

THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MERU

COUNTY TREASURY



COUNTY BUDGET REVIEW AND OUTLOOK PAPER

(CBROP) 2020

SEPTEMBER 2020

© County Budget Review and Outlook Paper (CBROP) 2020

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

[Email: merucounty@meru.go.ke](mailto:merucounty@meru.go.ke)

Website: www.meru.go.ke

Table of Contents

Foreword	i
Acknowledgement	i
Abbreviations and Acronyms.....	ii
INTRODUCTION	5
1.1 Objectives of CBROP	5
1.2 Significance of CBROP	5
2. REVIEW OF COUNTY FISCAL PERFORMANCE IN 2019/20 FY	7
2.1 Overview	7
2.2 Fiscal Performance.....	7
Expenditure Performance.....	8
2.5 Fiscal balance	13
3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK	14
3.1 Overview	14
3.2 County Economic Outlook and Policies	15
3.2.1 Agriculture Rural and Urban Development.....	15
3.2.3 General Economic, Commercial and Labour Affairs Sector	16
3.2.4 Health Sector	17
3.2.5 Social Protection, Culture and Recreation Sector.....	17
3.2.6 Environmental Protection and Water Sector	18
3.2.7 Public Administration and Intergovernmental Affairs	18
3.3 Medium Term Expenditure Framework.....	18
3.3.1 Revenue enhancement strategies.....	19
4. RESOURCE ALLOCATION FRAMEWORK	22
4.2 FY 2021/22 Budget Framework (MTEF)	22
4.3 MEDIUM TERM FISCAL PROJECTIONS	23
4.5 Projected Fiscal Balance	25
5 CONCLUSION.....	32

Foreword

The County Budget Review and Outlook Paper (CBROP) 2020 is prepared in line with the County Budget Operational Manual that stipulates its format, structure and contents. More importantly, the preparation has adhered to Section 118 of the Public Finance Management (PFM) Act 2012.

CBROP 2020 is based on the Meru County Government's development aspirations of "making Meru great". It is informed by the presidential "BIG FOUR AGENDA", Kenya Vision 2030, CIDP 2, County vision 2040 and the ADP 2020. On preparation of the FY 2021/22 budget, further efforts will be put in place to continue enhancing on own-source revenue generation through the growth of the productive sectors which will create the synergy for the growth of the County economy. The fiscal framework presented in this paper ensures sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives and call for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline. Focus will also be on enhancing efficiency in Budget implementation by prudent allocation of resources key sectors.

In ensuring there is transparency and accountability the executive will relay the County performance indicators to the public as well publicizing in accordance with the Constitution 2010 and the Public Finance Management Act, 2012. This will enable stakeholders to keep abreast of all development programmes being carried out in the County. Quarterly implementation status reports will also be availed to the County Assembly for oversight and the general public for accountability and transparency

Joseph Chabari Kabii

For: Deputy Governor & CECM Finance, Economic Planning & ICT

Acknowledgement

Preparation of the CBROP 2020 was a concerted and consultative effort among various departments and stakeholders who provided useful information required in preparing this document. We are particularly appreciative to the team from the Budgeting and Economic Planning directorates for their tireless efforts towards ensuring that this document was completed in good time.

We also owe special thanks to our respective County Executive Committee Members (CECMs) and the Chief Officers (COs) for their leadership and guidance.

Charles Mwenda

For: Chief Officer-Finance, Economic Planning & ICT

Abbreviations and Acronyms

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

LEGAL BACKGROUND

The County Budget Review and Outlook Paper is one of the key stages in the preparation of the Annual County Budget. Its preparation is enshrined in the Public Finance Management Act, 2012 where section 118 (1) clearly postulates 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:

- a) The details of the actual fiscal performance in the previous year compared to the Budget appropriation for that year;
- b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
- c) 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
- d) 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.
- e) After preparation of the Paper by the County Treasury, the County Executive Committee considers the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, and arranges for the same to be laid before the County Assembly, publishes and publicizes 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.

The main objectives of a CBROP are to specify:

- The broad strategic priorities and policy goals that will guide the County Government in preparing its Budget for the coming financial year and over the medium term;
- The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- The financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term;

- An assessment of the current financial year and the projected state of the economy for the succeeding three years;
- Targets for overall revenues, total aggregate expenditure and domestic and external borrowing for the succeeding financial year and the medium term;
- The total resources to be allocated to individual programmes within a sector indicating the outputs expected from each such programme during that period;
- The criteria used to allocate or apportion the available public resources among the various programmes; and
- Forecast financial position for the financial year to which the Budget relates and the next two financial years

INTRODUCTION

County Budget Review and Outlook Paper (CBROP) 2020 is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. It presents a review of the budget performance for the FY 2019/20 and how the budget adhered to the financial objectives as set out in the County Fiscal Strategy Paper 2020. It further provides updated macro-economic and financial forecasts with sufficient information to show changes from the projections outlined in the CFSP 2020 and sets out the broad fiscal parameters for the FY 2021/22 budget and the medium term.

1.1 Objectives of CBROP

The objective of the CBROP 2020 is to provide a review of fiscal performance for the FY 2019/20 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the CFSP 2020. This together with updated macroeconomic developments and outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the FY 2021/22 budget and the medium term. Specifically the CBROP aims to provide:

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

1.2 Significance of CBROP

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within MTEF as it reviews previous fiscal performance for the year and identifies any deviations from the budget. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2021/2022 budget

1.3 Structure

This paper has four sections.

Section One: This section states the objective of the C-BROP lays out its significance in the budget preparation process and provides a brief description of the paper's structure into its four sections and a one line description of what they are about.

Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance.

Section Three reviews recent economic developments and has four subsections of Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook.

Section Four sets out how the county government intends to operate within its means. It establishes the resources envelope (total revenues) it expects, and then allocates these across departments by setting expenditure ceilings for each department. In addition, it has four sub-sections: adjustment to the proposed budget; the medium term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing.

2. REVIEW OF COUNTY FISCAL PERFORMANCE IN 2019/20 FY

This section details the county's fiscal performance for the financial year 2019/20 in relation to the approved Programme based estimates and details the implications arising from the fiscal performance for the same period.

2.1 Overview

The fiscal performance for the FY 2019/20 was broadly pleasing in view of challenges stemming from revenue deficit, delayed funds disbursements and growing expenditure pressure resulting from broad policy measures.

The fiscal outcome for the FY 2019/20 budget complied with the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The County Government development budget was 30.0% in line with the statutory benchmark of 30.0 percent. However, compensation to employees was 44.0 % which is above the recommended rate of 35%. The wage bill remains a major challenge faced by the county government hence the need for concerted effort to find a viable solution to keep the wage bill within the legal threshold.

Total expenditures at the end of June 2019 amounted to Kshs. **9,634,228,419** against the budget of Kshs. **11,243,652,518** translating into an absorption rate of 85.6 percent. Out of this 4.950 Billion was spent on compensation to employees, 2.516 Billion on operations and maintenance while 2.171 Billion was spent on development projects.

