

EMBU COUNTY GOVERNMENT



COUNTY TREASURY

MEDIUM TERM

COUNTY FISCAL STRATEGY **PAPER**

***UNLOCKING THE POTENTIAL FOR EQUITABLE WEALTH AND
EMPLOYMENT CREATION***

FEBRUARY 2018

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 2018/19 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 2018/19 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 2017/2018; 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.

MR JOHN NJAGI
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE, PLANNING AND ECONOMIC AFFAIRS

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 2018/19 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 2018 CFSP continues to be a collaborative effort. Much of the information in this report was obtained from the 2017/18 County Budget Review and Outlook Paper (CBROP), which provided inputs to this 2018 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, Ms. Ruth Ndirangu and Director Planning and Economic Affairs, Mr. Lawrence M. Nzioka for coordinating the execution of this task. We also received substantial input from the County Controller of Budget, Mr. Joseph Mugi.

Special thanks go to the following members of the task force who met and worked tirelessly to prepare this document: Ms. Catherine Gatheo, Mr. Boniface Muli Lova, Mr. Linus Mugambi, Mr. Erick Kinyua, Mr. Joshua Mwangi, Mr. Patrick Ngatia, 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 Planning and Economic Affairs department for their dedication, sacrifice and commitment to public service.

JOHN MUKUNDI
CHIEF OFFICER
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. This law states that:

- 1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval.
- 2) County Treasury shall submit the Fiscal Strategy Paper approved in terms of subsection (1) to the County assembly, by the 28th February of each year.
- 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 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

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 authority, and ensure enhanced accountability and more efficient public service to citizens. Key development challenges remain, though, including poverty, inequality, and climate change. After faltering in 2008, economic growth has resumed, reaching 5.8% in 2016 to place Kenya as one of the fastest growing economies in Sub-Saharan Africa. This expansion was boosted by a stable macroeconomic environment, low oil prices, a rebound in tourism, strong remittance inflows, and government-led infrastructure development initiatives.

Kenya's economic growth is estimated to have decelerated to 4.4 % in the third quarter of 2017 compared to 5.6% in a similar period of 2016. During the quarter, the macroeconomic fundamentals remained stable and supportive of growth. However, the increased uncertainty due to the turbulent political environment emanating from elections 2017 as well as adverse weather conditions resulted to a slowdown in the performance of the economy. Majority of the sectors of the Kenyan economy as a result posted slower growth during the quarter under review in comparison with a similar quarter in 2016.

Medium-term GDP growth should rebound to 5.8% in 2018 and 6.1% in 2019 respectively, depending on the completion of ongoing infrastructure projects, the resolution of slow credit growth, and the strengthening of the global economy and tourism. In the long-term, the adoption of prudent macroeconomic policies will help safeguard Kenya's robust economic performance. This includes the implementation of fiscal and monetary prudence and lowering the deficit down to 4.3% by FY 2019/20, as per the Medium Term Fiscal Framework. Fiscal consolidation needs to avoid compromising public investment in critical infrastructure key to unlocking the economy's productive capacity.

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. The County therefore will continue to focus on strengthening the potential it is endowed with to stimulate economic growth and development across all sectors. The key policy for the county in implementing the 2017/2018 budget remains investing in sectors that will lead to further economic investments, improve local revenue and employment creation. Priority areas 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.

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 45.14% of the total revenue which is above the recommended limit of about 40%. 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

In January 2018 the economy experienced a stable inflation which was at 4.83%. This had surpassed the market expectations of 6.2% but did not exceed the inflation target range of central Bank which is 5.0% with less or more than 2.5% points. As per December 2017 the Annual average inflation had stagnated at 7.98%. From 2005 until 2018, the rate of inflation in the country averaged at 10.06%. The maximum inflation rate was in May of 2008 where it hit a record of 31.50% while in October of 2010 it was at a minimum of 3.18%.

The Third Quarter 2017 GDP report also indicates that the largest plunge was experienced in the Financial and Insurance activities whose inflation rate dropped from 7.1% in the third quarter of 2016 to 2.4% in the third quarter of 2017. Sectors like; manufacturing; health; accommodation and food services; mining and quarrying and education also recorded decelerated growths while others including; professional, administration and support services; public administration; and real estate activities recorded increased inflation.

During the third quarter of 2017 inflation averaged at 7.5% while the similar quarter of 2016 was at 6.3%. The surge in prices of food and non-alcoholic beverages that began in the second quarter of 2017 and persisted into the period under review is what majorly augmented the inflation. The increased price of key food crops was attributed to the adverse weather conditions prevailing in the second quarter and prolonging to the better part of the third quarter of 2017. In the same period, the weighted interest rates on commercial banks loans and advances declined to an average of 13.67% from 16.54% recorded in the third quarter in 2016. The capping of interest rates which commenced in September 2016 was the major cause of this decline. The Central Bank Rate (CBR) was stagnated at 10.0 per cent throughout the quarter.

Positive aspects such as: additional rainfall that will boost agricultural production; constant low international oil prices; an unwavering macroeconomic environment stability of the Kenya shilling; stepping up of the security situation to enhance the tourism sector; and modification in the areas of governance and justice will bring about affirmative growth projections.

