

COUNTY GOVERNMENT OF KITUI



THE COUNTY TREASURY

DEPARTMENT OF ECONOMIC PLANNING

SECOND QUARTER BUDGET IMPLEMENTATION REPORT

(BIR)

FINANCIAL YEAR 2018/19

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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 that counties report on the implementation progress of their budgets. It covers the period October 2018 to December 2018.

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, 775,231,412 in the Financial year 2018/19 which consisted of Kshs. 6,805,628,105 (58%) for recurrent expenditure and Kshs.4, 555,144,465 (42%) for development expenditure.

2.1 Budget Components

Table 1 shows the various components of the budget

Table 1, Budget Components

SOURCE	AMOUNT	% OF TOTAL BUDGET
Balance b/f from FY 2017/2018	1,635,954,190	13.89
National Equitable Share	8,729,200,000	74.13
Local Revenue Sources	500,000,000	4.25
Grants	910,077,222	7.73
TOTAL	11,775,231,412	100.00

2.2 Breakdown of Grants

Table 2 shows the breakdown of conditional grants for 2018/2019 FY.

Table 2, Breakdown of grants

SOURCE OF GRANT	AMOUNT
Compensation for User Fees Forgone	22,499,906
Road Maintenance Fuel Levy Fund (RMFL)	229,832,234
World Bank (KUSP)	272,374,200
Word bank (Universal health)	100,000,000
World Bank (KDSP)	57,462,594
World bank loan for national agricultural and rural inclusive growth project (NARIGP)	140,435,163
DANIDA grant for universal health care devolved system program	29,008,125
Conditional grants for development of youth polytechnics	58,465,000
Gross – Grants	910,077,222

2.3 Transfers from the National Government

For the period under review, the County received Kshs. 1,658,548,000 as the national equitable share which is 19% of the budget equitable share and 14.09% of the total budgeted amountfor the year. The disbursements are shown in table 3.

Table 3, Transfers from the National Government

RELEASE DATE	AMOUNT (KSHS)
18/10/2018	785,628,000.00
15/11/2018	872,920,000.00
Total	1,658,548,000.00

In addition, the County Government received grants from The World Bank totaling to Kshs. 263,073,053 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)
------------------------	---------------------	----------------------

Transforming Health Systems for Universal Care Projects Account- THUCS	24/10/2018	16,194,790.00
Danida	27/11/2018	14,504,063.00
Kenya Urban Support Program (KUSP)	10/12/2018	232,374,200.00
Total		263,073,053.00

2.4 Locally Generated Revenue

The County Government has a target of collecting Kshs 500,000,000 from local sources during FY 2018/2019. The actual achievement in quarter two was Kshs 107,187,940 which translates to 21% of the targeted collection. The monthly actual collection breakdown is shown in table 6.

Table 5, Locally Generated Revenue

Source	OCTOBER	NOVEMBER	DECEMBER	TOTAL
The County Treasury	5,696,489	3,768,076	2,839,854	12,304,419
Kitui Municipality	2,915,735	2,405,170	2,868,705	8,189,610
Mwingi Town Administration	2,128,240	1,123,920	1,060,280	4,312,440
Office of the Governor	709,350	253,250	203,800	1,166,400
Ministry of Lands, Infrastructure, Housing and Urban Development	1,833,860	1,502,383	1,014,773	4,351,016
Ministry of Agriculture, Water and Livestock Development	537,825	1,479,990	849,510	2,867,325
Ministry of Environment and Natural Resources	68,000	96,800	50,200	215,000
Ministry of Health and Sanitation	43,777,311	6,274,923	3,737,241	53,789,475
Ministry of Tourism, Sports and Culture	4,000	20,000	-	24,000
Ministry of Trade, Cooperatives and Investments	130,830	96,720	36,900	264,450
Direct Deposits	8,703,035	6,779,052	4,221,717	19,703,804
Total	66,504,675	23,800,284	16,882,980	107,187,940

Note: Direct Deposits is the revenue collected and deposited directly into Kitui Revenue Account but not attributed to any Ministry.

Table 6, Quarter 2 Revenue performance by ministries

County Ministries/Entity	Targeted Amount	Actual Collection	Percentage
The County Treasury	82,654,193	12,304,419	14.89
Kitui Municipality	103,238,049	8,189,610	7.93
Mwingi Town Administration	42,579,152	4,312,440	10.13
Office of the Governor	86,947,453	1,166,400	1.34
Ministry of Land Infrastructure and Urban Development	61,016,600	4,351,016	7.13
Ministry of Agriculture water and Livestock Development	30,098,250	2,867,325	9.53
Ministry of Environment, Energy and Minerals Investment Development	1,157,625	215,000	18.57
Ministry of Health and Sanitation	89,761,903	53,789,475	59.92
Ministry of Tourism, Sports and Culture	1,389,150	24,000	1.73
Ministry of Trade, Cooperatives and Investments	1,157,625	264,450	22.84
Direct Deposits		19,703,804	
Total	500,000,000	107,187,939	21.44

Note: Direct Deposits is the revenue collected and deposited directly into Kitui Revenue Account but not attributed to any Ministry.

2.5 Expenditure per ministry

During the period under review, The County Government made an expenditure of Kshs. 2,591,887,769, which is 22.01% of the total budget estimates of Kshs. 11,775,231,411 for the Financial Year 2018/19

Table 7, Absorption rates per ministry

County Ministry	Total Budget Estimates	Actual expenditure	% Absorption rate
Office of the Governor	1,408,434,458	229,898,212	16.32
Ministry of Administration and Coordination County Affairs	373,000,131	11,620,131	3.12
The County Treasury	565,634,571	107,850,158	19.07
Ministry of Health & Sanitation	2,927,255,172	684,516,528	23.38
Ministry of Basic Education, ICT & Youth Development	708,834,038	186,432,912	26.3
Ministry of Trade, Cooperatives & Investment	747,039,411	96,087,627	12.86
Ministry of Lands, Infrastructure, Housing & Urban Development	1,114,518,905	268,835,033	24.12

County Ministry	Total Budget Estimates	Actual expenditure	% Absorption rate
Ministry of Tourism, Sports & Culture	272,128,094	67,059,148	24.64
Ministry of Agriculture, Water & Livestock Development	1,714,677,755	609,329,131	35.54
Ministry of Environment & Natural Resources	256,599,581	55,973,568	21.81
County Public Service Board	61,138,130	22,314,340	36.5
County Assembly Service Board	1,034,797,246	165,971,355	16.04
Kitui Municipality	454,686,070	44,325,969	9.75
Mwingi Town Administration	136,487,849	41,673,657	30.53
Grand Total	11,775,231,413	2,591,887,769	22.01

2.6 Funds Released to the County by the Controller of Budget

The Controller of Budget approved the release of Kshs. 2,261,044,246. This is higher than the amount transferred by the National Government and the grants received to the County during the quarter. This is due to the balance brought forward from the previous quarter, that is quarter one, whose expenditure was relatively low.

