

FUNDING COUNTY DEVELOPMENT, Recurrent Vs Development Expenditure

Presentation by:

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Thursday, 12th April 2018

The Outline



- ☐ The Mandate of CRA
- ☐ Legal basis for Public Financial Management
- ☐ Principles of Fiscal Responsibility
 - National Government
 - County Governments
- ☐ Data – Recurrent Vs Development expenditure
- ☐ County Own Sources Revenue
- ☐ Changing the narrative



Mandate of CRA (A216)



- **Revenue Sharing** (Vertical and Horizontal Sharing)
- **Financing of, and Financial Management by, County Governments**
- **Revenue Enhancement** (To define and enhance revenue sources at national and county governments)
- **Fiscal Responsibility** (To encourage fiscal responsibility)
- **Marginalization** (Determine, Publish and regularly review the policy)



Division of Revenue – 2018/19



	Kshs Billion	Percentage
Equitable Share	314.0	33.6%
National Government Grants	17.2	
Fuel Maintenance Levy Fund	8.3	
Loans and Grants	33.2	
	372.7	39.8%



Principles of FR - National Government



To be applied / enforced by the National Treasury –
PFMA (2012) Section 15

- 30% of budget to be allocated to development in the Medium term.
- Wage bill to be within a ceiling set in the regulations
- Borrowing should be for development expenditure
- Public debt maintained at a sustainable level
- Prudent management of fiscal risk
- Predictability of taxes



Principles of FR – County Governments



To be applied / enforced by the County Treasury –
PFMA (2012) Section 107

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Budget vs Actual Expenditure



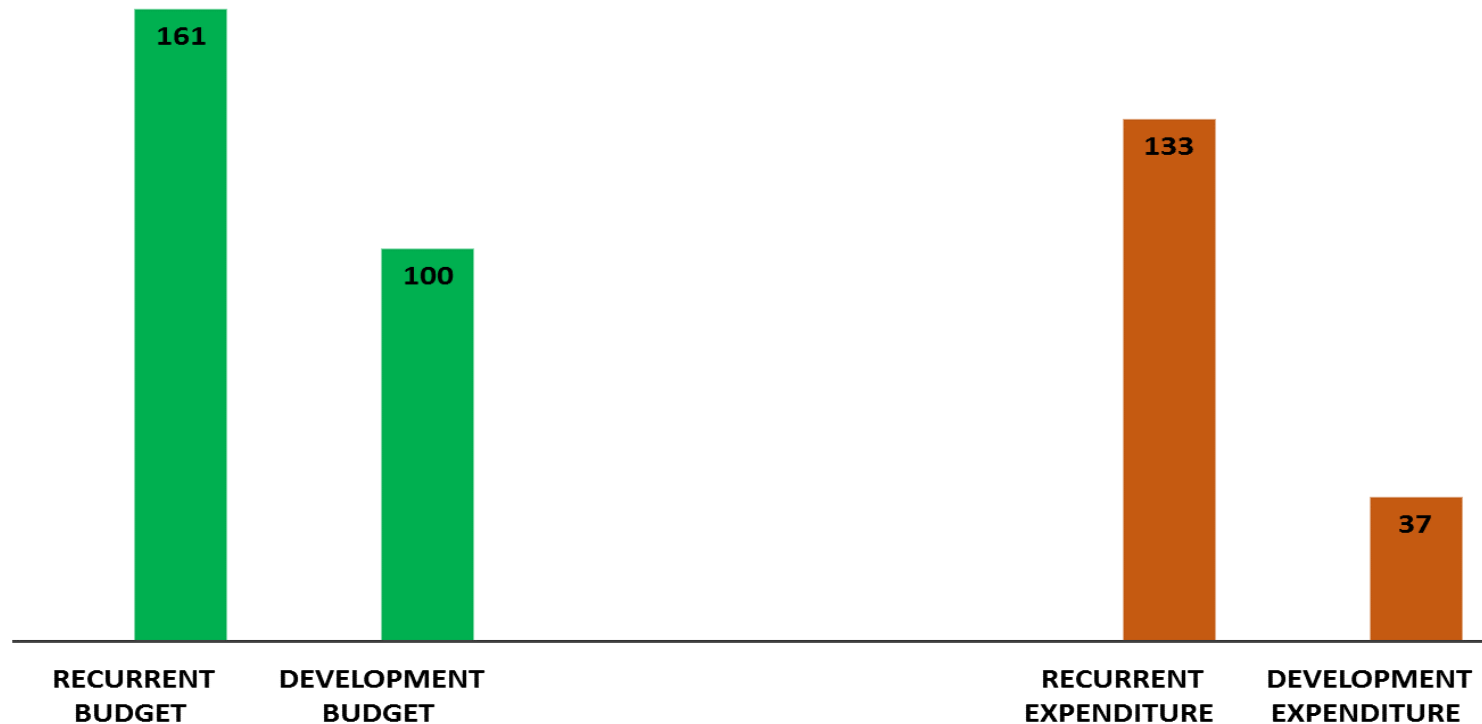
	BUDGET - Billion		ACTUAL - Billion				ABSORPTION RATE	
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV
2013/14	161	100	261	133	37	170	83%	37%
	62%	38%		78%	22%			
2014/15	181	145	326	168	90	258	93%	62%
	56%	44%		65%	35%			
2015/16	209	159	368	192	103	295	92%	65%
	57%	43%		65%	35%			
2016/17	240	158	398	216	103	319	90%	65%
	60%	40%		68%	32%			
2017/18	240	135	375			0		



