COUNTY GOVERNMENT OF MERU

COUNTY ASSEMBLY OF MERU
OFFICE OF THE CLERK
LAID ON THE TABLE ON:
05 MAR 2020
Laid by Hon. Victor Kaun
Leader of Majority Party

DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND ICT

When replying please quote
Email: **finance.department@meru.go.ke**

Meru County Headquarters
P.O Box 120-60200

CGM/CA/1/1/44

28th February 2020

28 FEB 2020

The Clerk
County Assembly of Meru

RE: FY 2020/21 COUNTY FISCAL STRATEGY PAPER.

In accordance with PFM Act of Section 117 County Treasury is required to prepare County Fiscal Strategy Paper to set out County priorities and Budget Ceilings for FY 2020/21 as per the resources provided by CRA, National Treasury and Own Source Revenue.

In the view of the above, we are hereby forwarding the County Fiscal Strategy Paper for FY 2020/21 for your consideration and approval.

Titus Ntuchiu
Deputy Governor & CECM Finance, Economic Planning & ICT

Hon. Speaker
For your necessary direction
28/2/2020

REPUBLIC OF KENYA

28 FEB 2020

COUNTY ASSEMBLY OF MERU
OFFICE OF THE CLERK
LAID ON THE TABLE ON:
05 MAR 2020
Laid by Hon. Virginia Kendi
Leader of the Majority Party

COUNTY GOVERNMENT OF MERU

FY 2020/21 COUNTY FISCAL STRATEGY PAPER

February, 2020

A Green United Prosperous Model County

COUNTY GOVERNMENT OF MERU

DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND ICT

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Titus Ntuchiu
Deputy Governor & CECM Finance, Economic Planning & ICT

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MERU

FY 2020/21 COUNTY FISCAL STRATEGY PAPER

February 2020

A Green United Prosperous Model County

© County Fiscal Strategy Paper (CFSP) 2020

To obtain copies of the document, please contact:

The County Treasury
Meru County Headquarters
P.O |Box 120-60200
MERU

CFSP 2020 will be published on the website at: www.meru.go.ke within 7 days of adoption by the County Executive Committee

Foreword

The County Fiscal Strategy Paper (CFSP 2020/21) is prepared as provided under section 117 of PFM Act of 2012. It sets out the county priority programmes to be implemented during the financial year 2020/2021 and over the MTEF period. Preparation of this document has been done through collaborated effort and therefore reflects the needs of people of Meru County. The document has been aligned to key National and County policy documents which include Sustainable Development Goals(SDGs), Kenya Vision 2030, the Big 4, County Vision 2040, County Integrated Development Plan(CIDP 2018-2022) and County Annual Development Plan (ADP 2020/2021).

This CFSP has reviewed the preceding year's performance FY 2018/19 and 2019/20 and their implication towards the County's growth and development. The County has continued to record positive economic development as a result of investment in water, improved infrastructure, revitalized agricultural sector and the significant investments in other sectors including health, education and trade. To continue with this development pace, the focus of 2020/2021 will be geared towards achieving the County Vision. Pursuing this agenda will have long term impact of improved livelihoods, income and spurred growth from the vibrant economic activities in the County.

To achieve the County vision, the County will focus on five core areas which are aligned to the Big four agenda and County vision 2040 as outlined below:

a) Investment in Agriculture and food security,
b) Infrastructure development & maintenance,
c) Accessibility of water through distribution to households,
d) Social economic empowerment to youth, women and people living with disability.
e) ECDE and Youth Polytechnics support.
f) Drilling of boreholes and supply of water to households.

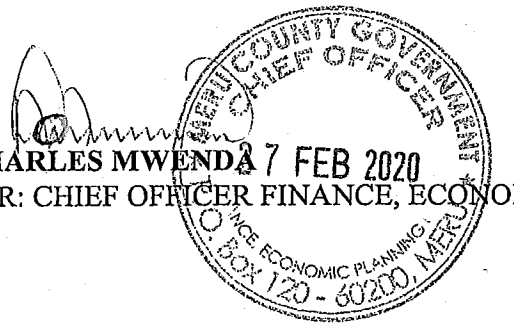
These priorities shall form the basis for formulation of FY 2020/21 budget and the Medium Term Expenditure Framework. The paper therefore links county planning and policies to Budget which is the main objective of the Medium Term Expenditure Framework.

TITUS NTUCHIU
DEPUTY GOVERNOR/COUNTY EXECUTIVE MEMBER FINANCE, ECONOMIC PLANNING&ICT

Acknowledgement

The Government has been keen to ensure prudent management of public resources in order to support inclusive growth and development. We have carefully scrutinized budget programmes to ensure their optimal alignment with the County Vision 2040, CIDP (County Integrated Development Plan), ADP (Annual Development Plan), the Governor's manifesto and with the national development agenda (Big Four Agenda). The key programmes implemented are aimed at effecting structural changes towards boosting economic activity in all sectors of the economy.

I would like to thank H.E.The Governor and The Deputy Governor for the guidance and counsel in the development of this document. My sincere gratitude goes to the County Budget and Economic Forum, Treasury staff as well as other Government officials, for their contributions. Equally we received useful inputs from various stakeholders and the public when we undertook consultations in line with the requirements of the Public Finance Management (PFM) Act, 2012 and the Constitution. We value these inputs and extend our appreciation to all.



CHARLES MWENDA 27 FEB 2020
FOR: CHIEF OFFICER FINANCE, ECONOMIC PLANNING & ICT

ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CECM	County Executive Committee Member
CO	Chief Officer
CRA	Commission on Revenue Allocation
CSWGs	County Sector Working Groups
CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
FSP	Fiscal Strategy Paper
CIDP	County Integrated Development Plan
ADP	Annual Development Plan
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
SWG	Sector Working Group
ASDSP	Agricultural Sector Development Support Programme
BPS	Budget Policy statement
CBR	Central Bank Rate
ICT	Information Communication & Technology
KES	Kenya Shillings

Legal Basis for the Publication of the Meru County Fiscal Strategy Paper

The Meru County FSP is prepared in accordance to Section 117 (1) of the PFMA, 2012 which states that:

(1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and thereafter County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly by 28th February of each year.

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year 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; and
d) Any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County Assembly (CA), the CA shall consider and may adopt it with or without amendments.

(7) The County Treasury shall consider any recommendations made by the CA when finalizing the budget proposal for the financial year concerned.

(8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the PFMA (2012) sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources.

Section 107 states that:

(1) A County Treasury shall manage its public finances in accordance to the principles of fiscal responsibility set out in Sub-section (2), and shall not exceed the limits stated in the regulations.

(2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

a) The county government's recurrent expenditure shall not exceed its total revenue;
b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
c) the county government's expenditure on wages and benefits for its public officers shall not exceed 35 percentage of its total revenue;
d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
e) The county's debt shall be maintained at a sustainable level as approved by the CA;
f) The fiscal risks shall be managed prudently; and
g) 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.

(3) For the purposes of Subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.