At the close of the financial year, total cumulative internally revenue collection was Kshs 383.3 Million against a target of 705 Million representing 54.3 percent of the target.

The shortfall in ordinary revenue was recorded in almost all broad categories which was highly attributed by the challenges posed by the outbreak of the Covid- 19 pandemic.

2.2 Fiscal Performance

Table 2.1: Summary of County Fiscal Performance

SUMMARY OF COUNTY FISCAL PERFORMANCE FOR THE FY2019/20					
Description	2018/19 FY	2019/20 FY		Deviation	% Absorption
	Actual	Approved Budget Est'	Actual Receipts		
	a	B	c	(c-b)	(c/b)
1. REVENUE					
Equitable Share Allocation	8,007,000,000.00	8,039,100,000.00	7,347,737,400.00	- 691,362,600.00	91.40%
Conditional Grants	926,039,659.00	1,558,684,560.00	1,442,935,092.00	- 115,749,468.00	92.57%
Roll-over from Previous FY	1,918,667,088.00	820,867,752.00	820,867,752.00	-	100.00%
County own revenues	581,530,661.25	705,000,000.00	383,299,870.00	- 321,700,130.00	54.37%
Appropriation in Aid	187,786,303.00	120,000,000.00	178,160,765.00	58,160,765.00	148.47%
Total Revenue & Grants	11,621,023,711	11,243,652,312	10,173,000,879.00	- 1,070,651,433.00	90.48%
2. EXPENDITURE	Actual	Approved Budget Est'	Actual Expenditure	Deviation	% Absorption
	a	B	c	(b-c)	(c/b)
Recurrent Expenditure					
Compensation to Employees	4,677,191,337.72	4,977,115,282.00	4,950,616,175.00	26,499,107.00	99.47%
Use of goods and services	2,922,418,142.02	2,920,538,623.00	2,517,031,365.00	403,507,258.00	86.18%
Recurrent Sub-Total	7,599,609,479.74	7,897,653,905.00	7,467,647,540.00	430,006,365.00	94.56%
Development Expenditure	3,092,720,631.98	3,345,998,613.00	2,170,580,879.00	1,175,417,734.00	64.87%
Total Expenditure	10,692,330,111.72	11,243,652,518.00	9,638,228,419.00	1,605,424,099.00	85.72%

Expenditure Performance

In FY 2019/20, the recurrent expenditure amounted to Kshs.7.467 billion representing 94.56% absorption, while Kshs. 2.170 billion was spent on development accounting for 64.9 % absorption as compared to the targeted budget of Kshs. 11.243 billion.

Table 2.3 below indicates the respective department's absorption rates as follows;

DEPARTMENTAL FISCAL PERFORMANCE(EXPENDITURE SUMMARY) DURING THE FINANCIAL YEAR 2019/20												
DEPARTMENTS	Budget Allocation (kshs. Million)			Exchequer Issues (kshs. Million)			Expenditure (Kshs. Million)			Budget Absorption		
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL
	a	b	c	d	e	f	g	h	i	g=d/a	h=e/b	i=f/c
COUNTY ASSEMBLY	925.22	20.00	945.22	867.00	-	867.00	867.00		867.00	93.7%	0.0%	91.7%
OFFICE OF THE GOVERNOR	321.68	-	321.68	321.19	-	321.19	318.44	-	318.44	99.0%	0.0%	99.0%
FINANCE , ECONOMIC PLANNING & ICT	780.35	42.50	822.85	716.37	-	716.37	644.16	-	644.16	82.5%	0.0%	78.3%
AGRICULTURE, LIVESTOCK &, FISHERY	349.53	535.22	884.75	349.53	280.99	630.52	330.06	294.52	624.58	94.4%	55.0%	70.6%
WATER & IRRIGATION	115.12	156.30	271.42	115.12	125.65	240.77	97.42	123.32	220.74	84.6%	78.9%	81.3%
EDUCATION TECHNOLOGY, GENDER CULTURE & SOCIAL DEVELOPMENT	891.91	213.83	1,105.74	857.09	139.22	996.31	757.31	91.52	848.83	84.9%	42.8%	76.8%
HEALTH SERVICES	3,086.29	371.94	3,458.23	3,050.52	168.96	3,219.48	3,213.58	144.03	3,357.61	104.1%	38.7%	97.1%
LAND, PHYSICAL PLANNING, URBAN DEVELOPMENT & PUBLIC WORKS	171.30	374.90	546.20	102.86	173.38	271.82	116.98	173.38	290.36	68.3%	46.2%	53.2%
LEGAL AFFAIRS, PUBLIC SERVICE MANAGEMENT AND ADMINISTRATION	827.28	232.22	1,059.50	757.63	232.22	931.01	767.73	195.72	963.45	92.8%	84.3%	90.9%
ROADS,TRANSPORT & ENERGY	91.28	1,141.82	1,233.10	81.89	630.20	314.11	76.61	944.91	1,021.52	83.9%	82.8%	82.8%
TRADE, INVESTMENT,INDUSTRIALIZATION, TOURISM & COOPERATIVE DEVELOPMENT	104.37	135.36	239.73	76.62	81.21	706.82	83.00	113.68	196.68	79.5%	84.0%	82.0%
YOUTH AFFAIRS & SPORT	151.34	108.52	259.86	107.10	85.17	188.31	131.89	83.52	215.41	87.1%	77.0%	82.9%
PUBLIC SERVICE BOARD	25.38	-	25.38	22.79	0	107.96	24.81	-	24.81	97.8%	0.0%	97.8%
ENVIRONMENT,WILDLIFE & NATURAL RESOURCES	56.10	13.40	69.50	41.13	2.85	43.98	38.65	-	38.65	68.9%	0.0%	55.6%
GROSS TOTALS	7,897.15	3,346.01	11,243.16	7,466.84	1,919.85	9,555.65	7,467.64	2,164.60	9,632.24	94.6%	64.7%	85.7%

From table 2.3 above:

Average absorption was noted in all departments with an overall utilization of 85.7%. The below 100% utilization was attributed to delayed procurement of goods and services, and late disbursement of funds by the National Treasury.

2.3 Revenue Performance

From the table below actual local revenue collected through County revenue Fund amounted to Kshs. 383.30 Million against a target of Kshs 705 Million hence a shortfall of Kshs.321.7 Million. In addition to the above, county through other institutional funds was able to generate Kshs. 178.2 million under FIF, Kshs.7.92 million under AMS Mitunguu and Kshs. 13.4 million under Kaguru ATC.

Own revenue shortfall was attributed mainly by the outbreak of the Covid-19 pandemic, all major revenue sources were drastically affected hence the depressed revenue collections for the year, Perennial challenges of mobility due the unavailability of enough vehicles and an outdated valuation roll..