The expenditure during the period is broken down into the below expenditure lines:

Table 8, Second Quarter Expenditure Summary

Expenditure Line	Kshs	%
Recurrent	1,302,990,193	57.62
Development	958,054,053	42.38
Total	2,261,044,246	100.00

2.7 Second Quarter Expenditure Summary by Entity

During the period under review, the County spent a total of Kshs. 2,591,887,769 which was 101.15% of the funds released. Out of this amount, Kshs. 1,576,394,520.00 (60.82 %) went to finance recurrent activities while Kshs 1,015,493,249 (39.18%) financed development.

Analysis of recurrent expenditure reveals that the County spent Kshs. 1,004,781,356 (63.74%) on personnel emoluments, while Kshs 571,613,164 (36.26%) was spent on operations and maintenance.

There was an over-expenditure of Kshs. 330,843,523 which was catered for by the balance brought forward from FY 2017/18 and Quarter one of FY 2018/19.

Table 9, Second Quarter Expenditure by entity

Spending Entity	P.E	%	O&M	%	Development	%	Grand Total
Office of the Governor	44,434,018	19.33	18,362,882	7.99	167,101,312	72.68	229,898,212
Administration & Coordination of County Affairs	298,811	2.57	11,321,320	97.43	0	0	11,620,131
Agriculture, Water & Livestock Development	154,851,254	25.41	50,135,583	8.23	404,342,294	66.36	609,329,131
Basic Education, ICT, & Youth Development	154,167,883	82.69	8,276,675	4.44	23,988,354	12.87	186,432,912
Lands, Infrastructure, Housing, & Urban Development	73,771,897	27.44	59,713,352	22.21	135,349,784	50.35	268,835,033
Health and Sanitation	337,669,787	49.33	204,742,198	29.91	142,104,543	20.76	684,516,528
Trade, Cooperatives and Investments	25,783,419	26.83	2,142,865	2.23	68,161,343	70.94	96,087,627
Environment & Natural Resources	18,576,239	33.19	16,589,548	29.64	20,807,781	37.17	55,973,568
Tourism, Sports and Culture	25,812,756	38.49	21,832,634	32.56	19,413,758	28.95	67,059,148
The County Treasury	78,196,877	72.51	27,214,781	25.23	2,438,500	2.26	107,850,158
County Public Service Board	13,865,561	62.14	8,448,779	37.86	0	0	22,314,340
County Assembly	45,845,648	27.62	120,125,707	72.38	0	0	165,971,355
Kitui Municipality	20,289,141	45.77	15,271,055	34.45	8,765,773	19.78	44,325,969
Mwingi Town Administration	11,218,065	26.92	7,435,785	17.84	23,019,807	55.24	41,673,657
	1,004,781,356	38.77	571,613,164	22.05	1,015,493,249	39.18	2,591,887,769

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	1,004,781,356.00	38.77
Operations and Maintenance	571,613,164.00	22.05
Development	1,015,493,249.00	38.18
Total	2,591,887,769.00	100.00

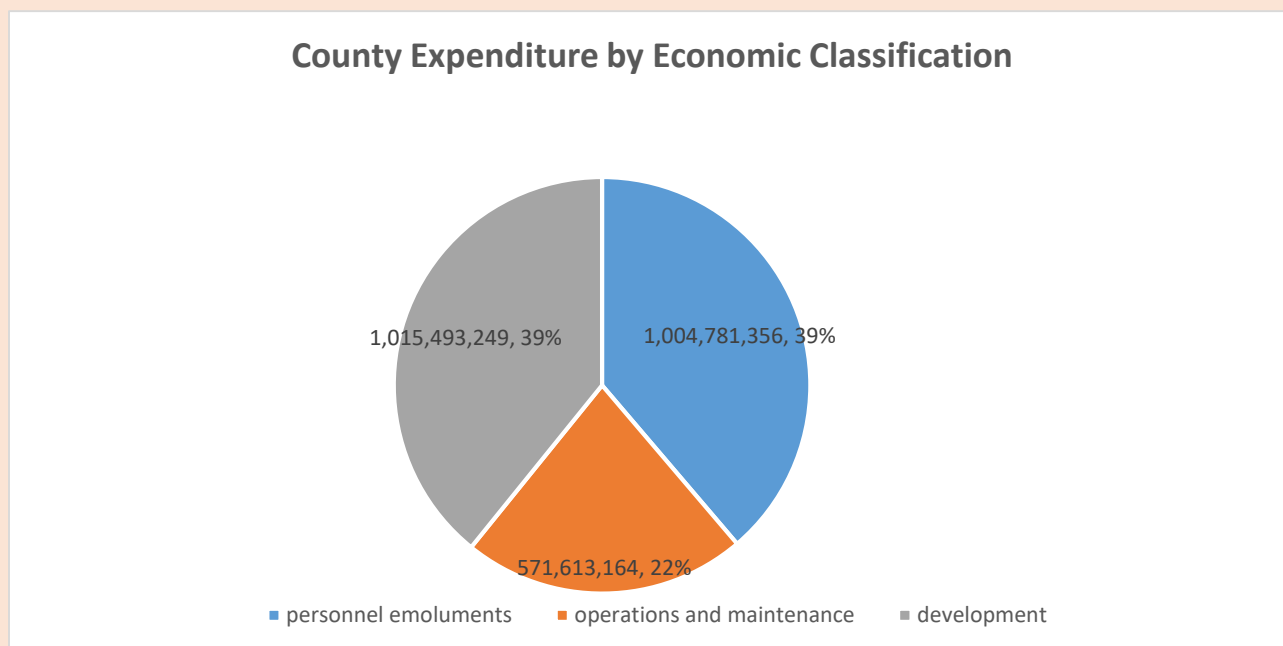


Figure 1: County Expenditure

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. 229,898,212.00. Out of this, Kshs. 167,101,312.00, (72.68%) financed development projects, Kshs. 44,434,018.00, (7.99%) was spend on Personnel Emoluments while Kshs. 18,362,882.00, (19.33%) was spent on Operations and Maintenance.