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Outline of the County Fiscal Strategy Paper

This Fiscal Strategy Paper consists five sections as outlined below:

Chapter 1: County Strategic Blueprint

The chapter introduces the key development objectives the county is seeking to achieve within its tenure and respective programmes set to support such ambitions. It also gives details on specific initiatives to be undertaken under each programme.

Chapter 2: Recent Economic Developments and Policy Outlook

This chapter outlines the economic context in which the FY 2020/21 MTEF budget is prepared. It provides an overview of the recent economic and macroeconomic developments.

Chapter 3: Fiscal Policy Budget Framework

The chapter seeks to detail County Government's fiscal policy goal(s) for the county economy mainly in terms of prudent financial management, efficiency, debt sustainability, public sector productivity enhancement in order to achieve the objective of the County Government's strategic blueprint.

Chapter 4: Medium Term Expenditure Framework

This section analyses the county government's resource envelope comparing two, most recent financial periods to establish the resource trend to enable project future expenditure. It helps identify priority areas giving baseline ceilings.

Chapter 5: Conclusion

The chapter summarizes the primary changes and decisions to be effected in an endeavour to reach the county government's fiscal goals.

CHAPTER 1: COUNTY STRATEGIC BLUE PRINT

1.0 Overview

National and international economic dynamics shape the direction of growth and development of the County; national, regional and global economic developments therefore influence development decisions of the County. It is thus imperative that policy, planning and budgeting decisions at the County level are made within the context of national, regional and global economic developments.

Nationally, the domestic economy has remained strong and resilient in the face of global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. Over the medium term, economic growth is expected to rise gradually to seven percent per annum due to investments in strategic areas under the 'Big Four Plan'.

The County's opportunity lies with the Kenya's well integration with the global economy. With the growing global growth prospects, the positive developments are likely to favourably impact the Kenyan economy and hence the County's. Therefore, with the positive growth prospect in the regional and global economies, the national and thus the County economies are expected to leverage on the opportunities. However, the growing integration to global markets, while creating new financing opportunities, exposes the national and the County economies to more vulnerability, especially due to changes in global risk sentiments.

The County is expected to benefit from opportunities created by the expansion of the national, regional and global economies. The projected growth of the Kenyan economy over the medium term is expected to release more resources to the County for expanded execution of the broad strategic priorities and interventions for transformational growth and development in the County.

The county's economy is largely driven by agriculture both in Crop farming and livestock-keeping activities that is practiced across all sub counties.The County will develop and implement broad based strategies and interventions in the financial year 2020/21 and over the medium term targeting the County's growth potential areas for maximum realization of development outcomes. The County's priorities during the period will also be aligned to 'The Big Four Plan' of the national government and County Vision 2040.

1.1 Strategies and Interventions

During the financial year 2020/21 and in the medium term the government will be geared towards achieving the following transformations and outcomes;

1. Water distribution to households from boreholes and major community projects through purchase of pipes and water tanks to the households.
2. Women empowerment through capacity building, Issuance of seed capital, development and implementation of gender policy and operationalization of intergovernmental gender reforms
3. Support to people living with disability through ; capacity building, provision of assistive devices, issuance of seed capital , skills acquisition, and establishment of rescue centres
4. Youth empowerment through ; Identification and development of talents, support and nurture Youth ICT Innovations
5. Investing in health through completion and equipping dispensaries
6. Improving infrastructure in the major cultural centres
7. Establishment of ICT centres
8. Maintenance of market infrastructure by continuous face-lifting.
9. Empowerment of urban management committee to manage garbage and waste collection through local initiative

CFSP 2020/21 embraces broad strategies and targeted interventions committed to unlocking the growth potential of the County while strengthening resilience to shocks and fostering sustainable growth and development. The paper therefore articulates priority economic policies, and sector-specific expenditure programmes to be implemented under the Medium Term Expenditure Framework for the financial year periods 2020/21-2022/23 to actualize County Government's mission of promoting Sustainable Development, Socio-economic Empowerment, Technological Innovations and Industrialization.

CHAPTER 2: RECENT ECONOMIC DEVELOPMENT AND FISCAL OUTLOOK

2.0 Overview

The Kenyan economy remains resilient and grew by an average of 5.5 percent in the first three quarters of 2019, mostly supported by strong performance in the services sector. Growth momentum is expected to pick up to 5.6 percent in 2019, 6.1 percent in 2020 and further to 7.0 percent over the medium term supported by a strong rebound in the agricultural output, steady recovery in industrial activities, robust performance in the services sector, and investments in strategic areas under the "Big Four" Plan.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. At 5.8 percent in December 2019, year-on-year overall inflation remained stable and within the 5 (+/-2.5) percent target largely due to lower food prices following favourable weather conditions. Inflation is expected to remain within target in year 2020, largely due to lower energy prices and expected stability in food prices.

2.1 National Recent Economic Developments and Outlook

2.1.1 Recent Economic Developments

Global growth is projected to pick up to 3.4 percent in 2020 from an estimated 3.0 percent growth in 2019. The projected pick up is on account of recoveries in stressed emerging markets and macroeconomic policy support in major economies.

Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.7 percent for the last six years (2013 to 2018) outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 5.4 percent in the period 2003 to 2007. Growth is estimated at 5.6 percent in 2019 and projected to recover to 6.1 percent in 2020.

A resilient non-agricultural sector continues to support economic growth. The economy grew by an average of 5.5 percent in the first three quarters of 2019 and the full year growth is estimated at 5.6 percent in 2019 down from 6.3 percent in 2018. In the third quarter of 2019, the economy grew by 5.1 percent compared to a growth of 6.4 percent in a similar quarter in 2018, mainly supported by strong performance in the services sub-sector such as information and communication, transportation and storage, and accommodation and restaurant. The agriculture sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 compared to a growth of 6.9 percent in a similar quarter of 2018, as a result of delayed long

rains. Consequently, the sector's contribution to GDP growth declined to 0.6 percent in the third quarter of 2019 compared to 1.3 percent in the same period in 2018. The non-agricultural sector (service and industry) remained vibrant and grew by 5.7 percent in the third quarter of 2019 down from a growth of 6.5 percent in a similar quarter in 2018. It has the largest percentage point's contribution to real GDP growth at 4.0 in the third quarter of 2019, mainly supported by the services sector

Services remained the main source of growth and expanded by 5.7 percent in the third quarter of 2019 compared to a growth of 6.5 percent in the same quarter of 2018. The service sector was supported by improved growth in accommodation and restaurant (9.0 percent), transport and storage (7.1 percent) and financial and insurance (5.6 percent). Growth of activities in information and communication (8.4 percent) and real estate (4.9 percent) also remained vibrant. The services sector contributed 3.0 percentage points to real GDP growth in the third quarter of 2019 largely supported by Transport and storage (0.5 percentage points), wholesale and retail trade (0.4 percentage points) and Real estate (0.4 percentage points).

The performance of industry declined to 4.5 percent in the third quarter of 2019 compared to 5.8 percent in the same quarter in 2018 following subdued activities in the manufacturing, electricity and water supply and construction sectors. The industry sector accounted for 0.8 percentage points of growth in the third quarter of 2019, largely driven by construction and manufacturing sectors with a contribution of 0.4 and 0.3 percentage points respectively

Inflation Rate

Year-on-year overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent in December 2019 at 5.8 percent up from 5.7 percent in December 2018 reflecting higher food prices.

Core inflation (Non-Food-Non-Fuel) remained below 5.0 percent in the period under review reflecting subdued demand pressures in the economy. Fuel inflation declined from 6.9 percent in December 2018 to 2.5 percent in December 2019 on account of declining energy price.

The delay in the onset of rains resulted in lower agricultural activities and raised food inflation from March 2019. Food inflation increased from 2.6 percent in December 2018 to 9.3 percent in December 2019 reflecting rising prices of key food items.

Kenya Shilling Exchange Rate

The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate foreign reserve buffer. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of Ksh 101.4 and Ksh 112.7 in December 2019 from Ksh 102.3 and Ksh 116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of Ksh 133.0 in December 2019 compared to Ksh 129.7 in December 2018.

The Kenya Shilling has continued to display relatively less volatility, compared to most Sub-Saharan currencies. This stability reflects strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services particularly tourism.

Interest Rates

Interest rates were low and stable for the period 2008 to 2011 due to ample liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations. The Central Bank Rate was reduced to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity.

The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The interest rates for government securities have been declining indicating that the implementation of government domestic borrowing programme supported market stability. The 91-day Treasury bills rate declined to 7.2 percent in December 2019 compared to 7.3 percent in December 2018. The 182-day Treasury bills rate declined to 8.2 percent from 8.4 percent while 364-day increased to 9.8 percent from 9.7 percent.

2.1.2 National Fiscal Outlook

Budget execution started on a slow note in the first quarter of the FY 2019/20. The slowdown was due to delays in the County Allocation of Revenue proposed in the revised Division of Revenue Bill, 2019. In addition, expenditure rationalization was effected to reflect lower revenues after the realization that the revenues would perform less than earlier projected leading to a wider fiscal deficit.

The exercise to clean-up the development project portfolio triggered by the budget rationalization on inclusion of new projects in the budget also slowed down the uptake of

development expenditures in the first quarter of FY 2019/20. However, this picked up strongly in the second quarter of FY 2019/20. The Government embarked on expenditure rationalization to ensure a sustainable fiscal position in the FY 2019/20 and the medium term, and reaffirm its commitment to the fiscal consolidation plan and to prudent fiscal management in general.

2.1.3. Economic Outlook

Despite the challenging global environment, Kenya's economy has remained strong and resilient. The economy expanded by 6.3 percent in 2018 up from the 4.9 percent growth registered in 2017. The growth momentum continued in the first three quarters of 2019, with the economy expanding by an average of 5.4 percent. The latest economic indicators in the third quarter of 2019 point to continued economic recovery that will culminate to an overall projected growth of about 5.9 percent in the FY 2019/20. Economic growth is further projected to rise to 6.2 percent in the FY 2020/21 and 6.9 percent by FY 2023/24.

The growth outlook for the FY 2019/20 and the medium term is supported by a stable macroeconomic environment, investments in the strategic areas under the "Big Four" Plan and their enablers, and existing business and consumer confidence in the economy. Further, the ongoing public investments in infrastructure projects, growth in tourism, resilient exports and the associated benefits from regional economic integration in the sub region will reinforce the projected growth. The economic growth projections over the medium term are aligned to those of the MTP III.

2.2 County Fiscal Outlook

2.2.3 County Update of Fiscal Performance and Emerging Trends

Budget execution started on a slow note in the first quarter of the FY 2018/19 due to delay in disbursement of funds from national treasury and below target local revenue collections. The expenditure rationalization was to ensure sustainable fiscal position in the FY 2018/19 and the medium term, and reaffirm the County Government's commitment to its fiscal consolidation plan and to prudent fiscal management in general. During the FY 2018/19, the total revenue received amounted to Kshs.11,621,023,711 with a total expenditure of Kshs. 10,800,155,953 representing 86% of the approved budget. The shortfall in expenditure target was attributed to delay in exchequer and conditional grants release as well as shortfall in local revenue.

Revenue Performance

The County Revenue Budget for FY 2018/19 was Kshs.12.556 billion comprising of Kshs.8.007 billion equitable share, local revenue 1.108 billion, FIF Kshs120M,conditional grants Kshs.1,401,634,451 and Kshs. 1.918 billion balances carried forward from the previous year 2017/2018.

At the close of the year actual revenue realized was Kshs11, 621,023,711 which is illustrated in the table below;

Table 3.1 FY 2018/19 Revenue performance

	Approved	Actual	Deviation	% Absorption
1. REVENUE				
Equitable Share Allocation	8,007,000,000.00	8,007,000,000.00	-	100%
Conditional Grants	1,401,634,451.00	926,039,659.00	(475,594,792.00)	66%
Roll-over from Previous FY	1,918,667,088.00	1,918,667,088.00	-	100%
County own revenues	1,108,796,286.04	581,530,661.25	(527,265,624.79)	52%
Approppriation in Aid	120,000,000.00	187,786,303.00	67,786,303.00	156%
Total Revenue & Grants	**12,556,097,825**	**11,621,023,711**	**(935,074,113.79)**	93%

During the current financial year 2019/20 local generated revenue amounted to Kshs.223 million by January, 2020 as shown in the table below;

Table 3.2 Local Revenue collected For the FY 2019/20 from July-Jan

TOTAL REVENUE COLLECTION ANALYSIS YR 2019/2020 AS PER SOURCE-JULY-JAN		
	Revenue Stream	**TOTALS**
1	Slaughter house fees	3,630,603.00
2	Market fee	27,848,687.00
3	Transfer & Subdivision fee	133,400.00
4	Plot Rent	2,674,667.00
5	Land Rates	13,506,881.92
6	single business permit	34,728,198.00
7	parking fees	50,804,343.00
8	House rent/Stall rent	7,234,400.00
9	Cess	45,175,585.35
10	Building plans	12,211,183.00
11	Outdoor adverts. & Signboard	9,581,305.00
12	Hire of county properties	907,818.00
13	Application fees	1,162,250.00
14	Impounding fees & Fines	731,071.00
15	Sale of tender doc	35,000.00
16	Toilets fee	853,500.00
17	Miscellaneous income	7,267,553.00
18	Income from county estates	10,500.00
19	Refuse collection fee	63,000.00
20	Fire section fee	326,600.00
21	Others (Meat Inspection and Veterinary Services)	2,464,140.00
22	Kaguru ATC-Demo Farm	2,200,000.00
	TOTALS	**223,550,685.27**

Expenditure Performance

Total expenditure in the FY 2018/19, amounted to Kshs. 10,800,155,953 against a target of Kshs. 12,556,097,825.03 representing un absorption of Kshs.1,755,941,872.03 and 86% absorption of the approved budget. In FY 2018/19, the recurrent expenditure amounted to Kshs.7, 174,943,982 representing 91.25% absorption, while Kshs. 3,595,211,971 was spent on development accounting for 76.6 % absorption as compared to the targeted budget.

