OFFICE OF THE CONTROLLER OF BUDGET

NYERI COUNTY
BUDGET IMPLEMENTATION
REVIEW REPORT

FIRST QUARTER
FY 2013 /2014

OCTOBER 2013

Foreword

It delights me to present you this report which is the first in the 2013/14 series. The report provides information on budget implementation by the Nyeri County Government in the first quarter of the 2013/14 financial year. It is a culmination of a review of all fiscal activities and existing strategies in the county, and evaluates the progress made towards execution of the county budget.

Formulation and approval of the 2013/14 Nyeri county budget was unprecedented and indispensable for the implementation of the constitution. Its successful implementation is therefore of high significance, both for locals and for the upward trajectory of the local economy. Citizens are, now more than ever, demanding for the highest levels of service delivery and accountability from public institutions. Moreover, there is need to ensure that scarce public funds are used efficiently and optimally, and that government policies improve the well-being of Kenyans.

In our thrust for improved openness, transparency, accountability and fiscal responsibility in the public sector, the Office of the Controller of Budget is committed to continuously update Kenyans on matters of public finance through various media including this report. I therefore urge the readers of the report to continue taking active interest in the budgeting process, right from formulation through implementation to monitoring. This way, we can all contribute towards ensuring that the county government delivers on the promises inherent in its budget. More importantly, it will help bolster the key objective of devolution which is to promote sustainable and equitable social, political and economic development in the country.

Mrs. Agnes N. Adhiambo

Controller of Budget

Table of Contents

LIST OF FIGURES AND TABLES

Figures

Tables

ACCRONYMS

ECD	Early child development
FY	Financial year
G-PAY	Government Payment System
ICT	Information and communication technology
IFMIS	Integrated Finance Management Information System
Km	Kilometers
Ksh	Kenya shillings
LAIFOMS	Local Authority Integrated Financial Operation Management System
LATF	Local Authority Transfer Fund
MTEF	Medium Term Expenditure Framework
OCOB	Office of Controller of Budget
PFM Act	Public Finance Management Act
TVET	Technical Vocational Education and Training

EXECUTIVE SUMMARY

The aim of this report is to give an account to the Parliament, the Executive and the public at general on the status of budget implementation in Nyeri County for the first quarter of FY 2013/14. The report reviews the county budget and scrutinizes movements in county revenue and expenditure to examine their performance, bring out trends and highlight issues arising from these trends. As the first Nyeri county budget, formulation of the 2013/14 budget was conceptualized to enable smooth takeover of county functions. Therefore the budget focuses on setting up structures, developing strategies and providing funding to ensure service delivery and decision making is devolved to the lowest levels possible, so as to empower locals while spurring economic growth.

During the quarter, Ksh 933 million was received in the county exchequer account to fund the county budget. This comprised of Ksh 553.2 million received as an equitable share of revenues collected nationally, Ksh 64.9 million as conditional grants to Nyeri level 5 hospital, Ksh75.7 million collected from local sources and Ksh 203.1 million transferred from the accounts of former local authorities. As this report will indicate, revenue receipts from local sources were above projections. A surplus of Ksh 5.9 million (equivalent to 8%) is manifest when compared with the quarterly projection of Ksh 69.8 million. The county has a higher potential to raise more revenues by the reengineering revenue collection system to harmonize collection mechanisms, diversify revenue streams, seal off leakages, improve record keeping and foster accountability. Analysis of the data from the County Treasury indicates that a total of Kshs. 266.3 million was expended during the quarter. This amount represents an absorption rate of 52 per cent when compared with exchequer releases of 512.1 million. Recurrent expenditure stood at Ksh. 185.6 million (equivalent to 70% of total expenditure) while development expenditure was Kshs. 80.7 million. Further analysis of recurrent spending indicates that Kshs 118.3 million was spent on personnel emolument while Kshs 67.2 million was spent on operation and maintenance.

Several challenges in budget implementation were noted. The lateness in passage of the County allocation of revenue bill interrupted the flow of the equitable share of national revenues to the county. This problem was exacerbated by delay in setting up spending units, poor financial and reporting systems, inadequate human capacity in budgeting, procurement and project management, poor planning as demonstrated by absence of procurement and work plans to aid budget implementation, absence of a framework for transfer of funds to other government agencies and lack of a clear county structure to delineate personnel and activities in various departments. Concerted multiparty action is required to expedite the operationalization of IFMIS and G-Pay, develop robust financial systems for distribution and accounting of funds among departments, enact a finance bill, align staff with county structure, and fill staff deficits in terms of numbers and skills, particularly on matters of public finance, budgeting and devolution. Moreover legal timelines on the budget process need to be observed. It is noted that poor budget formulation would likely result in difficulties in budget implementation. Notwithstanding these initial setbacks, budget execution picked up towards the close of the quarter. It is expected that the pace of budget implementation will hasten in the second quarter of FY 2013/14 as the county puts in mechanisms to accelerate optimal utilization of funds.

1.0 INTRODUCTION

This chapter contextualizes the environment in which budget implementation occurred. It provides background information on geo-political and socio-economic aspects that have a bearing on development in the county. In addition, it describes the county budget process, giving highlights of the 2013/14 budget.

1.1 OCOB mandate

The Office of the Controller of Budget (OCOB) is an independent office established by Article 228 of the CoK, 2010. The core mandate of the office is to oversee the implementation of the budget of the national and county governments by authorizing withdrawals from public funds. Particularly, Article 228 (5) provides that before authorizing any withdrawal, the Controller of Budget must be satisfied that such withdrawal is authorized by law. The OCOB is also mandated to prepare and submit reports on budget implementation to each house of Parliament as provided under Article 228 (6) of the constitution. This report is prepared pursuant to this constitutional provision. Further, Article 252 (1) (a) of the CoK 2010 gives OCOB powers to conduct investigations with regard to budget implementation on its own initiative or a complaint made by a member of public.

1.2 Geographic and Political Landscape

Strategically located in the densely populated and fertile central highlands, Nyeri County is one of the 47 counties in Kenya. Until recently, the county was the administrative headquarters of the former Central Province. It is situated about 150 km north of Kenya’s capital Nairobi and sits on a surface area of approximately 3337.10 km^2. The county borders Laikipia county to the north, Kirinyaga county to the east, Murang‘a county to the south, Nyandarua county to the west and Meru county to the northeast.

There are 8 sub-counties in the county namely Kieni East, Kieni West, Mathira East, Mathira West, Nyeri Central, Mukurweini, Tetu and Nyeri South. These are further divided into 21 Divisions, 70 locations and 244 sub-locations. These administrative units are important for the management and delivery of basic services to the citizens. The political units comprise of constituencies and electoral wards. These units are designed for representation of the public. The County has 6 constituencies of Tetu, Kieni, Mathira, Othaya, Mukurweini and Nyeri Town and

30 County wards. Key urban areas in the county include Nyeri, Karatina, Othaya and Mweiga towns.

The 2013 general elections presented an exceptional opportunity in Kenya's history to actualize and implement the devolution agenda. Consequently, a county government was formed in the county comprising of the county executive and county assembly. Soon after, the important work of setting up institutions and developing structures and strategies for operationalization of the county government began. Much effort has gone into developing plans and recruitment of key workforce. Notably, the county has an approved budget. Additionally, the executive committee and the county public service board are in place.

1.3 Demographic and Socio-economic features

Nyeri County had a population of 693,558 people in 2009, according to Kenya National Bureau of Statistics. The bureau projects the county population to reach 714,627 people by 2015 and 721,791 people by 2017. Given its relatively small area, Nyeri is among the densely populated counties in Kenya with a population density of about 285 people per Km^2. A significant number of Nyeri county residents live in rural areas, with only 24.5% of its population residing in urban areas.

About 24.5% of local residents live below the poverty compared to the national average of 47%. This makes the county among those with the lowest poverty rates in the country. Access to improved water, sanitation and electricity is relatively above national averages. 69.3% of households in Nyeri county have access to improved water and 99.6% have access to improved sanitation. These are higher than the national averages of 66.5% and 87.8% respectively. Electricity is available in 26.3% of the households compared to the 22% national average.

Table 1: County demographic and socio-economic features

Attribute	Unit
Population (2009)	693,558
Land size (KM^2)	3,337
Population density (per KM^2)	285
Number of households	201,703
Poverty levels (%)	24.5
Dependency (%)	68
Number of primary and secondary schools	Primary Schools = 517: Secondary Schools = 232
Health (type and number of health facilities)	Total: 340
Level 5 hospital	1
District	1
Sub-district	3
Dispensary/ health center	122
Medical clinics/nursing homes	226

Source: Kenya Bureau of Statistics (2013) & Commission on Revenue Allocation (2011)

The main economic activity in the county is farming. The county has favourable climatic conditions all year round; a boon for agriculture. Coffee, tea and dairy farming are major contributors to household incomes in the County. There exists a high potential to develop these industries by focusing on value addition. Tourism is also a significant industry as there are many tourist attractions nearby, including the Aberdare and Mount Kenya National Parks, and a number of good hotels offering conference tourism and short upcountry holidays. Development of tourism infrastructure could further harness the economic potential of the county.

1.4 County budget process

The budget is the most important policy tool for the county government as it spells out its priorities and provides a framework for the allocation of scarce resources. Understanding the budget process and critical budget issues is thus a necessary a prerequisite to any evaluation of the budget proposals. Under article 224 of the constitution, each county government is required to adopt its own annual budget. Further, Section 125 of the PFM Act provides for a detailed county budget process with corresponding statutory deadlines.

In summary, the county budget process has three main phases namely; budget formulation; budget approval and budget execution and monitoring. The county executive is required to ensure the budget and all other documents as required by section 130 (1) of PFM Act are prepared and presented to the county assembly within given legal timelines for approval. After approval, the county government is responsible for the implementation of the budget as passed by the county assembly. The county government is required to;

- Maintain fiscal discipline by adhering to the public finance principles and the principles of fiscal responsibility as spelt out under Article 201 of the constitution and section 107 of the PFM Act respectively.
- Increase efficiency in resource allocation
- Promote efficiency in delivery of services.

Over the financial year, the county treasury is tasked to monitor and advise the county assembly on the implementation of the budget on a quarterly and annual basis. In addition, the Office of the Controller of Budget is mandated to report to Parliament on the execution of budget of both governments.

