THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MERU

COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2018

SEPTEMBER 2018

© County Budget Review and Outlook Paper (CBROP) 2018

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Foreword

The preparation of this County Budget Review and Outlook Paper [CBROP] 2018 has followed the guidelines as per the County Budget Operational Manual that stipulates its format, structure and contents. More importantly, the preparation has adhered to Section 118 of the Public Finance Management (PFM) Act 2012 which requires the county government to prepare a budget review and outlook paper in respect for each financial year; and submit it to the County Executive Committee by 30th September. Thereafter, the CEC must review and then approve it, with or without amendments, within fourteen (14) days after its submission, that is, by 14th October. After approval by the County Executive Committee, the County Treasury must arrange for it to be submitted to the County Assembly within seven days, that is, by the 21st October. Subsequently, submitting it to the County Assembly the law requires that 'as soon as practicable' the County Treasury must publish and publicize the CBROP.

This policy paper reviews fiscal performance of the county for the 2017/18 Financial Year [FY] while comparing it with the budget appropriation for the same year. Moreover, it provides information on changes in projects as indicated in the County Fiscal Strategy Paper (CFSP) 2018; and how actual financial performance for the 2017/18 FY may have affected compliance with the fiscal responsibility principles, or the county financial objectives for that year. It further gives reasons for any deviation from the county financial objectives in the fiscal strategy paper together with proposals to address the deviations.

Furthermore, the updated economic and financial outlook presented in this paper will set out the broad fiscal parameters for preparation of the next budget. In particular, the provisional ceilings presented are intended to act as a guide to sector working groups in preparing their budgets.

Therefore, this policy paper will be useful in enhancing financial discipline and fiscal responsibilities outlined in section 107 of the PFM Act 2012 that will contribute towards the realization of aspiration of the residents of the county.

Hon. Titus Ntuchiu
County Executive Committee Member
Department of Finance, Economic Planning and ICT
County Government of Meru

Acknowledgement

It is with great pleasure for the Department of Finance, Economic Planning and ICT to register its appreciation to all those persons who put their efforts in the preparation of this CBROP 2018. The Department takes this opportunity to specially acknowledge the unrelenting efforts portrayed by all the departments and directorates in this noble process during the consultative workshop on reviewing the performance for FY 2017/18 and undertaking the outlook for 2019/20 and medium term. The workshop was held on 25th – 27th September 2018 at Sportsman's Arms Hotel, Nanyuki (list of participants attached in Annex II).

Much appreciation to the Directorate of Budget headed by CPA Timothy Kaaria, who spearheaded the entire CBROP preparation process. Moreover, the team of technical officers in the Directorate of Budget comprising of Dinah Gikunda, Simon Mwiti, Doris Kalionchi, Fridah Kimathi, Eric Muriuki, Antony Gitobu and Fredrick Mutembei.

Similarly, I acknowledge the continued partnership with USAID-AHADI. Specifically, the invaluable support and technical assistance in the preparation of this policy paper from USAID-AHADI team comprising of Waceke Wachira (Chief of Party), Angela Kabiru (Head of Governance), Lucy Kimani (Team Lead), Zachary Kaimenyi (Regional Coordinator), Nicodemus Kirima (Consultant) and Paul Kamaku (Consultant).

To all that were involved, receive my heartfelt appreciation.

CPA Joseph Kabii Chabari
Chief Officer,
Department of Finance, Economic Planning & ICT
County Government of Meru

ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CECM	County Executive Committee Member
CO	Chief Officer
CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
FY	Financial Year
GDP	Gross Domestic Product
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PE	Personnel Emoluments
PFM	Public Finance Management
PWD	People with Disabilities
SRC	Salaries and Remuneration Commission
SWGs	Sector Working Groups

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Preamble

Legal Basis for Preparation of the County Budget Review and Outlook Paper

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

1) A county Treasury shall;

a. Prepare a CBROP in respect of the County for each year; and

b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.

2) In preparing its CBROP, the County Treasury shall specify;

a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year

b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)

c. Information on:

(i) Any changes in the forecasts compared with the CFSP; or
(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and

d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.

4) Not later than seven days after the CBROP is approved by the CEC, the County Treasury shall:

a. Arrange for the paper to be laid before the County Assembly; and

b. As soon as practicable after having done so, publish and publicize the paper.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that: The County Government's recurrent expenditure shall not exceed the County Government's total revenue;

1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
2) The county Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly;
3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
4) The County debt shall be maintained at a sustainable level as approved by County Assembly;
5) The fiscal risks shall be managed prudently; and
6) 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.

1. INTRODUCTION

This County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. It presents a review of the budget performance for the FY 2017/18 and how the budget adhered to the fiscal responsibility principles and financial objectives sets out in the PFM Act, 2012. It further provides updated macro-economic and financial forecasts with sufficient information to show changes from the projections outlined in the CFSP 2018 and sets out the broad fiscal parameters for the FY 2019/20 budget and the medium term.

1.1. Objectives of CBROP

The objective of the CBROP 2018 is to provide a review of fiscal performance for the FY 2017/18 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the CFSP 2018. This together with updated macroeconomic developments and outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the FY 2019/20 budget and the medium term. Specifically the CBROP aims to:

i. Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
ii. Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;
iii. Any changes in the forecasts compared with the CFSP;
iv. Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
v. Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2. Significance of CBROP

This CBROP, 2018 is a key document in linking policy, planning and budgeting. The County Government finalized the preparation of the County Integrated Development Plan (2017-2022) and the Annual Development Plan (ADP) 2019/20 that will guide budgetary preparation and programming from FY 2019/20 onwards.

This is also a requirement of the PFM Act, 2012, that requires that the budget process aims to promote the efficient and effective use of resources, based on evidence and rational deliberation. To achieve this, the sector ceilings projected in the CBROP are guided by the

overall resource envelope that is informed by the macroeconomic and fiscal outlook as presented in section 3 and 4 of this document. The sector ceilings set in motion the budget preparation for the FY 2019/20 and the medium term.

1.3. Structure

This paper has four other sections. Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections of Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the county government intends to operate within its means. It establishes the resources envelop (total revenues) it expects, then allocates these across departments by setting expenditure ceilings for each department. In addition, it has four sub-sections: adjustment to the proposed budget; the medium term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing. And lastly, section five gives a conclusion of the entire paper.

2. REVIEW OF COUNTY FISCAL PERFORMANCE IN 2017/18 FY

This section details the county's fiscal performance for the financial year 2017/18 in relation to the approved programme based estimates and details the implications arising from the fiscal performance for the same period.

2.1. Overview

During the period under review, the county government set out in the C-FSP 2017 to attain positive growth prospects through increased activities in the county sectors. The county strengthened revenue administration to enhance efficiency in revenue collection and built capacity towards utilization of e-procurement among departments to enhance budget absorption. County expenditure was also guided by sector objectives and priorities as outlined in the CIDP.

Implementation of the 2017/18 FY budget focused on adherence of fiscal responsibility principles and objectives and prudent management of public resources. However, revenue and expenditure lagged behind their respective targets. Local revenue collections were Ksh.358.7 million short of the respective target. Total expenditures amounted to Ksh. 7,480,788,731 representing 70% absorption of the targeted budget of Ksh. 10,739,545,788 at the close of the financial year which largely attributed to the pending bills that had not been paid as they were in the process of being verified. Development expenditure accounted for a paltry 43 percent while recurrent expenditures represented 57 per cent of the budget. The minimum requirements as prescribed in section 107 of the PFM Act 2012 for recurrent expenditure was not met.

2.2. Fiscal Performance

Overall revenues increased by 9.86% between FY 2016/17 and FY 2017/18 as per table 1 below on summary of County Fiscal Performance.

Table 2.1: Summary of County Fiscal Performance

Table 2.1	Summary of County Fiscal Performance				
	2016/17 FY	2017/18 FY			
	Actual	Approved	Actual	% Deviation	Growth %
TOTAL REVENUE & GRANTS	8,358,987,911	9,739,805,459	9,048,878,705	-8%	8%
Unspent Bal from Previous FY	1,321,187,546	999,740,329	999,740,329	0%	-24%
Revenue (Total)	**9,680,175,457**	**10,739,545,788**	**10,048,619,034**	**-7%**	**4%**
Equitable Share Allocation	7,006,680,257	7,701,000,000	7,701,000,000	0%	10%
Local Revenue	503,787,633	821,775,812	463,103,416	-77%	-8%

Grants (Total)	848,520,021	1,217,029,647	884,775,289	-38%	4%
Roll-over		999,740,329			
TOTAL REVENUE & GRANTS	**8,358,987,911**	**9,739,805,459**	**9,048,878,705**	**-8%**	**8%**
Total Expenditure	**9,161,218,733**	**10,739,545,788**	**7,480,788,371**	**-44%**	**-18%**
Recurrent	6,747,218,612	7,521,370,616	6,084,890,891	-24%	-10%
Development	2,414,000,121	3,218,175,172	1,395,897,480	-131%	-42%

From the table above there was a negative variation of 8% between the budgeted and the actual revenue which was against the budget. This was attributed mainly to the decline in county own revenue by 77% and the lower receipt of grants than projected. As noted, in FY 2017/18, the county received an equitable share of county revenue of Ksh. 7,701,000,000. More so, grants of Ksh. 884,775,289 were received against a target of Ksh. 1,217,029,647. The county own revenue amounted to Ksh. 463,103,416 against a target of Ksh. 821,775,812. The reduction in county own revenue was attributed to the challenges in the local collections due to the many concessions given by the previous government during the heightened electioneering period that affected the revenue boards performance.

However, the planned equitable share allocation was received and this accounted for 71% of the total revenue to the County in the FY 2017/18. The unspent balance for current FY is explained later in the expenditure performance.

2.2.1. Revenue Performance

Table 2.2 shows the quarterly trend in revenue collection per quarter for FY 2017/18 per revenue stream.

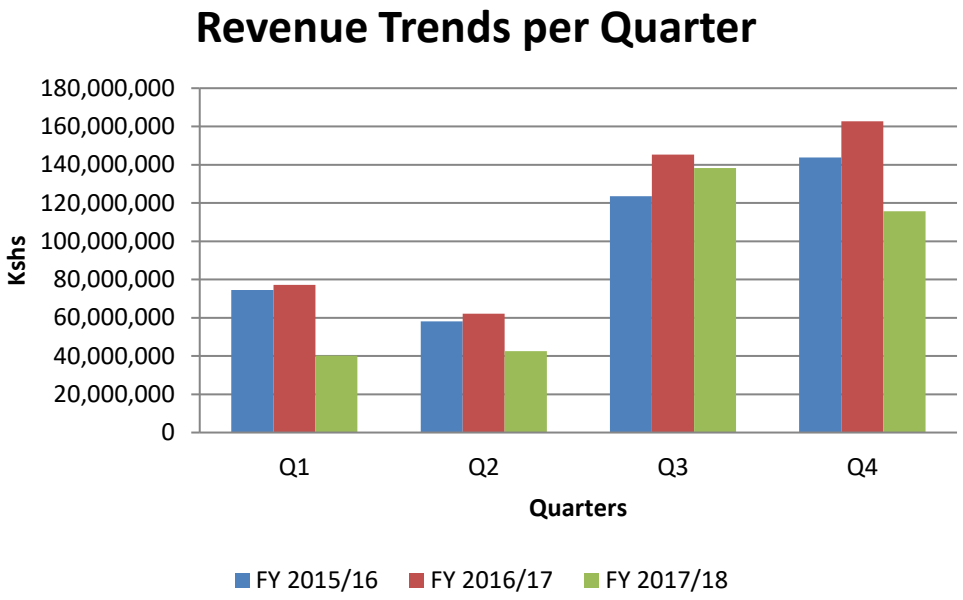
Table 2.2 Revenue Performance per stream

Revenue Stream	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
Slaughter house fees	957,435	1,086,015	2,683,511	1,338,188	6,065,149
Market fee	4,066,870	6,697,575	11,296,487	7,653,288	29,714,219
Transfer & Subdivision fee	161,322	150,404	677,771	126,100	1,115,597
Plot Rent	287,940	581,567	3,016,083	1,080,784	4,966,374
Land Rates	2,878,067	1,478,265	14,151,862	6,659,989	25,168,183
Single business permit	5,226,635	2,524,560	57,778,948	39,473,745	105,003,888
parking fees	7,948,312	10,423,180	20,910,950	12,576,013	51,858,455
House rent/Stall rent	1,725,700	1,959,715	4,832,070	2,435,092	10,952,577
Cess	6,403,733	6,991,186	11,533,913	11,660,797	36,589,629
Building plans	2,297,470	3,013,131	2,565,768	3,028,645	10,905,014
Outdoor adverts. & Signboard	4,590,254	5,018,190	3,665,544	6,006,711	19,280,699
Hire of county properties	66,590	9,000	94,968	1,125,975	1,296,533
Application fees	57,000	171,300	219,825	305,517	753,642
Impounding fees & Fines	16,050	71,800	302,768	123,761	514,378

Revenue Stream	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
Sale of tender doc	6,000	23,760	70,881	15,118	115,760
Toilets fee	298,240	367,800	505,745	343,388	1,515,173
Miscellaneous income	1,690,171	685,769	1,299,351	2,025,141	5,700,432
Income from county estates	193,431	0	16,809	1,233,906	1,444,145
Refuse collection fee	45,700	28,000	156,035	153,056	382,791
Fire section fee	50,500	46,500	107,625	124,100	328,725
Others (Meat Inspection and Veterinary Services)	413,910	562,310	275,618	694,723	1,946,561
public health	799,950	685,430	2,035,403	1,913,180	5,433,963
Kaguru ATC	-	-	-	14,749,434	14,749,434
AMS Mitunguu	-	-	-	745,700	745,700
TOTALS	**40,181,280**	**42,575,457**	**138,197,934**	**115,592,348**	**336,547,020**

Figure 1 below indicates the trends in the revenue performance per stream per quarter for the last three financial years.

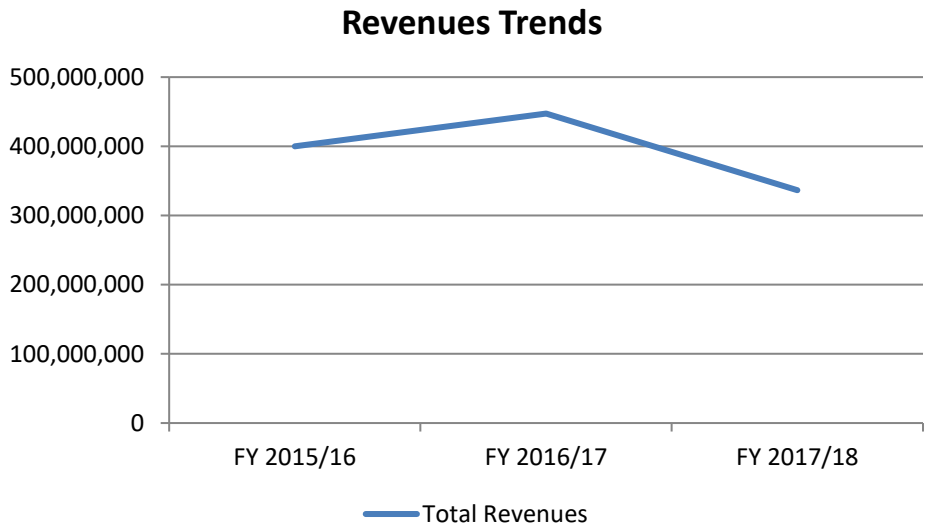
Figure 1: Revenue trends per quarter



As indicated in table 2.2 and figure 1, the County own revenue is mainly attributable to Single business permit (31%), parking fees (15%) and cess (10%). Further, the sharp increase in own revenue in the last half of the year is attributable to renewal of single business permits, renewal of parking fees for the year and cess due to the agricultural season.

Figure 2 below indicates the trends in the revenue performance per stream for the last three financial years.

Figure 2: Revenue trends for the last three financial years



As indicated in figure 2, the County own revenue grew between FY 2015/16 and FY 2016/17 but had a significant decline between FY 2016/17 and FY 2017/18. This was attributed to the election concessions on taxes made during the electioneering period and that affected the performance of local revenue.

2.2.2. Expenditure Performance

Total expenditure in the FY 2017/18, amounted to Ksh. 7,480,788,371 against a target of Ksh. 10,739,545,788 representing an under spending of Ksh. 3,258,757,417 and 70% absorption of the approved budget. In FY 2017/18, the recurrent expenditure amounted to Ksh. 6,084,890,891 representing 81 % of the total expenditure, while Ksh. 1,395,897,480 was spent on development accounting for 19% of the total expenditure. The County did not achieve the thresholds on the proportions to be allocated to recurrent and development contained in the minimum requirements as prescribed in section 107 of the PFM Act 2012.

