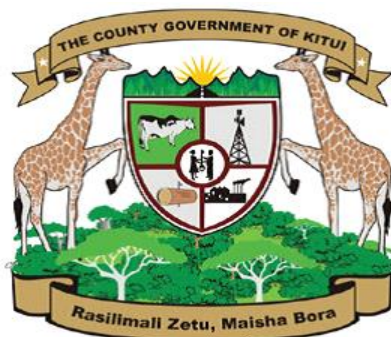


COUNTY GOVERNMENT OF KITUI



COUNTY TREASURY

BUDGET IMPLEMENTATION REPORT (BIR)

JULY-SEPTEMBER 2019 (QUARTER I)

FY 2019/ 2020

Prepared:-

Department of Economic Planning

County Treasury

County Mission and Vision

County Vision

To be an empowered and prosperous County with a high quality of life

County Mission

To provide transformative county services through effective utilization of our land, capital, labour, technology and leadership for sustainable socio-economic development

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1.0 INTRODUCTION

This Budget Implementation Report is prepared in conformity with Article 228(6) of the Constitution of Kenya, 2010 and Section 39(8) of the Public Finance Management Act, 2012's requirement that counties report on the implementation progress of their budgets. It covers the period from July 2019 to September 2019.

The report presents revenue and expenditure performance by the County. Revenue is disaggregated by source while expenditure is analyzed by economic classification. It also highlights the County government's activities for the period under review and seeks to objectively review budget implementation in the county by highlighting performance of revenues, transfers received from the National Government and actual expenditure. Key issues that affect budget implementation during the financial year are identified and appropriate recommendations made on how the issues can be addressed to enhance efficiency and effectiveness in budget execution.

2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION

The County had a budget of Kshs. **11,527,070,197** which consisted of Kshs. **8,006,954,705** (69%) for recurrent expenditure and Kshs **3,520,115,492** (31%) for development expenditure.

2.1 Budget Components

The table 1 shows the various components of the budget

Table 1: Budget Components

SOURCE	AMOUNT	% OF TOTAL BUDGET
Balance b/f from FY 2018/2019	0	0
National Equitable Share	8,649,000,000	75.03
Local Revenue Sources	1,693,610,893	14.69
Grants	1,184,459,304	10.28
TOTAL	11,527,070,197	100.00

2.2 Breakdown of Grants

Table 2 shows the breakdown of conditional grants for 2019/2020 FY.

Table 2: Breakdown of grants

SOURCE OF GRANT	AMOUNT
Compensation for User Fees Forgone	22,499,906
Road Maintenance Fuel Levy	250,655,344
Grants from World Bank (KDSP)	56,374,018
World Bank (Universal Health)	100,000,000
World Bank (Agriculture - Rural Growth)	349,906,550
HSSP/HSPS - (DANIDA/IDA)	29,008,125
World Bank loan to Supplement financing of County Health Facilities	29,852,863

SOURCE OF GRANT	AMOUNT
Development of Youth Polytechnics	72,588,298
Kenya Urban Support Project - World Bank	232,374,200
Kenya Urban Support Project (UIG)- World Bank	41,200,000
Subtotal	1,184,459,304

2.3 Transfers from the National Government

For quarter one of 2019/2020 FY which is under review, the County received Kshs. 2,234,816,900.00 as the national equitable share which is 25.84% of the budgeted equitable share for the year and 19.39% of the total budgeted amount for the year. The disbursements are shown in table 3.

Table 3: Transfers from the National Government

RELEASE DATE	AMOUNT (KSHS)
5-Jul-19	698,336,000.00
19-Sep-19	441,517,500.00
25-Sep-19	1,094,963,400.00
Total	2,234,816,900.00

In addition, the County Government received grants totaling to Kshs. **41,200,000.00** during the period under review. The breakdown for the grants was as follows:-

Table 4: Grants from World Bank

SOURCE OF GRANT	RELEASE DATE	AMOUNT (KSHS)
World Bank- Urban Institutional Grant	3/07/2019	41,200,000.00
Total		41,200,000.00

2.4 Locally Generated Revenue

The County Government targeted to collect Kshs 1,693,610,893.00 from local sources during FY 2019/2020. The actual achievement in quarter one was Kshs 79,267,956.00 which translates to 4.68% of the targeted collection.

The monthly collection breakdown is shown in table 5.

Table 5: Locally Generated Revenue

Ministry	19-Jul	19-Aug	19-Sep	Total
Ministry of Agriculture water and Livestock Development	1,111,313.00	763,480.00	563,035.00	2,437,828.00
Ministry of Environment & Natural Resources	8,800.00	91,000.00	30,600.00	130,400.00
Ministry of Health and Sanitation	10,086,143.00	19,096,795.00	6,521,672.00	35,704,610.00
Ministry of Tourism, Sports and Culture	62,000.00	8,500.00	0	70,500.00
Ministry of Lands, Infrastructure, Housing and Urban Development	1,489,173.00	930,482.00	1,009,489.00	3,429,144.00
Office of the Governor	1,677,500.00	663,500.00	1,135,000.00	3,476,000.00
Ministry of Trade, Cooperatives and Investments	61,920.00	73,032.00	66,300.00	201,252.00
County Treasury	16,545,046.00	4,949,321.00	3,837,351.00	25,331,718.00
Mwingi Town	1,374,345.00	701,540.00	843,975.00	2,919,860.00
Municipality	2,627,005.00	1,394,879.00	1,544,760.00	5,566,644.00
TOTAL	35,043,245.00	28,672,529.00	15,552,182.00	79,267,956.00

Table 6: Quarter 1 Revenue performance by ministries

County Ministries/Entity	Targeted Amount	Actual Collection	Percentage (%)
Office of the Governor	0	3,476,000	0.21
Ministry of Public Service Management and Administration	50,000,000	-	0
The County Treasury	150,000,000	25,331,718	1.5
Ministry of Health and Sanitation	494,318,003	35,704,610	2.11
Ministry of Basic Education, ICT and Youth Development	10,250,000		0
Ministry of Trade, Cooperatives and Investments	500,000,000	201,252	0.01
Ministry of Land Infrastructure and Urban Development	268,000,000	3,429,144	0.2
Ministry of Tourism, Sports and Culture	13,417,890	70,500	0
Ministry of Agriculture water and Livestock Development	94,600,000	2,437,828	0.14
Ministry of Environment, Energy and Minerals Investment Development	9,025,000	130,400	0.01
Kitui Municipality	70,000,000	5,566,644	0.33
Mwingi Town Administration	34,000,000	2,919,860	0.17
Subtotal	1,693,610,893	79,267,956	4.68

