

# **EMBU COUNTY GOVERNMENT**



**COUNTY TREASURY**

## **COUNTY FISCAL STRATEGY**

**PAPER**

**FY 2021/2022**

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

**FEBRUARY 2021**

## **FOREWORD**

This is the seventh Fiscal Strategy Paper since the operationalization of the County Governments Kenya. It has been prepared against a background of contracting global economic occasioned by the outbreak and the rapid spread of covid 19 pandemic. The pandemic and the ensuing containment measures have devastated countries economy disrupting businesses and livelihoods. At the county level, Embu County has not been spared of the negative impact of the pandemic. The pandemic and resultant containment measures have adversely affected businesses and economic activities in all the sectors.

The CFSP sets out county policy goals and strategic priorities that will be the basis for formulation of County's Financial Year 2021/22 budget over the Medium Term. The Paper is prepared in accordance with the Public Finance Management Act, 2012.

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

The County priorities and goals outlined here 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 2021/22 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 FY 2020/21 and half year 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 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.

**DR. JOHN NJERU NJAGI**

**COUNTY EXECUTIVE COMMITTEE MEMBER**

**FINANCE, PLANNING AND ECONOMIC AFFAIRS**

## **ACKNOWLEDGEMENT**

This County Fiscal Strategy Paper (CFSP) outlines the broad strategic macroeconomic issues and fiscal framework, together with a summary of County Government spending plans, as a basis of 2020/21 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.

The input for the CFSP 2021 was obtained from the County Budget Review and Outlook Paper (CBROP) 2020 as well as the County Annual Development Plan 2021/22. Further, public participation forums provided a major avenue for the community to highlight their needs which have been considered in the preparation of the paper.

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 for his able leadership 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. Pius Mukundi, Mr. Edwin Rugendo, Mr. Boniface Muli Lova, Ms. Catherine Gatheo, Mr. Linus Mugambi, Mr. Erick Kinyua, Mr. Katana Ndune, Mr. Joshua Mwangi, Mr. Peter Njeru 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.

RUTH NDIRANGU

**CHIEF OFFICER**

**FINANCE, PLANNING & 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 28<sup>th</sup> 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
IGAs	Income Generating Activities
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act



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

### **1. Overview**

In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic. This was followed by stringent Covid-19 containment measures which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. This has an adverse effect in our economy which contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter in 2020. The economy is therefore estimated to slow down to a growth of around 0.6 percent in 2020 from the earlier projection of 2.6 percent in the 2020. Economic growth is projected to recover to 6.4 percent in 2021 due to in part, the lower base effect in 2020. In terms of fiscal years, economic growth is projected to grow by 3.5 percent in FY 2020/21 and further to 6.2 percent over the medium term.

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  $5\pm 2.5$  percent in December 2020 at 5.6 percent from 5.8 percent in December 2019. This lower inflation was mainly supported by a reduction in food prices.

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. Despite this, the current account deficit is estimated to improve to 5.1 percent in 2020 from 5.8 percent in 2019 mainly supported by an improvement in the trade balance.

### **2. Need for austerity measures**

Since the first case of COVID-19 was reported in Kenya on March 13, 2020, Embu County has been experiencing massive destruction of the economy in terms of GDP decline and job losses especially the service sectors. This was followed by total lockdown in Nairobi and Mombasa city which is our major entry of imported and exported goods. This affected the flow of goods from these cities to main lands, Embu happens to be among them.

The president introduced Covid tax relief measures such as; 100 per cent Tax Relief for persons earning gross monthly income of up to Kshs 24,000; reduction of Income Tax Rate (Pay-As-You-Earn) from 30 per cent to 25 per cent ; reduction of Resident Income Tax (Corporation Tax) from 30 per cent to 25 per cent; reduction of the turnover tax rate from the current 3 per cent to 1 per cent for all Micro, Small and Medium Enterprises (MSMEs); reduction of the VAT from 16 per

cent to 14 per cent, effective 1st April,2020, and Kenya Revenue Authority (KRA) directed to expedite the payment of all verified Value Added Tax (VAT) refund claims amounting to Kshs 10 Billion within 3 weeks; or in the alternative, allow for offsetting of Withholding VAT, in order to improve cash flows for businesses. All these measures created revenue short falls as projected by KRA triggering further pending bills and delayed payments of both recurrent and development expenditures in the county which has not only affected the normal livelihoods but also to a greater extent business and economics activities.

The county is experiencing tough economic times as growing food prices and rising fuel costs takes a swipe at consumers spending abilities .In addition the current invasion of locust in the county have affected negatively food security and livestock pastures especially the marginal areas in the county.

The County Government will continue embracing public, private partnership to exploit all potential and sectors 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. The county Government will continue embracing a market-based economy with a liberalized internal and external trade system with other counties in order to stimulate economic growth and development hence creating more jobs for the youth. Major economic sectors to focus on include agriculture, forestry, fishing, mining, manufacturing, energy, tourism and financial services.

The county is focusing on this CFSP 2021 in order to reduce unemployment and under-employment, by spending sufficiently on social and economic overheads. These expenditures would help to create more employment opportunities and increase the productive efficiency of the economy and cushion further effects of Covid 19 in the county.

The county remains focused on encouraging investments that have long term impact on job creation and income generation for the vast majority of the people in the county, especially the youth. Specifically, the county will focus on five core areas which are aligned to the 'Big 4 Agenda' outlined below:

- Developing, expanding and maintaining the county infrastructure including opening of road networks and housing units;
- Achieving universal health care and improving county education;
- Increasing water reticulation and distribution as well as environmental protection and access to clean and safe water for all;

- Enhancing the protection and mainstreaming of the disadvantaged populations such the aged, youth, women and Differently Abled Persons; and
- Promotion of trade development, industrial growth and investment in the County.

In conclusion the county will embrace the fiscal policies which create macroeconomic conditions that will create aggregate demand for goods and services, employment and economic growth.

### **3. Recent Economic Developments and Outlook**

#### **I. Global Outlook**

The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.4 percent in 2020 from a growth of 2.8 percent in 2019. This economic outlook is worse than the growth reported during the 2008 - 2009 global financial crisis.

Advanced economies are projected to contract by 5.8 percent in 2020 from a growth of 1.7 percent in 2019. Significant contraction of the economy is projected in the United States (-4.3 percent), Japan (-5.3 percent) and the United Kingdom (-9.8 percent). Growth in the Euro area is expected to contract by 8.3 percent in 2020 from a growth of 1.3 percent in 2019.

The emerging markets and developing economies are also projected to contract by 3.3 percent in 2020 from a growth of 3.7 percent in 2019. All major economies are projected to contract in 2020 except China which is projected to grow by 1.9 percent, a slowdown from a growth of 6.1 percent in 2019

#### **II. Regional Outlook**

The Sub-Saharan African region has not been spared the negative impact of the pandemic with the region projected to contract by 3.0 percent in 2020 from a growth of 3.2 percent in 2019. The largest impact of the crisis on growth has been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies will slow significantly, but in many cases will still be positive in 2020.