The current growth is still below the target of Vision 2030 of 10% necessary to increase employment and reduce poverty significantly. Both the public and private investment need to be stretched out to increase the economic competitiveness of the country and create more employment opportunities for all citizens. Growth of Embu County is expected to be heightened by production in agriculture following expected adequate rain and initiatives to refurbish irrigation schemes.

There has been establishment of value addition industries in the coffee, macadamia, milk and horticulture sub-sectors. The County Government is stanch to complete the foremost infrastructure projects such as roads and endorse structural reforms which will subsequently improving competitiveness of private sector and promote the overall output of the local economy. The trade, investment and tourism remain key sectors in the county's economy and if upheld would translate to sustainable employment in addition to economic empowerment of the county residents.

Development in the infrastructure sector over time has seen more roads being upgraded from earth to gravel standards. This has eased access from farms to markets for delivery of farm produce. Reduced costs of transport have increased farmer's income leading to improved living standards as well as better service delivery. Installation of street lights and high floodlights in the energy sector has led to increased trade and reduced crime rate in the county.

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. More recently, the hotly contested presidential elections have posed challenges to attainment of projected expansion of our economy. 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

I. Revenue projections exposure

On macro-economic front Embu county could be exposed if challenges are experienced in the operationalization of the Embu County Valuation Act 2015. The delayed implementation of the same in the FY 2018/19 will lead to underperformance in revenue collection which has an adverse effect on the implementation of the proposed programmes and projects thus affecting the overall development in the county.

This risk will be mitigated by implementing the Embu County Valuation Act 2015 cautiously adhering to all clauses in the act to prevent potential obstacles from affecting the implementation of the valuation roll. Another measure to deal with revenue shortage would be through the subsequent adjustment of the budget 2018/2019.

II. Non – compliance with financial acts

During the year there is likelihood that the financial resources could be affected by non-compliance with revenue raising measures and laws e.g. Non- payment of fees, land rates etc. which occasionally have been experienced in most markets within the county due to various issues raised by the stakeholders. Such non-compliance acts results to revenue shortfalls.

To address such risks the directorate of enforcement would be empowered by employment of competent enforcement officers and allocation of adequate resources for that purposes.

The county government will also ensure that there will be effective Market Management Committees and; will address the infrastructural needs in all our markets. Additionally all stakeholders will be involved in the routine management of all markets within the county.

III. Low absorption of budget

This has been a major challenge in the county this has been contributed by the following among other factors such as; Logistic challenges in the procurement processes, government policies and regulations for example impromptu implementation of E-procurement system which the county lacks capacity to implement, conflict in budget making process resulting to delay in supply of resources and allocations.

Embu County like other counties is bound to face political risks especially differences between executive and assembly in the budget making process. To be specific Embu County has faced budget stalemate in a number of occasions when the executive and the county assembly disagree on the allocation of resources. During the period of stalemate the county development progress is affected adversely as programs and projects stall at the expense of the stalemate. To the challenges the Executive will ensure timely planning by various implementing organs within the county, formulation of implementation strategies and enhance periodic monitoring and evaluation of programmes and projects.

On the challenges of the procurement of services and goods the capacity of procurement unit will be enhanced in relation to acquiring adequate of staffing and training of the officers involved in the procurement. Also there will be creation of additional procurement unit to decentralize the procurement services to enhance efficiency but ensuring accountability.

To address the occasional budget stalemates there should be adequate budget consultations forums to ensure compromises and agreements are achieved within the law on timely basis. Also both the Executive and the county assembly should ensure the provisions of the public finance act and regulations are adhered to while considering the budget to minimize the conflict.

IV. Contingent liabilities

Failure to honor contractual obligations may lead to unforeseeable liabilities due to litigations. To address such risks; county dialogue and local solutions should be encouraged at all times. Secondly a well-coordinated relationship between Executive and legislative arm of county government and National Government is critical in the delivery of services to “the residents of Embu County. A fiscal risks will occur when the National Government does not release funds to county government on timely basis. Of critical concern is when the National Government is in arrears of more than three months in releasing equitable share to county governments especially towards the end of the financial year resulting to unpaid bills at the closure of the financial year. Practically those funds can only be accessed through a supplementary budget in the following year and in case of a stalemate like the one the county has witnessed before, the funds will not be accessed until the stalemate is resolved. These issues would be solved through dialogue to ensure harmonious working relationship between the Executive and the county assembly.

V. Other risks interventions measures

Other risks will be monitored closely and the county Government would take appropriate measures in the context of the next fiscal policy paper and supplementary budget.

In the face of the huge wage bill, the county Government will rigorously scrutinize spending proposals with an intention of cutting those that are non-priority. However, the resources earmarked for development purposes will be utilized in the said projects and none, whatsoever, can be expended as recurrent. It is therefore imperative to exercise strict fiscal discipline while focusing on areas that will ignite the economic potential of our county.

Modernizing revenue administration infrastructure will help in effectively enforcing revenue collection. The county will continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM law of 2012. Embracing the Integrated Financial Management will go a long way in ensuring proper controls of public funds.

Strengthening monitoring and evaluation will seek to promote transparency, integrity, access to information and embrace accountability principles in public resource utilization.