Table 7: Absorption rates per ministry

County Ministry	Total Budget Estimates	Actual expenditure	% Absorption rate
Office of the Governor	1,105,300,000	58,855,100	0.51
Administration and Coordination County Affairs	485,913,479	8,209,770	0.07
Agriculture, Water & Livestock Development	1,702,877,409	179,718,616	1.56
Basic Education, ICT & Youth Development	554,500,000	89,444,646	0.78
Lands, Infrastructure, Housing & Urban Development	1,007,416,493	17,002,640	0.15
Health & Sanitation	3,423,211,160	1,055,894,256	9.16
Trade, Cooperatives & Investment	790,000,000	44,934,175	0.39
Environment & Natural Resources	224,981,988	(862,700)	-0.01
Tourism, Sports & Culture	224,703,420	(542,300)	0.005
The County Treasury	572,814,144	136,020,060	1.18
County Public Service Board	53,434,116	250,374	0.002
County Assembly Service Board	833,248,915	183,462,762	1.59
Kitui Municipality	449,923,246	22,886,847	0.20
Mwingi Town Administration	98,745,825	1,839,442	0.02
TOTALS	11,527,070,197	1,797,113,688	15.59

2.5 Funds Released to the County by the Controller of Budget

The Controller of Budget approved the release of Kshs. 1,797,113,688 broken down into the below expenditure lines:

Table 8: First Quarter Expenditure Summary

Expenditure Line	Kshs	%
Recurrent	1,665,609,405	92.68
Development	131,504,283	7.32
Total	1,797,113,688	100.00

2.6 First Quarter Expenditure Summary by Entity

During the period under review, the County spent a total of Kshs. 1,797,113,688.00 which was 76.30% of the funds released as shown in tables 3, 4 and 5. Out of this amount, Kshs. 1,665,609,405.00 (92.68%) went to finance recurrent activities while Kshs. 131,504,283.00 (7.32%) financed development.

Recurrent expenditure for the period was Kshs. 1.6B (92.68%) of which Kshs. 1,405,596,186.00 (78.21 of the total expenditure) was spent on Personnel Emoluments translating to 84.39% while Kshs. 260,013,219.00 (16.61% of the total expenditure) was spent on operations and maintenance. Development expenditure was 131,504,283 (7.32%) of the total expenditure. There was an over-expenditure of Kshs. 558,171,168 resulting from the balance brought forward from FY 2018/19.

Table 9: First Quarter Expenditure by Entity

Spending Entity	Personnel Emoluments	%	Operations and Maintenance	%	Development	%	Grand Total
Office of the Governor	1,550,747	2.63	32,287,969	54.86	25,016,384	42.51	58,855,100
Administration & Coordination of County Affairs	4,559,770	55.54	3,650,000	44.46	-	0.00	8,209,770
The County Treasury	121,611,255	89.41	14,408,805	10.59	-	0.00	136,020,060
Health and Sanitation	958,413,901	90.77	97,120,355	9.20	360,000	0.03	1,055,894,256
Basic Education, ICT, & Youth Development	89,113,246	99.63	331,400	0.37	-	0.00	89,444,646
Trade, Cooperatives and Investments	-	0.00	19,342,528	43.05	25,591,647	56.95	44,934,175
Lands, Infrastructure, Housing, & Urban Development	1,470,173	8.65	1,791,200	10.53	13,741,267	80.82	17,002,640
Tourism, Sports and Culture	(963,850)	-70.00	421,550	30.00	-	0.00	(542,300)
Agriculture, Water & Livestock Development	127,545,350	70.97	456,287	0.254	51,716,979	28.78	179,718,616
Environment & Natural Resources	-	0.00	(862,700)	100	-	0.00	(862,700)
County Public Service Board	-	0.00	250,374	100	-	0.00	250,374
County Assembly	94,854,108	51.70	88,608,654	48.3	-	0.00	183,462,762
Kitui Municipality	5,602,044	24.48	2,206,797	9.642	15,078,006	65.88	22,886,847
Mwingi Town Administration	1,839,442	100.00	0	0	-	0.00	1,839,442
Total	1,405,596,186	78.21	260,013,219	14.47	131,504,283	7.32	1,797,113,688

Note: The Ministries of Health and Sanitation, Tourism and Natural Resources and the Ministry of Environment have negative entries due to unsurrendered imprests for the FY 2018/19. These were back dated during their surrender, yet captured in the 2019/20 budget instead of the 2018/19 budget and hence captured in the system as negatives.

2.7 County Expenditure as per Economic Classification

The table below analyses expenditure by the various spending entities.

Table 10: County Expenditure as per Economic classification

Economic Classification	Amount Spent	Percentage (%)
Personnel Emoluments	1,405,596,186.00	78.21
Operations and Maintenance	260,013,219.00	14.47
Development	131,504,283.00	7.32
Total	1,797,113,688.00	100

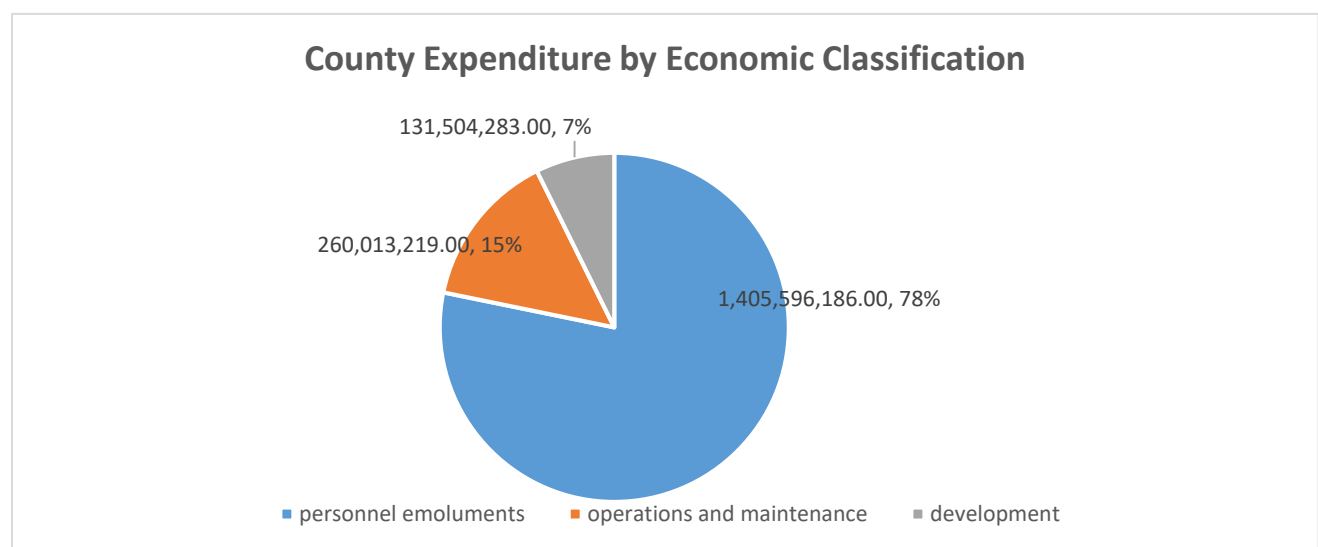


Figure 1: County Expenditure

2.8 Analysis of Individual Spending Entity

2.8.1 Office of the Governor

During the period under review, the Office of the Governor spent Kshs. 58,855,100.00. Out of this, Kshs. 25,016,384.00, (42.51%) financed development projects, Kshs. 1,550,747.00, (2.63%) was spend on Personnel Emoluments while Kshs. 32,287,969.00, (54.86%) was spent on Operations and Maintenance.