Growth in the East African Community (EAC) region is estimated to slow down to 1.0 percent in 2020 compared to a growth of 6.2 percent in 2019. This growth will be supported by positive growths

in Kenya, Tanzania and Rwanda. Economic activities in Burundi and Uganda are expected to contract in 2020.

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

Prior to the outbreak of Covid-19 pandemic, county's economy was strong and resilient despite the challenging country environment. The broad-based economic growth for 2018 and 2019 averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012.

In 2020, the Embu economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, our economy is estimated to slow down to around 0.6 percent in 2020 from a growth of 5.4 percent in 2019. Looking ahead, the economy is projected to recover and grow by about 6.4 percent in 2021 and above 6.2 percent over the medium term. The economy grew in the first quarter of the year but the remaining quarters of the year 2020 was affected by the pandemic.

## **4. Embu County specific Risks and Mitigation Measures**

### **I. The country's economic performance**

Success in then implementation of the 2020/2021 financial year budget will be determined by the country's prevailing economic environment. Occurrence of either internal or external economic shocks will have a negative impact to the performance of the County since it will affect allocation of the funds to the county from national government.

**Mitigation measures:** The County develops and implements innovative mechanisms to increase its local revenue while at the same time ensuring austerity in public spending. Already, an E-revenue platform (Embu Pay) is operational.

### **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. The revenue targets have continued to be quite ambitious though attaining desired levels of revenue collection has often proven elusive.

There is need to placed 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. 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 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 expansion of ECRA that is mandated with revenue collection and administration through employment of revenue managers and collectors 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 2019/20 compensation to employees' allocation was 49 % of the total revenue. For 2020/21, 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 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. Pending Bills**

The county has continued to be plagued by the occurrence of pending bills. These Pending debts/bills present a serious economic policy challenge facing the County government of Embu owing to their disruptive nature as they consume current year resources at the expense of planned development programs and projects. From all the departments, the county's pending bills currently stand at Kshs.

1.4 billion. These bills have accrued over the financial years with existence of pending bills dating back to 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.

## **5. Building Back Better: Strategy For Resilient And Sustainable Economic Recovery**

The Covid-19 Pandemic has devastated global economies with Kenya not being spared. On the domestic front, the economic impact of the Pandemic is already being felt across all sectors of the economy. Thus, 2021 CFSP is premised on the need to urgently overcome the immediate socio-economic challenges that the country faces today. At the heart of the policies in this document, is the desire to foster a conducive environment critical to return the economy back to our long term growth path, while at the same time, providing impetus for building a cohesive and prosperous Kenya.

The 2021 CFSP, therefore articulates priority economic policies and structural reforms as well as sectorial expenditure programs to be implemented under the Medium Term Expenditure Framework for FY 2021/22– 23/24 in order to achieve the Government’s development goal of economic transformation for a shared prosperity.

To respond to the current challenges and cushion Kenyans and businesses from the adverse effects of the Pandemic, the Government is currently implementing an Economic Stimulus Programme - whose objective is to return the economy to the growth trajectory it was on pre-Corona by increasing demand for local goods and services, cushioning vulnerable Kenyans, securing household food security for the poor, and creating employment and incomes. Great gains have been realized under the Program including: job creation for our youth under the “Kazi Mtaani” Program; enhanced liquidity to support businesses through monetary measures that were introduced; and enhanced cash transfers to the vulnerable and the emerging urban vulnerable as a result of the Pandemic.

Building on the gains made, the Government is finalizing a Post Covid-19 Economic Recovery Strategy (ERS) which will mitigate the adverse impacts of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory. Successful implementation of

the Post-Covid-19 ERS is predicated on faster implementation of policy, legal and institutional reforms that are necessary for effective implementation of the Strategy. The Government will ensure that all the proposed policies and legislation are implemented within the specified time lines. The capacity of institutions, such as State Law Office and National Law Reform Commission, to draft legislation in a timely manner will also be enhanced. In this regard, the Parliamentary Calendar will be amended to accommodate the passing of key legislations required to facilitate implementation of the Post-Covid-19 ERS.

Further, the Government will accelerate implementation of the “Big Four” Agenda which has gained traction over the past three years. The Agenda is designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution. Actualization of policies and programs under each pillar is expected to accelerate and sustain inclusive growth, create opportunities for decent jobs, reduce poverty and income inequality and ensure that we create a healthy and food secure society in which Kenyans have access to affordable and decent housing.

#### Priority Pro-Growth Policy Measures

As indicated above, the 2021 CFSP, articulates measures that will stimulate growth, promote job creation, reduce poverty, protect the vulnerable groups and businesses. To achieve these, the Government will:

- Roll out the Post-Covid-19 Economic Recovery Strategy
- harnessing the implementation of the “Big Four” Agenda for job creation;
- Foster a secure and conducive business environment by maintaining macroeconomic stability, enhancing security; improving business regulations;
- Fast track development of critical infrastructure in the country such as roads, rail, energy and water, among others, so as to reduce the cost of doing business as well as promote competitiveness;
- Transform economic sectors for broad based sustainable economic growth;
- Improve access to education, strengthen health care systems and enhance cash transfers to support the vulnerable members of our society;

- Support youth, women and persons with disability to enable them actively contribute to the economic recovery agenda; and
- Implement various structural reforms to enhance the efficiency of public service delivery while at the same time ensuring accountability for better macroeconomic and fiscal stability, sustained credit ratings, improved fiscal discipline and minimized corruption.

## **II. ECONOMIC PERFORMANCE OF THE DEPARTMENTS**

### **Public Service, Administration and Devolution.**



### **Key achievements in FY 2019/2020**

- Rehabilitation and equipping of majimbo fire station
- Formulated nine bills and policies

### **Challenges**

- Low allocations to the Department.
- Reallocation of funds to other departments and delays in disbursements of funds

### **Finance and Economic Planning**

#### **Key achievements in FY 2019/2020 and 2020/2021**

- Implementation of the budget process implementation through; preparation of budget Estimates, preparation of budget review and outlook papers, preparation of Progress reports, preparation of Fiscal Strategy Papers, preparation of annual development Plans.
- Capacity building activities in the following key focal areas; Public Financial Management, Planning, Monitoring and Evaluation, human Resource and Performance Management, Devolution and Inter-governmental Relations and Civic Education and Public Participation.

### **Challenges**

- There has been a delay in the release of funds by the National Government
- Underperformance in revenue collection

### **Lessons Learnt and Recommendations**

- There have been leakages in revenue collection leading to unfavorable performance and missed revenue targets. The County continues to automate revenue streams to address the issue of revenue leakages.

### **Infrastructure, Public Works, Housing and Energy.**

#### **Key achievements in FY 2019/2020**

- In the transport sector, 6km of roads were tarmacked against the set target of 15km
- The target for road murraming and gravelling was 375km of which 365km was murramed and 145 graveled.
- Having a set target of constructing 2 bridges and 10 drifts, 4 bridges and 12 drifts were constructed which was beyond the expected.
- To ensure enough power supply, 10 transformers were aimed at being installed of which 7 were installed.
- There was an over performance in construction of floodlights by 15.
- In line with energy development still, they had targeted 5km to have street lights.5 markets got connected and 8 others done by the World Bank.
- Training to develop building technologies and demonstrations was done in all sub-counties.

