

COUNTY GOVERNMENT OF GARISSA

COUNTY TREASURY

BUDGET IMPLEMENTATION REPORT

FOR FINANCIAL YEAR 2023/2024 (Q4)

AUGUST 2024

PREFACE

The fourth quarter of the year report fulfil the county's obligation under section 166 of the Public finance Management Act to prepare and publish quarterly budget implementation reports. The law specifies that these reports shall contain both financial and non-financial information. This is the fourth report in the financial year 2023/2024 and presents information on budget performance by the departments at the beginning of the of the financial year 2023-2024. Information on budget performance is presented on aggregate and on individual department performance. The report provides details about revenue, expenditure, and capital projects. The information is provided at the program and subprogram level in a format that is in consistent with the approved budget estimates.

The County's approved supplementary budget for FY 2023/24 was Kshs.10.70 billion, comprising Kshs.4.31 billion (40.3 per cent) and Kshs.6.39 billion (59.7 per cent) allocation for development and recurrent programmes, respectively

The total payments during the reporting period, the county spent Kshs.7.19 billion from the CRF account, which comprised Kshs.1.93 billion (44.8 per cent) for development programmes and Kshs.5.26 billion (82.4 per cent) for recurrent programmes represented 80.6 per cent of the total funds released. The available cash balance in the County Revenue Fund Account at the end of FY 2023/24 was Kshs.1.26 billion.

The overall absorption capacity was 80.6%, I urge the stakeholders to actively scrutinise this report to take necessary action towards the enhancement of transparency and accountability in the management of public resources as enshrined in the constitution and PFM Act, 2012. This will go a long way in providing feedback towards efficient and effective service delivery and attainment of the County Government's objectives.

Hon Abass Ismail Khaar,

CECM-Finance and Economic Planning

Abbreviations

CRF Consolidated Revenue Fund

FY- Financial Year

ICT- Information Communication and Technology

KUSP- Kenya Urban Support Programme

FLLoCA- Financing Locally Led Climate Action

CCIS- County Climate Institutional Support

KCSAP- Kenya Climate Smart Agricultural Project

OSR- Own-source revenue

FIF- Facility Improvement Fund

Overview of the FY 2024/23 Budget

1. The County's approved supplementary budget for FY 2023/24 was Kshs.10.70 billion, comprising Kshs.4.31 billion (40.3 per cent) and Kshs.6.39 billion (59.7 per cent) allocation for development and recurrent programmes, respectively. The approved budget estimates represented an increase of 14.2 per cent compared to the previous fnancial year when it was Kshs.9.37 billion and comprised of Kshs.2.81 billion towards development expenditure and Kshs.6.56 billion for recurrent expenditure.
2. To finance the budget, the County expects to receive Kshs. 8.25 billion (77.1) percent as the equitable share of revenue raised nationally, generate Kshs.230.0 million (2.1 percent from own sources of revenue, and a cash balance of Kshs.634.18 million (5.9 percent from FY 2022/23. The County also expects to receive Kshs.1.59 billion (14.8) percent allocation/conditional grants, which consists of Kshs.125 million Leasing of Medical Equipment, Kshs. 397 million Conditional Grant for Provision of fertilizer subsidy program, Kshs.250 million Conditional Grant for aggregated Industrial parks program, Kshs.845 thousand Unconditional Allocation for mineral Royalties, Kshs 90 million Kenya Climate Smart Agricultural Project (World Bank) KCSAP, Kshs 3 million Sweden Agricultural Sector Development Support Program (ASDSP) II, Kshs 13 million DANIDA Grant (Universal Healthcare in Devolved System Program), Kshs 128 million De-risking, Inclusion & Value Enhancement of Pastoral Economies in the Horn of Africa Projects (Drive Project), Kshs 169 million Emergency Locust Response Project (World Bank), Kshs 19.7 million conditional Grant for Transfer of Library Service, Kshs 600 million Water and Sanitation Development Project (World Bank), Kshs 11 million

Financing Locally Led Climate Action Program (FLLoCA) County Climate Institutional Support (CCIS) Grant Level 1 (World Bank).

3. In the FY 2023/24, the County received Kshs.7.59 billion as an equitable share of the revenue raised nationally, Kshs.684.80 million as additional allocations/conditional grants, a cash balance of Kshs.634.18 million from FY 2022/23 and raised Kshs.248.97 million as own-source revenue (OSR). The raised OSR includes Kshs.151.91 million as FIF and Kshs.97.06 million as ordinary OSR. The total funds available for budget implementation during the period amounted to Kshs.9.16 billion, as shown in Table1.0.