1.5 Key budget highlights

Preparation of the 2013/14 county budget marked a major milestone in the implementation of the constitution and embedding of devolution in the governance structure of the country. The budget was geared towards achieving structural and institutional development as well as focusing a substantial fraction of the county government's expenditures on priority sectors of the economy. The total budget for the fiscal year 2013/14 as approved by county assembly amounted to Kshs. 4.55 billion. Ksh 2,638.7 million (or 58% of the budget) is earmarked for recurrent expenditure while Ksh 1,911.7 is planned for capital expenditure as shown below.

Table 2: Highlights of the county budget

Category	Amount (million)	Percentage (%)
Recurrent	2,236.6	49
Development	1,911.7	42
Nyeri level 5 hospital	382.1	8.5
Emergency fund	20	0.5
Total	**4,550.4**	**100**

Source: Approved county estimates of expenditure

The county government projects to raise Ksh 4,550 million from various sources to fund the budget. Expected receipts from national government allocations are Ksh. 4,071 million, Ksh 424 million will be collected within the county while contributions in lieu of rates will raise Ksh 54 million.

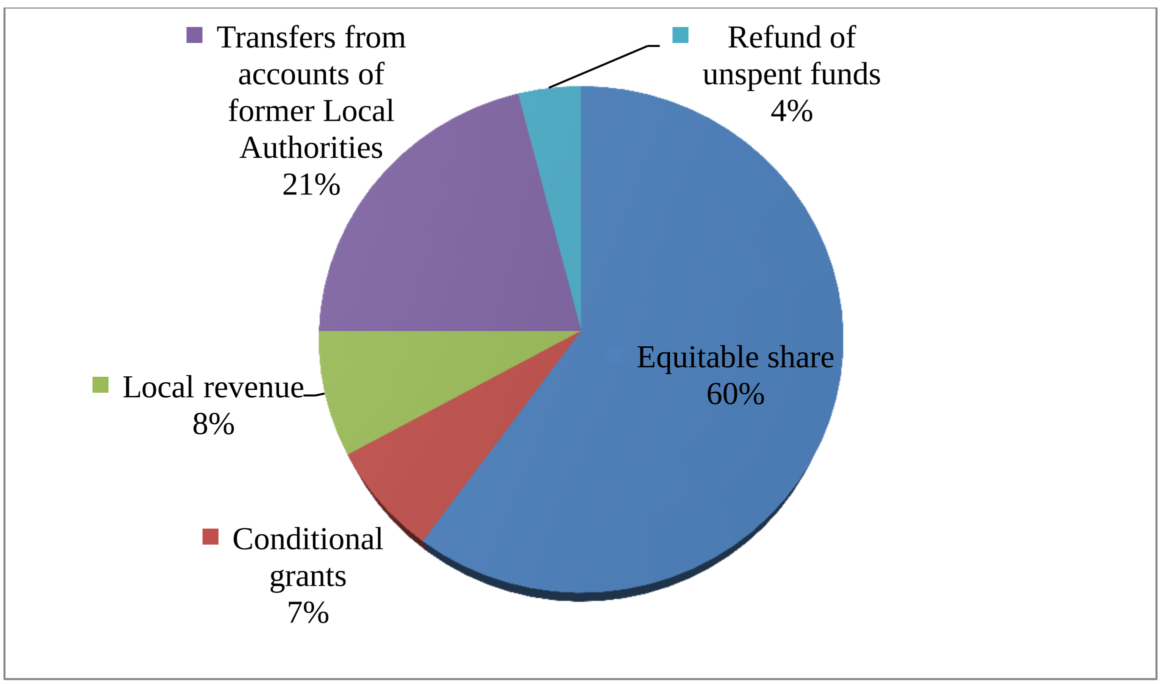
2.0 COUNTY BUDGET IMPLEMENTATION

This chapter provides an insight on the performance of revenue and expenditure for the period under review. It takes examines revenue receipts from different sources and contrasts them with projected amounts. It also takes a critical look at expenditure in the county vis-à-vis forecasts for the period.

2.1 County revenue

During the first quarter, a net sum of Ksh. 932.9 million accrued in the County Revenue Fund for the funding of the county budget. This comprised of Ksh 553.2 million as total equitable share of revenue collected nationally, 64.9 million as conditional grants from the national government, Ksh 75.7 million collected from local sources, Ksh 203.1 million transferred from former local authority accounts and Ksh 36 million unspent and refunded to the County Revenue Fund at the end of the FY 2012/13. The national allocations accounted for 60% of total county revenue, conditional grants 7%, transfers from the accounts of now defunct local authorities 21% while local revenues contribute 8% to total county revenues as shown in the figure below.

