

# **EMBU COUNTY GOVERNMENT**



## **COUNTY TREASURY**

# **COUNTY FISCAL STRATEGY** **PAPER**

**FY 2023/2024**

***BUILDING BACK BETTER: STRATEGY FOR RESILIENT AND  
SUSTAINABLE ECONOMIC RECOVERY***

**JULY 2023**

## FOREWORD

The County Fiscal Strategy Paper 2023 is framed against a backdrop of global economic slowdown underpinned by the Russia-Ukraine conflict, elevated global inflation, and the lingering effects of the COVID-19 pandemic and climate change related supply chain disruptions. As the effects of COVID-19 pandemic started to fade away, the Kenyan economy bounced back recording a GDP growth rate of 7.5 percent in 2021. However, the momentum has been disrupted again by the Russia-Ukraine conflict that has disrupted global trade with increased fuel, fertilizer and food prices.

In addition, the Kenyan economy continues to be confronted by various constraints such as: recurrent drought affecting agricultural productivity; declining manufacturing productivity; skewed access to finance for business and development; rigidities in business regulatory framework; and fiscal risks including stalled public projects, payment arrears and high debt service that has hindered the economy from achieving its full potential.

The CFSP sets out county policy goals and strategic priorities that will be the basis for formulation of County's Financial Year 2023/24 budget over the Medium Term. The Paper is prepared in accordance with the Public Finance Management Act, 2012, section 117(1) which stipulates that the County Treasury should prepare the Fiscal Strategy Paper for the County.

The focus of policies is to provide conducive environment for economic recovery to safeguard the livelihoods, jobs, and businesses. In this respect, Embu county government will strengthen implementation of programmes and measures that ensure a more inclusive growth and foster economic stability.

The County priorities and goals outlined herein are based on the County Integrated Development Plan 2023-2027 and the inputs from the memoranda received from various stakeholders and will mainly be focusing on: Access to quality and affordable health care, Increased accessibility to safe potable water and sustained food security, Provision of inclusive quality Education, Gender empowerment, Youth and Sports development, Streamlined waste management services, Land management and affordable Housing Services as well as onsite infrastructure development.

The need to achieve these priorities and bolster resilience forms the basis of Her Excellency the

Governor Economic Transformation Agenda which will be enhanced by embracing automation of revenue, scaling up the use of public private partnerships financing for commercially viable projects, efficient and effective implementation of projects. These priorities shall form the basis for formulation of FY 2023/24 budget. The paper therefore links county planning and budgeting which is the main objective of the Medium Term Expenditure Framework.

The paper covers the following broad areas: recent economic developments and the economic outlook; fiscal performance of the first half of FY 2022/23 and that of FY 2021/22; highlights of the; broad strategic priorities and policies for the Medium Term and the Medium Term Fiscal Framework.

The fiscal framework presented in the paper ensures sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline.

**PROF. JOE KAMARIA**  
**COUNTY EXECUTIVE COMMITTEE MEMBER**  
**FINANCE AND ECONOMIC PLANNING**

## **ACKNOWLEDGEMENT**

The CFSP 2023/2024 is prepared in line with the Public Finance Management Act, 2012. It gives a highlight of the macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals that will be undertaken by the County Government. It also outlines the spending plans as a basis of 2023/2024 budget and the medium- term. In addition, it will also provide the indicative ceilings as outlined in the priorities proposed during the public hearings and sector reports.

A core team in the Finance and Economic Planning department spent a significant amount of time putting together this Paper. We are particularly grateful to the County Executive Committee member Finance, Planning and Economic Affairs, Prof Joe Kamaria for his able leadership and Director Planning and Economic Affairs, Mr. Lawrence M. Nzioka, Director Budget Mr. Edwin Rugendo for coordinating the execution of this task.

Special thanks go to the following members of the team that met and worked tirelessly to prepare this document: Mr. Boniface Muli Lova, Mr. Catherine Gatheo, Mr. Linus Mugambi, Mr. Erick Kinyua, Mr. Peter Njeru, Mr. Joshua Mwangi, Mr. Charles Njagi and Mr. Stephen Katana. It is not possible to list everybody individually in this page and hence I would like to take this opportunity to thank the entire staff of Finance, Planning and Economic Affairs docket for their dedication, sacrifice and commitment to public service.

**MR. ERASTUS MACHARIA NJERU**  
**CHIEF OFFICER**  
**PLANNING AND ECONOMIC AFFAIRS**

## **Legal Basis for the Publication of the County Fiscal Strategy Paper**

County Fiscal Strategy Paper (CFSP) is published in accordance with Section 117 of the Public Financial Management Act 2012 which provides that:

- 1) *The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and County Treasury shall Submit the approved Fiscal Strategy Paper to the county assembly by the 28th February of each year.*
- 2) *The County Treasury shall align its County Fiscal Strategy Paper with the national Objectives in the Budget Policy Statement.*
- 3) *In preparing the County Fiscal Strategy Paper the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.*
- 4) *The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook to County government revenues, expenditures and borrowing for the coming financial year and over the medium term.*
- 5) *In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of:-*
  - (a) The Commission on Revenue Allocation*
  - (b) The Public*
  - (c) Any interested persons or groups*
  - (d) Any other forums that is established by legislation*
- 6) *Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County Assembly, the County Assembly shall consider and may adopt it with or without amendments.*
- 7) *The County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.*
- 8) *The County treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.*

## **Fiscal Responsibility Principles in the Public Finance Management Law**

The Public Finance Management (PFM) Act, 2012 section 107(2) sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources;

- 1) The County Government's recurrent expenditures shall not exceed the County government's total revenue.
- 2) Over the Medium Term, a minimum of thirty percent of the county Government's budget shall be allocated to the development expenditures.
- 3) The County Governments' expenditures on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly.
- 4) Over the Medium Term the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) The county debt shall be maintained at sustainable level as approved by county assembly.
- 6) The fiscal risks shall be maintained prudently; and
- 7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.

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## **ABBREVIATION**

AiA	Appropriation in Aid
BPS	Budget Policy Statement
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPSB	County Public Service Board
FY	Financial Year
GCP	Gross County Product
IGAs	Income Generating Activities
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act

## **I. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK**

### **1. Overview**

The Kenyan economy continued to grow at the rate of 5.5 percent in the year 2022. The economic growth decelerated by a margin of 2 percent when compared with 7.5 percent recorded in 2021. This was mainly driven by a decline in domestic and external demand caused by lower income and by an increase in food and fuel import costs and on the supply side by tepid economic activity across sectors due to cost-push factors.

Kenya's inflation rate slowed for the third successive month to 9 percent in January 2023, the lowest since August 2022, and compared to 9.1 percent in December. A slower rise in prices of food & non-alcoholic beverages (12.8 % against 13.8 % in December) was the main reason behind the slight downtick in inflation. On a monthly basis, consumer prices went up 0.2 percent, the least in over a year, following a 0.5 percent increase in the previous month. However, this inflation rate was higher than the 5.7 percent recorded in December 2021. The external sector has remained stable despite the tight global financial conditions attributed to strengthening US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies has weakened but strengthened against other major international currencies.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that support exports. Year-on-year overall inflation remained within the Government target range of  $6\pm 2.5$  percent in December 2021 at 6.0 percent from 5.17 percent in December 2020. This higher inflation was mainly supported by increasing demand for goods. The foreign exchange market has largely remained stable but partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic.

The current account deficit is projected to widen further to 6.1 percent and 5.2 percent of GDP over the two years, attributable to higher fuel and food import bills. Downside risks could stem from the effects of 2022 general election, a surge in COVID-19 infections (vaccine rollout was at 30 percent by mid-April 2020), limited access to external resources, and natural factors.

Most of the counties with presence of agricultural activities, particularly horticulture, consistently improved the share of Gross County Product (GCP) over the period under but Embu county GCP was almost at constant level of 1.4 percent. It's worth noting that the

counties' shares of GCP for the period 2013 to 2017 that are largely dominated by urban centers, notably Nairobi City and Mombasa, have had their shares of GCP consistently decline over the period mostly due to growth in agriculture's contribution to gross County Product. Embu County needs to embrace agricultural activities and value addition on these products to boost her GCP.

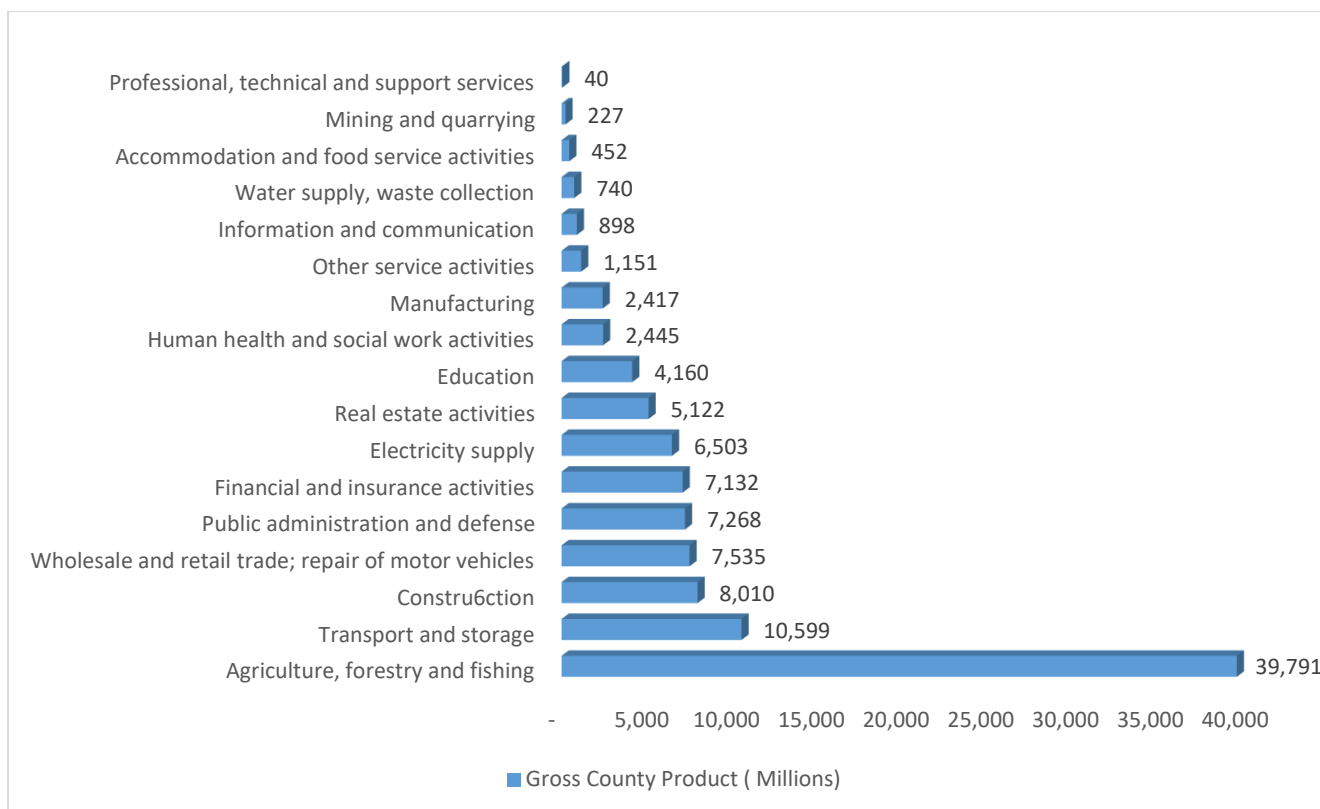
**Table 1: Gross County Product (GCP) by Economic Activities, 2017**