II. FISCAL POLICY AND BUDGET FRAMEWORK

6. Overview

The 2018/19-2020/21 Medium-Term Fiscal Framework aims at striking an appropriate balance between stimulating economic growth at the County and a balanced fiscal policy. It aims at supporting rapid investment and effective delivery of public goods and services in an effective and sustainable manner. It stresses prudent fiscal policy to reinforce County Government's commitment to responsible financial management practices as outlined in the Public Finance Management Act 2012.

Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth in the long run. Specifically, over the medium term, a minimum of 30% of the budget shall be allocated to development expenditure.

Focus will be on efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations, maintenance, and development. Expenditure will promote equitable development as well as 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.

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, water, health, Agriculture and Lands under the medium-term expenditure framework (MTEF).

The county will continue reorienting expenditure towards those priority programs Outlined in County's Integrated Development Plan and as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development. The expected share of development funds of the total expenditure will be 32.71%. Recurrent expenditure takes the lion share of 67.29% largely due to the county wage bill totaling Ksh. 2,848,929,226.

Table 1: County Fiscal Projections 2018/19 -2020/21

	BUDGET	CFSP	PROJECTIONS	
	2017/18	2018/19	2019/20	2020/21
TOTAL REVENUE	6,068,384,108	6,457,729,465	7,101,784,865	7,810,245,805
Equitable Share Of Revenue From National Government	4,107,200,000	4,458,800,000	4,904,680,000	5,395,148,000
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	40,907,922	37,900,000	41,690,000	45,859,000
Conditional Grant For Compensation For User Fees Forgone	10,724,225	10,724,225	11,796,648	12,976,312
Conditional Grant For Leasing Of Medical Equipment	95,744,681	200,000,000	220,000,000	242,000,000
Conditional Grant From Road Maintenance Fuel Levy Fund	163,522,813	117,396,321	129,135,953	142,049,548
Local Revenue	653,490,000	653,490,000	718,839,000	790,722,900
Appropriations In Aid (AiA)- Ministerial	246,510,000	296,510,000	326,161,000	358,777,100
DANIDA grant for universal health care for devolved System	17,175,467	17,175,467	17,175,467	17,175,467
Loans and grants		364,692,990	401,162,289	441,278,518
Unspent Balances 2016/2017(County Assembly) –Captured in budget 2017/2018	22,180,218	0	0	0
Unspent Balances 2016/2017(Closing Balances for FY 2016/17)	409,888,320	0	0	0
TOTAL EXPENDITURE	6,068,384,108	6,457,729,465	7,101,784,865	7,810,245,805
Recurrent Expenditure	4,229,550,046	4,345,663,565	4,778,512,375	5,254,646,066
Personnel Emoluments	2,739,355,025	2,848,929,226	2,962,886,395	3,081,401,851
Operations & Maintenance	1,490,195,021	1,496,734,339	1,815,625,980	2,173,244,215
Development	1,838,834,062	2,112,065,900	2,323,272,490	2,555,599,739

8. Observing Fiscal Responsibility Principles

The County Government recognizes that the fiscal stance it takes today will have implications into the future. Therefore, in line with the Constitution and the Public Finance Management (PFM) Act of 2012, the principle of sharing the burdens and benefits of the use of resources between the present and future generation implies that we have to make prudent policy decisions.

In order to ensure that development portfolio is not crowded out, the County Government shall ensure adherence to the ratio of development to recurrent of at least 30:70 over the medium term, as set out in the law. The county Government is also guided by Article 201 of the Constitution of Kenya that provides the public finance principles to be followed that include openness, accountability and public participation in financial matters. In this regard the

County will involve the Public in developing priority programmes/projects for implementation and in the actual implementation of the same. 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

The total revenue expected in FY 2018/2019 is Ksh. 6,457,729,465 emphasizing on the Medium term Expenditure Framework (MTEF) will ensure proper coordination of policy, planning and budgeting in accordance with county development priorities. 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. 2018/2019 Budget Framework

The 2018/2019 budget framework will target the County Government's strategic objectives as outlined in the annual development plan and County Integrated Development Plan. This makes County Government to refocus expenditure from recurrent to development. The medium-term fiscal stance envisages new sources of revenue such as focusing on the untapped sectors. 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.

11. Revenue Projections

County revenue from local sources will be raised through levies, permits, rents, service charge and rates, and from equitable share of the National revenue as part of the devolved funds. The 2018/2019 budget target for revenue collection inclusive of Appropriation-in-Aid (AiA) is expected to be Ksh 950,000,000, which is 14.71% of the total county revenue. 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. The estimated equitable share of revenue from the National Government of Ksh 4,458,800,000 is based on budget policy statement estimates for 2018.

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 2018/19; the recurrent expenditure is projected to be Ksh 4,345,663,565 while development expenditure is expected to be Ksh. 2,112,065,900 accounting for 67.29% and 32.71% of total expenditure respectively.

13. Recurrent Expenditure

The total wage bill of Ksh 2,848,929,226 accounts for 65.56% of the total recurrent budget while Operations and Maintenance costs account for the remaining 34.44%. This indicates that the wage bill takes the big share of the total recurrent budget.