Budget expenditure recorded an absorption rate of 70 percent, a decrease from 97 per cent attained in a similar period of FY 2016/17. The under spending in the FY 2017/18 is attributed to low absorption rates in both recurrent and development expenditures by the line County departments as a result of the long electioneering period, under collection in revenue and delay in disbursements from national government.

2.2.2.1. Budget absorption and comparison between CFSP 2017 Ceilings and FY 2017/18 budget

Table 2.3 below indicates the respective department's absorption rates and indicate as follows:

Table 2.3 Showing Absorption rates by sectors and Comparison with CFSP 2017

DEPARTMENTS	C-FSP 2017			BUDGET ALLOCATION 2017/18			Cumulative Expenditure 2017/18			Absorption	Deviation (%)
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL	(%)	CFSP - BUDGET
Lands	75,244,159.00	187,362,538.00	**262,606,697.00**	83,129,361.00	123,600,000.00	206,729,361.00	49,169,215.00	39,000,776.00	88,169,991.00	**43%**	**0.21**
Agriculture	312,985,841.00	389,997,462.00	**702,983,303.00**	345,785,153.00	257,274,943.00	603,060,096.00	269,921,155.00	117,476,288.00	387,397,443.00	**64%**	**0.14**
TOTAL	**388,230,000.00**	**577,360,000.00**	**965,590,000.00**	**428,914,514.00**	**380,874,943.00**	**809,789,457.00**	**319,090,370.00**	**156,477,064.00**	**475,567,434.00**	**59%**	**0.16**
Roads and Transport, Energy and Public works	110,374,432.00	351,440,000.00	**461,814,432.00**	72,896,411.58	842,481,141.48	915,377,553.06	54,284,606.00	265,415,610.00	319,700,216.00	**35%**	**(0.98)**
ICT	21,005,568.00	64,650,000.00	**85,655,568.00**	12,708,443.00	50,000,000.00	62,708,443.00	5,645,905.00	-	5,645,905.00	**9%**	**0.27**
TOTAL	**131,380,000.00**	**416,090,000.00**	**547,470,000.00**	**85,604,854.58**	**892,481,141.48**	**978,085,996.06**	**59,930,511.00**	**265,415,610.00**	**325,346,121.00**	**33%**	**(0.79)**
HEALTH SERVICES	1,843,000,000.00	685,000,000.00	**2,528,000,000.00**	3,167,133,054.00	222,991,518.00	3,390,124,572.00	2,558,100,104.00	128,000,000.00	2,686,100,104.00	**79%**	**(0.34)**
TOTAL	**1,843,000,000.00**	**685,000,000.00**	**2,528,000,000.00**	**3,167,133,054.00**	**222,991,518.00**	**3,390,124,572.00**	**2,558,100,104.00**	**128,000,000.00**	**2,686,100,104.00**	**79%**	**(0.34)**
Education, Technology, Culture, Gender & Social Development	520,380,000.00	253,460,000.00	773,840,000.00	628,634,188.79	171,485,063.66	800,119,252.45	418,816,565.00	93,995,000.00	512,811,565.00	**64%**	**(0.03)**
Youth Affairs & Sports	60,260,000.00	201,860,000.00	262,120,000.00	32,364,697.89	180,704,488.37	213,069,186.26	24,956,395.00	75,706,817.00	100,663,212.00	**47%**	**0.19**
TOTAL	**580,640,000.00**	**455,320,000.00**	**1,035,960,000.00**	**660,998,886.68**	**352,189,552.03**	**1,013,188,438.71**	**443,772,960.00**	**169,701,817.00**	**613,474,777.00**	**61%**	**0.02**
Trade, Tourism and Cooperatives	94,200,000.00	295,540,000.00	389,740,000.00	72,443,742.00	179,405,058.00	251,848,800.00	49,990,107.00	62,763,510.00	112,753,617.00	68%	0.35
Water and Irrigation	133,840,000.00	385,940,000.00	**519,780,000.00**	105,567,107.14	862,154,905.00	967,722,012.14	81,244,217.00	530,861,245.00	612,105,462.00	**63%**	**(0.86)**
Environment Wildlife and	-	-	-	32,902,008.44	44,170,000.00	77,072,008.44	7,973,402.00	2,678,234.00	10,651,636.00	**14%**	**-**

Natural resources											
TOTAL	**133,840,000.00**	**385,940,000.00**	**519,780,000.00**	**138,469,115.58**	**906,324,905.00**	**1,044,794,020.58**	**89,217,619.00**	**533,539,479.00**	**622,757,098.00**	**60%**	**(1.01)**
County Assembly	851,750,000.00	60,000,000.00	**911,750,000.00**	1,193,034,732.00	32,908,054.00	1,225,942,786.00	1,174,034,732.00	-	1,174,034,732.00	**96%**	**(0.34)**
Office of the Governor	289,660,000.00	-	**289,660,000.00**	233,336,779.00	-	233,336,779.00	161,875,276.00	-	161,875,276.00	**69%**	**0.19**
Finance and Economic planning	1,180,530,000.00	-	**1,180,530,000.00**	653,182,514.00	81,000,000.00	721,474,071.00	550,026,368.00	-	550,026,368.00	**76%**	**0.39**
Public administration & Legal Affairs	746,710,000.00	-	**746,710,000.00**	760,104,581.00	-	760,104,581.00	568,352,029.00	-	568,352,029.00	**75%**	**(0.02)**
Public service Board	30,000,000.00	-	**30,000,000.00**	26,856,285.00	-	26,856,285.00	16,652,769.00	-	16,652,769.00	**62%**	**0.10**
Meru County Revenue Board	140,000,000.00	-	**140,000,000.00**	-	-	-	-	-	-	**0%**	**1.00**
MCIDC	72,000,000.00		**72,000,000.00**	52,000,000.00	90,000,000.00	142,000,000.00	52,000,000.00	-	52,000,000.00	**37%**	**(0.97)**
MCMC	84,000,000.00	160,000,000.00	**244,000,000.00**	62,000,000.00	80,000,000.00	142,000,000.00	41,848,046.00	80,000,000.00	121,848,046.00	**86%**	**0.42**
TOTAL	**3,394,650,000.00**	**220,000,000.00**	**3,614,650,000.00**	**2,980,514,891.00**	**283,908,054.00**	**3,251,714,502.00**	**2,564,789,220.00**	**80,000,000.00**	**2,644,789,220.00**	**81%**	**0.10**
TOTAL	**6,565,940,000.00**	**3,035,250,000.00**	**9,601,190,000.00**	**7,534,079,057.84**	**3,218,175,171.51**	**10,739,545,786.35**	**6,084,890,891.00**	**1,395,897,480.00**	**7,480,788,371.00**	**70%**	**(0.12)**

From table 2.3 above:

- High absorption by the County Assembly (96%) and relatively high absorption was noted in health services (79%), Finance Economic Planning & ICT (76%) and Public Service and Administration (75%).
- Low absorption was noted in all other sectors and this contributed to the overall utilization of 70%. The low utilization was attributed to delayed procurement of goods and services and late disbursement of funds affected the funds absorption reported at 78% against target of 100%. Further, the supplementary budget was done without consulting the respective departments and led to changes in targeted activities and priorities. Departments were forced to re-plan and abandon some of the activities that were already initiated due to budget cuts. This had a significantly higher impact as the changes to the budget came late in the fiscal year.

Comparison between CFSP 2017 ceilings and FY 2017/18 budget allocation showed a general increase in budget allocations occasioned by increase in equitable share of county revenue. The reduction in the budget of 6% in the Agriculture Rural and Urban Development sector can be attributed to slightly more allocation on recurrent (Kshs 40,000,000) budget than contained in C-FSP but reduced development allocation by about Kshs 200,000,000. The Energy, Infrastructure and ICT sector had an increase in the budget by 79 percent which was due to increased focus on infrastructure. Other sectors such as Health (34% increase) and General Economic, Commercial and Labour Affairs (1%) had the budgets increased above the ceilings set in the CFSP 2017. However, Social Protection, Culture and Recreation sector and the Public Administration and International Relations (PAIR) sector both had the budgeted amounts lower than the ceilings proposed in the CFSP 2017 by 2% and 10%, respectively.

The impact was an increase in the budget projected by CFSP 2017 by 14% which was overall a favorable deviation.

2.2.2.2. Recurrent and development expenditure

Figure 1 below shows an analysis of the recurrent versus development expenditure.

