



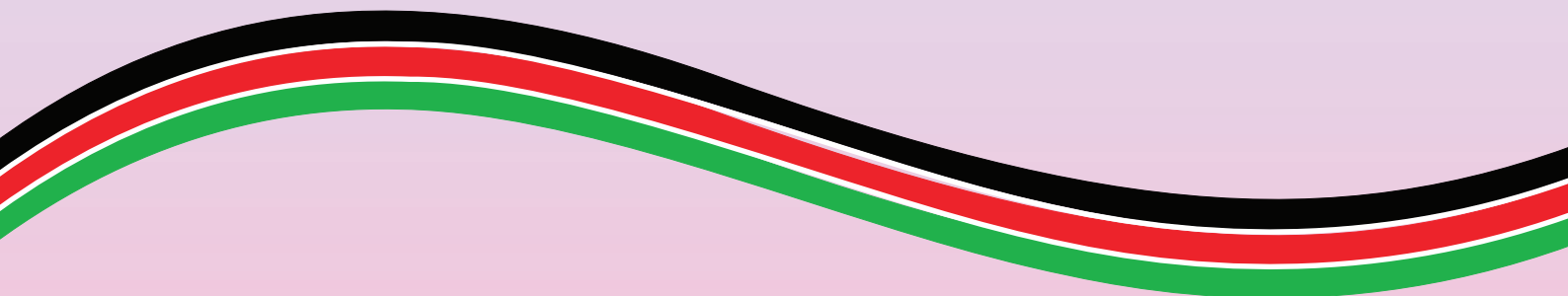
REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY GOVERNMENTS BUDGET
IMPLEMENTATION REVIEW REPORT**

**FIRST HALF
FINANCIAL YEAR 2018/19**

FEBRUARY, 2019





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PREFACE

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

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

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

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

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



Mrs. Agnes Odhiambo, CBS

CONTROLLER OF BUDGET

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ACRONYMS

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

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

EXECUTIVE SUMMARY

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

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

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

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

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

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

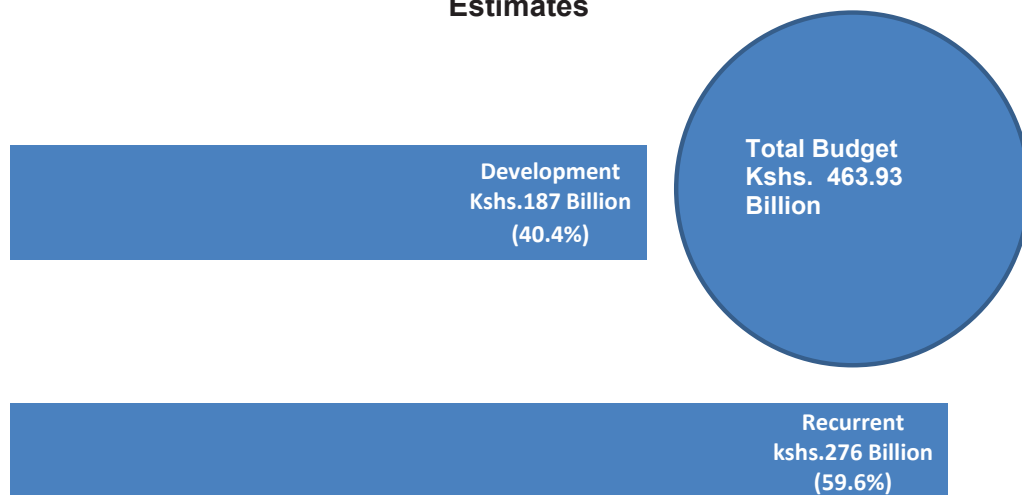
Analysis of expenditure by economic classification shows that Kshs.80.02 billion (58.4 per cent) was spent on personnel emoluments, Kshs.32.23 billion (23.5 per cent) on operations and maintenance, and Kshs.24.73 billion (18.1 per cent) on development activities. The personnel emoluments of Kshs.80.02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

development budget, and was an increase from 8 per cent, reported in a similar period of FY 2017/18, when development expenditure was Kshs.11.36 billion. Two Counties, namely; Isiolo and Wajir did not report any expenditure on development activities.

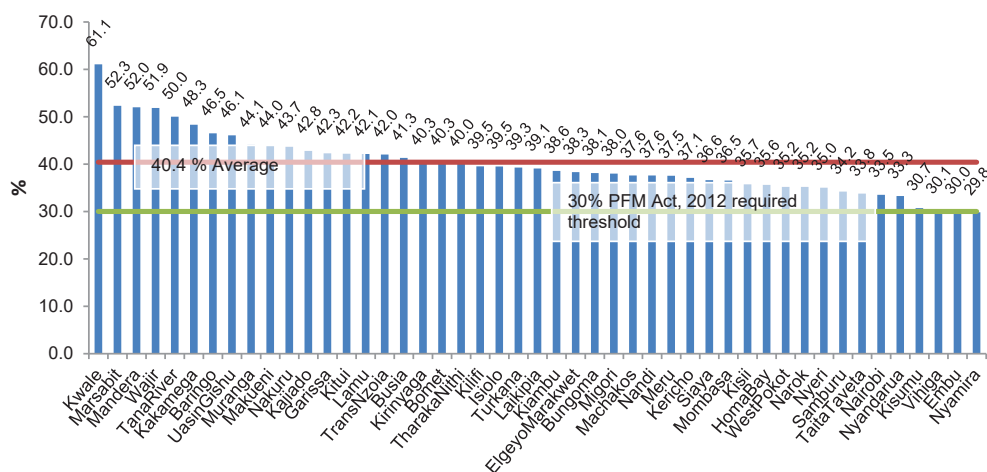
During the reporting period, the Office identified the key challenges that affected budget execution by County Governments. These included; high expenditure on personnel emoluments, delay in submissions of financial reports to the Office of the Controller of Budget by County Treasuries contrary to Section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

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

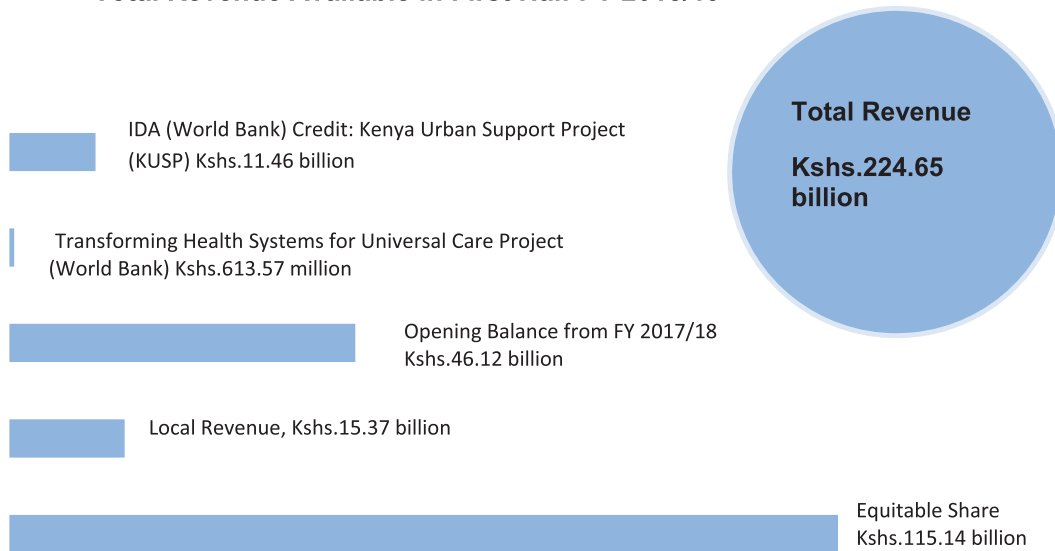
FY 2017/18 County Governments' Approved Budget Estimates



FY 2017/18 County Governments' Development Budget Allocation as a Percentage of Total Budget



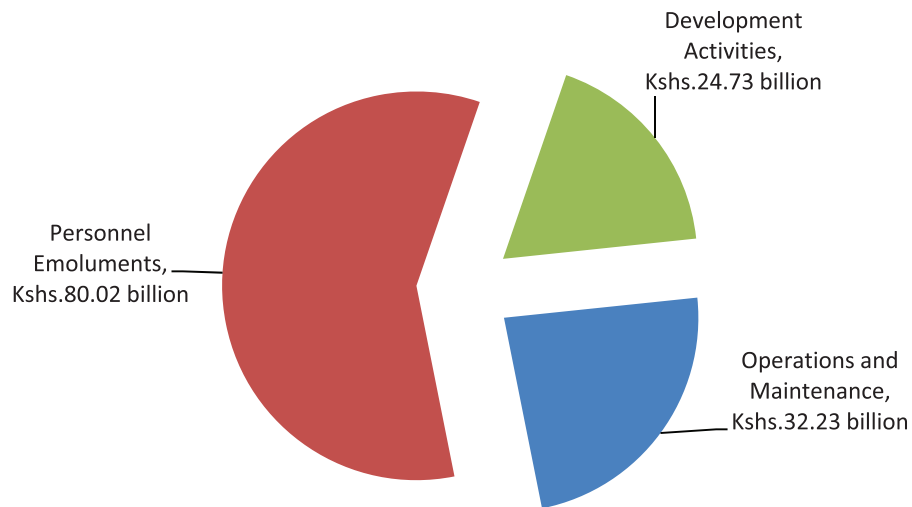
Total Revenue Available in First Half FY 2018/19



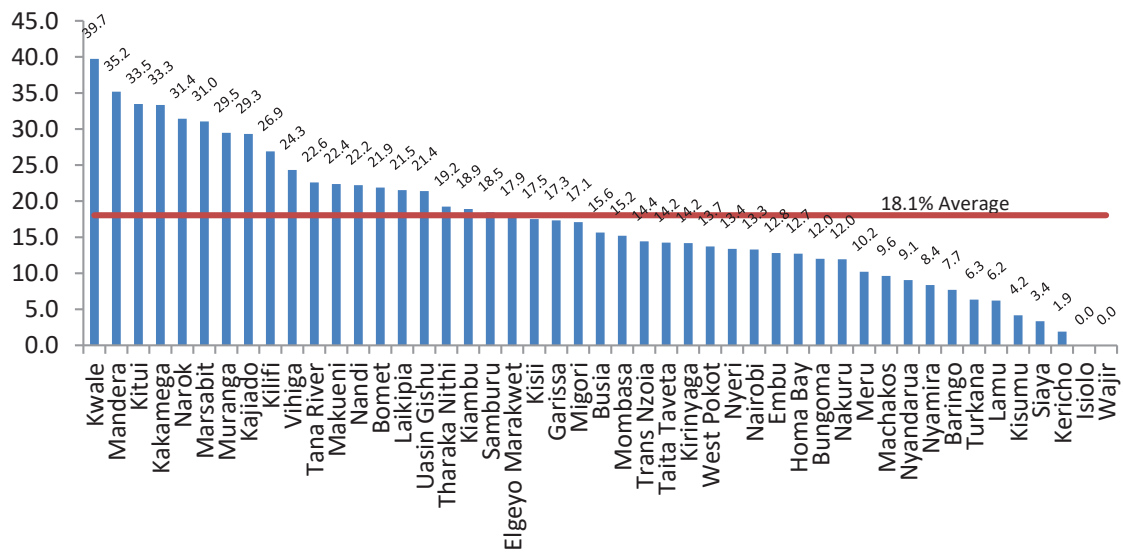
Exchequer Issues in the First Half of FY 2018/19



Expenditure by Economic Classification first half of FY 2018/19



Development Expenditure as a Percentage of Total Expenditure in the First Quarter of FY 2018/19



1 INTRODUCTION

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

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

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

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

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

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

2.1 Introduction

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

2.2 Revenue Analysis

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

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

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

2.3 Revenue Out-turn

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

2.4 Own Source Revenue

The aggregate annual own source revenue target for counties in FY 2018/19 is Kshs.51.32 billion. During the reporting period, county governments generated a total of Kshs.15.37 billion, which was 29.9 per cent of the annual target. This was an increase of 54.5 per cent compared to Kshs.9.95 billion generated in a similar period of FY 2017/18, which was 18.1 per cent of the annual revenue target.

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

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

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

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

Source: County Treasuries

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

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

2.5 Funds Released to the Counties

2.6 Funds released to Counties from the Consolidated Fund

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

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

2.7 Funds Released to County Operational Accounts

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

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

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

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

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

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

Source: County Treasuries and OCOB

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

2.8 Expenditure Analysis

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

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

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

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

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

Source: County Treasuries and OCOBS

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

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

2.9 Development Expenditure

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

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

Table 2.4: County Budget Allocation, Expenditure and Absorption Rate in the First Half of FY 2018/19

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

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

Source: OCOB and County Treasuries

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

2.10 Recurrent Expenditure

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

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

2.11 Personnel Emoluments

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

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

2.12 Operations and Maintenance Expenditure

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

2.13 Review of MCAs Committee Sitting Allowances

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

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

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

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

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

Source: OCOB and County Treasuries

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

2.14 Review of Expenditure on Domestic and Foreign Travels

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

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

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

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

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

Source: OCOB and County Treasuries

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

3 BUDGET PERFORMANCE BY COUNTY

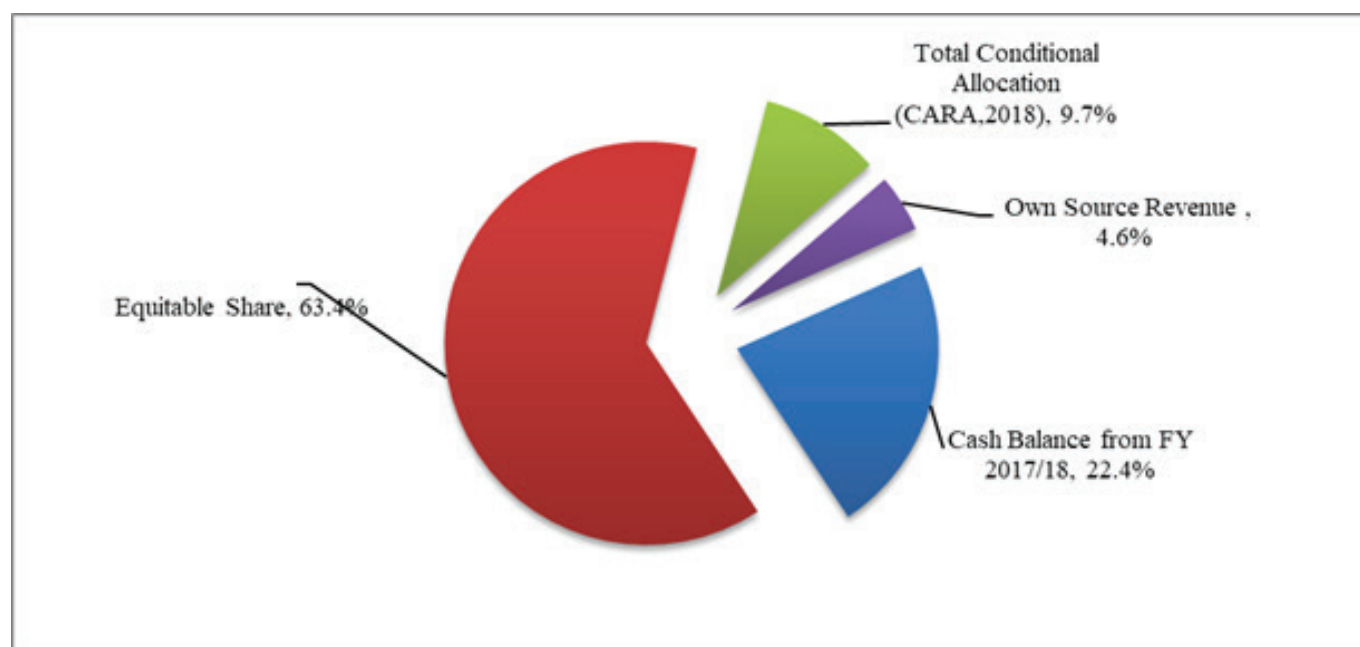
3.1 Baringo County

3.1.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Baringo County Treasury

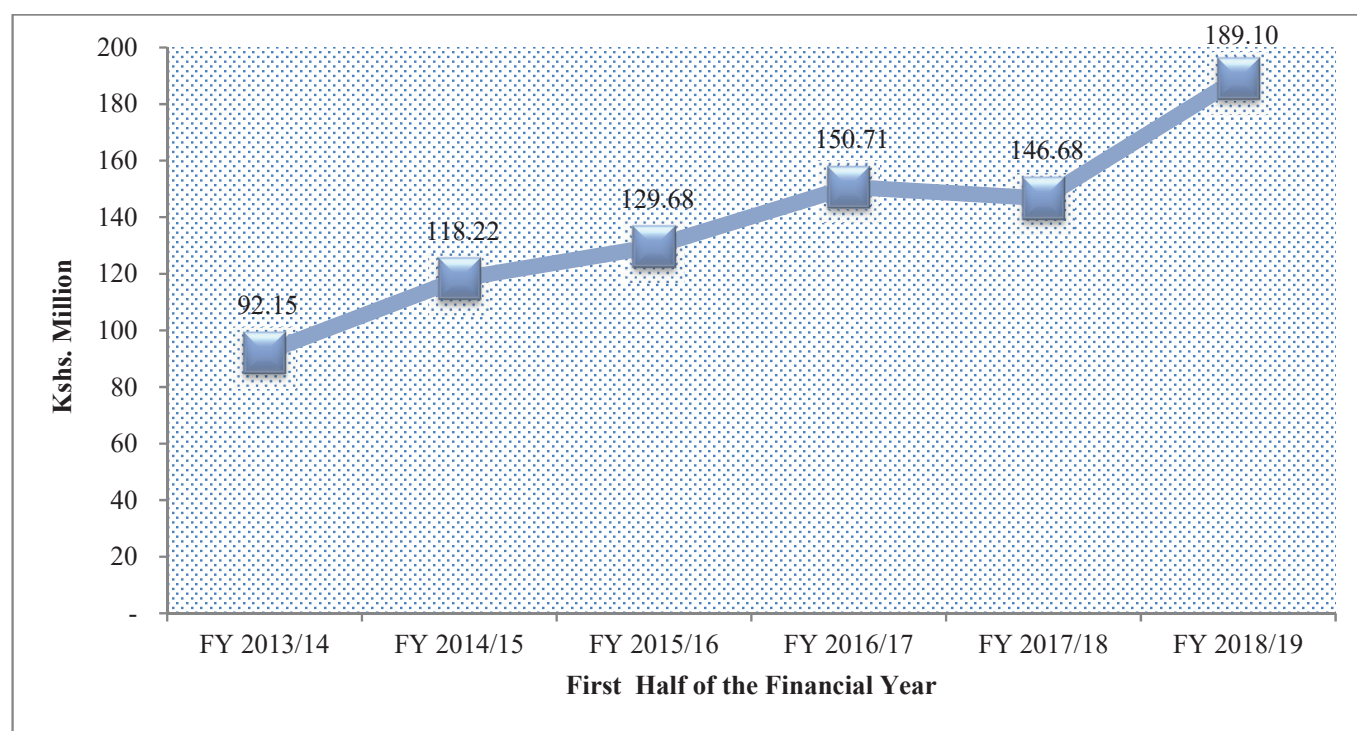
The conditional grants contained in the CARA, 2018 consist of; Kshs.78.90 million (10.2 per cent) from the World Bank for Transforming Healthcare Systems for Universal Care Project, Kshs.117 million (15.1 per cent) from the World Bank to support the Kenya Climate Smart Agriculture Project, Kshs.43.73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

3.1.2 Revenue Analysis

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

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

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



Source: Baringo County Treasury

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

3.1.3 Conditional Grants

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

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

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

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

Source: Baringo County Treasury

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

3.1.4 Exchequer Issues

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

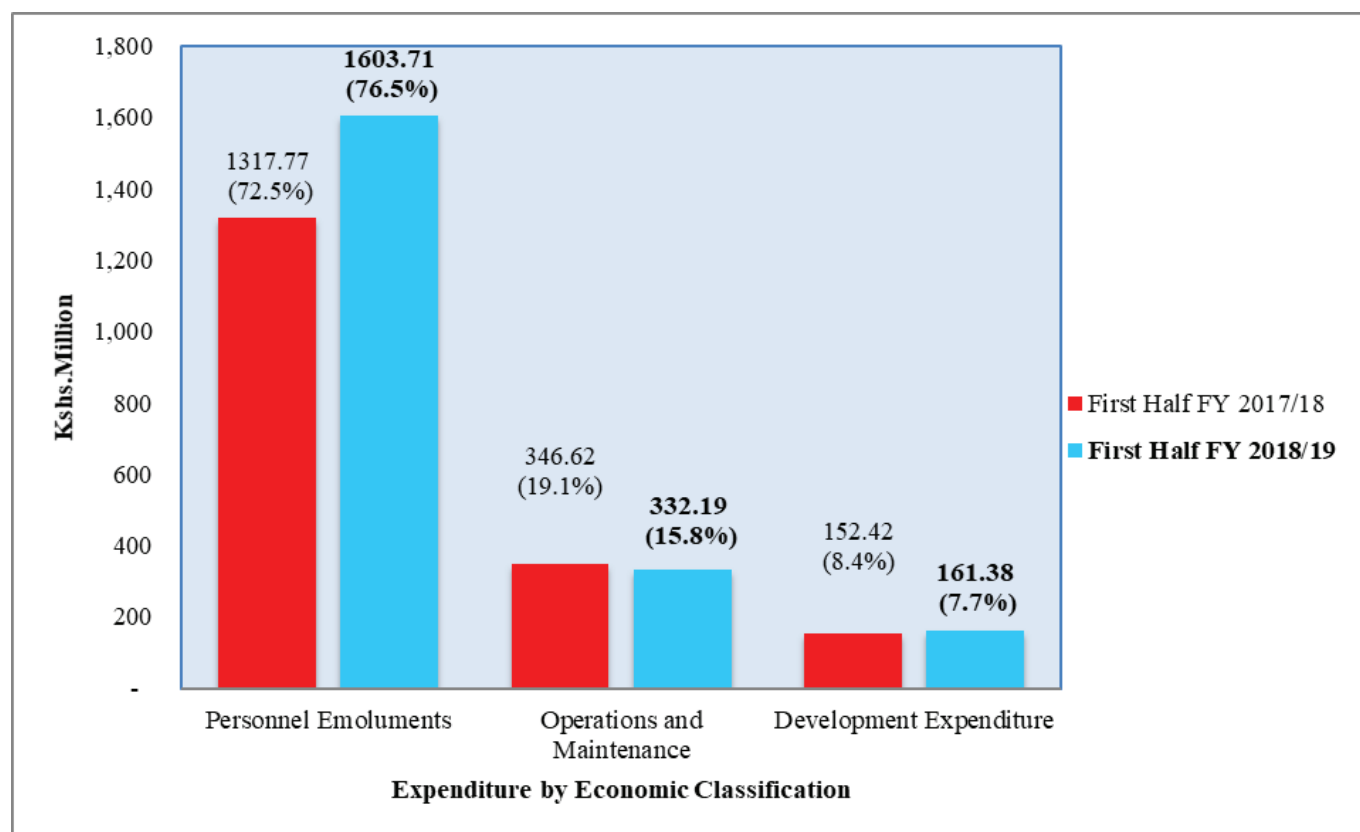
3.1.5 Overall Expenditure Review

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

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

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

Figure 3.3: Baringo County, Expenditure by Economic Classification



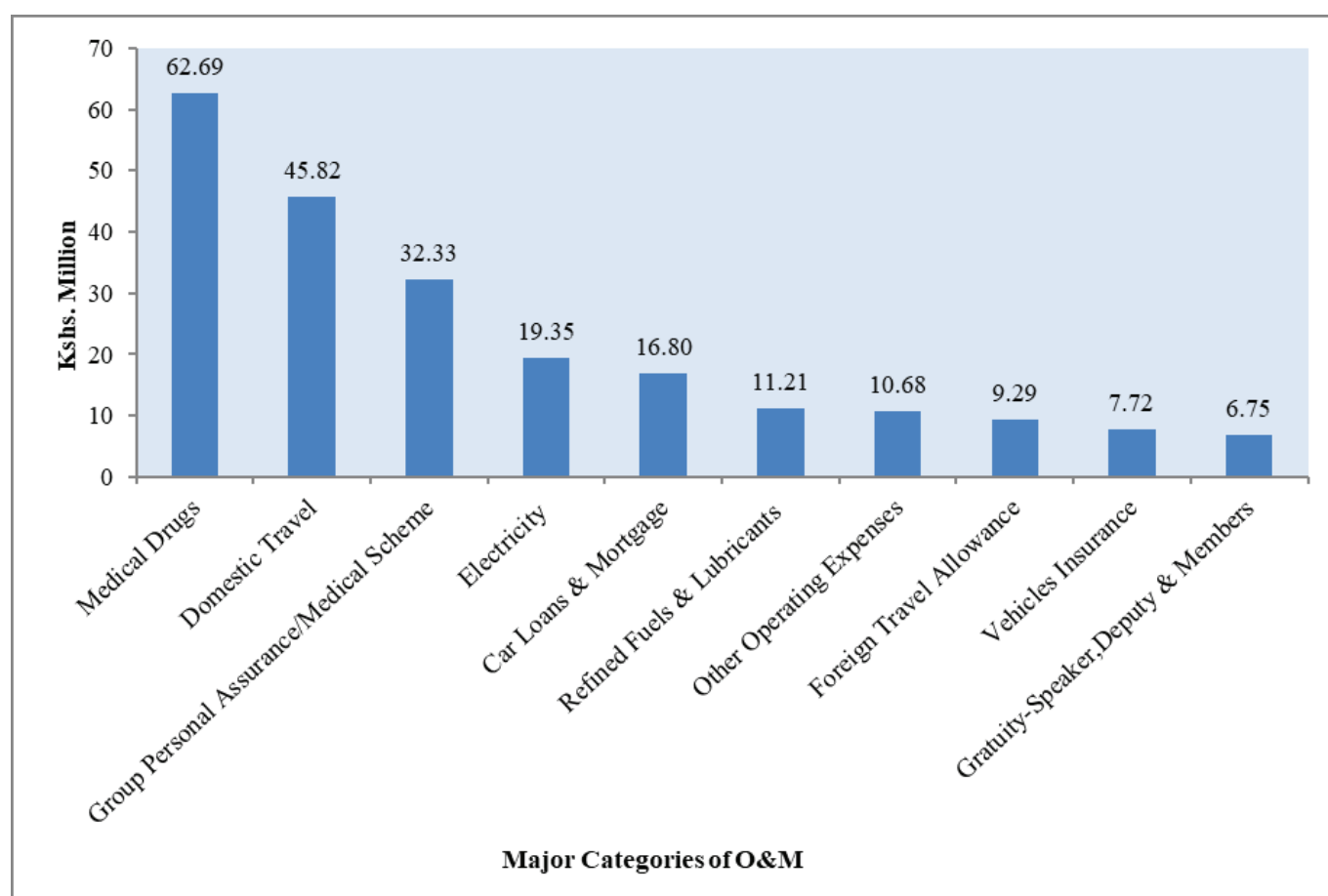
Source: Baringo County Treasury

3.1.6 Analysis of Recurrent Expenditure

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

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

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



Source: Baringo County Treasury

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

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

3.1.7 Development Expenditure

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

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

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

Source: Baringo County Treasury

3.1.8 Budget Performance by County Department

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

Table 3.3: Baringo County, Budget Performance by Department

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

Source: Baringo County Treasury

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

3.1.9 Key Observations and Recommendations

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

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

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

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

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

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

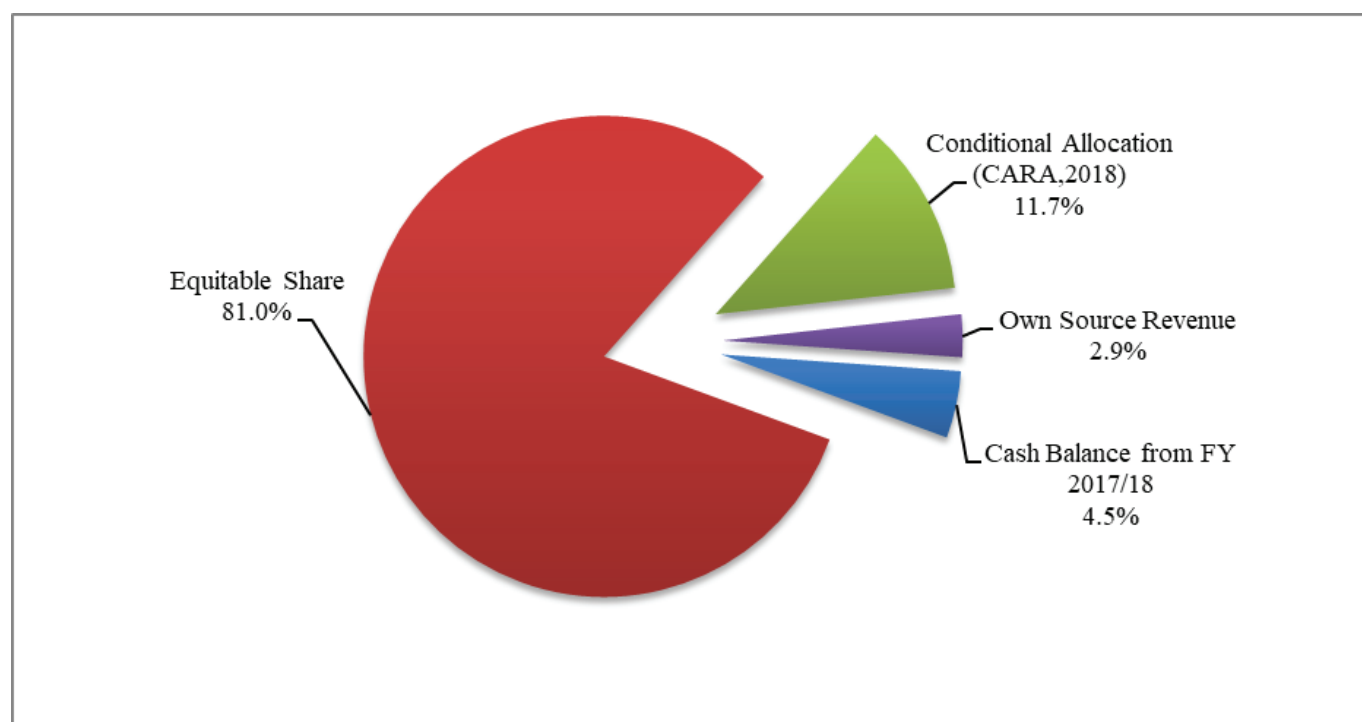
3.2 Bomet County

3.2.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Bomet County Treasury

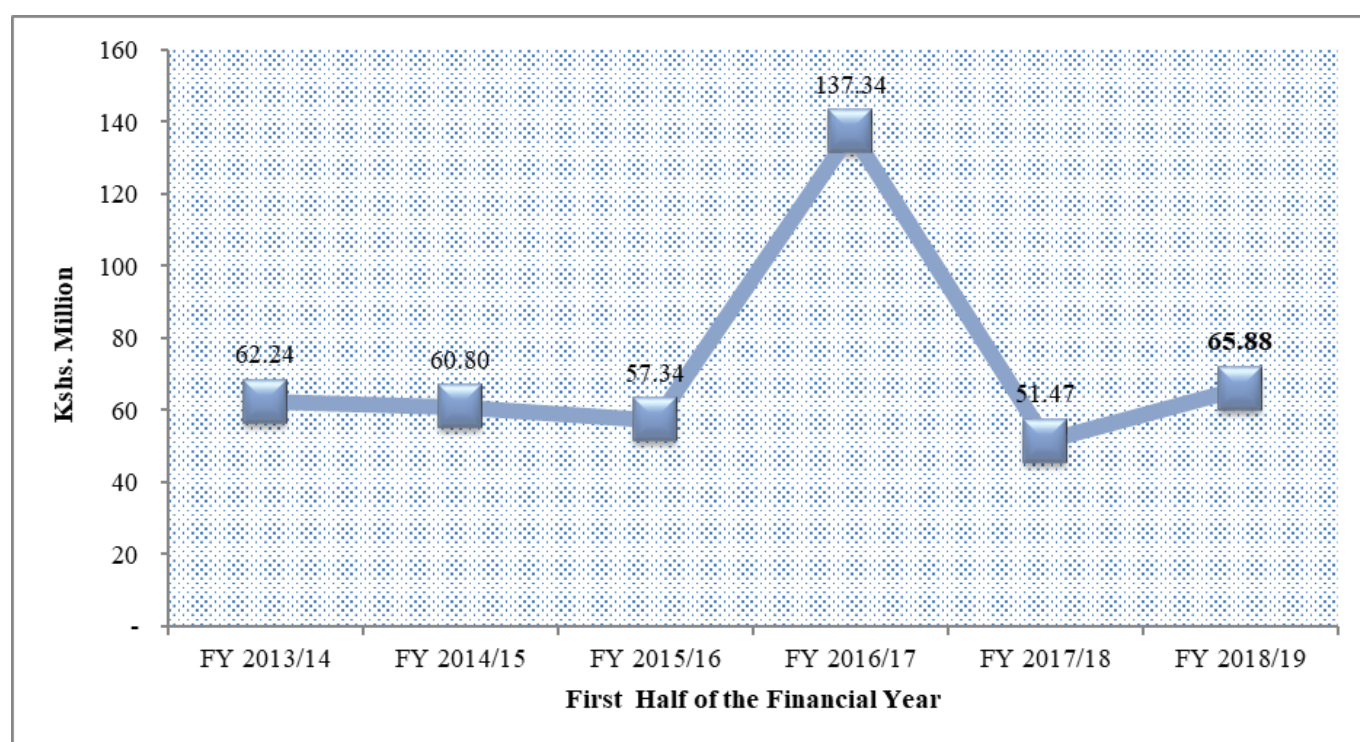
The conditional grants contained in the CARA, 2018 consist of; Kshs.86.41 million (6.5 per cent) to support the Transformation of Health Systems for Universal Care Project, Kshs.117 million (8.8 per cent) from IDA (World Bank) towards Kenya Climate Smart Agriculture Project, credit of Kshs.44.89 million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

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

3.2.2 Revenue Analysis

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

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



Source: Bomet County Treasury

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

3.2.3 Conditional Grants

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

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

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

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

Source: Bomet County Treasury

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

3.2.4 Exchequer Issues

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

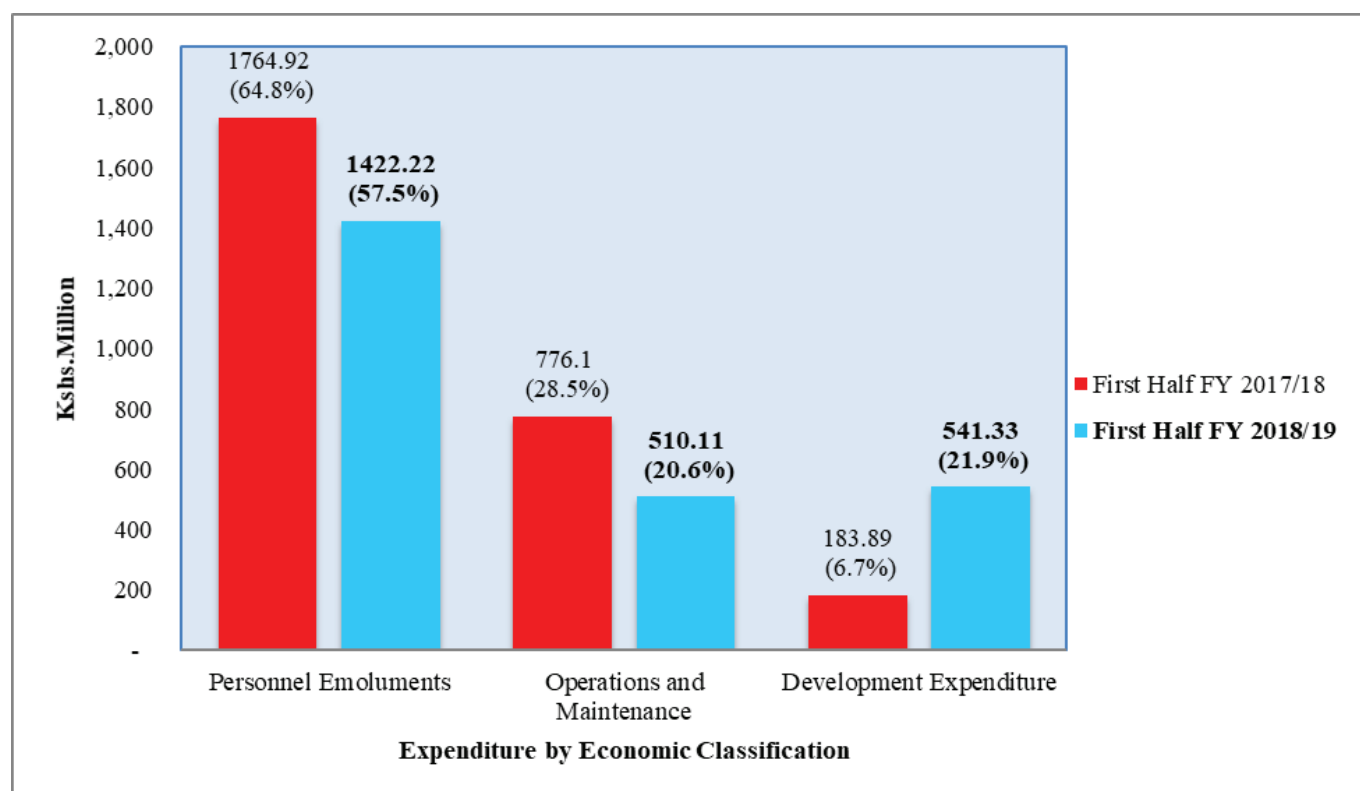
3.2.5 Overall Expenditure Review

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

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

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

Figure 3.6: Bomet County, Expenditure by Economic Classification



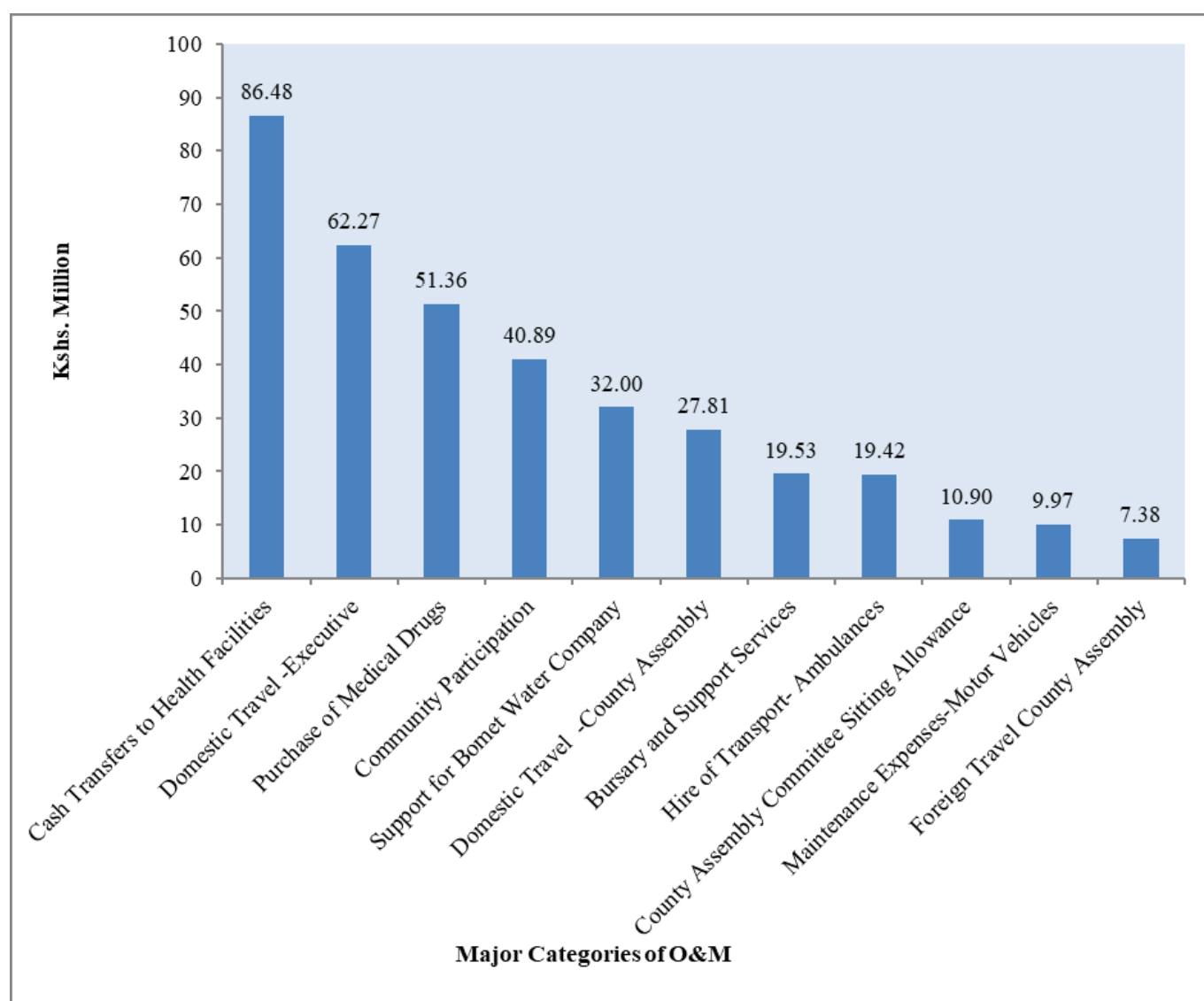
Source: Bomet County Treasury

3.2.6 Analysis of Recurrent Expenditure

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

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

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



Source: Bomet County Treasury

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

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

3.2.7 Development Expenditure Analysis

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

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

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

Source: Bomet County Treasury

3.2.8 Budget and Budget Performance Analysis by Department

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

Table 3.6: Bomet County, Budget Performance by Department

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

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

Source: Bomet County Treasury

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

3.2.9 Key Observations and Recommendations

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

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

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

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

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

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

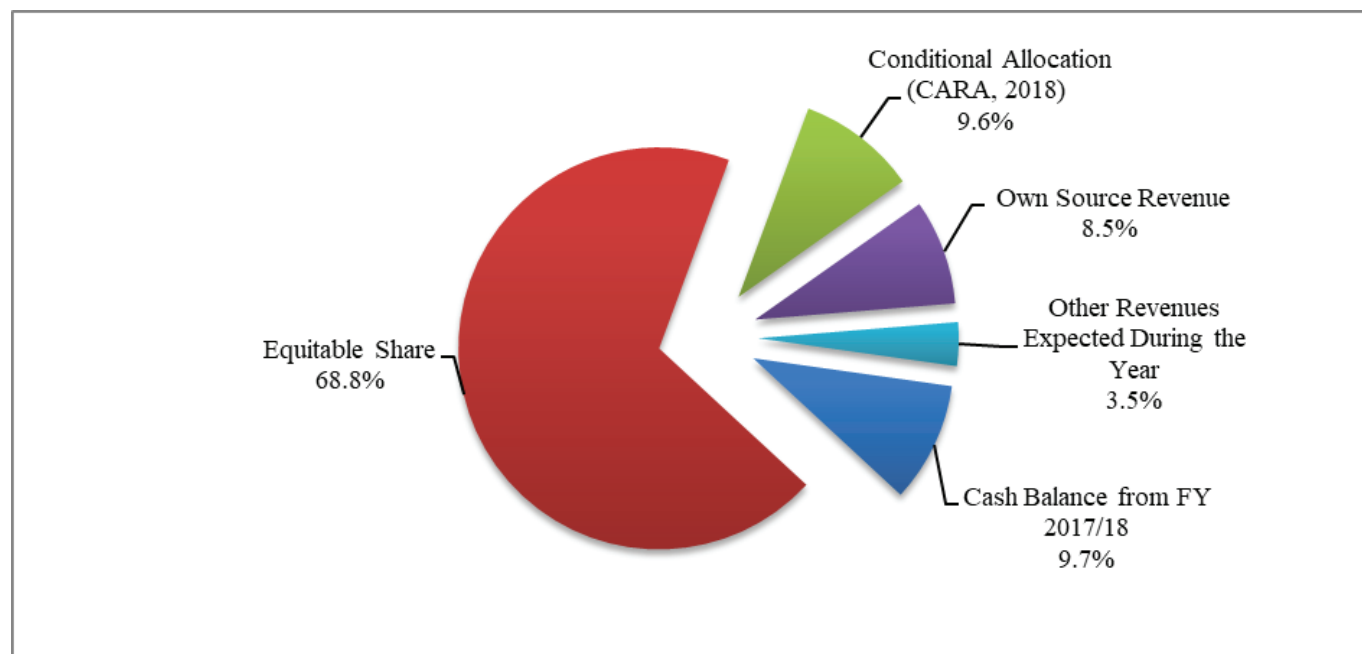
3.3 Bungoma County

3.3.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Bungoma County Treasury

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

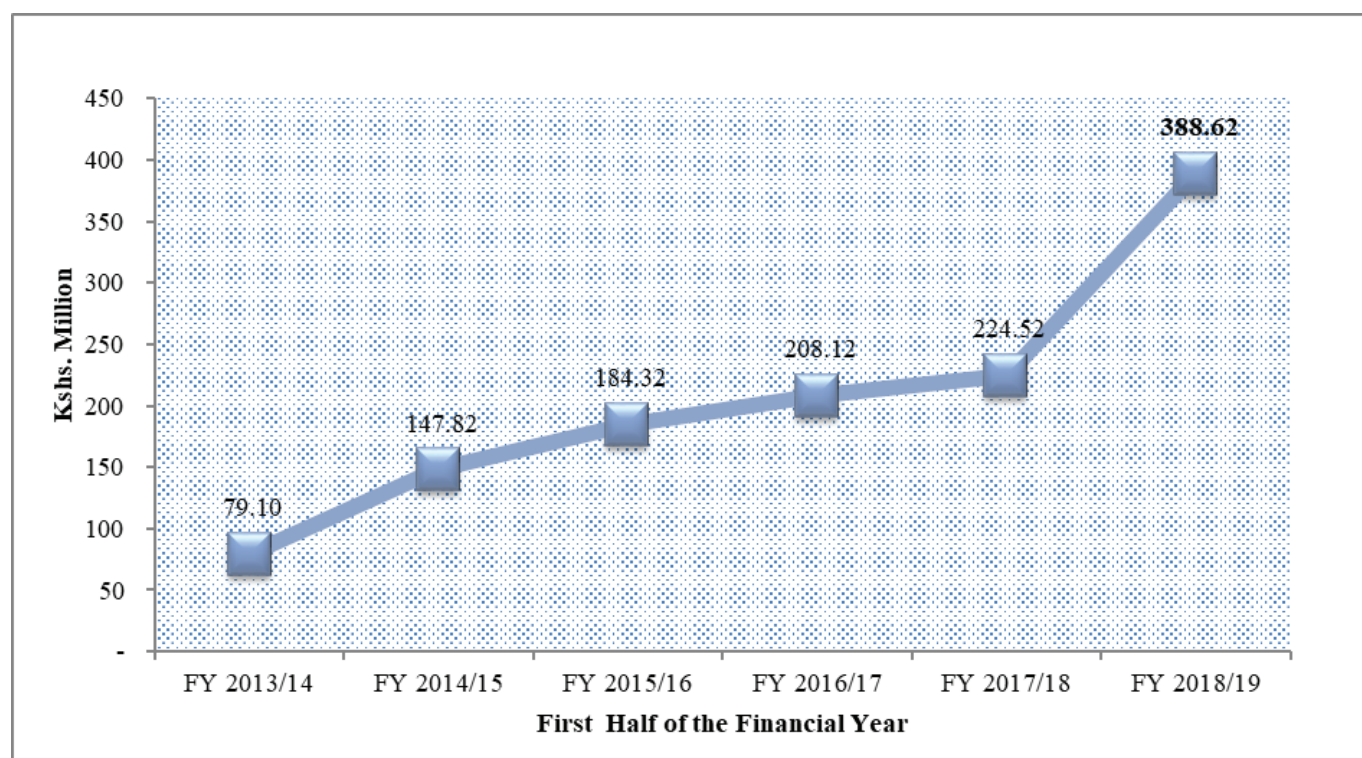
The County also budgeted to receive Kshs.41.12 million grant for Agriculture, Livestock, Fisheries and co-op development (NARGP) programme, Kshs.76.28 million grant for Development of Youth Polytechnics, Kshs.239.13 million grant for Roads and Public Works: RMLF, and Kshs.99.99 million as grant for Sirisia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

3.3.2 Revenue Analysis

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

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

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



Source: Bungoma County Treasury

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

3.3.3 Conditional Grants

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

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

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

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

Source: Bungoma County Treasury

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

3.3.4 Exchequer Issues

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

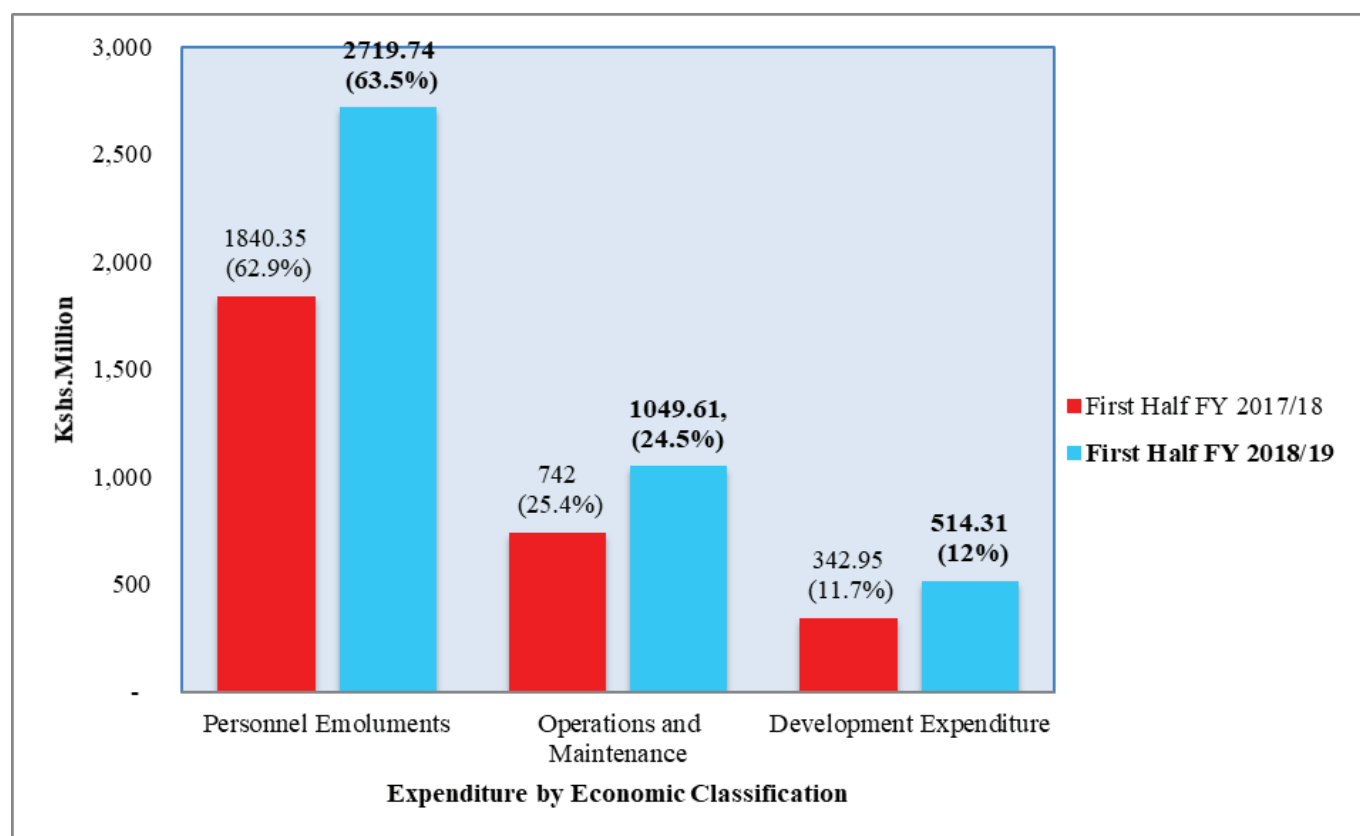
3.3.5 Overall Expenditure Review

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

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

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

Figure 3.10: Bungoma County, Expenditure by Economic Classification



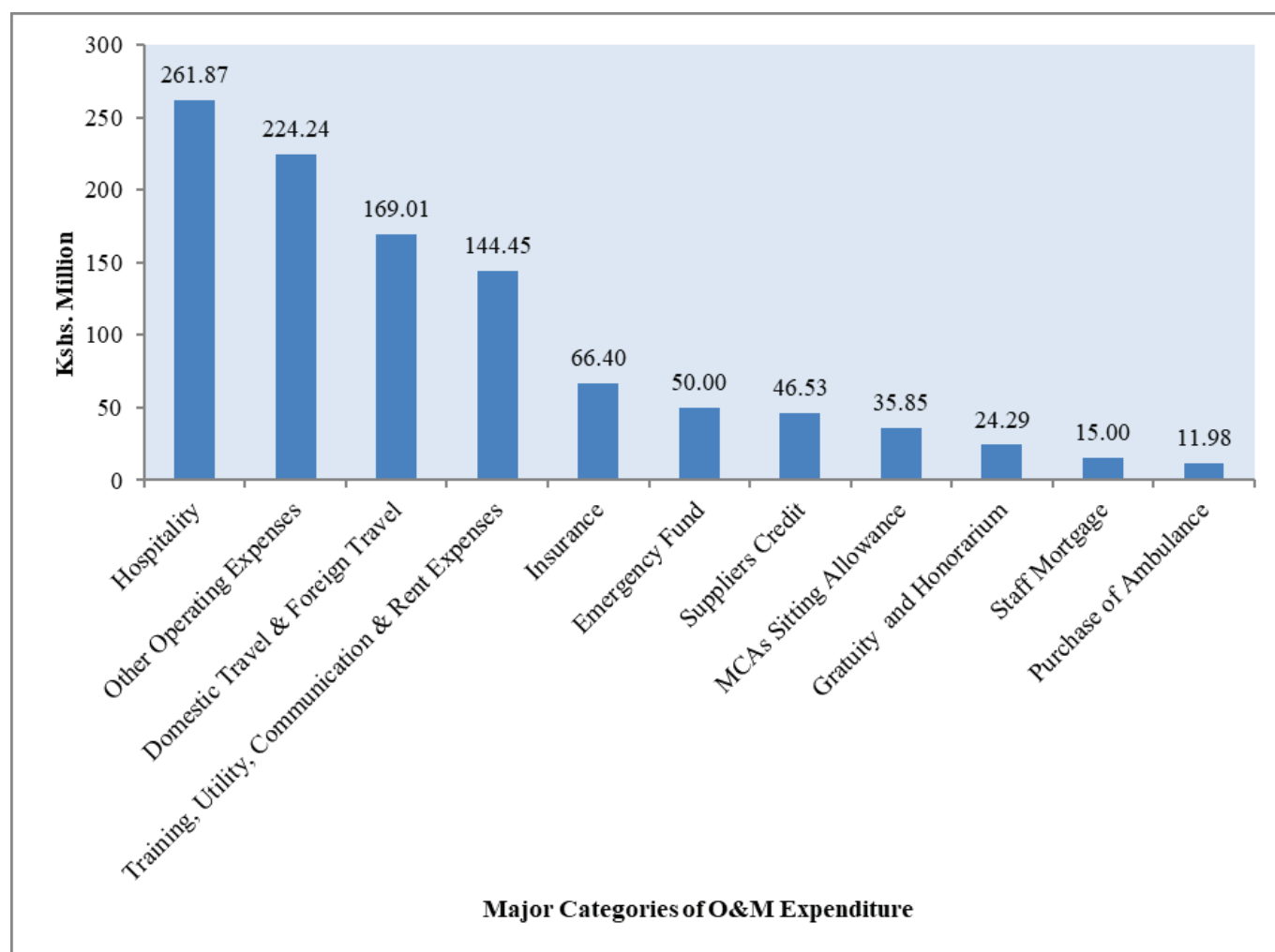
Source: Bungoma County Treasury

3.3.6 Analysis of Recurrent Expenditure

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

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

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



Source: Bungoma County Treasury

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

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

3.3.7 Development Expenditure

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

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

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

Source: Bungoma County Treasury

3.3.8 Budget Performance by County Department

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

Table 3.9: Bungoma County, Budget Performance by Department

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

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

Source: Bungoma County Treasury

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

3.3.9 Key Observations and Recommendations

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

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

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

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

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

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

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

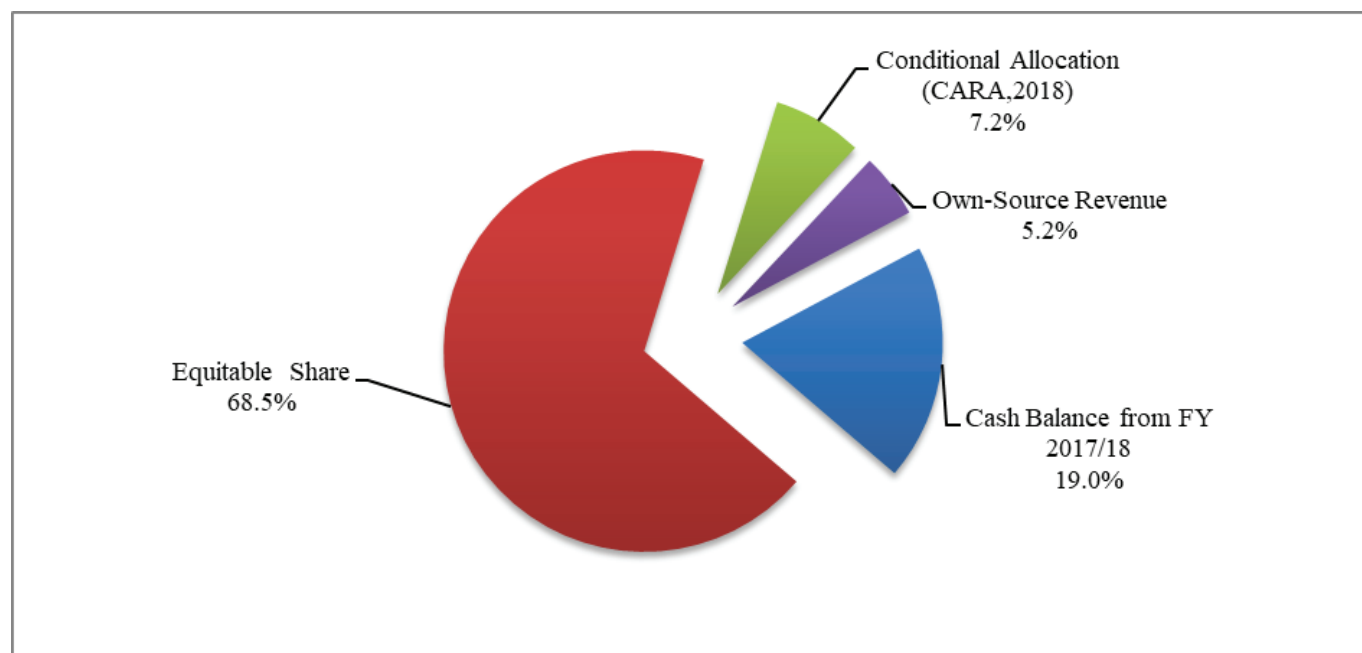
3.4 Busia County

3.4.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Busia County Treasury

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

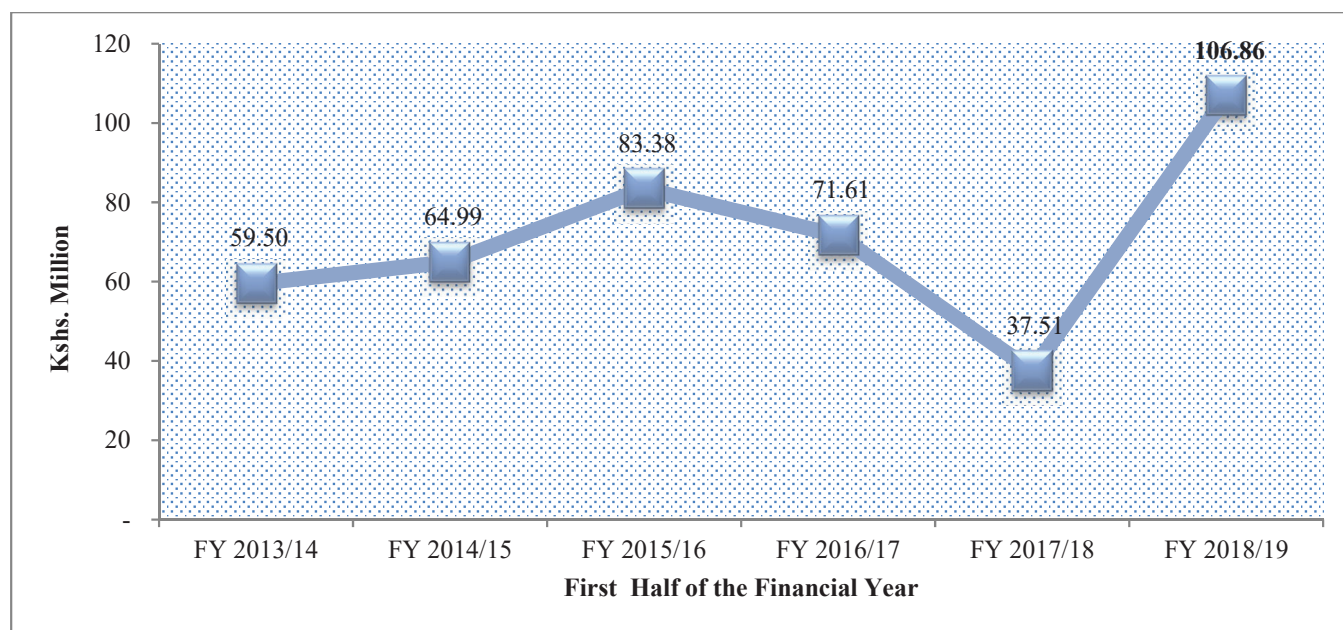
In addition, the County budgeted to receive Kshs.20 million as grant from Kenya Urban Institutional Grant Programme.

3.4.2 Revenue Analysis

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

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

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



Source: Busia County Treasury

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

3.4.3 Conditional Grants

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

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

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

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

Source: Busia County Treasury

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

3.4.4 Exchequer Issues

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

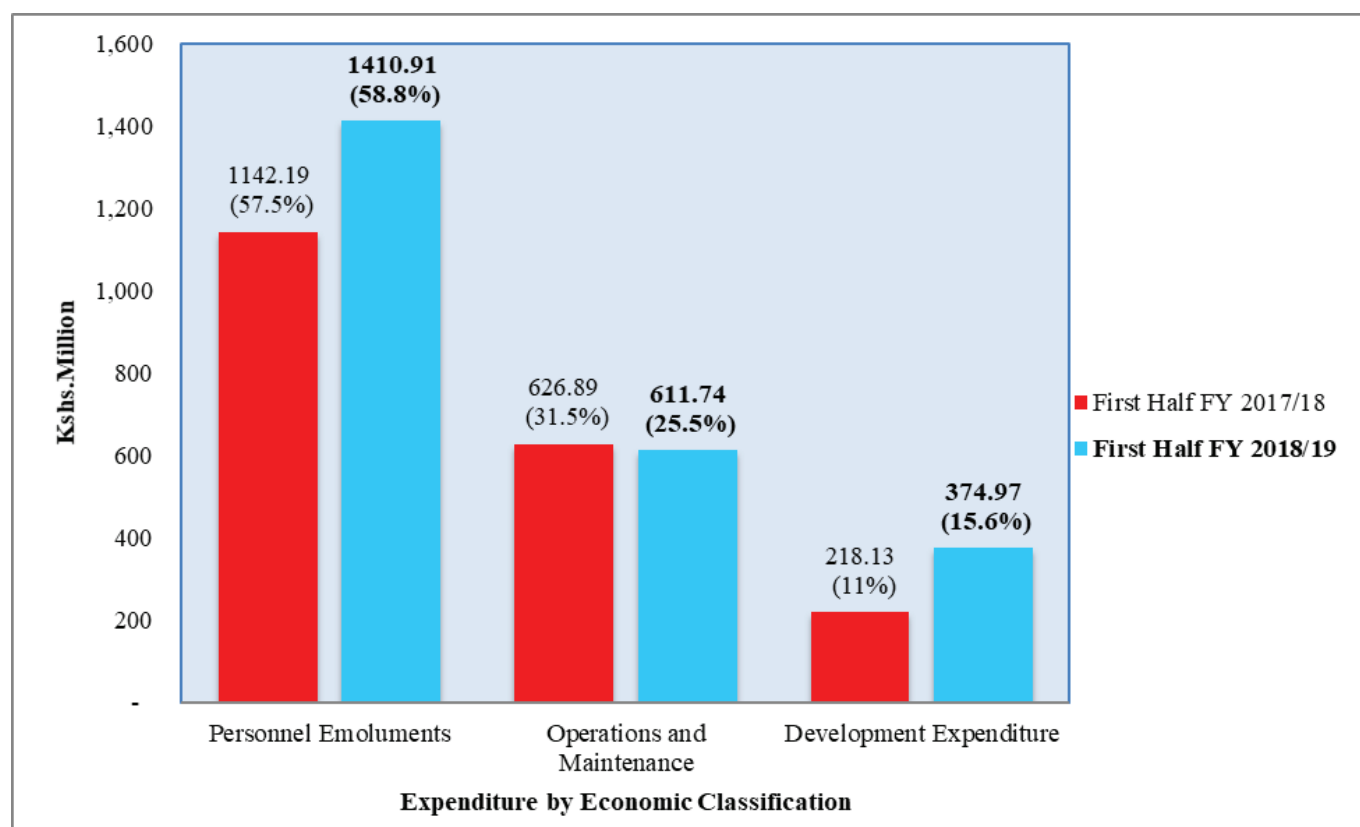
3.4.5 Overall Expenditure Review

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

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

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

Figure 3.14: Busia County, Expenditure by Economic Classification



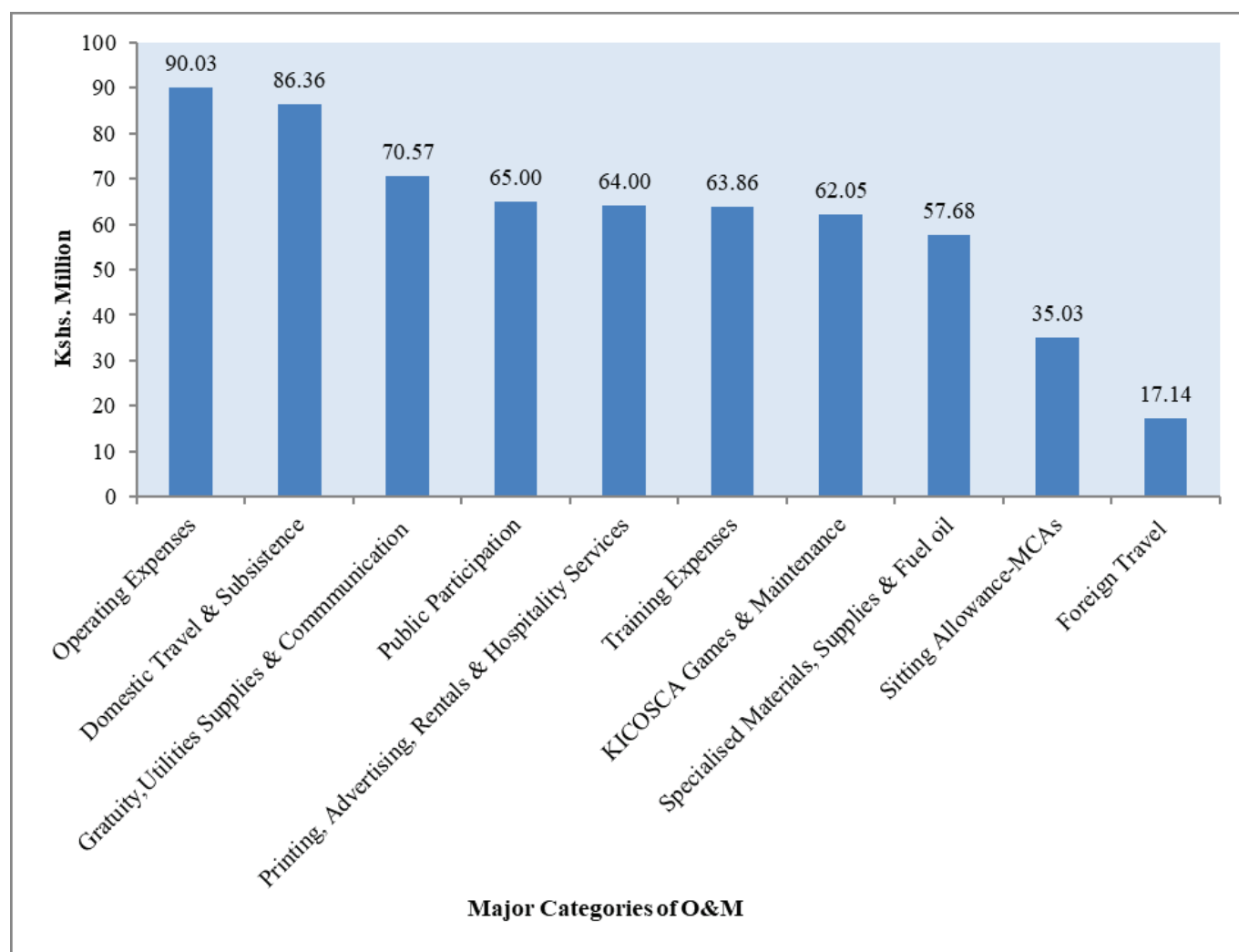
Source: Busia County Treasury

3.4.6 Analysis of Recurrent Expenditure

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

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

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



Source: Busia County Treasury

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

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

3.4.7 Development Expenditure

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

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

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

Source: Busia County Treasury

3.4.8 Budget Performance by County Department

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

Table 3.12: Busia County, Budget Performance by Department

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

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

Source: Busia County Treasury

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

3.4.9 Key Observations and Recommendations

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

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

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

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

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

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

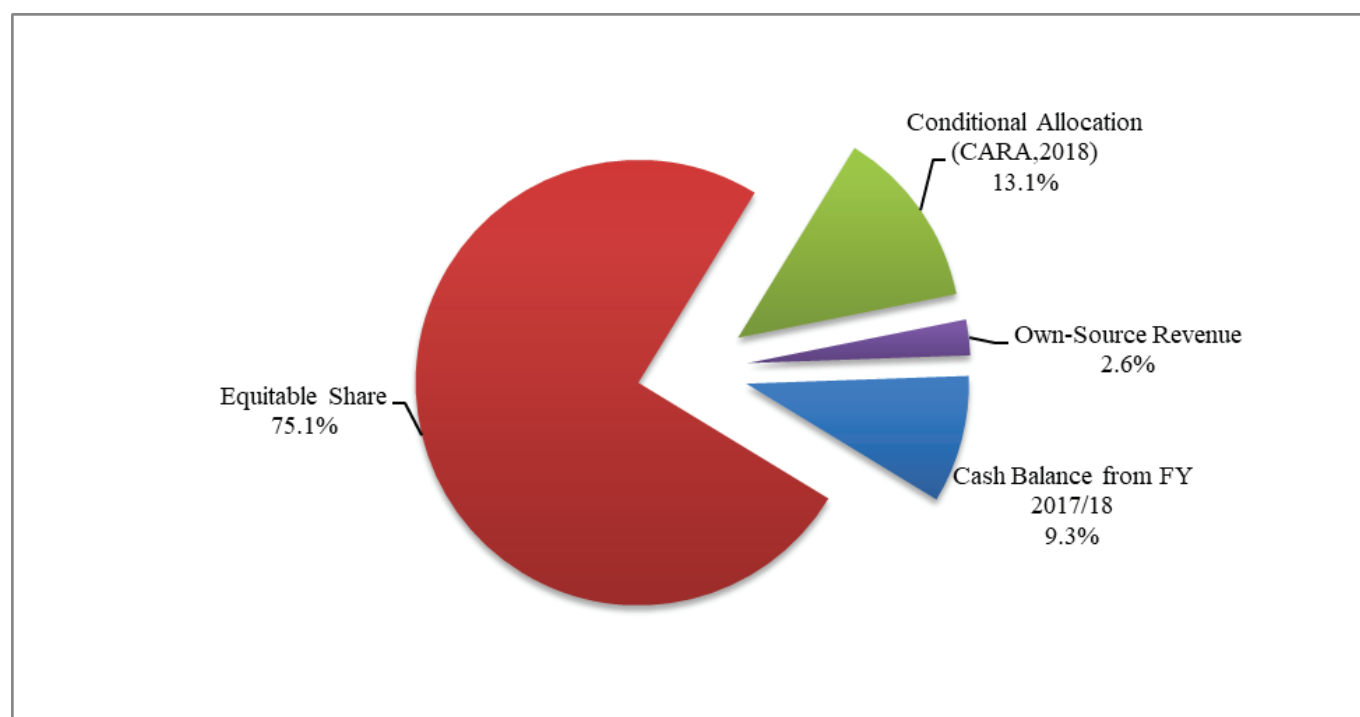
3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Elgeyo Marakwet County Treasury

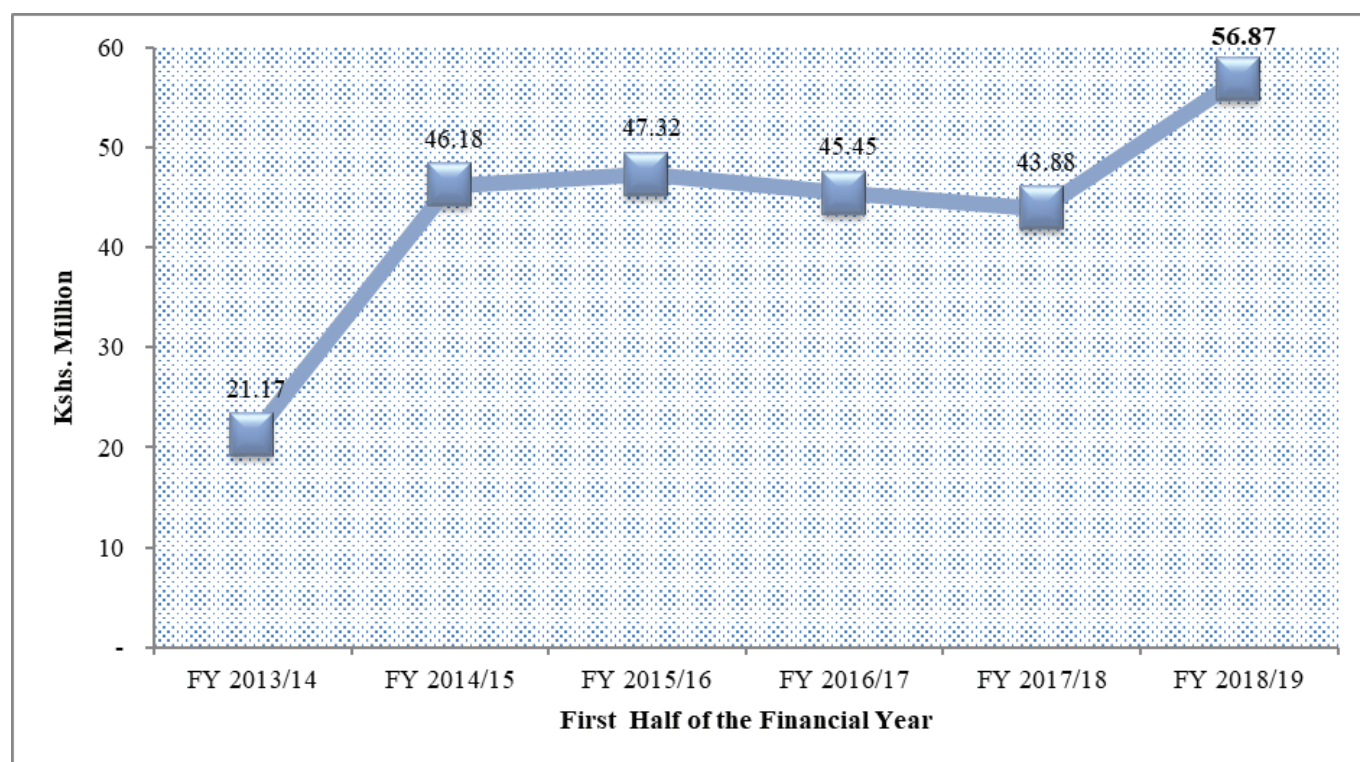
The conditional grants contained in the CARA (Amendment), 2018 consist of; Kshs.50 million (6.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (14.7 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.38.55 million (4.8 per cent) from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

3.5.2 Revenue Analysis

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

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

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



Source: Elgeyo Marakwet County Treasury

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

3.5.3 Conditional Grants

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

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

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

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

Source: Elgeyo Marakwet County Treasury

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

3.5.4 Exchequer Issues

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

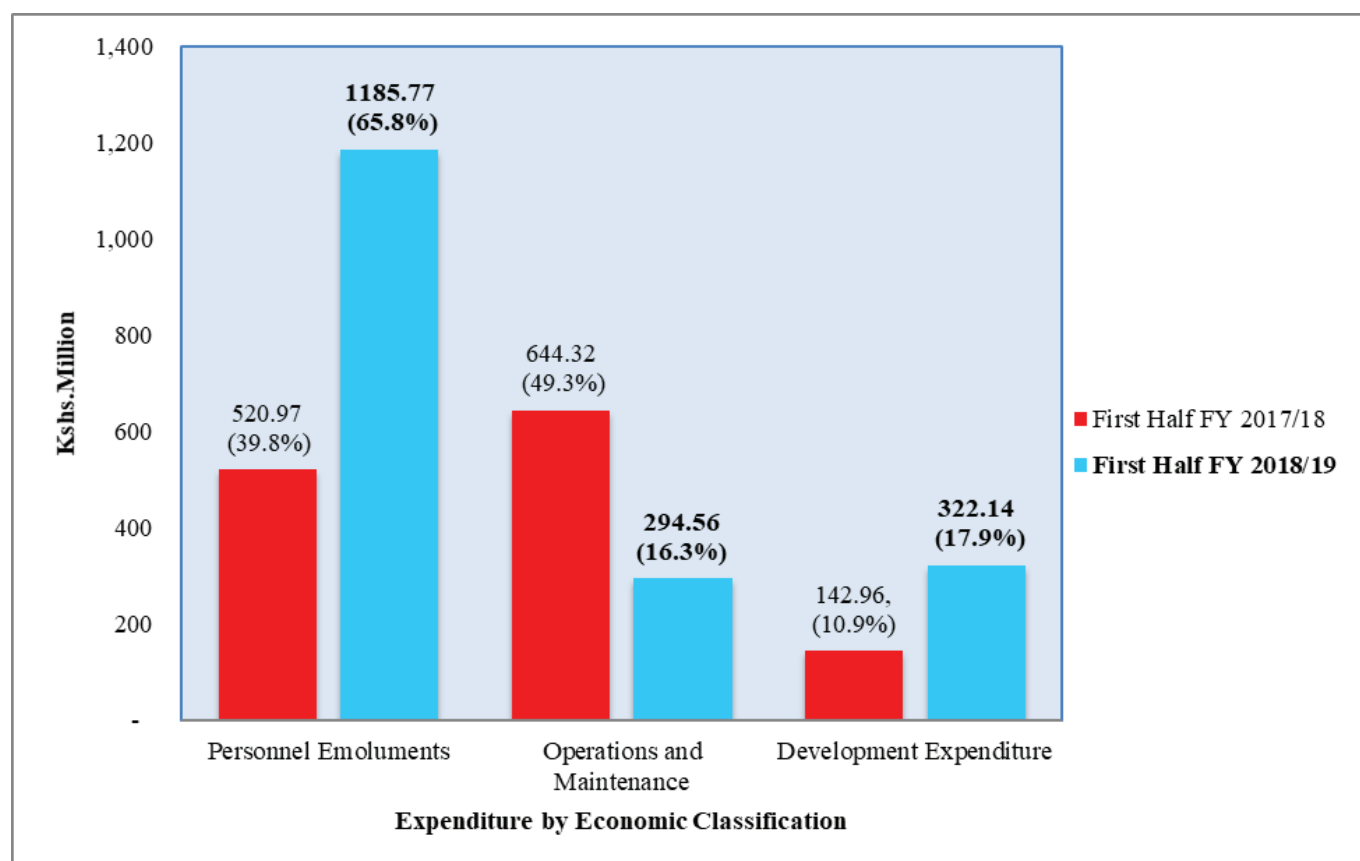
3.5.5 Overall Expenditure Review

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

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

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

Figure 3.18: Elgeyo Marakwet County, Expenditure by Economic Classification



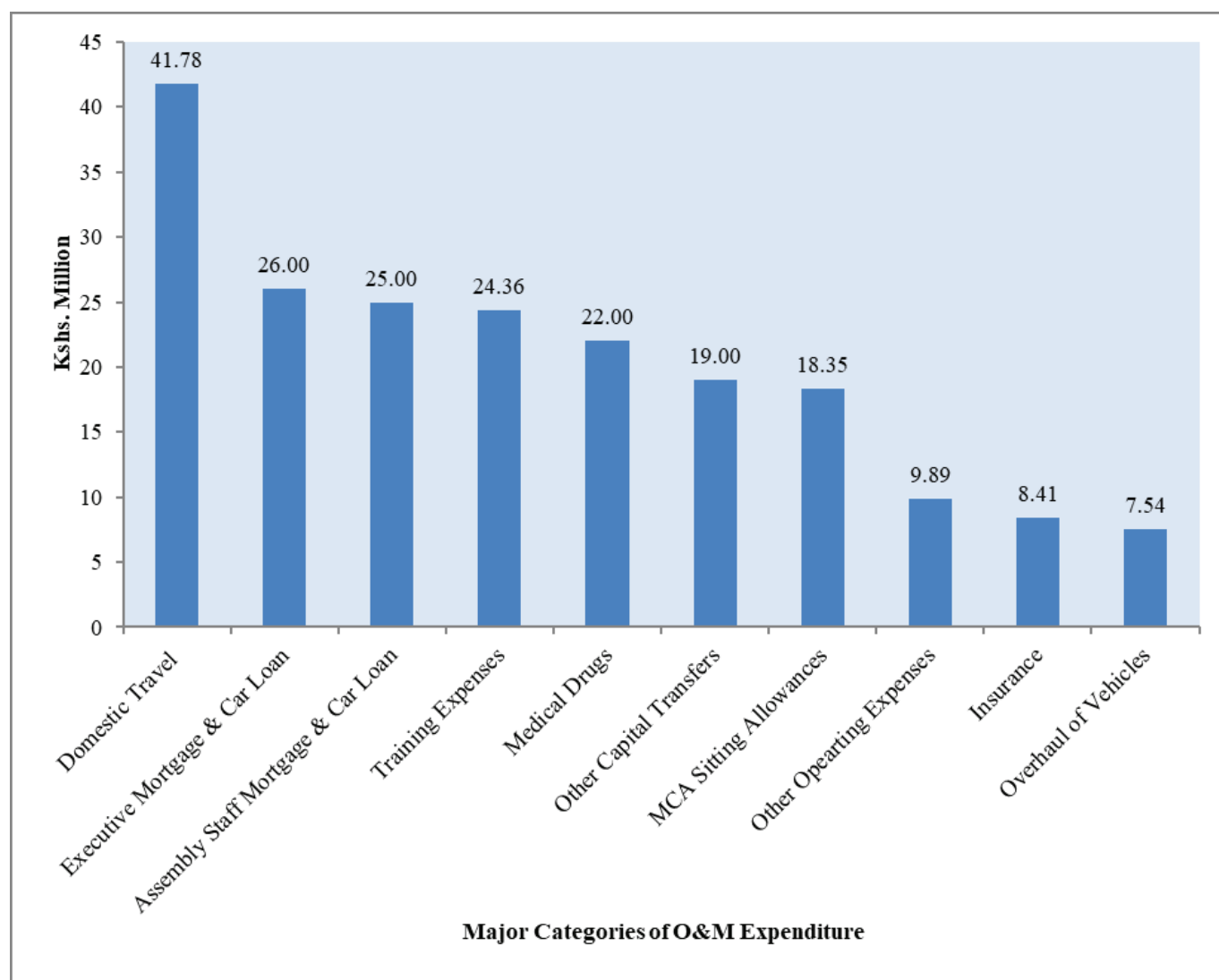
Source: Elgeyo Marakwet County Treasury

3.5.6 Analysis of Recurrent Expenditure

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

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

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



Source: Elgeyo Marakwet County Treasury

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

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

3.5.7 Development Expenditure

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

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

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

Source: Elgeyo Marakwet County Treasury

3.5.8 Budget Performance by County Department

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

Table 3.15: Elgeyo Marakwet County, Budget Performance by Department

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

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

Source: Elgeyo Marakwet County Treasury

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

3.5.9 Key Observations and Recommendations

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

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

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

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

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

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

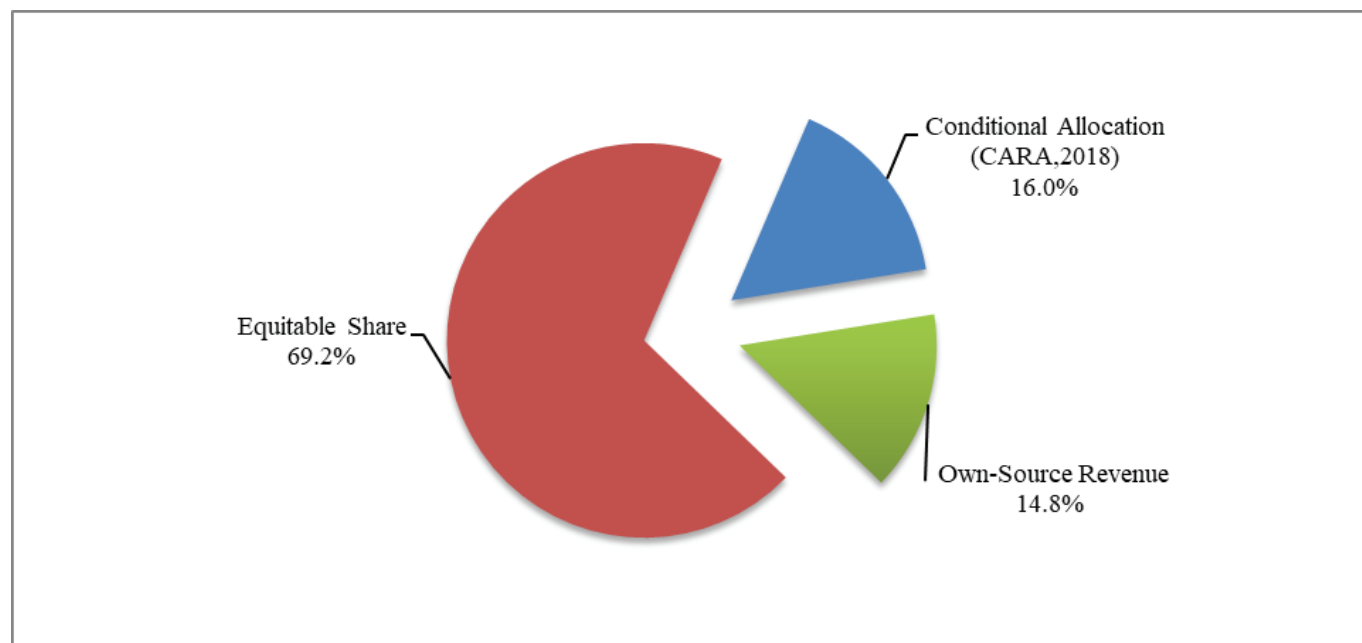
3.6 Embu County

3.6.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Embu County Treasury

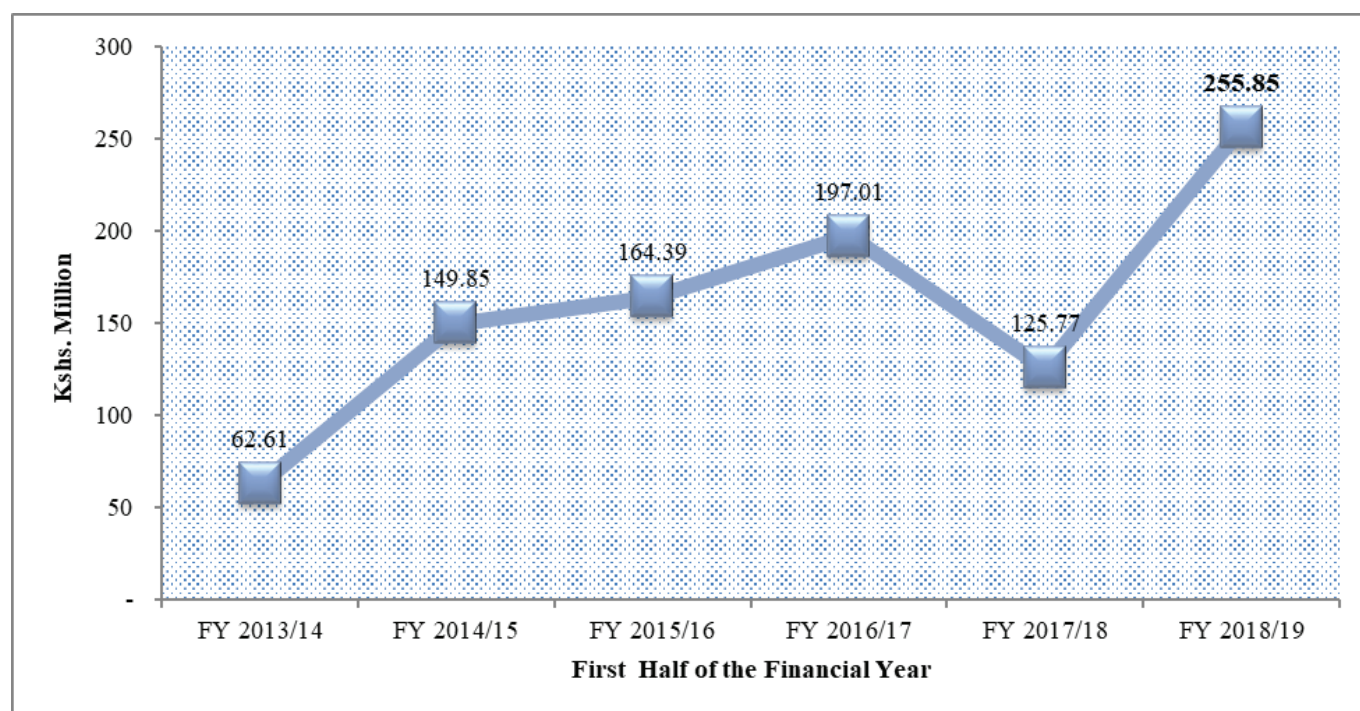
The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (4.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.22 million (13.6 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.40.60 million (3.9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

3.6.2 Revenue Analysis

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

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

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



Source: Embu County Treasury

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

3.6.3 Conditional Grants

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

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

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

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

Source: Embu County Treasury

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

3.6.4 Exchequer Issues

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

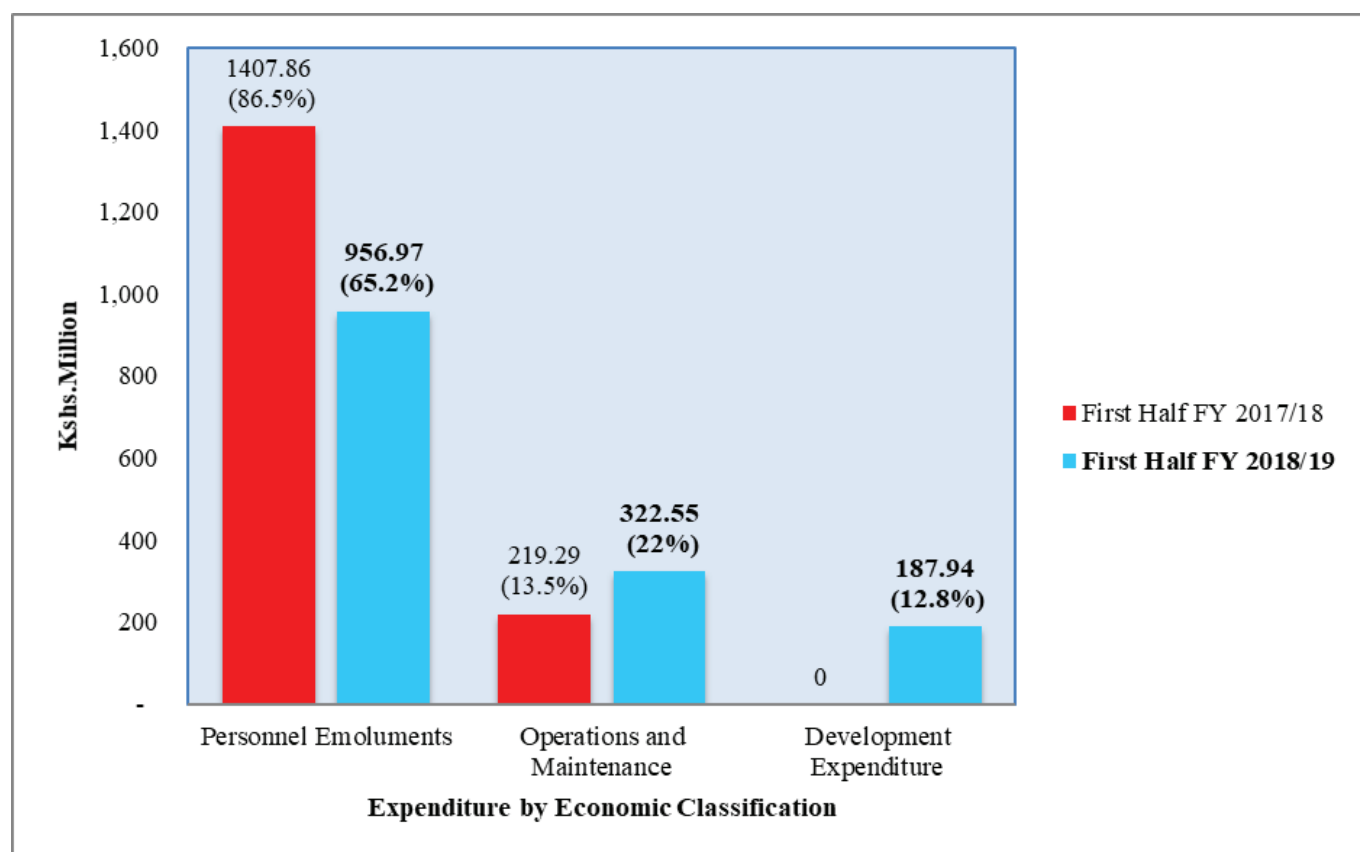
3.6.5 Overall Expenditure Review

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

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

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

Figure 3.22: Embu County, Expenditure by Economic Classification



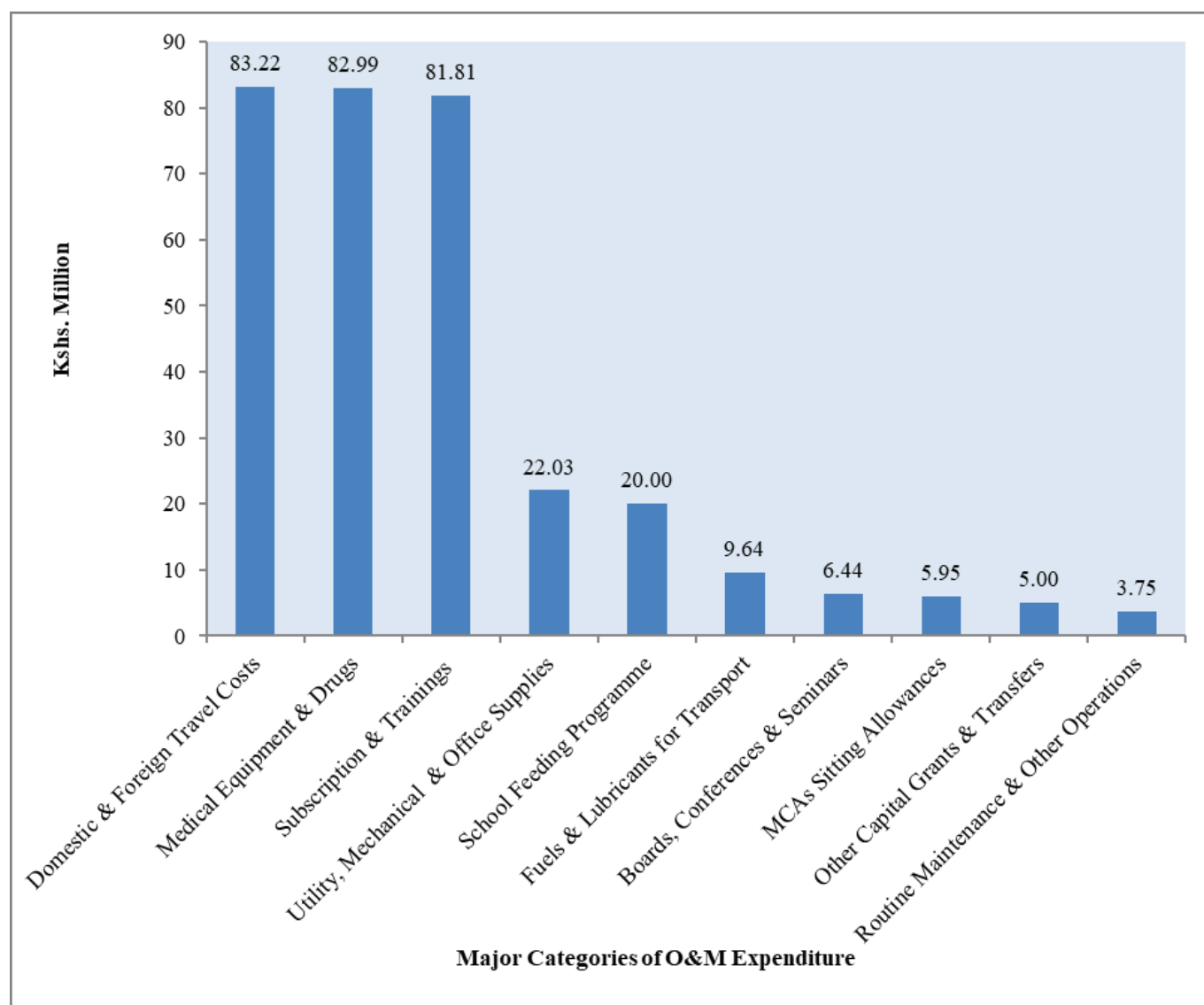
Source: Embu County Treasury

3.6.6 Analysis of Recurrent Expenditure

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

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

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



Source: Embu County Treasury

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

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

3.6.7 Development Expenditure

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

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

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

Source: Embu County Treasury

3.6.8 Budget Performance by County Department

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

Table 3.18: Embu County, Budget Performance by Department

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

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

Source: Embu County Treasury

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

3.6.9 Key Observations and Recommendations

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

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

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

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

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

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

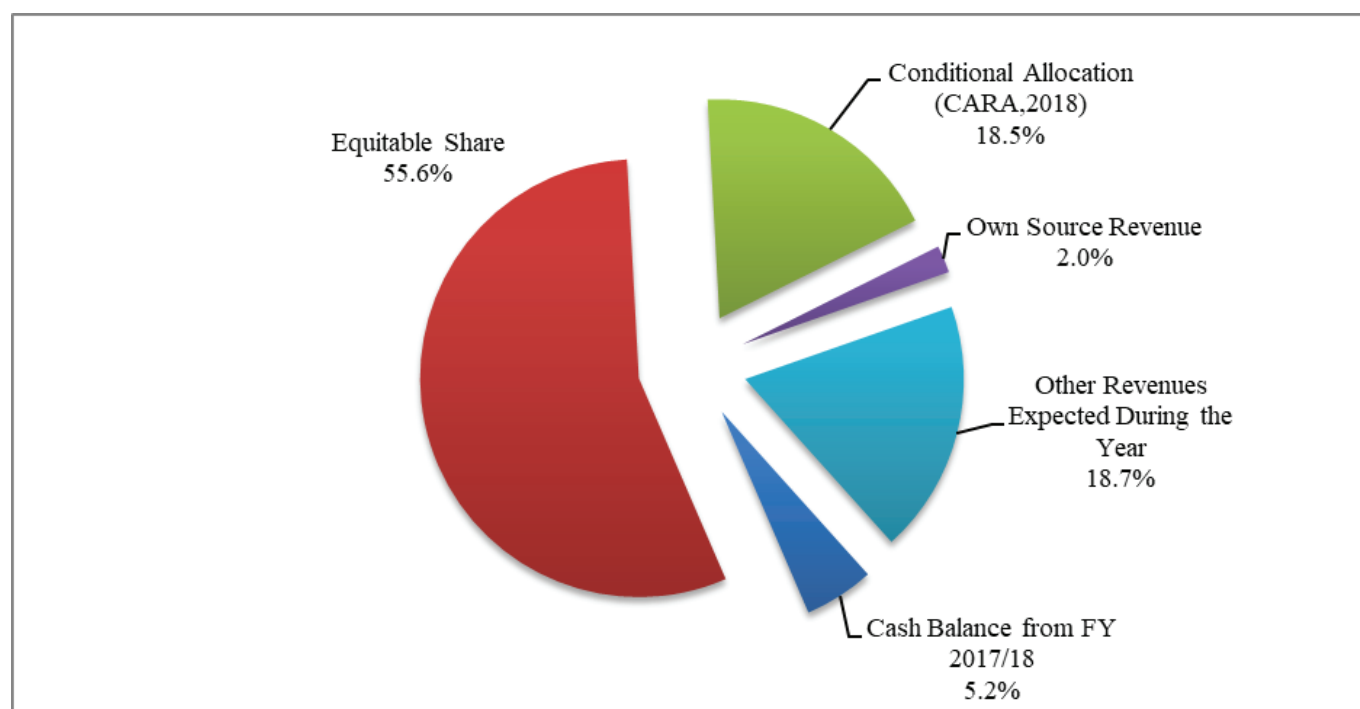
3.7 Garissa County

3.7.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Garissa County Treasury

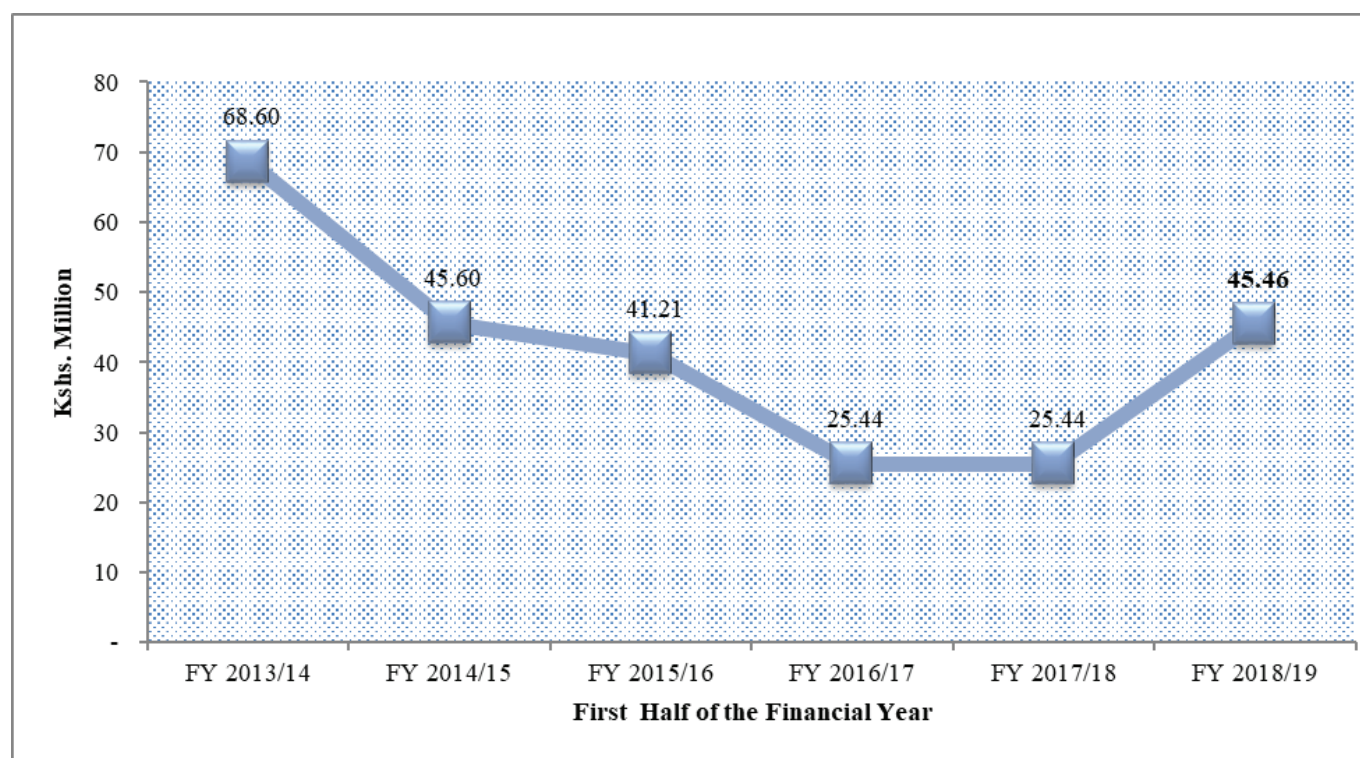
The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (4.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (6.5 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.47.74 million (2.1 per cent) from IDA (World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

3.7.2 Revenue Analysis

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

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

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



Source: Garissa County Treasury

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

3.7.3 Conditional Grants

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

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

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

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

Source: Garissa County Treasury

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

3.7.4 Exchequer Issues

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

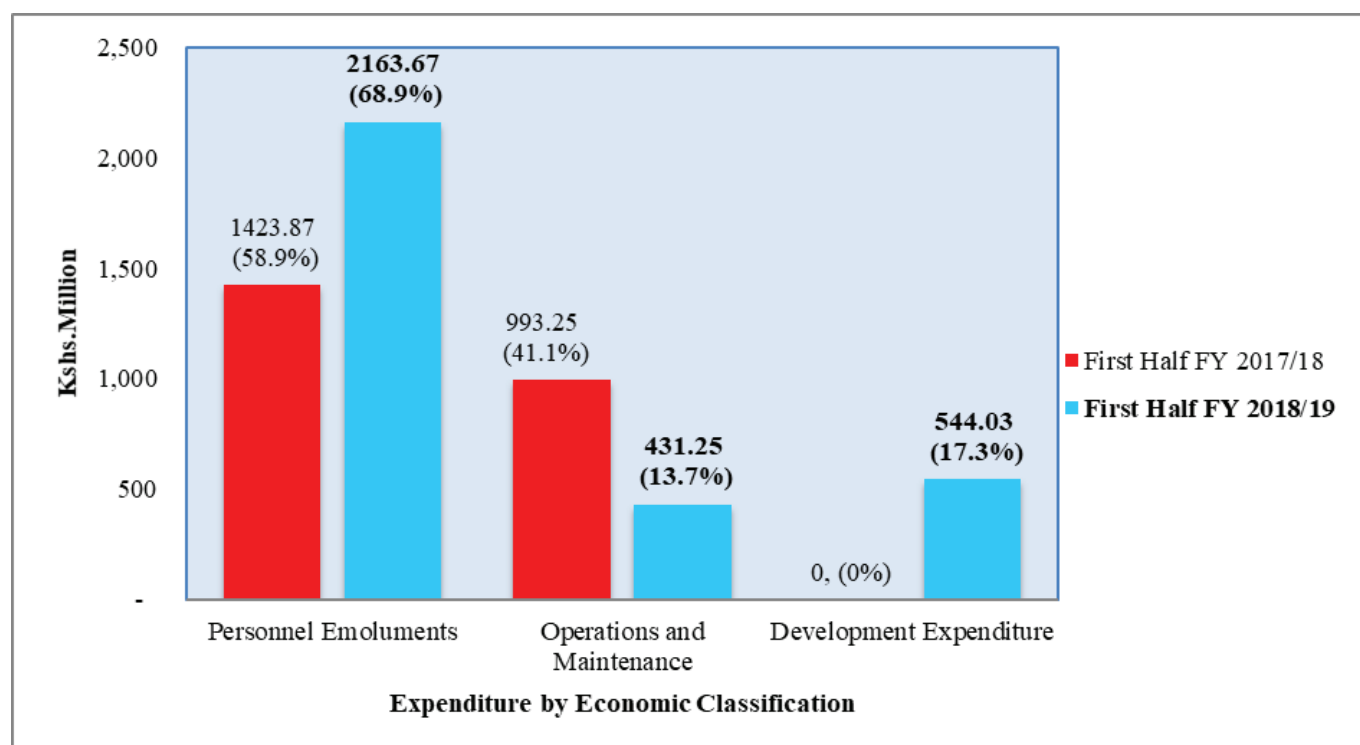
3.7.5 Overall Expenditure Review

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

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

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

Figure 3.26: Garissa County, Expenditure by Economic Classification



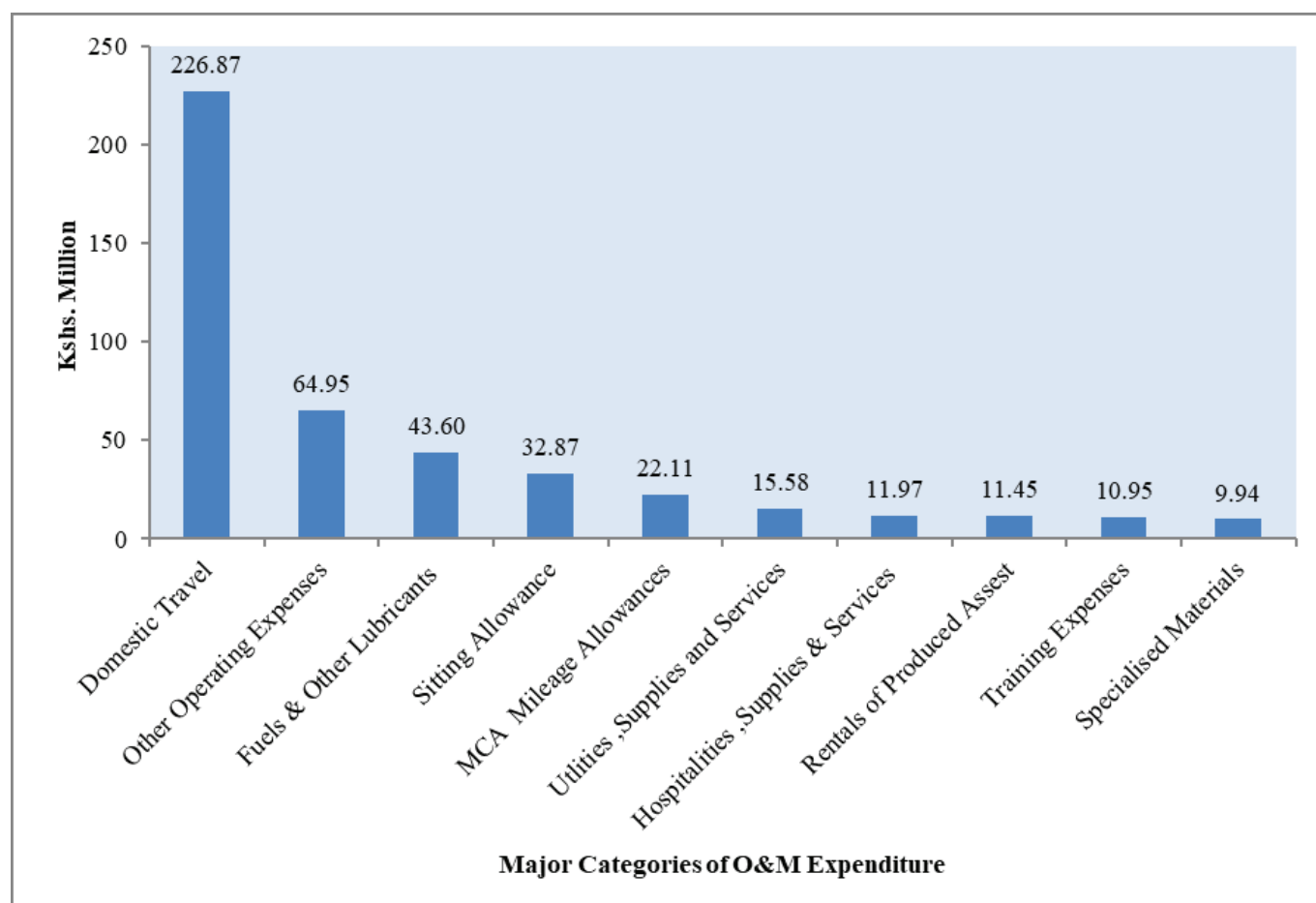
Source: Garissa County Treasury

3.7.6 Analysis of Recurrent Expenditure

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

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

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



Source: Garissa County Treasury

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

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

3.7.7 Development Expenditure

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

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

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

Source: Garissa County Treasury

3.7.8 Budget Performance by County Department

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

Table 3.21: Garissa County, Budget Performance by Department

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

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

Source: Garissa County Treasury

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

3.7.9 Key Observations and Recommendations

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

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

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

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

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

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

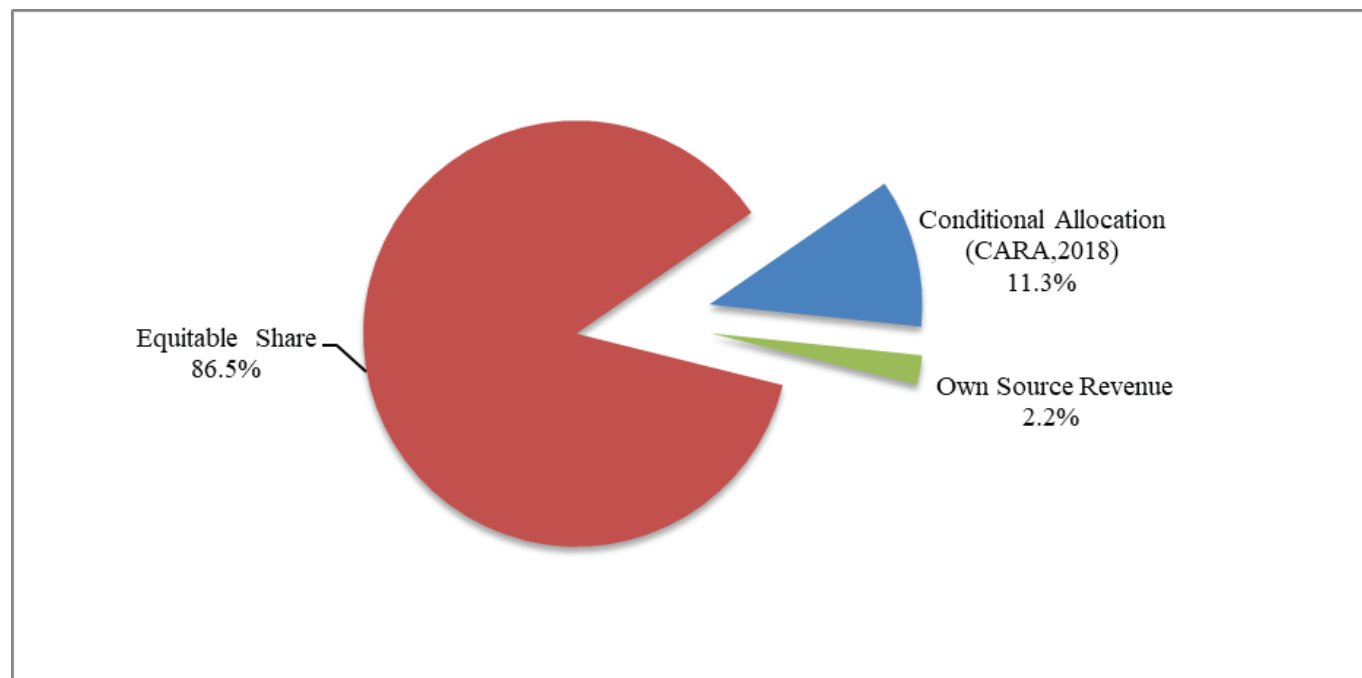
3.8 Homa Bay County

3.8.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Homa Bay County Treasury

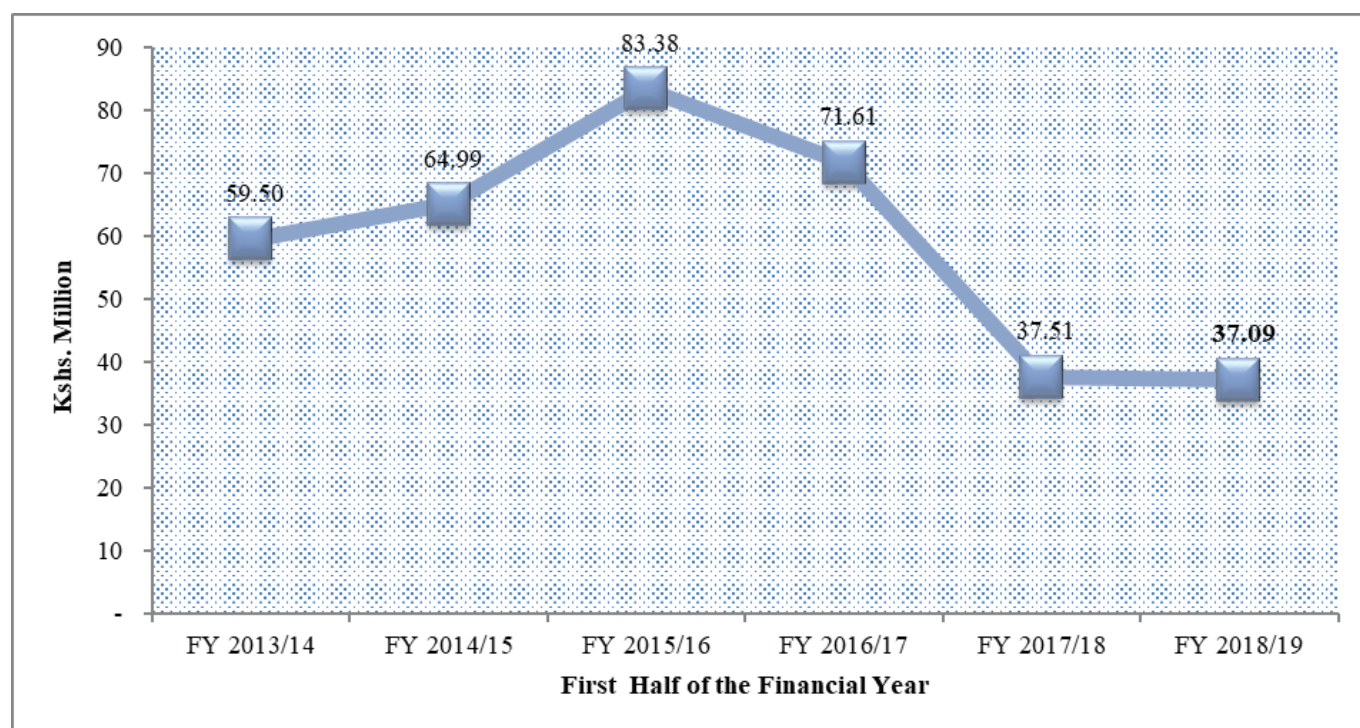
The conditional grants contained in the CARA, 2018 consist of; include Kshs.200 million (23.2 per cent) for Leasing of Medical Equipment, Kshs.176.09 million (20.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.140.44 million (16.3 per cent) as World Bank loan for National Agriculture and Rural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

3.8.2 Revenue Analysis

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

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

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



Source: Homa Bay County Treasury

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

3.8.3 Conditional Grants

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

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

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

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

Source: Homa Bay County Treasury

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

3.8.4 Exchequer Issues

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

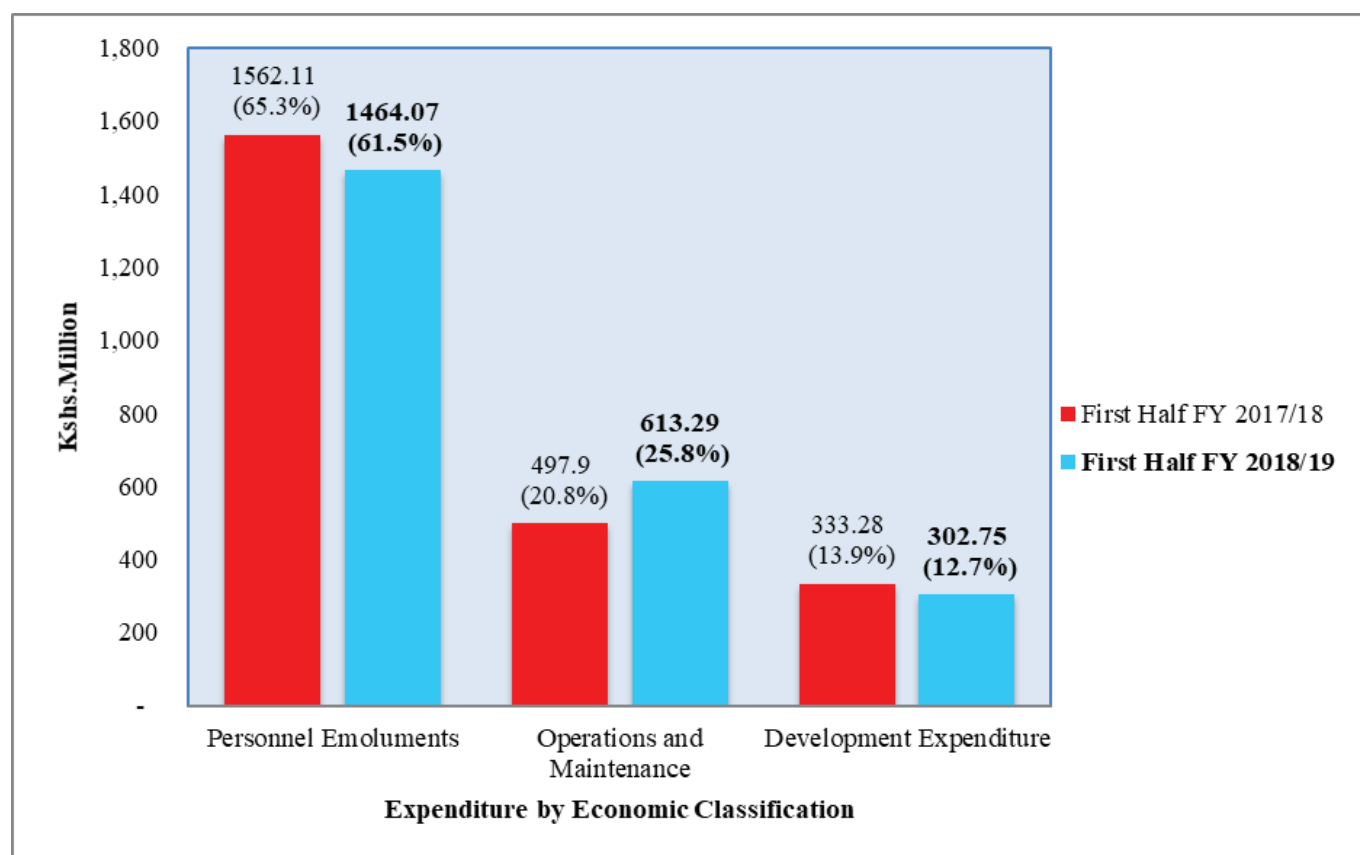
3.8.5 Overall Expenditure Review

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

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

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

Figure 3.30: Homa Bay County, Expenditure by Economic Classification



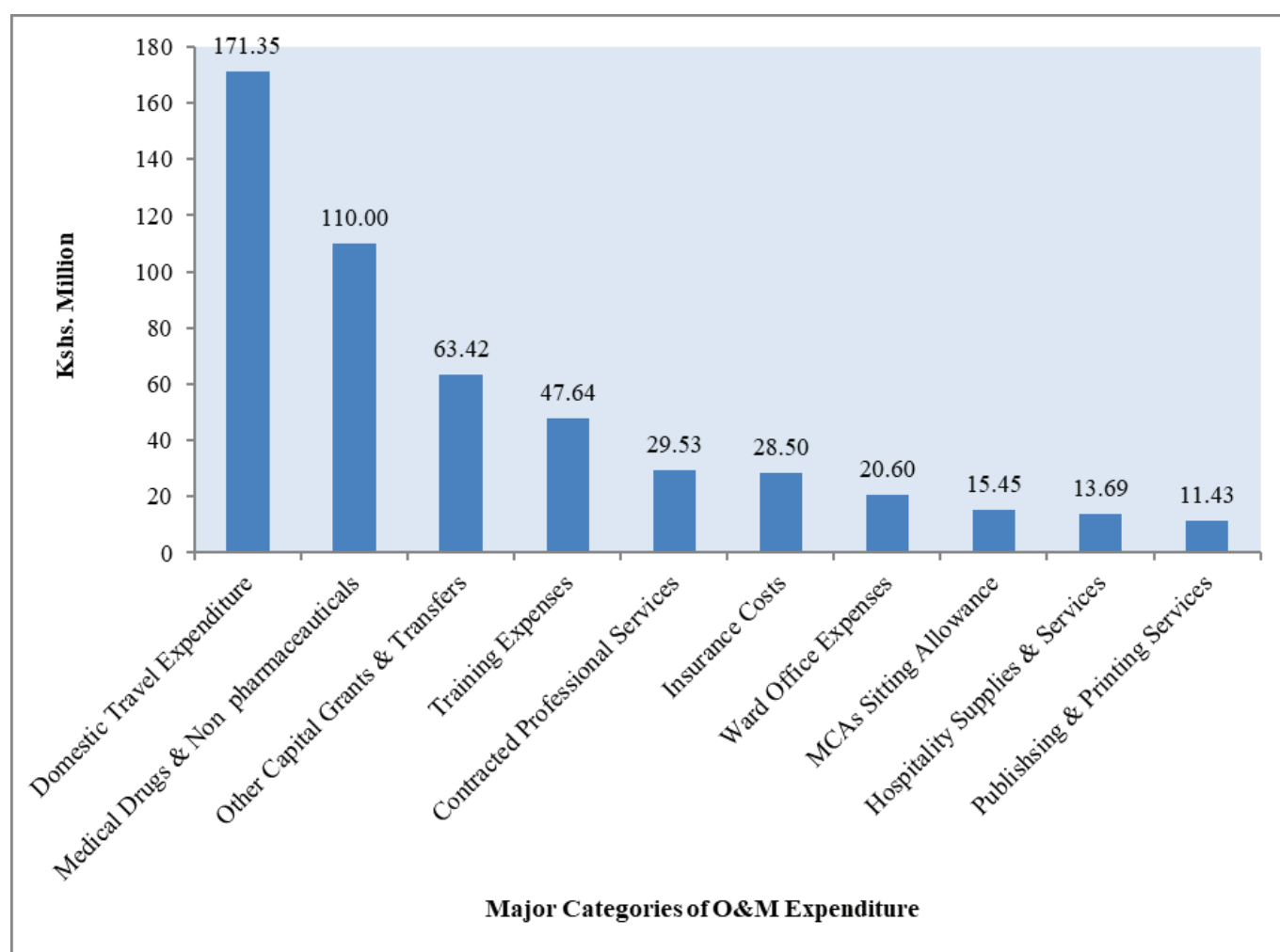
Source: Homa Bay County Treasury

3.8.6 Analysis of Recurrent Expenditure

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

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

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



Source: Homa Bay County Treasury

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

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

3.8.7 Development Expenditure

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

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

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

Source: Homa Bay County Treasury

3.8.8 Budget Performance by County Department

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

Table 3.24: Homa Bay County, Budget Performance by Department

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

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

Source: Homa Bay County Treasury

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

3.8.9 Key Observations and Recommendations

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

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

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

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

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

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

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

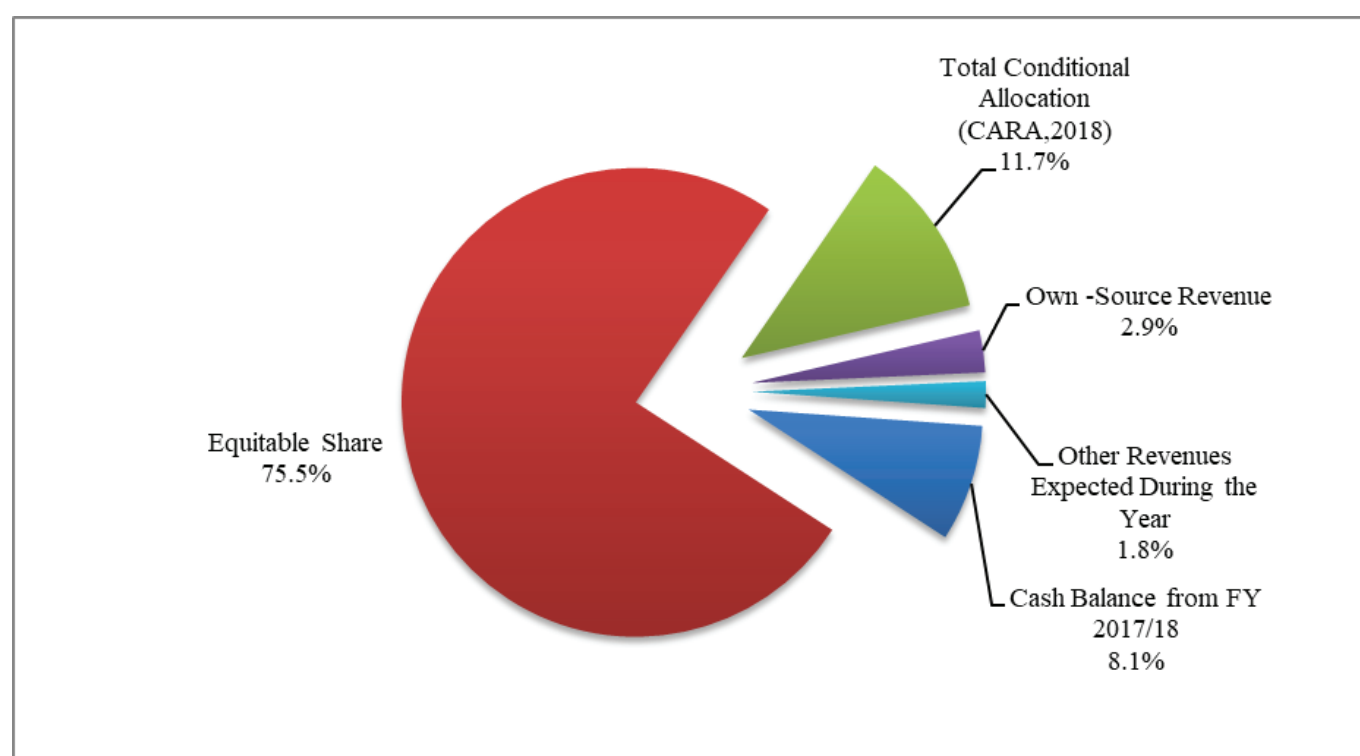
3.9 Isiolo County

3.9.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Isiolo County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.66.23 million (9.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (22.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.38.67 million (5.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.93.97 million (13.9 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.12.66 million (1.9 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.22.03 million (3.3 per cent) grant from Sweden Agricultural Sector Development Support Programme (ASDSP), Kshs.41.20 million (6.1 per cent) from IDA (World Bank) credit for Kenya Urban Support Project (FY 2017/18 and 2018/19), Kshs.121 million (18 per cent) Supplement for Construction of County Headquarters, Kshs.3.47 million (0.5 per cent) as Compensation for User Fees Foregone, Kshs.103.34 million (15.3 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.21.24 million (3.2 per cent) for Rehabilitation of Village Polytechnics.

