EMBU COUNTY GOVERNMENT

COUNTY TREASURY

MEDIUM TERM

COUNTY FISCAL STRATEGY PAPER

UNLOCKING THE POTENTIAL FOR EQUITABLE WEALTH AND EMPLOYMENT CREATION

FEBRUARY 2019

FOREWORD

This Fiscal Strategy Paper, the fifth since the operationalization of the County Governments, sets out county policy goals and strategic priorities that will be the basis for formulation of County's Financial Year 2019/20 budget and the Medium Term. The Paper is prepared in accordance with the Public Finance Management Act, 2012.

The County priorities and goals outlined herein are based on the County Integrated Development Plan with emphasis on investment in: food security, Infrastructure development, domestic water connectivity, accessibility to affordable health care and early childhood development education. These priorities shall form the basis for formulation of FY 2019/20 budget and the Medium Term. The paper therefore links county planning and policies to Budget which is the main objective of the Medium Term Expenditure Framework.

The paper covers the following broad areas in review of the fiscal performance of financial the half year 2018/19; highlights of the recent economic developments and the economic outlook; broad strategic priorities and policies for the Medium Term and the Medium Term Fiscal Framework.

The fiscal framework presented in the paper ensures a 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.

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ACKNOWLEDGEMENT

This is the fifth County Fiscal Strategy Paper (CFSP) to be tabled in the County Assembly under Section 117 of the Public Finance Management Act, 2012. It outlines the broad strategic macroeconomic issues and fiscal framework, together with a summary of County Government spending plans, as a basis of 2019/20 budget and the medium- term. We expect the document to improve the public's understanding of the County's public finances and guide public debate on economic and development matters.

As usual, the preparation of the 2019 CFSP continues to be a collaborative effort. Much of the information in this report was obtained from the 2018 County Budget Review and Outlook Paper (CBROP), which provided inputs to this 2019 CFSP, in addition to comments from several other stakeholders.

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, Dr. John Njagi, Chief Officer Finance, Mr. Damiano Muthee and Director Planning and Economic Affairs, Mr. Lawrence M. Nzioka 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. John Ireri, Ms.Catherine Gathee, Mr.Boniface Muli Lova, Mr. Linus Mugambi, Mr. Erick Kinyua, Mr. Joshua Mwangi and Mr. Charles Njagi. Since it would not be possible to list everybody individually in this page, I would like to take this opportunity to thank the entire staff of the Finance, Planning and Economic Affairs docket for their dedication, sacrifice and commitment to public service.

MARY MERCY MUNENE
CHIEF OFFICER
<u>PLANNING & ECONOMIC AFFAIRS</u>

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 prudency 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
IGAs	Income Generating Activities
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act

I. EFFECTIVE RESOURCE MOBILIZATION FOR WEALTH AND JOB CREATION

1. Overview

The Constitution of Kenya, 2010 created a two tier system of governance, a national and 47 devolved county governments. The constitution highly emphasized on devolution which would subsequently improve political and economic environment, and ensure enhanced accountability and more efficient public service to citizens. Key development challenges remain, though, including poverty, inequality, and climate change. The economy likely lost traction again in the final quarter of 2018 after expanding at a robust, albeit softening, pace in the third quarter on strong agricultural and hydro-powered electricity output.

Rising inflation, a continued slowdown in remittance inflows and weaker credit growth likely weighed on private consumption in third quarter. Entering the fourth quarter, a pick-up in remittances and an acceleration in credit in October likely stimulated greater household spending. On the downside, gloomy corporate earnings and job cuts prompted the Kenya Revenue Authority to reduce its revenue target for the current fiscal year by 5.0%. In early January a hotel and office complex in the capital came under attack from Al-Shabaab militants; the latest in a wave of terrorist activity across the continent that threatens to undermine foreign investment and the tourism sector. Growth is expected to remain strong in 2019, due to continued solid domestic demand.

Private consumption should continue to expand at a healthy pace, buoyed by solid remittances inflows and a tight labor market, while upbeat business confidence should continue to support strong fixed investment growth. The continuation of the interest rate cap on commercial bank lending rates will likely curb the availability of credit, however, and hamper the government's ability to secure additional financing from the IMF. It is projected that GDP growth in 2019 will be at 5.9%, which is up 0.1 percentage points from last month's forecast, and 5.7% in 2020. In order to sustain the economic potential of the County, there is need to exercise strict fiscal discipline. As it has always been the case, this calls for support of the productive, private sector investment and wealth generating sectors of the economy while at the same time strengthening investment in economic infrastructure for sustainable long term growth. Priority areas in 2018/2019 include investment in agriculture, roads and water infrastructure, transport, trade, investment, tourism, youth and sports as well as social-economic sectors such as health, and education. This will enable the county to focus on strengthening the potential it is endowed with to stimulate economic growth and development across all sectors.

2. Need for Tough Decisions

The county should put in place revenue raising measures that seek to increase the amount of revenue raised which would increase the overall development resources. The soaring wage bill should be controlled as it currently stands at 46.95% of the total revenue which is above the recommended limit of about 35%. The huge wage bill is a threat to development projects funding since large share of the scarce resources is directed towards financing personnel emoluments at the expense of development. The 30% minimum constitutional threshold for funds towards development projects must be adhered to.

This calls for an agreement to be made on a development agenda that will involve developing a priority list of programmes and projects to be implemented within the available resource basket. This should also be followed by a strict evaluation processes to ensure adherence to the plan and delivery of the same. Developing a list of priority programmes and projects require trade-offs with implementation of priority programmes being postponed to allow the completion of all ongoing projects.

In addition to establishing strong mechanisms that form part of economic transformation under public finance management reforms the Embu County Government should also ensure that there a proper procedure to reinforce the same. Reinforcing the reforms will be geared towards improving efficiency and effectiveness in utilization and execution of county budget. The focus will entail continued rationalization of expenditures by removal of expenditure overlaps and waste, identification and development of cost benchmarks, exploring alternative implementation strategies, building on performance contracting as well as expenditure tracking.

Establishing and reviewing revenue laws including a robust taxation policy to support revenue collection, identifying new revenue streams, conducting regular/timely revenue assessment to give trends and review targets in revenue collection, training of revenue staff on customer care and other skills to enhance their capacity and benchmarking with other counties to learn best practices are among the key interventions that the county should focus on.

The County Government will continue to exploit areas that leverage the private sector to generate the much-anticipated wealth and employment opportunities as well as create an enabling environment that has favorable incentives to attract more investors. New and emerging markets will be developed to create more avenues for employment and wealth creation.