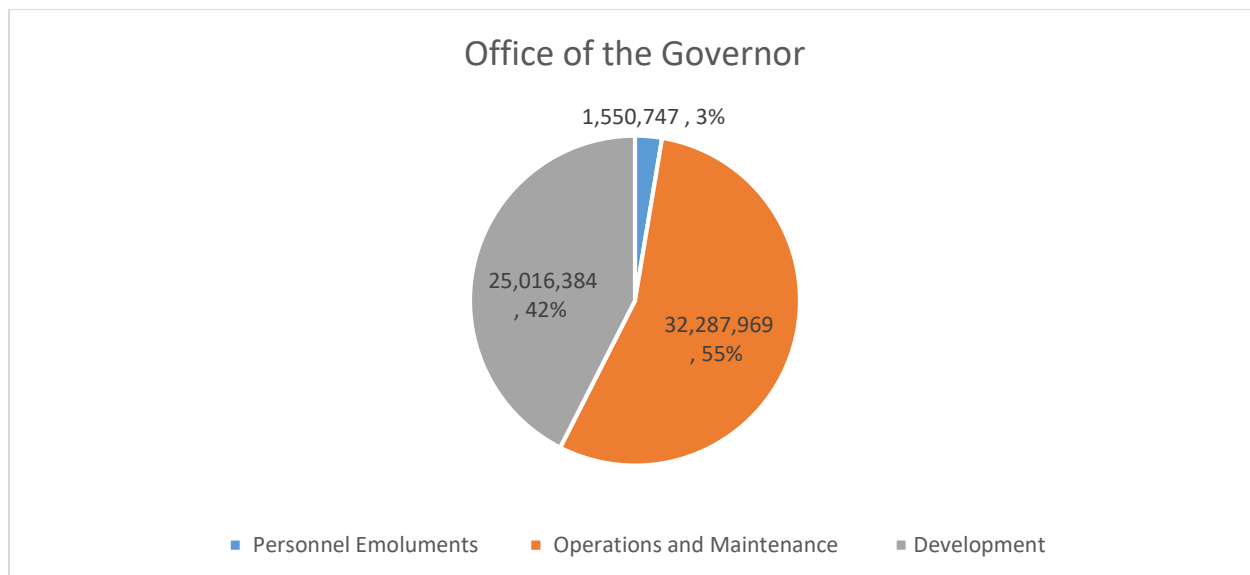


Figure 2: Office of the Governor

2.8.2 Administration and Coordination of County Affairs

Analysis of the County Ministry of Administration and Coordination of County Affairs' expenditure reveals a cumulative expenditure of Kshs. 8,209,770.00. Kshs. 4,559,770.00, (55.54%) financed personnel emoluments while Kshs. 3,650,000.00, (44.46%) was spent on operations and maintenance. There was no development expenditure in Quarter 1.

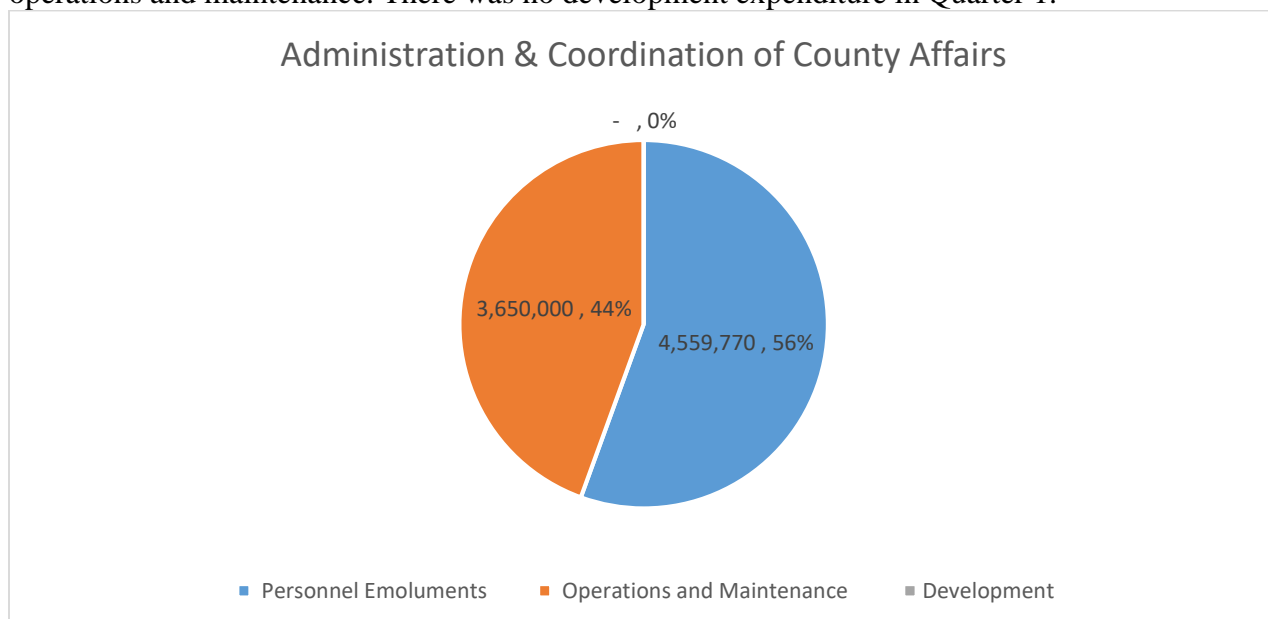


Figure 3: Administration and Coordination of County Affairs

2.8.3 The County Treasury

During the first quarter of FY 2019/2020, the County Treasury spent a total of Kshs. 136,020,060.00. This expenditure was broken down into; personnel emoluments Kshs. 121,611,255.00, (89.41%), operations and maintenance Kshs 14,408,805.00, (10.59%). There was no development expenditure in the quarter.