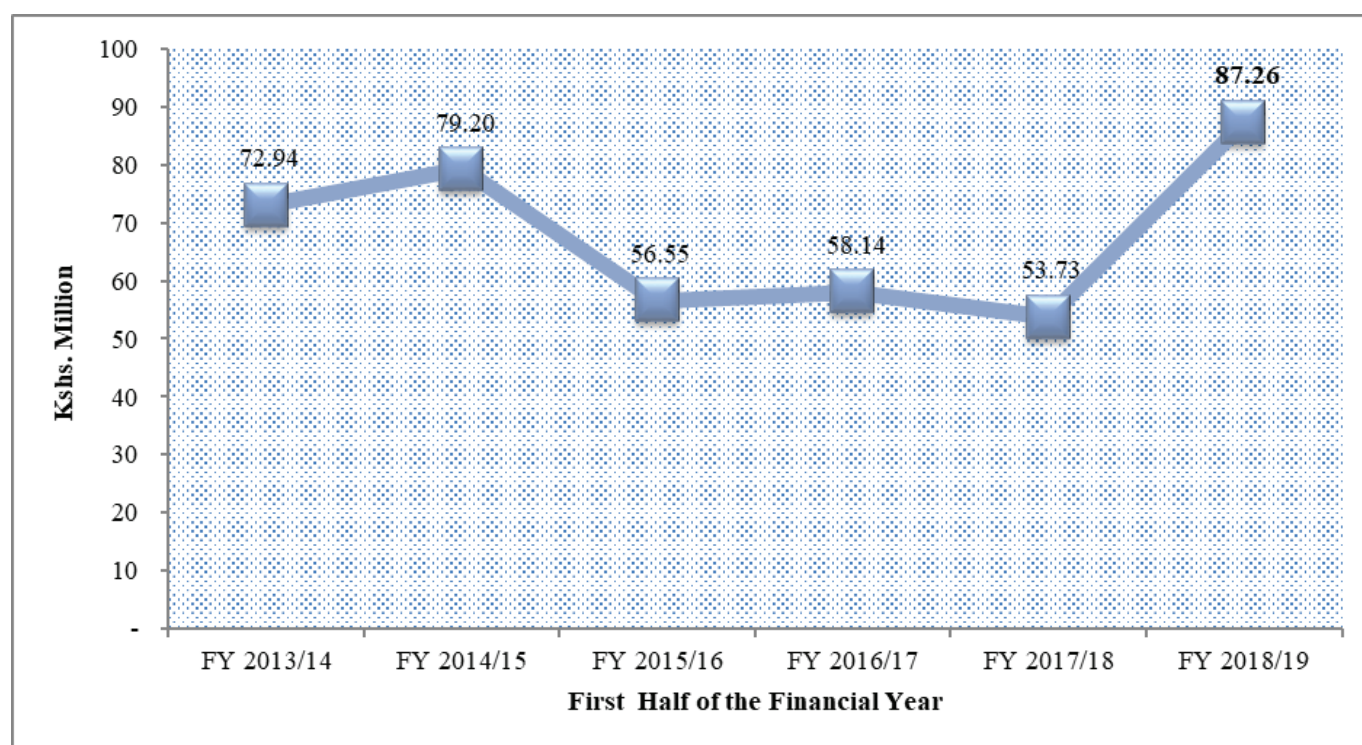
The County also budgeted to receive Kshs.9.02 million as grant for Food and Agriculture Organization of the United Nations-Livestock grant programme, which is not contained in the CARA, 2018.

3.9.2 Revenue Analysis

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

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

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



Source: Isiolo County Treasury

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

3.9.3 Conditional Grants

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

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

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

Source: Isiolo County Treasury

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

3.9.4 Exchequer Issues

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

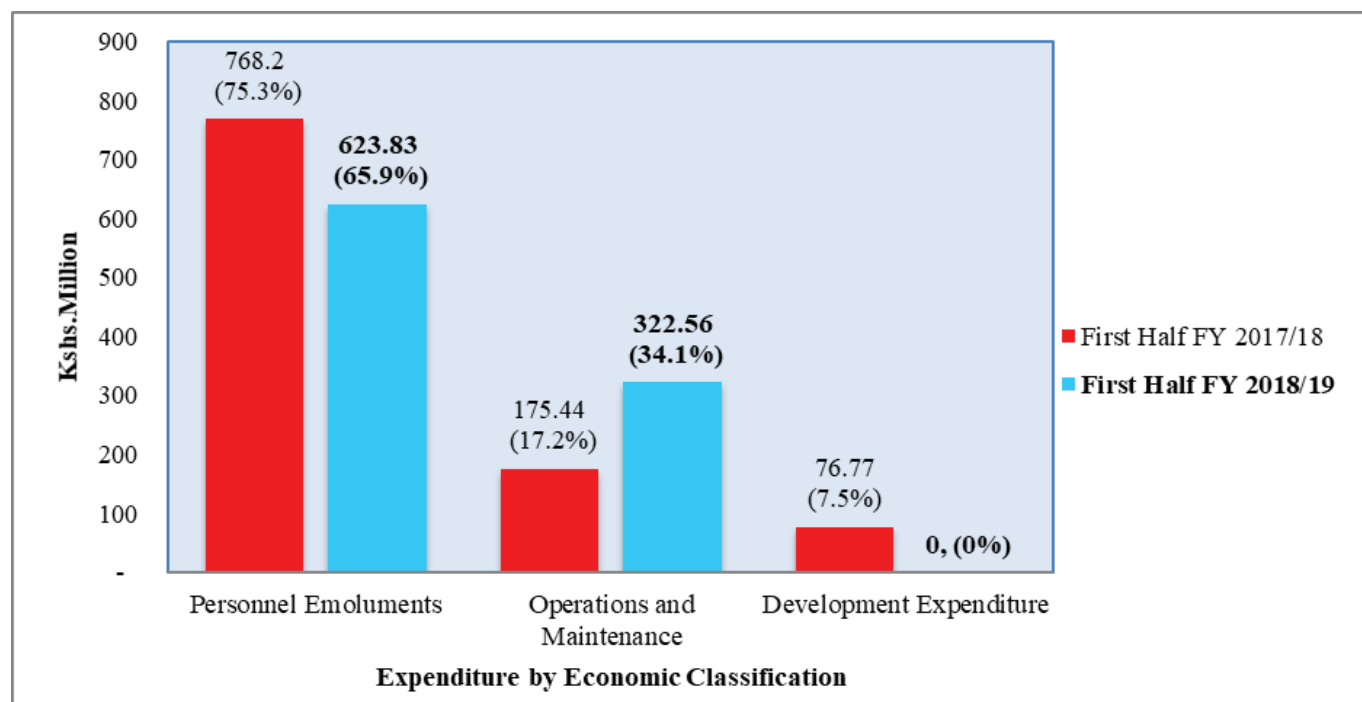
3.9.5 Overall Expenditure Review

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

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

expenditure represented 30.1 per cent of the annual recurrent budget, a decrease from 34.1 per cent recorded in the first half of FY 2017/18. Figure 3.34 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.34: Isiolo County, Expenditure by Economic Classification



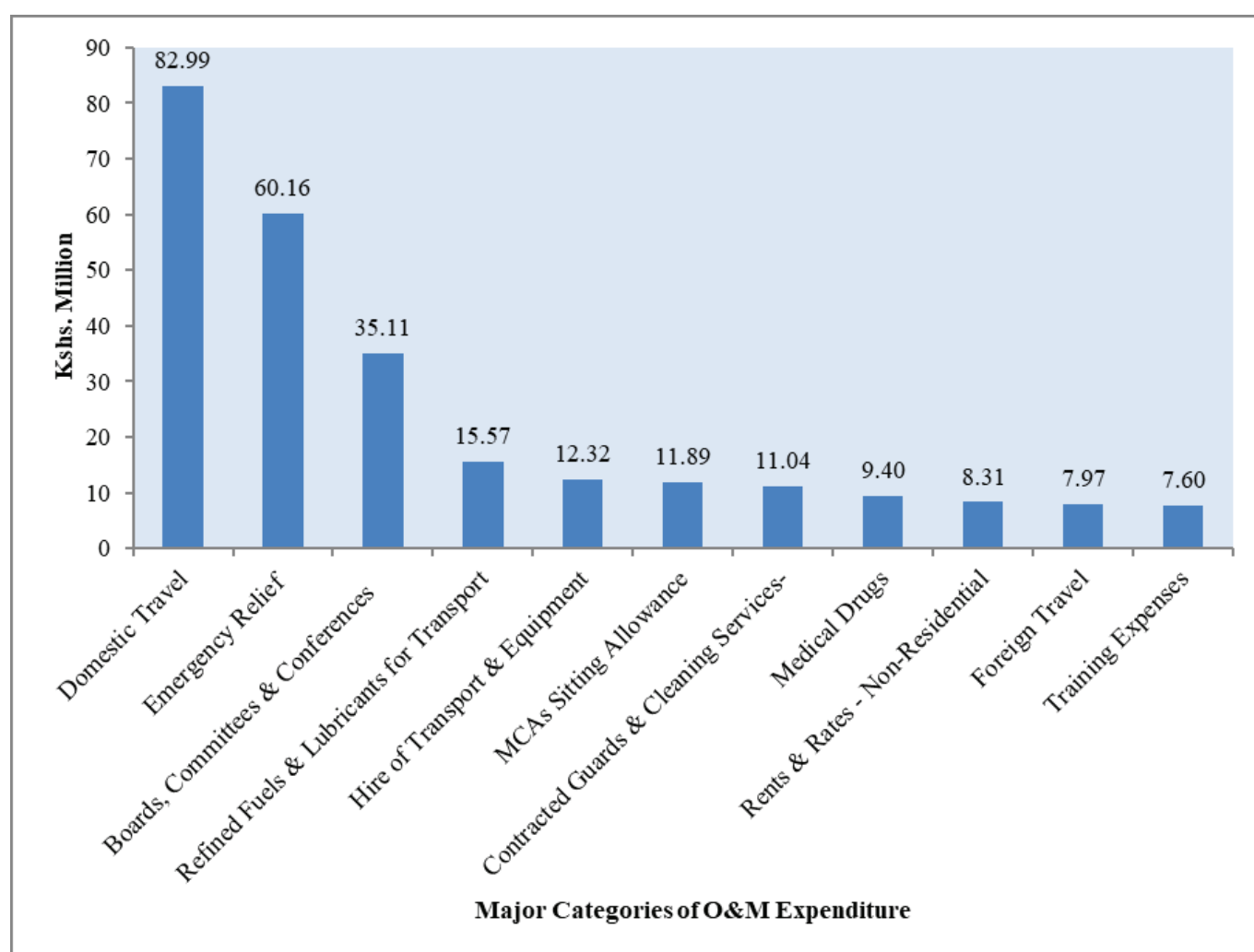
Source: Isiolo County Treasury

3.9.6 Analysis of Recurrent Expenditure

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

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

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



Source: Isiolo County Treasury

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

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

3.9.7 Development Expenditure

There was no development expenditure during the reporting period.

3.9.8 Budget Performance by County Department

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

Table 3.26: Isiolo County, Budget Performance by Department

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

Source: Isiolo County Treasury

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

3.9.9 Key Observations and Recommendations

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

- i. Improvement in own-source revenue collection by 62.4 per cent compared to a similar period of the FY 2017/18.

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

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

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

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

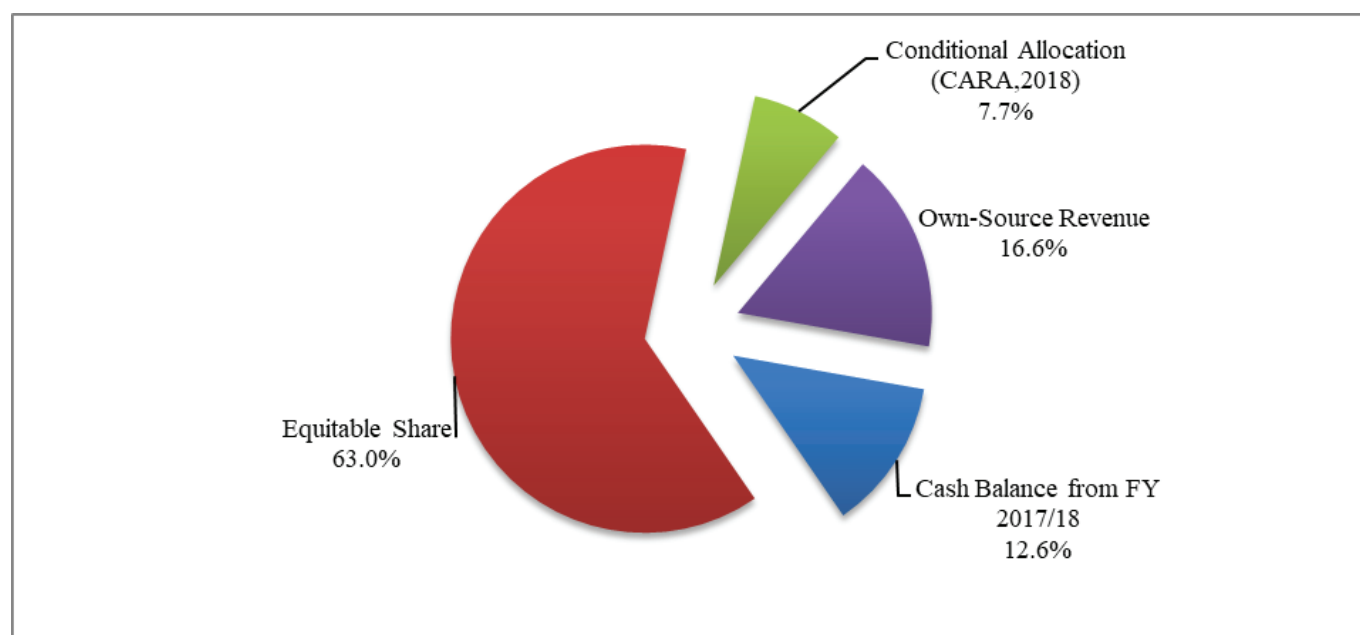
3.10 Kajiado County

3.10.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Kajiado County Treasury

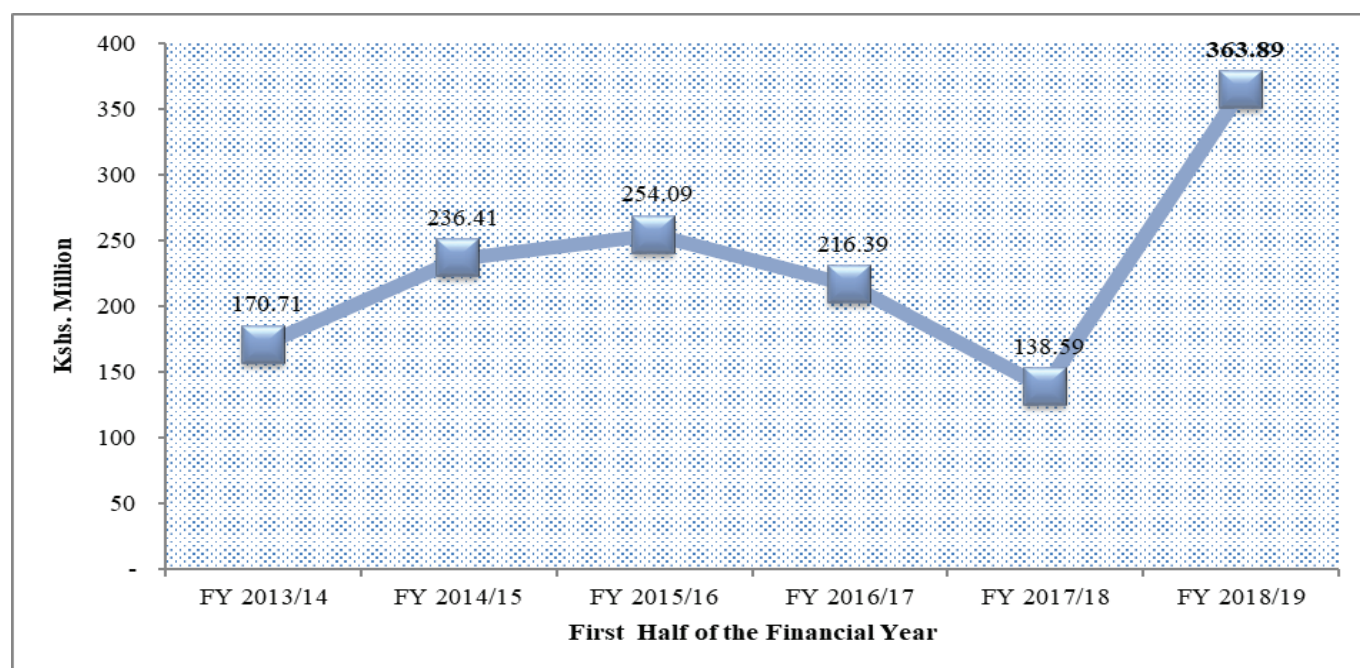
The conditional grants contained in the CARA, 2018 consist of; Kshs.62.48 million (6.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (12.6 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.45.86 million (5 per cent) from IDA (World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

3.10.2 Revenue Analysis

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

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

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



Source: Kajiado County Treasury

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

3.10.3 Conditional Grants

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

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

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

Source: Kajiado County Treasury

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant which accounted for 63.2 per cent of annual allocation.

3.10.4 Exchequer Issues

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

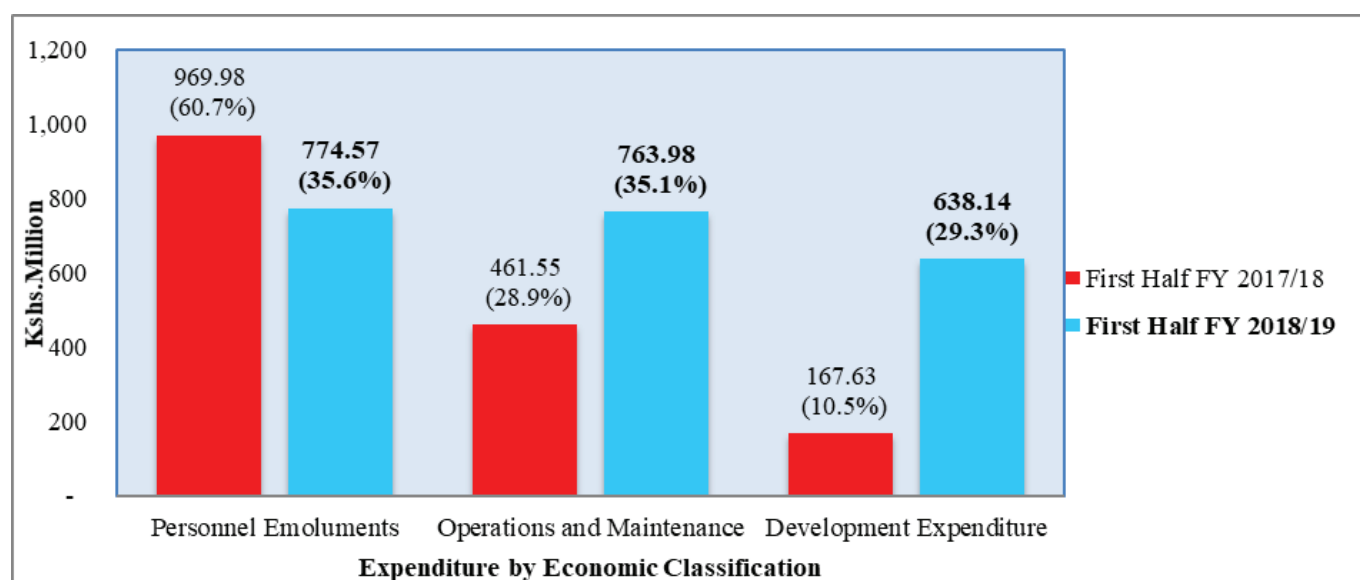
3.10.5 Overall Expenditure Review

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

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

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

Figure 3.38: Kajiado County, Expenditure by Economic Classification



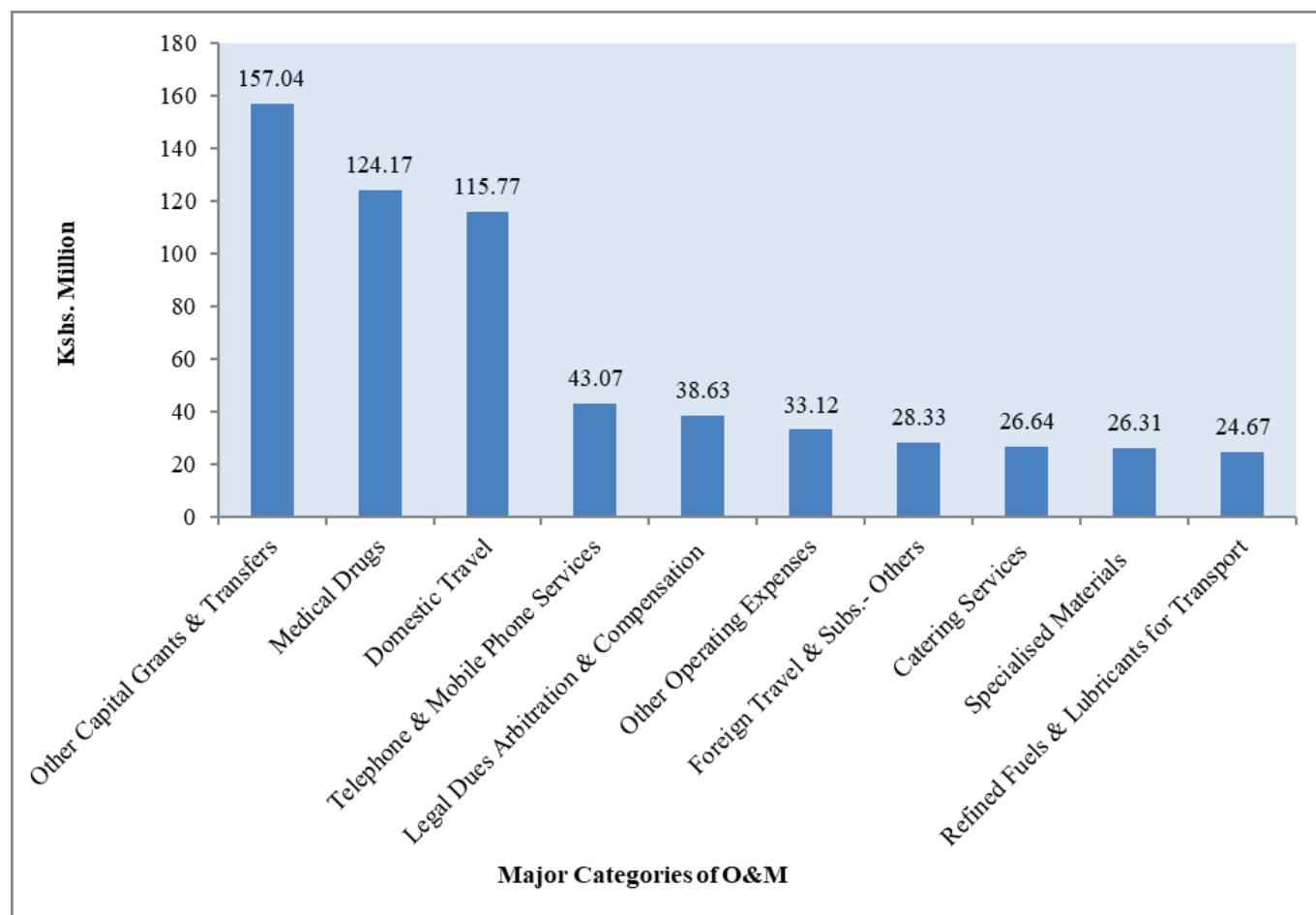
Source: Kajiado County Treasury

3.10.6 Analysis of Recurrent Expenditure

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

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

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



Source: Kajiado County Treasury

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

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

3.10.7 Development Expenditure

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

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

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

Source: Kajiado County Treasury

3.10.8 Budget Performance by County Department

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

Table 3.29: Kajiado County, Budget Performance by Department

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

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

Source: Kajiado County Treasury

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

3.10.9 Key Observations and Recommendations

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

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

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

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

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

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

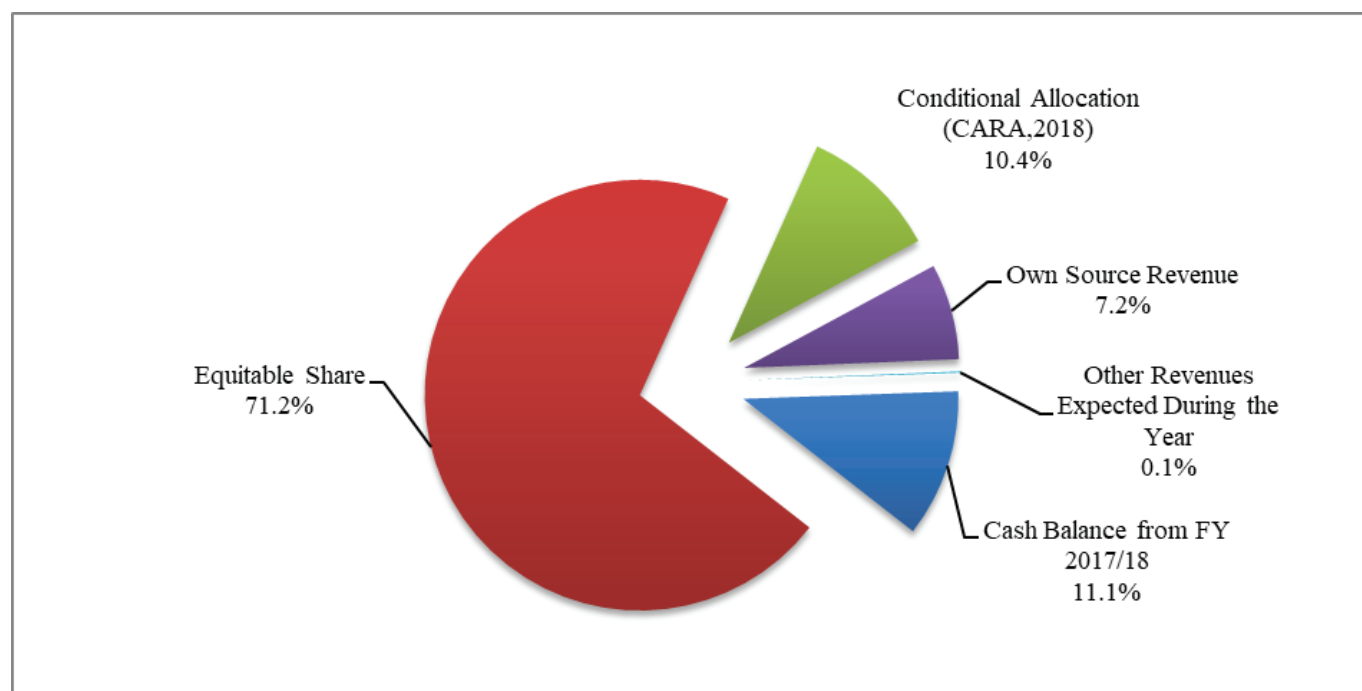
3.11 Kakamega County

3.11.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Kakamega County Treasury

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

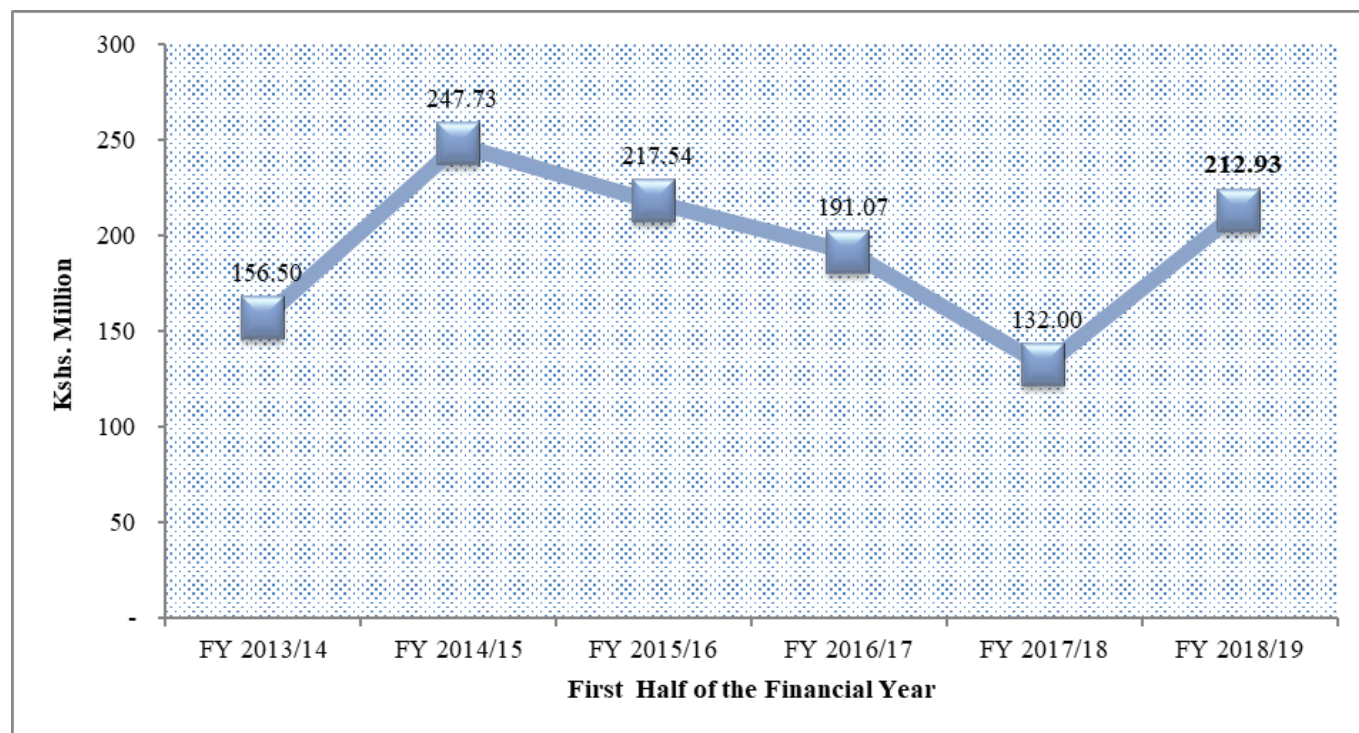
In addition, the County budgeted to receive Kshs.14.43 million as grant for Kenya Agricultural Support Programme (KASP), which is not contained in the CARA, 2018.

3.11.2 Revenue Analysis

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

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

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



Source: Kakamega County Treasury

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

3.11.3 Conditional Grants

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

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

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

Source: Kakamega County Treasury

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

3.11.4 Exchequer Issues

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

3.11.5 Overall Expenditure Review

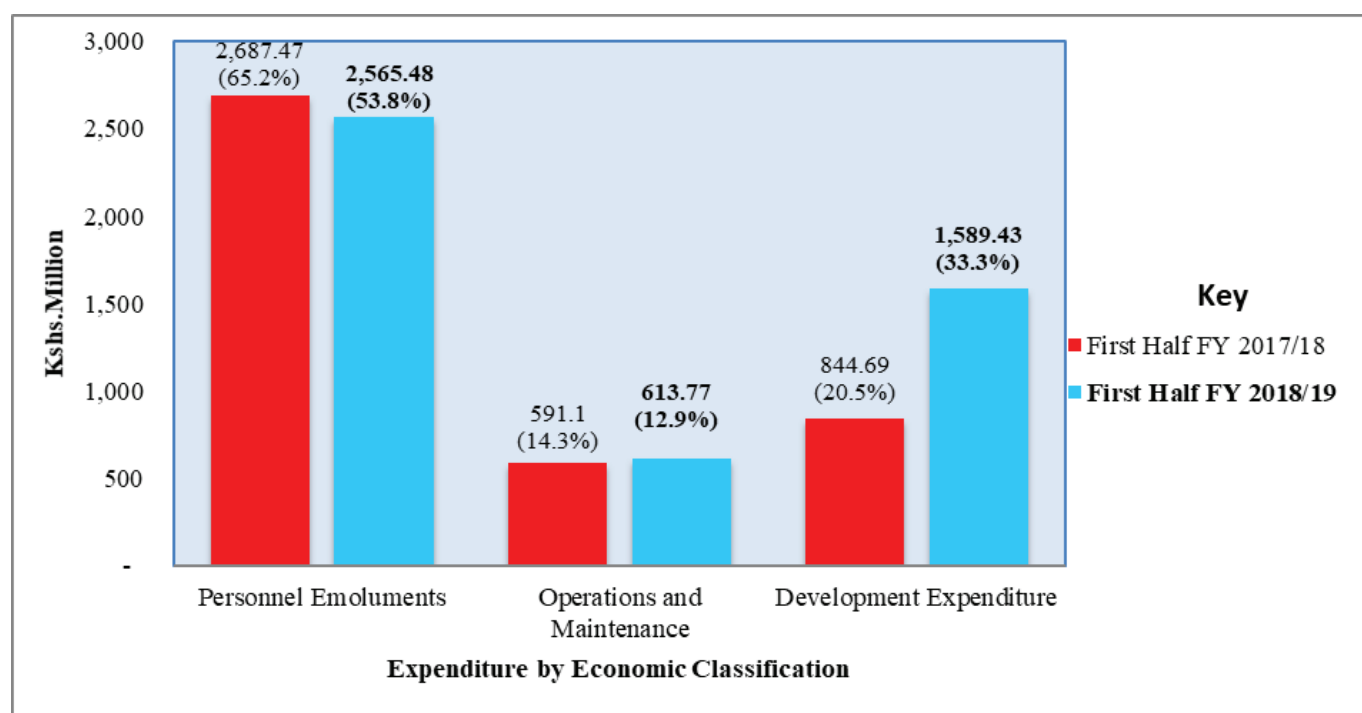
The County government spent a total of Kshs.4.77 billion on both recurrent and development activities. This expenditure represented 94.9 per cent of the total funds released from the CRF account and was an increase of

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

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

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

Figure 3.42: Kakamega County, Expenditure by Economic Classification



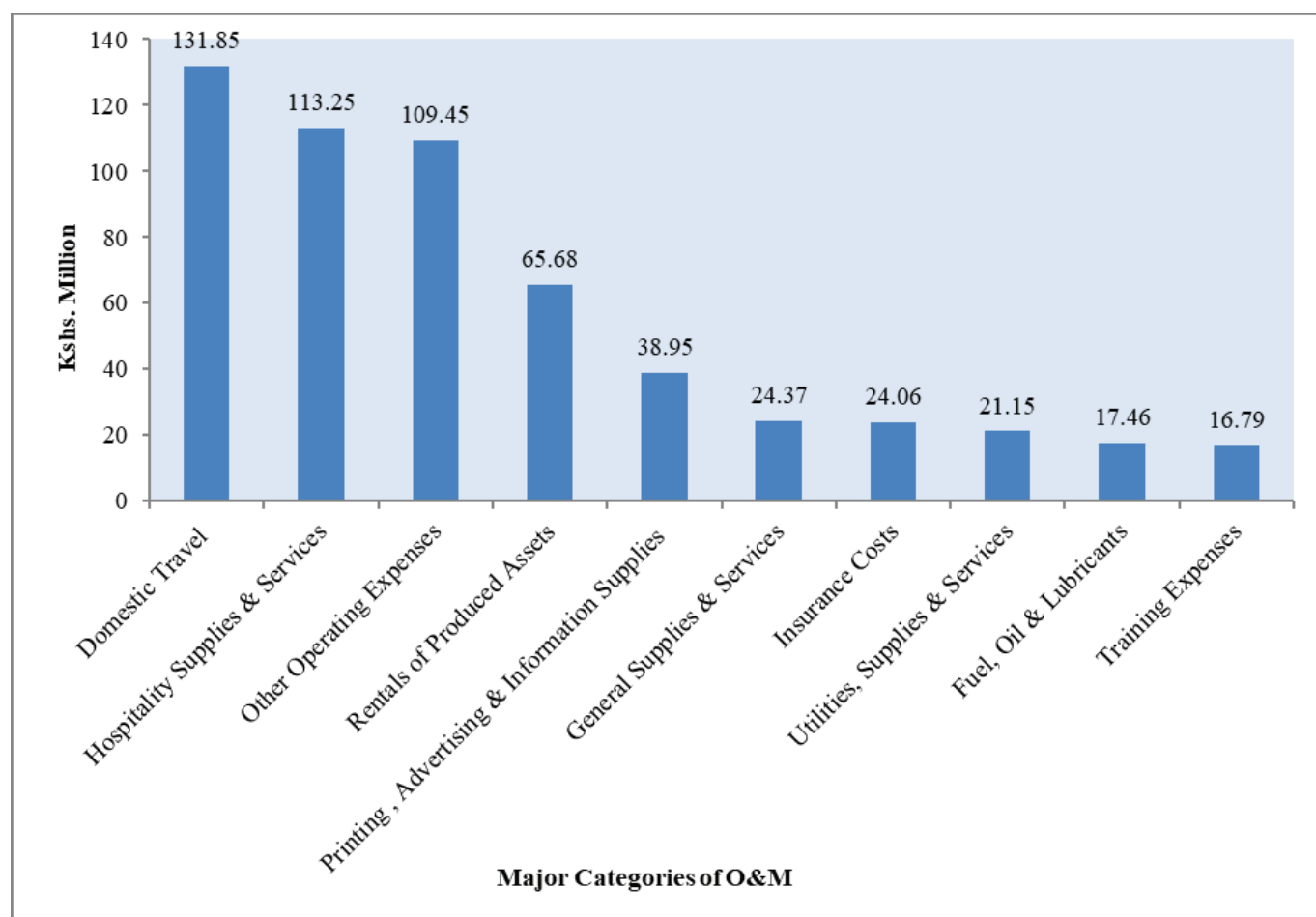
Source: Kakamega County Treasury

3.11.6 Analysis of Recurrent Expenditure

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

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

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



Source: Kakamega County Treasury

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

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

3.11.7 Development Expenditure

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

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

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

Source: Kakamega County Treasury

3.11.8 Budget Performance by County Department

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

Table 3.32: Kakamega County, Budget Performance by Department

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

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

Source: Kakamega County Treasury

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

3.11.9 Key Observations and Recommendations

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

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

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

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

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

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

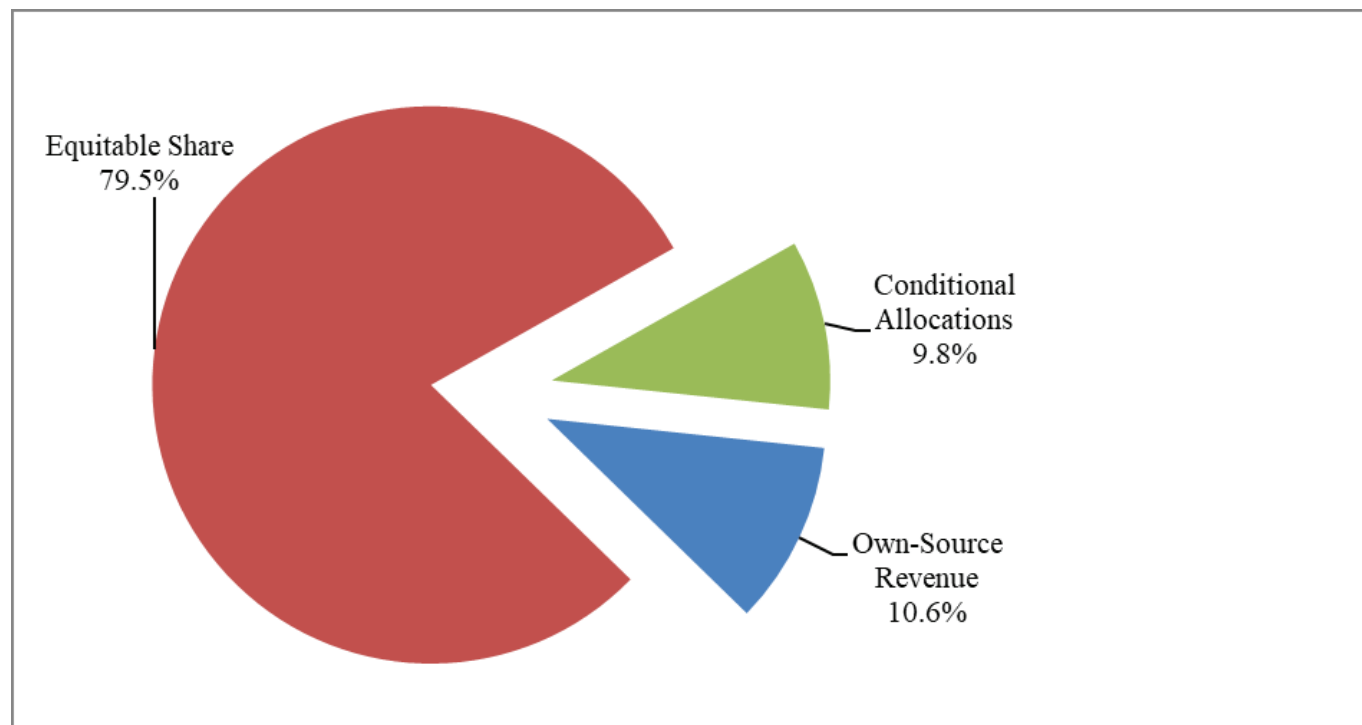
3.12 Kericho County

3.12.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Kericho County Treasury

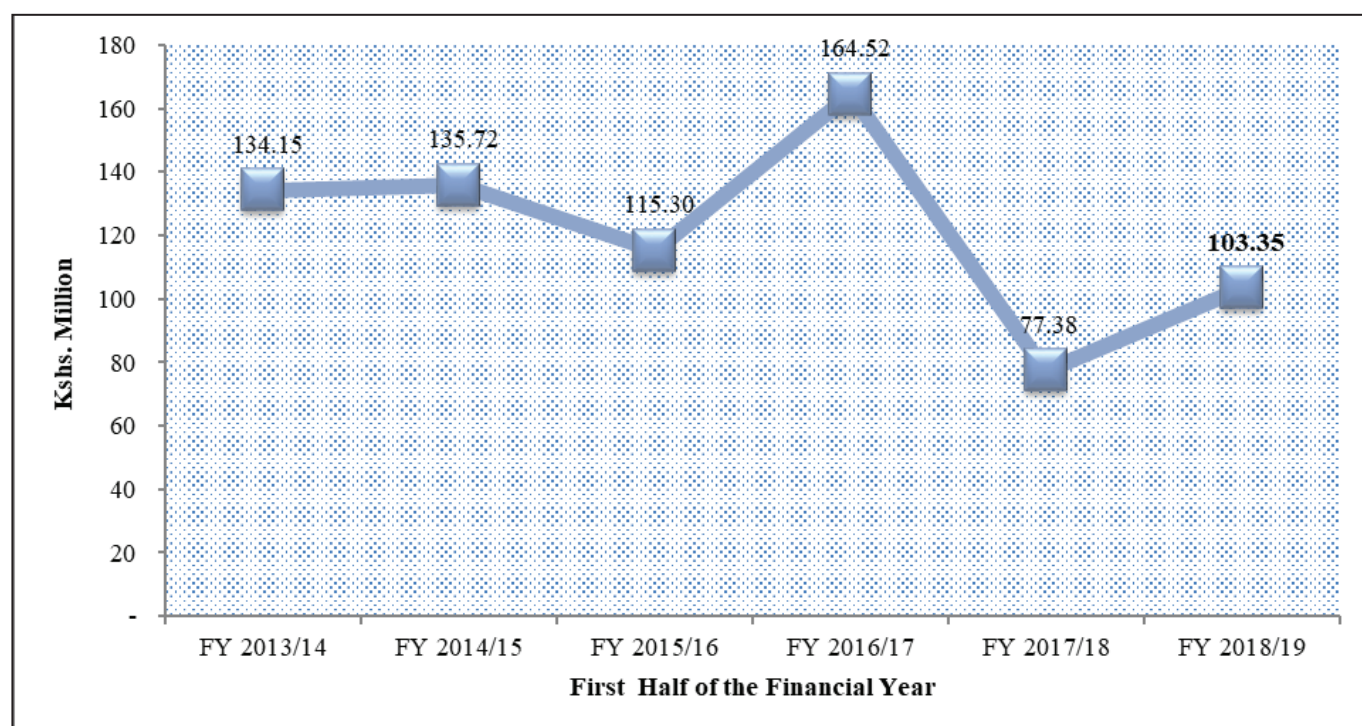
The conditional grants contained in the CARA, 2018 consist of; Kshs.256.30 million (36.3 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.150.46 million (21.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.117 million (16.6 per cent) from IDA (World Bank) for Kenya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

3.12.2 Revenue Analysis

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

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

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



Source: Kericho County Treasury

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

3.12.3 Conditional Grants

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

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

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

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

Source: Kericho County Treasury

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

3.12.4 Exchequer Issues

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

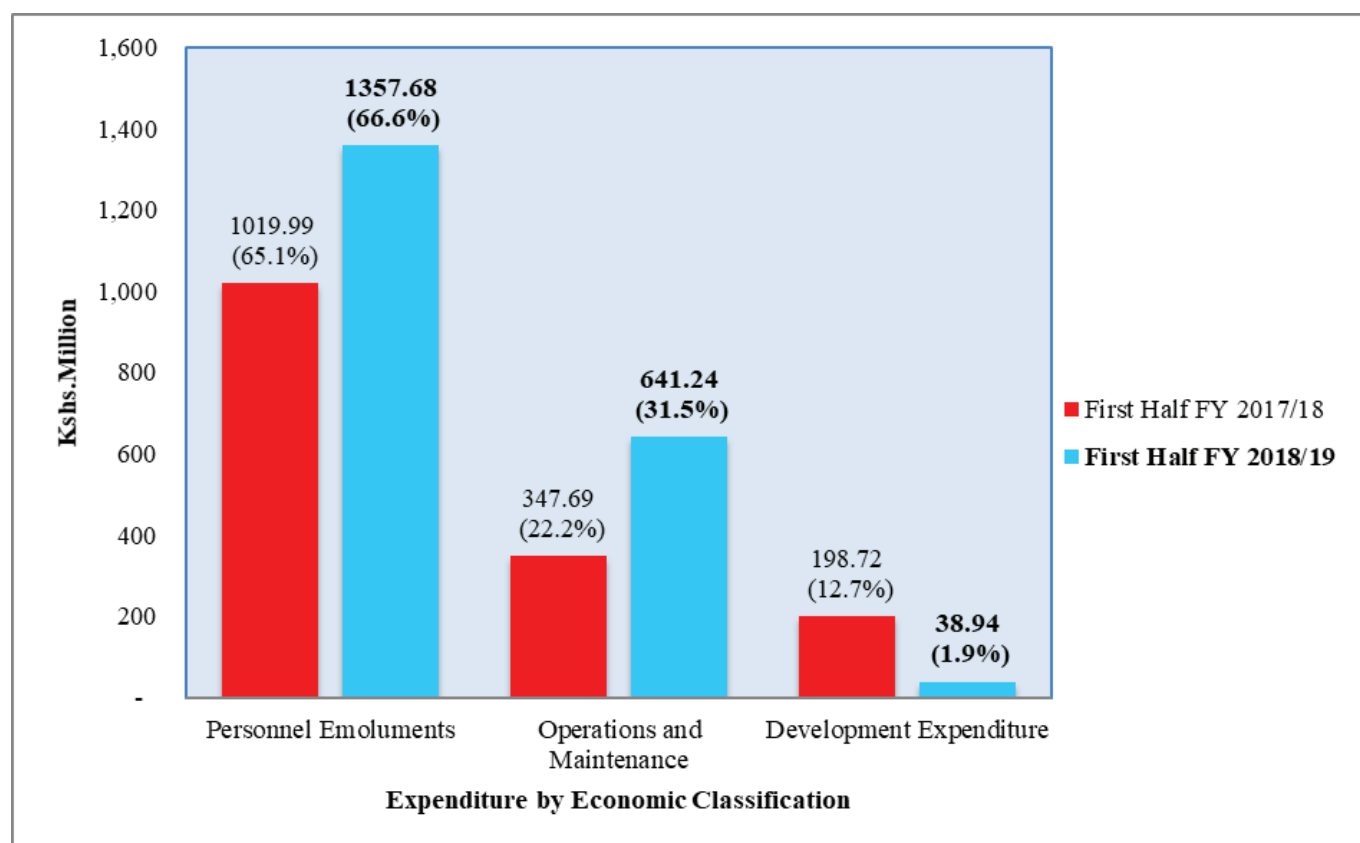
3.12.5 Overall Expenditure Review

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

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

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

Figure 3.46: Kericho County, Expenditure by Economic Classification



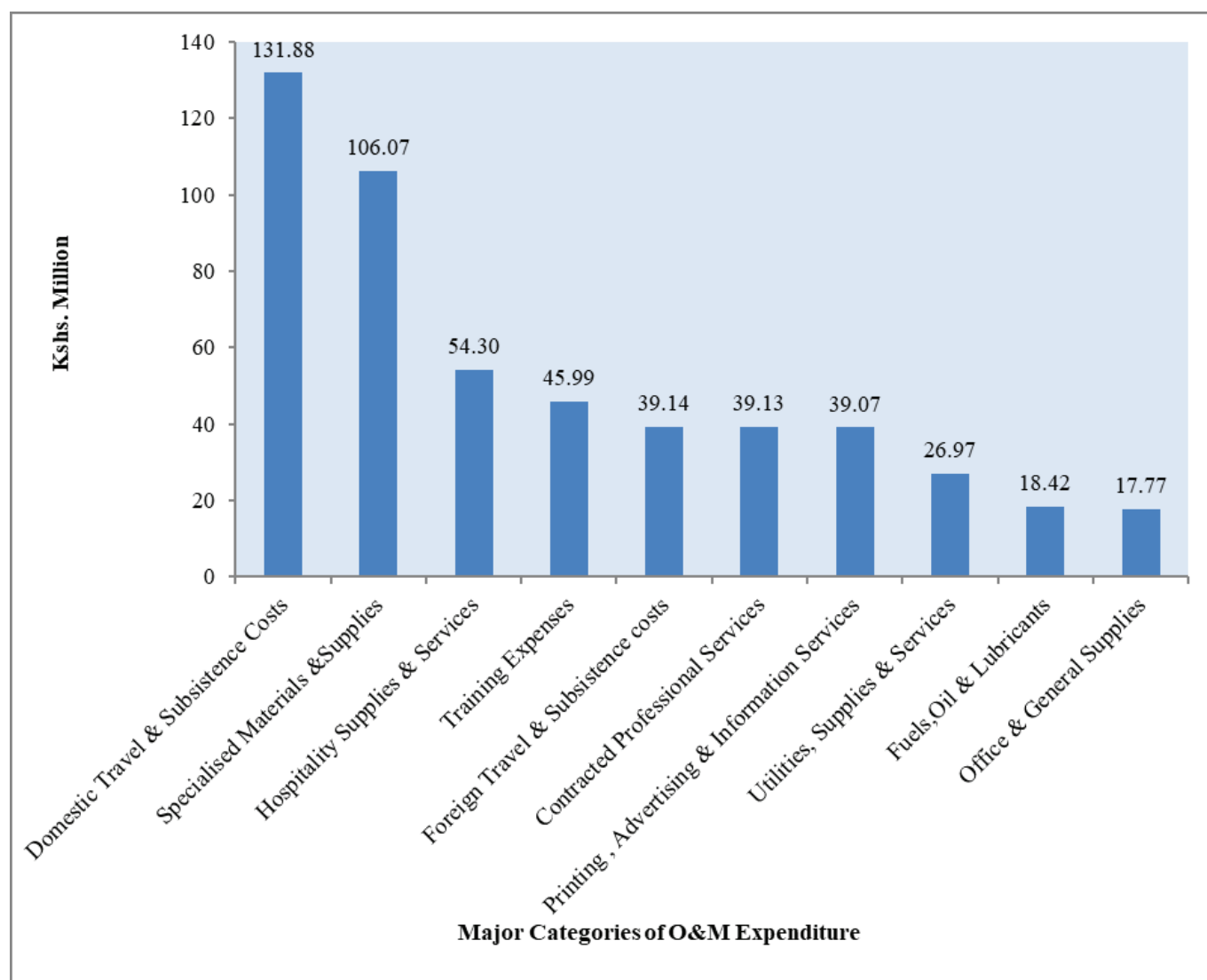
Source: Kericho County Treasury

3.12.6 Analysis of Recurrent Expenditure

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

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

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



Source: Kericho County Treasury

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

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

3.12.7 Development Expenditure

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

3.12.8 Budget Performance by County Department

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

Table 3.34: Kericho County, Budget Performance by Department

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

Source: Kericho County Treasury

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

3.12.9 Key Observations and Recommendations

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

- Improvement in own-source revenue collection by 33.6 per cent from Kshs.77.38 million generated in the first half of FY 2017/18 to Ksh.103.35 million in the reporting period.
- Continuous improvement in utilization of IFMIS and the Internet Banking platform to process financial transactions.

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

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

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

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

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

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

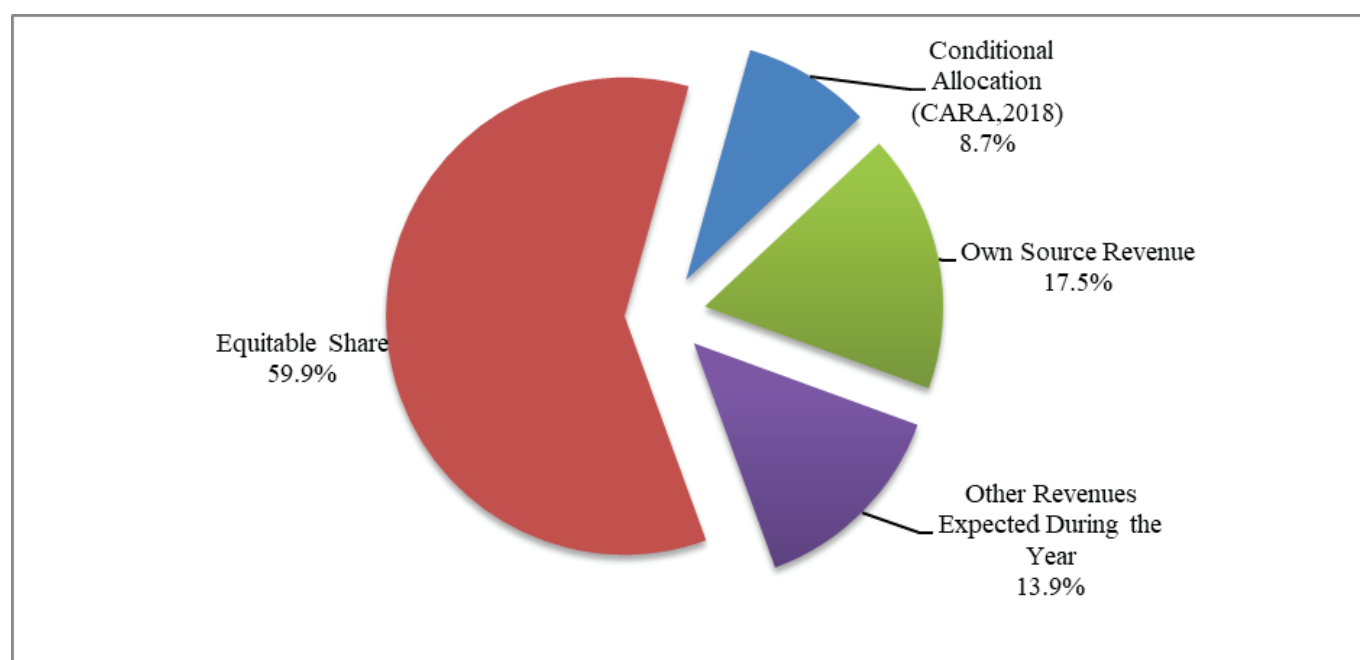
3.13 Kiambu County

3.13.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Kiambu County Treasury

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

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

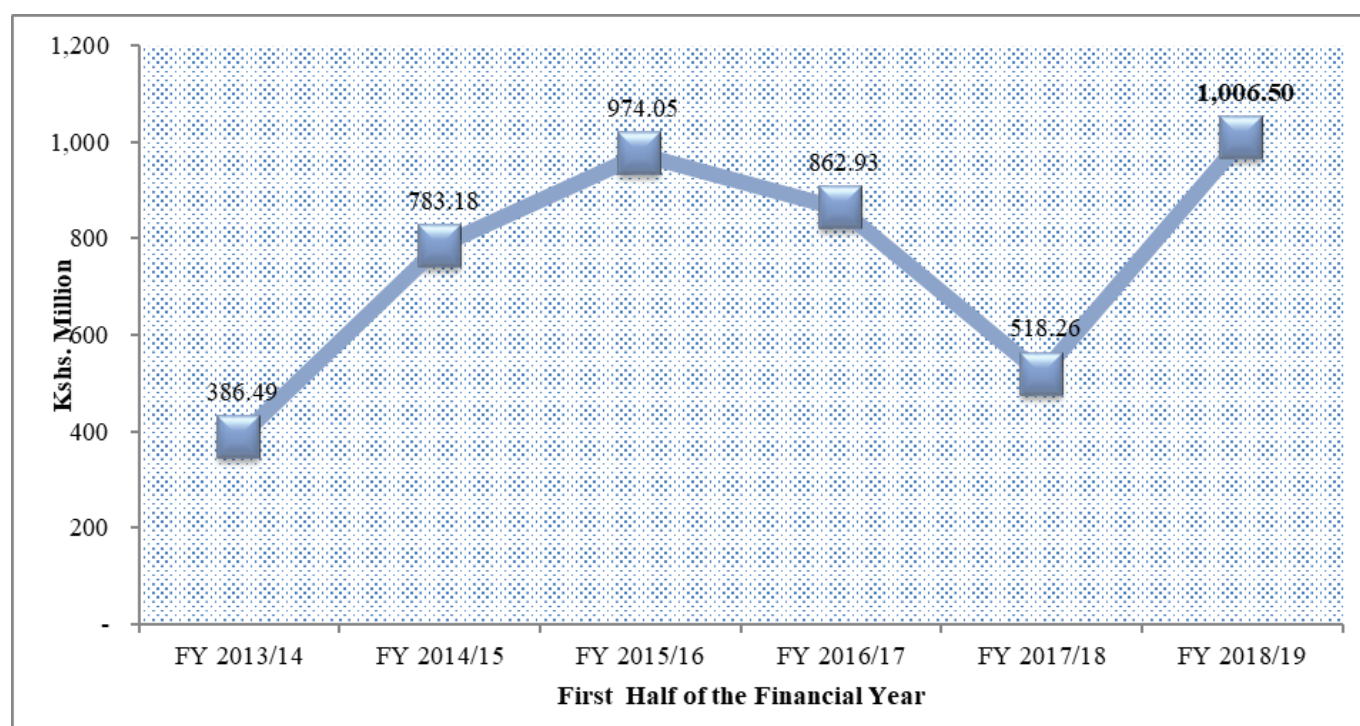
The County also budgeted to receive Kshs.2.17 billion as grant for Loans and Grants, which is not contained in the CARA, 2018

3.13.2 Revenue Analysis

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

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

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



Source: Kiambu County Treasury

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

3.13.3 Conditional Grants

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

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

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

Source: Kiambu County Treasury

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

3.13.4 Exchequer Issues

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

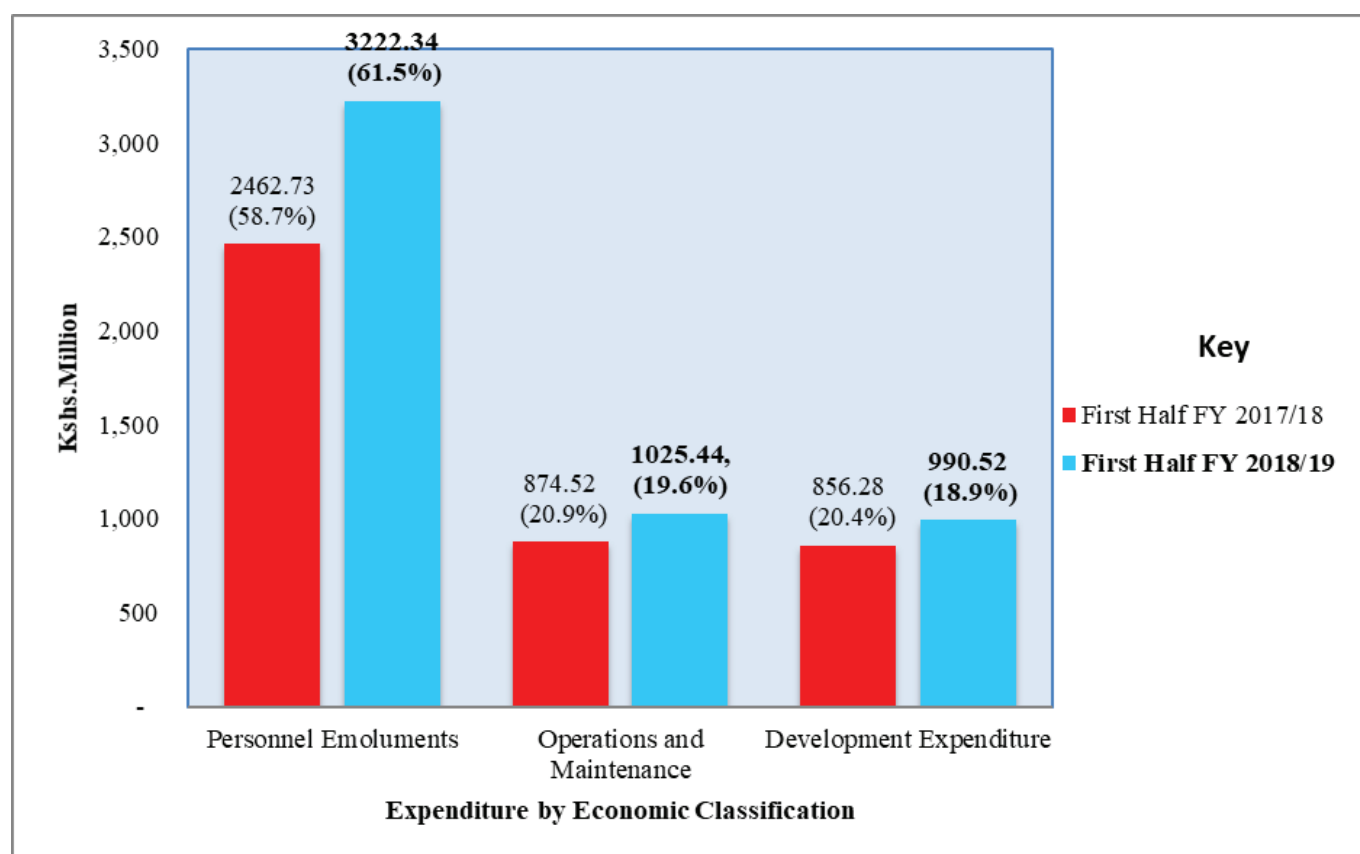
3.13.5 Overall Expenditure Review

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

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

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

Figure 3.50: Kiambu County, Expenditure by Economic Classification



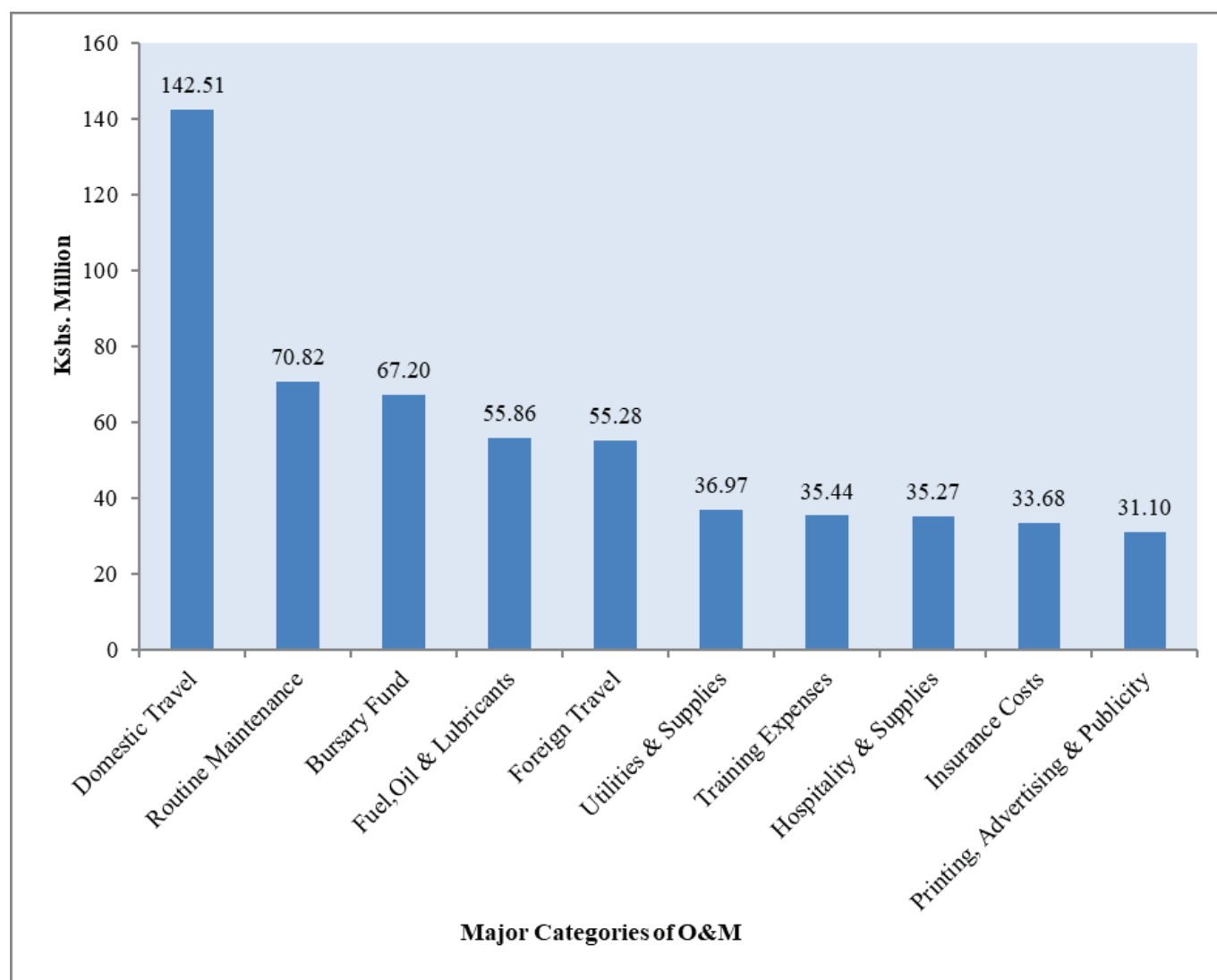
Source: Kiambu County Treasury

3.13.6 Analysis of Recurrent Expenditure

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

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

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



Source: Kiambu County Treasury

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

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

3.13.7 Development Expenditure

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

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

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

Source: Kiambu County Treasury

3.13.8 Budget Performance by County Department

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

Table 3.37: Kiambu County, Budget Performance by Department

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

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

Source: Kiambu County Treasury

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

3.13.9 Key Observations and Recommendations

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

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

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

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

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

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

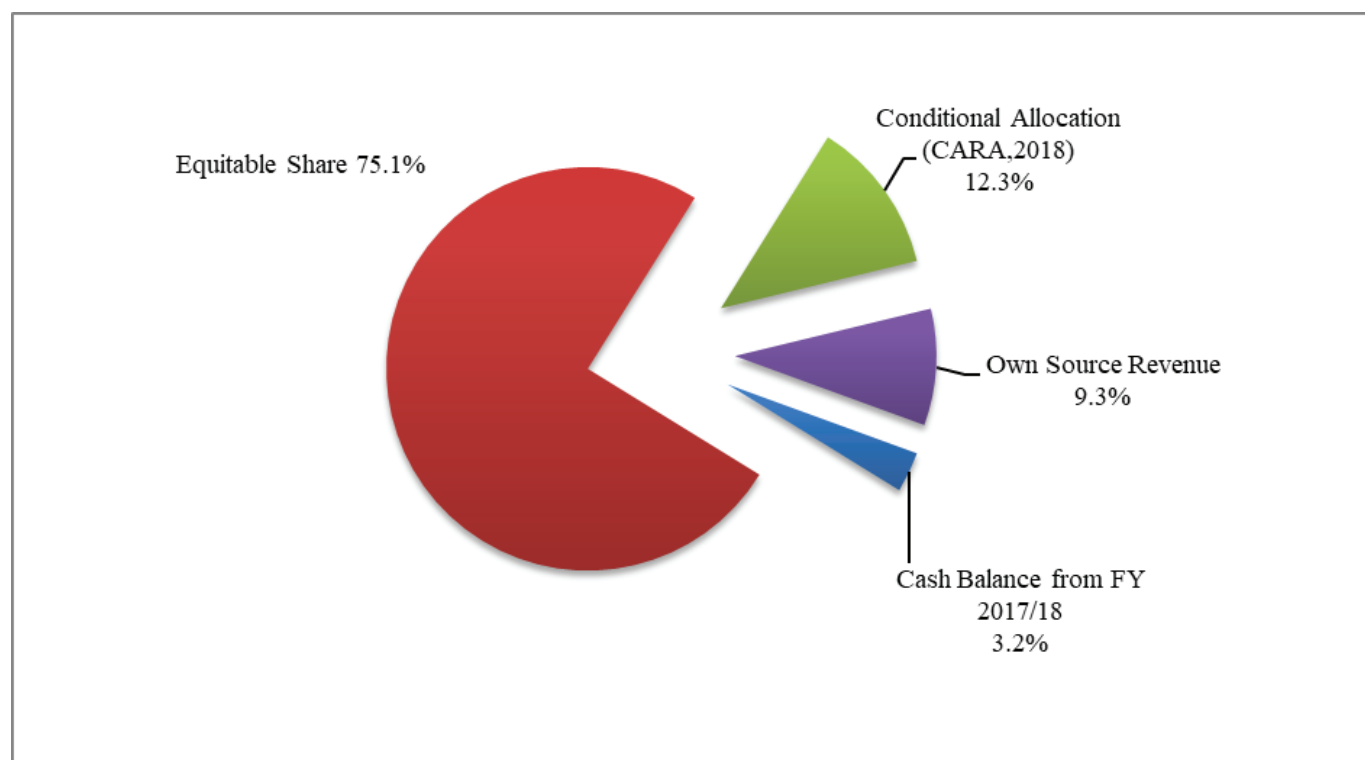
3.14 Kilifi County

3.14.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Kilifi County Treasury

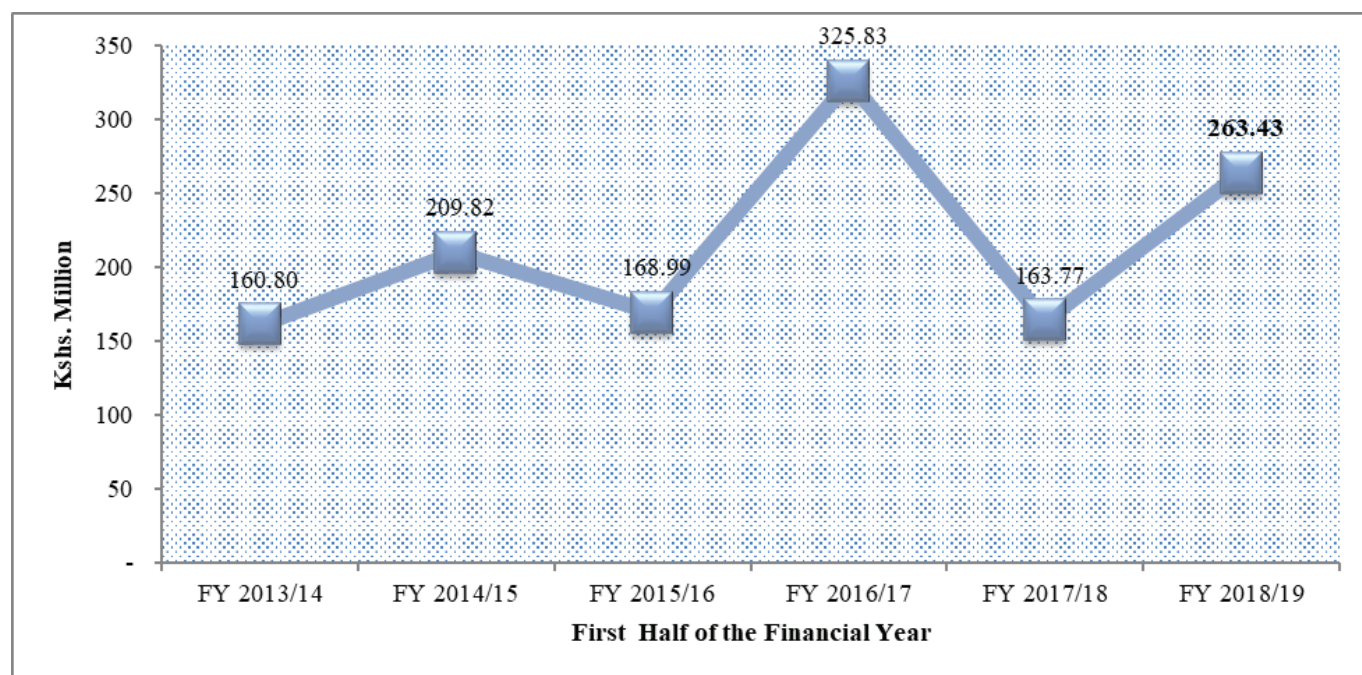
The conditional grants include those contained in the CARA, 2018 of; Kshs.100 million (5.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.196.05 million (11 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.83.87 million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

3.14.2 Revenue Analysis

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

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

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



Source: Kilifi County Treasury

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

3.14.3 Conditional Grants

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

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

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

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

Source: Kilifi County Treasury

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

3.14.4 Exchequer Issues

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

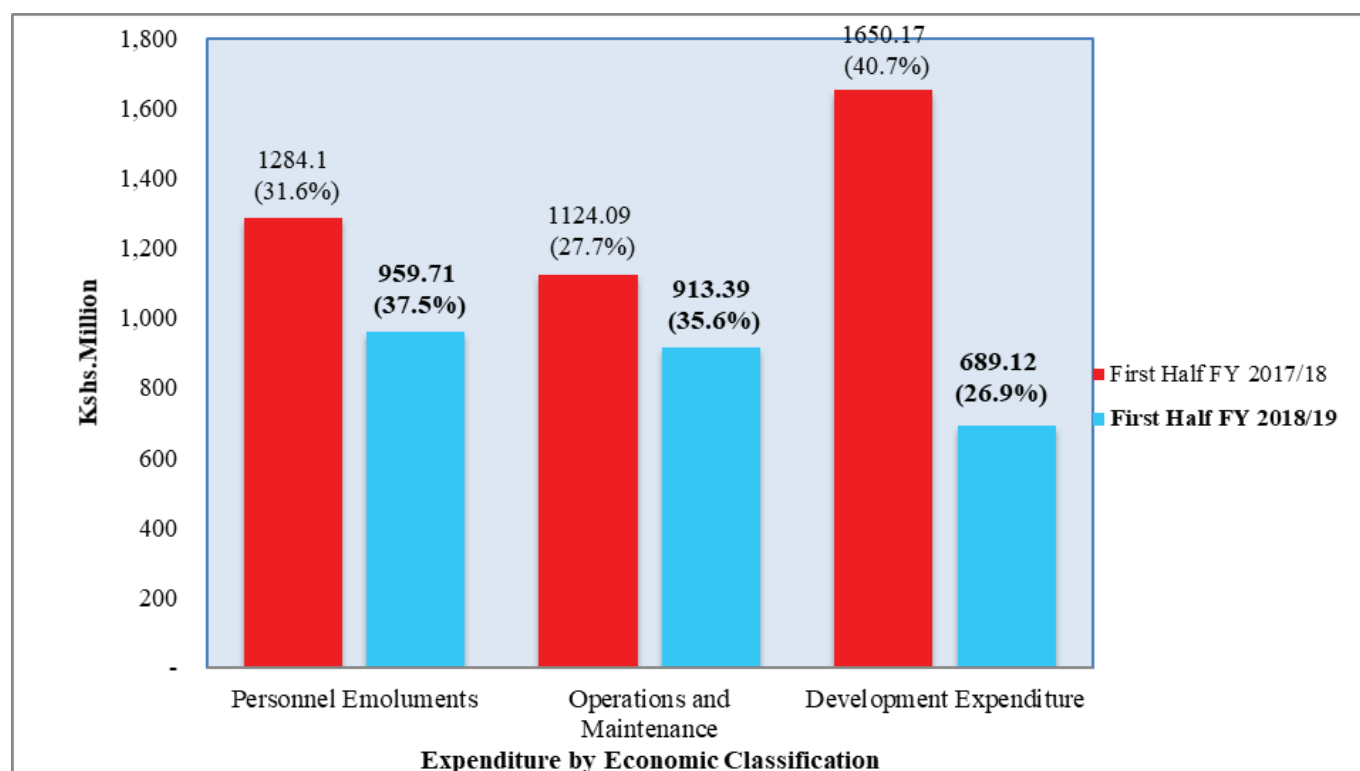
3.14.5 Overall Expenditure Review

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

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

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

Figure 3.54: Kilifi County, Expenditure by Economic Classification



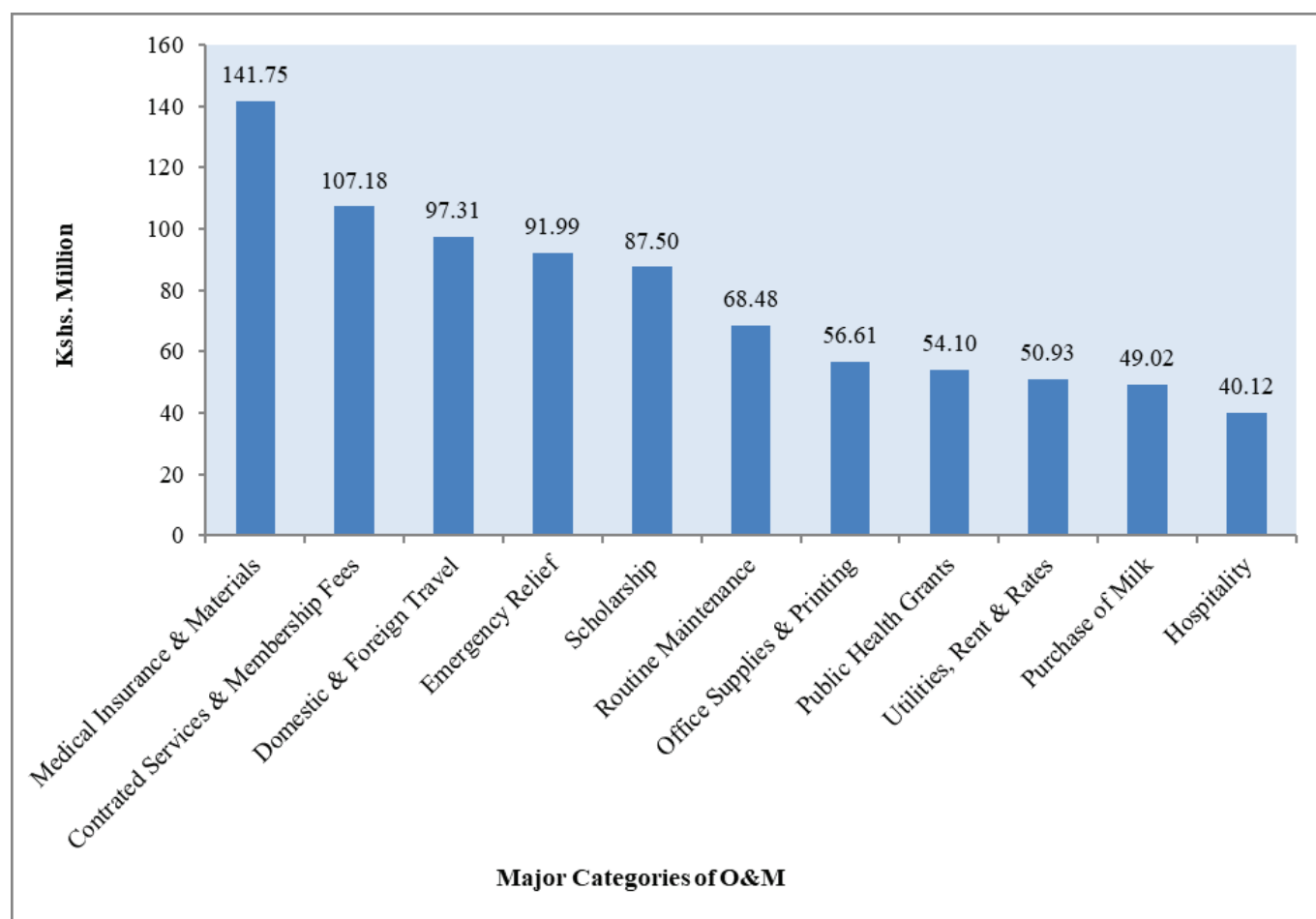
Source: Kilifi County Treasury

3.14.6 Analysis of Recurrent Expenditure

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

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

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



Source: Kilifi County Treasury

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

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

3.14.7 Development Expenditure

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

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

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

Source: Kilifi County Treasury

3.14.8 Budget Performance by County Department

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

Table 3.40: Kilifi County, Budget Performance by Department

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

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

Source: Kilifi County Treasury

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

3.14.9 Key Observations and Recommendations

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

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

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

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

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

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

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

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

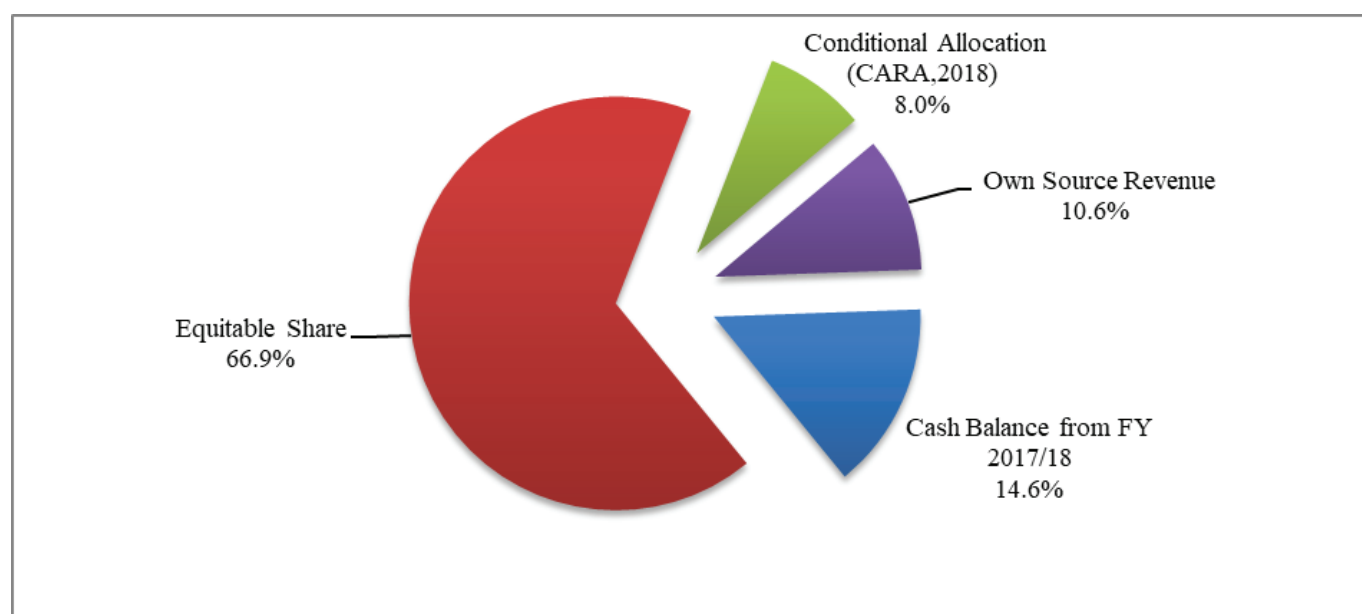
3.15 Kirinyaga County

3.15.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Kirinyaga County Treasury

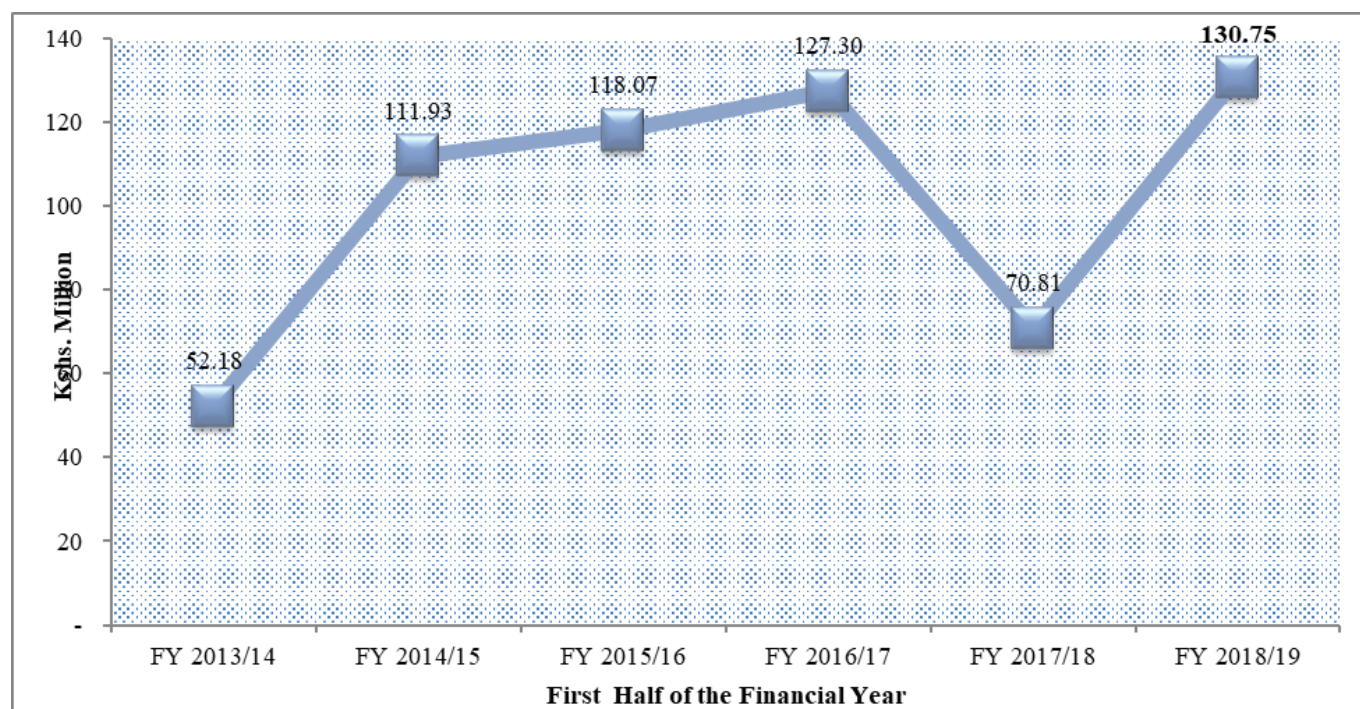
The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (7.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (20.4 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.41.08 million (6.0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

3.15.2 Revenue Analysis

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

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

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



Source: Kirinyaga County Treasury

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

3.15.3 Conditional Grants

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

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

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

Source: Kirinyaga County Treasury

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

3.15.4 Exchequer Issues

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

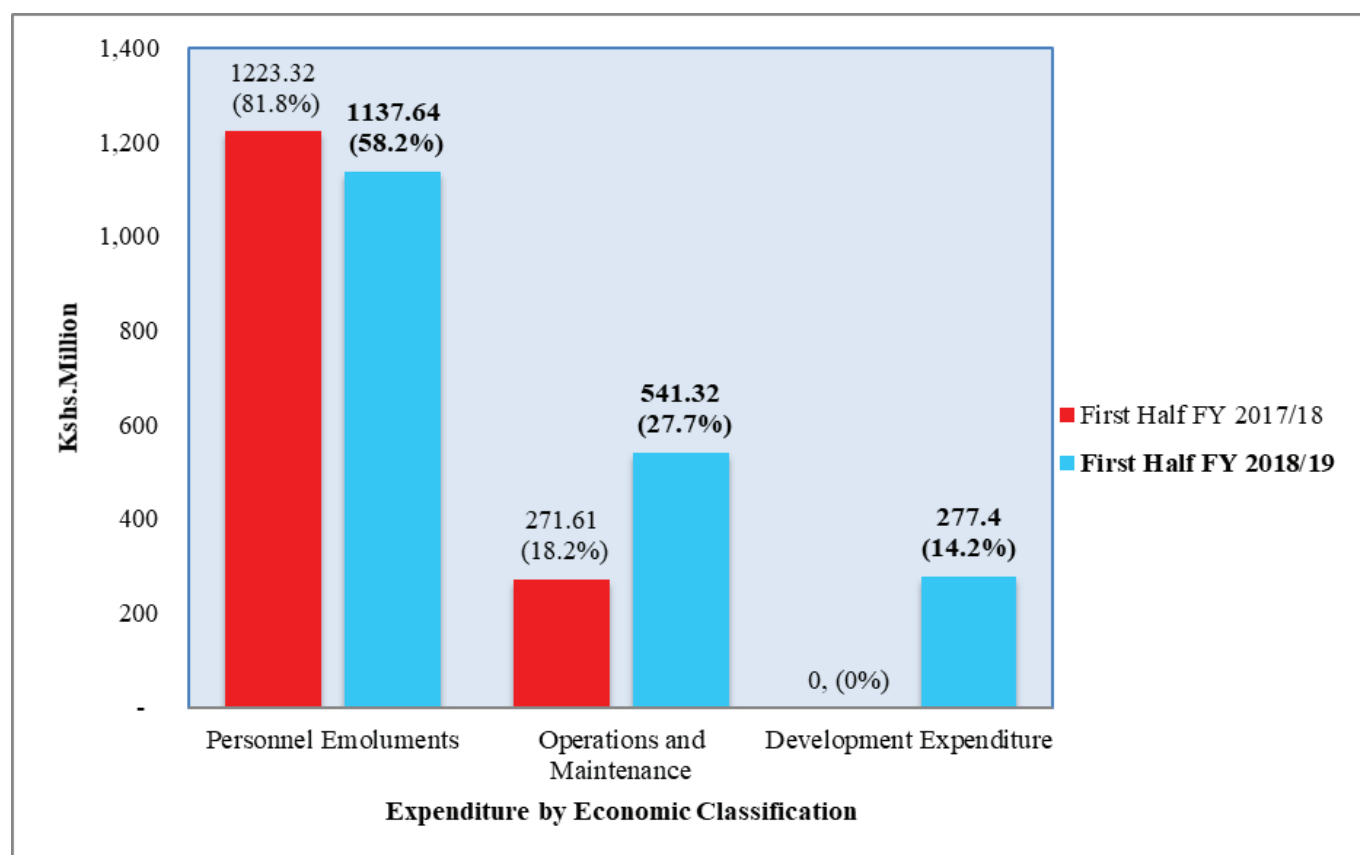
3.15.5 Overall Expenditure Review

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

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

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

Figure 3.58: Kirinyaga County, Expenditure by Economic Classification



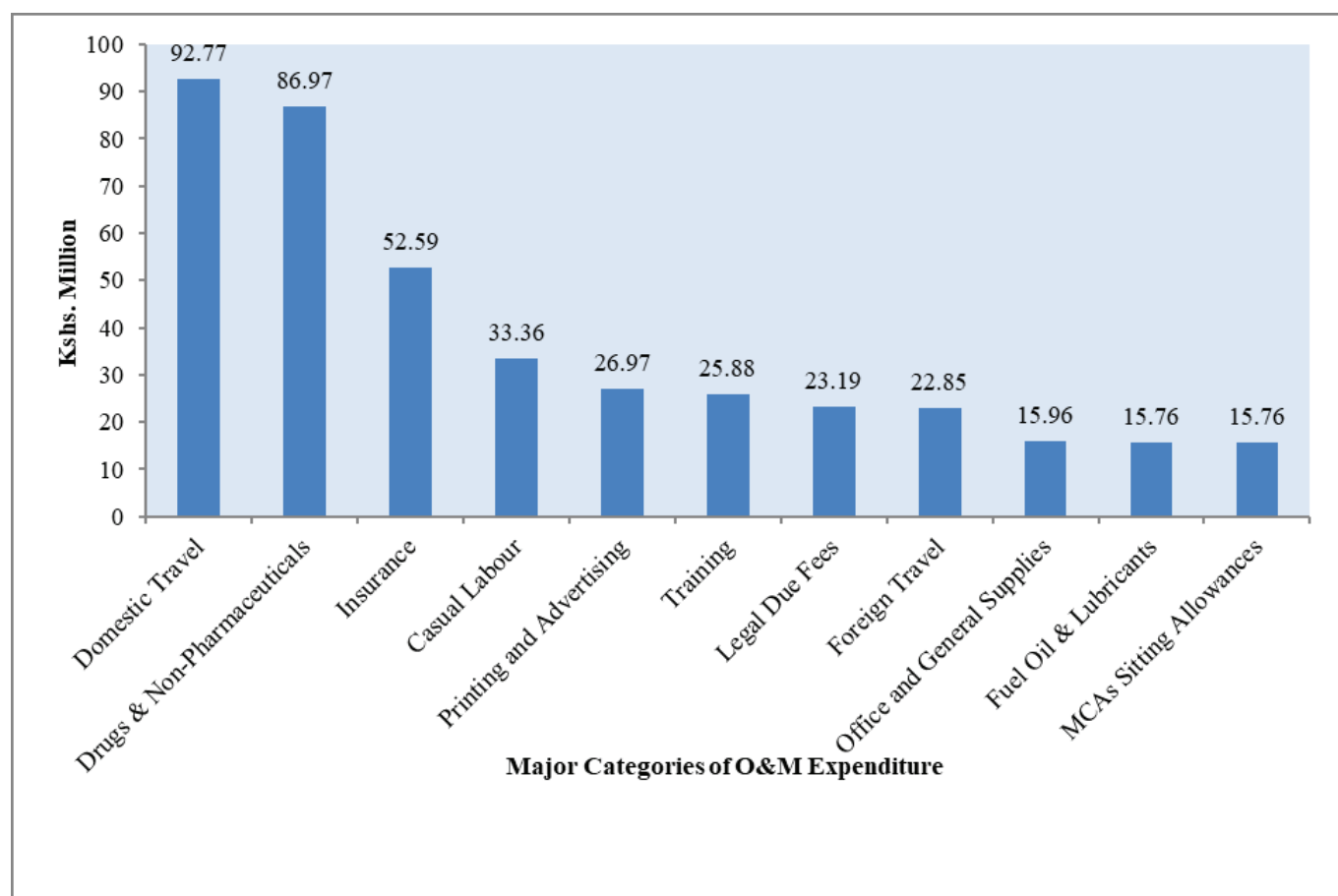
Source: Kirinyaga County Treasury

3.15.6 Analysis of Recurrent Expenditure

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

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

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



Source: Kirinyaga County Treasury

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

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

3.15.7 Development Expenditure

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

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

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

Source: Kirinyaga County Treasury

3.15.8 Budget Performance by County Department

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

Table 3.43: Kirinyaga County, Budget Performance by Department

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

Source: Kirinyaga County Treasury

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

3.15.9 Key Observations and Recommendations

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

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

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

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

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

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

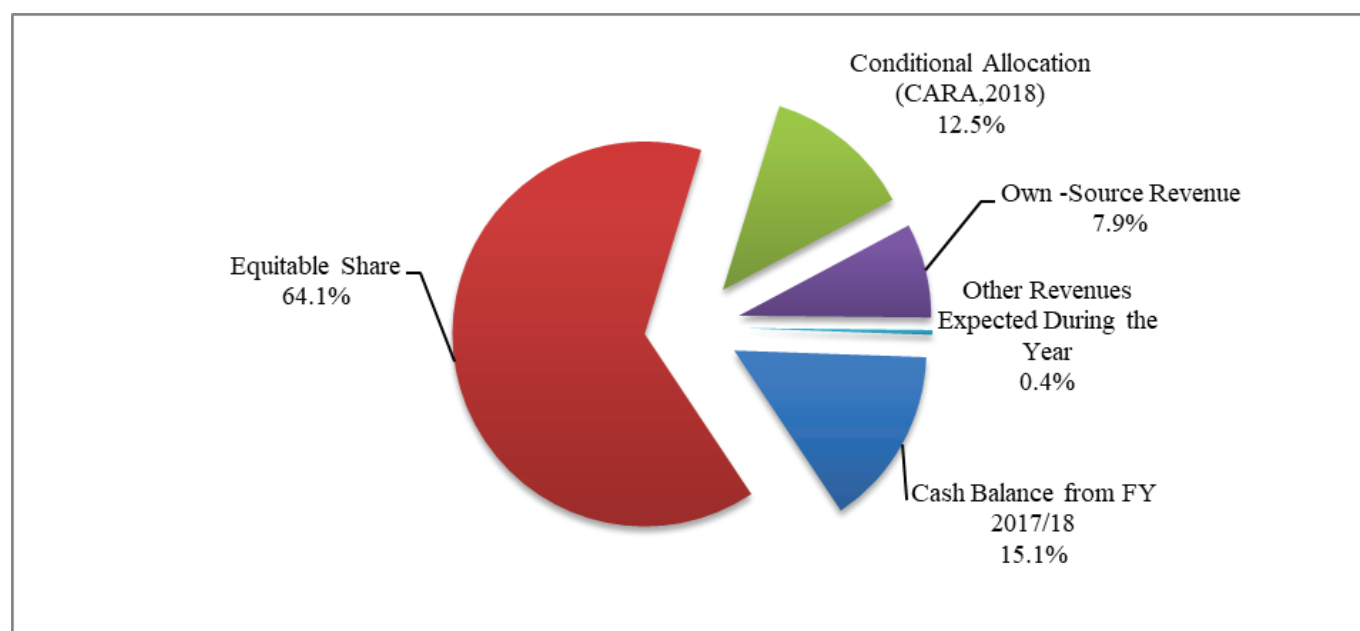
3.16 Kisii County

3.16.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Kisii County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.74.16 million (5.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (9.97 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.53.94 million (3.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.164.05 million (11.4 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.24.91 million (1.7 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (4.8 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.417.57 million (28.9 per cent) to Level-5 Hospital, Kshs.26.14 million (1.8 per cent) as Compensation for User Fees Foregone, Kshs.200 million (13.8 per cent) for Leasing of Medical Equipment, Kshs.203.38 million (14.1 per cent) from Road Maintenance Fuel Levy Fund, and Kshs.70.09 million (4.9 per cent) for Rehabilitation of Village Polytechnics.