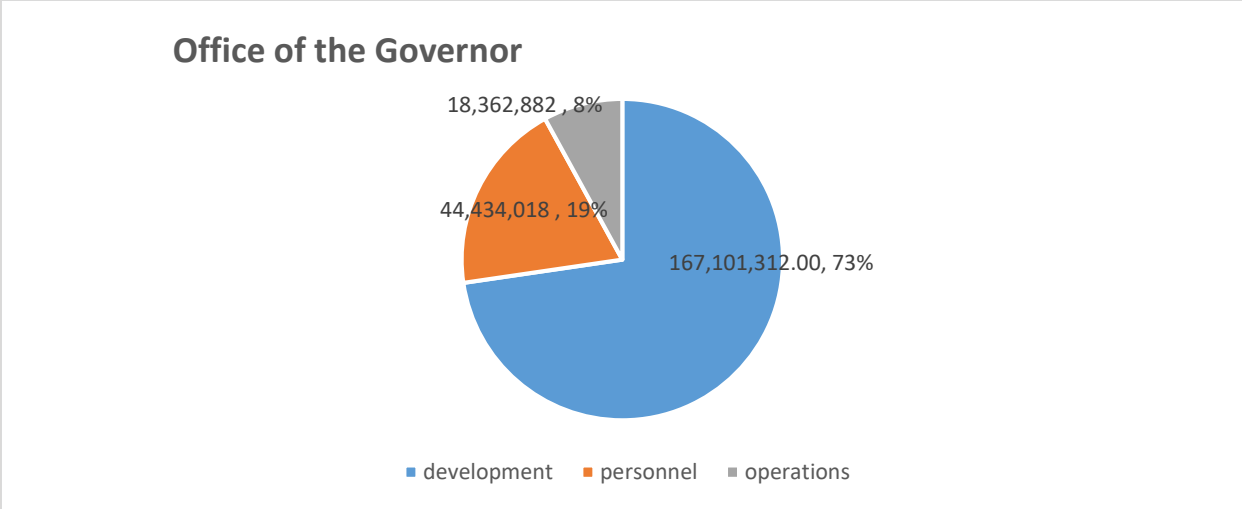


Figure 2: Office of the Governor

2.8.2 Administration and Coordination of County Affairs

Analysis of the County Ministry of Administration and Coordination of County Affairs' expenditure reveals that out of the Kshs. 11,620,131.00 which was the cumulative expenditure for the quarter under review, Kshs. 298,811.00, (2.57%) financed personnel emoluments while Kshs. 11,321,320.00, (97.43%) was spent on operations and maintenance. There was no development expenditure in Quarter 2.

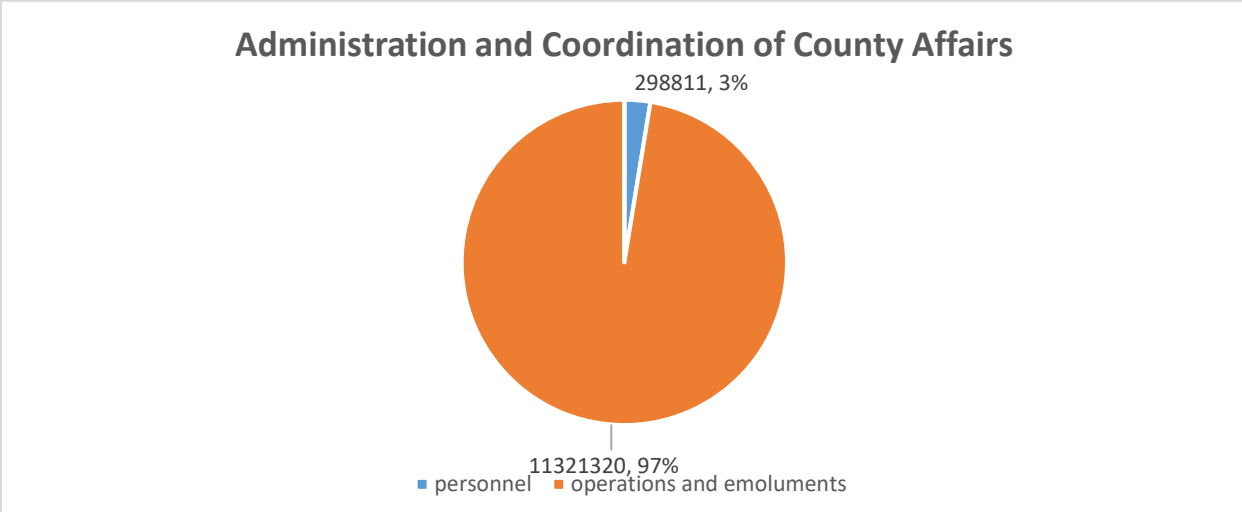


Figure 3: Administration and Coordination of County Affairs

2.8.3 Agriculture, Water and Livestock Development

During the period under review, the County Ministry of Agriculture, Water and Livestock development spent a total of Kshs. 609,329,131.00. Out of this, Kshs. 404,342,294.00, (66.36%) was spent on development, Kshs. 154,851,254.00, (25.41%) on personnel emoluments and Kshs. 50,135,583.00, (8.23%) on operations and maintenance.

