COUNTY GOVERNMENT OF MERU

DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND ICT

Email: finance.department@meru.go.ke

Meru County Headquarters
P.O. Box 120 - 60200
MERU

When replying please quote

CGM/CECM/FIN/BUDGET/2/V.1/81 16th October, 2024

The Clerk,
County Assembly of Meru,
P. O. Box 3 – 60200,
Meru.

Dear Bwana Clerk,

RE: MERU COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2024

Reference is drawn to Section 118 of the Public Finance Management Act, 2012 as relates the highlighted subject matter.

In regard to the above therefore, and in accordance with the Legal provisions, I wish to submit the Meru County Budget Review and Outlook Paper (CBROP) 2024.

Thank you for your cooperation and support.

COUNTY GOVERNMENT OF MERU
CECM
17 OCT 2024
FINANCE, ECONOMIC, PLANNING & ICT
P. O Box 120 - 60200 MERU

Yours faithfully,

CPA Ibrahim Mutwiri Kiriti
CEC(M) - Finance, Economic Planning and ICT

Copy to: **Controller of Budget,**
Bima House, 12th Floor,
Harambee Avenue,
P.O Box 35616-00100,
Nairobi.

The CEO,
Commission on Revenue Allocation,
3rd Ngong Avenue, Prism Towers, 28th Floor,
P.O Box 1310-00200
Nairobi.

Hon. Speaker,
County Assembly of Meru,
Meru.

The County Secretary,
County Government of Meru,
Meru.

Encl.

COUNTY GOVERNMENT OF MERU

CABINET SECRETARIAT

CABINET EXTRACTS FOR THE 18TH CABINET MEETING HELD ON 17th OCTOBER 2024 AT THE GOVERNOR'S BOARDROOM FROM 9 A.M

PRESENT	
1. H.E Hon. Bishop Kawira Mwangaza	- Chairperson
2. Dr. Kiambi J.T Atheru, PhD.	- Secretary
3. C.P.A. Kathono Monica Kaithiori	
4. Mr. Dickson Munene Nkanata	
5. C.P.A. Ibrahim Mutwiri Kirimi	
6. Mr. Joseph Thuranira Ithana	
7. Dr. Faith Mwende Mutegi, PhD.	
8. Dr. George Mungania	
9. Mr. Jackson Muthamia Munoru	
10 Ms. Harriet Makena Kiambati	
11. Mr. Benjamin Kinyanga Mungania	
12. Dr. Yusuf Kithure Rutere, PhD.	
13. Mr. Harrison Gitonga Nchamba Mbithi	- Member of Cabinet Secretariat

Absent

1.H.E Hon. Mutuma M' Ethingia – Deputy Governor

Min.4/CEC/18/24

The county executive Member of Finance, Economic Planning and ICT presented the 2024 County Budget Review to the county executive committee detailing Fiscal performance for the financial year 2023/24 both financial and non-financial. He presented revenue and expenditure performance during the year against the approved budget estimates as shown in the table below;

SUMMARY OF COUNTY FISCAL PERFORMANCE FOR THE FY 2023/24						
Description	2021/22 FY	2022/23 FY	2023/24 FY			
	Actual (kshs. Million)	Actual (kshs. Million)	Approved Budget Est' (kshs. Million)	Actual Receipts (kshs. Million)	Deviation	% Absorption
	a	b	c	d	e=(d-c)	f=(d/c)
1. REVENUE						
Equitable Share Allocation	8029.09	9,493.86	9,892.63	9,101.22	-791.41	92.00%
Conditional Grants	602.72	416.31	905.04	657.75	-247.29	72.68%
Roll-over from Previous FY	1089.36	830.54	367.51	367.51	0.00	100.00%
County own revenues	385.49	385.49	550.00	381.81	-168.19	69.42%
Kaguru ATC	13.5	11.73	16.00	10.27	-5.73	64.19%
Appropriation in Aid (Hosp FIF)	233.37	425.39	500.00	580.13	80.13	116.03%
Total Revenue & Grants	**10,353.53**	**11,563.32**	**12,231.18**	**11,098.69**	**-1,132.49**	**90.74%**
2. EXPENDITURE						
Recurrent Expenditure						
Compensation to Employees	5093.8	5,298.92	4,549.41	4,547.93	-5.01	99.97%
Use of goods and services	1614.12	2,213.57	2,950.26	2,451.66	-111.48	83.10%
County Assembly	961.07	1,303.70	982.38	982.36	-0.02	100.00%
Recurrent Total	**7,668.99**	**8,816.19**	**8,482.05**	**7,981.95**	**-116.51**	**94.10%**
Development Expenditure						
County Executive	2586.53	2,628.54	3,709.12	2,966.32	-1,002.85	79.97%
County Assembly	-	12.38	40.00	7.98	-72.56	19.95%
Development Total	**2,586.53**	**2,640.92**	**3,749.12**	**2,974.30**	**-1,075.41**	**79.33%**

Total Expenditure	10,255.52	11,457.11	12,231.17	10,956.25	-1,191.92	90.58%

The CECM Finance further detailed highlights of the recent Global and Country's economic developments and how this affects the County economic performance with an analysis per sector and risks to the outlook. Additionally, he presented the resource framework for the MTEF period 2025/26-2027/28 per department and the criteria for allocation as tentative ceilings which will be affirmed during the County Fiscal Strategy paper 2025.

Revenue Stream	Approved FY 2024/2025 Revenue Budget Est'	Projected FY 2025/2026 Revenue Budget Est'	Outer FY 2026/2027	Outer FY 2027/2028
a. Equitable Share	10,879,160,115.00	9,752,383,950.00	10,343,753,713.26	10,860,941,398.92
b. County Own Revenue	500,000,000.00	520,110,000.00	560,540,000.00	588,567,000.00
c. Appropriation in Aid- Hospital FIF	550,000,000.00	600,200,000.00	601,200,154.00	631,260,161.70
d. Kaguru Training Centre	17,000,000.00	20,000,000.00	22,500,000.00	23,625,000.00
Conditional Loans and Grants	1,976,236,718.66	1,477,901,223.86	1,551,250,339.10	1,628,812,856.06
Total	**13,922,396,833.66**	**12,370,595,173.86**	**13,079,244,206.36**	**13,733,206,416.68**

Upon successful deliberations the County Executive Committee adopted and approved the 2024 County Budget Review and Outlook for subsequent submission to county assembly as required by PFM Act 2012, Section 118.

COUNTY PUBLIC SERVICE BOARD & HEAD OF PUBLIC SERVICE
17 OCT 2024
P. O. BOX 141 - 60300, MERU
COUNTY GOVERNMENT OF MERU

Cabinet Extracts Compiled by:

Dr. Kiambi J.T Atheru, PhD.....

County Secretary/Secretary

THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MERU

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2024

OCTOBER 2024

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P.O. Box 120 - 60200 MERU

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The County Treasury P. O. Box 120-60200 MERU, KENYA

Email: merucounty@meru.go.ke

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FOREWORD

The 2024 Budget Review and Outlook Paper (BROP) has been developed against a backdrop of stable global and domestic economic outlook. Global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. On the domestic front, the Kenyan economy is currently unwinding from layers of negative and persistent shocks that had a structural effect on economic activities. The shocks included: COVID-19 pandemic and its ensuing effects, conflict in Eastern Europe and Middle East that led to global supply chain disruptions and the adverse effects of climate change from the prolonged drought in 2021 to the floods in the first half of 2024. These shocks escalated the cost of essential household commodities including fuel prices, and led to a rapid depreciation of the Kenya Shilling exchange rate, pilling pressure on public debt.

The Gross County Product which is a measure of county's contribution to Kenya's GDP was reported at 3.1 % in the Gross County Product 2023 report by KNBS. Meru County is among the 5 largest county economies. Meru County economy is expected to have a steady growth in the year 2024. This optimistic outlook is underpinned by ongoing initiatives such as the provision of subsidized farm inputs, establishing of agriculture value chain value-added products. Additionally, the government is actively supporting Small and Medium Enterprises (SMEs) by offering low-interest loans through the Micro-Finance Corporations, establishment of industrial and incubation centres among others. In the realm of water and sanitation, the government shall seek to revitalize water services and sanitation infrastructure, institutional development, external linkages, ensure financial sustainability, environmental conservation and provision of sustainability quality, affordable and adequate water for improved livelihoods.

Budget execution in the FY 2023/24 closed with a fiscal deficit of Kshs.1.132 billion (9.3 per cent) which was majorly attributed to shortfall in equitable share by Kshs.791 million, own source revenue by Kshs. 168.19 million and non-disbursement from conditional grants mainly for Aggregated Industrial park. Own source revenue collection reached 69.4 percent, missing the target primarily because of disruptions caused by transitioning to the new revenue collection system and mobilization challenges. The overall expenditure absorption rate stood at 90.7 percent, comprising of 94 percent for recurrent expenditure and 79 percent for development expenditure.

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Given these economic and fiscal outlook, the focal point of the FY 2024/25 budget and the FY 2025/26 Medium-TermExpenditure Framework will be to employ measures to optimize own source revenue by expanding the existing revenue base, revising the fees, tariffs and fees charged, implementing the valuation roll, capacity building of revenue collection staff, sensitizing the public on revenue collection and rigorous mobilization of revenue.

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P.O. Box 120 - 60200 MERU

CPA Ibrahim Mutwiri

CECM Finance, Economic Planning & ICT,

ACKNOWLEDGEMENT

The 2024 Budget Review and Outlook Paper (BROP) has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. It provides the fiscal outturn for the FY 2023/24, the macro-economic projections and sets sector ceilings for the FY 2025/26 and the Medium-Term Budget. It also provides an overview of how the actual performance of the FY 2023/24 affected compliance on the fiscal responsibility principles and the financial objectives outlined in the PFM Act, 2012.

Budget execution for the FY 2023/24 was affected by challenges in cash-flow due to delay in monthly disbursement if equitable share by the National Government and below targets collection on own source revenue which led to delay in implementation of planned Programmes and services. June exchequer disbursement was also not released during the year causing the County to close the year with huge pending bills and non-delivery of key service due to limited cash-flow.

Considering the actual financial outcome for FY 2023/24 as well as the impact of the withdrawal of Finance Bill 2024 by the National Government which led to reduction of the County allocation by 17 billion, Meru County allocation in equitable share will see a reduction of approximately 287 million. In view of this there is need to revise the fiscal framework for FY 2024/25 to absorb the changes.

Preparation of the 2024 BROP was a collaborative effort of various sectors and stakeholders. I thank H.E The Governor and the County Executive Committee for their leadership and guidance toward development of this document. I also thank all the accounting officers of departments and corporations for the coordination of their departments that ensured timely provision of useful data and information on budget execution for the FY 2023/24.

I also appreciate the technical team from the Directorates of Budget and Economic Planning that coordinated the development of this paper. We are also grateful to the budget and economic forum and the Macro working group that reviewed this document to ensure it is aligned with the PFM Act, 2012 and set out the sector ceilings contained therein to guide the rest of the sectors in the preparation of their FY 2025/26 and Medium-Term Budgets.

Charles Mwenda Kaibiria

Chief Officer – Finance, Economic Planning & ICT

ABBREVIATIONS AND ACRONYMS

A.I.A	Appropriation in Aid
ADP	Annual Development Plan
ASDSP	Agricultural Sector Development Support Program
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CRA	Commission of Revenue Allocation
ELRP	Emergency Locust Response Program
FIF	Facility Improvement Fund
FLOCCA	Financing Locally Led Climate Action Program
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
IBEC	Inter-Governmental Budget and Economic Council
IFMIS	Integrated Financial Management Information System
KDSP	Kenya Development Support Program
KISIIP	Kenya Informal Settlement Project
KNBS	Kenya National Bureau of Statistics
MCRB	Meru County Revenue Board
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
MYS	Meru Youth Service
NARIGP	National Agricultural & Rural Inclusive Growth Project
NAVCDP	National Agricultural Value Chain Development Program
OSR	Own Source Revenue
P.F.M	Public Finance Management
PFM	Public Finance Management
S.R.C	Salaries & Remuneration Commission
SRC	Salaries and Remuneration Commission
SWGs	Sector Working Groups
TVET	Technical and Vocational Education Training

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

The County Budget Review and Outlook Paper preparation is enshrined in the Public Finance Management Act, 2012 section 118 (1) which stipulates that a County Treasury shall:

a) Prepare a County Budget Review and Outlook Paper in respect of the County for each financial year, and

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

Section 118 (2) of the same Act further provides that the CBROP should contain:

c) The details of the actual fiscal performance in the previous year compared to the Budget appropriation for that year;

d) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

e) Information on:

   (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or

   (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

f) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

g) After preparation of the Paper by the County Treasury, The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission, and arranges for the same to be laid before the County Assembly not later that seven days after its approval and thereafter publishes and publicize the Paper.

Preparation of this paper is further backed by the County Governments Act, 2012 and the Constitution of Kenya, which compels County Governments to plan for their Counties and requires the appropriation of the funds to be within the approved planning frameworks.

Fiscal Responsibility Principles in the Public Financial Management Law

The Public Financial Management (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 states that 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 the county government's total revenue;

b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to development expenditure;

c) the county government's expenditure on wages and benefits for its public officers 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;

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 debt shall be maintained at a sustainable level as approved by county assembly;

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.

For the purposes of subsection (2) 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.

Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.

1.0 INTRODUCTION

The 2024 County Budget Review and Outlook Paper (CBROP) has prepared through collaborative effort from different stakeholders and is line with Section 118 of the PFM Act, 2012 and 2015. The County Budget Review Outlook Paper 2024 entails the fiscal performance of the FY 2023/24, updated economic and fiscal forecast outlook, information on changes in the 2023 County Fiscal Strategy Paper and the medium-term expenditure framework for the FY 2024/25-2026/27.

1.1 Objectives of CBROP

The objective of the CBROP 2024 is to provide a review of fiscal performance in regards to revenue and expenditure performance for the FY 2023/24 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the CFSP 2023. This together with updated macroeconomic developments and outlook provides a basis for revision of the current fiscal year budget in the context of Supplementary Estimates and the broad fiscal parameters that inform projections for FY 2024/25 budget and the medium term. Specifically, the CBROP aims to provide:

i. Details of the actual fiscal performance in the previous fiscal year 2023/24 compared to the budget appropriation for that particular year;
ii. 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
iii. 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.
iv. Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
v. 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;
vi. The financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.

1.2 Structure of the Document

This CBROP paper is organized as follow;

a) ***Section One*** gives the legal Basis of preparation of the document, fiscal responsibility principles and the introduction.

b) ***Section Two*** provides a review of the fiscal performance in FY 2023/24 and its implications on the financial objectives set out in the County Fiscal Strategy Paper for the FY 2023/24 submitted to the County Assembly.

c) **Section Three** details highlights of the recent Global and Country's economic developments and how this affects the County economic performance. The section also details the Country's economic performance in terms of Inflation rate, Exchange rate and interest rate the County's Economic outlook with an analysis per sector and risks to the outlook

d) **Section Four** sets out how the county government resource allocation framework over the medium period 2024-25-2026/27, gives an analysis of the first quarter implementation of FY 2024/25 and Fiscal projections in term of revenue and expenditure and measures to achieve the framework.

e) Section Five. This section gives the conclusion and recommendations.

2.0 REVIEW OF COUNTY FISCAL PERFORMANCE IN FY 2023/24

2.1 Overview

This chapter presents the receipts from the National Government consolidated fund and own source revenue in FY 2023/24 for both development and recurrent expenditures. The fiscal performance and absorption of approved budget of Meru County for FY 2023/24 was at (90%) an improvement from the previous year FY 2022/23 which was (86%). The high absorption is attributed to efficiency in implementation of programs and projects regardless of the untimely/ delayed disbursement of funds from the National Treasury and the unique environments under which the budget was implemented that saw Meru County experience interruptions from political unrest.

Other more typical challenges include and not limited to:

a) **Local Revenue Deficit:** Collection of Own Source Revenue was potentially low .The below target collection impacted negatively on the financial independence and delayed projects implementation resulting to unfunded pending bills.

b) **Global Economic Downturn:** The global economic downturn, compounded by a weakened local currency (shilling) against foreign currencies, especially the USD, negatively impacted revenue performance. This has really highlighted the nation's vulnerability to external forces which include international lending bodies e.g., the International Monetary Fund (IMF), African Development Bank and other developed countries including China, U.S.A, United Kingdom and some other European countries, the price of fuel and our over reliance on imports and not producing enough commodities locally leading to a huge disparity between our exports and imports.