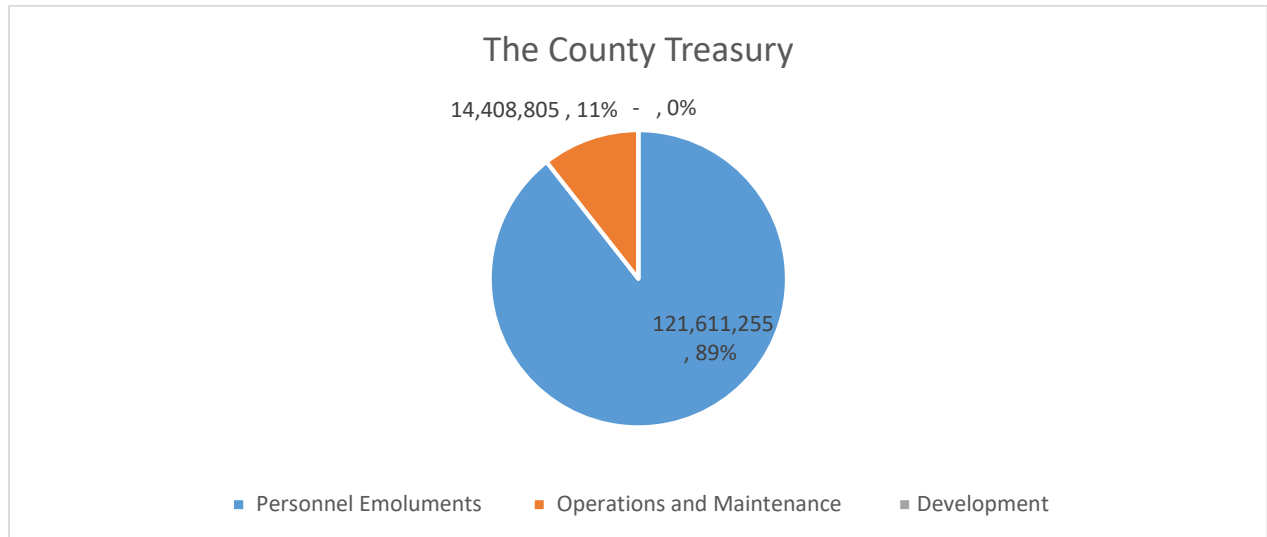


Figure 4: The County Treasury

2.8.4 Health and Sanitation

The County Ministry of Health and Sanitation had, in quarter one of 2019/2020, incurred a total expenditure of Kshs. 1,055,894,256.00. Out of this Kshs. 360,000.00, (0.03%), was spent on development activities, Kshs. 958,413,901.00 which translates to (90.77%) went to Personnel emoluments while Kshs 97,120,355.00, (9.198%) went to Operations and Maintenance.

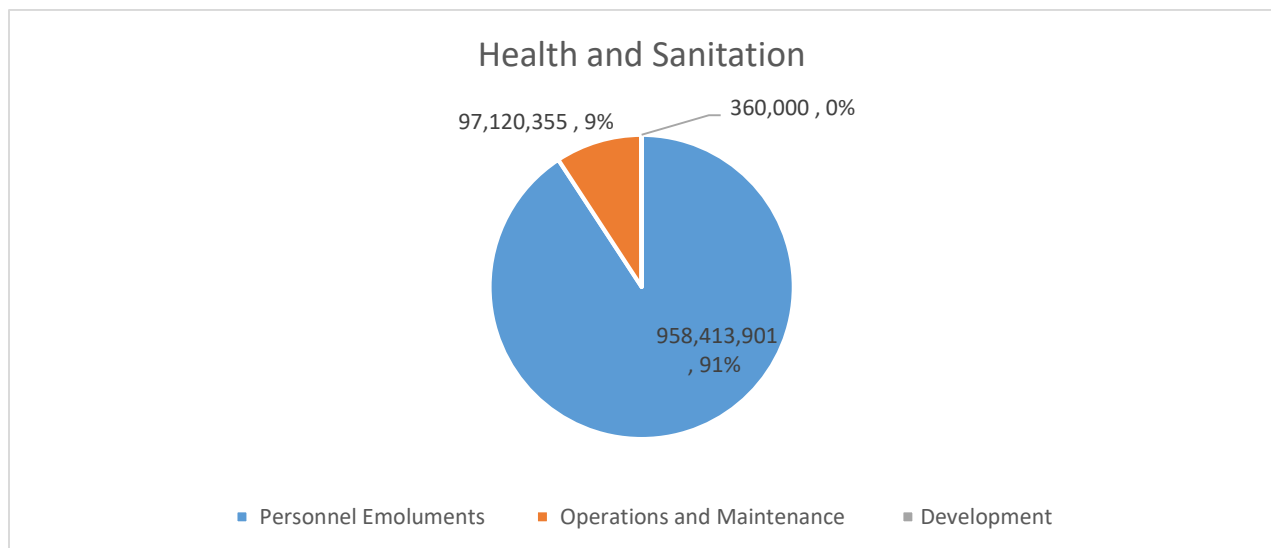


Figure 5: Health and Sanitation

2.8.5 Basic Education, ICT & Youth Development

A total of Kshs. 89,444,646.00 was spent in quarter one of FY 2019/2020. This expenditure composed of; Personnel Emoluments Kshs. 89,113,246.00, (99.63%), Operations and Maintenance was Kshs. 331,400.00 (0.37%) There was no development expenditure in the Quarter.