<b>Sectors</b>	<b>Gross County Product ( Millions)</b>
Agriculture, forestry and fishing	39,791
Mining and quarrying	227
Manufacturing	2,417
Electricity supply	6,503
Water supply, waste collection	740
Construction	8,010
Wholesale and retail trade; repair of motor vehicles	7,535
Transport and storage	10,599
Accommodation and food service activities	452
Information and communication	898
Financial and insurance activities	7,132
Real estate activities	5,122
Professional, technical and support services	40
Public administration and defense	7,268
Education	4,160
Human health and social work activities	2,445
Other service activities	1,151
FISIM1	(758)
<b>Total</b>	<b>103,734</b>

Source. KNBS Survey 2019

Graphical presentation of Gross County Product (GCP) by Economic Activities, 2017 is shown by bar graphs below;

**Figure 1: Gross County Product (GCP) by Economic Activities**



Source: KNBS Survey 2019

Generally, the leading counties are associated with large populations where major urban centers are located. In addition, counties associated with thriving economic activities such as agriculture, manufacturing, transportation, financial, real estate and wholesale and retail trade, took lead in the ranking by GCP. Nairobi seized the lion’s share of Kenya’s GDP at 21.7 percent in 2017 followed by Nakuru, Kiambu and Mombasa with shares of 6.1, 5.5, and 4.7 percent, respectively while Embu was at 1.4 percent.

## 2. Recent Economic Developments and Outlook

### I. Global and Regional Economic Developments

Globally the economic outlook has become more uncertain and unstable. For instance the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of COVID-19 Pandemic, and persistent supply chain disruptions. Global growth is expected to slow down to 3.2 percent in 2022 and is projected to slow down further to 2.7 percent in 2023 from the earlier forecast of 2.9 percent. The USA economy is projected to slow down to 1.0 percent in 2023 from 1.6 percent in 2022, Euro zone economies will slow down to 0.5 percent from 3.1 percent in 2022. In Asia, the China economy is projected to improve to 4.4 percent from 3.2 percent in 2022.

## **II. Regional Outlook**

The region is expected to grow following a major economic contraction in 2020, which was caused by the Covid-19 pandemic. Unfortunately, recovery in Sub-Saharan Africa has been very slow compared to other regions. The main reason is that the pandemic had lowered Africa's GDP growth, with real per capita income declining significantly by 5½ percent. Consequently, while other advanced economies are expected to return back to pre-pandemic levels latest by 2023, it will take Africa a bit longer.

These factors have been identified to impact Africa's growth negatively which includes among others; slow rollout of the Covid-19 vaccine, climate change which is triggering drought and famine in the region and poor economic policies, including those bordering on public debt. All these factors have combined to push millions of Africans into poverty, thereby posing risks of social tensions and political instability.

## **III.Domestic/County Outlook**

The economy registered an impressive rebound in 2021, led by the broad-based recovery in the manufacturing, transport, ICT, and hospitality sectors. Despite limited direct economic linkages with Russia and Central Asia in the wake of the Russia-Ukrainian war, the country's 2022 GDP growth faces increased headwinds in the form of soaring energy and food prices, monetary tightening, and a deteriorating fiscal position due to a mounting subsidy bill and rising debt repayment costs.

The country needs to adopt business-friendly reforms, infrastructure investments, and manufacturing incentives transform Kenya into a regional trade hub in East Africa over the medium term beyond 2022. The country also needs to adopt transformative global events, including the Russia-Ukrainian war, adoption of climate-conscious policies, and ceasefire in the Tigray conflict in neighboring Ethiopia, Somalia stability and Democratic Republic of Congo conflict on the Kenyan economy. Comparatively the country economic outlook as rapidly attractiveness as an investment hub, especially in comparison to similar economies in East Africa.

### **3. County specific Risks and Mitigation Measures**

#### **I. Contingent Liabilities/Pending Bills**

Embu County Government continues to face potential litigation on the pending bills and/or due to lack of compliance on the various statutory requirements and deductions. Though there were

no active cases at the time of the development of this CFSP, the possibility of such being brought remains at risks.

**Mitigation measures:** The County will continue to ensure full compliance with contractual agreements and with statutory requirements imposed by the various national agencies. Further, the county will seek to revamp its legal department to ensure that the implementing departments get the requisite legal advice when dealing with all contractual matters. The County will ensure that pending bills are settled within a payment plan framework.

## **II. Underperformance in Local Revenue collection**

Underperformance of revenue collection has continued to be a major challenge towards achieving the development agenda of the county. However under the current political goodwill there was positive increase in the first quarter compared to the same quarter in last financial year (2021-2022)

There is need to place sound policies and strategies that will guarantee optimum revenue collection to meet the anticipated budgetary requirements. Revenue collection should not only be strengthened in the traditional revenue streams but also there is need to explore new avenues for revenue collection. This will call for increased budgetary provision to invest in revenue collection channels and processes to enhance overall collection.

### **Mitigation measures:**

In the medium term, the County will continue to undertake measures aimed at expanding the revenue base and increasing tax compliance through integration of modern technology in revenue collection. The county government will seek to strengthen stakeholder engagement to mitigate against negative politicking that has previously affected revenue collection. There is need to adopt cashless technology and application which will help in tracking financial systems and internal controls. Further, the own source revenue projections need to be adjusted to a realizable amount.

## **III. Huge Wage Bill**

Regulation 25 (1) (b) of the PFM (County Governments) requires that County wage bill shall not exceed 35 percent of the total revenue. However, the 2022/2023 the wage stands at 47.50 percent of the total revenue. The continued increase in the wage bill has arisen due to factors, which are beyond the county government. The county is disadvantaged by the current revenue distribution formula, which takes no account of inherited non-discretionary devolved costs, the

county inherited staffs from the four local authorities and owing to the fact that Embu was the Headquarters of the former Eastern Province. Majority of the devolved staff is one of the major cause of the bloated staff. .

**Mitigation measures:**

The county will put necessary measures in the attempt to curb huge wage bill through having an approved organization structure and staff establishment, stopping recruitment of non-essential staff and those not in the approved staff establishment and ensuring appropriate engagement of casuals and payment of salaries through IPPD to enhance efficiency in HR management.

**IV. Global Climate Change**

Climate change is posing an increasing threat to global socio-economic development and environmental sustainability. Developing countries with low adaptive capacity and high vulnerability to the phenomenon are disproportionately affected. Climate change in Kenya is increasingly influencing the lives of Kenya's citizens and the environment. Climate Change has led to more frequent extreme weather events like droughts which last longer than usual, irregular and unpredictable rainfall, flooding and increasing temperatures.

The effects of these climatic changes have made already existing challenges with water security, food security and economic growth even more difficult. Harvests and agricultural production, which account for about 33percent of total Gross Domestic Product (GDP), are also at risk. The increased temperatures, rainfall variability in arid and semi-arid areas, and strong winds associated with tropical cyclones have combined to create favorable conditions for the breeding and migration of pests. An increase in temperature of up to 2.5 °C by 2050 is predicted to increase the frequency of extreme events such as floods and droughts.

Hot and dry conditions in Arid and Semi-Arid Lands (ASALs) make droughts or flooding brought on by extreme weather changes even more dangerous. Coastal communities are already experiencing sea level rise and associated challenges such as saltwater intrusion. Lake Victoria, Lake Turkana and other lakes have significantly increased in size between 2010 and 2020 flooding lakeside communities. All these factors impact at-risk populations like marginalized communities, women and the youth.

**Mitigation measures:**

The government has tasked National Environmental Management Authority in the Ministry of Environment and Mineral Resources (MEMR), the National Climate Change Activities Coordinating Committee, and the Kenya Meteorological Department in the Ministry of Transport are the major components of the government's institutional framework tasked with the day to day building of climate resilience policies and legislation.

In 2010, the Kenyan government published the National Climate Change Response Strategy. The Climate Change Act 2016 establishes a National Climate Change Council, which is chaired by Kenya's president. It's tasked with the authority to oversee the development, management, implementation and regulation of mechanisms to enhance climate change resilience and low carbon development for the sustainable development of Kenya.

The National Adaptation Plan (NAP) was too implemented in 2015 to improve climate resilience. The NAP contains the Adaptation Technical Analysis Report (ATAR), which examines sectoral economic vulnerabilities, identifies adaptation needs, and suggests potential adaptation actions in different counties. The NAP supports the development of local County Integrated Development Plans (CIPDs), which includes the establishment of County Climate Change Funds (CCCFs).

The current National Climate Change Action Plan (NCCAP 2018–2022) follows the National Climate Change Action Plan 2013–2017. The plan focuses on adaptation and mitigation measures the country can take, with the aim of reducing carbon emission in the atmosphere.

