

THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MERU



COUNTY BUDGET REVIEW AND OUTLOOK PAPER

(CBROP) 2022

© County Budget Review and Outlook Paper (CBROP) 2022

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Foreword

The County Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act, 2012 and the PFM (county) Regulations 2014.

This County Budget Review and Outlook Paper (CBROP) is the first to be prepared under the current administration and takes into account the County Government functions thereon as envisaged in PFM Regulation 2015.

The 2022 CBROP presents updated economic and financial forecasts with sufficient information to inform the budget proposals for the next financial year. It also reviews previous year's budget and provides an outlook for the forthcoming budget year. The paper examines recent economic developments and fiscal performance in FY 2022/23 against corresponding appropriations. This entails analysis of total revenue collected versus projected revenue and highlighting the causes for deviations. The analysis also includes expenditure performance of county departments with highlights on actual performance of FY 2021/22 and its compliance with the fiscal responsibility principles in the PFM Act of 2012. Additionally, the paper provides an overview of how the actual performance of the FY 2021/22 affected the financial objectives as detailed in the 2022 County Fiscal Strategy Paper (CFSP)

CBROP 2022 is informed by views of the following plans; Meru County Annual Development (ADP), County Integrated Development Plan (CIDP), Governments Manifesto, Meru Vision 2040, the "Big Four Agenda" and Kenya Vision 2030

CBROP 2022 will oblige to promote Socio-economic transformative programmes and development projects that will assist in recovery of the local economy. The paper will emphasize on higher investments in the social enablers and infrastructure development for sustainable growth.

The Medium-Term Budget has also been analyzed to limit spending on non-productive areas and ensure resources are directed to priority programmes optimally. It is expected that the programmes and approaches herein will fast track the achievement of the County Government's Socio-economic transformative Agenda

Charles Mwenda Kaibiria

For: CECM Finance, Economic Planning & ICT

Acknowledgement

The preparation of the County Budget Review and Outlook Paper 2022 was a rigorous and consultative effort among various departments and stakeholders which provided expedient views and information.

The Budgeting Directorate is grateful to H.E. the Governor Bishop Kawira Mwangaza and the entire County Executive Committee for their insights and guidance in the implementation and review of the budget. Also, special thanks go to the CECM Finance and Economic Planning for guidance in spearheading the formulation of this plan. Immense appreciation County Revenue Board team, Budgeting and Economic Planning directorates team who have worked round the clock for the successful preparation and completion of the document. Since it would not be possible to list everybody individually, I would like to take this opportunity to thank everyone else not mentioned here for their dedication, sacrifice and commitment in this process

Dinah Gaceri Gikunda

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
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
MTEF	Medium Term Expenditure Framework
ADP	Annual Development Plan
CIDP	County Integrated Development Plan

LEGAL BACKGROUND

The County Budget Review and Outlook Paper is one of the phases of 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.

INTRODUCTION

County Budget Review and Outlook Paper (CBROP) 2022 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 2021/22 and how the budget observed financial objectives as set out in the County Fiscal Strategy Paper 2022 . It further delivers updated macro-economic and financial forecasts with sufficient information to show changes from the projections outlined in the CFSP 2022 and sets out the broad fiscal parameters for the FY 2022/23 budget and the medium term.

1.1 Objectives of CBROP

The objective of the CBROP 2022 is to provide a review of fiscal performance for the FY 2021/22 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the CFSP 2022. 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 behind the FY 2022/23 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. 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;
- iii. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- iv. The financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term;
- v. An assessment of the current financial year and the projected state of the economy for the succeeding three years;
- vi. Targets for overall revenues, total aggregate expenditure and domestic and external borrowing for the succeeding financial year and the medium term;
- vii. The criteria used to allocate or apportion the available public resources among the various programmes; and
- viii. 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 fiscal performance for the previous 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 2023/2024 budget

1.3 Structure

This paper has four sections.

Section One: This section states the objective of budget review and outlook paper, lays out its significance in the budget preparation process, provides a brief description of the paper's structure into its four sections and a 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.

Section Five. This section is the opportunity to concisely capture the purpose and value of the Budget Review and Outlook Paper.

2. REVIEW OF COUNTY FISCAL PERFORMANCE IN 2020/21 FY

This area facts the county's fiscal performance for the financial year 2021/22 in relation to the approved Programme based estimates and details the implications springing up from the fiscal performance for the same period.

2.1 Overview

The fiscal overall performance for the FY 2021/22 was pretty remarkable in view of challenges experienced from delayed funds disbursements, local revenue deficit and the global COVID -19 pandemic which worsened the revenue performance for the FY 2021/22 as many businesses were adversely affected by the declining incomes prompted by the measures taken to restrain the spread of the virus.

In regards to compliance 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 requirement. However, compensation to employees was 44.48 % which is above the advocated 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.

The County's approved second supplementary budget for FY 2021/22 was Kshs.12.54 billion, comprising of Kshs.4.153 billion (33.1 per cent) and Kshs.8.387 billion (66.9 per cent) allocation for development and recurrent programmes, respectively.

To finance the budget, the County expected to receive Kshs.8.79 billion (70.1 per cent) as the equitable share of revenue raised nationally, generate Kshs.689.06 million (5.5 per cent) from its own sources of revenue, and cash balance of Kshs.1.089 billion (8.68 per cent) from the previous FY 2020/21. The County also expected to receive Kshs.1.66 billion (13.3 per cent) as conditional grants, Kshs.33.67 for Kaguru Agricultural Training Center and Kshs.270 million (2.2 per cent) as Appropriations in Aid (AIA) for FIF.

At the close of the financial year, total cumulative internally revenue collection was Kshs. 385.34 Million against a target of Kshs. 689.06 Million representing 55.9 percent of the target. Actual realized revenue for Kaguru amounted to Kshs. 13.5 million whereas that for FIF was Ksh. 233.37 million.

The shortfall in own source revenue was recorded in almost all broad categories.

2.2 Fiscal Performance

a. County Overall Fiscal Performance

Table 2.1: Summary of County Fiscal Performance.

SUMMARY OF COUNTY FISCAL PERFORMANCE FOR THE FY 2021/22					
Description	2020/21 FY	2021/22 FY			
	Actual (kshs. Million)	Approved Budget Est' (kshs. Million)	Actual Receipts (kshs. Million)	Deviation	% Absorption
	a	b	c	(c-b)	(c/b)
1. REVENUE					
Equitable Share Allocation	8,730.46	8,788.59	8,029.09	-759.51	91.36%
Conditional Grants	1,253.18	1,670.47	602.72	-1,067.75	36.08%
Roll-over from Previous FY	1,232.09	1,089.36	1,089.36	0.00	100.00%
County own revenues	435.92	689.061	385.39	-303.67	55.93%
Kaguru ATC		33.67	13.5	-20.17	40.10%
Appropriation in Aid (Hosp FIF)	179.92	270	233.37	-36.63	86.43%
Total Revenue & