities and Kshs.113.51million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.57 billion while Kshs.4.13 billion was spent on recurrent activities. The development expenditure was 90.6 per cent of the funds released for development programmes, while recurrent expenditure was 91.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 63.2 per cent, which was an increase from 17.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 91.4 per cent of the annual recurrent budget, an increase from 62 per cent recorded in FY 2017/18.

Figure 3.179 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.179: Vihiga County, Expenditure by Economic Classification




***Source:*** *Vihiga County Treasury*

### 3.45.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.57 billion represented 63.2 per cent of the annual development expenditure estimates of Kshs.2.49 billion. Table 3.132 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.132: Vihiga County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project location | Project Budget (Kshs.) | FY2018/19 Project Expenditure (Kshs.) |
|---|---|---|---|---|
| 1 | Construction and Civil Works | Across all Five Sub counties | 534,559,630 | 464,952,088 |
| 2 | Construction of Buildings | Across all Five Sub counties | 457,299,400 | 302,383,803 |
| 3 | Construction of Roads | Across all Five Sub counties | 360,165,615 | 301,454,567 |
| 4 | Purchase of Fertiliser and Seeds and Breeding Stock | Across all Five sub counties | 89,500,000 | 87,530,059 |
| 5 | Purchase of fire fighting Machine | Vihiga County Headquarters | 60,000,000 | 57,598,230 |
| 6 | Construction of 160 bed Capacity Hospital Plaza | Vihiga County Referral Hospital | 65,000,000 | 56,577,981 |
| 7 | construction of Water Springs and spring protection | Across all Five Sub counties | 49,193,360 | 48,023,527 |
| 8 | Purchase of Education and related equipment | Across all Five Sub counties | 59,600,000 | 47,578,848 |
| 9 | Purchase of Specialized Plant, Equipment and Machinery | Across all Five Sub counties | 64,800,000 | 46,876,706 |
| 10 | Rehabilitation and Renovation of Buildings | Across all Five sub counties | 77,448,936 | 34,089,914 |

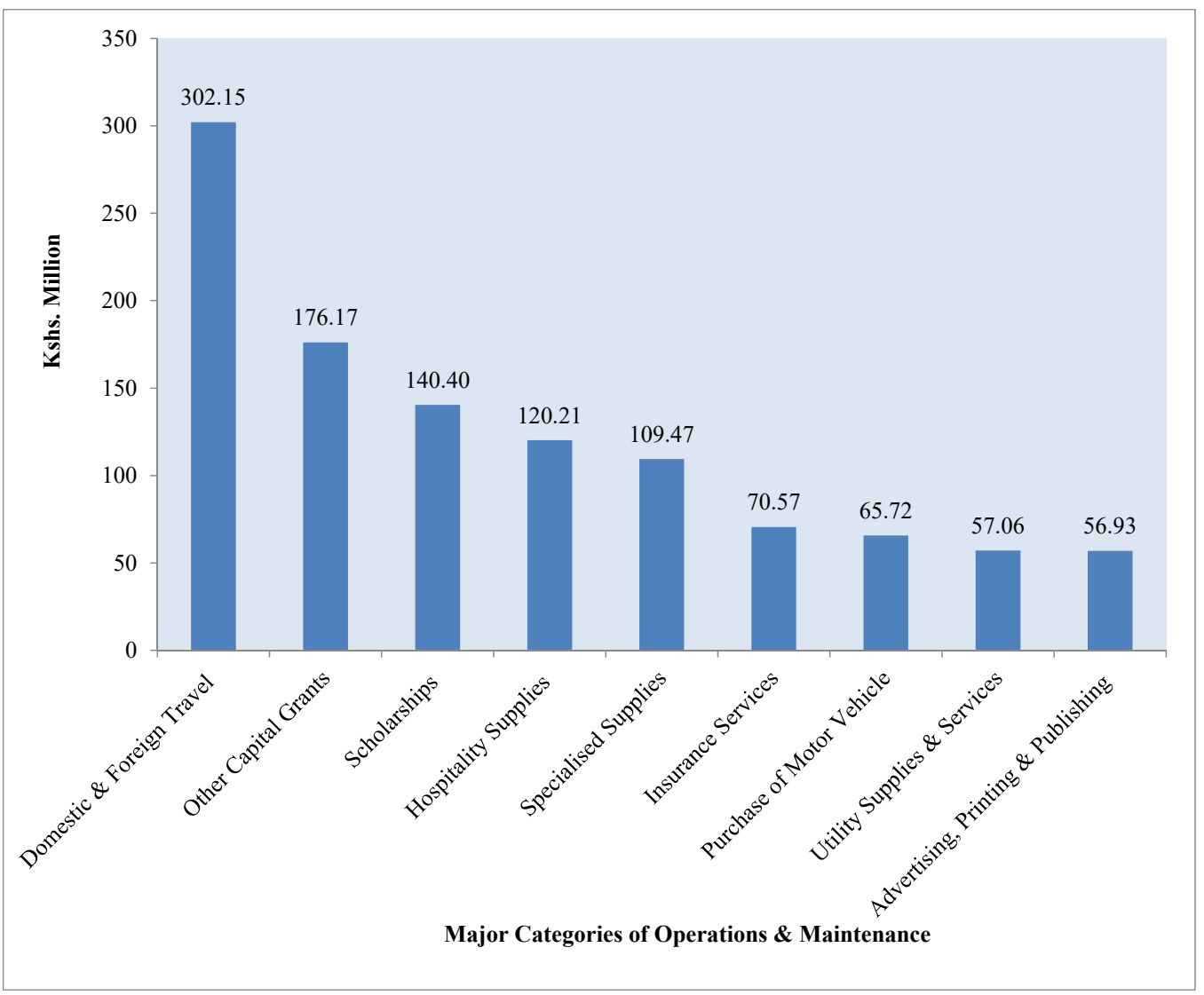
***Source:*** *Vihiga County Treasury*

### 3.45.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.13 billion comprised of Kshs.2.44 billion (59.1 per cent) incurred on personnel emoluments and Kshs.1.69 billion (40.9 per cent) on operations and maintenance as shown in Figure 3.179

Expenditure on personnel emoluments represented an increase of Kshs.817.36 million compared FY 2017/18 when the County spent Kshs.1.62 billion of the total expenditure in FY 2018/19. Figure 3.180 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.180: Vihiga County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source**: Vihiga County Treasury*

The County spent Kshs.38.14 million on committee sitting allowances for the 39 MCAs and Speaker against the annual budget allocation of Kshs.44.68 million. This represented a decrease of 4.9 per cent compared to Kshs.39.99 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.81,493 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.302.15 million, and comprised of Kshs.99.65 million spent by the County Assembly and Kshs.202.50 million by the County Executive.