**V. Risk in Changes in Macroeconomic Assumptions**

Unexpected changes in macroeconomic variables create risks to both revenue and expenditure projections in this CFSP as they play a key role in the formulation of the budget. Some of these risks include adverse changes in real GDP growth rates, inflation rate, exchange rate, unemployment and volatility of commodity prices that affect the County's own source revenue. Fiscal policy, national income, economic growth rate. Industrial production, international trade, retail outlets and business cycles can have negative or positive on the strategies the country or county adopts to raise revenue. However, on the overall, any negative external and internal shocks to our economy may adversely affect transfers from the national government and may significantly affect the funds allocated Embu County Government.



## Mitigation measures:

The County understands that the risks in macro economy largely affect the programme based budgeting and expenditure on the development budget. The National Treasury has developed a national mitigation measure by establishing the Public Investment Management Unit, which will be responsible for ensuring that all capital projects are planned, appraised and evaluated before funds are finally committed in the budget. Embu County shall ensure that capital projects planning and evaluation are conducted efficiently and necessary commitments made through to ensure that funds are allocated early in the financial year. To this end the County will develop comprehensive work plans, procurement plans and cash flow projections and ensure these are submitted as required (by the 15 June of each financial year) to mitigate the effects of any adverse macroeconomic changes and ensure that if this risk crystalizes then the effects are borne by the National Government.

## II. UPDATE ON FISCAL PERFORMANCE

### 4. Transfer from National Government

In FY 2021/22, the County had a total revenue basket amounting to Ksh. 6,969,114,500.00 . The equitable share from the national treasury had the highest contribution at Ksh. 5,277,406,103.00. The targeted ordinary local revenue was Ksh. 538,110,000 while Appropriation in Aid collection target was Ksh. 411,890,000. Table 2 provides a breakdown of various revenue sources.

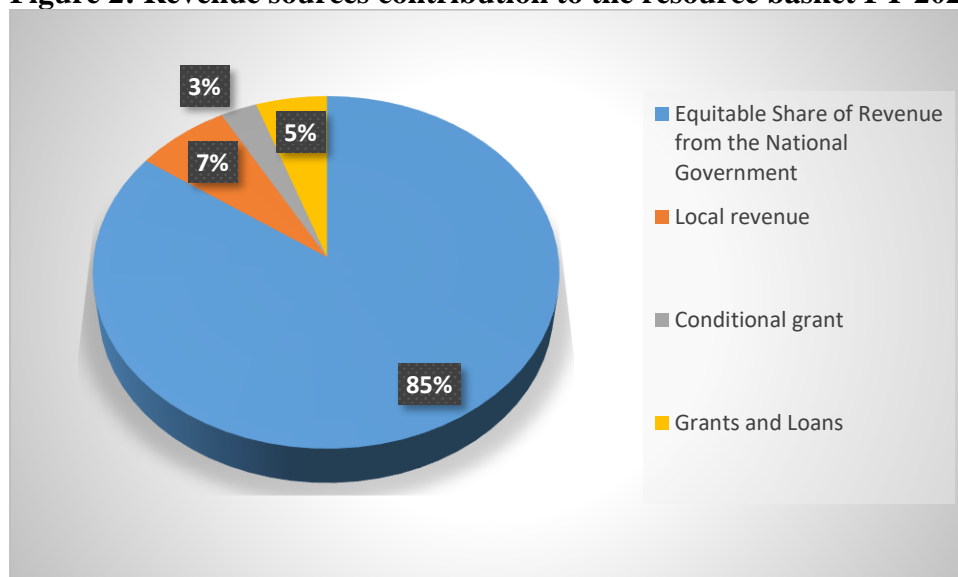
**Table 2: Revenue breakdown for FY 2021/22**

Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)
Equitable Share of Revenue from the National Government	5,277,406,103.00	4,715,224,263.00
Conditional Grant for Leasing of Medical Equipment	153,297,872.00	0.00
Conditional Grant from Road Maintenance Fuel Levy Fund	7,575,816.00	0.00
Conditional Allocation for Rehabilitation of Village Polytechnics	2,864,761.00	0.00
Transforming Healthcare Systems for Universal Care Project (THSUCP)	58,168,023.00	5,233,263.00
Conditional Grant for Compensation for User Fee Foregone Expenses	10,724,225.00	5,233,263.00
Agriculture and Rural Inclusive Growth Project (NARIGP)	399,646,601.00	253,272,699.00

Kenya Devolution Support Program(KDSP)-Level 1 Grant	1,818,730.00	0.00
Sweden –Agriculture Sector Development Support Programme(ASDSP)	27,887,152.00	13,610,823.00
Primary Health Care in Devolution – DANIDA Grant	9,537,000.00	4,768,500.00
Emergency Locust Responses Projects (ELRP)	49,188,217.00	9,850,781.00
Kenya Nutrition Support Grant	21,000,000.00	5,000,000.00
Ordinary Local revenue	538,110,000.00	193,700,296.00
Appropriation in Aid	411,890,000.00	200,840,432.00
<b>Total Revenue</b>	<b>6,969,114,500.00</b>	<b>5,406,734,320.00</b>

It is evident that Equitable share contributes the highest proportion of revenue to the County Government accounting for 85.0 percent of the total revenue. Local revenue account for 7.0 percent while Grants and Loans account for 5.0 percent of total revenue. Conditional Grants accounts for 3.0 percent. Figure 2 depicts a visual representation of the contribution of each revenue source to the revenue basket.

**Figure 2: Revenue sources contribution to the resource basket FY 2021/22**



## 5. Revenue Collection

The actual local revenue collected for the FY 2021/22 amounted to Ksh. 394,540,728. This included ordinary local revenue at Ksh. 193,700,296 with Appropriation in Aid totaling Ksh. 200,840,432. Further analysis indicate that revenue start to increase gradually at the

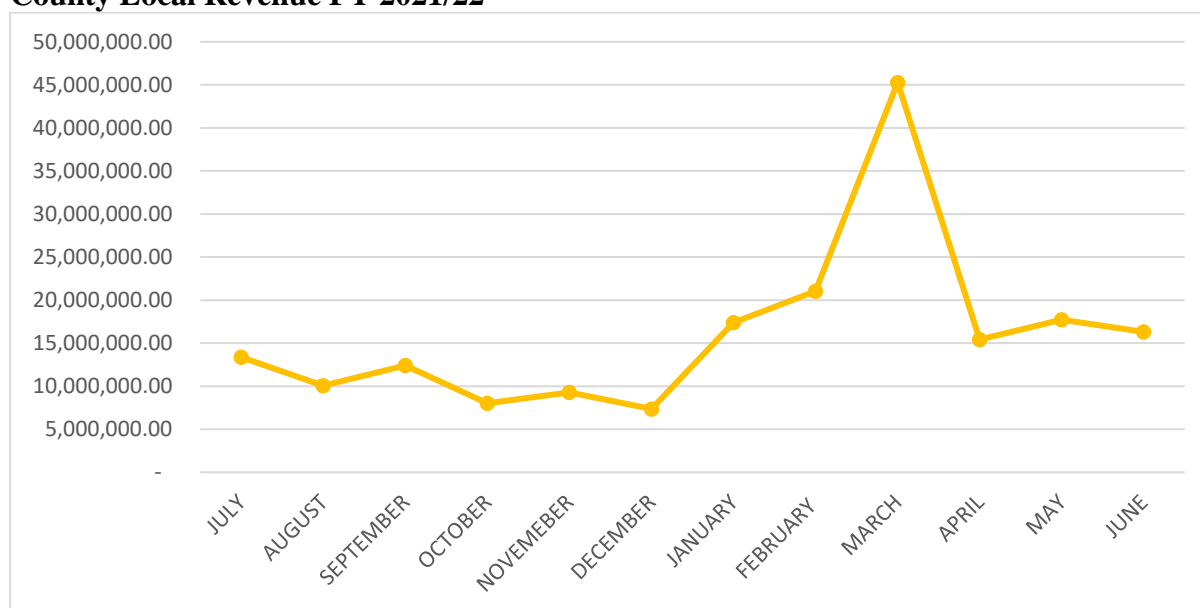
month of December, January February and attains its peak at the month of March where we attained the highest collection of 45.3 Million.

**Table 3: Ordinary local revenue collection per month**

No	Months (FY 2021/2022)	Totals
1.	JULY	13,377,865.00
2.	AUGUST	10,078,006.00
3.	SEPTEMBER	12,406,066.00
4.	OCTOBER	8,023,017.00
5.	NOVEMEBER	9,285,122.00
6.	DECEMBER	7,362,115.00
7.	JANUARY	17,395,919.00
8.	FEBRUARY	21,024,426.00
9.	MARCH	45,288,069.03
10.	APRIL	15,437,002.00
11.	MAY	17,712,907.00
12.	JUNE	16,309,782.05

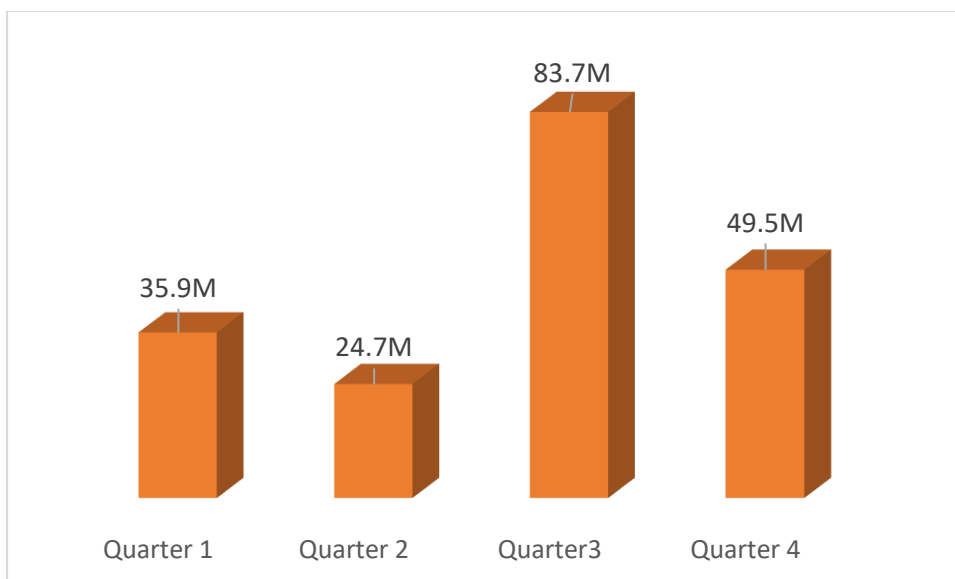
**Figure 3: Embu**

**County Local Revenue FY 2021/22**



A deeper analysis of revenue collected during the FY 2021/22 shows that the third quarter had the largest share of local revenue collected at about Ksh. 83.7 million while the second quarter had the lowest collection standing at about Ksh. 24.7 million. Figure 6 provides a breakdown of revenue collected by quarter.