Table 1.0: Garissa County, Revenue Performance in FY 2023/24

S/No	**Revenue Category**	**Annual Budget Allocation (Ksh**	**Actual Receipts (Kshs.)**	**Actual Receipts as Percentage of Annual Budget Allocation (%)**
A	Equitable Share of Revenue Raised Nationally	8,248,748,101	7,588,848,254	92
	Subtotal	8,248,748,101	7,588,848,254	92
B	**Conditional Grant**			

	Water and Sanitation Development Project (World Bank)	600,000,000	414,119,657	69
	Emergency locust response project World Bank	169,365,353	168,180,619	99.3
	De-risking ,inclusion &value Enhancement of pastrol Economies in the Horn of Africa projects (Drive project)	128,454,980		
	Kenya Climate Smart Agricultural Project (World Bank) KCSAP	90,000,000		
	DANIDA Grant(Universal Healthcare in Devolved System Program	12,820,500		
	Financing locally led climate action program (FLLoCA)	11,000,000		

	County climate Institutional support (CCIS) Grant level 1 (world bank)			
	seweden Agricultural Sector Development support program (ASDSP)II	3,047,337		
	Lease of medical equipment	124,723,404		
	Conditional Grant for aggregated Industrial parks program	250,000,000	102,500,000	41
	conditional Grant for Transfer of Library Service	19,694,322		
	conditional Grant for Provision of fertilizer subsidy program	3,965,101		
	unconditional Allocation for mineral Royalties	844,692		

	FLLOCA county climate Resilience Investement (CCRI)	173,580,354		
	Subtotal	**1,587,496,043**	**684,800,276**	**43.1**
C	**Own Source Revenue**			
	Odinary Own source Revenue	139,000,000	97,056,232	69.8
	Facility Improvement Fund(FIF)	91,000,000	151,912,817	166.9
	Subtotal	**230,000,000**	**248,969,049**	**108.2**
	Other Source Of Revenue			
	Balance c/d from F.Y 2022/23	634,176,980	634,176,980	100.0
	Subtotal	634,176,980	634,176,980	100.0
	Grand Total	**10,700,421,124**	**9,156,794,559**	**85.4**

In FY 2023/24, the County generated a total of Kshs.248.97 million from its sources of revenue, including FIF. Tis amount represented an increase of 27.2 per cent compared to Kshs.195.74 million realized in a similar period. The increase can be attributed to fact that the county economy had stabilized due to decline in adverse economic impact period in FY 2022/23 and was 108.2 per cent of the annual target and 3.3 per cent of the equitable revenue share disbursed during the period. The increase in OSR can be attributed to Policy Reforms. The county

managed to implement the FIF Act. The County also enhanced Revenue Collection efforts by improving the efficiency of FIF administration and collection processes, reducing tax evasion, and enhancing compliance, all of which aimed to enhance revenue mobilization.

4. Exchequer Issues. the Controller of Budget approved withdrawals of Kshs.8.92 billion from the CRF account during the reporting period. The amount was for both recurrent and development programs.
5. Overall Expenditure Review During the reporting period, the County spent Kshs.2.89 billion (32.3 per cent) for development programmes and Kshs.6.04 billion (67.7 per cent) for recurrent programmes
6. Expenditure by Economic Classification Analysis of the recurrent exchequers released in the FY 2023/24 indicates that Kshs.4.35 billion was released towards Employee Compensation and Kshs.1.69 billion for Operations and Maintenance expenditure.
7. The available cash balance in the County Revenue Fund Account at the end of FY 2023/24 was Kshs.1.26 billion.

Table 2: Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	**First supplementary Budget FY2023/2024**	**Expenditure**	**Absorption %**
EXECUTIVE TOTAL	**9,583,598,747**	**6,207,707,742**	**64.8**
Total Recurrent Expenditure	**5,425,325,102**	**4,345,239,484**	**80.1**
Personal emoluments	3,806,570,004	3,476,565,453	91.3
Operation & maintenance	1,618,755,098	868,674,031	53.7
Development	4,158,273,645	1,862,468,258	44.8
COUNTY ASSEMBLY	**1,116,731,729**	**986,521,282**	88.3

Total Recurrent Expenditure	**963,731,729**	**917,318,652**	95.2
Personal emoluments	590,399,420	555,760,488	94.1
Operation & maintenance	373,332,309	361,558,164	96.8
Development	153,000,000	69,202,630	45.2
COUNTY TOTAL	**10,700,330,476**	**7,194,229,024**	**67.2**
Total Recurrent Expenditure	**6,389,056,831**	**5,262,558,136**	**82.4**
Personal emoluments	4,396,969,424	4,032,325,941	91.7
Operation & maintenance	1,992,087,407	1,230,232,195	61.8
Development	4,311,273,645	1,931,670,888	44.8
COUNTY TOTAL %	**100.0**	**100.0**	
Total Recurrent Expenditure	**59.7**	**73.1**	
Personal emoluments	**41.1**	**56.0**	
Operation & maintenance	**18.6**	**17.1**	
Development	**40.3**	**26.9**	

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 percent of the County's total revenue. In the FY 2023/24, expenditure on employee compensation was Kshs.4.03 billion, or 44.2 per cent of the available revenue, which amounted to Kshs.9.13 billion. Tis expenditure represented a decrease from Kshs.4.77 billion reported in FY 2022/23. The wage bill included Kshs.1.94 billion paid to health sector employees, translating to 48.1 per cent of the total wage bill. Further analysis indicates that PE costs amounting to Kshs.3.55 billion were

processed through the Integrated Personnel and Payroll Database (IPPD) system, while Kshs.480.38 million was processed through manual payrolls. The manual payrolls accounted for 11.9 per cent of the total PE cost. The County Assembly spent Kshs.22.40 million on committee sitting allowances for the 49 MCAs, including the Speaker, against the annual budget allocation of Kshs.30.83 million. The average monthly sitting allowance was Kshs.38,089 per MCA. The County Assembly has established 19 Committees.