Table 1: Summary of revenue receipts performance from for the FYs 2022/23- 2023/24

Revenue Item	Amount disbursed(KSHS)	
	2022/23	2023/24
Equitable shareable Revenue	10,253,365,925.00	9,101,215,160.00
Transforming Health systems for Universal care Project (WB)	-	-
IDA (WB) Credit (National Agricultural and Rural Inclusive Growth Project NARIGP)	194,824,365.95	4,261,826.00
World Bank for national agricultural value chain development project (NAVCDP)	67,192,729.00	198,912,147.00
IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 1 Grant	-	-
IDA (WB) Credit: Kenya Urban Support Project (KUSP) –Urban Development Grant (UDG)	2,339,915.00	-
IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 2 Grant	-	-
DANIDA Grant	25,860,375.00	14,668,500.00
GoK- ASDSP	9,945,897.00	1,605,100.00
WB- Emergency Locust Response Project (ELRP)	74,143,047.00	119,986,828.00
Kenya Informal Settlement Improvement Project-KISIP II	20,000,000.00	67,546,296.00
World credit Financing Locally-Led Climate Action	22,000,000.00	-
World credit Financing Locally-Led Climate Action	-	188,269,899.00
Aggregated Industrial Park Program me	-	62,500,000.00
Aquaculture Business Development Program	-	-
Conditional grant for transfer of library services	-	-
TOTAL	**10,669,672,253.95**	**9,758,965,756.00**

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2.1.1 Revenue Performance

During the FY 2023/24, the County targeted to receive Kshs. 12,231,175,663 as its overall resource envelope, however as at the end of year the County realized actual total revenue amounting to Kshs. 11,098,685,996.25. These total receipts into the county revenue fund were composed of: Kshs.9,101,215,160.00 as equitable share representing 92 per cent of the annual target compared to Kshs 10,253,365,925 (100 %) of revenue annual target recorded in FY 2022/23; Own source revenue collection of Kshs.381,805,168(69%) against a target of Kshs. 550,000,000; Conditional grants at Kshs.657,750,596. against a target of Kshs.905,035,576; Appropriations in Aid (AIA)-Hospital FIF at Kshs. 580,129,112 (116%) against Kshs.500,000,00 target and Kshs. 10,271,046 as collection from Kaguru ATC (64%) achievement against Kshs.16,000,000 target and Kshs. 31,784,886 as balance brought forward from FY 2022/23.

Table 2: Revenue Performance

S/No.	Revenue	Approved Budget Allocations FY 2022/23 (in Kshs)	Actual receipts	Annual Budget Allocation FY 2023/24 (in Kshs)	Actual receipts	Variance(Kshs)	Actual Receipts as a % of Annual Allocation.
a.	Equitable Share	10,253,365,925.00	10,253,365,925.00	9,892,625,172.00	9,101,215,160.00	791,410,012.00	92%
b.	County Own Revenue	600,000,000.00	385,492,546.64	550,000,000.00	381,805,168.00	168,194,832.00	69%
c.	Appropriation-in-Aid	408,791,177.19	425,388,602.00	500,000,000.00	580,129,111.25	-80,129,111.25	116%
d.	Kaguru Training Centre	33,670,051.15	11,732,436.72	16,000,000.00	10,271,046.00	5,728,954.00	64%
e.	Roll over from fy 22/23	71,028,757.25	71,028,757.25	367,514,915.00	367,514,915.00	0.00	100%
	Sub Total	**11,366,855,910.59**	**11,147,008,267.61**	**11,326,140,087.00**	**10,440,935,400.25**	**885,204,686.75**	**92%**
Loans and Grants from Development Partners							
1	Transforming Health systems for Universal care Project (WB)	36,886,029.00	-	-	0	0.00	0%
2	IDA (WB) Credit (National Agricultural and Rural Inclusive Growth Project NARIGP)	398,724,835.00	194,824,365.95	5,000,000.00	4,261,826.00	738,174.00	85%
3	World Bank for national agricultural value chain development project (NAVCDP)	70,000,000.00	67,192,729.00	200,000,000.00	198,912,147.00	1,087,853.00	99%
4	IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 1 Grant	339,345,646.00	-	-	0	0.00	0%
5	IDA (WB) Credit: Kenya Urban Support Project (KUSP) –Urban Development Grant (UDG)	116,890,200.00	2,339,915.00	-	0.00	0.00	0%
6	IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 2 Grant	45,000,000.00	-	-	0	0.00	0%
7	DANIDA Grant	28,824,711.85	25,860,375.00	19,733,230.00	14,668,500.00	5,064,730.00	74%

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8	GoK- ASDSP	35,889,430.40	9,945,897.00	6,105,100.00	1,605,100.00	4,500,000.00	26%
9	WB- Emergency Locust Response Project (ELRP)	78,609,401.60	74,143,047.00	121,171,561.00	119,986,828.00	1,184,733.00	99%
10	Kenya Informal Settlement Improvement Project-KISIP II	110,000,000.00	20,000,000.00	67,546,296.00	67,546,296.00	0.00	100%
11	World credit Financing Locally-Led Climate Action	22,000,000.00	22,000,000.00	11,000,000.00	0.00	11,000,000.00	0%
12	World credit Financing Locally-Led Climate Action			188,269,899.00	188,269,899.00	0.00	100%
13	Aggregated Industrial Park Program me			250,000,000.00	62,500,000.00	187,500,000.00	25%
	Aqua culture Business Development Program me			23,306,584.00	0.00	23,306,584.00	0%
14	Conditional grant for transfer of library services			12,902,906.00	0	12,902,906.00	0%
	Sub Total	**1,282,170,253.85**	**416,306,328.95**	**905,035,576.00**	**657,750,596.00**	**247,284,980.00**	**73%**
Other Sources of Revenue							
2	Balance b/f from FY 2022/23						
	Sub Total						
	Grand Total	**12,649,026,164.44**	**11,563,314,596.56**	**12,231,175,663.00**	**11,098,685,996.25**	**1,132,489,666.75**	**91%**

From the table above, equitable share transfer from the national government comprised the highest proportion of resource envelope with 81% followed by conditional loans and grants with 7%, own source revenue with 4%, FIF 4% and Kaguru with least proportion of 0.1%. This is indicative of the major reliance of the County Government on equitable share transfer from the National Government and hence the need to enhance own source revenue in ensuring sustainability.

The increase above target in hospital FIF collections was as result of continuous automation of revenue collection in health facilities across the county by going cashless sand increased efficiency in administration and monitoring., above the targeted amount was as a result of automation in revenue collection. Own source revenue did not have a big margin as compared to the previous FY 2022/23 and this was mainly attributed to slow transition to the newly acquired revenue system which led to low collections during the 1st and 2nd quarters of the year. Further there is need to allocated funds towards capacity building of revenue collectors/administrators and public sensitization to the public on revenue collect ion with a view to boost own collections during the current fiscal year 2024/25 and over the medium term.

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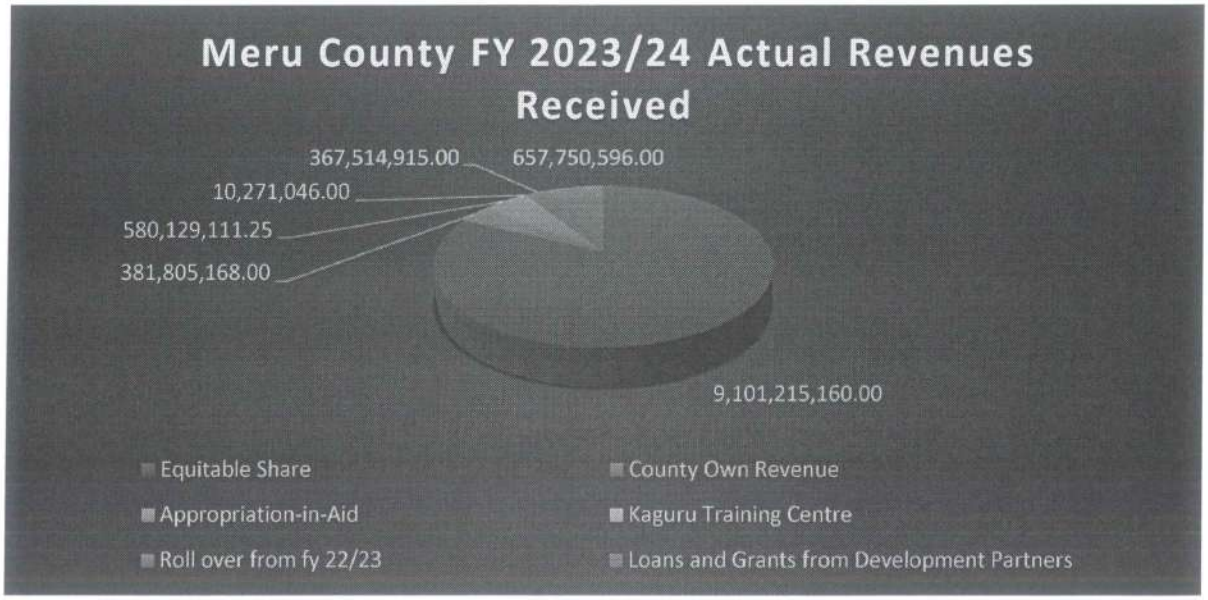
Figure 1: Meru County Fiscal Performance Revenue Analysis



2.2 Fiscal Performance

The County targeted to receive revenue totaling to Kshs. 12.231 billion for the FY 2023/2024 however actual receipts at the end of the financial year amounted to Kshs.**11.099** billion translating to 90% achievement. Total actual expenditure inclusive of recurrent and development for the County during the fiscal year totaled to Kshs. 10.956 billion. This was comprised of Kshs. 4,547.93 billion on compensation to employees for County Executive and Kshs.508.98, Kshs. 2,451.66 billion on use of goods & services for County Executive and County Assembly Kshs.473.37, Kshs. 2,966.32 billion on development expenditure for County Executive and Kshs.7.982 for County Assembly.

Total expenditure on employee compensation was Kshs.5.06 billion, or 45.6 per cent of the available revenue, which amounted to Kshs.**11.099** billion. This expenditure represented a decrease from Kshs.5.78 billion reported in FY 2022/23. The wage bill included Kshs.2.74 billion paid to health sector employees, translating to 54.0 per cent of the total wage bill.

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2.2.1 County Overall Fiscal Performance

Table 3: Summary of County Fiscal Performance for the FY 2023/2024

SUMMARY OF COUNTY FISCAL PERFORMANCE FOR THE FY 2023/24						
Description	**2021/22 FY**	**2022/23 FY**	**2023/24 FY**			
	Actual (kshs. Million)	**Actual (kshs. Million)**	**Approved Budget Est' (kshs. Million)**	**Actual Receipts (kshs. Million)**	**Deviation**	**% Absorption**
	a	**b**	**c**	**d**	**e=(d-c)**	**f=(d/c)**
1. REVENUE						
Equitable Share Allocation	8029.09	9,493.86	9,892.63	9,101.22	-791.41	92.00%
Conditional Grants	602.72	416.31	905.04	657.75	-247.29	72.68%
Roll-over from Previous FY	1089.36	830.54	367.51	367.51	0.00	100.00%
County own revenues	385.49	385.49	550.00	381.81	-168.19	69.42%
Kaguru ATC	13.5	11.73	16.00	10.27	-5.73	64.19%
Appropriation in Aid (Hosp FIF)	233.37	425.39	500.00	580.13	80.13	116.03%
Total Revenue & Grants	**10,353.53**	**11,563.32**	**12,231.18**	**11,098.69**	**-1,132.49**	**90.74%**
2. EXPENDITURE						
Recurrent Expenditure						
Compensation to Employees	5093.8	5,298.92	4,549.41	4,547.93	-5.01	99.97%
Use of goods and services	1614.12	2,213.57	2,950.26	2,451.66	-111.48	83.10%
County Assembly	961.07	1,303.70	982.38	982.36	-0.02	100.00%
Recurrent Total	**7,668.99**	**8,816.19**	**8,482.05**	**7,981.95**	**-116.51**	**94.10%**
Development Expenditure						
County Executive	2586.53	2,628.54	3,709.12	2,966.32	-1,002.85	79.97%
County Assembly	-	12.38	40.00	7.98	-72.56	19.95%
Development Total	**2,586.53**	**2,640.92**	**3,749.12**	**2,974.30**	**-1,075.41**	**79.33%**
Total Expenditure	**10,255.52**	**11,457.11**	**12,231.17**	**10,956.25**	**-1,191.92**	**90.58%**
Balance b/f						

Table two above shows an analysis of actual receipts of revenue streams compared to the budgeted revenues and actual expenditure per classification for the FY 2023/2024. The analysis of

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expenditure against approved budget estimates was at Kshs. 12.231 billion which represented an overall absorption rate of approximately 91%. Expenditure on development was Kshs. 2.974 billion representing an absorption rate of 79.33% which is an improvement from the absorption rate of 72.4 per cent recorded in FY 2022/23. The increase in absorption is indicative of improvement in efficiency in County delivery of services and works to the mwananchi despite delay in funds disbursement by National Government.

Figure 2: Meru County Fiscal Performance Revenue Analysis per Economic Classification

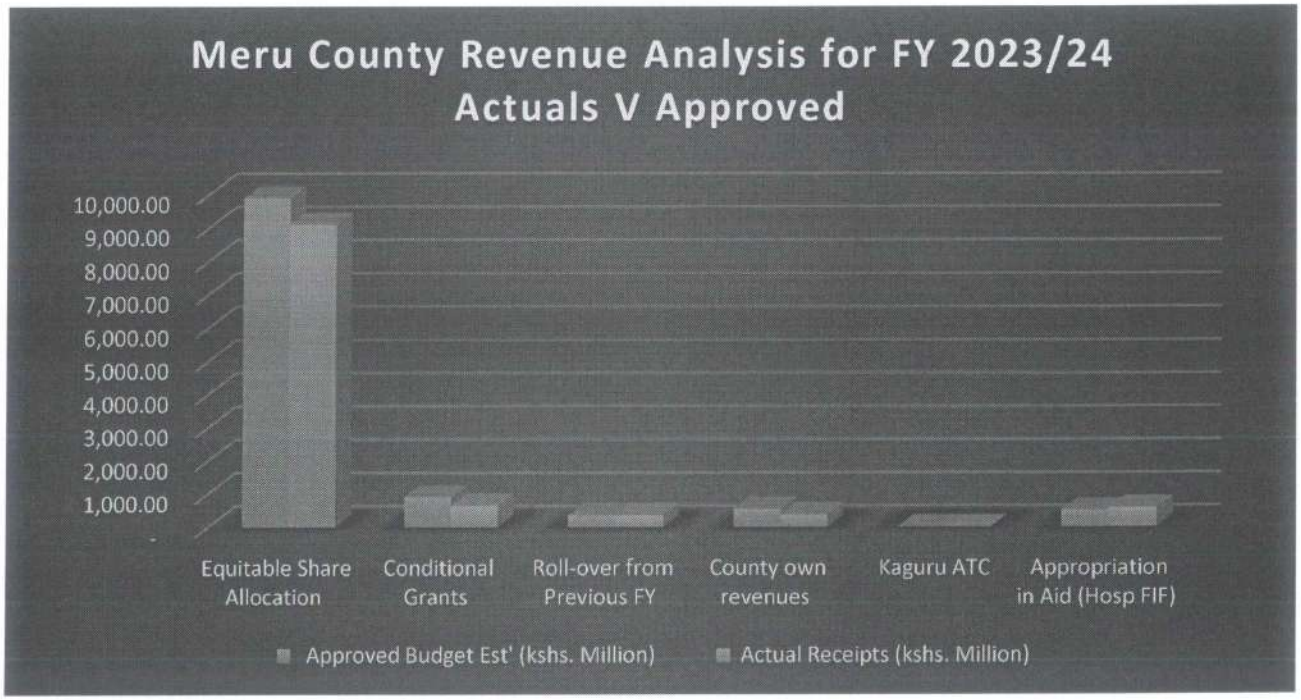

Figure 3: Meru County Fiscal Performance Expenditure Analysis per Economic Classification