Figure 1: County revenue by source

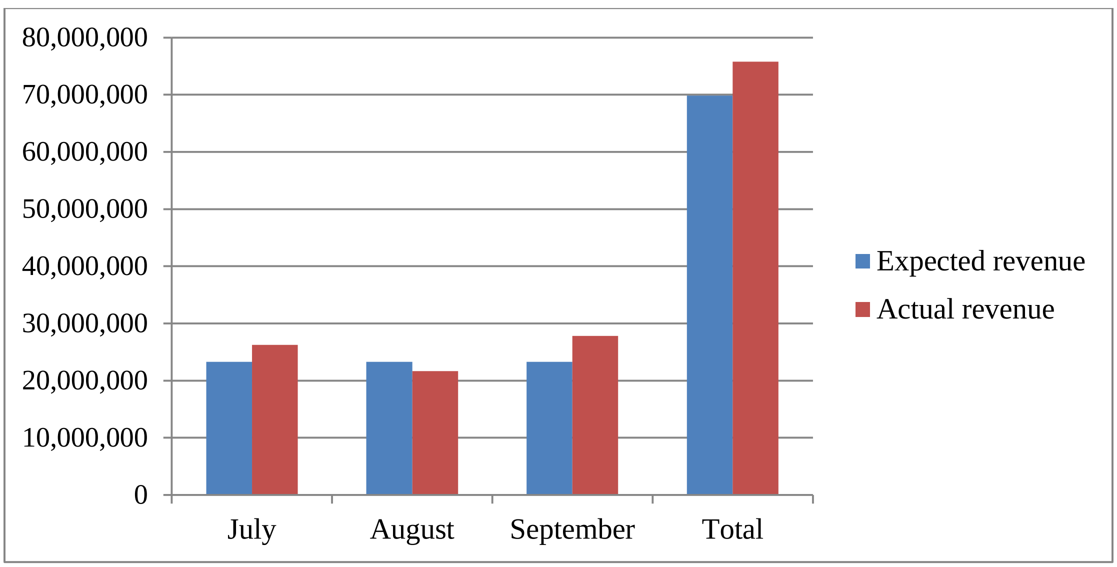


Source: Nyeri county treasury

2.1.1 Locally collected revenue

During the first quarter of the fiscal year 2013/14, the county government had projected to collect Ksh. 69.8 million from local sources. It surpassed this target and collected Ksh 75.7 million representing a performance of 108%. This can be partly ascribed to the strong economic performance in the country and favourable weather in the region. Figure 2 below is a graphical illustration of the actual monthly performance of revenue compared with corresponding estimates. For the months of July and September, there was an over-performance of local revenue by Ksh 2.9 million and 4.5 million respectively. However, collections in the month of August fell below target.

Figure 2: Local revenue collections



Source: Nyeri county treasury

A breakdown of the local collections indicates that parking fees, single business permits and land rates were the mainstay of local revenues. Table 3 below reveals the performance of these revenue categories in the first quarter. Parking fees, business permits and land rates collections were well beyond target, accounting for almost half of revenue from within the county.

Table 3: Local revenue performance by broad category

Description	Projections 1st Quarter	Actual revenue 1st Quarter	Variance (Ksh)	Variance (%)
Parking fees	23,048,900	26,672,906	3,624,006	15
Business permits	3,000,000	6,666,647	3,666,647	122
Land rates	3,000,000	4,239,372	1,239,372	41
Others	40,801,701	38,181,218	(2,620,483)	(6)
Total	**69,850,601**	**75,760,143**	**5,909,542**	**8**

Source: Nyeri county treasury

The county relies heavily on the LAIFOMS system and processes in use by the former local authorities to raise local revenues. These systems remain fragmented in each of the sub-counties. Going ahead, there is need to design a local revenue system that reflects the county structure, automates revenue collection, streamlines procedures in the collecting units and seals off leakages. This is informed by the necessity to increase efficiency and effectiveness in revenue collection, and the desire to grow local revenues in order to reverse the potential risk of being highly dependent on allocations from the national government.

2.1.2 Exchequer issues

The OCOB, in line with extant financial regulations, authorized withdrawals of Ksh 512.1 million from the County Revenue Fund for the implementation of the county budget. The exchequer requests were honoured in three phases as shown below.

Table 4: Exchequer issues

Month	Exchequer release (Ksh)	Percentage (%)
July 2013	98,623,202	19
August 2013	104,099,530	20
September 2013	309,428,610	61
Total	**512,151,342**	**100**

Source: Office of Controller of Budget

2.1.3 Conditional grants

In the first quarter of 2013/14, a total of Ksh 64.9 million was released by the national government as conditional grants to Nyeri level 5 hospital. At the end of the quarter, these funds had not been transferred to the facility. This was due to lack of a framework for distributing and accounting for transferred funds. Further delay in these relaying funds could prove detrimental and disrupt service delivery in this important health facility in the county. Thus a mechanism for transmitting on a timely basis funds meant for sub-autonomous government agencies should be established.

2.1.4 Other sources

In the fourth quarter of the FY 2012/13, the county had received Ksh 61,592,200 from transition authority for infrastructure and civic works in the county. These funds are currently being utilized to refurbish the governor's office and acquire more office space for members of the executive committee.

2.2 County budget expenditure

2.2.1 Total County Expenditure

Assessment of data from the county treasury indicates that a total of Ksh 266.3 was expended during the quarter under review. This amount represents an absorption rate of 52 per cent when compared with exchequer releases. Recurrent expenditure stood at Ksh. 185.6 million (equivalent to 70% of total expenditure) while development expenditure was Kshs. 80.7 million. As table 5 below indicates, recurrent funds were absorbed at a rate of 56 percent and development funds at 44 percent.

Table 5: Recurrent and development expenditure

	Annual Estimates	Exchequer releases	1st Quarter Expenditure	Performance (%)
Recurrent expenditure	2,638,719,374	330,884,413	185,606,391	56
Capital expenditure	1,911,696,335	181,266,929	80,784,490	44
Total	**4,550,415,709**	**512,151,342**	**266,390,881**	**52**

Source: Nyeri county treasury

Further analysis shows varied performance across departments. There are 10 departments in the county, in addition to the county executive and county assembly services. Table 6 below depicts the spending for each department in the county.