Table 2: Proposed Operations ceilings 2018/19

PORTFOLIO	CFSP 2018/19	% SHARE
OFFICE OF GOVERNOR	111,984,891	7.48%
FINANCE AND ECONOMIC PLANNING	129,346,612	8.64%
EDUCATION, YOUTH EMPOWERMENT & SPORTS	165,651,022	11.07%
HEALTH	203,522,590	13.60%
LEVEL 5	287,024,214	19.18%
INFRASTRUCTURE,PUBLIC WORKS, HOUSING AND ENERGY	38,453,938	2.57%
INVESTMENT,INDUSTRIALIZATION,TRADE AND TOURISM	22,398,729	1.50%
AGRICULTURE,LIVESTOCK,FISHERIES AND CO-OPERATIVE DEVELOPMENT	22,629,962	1.51%
WATER, IRRIGATION, ENVIRONMENT AND NATURAL RESOURCES	21,253,736	1.42%
LANDS, PHYSICAL PLANNING AND URBAN DEVELOPMENT	47,730,351	3.19%
GENDER,CULTURE,CHILDREN AND SOCIAL SERVICE	10,772,736	0.72%
PUBLIC SERVICE AND ADMINISTRATION	165,631,432	11.07%
COUNTY PUBLIC SERVICE BOARD	23,383,504	1.56%
COUNTY ASSEMBLY	246,950,621	16.50%
TOTAL	1,496,734,338	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 2,112,065,900. 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 below:

Table 3: Development Sector Ceilings for the FY 2018/19

PORTFOLIO	CFSP 2018/19	% SHARE
OFFICE OF GOVERNOR	-	0.00%
FINANCE AND ECONOMIC PLANNING	127,968,209	6.06%
EDUCATION, YOUTH EMPOWERMENT & SPORTS	189,329,335	8.96%
HEALTH	297,413,404	14.08%
LEVEL 5	299,726,754	14.19%
INFRASTRUCTURE,PUBLIC WORKS, HOUSING AND ENERGY	546,214,994	25.86%
INVESTMENT,INDUSTRIALIZATION,TRADE AND TOURISM	74,769,643	3.54%
AGRICULTURE,LIVESTOCK,FISHERIES AND CO-OPERATIVE DEVELOPMENT	150,598,190	7.13%
WATER, IRRIGATION, ENVIRONMENT AND NATURAL RESOURCES	181,402,107	8.59%
LANDS, PHYSICAL PLANNING AND URBAN DEVELOPMENT	127,897,150	6.06%
GENDER,CULTURE,CHILDREN AND SOCIAL SERVICE	65,090,045	3.08%
PUBLIC SERVICE AND ADMINISTRATION	26,656,069	1.26%
COUNTY PUBLIC SERVICE BOARD	-	0.00%
COUNTY ASSEMBLY	25,000,000	1.18%
TOTAL	2,112,065,900.00	100.00%

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 strategy priorities are a statement of the organization's direction. It will help guide our decision making around the allocation of resources and provide a focus on the organization's overarching goals to ensure coherent and considered action. It is built around the organization's mission statement, guiding its action across all its fields of competence. 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. This will ease transport and access to markets for locally available raw material and produce hence create business and employment opportunities and sustain the county's economic opportunities.

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. The key priority projects in the sector include installation of streetlights and floodlights as well as transformers for easing of connecting the households with electricity.

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.

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

The sector's goal is to provide equitable and affordable health care to the citizens. The sector plays a significant role in improvement of access and better health care for the citizens. 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 in the health sector to contain the major diseases in the County. 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. Further, the operationalization of beyond zero campaigns significantly aids in further reduction of maternal mortalities. 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, completion of Theatre block as well as construction of OPD block and Casualty unit and waiting bay.

Strategic Priority III: To improve household accessibility to adequate clean piped 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. Funding towards expanding distribution networks continue being a priority so as to enable more households access clean water. Boreholes and wells which have broken down will be revitalized. In promotion of proper sanitation, the existing water supply will be integrated with treatments section to promote hygienic conditions.

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 improve food 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 improve livelihoods of the people of Embu County. This is through promotion of competitive agriculture through irrigation, value addition, sustainable livestock and fisheries sub-sectors and growth of a viable cooperatives sub-sector.

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. There will also be continuous farmer training on conservation agriculture, sustainable land use and farming systems. These coupled with the harnessing of water for irrigation will improve the food situation in the county. This is expected to further improve the livelihoods and social wellbeing of the people. There is need to continuously upgrade local livestock species through cross breeding and AI services so as to increase production under livestock.

The challenges facing the sector include unfavorable climatic changes, low production due to poor farming methods, pest and diseases, low technical capacity, inadequate storage facilities, inaccessible markets, poor prices, low value addition, inadequate funding, and low access to financial services and credit.

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. Significant

investments will be made to upgrade and improve tertiary institutions especially youth polytechnics and Technical Institutions, improve the feeding programme as well as ECDE centers. The sector also 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 implementation of CIDP and other key programmes, 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. Establishment of Embu County Revenue Authority is another initiative the county intends to implement to enable further enhancement of revenue collection. Also infrastructure development of revenue collection points is also amongst the projects the county intends to prioritize in the FY 2018/2019.

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 establish and maintain a national geodetic control network that covers the whole county to facilitate other surveys and research.

To achieve the objectives, the county will prioritize to undertake the preparation of development plans and Part Development Plans, for the area marked for the county apartments to finally have the apartments constructed. The programme will be expected to be implemented through Public Private Partnership where the county will provide guidance and leadership with the partners providing for funds.