### 3.45.8 Budget Performance by County Department

Table 3.133 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.133: Vihiga County, Budget Performance by Department in FY 2018/19**

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues (Kshs.Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 427.58 | 22.50 | 424.58 | 19.10 | 318.13 | 19.10 | 74.9 | 100.0 | 74.4 | 84.9 |
| Finance & Economic Planning | 489.24 | 100.00 | 489.24 | 57.17 | 428.07 | 50.63 | 87.5 | 88.6 | 87.5 | 50.6 |
| Agriculture, Livestock, Fisheries &Cooperatives | 165.35 | 380.16 | 165.35 | 209.34 | 140.88 | 150.95 | 85.2 | 72.1 | 85.2 | 39.7 |
| Health Services | 1,295.39 | 314.16 | 1,285.44 | 229.62 | 1,297.17 | 252.04 | 100.9 | 109.8 | 100.1 | 80.2 |
| Education, Science, Technical and Vocational Training | 433.34 | 282.19 | 433.34 | 239.76 | 431.65 | 228.73 | 99.6 | 95.4 | 99.6 | 81.1 |
| Gender, Culture, Youth, Sports and Social Services | 169.38 | 52.00 | 169.38 | 37.75 | 167.70 | 37.75 | 99.0 | 100.0 | 99.0 | 72.6 |
| Trade, Industry, Tourism and Entrepreneurship. | 111.41 | 56.90 | 109.45 | 13.21 | 72.76 | 20.59 | 66.5 | 155.9 | 65.3 | 36.2 |
| County Public Service Board | 50.92 | - | 50.92 | - | 46.30 | - | 90.9 | 0 | 90.9 | 0 |
| Environment, Water, Energy & Natural Resources. | 90.25 | 172.31 | 90.25 | 87.84 | 87.49 | 92.59 | 96.9 | 105.4 | 96.9 | 53.7 |
| Transport, Infrastructure & Communication | 163.74 | 671.46 | 163.74 | 508.24 | 131.62 | 570.24 | 80.4 | 112.2 | 80.4 | 84.9 |
| Physical Planning, Land and Housing | 125.41 | 327.95 | 125.41 | 308.25 | 75.87 | 118.43 | 60.5 | 38.4 | 60.5 | 36.1 |
| County Assembly | 607.25 | 94.03 | 607.25 | 18.35 | 550.38 | 18.32 | 90.6 | 99.8 | 90.6 | 19.5 |
| Administration and Coordination of County Affairs | 388.18 | 11.46 | 388.18 | 3.68 | 381.66 | 10.00 | 98.3 | 271.7 | 98.3 | 87.3 |
| **TOTAL** | **4,517.44** | **2,485.12** | **4,502.53** | **1,732.31** | **4,129.68** | **1,569.37** | **91.7** | **90.6** | **91.4** | **63.2** |

***Source:*** *Vihiga County Treasury*

Analysis of expenditure by department shows that the Department of Administration and Coordination of County Affairs recorded the highest absorption rate of development budget at 87.3 while the County Assembly recorded the lowest at 19.5 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 100.1 per cent while the Department of Physical Planning, Land and Housing had the lowest at 60.5 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 mandate functionalities to departments and ensuring IFMIS connectivity to all departments through point to point, VPN, and Modem networks.
ii. Establishing of the Audit Committee in line with Section 155 of the PFM Act, 2012.
iii. Improvement in the performance of own-source revenue which represented 115.3 per cent of the annual target.
iv. Establishment of the County Budget and Economic Forum in line with Section 137 of PFM Act, 2012.

Despite the above progress, the following challenge affected effective budget implementation;

1. A high wage bill that increased by 50.4 per cent from Kshs.1.62 billion in the FY 2017/18 to Kshs.2.44 billion in the reporting period. The wage bill accounted for 42.8 per cent of total expenditure in the reporting period.

The Department will continue to implement the following measures 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.*

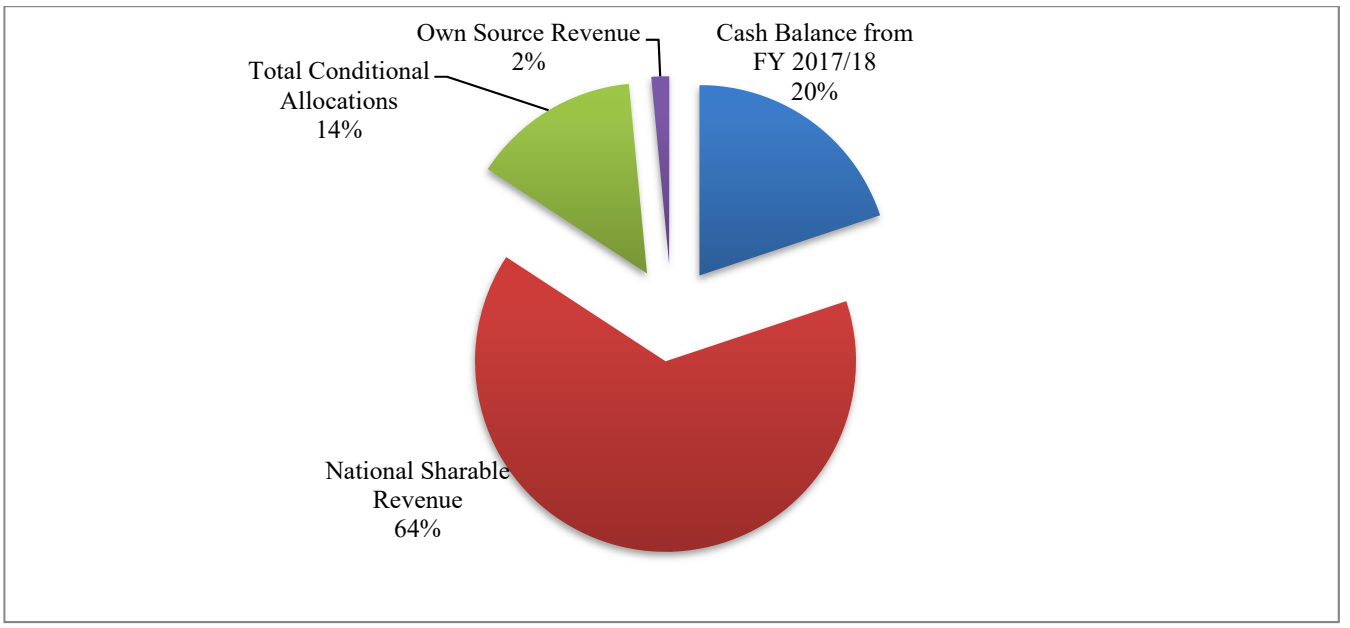
## 3.46 Wajir County

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

The County's FY 2018/19 Supplementary Budget was Kshs.13.18 billion, comprising of Kshs.6.76 billion (51.3 per cent) and Kshs.6.42 billion (48.7 per cent) allocation for development and recurrent expenditure respectively.

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 own revenue sources, and Kshs.2.62 billion (19.9 per cent) cash balance from FY 2017/18.