3. Recent Economic Developments and Outlook

The economic expansion has been boosted by a stable macroeconomic environment, low oil prices, rebound in tourism, strong remittance inflows, and a government-led infrastructure development initiative. The shilling has been stable exchanging at Ksh. 100 to a dollar. More so it has been buoyed by remittances which were more than what we get from tourism. The low oil prices helped stabilize the shilling because we still import oil despite its discovery in 2011.

The relative peace after tumultuous 2017 electioneering brought tourists back and economic confidence. The government-led infrastructure projects - from roads to ports, airports, and standard gauge railway created demand for goods and services and positively affected growth.

The interest rates remained stable in 2018 with the Monetary Policy Committee (MPC) leaving the Central Bank of Kenya (CBK) rate unchanged most of the year. The MPC statement also painted an optimistic view of Kenya economy in 2019.

It is also indicated that lower inflation because of lower food prices will offset the rise in fuel prices because of VAT, narrowing in the current account deficit due to increased exports of tea and horticulture, increased diaspora remittances, strong receipts from tourism, and lower imports of food and SGR-related equipment relative to 2018 and 2019.

MPC further cited improvement in the business environment, focus by the Government on the Big Four priority sectors, a stable macroeconomic environment and the expected increase in trade and tourist arrivals following the commencement of direct flights to the US.

The following sectors namely; Agriculture, Infrastructure, Trade, Investment Tourism remain key sectors in the county's economy and if upheld would translate to sustainable employment in addition to economic growth and subsequent development lifting living standards of the county residents.

4. Risks to the Outlook

The Kenyan economy is susceptible to various domestic and external shocks, such as droughts, volatility in commodity prices, as well as insecurity and terrorism threats. To this end, maintaining fiscal stability is critical for safeguarding against these adverse shocks and ensuring that growth is sustained despite challenging circumstances.

The Public Finance Management Act, 2012 captures the spirit on prudent management of risk. The Statement of Specific Fiscal Risks (SSFR) clearly outlines county's exposure to fiscal risks that are associated with assumptions used for fiscal projections, public debt dynamics, operations of county government organs, contingent liabilities, vulnerabilities of the financial sector, as well as risks associated with external forces beyond our control.

Overall, the statement highlights the following:

i. Macroeconomic assumptions have been broadly accurate although failure to meet revenue collection targets remains a major concern;

ii. Adverse weather conditions which negatively affect agricultural productivity within the County.

iii. The Financial Sector remains sound and stable and is adequately capitalized in the supply of capital to SME within the County.

iv. Precaution has been taken to ensure that the effects of rain are preempted to avoid major destruction of existing infrastructure.

v. Political squabbles experienced in the past between the Executive and the County Assembly.

5. Specific Risk Exposure

National Risks

a) Debts

Kenya is weighed down by swelling public debt and faces the possibility of a debt crisis (where the government can't repay what it owes). Kenya's current public debt stands at approximately 5 trillion Kenyan shillings (USD$49 billion) or 57% of the country's gross domestic product.. This is up from 42.8% in 2008. In other words, the country owes more than half the value of its economic output (GDP).

The share of loans from non - concessional sources has also partly increased by the issue of euro bond by 2 billion dollars. The International Monetary Fund recommends that ratios of public debt to GDP should not be higher than 40% for developing countries.

To reduce its burgeoning public debt burden, Kenya must improve its production capabilities in the long term. This can be achieved in several ways that include investment in human capital to promote entrepreneurial activity through sustenance of vocational and technical training. Also the country should shift from exporting raw materials to value addition and manufacturing. Lastly, attention should be directed to developing local enterprise especially those that produce import substitutes.

b) Corruption

A lot of money have been stolen through corruption, billions of shillings. These money was to be invested in certain areas. Kenya scored 27 points out of 100 on the 2018 Corruption Perceptions Index reported by Transparency International. Corruption Index in Kenya averaged 22.82 Points from 1996 until 2018, reaching an all-time high of 28 Points in 2017 and a record low of 19 Points in 2002.

c) Terrorism

In recent years, the country has continued to witness a surge in terrorist attacks and violent extremism. Latest instance was the attack on a hotel and office complex in the capital which came under attack from Al-Shabaab militants. The impact of these have been most felt on infrastructure, physical and human capital, productivity and economic growth. Furthermore, terrorist attack and violent extremism have increased uncertainty in the investment climate, disrupted household spending and livelihood, dissuaded foreign direct investment (FDI) and led to a reallocation of resources from growth-enhancing investment to spending designed to increase national security. The country has invested so much in military and police in order to keep the country safe from the Al-Shabaab terrorists.

d) Drought and famine

Drought is defined as long periods without rain which leads to a shortage of water among other adverse effects on the earth. Drought in Kenya has always been a problem. More than 2.6 million Kenyans were severely food insecure by 2017/2018. High levels of malnutrition are prevalent across the arid and semi-arid lands. Three sub-counties reported Global Acute Malnutrition rates of 30 per cent, double the emergency threshold. Severe drought has dried up water resources in half of Kenya's 47 counties in 2017 and an estimated 3 million people lack access to clean water. Recurrent droughts have destroyed livelihoods, triggered local conflicts over scare resources and eroded the ability of communities to cope. Families are on the move, which poses protection risks for women and children. More than 1.2 million children are in need of education assistance. Kenya is experiencing multiple disease outbreaks including cholera/Acute Watery Diarrhea and measles. An estimated 2.9 million people require lifesaving medical interventions and community-based primary health outreach. The country therefore needs to further come up with measures to combat drought. Some of the solutions include Planting of trees, make pastoralism a sustainable economic activity, Irrigation for farmers, provision safe drinking water to drought infected areas, and food conservation amongst others

e) Poverty

People still live in unhygienic places like slums. Rural Kenya lacks infrastructure, electricity etc. Despite the new country economic update showing that the proportion of Kenyans living on less than the international poverty line (US$1.90 per day in 2011 PPP) has declined from 43.6% in 2005/06 to 35.6% in 2015/16 it's noted that poverty rates in Kenya remain relatively high compared to other lower middle-income countries

f) High cost of living

The country is currently experiencing increasingly high taxation through the recent introductions such as VAT on previously exempt goods; exercise duty on increased number of goods and financial transactions; fuel levy; railway development levy; capital gains tax; rental income tax; among others raising the cost of living.

In July, the Kenya Revenue Authority (KRA) increased excise duty chargeable on a wide range of goods, including juice, water and beer, setting the stage for higher retail prices.

Other items that are set to attract higher taxation include cigarettes, wines and spirits, which previously had a fixed excise rate. Excise tax on mobile money transactions went up to 12% from 10% while sugar confectionery and chocolate bars are attracting excise duty at the rate of Ksh. 20 per Kilogram.