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 especially those outside school to harness their talents towards enhanced livelihoods while strengthening their contributions to the economic growth. The county will continue to establish Talent promotion programmes at Sub County level as well as sports development programmes. Like in the previous financial years, the FY 2018/19 will also see an increase in the amount of funds 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) and music production. 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 by creating an enabling environment.

The construction of markets around the county including through public private partnerships will go a long way in improving trade in the county. The opening up of a tourism circuit in Mt. Kenya region and development of infrastructure in Mwea Game Reserve will provide an alternative tourist destination. 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 provision of credit facilities to the small-scale traders, 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 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.

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

The sector goal is to establish strong foundations for men, women, children and persons with special needs to enrich the cultural heritage of Embu County. The sector intends to prioritize on the operationalization of Children Rescue Centre and also plans to establish community empowerment 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.

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 above.

- Equitable share of revenue from the National Government will finance **70%** of the total budget for FY 2018/2019. 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 locally raised revenue in this medium term to raise its proportion.

- Locally mobilized revenue will fund 14.71% of the 2018/19 budget. Of these the ordinary local revenue is expected to contribute 10.12 % while Appropriation in Aid (AiA), will raise 4.59%. The County will from this medium term focus on its potential to improve the local revenue source in order to meet the expanding budgetary requirements. Departments have also been challenged to raise Appropriation in Aid (AiA) targets as a complementary strategy of raising sustainable revenue. Business permit, cess, market fee, parking fee and property rents and rates are the major contributors of ordinary local revenue. The major contribution of Appropriation in Aid (AiA) mainly comes from Health.
- Conditional grant, loan and conditional allocation will contribute 16.24% of the total budget. The highest allocation being Kshs 364,692,990, for loans and grants representing 5.65% of the total budget, followed by conditional grant to the level 5 Kshs 301,040,462, representing 4.66% of the total budget, conditional grant for leasing medical equipment Kshs 200,000,000, representing 3.1% of the total budget, conditional grant from road maintenance fuel levy fund Kshs 117,396,321, representing 1.82% of the total budget, conditional allocation for development of youth polytechnics Kshs 37,900,000, representing 0.59% of the total budget, conditional grant for compensation for fees for users foregone Kshs 10,724,225, representing 0.17% of the total budget and DANIDA grant for universal health care for devolved system Kshs 17,175,467, representing 0.27% of the total budget respectively.
- The allocation for Personnel Emoluments is Kshs. 2,848,929,226 representing 44.12% of the total budget, Kshs. 1,496,734,338 for Operations and Maintenance representing 23.18% and Kshs. 2,112,065,900 for development expenditure representing 32.71% of the total budget.

18. Spending Priorities

The County is finalizing the County Integrated Development Plan (CIDP) for the period 2018-2022 which has taken into account public input through the countywide CIDP consultative meetings and the Medium Term Plan (MTP) II priority programmes covering the period 2018-2022. 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 County Integrated Development Plan (CIDP). The following guidelines are used:

- *On-going projects*: emphasis is given to completion of on-going projects
- *County priority projects*:
- *Ward priority projects*:
- *Strategic policy interventions*: on social equity and environmental conservation.

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 2018 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 2018/19 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 youth empowerment centers.
- 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 2017/18

The fiscal performance in 2017/18 has not been satisfactory. The County had an approved budget estimate of Ksh. 6,068,384,108.00 for the financial year. The actual expenditure amounted to Ksh. 1,627,146,424 against an exchequer release of Ksh. 1,595,544,335.00. The half year absorption of recurrent and development expenditure was at 102% and 0% respectively. There was an over absorption by 2% due to balances brought forward for the Financial year 2016/2017. So far the total expenditure is on recurrent hence there is need for more focused efforts towards increasing the percentage of development funds absorbed.

20. Revenue Performance 2017/18

Total cumulative local revenue collections for the half year amounted to Ksh. 125,596,108.00 compared to a target of Ksh 450,000,000.00 which represents a revenue shortfall of Ksh. 324,403,892.00, that is under collection by 72%. The underperformance in local revenue collection was largely across all the revenue collection sites and revenue strings. The highest collections for the half year are from Health and Level 5, business permit, Cess, Market fees and Bus Park representing 46%, 14%, 8%, and 6% of the total collections respectively. The local revenue is expected to improve since business permit are expected to generate more revenue as business people take annual permits between January and March.