The under spending in the FY 2018/19 was attributed to multiplicity of projects hence delays in procurement of the projects and services; Introduction of end-to end online procurement system that slowed down processes as suppliers and contractors are yet to get well versed with the process and delay in disbursement of funds by national Government.

Implementation of the current FY 2019/20 slowed down in the first and second quarter due to standoff between senate and parliament on County Allocation of Revenues. This led to delay in disbursement of funds to the counties hence affecting implementation of major projects as the first disbursements were made in the second quarter. Recurrent expenditure as at the end of January 2020 amounted to kshs.4, 097 billion (52% of the total recurrent budget) whereas development expenditure amounted to Kshs.511.372 million indicating 15% of the total development budget. Further, development budget was altered by supplementary budget to cater for pending bills amounting to Kshs.723 million which were accrued by June 2018

2.3 Risks to the Outlook

This sub-section deals with the risks associated with the outlook of the proposed budget 2020/21 and the medium term.

Risks	*Mitigation measures*
Risk in Changes in Macroeconomic Assumptions Unexpected changes in macroeconomic variables create risks to both revenue and expenditure projections in this CFSP as they play a key role in the formulation of the budget. Some of these risks include adverse changes in real GDP growth rates, inflation rate, exchange rate and volatility of commodity prices that affect the County's own source revenue. However, on the overall, any negative external and internal shocks to our economy may adversely affect transfers from the national government and may significantly affect the funds allocated to the county.	**Mitigation Measures** The County understands that the risks in macro-economy largely affect the programme spending on the development budget. The National Treasury has developed a national mitigation measure by establishing the Public Investment Management Unit which will be responsible for ensuring that all capital projects are planned, appraised and evaluated before funds are finally committed in the budget. Meru County shall ensure that capital projects planning, appraisal and evaluation are conducted efficiently and that funds are allocated early in the financial year. To this end the County will develop comprehensive work plans, procurement plans and cash flow projections and ensure these are submitted as required (by the 15 June of each financial year) to mitigate the effects of any adverse macroeconomic changes and ensure that if this risk crystalizes then the effects are borne by the National government.
Pending bills The County continues to face major challenges of pending debts and bills. The pending bills carried forward from the FY's 2016/17, 2017/18 and 2018/19 stood at approximately Kshs	**Mitigation measures** The presidential directive through National Treasury to enforce measures that will see Counties allocate funds to clear the growing pending bills. Further, in the medium term, commitments and payments will be made in strict compliance with the

Risks	*Mitigation measures*
1.913 billion as at 30th June 2019,	approved estimates. The county will also implement austerity measures and fiscal discipline to minimize any arising pending bills. This will involve realistic budgeting of local revenue. Further county treasury will prepare and operationalize debt management strategy paper.

CHAPTER 3: FISCAL POLICY BUDGET FRAMEWORK

Overview

The FY 2020/21 MTEF budget framework is intended to implement the County's mission agenda of transforming lives through promotion of sustainable development, technological innovations and industrialization that will empower citizens and public officers and promote partnerships and networks. The County plans to pursue prudent fiscal policies to ensure economic growth and development. Further, the fiscal policies are aimed at providing support to economic activities while at the same time creating a sustainable and conducive environment for the implementation of programs and transformational interventions.

The County Government will endeavour to improve on service delivery to the county residents in the medium term. In doing so the following key decisions will guide allocation during the medium term:

a) Enhancing local revenue collection through; strengthening enforcement docket, sealing loopholes and gaps, continued minor infrastructure development that hinders collection of revenue. Further the county through the department of lands, physical Planning and public works together with County Revenue Board have embarked on undertaking valuation roll in the County which will see increase in collection of land rates.

b) Continued strengthen of efficiency monitoring unit to ensure that programmes and sub-programmes are effectively monitored and efficiency is achieved in the use of resources;

c) The County Government will implement performance management and institute critical actions to manage the growth in wage bill.

The total resource envelope for FY 2020/21 is expected to be Kshs 10.416 billion. Based on the analysis of the macro-economic environment and the trend of growth of the County revenues, the projections are that it will grow by 5.7% to Kshs 11,010 billion in the FY 2021/22 and by 5.8% to Kshs 11,432 billion in the FY 2021/22.

The County Government will strive to ensure that the budget is balanced in the medium term and that it adheres to fiscal responsibility principles as outlined in PFM Act 2012.Moreover, the ceilings have been adjusted based on, own source revenue performance, expenditure trends, factoring of pending bills as at June 2019 and the changes in priority based on sector working group discussions and submissions from departments. Revenue Projection for conditional grants has assumed similar amounts as in the FY 2019/20 budget estimates. These will be updated once County Allocation of Revenue act is gazetted.

3.2 Fiscal policy status

The government's fiscal policy objective in the medium term will be to focus resources to priority and growth potential areas. 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 fiscal responsibility principles as set out in 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.

The County Budget and Economic Forum and the Sector Working Groups (SWGs) will continue to be the forum for consultations between the government and the various sectors of the county economy. The SWGs will be key in coordinating the preparation of Departmental Public Expenditure Reviews (DPERs); reviewing sectors objectives and strategies; identifying sector priorities and rankings; identifying linkages; identifying sources of funding for sector programmes and improving communication and nurture partnerships within each of the sectors.

Fiscal Strategy Paper's Obligation to Observe Principles

To have sustainable development and growth, the government is planning to meet the fiscal targets set by making policies aimed at ensuring strict adherence to fiscal responsibility principles. Further, the 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.

3.3.1 Fiscal Responsibility

The policies set out are in line with the Constitution of Kenya 2010 and the PFM Act, 2012 which sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. The fiscal responsibility principles that will be observed in FY 2020/21 and in the medium term are as follows:

ii) Over the medium term, a minimum of thirty (30) per cent of the budget shall be allocated to the development expenditure. During the FY's 2020/21, 2021/22 and 2022/23, the government has allocated to development expenditure 30%, 31% and 31.5%, respectively.

iii) The Government's expenditure on wages shall not exceed a percentage of 35% of the County total revenue. This is a challenging fiscal principle as the county is faced with huge wage bill without equivalent corresponding revenue that support cash flow to meet this requirement. Personnel Emoluments during the FY 2019/20 stood at 44% and is projected to increase to 49% in FY 2020/21. However, the focus on productivity and the need to enhance own source revenues by continued enforcement and legislation are key to enable the County achieve the 35% in the medium term.

iv) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure. The County government has no plans to borrow within the FY 2020/21. However, if need arises to borrow in the medium term it will be tied to development purpose.

v) The county debt shall be maintained at a sustainable level as approved by County Assembly. The county debts are limited to pending bills. In the FY 2019/20 supplementary budget was approved with Kshs.913 million factored to cater a portion of pending bills. Further in FY 2020/21 a provision of Kshs.974.389 716.79 has been factored to cater for pending bills accrued as at the end of June, 2019.

vi) The fiscal risks identified in chapter two shall be managed prudently and all mitigation measures indicated put in place to manage all identified and emerging risks; and

vii) The government shall maintain a reasonable degree of predictability with respect to the level of tax/ levy rates and bases shall be maintained, taking into account any tax reforms that may be made in the future. The projections for the own source revenues have taken this into account and in the medium term, the county will focus more on stemming revenue leakages by enacting enforceable laws and automation on various revenue streams.