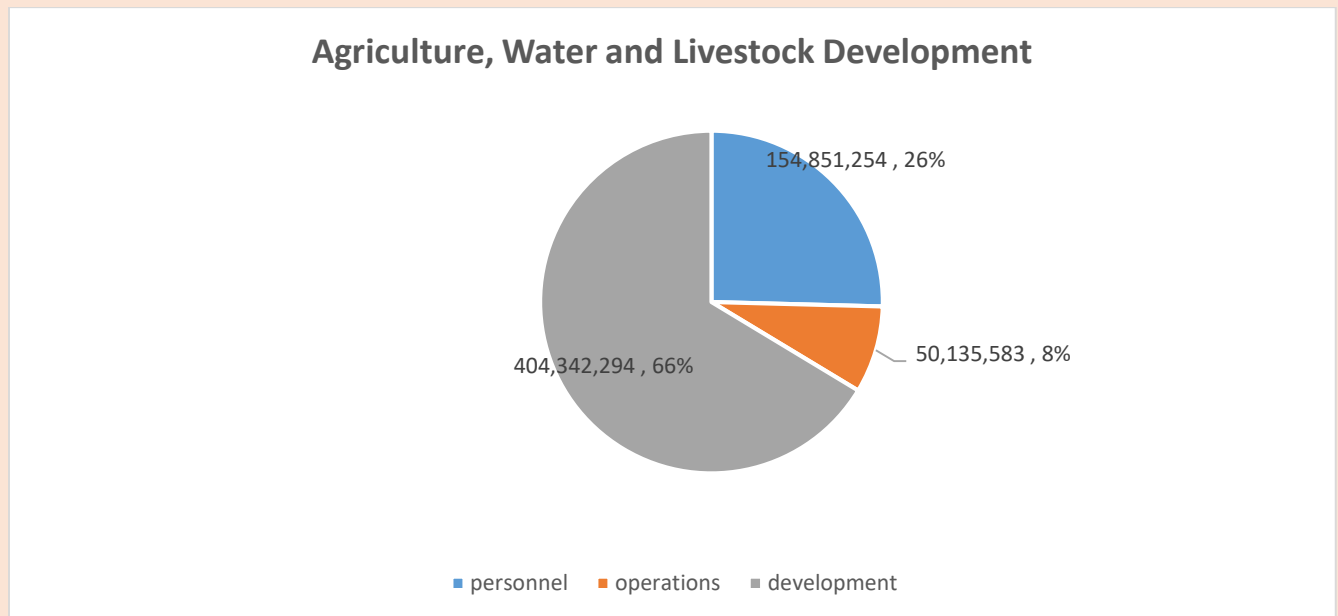


Figure 4: Agriculture, Water & Livestock Development

2.8.4 Basic Education, ICT & Youth Development

A total of Kshs. 186,432,912.00 was spent during the period. This expenditure is composed of; Personnel Emoluments Kshs. 154,167,883.00, (82.69%), Operations and Maintenance was Kshs. 8,276,675.00 (4.44 %) while development expenditure was Kshs. 23,988,354.00, (12.87 %)

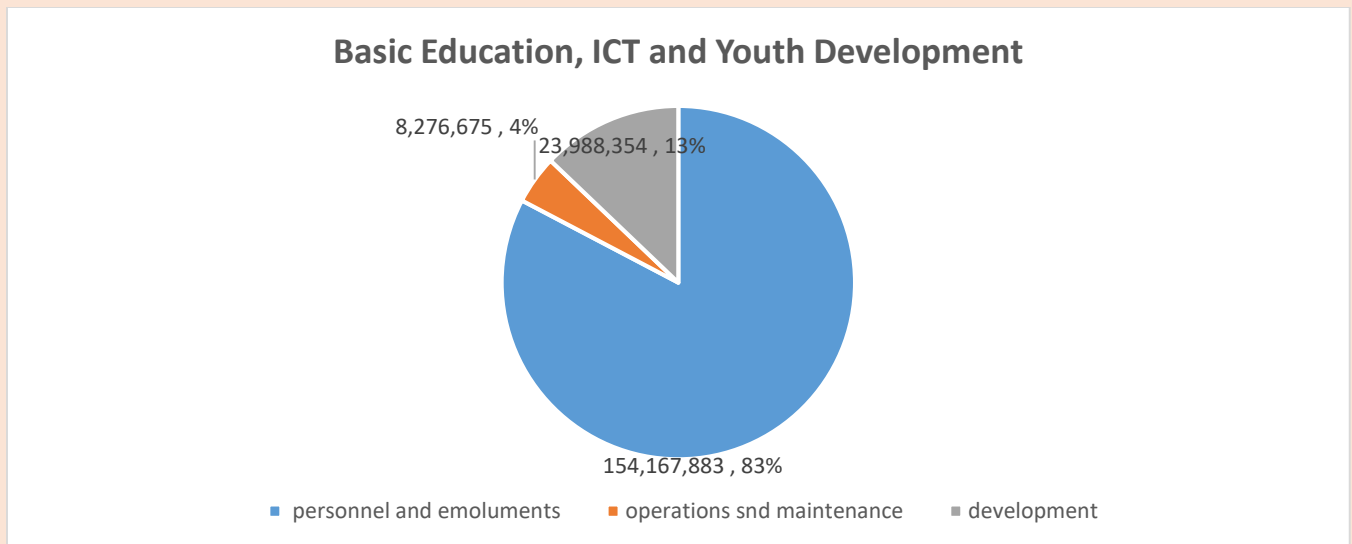


Figure 5: Basic Education, ICT & Youth Development

2.8.5 Lands Infrastructure, Housing and Urban Development

In the County Ministry of Lands, Infrastructure, Housing and Urban Development incurred a total expenditure of Kshs 268,835,033 of which Kshs. 135,349,784.00, (50.35%) was spent on development, Kshs. 73,771,897.00, (27.44%) on personnel emoluments and Kshs. 59,713,352.00 (22.21%) on Operations and Maintenance.

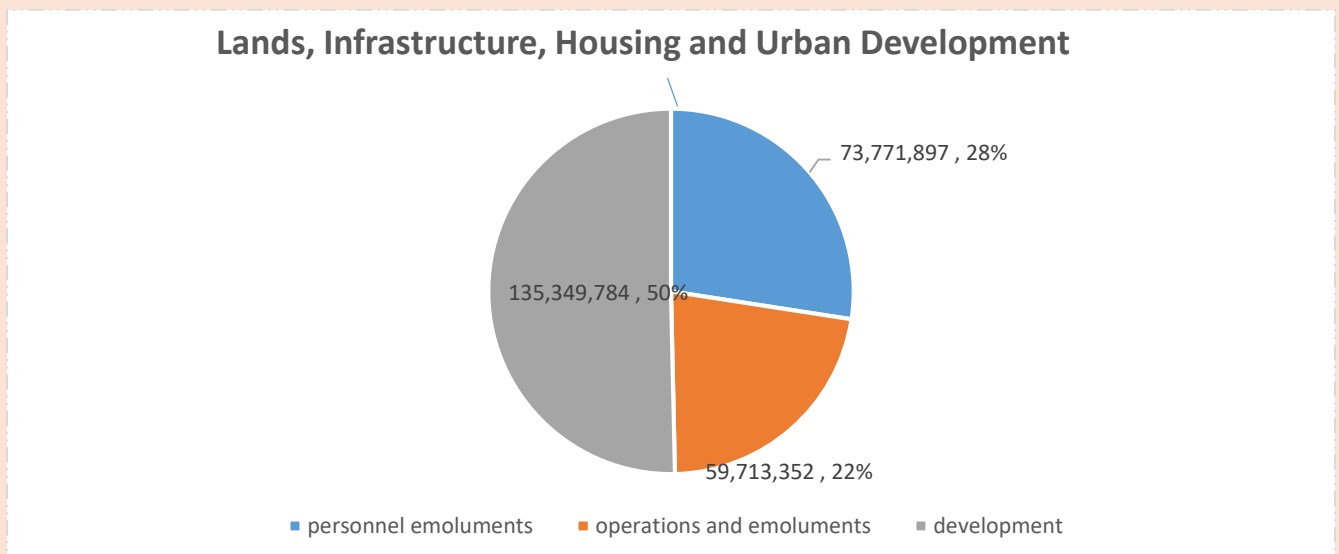


Figure 6: Lands, Infrastructure, Housing and Urban Development

2.8.6 Health and Sanitation

The County Ministry of Health and Sanitation had, in quarter two of 2018/2019, incurred a total expenditure of Kshs. 684,516,528.00. Out of this Kshs. 142,104,543.00, (20.76 %), was spent on development activities, Kshs. 337,669,787.00 which translates to (49.33 %) went to Personnel emoluments while Kshs 204,742,198.00, (29.91%) went to Operations and Maintenance.