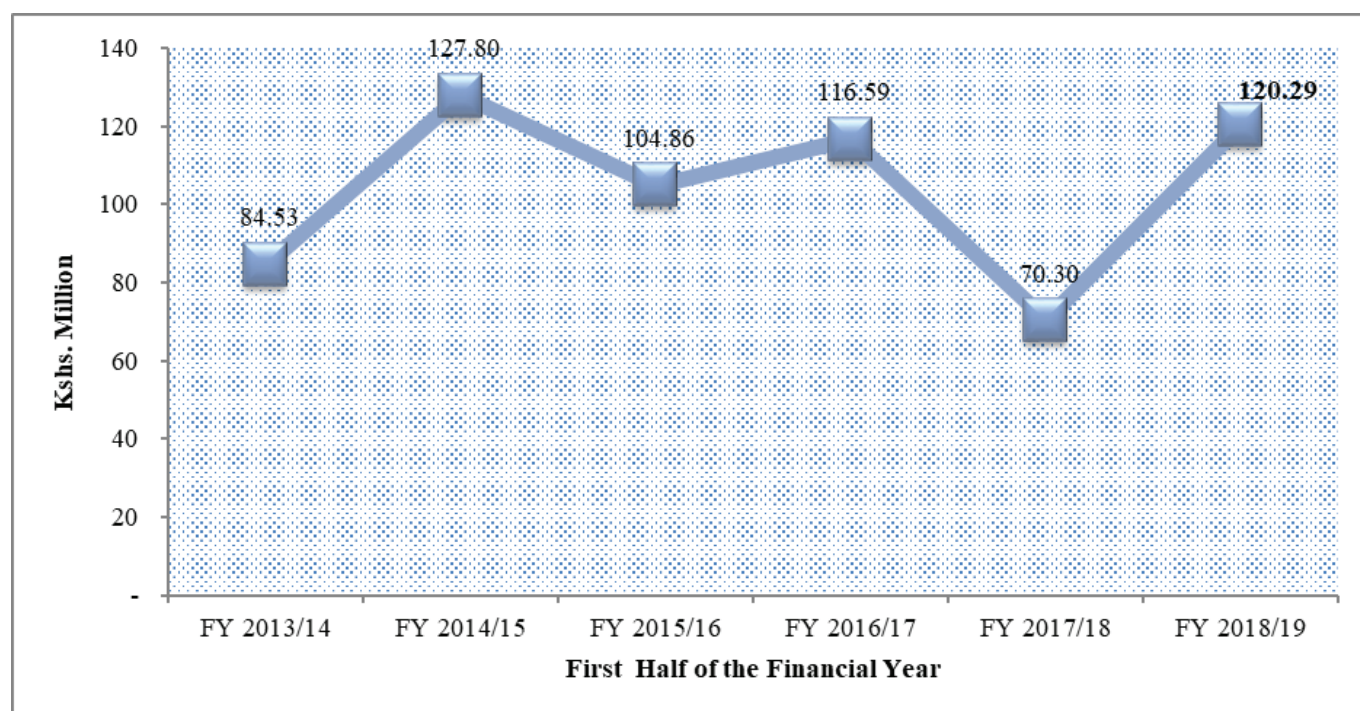
The County also budgeted to receive Kshs.40 million as Urban Institutional grant and Kshs.8.46 million as Agricultural Sector Development Support Programme (ASDSP –SIDA) programme.

3.16.2 Revenue Analysis

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

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

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



Source: Kisii County Treasury

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

3.16.3 Conditional Grants

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

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

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

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

Source: Kisii County Treasury

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

3.16.4 Exchequer Issues

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

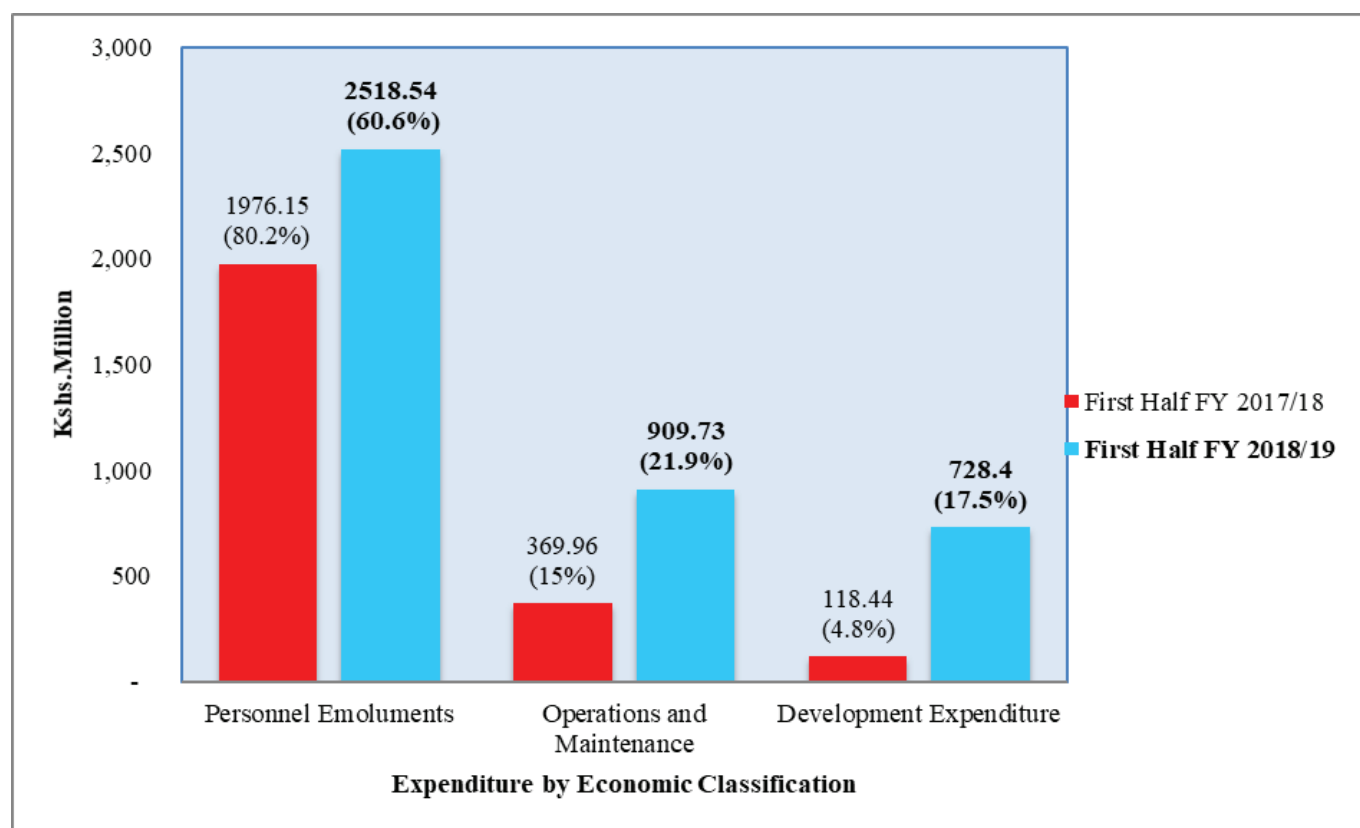
3.16.5 Overall Expenditure Review

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

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

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

Figure 3.62: Kisii County, Expenditure by Economic Classification



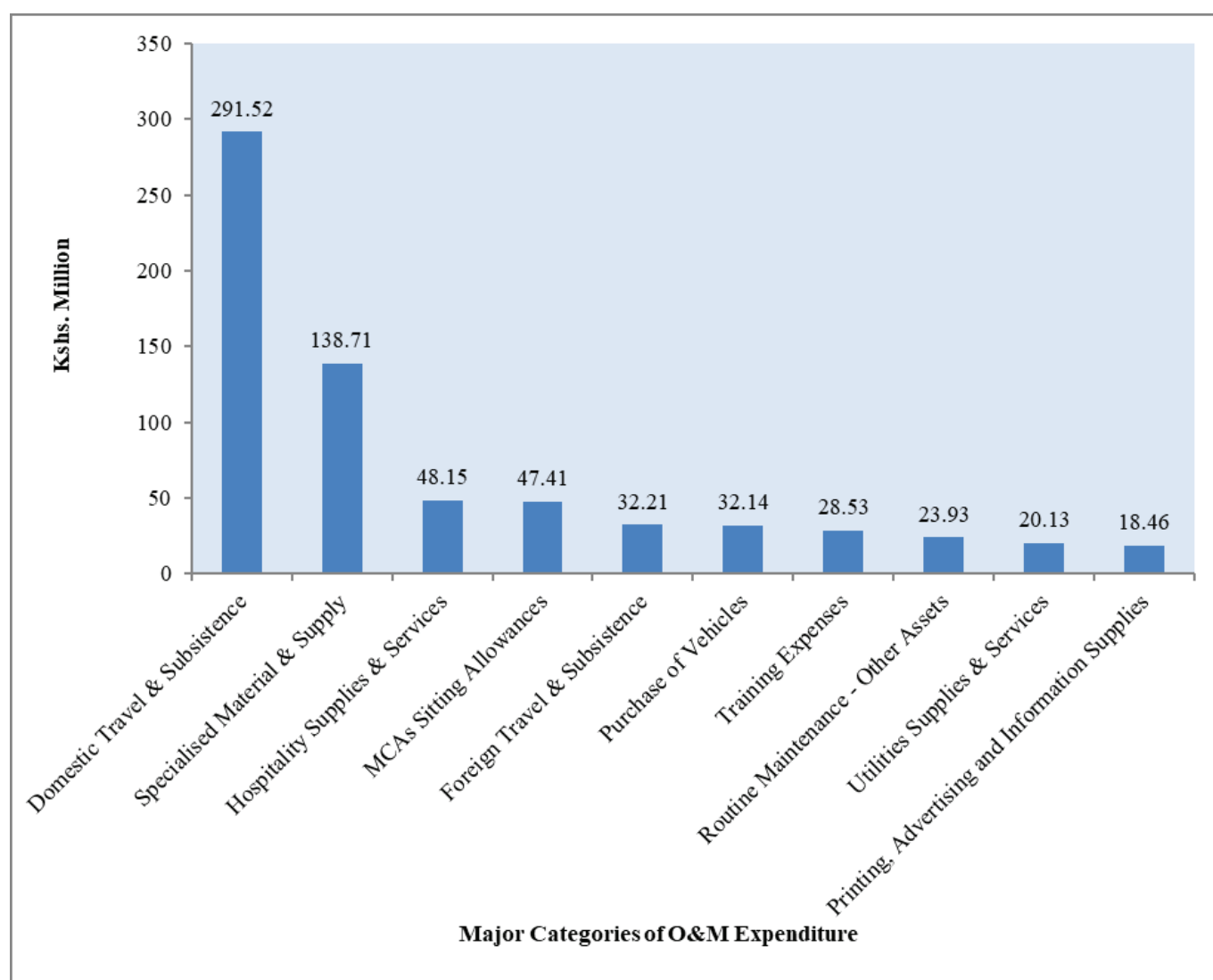
Source: Kisii County Treasury

3.16.6 Analysis of Recurrent Expenditure

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

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

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



Source: Kisii County Treasury

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

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

3.16.7 Development Expenditure

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

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

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

Source: Kisii County Treasury

3.16.8 Budget Performance by County Department

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

Table 3.46: Kisii County, Budget Performance by Department

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

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

Source: Kisii County Treasury

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

3.16.9 Key Observations and Recommendations

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

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

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

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

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

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

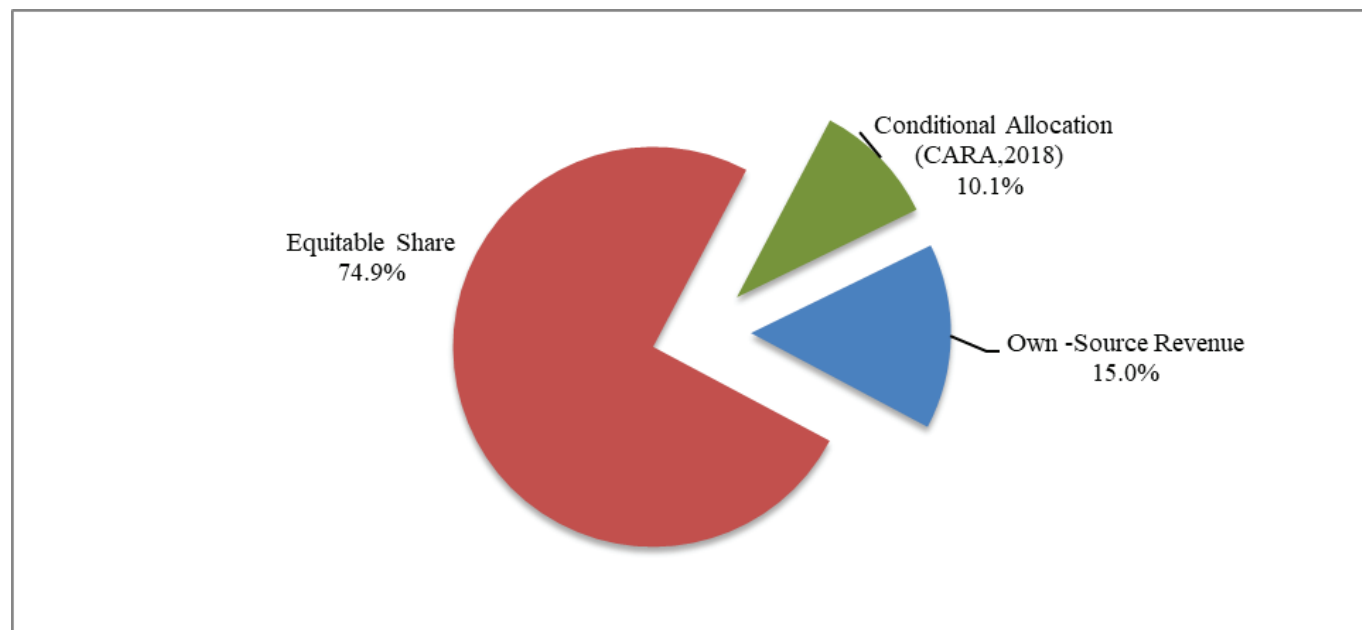
3.17 Kisumu County

3.17.1 Overview of the FY 2018/19 Budget

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

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

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



Source: Kisumu County Treasury

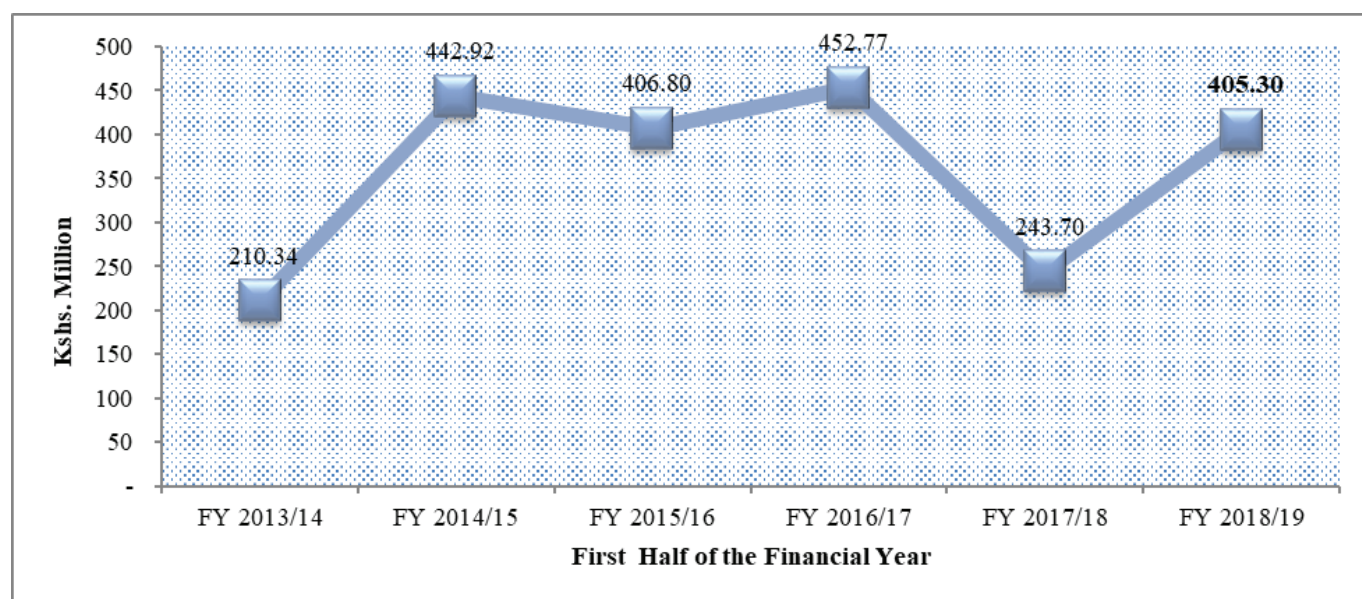
The conditional grants contained in the CARA, 2018 consist of; Kshs.67.36 million (3.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.49.64 million (2.6 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.21.97 million (1.1 per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

3.17.2 Revenue Analysis

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

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

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



Source: Kisumu County Treasury

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

3.17.3 Conditional Grants

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

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

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

Source: Kisumu County Treasury

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

3.17.4 Exchequer Issues

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

3.17.5 Overall Expenditure Review

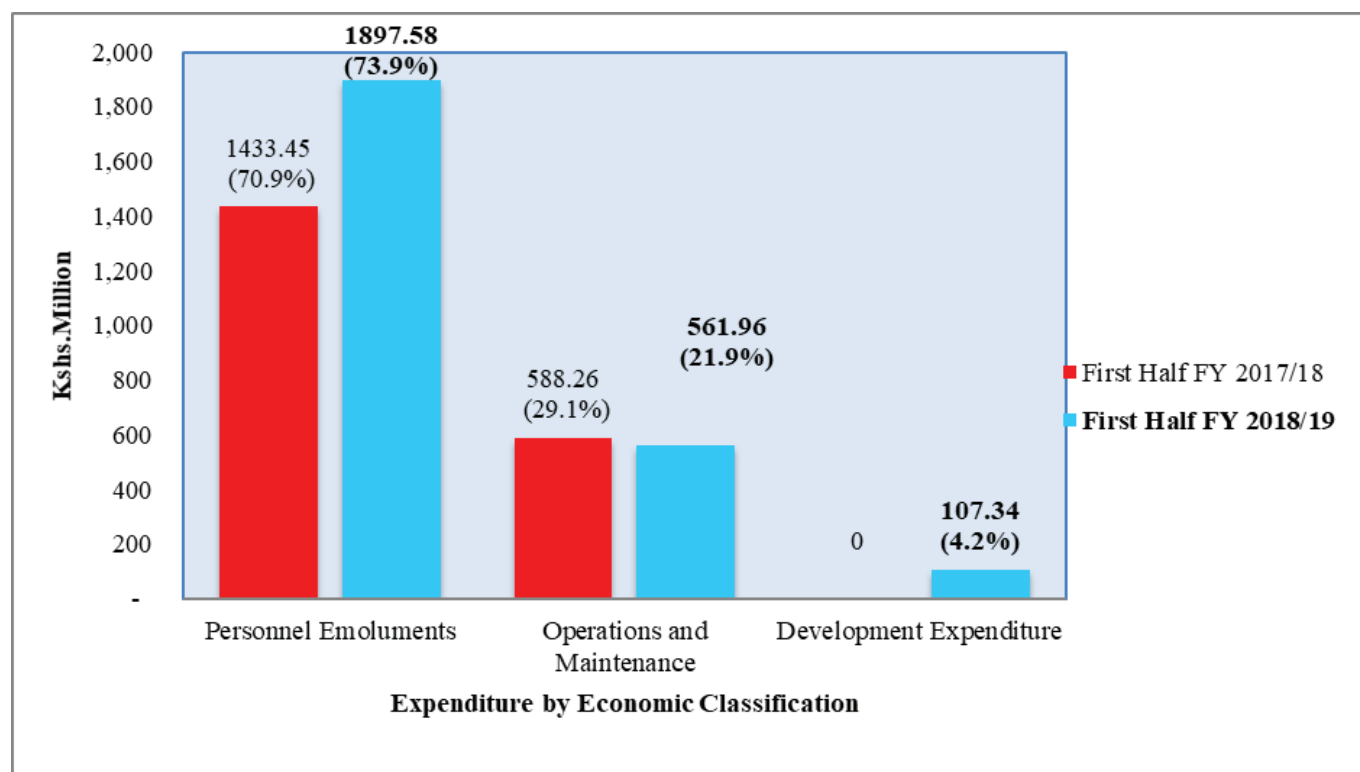
The County government spent a total of Kshs.2.57 billion on both recurrent and development activities. This expenditure represented 74.4 per cent of the total funds released from the CRF account and was an increase of 27 per cent from Kshs.2.02 billion spent in the first half of FY 2017/18.

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

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

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

Figure 3.66: Kisumu County, Expenditure by Economic Classification



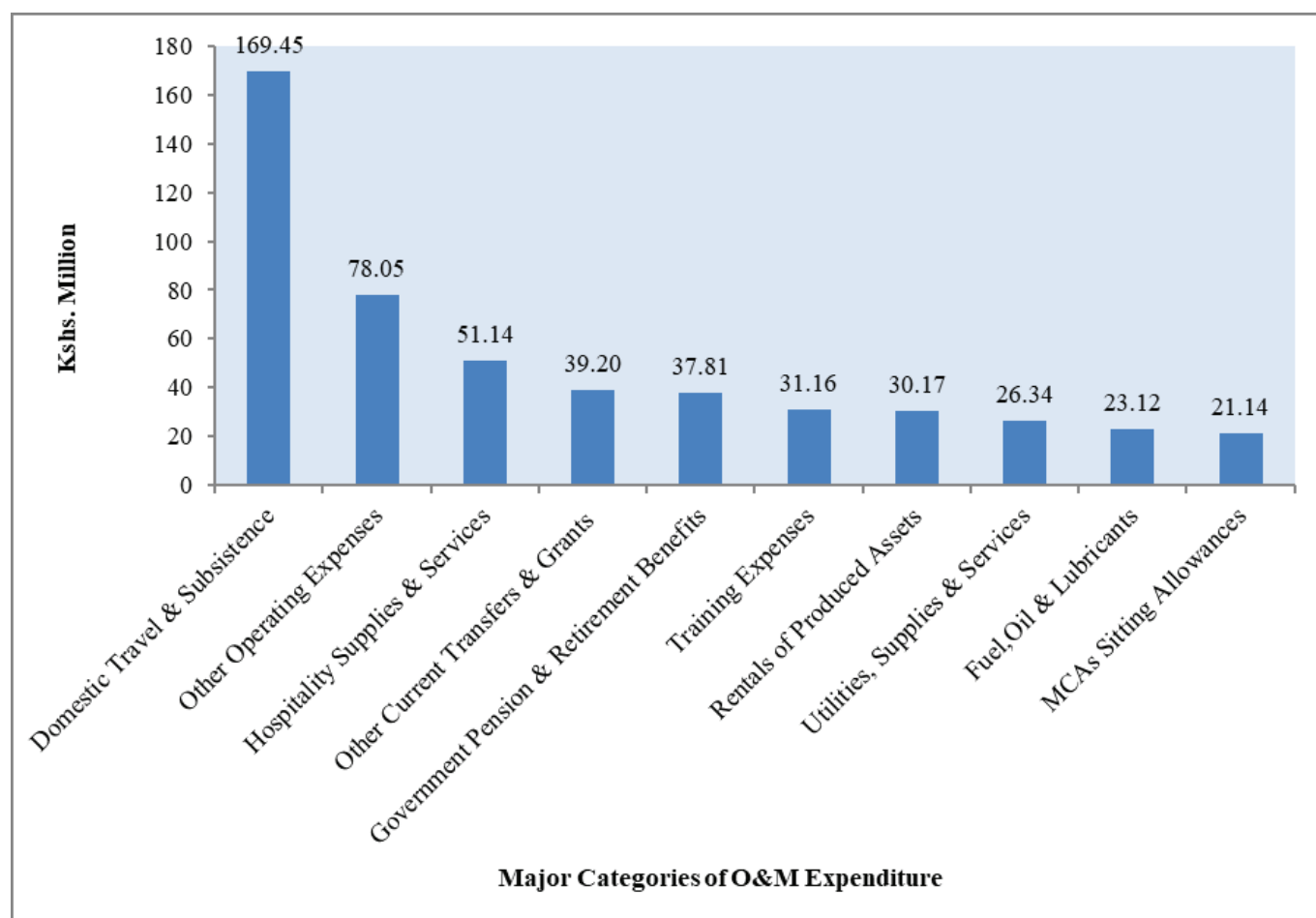
Source: Kisumu County Treasury

3.17.6 Analysis of Recurrent Expenditure

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

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

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



Source: Kisumu County Treasury

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

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

3.17.7 Development Expenditure

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

Table 3.48: Kisumu County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Expenditure in First Half of FY 2018/19 (Kshs.)
1	Kachok dumpsite Rehabilitation	Kachok	39,144,200
2	Valuation Roll	County wide	18,560,000
3	Constraction of Huduma Centre at Nyando	Nyando	8,122,308
4	Constraction of Huduma Centre at Seme	Seme	7,124,935
5	Ahero Youth Polytechnic	Ahero	5,370,000
6	Rotary Youth Polytechnic	Rotary	4,717,616
7	Akado Youth Polytechnic	Akado	3,060,000
8	Katito Youth Polytechnic	Katito	1,860,000
9	Kitambo Youth Polytechnic	Kitambo	1,740,000
10	Wachara Youth Polytechnic	Wachara	1,635,000

Source: Kisumu County Treasury

3.17.8 Budget Performance by County Department

Table 3.49 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.49: Kisumu County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	282.84	104.40	138.64	-	112.33	-	81	-	39.7	-
City of Kisumu	693.01	267.86	354.59	39.14	294.21	-	83	-	42.5	-
Kisumu County Public Service Board	81.26	-	42.94	-	30.02	-	69.9	-	36.9	-
Education, Gender, Youth, Human Resource Development, ICT and Social Services	268.36	247.77	142.33	8.49	111.83	27.43	78.6	323.2	41.7	11.1
Office of the Governor and County Administration	442.75	199.76	267.67	-	156.85	-	58.6	-	35.4	-
Health Services	2,845.05	300.78	1,440.79	-	1,223.95	15.25	84.9	-	43.0	5.1
Economic Planning	66.96	74.17	38.29	10.01	17.96	-	-	-	-	-
Tourism, Culture, Sports and Information	89.08	77.10	51.91	-	13.68	-	26.4	-	15.4	-
Roads, Transport and Public Works	182.20	599.98	102.60	-	58.41	3.76	56.9	-	32.1	0.6
Lands, Housing and Physical Planning	43.89	116.90	21.88	16.67	3.82	18.56	17.5	111.3	8.7	15.9
Business, Energy and Industry	119.70	381.32	69.58	58.30	27.31	-	39.3	-	22.8	0.0
Finance	436.31	173.60	272.28	-	99.14	42.34	36.4	-	22.7	24.4

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment and Natural Resources	148.66	238.60	82.76	-	40.91	-	49.4	-	27.5	-
County Assembly	684.80	50.76	291.00	-	269.12	-	92.5	-	39.3	-
TOTAL	6,385	2,833	3,317	132.62	2,459	107.34	74.1	80.9	38.5	3.8

Source: Kisumu County Treasury

Analysis of expenditure by department shows the Department of Finance recorded the highest absorption rate of development budget at 24.4 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 43 per cent.

3.17.9 Key Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Office of Controller of Budget in line with Section 166 of the PFM Act, 2012.
- Improvement in own source revenue collection by 66.3 per cent compared to a similar period in FY 2017/18.

During the period under review, the office identified the following challenges that affected budget implementation:

- Failure to factor in Kshs.1.44 billion cash balance from the FY 2017/18 in the approved budget.
- Failure by Hospitals and Health Centres to account for expenditure on capital and current transfers from the County Treasury through IFMIS.
- Delay in disbursement of equitable share of revenue raised by the National Treasury.

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

- The County should prepare a Supplementary Budget to factor in the Kshs.1.44 billion cash balance from the FY 2017/18.*
- The County Treasury should liaise with IFMIS Directorate to build capacity and ensure use of IFMIS at all the Hospitals.*
- The County Treasury should liaise with the National Treasury to ensure that the funds allocated to the County are released in timely manner.*

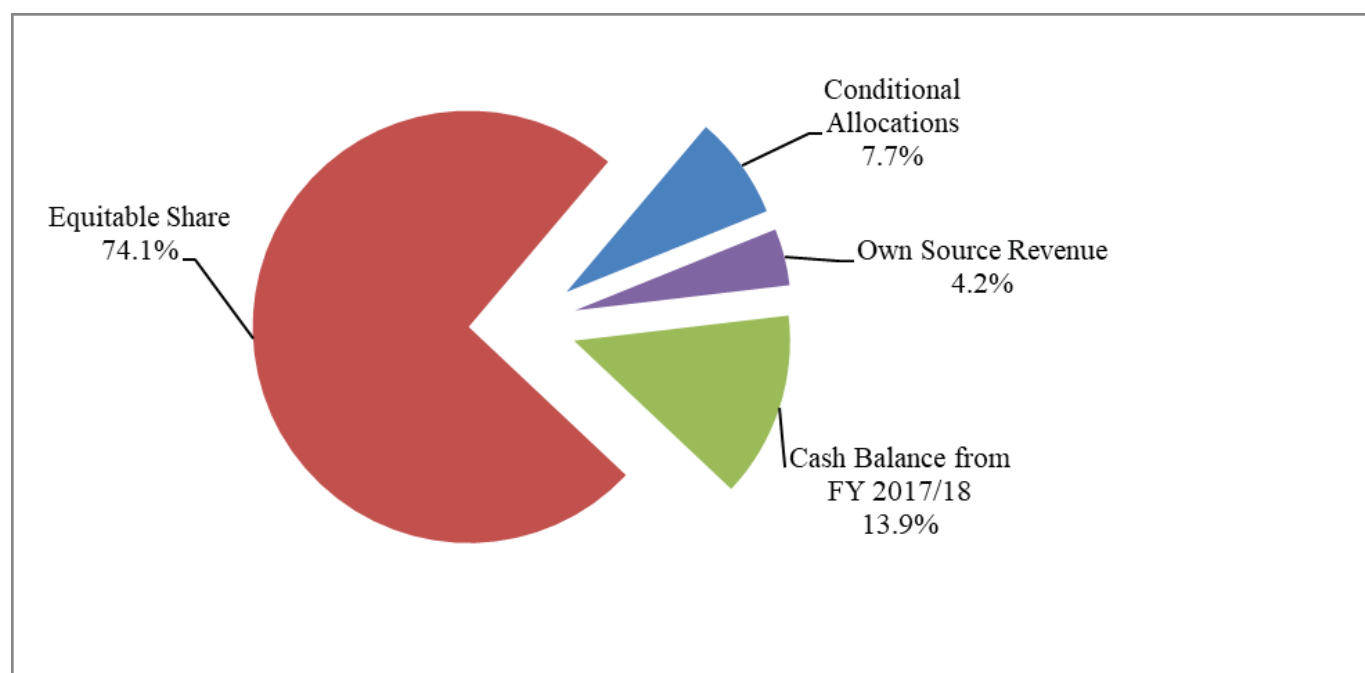
3.18 Kitui County

3.18.1 Overview of the FY 2018/19 Budget

The Approved Budget for FY 2018/19 is Kshs.11.78 billion, comprising of Kshs.6.81 billion (57.8 per cent) and Kshs.4.97 billion (42.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.73 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.910.08 million (7.7 per cent) as total conditional grants, generate Kshs.500 million (4.2 per cent) from own revenue sources, and Kshs.1.64 billion (13.9 per cent) cash balance from FY 2017/18.

Figure 3.68: Kitui County, Expected Sources of Budget Financing in FY 2018/19



Source: Kitui County Treasury

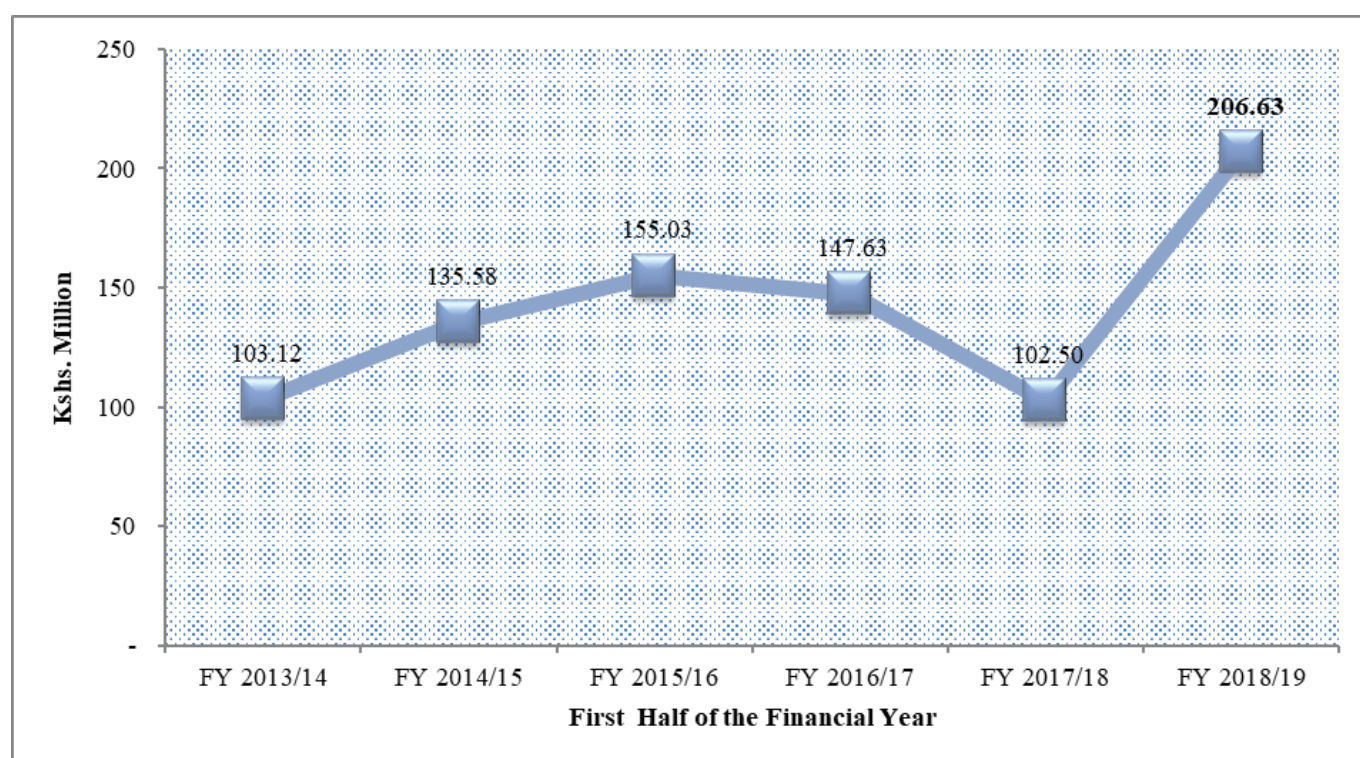
The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (11 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (15.4 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.57.46 million (6.3 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.272.37 million (29.9 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.29 million (3.2 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.22.5 million (2.5 per cent) Compensation for User Fees Foregone, Kshs.229.83 million (25.3 per cent) from Road Maintenance Fuel Levy Fund, and Kshs.58.47 million (6.4 per cent) for Rehabilitation of Village Polytechnics

3.18.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.97 billion as equitable share of revenue raised nationally, Kshs.263.07 million as total conditional grants, raised Kshs.206.63 million from own-source revenue, and had a cash balance of Kshs.895.63 million from FY 2017/18. The total available funds amounted to Kshs.4.33 billion.

Figure 3.69 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.69: Kitui County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19



Source: Kisumu County Treasur

During the first half of FY 2018/19, the County generated a total of Kshs.206.63 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.102.50 million realised during the same period of FY 2017/18 and represented 41.3 per cent of the annual target.

3.18.3 Conditional Grants

The County received Kshs.263.07 million as conditional grants as shown in Table 3.50.

Table 3.50: Kitui County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grant /Loan	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in Q2 of FY 2018/19(Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	GRANTS & LOANS REVENUE, CARA, 2018				
1	IDA (World Bank) -Kenya Urban Support Project	232,374,200	272,374,200	232,374,200	100.0
2	Road Maintenance Fuel Levy Fund	229,832,234	229,832,234	-	-
3	Leasing of Medical Equipment	200,000,000	-	-	-
4	IDA (World Bank) –National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	-	-
5	World Bank-Transforming Health Systems for Universal Care Project	100,000,000	100,000,000	16,194,790	16.2
6	Rehabilitation of Village Polytechnics	58,465,000	58,465,000	-	-
7	IDA (World Bank)-Kenya Devolution Support Programme “Level 1 grant”	57,462,594	57,462,594	-	-
8	DANIDA - Universal Health care in Devolved System Programme	29,008,125	29,008,125	14,504,063	50.0

S/No	Grant /Loan	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in Q2 of FY 2018/19(Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	GRANTS & LOANS REVENUE, CARA, 2018				
9	Compensation for User Fee Foregone	22,499,906	22,499,906	-	-
Total		1,070,077,222	751,612,222	263,073,053	24.6

Source: Kitui County Treasury

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

3.18.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.09 billion from the CRF account. The withdrawals represented 34.8 per cent of the Approved Budget and translated to an increase of 58.5 per cent from Kshs.2.58 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.83 billion (69.2 per cent) to fund recurrent expenditure and Kshs.1.26 billion (30.8 per cent) for development activities.

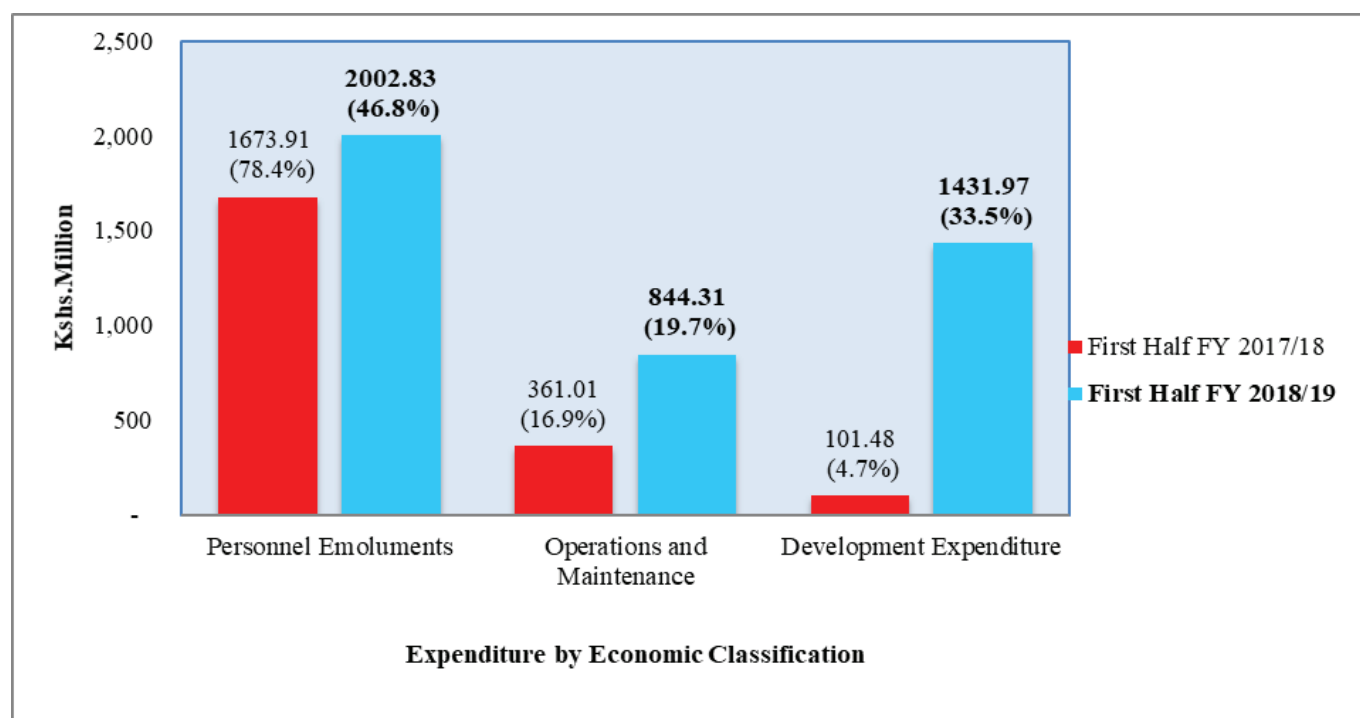
3.18.5 Overall Expenditure Review

The County government spent a total of Kshs.4.28 billion on recurrent and development activities. The total expenditure represented 104.6 per cent of the total funds released from the CRF account and was an increase of 100.3 per cent from Kshs.2.14 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.843.85 million for development activities and Kshs.363.34 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.85 billion while Kshs.1.43 billion was spent on development activities. The recurrent expenditure was 100.6 per cent of the funds released for recurrent activities, while development expenditure was 113.8 per cent of funds released for development activities.

The recurrent expenditure represented 41.8 per cent of the annual recurrent budget, an increase from 32.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 28.8 per cent, which was an increase from 2.8 per cent attained in the first half of FY 2017/18. Figure 3.70 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.70: Kitui County, Expenditure by Economic Classification

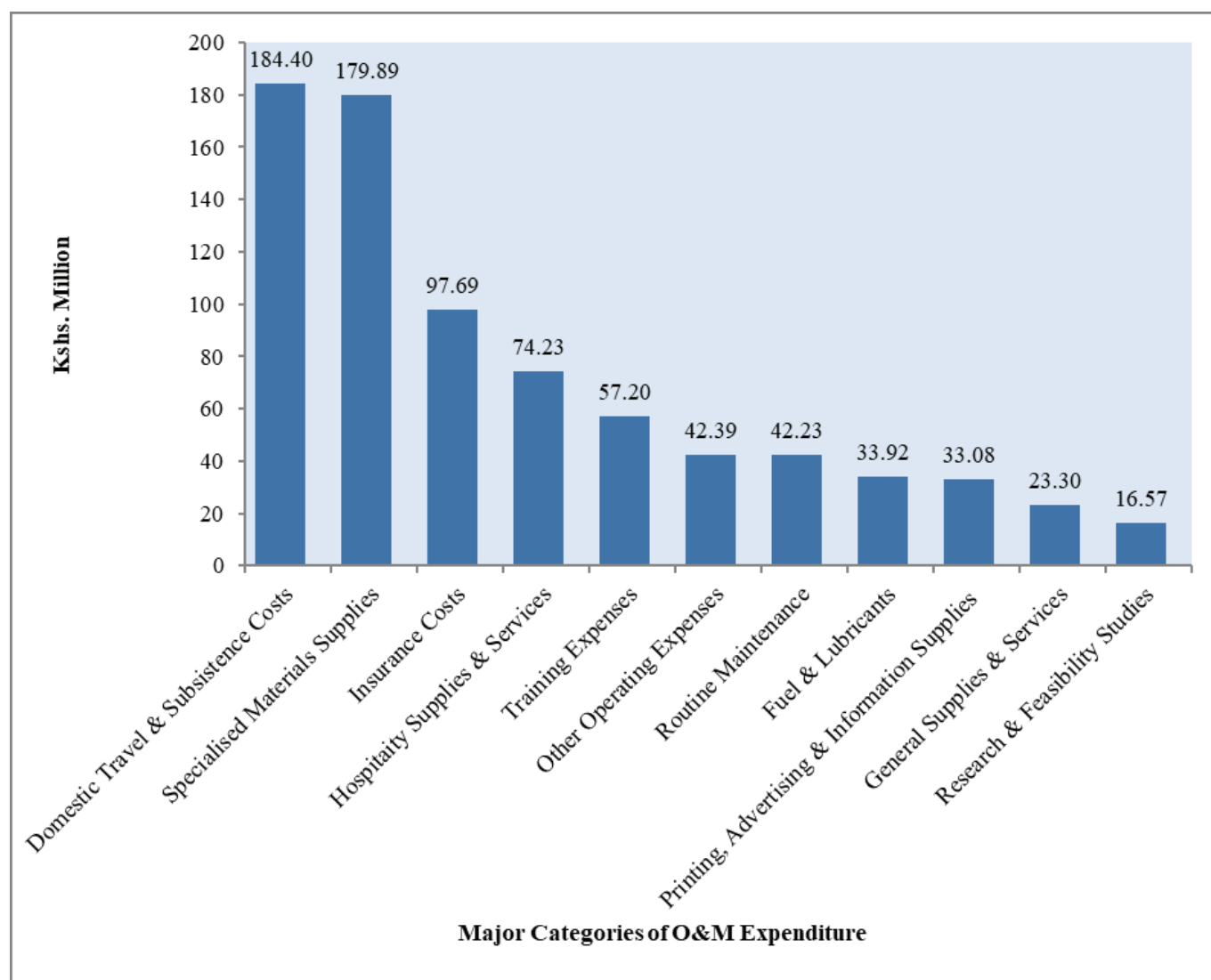


Source: Kitui County Treasury

3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.85 billion comprised of Kshs.2 billion (70.2 per cent) incurred on personnel emoluments and Kshs.844.31 million (29.8 per cent) on operations and maintenance as shown in Figure 3.70. Expenditure on personnel emoluments represented an increase of 19.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.67 billion, and was 46.8 per cent of total expenditure in the first half of FY 2018/19. Figure 3.71 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.71: Kitui County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Kitui County Treasury

The County spent Kshs.23.97 million on MCAs' committee sitting allowances for the 55 MCAs against the annual budget allocation of Kshs.65.94 million. This represented an increase of 296.7 per cent compared to Kshs.6.04 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.72,622 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.184.40 million and comprised of Kshs.59.59 million spent by the County Assembly and Kshs.124.80 million spent by the County Executive. This represented 6.5 per cent of total recurrent expenditure and was an increase of 103 per cent compared to Kshs.90.85 million spent in the first half of FY 2017/18.

3.18.7 Development Expenditure

The total development expenditure of Kshs.1.43 billion represented 28.8 per cent of the annual development budget of Kshs.4.97 billion. Table 3.51 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.51: Kitui County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	First Half Expenditure (Kshs.)	Absorption Rate (%)
1	Supply and installation of CT Scan machine and accessories	Kitui Central	80,000,000	46,747,747	58.4
2	Supply, installation and commissioning of machines at Kitui Garment Factory	Kitui Central	66,416,000	26,416,000	39.8
3	Upgrading to Bitumen standards Oil Libya-Jubilee College Road	Kitui Central	51,450,952	21,056,833	40.9
4	Supply and delivery of Horticulture seeds	County wide	32,138,405	32,138,405	100
5	Construction of Mekyuyu earth dam	Kitui South	7,515,130	7,515,130	100
6	Construction of Kalisasi borehole	Mwingi Central	3,989,394	3,989,394	100
7	Construction of Kisuini earth dam	Kitui Rural	5,421,740	4,337,392	80.0
8	Refurbishment of Kavalyani playground Phase 1	Mwingi West	3,797,202	3,657,528	96.3
9	Fencing and installation of goal posts at Nzalae community grounds	Kitui West	2,827,060	2,827,060	100
10	Construction of ECDE classroom at Kyo-ea Centre	Mwingi North	945,210	945,210	100

Source: Kitui County Treasury

3.18.8 Budget Performance by County Department

Table 3.52 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.52: Kitui County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	583.43	825.00	250.85	216.90	248.75	248.81	99.2	114.7	42.6	30.2
Administration & Co-ordination of County Affairs	373.00	-	174.73	-	170.22	-	97.4	-	45.6	-
County Treasury	458.17	107.46	160.91	-	137.84	2.43	85.7	-	30.1	2.3
Health and Sanitation	2,420.27	506.98	1,023.36	175.84	1,177.72	191.81	115.1	109.1	48.7	37.8
Basic Education, ICT and Youth Development	548.37	160.47	241.88	25.30	213.65	46.20	88.3	182.6	39.0	28.8
Trade, Co-operatives and Investments	102.84	644.2	56.91	112.42	31.16	110.39	54.7	98.2	30.3	17.1
Lands, Infrastructure, Housing and Urban Development	325.45	789.07	172.72	83.96	170.05	225.95	98.5	269.1	52.3	28.6
Tourism, Sports and Culture	148.05	124.08	55.67	10.21	62.53	21.57	112.3	211.3	42.2	17.4
Agriculture, Water and Livestock	494.84	1,219.84	246.18	358.64	215.40	520.39	87.5	145.1	43.5	42.7

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Environment and Natural Resources	141.46	115.13	58.82	27.59	44.02	28.08	74.8	101.8	31.1	24.4
County Public Service Board	61.14	-	20.89	-	27.88	-	133.5	-	45.6	-
County Assembly	904.80	130.00	283.91	-	278.25	-	98.0	-	30.8	-
Kitui Town	161.81	292.88	46.53	238.16	49.05	12.36	105.4	5.2	30.3	4.2
Mwingi Town	81.99	54.50	37.01	9.56	20.71	23.96	56.0	250.6	25.3	44.0
TOTAL	6,805.63	4,969.60	2,830.39	1,258.55	2,847.14	1,431.97	100.6	113.8	41.8	28.8

Source: Kitui County Treasury

Analysis of expenditure by department shows the Mwingi Town Administration recorded the highest absorption rate of development budget at 44 per cent followed by the Department of Agriculture, Water and Livestock at 42.7 per cent while the County Assembly did not incur any development expenditure. The Department of Lands, Infrastructure, Housing & Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 52.3 per cent while Mwingi Town Administration had the lowest at 25.3 per cent.

3.18.9 Key Observations and Recommendations

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

- Improvement in the own revenue collection by 102.5 per cent from Kshs.102.50 million to Kshs.206.63 million compared to a similar period last financial year.
- The County has established a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

- High wage bill which represented an increase of 19.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.67 billion. The wage bill was 46.7 per cent of total expenditure in the first half of FY 2018/19.

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

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

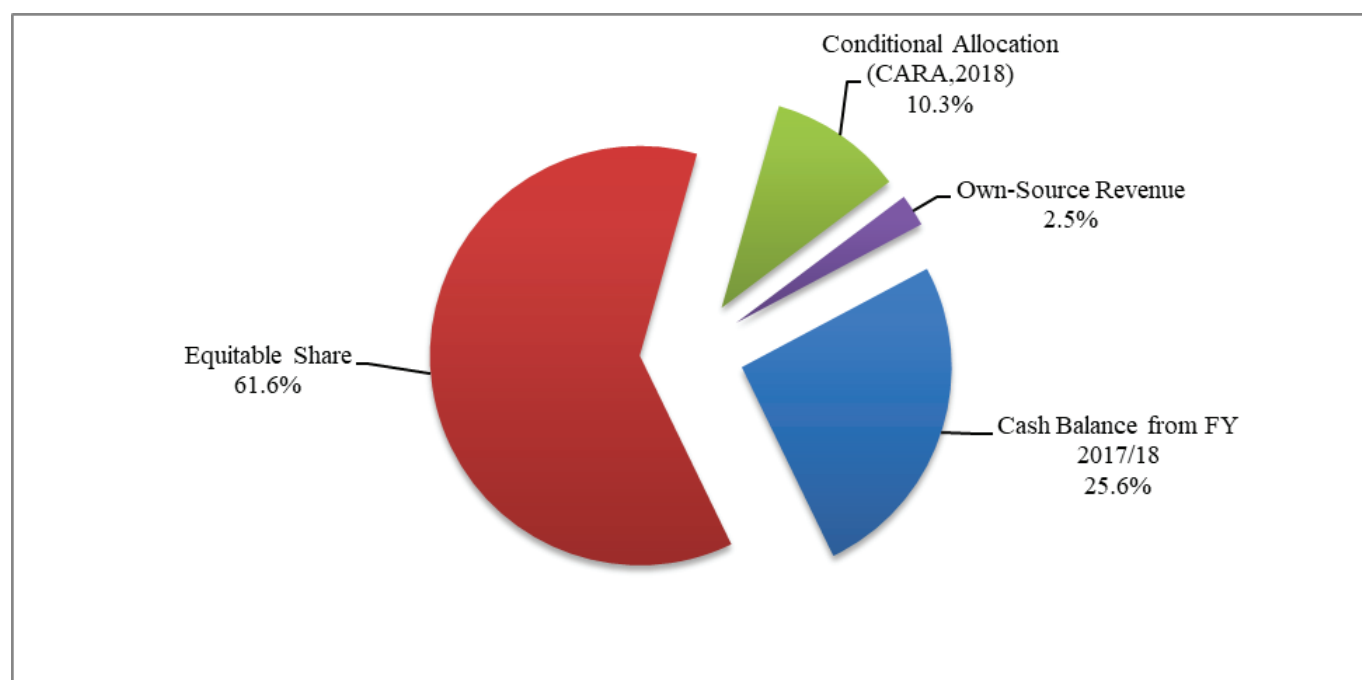
3.19 Kwale County

3.19.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget is Kshs.12.23 billion, comprising of Kshs.4.76 billion (38.9 per cent) and Kshs.7.47 billion (61.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.54 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.1.37 billion (10.3 per cent) as total conditional grants, generate Kshs.303.11 million (2.5 per cent) from own-source revenues, and Kshs.3.13 billion (25.6 per cent) cash balance from FY 2017/18.

Figure 3.72: Kwale County, Expected Sources of Budget Financing in FY 2018/19



Source: Kwale County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.98.18 million (7.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (10.6 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.50.75 million (3.8 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (3.8 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.24.30 million (1.8 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (3.4 per cent) grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.400 million (30.1 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.15.21 million (1.2 per cent) Compensation for User Fees Foregone, Kshs.200 million (14.9 per cent) for Leasing of Medical Equipment, Kshs.198.42 million (15.1 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.41.86 million (3.2 per cent) for Rehabilitation of Village Polytechnics

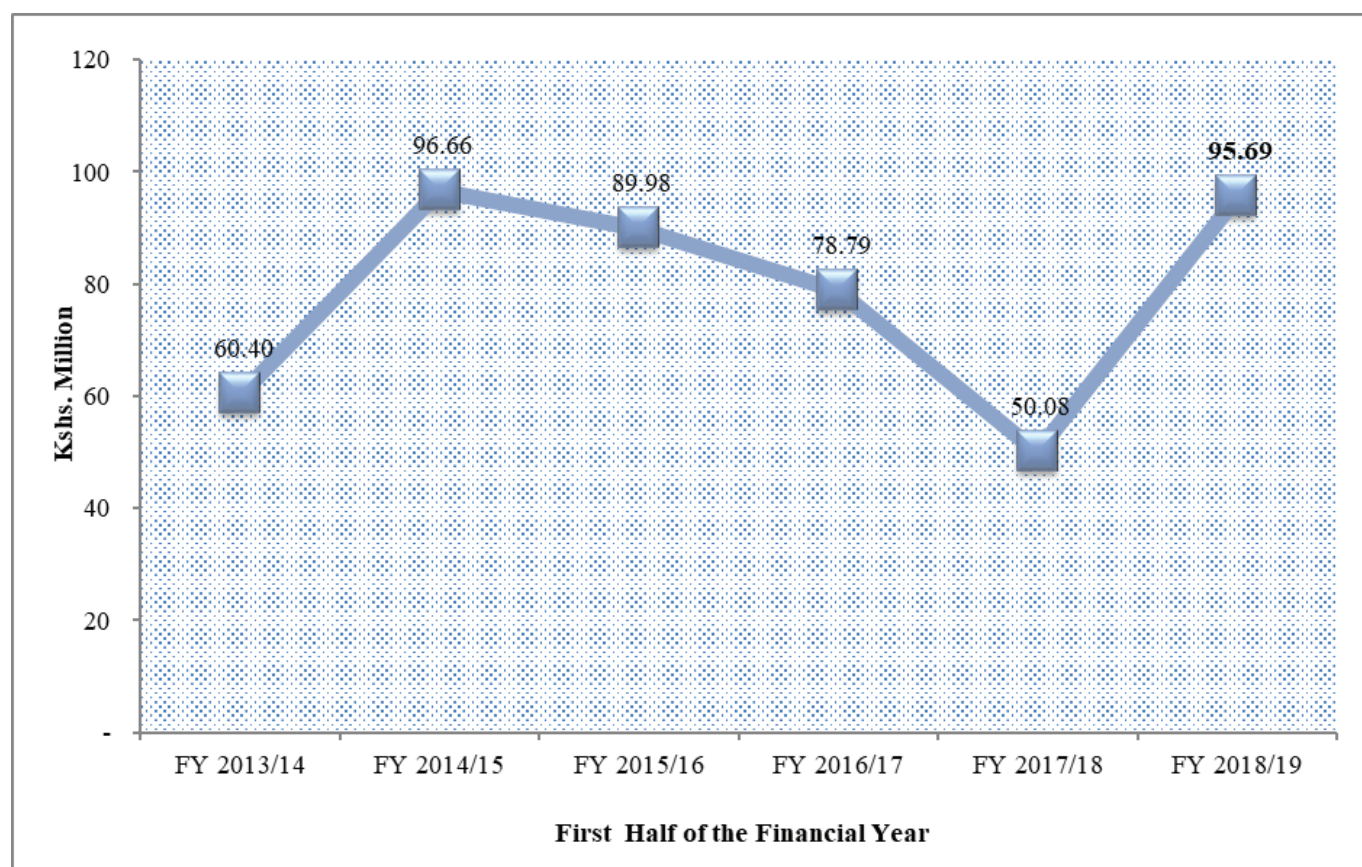
The County also budgeted to receive Kshs.110 million as EU grant for Construction of Kombani Market project, which is not contained in the CARA, 2018.

3.19.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.34 billion as equitable share of revenue raised nationally, Kshs.127.61 million as total conditional grants, raised Kshs.95.69 million from own source revenue, and had a cash balance of Kshs.2.12 billion from FY 2017/18. The total available funds amounted to Kshs.4.67 billion.

Figure 3.73 shows the half yearly trend in own source revenue collection from the first half of FY 2013/14 to the first half of FY 2018/19.

Figure 3.73: Kwale County, Trend in Own Source Revenue Collection from the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Kwale County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.95.69 million as own-source revenue. The own-source revenue collected during the period represented an increase of 91.1 per cent from Kshs.50.08 million realised during the same period of the FY 2017/18 and represented 31.6 per cent of the annual target.

3.19.3 Conditional Grants

The County received Kshs.126.61 million as conditional as shown in Table 3.53.

Table 3.53: Kwale County, Conditional Grants/Loans Received in the First Half of FY 2018/19.

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	400,000,000	400,000,000	-	-
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy Fund	198,416,317	198,416,317		-
4	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163		-
5	World Bank-Transforming Health Systems for Universal Care Project	98,175,267	98,175,267	15,444,095	15.7
6	IDA (World Bank) Kenya Devolution Support Programme “Level 1 grant”	50,747,782	50,747,782	-	-
7	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100
8	EU- Instruments for Devolution Advice and Support- (IDEAS)	45,000,000	45,000,000	-	-
9	Rehabilitation of Village Polytechnics	41,860,000	41,860,000	-	-
10	IDA (WB) Kenya Urban Support (KUSP) - Urban Institutional Grant(UG)	41,200,000	-		-
11	DANIDA - Universal Healthcare to Devolved System Programme	24,300,000	24,300,000	12,150,000	50
12	Sweden Agricultural Sector Development Support Programme(ASDSP) Level 2 Grant	23,138,788	-	-	-
13	Compensation for User Fees Forgone	15,209,593	15,209,593	-	-
Sub Total		1,328,482,910	1,264,144,122	77,594,095	6.1
B	Other Grants				
14	EU grant for construction of the Kombani market	-	110,000,000	50,013,026	45.5
Total		1,328,482,910	1,374,144,122	127,607,120.8 0	9.3

Source: Kwale County Treasury

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

3.19.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.85 billion from the CRF account. The withdrawals represented 31.5 per cent of the Approved Budget and translated to an increase of 32.7 per cent from Kshs.2.90 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.69 billion (69.8 per cent) to fund recurrent expenditure and Kshs.1.16 billion (30.2 per cent) for development activities.

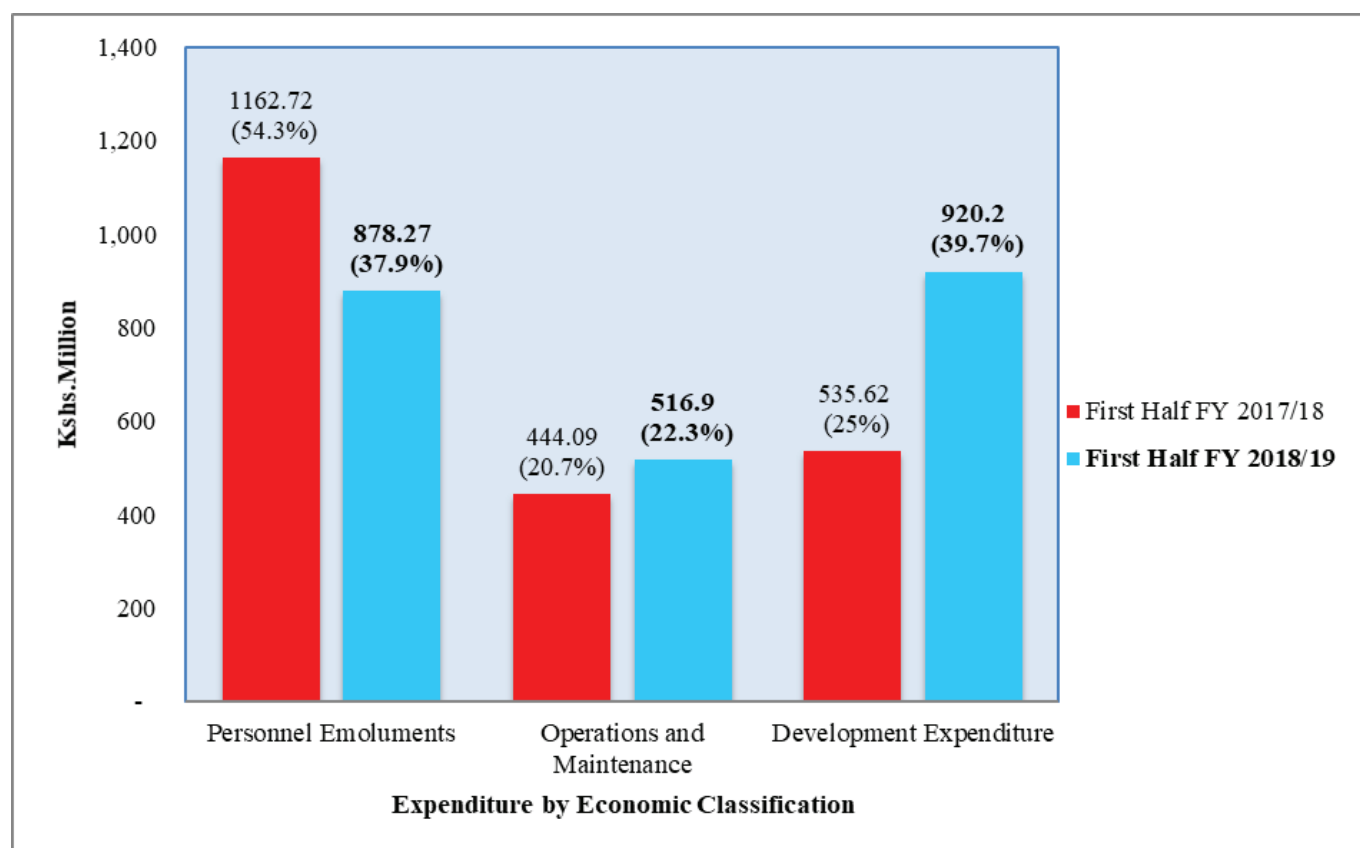
3.19.5 Overall Expenditure Review

The County government spent a total of Kshs.2.32 billion on recurrent and development activities. The total expenditure represented 61.3 per cent of the total funds released from the CRF account and was an increase of 30.2 per cent from Kshs.2.14 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.1.57 billion for development activities and Kshs.39.51 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.40 billion while Kshs.920.20 million was spent on development activities. The recurrent expenditure was 51.9 per cent of the funds released for recurrent activities, while development expenditure was 79.1 per cent of funds released for development activities.

The recurrent expenditure represented 29.3 per cent of the annual recurrent budget, a decrease from 32.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 12.3 per cent, which was an increase from 11.2 per cent attained in the first half of FY 2017/18. Figure 3.74 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

Figure 3.74: Kwale County, Expenditure by Economic Classification



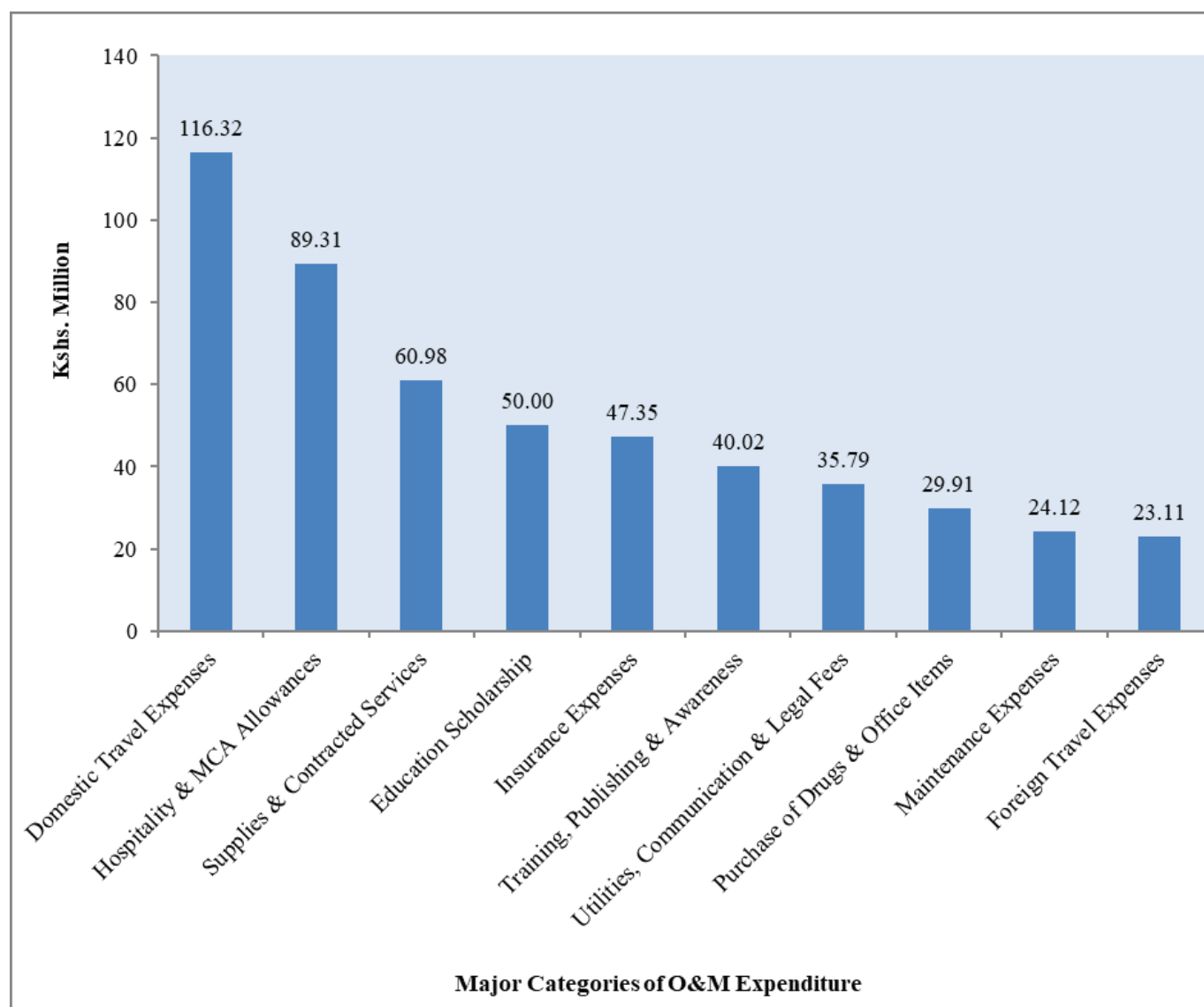
Source: Kwale County Treasury

3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.40 billion comprised of Kshs.878.27 billion (63 per cent) incurred on personnel emoluments and Kshs.516.90 million (37 per cent) on operations and maintenance as shown in Figure 3.74.

Expenditure on personnel emoluments represented a decrease of 24.5 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.16 billion, and was 37.9 per cent of total expenditure in the first half of FY 2018/19. Figure 3.75 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.75: Kwale County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Kwale County Treasury

The County spent Kshs.22.80 million on MCAs' committee sitting allowances for the 34 MCAs against the annual budget allocation of Kshs.60.96 million. This represented an increase of 84.7 per cent compared to Kshs.12.35 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.111,782 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.116.32 million and comprised of Kshs.78.13 million spent by the County Assembly and Kshs.38.19 million spent by the County Executive. This represented 8.3 per cent of total recurrent expenditure and was an increase of 63.2 per cent compared to Kshs.84.33 million spent in the first half of FY 2017/18.

3.19.7 Development Expenditure

The total development expenditure of Kshs.920.20 million represented 12.3 per cent of the annual development budget of Kshs.7.47 billion. Table 3.54 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.54: Kwale County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Flagship Project 2-Build 3 Dams (Mwakalanga, Dziweni Gitegemee, & Kizingo Dams)	Mwereni, Ndavaya and Mackinon wards	220,000,000	57,867,240	26.3
2	Construction of Governor Residence	Golini Ward	149,216,375	22,445,021	15.0
3	Improvement Marere Godoni Kwale water pipeline	Marere Ward	45,000,000	22,272,000	49.5
4	Designed & installed backbone fibre optic network infrastructure	Kwale	18,396,057	18,396,056	100.0
5	Installation of LAN-Headquarter	Kwale	14,779,078	14,779,078	100.0
6	Construction Kombani Rehab Wall	Kombani Ward	9,699,980	4,214,280	43.4
7	Rehabilitated Ndavaya - Mtumwa (12 KM)- KRB	Ndavaya Ward	8,783,200	8,733,200	99.4
8	Building Main Drug Store at Msambweni Hospital	Ramisi Ward	7,985,080	4,800,806	60.1
9	Ukunda YP Admin Block	Ukunda Ward	7,648,692	7,648,692	100.0
10	Build Market stalls at Nyumba Mbovu	Puma Ward	5,995,810	5,995,810	100.0

Source: Kwale County Treasury

3.19.8 Budget Performance by County Department

Table 3.55 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.55: Kwale County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office Of The Governor	210.93	257.15	93.46	22.45	31.59	22.45	33.8	100	15.0	8.7
Public Service & Administration	275.65	75.94	183.04	13.82	53.20	13.82	29.1	100	19.3	18.2
Finance & Economic Planning	467.80	62.06	217.60	5.83	109.63	-	50.4	0.0	23.4	0.0
Agriculture ,Livestock And Fisheries	178.22	396.71	92.81	69.52	29.24	13.41	31.5	19.3	16.4	3.4
Education, Research And HR Development	760.69	1,294.94	520.72	228.99	190.19	176.27	36.5	77.0	25.0	13.6
Health Services	1,845.53	1,164.74	1,012.28	172.08	558.53	165.84	55.2	96.4	30.3	14.2
Trade and Cooperative Development	71.58	241.72	32.92	30.06	14.09	15.02	42.8	50.0	19.7	6.2
ICT & Tourism	61.64	126.57	25.61	36.83	13.04	30.88	50.9	83.8	21.2	24.4

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Community Development, Youth & Women Empowerment & Social Services	117.97	380.07	72.56	24.12	37.78	20.51	52.1	85.0	32.0	5.4
Infrastructure & Public Works	97.61	1,194.33	61.38	242.88	35.64	199.51	58.1	82.1	36.5	16.7
Land, Environment & Natural Resources	51.65	235.31	18.85	76.35	14.84	22.31	78.7	29.2	28.7	9.5
Water & Urban Planning	65.43	1,809.35	43.04	222.53	16.01	218.28	37.2	98.1	24.5	12.1
County Assembly	559.53	229.80	311.58	17.41	291.37	21.90	93.5	125.8	52.1	9.5
Total	4,764.23	7,468.68	2,685.85	1,162.86	1,395.17	920.20	51.9	79.1	29.3	12.3

Source: Kwale County Treasury

Analysis of expenditure by department shows that the Department of ICT and Tourism recorded the highest absorption of development budget at 24.4 per cent while the Department of Finance and Economic Planning did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 52.1 per cent while Office of the Governor had the lowest at 15 per cent.

3.19.9 Observations and Recommendations

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

- i. Improvement in own source revenue collection by 91.1 per cent compared to a similar period in FY 2017/18.

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

1. Frequent IFMIS down time, which slowed down approval of procurement requests and payments to suppliers.
2. Late submission of financial reports and statements by the County Treasury to the Office of Controller contrary to Section 166 of the PFM Act, 2012.
3. Failure to budget for all conditional grants as contained in CARA, 2018

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in utilization of IFMIS and E-procurement module.*
2. *The County Treasury should comply with the law and ensure that financial returns and statements are submitted in line with Section 166 of the PFM Act, 2012.*
3. *The County should prepare a Supplementary Budget and budget for all the conditional grants in CARA, 2018.*

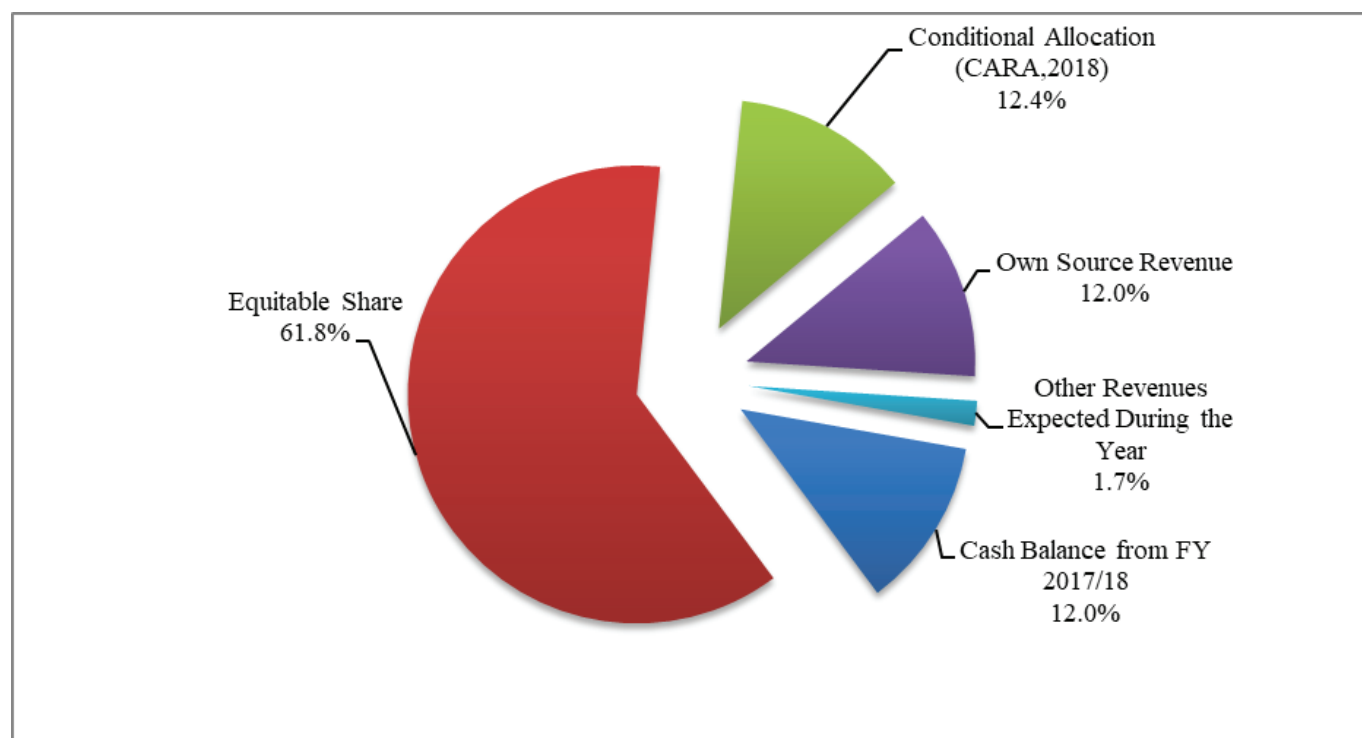
3.20 Laikipia County

3.20.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.6.65 billion, comprising of Kshs.4.05 billion (60.9 per cent) and Kshs.2.6 billion (39.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (61.8 per cent) as equitable share of revenue raised nationally, Kshs.822.91 million (12.4 per cent) as total conditional grants, Kshs.116.32 million (1.7 per cent) as other revenue sources, generate Kshs.800 million (12 per cent) from own revenue sources including Hospital Facility Improvement Fund, and Kshs.800 million (12 per cent) cash balance-pending bills from FY 2017/18.

Figure 3.76: Laikipia County Sources of Budget Financing in FY 2018/19



Source: Laikipia County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.67 million (7.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.18 million (1.9 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.117 million (12.5 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.41.12 million (4.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.90 million (9.6 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.15.09 million (1.6 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (9.6 per cent) grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.37 million (3.9

per cent) for Kenya Devolution Support Project (KDSP) “Level 2 grant”, Kshs.9.97 million (1.1 per cent) as Compensation for User Fees Foregone, Kshs.200 million (21.3 per cent) for Leasing of Medical Equipment, Kshs.109.13 million (11.6 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.28.5 million (3 per cent) for Rehabilitation of Village Polytechnics.

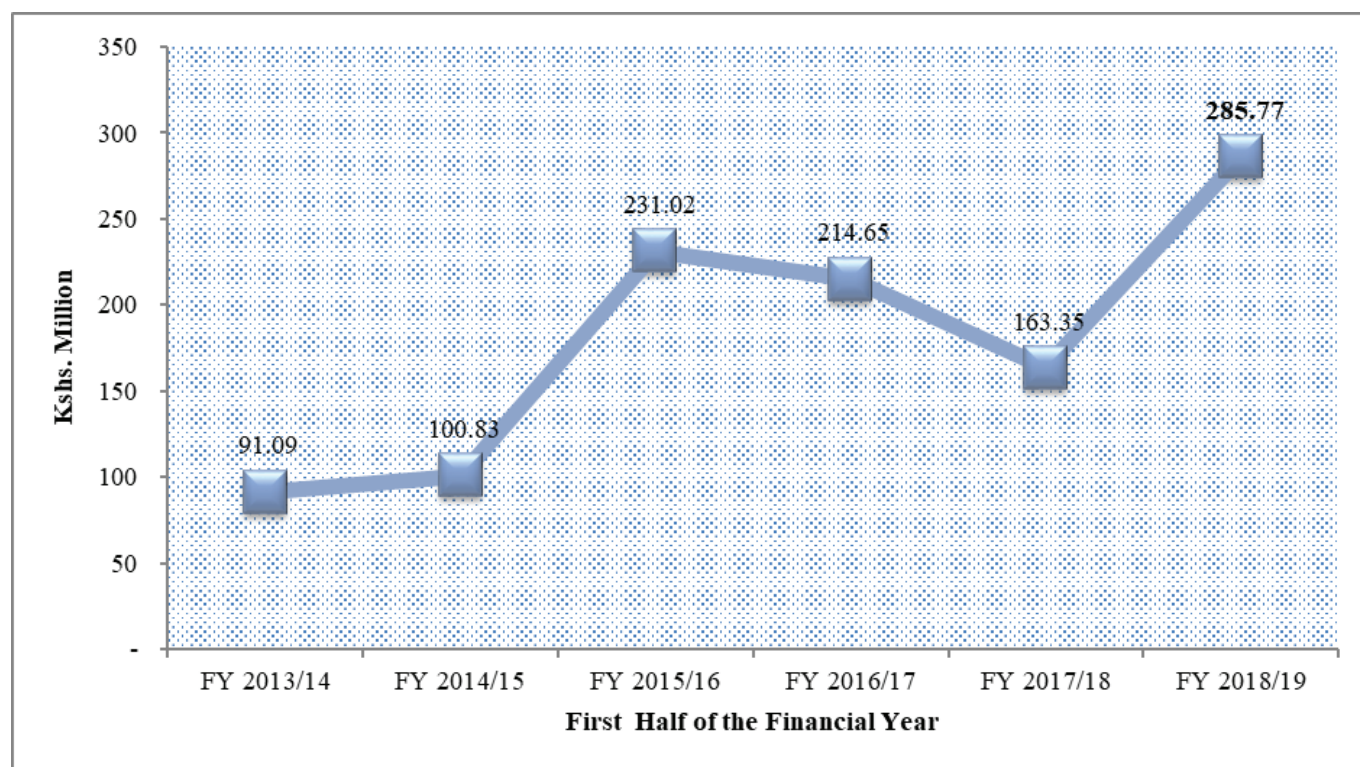
The County also budgeted to receive Kshs.111.14 million (11.8 per cent) for Kenya Devolution Support Project (KDSP) “Investment” and Kshs.5.18 million (0.6 per cent) from UNICEF, which are not contained in CARA, 2018.

3.20.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.47 billion as equitable share of revenue raised nationally, Kshs.318.86 million as total conditional grants, raised Kshs.285.77 million from own-source revenue, and had a cash balance of Kshs.545.37 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.73 billion.

Figure 3.77 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.77: Laikipia County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Laikipia County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.285.77 million from own-source revenue sources. This amount was an increase of 74.9 per cent when compared to Kshs.163.35 million realised during the same period of FY 2017/18 and represented 35.7 per cent of the annual target.

The Office noted that, the first quarter own source revenue collection was indicated as Kshs.113.11 million instead of earlier reported amount of Kshs.164.31 million. The County Treasury should therefore, reconcile the own source revenue collection as reported in the First and Second Quarter Financial Statements for FY 2018/19.

3.20.3 Conditional Grants

The County received Kshs.318.86 million as conditional grants during the reporting period as shown in Table 3.56.

Table 3.56: Laikipia County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1	Compensation for User Fee Foregone	15,209,593	9,968,208	-	-
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy	198,416,317	109,128,974	26,143,057	24
4	Rehabilitation of Village Polytechnics	41,860,000	28,525,000	-	-
5	Transforming Health Systems for Universal Care Project (WB)	67,077,728	67,077,728	6,427,476	9.6
6	National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	18,000,000	-	-
7	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	39,402,608	33.7
8	Kenya Devolution Support Project (KDSP) "Level 1 grant"	41,121,027	41,121,027	-	-
9	Kenya Urban Support Project (KUSP)	50,000,000	90,000,000	50,000,000	55.6
10	DANIDA Grant	15,086,250	15,086,250	7,543,125	50
11	EU –IDEAS Grant	90,000,000	90,000,000	73,027,291	81.1
12	Kenya Devolution Support Project (KDSP) "Level 2 grant"	-	37,000,000	-	-
Sub Total		835,770,915	822,907,187	202,543,557	24.6
13	Kenya Devolution Support Project (KDSP) "Investment"	-	111,140,605	111,140,605	100
14	UNICEF	-	5,177,150	5,177,350	100
Sub Total		-	116,317,955	116,317,955	100
Total		835,770,915	939,224,942	318,861,512	33.9

Source: Laikipia County Treasury

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the EU-IDEAS grant. The receipts accounted for 55.6 per cent and 81.1 per cent of annual allocation respectively.

3.20.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.6 billion from the CRF account. The withdrawals represented 39.1 per cent of the Approved Budget and translated to an increase of 30.9 per cent from Kshs.1.79 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2 billion (77 per cent) to fund recurrent expenditure and Kshs.598.2million (23 per cent) for development activities.

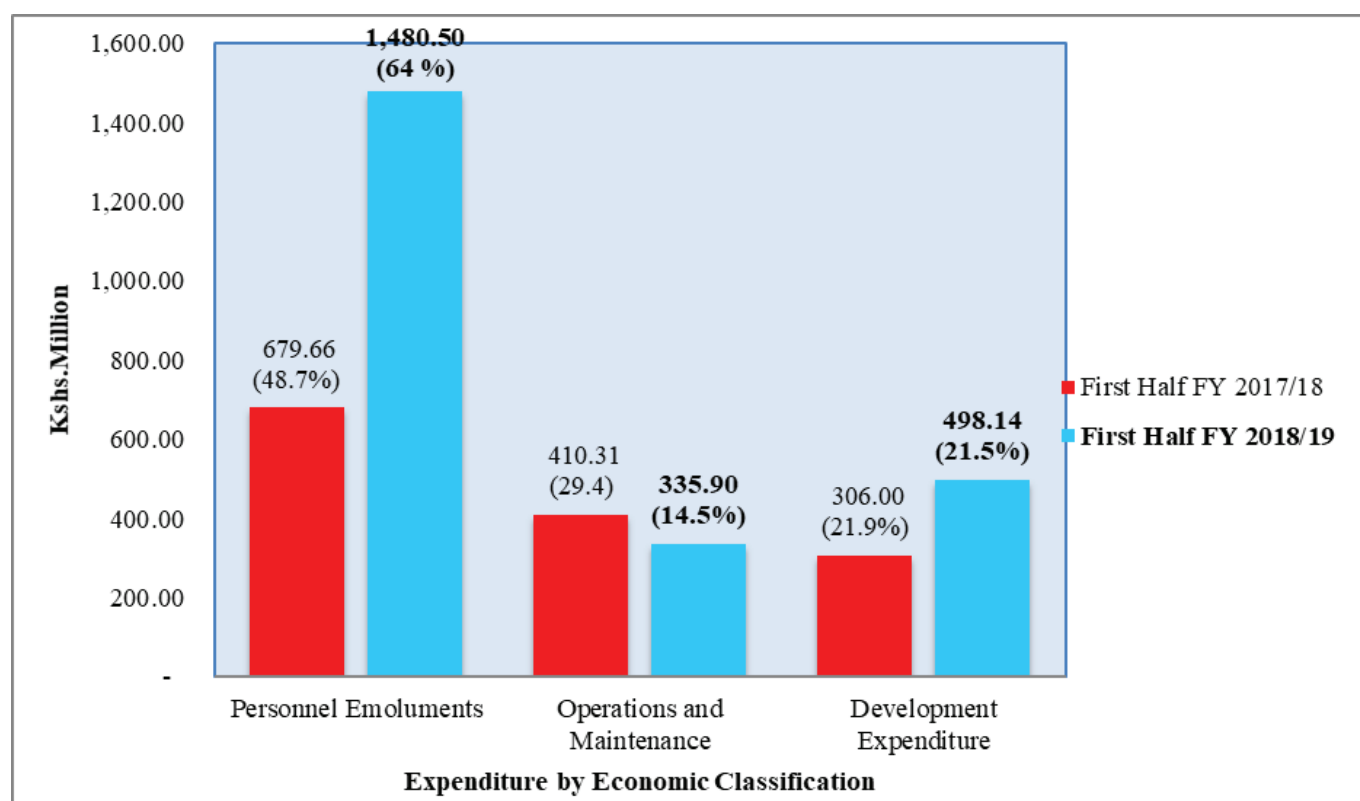
3.20.5 Overall Expenditure Review

The County government spent a total of Kshs.2.31 billion on both recurrent and development activities. This expenditure represented 89.04 per cent of the total funds released from the CRF account and was an increase of 60.2 per cent from Kshs.1.39 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.1.82 billion while that on development activities was Kshs.498.14 million. The recurrent expenditure was 90.8 per cent of the funds released for recurrent activities, while development expenditure was 83.3 per cent of funds released for development activities.

The recurrent expenditure represented 44.8 per cent of the annual recurrent budget, and an increase and was from 43.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 83.27 per cent, which was an increase from 21.9 per cent attained in the first half of FY 2017/18. Figure 3.78 presents a comparison between the total expenditure in the first half of FY 2018/19 and first half of FY 2017/18.

Figure 3.78: Laikipia County, Expenditure by Economic Classification



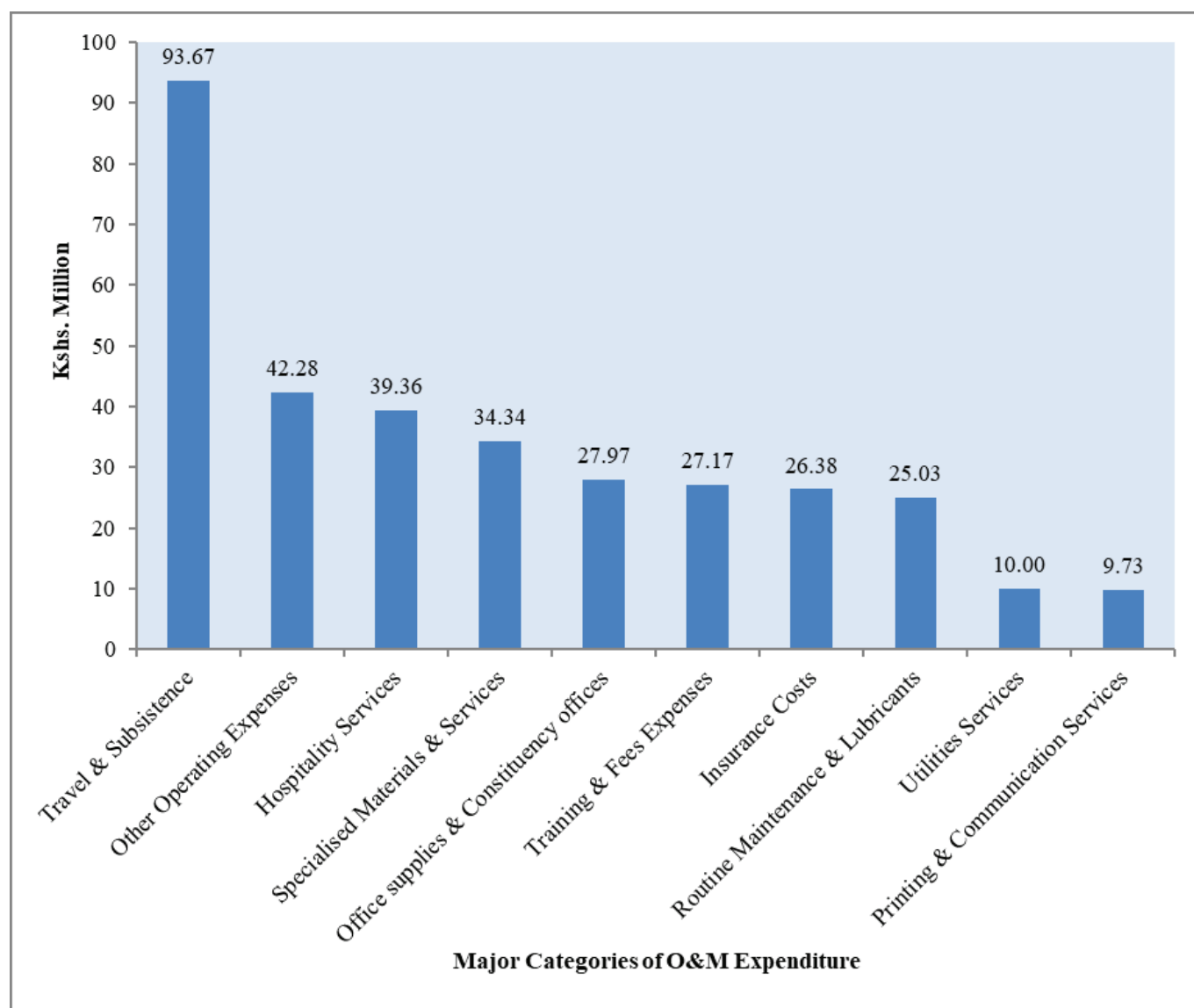
Source: Laikipia County Treasury

3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.82 billion comprised of Kshs.1.48 billion (81.5 per cent) incurred on personnel emoluments and Kshs.335.9 million (14.5 per cent) on operations and maintenance as shown in Figure 3.78.

Expenditure on personnel emoluments represented an increase of 117.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.679.66 million, and was 64 per cent of total expenditure for the period. Figure 3.79 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.79: Laikipia County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Laikipia County Treasury

The County spent Kshs.8.6 million on MCAs' committee sitting allowances for the MCAs against the annual budget allocation of Kshs.15 million. This amount represented an increase of 329.8 per cent compared to Kshs.2 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.59,688 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.91.19 million and comprised of Kshs.32.27 million spent by the County Assembly and Kshs.57.92 million spent by the County Executive, and represented 48.3 per cent of total recurrent expenditure.

3.20.7 Development Expenditure

The total development expenditure of Kshs.498.14 million represented 20.1 per cent of the annual development budget of Kshs.2.48 billion. Table 3.57 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.57: Laikipia County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Half Year expenditure (Kshs.)
1	Construction of a workshop for Rumuruti vocational training centre	Rumuruti	29,112,018
2	Construction of 120 bed mother-child unit	Igwamiti	20,000,000
3	Construction of 120 bed mother-child unit	Nanyuki	20,000,000
4	Commissioning of Dispensaries (Ethi,Seria,Timau,Naiperere)	Mukogodo East & West, Marmanet, Umande	15,000,000
5	Construction of Theatre at Doldol Hospital	Mukogodo East	15,000,000
6	Construction of Theatre at Ndindika Hospital	Githiga	15,000,000
7	Construction of Theatre at Lamuria Health Centre	Tigithi	15,000,000

Source: Laikipia County Treasury

3.20.8 Budget Performance by County Department

Table 3.58 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.58: Laikipia County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Administration	2,735.64	68.90	1,431.06	-	1,436.52	-	100.4	-	52.5	-
Finance and Planning	310.62	815.36	146.22	304.48	136.25	364.13	93.2	119.6	43.9	44.7
Health	315.76	555.47	155.86	24.26	71.74	92.21	46.0	380.1	22.7	16.6
Agriculture	41.90	309.50	10.62	127.31	8.47	3.25	79.8	2.6	20.2	1.1
Infrastructure	65.80	304.13	10.93	102.29	15.80	26.58	144.6	26.0	24.0	8.7
Education	78.50	83.53	11.55	28.53	9.21	-	79.8	-	11.7	-
Trade & Industrialization	16.50	135.00	3.68	10.00	9.26	10.00	251.9	100.0	56.1	7.4
Water	22.20	206.50	9.90	1.37	6.53	1.97	66.0	143.	29.4	1.0
County Assembly	466.00	5.00	220.90	-	122.22	-	55.3	-	26.2	-
TOTAL	4,052.92	2,483.38	2,000.70	598.24	1,816.00	498.14	90.8	83.3	44.8	20.1

Source: Laikipia County Treasury

Analysis of expenditure by department shows that the Department of Finance and Health recorded the highest absorption rate of development budget at 44.7 and 16.6 per cent respectively while the County Assembly and County Administration did not incur any development expenditure. The Department Trade & Industrialization had the highest percentage of recurrent expenditure to its recurrent budget at 56.1 per cent while the Department of Agriculture had the lowest at 20.2 per cent.

3.20.9 Key Observations and Recommendations

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

- i. Establishment of an Audit Committee in line with Section 155 of the PFM Act, 2012.
- ii. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports contrary to Section 166 of the PFM Act, 2012.
2. Failure by Fund Administrators of the County Executive Car & Mortgage Fund, County Bursary and Scholarship Fund, and the Co-operative Fund and Enterprise Fund to submit quarterly reports contrary to Section 168 of the PFM Act, 2012.
3. High wage bill that increased by 117.8 per cent compared to a similar period of FY 2017/18. This may affect implementation of key programmes and projects.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *All Funds Administrators should provide quarterly financial statements for County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Public Service Board should establish and implement an optimal staffing structure in order to maintain the wage bill within sustainable levels.*

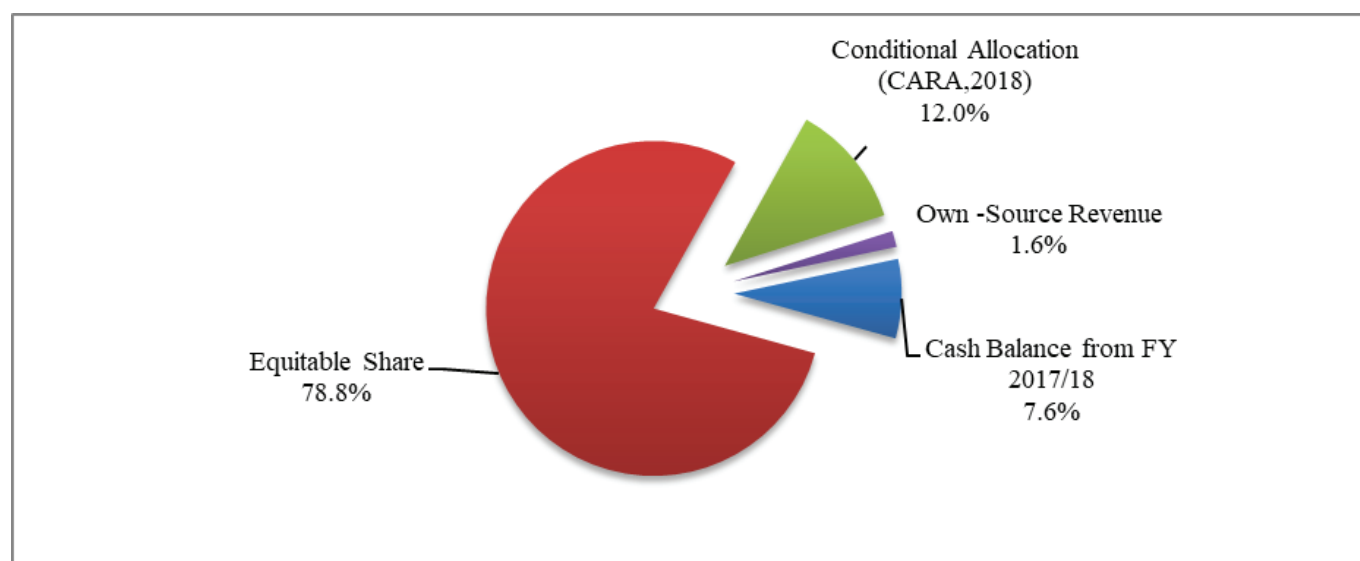
3.21 Lamu County

3.21.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.4.50 billion, comprising of Kshs.2.60 billion (57.9 per cent) and Kshs.1.90 billion (42.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.55 billion (78.8 per cent) as equitable share of revenue raised nationally, Kshs.540.18 million (12.0 per cent) as total conditional grants, generate Kshs.70 million (1.6 per cent) from own sources, and Kshs.344 million (7.6 per cent) cash balance from FY 2017/18.

Figure 3.80: Lamu County Sources of Budget Financing in FY 2018/19



Source: Lamu County Treasury

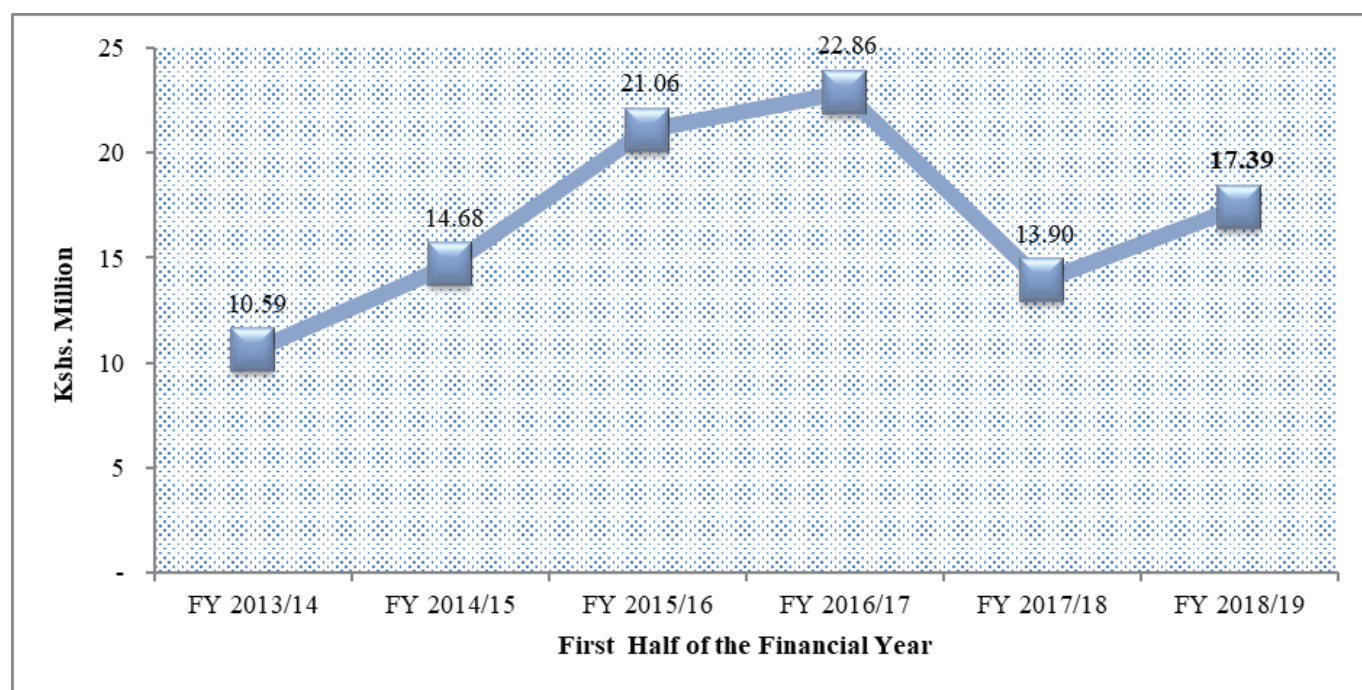
The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (6.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (20.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.33.79 million (4.6 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (6.8 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.8.30 million (1.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.121 million (16.3 per cent) as Supplement for Construction of County Headquarters, Kshs.2.45 million (0.3 per cent) as Compensation for User Fees Foregone, Kshs.93.42 million (12.6 per cent) from Road Maintenance Fuel Levy, and Kshs.31.21 million (4.2 per cent) for Rehabilitation of Village Polytechnics, and Kshs.200 million for Leasing of Medical Equipment.

3.21.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.10 billion as equitable share of revenue raised nationally, Kshs.112.34 million as total conditional grants, raised Kshs.17.39 million from own-source revenue, and had a cash balance of Kshs.344 million from FY 2017/18. The total funds available for the period amounted to Kshs.1.57 billion.

Figure 3.81 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.81: Lamu County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Lamu County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.17.39 million from own-source revenue. This amount was an increase of 21.1 per cent when compared to Kshs.13.90 million realised during the same period of FY 2017/18 and represented 24.8 per cent of the annual target.

3.21.3 Conditional Grants

The County received Kshs.112.34 million as conditional grants as shown in Table 3.59.

Table 3.59: Lamu County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	53,806,243	35.9
2	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
3	Road Maintenance Fuel Levy	93,421,016	93,421,016	-	-
4	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	4,387,382	8.8
5	Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100.0
6	Kenya Devolution Support Project (KDSP) "Level 1 grant"	33,793,559	33,793,559	-	-
7	Rehabilitation of Village Polytechnics	31,210,000	31,210,000	-	-
8	DANIDA Grant	8,302,500	8,302,500	4,151,250	50.0
9	Compensation for User Fee Foregone	2,451,034	2,451,034	-	-
Total		540,178,109	540,178,109	112,344,875	20.8

Source: Lamu County Treasury

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

3.21.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs 1.05 billion from the CRF account. The withdrawals represented 23.3 per cent of the Approved Budget and translate to an increase of 25.1 per cent from Kshs.840.23 million approved in the first half of FY 2017/18. This amount comprised of Kshs.891.72 million (84.8 per cent) to fund recurrent expenditure and Kshs.159.58 million (15.2 per cent) for development activities.

3.21.5 Overall Expenditure Review

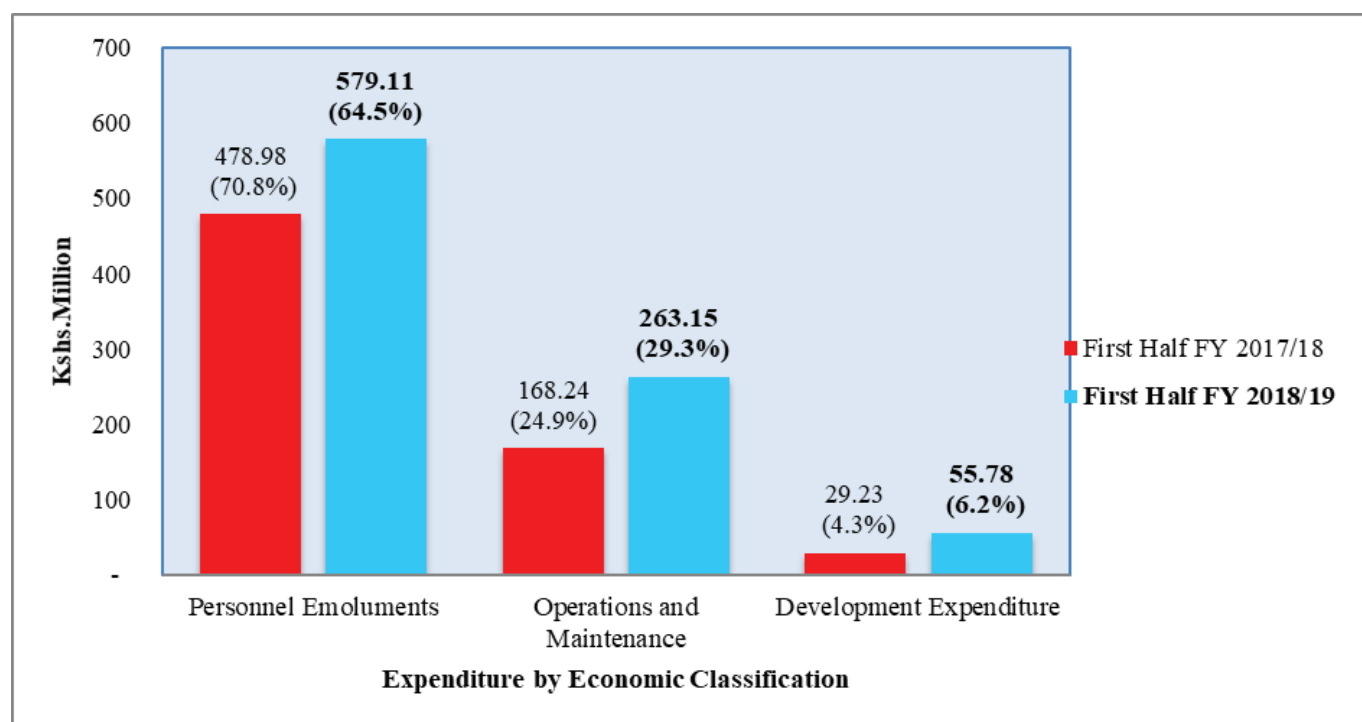
The County government spent a total of Kshs.898.03 million on both recurrent and development activities. This expenditure represented 85.4 per cent of the total funds released from the CRF account and was an increase of 32.8 per cent from Kshs.676.45 million spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.70.62 million for development activities and Kshs.42.98 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.842.26 million while that on development activities was Kshs.55.76 million. The recurrent expenditure was 94.5 per cent of the funds released for recurrent activities, while development expenditure was 35 per cent of funds released for development activities.

The recurrent expenditure represented 32.3 per cent of the annual recurrent budget a decrease from 34.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 2.9 per cent, which was a decrease from 3.6 per cent attained in the first half of FY 2017/18.

Figure 3.82 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.82: Lamu County, Expenditure by Economic Classification



Source: Lamu County Treasury

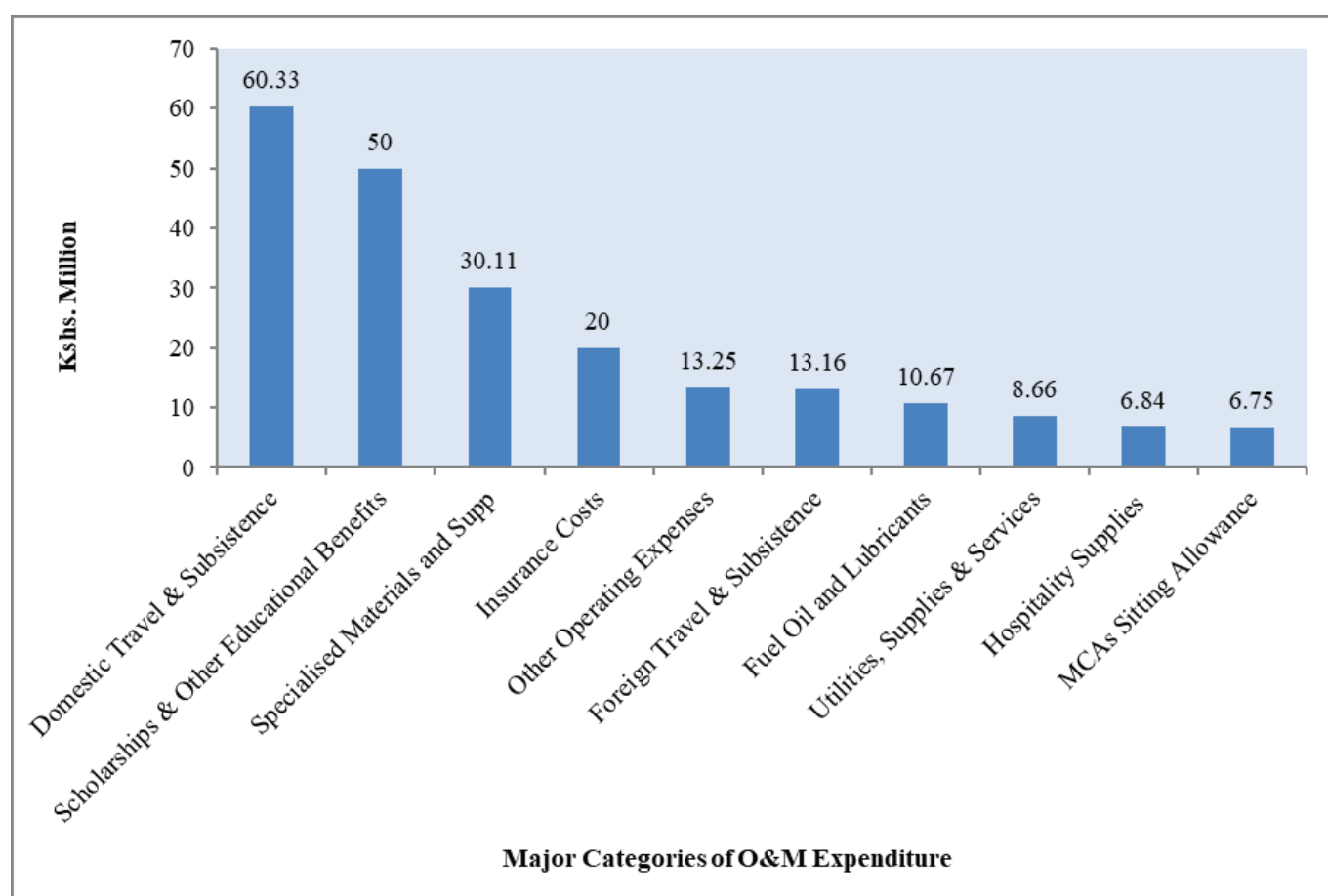
3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.842.26 million comprised of Kshs.579.11 million (68.8 per cent) incurred on personnel emoluments and Kshs.263.15 million (31.2 per cent) on operations and maintenance as shown in Figure 3.82.

Expenditure on personnel emoluments represented an increase of 20.9 per cent compared to the first half of FY 2017/18 when the County spent Kshs.478.98 million, and was 64.5 per cent of total expenditure for the period.

Figure 3.83: shows a summary of operations and maintenance expenditure by major categories.

Figure 3.83: Lamu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Lamu County Treasury

The County spent Kshs.6.75 million on MCAs' committee sitting allowances for the 19 MCAs against the annual budget allocation of Kshs.18 million. This amount represented an increase of 230.3 per cent compared to Kshs.2.04 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.59, 235 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.60.33 million and comprised of Kshs.26.42 million spent by the County Assembly and Kshs.33.91 million spent by the County Executive. This represented 7.2 per cent of total recurrent expenditure and was an increase 79.9 per cent compared to Kshs.33.53 million spent in the first half of FY 2017/18.

3.21.7 Development Expenditure

The total development expenditure of Kshs.55.78 million represented 2.9 per cent of the annual development budget of Kshs.1.90 billion. This expenditure comprised of Kshs.54 million spent on street lighting and Kshs.1.78 million on purchase of educational materials.

3.21.8 Budget Performance by County Department

Table 3.60 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.60: Lamu County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	404.00	250.00	164.02	-	137.49	-	83.8	-	34	-
County Executive, County Public Service and Disaster Management	415.20	282.44	126.93	-	121.78	-	95.9	-	29.3	-
Finance, Strategy and Economic Planning	164.63	-	44.64	-	39.48	-	88.4	-	24	-
Agriculture and Irrigation	100.18	333.20	30.26	53.81	24.09	-	79.6	-	24.1	-
Lands, Physical planning and Infrastructure Development	80.37	593.42	33.59	104.00	29.46	54.00	87.7	51.9	36.7	9.1
Education, Vocational Training, Youth Affairs, Culture, Gender and Social Services	318.79	128.21	92.75	1.78	87.70	1.78	94.6	100	27.5	1.4
Health, Environment, Natural resources and Sanitation	965.10	258.50	340.82	-	355.87	-	104.4	-	36.9	-
Fisheries, Livestock and Co-operative Development	82.10	31.70	32.09	-	23.97	-	74.7	-	29.2	-
Trade, Tourism and Industrialization	29.18	20.00	7.70	-	4.83	-	62.7	-	16.6	-
Public Service Board	45.35	-	18.92	-	17.59	-	93	-	38.8	-
Total	2,604.90	1,897.47	891.72	159.58	842.26	55.78	94.5	34.95	32.3	2.9

Source: Lamu County Treasury

Analysis of expenditure by department shows the Department of Lands, Physical Planning and Infrastructure Development recorded the highest absorption rate of development budget at 9.1 followed by the Department of Education, Vocational Training, Youth Affairs, Culture, Gender and Social Services at 1.4 per cent while all the other departments did not incur any development expenditure. The County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 38.8 per cent while the Department of Trade, Tourism and Industrialization had the lowest at 16.6 per cent.

3.21.9 Key Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
- Improvement in the use of IFMIS and Internet Banking Platform in processing financial transactions.

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

- High wage bill that has increased by 20.9 per cent from Kshs.478.98 million in the first half of FY 2017/18 to Kshs.579.11 million during the period under review.
- Operational delays and IFMIS connectivity challenges, which slowed approvals of procurement

requests and payment to suppliers.

3. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report by the OCOB contrary to Section 166 of the PFM Act, 2012.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury to liaise with IFMIS Directorate for intervention measures and support in utilization of IFMIS and E-procurement module.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

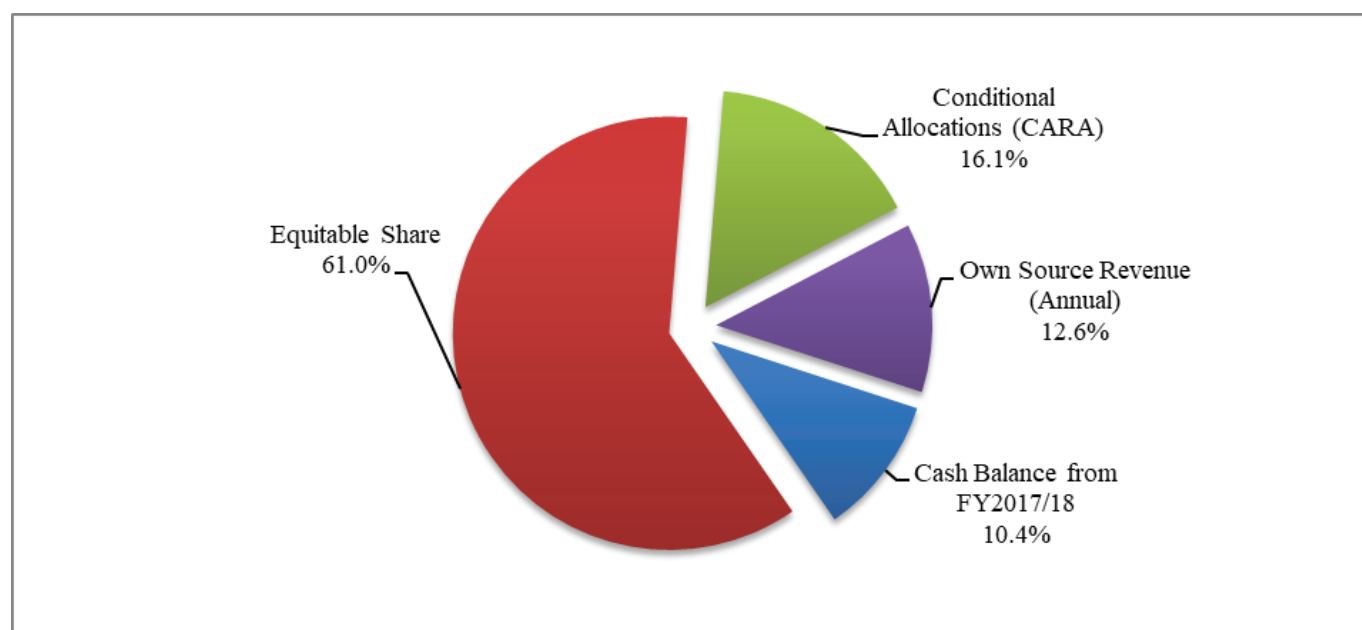
3.22 Machakos County

3.22.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 was Kshs.12.23 billion, comprising of Kshs.7.63 billion (62.4 per cent) and Kshs.4.60 billion (37.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.32 billion (61 per cent) as equitable share of revenue raised nationally, Kshs.2.19 billion (16.1 per cent) as total conditional grants, and generate Kshs.1.72 billion (12.6 per cent) from own revenue sources. The County did not budget for Kshs.1.41 billion (10.4 per cent) cash balance from FY 2017/18.