Fiscal structural reforms

The county government aims at managing spending proposals, which will undergo rigorous scrutiny to identify areas of inefficient and non-priority expenditure, especially on areas pertaining to domestic and foreign travel, boards committee and conferences, printing, advertising and information supplies, hospitality supplies and services, office and general supplies and infrastructure development. In addition, the county government will adhere to procurement statues across all departments to ensure transparency and accountability.

In regard to locally generated revenue, county Revenue Board will continue strengthening management systems through;

a) Capacity building, accountability and efficiency of staff
b) Enhancing revenue enforcement
c) Markets infrastructure development in collaboration with Trade department
d) Effective consultation and enforcement process in enactment of the Finance Bill
e) Continued automation of revenue collection streams
f) Enhancing monitoring of revenue collection to seal loopholes and leakages

3.3.3 Debt Financing Policy

The County Government's current debts are limited to pending bills. A portion of the bills was factored in second supplementary budget during the current financial year 2019/20 amounting to Kshs.913M. Further Kshs. 833.074 and Kshs. 141.315 has been factored in financial year 2020/21 FSP in development and recurrent expenditures respectively.

In the medium term, the County government will take up any opportunity to borrow from domestic sources to fund key capital investments in adherence to the frameworks laid down for borrowing in PFM Act 2012.

3.4 Budget Framework Proposed for FY 2020/21 MTEF

3.4.1 Revenue Projections

The county expects to receive total revenue of Kshs 10.416 Billion from national treasury as compared to Kshs.10.372 during the FY 2019/20. Own source revenue collections have been projects at Kshs.600 million considering the last two years actual collection. The national government has not yet published the County Allocation of Revenue Act, 2020 hence amounts for conditional grants have assumed allocations as per the current year's budget 2020/21.

The county relies heavily on equitable share followed by other laws and grants. Own source revenue has a lot of potential and the County will focus on increasing the amounts collected.

3.4.2 Expenditure projections

Expenditure for FY 2020/21 comprise recurrent of Ksh 7.341 billion (70.74 percent of total projected Expenditure) and development of Ksh 3.075 billion (30 percent of total projected expenditure). Recurrent expenditure will comprise of Kshs.5.068 compensation to employees and Kshs.2.272 use of goods and services. The amounts for use of goods and services and development expenditure are inclusive of allocation of pending bills for the period ending in June 2019.

3.4.3 Fiscal Balance and Deficit Financing

The proposed FY 2020/21 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).

3.4.4 Summary

The Government's fiscal policy goals will focus on adherence to fiscal responsibility principles and mainly on ensuring that 30% of the budget is spent on development. Further, the government plans to make legislative and process changes to revenue collection including automation to enhance the own source revenues. On expenditure, strict controls over budgets and budget execution will continue to be instituted in line with the PFM Act and Public Financial Management Regulations (PFR). Through the above policies, the investments made in priority and growth potential areas will be achieved in the medium term.

CHAPTER 4: MEDIUM TERM EXPENDITURE FRAMEWORK

4.1 Resource Envelope

The resource envelope available for allocation among the spending entities is based on the projections for allocations to county governments by CRA, National Treasury and County Revenue Board

In view of the continued pressure that arise from non-discretional expenditure, MTEF budgeting will focus on adjusting non-priority expenditure to cater for fiscal deficit. The CIDP 2018-2022 has been used in the resource allocation. The financing of county budget priorities revolve around two main financing sources namely; transfers from the National Government and county local revenue.

Equitable share transfers will account for 78.10 percent of the expenditure priorities in the budget and 14 percent for Conditional Grants while 5.76 percent will be financed from locally collected revenue sources. Total Revenue for the FY 2020/21 amounts to Kshs.10.416 billion which will comprise of Kshs. 8.135 billion equitable shareable revenue, KES 1.461 billion conditional grants and Kshs. 600 million as own sources.

Table 8: Resource envelope

	REVENUE PROJECTIONS FOR FY 2020-21		
1	**a. Revenue Source**	**PROPOSED ESTIMATES**	**% to Total Budget**
		FY 2020-2021	
	a.Equitable Share	8,135,680,000.00	78.10%
	b.County Own Revenue	600,000,000.00	5.76%
	Sub Total	**8,735,680,000.00**	**83.86%**
2	**b.Appropppriation in Aid (A.I.A)**		
	Hospital FIF	220,000,000.00	2.11%
	Sub Total	**220,000,000.00**	**2.11%**
3	**c.Conditional Grants from the National Government Revenue**		
	i.Conditional Grants to Level-5 Hospitals	373,872,832.00	3.59%
	iv.Conditional Allocation for Development of Youth Polytechnics*	58,686,170.00	0.56%
	v.Conditional Grant-Compensation for User Fee Foregone	31,648,428.00	0.30%
	vii.Conditional Grant- Road Maintenance Fuel Levy	241,491,600.00	2.32%
	Total	**705,699,030.00**	**6.77%**
4	**d.Conditional allocations to County Governments from Loans and Grants from Development Partners**		
	i.World Bank Loan to for transforming health systems for universal care project	35,000,000.00	0.34%
	ii.World Bank for national agricultural and Rural Inclusive Growth project	299,971,780.00	2.88%
	iii. World Bank Urban development grant for Kenya urban support program	116,890,200.00	1.12%
	v.Kenya Devolution Support Program (Level 1)	30,000,000.00	0.29%
	v.Kenya Devolution Support Program (Level 2)	232,216,740.00	2.23%
	vi.Danida	23,906,250.00	0.23%
	vii. GoK-ASDSP	17,575,209.00	0.17%
	Sub-Total	**755,560,179.00**	**7.25%**
	Total Conditional Grant	**1,461,259,209.00**	**14.03%**
	TOTAL BUDGET	**10,416,939,209.00**	**100.00%**

4.2 Spending Priorities for 2020/2021 – 2022/23 MTEF Budget

During the MTEF period FY 2020/21-2022/23 the county will focus on the following key priority areas;

- ✓ Social empowerment
- ✓ Completion and equipping of existing infrastructure
- ✓ Empowerment of youth, women and people living with disability
- ✓ Distribution of water to households by supporting community projects through provision of pipes and water tanks.
- ✓ Continued investment in roads infrastructure through opening of new roads, grading, gravelling, paving by cabro and bitumen in addition to maintenance of existing ones.
- ✓ Investing in preventive health care services.
- ✓ Establishing ICT literacy enhancement programme in rural areas
- ✓ Face lifting cultural centres
- ✓ Transforming the agricultural sector to improve food security and income;

4.3 Medium Term Expenditure Estimates

Table 9: Departmental ceilings for the FY 2020/21-2022/23(see Annexure 1)

4.4 Baseline Ceilings

The baseline estimates reflect the current ministerial spending levels in sector Programmes. In both recurrent and development Programmes, adjustment has been made to cater for pending bills for the previous years and in adherence to National Treasury Circular NO: **21/2019REF:IGFR/PB/01/A/53** of 2019 that required Counties to pay pending merchants bills that have accrued over the years.