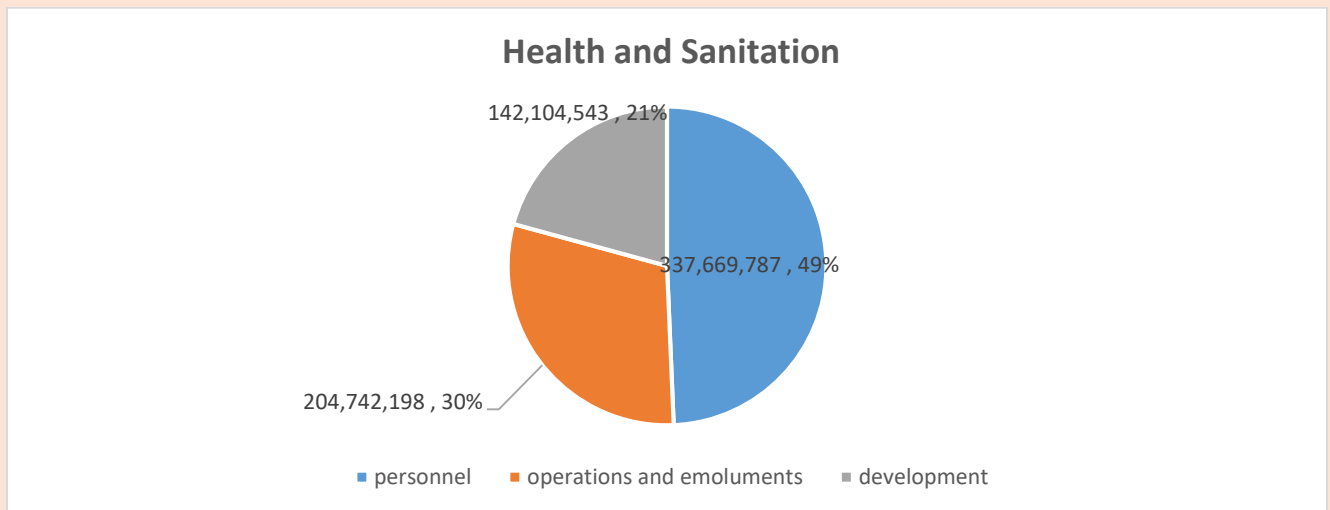


Figure 7: Health and Sanitation

2.8.7 Trade, Cooperatives and Investments

During the period under review, the total expenditure for the County Ministry of Trade, Cooperatives and investments was Kshs. 96,087,627.00. Out of this amount, Kshs. 25,783,419.00, (26.83 %) of total expenditure) went to personnel emoluments, while Kshs. 2,142,865.00, (2.23 %) to Operations & Maintenance. Development expenditure amounted to Kshs. 68,161,343.00, (70.94%)

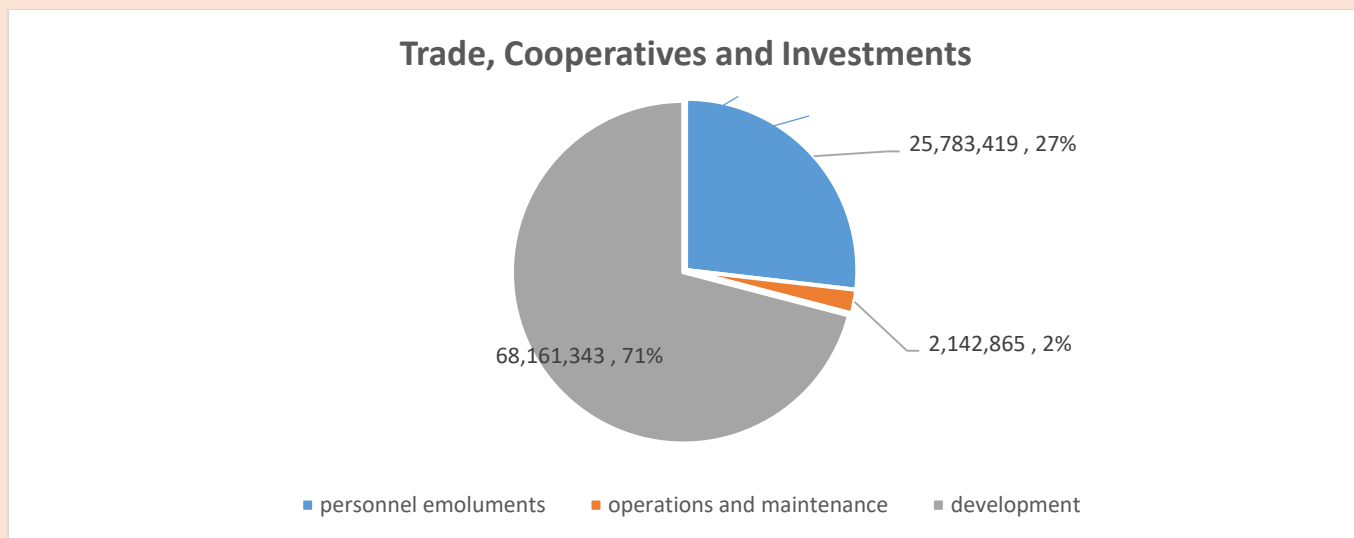


Figure 8: Trade, Cooperatives & Investments

2.8.8 Environment and Natural Resources

Expenditure analysis at the ministry of Environment and Natural Resources reveals that a total of Kshs. 55,973,568.00 was spent during the period. The expenditure was broken down into; Development Kshs. 20,807,781.00, (37.17%) Personnel Emoluments Kshs. 18,576,239.00, (33.19 %) and Operations and Maintenance Kshs. 16,589,548.00, (29.64%)