## **Challenges**

- Lack of vehicles to be used by officers for their supervision work
- Inadequate additional technical staff and administrative officers.
- Limited resources to support roads demands
- Rigorous procurement process
- Opening of development vote in the IFMIS has remained a continuous challenge
- Pending bills

## **Health and Level 5 Hospital**

### **Key achievements in FY 2019/2020**

- Renovation of Nyayo wards 9
- Purchase and installation of equipment for molecular laboratory
- Upgrading of electrical power house equipment
- Purchase of cold room equipment for mortuary funeral home
- Equipping of biomedical engineering workshop
- Construction of Badea Ward Block ongoing
- Construction and equipping of health facilities

## **Challenges**

- Huge unpaid bills
- Delay due of slow e-procurement process.
- Inadequate equipment for medical services.

## **Education, Science and Technology**

### **Key achievements in FY 2019/2020**

- Provision of furniture at ECDE centres was fully accomplished.
- All classrooms which were to be constructed in ECDE's were achieved.
- All the 50 ECDE centres were facilitated with play equipment.
- Vocational training centres benefited from construction of classrooms, dormitories and other equipment.
- There was purchase of training materials and fittings in VTC'

## **Office of Governor**

### **Key achievements FY 2019/2020**

- Payment of medical insurance for the executive

- Developed five policies
- Trained fifty staff members

#### **Challenges**

- Inadequate resources

### **Public Service Board**

#### **Key achievements FY 2019/2020**

- Enumerated 450 employees
- Trained ten staff members

#### **Challenges**

- Inadequate resources
- Reallocation of funds to other departments

### **Trade, Tourism, Investment and Industrialization**

#### **Achievements**

- Two markets constructed
- Six toilets constructed
- Eight market sheds constructed
- Three floodlights installed
- Completion of Kiritiri bus park
- Nine Boda boda sheds constructed
- One Water tank constructed

#### **Challenges**

- Pending bills
- Inadequate resources
- Inadequate staffing

### **Agriculture, Livestock, Fisheries and Cooperative development**

#### **a) Key achievements in FY 2019/2020**

- 200 farmer groups supported across the county
- 98 tons of assorted subsidized farm inputs issued through voucher system
- 5 policies developed
- 5 plant operators employed

- KCEP supported 800 farmers to produce sorghum and green grams
- Slap for milk processing plant done

### **Challenges**

- Low absorption of funds
- Delayed disbursement of funds to implement activities
- Ageing staff in the department with no new recruitments
- Delayed budget approvals and reallocation of funds leading to pending bills
- Slow in the project implementation by the contractors
- Agricultural Training Centre displaced by University of Embu

### **Lesson learnt**

- Strong working relations with collaborators and stakeholders is desirable for optimal performance
- Refresher courses for staff and new employment to fill gap of retiring officers
- Proper identification of the projects through community participation
- Aggressive marketing of departmental projects programs should be undertaken.

## **Lands, Physical Planning, Urban Development & Housing, Water and Irrigation, Environment and Natural Resources**

### **a) Key achievements in FY 2019/2020**

- Tarmacking of KPLC- AP line road
- Tarmacking of Dallas slum fiddler road
- Improvement and shifting of Embu sewage system on-going
- Developed an integrated Forest management plan
- Cleaning of towns- Ensuring all the towns are cleaned, garbage managed and disposed of in the right manner
- Carried out Environmental Social Impact Assessment for the proposed projects done
- Extension of distribution lines done, purchase of pipes and water kiosks opened

### **Challenges**

- Inadequate budget for planning, survey and greening.
- Delayed execution of the budget
- System (IFMIS) related challenges posing threat to budget execution.
- Delayed payments to suppliers occasioned by delayed disbursements.
- Lack of personnel in the department especially Physical Planners, surveyors and values.
- Process of procuring land for public use has its own technicalities and thus do not follow the same process of procuring goods and services.

- Lack of departmental vehicles as land services requires mobility.
- Reallocation of funds leading to pending bills
- Introduction of new projects that were not there during budget preparations, creating confusion in the department - introduced through ward fund
- Reallocation of money in the supplementary Budget.
- Extension of distribution lines done, purchase of pipes and water kiosks opened
- Rehabilitation of boreholes and sand dams done
- 5 irrigation schemes supported

#### **Lessons Learnt**

- Community participation is key to ownership and sustainability of projects
- Laws, regulations and guidelines should be followed to guide development to guard against competing interests

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

#### **Key achievements in FY 2019/2020**

- Operationalization of talent academy.

#### **Challenges**

- Delay due of slow e-procurement process.
- Reallocation of money in the supplementary Budget.

### III. UPDATE ON FISCAL PERFORMANCE

#### 6. Transfer from National Government

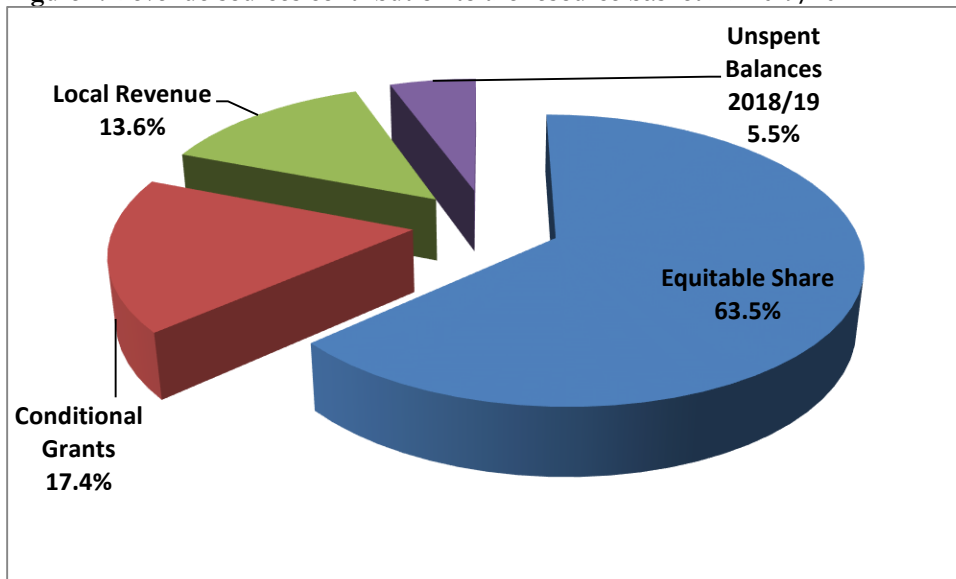
In FY 2019/20, the County had a total revenue basket amounting to Ksh. 6,780,224,341. The equitable share from the national treasury had the highest contribution at Ksh. 4,304,400,000. The targeted ordinary local revenue was Ksh. 531,000,000 while Appropriation in Aid collection target was Ksh. 389,000,000. Table 1 provides a breakdown of various revenue sources.

