EMBU COUNTY GOVERNMENT

COUNTY TREASURY

MEDIUM TERM

COUNTY FISCAL STRATEGY PAPER

UNLOCKING THE POTENTIAL FOR EQUITABLE WEALTH AND EMPLOYMENT CREATION

NOVEMBER 2016

FOREWORD

This Fiscal Strategy Paper, the third 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 2017/18 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: Agriculture and food security, Infrastructure, accessibility of water, accessible health care and education. These priorities shall form the basis for formulation of FY 2017/18 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 year 2015/2016; 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 AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

This is the third 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 2017/18 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 2017 CFSP continues to be a collaborative effort. Much of the information in this report was obtained from the 2016/17 County Budget Review and Outlook Paper (CBROP), which provided inputs to this 2017 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 and Economic Planning, Mr.John Njagi, Chief Officer Finance, Director Finance and Economic Planning, 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: Mr Erick Kinyua, Mr. John M. Njeru, Ms.Catherine Gathee, Mr.Boniface Muli Lova, Mr. Linus Mugambi, Mr. Joshua Mwangi, Paul Kiamba, Ngatia, Katana and Mr.Charles N. 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 and Economic Planning department for their dedication, sacrifice and commitment to public service.

DAMIANO MUTHEE
CHIEF OFFICER
ECONOMIC PLANNING

<u>Legal Basis for the Publication of the County Fiscal Strategy Paper</u>

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 prudency and transparency in the management of public resources;

1) The County Government's recurrent expenditures shall not exceed the County government's total revenue.

2) Over the Medium Term, a minimum of thirty percent of the county Government's budget shall be allocated to the development expenditures.

3) The County Governments' expenditures on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly.

4) Over the Medium Term the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

5) The county debt shall be maintained at sustainable level as approved by county assembly.

6) The fiscal risks shall be maintained prudently; and

7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.

Table of Contents

LIST OF TABLES

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 2017 County Fiscal Strategy Paper is being prepared against the backdrop of significant growth in some key sectors among them Agriculture, Construction, Real Estate and financial and insurance. The most recent World Bank Group economic update for Kenya projects that the economy will grow at 5.9% in 2016 and rising to 6% in the year 2017.

The main anchors of growth were the key agricultural sectors which picked up from 5.1% growth in Q1 to a 5.5% increase in Q2 forestry and fishing, transportation and storage, real estate, and wholesale and retail trade. Solid growth rates of more than 8.0% were recorded for other sectors including construction, transport, information and communication, and real estate. The sectors that accelerated most, registering double-digit expansions, were mining and quarrying, accommodation and restaurants, and electricity and water supply.

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

There is still need for more emphasis on increasing the amount of revenue raised by the county to ensure availability of more resources meant for development at the same time reducing the proportion of personnel expenditure to the total budget. The recurrent expenditure of the Embu County Government remains high. The current wage bill stands at 49.97% of the total revenue which is above the recommended limit of about 40%. This wage bill still remains unmanageable due to limited financial resources. It also still poses a serious threat to the funding of important development projects as much of available scarce resources are directed to cater for personnel emoluments at the expense of development, and this may have severe effects on the county's economic prospects. Expenditure pressures relating to recurrent expenditures pose a fiscal risk to the stability of the budget for 2017/18 - 2019/20 MTEF period in the face of resource requirements for county projects (30% minimum constitutional threshold for development).

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 followed by 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 some important programmes being postponed to allow the completion of others.

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

Inflation stabilized at 6.3% in September 2016, slightly exceeding market expectations of a moderation to 6.2% and remaining within the Central Bank's inflation target range of 5.0% plus or minus 2.5 percentage points. Annual average inflation remained at August's 6.5%.

In the second quarter of 2016, GDP increased to 6.2% in annual terms, accelerating from Q1's 5.9% annual expansion and marking the fasted pace of growth in nearly four years. Compared to the previous quarter, GDP grew a seasonally adjusted 1.8%. Consumer prices in Kenya increased to 6.34 percent year on year in September of 2016, following a 6.26 percent rise in the preceding month. The figure came above market expectation of 6.2 percent gain as cost of food and housing went up at a faster pace.

Overall GDP growth is expected to amount to 6.3% in 2016. Consumer price index (CPI) inflation is expected to remain in the single digits, at around 5%, during the same period. The short to medium-term positive growth projections are based on assumptions of increased rainfall for enhanced agricultural production, a stable macroeconomic environment, continued low international oil prices, stability of the Kenya shilling, improvement in the security situation for a positive influence on the tourism sector; and reforms in the areas of governance and justice.

