



THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF THARAKA NITHI

BUDGET IMPLEMENTATION REVIEW REPORT

FIRST HALF

FINANCIAL YEAR 2018/19

Courtesy of Controller of Budget

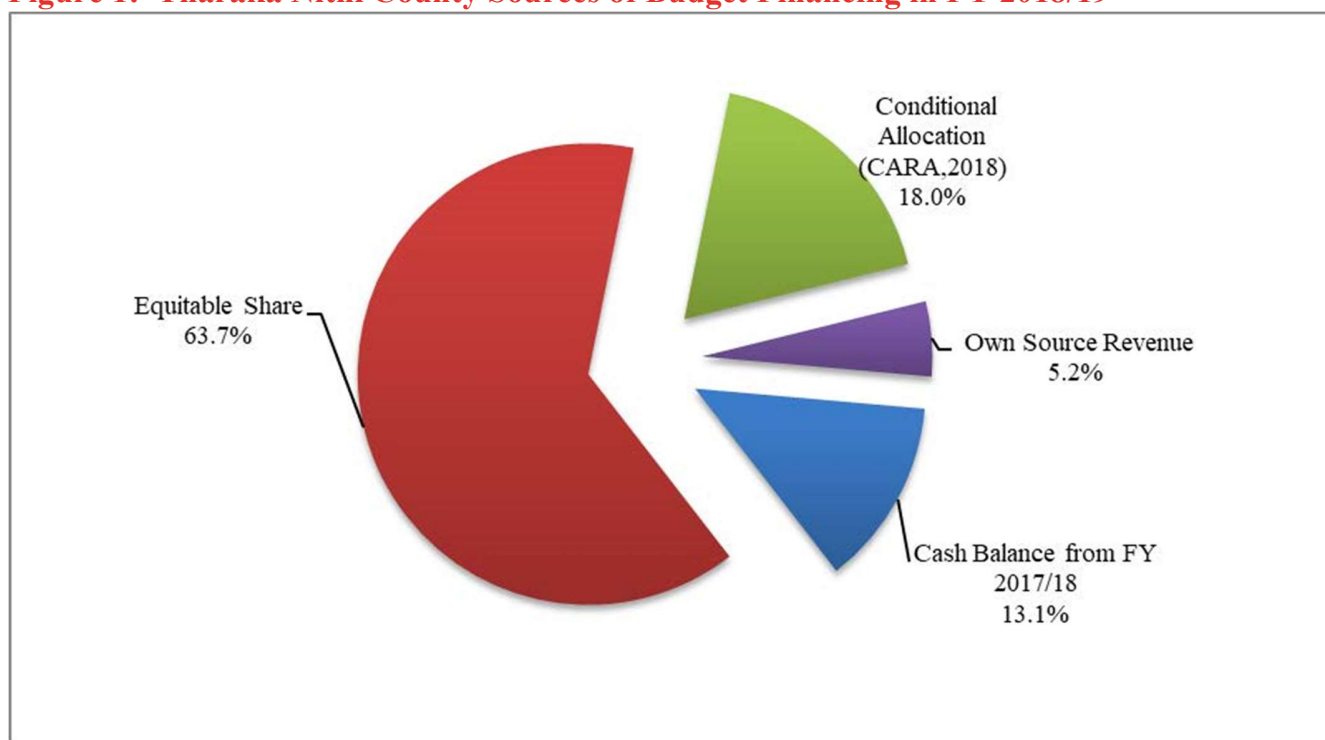
December 2018

1.1 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 1: 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