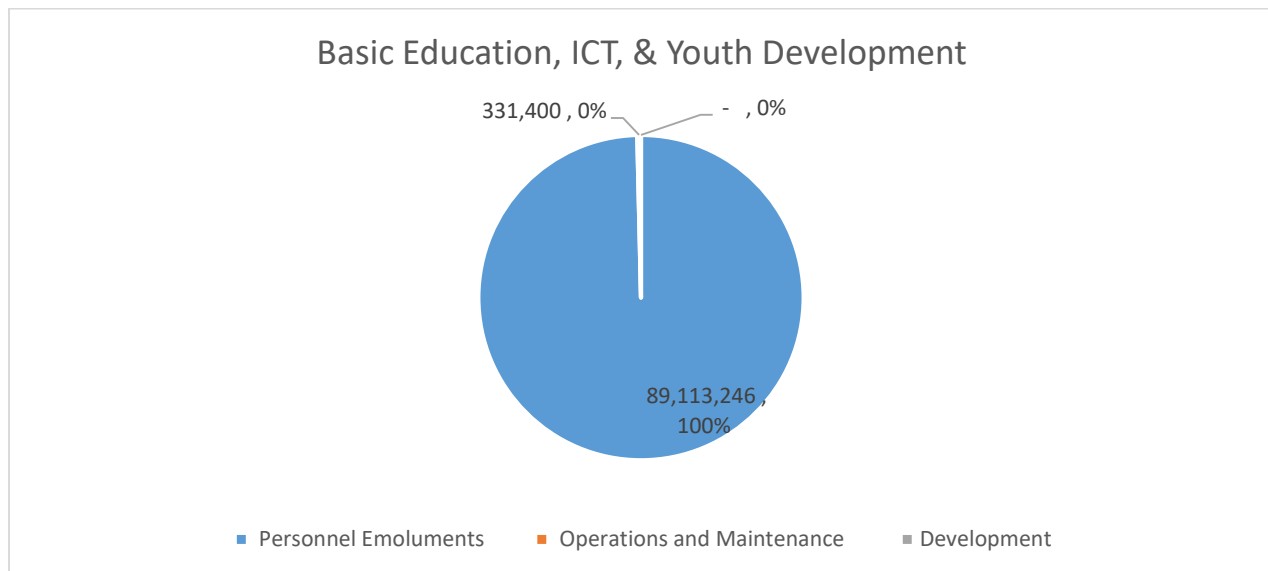


Figure 6: Basic Education, ICT & Youth Development

2.8.6 Trade, Cooperatives and Investments

During the period under review, the total expenditure for the County Ministry of Trade, Cooperatives and investments was Kshs. 44,934,175.00. Out of this amount, Kshs. 19,342,528.00, (43.05%) to Operations & Maintenance while Development expenditure amounted to Kshs. 25,591,647.00, (56.95%). There was no expenditure on personnel emoluments during the quarter.

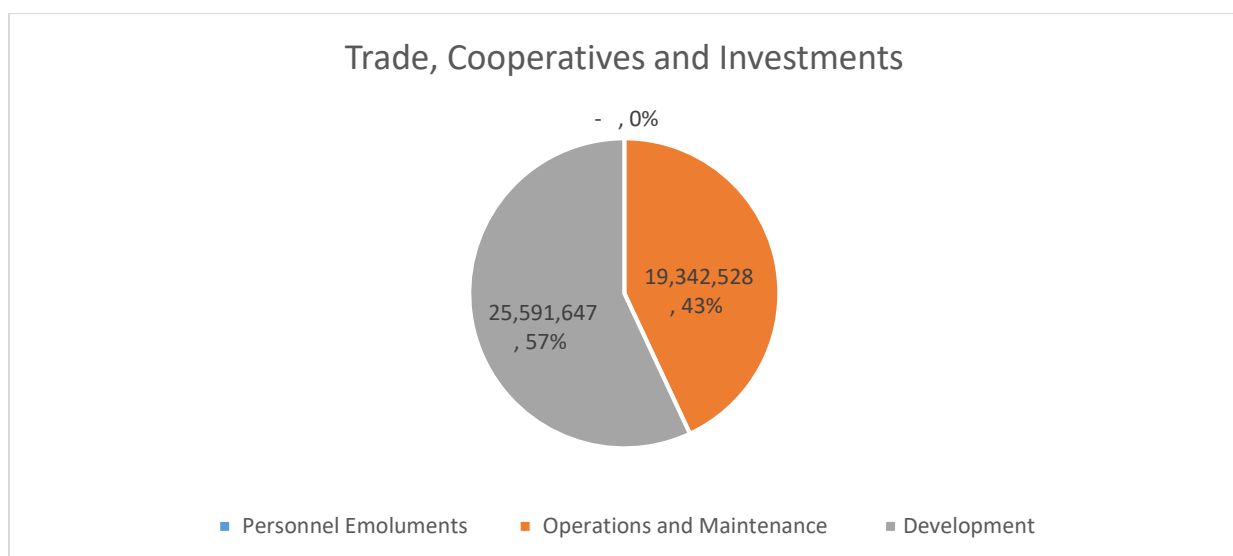


Figure 7: Trade, Cooperatives & Investments

2.8.7 Lands Infrastructure, Housing and Urban Development

In the County Ministry of Lands, Infrastructure, Housing and Urban Development incurred a total expenditure of Kshs 17,002,640 of which Kshs. 13,741,267.00, (80.82%) was spent on development, Kshs. 1,470,173.00, (8.65%) on personnel emoluments and Kshs. 1,791,200.00 (10.53%) on Operations and Maintenance.

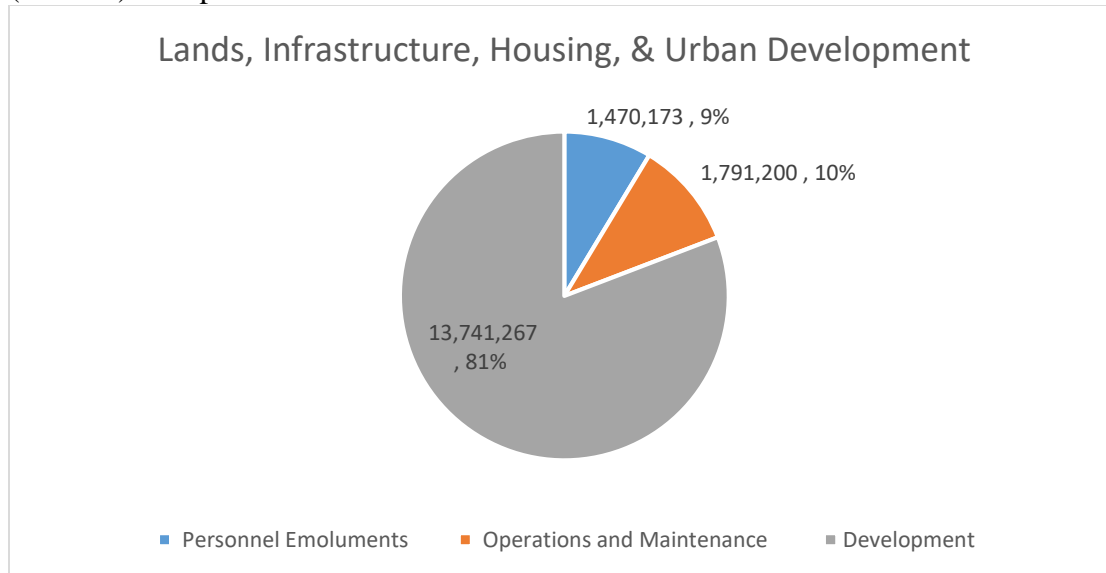


Figure 8: Lands, Infrastructure, Housing and Urban Development

2.8.8 Tourism, Sports & Culture

At the Tourism, Sports & Culture Ministry a total expenditure of Kshs (542,300) was incurred of which Kshs. (963,850).00, (-70%) was spent on personnel emoluments, Kshs. 421,550.00, (30%) on operations and maintenance. There was no expenditure on development for the quarter.