The pace of current growth is, however, still well below the target of Vision 2030 of 10 percent necessary to draw more Kenyans into employment and reduce poverty significantly. Accelerating growth requires scaling up both public and private investment to raise Kenya's economic competitiveness and create more employment opportunities for all Kenyans.

In Embu County, growth will be bolstered by production in agriculture following expected receipt of adequate rain and initiatives to revamp irrigation schemes. The County Government has established value addition industries in the coffee, macadamia, milk and horticulture sub-sectors. The County Government is committed to the completion of key infrastructure projects such as roads and further structural reforms especially those targeted toward improving competitiveness of private sector and promoting overall productivity in the local economy. The trade sector in the County, investment and tourism remain key in revitalization of the county economy resulting to increased and sustainable employment as well as economic empowerment of the county citizens.

There has been development in the infrastructure sector over the years with more roads being upgraded from earth to gravel standards. This has led to easy access by farmers from their farms to the market delivering their produce. Consequently, there has been a reduction in the cost of transport and therefore more income to the farmers leading to improved standards of living as well as improved service delivery. In the energy sector, the installation of street lights and high floodlights has led to increased trade and a reduction in crime rate in the county.

The proposed revenue collection target excluding AiA for 2017/2018 is Ksh 429,803,088.08 and it is expected that revenues will continue to grow. This is as a result of the introduction of new revenue streams such as the valuation roll and the enactment of revenue laws as well as investment in revenue infrastructure and staff capacity building.

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 slowdown in global growth has 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. In this respect Embu county is not an exception bearing in mind that Embu is part of country "Kenya".

As part of the requirement under the Public Finance Management Act, 2012 on prudent management of risk, this Annexure presents the Statement of Specific Fiscal Risks (SSFR). It 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 posed by nature.

Overall, the statement highlights the following:

i. Macroeconomic assumptions have been broadly accurate, although revenue collections, and low absorption of budget remains a key concern;
ii. Adverse weather conditions which negatively affect agricultural productivity within the County.
iii. The Financial Sector remains sound 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 managed well to avoid huge infrastructural and human destruction.
v. Political squabbles experienced between the Executive and the County Assembly.
vi. Devolution challenges experienced across the country.

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 2017/18 will lead to projected revenue not being realized resulting in revenue shortfall adversely affecting the implementation of the proposed programmes and projects which will affect 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 such that any potential obstacles will have no chance to affect the valuation roll as a whole. Secondly the risk could be cured through the adjustment of the rate struck in the finance bill 2016.

Another measure to deal with revenue shortage would be through the subsequent adjustment of the budget 2017/2018.

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

Due to the persistent wrangles within the county, the county government is likely to face unforeseeable liabilities due to many litigations facing it. For example failure to honor contractual obligations.

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 “Wanjiku”. 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.

Adjustments to the 2016/2017 budget will take into account actual performance of expenditure so far and absorption capacity in the remainder of the financial year. 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.

The county is in the process of drafting an M&E policy that will support the implementation of a computerized e-PROMIS system as well as establish structures for M&E. Monitoring and Evaluation will track development progress and hence promote transparency, integrity, access to information and embrace accountability principles in public resource utilization.

II. FISCAL POLICY AND BUDGET FRAMEWORK

6. Overview

The 2017/18 – 2019/20 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 31.79%. Recurrent expenditure takes the lion share of 68.21% largely due to the county wage bill totaling Kshs 2,839,655,892.32**.**