Table 1: Revenue breakdown for FY 2019/20

Revenue Sources	Revised Supplementar y II 2019/20
Equitable Share of revenue from National Government	4,304,400,000
Conditional Grant to the Level Five Hospital	301,040,462
Conditional Allocation for Development of Youth Polytechnics	33,603,298
Conditional Grant for Compensation for User Fees Forgone	10,724,225
Conditional Grant for Leasing of Medical Equipment	131,914,894
Conditional Grant from Road Maintenance Fuel Levy Fund	122,183,250
Transforming Healthcare Systems for Universal Care Project THSUCP)	44,569,827
THSUCP Surplus Disbursed Funds (Part of 2020/2021 Allocation)	93,598
Agricultural and Rural Inclusive Growth Project (NARIGP)	350,000,000
Kenya Devolution Support Programme (KDSP)- level 1	30,000,000
Kenya Urban Support Project (KUSP)	119,892,100
Kenya Urban Support Project (KUSP)-Urban Institutional Grant (UIG)	8,800,000
Universal Healthcare in Devolved System Program (DANIDA)	13,312,500
AgriFose programme (Swedish Government) Agriculture Department	15,418,468
Local sources	531,000,000
Other local Revenue Sources– Ministerial	389,000,000
2018/2019 Unspent Balances (CRF recurrent and Development)	160,603,490
2018/2019 Unspent balances for conditional allocations and loans & grants.	213,668,230
<b>TOTAL</b>	<b>6,780,224,341</b>

It is evident that Equitable share contributes the highest proportion of revenue to the County Government accounting for 63.5 percent of the total revenue. Conditional grants account for 17.4 percent while local revenue that comprises both ordinary local revenue and Appropriation in Aid account for 13.6 percent of the total revenue. Unspent balances from FY 2018/19 accounted for 5.5 percent of the overall revenue. Figure 1 depicts a visual representation of the contribution of each revenue source to the revenue basket.

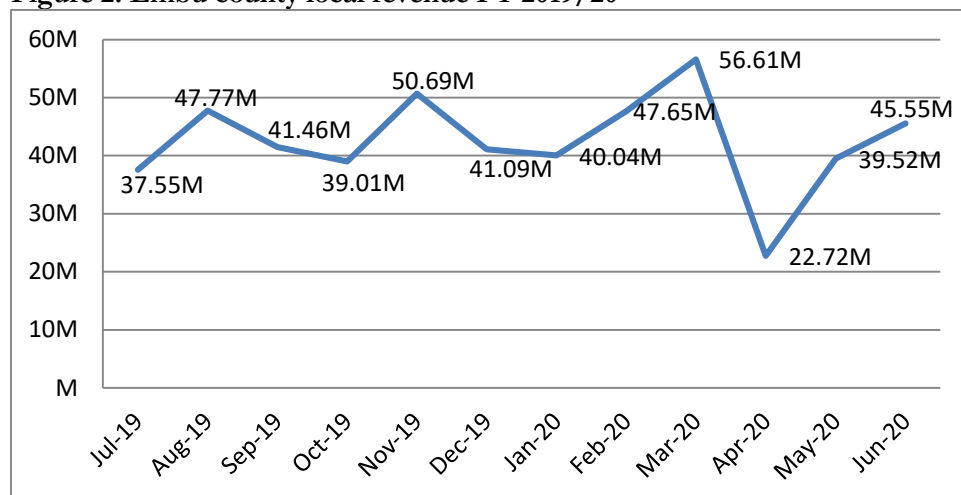
**Figure 1: Revenue sources contribution to the resource basket FY 2019/20**



## 7. Revenue Collection

The County government approved Kshs 920,000,000 as local revenue in the FY 2019/2020. The actual local revenue collected for the FY 2019/20 amounted to Ksh. 509,651,141 comprising of ordinary local revenue at Ksh. 226,098,461 and Appropriation in Aid at Ksh. 283,593,698. Further analysis shows an increasing trend from the month of January 2020, February 2020 and peaking in the month of March 2020 which stood at about Ksh. 56.61 million but declined in the month of April to about 22.72 million. Figure 3 shows the trend for the period between July 2019 and June 2020.

**Figure 2: Embu county local revenue FY 2019/20**



A deeper analysis of revenue collected during the FY 2019/20 shows that the third quarter had the largest share of local revenue collected at about Ksh. 144.29 million while the fourth quarter had the lowest collection standing at about Ksh. 107.8 million due to Corvid-19 effects.

In the first half of 2020/21 and 2019/20 financial years, local revenue of Ksh. 59,542,865 and Kshs. 97,734,782 was collected respectively. This represents a 39.08% reduction of Kshs. 38,191,917 less having been collected in the same period of the current financial year. This indicates that the county may not realize the targeted revenue.

### **Local Revenue for FY 2020/2021 and FY 2019/2020**

Revenue Source	FY 2020/2021 (By 31 <sup>st</sup> December 2020)				FY 2019/2020 (By 31 <sup>st</sup> December 2019)			
	Annual Target	Half Year Target	Actual Achievement	Achievement (%)	Annual Target	Half Year Target	Actual Achievement	Achievement (%)
Single Business Permit	114,635,000	57,317,500	12,180,305	21.25%	113,500,000	56,750,000	14,463,256	25.49%
House Stall	20,200,000	10,100,000	2,003,218	19.83%	20,000,000	10,000,000	2,781,105	27.81%
Market fees	30,300,000	15,150,000	7,491,985	49.45%	30,000,000	15,000,000	12,622,824	84.15%
Street and Bus Parking Fees	40,400,000	20,200,000	6,168,502	30.54%	40,000,000	20,000,000	13,582,890	67.91%
Cess	60,600,000	30,300,000	22,716,530	74.97%	60,000,000	30,000,000	40,389,234	134.63%
Land Rates and Plot Rents	197,960,000	98,980,000	3,468,626	3.50%	196,000,000	98,000,000	6,143,125	6.27%
Enforcement	1,515,000	757,500	393,637	51.97%	1,500,000	750,000	395,575	52.74%
Technical planning Fees	15,150,000	7,575,000	1,778,140	23.47%	15,000,000	7,500,000	2,472,652	32.97%
Administration Fees	1,010,000	505,000	1,674,700	331.62%	1,000,000	500,000	1,154,813	230.96%



Advert Fees	25,250,000	12,625,000	939,852	7.44%	25,000,000	12,500,000	2,435,771	19.49%
Slaughter House fees	3,030,000	1,515,000	631,100	41.66%	3,000,000	1,500,000	527,060	35.14%
Miscellaneous	2,020,000	1,010,000	96,270	9.53%	2,000,000	1,000,000	766,477	76.65%
Stock fees	3,030,000	1,515,000	0	0.00%	3,000,000	1,500,000	0	0.00%
Water Charges	1,010,000	505,000	0	0.00%	1,000,000	500,000	0	0.00%
<b>TOTAL</b>	<b>516,110,000</b>	<b>258,055,000</b>	<b>59,542,865</b>	<b>23.07%</b>	<b>511,000,000</b>	<b>255,500,000</b>	<b>97,734,782</b>	<b>38.25%</b>

