

**Accelerated Institutional and Food System Development (AIFSD) Program  
Livestock Value Chain Component**

**Assessment of Public Investment and Expenditure in the  
Livestock Subsector by Six County Governments in Northern  
Kenya: 2013-2022**



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### **About Feed the Future**

Feed the Future was born of the belief that global hunger is solvable. As the United States Government's global hunger and food security initiative, we are transforming lives toward a world where people no longer face the agony and injustice of extreme poverty, undernutrition, and hunger. Kenya is one of the 19 strategic country partners under the initiative. While the challenges are great, so are the opportunities. With the largest dairy herd in east and southern Africa, Kenya has the potential to meet local demand for dairy products and target regional markets. As one of the largest African exporters of fresh produce to Europe, Kenya's horticulture industry can expand domestic, regional, and international markets. Markets, in turn, can significantly grow through reforms that address standards and quality, policy constraints, irrigation, roads, agricultural inputs, extension, and market access promotion.

Feed the Future is helping Kenya capitalize on these opportunities in agriculture to meet the country's food security and nutrition challenges. The program is focusing its efforts on improving several key agricultural value chains in Kenya: dairy; drought-tolerant staple crops (sorghum/millet and root crop systems) and pulses for the semi-arid areas; and livestock and dairy in arid and semi-arid lands of northern Kenya. Feed the Future addresses the whole value chain with a special focus on the weakest "links," from inputs like fertilizer, seeds, and livestock vaccines to credit, production methods, storage, transport, processing, farmers' cooperatives, and markets in Kenya, East Africa and overseas.

### **About AIFSD**

The Accelerating Institutional and Food Systems Development (AIFSD) aimed to strengthen the capacity of key institutions and create a strong enabling environment for food systems development to enable the wide application of technologies and innovations for increased productivity, incomes and nutrition.

AIFSD was implemented in Kenya by the International Livestock Research Institute (ILRI) as the lead centre, the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), and the International Potato Center (CIP). The activity works closely with county governments, the private sector, and civil society. It covered 10 counties and included the following four components.

1. Institutional capacity building, policy, and strategy development
2. Livestock value chain
3. Potato value chain
4. Drought-tolerant crops

AIFSD supported the United States Agency for International Development (USAID) Country Development Cooperation Strategy and Feed the Future Strategy by harnessing the technologies and innovations within CGIAR to advance development objectives. By strengthening public and private institutions to enable the wide application of technologies, innovations, knowledge, and services, and supporting market systems level changes, AIFSD increased productivity and incomes, created jobs, and enhanced resilience.

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## Abbreviations

ACG	Auditor and Controller General
AIFSD	Accelerated Institutional and Food system Development
ASALs	Arid and semi-arid lands
AU-IBAR	African Union – Inter-African Bureau for Animal Resources
CIDPs	County integrated development plans
CRA	Commission on Revenue Allocation
GCP	Gross county product
GDP	Gross domestic product
GoK	Government of Kenya
ILRI	International Livestock Research Institute
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
KSh	Kenya Shilling
OCB	Office of the Controller of Budget
OSR	Own-source revenue
PFMA	Public Finance Management Act
USAID	United States Agency for International Development
ZOI	Zone of influence

## Explanation of key terms/statements used in this report

**Equitable share of revenue:** Share of the revenue raised by national government that is allocated to county governments and is usually not less than 15% of all revenue collected by the national government.

**Conditional grant:** These are funds from the national government to the county governments. The national government imposes restrictions on how the county governments will spend them.

**Own-source revenue:** Income generated by county governments from local sources in the form of taxes, charges, and fees.

**Loans and grants from development partners:** Loans are borrowed and therefore repayable. Grants are non-repayable and in this case are awarded by development partners such as the United States Agency for International Development, the World Bank, the Swedish International Development Cooperation Agency, and Japan International Cooperation Agency among others.

**Fourth Schedule:** A plan captured within the constitution of Kenya that defines the distribution of functions between the national and county governments.

**County government exchequer:** An account held by the county government at the Central Bank of Kenya where all money that is raised by or on behalf of the county government is deposited.

**Gross domestic product:** Total market value of the goods and services produced by a country's economy during a specified period.

**Gross county product:** A geographic breakdown of Kenya's gross domestic product (GDP) that gives an estimate of the size and structure of county economies. It also provides a benchmark for evaluating the growth of county economies over time.



# 1 Introduction

## 1.1 Background to the livestock subsector

Agriculture is the main economic activity for Kenyans, ensuring food and nutrition security and wealth creation, and accounting for 23% of the country's gross domestic product (GDP)<sup>1</sup> and 54% of employment<sup>2</sup>. In the Kenyan economy, livestock are assets for most people and livestock sales provide immediate income. According to the Kenya National Bureau of Statistics (KNBS), the livestock subsector contributes 3.6% of the Kenya's GDP

In arid and semi-arid lands (ASALs) counties and specifically those in northern Kenya, the livestock subsector has a great potential for achieving several development gains including, food and nutrition security, creation of rural jobs, and poverty alleviation for the pastoralists who keep cattle, goats, sheep, and camels. Majority of pastoralists prefer indigenous cattle breeds such as Boran and the small East African zebu, which are not only resistant to most diseases, but are also drought tolerant, and can walk for long distances in search of water and pasture.

However, the development of the livestock subsector in ASALs is constrained by several factors including climatic, economic, and socio-political constraints, limited funding, and low private sector investment. It is against this backdrop that the International Livestock Research Institute (ILRI) is implementing the Livestock Value Chain (LVC) component of the United States Agency for International Development (USAID)/Feed the Future Accelerated Institutional and Food Systems Development (AIFSD) program to address some of these development constraints. The program is being implemented in Garissa, Isiolo, Marsabit, Samburu, Turkana and Wajir counties. The livestock value chain interventions are designed to achieve system-level impact at scale through institutional capacity development and working through the whole value chain development approach as a possible pathway for improved behaviour change to sustainably catalyse food system development and, in the long run, increase households' income and improve food and nutrition security.

Kenya transitioned to the devolved system of governance following the promulgation of Kenya Constitution 2010, with the first generation of county governments starting operations in 2013. The Fourth Schedule of the constitution enumerates the roles of the two levels of government in the agriculture sector. The national government is responsible for policy development, research, regulation, and international relations while the county governments are responsible for implementation — crop and animal husbandry, management of livestock sale yards, county abattoirs, plant and animal diseases and fisheries. The livestock subsector, being part and parcel of the agricultural sector, is a fully devolved function of the county governments. This implies that most of the human and financial resources for management of the livestock subsector are vested with the county governments.

It is therefore imperative to elucidate resource allocation in ASAL counties to inform the allocation of the same for livestock development. This is particularly important in informing decisions on the recurrent drought situation and consequently enhance resilience and food security in the region. This report provides an analysis of the agricultural sector (including livestock subsector) public funding allocation by the six counties covered by the AIFSD-LVC component. The report compares resources allocation of the livestock, crops, water and irrigation, and fisheries subsectors, and environment and natural resources subsectors.

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<sup>1</sup> KNS 2021: National Economic Survey Report 2021

<sup>2</sup> World Bank 2021: Employment in Agriculture Sector (% of Total Employment) (Modelled, ILO Estimates: - Kenya)

The report captures the contribution of livestock subsector to the gross county product (GCP) and the need for counties to invest more to ensure sustainable livestock production. Understanding the GCP estimates of the counties is important since it not only informs counties' economic growth, but also supports county-level decision-making and economic planning. Besides, this report will inform the ongoing writing of the second generation of county integrated development plans (CIDPs), assist in estimating the revenue potential for each county, suggest respective county's economic potential (thus informing private sector investment), and generate necessary data required for programming by development partners working in the counties and beyond.

## **1.2 Study objectives**

The overall objective of this assessment is to generate evidence-based information on public funding to the livestock subsector for advocacy to respective county governments to invest more in the subsector. Specifically, the assessment aims to:

- i. Review and collate secondary data on the livestock subsector related to production, marketing, fiscal and monetary investment in the six AIFSD-LVC mandate counties.
- ii. Analyse public sector funding to the livestock subsector in all six counties vis-à-vis other subsectors within the agriculture sector in the first decade of devolution.
- iii. Analyse the livestock subsector potential and contribution to the counties' economies.

## **1.3 Study methodology**

### **1.3.1 Research design**

The study used secondary data review to obtain information to create a clear analytical overview of the public funding in the livestock subsector for the six counties. Both qualitative and quantitative data was mined from the different secondary sources. To create a coherent picture of the public funding for the livestock subsector vis-à-vis other subsectors in the target counties, the study used the following reports:

- i) The Kenya Institute for Public Policy Research and Analysis (KIPPRA) economic reports from 2012 to 2021.
- ii) The Kenya National Bureau of Statistics (KNBS) economic surveys from 2013 to 2021
- iii) Annual county governments budget implementation review reports 2013-2021 from the Office of the Controller of Budget.
- iv) Specific annual county governments budget implementation review reports from 2013 to 2021.
- v) Reports of respective county assemblies' resource allocation to the livestock subsector vis-à-vis other subsectors in the agriculture sector.
- vi) Actual expenditure reports per county by the Auditor and Controller General.

The reports by KNBS (2013-2021) and KIPPRA (2012-2021) provide information on all sectors of the Kenya economy as well as other emerging social issues. The KNBS economic surveys are based on a wide variety of sources, are conducted within international best practices, and are usually validated through sectoral technical working groups. On the other hand, the annual county government budget review reports by Office of Controller of Budget are generated based on county-approved budget estimates and county expenditure per sector as reported by the 47 county governments.

An in-depth literature review was conducted on (but not limited to) the six reports on the livestock subsector funding by counties aimed at generating funds allocation trends vis-à-vis other agriculture subsectors. The main assumption was that the data collated from secondary sources is accurate (since outputs of competed public institutions/offices) and thus is assumed to depict the true picture of public funding to livestock subsector in the six target counties. Data

collection tools were developed to aid in collecting quantitative data from the available secondary sources. Where possible, the assessment sought to collect additional information from respective county government departments to complement information collated from the six reports. Descriptive analysis of the data mined from different sources was then performed and where necessary, test of significance was performed to compare different data sets.

### 1.3.2 Study counties

This study was conducted in six counties in the ASALs of Kenya as shown in Figure 1. These counties are also in USAID's resilience zone of influence and their inhabitants practice extensive livestock production as the economic mainstay (Table 1). However, the region is hard hit by frequent livestock pest and disease outbreaks, droughts, famine, flash floods, and inadequate or near absence of veterinary services. Most of these challenges have led to increased competition for pastures and water often resulting in the pastoralists' dwindling self-help capacity and diminishing resilience to climate shocks.

These counties are vast but have very low population densities (Table 1). Turkana County is the most populous among them with 926,976 people (13.59

persons/km<sup>2</sup>) and Isiolo County is the least populated with 268,002 people (11 persons/km<sup>2</sup>)<sup>3</sup>. The poverty rates in these counties are usually higher than the national average. For instance, the rates were higher than the 33.4% national average in 2015/16 according to a 2022 World Bank Report.

The six counties usually experience regular drought cycles, which negatively affect food and nutrition security, leading to high incidences of children suffering from chronic malnutrition (stunting and wasting). Turkana, Wajir and Garissa malnutrition rate (stunted) is above the national rate which stand at 26%<sup>4</sup>.

Figure 1. Counties covered in the study.

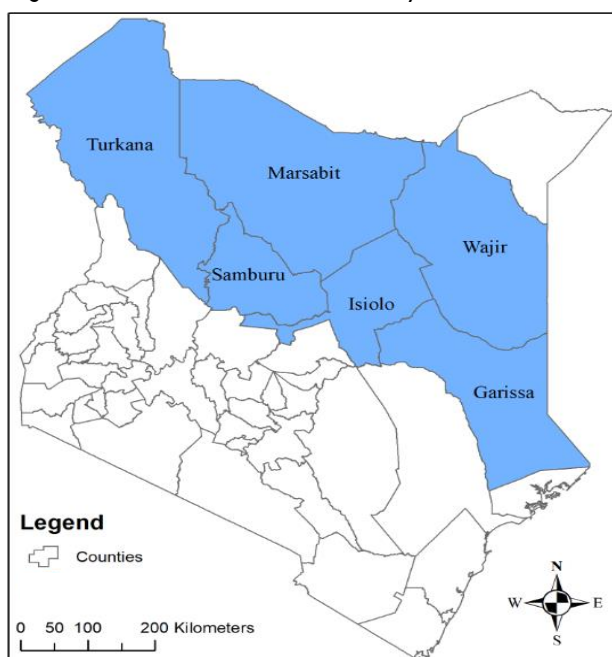


Table 1. Summary of key characteristics of the study counties

Item	Kenya	Garissa	Isiolo	Marsabit	Samburu	Turkana	Wajir	Total	Share (%) of national
Human population	47,564,296	841,353	268,002	459,785	310,327	926,976	781,263	2,478,351	5
Surface area (km <sup>2</sup> )	580,370	44,174	25,700	70,961	21,022	77,000	56,686	225,669	39
Annual rainfall (mm)		275 - 400	400 - 650	200 - 1000	500 - 250	200 - 400	200 - 400	N/A	N/A
Mean temperature (°C)	20-28	36	29	20.5	29	30.5	27.9	N/A	N/A
Poverty rate (%)	19	54.50	34.2	42.2	84.7	79.4	84	N/A	N/A
Stunting in children (%)	26	38.6	39.9	21.1	19.6	23.3	35	N/A	N/A
Wasting in children (%)	4	9	9	18	17	26	5	N/A	
Number of cattle	14,300,000	1,104,184	253,244	420,000	285,633	952,120	856,638	2,514,391	18
Number of sheep	28,000,000	1,089,870	531,355	1,851,452	566,772	4,397,148	2,149,812	8,965,184	32
Number of Goats	18,000,000	1,947,163	586,119	2,029,490	716,587	6,219,744	3,121,074	12,086,895	67
Number of Camels	3,000,000	486,000	45,309	217,360	48,172	1,018,020	1,176,532	2,460,084	82

<sup>3</sup>Kenya National Bureau of Statistics (2019)

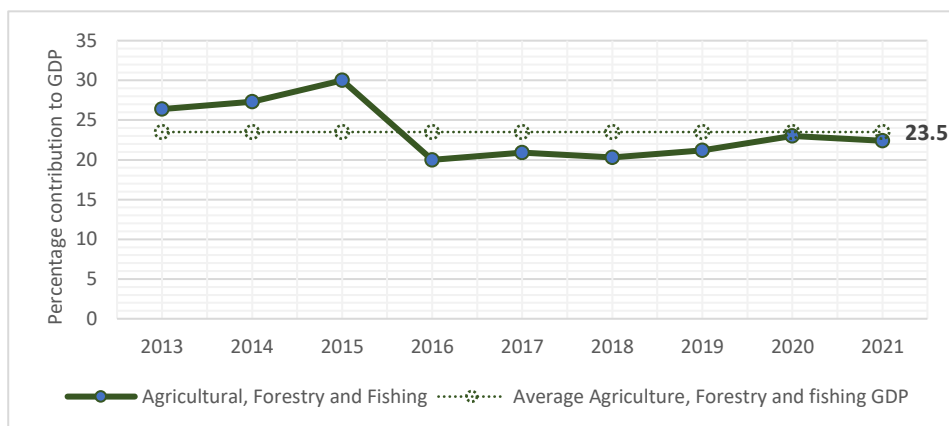
<sup>4</sup> <https://www.usaid.gov/sites/default/files/documents/1864/Kenya-Nutrition-Profile-Mar2018-508.pdf>

## 2 Economic analysis of Kenya's agriculture sector

### 2.1. Economic contribution of agricultural subsectors to Kenya's GDP

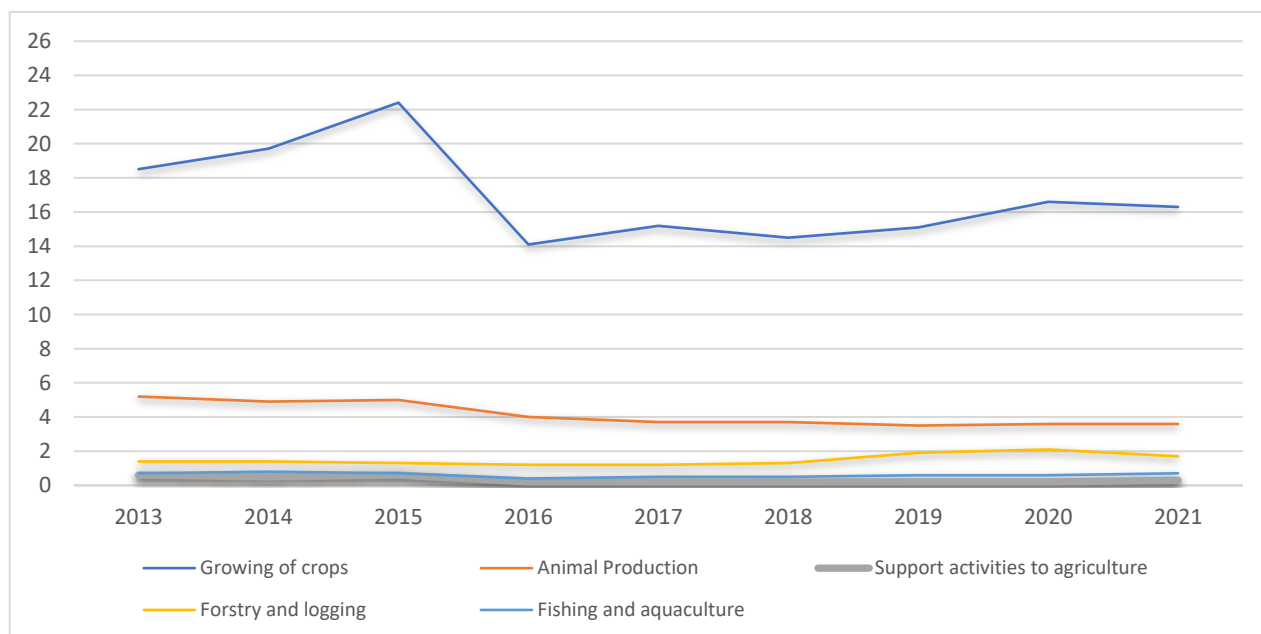
As Figure 2 shows the percentage contribution of the agriculture, forestry, and fisheries sectors to Kenya's GDP since devolution (2013-2021). There was a general and gradual increase of these sectors' contribution to the GDP, albeit below the average contribution of the three sectors to GDP since devolution, between 2016 and 2021. The steep decline in 2016 was attributed to poor rains (especially in 2015), underscoring Kenya's dependence on rainfed agricultural production. The small reduction in the sector's contribution to the GDP in 2021 is attributed to the global lockdown associated with COVID-19 that restricted Kenya's agricultural exports.

Figure 2. Contribution of agriculture, forestry, and fisheries industry to Kenya GDP (2013-2021).



As Figure 3 indicates, the crops subsector was the main contributor to GDP at 16.3% in 2021 followed by the livestock subsector at 3.6%. The contribution of the livestock subsector has been decreasing over the years.