Table 1: County Fiscal Projections 2017/18 -2019/20

	BUDGET	CFSP	PROJECTIONS	
	2016/17	**2017/18**	**2018/19**	**2019/20**
TOTAL REVENUE	**6,289,580,368.00**	**5,869,870,695.62**	**6,456,857,765.18**	**7,102,543,541.69**
Local Sources	517,772,092.00	429,803,088.08	472,783,396.89	520,061,736.58
AiA (Ministerial)	286,000,000.00	314,175,163.34	345,592,679.67	380,151,947.64
Equitable Share from National government	4,141,186,056.00	4,555,304,661.60	5,010,835,127.76	5,511,918,640.54
Conditional Grant - Level 5	286,705,202.00	315,375,722.20	346,913,294.42	381,604,623.86
Conditional Grant - free Maternal Health Care	54,985,378.00	60,483,915.80	66,532,307.38	73,185,538.12
Conditional Allocation for compensation for User Fees Forgone	10,776,608.00	11,854,268.80	13,039,695.68	14,343,665.25
Conditional Allocation for Leasing of Medical Equipment	95,744,681.00	105,319,149.10	115,851,064.01	127,436,170.41
Conditional Allocation from Road Maintenance Fuel Levy Fund	63,629,297.00	69,992,226.70	76,991,449.37	84,690,594.31
Loans & Grants (DANIDA)	6,875,000.00	7,562,500.00	8,318,750.00	9,150,625.00
Closing balance for the financial year 2015/16-County Assembly	49,112,070.00	-	-	-
Unspent balances for the Ward Dev. Fund	383,793,984.00	-	-	-
Unspent balances for Tarmacking of the Embu-Kibugu Road	393,000,000.00	-	-	-
TOTAL EXPENDITURE	**6,289,580,368.00**	**5,869,870,695.62**	**6,456,857,765.17**	**7,102,543,541.69**
Recurrent Expenditure	**3,770,058,018.00**	**4,003,590,004.90**	**4,147,793,283.61**	**4,295,922,968.73**
County Executive	**3,266,396,431.00**	**3,489,295,077.86**	**3,622,439,682.93**	**3,759,068,347.46**
Personnel Emoluments	2,464,604,857.00	2,563,189,051.28	2,665,716,613.33	2,772,345,277.86
Operations & Maintenance	801,791,574.00	926,106,026.58	956,723,069.60	986,723,069.60
County Assembly	**503,661,587.00**	**514,294,927.04**	**525,353,600.68**	**536,854,621.27**
Personnel Emoluments	265,833,501.00	276,466,841.04	287,525,514.68	299,026,535.27
Operations & Maintenance	237,828,086.00	237,828,086.00	237,828,086.00	237,828,086.00
Development	**2,519,522,350.00**	**1,866,280,690.72**	**2,309,064,481.56**	**2,806,620,572.96**

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 2017/18 is Kshs. 5,869,870,695.62 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. 2017/18 Budget Framework

The 2017/18 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 2017/18 budget target for revenue collection inclusive of Appropriation-in-Aid (AiA) is expected to be Kshs. 743,978,251.42 which is 12.67% 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 Kshs. 4,555,304,661.60 is based on 10 percent projection from the FY 2016/17 Equitable Share. Therefore, the total county revenue is expected to reach Kshs 5,869,870,695.62 for the FY 2017/2018.

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 2017/18; the recurrent expenditure is projected to be Kshs. 4,003,590,004.90 while development expenditure is expected to be Kshs 1,866,280,690.72 accounting for 68.21% and 31.79% of total expenditure respectively.

13. Recurrent Expenditure

The total wage bill of Kshs. 2,839,655,892.32 accounts for 70.93% of the total recurrent budget while Operations and Maintenance costs account for the remaining 29.07%. This indicates that the wage bill takes the big share of the total recurrent budget.

Table 2: Proposed Operations ceilings 2017/18

SECTOR	AMOUNT ALLOCATED	% SHARE
Office of Governor	185,600,000.00	15.95%
Finance and Economic Planning	72,276,337.00	6.21%
Education, Science and Technology	26,546,234.00	2.28%
Health	244,015,426.00	20.96%
Infrastructure, Public Works, Housing and Energy	32,694,400.00	2.81%
Youth Empowerment and Sports	10,314,852.00	0.89%
Trade, Tourism, Industrialization and Investment	24,724,981.00	2.12%
Agriculture, Fisheries, Livestock and Cooperative Development	32,976,111.00	2.83%
Lands, Water, Environment and Natural Resources	15,453,635.58	1.33%
Gender, Children, Culture and Social Services	14,111,723.00	1.21%
Public Service and Administration	18,417,969.00	1.58%
County Public Service Board	16,780,716.00	1.44%
County Assembly	237,828,086.00	20.43%
Embu Level 5 Hospital	232,193,642.00	19.95%
TOTAL	**1,163,934,112.58**	**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 Kshs. 1,866,280,690.72 which is 31.79% of total budget. 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 MTEF Period 2017/18

SECTOR	BUDGET FY 2016/17	CFSP 2017/18	% SHARE
Finance and Economic Planning	823,752,589.00	518,093,337.62	27.76%
Education, Science and Technology	14,915,683.00	41,441,629.37	2.22%
Health	210,245,877.00	297,233,171.04	15.93%
Infrastructure, Public Works, Housing and Energy	924,497,892.00	389,489,124.34	20.87%
Youth Empowerment and Sports	66,302,253.00	87,310,978.07	4.68%
Trade, Tourism, Industrialization and Investment	63,689,278.00	88,171,810.81	4.72%
Agriculture, Fisheries, Livestock and Cooperative Development	46,416,348.00	84,724,542.92	4.54%
Lands, Water, Environment and Natural Resources	146,061,597.00	154,966,826.74	8.30%
Gender, Children, Culture and Social Services	32,545,200.00	46,784,456.08	2.51%
Public Service and Administration	4,500,000.00	16,468,851.09	0.88%
County Assembly	88,095,633.00		
Embu Level 5 Hospital	98,500,000.00	141,595,962.65	7.59%
TOTAL	**2,519,522,350.00**	**1,866,280,690.72**	**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 Annual Development Plan will cover the following key Strategic Priorities

Strategic Priority I: To improve efficiency and effectiveness of infrastructure

The roads 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, expanding and opening access road.