Table 6: Expenditure by department

Department	Annual estimates	Expenditure				Vote Balance
		July	August	September	Total 1st quarter	
County assembly	598,654,331	155,657	6,967,787	8,780,748	15,904,192	582,750,139
County executive	845,007,000	26,419,350	49,728,203	147,038,221	223,185,774	621,821,226
Public administration	244,592,291	378,000	5,055,670	4,334,795	9,768,465	234,823,826
Finance and economic planning	340,988,359	29,580	29,580	4,500,000	4,559,160	336,429,199
Agriculture	233,629,565	0	0	130,000	130,000	233,499,565
Water, environment & natural resources	170,213,498	0	0	0	0	170,213,498
Education & ICT	72,560,045	0	0	0	0	72,560,045
Public health & medical services	758,077,217	0	236,372	198,000	434,372	757,642,845
Housing & physical planning	107,000,000	0	0	0	0	107,000,000
Public works, roads & transport	1,111,271253	70,183	369,470	4,293,750	4,733,403	1,106,537,850
Trade, industrialization & investments	32,000,000	0	0	0	0	32,000,000
Tourism, culture, gender & youth	100,264,150	176,000	6,990,370	509,145	7,675,515	92,588,635
Total	**4,550,415,709**	**27,228,770**	**69,377,452**	**169,784,659**	**266,390,881**	**4,284,024,828**

Source: Nyeri county treasury

Without a clear mechanism for distributing and accounting funds among departments coupled, most expenditure in the county was funded from the county executive vote. Some departments were not able to utilize monies allocated to them.

2.2.2 Economic Classification of County expenditure

Table 7 below depicts budget implementation by economic classification. Breakdown of data from county treasury indicate that Ksh 118.3 million was expended on personnel emoluments, Ksh 67.2 million on operations and maintenance and Ksh 80 million on development expenditure.

Table 7: Expenditure by economic classification

Economic classification	Annual estimates	Expenditure				Vote Balance
		July	August	September	Total 1st quarter	
Personnel expenses	1,029,909,181	17,892,672	47,022,662	53,450,929	118,366,263	911,542,918
Operations and maintenance	1,092,661,618	3,517,598	22,354,790	41,367,740	67,240,128	1,025,421,490
Development expenditure	1,911,696,335	5,818,500	0	74,965,990	80,784,490	1,830,911,845
Debt repayment	114,019,828	0	0	0	0	114,019,828
Nyeri level 5 hospital	382,128,747	0	0	0	0	382,128,747
Emergency fund	20,000,000	0	0	0	0	20,000,000
Total	**4,550,415,709**	**27,228,770**	**69,377,452**	**169,784,659**	**266,390,881**	**4,284,024,828**

Source: Nyeri county treasury

3.0 DEPARTMENTAL REPORTS

This chapter will provide detailed information on budget implementation for each of the county departments.

3.1 County Assembly

3.1.1 Mandate

According to article 185 of the Constitution and section 8 of the County Governments Act, the county assembly is mandated to enact laws necessary for the effective performance of county functions listed. In addition, the assembly performs an oversight role over the activities of the county executive. The Nyeri county assembly is constituted of 30 elected members and 17 nominated members.

3.1.2 Key priorities

Key priorities for the county assembly are to pass laws and vet nominees in order to operationalize the county government. The county budget and appropriation bill have been approved while the county finance bill and county integrated plan are currently under the review of the county assembly. Nominees to the county executive committee and county public service board have already been vetted and approved by the county assembly. Capacity building for legislators and key staff has also been top in the list of agenda. Consequently various induction and training sessions have been organized to equip members with required competences to manage public matters.

3.1.3 Departments allocation and budgetary performance

For the 2013/14 fiscal year, the county assembly department was allocated Ksh 598.6 million comprising of Ksh 398.6 for recurrent expenditure and Ksh 200 million for development expenditure. During the quarter under review, Ksh 15.9 million was expended representing an absorption rate of 18% when compared to exchequer releases of 88 million. The table below shows a breakdown of expenditure by the county assembly services.

Table 8: Budgetary performance for county assembly

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	120,912,996	18,006,341	4,530,104	25
Operations & maintenance	277,730,000	28,535,270	11,374,088	39
Development	200,011,335	41,578,839	0	0
Total	**598,654,331**	**88,120,450**	**15,904,192**	**18**

Source: Nyeri county treasury

3.2 County executive

3.2.1 Mandate

The county executive is comprised of the Governor and members of the executive committee. The county executive exercises the executive authority of the county and is mandated to implement the policies of the county assembly. The executive is also expected to supervise the delivery of services in the county.

3.2.2 Key priorities

Key priorities for this department include application and taking over of allocated functions, providing leadership in budget implementation and initiating staff and asset audit in order to ensure smooth take off. Setting up structures of the county to ensure non-disruption of service delivery especially in the transition period is also a priority.