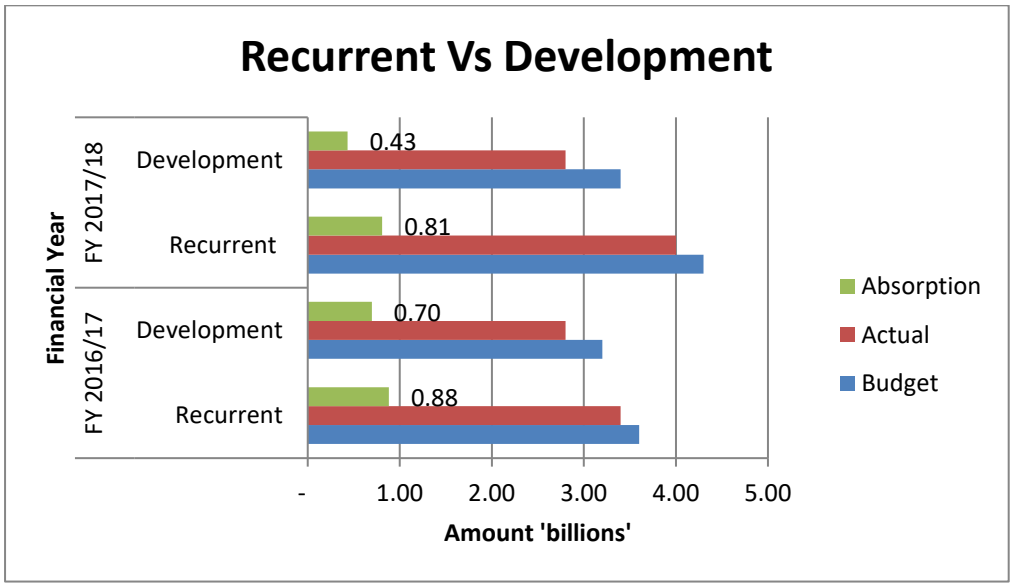


Figure 1: Recurrent and Development Expenditure

As shown in figure 1 above, absorption rates for recurrent and development votes for the FY 2017/18 was 81% and 17% respectively. In FY 2016/17 the absorption rates were 88% and 70% respectively. The decrease of 7% on the recurrent expenditure and 67% in development between the two financial years was attributed to the instability caused by the long electioneering period. The decrease in development expenditure by 53% between FY 2016/17 and FY 2017/18 contributed significantly to the unspent balances of Kshs 2,645,345,325.

2.2.2.3. Expenditure per economic classification

The figure 2 below shows actual expenditure by economic classification.

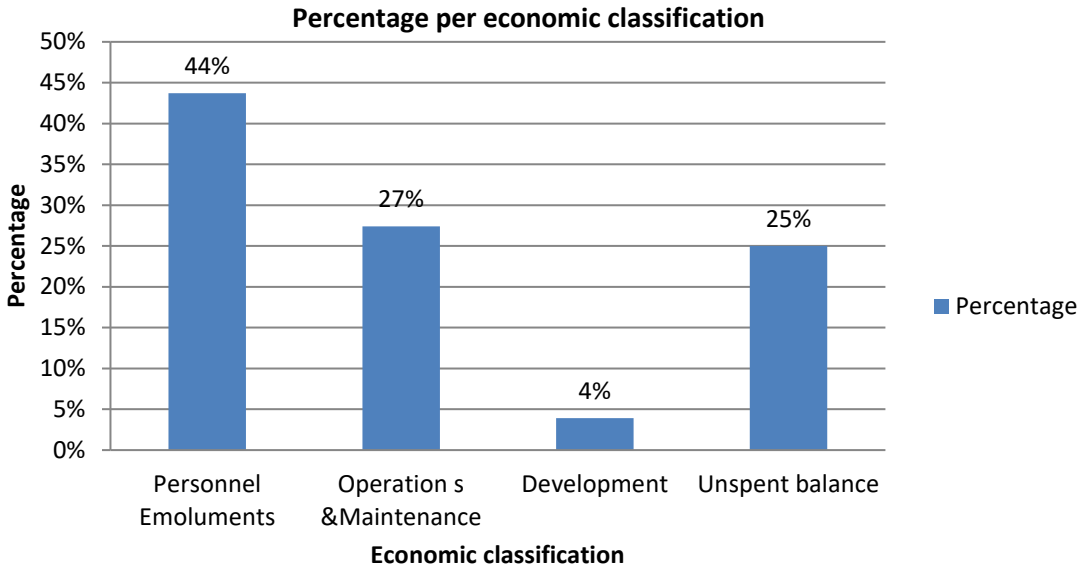


Figure 2 – Expenditure per economic classification

As indicated in the figure above, Personnel emoluments was the highest accounting for 44% of the total revenue, followed by operations and maintenance with 27% and finally development expenditure that accounted for only 4% of the total revenue. Unspent or unutilized balance was significant and accounted for 25% of the total revenue.

2.2.3. Implications for the FY 2017/18 performance

The fiscal performance in the FY 2017/18 has affected financial objectives set out in the 2018 County Fiscal Strategy Paper and the Budget 2019/20 in the following ways;

- Revenue collection in FY 2017/18 fell short of the targeted revenue by Kshs 358,672,396 or 44%. Despite this shortfall, the local revenue performance is expected to increase due to the ongoing digitization and the local revenue is projected to increase consistently from the current year's budget of Ksh. 863,869,960

- The under spending in the FY 2017/18 budget has implications on the total county government revenue used to base expenditures for the FY 2019/20 FY. Appropriate revisions will be undertaken taking into account the fiscal performance of FY 2017/18. Expenditures on personnel emoluments in FY 2017/18 accounted for 44% per cent (9 per cent above the prescribed limit). The County notes that this was based on historical factors such as the county taking over the local authority staff who had a higher pay than was prescribed by the Salaries and Remuneration Commission. In the medium term, the county has put in place plans to ensure that the personnel emoluments ratio is progressively reduced to achieve the constitutional thresholds.

Further, the development budget will increase on the payment of the pending bills inherited from the previous regime and which were being validated prior to payment. Indeed a supplementary budget is in the process of being prepared to ensure that this is done. These implications will also inform County Fiscal Strategy Paper 2019 FY projections. Over the medium term, the county government will adhere to the fiscal responsibility principles and objectives as set out in section 107 of the Public Finance Management Act of 2012.

Table 2.4 below shows the county government fiscal projections in the medium term

Table 2.4 County Government Fiscal Projections in the Medium Term

	2016/17 FY	2017/18 FY		2018/19 FY		2019/20 FY		2020/21 FY		2021/22 FY	
	Actual	Budget	Actual	Budget	CBROP 2017	CBROP 2018	CFSP 2018	CBROP 2019	CFSP 2019	CBROP 2020	CFSP 2020
TOTAL REVENUE & GRANTS	8,358,987,911	9,739,805,459	9,048,878,705	10,586,428,895	9,139,382,946	11,299,973,707	9,600,000,000	12,235,830,589	13,350,196,782	13,350,196,782	14,017,706,622
Unspent Bal b/f \Previous FY	1,321,187,546	999,740,329	999,740,329	1,879,166,951	0	0	0	0	0	0	0
Revenue (Total)	**9,680,175,457**	**10,739,545,788**	**10,048,619,034**	**12,465,595,846**	**9,139,382,946**	**11,299,973,707**	**9,600,000,000**	**12,235,830,589**	**13,350,196,782**	**13,350,196,782**	**14,551,714,493**
Equitable Share Allocation	7,006,680,257	7,701,000,000	7,701,000,000	8,007,000,000	7,701,000,000	8,812,375,643	8,064,000,000	9,605,489,451	11,214,165,297	10,469,983,501	12,223,440,174
Local Revenue	503,787,633	821,775,812	463,103,416	1,108,796,286.04	601,775,802.00	941,618,256.40	672,000,000.00	1,026,363,899	14,284,710,557.27	1,118,736,650	1,018,620,014.50
Grant income	848,520,021	1,217,029,647	884,775,289	1,470,632,609	836,607,144.00	1,545,979,807	864,000,000.00	1,696,349,990	1,201,517,710.42	1,862,162,929	1,309,654,304.36
Grand (Total)	**8,358,987,911**	**9,739,805,459**	**9,048,878,705**	**10,586,428,895**	**9,139,382,946**	**11,299,973,707**	**9,600,000,000**	**12,328,203,340**	**26,700,393,565**	**13,450,883,081**	**14,551,714,493**
Total Expenditure	**8,256,703,153**	**10,739,545,788**	**7,480,788,371**	**12,465,595,846**	**9,139,382,946**	**11,299,973,707**	**9,600,000,000**	**12,235,830,589**	**10,560,000,000**	**13,350,196,782**	**11,510,400,000**
Recurrent	5,847,224,268	7,521,370,616	6,084,890,891	7,794,673,016	6,397,568,062	7,909,981,595	6,720,000,000	8,565,081,413	7,392,000,000	9,345,137,748	8,057,280,000
Development	2,409,478,885	3,218,175,172	1,395,897,480	4,670,922,830	2,741,814,884	3,389,992,112	2,880,000,000	3,670,749,177	3,168,000,000	4,005,059,035	3,453,120,000
Recurrent as % of CG Total Revenue	*60%*	*70%*	*61%*	*63%*	*70%*	*70%*	*70%*	*70%*	*55%*	*70%*	*55%*
Personnel Emolument	3,576,346,699	4,623,292,263	4,623,292,263	4,542,378,061	4,162,581,460	4,745,988,957	4,320,000,000	4,894,332,236	4,752,000,000	4,939,572,810	5,179,680,000
Operations & Maintenance	2,719,674,306	2,898,078,353	1,461,598,628	2,655,549,244	2,234,986,602	3,163,992,638	2,400,000,000	3,670,749,177	2,640,000,000	4,405,564,938	2,877,600,000
Personnel Emoluments as % of CG Revenue	*37%*	*43%*	*46%*	*36%*	*46%*	*42%*	*45%*	*40%*	*36%*	*37%*	*36%*
Development	2,409,478,885	3,218,175,172	1,395,897,480	4,670,922,830	2,741,814,884	3,389,992,112	2,880,000,000	3,670,749,177	3,168,000,000	4,005,059,035	3,453,120,000
Development as % of CG Total Revenue	*25%*	*30%*	*14%*	*37%*	*30%*	*30%*	*30%*	*30%*	*24%*	*30%*	*24%*