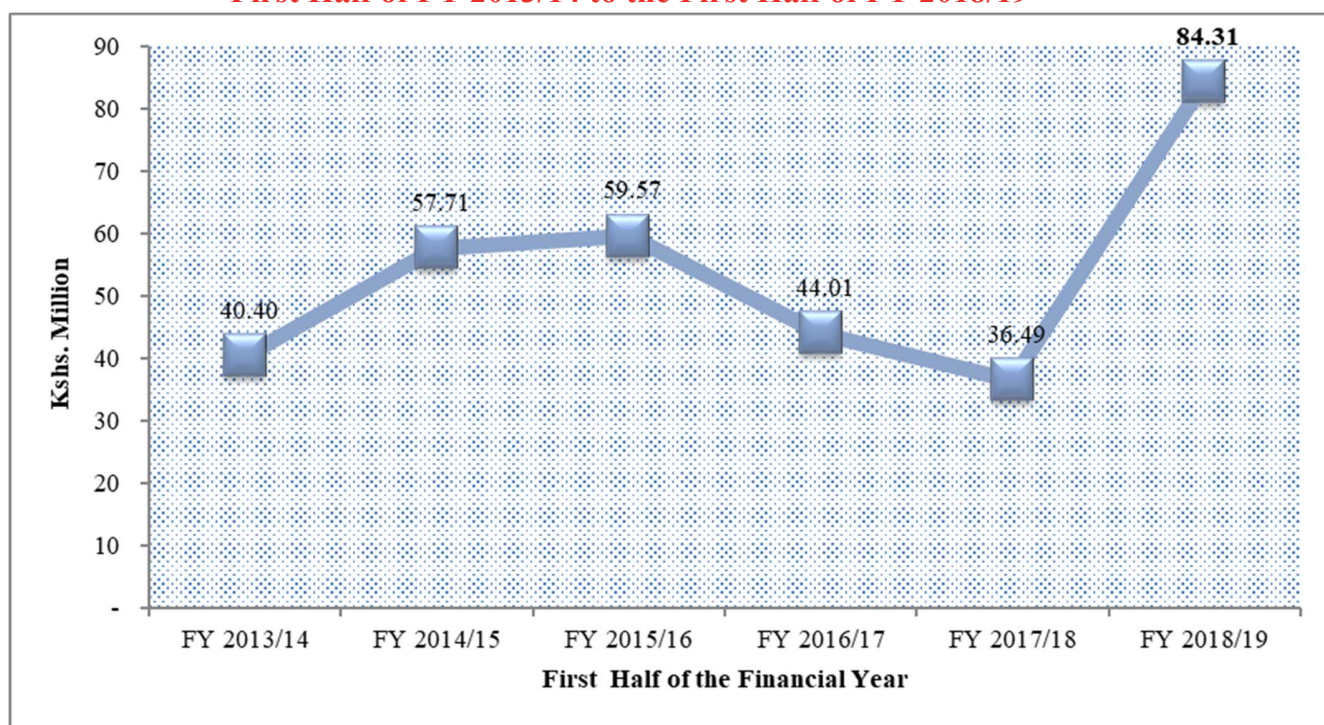
million (7.6 per cent) for Rehabilitation of Village Polytechnics, Kshs.12.35 million(1.2 per cent) ASDP Grant and Kshs. 453.36 (44.1 per cent) million as other conditional grants.

1.2 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 2 shows the half yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 2: 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.

1.3 Conditional Grants

The County received Kshs.102.37 million as conditional grants during the reporting period as shown in Table 1.

Table 1: 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.

1.4 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.

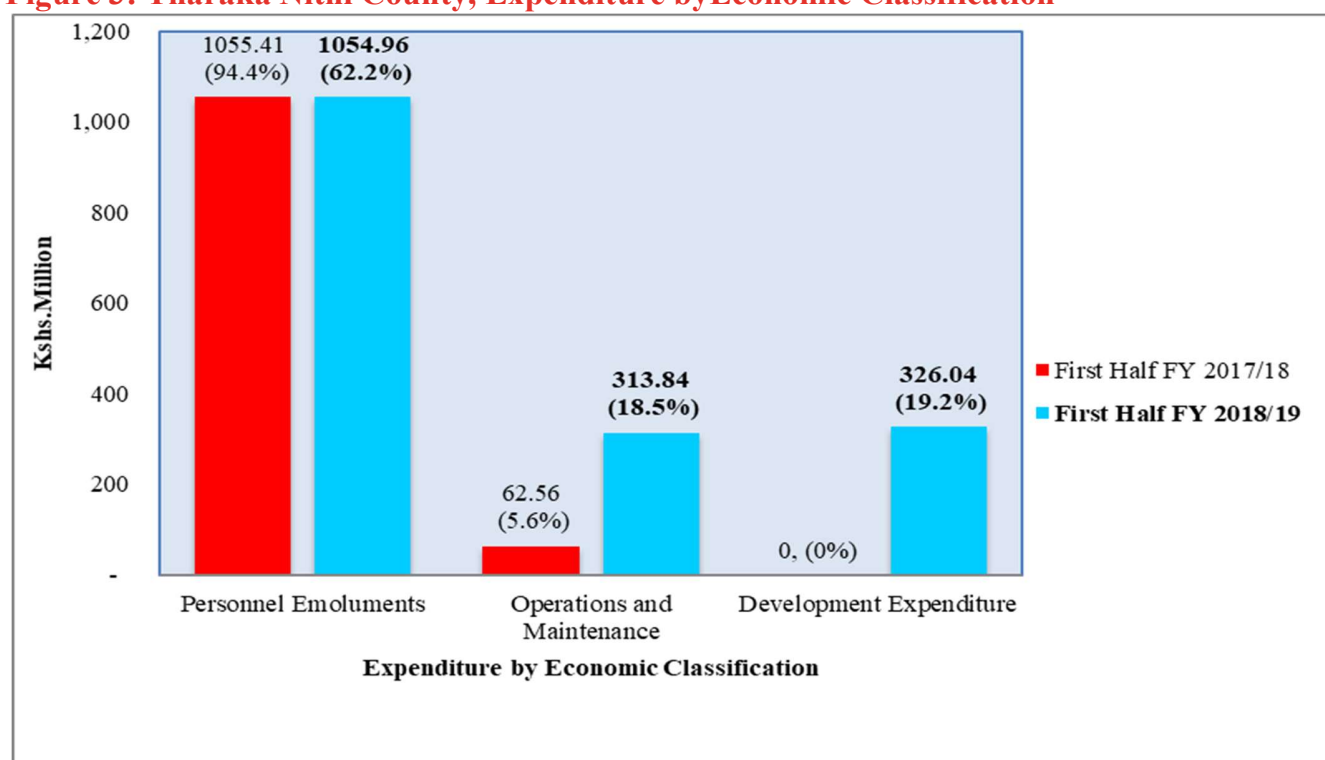
1.5 Overall Expenditure Review

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 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: Tharaka Nithi County, Expenditure by Economic Classification