**Figure 4: Local Revenue by Quarter FY 2021/22**



### Ordinary local revenue

The total ordinary revenue collected amounted to Ksh. 193,700,296 against a target of Ksh. 487,110,000 accounting for 40 percent. Single business permits revenue stream had the highest collection of ordinary local revenues at Ksh. 72,870,449 followed closely by cess at Ksh. 39,603,278 while advert fees came third amounting to Ksh. 17,296,569. Table 4 presents a summary of ordinary local revenue.

**Table 4: A summary of ordinary local revenue by revenue stream**

Revenue Stream	Annual Targets	Amount Collected	Achievement (%)
Single Business Permit	159,193,708.41	72,870,449.00	46%
House Stall	19,064,970.65	9,720,082.00	51%
Market fees	28,597,455.97	15,893,310.00	56%
Bus-park	20,000,000.00	10,443,490.00	52%
Street Parking	18,129,941.29	6,759,610.00	37%
Cess	57,194,911.94	39,603,278.00	69%
Land Rates and Plot Rents	186,836,712.33	8,295,090.00	4%
Enforcement	1,429,872.80	656,439.00	46%
Technical planning Fees	14,298,727.98	4,151,906.00	29%
Administration. Fees	953,248.53	5,890,998.00	618%
Advert Fees	23,831,213.31	17,296,569.00	73%
Slaughter House fees	2,859,745.60	1,371,300.00	48%
Miscellaneous revenue	1,906,497.06	747,775.00	39%
Stock fees	2,859,745.60	-	0%
Water Charges	953,248.53	-	0%
<b>Total</b>	<b>538,110,000.00</b>	<b>193,700,296.00</b>	<b>40%</b>

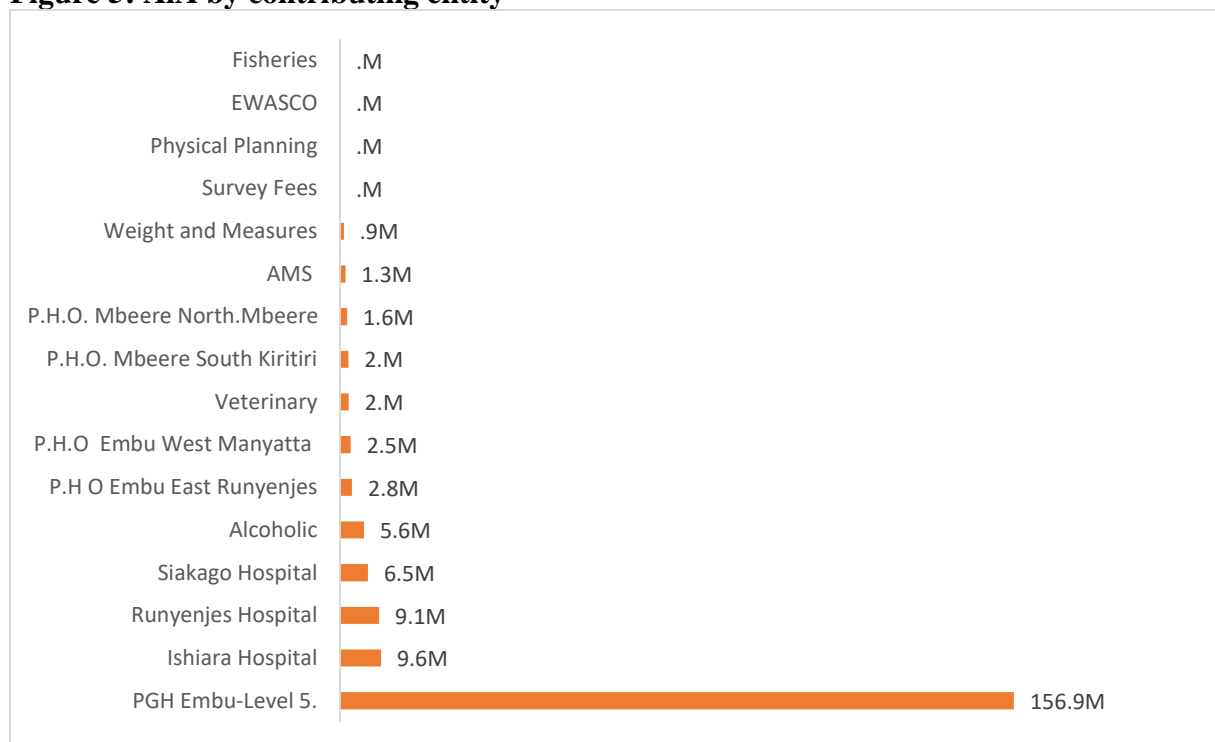
## Appropriation in Aid

In the FY 2021/22, Level 5 hospital contributed the largest amount at about Ksh. 156,893,854 followed by Ishiara Hospital at about Ksh. 9,553,092. Runyenjes hospital came closely third with a collection of Ksh, 9,115,531 Table 5 shows the various departments/institutions contributions towards the county local revenue kitty.

**Table 5: A summary of AIA by department**

No	Department	Revenue Stream	Annual Targets	Amount Collected	Achievement (%)
1	Trade, Tourism, Investment and Industrialization	Weight and Measures	3,000,000.00	904,465	30%
		Alcoholic	22,000,000.00	5,599,750	25%
2	Lands, Physical Planning and Urban Development	Survey Fees	1,000,000.00	0	0%
		Physical Planning	1,000,000.00	0	0%
		EWASCO	1,000,000.00	0	0%
3	Health	PGH Embu-Level 5.	301,575,880.80	156,893,854	52%
		Runyenjes Hospital	20,842,266.65	9,115,531	44%
		Siakago Hospital	13,773,126.72	6,525,731	47%
		Ishiara Hospital	20,698,725.82	9,553,092	46%
		P.H.O Embu West Manyatta	5,000,000.00	2,489,814	50%
		P.H.O. Mbeere North.Mbeere	3,500,000.00	1,648,499	47%
		P.H.O. Mbeere South Kiritiri	4,000,000.00	1,964,941	49%
		P.H O Embu East Runyenjes	4,500,000.00	2,827,199	63%
4	Agriculture	Veterinary	3,000,000.00	2,045,352	68%
		AMS	6,000,000.00	1,272,204	21%
		Fisheries	1,000,000.00	0	0%
<b>Total</b>			<b>411,890,000</b>	<b>200,840,432</b>	<b>49%</b>

**Figure 5: AiA by contributing entity**



It is imperative to note that the revenue collected has fallen short of the target revenue by a huge margin. This is as a result of the effects of electioneering period which continue to be felt in the current FY 2022/23. Revenue collected in the first half of FY 2022/23 as compared to 2021/22 shows an increment of Ksh. 32,550,048.10, an increment of 54%. This can be attributed to changes in management of revenue operations enacted by the new regime. There were serious revenue leakages in cess revenues and weak enforcement of land rates and rents that have since substantially improved revenue performance.

**Table 6: Comparison of Local Revenue for FY 2022/2023 and FY 2021/2022**

Revenue Source	FY 2022/23 (By 31 <sup>st</sup> December 2022)				FY 2021/22 (By 31 <sup>st</sup> December 2021)			
	Annual Target	Semi-Annual Year Target	Actual Achievement	Achievement (%)	Annual Target	Semi - Annual Year Target	Actual Achievement	Achievement (%)
Single Business Permit	159,193,708.41	79,596,854.21	12,659,326.16	16%	109,193,708.41	54,596,854.21	13,152,360.00	24%
House Stall	19,064,970.65	9,532,485.33	3,900,075.00	41%	19,064,970.65	9,532,485.33	2,119,531.00	22%
Market fees	28,597,455.97	14,298,727.99	8,766,496.00	61%	28,597,455.97	14,298,727.99	8,448,020.00	59%
Bus-park	20,000,000.00	10,000,000.00	3,842,720.00	38%	20,000,000.00	10,000,000.00	4,168,700.00	42%
Street Parking	18,129,941.29	9,064,970.65	3,653,520.00	40%	18,129,941.29	9,064,970.65	2,645,740.00	29%
Cess	57,194,911.94	28,597,455.97	32,444,499.00	113%	57,194,911.94	28,597,455.97	22,319,660.00	78%
Land Rates and Plot Rents	186,836,712.33	93,418,356.17	9,325,350.94	10%	186,836,712.33	93,418,356.17	2,641,397.00	3%
Enforcement	1,429,872.80	714,936.40	317,900.00	44%	1,429,872.80	714,936.40	311,670.00	44%

Technical planning Fees	14,298,727.98	7,149,363.99	4,481,503.00	63%	14,298,727.98	7,149,363.99	1,722,228.00	24%
Administration. Fees	953,248.53	476,624.27	290,282.00	61%	953,248.53	476,624.27	1,488,350.00	312%
Advert Fees	23,831,213.31	11,915,606.66	1,415,267.00	12%	23,831,213.31	11,915,606.66	532,590.00	4%
Slaughter House fees	2,859,745.60	1,429,872.80	883,600.00	62%	2,859,745.60	1,429,872.80	786,700.00	55%
Miscellaneous revenue	1,906,497.06	953,248.53	11,101,700.00	1165 %	1,906,497.06	953,248.53	195,245.00	20%
Stock fees	2,859,745.60	1,429,872.80		0%	2,859,745.60	1,429,872.80	-	0%
Water Charges	953,248.53	476,624.27		0%	953,248.53	476,624.27	-	0%
<b>TOTAL</b>	<b>538,110,000</b>	<b>269,055,000</b>	<b>93,082,239.10</b>	<b>35%</b>	<b>488,110,000</b>	<b>244,055,000</b>	<b>60,532,191</b>	<b>25%</b>

An analysis of AiA for the half year ending December 2022 for FY 2022/23 indicates an increase in liquor licensing fees and fees for health licensing under public health. This is attributed to late payment of liquor licences by bar operator in the county. Previously, such fees were paid in the third quarter of the financial year but unclear circumstances led to massive defaulting over this period. An intervention by the current regime eliminated this barrier leading to the notable increase in the aforesaid AiA revenues in the first quarter of this financial year 2022/23.

**Table 7: Summary of AiA for FY 2022/2023 and FY 2021/2022**

Revenue Source	FY 2022/23 (By 31 <sup>st</sup> December 2022)				FY 2021/22 (By 31 <sup>st</sup> December 2021)			
	Annual Target	Semi-Annual Year Target	Actual Achievement	Achievement (%)	Annual Target	Semi - Annual Year Target	Actual Achievement	Achievement (%)
Weight and Measures	3,000,000	1,500,000	440,040	29.3%	3,000,000	1,500,000	381,340	25.4%
Alcoholic	22,000,000	11,000,000	9,568,425	87.0%	22,000,000	11,000,000	4,533,250	41.2%
Survey Fees	1,000,000	500,000	-	0.0%	1,000,000	500,000	-	0.0%
Physical Planning	1,000,000	500,000	-	0.0%	1,000,000	500,000	-	0.0%
EWASCO	1,000,000	500,000	-	0.0%	1,000,000	500,000	-	0.0%
PGH Embu-Level 5.	301,575,881	150,787,940	93,331,199	61.9%	301,575,881	150,787,940	84,872,852	56.3%
Runyenjes Hospital	20,842,267	10,421,133	3,817,700	36.6%	20,842,267	10,421,133	5,091,541	48.9%
Siakago Hospital	13,773,127	6,886,563	1,780,966	25.9%	13,773,127	6,886,563	4,804,880	69.8%
Ishiara Hospital	20,698,726	10,349,363	2,114,999	20.4%	20,698,726	10,349,363	6,544,624	63.2%
P.H.O Embu West Manyatta	5,000,000	2,500,000	1,602,900	64.1%	5,000,000	2,500,000	982,500	39.3%
P.H.O. Mbeere North.Mbeere	3,500,000	1,750,000	952,800	54.4%	3,500,000	1,750,000	698,900	39.9%
P.H.O. Mbeere South Kiritiri	4,000,000	2,000,000	1,006,200	50.3%	4,000,000	2,000,000	948,500	47.4%
P.H O Embu East Runyenjes	4,500,000	2,250,000	868,800	38.6%	4,500,000	2,250,000	1,487,100	66.1%
Veterinary	3,000,000	1,500,000	1,082,140	72.1%	3,000,000	1,500,000	1,075,892	71.7%
AMS	5,000,000	2,500,000	-	0.0%	5,000,000	2,500,000	832,244	33.3%
Fisheries	1,000,000	500,000	-	0.0%	1,000,000	500,000	-	0.0%
Users Fees For Social Halls	1,000,000	500,000	71,500	14.3%	1,000,000	500,000	-	0.0%
<b>Totals</b>	<b>411,890,000</b>	<b>205,945,000</b>	<b>116,637,669</b>	<b>56.6%</b>	<b>411,890,000</b>	<b>205,945,000</b>	<b>112,253,623</b>	<b>54.5%</b>

### **III. FISCAL POLICY AND BUDGET FRAMEWORK**

The fiscal framework for the FY 2023/2024 is based on the county Government priorities, macroeconomic policy framework and previous fiscal performance. The County Government is committed towards implementation of County Integrated Development Plan (CIDP) 2023-2027 which outlines priorities for the county. Further, the framework prioritizes prudent fiscal policy by refocusing expenditure on most critical priorities and enhancing revenue mobilization without compromising on service delivery.

#### **6. Prudent Fiscal Policy**

The County Government endeavors to ensure a balanced budget and enhance budget credibility. Fiscal policy will continue to support economic activity while undertaking the functions of county government within a context of sustainable public financing. County spending will be directed towards the most critical needs of the country while ensuring optimum utilization of resources and in line with the priorities set out in the County Integrated Development Plan (2023-2027). Further, a key focus will be ensuring that the set revenue targets are realistic and achievable during the period under FY 2023/24.

#### **7. Observing Fiscal Responsibility Principles**

The Constitution 2010 and the Public Finance Management Act, 2012 both stress on the need to make prudent policy decisions for both the present and future generations. Further, the Public Finance Management Act, 2012 underscores the need to be guided by the public finance management principles that relate to transparency and accountability on financial matters.

The County Government will endeavor to adhere to fiscal responsibility principles and financial discipline. The Public Finance Management Act, 2012 under Section 107(1) states that a County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility. The unmet source revenue target for Own Source Revenue Collections usually results to unfunded budget deficits leading to accumulation of pending bills negatively affecting service delivery to the citizens. The targeting of revenue will be based on past revenue performance to ensure realistic and achievable targets are met.

Further, county government's recurrent expenditure shall not exceed the county government's total revenue. Over the medium term, a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure. The County Government will also



seek to adhere to the minimum ratio of development to recurrent expenditure of at least 30:70 over the medium term, as set out in the Public Finance Management Act, 2012.

Public Finance Management Regulations, 2015 under Regulation 25(1) provides the limit of County Government's expenditure on wages and benefits at 35 percent of the County's total revenue. A staff audit will be undertaken to help ascertain the true county wage bill geared towards reducing the overall county wage bill.

The Constitution, 2010 underscores the importance of public involvement in identification and implementation of county priorities. The county government will ensure that public participation is undertaken in both identification and implementation of county programmes/projects.

#### **8. Fiscal structural reforms**

The county will continue embracing the Integrated Financial Management Information System (IFMIS) fully including E-Procurement in expenditure management to ensure proper controls of public fund. The Embu County Revenue Authority (ECRA) has made some remarkable improvements towards management of revenue by automating the various revenue streams. Further, appropriate budgetary allocations will be provided to departments in their bid to help the county raise more revenue through Appropriation in Aid.

#### **9. 2023/2024 Budget Framework**

The 2023/2024 budget framework will target the County Government's strategic objectives as outlined in the Annual Development Plan 2023 and County Integrated Development Plan (2023-2027).

**Table 8: County Fiscal Projections 2023/2024 -2025/2026**

Description of Resource Item	CFSP Ceilings 2023/2024	Projections	
		2024/2025	2025/2026
<b>Total Revenue</b>	<b>7,713,799,127</b>	<b>6,944,472,727</b>	<b>7,314,604,819</b>
Equitable Share of Revenue from National Government	5,341,810,744	5,602,641,831	5,882,773,923
Conditional Grant For Leasing Of Medical Equipment	124,723,404.30	-	-
Conditional Grant for Aggregated Industrial Parks Programme	250,000,000	-	-
Conditional Grant for Provision of Fertilizer Subsidy Programme	110,930,145	120,930,145	130,930,145
Unconditional Allocations to County Governments from Court Fines and Mineral Royalties	2,142	-	-
National Agricultural and Rural Inclusive Growth Project(NARIGP)	150,000,000	-	-
Conditional Allocation for National Agricultural Value Chain Development Project(NAVCDP)	250,000,000	250,000,000	250,000,000
Livestock Value Chain Support Project	35,809,200	40,809,200	50,809,200
Conditional Allocation for Primary Health Care in Devolved Context-DANIDA Grant	7,854,000	7,854,000	7,854,000
Financing Locally Led Climate Action(FLLoCA)- County Climate Institutional Support (CCIS) Grant	11,000,000	11,000,000	11,000,000
Agricultural Sector Development Support Programme (ASDSP)	961,306	-	-
Emergency Locust Response Project (ELRP)	106,400,361.14	-	-
Aquaculture Business Development Project(ABDP)	10,237,551	40,237,551	60,237,551
Kenya Nutrition Support Grant	11,000,000	11,000,000	11,000,000
Unspent Exchequer balances for FY 2022/2023	553,070,274	-	-
Local Sources	382,801,875	452,801,875	482,801,875
Appropriations In Aid (AiA)- Ministerial	367,198,125	407,198,125	427,198,125
<b>Total Expenditure</b>	<b>7,713,799,127</b>	<b>6,944,472,727</b>	<b>7,314,604,819</b>
<b>Recurrent Expenditure</b>	<b>5,168,245,415</b>	<b>4,861,130,909</b>	<b>5,120,223,373</b>
Personnel Emoluments	3,920,431,515	3,521,375,037	3,662,230,038
Operations and Maintenance	1,247,813,900	1,339,755,872	1,457,993,335
<b>Development</b>	<b>2,545,553,712</b>	<b>2,083,341,818</b>	<b>2,194,381,446</b>

## 8. Revenue Projections

The total projected revenue for Embu County government for FY 2023/24 is Ksh. 7,713,799,127. The equitable share of revenue from the National Government is

Ksh 5,341,810,744 as stipulated in the County Allocation of Revenue Act, 2023. Further, Ksh. 8,163,074 is provided to cater for Transfers for Library Services within the equitable share.

The 2023/2024 budget target for local revenue collection comprising of ordinary local revenue and Appropriation-in-Aid (AiA) is expected to be Ksh. 750,000,000 accounting for 9.72 percent of the total county revenue. County revenue from local sources will be raised through levies, permits, rents, service charge and rates. To supplement the available revenue from Local sources, AiA targets will be assigned to the Ministries. The AiA targets under each Ministry are based on the resources allocated respectively and the available opportunities under each Ministry.

In the face of rising wage bill and other expenditure needs, there is need to enhance Own Source Revenue (OSR) to enable the county bridge the existing funding gaps occasioned by not meeting the set revenue targets. The increased OSR would greatly help improve fiscal autonomy thus provide greater ownership and control over the county development agenda.

The key strategies towards enhancing revenue mobilization include:

- ✓ Targeted implementation of innovative development projects/initiatives that results in increased revenue generation
- ✓ An efficient and effective Integrated Revenue management system that encompasses accurate and timely revenue collection and reporting
- ✓ The need to identify revenue streams upon which marginal expenditure will produce the greatest benefit.
- ✓ The health sector facilities should seek for reimbursements from insurance providers by making claims in a timely manner
- ✓ The user-fee revenue should be ring fenced and ploughed back to help improve facilities geared towards improved service delivery
- ✓ County departments should seek to fully exploit existing revenue generation streams while coming up with innovative revenue raising strategies

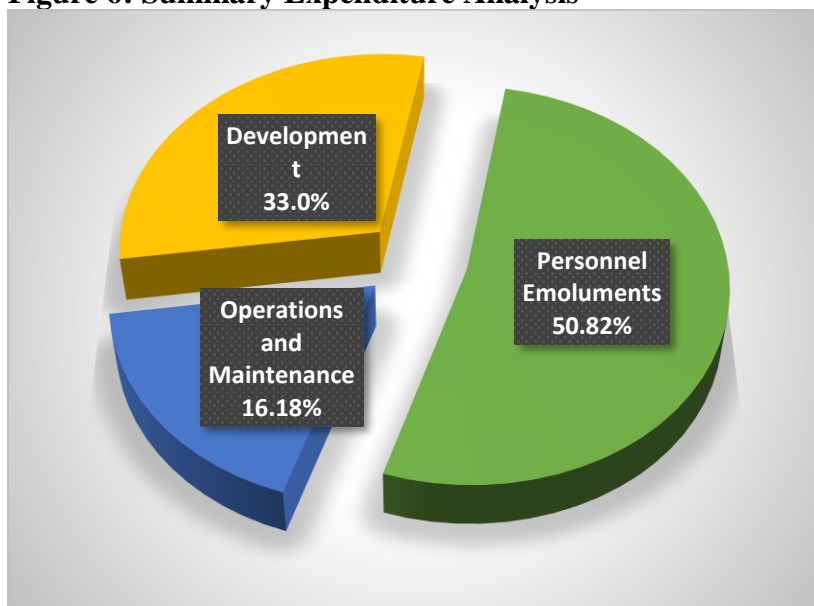
## **9. Expenditure Forecasts**

The key policy document guiding the County Government's funding allocation decisions is the County Integrated Development Plan 2023-2027. The document provides the key development priorities of the county with input through public consultative forums.

The County is required by law to prepare a balanced budget which translates to Ksh. 7,713,799,127. Recurrent expenditure takes the lion share at Ksh. 5,168,245,415 accounting for 67.0 percent of the total expenditure largely due to the huge wage bill. Development

expenditure stands at Ksh. 2,545,553,712 accounting for 33.0 percent of the overall expenditure.

**Figure 6: Summary Expenditure Analysis**



### 10. Recurrent Expenditure

The total wage bill stands at Kshs. 3,920,431,515 accounting for 50.82 percent of the total budget while operations and maintenance costs amount to Kshs. 1,247,813,900 accounting for 16.18 percent. This indicates that the wage bill takes the big share of the total budget way above the recommended 35 percent in the PFM regulations (County Governments), 2015. A breakdown of total emoluments is provided in Table 9.

**Table 9: Personnel Emolument ceilings for FY 2023/2024**

PORTFOLIO	CFSP CEILINGS	PROVISION FOR PENDING BILLS	TOTAL CFSP CEILINGS
Office of The Governor	113,897,457	-	113,897,457
Finance and Economic Planning	109,852,704	588,528,435	698,381,139
Education, Vocational Training Centers	357,285,596	-	357,285,596
Health	1,744,808,362	-	1,744,808,362
Roads, Transport, Energy and Public Works	20,598,614	-	20,598,614
Trade, Investment, Tourism, Industrial Development and Marketing	23,236,262	-	23,236,262
Agriculture, Blue Economy, Livestock, and Co-operative Development	204,500,587	-	204,500,587
Lands, Mining, Housing, Physical Planning and Urban Development	62,198,012	-	62,198,012
Water, Irrigation, Environment, Climate Change and Natural Resources	46,443,654	-	46,443,654

<b>PORTFOLIO</b>	<b>CFSP CEILINGS</b>	<b>PROVISION FOR PENDING BILLS</b>	<b>TOTAL CFSP CEILINGS</b>
Youth Empowerment and Sports, Gender, Children, Culture and Social Services	29,062,051	-	29,062,051
Administration, Devolution, Public Service, Governance, ICT and GDU	297,749,300	-	297,749,300
County Public Service Board	23,281,253	-	23,281,253
County Assembly	298,989,228	-	298,989,228
<b>TOTAL</b>	<b>3,331,903,080</b>	<b>588,528,435</b>	<b>3,920,431,515</b>

The health department including Level 5 hospital takes the lion share of the personnel emoluments at Ksh. 1,774,808,362 accounting for 45.3 percent of the total wage bill. This amount is expected to increase in the near future as a result of construction/expansion of health facilities as well as new facilities at the level 5 hospital which require more staff. It's worth noting that the personnel emolument allocation for the health portfolio includes the remuneration for the contractual staff.

The Personnel Emolument Statutory deductions arrears of Kshs.588,528,435 has been factored under the Finance and Economic Planning portfolio and this will clear the said deductions to release funds to development in the subsequent financial year. Further an amount of Kshs.5,713,852 for the Personnel Emolument for the Library staff has been allocated under the Education portfolio since the Library services have now been devolved.

The huge increase in the overall county wage bill can have unintended adverse implications for the fiscal balance requiring disruptive fiscal adjustment during implementation period of the budget estimates. The huge wage bill has huge implications on the available resources towards service delivery and implementation of development agenda.

The attrition-based wage bill reduction measures can also help the county government tame the increasing wage bill while replacing only the required staff. The gaps that exist within the staff establishment can also be filled from the existing workforce through redeployment while being supported through re-skilling in a bid to create more savings.

The county should also seek to strengthen performance management system by rewarding productivity and performance based on merit. This in essence will help slow down the pace for seeking staff promotions thus taming the rising wage bill.

Under Operations and maintenance expenditure, the largest amount has been allocated to the

County Assembly at Ksh. 396,174,844. The health docket and Embu level 5 follow at Ksh. 193,063,000 and Ksh. 100,000,000 respectively. A breakdown of operations and maintenance expenditure ceilings is provided in Table 10.

**Table 10: Operations and Maintenance Sector ceilings for FY 2023/2024**

<b>PORTFOLIO</b>	<b>CEILINGS WITHOUT GRANTS</b>	<b>GRANTS ALLOCATED ON</b>	<b>PROVISION FOR PENDING BILLS</b>	<b>TOTAL CFSP CEILINGS</b>
Office of The Governor	90,000,000	-	-	90,000,000
Finance and Economic Planning	65,000,000	-	81,605,592	146,605,592
Education, Vocational Training Centers	12,172,006	-	-	12,172,006
Health	150,000,000	43,063,000	-	193,063,000
Embu Level 5 Hospital	100,000,000	-	-	100,000,000
Roads, Public Works, Energy and Transport	15,000,000	-	-	15,000,000
Trade, Tourism, Investment, Industrial Development and Marketing	5,000,000	-	-	5,000,000
Agriculture, Blue Economy Livestock and Co-operative Development	2,000,000	94,398,458	-	96,398,458
Lands, Mining, Housing, Physical Planning and Urban Development	5,000,000	-	-	5,000,000
Water, Irrigation, Environment ,Climate Change and Natural Resources	5,000,000	-	-	5,000,000
Youth Empowerment and Sports, Gender, Children, Culture and Social Services	5,000,000	-	-	5,000,000
Administration ,Public Service , Devolution,Governance,ICT and GDU	175,000,000	-	-	175,000,000
County Public Service Board	6,400,000	-	-	6,400,000
County Assembly	366,174,844	-	-	366,174,844
Embu County Revenue Authority	10,000,000	-	-	10,000,000
Climate Change Unit	-	15,000,000	-	15,000,000
Embu Municipal Board	2,000,000	-	-	2,000,000
<b>Total</b>	<b>1,013,746,850</b>	<b>152,461,458</b>	<b>81,605,592</b>	<b>1,247,813,900</b>

An allocation of Kshs.81,605,592 and Kshs.40,000,000 has been factored under the Finance portfolio to cater for pending bills and utility bills (water and electricity) respectively. Further, Kshs.2,449,222 for the operation of the Library services has been allocated under the Education

portfolio. Further, an allocation of Kshs. 150,000,000 has been factored for the insurance cover under the Administration, Devolution, Public Service, Governance and ICT portfolio.

The operations and maintenance expenditure has reduced compared to the allocations in the budget estimates for financial year 2022/2023 due to the huge arrears on pending payments of the statutory deductions for previous financial years.

### 11. Development

In line with the objective of allocating adequate resources towards development expenditure and the priority to complete ongoing and stalled projects, the ceiling for development expenditure is Ksh. 2,545,553,712. Most of the funds are expected to support critical infrastructure as well as facilitate critical interventions to remove constraints hindering economic growth. A breakdown of county development expenditure ceilings is highlighted in Table 11:

**Table 11: Development Sector Ceilings for the FY 2023/2024**

<b>PORTFOLIO</b>	<b>CEILINGS WITHOUT GRANTS</b>	<b>GRANTS ALLOCATION</b>	<b>PROVISION FOR PENDING BILLS</b>	<b>TOTAL CFSP CEILINGS</b>
Office of The Governor	15,000,000	-		15,000,000
Finance and Economic Planning	1,000,000	-	506,742,127	507,742,127
Education, Vocational Training Centers	14,000,000	-	-	14,000,000
Health	10,000,000	124,723,404	-	134,723,404
Embu Level 5 Hospital	30,000,000	-	-	30,000,000
Roads, Public Works, Energy and Transport	100,000,000	-	-	100,000,000
Trade, Tourism, Investment, Industrial development and Marketing	10,000,000	400,000,000	-	410,000,000
Agriculture, Blue Economy, Livestock, Co-operative Development	9,000,000	720,586,039	-	729,586,039
Lands, Mining, Housing, Physical Planning and Urban Development	15,000,000	2,142	-	15,002,142
Water, Irrigation, Environment, Climate Change and Natural Resources	30,000,000	-	-	30,000,000
Youth Empowerment and Sports, Gender, Children, Culture and Social Services	10,000,000	-	-	10,000,000

Administration ,Public Service , Devolution,Governance,ICT and GDU	6,500,000	-	-	6,500,000
County Public Service Board	-	-	-	-
County Assembly	106,000,000	-	-	106,000,000
Embu County Revenue Authority	10,000,000	-	-	10,000,000
Climate Change Unit	-	7,000,000	-	7,000,000
Embu Municipal Board	-	-	-	-
Wards Equalization projects	420,000,000	-	-	420,000,000
<b>Total</b>	<b>786,500,000</b>	<b>1,252,311,585</b>	<b>506,742,127</b>	<b>2,545,553,712</b>

An allocation of Kshs.506,742,127 to cater for pending bills under the Finance portfolio. A counter fund of Kshs.150, 000,000 has been factored under the trade portfolio for the Aggregated Industrial park, Kshs.106,000,000 for the construction of the County Assembly Office Complex and Ksh. 420,000,000 to cater for the ward equalization projects.

**Table 12: Summary of the Sector Ceilings for the financial year 2023/2024**

Portfolio	Personnel	Operations and Maintenance	Total Recurrent	Total Development	Total	Percentage Of Total Exp.
Office Of The Governor	113,897,457	90,000,000	173,897,457	15,000,000	188,897,457	2.45
Finance And Economic Planning	698,381,139	146,605,592	844,986,731	927,742,127	1,772,728,858	22.98
Education, Vocational Training Centers	357,285,596	12,172,006	369,457,602	14,000,000	383,457,602	4.97
Health	1,744,808,362	193,063,000	1,937,871,362	134,723,404	2,072,594,766	26.87
Roads, Public Works, Energy And Transport	20,598,614	15,000,000	35,598,614	100,000,000	135,598,614	1.76
Trade, Tourism, Investment, Industrial Development And Marketing	23,236,262	5,000,000	28,236,262	410,000,000	438,236,262	5.68
Agriculture, Livestock, Blue Economy And Cooperative Development	204,500,587	96,398,458	300,899,045	729,586,039	1,030,485,084	13.36
Lands, Mining Housing, Physical Planning, And Urban Development	62,198,012	5,000,000	67,198,012	15,002,142	82,200,154	1.07
Water, Irrigation, Environment, Climate Change And Natural Resources	46,443,654	5,000,000	51,443,654	30,000,000	81,443,654	1.06
Youth Empowerment And Sports, Gender, Culture, Children And Social Services	29,062,051	5,000,000	34,062,051	10,000,000	44,062,051	0.57
Administration, Public Service, Devolution, Governance, ICT And GDU	297,749,300	175,000,000	472,749,300	6,500,000	479,249,300	6.21



County Public Service Board	23,281,253	6,400,000	29,681,253	-	29,681,253	0.38
County Assembly	298,989,228	366,174,844	695,164,072	106,000,000	801,164,072	10.39
Embu Level 5 Hospital	-	100,000,000	100,000,000	30,000,000	130,000,000	1.69
Embu County Revenue Authority	-	10,000,000	10,000,000	10,000,000	20,000,000	0.26
Climate Change Unit	-	15,000,000	15,000,000	7,000,000	22,000,000	0.29
Embu Municipal Board	-	2,000,000	2,000,000	-	2,000,000	0.03
<b>TOTAL</b>	<b>3,920,431,515</b>	<b>1,247,813,900</b>	<b>5,168,245,415</b>	<b>2,545,553,712</b>	<b>7,713,799,127</b>	
<b>PERCENTAGE OF TOTAL</b>	<b>50.82%</b>	<b>16.18%</b>	<b>67.00%</b>	<b>33.00%</b>		<b>100.00</b>

## 12. Overall Deficit Financing

It is in the interest of the government that county expenditure be limited to county estimates which should be commensurate with own source revenue, equitable share from the national government and conditional allocations from both the national government and development partners. Therefore, the county will not run into deficits while drawing budget because the budget is supported by prerequisite revenue.

## IV. COUNTY MEDIUM TERM EXPENDITURE FRAMEWORK

The Medium-Term Expenditure Framework (MTEF) is a three ((3) year rolling Budget Framework. It sets out the medium-term expenditure priorities and budget constraints against which sector budget plans are developed and refined. Medium term strategic priorities are a statement of the organization's direction. They offer a clear roadmap of where the county wants to be.

The 2023/2024-2025/2026 MTEF budget will build on the gains made so far. The County Fiscal strategy paper will cover the following key sector Priorities as outlined below

### 13. Details of Sector Priorities

The medium-term spending estimates for 2023/2024 -2025/2026 ensures continuity in resource allocation based on prioritized programs aligned CIDP 2023/2027 to the Annual Development Plan. The total expenditure ceilings as well as the sector ceilings for the MTEF period 2023/2024 -2025/2026 are stipulated in Annex I.

#### Roads, Public Works, Energy and Transport

Roads are important infrastructure in the county and the need for roads remains immense as most of county roads need either reconstruction or rehabilitation. Over the medium term, the County Government will prioritize upgrading and maintaining rural access roads as well as improve road infrastructure in urban centres.

During the current MTEF period, the sector's priorities will include: tarmacking of roads, murraming of roads, installation of street lights/floodlights and installation of transformers. Continued roads improvement will ease transport and access to markets for locally available raw materials and produce thus creating more business and employment opportunities for the people of Embu County.

The County Government will look for a cost effective way to construct the various roads within the county. The Government plans to do so through purchase of graders and land with murram so as to cost effectively grade and murram the county roads

## **Health**

Provision of quality health care is a key priority for Embu County Government. Access to quality and affordable healthcare is critical for socio-economic development. The Government will continue to improve health services. The priorities will be equipping the health facilities by providing drugs and the required personnel. This is aimed at decongesting level five Hospital

The county has made significant investments to construct Health facilities, upgrade, renovate and existing facilities to provide comprehensive health care. During the MTEF the sector priorities are: Completion and Equipping of Health facilities, Completion and Equipping of Maternities to ensure operationalization of all health facilities.

The key priorities within the level 5 facilities are: Equipping of new Badea block B (premium Centre) Installation of medical oxygen /vacuum piping in Badea block B premium Supply, Purchase of medical and dental equipment's, and plants, purchase and installation of equipment for molecular laboratory, renovation and alteration of maternity unit, distribution of medical oxygen piping from plant to ward, construction of cancer diagnostic and treatment center.

It is paramount that there is a healthy and productive population that is capable to engage in productive activities which in turn translates to higher economic development and consequently better standards of living.

## **Agriculture, Blue Economy, Livestock and Cooperative Development**

The sector aim is to improve livelihoods through promotion of competitive agriculture, sustainable livestock and fisheries, growth of viable cooperatives, equitable distribution, and sustainable management of land resources. This Sector is paramount towards ensuring food security, mobilizing domestic savings and employment creation.

The sector's key priority programmes and sub programme are geared towards increased production and productivity, reduced post-harvest losses and support farmers to increase income at household levels as outlined in the MTP IV. Its key objective is to improve livelihoods of the citizens through promotion of sustainable use of natural resource, competitive agriculture, coffee revitalization and value addition of agricultural produce.

Changing climatic conditions are causing significant impacts on livelihoods, health, food security and economic for the people. To enhance agricultural productivity and economic development, the sector will disseminate messages on drought heat and disease resistant crop varieties and livestock breeds, minimum and/or no tillage practices, water conservation and improving soil fertility. In this area the Sector prioritizes water harvesting, sustainable land use management and Agroforestry

The key priorities within the sector can be summed as; continuous farmer training, crop development and management, agribusiness and information management, research, livestock improvement and disease control. This will ensure increased production and productivity.

## **Education and Vocational Training Centers**

The sector objective is to enhance capacity for quality service delivery, ensure conducive learning environment, provide, promote and coordinate quality education, integration of science and technology, enhance access to quality education

The sector priority is to upgrade and improve tertiary institutions, increase access to early childhood education through construction and equipping of ECDE centers, construction and equipping of Vocational Training Centre.

## **Trade, Tourism, Investment, Industrial Development and Marketing**

The key objective of this sector is to provide a trade friendly environment. This is by embracing policies and programs that optimize the economic, environmental and socio-cultural benefits for the trade and tourism sector thus contributing to sustainable growth and development of the county. Key priority will be the construction and improvement of markets, market sheds

construction of Jua Kali sheds and Installation of market solar panels across the county which will go a long way in improving trade in the county. Of paramount importance is the Construction of the Aggregation Industrial Park.

The county Government will facilitate the development of industrial park, training on entrepreneur, management skills and value addition to the already existing and potential traders. Tourist facilities will be established and proper marketing be done through elaborate and strategic signage across the county as well as tourism promotion and opening of Mt. Kenya southern route.

### **Youth Empowerment and Sports, Gender, Children, Culture and Social Services**

The sector will seek to empower youth through skills development, talent harnessing and developing and maintaining sporting facilities. The sector deliverables in the MTEF period include: provision of credit facility to the youth, completion and equipping of youth empowerment Centre and completion and refurbishment of sports facilities.

In sports, the sector prioritizes empowerment of the county youths through sports, capacity building for the referees, coaches and team managers, maintenance of stadiums and promotion of creative art. It also aims at operationalizing of talent academy with a world class equipment and ICT hub and digital village in search for talent identification and promotion.

For the Gender, Children, Culture and Social Services Sector, its key objective is to promote socio-economic development in the community with emphasis on the disadvantaged members of society, protect and safeguard the rights and welfare of children, and promote County's cultural heritage. The sector strives to achieve Community empowerment through women empowerment and establishing a gender resource facility while upholding the dignity of people with disability and the elderly. This will be achieved through promotion of networking programs, trainings and promotion of cultural events and activities.

### **Finance and Economic Planning**

This sector plays a paramount role in planning, mobilization of financial resources and budget implementation in the county. The overall goal of the sector is to enhance the capacity for planning and policy management and coordinate the implementation of CIDP. The sector's specific objectives include monitoring progress in implementation of CIDP and other key programmes, sustaining and safeguarding of a transparent and accountable system for management of public finances.