County Risks and Mitigation Measures

I. The country's economic performance

The country's economic performance is likely to affect the implementation of 2018/19 financial year budget. If the economy performs poorly due to unpredictable external and internal shocks, this will have a negative impact to the performance of the County in terms of the funds that will be allocated to the county from national government.

Mitigation measures: The County shall put proper mechanisms to increase its local revenue and at the same time cutting public spending. Already, an E-payment platform (Embu Pay) is operational.

II. Shortfall in Local Revenue

The main fiscal risk that is likely to be faced by the county government is the shortfall in local revenue flows. Own Sources Revenue generation has continued to face challenges that must be progressively mitigated in order to achieve county development goals. For instance revenue from land rates have continued to decline with other sources of revenue being collected being below per.

Mitigation measure: In the medium term, the County will continue to undertake measures aimed at expanding the revenue base and increasing tax compliance through integration of technology in revenue collection. The establishment of ECRA that is mandated with revenue collection and administration will significantly increase the local revenues collected.

III. Huge Wage Bill

Regulation 25 (1) (b) of the PFM (County Governments) requires that County wage bill shall not exceed 35% of the total revenue. However, the 2018/19 compensation to employees' allocation was 49 % of the total revenue. For 2018/19, the compensation to employees constitutes 51.3% an increase of 2.3 percent. 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, it carries majority of the devolved staff. The ongoing nurse's strike in some counties including Embu by the healthcare workers to enforce their Collective Bargaining Agreements (CBAs) will definitely have an impact on the county's wage bill.

Mitigation measures: The county will put necessary measures in the attempt to curb wage bill through; The county conducted a human resource towards the end of 2018, having an approved staff establishment, stop recruitment of non-essential staff and those not in the approved staff establishment; ensure appropriate engagement of casuals and payment of salaries through IPPD to enhance efficiency in HR management

IV. Pending Bills

The issue of Pending debts/bills continues to be a major economic policy challenge facing the County government of Embu. From all the departments, the county's pending bills currently stand at Ksh. 1.4 billion. These bills that have accrued over the financial years with pending bills for as old as those of 2014/2015 financial year.

Mitigation measure: The county government should therefore ensure that both the level and rate of growth in debt is fundamentally sustainable as high debt will continue to impact negatively on the county operations. This will be done by increasing and revising the county's own source revenue targets to realistic and achievable targets. Unachieved revenue targets create budget gaps which at long run result to a number of unpaid expenditures (pending bills). In addition however, funds shall be allocated in the budget for debt servicing.

II. FISCAL POLICY AND BUDGET FRAMEWORK

6. Overview

The 2019/20 - 2021/22 Medium-Term Fiscal Framework aims at stimulating economic growth while maintaining a balanced fiscal policy. It prioritizes prudent fiscal policy as a commitment towards sound financial management practices as entrenched in the Public Finance Management Act, 2012. The focus is also expected to shift from recurrent expenditure to increased development expenditure beyond the minimum requirement of 30 percent as per the PFM Act, 2012.

There will be increased focus on improvement of both efficiency and productivity of recurrent expenditure. The expenditure focus is towards equitable development while making provisions for any marginalized groups in the county. The County Government also takes into account the fiscal risks arising from contingent liabilities, impact of the Public Private Partnership and Financial Sector Stability.

The huge expenditure requirement entails an equivalent revenue being generated. This has necessitated the need to refocus efforts on key streams, broadening the base for collections increase revenue collection through automation of more revenue streams while continually sealing any leakages.

7. Prudent Fiscal Policy

Fiscal policy will continue to support economic activity while undertaking the functions of county government within a context of sustainable public financing. Since the inception of the devolved government, the County Government has reoriented expenditure towards priority programs in Infrastructure, Health, Water, Wealth, Agriculture and Lands under the medium-term expenditure framework (MTEF).

The county will continue prioritizing expenditure towards those priority programs that are in line with the County Integrated Development Plan (2018-2022). The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development.

8. Observing Fiscal Responsibility Principles

The fiscal decisions made in the present day by the County Government will have implications into the future. The Constitution 2010 and the Public Finance Management (PFM) Act, 2012 both stress on the need to make prudent policy decisions for both the present and future generations. Further, the PFM Act underscores the need to be guided by the public finance management principles that relate to transparency and accountability on financial matters. The County Government also undertakes to adhere to minimum ratio of development to recurrent expenditure of at least 30:70 over the medium term, as set out in the PFM Act.

The Constitution, 2010 underscores the importance of public participation in decision making at the county level. This requirement on public participation in relation to determining key priority programmes/projects for implementation as well as in their implementation will be adhered to. The County government shall also involve the various stakeholders in determining fees and levies for services offered which are expected to be fair with the overall goal being to promote equitable development of the county.

The need for improved service delivery and implementation of development programmes results in increased expenditure demands. This will require a corresponding increase in revenue base. The county plans to meet this through efficient collection methods, widening of revenue base, and applying reasonable revenue rates. It is therefore imperative to reform and modernize the revenue regimes to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund priority programmes on sustainable basis.

9. Fiscal structural reforms

Reforms in this area will focus on strengthening data collection/analysis and reviewing budget procedures to ensure budget formulation process is appropriately integrated with planning. The county will undertake a number of measures in improving revenue and expenditure performance. These include continued modernization of revenue administration infrastructure to help in effectively enforcing revenue collection in the County, continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM Act (2012) and embracing the Integrated Financial Management Information System (IFMIS) fully including E-Procurement in expenditure management to ensure proper controls of public fund.

10. 2019/2020 Budget Framework

The 2019/2020 budget framework will target the County Government's strategic objectives as outlined in the Annual Development Plan 2018 and County Integrated Development Plan (2018-2022). Public Private Partnerships (PPPs) will be encouraged in order to create fiscal space, which is obviously important for infrastructure development, where large gaps already remain.

The total revenue expected in FY 2019/2020 is Ksh. 6,197,459,024 emphasizing on the Medium term Expenditure Framework (MTEF) will ensure proper coordination of policy, planning and budgeting in accordance with county development priorities. The expected share of development funds of the total expenditure will be 30.0 percent. Recurrent expenditure takes the lion share of 70.0 percent largely due to the county wage bill totaling Ksh. 3,263,189,322.