Figure 3.84: Machakos County Expected Sources of Budget Financing in FY 2018/19



Source: Machakos County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.1.02 billion (46.5 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.383.58 million (17.5 per cent) for Level-5 Hospitals, Kshs.219.08 million (10 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.200 million (9.1 per cent) Leasing of Medical Equipment, Kshs.117 million (5.3 per cent) from IDA (World Bank) as credit for Kenya Climate Smart Agriculture Project (KCSAP), Kshs.95.40 million (4.4 per cent) World Bank Loan for Transforming Health System for Universal Care System, Kshs.54.30 million (2.5 per cent) for

Rehabilitation of Village Polytechnics, Kshs.53.42 million (2.4 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.24.81 million (1.1 per cent) from DANIDA, and Kshs.24.13 million (1.1 per cent) as Compensation for User Fee Foregone.

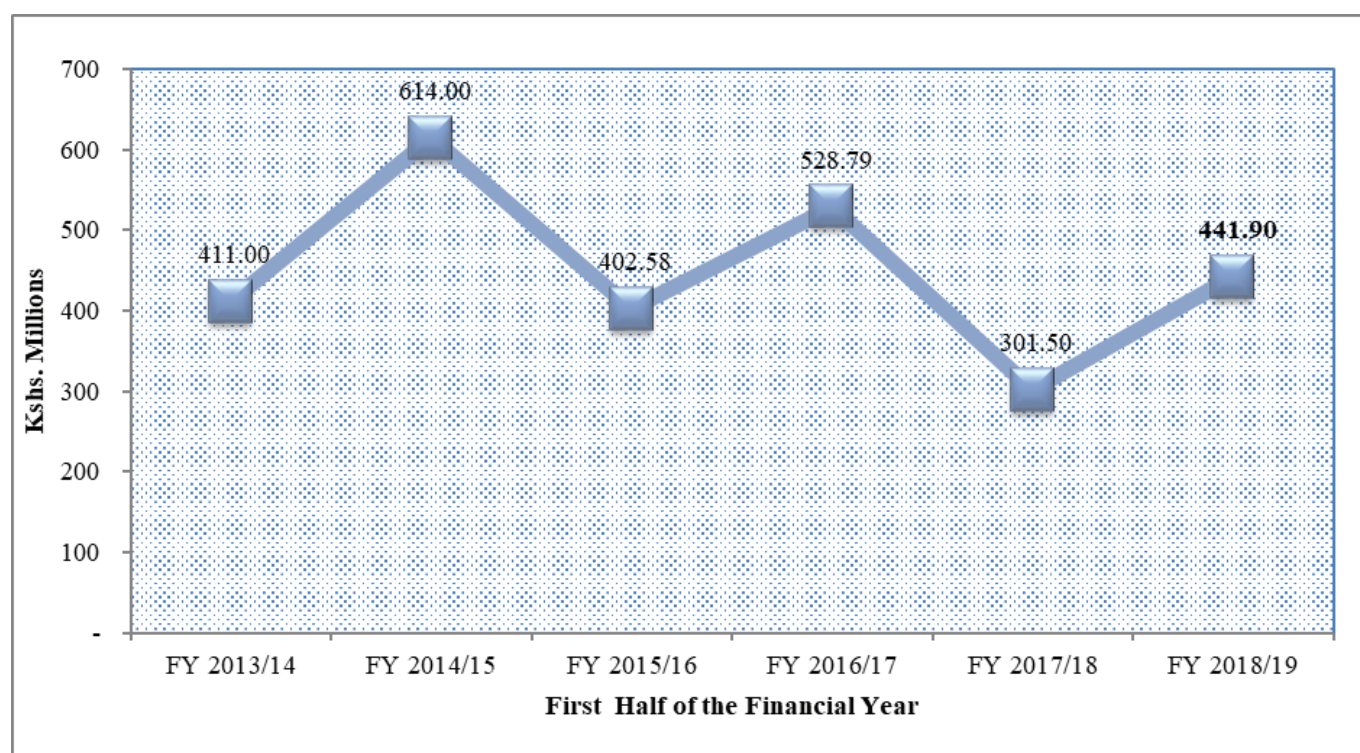
The County received Kshs.84.03 million as grant for Universal Health Coverage (UHC) programme during the reporting period, which is not contained in the CARA, 2018.

3.22.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.18 billion as equitable share of revenue raised nationally, Kshs.1.16 billion as total conditional grants, raised Kshs.441.90 million from own source revenue, and had a cash balance of Kshs.1.41 billion from FY 2017/18. The total available funds amounted to Kshs.6.20 billion.

Figure 3.85 shows the half yearly trend in own source revenue collection from the first half of FY 2013/14 to the first half of FY 2018/19.

Figure 3.85: Machakos County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19



Source: Machakos County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.441.90 million as own-source revenue. This amount was an increase of 102.1 per cent from Kshs.301.49 million realised during the same period of the FY 2017/18 and represented 25.7 per cent of the annual target.

3.22.3 Conditional Grants

The County received Kshs.1.16 billion as conditional grants in the first half of the financial year 2018/19 disaggregated as shown in Table 3.61.

Table 3.61: Machakos County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	IDA (World Bank) -Kenya Urban Support Project	1,018,320,500	1,018,320,500	1,018,320,500	100
2	Conditional Grants to Level- 5 Hospitals	383,583,815	383,583,815	-	-
3	Road Maintenance Fuel Levy Fund	219,084,683	219,084,683	-	-
4	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5	IDA (World Bank) -Kenya Climate Smart Agriculture Project	117,000,000	117,000,000	41,070,411	35.1
6	World Bank-Transforming Health Systems for Universal Care Project	95,401,875	95,401,875	8,165,513	8.6
7	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	54,295,000	54,295,000	-	-
8	Rehabilitation of Village Polytechnics	53,423,784	53,423,784	-	-
9	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	24,806,250	24,806,250	12,403,125	50.0
10	DANIDA - Universal Healthcare to Devolved System Programme	24,129,039	24,129,039	-	-
11	Universal Health Coverage (UHC) Grants	-	-	84,033,068	-
Total		2,190,044,946	2,190,044,946	1,163,992,617	53.1

Source: Machakos County Treasury

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

3.22.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.13 billion from the CRF account. The withdrawals represented 33.8 per cent of the Approved Budget and translates to a an increase of 148.1 per cent from Kshs.2.74 billion approved in the first half of FY 2017/18 and comprised of Kshs.3.74 billion (90.5 per cent) to fund recurrent expenditure and Kshs.393.94 million (9.5 per cent) for development activities.

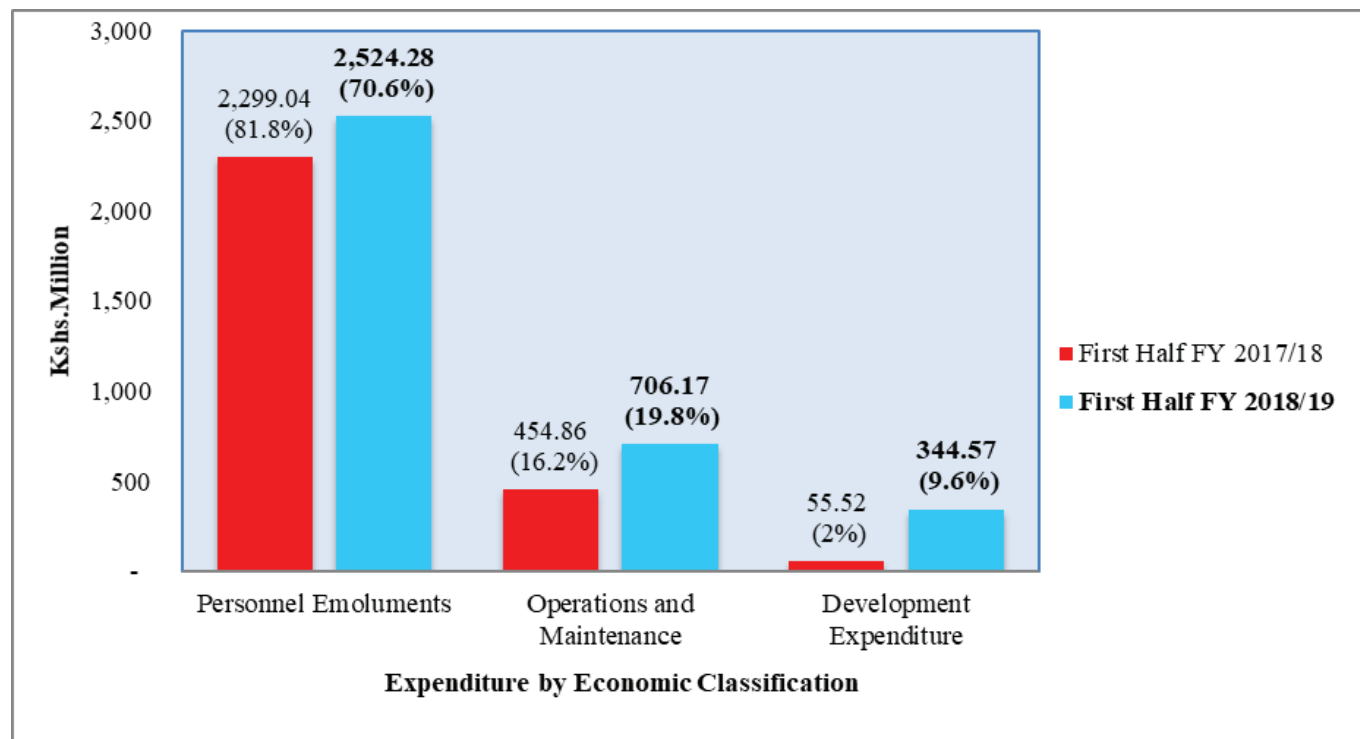
3.22.5 Overall Expenditure Review

The County government spent a total of Kshs.3.58 billion on recurrent and development activities. The total expenditure represented 87 per cent of the total funds released from the CRF account and was an increase of 28 per cent from Kshs.2.81 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.798.01 million for development activities and Kshs.156.19 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.23 billion while Kshs.344.57 million was spent on development activities. The recurrent expenditure was 86.5 per cent of the funds released for recurrent activities, while development expenditure was 87.5 per cent of funds released for development activities.

The recurrent expenditure represented 42.3 per cent of the annual recurrent budget, an increase from 39.3 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 7.5 per cent, which was an increase from 1.9 per cent attained in the first half of FY 2017/18. Figure 3.86 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.86: Machakos County, Expenditure by Economic Classification



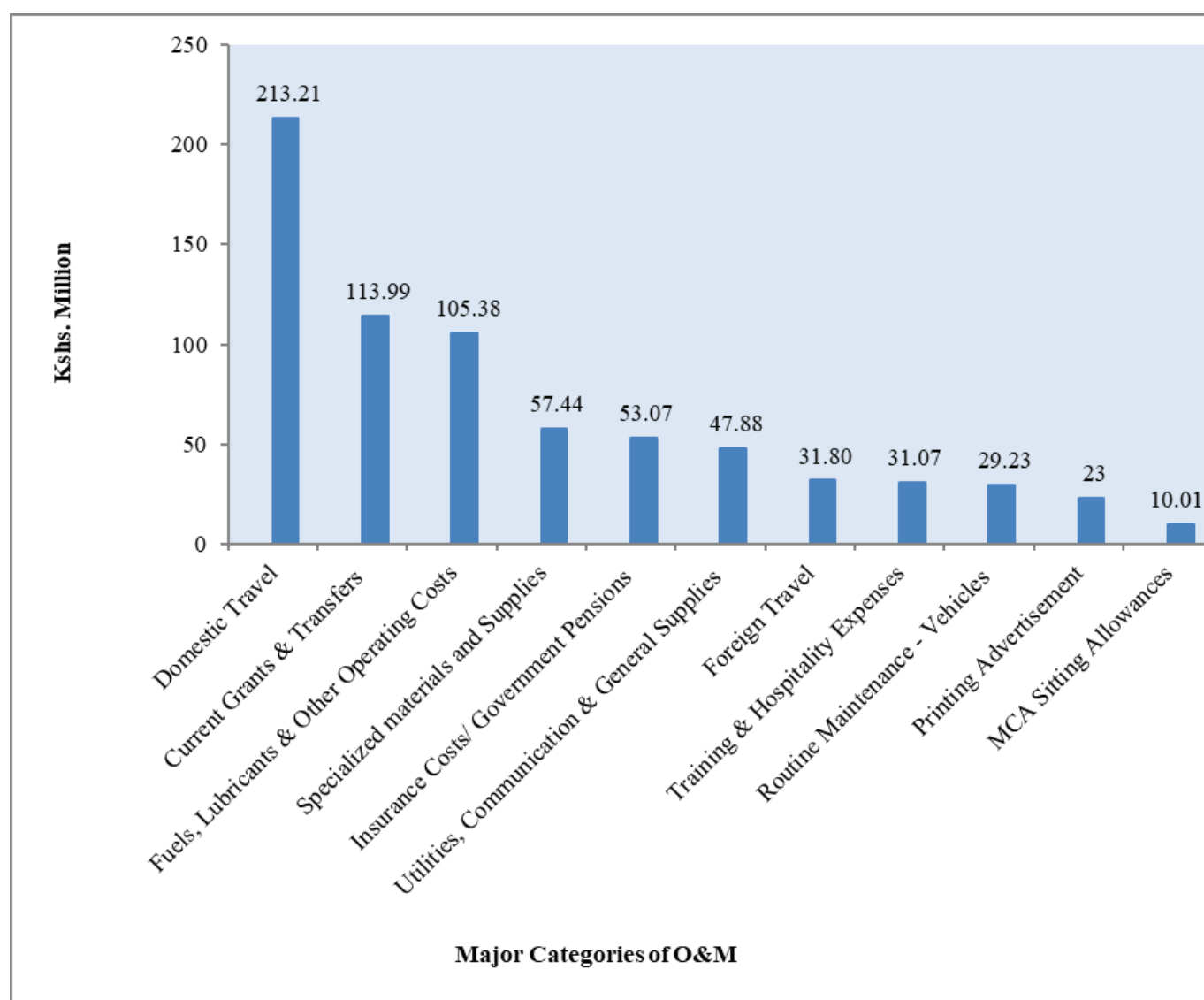
Source: Machakos County Treasury

3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.23 billion comprised of Kshs.2.52 billion (78.1 per cent) incurred on personnel emoluments and Kshs.706.17 million (21.9 per cent) on operations and maintenance as shown in Figure 3.86.

Expenditure on personnel emoluments represented an increase of 9.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.2.30 billion, and was 70.6 per cent of total expenditure in the first half of FY 2018/19. Figure 3.87 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.87: Machakos County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Machakos County Treasury

The County spent Kshs.10.01 million to cater for the MCAs' committee sitting allowances for the 60 MCAs against the annual budget allocation of Kshs.80.21 million. This represented an increase of 113.7 per cent compared to Kshs.4.69 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.27,813 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.213.21 million and comprised of Kshs.69.90 million spent by the County Assembly and Kshs.143.90 million spent by the County Executive. This represented 6.6 per cent of total recurrent expenditure.

3.22.7 Development Expenditure

The total development expenditure of Kshs.344.57 million represented 7.5 per cent of the annual development budget of Kshs.4.60 billion. Table 3.62 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.62: Machakos County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption rate (%)
1	Construction of Nthngululu Dam	Yatta	150,000,000	46,406,868.30	30.9
2	Construction of a 12 storey building at the Machakos New City.	Machakos	394,999,999	41,407,638	10.5
3	Construction of Government building at The Machakos New City	Machakos	399,640,361	34,165,960	8.5
4	Construction of Mumbuni Dam	Kibauni	78,000,000	19,915,410.90	25.5
5	Construction of Machakos County Office	Machakos	287,110,237	14,971,734	5.2
6	Routine Maintenance of Kithini – Vota road	Machakos	21,339,957	12,494,431	58.5
7	Routine Maintenance of Kenol-Mutwani-Lukenya road	Yatta	11,225,331	11,211,046	99.9
8	Construction of Machakos Conference facility at Machakos People's Park	Machakos	74,170,816	10,830,451	14.6
9	Routine Maintenance at Kathiani – Kangundo Road	Kangundo	16,211,916	9,994,316	61.6
10	Installation of drainage facilities at Kituluni-Kitambaasye road	Matungulu	9,806,000	9,732,800	99.3

Source: Machakos County Treasury.

3.22.8 Budget Performance by County Department

Table 3.63 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.63: Machakos County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	605.72	6.83	201	-	182.66	3.31	90.9	-	30.2	48.5
Public Service, Labour and ICT	433.74	12.70	270	-	2,367.81	-	875.9	-	545.9	-
Trade, Investment, Economic Planning, Industrialization and Energy	135.11	91.58	68	-	18.81	-	27.8	-	13.9	-
Finance and Revenue Management	393.94	11.80	189	-	41.88	-	22.2	-	10.6	-
Decentralized Units, County Administration, Environment & Solid Waste mgt.	374.83	31.00	251	-	24.16	-	9.6	-	6.4	-

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, NR, Live-stock, Water & Irrigation Development	502.63	665.61	287	108	22.23	80.59	7.7	74.8	4.4	12.1
Health and Emergency Services	3,545.37	748.44	1,787	80	145.06	21.83	8.1	27.4	4.1	2.9
Transport, Roads, Public Works and Housing	187.10	1,436.30	120	190	50.06	230.32	41.8	121.2	26.8	16.0
Education, Youth and Social Welfare	295.22	289.30	77	16	5.69	2.64	7.4	16.0	1.9	0.9
Lands, Energy & Urban development	97.20	1,054.32	59	-	13.54	5.88	23.1	-	13.9	0.6
Tourism, Sports and Culture	81.27	14.92	60	-	6.31	-	10.6	-	7.8	-
County Public Service Board	41.40	2.01	25	-	0.54	-	2.1	-	1.3	-
County Assembly	936.78	236.00	340	-	351.70	-	103.4	-	37.5	-
Total	7,630.31	4,600.81	3,734.35	393.95	3,230.45	344.57	86.5	87.5	42.3	7.5

Source: Machakos County Treasury

Analysis of expenditure by department shows that the Office of the Governor recorded the highest absorption rate of development budget at 48.5 per cent followed by the Department of Transport, Roads, Public Works, and Housing at 16 per cent. The Department of Public Service, Labour and ICT had the highest percentage of recurrent expenditure to recurrent budget at 545.9 per cent while the County Public Service Board had the lowest at 1.3 per cent. The recurrent expenditure by the Department of Public works, ICT and Labour exceeded the approved recurrent estimates as all wages bills are irregularly charged by the department.

3.22.9 Key Observations and Recommendations

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

- Establishment of the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
- Improved performance in own-source revenue collection by 46.6 per cent from Kshs.301.49 million in the first half of FY 2017/18 to Kshs.441.88 million in the first half of FY 2018/19.

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

- A high wage bill that increased by 9.6 per cent from Kshs.2.30 billion in the first half of FY 2017/18 to Kshs.2.52 billion in the first half of FY 2018/19. The wage bill accounted for 70.6 per cent of total expenditure in the reporting period.
- Delays by Fund Administrators of both the County Assembly and the County Executive Funds to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.
- Late submission of financial reports to the Controller of Budget by the County Treasury contrary to Section 166 of the PFM Act, 2012, which affected timely preparation of budget implementation review report by the OCOB.

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

- The County Public Service Board should establish an optimal staffing structure in order to manage the ballooning wage bill.*

2. The CECM-F should ensure the Fund Administrators prepare and submit expenditure reports on the in line with Section 168 of the PFM Act, 2012.
3. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.

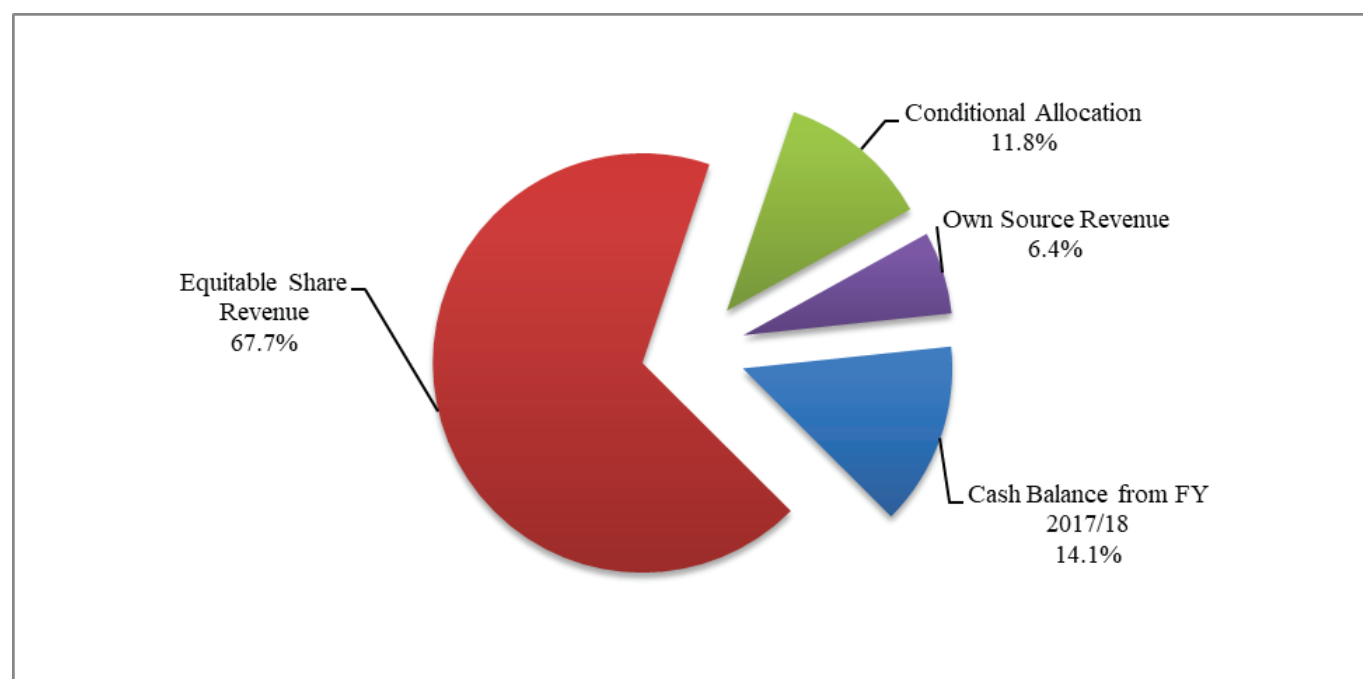
3.23 Makueni County

3.23.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.10.53 billion, comprising of Kshs.5.90 billion (56 per cent) and Kshs.4.63 billion (44 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.13 billion (67.7 per cent) as equitable share of revenue raised nationally, Kshs.1.24 billion (11.8 per cent) as total conditional grants, generate Kshs.670.5 million (6.4 per cent) from own sources, and Kshs.1.49 billion (14.1 per cent) cash balance from FY 2017/18.

Figure 3.88: Makueni County Sources of Budget Financing in FY 2018/19



Source: Makueni County Treasury

The conditional grants include those contained in the CARA, 2018 of; Kshs.100 million (10.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (15 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.50.75 million (5.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme (KDSP) "Level 1 grant", Kshs.136.26 million (14.6 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.22.88 million (2.4 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (4.8 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.19.44 million (2.1 per cent) as Compensation for User Fees Foregone, Kshs.200 million (21.4 per cent) for Leasing of Medical Equipment, Kshs.187.67 million (20.1 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.31.57 million (3.4 per cent) for Rehabilitation of Village Polytechnics.

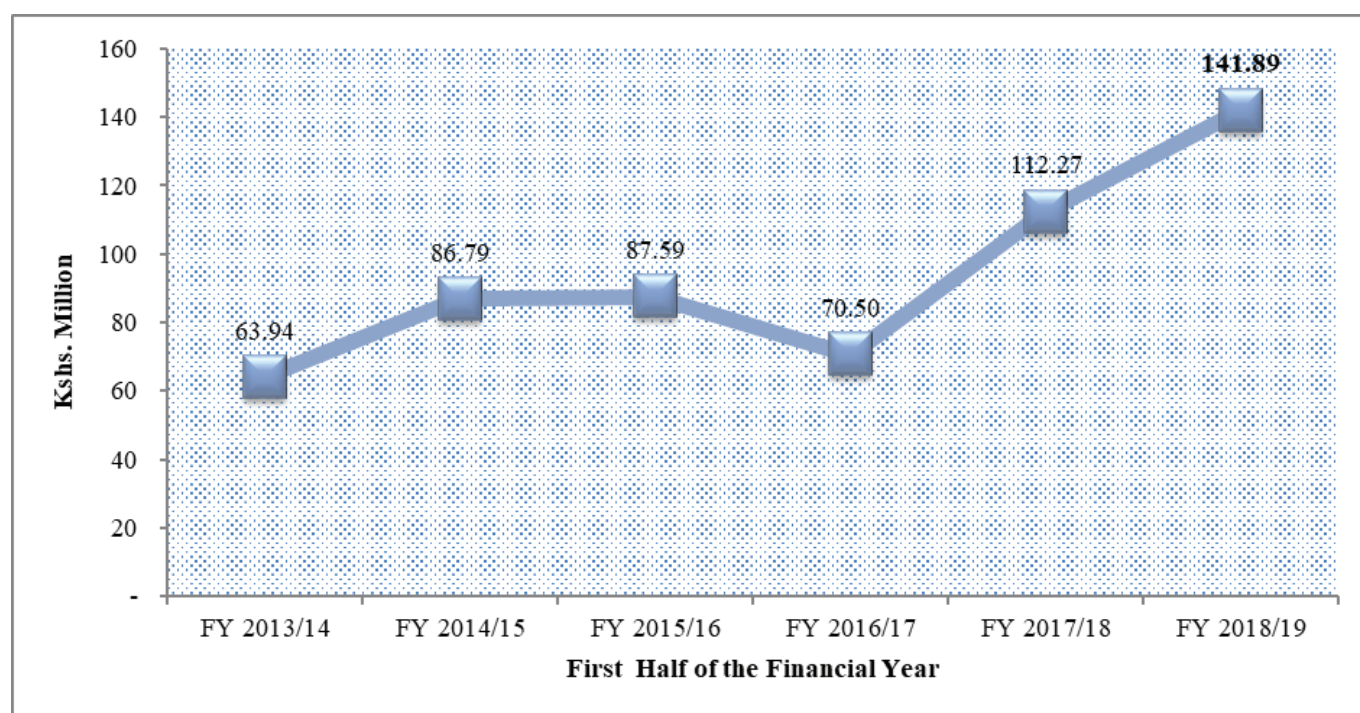
In addition, the County also budgeted to receive Kshs.168.58 million as KDSP grant, Kshs.9.48 million for DANIDA Grant, Kshs.21.55 million for Agriculture Sector Support Development Programme, Kshs.66 million as EU grant for Instruments for Devolution Advice and Support, and Kshs.40 million for Kenya Urban Support Programme Urban Institutional Grant which are not contained in the CARA, 2018.

3.23.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.2 billion as equitable share of revenue raised nationally, Kshs.374.38 million as total conditional grants, raised Kshs.141.89 million from own-source revenue, and had a cash balance of Kshs.1.09 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.81 billion.

Figure 3.89 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.89: Makueni County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Makueni County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.141.89 million as own-source revenue. This amount was an increase of 26.4 per cent when compared to Kshs.112.27 million realised during the same period of FY 2017/18 and represented 21.2 per cent of the annual target.

3.23.3 Conditional Grants

The County received Kshs.374.38 million as conditional grants as shown in Table 3.64.

Table 3.64: Makueni County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
2	Road Maintenance Fuel Levy	187,668,766	187,668,766	-	-
3	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
4	Kenya Urban Support Project (KUSP) - WB	136,261,600	136,261,600	136,261,600	100.0
5	Transforming Health Systems for Universal Care Project (WB)	100,000,000	100,000,000	9,285,335	9.3
6	Kenya Devolution Support Project (KDSP) "Level 1 grant"	50,750,604	50,750,604	-	-
7	EU Grant	45,000,000	45,000,000	-	-
8	Rehabilitation of Village Polytechnics	31,570,000	31,570,000	-	-
9	DANIDA Grant	22,882,500	22,882,500	11,441,250	50.0
10	Compensation for User Fee Foregone	19,435,760	19,435,760	-	-
Sub Total		934,004,393	934,004,393	156,988,185	16.8
B	Other Grants (Non-CARA)				
11	Investment Grant - KDSP	-	168,575,682	168,575,682	100.0
12	EU Grant for instrument for Devolution Advice and support	-	66,000,000	48,818,153	74.0
13	Kenya Urban Support Programme - Urban institutional Grant	-	40,000,000	-	-
14	Agriculture Sector Support Development Programme- Donor funds	-	21,551,135	-	-
15	DANIDA Grant (Universal Healthcare in Devolved System Program) - FY 2017/18 Funds	-	9,479,639	-	-
Sub Total		-	305,606,456	217,393,835	71.1
Total		934,004,393	1,239,610,849	374,382,020	30.2

Source: Makueni County Treasury

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

3.23.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.88 billion from the CRF account. The withdrawal represented 27.3 per cent of the Supplementary Budget and translated to an increase of 23.2 per cent from Kshs.2.34 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.23 billion (77.5 per cent) to fund recurrent expenditure and Kshs.647.61 million (22.5 per cent) for development activities.

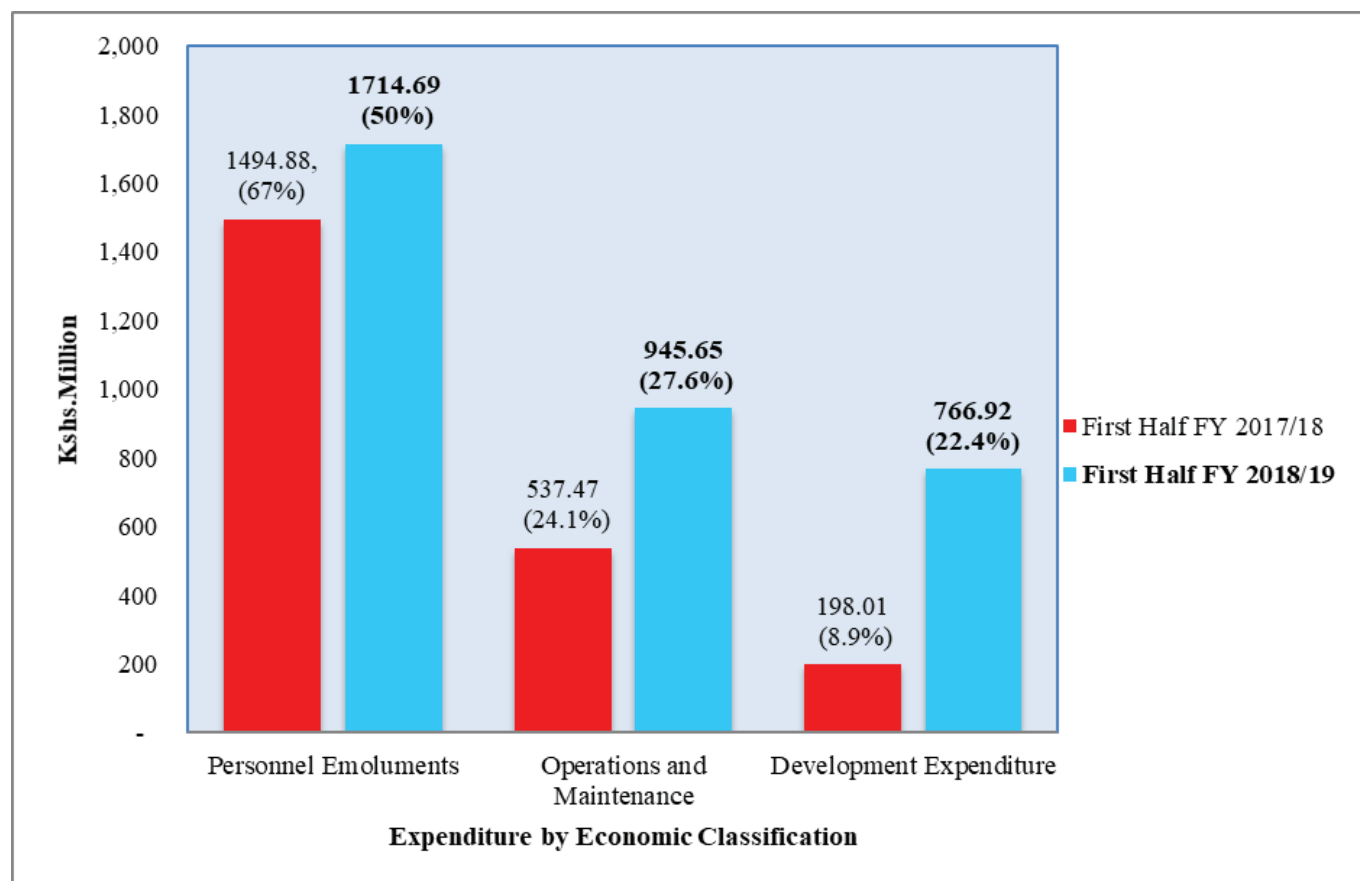
3.23.5 Overall Expenditure Review

The County government spent a total of Kshs.3.43 billion on both recurrent and development activities. This expenditure represented 119.1 per cent of the total funds released from the CRF account and was an increase of 53.7 per cent from Kshs.2.23 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.2.66 billion while that on development activities was Kshs.766.92 million. The recurrent expenditure was 119.2 per cent of the funds released for recurrent activities, while development expenditure was 118.4 per cent of funds released for development activities.

The recurrent expenditure represented 45.1 per cent of the annual recurrent budget and was an increase from 34.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 16.6 per cent, which was an increase from 5.3 per cent attained in the first half of FY 2017/18. Figure 3.90 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

Figure 3.90: Makueni County, Expenditure by Economic Classification



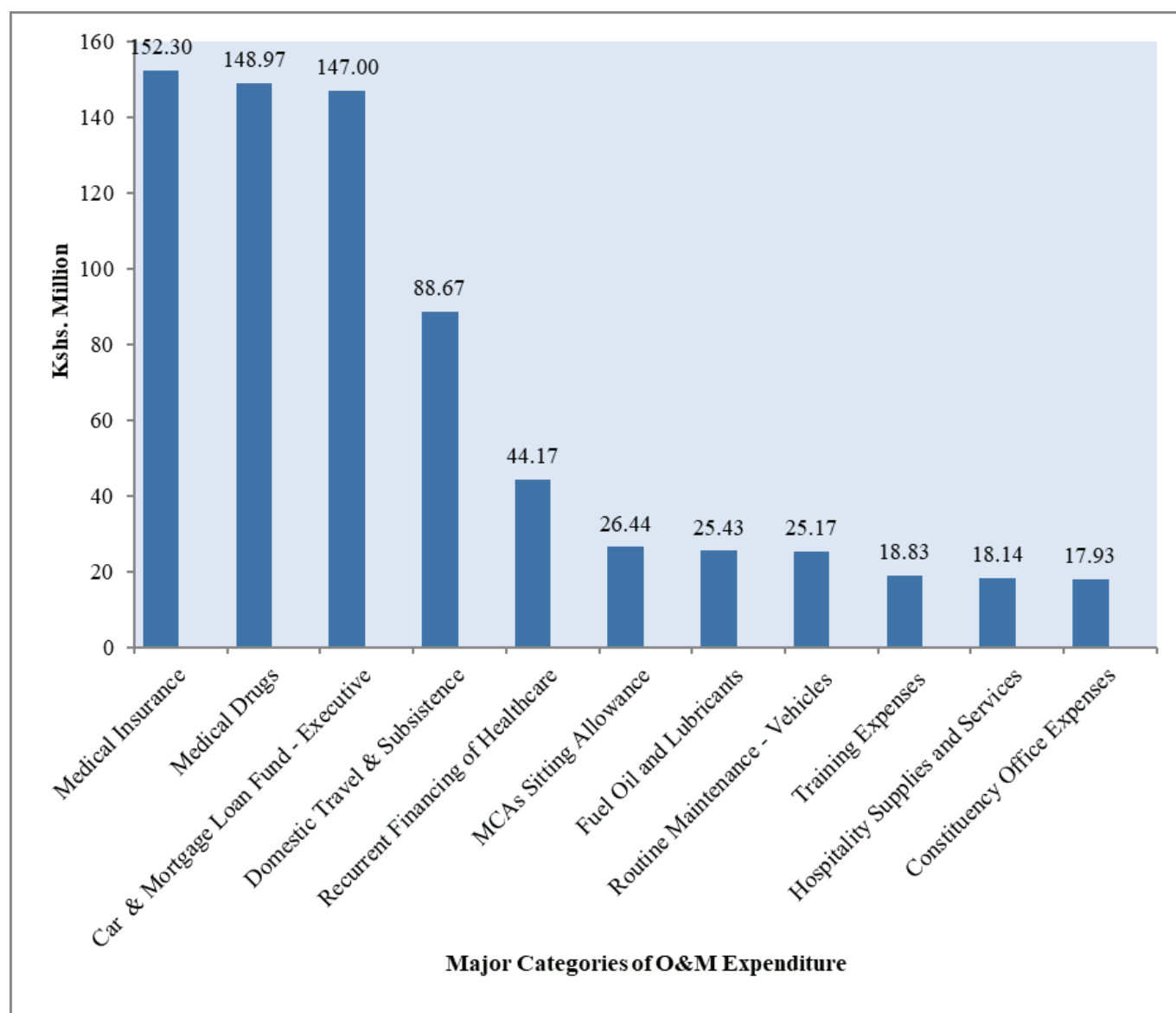
Source: Makueni County Treasury

3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.66 billion comprised of Kshs.1.71 billion (64.5 per cent) incurred on personnel emoluments and Kshs.945.65 million (35.5 per cent) on operations and maintenance as shown in Figure 3.90.

Expenditure on personnel emoluments represented an increase of 14.7 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.49 billion, and was 50 per cent of total expenditure for the period. Figure 3.91 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.91: Makueni County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Makueni County Treasury

The County reported Kshs.26.44 million on MCAs' committee sitting allowances for the 49 MCAs (including the Speaker) against the annual budget allocation of Kshs.67.99 million. This amount represented an increase of 265.6 per cent compared to Kshs.7.23 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.89,922 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.88.67 million and comprised of Kshs.31.54 million spent by the County Assembly and Kshs.57.13 million spent by the County Executive. This represented 3.3 per cent of total recurrent expenditure.

3.23.7 Development Expenditure

The total development expenditure of Kshs.766.92 million represented 16.6 per cent of the annual development budget of Kshs.4.63 billion. Table 3.65 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.65: Makueni County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Half Year Expenditure (Kshs.)	Absorption Rate (%)
1	Universal Health Care Programme	Across the County	150,000,000	126,097,303	84.1
2	Construction of Thwake bridge substructures	Kalawa	75,000,000	73,772,724	98.4
3	EU Grant for Instrument for Devolution Advice and support	Across the County	111,000,000	48,818,153	44.0
4	Roads upgrade programme - ward - fuel levy funding	Across the County	39,082,714	32,226,918	82.5
5	Transforming Health Systems for Universal Care Project (WB)	Across the County	100,000,000	30,287,868	30.3
6	Completion of Guesthouse (Under Department of Transport and Infrastructure)	Wote/ Nziu	19,993,542	19,330,614	96.7
7	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP))	Across the County	158,929,463	19,118,260	12.0
8	Conditional Allocation for Development of Youth Polytechnics	All wards	47,643,027	16,073,027	33.7
9	Makueni Fruit Processing Plant - Operationalization (Reconstituting Line & other operations)	Nzaui/ Kilili/ Kalamba	81,521,713	14,169,896	17.4
10	Nguu Masumba NLC - Land issues (Department of Lands, Urban Planning and Mining)	Nguu/ Masumba	14,215,750	12,406,290	87.3

Source: Makueni County Treasury

3.23.8 Budget Performance by County Department

Table 3.66 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.66: Makueni County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	746.36	101.09	320.23	5.83	255.06	6.14	79.7	105.4	34.2	6.1
Office of Governor	163.88	-	48.41	-	63.84	-	131.9		39.0	
Office of the Deputy Governor	8.45	-	2.18	-	2.12	-	97.3		25.1	-
County Attorney's Office	26.09	-	6.96	-	8.54	-	122.7		32.7	-
County Public Service Board	61.24	10	28.18	-	23.65	-	83.9		38.6	-
County Secretary Office	381.73	-	195.13	-	194.68	-	99.8		51.0	-
Devolution, Administration, Participatory Development & Public Service	249.78	19.76	90.35	-	108.07	0.70	-	-	-	-
Finance & Socio- Economic Planning	576.15	371.32	115.82	-	300.96	0.07	259.8	∞	52.2	-
Agriculture, Irrigation, Livestock & Fisheries Development	240.03	816.34	94.23	72.83	117.30	116.80	124.5	160.4	48.9	14.3

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment and Climate Change	164.38	1,055.94	64.04	164.93	63.90	142.06	99.8	86.1	38.9	13.5
Education, Youth & ICT	349.61	310.18	110.74	25.56	133.74	50.21	120.8	196.4	38.3	16.2
Health Services	2,583.85	748.46	1,021.66	137.91	1,243.20	187.22	121.7	135.8	48.1	25.0
Lands, Urban Planning and Mining	60.14	250.07	22.05	159.05	18.62	21.54	84.4	13.5	31.0	8.6
Transport & Infrastructure	174.85	798.70	70.98	58.61	82.99	224.45	116.9	383.0	47.5	28.1
Trade, Tourism & Cooperatives	50.56	92.68	18.85	12.88	18.37	8.48	97.5	65.9	36.3	9.2
Gender and Social Services	58.40	55.66	21.11	10.01	25.27	9.23	119.7	92.2	43.3	16.6
TOTAL	5,895.51	4,630.21	2,230.93	647.61	2,660.34	766.92	119.2	118.4	45.1	16.6

Source: Makeni County Treasury

Analysis of expenditure by department shows the Department of Transport and Infrastructure recorded the highest absorption rate of development budget at 28.1 per cent while the County Public Service Board did not incur any development expenditure. The Department of Finance and Socio-Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 52.2 per cent while the Office of the Deputy Governor had the lowest at 25.1 per cent.

3.23.9 Key Observations and Recommendations

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

- Increase in the absorption of development budget from 5.3 per cent in the first half of FY 2017/18 to 16.6 per cent in the reporting period.
- Improvement in own source revenue performance by 26.4 per cent when compared to a similar period of FY 2017/18.

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

- Delay in disbursement of the equitable share of revenue raised by the National Treasury.
- Delay by Fund Administrators of Bursary, Emergency Fund, Car Loan & Mortgage (County Assembly) to submit quarterly expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.

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

- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
- All Funds Administrators should provide quarterly financial statements for County Funds in line with Section 168 of the PFM Act, 2012.*

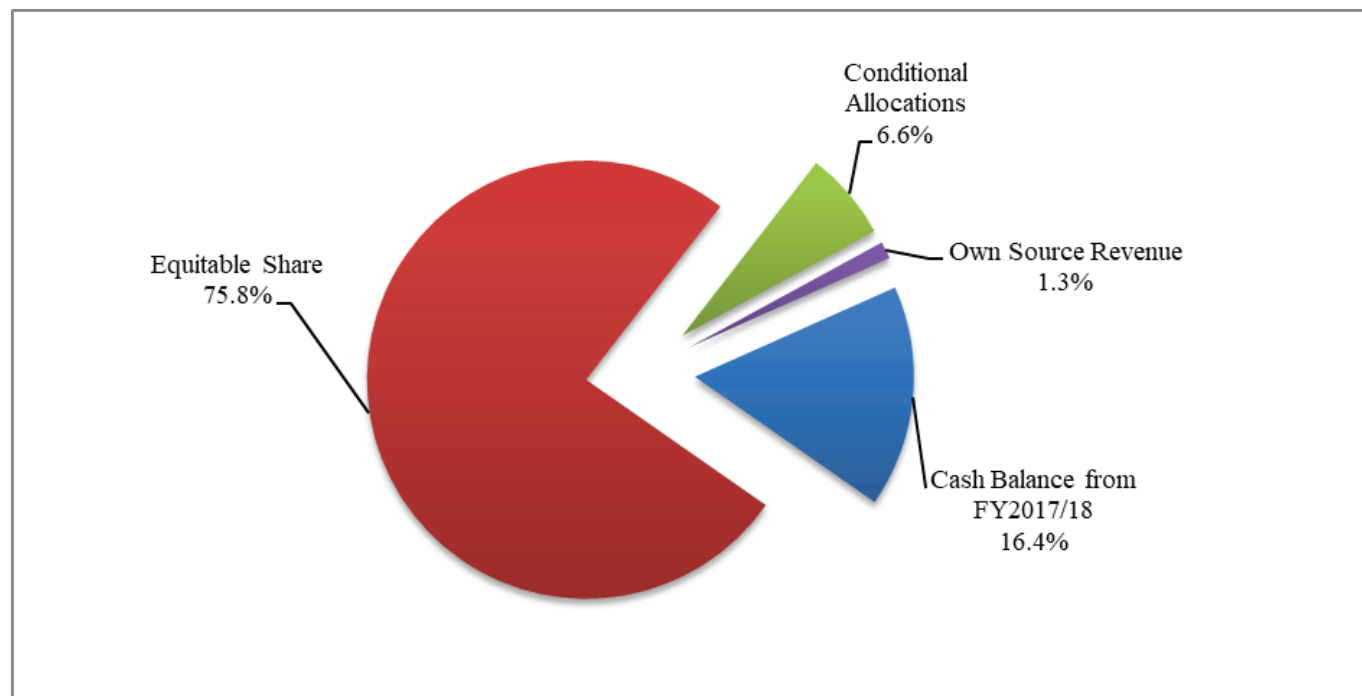
3.24 Mandera County

3.24.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.13.38 billion, comprising of Kshs.6.42 billion (48 per cent) and Kshs.6.96 billion (52 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.14 billion (75.8 per cent) as equitable share of revenue raised nationally, Kshs.877.90 million (6.6 per cent) as total conditional grants, generate Kshs.169.59 million (1.3 per cent) from own revenue sources, and Kshs.2.19 billion (16.4 per cent) cash balance from FY 2017/18.

Figure 3.92: Mandera County, Expected Sources of Budget Financing in FY 2018/19



Source: Mandera County Treasury

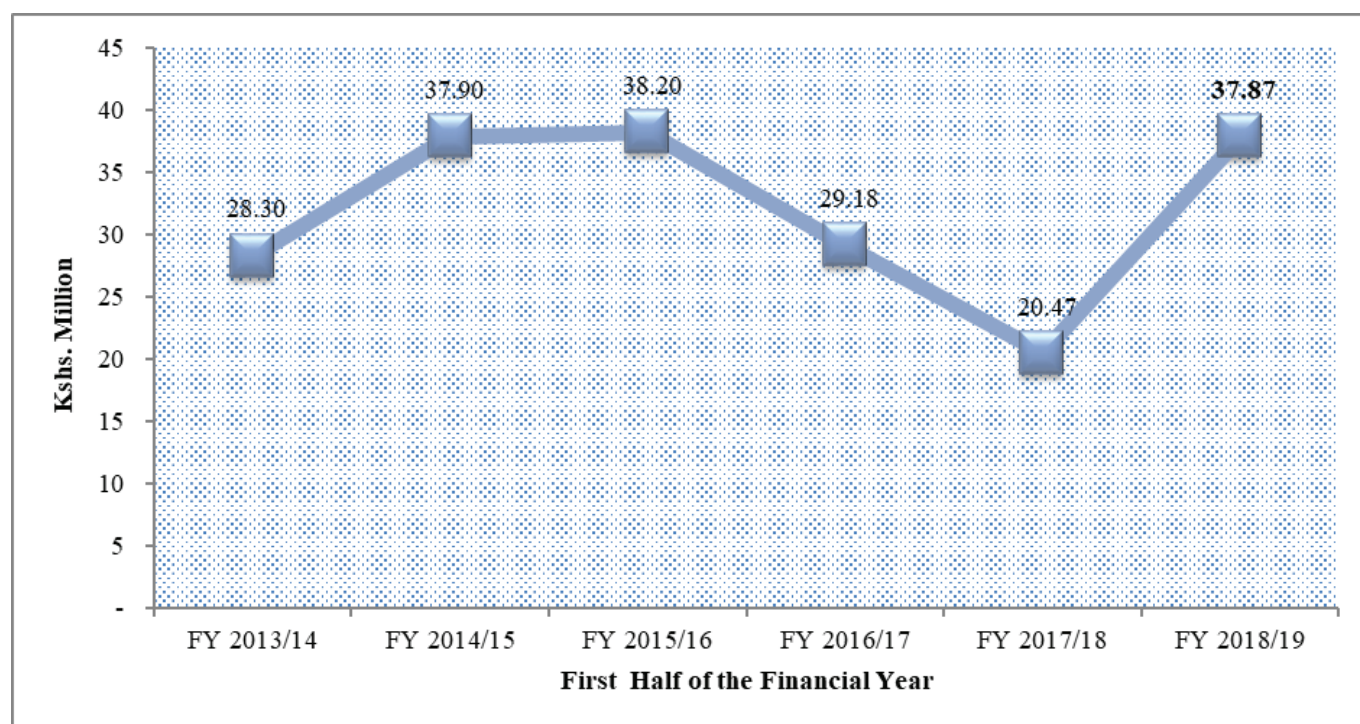
The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (9.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (14.4 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.58.67 million (5.6 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.175.82 million (16.9 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.32.65 million (3.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.25.47 million (2.4 per cent) as Compensation for User Fees Foregone, Kshs.267.04 million (25.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.31.24 million (3 per cent) for Rehabilitation of Village Polytechnics, Kshs.27.91 million for Sweden-ASDP II, Kshs.41.2 million for KUSP-Urban Institutional Grant (UIG), and Kshs.200 million for Leasing of Medical Equipment.

3.24.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.4.06 billion as equitable share of revenue raised nationally, Kshs.302.62 million as total conditional grants, raised Kshs.37.87 million from own source revenue, and had a cash balance of Kshs.2.42 billion from FY 2017/18. The total available funds amounted to Kshs.6.82 billion.

Figure 3.93 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.93: Mandera County, Trend in Own Source Revenue Collection from the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Mandera County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.37.87 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.20.47 million realised during the same period of FY 2017/18 and represented 22.3 per cent of the annual target.

3.24.3 Conditional Grants

The County received Kshs.302.62 million as conditional grants as shown in Table 3.67.

Table 3.67: Mandera County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grant/ Loan	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in the First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
1	Compensation for User Fee Foregone	25,474,920	25,474,920	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	267,035,293	267,035,293	-	-
4	Rehabilitation of Village Polytechnics	31,240,000	31,240,000	-	-
5	Transforming Health Systems for Universal Care Project-World Bank	100,000,000	100,000,000	39,283,686	39.3
6	National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	37,000,000	-	-
7	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	54,858,856	36.6
8	Kenya Devolution Support Project (KDSP) "Level 1 grant"	58,673,488	58,673,488	-	-
9	Kenya Urban Support Project (KUSP)	175,819,500	175,819,500	175,819,500	100
10	DANIDA Grant	32,653,125	32,653,125	32,653,125	100
11	Sweden –ASDP II	27,908,979	-	-	-
12	KUSP-Urban Institutional Grant (UIG)	41,200,000	-	-	-
	Total	1,110,005,305	877,896,326	302,615,167	34.5

Source: Mandera County Treasury

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

3.24.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.44 billion from the CRF account. The withdrawals represented 33.2 per cent of the Approved Budget and translates to an increase of 36.1 per cent from Kshs.3.26 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.78 billion (62.7 per cent) to fund recurrent expenditure and Kshs.1.66 billion (37.3 per cent) for development activities.

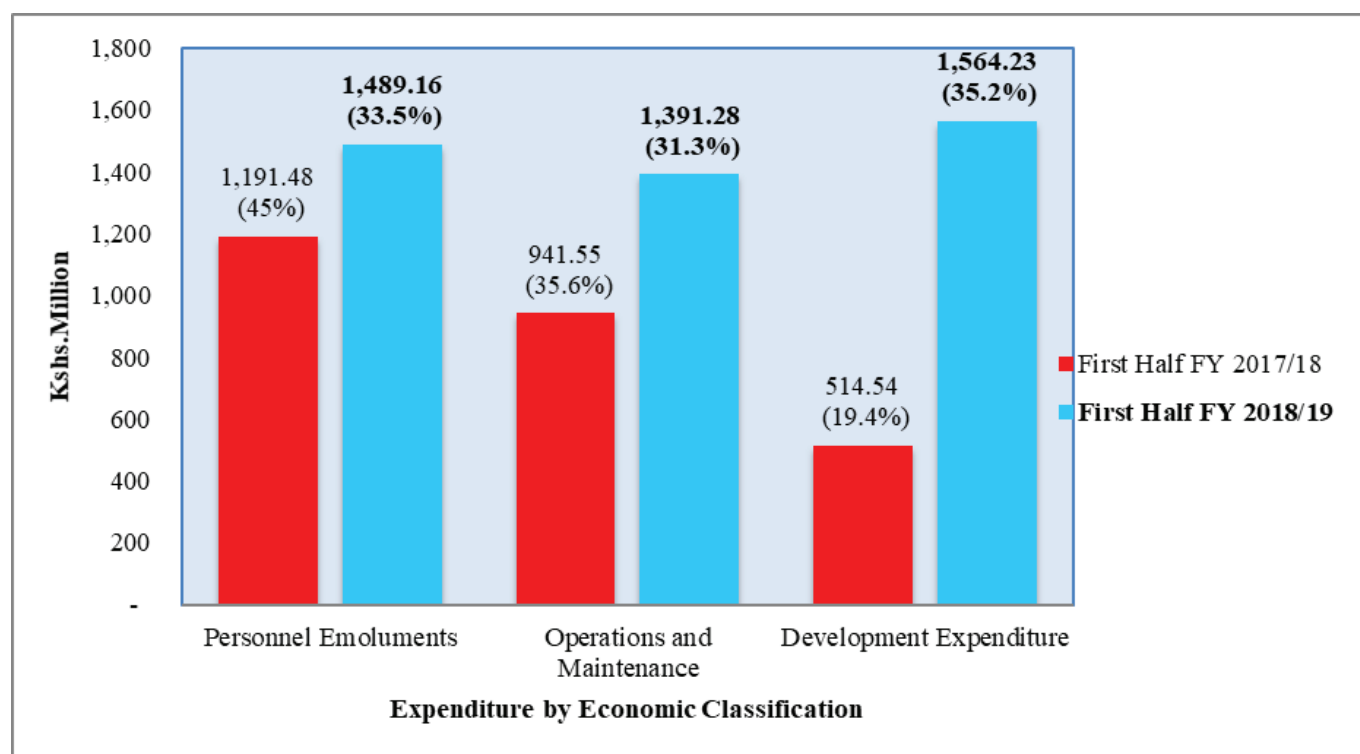
3.24.5 Overall Expenditure Review

The County government spent a total of Kshs.4.44 billion on recurrent and development activities. The total expenditure represented 100 per cent of the total funds released from the CRF account and was an increase of 67.9 per cent from Kshs.2.65 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.2.88 billion while Kshs.1.56 billion was spent on development activities. The recurrent expenditure was 103.4 per cent of the funds released for recurrent activities, while development expenditure was 94.3 per cent of funds released for development activities.

The recurrent expenditure represented 44.8 per cent of the annual recurrent budget, an increase from 34.9 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.5 per cent, which was an increase from 8.3 per cent attained in the first half of FY 2017/18. Figure 3.94 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

Figure 3.94: Mandera County, Expenditure by Economic Classification



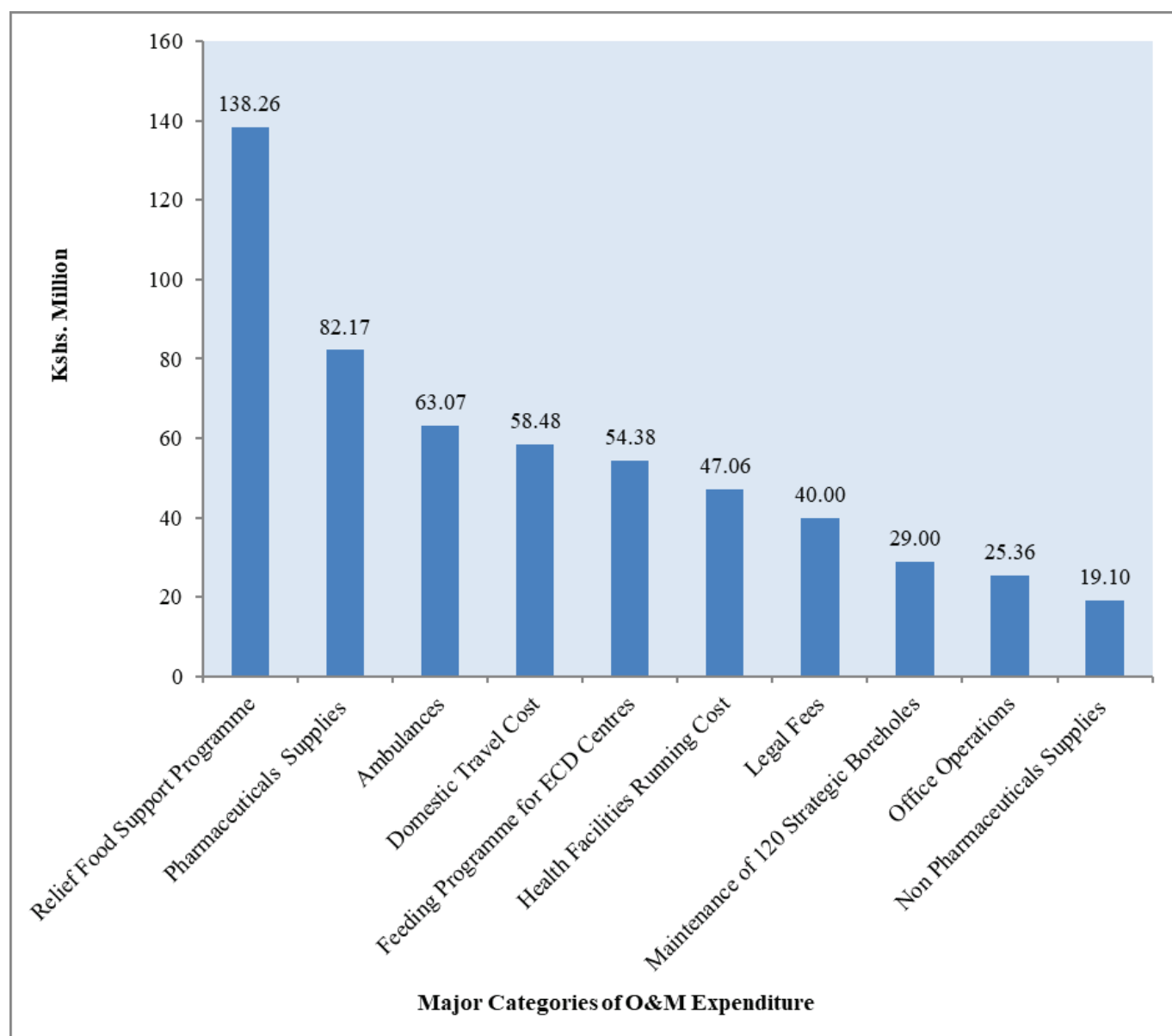
Source: Mandera County Treasury

3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.88 billion comprised of Kshs.1.49 billion (51.7 per cent) incurred on personnel emoluments and Kshs.1.39 billion (48.3 per cent) on operations and maintenance as shown in Figure 3.94.

Expenditure on personnel emoluments represented an increase of 25 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.19 billion, and was 33.5 per cent of total expenditure in the first half of FY 2018/19. Figure 3.95 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.95: Mandera County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Mandera County Treasury

The County spent Kshs.23.39 million on MCAs' committee sitting allowances for the 49 MCAs against the annual budget allocation of Kshs.41.76 million. This represented an increase of 158.5 per cent compared to Kshs.9.05 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.79,548 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.58.48 million and comprised of Kshs.19.63 million spent by the County Assembly and Kshs.38.85 million spent by the County Executive. This represented 2 per cent of total recurrent expenditure.

3.24.7 Development Expenditure

The total development expenditure of Kshs.1.56 billion represented 22.5 per cent of the annual development budget of Kshs.6.96 billion. Table 3.68 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.68: Mandera County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	First Half Expenditure (Kshs.)	Absorption Rate (%)
1	Mandera Town Tarmac Road LOT 1	Mandera Town	1,200,000,000	818,774,222	68.2
2	Mandera Town Tarmac Road LOT 2	Mandera Town	1,200,000,000	800,000,000	66.7
3	Proposed Sub-County Headquarters at Takaba In Mandera West	Takaba-Mandera West	69,500,956	40,000,000	57.6
4	Proposed Construction of Municipality Office Block	Mandera East	59,021,552	40,000,000	67.8
5	Proposed Completion of Mmira Market	Mandera	39,032,886	30,761,947	78.8
6	Proposed construction of Elwak Sub-County Head Quarters	Elwak Sub-County	50,172,731	30,000,000	59.8
7	Mandera Technical Training Institutes 2 workshops	Mandera East	30,000,000	27,290,671	91.0
8	Supply, Delivery, Installation, Testing and Commissioning of Oxygen Plant at Elwak Referral Hospital	Elwak Town	24,269,470	24,296,470	100
9	Proposed Construction of Maternity Wing at Takaba Hospital in Mandera West	Takaba Town	65,384,577	23,400,000	35.8
10	Proposed Construction of Dandu Theatre Block in Mandera west Sub county	Dandu-Mandera West Sub County	24,799,338	22,083,926	89.1

Source: Mandera County Treasury

3.24.8 Budget Performance by County Department

Table 3.69 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.69: Mandera County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture Livestock and Fisheries	222.59	612.06	78.09	62.23	82.72	21.29	105.9	34.2	37.2	3.5
Education, Culture and Sports	530.44	457.06	204.00	100.46	223.55	97.75	109.6	97.3	42.1	21.4
Youth and Social Service	76.20	99.35	11.51	12.00	12.51	12.00	108.7	100.0	16.4	12.1
Finance and Economic Planning and ICT	677.83	137.92	271.04	101.40	281.08	101.40	103.7	100.0	41.5	73.5
Health Services	1,641.52	761.36	853.76	238.98	946.20	238.88	110.8	100.0	57.6	31.4
Trade, Investments Industrializations and Cooperative Development	35.06	198.43	13.02	49.10	14.77	43.33	113.5	88.3	42.1	21.8
County Assembly	850.63	211.26	375.90	-	296.09	-	78.8	-	34.8	-
Lands, Housing and Physical Planning	58.88	273.53	18.42	158.59	20.83	129.70	113.1	81.8	35.4	47.4

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	629.42	-	233.55	-	250.90	-	107.4	-	39.9	-
County Public Service Board	64.06	-	27.24	-	29.64	-	108.8	-	46.3	-
Public Service, Man- agement and Devolved Unit	1,181.42	358.79	490.45	-	507.25	-	103.4	-	42.9	-
Public Works Roads and Transport	103.45	2,257.43	37.93	483.78	41.33	467.76	108.9	96.7	39.9	20.7
Water, Environment and Natural Resources	352.24	1,587.81	169.52	452.12	173.57	452.12	102.4	100.0	49.3	28.5
TOTAL	6,423.74	6,955.00	2,784.43	1,658.65	2,880.43	1,564.23	103.4	94.3	44.8	22.5

Source: Mandera County Treasury

Analysis of expenditure by department shows the Department of Finance and Economic Planning and ICT recorded the highest absorption rate of development budget at 73.5 per cent while the County Assembly and the Department of Public Service, Management and Devolved Unit did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 57.6 per cent while the Department of Gender, Youth and Social Service had the lowest at 16.4 per cent.

3.24.9 Key Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Improvement of own-source revenue collection from Kshs.20.47 million in the first half of FY 2017/18 to Kshs.37.87 million in the reporting period.

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

- Failure to budget for all conditional grants as per CARA, 2018.

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

- The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018.*

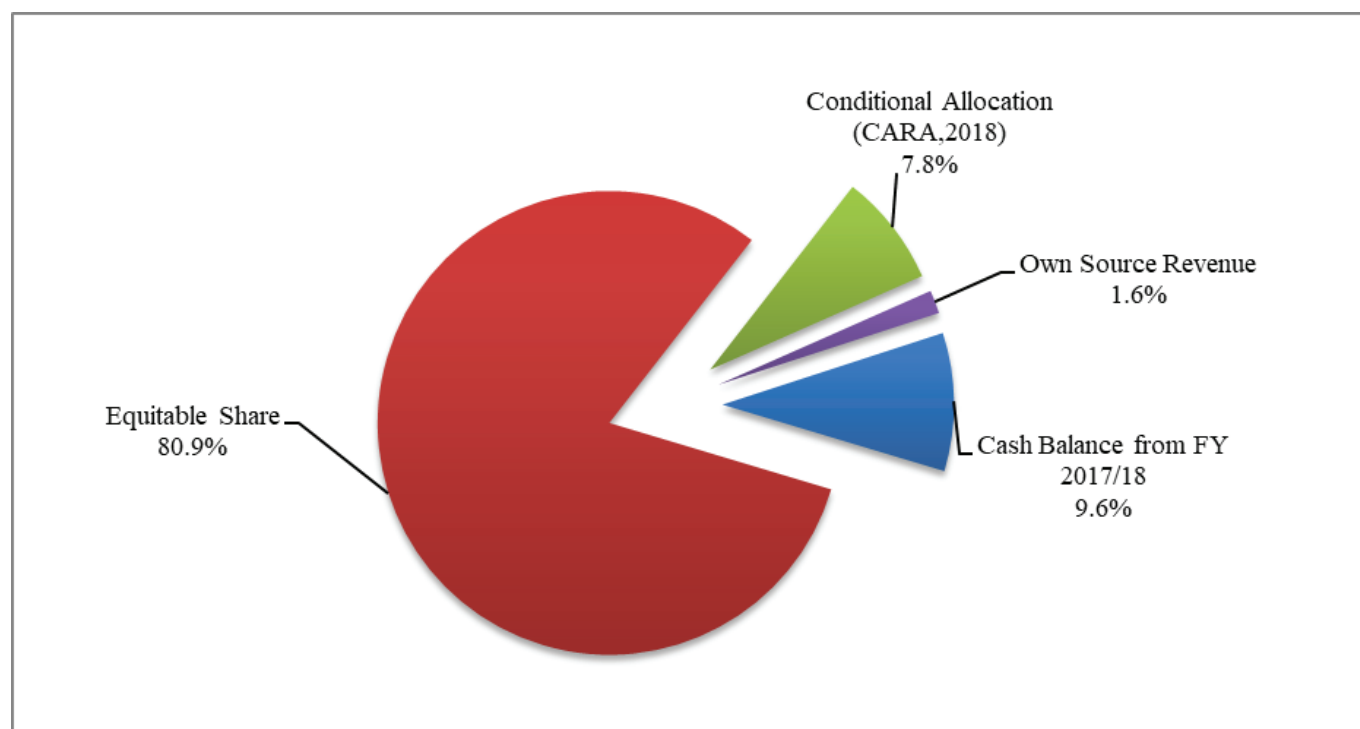
3.25 Marsabit County

3.25.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.65 billion, comprising of Kshs.4.13 billion (47.7 per cent) and Kshs.4.53 billion (52.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7 billion (80.9 per cent) as equitable share of revenue raised nationally, Kshs.678.33 million (7.8 per cent) as total conditional grants, generate Kshs.140 million (1.6 per cent) from own source of revenue, and Kshs.832.97 million (9.6 per cent) cash balance from FY 2017/18.

Figure 3.96: Marsabit County Expected Sources of Budget Financing in FY 2018/19



Source: Marsabit County Treasury

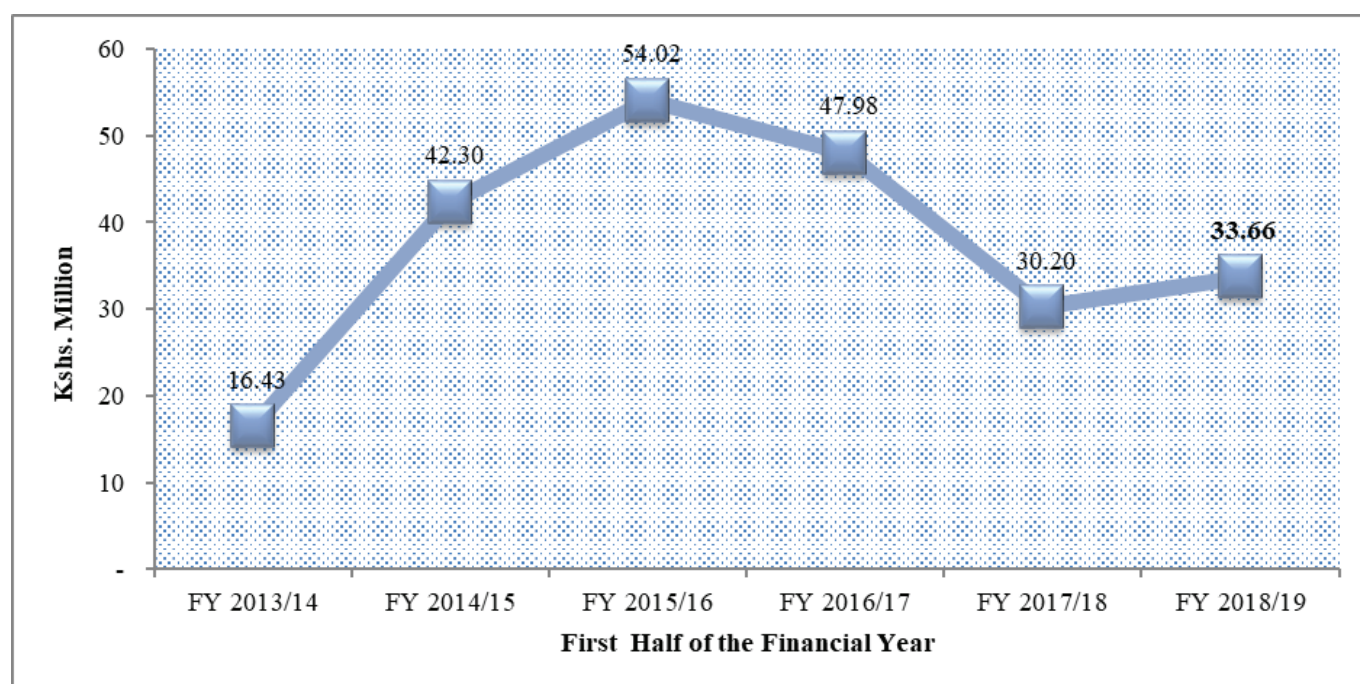
The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (11.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (17.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.48.99 million (5.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (5.8 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.22.07 million (2.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.80 million (9.2 per cent) as grant from EU for Instruments for Devolution Advice and Support- (IDEAS), Kshs.6.64 million (0.8 per cent) as Compensation for User Fees Foregone, Kshs.184.36 million (21.2 per cent) from Road Maintenance Fuel Levy, and Kshs.26.28 million (3.0 per cent) for Rehabilitation of Village Polytechnics.

3.25.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.17 billion as equitable share of revenue raised nationally, Kshs.255.51 million as total conditional grants, raised Kshs.33.66 million from own source revenue, and had a cash balance of Kshs.832.97 million from FY 2017/18. The total available funds amounted to Kshs.3.29 billion.

Figure 3.97 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.97: Marsabit County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19



Source: Marsabit County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs 33.66 million as own-source revenue. The own-source revenue collected during the period represented an increase of Kshs 3 per cent compared to Kshs. 32.64 million generated during the same period of the FY 2017/18 and represented 24 per cent of the annual target.

3.25.3 Conditional Grants

The County received Kshs.255.51 million as conditional grants in the first half of the FY 2018/19 as shown in Table 3.70.

Table 3.70: Marsabit County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Compensation for User Fee Foregone	6,643,714	6,643,714	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy Fund	184,361,828	184,361,828	39,329,315	21.3
4	Rehabilitation of Village Polytechnics	26,275,000	26,275,000	-	-
5	Transforming Health Systems for Universal Care Project (WB)	100,000,000	100,000,000	34,242,032	34.2
6	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	50,891,757	33.9
7	Kenya Devolution Support Project (KDSP) "Level 1 grant"	48,985,872	48,985,872	-	-

S/No	Grants	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
8	Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100.0
9	DANIDA Grant	22,072,500	22,072,500	11,036,250	50.0
10	EU Grant (IDEAS)	80,000,000	90,000,000	70,007,619	77.8
Total		868,338,914	678,338,914	255,506,973	37.7

Source: Marsabit County Treasury

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the Kenya Urban Support project and the EU grant. The receipts accounted for 100 per cent and 77.8 per cent of annual allocation respectively.

3.25.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.21 billion from the CRF account. The withdrawal represented 37.1 per cent of the Approved Budget and translates to an increase of 61.1 per cent from Kshs.1.99 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.07 billion (64.5 per cent) to fund recurrent expenditure and Kshs.1.14 billion (35.5 per cent) for development activities.

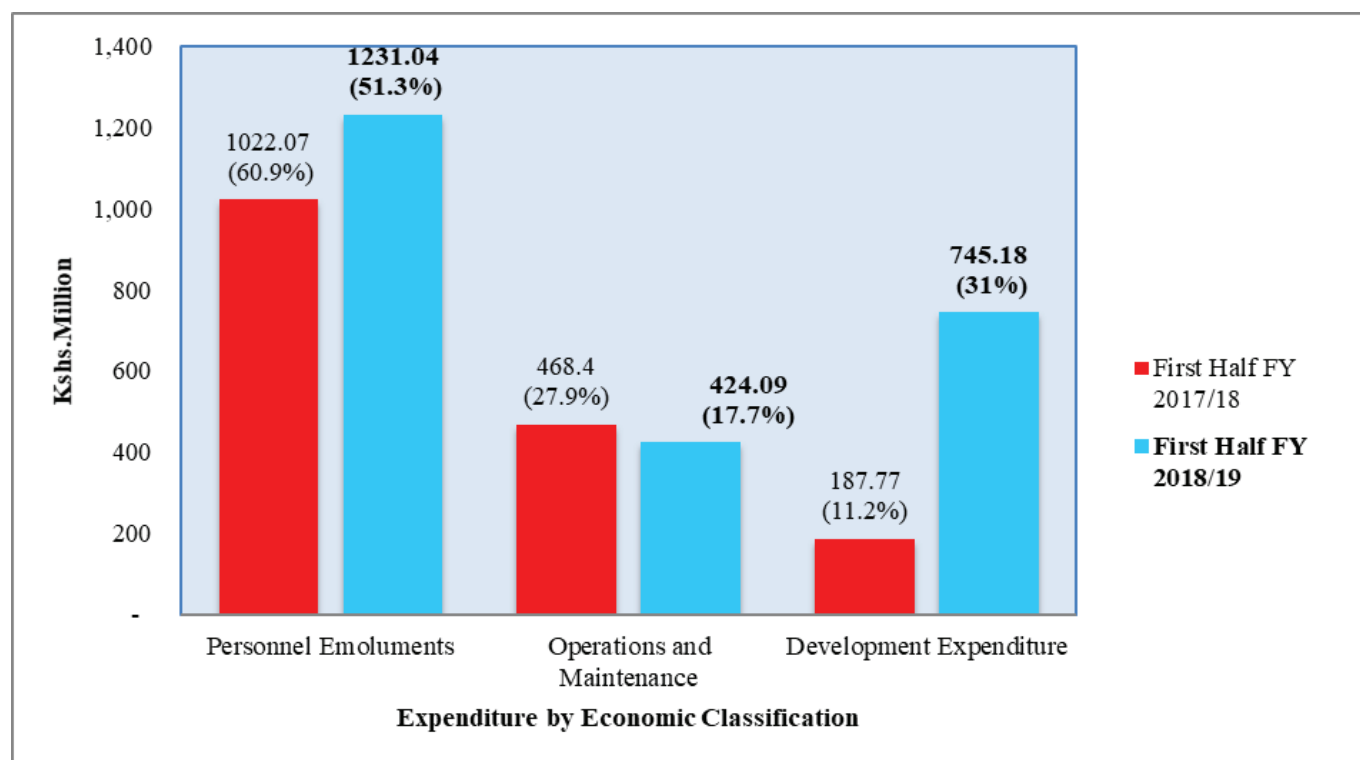
3.25.5 Overall Expenditure Review

The County government spent a total of Kshs.2.40 billion on recurrent and development activities. The total expenditure represented 74.8 per cent of the total funds released from the CRF account and was an increase of 43 per cent from Kshs.1.68 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.1.66 billion while Kshs.745.18 million was spent on development activities. The recurrent expenditure was 79.9 per cent of the funds released for recurrent activities, while development expenditure was 65.5 per cent of funds released for development activities.

The recurrent expenditure represented 40.1 per cent of the annual recurrent budget, an increase from 36.5 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 16.5 per cent, which was an increase from 5.3 per cent attained in the first half of FY 2017/18. Figure 3.98 presents a comparison between the total expenditure in the first half of FY 2018/19 and first half of the FY 2017/18.

Figure 3.98: Marsabit County, Expenditure by Economic Classification



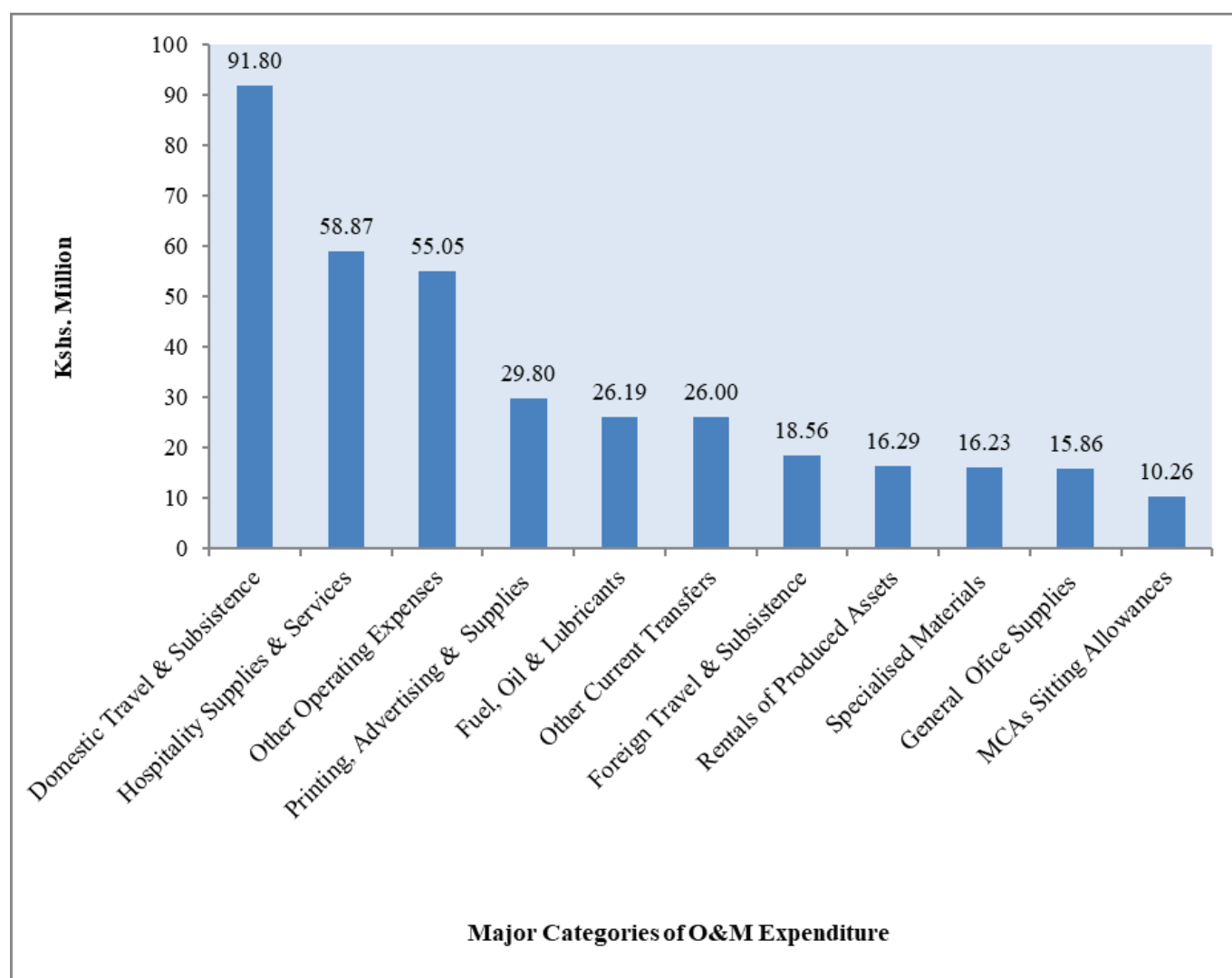
Source: Marsabit County Treasury

3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.66 billion comprised of Kshs.1.23 billion (74.4 per cent) incurred on personnel emoluments and Kshs.424.09 million (25.6 per cent) on operations and maintenance as shown in Figure 3.98.

Expenditure on personnel emoluments represented an increase of 20.4 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.02 billion, and was 51.3 per cent of total expenditure in the first half of FY 2018/19. Figure 3.99 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.99: Marsabit County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Marsabit County Treasury

The County spent Kshs.10.26 million to cater for the MCAs' committee sitting allowances for the 30 MCAs against the annual budget allocation of Kshs.35.49 million. This represented an increase of 162.5 per cent compared to Kshs.3.91 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.55,172 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.110.36 million and comprised of Kshs.49.77 million spent by the County Assembly and Kshs.60.58 million spent by the County Executive and represented 6.7 per cent of total recurrent expenditure.

3.25.7 Development Expenditure

The total development expenditure of Kshs.745.18 million represented 16.5 per cent of the annual development budget of Kshs.4.53 billion. Table 3.71 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.71: Marsabit County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Drugs & Non-pharmaceuticals supplies	Countywide	133,000,000	24,013,749	18.1
2	Supply & delivery of relief foods commodities	Countywide	180,000,000	22,294,750	12.4
3	Development of Marsabit Stadium Pavilion	Saku Sub-county	15,200,000	15,109,833	99.4
4	Drilling of Balachaloki Borehole of 200 m depth	North-Horr sub-county	8,000,000	7,989,190	99.9
5	Construction of Kalacha water supply	North-Horr sub-county	7,000,000	6,486,991	92.7
6	Feasibility Study Environment & Engineering Design of Moyale Town Roads	Moyale Sub-county	6,000,000	5,514,580	91.9
7	Spot Improvement works on Walda Dadach-Elele-Yashare Road	Moyale Sub-county	5,000,000	4,999,457	100.0
8	Sports Improvement works on Hurri Hills Balesa Road	North Horr Sub-county	5,000,000	4,999,091	100.0
9	Erection & Completion of Dormitory Block at Saku Vtc	Saku Sub-county	4,500,000	4,496,740	99.9
10	Rehabilitation of Masonry tank, pump house, piping & 15m long trough Bori borehole	Moyale sub-county	5,000,000	4,087,490	81.7

Source: Marsabit County Treasury

3.25.8 Budget Performance by County Department

Table 3.72 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.72: Marsabit County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	647.59	154.09	215.00	-	194.71	-	90.6	-	30.1	-
County Executive Services	531.44	476.76	261.18	173.54	213.34	143.83	81.7	82.9	40.1	30.2
Finance Management Services	378.99	10.00	222.91	-	93.41	-	41.9	-	24.6	0.0
Agriculture, Livestock and Fisheries	186	436.93	112.65	178.01	77.70	14.28	69.0	8.0	41.8	3.3
County Public Service	90	2.31	42.80	-	29.95	-	70.0	-	33.3	-
Education Youth Affairs	259	444.74	136.24	173.91	112.26	83.08	82.4	47.8	43.3	18.7
County Health Services	1,192.24	943.78	629.10	293.12	621.43	139.83	98.8	47.7	52.1	14.8
Administration and ICT	339.20	15.30	167.10	-	133.93	7.55	80.2	-	39.5	49.4

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Physical Planning and Development	140.00	299.15	69.82	68.00	41.43	64.06	59.3	94.2	29.6	21.4
Roads and Public Works	77.00	557.25	47.34	-	35.27	60.58	74.5	-	45.8	10.9
Water Services	130.04	895.73	79.23	179.77	51.27	208.20	64.7	115.8	39.4	23.2
Trade and Industry	83.50	139.09	46.55	64.64	26.76	2.40	57.5	3.7	32.0	1.7
Tourism, Culture and Social Services	72.00	151.37	41.80	7.50	23.67	21.38	56.6	285	32.9	14.1
Total	4,127.00	4,526.51	2,071.71	1,138.49	1,655.13	745.18	79.9	65.5	40.1	16.5

Source: Marsabit County Treasury

Analysis of expenditure by department shows that the Department of Administration and ICT recorded the highest absorption rate of development budget at 49.4 per cent while the County Assembly and Department of Finance Management Services and the County Public Service did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 52.1 per cent while the Department of Finance and Management Services had the lowest at 24.6 per cent.

3.25.9 Key Observations and Recommendations

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

- i. Establishment of an Internal Audit Department and strengthening of the internal audit function in line with Section 155 of the PFM Act, 2012.

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

1. Under-performance in own source revenue collection which represented 24 per cent of the annual target.
2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund and the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
4. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports by OCOB contrary to Section 166 of the PFM Act, 2012.
5. Failure to constitute the County Budget and Economic Forum (CBEF) contrary to Section 137 of the PFM Act, 2012 for consultation in the budget making process

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

1. *The County Treasury should develop and implement strategies to enhance own-source revenue collection.*
2. *All Fund Administrators should submit financial returns in line with Section 168 of the PFM Act, 2012.*
3. *The National Treasury should ensure timely disbursement of funds in line with CARA, 2018.*
4. *The County Treasury should ensure timely preparation and submission of financial reports in line*

with Section 166 of PFM Act, 2012

5. The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.

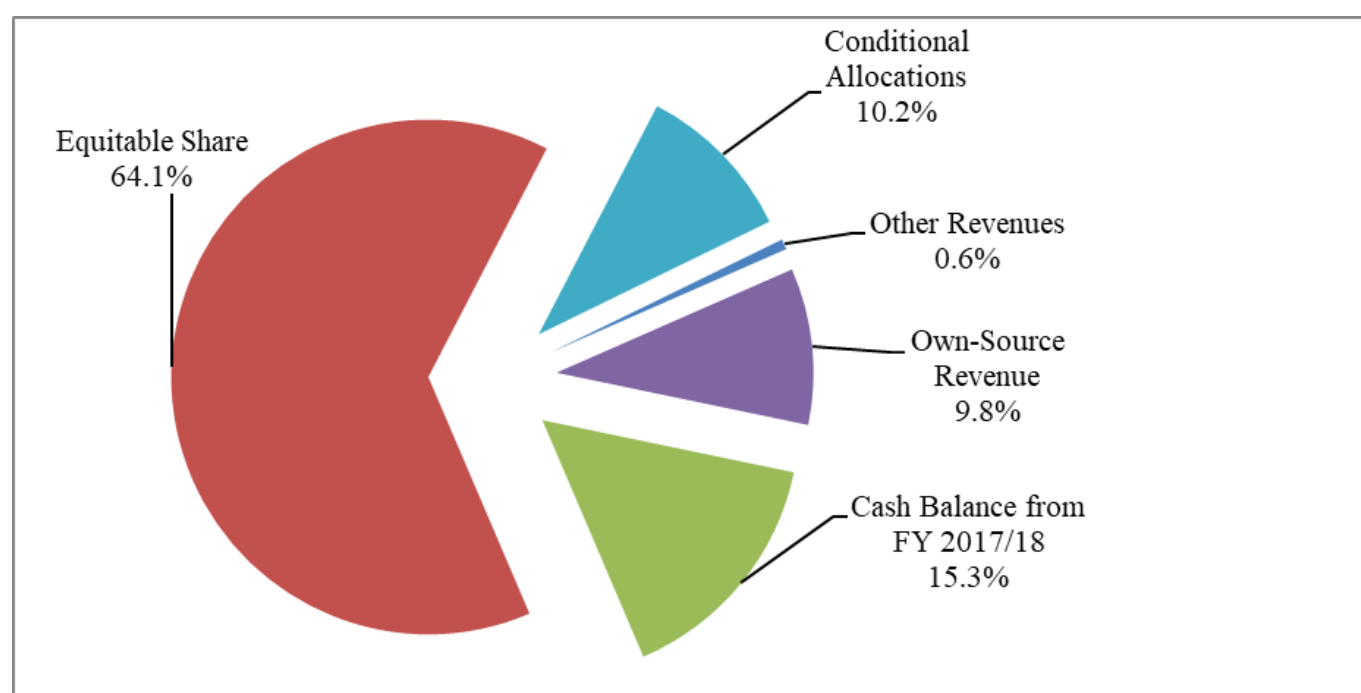
3.26 Meru County

3.26.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.12.50 billion, comprising of Kshs.7.81 billion (62.5 per cent) and Kshs.4.70 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.01 billion (64.1 per cent) as equitable share of revenue raised nationally, Kshs.1.27 billion (10.2 per cent) as total conditional grants, generate Kshs.1.23 billion (9.8 per cent) from own sources, Kshs.1.91 billion (15.3 per cent) cash balance from FY 2017/18, and Kshs.81.19 million (0.6 per cent) as other revenues.

Figure 3.100: Meru County, Sources of Budget Financing in FY 2018/19



Source: Meru County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (3.9 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (11.1 per cent) from IDA(World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.53.94 million (4.2 per cent) from IDA(World Bank) as credit for Kenya Devolution Support Programme "Level 1grants", Kshs.116.89 million (9.2 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.25.82 million (2 per cent) grant from DANIDA for Universal Healthcare for Devolved System Programme, Kshs.373.87 million (29.5 per cent) for Level-5 Hospital, Kshs.31.65 million (2.5 per cent) as Compensation for User Fees Foregone, Kshs.200 million (15.8 per cent) for Leasing of Medical Equipment, Kshs.210.82 million (16.6 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.66.03 million (5.2 per cent) for Rehabilitation of Village Polytechnics

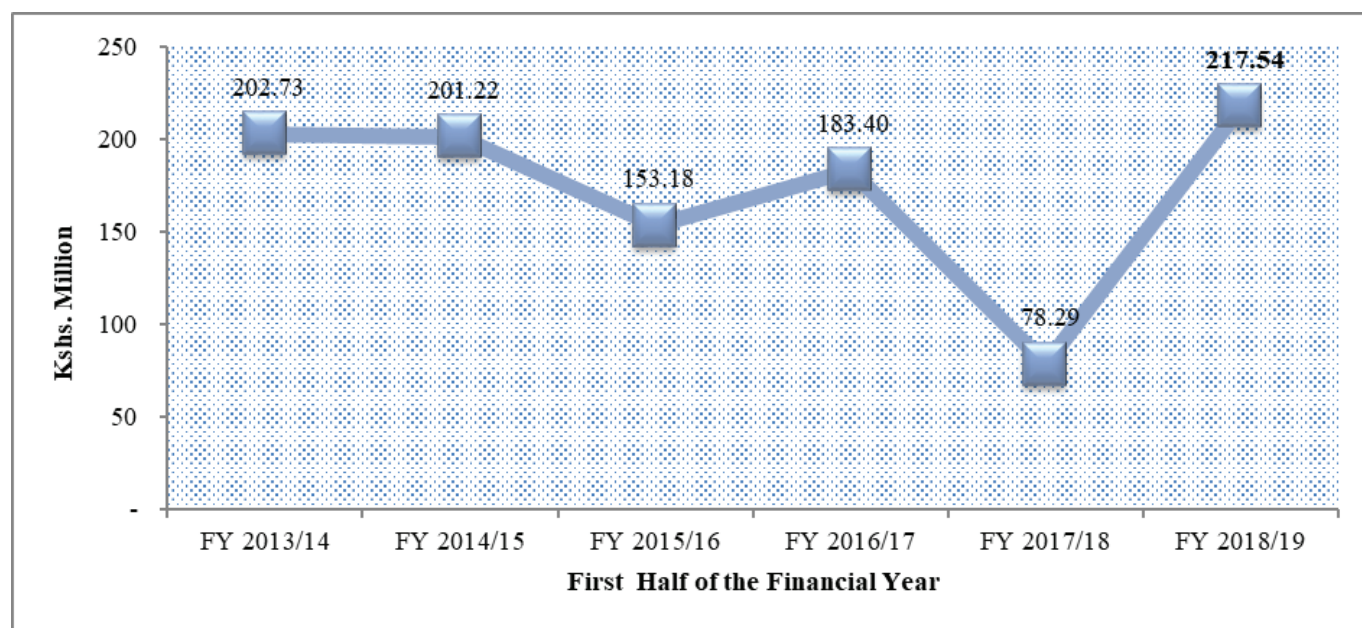
The County also budgeted to receive Kshs.20.08 million as grant for Agricultural Sector Development Support Programme (ASDSP), Kshs.55.61 million as grants for World Bank for National Agricultural and Rural Inclusive Growth Project balance from FY 2017/18, Kshs.5.5 million as grants for ASDSP Project from FY 2017/18.

3.26.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.63 billion as equitable share of revenue raised nationally, Kshs.135.13 million as total conditional grants, raised Kshs.217.54 million as own-source revenue, and had a cash balance of Kshs.1.22 billion from FY 2017/18. The total funds available for the period amounted to Kshs.4.21 billion.

Figure 3.101 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.101: Meru County, Trend in Own-Source Revenue Collection for the First Half from FY 2013/14 to the First Half of FY 2018/19



Source: Meru County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.217.54 million as own-source revenue. This amount was an increase of 177.9 per cent when compared to Kshs.78.29 million realised during the same period of FY 2017/18 and represented 17.7 per cent of the annual target.

3.26.3 Conditional Grants

The County received Kshs.135.13 million as conditional grants as shown in Table 3.73.

Table 3.73: Meru County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grant or Loan Details	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
1	Level- 5 Hospital	373,872,832	373,872,832	-	-
2	Compensation for User Fee Foregone	31,648,428	31,648,428	-	-
3	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
4	Road Maintenance Fuel Levy Fund	210,817,337	210,817,337	-	-
5	Rehabilitation of Village Polytechnics	66,025,000	66,025,000	-	-
6	Transforming Health Systems for Universal Care Project- World Bank	50,000,000	50,000,000	5,330,281	10.7
7	National Agricultural and Rural Inclusive Growth Project- IDA (World Bank)	140,435,163	140,435,163	-	-
8	Kenya Devolution Support Programme “Level 1 grant” -IDA (World Bank)	53,939,835	53,939,835	-	-
9	Kenya Urban Support Project -IDA(World Bank)	116,890,200	116,890,200	116,890,200	100
10	DANIDA - Universal Healthcare to Devolved System Programme	25,818,750	25,818,750	12,909,375	50
11	Agricultural Sector Development Support Programme- (ASDSP)	-	20,075,209	-	-
12	Agricultural and Rural Inclusive Growth Project Balance B/F 2017-18	-	55,609,855	-	-
13	ASDSP Project Balance B/F 2017-18	-	5,500,000	-	-
	TOTAL	1,269,447,545	1,350,632,609	135,129,856	10

Source: Meru County Treasury

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

3.26.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.4.10 billion from the CRF account. The withdrawal represented 32.8 per cent of the Approved Supplementary Budget and translated to an increase of 45.9 per cent from Kshs.2.81 billion approved in the first half of FY 2017/18. This comprised of Kshs.3.88 billion (49.7 per cent) to fund recurrent activities and Kshs.212.71 million (4.5 per cent) for development activities.

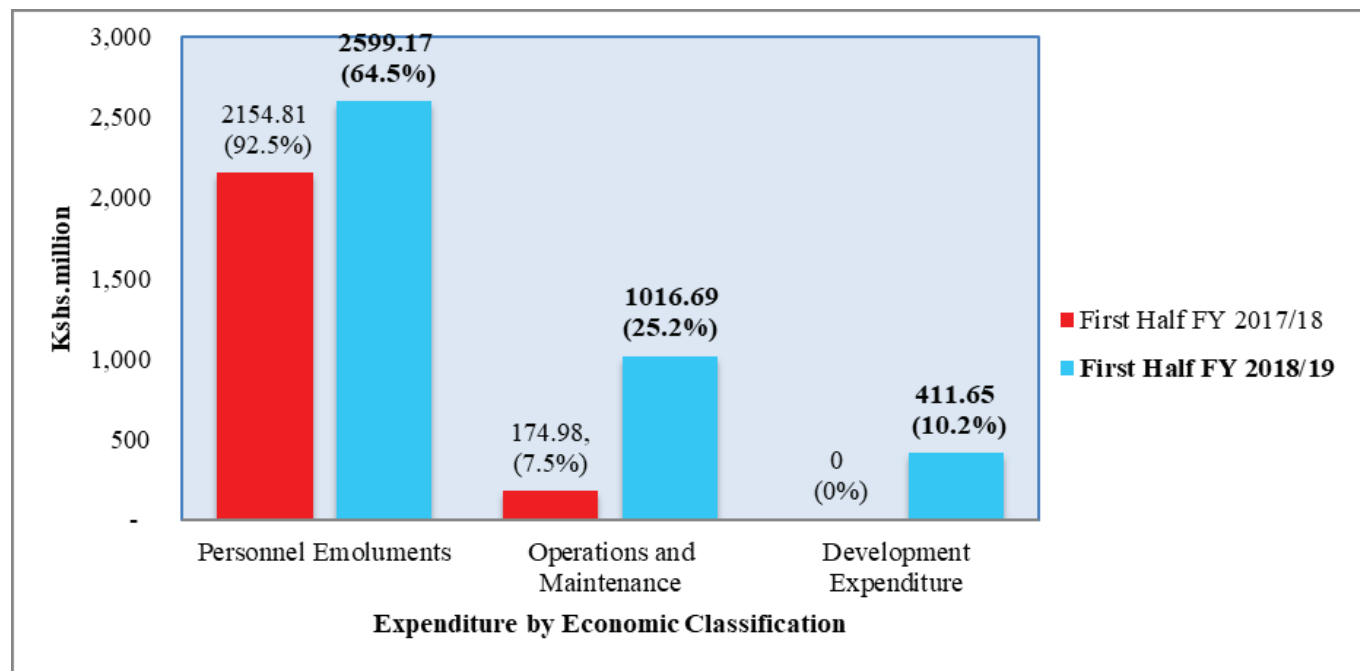
3.26.5 Overall Expenditure Review

The County government spent a total of Kshs.4.03 billion on both recurrent and development activities. This expenditure represented 98.3 per cent of the total funds released from the CRF account and was an increase of 73 per cent from Kshs.2.33 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.338.01 million for development activities and Kshs.138.69 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.62 billion while that on development activities was Kshs.411.65 million. The recurrent expenditure was 93.1 per cent of the funds released for recurrent activities, while development expenditure was 193.5 per cent of funds released for development activities.

The recurrent expenditure represented 46.3 per cent of the annual recurrent budget and was an increase from 34.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 8.8 per cent, while there was no development expenditure in the first half of FY 2017/18. Figure 3.102 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

Figure 3.102: Meru County, Expenditure by Economic Classification



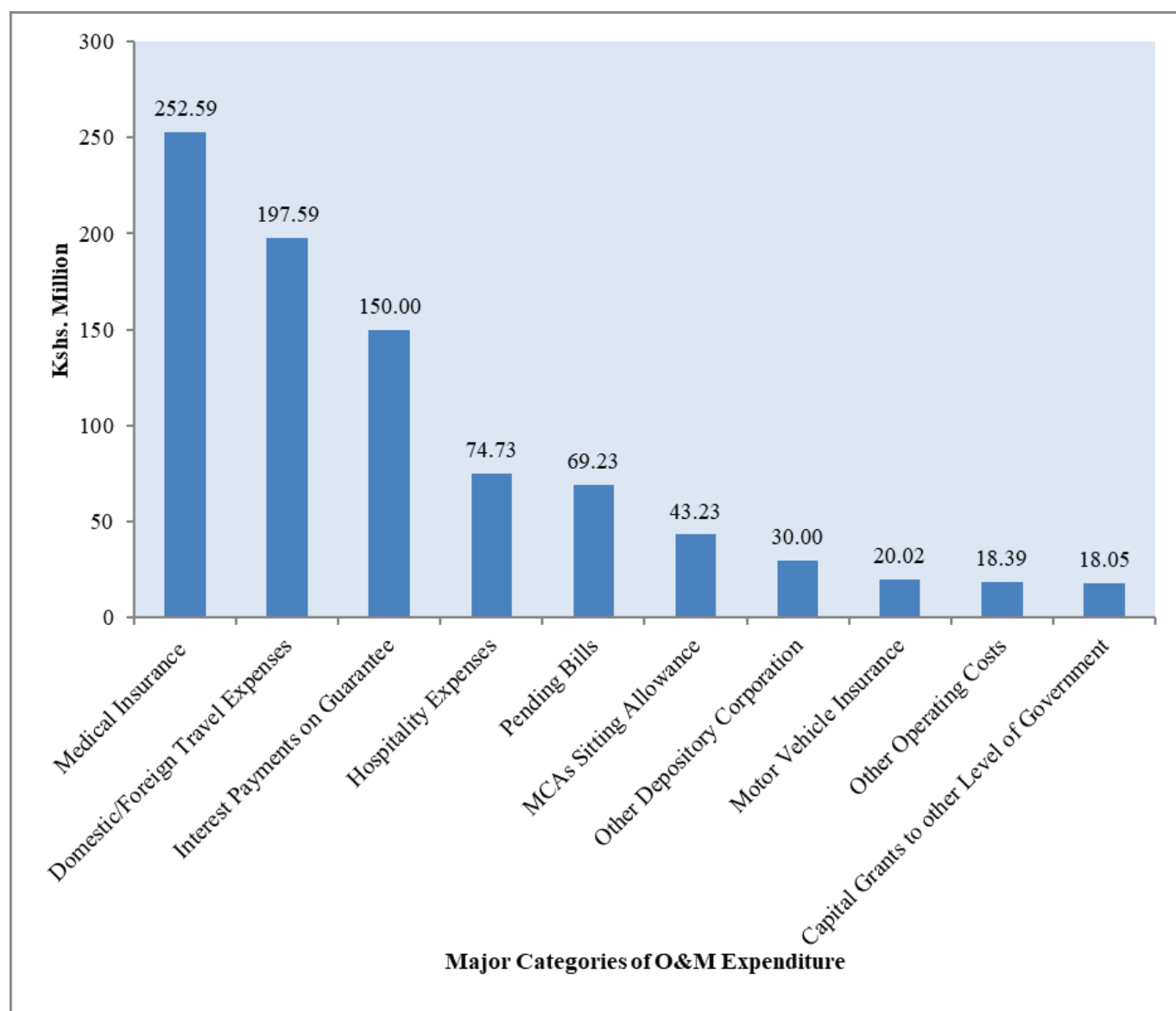
Source: Meru County Treasury

3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.62 billion comprised of Kshs.2.60 billion (71.9 per cent) incurred on personnel emoluments and Kshs.1.02 billion (28.1 per cent) on operations and maintenance as shown in Figure 3.102.

Expenditure on personnel emoluments represented an increase of 20.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.2.15 billion, and was 64.5 per cent of total expenditure for the period. Figure 3.103 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.103: Meru County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Meru County Treasury

The County spent Kshs.43.23 million on MCAs' committee sitting allowances for the 69 MCAs against the annual budget allocation of Kshs.101.94 million. This amount represented an increase of 915.98 per cent compared to Kshs.4.23 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.104,421 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.197.59 million and comprised of Kshs.160.40 million spent by the County Assembly and Kshs.37.19 million spent by the County Executive. This represented 5.5 per cent of total recurrent expenditure.

3.26.7 Development Expenditure

The total development expenditure of Kshs.411.65 million represented 8.8 per cent of the annual development budget of Kshs.4.69 billion. Table 3.74 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.74: Meru County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Half Year Expenditure (Kshs.)	Absorption Rate (%)
1	Construction of Office Block	Headquarters	120,000,000	45,000,000	37.5
2	Routine Maintenance of Mwiciume- Ngon-go-Kinoro road	Abogeta East	30,159,497	21,204,360	70.3
3	Meru Youth Services	Municipality	19,500,000	19,500,000	100
4	Construction of Iraru water project	Abogeta East	28,808,745	17,543,000	60.9
5	Upgrading of the Kanyakine loop road	Abogeta East	16,311,815	16,306,894	100
6	Upgrading of Gitimbine-Majengo loop road	Municipality	39,604,798	16,025,456	40.5
7	Supply of the Medical Equipment	Municipality	190,398,231	13,537,005	7.1
8	Murera gate – Rhino camp road	Kianjai Road	28,404,925	11,766,280	41.4
9	Capital transfer to National Agricultural and Rural Inclusive Growth Project (NARIGP)	Headquarter	140,435,163	10,365,588	7.4
10	Rehabilitation of Mariara river catchment area	Abothuguchi West and Central	9,992,200	9,992,200	100

Source: Meru County Treasury

3.26.8 Budget Performance by County Department

Table 3.75 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.75: Meru County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	937.22	82.00	473.92	4.51	473.92	4.51	100	100	50.6	5.5
Office of the Governor	334.87	10.50	171.16	-	92.38	-	54	-	27.6	-
County Finance, Economic Planning and ICT	951.26	245.91	442.42	45.00	425.73	45.00	96.2	100	44.8	18.3
Agriculture, Livestock and Fisheries	356.98	469.21	179.16	3.47	168.78	66.59	94.2	1917	47.8	14.2
Water and Sanitation	115.29	861.35	62.93	17.54	49.29	24.81	78.3	141.4	42.7	2.9
Education, Technology, Gender, Culture & Social Development	940.03	245.00	375.09	-	299.90	-	80	-	31.9	-
Health Services	2,986.93	643.50	1,542.09	17.77	1,593.02	17.77	103.3	100	53.3	2.8
Lands, Physical Planning, Urban Development and Public Works	109.83	341.70	72.72	96.89	37.77	-	51.9	-	34.4	-
Public Services, Administration and Legal Affairs	686.13	-	416.28	-	367.86	-	88.4	-	53.6	-
Roads, Transport and Energy	101.13	1,349.65	36.83	3.11	30.39	168.25	82.5	5412.4	30.1	12.5
Trade, Investment, Industrialization, Tourism and Cooperative Development	86.60	210.78	42.76	10.73	34.84	38.90	81.5	356.9	40.2	18.2
Youth Affairs and Sports	145.30	156.91	42.17	3.70	28.53	33.26	67.7	898.9	19.6	21.2

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Services Board	21.67	-	8.07	-	7.93	-	98.2	-	36.6	-
Environment, Wildlife & Natural Resources	34.32	75.52	17.65	9.99	5.54	13.17	31.4	131.8	16.1	17.4
TOTAL	7,807.57	4,692.02	3,883.25	212.71	3,615.85	411.65	93.1	193.5	46.3	8.8

Source: Meru County Treasury

Analysis of expenditure by department shows the Department of Youth Affairs and Sport recorded the highest absorption rate of development budget at 21.2 per cent. The Department of Public Services, Administration and Legal Affairs had the highest percentage of the recurrent expenditure to recurrent budget at 53.6 per cent while the Department of Environment, Wildlife and Natural Resources had the lowest at 16.1 per cent.

3.26.9 Key Observations and Recommendations

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

- Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 8.8 per cent while there was no expenditure on development activities in a similar period FY 2017/18.
- Improvement in own-source revenue collection from Kshs.78.29 million in the first half of FY 2017/18 to Kshs.217.54 million in the reporting period.

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

- Delayed disbursement of funds by the National Treasury during the period under review which affected the budget implementation.
- High wage bill that increased by 20.6 per cent from Kshs.2.15 billion in the first half of FY 2017/18 to Kshs.2.6 billion in the reporting period.

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

- The National Treasury should ensure timely disbursement of funds to Counties for smooth budget implementation.*
- The County Public Services Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

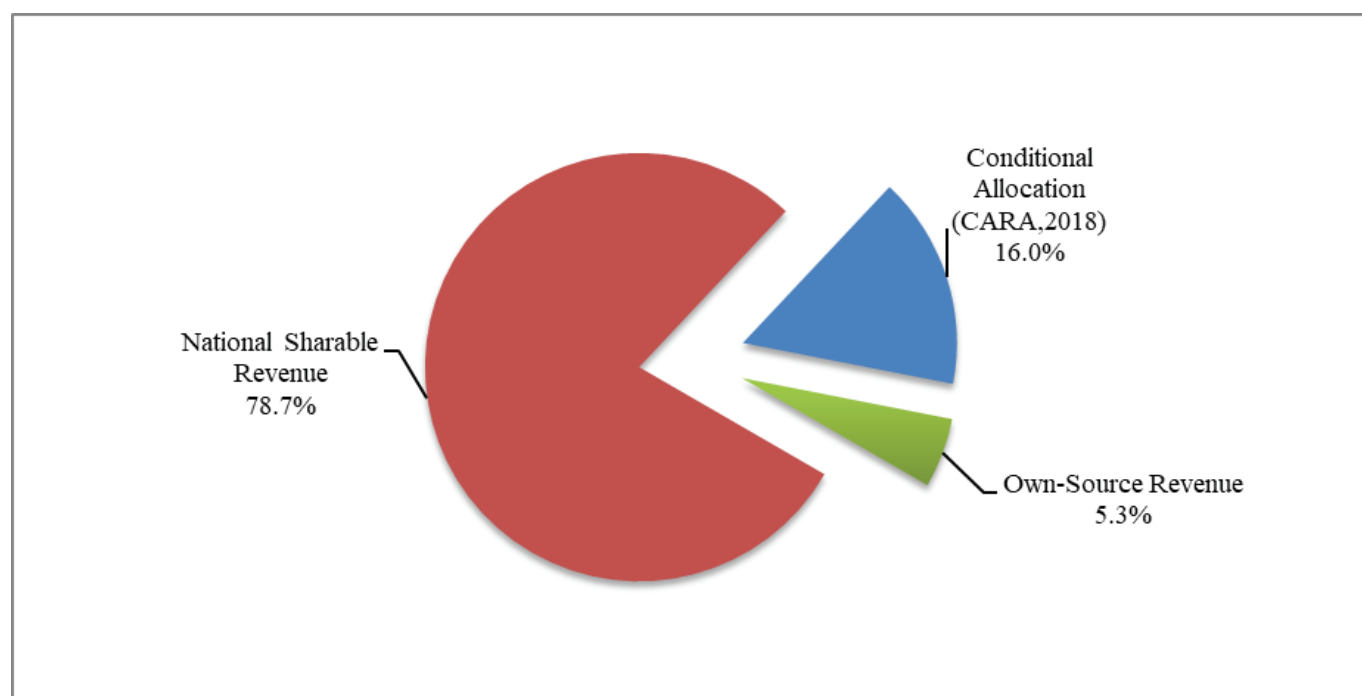
3.27 Migori County

3.27.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.8.54 billion, comprising of Kshs.5.29 billion (62 per cent) and Kshs.3.25 billion (38 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.72 billion (78.7 per cent) as equitable share of revenue raised nationally, Kshs.1.37 billion (16 per cent) as total conditional grants, and generate Kshs.450 million (5.3 per cent) from own sources.

Figure 3.104: Migori County Sources of Budget Financing in FY 2018/19



Source: Migori County Treasury

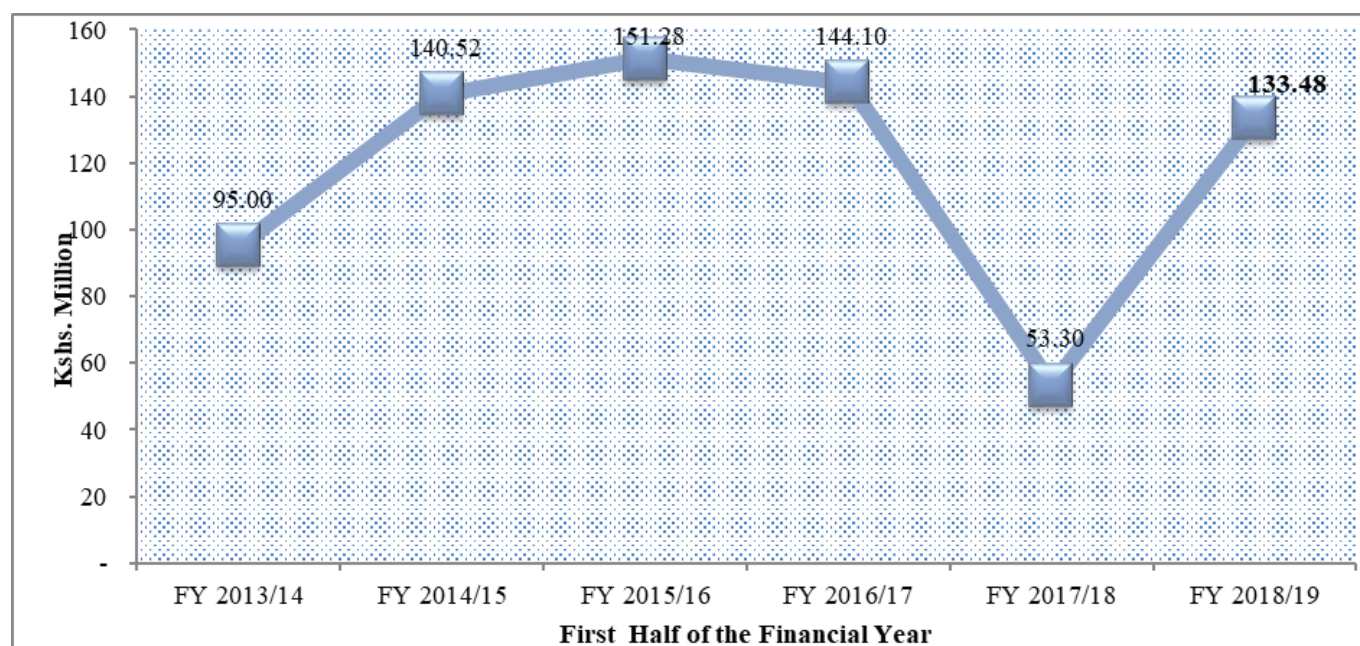
The conditional grants include those contained in the CARA, 2018 of; Kshs.100 million (7.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (10.4 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.49.61 million (3.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.518.37 million (38.4 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.21.67 million (1.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (6.7 per cent) grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.21.66 million (1.6 per cent) Compensation for User Fees Foregone, Kshs.200 million (14.8 per cent) for Leasing of Medical Equipment, Kshs.176.92 million (13.1 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.31.75 million (2.4 per cent) for Rehabilitation of Village Polytechnics.