From the table 2.4, revenue collection is projected to grow to Ksh.1, 201 billion in FY 2019/20 taking into account strategies employed towards raising revenue in the medium term. This include; full automation of revenue collection, using the Meru Youth Service to develop baseline targets for revenue in each stream which has enabled the County develop clear revenue collection metrics, passing of revenue legislations on revenue administration and collection, strengthening and enforcing surveillance and sensitization of the public. In addition, recurrent and development expenditure will be maintained at 70 percent and 30 per cent respectively surpassing the minimum 30 per cent requirement for development expenditure.

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

This section presents Recent Economic Developments; Medium Term Fiscal Framework; and Risks to the Outlook. Its purpose is to turn the attention from the past to the present time and the immediate future. In this section, the county government discusses its assessment of the prospects for growth after analyzing the recent economic events and circumstances.

3.1 Recent Economic Developments

Following the financial year that saw the economy go through tough times, the Kenyan economy is on a recovery path and is projected to recover to 6.0 percent in 2018, an upward revision from the earlier projection of 5.8 percent. This strong growth momentum is reflected in the strong growth of 5.7 percent in quarter one of 2018 compared to a growth of 4.8 percent in the same quarter in 2017. The outlook is supported by an improvement in agricultural and manufacturing activities due to improved weather conditions as well as the stable macroeconomic environment, ongoing public infrastructural investments and renewed business and consumer confidence following political stability in the country.

Indeed, Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination. In February, 2018, Fitch Ratings revised the Outlook on Kenya's Long-Term Foreign- and Local-Currency Issuer Default Rating (IDR) to Stable from Negative and affirmed the IDRs at 'B+'. In addition, Kenya successfully issued a US$ 2.0 billion Euro bond split into 10yr and 30yr Tenors in February 22, 2018.
The economy continues to register macroeconomic stability with low and stable interest rates and competitive exchange rate to support exports. The overall year on year inflation fell to 4.0 percent in August 2018 from 8.0 percent in August 2017, thereby remaining within the 5.0 percent medium term target set by the National Government. This decline reflected a decrease in food prices which outweighed the rise in international oil prices.

The foreign exchange market remains stable supported by a narrower current account deficit. The current account deficit narrowed to 5.8 percent of GDP in the 12 months to June 2018 from 6.4 percent over the same period in 2017 reflecting strong growth of agricultural exports particularly tea and horticulture, resilient diaspora remittances, and improved tourism receipts. The strong capital inflows has also led to the stabilization of the shilling in the foreign exchange market and also allowed accumulation of international reserves. The usable official reserves stood at US$ 8,652 billion or 5.8 months of imports by end August 2018.

The growing national economy with inflation that is within target, low interest regime and stable and strengthening Kenya shilling exchange rate reflects good prospects for both the national and county economies. The county is expected to experience increased demand for

services to citizens and high consumption leading to increased economic activities. More investments as a result of favorable macroeconomic conditions are expected to yield more job opportunities that will benefit especially the youth, women and people with disabilities. The county government will also continue to provide the necessary environment to attract investments by investing in infrastructure expansion and enhancing ease of doing business.

3.2 County Economic Outlook and Policies

3.2.1 Agriculture Rural and Urban Development

The sector is on a growth trajectory and the sector will be guided by priorities as planned in the CIDP 2018-2022, and sector plans at county level. The Department of Agriculture Livestock and fisheries will focus on enhancing food security and wealth creation through three flagship projects; Avocado, Macadamia and Aquaculture production. Similarly, the department of lands is committed to implement digital topographical mapping and integrated strategic spatial development plans, planning and survey of market centers, establishment of management boards and committees of five urban centers, facilitating land adjudication and implementing affordable housing project. These are all geared at enabling the sector records the envisaged gains elaborated in the Annual Development Plan FY 2019/20.

3.2.2 Energy, Infrastructure And ICT

The sector is on a growth trajectory and the sector will be guided by priorities as planned in the CIDP 2018-2022, and sector plans at county level. The County has since established a County Roads Board (CRB) which has representation from all the road agencies (County Government, KeNHA, KeRRA, KURA, KWS and KFS). This is to ensure all roads in Meru are in good condition and that there is no duplication of road works and that the County government's priorities are aligned to the National governments. The County will continue to allocate at least Ksh. 20 million to the ward community projects which greatly benefits this sector. Roads, transport and energy sectors have been the greatest beneficially of the ward development initiatives.

3.2.3 General Economic, Commercial And Labour Affairs Sector

The sector is key to enable effective implementation of the CIDP 2018-2022 and to achieve the vision of the current county government. In this sector, the directorate of Trade is mandated to facilitate orderly growth and sustainable development of trade and enterprises. Currently the directorate is initiating various interventions that include revitalizing market development committees, upgrading and maintenance of markets infrastructure. The department plans to procure calibration equipment that will promote fair trade practices. Through capacity building, the directorate also aims at promoting industrial and entrepreneurship development. This is aimed at improving the business environment and take advantage of the recovery in the economy.

The Directorate of Tourism is currently developing the Meru Municipality Park. The park will consist of an Animal Sanctuary, Nature walk, Bird watching and Water Sports all of which are expected to promote more tourist arrivals in the County. In order to promote Meru County as a tourist destination, the directorate of Tourism also intends to formulate a Meru County Tourism Policy and a Meru County Tourism Act. This will enable the directorate to implement sustainable interventions which will lead to growth in both local and international tourism. The directorate of Cooperatives continues to develop initiatives revolving around growing the financial sector in Meru County. Currently the directorate is implementing various policies that aim to strengthen savings culture within the County. This is mainly done through capacity building for cooperatives and SACCOs to improve their governance. This initiative will lead to promotion of saving culture among Youth, Women and general traders SACCOs.

3.2.4 Health Sector

The health sector continues to be a key area for the County government and has consistently received about 30% of the County revenue. The County notes the potential to improve productivity of the County residents and is planning to put up a Cancer Centre and ICU at Meru Hospital. This is a significant undertaking and needs a sustained investment in the long-term. However, in the medium term, the sector is coming up with a Chemotherapy Administration Unit within Meru Hospital and additional resources will be provided for the procurement of cancer medicines and technologies. Further and in order to strengthen the Community Strategy, the department intends to pay a stipend to all the volunteers of the already established community units and continue to recruit and train others. The department will also facilitate the Community Health Volunteers (CHVs) with mobile phones to aid in registration of households for Universal Health Coverage.

3.2.5 Social Protection, Culture and Recreation Sector

The sector is key to the attainment of the governor's vision of making Meru great again. Opportunities to improve economic empowerment by provision of seed capital to PWD SACCO and capacity building of entrepreneurs, will improve the livelihoods in the County residents. Further the established Meru Youth Service that is gainfully engaging unemployed youths and improving their technical skills is aimed at uplifting the general economy and level of skill.