Table 1: County Fiscal Projections 2019/20 -2021/22

	Printed Estimates	CFSP Ceilings	Projections	
	2018/19	2019/20	2020/21	2021/22
Total Revenue	**6,440,553,998**	**6,197,459,024**	**6,803,877,387**	**7,466,211,213**
Equitable Share Of Revenue From National Government	4,458,800,000	4,216,000,000	4,637,600,000	5,101,360,000
Conditional Grant To the Level Five Hospital	301,040,462	301,040,462	331,144,508	364,258,959
Conditional Allocation For Development Of Youth Polytechnics	37,900,000	33,603,298	37,900,000	37,900,000
Conditional Grant For Compensation For User Fees Forgone	10,724,225	10,724,225	10,724,225	10,724,225
Conditional Grant For Leasing Of Medical Equipment	200,000,000	131,914,894	131,914,894	131,914,894
Conditional Grant From Road Maintenance Fuel Levy Fund	117,396,321	122,183,250	134,401,575	147,841,733
Loans and Grants	364,692,990	581,992,895	640,192,185	704,211,403
Local Sources	653,490,000	450,000,000	495,000,000	544,500,000
Appropriations In Aid (AiA)- Ministerial	296,510,000	350,000,000	385,000,000	423,500,000
Total Expenditure	**6,440,553,998**	**6,197,459,024**	**6,803,877,387**	**7,466,211,213**
Recurrent Expenditure	**4,507,470,466**	**4,338,221,317**	**4,758,715,909**	**5,216,533,588**
Personnel Emoluments	3,124,701,271	3,263,189,322	3,393,716,895	3,529,465,571
Operations & Maintenance	1,382,769,195	1,075,031,995	1,364,999,014	1,687,068,017
Development	**1,933,083,532**	**1,859,237,707**	**2,045,161,478**	**2,249,677,626**

11. Revenue Projections

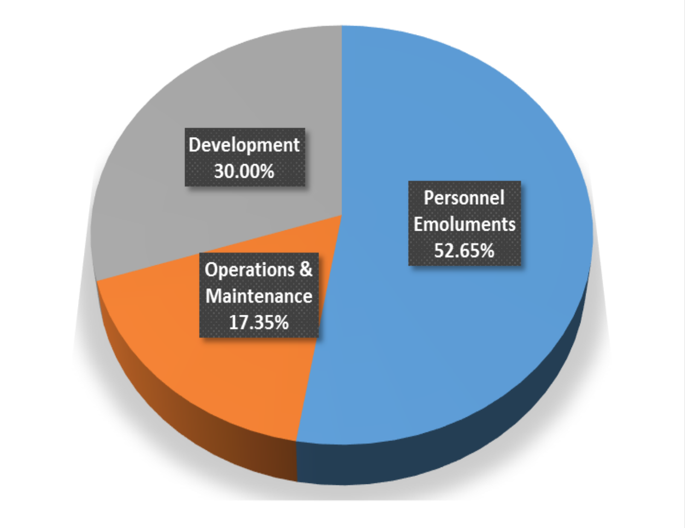
The estimated equitable share of revenue from the National Government is Ksh 4,216,000,000 while Conditional grants total Ksh. 599,466,129 based on the **Budget Policy Statement, 2019**. Loan and grants amount to Ksh. 581,992,895 which includes various programmes such as Transforming Healthcare Systems for Universal Care Project THSUCP, Agricultural and Rural Inclusive Growth Project (NARIGP), Kenya Devolution Support Programme (KDSP), Kenya Urban Support Project (KUSP) and Universal Healthcare in Devolved System Program. NAGRIP under Agriculture, Livestock, Fisheries and Co-operative Development takes the largest amount at Ksh. 349,950,000.

The 2019/2020 budget target for revenue collection inclusive of Appropriation-in-Aid (AiA) is expected to be Ksh 800,000,000, which is 12.91 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.

12. Expenditure Forecasts

The key policy document guiding the County Government's funding allocation decisions is the County Integrated Development Plan, which provides the updated development priorities of the county. Planning is expected to be guided by the public consultative forums which also provided a list of project priorities. In 2019/20; the recurrent expenditure is projected to be Ksh. 4,338,221,317 while development expenditure is expected to be Ksh. 1,859,237,707 accounting for 70.0 percent and 30.0 percent of total expenditure respectively. The proportion of emoluments, operations and development expenditure shown in Figure 1:

Figure 1: Proportion of Expenditure for FY 2019/20



13. Recurrent Expenditure

The total wage bill of Ksh. **3,263,189,322** accounts for **52.65 percent** of the total budget while operations and maintenance costs total to Ksh. **1,075,031,995** accounting for 17.35 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.

Table 2: Recommended Personnel Emolument ceilings for FY 2019/20

Portfolio	CFSP Ceilings	% Share
Office of The Governor	85,288,983.52	2.61
Finance & Economic Planning	50,784,818.24	1.56
Education, Science & Technology	353,660,493.68	10.84
Health	1,602,333,478.72	49.10
Embu Level 5 Hospital	-	0.00
Infrastructure, Public Works, Housing & Energy	31,891,970.24	0.98
Trade, Tourism, Investment & Industrialization	8,107,067.28	0.25
Agriculture, Livestock, Fisheries & Co-operative Development	274,335,944.72	8.41
Water And Irrigation	50,607,159.20	1.55
Lands, Physical Planning, Environment & Natural Resources	30,569,129.76	0.94
Youth Empowerment, Gender, Culture, Children & Social Services	14,539,325.84	0.45
Public Service & Administration	469,574,469.52	14.39
County Public Service Board	17,844,582.08	0.55
County Assembly	273,651,899.04	8.39

The Health department including Level 5 hospital takes the lion share of the personnel emoluments at Ksh. 1,602,333,479 which accounts for almost half of the emoluments at 49.1 percent. 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.

Under operations and maintenance expenditure, the County Assembly takes the lion share accounting for 30.66 percent of the budget. The health docket and Embu level 5 hospital follow closely at 16.43 and 14.36 percent respectively.