### Summary of AiA for FY 2020/2021 and FY 2019/2020

Name of Sector	FY 2020/2021 (By 31 <sup>st</sup> December 2020)				FY 2019/2020 (By 31 <sup>st</sup> December 2019)			
	Annual Target	Half Year Target	Actual Achievement	Achievement (%)	Annual Target	Half Year Target	Actual Achievement	Achievement (%)
Trade, Tourism, Investment and Industrialization	25,250,000	12,625,000	0	0.00%	25,000,000	12,500,000	1,595,007	12.76%
Lands, Environment, Water and Natural Resources	3,030,000	1,515,000	0	0.00%	3,000,000	1,500,000	0	0.00%
Agriculture, Livestock, Fisheries and Cooperative Development	10,100,000	5,050,000	382,185	7.57%	10,000,000	5,000,000	1,036,525	20.73%
Health	353,500,000	176,750,000	112,542,180	63.67%	350,000,000	175,000,000	159,492,769	91.14%
Youth Empowerment, Sports, Gender, Culture, Children and Social Services	1,010,000	505,000	0	0.00%	1,000,000	500,000	0	0.00%
<b>TOTAL</b>	<b>392,890,000</b>	<b>196,445,000</b>	<b>112,924,365</b>	<b>57.48%</b>	<b>389,000,000</b>	<b>194,500,000</b>	<b>162,124,301</b>	<b>83.35%</b>

### Own Source Revenue Projections 2021/2022-2023/2024

Below is the breakdown of the Local revenue and AiA projections:-

### Local Source of Revenue Projections 2021/2022-2023/2024

#### a) Local Revenue

Revenue Stream	2021/2022	2022/2023	2023/2024
Single Business Permit	114,635,000	115,781,350	116,939,164
House Stall	20,200,000	20,402,000	20,606,020
Market fees	30,300,000	30,603,000	30,909,030
Street and Bus Parking Fees	40,400,000	40,804,000	41,212,040
Cess	60,600,000	61,206,000	61,818,060
Land Rates and Plot Rents	197,960,000	199,939,600	201,938,996

Revenue Stream	2021/2022	2022/2023	2023/2024
Enforcement	1,515,000	1,530,150	1,545,452
Technical planning Fees	15,150,000	15,301,500	15,454,515
Administration Fees	1,010,000	1,020,100	1,030,301
Advert Fees	25,250,000	25,502,500	25,757,525
Slaughter House fees	3,030,000	3,060,300	3,090,903
Miscellaneous revenue	2,020,000	2,040,200	2,060,602
Stock fees	3,030,000	3,060,300	3,090,903
Water Charges	1,010,000	1,020,100	1,030,301
<b>TOTAL</b>	<b>516,110,000</b>	<b>521,271,100</b>	<b>526,483,811</b>

**b) Appropriation in AiA by Departments**

Revenue Stream	2021/2022	2022/2023	2023/2024
Trade, Tourism, Investment and Industrialization	25,250,000	25,502,500	25,757,525
Lands, Environment, Water and Natural Resources	3,030,000	3,060,300	3,090,903
Agriculture, Livestock, Fisheries and Cooperative Development	10,100,000	10,201,000	10,303,010
Health	353,500,000	357,035,000	360,605,350
Youth Empowerment, Sports, Gender, Culture, Children and Social Services	1,010,000	1,020,100	1,030,301
<b>TOTAL</b>	<b>392,890,000</b>	<b>396,818,900</b>	<b>400,787,089</b>

**IV FISCAL POLICY AND BUDGET FRAMEWORK**

The fiscal framework for the FY 2021/22 Budget is based on the County Government's

policy priorities within the existing macroeconomic environment. The County Government is committed to implementing priority programmes contained in the County Integrated Development Plan (CIDP) 2018-2022 while taking into account the availability of resources during the period. Further, the framework prioritizes prudent fiscal policy as a commitment towards sound financial management practices as entrenched in the Public Finance Management Act, 2012.

Sustainability, affordability and prioritization will guide programme/project identification and implementation. This will be achieved through spending that is directed towards the most critical needs of the county and is well utilized. There will also be increased focus on improvement of both efficiency and productivity of recurrent expenditure. The focus for development expenditure will seek to ensure equitable development while making provisions for any marginalized groups in the county.

The large amount of expenditure required entails equivalent revenue being generated. This has necessitated the need to refocus efforts on key streams, broadening the tax collection base in order to increase revenue collection through automation of more revenue streams while continually sealing any existing leakages.

## **8. 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.

## **9. 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.

## **10. 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.

## 11. 2021/2022 Budget Framework

The 2021/2022 budget framework will target the County Government's strategic objectives as outlined in the Annual Development Plan 2020 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 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. 3,171,540,294.

**Table 2: County Fiscal Projections 2021/22 -2023/24**

	Printed Estimates (Approved Budget)	CARA	CFSP Ceilings	Projections	
				2020/21	2021/2022
<b>TOTAL REVENUE</b>	<b>6,464,660,318</b>	<b>6,211,458,318</b>	<b>7,062,908,864</b>	<b>7,380,819,702</b>	<b>7,714,338,082</b>
Equitable Share Of Revenue From National Government	4,557,600,000	4,304,400,000	5,125,243,762	5,381,505,950	5,650,581,248
Conditional Grant To the Level Five Hospital	301,040,462	301,040,462	301,040,462	316,092,485	331,897,109
Conditional Allocation For Development Of Youth Polytechnics	34,249,894	34,249,894	34,249,894	35,962,389	37,760,508
Conditional Grant For Compensation For User Fees Forgone	10,724,225	10,724,225	10,724,225	11,260,436	11,823,458
Conditional Grant For Leasing Of Medical Equipment	132,023,277	132,021,277	153,297,872	160,962,766	169,010,904
Conditional Grant From Road Maintenance Fuel Levy Fund	135,839,025	135,839,025	135,839,025	142,630,976	149,762,525

	Printed Estimates (Approved Budget)	CARA	CFSP Ceilings	Projections	
	2020/21	2020/21	2021/2022	2022/2023	2023/2024
Kenya Urban Support Project (KUSP)			119,892,100	119,892,100	119,892,100
Kenya Urban Support Project (KUSP-UIG)			8,800,000	8,800,000	8,800,000
<b>Loans and Grants</b>	<b>384,183,435</b>	<b>384,183,435</b>	<b>453,821,524</b>	<b>476,512,600</b>	<b>500,338,230</b>
<i>Transforming Healthcare Systems for Universal Care Project</i>	112,736,973	112,736,973	112,736,973	118,373,822	124,292,513
<i>Agricultural and Rural Inclusive Growth Project (NARIGP)</i>	202,094,150	202,094,150	271,732,239	285,318,851	299,584,793
<i>Kenya Devolution Support Programme (KDSP) - Level 1</i>	45,000,000	45,000,000	45,000,000	47,250,000	49,612,500
<i>Sweden- Agricultural Sector Development Support Programme (ASDSP)</i>	12,112,312	12,112,312	12,112,312	12,717,928	13,353,824
<i>Universal Healthcare in Devolved System Program</i>	12,240,000	12,240,000	12,240,000	12,852,000	13,494,600
Local Sources	516,110,000	516,110,000	327,110,000	330,381,100	333,684,911
Appropriations In Aid (AiA)- Ministerial	392,890,000	392,890,000	392,890,000	396,818,900	400,787,089
<b>Total Expenditure</b>	<b>6,464,658,318</b>		<b>7,062,908,864</b>	<b>7,380,819,702</b>	<b>7,714,338,082</b>
<b>Recurrent Expenditure</b>	<b>4,315,419,007</b>		<b>4,753,221,405</b>	<b>4,957,718,698</b>	<b>5,171,114,304</b>
Personnel Emoluments	3,049,557,975		3,316,377,729	3,449,032,838	3,586,994,152
Operations & Maintenance	1,265,861,032		1,436,843,676	1,508,685,860	1,584,120,153
<b>Development</b>	<b>2,149,239,311</b>		<b>2,309,687,459</b>	<b>2,423,101,004</b>	<b>2,543,223,778</b>

