

FUNDING COUNTY DEVELOPMENT, Recurrent Vs Development Expenditure

Presentation by:

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Uphold public interest

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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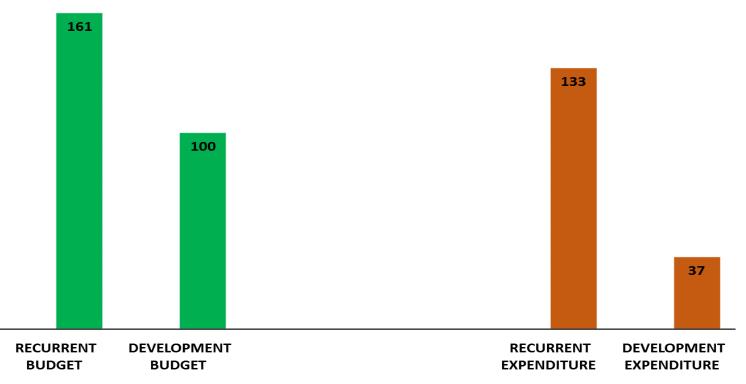




BUE	BUDGET - Billion		ACTUAL - Billion			ABSORPT	ION RATE	
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV
2013/14	161	100	261	133	37	170	83%	37%
	62%	38%		78%	22%			
2014/15	181	145	326	168	90	258	93%	62%
	56%	44%		65%	35%			
2015/16	209	159	368	192	103	295	92%	65%
	57%	43%		65%	35%			
2016/17	240	158	398	216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