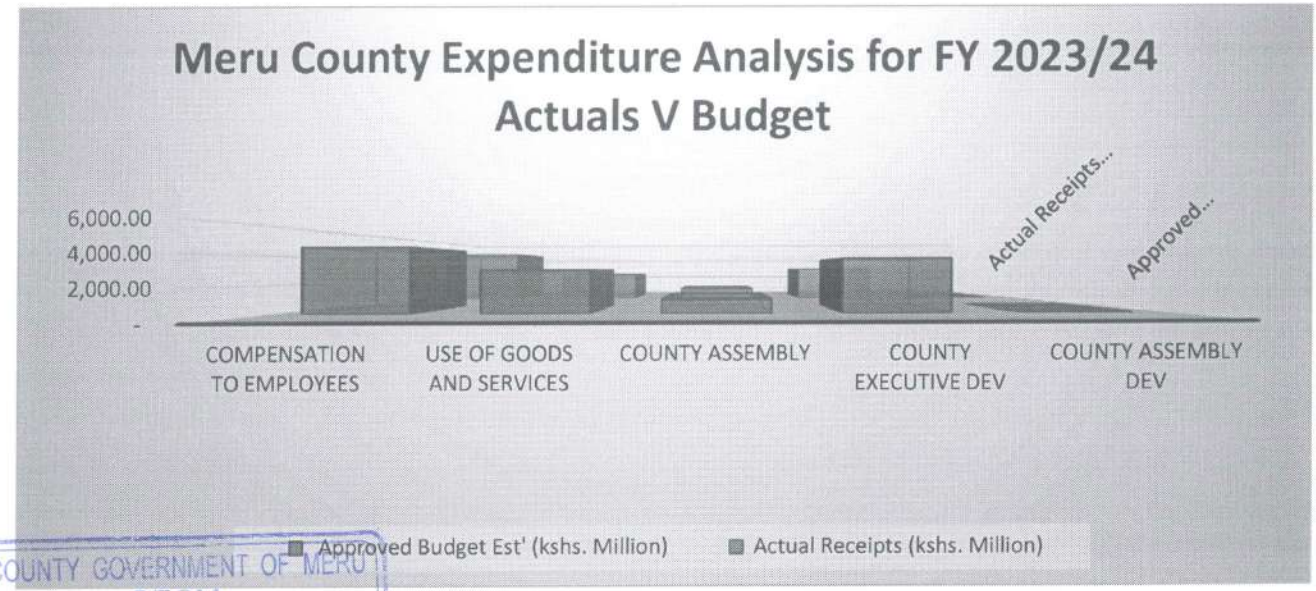

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Figure 2 and 3 above shows an analysis between Recurrent expenditure against budgeted expenditure. This includes Compensation to Employees Executive, Use of Goods & Services Executive, transfer to County Assembly and Development expenditure.

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2.2.2 Expenditure Performance

Table 4: Departmental Fiscal Performance (Expenditure Summary) For the Financial Year 2023/24

	Budget Allocation (kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	TOTAL Absorption Rate (%)
DEPARTMENTS	REC	DEV	TOTAL	REC	DEV	TOTAL			
	a	b	c	g	h	i	j=g/a*100	k=h/b*100	l=i/c*100
County Assembly	982.38	40	1,022.38	982.36	7.98	990.34	100%	20%	97%
Office of The Governor	174.64	0	174.64	151.74	0	151.74	87%	0%	87%
Finance, Economic Planning & ICT	874.3	119.41	993.71	685.36	110.38	795.74	78%	92%	80%
Agriculture, Livestock, Fishery & Veterinary Services	37.96	719.59	757.55	30.55	670.11	700.66	80%	93%	92%
Water, Irrigation, Environment & Natural Resources	52.51	638.73	691.24	38.13	579.33	617.46	73%	91%	89%
Education Science, Culture & Arts	270.24	88.28	358.52	216.93	66.2	283.13	80%	75%	79%
Health Services	751.51	448.52	1,200.03	657.17	414.22	1,071.39	87%	92%	89%

Land, Physical Planning, Urban Development & Public Works	72.41	194.24	266.65	57.86	148.55	206.41	80%	76%	77%
Legal Affairs, Public Service Management and Administration	5060.33	108.84	5,169.17	5007.53	100	5,107.53	99%	92%	99%
Roads, Transport & Energy	37.89	696.28	734.17	29.66	582.37	612.03	78%	84%	83%
Trade, Tourism & Cooperative Development	41.65	551.1	592.75	29.34	180.8	210.14	70%	33%	35%
Youth Affairs, Sport, Gender & Social Development	95.86	144.13	239.99	74.23	114.35	188.58	77%	79%	79%
County Public Service Board	30.37	0	30.37	21.39	0	21.39	70%	0%	70%
GROSS TOTALS	**8,482.05**	**3,749.12**	**12,231.17**	**7,981.95**	**2,974.30**	10,956.25	**94%**	**79%**	**90%**

The table 4 above shows the expenditure summary for different departments for the FY 2023/2024 against the budget allocation of the same year and also the absorption rate percentage. Legal Affairs, Public Service Management and Administration; County Assembly; Agriculture, Livestock & Fisheries; Water, Irrigation, Environment & Natural Resources and Health Services departments recorded the highest absorption rate in development expenditure.

ANALYSIS OF DEPARTMENTAL DEVIATION

All the departments development performance was above 50% absorption rate except for county assembly which had 20% which was as a result of incomplete construction works for the speaker's residence and Trade, Tourism and Co-operative development which was 33% mainly contributed by failure by the National Treasury to release their contribution for Construction of Aggregated Industrial park which was allocated high budget for the development of CAIP. Under recurrent classification, all the departments had above 50% absorption rate out of which 63.35% was spend on personnel emoluments. In relation to this the County will put up measures over the medium term with an aim to bring down expenditure on PE to the desired level of 35%. During the Current FY the County will be undertaking Human resource audit of all County personnel among other measures that are being put in place towards this end.

Table 5: Analysis for the Deviations

S/NO	DEPARTMENT	CLASSIFICATION OF EXPENDITURE	ABSORPTION RATES	REASONS FOR DEVIATIONS	RECOMMENDATIONS
1.	COUNTY ASSEMBLY	Development	20%	Contractor had not completed construction of speaker's residence	Completion works on going
		Recurrent	100%	Budget fully executed	
2.	OFFICE OF THE GOVERNOR	Development	0%	No development funds	
		Recurrent	87%	The department was able to execute the budget as per the planned activities	
3.	FINANCE, ECONOMIC PLANNING & ICT	Development	92%	The department was able to execute the budget as per the planned activities	Need to allocate funds towards recurrent since most of the Programmes are recurrent in nature
		Recurrent	78%		

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4.	AGRICULTURE, LIVESTOCK FISHERIES & VETIRINARY SERVICES	Development	93%	The department was able to execute the budget as per the planned activities	Department needs more funds in development
		Recurrent	80%		
5.	WATER, IRRIGATION ,ENVIROMENT & NATURAL RESOURCES	Development	91%	The department was able to execute the budget as per the planned activities	Increase allocation of development funds
		Recurrent	73%		
6.	EDUCATION SCIENCE & CULTURE	Development	75%	The department was able to execute the budget as per the planned activities	Increased construction of ECDE classrooms allocation
		Recurrent	80%		
7.	HEALTH SERVICES	Development	92%	The department was able to execute the budget as per the planned activities	Allocate more funds
		Recurrent	87%		
8.	LAND, PHYSICAL PLANNING, URBAN DEVELOPMENT & PUBLIC WORKS	Development	76%	The department was able to execute the budget as per the planned activities	Allocate funds towards spatial plan development
		Recurrent	80%		
9.	LEGAL AFFAIRS, PUBLIC SERVICE MANAGEMENT AND ADMINISTRATION	Development	92%	The department was able to execute the budget as per the planned activities	Allocate funds toward payment of outstanding legal fees
		Recurrent	99%		
10.	ROADS, TRANSPORT & ENERGY	Development	84%	The department was able to execute the budget as per the planned activities	Allocate more funds
		Recurrent	78%		

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11.	TRADE, TOURISM & COOPERATIVE DEVELOPMENT	Development	33%	No funds released by the national government for the industrial park.	Government to ensure timely release of budgeted funds
		Recurrent	70%		Allocate more funds
12.	YOUTH , SPORT ,GENDER & SOCIAL DEVELOPMENT	Development	79%	The department was able to execute the budget as per the planned activities	
		Recurrent	77%		Allocate more funds
13.	COUNTY PUBLIC SERVICE BOARD	Development	0%	No development budget	
		Recurrent	70%	The department was able to execute the budget as per the planned activities	

Figure 4: Expenditure Analysis, Budget Allocation Vs Total Expenditure for FY 2023/24

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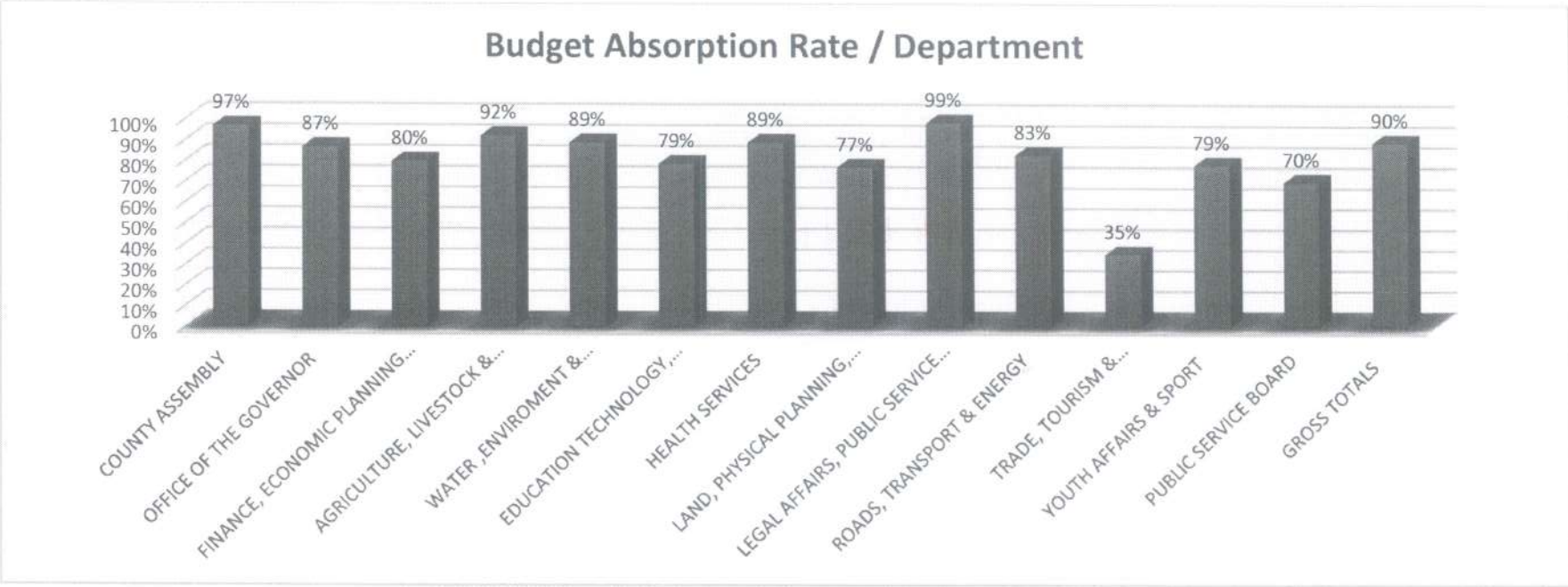

Figure 4 above is a graphical representation of different departments' budget execution versus allocation.

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2.3 Own Source Revenue Performance

For the FY 2023/24, Meru County planned to increase its revenue collection so as to cater for deficits in budget allocations. To achieve this the County, through Meru County Revenue Board (MCRB) employed revenue enhancement, enforcement and mobilization strategies so as to reach the set revenue targets, including and not limited to increasing the tax bracket and automation of collection. The county had projected to generate Kshs. 550,000,000 from various streams. As at the end of June 2024, actual revenue collected amounted to Ksh.381.805 million (69.4 % of the target). The table below shows own source revenue performance for three years.

Table 6: Actual County Own Revenue Collection FYs 2021/2022, 2022/2023 and 2023/2024

No.	Revenue Stream	FY 2021/2022	FY 2022/2023	Budget	FY 2023/2024	Deviation	Reasons for deviation
1	Single business permit	96,995,560.00	129,343,568.10	158,730,873.00	123,335,197.00	35,395,676.00	Low adoption of the newly acquired revenue system, Closure of businesses due to the hard economic times across the country, Inadequate mobility, and The current Finance act is not all inclusive.
2	Cess	63,288,561.00	49,975,483.23	73,845,469.83	61,259,115.00	12,586,354.83	Low adoption of the newly acquired revenue system,
3	Parking fees	59,308,646.00	49,271,738.71	75,095,533.00	54,563,556.00	20,531,977.00	Low adoption of the newly acquired revenue system, system downtimes
4	Market fee	44,674,733.00	33,533,525.66	55,516,822.00	29,937,279.00	25,579,543.00	Low adoption of the newly acquired revenue system, Frequent strikes from traders who decline to pay, dilapilated market structures
5	Land Rates	26,076,524.00	26,921,066.22	54,984,290.96	21,645,179.00	33,339,111.96	Use of an outdated valuation roll, Delayed update of Rates data in the newly acquired integrated revenue management system
6	Outdoor adverts. & Signboard	37,128,656.00	37,164,198.86	50,445,513.54	42,008,345.00	8,437,168.54	Low customers who carried outdoor adverts.
7	Building plans	26,739,398.00	25,892,083.00	34,003,293.24	21,233,758.00	12,769,535.24	Low compliance from customer due to tax evasion.
8	Plot Rent	10,825,315.00	9,064,225.86	12,123,414.18	3,144,321.00	8,979,093.18	Use of an outdated valuation roll Delayed update of Rates data in the newly acquired integrated revenue management system
9	House rent/Stall rent	9,534,826.00	10,081,689.00	13,239,978.70	7,822,139.00	5,417,839.70	Non-compliance from the tenants.
10	Slaughter house fees	3,603,090.00	5,371,630.00	7,054,399.99	3,393,865.00	3,660,534.99	Non-compliance and some slaughters are not willing to pay due to poor roads to the slaughter houses.
11	Meat Inspection and Veterinary Services	2,145,180.00	1,355,290.00	1,779,861.56	447,390.00	1,332,471.56	Non-compliance and some slaughters were not willing to pay due to poor roads to the slaughter houses.

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12	Impounding fees & Fines	324,450.00	2,586,950.00	3,397,363.57	2,862,470.00	534,893.57	Lack of mobility to enforce on the defaulters
13	Toilets fee	680,110.00	577,620.00	758,570.96	503,620.00	254,950.96	
14	Application fees	87,000.00	123,250.00	278,100.00	47,820.00	230,280.00	Reduced number of customers
15	Income from county properties/Estates	208,100.00	52,900.00	69,471.98	289,765.00	220,293.02	Increased customers who hired government premises.
16	Fire section fee	138,900.00	69,000.00	266,700.00	84,382.00	182,318.00	Low customer turn out who pay for these services.
17	Refuse collection fee	188,200.00	263,000.00	345,389.98	233,600.00	111,789.98	Low customer turn out who pay for these services.
18	Transfer & Subdivision fee	464,660.00	78,015.00	1,102,454.75	1,143,640.00	41,185.25	More customers paid for these services since more transfers for plots were done.
19	Sale of County Documents.	34,750.00	-	15,000.00	135,000.00	120,000.00	Due to the increased transfers more county documents were sold e.g. minutes etc.
20	Audit Fees/Sacco registration	1,090,989.00	1,333,437.00	1,751,162.67	1,082,640.00	668,522.67	Number of customers who needed these services reduced.
21	Weight and Measures	1,594,600.00	2,101,674.00	2,760,065.20	1,492,819.00	1,267,246.20	Low enforcement
22	Surrender of Imprest/Salary	246,893.00	313,002.00	411,056.11	4,533,302.10	4,122,245.99	Inclusion of government remittances e.g. which are charged from officers who are acquiring bank loans etc.
23	Burial permit (MTRH)	12,400.00	19,200.00	25,214.78	10,800.00	14,414.78	
24	AMS Mitunguu	-	-	-	-	-	
25	ATC Kaguru	13,582,066.00	11,732,436.72	16,000,000.00	10,271,046.00	5,728,954.00	Low customer turnout
26	Library fees	-	-	2,000,000.00	595,166.00	1,404,834.00	Low customer turnout
27	FIF	233,372,381.00	425,388,602.00	500,000,000.00	580,129,111.25	80,129,111.25	
	TOTALS	**632,345,988.00**	**822,613,585.36**	**1,066,000,000.00**	**972,205,325.35**	**93,794,674.65**	

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From the table above, actual local revenue collected amounted to Kshs. 972,205,325.35 million during the FY 2023/2024 inclusive of local revenue of Kshs. 381,805,168.00, Hospital FIF of Kshs. 580,129,111.25 and Kaguru Agricultural Training Centre Kshs. 10,271,046 against a target of Kshs. 866,000,000 resulting to an increase of Kshs. 106,203,325. FIF collections increased by Kshs.154,740,509.25 million compared to the previous FY 2022/23.This increase was owed to; hospitals being allowed to collect and bank in their accounts for spending, increase of accounting and key personnel in hospitals and Introduction of Mpesa payments in health facilities hence reducing revenue leakages.