Key priority projects in this sector are tarmacking roads and installation of streetlights as well as conversion of streetlights and floodlights to LED. The county government will increase its road network with bitumen, upgrade surface roads and consistently maintain all the roads within the county. 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 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. The sector faces a number of challenges that limits its optimal operations, including inadequate resources, poor coordination between the sector and other sectors and lengthy procurement process.

The focus for the financial year 2017/18 will be completion of incomplete and stalled projects and construction of roads cutting across various wards as well as installation of street lights. The county government will ensure a sustained investment on infrastructure development and exploit opportunities.

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.

The county has made significant investments to upgrade, expand, equip, renovate and complete existing facilities to provide comprehensive health care. The continued quest by the county government to reduce maternal mortality is being fastracked through completion of maternities across the county. In the last three financial years, there has been increased focus on preventive and promotive health care services to ease pressure on limited resources available for curative health care. These initiatives ensure the county has a healthy and productive population for wealth creation.

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.

Strategic Priority III: 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, sustainable livestock and fisheries sub-sectors and growth of a viable cooperatives sub-sector.

The ultimate goal is the use of improved seed of the traditional food crops/drought resistant crop varieties which address the issue of food security better in the semi-arid will be promoted. There will also be continuous farmer training on ecologically sustainable land use methods and farming systems. These coupled with the harnessing of water for irrigation has improved 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 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 IV: To improve household accessibility to adequate clean piped water and sanitation

The sector objective is to promote, conserve and protect the environment and improve access to water and enhance sustainable use of Natural resources. 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 have been 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.

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 labour 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. The county will continue to improve these institutions in order to provide more opportunities to the many students graduating from primary and secondary schools.

The sector faces a number of challenges including rapid increase in enrollment at all levels of education without an equivalent increase in infrastructure and staff leading to overstretched facilities, overcrowding in learning institutions and high staff- learners ratios which have negatively impacted the quality of education. There is also inadequate infrastructure particularly in pre-primary school.

Strategic Priority VI: 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 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.

The sector faces a number of challenges such as low income levels which translates to lesser disposable income being available for investments as well as high capital investment required for some of the flagship projects. Lack of adequate tourism infrastructure including roads, hotels, training facilities, lack of attractive credit facilities to promote investment.

Strategic Priority VII: To Promote Youth Talents and Empowerment

The sector goal is to promote youth participation in democratic processes and ensuring that youth programmes engage the youth and are youth centred.

The establishment of a Youth Talent Academy seeks to support the youth especially those outside school to harness their talents towards enhanced livelihoods while strengthening their contributions to the economic growth. The main objective is to establish Talent Academies at Sub County level. The FY 2017/18 will also see an increase in the amount of funds available through the Youth Fund which envisions to increase self-employment among the youth.

The challenges Employment opportunities in the formal sector remain scarce and are pegged to academic qualifications while in the informal sector a wide variety of untapped opportunities for the youth are still available.

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 from the Consolidated Fund will finance **77.6** percent of the total budget for FY 2017/2018. 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 **12.67** percent of the 2017/18 budget. Of these the ordinary local revenue is expected to contribute **7.32 %** while Appropriation in Aid (AiA), will raise **5.35%.** Valuation roll, 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) will mainly come from Health amounting to 87.33% followed by Trade docket with 10.19%.

- Conditional grant, loan and conditional allocation will contribute 9.73%. 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.
- The allocation for Personnel Emoluments is Kshs. 2,839,655,892.32 representing 48.38% of the total budget, Kshs. 1,163,934,112.58 for Operations and Maintenance representing 19.83% and Kshs. 1,866,280,690.72 for development expenditure representing 31.79% of the total budget.

18. Spending Priorities

The County has prepared the County Integrated Development Plan (CIDP) for the period 2013-2018 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 2013-2018. The county also held public participation forums at sub county 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 2017 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 2017/18 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, Youth, Empowerment & sports and Education and 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 (ECDs), 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 2015/16

The fiscal performance in 2015/16 was fairly satisfactory, despite the challenges with shortfall in revenues and mounting expenditure pressures with limited structures in the county. The County had an approved budget estimate of Ksh. 5,732,345,285.00 and the actual expenditure amounted to Ksh. 3,957,157,511.00 which was a downfall of 30.97%. The absorption of recurrent and development expenditure was at 88.78% and 40.1% respectively. There is need for more focused efforts towards increasing the percentage of development funds absorbed.