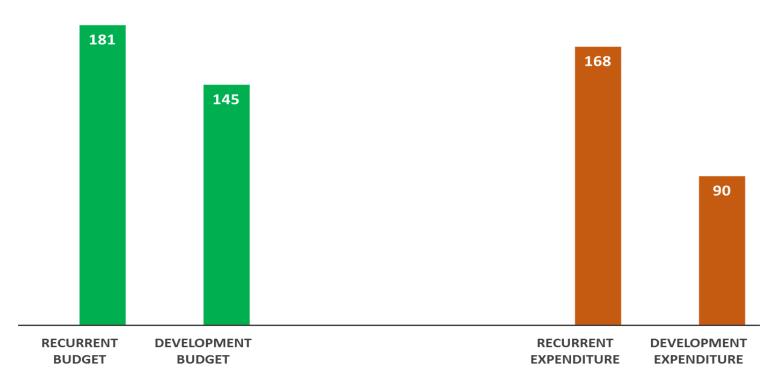
2013/2014 FINANCIAL YEAR







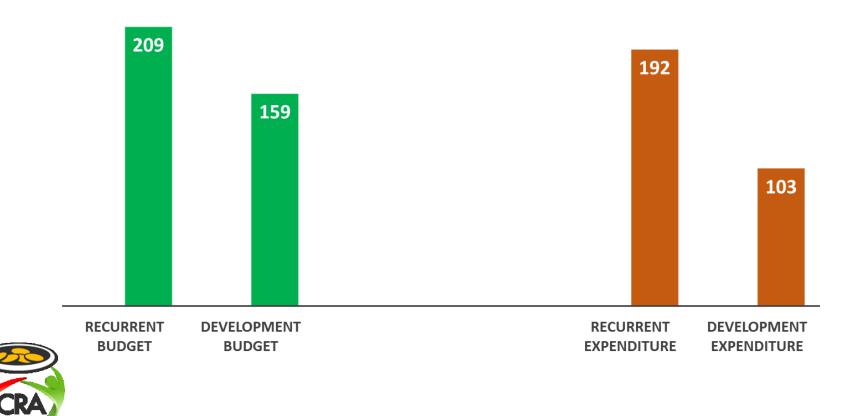
2014/2015 FINANCIAL YEAR





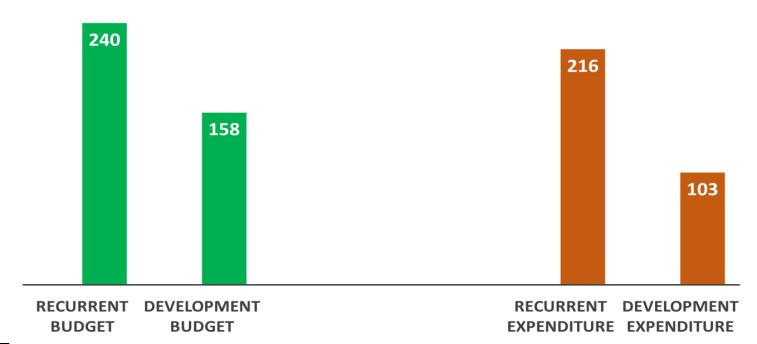


2015/2016 FINANCIAL YEAR





2016/2017 FINANCIAL MANAGEMENT





Compliance with 30% Rule

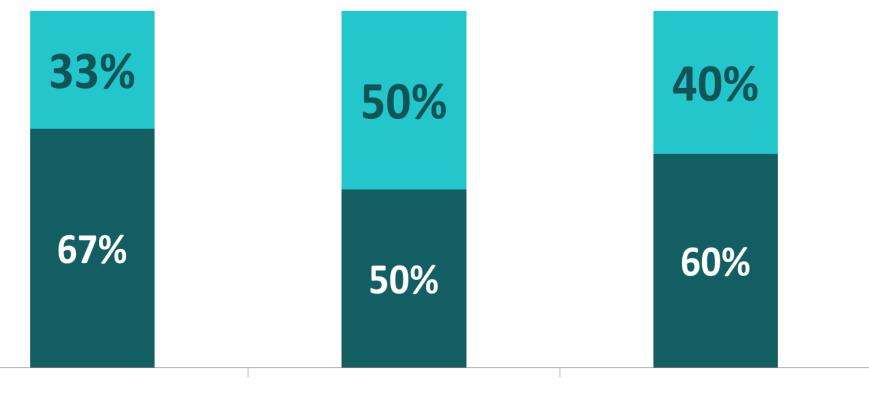


YEAR	COMPLIANT COUNTIES
2013/14	9
2014/15	31
2015/16	30
2016/17	42
Medium Term	44



The Wage Bill Challenge



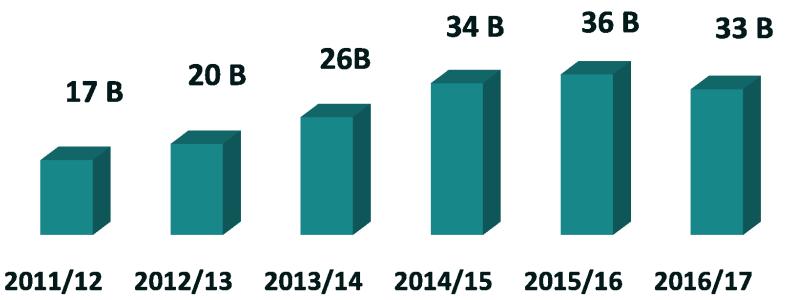


2014/15 2015/16 2016/17 ■ Wages Other expenditures



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???

Kisumu, Catholic Archbishop Zacchasus Okoth has told political leaders that it is