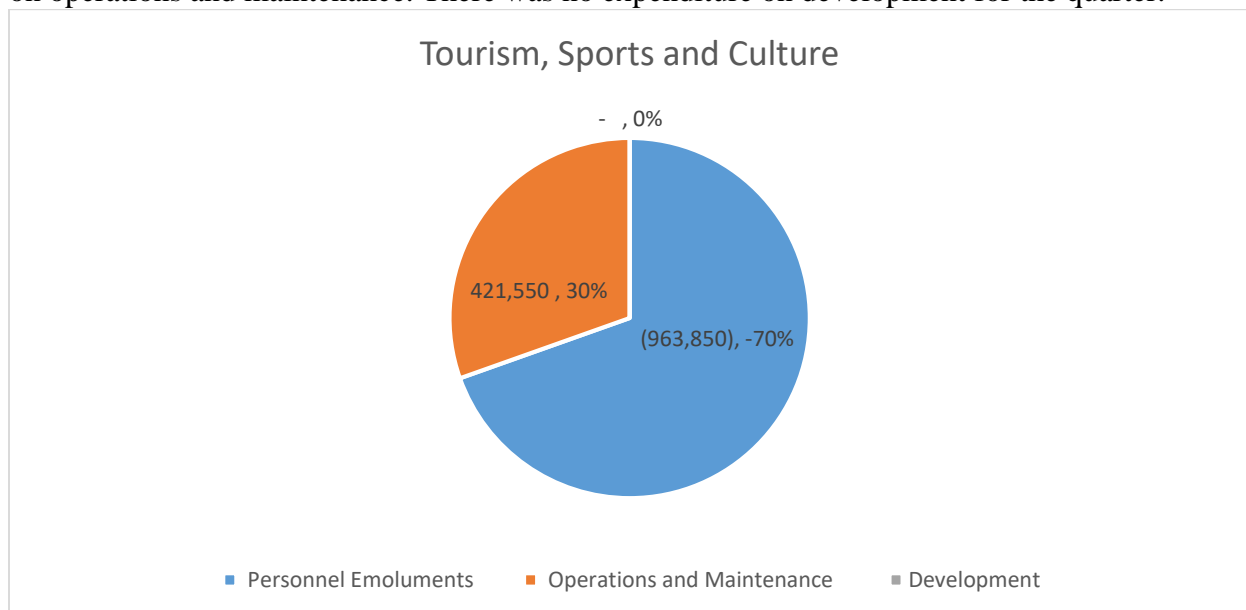


Figure 9: Tourism, Sports & Culture

2.8.9 Agriculture, Water and Livestock Development

During the period under review, the County Ministry of Agriculture, Water and Livestock development spent a total of Kshs. 179,718,616.00. Out of this, Kshs. 51,716,979.00, (28.78%) was spent on development, Kshs. 127,545,350.00, (70.97%) on personnel emoluments and Kshs. 456,287.00, (0.25%) on operations and maintenance.

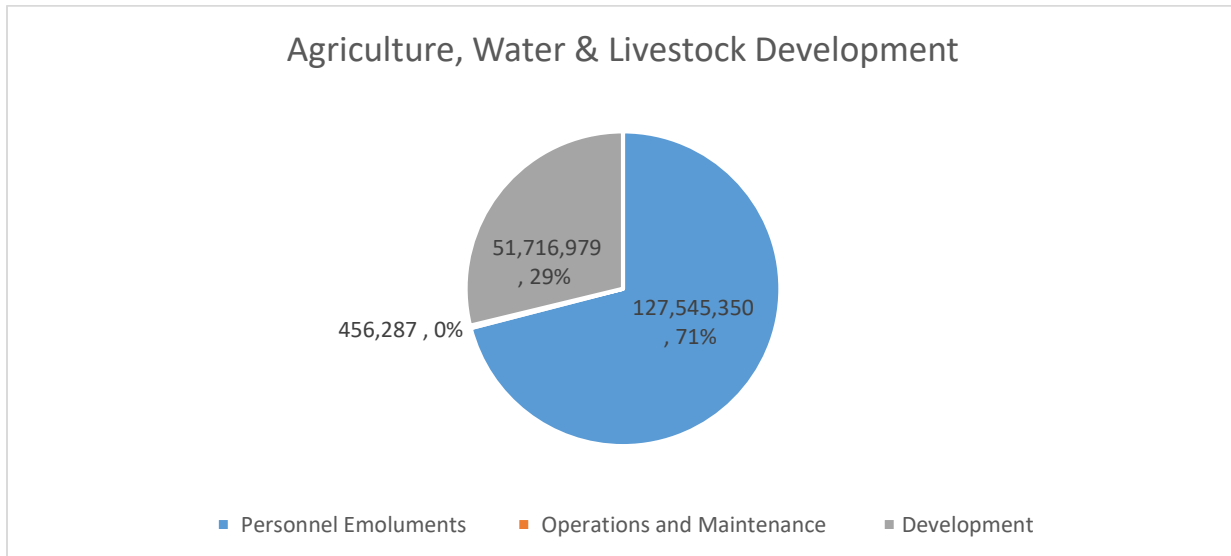


Figure 10: Agriculture, Water & Livestock Development

2.8.10 Environment and Natural Resources

Expenditure analysis at the ministry of Environment and Natural Resources reveals that a total of Kshs. (862,700).00 was spent in the quarter one of FY 2019/2020. The expenditure was solely on Operations and Maintenance. There was no expenditure on Personnel Emoluments and Development during the quarter.