3.2.3 Departments allocation and budgetary performance

The county executive department was allocated Ksh 592 million, Ksh 465 (or 78.5% of the department's budget) million being for recurrent and 127 million for development. Total expenditure for the department was Ksh 223 million which represents an absorption rate of 142% when compared to exchequer releases. The table below shows a breakdown of expenditure by the county executive services.

Table 9: Budgetary performance for county executive

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	208,222,000	12,924,050	113,836,159	880.8
Operations & maintenance	257,100,000	40,106,900	28,565,125	71
Development	127,000,000	104,000,000	80,784,490	77
Total	**592,322,000**	**157,030,950**	**223,185,774**	**142**

Source: Nyeri county treasury

As shown above, the executive department absorbed more personnel funds than released. This is because salaries for county personnel were paid from the executive vote although there were individual salary votes for each department. The county is yet to delineate staff into the created departments, affecting the implementation of the budget as passed by the county assembly.

3.3 Finance and Economic planning

3.3.1 Mandate

This department is responsible for provision of finance and economic planning services in the county including accounting, budgeting, resource mobilization, expenditure control and reporting. It performs all the activities of the County Treasury as provided under section 104 of the PFM Act, which mainly include monitoring and overseeing the management of public finances and economic affairs of the county government.

3.3.2 Key priorities

Key priorities for the finance department include: development of mechanisms to foster effective utilization of available resources; enhancing the resources available to the county government by ensuring efficiency and effectiveness in revenue collection; implementation of IFMIS for expenditure control and record maintenance; and linking of budget development at the county level to national development goals particularly vision 2030.

3.3.3 Departmental allocation and budgetary performance

The Finance management department was allocated Ksh 340.9 million for the FY 2013/14. Of this amount, Ksh was 201.9 million was for non-debt recurrent spending, 114 million for debt recurrent expenditure and Ksh 25 million for development projects. A further Ksh 20 million was appropriated for establishment of an emergency fund in line with provisions of section 110 of the PFM Act.

The department received 53 million on exchequer requisitions which is equivalent to 15% of its total budget. Of this amount, Ksh 4.5 million was absorbed in the payment of operation expenses, representing an overall absorption rate of 5.4% for the department. Table 11 below depicts the implementation of budget by this department.

Table 10: Budgetary performance for Finance & economic planning

Expense classification	Gross Estimates 2013/14	Exchequer releases	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	149,204,736	30,481,898	0	0
Operations & maintenance	50,307,000	6,671,593	4,559,160	67.8
Development	25,000,000	0	0	0
Debt repayment	116,476,623	44,483,040	0	0
Emergency fund	20,000,000	1,980,000	0	0
Total	**360,988,359**	**83,616,531**	**4,559,160**	**5.4**

Source: Nyeri county treasury

3.4 Public administration

3.4.1 Mandate

The assigned mandate of this department is to provide quality administrative services and functional infrastructure for county government institutions.

3.4.2 Departments allocation and budgetary performance

This department was allocated a gross estimate of Ksh.180 million representing 4% of the total county budget for the 2013-2014 fiscal year. During the first quarter, it received exchequer issues amounting to Ksh 44.8 million which translates to 24% of its gross estimates. The department spent Ksh 9.7 million on operations and maintenance which represents 122% of the exchequer issued on this vote. This trend reveals reallocation of funds across departments. Overall, the department absorbed released funds at a rate of 21% as shown in the table below.

Table 11: Budgetary performance for public administration

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	118,032,291	36,626,155	0	0
Operations & maintenance	62,518,000	8,001,282	9,768,465	122
Development	200,000	200,000	0	0
Total	**180,750,291**	**44,827,437**	**9,768,465**	**21**

Source: Nyeri county treasury

3.5 Public works, roads and transport

3.5.1 Introduction

The public works department is responsible for county transport including management of county roads, street lightning, and traffic and parking services.

3.5.2 Key priorities

Infrastructure development is vital for growth of the local economy. Priority areas for this department are;

- Construction, repair and maintenance of county roads, streets and bridges for ease in accessing all county facilities including schools, markets and hospitals.
- Design, installation and maintenance of street lights to boost security in the county.
- Developing policies and plans to regulate public transport in the county.

3.5.3 Departmental allocation and budgetary performance

The public works was allocated 1.34 billion in the 2013/14 budget, the highest for any department. 86% of the department's budget is earmarked for development expenditure. During the quarter under review, the total exchequer issues for the department amounted to Kshs. 60.6 million. On the other hand, the department's actual expenditure for the period amounted to Kshs. 4.7 million, indicating an absorption rate of 7.8%. It is noted that spending was on recurrent heads and implementation of development projects was delayed.

Table 12: Budgetary performance for public works & roads

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	78,594,253	14,481,150	0	0
Operations & maintenance	99,177,000	11,630,523	4,733,403	40.7
Development	1,166,185,000	34,588,090	0	0
Total	**1,343,956,253**	**60,699,763**	**4,733,403**	**7.8**

Source: Nyeri county treasury

3.6 Public health and medical services

3.6.1 Introduction

The health care function has largely been devolved under the new constitutional order with county governments responsible for provision of various curative and preventive health services within their jurisdiction. The national government is responsible for health policy and national health referral hospitals only. The assigned mandate of this department is to promote and participate in the provision of integrated and high quality curative, preventive and rehabilitative services that are equitable, responsive, accessible and accountable to locals. It is also tasked with management of health facilities in the county including regulation, controlling and licensing of all pharmacies.