Table 3: Recommended Operations ceilings for FY 2019/20

Portfolio	CFSP Ceilings	% Share
Office of The Governor	75,495,651	7.02
Finance & Economic Planning	64,300,000	5.98
Embu Revenue Authority	20,000,000	1.86
Education, Science & Technology	70,076,971	6.52
Health	176,606,546	16.43
Embu Level 5 Hospital	154,422,818	14.36
Infrastructure, Public Works, Housing & Energy	26,952,360	2.51
Trade, Tourism, Investment & Industrialization,	11,185,291	1.04
Agriculture, Livestock, Fisheries & Co-operative Development	75,856,690	7.06
Water And Irrigation	10,161,245	0.95
Lands, Physical Planning, Environment & Natural Resources	15,003,951	1.40
Youth Empowerment, Gender, Culture, Children & Social Services	21,065,346	1.96
Public Service & Administration	13,010,561	1.21
County Public Service Board	11,277,165	1.05
County Assembly	329,617,400	30.66
Total	**1,075,031,995**	**100.00**

14. Development

In line with the objective of allocating adequate resources towards development expenditure and the need to ensure completion of ongoing projects, the ceiling for development expenditures is Ksh 1,859,237,707. Most of the funds are expected to support critical infrastructure as well as facilitate critical interventions to remove constraints hindering economic growth. Adherence to Public Procurement and Disposal Act 2015 will help ensure value for money as well as transparency in all procurements. A breakdown of county development expenditure is highlighted in Table 4:

Table 4: Development Sector Ceilings for the FY 2019/20

Portfolio	CFSP Ceilings	% Share
Office of The Governor	0	0.00
Finance & Economic Planning	441,600,000	23.75
Education, Science & Technology	70,770,175	3.81
Health	180,840,039	9.73
Embu Level 5 Hospital	131,321,241	7.06
Infrastructure, Public Works, Housing & Energy	345,131,201	18.56
Trade, Tourism, Investment & Industrialization,	37,322,145	2.01
Agriculture, Livestock, Fisheries & Co-operative Development	328,598,494	17.67
Water And Irrigation	91,325,812	4.91
Lands, Physical Planning, Environment & Natural Resources	152,658,213	8.21
Youth Empowerment, Gender, Culture, Children & Social Services	39,456,822	2.12
Public Service & Administration	15,213,565	0.82
County Public Service Board	0	0.00
County Assembly	25,000,000	1.34
Total	**1,859,237,707**	**100.00**

Finance and Economic planning takes the largest amount of Ksh. **441,600,000** that includes the Ward Equalization Programme which stands at Ksh. 421,600,000.

15. Overall Deficit Financing

It is in the interest of the government that county expenditures be limited to county estimates which should be commensurate with revenue collections, share of the national revenue and from other sources. Therefore, the county will not run into deficits while drawing budget because the budget is supported by prerequisite revenue.

III. MEDIUM TERM EXPENDITURE FRAMEWORK

16. Strategic priorities

The 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 2019/2020 -2021/2022 MTEF budget will build on the gains made so far. It will in incorporate the National Government "Big Four" Agenda initiated under FY 2018/2019. The County Fiscal strategy paper will cover the following key Strategic Priorities

Strategic Priority I: To improve efficiency and effectiveness of infrastructure

Infrastructure development is one of the key strategic priorities for the County. In the medium term, the County Government will invest in infrastructural development which comprises of Roads transport; Energy; and Housing programmes. The overall goal of the priority is to have a well-developed and maintained physical infrastructure for rapid and sustainable economic growth.

The roads transport sub-sector is important for other economic activities to thrive. Roads development is closely linked with the environment given that drainage affects the state of roads and cost of maintenance. Over the medium-term, the sector's priorities include: improving efficiency and effectiveness of the infrastructure development process at all levels of planning, construction, expansion and opening of access roads as well as construction of parking slots. The county government will increase its road network coverage with bitumen, upgrade surface roads and consistently maintain all the roads within the county to motorable levels. It will enhance connectivity, trade and security..

The energy sub-sector intends to support and partner with other development agencies to ensure wider access to energy by households, institutions and businesses. This will attract investment and open up new opportunities for cottage industry and value addition, which will lead to increased employment and citizen participation in the County economy. In this sector the county wills focus on renewable energy and increase efficiency of energy use

The housing sub-sector ultimate goal is to ensure that there is quality construction and maintenance of government buildings and other public works for sustainable socio-economic development. Through partnership with National Government and private sector, the County intends to provide decent and affordable housing

Strategic Priority II: To provide quality, affordable and accessible Healthcare

The sector's goal is to provide universal Health coverage and guaranteeing quality and affordable health care. As such, functions under this sector includes county health facilities and pharmacies, ambulance services, promotion of primary health care, licensing and control of undertakings that sell food to the public.

Primary health care measures both at institutional and individual level will be prioritized. The County will prioritize provision of universal health care by providing 10,000 households with NHIF cards. The county has made significant investments to construct new facilities, upgrade, renovate and equip existing facilities to provide comprehensive health care. The continued quest by the county government to reduce maternal mortality is being fast tracked through completion of maternities across the county. The completion of staff houses, patient wards as well as equipping existing health facilities is also a major priority.

The Level 5 hospital is critical in provision of broad health care within the region. The continued expansion of the hospital will broaden the scope of services offered. This has positive ramifications not only towards accessibility but also will contribute to the county revenue basket. However, this also requires increased staffing levels to ensure that all the services are up and running. The key priorities within the level 5 facilities include construction of the phased Badea wards, construction of cancer management centre as well as construction of OPD block and Casualty complex.

Strategic Priority III: To improve household accessibility to adequate clean piped water, irrigation water and sanitation

The sector objective is to improve access to clean and safe drinking water. The water sub-sector has continuously rehabilitated the existing water infrastructure through frequent inspection of the existing water system. The key priorities are the expansion of existing water distribution networks for domestic and irrigation use, drilling & refurbishment of boreholes and construction of water treatment plant.

All major projects and programmes which are being implemented under the county will undertake an Environmental Impact Assessment (EIA) before commencement. This is to ensure that there are no projects/programmes which have adverse effects on the environment. The sector faces a number of challenges including increase in population without equivalent increase in water coverage and sewer expansion.

Strategic Priority IV: To enhance food and nutrition security and transform subsistence agriculture to commercial oriented

The Agricultural sector is the backbone of the County's economic growth, employment creation and poverty reduction. The sector contributes about 80% of the County's economic production and contains multiple linkages with other key sectors such as manufacturing, wholesale and retail, transport and distribution and other service-related sectors.

The objectives of the sector are to ensure all citizens enjoy food security, improved nutrition and transform subsistence agriculture to commercially oriented venture. The ultimate goal is to have effective and efficient service delivery so as to improve farming methods, improve market access and market linkages and facilitate farming as a-business.

The key priorities within the sector include; continuous provision of extension services, crop development and management, promotion of value addition, research, livestock improvement and disease control.

Strategic Priority V: To improve ECDE and Polytechnics infrastructure

The sector goal is to increase access to early childhood education, reduce inequality in access to education, improve access to vocational training, and exploit knowledge and skills in science, technology and innovation to achieve global competitiveness of our county and the county abundant labor force. The sector plays a crucial role in developing skilled and competent workforce to drive socio- economic growth and development in the long-term. The sector priority is to upgrade and improve tertiary institutions, increase access to early childhood education and management and development of sports and sport facilities. The sector will also focus on the feeding programme and aims to increase the capitation in the polytechnics.