Table 2.3 Revenue Performance per stream

MERU COUNTY TOTAL REVENUE COLLECTION ANALYSIS YR 2019/2020 AS PER SOURCE						
No.	Revenue Stream	1st quarter	2nd quarter	3rd quarter	4th quarter	TOTALS
1	Slaughter house fees	1,609,328	1,393,853	1,446,740	1,137,138	5,587,059
2	Market fee	10,711,788	11,763,512	11,971,083	5,294,678	39,741,061
3	Sewerage Administration	218,352	196,000	158,344	210,000	782,696
4	Plot Rent	1,419,154	862,785	1,855,143	1,002,095	5,139,178
5	Poll Rates	8,103,233	3,779,372	11,396,702	4,681,027	27,960,334
6	Business permit	14,269,496	13,214,723	54,905,615	23,191,321	105,581,155
7	parking fees	19,678,654	19,796,175	22,949,957	14,074,886	76,499,672
8	Housing	3,888,261	2,894,450	1,282,436	1,548,678	9,613,825
9	Cess	15,631,173	21,124,698	21,760,065	11,782,250	70,298,186
10	Property income	650,197	375,259	469,368	689,831	2,184,654
11	Impounding fees & Fines	396,755	207,349	238,517	231,240	1,073,861
12	Technical Services Fees	5,682,027	4,963,282	5,265,248	4,805,599	20,716,156
13	Other Health and Sanitation Revenues	590,309	1,290,760	1,254,796	1,152,110	4,287,975
14	Local Levies	807,861	714,239	879,200	829,965	3,231,265
15	Other Miscellaneous Receipts	2,882,027	2,563,282	2,265,248	2,892,236	10,602,793
	Total	86,538,617	85,139,740	138,098,461	73,523,052	383,299,870

Other Funds

No.	Revenue Stream	1st quarter	2nd quarter	3rd quarter	4th quarter	TOTALS
1	Public Health Services(FIF)	35,329,022	44,042,400	49,707,382	48,893,310	177,972,115
2	AMS MITUNGUU	1,571,898	1,959,583	2,211,636	2,175,415	7,918,533
3	KAGURU ATC	2,662,882	3,319,642	3,746,633	3,685,274	13,414,431
	TOTALS	39,563,803	49,321,626	55,665,651	54,754,000	199,305,079

As indicated in table 2.2 above, the County own revenues is mainly attributable to Single business permit, parking fees and cess. Further, the sharp increase in own revenue in the last half of the year is attributable to renewal of single business permits, renewal of parking fees for the year and cess due to the agricultural season.

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

Figure 1: Revenue trends per quarter

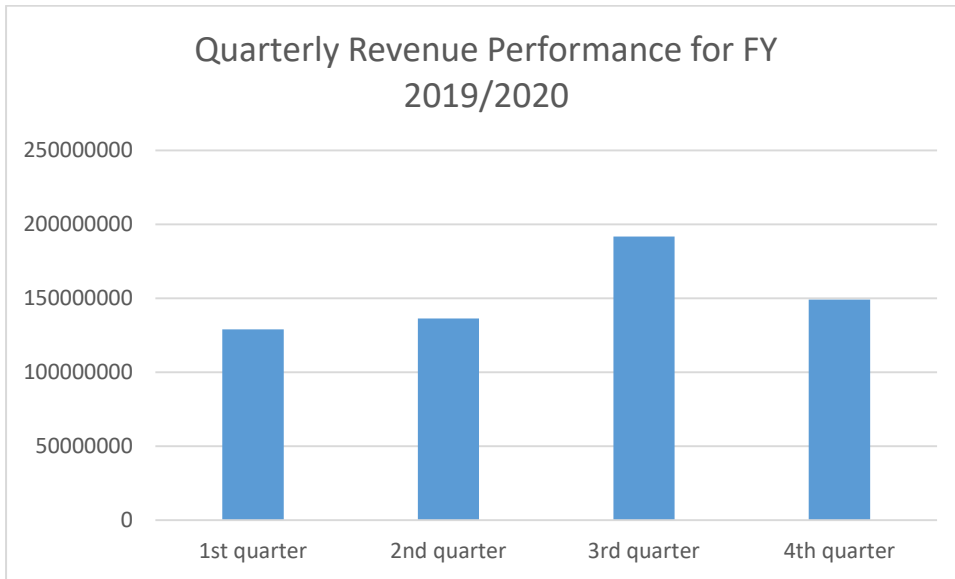
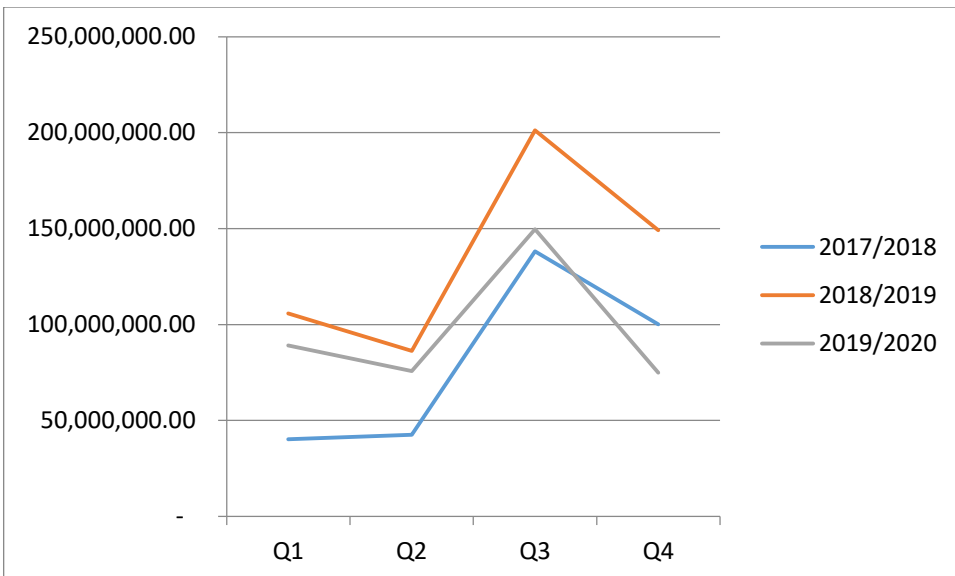


Figure 2: Revenue trends for the last three financial year

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



As indicated in figure 2, the County own revenue grew in the year 2017/2018 as the county recovered from post-election pressures and further grew in 2018/2019 due to increase in automation, monitoring, increased staff and public awareness on need to pay revenue.

2.5 Fiscal balance

In line with performance in revenue and expenditure, fiscal deficit amounted to Kshs.321.7 million. Through a contingency plan, government will absorb the above deficit through budgeting of pending bills in the current and subsequent financial years over the MTEF period.

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Overview

Kenya has stood out as one of the fastest growing economy in sub Saharan Africa. Over the last one decade for instance, the real GDP has averaged over 5%. This has been attributed to the nation's stable macroeconomic environment, positive investor confidence and a resilient services sector.

In 2019 however, the economy grew by 5.4 percent down from 6.3 percent recorded in 2018. This was occasioned by failed long rains during the period which adversely impacted the largely agriculturally driven economy. Additionally, during the year, the private sector's contribution to GDP was also depressed due to commercial banks withholding of credit as a result of interest rate cap. This by extension adversely impacted the country's exports earnings.