3.6.2 Key priorities

The following are key priority areas for the department identified to form the context for budget intervention during the FY 2013/14;

- Equipping health facilities and provision of adequate medical supplies
- Development of county policies on health

3.6.3 Departmental allocation and budgetary performance

The gross departmental allocations for FY 2013/14 are Ksh.758 million. This represents 17% of the total county budget. The sector received Ksh.56.7 million during the quarter which about 7% of its gross allocations. Of the total exchequer issues, Ksh 434,372 was expended representing an overall absorption rate of 25%.

Table 13: Budgetary performance for public health

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption Rate (%)
Personnel expenses	253,229,647	12,041,552	0	0
Operations & maintenance	6,818,823	1,704,706	434,372	25
Development	115,900,000	900,000	0	0
Transfer to Nyeri level 5 hospital	382,128,747	42,082,275	0	0
Total	**758,077,217**	**56,728,533**	**434,372**	**25**

Source: Nyeri county treasury

3.7 Water, environment and natural resources

3.7.1 Introduction

The department's assigned mandate is to provide water, environment and natural resources management services in the county including water harvesting, pollution control, refuse collection, firefighting, public nuisance control, disaster management, management of cemeteries and preservation of natural resources.

3.7.2 Departmental allocation and budgetary performance

The department was allocated Ksh 170 million out of which 22% was earmarked for recurrent spending while 88% would fund development projects. Table 15 below represents the allocation by economic classification. As indicated in the returns by the county treasury, the department did not incur any expenditure in the first quarter of 2013/14.

Table 14: Budgetary performance for water, environment & natural resources

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	14,213,498	110,465	0	0
Operations & maintenance	6,000,000	2,397,004	0	0
Development	150,000,000	0	0	0
Total	**170,213,498**	**2,507,469**	**0**	**0**

Source: Nyeri county treasury

3.8 Agriculture, Livestock and Co-operative Development

3.8.1 Mandate

The Agriculture department is expected to provide agriculture and livestock management services in the county. It is responsible for promotion of agribusiness, provision of extension and veterinary services, control of pests and diseases, and development of fisheries and animal husbandry.

3.8.2 Departments allocation and budgetary performance

The department was allocated Ksh 233.6 million for recurrent and development expenditure in the 2013/14 fiscal year. During the first quarter, it received Ksh 5.3 million from the exchequer. At the end of the quarter, only Ksh 0.13 million had been spent on operations and maintenance, representing an overall absorption rate of 2.4% as shown in table 16 below.

Table 15: Budgetary performance for agriculture

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	77,629,565	3,865,739	0	0
Operations & maintenance	6,000,000	1,500,000	130,000	8.6
Development	150,000,000	0	0	0
Total	**233,629,565**	**5,365,739**	**130,000**	**2.4**

Source: Nyeri county treasury

3.9 Tourism, Culture, Youth and Sports

3.9.1 Mandate

The department of is expected to develop the tourism and sports industry in the county and is responsible for the welfare of youth. It is also tasked with public entertainment, organization of cultural activities as well as control of drugs and pornography.

3.9.2 Departments allocation and budgetary performance

The department of tourism and culture has been allocated a total of Ksh 100.2 million in the 2013/14 fiscal year. It received Ksh 6.6 million as exchequer releases and spent Ksh 7.6 million representing an absorption rate of 115%. It is noted that the amount spent on operations and maintenance of Ksh 7.6 million exceed the Ksh 4.2 million exchequers released for the department. This represents an absorption rate of 180%.

Table 16: Budgetary performance for tourism & culture

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	19,415,150	2,394,296	0	0
Operations & maintenance	30,849,000	4,262,051	7,675,515	180
Development	50,000,000	0	0	0
Total	**100,264,150**	**6,656,347**	**7,675,515**	**115**

Source: Nyeri county treasury

3.10 Education and ICT

3.10.1 Mandate

The education and ICT department is responsible for pre-primary education, special education centers, village polytechnics and home craft centers. It is also tasked with provision of ICT services to aid service delivery in the county.

3.10.2 Key priorities

Departmental priorities are;

- Development and implementation of policies on pre-primary and polytechnic education.
- Establishment of ECD and TVET centres in the county
- Employment of ECD teachers and polytechnic tutors
- Rolling out of ICT services to support service delivery at the county and sub-counties levels

3.10.3 Departments allocation and budgetary performance

The education department was allocated Ksh 72 million in the 2013/14 financial year. Exchequer issues of Ksh 1.9 million were received which represents 2.7% of net estimates. However no expenditure occurred in the department.

Table 17: Budgetary performance for education & ICT

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Performance (%)
Personnel expenses	6,355,045	1,903,337	0	0
Operations & maintenance	2,705,000	626,250	0	0
Development	63,500,000	0	0	0
Total	**72,560,045**	**1,965,962**	**0**	**0**

Source: Nyeri county treasury

3.11 Housing and physical planning

3.11.1 Introduction

The housing and physical planning department is responsible for provision of housing, planning and development services including land survey and mapping, boundaries and fencing, regulation of urban development, outdoor advertising.

3.11.2 Departments allocation and budgetary performance

The housing department was allocated Ksh 107 million to fund both capital and recurrent expenditure in the 2013/14 fiscal year. Although exchequer issues of Ksh 2.3 million were released during the quarter, no spending occurred as shown in table 19 below.