The actual recurrent expenditure amounted to Kshs. 3,024,845,281.00 which accounts for 76.44% with development expenditure accounting for 23.56% at Kshs. 932,312,230.00 of the total expenditure. The approved total revenue for the FY 2015/16 was Ksh. 5,732,345,285.00 but the actual revenue received amounted to Ksh 5,498,108,518 which accounted for 95.91% of the target. This was as a result of local revenue targets that fell short by 42.96% as well as Appropriation in Aid by various departments that fell short by 28.34%.

20. Revenue Performance 2015/16

Total cumulative local revenue collections amounted to Ksh. 396,525,612 compared to a target of Ksh 630,762,379 which represents a revenue shortfall of Ksh. 234,236,767 that is under collection by 37.14 %. The underperformance in local revenue collection was largely across all the revenue collection sites and revenue strings. The National treasury released to the County Government a total of Ksh. 3,837,939,840 as per approved revenue

Table 4: Medium Term Expenditure Framework 2016/17-2018/19

SECTOR	CFSP	PROJECTIONS		%SHARE		
	2017/18	**2018/19**	**2019/20**	**2017/18**	**2018/19**	**2019/20**
Office of Governor	498,873,170.08	517,540,028.43	536,584,462.87	8.50%	8.02%	7.55%
Finance and Economic Planning	590,369,674.62	715,679,187.28	856,145,740.05	10.06%	11.08%	12.05%
Education, Science and Technology	248,826,189.61	266,769,560.21	286,200,829.35	4.24%	4.13%	4.03%
Health	1,944,337,020.40	2,079,047,656.42	2,224,563,961.85	33.12%	32.20%	31.32%
Infrastructure, Public Works, Housing and Energy	457,887,461.70	552,804,605.06	659,187,963.04	7.80%	8.56%	9.28%
Youth Empowerment and Sports	103,423,937.19	124,711,806.65	148,564,515.63	1.76%	1.93%	2.09%
Trade, Tourism, Industrialization and	124,139,971.81	146,326,279.29	171,101,801.30	2.11%	2.27%	2.41%

Investment						
Agriculture, Fisheries, Livestock and Cooperative Development	375,915,308.80	407,435,377.07	441,833,144.99	6.40%	6.31%	6.22%
Lands, Water, Environment and Natural Resources	237,064,171.92	277,007,418.92	321,595,023.59	4.04%	4.29%	4.53%
Gender, Children, Culture and Social Services	63,263,386.52	74,924,438.26	87,952,922.86	1.08%	1.16%	1.24%
Public Service and Administration	293,249,880.89	308,100,612.60	323,835,787.71	5.00%	4.77%	4.56%
County Public Service Board	44,435,990.40	46,096,971.44	47,791,020.32	0.76%	0.71%	0.67%
County Assembly	514,294,927.04	525,353,600.68	536,854,621.27	8.76%	8.14%	7.56%
Embu Level 5 Hospital	373,789,604.65	415,060,222.87	460,331,746.87	6.37%	6.43%	6.48%
TOTAL	**5,869,870,695.62**	**6,456,857,765.17**	**7,102,543,541.69**	**100.00%**	**100.00%**	**100.00%**

21. Ceilings

The 2016/2017 estimates has been used as baseline estimates to reflect current spending priorities. Health, Finance and Economic Planning, Infrastructural sectors as well as the County Assembly received the largest share of county funds. The proposed 2017/18 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 2017/18- 2019/20 ensures continuity in resource allocation based on prioritized programs aligned to the County Integrated 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 Ksh1.6 Billion of which Kshs 457million has been set aside for the FY 2017/18. Kshs 552 million and KSh. 659 million have been allocated to the FY 2018/19 and FY 2019/20, respectively. Refer to Annex I, II and III

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 the ongoing facilities and equip the level 5 hospital and other 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. 6.2 Billion, of which Kshs.1.9 billion has been set aside for FY 2017/18. This is projected to increase to Kshs. 2.0 billion for 2018/19 and Kshs. 2.2 billion for 2019/20. Refer to Annex I, II and III

iii. Agriculture, Livestock, Fisheries and Cooperative Development

The objectives of the sector is to improve livelihoods of Kenyans through promotion of competitive agriculture through irrigation, sustainable livestock and fisheries sub-sectors, growth of a viable cooperatives sub-sector, equitable distribution and sustainable management of land resource.