Own Source revenue shortfall was mainly attributed to the following:

i. Perennial challenge of mobility due the unavailability of enough vehicles affected revenue collection in all sub counties.
ii. Non-payment of market fees in some markets.
iii. An outdated valuation roll.
iv. Inadequate budget allocation which has severely affected the operations of the board.
v. Slow response in paying revenues aftermath of the electioneering period especially in the initial months of the financial year.
vi. Insecurity at Kaguru ATC farm.
vii. Shortage of water in Kaguru Farm.
viii. Political Instability.
ix. System failure

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Figure 5: Own Source Revenue analysis for FYs 2021/22 - 2023/24

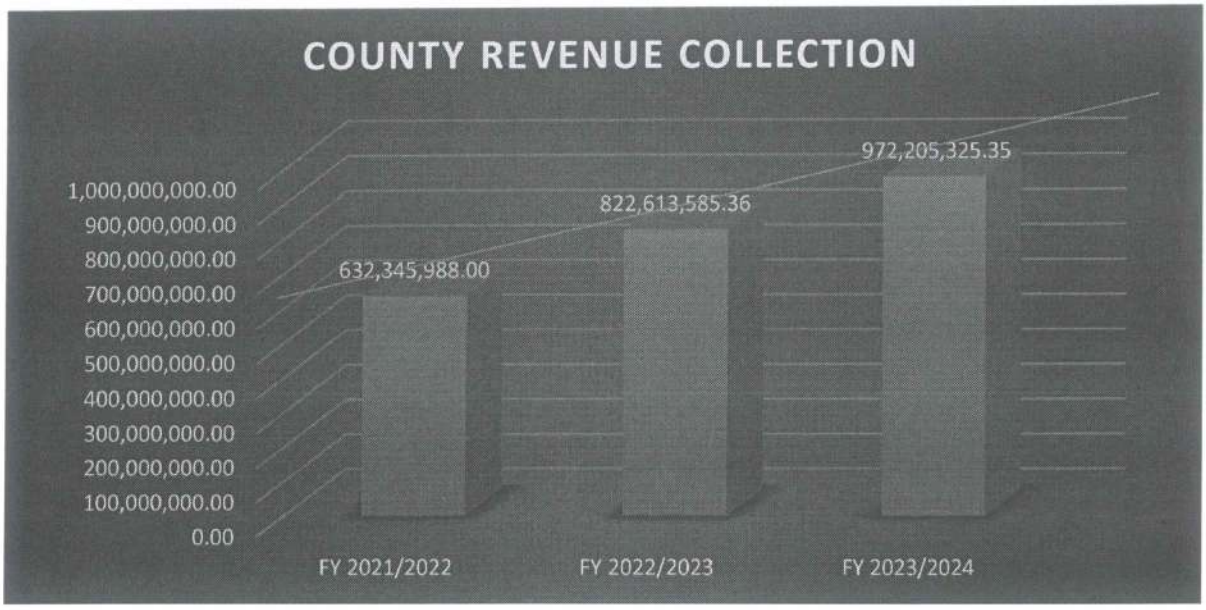

Table 7: FY 2023/24 Quarterly Revenue Collection Analysis as per Source

	Revenue Stream	TARGETS	QTR 1	QTR 2	QTR 3	QTR 4	TOTALS	VARIANCE
1	Single business permit	158,730,873.00	5,062,206.00	2,562,774.00	82,382,174.00	33,328,043.00	123,335,197.00	-35,395,676.00
2	Cess	73,845,469.83	16,265,386.00	12,464,206.00	17,729,191.00	14,800,332.00	61,259,115.00	-12,586,354.83
3	Parking fees	75,095,533.00	14,120,120.00	9,432,778.00	17,713,198.00	13,297,460.00	54,563,556.00	-20,531,977.00
4	Market fee	55,516,822.00	11,402,471.00	5,744,978.00	6,798,850.00	5,990,980.00	29,937,279.00	-25,579,543.00
5	Land Rates	54,984,290.96	2,008,954.00	789,722.00	14,039,620.00	4,806,883.00	21,645,179.00	-33,339,111.96
6	Outdoor adverts. & Signboard	50,445,513.54	3,181,470.00	2,463,100.00	16,519,970.00	19,843,805.00	42,008,345.00	-8,437,168.54
7	Building plans	34,003,293.24	5,755,531.00	3,536,670.00	6,910,061.00	5,031,496.00	21,233,758.00	-12,769,535.24
8	Plot Rent	12,123,414.18	1,273,163.00	233,377.00	819,928.00	817,853.00	3,144,321.00	-8,979,093.18
9	House rent/Stall rent	13,239,978.70	1,743,456.00	933,603.00	2,303,609.00	2,841,471.00	7,822,139.00	-5,417,839.70
10	Slaughter house fees	7,054,399.99	1,330,860.00	512,980.00	687,845.00	862,180.00	3,393,865.00	-3,660,534.99
11	Meat Inspection and Veterinary Services	1,779,861.56	333,970.00	85,600.00	9,820.00	18,000.00	447,390.00	-1,332,471.56
12	Impounding fees & Fines	3,397,363.57	1,005,600.00	528,500.00	818,220.00	510,150.00	2,862,470.00	-534,893.57
13	Toilets fee	758,570.96	166,670.00	74,950.00	152,620.00	109,380.00	503,620.00	-254,950.96
14	Application fees	278,100.00	9,120.00	32,200.00	4,500.00	2,000.00	47,820.00	-230,280.00
15	Income from county properties/Estates	69,471.98	193,605.00	11,770.00	15,000.00	69,390.00	289,765.00	220,293.02
16	Fire section fee	266,700.00	13,560.00	825.00	36,997.00	33,000.00	84,382.00	-182,318.00
17	Refuse collection fee	345,389.98	0.00	2,600.00	126,000.00	105,000.00	233,600.00	-111,789.98
18	Transfer & Subdivision fee	1,102,454.75	292,000.00	515,640.00	276,000.00	60000	1,143,640.00	41,185.25
19	Sale of County Documents.	15,000.00	0	0	21000	114000	135,000.00	120,000.00
20	Audit Fees/Sacco registration	1,751,162.67	114,300.00	119,750.00	384,270.00	464,320.00	1,082,640.00	-668,522.67
21	Weight and Measures	2,760,065.20	628260	205900	386,789.00	271,870.00	1,492,819.00	-1,267,246.20
22	Surrender of Imprest/Salary	411,056.11	8341	92,530.00	980.00	4,431,451.10	4,533,302.10	4,122,245.99
23	Burial permit (MTRH)	25,214.78	400.00	2,800.00	5,200.00	2,400.00	10,800.00	-14,414.78
24	Library Services	2,000,000.00	110,580.00	425.00	284,091.00	200,070.00	595,166.00	-1,404,834.00

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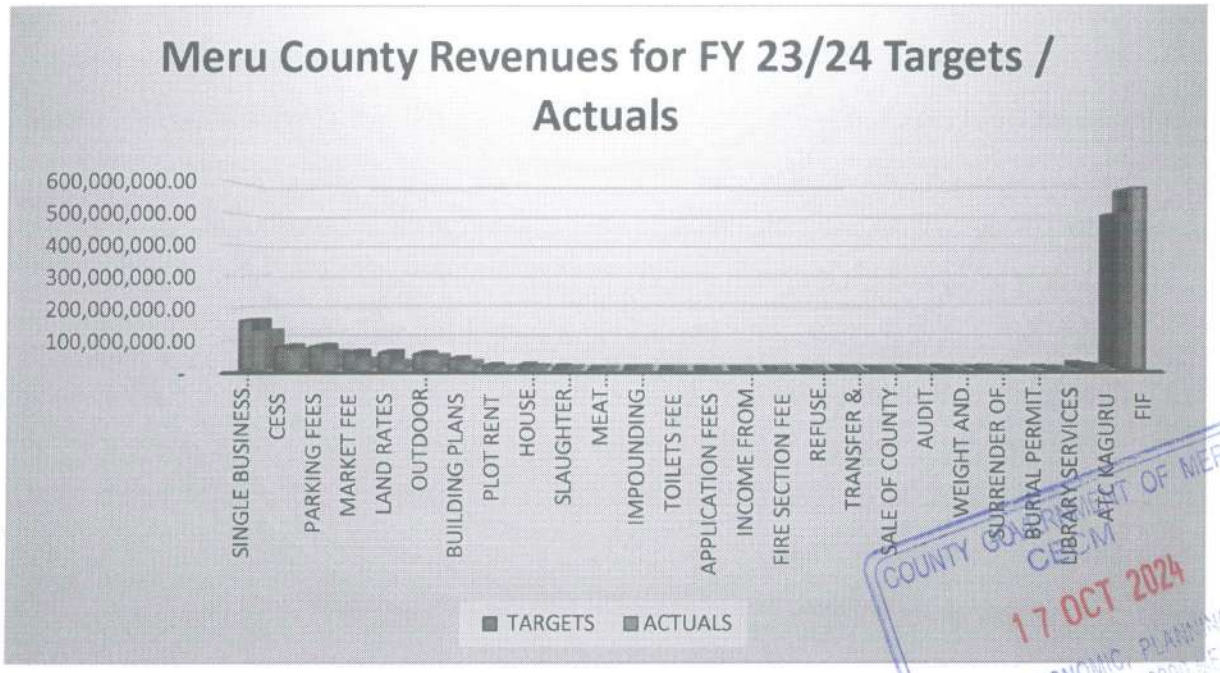
25	ATC Kaguru	16,000,000.00	3,241,653.00	2,376,339.00	1,464,405.00	3,188,649.00	10,271,046.00	-5,728,954.00
26	FIF	500,000,000.00	154,971,967.00	108,670,635.00	127,352,069.00	189,134,641.00	580,129,312.00	80,129,312.00
	TOTALS	**1,066,000,000.00**	**223,233,643.00**	**151,394,652.00**	**297,242,407.00**	**300,334,824.10**	**972,205,526.10**	**-93,794,473.90**

As indicated in table 4 above, the County own revenue is mainly attributable to Single business permit, Cess, Parking fees, Market fees, Land rates, Outdoor adverts & Signboard, Building plans, Plot rents and House rents/Stall rents. Further, the sharp increase in own revenue in the last half of the year is attributable to payments of Single business permits and annual rents from the plot and land owners.

Figure 6: Meru County Revenues for FY 23/24 Targets / Actuals



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2.4 Fiscal Risks

- ✓ **Budget Credibility:** The growing demand for improved budgetary allocations by County functions, has consistently led to over-estimation of Own source revenues. This has consequently led to under-performance of OSR over the years. There is need to contain the expectations of different entities, so as to not over-stretch the existing fiscal stance. On the expenditure side, there has been perennial under absorption, especially for the development expenditure. However, during the FY 2023/24 this was improved to an absorption of 79.33%. The county needs to expedite procurement process so as to ensure 100% absorption for development.
- ✓ **Wage bill:** Section 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' wage bill shall not exceed 35 percent of their total revenue. The compensation to employee in the FY 2025/26 is expected to remain at 45%. This occasioned by the compound effects of SRC salary harmonization, annual increments, recruitments and promotions, implementation of pension scheme after passing of the

County Governments' Retirement Scheme Act (2019), and worker's collective bargaining agreements. If left unchecked and without an increased match in county revenue sources, continued rise in wage will put a strain on the limited fiscal space and further affect the County Governments' ability to meet its financial obligations in other core expenditure areas.

- ✓ **Pending bills:** The County has made progress in payment of accrued pending bills during the previous FY 2022/2023 and 2023/24. As at end of the FY 2022/ 23 the county had eligible pending bills totaling to Kshs. 774,042,615.21. During the previous Fy 2023/24 the County paid pending bills amounting to Kshs. 204,913,388.97 as captured in the end of year budget implementation report leaving a balance of bills amounting to Kshs 569,129,226.24. In addition, during the fiscal year 2023/2024 the County generated pending bills totaling to Kshs. 776,783,492.14 owing to delay in disbursement of exchequer for the month of June therefore leaving the County with unsettled eligible pills totaling to Kshs. 1,345,912,718.38, as at end of June 2024.
- ✓ The County is working towards a lasting solution on resolution of county pending bills by preparing realistic budgets on both revenue and expenditure and increasing own source revenue collections.
- ✓ Lower agricultural output due to potential adverse weather conditions.
- ✓ Global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.

2.5 Mitigation Measures to the Risks

- ✓ Deliberate effort to continue exercising prudence in public expenditure management
- ✓ Gradually lowering the fiscal deficit, and adopting austerity measures to deter increase of recurrent expenditures
- ✓ The County shall develop and implement innovative mechanisms to increase its local revenue while at the same time ensuring austerity in public spending.
- ✓ The county will put necessary measures in the attempt to curb wage bill through having an approved organization structure and staff establishment, stopping recruitment of non-essential staff and those not in the approved staff establishment and payment of salaries through IPPD to enhance efficiency in HR management.
- ✓ The county government shall ensure that both the level and rate of growth in debt is fundamentally sustainable as high debt will continue to impact negatively on the county

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operations. This will be done by increasing and revising the county's own source revenue targets to realistic and achievable targets. Unachieved revenue targets create budget gaps which at long run result to a number of unpaid expenditures (pending bills). In addition, however, funds shall be allocated in the budget for debt servicing.

3.0 MACROECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 World Economic Outlook

World real GDP growth is estimated to have slowed from 3.5 per cent in 2022 to 3.1 per cent in 2023. The decline in the growth was attributed to disruptions emanating from the remnant effects of COVID-19, the Russia-Ukraine conflict and tightened monetary policies in a number of economies. Advanced economies expanded by 1.6 per cent in 2023 compared to 2.6 per cent growth rate experienced in 2022 largely due to tighter monetary conditions within the bloc and a lower than anticipated growth rate in the Euro Area. Growth in Emerging Markets and Developing Economies (EMDEs) remained at 4.1 per cent in the period under review. Sub-Saharan Africa (SSA) region saw a decline in real GDP growth rate to stand 3.3 per cent in 2023, compared to 4.0 per cent growth in 2022. Three of the region's largest economies Nigeria, South Africa, and Angola recorded slower growth rate. East African Community (EAC) recorded a slower growth rate of 5.0 per cent in 2023 compared to 5.2 per cent growth recorded in 2022 as a result of fluctuations in commodity prices and budget challenges.

Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. The main risks to the global growth outlook relate to further escalation of geopolitical tensions, interest rates remaining higher-for-even-longer in advanced economies, and policy uncertainty attributed to changes of Government in some major economies. Global inflation has moderated, with central banks in some major economies lowering interest rates. International oil prices have moderated, but the risk premium from the Middle East conflict has increased following the recent escalation.

Global economic output showed resilience in the first half of 2024, with modest growth anticipated in 2024 and 2025, mainly due to improving economic activities in the United States, China, and India. Global growth was estimated at 3.3 percent for 2023 is projected to continue at the same pace in 2024 and 2025. However, the divergence in output across the countries at the beginning of the year narrowed partly attributed to waning cyclical factors and a better alignment of growth with the potential. Even though global headline inflation concerns are diminishing, core inflation remains persistently high. Financial market conditions have remained stable throughout 2024, reflecting improved global investor sentiment and a softening of labor markets. However, the outlook faces

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significant downside risks, including escalating conflicts in the Middle East, uncertainties around the US elections, and consistently high interest rates in advanced economies.

Growth in the advanced economies is projected to remain stable at 1.7 percent in 2024 and 1.8 percent in 2025. Growth in the US has been revised downwards by 0.1 percentage points from the World Economic Outlook (WEO) April projections as consumption moderated and the labor market eased. Growth prospects for the Euro area were revised upwards by 0.1 percentage points following strong momentum in the services sector and higher than expected net exports in the first half of the year. The Euro area and the UK are projected to grow by 0.9 percent and 0.7 percent, respectively in 2024. In the emerging market and developing economies, growth is projected at 4.3 percent in 2024 and 2025, reflecting stronger activity in Asia particularly China and India. In Sub-Saharan Africa (SSA), economic growth is projected to rise from an estimated 3.4 percent in 2023 to 3.7 percent in 2024 and 4.1 percent in 2025. Growth has been revised downwards by 0.1 percentage points in the April WEO attributed to a weaker growth outlook in Nigeria on account of weaker than expected activity in the first quarter of 2024. Nigeria and South Africa are expected to grow by 3.1 percent and 0.9 percent in 2024, respectively.

Global financial conditions remained accommodative boosted by positive corporate valuations. Global headline inflation is expected to fall to 5.9 percent and 4.4 percent in 2024 and 2025, respectively, which is a slower pace due to higher-than-average inflation in services prices. World trade growth is expected to increase 3.1 percent and 3.4 percent in 2024 and 2025, respectively. Annual average oil prices and non-fuel commodity prices are projected to increase by 0.8 percent and 5.0 percent in 2024, respectively.

3.2 Kenya's Economic Performance and Outlook

Real Gross Domestic Product (GDP) expanded by 5.6 per cent in 2023 compared to a revised growth of 4.9 per cent in 2022. The positive growth was notable across most sectors of the economy. The Agriculture, Forestry and Fishing sector grew by 6.5 per cent in 2023, marking a recovery from the 1.5 per cent contraction recorded in 2022. This recovery was mostly attributed to favourable weather conditions that prevailed through most of the year. Other key drivers of the growth included Information and Communication (9.3%), Transportation and Storage (6.2%), Financial and Insurance (10.1%), Real Estate (7.3%) and Accommodation and Food service activities (33.6%) sectors. However, the Mining and Quarrying sector recorded a 6.5 per cent contraction, largely attributable to a decline in production of most of the minerals such as titanium and soda ash. In 2023, agriculture

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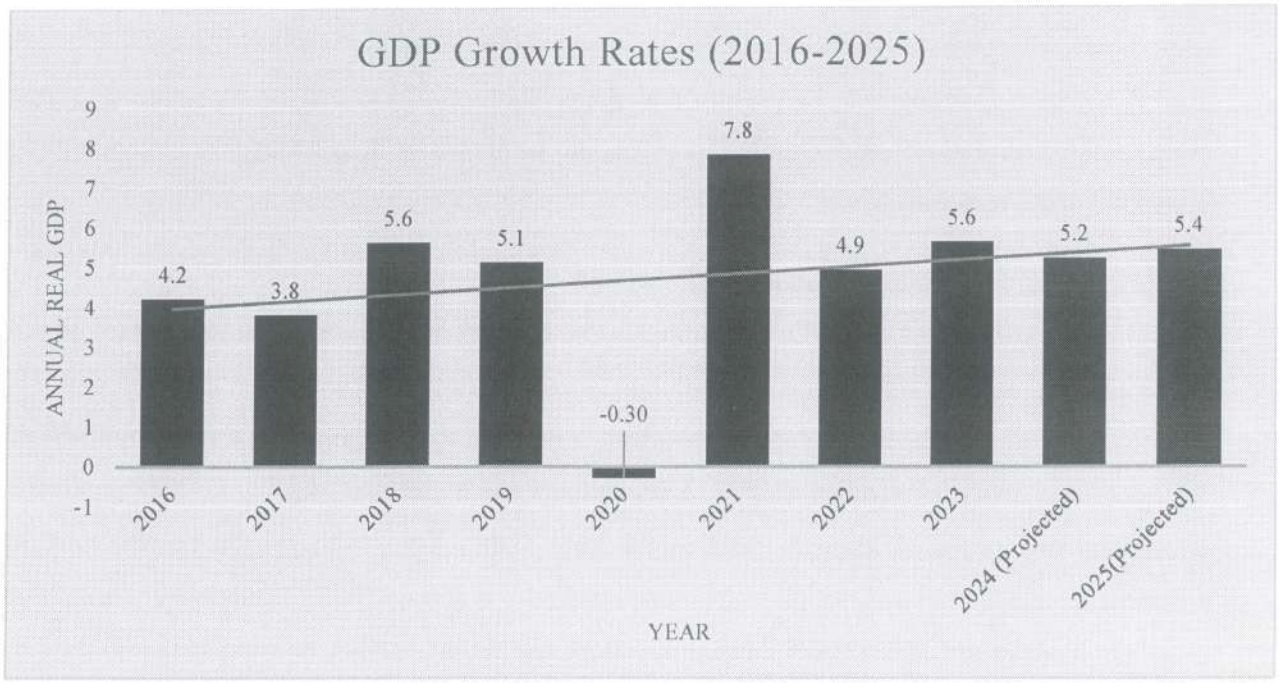
remained the dominant sector, representing 21.8 per cent of the total GDP. Combined, service activities contributed 61.3 per cent of the GDP while industry-related activities comprised 16.9 per cent of the GDP in 2023. Nominal GDP grew by 12.0 per cent reaching Kshs. 15,108.8 billion in 2023, from Kshs. 13,489.6 billion in 2022. Gross National Disposable Income increased to Kshs. 15,882.5 billion in 2023 from Kshs. 14,051.0 billion in 2022. Additionally, the Gross Domestic Product (GDP) per capita at current prices improved to Kshs. 293,229 in 2023 from Kshs. 266,473 in 2022. Private final consumption expenditure increased to Kshs. 11,517.1 billion from Kshs. 10,106.6 billion recorded in 2022, accounting for slightly above three-quarters of the total GDP. Similarly, government final consumption expenditure increased from Kshs. 1,647.5 billion in 2022 to Kshs. 1,800.2 billion in 2023.

Various government interventions, structural reforms and policies have supported economic recovery. The growth was largely driven by a strong rebound in the agricultural subsector, which benefited from favorable weather conditions after two years of severe droughts and the robust performance of the services sector.

Figure 7: GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

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In 2024, the global economy is expected to grow at a similar pace as 2023, but slower than the historical (2000–19) annual average of 3.8 percent. This is on account of restrictive monetary policies, withdrawal of fiscal support, low underlying productivity growth, as well as escalating geopolitical fragmentations that could result in higher commodity prices despite a projected decline in global headline and core inflation. On the domestic front, Kenya's economy is projected to remain resilient in 2024 mainly supported by a robust services sector, strong performance in agriculture aided by anticipated adequate rainfall and a decline in global commodity prices that is expected to reduce the cost of production. In addition, the distribution of the subsidized fertilizer and seed subsidy program is expected to support the agriculture sector's growth. This is revealed through the leading indicators that point to continued strong performance of the economy in the first quarter of 2024, on account of robust activities in the agriculture and service sectors, particularly accommodation and food services, as well as information and communication.

Further, the ongoing implementation of measures by the Government in priority sectors namely: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry under the Bottom-Up Economic Transformation Agenda (BETA) is expected to boost economic activity, accelerate growth as well as support recovery. On the demand side, the easing of inflationary pressures is likely to lead to a strong household disposable income, which will in turn support household private consumption and robust private sector investments coupled with Government investments. This notwithstanding, the outlook for the domes - tic economy may be hampered by risks related to unpredictable weather conditions occasioned by climate change which could adversely affect agricultural production and result in domestic inflationary pressures. The tight fiscal stance being pursued by Government may also lead to tight liquidity affecting aggregate demand. Externally, escalation of geopolitical tensions particularly the Israel-Palestinian, Israel-Iran and Russia-Ukraine conflicts could result in higher commodity prices which would pose a risk to domestic inflation outcomes.

3.2.1 Inflation Developments.

Inflation remained above the Government target range of 5±2.5 percent from June 2022 to June 2023. In order to anchor inflation expectations and bring down inflation within the target range, the Monetary Policy Committee (MPC) gradually raised the policy rate (Central Bank Rate (CBR)) from 7.50 percent in May 2022 to 10.50 percent in June 2023. The MPC retained the 10.50 percent in

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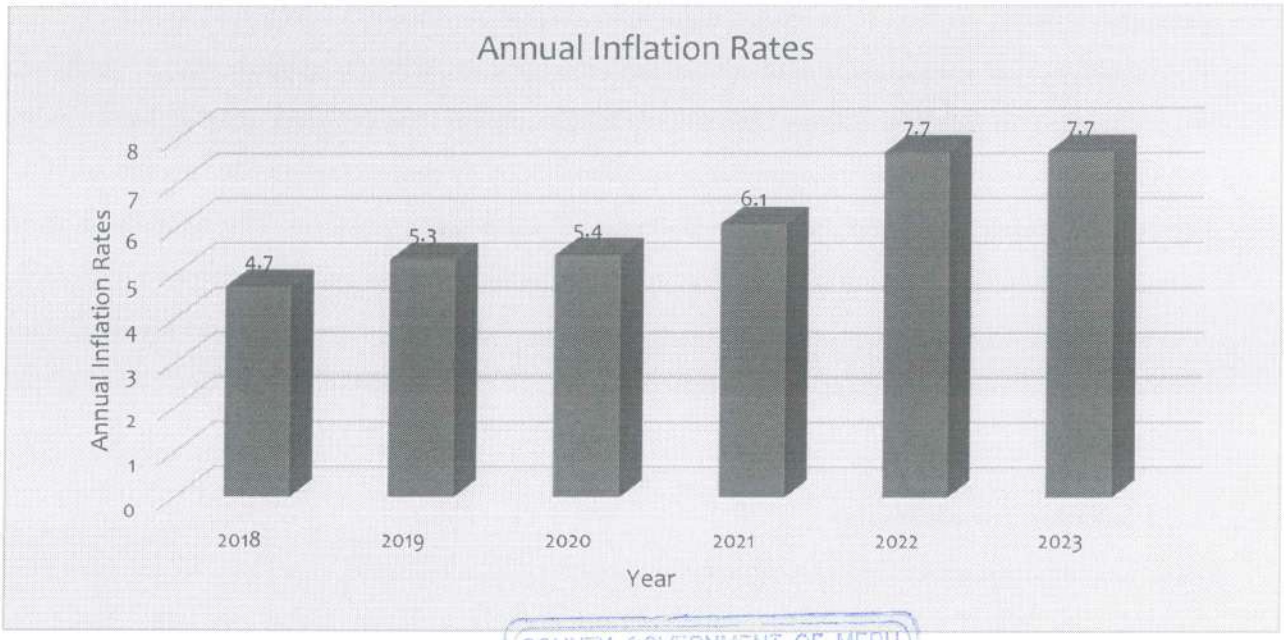
August 2023. Consequently, inflation declined significantly to 6.7 percent in August 2023, from a peak of 9.6 percent in October 2022. The decline largely reflects the easing of food prices and impact of monetary policy tightening. Food inflation remained the dominant driver of overall inflation in August 2023. However, it declined to 7.5 percent in August 2023 from a peak of 15.0 percent in August 2022 reflecting easing of food prices arising from increased supply due to ongoing harvests, seasonally factors, international developments and Government measures on zero rated imports. Nonetheless, sugar prices remained elevated driven by domestic and global factors. Fuel inflation remained elevated driven by high energy prices. It increased to 14.2 percent in August 2023 from 8.6 percent in August 2022. The increase reflects gradual withdraw of the fuel subsidize from September 2022 and the upward adjustment of electricity tariff from April 2023. In addition, the upward adjustment of VAT on petroleum product in July 2023 from 8.0 percent to 16.0 percent exacted upward pressures on prices. However, prices of cooking gas continued to decline and moderated inflation reflecting the impact of the zero-rating of VAT on liquefied petroleum gas (LPG). Core (non-food non-fuel) inflation increased from 3.2 percent in August 2022, to a peak of 4.4 percent in March 2023, and has declined to 3.7 percent in August 2023. The decline is attributed to the contractionary monetary policy aimed at taming the spillover effects of high energy prices.

Figure 8: Annual Inflation Rates



Source: Kenya Economic Survey 2024

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3.2.2 Exchange Rate Developments

The Kenyan foreign exchange market remained under pressure as global economic uncertainty regarding the ongoing Russian-Ukraine conflict as well as increase in interest rates in advanced economies in response to inflationary pressures weighted on the exchange rate. Specifically, the headwind from a strengthening dollar, boosted by rising US interest rates and 39 elevated commodity prices, the exchange rate to the Kenya shilling weakened at a rate of 20.5 percent in the 12 months to August 2023 compared to 9.3 percent in the 12 months to August 2022. The Kenya shilling exchanged at Kshs. 143.9 in August 2023 compared to Kshs. 119.5 in August 2022. Against the Euro, the Kenya shilling weakened to exchange at Kshs. 157.1 in August 2023 compared to Kshs. 121.0 in August 2022 while against the Sterling Pound the Kenyan shilling weakened to exchange at Kshs. 182.9 compared to Kshs. 143.5, over the same period. The Kenyan shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

3.2.3 Interest Rates

Reflecting the tight monetary policy stance, interest rates increased in the year to August 2023. The interbank rate increased to 12.5 percent in August 2023 compared to 5.4 percent in 36 August 2022 while the 91-day Treasury Bills rate increased to 13.4 percent compared to 8.6 percent over the same period. The 182-day Treasury Bills rate increased to 13.4 percent in August 2023 from 9.5 percent in August 2022 while the 364-day also increased to 13.6 percent from 9.9 percent over the same period. The introduction of the interest rate corridor, in August 2023, is expected to align the interbank rate to the Central Bank Rate and thereby improve the transmission of the monetary policy.

3.2.4 Exchange Rates

In the year 2023, the Kenyan Shilling depreciated against major international trading currencies as reflected in the Trade Weighted Index (TWI) which worsened from 123.8 in 2022 to 138.3 in 2023. The Kenyan Shilling depreciated against the Japanese Yen, Swiss Franc, Euro, Sterling pound, US Dollar, UAE Dirham, and Deutsche Mark by 26.3 21.8, 21.8, 19.3, 18.7, and 18.7per cent, respectively. Likewise, the Kenyan Shilling deteriorated against the Ugandan Shilling, Tanzanian Shilling, and the Rwandan Franc by 17.0, 13.7, and 5.9 per cent, respectively. Conversely, the Kenyan Shilling showed improvement against the Egyptian Pound, Pakistan Rupee, and Congolese Franc, strengthening by 25.7, 13.5, and 12.2 per cent, respectively.