Budget vs Actual Expenditure



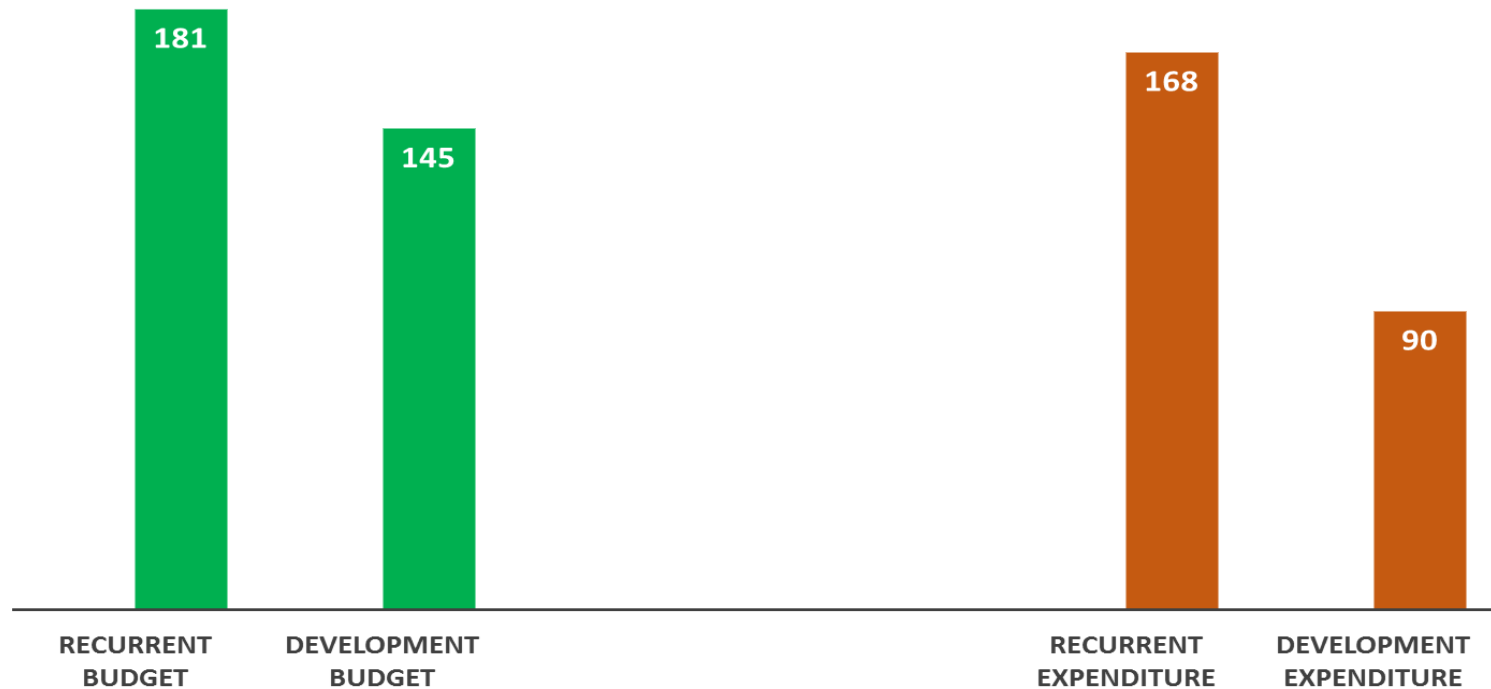
2013/2014 FINANCIAL YEAR



Budget vs Actual Expenditure



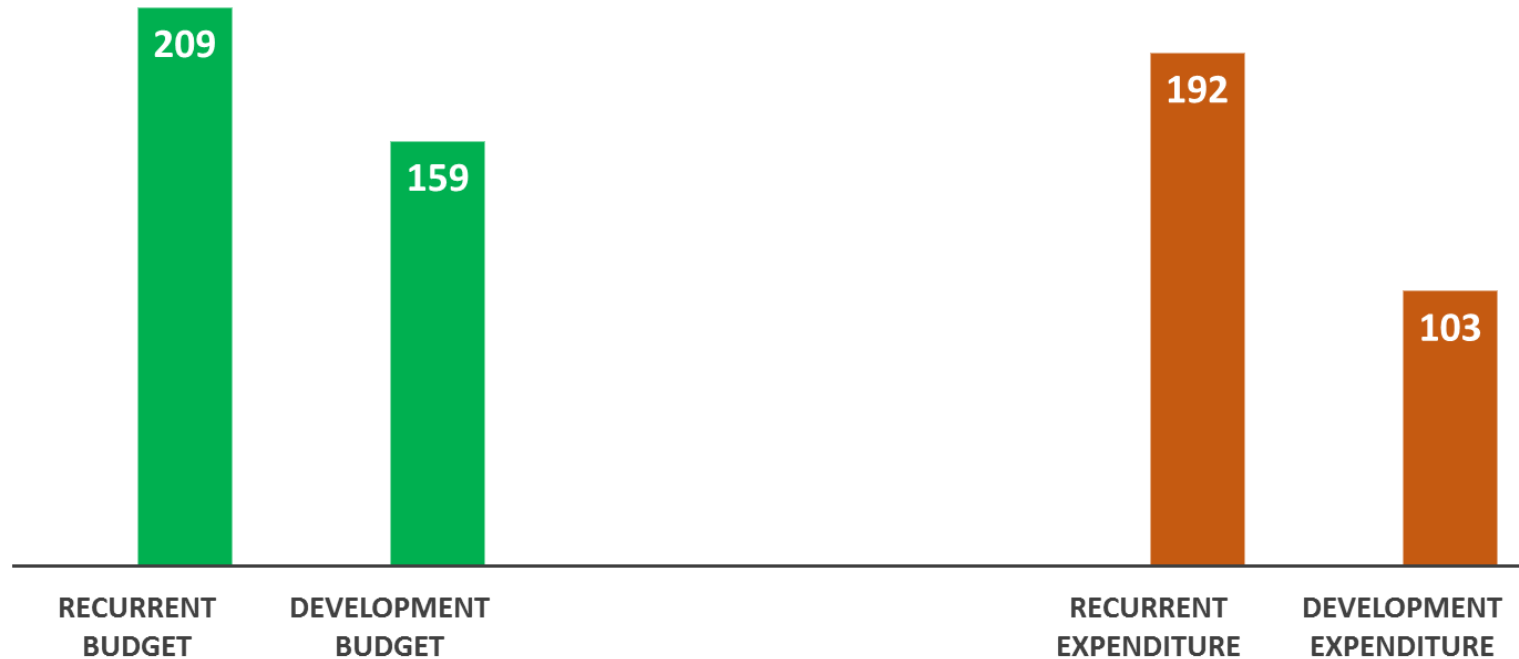
2014/2015 FINANCIAL YEAR



Budget vs Actual Expenditure



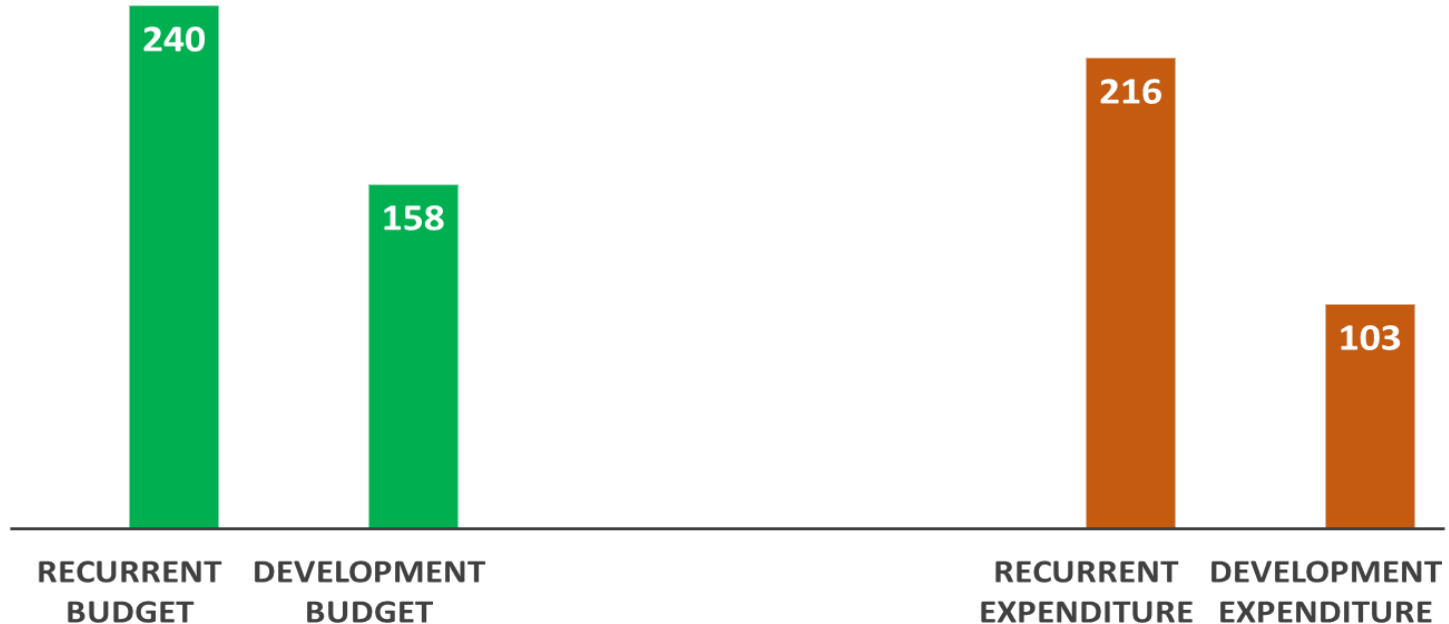
2015/2016 FINANCIAL YEAR