The Introduction of ECDE meals and nutrition (milk programme) will lead to improved access, retention and transition rates of ECDE learners while the establishment of a model Vocational Training Centre (1 per Sub County) will improve access, retention and completion rates of trainees. The County is also planning an annual County Cultural extravaganza that shall empower cultural practitioners and also operationalization of cultural centers shall help promote conserve and showcase culture of the Meru people. The empowerment of Women, Men and youth through the Twaweza Programme through trainings in leadership and entrepreneurship will promote improved livelihoods of citizens in Meru County. Further, the inauguration of a County Sports Council will create linkages and encourage private sector investment in the sports sub-sector.

3.2.6 Environmental Protection and Water Sector

In order to improve access to domestic water, the Department of Water & Irrigation drilled and equipped 97 boreholes with solar powered pumps. This was also enhanced by supporting Gikui Mweru and Kiija Mutethia Water projects. The department also supported Tumutumu and Iraru Irrigation Projects so as to increase land under irrigation. Through the ward development fund, communities around public utilities have been supported with water storage tanks, as well as water pipes to support water projects. The Water & Irrigation department plans to provide adequate water by drilling more boreholes and continue supporting community water projects. In addition, the department has also envisaged a Sectoral Policy and Strategic plan in order to enhance water resource management.

The department of Environment, Wildlife and Natural Resources conserved 13km of Mariara riparian zones so as to conserve the catchment, improve water quality and quantity.

On waste management, the department was able to procure personal protective gears and cleaning tools for the staff in various markets across the county so as to safeguard health of the cleansing staff. Also there was a biannual maintenance of Nkunga, Murera and Muungu dumpsites to enhance proper disposal of solid waste.

There was development of 3 management plans for Nchuura, Maitei and Kuani hills and greening program in public primary schools across the county to sustainably manage the forest ecosystems. The department intends to embark on riparian conservation through bamboo planting together with hilltop afforestation. Solid waste management will be enhanced by dumpsite management together with purchase of cleaning tools and PPEs.

3.3 Medium Term Expenditure Framework

The county government will operate within a framework of balanced budget in the medium term with occasional short term borrowing as may be necessary for cash flow management purposes. The government's fiscal policy objective in the medium term will be to focus resources to priority and growth potential areas.

3.3.1 Revenue enhancement strategies

Revenue mobilization initiatives will be strengthened to enhance revenue performance. In the Agricultural, Rural and Urban development sector, increased focus will be to enhance the revenue sources which include slaughterhouse fees, meat inspection and Veterinary services, movement permits, AI services, Kaguru ATC, AMS Mitunguu, Transfer and sub-

division fee, plot rents, land rates, house rents/stall rents, building plans, outdoor advert & signboards and income from county estates. In order to ensure proper fiscal management, the sector will spend within the current CIDP 2018-2022 and follow PFM Act 2012.

Further the recently completed Kinoru stadium is also expected to enhance county revenues. In the General Economic, Commercial and Labour Affairs sector, revenue enhancement is projected to come through the new directorate that is initiating various interventions that include revitalizing market development committees, upgrading and maintenance of markets infrastructure. The department plans to procure calibration equipment that will promote fair trade practices. Through capacity building, the directorate also aims at promoting industrial and entrepreneurship development which is expected to enhance the own source revenue. In the same sector, the directorate of Tourism is currently developing the Meru Municipality Park that will consist of an animal sanctuary, nature walk, bird watching and water Sports all of which are expected to promote more Tourists' arrivals in the County. Further and in order to promote Meru County as a tourist destination, the directorate also intends to formulate a Meru County Tourism Policy and a Meru County Tourism Act. This will enable the directorate to implement sustainable interventions which will lead to growth in both local and international tourism.

Revenue mobilization initiatives will be strengthened to enhance revenue performance. The County's own revenue performance has been fluctuating over the years culminating to a shrink of 27 percent in 2017/18 compared to 2016/17. To realign own revenue performance to positive growth trajectory, the government will computerize the revenue collection process, improve enforcement for compliance, enhance residents' ICT literacy levels for more compliance and broaden tax base. The government will engage the National Government and development partners for additional resources to support implementation of targeted development interventions.

3.3.2 Expenditure management and budgetary control

In the medium term the county government will strengthen expenditure management focusing on expenditure productivity. This will be done by full implementation of the Integrated Financial Management Information System (IFMIS) across departments. The government will continue to monitor expenditure closely to avoid channeling resources to unproductive expenditure areas. Major expenditure areas will be expected to include personnel emoluments (P.E), development and operations. The government will fast track implementation of programmes targeting the vulnerable including the youth, women, minority clans and people with disabilities (PWDs) to enhance their participation in the socio-economic development of the county.

The fiscal responsibility principles will remain the guiding framework for its public finance management discourse.

3.4 Risks to the Outlook

The county operates within the framework of global economy and the world scenario will affect the economy of the county through exports and tourism among others. In the event of a downturn in the Global economy of the economy of Kenya against the World Economy, then the revenues from the equitable share may not grow as projected. Further, the Counties are already facing revenue cuts due to the ongoing austerity measures. The effect of such measures can only be fully analyzed in the CFSP 2019. However, the potential for adverse impact on the projections and resultant budget ceilings is considered moderate to high.

The outlook is based on assumed normal rainfall. However, rainfall pattern proved erratic in some seasons in the past. Erratic rainfall pattern, if experienced, is likely to affect Agriculture production.

On the county own revenue performance, it has been fluctuating and underperforming but the baseline information developed through the use the Meru Youth Service and the focus on digitizing revenue collection which will soon be rolled out are expected to improve own source revenue. Further, the expected improved revenue performance at the national level due to the growth momentum of the Kenyan economy should result in the county equitable share increasing over the medium term. However, there are expenditure pressures due to increasing wage bill thus leaving inadequate resources for development.

Delays in the receipt of the equitable share in the county affects the absorption rate and ability of the County to make timely interventions. For the FY 2019/20 and beyond, the County will seek to make accurate work plans that will inform the procurement plans. This will ensure the county has realistic cash-flow projections, to be shared with the Controller of Budget and National Treasury which will ensure better planning for resources.

4. RESOURCE ALLOCATION FRAMEWORK

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for 2019/20 FY and MTEF

4.1 Adjustment to the FY 2018/19 Budget

The 2018/19 Budget sought to set the agenda for the new government and consolidate the gains made by the previous government even as the County continues to pursue the transformative agenda it started for inclusive economic growth.
However, even as the implementation of the budget continues, there will be need to make adjustments to the budget. Specifically;

- The new austerity measures pursued by National Government have seen the allocation to the County Government cut by more than Ksh. 9 billion. Consequently, this will impact on the equitable share allocation to the County Government of Meru and will require further alignments to the budget to refocus spending priorities.
- There is a planned increase in Personnel Emoluments by Ksh. 451,501,464 basically due to new employee hires of around 350 in various departments as well as SRC Circular increasing employees' salaries effective the 1st July 2018.
- Also adjustment to cater for the increased ceilings approved for the County Assembly budget by Kshs 73,466,546 as per the County Allocation of Revenue Act (CARA), 2018.
- There is an expected adjustment to include Pending bills of Kshs 2,103,761,183 for FY 2017/18 and provision for FY 2016/17 which are under validation.
- An increment to budget for rollover funds of Kshs. 1,879,166,951 for FY 2017/18.

4.2 Medium Term Expenditure Framework

Allocation and utilization of resources in the medium term will be guided by the priorities outlined in CIDP 2018-2022 and other county plans; and in accordance with section 107 of the PFM Act 2012. For effective utilization of public finances for enhanced expenditure productivity, the county government will prioritize expenditures within the overall sector ceilings and strategic sector priorities.

Table 2.5 below therefore provides indicative sector ceilings for the 2019/2020 – 2021/22 MTEF period. The projections are inclusive of conditional allocations and grants/loans.