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Table 8: Exchange Rates against KES

	Exchange Rates against KES						
Currency	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
1 US Dollar	103.41	101.29	101.99	106.47	109.65	117.87	139.85
1 Euro2	116.73	119.63	114.18	121.65	129.75	124.19	151.25
1 Pound Sterling	133.2	135.25	130.18	136.73	150.85	145.8	174.01
1 Swiss Franc	105.04	103.58	102.62	113.61	119.98	123.52	155.87
1 UAE Dirham	28.15	27.58	27.77	28.99	29.85	32.09	38.08
1 Indian Rupee	1.59	1.48	1.45	1.44	1.48	1.5	1.69
1 Chinese Yuan	15.3	15.33	14.76	15.45	17	17.53	19.73
100 Japanese Yen	92.22	91.74	93.59	99.8	99.94	90.15	99.48
1 SA Rand	7.77	7.69	7.06	6.51	7.42	7.23	7.58
1 Egyptian Pound	5.8	5.69	6.07	6.74	6.99	6.14	4.56
TShs/Kshs	21.63	22.48	22.63	21.76	21.12	19.74	17.36
UShs/Kshs	34.92	36.81	36.32	34.93	32.72	31.3	26.76
100 Rwanda Francs	8.11	8.5	8.82	8.86	9.13	11.39	12.05
Source: KNBS, Economic 2024 Survey							

3.3 County Economic Outlook

The County fiscal outlook over the next Medium Term Expenditure Framework (MTEF 2025–2026-2027/2028) will largely be shaped by national and local forecast. The positive outlook of national macroeconomic indicators will impact positively to the county outlook. Implementation of the third generation CIDP 2023-2027 flagship and transformative projects will accelerate growth in the, agriculture, transport and services sectors and hence an improvement of the Gross County Product. This will be further enhanced by the expected recovery in the agriculture sector. However, a change of national government fiscal policy on management of national debt portfolio and the subsequent expenditure rationalization, might affect the amount of shareable revenues to county governments. Further, Revenue mobilization will be underpinned by ongoing reforms in revenue administration and management, including automation of revenue collection, approval of the valuation roll, optimizing on existing revenue sources and mapping of new revenue streams to improve Own Source Revenues. This will be boosted by implementation of the County Medium-Term Revenue Strategy. The finalization of the Royalties revenue sharing framework by National Treasury could see the county

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benefit with additional shareable revenues. The County government will further look to undertake the Credit Worthiness processes in anticipation of future County borrowing through issuance of County Bonds among other aggressive revenue mobilization strategies. These measures will bolster the revenue prospects for the county and expand the already constrained fiscal space, over the medium term. Total County Revenues including FIF is projected at Kshs. 11.47 billion for the Year 2025/26. The equitable share amounts to Kshs 10.14 billion, conditional grants expected amount to Kshs. 1.266 billion and OSR is projected at Kshs 712.1 million, Facility Improvement Fund (FIF), is projected at Kshs 585.2 million in FY2024/2025 and Kaguru Agricultural Training centre, 35 million. The county government is however adopting a more cautious approach while forecasting of revenue observing the previous performance, spill over impacts of the political transition, Waivers and tax reliefs, continued inflationary shocks, and the threat of COVID-19 resurgence. In line with PFM principle of implementing a balanced budget, the county expenditure for the FY 2025/26 is projected at 12.74 billion of which recurrent expenditure is Kshs 8.15 billion and development expenditure is Kshs. 4.59 billion. Expenditure rationalization will form a key component of fiscal policy over the medium term. However, in cognizance that there are newly created county entities, this will remain a challenge. Settling of pending bills will be given priority to avert the associated institutional reputation and litigation risks

3.4 Gross County Product (GCP)

GCP is a measure of how much each county contributes to Kenya's GDP and may therefore be interpreted as the "County GDP". The county's economic growth is best showcased in the Gross County Product 2023 that reported on the economic evolution of Counties. As per the report, Meru County is amongst top 5 largest county economies with a recorded gross county product of Kshs. 407.4 billion representing a 3.1% contribution to the National Gross Value Added. The County's GCP has been steadily increasing over the years with an estimated growth of 3% annually mostly owing to wide range of economic activities. The County's agricultural production recorded a notable proportion of GCP to the total GVA as result of heavy reliant on diverse agricultural produce of Miraa (Khat), coffee, tea, maize, potatoes, vegetables and dairy products. As per the GCP 2023, the County's abundant agricultural yield was top in the country recording an average county contribution to Agriculture, forestry and fishing activities of 7.6%.

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Table 9: Meru County Economy growth rates

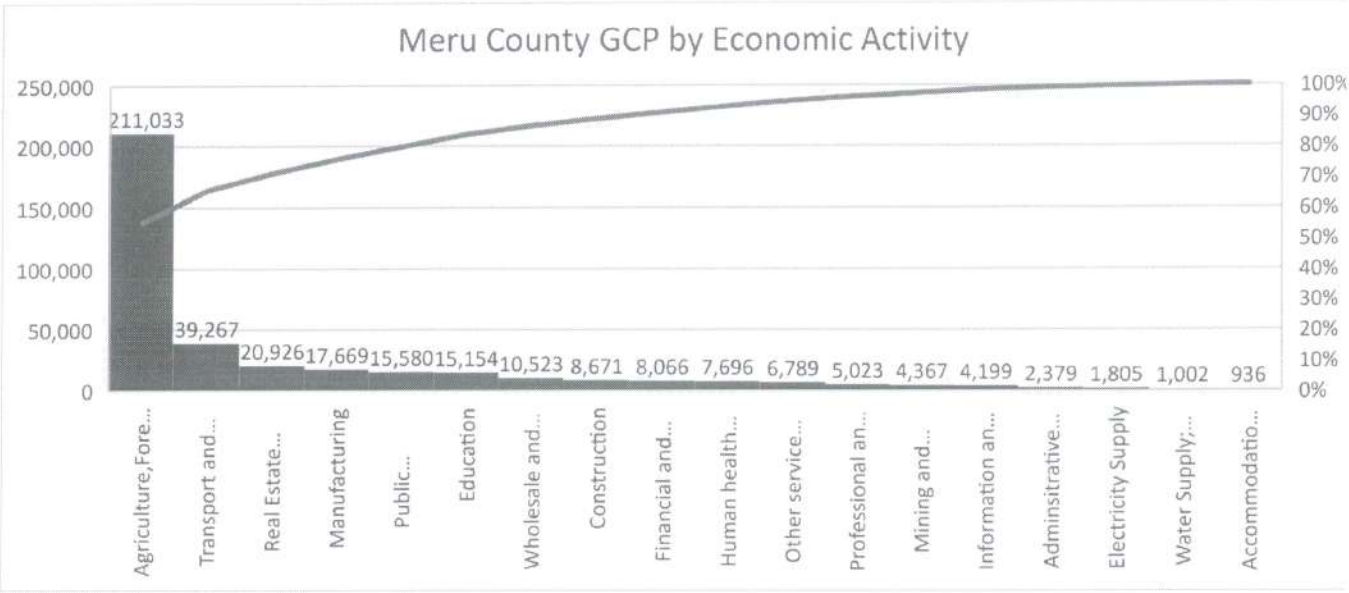
Year	County Share of GCP (%)	GCP at Current Prices (Kshs. Million)	GCP at constant (2016) Prices (Kshs. Million)	GCP Per Capita
2018	3.1	267,260	228,892	178,053
2019	3.3	306,874	242,576	198,532
2020	3.3	329,977	242,484	210,791
2021	3.4	378,832	260,031	238,919
2022	3.3	407,419	259,026	253,718
5 Year Average (2018 - 2022) 3.3%		GCP growth rate 3%		

Source: Gross County Product 2022; Kenya National bureau of statistics

3.4.1 Meru County GCP by Economic Activity

The figure below shows estimates of Gross Value Added (GVA) at current prices by county and by industry (sector) in 2022, 2021 and 2020, respectively. The breakdown indicates how much each sector contributed to each economic activity in the three years. Meru County contributed Kshs 211,033 million to the Agriculture, Forestry and Fishing followed by transport and storage with Kshs. 39, 276 million.

Figure 9: Meru County GCP by Economic Activity.



Source: Gross County Product 2022; Kenya National bureau of statistics

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3.5 County Economic Performance

Meru County is the leading county in Horticulture production Agriculture is the major economic activity in this county due to the rich volcanic soils in the high altitude areas. Coffee, tea, French-beans and dairy products as primary produce. Wholesale and retail trade also play important role in the county's economy. It's the Meru County is the Leading County that produces Miraa (Khat) for export and hence boosting the economic

There are a number of National Parks and conservancies that attracts tourists to the region. It's a tourism hotspot with Meru National park hosting unique wildlife attraction among them the Grevy's Zebras, Somali Ostrich, Reticulated Giraffe, giraffe Gazelle and the Onyx. The renowned Lewa Conservancy is also at the heart of the county. The county also offers the Mt Kenya climbing tourism circuit.

In this sense the county will continue to implement the following strategies per sectors over the medium term.

3.5.1 Industrialization

Industrialization sector is one of the top three sectors in terms of contribution to the Meru Gross County Product. This is especially due to its potential in revenue and employment generation.

To boost this sector, the county will:

a) Develop an Industrialization/Manufacturing policy to guide the sector in the implementation of its programmes, anchored on competitive advantage, placement of different industries and how to attract private investors into the industry. The policy will also outline how to harness the locally available resources.

b) **Establish industrial and incubation centres/parks**: Industrial and incubation parks are important vehicles for catalyzing innovation and value addition in the manufacturing sector.

c) **Develop cottage industrial clusters:** The main focus will be government intervention in promoting market-oriented research, value addition and marketing of regional specific products through the support of academia, the private sector and related actors. The County Government of Meru will focus on resource based and market-based industries.

d) **Develop SME parks:** SME parks are transformative and high impact projects that are expected to create jobs and wealth to the residents of Meru.

e) **Ease of doing business:** The business environment in any economy is an important

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factor in determining the level of investments that take place, expansion plans for businesses, employment levels, revenue collected and the general well-being of the society. The County Government will create an enabling environment by automating processes to fasten the approvals of development plans, licenses and other business process.

3.5.2 Agriculture and Livestock

The Agriculture Sector comprises Agriculture, Livestock and Fisheries. Up to 89 per cent of the households in the county practice agriculture and 63 per cent of all enterprises owned are in the agriculture sector *(Meru County Socio Economic Indicators baseline survey, 2016).* Meru County is an agriculture-based economy, blessed with rich soils, abundance of rivers and favorable climate. A clean green environment is instrumental for a healthy population and productive economy. As the Agri-food sector gradually shifts from an emergency response to re-engineering, recovery and building resilience, Meru County will adopt the following strategies:

a) Increase the production, value addition, warehousing and marketing of crops such as green grams, potatoes and bananas, macadamia, avocado, sunflower and cotton.
b) Encourage production of herbs, spices and horticulture for the local market and for export.
c) Establish agriculture value chain value-added agriculture will focus on production or manufacturing processes, marketing or services that increase the value of primary agricultural commodities.
d) Roll out of conservation agriculture as the quickest and cheapest approach to increase agricultural productivity in the county.
e) Through a working partnership with the national government and other stakeholders, the county shall build water pans across the drier region, sink new/rehabilitate existing boreholes and support community water projects.
f) The County shall also introduce drought tolerant crops such as green grams.
g) The county shall focus in enabling farmers cope with climate change, by adopting technologies that make agriculture sustainable. Efforts shall be directed at promoting conservation agriculture and assisting them to set up water harvesting structures.
h) Meru County shall invest in storage facilities and driers and cold storage facilities for fresh produce particularly at collection points.
i) The county shall be committed to digitize the agri-food sector to support: - training and

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building capacities of farming households in modern agricultural technologies, provision of advisory and information services, marketing agricultural produce at a wider scope beyond the county level, and improving access to innovative support services including credit and insurance services.

j) Meru County shall establish programmes for surveillance of disasters such as extreme weather conditions, crop pest and diseases, and livestock disease at the county level equipped with relevant technical specialists and finances to effectively prepare, respond and prevent risks.

k) Capacity building for farmers in produces handling/ output/ improve product standards, adoption of modern farming technologies (e.g. fodder establishments) and practices and adopt sustainable land management practices to minimize environmental degradation.

l) Agricultural cooperatives shall be strengthened through effective stakeholder engagement and implementation of interventions for more sustainable models of financing and customized training of cooperative members.

3.5.3 Water and Sanitation

Water is a basic right of all citizens. Meru County is endowed with several water resources (both surface and underground) comprising rivers/streams, springs, wetlands, lakes, ponds, dams, wells and boreholes among others. These form the major sources of water for domestic use and irrigation in the county. If sustainably managed, the resources can greatly benefit the county and the country at large. Water is a crucial resource for realization of the envisaged development goals locally, nationally and globally. However, effects of climate change along with other related factors, have led to acute water shortages adversely affecting the progress of social-economic development.

The county will:

a) Develop a sewer system in all Sub-County headquarters and other urban centres in every Sub-County.

b) Map and protect all water towers in the county

c) Distribute water to all urban settlements in the Wards

d) Seeks to revitalize water services and sanitation infrastructure, institutional development, external linkages, ensure the corporation's financial sustainability, environmental conservation and provision of sustainably quality, affordable and adequate water for

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improved livelihoods.

e) Expand and rehabilitate the existing piped water connection infrastructure to help increase access to water.

f) Increase water supply in households, institutions and public places through drilling of boreholes and rehabilitation of water supply schemes in all the sub-counties.

g) Develop and implement water and sanitation services policy, law, rule and regulations.

h) Promote protection of water catchment areas, determination and protection of wetlands.

i) Fast track cutting down of water conservation unfriendly trees.

j) Expand sewer infrastructure to accommodate more households.

3.5.4 Urban Development and Housing

Urbanization has the potential to improve economic opportunities and living conditions for the county if properly managed. This sector also focuses on improved access to decent and affordable housing using locally sourced sustainable building materials in the informal settlements in all major towns and urban centres. There cannot be sustainable development without well planned urban centres. Spatial planning is an important tool to address the challenges in urban infrastructure

Under this sector the County will seek to:

i) Develop a County Spatial Plan

ii) Construct at least low cost housing units in the County

iii) Public Land banking for all the urban areas

iv) Plan and designate land for public amenities (e.g. schools, markets, sports arenas etc.)

v) Develop a policy to promote home ownership to address the problem of rent distress.

vi) Avail appropriate building technology for use by the public in house construction and improvement in every Sub-county that responds to local cultural and environmental circumstances.

vii) Identify and designate urban centers for upgrade pursuant to provisions of the Urban Areas and Cities (amendment) Act, 2019.

viii) Develop and implement urban planning and design instruments that support sustainable management and use of natural resources and land in line with the New Urban Agenda and as a mitigative measure to future pandemics and disasters.

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3.5.5 Infrastructure

Infrastructure is a critical anchor of development. The strategic objective in this sector is to accelerate productivity and profitability of all sectors through access to sustainable and affordable infrastructure. The main goal in this sub-sector is to improve access to clean and sustainable energy in Meru County. Roads are key enablers of economic growth and have productive interlinkages with other socio-economic activities such as industrial, services, agricultural, commercial, social institutions and households. Digital development through the integration of ICT is a key driver of development in various sectors in the county as it ensures efficient and effective delivery of public services and creates an enabling environment for innovation and job creation.

In this sector the County plans:

i) **Installation of lighting:** Floodlights and street lights in all townships and market centres.

ii) **Green energy:** Domestic solar lighting to replace the use of firewood and tin lamps for households

iii) **Development of power sources:** Tapping hydropower from the various rivers in the county through the development of mini hydropower plants in the medium term, with transmission lines for purposes of power distribution.

iv) **Widespread electricity distribution:** Installation of transformers to ensure all households have access to electricity by 2030 in conjunction with other agencies, i.e. Kenya Power Rural Electrification and Renewable Energy Corporation (REREC).

v) Construction of tarmac backbone roads that achieve Inter-County Road Connectivity, Inter-Sub-County Road Connectivity, Inter-Ward Road Connectivity and Intra-Ward Road Connectivity

vi) Re-develop bus parks and termini to address crowding and social distancing concerns stipulated in the public health guidelines.

vii) Focus on increasing the share of unpaved roads in good and fair condition to above 62 per cent which is the national average. For the unpaved road network, focus on adopting the Low Volume Sealed Roads (LVSR) technology for greater network coverage cost effectively.

viii) Apply labor based and local resource-based approaches for road development and maintenance, where technically and economically feasible, in line with the Roads 2000 national policy.

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ix) Improve and expand infrastructure for Non-Motorized Transport (NMT) in urban areas and along roads with heavy -high speed traffic to promote sustainable mobility options and enhance road safety for all road users.

x) Adopt climate smart road engineering designs to safeguard road and bridge infrastructure from floods and to harvest storm water for irrigation and productive use. Use the Kenya Urban Support Programme funding to build storm water management systems in urban areas.

xi) Setting up Digital Villages, providing free Wi-Fi in all Sub-County headquarters and key administrative and social institutions within the County (e.g. hospitals, police stations, market centres, cultural centres etc.)

3.5.6 Tourism

Meru County is one of the few regions in the country that has the big five – the lion, elephant, rhino, leopard and buffalo. There are also a variety of wild animals not only in national parks, game reserves or conservancies but also in the northern grazing area where game has co-existed with communities for hundreds of years.

The sector has a high potential especially with neighboring Isiolo County having an airport and a proposed resort city as a flagship project under the Kenya Vision 2030. Accommodation and food services accounts for 0.4 per cent of total GCP, implying the need to prioritize hospitality sub-sector as a source of county own source revenue.

There is also need to allocate more resources to development of the sector, especially in product development and marketing. To address the gaps, the County will continue to:

a) Open up and promote mountain tourism
b) Building of capacity for service providers to raise service standards
c) Upgrading of tourist sites to exploit their potential.
d) Tourism development – marketing of Meru County as a destination of choice.
e) Identify, develop and market tourism products.
f) Enhance conservation and management of tourism attraction areas and sites.
g) Enhance accessibility to tourism products and facilities.
h) Preservation of cultural sites

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3.5.7 Health

Poor health comes as a result of a harmful environment, poor hygiene methods or unsuitable lifestyle choices. A healthy society therefore requires collaborative efforts to educate the community on healthy living, environmental conservation, and proper animal husbandry (to counter zoonotic diseases).