3.27.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.08 billion as equitable share of revenue raised nationally, Kshs.647.73 million as total conditional grants, raised Kshs.133.48 million as own-source revenue, and had a cash balance of Kshs.599.33 million from FY 2017/18. The total funds available for the period amounted to Kshs.3.46 billion.

Figure 3.105 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.105: Migori County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Migori County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.133.48 million as own-source revenue. This amount was an increase of 150.4 per cent when compared to Kshs.53.30 million realised during the same period of FY 2017/18, and represented 29.7 per cent of the annual target.

3.27.3 Conditional Grants

The County received Kshs.647.73 million as conditional grants as shown in Table 3.76.

Table 3.76: Migori County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1	Compensation for User Fee Foregone	21,655,884	21,655,884	-	-
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy Fund	176,921,216	176,921,216	44,235,684	25.0
4	Rehabilitation of Village Polytechnics	31,750,000	31,750,000	-	-
5	World Bank-Transforming Health Systems for Universal Care Project	100,000,000	100,000,000	23,592,136	23.6
6	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	-	-
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	49,609,593	49,609,593	-	-
8	IDA (World Bank) -Kenya Urban Support Project	518,367,800	558,367,800	518,367,800	92.8
9	DANIDA - Universal Healthcare to Devolved System Programme	21,667,500	21,667,500	10,833,750	50

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
10	EU- Instruments for Devolution Advice and Support- IDEAS)	90,000,000	70,000,000	50,704,556	72.4
Total		1,350,407,156	1,370,407,356	647,733,926	47.3

Source: Migori County Treasury

Analysis of the revenue from conditional grants indicates that, the County received the highest disbursements for Kenya Urban Support Project and the IDEAS project. These receipts accounted for 92.8 per cent and 72.4 per cent of the annual allocation respectively.

3.27.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.3.31 billion from the CRF account. The withdrawals represented 38.8 per cent of the Approved Budget and translated to an increase of 67 per cent from Kshs.1.98 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.10 billion (63.5 per cent) to fund recurrent expenditure and Kshs.1.21 billion (36.5 per cent) for development activities.

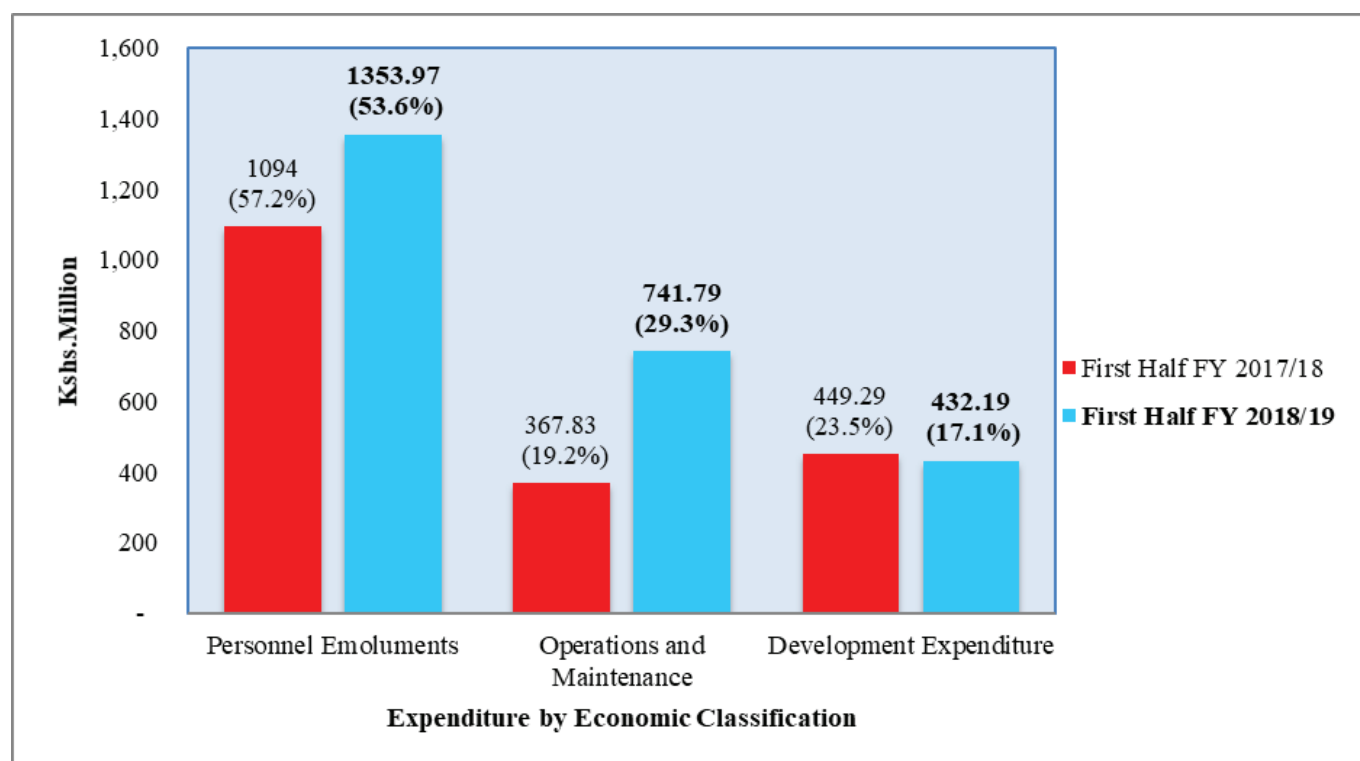
3.27.5 Overall Expenditure Review

The County government spent a total of Kshs.2.53 billion on both recurrent and development activities. This expenditure represented 76.4 per cent of the total funds released from the CRF account and was an increase of 32.3 per cent from Kshs.1.91 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.271.28 million for development activities and Kshs.131.27 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.10 billion while that on development activities was Kshs.432.19 million. The recurrent expenditure was 99.7 per cent of the funds released for recurrent activities, while development expenditure was 35.8 per cent of funds released for development activities.

The recurrent expenditure represented 39.6 per cent of the annual recurrent budget and was a decrease from 43.8 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 13.3 per cent, which was a decrease from 15.6 per cent attained in the first half of FY 2017/18. Figure 3.106 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

Figure 3.106: Migori County, Expenditure by Economic Classification



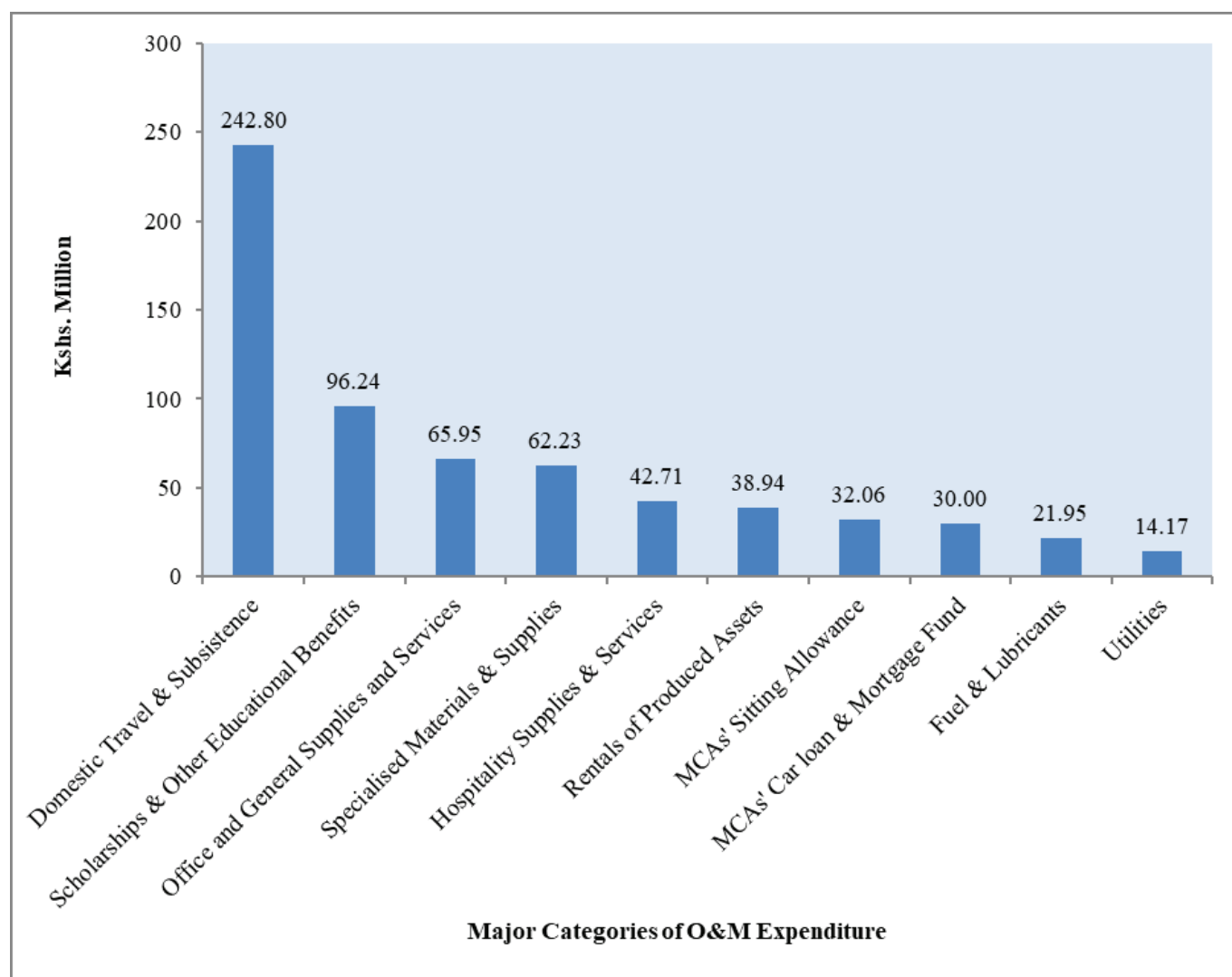
Source: Migori County Treasury

3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.10 billion comprised of Kshs.1.35 billion (64.6 per cent) incurred on personnel emoluments and Kshs.741.79 million (35.4 per cent) on operations and maintenance as shown in Figure 3.106.

Expenditure on personnel emoluments represented an increase of 23.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.09 billion, and was 53.6 per cent of total expenditure for the period. Figure 3.107 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.107: Migori County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Migori County Treasury

The County spent Kshs.32.06 million on MCAs' committee sitting allowances for the 57 MCAs. The Assembly did not explicitly budget for this expenditure in FY 2018/19. This amount represented an increase of 986.3 per cent compared to Kshs.2.95 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.93,737 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.242.80 million and comprised of Kshs.34.43 million spent by the County Assembly and Kshs.208.37 million spent by the County Executive. This represented 11.6 per cent of total recurrent expenditure and was an increase of 54 per cent compared to Kshs.157.67 million spent in the first half of FY 2017/18.

3.27.7 Development Expenditure

The total development expenditure of Kshs.432.19 million represented 13.3 per cent of the annual development budget of Kshs.3.25 billion. Table 3.77 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.77: Migori County, List of Development Projects with the Highest Expenditure in the First Half of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Half Year Expenditure (Kshs.)	Absorption Rate (%)
1	Supply and Installation of Floodlights	Countywide	59,000,000	58,443,500	99.1
2	Upgrade to Bitumen Standard of Uriri - Oria Road	Uriri Sub- County	105,562,867	50,000,000	47.4
3	Integrated Plan for Migori Town	County Headquarters	44,972,838	17,561,164	39.0
4	Rehabilitation of Migori Water Supply (Ombo Borehole)	Suna East Sub- County	14,636,400	14,636,400	100
5	Access Road to Nyakona River	Nyatike Sub - County	12,523,893	12,523,893	100
6	Construction of Amenity Ward at Migori County Referral Hospital	Migori County Referral Hospital	16,990,428	11,235,100	66.1
7	Construction of Ward Administrator's Office	Rabuor (Suna East Sub-County)	13,000,000	11,140,000	85.7
8	Equipping and Distribution of Kematare Borehole	Masaba Ward	10,814,933	10,814,933	100
9	Purchase of Motor Grader 180 - 200HP	County Headquarters	27,671,000	10,000,000	36.1
10	Opening and Spot Improvement of Nyangere - Lisor Road	Nyatike Sub - County	9,518,061	9,518,061	100

Source: Migori County Treasury

3.27.8 Budget Performance by County Department

Table 3.78 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.78: Migori County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries and Veterinary	420.72	152.58	159.17	47.15	103.05	19.01	64.7	40.3	24.5	12.5
Trade, Industrialization, Cooperative Development and Tourism	76.04	39.27	35.44	4.28	27.07	-	76.4	-	35.6	-
Health	1,489.06	471.00	699.67	60.09	799.13	19.16	114.2	31.9	53.7	4.1
Education, Youth Development, Sports, Culture and Social Services	300.34	113.25	184.14	22.89	188.11	0.78	102.2	3.4	62.6	0.7
Public Works, Roads and Transport	63.43	1,044.42	28.97	378.14	28.19	174.13	97.3	46.0	44.4	16.7
Lands, Housing and Physical Planning	118.04	621.86	43.42	573.72	28.11	43.80	64.7	7.6	23.8	7.0
Environment, Disaster Management and Forestry	153.91	26.15	44.52	5.83	19.91	8.13	44.7	139.4	12.9	31.1
Finance and Economic Planning	582.50	189.00	237.97	1.93	293.80	-	123.5	-	50.4	-
Public Service Management	668.55	176.20	247.27	50.01	179.97	16.84	72.8	33.7	26.9	9.6

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	536.24	8.70	95.30	0.53	99.15	-	104.0	-	18.5	-
County Assembly	787.25	100.00	290.00	-	306.92	-	105.8		39.0	-
Water and Energy	98.32	303.16	37.04	63.36	22.35	150.34	60.3	237.3	22.7	49.6
TOTAL	5,294.40	3,245.59	2,102.92	1,207.95	2,095.76	432.19	99.7	35.8	39.6	13.3

Source: Migori County Treasury

Analysis of expenditure by department shows the Department of Water and Energy recorded the highest absorption rate of development budget at 49.6 per cent. The Department of Education, Youth Development, Sports, Culture and Social Services had the highest percentage of recurrent expenditure to recurrent budget at 62.6 per cent while the Department of Environment, Disaster Management and Forestry had the lowest at 12.9 per cent.

3.27.9 Key Observations and Recommendations

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

- Improvement in own source revenue collection by 150.4 per cent from Kshs.53.30 million collected in the first half of FY 2017/18 to Kshs.133.48 million collected in the period under review.
- Timely submission of financial reports by the County Treasury to the Controller of Budget.

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

- High wage bill at Kshs.1.35 billion, which increased by 23.8 per cent compared to a similar period of the last financial year and accounted for 53.6 per cent of the total expenditure for the first half of FY2018/19.
- High expenditure on domestic travel which increased by 54 per cent from Kshs.157.67 million in the first six months of FY 2017/18 to Kshs.242.80 million in the reporting period.

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

- The County Public Service Board should ensure an optimal staffing structure in order to manage the wage bill.*
- The County Treasury should ensure that expenditure on non- essential budget items is rationalised to provide more resources for development projects.*

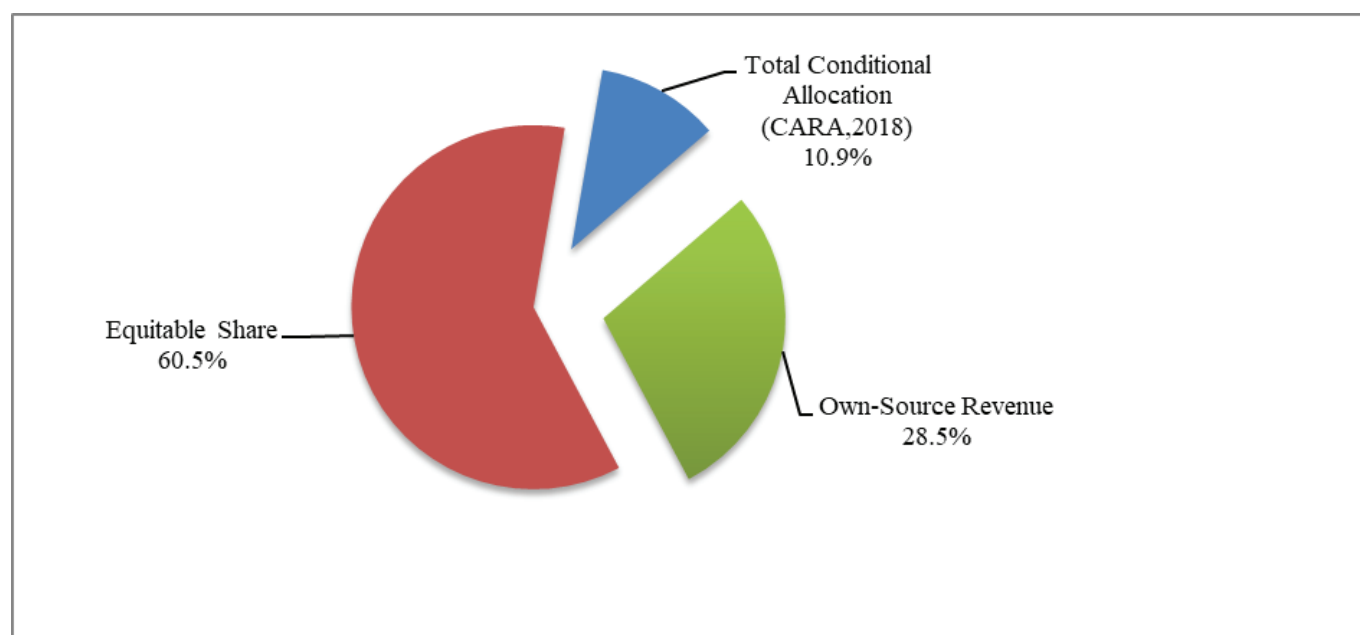
3.28 Mombasa County

3.28.1 Overview of the FY 2018/19 Budget

The Approved Budget for FY 2018/19 was Kshs.13.59 billion, comprising of Kshs.8.63 billion (63.5per cent) and Kshs.4.97 billion (36.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.23 billion (60.5 per cent) as equitable share of revenue raised nationally, Kshs.1.48 billion (10.9 per cent) as total conditional grants, generate Kshs.3.87 billion (28.5 per cent) from own revenue sources.

Figure 3.108: Mombasa County, Expected Sources of Budget Financing in FY 2018/19



Source: Mombasa County Treasury

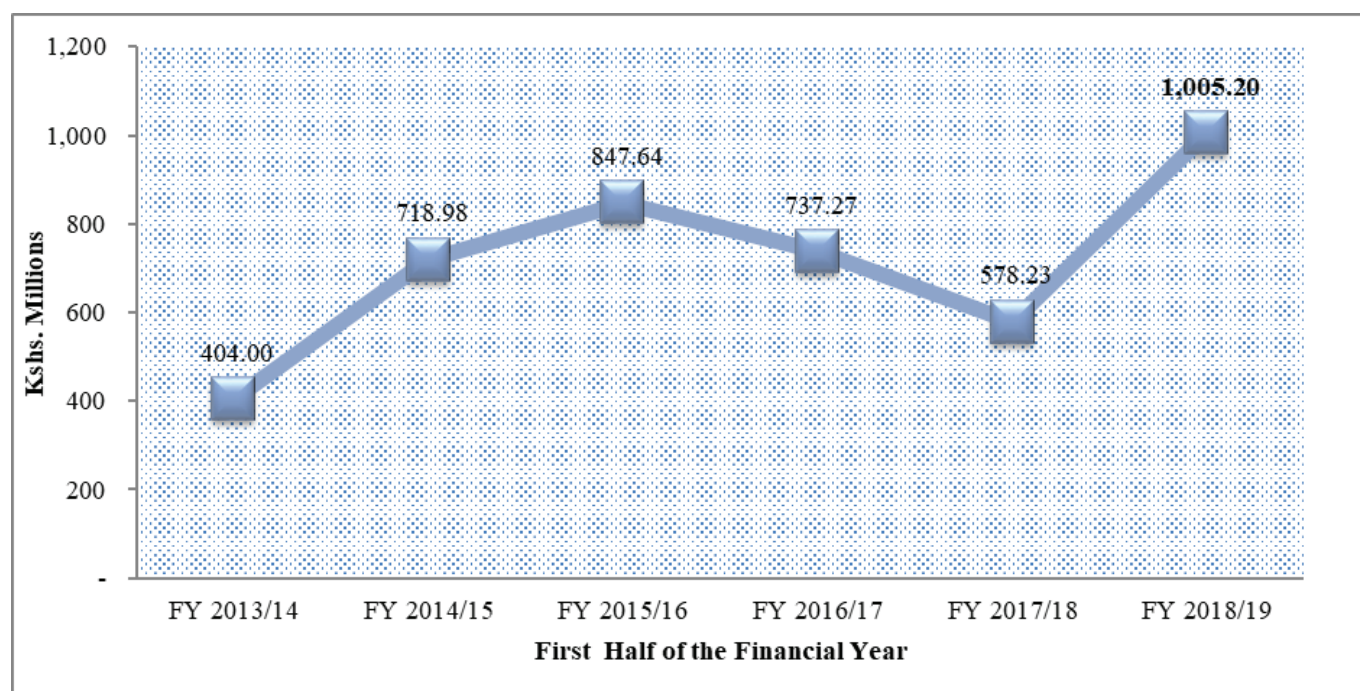
The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (3.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.103.14 million (6.9 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.35.6 million (2.4 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.600 million (40.3 per cent) from IDA (World Bank) credit for the Kenya Devolution Support Programme “Level 2 grant”, Kshs.388.44 million (26.1 per cent) to Level-5 Hospital, Kshs.23.38 million (1.6 per cent) Compensation for User Fees Foregone, Kshs.216.60 million (14.6 per cent) from Road Maintenance Fuel Levy, and Kshs.39.89 million (2.7 per cent) for Rehabilitation of Village Polytechnics, Kshs.30.69 million (2.0 per cent) for National Agricultural and Rural Inclusive Growth Project (NARIGP).

The County also budgeted to receive Kshs.103.14 million as grant for Kenya Devolution Support Project “level 1 grant”, and Kshs.35.59 million as DANIDA grant.

3.28.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.4.60 billion as equitable share of revenue raised nationally, Kshs.140.64 million as total conditional grants, raised Kshs.1 billion from own source revenue. The total available funds amounted to Kshs.5.75 billion. Figure 3.109 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.109: Mombasa County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19



Source: Mombasa County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.1.00 billion as own-source revenue. This amount was an increase of 73.8 per cent up from Kshs.578.23 million realised during the same period of the FY 2017/18 and represented 25.9 per cent of the annual target.

3.28.3 Conditional Grants

The County received Kshs.140.64 million as conditional grants as shown in Table 3.79.

Table 3.79: Mombasa County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1	Level- 5 Hospitals	388,439,306	388,439,306	134,372,619	34.6
2	Compensation for User Fee Foregone	23,385,934	-	-	-
3	Leasing of Medical Equipment	200,000,000	-	-	-
4	Road Maintenance Fuel Levy Fund	216,604,497	216,604,479	-	-
5	Rehabilitation of Village Polytechnics	65,710,000	-	-	-
6	World Bank-Transforming Health Systems for Universal Care Project	107,425,868	50,000,000	769,901	1.5
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	600,000,000	600,000,000	-	--
8	IDA (World Bank) -Kenya Urban Support Project	53,000,000	35,591,582	-	-
9	Kenya Devolution Support Programme "Level 2 grant"	27,337,500	-	-	-

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
10	Agricultural Sector Development Support Programme II	50,000,000	-	5,500,000	-
Total		1,706,088,105	1,487,756,493	140,642,520	9.5

Source: Mombasa County Treasury

Analysis of revenue from conditional grants in the period under review indicates that, the County received Kshs.134.37 million for Mombasa Level 5 Hospital, Kshs.769,901 from the World Bank-Transforming Health Systems for Universal Care Project, and Kshs.5.5 million for Agriculture ASDP II.

3.28.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.60 billion from the CRF account. The withdrawals represented 33.9 per cent of the Approved Budget and translated to an increase of 40.7 per cent from Kshs.3.27 billion approved in the first half of FY 2017/18. This comprised of Kshs.3.81 billion (82.8 per cent) to fund recurrent expenditure and Kshs.794.87 million (17.2 per cent) for development activities.

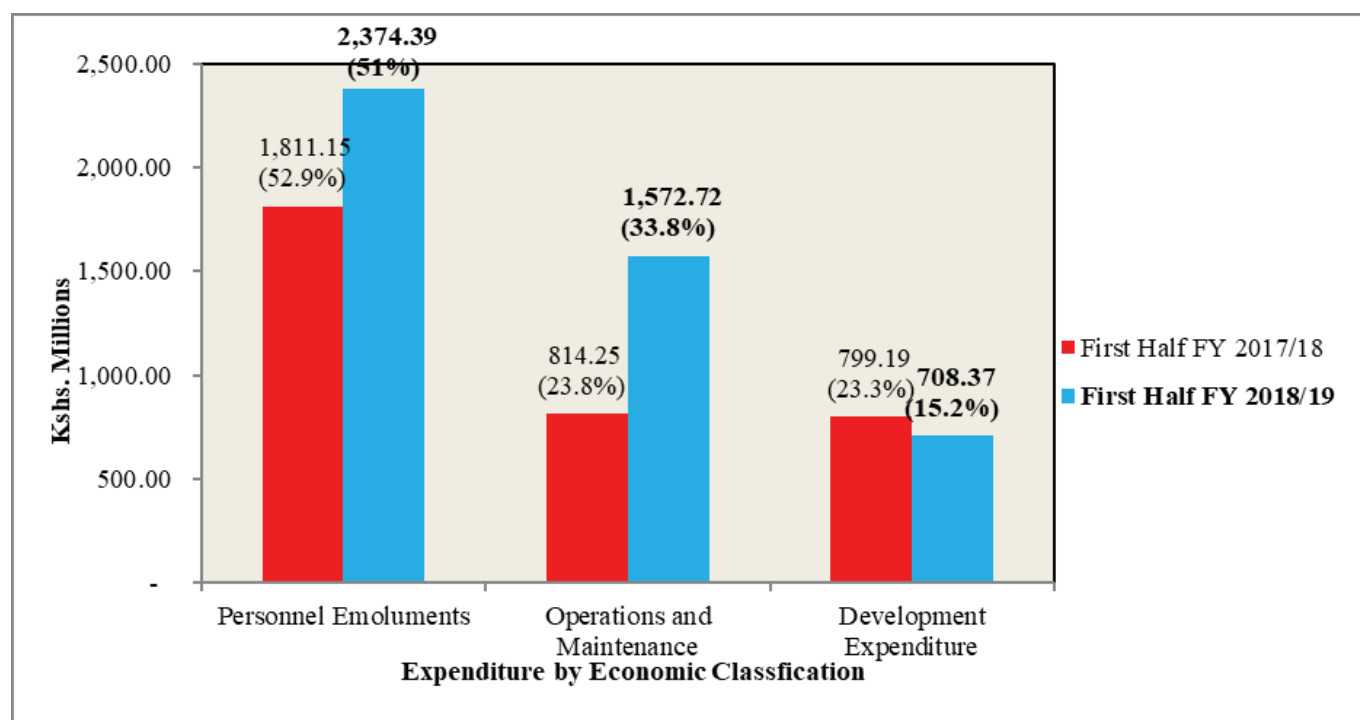
3.28.5 Overall Expenditure Review

The County government spent a total of Kshs.4.65 billion on recurrent and development activities. The total expenditure represented 101.1 per cent of the total funds released from the CRF account and was an increase of 35.9 per cent from Kshs.3.42 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.671.90 million for development activities and Kshs.1.23 billion for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.95 billion while Kshs.708.37 million was spent on development activities. The recurrent expenditure was 103.7 per cent of the funds released for recurrent activities, while development expenditure was 89.1 per cent of funds released for development activities.

The recurrent expenditure represented 46.9 per cent of the annual recurrent budget, an increase from 30.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 14.3 per cent, which was a decrease from 20.2 per cent attained in the first half of FY 2017/18. Figure 3.110 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.110: Mombasa County, Expenditure by Economic Classification



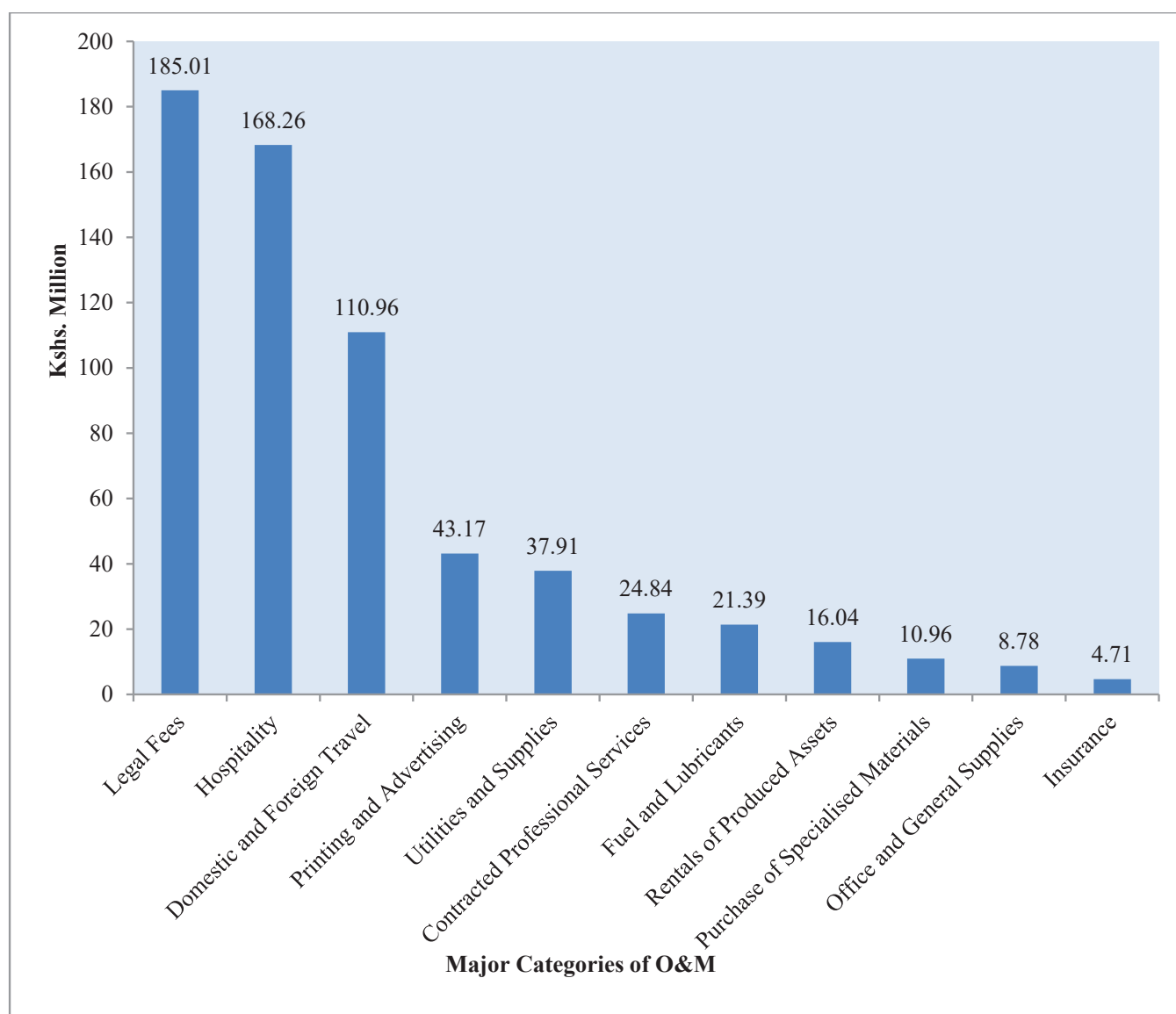
Source: Mombasa County Treasury

3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.95 billion comprised of Kshs.2.37 billion (60.2 per cent) incurred on personnel emoluments and Kshs.1.57 billion (39.8 per cent) on operations and maintenance as shown in Figure 3.110.

Expenditure on personnel emoluments represented an increase of 31.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.81 billion, and was 51 per cent of total expenditure in the first half of FY 2018/19. Figure 3.111 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.111: Mombasa County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Mombasa County Treasury

The County spent Kshs.22.7 million to cater for the committee sitting allowances for the 43 MCAs against the annual budget allocation of Kshs.43.7 million. This represented an increase of 136.5 per cent compared to Kshs.9.6 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.88,024 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.109.96 million and comprised of Kshs.23.5 million spent by the County Assembly and Kshs.86.5 million spent by the County Executive. This represented 2.8 per cent of total recurrent expenditure and was a decrease of 4.2 per cent compared to Kshs.114.73 million spent in the first half of FY 2017/18.

3.28.7 Development Expenditure

The total development expenditure of Kshs.708.37 million represented 14.3 per cent of the annual development budget of Kshs.4.97 billion. Table 3.80 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.80: Mombasa County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption rate (%)
1	Routine maintenance of Mikindani Estate Road	Jomvu	41,156,696	32,616,392	79.2
2	Routine maintenance of Miritini Estate Road	Jomvu	19,708,622	15,756,654	79.9
3	Routine maintenance of Mji Mpya and Kambi Road	Nyali	24,880,004	15,018,970	60.4
4	Improvement to gravel standards of Paster lai Water-Vescon Estate Road	Kisauni	15,027,169	12,183,644	81.1
5	Maintenance of Ziواني & Mji Mpya Road	Nyali	13,542,956	7,309,612	54.0
6	Routine maintenance of Migadini Estate Road	Changamwe	14,863,596	7,212,478	48.5
7	Improvement of Karama-Kwamhindi-Makongeni Road	Nyali	14,032,224	6,481,109	46.2
8	Improvement to gravel standards of Kiembeni Police to Kiembeni Upperhill Road	Kisauni	13,023,640	6,423,600	49.3
9	Improvement of Jamvi la Wageni Road to cabro standard	Mvita	15,074,252	4,987,188	33.1
10	Drain cleaning works along Lunga Lunga Mtongwe Road	Likoni	3,778,362	3,778,362	100.0

Source: Mombasa County Treasury

3.28.8 Budget Performance by County Department

Table 3.81 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.81: Mombasa County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	382.87	88.42	213.12	-	168.98	2.98	79.3	-	44.1	3.4
County Assembly	632.74	45.77	247.22	-	78.22	-	31.6	-	12.4	-
Public Service Board	132.39	21.63	47.19	-	33.30	-	70.6	-	25.2	-
Finance and Economic Planning	1,107.52	302.44	454.09	176.99	809.49	167.77	178.3	94.8	73.1	55.5
Energy, Environment and Waste Management	509.80	410.37	230.29	-	218.19	45.29	94.7	-	42.8	11.0
Education	578.51	244.49	133.29	2.25	133.29	2.02	100.0	89.8	23.0	0.8
Health	2,454.38	240.25	1,580.56	134.37	1,553.88	-	98.3	-	63.3	-
Water and Sanitation	137.28	767.05	15.32	-	14.01	-	91.4	-	10.2	-
Youth, Gender and Sports	230.29	1,269.84	89.21	1.41	83.97	1.48	94.1	105	36.5	0.1
Trade and Cooperative Development	405.46	95.63	153.77	-	149.65	-	97.3	-	36.9	-
Lands, Housing and Physical Planning	226.40	221.20	90.73	-	76.81	20.66	84.7	-	33.9	9.3
Transport and Infrastructure Development	468.59	837.85	100.40	479.85	94.73	418.86	94.4	87.3	20.2	50.0

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture and Fisheries Development	236.38	266.59	77.07	-	90.86	44.11	117.9	-	38.4	16.5
Devolution	919.79	158.06	372.92	-	441.69	5.20	118.4	-	48.0	3.3
Total	8,422.40	4,969.59	3,805.18	794.87	3,947.07	708.37	103.7	89.1	46.9	14.3

Source: Mombasa County Treasury

Analysis of expenditure by department shows the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 55.5 per cent followed by the Department of Transport and Infrastructure Development at 50 per cent. The Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 73.1 per cent while the Department of Water and Sanitation had the lowest at 10.2 per cent.

3.28.9 Key Observations and Recommendations

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

- Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
- Reduction in travel expenditure by 4.2 per cent from Kshs.114.73 million in the first half of FY 2017/18 to Kshs.109.96 million in the reporting period.

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

- High wage bill that has increased by 31 per cent from Kshs.1.81 million in the first half of FY 2017/18 to Kshs.2.37 billion in the period under review.
- Under-performance in own-source revenue collection which stood at 25.9 of the total annual budget projection.

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

- The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
- The CECM-F should develop and implement strategies to mobilise own-source revenue.*

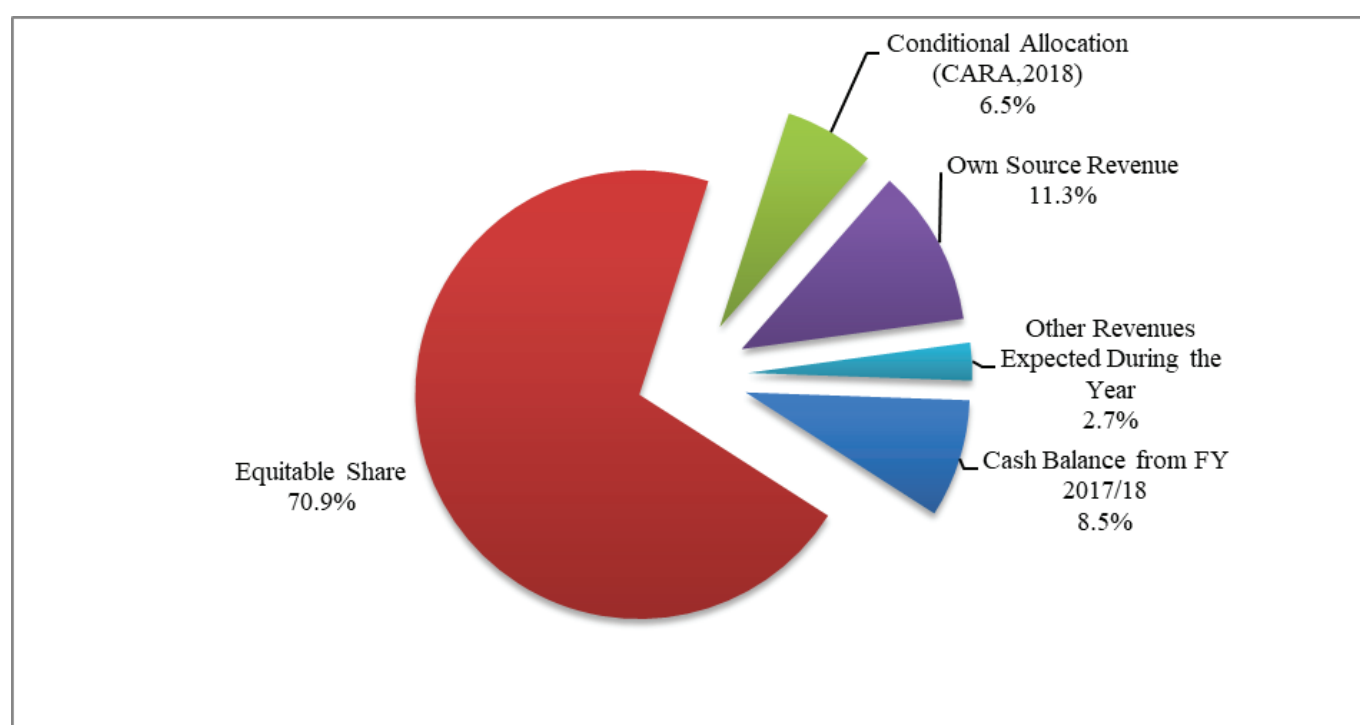
3.29 Murang'a County

3.29.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.8.81 billion, comprising of Kshs.4.93 billion (55.9 per cent) and Kshs.3.88 billion (44.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.25 billion (70.9 per cent) as equitable share of revenue raised nationally, Kshs.572.24 million (6.5 per cent) as total conditional grants, generate Kshs.1.0 billion (11.3 per cent) from own source of revenue, Kshs750 million (8.5per cent) cash balance from FY 2017/18, and Kshs.239.94 million as other revenues expected during the year.

Figure 3.112: County Expected Sources of Budget Financing in FY 2018/19



Source: Murang'a County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (16.9 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.48.24 million (5.8 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.62.44 million (7.5 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.20.76 million (2.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.20.14 million (2.4 per cent) as Compensation for User Fees Foregone, Kshs.164.52 million (19.8 per cent) from Road Maintenance Fuel Levy, and Kshs.65.71 million (11.5 per cent) for Rehabilitation of Village Polytechnics, and Kshs.41.20 million (4.9 per cent) for IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant plus balance carried forward in FY 2017/8.

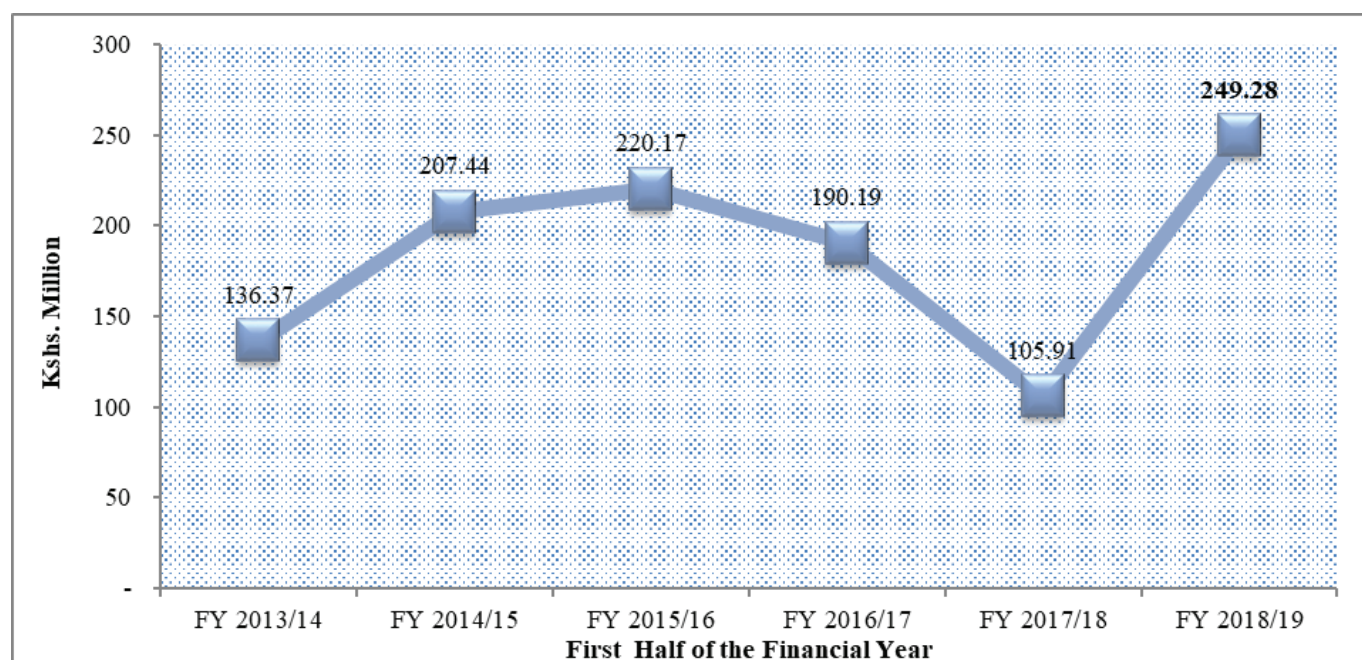
The County also budgeted to receive Kshs.40 million as Urban Institution Grant Programme, Kshs.41.21 million for Ad Valorem Levy, Kshs.19.05 million (2.3 per cent) for Agricultural Sector Development Support Programme (ASDSP).

3.29.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.56 billion as equitable share of revenue raised nationally, Kshs.76.25 million as total conditional grants, raised Kshs.249.28 million from own source revenue, and had a cash balance of Kshs.1.03 billion from FY 2017/18. The total available funds amounted to Kshs.3.91 billion.

Figure 3.113 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.113: Murang'a County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19



Source: Murang'a County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.249.28 million as own-source revenue. This amount represented an increase of 135.4 per cent compared to Kshs.105.91 million realised during the same period of the FY 2017/18 and was 24.9 per cent of the annual target.

3.29.3 Conditional Grants

The County received Kshs.76.25 million as conditional grants as shown in Table 3.82.

Table 3.82: Murang'a County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1	Compensation for User Fee Foregone	20,138,691	20,138,691	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy Fund	164,520,196	164,520,196	-	-
4	Rehabilitation of Village Polytechnics	65,710,000	65,710,000	-	-
5	World Bank-Transforming Health Systems for Universal Care Project	50,000,000	50,000,000	3,431,424	6.9
6	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	-	-

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
7	IDA (World Bank) Kenya Devolution Support Programme “Level 1 grant”	48,244,593	48,244,593	-	-
8	IDA (World Bank) -Kenya Urban Support Project	62,437,600	62,437,600	62,437,600	100
9	DANIDA - Universal Healthcare to Devolved System Programme	20,756,250	20,756,250	10,378,125	50
10	EU- Instruments for Devolution Advice and Support- IDEAS)	48,244,593	48,244,593	-	-
11	Agricultural Sector development support programme (ASDSP)	19,046,832	-	-	-
12	IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant plus balance carried forward in FY 2017/8	41,200,000	-	-	-
Total		832,489,325	572,242,493	76,247,149	13.3

Source: Murang'a County Treasury

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

3.29.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.65 billion from the CRF account. The withdrawals represented 41.4 per cent of the Approved Budget and translated to an increase of 42.1 per cent from Kshs.2.57 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.41 billion (65.9 per cent) to fund recurrent expenditure and Kshs.1.25 billion (34.1 per cent) for development activities.

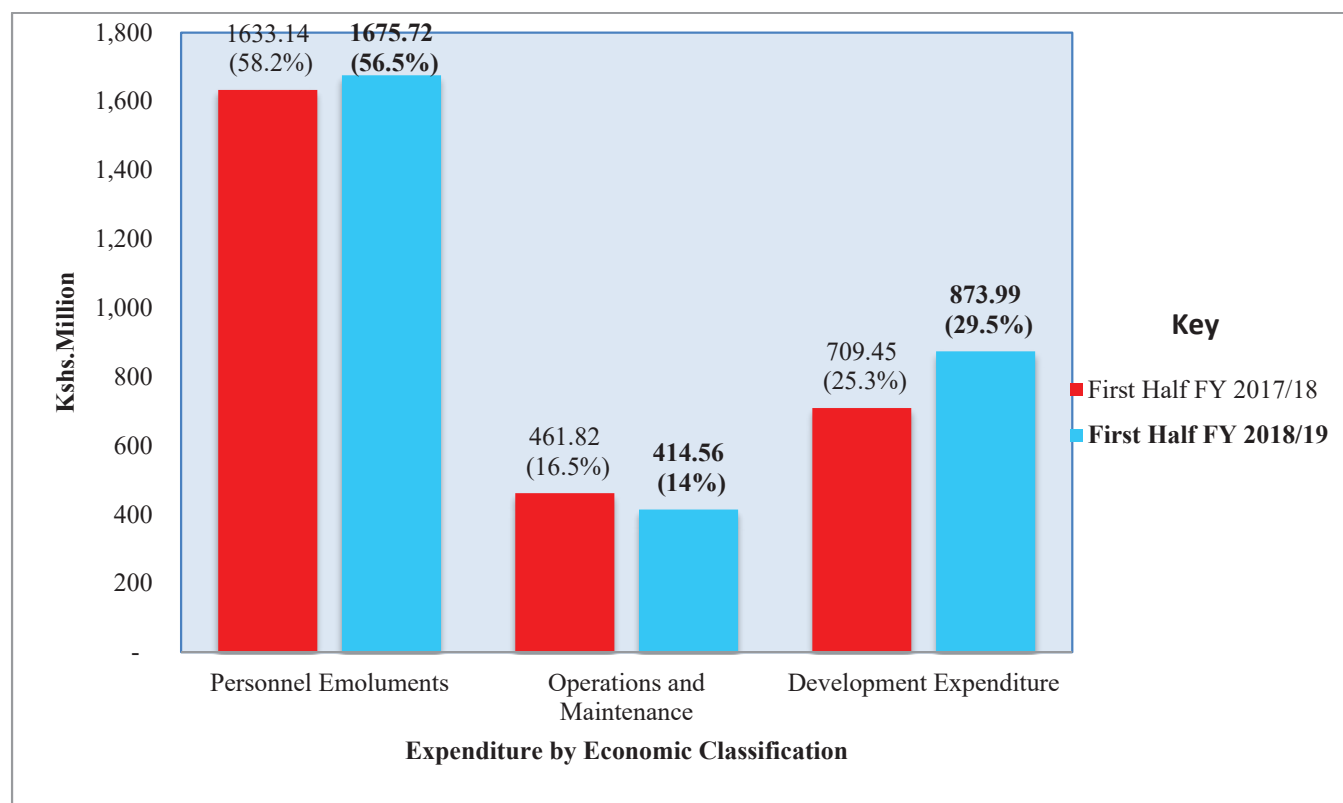
3.29.5 Overall Expenditure Review

The County government spent a total of Kshs.2.96 billion on recurrent and development activities. The total expenditure represented 81.2 per cent of the total funds released from the CRF account and was an increase of 5.7 per cent from Kshs.2.80 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.114.06 million for development activities and Kshs.35.16 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.09 billion while Kshs.873.99 million was spent on development activities. The recurrent expenditure was 86.9 per cent of the funds released for recurrent activities, while development expenditure was 70.2 per cent of funds released for development activities.

The recurrent expenditure represented 42.4 per cent of the annual recurrent budget, an increase from 38.9 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.5 per cent, which was an increase from 21.9 per cent attained in the first half of FY 2017/18 Figure 3.114 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.114: Murang'a County, Expenditure by Economic Classification



Source: Murang'a County Treasury

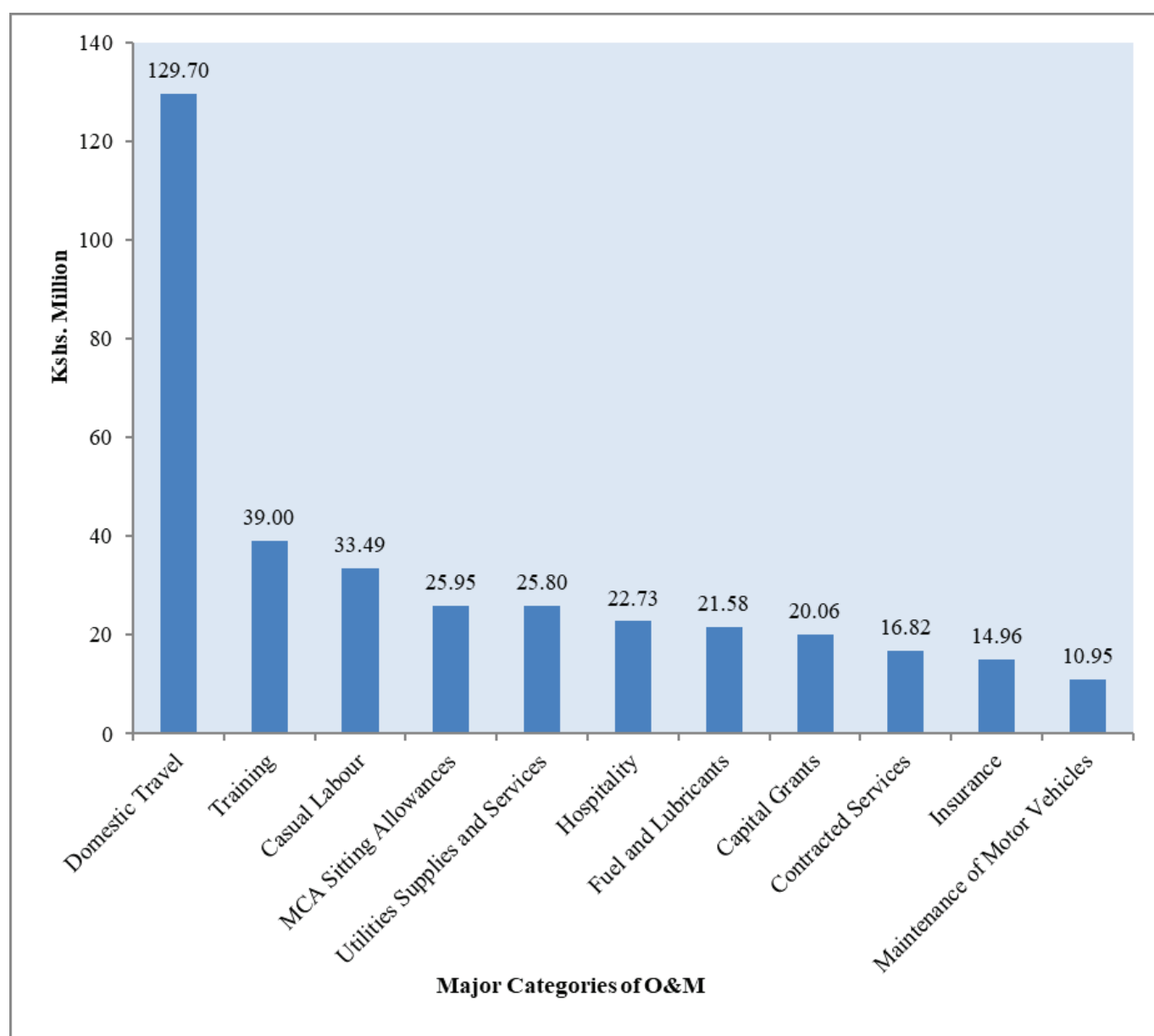
3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.09 billion comprised of Kshs.1.68 billion (80.4 per cent) incurred on personnel emoluments and Kshs.414.56 million (19.6 per cent) on operations and maintenance as shown in Figure 3.114.

Expenditure on personnel emoluments represented an increase of 2.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.63 billion, and was 56.5 per cent of total expenditure in the first half of FY 2018/19.

Figure 3.115 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.115: Murang'a County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Murang'a County Treasury

The County spent Kshs.25.95 million to cater for the committee sitting allowances for the 50 MCAs against the annual budget allocation of Kshs.66.96 million. This represented an increase of 1141.6 per cent compared to Kshs.2.09 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.86,510 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.129.70 million and comprised of Kshs.73.77 million spent by the County Assembly and Kshs.55.94 million spent by the County Executive. This represented 6.2 per cent of total recurrent expenditure.

3.29.7 Development Expenditure

The total development expenditure of Kshs.873.99 million represented 22.5 per cent of the annual development budget of Kshs.3.88 billion. Table 3.83 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.83: Murang'a County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)
1	Maintenance of Roads	227,761,534	199,958,161	87.8
2	Infrastructural & Civil Works	295,769,228	179,793,743	60.8
3	Specialised Material	37,500,000	29,287,192	78.1
4	Purchase of Certified Crop Seeds	106,250,000	18,110,500	17
5	Refurbishment of Non Residential Building	25,000,000	16,579,755	66.3
6	Cooperative Societies	50,000,000	13,934,064	27.9
7	Youth Programme	15,000,000	10,273,955	68.5
8	Energy development programme-Electricity	10,000,000	9,406,563	94.1
9	Breeding Stock	72,500,000	8,772,120	12.1

Source: Murang'a County Treasury

3.29.8 Budget Performance by County Department

Table 3.84 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.84: Murang'a County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	686.38	207.65	255.00	12.00	255.00	12.00	100.0	100	37.2	5.8
Governorship, County Coordination and Administration	236.08	-	11.86	-	106.55		898.1		45.1	
Finance, Information Technology	198.54	49.16	82.17	6.62	76.80	6.62	93.5	100	38.7	13.5
Agriculture, Livestock and Fisheries	206.09	699.09	88.83	175.53	88.83	61.41	100	35	43.1	8.8
Energy, Transport and Infrastructure	98.24	1,138.27	45.00	358.35	40.37	358.35	89.7	100	41.1	31.5
Commerce, Trade, Industry and Tourism	24.05	187.91	7.06	35.49	7.06	33.42	100.0	94.2	29.4	17.8
Health and Sanitation	2,104.28	838.58	1,086.22	433.84	1,020.65	334.6	94	77.1	48.5	39.9
Lands, Housing and Physical Planning	20.26	139.44	10.90	62.44	3.69		33.8	-	18.2	0.0
Public Service Administration	914.09	-	446.40	-	298.02		66.8		32.6	-
Education and Technical Training	291.75	477.78	197.50	123.74	141.83	29.98	71.8	24.2	48.6	6.3

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Youth, Culture, Gender, Social Services & Cooperatives	102.34	110.35	53.47	35.93	32.71	35.93	61.2	100	32.0	32.6
Environment & Nat. Resources	17.50	35.00	7.61	1.65	5.67	1.65	74.5	100	32.4	4.7
Public Service Board	27.95	-	7.25	-	13.11	-	180.8		46.9	-
Total	4,927.54	3,883.24	2,299.27	1,245.60	2,090.28	874	90.9	70.2	42.4	22.5

Source: Murang'a County Treasury

Analysis of expenditure by department shows the Department of Health and Sanitation recorded the highest absorption rate of development budget at 39.9 per cent while The Department of Lands, Housing and Physical Planning did not incur any development expenditure. The Department of Education and Technical Training had the highest percentage of recurrent expenditure to recurrent budget at 48.6 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 18.2 per cent.

3.29.9 Key Observations and Recommendations

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

- Improvement in human capacity through continuous training.
- Improved absorption of development budget by 23.2 per cent from Kshs.709.45 million incurred in a similar period of FY 2017/18 to Ksh.873.99 million.

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

- A high wage bill, which accounted for 56.5 per cent of the total expenditure during the reporting period thus constraining funding of other programmes.
- Delay in disbursement of the equitable share of revenue raised by the National Treasury.
- Under performance in own revenue collection which was at 24.9 per cent of the annual target.
- Late Submission of financial reports by the County Treasury, which affected timely preparation of budget implementation review reports.

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

- The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2018.*
- The County should develop and implement strategies to enhance own revenue collection.*
- The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

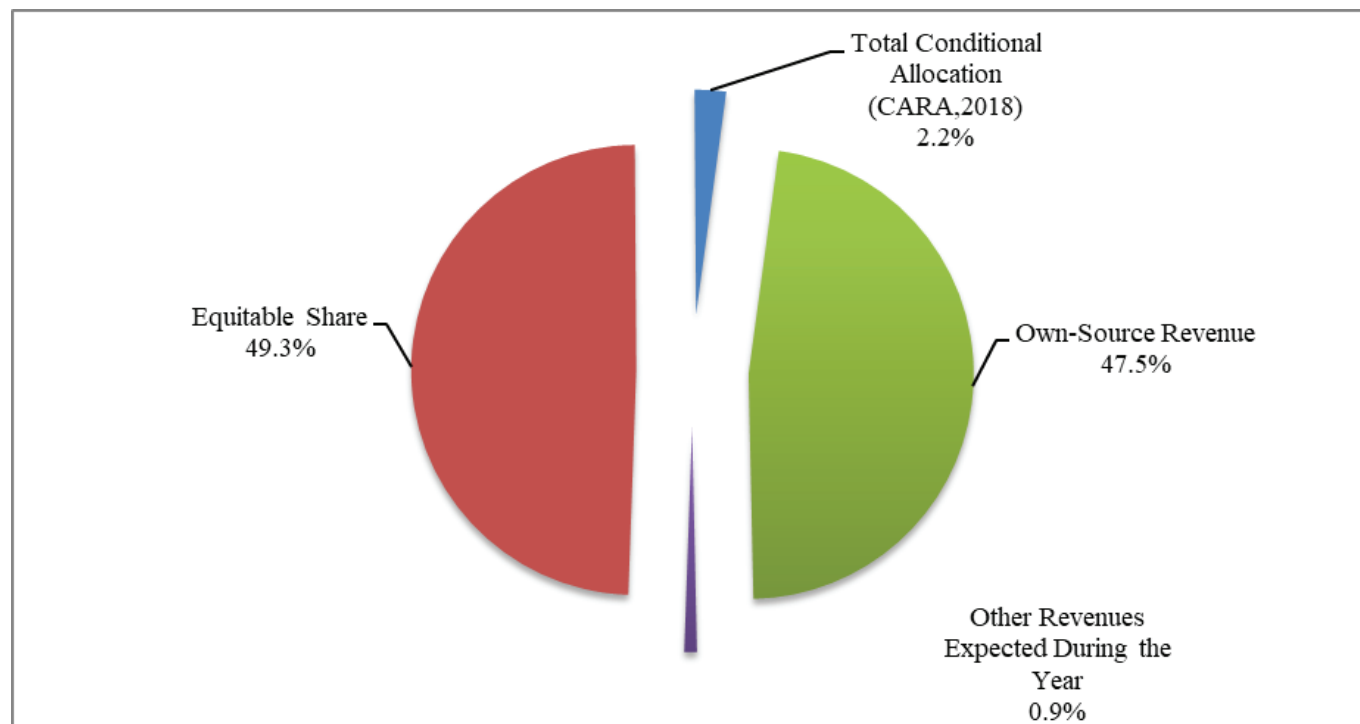
3.30 Nairobi City County

3.30.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.32.31 billion, comprising of Kshs.21.47 billion (66.5 per cent) and Kshs.10.84 billion (33.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.15.80 billion (48 per cent) as equitable share of revenue raised nationally, Kshs.719.33 million (2.2 per cent) as total conditional grants, generate Kshs.15.21 billion (46.2 per cent) from own-source revenue, Kshs.287.84 million from liquor license fees, and Kshs.300 million cash balance from FY 2017/18.

Figure 3.116: Nairobi City County Sources of Budget Financing in FY 2018/19



Source: Nairobi City County Treasury

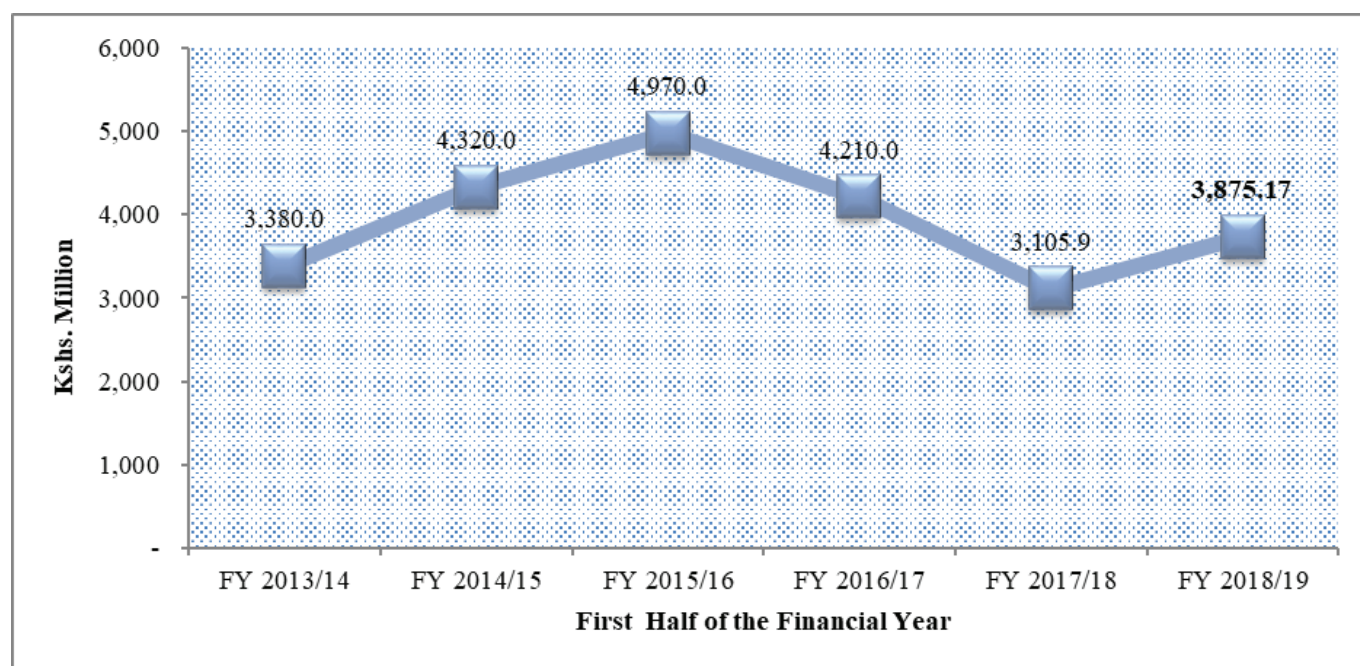
The conditional grants contained in the CARA, 2018 consist of; Kshs.79.42 million (8.4 per cent) as Compensation for User Fees Foregone, Kshs.415.85 million (44 per cent) as Road Maintenance Fuel Levy Fund, Kshs.34.57 million (3.7 per cent) for Rehabilitation of Village Polytechnics, Kshs.54.43 million (5.8 per cent) for Transforming Health Systems for Universal Care Project (WB), Kshs.83.42 million (8.8 per cent) grant for Kenya Devolution Support Project (KDSP) "Level 1 grant", and Kshs.51.64 million (5.5 per cent) grant from DANIDA, and Kshs.200 million for Leasing of Medical Equipment.

3.30.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.4.90 billion as equitable share of revenue raised nationally, Kshs.25.82 million as total conditional grants, raised Kshs.3.88 billion from own-source revenue, and received Kshs.105.42 million from other sources. The total funds available for the period amounted to Kshs.8.90 billion.

Figure 3.117 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.117: Nairobi City County: Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Nairobi City County Treasury

During the first half of FY 2018/19, The County generated a total of Kshs.3.88 billion from own-source revenue sources. This amount was an increase of 19.9 per cent when compared to Kshs.3.11 billion realised during the same period of FY 2017/18 and represented 25.5 per cent of the annual target.

3.30.3 Conditional Grants

The County received Kshs.25.82 million as conditional grants as shown in Table 3.85.

Table 3.85: Nairobi City County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S / No.	Grant/Loans	Annual Allocation per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
Grants/Loans contained in CARA, 2018					
1	Compensation for User Fee Foregone	79,423,251	79,423,251	-	-
2	Leasing of Medial Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	415,847,530	415,847,530	-	-
4	Rehabilitation of Village Polytechnics	34,570,000	34,570,000	-	-
5	Transforming Health Systems for Universal Care Project (WB)	54,429,184	54,429,184	-	-
6	Kenya Devolution Support Project (KDSP) "Level 1 grant"	83,424,144	83,424,144	-	-
7	DANIDA Grant	51,637,500	51,637,500	25,818,750	50.0
8	Agricultural Sector Development Support Programme (ASDSP)	25,659,140	-	-	-
	Total	919,331,609	719,331,609	25,818,750	3.6

Source: Nairobi City County Treasury

Analysis of the revenue from conditional grants indicates that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant. The receipt accounted for 50 per cent and 63.1 per cent of annual allocation.

3.30.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.6.15 billion from the CRF account. The withdrawals represented 18.7 per cent of the Approved Budget and translate to a decrease of 37 per cent from Kshs.9.75 billion approved in the first half of FY 2017/18. This comprised of Kshs.5.71 billion (92.9 per cent) to fund recurrent expenditure and Kshs.437.10 million (7.1 per cent) for development activities.

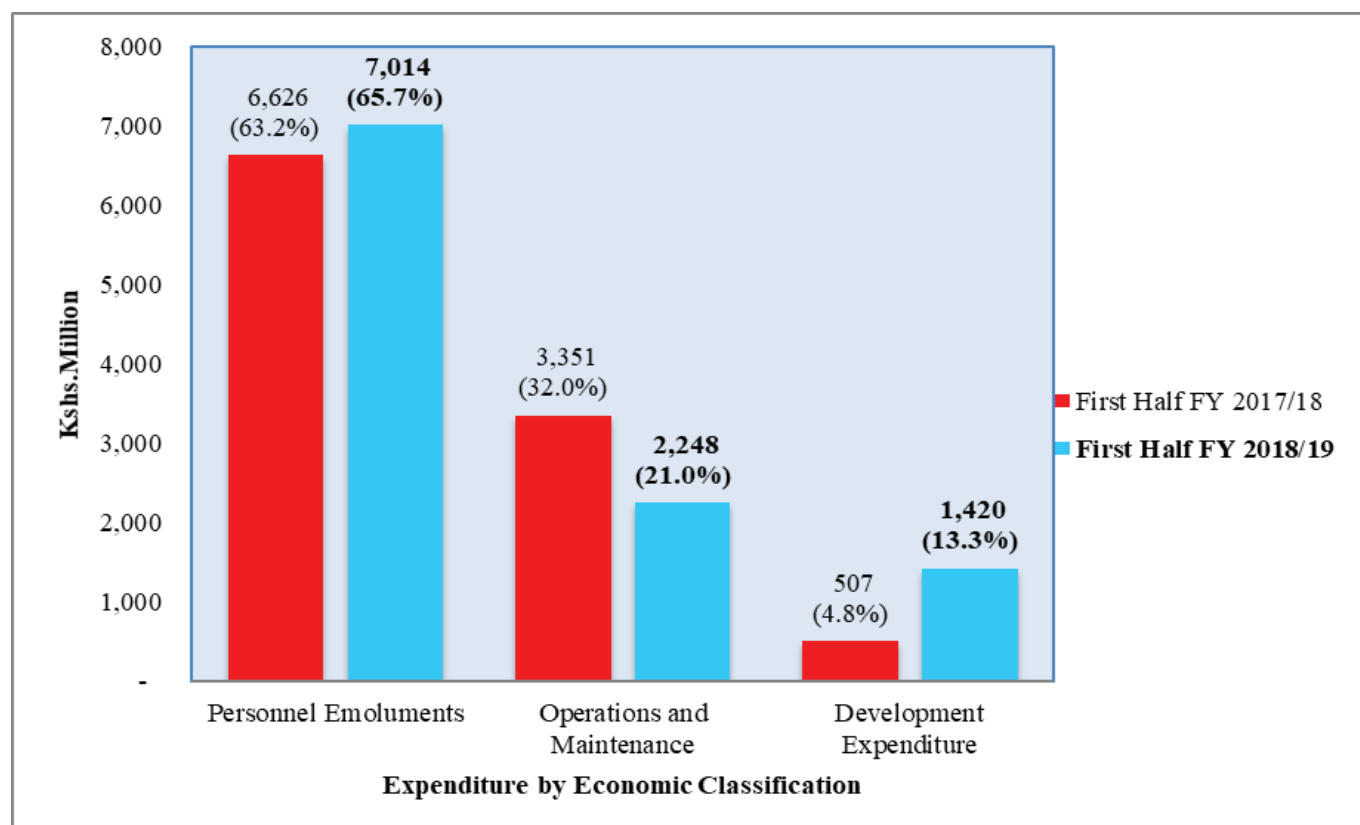
3.30.5 Overall Expenditure Review

The County government spent a total of Kshs.10.68 billion on both recurrent and development activities. This expenditure represented 173.8 per cent of the total funds released from the CRF account and was an increase of 1.9 per cent from Kshs.10.48 billion spent in the first half of FY 2017/18. The expenditure included outstanding commitments as at 31st December, 2018.

Expenditure on recurrent activities amounted to Kshs.9.26 billion while that on development activities was Kshs.1.42 billion. The recurrent expenditure was 162.2 per cent of the funds released for recurrent activities, while development expenditure was 324.9 per cent of funds released for development activities.

The recurrent expenditure represented 43.1 per cent of the annual recurrent budget and was an increase from 29.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 13.1 per cent, which was an increase from 4.3 per cent attained in the first half of FY 2017/18. Figure 3.118 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.118: Nairobi City County, Expenditure by Economic Classification



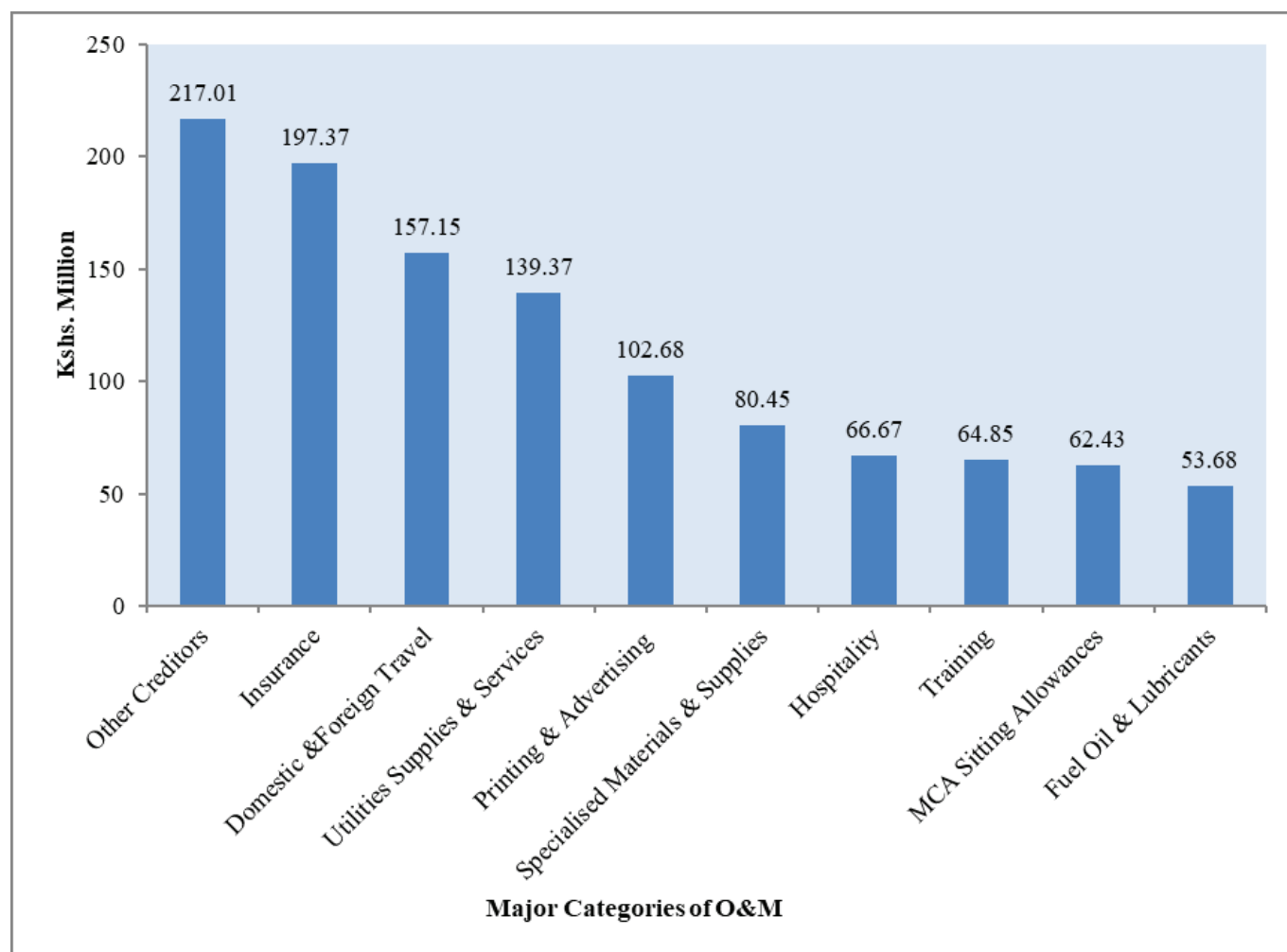
Source: Nairobi City County Treasury

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.9.26 billion comprised of Kshs.7.01 billion (75.7 per cent) incurred on personnel emoluments and Kshs.2.25 billion (24.3 per cent) for operations and maintenance as shown in Figure 3.118.

Expenditure on personnel emoluments represented an increase of 5.9 per cent compared to the first half of FY 2017/18 when the County spent Kshs.6.63 billion, and was 65.7 per cent of total expenditure for the period. Figure 3.119 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.119: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Nairobi City County Treasury

The County spent Kshs.62.45 million on MCAs' committee sitting allowances for the 128 MCAs against the annual budget allocation of Kshs.66.56 million. This amount represented an increase of 251.3 per cent compared to Kshs.17.46 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.79,869 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.157.35 million and comprised of Kshs.19.02 million spent by the County Assembly and Kshs.138.33 million spent by the County Executive.

3.30.7 Development Expenditure

The total development expenditure of Kshs.1.42 billion represented 13.1 per cent of the annual development budget of Kshs.10.84 billion. The County did not provide a report on development projects

3.30.8 Budget Performance by Department

Table 3.86 provides a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.86: Nairobi City County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	54.62	5.00	13.13	-	16.61	-	126.5	-	30.4	-
Office of Governor & Deputy Governor	4,462.17	90.00	1,340.71	-	2,279.21	4.66	170.0	-	51.1	5.2
ICT, E-Govt. & Public Communications	239.43	188.00	374.10	-	95.56	9.65	25.5	-	39.9	5.1
Finance & Economic Planning	2,130.56	154.00	566.66	-	1,005.44	-	177.4	-	47.2	-
Health	6,323.58	601.36	1,737.55	-	2,402.89	7.31	138.3	-	38.0	1.2
Urban Planning and Lands	369.82	132.50	165.03	-	180.72	0.77	109.5	-	48.9	0.6
Public Works Transport & Infrastructure	1,206.18	5,405.00	266.04	421.70	523.64	1,052.07	196.8	249.5	43.4	19.5
Education, Youth Affairs, Sports, Culture & Social Services	1,647.37	473.00	297.34	15.40	451.43	55.57	151.8	361.0	27.4	11.7
Trade, Commerce, Tourism & Cooperatives	491.43	318.00	184.11	-	204.02	0.97	110.8	-	41.5	0.3
Public Service Management	1,112.57	70.00	77.94	-	203.14	-	260.6	-	18.3	-
Agriculture, Livestock Development, Fisheries & Forestry	372.57	149.00	75.83	-	117.30	-	154.7	-	31.5	-
Environment, Water, Energy & Natural Resources	1,357.05	962.50	247.17	-	1,046.90	13.77	423.6	-	77.1	1.4
Urban Renewal and Housing	89.27	320.60	52.65	-	49.56	-	94.1	-	55.5	0.0
Ward Development Fund	25.66	1,212.50	4.57	-	6.76	273.61	147.8	-	26.3	22.6
Liquor Licensing Board	204.84	83.00	-	-	124.92	-	-	-	61.0	-
Emergency Fund	-	80.00	-	-	-	-	-	-	-	-
County Assembly	1,386.67	592.00	305.90	-	553.98	1.64	181.1	-	40	0.3
TOTAL	21,473.79	10,836.45	5,708.71	437.10	9,262.08	1,420.02	162.2	324.9	43.1	13.1

Source: Nairobi City County Treasury

Analysis of expenditure by department shows that the Ward Development Fund recorded the highest absorption rate of development budget at 22.6 per cent followed by the Department of Public Works, Transport and

Infrastructure at 19.5 per cent. The Department of Environment, Water, and Energy & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 77.1 per cent while there was no expenditure reported on the Emergency Fund.

3.30.9 Key Observations and Recommendations

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

- i. Improvement in own-source revenue collection by 19.9 per cent from Kshs.3.11 billion in a similar period in FY 2017/18 to Kshs.3.87 billion in the reporting period.

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

1. Failure by the County Treasury to submit a report on development projects, including the geographical location of projects to the Controller of Budget.
2. The County's wage bill has remained high, accounting for 65.7 per cent of the total expenditure in the first half of FY 2018/19.

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

1. *The County Treasury should put in systems to ensure requested financial information is provided in a timely manner to all oversight institutions.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

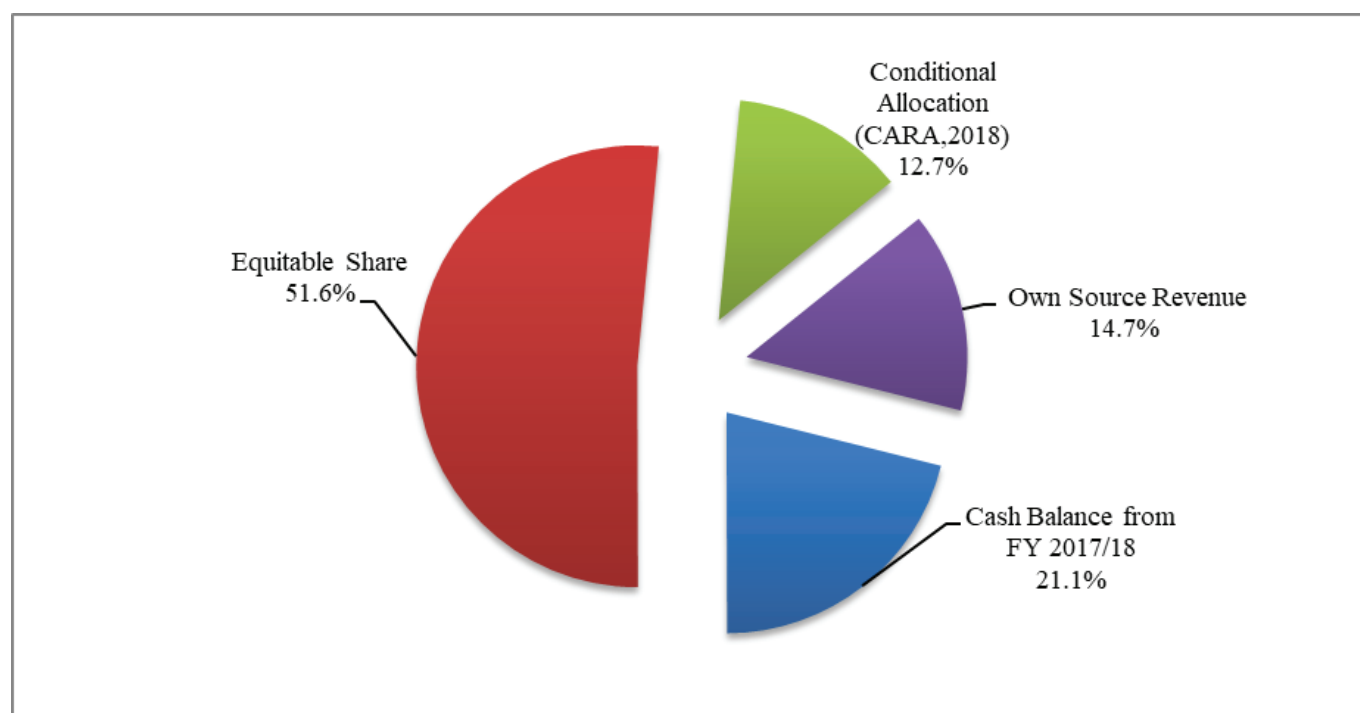
3.31 Nakuru County

3.31.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget is Kshs18.32 billion, comprising of Kshs.10.32 billion (56.3 per cent) and Kshs.8.0 billion (43.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.45 billion (51.6 per cent) as equitable share of revenue raised nationally, Kshs.2.32 billion (12.7 per cent) as total conditional grants, generate Kshs.2.0 billion (10.9 per cent) from local revenue sources, and Kshs.3.86 billion (21.1 per cent) cash balance brought forward from FY 2017/18. The county also planned to collect Kshs.685 million (3.7 per cent) as Facility Improvement Fund.

Figure 3.120: Nakuru County Sources of Budget Financing in FY 2018/19



Source: Nakuru County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.95.04 million (4.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (6 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.1.08 billion (46.7 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.31.08 million (1.3 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.60.28 million (2.6 per cent) from IDA (World Bank) credit for the Kenya Devolution Support Programme “Level 2 grant”, Kshs.373.87 million (16.1 per cent) to Level-5 Hospital, Kshs.38.72 million (1.7 per cent) as Compensation for User Fees Foregone, Kshs.200 million (8.6 per cent) for Leasing of Medical Equipment, Kshs.248.85 million (10.7 per cent) from Road Maintenance Fuel Levy, and Kshs.47.8 million (2.1 per cent) for Rehabilitation of Village Polytechnics.

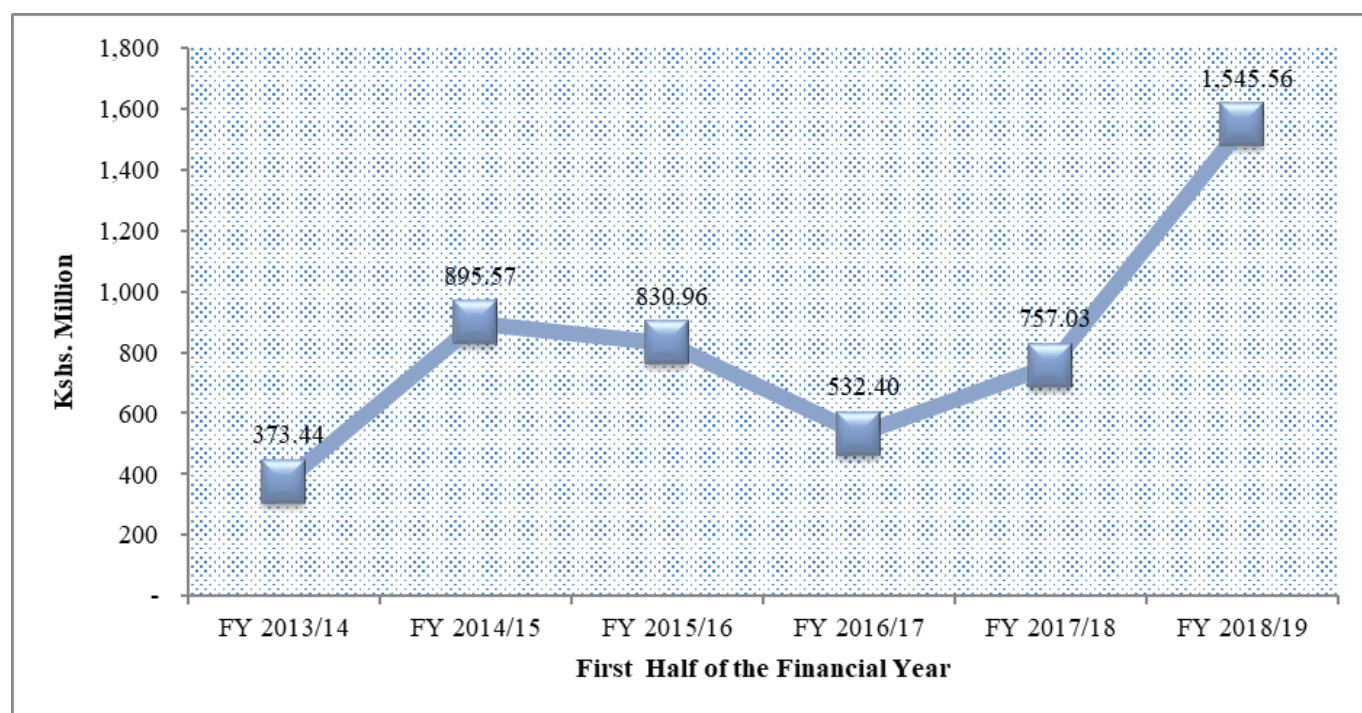
The County did not budget for Kshs.21.9 million from ASDPS and Kshs.41.2 million from World Bank Urban Support Program as contained in the revised CARA, 2018.

3.31.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.0 billion as equitable share of revenue raised nationally, Kshs.1.17 billion as total conditional grants, raised Kshs.1 billion from own-source revenue, and had a cash balance of Kshs.3.89 billion from FY 2017/18. The total funds available for the period amounted to Kshs.8.01 billion.

Figure 3.121 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.121: Nakuru County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Nakuru County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.1.55 billion as own-source revenue. This amount was an increase of 32.1 per cent when compared to Kshs.757.03 million realised during the same period of FY 2017/18 and represented 37.4 per cent of the annual target.

3.31.3 Conditional Grants

The County received Kshs.1.17 billion as conditional grants during the reporting period as shown in Table 3.87.

Table 3.87: Nakuru County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants	Annual Allocation per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Kenya Urban Support Project (KUSP)	1,084,843,300	1,084,843,300	1,084,843,300	100
2	Conditional Grants to Level - 5 Hospitals	373,872,832	373,872,832	-	-
3	Road Maintenance Fuel Levy	248,847,131	248,847,131	-	-
4	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5	National Agricultural and Rural Inclusive Growth Project (NA-RIGP)	140,435,163	140,435,163	-	-
6	Transforming Health Systems for Universal Care Project (WB)	95,036,352	95,036,351	27,755,760	29.2
7	Kenya Devolution Support Project (KDSP) "Level 2 grant"	60,282,958	60,282,958	-	-

S/No	Grants	Annual Allocation per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
8	Rehabilitation of Village Polytechnics	47,800,000	47,800,000	-	-
9	Compensation for User Fee Foregone	38,723,265	38,723,265	-	-
10	DANIDA Grant	31,083,750	31,083,750	57,438,910	185
	Sub Total	2,320,924,751	2,320,924,750	1,170,037,970	50.4
B	Other Grants				
11	Sweden (ASDSP)	21,983,635	-	-	-
12	World bank Kenya Urban Support Project (KUSP)	41,200,000	-	-	-
	Sub Total	63,183,635	-	-	-
	Total	2,384,108,386.0	2,320,924,750.0	1,170,037,970	50.4

Source: Nakuru County Treasury

Analysis of the revenue from conditional grants indicates that, the County received funds from Kenya Urban Support Program and a grant from DANIDA. The receipts accounted for 100 per cent and 185 per cent of the annual allocation respectively.

3.31.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.5.27 billion from the CRF account. The withdrawals represented 28.8 per cent of the Approved Budget and translate to an increase of 40.2 per cent from Kshs.3.76 billion approved in the first half of FY 2017/18 and comprised of Kshs.3.63 billion (68.1 per cent) to fund recurrent expenditure and Kshs.1.64 billion (31.1 per cent) for development activities.

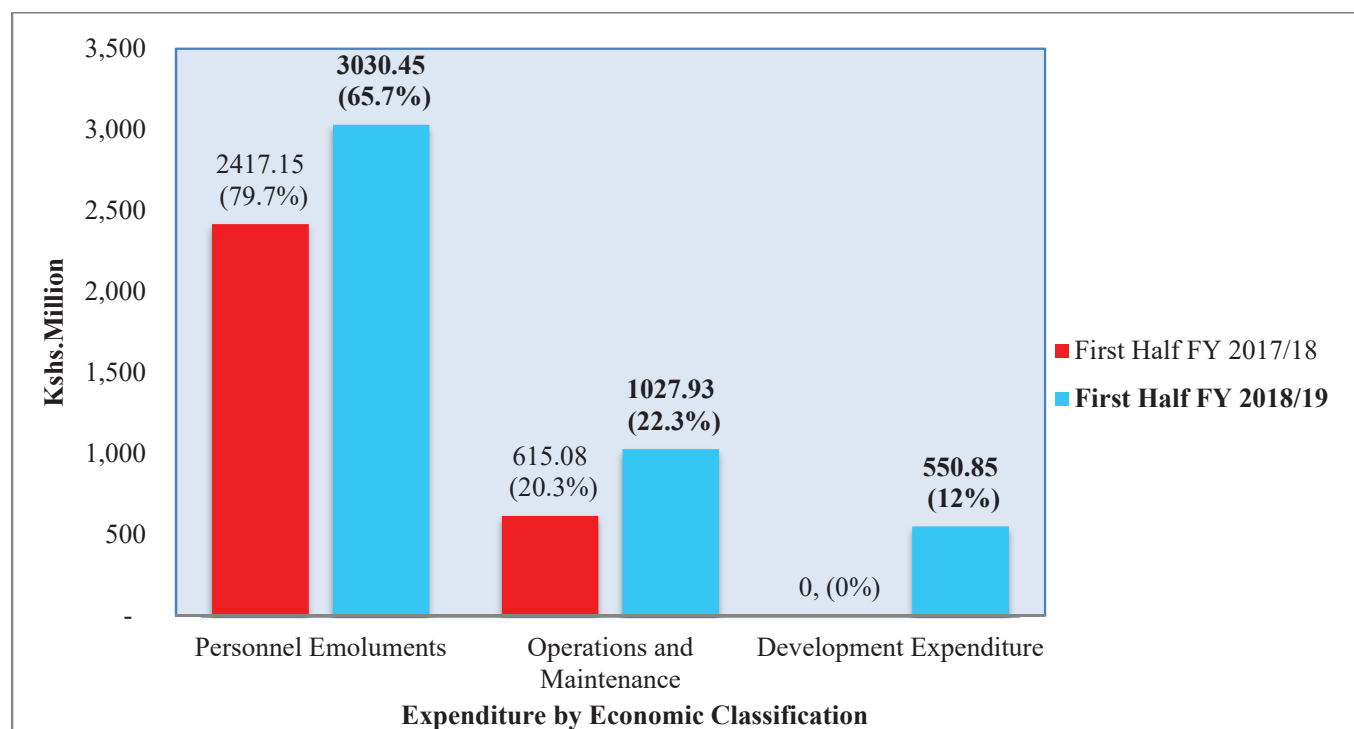
3.31.5 Overall Expenditure Review

The County government spent a total of Kshs.4.61 billion on both recurrent and development activities. This expenditure represented 87.5 per cent of the total funds released from the CRF account and was an increase of 51.8 per cent from Kshs.3.03 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.1.41 billion for development activities and Kshs.25.94 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.4.06 billion while that on development activities was Kshs.550.85 million. The recurrent expenditure was 111.9 per cent of the funds released for recurrent activities, while development expenditure was 33.6 per cent of funds released for development activities.

The recurrent expenditure represented 39.3 per cent of the annual recurrent budget and was an increase from 7.1 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 6.9 per cent, which was an increase from nil per cent attained in the first half of FY 2017/18. Figure 3.122 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.122: Nakuru County, Expenditure by Economic Classification



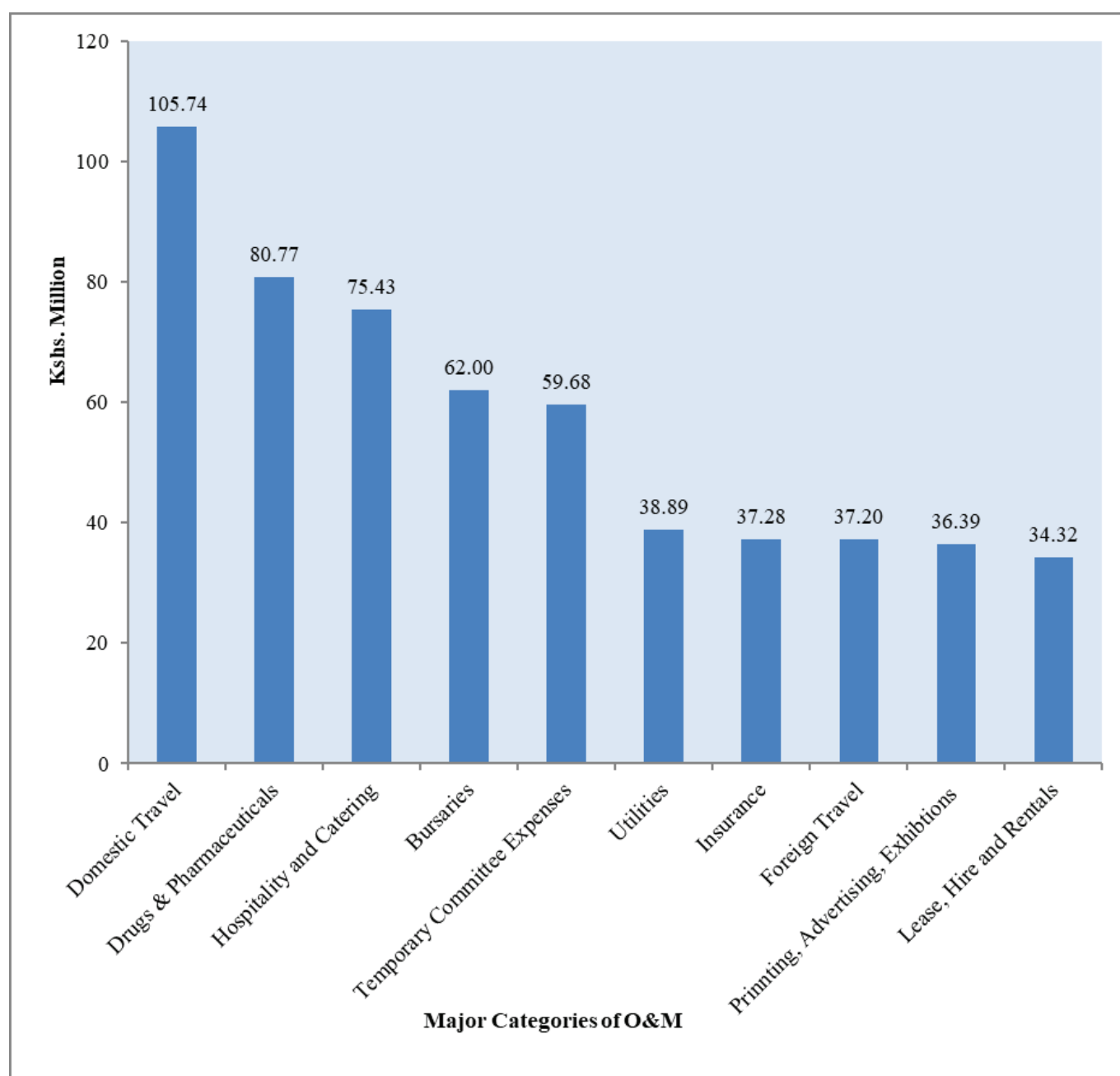
Source: Nakuru County Treasury

3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.06 billion comprised of Kshs.3.03 billion (74.7 per cent) incurred on personnel emoluments and Kshs.1.03 billion (25.3 per cent) on operations and maintenance as shown in Figure 3.122.

Expenditure on personnel emoluments represented an increase of 25 per cent compared to the first half of FY 2017/18 when the County spent Kshs.2.42 billion and was 65.7 per cent of total expenditure for the period. Figure 3.123: shows a summary of operations and maintenance expenditure by major categories.

Figure 3.123: Nakuru County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Nakuru County Treasury

The County spent Kshs.55.68 million on MCAs' committee sitting allowances for the 79 MCAs against the annual budget allocation of Kshs.110 million. This amount represented an increase of 733.6 per cent compared to Kshs.6.68 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.117,462 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.105.74 million and comprised of Kshs.43.06 million spent by the County Assembly and Kshs.62.68 million spent by the County Executive. This represented 2.7 per cent of total recurrent expenditure and was an increase 100.5 per cent compared to Kshs.64.51 million spent in the first half of FY 2017/18.

3.31.7 Development Expenditure

The total development expenditure of Kshs.550.85 million represented 6.9 per cent of the annual development budget of Kshs.8.0 billion. Table 3.88 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.88: Nakuru County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Provision for purchase of medical equipment (Conditional Fund for Level 5 Hospital (Nakuru PGH))	Nakuru	153,744,213.00	25,844,249.00	17
2	Purchase of Vaccines	Across the County	60,416,356	35,499,999.00	59
3	Proposed Construction of Kahuho - Kiambogo Bridge in Naivasha East Ward, Naivasha Sub County	Naivasha	3,499,733	3,499,732	100
4	Routine Maintenance and Spot Improvement :Tarmacking and Extension of Menengai Climb Road to Capital Hill Hotel (0.5km)in Nakuru East Sub County	Nakuru	10,504,000	10,504,000	100
5	Proposed Routine Maintenance and Periodic Improvement of Bus Park Tarmacking in Gilgil Sub County	Gilgil Sub-County	9,454,080	9,454,080	100
6	Routine Maintenance and Spot Improvement of Gwa Kihanga-Magomano-Kwa Haji Road - IDP Road in Subukia Sub County	Subukia Sub-County	8,492,708	8,492,708	100
7	Construction of Bridge and Road Connecting Korao (Tinet) and Kiptagich Ward in Kuresoi South Sub County	Kiptagich Ward	8,487,400	8,487,400	100
8	Development of Revenue Management System	HQ	40,000,000	22,490,301.10	56
9	Grading and Gravelling of Sasimwa-Githiriga -Kamwaura Roads in Nyota Ward in Kuresoi North Sub County	Kuresoi North	4,994,000	4,994,000	100
10	Refurbishment of County Assembly buildings	HQ	24,665,240	6,337,767	26

Source: Nakuru County Treasury

3.31.8 1.1.8 Budget Performance by County Department

Table 3.89: shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.89: Nakuru County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	974.49	292.73	391.40	30.20	258.84	42.32	66.1	140.1	26.6	14.5
Agriculture, Livestock and Fisheries	599.98	444.51	225.78	70.39	183.69	73.36	81.4	104.2	30.6	16.5
Health	5,123.30	1,091.47	1,786.62	135.00	1,612.54	150.22	90.3	111.3	31.5	13.8

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Youth, Culture, Gender, Sports and Social Services	345.87	118.63	66.27	-	100.04	-	151.0		28.9	-
Lands, Physical Planning and Housing	140.26	1,350.37	58.06	1,084.84	51.73	-	89.1	0.0	36.9	-
Infrastructure	307.23	2,129.97	114.00	473.41	76.71	154.21	67.3	32.6	25.0	7.2
Public Service Management	768.93	52.00	293.42	-	269.33	-	91.8		35.0	-
Trade, Industry and Tourism	171.77	365.50	43.81	-	26.32	-	60.1		15.3	-
Education, Vocational Training, ICT and Government	346.15	853.50	74.62	-	18.48	42.23	24.8		5.3	4.9
Office of the Governor and Deputy Governor	171.86	103.86	74.44	-	30.01	1.15	40.3		17.5	1.1
County Public Service Board	50.13	4.41	22.67	-	17.09	3.50	75.4		34.1	79.4
County Assembly	999.54	287.46	427.70	5.10	279.94	56.35	65.5	1104.9	28.0	19.6
Total	10,319.82	7,995.85	3,700.24	1,821.99	3,030.45	550.86	81.9	30.2	29.4	6.9

Source: Nakuru County Treasury

Analysis of expenditure by department shows that the County Public Service Board had the highest absorption rate of development budget at 79.4 per cent while the departments of Youth Culture Gender and Sports, Lands Physical Planning and Housing, Public Service Management and Trade Industry and Tourism did not incur any development expenditure. The Department of Lands, Physical Planning and Housing had the highest percentage of recurrent expenditure to its recurrent budget at 36.9 per cent while the Department of Education Vocational Training, CT and E-Government and Urban Development had the lowest at 5.3 per cent.

3.31.9 Key Observations and Recommendations

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

- Improvement in the own-source revenue from Kshs.757.03 million collected in same period of FY 2017/18 to Kshs.1.55 billion in FY 2018/19.
- Increased absorption of development budget to Kshs.550.85 million in FY 2018/19. There was no development expenditure in the same period of FY 2017/18.

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

- Huge wage bill that amounted to Kshs.3.03 billion and accounting for 65.7 per cent of the total expenditure for the reporting period.
- Delay in disbursement of equitable share of revenue raised by the National Treasury.

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

- The County needs to address the high wage bill.*
- The County should liaise with National Treasury in order to ensure timely disbursement of funds.*

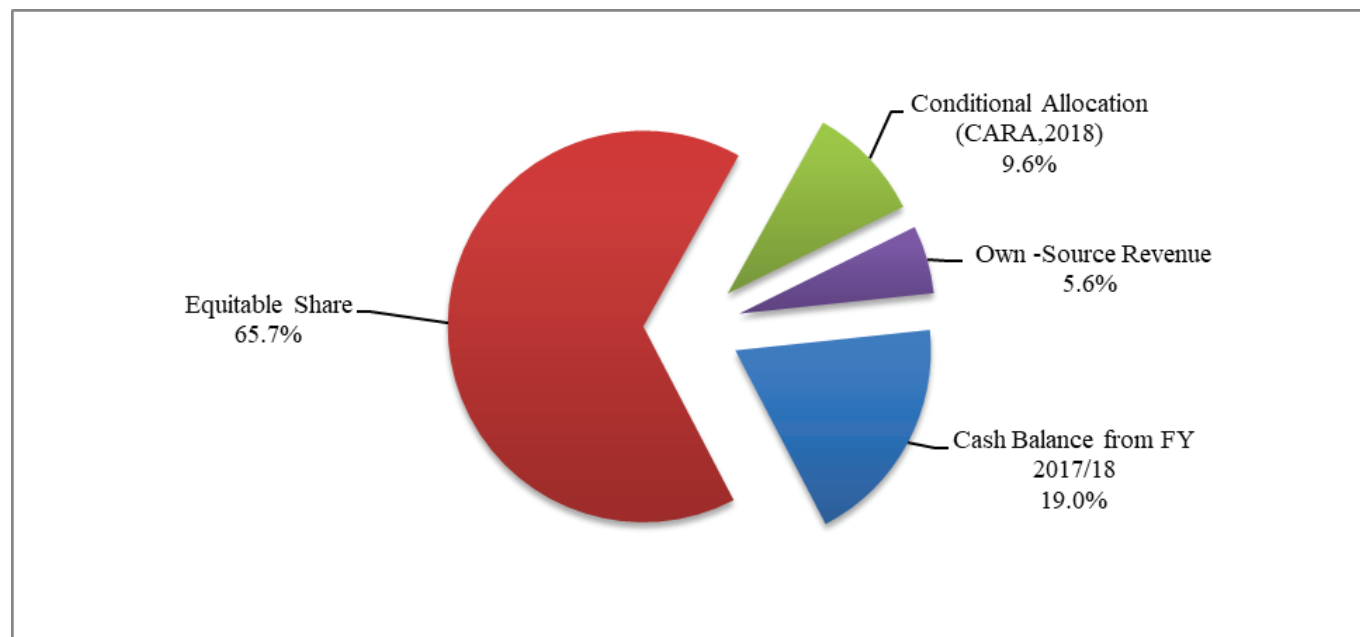
3.32 Nandi County

3.32.1 Overview of the FY 2018/19 Budget

The Approved Budget for FY 2018/19 was Kshs.8.18 billion, comprising of Kshs.5.11 billion (62.4 per cent) and Kshs.3.08 billion (37.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.37 billion (65.7 per cent) as equitable share of revenue raised nationally, Kshs.784.66 million (9.6 per cent) as total conditional grants, generate Kshs.459.29 million (5.7 per cent) from own source revenue, and Kshs.1.55 billion (19 per cent) cash balance from FY 2017/18.

Figure 3.124: Nandi County Sources of Budget Financing in FY 2018/19



Source: Nandi County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.97.23 million (9.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (13.9 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.44.55 million (4.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.177.23 million (17.5 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.17.11 million (1.7 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.18.06 million (1.8 per cent) as Compensation for User Fees Foregone, Kshs.200 million (19.7 per cent) for Leasing of Medical Equipment, Kshs.141.37 million (13.9 per cent) from the Road Maintenance Fuel Levy, and Kshs.37.23 million (3.7 per cent) for Rehabilitation of Village Polytechnics.

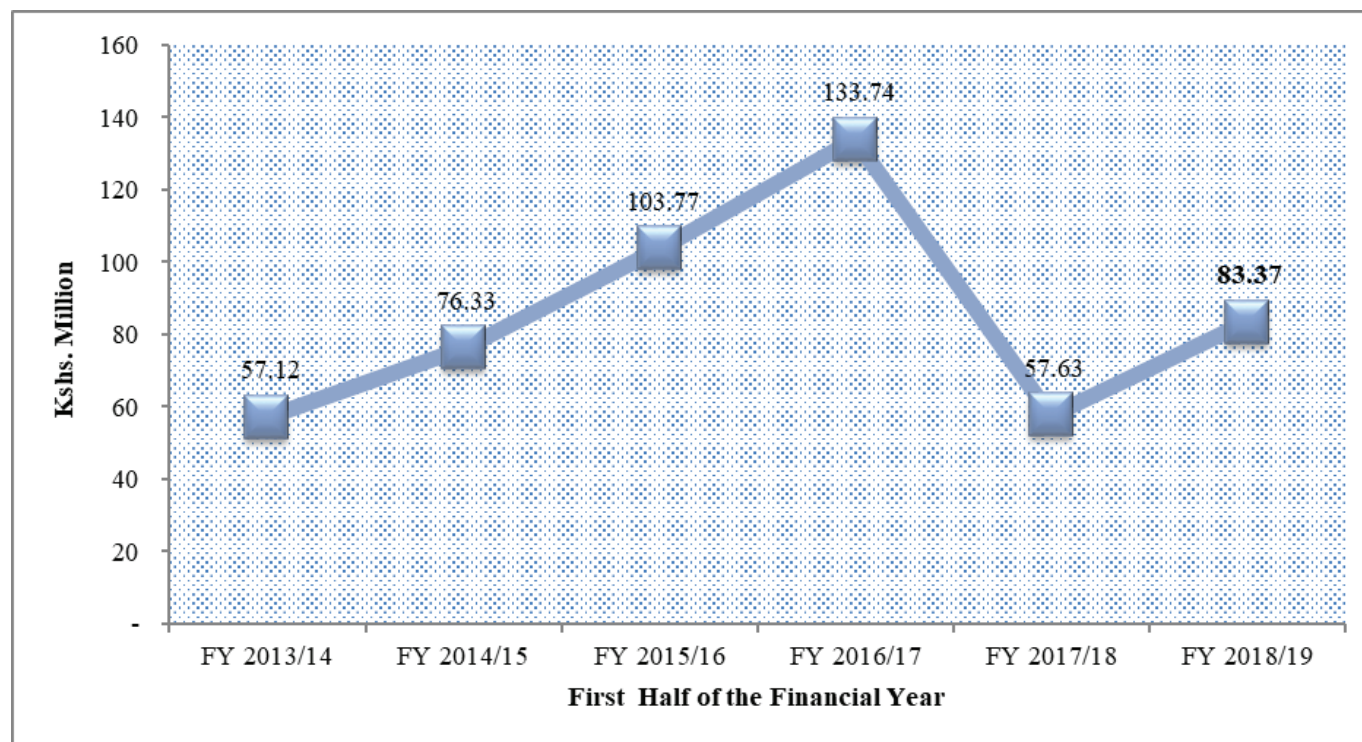
The County also budgeted to receive Kshs.80 million as grant for European Union Water Tower programme, Kshs.40 million as grant from the Food and Agriculture Organization (FAO) and Kshs.50 million as grant for World Bank Urban Institutional which are not contained in the CARA, 2018.

3.32.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.66 billion as equitable share of revenue raised nationally, Kshs.204.61 million as total conditional grants, raised Kshs.83.37 million from own-source revenue, and had a cash balance of Kshs.1.55 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.51 billion.

Figure 3.125 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.125: Nandi County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Nandi County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.83.37 million from own-source revenue sources. This amount was an increase of 44.7 per cent when compared to Kshs.57.63 million realised during the same period of FY 2017/18 and represented 18.2 per cent of the annual target.

3.32.3 Conditional Grants

The County received Kshs.204.61 million as conditional grants during the reporting period as shown in Table 3.90.

Table 3.90: Nandi County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Compensation for User Fee Foregone	18,063,363	18,086,363		-
2	Leasing of Medical Equipment	200,000,000	200,000,000		-
3	Road Maintenance Fuel Levy Fund	141,371,626	141,371,626		-
4	Rehabilitation of Village Polytechnics	37,255,000	37,255,000		-
5	World Bank-Transforming Health Systems for Universal Care Project	97,229,498	97,229,498	18,820,472	19.4
6	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163		-
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	44,551,044	44,551,044		-
8	IDA (World Bank) -Kenya Urban Support Project	177,231,700	88,615,580	177,231,700	200.0
9	DANIDA - Universal Healthcare to Devolved System Programme	17,111,250	17,111,250	8,555,625	50.0
10	Kenya Urban Support Project (KUSP)	41,200,000	50,000,000		-
Sub Total					
11	Sweden-Agricultural Sector Development Support	-	19,236,534	-	-
12	EU -Water Tower Protection and Climate Change Mitigation and Adaptation Programme	-	80,000,000	-	-
13	Grant from the Food and Agriculture Organization (FAO)	-	40,000,000	-	-
Total		1,013,685,178	973,892,058	204,607,797	26.1

Source: Nandi County Treasury

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

3.32.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.3.20 billion from the CRF account. The withdrawals represented 39.2 per cent of the Approved Budget and translated to an increase of 94.1 per cent from Kshs.1.65 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.39 billion (74.5 per cent) to fund recurrent expenditure and Kshs.816.22 million (25.5 per cent) for development activities.

3.32.5 Overall Expenditure Review

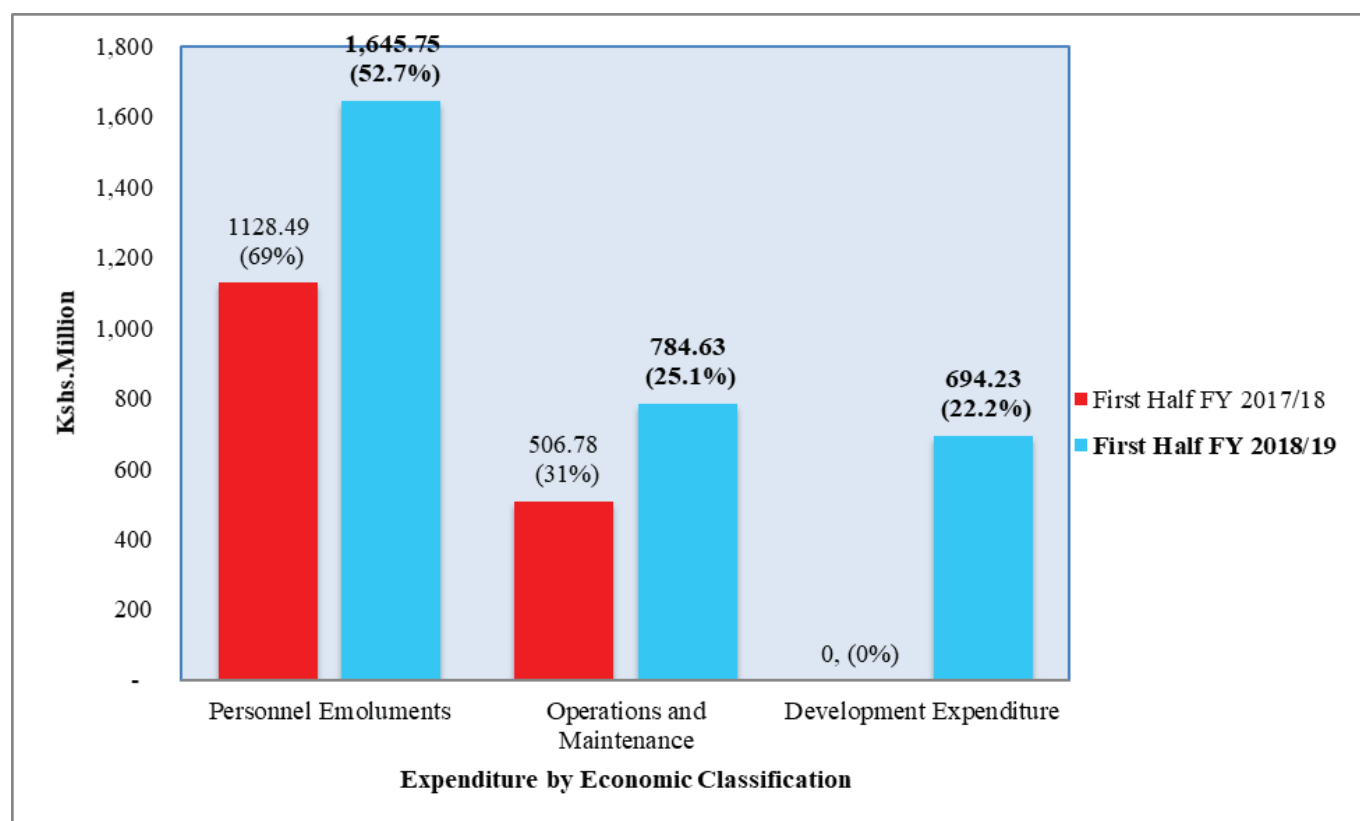
The County government spent a total of Kshs.3.12 billion on both recurrent and development activities. This expenditure represented 97.5 per cent of the total funds released from the CRF account and was an increase of

91.1 per cent from Kshs.1.64 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.858.62 million for development activities and Kshs.146.9 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.43 billion while Kshs.694.23 million was spent on development activities. The recurrent expenditure was 101.8 per cent of the funds released for recurrent activities, while development expenditure was 85.1 per cent of funds released for development activities.