Source: Tharaka Nithi County Treasury

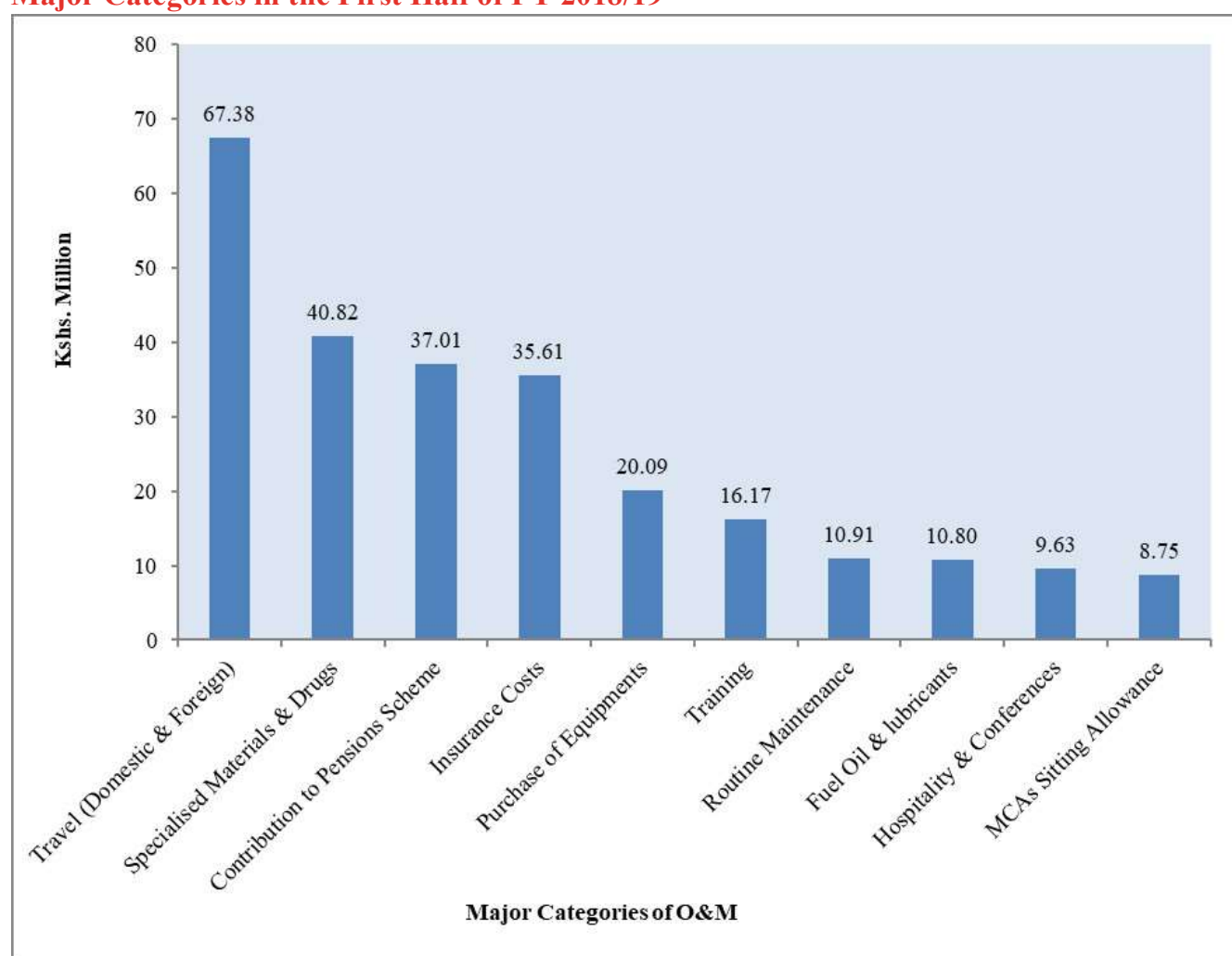
1.6 Analysis of Recurrent Expenditure

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 (18.5 per cent) on operations and maintenance as shown in Figure 3.

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

Figure 4: 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.

1.7 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 2 provides a summary of development projects with the highest expenditure in the first half of the financial year.

Table 2: 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 KMTCC, 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

1.8 Budget Performance by County Department

Table 3 shows a summary of budget estimates and budget performance by department in the first half of FY 2018/19.

Table 3: 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 (%)
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	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.

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 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.
- ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- iii. Establishment of Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.

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

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally, which affected implementation on planned activities.
2. High wage bill that has accounted for 62.2 per cent of the total expenditure in the reporting period.

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

1. *The County Treasury should liaise with the National Treasury so as to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*