The County has a fairly strong health care system that brings together the Public, Faith-based and the Private Sector to provide health services to its residents and those from neighboring counties.

About 58 per cent of all healthcare services in Meru County are provided by the public sector.

The health department shall continue to fund these engagements;

a) **Universal Health Coverage:** The County envisages a community health strategy that will ensure a 30 per cent increase in immunizations and 80 per cent of people signed up to the NHIF scheme.

b) **Upgrade all County and Sub-County Hospitals:** Converting Meru Level 5 hospital into a Level 6-Parastatal so that it can be a centre of research and learning. This will also lead to an upgrade of existing Level 4 hospitals to Level 5.

c) Promote construction, upgrading and equipping of health facilities through additional funding to health sector.

d) Sensitize county residents on enrollment for NHIF and Meru Care cover, to relieve them of out-of-pocket financing of health services, cancer treatment being one of the main causes of morbidity in Meru County.

e) Promote and support public and community health by advocating for hand washing facilities in homes and institutions such as schools, technical training and university institutions; workplaces and health care facilities within Meru County.

f) Create awareness on availability and importance of free maternity services and address other constraints to access of maternal health services in the county.

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3.5.7 Education & Technology

An educated citizenry will raise the levels of literacy in the community, thereby increasing the human development index. An educated Mumeru will be better placed to achieve their full potential, contribute positively to their county and country, and compete in the changing and challenging global environment. The goal of the Education and Technology Sector is "to increase access to education

and training, improve quality and relevance of education, reduce inequality and exploit knowledge and skills on science, technology and innovation for global competitiveness".

The county has 776 Early Childhood Development Centers (ECDs) centers. The total number of ECD teachers across all centers makes the teacher child ratio to be at an approximate 1:51. This is way below the recommended rate.

The core mandate of Vocational Training Centers (VTCs) is to ensure there is quality education and training in these institutions through frequent monitoring of the curriculum to ensure effective implementation.

Therefore, the sector will have to develop strategies to mitigate the state of affairs. These will include:

a) **Meru County Meals and Nutrition Programme:** Meru County aims to increase enrolment at the basic level of education by offering a school feeding programme.
b) **Inclusivity in education:** Ensure that the education system caters to special needs students
c) **ICT integration at all levels:** this will move the county forward in enhancing use of technology and innovation.
d) **Establishment of Model Vocational Training Centres:** To counter the declining number of artisans in the county and change the existing negative perception of vocation training, the County plans to improve management of VTCs, develop a County Education Master Plan that will have an audit of what is lacking in terms of infrastructure, technical equipment or human resource.
e) County government to recruit more ECDE teachers subject to availability of funds so that to avoided overcrowded classes.
f) The county Education Department in collaboration with health authorities will establish the safety of school buildings and their surroundings; provide adequate water and sanitation facilities and enhanced school feeding programme; and promote monitoring psychosocial wellbeing of students, teachers and non-teaching staff.

3.5.8 Social Protection

Social Protection looks at improving the well-being of affirmative groups in the community such as the elderly, persons with disability (PWDS), marginalised persons, orphans and vulnerable children, street children and families and victims of gender based violence.

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In the sector of social protection, the county government shall:

a) **Enact laws against SGBV and retrogressive cultural practices:** This is an immediate flagship programme that aims at enforcing laws that will help reduce reported cases of Sexual, Gender Based Violence (SGBV) and outlaw practices such as FGM.
b) **Women Empowerment Programme-** this programme aims at empowering women to be economically independent.
c) **Functional PWD SACCO to provide loans to over 70 per cent of PWD members**: Economically empower persons with disability so as to include them in all spheres of development.
d) Utilize innovative approaches to reach the vulnerable in the informal sector. Immediate measures will focus on livelihood preservation and recovery and enhancing community support schemes.
e) Construction of rehabilitation centres in the county.
f) More sensitization of youths, women and PWDs about AGPO so that they are able to exploit business opportunities with government.
g) Protect vulnerable groups in the population from health costs by enhancing NHIF coverage; improving knowledge of the existing insurance schemes to improve uptake; and subsidizing NHIF premiums for elderly.
h) Enhance community awareness and sensitization on gender inequalities, gender-based violence reporting and prevention and reproductive health.

3.5.9 Youth & Sports

Youth are the fastest growing demographic unit in the country and at the same time the most vulnerable. Various stakeholders in the Youth Sector now recognize that Youth Empowerment is crucial for a stable society. The Youth & Sports Sector plans to encourage youth to join sporting disciplines to instill values of team work and reduce cases of idleness

There needs to be a priority on youth policies within the county if youth mainstreaming is to take place. The goal of the Youth & Sports Sector is to promote youth empowerment and participation

The County will:

a) **Meru Youth Service (MYS):** The programme, initiated in 2018, is projected to continue for the next 5 years. The project targets to employ 1,000 youths every cycle.
b) **Establishing and strengthening new games in the county:** The long-term strategy in the

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sector is to promote new games such as baseball and archery.

c) Rehabilitation of Sports Centres, construction of stadiums

d) Strengthen enforcement of laws related to early pregnancies especially where adults are involved.

e) Establish a multi-sectoral committee that oversees the implementation of gender policies across various cross-cutting sectors.

f) Involving youth directly in planning and implementing policies, since young people are among the most effective advocates for change.

g) Youth empowerment through providing skill-based-training in various fields of development, financial and business support

3.5.10 Environment and Natural Resources Management

Meru County is an agriculture-based economy, blessed with rich soils, abundance of rivers and favorable climate. A clean green environment is instrumental for a healthy population and productive economy. However, due to low level of awareness of environmental issues and lack of regulations and policies, the sector has experienced rampant pollution and mismanagement of natural resources.

The sector can benefit from new and available technologies in waste management. There is also an opportunity to educate citizens on generation and use of renewable energy from natural sources such as biogas.

The county plans to:

a) **Safeguard encroachment and reclaim riparian areas:** This aims at mitigating against drying of wetlands and rivers.

b) **Climate Change Innovation and Incubation hub:** This is the use of technology in recycling organic waste in the spirit of circular economy.

c) Beautification of urban areas, highways, rivers valleys and parks.

d) **Agro-forestry:** This aims to encourage commercial forests, and citizens to grow trees on hilltops as a cash crop /commercial forests

e) Promote afforestation by providing tree seedlings to communities and schools.

f) Enforce the environment management and conservation policies.

g) Provide capacity building of communities around forest land on forests on Sustainable Forest Management.

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h) Provide waste collection services at households, promote and facilitate regular waste collection, environment clean up exercises at neighborhoods and in towns.

3.6 Risks to the Economic Outlook

There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, risks emanate from climate change resulting in unfavorable weather conditions. This could affect agricultural production and result to domestic inflationary pressures. On the external front, uncertainties in the global economic outlook have also increased which could impact on the domestic economy. These risks include:

- ✓ **Inflationary shocks:** The high inflation caused by disruptions in the global supply chain, high cost of fuel and reduction in food production is likely to affect production and consumption prices over the medium term. This could raise the cost of implementing County Government projects and costs of delivering public services
- ✓ **Budget Credibility:** The growing demand for improved budgetary allocations by County functions, has consistently led to over-estimation of Own source revenues. This has consequently led to under-performance of OSR over the years. There is need to contain the expectations of different Entities, so as to not over-stretch the existing fiscal stance. On the expenditure side, there has been perennial under absorption, especially for the development expenditure. These trends need to be reversed, in order for the County to achieve a worthy budget outturn and minimize the deviations between the planning and budget processes.
- ✓ **Wage bill:** Section 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' wage bill shall not exceed 35 percent of their total revenue. The compensation to employees in the FY 2025/26 has still not attained the required threshold. This is occasioned by the compound effects of SRC salary harmonization, annual increments, recruitments and promotions, implementation of pension scheme after passing of the County Governments' Retirement Scheme Act (2019), and worker's collective bargaining agreements. If left unchecked and without an increased match in county revenue sources, continued rise in wage will put a strain on the limited fiscal space and further affect the County Governments' ability to meet its financial obligations in other core expenditure areas.
- ✓ Pending bills: Currently the County's eligible pending bills as at the end of June 2024 totaled to Kshs.1.345 billion. During the current FY 2024/25 the County has a payment plan to pay pending bills amounting to Kshs.1.003 billion which will see settlement of approximately 90%

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of bills owed to the County. The balance of Kshs.300 million will be factored in FY 2025/26 budget. In addition, the County will endeavor to set realistic and attainable own source revenue target to cushion against the risk of unfunded bills.

- ✓ Failure to meet these commitment exposes the county to reputational damage in cases where contractors and suppliers and aggrieved staff in some cases move to court to seek legal redress. Further, reluctance to pay contractors and suppliers affects their businesses that are at risk of closure. More detrimentally, contractors and suppliers may shy from doing business with the County Government thereby affecting the county's ability to deliver services and implement vital development projects. A lasting solution on resolution of county pending bills need to be sought, due to the volatile nature of these bills
- ✓ Lower agricultural output due to potential adverse weather conditions.
- ✓ Global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.

3.7 Mitigation Measures to the Risks

- ✓ Deliberate effort to continue exercising prudence in public expenditure management
- ✓ Gradually lowering the fiscal deficit, and adopting austerity measures to deter increase of recurrent expenditures
- ✓ The County shall develop and implement innovative mechanisms to increase its local revenue while at the same time ensuring austerity in public spending.
- ✓ The county will put necessary measures in the attempt to curb wage bill through having an approved organization structure and staff establishment, stopping recruitment of non-essential staff and those not in the approved staff establishment and ensuring appropriate engagement of casuals and payment of salaries through IPPD to enhance efficiency in HR management.
- ✓ The county government shall ensure that both the level and rate of growth in debt is fundamentally sustainable as high debt will continue to impact negatively on the county operations. This will be done by increasing and revising the county's own source revenue targets to realistic and achievable targets. Unachieved revenue targets create budget gaps which at long run result to a number of unpaid expenditures (pending bills). In addition, however, funds shall be allocated in the budget for debt servicing.

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4. RESOURCE ALLOCATION FRAMEWORK

4.1 Implementation of the FY 2024/25 Budget

The implementation of FY 2024/25 budget has been impeded by the withdrawal of Finance Bill 2024, which was expected to raise an additional revenue amounting to Kshs. 344.3 billion. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the National Treasury embarked on expenditure rationalization through the Supplementary Estimates I. Expenditure rationalization targeted recurrent and development budgets shareable allocation to County Governments.

The overall revenues for the FY 2024/25 are projected at Kshs 13.922 billion with exchequer accounting for 78.15% at Kshs.10.879 billion, Conditional loans and grants 14.19% at Kshs. 1.976Billion and own source revenues 7.66% at Kshs.1.067 billion.

The county forecasts own source revenue (OSR) collections of Kshs. 500 million for FY 2024–2025, Kshs. 550Million from Appropriation–in–Aid, and Kshs. 17 million from Kaguru Training Center. The Meru County Revenue Board is making commendable progress by implementing a cashless revenue management system, updating the valuation roll, and emphasizing the importance of tax compliance. These efforts aim to enhance efficiency, transparency, and overall revenue collection. By sensitizing stakeholders and encouraging the community with the slogan "**Lipa Ushuru, Jenga Meru**"

4.2 Fiscal Policy for FY 2025/26 and Medium-Term Budget.

The fiscal policy for the fiscal year 2025/26 and the medium term is designed to align with the government's priority programs. These programs fall under the "Bottom-Up Economic Transformation Agenda" (BETA) and the fourth Medium-Term Plan (MTP IV). The goal is to consolidate fiscal measures that promote growth.

At the county level, the fiscal policy aims to support economic activities. This will be achieved by implementing the County Integrated Development Plan (CIDP) for the period 2023–2027. The focus is on improving efficiency in delivering public services and ensuring that various departments receive adequate resources to carry out their priorities sustainably.

4.2.1 Fiscal Projections

In the FY 2025/26 total revenue is projected at Kshs. 12.370 billion. Of this, own source revenue including Appropriation-in-Aid (A-i-A) is projected at Kshs. 1.140 billion (9.22 percent of total revenue) while condition loans and grants are projected at Kshs. 1.477 billion (11.95 percent of the total revenue and Equitable share projected at Kshs.9.752 billion (78.84 percent of total revenue.) This revenue performance will be underpinned by the on-going reforms in policy and revenue administration. The overall expenditure will comprise: recurrent expenditure of Kshs. 8.598 billion (69.51 percent of total revenue); development expenditure of Kshs.3.771 billion (30.49 percent of total revenue); respectively.

4.2.2 Medium Term fiscal projections.

The MTEF for the fiscal years 2025/26-2027/28 is based on principles of fiscal responsibility. It serves as a guide for budgeting, outlining expenditure priorities and constraints. Essentially, it ensures that sector plans align with the government's social and economic goals.

In this regard, Departments and corporations are encouraged to be efficient in allocating resources in order to reduce non-priority spending. This involves cost budgeting and realigning their programs, projects, and activities. The goal is to focus on the County Government's priority programs as outlined in the Meru County Integrated Development Plan (CIDP) for 2023–2027 and the Annual Development Plan (ADP).

Table 10: Revenue Projections for the Financial Year 2025/26-2027/28.

Revenue Stream	Approved FY 2024/2025 Revenue Budget Est'	Projected FY 2025/2026 Revenue Budget Est'	Outer FY 2026/2027	Outer FY 2027/2028
a. Equitable Share	10,879,160,115.00	9,752,383,950.00	10,343,753,713.26	10,860,941,398.92
b. County Own Revenue	500,000,000.00	520,110,000.00	560,540,000.00	588,567,000.00
c. Appropriation in Aid- Hospital FIF	550,000,000.00	600,200,000.00	601,200,154.00	631,260,161.70
d. Kaguru Training Centre	17,000,000.00	20,000,000.00	22,500,000.00	23,625,000.00
Total	**11,946,160,115.00**	**10,892,693,950.00**	**11,527,993,867.26**	**12,104,393,560.62**
Conditional Loans and Grants				
i. World Bank for national agricultural and Rural Inclusive Growth project		-	-	
ii. World Bank for national agricultural value chain development project (NAVCDP)	151,515,152.00	151,515,152.00	159,090,909.60	167,045,455.08
iii. Aquaculture business Development	23,306,984.00	23,306,984.00	24,472,333.20	25,695,949.86
iv. Fertilizer Subsidy		24,471,913.20	25,695,508.86	26,980,284.30
v. Aggregated Industrial Park	187,500,000.00	-	-	-
vi. De-Risking and Value Enhancement	63,341,980.00	66,509,079.00	69,834,532.95	73,326,259.60
vii. Livestock Value Chain Support Project	99,394,800.00	104,364,540.00	109,582,767.00	115,061,905.35
viii. Mineral Royalties			-	-
ix. Danida	12,382,500.00	12,382,500.00	13,001,625.00	13,651,706.25
x. GoK-ASDSP	-	6,410,355.00	6,730,872.75	7,067,416.39
xi. World Bank Emergency Locust Response Project (ELRP)	104,600,000.00	104,600,000.00	109,830,000.00	115,321,500.00
xii. Kenya Devolution Support Programme(KDSP)	37,500,000.00	37,500,000.00	39,375,000.00	41,343,750.00
xiii. World Kenya Informal settlement Improvement Project-KISIP II	333,506,111.00	193,506,111.00	203,181,416.55	213,340,487.38
xiv. World credit Financing Locally-Led Climate Action	188,269,899.00	188,269,899.00	197,683,393.95	207,567,563.65
xv. Fuel Levy Fund	284,617,467.66	284,617,467.66	298,848,341.04	313,790,758.10
xvi. Community Health Promoters-conditional funding	111,480,000.00	111,480,000.00	117,054,000.00	122,906,700.00
xvii. World Bank KUSP (Kenya Urban Support Programme)-UIG	35,000,000.00	35,000,000.00	36,750,000.00	38,587,500.00

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xviii. World Bank KUSP (Kenya Urban Support Programme)-UDG	320,000,000.00	106,048,304.00	111,350,719.20	116,918,255.16
Meru County Primary Health Care	-		-	-
Transfer to Library Services	12,902,906.00	17,000,000.00	17,850,000.00	20,000,000.00
Breakdown: Salaries				-
Meru County Village Polytechnic Projects	-			-
Kenya Agricultural Business Development Projects (KABDP)	10,918,919.00	10,918,919.00	10,918,919.00	11,464,864.95
Sub-Total	**1,976,236,718.66**	**1,477,901,223.86**	**1,551,250,339.10**	**1,628,812,856.06**
Total	**13,922,396,833.66**	**12,370,595,173.86**	**13,079,244,206.36**	**13,733,206,416.68**

4.3 FY 2025/26 and Medium-Term Budget Framework.

The Government will continue with its policy of expenditure prioritization with a view to supporting transformative development agenda. This agenda is anchored on provision of core services, creation of employment opportunities improving the general welfare of the people and ensuring equity while minimizing costs through the elimination of duplication and inefficiencies. Realization of these objectives will have implications in the budget ceilings provided in this CBROP.