Development Expenditure

In the FY 2023/24, the County reported an expenditure of Kshs.1.93 billion on development programmes, representing an increase of 20.9 per cent compared to FY 2022/23, when the County spent Kshs.1.60 billion.

Budget Performance by Department

1. Analysis of expenditure by departments shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 64.9 per cent, followed by the Department of Roads, Transport & Public Works at 56.9 per cent. The Department of Lands, Physical Planning and Urban Development had the highest percentage of recurrent expenditure to budget at 98.6 per cent, while the Department of Roads, Transport & Public Works had the lowest at 52.2 per cent. as shown in Table 3 below;

Table 3: Garissa County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs. Million)	Exchequer Issues (Kshs. Million)	Expenditure (Kshs. Million)	Expenditure to Exchequer Issues (%)	Absorption rate (%)
Agriculture, Livestock & pastoral	**646.13**	**340.53**	**317.1**	**93.1**	**49.1**
Recurent	128.31	119.37	99.3	83.2	77.4
Development	517.82	221.16	217.8	98.5	42.1
Culture, Gender ,Youth & Sports	**116.21**	**38.8**	**27.58**	**71.1**	**23.7**
Recurent	46.21	38.8	27.58	71.1	59.7
Development	70	0	0	0	0.0
Roads, Transport and Public Works	**334.21**	**187.64**	**187.99**	**100.2**	**56.2**
Recurent	46.21	35.42	24.05	67.9	52.0
Development	288	152.22	163.94	107.7	56.9
Education, Information and ICT	**634.9**	**523.99**	**488.73**	**93.3**	**77.0**
Recurent	515.21	487.15	456.1	93.6	88.5
Development	119.69	36.84	32.63	88.6	27.3
Lands ,Physical Planning and	**563.04**	**526.71**	**404.64**	**76.8**	**71.9**

Urban Development					
Recurent	358.04	351.3	353.04	100.5	98.6
Development	205	175.41	51.6	29.4	25.2
Finance & Economic Planning	**1773.34**	**1534.62**	**1077.45**	**70.2**	**60.8**
Recurent	1032.16	920.03	596.06	64.8	57.7
Development	741.18	614.59	481.39	78.3	64.9
Health & Sanitation	**2789.48**	**2644.6**	**2403.43**	**90.9**	**86.2**
Recurent	2464.76	2447.92	2258.69	92.3	91.6
Development	324.72	196.68	144.74	73.6	44.6
Trade, Investments and Enterprise Development	**515**	**203.7**	**204.17**	**100.2**	**39.6**
Recurent	75	61.2	61.67	100.8	82.2
Development	440	142.5	142.5	100.0	32.4
Water, Environment and Natural Resources	**1657.66**	**1477.28**	**799.6**	**54.1**	**48.2**
Recurent	220.8	200.58	171.74	85.6	77.8
Development	1436.86	1276.7	627.86	49.2	43.7
County Affairs, Public Service and Intergovernmental Relations	**504.77**	**429.63**	**270.99**	**63.1**	**53.7**
Recurent	504.77	429.63	270.99	63.1	53.7
Development	0	0	0	0.0	0.0
County Public Service Board	**49.07**	**27.8**	**26**	**93.5**	**53.0**

Recurent	34.07	27.8	26	93.5	76.3
Development	15	0	0	0.0	0.0
Assembly	**1116.73**	**986.52**	**986.52**	**100.0**	**88.3**
Recurent	963.73	917.32	917.32	100.0	95.2
Development	153	69.2	69.2	100.0	45.2
Total	**10700.54**	**8921.82**	**7194.2**	80.6	67.2

Key Observations

15. In the course of implementation of the County budget, the following challenges have been noted;

a. Low expenditure on development budget which was 26.8 per cent of total expenditure
b. High wage bills accounted for 44.0 per cent of the County's total revenue in FY 2023/24, which is above the ceiling provided in law.
c. Delay in disbursement of devolved funds from the national exchequer affected implementation of projects.
d. Use of manual payroll. Personnel emoluments amounting to Kshs.480.38 million were processed through the manual payroll, accounting for 11.9 per cent of the total payroll cost. Manual payroll is prone to abuse and may lead to the loss of public funds where there is a lack of proper controls.