The recurrent expenditure represented 47.6 per cent of the annual recurrent budget was an increase from 35.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.6 per cent, while there was no development expenditure in the first half of FY 2017/18. Figure 3.126 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.126: Nandi County, Expenditure by Economic Classification



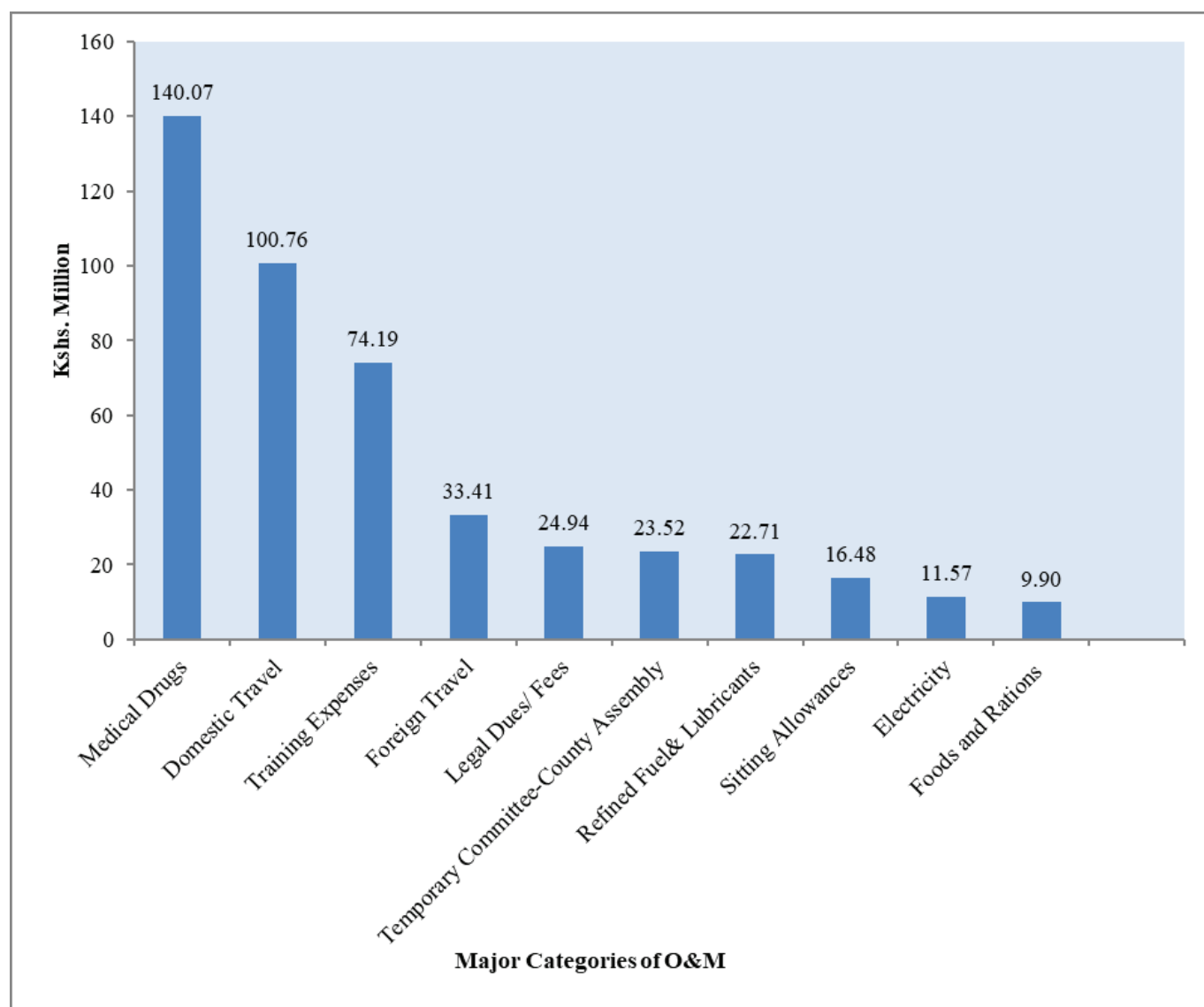
Source: Nandi County Treasury

3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.43 billion comprised of Kshs.1.65 billion (67.7 per cent) incurred on personnel emoluments and Kshs.784.63 million (32.3 per cent) on operations and maintenance as shown in Figure 3.126.

Expenditure on personnel emoluments represented an increase of 45.8 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.13 billion, and was 52.7 per cent of total expenditure for the period. Figure 3.127 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.127: Nandi County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Nandi County Treasury

The County spent Kshs.16.48 million on MCAs' committee sitting allowances for the 40 MCAs against the annual budget allocation of Kshs.38.10 million. This amount represented an increase of 118.1 per cent compared to Kshs.7.55 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.68,653 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic & foreign travel amounted to Kshs.134.17 million and comprised of Kshs.40.75 million spent by the County Assembly and Kshs.93.42 million spent by the County Executive. This represented 4.1 per cent of total recurrent expenditure.

3.32.7 Development Expenditure

The total development expenditure of Kshs.694.23 million represented 22.6 per cent of the annual development budget of Kshs.3.08 billion. Table 3.91 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.91: Nandi County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project location	Project budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Access Roads	County Wide	470,290,966	338,878,598	72.1
2	Water Supplies and Sewages	County Wide	279,000,000	84,929,084	30.4
3	Construction of ECDE	County Wide	222,645,000	41,915,074	18.8
4	Purchase of Certified Seeds	ATC Kaimosi	30,000,000	12,771,426	42.6
5	Construction of Youth Empowerment Centre	Kapsabet	30,000,000	11,694,023	39.0
6	Purchase of Medical & Dental Equipment	Kapsabet	50,000,000	10,115,118	20.2
7	Construction of Bridges and Foot Bridges	County Wide	30,000,000	6,269,529	20.9

Source: Nandi County Treasury

3.32.8 Budget Performance by County Department

Table 3.92 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.92: Nandi County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	427.33	85.00	193.64	4.74	173.39	7.70	89.5	162.6	40.6	9.1
Finance and Economic Planning	972.64	131.40	355.35	8.34	341.24	8.75	96.0	104.9	35.1	6.7
Devolved Units and Special Programmes	320.58	152.62	188.33	93.72	122.85	11.71	65.2	12.5	38.3	7.7
Health and Sanitation	1,578.55	360.50	719.04	34.23	1,069.09	43.53	148.7	127.2	67.7	12.1
Agriculture, Livestock and Fisheries	303.69	449.72	188.75	125.70	134.02	92.12	71.0	73.3	44.1	20.5
Tourism, Culture and Co-operative Development	58.44	55.00	22.67	-	16.00	-	70.6	-	27.4	-
Youth, Gender and Social Services	60.88	121.00	34.71	16.32	10.78	18.75	31.1	114.9	17.7	15.5
Education Research and Vocational Training	322.76	288.90	182.66	79.31	98.11	41.92	53.7	52.9	30.4	14.5
Lands, Environment and Natural Resources	145.68	334.25	48.62	74.82	37.75	89.56	77.6	119.7	25.9	26.8
Roads Transport and Public Works	193.77	723.47	91.69	377.05	66.70	373.25	72.7	99.0	34.4	51.6
Trade and Industrial Development	57.80	112.30	25.94	-	23.20	4.96	89.4	-	40.1	4.4
Public Service and Labour	33.29	-	16.17	-	13.05	-	80.7	-	39.2	-

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	631.18	263.50	321.13	2.00	324.78	2	101.1	100	51.5	0.8
Total	5,106.58	3,077.66	2,388.72	816.22	2,430.96	694.23	101.8	85.1	47.6	22.6

Source: Nandi County Treasury

Analysis of expenditure by department shows the Department of Roads Transport and Public Works recorded the highest absorption rate of development budget at 51.6 per cent while the Department of Tourism, Culture and Co-operative Development did not incur any development expenditure. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 67.7 per cent while the Department of Youth, Gender and Social Services had the lowest at 17.7 per cent.

3.32.9 Key Observations and Recommendations

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

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

- High expenditure on personnel emoluments which increased by 45.8 per cent from Kshs.1.13 billion in first half of FY 2017/18 to Kshs.1.65 billion in the reporting period.
- Delay in disbursement of the equitable share of revenue raised by the National Treasury.
- Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

- The County Public Service Board should devise strategies to contain expenditure on personnel costs within 35 per cent of the County's total revenue in line with Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015.*
- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2018.*
- The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

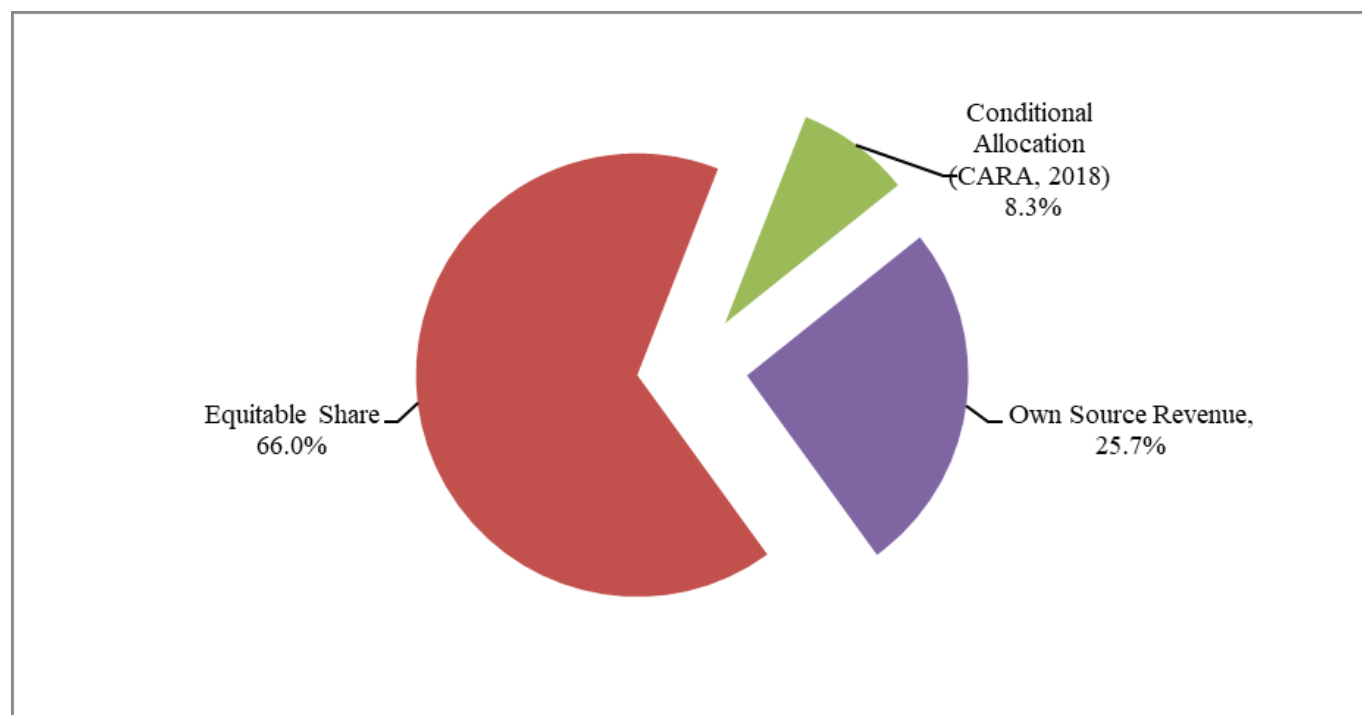
3.33 Narok County

3.33.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 was Kshs.9.66 billion, comprising of Kshs.6.26 billion (64.8 per cent) and Kshs.3.4 billion (35.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.37 billion (66 per cent) as equitable share of revenue raised nationally, Kshs.805.48 million (8.3 per cent) as total conditional grants, generate Kshs.2.48 billion (25.7 per cent) from own revenue sources. The County did not budget for Kshs.619.05 million cash balance from FY 2017/18.

Figure 3128 : Narok County Expected Sources of Budget Financing in FY 2018/19.



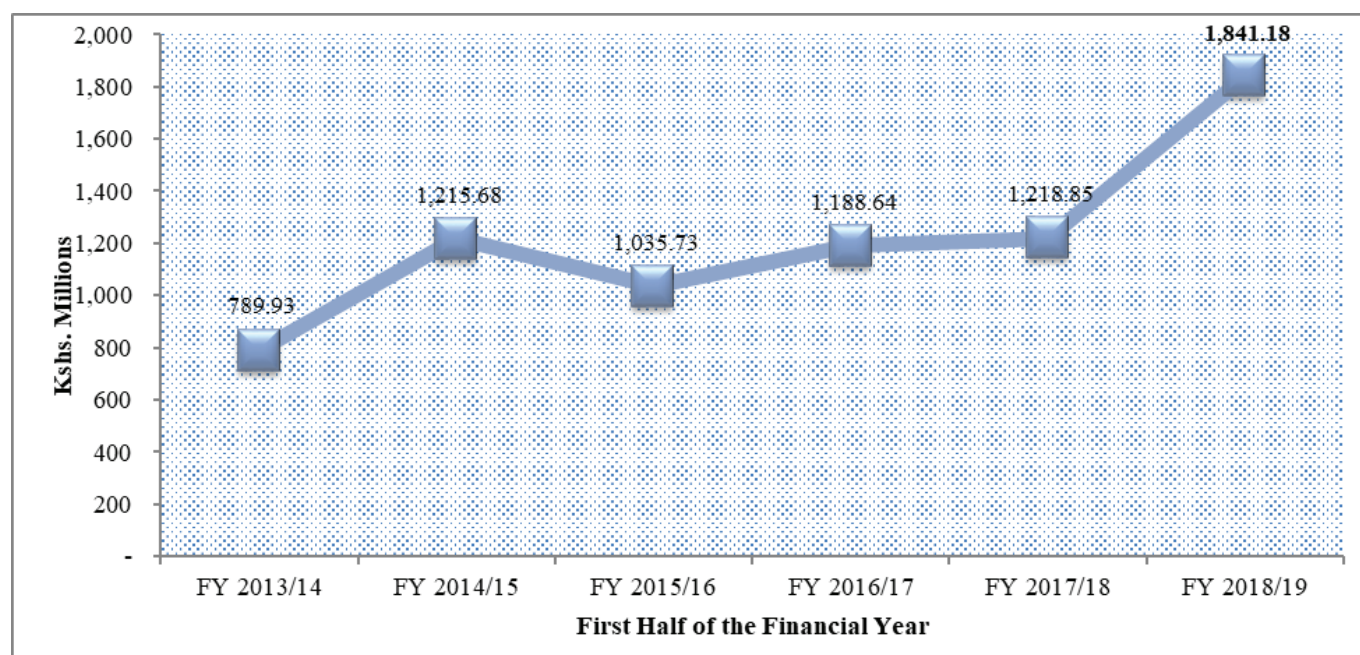
Source: Narok County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.30.8 million (3.8 per cent) for rehabilitation of village polytechnics, Kshs.167.83 million (20.8 per cent) from Road Maintenance Levy Fund, Kshs.20.6 Million (2.6 per cent) for Health Centre and Dispensaries User Fees Foregone, grant for Kshs.200 million (24.8 per cent) for Leasing of Medical Equipment, Kshs. 49.04 million (6.09 per cent) as grants to support Kenya Devolution Support Programme (KDSP), Kshs.74.9 million (9.3 per cent) grant from Kenya Urban Support Programme, Kshs.100 million (12.4 per cent) World Bank grant to support Transformation of Health Systems, Kshs.140.4 million (17.4 per cent) World Bank credit to support National Agricultural and Rural Inclusive Growth Project and Kshs.21.8 million (2.7 per cent) grant from DANIDA to finance Universal Healthcare in the County. The County also received Kshs.199.99 million being NHIF disbursement which has been treated as revenue income not contained in the CARA, 2018.

3.33.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.74 billion as equitable share of revenue raised nationally, Kshs.122.81 million as total conditional grants, Kshs.200 million as revenue from NHIF, raised Kshs.1.84 billion from own-source revenue streams, and Kshs.619.05 million cash balance from FY 2017/18. The total funds available for the period amounted to Kshs.5.52 billion.

Figure 3.129: Narok County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Narok County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.1.84 billion as own-source revenue. This amount was an increase of 51.1 per cent when compared to Kshs.1.22 billion realised during the same period of FY 2017/18 and represented 74.1 per cent of the annual target.

3.33.3 Conditional Grants

The County received Kshs.122.8 million as conditional grants during the reporting period as shown in Table 3.93.

Table 3.93: Narok County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1	Rehabilitation of Village Polytechnics-National Government	30,820,000	30,820,000	-	-
2	Road Maintenance Fuel Levy-National Government	167,827,135	167,827,135	-	-
3	Compensation for User Fees Foregone-National Government	20,595,297	20,595,297	-	-
4	Leasing of Medical Equipment-National Government	200,000,000	200,000,000	-	-
5	Kenya Devolution Support Programme-World Bank	49,037,031	49,037,031	-	-

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
6	Kenya Urban Support Programme-World Bank	74,905,300	74,905,300	74,905,300	100.0
7	Transforming Healthcare Systems for Universal Care Project-World Bank	100,000,000	100,000,000	36,974,292	37.0
8	Agricultural & Rural Inclusive Growth Project-World Bank	140,435,163	140,435,163	-	-
9	Universal Healthcare in Devolved Systems-DANIDA	21,870,000	21,870,000	10,935,000	50.0
Total		805,489,926	805,489,926	122,814,592	15.2

Source: Narok County Treasury

Analysis of the revenues from conditional grants and loans to the County shows that, the County government received grants and loans to finance the following programmes/projects: Kenya Urban Support Program (KUSP), Kshs.74.90 million; Transformation of Healthcare Systems for Universal Care Project, Kshs.36.97 million; and Universal Healthcare in Devolved Systems Project, Kshs.10.93 million.

3.33.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.5.14 billion from the CRF account. The withdrawals represented 53.3 per cent of the Approved Budget and translated to an increase of 29.2 per cent from Kshs.3.98 billion approved in the first half of FY 2017/18. This comprised of Kshs.3.63 billion (70.7 per cent) to fund recurrent expenditure and Kshs.1.51 billion (29.3 per cent) for development activities.

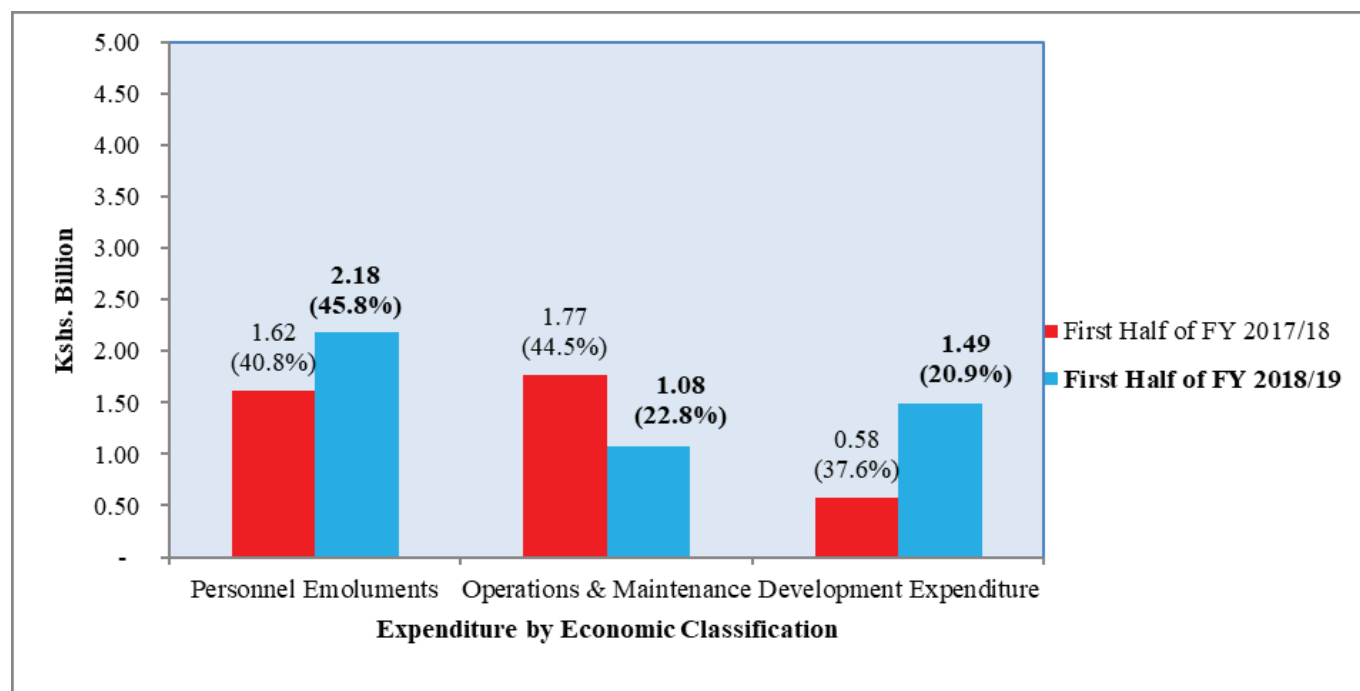
3.33.5 Overall Expenditure Review

The County government spent a total of Kshs.4.77 billion on both recurrent and development activities. This expenditure represented 92.6 per cent of the total funds released from the CRF account and was an increase of 19.7 per cent from Kshs.3.98 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.1.10 billion for development activities and Kshs.506 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.26 billion while that on development activities was Kshs.1.49 billion. The recurrent expenditure was 89.8 per cent of the funds released for recurrent activities, while development expenditure was 99.3 per cent of funds released for development activities.

The recurrent expenditure represented 52.2 per cent of the annual recurrent budget a decrease from 55.6 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 44.1 per cent, which was an increase from 12.1 per cent attained in the first half of FY 2017/18. Figure 3.130 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.130: Narok County, Expenditure by Economic Classification



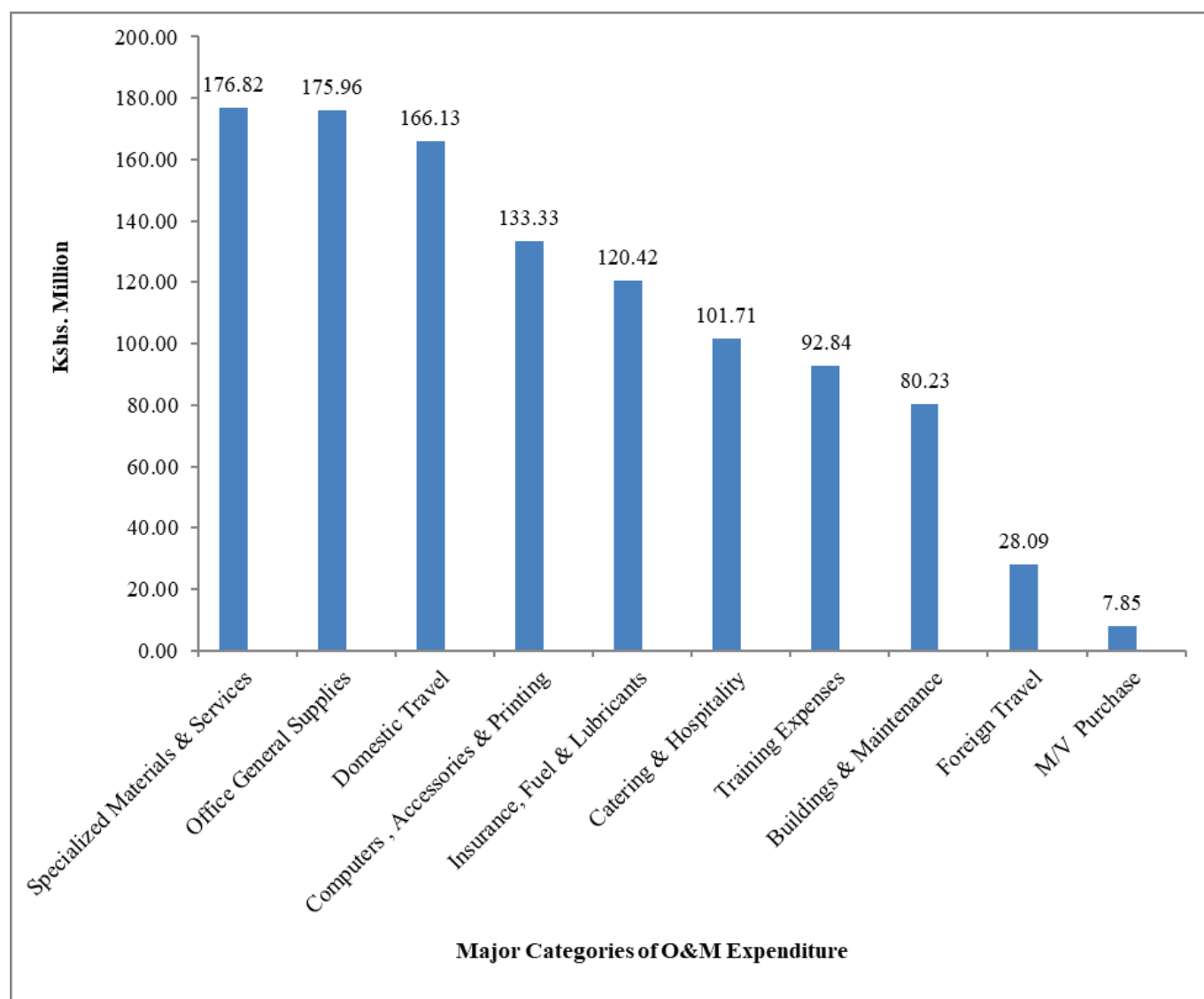
Source: Narok County Treasury

3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.26 billion comprised of Kshs.2.18 billion (45.8 per cent) incurred on personnel emoluments and Kshs.1.08 billion (22.8 per cent) on operations and maintenance as shown in Figure 3.131

Expenditure on personnel emoluments represented an increase of 34.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.62 billion, and was 45.8 per cent of total expenditure for the period.

Figure 3.131: Narok County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Narok County Treasury

The County spent Kshs.12.8 million on MCAs' committee sitting allowances for the 48 MCAs and the speaker against the annual budget allocation of Kshs.53.81 million. The average monthly sitting allowance translated to Kshs.44,594 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.166.12 million and comprised of Kshs.102.15 million spent by the County Assembly and Kshs.63.98 million spent by the County Executive. This represented 5.1 per cent of total recurrent expenditure.

3.33.7 Development Expenditure

The total development expenditure of Kshs.1.49 billion represented 44.1 per cent of the annual development budget of Kshs.3.4 billion. Table 3.94 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.94: Narok County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Half Year Expenditure (Kshs.)	Absorption Rate (%)
1	Roads infrastructure	Narok south, North, East, Kilgoris	976,147,135	540,708,234	55.4
2	Civil works and infrastructure	Narok south, North, East, Kilgoris	459,312,435	275,229,006	59.9
3	Acquisition of roads & civil works machines	County Head Quarters	228,000,000	230,037,238	100.9
4	Buildings infrastructure-education	Narok south, North, East, Kilgoris	352,799,000	241,024,426	68.3
5	Transfers to Bursary fund & Maasai Mara	County Head Quarters	569,375,110	110,800,000	19.5
6	Rehabilitation of Mara & Markets yards	Narok south, North, East, Kilgoris	130,000,000	100,196,100	77.1

Source: Narok County Treasury

3.33.8 Budget Performance by County Department

Table 3.95 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.95: Narok County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	674.49	200.0	385.00	10.0	321.54	9.54	83.5	95.4	47.7	4.8
Office of the Governor	278.88	-	218.02	-	204.56	-	93.8	-	73.4	-
Finance and Economic Planning	564.33	386.56	389.14	-	380.51	80.08	97.8	-	67.4	20.7
Roads, Transport and Public works	191.34	976.15	128.82	633.12	122.05	631.32	94.7	99.7	63.8	64.7
Education, Youth, Sports, Culture & Social Services	915.51	444.93	413.97	348.88	400.26	339.85	96.7	97.4	43.7	76.4
Environment Protection, Energy, Water and Natural resources	89.53	225.50	58.12	115.0	56.38	42.20	97.0	36.7	63.0	18.7
County Public service Board	71.37	-	48.60	-	46.91	-	96.5	-	65.7	-
Agriculture, Livestock and Fisheries	313.33	504.37	204.91	194.0	185.99	193.45	90.8	99.7	59.4	38.4
Health and Sanitation	2,010.51	251.41	1,087.83	91.00	916.88	88.45	84.3	97.2	45.6	35.2
Lands, Housing, Physical Planning and Urban Development	80.50	192.90	51.67	65.00	44.96	62.95	87.0	96.8	55.9	32.6
Tourism and Wildlife	61.99	130.86	40.78	33.00	36.30	31.56	89.0	95.6	58.6	24.1
County Administration and Public Service Management	924.15	38.55	561.71	19.00	552.72	18.60	98.4	97.9	59.8	48.2

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade and Industrialization	88.51	49.26	50.75	-	-	-	-	-	-	-
TOTAL	6,264.44	3,400.49	3,639.32	1,509.00	3,269.06	1,498.00	89.8	99.3	52.2	44.1

Source: Narok County Treasury

Analysis of expenditure by department shows that the Department of Education, Youth, Sports, Culture & Social Services recorded the highest absorption rate of development budget at 74.6 per cent, followed by the Department of Roads, Transport and Public works at 64.7 per cent.

3.33.9 Key Observations and Recommendations

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

- Improvement in the collection of own source revenue by 51.1 per cent compared to a similar period in FY 2017/18.
- Improvement in the absorption of the development budget compared to a similar period in FY 2017/18.

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

- IFMIS connectivity challenges and frequent down time affected processing of payments to suppliers.
- Failure to budget for all the conditional grants as per CARA, 2018.

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

- The County Treasury should liaise with the IFMIS Directorate for support in order to address the IFMIS challenges.*
- The County should budget for all conditional grants as contained in CARA, 2018.*

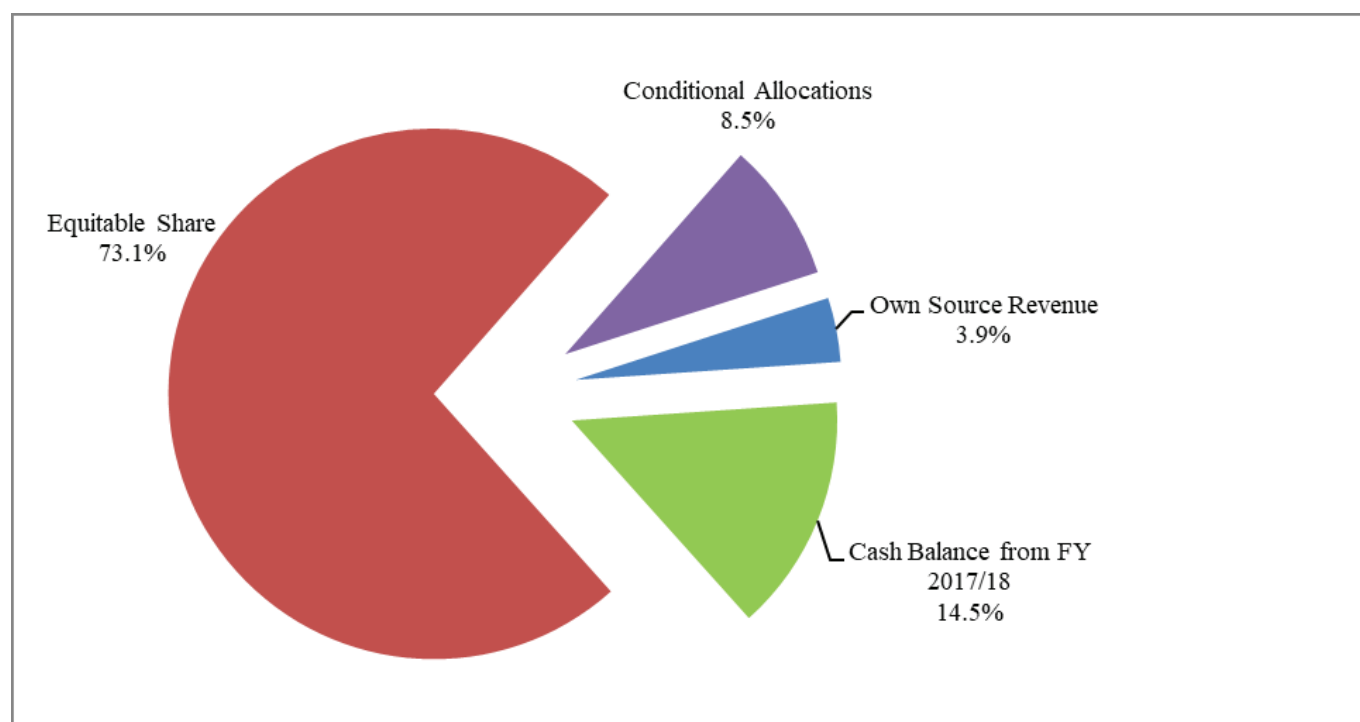
3.34 Nyamira County

3.34.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 was Kshs.6.53 billion, comprising of Kshs.4.58 billion (70.2 per cent) and Kshs.1.95 billion (29.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (14.5 per cent) as equitable share of revenue raised nationally, Kshs.554.77 million (8.5 per cent) as total conditional grants, generate Kshs.255.57 million (3.9 per cent) from own sources, and Kshs.943.29 million (14.5 per cent) cash balance from FY 2017/18.

Figure 3.132: Nyamira County Sources of Budget Financing in FY 2018/19



Source: Nyamira County Treasury

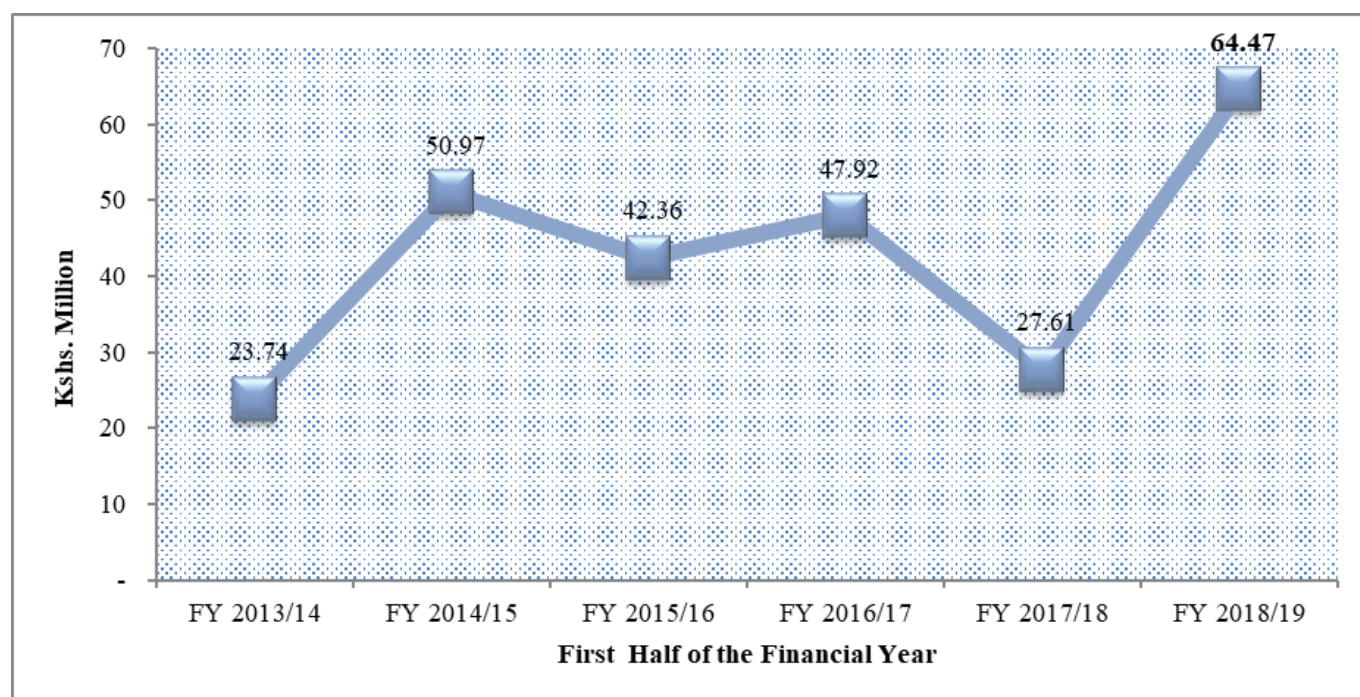
The conditional grants include those contained in the CARA, 2018 consist of; Kshs.50 million (6.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (18.6 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.42.38 million (5.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.114.71 million (15.2 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.15.49 million (2.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.13.18 million (1.7 per cent) Compensation for User Fees Foregone, Kshs.200 million (26.5 per cent) for Leasing of Medical Equipment, Kshs.125.66 million (16.6 per cent) from the Road Maintenance Fuel Levy, and Kshs.52.92 million (7.0 per cent) for Rehabilitation of Village Polytechnics.

3.34.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.48 billion as equitable share of revenue raised nationally, Kshs.130.95 million as total conditional grants, raised Kshs.49.90 million from own-source revenue, and had a cash balance of Kshs.1.31 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.99 billion.

Figure 3.133 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.133: Nyamira County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Nyamira County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.64.47 million from own-source revenue sources. This amount was an increase of 133.5 per cent when compared to Kshs.27.61 million realised during the same period of FY 2017/18 and represented 25.2 per cent of the annual target. The first quarter FY 2018/19 own revenue was revised from Kshs.18.26 million to Kshs.32.82 million after recognising revenue from public health fees.

3.34.3 Conditional Grants

The County received Kshs.130.95 million as conditional grants during the reporting period as shown in Table 3.96.

Table 3.96: Nyamira County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
	Road Maintenance Fuel Levy	125,663,667	125,663,667	-	-
	Kenya Urban Support Project (KUSP)	114,705,300	114,705,300	114,705,300	100.0
	Rehabilitation of Village Polytechnics	52,915,000	52,915,000	-	-
	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	8,501,050	17.0
	Kenya Devolution Support Project (KDSP) "Level 1 grant"	42,383,765	42,383,765	-	-
	DANIDA Grant	15,491,250	15,491,250	7,745,625	50.0
	Compensation for User Fee Foregone	13,175,221	13,175,221	-	-
	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
	Leasing of Medical Equipment	200,000,000	-	-	-
	Grand Total	754,769,366	554,769,366	130,951,975	23.6

Source: Nyamira County Treasury

Analysis of the revenue from conditional grants indicates that, the County received disbursements from Kenya Urban Support Project (KUSP), the DANIDA Grant, and Transforming Health Systems for Universal Care Project (WB) grant. These receipts accounted for 100 per cent, 50 per cent, and 17 per cent of the annual allocation respectively.

3.34.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.25 billion from the CRF account. The withdrawals represented 34.5 per cent of the Approved Budget and translate to an increase 28.6 per cent from Kshs.1.58 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.03 billion (90.2 per cent) to fund recurrent expenditure and Kshs.220.05 million (9.8 per cent) for development activities.

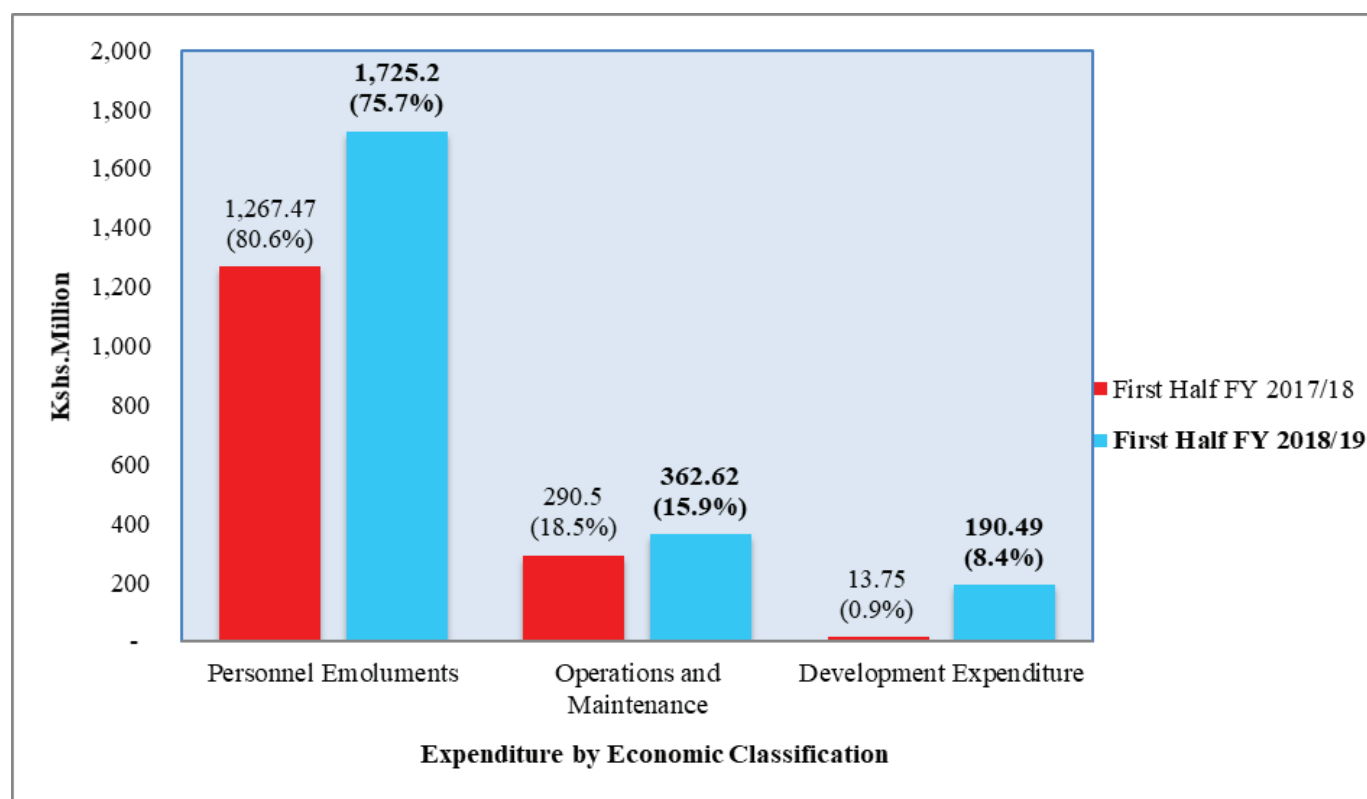
3.34.5 Overall Expenditure Review

The County government spent a total of Kshs.2.28 billion on both recurrent and development activities. This expenditure represented 101.2 per cent of the total funds released from the CRF account and was an increase of 45 per cent from Kshs.1.57 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.155.44 million for development activities and Kshs.73.91 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.09 million while that on development activities was Kshs.190.49 million. The recurrent expenditure was 102.8 per cent of the funds released for recurrent activities, while development expenditure was 86.6 per cent of funds released for development activities.

The recurrent expenditure represented 45.6 per cent of the annual recurrent budget and was an increase from 37.5 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 9.8 per cent, which was an increase from 0.8 per cent attained in the first half of FY 2017/18. Figure 3.134 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.134: Nyamira County, Expenditure by Economic Classification



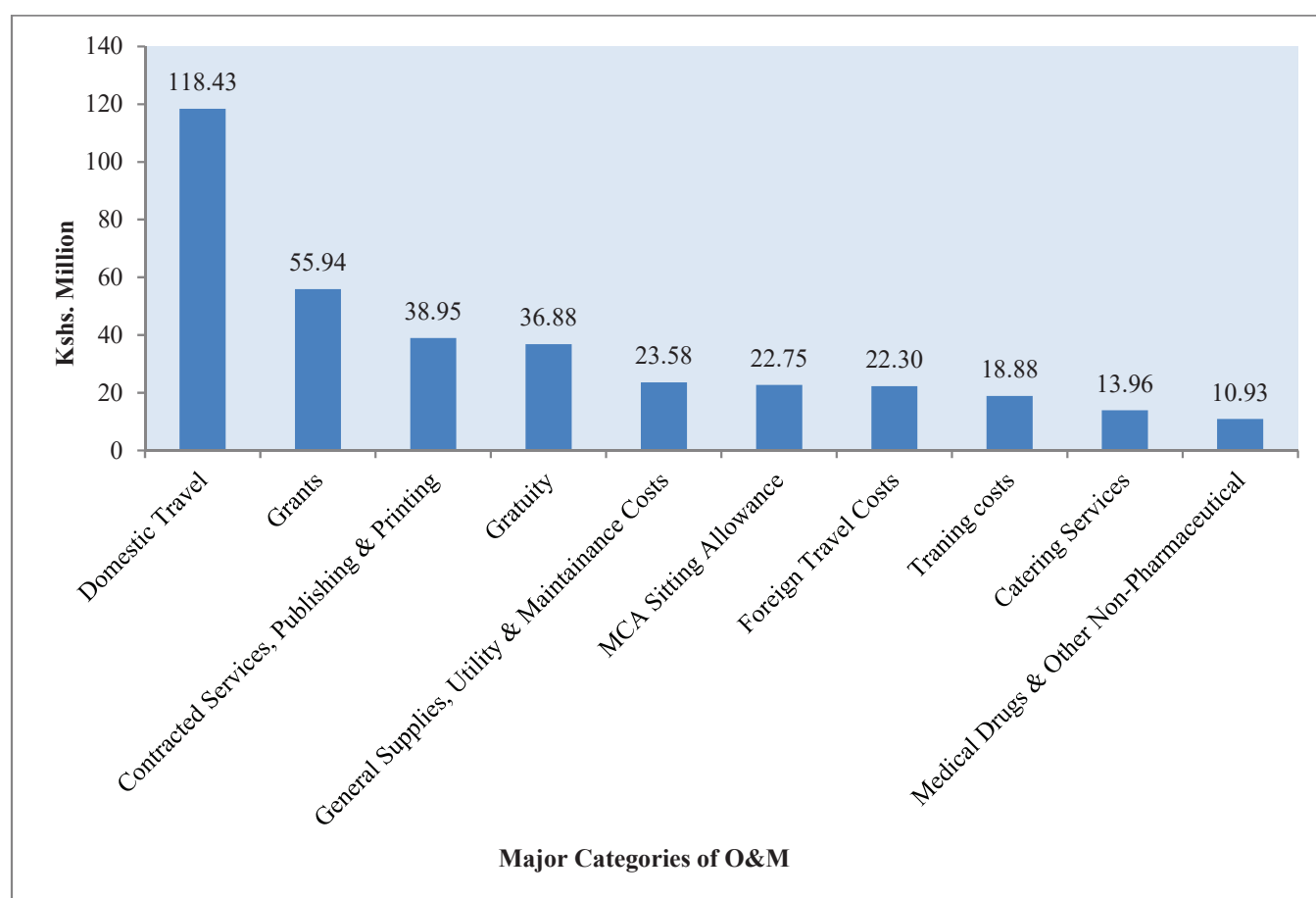
Source: Nyamira County Treasury

3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.09 billion comprised of Kshs.1.73 billion (82.6 per cent) incurred on personnel emoluments and Kshs.362.62 million (17.4 per cent) on operations and maintenance as shown in Figure 3.134.

Expenditure on personnel emoluments represented an increase of 36.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.27 billion, and was 75.7 per cent of total expenditure for the period. Figure 3.135 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.135: Nyamira County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Nyamira County Treasury

The County spent Kshs.22.75 million on MCAs' committee sitting allowances for the 37 MCAs against the annual budget allocation of Kshs.66.64 million. This amount represented an increase of 244.4 per cent compared to Kshs.6.61 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.102,498 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.118.43 million and comprised of Kshs.57.36 million spent by the County Assembly and Kshs.61.07 million spent by the County Executive. This represented 5.7 per cent of total recurrent expenditure.

3.34.7 Development Expenditure

The total development expenditure of Kshs.190.49 million represented 9.8 per cent of the annual development budget of Kshs.1.95 billion. Table 3.97 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.97: Nyamira County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Half Year Expenditure (Kshs.)	Absorption Rate (%)
1	Proposed Construction of Amenity Block with the Doctor's Plaza at Nyamira Referral (Female and Male Wards)	Nyamira Town	126,000,000	6,259,890	5
2	Youth Polytechnic Education Support Programme In Collaboration With The Ministry of Education (National Government)	County Wide	52,915,950	25,410,000	48
3	Civil Works for the Construction and Completion of Nyambaria I Water Supply	Magombo	13,215,000	11,252,805	85.2
4	Proposed Construction of Car Parking Lots Between Nyamira County Referral Hospital and Huduma Centre	Nyamira Town	13,000,000	7,800,000	60
5	Civil Works for the Construction and Completion of Raitigo II Water Supply	Raitigo	8,500,000	4,766,505	56.1
6	Proposed Repair and Maintenance of (D209) Eng. Chench-Simbaut M.C Junc-Dam-Kamau Junction Road	Nyansiongo	4,022,800	4,022,800	100
7	Refurbishment of Staff Quarters Block at Nyamira County Referral Hospital	Nyamira Town	4,000,000	4,000,000	100
8	Proposed Repair and Maintenance of (D225) Onseka - Eturungi Junction -Amakura Prim Sch - Mokomoni Junc -Road	Kiabonyoru	3,895,620	3,895,620	100
9	Completion of Typical 3 No. ECDE Classrooms & Pit Latrine at Rianyakangi Primary School	Rianyakangi	3,710,000	3,701,131	99.8
10	Completion of Typical 3 No. ECD Classrooms and Pit Latrine at Rianyakangi Primary School	Kiabonyoru	3,701,131	3,701,131	100

Source: Nyamira County Treasury

3.34.8 Budget Performance by County Department

Table 3.98 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.98: Nyamira County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	587.43	200.00	261.52	3.08	260.85	3.08	99.7	100.0	44.4	1.5
County Executive	477.37		202.64	-	173.10	-	85.4	-	36.3	-
Finance & Economic Planning	361.02	140.00	146.74	-	151.48	0.91	103.2	-	42.0	0.7
Agriculture, Livestock & Fisheries	309.32	102.28	102.39	0.90	121.17	28.89	118.3	3,209.9	39.2	28.2
Environment, Water, Natural Resources, Mining & Energy	114.92	198.52	52.17	27.19	55.13	39.37	105.7	144.8	48.0	19.8

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education & Youth Empowerment	457.80	199.42	166.01	13.34	191.56	15.41	115.4	115.5	41.8	7.7
Health Services	1,649.55	199.00	781.60	13.59	830.90	14.65	106.3	107.8	50.4	7.4
Lands, Housing & Physical Planning	81.30	276.41	42.58	129.37	38.39	-	90.2	0.0	47.2	-
Roads, Transport & Public Works	113.21	447.25	58.00	20.29	50.67	16.57	87.4	81.7	44.8	3.7
Trade, Tourism, Industrialisation & Cooperative Development	53.09	87.00	27.15	7.53	26.93	19.81	99.2	263.0	50.7	22.8
Sports, Gender, Culture & Social Services	59.05	92.85	26.90	4.75	24.22	51.80	90.0	1,090.5	41.0	55.8
County Public Service Board	59.07	-	37.82	-	20.96	-	55.4	-	35.5	-
Public Service Management	255.42	51.64	125.56	-	142.47	-	113.5	-	55.8	-
TOTAL	4,578.54	1,994.36	2,031.08	220.05	2,087.82	190.49	102.8	86.6	45.6	9.6

Source: Nyamira County Treasury

Analysis of expenditure by department shows the Department of Sports, Gender, Culture & Social Services recorded the highest absorption rate of development budget at 55.8 per cent while the Department of Lands, Housing & Physical Planning and that of Public Service Management did not incur any development expenditure. The Department of Public Service Management had the highest percentage of recurrent expenditure to recurrent budget at 55.8 per cent while the County Public Service Board had the lowest at 35.5 per cent.

3.34.9 Key Observations and Recommendations

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

- Improvement in own source revenue collection by 133.5 per cent compared to that realised during the same period of FY 2017/18.
- Improvement in absorption of development budget from 0.8 per cent attained in the first half of FY 2017/18 to 9.8 per cent in the reporting period.
- Harmonisation of key economic planning documents, such as CIDP, ADP, and CFSP, which promoted smooth budget implementation.

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

- Delay in disbursement of the equitable share of revenue raised by the National Treasury.
- The County's wage bill has remained high at 75.7 per cent of total expenditure for the period and has increased by 36.1 per cent from Kshs.1.27 billion spent in first half of FY 2017/18 to Kshs.1.73 billion in the reporting period.
- Delay by Fund Administrators of the County Assembly Car & Mortgage Fund, County Executive Car & Mortgage Fund as well as the Bursary Fund to submit financial reports contrary to Section 168 of the PFM Act, 2012.
- Delay in implementation of development activities during first half of FY 2018/19. The County spent Kshs.190.49 million on development projects which represents 9.8 per cent of the annual development

budget of Kshs.1.95 billion.

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

1. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
2. *The County Public Service Board should establish an optimal staffing structure to ensure a sustainable wage bill.*
3. *All Fund Administrators should submit quarterly financial statements in line with Section 168 of the PFM Act, 2012.*
4. *The County should identify and address issues that caused delay in implementation of development projects.*

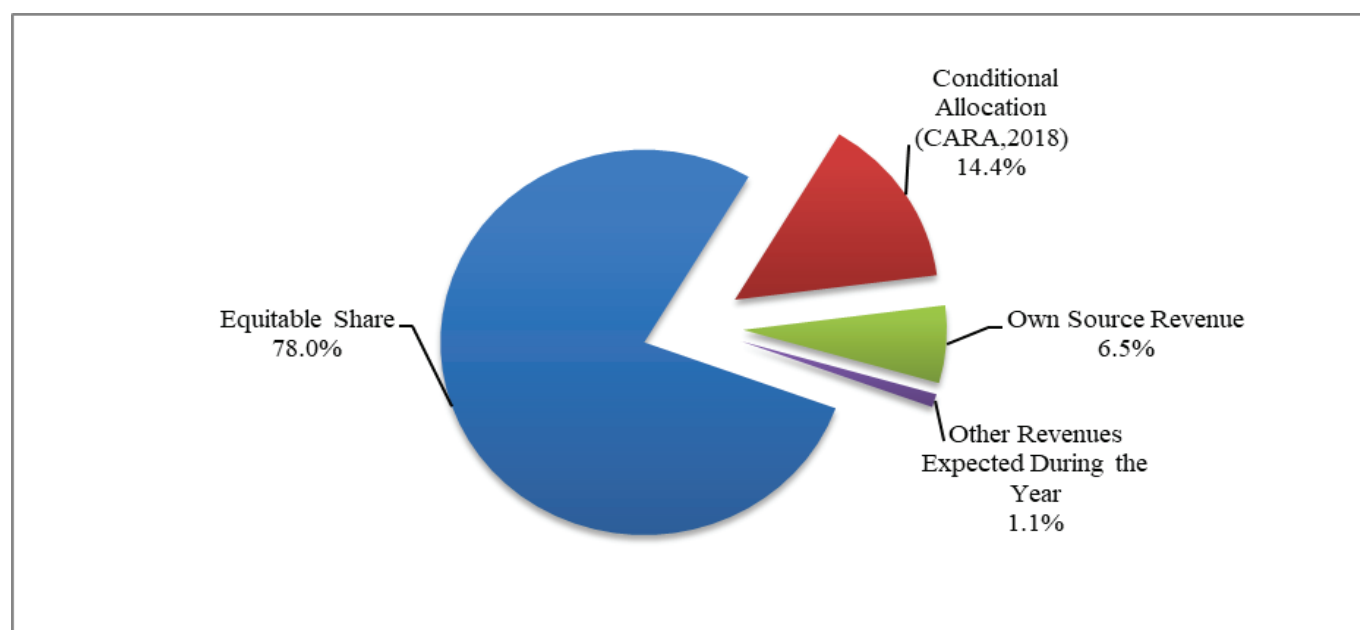
3.35 Nyandarua County

3.35.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 was Kshs.6.32 billion, comprising of Kshs.4.22 billion (66.7 per cent) and Kshs.2.10 billion (33.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (78 per cent) as equitable share of revenue raised nationally, Kshs.979.84 million (15.5 per cent) as total conditional grants (CARA), Kshs.70 million (1.1 per cent) as other conditional grants not contained in the CARA, 2018, and generate Kshs.410 million (6.5 per cent) from own source.

Figure 3.136: Nyandarua County Sources of Budget Financing in FY 2018/19



Source: Nyandarua County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (5.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (12.9 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.43.07 million (4.7 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.135.54 million (14.9 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.16 million (1.8 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (4.9 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.121 million (13.3 per cent) Supplement for Construction of County Headquarters, Kshs.12.74 million (1.4 per cent) Compensation for User Fees

Foregone, Kshs.200 million (22 per cent) for Leasing of Medical Equipment, Kshs.129.80 million (14.3 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.39.7 million (4.4 per cent) for Rehabilitation of Village Polytechnics.

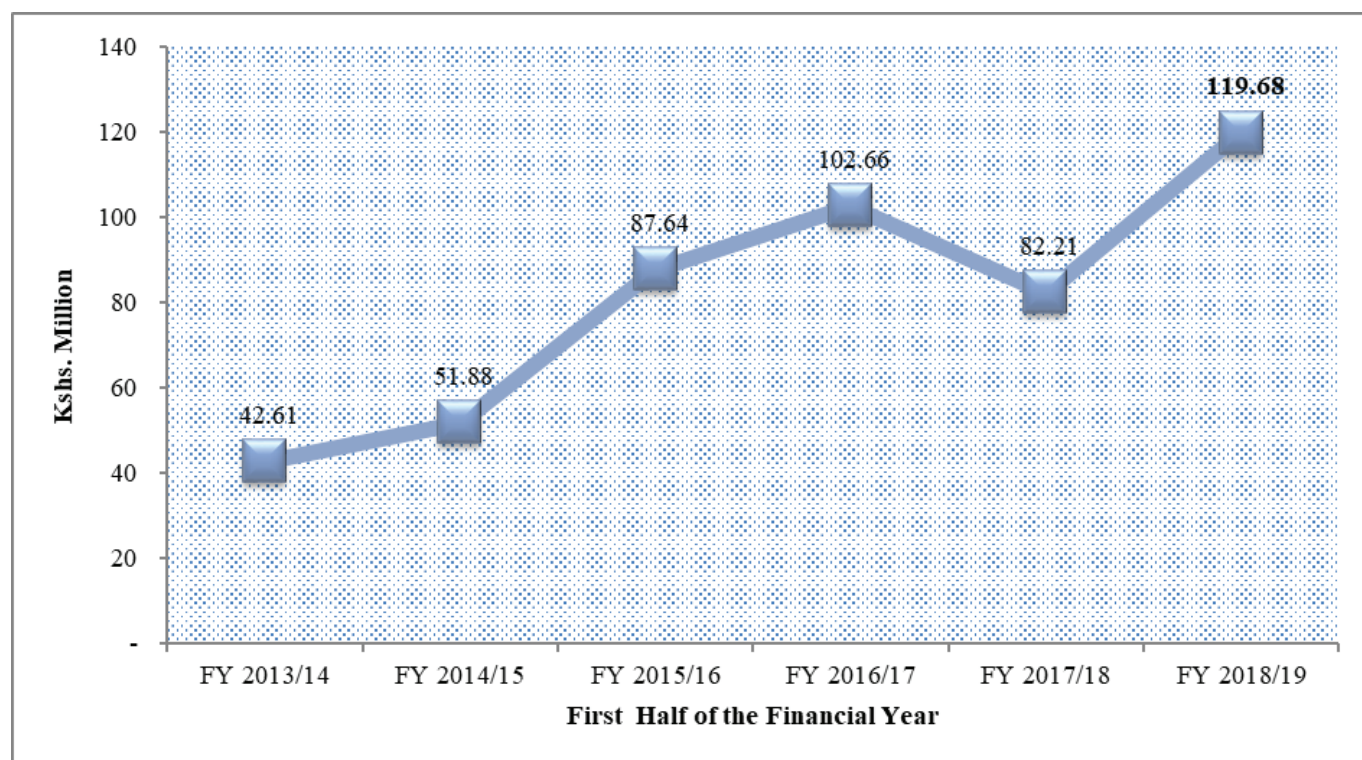
The County also budgeted to receive Kshs.40 million as grant for the World Bank Grant for Kenya Urban Support Programme (KUSP) Level 1 programme and Kshs.30 million as grant for the Linda mama (A-I-A) Programme, which is not contained in the CARA, 2018.

3.35.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.77 billion as equitable share of revenue raised nationally, Kshs.55.86 million as total conditional grants, raised Kshs.119.68 million from own-source revenue, and had a cash balance of Kshs.1.06 billion from FY 2017/18. The total funds available for the period amounted to Kshs.4.01 billion.

Figure 3.137 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.137: Nyandarua County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Nyandarua County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.119.68 million from own-source revenue sources. This amount was an increase of 45.6 per cent when compared to Kshs.82.21 million generated during the same period of FY 2017/18 and represented 29.2 per cent of the annual target.

3.35.3 Conditional Grants

The County received Kshs.55.86 million as conditional grants during the reporting period as shown in Table 3.99.

Table 3.99: Nyandarua County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in First Half of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
Grants contained in CARA,2018					
1	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
2	Compensation for User Fee Foregone	12,735,922	12,735,922	-	-
3	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
4	Road Maintenance Fuel Levy	129,797,341	129,797,341	32,641,949	25.1
5	Rehabilitation of Village Polytechnics	39,700,000	39,700,000	5,798,328	15.1
6	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	17,240,363	34.5
7	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	-	-
8	Kenya Devolution Support Project (KDSP) "Level 1 grant"	43,069,316	43,069,316	-	-
9	Kenya Urban Support Project (KUSP)	135,543,400	135,543,400	135,543,400	100
10	DANIDA Grant	15,997,500	15,997,500	-	-
11	EU Grant	45,000,000	45,000,000	-	-
Sub Total		909,843,479	909,843,479	55,860,640	6.1
Other Grants					
12	World Bank Grant for Kenya Urban Support Programme (KUSP) Level 1	41,200,000	40,000,000	-	-
13	Linda mama (A-I-A)	-	30,000,000	-	-
Sub Total		-	70,000,000	-	-
Total		909,843,479	979,843,479	55,860,640	5.7

Source: Nyandarua County Treasury

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

3.35.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.21 billion from the CRF account. The withdrawals represented 34.9 per cent of the Approved Budget and translate to an increase of 56.9 per cent from Kshs.1.41 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.1.83 billion (82.9 per cent) to fund recurrent expenditure and Kshs.376.15 million (17.1 per cent) for development activities.

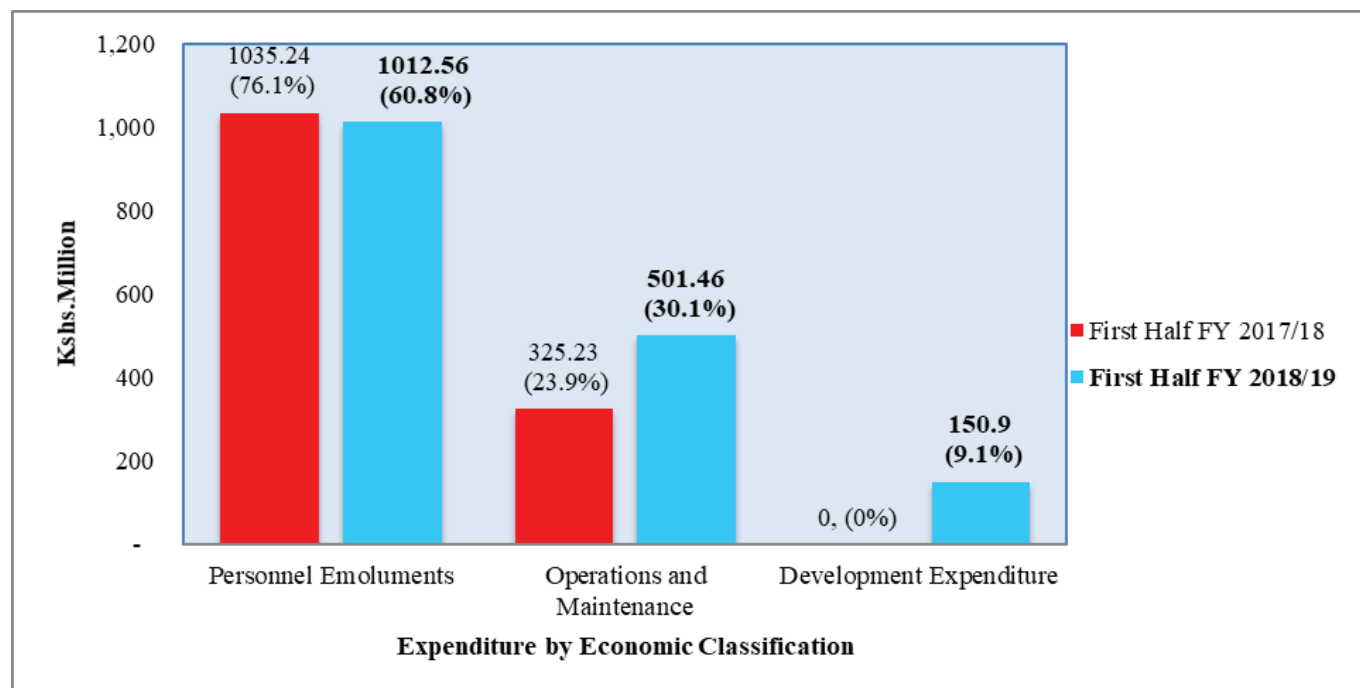
3.35.5 Overall Expenditure Review

The County government spent a total of Kshs.1.67 billion on both recurrent and development activities. This expenditure represented 75.5 per cent of the total funds released from the CRF account and was a increase of 22.4 per cent from Kshs.1.36 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.27.51 million for development activities and Kshs.189.32 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.51 billion while that on development activities was Kshs.150.90 million. The recurrent expenditure was 82.7 per cent of the funds released for recurrent activities, while development expenditure was 40.1 per cent of funds released for development activities.

The recurrent expenditure represented 35.9 per cent of the annual recurrent budget and was an increase from 23.9 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 7.2 per cent, while there was no expenditure on development activities in the first half of FY 2017/18. Figure 3.138 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

Figure 3.138: Nyandarua County, Expenditure by Economic Classification



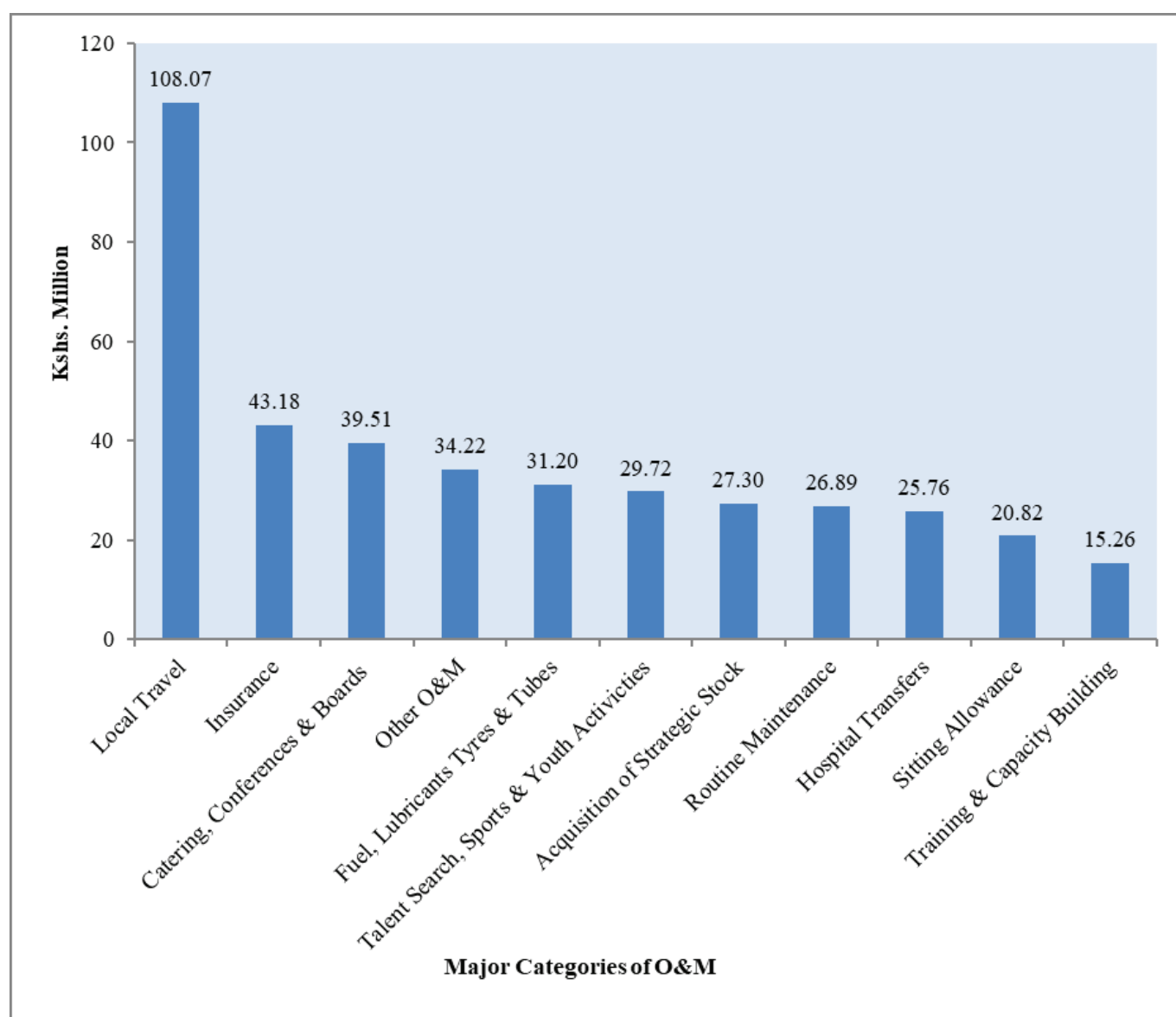
Source: Nyandarua County Treasury

3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.51 billion comprised of Kshs.1.01 billion (66.9 per cent) incurred on personnel emoluments and Kshs.501.46 million (33.1 per cent) on operations and maintenance as shown in Figure 3.138.

Expenditure on personnel emoluments represented a decrease of 2.2 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.04 billion, and was 60.8 per cent of total expenditure for the period. Figure 3.139 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.139: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Nyandarua County Treasury

The County spent Kshs.20.82 million on MCAs' committee sitting allowances for the 40 MCAs against the annual budget allocation of Kshs.57.22 million. This amount represented an increase of 319.1 per cent compared to Kshs.4.97 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.86,741 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.108.07 million and comprised of Kshs.39.54 million spent by the County Assembly and Kshs.68.54 million spent by the County Executive and represented 7.1 per cent of total recurrent expenditure.

3.35.7 Development Expenditure

The total development expenditure of Kshs.150.90 million represented 7.2 per cent of the annual development budget of Kshs.2.10 billion. Table 3.100 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.100: Nyandarua County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Fuel Levy Fund	129,797,341	25,712,452	19.8
2	Construction of an Office Block	186,000,000	20,016,489	10.8
3	Number 3 bridge	4,000,000	4,000,000	100.0
4	Mugoiri Rd	2,500,000	2,500,000	100.0
5	Nandarasi-Kitiriri sub-location assorted Road	3,000,000	2,435,030	81.2
6	Baraka Rd	2,000,000	2,000,000	100.0
7	MC Dan Rd	2,500,000	1,984,160	79.4
8	JJ Davis-Blue City	3,000,000	1,981,570	66.1
9	Flyover-Kento Rd	1,900,000	1,900,000	100.0
10	AIC Kangodo Rd	2,000,000	1,845,304	92.3
11	Kayole Wakagwa Rd	1,900,000	1,800,000	94.7

Source: Nyandarua County Treasury

3.35.8 Budget Performance by County Department

Table 3.101 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.101: Nyandarua County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport, Energy & Public Works	61.99	777.85	27.86	132.84	34.17	126.01	122.6	94.9	55.1	16.2
Agriculture Livestock & Fisheries	91.00	236.78	15.39	82.88	11.61	-	75.5	-	12.8	-
County Assembly	643.47	186.00	300.25	20.02	291.47	20.02	97.1	100.0	45.3	10.8
County Attorney	8.98	1.00	0.84	-	1.20	-	143.6	-	13.4	-
County Public Service Board	10.23	-	4.68	-	2.28	-	48.6	-	22.3	-
Education, Gender, Youth, Culture and Social Services	74.59	107.50	12.15	-	13.97	-	114.9	-	18.7	-
Finance & Economic Development	475.96	-	348.05	-	84.71	-				
Governor's Office & Service Delivery	111.59	-	42.80	-	44.41	-	103.7	-	39.8	-
Health Services	597.01	128.45	94.38	4.87	60.66	4.87	64.3	100	10.2	3.8
Industrialization Cooperatives, Trade & Enterprise Development	23.22	147.07	7.22	-	4.33	-	60.0	-	18.7	-
Lands, Housing & Physical Planning	62.25	252.59	9.71	135.54	7.59	-	78.1	-	12.2	-

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Administration & ICT	37.73	-	11.11	-	9.75	-	87.8	-	25.8	-
The County Secretary	1,920.32	-	924.24	-	890.86	-	96.4	-	46.4	-
Water , Environment, Tourism & Natural resources	58.77	210.62	12.64	-	26.71	-	211.2	-	45.4	-
Youth, Sports and Arts	40.16	54.50	18.52	-	30.31	-	163.7	-	75.5	-
Total	4,217.28	2,102.37	1,829.86	376.15	1,514.02	150.90	82.7	40.1	35.9	7.2

Source: Nyandarua County Treasury

Analysis of expenditure by department shows the Department of Transport Energy and Public recorded the highest absorption rate of development budget at 16.2 per cent followed by the County Assembly and the Health Services department at 10.8 per cent and 3.8 per cent respectively the other departments did not incur any development expenditure. The Department of Youth Sports and the Arts had the highest percentage of recurrent expenditure to recurrent budget at 75.5 per cent while the Health Services Department had the lowest at 10.2 per cent.

3.35.9 Key Observations and Recommendations

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

- Improvement in own-source revenue collection by 45.6 per cent when compared to the same period in FY 2017/18

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

- Delay in disbursement of the equitable share of revenue raised by the National Treasury.
- High wage bill which represented 60.8 per cent of the total expenditure in the reporting period.

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

- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2018.*
- The County Public Service Board should devise strategies to ensure the wage bill is sustainable.*

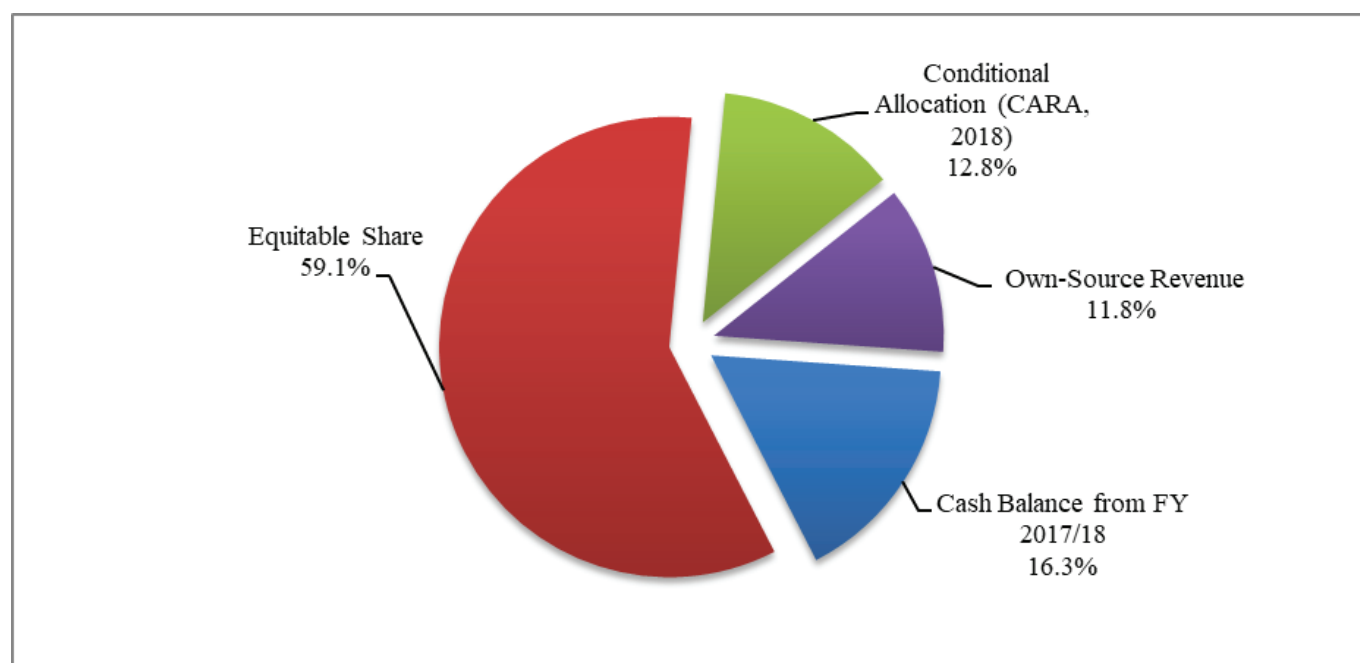
3.36 Nyeri County

3.36.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.8.50 billion, comprising of Kshs.5.52 billion (65 per cent) and Kshs.2.96 billion (35 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.02 billion (59.1 per cent) as equitable share of revenue raised nationally, Kshs.1.08 billion (12.8 per cent) as total conditional grants, generate Kshs.1 billion (11.8 per cent) from own sources, and Kshs.1.38 billion (16.3 per cent) cash balance from FY 2017/18.

Figure 3.140: Nyeri County Sources of Budget Financing in FY 2018/19



Source: Nyeri County Treasury

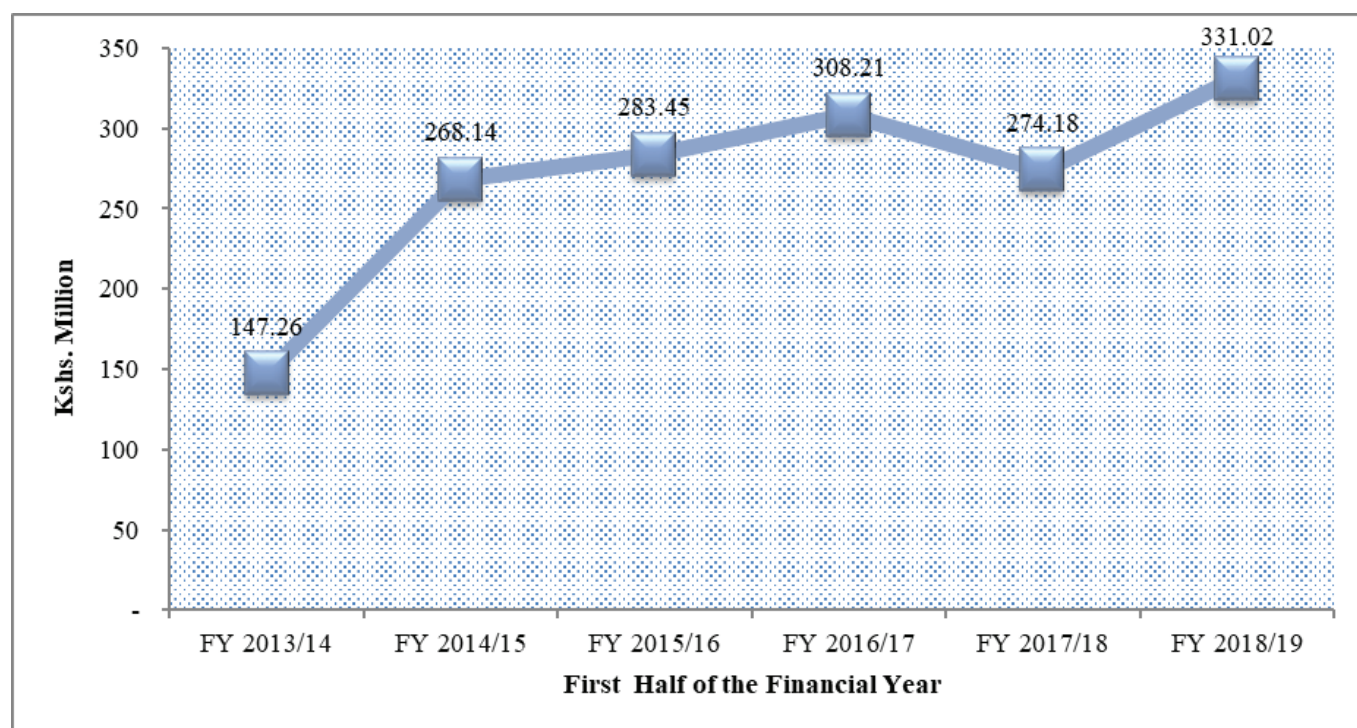
The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (4.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117.0 million (10.8 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.43.74 million (4 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.276.64 million (25.5 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.16.6 million (1.5 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.407.86 million (37.5 per cent) to the Nyeri Level-5 Hospital, Kshs.13.7 million (1.3 per cent) as Compensation for User Fees Foregone, Kshs.132.28 million (12.2 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.28.79 million (2.6 per cent) for Rehabilitation of Village Polytechnics.

3.36.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.06 billion as equitable share of revenue raised nationally, Kshs.426.76 million as total conditional grants, raised Kshs.331.02 million from own-source revenue, and had a cash balance of Kshs.1.39 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.2 billion.

Figure 3.141 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.141: Nyeri County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Nyeri County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.331.02 million from own-source revenue. This amount was an increase of 20.7 per cent when compared to Kshs.274.18 million realised during the same period of FY 2017/18 and represented 33.1 per cent of the annual target.

3.36.3 Conditional Grants

The County received Kshs.426.76 million as conditional grants as shown in Table 3.102.

Table 3.102: Nyeri County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1	Level- 5 Hospitals	407,861,272	407,861,272	20,393,064	5
2	Compensation for User Fee Foregone	13,701,379	13,701,379	-	-
3	Road Maintenance Fuel Levy Fund	132,277,544	132,277,544	33,719,250	25.5
4	Rehabilitation of Village Polytechnics	28,795,000	28,795,000	-	-
5	World Bank-Transforming Health Systems for Universal Care Project	50,000,000	50,000,000	15,081,053	30.2
6	IDA (World Bank) -Kenya Climate Smart Agriculture Project	117,000,000	117,000,000	40,980,203	35
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	117,000,000	117,000,000	40,980,203	35

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
8	IDA (World Bank) -Kenya Urban Support Project	236,639,100	276,639,100	236,639,100	100
9	DANIDA - Universal Healthcare to Devolved System Programme	16,605,000	16,605,000	-	-
10	Universal Health Care (UHC) -World Bank	-	-	79,947,195	-
Total		1,086,620,293	1,086,620,293	426,759,864	39.3

Source: Nyeri County Treasury

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

3.36.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.56 billion from the CRF account. The withdrawals represented 30.1 per cent of the Approved Supplementary Budget and translate to an increase of 34.5 per cent from Kshs1.9 billion approved in the first half of FY 2017/18. This comprised of Kshs.2.27 billion (88.8 per cent) to fund recurrent expenditure and Kshs.285.80 million (11.2 per cent) for development activities.

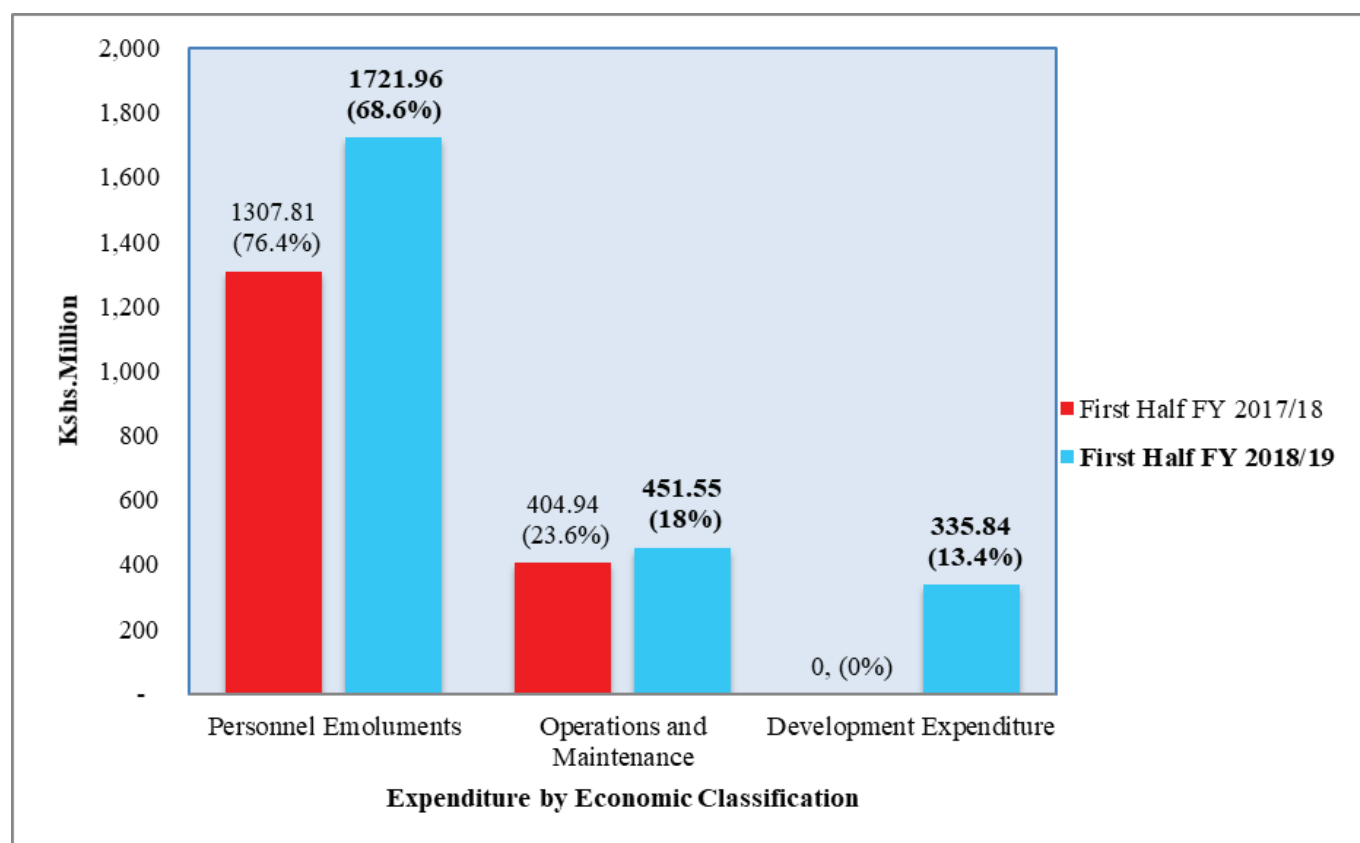
3.36.5 Overall Expenditure Review

The County government spent a total of Kshs.2.51 billion on both recurrent and development activities. This expenditure represented 98.1 per cent of the total funds released from the CRF account and was an increase of 46.5 per cent from Kshs.1.71 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.641.29 million for development activities and Kshs.138.31 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.17 billion while that on development activities was Kshs.335.84 million. The recurrent expenditure was 95.7 per cent of the funds released for recurrent activities, while development expenditure was 117.5 per cent of funds released for development activities.

The recurrent expenditure represented 39.4 per cent of the annual recurrent budget and was an increase from 31.1 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 11.3 per cent, while there was no expenditure in the first half of FY 2017/18. Figure 3.142 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

Figure 3.142: Nyeri County, Expenditure by Economic Classification



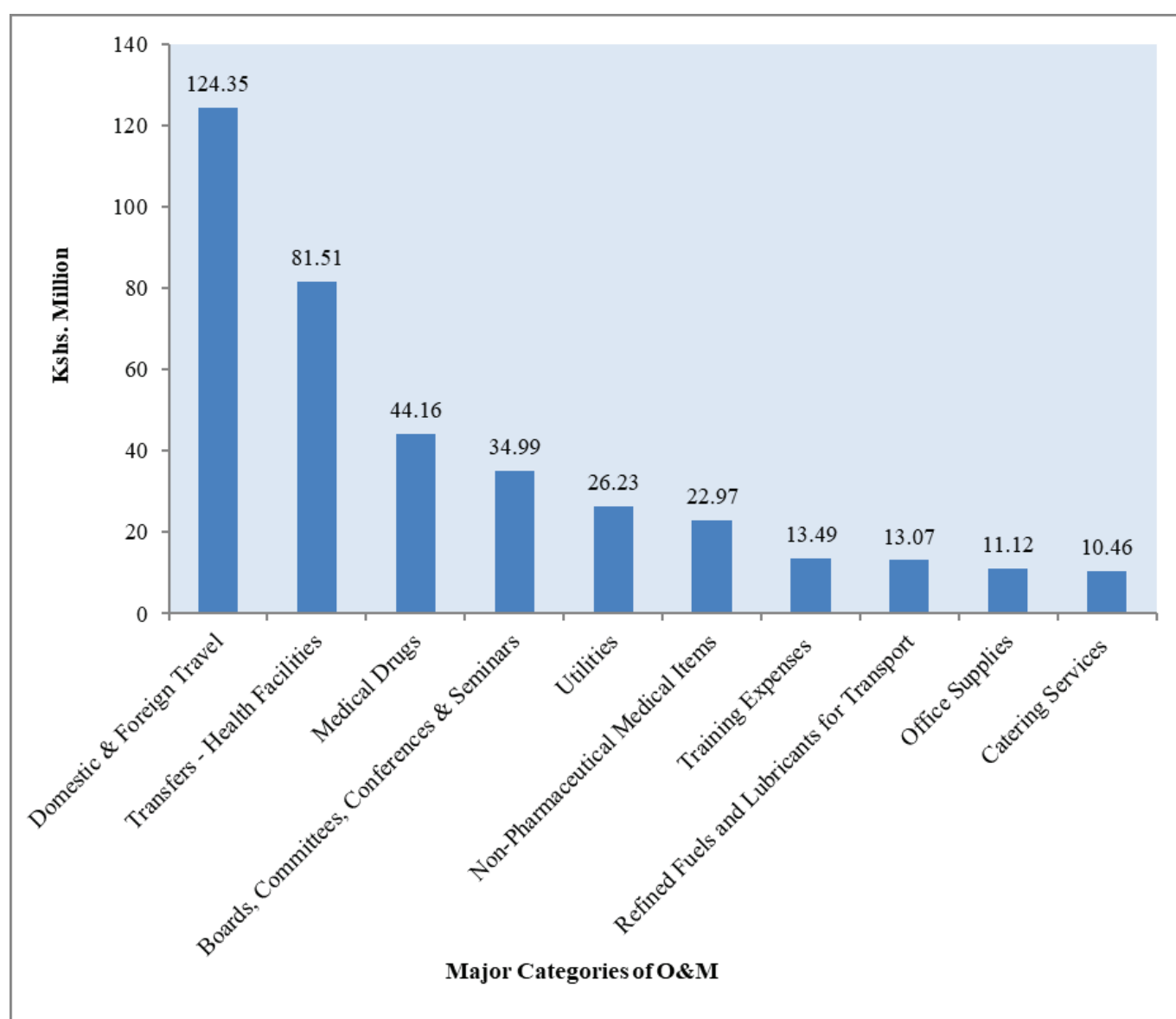
Source: Nyeri County Treasury

3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.17 billion comprised of Kshs.1.72 billion (79.2 per cent) incurred on personnel emoluments and Kshs.451.55 million (20.8 per cent) on operations and maintenance as shown in Figure 3.142.

Expenditure on personnel emoluments represented an increase of 31.7 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.31 billion, and was 68.6 per cent of total expenditure for the period. Figure 3.143 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.143: Nyeri County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Nyeri County Treasury

The County spent Kshs.21.45 million on MCAs' committee sitting allowances for the 45 MCAs against the annual budget allocation of Kshs.80.37 million. This amount represented an increase of 358.7 per cent compared to Kshs.4.68 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.79,433 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.102.58 million and comprised of Kshs.75.66 million spent by the County Assembly and Kshs.26.92 million spent by the County Executive and represented 4.7 per cent of total recurrent expenditure.

3.36.7 Development Expenditure

The total development expenditure of Kshs.335.84 million represented 11.3 per cent of the annual development budget of Kshs.2.97 billion. Table 3.103 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.103: Nyeri County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project name	Project Location	Annual Project Budget (Kshs.)	Half Year Expenditure (Kshs.)	Absorption Rate (%)
1	Recarpeting of Kimathi Way	Rware	53,872,650	47,599,480	88
2	Roads improvement	Rthegu, Gakawa, Konyu, Mugunda, Rware, Mweiga	45,603,981	45,603,981	100
3	Preparation - Spacial Plan	County-wide	29,832,949.00	29,832,949	100
4	Purchase of Lime	County-wide	18,152,747.00	18,152,747	100
5	Construction-Youth Polytechnic Workshop	Iriani, Kirimukuyu, Kabaru, Aguthi, Mukurwe-ini West, Endarasha	15,458,627	15,458,627	100
6	Construction and Renovation of EDCE Centres	Mweiga, Konyu, Magutu, Kabaru, Ruguru, Kirimukuyu, Gikondi, Aguthi, Wamagana, Mukurwe-ini West, Thegu, Rware, Mugunda, Rugi, Endarasha, Magutu	15,367,774	15,367,774	100
7	Bus park improvement	Karatina & Mukurwe-ini	9,216,826	9,216,826	100
8	Agricultural Materials & Small Equipment	County-wide	6,176,670	6,176,670	100
9	Markets Improvement	Nyeri Town & Ihururu	5,189,173	5,189,173	100
10	Supply of Seedlings & Fingerings	County-wide	3,248,050	3,248,050	100

Source: Nyeri County Treasury

3.36.8 Budget Performance by County Department

Table 3.104 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.104: Nyeri County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	155.68	53.10	70.57	-	42.30	-	59.9	-	27.2	0.0
Office of the County Secretary	222.58	15.19	28.64	-	15.32	-	53.5	-	6.9	0.0
Finance and Economic Planning	493.99	381.19	188.50	179.00	153.53	166.17	81.4	92.8	31.1	43.6
Lands, Physical Planning, Housing and Urbanization	52.61	357.55	21.05	-	15.06	0.61	71.6	-	28.6	0.2
Health, Public Health and sanitation	2,449.64	284.55	1,143.71	16.88	1,243.07	3.57	108.7	21.1	50.7	1.3
Gender and Social Services	123.24	20.38	27.78	-	18.91	-	68.1	-	15.3	0.0
County Public Service, Administration & Youth Affairs	182.57	5.00	78.91	-	80.62	-	102.2	-	44.2	0.0
Agriculture, Livestock and Fisheries	366.28	204.72	131.49	13.00	122.14	15.32	92.9	117.8	33.3	7.5

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Culture, Tourism & Cooperative Development	62.99	119.37	22.70	-	10.43	-	46.0	-	16.6	0.0
Education, Science and Technology	413.26	163.30	159.58	30.60	104.87	36.53	65.7	119.4	25.4	22.4
Water, Environment & Natural resources	139.55	320.31	50.47	-	52.87	-	104.8	-	37.9	-
County Public Service Board	41.22	-	15.75	-	12.67	-	80.5	-	30.7	-
Transport, Public Works & Infrastructure	158.94	1,046.46	66.48	44.60	38.61	111.93	58.1	251.0	24.3	10.7
County Assembly	659.45	5.00	268.10	1.72	263.10	1.72	98.1	100.0	39.9	34.4
TOTAL	5,522.00	2,976.13	2,273.72	285.80	2,173.52	335.84	95.6	117.5	39.4	11.3

Source: Nyeri County Treasury

Analysis of expenditure by department shows the Department of Finance & Economic Planning recorded the highest absorption rate of development budget at 43.6 per cent followed by the County Assembly at 34.4 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 39.9 per cent while the Office of the County Secretary had the lowest at 6.9 per cent.

3.36.9 Key Observations and Recommendations

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

- Compliance with Section 116 of the PFM Act, 2012 by ensuring that legislation establishing County Public Funds is gazetted.
- Improvement in own-source revenue collection compared to a similar period of FY 2017/18.
- Improvement in the absorption of development budget compared to a similar period of FY 2017/18.

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

- Failure by the National Treasury to disburse the equitable share of revenue raised nationally as per CARA, 2018.
- Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.

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

- The County Treasury should liaise with the National Treasury to ensure that allocated funds are released in a timely manner in line with CARA, 2018.*
- The County Treasury should ensure observance of the government expenditure timelines and put in place mechanisms for adherence with Section 166 of the PFM Act, 2012.*

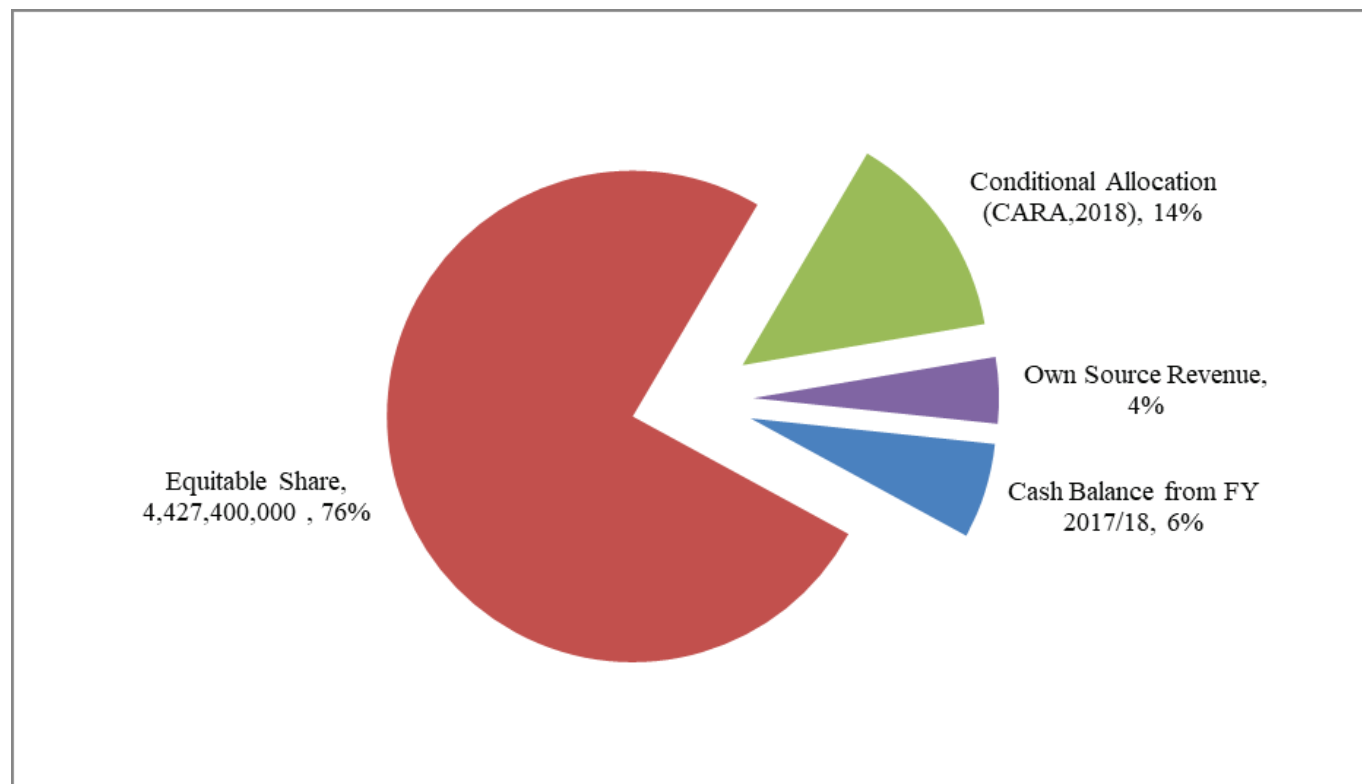
3.37 Samburu County

3.37.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.5.86 billion, comprising of Kshs.3.86 billion (65.8 per cent) and Kshs.2 billion (34.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.43 billion (76 per cent) as equitable share of revenue raised nationally, Kshs.811.22 million (14 per cent) as total conditional grants, generate Kshs.254.03 million (4 per cent) from own source of revenue, and Kshs.367.47 million (6 per cent) cash balance from FY 2017/18.

Figure 3.144: Samburu County Expected Sources of Budget Financing in FY 2018/19



Source: Samburu County Treasury

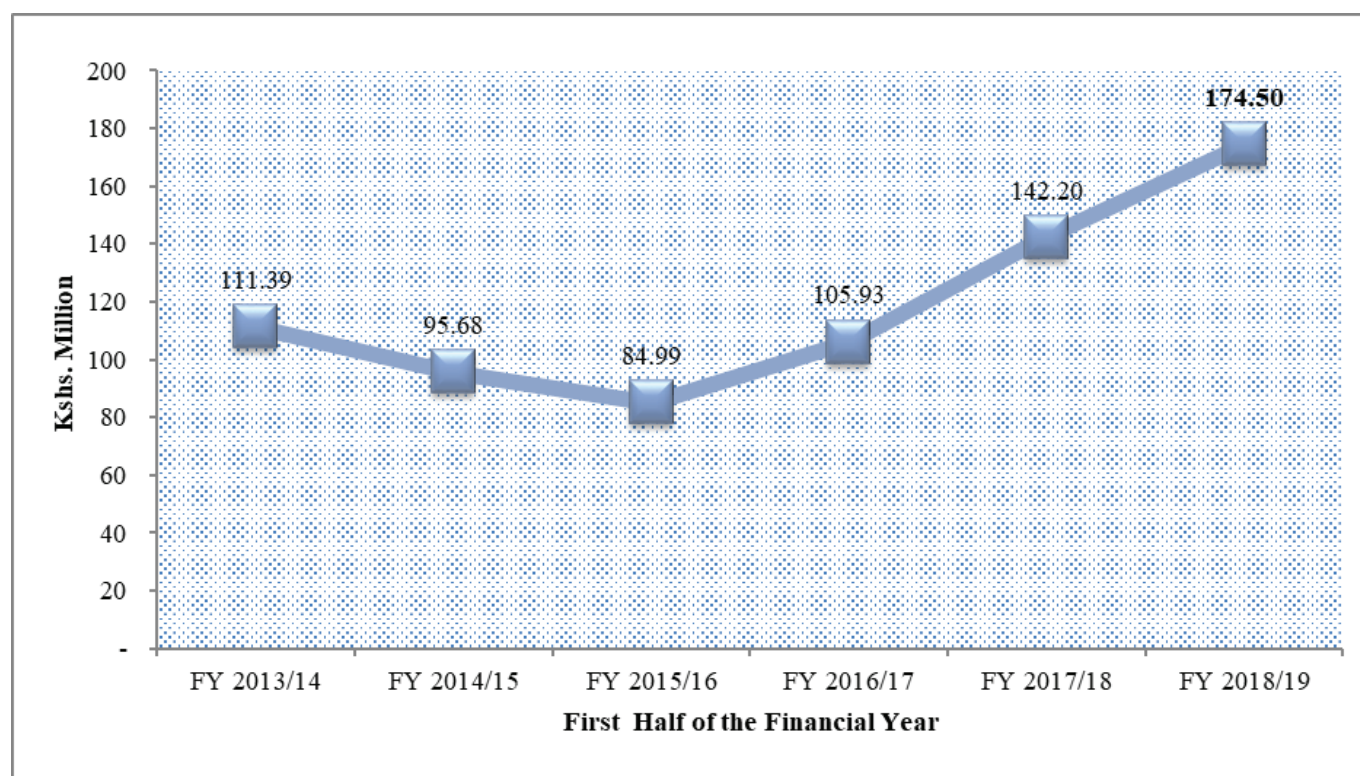
The conditional grants contained in the CARA, 2018 consist of; Kshs.97.14 million (20.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (29.7 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.39.33 million (8.3 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (10.6 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.12.76 million (2.7 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (14.8 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.41.2 million (8.7 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme “Level 2 grant”.

3.37.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.45 billion as equitable share of revenue raised nationally, Kshs.125.72 million as total conditional grants, raised Kshs.174.5 million from own source revenue. The total available funds amounted to Kshs.1.75 billion.

Figure 3.145 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.145: Samburu County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19



Source: Samburu County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.174.50 million as own-source revenue. The own-source revenue collected during the period represented an increase of 22.7 per cent compared to Kshs.142.2 million realised during the same period of the FY 2017/18 and represented 68.7 per cent of the annual target.

3.37.3 Conditional Grants

The County received Kshs.125.72 million as conditional grants as shown in Table 3.105.

Table 3.105: Samburu County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants	Annual Allocation per CARA, 2018 (in Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants Contained in the CARA, 2018					
1	Agriculture Sector Development Support Programme (ASDSP)	18,839,203	18,839,203	-	-
2	Compensation for User Fee Foregone	5,235,578	5,235,578	-	-
3	Leasing of Medial Equipment	200,000,000	200,000,000	-	-
4	ADSP	22,652,198	-	-	-
5	Road Maintenance Fuel Levy	116,569,586	116,569,586	46,441,197	39.8
6	Rehabilitation of Village Polytechnics	20,905,000	20,905,000	-	-

S/No	Grants	Annual Allocation per CARA, 2018 (in Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
8	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
9	Kenya Devolution Support Project (KDSP) "Level 1 grant"	39,330,852	39,330,852	-	-
10	Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100.0
11	DANIDA Grant	12,757,500	12,757,500	6,378,750	50.0
12	EU Grant	70,000,000	70,000,000		-
13	IDA (World Bank) Kenya Urban Support Project - Urban Institutional Grants	41,200,000	40,000,000		-
Total		835,068,690	811,216,492	125,719,747	15.5

Source: Samburu County Treasury

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

3.37.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.1.45 billion from the CRF account. The withdrawals represented 27.4 per cent of the Approved Budget and translated to a decrease of 20.1 per cent from Kshs.1.82 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.26 billion (86.7 per cent) to fund recurrent expenditure and Kshs.194 million (13.3 per cent) for development activities.

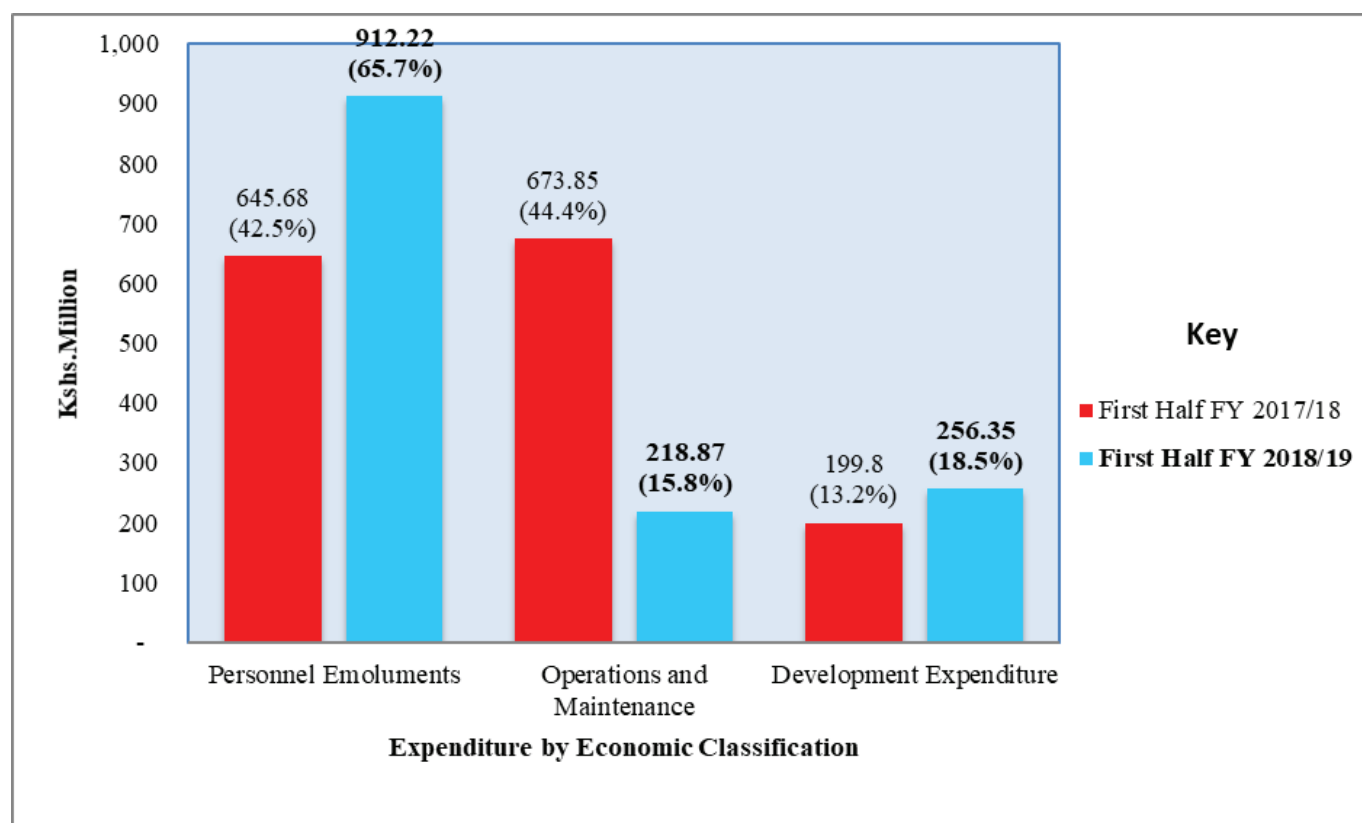
3.37.5 Overall Expenditure Review

The County government spent a total of Kshs.1.39 billion on recurrent and development activities. The total expenditure represented 95.4 per cent of the total funds released from the CRF account and was a decline of 8.7 per cent from Kshs.1.52 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.247.67 million for development activities and Kshs.184.08 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.13 billion while Kshs.256.35 million was spent on development activities. The recurrent expenditure was 87.7 per cent of the funds released for recurrent activities, while development expenditure was 132.1 per cent of funds released for development activities.

The recurrent expenditure represented 29.3 per cent of the annual recurrent budget, a decrease from 41.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 12.8 per cent, which was a decrease from 13.7 per cent attained in the first half of FY 2017/18. Figure 3.146 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.146: Samburu County, Expenditure by Economic Classification



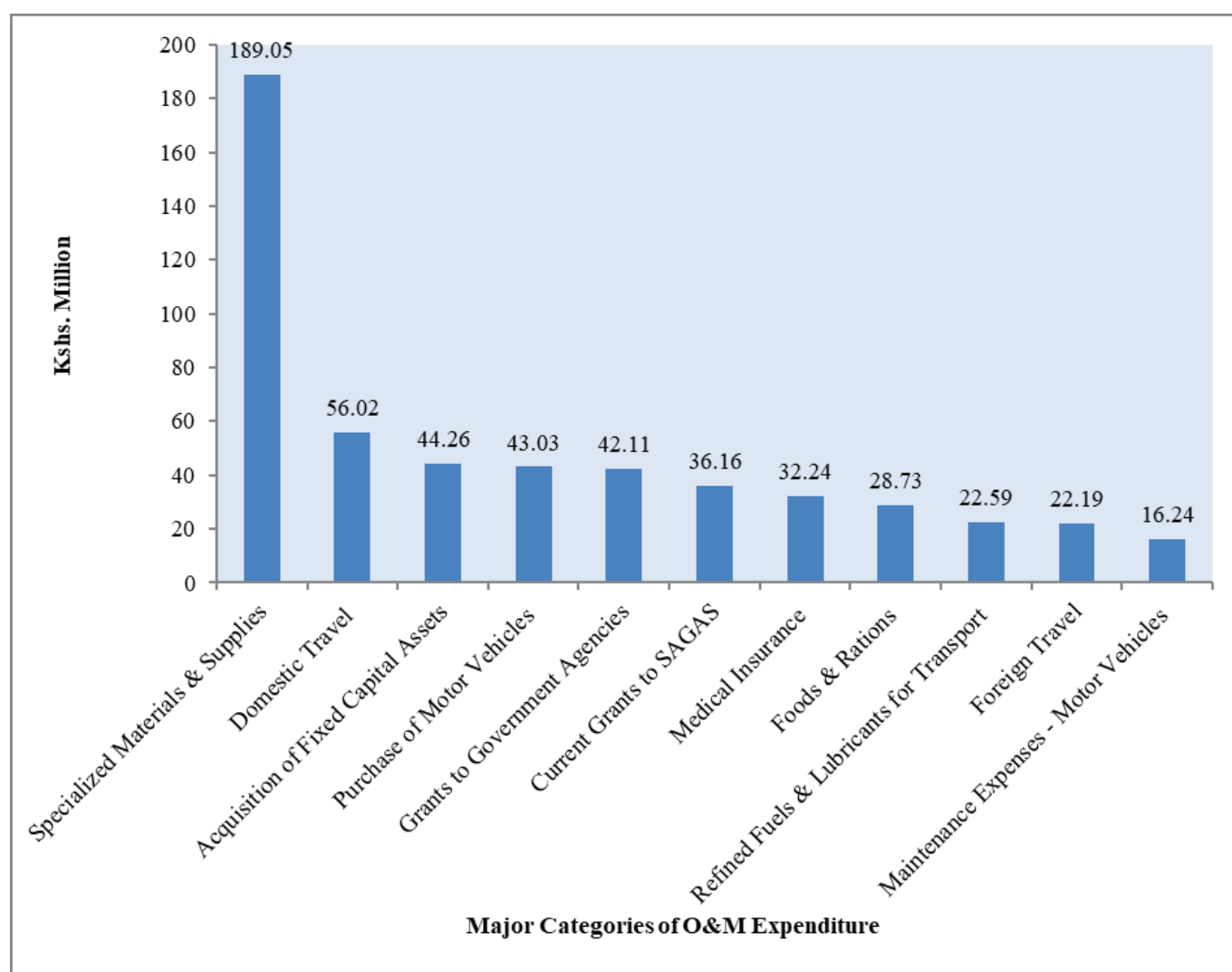
Source: Samburu County Treasury

3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.13 billion comprised of Kshs.912.22 billion (80.6 per cent) incurred on personnel emoluments and Kshs.218.87 million (19.4 per cent) on operations and maintenance as shown in Figure 3.146.

Expenditure on personnel emoluments represented an increase of 41.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.645.68 million, and was 65.7 per cent of total expenditure in the first half of FY 2018/19. Figure 3.147 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.147: Samburu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Samburu County Treasury

The County spent Kshs.18.59 million to cater for the MCAs' committee sitting allowances for the 28 MCAs against the annual budget allocation of Kshs.25.47 million. This represented a decline of 32.9 per cent compared to Kshs.27.69 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.110,631 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.56.02 million and comprised of Kshs.17.12 million spent by the County Assembly and Kshs.38.90 million spent by the County Executive. This represented 5 per cent of total recurrent expenditure and was a decrease of 9.2 per cent compared to Kshs.61.71 million spent in the first half of FY 2017/18.