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 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 2017/18– 2019/20 MTEF period, the sector aims at;

- ✓ Raising agricultural productivity
- ✓ Improving livestock breeds and products
- ✓ Providing extension services to the farmers
- ✓ Providing veterinary services
- ✓ Exploiting irrigation potential
- ✓ Increasing commercialization of agriculture
- ✓ Completion of the value addition projects in macadamia, coffee and dairy
- ✓ Improving governance of agricultural institutions and
- ✓ Encouraging other stakeholders to invest in value addition activities.

The 2017/18 – 2019/20 MTEF period estimates for the sector will be Kshs. 1.2 billion. For FY 2017/18, about Kshs. 375 million has been set aside for the sector. This is projected to increase to about Kshs. 407 million and Kshs. 441 million respectively for FY 2018/19 and FY 2019/20. Refer to Annex I, II and III

iv. Lands, water, 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 coverage and sewerage facilities; establish land management system, coming up with spatial plans, scaling up water storage to improve water security;   protection and conservation of catchment areas.

The MTEF estimate of Ksh 835 million has been allocated for the sector. For FY 2017/18, Ksh. 237 million has been set aside, increasing to Ksh. 277 million for FY 2018/19 and KSh 321 million for FY 2019/20. Refer to Annex I, II and III

v. Education

The sector goal is to increase access to early childhood development education, reduce inequality in access to education, improve access to vocational training, and exploit knowledge and skills in science, technology and innovation to achieve global competitiveness of our county and the county abundant labour force.

In the medium term, the county aims at enhancing early childhood development education through construction of more ECD facilities and recruiting more ECD personnel.

There will also be focus on equipping vocational training centers and building capacity by linking polytechnic training to market demands as emphasized in the public forums.

The Total MTEF estimate for the sector is Kshs. 801 million of which Kshs.248 million has been allocated for FY 2017/18. This is projected to increase to Kshs.266 million in the FY 2018/19 and Kshs. 286 million in the FY 2019/20. Refer to Annex I, II and III

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.

Trade is one of the major employers in the county, with a big potential of growth. There is a high chance of trade growing following the opening of rural access roads as its going to be easier for goods and services movement. Although there is huge potential of tourism in the county, the sector remains largely under developed. Over the medium- term, the sector plans to create an enabling business environment for trade, tourism, and investment and industrialization development.

The sector intends to implement key projects which include; opening Mt Kenya south circuit, development of Mwea national reserve, establishing sporting activities at Masinga dam, construction of bus parks toilets and markets.

Total MTEF estimate for the sector is Kshs. 441 Million. For the FY 2017/18, Ksh. 124 Million has been set aside. This is projected to reduce to Ksh. 146 million and then increase to Ksh. 171 million, respectively, for FY 2018/19 and FY 2019/20. Refer to Annex I, II and III.

vii. Youth Empowerment and Sports

The sector goal is to empower youth through skills development, talent harnessing and developing and maintaining sporting facilities. The sector deliverables in the MTEF period include: Training of youth on entrepreneurial skills, construction of youth empowerment centre and refurbishment of sports facilities.

The sector seeks to identify, promote and incubate talents. It also intends to equip the talent academy, level the play grounds and organize youth tournaments. This will enhances the capacity of youth through trainings and skills transfer. This enables them to participate in development activities as well as acquire important skills that enable them to engage in Income Generating Activities (IGAs)

Total MTEF estimate for the sector is Ksh 376 million. For the FY 2017/18, Ksh. 103 million has been set aside. This is projected to increase to Ksh. 124 million and Ksh.148 million, for FY 2018/19 and FY 2019/20 respectively. Refer to Annex I, II and III

viii. 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.

For FY 2017/18, Ksh 63 million has been set aside to support the sector' activities. This is projected to increase steadily to Ksh 74 million in 2018/19, and Ksh 87 million in 2019/20 bringing the total MTEF estimate to Ksh 226 million. Refer to Annex I, II and III.

ix. 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, monitor E-revenue implementation and to develop, plan and coordinate public policy research and implementation of the County Integrated Development plan.

Funding over the 2017/2018-2019/2020 MTEF period will enable the sector; promote sound public financial and economic management for socio-economic development; plan and manage the budgetary process, put in place mechanisms to raise the County local revenues, monitor and evaluate the implementation of the county's development plan, provide for pension costs for staff in the executive arm and provide for the County emergency fund.