**Figure 3.181: Wajir County, Expected Sources of Budget Financing in FY 2018/19**



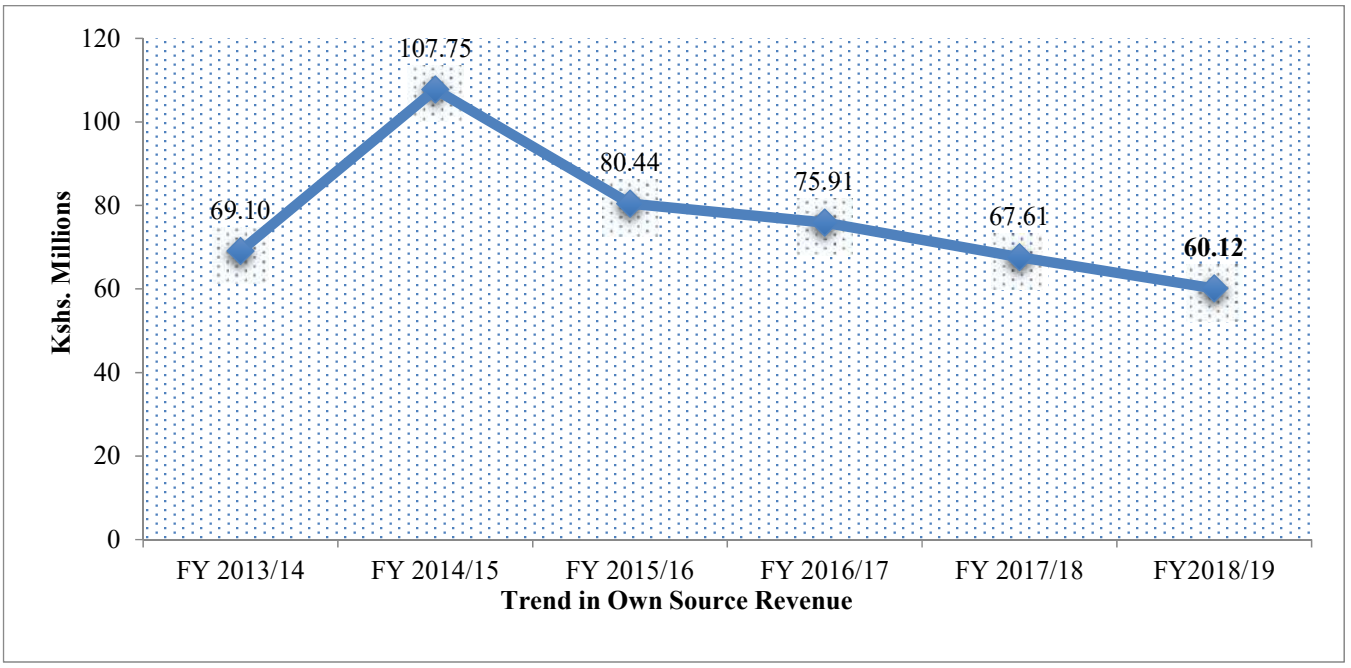

***Source:*** *Wajir County Treasury*

### 3.46.2 Revenue Analysis

During the FY 2018/19, the County received Kshs.8.48 billion received as equitable share of the revenue raised nationally, Kshs.642.71 million as total conditional grants, Kshs.60.12 million from own sources of revenue, and had a cash balance of Kshs.1.53 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.10.71 billion.

Figure 3.182 shows the yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

## Figure 3.182: Wajir County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19




***Source:*** *Wajir County Treasury*

The County generated a total of Kshs.60.12 million from own revenue sources in FY 2018/19. This amount represented a decrease of 10.9 per cent from Kshs.67.61 million realised in FY 2017/18 and was 30.1 per cent of the annual target.

### 3.46.3 Conditional Grants

The County received Kshs.642.71 million as conditional grants in the financial year 2018/19 as shown in Table 3.134

## Table 3.134: Wajir County, Conditional Grants/Loans Received in the FY 2018/19

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| **A** | **Grants Contained in the CARA, 2018** | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 223,218,356 | 223,218,356 | 223,218,356 | 100 |
| 2 | Kenya Devolution Support Programme (KDSP) | 53,401,112 | 53,401,112 | 44,715,675 | 83.7 |
| 3 | Compensation for User Fee Foregone | 15,784,997 | 15,784,997 | 15,784,997 | 100 |
| 4 | DANIDA Grant | 38,772,225 | 38,772,225 | 27,868,875 | 71.2 |
| 5 | Development of Youth Polytechnics | 21,295,000 | 21,295,000 | - | - |
| 6 | Conditional Allocation - Other Loans & Grants | 355,643,500 | 355,643,500 | 257,991,893 | 72.5 |
| 7 | World Bank Loan for Transforming Health System for universal Care Project | 100,000,000 | 100,000,000 | 44,828,334 | 44.8 |
| 8 | World Bank Loan for National Agricultural & Rural Inclusive Project | 25,000,000 | 25,000,000 | - | - |
| 9 | EU Grant | 45,000,000 | 45,000,000 | 28,302,474 | 62.9 |
| **Sub Total** | | **878,115,190** | **878,115,190** | **642,710,604** | **73.2** |
| B | **Other Grants** | | | | |
| 10 | IDA (World Bank) - Water & Sanitation Development Project (WSDP) | 1,000,000,000 | 1,000,000,000 | - | - |

| S/No | Grants | Annual CARA, 2018 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in the FY 2018/19 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|---|---|---|---|---|---|
| Sub Total | | 1,000,000,000 | 1,000,000,000 | - | - |
| Grand Total | | 1,878,115,190 | 1,878,115,190 | 642,710,604 | 31.2 |

***Source:*** *Wajir County Treasury*

During the FY 2018/19, the County Government received the highest receipt as percentage of annual budget allocation from the Compensation for User Fee Foregone and the Road Maintenance Fuel Levy Fund at 100 per cent of their respective annual targets.

### 3.46.4 Exchequer Issues

To finance the budget, the Controller of Budget approved withdrawal of Kshs.10.61 billion from the CRF account. The withdrawals represented 80.5 per cent of the Approved Supplementary Budget and translated to an increase of 62 per cent from Kshs.6.5 billion in FY 2017/18 and comprised of and Kshs.6.05 billion (57 per cent) for recurrent expenditure and Kshs.4.56 billion (43 per cent) for development activities .

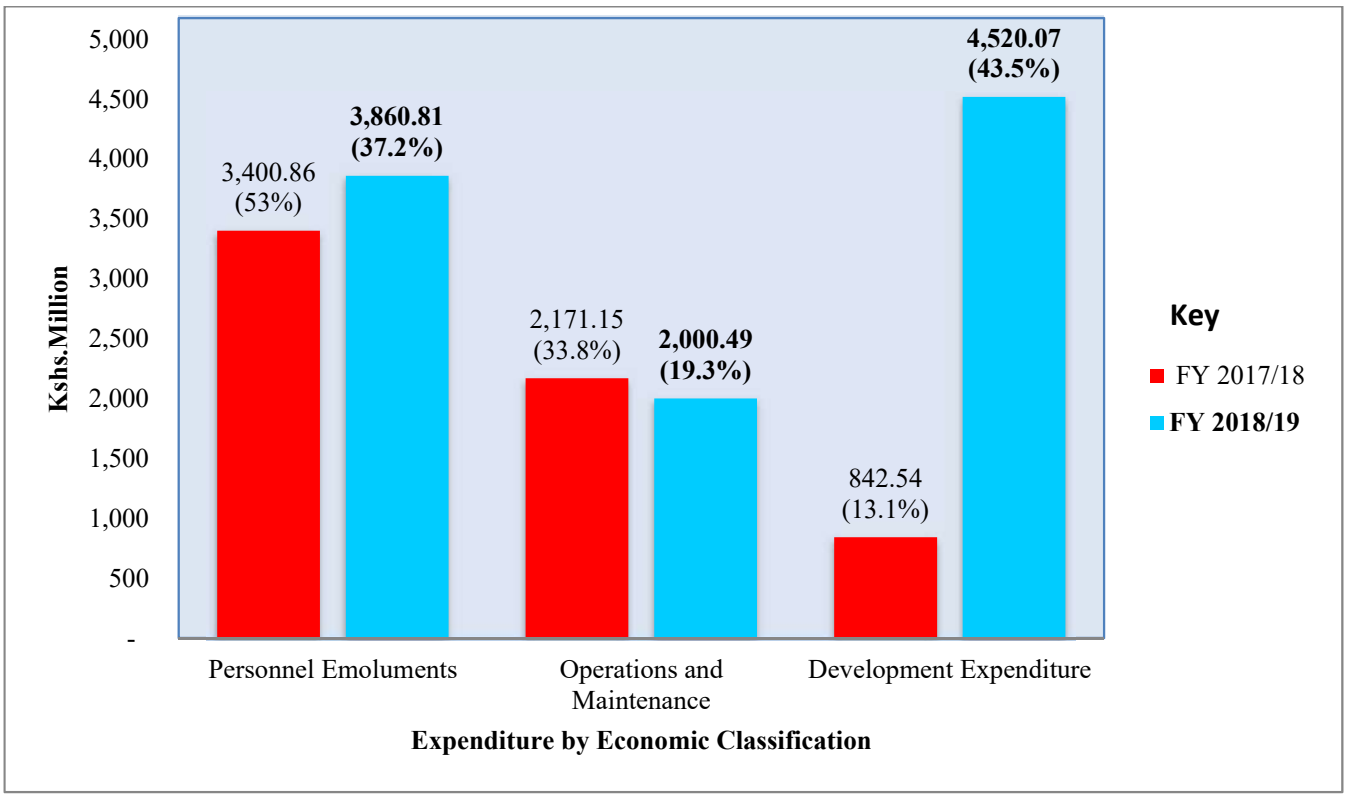
### 3.46.5 Overall Expenditure Review

The County Government spent a total of Kshs.10.38 billion on recurrent and development activities. This expenditure represented 97.8 per cent of the total funds released from the CRF account, and was an increase of 61.8 per cent from Kshs.6.4 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.40 million for development activities and Kshs.188.45 million for recurrent costs.