To enhance revenue, the sector will ensure proper maintenance Embu pay revenue management system. The Embu Revenue authority has been tasked with coming with measures to address any revenue leakages while seeking to also increase the overall revenue collection.

The MTEF priorities will be to improve accountability and transparency in the management of public resources, upgrading and customization of revenue system, Monitoring and evaluation of CIDP implementation, preparation of policy documents and undertake data collection and analysis to inform economic decision.

### **Lands, Mining, Housing, Physical Planning and Urban Development,**

The land department mission is to facilitate efficient land administration and management, access to adequate and affordable housing, social and physical infrastructure for sustainable County development. This is expected to be realized through the sectors key responsibility of ensuring efficient administration and sustainable management of the land resource in the county. The keys objectives of the sector includes improving of land management for sustainable development, produce and maintain plans of property boundaries in support of land registration and to ensure guarantee and security of land tenure.

### **Water, Irrigation, Environment, Climate Change and Natural Resources**

Water, Irrigation and Environment and Natural Resources subsector plays a pivotal role in ensuring that every citizen lives in a clean and secure environment with adequate access to clean and safe water. Funding towards expanding water distribution networks continue being a priority so as to enable more households access clean water. Construction, rehabilitation and expansion of urban and rural water supply through drilling, rehabilitation and equipping of bore holes as well as de-silting of dams and water pans will continue being core in provision of domestic water.

The key priorities are to provide adequate quality water, safe sanitation and irrigation services through sustainable infrastructural development and management. To achieve adequate quality water, the county will drill boreholes using drilling machine purchased by the County government and equipping boreholes with solar panels to assist in pumping of water, expansion of existing water distribution networks for domestic and irrigation use, drilling and rehabilitation of boreholes.

The Environment and Natural Resources has climate adaptation, coping and mitigation measures for climate change, irrigation and environment.

For the Climate Change Sub sector under the Financing Locally Led Climate Action (FLLoCA) allocation, the program on Climate change is designed to caution citizen of the issue of climate change and global warming. It has prioritized the use and supply of renewable / clean energy which include solar energy projects and installation of biogas systems. Constant supply of water has also been a priority which will be achieved through drilling and installation of solar panel for boreholes, de-silting of earth dams and construction of drainage systems

### **Office of the Governor**

The office of the Governor through the Executive Committee gives policy direction for implementation based on County and National legislations to the extent that the legislation so requires and to manage the functions of the County Administration and its departments. Funding over the 2023/2024 -2025/2026 MTEF period will enable the office to provide key leadership and policy direction in the governance of the county; coordinate and supervise government affairs; promote public service integrity, ensure efficient and effective resources management and development for improved public service delivery. The sector links with all the sectors to enable efficient and effective service delivery.

### **County Assembly**

The County Assembly plays the critical role of strengthening the democratic space, ensuring good governance in the county, oversight role over the County Executive and developing new legislations. The MTEF budget proposals for County Assembly are expected to be submitted directly to the County Assembly in line with the Constitution, in line with the Commission for Revenue Allocation (CRA) guidelines and directives on ceiling for financing County Assemblies operations. The sector ensures there is legislation and policies in place to guide other sectors. Its main role is legislation, representation and oversight.

### **County Public Service Board**

The County Public Service Board (CPSB) is an independent county board established by law and is in charge of handling all matters of human capital of the county. The sector goal is to empower the county public service to be professional, productive, ethical, effective and efficient in-service delivery. The sector's key objectives include ensuring effective and efficient running of the county affairs as per to the constitution and provide a suitable working environment for sector's staff

The sector prioritizes to put up a robust performance management system aimed to improve service delivery. Capacity development of county staff continues to be a major problem that the public service and administration portfolio seeks to look into. The portfolio intends to develop the capacity of staff through professional development and promotional training courses

### **Administration, Public Service, Devolution, Governance, ICT and GDU**

The public service, administration and devolution is the coordinating unit of the County Government programmes and activities. The department is made up of the following units;

General Administration, legal unit, Information Communication & Technology, Public Communication, Human Resources and Payroll management, Enforcement, Disaster Risk Reduction Management, Transport and Fleet Management. The department is an enabling entity which coordinates, monitors implementation of the functions of the county government in all areas including at the grass root level, ensuring that the resources allocated are used prudently and to the benefit of the community.

The Human Resource unit is charged with the responsibility of ensuring that the right staff are sourced and deployed according to needs and ability .Continuous staff development is undertaken so as to maximize on staff output while ensuring personal career growth.

The departmental liaison role ensures proper engagement of partners and stakeholders across the board so as to strengthen partnerships and Inter-Governmental relationships especially during devolution conferences and other forums relevant to the County development. The department will also take lead role identification, mitigation and management of common and emerging incidences such as fires, floods, drowning, road traffic incidences and emerging pandemics.

## **VI. CONCLUSION**

The current economic environment calls for strict austerity measures and fiscal discipline in county expenditure. Macroeconomic stability will be critical to supporting growth in the medium term. Sound fiscal discipline will be key to the county's resilience to ensure economic growth while ensuring that the benefits of growth are shared by all.

Fiscal policy as shown here will support growth within a sustainable path of public spending. Recurrent expenditure as a proportion of total government expenditure will proportionately reduce while allowing development expenditure to rise. Austerity in county spending will help generate a pool of funds available for development initiatives in the county. Sound utilization of funds of county resources while improving on efficiency will also help to create room for critical interventions in the social sec

## APPENDIX

### Annex I: Total Expenditure Ceilings for the MTEF Period 2023/2024– 2025/2026

PORTFOLIO	2023/2024	2024/2025	2025/2026
Office of The Governor	218,897,457	244,313,132	254,313,132
Finance and Economic Planning	1,352,728,858	144,978,769	154,978,769
Education, Vocational Training Centers	383,457,602	393,987,455	413,987,455
Health	2,072,594,766	2,272,594,766	2,422,726,858
Embu Level 5 Hospital	130,000,000	150,000,000	180,000,000
Roads, Public Works, Energy and Transport	135,598,614	435,598,614	485,598,614
Trade, Tourism, Investment, Industrial development and Marketing	438,236,262	39,257,423	49,257,423
Agriculture, Blue Economy, Livestock, Co-operative Development	1,030,485,084	880,485,084	890,485,084
Lands, Mining, Housing, Physical Planning and Urban Development	82,200,154	152,200,154	162,200,154
Water, Irrigation, Environment, Climate Change and Natural Resources	81,443,654	200,443,654	210,443,654
Youth Empowerment and Sports, Gender, Children, Culture and Social Services	44,062,051	64,062,051	74,062,051
Administration, Public Service , Devolution,Governance,ICT and GDU	479,249,300	579,479,300	589,479,300
County Public Service Board	29,681,253	33,908,253	43,908,253
County Assembly	771,164,072	851,164,072	861,164,072
Embu County Revenue Authority	20,000,000	50,000,000	60,000,000
Climate Change Unit	22,000,000	22,000,000	22,000,000
Embu Municipal Board	2,000,000	10,000,000	20,000,000
Wards Equalization Projects	420,000,000	420,000,000	420,000,000
<b>TOTAL</b>	<b>7,713,799,127</b>	<b>6,944,472,727</b>	<b>7,314,604,819</b>



**Annex II: Own Source Revenue Performance for Financial Year 2022/2023**

<b>REVENUE SOURCE</b>	<b>ACTUAL PERFORMANCE</b>
<b>ORDINARY LOCAL REVENUE</b>	
Single Business	125,823,950
Stall Rent	9,716,721
Plot Rent	10,123,989
Market Fees	17,619,678
Bus park	17,275,430
Street Parking	18,828,979
Cess	81,931,346
Land Rates/Plot Rents	33,672,865
Enforcement	1,188,704
Building/Plan Approvals	10,340,545
Promotion	38,817,097
Miscellaneous	14,244,701
Slaughter House Fees	1,834,160
<b>TOTAL</b>	<b>381,418,165</b>
<b>APPROPRIATION IN AID (AiA)</b>	
Weights And Measures	791,640
Liquor	46,127,579
Embu-Level 5	209,383,169
Runyenjes Hospital	8,118,366
Siakago Hospital	4,806,241
Ishiara Hospital	8,060,556
P.H.O Embu West Manyatta	5,459,660
P.H.O. Mbeere North.Mbeere	3,248,700
P.H.O. Mbeere South Kiritiri	3,051,900
P.H O Embu East Runyenjes	2,982,500
Stadium Users Fees/Youth Empowerment	128,600
Veterinary	3,255,167
Administration Fees	1,810,173
<b>TOTAL</b>	<b>295,464,077</b>
<b>GRAND TOTAL</b>	<b>678,642,414</b>

**Annex III: Own source Revenue Projections for Financial Year 2023/2024**

<b>REVENUE SOURCE</b>	<b>PROJECTED AMOUNT</b>
<b>ORDINARY LOCAL REVENUE</b>	
Single Business	125,956,000
Stall Rent	10,916,320
Plot Rent	11,566,000
Market Fees	18,321,474
Bus park	24,880,280
Street Parking	18,988,400
Cess	85,067,738
Land Rates/Plot Rents	35,752,000
Enforcement	1,500,000
Building/Plan Approvals	12,442,280
Promotion	2,000,000
Miscellaneous	35,400,000
Slaughter House Fees	1,837,448
<b>TOTAL</b>	<b>384,627,940</b>
<b>APPROPRIATION IN AID (AiA)</b>	
Weights And Measures	1,036,000
Mwea National Park	1,500,000
Liquor	50,628,000
Embu-Level 5	260,000,439
Runyenjes Hospital	11,157,000
Siakago Hospital	6,500,000
Ishiara Hospital	10,000,500
Kianjokoma Hospital	1,015,949
Karurumo RHTC	1,000,376
Kiritiri Health Centre	1,100,564
P.H.O Embu West Manyatta	6,001,832
P.H.O. Mbeere North.Mbeere	3,250,000
P.H.O. Mbeere South Kiritiri	3,250,000
P.H O Embu East Runyenjes	3,000,000
Stadium Users Fees/Youth Empowerment	1,500,000
Veterinary	4,031,400
AMS	300,000
Fisheries	100,000
<b>TOTAL</b>	<b>365,372,060</b>
<b>GRAND TOTAL</b>	<b>750,000,000</b>