Figure 3. percentage contribution to GDP by subsectors in agriculture.

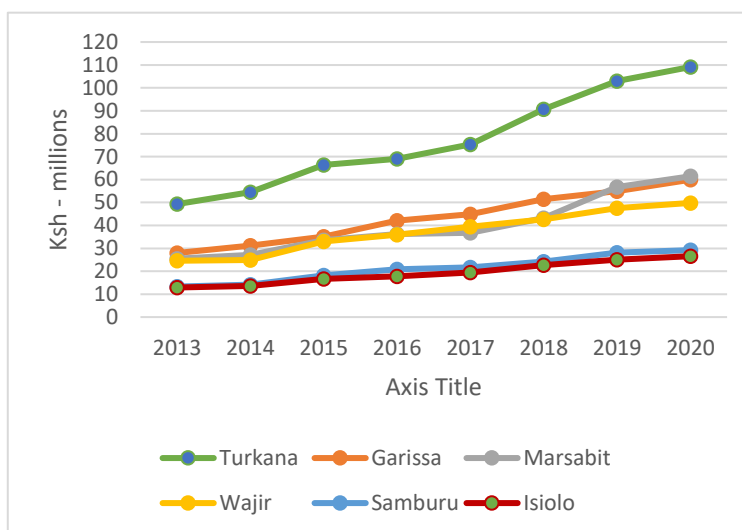


## 2.2. Economic contribution of agriculture subsectors to GDP in the six counties

Gross county product (GCP) is a measure of the amount each county contributes to the national GDP, and can be interpreted, conceptually, as county GDP. Disaggregation of the statistical data into GCP provides a dimension of the economic growth in the counties. Such information may not be easily deduced when presented as national GDP. To understand the six counties' economic status and their contribution to the national GDP, the study used secondary data and carried out an assessment of their estimated GCPs.

Due to the heterogeneity of the Kenya's 47 counties, there are large disparities in their GCP. Overall, the GCPs of the six ASAL counties has been increasing since 2013. Turkana had the highest average GCP of KSh 77.171 million, Garissa with KSh 43.438 million, Marsabit County at KSh 40.074 million, Wajir KSh 37.222 billion, Samburu KSh 21.233 million and Isiolo with the least at KSh 19.349 million which is also the least GCP among all the 47 counties in Kenya. The GCPs for Wajir, Samburu and Isiolo were below the KSh 39.748 million average of the six counties (Figure 4).

Figure 4. AIFSD LVC counties GCPs from 2013 to 2020.



Livestock production is the main economic activity in the six counties. The ASALs' contribution of other economic activities such as growing of crops, manufacturing, transportation, and real estate is insignificant, compared to what is experienced in high rainfall areas or counties with bigger urban populations and high manufacturing activities, intense transportation and real estate that increases their GCP contribution.

According to KNBS, the six counties are among the 10 lowest contributors to GDP. Their contribution to GDP has remained the same and below the 47 counties average contribution of 2.12% in the entire eight-year period being studied as shown in Table 2. The six counties are therefore beneficiaries of revenue generated by other counties. This situation puts the counties at a disadvantage to demand additional revenue. The situation also indicates that the counties should use the resources allocated to them in the most economical way.

Table 2. Percentage contribution of in the six counties to GDP.

County	2013	2014	2015	2016	2017	2018	2019	2020	Average
<b>Turkana</b>	1	1	1.1	1	1	1.1	1.1	1.1	1.1
<b>Garissa</b>	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
<b>Marsabit</b>	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Wajir</b>	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>Samburu</b>	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Isiolo</b>	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3

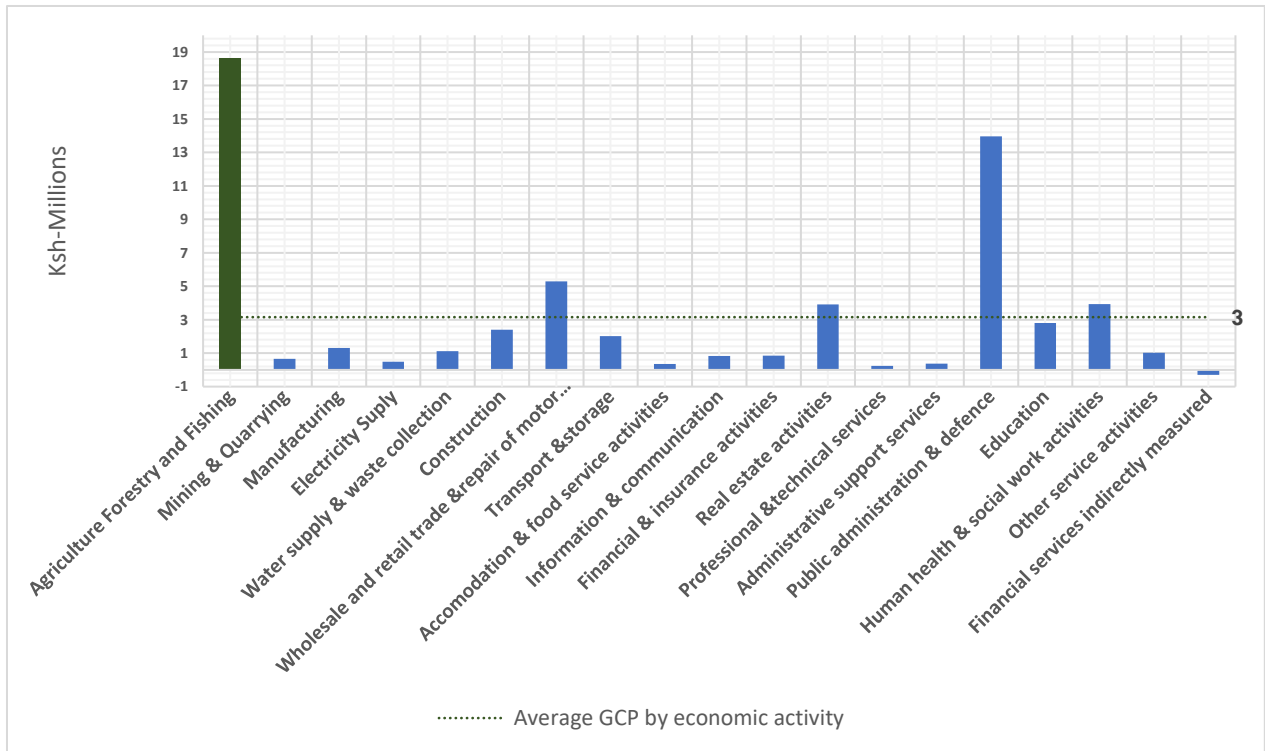
To further discern counties GCP, there is need to understand the overall county share of Kenya's economic activities. This allows an in-depth understanding of economic performance of

the various sectors, informed policy reviews, public funding and guides more investment in sectors that have the potential to contribute most to the GCP.

### 2.2.1. Garissa County

Garissa County's contribution to GDP was averaged at 0.6 % from 2013 to 2020. Based on the recently launched GCP report by KNBS (2022), Garissa County GCP was KSh 59.909 million in 2020, which is higher than the county average. The average county GCP between 2013-2017 was KSh 33.215 million showing a gradual improvement between the start of devolution and second term of devolution.

Figure 5. Garissa County GCP by economic activity (2020).



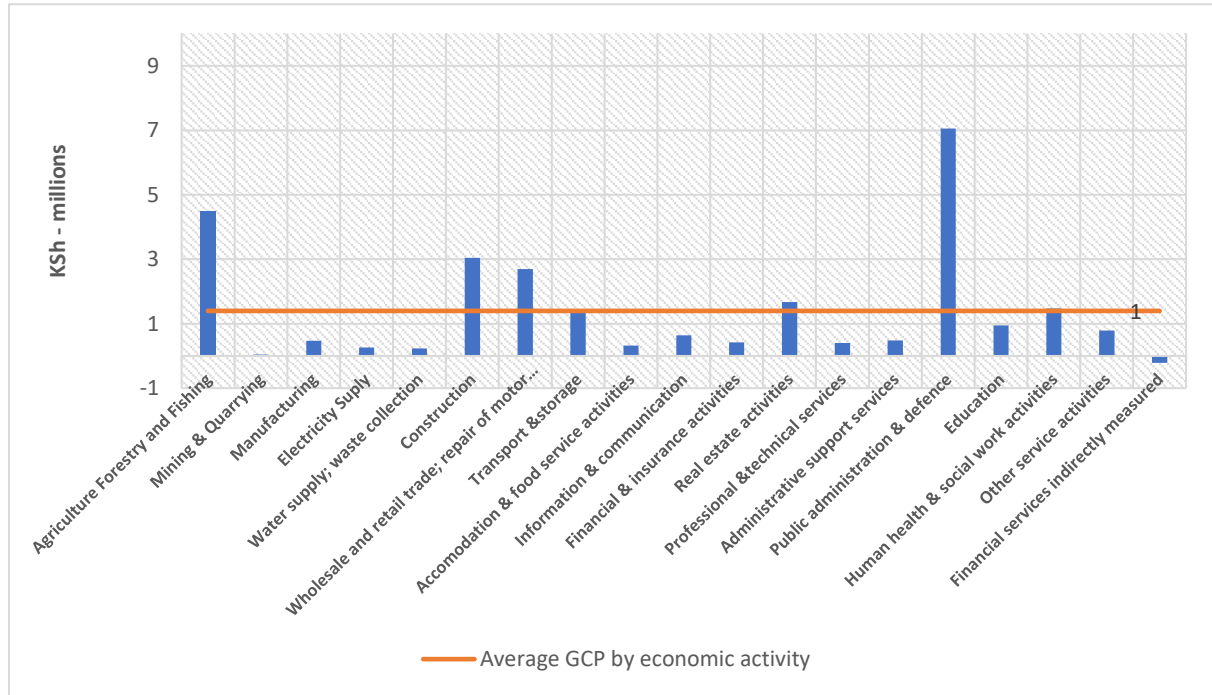
As Figure 5 shows, agriculture, which includes crops, livestock, fisheries and forestry subsectors, was the main source of GCP, which is a shift from what was experienced between 2013 and 2017 where public administration and the defence industry was the main source of GCP.

The contribution of the agriculture, forestry, and fisheries sector to the GCP increased steadily in the county from 2017 as shown in Figure 6. This situation is expected to continue over the years if the current conditions i.e., climatic conditions, funding to the sector both public and private, and human resources within the sector remain constant.

### 2.2.2. Isiolo County

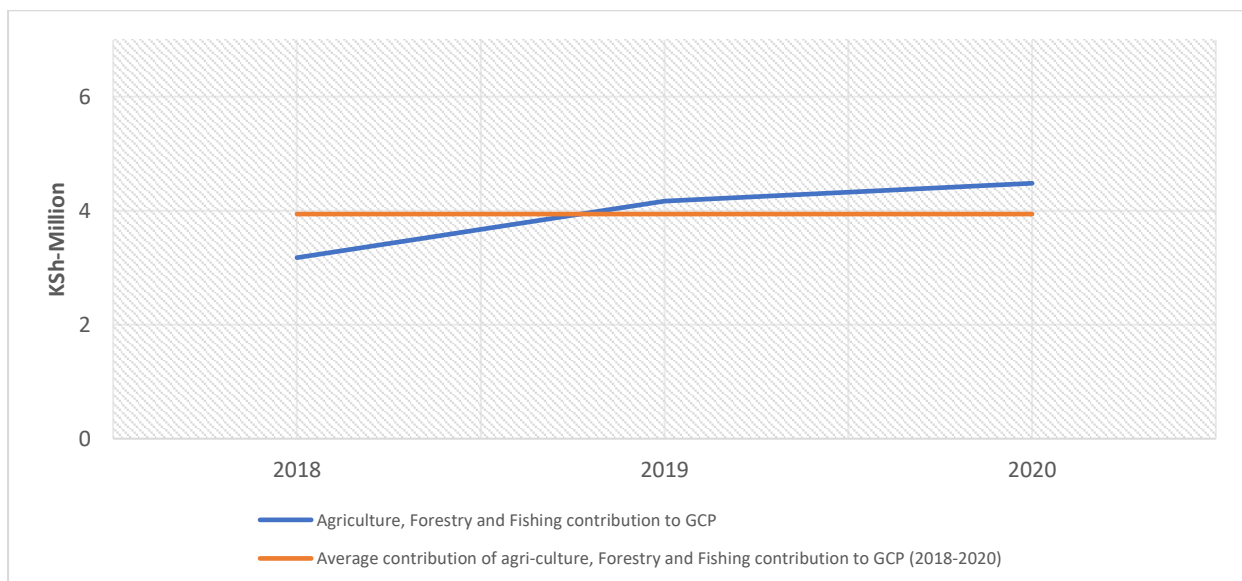
Isiolo County contribution to the GDP averaged 0.2% from 2013 to 2020. In 2020, Isiolo GCP was KSh 26.558 million, which was higher than the County average of Ksh 13.007 million from 2013 to 2017 as shown in Figure 6. The public administration and defence subsector was the main contributor to the GCP at Ksh 7.054 million followed by agriculture at KSh 4.48 million. This is a significant improvement for the agricultural sector from 2017 when it was the fifth last in contributing to the GCP.

Figure 6. Isiolo GCP by economic activity (2020).



As Figure 6 shows a gradual increase of the agriculture, forestry, and fishing subsectors contribution between 2018 and 2020. The contribution of the industry was above the three-year average in 2019 and 2020 despite the COVID pandemic that disrupted exports of agriculture commodities.

Figure 7. Contribution of agriculture, forestry, and fisheries to Isiolo GCP (2018-2020).

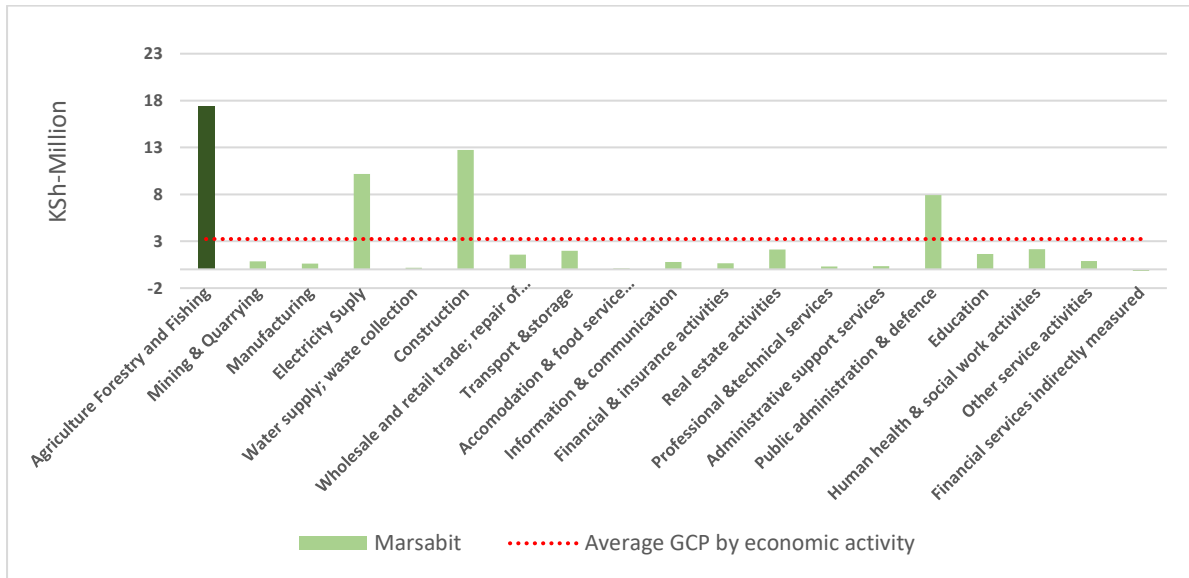




### 2.2.3. Marsabit County

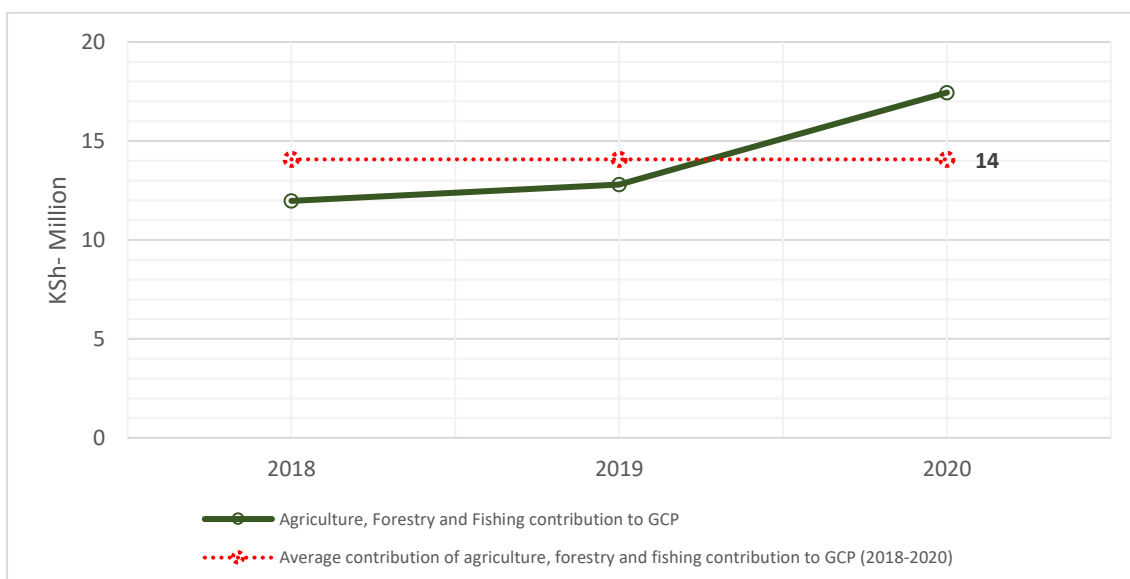
Marsabit County contributed KSh 61.433 million to Kenya’s GDP in 2020, a 127% increase from the 2013-2017 average of KSh 27.09 million as shown in Figure 8. The KNBS GCP report (2022) listed the County as the fastest growing with a 7.2% GCP growth. Agriculture, forestry, and fisheries subsector was the main contributor to the Marsabit GCP. This was a change from the 2013-2017 review, when the construction sector was the main contributor, with agriculture, forestry and fisheries subsector the fourth contributor.

Figure 8. Marsabit GCP by economic activity (2020).



There was a gradual increase in the contribution of agriculture, forestry and fishing subsector between 2018 and 2020. This was, however, below the average contribution of the sector as shown in Figure 9.

Figure 9. Marsabit GCP by economic activity (2020).

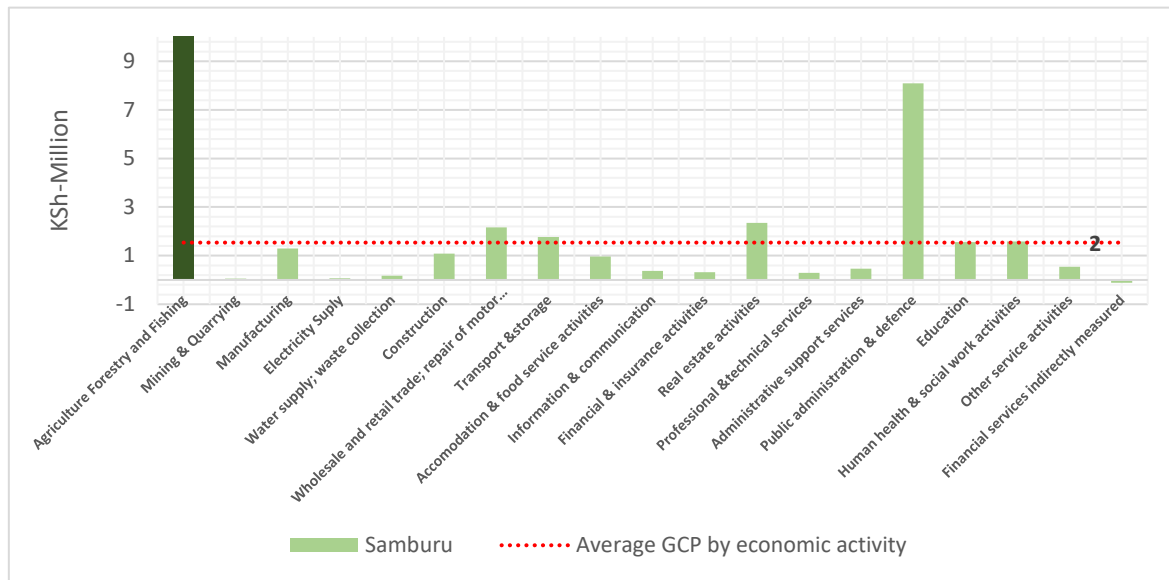




### 2.2.4. Samburu County

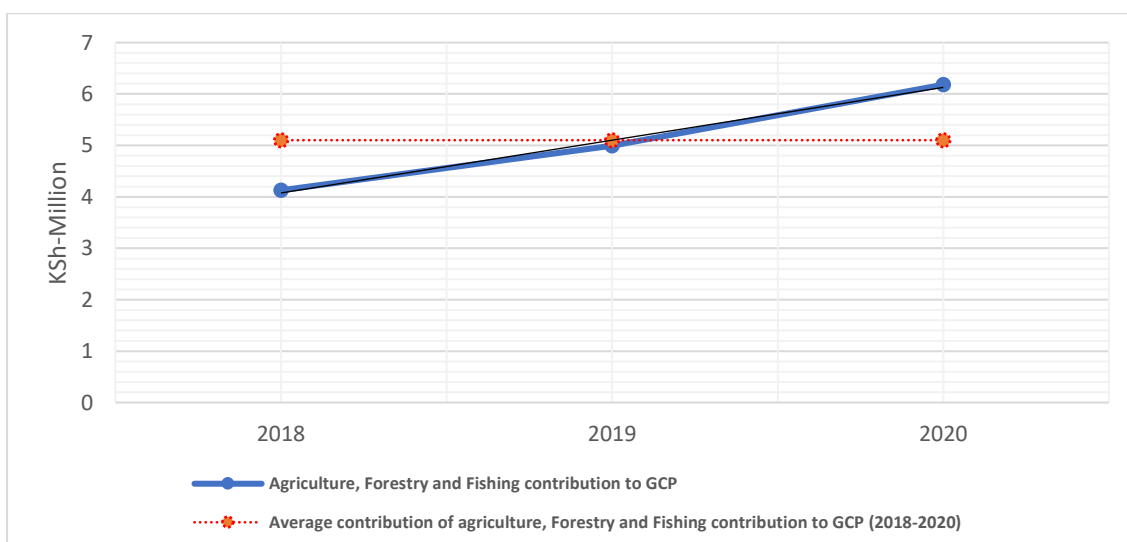
The average contribution of Samburu County to the country's GDP was 0.3% between 2013 and 2020. In 2020, Samburu GCP was KSh 29.211 million, which was higher than the five-year (2013-2017) average of KSh 20.01 million. In 2020, public administration and defence industry was the main contributor to Samburu GCP at KSh 8.098 million, followed by agriculture at KSh 6.181 million (Figure 10).

Figure 10. Samburu GCP by economic activity (2020).



The contribution of agriculture, forestry, and fisheries to the GCP increased between 2018 and 2019 (Figure 11). If the current factors remain constant, the contribution of the sector to the GCP is likely to increase over the coming years.

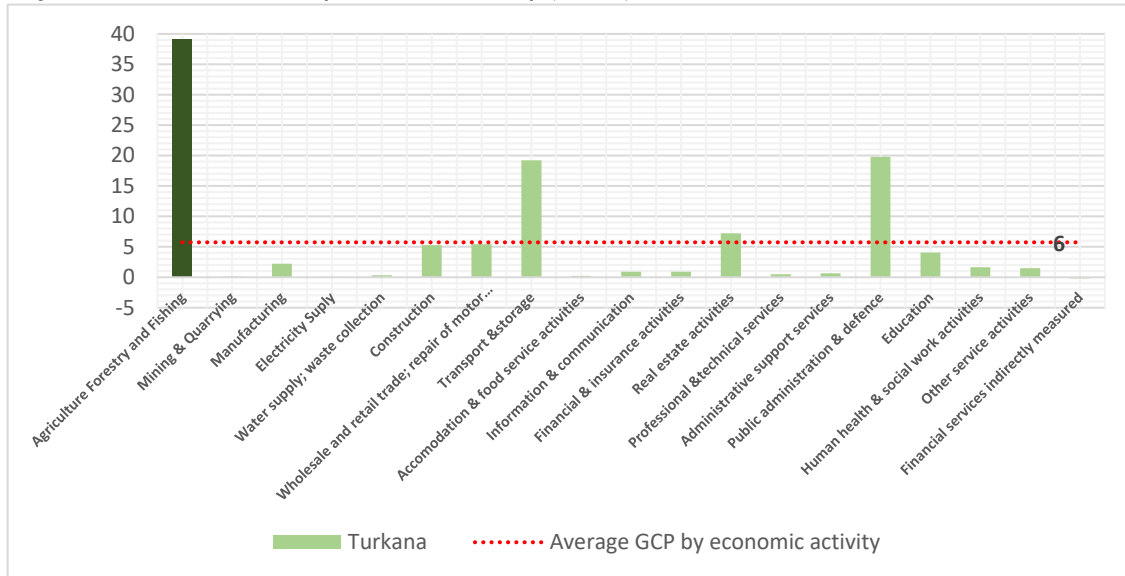
Figure 11. Contribution of agriculture, forestry and fishing to Samburu GCP (2018-2020).



### 2.2.5. Turkana County

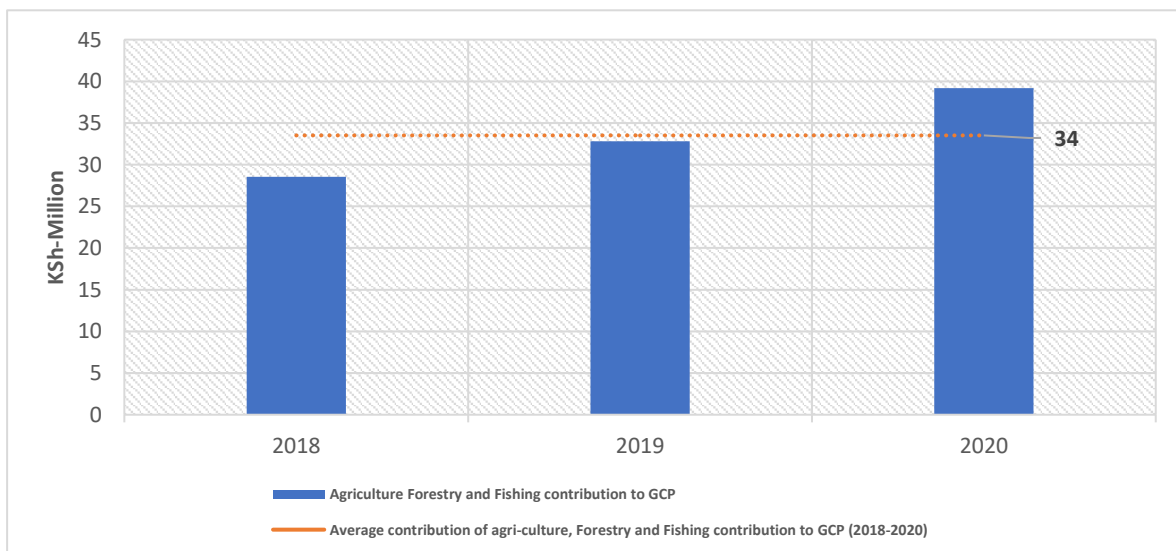
Between 2013-2020, the average contribution of Turkana County to national GDP was 1.1%. In 2020, the GCP was Ksh 109.1 million which was higher than the Ksh 65.877 million county average between 2013 and 2017. The agriculture, forestry, and fisheries subsector was the main contributor to GCP at Ksh 39.179 million which a shift from the 2017 when the subsector was the second contributor to the GCP (Figure 12).

Figure 12. Turkana GCP by economic activity (2020).



The contribution of the agriculture, forestry, and fisheries subsector to Turkana GCP increased between 2018 and 2020 as shown in Figure 13.

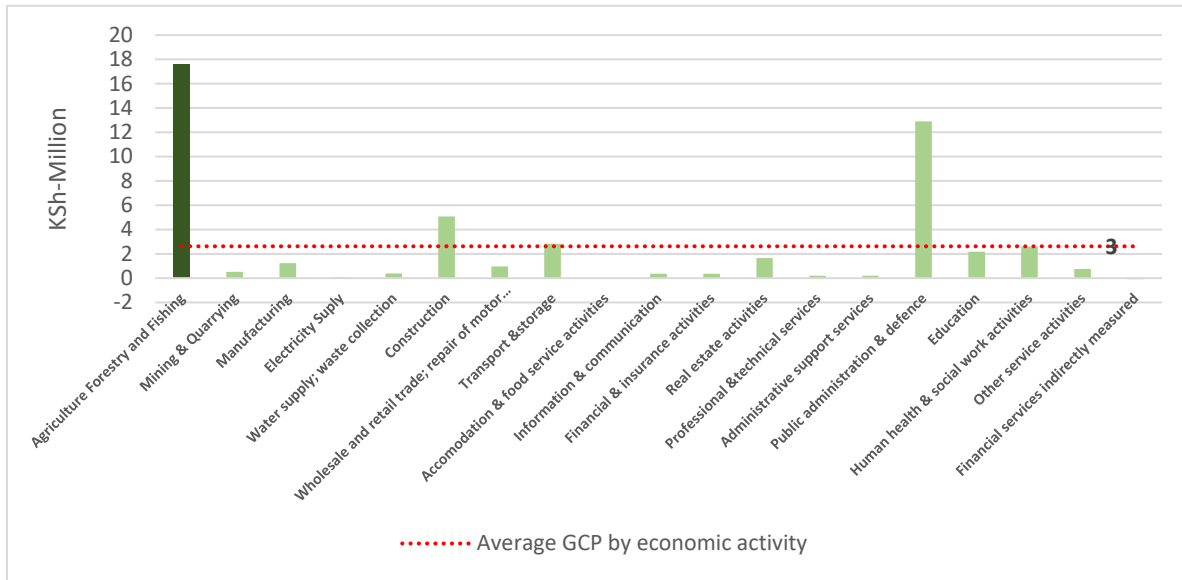
Figure 13. Contribution of agriculture, forestry, and fisheries to Turkana GCP (2018-2020).



### 2.2.6. Wajir County

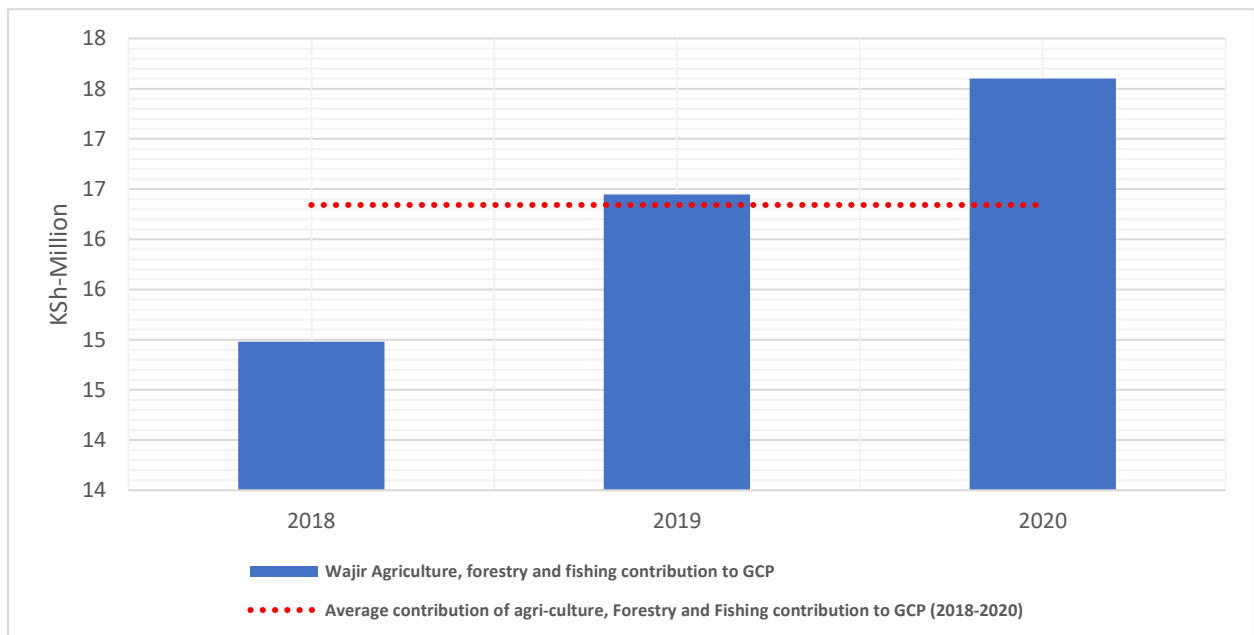
The contribution of Wajir County to GDP was 0.5% between 2013-2020. In 2020, the county GCP was KSh 49.815 million which was higher than the 2013-2017 county average of KSh 30.922 million. As Figure 14 shows, agriculture, forestry, and fisheries subsector was the main contributor to the GCP which is a turnaround from 2017, when public administration and defence subsectors were the main contributors.

Figure 14. Wajir GCP by economic activity (2020).



The contribution of the agriculture, forestry, and fisheries subsector increased between 2018 and 2020. In 2019 and 2020 the contribution was higher than the average contribution of 16.342 million (Figure 15).

Figure 15. Contribution of agriculture, forestry, and fisheries to Wajir GCP (2018-2020).



### 3 Analysis of public investment and expenditure for agriculture subsectors

The livestock subsector is an integral part of the agricultural sector in Kenya. The agriculture and rural development sector in Kenya from 2006 to 2012 was defined by the following national government ministries: Agriculture, Livestock and Fisheries; Cooperatives and Marketing; Water and Irrigation; Natural Resources and Environment; Forestry and Wildlife; Regional Development Authorities; and Lands. With devolution, the county governments adopted the ministries as departments which are named and captured differently across the six counties (Table 3).

Table 3. Names of departments of agriculture in the six counties

County	Name of department related to national Ministry of Agriculture
Garissa	Agriculture, Livestock, and Cooperatives
Isiolo	Agriculture, Livestock, and fisheries
Marsabit	Agriculture, Livestock & Fisheries Development
Samburu	Agriculture
Turkana	Agriculture, Pastoral Economy, and Fisheries
Wajir	Agriculture, Livestock, Alternative Livelihoods, and Irrigation

Expenditure by the national ministries and respective county departments is an indication of the government's support to agriculture and rural development in Kenya. Despite the critical roles of the livestock subsector to Kenya's economic development, there is low public funding and expenditure within the subsector according to the African Union – Inter-African Bureau for Animal Resources<sup>5</sup>. This has also been a major concern for the six target counties, with most of them lamenting that despite the livestock subsector being their main economic activity, the subsector, and the agriculture sector in general, does not get its fair share of the county budget. It is against this background that this study sought to understand the public investment in the livestock subsector vis-à-vis other agricultural subsectors.

This section analyses the county budget allocation across the departments specifically focusing on the agriculture sector and the subsectors therein, as well as their annual expenditure for recurrent and development votes. The section also provides an institutional analysis of public investment in Kenya.

#### 3.1 Institutional framework for budget process in Kenya

**The Kenyan Parliament** is composed of the Senate and the National Assembly, which are referred to as the bicameral legislature of Kenya.

- a. **The Senate** is charged with the mandate (among other roles) of safeguarding county governments' interests during allocation of national resources, and overseeing national revenue allocated to counties. Using the Commission on Revenue Allocation's (CRA) formula, the Senate reviews the County Allocation of Revenue, and the Division of Revenue bills and makes recommendations to both CRA and county executive committee members.
- b. **The National Assembly** represents the people of the constituencies and special interest groups. It deliberates on and resolves issues of concern to the people. It also determines the allocation of national revenue between the two levels of government.

**The National Treasury** prepares the annual Division of Revenue and the County Allocation of Revenue bills taking into consideration the recommendations of the CRA and the Intergovernmental Budget and Economic Council. It prepares the Budget Policy Statement

<sup>5</sup> [https://www.au-ibar.org/sites/default/files/2020-11/pb\\_20201116\\_investment\\_angr\\_en.pdf](https://www.au-ibar.org/sites/default/files/2020-11/pb_20201116_investment_angr_en.pdf)

(BPS). It then submits to Parliament, the two revenue bills, BPS and a memorandum summarizing the reasons for deviating from CRA’s recommendations. Parliament considers and approves them, with or without amendments not later than 30 days after their introduction.

The **Office of the Controller of Budget (OCOB)** is an independent office established under the Constitution of Kenya (2010) with the core mandate of overseeing the implementation of the budgets of the national and county governments by authorizing the withdrawal of allocated monies from public funds. The institution provides budget review reports for the national government and all the 47 counties.

**Office of the Auditor General:** The role of the Auditor General in Kenya, with respect to Article 229 of the Kenya Constitution (2010), is to audit and report, in respect of that financial year, on the accounts of the national and county governments.

The **Commission on Revenue Allocation** recommends to the National Assembly the basis for equitable sharing of revenue raised nationally. Generally, 84.5% of the revenue is allocated to national government with 15% allocated to county governments with the remaining 0.5% used as an equalization fund. The equalization fund is used to provide basic services such as water, roads, and health in marginalized counties. Budgetary allocations are based on the weightings as shown in Table 4.

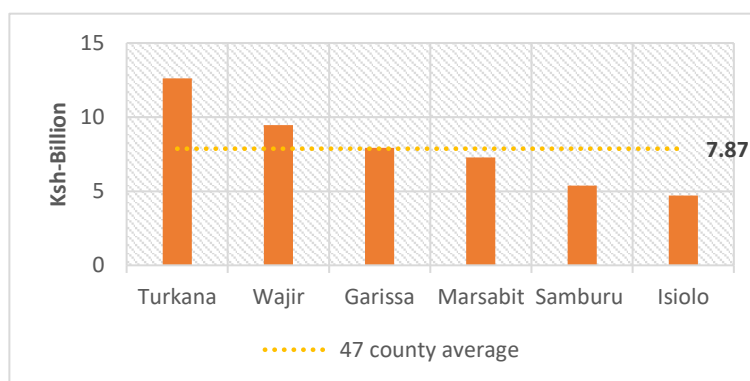
Table 4. Criteria for revenue sharing between national and county governments

Parameter	Percent weighting
Population	45
Poverty index	20
Land area	8
Basic equal share	25
Fiscal responsibility	2
Total	100

Table The criteria stipulate that 25% of the revenue will be shared equally among all the counties, with another 2% provided as an incentive for demonstrable fiscal responsibility and will initially be shared equal among counties. All AIFSD LVC counties are below the weighted threshold of population but have a higher poverty index and larger land mass.

According to the Division of Revenue Act (2021), the 47 county governments were allocated an equitable share of KSh 370 billion for the fiscal year 2021/2022. This is a 17% increase from the KSh 316.5 billion allocated to counties in 2020/2021 fiscal year. Nairobi being the largest county was allocated KSh 19.2 billion, with Lamu County taking the least share, KSh 3.1 billion. Amongst the six counties, Turkana had the highest allocation at KSh 12.61 billion with Isiolo receiving the least, 4.71 billion (Figure 17). Among the six counties, only Turkana, Wajir and Garissa budget allocations were above the overall average of KSh 7.87 billion (Figure 16).

Figure 16. Budgetary allocation to the six counties (2021).



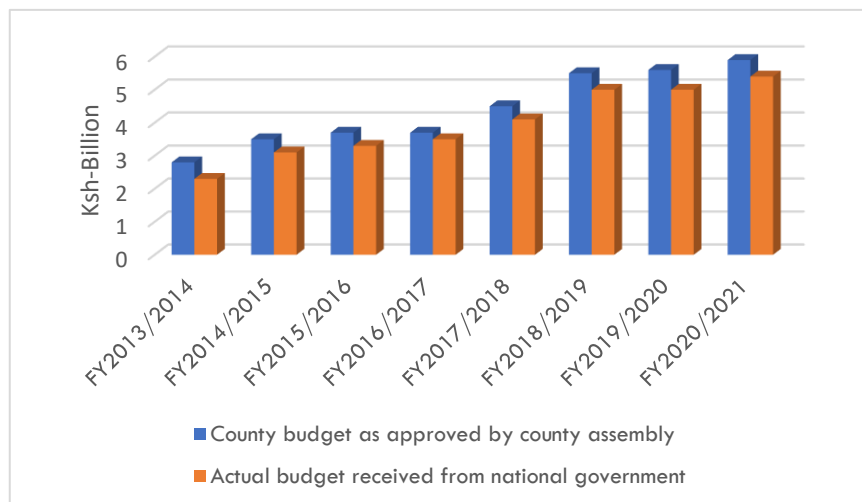
### 3.2 County government investment in the livestock subsector vis-a-vis other agricultural subsectors

This subsection seeks to provide analysis of the possible distribution of public recurrent and development investments of the livestock subsector vis-à-vis other subsectors in agriculture. Generally, governments fund their expenditure through taxes, grants and loans with the latter primarily used to fund development projects. Further, government expenditure is categorized as either recurrent or development. Recurrent includes salaries and wages, pensions, interest payments as well as expenses for general maintenance and operations. Development budget is invested in capital assets, infrastructure, and training among others. This section provides a clear picture of budget allocation and expenditure in AIFSD LVC counties. The Office of Controller of Budget through the budget review reports highlights the specific budgetary allocation to a county in a given financial year, and the actual amount that was disbursed to the county treasuries.

#### 3.2.1 Isiolo County budget expenditure review

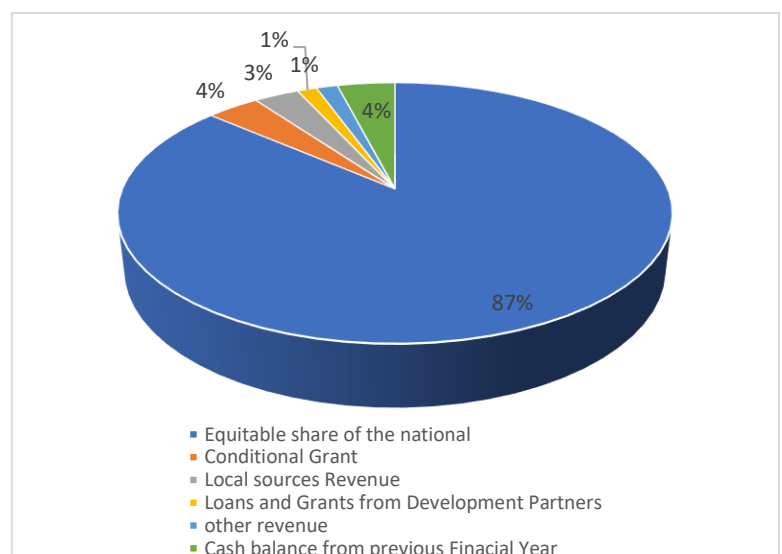
On average, Isiolo County received 90% of its proposed budget for all the years under review. The Isiolo County budgetary allocation increased from KSh 2.3 billion in 2013/2014 to KSh 5.4 billion in 2020/2021, a 134% increase (Figure 17)

Figure 17. Isiolo County budget as approved by county assembly versus actual funds received



As Figure 18 shows, own-source revenue contributed only 3% to the budget with the bulk contribution (87%) from the equitable share of revenue raised nationally. On average, the county has had KSh 178 million as balances from previous financial years. When disaggregated by recurrent cost and expenditure, on average, 62% of the funds have been used to meet recurrent cost while 38% have been used on development projects in the county.

Figure 18. Isiolo County sources of revenue.



The minimal own-source revenue contribution is attributed to the fact that the county did not meet its own-source revenue targets over the eight years, only managing to raise KSh 114.9 million against an average target of KSh 255.1 million. This created an overall gap of 45% between the targeted and actual collection from own-source revenue as shown in Figure 20.

As Table 7 shows, Isiolo County own-source revenue declined from 2014/2015 to 2016/2017 financial years, then increased in 2018/2019, only to sharply decline in 2019/2020, maybe because of COVID-19 effects on key economic sectors within the county. It is only the collection of slaughter fees that attained and surpassed its target (Table 5). Based on the livestock cess, Isiolo County actual revenue as a percentage of annual target was 66.2%. In 2015/2016, the livestock subsector (specifically livestock cess and slaughter fee) contributed 6% to the own revenue kitty. Game park entrance fees was the biggest contributor at 45% followed by land rates at 17% while hospital rates were third at 13% (Table 5).

Figure 19. Isiolo County own-source revenue target collection versus actual collection.



Figure 20. Isiolo County own-source revenue collection.

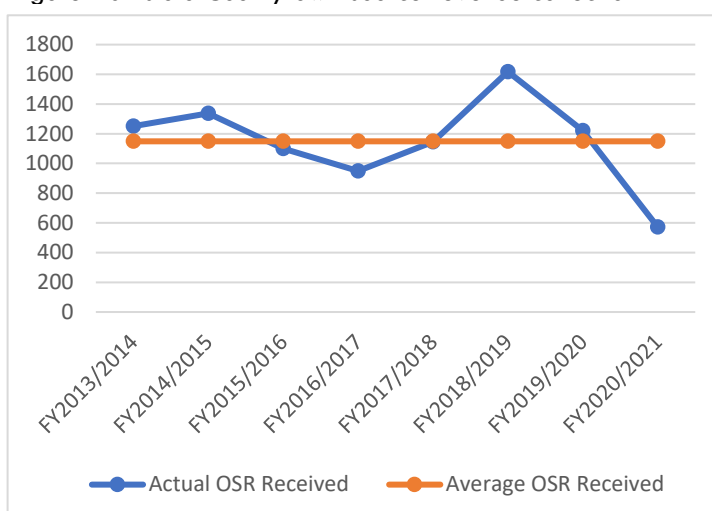


Table 5. Isiolo County own-source revenue by revenue stream in 2015/16 financial year

Revenue stream	Annual target	Actual collection	Actual % of target	% Contribution
Slaughter fees	1,500,000	1,724,405	115	2
Hospital fees	15,000,000	14,275,262	95.2	13
Parking fees	6,000,000	5,380,070	89.7	5
SBP & promotions fees	6,500,000	5,326,815	82	5
Clearance & consent	500,000	395,000	79	0
Livestock cess	6,000,000	3,969,905	66.2	4
Agricultural produce cess/barter/market/entrance/tractor	1,500,000	891,852	59.5	1
Sand cess	10,200,000	5,583,450	54.7	5
Water levies	3,000,000	1,406,410	46.9	1
Miraa cess	5,000,000	2,133,664	42.7	2
Hides & skins	400,000	106,150	26.5	0
Land rates & rents	70,000,000	18,505,929	26.4	17
Game park entrance fees	210,000,000	49,546,706	23.6	45
Murram cess	300,000	53,000	17.7	0
Other sources	13,600,000	1,486,409	10.9	1
Sale of tender documents	2,000,000	84,000	4.2	0
Planning & survey fees	8,500,000	15,000	0.2	0
<b>TOTALS</b>	<b>360,000,000</b>	<b>110,884,027</b>	<b>30.6</b>	<b>100</b>

Source: KIPPRA

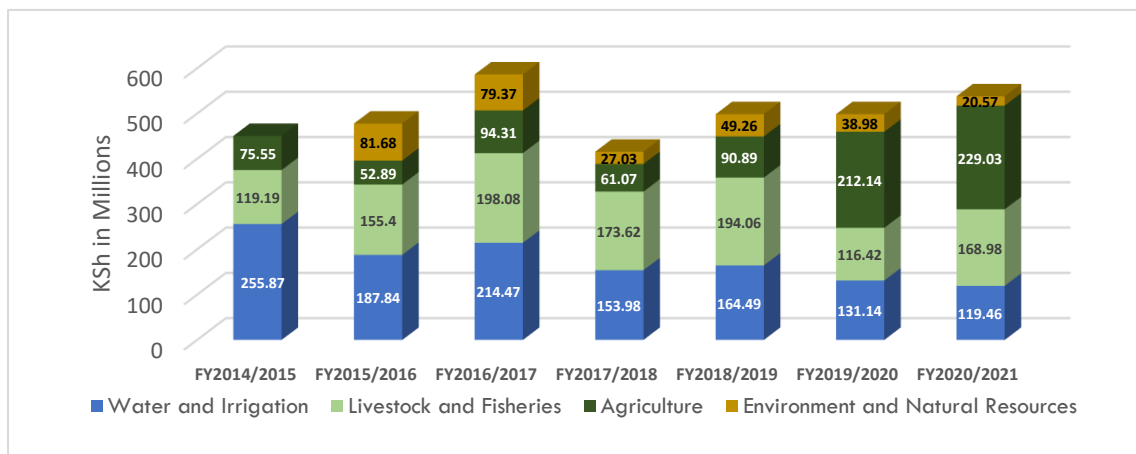
On average, the absorption rate of the budget was 95% with the County expenditure in 2019/2020 financial year being higher than what the exchequer issued as shown in Figure 21. This might have been due to COVID-19 pandemic that forced the county government to utilize more funds in combating the spread of the disease.

Figure 21. Approved budget by Isiolo county assembly vs expenditure.



Focusing on agriculture and other related sectors, on average, the water sector was allocated 4% of the county budget, the livestock, and fisheries 4%, agriculture 3% and environment and natural resources 1%. The county budgetary allocation to livestock and fisheries subsectors increased by 41.8%, from KSh 119.19 million in 2014/2015 to KSh 168.98 million in 2020/2021 as shown in Figure 22. The increase was also experienced in the crop subsector which in 2020/2021 received 35% more than the livestock and fisheries subsector despite the county having livestock production as its main economic activity.

Figure 22. Isiolo County agriculture and other related subsectors budgetary allocations.



The water and irrigation budget allocation has gradually reduced over the years with more allocation experienced during devolution.

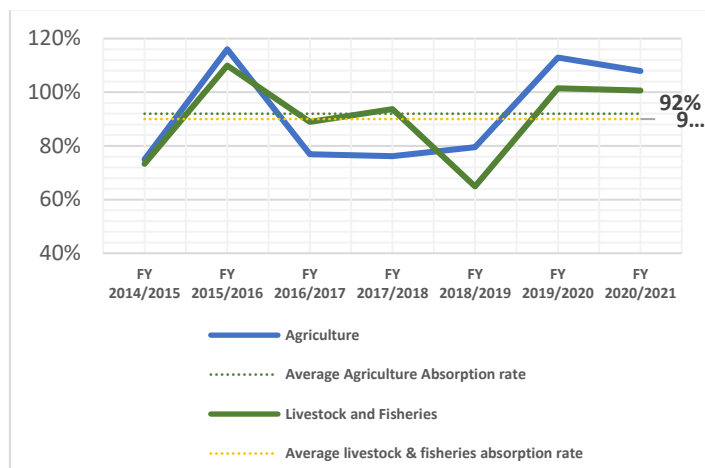
The study further analyzed the distribution of the county budgetary allocation by recurrent and development for the agriculture related sectors (Figure 23). On average, 41% of the



livestock budget was used for development. In the agriculture subsector, 44% was used for recurrent costs while 56% was used for development. The water sector had the lowest allocation for recurrent costs at 34% with 66% being used for development. The environment and natural resources subsector allocated 55% to recurrent with 45% used for development initiatives.

The average budget absorption rate for the livestock and fisheries subsector was 90% with that of agriculture being 92% between 2014/2015 and 2020/2021 financial years. There was a gradual increase in funds absorption from the period in which devolution commenced and towards the second term of devolution. In 2015/2016, 2019/2020 and 2020/2021 financial years, the expenditure for both agriculture and livestock and fisheries was more than the actual allocation as shown in Figure 24.

Figure 24. Isiolo County absorption rate for the agriculture, livestock, and fisheries.



### 3.2.2 Turkana County budget expenditure review

The Turkana County approved budget and the actual amounts disbursed to the county treasury are as indicated in Figure 25. On average, Turkana County received 95% of the approved amounts as per the county budgetary provisions. Over the eight years, the county budget allocation increased by 72%, from 7.86 billion in 2013/2014 to 13.48 billion in 2020/2021 financial year.

Figure 25. Turkana County approved budget by county assembly vs actual funds received.

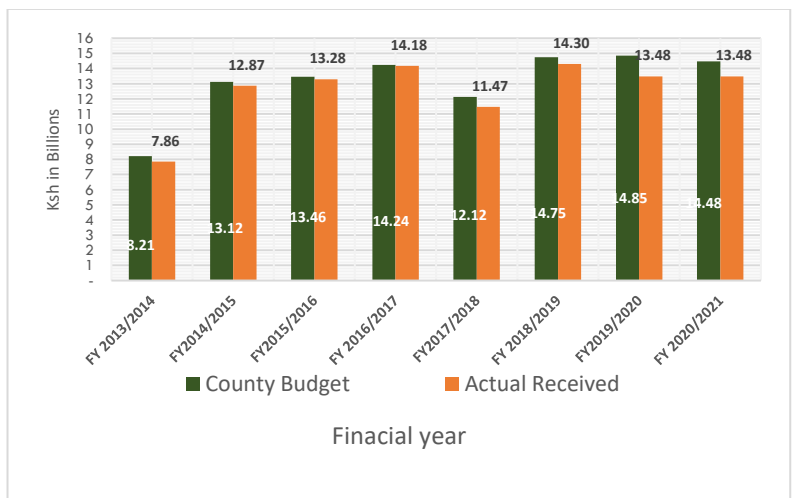


Figure 26 shows the sources of revenue that Turkana County used to finance the budget. On average the county had KSh 1.97 billion as balances from previous financial years. The county equally shared the funds between recurrent costs and development projects.

Figure 26. Sources of revenue in Turkana County.

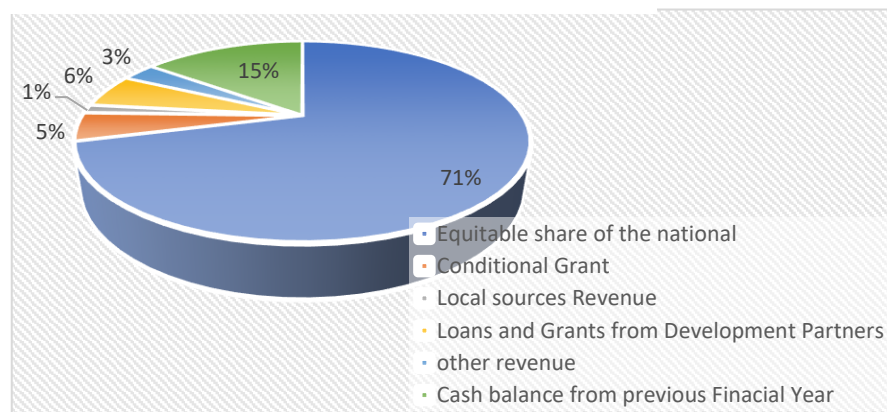


Figure 27. Turkana county own-source revenue targets versus actual

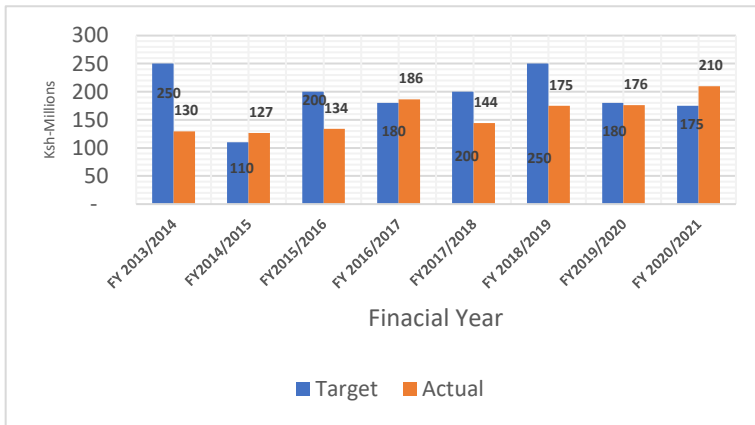
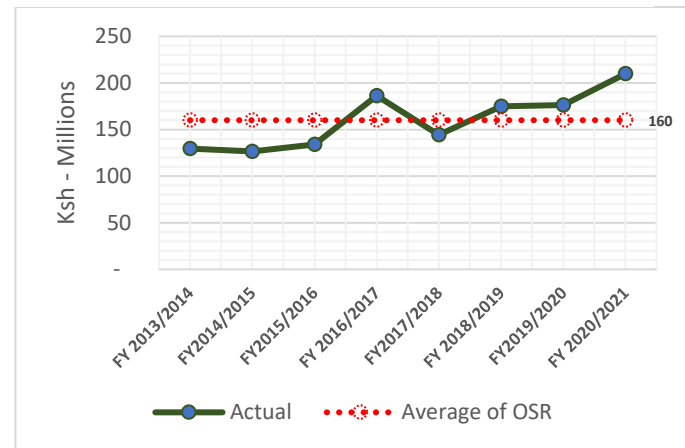


Figure 28. Own-source revenue collection in Turkana



Except for 2020/2021 financial year when the county overachieved on own-source revenue target by 20%, Turkana County did not to meet its own-source revenue targets, only achieving 83% on average (Figure 28). However, the collection of own-source revenue increased over the years. From 2018/2019 to 2020/2021 the own-source revenue collected by Turkana County was above the average of KSh 160 million as shown in Figure 29.

As Table 6 shows, eight revenue streams achieved their target except three namely, miscellaneous receipts, animal auction fees and other fee. Direct deposits contributed the highest to own-source revenue for the 2015/2016 financial year.

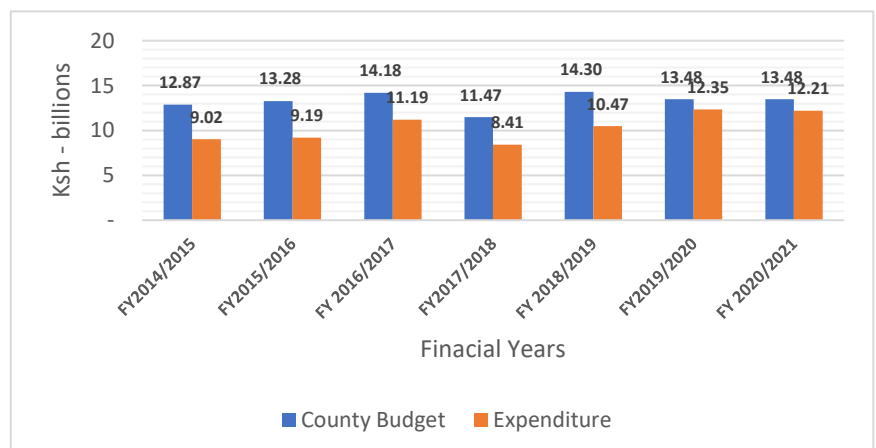
Table 6. Analysis of revenue collected by stream in 2015/16 for Turkana County

Revenue stream	Own-source revenue (KSh)		Percentage received	Percentage contribution to own-source revenue
	Annual target	Actual received		
Lorry parking fees	200,000	260,300	130.2	0.2
Direct deposits	27,156,000	54,951,723	202.4	41.0
Matatu fees	423,500	632,540	149.4	0.5
Bus park fees	500,000	591,030	118.2	0.4
Landcruiser fees	257,000	955,370	371.7	0.7
Fish market fees	523,000	1,326,490	253.6	1.0
Single business permits	4,530,650	20,900,880	461.3	15.6
Miscellaneous receipts	135,679,350	52,194,932	38.5	38.9
Animals auction fees	5,670,000	126,040	2.2	0.1
Other fees	25,060,500	2,076,660	8.3	1.5
<b>Total</b>	<b>200,000,000</b>	<b>134,015,965</b>	<b>67</b>	<b>100.0</b>

Figure 29 shows the Turkana County budget vis-à-vis total county expenditure. On average the absorption rate of the budget was 78%. Within the eight years of devolution, the county was unable to fully utilize its budget. However, the absorption rate increased over the years.

The county allocated 6% of the average county budget to water services, environment,

Figure 29. Turkana County budget allocation versus expenditure.



and mineral resources, 4% to agriculture, pastoral, and economic fisheries; and 2% to tourism, culture, and natural resources. Generally, the budgetary allocation to agriculture, pastoral economy, and fisheries has been on an upward trend (Figure 30).

The county used 67% of the agriculture and pastoral economy budget on development projects, the rest on recurrent expenditure. This was also the case with tourism and, culture, and natural resources.

In the water services, environment, and mineral resources, 83% of the budget was used for development, the rest on recurrent cost (Figure 31).

Figure 30. Turkana County budgetary allocation to agriculture & other related subsectors. Turkana County.

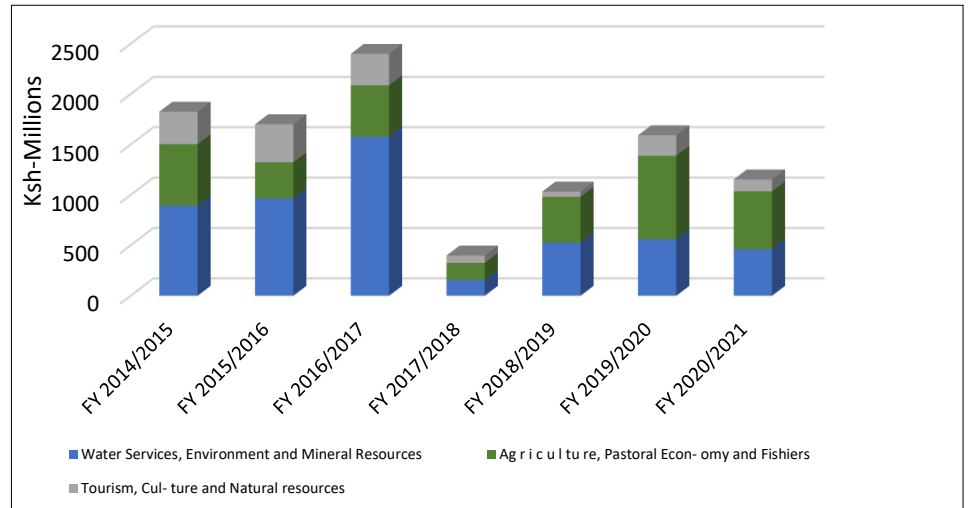


Figure 31. Turkana County allocation for recurrent and development in agriculture and related subsectors.

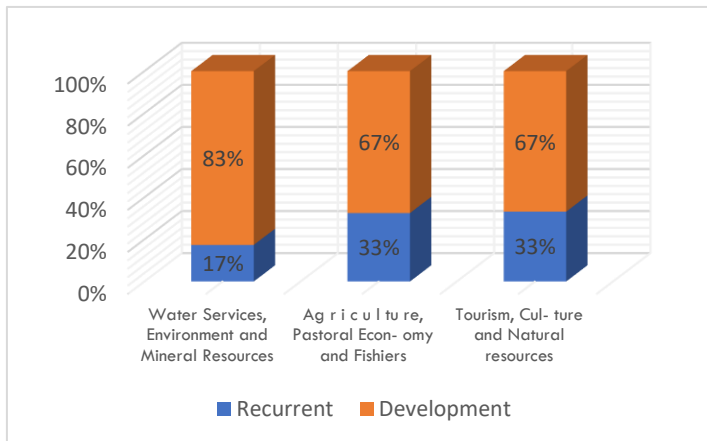
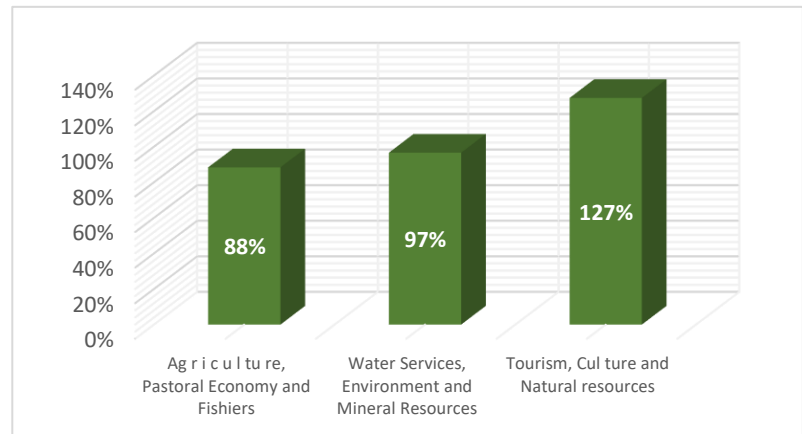


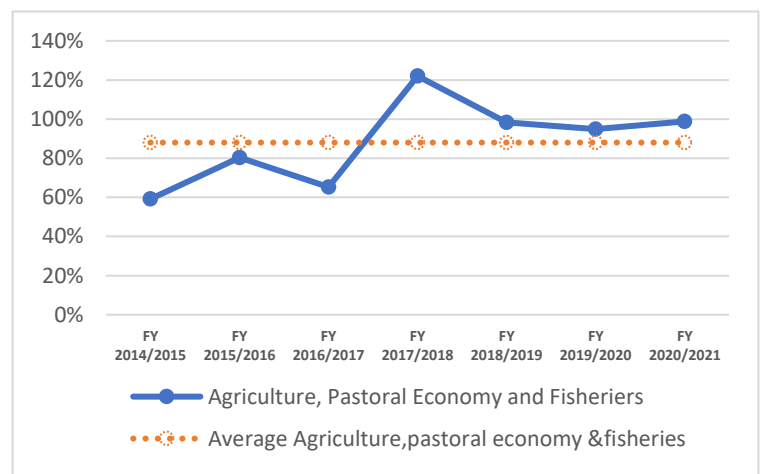
Figure 32. Turkana County budget absorption rate in agriculture and other related subsectors.



The agriculture, pastoral economy, and fisheries absorption rate was 88%; water services, environment, and mineral resources 97%; and tourism, culture, and natural resources 127% (Figure 33).

As Figure 34 shows, the absorption rate for the agriculture, pastoral economies and fisheries has been increasing over years surpassing the average of 88% from the 2017/2018 financial year.

33. Turkana County budget absorption for agriculture, pastoral economies, and fisheries.

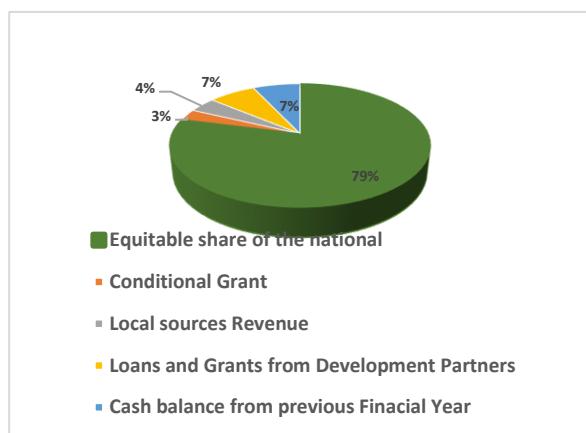


### 3.2.3 Samburu County budget expenditure review

On average, Samburu County received 89% of its budget requirements between 2013/2014 and 2020/2021 financial years, increasing by 48% over the period as shown in Figure 34.

As Figure 35 shows, equitable share of the revenue raised nationally was the greatest contributor to the budget financing at 79%. The county used only 36% of its budget on development.

Figure 35. Samburu County sources of revenue.



On average the county only managed to achieve 7% of the targeted own-source revenue (Figure 36) which was declining over the years.

Figure 34. Samburu County budget approved by county assembly versus actual funds received.

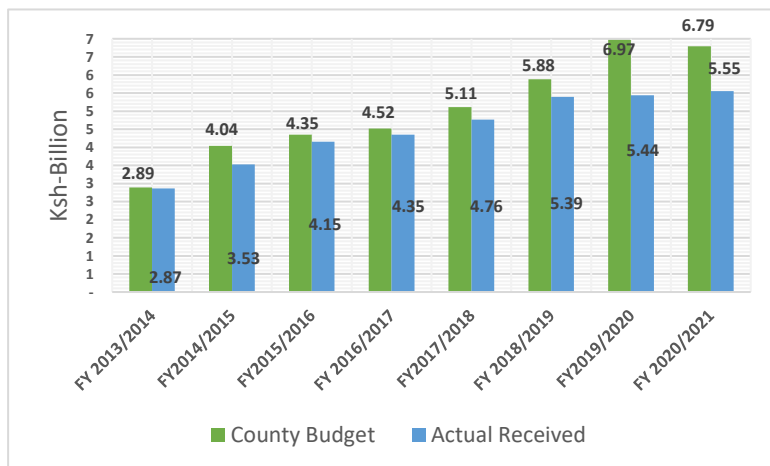


Figure 36. Samburu County own-source revenue target versus actual collected.

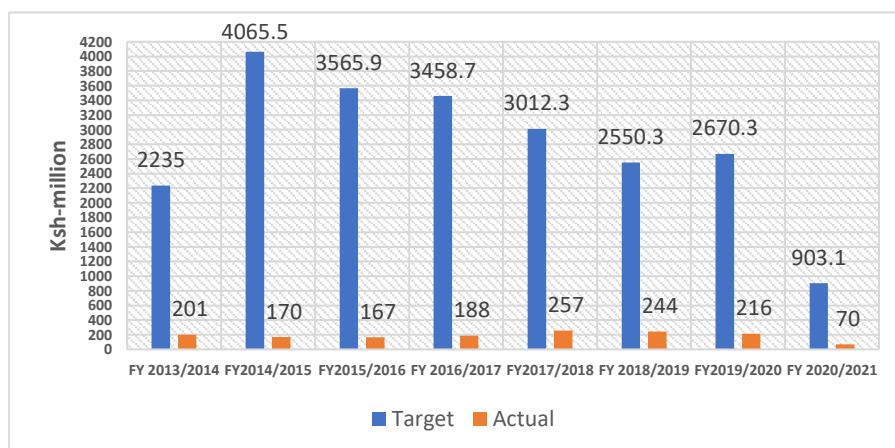


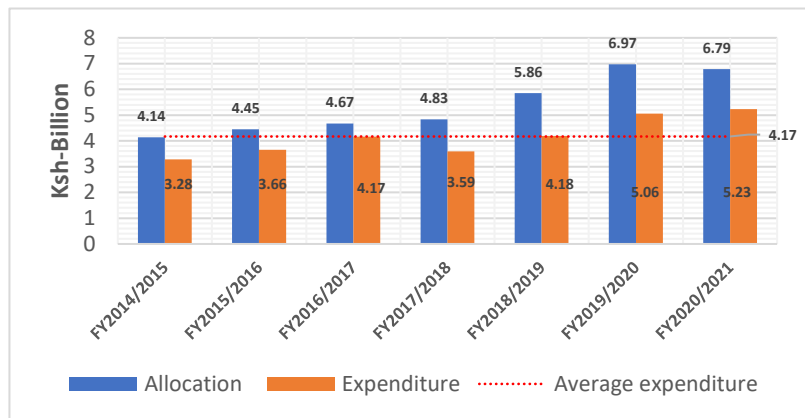
Table 7 shows the various revenue streams for the Samburu County Government during the 2015/2016 financial year. The Samburu National Reserve generated the highest revenue at 61% followed by other revenue sources that are not differentiated at 16%. Livestock cess and slaughter fee did not feature as a revenue stream in 2015/2026 despite livestock production being categorized as a key economic activity within the county.

Table 7. Analysis of revenue collected by stream in FY 2015/16 for Samburu County

No.	Revenue stream	Annual target (KSh)	Actual collection	Percentage collection	Percentage contribution
1	Health Department	9,450,000	9,272,531	98.1	6
2	Samburu National Reserve	210,000,000	101,059,988	48.1	61
3	Other sources	50,830,640	25,991,568	51.1	16
4	Cess	32,285,000	12,476,308	38.6	7
5	Single business permits	18,470,000	9,556,450	51.7	6
6	Land rates	25,500,000	8,479,290	33.3	5
	<b>Total</b>	<b>356,585,640</b>	<b>166,836,135</b>	<b>46.8</b>	<b>100</b>

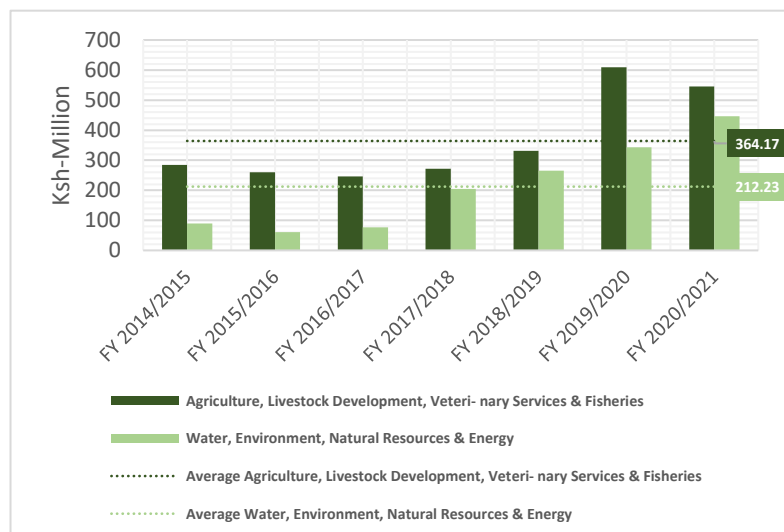
On average, Samburu County average absorption rate was 77% of the county budget. On average the county expended KSh 4.17 billion against an average of KSh 5.39 billion allocated to the county. The absorption rate has increased gradually over the years with the county expending more than the average overall expenditure in the second term of devolution (Figure 37).

Figure 37. Samburu County budget allocation versus expenditure.



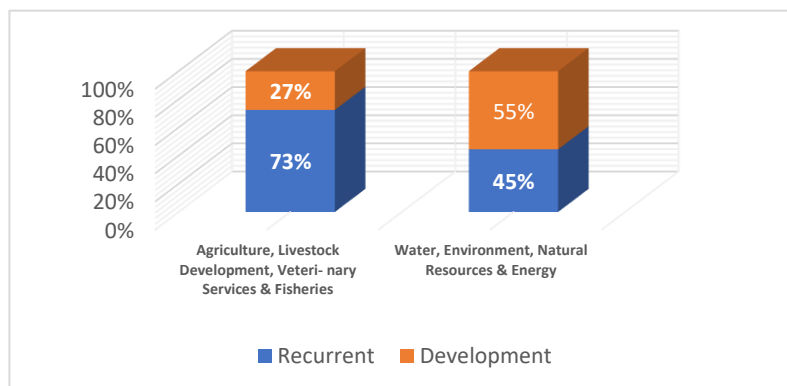
Since devolution, the agriculture, livestock development, veterinary services and fisheries subsector in Samburu County received on average, 8% (KSh 364.17 million) of the total budget with water, environment, natural resources, and energy sector taking 5% (KSh 212.23 million) of the overall budget. There was a gradual increase in the allocation to the agricultural sector over the years with the only decrease of 11% between 2019/2020 and 2020/2021 financial years (Figure 38).

Figure 38. Samburu County agricultural sector budget allocation vis-a-vis other related sectors.



Samburu County used 73% of the Department of Agriculture, Livestock Development, Veterinary Services and Fisheries budget on recurrent costs. On the other hand, 45% of the Department of Water, Environment, Natural Resources and Energy budget was allocated to recurrent costs (Figure 39).

Figure 39. Percentage allocation for recurrent and development costs in Samburu County.



As Figure 40 shows, the absorption rate for the Agriculture, Livestock Development, Veterinary Services, and Fisheries Department was 85% for recurrent expenses and 92% for development costs. On the other hand, the absorption rate for the Department of Water, Environment, Natural Resources, and Energy was 80% for both recurrent and development costs.

Over the years, the county has not managed to fully utilize its budget with its highest utilization being at 97% in 2015/2016 financial year as shown in Figure 41. On average, the budget absorption rate has been only 89% over the years.

Figure 40. Samburu County absorption rates for recurrent and development cost.

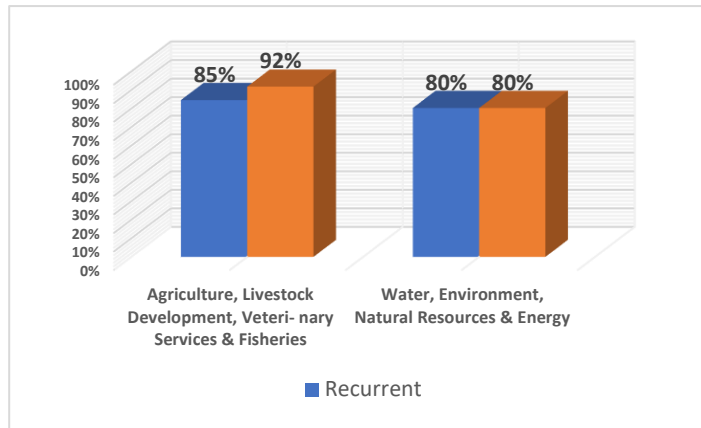
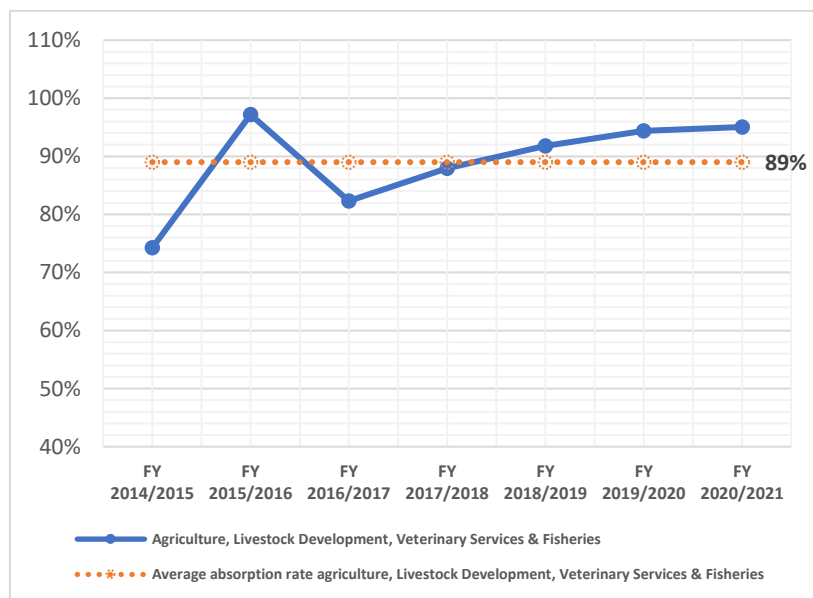


Figure 41. Samburu County absorption rates for Department of Agriculture, Livestock Development, Veterinary Services, and Fisheries.



### 3.2.4 Garissa County budget expenditure review

According to the yearly budget review reports of the Office of the Controller of Budget, Garissa County on average, received 89% of its proposed budget over the eight years since the start of devolution. Noteworthy is that the budget allocation to the county increased by 48% over the same period (Figure 42).

As in other counties, equitable share of the revenue raised nationally was the greatest source of revenue for Garissa accounting for 82% of the revenue with own-source revenue contributing the least at 1% (Figure 43). Much of the revenue (61%) was used on recurrent costs.

As Figure 44 show, the county was unable to achieve its own-source revenue targets over the years, only managing to achieve an average 31%. While the own-source revenue generally increased, the drop in 2016/2017 and 2017/2018 financial years (Figure 45) could have been occasioned by general election and change of county leadership.

Figure 42. Garissa County approved budget by county assembly versus actual funds received.

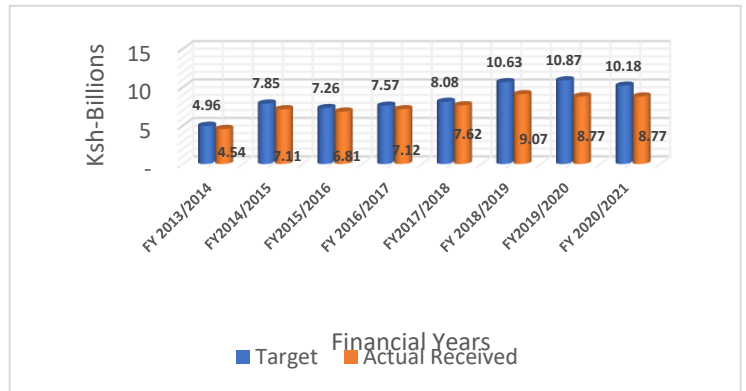


Figure 43. Sources of revenue in Garissa County.

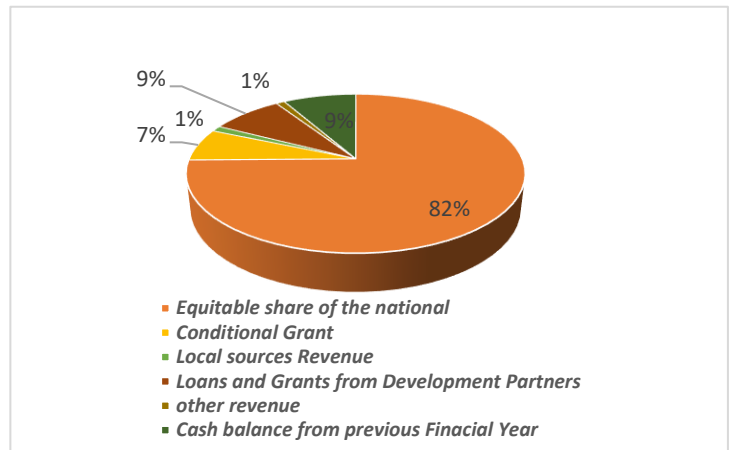
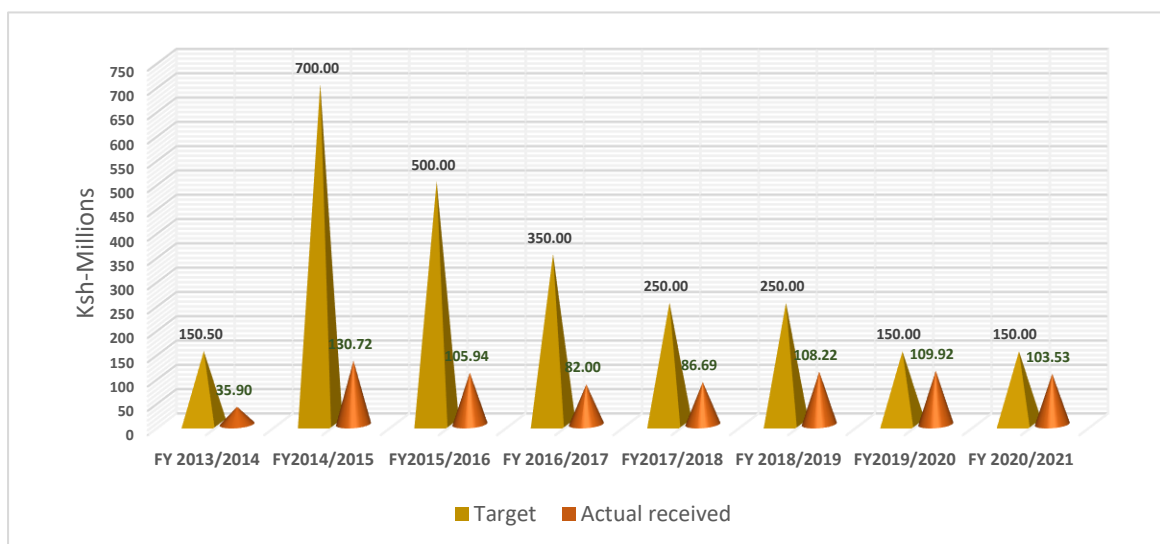


Figure 44. Garissa County own-source revenue targets versus actual collected.





From the various revenue streams that contributed to the county's own-source revenue, other revenue stream was the highest contributor at 30%, followed by the Provincial General (PG) hospital revenue at 24% and stock auction fees (cattle) at 8% (Table 8). However, none of the revenue streams were able to achieve their target in the 2015/2016 financial year.

Figure 45. Garissa County own-source revenue collection.

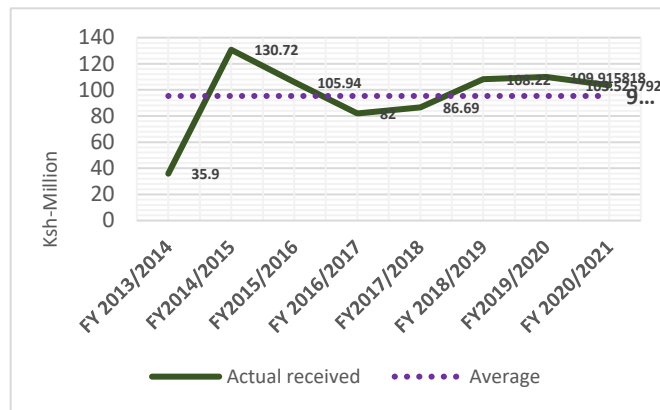
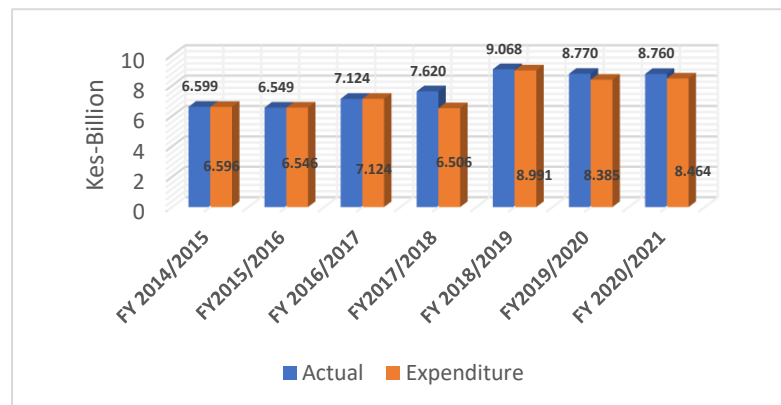


Table 8. Analysis of revenue collected by stream in 2015/16 for Garissa County

Revenue stream	Annual target (KSh)	Actual revenue	Percentage collected	Contribution (%)
Stock auction fees (cattle)	39,477,200	7,970,320	20	8
Market fresh produce fees	34,888,000	5,329,250	15	5
Single business permits	45,974,680	17,026,173	37	16
Building materials	36,996,000	8,319,650	22	8
Land rates	43,309,560	10,690,635	25	10
PG hospital revenues	120,463,400	25,127,080	21	24
Others	178,891,160	31,480,567	18	30
<b>TOTAL</b>	<b>500,000,000</b>	<b>105,943,675</b>	<b>21</b>	<b>100</b>

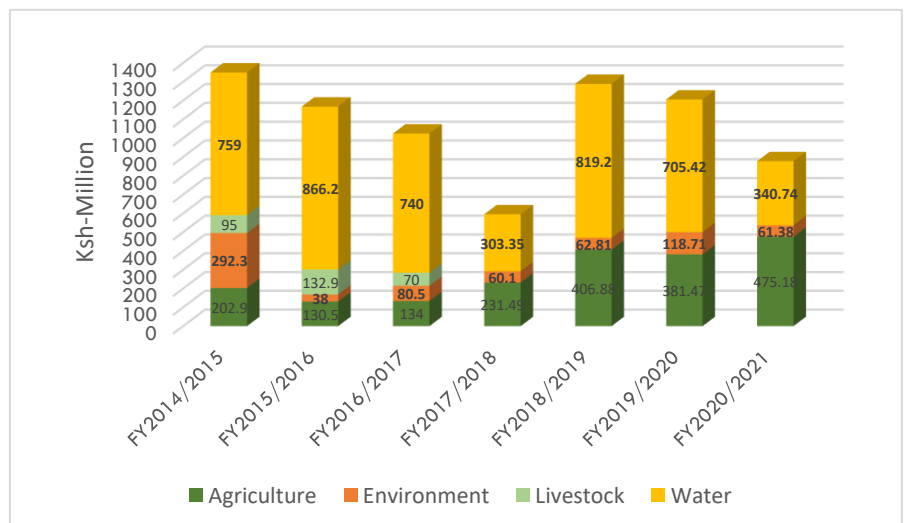
The assessment also sought to understand the budget absorption rate of the county. From the analysis, the county average absorption rate was 97%. The absorption rate has increased over years, with the only drop in 2017/2018, which can be attributed to then general election (Figure 46).

Figure 46. Garissa County actual budget allocation Vs actual



Despite the critical role of livestock in the county's economy, the county allocated only a paltry 1% of its budget to the livestock subsector. Figure 47 shows that water sector is the highest funded sector among all other agricultural subsectors although allocation to it over the years has been inconsistent. Agriculture was the second most funded sector with an increase in allocation over the years.

Figure 47. Agriculture & other related subsectors budgetary allocation in Garissa County.





The environment sector is third in terms of budget allocation although the funding to it has been declining over time. The livestock subsector is the least funded. In the earlier years of devolution, the subsector was funded as a standalone allocation, but this has changed over time.

As Figure 48 shows, the 75%, 46% and 26% of the budget allocated to the water, agriculture and livestock subsectors, respectively, was used on development. The county absorption rate for the recurrent sectors was 99% with that of development standing at an average of 87% (Figure 49). The livestock subsector absorption rate for the development funds stood at 71% while their recurrent cost absorption rate was 98%.

On average, the water and agriculture sector absorption rates have been at 100%, with livestock being at 91% and environment at 87%.

Figure 48. Allocation for recurrent and development in Garissa County.

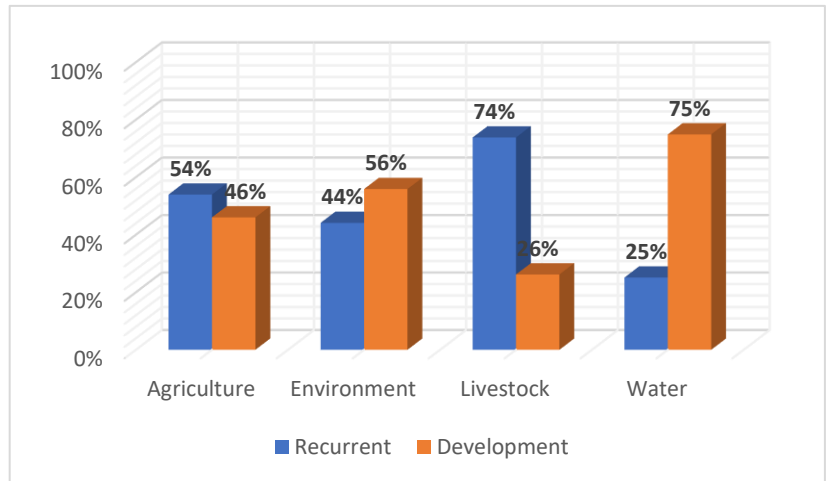
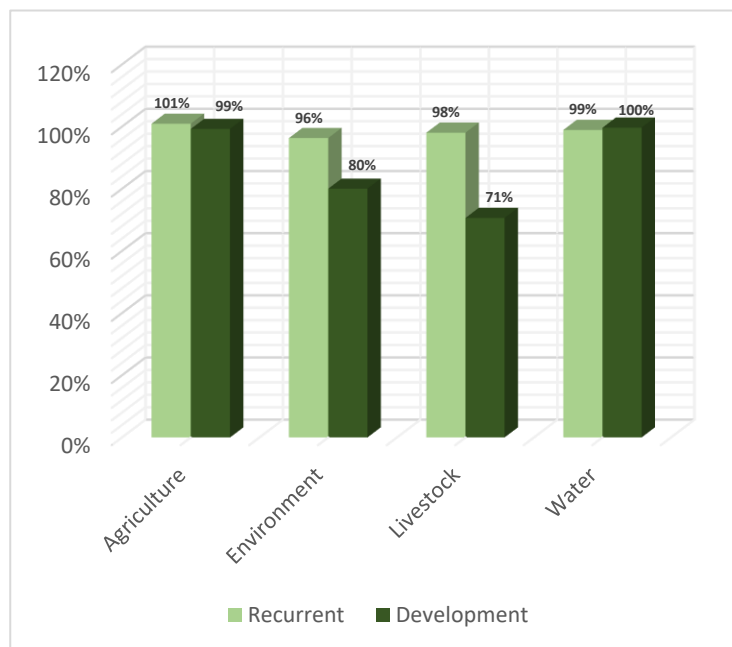


Figure 49. Absorption rate for recurrent and development cost in Garissa



### 3.2.5 Marsabit County budget expenditure review

Marsabit County received, on average, 97% of its budget over the eight years (Figure 50), which increased by 29% from the 2014/2015 to 2020/2021 financial year.

As Figure 51 indicates, equitable share of revenue raised nationally was the main contributor to the budget, accounting for 83% of the funds while own revenue sources accounted for only 2%. The county used 49% of the budget on development.

To further understand the ability of the county to generate its own revenue, the assessment analysed the targeted own-source revenue and the achieved and compared it to different revenue streams contribution. Figure 52 shows the county own-source revenue target vis-a-vis achieved. On average, the county managed to collect 90% of its target own-source revenue. Based on the revenue streams for the 2016/2017 financial year (Figure 53), hospital charges were the main contributor to the county own-source revenue at 19%, followed by livestock charges at 18% and single business permits at 16%.

Data presented in the OCOB budget review reports did not highlight the target revenue to be collected by each stream and it is therefore difficult to delineate whether the different revenue streams achieved their set targets.

On average the Marsabit County Government expended 84% of its yearly budget (Figure 54). The budget absorption rate increased by 7.6% from the 2014/2015 to 2020/2021 financial year.

Figure 50. Marsabit County approved budget by County assembly vs actual funds

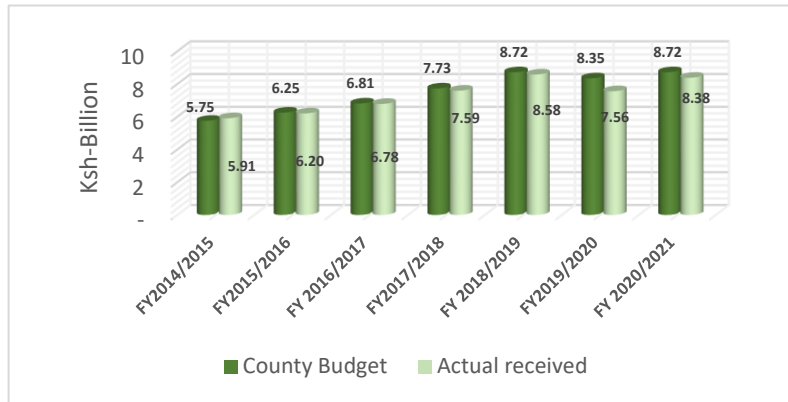


Figure 51. Marsabit County revenue sources.

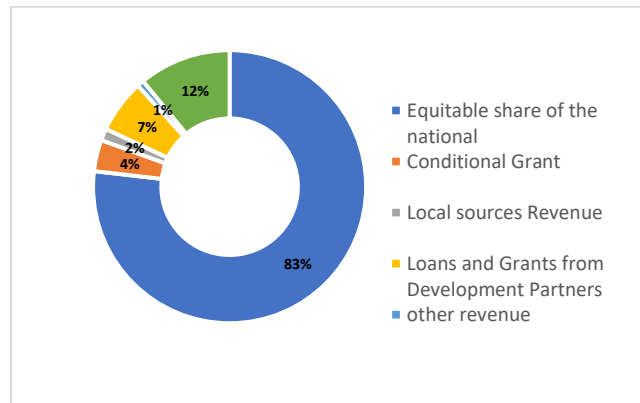


Figure 52. Marsabit County own-source revenue target collections Vs actual

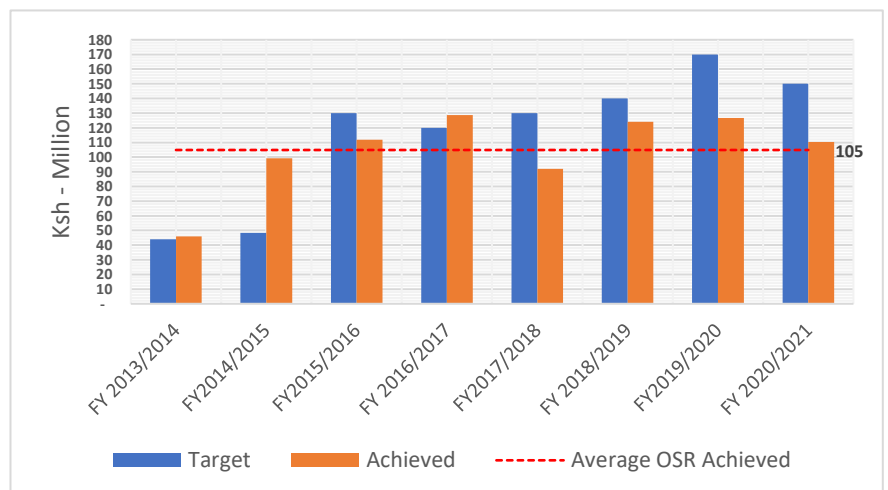


Figure 53. Contribution to own-source revenue by different revenue stream in 2015/2016 financial year.

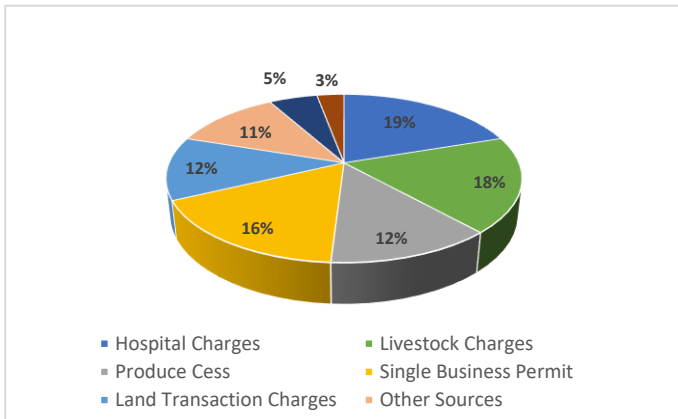
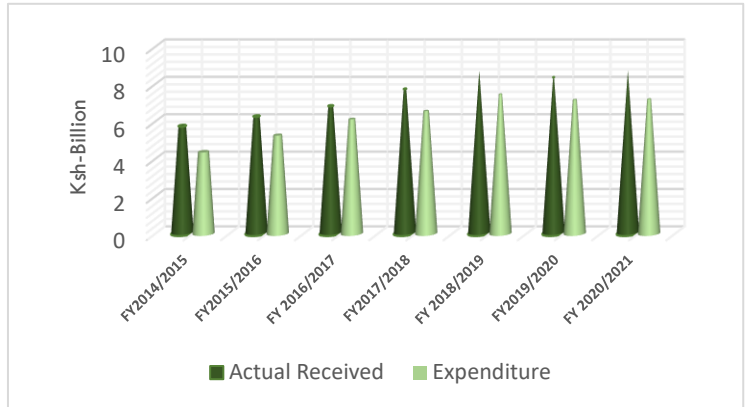


Figure 54. Marsabit County actual budget allocation Vs expenditure.



From its overall budget, the Marsabit allocated, on average, 4% of its budget to the agriculture, livestock, fisheries subsector, and 8% to the water and environment subsectors. As Figure 55 shows, allocations to the agriculture, livestock, and fisheries subsector increased over the years except for 2019/2020 and 2020/2021. The absorption rate, on average for the agriculture, livestock and fisheries subsector was at 82% while that of water and environment was at 90%.

Figure 55. Marsabit County agriculture and related subsectors budgetary allocation.

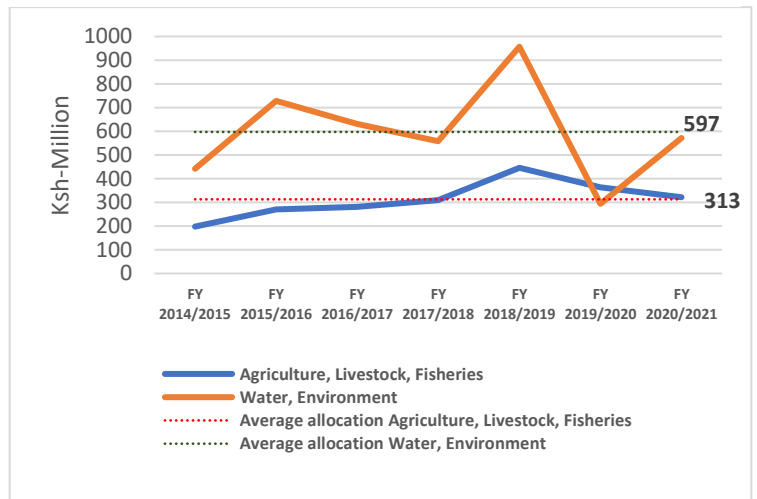
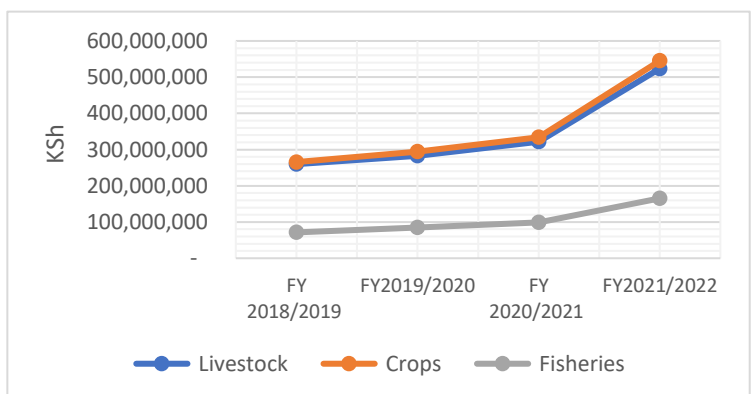


Figure 56 shows analysis of budget allocation to crops, livestock, and fisheries from the 2018/2019 to 2021/2022 financial years. The crops subsector had the highest budget allocation averaging KSh 359 million followed by livestock at KSh 347 million and fisheries at KSh 105.25 million.

Figure 56. Marsabit County budgetary allocation to agricultural related subsectors.



On average, 72% of the budget for the livestock was allocated to development compared to 73% to crops and 80% to fisheries (Figure 58). Generally, 56% and 80% of the agriculture, livestock and fisheries, and water and environment budgets, respectively, were used for development (Figure 57).

As Figure 58 shows, the average absorption rate for the Department of Agriculture, Livestock, and Fisheries in Marsabit County was 86%. Apart from 2017/2018 financial year when the budget overshot the allocation by 15%, the county did not fully utilize its budget.

Figure 57. Percentage expenditure on recurrent and development projects in Marsabit County.

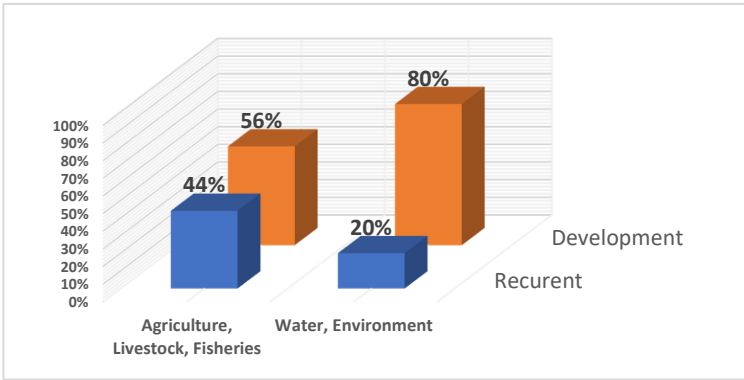
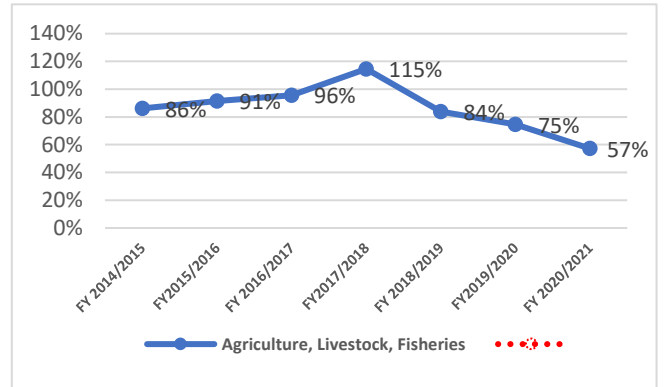


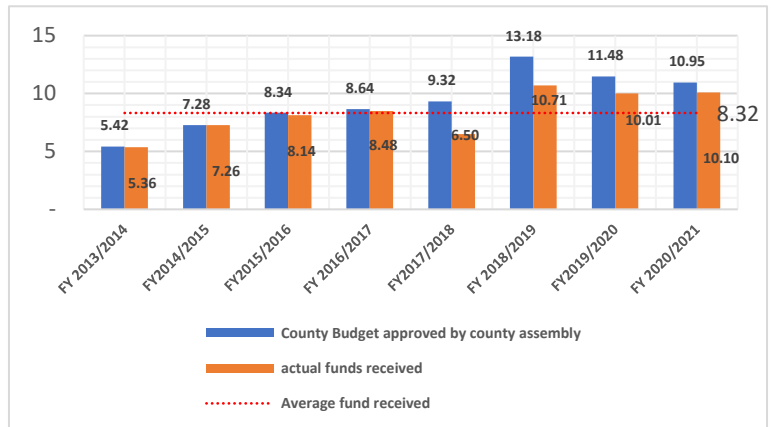
Figure 58. Absorption rate for the Department of Agriculture, Livestock and Fisheries for Marsabit County.



### 3.2.6 Wajir County budget expenditure review

On average, Wajir County has received KSh 8.32 billion every year since devolution commenced as shown in Figure 59. The budget allocation increased by 47% from 2013/2014 to the 2020/2021 financial year. Further, on average, the county received 89% of the planned budget to service their recurrent and development costs. On average the county allocated 48% of its budget to development projects and 52% to recurrent costs. Key to note is that during the first years of devolution, over 55% of the funds were used for development but this has, over time, decreased to an average 44%. This signifies an increase in wage bill during the second term of devolution.

Figure 59. Wajir County approved budget by the county assembly versus actual funds received.



The main source of revenue for the county is the equitable share of the revenue raised nationally, accounting for 86% with own-source revenue contributing only 1% (Figure 60).

To further understand the ability of the county to generate its own revenue, the assessment analysed the own-source revenue targets and the achieved and compared them to the different revenue streams contributions. The results are shown in Figure 61. On average, the county collected 47% (KSh 74 million) of its targeted own-source revenue.

Figure 60. Revenue sources in Wajir County.

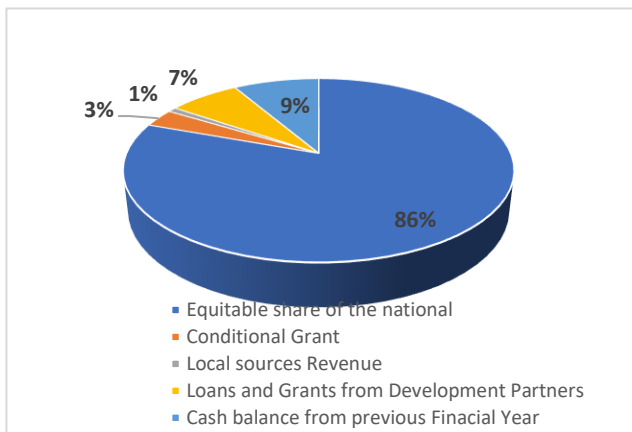
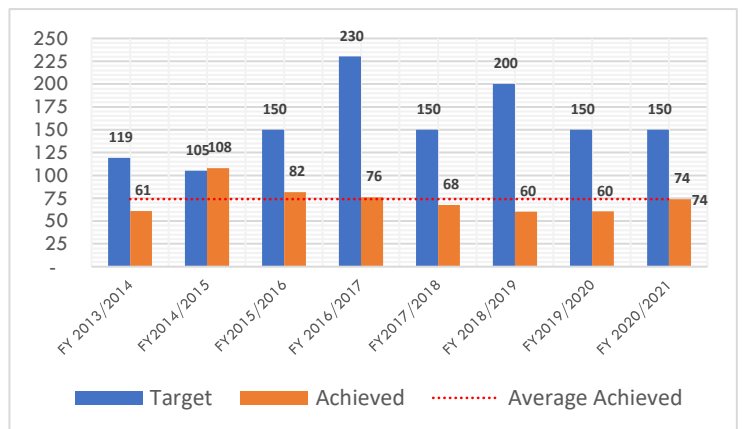


Figure 61. Wajir County own-source revenue targets vs achieved.



Miraa cess was the main contributor to the county's own-source revenue for the 2015/2016 financial year at 23%, followed by livestock auction fees at 13% and other sources at 14% as shown in Table 9. Data presented in the OCOB budget review reports did not highlight the target revenue to be collected by each stream and it is difficult to delineate whether the different revenue stream achieved their set targets.

Table 9. Revenue streams for 2016/2017 financial year

No	Revenue stream	Annual actual (million KSh)	Percentage contribution
1	Miraa cess	18.87	23
2	Livestock auction fees	10.81	13
3	Cost sharing	7.78	10
4	Single business permit	7.74	9
5	Hire of county assembly	7.42	9
6	Building materials	6.7	8
7	Cereals	3.84	5
7	Livestock export fees	2.58	3
9	Land rent	2.55	3
10	Septic tanks	2.13	3
11	Other sources	11.33	14
	<b>Total</b>	<b>81.75</b>	<b>100</b>

On average, Wajir County expended 98% of its annual budgets, averaging KSh 8.08 million for each financial year except for 2014/2015, 2015/2016, and 2017/2018 (Figure 62).

Wajir County allocated 6% of its overall budget to the agriculture, livestock, and fisheries subsector, 12% to water resources and 2% to energy, environment, and natural resources. The county increased budgetary allocations to the agriculture, livestock, and fisheries subsector with a sharp decline in 2017/2018, when Kenya conducted the second general elections after devolution (Figure 63). On average, absorption rate for the agriculture, livestock and fisheries, and water resources was 97% while that of environment, natural resources was 86%.

The county used 62% of the agriculture, livestock, and fisheries, 78% of water resources sector, and 59% of the energy, environment, and natural resources subsector budgets on development projects (Figure 64). The absorption rate of the agriculture, livestock, and fisheries recurrent cost was 99% and 97% for development. For water resources, the absorption rate for recurrent and development was 95% and 97 respectively.

Figure 62. Wajir County actual budget allocation vs expenditure.

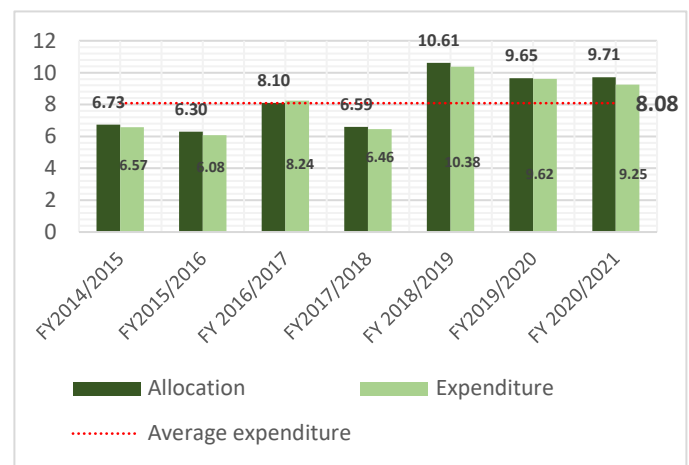


Figure 63. Agriculture and other agricultural related subsectors budgetary allocation in Wajir County.

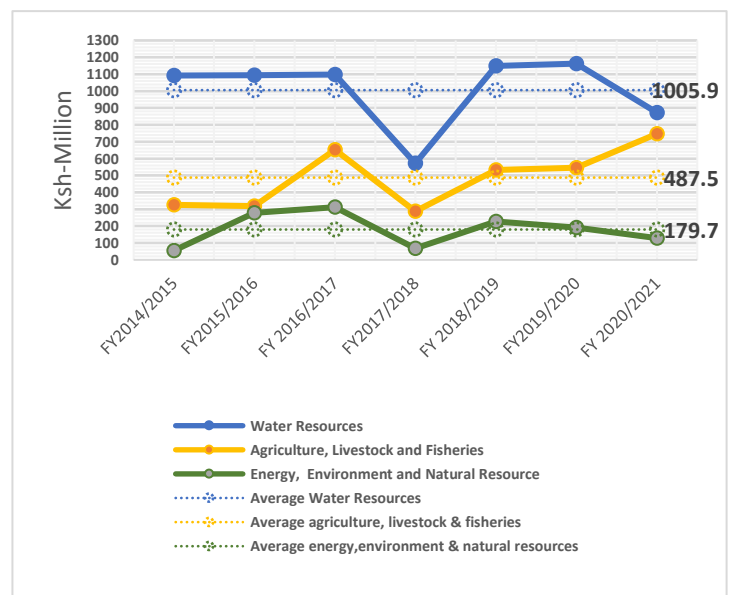
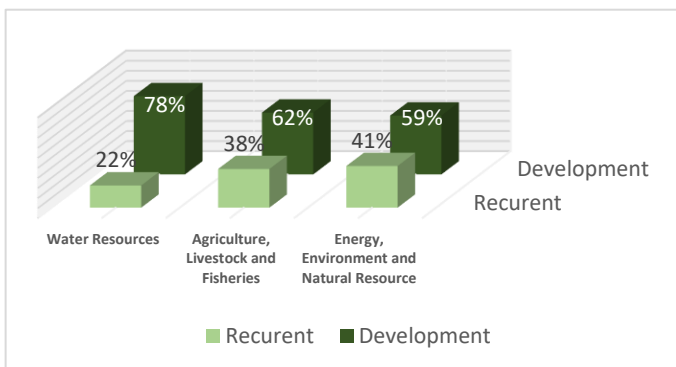


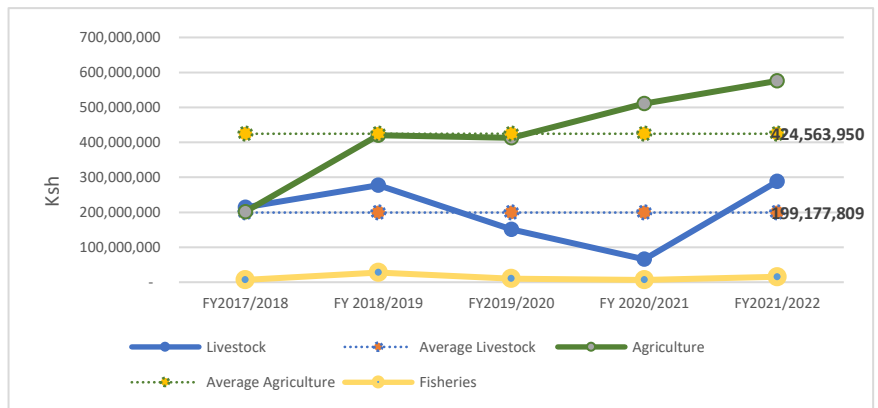
Figure 64. Percentage expenditure on recurrent and development projects in Wajir County.



For energy, environment, and natural resources, the absorption rate for recurrent cost was 99% while that of development was 78%.

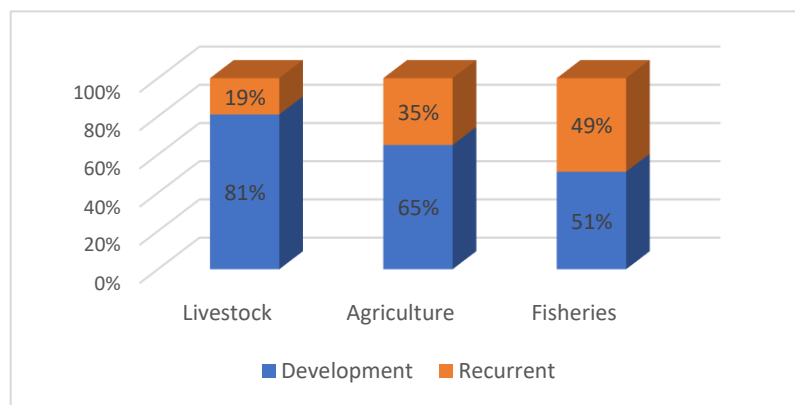
As Figure 65 shows, budgetary allocation to the agriculture sectors increased by 185% between the 2017/2016 and 2021/2022 financial years. For the livestock subsector, the allocation increased during 2017/2018 and 2018/2019, declined during 2018/2019 and 2020/2021 but sharply increased by 340% from the 2020/2021 to 2021/2022 financial years.

Figure 65. Wajir County budget allocation to the agriculture and related subsectors.



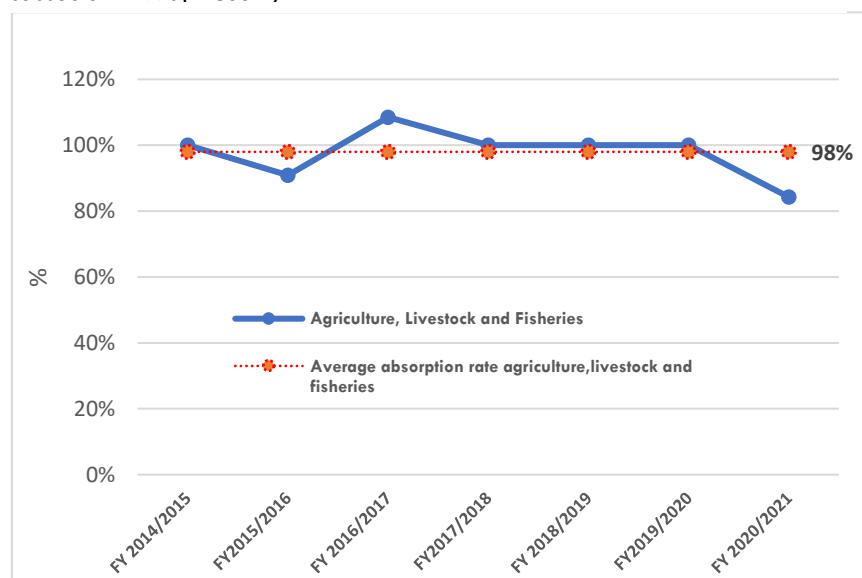
Specifically, 81%, 65%, and 51% of the livestock, agricultural, and fisheries budgets respectively were used for development (Figure 66).

Figure 66. Percentage budget allocation to agriculture and other related subsectors in Wajir County.



On average the agriculture, livestock, and fisheries subsectors utilized 98% of their budget allocations. In 2016/2017, the agriculture, livestock and fisheries subsector exceeded the budget by 9% while 2020/2021 had the least absorption rate at 84% as shown in Figure 67.

Figure 67. Absorption rate of the agriculture, livestock, and fisheries subsector in Wajir County.



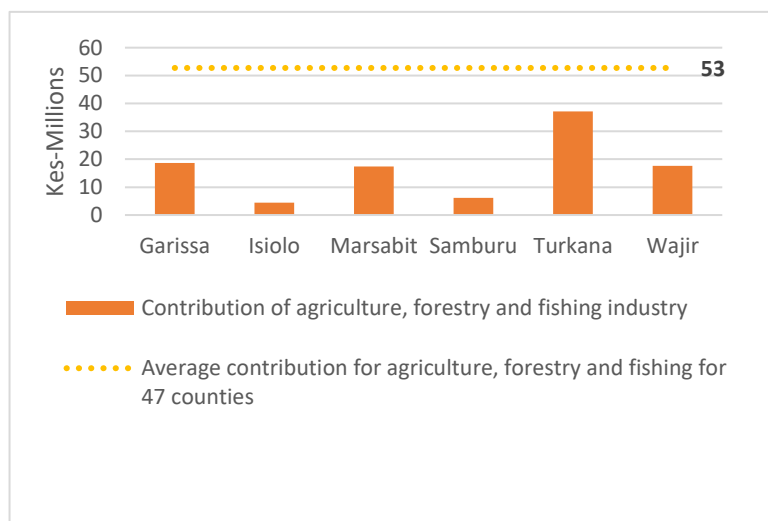
## 4 Discussions, conclusions, and recommendations

This section discusses key findings of the economic contribution of the livestock subsector, the public investment and expenditure to the livestock subsector and recommends actions to improve funding within the livestock subsector in the six target counties.

### 4.1 Economic contribution of the livestock subsector

The livestock subsector is domiciled in the agriculture, forestry, and fisheries sector in the six target counties. However, while the subsector is the main economic activity, its contribution of agriculture, forestry, and fisheries sector to GCP was considerably low. Among the six counties, Turkana County received the highest contribution from the sector, at KSh 37.179 million, with Isiolo receiving the lowest contribution at KSh 4.48 million in 2020 (Figure 69). In all the six counties, the contribution of agriculture, forestry, and fisheries sector to GCP was below the KSh 52.73 million average contribution in the 47 counties. However, in Garissa, Marsabit, Wajir and Turkana, the agriculture, forestry, and fisheries sector was the key contributor to their GCP. In Isiolo and Samburu counties, public administration and defence was the main contributor to their GCP. There was a great improvement in the contribution of agriculture, forestry, and fisheries to the GCP in all the six counties albeit with low release in 2019 and 2022.

Figure 68. Contribution of the agriculture, forestry, and fisheries sector to the GCP of AIFSD LVC counties in 2020.



Although some of these counties had small contributions to the national GDP, they have great potential to increase their contribution considering their rapid economic growth, an example in Marsabit County where KNBS reported of possible rapid growth of their economy in the coming years. The growth trends in these counties portend opportunities for private sector investment, particularly in agriculture, forestry, and fisheries. Therefore, given the importance of livestock in the economies and livelihoods of people in these counties, strengthening and improving the performance of the livestock subsector and enabling the engagement of the pastoralists in this process is a prerequisite for achieving resilience and growth.

### 4.2 Own-source revenue

None of the six counties achieved their own-source revenue targets. The contribution of own-source revenue to the overall county budget was below 5% in all the six counties, which is below the 10% average contribution of the 47 counties according to the KIPPRA economic survey reports. Among the six counties, Samburu County had the highest own-source revenue contribution of 4%, Isiolo 3%, and Marsabit 2%. The contribution of own-source revenue was just 1% in the Garissa, Turkana and Wajir overall budgets. On a positive note, the levels of own sources of revenue have been increasing across the six counties albeit slowly. The low contributions of own-source revenue to the county budgets explains the low GCPs of these counties, hence their dependency on the equitable share from the national government.



A county's ability to collect its own revenue is critical to the functioning of its government and its service delivery. Enhanced own-source revenue not only improves absolute revenues for a county but also increases its government's fiscal autonomy and enables management of its public finances in manner more appropriate to its own economic needs. Since the main economic activity of these counties is livestock production, the only way to enhance their own-source revenue is through increased livestock sales. It is therefore imperative for these counties to enhance stock auction revenue streams backed by policies and legislation such as the Livestock Sales Yard Act. Out of the six counties, only Isiolo has enacted the Livestock Sales Yard Act and other supporting legislation. Samburu is in the process of formulating a similar act, whereas Marsabit is developing the Livestock Marketing and Trade bill. The counties need strengthen administrative and technical capacities to ensure sustainable livestock production.

A study by the Accelerated Value Chain Development (AVCD) program in 2020 confirmed that there is hardly any private sector participation in animal health service delivery in these counties. Generally, private sector participation is very weak in this region primarily due to high dependency on donors, and non-governmental organizations. These counties need to develop frameworks that will attract private sector participation especially in livestock production as part of generating more revenue that can be ringfenced to enhance sustainable livestock production. The governments in the six counties also need to address factors that limit effective private sector participation such as poor transport, insecurity, and settlement systems. The governments can mobilize funds to support services such as working with the private sector to bring together livestock producers to access for animal health delivery services in specific assembly areas. The producers/communities would then pay for these services and the government would collect taxes from the private actors.

### 4.3 Overall budget allocation

Budget reviews are done by the Office of Controller of Budget. In the budget review reports, most of the six counties in this study captured livestock budgets as part of the agricultural budget. It was therefore not possible to extricate the real amounts allocated to the livestock subsector. Only Garissa and Isiolo counties had reports with distinctive budget allocation and expenditure for the livestock subsector. In addition, the livestock subsector is categorized under different subsectors across the six counties making it difficult to do an in-depth comparative analysis of budget allocation. Table 10 provides a summary of budgetary allocation to the different subsectors.

Table 10. Percentage budget allocation to agriculture and other related sectors in the six counties

Sectors	Percentage budget allocation to agriculture and other related sectors					
	Garissa	Isiolo	Marsabit	Samburu	Turkana	Wajir
Water	9	4	-	-	-	12
Livestock and fisheries	1	4	5	4	-	2
Agriculture	4	3	4	1	-	4
Environment and natural resources	1	1	-	-	-	-
Water services, environment, and mineral resources	-	-	-	-	6	-
Agricultural, pastoral economic and fisheries	-	-	-	-	4	-
Tourism, culture, and natural resources	-	-	-	-	2	--
Water, environment, and natural resources	-	-	8	5	-	-

In all the six counties, the water sector had the highest budget allocation. This can be attributed to the fact that water plays a key role in supporting livestock production which is a key economic activity in the counties. Because it is a scarce commodity in the ASALs, the county governments invest more in making it available. In counties whose agriculture budget had distinct data provided for its subsectors, Garissa allocated 1% to livestock development with 4% being allocated to agriculture; Isiolo allocated 4% to livestock and 3% to agriculture; and Wajir allocated 2% to livestock and fisheries, and 4%to agriculture.

It is quite evident that the livestock subsector within these counties is not well financed even though it is the main economic activity. The low contribution of the subsector to these counties GCP can be attributed to the minimal funds that are provided for development within the subsector. Agriculture (crops production) received a higher budgetary allocation despite most of the areas being arid. The areas have only small patches of farming for instance, along Tana River in Garissa, Turkwel River and other irrigation initiatives in Turkana, in the highlands of Samburu, in the hilly parts of Marsabit, and some pockets in Wajir North and Habaswein in Wajir. For gainful economic growth, the respective county assemblies need to rethink their budget allocation to the livestock subsector bearing in mind that the livestock is their main economic activity, and its role in alleviating poverty and enhancing food and nutrition security among pastoralists. They also need to take into consideration the population of the livestock in these counties vis-à-vis the national population while allocating budget to the livestock subsector as these counties' livestock population is 80% of the national population.

Nevertheless, more in-depth analysis would be necessary to further examine the causal relationship between public expenditure in the livestock subsector and GCP growth in the arid counties. These findings therefore emphasize the need for an in-depth review of the budgetary allocations and its relation to GCP contribution of the subsector.

#### 4.3.1 Budget allocation of recurrent and development expenditure

On budgetary allocation for development and recurrent cost, the Public Finance Management Act (PFMA) 2015 recommends that the threshold for development spending should be a minimum of 30% of the total budget. As Table 11 shows, budgetary allocations to development for agriculture, livestock, and fisheries subsector were within the recommended PFMA 2015 for all the counties except for Samburu (27%) and Garissa (26%). Whereas the six counties tried to maintain the minimum threshold as advised by PFMA 2015, there was a lot of spending on recurrent costs, which does not generate significant economic yields besides job creation. The high recurrent expenditure in the six counties limits their overall output and explains their low GCP. Counties need to increase their development budgets to spur their economic growth.

Table 11. Budgetary allocation for development and recurrent expenditure within AIFSD LVC counties

<b>Allocation to development and recurrent</b>		
<b>Wajir</b>		
Sector	Recurrent (%)	Development (%)
Agriculture, livestock, fisheries	38	62
Water development	22	78
Energy, environment and natural resources	41	59
<b>Marsabit</b>		
Agriculture, livestock and fisheries	44	56
Water and environment	20	80
<b>Garissa</b>		
Agriculture	54	46
Environment	44	56
Livestock	74	26
Water	25	75
<b>Samburu</b>		
Agriculture, livestock development, veterinary services & fisheries	73	27
Water, environment, and energy	45	55
<b>Turkana</b>		
Agriculture, pastoral economy & fisheries	33	67
Water services, environment, mineral resources	17	83
Tourism, culture & natural resources	33	67
<b>Isiolo</b>		
Agriculture	44	56
Livestock & fisheries	59	41
Water and irrigation	34	66
Environment & natural resources	55	45

### 4.3.2 Budget absorption

Budget absorption is a great benchmark for determining the efficiency and effectiveness of the counties on formulation, and utilization of budgets. Not being able to absorb funds by the counties has negative impact on the county development and service delivery in general. The six counties had high absorption rates as shown in Table 12. Expectedly, absorption of recurrent budgets is much higher than that of development budgets in all the sectors.

Generally, low rates of overall budget execution are driven in part by delayed release of funds to counties from the Ministry of Finance, which makes it impossible for counties to fully spend the funds in the financial year. Further, delays in the enactment of revenue bills, and delays in the enactment of county finance bills and county appropriation bills are some of the key factors causing low absorption of development funds in counties.

Table 12. Summary of absorption rates of agriculture related subsectors in the six counties

<b>Absorption rate</b>			
<b>Wajir</b>			
<b>Sector</b>	<b>Recurrent (%)</b>	<b>Development (%)</b>	<b>Average absorption rate (%)</b>
Agriculture, livestock, fisheries	99	97	98
Water development	95	97	96
Energy, environment, and natural resources	99	78	89
<b>Marsabit</b>			
Agriculture, livestock, and fisheries	88	77	83
Water and environment	85	91	88
<b>Garissa</b>			
Agriculture	101	99	100
Environment	96	80	88
Livestock	98	71	85
Water	99	100	100
<b>Samburu</b>			
Agriculture, livestock development, veterinary services & fisheries	85	92	89
Water, environment, and energy	80	80	80
<b>Turkana</b>			
Agriculture, pastoral economy & fisheries	-	-	88
Water services, environment, mineral resources	-	-	88
Tourism, culture & natural resources	-	-	127
<b>Isiolo</b>			
Agriculture	93	101	97
Livestock & fisheries	95	83	89
Water and irrigation	121	91	106
Environment & natural resources	114	116	115

## 4.4 Conclusions and recommendations

The assessment concludes that despite being the main source of livelihood in the six counties, livestock generally received low budgetary allocation. Making livestock budgets part of the agriculture budget especially in budget review reports by the controller of budget made it difficult to extricate the real amounts allocated to livestock subsector. The low budgetary allocation has resulted in low throughput as indicated by low economic contribution of the subsector to the county GCPs. Lack of county data to complement data by the national government, also makes it difficult to gauge the efficiency of the livestock subsector and other related subsectors under the agricultural sector. It is therefore recommended that the six counties:

- i. Deliberately increase budgetary provision to the agriculture sector and within the sector, increase livestock share relatively to its contribution to the GCP.
- ii. Invest in developing frameworks that will enable them to monitor and carry out strategic analysis of the performance and opportunities for investments in the livestock subsector. These frameworks would ensure disaggregated livestock subsector data on budgets, expenditure and absorption rate is collected, analysed, and disseminated to support gauging the efficiency of the subsector. There is need

- to bolster data collection and monitoring and evaluation to showcase the effectiveness of livestock subsector investments and the role these investment play in supporting economic growth.
- iii. Formulate policies that will not only promote own-source revenue from livestock production such as livestock sales yard bills but also those that promote livestock enterprises within the agriculture sector, paying attention to policies that encourage private sector driven value chain development strategies. There is need for policy mechanisms and interventions that will complement, coordinate, and collaborate with the private sector rather than compete with it.
  - iv. Give attention to proper analysis of budgetary needs as opposed to looking at figures from previous years. It is important to also factor in or provide for externalities such as drought management during the budgeting. Budgetary allocation to the sectors should be informed by the socio-economic impacts of sector in monetary terms, and their contribution to the GCP.