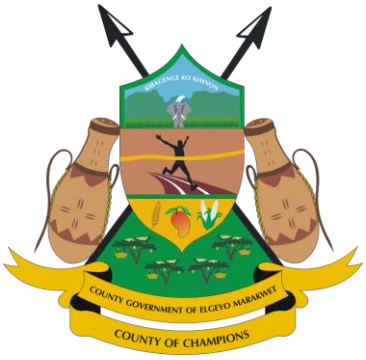


COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

2019/2020 FINANCIAL YEAR

MEMORANDUM FOR PROPOSED AMMENDMENTS ON CFSP PREPARATION

JUSTIFICATION FOR MEMORANDUM

The main objective of this memorandum is to amend the 2019/2020 Annual Development Plan and also review the provisional ceiling of the county assembly to create fiscal space to meet critical operational budget requirements in the CFSP. The county is currently faced with a fiscal crisis occasioned by low revenue base compared to the increasing financial needs mainly caused by the expanding wage bill resulting from SRC harmonization of basic pay and enhanced CBAs for health workers.

The crisis is illustrated in tables below

Table 1: Revenue and Expenditure Trends between 2013/14 and 2018/19 FY

DESCRIPTION	FY 2013/2014	FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/18	FY 2018/2019	FY 2019/2020 (Proposed)	Change from 2013/14 to 2019/20	% Change 2013/14 to 2018/19
CRA Share	2,392,011,591	2,845,235,405	3,191,548,394	3,528,847,275	3,619,547,536	3,768,000,000	3,782,000,000	1,389,988,409	58.11
Local Revenue	85,023,379	112,851,887	128,055,734	97,323,973	102,190,172	130,000,000	140,000,000	54,976,621	64.66
Conditional Grants	0	18,420,000	134,559,069	197,483,491	560,936,413	657,302,096	635,445,042	617,025,042	3,349.76
Development allocations: County Executive	765,235,586	1,360,302,070	1,115,520,332	1,272,528,141	1,361,264,368	1,923,997,254	1,286,982,374	521,746,788	68.18
County Assembly Ceiling	154,077,585	377,404,111	429,000,000	467,089,372	467,059,372	566,844,007	446,844,007	292,766,422	190.01
Recurrent: PE (Wage Bill)- Executive	1,073,861,427	1,279,907,746	1,680,373,221	1,781,164,558	1,921,054,279	2,140,604,393	2,325,524,087	1,251,662,660	116.56
Recurrent: Operations & Maintenance (O&M)	538,206,246	435,873,906	442,115,610	365,569,808	247,665,799	350,014,271	544,420,906	6,214,660	1.15

Note: County Assembly ceilings contain PE allocation for Members of County Assembly and staff working at the County Assembly

Table 1 above captures the genesis of the wage bill pressure which has necessitated this memorandum. The reasons for the current high wage bill for the county in comparison to other counties have been caused by two categories of factors both of which were beyond the control of the

county. First category of causes is those which were at the time of operationalization of devolution in 2013 and the second were came after the devolution had taken place after 2013;

Category One

i. In 2013 county had one of the highest staff numbers amongst all counties
ii. Low CRA allocation amount given the size of the workforce from devolved and former Local Authorities staff and thus higher cost of administration
iii. Low CRA allocation given that the county like all counties assumed same constitutionally and legally created offices and thus higher cost of administration

Category two

i. SRC zoning of the county as a Hardship area in 2014
ii. Various Health staff Collective Bargaining Agreements (CBAs) since 2013
iii. SRC salary harmonization phases
iv. Annual staff salary increments since 2013
v. Strategic employments for those cadres not found in the already inherited workforce in 2013

The consequence of these wage bill milestones is depicted in Table 1 above which shows that despite an increase to the county from the CRA equitable share allocation rising by 58% (from Kshs 2,392,011,591 in 2013/14 FY to Kshs. 3,782,000,000 in 2019/20) this increase is smaller than the combined increase of Personal Emoluments (wage bill) during the same period of 117% (excluding County Assembly wage bill) and the annual ceilings allocations to County Assembly which has risen by 190%. The faster increases of these components against the increases in CRA allocations and local revenue meant that allocations going to Operations and Maintenance (O&M) for County Executive had to be reduced over

the years to address the difference. However, through the gradual reduction O&M every year to accommodate the annual increase of wage bill, a level which could not be reduced further was reached. After this level was reached the county resorted to the reduction of county level projects allocations which again have been exhausted as the county budgets for 2019/20 FY. Inevitably in 2019/20 FY Ward level projects allocations and the ceilings for the County Assembly have to be reduced so as to cater for the increase in the wage bill.