The departmental ceilings in table 9 will form the indicative baseline for the FY 2020/21 budget. In the recurrent expenditure category, non–discretionary expenditures take first charge. Compensation of employees for the county overall expenditure should account for a maximum of 35 % of the budget estimates. Adhering to this principle may not be achieved due to continued recruitment to cover the gap on capacity which has continually led to increase in county wage bill. Going forward, the County will address the issue of staff rationalization.

Expenditure ceilings has been categorised as per the budgeting classification of compensation to employees, use of goods and services and development estimates for all departments. The

Development expenditures are undertaken on the basis of Vision 2040, CIDP 2018-2022, Annual Development Plan (2019), the Governors Manifesto, Public participation report of 2020 as well as departmental strategic priorities. The Proposed capital projects will have to be evaluated in the context of the following elements:

- ✓ Work in progress for ward and flagship projects to be given first priority;
- ✓ Community needs identified through public participation;
- ✓ Department/sector strategic needs that contribute greatly in addressing county's socio-economic needs.
- ✓ Emerging issues which require much attention such as emergency and disaster management;
- ✓ Cross cutting issues and other special programmes such as disaster management, youth, and people with disability.

4.5 Details of Sector/Departmental Priorities

4.5.1 Social protection culture and recreation sector

This sector comprises of the following departments; Youth Affairs; Sports Development and culture. The sector's vision is a leading provider of social services for quality life to the Meru County residents. The mission is to promote, coordinate, monitor and evaluate talent development, cultural programmes, and community empowerment as an integral part of County development.

To achieve its objectives the department will implement the following programmes over the medium term.

Programme 1: **Sports Development**	**Projects**
	Continued face lifting of Kirwiro
	Upgrading of stadia's.
	Participation in local regional and national sports championship
	Participation in KICOSCA and Kenya youth intercounty games
	Governor's cup
	Support to local sports federations

Programme 2: Youth Affairs	**Projects**
	Continuous funding of MYS
	Identification and development of talent

	Support and nurture Youth ICT Innovations
	Youth social economic empowerment
	Establishment of youth shoe shine shades

Programme 3: Arts & Culture	**Projects**
	Construction and equipping of Njuri Ncheke cultural centre at Nchiru
	Construction and equipping of sub county cultural centres
	Establishment of kimeru institute

4.5.2 Education Sector

This sector covers the following sub-sectors: Early Childhood Development Education (ECDE), Technical Vocational Education & Training, Gender and Social Development. The sector vision is to create an educated and skilled society for sustainable development whereas the mission is to facilitate provision of quality education, training, mentorship, research and innovation for capacity building and prosperity.

During the MTEF period 2020/21-2022/23 the sector plans to achieve its objectives through implementation of the following programmes.

Programme 1: Basic Education	**Projects**
	Promotion of Early Childhood Development Education
	Improvement of nutritional value to early learners through milk programme
	Purchase of education materials
	Curriculum implementation and monitoring
	Capacity Building of ECDE officers and teachers

Programme 2: Technical and Vocation Education and Training	**Projects**
	Promotion of vocational training
	Implementation of curriculum
	Promotion of home crafting
	Capacity building

Programme 3: Gender , Social Development & Children Services	Projects
	Facilitate and Support Orphans and Vulnerable Children(OVCs)
	PWD and Charitable Child Institutions(CCI) and the elderly assisted in social protection programme
	Mitigation against Sex and Gender Based Violence(SGBV), Female Genital Mutilation(FGM) and Early Marriages by enhancing family protection
	Capacity building on Social Economic Empowerment
	Gender mainstreaming

4.5.3 General Economic and Commercial Affairs (GECA) Sector

This sector covers the following sub-sectors: Cooperatives Development, Trade Development and Tourism Development. The Sector integrates both product and service industries. During the MTEF period 2020/21-2022/23 the sector plans to achieve its planned objectives through implementation of the following programmes.

Programme 1: Cooperative Development	Projects
	Capacity building for cooperative societies
	Revitalization of coffee Sector
	Coffee cash model introduced
	Dairy Sector promotion
	Promotion of Potatoes, bananas, avocado and macadamia Co-operatives

Programme 2: Trade and Enterprise Development	Projects
	Trade Promotion
	Upgrading of market infrastructure & Maintenance of market utilities
	Construction of modern kiosks
	Trade Promotion
	Maintenance of market utilities
	Industrial Development
	Capacity Building

Programme 3: Tourism Development and Promotion	Projects
	Tourism Product Development
	Tourism Marketing and promotion
	Capacity Building

4.5.4 Public Administration and Intergovernmental Relations Sector (PAIRs)

This sector covers the following sub-sectors; Office of the Governor, Finance, Economic Planning & ICT, County Assembly, Public Service Board, Legal Affairs, Public Service Management and Administration, Meru County Microfinance Corporation, Meru county Development and investment Corporation and Meru county Revenue Board. With regard to mandate areas, the Sector provides overall policy and leadership direction to the county, oversees county legislation as well as the human resource function in the public service and management of public resources. It further coordinates county policy formulation, implementation, monitoring and evaluation. During the MTEF period 2020/21-2022/23 the sector plans to achieve its planned objectives through implementation of the following programmes.

Sub-Sector 1: County Assembly

Programme 1: Legislation and Representation	**Projects**
	Legislative Oversight

Programme 2: Legislative Oversight	**Projects**
	Legislation and Representation

Sub-Sector 2: Office of the Governor

Programme 1: Communications & Events	**Projects**
	Facilitation of printing services on official magazine and/or newsletters
	Advertising, Awareness and Publicity Campaigns
	Facilitation of media and communication services in the Office of the Governor
	Facilitation of Staff Training

Programme 2: Disaster Management, Rescue And Emergency Services	**Projects**
	Purchase of firefighting equipment and replacement of damaged ones
	Disaster management

Programme 3: Efficiency Monitoring	Projects
	Efficiency Monitoring and Evaluation
	Performance Management and Appraisal

Programme 4: Partnership Development& External Linkages	Projects
	Donor Mobilization
	Partnership linkages

Sub-Sector 3: County Treasury

Programme 1: Public Finance and Budget Management	Projects/Activities
	Preparation of budget and budget documents/ templates
	Budget public participation
	Facilitation of Staff Training
	Procurement and supplies management
	Internal audit and assurance
	Financial reporting and asset management

Programme 2: Economic Planning & Coordination Services	Projects
	Planning
	Monitoring and evaluation
	County Development Coordination
	Economic Survey
	County Documentation and Library Services
	Capacity development

Programme 3: Fleet management and ICT	Projects/Activities
	Management of fuel and maintenance
	Monitoring of fleet system
	Capacity building of staff on ICT
	Connectivity of offices
	Maintenance of ICT infrastructure

Semi- Autonomous Agencies

Meru County Revenue Board	Projects/Activities
	Operationalization of Finance Act
	Enforcement of revenue collection
	Capacity Building