Table 2.5 Summary of Indicative Department Ceilings for FY 2019/20 MTEF

	Total Expenditure Kshs.					% Share of Total Expenditure				
Departments	Revised Estimates	Estimates	Projections			Estimates	Ceilings	Projections		
	2017/18	2018/19	2019/20	2020/21	2021/22	2017/18	2018/19	2019/20	2020/21	2021/2022
County Assembly	1,225,942,786.00	985,216,546.00	975,216,546.00	1,223,583,058.94	1,335,019,678.25	11%	8%	10.0%	10.0%	10.0%
Office of the Governor	233,336,779.00	335,369,755.52	302,499,342.67	305,895,764.74	333,754,919.56	2%	3%	2.5%	2.5%	2.5%
Finance, Economic Planning & ICT	1,068,182,514.39	1,194,669,078.76	1,129,997,370.67	1,223,583,058.94	1,335,019,678.25	10%	10%	10.0%	10.0%	10.0%
Agriculture, Livestock and Fisheries	603,060,096.84	827,886,625.13	657,998,422.40	734,149,835.37	801,011,806.95	6%	7%	6.0%	6.0%	6.0%
Water and Irrigation	967,722,012.14	972,290,690.20	903,278,589.54	978,866,447.16	1,068,015,742.60	9%	8%	8.0%	8.0%	8.0%
Education, Technology, Gender & Social Development	800,119,252.45	1,189,033,340.48	1,056,997,633.60	1,101,224,753.05	1,201,517,710.42	7%	10%	9.0%	9.0%	9.0%
Health Services	3,390,124,572.97	3,627,831,644.63	3,612,991,849.08	3,793,107,482.73	4,138,561,002.57	32%	29%	31.0%	31.0%	31.0%
Lands and Physical planning, Urban Development and Public Works	206,729,360.92	459,533,686.75	328,999,211.20	367,074,917.68	400,505,903.47	2%	4%	3.0%	3.0%	3.0%
Legal Affairs, Public Service Management and Administration	760,104,581.05	691,131,974.91	780,998,159.47	856,508,141.26	934,513,774.77	7%	6%	7.0%	7.0%	7.0%
Roads, Transport & Energy	915,377,553.06	1,439,176,826.78	933,997,896.54	978,866,447.16	1,068,015,742.60	9%	12%	8.0%	8.0%	8.0%
Trade, Investment, Industrialization, Tourism & Cooperative Development	251,848,799.88	307,481,434.47	255,999,474.13	244,716,611.79	267,003,935.65	2%	2%	2.0%	2.0%	2.0%
Youth Affairs, Sports & Cultural Services	213,069,186.26	299,015,747.95	225,999,474.13	244,716,611.79	267,003,935.65	2%	2%	2.0%	2.0%	2.0%
Environment & Natural Resources	77,072,008.44	115,284,493.97	102,999,737.07	122,358,305.89	133,501,967.82	1%	1%	1.0%	1.0%	1.0%
Public Service Board	26,856,285.00	21,674,000.50	32,000,000.00	61,179,152.95	66,750,983.91	0%	0%	0.5%	0.5%	0.5%
TOTAL	**10,739,545,788.40**	**12,465,595,846**	**11,299,973,707**	**12,235,830,589**	**13,350,196,782**	100%	100%	**100%**	**100%**	**100%**

4.3 The Proposed 2019/20 Budget Framework

4.3.1 Revenue Projections

The FY 2019/20 budget targets revenue (equitable share and local) collection of Kshs. 11,299,973,707 up from Kshs 10,280,392,714 budgeted for in the FY 2018/19. This revenue performance will be dependent on improved control over revenue collection and revenue administration

4.3.2 Expenditure Forecasts

In the proposed 2019/20 budget, overall expenditures are projected to increase by 5 percent of the FY 2017/18 budget and by 76% of the FY 2017/18 actual expenditures (these does not factor the pending bills that were being verified prior to payment). Therefore, the projected expenditure for FY 2019/20 is Ksh. 11,299,973,707 up from the budget of Ksh. 10,739,545,788 in the FY 2017/2018 and Kshs. 10,280,392,714 in the FY 2018/19. Recurrent expenditure is projected to increase by 10 percent to Ksh. 7,909,981,595 in FY 2019/20 up from a budget of Ksh. 7,197,927,305 in FY 2018/19 accounting for 70% of the total budget. Similarly, development expenditure is projected to increase by 10 percent to Ksh. 3,389,992,112 in FY 2019/20 up from Ksh. 3,082,465,409 budgeted for in FY 2018/19 accounting for 30 percent of the total budget which is the recommended level.

In addition, personnel emolument is projected to increase by 3% from a budget of Ksh. 4,542,378,061 in FY 2017/18 to Ksh. 4,745,988,957 in FY 2019/20. The slight increase is a strategy to ensure that the total amount spent on Personnel Emoluments which currently stands at 44% is consistently reduced to progressively achieve the 30% required threshold. In this regard, the county government will over the medium ensure compliance with the fiscal responsibility principles as outlined in the sections 107 of the PFM Act 2012. The county government is expected to enhance expenditure productivity in the proposed year and manage the rising wage bill to be within the required limit. Table 2.6 below indicates the projections for expenditure in the medium term period.

Table 2.6 Summary of Expenditure Projections 2019/20 FY and MTEF

Revenue Type	Actual	Approved Budget Estimates	Supplementary Budget Estimates	Projected Estimates		
	2017/18	2018/19	2018/20	2019/20	2020/21	2021/22
Personnel Emoluments	4,623,292,263	4,542,378,061	5,023,885,526	4,745,988,957	4,894,332,236	4,939,572,810
Operation s &Maintenance	1,461,598,628	2,655,549,244	2,770,787,490	3,163,992,638	3,670,749,177	4,405,564,938
Development	1,395,897,480	3,082,465,409	4,670,922,830	3,389,992,112	3,670,749,177	4,005,059,035
Un spent Bal FY	2,567,830,663	0		0	0	0
Total	**10,048,619,034**	**10,280,392,714**	**12,465,595,846**	**11,299,973,707**	**12,235,830,589**	**13,350,196,782**

4.4 Projected Fiscal Balance

The proposed FY 2019/20 county budget is balanced, but however, any shortfall in revenue that may occur within the year will be addressed through supplementary or borrowing within the borrowing framework by sub-nationals as approved by the Intergovernmental Budget and Economic Forum (IBEC).

5. CONCLUSION

The FY 2019/20 budget is being prepared within the context of a moderate global economic recovery. As the National Government scales up the implementation of "The Big Four" Plan, the County Government has also aligned the County Integrated Development Plan and the Annual Development Plans to ensure that the County Specific targeted interventions are funded and implemented. The aim of the MTEF is therefore to strike an appropriate balance between support for growth and continued fiscal discipline while providing room for the implementation of the CIDP 2018-2022.

CBROP is one of the budget documents purposed to enhance financial discipline and fiscal responsibilities within the county's financial management framework; an important document in the budget making process within the Medium Term Expenditure Framework. The document details the actual fiscal performance for the previous financial year with deviations from the budget appropriation. It also details how actual financial performance for the previous financial year may have affected compliance with the responsibility principles. Further the updated macroeconomic outlook provides a basis for any budget revision. It also set out broad fiscal parameters for the next budget.

To create fiscal space and guarantee appropriate phasing of expenditure programmes, sectors and the Sector Working Groups will be required to conduct a thorough scrutiny of all proposed activities and Budgets for FY 2019/20 to ensure that they are not only directed towards improving productivity but also aligned to the achievement of the CIDP aspirations. As such, the fiscal strategy in this CBROP will focus on enhancing overall revenue collection and reallocating resources to the priorities across the sectors as envisaged in the CIDP.

The County government will continue to ensure that the budget is strictly followed and service delivery is given focal attention to achieve the set objectives. The resource ceilings projected in this document should guide the Sector Working Groups to prioritize the key programmes and projects contained in the Annual Development Plan 2019/20 to ensure consistency in the development interventions of the County. Taking this into account, the overall expenditure is expected to increase by 5% between the budget for FY 2018/19 and the projected ceiling of Kshs 8,233,890,022 for FY 2019/20 as provisionally projected in the CBROP. The SWGs are required to prepare medium-term budgets that are consistent with the Medium-Term Fiscal Framework. The resource envelope for each Sector has been provided under table 2.5. These ceilings will form inputs into the CFSP 2019 which will be finalized by the 28 February 2019