3.37.7 Development Expenditure

The total development expenditure of Kshs.256.35 million represented 12.8 per cent of the annual development budget of Kshs.1.93 billion. Table 3.106 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.106: Samburu County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Residential Buildings (including hostels)	10,761,338	2,988,834	27.8
2	Non-Residential Buildings (offices, schools, hospitals, etc.)	242,021,549	29,808,466	12.3
3	Construction of Buildings	275,569,634	34,496,604	12.5
4	Major Roads	68,000,000	16,710,429	24.6
5	Access Roads	144,200,000	21,534,500	14.9
6	Construction of Roads	97,500,000	18,560,858	19.0
7	Bridges Constructed	23,009,174	8,165,625	35.5
8	Other Infrastructure and Civil Works	507,674,244	78,413,520	15.4
9	Purchase of Medical and Dental Equipment	236,558,825	28,245,648	11.9
10	Purchase of ICT Networking and Communication Equipment	46,160,890	11,455,464	24.8

Source: Samburu County Treasury

3.37.8 Budget Performance by County Department

Table 3.107 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.107: Samburu County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	474.01	75.00	166.81	-	166.81	-	100.0	-	35.2	-
County Executive	420.25	17.90	131.03	-	131.03	7.44	100.0	-	31.2	41.6
Finance & Economic planning	638.60	44.16	161.34	-	161.34	9.49	100.0	-	25.3	21.5
Agriculture, Livestock, Veterinary & Fisheries	327.73	278.83	96.99	28.00	96.99	17.66	100.0	63.1	29.6	6.3
Environment & Natural Resources	171.49	302.16	66.81	32.00	65.16	40.37	97.5	126.2	38.0	13.4
Education, Youth Affairs & Social Development	364.05	175.10	105.70	-	105.70	8.85	100.0	-	29.0	5.1
County Health Services	887.51	342.11	407.57	43.00	407.57	46.54	100.0	108.2	45.9	13.6
Lands, Physical Planning and Urban Development	128.48	126.66	38.37	13.00	21.55	8.79	56.2	67.6	16.8	6.9
County Transport, Public Works and Water Services	116.73	431.74	31.90	53.00	31.35	56.95	98.3	107.5	26.9	13.2
Trade, Tourism, Cooperatives and Enterprise Development	190.94	171.55	53.93	25.00	45.36	53.75	84.1	215.0	23.8	31.3
Culture, Social Services and Gender	136.43	39.69	-	-	47.89	6.52	-	-	35.1	16.4
TOTAL	3,856.21	2,004.91	1,260.45	194.00	1,131.08	256.35	89.7	132.1	29.3	12.8

Source: Samburu County Treasury

According to the data from the County Treasury, the Department of Trade, Tourism, Cooperatives and Enterprise Development recorded the highest absorption rate of development budget at 31.3 per cent while the County Assembly did not incur any development expenditure. The County Health Services Department had the highest percentage of recurrent expenditure to recurrent budget at 45.9 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest at 16.8 per cent.

3.37.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection from Kshs.142.2 million realised in a similar period of FY 2017/18 to Kshs.174.5 million in the reporting period.
- ii. Improved internet connectivity, resulting into effective use of IFMIS.

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

1. The County's wage bill has remained high, having increased by 41.3 per cent from Kshs.645.68 million in the first half of FY 2017/18 to Kshs.912.22 million in the period under review.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

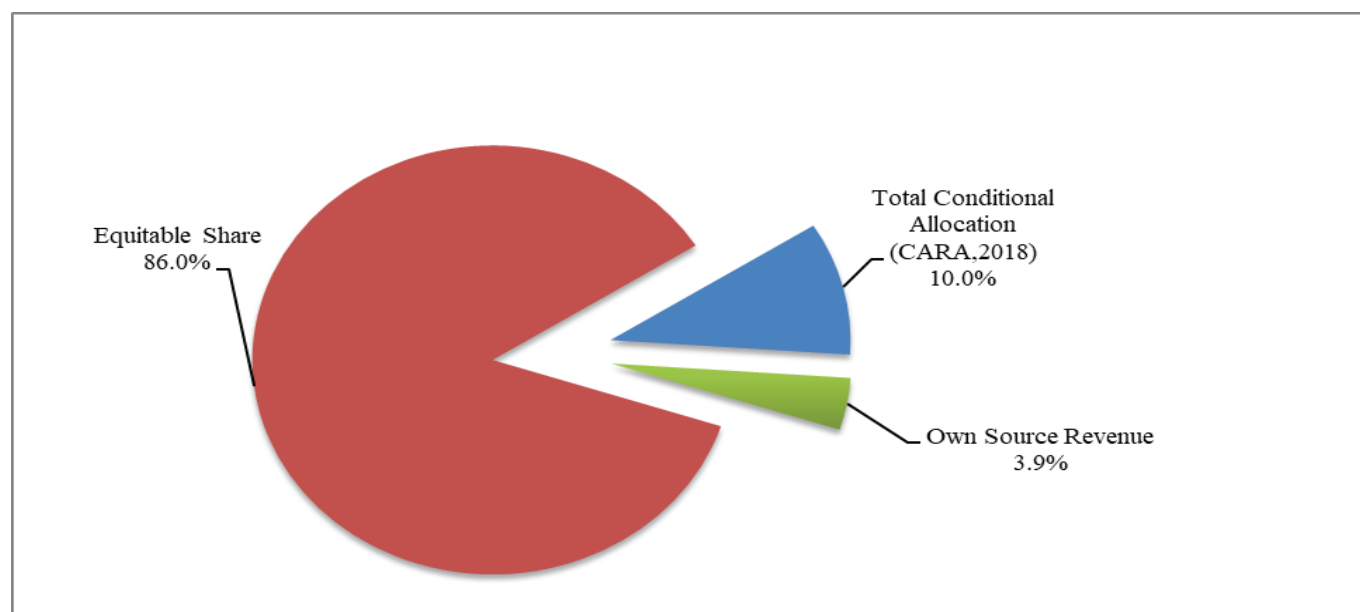
3.38 Siaya County

3.38.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.7.01 billion, comprising of Kshs.4.44 billion (63.4 per cent) and Kshs.2.56 billion (36.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.03 billion (86 per cent) as equitable share of revenue raised nationally, Kshs.703.79 million (10 per cent) as total conditional grants and generate Kshs.275 million (3.9 per cent) from own sources of revenue.

Figure 3.148: Siaya County Sources of Budget Financing in FY 2018/19



Source: Siaya County Treasury

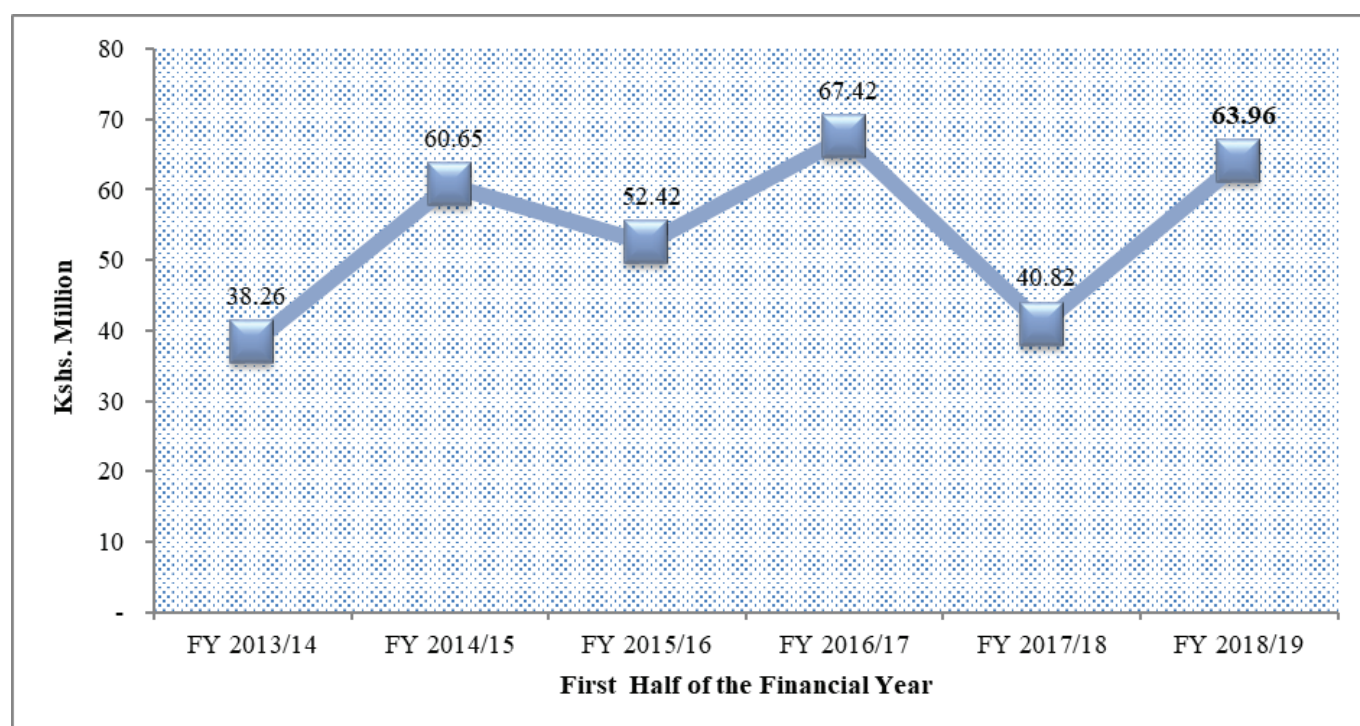
The conditional grants contained in the CARA, 2018 consist of; Kshs.56.76 million (8.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (16.6 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.46.08 million (6.5 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (7.1 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.18.53 million (2.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.18.19 million (2.6 per cent) as Compensation for User Fees Foregone, Kshs.200 million (28.4 per cent) for Leasing of Medical Equipment, Kshs.158.73 million (22.6 per cent) from Road Maintenance Fuel Levy, and Kshs.38.5 million (5.5 per cent) for Rehabilitation of Village Polytechnics

3.38.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.87 billion as equitable share of revenue raised nationally, Kshs.101.11 million as total conditional grants, raised Kshs.63.96 million from own-source revenue, and had a cash balance of Kshs.1.24 billion from FY 2017/18. The total funds available for the period amounted to Kshs.3.27 billion.

Figure 3.149 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.149: Siaya County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Siaya County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.63.96 million from own-source revenue sources. This amount was an increase of 56.7 per cent when compared to Kshs.40.82 million realised during the same period of FY 2017/18 and represented 23.3 per cent of the annual target.

3.38.3 Conditional Grants

The County received Kshs.101.11 million as conditional grants as shown in Table 3.108

Table 3.108: Siaya County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants	Annual Allocation per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
	Grants/Loans contained in CARA, 2018				
1	Leasing of Medical Equipment Grant	200,000,000	200,000,000	-	-
2	Conditional Allocation from the Road Maintenance Fuel Levy Fund	158,733,053	158,733,053	-	-
3	World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	38,278,224	32.7
4	World Bank credit for Transforming Health Systems for Universal Care Project	56,758,154	56,758,154	3,569,181	6.3
5	World Bank credit for Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100
6	World Bank credit for Kenya Devolution Support Project (KDSP) - Level 1	46,076,429	46,076,429	-	-
7	Conditional Allocation for Rehabilitation of Youth Polytechnics	38,500,000	38,500,000	-	-
8	DANIDA grant - Universal Healthcare for Devolved System Program	18,528,750	18,528,750	9,264,375	50
9	Compensation for User Fees Foregone	18,194,808	18,194,808	-	-
Total		703,791,194	703,791,194	101,111,780	14.4

Source: Siaya County Treasury

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

3.38.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.39 billion from the CRF account. The withdrawals represented 34.1 per cent of the Approved Budget and translate to an increase of 68 per cent from Kshs.1.42 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.14 billion (89.4 per cent) to fund recurrent expenditure and Kshs.253.5 million (10.6 per cent) for development activities.

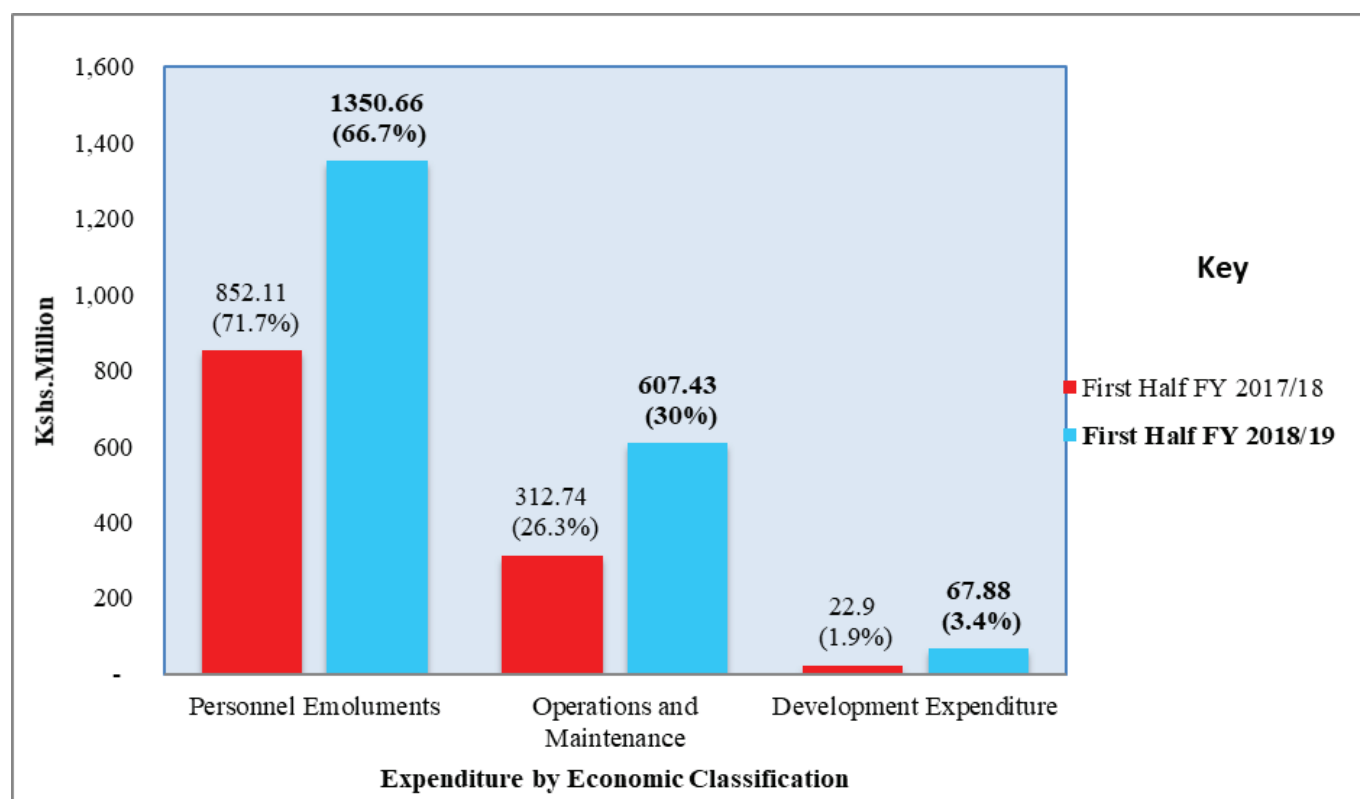
3.38.5 Overall Expenditure Review

The County government spent a total of Kshs.2.03 billion on both recurrent and development activities. This expenditure represented 84.7 per cent of the total funds released from the CRF account and was an increase of 70.6 per cent from Kshs.1.19 billion spent in the first half of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.1.96 billion while that on development activities was Kshs.67.88 million. The recurrent expenditure was 91.6 per cent of the funds released for recurrent activities, while development expenditure was 26.8 per cent of funds released for development activities.

The recurrent expenditure represented 44.1 per cent of the annual recurrent budget an increase from 25.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 2.6 per cent, while there was no expenditure on development activities in the first half of FY 2017/18. Figure 3.150 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.150: Siaya County, Expenditure by Economic Classification



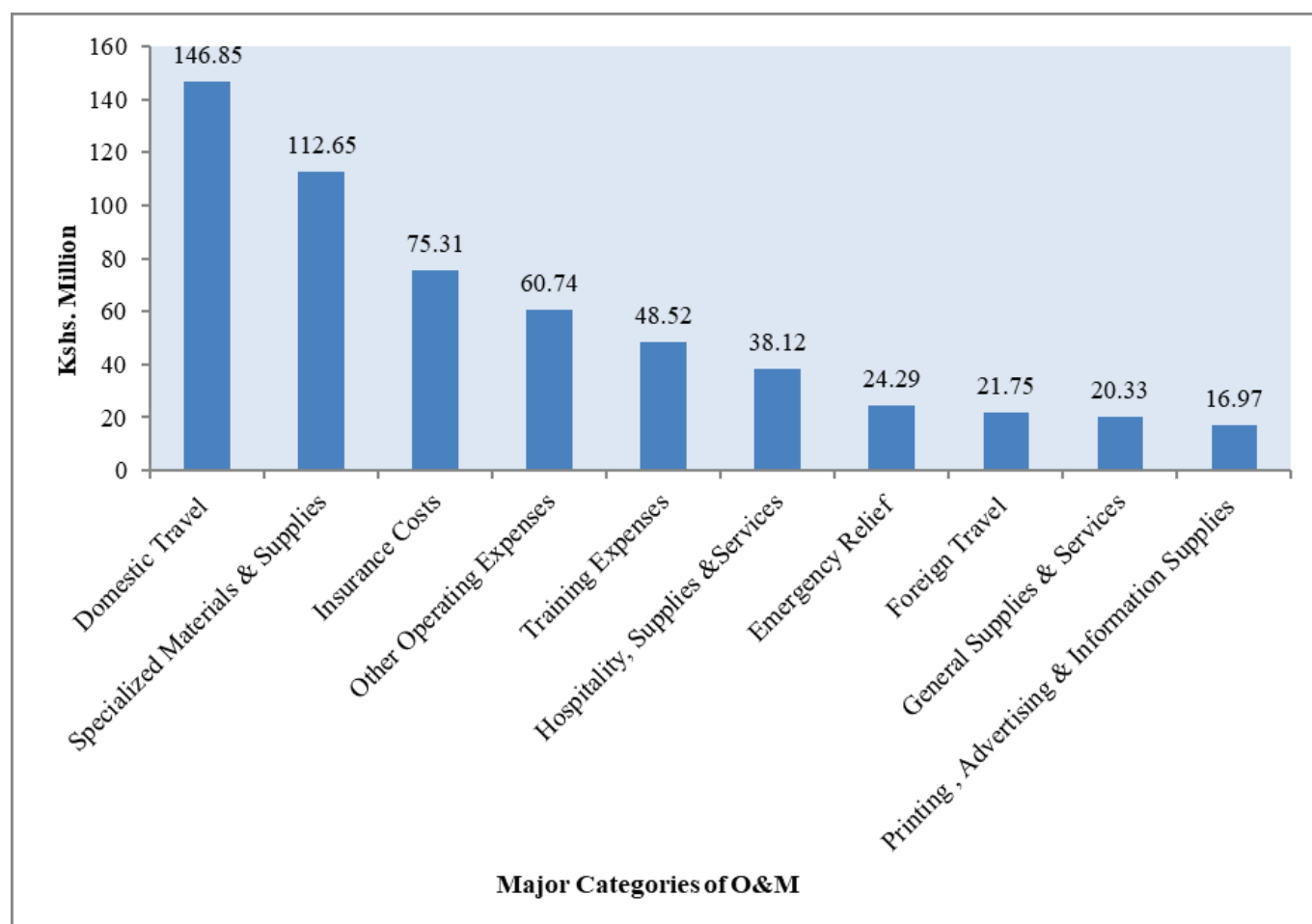
Source: Siaya County Treasury

3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.96 billion comprised of Kshs.1.35 billion (69 per cent) incurred on personnel emoluments and Kshs.607.43 million (31 per cent) on operations and maintenance as shown in Figure 3.150.

Expenditure on personnel emoluments represented an increase of 58.5 per cent compared to the first half of FY 2017/18 when the County spent Kshs.852.11 million, and was 66.7 per cent of total expenditure for the period. Figure 3.151 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.151: Siaya County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Siaya County Treasury

The County spent Kshs.24.1 million on MCAs' committee sitting allowances for the 43 MCAs against the annual budget allocation of Kshs.47.93 million. This amount represented an increase of 647 per cent compared to Kshs.3.23 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.93,407 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.168.6 million and comprised of Kshs.53.65 million spent by the County Assembly and Kshs.114.95 million spent by the County Executive. This represented 7.5 per cent of total recurrent expenditure.

3.38.7 Development Expenditure

The total development expenditure of Kshs.67.88 million represented 2.6 per cent of the annual development budget of Kshs.2.57 billion. Table 3.111 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.111: Siaya County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project location	Project budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Proposed Construction of Stadium for the County Government of Siaya	Siaya Town	100,000,000	39,466,177	39.5
2	Grading And Gravelling of Kogado Kolo Road	North Uyoma	4,146,732	4,945,393	119.3
3	Maintenance of Segere Uhuru Ogaso Road	Central Alego	4,600,212	4,524,696	98.4
4	Construction of Fuludhi Box Culvert	North Gem	8,353,382	4,214,309	50.5
5	Maintenance of Siaya Akala Road	South East Alego	4,046,700	4,035,524	99.7
6	Maintenanncce of Tingwangi Randago Road	South East Alego	3,844,787	3,826,716	99.5
7	Maintenance of Pap Kodero Kagowi Road	West Uyoma	5,770,750	2,776,988	48.1
8	Maintenance of Pap Kodero Kagowi Road	West Uyoma	5,770,750	2,277,660	39.5
9	Maintenance of Kahagia Junction Bar Achuth Road	North Ugenya	6,278,235	1,816,560	28.9

Source: Siaya County Treasury

3.38.8 Budget Performance by County Department

Table 3.112 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.112: Siaya County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	571.08	135.15	300.72	-	351.53	-	116.9	-	61.6	-
Finance, Planning and Vision 2030	565.00	2.00	299.00	-	386.86	-	129.4	-	68.5	-
Agriculture, Livestock & Fisheries	266.75	167.00	141.20	-	145.43	-	103	-	54.5	-
Water, Environment & Natural Resources	84.42	306.05	47.03	-	30.86	-	65.6	-	36.6	-
Education, Youth Affairs, Sports & Social Services	264.96	224.45	95.97	38.5	49.48	-	51.6	-	18.7	-
Health Services	1,691.22	376.60	750.08	-	652.40	-	87.0	-	38.6	-
Lands, Housing, Physical Planning & Survey	71.45	105.30	28.79	50.00	13.71	-	47.6	-	19.2	-
Trade, Industry and Cooperative Development	90.14	151.98	36.80	-	27.06	-	73.5	-	30.0	-
Tourism and ICT	107.61	138.15	61.04	39.47	9.35	39.47	15.3	100.0	8.7	28.6
Roads, Transport & Public Works	81.13	699.59	44.33	125.53	6.83	28.42	15.4	22.6	8.4	4.1
County Assembly	648.66	258.90	332.20	-	284.58	-	85.7	-	43.9	-
TOTAL	4,442.42	2,565.17	2,137.17	253.50	1,958.10	67.88	91.6	26.8	44.1	2.6

Source: Siaya County Treasury

Analysis of expenditure by department shows the Department of Tourism and ICT recorded the highest absorption rate of development budget at 28.6 per cent followed by the Department of Roads, Transport & Public Works at 4.1 per cent. The Department of Finance, Planning and Vision 2030 had the highest percentage of recurrent expenditure to recurrent budget at 68.5 per cent while the Department of Roads, Transport & Public Works had the lowest at 8.4 per cent.

3.38.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation:

1. Delay in disbursement of the equitable share of revenue raised by the National Treasury.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Failure to factor in Kshs.1.24 billion cash balance from the FY 2017/18 in the current financial year's budget.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Failure to constitute a County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2018.*
2. *The County should liaise with the IFMIS Directorate to address IFMIS connectivity challenges.*
3. *The County should prepare a Supplementary Budget and factor in the Kshs.1.24 billion cash balance from FY 2017/18.*
4. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
5. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

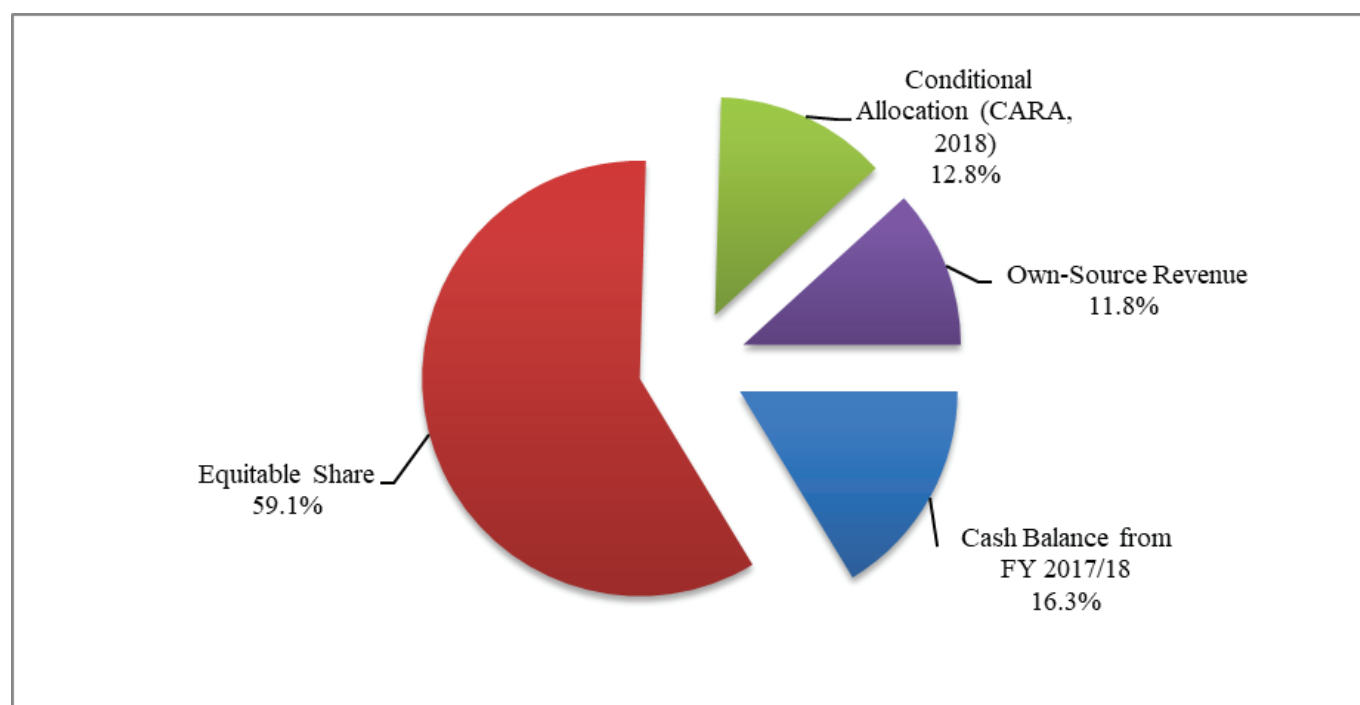
3.39 Taita Taveta County

3.39.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.5.85 billion, comprising of Kshs.3.87 billion (66.2 per cent) and Kshs.1.97 billion (33.8per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.05 billion (59.1 per cent) as equitable share of revenue raised nationally, Kshs.1.18 billion (12.8 per cent) as total conditional grants, generate Kshs.300 million (11.8 per cent) from own revenue sources, and Kshs.311.66 million (16.3 per cent) cash balance from FY 2017/18.

Figure 3.152: Taita Taveta County Sources of Budget Financing in FY 2018/19.



Source: Taita Taveta County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.50 million (4.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (14.3 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.39.33 million (4.8 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (6.1 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.13.06 million (1.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (11 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.400 million (48.7 per cent) from IDA (World Bank) credit for Water & Sanitation Development Project (WSDP), Kshs.41.2 million (5 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme “Level 2 grant”, and Kshs.19.99 million (2.4 per cent) as grant from Sweden for Agriculture sector Development support programme (ASDSP).

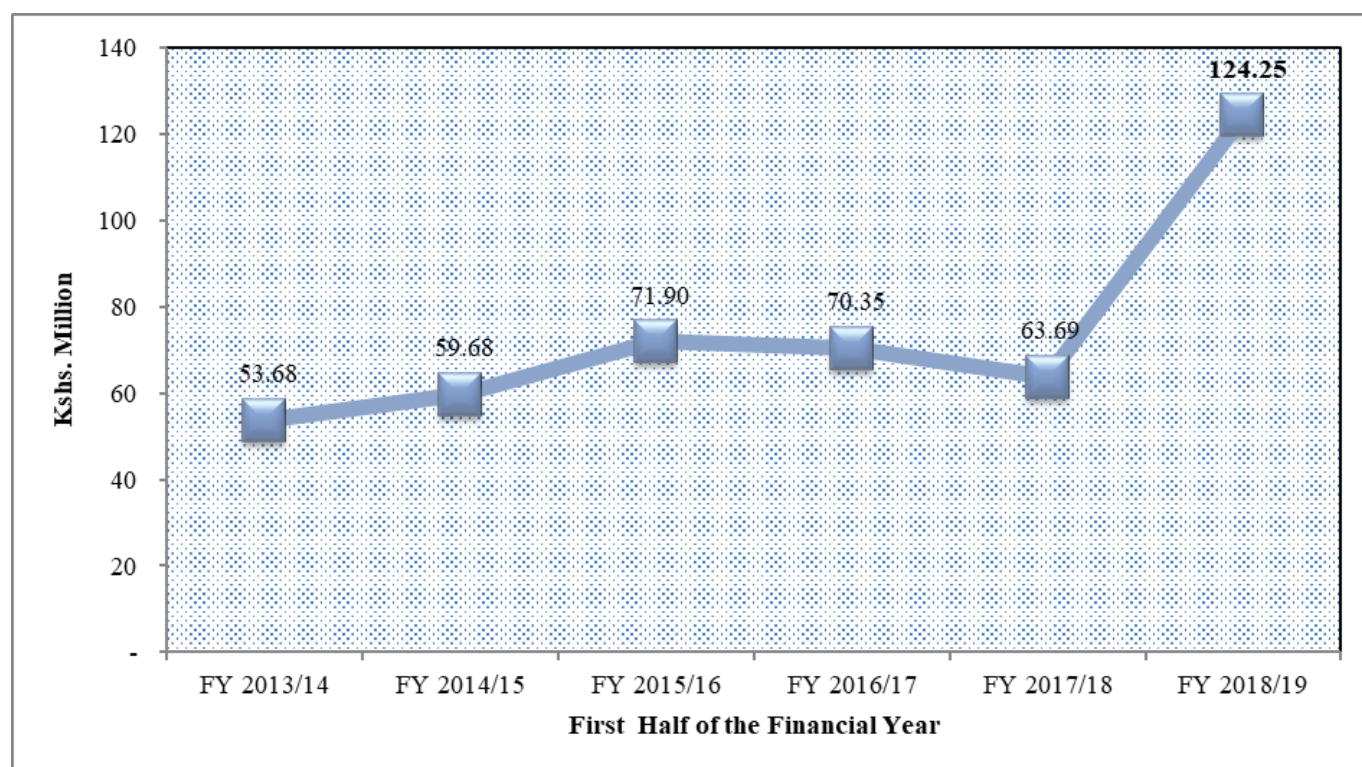
In addition, the County also budgeted to receive Kshs.131.73 million (11.1 per cent) from the Road Maintenance Fuel Levy, Kshs.5.3 million (0.4 per cent) as Compensation for User Fees Foregone, Kshs.99.42 million (8.4 per cent) for Rehabilitation of Village Polytechnics and Kshs.136.77 million(11.6 per cent) as Grant from other Development Partners.

3.39.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.26 billion as equitable share of revenue raised nationally, Kshs.172.76 million as total conditional grants, raised Kshs.124.25 million from own-source revenue, and had a cash balance of Kshs.311.66 million from FY 2017/18. The total funds available for the period amounted to Kshs.1.85 billion.

Figure 3.153 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.153: Taita Taveta County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Taita Taveta County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.124.25 million from own-source revenue sources. This amount was an increase of 95.1 per cent when compared to Kshs.63.69 million realised during the same period of FY 2017/18, and represented 41.4 per cent of the annual target.

3.39.3 Conditional Grants

The County received Kshs.172.76 million as conditional grants during the reporting period as shown in Table 3.113.

Table 3.113: Taita Taveta County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Water and Sanitation Development Project (WSDP)	400,000,000	399,994,798		-
2	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	40,805,066	34.9
3	EU Grant (instruments for Devolution Advice and Support IDEAS)	90,000,000	90,000,000	51,979,709	57.8
4	Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100
5	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	9,093,409	18.2

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
7	Kenya Devolution Support Project (KDSP) Urban Intuitional Grants(UG) b/f in FY 2017-18	41,200,000	40,000,000	-	-
8	DANIDA Grant (Universal Healthcare in Developed System Program)	13,061,250	18,316,734	20,879,518	114
9	Sweden: Agriculture Sector Development support programme(ASDSP)	19,996,264	5,500,000	-	-
Sub Total		820,585,453	810,139,471	172,757,702	21.3
B	Other Grants				
10	Grants From Development Partners	-	136,772,544	-	-
11	Road Maintenance Fuel Levy	-	131,730,957	-	-
12	Rehabilitation of Village polytechnics	-	99,422,167	-	-
13	Compensation for User Fee Foregone	-	5,296,305	-	-
Sub Total		-	373,221,973	-	-
Total		820,585,453	1,183,361,444	172,757,702	14.6

Source: Taita Taveta County Treasury

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant which accounted for 114 per cent, of annual allocation.

3.39.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.1.76 billion from the CRF account. The withdrawals represented 30.1 per cent of the Approved Budget and translated to an increase of 15.5 per cent from Kshs.1.52 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.54 billion (87.3 per cent) to fund recurrent expenditure and Kshs.216.77 million (12.3 per cent) for development activities.

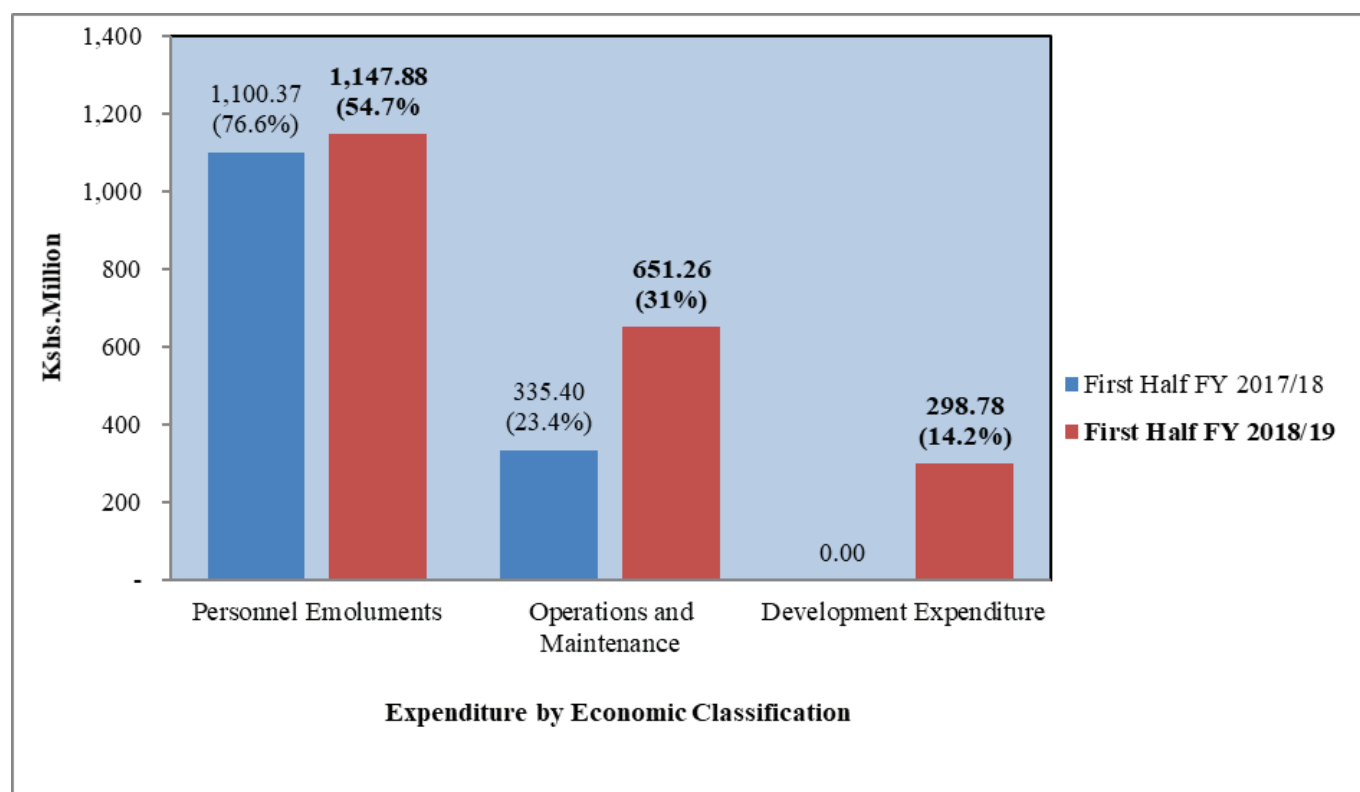
3.39.5 Overall Expenditure Review

The County government spent a total of Kshs.2.1 billion on both recurrent and development activities. This expenditure represented 119.1 per cent of the total funds released from the CRF account and was an increase of 46.1 per cent from Kshs.1.44 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.256.79 million for development activities and Kshs.55.75 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.8 billion while that on development activities was Kshs.298.78 million. The recurrent expenditure was 116.5 per cent of the funds released for recurrent activities, while development expenditure was 137.8 per cent of funds released for development activities.

The recurrent expenditure represented 46.5 per cent of the annual recurrent budget and was an increase from 44.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 15.1 per cent, which was an improvement compared to the first half of FY 2017/18 when the County did not record any development expenditure. Figure 3.153 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.153: Taita Taveta County, Expenditure by Economic Classification



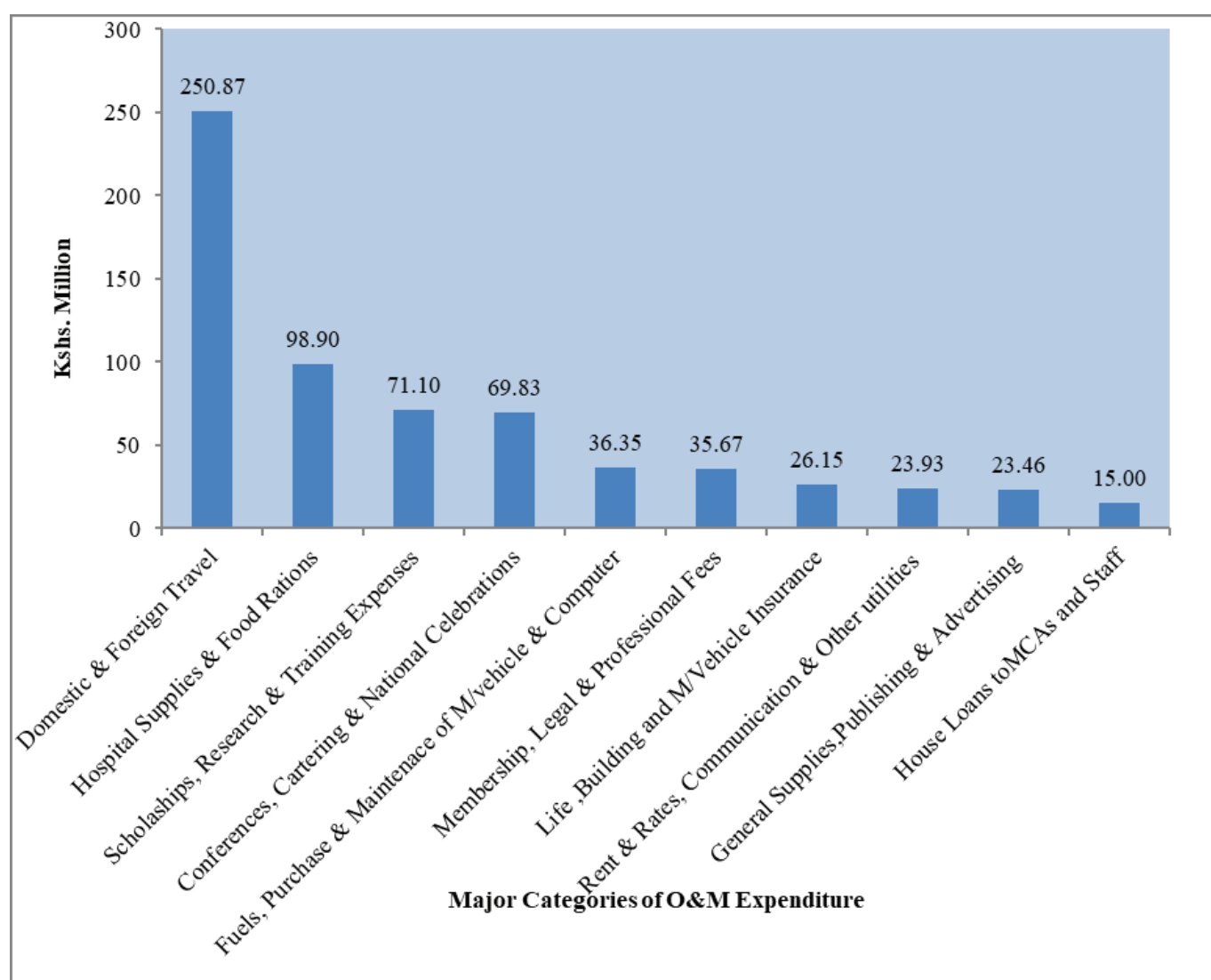
Source: Taita Taveta County Treasury

3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.8 billion comprised of Kshs.1.15 billion (63.8 per cent) incurred on personnel emoluments and Kshs.651.26 million (36.2 per cent) on operations and maintenance as shown in Figure 3.153.

Expenditure on personnel emoluments represented a decrease of 4.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.10 billion, and was 54.7 per cent of total expenditure for the period. Figure 3.154 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.154: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Taita Taveta County Treasury

The County spent Kshs.16.22 million on MCAs' committee sitting allowances for the 35 MCAs against the annual budget allocation of Kshs.32.45 million. This amount represented a decline of 7.3 per cent compared to Kshs.17.49 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.77,220 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.250.87 million and comprised of Kshs.119.30 million spent by the County Assembly and Kshs.131.57 million spent by the County Executive. This represented 14 per cent of total recurrent expenditure and was an increase of 53.3 per cent compared to Kshs.163.61 million spent in the first half of FY 2017/18.

3.39.7 Development Expenditure

The total development expenditure of Kshs.298.78 million represented 15.1 per cent of the annual development budget of Kshs.1.98 billion. Table 3.114 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.114: Taita Taveta County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Water Projects & Bore Hole	County Wide	158,500,000	27,400,863	17.3
2	Construction and Maintenance of Access Roads	County Wide	131,730,957	35,937,249	27.3
3	Refurbishment of County Assembly Headquarter	Headquarters	105,000,000	30,309,437	28.9
4	Construction of ECD Classrooms	County Wide	100,801,967	33,750,597	33.5
5	VTC Capitation & support programme	County Wide	99,422,167	56,925,887	57.3
6	Completion and maintenance of access roads	County Wide	85,725,000	35,937,249	41.9
7	Purchase of Artificial Insemination Semen Kit, Vacancies and Certified Crop Seed	Headquarters	50,759,706	16,783,422	33.1
8	Purchase of ICT Networking and Communication Equipment	Headquarters	23,700,000	1,564,300	6.6

Source: Taita Taveta County Treasury

3.39.8 Budget Performance by County Department

Table 3.115 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.115: Taita Taveta County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	590.00	105.00	220.88	-	349.34	30.31	158.2	-	59.2	28.9
Administration and Devolution	2,268.83	6.00	942.86	0.86	1,014.58	-	107.6	-	44.7	0.0
The Governor's and Deputy Governor's Office	111.99	32.70	58.02	4.71	78.91	1.56	136.0	33.1	70.5	4.8
Finance and Economic Planning	231.95	5.00	88.72	0.60	126.49	-	142.6	-	54.5	-
Agriculture, Livestock and Fisheries	45.64	285.74	23.05	51.35	11.49	16.78	49.8	32.7	25.2	5.9
Water and Irrigation	19.92	558.49	9.67	22.82	6.53	27.40	67.5	120.1	32.8	4.9
Education and Libraries	204.15	227.92	61.61	18.64	53.63	90.68	87.0	486.5	26.3	39.8
Health Services	222.76	169.99	94.88	34.75	119.65	42.15	126.1	121.3	53.7	24.8

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Tourism and Cooperative Development	37.06	53.80	13.67	7.75	10.09	24.85	73.8	320.6	27.2	46.2
County Public Service Board	17.30		5.45	-	9.01	-	165.3	-	52.1	-
Public Works, Housing and Infrastructure	27.36	280.76	10.07	46.39	5.51	64.30	54.7	138.6	20.1	22.9
Lands, Environment and Natural Resources	63.79	89.00	6.99	5.61	13.92	0.75	199.1	13.3	21.8	0.8
Mining	9.11	6.70	2.89	1.08	-	-	-	-	-	-
Youth, Gender, Sports, Culture and Social Services	20.45	154.20	5.49	22.20	-	-	-	-	-	-
TOTAL	3,870.31	1,975.30	1,544.25	216.76	1,799.15	298.78	116.5	137.8	46.5	15.1

Source: Taita Taveta County Treasury

Analysis of expenditure by department shows that the Department of Trade, Tourism and Cooperative Development recorded the highest absorption rate of development budget at 46.2 per cent while the Administration, Finance & Planning, Mining and Department of Youth, Gender, Sports, Culture & Social Services did not incur any development expenditure. The Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 70.5 per cent while the Department of Mining and the Department of Youth, Gender, Sports, Culture and Social Services did not spend during the reporting period.

3.39.9 Key Observations and Recommendations

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

- Improvement in own revenue collection by 95.1 per cent from Kshs.63.69 million in the First Half of FY 2017/18 to Kshs.124.25 million in the reporting period.
- Improved internet connectivity, which has enhanced effective use of IFMIS.

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

- High wage bill, which accounted for 54.7 per cent of the total expenditure during the reporting period thus constraining funding of other programs.
- Delay by the County Treasury to submit quarterly financial returns to Office of the Controller of budget Contrary to Section 166 of PFM Act 2012.
- Non-adherence with Section 136(2) of PFM Act on the requirement to deposit unspent funds at the end of the financial year into the County Revenue Account maintained at the Central Bank of Kenya.
- Delay by the National Treasury to disburse the equitable share of revenue raised nationally, which affected implementation of the development budget.

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

- The County Public Service Board should develop an optimal staffing structure and device strategies to address the escalating wage bill.*
- The County Treasury should ensure the quarterly returns are submitted in line with Section 166 of the PFM Act, 2012.*

3. *The County Treasury and the County Assembly should ensure all unspent funds at the close of a financial year are deposited into the CRF in line with Section 136(2) of the PFM Act 2012.*
4. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of funds.*

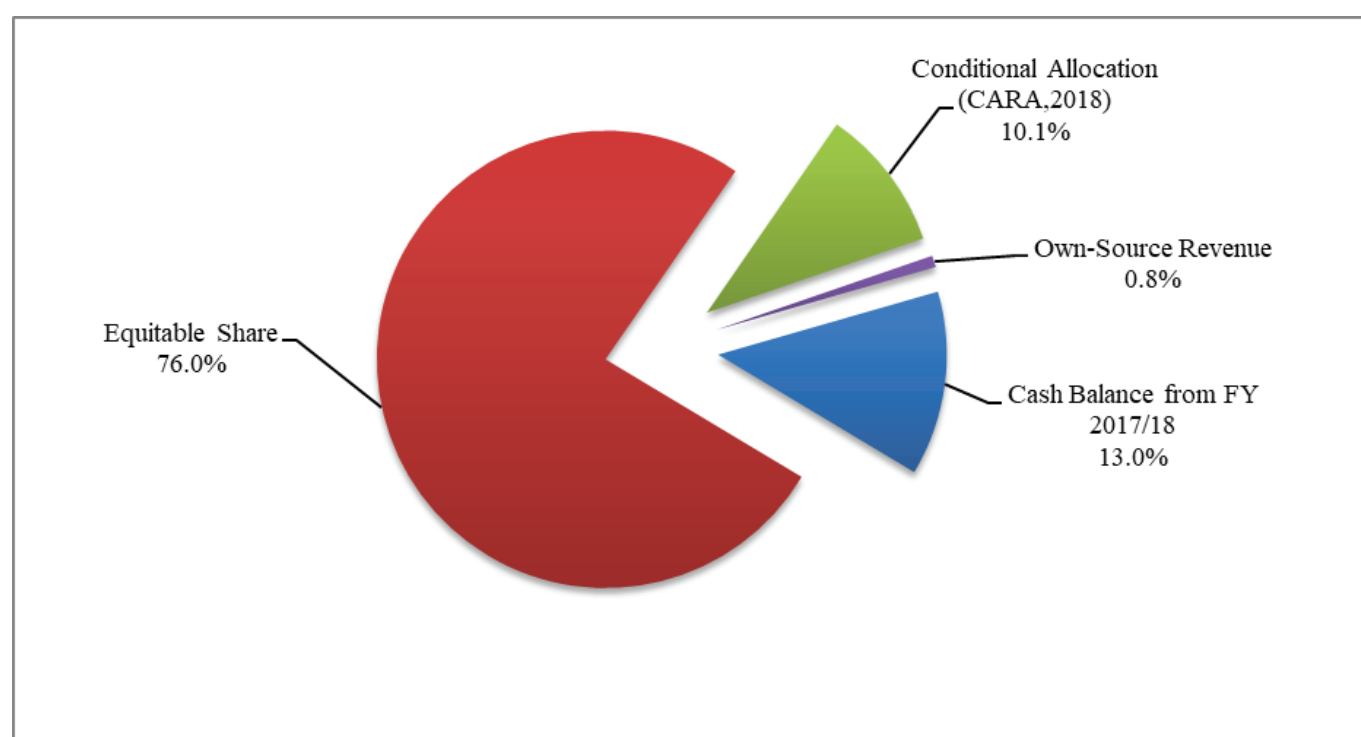
3.40 Tana River County

3.40.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.7.31 billion comprising of Kshs.4.57 billion (62.6 per cent) and Kshs.2.74 billion (37.4per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.56 billion (76.0 per cent) as equitable share of revenue raised nationally, Kshs.739.43 million (10.1 per cent) as total conditional grants, generate Kshs.60 million (0.8 per cent) from own source of revenue, and Kshs.952.98 million (13 per cent) cash balance from FY 2017/18.

Figure 3.155: County, Expected Sources of Budget Financing in FY 2018/19



Source: Tana River County Treasury

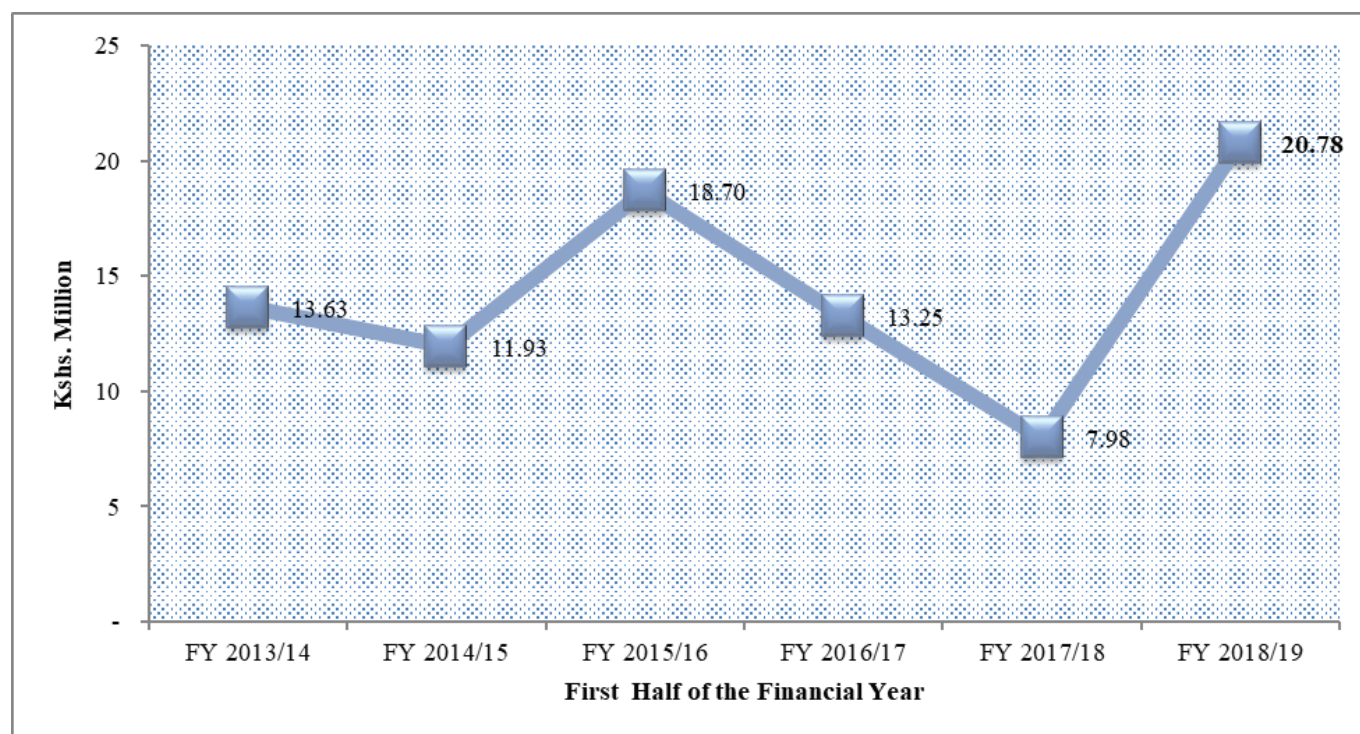
The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (12.1 per cent) for Transforming Health Systems for Universal Care Project, (World Bank) Kshs.150 million (18.1 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.44 million (5.3 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (6 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.17.92 million (2.2 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.80 million (9.7 per cent) as grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.80 million (9.7 per cent) EU grant, Kshs.153.57 million (34.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.121 million (28.7 per cent) Supplement for Construction of County Headquarters, Kshs.5.68 million (1.3 per cent) Compensation for User Fees Foregone, Kshs.17.92 million (4.2 per cent) being DANIDA grant, and Kshs.24.49 million (5.8 per cent) for Rehabilitation of Village Polytechnics.

3.40.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.82 billion as equitable share of revenue raised nationally, Kshs.242.69 million as total conditional grants, raised Kshs.20.78 million as own source revenue, and had a cash balance of Kshs.1.25 billion from FY 2017/18. The total available funds amounted to Kshs.3.14 billion.

Figure 3.156: shows the half yearly trend in own source revenue collection from the first half from FY 2013/14 to FY 2018/19.

Figure 3.156: Tana River County, Trend in Own Source Revenue Collection to the First Half of FY 2018/19



Source: Tana River County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.20.78 million as own-source revenue. This represented an increase of 160.6 per cent compared to Kshs.7.98 million realised during the same period of the FY 2017/18, and represented 34.6 per cent of the annual target.

3.40.3 Conditional Grants

The County received Kshs.242.69 million as conditional grants as shown in Table 3.116.

Table 3.116: Tana River County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants/Loans contained in CARA, 2018					
1	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
2	Compensation for User Fee Foregone	5,682,537	5,682,537	-	-
3	Leasing of Medial Equipment	200,000,000	-	-	-

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
4	Road Maintenance Fuel Levy	146,332,034	146,332,034	146,332,034	100
5	Rehabilitation of Village Polytechnics	24,490,000	24,490,000	-	-
6	Transforming Health Systems for Universal Care Project (WB)	100,000,000	100,000,000	5,808,959	5.8
7	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	31,585,475	21.5
8	Kenya Devolution Support Project (KDSP) "Level 1 grant"	44,003,842	44,003,842	-	-
9	Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100
10	DANIDA Grant	17,921,250	17,921,250	8,960,625	50
11	EU Grant	80,000,000	80,000,000	-	-
12	Sweden- Agricultural Sector Development Support Programme (ASDP) II + Bal c/f in FY 2017/18	24,526,177	-	-	-
13	IDA- Kenya Urban Support Project -Urban Institutional Grant + Bal C/F in FY 2017/18	41,200,000	-	-	-
Total		1,005,155,840	739,429,663	242,687,093	32.8

Source: Tana River County Treasury

Analysis of revenue from conditional grants in the period under review indicates that, the County received the highest amount from the Road Maintenance Fuel Levy, the Kenya Urban Support Programme and the Kenya Climate Smart Agricultural Project. The receipts accounted for 100 per cent, 100 per cent, and 21.5 per cent of the annual allocation respectively.

3.40.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.07 billion from the CRF account. The withdrawals represented 28.3 per cent of the Approved Budget and translated to an increase of 68.2 per cent from Kshs.1.23 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.29 billion (73.7 per cent) to fund recurrent expenditure and Kshs.774.93 million (26.3 per cent) for development activities.

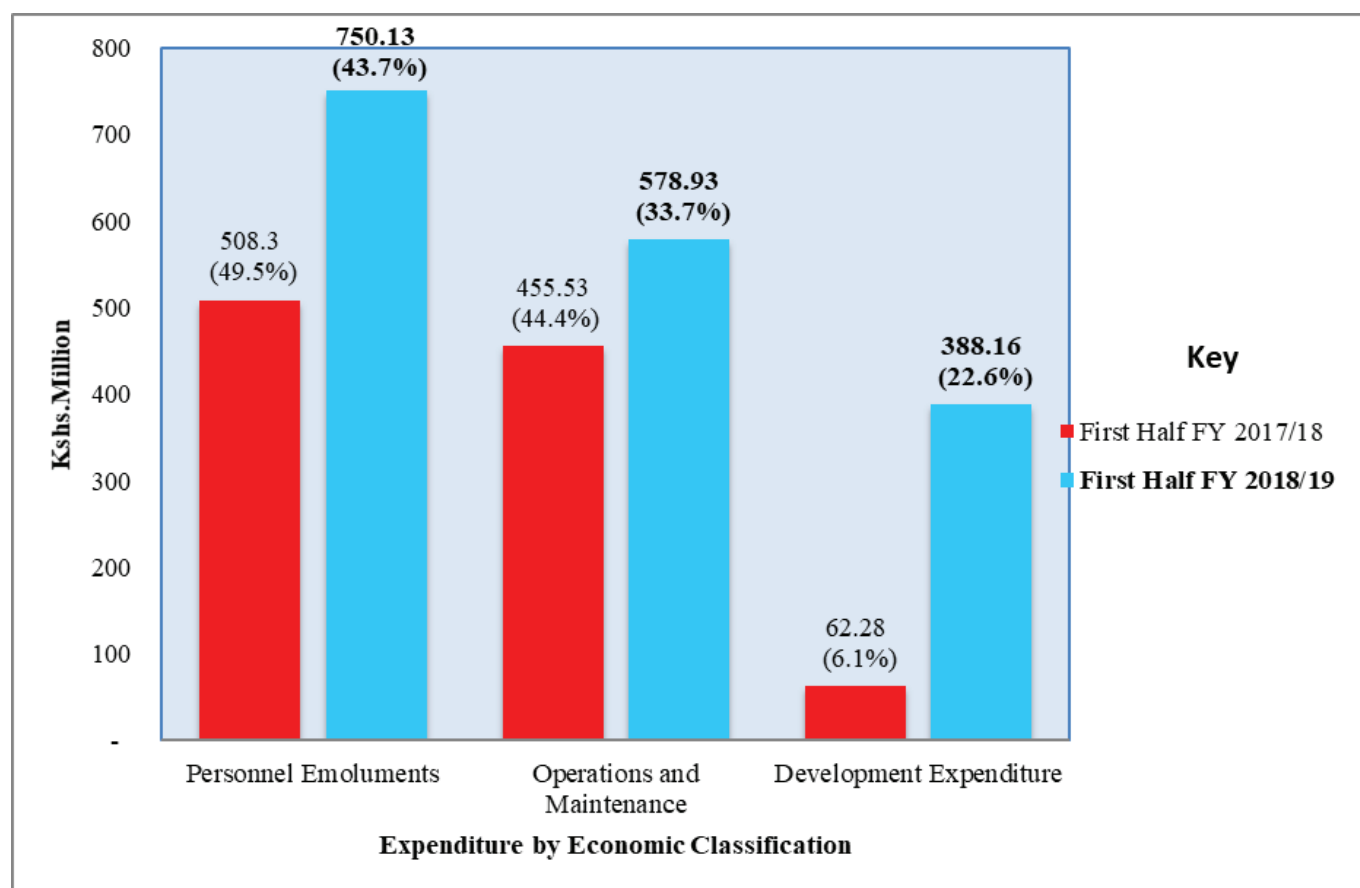
3.40.5 Overall Expenditure Review

The County government spent a total of Kshs.1.72 billion on recurrent and development activities. The total expenditure represented 86.3 per cent of the total funds released from the CRF account and was an increase of 70.3 per cent from Kshs.1.04 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.156.69 million for development activities and Kshs.101.45 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.33 billion while Kshs.388.16 million was spent on development activities. The recurrent expenditure was 87.2 per cent of the funds released for recurrent activities, while development expenditure was 71.2 per cent of funds released for development activities.

The recurrent expenditure represented 29.1 per cent of the annual recurrent budget, a decrease from 29.2 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 14.2 per cent, which was an increase from 2.5 per cent attained in the first half of FY 2017/18. Figure 3.157 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.157: Tana River County, Expenditure by Economic Classification



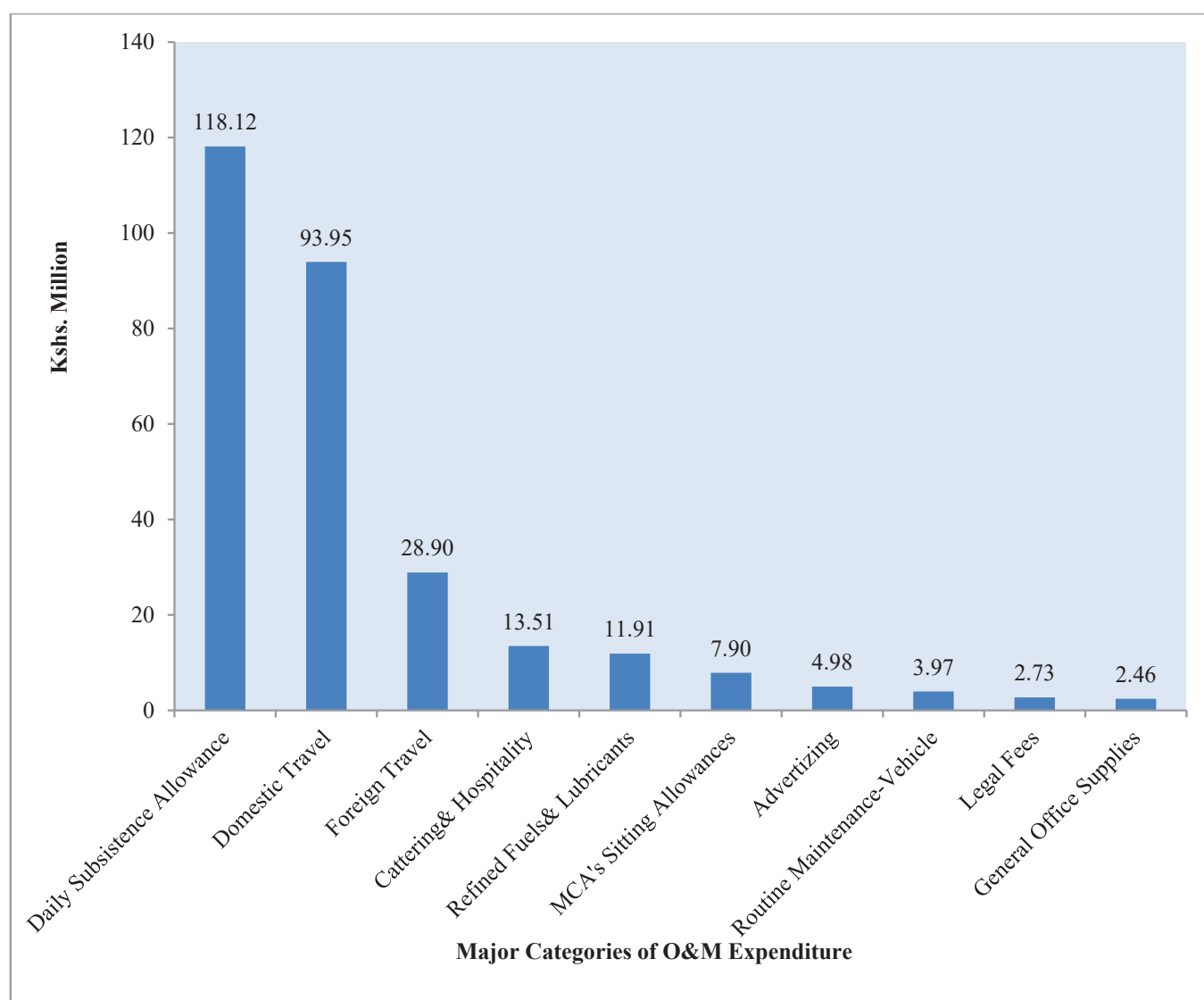
Source: Tana River County Treasury

3.40.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.33 billion comprised of Kshs.750.13 million (56.4 per cent) incurred on personnel emoluments and Kshs.578.93 million (43.6 per cent) on operations and maintenance as shown in Figure 3.157.

Expenditure on personnel emoluments represented an increase of 47.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.508.3 million, and was 43.7 per cent of total expenditure in the first half of FY 2018/19. Figure 3.158 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.158: Tana River County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Tana River County Treasury

The County spent Kshs.7.9 million to cater for the committee sitting allowances for the 23 MCAs against the annual budget allocation of Kshs.27 million. This represented a decrease of 62 per cent compared to Kshs.20.78 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.57,232 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.93.95 million and comprised of Kshs.38.81 million spent by the County Assembly and Kshs.55.14 million spent by the County Executive. This represented 7.1 per cent of total recurrent expenditure.

3.40.7 Development Expenditure

The total development expenditure of Kshs.388.16 million represented 14.2 per cent of the annual development budget of Kshs.2.74 billion. The County Treasury did not provide a list of development projects undertaken during the reporting period.

3.40.8 Budget Performance by County Department

Table 3.117 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.117: Tana River County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly HQ	509.82	200.00	249.00	19.00	249.43	6.89	100.2	36.3	48.9	3.4
Office of the Governor	507.36	-	139.42	-	139.24	-	99.9	-	27.4	-
Finance & Economic Planning	415.68	150.00	53.67	13.26	57.75	2.04	107.6	15.4	13.9	1.4
Public Service, Admin& Public Participation	343.64	66.50	122.05	-	28.38	-	23.3	-	8.3	-
Trade, Tourism, Wildlife, Coop Dev, Weights & Measures	228.84	160.00	31.83	25.81	39.87	25.00	125.2	96.9	17.4	15.6
Agriculture & Rural Development, Lands and Physical Planning, Livestock, Veterinary and Fisheries	410.96	404.74	115.71	85.99	54.55	3.71	47.1	4.3	13.3	0.9
Culture, Gender, Youth, Sports and Social Services	83.80	92.50	35.77	4.75	12.00	3.71	33.5	78.1	14.3	4.0
Education, Vocational Training	408.71	219.99	94.64	98.21	64.07	12.82	67.7	13.1	15.7	5.8
Medical Services, Public Health and Sanitation	1,181.31	200.80	516.62	32.59	516.03	13.64	99.9	41.8	43.7	6.8
County Cohesion & Special Programmes	260.63	10.00	68.27	-	48.45	-	71.0	-	18.6	-
Roads, Transport, Public Works, Housing & Urbanization	113.55	969.72	49.81	265.32	76.83	320.35	154.2	120.7	67.7	33.0
Water, Irrigation, Environment and Natural Resources	109.26	262.40	47.31	-	42.48	-	89.8	-	38.9	-
Total	4,573.56	2,736.65	1,524.11	544.93	1,329.06	388.16	87.2	71.2	29.1	14.2

Source: Tana River County Treasury

According to the data from the County Treasury, the Department of Roads, Transport, Public Works, Housing & Urbanization recorded the highest absorption of development budget at 33 per cent, followed by the Department of Trade, Tourism, Wildlife, Coop Dev, Weights & Measures at 15.6 per cent. The Department of Roads, Transport, Public Works, Housing & Urbanization had the highest percentage of recurrent expenditure to recurrent budget at 67.7 per cent while the Department of Public Service, Admin& Public Participation had the lowest at 8.3 per cent.

3.40.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection by 160.6 per cent compared to a similar period in FY 2017/18
- ii. Improvement in the absorption of development budget compared to a similar period in FY 2017/18.

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

1. Failure by the County Treasury to provide a report on development projects undertaken in the reporting period to the Office of the Controller of Budget.
2. Failure to budget for all conditional grants as per CARA, 2018.

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

1. *The County Treasury should put in mechanisms to ensure that public financial data is kept in an accessible manner for ease of retrieval when requested by oversight institutions.*
2. *The County should budget for all conditional grants as contained in CARA, 2018.*

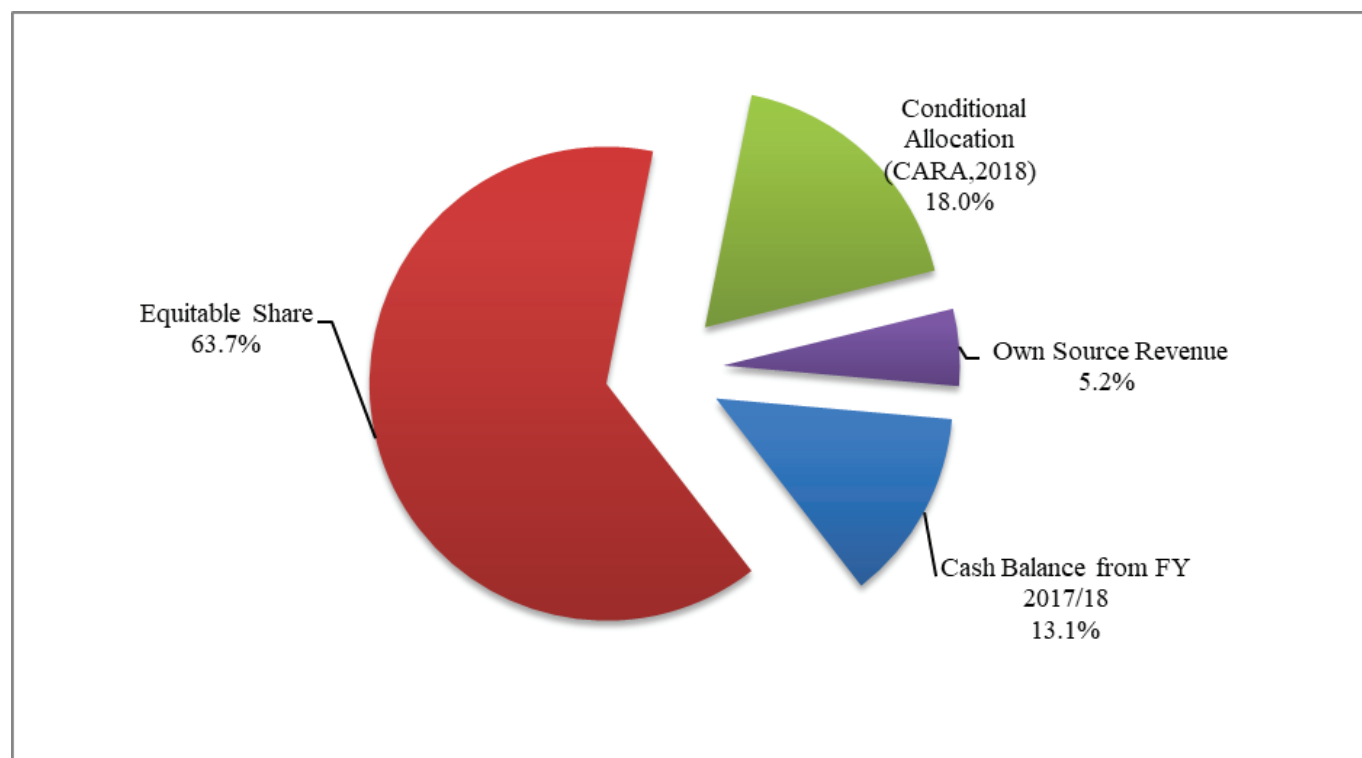
3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 is Kshs.5.72 billion, comprising of Kshs.3.43 billion (60 per cent) and Kshs.2.29 billion (40 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.64 billion (63.7 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (18 per cent) as total conditional grants, generate Kshs.300 million (5.2 per cent) from own sources, and Kshs.749.93 million (13.1 per cent) cash balance from FY 2017/18.

Figure 3.159: Tharaka Nithi County Sources of Budget Financing in FY 2018/19



Source: Tharaka Nithi County Treasury

The conditional grants include those contained in the CARA, 2018 of; Kshs.50 million (18.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (43.7 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.38.54 million (14.4 per cent) from IDA (World

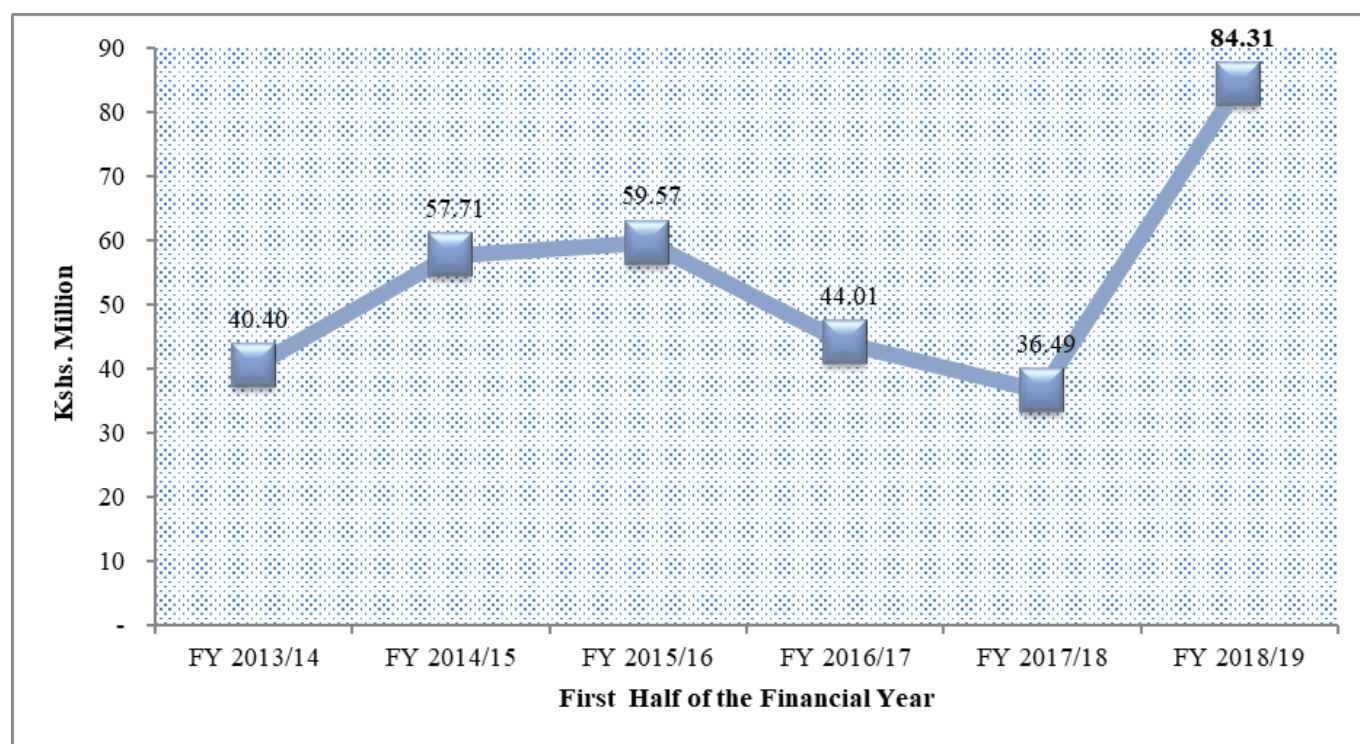
Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (18.7 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.12.35 million (4.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme,, Kshs.8.21 million (0.8 per cent) Compensation for User Fees Foregone, Kshs.128.1 million (12.5 per cent) from Road Maintenance Fuel Levy, Kshs.78.21 million (7.6 per cent) for Rehabilitation of Village Polytechnics, Kshs.12.35 million(1.2 per cent) ASDP Grant and Kshs. 453.36 (44.1 per cent) million as other conditional grants.

3.41.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.12 billion as equitable share of revenue raised nationally, Kshs.102.37 million as total conditional grants, raised Kshs.84.31 million from own-source revenue, and had a cash balance of Kshs.749.93 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.06 billion.

Figure 3.160 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.160: Tharaka Nithi County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Tharaka Nithi County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.84.31 million from own-source revenue. This amount was an increase of 131 per cent when compared to Kshs.36.49 million realised during the same period of FY 2017/18 and represented 28.1 per cent of the annual target.

3.41.3 Conditional Grants

The County received Kshs.102.37 million as conditional grants during the reporting period as shown in Table 3.118.

Table 3118: Tharaka Nithi County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation per CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Supplement for Construction of County Headquarters	121,000,000	-	-	--
2	Compensation for User Fee Foregone	8,218,119	8,218,119	-	--
3	Leasing of Medial Equipment	200,000,000	-	-	-
4	Road Maintenance Fuel Levy	95,901,220	128,101,220	-	-
5	Rehabilitation of Village Polytechnics	40,090,000	78,211,638	-	-
6	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	6,636,793	13.3
7	National Agricultural and Rural Inclusive Growth Project (NARIGP)	117,000,000		-	-
8	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	39,557,498	33.8
9	Kenya Devolution Support Project (KDSP) "Level 1 grant"	38,536,081	77,072,162	-	-
10	Kenya Urban Support Project (KUSP)	50,000,000	92,000,000	50,000,000	54.3
11	DANIDA Grant	12,352,500	12,352,500	6,176,250	50.0
12	Other Conditional Grants	-	453,361,325	-	-
13	Agriculture Sector Development Support Programme	-	12,352,500	-	-
Total		850,097,920	1,028,669,464	102,370,541	10.0

Source: Tharaka Nithi County Treasury

Analysis of the revenue from conditional grants indicates that, the County received disbursements from the Kenya Urban Support Project, grant from DANIDA and grant from Kenya Climate Smart Agriculture Project. These receipts accounted for 54.0 per cent, 50 per cent, and 33.8 per cent of the annual allocation respectively.

3.41.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.1.86 billion from the CRF account. The withdrawals represented 32.5 per cent of the Supplementary Budget and translate to an increase of 14.9 per cent from Kshs.1.36 billion approved in the first half of FY 2017/18. This comprised of Kshs.1.52 billion (82 per cent) to fund recurrent expenditure and Kshs.333.71 million (18 per cent) for development activities.

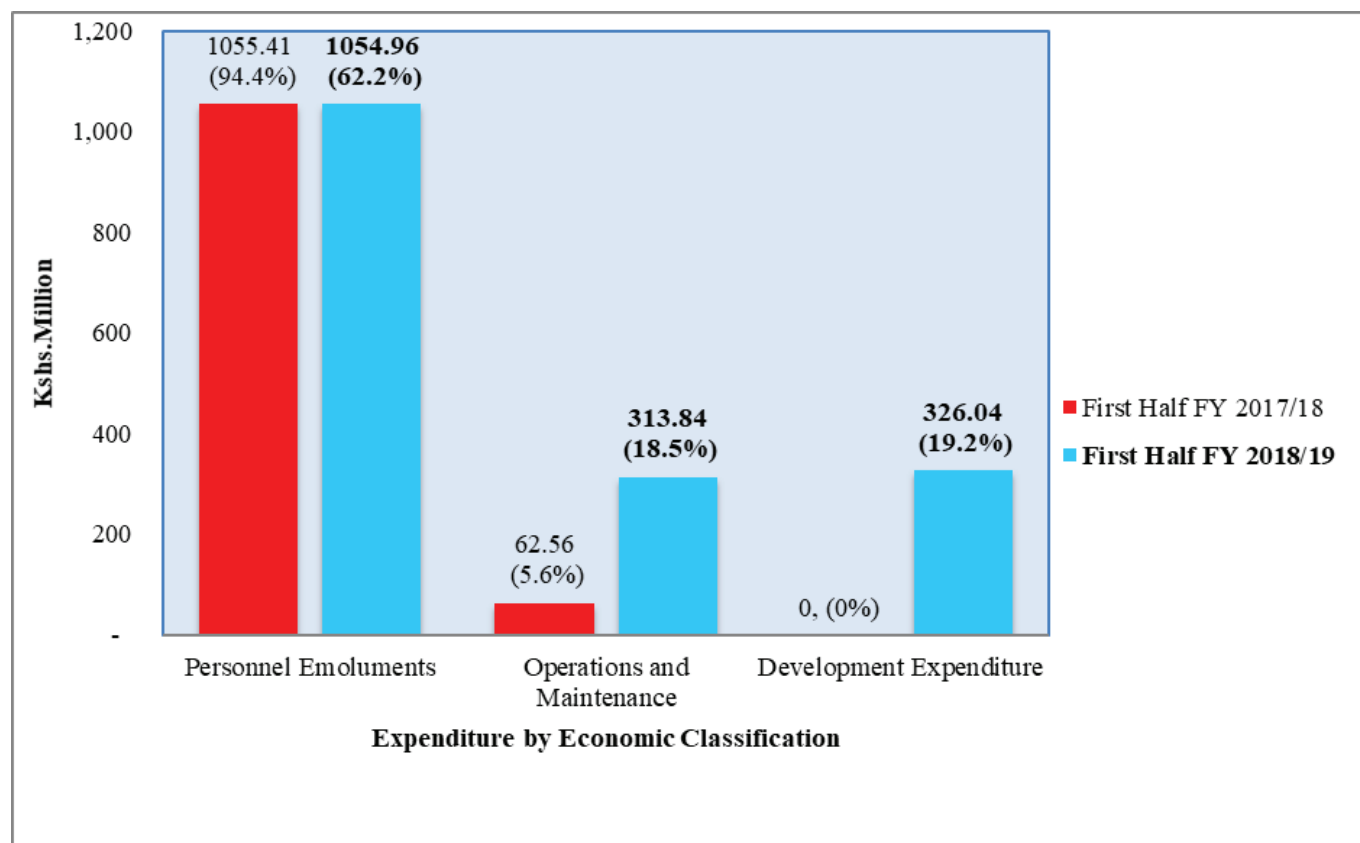
3.41.5 Overall Expenditure Review

The County government spent a total of Kshs.1.69 billion on both recurrent and development activities. This expenditure represented 91.2 per cent of the total funds released from the CRF account and was an increase of 56 per cent from Kshs.1.11 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.99.42 million for development activities and Kshs.84.84 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.36 billion while that on development activities was Kshs.326.04 million. The recurrent expenditure was 89.8 per cent of the funds released for recurrent activities, while development expenditure was 97.7 per cent of funds released for development activities.

The recurrent expenditure represented 39.9 per cent of the annual recurrent budget and was an increase from 38.8 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 14.2 per cent, which was an improvement compared to the first half of FY 2017/18 when there was no development expenditure. Figure 3.161 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.161: Tharaka Nithi County, Expenditure by Economic Classification



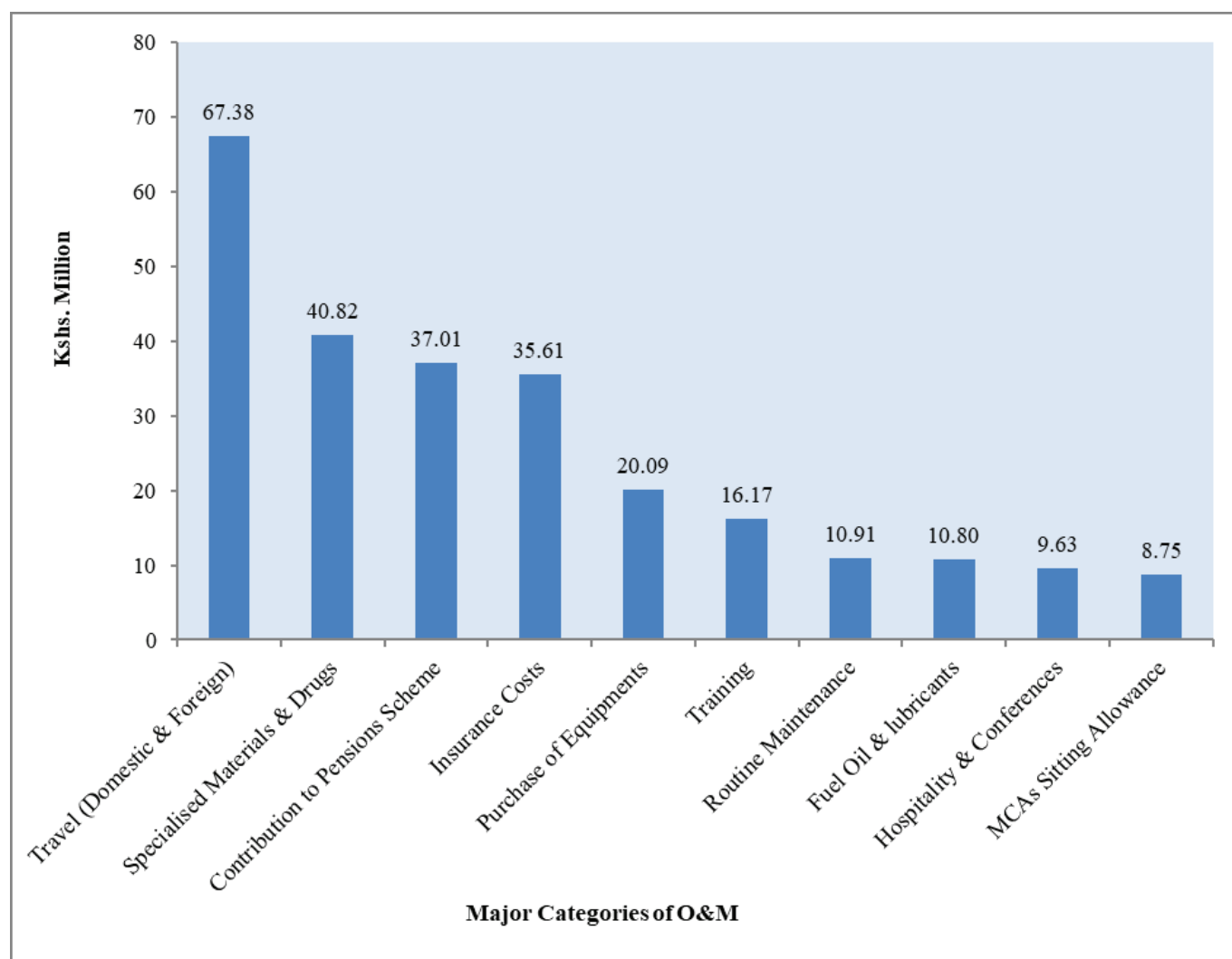
Source: Tharaka Nithi County Treasury

3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.36 billion comprised of Kshs.1.05 billion (77.1 per cent) incurred on personnel emoluments and Kshs.313.83 million (22.9 per cent) on operations and maintenance as shown in Figure 3.161.

Expenditure on personnel emoluments represented a decrease of 0.1 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.06 billion, and was 62.2 per cent of total expenditure for the period. Figure 3.162: shows a summary of operations and maintenance expenditure by major categories.

Figure 3.162: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Tharaka Nithi County Treasury

The County spent Kshs.8.75 million on MCAs' committee sitting allowances for the 21 MCAs against the annual budget allocation of Kshs.28.37 million. This amount represented an increase of 332.8 per cent compared to Kshs.2.02 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.69,452 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.67.38 million and comprised of Kshs.45.39 million spent by the County Assembly and Kshs.21.98 million spent by the County Executive.

3.41.7 Development Expenditure

The total development expenditure of Kshs.326.04 million represented 14.2 per cent of the annual development budget of Kshs.2.29 billion. Table 3.119 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.119: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Construction of Garbage Incinerator	karingani ward	40,000,000	34,998,500	87
2	Construction of Vetlab	Marimanti ward	20,000,000	9,972,751	50
3	Construction of ATI (Completion)	Igambang'ombe Ward	28,000,000	20,816,767	74
4	Construction of Grain Store	Mukothima ward	23,000,000	16,949,190	74
5	Construction of ECDE classes	County wide	32,590,000	14,852,028	46
6	Roads Grading and Civil Works	County wide	277,500,000	98,984,621	36
7	Construction of Bus Park	Chogoria ward	10,000,000	3,835,516	38
8	Chuka KMTC, OPD and Laboratory	Karingani ward	144,000,000	63,363,503	44
9	Marimanti OPD and Gate	Marimanti ward	15,000,000	12,750,000	85
10	Domestic Payables from Previous FY	County wide	276,124,808	48,818,253	18

Source: Tharaka Nithi County Treasury

3.41.8 Budget Performance by County Department

Table 3.120 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.120: Tharaka Nithi County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	352.00	17.00	157.71	-	158.38	-	100.4	-	45.0	0.0
County Executive	154.43	-	55.27	-	64.27	-	116.3	0.0	41.6	0.0
Finance and Economic Planning	291.27	276.12	80.65	49.42	55.73	48.82	69.1	98.8	19.1	17.7
Agriculture	107.43	227.00	55.88	86.58	69.42	37.77	124.2	43.6	64.6	16.6
Environment and Natural Resource	1.02	35.00	-	35	-	35.00	0.0	100.0	0.0	100
Education, Cultural and Vocational Training	230.03	107.59	59.19	7.46	47.88	14.85	80.9	199.0	20.8	13.8
Medical Services	1,476.03	313.70	781.61	69.55	775.43	76.11	99.2	109.4	52.5	24.3
Physical Planning And Land	129.22	225.50	33.33	4.53	12.70	4.54	38.1	100	9.8	2
Roads, Transport, Housing, Public Works	49.69	809.80	14.45	71.19	8.56	98.98	59.3	139	17.2	12.2
Administration and Public Services	261.06	-	128.10	-	120.35	-	93.9	-	46.1	-
Trade, Industry and Cooperatives	94.65	-	48.77	-	9.66	-	19.8	-	10.2	-

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water Services and Irrigation	51.24	162.00	16.41	-	14.87	-	90.6	-	29.0	-
County Public Services Board	12.46	-	6.69	-	4.57	-	68.2	-	36.7	-
Livestock, Veterinary and Fisheries Development	71.90	55.00	35.29	9.97	14.67	9.97	41.6	100	20.4	18.1
Public Health and Sanitation	61.49	-	18.96	-	1.27	-	6.7	-	2.1	-
Energy and ICT	38.36	24.00	6.20	-	5.96	-	96.1	-	15.5	-
Youth ,Culture, Sport and Tourism	48.02	38.00	26.02	-	5.07	-	19.5	-	10.6	-
TOTAL	3,430.29	2,290.71	1,524.54	333.71	1,368.80	326.04	89.8	97.7	39.9	14.2

Source: Tharaka Nithi County Treasury

Analysis of expenditure by department shows the Department of Environment and Natural Resource attained the highest absorption rate of development budget at 100 per cent followed by the Department of Medical Services at 24.3 per cent. The Department of Agriculture had the highest percentage of recurrent expenditure to recurrent budget at 64.6 per cent while the Department of Environment and Natural resource did not incur any recurrent expenditure.

3.41.9 Key Observations and Recommendations

- 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 131 per cent from Ksh.36.49 million in a similar period in FY 2017/18 to Ksh.84.31 million in the reporting period.
- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Establishment of Internal audit Committee in line with Section 155 (5) of the PFM Act, 2012.

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

- Delay by the National Treasury to disburse the equitable share of revenue raised nationally, which affected implementation on planned activities.
- High wage bill that has accounted for 62.2 per cent of the total expenditure in the reporting period.

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

- The County Treasury should liaise with the National Treasury so as to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

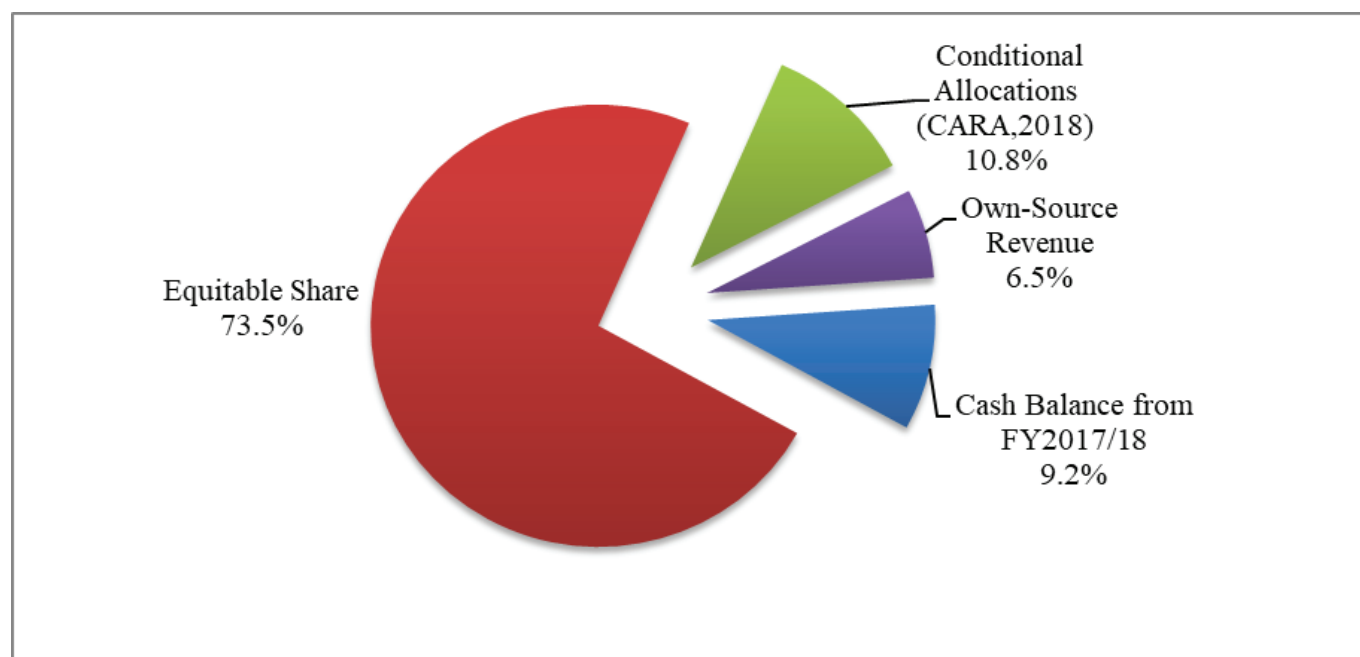
3.42 Trans Nzoia County

3.42.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.7.65 billion, comprising of Kshs.4.44 billion (58 per cent) and Kshs.3.21 billion (42 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.62 billion (73.5 per cent) as equitable share of revenue raised nationally, Kshs.827.93 million (10.8 per cent) as total conditional grants, generate Kshs.500 million (6.5 per cent) from own-source revenue , and Kshs.703.23 million (9.2 per cent) cash balance from FY 2017/18.

Figure 3.163: Trans Nzoia County Expected Sources of Budget Financing in FY 2018/19



Source: Trans Nzoia County Treasury

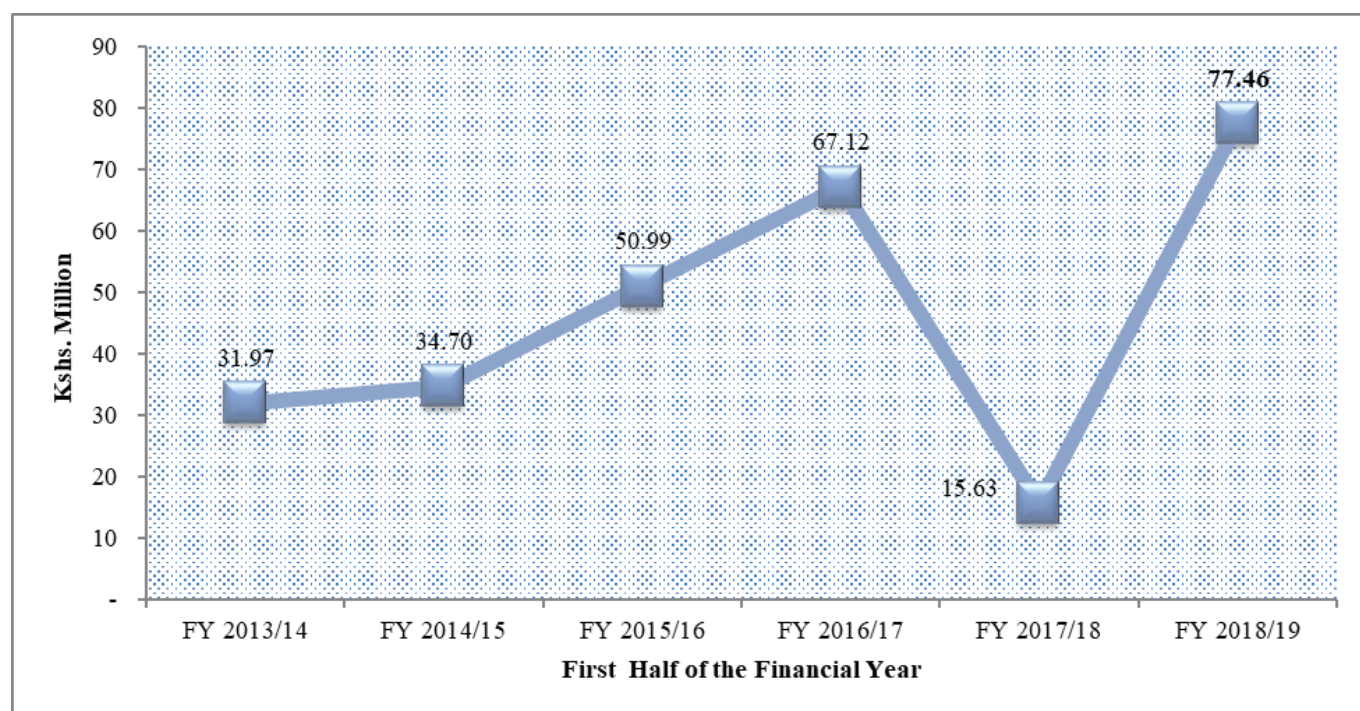
The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (9.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (13.7 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.46.46 million (4.5 per cent) from IDA (World Bank) credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.299.11 million (29.1 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.18.93 million (1.8 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.21.30 million (2.1 per cent) Compensation for User Fees Foregone, Kshs.147.99 million (14.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.53.71 million (5.2 per cent) for Rehabilitation of Village Polytechnics, and Kshs.200 million for leasing of medical equipment.

3.42.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.06 billion as equitable share of revenue raised nationally, Kshs.318.39 million as total conditional grants, raised Kshs.77.46 million from own source revenue, and had a cash balance of Kshs.703.23 million from FY 2017/18. The total available funds amounted to Kshs.4.15 billion.

Figure 3.164: shows the quarterly trend in own source revenue collection from FY 2013/14 to the half of FY 2018/19.

Figure 3.164: Trans Nzoia County, Trend in Own Source Revenue Collection from the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Trans Nzoia County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.77.46 million from own-source revenue sources. This amount was an increase of 395.6 per cent compared to Kshs.15.63 million generated in the first half of FY 2017/18 and represented 15.5 per cent of the annual target.

3.42.3 Conditional Grants

The County received Kshs.318.28 million as conditional grants as shown in Table 3.121.

Table 3.121: Trans Nzoia County, Analysis of Conditional Grants Received in the first quarter of FY 2018/19

S/No.	Grants/Loans	Annual Allocation per CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants Contained in the CARA, 2018					
1	IDA (World Bank) -Kenya Urban Support Project	299,106,900	299,106,900	299,106,900	100
2	DANIDA - Universal Healthcare to Devolved System Programme	18,933,750	18,933,750	9,466,875	50
3	World Bank-Transforming Health Systems for Universal Care Project	100,000,000	100,000,000	9,817,216	10
4	Compensation for User Fee Foregone	21,304,915	21,304,915	-	0
5	Leasing of Medical Equipment	200,000,000	-	-	0
6	Road Maintenance Fuel Levy Fund	147,985,503	147,985,503	-	0
7	Rehabilitation of Village Polytechnics	53,710,000	53,710,000	-	0
8	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	-	0

S/No.	Grants/Loans	Annual Allocation per CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
9	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	46,456,661	46,456,661	-	
Total		1,027,932,892	827,932,892	318,390,991	31

Source: Trans Nzoia County Treasury

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

3.42.4 Exchequer Issues

To finance the implementation of the budget, the Controller of Budget approved withdrawal of Kshs.3.21 billion from the CRF account. The withdrawal represented 42 per cent of the Approved Budget and translates to an increase of 57.4 per cent from Kshs.2.04 billion approved in the first half of FY 2018/19. This comprised of Kshs.2.34 billion (72.9 per cent) to fund recurrent expenditure and Kshs.871.16 million (27.1 per cent) for development activities.

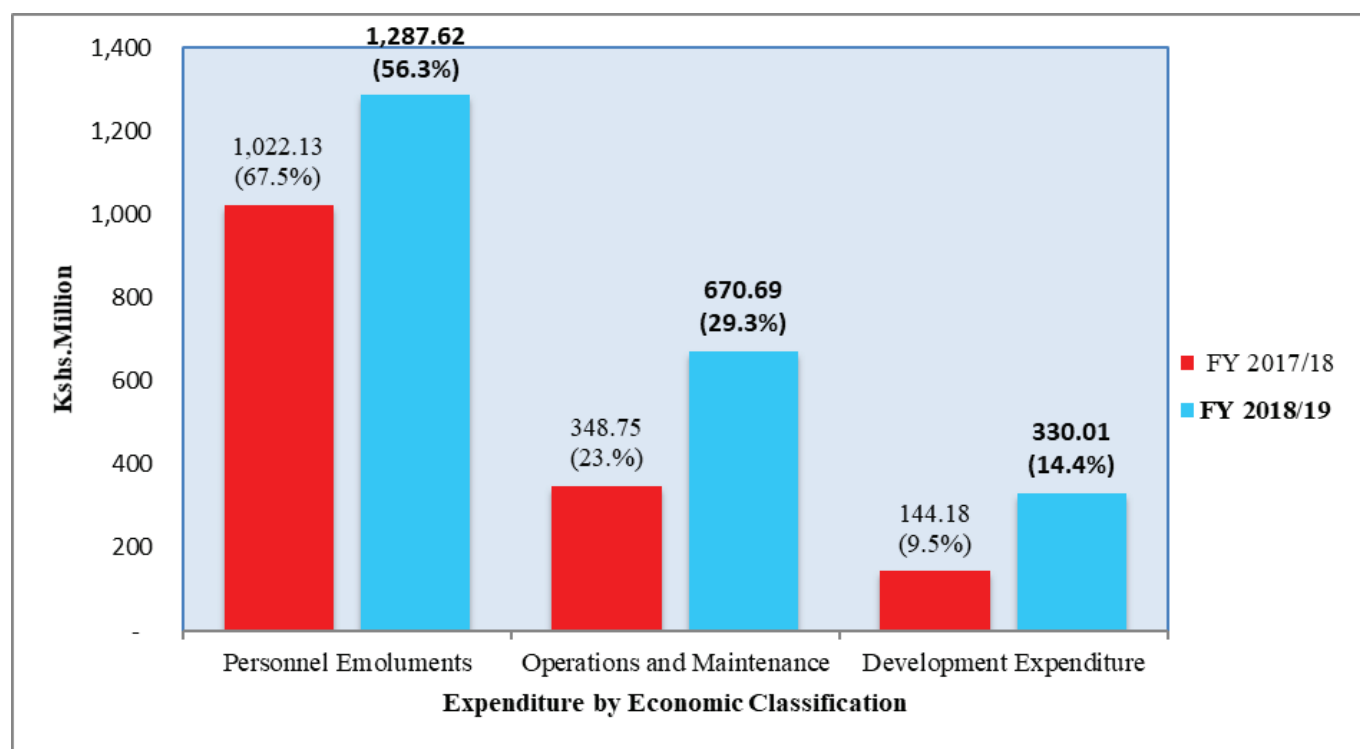
3.42.5 Overall Expenditure Review

The County government spent a total of Kshs.2.29 billion on both recurrent and development activities. This expenditure represented 71.3 per cent of the total funds released from the CRF account and was an increase of 50.7 per cent from Kshs.1.52 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.271.07 million for development activities and Kshs.121.03 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.96 billion while that on development activities was Kshs.330.01 million. The recurrent expenditure was 83.7 per cent of the funds released for recurrent activities, while development expenditure was 37.9 per cent of funds released for development activities.

The recurrent expenditure represented 44.1 per cent of the annual recurrent budget, an increase from 31 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 10.3 per cent, an increase from 6 per cent attained in the first half of FY 2017/18. Figure 3.165 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.165: Trans Nzoia County, Expenditure by Economic Classification



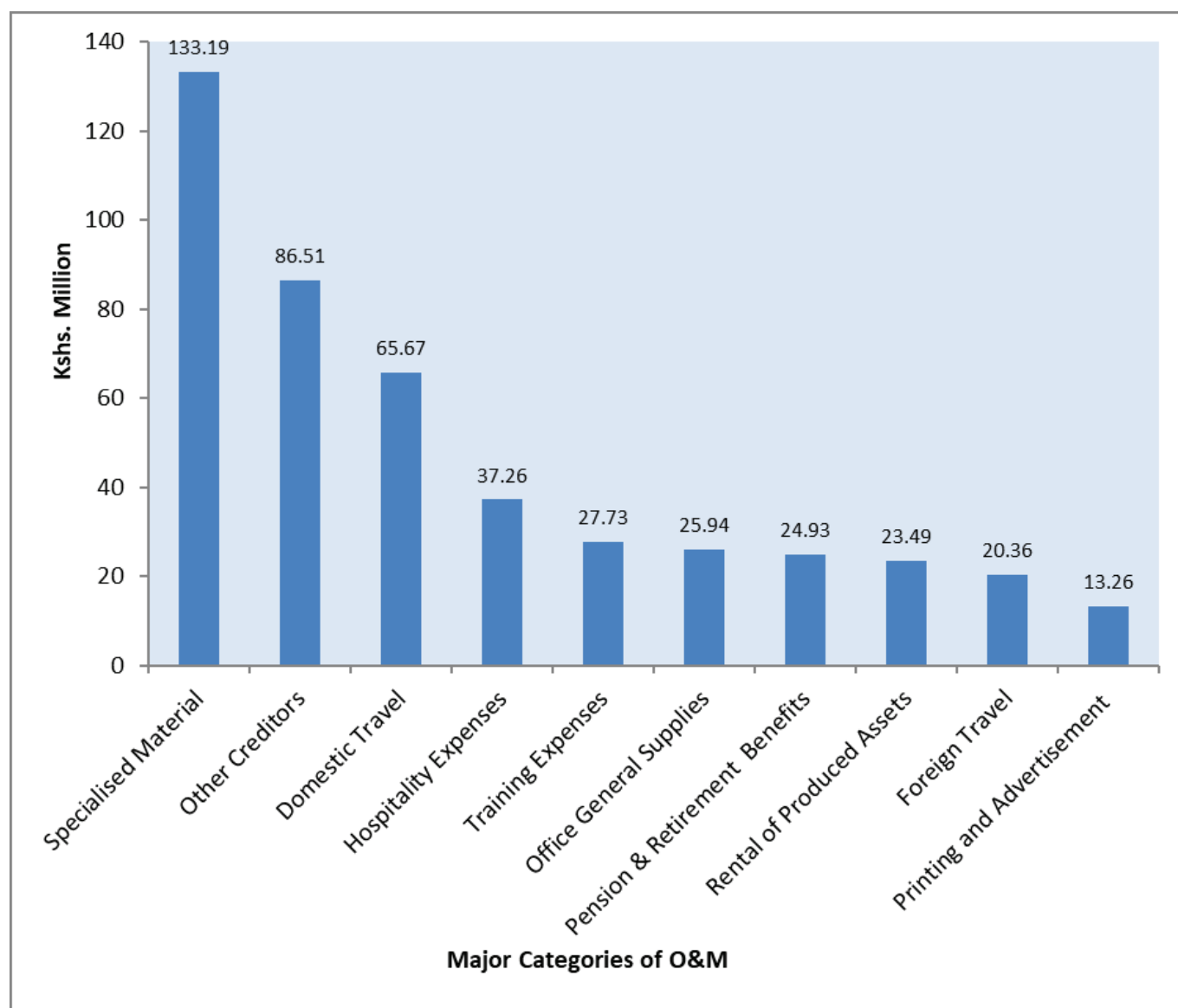
Source: Trans Nzoia County Treasury

3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.96 billion comprised of Kshs.1.29 billion (65.8 per cent) incurred on personnel emoluments and Kshs.670.69 million (34.2 per cent) on operations and maintenance as shown in Figure 3.165.

Expenditure on personnel emoluments represented an increase of 26 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.02 billion, and was 56.3 per cent of total expenditure in the first half of FY 2018/19. Figure 3.166 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.166: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Trans Nzoia County Treasury

The County spent Kshs.15.51 million on MCAs' committee sitting allowances to the 39 MCAs and the speaker against the annual budget allocation of Kshs.69.30 million. This was an increase compared Kshs.0.96 spent in the first half of FY 2017/18. The average monthly sitting allowance was Kshs.64,626 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.65.67 million and comprised of Kshs.49.17 million spent by the County Assembly and Kshs.16.51 million by the County Executive and represented 2.9 per cent of total recurrent expenditure.

3.42.7 Development Expenditure Analysis

The total development expenditure of Kshs.330.01 million represented 10.3 per cent of the annual development budget of Kshs.3.21 billion. Table 3.122 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.122: Trans Nzoia County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Half Year Expenditure (Kshs.)	Absorption Rate (%)
1	Purchase of a Prime Mover	County Headquarters	20,000,000	18,093,103	90.5
2	Construction of Fresh Produce Market	Motosiet	5,000,000	4,297,119	85.9
3	Road Maintenance	County wide	123,304,785	63,892,559	51.8
4	Construction of County Referral Hospital	Matisi	435,000,000	158,826,474	36.5
5	Supply of ECDE Equipment's	County wide	11,900,000	3,703,396	31.1
6	Refurbishment of Kenyatta Stadium	Bidii	20,000,000	5,575,890	27.9
7	Construction of Market Shade	Kwanza	13,760,458	3,243,301	23.6
8	Pipeline Extension	County wide	128,087,380	11,400,831	8.9

Source: Trans Nzoia County Treasury

3.42.8 Budget and Budget Performance Analysis by Department

Table 3.122 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.123: Trans Nzoia County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19(Kshs. Million)		Exchequer Issues in First Half of FY 2018/19(Kshs. Million)		Expenditure in First Half of FY 2018/19(Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture	287.89	281.07	163.35	48.89	148.31	9.46	90.8	19.4	51.5	3.4
Livestock	18.02	105.43	4.32	0.51	4.71	2.55	109.0	500.0	26.1	2.4
Trade, Commerce and Industry	45.05	49.26	23.12	8.37	2.32	9.49	10.1	113.4	5.2	19.3
Water, Environment and Natural Resources	68.26	322.41	32.71	85.63	21.36	39.41	65.3	46.0	31.3	12.2
Public Works, Roads and Infrastructure	217.97	584.15	102.99	166.75	64.53	89.70	62.7	53.8	29.6	15.4
Health and Corporate Services	1,493.23	703.32	906.92	204.35	971.33	163.35	107.1	80.0	65.1	23.2
Lands, Housing and Urban Development	60.89	362.21	25.26	304.71	15.83	-	62.7	-	26.0	-
Gender, Youth, Sports, Culture, Social Services & Tourism	85.07	120.26	36.17	-	25.81	5.58	71.4	-	30.3	4.6
Governance	88.40	15.10	31.86	-	56.67	4.83	177.9	-	64.1	32
Public Service Management	389.15	16.40	212.86	3.45	56.14	-	26.4	-	14.4	-
County Public Service Board	32.77	31.35	12.55	-	10.16	-	81.0	-	31.0	-
Education and ICT	346.72	367.10	190.46	48.50	143.62	5.64	75.4	11.6	41.4	1.5
Finance	656.17	82.90	274.96	-	145.99	-	53.1	-	22.3	-
Economic Planning	33.66	33.47	13.93	-	1.82	-	13.1	-	5.4	-

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	614.08	140	307.04	-	289.71	-	94.4	-	47.2	-
TOTAL	4,437.33	3,214.43	2,338.49	871.16	1,958.31	330.01	83.7	37.9	44.1	10.3

Source: Trans Nzoia County Treasury

Analysis of expenditure by department shows the Department of Governance recorded the highest absorption rate of development budget at 32 per cent. The Department of Health and Corporate Services had the highest percentage of recurrent expenditure to recurrent budget at 65.1 per cent while the Department of Trade, Commerce and Industry had the lowest at 5.2 per cent.

3.42.9 Key Observations and Recommendations

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

- i. Improvement in own source of revenue collection by 106.5 per cent from Kshs.37.52 million in the first half of FY 2017/18 to Kshs.77.46 million in the first half of FY 2018/19.

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

1. Late submission of financial reports to the OCOB by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Slow implementation of development activities during the first half of FY 2018/19. The County spent 10.3 per of the annual development budget of Kshs.3.21 billion against the expected absorption rate of 50 per cent.
3. High wage bill that has increased by 26 per cent from Kshs.1.02 billion in the first half of FY 2017/18 to Kshs.1.29 billion during the period under review.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County should identify and address issues that cause delays in implementation of development projects.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

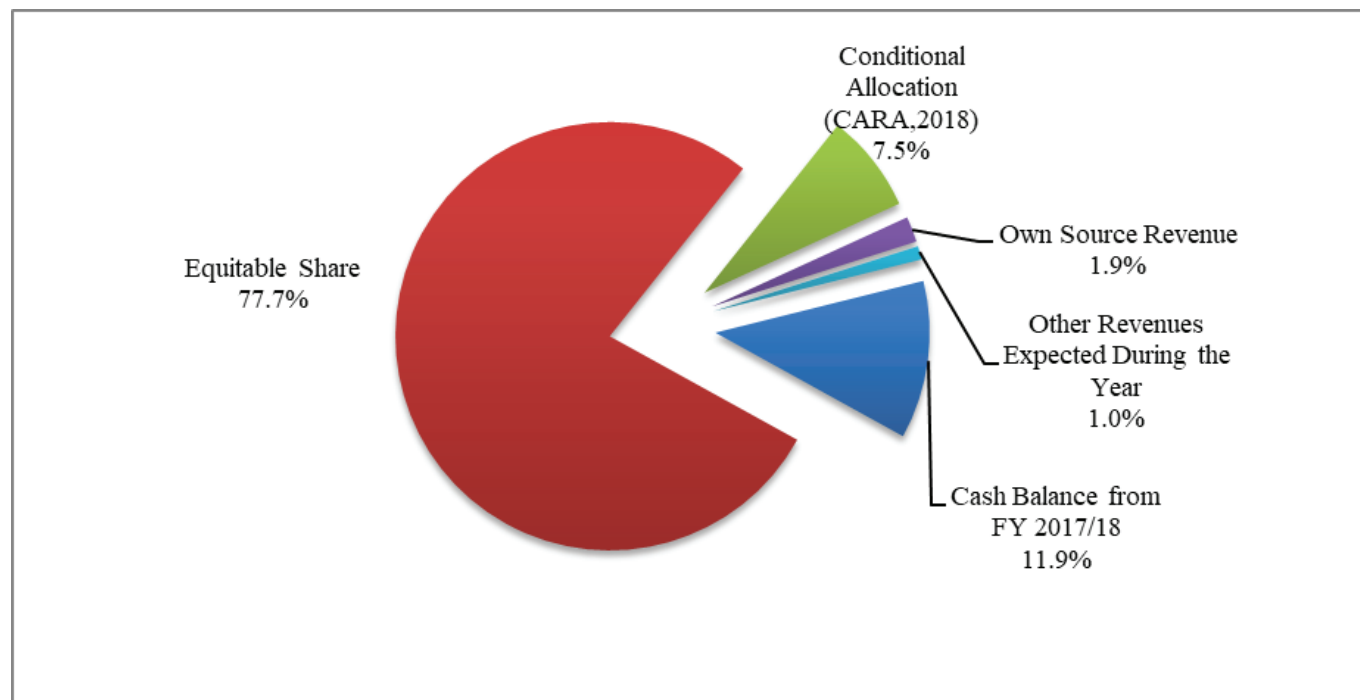
3.43 Turkana County

3.43.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 approved Budget was Kshs.13.54 billion, comprising of Kshs.8.22 billion (60.7 per cent) and Kshs.5.32 billion (39.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.07 billion (77.7 per cent) as equitable share of revenue raised nationally, Kshs.969.16 million (7.5 per cent) as total conditional grants, generate Kshs.250 million (1.9 per cent) from own source of revenue, Kshs.1.55 billion (11.9 per cent) cash balance from FY 2017/18, and Kshs.131.23 million as other revenues expected during the year.

Figure 3.167: Turkana County, Expected Sources of Budget Financing in FY 2018/19



Source: Turkana County Treasury

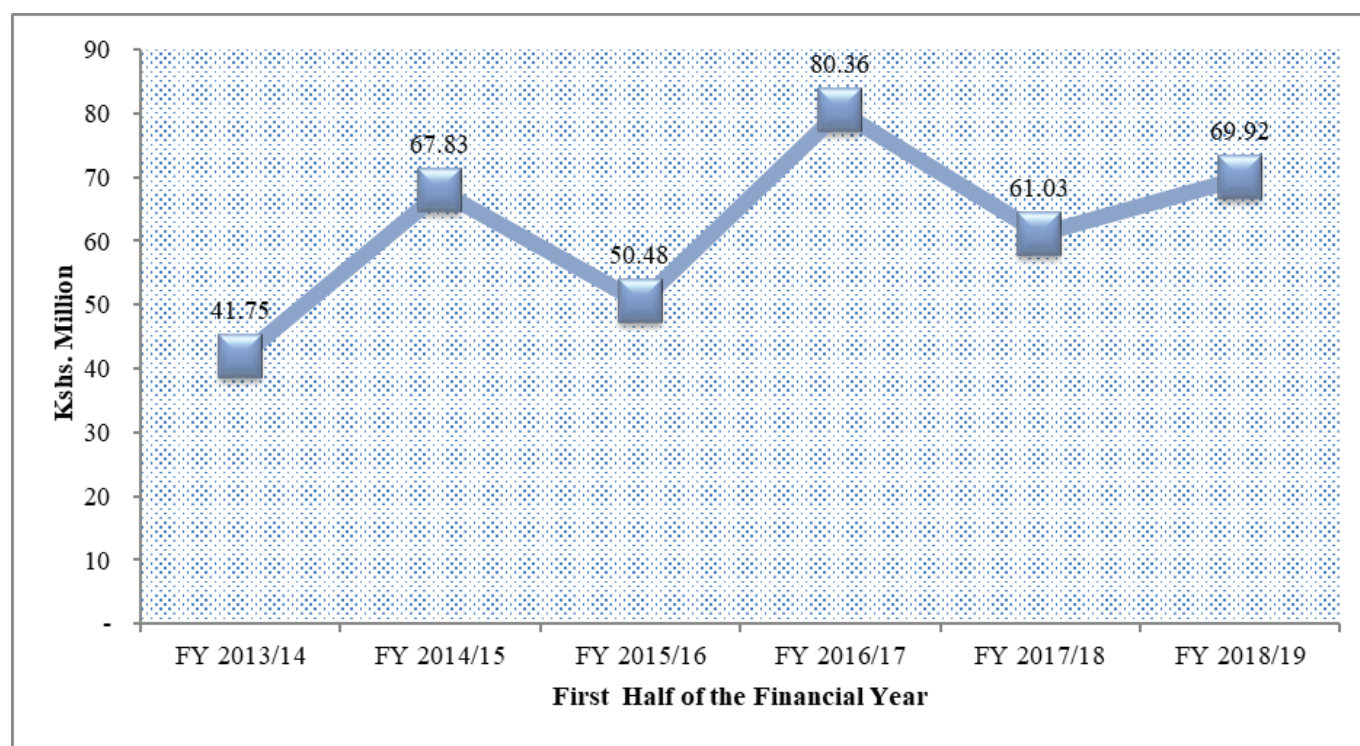
The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (10.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (14.5 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.65.45 million (6.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.95.02 million (9.8 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.33.77 million (3.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.25.63 million (2.6 per cent) Compensation for User Fees Foregone, Kshs.200 million (20.6 per cent) for Leasing of Medical Equipment, Kshs.283.57 million (29.3 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.25.29 million (2.6 per cent) for Rehabilitation of Village Polytechnics.

3.43.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.3.5 billion as equitable share of revenue raised nationally, Kshs.150.54 million as total conditional grants, raised Kshs.69.92 million from own source revenue, and had a cash balance of Kshs.1.55 million from FY 2017/18. The total available funds amounted to Kshs.5.4 billion.

Figure 3.168 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.168: Turkana County, Trend in Own Source Revenue Collection to the First Half of FY 2018/19



Source: Turkana County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.69.92 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.61.03 million realised during the same period of the FY 2017/18 and represented 28 per cent of the annual target.

3.43.3 Conditional Grants

The County received Kshs.150.54 million as conditional grants as shown in Table 3.124.

Table 3.124: Turkana County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants Contained in the CARA, 2018					
1	Compensation for User Fee Foregone	25,634,941	25,634,941	-	-
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy	283,569,986	283,569,986	-	-
4	Rehabilitation of Village Polytechnics	25,285,000	25,285,000	-	-
5	Transforming Health Systems for Universal Care Project (WB)	100,000,000	100,000,000	19,316,375	19.3
6	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
7	Kenya Devolution Support Project (KDSP) "Level 1 grant"	65,446,016	65,446,016	-	-

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
8	Kenya Urban Support Project (KUSP)	95,023,200	95,023,200	95,023,200	100
9	DANIDA Grant	33,766,875	33,766,875	36,199,813	107.2
Total		969,161,181	969,161,181	150,539,388	13.5

Source: Turkana County Treasury

Analysis of the revenue from conditional grants indicate that, the County received the highest percentage of receipts to annual allocation from the DANIDA grant, the Kenya Urban Support Project, and the World Bank's Transforming Health Systems for Universal Care Project. The receipts accounted for 107.2 per cent, 100 per cent and 19.3 per cent of annual allocation respectively.

3.43.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.36 billion from the CRF account. The withdrawals represented 24.8 per cent of the Approved Budget and translated to an increase of 23 per cent from Kshs.2.73 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.52 billion (75 per cent) to fund recurrent expenditure and Kshs.840.08 million (25 per cent) for development activities.

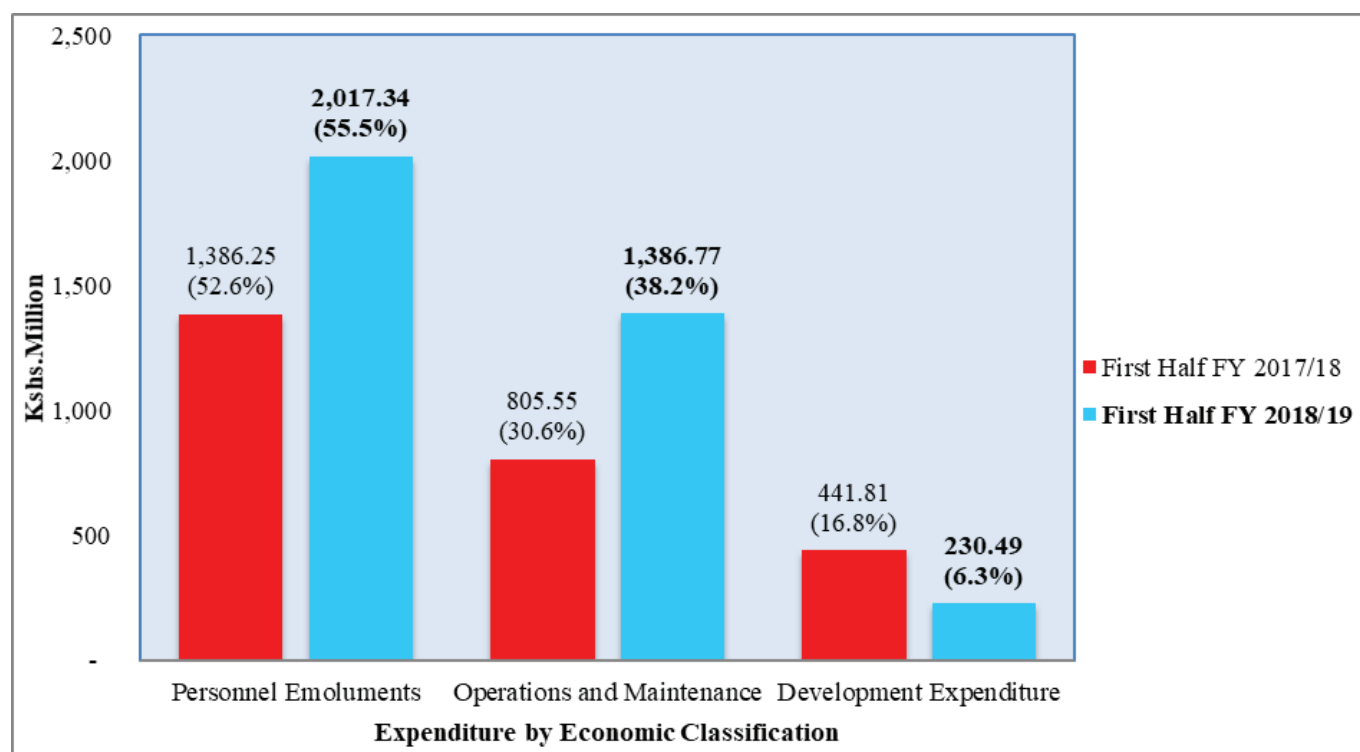
3.43.5 Overall Expenditure Review

The County government spent a total of Kshs.1 billion on recurrent and development activities. The total expenditure represented 30 per cent of the total funds released from the CRF account and was a decline of 61.9 per cent from Kshs.2.63 billion spent in the first half of FY 2017/18. The county did not report on pending bills during the reporting period.

Expenditure on recurrent activities amounted to Kshs.2.8 billion while Kshs.230.49 million was spent on development activities. The recurrent expenditure was 99.7 per cent of the funds released for recurrent activities, while development expenditure was 62.4 per cent of funds released for development activities.

The recurrent expenditure represented 34.1 per cent of the annual recurrent budget, an increase from 30.3 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 4.3 per cent, which was a decrease from 11.1 per cent attained in the first half of FY 2017/18. Figure 3.169 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.169: Turkana County, Expenditure by Economic Classification



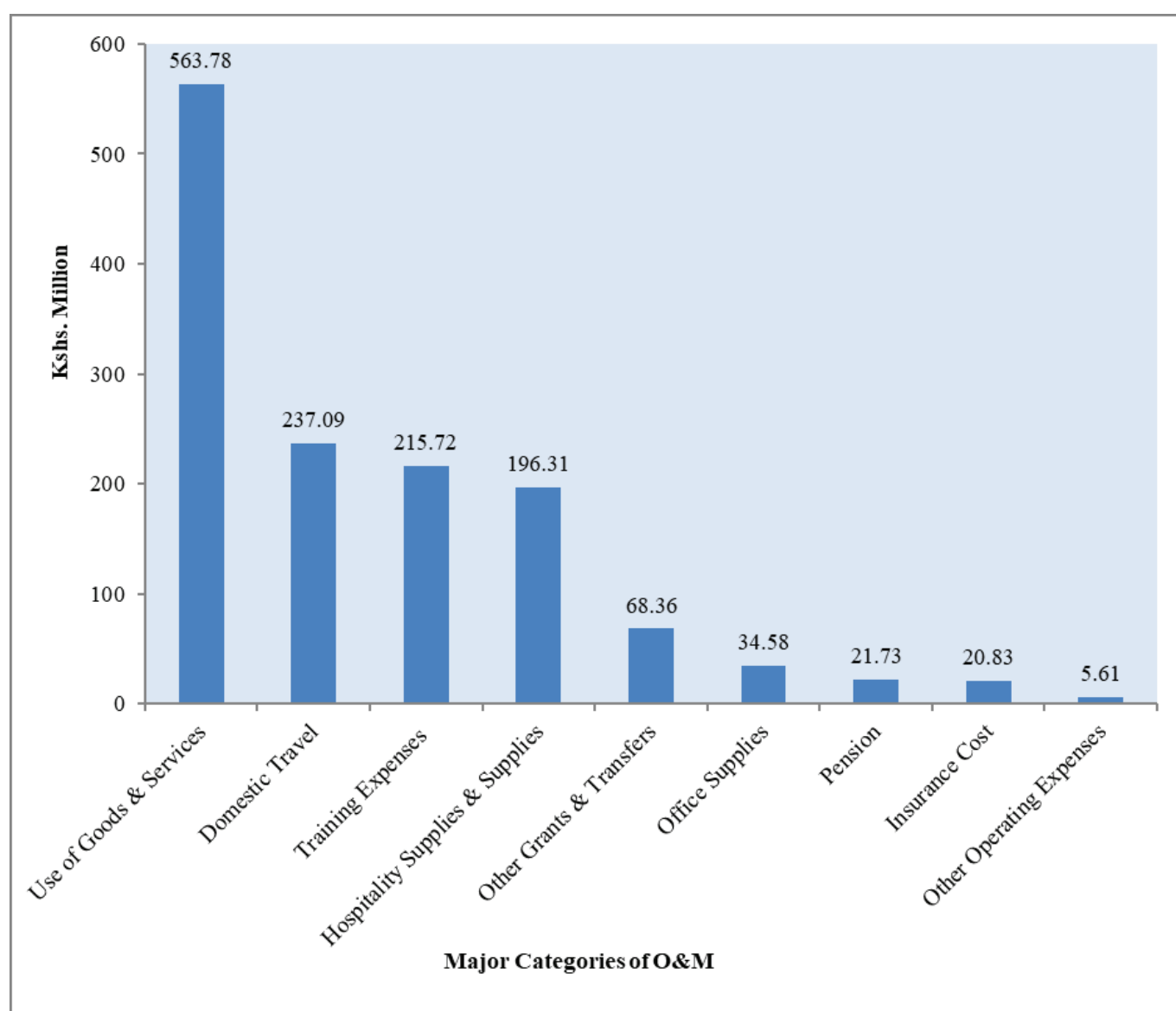
Source: Turkana County Treasury

3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.8 billion comprised of Kshs.2.02 billion (59.3 per cent) incurred on personnel emoluments and Kshs.1.39 billion (40.7 per cent) on operations and maintenance as shown in Figure 3.169.

Expenditure on personnel emoluments represented an increase of 45.5 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.39 billion, and was 55.5 per cent of total expenditure in the first half of FY 2018/19. Figure 3.170 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.170: Turkana County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Turkana County Treasury

The County spent Kshs.13.7 million to cater for the MCAs' committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.81.76 million. This represented a decline of 47.4 per cent compared to Kshs.26.07 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.47,569 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.237.09 million and comprised of Kshs.134.18 million spent by the County Assembly and Kshs.102.91 million spent by the County Executive and represented 8.4 per cent of total recurrent expenditure.

3.43.7 Development Expenditure

The total development expenditure of Kshs.230.49 million represented 4.3 per cent of the annual development budget of Kshs.5.32 billion. The County did not submit a summary of development projects in the first half of the financial year.

3.43.8 Budget Performance by County Department

Table 3.125 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.125: Turkana County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance (Office of the Governor and Liaison)	320.2	243.14	70.1		122.1	-	174.2		38.1	-
Office of the Deputy Governor	21.14	-	11.1		7.13	-	64.2		33.7	-
County Attorney	80.27	10	42.03		48.41	-	115.2		60.3	-
Finance and Planning	490.48	463.01	193.25		162.11	13.38	83.9		33.1	2.9
Water Services, Environment and Mineral Resources	53.67	600.77	-	30.44	29.98	32.83	-	107.9	55.9	5.5
Health & Sanitation Services	888.29	623.79	298.85	90.04	179.84	66.55	60.2	73.9	20.2	10.7
Trade, Gender and Youth Affairs	104.43	492.25	-	11.42	22.44	32.84	-	287.6	21.5	6.7
Education, Sports and Social Protection	664.63	715.56	210.39	68.11	215.48	67.97	102.4	99.8	32.4	9.5
Public Services, Decentralized Administration & Disaster Management	4,240.96	180.35	2,131.24		2,000.90	-	93.9		47.2	-
Infrastructure Transport & Public Works	42.93	515.82	23.3	173.73	22.79	12.92	97.8	7.4	53.1	2.5
Agriculture, Pastoral Economy & Fisheries	168.22	617.74	29.82		54.84	4	183.9		32.6	0.6
Tourism, Culture and Natural Resources	115.9	166.23	17.9		25.2	-	140.8		21.7	-
Lands, Energy, Housing & Urban Areas Mgt.	65.97	236.21	17.66	95.02	20.1	-	113.8		30.5	-
County Public Service Board	121.93	-	-		14.18	-	-		11.6	
County Assembly	839.3	452.28	476		478.61	-	100.5		57.0	-
Total	8,218.32	5,317.15	3,521.64	468.76	3,404.11	230.49	96.7	49.2	41.4	4.3

Source: Turkana County Treasury

According to the data from the County Treasury, the Health and Sanitation Services recorded the highest absorption rate of development budget at 10.7 per cent followed by the Department of Education, Sports and Social Protection at 9.5 per cent. The County Attorney had the highest percentage of recurrent expenditure to recurrent budget at 60.3 per cent while the County Public Service Board had the lowest at 11.6 per cent.

3.43.9 Key Observations and Recommendations

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

- Improved capacity of technical staff through training.
- Improved internet connectivity, resulting into effective use of IFMIS.

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

1. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 4.3 per cent compared to the expected target of 50 per cent for the half year.
2. The County's wage bill has remained high, having increased by 45.5 per cent from Kshs.1.39 billion in the first half of FY 2017/18 to Kshs.2.02 billion in the period under review.

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

1. The County should put mechanisms in place to enhance absorption of development funds.
2. The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.

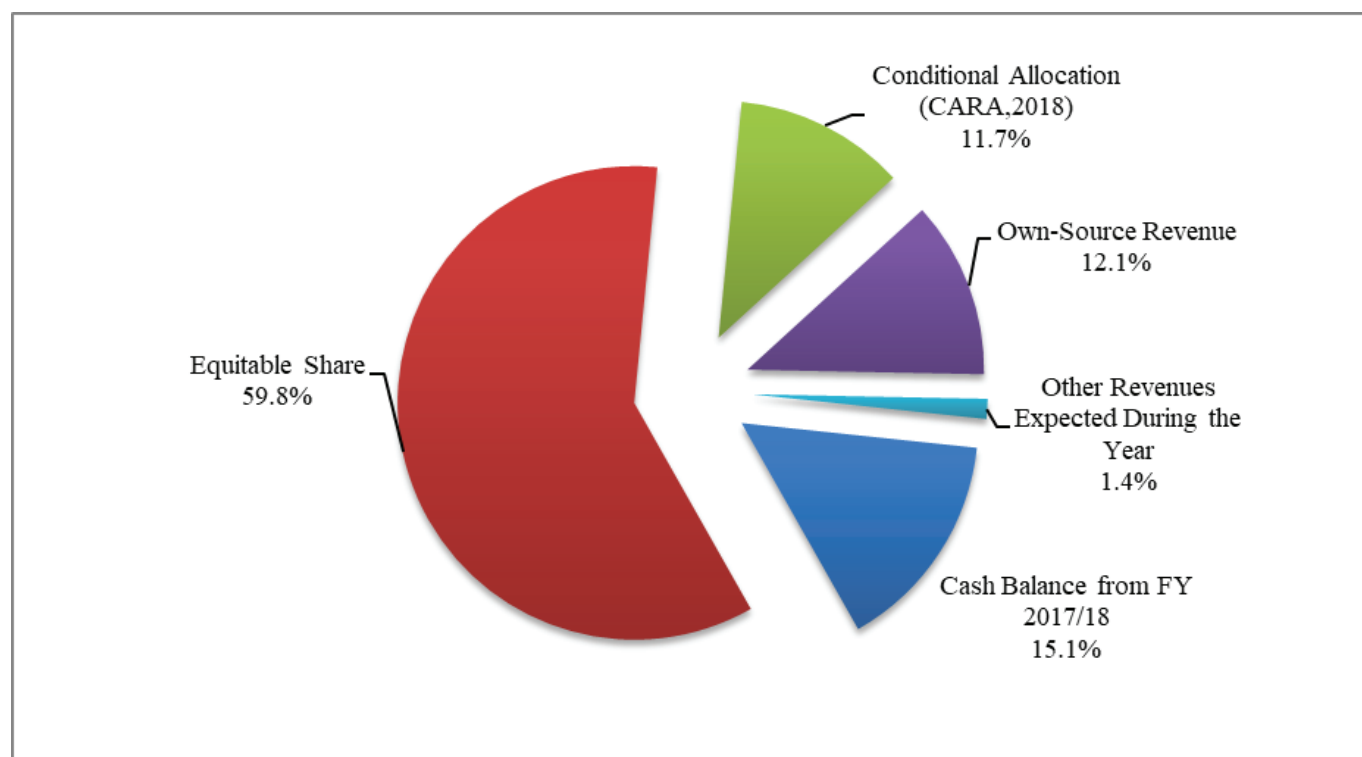
3.44 Uasin Gishu County

3.44.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.9.93 billion, comprising of Kshs.5.36 billion (54.0 per cent) and Kshs.4.57 billion (46.0 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.93 billion (59.7 per cent) as equitable share of revenue raised nationally, Kshs.1.29 billion (13.0 per cent) as total conditional grants, generate Kshs.1.20 billion (12.0 per cent) from own source of revenue, and Kshs.1.50 billion (15.1 per cent) cash balance from FY 2017/18.

Figure 3.171: Uasin Gishu County Expected Sources of Budget Financing in FY 2018/19



Source: Uasin Gishu County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.630.15 million (48.7 per cent) from IDA (World Bank) credit for Kenya Urban Support Project, Kshs.156.25 million (12.1 per cent) from Road Maintenance Fuel Levy, Kshs.117.00 million (9.0 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.81.89 million (6.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.46.74 million (3.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support

Programme Project (KDSP) “Level 1 grant”, Kshs.45 million (3.5 per cent) as EU grant- Instruments for Devolution Advice and Support (IDEAS), Kshs.33.25 million (2.6 per cent) for Rehabilitation of Village Polytechnics and Kshs.20.81 million (1.6 per cent) from Compensation of User Fees Foregone and Kshs.19.14 million (1.5 per cent) from DANIDA grant for Universal Healthcare in Devolved System Programme.

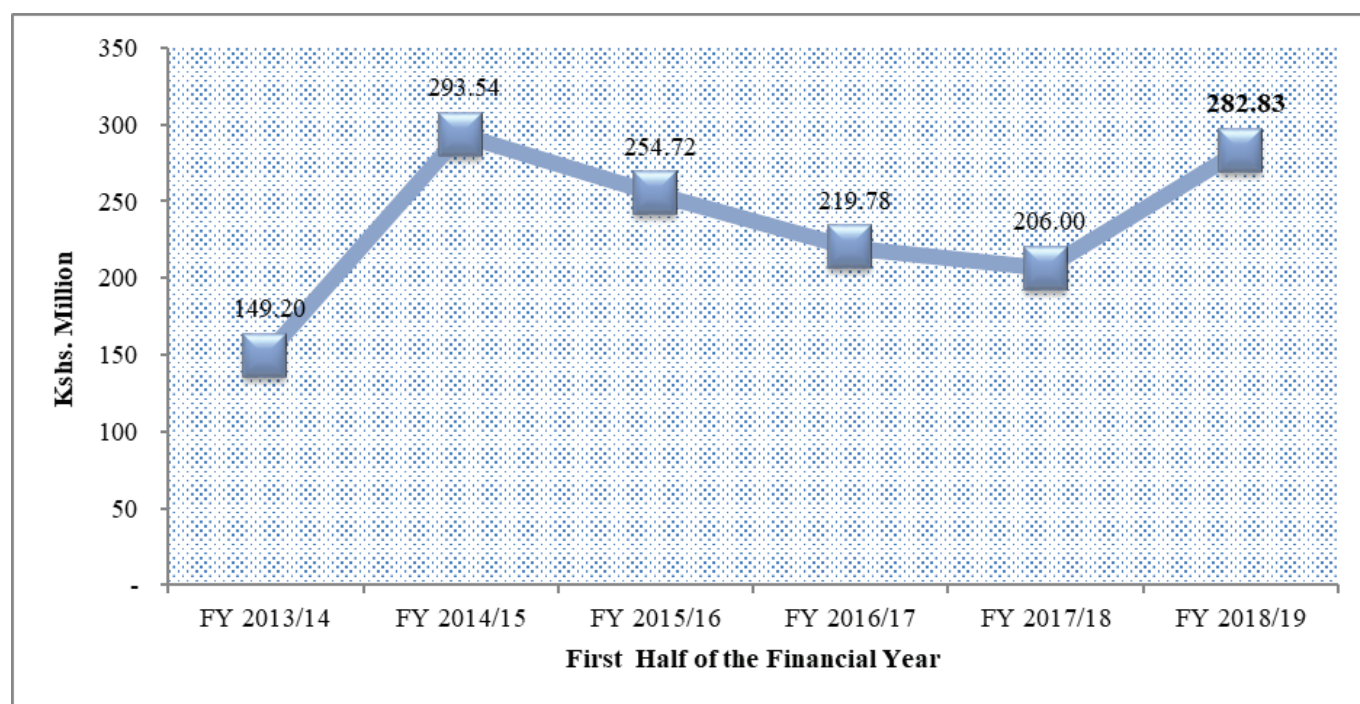
The County also budgeted to receive Kshs.135.00 million (10.4 per cent) as grant from IDA (World Bank) Kenya Climate Smart -Water, which is not contained in the CARA, 2018 and had rolled over of DANIDA of Kshs.8.24 million (0.6 per cent).

3.44.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.25 billion as equitable share of revenue raised nationally, Kshs.68.12 million as total conditional grants, raised Kshs.282.83 million from own source revenue, and had a cash balance of Kshs.1.50 billion from FY 2017/18. The total available funds amounted to Kshs.3.10 billion.

Figure 3.172 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.172: Uasin Gishu County, Trend in Own Source Revenue Collection for the First Half from FY 2013/14 to FY 2018/19



Source: Uasin Gishu County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.282.83 million as own-source revenue. The own-source revenue collected during the period represented an increase of 37.3 per cent when compared to Kshs.206 million realised during the same period of the FY 2017/18 and represented 23.6 per cent of the annual target.

3.44.3 Conditional Grants

The County received Kshs.68.12 million as conditional as shown in Table 3.126.

Table 3.126: Uasin Gishu County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Half of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1	IDA (World Bank) Kenya Urban Support Project	630,147,900	630,147,900	630,147,900	100
2	Road Maintenance Fuel Levy	156,252,849	156,252,849	-	-
3	IDA (World Bank) Kenya Climate Smart Agriculture Project	117,000,000	117,000,000	40,941,086	35.0
4	Transforming Health Systems for Universal Care Project	81,893,450	81,893,450	8,741,477	10.7
5	IDA (World Bank) Kenya Devolution Support Project *Level 1 grant*	46,739,163	46,739,163	-	-
6	EU Grant –Instruments for Devolution Advice and Support (IDEAS).	45,000,000	45,000,000	-	-
7	Rehabilitation of Youth polytechnics	33,250,000	33,250,000	8,868,153	26.7
8	Compensation of User Fees Foregone	20,813,065	20,813,065	-	-
9	DANIDA grant for Universal Healthcare in Devolved System Programme	19,136,250	27,379,194	9,568,125	34.9
10	IDA (World Bank) Kenya Climate Smart -Water	-	135,000,000	-	-
Total		1,150,232,577	1,293,475,521	698,266,741	5.3

Source: Uasin Gishu County Treasury

Analysis of revenue from conditional grants in the period under review indicates that, the County received disbursements from IDA-Kenya Urban Support Project, IDA (World Bank) Kenya Climate Smart Agriculture Project, and grant for Transforming Health Systems for Universal Care Project, Rehabilitation of Youth Polytechnics and DANIDA Grant for Universal healthcare in Devolved System Programme. The receipts accounted for 100 per cent, 35.0 per cent, 10.7 per cent, 26.7 per cent and 34.9 per cent of the annual allocation respectively.

3.44.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.99 billion from the CRF account. The withdrawals represented 30.1 per cent of the Approved Budget and translates to an increase of 7.9 per cent from Kshs.1.77 billion approved in the first half of FY 2017/18. This amount comprised of Kshs.2.30 billion (76.9 per cent) to fund recurrent expenditure and Kshs.685.90 million (23.1 per cent) for development activities.

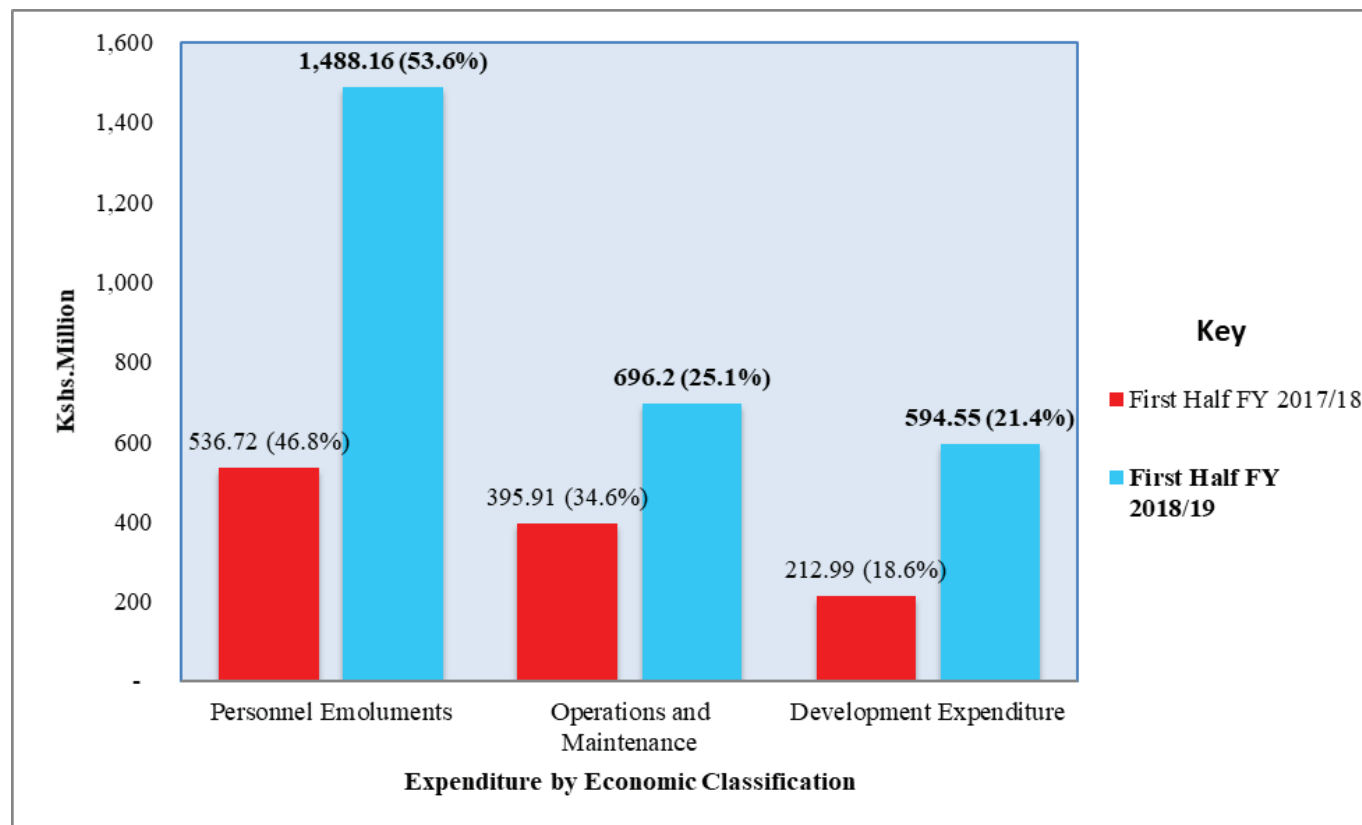
3.44.5 Overall Expenditure Review

The County government spent a total of Kshs.2.78 billion on recurrent and development activities. The total expenditure represented 93 per cent of the total funds released from the CRF account and was an increase of 141.7 per cent from Kshs.1.15 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.669.39 million for development activities and Kshs.297.98 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.18 billion while Kshs.594.55 million was spent on development activities. The recurrent expenditure was 94.9 per cent of the funds released for recurrent activities, while development expenditure was 86.7 per cent of funds released for development activities.

The recurrent expenditure represented 40.8 per cent of the annual recurrent budget, an increase from 18.5 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 13.0 per cent, which was an increase from 8.9 per cent attained in the first half of FY 2017/18. Figure 3.173 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of FY 2017/18.

Figure 3.173: Uasin Gishu County, Expenditure by Economic Classification



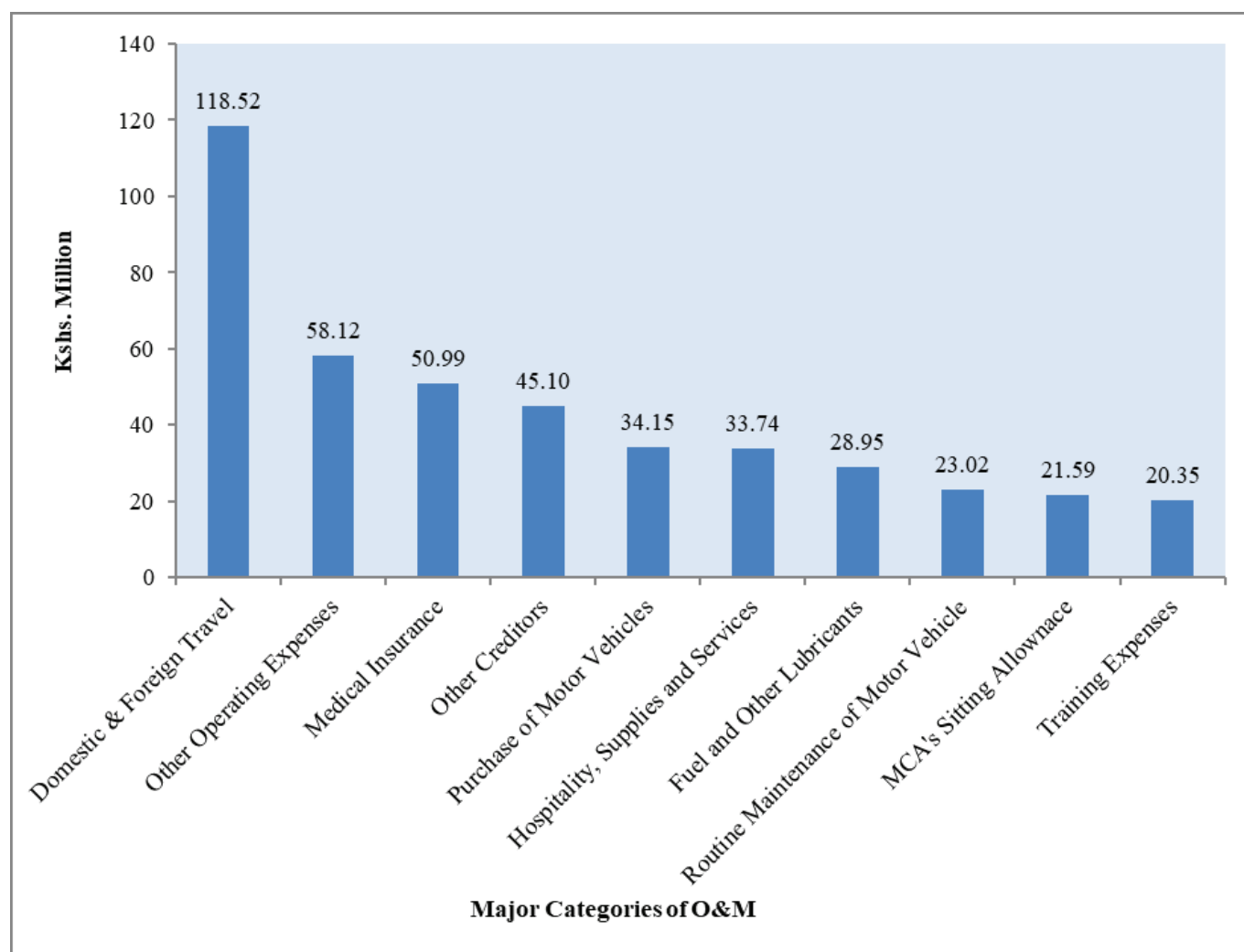
Source: Uasin Gishu County Treasury

3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.18 billion comprised of Kshs.1.49 billion (68.1 per cent) incurred on personnel emoluments and Kshs.696.20 million (31.9 per cent) on operations and maintenance as shown in Figure 3.173.

Expenditure on personnel emoluments represented an increase of 177.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.536.72 million, and was 53.6 per cent of total expenditure in the first half of FY 2018/19. Figure 3.174 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.174: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Uasin Gishu County Treasury

The County spent Kshs.21.59 million to cater for the MCAs' committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.37.51 million. This represented an increase of 328.4 per cent compared to Kshs.5.04 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.74,955 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.118.52 million and comprised of Kshs.51.80 million spent by the County Assembly and Kshs.66.72 million spent by the County Executive and represented 5.4 per cent of total recurrent expenditure.

3.44.7 Development Expenditure

The total development expenditure of Kshs.594.55 million represented 13 per cent of the annual development budget of Kshs.4.57 billion. Table 3.127 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.127: Uasin Gishu County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	First Half Expenditure (Kshs.)	Absorption Rate (%)
1.	Supply and Delivery of 4No. long arm Excavators and Supply and Delivery of 3No. Heavy duty tracked Dozers with ripper SD model	County Headquarters	422,147,523	227,300,000	53.8
2.	Supply, delivery, testing and Commissioning of 32 Boreholes	County Wide	132,500,000	74,264,298	56.0
3.	Supply, Delivery of Specialized plants (Two wheeled Back Hoe loaders)	County Headquarters	21,500,000	20,840,000	96.9
4.	Purchase of Educational Aids and Related Equipment	All Wards	21,029,360	21,000,000	99.9
5.	Purchase of Agricultural Machinery and Equipment	AMS Station	62,703,802	11,609,000	19.5
6.	Supply of FMD Disease Vaccines	Countywide	15,666,125	9,975,000	63.7
7.	Acquisition of Land (Land Banking)	County Wide	85,970,000	9,000,000	10.5
8.	Proposed Construction of 70 beds maternity at West Health Centre	Huruma	24,000,000	7,368,575	30.7
9.	Construction of Chemalal-Kipkenyo Bridge	Kipkenyo	6,548,408	6,139,996	93.8
10.	Construction of Kiborokwo –Kapngutuny Bridge	Segero/Barsombe	9,826,012	6,139,996	62.5

Source: Uasin Gishu County Treasury

3.44.8 Budget Performance by County Department

Table 3.128 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.128: Uasin Gishu County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governor's Office	115.94	-	58.89	-	54.39	-	92.4	-	46.9	-
Finance	401.94	-	131.76	-	141.70	-	107.5	-	35.3	-
Public Service Management	611.33	30.27	301.30	-	240.24	-	79.7	-	39.3	-
ICT and E-Government	36.96	47.14	17.75	0.80	23.34	0.80	131.5	100.0	63.1	1.7
Roads, Transport, Energy and Public Works	412.31	553.93	190.98	204.09	167.06	149.78	87.5	73.4	40.5	27.0
Lands and Housing	59.51	519.97	28.53	29.80	24.77	30.00	86.80	100.7	41.6	5.8
Water, Environment, Natural Resources, Tourism and Wildlife Management	130.68	900.61	58.96	211.93	53.77	190.65	91.2	90.0	41.2	21.2
Health Services	1,974.61	258.53	852.63	19.47	838.74	28.70	98.4	147.4	42.5	11.1
Agriculture	228.41	369.29	119.88	92.26	141.64	49.37	118.1	53.5	62.0	13.4
Trade, Investment and Industrialization	14.70	263.64	6.38	23.96	8.89	27.00	139.4	112.7	60.5	10.2

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Culture and Social Services	382.12	119.21	131.46	25.97	161.46	25.97	122.8	100.0	42.3	21.8
County Public Service Board	32.85	-	13.39	-	14.07	-	105.0	-	42.8	-
County Assembly	671.97	109.80	328.36	-	254.02	-	77.4	-	37.8	-
Economic Planning	72.50	-	17.21	-	10.38	-	60.3	-	14.3	-
Devolution and Public Administration	35.00	208.85	12.58	-	16.55	-	131.6	-	47.3	-
Youth Affairs, Gender and Sports Development	89.58	178.52	21.10	13.72	18.64	13.32	88.3	97.1	20.8	7.5
Cooperatives and Enterprise Development	16.88	65.91	3.64	3.46	3.32	7.97	91.1	230.6	19.7	12.1
Livestock Development and Fisheries	12.93	195.19	2.85	26.76	2.67	40.84	93.7	152.6	20.7	20.9
Physical Planning and Urban Development	56.34	753.20	3.29	33.68	8.70	30.15	264.1	89.5	15.4	4.0
TOTAL	5,356.51	4,574.04	2,300.95	685.90	2,184.34	594.55	94.9	86.7	40.8	13.0

Source: Uasin Gishu County Treasury

Analysis of expenditure by department shows the Department of Roads, Transport, Energy and Public Works recorded the highest absorption rate of development budget at 27 per cent while the Departments of the Public Service Management, County Assembly and Devolution & Public Administration did not incur any development expenditure. The Department of ICT and E-Government had the highest percentage of recurrent expenditure to recurrent budget at 63.1 per cent while the Department of Economic Planning had the lowest at 14.3 per cent.

3.44.9 Key Observations and Recommendations

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

- Improvement in the absorption of development budget by 179.1 per cent from Kshs.212.99 million in the first half of FY 2017/18 to Kshs.594.55 million in the period under review.

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

- High wage bill that has increased by 177.3 per cent from Kshs.536.72 million in the first half of FY 2017/18 to Kshs.1.49 billion in the period under review.
- The County Assembly did not comply with the requirement to ensure all payments are processed through IFMIS and Internet Banking platform. The expenditure report from the County Assembly shows that a total of Kshs.343.52 million was incurred during the period under review. However, only Kshs.254.02 million could be supported by the IFMIS system.

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

- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
- The County Assembly should ensure that all financial transactions are made on IFMIS and payments made online through the Internet Banking platform at the Central Bank of Kenya.*

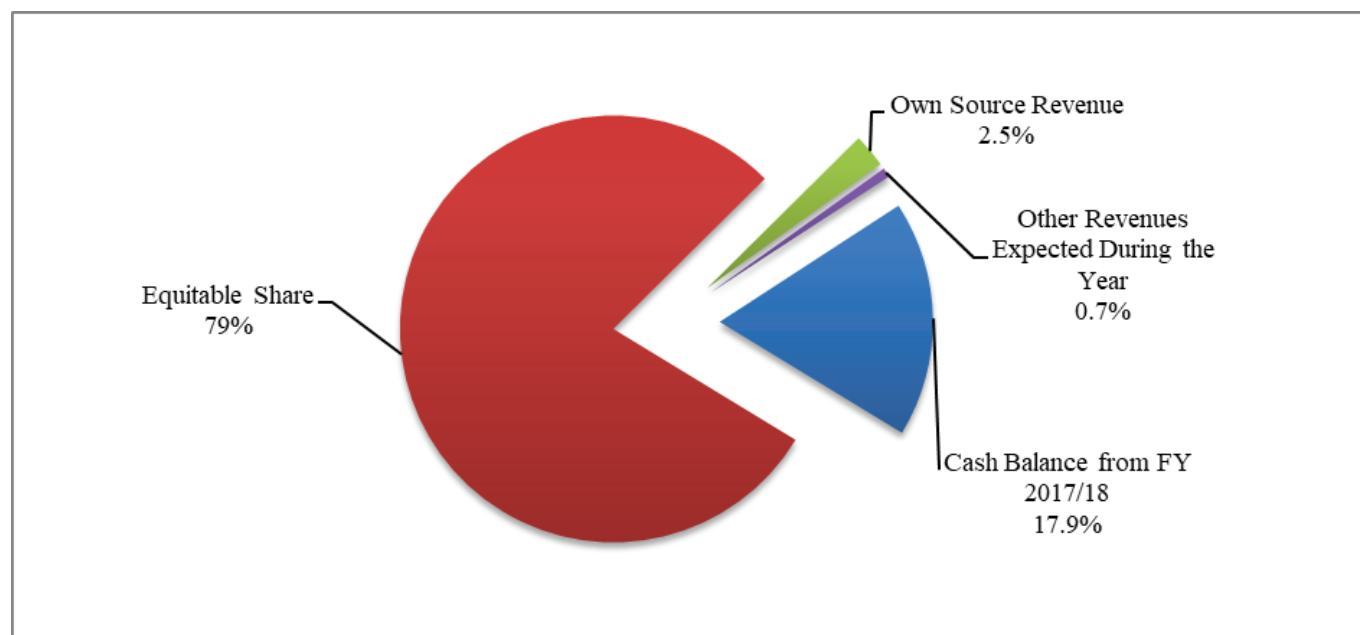
3.45 Vihiga County

3.45.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.6.44 billion, comprising of Kshs.4.50 billion (70 per cent) and Kshs.1.94 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.1.06 billion (6.1 per cent) as total conditional grants, generate Kshs.153.67 million (2.4 per cent) from local revenue sources, and Kshs.1.08 billion (16.8 per cent) cash balance from FY 2017/18.

Figure 3.175: Vihiga County Expected Sources of Budget Financing in FY 2018/19



Source: Vihiga County Treasury

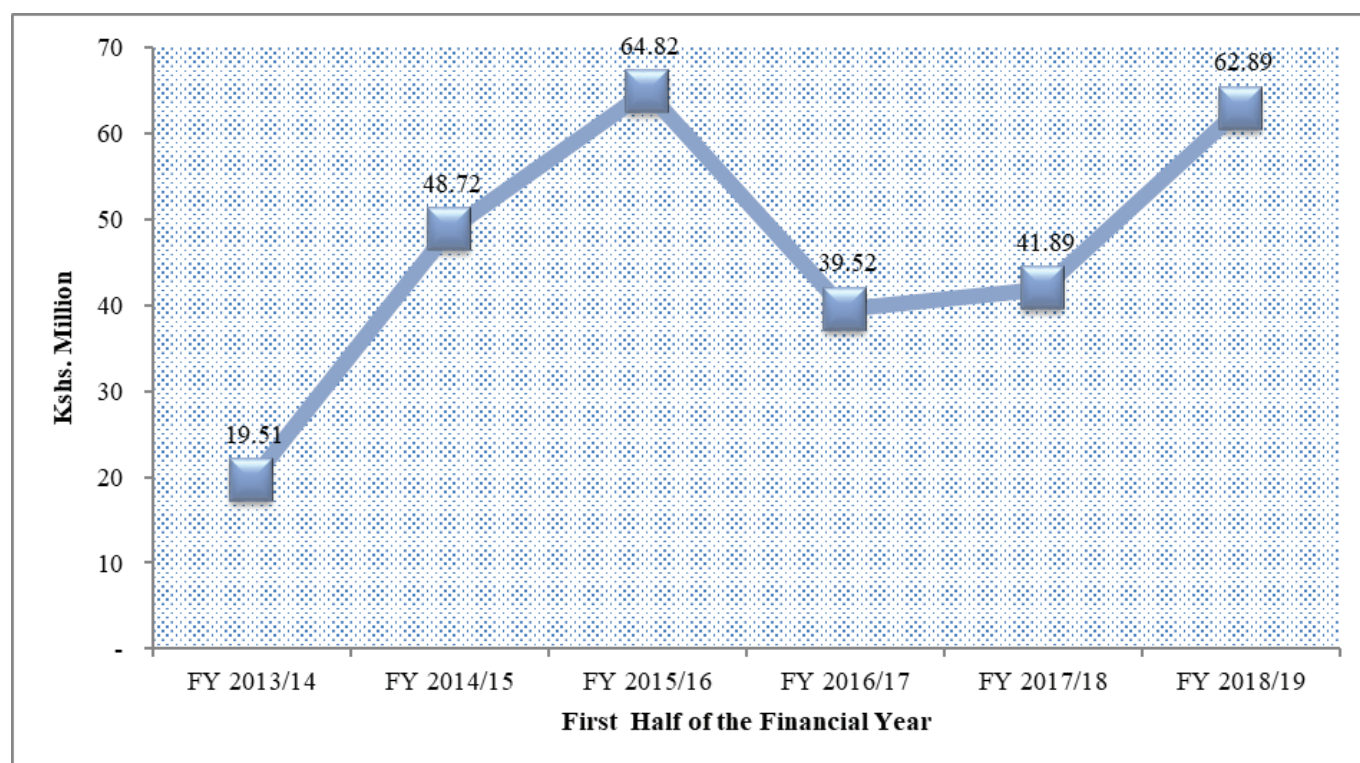
The conditional grants contained in the CARA, 2018 consist of; Kshs.49.37 million (7.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.50 million (7.9 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.67.91 million (10.7 per cent) as World Bank loan to supplement Free maternity Health care, Kshs.14.78 million (2.3 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.26.78 million (4.2 per cent) from IDA (World Bank) credit for the Kenya Devolution Support Programme "Level 2 grant, Kshs.12.93 million (2.0 per cent) Compensation for User Fees Foregone, Kshs.117.24 million (18.4 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.54.15 million (8.5 per cent) for Rehabilitation of Village Polytechnics.

3.45.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.936.35 million as equitable share of revenue raised nationally, Kshs.311.92 million as total conditional grants, raised Kshs.62.89 million from own source revenue, and had a cash balance of Kshs.1.33 billion from FY 2017/18. The total available funds amounted to Kshs.2.64 billion.

Figure 3.176 shows the half yearly trend in own source revenue collection from the first half FY 2013/14 to the first half of FY 2018/19.

Figure 3.176: Vihiga County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Vihiga County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.62.89 million as own-source revenue. The own-source revenue collected during the period represented an increase from Kshs.41.89 million realised during the same period of the FY 2017/18 and represented 40.9 per cent of the annual target.

3.45.3 Conditional Grants

The County received Kshs.311.92 million as conditional grants as shown in Table 3.129.

Table 3.129: Vihiga County, Conditional Grants Received in the First Half of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants Contained in the CARA, 2018					
1	Compensation for User Fee Foregone	12,657,201	19,158,582	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	117,396,321	212,686,815	29,340,225	-
4	Rehabilitation of Village Polytechnics	55,000,000	70,891,386	-	-
5	Transforming Health Systems for Universal Care Project (WB)	73,956,778	73,172,815	18,091,517	24.7
6	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	193,368,318	-	-
7	Kenya Devolution Support Project (KDSP) "Level 1 grant"	41,604,112	75,302,439	-	-

8	Kenya Urban Support Project (KUSP)	250,950,700	250,950,700	250,950,700	100.0
9	DANIDA Grant	14,782,500	20,930,173	13,538,923	64.7
10	Water and Sanitation Development Project (WSDP)	80,000,000	80,000,000	-	-
Sub Total		945,178,663	996,461,228	311,921,365	31.3
B	Other Grants				
11	Agricultural Sector Development Support Programme(ADSP)	12,661,321	18,161,321	-	-
12	Urban Planning-(WORLD BANK)	41,200,000	41,200,000	-	-
Sub Total		53,861,321	59,361,321		0.0
Total		1,040,644,096	1,055,822,549	311,921,365	29.5

Source: Vihiga County Treasury

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

3.45.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.37 billion from the CRF account, which was 36.8 per cent of the Approved Budget. This amount represent an increase of 30.4 per cent from Kshs.1.65 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.17 billion (91.6 per cent) to fund recurrent expenditure and Kshs198.44 million (8.4 per cent) for development activities.

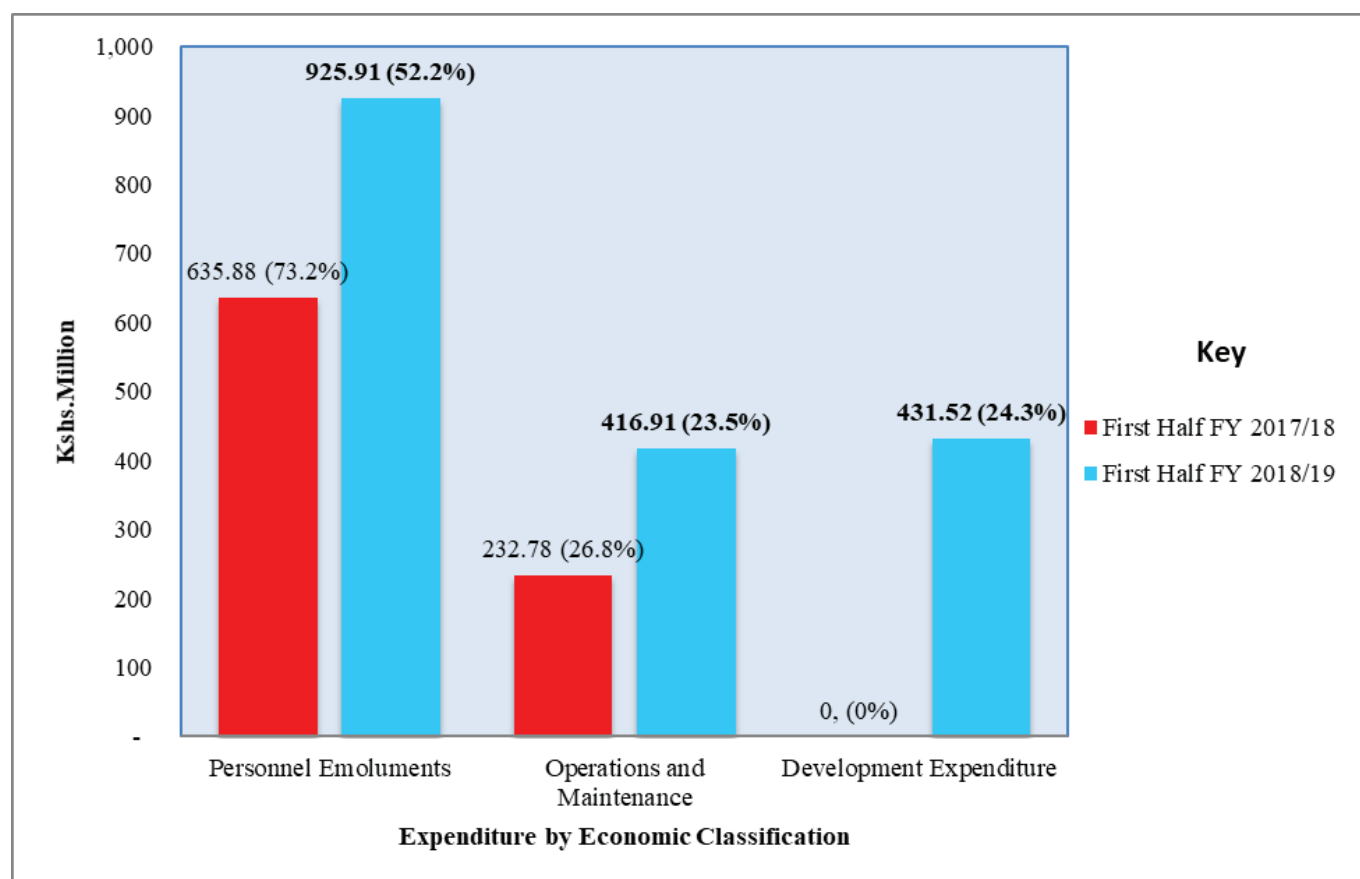
3.45.5 Overall Expenditure Review

The County government spent a total of Kshs.1.77 billion on recurrent and development activities. The total expenditure represented 74.7 per cent of the total funds released from the CRF account and was an increase/decline of 50.8 per cent from Kshs.868.66 million spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at December 31st 2018 which amounted to Kshs.36.6 million for development activities and Kshs.73.8 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.34 billion while Kshs.431.52 million was spent on development activities. The recurrent expenditure was 63.8 per cent of the funds released for recurrent activities, while development expenditure was 161.4 per cent of funds released for development activities.

The recurrent expenditure represented 29.8 per cent of the annual recurrent budget, an increase from 26 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 22.3 per cent, which was an increase from 0.0 per cent attained in the first half of FY 2017/18. Figure 3.177: presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.177: Vihiga County, Expenditure by Economic Classification



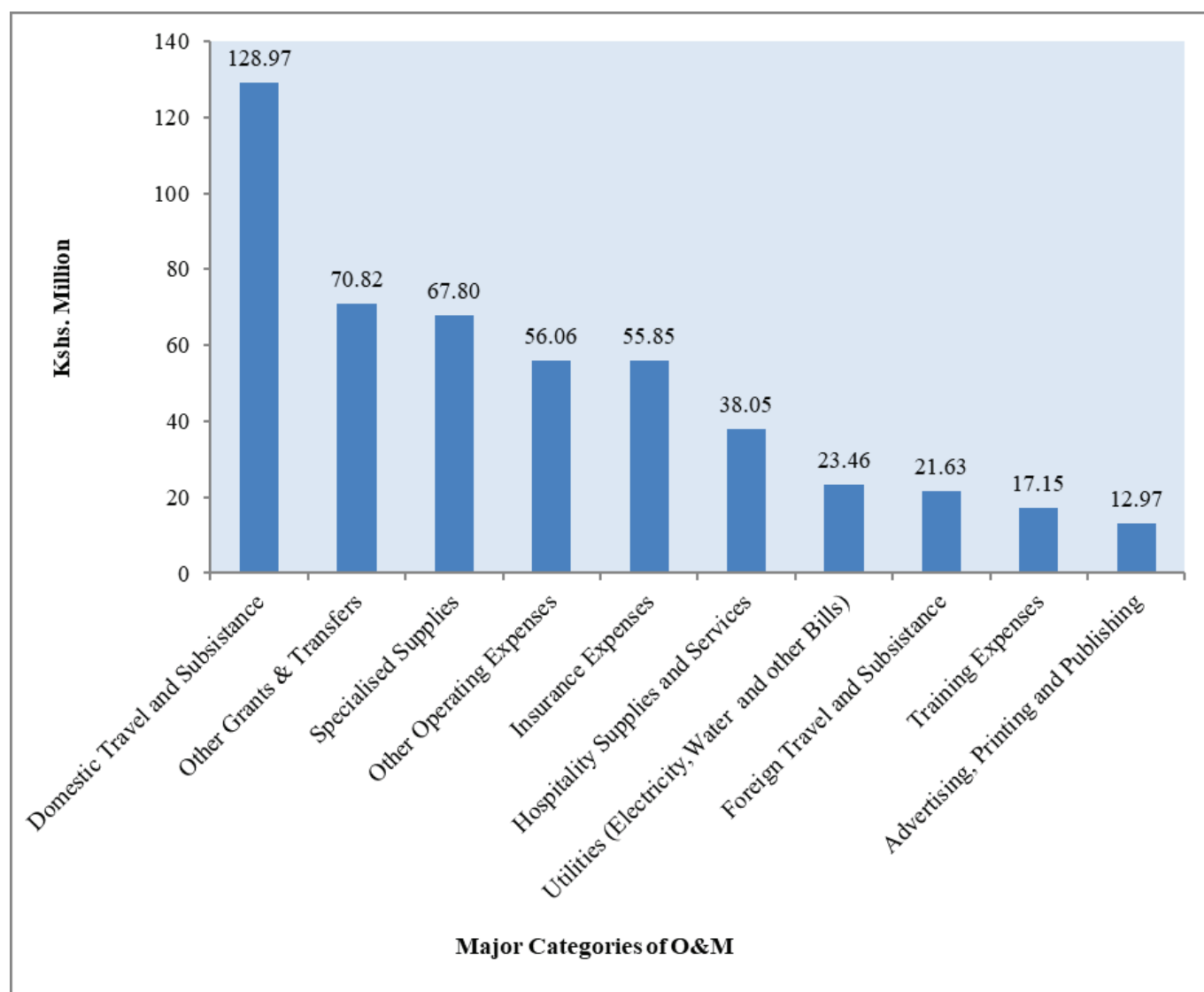
Source: Vihiga County Treasury

3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.34 billion comprised of Kshs.925.91 million (69 per cent) incurred on personnel emoluments and Kshs.416.91 million (31 per cent) on operations and maintenance as shown in Figure 3.177:.

Expenditure on personnel emoluments represented an increase of 45.6 per cent compared to the first half of FY 2017/18 when the County spent Kshs.635.88 million, and was 52.2 per cent of total expenditure in the first half of FY 2018/19. Figure 3.178 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.178: Vihiga County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Vihiga County Treasury

The County spent Kshs.27.29 million on MCAs' committee sitting allowances for the 39 MCAs against the annual budget allocation of Kshs.44.68 million. This represented an increase of 96.4 per cent compared to Kshs.0.97 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.116,625 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.128.97 million and comprised of Kshs.71.74 million spent by the County Assembly and Kshs.57.22 million spent by the County Executive. This represented 32.4 per cent of total recurrent expenditure and was an increase of 58.5 per cent compared to Kshs.56.12 million spent in the first half of FY 2017/18.

3.45.7 Development Expenditure

The total development expenditure of Kshs.413.52 million represented 22.3 per cent of the annual development budget of Kshs.1.94 billion. Table 3.130 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.130: Vihiga County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Overhaul of Other Infrastructure and Civil Works	1,049,331,971	264,325,915	25
2	Purchase of Fire fighting Vehicles and Equipment	37,000,000	37,000,000	100
3	Construction of Buildings	68,649,700	30,166,209	44
4	Purchase of Educational Aids and Related Equipment	12,600,000	23,314,541	185
5	Rehabilitation & Renovation -	158,238,026	18,354,930	12
6	Purchase of Lighting Equipment	18,800,000	17,141,360	91
7	Bridges	9,821,753	12,173,675	124
8	Purchase of Certified Seeds	47,000,000	9,369,000	20
9	Purchase of Animals and Breeding Stock	13,131,250	6,000,000	46
10	Residential Buildings (including hostels)	45,000,000	5,000,000	11

Source: Vihiga County Treasury

3.45.8 Budget Performance by County Department

Table 3.131 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.131: Vihiga County, Budget Performance by Department

Department	Annual Budget Allocation for FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of The Governor	453.08	40.80	208.41	-	109.65	-	52.6	-	24.2	0.0
Finance & Economic Planning	499.73	132.12	156.01	-	115.31	-	73.9	-	23.1	0.0
Agriculture, Livestock, Fisheries & Cooperatives	165.10	232.50	72.21	31.46	52.73	32.13	73.0	102.1	31.9	13.8
Health Services	1,313.15	321.79	651.30	60.64	536.26	78.91	82.3	130.1	40.8	24.5
Education, Science, Technical and Vocational Training	489.33	232.15	167.73	26.13	215.77	41.67	128.6	159.5	44.1	17.9
Gender, Culture, Youth, Sports and Social Services	158.87	87.00	93.94	-	31.27	-	33.3	-	19.7	-
Trade, Industry, Tourism and Entrepreneurship.	98.07	46.93	28.18	1.07	13.94	2.14	49.5	200.0	14.2	4.6
County Public Service Board	52.57	-	26.19	-	9.74	-	37.2	-	18.5	-
Environment, Water, Energy & Natural Resources.	86.85	71.11	38.70	7.86	32.88	23.83	85.0	303.2	37.9	33.5
Transport, Infrastructure & Communication	186.83	567.20	79.26	135.12	67.35	245.24	85.0	181.5	36.0	43.2

Department	Annual Budget Allocation for FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Physical Planning, Land and Housing	70.93	67	31.88	2.94	21.95	2.60	68.9	88.4	30.9	3.9
County Assembly	560.96	94.03	299.48	-	241.66	-	80.7	-	43.1	-
Administration and Coordination of County Affairs	367.10	45.44	174.19	2.11	145.78	5.00	83.7	237.0	39.7	11
Total	4,502.57	1,938.07	2,027.48	267.33	1,594.29	431.52	78.6	161.4	35.4	22.3

Source: Vihiga County Treasury

Analysis of expenditure by department shows that the Department of Transport, Infrastructure & Communication recorded the highest absorption rate of development budget at 43.2 per cent followed by the Department of Environment, Water, Energy & Natural Resources at 33.5 per cent. The Department of Education, Science, Technical and Vocational Training had the highest percentage of recurrent expenditure to recurrent budget at 44.1 per cent while the Department of Trade, Industry, Tourism and Entrepreneurship had the lowest at 14.2 per cent.

3.45.9 Key Observations and Recommendations

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

- Decentralising IFMIS to County departments and training of staff on use of IFMIS.
- Establishing of the Audit Committee in line with Section 155 of the PFM Act, 2012.
- Increase in own-source revenue collection by 50.1 per cent as compared to the same period of FY 2017/18.
- Establishment of the County Budget and Economic Forum in line with Section 137 of PFM Act, 2012.

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

- E-Procurement challenges which delayed procurement requests, project implementation and supplier payments.
- High wage bill which impacts negatively on development projects.

The Department will continue to implement the following recommendations in order to improve budget execution;

- Liaise with National Treasury for technical assistance as well as organize for more staff trainings on E-procurement.*
- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

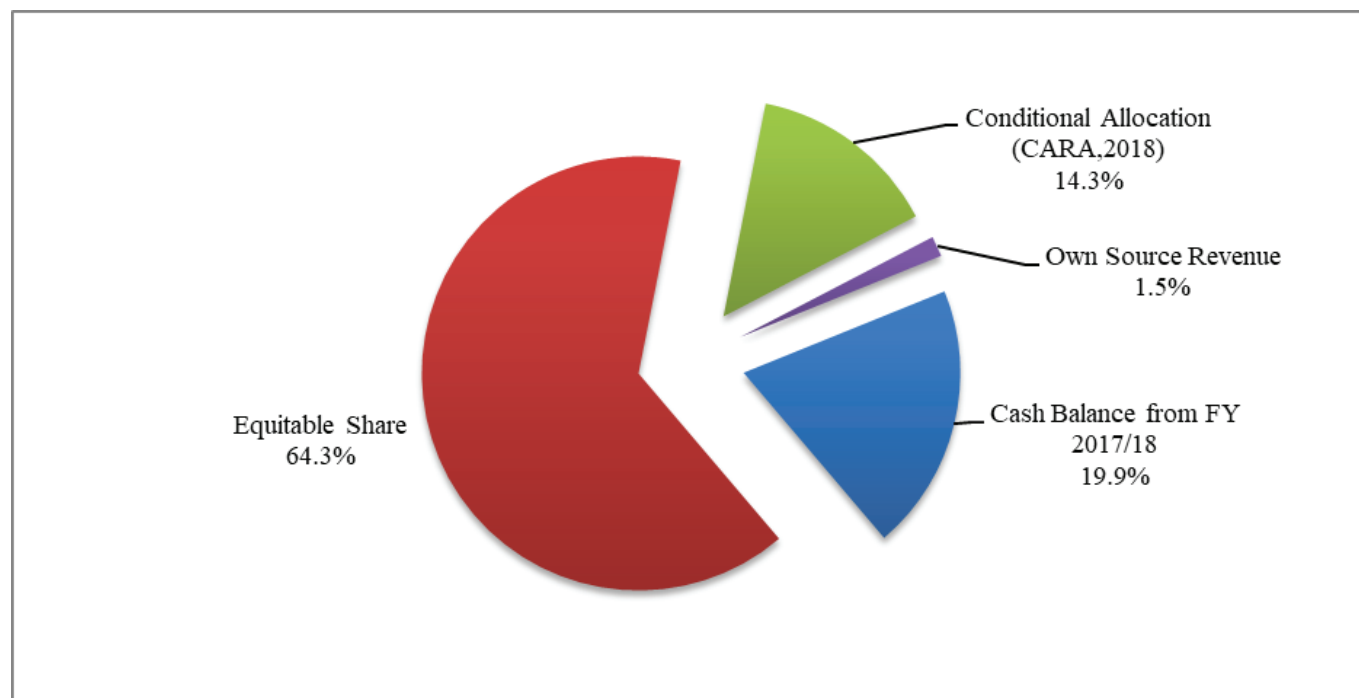
3.46 Wajir County

3.46.1 Overview of the FY 2018/19 Budget

The County's Approved Budget for FY 2018/19 is Kshs.13.17 billion, comprising of Kshs.6.34 billion (48.1 per cent) and Kshs.6.83 billion (51.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.48 billion (64.3 per cent) as equitable share of revenue raised nationally, Kshs.1.88 billion (14.3 per cent) as total conditional grants, generate Kshs.200 million (1.5 per cent) from local revenue sources, and Kshs.2.62 billion (19.9 per cent) cash balance brought forward from FY 2017/18.

Figure 3.179 : Wajir County Sources of Budget Financing in FY 2018/19



Source: Wajir County Treasury

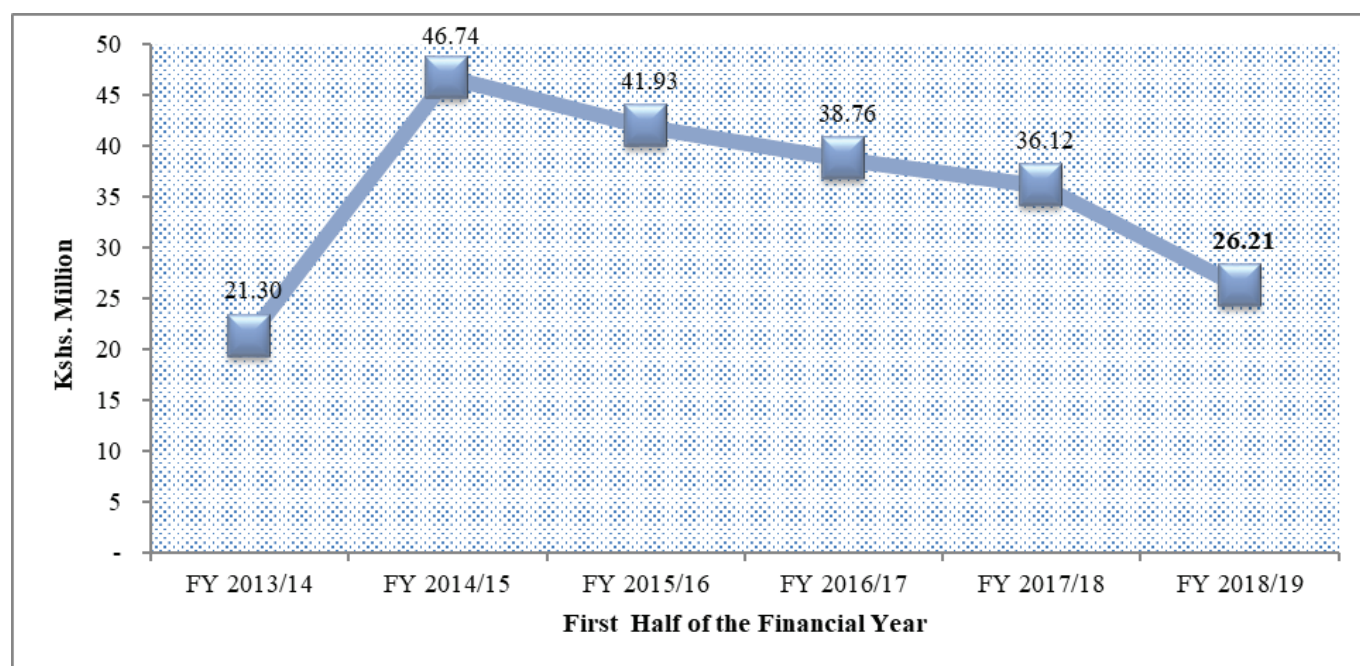
The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (5.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.25 million (1.3 per cent) from IDA (World Bank) credit for National Agricultural and Rural Inclusive Growth Project, Kshs.150 million (8 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.53.40 million (2.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.205.6 million (10.9 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.38.8 million (2.1 per cent) grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (2.4 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.1 billion (53.2 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.15.78 million (0.8 per cent) Compensation for User Fees Foregone, Kshs.223.22 million (11.9 per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.21.29 million (1.1 per cent) for Rehabilitation of Village Polytechnics.

3.46.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.2.85 billion as equitable share of revenue raised nationally, Kshs.38.4 million as total conditional grants, raised Kshs.26.21 million from own-source revenue, and had a cash balance of Kshs.1.53 million from FY 2017/18. The total funds available for the period amounted to Kshs.4.4 billion.

Figure 3.180 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.180: Wajir County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: Wajir County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.26.21 million from own-source revenue. This amount was a decrease of 5 per cent when compared to Kshs.36.12 million realised during the same period of FY 2017/18 and represented 13.1 per cent of the annual target.

3.46.3 Conditional Grants

The County received Kshs.38.4 million as conditional grants as shown in Table 3.132.

Table 3.132: Wajir County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No.	Grants/Loans	Annual Allocation per CARA, 2018 Allocation (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants Contained in the CARA, 2018					
1	Compensation for User Fee Foregone-National Government	15,784,997	15,784,997	-	-
2	Road Maintenance Fuel Levy-National Government	223,218,356	223,218,356	-	-
3	Rehabilitation of Village Polytechnics-National Government	21,295,000	21,295,000	-	-
4	Transforming Health Systems for Universal Care Project- World Bank	100,000,000	100,000,000	24,771,251	24.8
5	National Agricultural and Rural Inclusive Growth Project (NARIGP)-World Bank	25,000,000	25,000,000	-	-
6	Kenya Climate Smart Agriculture Project (KCSAP)-World Bank	150,000,000	150,000,000	-	-
7	Kenya Devolution Support Project (KDSP) "Level 1 grant"	53,401,112	53,401,112	-	-

S/No.	Grants/Loans	Annual Allocation per CARA, 2018 Allocation (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants Contained in the CARA, 2018					
8	Kenya Urban Support Project (KUSP)	205,643,500	205,643,500	-	-
9	DANIDA Grant	38,772,225	38,772,225	13,643,438	35.2
10	EU Grant	45,000,000	45,000,000	-	-
11	Water and Sanitation Development Project (WSDP)	1,000,000,000	1,000,000,000	-	-
Total		1,878,115,190	1,878,115,190	38,414,689	2.0

Source: Wajir County Treasury

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

3.46.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.2.19 billion from the CRF account. The withdrawals represented 16.6 per cent of the Approved Budget and translate to an increase of 32.3 per cent from Kshs.1.65 billion approved in the first half of FY 2017/18 and comprised of Kshs.2.2 billion (100 per cent) to fund recurrent expenditure.

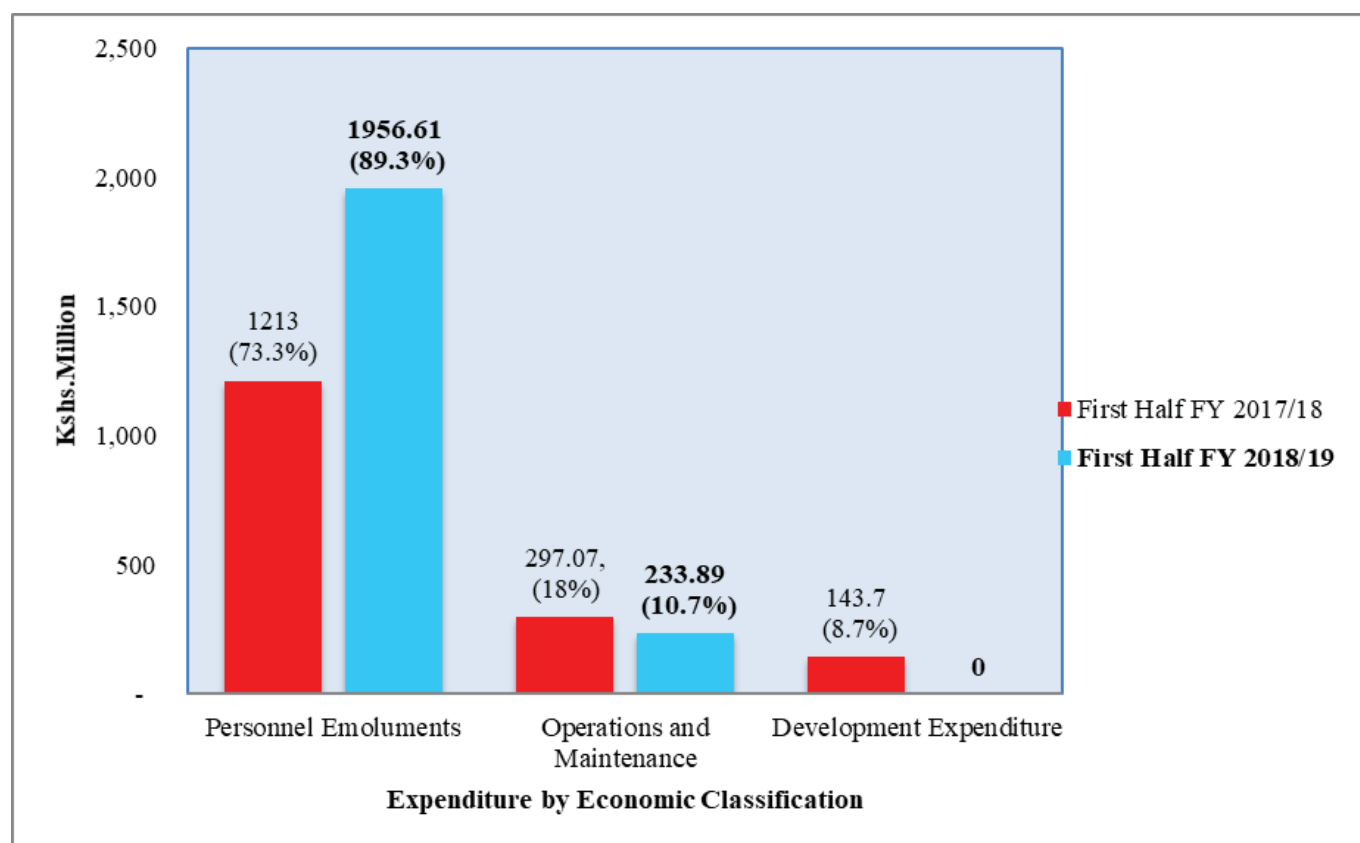
3.46.5 Overall Expenditure Review

The County government spent a total of Kshs.2.17 billion on both recurrent and development activities. This expenditure represented 99.1 per cent of the total funds released from the CRF account and was an increase of 31.2 per cent from Kshs.1.66 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.20.6 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.17 million while there was no development expenditure. The recurrent expenditure was 99.1 per cent of the funds released for recurrent activities, while development expenditure was 0 per cent of funds released for development activities.

The recurrent expenditure represented 34.2 per cent of the annual recurrent budget and was an increase from 31.2 per cent recorded in the first half of FY 2017/18. Figure 3.181 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.181: Wajir County, Expenditure by Economic Classification



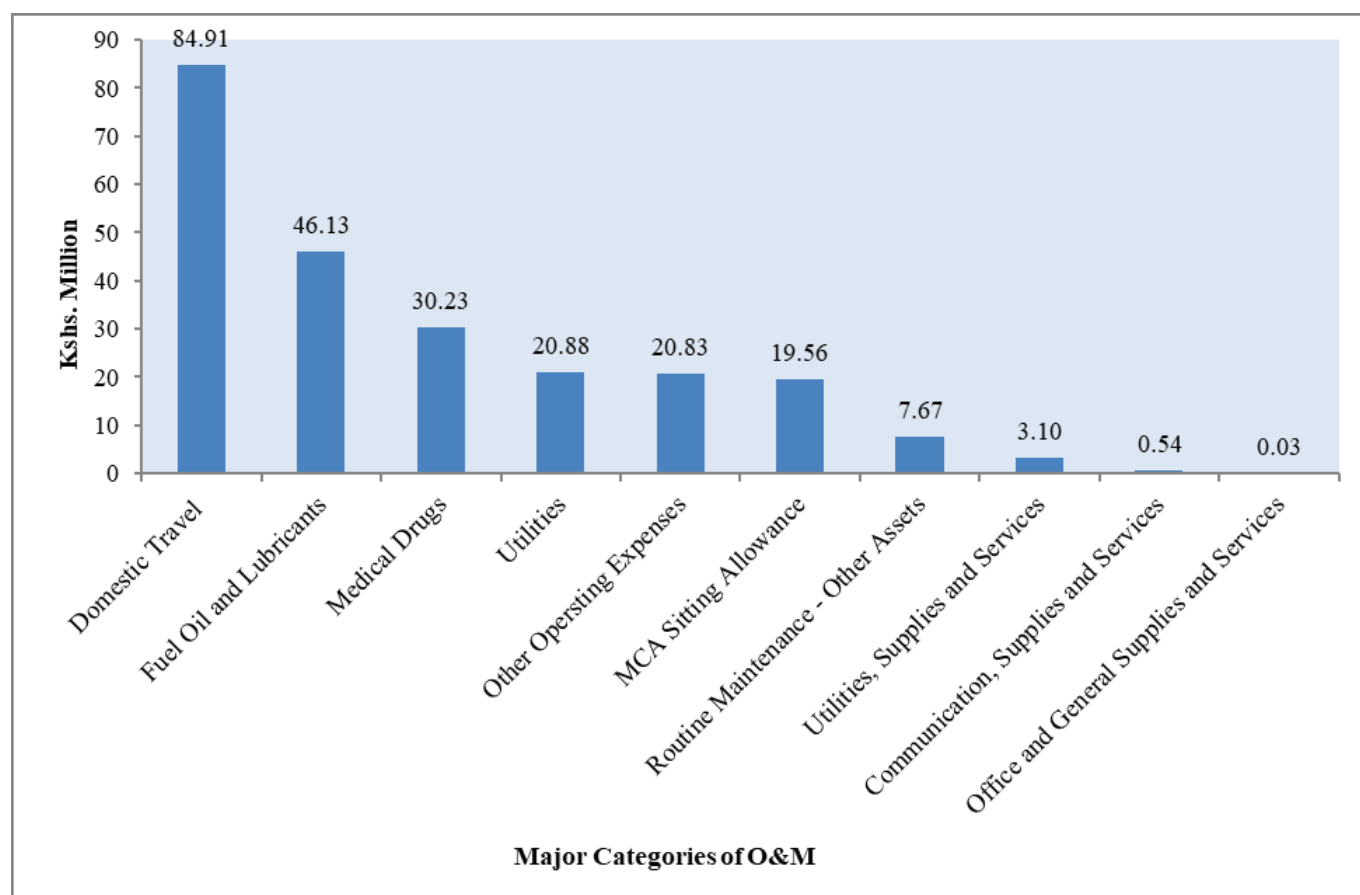
Source: Wajir County Treasury

3.46.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.17 billion comprised of Kshs.1.96 billion (89.3 per cent) incurred on personnel emoluments and Kshs.233.9million (10.7 per cent) on operations and maintenance as shown in Figure 3.181.

Expenditure on personnel emoluments represented an increase of 61.3 per cent compared to the first half of FY 2017/18 when the County spent Kshs.1.2 billion, and was 89.3 per cent of total expenditure for the period. Figure 3.182: shows a summary of operations and maintenance expenditure by major categories.

Figure 3.182: Wajir County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: Wajir County Treasury

The County spent Kshs.19.6 million on MCAs' committee sitting allowances for the 46 MCAs against the annual budget allocation of Kshs.23.75 million. This amount represented an increase of 596 per cent compared to Kshs.2.8 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.70,878 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.84.91 million and comprised of Kshs.38.8 million spent by the County Assembly and Kshs.46.1 million spent by the County Executive. This represented 4 per cent of total recurrent expenditure and was 60 per cent compared to Kshs.50.9 million spent in the first half of FY 2017/18.

3.46.7 Development Expenditure

There was no development expenditure in the reporting period.

3.46.8 Budget Performance by County Department

Table 3.133 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.133: Wajir County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	484	-	226.40	-	220.40	-	97.3	-	45.5	-
Finance and Economic Planning	751	528	142.34	-	142.34	-	100	-	19	-
Agriculture and Livestock	230	702	91.84	-	91.80	-	100	-	39.9	-
Public Health and Medical Service	1,641	573	698.80	-	698.80	-	100	-	42.6	-
Roads and Transport	145	1,433	38.40	-	38.40	-	100	-	26.4	-
Water	151	830	47.50	-	47.50	-	100	-	31.5	-
Environment and Energy	73	426	17.90	-	17.30	-	100	-		-
Public Service, Special Program and Town Adm	1,078	219	317.25	-	312.20	-	98.4	-	29	-
Education , Youth and Gender	643	415	188.60	-	183.60	-	97.3	-	28.6	-
ICT and Trade	206	182	50.30	-	46.30	-	92	-	22.5	-
Public Works , Land and Housing	88	338	15.40	-	15.40	-	100	-	17.6	-
WAJWASCO	62	1,187	-	-	-	-	-	-	-	-
13- CPSP	70	-	29.50	-	29.50	-	100	-	41.9	-
14 - County Assembly	720	-	326.33	-	326.33	-	100	-	45.3	-
TOTAL	6,342.73	6,833.04	2,190.50	-	2,169.87	-	99	-	34.2	-

Source: Wajir County Treasury

Analysis of expenditure by department shows that the Department of Agriculture, Finance and Health recorded the highest absorption rate of recurrent budget at 100 per cent while the County Assembly and Office of the Governor recorded 100 per cent and 97.3 respectively. The Department of ICT and Trade had the lowest at 92 per cent.

3.46.9 Key Observations and Recommendations

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

- i. Development of Regulations to operationalize the Bursary Funds.

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

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the Budget Implementation Review Report contrary to 166 of the PFM Act, 2012.
2. Under-performance in own source revenue collection, which declined by 5 per cent from Kshs.36.1 million in the first half of FY 2017/18 to Kshs.26.2 million in the reporting period.

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

1. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
2. The County Treasury should formulate and implement strategies to enhance own-source collection.

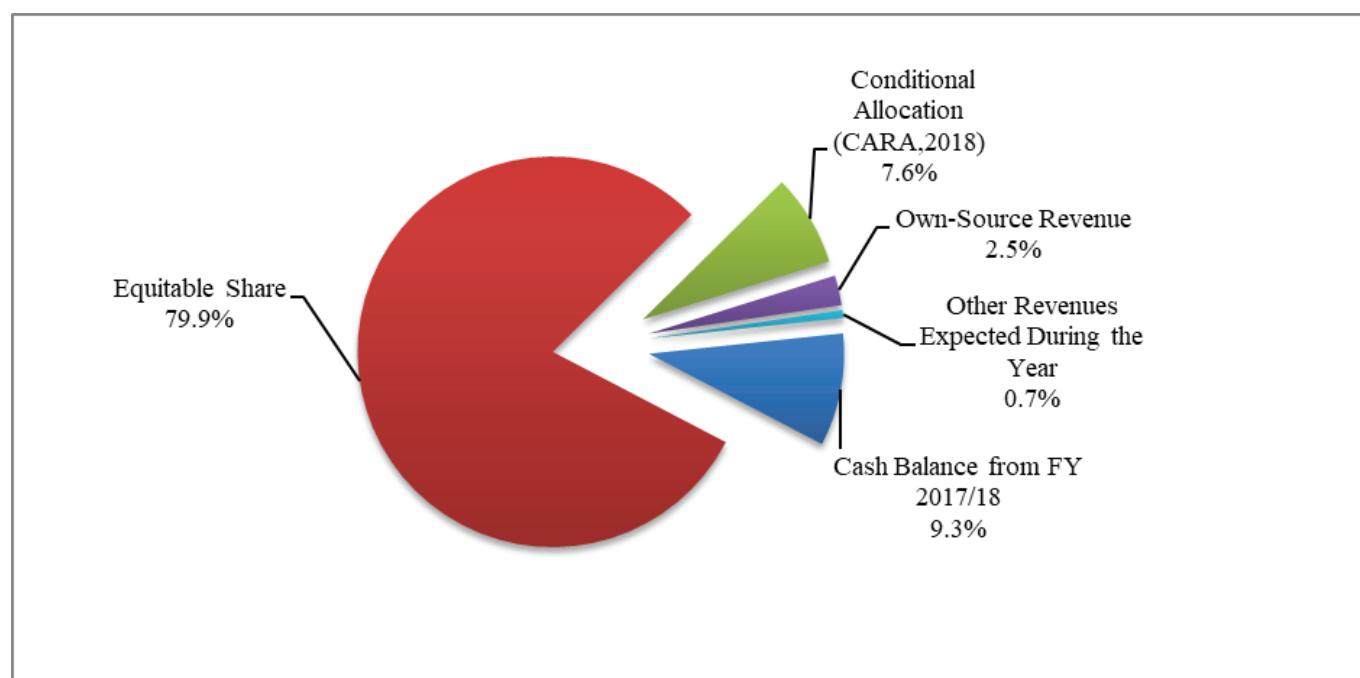
3.47 West Pokot County

3.47.1 Overview of the FY 2018/19 Budget

The County's Approved Supplementary Budget for FY 2018/19 was Kshs.6.30 billion, comprising of Kshs.4.08 billion (64.8 per cent) and Kshs.2.2 billion (35.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.79 billion (76.0 per cent) as equitable share of revenue raised nationally, Kshs.467.72 million (7.4 per cent) as total conditional grants, generate Kshs.152.37 million (2.4 per cent) from own sources, Kshs.574.97 million (9.1 per cent) cash balance from FY 2017/18 and Kshs.41.56 million as other revenue sources expected in the year.

Figure 3.183: West Pokot County Sources of Budget Financing in FY 2018/19



Source: West Pokot County Treasury

The conditional grants contained in the CARA, 2018 consist of; Kshs.100 million (10.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (12 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.42.92 million (4.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.73.39 million (7.5 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.15.90 million (1.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (7.2 per cent) grant from EU for Instruments for Devolution Advice and Support (IDEAS), Kshs.22.09 million (2.3 per cent) for Sweden-Agricultural Sector Development Support Programme (ASDSP) II, Kshs.80 million (8.2 per cent) grant from EU for water tower protection and climate change mitigation and adaptation programme, Kshs.41.2 million (4.2 per cent) credit from IDA (World Bank) to support the Kenya Urban Support Project (KUSP), Kshs.12.13 million (1.2 per cent) Compensation for User Fees Foregone, Kshs.200 million (20.5 per cent) for Leasing of Medical Equipment, Kshs.129.80 million (13.3 per cent) for the Road Maintenance Fuel Levy Fund, and Kshs.28.89 million (3.1 per cent) for Rehabilitation of Village Polytechnics.

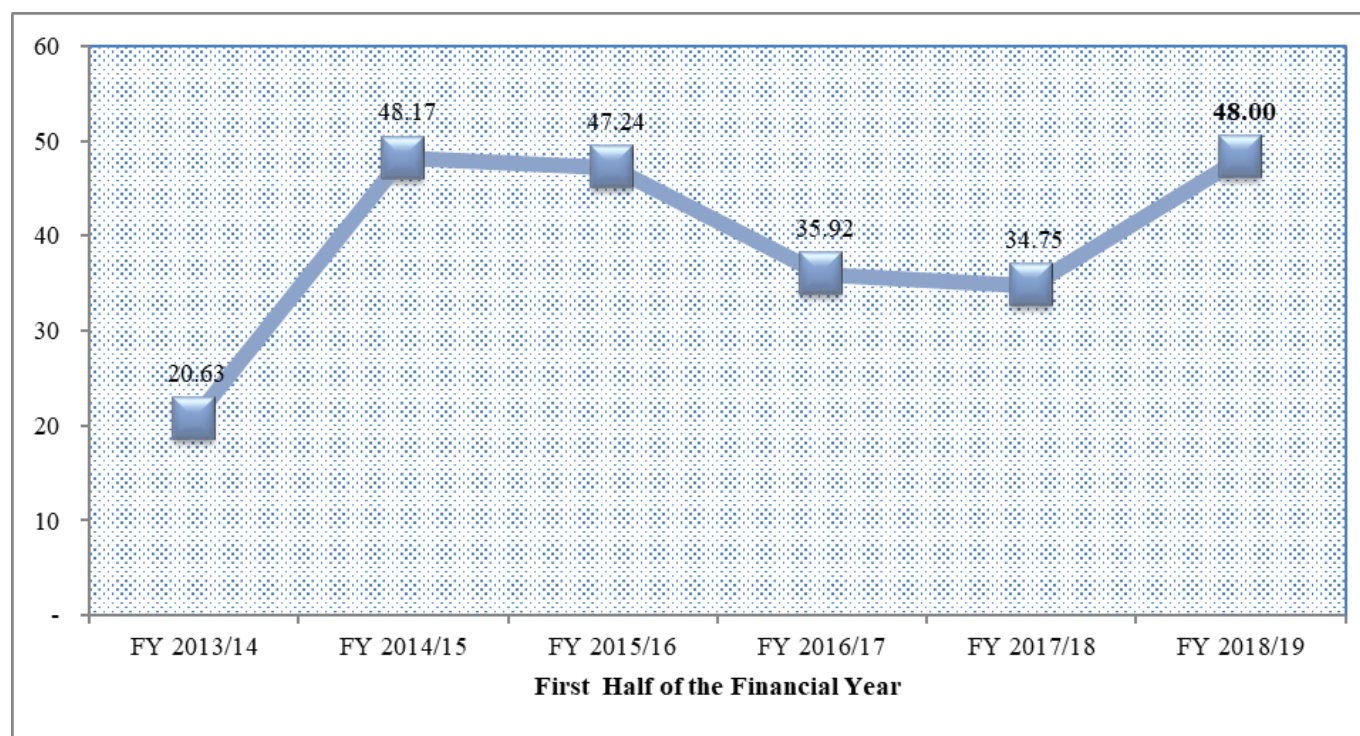
In addition, the County also budgeted to receive a Kshs.1.55 million grant for UNICEF grant for Repair of Boreholes Programme, which is not contained in the CARA, 2018.

3.47.2 Revenue Analysis

During the first half of FY 2018/19, the County received Kshs.1.53 billion as equitable share of revenue raised nationally, Kshs.134.35 million as total conditional grants, raised Kshs.48 million from own-source revenue, and had a cash balance of Kshs.574.97 million from FY 2017/18. The total funds available for the period amounted to Kshs.2.24 billion.

Figure 3.184 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.184: West Pokot County, Trend in Own-Source Revenue Collection for the First Half of FY 2013/14 to the First Half of FY 2018/19



Source: West Pokot County Treasury

During the first half of FY 2018/19, the County generated a total of Kshs.48 million as own-source revenue. This amount was an increase of 38.8 per cent when compared to Kshs.34.75 million realised during the same period of FY 2017/18 and represented 31.5 per cent of the annual target.

3.47.3 Conditional Grants

The County received Kshs.134.35 million as conditional grants as shown in Table 3.134.

Table 3.134: West Pokot County, Conditional Grants/Loans Received in the First Half of FY 2018/19

S/No	Grants/Loans	Annual Allocation per CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants Contained in the CARA, 2018					
1	Compensation for Use Fees Foregone-National Government	12,128,484	12,128,484	-	-

S/No	Grants/Loans	Annual Allocation per CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in Half Year of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
3	Kenya Urban Support Project (KUSP)-IDA (World Bank)	41,200,000	-	-	-
4	Road Maintenance Fuel Levy-National Government	129,797,341	129,797,341	-	-
5	Rehabilitation of Village Polytechnics-National Government	28,885,000	28,885,000	-	-
6	Transforming Health Systems for Universal Care Project-World Bank	100,000,000	100,000,000	13,487,351	13.5
7	Kenya Climate Smart Agriculture Project (KCSAP)-World Bank	117,000,000	117,000,000	39,517,239	33.8
8	Kenya Devolution Support Project (KDSP) "Level 1 grant"	42,917,546	42,917,546	13,487,351	31.4
9	Kenya Urban Support Project (KUSP)-World Bank	73,392,300	73,392,300	73,392,300	100
10	Universal Healthcare in Devolved System Programme- DANIDA	15,896,250	15,896,250	7,948,125	50
11	Instruments for Devolution Advice and Support (IDEAS)-EU	70,000,000	77,504,904	-	-
12	Agricultural Sector Development Support Programme (ASDSP)-Sweden	22,091,862	-	-	-
13	Water Tower Protection and Climate Change Mitigation and Adaption-EU	80,000,000	-	-	-
Sub Total		933,308,783	597,521,825	134,345,015	
B	Other Grants				
14	UNICEF Grant for repair of boreholes	-	1,554,500	-	-
15	Urban Institutional Grants (UIG)-IDA	41,200,000	40,000,000	-	-
Sub Total					
Total		974,508,783	639,076,325	134,345,014	13.8

Source: West Pokot County Treasury

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

3.47.4 Exchequer Issues

To finance implementation of the budget, the Controller of Budget approved withdrawal of Kshs.1.83 billion from the CRF account. The withdrawals represented 29.1 per cent of the Approved Supplementary Budget and translate to an increase of 51.5 per cent from Kshs.1.21 billion approved in the first half of FY 2017/18 and comprised of Kshs.1.62 billion (85.5 per cent) to fund recurrent expenditure and Kshs.216 million (14.5 per cent) for development activities.

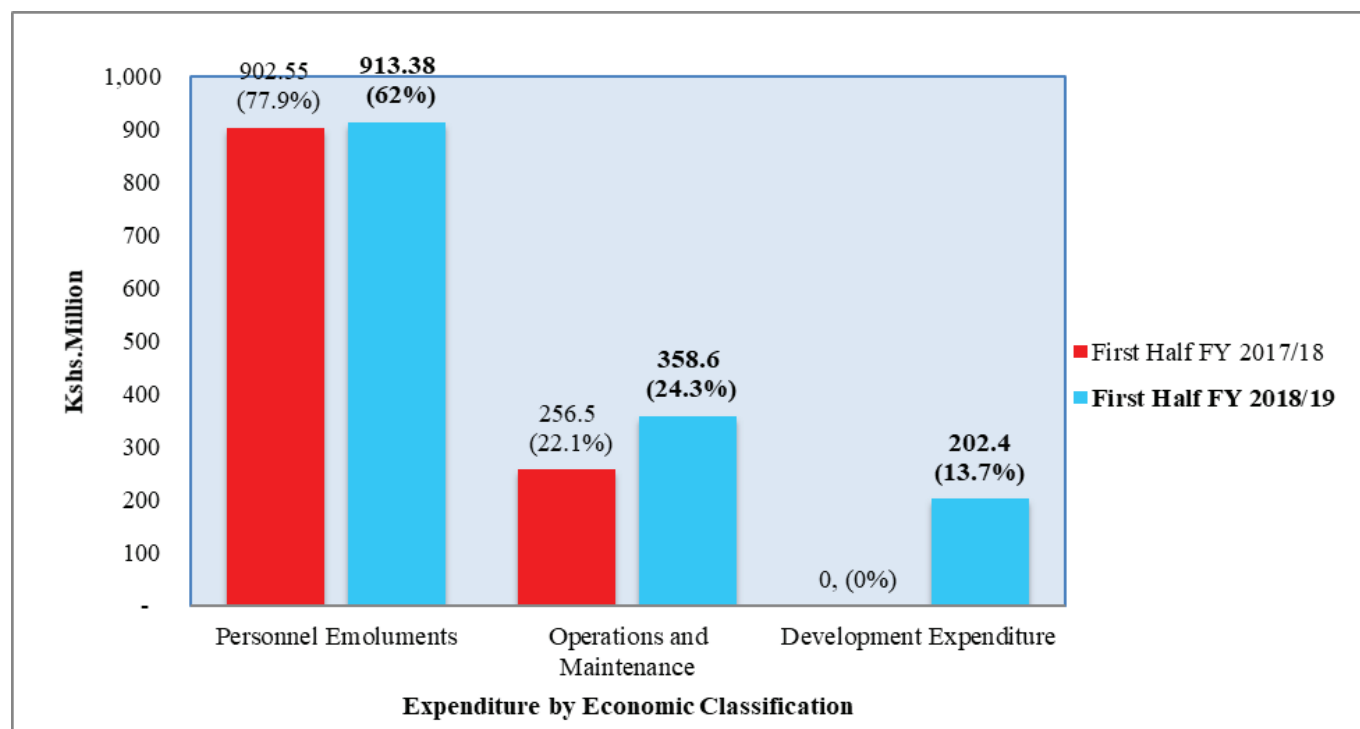
3.47.5 Overall Expenditure Review

The County government spent a total of Kshs.1.47 billion on both recurrent and development activities. This expenditure represented 80.5 per cent of the total funds released from the CRF account and was an increase of 27.2 per cent from Kshs.1.16 billion spent in the first half of FY 2017/18. The expenditure excluded outstanding commitments as at 31st December, 2018, which amounted to Kshs.317.12 million for development activities.

Expenditure on recurrent activities amounted to Kshs.1.27 billion while that on development activities was Kshs.202.4 million. The recurrent expenditure was 81.2 per cent of the funds released for recurrent activities, while development expenditure was 76.1 per cent of funds released for development activities.

The recurrent expenditure represented 31.2 per cent of the annual recurrent budget a decrease from 33.4 per cent recorded in the first half of FY 2017/18. Development expenditure recorded an absorption rate of 9.1 per cent, while there was no expenditure on development activities in the first half of FY 2017/18. Figure 3.185 presents a comparison between the total expenditure in the first half of FY 2018/19 and the first half of the FY 2017/18.

Figure 3.185: West Pokot County, Expenditure by Economic Classification



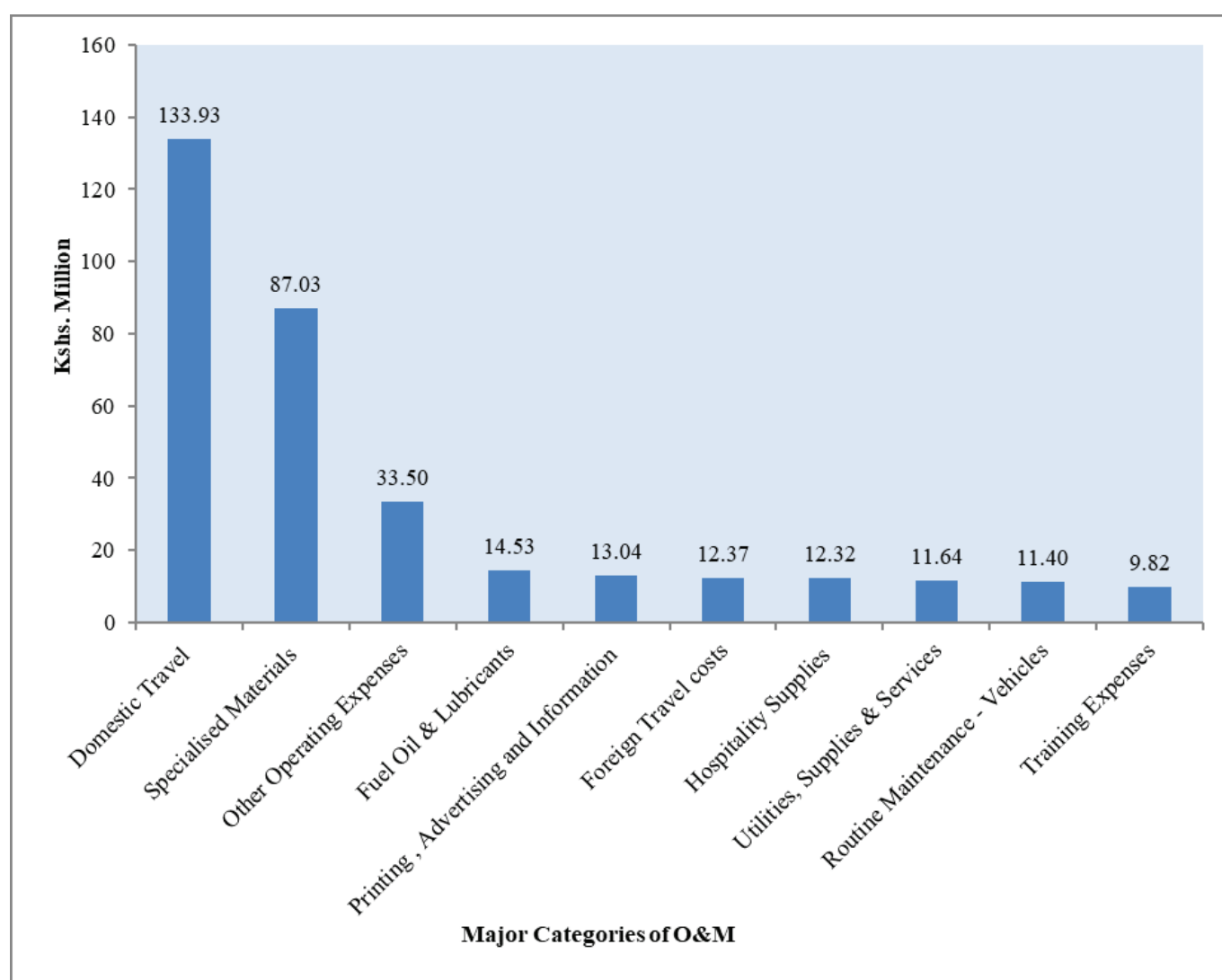
Source: West Pokot County Treasury

3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.27 billion comprised of Kshs.913.38 million (71.8 per cent) incurred on personnel emoluments and Kshs.358.60 million (28.2 per cent) on operations and maintenance as shown in Figure 3.185.

Expenditure on personnel emoluments represented an increase of 1.2 per cent compared to the first half of FY 2017/18 when the County spent Kshs.902.55 million, and was 62 per cent of total expenditure for the period. 3.186 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.186: West Pokot County, Operations and Maintenance Expenditure by Major Categories in the First Half of FY 2018/19



Source: West Pokot County Treasury

The County spent Kshs.15 million on MCAs' committee sitting allowances for the 34 MCAs against the annual budget allocation of Kshs.21.16 million. This amount represented an increase of 608.4 per cent compared to Kshs.2.11 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.73,512 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.133.93 million and comprised of Kshs.50.97 million spent by the County Assembly and Kshs.82.96 million spent by the County Executive. This represented 10.5 per cent of total recurrent expenditure and was an increase of 66.6 per cent compared to Kshs.87.8 million spent in the first half of FY 2017/18.

3.47.7 Development Expenditure

The total development expenditure of Kshs.202.4 million represented 9.1 per cent of the annual development budget of Kshs.2.12 billion. Table 3.135 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 3.135: West Pokot County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Half of FY 2018/19 (Kshs.)
1	Nasukuta Livestock Development Centre	West Pokot	77,504,904	77,504,904
3	Office Partitioning	Nairobi Office	17,700,000	8,769,078
4	Supply of Solar Powered Vaccine Fridges	Kapenguria	-	5,400,000
5	Chesta - Kapatet Road	Chesta	3,480,000	4,601,256
6	Sigor - Akiriamet Road	Sigor	1,740,000	4,449,868
7	Weiwei - Tamkal Road	Weiwei	3,480,000	4,178,550
8	Blood Tank Equipment	Kapenguria	13,000,000	3,698,276
9	Chepareria - Chepturguny Road	Chepareria	3,693,353	3,693,353
10	Construction of Operating Theatre at Kacheliba	Kacheliba	7,300,000	3,682,241

Source: West Pokot County Treasury

3.47.8 Budget Performance by County Department

Table 3.136 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3.136: West Pokot County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	439.03	40.62	163.94	-	110.09	8.77	67.2	-	25.1	21.6
Finance and Economic Planning	277.11	-	79.51	-	99.24	-	124.8	-	35.8	-
Public Works , Transport and Infrastructure	79.14	401.64	30.17	108.86	21.09	59.87	69.9	55.0	26.7	14.9
Health, Sanitation and Emergencies	1,256.36	480.16	608.71	22.33	546.10	60.00	89.7	268.7	43.5	12.5
Education and Technical training	590.68	186.70	140.04	17.89	96.97	-	69.2	-	16.4	-
Agriculture and Irrigation	114.41	175.73	39.88	39.52	52.37	-	131.3	-	45.8	-
Pastoral Economy	107.93	199.71	46.70	77.50	34.38	77.50	73.6	100	31.9	38.8
Trade, Industrialization, Investment and Cooperative Development	58.24	70.22	20.77	-	22.42	0.99	108.0	-	38.5	1.4
Land, Housing ,Physical Planning and Urban Development	78.40	133.14	33.80	-	19.81	-	58.6	-	25.3	-
Water development, Environment and Natural Resources	87.81	171.37	33.43	-	36.41	4.03	108.9	-	41.5	2.4

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Half of FY 2018/19 (Kshs. Million)		Expenditure in First Half of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Youths, Sports, Tourism, Gender and Social services	72.72	127.85	37.71	-	27.77	-	73.6	-	38.2	-
Public Service ,ICT and Decentralized Units	231.62	22.10	55.49	-	57.67	-	103.9	-	24.9	-
Special Programmes and Directorates	119.08	65.00	60.17	-	54.54	-	90.6	-	45.8	-
County Assembly	569.46	143.00	216.00	-	221.25	-	102.4	-	38.9	-
Total	4,081.98	2,217.24	1,566.31	266.09	1,400.11	211.16	89.4	79.4	34.3	9.5

Source: West Pokot County Treasury

Analysis of expenditure by department shows that the Department of Pastoral Economy recorded the highest absorption rate of development budget at 38.8 per cent while seven other Departments did not incur any development expenditure. The Department of Special Programmes and Directorates and the Department of Agriculture and Irrigation had the highest percentage of recurrent expenditure to its recurrent budget at 45.8 per cent while the Department of Education and Technical Training had the lowest at 16.4 per cent.

3.47.9 Key Observations and Recommendations

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

- i. Improvement in absorption of development funds compared to a similar period in FY 2017/18.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports by the OCOB.
2. High wage bill, which increased by 1.2 per cent from Kshs.902.55 million in first half of FY 2017/18 to Kshs.913.38 million in the period under review.
3. Under performance in own-source revenue collection, which was 31.5 per cent of the annual target.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County should develop and implement strategies to enhance own source revenue collection.*

4 KEY CHALLENGES AND RECOMMENDATIONS

This chapter highlights cross-cutting issues that affected budget implementation in the first half of FY 2018/19 and also includes appropriate recommendations aimed at addressing the challenges in order to enhance smooth budget execution. The cross-cutting challenges included:

4.1 High Expenditure on Personnel Emoluments

Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.

On aggregate, county governments spent Kshs.80.02 billion on personnel emoluments (PE), which accounted for 58.4 per cent of the total expenditure for the period and an increase from Kshs.66.48 billion incurred in a similar period of FY 2017/18 when the personnel expenditure translated to 64.1 per cent of the total expenditure.

County Governments should ensure that expenditure on personnel emoluments is contained at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

4.2 Under-performance in Own Source Revenue Collection

Article 209 (3) of the Constitution allows County Governments to impose property rates, entertainment taxes and any other tax that a county is authorised to impose by an Act of Parliament.

During the reporting period, the County Governments generated a total of Kshs.15.37 billion, which was 29.9 per cent of the annual target of Kshs.51.32 billion against an expected performance of 50 per cent. The under-performance of own source revenue collection implies that some planned activities may not be implemented in the financial year as budgets will not be fully financed.

Counties should develop and implement strategies to mobilize own source revenue.

4.3 Delays in Disbursement of Equitable Share by the National Treasury

In the first half of FY 2018/19, the National Treasury disbursed a total of Kshs.115.14 billion to the Counties as equitable share of revenue raised nationally, which accounted for 36.7 per cent of the annual equitable share of revenue of Kshs.314 billion.

It is recommended that, the National Treasury should disburse funds to the Counties on a timely basis to ensure budget implementation is not adversely affected.

4.4 Delays in Submission of Financial Reports to the Office of the Controller of Budget

Section 166 (4) of the PFM Act, 2012 requires the County Treasury to prepare and submit financial reports to the Office of the Controller of Budget not later than one month after the end of each quarter. Further, Section 168 of the PFM Act, 2012 requires designated Fund Administrators of a County established Fund to submit financial reports to the Controller of Budget, not later than fifteen days after the end of each quarter.

During the period under review, the Office noted that, there were delays in submission of quarterly financial reports by Counties, leading to late publication of the County Budget Implementation Review Report (CBIRR).

County Governments should therefore, ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

4.5 Failure to budget for all conditional grants as contained in CARA, 2018

The County Allocation of Revenue Act, 2018 provides for yearly allocation to the 47 county governments. The allocations include the equitable share of revenue raised nationally and conditional allocations from the National Government and Development Partners.

Some County governments failed to include some conditional grants in their Approved Budgets because of delay in the approval of CARA, 2018 by Parliament.

The Office recommends that Counties should align their budgets to allocations contained in CARA, 2018 through Supplementary Budgets. Further, Parliament should come up with strategies to ensure the annual County Allocation of Revenue Bill is approved in a timely manner.

5 CONCLUSION

This report has been prepared in fulfilment of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. It provides information on the status of budget implementation in the first half of the FY 2018/19 by County Governments. It indicates the progress made during the reporting period and also identifies the challenges that hindered effected budget implementation.

The approved budget estimates for the 47 County governments for FY 2018/19 amounted to Kshs.463.93 billion and comprised of Kshs.276.44 billion (59.6 per cent) for recurrent expenditure and Kshs.187.49 billion (40.4 per cent) for development expenditure, which conforms to Section 107 (2(b)) of the PFM Act, 2012, that requires at least 30 per cent of budget must be allocated for development programs. To finance the budget, County Governments expect to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.25.5 billion as conditional grants from the National Government, Kshs.36.98 billion as conditional grants from Development Partners, generate Kshs.51.32 billion as own source revenue, and had Kshs.46.12 billion cash balance from FY 2017/18.

During the first half of FY 2018/19, the County Governments spent a total of Kshs.136.98 billion, which represents absorption of 29.5 per cent, and was an increase from the absorption rate of 25.9 per cent in the first half of FY 2017/18. A total of Kshs.112.25 billion was spent on recurrent expenditure and Kshs.24.73 billion on development activities against the recurrent budget of Kshs.276.44 billion and development budget of Kshs.187.49 billion. Development expenditure translated to an absorption rate of 13.2 per cent while recurrent expenditure was 40.6 per cent of the annual budget for recurrent expenditure.

This report has also identified challenges which hampered effective budget execution during the reporting period, they included; high expenditure on Personnel Emoluments, Under-performance of own source revenue collection which translated to 29.9 per cent of annual target, delays in the disbursement of equitable share by the National Treasury, late submission of quarterly financial reports to the Office of the Controller of Budget which is contrary to Section 166 and 168 of the PFM Act, 2012, and failure to budget for all conditional grants as contained in the CARA, 2018. The report has provided appropriate recommendations on how to address the identified challenges in order to enhance smooth execution of the budget in the future.

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