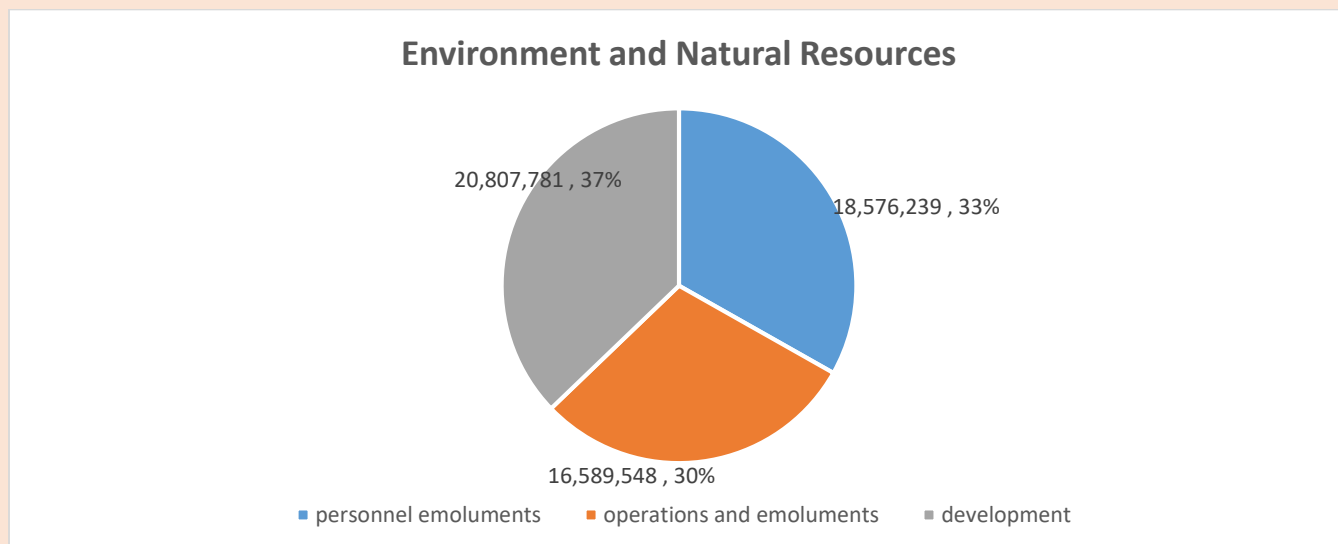


Figure 9: Environment & Natural Resources

2.8.9 Tourism, Sports & Culture

At the Tourism, Sports & Culture Ministry a total expenditure of Kshs 67,059,148 was incurred of which Kshs. 25,812,756.00, (38.49 %) was spent on personnel emoluments, Kshs. 21,832,634.00, (32.56 %) on operations and maintenance and Kshs. 19,413,758.00, (28.95 %) on development.

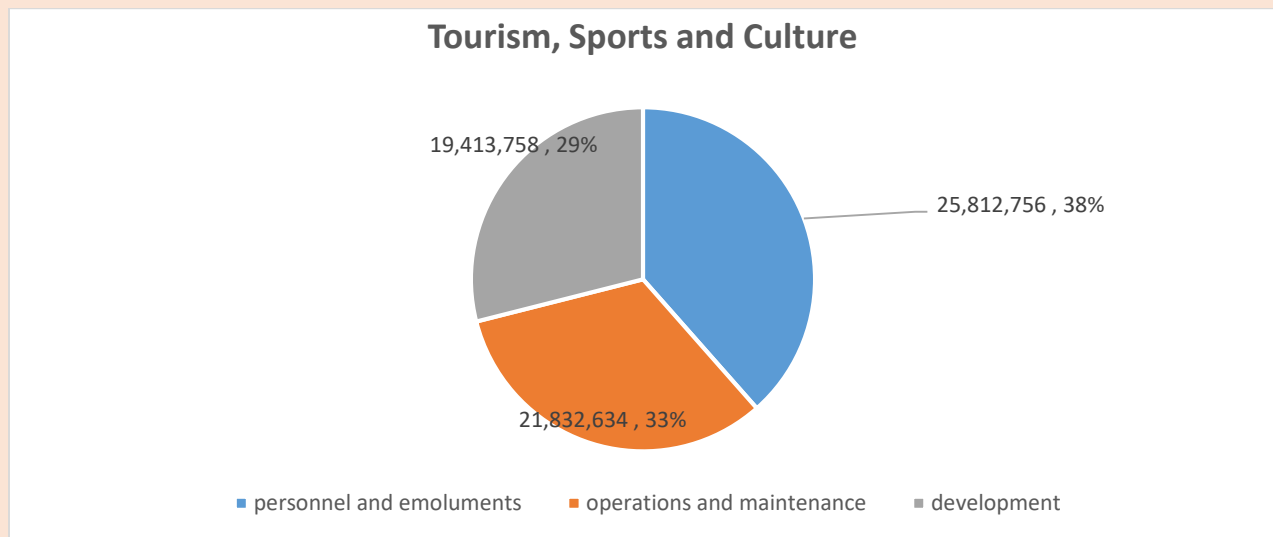


Figure 10: Tourism, Sports& Culture

2.8.10 The County Treasury

During the period, the County Treasury spent a total of Kshs. 107,850,158.00. This expenditure was broken down into; personnel emoluments Kshs. 78,196,877.00, (72.51%), operations and maintenance Kshs 27,214,781.00, (25.23%) and development Kshs 2,438,500 (2.26 %)