MONDAY, NOVEMBER 13, 2017 The Standard

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In Kisumu, for instance,

BUSINESS DAILY time every tribe of Kanya was given a chance at the presidency. The bishop (right) argued that the presidential seat was not a family dynasty or a two-tribe affair as was being portrayed by some politicians who have been heard boasting about how they **County operated 17** are going to inherit it. [Olivia Odhlambo] illegal bank accounts, Counties Spending billions on trips audit report shows unnecessary, unacceptable a schedule to confirm journeys to foreign coundride, names and cadess of officers on the trips and costs for each trips' studes in Kisii, it was not clear how Shy million out of SNS million set askle for a local consultancy company was used. The firm had been contracted to provide consultancy services NAKURU: RISK OF HANGING SHOPS AND OPEN DRAINAGE TRENCHES IN TOWN SILUM. P. 24 eports that county and MOMBASA USED national government SHIOM TO PAY DJS officials squandered Auditor-General says Mambasa County spent SI40.5 million to pay decipys. Nos and other artistes during the Tubatane Montant Tubatane Montant Production States allowed Sh50:000. This was Sh27 billion on trips BY NATION TEAM in the middle of an Devolution. Counties spending more on travel allowances austerity drive are unacceptable. The inrm had been connected to provide consultancy service for digital topognaphic mapping and preparation of an integrate strabegic urban development the latest Auditor-Gener-al's report reveals how a county operated 17 flegal accounts and half a At a time of declining economic Weak budget controls performance, shrinking revenue FRIDAY, NOVEMBER 17, 2017 The highlighted in report **Counties lost millions** Kinema. The county government moved closer to forming village councils after a team set up to explore the project completed its work. Risumu Village Council Task Force is now due to submit its report to Governor Amang' Nyong'o with recommendations on the formation of the councils, which is one of his in fishy deals — auditor raised concerns that their margages and lons were not being serviced by the assembly despite the money being deducted from them, which team has retreated to collate views gathered from the public. [Repher Otieno] Nairobi and Nakuru are among the counties sive spending on travel and The issues that under-performed in During the period under review, six councils spent more than the approved mmod allo-the spectred mmod allo-Counties revenue collection. actuation from them, which could explain the concerns raised in the report. According to Odhiamio, the hardry by exantises to constitute bodies to oversee budget implementation could also be affecting the process. Audit shows some of Ouko noted that the county By Harold Orthambe cation on domestic foreign travel while almost all the operated 18 bank accounts in different financial institutions which were not disclosed, with the county only disclose process The counties are the funds were used at the points of counties increased their spendgrapping with high wage bills, which the report Texpoyers could be losing ing on travel. collections in three respoyers could be solid illifort of solid lings every financial year due to weak hadget controls by cochty gan eruments. For nexessive spandinger from for antidiamenerum in solid control by cochty gan eruments. says will advancely effect development Several counties counties. ing the financial statements of AMBUSH: HOW THREE OFFICERS AND AN EDUCATION OFFICIAL WERE FULLED BY IRANDITS, P. 32 the only 15 bank accounts. Proper staffing By Harold Odhlambo HOchiambo@standardmedia.co.ke In the list, the county had 99 bank accounts in Kenya Com-mercial Bank (KCB) and also She cited several example revenue collection cent on travel. A number of counties also despite automating services where a number of countie. County officials in Nyanza may have looted millions of public funds during the 2015-2016 financial year through a failed to constitute the commit another 10 in Cooperative audit committees to oversea paid MCAs sitting allowances financial operations, skewed that exceeded the stipulated tors required by low as well a Bank while the rest were in ensure that there was propo-taffing to manage the balloon other banks. As a result, he said, the balstaffing to manage the halloon-ing wage bill. In Nyeri, she said, there was collection of local revenue and amount of Sh234,800 sat by th Report, Baringo County paid Sh20,000 for wooden chop board and Sh54,000 for a pot stacking rack delays in remitting statutory Salaries and Remuneration emenditure is within the number of schemes. ance that the county executive approved budget," said Ochia deductions, a number of county Commission (SRC) Damning reports by Audi-tor General Edward Ouko have established that huge brought forward of Sh1 billion was questionable. governments could have lost failure to establish as internal audit committee to oversee Audit cites cash misuse millions during the 2016-2017 Sitting allowance mbo. Failure by some county gov-Initiation during the 2019-2017 In Beam Star Courty, the Internative and expansion of the star of the audit committee to oversee francial operations contrary to Section 155 of the Public Finance Management Art 2002. In a county where high travel costs greatly almost hulf. The travel costs greatly 465 per cent - from 355656 million in 2015-2016 to Sh204.03 mil-lion in the reporting periol. Amore the counties that Ouestionable withdrawals amounts of taxpayers money was lost in dubious deals. At the county assembly Some of the funds were not only used at the points of col-lections in three counties, but were also suspiciously withbetween February to July, five ench, exceeding SEC's accom-mendation by about 4.3 per bills, which the report also said by county assemblies questionable withdrawals of funds amounting to Sh10 milberof discrepancies, with some counties failing to aside by should be verified. cent. This is despite the fact that should be verified. In Kisuma County, pending bills amounted to Sh2 8 billion as at June 30, 2017. Delays in submitting the deductions lion was made by an officer without the supporting Outlier Mailing to sum of the comparison of the comparison of the comparison of the comparison of the high memory the comparison of the comparison of the comparison of the high memory the comparison of the comparison of the comparison of the high memory the comparison of the comparison of the comparison of the memory the comparison of the high memory the comparison of the the comparison of the comparison of the comparison of the high memory the comparison of the the comparison of the comparison of the comparison of the high memory the comparison of the high memory the comparison of the comparison of the high memory the comparison of the comparison of the high memory the comparison of the comparison of the high memory the comparison of the high memory thigh memory the high memory thigh memory the high mem drawn from the county cof-Accounting documentation. Mr Ouko said the validity of the cash withdrawals could not be confirmed and that Members of the County Among the counties that **Duko blames cases on** Assembly also pocketed mil Eastern and Southern Alicica grossly under-performed in maak financial controls revenue colloctions were his lions in allowances on ficti Management Institute for rohi, Nakura, Nyeri, Kisii, tious sittings that were not supported with any documen-tation as well as on trips. MCAs also pocketed millions in allowances for fictitious sit-tings and committee meet-Other cases cruzzes which are not directly. related to their core business of By Patrick Elbet

ak place. "There was no after-trip

report available for audit review or tabled at the county assembly as per the standing orders," said Ouko.

Ghost workers

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

Audit report

the counties were

dogged with several discrepancies

According to the Auditor General, the financial statements of

Some counties made lilegal transfer of funds as well as questionable withdrawals in Nyamita County, Governor John Nyagarama spent about Sh4 million of taxpayers money to renovate his rebute home Some counties made

The MCAs were reaid about Sh5.9 million for attending some 105 committee meetings

that were also not supported

private home

Migori county government could have lost up to Sh290 million to ghost work According to Ouko, the county spent about Sh1.8 bil-lion to compensate employees against a figure of Sh1.5 billion that is recorded at the Inte grated Personnel and Payroli

Database. Out of the figure, the county government spent about Sh49 million on "wages to tempo-rary employees". However, supporting documents and acknowledgement slips were missing. In Siaya, 49 MCAs earned

with minutes. That same year, the MCAs pocketed another Sh4 million for attending a ward development meeting in Uganda. However, the auditor gen-eral said there was no docu-mentation to support that it

double allowances between July and August 2015. In all the Nyanza counties Including Kisii and Nyaniira, the auditor noted that ever

sive amounts of money was spent on foreign trips.

An audit on West Polick · Nakara County is reported allows five MCAr, and a to have derived BUCAs to

ingistation.

DATEX NOTION | Friday November 17, 2017



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