These adverse effects were however checked by significant targeted investments in Kenya's Big 4 Agenda which remained on course during the year. These investments in Manufacturing, housing, health care and agriculture stimulated growth to balance the devastating effects occasioned by the underperforming agricultural sector to maintain the real GDP above the 5% decade average.

In the year 2020, the Country's economy was projected to grow by 6 percent. During the first quarter of 2020 however the annual economic growth slowed to 4.9 percent from 5.5 percent in the previous period. That was the slowest pace of expansion since the second quarter of 2017, resulting from the uncertainties created by the coronavirus pandemic which severely affected the country's tourism sector as reflected in accommodation & food services.

Slower growth has also been observed in transportation & storage, finance & insurance (and real estate activities). In contrast, solid rises were recorded in information & communication, mining & quarrying and agriculture. On a seasonally quarterly basis, the economy advanced 1.1 percent, following a downwardly revised 1.4 percent growth in the previous period.

Generally, Kenya's economy is being hit hard through supply and demand shocks on external and domestic fronts, interrupting its recent broad-based growth path. Apart from the COVID-19 (coronavirus) pandemic, the locust attack which started early 2020, has affected many parts of Kenya especially the North East. This has had a negative impact on the food security and growth of the agriculture sector in the country. Real gross domestic product (GDP) growth is projected to decelerate from an annual average of 5.7% (2015-2019) to 1.5% in 2020. However, if it takes longer than expected to bring the COVID-19 pandemic under control, GDP could contract by 1.0% in 2020, and see a delay in the projected recovery to 5.2% growth in 2021. The downside risks include a protracted global recession undermining Kenya's export, tourism and remittance inflows, further tightening of COVID-19 health response measures that disrupt the domestic economic activity, fiscal slippages and weather-related shocks.

Statistics on other leading macro indicators as at July 2020 are as follows:- The Consumer Price Index (CPI) increased marginally to 108.35 points from 108.27 points in June 2020; The overall rate of inflation dropped marginally from 4.59 per cent to 4.36 per cent during the same period while the Kenyan Shilling depreciated against all major trading currencies.

These indicators posit an adverse economic outlook. The direction points to a likely recession if rapid strategic initiatives are not implemented. It is apparent that Covid-19 and its associated containment measures have taken a toll on the economy; Globally, Regionally and for Kenya, having weighed heavily on domestic and foreign demand. In real terms, social distancing measures are seen to be dragging output capacity and economic activity, while foreign measures are weighing on tourism and trade.

Analysts project the real gross domestic product (GDP) growth for Kenya to decelerate from an annual average of 5.7% (2015-2019) to 1.5% in 2020. However, if it takes longer than expected to bring the COVID-19 pandemic under control, GDP could contract by 1.0% in 2020, and see a delay in the projected recovery to 5.2% growth in 2021.

3.2 County Economic Outlook and Policies

The county has remained focused to implement its economic development agenda as envisaged in the CIDP 2018/2022 by allocating budgets along the broad based areas identified in the ADP 2019/20. These have consisted integrated initiatives by various sectors as discussed in detail here below. The discussions will further illustrate the mid-term change of strategy in response to the COVID 19 pandemic ideally affecting the planned annual development progress. It further illuminates the new economic outlook as a Post Covid-19 recovery strategy.

3.2.1 Agriculture Rural and Urban Development

During the year the department of Agriculture focused on completion of the Kaguru ATC 1000 seater capacity hall along with other projects in both the training facility and AMS Mitunguu. Livestock across the wards were also vaccinated and the process to set up two vet laboratories in the county was initiated. These efforts are key in realizing sustainable agriculture and in promoting rural livelihoods which is highly dependent on agriculture. On the other hand, the county implemented paving projects in all major towns which are seeing the realization of ‘dust free’ towns. This way a new urban fabric has emerged creating a conducive environment to do business.

3.2.2 Energy, Infrastructure and ICT

To realize a high-quality of road network linking all corners of the County to enhance economic development, various road improvement works took place during the year while others are ongoing. This involved opening, grading, gravelling, culvert and gabion installation and drainage improvement, transforming them to all weather roads while

reducing the maintenance and travel costs for both the public and motorists respectively. This also included the Improvement of six markets loop roads using cabro to improve the working conditions for Kianjai Market traders, Nchiru market traders, Nkubu Market traders, Kiutine market traders, Antubetwe Kiongo Market traders, Kiirua Market traders and Kithirune Market traders. These cabro initiatives also created informal jobs for the youths through the KDSP cabro paving of markets.

The energy directorate on the other hand installed low mast and high mast floodlights to improve security and enhance economy by increasing the number of working hours for the traders and purchased a High-up lorry to enable repair of floodlights by the county engineers. These initiatives will get a long way in ushering in a recovery programme as they will facilitate a night economy.

In terms of ICT Development the county provided network infrastructure and expanded internet connection to all the 9 sub counties for efficient service delivery. The network infrastructure and internet connection also provides a secure, fast and effective communication path and services between the departments as well as services between the various departments and external networks, applications and services. This is made possible by among others, the Provision of Network aggregator to combine internet bandwidth into a one seamless link for faster and efficient service and the installation and enforcement of a network firewall.

3.2.3 General Economic, Commercial and Labour Affairs Sector

In efforts to promote sustainable trade and to create economic viable cooperatives the County attended trade show to showcase the County products; revitalized markets Development Committees' to enhance general management of market areas; Formed more Cooperatives Societies so as to organize farmers in to formal groups, and Registered other Saccos to create channels for provision of affordable credit to SACCOs including PLWDs.

This ran hand in hand with efforts to Develop and diversify County tourism products, involving the Promotion of key tourist attractions in the county through international media house (China Global Television Network); Magical scenes with KBC on key tourism sites i.e. Lake Nkunga, Mpuri cultural center, Mwariama cultural center, Kangeta Njuri elders, Muringene miraa farm, Kenya school of adventure and leadership, mt Kenya view point,

Themwee gate and the engagement of community-based tourism organizations officials on their products.

3.2.4 Health Sector

During the FY 2019/20, significant focus was turned to the health Sector especially after the reporting of Covid 19 cases in the country. In its response the county conducted a Covid 19 sensitization and training for Community Health Volunteers on basic and technical modules on community health. This was coupled by the installation of sanitizing booths at Meru Teaching Referral Hospital as well as ICU and HDU facilities and designation of Isolation beds countywide.

Further the department continued to invest in the sector to promote access to health services through; employment of additional health care workers among them specialists such as Orthopedics, Pediatrics & Gynecologists; the formation of New Community units and trained on neglected surgical diseases; completion of construction works of health facilities across the county comprising: dispensaries, wards and renovations such as the Timau Hospital Maternity wing, Kibirichia level 4 hospital, Kiandugui, Igane staff house, and KMTC Kanyakine Campus among others. At the Meru Teaching and Referral Hospital the renal unit was also completed during the year along with the setting up of a cancer registry and the refurbishment and operationalization of a cancer clinic to provide screening and chemotherapy services.

These among other interventions in the sector constitute are key milestones in the fight against Covid-19 and in the promotion of access to quality health services to the residents of Meru County.