Meru County Investment Corporation	Projects/Activities
	Mobilization of Development partners
	Management of county business enterprises
	Enhancing public private partnerships

Meru County Microfinance Corporation	Projects/Activities
	Advancing of loans to Micro groups
	Capacity Building of saccos and Micro groups

Sub sector 4: Legal Affairs, Public Service Administration & Management

Programme 1: Coordination Of County Government Functions	Programmes/Activities
	Administration and support services
	Public Service Management and Transformation
	Office Accommodation Management

Programme 2: County Enforcement Service	Programmes/Activities
	County Enforcement Service
	Capacity building of county enforcement officers

Programme 3: Human Resource Management	Programmes/Activities
	Staff Management and Development
	Payment of salaries and remuneration
	Staff welfare
	Human Resource Development

Programme 4: Legal Representation, and Advisory Services	Programmes/Activities
	Legal consultancy & administration
	Compliance of legal requirements

Sub sector 5: Town Administration

Programme 1: Town Administration and Management	Programmes/Activities
	Administration and management of public utilities

Sub sector 6: Public Service Board

Programme 1: Human Resource Management & Development	Programmes/Activities
	Hiring and sourcing of county manpower
	Advising executive on matters relating to employees
	Induction and capacity building of employees

4.5.5 Environmental Protection, Water and Natural Resources Sector

This sector covers the following sub-sectors: environment and natural resources, water and irrigation. This sector contributes to the country's social and economic growth. The sector of Water, Environment and Natural Resources aimed at promoting sustainable management of environment and natural resources to equitably provide for development needs for the current and future generations without causing degradation or ecological scarcities During the MTEF period 2020/21-2022/23 the sector plans to achieve its planned objectives through implementation of the following programmes.

Sub-Sector 1. Water & Irrigation

Programme 1: Water resources management	Projects
	Drilling and equipping of boreholes with solar powered pumps
	Water distribution to households through purchase of pipes and water tanks

Programme 2: Irrigation and drainage infrastructure.	Projects
	Support to community water projects
	Advising relevant stakeholders on irrigation

Sub-Sector 2: Environment & Natural Resources

Programme 1: Environmental protection and climate change.	Projects
	Enforcement of environmental protection laws and regulations
	Forest Ecosystem Management-Afforestation
	Implementation of global climate change recommendations
	Rehabilitation of catchment and riparian areas

4.5.6 Health Sector

The sector during the FY 2020/21 will implement its planned priorities within the following programmes; Curative Healthcare, Preventive and Promotive health care and Administration, planning and support services.

The sector priorities include:

Programme 1: Curative Health Care	**Projects**
	Equipping of health centres and dispensaries
	Procurement of drugs
	Computerization/automation of level 4 hospitals
	Coordinate cancer screening in the regions around the satellite
	Equipping and staffing MTRH cancer unit.
	Establishment of Cancer Centre at Meru Teaching and Referral Hospital in coordination with national government

Programme 2: Preventive and Promotive Health Care	**Projects**
	Communicable and Non-communicable Disease Prevention and Control
	Capacity building and awareness
	Deworming of children
	Provision of community health services,
	Reduction of Drug and substance abuse
	Rehabilitative services

4.5.7 Energy & Infrastructure

The sector comprises of energy and roads & infrastructure subsectors. During the FY 2020/21 the sector will implement its planned priorities within the following programmes;

Programme 1: Energy Management	**Projects**
	Identification and protection of potential energy sites
	Installation and maintenance of public amenities lighting
	Liaising with ministry of energy on behalf of the county

Programme 2: Roads Transport	**Projects**
	Routine maintenance of county roads/county wide
	Culvert installation, bridge construction, Gabion installation, Construction of drifts
	Cabro paving

4.5.8 Agriculture Rural and Urban Development Sector

Sub sector 1: Agriculture, Livestock & Fisheries

Programme1:Agriculture Development	**Projects**
	Crop Development for food security
	Capacity building of staff and farmers

Programme2:Fisheries Development	**Projects**
	Capacity building on sustainable fish farming
	Procure Tilapia brooders for fingerlings production
	Construction of departmental fish ponds for demonstration and rehabilitation of existing ponds
	Procurement of fishing gears and water testing kits

Programme 3:Veterinary and Livestock Development	**Projects**
	Construction and maintenance of livestock markets.
	Acquisition of semen for artificial insemination.
	Procurement of vaccines.
	Procurement of freezers and microscopes.

Semi-Autonomous Agencies

1. **Kaguru Agricultural training Centre (ATC) & Agricultural Mechanization Services (AMS)**

Projects/Activities
Capacity building of staff and farmers
Infrastructure development

Sub sector 2: Lands, Physical Planning and Public Works

Programme1: Physical Planning	**Projects**
	Establish a functional GIS system for the county
	Preparation of physical and land use plans
	Preparation and enforcement of the spatial plan

Programme2: Lands	Projects
	Land adjudication
	Custodian of public land

Programme3: Public Works and Urban Development	Projects
	Preparation of County civil work BQs
	Overseeing and certifying civil works and construction

CHAPTER 5: CONCLUSION

This CFSP has detailed the set of fiscal policies that are aimed at balancing between changing circumstances due to emerging issues and the need to keep the link to the CIDP and the fiscal responsibility principles espoused in the PFM Act, 2012. The policies are also consistent with the national strategic objectives as detailed in the Budget Policy Statement which provides the basis for allocation of public resources to the County Government.

Details of these strategic objectives are contained in the CIDP (2018-2022). These details were also reviewed and refined during the sector working groups and each sector working group report provides clarity on the key priorities and resources needed for the FY 2020/21 MTEF budget. The policies and departmental ceilings provided in this document will guide the Sectors/departments in preparation of the 2020/21 MTEF Programme Based Budgets.

Budgetary resources are usually limited, thus it is imperative that departments prioritize their programmes within the available resources to ensure that utilization of public funds are in line with county government priorities. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for programmes.

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programmes envisaged in this document and strengthen the county's capacity to deliver services to its residents. Monitoring and evaluation will involve the tracking of activities, tracking of budget usage, the assessment of performance and putting in place strategies and actions for the attainment of results.

Proper implementation of the budget is critical towards providing services that will promote sustainable growth. Sustainability requires greater effort from all the stakeholders including county government departments, sector working groups, civil societies, communities, County Assembly and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.