Strategic Priority VI: Coordination of development, enhance revenue management and strengthening of Monitoring & Evaluation

The sector goal is to provide effective leadership and coordination in planning, policy formulation, budgeting, and financial management, providing services and tracking results for a better county.

The sector's specific objectives include establishing and provision of a tool for monitoring progress in the implementation of CIDP, provision of an automated and real time system for management of county projects, sustaining and safeguarding of a transparent and accountable system for management of public finances and provide leadership in policy direction.

County also will focus on Strengthening of Embu County Revenue Authority and automation of more revenue streams. Infrastructure development of revenue collection points is also amongst the projects the county intends to prioritize in the FY 2019/2020.

Strategic Priority VII: Improve Land Management and Urban Development.

The sectors mission is to facilitate efficient land administration and management, 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. Further, the sector will also be expected to install and operationalize the GIS system.

To achieve the objectives, the county will prioritize to undertake the preparation of County spatial plan, development plans and Part Development Plans.

Strategic Priority VIII: To Promote Youth Empowerment through Sports and Talents

The sector goal is to promote youth participation in democratic processes and ensuring that youth programmes engage the youth and are youth centred. To realize the goal, the sector intends to prioritize to empower the county youths through sports, identification and nurturing of talents. The county intends to improve and equip VTCs by developing SMEs & cottages within the centres. Completion and further improvement of Embu stadium is still a priority for the county in the medium term.

The county will also continue to equip the Youth Talent Academy to support the youth and establish Talent promotion programmes at Sub County level as well as sports development programmes. The county will ensure funds are available through the Youth Fund which envisions increasing self-employment among the youth. To further empower the youths, the county intends to promote film (Valley hood), music production and construct an ICT hub. This will go a long way in harnessing the industry to enable it avail employment opportunities.

Strategic Priority IX: Trade and Tourism development

The goal of this sector is to create conducive trade friendly environment, create policies and regulations that enhance commerce, industry and facilitate intra and extra-county competitive trading environment hence transforming Embu County into an investment destination and a regional industrial hub.

The construction of markets and industrial development sheds around the county will go a long way in improving trade in the county. The opening up of a tourism circuit in Mt. Kenya region (Mt. Kenya south eastern rout) and development of infrastructure in Mwea Game Reserve will provide an alternative tourist destination. The sector will pursue Public Private Partnership (PPP) in the investment in key tourism sites Tourist facilities will be established and proper marketing be done through elaborate and strategic signage across the county.

The County will contribute towards the achievement of the vision and mission by development of one village one product (OVOP) so as to enhance trade, providing training on entrepreneur and management skills to the already existing and potential traders.

Strategic Priority IX: Enhance service delivery through Performance Management, Coordination of County Government Functions and Capacity Development for county personnel

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. Also the sector intends to enhance capacity for quality service delivery and improve the capacity of County citizens to enable them to actively participate in the County's socio-economic activities.

To achieve the objectives, 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 sector priority areas are construction and renovation of offices and development and automated county HRM Biometric system.

Strategic Priority X: Promotion of Children Welfare, Preservation of cultural heritage and Gender Empowerment

The Sector goal is to promote socio-economic development in communities with emphasis on the disadvantaged members of society, and protect and safeguard the rights and welfare of children. The sector implements strategies that spur economic growth and addresses the social economic needs to the community. The foremost task will be to mobilize community resources to promote participatory projects and programmes.

The sector will continue to promote equal participation of both men and women in development issues through capacity development. Gender equality will be emphasized to ensure there is no marginalization of any group or individual. The sector will also continue to sensitize the community on the need for self-reliance. It will also ensure that all children of school going age are able to access education and other rights provided to them through the law through community sensitization. The sector also intends to construct and equip one rehabilitation centre

17. Resource Envelope

The resource envelope available for allocation among the spending agencies is based on the medium term fiscal framework as outlined in section II. Equitable share from the Consolidated Fund will finance 68.03 percent of the total budget for FY 2019/2020. These are funds allocated to the County on the basis of the allocation formula by the Commission on Revenue Allocation (CRA). The proportion of the equitable share from the consolidated fund to locally raised revenue underscores the need to focus on the own sources in the medium term to raise its proportion. In financing this budget, own revenue collection is projected to be 12.91 percent of the total budget. Conditional grants, loan and other allocations will contribute 19.06 percent of the total budget.

18. Spending Priorities

The County is awaiting the approval County Integrated Development Plan (CIDP) for the period 2018-2022 which has taken into account public input through the countywide CIDP consultative meetings, the Medium Term Plan (MTP) III of the Kenya's vision 2030 and the "big four" agenda of the Jubilee Government. The county also held public participation forums at ward level whose input form part of the priority programmes for implementation.

Development expenditures are shared out on the basis of the Annual Development Plan 2018 which borrowed heavily on County Integrated Development Plan (CIDP). Development expenditures are allocated based on these policy documents that provide information on:

- ✓ Ongoing projects
- ✓ County flagships
- ✓ County new project priorities
- ✓ Ward priority projects
- ✓ Strategic policy thrusts and interventions

The above projects and policy interventions have high impact on poverty reduction, investment, equity, employment and wealth creation. In addition, the Constitution and the PFM law require national and county governments to promote budgetary transparency, accountability and effective financial management of their respective jurisdictions. Therefore, inefficient and wasteful public expenditure will be eliminated at all costs in order to promote public trust in public spending.

In finalizing the preparation of the 2019 MTEF budget, the County Government will continue to pursue the policy of curtailing less productive expenditures and redirecting resultant savings to capital investment.

During scrutiny of 2019/20 budget proposals, more effective use of resources will be sought across the County portfolios and any identified savings will be redirected to deserving priority expenditures. Overall, given limited resources, the MTEF budgeting will focus on the following priority areas:

I. Social sectors; these sectors include Health, Gender, Culture & Social Services, and Education, Youth Empowerment & sports will continue receiving fair share of available resources. However, these sectors will be required to utilize the allocated resources more efficiently to generate fiscal space to accommodate strategic interventions in their departments including affordable drugs, as well as modernizing Early Childhood Development Centre's (ECDEs), Local Polytechnics and empowering youth.

   The sectors will receive a substantial amount from the ward fund to fund ward specific priorities

II. Economic sectors: these include agriculture, trade and tourism sub-sectors.

Agriculture will receive increased share of resources to boost agricultural productivity and value addition with a view to dealing with food security problems in the county and surplus to generate income for farmers.

The trade & tourism sector will also receive substantial resources due to its potential to mobilize revenue for the county. This sector is expected to attract investment both foreign and local to create wealth and employment in the County

The County Government is committed to improving infrastructure countywide. The share of resources going to the physical infrastructure sector will target development of roads, water and irrigation systems. This will help the sector provide feeder roads for easy access to good and services, increased access to domestic water and development of irrigation projects for agricultural production. This sector will act as enabler of the other sectors.