Expenditure on recurrent activities amounted to Kshs.5.86 billion while Kshs.4.52 billion was spent on development activities. The recurrent expenditure was 96.9 per cent of funds released for recurrent activities while development expenditure represented 99.1 per cent of the funds released for development activities.

The recurrent expenditure represented 91.3 per cent of the annual recurrent budget, a decrease from 97.9 per cent recorded in FY 2017/18. Development expenditure recorded an absorption rate of 66.9 per cent, which was an increase from 22.9 per cent attained in FY 2017/18.Figure 3.183 presents a comparison between the total expenditure in the FY 2018/19 and a similar period in FY 2017/18.

**Figure 3.183: Wajir County, Expenditure by Economic Classification**




***Source:*** *Wajir County Treasury*

## 3.46.6 Development Expenditure Analysis

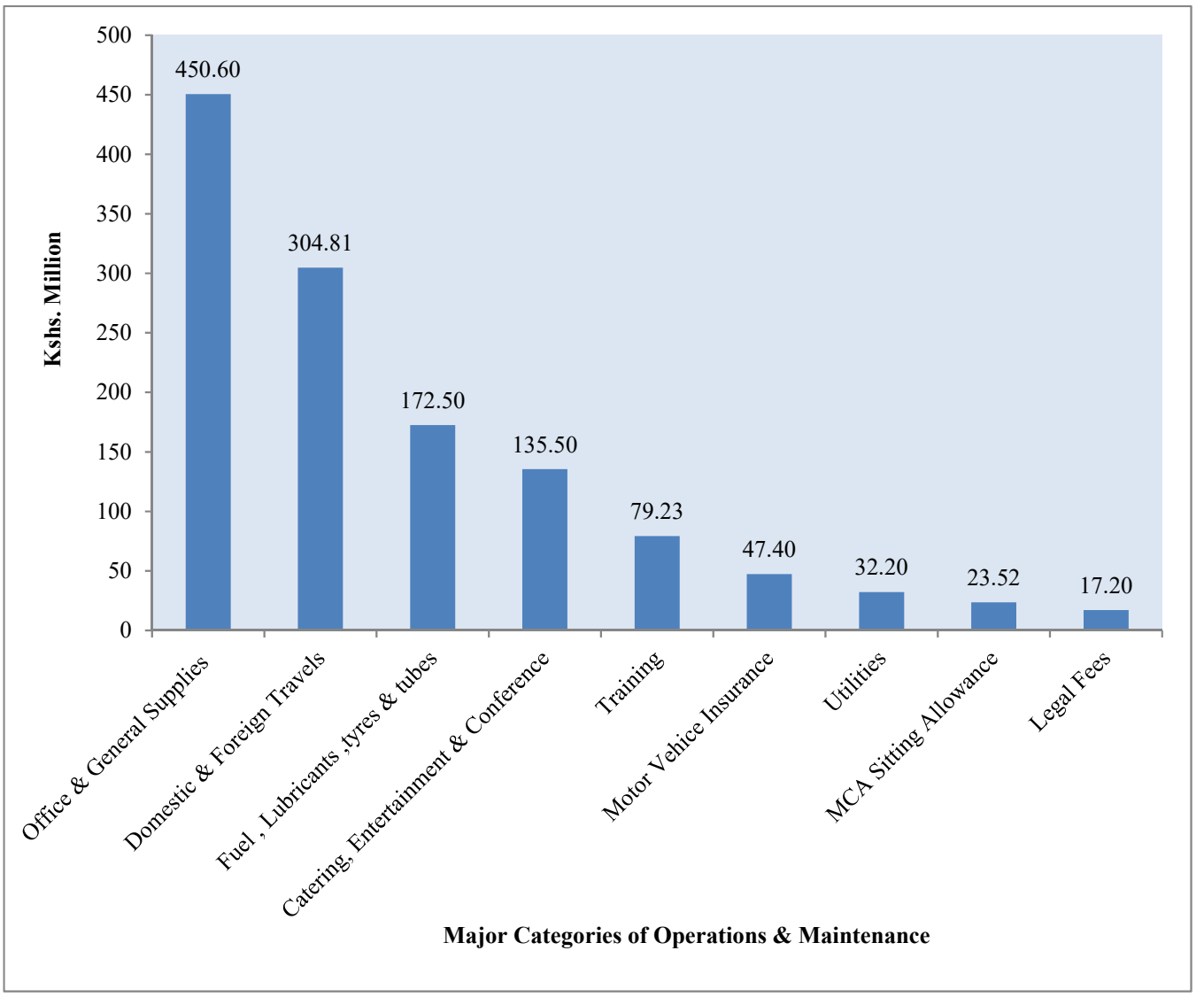
The total development expenditure of Kshs.4.52 billion represented 66.9 per cent of the annual development expenditure estimates of Kshs.6.76 billion. The County Treasury did not provide a report on status of development programmes and projects implemented in FY 2018/19.

## 3.46.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.86 billion comprised of Kshs.3.86 billion (65.9 per cent) incurred on personnel emoluments and Kshs.2 billion (34.1 per cent) on operations and maintenance as shown inFigure 3.183

Expenditure on personnel emoluments represented an increase of 13.5 per cent compared to FY 2017/18 when the County spent Kshs.3.4 billion and was 37.2 per cent of the total expenditure in FY 2018/19. Figure 3.184 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.184: Wajir County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *Wajir County Treasury*

The County spent Kshs.23.52 million on committee sitting allowances for the 46 MCAs and Speaker against the annual budget allocation of Kshs.23.75 million. This represented a decrease 9.5 per cent compared to Kshs.26 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.42,617 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.304.81million, and comprised of Kshs.92.64 million spent by the County Assembly and Kshs.212.17 million by the County Executive.

## 3.46.8 Budget Performance by County Department

Table 3.135 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

## Table 3.135: Wajir County, Budget Performance by Department in FY 2018/19

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 503.40 | - | 452.80 | - | 452.8 | - | 100 | - | 89.9 | - |
| Finance and Economic Planning | 654.90 | 4.00 | 584.30 | - | 584.3 | - | 100 | - | 89.2 | - |
| Agriculture and Livestock | 230.30 | 683.60 | 232.90 | 300.50 | 232.9 | 300.50 | 100 | 100. | 100 | 44.0 |
| Public Health and Medical Service | 1,715.80 | 743.50 | 1,730.20 | 664.90 | 1,541.70 | 664.90 | 89.1 | 100.0 | 89.9 | 89.4 |
| Roads and Transport | 145.40 | 1,453.10 | 129.90 | 1,483.20 | 129.9 | 1,483.20 | 100 | 100. | 89.3 | 102.1 |
| Water | 200.90 | 1,136.13 | 183.50 | 966.70 | 183.5 | 966.70 | 100. | 100. | 91.3 | 85.1 |
| Environment and Energy | 73.20 | 362.70 | 72.20 | 155.00 | 72.2 | 115.00 | 100. | 74.2 | 98.6 | 31.7 |
| Public Service ,Special Program and Town Administration | 1,085.90 | 265.10 | 974.90 | 203.40 | 974.9 | 203.40 | 100 | 100 | 89.8 | 76.7 |
| Education , Youth and Gender | 650.20 | 458.40 | 584.80 | 365.14 | 584.8 | 365.14 | 100 | 100 | 89.9 | 79.7 |
| ICT AND Trade | 210.30 | 190.60 | 176.40 | 90.12 | 176.4 | 90.12 | 100 | 100 | 83.9 | 47.3 |
| Public Works , Land and Housing | 87.70 | 238.00 | 81.30 | 110.70 | 81.3 | 110.70 | 100. | 100 | 92.7 | 46.5 |
| WAJWASCO | 69.20 | 1,223.10 | 58.50 | 220.50 | 58.5 | 220.50 | 100 | 100 | 84.5 | 18 |
| CPSP | 70.40 | - | 68.30 | - | 68.3 | - | 100 | - | 97 | - |
| County Assembly | 719.80 | - | 719.80 | - | 719.8 | - | 100 | - | 100 | - |
| **TOTAL** | **6,418** | **6,758.2** | **6,049.8** | **4560** | **5,861.3** | **4,520.16** | **96.9** | **99.1** | **91.3** | **66.9** |

***Source:*** *Wajir County Treasury*

Analysis of expenditure by department shows that the Department of Roads and Transport recorded the highest absorption rate of development budget at 102.1 per cent while the Department of Finance and Economic Planning did not implement the development budget. The County Assembly and the Department of Agriculture and Livestock had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent.