For FY 2017/18, KSh. 590 million has been set aside to fund its programmes and pay existing arrears. This is projected to reduce to Ksh. 715 million by FY 2018/19 and Ksh. 856 million for the FY 2019/20. The total MTEF estimate for the sector from 2017/18-2019/2020 is Ksh. 2.1 billion. Refer to Annex I, II and III

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 2017/18- 2019/20 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.

For FY 2017/18, Ksh.498 million has been set aside to fund its programmes. The projection for FY 2018/19 is Ksh. 517 million and Ksh. 536 million for the FY 2019/20. The total MTEF estimate for the sector from 2017/18-2019/20 is Ksh. 1.5 billion. Refer to Annex I, II and III

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. It main role is to oversee other sectors.

Total MTEF estimate for the County Assembly 2017/18 - 2019/20 is Ksh 1.5 billion for the period. For FY 2017/18, Ksh. 514 million has been set aside increasing to Ksh. 525 million for FY 2018/19 and Ksh 536 million for FY 2019/20. Refer to Annex I, II and III

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 FY 2017/18-2019/20 is Ksh 138 million for the period. For FY 2017/18, Ksh. 44 million has been set aside increasing to Ksh. 46 million for FY 2018/19 and Ksh 47 million for FY 2019/20. Refer to Annex I, II and III

xiii. Public Service and Administration

The Public Service and Administration in the administration processes of the County. It also houses the Information and Technology department of which Information Technology is paramount to the success of all sectors. Storage of data, processing, analysis and dissemination of information is highly attributable to the ICT sector. Availability of ICT services is affected by power systems in place which in turn determines the type of services that a facility can offer. The department will support the sub county services and construction of offices, facilitation of sub-county administrators and wards administrators.

For FY 2017/18, Ksh. 293 million has been set aside and is expected to reduce to Ksh. 308 million for FY 2018/19 and Ksh 323 million for FY 2019/20. Refer to Annex I, II and III

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 trajectory 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 2017/18 – 2019/20

	Budget	CFSP	PROJECTIONS	
DEPARTMENT	**2016/17**	**2017/18**	**2018/19**	**2019/20**
TOTAL ALLOCATION	**6,289,580,368.00**	**5,869,870,695.62**	**6,288,330,529.72**	**6,917,163,582.69**
Office of the Governor	372,441,245.00	498,873,170.08	499,102,398.71	518,547,651.18
Finance and Economic Planning	976,028,926.00	590,369,674.62	687,254,679.83	822,643,663.49
Education, Science & Technology and ICT	212,354,121.00	248,826,189.61	262,433,116.54	281,503,080.92
Health	1,786,375,589.00	1,944,337,020.40	2,042,618,889.50	2,185,659,586.97
Infrastructure, Public Works and Housing	991,523,001.00	457,887,461.70	533,585,637.09	636,105,074.76
Youth Empowerment and Sports	78,292,208.00	103,423,937.19	120,106,917.10	143,099,907.10
Trade, Tourism, Investment and Industrialization	99,225,009.00	124,139,971.81	140,254,579.13	164,192,806.06
Agriculture, Livestock, Fisheries and Co-operative Development	307,675,781.00	375,915,308.80	400,685,360.01	434,298,475.31
Lands, Water, Environment and Natural Resources	221,564,227.00	237,064,171.92	269,117,796.71	312,173,336.72
Gender, Women, Children, Culture and Social Services	48,933,084.00	63,263,386.52	71,604,163.60	84,190,518.14
Public Service & Administration	264,343,989.00	293,249,880.89	305,595,650.35	321,204,236.13
County Public Service Board	38,372,326.00	44,435,990.40	44,429,963.75	46,160,251.93
County Assembly	591,757,220.00	514,294,927.04	525,353,600.68	536,854,621.27
Level 5 Hospital	300,693,642.00	373,789,604.65	386,187,776.72	430,530,372.72