3.2.5 Social Protection, Culture and Recreation Sector

Under this sector, the county concerted its efforts to empower vulnerable groups to caution them from the effects of tough economic times. In this regard, the department supported women with seed capital to start up new business during the period and trained PWDs on business development under KCB Foundation.

On the hand of youth empowerment, through the MYS programme, youths were recruited and enrolled for technical skills training while others were issued with business tool kits through a partnership with KCB foundation. Additionally boda boda riders were trained on road safety, fiscal literacy and health insurance and youth groups issued with motor bikes for employability and self-reliance.

In line with the provision of quality universal education, the county conducted curriculum monitoring and evaluation and provided curriculum support materials. The county will also continue with the provision of milk to ECDE learners when schools reopen.

3.2.6 Environmental Protection and Water Sector

Environmental protection was a key concern during the year especially following the devastating effects on agriculture due to failed long rains in the year 2019. Water shortage continued to be a major issue during the year.

To achieve the 20% tree cover county target, 77,800 tree seedlings planted during the year. This and the rehabilitation of 4 catchment and riparian areas (Meru-Nanyuki highway phase two, Nchuura and Mweru hills Karumo technical and Igembe Campus) constituted elaborate means by the county towards a green model county.

On the other hand, to provide access to reliable portable water to the residents of Meru, the County continued its borehole programme and on its support to Community based projects.

3.2.7 Public Administration and Intergovernmental Affairs

The devastating effects of COVID 19 which saw closure of business establishment and a general slowdown of trade activities in the county resulted to a drastic decline in revenue collection as compared to the amount collection during the previous FY.

In this view, the county is intensifying efforts to enhance local revenue collection amid the existing condition.

Public service has also been bolstered through the employment of officers who were on Casual Payroll and Manual Payroll to Permanent and Pensionable Basis as well as through the Training and development of Ward Administrators, Sub- County Administrators and Town Administrators who are the direct link between government and the county residents for effective public service.

3.3 Medium Term Expenditure Framework

The government's fiscal policy objective in the medium term will be focused to rebuild the economy following the slowed down economic performance occasioned by COVID 19. The County Government will allocate resources in line with County plans while taking into consideration Post Covid Strategies. These initiatives will amplify the realization of the county development agenda as envisaged in the CIDP 2018-2022 still geared towards the 'BIG four' agenda of Kenya and linked with the objectives as set out in the Third Medium-

Term Plan (MTP-III) of Vision 2030. This way the county government will operate within a framework of balanced budget in the medium term with funding from the exchequer along with grants and occasional short term borrowing as may be necessary for cash flow management purposes.

3.3.1 Revenue enhancement strategies

Revenue mobilization initiatives will be revamped to recover the lost revenue collection performance witnessed during the FY 2019/20. The county will prioritize on the implementation of revenue enhancing transformative projects identified in the CIDP 2018-2022. It will focus on projects which are of high impact in terms of employment creation and which will generate new wealth to the residents of Meru. The objectives of these projects will be to rebuild the economy and to spur growth and development.

The completion of the 1000 seater capacity Kaguru ATC training facility, Operationalization of the Kanyakine Fish Factory, The Mountain run Championship, and the MSEs Post Covid Support programme constitute major projects that will open up new opportunities for overall county growth during the FY 2020/21.

This will go hand in hand with the continuation of the Meru Branding, Meru Special Economic Zones, Meru Industrial Parks, Satellite Markets, Tree Crops Development in macadamia and avocado, Land Adjudication/Registration, Implementation of valuation roll, Land banking, and implementation of the New urban agenda to bring about sustainability to county development.

The County will implement the enacted Meru County Financial bill 2019 as the elaborate tool to regenerate the revenue collection performance. The key provisions of the Finance bill that shall stimulate this regeneration strategy comprise as follows -;

- i. Enactment & Enforcement of County laws on revenue for the reviewed rates and rents
- ii. Preparation and implementation of county valuation roll
- iii. Ensure optimal staffing in revenue centres, supervisions and enforcement.
- iv. Ensure transparency and accountability mechanism through maintaining registers and records. This will also involve preparation of monthly defaulters list; repair and maintenance of rental houses.
- v. Organize forums to sensitize stakeholders on revenue generation.

- vi. Automation of Revenue Collection- mainly, the revenue collection systems are semi-automated and manual; thus difficult to determine in certainty the amount being collected. To address this, the county intends to establish fully automated revenue collection system and eliminate the manual system.
- vii. Staff training on revenue management. This will provide staff with appropriate tools and equipment for efficient revenue collection for optimal revenue. In addition to providing training in used of automated revenue system, the county will create a conducive working environment by providing vehicle, office space and tools of trade.
- viii. Revenue Targets- staff involved in revenue collection will have targets upon which their performance will be measured against.

3.3.2 Expenditure management and budgetary control

In the Medium term the County government will undertake an expenditure management focused on the set out post Covid 19 recovery strategy. Essentially application of austerity measures will facilitate the freeing up of resources for expenditure productive spending. This important undertaking will be supported by continued implementation of the Integrated Financial Management Information System (IFMIS) adopting end to end procurement along with other financial disciplines.

The county Treasury will ensure adherence to effective budget management by ensuring spending on planned projects and promotion of integrity and accountability. This shall further be enhanced through tracking of expenditures in relation to the actual implementation of planned programmes and projects. To achieve this, the county will sensitize and train its staff on effective budget controls and management.

Additionally Public participation will be undertaken as an imperative element during the budgeting cycle. This process will engage community opinion shapers ranging from elected leaders, special groups of women and youth. Development committees such as Sub county Development Committees, Ward Development Committees, Meru Economic and Social Council and the Economic and Budget forum will also form part of the overall participants in the budgetary preparation process.

3.4 Risks to the Outlook

Economic Analysts predict that the world economy will shrink in the year 2020 at the sharpest rate in decades as measures to contain Covid-19 severely restrain private consumption, investment, trade and travel. This outlook depends on the evolution of the pandemic including the possibility of a second wave of infections and the duration of various containment Measures. The Financial markets will be affected depending on the flow of donor support funds to combat the disease and its effects.

The outcomes of the BBI process are also likely to affect the outlook for the medium term. The process will likely result to a plebiscite bringing the country into an electoral mode, affecting investments and trade as characteristic of typical Kenyan Elections.

The delays of release of funds from the National Government to the Counties and the revenue sharing formula will also have effects on the outlook. This will affect implementation of planned projects significantly. The uncertainty on the allocation to counties is much more amplified by the lack of clarity on the revenue formula or the certainty of the proportion of the National Budget to be disbursed to counties. This way the development plan by counties is anchored on very uncertain terms and is likely to be unrealized.

As witnessed during the FY 2019/20, Climate change still remains a major risk factor to the medium term outlook. The overreliance on rain fed agriculture costed the nation significant GDP deficits following the failure of long rains during the year. This is still likely to reoccur unless there are strategies to combat climate change or to adopt irrigation in agricultural production.