### 3.46.9 Key Observations and Recommendation

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 and operationalisation of Bursary Funds Regulations in line with Section 116 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 13.5 per cent from Kshs.3.4 billion in FY 2017/18 to Kshs.3.86 billion in the reporting period. The wage bill accounted for 37.2 per cent of total expenditure in the reporting period.
2. 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.
3. Under-performance in own source revenue collection, which decreased by 10.9 per cent from Kshs.67.61 million in FY 2017/18 to Kshs.60.12 million in the reporting period.
4. Failure by the County to provide a report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.4.52 billion during the reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
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 Treasury should formulate policy and strategize on improvement of its own source revenue collection.*
4. *The County should provide complete financial reports in line with Section 166 of the PFM Act, 2012.*

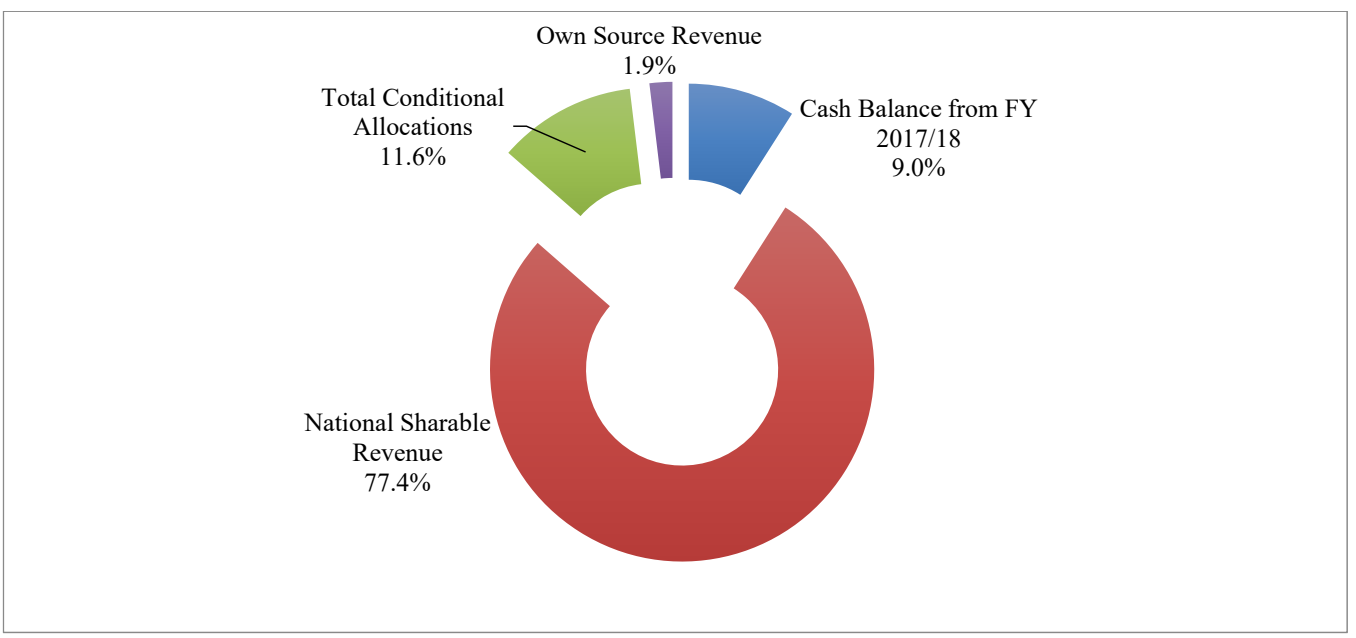
## 3.47 West Pokot County

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

The County's FY 2018/19 Supplementary Budget was Kshs.6.37 billion, comprising of Kshs.4.14 billion (65 per cent) and Kshs.2.23 billion (35 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (77.4 per cent) as equitable share of the revenue raised nationally, Kshs.740.81 million ( 11.6 per cent) as total conditional grants, generate Kshs.122.37 million (1.9 per cent) from own sources of revenue, and Kshs.574.97 million (9per cent) cash balance from FY 2017/18.

**Figure 3.185: West Pokot County, Expected Sources of Budget Financing in FY 2018/19**




***Source:*** *West County Treasury*

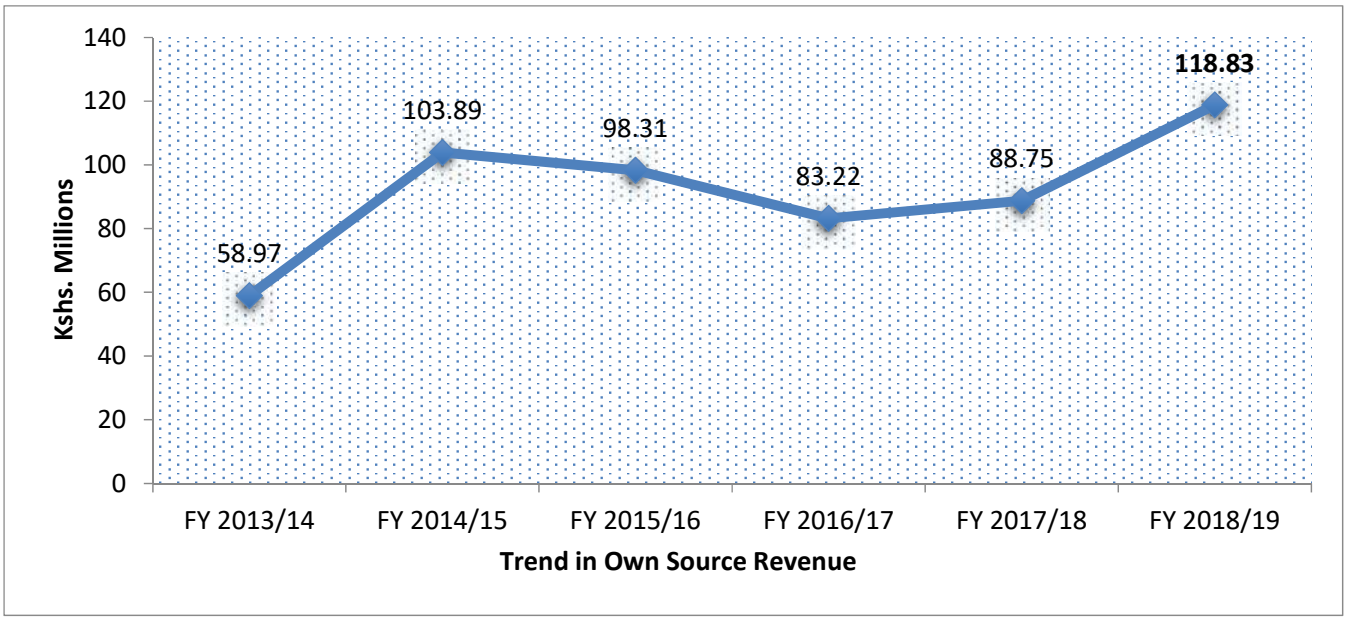
A breakdown of the conditional grants is provided inTable 3.136.