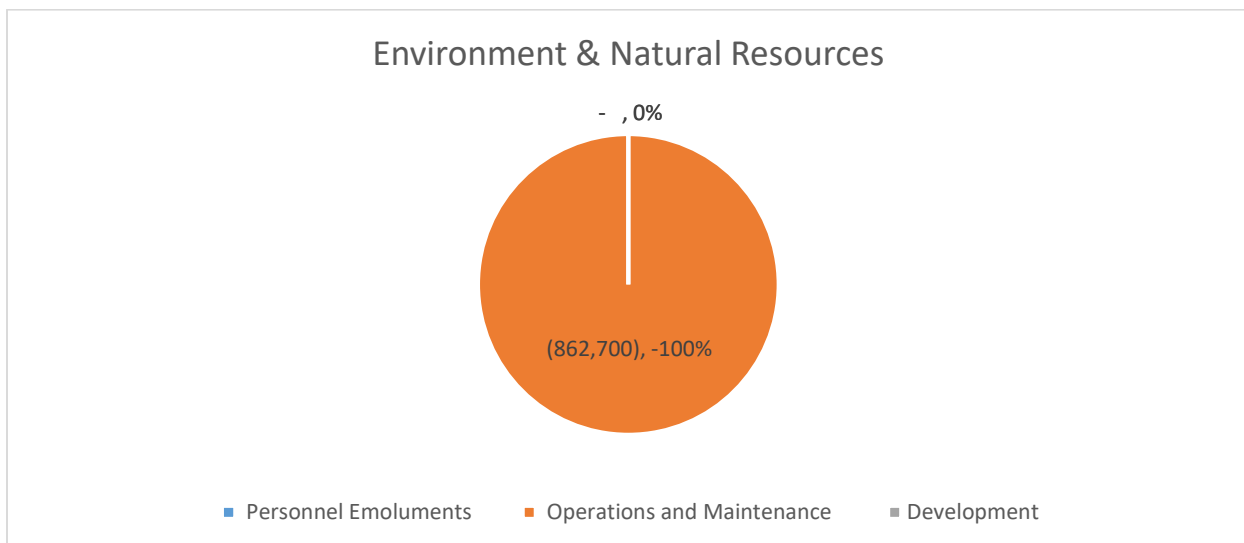


Figure 11: Environment & Natural Resources

2.8.11 County Public Service Board

The total expenditure incurred by the County Public Service Board was Kshs. 250,374 which was solely spent on Operations and Maintenance. The Board did not undertake any expenditure Personnel Emoluments and development during the quarter.

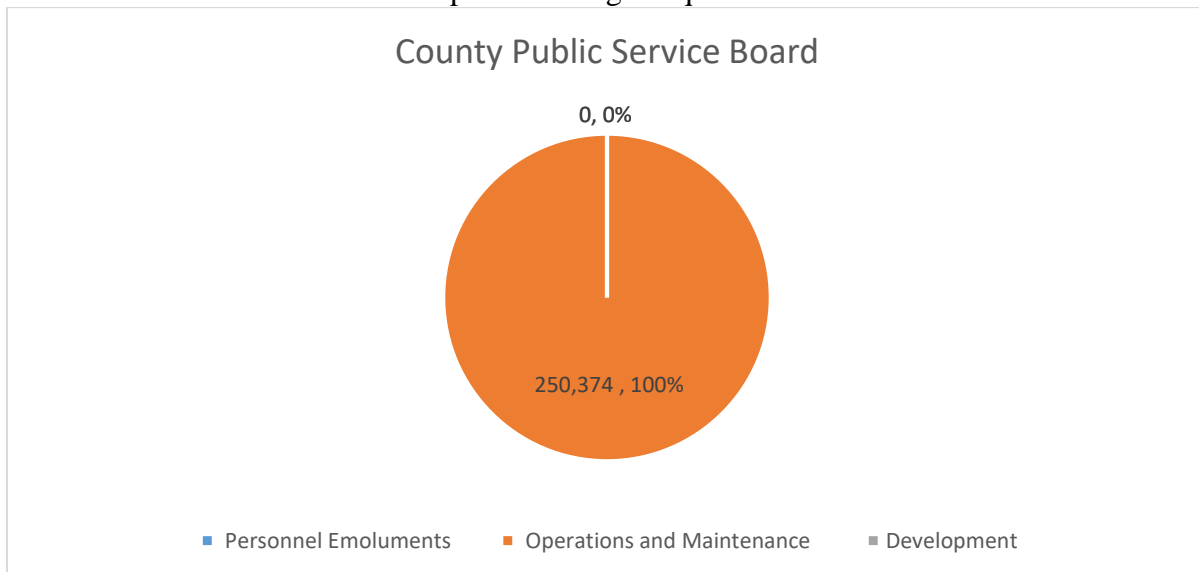


Figure 12: County Public Service Board

2.8.12 The County Assembly

The County Assembly spent a total of Kshs. 183,462,762.00. This expenditure included Kshs. 94,854,108.00, 51.70% spent on personnel emoluments, Kshs. 88,608,654.00, 48.3% Spent on operations and maintenance. The County assembly did not spend on development activities during this quarter.

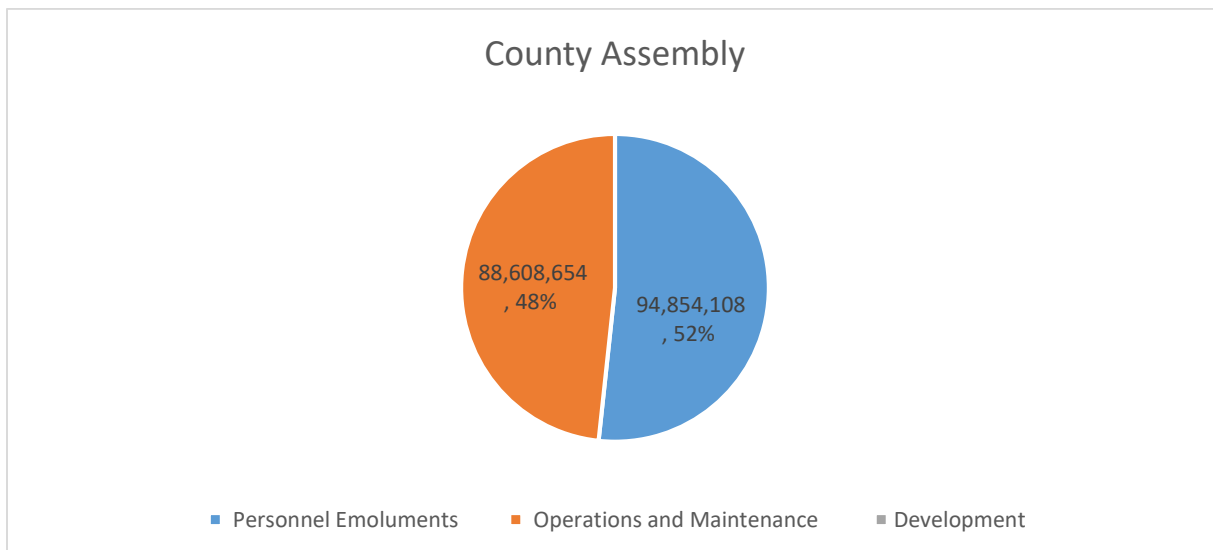


Figure 13: The County Assembly

2.8.13 Kitui Municipality

Kitui Municipality spent a total of Kshs 22,886,847.00. This expenditure included the Kshs. 5,602,044.00, 24.48% spent on personnel emoluments, the Kshs. 2,206,797.00, 9.64% spent on operations and maintenance and the Kshs. 15,078,006.00, 65.88% spent on development.