19. Actual Performance FY 2018/19

There was an improvement of fiscal performance in 2018/19. The County had an approved budget estimate of Ksh. 6,440,553,998 for the financial year. As on the 31st December 2018, the overall actual expenditure amounted to Ksh. 2,051,578,690.4 against an exchequer release of Ksh. 2,477,944,634.3. The half year absorption of recurrent and development expenditure was at 41% and 10% respectively. Despite the noted improvement in development expenditure, there is need for more focused efforts towards further increasing the percentage of development funds absorbed.

20. Revenue Performance 2018/19

The county had annual revenue targets of Ksh. 653,490,000 for local revenue and Ksh. 296,510,000 for Appropriation in Aid (AiA). This translates to half year revenue targets of Ksh. 326,745,000 for local revenue and Ksh. 148,255,000 for AiA. Total revenue collection for the half year of FY 2018/19 was Ksh. 89,947,230 for local revenue and Ksh. 166,491,994 for AiA. Revenue performance for this period indicates a shortfall of Ksh. 236,797,770 (-72.47%) in local revenue and a surplus of 18,236,994 (+12.30) for AiA. The underperformance in local revenue collection was largely across all the revenue collection sites and revenue strings. Local revenue is anticipated to improve since business permit are expected to generate more revenue as business people take annual permits between January and March.

21. Ceilings

The 2018/2019 estimates has been used as baseline estimates to reflect current spending priorities. Health & level 5, Infrastructural and Education, Science and Technology sectors as well as the County Assembly received the largest share of county funds. The proposed 2019/20 budget ceilings are balanced and fully funded by equitable share from the consolidated fund, conditional grants and locally generated revenue.

22. Details of Sector Priorities

The medium term spending estimates for 2019/20- 2021/22 ensures continuity in resource allocation based on prioritized programs aligned to the Annual Development Plan. The total expenditure ceilings as well as the sector ceilings for the MTEF period 2019/20-2021/22 are stipulated in Annex I and II respectively.

Infrastructure, Public Works, Energy and housing

The goal of the sector is to facilitate provision, construction and maintenance of quality government buildings and other public works for sustainable socio-economic development. Infrastructural Sector is the enabler for sustained development of the county.

During the current MTEF period, the sector's priorities will include: improving efficiency and effectiveness of the infrastructure development process at all levels of planning, construction, expanding and opening access road. Priority will be given to tarmacking of various roads, opening new access roads as well as routine maintenance of the existing road infrastructure.

In the energy sub sector, power transformers will be installed to extend power to the villages and markets without power. The department plans to install solar street lights and flood lights in the various streets and markets across the county.

In the housing sub sector, the department will promote construction of affordable houses through public-private partnership (PPP). The department will also promote use of appropriate building technology.

Health

This sector plays a significant role in improvement of access and better health care for the citizens. Its goal is to provide affordable and accessible health care to all citizens in the county of Embu. The sector will seek to complete and equip all the ongoing health facilities. It also aims at operationalizing the already developed health infrastructure.

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, Livestock, Fisheries and Cooperative Development

This Sector is paramount towards ensuring food security, mobilizing domestic savings availing credit though cooperatives societies and revamping the livestock and fisheries sub-sector. Its key objective is to improve livelihoods of the citizens through promotion of sustainable management of land resource, competitive agriculture and value addition of agricultural produce.

The sector is the backbone of the County's economic growth, employment creation and poverty reduction. It contributes about 80 percent of the County's economic production and contains multiple linkages with other key sectors. During the 2019/20– 2021/22 MTEF period, the sector will focus on providing extension services to the farmers, promoting commercialization of agriculture, improving governance of agricultural institutions and encouraging other stakeholders to invest in value addition activities.

Water and Irrigation

This sector plays a pivotal role in ensuring that every citizen lives in a in a clean and secure environment with adequate access to clean and safe water. Over the MTEF period the sector aims to achieve expansion of water (both domestic and for irrigation) coverage and sewerage facilities; scaling up water storage to improve water security; protection and conservation of catchment areas.

Education, Science and Technology

The sector goal is to increase access to early childhood development education, reduce inequality in access to education, improve access to vocational training and exploit knowledge and skills. In the medium term, the county aims at enhancing early childhood development education and building capacity.

Trade, Tourism, Investment and Industrialization

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. Over the medium-term, the sector aims at improving the business environment for investment by undertaking policy, legal and institutional reforms for the development of this sector. It further seeks to support entrepreneurship, promote industrial development and trade.

Youth Empowerment, Gender, Children, Social Services and Culture

This sector seeks to implement strategies that spur economic growth and addresses the social economic needs to the community. The sector will also seek to empower youth through skills development, talent harnessing and developing and maintaining sporting facilities. 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, co-ordinate disaster management and promote County's cultural heritage. The sector strives to achieve Community empowerment through a women fund, establishing a gender resource facility and a drug addict rehabilitation facility.

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 the Kenya Vision 2030, sustainable development goals and the big four agenda so as to make the county a competitive and prosperous county. The department key priority areas are; monitoring and evaluation, research and statistics surveys, revenue mobilization, plan and coordinate public participation to identify the projects and track implementation of the County Integrated Development plan.

Funding over the 2019/2020-2021/2022 MTEF period will enable the sector; promote sound public financial and economic management for socio-economic development; plan and manage the budgetary process and put in place mechanisms to raise the County local revenues

Land, Physical Planning, Environment and Natural Resources

The Lands, Physical planning and urban development sub-sector mainly focuses on acquisition of lands for county projects as well as coming up with land use plans as frameworks to propose the optimal physical infrastructure for settlements in the county, including infrastructure for public services, transport, economic activities, recreation, and environmental protection. Funding over the 2019/2020-2021/2022 MTEF period will enable the sector acquire lands for county projects.

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 2019/20- 2021/2022 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 & policies in place to guide other sectors. It main role is to oversee other sectors.

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. It ensures that all the sectors have qualified and adequate staff.

Public Service and Administration

The Public Service and Administration is the administration processes of the County. The department will support the sub county services and construction of offices, facilitation of sub-county administrators and wards administrators.