Table 2: 2019/20 Revenue/ Expenditure Analysis

DESCRIPTION	**Revenue/Expenditure**
Local Revenue	140,000,000
CRA Share	3,782,000,000
Revenue	**3,922,000,000**
Less EDA Development allocation	813,537,332
Less County Level Projects- Radio Station	8,000,000
Amount for Recurrent	**3,100,462,668**
Less County Assembly Ceilings	566,844,007
Recurrent expenditure available for County Executive	**2,533,618,661**
Less PE (Salaries)	2,325,524,087
Pension Contributions for staff retired/retiring 2018/19 & 2019/20	37,056,000
O&M available for County Executive	**171,038,574**
Less Medical Drugs	75,000,000
Less FIF	70,000,000
Less Bursary	27,000,000
Less Street Lighting Bills	11,000,000
Less Conservancy	7,000,000
Staff medical scheme – NHIF	40,742,461
O&M for 13 County Executive Departments	230,296,113
Surplus/Deficit	**(290,000,000)**

Table 2 above summarizes the revenue base vis a vis the expenditure requirements for 2019/20 FY indicating a net deficit of Kshs 290,000,000. Without funding for this component, projects and programmes execution by the county executive will not be practically possible. As one of Counties that do not have an option for external funding, we recommend internal rationalization and adjustments to be addressed as follows;

Proposed solutions

1. Reduce County Assembly ceiling by Kshs 120,000,000 to cater for the following needs;

S/No	Need	Amount
1.	Medical drugs	75,000,000
2.	Bursary	27,000,000
3.	Street lighting	11,000,000
4.	Conservancy	7,000,000
	Total	**120,000,000**

2. Reduce EDA allocation by Kshs 170,000,000 to partially address this deficit. This amount has been reduced equally across all the wards and equitably across departments allocated funds within each ward. After the reductions, table 3 below shows the amended ceilings;

Table 3: Amendments to the Approved EDA Ceilings

Department	Current Ward Ceiling	Agri	Education	Health	Livestock	PSM	Roads	Sports	Tourism	Water	Proposed amended Ceiling
Arror	34,579,962	9,050,315	4,208,368	1,885,482	452,516	1,885,482	4,525,157	1,583,805	-	2,488,837	**26,079,962**
Chepkorio	40,915,405	2,693,665	2,376,763	12,834,519	2,257,925	792,254	2,693,665	1,953,228	-	6,813,387	**32,415,405**
Cherangany	40,110,807	1,521,008	8,668,957	3,940,435	1,615,578	-	4,728,522	4,429,049	-	6,707,257	**31,610,807**
Embobut/Embolot	42,286,258	719,090	2,476,866	3,595,451	2,676,613	798,989	9,816,586	2,676,613	239,697	10,786,352	**33,786,258**
Emsoo	35,680,499	6,246,552	1,675,904	380,887	2,209,146	380,887	4,997,622	2,986,157	-	8,303,343	**27,180,499**

Endo	45,153,693	11,364,557	4,870,524	1,055,280	405,877	1,180,041	-	2,029,385	1,136,456	14,611,573	**36,653,693**
Kabiemit	39,500,734	1,408,741	7,063,327	5,650,662	2,122,922	235,444	4,708,885	4,708,885	549,946	4,551,922	**31,000,734**
Kamariny	41,117,128	2,935,112	5,927,441	1,824,529	8,805,336	396,637	8,250,044	3,129,464	-	1,348,565	**32,617,128**
Kapchemutwa	40,021,959	2,126,565	157,523	1,811,518	15,048,203	787,617	4,331,891	5,840,932	-	1,417,710	**31,521,959**
Kapsowar	45,106,310	1,623,113	11,118,321	6,411,295	3,408,536	811,556	4,955,614	4,301,248	730,401	3,246,225	**36,606,310**
Kaptarakwa	40,160,781	1,821,706	7,095,157	4,020,589	4,020,589	394,175	4,201,909	4,745,871	236,505	5,124,280	**31,660,781**
Kapyego	40,027,240	393,822	551,351	6,694,979	2,685,868	787,645	13,088,480	1,811,583	393,822	5,119,690	**31,527,240**
Lelan	40,742,714	791,374	4,946,086	3,956,869	1,978,434	395,687	11,079,232	3,165,495	-	5,929,537	**32,242,714**
Metkei	36,316,858	765,949	2,757,416	3,063,796	2,489,334	1,378,708	6,127,591	6,561,776	-	4,672,288	**27,816,858**
Moiben/Kuserwo	40,562,370	474,268	11,777,648	1,185,669	2,727,039	774,637	7,114,016	2,940,460	-	5,068,633	**32,062,370**
Sambirir	43,326,170	1,205,721	9,645,765	6,430,510	1,808,581	321,525	9,329,199	3,673,429	-	2,411,441	**34,826,170**
Sengwer	41,728,839	2,802,065	4,857,454	5,574,128	1,720,017	398,152	7,166,735	2,229,651	1,154,641	7,325,996	**33,228,839**
Soy North	41,080,481	2,418,922	7,137,802	3,894,449	1,665,487	793,089	6,344,713	5,250,250	-	5,075,770	**32,580,481**
Soy South	44,692,004	2,749,303	9,474,770	4,049,047	2,182,436	1,781,581	6,965,984	2,105,504	1,214,714	5,668,666	**36,192,004**
Tambach	40,427,120	631,796	5,923,088	4,343,598	2,453,833	-	9,476,941	3,174,775	1,500,516	4,422,573	**31,927,120**
Total (EDA)	**813,537,332**	**53,743,642**	**112,710,532**	**82,603,692**	**62,734,271**	**14,294,107**	**129,902,786**	**69,297,560**	**7,156,697**	**111,094,045**	**643,537,332**

This memorandum therefore seeks to reduce the allocations to Ward Projects which have already been approved by the County Assembly in the 2019/20 FY Annual Development Plan (ADP). The proposal to reduce the County Assembly ceilings will be addressed during the 2019 County Fiscal Strategy Paper (CFSP) deliberations. We submit that the house considers and adopts this memorandum proposals.