The slowing down economic activity is also seen to cause additional challenges in revenue collection targets. Local revenue recovery will largely depend on the success of the implementation of the Post Covid recovery strategy on rebooting the economy. The County Government will therefore monitor the above risks and take appropriate measures to safeguard macroeconomic stability. These measures include

- Increased efficiency of revenue allocation
- Increased efficiency of priority expenditures
- Safeguarding resource allocation to the priority sectors.
- Amicable solution to delayed resource release by the national government.

4. RESOURCE ALLOCATION FRAMEWORK

This section sets out how the government intends to live within its means. It establishes the resource envelope or total revenues it expects then allocates these across departments by setting expenditure limits or ceilings for each.

4.1 Adjustment to the FY 2020/21 Budget

The Medium Term Fiscal Framework (MTFF) for the FY 2020/21 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory. This will in turn ensure that the debt position remains sustainable and enhances continued fiscal discipline.

The underperformance in both revenue collection and expenditure in the Financial Year 2019/20 has implications on the financial objectives set out in the CFSP 2020 and 2020/21 budget. In particular, the baseline for projecting both the revenue and expenditures for the FY 2020/21 and the medium term has changed given the outcome of FY 2019/20 and the first two months of FY 2020/21.

Revenues for the FY 2021/22 are therefore, projected at Kshs 11,757,753,642 billion with local revenue of Kshs.600 million.

4.2 FY 2021/22 Budget Framework (MTEF)

The FY 2021/22 budget framework builds up on the Government's efforts through economy stimulating the economy and the Post Covid-19 Economic Recovery Strategy to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory. This is in addition to expenditure rationalization and revenue mobilization programmes that the Government has been implementing.

Going forward, and in view of limited resources, MTEF budgeting will focus on priority programmes outlined in County's Integrated Development Plan 2018-2022, Annual Development Plan (ADP), County Vision 2040, the 2020 Fiscal Strategy Paper and as identified in public consultative forums.

The priority social sectors will continue to receive adequate resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors

The critical programmes to be implemented are expected to stimulate the County's socio-economic development. The key County proposed priority areas are;

- a) Increased accessibility to water for both household and irrigation use
- b) Investing in accessible and quality health services
- c) Streamlined waste management services
- d) Provision of Quality Education, Gender empowerment, Youth & Sports development
- e) Investing in infrastructure development
- f) Improved food security and promotion of commercial agriculture
- g) Socio economic empowerment
- h) uplifting of Persons Living with Disabilities

4.3 MEDIUM TERM FISCAL PROJECTIONS

a. Revenue Projections

The FY 2021/22 targets revenue collection including equitable share, conditional grants and others at Kshs 11.757 billion made up of external revenues and grants of Kshs 10.937 billion and locally generated revenue of Kshs 600 million and FIF of Kshs.220 million as illustrated in table 2.4 below.

Table 2.4 County Projected Revenues for the FY 2021/22

REVENUE PROJECTIONS FOR FY 2020-21		
Revenue Stream	ACTUAL ESTIMATES	PROJECTION
	FY 2020-2021	FY 2021-22
a.Equitable Share	8,102,400,000.00	9,493,860,000.00
b.County Own Revenue	600,000,000.00	600,000,000.00
c.Appropriation in Aid- Hospital FIF	220,000,000.00	220,000,000.00
Total	8,922,400,000.00	10,313,860,000.00
Conditional Grants from the National Government Revenue		
i.Conditional Grants to Level-5 Hospitals	373,872,832.00	392,566,473.60
iv.Conditional Allocation for Development of Youth Polytechnics*	58,249,984.00	61,162,483.20
v.Conditional Grant-Compensation for User Fee Foregone	31,648,848.00	33,231,290.40
vii.Conditional Grant- Road Maintenance Fuel Levy	241,491,600.00	253,566,180.00
Viii.Conditional Grant-Management of Covid-19	102,886,000.00	
Total	808,149,264.00	740,526,427.20
Conditional allocations to County Governments from Loans and Grants from Development Partners		
i.World Bank Loan to for transforming health systems for universal care project	36,400,000.00	38,220,000.00
ii.World Bank for national agricultural and Rural Inclusive Growth project	202,802,950.00	212,943,097.50

iii. World Bank Urban development grant for Kenya urban support program	116,890,200.00	122,734,710.00
v.KDSP Level 2	232,216,740.00	243,827,577.00
vii.KDSP Level 1	45,000,000.00	47,250,000.00
vii.Danida	22,860,000.00	24,003,000.00
vii. GoK-ASDSP	13,703,648.00	14,388,830.40
Sub-Total	669,873,538.00	703,367,214.90
TOTAL BUDGET	10,400,422,802.00	11,757,753,642.10

This revenue projection will be underpinned by the ongoing revenue reforms that will include the following:

- a) Leveraging on ICT to automate all revenue streams
- a) Public Private Partnerships
- b) Segmentation of our customers
- c) Continued awareness and engagement of residents
- d) Tax reforms i.e legislating all revenue streams.
- e) Improving human resource management issues with collectors to ensure a motivated work force is maintained at all times.

b. Expenditure Projections

The total expenditure projections for the FY 2021/22 including the County Assembly is projected at Kshs 11.757 billion as the County maintains a balanced budget. Recurrent expenditure is projected at Kshs 8,205,278,436 billion while development expenditure is projected at kshs3, 552,475,205.98 billion. The recurrent budget will be composed of kshs.5, 711,795,991.46.billion as compensation to employee's and Kshs 2,493,482,444.66.billion for use of goods and services.

Wages and salaries for all county staff including the County assembly continue to be a major cost to the County. The county will however continue to pursue policies aimed at bringing the wage bill down to desired levels.

Table 2.7 Summary of Expenditure Projections 2021/22 and MTEF

Description	Approved Budget Estimates	Proposed Estimates	Projected Estimates	
	2020/21	2021/22	2022/23	2023/24
Compensation to employees	4,866,057,638.00	5,711,795,991.46	5,852,510,496.86	6,000,235,434.68
Use of goods and services	2,352,199,297.00	2,493,482,444.66	2,577,144,681.18	2,667,378,826.46
Development	3,182,165,867.00	3,552,475,205.98	3,631,919,432.59	3,775,983,098.95
Total	10,400,422,802.00	11,757,753,642.10	12,061,574,610.62	12,443,597,360.09

4.5 Projected Fiscal Balance

The proposed FY 2021/22 county budget is balanced, but however, any shortfall in revenue that may occur within the year will be addressed through supplementary budgets. Below is a table showing departmental ceilings for the FY 2021/22 and over the medium term.