IV. 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 sector.

ANNEXES

Annex I: Total Expenditure Ceilings for the MTEF Period 2019/20 – 2021/22

Sector	2019/20	2020/21	2021/22
Office of the Governor	160,784,635	184,559,540	210,725,316
Finance and Economic Planning	556,684,818	620,219,769	690,172,064
Embu Revenue Authority	20,000,000	25,394,575	31,386,378
Education, Science & Technology	494,507,640	534,632,850	578,124,216
Health	1,959,780,064	2,089,593,267	2,229,052,327
Infrastructure, Public Works, Housing and Energy	403,975,531	447,034,156	494,399,956
Trade, Tourism, Investment and Industrialization	56,614,503	63,687,995	71,481,688
Agriculture, Livestock, Fisheries & Co-operative Development	678,791,129	743,085,145	813,369,272
Water & Irrigation	152,094,216	165,991,864	181,187,170
Lands, Physical Planning, Environment & Natural Resources	198,231,294	218,766,877	241,325,992
Youth Empowerment, Gender, Women, Children, Culture and Social Services	75,061,494	85,270,678	96,526,735
Public Service & Administration	497,798,596	521,612,253	546,717,879
County Public Service Board	29,121,747	32,877,306	36,998,168
County Assembly	628,269,299	730,622,659	843,506,706
Level 5 Hospital	285,744,059	340,528,455	401,237,347
Total	**6,197,459,024**	**6,803,877,387**	**7,466,211,213**

Annex II: Sector Ceilings for the MTEF Period 2019/20 – 2021/22

Sector	2019/20	2020/21	2021/22
Office of the Governor	**160,784,635**	**184,559,540**	**210,725,316**
Operations and Maintenance	75,495,651	95,858,997	118,476,751
Emoluments	85,288,984	88,700,543	92,248,565
Development	-	-	-
Finance and Economic Planning	**556,684,818**	**620,219,769**	**690,172,064**
Operations and Maintenance	64,300,000	81,643,558	100,907,205
Emoluments	50,784,818	52,816,211	54,928,859
Development	441,600,000	485,760,000	534,336,000
Embu Revenue Authority	**20,000,000**	**25,394,575**	**31,386,378**
Operations and Maintenance	20,000,000	25,394,575	31,386,378
Emoluments	-	-	-
Development	-	-	-
Education, Science & Technology	**494,507,640**	**534,632,850**	**578,124,216**
Operations and Maintenance	70,076,971	88,978,744	109,973,114
Emoluments	353,660,494	367,806,913	382,519,190
Development	70,770,175	77,847,193	85,631,912
Health	**1,959,780,064**	**2,089,593,267**	**2,229,052,327**
Operations and Maintenance	176,606,546	224,242,406	277,151,989
Emoluments	1,602,333,479	1,666,426,818	1,733,083,891
Development	180,840,039	198,924,043	218,816,447
Infrastructure, Public Works, Housing and Energy	**403,975,531**	**447,034,156**	**494,399,956**
Operations and Maintenance	26,952,360	34,222,186	42,296,848
Emoluments	31,891,970	33,167,649	34,494,355
Development	345,131,201	379,644,321	417,608,753
Trade, Tourism, Investment and Industrialization	**56,614,503**	**63,687,995**	**71,481,688**
Operations and Maintenance	11,185,291	14,202,285	17,553,288
Emoluments	8,107,067	8,431,350	8,768,604
Development	37,322,145	41,054,360	45,159,795
Agriculture, Livestock, Fisheries & Co-operative Development	**678,791,129**	**743,085,145**	**813,369,272**
Operations and Maintenance	75,856,690	96,317,419	119,043,337
Emoluments	274,335,945	285,309,383	296,721,758
Development	328,598,494	361,458,343	397,604,178
Water & Irrigation	**152,094,216**	**165,991,864**	**181,187,170**
Operations and Maintenance	10,161,245	12,902,025	15,946,234
Emoluments	50,607,159	52,631,446	54,736,703
Development	91,325,812	100,458,393	110,504,233
Lands, Physical Planning, Environment & Natural Resources	**198,231,294**	**218,766,877**	**241,325,992**
Operations and Maintenance	15,003,951	19,050,948	23,545,984
Emoluments	30,569,130	31,791,895	33,063,571
Development	152,658,213	167,924,034	184,716,438

Sector	2019/20	2020/21	2021/22
Youth Empowerment, Gender, Women, Children, Culture and Social Services	**75,061,494**	**85,270,678**	**96,526,735**
Operations and Maintenance	21,065,346	26,747,275	33,058,245
Emoluments	14,539,326	15,120,899	15,725,735
Development	39,456,822	43,402,504	47,742,755
Public Service & Administration	**497,798,596**	**521,612,253**	**546,717,879**
Operations and Maintenance	13,010,561	16,519,883	20,417,719
Emoluments	469,574,470	488,357,448	507,891,746
Development	15,213,565	16,734,922	18,408,414
County Public Service Board	**29,121,747**	**32,877,306**	**36,998,168**
Operations and Maintenance	11,277,165	14,318,940	17,697,468
Emoluments	17,844,582	18,558,365	19,300,700
Development	-	-	-
County Assembly	**628,269,299**	**730,622,659**	**843,506,706**
Operations and Maintenance	329,617,400	418,524,684	517,274,812
Emoluments	273,651,899	284,597,975	295,981,894
Development	25,000,000	27,500,000	30,250,000
Level 5 Hospital	**285,744,059**	**340,528,455**	**401,237,347**
Operations and Maintenance	154,422,818	196,075,089	242,338,645
Emoluments	-	-	-
Development	131,321,241	144,453,365	158,898,702
TOTAL	**6,197,459,024**	**6,803,877,387**	**7,466,211,213**
Operations and Maintenance	1,075,031,995	1,364,999,014	1,687,068,017
Emoluments	3,263,189,322	3,393,716,895	3,529,465,571
Development	1,859,237,707	2,045,161,478	2,249,677,626

Annex III: Local Revenue by streams for FY 2019/20

Revenue Streams	CFSP 2019/20
Single Business permit	98,500,000
House Stall	20,000,000
Market Fees	30,000,000
Street and Bus Parking Fees	40,000,000
Cess	60,000,000
Land rates and Plot rates	150,000,000
Enforcement	1,500,000
Technical Planning Fees	15,000,000
Administration Fees	1,000,000
Advert Fees	25,000,000
Slaughter Fees	3,000,000
Miscellaneous	2,000,000
Stock Auction Fees	3,000,000
Water Charges	1,000,000
Total	**450,000,000**

Annex IV: Appropriation in Aid by Department for FY 2019/20

Sector	2019/20
Investment, Industrialization, Trade and Tourism	25,000,000
Youth Empowerment, Gender, Culture, Children and Social Services	1,000,000
Lands, Physical Planning and Urban Development	3,000,000
Health	311,000,000
Agriculture, Livestock, Fisheries and Cooperative	10,000,000
Total	**350,000,000**