Table 18: Budgetary performance for housing & physical planning

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	1,000,000	150,202	0	0
Operations & maintenance	6,000,000	2,198,000	0	0
Development	100,000,000	0	0	0
Total	**107,000,000**	**2,348,202**	**0**	**0**

Source: Nyeri county treasury

3.12 Trade, industrialization and investment

3.12.1 Mandate

This department is expected to manage markets, regulate trade, monitor fair trading practices as well as create an environment for investment to thrive.

3.12.2 Departments allocation and budgetary performance

The trade and investment department was allocated Ksh 32 million in the 2013/14 financial year. Exchequer issues of Ksh 2.2 million were received which represents 7.1% of net estimates. However, data from the county treasury indicates no spending occurred in the department.

Table 19: Budgetary performance for trade & industrialisation

Expense classification	Gross Estimates 2013/14	Exchequer release	Expenditure (Ksh)	Absorption rate (%)
Personnel expenses	1,000,000	149,333	0	0
Operations & maintenance	6,000,000	2,148,000	0	0
Development	25,000,000	0	0	0
Total	**32,000,000**	**2,297,333**	**0**	**0**

Source: Nyeri county treasury

4.0 CONCLUSION AND RECOMMENDATIONS

4.1 Key issues on budget implementation

The implementation of the budget in the first quarter of the 2013/14 FY has been met with a number of challenges. The following are some of the critical issues identified that might hinder the effective implementation of the county budget:

a) **Low absorption of funds** – During the first quarter, there was low absorption of funds especially development monies. This might affect the proposed infrastructural developments within the county which is critical for the flourishing of the local economy.

b) **Delay in disbursement of revenues from national government –**Lateness in passage of the County allocation of revenue resulted in a delay in disbursement of revenues to county governments. This has ensured that only limited resources are available to county governments, hurting the implementation of the development budget during the first quarter.

c) **Poor planning-** The county government failed to adequately plan for budget implementation. As at the end of the quarter, there were no procurement plans prepared to aid budget implementation.

d) **Slow rolling out of IFMIS** - The Integrated Financial Management Information System (IFMIS) has not been fully rolled out to the county to facilitate tracking of expenditure. The slow implementation of IFMIS continues to pose serious challenges to effective management of public resources and threatens to hinder the achievement of the tenets of public finance as espoused under Article 201 of the constitution. This is because the manual systems largely in use in the county are susceptible to manipulation and do deter effective checks and accountability for use of public money.

e) **Lack of robust financial system for transfer of funds to department-** Mechanisms for distributing and accounting for funds are absent.

4.2 Recommendations

The following are some of the recommendations that should be considered to improve the budget implementation process:

a) The county government should exploit available opportunities to supplement allocations from the national government. Optimal implementation of the budget depends on availability of funds and thus efficiency in revenue collection is critical. Expansion of revenue bases, improvement in record keeping and sealing off leakages should be pursued to ensure adequate resources are received on a timely basis so as to fully implement the budget with minimal drawbacks.

b) In order to increase uptake of available funds, there need to rigorously build capacity of technical staff in procurement and project management, adopt procurement plans and improve budgeting. These actions would assist the county government to secure its role in service delivery and therefore set its performance on an upward trajectory.

c) Parliament should ensure that the legislations concerning finances for county are finalized within good time for the National treasury to disburse resources to county governments. Going ahead, Parliament will need to work harmoniously to ensure that constitutional deadlines concerning division of revenue between the two levels of government and among counties are met.

d) Both governments should fast track the rolling out of the Integrated Financial Management Information System (IFMIS) so as to ensure there is smooth budget implementation, transparency in use of resources and clear reporting by the county governments.

e) There is need to invest further in the county institutional structures to make sure they fulfil their mandates. In addition, alignment of county activities and personnel with county structures should be expedited. It is noted that the staff audit initiated in the month of August is at an advanced stage and it is expected the results of this exercise will convey the talent pool in the county and optimal human resource requirements.

f) The county government should put in place an effective and efficient monitoring framework that ensures adequate supervision of the budgeted programmes and project activities to enhance accountability and absorption of resources.

4.3 Conclusion

In the first quarter, implementation of the 2013/14 county budget initiated albeit slowly. Expenditure during the first quarter was more inclined towards recurrent spending. This is attributable partly on inadequate resources occasioned by delays in passage of the county Allocation of Revenue bill and county finance bill thus interrupting the flow of funds to the county government. To supplement revenues from national government, the county needs to reengineer revenue collection mechanisms. New innovative ways of raising revenue as well as diversifying revenue streams is required.

While devolution presents enormous opportunities to change the livelihoods of locals by bringing services closer to them and offering prospects to participate in governance, its poor management can ensure these benefits remain a mirage for the citizenry. Further, unprecedented challenges and poor management of resources can obliterate the expected gains. There is need for heightened sense of responsibility and innovation from county leadership. The costs of implementing county structures are huge, and they could easily obstruct development requirements. The county governments should rationalize spending so as to improve efficiency and eliminate unnecessary spending. Spending on non-core areas should be diminished and savings made from the cuts re-directed to more productive areas. This would benefit the long run objective of devolution which is for foster economic development, and address inequality in the country by empowering all people/regions.