Annex II: Sector Ceilings for the MTEF Period 2017/18 – 2019/20

SECTOR	2017/18	2018/19	2019/20
Office of the Governor	**498,873,170.08**	**517,540,028.43**	**536,584,462.87**
Operations and Maintenance	185,600,000.00	191,735,931.55	197,748,202.11
Emoluments	313,273,170.08	325,804,096.88	338,836,260.76
Development	-	-	-
Finance and Economic Planning	**590,369,674.62**	**715,679,187.28**	**856,145,740.05**
Operations and Maintenance	72,276,337.00	74,665,790.97	77,007,088.88
Emoluments	-	-	-
Development	518,093,337.62	641,013,396.31	779,138,651.17
Education, Science & Technology and ICT	**248,826,189.61**	**266,769,560.21**	**286,200,829.35**
Operations and Maintenance	26,546,234.00	27,423,851.86	28,283,782.58
Emoluments	180,838,326.24	188,071,859.29	195,594,733.66
Development	41,441,629.37	51,273,849.06	62,322,313.12
Health	**1,944,337,020.40**	**2,079,047,656.42**	**2,224,563,961.85**
Operations and Maintenance	244,015,426.00	252,082,570.13	259,987,132.43
Emoluments	1,403,088,423.36	1,459,211,960.29	1,517,580,438.71
Development	297,233,171.04	367,753,125.99	446,996,390.71
Infrastructure, Public Works and Housing	**457,887,461.70**	**552,804,605.06**	**659,187,963.04**
Operations and Maintenance	32,694,400.00	33,775,276.08	34,834,368.64
Emoluments	35,703,937.36	37,132,094.85	38,617,378.65
Development	389,489,124.34	481,897,234.13	585,736,215.75
Youth Empowerment and Sports	**103,423,937.19**	**124,711,806.65**	**148,564,515.63**
Operations and Maintenance	10,314,852.00	10,655,860.76	10,989,996.97
Emoluments	5,798,107.12	6,030,031.40	6,271,232.66
Development	87,310,978.07	108,025,914.49	131,303,286.00
Trade, Tourism, Investment and Industrialization	**124,139,971.81**	**146,326,279.29**	**171,101,801.30**
Operations and Maintenance	24,724,981.00	25,542,388.28	26,343,321.87
Emoluments	11,243,180.00	11,692,907.20	12,160,623.49
Development	88,171,810.81	109,090,983.81	132,597,855.94
Agriculture, Livestock, Fisheries and Co-operative Development	**375,915,308.80**	**407,435,377.07**	**441,833,144.99**
Operations and Maintenance	32,976,111.00	34,066,300.44	35,134,518.66
Emoluments	258,214,654.88	268,543,241.08	279,284,970.72
Development	84,724,542.92	104,825,835.55	127,413,655.61
Lands, Water, Environment and Natural Resources	**237,064,171.92**	**277,007,418.92**	**321,595,023.59**
Operations and Maintenance	15,453,635.58	15,964,532.40	16,465,132.82
Emoluments	66,643,709.60	69,309,457.98	72,081,836.30
Development	154,966,826.74	191,733,428.54	233,048,054.46
Gender, Women, Children, Culture and Social Services	**63,263,386.52**	**74,924,438.26**	**87,952,922.86**

SECTOR	2017/18	2018/19	2019/20
Operations and Maintenance	14,111,723.00	14,578,256.22	15,035,387.13
Emoluments	2,367,207.44	2,461,895.74	2,560,371.57
Development	46,784,456.08	57,884,286.30	70,357,164.16
Public Service & Administration	**293,249,880.89**	**308,100,612.60**	**323,835,787.71**
Operations and Maintenance	18,417,969.00	19,026,866.61	19,623,492.76
Emoluments	258,363,060.80	268,697,583.23	279,445,486.56
Development	16,468,851.09	20,376,162.75	24,766,808.39
County Public Service Board	**44,435,990.40**	**46,096,971.44**	**47,791,020.32**
Operations and Maintenance	16,780,716.00	17,335,486.07	17,879,075.53
Emoluments	27,655,274.40	28,761,485.38	29,911,944.79
Development	-	-	-
County Assembly	**514,294,927.04**	**525,353,600.68**	**536,854,621.27**
Operations and Maintenance	237,828,086.00	237,828,086.00	237,828,086.00
Emoluments	276,466,841.04	287,525,514.68	299,026,535.27
Development	-	-	-
Level 5 Hospital	**373,789,604.65**	**415,060,222.87**	**460,331,746.87**
Operations and Maintenance	232,193,642.00	239,869,958.23	247,391,569.22
Emoluments	0.00	0.00	0.00
Development	141,595,962.65	175,190,264.64	212,940,177.65
TOTAL	**5,869,870,695.62**	**6,456,857,765.17**	**7,102,543,541.69**

Annex III: Appropriation in Aid (AiA) for the MTEF Period 2017/18 – 2019/20

Name of Sector	2017/18	2018/19	2019/20
Trade, Tourism, Investment and Industrialization	32,000,000.00	35,200,000.00	38,720,000.00
Lands, Environment, Water & Natural Resources	4,543,335.50	4,997,669.05	5,497,435.96
Agriculture, Livestock ,Fisheries and Cooperative Development	3,650,575.50	4,015,633.05	4,417,196.36
Health	273,965,852.34	301,362,437.57	331,498,681.33
Gender, Children, Culture and Social Services	15,400.00	16,940.00	18,634.00
Total	**314,175,163.34**	**345,592,679.67**	**380,151,947.64**