Table 2.5 Summary of Indicative Department Ceilings for FY 2021/22 MTEF

Table 2.5 Summary of Indicative Departmental Ceilings for FY 2021/22 MTEF

Departments		Approved Estimates	Proposed Estimates	Projections		Estimates FY 2020/21	Ceilings FY 2021/22	Projections	
		FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24			FY 2022 /23	FY 2022/23
County Assembly	Compensation to employees	520,138,570.00	530,541,341.40	530,541,341.40	530,541,341.40	55.03%	56.13%	56.13%	56.13%
	Use of goods and services	405,081,430.00	394,678,658.60	394,678,658.60	394,678,658.60	42.86%	41.76%	41.76%	41.76%
	Development	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00	2.12%	2.12%	2.12%	2.12%
	Sub-Total	945,220,000.00	945,220,000.00	945,220,000.00	945,220,000.00	100.00%	100.00%	100.00%	100.00%
Office of the Governor	Compensation to employees	134,507,167.00	177,712,830.08	181,267,086.68	184,892,428.42	48.65%	53.22%	53.11%	52.39%
	Use of goods and services	137,993,847.00	151,793,231.00	154,829,095.62	162,570,550.40	49.91%	45.46%	45.37%	46.06%
	Development	4,000,000.00	4,400,000.00	5,200,000.00	5,460,000.00	1.45%	1.32%	1.52%	1.55%
	Sub-Total	276,501,014.00	333,906,061.08	341,296,182.30	352,922,978.82	100.00%	100.00%	100.00%	100.00%
Finance, Economic Planning and ICT	Compensation to employees	66,047,587.26	98,973,297.73	100,952,763.68	102,971,818.95	13.38%	18.44%	18.40%	17.88%
	Use of goods and services	414,511,505.00	409,611,505.00	404,466,505.00	399,064,255.00	83.96%	76.32%	73.73%	69.29%
	Development	13,125,408.00	28,125,408.00	43,125,408.00	58,125,408.00	2.66%	5.24%	7.86%	10.09%
	Sub-Total	493,684,500.26	536,710,210.73	548,544,676.68	575,971,910.51	100.00%	100.00%	100.00%	97.26%
Agriculture, Livestock & Fisheries	Compensation to employees	268,579,425.00	350,808,956.00	357,825,135.12	364,981,637.82	41.82%	43.30%	43.59%	42.88%
	Use of goods and services	32,446,910.00	34,069,255.50	35,772,718.28	37,561,354.19	5.05%	4.21%	4.36%	4.41%
	Development	341,170,752.00	425,287,827.00	427,287,827.00	448,652,218.35	53.13%	52.49%	52.05%	52.71%
	Sub-Total	642,197,087.00	810,166,038.50	820,885,680.40	851,195,210.36	100.00%	100.00%	100.00%	100.00%
Water & Irrigation	Compensation to employees	91,491,212.00	115,970,157.44	118,289,560.59	120,655,351.80	21.75%	23.09%	22.58%	22.58%
	Use of goods and services	26,000,000.00	26,000,000.00	28,600,000.00	30,030,000.00	4.88%	5.58%	5.62%	5.62%
	Development	332,105,902.00	391,170,752.00	365,316,492.00	383,582,316.60	73.37%	71.32%	71.80%	71.80%
	Sub-Total	449,597,114.00	533,140,909.44	512,206,052.59	534,267,668.40	100.00%	100.00%	100.00%	100.00%

Table 2.5 Summary of Indicative Departmental Ceilings for FY 2021/22 MTEF

Departments	Approved Estimates	Proposed Estimates	Projections		Estimates	Ceilings	Projections		
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2020/21	FY 2021/22	FY 2022/23	FY 2022/23	
Education Technology, Gender & Social Development	Compensation to employees	540,126,145.00	659,941,282.40	673,140,108.05	686,602,910.21	71.51%	68.86%	68.23%	67.60%
	Use of goods and services	64,961,150.00	98,209,207.50	103,119,667.88	108,275,651.27	8.60%	10.25%	10.45%	10.66%
	Development	150,236,170.00	200,236,170.00	210,247,978.50	220,760,377.43	19.89%	20.89%	21.31%	21.74%
	Sub-Total	755,323,465.00	958,386,659.90	986,507,754.42	1,015,638,938.90	100.00%	100.00%	100.00%	100.00%
Health Services	Compensation to employees	2,463,875,490.00	2,859,540,548.80	2,916,731,359.78	2,975,065,986.97	70.00%	71.22%	71.07%	70.90%
	Use of goods and services	488,948,991.00	518,285,930.46	544,200,226.98	571,410,238.33	13.89%	12.91%	13.26%	13.62%
	Development	566,982,764.00	636,982,764.00	643,352,591.64	649,786,117.56	16.11%	15.87%	15.68%	15.48%
	Sub-Total	3,519,807,245.00	4,014,809,243.26	4,104,284,178.40	4,196,262,342.86	100.00%	100.00%	100.00%	100.00%
Land, Physical Planning, Urban Development & Public Works	Compensation to employees	56,322,012.00	77,080,653.44	78,622,266.51	80,194,711.84	13.26%	15.92%	15.54%	15.16%
	Use of goods and services	44,250,000.00	46,462,500.00	48,785,625.00	51,224,906.25	10.42%	9.60%	9.64%	9.69%
	Development	324,288,858.00	360,503,300.90	378,528,465.95	397,454,889.24	76.33%	74.48%	74.82%	75.15%
	Sub-Total	424,860,870.00	484,046,454.34	505,936,357.45	528,874,507.33	100.00%	100.00%	100.00%	100.00%
Legal Affairs, Public Service Management and Administration	Compensation to employees	232,569,258.00	260,477,568.96	265,687,120.34	271,000,862.75	26.05%	36.69%	36.02%	35.36%
	Use of goods and services	428,036,452.00	449,438,274.60	471,910,188.33	495,505,697.75	47.94%	63.31%	63.98%	64.64%
	Development	232,216,740.00				26.01%	0.00%	0.00%	0.00%
	Sub-Total	892,822,450.00	709,915,843.56	737,597,308.67	766,506,560.49	100.00%	100.00%	100.00%	100.00%
Roads, Transport & Energy	Compensation to employees	62,635,647.00	70,151,924.64	71,554,963.13	72,986,062.40	6.04%	5.96%	6.01%	6.06%
	Use of goods and services	20,497,400.00	31,522,270.00	33,098,383.50	34,753,302.68	1.98%	2.68%	2.78%	2.88%
	Development	953,738,831.00	1,075,418,542.08	1,086,172,727.50	1,097,034,454.78	91.98%	91.36%	91.21%	91.06%
	Sub-Total	1,036,871,878.00	1,177,092,736.72	1,190,826,074.13	1,204,773,819.85	100.00%	100.00%	100.00%	100.00%