Table 5: Medium Term Expenditure Framework 2018/19-2020/21

SECTOR	CFSP	PROJECTIONS		% SHARE		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Office of Governor	361,934,709	395,792,009	432,946,733	5.60%	5.57%	5.54%
Finance and Economic Planning	257,314,821	297,670,008	342,651,600	3.98%	4.19%	4.39%
Education, Youth Empowerment and Sports	552,811,667	614,951,174	683,586,569	8.56%	8.66%	8.75%
Health	1,982,003,269	2,114,349,473	2,257,305,474	30.69%	29.77%	28.90%
Level 5	586,750,968	677,876,528	779,425,838	9.09%	9.55%	9.98%
Infrastructure, Public Works, Housing and Energy	619,074,320	683,264,965	753,967,768	9.59%	9.62%	9.65%
Investment, Industrialization, Trade and Tourism	107,724,834	120,396,291	134,411,881	1.67%	1.70%	1.72%
Agriculture, Livestock, Fisheries and Co-Operative Development	420,664,893	450,443,685	482,709,884	6.51%	6.34%	6.18%
Water, Irrigation, Environment and Natural Resources	243,013,306	267,296,100	294,007,407	3.76%	3.76%	3.76%
Lands, Physical Planning and Urban Development	205,584,964	229,742,324	256,461,565	3.18%	3.23%	3.28%
Gender, Culture, Children and Social Service	81,971,740	91,020,323	101,008,316	1.27%	1.28%	1.29%
Public Service and Administration	460,312,784	508,988,550	562,645,274	7.13%	7.17%	7.20%
County Public Service Board	56,948,158	63,272,794	70,256,159	0.88%	0.89%	0.90%
County Assembly	521,619,033	586,720,644	658,861,339	8.08%	8.26%	8.44%
TOTAL	6,457,729,465	7,101,784,868	7,810,245,808	100.00%	100.00%	100.00%

21. Ceilings

The 2017/2018 estimates has been used as baseline estimates to reflect current spending priorities. Health & level 5, Infrastructural and Education, Youth Empowerment and sports sectors as well as the County Assembly received the largest share of county funds. The proposed 2018/19 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 2018/19- 2020/21 ensures continuity in resource allocation based on prioritized programs aligned to the Annual Development Plan.

i. 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.

Over the medium-term, the sector's priorities include: improving efficiency and effectiveness of the infrastructure development process at all levels of planning, construction, expanding and opening access road. The sector will also prioritize tarmacking of various roads, opening new access roads as well as routine maintenance of the existing road infrastructure.

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

Another important aspect is housing where the department aims at constructing affordable houses through public-private partnership (PPP). The department will also promote use of appropriate building technology.

Total MTEF estimate for the sector is Ksh2.0 Billion of which Kshs. 619 million has been set aside for the FY 2018/19. Kshs 683 million and KSh. 753 million have been allocated to the FY 2019/20 and FY 2020/21, respectively. Refer to Annex I, II, III and Schedule of expenditure ceiling.

ii. Health

The sector's goal is to provide affordable and accessible health care to the citizens. The sector plays a significant role in improvement of access and better health care for the citizens. In the medium term, the sector will seek to complete and equip the ongoing facilities. It also aims at operationalizing the already developed health infrastructure.

The sector ensures that there is a healthier population that is able to engage more in productive activities which in turn lead to higher economic development and consequently to better standard of living.

The total MTEF estimate for the sector is Ksh. 8.3 Billion, of which Kshs 2.5 billion has been set aside for FY 2018/19. This is projected to increase to Kshs. 2.7 billion for 2019/20 and Kshs. 3.0 billion for 2020/21. Refer to Annex I, II, III and Schedule of expenditure ceiling.

iii. Agriculture, Livestock, Fisheries and Cooperative Development

The objectives of the sector is to improve livelihoods of the people through promotion of sustainable management of land resource, competitive agriculture and value addition of agricultural produce.

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. The Sector is important in ensuring food security, assisting the cooperatives societies to mobilize domestic savings, offer credit to members and revamping the livestock and fisheries sub-sector. Over the 2018/19– 2020/21 MTEF period, the sector aims at; providing extension services to the farmers, increasing commercialization of agriculture, improving governance of agricultural institutions and encouraging other stakeholders to invest in value addition activities.

The 2018/19 – 2020/21 MTEF period estimates for the sector will be Kshs. 1.35 billion. For FY 2018/19, about Kshs. 420 million has been set aside for the sector. This is projected to increase to about Kshs. 450 million and Kshs. 482 million respectively for FY 2019/20 and FY 2020/21. Refer to Annex I, II, III and Schedule of expenditure ceiling

iv. Water, Irrigation, Environmental and Natural Resources

The sector objective is to promote, conserve and protect the environment and improve access to water and enhance sustainable use of Natural resources. The sector plays a key role in ensuring that every citizen has access to water in a clean and secure environment.

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.

The MTEF estimate of Ksh 804 million has been allocated for the sector. For FY 2018/19, Ksh. 243 million has been set aside, increasing to Ksh. 267 million for FY 2019/20 and KSh 294 million for FY 2020/21. Refer to Annex I, II, III and Schedule of expenditure ceiling

v. Education, youth Empowerment and Sports

The sector goal is to increase access to early childhood development education, reduce inequality in access to education, improve access to vocational training, exploit knowledge and

skills and empower youth through skills development, talent harnessing and developing and maintaining sporting facilities.

In the medium term, the county aims at enhancing early childhood development education, building capacity, promoting & incubating talents for the youth.

The Total MTEF estimate for the sector is Kshs. 1.85billion of which Kshs.552 million has been allocated for FY 2018/19. This is projected to increase to Kshs.614 million in the FY 2019/20 and Kshs. 683 million in the FY 2020/21. Refer to Annex I, II, III and Schedule of expenditure ceiling.

vi. Trade, Tourism, Investment and Industrialization

The goal of this sector is to create conducive trade friendly environment, and to embrace policies and programme that optimize the economic, environmental and socio-cultural benefits of trade and tourism thus contributing to sustainable growth and development of the county. Over the medium-term, the sector aims to improve business environment for investment; undertake policy, legal and institutional reforms for the development of the sector; support entrepreneurship and industrial development; and promote trade.