Budget vs Actual Expenditure



2016/2017 FINANCIAL MANAGEMENT



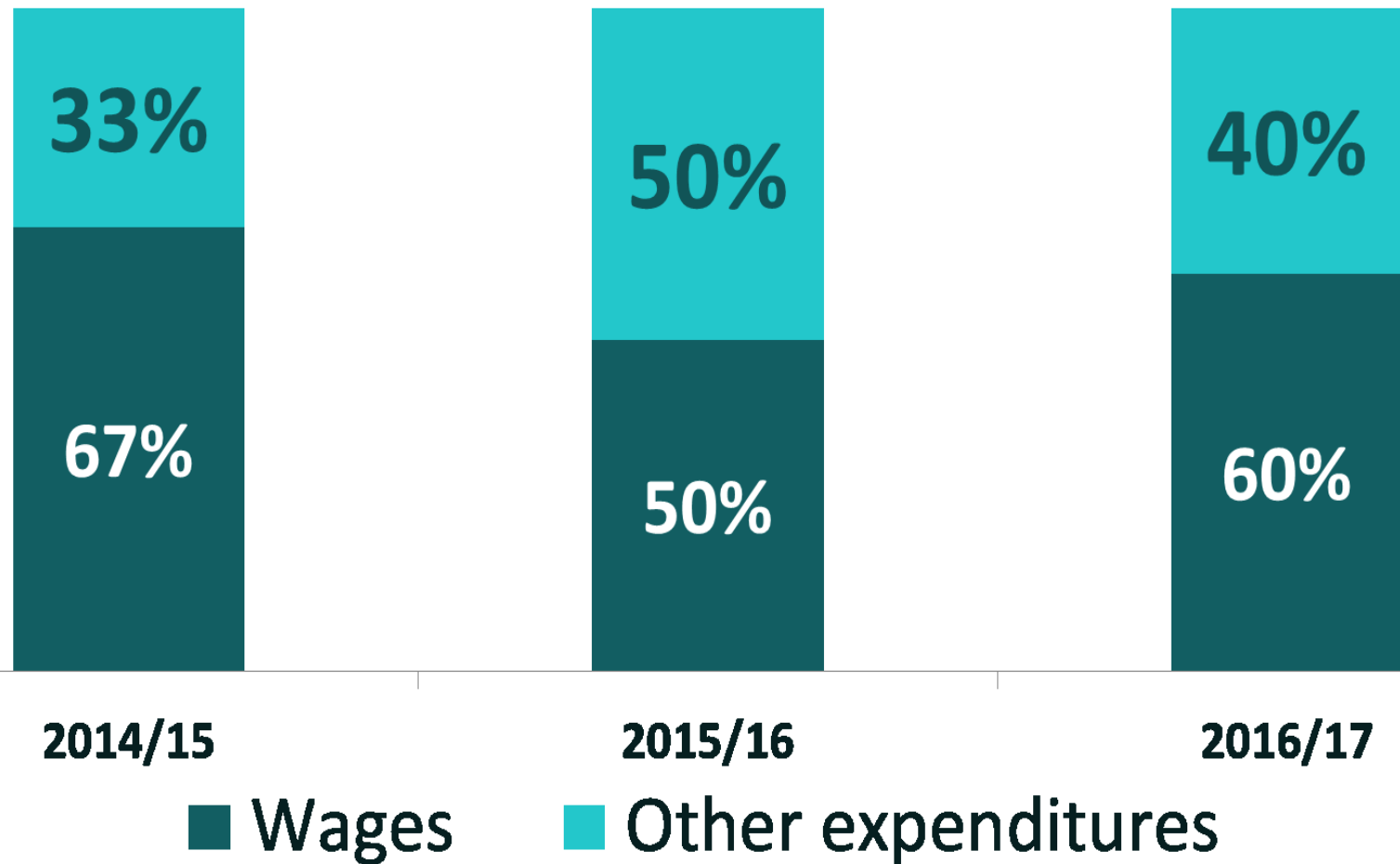
Compliance with 30% Rule



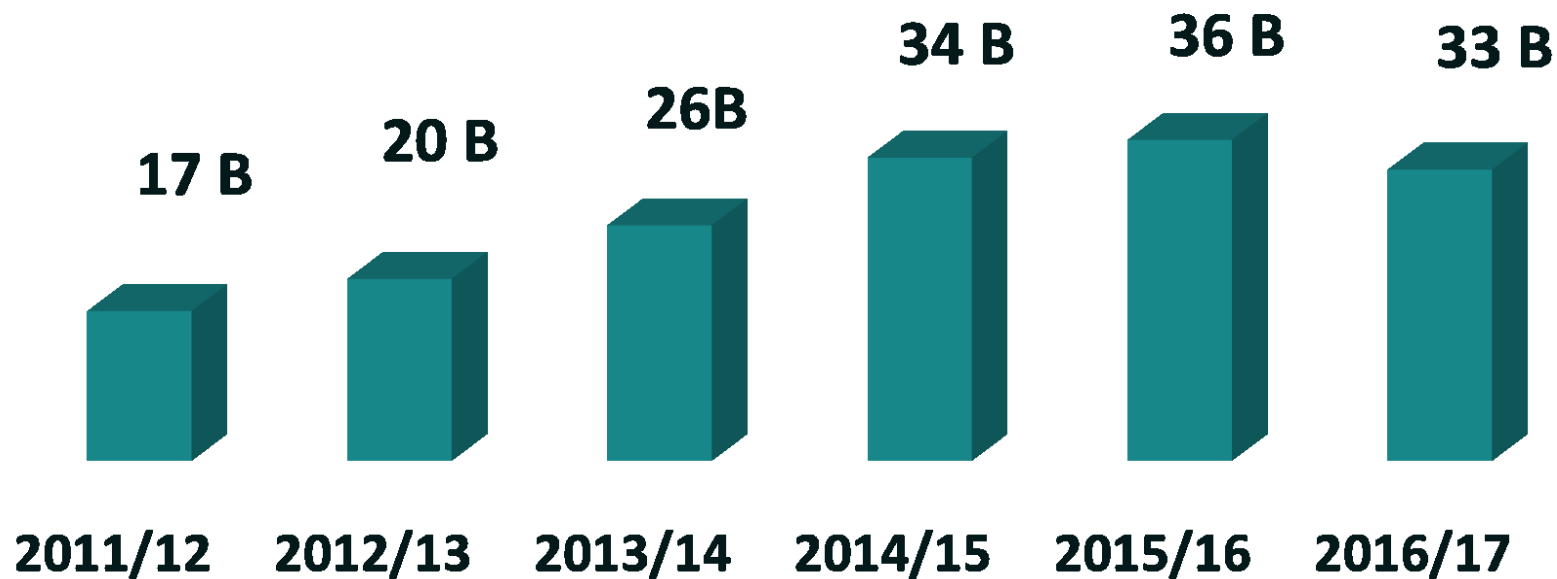
YEAR	COMPLIANT COUNTIES
2013/14	9
2014/15	31
2015/16	30
2016/17	42
Medium Term	44



The Wage Bill Challenge



Own Source Revenue



Other sources of development funding



Counties could also fund their development programmes through any of the following

- Increase in Own Sources Revenue
- Grants from National Government
- Grants from development partners
- Borrowing
 - Bilateral and Multilateral lenders
 - Capital Market instruments



Can we help change this Narrative???

DAILY NATION | Friday November 17, 2017

County operated 17 illegal bank accounts, audit report shows

BY NATION TEAM
newsdesk@na.net.ke

Findings
MOMBASA USED SHIMON TO PAY DJS
Auditor General says Mombasa County spent \$20.6 million to pay deputy, MPs and other officials during the 'Tutukani Mombasa' cultural festival. The amount was above the allowed \$H30,000. This was a schedule to confirm journeys to foreign countries, names and costs of officers on the trips and costs for each trip," states the report.