Table 2.5 Summary of Indicative Departmental Ceilings for FY 2021/22 MTEF

Departments		Approved	Proposed	Projections		Estimates	Ceilings	Projections	
		Estimates	Estimates	FY 2022/23	FY 2023/24	FY 2020/21	FY 2021/22	FY 2022 /23	FY 2022/23
Trade, Investment, Industrialization, Tourism & Cooperative Development	Compensation to employees	48,965,104.00	54,840,916.48	55,937,734.81	57,056,489.51	22.75%	17.25%	16.18%	15.26%
	Use of goods and services	34,800,000.00	36,540,000.00	38,367,000.00	40,285,350.00	16.17%	11.49%	11.09%	10.78%
	Development	131,512,142.00	226,512,142.00	251,512,142.00	276,512,142.00	61.09%	71.25%	72.73%	73.96%
	Sub-Total	215,277,246.00	317,893,058.48	345,816,876.81	373,853,981.51	100.00%	100.00%	100.00%	100.00%
Youth Affairs & Sports	Compensation to employees	30,676,932.00	34,358,163.84	38,481,143.50	43,098,880.72	15.71%	13.43%	13.89%	14.43%
	Use of goods and services	103,983,572.00	130,983,572.00	137,983,572.00	144,983,572.00	53.27%	51.19%	49.81%	48.55%
	Development	60,550,000.00	90,550,000.00	100,550,000.00	110,550,000.00	31.02%	35.39%	36.30%	37.02%
	Sub-Total	195,210,504.00	255,891,735.84	277,014,715.50	298,632,452.72	100.00%	100.00%	100.00%	100.00%
Public Service Board	Compensation to employees	14,613,481.00	16,367,098.72	18,331,150.57	20,530,888.63	35.31%	34.00%	33.26%	32.95%
	Use of goods and services	26,775,325.00	31,775,325.00	36,775,325.00	41,775,325.00	64.69%	66.00%	66.74%	67.05%
	Development								
	Sub-Total	41,388,806.00	48,142,423.72	55,106,475.57	62,306,213.63	100.00%	100.00%	100.00%	100.00%
Environment, Wildlife & Natural Resources	Compensation to employees	18,288,171.00	20,482,751.52	22,940,681.70	25,693,563.51	22.46%	19.65%	19.56%	19.67%
	Use of goods and services	25,912,715.00	31,212,715.00	36,512,715.00	41,812,715.00	31.82%	29.94%	31.13%	32.00%
	Development	37,238,300.00	52,538,300.00	57,838,300.00	63,138,300.00	45.73%	50.40%	49.31%	48.33%
	Sub-Total	81,439,186.00	104,233,766.52	117,291,696.70	130,644,578.51	100.00%	100.00%	100.00%	100.00%

Table 2.5 Summary of Indicative Departmental Ceilings for FY 2021/22 MTEF

		Approved	Proposed	Projections		Estimates	Ceilings	Projections	
		Estimates	Estimates	FY 2022/23	FY 2023/24	FY 2020/21	FY 2021/22	FY 2022 /23	FY 2022/23
Meru County Revenue Board	Compensation to employees	233,532,163.60	263,316,514.09	294,914,495.78	330,304,235.28	80.94%	82.01%	82.95%	83.84%
	Use of goods and services	55,000,000.00	57,750,000.00	60,637,500.00	63,669,375.00	19.06%	17.99%	17.05%	16.16%
	Development					0.00%	0.00%	0.00%	0.00%
	Sub-Total	288,532,163.60	321,066,514.09	355,551,995.78	393,973,610.28	100.00%	100.00%	100.00%	100.00%
Meru County Investment Corporation	Compensation to employees	35,964,538.54	52,780,283.16	55,419,297.32	58,190,262.19	58.99%	50.74%	50.74%	50.74%
	Use of goods and services	10,000,000.00	10,500,000.00	11,025,000.00	11,576,250.00	16.40%	10.09%	10.09%	10.09%
	Development	15,000,000.00	40,750,000.00	42,787,500.00	44,926,875.00	24.60%	39.17%	39.17%	39.17%
	Sub-Total	60,964,538.54	104,030,283.16	109,231,797.32	114,693,387.19	100.00%	100.00%	100.00%	100.00%
Meru County Microfinance Corporation	Compensation to employees	47,724,734.60	68,451,702.76	71,874,287.90	75,468,002.29	59.12%	66.39%	66.39%	66.39%
	Use of goods and services	33,000,000.00	34,650,000.00	36,382,500.00	38,201,625.00	40.88%	33.61%	33.61%	33.61%
	Development					0.00%	0.00%	0.00%	0.00%
	Sub-Total	80,724,734.60	103,101,702.76	108,256,787.90	113,669,627.29	100.00%	100.00%	100.00%	100.00%
Compensation to employees	4,866,057,638.00	5,711,795,991.46	5,852,510,496.86	6,000,235,434.68	46.79%	48.58%	48.52%	48.22%	
Use of goods and services	2,352,199,297.00	2,493,482,444.66	2,577,144,681.18	2,667,378,826.46	22.62%	21.21%	21.37%	21.44%	
Development	3,182,165,867.00	3,552,475,205.98	3,631,919,432.59	3,775,983,098.95	30.60%	30.21%	30.11%	30.34%	
Total Budget	10,400,422,802.00	11,757,753,642.10	12,061,574,610.62	12,443,597,360.09	100.00%	100.00%	100.00%	100.00%	

4.6 Medium Term Expenditure Framework

The Government will continue with its policy of expenditure prioritization with a view of actualizing its mission of facilitating sustainable development and wealth creation in the County through commerce, technological innovations and industrialization that leverages on our skilled human resources, agriculture, wildlife, bio-diversity and cultural heritage. Realization of these objectives will have implications in the budget ceilings to be provided in this Budget Review and Outlook Paper. The FY 2021/22 medium term expenditure framework will focus on the following key priority areas;

- a) Social economic empowerment
- b) Construction, completion and equipping of existing health facilities.
- c) Empowerment of youth, women and people living with disability
- d) Capacity building of county staff to enhance efficiency in implementation of County programmes.
- e) Distribution of water to households by supporting community projects through provision of pipes and water tanks.
- f) Continued investment in roads infrastructure through opening of new roads, grading, gravelling, paving by cabro and bitumen in addition to maintenance of existing ones.
- g) Investing in preventive health care services.
- h) Face lifting cultural centres
- i) Transforming the agricultural sector to improve food security and income;

5 CONCLUSION

The FY 2021/22 and the medium term budget is being prepared against the backdrop of a slowdown in the growth of the global economy. The Pandemic and the attendant containment measures has led to contraction of the global economy disrupting businesses including international trade and leading to loss of livelihoods for millions of people globally. Kenya has not been spared. The Pandemic and the containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent business. Consequently, the economy is projected to slow down to 2.6 percent in 2020 from the 5.4 percent registered in 2019. To cushion citizens and businesses from the adverse effects of Covid-19 Pandemic and stimulate economic recovery, the Government will continue to implement measures in the context of the Economic Stimulus Programme and the Post Covid-19 Economic Recovery Strategy.

Given the tight resource constraints amidst significant revenue shortfalls occasioned by the adverse effects of the Covid-19 Pandemic, the Government will continue to ensure proper prioritization of public expenditures to the most impactful programmes with highest welfare benefits to its residents. As such, in the FY 2021/22 budget, special focus will be placed on the achievement of the planned priorities in the MTEF.. Equally, emphasis will be on strategic interventions under the Post Covid19 Economic Recovery Strategy that will further re-position the economy on a steady and sustainable growth trajectory. Thus, all Sector Working Groups (SWGs) are required to adhere to the hard sector ceilings, and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2021/22 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 next Budget fiscal strategy paper, which will be finalized by mid-February 2021.