## 12. Revenue Projections

The estimated equitable share of revenue from the National Government is Ksh 5,125,243,762 while Loan and grants from development partners amount to Ksh. 453,821,524 which includes various programmes such as Transforming Healthcare Systems for Universal Care Project, National Agricultural and Rural Inclusive Growth Project (NARIGP), Kenya Devolution Support Programme (KDSP), Universal Healthcare in Devolved System Program (DANIDA), Agricultural Sector Development Support Programme (ASDSP). The Conditional grants from the national government amounting to Ksh. 153,297,872 are based

on the Budget Policy Statement, 2021. Further, an estimate of Ksh. 610,545,706 was included for conditional grants that were not captured in the Budget Policy Statement 2021.

The 2021/2022 budget target for revenue collection inclusive of Appropriation-in-Aid (AiA) is expected to be Ksh. 720,000,000, which is 10.19 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.

### **13. 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 2021/22; the recurrent expenditure is projected to be Kshs. 4,753,221,405 while development stands at Kshs. 2,309,687,459 accounting for 67.3 percent and 32.7 percent of total expenditure respectively. The proportion of emoluments, operations and development expenditure as shown in Table 1

### **14. Recurrent Expenditure**

The total wage bill of Kshs. 3,316,377,729 accounts for 46.95 percent of the total budget while operations and maintenance costs amount to Kshs. 1,436,843,676 accounting for 20.34 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 3: Recommended Personnel Emolument ceilings for FY 2021/22**

<b>Portfolio</b>	<b>Budget Estimates 2020/21</b>	<b>CFSP Ceilings 2021/22</b>	<b>% Share</b>
Office of The Governor	127,967,112	133,085,796	4.01%
Finance & Economic Planning	51,513,117	53,573,642	1.62%
Embu County Revenue Authority	-	32,373,435	0.98%
Education, Science & Technology	232,221,698	353,974,566	10.67%
Health	1,603,019,428	1,667,140,205	50.27%
Embu Level 5 Hospital	-	-	0.00%
Infrastructure, Public Works, Housing & Energy	25,549,035	26,570,996	0.80%
Trade, Tourism, Investment & Industrialization	16,488,386	17,147,921	0.52%
Agriculture, Livestock, Fisheries & Co-operative Development	236,235,913	245,685,350	7.41%
Lands, Physical Planning & Urban Development, Housing, Water and Irrigation, Environment and Natural Resources	60,429,385	62,846,560	1.90%
Youth Empowerment and Sports	3,904,143	4,060,309	0.12%
Gender, Children, Culture & Social Services	4,423,440	4,600,378	0.14%
Public Service & Administration	374,852,001	389,846,081	11.76%
County Public Service Board	24,653,753	25,639,903	0.77%
County Assembly	288,300,564	299,832,587	9.04%
<b>Total</b>	<b>3,049,557,975</b>	<b>3,316,377,729</b>	<b>100.00%</b>

The Health department including Level 5 hospital takes the lion share of the personnel emoluments at Ksh. 1,667,140,205 which accounts for more than half of the emoluments at 52.57 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 22.39 percent of the operations budget. The health docket and Embu level 5 follow closely at 21.24 and 16.1 percent respectively. The Wards Equalization projects have been allocated Ksh. 100,000,000 towards Education Support Programme.

**Table 4: Recommended Operations ceilings for FY 2021/22**



Portfolio	Budget Estimates 2020/21	CFSP 2021/22			
		County Revenue Less Grants	Grants	Total	% Share
Office of The Governor	106,836,120	113,545,617	-	113,545,617	7.90
Finance & Economic Planning	90,382,960	50,502,521	45,000,000	95,502,521	6.65
Embu County Revenue Authority	25,814,910	30,000,000	-	30,000,000	2.09
Education, Science & Technology	64,025,864	42,616,505	25,336,351	67,952,856	4.73
Health	298,045,160	180,187,040	124,976,973	305,164,013	21.24
Embu Level 5 Hospital	222,088,539	231,264,740	-	231,264,740	16.10
Infrastructure, Public Works, Housing & Energy	25,863,447	27,738,883	-	27,738,883	1.93
Trade, Tourism, Investment & Industrialization	6,593,656	10,352,556	-	10,352,556	0.72
Agriculture, Livestock, Fisheries & Co-operative Development	29,625,030	21,487,788	13,711,140	35,198,928	2.45
Lands, Physical Planning & Urban Development, Housing, Water and Irrigation, Environment and Natural Resources	25,995,907	21,280,893	8,800,000	30,080,893	2.09
Youth Empowerment and Sports	3,934,849	11,883,192	-	11,883,192	0.83
Gender, Children, Culture & Social Services	3,623,102	10,650,000	-	10,650,000	0.74
Public Service & Administration	22,869,864	24,495,884	-	24,495,884	1.70
County Public Service Board	18,404,564	21,256,534	-	21,256,534	1.48
County Assembly	321,757,060	321,757,060	-	321,757,060	22.39
Ward Equalization Projects		100,000,000		100,000,000	6.96
<b>Total</b>	<b>1,265,861,032</b>	<b>1,219,019,212</b>	<b>217,824,464</b>	<b>1,436,843,676</b>	<b>100</b>

## 15. 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 expenditure is Ksh. 2,309,687,459. Most of the funds are expected to support critical infrastructure as well as facilitate critical interventions to remove constraints hindering economic growth. The Wards Equalization projects have been allocated Ksh. 300,000,000 towards projects to be domiciled within various sectors. Adherence to Public Procurement and Disposal Act 2015 will help ensure value for money as well as transparency in all procurement. A breakdown of county development expenditure is highlighted in Table 4:

**Table 5: Development Sector Ceilings for the FY 2021/2022**

Portfolio	Budget Estimates 2020/21	CFSP 2020/21			
		County Revenue Less Grants	Grants	Total	% Share
Office of The Governor	0	0		0	0.00
Finance & Economic Planning	29,070,000	29,616,351		29,616,351	1.28
Embu County Revenue Authority	0	10,000,000		10,000,000	0.43
Education, Science & Technology	47,998,030	40,849,830	8,913,543	49,763,373	2.15
Health	179,747,979	83,500,000	100,000,000	183,500,000	7.94
Embu Level 5 Hospital	154,127,384	94,563,830	53,297,872	147,861,702	6.40
Infrastructure, Public Works, Housing & Energy	1,137,320,879	495,638,582	135,839,025	631,477,607	27.34
Trade, Tourism, Investment & Industrialization	43,995,449	73,505,000	0	73,505,000	3.18
Agriculture, Livestock, Fisheries & Co-operative Development	229,420,534	181,911,721	270,133,411	452,045,132	19.57
Lands, Physical Planning & Urban Development, Housing, Water and Irrigation, Environment and Natural Resources	107,558,500	96,107,900	119,892,100	216,000,000	9.35
Youth Empowerment and Sports	33,349,758	60,367,539	0	60,367,539	2.61
Gender, Children, Culture & Social Services	44,150,798	45,000,000	0	45,000,000	1.95
Public Service & Administration	20,000,000	30,550,755	0	30,550,755	1.32
County Public Service Board	0	0	-	0	0.00
County Assembly	122,500,000	80,000,000	0	80,000,000	3.46
Ward Equalization Projects		300,000,000		300,000,000	12.99
<b>Total</b>	<b>2,149,239,311</b>	<b>1,621,611,508</b>	<b>688,075,951</b>	<b>2,309,687,459</b>	<b>100</b>

## 16. 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.

## **V. COUNTY MEDIUM TERM EXPENDITURE FRAMEWORK**

The MTEF is annual, rolling three year-expenditure planning. It sets out the medium term expenditure priorities and budget constraints against which sector 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 2021/2022 -2023/2024 MTEF budget will build on the gains made so far. The County Fiscal strategy paper will cover the following key sector Priorities

### **Details of Sector Priorities**

The medium term spending estimates for 2021/22- 2023/24 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 2021/22-23/24 are stipulated in Annex I and II respectively.

## **INFRASTRUCTURE, PUBLIC WORKS, ENERGY AND TRANSPORT**

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 and construction, Improvement of roads to bitumen Level, Maintenance of Existing Tarmac roads, Embu County Roads and other Civil Works; Murraming, Grading, Bush clearing and reshaping of the various roads, Routine maintenance of roads, Construction of bridges and drifts, Opening of New roads, Construction of parking slots, Installation of power transformers and power utilities and Energy Diversification.

### **Health**

This sector plays a significant role in improvement of access and better health care for the citizens. The functions under this sector include county health facilities and pharmacies, ambulance services, promotion of primary health care, licensing and control of undertakings that sell food to the public. The county has made significant investments to construct new facilities, upgrade, renovate and equip 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, Purchase of Garbage Vehicles and Equipping of Physiotherapy

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. The key priorities within the level 5 facilities are: Purchase and installation of equipment for molecular laboratory, Upgrading of electrical power house equipment, Purchase and installation of gymnasia, physiotherapy and occupational equipment, Purchase and installation of dental and medical equipment and Equipping of biomedical engineering workshop.

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 through 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.

The key priorities within the sector includes; continuous farmer training, crop development and management, agribusiness & information management, research, livestock improvement and disease control.

### **Education, Science and Technology**

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 and equipping of up to date ECDE centers, construction & equipping of

Vocational training Centre, Provide capitation (subsidized tuition) for VTC TRAINEES and support the of needy students

### **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. Key priority will be the construction and improvement of markets around the county which will go a long way in improving trade in the county.

The county Government will facilitate the provision of credit facilities to the small scale traders, providing training on entrepreneur and management skills 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.

### **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. The sector intends to prioritize on gender and social development plans to empower community and support programme to create awareness on income generating businesses. Completion and the operationalization of the gender resource Centre is a priority as well as continuing with the men and women empowerment programmes with a key objective of training men and women on financial skills and investment. The sector also prioritizes establishment and management of children protection initiatives

In sports, the sector prioritizes empowerment of the county youths through sports, identification and nurturing of talents.

### **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 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.

### **Lands, Housing, Physical Planning, Urban Development, Water and Irrigation, Environment and Natural Resources**

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.

The lands department will prioritize to undertake the preparation of county spatial plan and Part Development Plan, installation and operationalization of the GIS system. The establishment of the Embu municipality Board which is also being supported by the World Bank under the KUSP is expected to also help address infrastructural challenges facing the municipal area.

Water and Irrigation 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 the expansion of existing water distribution networks for domestic and irrigation use, drilling & refurbishment of boreholes and construction of water treatment plant.

## **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 2021/22- 2023/2024 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. Its 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. 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 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. Further, the sector will continue to offer support to sub-county offices as well as complete the construction of offices for sub-county and ward administrators.

## **Public Service, Administration and Devolution**

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. Further, the department coordinates public participation and engagement.

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. Using modern technology the department will provide an opportunity for the County to strategically place itself in the frontline towards digitalization of services which in turn enables communities to do business, having taken advantage of the creation of ICT hubs throughout the county. At the same time we will ensure proper implementation of the county laws by making sure they are followed and enforced as expected.



## **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.

## Annex I: Total Expenditure Ceilings for the FY 2021/22

Portfolio	Emoluments	Operations	Development	Total
Office of The Governor	133,085,796	113,545,617	0	<b>246,631,413</b>
Finance & Economic Planning	53,573,642	95,502,521	29,616,351	<b>178,692,513</b>
Embu County Revenue Authority	32,373,435	30,000,000	10,000,000	<b>72,373,435</b>
Education, Science & Technology	353,974,566	67,952,856	49,763,373	<b>471,690,795</b>
Health	1,667,140,205	305,164,013	183,500,000	<b>2,155,804,218</b>
Embu Level 5 Hospital	0	231,264,740	147,861,702	<b>379,126,442</b>
Infrastructure, Public Works, Housing & Energy	26,570,996	27,738,883	631,477,607	<b>685,787,486</b>
Trade, Tourism, Investment & Industrialization	17,147,921	10,352,556	73,505,000	<b>101,005,477</b>
Agriculture, Livestock, Fisheries & Co-operative Development	245,685,350	35,198,928	452,045,132	<b>732,929,409</b>
Lands, Physical Planning & Urban Development, Housing, Water and Irrigation, Environment and Natural Resources	62,846,560	30,080,893	216,000,000	<b>308,927,454</b>
Youth Empowerment and Sports	4,060,309	11,883,192	60,367,539	<b>76,311,040</b>
Gender, Children, Culture & Social Services	4,600,378	10,650,000	45,000,000	<b>60,250,378</b>
Public Service & Administration	389,846,081	24,495,884	30,550,755	<b>444,892,720</b>
County Public Service Board	25,639,903	21,256,534	0	<b>46,896,437</b>
County Assembly	299,832,587	321,757,060	80,000,000	<b>701,589,647</b>
Ward Equalization Projects	0	100,000,000	300,000,000	<b>400,000,000</b>
<b>Total</b>	<b>3,316,377,729</b>	<b>1,436,843,676</b>	<b>2,309,687,459</b>	<b>7,062,908,864</b>