In Kisumu, it was not clear how \$H5 million out of \$H40 million set aside for a local consultancy company was used.

The firm had been contracted to provide consultancy services for digital topographic mapping and preparation of an integrated strategic urban development

Kisumu. The county government moved closer to forming village councils after a team set up to explore the project completed its work. Kisumu Village Council Task Force is now due to submit its report to Governor Anyang' Nyong'o with recommendations on the formation of the councils, which is one of its projects. The team has retreated to collate views gathered from the public. [Heper Obiero]

Counties

AMBUSH HOW-THE OFFICERS AND AN EDUCATION OFFICIAL WERE KILLED BY INMATES, P.32

Audit cites cash misuse by county assemblies

Ouko blames cases on weak financial controls

By Patrick Elit
newsdesk@na.net.ke

Other cases
An audit on West Pokot shows PSC and a
Nakuru County is reported to have received \$H26.5

Eastern and Southern Africa Management Institute for courses which are not directly related to their core business of agriculture.

MONDAY, NOVEMBER 13, 2017 The Standard

Counties

NAKURU: RISK OF HANGING SHOPS AND OPEN DRAINAGE TRENCHES IN TOWN SLUM, P.24

Weak budget controls highlighted in report

Devolution. Counties spending more on travel allowances

Nakuru and Nakuru are among the counties that under-performed in revenue collection.

By Harold Odhiambo
h.odhiambo@standardmedia.co.ke

Travelers could be losing millions of shillings every Friday. The period under review, according to the report, was the period when the county was supposed to have collected revenue from the sale of land, but it was not. The report also noted that the county was not able to collect revenue from the sale of land, but it was not. The report also noted that the county was not able to collect revenue from the sale of land, but it was not.

The Issues
A number of counties failed to implement the budget implementation process. The counties are grappling with high input costs, which the report says will adversely affect development. In several counties, revenue performance is poor despite existing services.

Spending
In Nakuru, the county government is within the approved budget, but the report notes that the county is not able to collect revenue from the sale of land, but it was not. The report also noted that the county was not able to collect revenue from the sale of land, but it was not.

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10 BUSINESS DAILY
A NATION MEDIA GROUP PUBLICATION
Kimathi Street, Nairobi
JOE MUGANDA Chief Executive Officer, TOM MSHINDI Editor in Chief, OCHIENG RARAUO Editor Business

Spending billions on trips unnecessary, unacceptable

Reports that county and national government officials squandered \$H27 billion on trips in the middle of an austerity drive are unacceptable. At a time of declining economic performance, shrinking revenue

rate stands at 40 per cent. The Treasury has in the past four years struggled to implement austerity measures prompted by underperformance in revenue collection amid rising expenditure. The Jubilee government in early 2014 announced a tight austerity

Counties lost millions in fishy deals — auditor

Audit shows some of the funds were used at the points of collections in three counties.

By Harold Odhiambo
h.odhiambo@standardmedia.co.ke

County officials in Nyanza may have looted millions of public funds during the 2015-2016 financial year through a number of schemes.

Questionable withdrawals
At the county assembly, between February to July, five questionable withdrawals of funds amounting to \$H40 million was made by an officer without the supporting accounting documentation.

Audit report
According to the Auditor General, the financial statements of the counties were dooped with several discrepancies. Some counties made illegal transfer of funds as well as questionable withdrawals. In Nyanza County, Governor John Nyagagua spent about \$H4 million of taxpayers money to renovate his private home.

Out of the figure, the county governments spent about \$H40 million on 'vouchers to temporary employees'. However, supporting documents and acknowledgment slips were missing.

In Siaya, 49 MCAs earned double allowances between July and August 2015.

In all the Nyanza counties including Kisumu and Nyanza, the auditor noted that excessive amounts of money was spent on foreign trips.



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