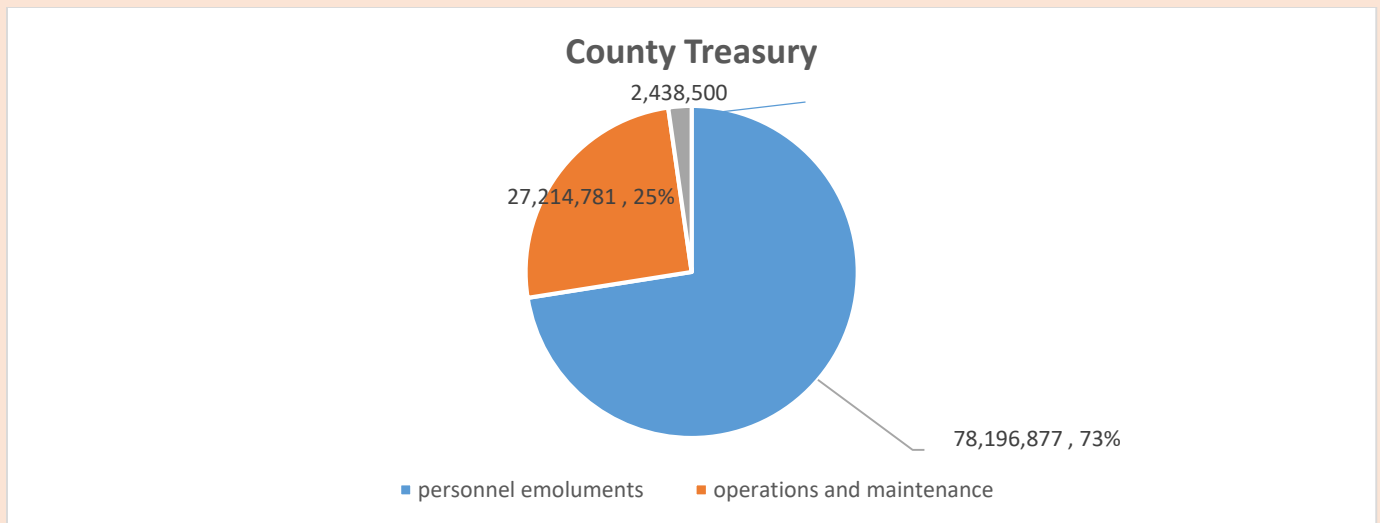


Figure 11: The County Treasury

2.8.11 County Public Service Board

The total expenditure incurred by the County Public Service Board was Kshs. 22,314,340. The Board did not undertake any development project. An analysis of the recurrent expenditure reveals that Kshs. 13,865,561.00, (62.14%) was spent on Personnel Emoluments while Kshs 8,448,779.00, (37.86%) was spent on Operations and Maintenance.

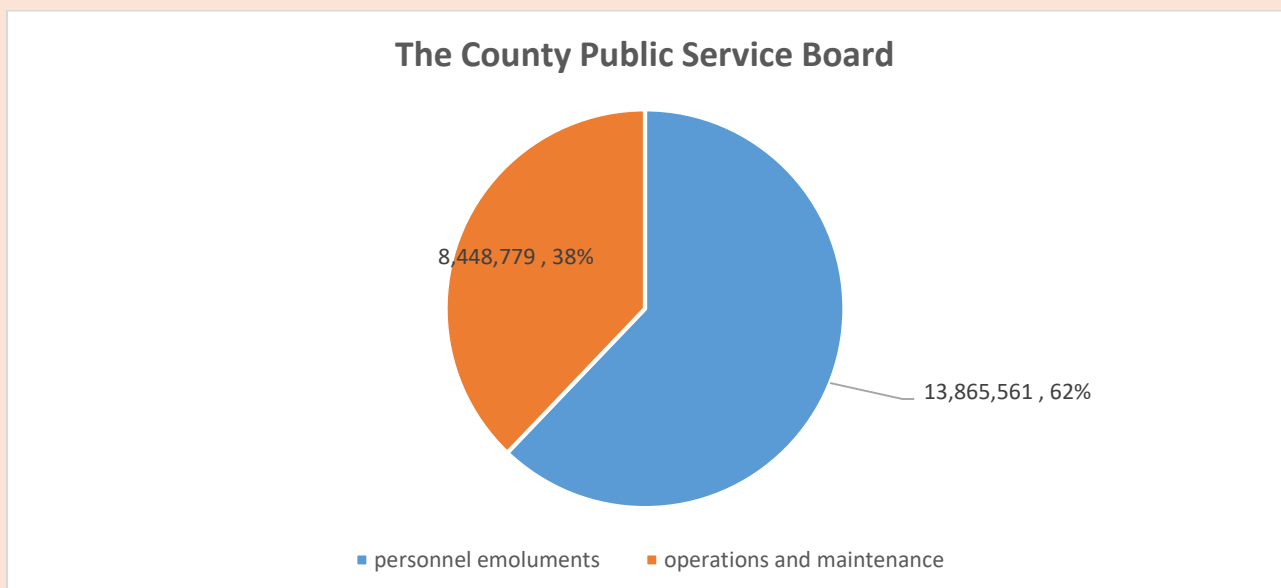


Figure 12: County Public Service Board

2.8.12 The County Assembly

The County Assembly spent a total of Kshs. 165,971,355.00. This expenditure included Kshs. 45,845,648.00, (27.62%) spent on personnel emoluments, Kshs. 120,125,707.00, (72.38%) Spent on operations and maintenance. The County assembly did not spend on development activities during this quarter.

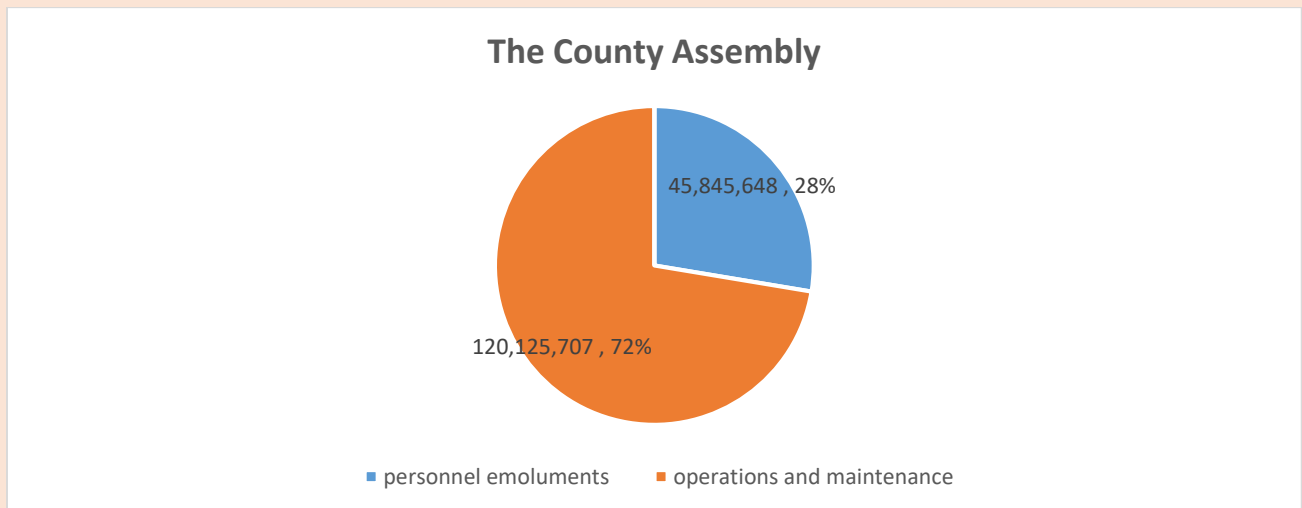


Figure 13: The County Assembly

2.8.13 Kitui Municipality

Kitui Municipality spent a total of Kshs 44,325,969.00 This expenditure included the Kshs 20,289,141.00 (45.77 %) spent on personnel emoluments, the Kshs. 15,271,055.00, 34.45 % spent on operations and maintenance and the Kshs. 8,765,773.00, (19.78 %) spent on development.