### 3.47.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.6.02 billion available for budget implementation. This amount consisted of Kshs.4.93 billion received as equitable share of the revenue raised nationally, Kshs.397.08 million as conditional grants, Kshs.118.83 million generated from own sources of revenue, and a cash balance of Kshs.574.94 million from FY 2017/18.

Figure 3.186 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

**Figure 3.186: West Pokot County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19**




***Source:*** *West Pokot County Treasury*

The County generated a total of Kshs.118.83 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.33.9 million compared to that realised in FY 2017/18 and was 97.1 per cent of the annual target.

### 3.47.3 Conditional Grants

During the reporting period, the County received Kshs.397.08 million as conditional grants as shown inTable 3.136.

**Table 3.136: West Pokot County, Conditional Grants/Loans Received in the FY 2018/19**

| S/No | Grant Details | Annual Allocation-CARA, 2018 (Kshs) | Annual Budget Allocation (Kshs) | Receipts in FY 2018/19 (Kshs) | Receipts as Percentage of Annual Budget Allocation (%) |
|---|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 129,797,341 | 129,797,341 | 129,797,341 | 100 |
| 2 | Kenya Climate Smart Agriculture Project (KCSAP) | 117,000,000 | 117,000,000 | 39,517,239 | 34 |
| 3 | World Bank Loan for Transforming Health System for universal Care Project | 100,000,000 | 100,000,000 | 41,812,121 | 41.8 |
| 4 | EU-Water Tower Protection and Climate Change Mitigation and Adaptation Programme (water) | 80,000,000 | 80,000,000 | - | - |
| 5 | EU Grant | 70,000,000 | 77,504,904 | - | - |
| 6 | Kenya Urban Support Project (KUSP) | 73,392,300 | 73,392,300 | 73,392,300 | 100 |
| 7 | Kenya Devolution Support Programme (KDSP) | 42,917,546 | 42,917,546 | 13,487,351 | 31 |
| 8 | Kenya Urban Support Project (KUSP)- Urban Institutional Grants | 41,200,000 | 41,200,000 | 41,200,000 | 100 |
| 9 | Development of Youth Polytechnics | 28,885,000 | 28,885,000 | 21,808,175 | 76 |
| 10 | Sweden-Agricultural Sector Development Support Programme(ASDSP) II + Bal c/s FY 2017/18 | 22,091,862 | 22,091,862 | 8,043,154 | 36 |
| 11 | DANIDA Grant | 15,896,250 | 15,896,250 | 15,896,250 | 100 |
| 12 | Compensation for User Fee Foregone | 12,128,484 | 12,128,484 | 12,128,484 | 100 |
| 13 | Leasing of Medical Equipment | 200,000,000 | - | - | - |
| **Grand Total** | | **933,308,783** | **740,813,687** | **397,082,414** | **47** |

***Source:*** *West Pokot County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy, DANIDA, Kenya Urban Support Project (KUSP)- Urban Institutional Grants, Compensation for User Fee Foregone and IDA (World Bank) Kenya Urban Support Project (KUSP) conditional grant recorded the highest performance in percentage terms, and accounted 100 percent of the annual target respectively.

### 3.47.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.64 billion from the CRF account. The withdrawals represented 88.5 per cent of the Approved Supplementary Budget and translated to an increase of 11.8 per cent from Kshs.5.04 billion in FY 2017/18 and comprised of Kshs.1.50 billion (26.6 per cent) towards development activities and Kshs.4.14 billion (73.4 per cent) for recurrent expenditure.

### 3.47.5 Overall Expenditure Review

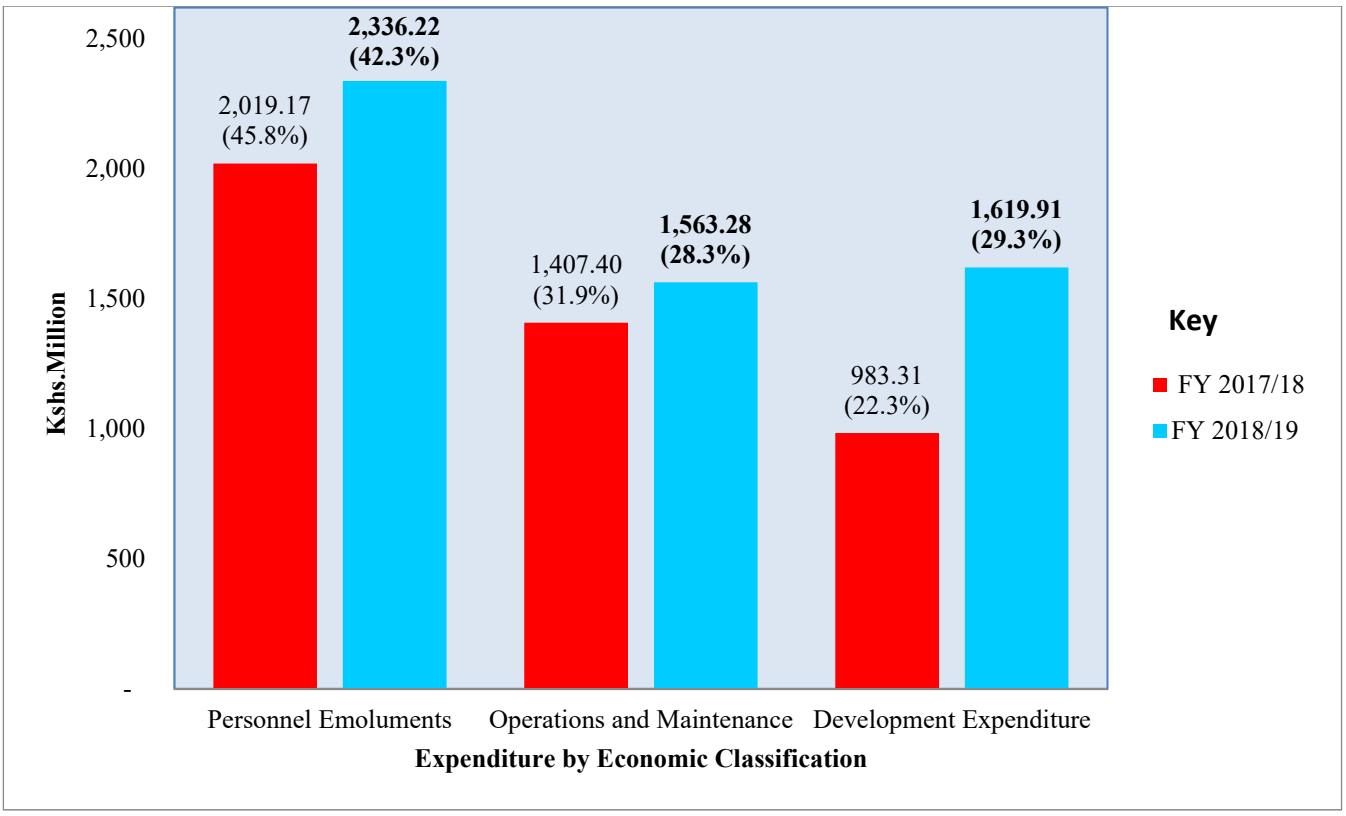
A total of Kshs.5.52 billion was spent on both development and recurrent activities. This expenditure represented 97.9 per cent of the total funds released from the CRF account, and was an increase of 25.2 per cent from Kshs.4.41 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which was not provided.