4.3.1 Criteria for Resource Allocation

The Government is operating under constrained fiscal environment. In view of this the Government has adopted Zero Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to Projects and Programmes. Ministries, Departments, and Agencies will therefore be required to re-evaluate all the existing/planned activities, projects, and programmes to be funded in the FY 2025/26 and Medium Budget.

In this regard, the principles of efficiency, effectiveness and economy of public spending shall strictly be enforced by ensuring low-priority expenditures give way to high-priority service-delivery programmes. SWGs should therefore eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery.

Sector Working Groups (SWGs) are expected to eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. SWGs are also expected to ensure that all expenditure items in the FY 2025/26 Budget are justified and

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emphasis is placed on allocating the limited resources based on programme efficiency and requirement rather than incremental budgeting.

The following will therefore serve as the criteria to guide prioritization and final allocation of resources:

i. Programmes that enhance value chain and linkage to BETA priorities;

ii. Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;

iii. Linkage of the programmes with the objectives of the CIDP 2023-2027 and Annual Development Plan 2025/2026.

iv. Governor's Directives and Cabinet Decisions;

v. Completion of ongoing projects, stalled projects and payment of verified pending bills;

vi. Degree to which a programme addresses the core mandate of the MDAs;

vii. Programmes that support mitigation and adaptation of climate change;

viii. Cost effectiveness, efficiency and sustainability of the programme; and

ix. Requirements for furtherance and implementation of the Constitution.

Based on the above broad guidelines, SWGs are expected to develop and document sector specific criteria for prioritization and resource allocation within the resource envelope. To facilitate the finalization and approval of the 2024 BROP and other policy documents within the stipulated timelines, MDAs are required to strictly undertake the activities outlined in the Budget Calendar within the set timeframes. The Budget Calendar provided in Annex Table 4 outlines the timeframes for delivery of policy documents, reports and relevant Bills.

Table 11: FY 2025/26-2027/28 MTEF Projected Expenditure Ceilings (Kshs.)

Vote	Department	Approved FY 2024/25 Est'	Projected FY 2025/26 ceilings	Outer FY 2026/27	Outer FY 2027/28
3560	**County Assembly**	**1,145,395,621.00**	**965,992,504.75**	**1,074,157,687.26**	**982,926,083.61**
	Recurrent	1,013,378,295.00	900,386,615.11	945,405,945.87	992,676,243.16
	Development	132,017,326.00	65,605,889.64	68,886,184.12	72,330,493.33
3561	**Office Of the Governor**	**160,250,000.00**	**160,250,000.00**	**168,262,500.00**	**176,675,625.00**
	Recurrent	160,250,000.00	160,250,000.00	168,262,500.00	176,675,625.00
	Development			0	0

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3562	**Finance, Economic Planning & ICT**	**1,169,291,387.07**	**998,915,397.41**	**1,048,861,167.28**	**1,101,304,225.64**
	Recurrent	928,994,723.91	825,411,812.19	866,682,402.80	910,016,522.94
	Development	240,296,663.16	173,503,585.22	182,178,764.48	191,287,702.71
3563	**Agriculture, Livestock & Fisheries Services**	**534,125,921.00**	**424,570,880.81**	**445,799,424.85**	**468,089,396.09**
	Recurrent	47,719,126.00	42,398,443.45	44,518,365.62	46,744,283.90
	Development	486,406,795.00	382,172,437.36	401,281,059.23	421,345,112.19
3564	**Water, Irrigation, Environment & Natural Resources**	**593,574,048.73**	**459,712,250.22**	**482,697,862.74**	**506,832,755.87**
	Recurrent	43,795,898.00	38,912,655.00	40,858,287.75	42,901,202.14
	Development	549,778,150.73	420,799,595.22	441,839,574.99	463,931,553.74
3565	**Education Science, Culture & Arts**	**452,528,792.56**	**399,071,832.10**	**419,025,423.71**	**439,976,694.89**
	Recurrent	257,524,943.56	228,810,912.26	240,251,457.87	252,264,030.77
	Development	195,003,849.00	170,260,919.84	178,773,965.83	187,712,664.12
3566	**Health Services**	**1,503,453,146.68**	**1,315,818,120.82**	**1,381,609,026.86**	**1,450,689,478.20**
	Recurrent	704,711,013.60	606,135,735.58	636,442,522.36	668,264,648.48
	Development	798,742,133.08	709,682,385.24	745,166,504.50	782,424,829.73
3567	**Land, Physical Planning, Urban Development & Public Works**	**811,146,817.30**	**664,703,947.17**	**697,939,144.53**	**732,836,101.75**
	Recurrent	71,650,000.00	63,661,025.00	66,844,076.25	70,186,280.06
	Development	739,496,817.30	601,042,922.17	631,095,068.28	662,649,821.69

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3568	**Public Service Management & Administration**	**5,671,854,962.93**	**5,658,490,647.70**	**5,941,415,180.09**	**6,238,485,939.09**
	Recurrent	5,566,857,664.48	5,605,200,547.70	5,885,460,575.09	6,179,733,603.84
	Development	104,997,298.45	53,290,100.00	55,954,605.00	58,752,335.25
3569	**Roads, Transport & Public Works**	**1,207,573,475.38**	**772,929,032.11**	**811,575,483.72**	**852,154,257.90**
	Recurrent	40,900,169.68	36,339,800.00	38,156,790.00	40,064,629.50
	Development	1,166,673,305.70	736,589,232.11	773,418,693.72	812,089,628.40
3570	**Trade, Tourism & Cooperative Development**	**473,017,892.21**	**390,276,397.22**	**409,790,217.08**	**430,279,727.94**
	Recurrent	25,332,228.00	22,507,684.58	23,633,068.81	24,814,722.25
	Development	447,685,664.21	367,768,712.64	386,157,148.27	405,465,005.69
3571	**Youth, Sports, Gender & Social Development**	**156,065,290.20**	**130,664,010.35**	**137,197,210.87**	**144,057,071.41**
	Recurrent	44,731,422.00	39,743,868.45	41,731,061.87	43,817,614.97
	Development	111,333,868.20	90,920,141.90	95,466,149.00	100,239,456.44
3572	**Public Service Board**	**44,119,478.60**	**29,200,156.20**	**30,660,164.01**	**32,193,172.21**
	Recurrent	44,119,478.60	29,200,156.20	30,660,164.01	32,193,172.21
	Development				
	Total	**13,922,396,833.66**	**12,370,595,176.86**	**13,056,492,717.26**	**13,709,317,353.12**
	Sub-total Rec'		8,598,959,255.52		
	Sub-total Dev'		3,771,635,921.34		
	% Of Rec' Budget to Total Revenue		**69.51%**		
	% Of Dev' Budget to Total Revenue		**30.49%**		

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4.4 Expenditure Forecasts

In the fiscal year 2025/26, Meru County's overall expenditure is projected to reach **Kshs 12.370 billion**, marking a decrease from the approved estimate of **Kshs 13.922 billion** in the current financial year. Looking ahead to the fiscal year 2025-2026, the development budget is set to be **Kshs3.771 billion,** constituting approximately **30.49%** of the total budget. Notably, key sectors will benefit from these allocations:

- **Health Sector**: Set to receive **Kshs 1.315 billion.**
- **Lands**: Anticipated to receive **Kshs 664.703 million.**
- **Roads Subsector**: Allocated **Kshs 772.929 million**.
- **Water Sector**: Allocated **Kshs 459.712 million**.
- **Education** receiving **Kshs. 399.071 million**

These investments hold promise for community well-being, has they play a vital role in improving the quality of life of citizens, promoting sustainable development, and increasing economic growth.

CONCLUSION

The preparation of the FY 2025/26 and the medium-term budget is being done against a background of decline in the growth attributed to disruptions emanating from the remnant effects of COVID-19, the Russia-Ukraine conflict and tightened monetary policies in a number of economies. Advanced economies expanded by 1.6 per cent in 2023 compared to 2.6 per cent growth rate experienced in 2022 largely due to tighter monetary conditions within the bloc and a lower than anticipated growth rate in the Euro Area however, global economy has stabilized with global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023 and global inflation has moderated, with central banks in some major economies lowering interest rates. International oil prices have moderated, but the risk premium from the Middle East conflict has increased following the recent escalation.

Real Gross Domestic Product (GDP) expanded by 5.6 per cent in 2023 compared to a revised growth of 4.9 per cent in 2022. The positive growth was notable across most sectors of the economy. The economy recorded a strong growth of 5.3 in the first quarter reflecting a strong recovery in agricultural and buoyant services sector. The economy is expected to remain strong and expand 5.2 percent in 2024. The growth outlook will be supported by broad-based private sector growth, resilient services sector and the rebound in agriculture. This will also be reinforced by implementation of policies and reforms under the priority sectors of the Bottom-Up Economic Transformation Agenda geared towards economic recovery and inclusive growth.

To strengthen the economic recovery, the county budget for FY 2025/26 and the medium term will focus on resource mobilization and reduction on non-core expenditures. The Government will continue implementation of the County Economic Recovery Strategy through the CIDP III, ADP ans Strategic plans across all sectors to build resilient and sustainable economic recovery and inclusive growth.

Due to limited resources at the County level, all Sector Working Groups are required to scrutinize all proposed County Departments and Agencies (CDAs) budgets for FY 2025/26 and the medium term to ensure that they strictly adhere to the proposed sector ceilings and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2025/26 and the medium-term budget. The resource envelope and ceilings for each Sector provided in this Budget Review and Outlook Paper will form inputs into the 2024 County Fiscal Strategy Paper.

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ANNEX 1: 2024/25 FISCAL YEAR BUDGET CALENDAR

ANNEX I: BUDGET CALENDAR FOR THE FY 2025/26 MEDIUM-TERM BUDGET			
Activity	Event Description	Responsibility	FY2025/26 Timeline
1. Develop and issue MTEF guidelines	**The County Treasury prepares the MTEF budget circular to provide guidelines on preparation of the budget**	**County Treasury**	**30-Aug-24**
2. Launch of Sector Working Groups	**The County Government launches the Sector Working Group Process**	**County Treasury**	**13-Sep-24**
3. Programme Performance & Strategic Reviews	**The Departments & Corporations prepare the performance review reports**	**Technical Working Groups**	**16-Sep-24**
3.1 Review of County Annual Progress Report	Departments & Corporations review and prepare their annual progress report	"	"
3.2 Review of programme outputs and outcomes	Departments & Corporations review their outputs and outcomes for the previous MTEF period	"	"
3.3 Review of Expenditure	Departments & Corporations review their expenditure for the previous MTEF period	"	"
3.4 Review and approval of projects for FY2025/26	Departments & Corporations review performance of their projects for the previous MTEF period and approve projects to be implemented in the forthcoming MTEF period	"	"
3.5 Progress report on CIDP implementation	MDAs prepare progress report on CIDP implementation	"	"
3.6 Preparation of annual plans	MDAs prepare annual plans the forthcoming financial year	"	27-Sep-24

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4. Development of Medium-Term Budget Framework	**The Macro- working Group prepares the fiscal framework**	**Macro Working Group**	**30-Sep-24**
4.1 Estimation of Resource Envelope	The Macro-working group estimates the available resources that will be shared across sectors for the forthcoming MTEF period.	"	"
4.2 Determination of policy priorities	The Macro-working group prioritises programs that will be funded in the forthcoming MTEF period including strategic interventions	"	"
4.3 Preliminary resource allocation to Sectors	The Macro-working group prepares a simulation of how the resources will be shared including assumptions used	"	"
4.4 Draft Budget Review and Outlook Paper (BROP)	The Macro-working group prepares the draft budget review and outlook paper	"	"
4.5 Submission of BROP to County Executive Committee	The County Treasury submits the Budget Review and Outlook Paper to Cabinet for approval	"	30-Sep-24
4.6 Approval of the BROP by County Executive Committee	The County Executive Committee approves the BROP		14-Oct-24
4.7 Submission of approved BROP to County Assembly	BROP is submitted to County Assembly	"	21-Oct-24
5. Preparation of MTEF budget proposals	**Sectors prepare the budget proposal**	**Line Departments**	**29-Nov-24**
5.1 Retreats to draft Sector Reports	Sectors retreat to share resources and prepare the Sector report	Sector Working Group	2nd-9 th Oct & 22nd-25 Oct
5.2 Public Sector Hearing	The County Government conducts Public Hearings on its proposed FY 2025/26 and Medium-Term period sector Budget	County Treasury	15th-18th Oct-24

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5.3 Review and incorporation of stakeholder inputs in the Sector proposals	Sectors incorporate comments from the stakeholders in the Sector reports before submitting the reports to the County Treasury	Sector Working Group	25-Nov-24
5.4 Submission of Sector Report to Treasury	The final Sector reports are submitted to the County Treasury	Sector Chairpersons	28-Nov-24
5.5 Consultative meeting with Chief Officers/CECMs on Sector Budget proposals	The County Treasury organises a consultative meeting with Chief Officers/CECMs on sector budget proposals	County Treasury	10-Dec-24
6. Draft County Fiscal Strategy Paper (CFSP)	**The Macro Working group prepares the County Fiscal Strategy Paper for submission to the County Assembly by mid-February each year**	**Macro Working Group**	**28-Feb-25**
6.1 Draft County Fiscal Strategy Paper	Draft County Fiscal Strategy Paper is prepared	Macro Working Group	29-Jan-25
6.2 Submission of CFSP to County Executive Committee for approval	The County Treasury submits the CFSP to County Executive Committee for approval	County Treasury	13-Feb-25
6.3 Submission of CFSP to County Assembly for approval	The County Treasury Submits CFSP to County Assembly for approval	County Treasury	28-Feb-25
7. Preparation and approval of Final Departments Budgets	**The Departments & Corporations prepare the final budget for submission to County Assembly by 30th April each year**		**30-Apr-25**
7.1 Develop and issue final guidelines on preparation of 2025/26 MTEF Budget	The County Treasury develops and issues the final guidelines on preparation of the final budget	County Treasury	3-Mar-25
7.2 Submission of Budget Proposals to County Treasury	Departments & Corporations submit their budget proposals to the County Treasury for consolidation	Line Departments	15-Mar-23
7.3 Consolidation of the Draft Budget Estimates	The County Treasury consolidates the budget estimates from the Departments & Corporations	County Treasury	1-Apr-23

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7.4 Submission to County Executive Committee for Approval	The County Treasury submits the budget estimates to County Executive Committee for approval	County Treasury	13-Apr-23
7.5 Submission of Draft Budget Estimates to County Assembly	The County Treasury submits the consolidated budget estimates to County Assembly for approval	County Treasury	30-Apr-25
7.6 Submission of the Finance Bill	The County Treasury submits the Finance Bill tio the National Assembly for approval	County Treasury	30-Jun-25
7.7 Review of Draft Budget Estimates by County Assembly	The County Assembly reviews the budget estimates through the Departmental committees	County Assembly	15-May-25
7.8 Report on Draft Budget Estimates from County Assembly	County Assembly prepares and adopts a report on the budget estimates	County Assembly	31-May-25
7.9 Consolidation of the Final Budget Estimates	The County Treasury consolidates the final budget estimates considering the report from the National Assembly	County Treasury	10-Jun-25
7.10 Submission of Appropriation Bill to County Assembly	The County Treasury prepares and submits the Appropriation Bill by vote and programme	County Treasury	10-Jun-25
8. Budget Statement & Revenue Pronouncement	**The County Executive Committee Member for Finance Treasury delivers the budget speech in the County Assembly. The speech highlights key allocations and major policy options that will be used to raise revenue to finance the budget**	County Treasury	**13-Jun-25**
9. Appropriation Bill Passed	**The County Assembly debates the Appropriation Bill and passes it on the floor of the house.**	**County Assembly**	**30-Jun-25**
10. Finance Bill Passed	**The County Assembly debates the Finance Bill and passes it on the floor of the house. This gives powers to the County Treasury to raise revenue to finance the budget**	**County Assembly**	**30-Jun-25**

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