## Annex II: Total Expenditure Ceilings for the MTEF Period 2021/22 – 2023/24

Portfolio	2021/22	2022/23	2023/24
Office of The Governor	246,631,413	257,632,126	269,129,640
Finance & Economic Planning	178,692,513	187,064,849	195,847,689
Embu County Revenue Authority	72,373,435	75,659,407	79,101,224
Education, Science & Technology	471,690,795	491,690,972	512,571,944
Health	2,155,804,218	2,246,758,504	2,341,676,159
Embu Level 5 Hospital	379,126,442	397,950,194	417,781,619
Infrastructure, Public Works, Housing & Energy	685,787,486	719,244,978	754,648,660
Trade, Tourism, Investment & Industrialization	101,005,477	105,818,368	110,898,096
Agriculture, Livestock, Fisheries & Co-operative Development	732,929,409	766,713,730	802,292,255
Lands, Physical Planning & Urban Development, Housing, Water and Irrigation, Environment and Natural Resources	308,927,454	323,551,699	338,979,142
Youth Empowerment and Sports	76,311,040	63,909,727	67,042,874
Gender, Children, Culture & Social Services	60,250,378	79,298,684	83,188,794
Public Service & Administration	444,892,720	463,211,504	482,304,026
County Public Service Board	46,896,437	48,984,860	51,167,448
County Assembly	701,589,647	733,599,076	767,125,017
Ward Equalization Projects	400,000,000	419,731,025	440,583,496
<b>Total</b>	<b>7,062,908,864</b>	<b>7,380,819,702</b>	<b>7,714,338,083</b>

### Annex III: Sector Ceilings for the MTEF Period 2021/22 – 2023/24

<b>Sector</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Office of the Governor</b>	<b>246,631,413</b>	<b>257,632,126</b>	<b>269,129,640</b>
Operations and Maintenance	113,545,617	119,222,897	125,184,042
Emoluments	133,085,796	138,409,228	143,945,597
Development	-	-	-
<b>Finance and Economic Planning</b>	<b>178,692,513</b>	<b>187,064,849</b>	<b>195,847,689</b>
Operations and Maintenance	95,502,521	100,277,647	105,291,529
Emoluments	53,573,642	55,716,587	57,945,251
Development	29,616,351	31,070,615	32,610,909
<b>Embu Revenue Authority</b>	<b>72,373,435</b>	<b>75,659,407</b>	<b>79,101,224</b>
Operations and Maintenance	30,000,000	31,500,000	33,075,000
Emoluments	32,373,435	33,668,373	35,015,107
Development	10,000,000	10,491,034	11,011,117
<b>Education, Science &amp; Technology</b>	<b>471,690,795</b>	<b>491,690,972</b>	<b>512,571,944</b>
Operations and Maintenance	67,952,856	71,350,499	74,918,024
Emoluments	353,974,566	368,133,549	382,858,890
Development	49,763,373	52,206,925	54,795,030
<b>Health</b>	<b>2,155,804,218</b>	<b>2,246,758,504</b>	<b>2,341,676,159</b>
Operations and Maintenance	305,164,013	320,422,214	336,443,324
Emoluments	1,667,140,205	1,733,825,813	1,803,178,846
Development	183,500,000	192,510,477	202,053,988
<b>Infrastructure, Public Works, Housing and Energy</b>	<b>685,787,486</b>	<b>719,244,978</b>	<b>754,648,660</b>
Operations and Maintenance	27,738,883	29,125,827	30,582,118
Emoluments	26,570,996	27,633,836	28,739,190
Development	631,477,607	662,485,315	695,327,352
<b>Trade, Tourism, Investment and Industrialization</b>	<b>101,005,477</b>	<b>105,818,368</b>	<b>110,898,096</b>
Operations and Maintenance	10,352,556	10,870,183	11,413,693
Emoluments	17,147,921	17,833,838	18,547,192
Development	73,505,000	77,114,347	80,937,212
<b>Agriculture, Livestock, Fisheries &amp; Co-operative Development</b>	<b>732,929,409</b>	<b>766,713,730</b>	<b>802,292,255</b>
Operations and Maintenance	35,198,928	36,958,874	38,806,818
Emoluments	245,685,350	255,512,764	265,733,274
Development	452,045,132	474,242,092	497,752,163
<b>Lands, Physical Planning &amp; Urban Development, Housing, Water and Irrigation, Environment and Natural Resources</b>	<b>308,927,454</b>	<b>323,551,699</b>	<b>338,979,142</b>
Operations and Maintenance	30,080,893	31,584,938	33,164,185
Emoluments	62,846,560	65,360,423	67,974,840

<b>Sector</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Development	216,000,000	226,606,338	237,840,117
<b>Youth Empowerment and Sports</b>	<b>60,250,378</b>	<b>79,298,684</b>	<b>83,188,794</b>
Operations and Maintenance	10,650,000	11,182,500	11,741,625
Emoluments	4,600,378	4,784,393	4,975,768
Development	45,000,000	63,331,791	66,471,401
<b>Gender, Women, Children, Culture and Social Services</b>	<b>76,311,040</b>	<b>63,909,727</b>	<b>67,042,874</b>
Operations and Maintenance	11,883,192	12,477,352	13,101,219
Emoluments	4,060,309	4,222,721	4,391,630
Development	60,367,539	47,209,654	49,550,024
<b>Public Service &amp; Administration</b>	<b>444,892,720</b>	<b>463,211,504</b>	<b>482,304,026</b>
Operations and Maintenance	24,495,884	25,720,679	27,006,713
Emoluments	389,846,081	405,439,924	421,657,521
Development	30,550,755	32,050,901	33,639,792
<b>County Public Service Board</b>	<b>46,896,437</b>	<b>48,984,860</b>	<b>51,167,448</b>
Operations and Maintenance	21,256,534	22,319,360	23,435,329
Emoluments	25,639,903	26,665,499	27,732,119
Development	-	-	-
<b>County Assembly</b>	<b>701,589,647</b>	<b>733,599,076</b>	<b>767,125,017</b>
Operations and Maintenance	321,757,060	337,844,913	354,737,159
Emoluments	299,832,587	311,825,890	324,298,926
Development	80,000,000	83,928,273	88,088,932
<b>Level 5 Hospital</b>	<b>379,126,442</b>	<b>397,950,194</b>	<b>417,781,619</b>
Operations and Maintenance	231,264,740	242,827,977	254,969,376
Emoluments	-	-	-
Development	147,861,702	155,122,217	162,812,243
<b>Ward Equalization Projects</b>	<b>400,000,000</b>	<b>419,731,025</b>	<b>440,583,496</b>
Operations and Maintenance	100,000,000	105,000,000	110,250,000
Emoluments	-	-	-
Development	300,000,000	314,731,025	330,333,496
<b>TOTAL</b>	<b>7,062,908,864</b>	<b>7,380,819,702</b>	<b>7,714,338,083</b>
Operations and Maintenance	1,436,843,676	1,508,685,860	1,584,120,153
Emoluments	3,316,377,729	3,449,032,838	3,586,994,152
Development	2,309,687,459	2,423,101,004	2,543,223,778