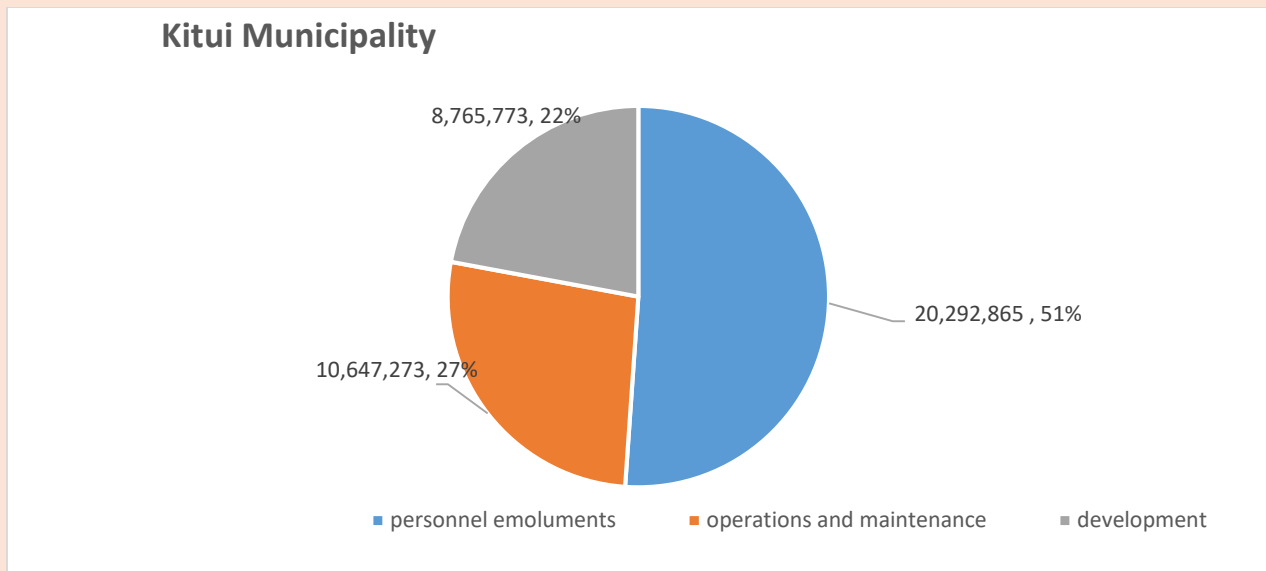


Figure 14: Kitui Municipality

2.8.14 Mwingi Town Administration

The Mwingi Town Administration spent a total of Kshs. 41,673,657.00. This expenditure included, Kshs 11,218,065 (26.92) spent on Personnel Emoluments, Kshs. 7,435,785.00, (17.84 %) spent on operations and maintenance and Kshs 23,019,807.00 (55.24) spent on development.

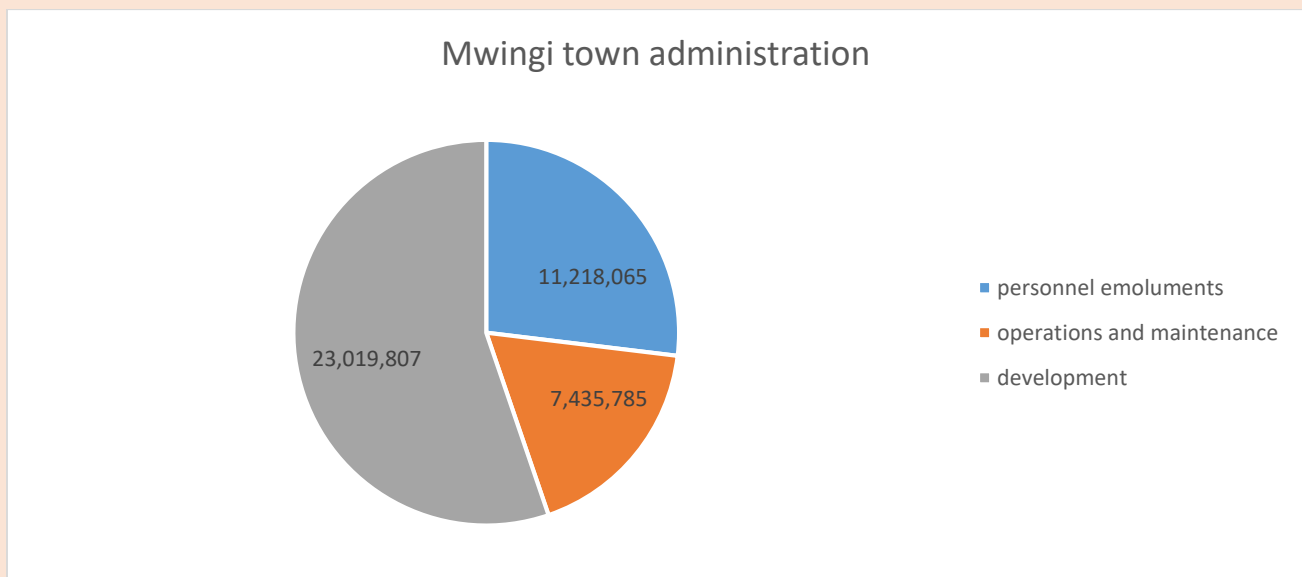


Figure 15: Mwingi Town Administration

3.0 IMPLEMENTATION CHALLENGES

The county experienced several challenges/issues that affected budget implementation during quarter 2 of the financial year 2018/2019.

These are:

- **Exchequer Requisition** :The National Treasury and Controller of Budget disbursement and approval have been slow which has affected absorption of budget
- **Delay and controlled release of funds**. Untimely release of funds by the exchequer in release of funds hampered execution of the planned activities by the County.

4.0 RECOMMENDATIONS

The following recommendations will smoothen implementations in the next phase;

- 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.