Total MTEF estimate for the sector is Kshs. 362 Million. For the FY 2018/19, Ksh. 108 Million has been set aside. This is projected to reduce to Ksh. 120 million and then increase to Ksh. 134 million, respectively, for FY 2019/20 and FY 2020/21. Refer to Annex I, II, III and Schedule of expenditure ceiling

vii. Gender Empowerment and Culture

The Sectors Goal is to promote socio-economic development in communities 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 implements strategies that spur economic growth and addresses the social economic needs to the community. The sector strives to deliver Community empowerment, women fund, introduce gender resource center and drug addict rehabilitation.

Total MTEF estimate for the sector is Ksh 274 million. For FY 2018/19, Ksh 82 million has been set aside to support the sector' activities. This is projected to increase steadily to Ksh 120 million in 2019/20, and Ksh 134 million in 2020/21 Refer to Annex I, II, III and Schedule of expenditure ceiling.

viii. Finance and Economic Planning

The sector plays a key role in planning, mobilization of financial resources and budget implementation. 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 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 2018/2019-2020/2021 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

The total MTEF estimate for the sector from 2018/19-2020/2021 is Ksh. 897 million. For FY 2018/19, KSh. 257 million has been set aside to fund its programmes. This is projected to increase to Ksh.297 million by FY 2019/20 and Ksh. 342 million for the FY 2020/21. Refer to Annex I, II , III and Schedule of expenditure ceilings.

ix. Land, physical Planning and Urban development

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 2018/2019-2020/2021 MTEF period will enable the sector acquire lands for county projects. The total MTEF estimate for the sector from 2018/19- 2020/2021 is Ksh. 691 million. Ksh 205 million has been set aside for FY 2018/19, Ksh 229 million has been projected for FY 2019/20 while Ksh 256 million has been projected for FY 2020/21. Refer to Annex I, II ,III and Schedule of expenditure ceilings.

x. Office of the Governor

The function of the office of the Governor through the Executive Committee is to implement 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 2018/19- 2020/2021 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.

The total MTEF estimate for the sector from 2018/19- 2020/2021 is Ksh. 1.19 billion. For FY 2018/19, Ksh.361 million has been set aside to fund its programmes. The projection for FY 2019/20 is Ksh. 395 million and Ksh. 433 million for the FY 2020/21. Refer to Annex I, II, III and Schedule of expenditure ceilings.

xi. 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.

Total MTEF estimate for the County Assembly 2018/19- 2020/2021 is Ksh 1.7 billion for the period. For FY 2018/19, Ksh. 521 million has been set aside increasing to Ksh. 586 million for FY 2019/20 and Ksh 658 million for FY 2020/21. Refer to Annex I, II, III and Schedule of expenditure ceiling

xii. 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.

Total MTEF estimate for the sector in financial years 2018/19- 2020/2021 is Ksh 190 million for the period. For FY 2018/19, Ksh. 56 million has been set aside increasing to Ksh. 63 million for FY 2019/20 and Ksh 70 million for FY 2020/21. Refer to Annex I, II and III

xiii. 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.

Total MTEF estimate for the sector in FY 2018/19- 2020/2021 is Ksh 1.5 billion for the period. For FY 2018/19, Ksh. 460 million has been set aside and is expected to reduce to Ksh. 508 million for FY 2019/20 and Ksh 562 million for FY 2020/21. Refer to Annex I, II, III and Schedule of expenditure ceiling.

IV. CONCLUSION

The current economic conditions call for caution in fiscal dispensation. Macroeconomic stability will be critical to supporting growth. This should be complemented with deeper structural reforms to strengthen the county's resilience and raise growth to a higher direction 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 by allowing the recurrent expenditure to decline gradually. Therefore, moderation in county spending will help increase the pool of funds available for development initiatives in the county. Proper 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 2018/19 – 2020/21

SECTOR	BUDGET	CFSP	PROJECTIONS	
	2017/18	2018/19	2019/20	2020/21
OFFICE OF GOVERNOR	351,831,986	361,934,709	395,792,009	432,946,733
FINANCE AND ECONOMIC PLANNING	218,781,490	257,314,821	297,670,008	342,651,600
EDUCATION, YOUTH EMPOWERMENT AND SPORTS	570,419,940	552,811,667	614,951,174	683,586,569
HEALTH	1,774,825,980	1,982,003,269	2,114,349,473	2,257,305,474
LEVEL 5	497,730,865	586,750,968	677,876,528	779,425,838
INFRASTRUCTURE,PUBLIC WORKS, HOUSING AND ENERGY	739,910,852	619,074,320	683,264,965	753,967,768
INVESTMENT,INDUSTRIALIZATION,TRADE AND TOURISM	82,766,286	107,724,834	120,396,291	134,411,881
AGRICULTURE,LIVESTOCK,FISHERIES AND CO-OPERATIVE DEVELOPMENT	328,212,151	420,664,893	450,443,685	482,709,884
WATER, IRRIGATION, ENVIRONMENT AND NATURAL RESOURCES	123,552,334	243,013,306	267,296,100	294,007,407
LANDS, PHYSICAL PLANNING AND URBAN DEVELOPMENT	324,774,150	205,584,964	229,742,324	256,461,565
GENDER,CULTURE,CHILDREN AND SOCIAL SERVICE	76,395,638	81,971,740	91,020,323	101,008,316
PUBLIC SERVICE AND ADMINISTRATION	427,624,397	460,312,784	508,988,550	562,645,274
COUNTY PUBLIC SERVICE BOARD	40,620,578	56,948,158	63,272,794	70,256,159
COUNTY ASSEMBLY	510,937,461	521,619,033	586,720,644	658,861,339
TOTAL	6,068,384,108	6,457,729,465	7,101,784,868	7,810,245,808