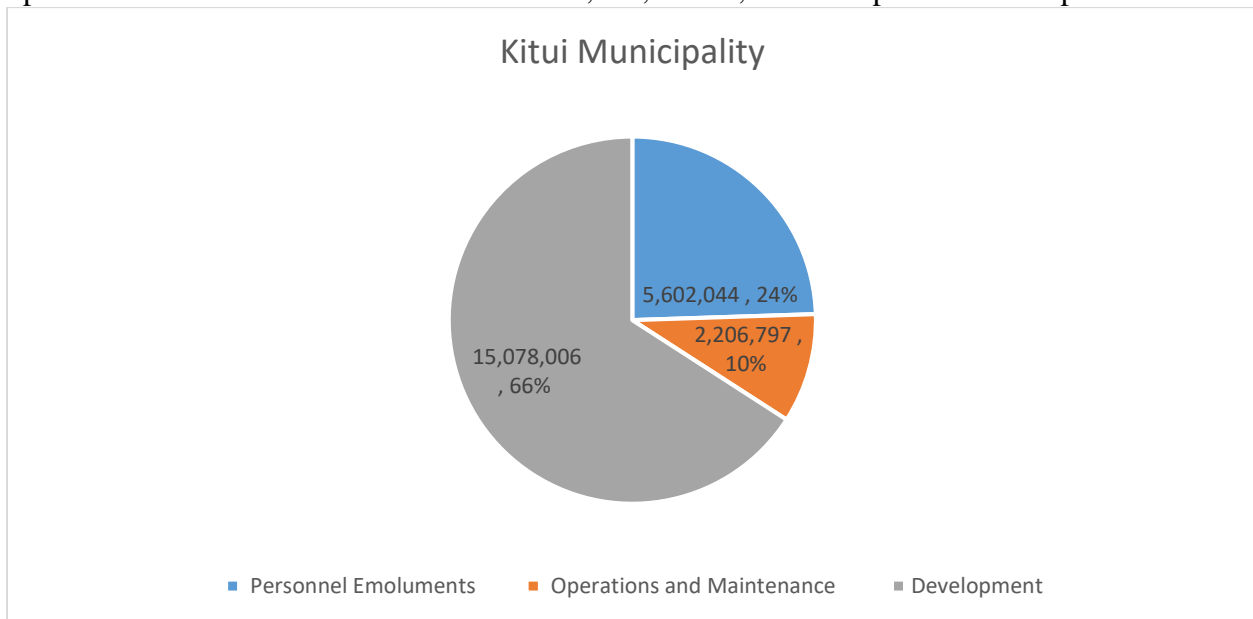


Figure 14: Kitui Municipality

2.8.14 Mwingi Town Administration

The Mwingi Town Administration spent a total of Kshs. 1,839,442.00. This expenditure was solely on Personnel Emoluments. There was no expenditure on Operations and Maintenance and development in the quarter

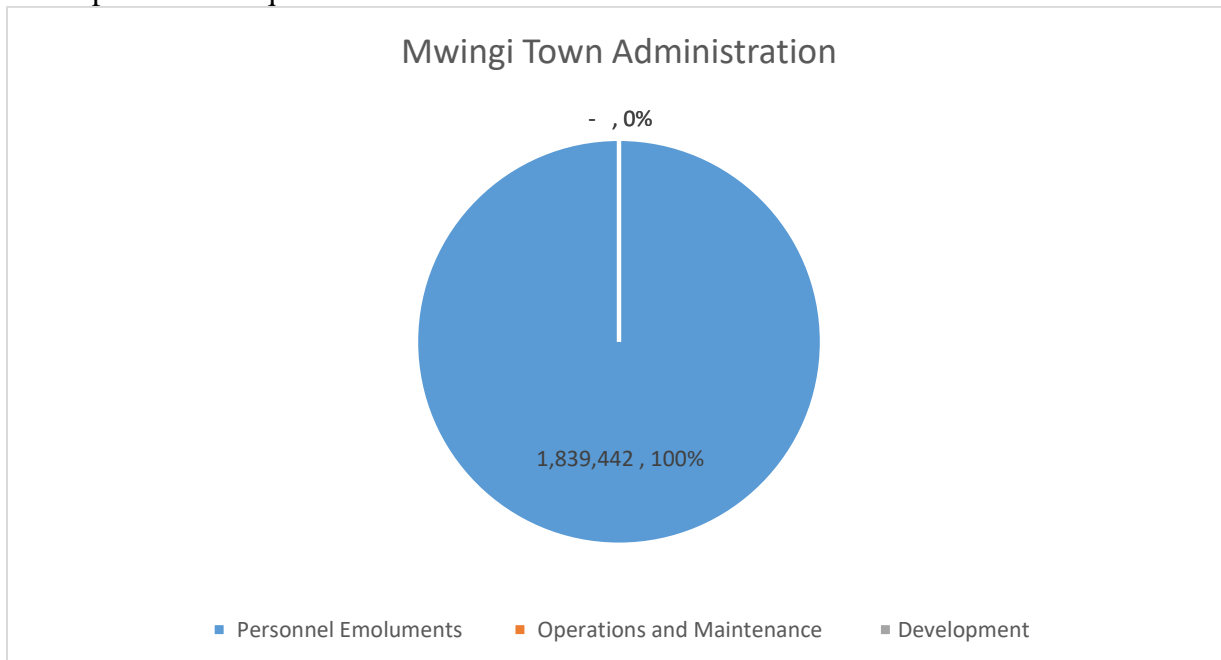


Figure 15: Mwingi Town Administration

3.0 IMPLEMENTATION CHALLENGES

The county experienced several challenges/issues that affected budget implementation during quarter 1 of the financial year 2019/2020.

These are:

- **Conflict between the County Assembly and the Executive:** Conflicts of interest between the MCAs and the Executive led to the declining of the budget for the FY 2019/20 submitted for approval. This caused a lot of confusion since there was no approved budget to operate on.
- **Increased wage bill:** increased number of workers led to lack of enough funds to pay workers for the months of July and August, hence reduced absorption in monies allocated for personnel emoluments
- **Exchequer Requisition :** The National Treasury and Controller of Budget disbursement and approval have been slow which has affected absorption of budget
- Delay in release of funds.

4.0 RECOMMENDATIONS

The following recommendations will smoothen implementations in the next phase;

- The County Executive and the Assembly should create rapport to avoid clashes on the budget to be approved.
- The County should ensure that the wage bill does not surpass the required 35% of the recurrent budget.
- The County Government need to liaise with the National Government for timely release of funds as per disbursement schedule to foster smooth operations and project implementation.
- The County Government need to liaise with the Controller of Budget to avoid limitations in expenditure to ensure proper implementation of projects.