Expenditure on development programmes amounted to Kshs.1.62 billion while Kshs.3.90 billion was spent on recurrent activities. The development expenditure was 109 per cent of the funds released for development programmes, while recurrent expenditure was 94.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 69.5 per cent, which was an increase from 57.2 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 94.2 per cent of the annual recurrent budget, an increase from 87.2 per cent recorded in FY 2017/18.

Figure 3.187 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

## Figure 3.187: West Pokot County, Expenditure by Economic Classification




***Source:*** *West Pokot County Treasury*

### 3.47.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.62 billion represented 69.5 per cent of the annual development expenditure estimates of Kshs.2.23 billion. Table 3.137 provides a summary of development projects with the highest expenditure in the financial year.

## Table 3.137: West Pokot County, List of Development Projects with the Highest Expenditure in FY 2018/19

| S/No. | Project Name | Project Location | Project Budget | Project Expenditure in FY 2018/19 (Kshs.) |
|---|---|---|---|---|
| 1 | Consolidated KRB Roads | Countywide | - | 125,006,731 |
| 2 | Nasukuta | | 77,503,804 | 77,503,804 |
| 3 | Labour Based Projects | Countywide | - | 57,594,126 |
| 4 | Major Roads KUSP | Countywide | 52,645,949 | 52,645,949 |
| 5 | World Bank Results Based Financing RBS | Countywide | 100,000,000 | 45,126,898 |
| 6 | Purchase of Certified Seeds | Countywide | 50,586,339 | 45,092,305 |
| 7 | Construction of County Assembly | Kapenguria | 80,000,000 | 41,550,000 |
| 8 | Transforming Health Systems Universal Healthcare THS-UHC PROJECT | Countywide | 50,378,964 | 33,108,023 |
| 9 | Construction of Speakers Residence | Countywide | 55,450,000 | 32,634,187 |
| 10 | Supply of Lightening Arrestors | Countywide | 30,000,000 | 30,000,000 |

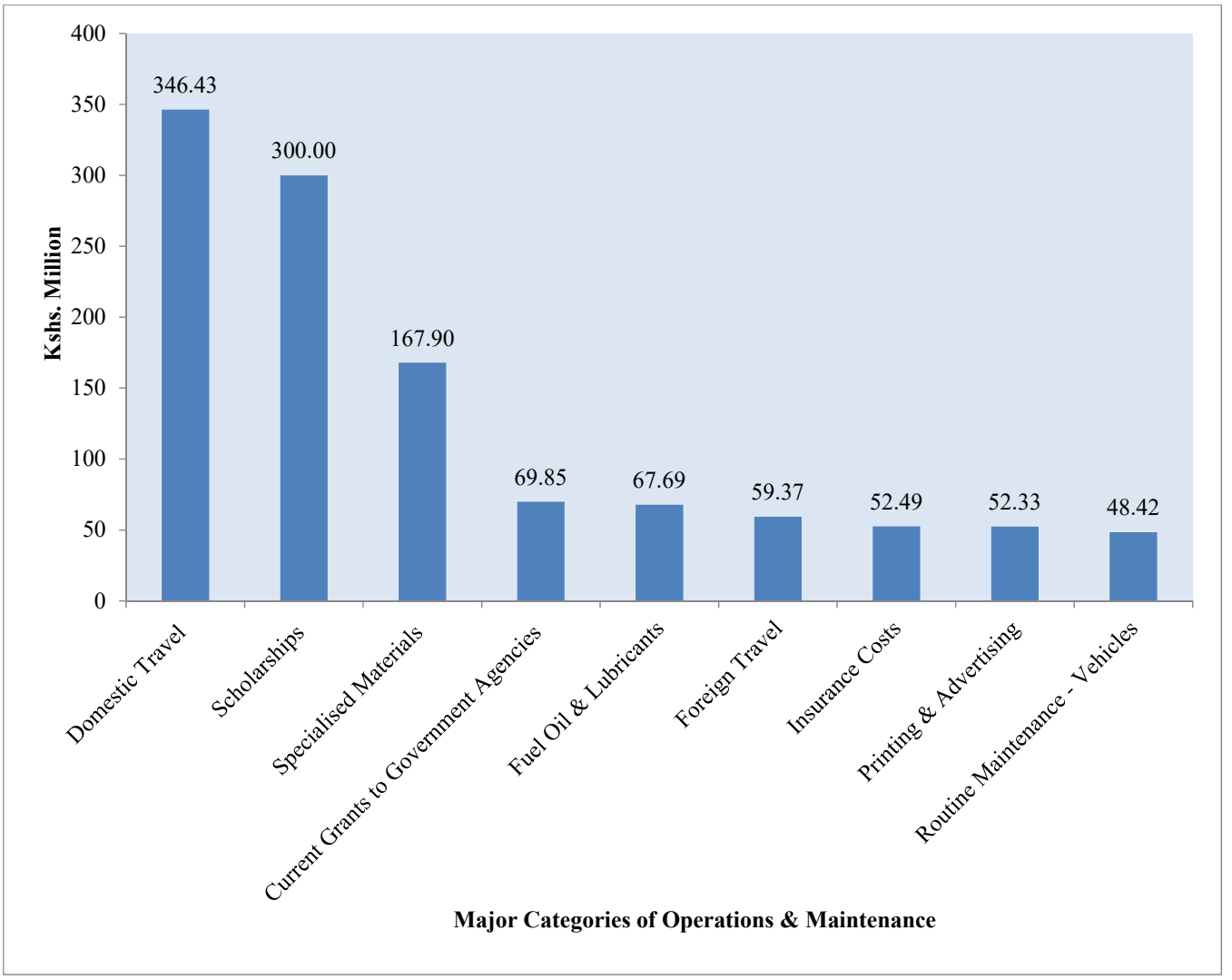
***Source:*** *West Pokot County Treasury*

### 3.47.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.90 billion comprised of Kshs.2.34 billion (59.9 per cent) incurred on personnel emoluments and Kshs.1.56 billion (40.1 per cent) on operations and maintenance as shown inFigure 3.187.

Expenditure on personnel emoluments represented an increase of 15.7 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.02 billion and was 42.4 per cent of the total expenditure in FY 2018/19 Figure 3.188 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.188: West Pokot County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19**




***Source:*** *West Pokot County Treasury*

The County spent Kshs.17.85 million on committee sitting allowances for the 34 MCAs and speaker against the annual budget allocation of Kshs.21.16 million. This represented a decrease of 8.6 per cent compared to Kshs.19.52 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.43,751 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.405.8 million, and comprised of Kshs.155.70 million spent by the County Assembly and Kshs.250.10 million by the County Executive. This expenditure represented 7.3 per cent of total recurrent expenditure and was an increase of 28.4 per cent compared to Kshs.315.96 million spent in FY 2017/18.