Annex II: Sector Ceilings for the MTEF Period 2018/19 – 2020/21

SECTOR	CFSP	PROJECTIONS	
	2018/19	2019/20	2020/21
Office of the Governor	361,934,708.52	395,792,009.25	432,946,733.49
Operations and Maintenance	111,984,891.00	135,844,199.03	162,601,010.86
Emoluments	249,949,817.52	259,947,810.22	270,345,722.63
Development	-	-	-
Finance and Economic Planning	257,314,821.00	297,670,008.31	342,651,599.71
Operations and Maintenance	129,346,612.00	156,904,978.41	187,810,066.82
Emoluments	-	-	-
Development	127,968,209.00	140,765,029.90	154,841,532.89
Education, Youth Empowerment and Sports	552,811,666.52	614,951,173.88	683,586,569.19
Operations and Maintenance	165,651,022.00	200,944,343.48	240,523,729.46
Emoluments	197,831,309.52	205,744,561.90	213,974,344.38
Development	189,329,335.00	208,262,268.50	229,088,495.35
Health	1,982,003,268.96	2,114,349,472.90	2,257,305,474.24
Operations and Maintenance	203,522,590.00	246,884,762.54	295,512,890.81
Emoluments	1,481,067,274.96	1,540,309,965.96	1,601,922,364.60
Development	297,413,404.00	327,154,744.40	359,870,218.84
Infrastructure, Public Works and Housing	619,074,320.16	683,264,964.90	753,967,767.69
Operations and Maintenance	38,453,938.00	46,646,867.81	55,834,757.12
Emoluments	34,405,388.16	35,781,603.69	37,212,867.83
Development	546,214,994.00	600,836,493.40	660,920,142.74
Trade, Tourism, Investment and Industrialization	107,724,833.76	120,396,291.16	134,411,881.39
Operations and Maintenance	22,398,729.00	27,170,963.63	32,522,744.32
Emoluments	10,556,461.76	10,978,720.23	11,417,869.04
Development	74,769,643.00	82,246,607.30	90,471,268.03
Agriculture, Livestock, Fisheries & Co-operative Development	420,664,892.72	450,443,685.08	482,709,884.43
Operations and Maintenance	22,629,962.00	27,451,462.73	32,858,492.46
Emoluments	247,436,740.72	257,334,210.35	267,627,578.76
Development	150,598,190.00	165,658,012.00	182,223,813.20
Water, Irrigation, Environment & Natural Resources	243,013,306.12	267,296,099.74	294,007,406.81
Operations and Maintenance	21,253,736.00	25,782,020.39	30,860,225.23
Emoluments	40,357,463.12	41,971,761.64	43,650,632.11
Development	181,402,107.00	199,542,317.70	219,496,549.47
Lands, Physical Planning & Urban Development	205,584,964.12	229,742,324.03	256,461,565.36
Operations and Maintenance	47,730,351.00	57,899,697.39	69,304,021.75
Emoluments	29,957,463.12	31,155,761.64	32,401,992.11
Development	127,897,150.00	140,686,865.00	154,755,551.50
Gender, Women, Children, Culture and Social Services	81,971,739.96	91,020,323.40	101,008,316.04

SECTOR	CFSP	PROJECTIONS	
Operations and Maintenance	10,772,736.00	13,067,956.58	15,641,911.58
Emoluments	6,108,958.96	6,353,317.32	6,607,450.01
Development	65,090,045.00	71,599,049.50	78,758,954.45
Public Service & Administration	460,312,783.72	508,988,549.60	562,645,274.24
Operations and Maintenance	165,631,432.00	200,920,579.67	240,495,284.96
Emoluments	268,025,282.72	278,746,294.03	289,896,145.79
Development	26,656,069.00	29,321,675.90	32,253,843.49
County Public Service Board	56,948,158.20	63,272,793.63	70,256,158.73
Operations and Maintenance	23,383,505.00	28,365,554.31	33,952,629.83
Emoluments	33,564,653.20	34,907,239.33	36,303,528.90
Development	-	-	-
County Assembly	521,619,033.24	586,720,643.77	658,861,338.96
Operations and Maintenance	246,950,621.00	299,565,495.04	358,569,984.29
Emoluments	249,668,412.24	259,655,148.73	270,041,354.68
Development	25,000,000.00	27,500,000.00	30,250,000.00
Level 5 Hospital	586,750,968.00	677,876,528.15	779,425,837.61
Operations and Maintenance	287,024,214.00	348,177,098.75	416,756,465.27
Emoluments	0.00	0.00	0.00
Development	299,726,754.00	329,699,429.40	362,669,372.34
TOTAL	6,457,729,465.00	7,101,784,867.80	7,810,245,807.88