		COUNTY GOVERNMENT OF MERU		
	DEPARTMENTS/ CORPORATIONS		Approved Budget	Budget Esimates Ceiling
	FY 2020/2021 CFSP	Description	FY 2019/20	FY 2020/21
1	County Assembly	Compensation to employees	517,855,318.40	517,855,318.40
		Use of goods &Services	407,364,681.60	407,364,681.60
		Recurrent Pending Bills	-	
		Other Development	20,000,000.00	20,000,000.00
		Development Pending Bills	-	-
		Sub-Total	**945,220,000.00**	**945,220,000.00**
2	Office of the Governor	Compensation to employees	136,800,629.52	141,183,077.30
		Use of goods &Services	184,874,979.00	140,344,550.16
		Recurrent Pending Bills		-
		Development	-	-
		Development Pending Bills		-
		Sub-Total	**321,675,608.52**	**281,527,627.46**
3	Finance, Economic Planning & ICT	Compensation to employees	305,339,334.00	309,077,515.70
		Use of goods &Services	284,854,876.01	110,000,000.00
		Non Discretional items for all Departments		99,695,989.04
		Recurrent Pending Bills		130,000,000.00
		Development	12,500,000.00	21,125,408.00
		Development Pending Bills		
		Sub-Total	**602,694,210.00**	**669,898,912.74**
	SAGAS			
a	Meru County Revenue Board	Use of goods &Services	59,300,000.00	55,000,000.00
		Sub-Total	**59,300,000.00**	**55,000,000.00**
b	Meru County Investment Corporation	Compensation to employees	35,608,454.00	35,964,538.54
		Use of goods &Services	15,000,000.00	-
		Development	30,000,000.00	23,000,000.00
		Sub-Total	**80,608,454.00**	**58,964,538.54**
c	Meru County Microfinance Corporation	Compensation to employees	47,252,212.48	47,724,734.60
		Use of goods &Services	33,000,000.00	33,000,000.00
		Development	-	-
		Sub-Total	**80,252,212.48**	**80,724,734.60**
4	Agric, Livestock & Fisheries development.	Compensation to employees	291,000,000.00	283,135,516.50
		Use of goods &Services	58,533,299.00	40,320,863.40
		Recurrent Pending Bills		-
		Development	535,220,885.00	39,000,000.00
		Conditional Grants Development		317,546,989.00
		Development Pending Bills		75,941,511.00
		Sub-Total	**884,754,184.00**	**755,944,879.90**
5	Water & Irrigation	Compensation to employees	99,120,000.00	93,981,331.44
		Use of goods &Services	16,000,000.00	26,000,000.00
		Recurrent Pending Bills		
		Development	156,298,074.00	80,000,000.00

COUNTY GOVERNMENT OF MERU
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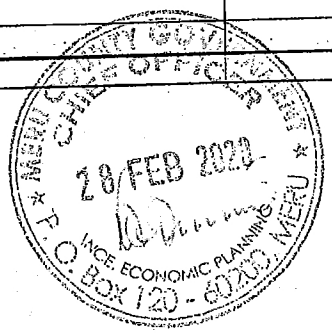
		Ward Development Projects		55,000,000.00
		Development Pending Bills		132,455,902.00
		Sub-Total	**271,418,074.00**	**387,437,233.44**
6	Education, Gender & Social Development	Compensation to employees	579,950,000.00	560,723,361.41
		Use of goods &Services	311,962,790.00	110,618,966.00
		Bursaries		141,500,000.00
		Recurrent Pending Bills		8,361,150.00
		Development	213,830,768.00	40,000,000.00
		Conditional Grants Development		58,686,170.00
		Development Pending Bills		
		Sub-Total	**1,105,743,558.00**	**919,889,647.41**
7	Health Services	Compensation to employees	2,574,850,000.00	2,581,065,939.44
		Use of goods &Services	461,435,174.00	54,304,010.96
		FIF -Recurrent Component		100,500,673.76
		Conditional Grants Recurrent		205,554,678.00
		Recurrent Pending Bills		-
		Development	371,942,531.00	50,501,760.00
		Conditional Grants Development		258,872,832.00
		FIF -Development Component		119,499,326.24
		Development Pending Bills		109,844,817.00
		Sub-Total	**3,408,227,705.00**	**3,480,144,037.40**
8	Lands, Physical Planning, Urban Development & Public Works	Compensation to employees	58,300,000.00	60,507,660.36
		Use of goods &Services	113,002,987.00	32,798,185.15
		Recurrent Pending Bills		-
		Development	374,898,015.00	80,113,509.00
		Conditional Grants Development		116,890,200.00
		Development Pending Bills		79,785,148.85
		Sub-Total	**546,201,002.00**	**370,094,703.36**
9	Legal Affairs, Public Service Management & Administration	Compensation to employees	251,400,000.00	258,448,485.54
		Use of goods &Services	575,882,101.30	85,643,952.00
		Staff Medical Insurance		260,000,000.00
		Office Space rent		30,500,000.00
		Conditional Grants Recurrent		30,000,000.00
		Recurrent Pending Bills		-
		Development	232,216,740.00	4,000,000.00
		Conditional Grants Development		232,216,740.00
		Development Pending Bills		-
		Sub-Total	**1,059,498,841.30**	**900,809,177.54**
10	Roads, Transport & Energy	Compensation to employees	62,900,000.00	66,967,377.23
		Use of goods &Services	28,380,000.00	27,000,000.00
		Recurrent Pending Bills		197,400.00
		Development	1,141,816,728.00	70,000,000.00
		Ward Develoment Projects		180,000,000.00
		Conditional Grants Development		241,491,600.00
		Development Pending Bills	0	337,997,230.94
		Sub-Total	**1,233,096,728.00**	**923,653,608.17**

OFFICE OF THE COUNTY SECRETARY
10 FEB 2021
OFFICE OF THE COUNTY EXECUTIVE COMMITTEE MEMBER ECONOMIC PLANNING

11	Trade, Tourism & Coop dev.	Compensation to employees	49,800,000.00	56,578,014.36
		Use of goods & Services	54,570,110.00	46,000,000.00
		Recurrent Pending Bills	-	-
		Development	135,355,669.00	45,000,000.00
		Ward Development Projects	-	90,000,000.00
		Development Pending Bills	-	71,812,142.00
		Sub-Total	**239,725,779.00**	**309,390,156.36**
12	Youth Affairs, Sports & Culture	Compensation to employees	31,200,000.00	32,666,583.38
		Use of goods &Services	120,635,925.00	40,783,571.30
		Recurrent Pending Bills	-	-
		Development	108,519,203.00	27,000,000.00
		Dev.MYS Fund		60,000,000.00
		Development Pending Bills		
		Sub-Total	**260,355,128.00**	**160,450,154.68**
13	County Public Service Board	Compensation to employees	-	
		Use of goods &Services	25,381,034.00	25,381,034.00
		Recurrent Pending Bills	-	
		Development	-	
		Sub-Total	**25,381,034.00**	**25,381,034.00**
14	Environment, Wildlife & Natural Resources	Compensation to employees	18,600,000.00	22,513,748.40
		Use of goods &Services	37,500,000.00	29,200,000.00
		Recurrent Pending Bills		2,756,715.00
		Development	13,400,000.00	12,700,600.00
		Development Pending Bills		25,237,700.00
		Sub-Total	**69,500,000.00**	**92,408,763.40**
		Compensation to employees	***4,977,115,281.92***	***5,068,393,202.60***
		Sub total use of goods and services	***2,870,538,623.38***	***2,272,826,420.37***
		Sub Total Development	***3,345,998,613.00***	***3,075,719,586.03***
		Total	***11,193,652,518.30***	***10,416,939,209.00***
	% to Total Revenue	***Compensation to employees***	***44%***	***49%***
		Use of goods &Services	***26%***	***22%***
		Development	***30%***	***30%***
		Total	***100%***	***100%***