### 3.47.8 Budget Performance by County Department

Table 3.138 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

**Table 3.138: West Pokot County, Budget Performance by Department in FY 2018/19**

| Department | Annual Budget Allocation (Kshs. Million) | | Exchequer Issues (Kshs. Million) | | Expenditure (Kshs. Million) | | Expenditure to Exchequer ((%) Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive | 444.03 | 51.62 | 434.80 | 20.35 | 426.08 | 49.21 | 98.0 | 241.8 | 96.0 | 95.3 |
| Finance and Economic Planning | 283.61 | - | 277.63 | - | 265.05 | - | 95.5 | - | 93.5 | - |
| Public Works, Transport and Infrastructure | 79.14 | 400.29 | 117.59 | 376.39 | 71.79 | 333.16 | 61.0 | 88.5 | 90.7 | 83.2 |
| Health, Sanitation and Emergencies | 1,265.03 | 493.70 | 1,269.64 | 348.63 | 1,254.51 | 363.47 | 98.8 | 104.3 | 99.2 | 73.6 |
| Education and Technical Training | 659.98 | 195.80 | 640.52 | 195.81 | 568.79 | 188.58 | 88.8 | 96.3 | 86.2 | 96.3 |
| Agriculture and Irrigation | 116.41 | 198.31 | 115.77 | 95.42 | 113.99 | 85.05 | 98.5 | 89.1 | 97.9 | 42.9 |
| Pastoral Economy | 107.93 | 211.77 | 106.98 | 165.89 | 100.23 | 177.11 | 93.7 | 106.8 | 92.9 | 83.6 |
| Trade, Industrialization, Investment and Cooperative Development | 58.24 | 33.73 | 57.91 | 10.99 | 54.52 | 20.71 | 94.2 | 188.5 | 93.6 | 61.4 |
| Land, Housing, Physical Planning and Urban Development | 80.10 | 134.84 | 78.41 | 83.39 | 77.39 | 71.19 | 98.7 | 85.4 | 96.6 | 52.8 |
| Water Development, Environment and Natural Resources | 90.81 | 220.67 | 113.22 | 29.75 | 79.87 | 95.25 | 70.5 | 320.2 | 88.0 | 43.2 |
| Youth, Sports, Tourism, Gender and Social Services | 71.31 | 59.45 | 69.47 | 22.60 | 68.18 | 51.68 | 98.1 | 228.7 | 95.6 | 86.9 |
| Public Service, ICT and Decentralised Units | 204.45 | 22.10 | 202.16 | 20.00 | 196.35 | 20.00 | 97.1 | 100.0 | 96.0 | 90.5 |
| Special Programmes and Directorates | 104.74 | 65.00 | 94.18 | 53.50 | 90.37 | 47.30 | 96.0 | 88.4 | 86.3 | 72.8 |
| County Assembly | 573.46 | 143.00 | 559.79 | 78.97 | 532.39 | 117.18 | 95.1 | 148.4 | 92.8 | 81.9 |
| **Total** | **4,139.23** | **2,330.28** | **4,138.07** | **1,501.68** | **3,899.50** | **1,619.91** | **94.2** | **107.9** | **94.2** | **69.5** |

***Source:*** *West Pokot County Treasury*

Analysis of expenditure by department shows that the Department of Education and Technical Training recorded the highest absorption rate of development budget at 96.3 per cent while the Department of Agriculture and Irrigation recorded the lowest 42.9 per cent. The Department of Health, Sanitation and Emergencies had the highest percentage of recurrent expenditure to recurrent budget at 99.2 per cent while the Department of Education and Technical Training had the lowest at 86.2 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 of own source revenue by 33.9 per cent from Kshs.88.75 million in FY 2017/18 to Kshs.118.83 million in FY 2018/19.

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

1. Delay in submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
2. The County's wage bill has remained high, having increased by 15.7 per cent from Kshs.2.02 billion in FY 2017/18 to Kshs.2.35 billion in the period under review. Increase in wage bill may affect implementation of development projects.
3. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.

The County should implement the following measures 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 Treasury should provide a report on status of pending bills as at 30th June, 2019 as requested by the Controller of Budget in line with COB Act, 2016.*

# 4 KEY CHALLENGES AND RECOMMENDATIONS

This section highlights cross-cutting issues that affected budget implementation in the FY 2018/19 and makes 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

The County Governments spent Kshs.162.77 billion on personnel emoluments (PE), which accounted for 43.2 per cent of the total expenditure for the period. This expenditure represented an increase of 7.7 per cent from Kshs.151.09 billion incurred in FY 2017/18 where the personnel expenditure translated to 49.7 per cent of the total expenditure. Only five counties: namely Tana River, Marsabit, Turkana, Mandera and Kilifi reported expenditure on personnel emoluments that was within the maximum allowed limit of 35 per cent of their total expenditure in FY 2018/19 at 34 per cent, 32.7 per cent, 29.2 per cent, 24.2 per cent and 21.1 per cent respectively. The increase in wage bill is unsustainable and will crowd out spending on key development activities.

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.

The Office recommends that expenditure on personnel emoluments be contained at sustainable levels in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

## 4.2 Delays in Submission of Financial Reports to the Controller of Budget

During the period under review, the Office noted delays in submission of quarterly financial reports by County Treasuries, which led to late preparation of the County Budget Implementation Review Report (CBIRR), thereby affecting monitoring of budget implementation.

County Treasuries are required to prepare and submit quarterly financial reports in line with Section 166 (4) and 168 (3) of the PFM Act, 2012 not later than one month after the end of each quarter. The quarterly financial reports should be prepared in compliance with templates as prescribed by the Public Sector Accounting Standards Board and the templates provided by the Controller of Budget in line with the COB Act, 2016.

The Office recommends that County Treasuries should ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 (3) of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

## 4.3 High Expenditure on Travel Costs

The County Governments incurred Kshs.16.2 billion on domestic and foreign travel which was 4.3 per cent of total expenditure in the reporting period. This amount comprised of Kshs.13.44 billion on domestic travel and Kshs.2.75 billion on foreign travel. Expenditure on travel increased by 42.5 per cent from Kshs.11.36 billion incurred in FY 2017/18. The high expenditure on travel, which is a non-core activity, may lead to reduced expenditure on key development programmes.

High expenditure on non-core activity is contrary to the requirements of Article 201 of the Constitution which requires public money to be used in a prudent and responsible way. The Office recommends that expenditure on non-core activities, such as travelling, should be rationalised in order to free fund for implementation of key development programmes.

## 4.4 Failure to Establish County Budget and Economic Forums(CBEF)

As at June 2019 some County Governments had not constituted County Budget and Economic forums in line with section 137 of PFM Act, 2012.

To improve planning, budgeting, and execution framework in the County Government, the Office recommends that counties prioritize establishment of these forums to encourage public participation in the budget process.

## 4.5 Failure to Establish Internal Audit Committees

Some County Government had not established internal Audit Committees in contrary to the provision in Section 155 (5) of the PFM Act, 2012 to oversee financial operations and management in their respective Counties.

The Office recommends that Counties which have not yet constituted Internal Audit Committees prioritise their establishment as per the law and to improve oversight in the use of public funds by the County Governments..

# 5 CONCLUSION

This report sought to provide information on the status of budget implementation by County Governments in the FY 2018/19. It is prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016.

The aggregate budget estimates for the 47 County Governments amounted to Kshs.483.47 billion and comprised of Kshs.297.71 billion (61.6 per cent) allocation for recurrent expenditure and Kshs.185.76 billion (38.4 per cent) for development expenditure. The aggregate development expenditure allocation conforms to Section 107 (2(b)) of the PFM Act, 2012, which requires that at least 30 per cent of budget shall be allocated to development expenditure.

The County Governments spent a total of Kshs.376.43 billion which translated to an absorption rate of 77.9 per cent, and was an increase from 74 per cent attained in FY 2017/18. A total of Kshs.269 billion was spent on recurrent expenditure while Kshs.107.44 billion was spent on development expenditure. The expenditure translated to an absorption rate of 90.4 per cent and 57.8 per cent for recurrent and development expenditure respectively. The Office noted an improvement in performance of own sources of revenue collections, which increased by 24 per cent to Kshs.40.30 billion from Kshs.32.49 billion in FY 2017/18.

This report has also identified the key challenges that hampered effective budget execution during the reporting period. They included; high expenditure on Personnel Emoluments, late submission of quarterly financial reports to the Controller of Budget, and high expenditure on travel costs. The report has provided appropriate recommendations on how to address the identified challenges in order to enhance smooth execution of the budget.

The OCOB is committed on ensuring there is prudent and effective use of public resources by County Governments and implores accounting officers and institutions to implement the recommendations contained in this report.

Bima House, 12th Floor
Harambee Avenue
P. O. Box 35616 - 00100 Nairobi, Kenya
Tel: +254 (0) 20 318939, 2211056
Fax: +254 (0) 20 2211920
Email: cob@cob.go.ke
Website: www.cob.go.ke