ANNEXES

Annex 1: Budget Calendar for the FY 2019/20 Budget

No.	Activity	Responsibility	Timeframe/Deadline	Citizens Obligation
1	Issue guidelines for preparation of 2019/20 and MTEF County Budget	C.E.C Finance & Planning	30th August 2018	Read to know when, where and how to participate in the budget process
2	Submission of Annual Development Plan (ADP) to the County Assembly	County Treasury	1st September 2018	Read the plan, and can submit written Memorandum
3	Launch of Sector Working Groups	County Treasury	12th September 2018	
4	Undertaking of departmental expenditure reviews and strategic planning	All departments	15th September-30th September 2018	
5	Monitoring and Evaluation on CIDP and Budget implementation ensuring that social, environmental and institutional issues are highlighted	Economic Planning Directorate	15th-30th September 2018	Attend M& E exercises Provide feedback on the quality of service and ways of improving them
6	Estimation of Resource Envelope , determination of county priorities and allocation to sectors for preparation of draft County budget Review Outlook paper(CBROP)	Macro working Group	15th-25th September 2018	
7	Consultation with Meru County Budget and Economic Forum(MCBEF) on CBROP	CECM Finance, Economic Planning & ICT	18th-20th September 2018	
8	Submission CBROP to the County Executive Committee members for deliberation and approval	County Treasury	28th September 2018	
9	Submission of County Budget Review and Outlook Paper(CBROP) to the County Assembly	CEC for Finance, Economic Planning & ICT	19th October 2018	
10	Start of retreats for Sector Consultations and Drafting of Sector Reports	Sector Working Groups	1st -26th October 2018	Physical Presence, giving input, suggestions, opinions, reviews of content through oral or written memorandum, or (un) solicited feedback on access to service and quality
11	Briefing Sector Chairpersons, CECMs and Accounting Officers on draft sector reports	Sector Working Groups	6th November 2018	

12	Public Hearing on Sector reports	County Treasury & Planning	14th-16th November 2018	Physical Presence, giving input, suggestions, opinions, reviews of content through oral or written memorandum, or (un) solicited feedback on access to service and quality
13	Review and incorporation of stakeholders input in the sector proposals.	Sector Working Groups	19th-23rd November 2018	
14	Submission of final sector reports to County Treasury	Sector Chairpersons	30th November 2018	Access, Read and comment.
15	Drafting of County Fiscal Strategy Paper (CFSP) 2019	County Treasury	14th-25th January 2019	Access, Read and comment
16	Public Participation on CFSP 2019	County Treasury	4th-8h February 2019	
17	CECMs retreat on draft Fiscal Strategy paper and finalization of FY2019/20 budget	Governor	11th-13th February 2019	
18	Submission of County Fiscal Strategy Paper(CFSP) to County Executive Committee Members for approval	CEC Finance and Economic Planning	19th February 2019	
19	Submission of the CFSP to County Assembly		26th February 2019	
20	Circulate approved County Fiscal Strategy Paper (CFSP) and final guidelines on preparation of 2019/20 MTEF budget	County Treasury	28th February 2019	
21	Submission of budget proposals for FY 2019/20 MTEF Budget by MDAs to County Treasury	All Accounting Officers	20th March 2019	Submit written Memorandum
22	Consolidation of Budget Estimates FY 2019/20	County Treasury	10th April 2019	Access, Read and comment
23	Submission of Budget Estimates to County Executive for approval	County Treasury	17th April 2019	
24	Submission of Budget Estimates and accompanying documents to County Assembly	C.E.C Finance & Economic Planning	30th April 2019	
25	Report on Draft Budget Estimates by County Assembly	County Assembly	21st May 2019	
26	Consolidation of the final Budget Estimates	County Treasury	30th May 2019	
27	Submission of Appropriation Bill to County Assembly	County Treasury	10th June 2019	
28	Submission on Vote on Account to County Assembly	County Treasury	20th June 2019	
29	Budget Statement/Speech	County Treasury	27th June 2019	Access, Read and comment
30	Appropriation Bill Passed	County Assembly	30th June 2019	

Annex 2: List of Participants

No	Full name	Gender	Department/Directorate	Title
1	Terry Gatwiri Kimonye	Female	Economic Planning	Assistant Director
2	Monica Kagwima	Female	Education	Director
3	Justin Bundi Francis	Male	Youth Affairs and Sports	Sports Officer
4	Ashford Mugambi	Male	Culture, Sports and Youth	Administrative Officer
5	Joe Kihono Kanja	Male	Health	Assistant Chief Pharmacist
6	Eric Muchiri Muriuki	Male	Budget	Finance Officer
7	Crispus Muthusi Mutoni	Male	Finance	Internal Auditor
8	Gladys Mbucu Ngari	Female	Education	Director
9	Janice Kageni Ikianya	Female	Gender and Social Development	Program Officer
10	Joel Kimathi Kabilu	Male	Health	Accountant
11	Samuel Murithi	Male	LAPSMA	Director
12	Sabina Gatumi	Female	LAPSMA	Payroll Manager
13	Machoki William Mwenda	Male	MCRB	Financial Reporting Officer
14	Pascal Mutua Muriera	Male	Alcohol Board	Procurement Officer
15	Perpetual Gatwiri Kinoti	Female	Finance	Senior Accountant
16	Mukuria Gabriel	Male	Economic Planning	Economist
17	Florence Gakii	Female	Environment, Wildlife and Natural Resources	Environment Officer
18	Dennis Mutwiri Magiri	Male	Economic Planning	Statistician
19	Joseph Kabii Chabari	Male	Budget	Chief Officer Finance Economic Planning and ICT
20	Timothy Kaaria	Male	Budget	Director Budget
21	Wafula Benard Muremi	Male	Livestock	CAPO
22	Penina Kinya	Female	Investment and Development Corporation	Accountant
23	Eric Kirimi Njoka	Male	Youth Affairs and Sports	Chief Youth Development Officer
24	Nicholas Mwingirwa	Male	Lands and Planning	Administrator
25	Dickson Mugambi Kamanja	Male	Economic Planning	Economist
26	Purity Wanja Jason	Female	Environment Wildlife and Natural Resources	Environmental Officer
27	Winfred Kagwiria Muuthia	Male	Education	Chief Officer Gender and Social Development Officer
28	Fridah Karimi Kimathi	Female	Budget	Budget Officer
29	Jackbed Turi Njangu	Female	Transport	Director
30	Faith Karimi	Female	Roads and Transport	Administrative Assistant
31	Fredrick Mutembei Muroki	Male	Budget	Budget Officer
32	Doris Kirumba Mwirigi	Female	Co-op, Trade & Tourism	ICT Officer
33	Muthuri Geoffrey Koome	Male	Health services	County Pharmacist
34	Jackline Kanana Gatobu	female	Co-op, Trade & Tourism	EDO
35	Bundi Eugenio Kirimi	Male	Agriculture	Liaison Officer
36	Antony Mwongera Kinoti	Male	County Public Service Board	ICT officer
37	David Kaberia	Male	MCMC	Accountant

No	Full name	Gender	Department/Directorate	Title
38	Beth Mukami Mbaya	Female	Co-op, Trade &Tourism	Ecotourism Officer
39	Samuel Otieno Otieno	Male	Agriculture Livestock and Fisheries	Senior Fisheries Officer
40	Elizabeth Wanjiru Mburu	Female	Lands and Physical Planning	director -physical planning
41	Christopher Kinyua Kalunge	Male	County Assembly	Fiscal Analyst
42	David Muriithi Ireri	Male	Culture	County Cultural Officer
43	Mputhia Loyford	Male	Economic Planning	Economist
44	Simon Muthuri Mwiti	Male	Budget	Budget Officer
45	Doris Kalionchi	Female	Budget	Fiscal Analyst
46	Doris Gakii M'nairobi	Female	Economic Planning	Statistician
47	Mercy Kangai Kathia	Female	Water	Irrigation Engineer
48	Dinah Gaceri Gikunda	Female	Budget	Fiscal Analyst
49	Wycliffe Maranya	Male	MCRB	Accountant
50	Caroline Mbaya	Female	M&E	M&E Specialist
51	Tony Kirima	Male	LAPSMA	Administrator
52	Anthony Gitobu	Male	Budget	Budget Officer

Annex 3: Composition of Sectors

S /No.	MTEF SECTORS	MDA'S
1	Agriculture Rural and Urban Development	▪ Agriculture
		▪ Livestock and Fisheries
		▪ Lands and Physical planning
		▪ Urban Development
		▪ Town Administration
2	Energy, Infrastructure And ICT	▪ Energy
		▪ Roads and Transport
		▪ ICT
		▪ Public Works
3	Public Administration And International Relations (PAIR)	▪ Office of the Governor
		▪ County Public service Administration
		▪ Legal Affairs
		▪ County Public Service Board
		▪ County Assembly
		▪ County Treasury
		▪ Economic Planning
		▪ Semi-Autonomous agencies(SAGAs)
		▪ Revenue Board
4	General Economic, Commercial And Labour Affairs	▪ Trade and Industrialization
		▪ Cooperative Development
		▪ Tourism and Wildlife
5	Social Protection, Culture and Recreation	▪ ECDE
		▪ Vocational Training
		▪ Youth Affairs
		▪ Sports Development
		▪ Culture and social Services
6	Environmental Protection And Water	▪ Environment conservation and Management
		▪ Water and Irrigation
		▪ Natural Resources
7	Health	▪ Health and Sanitation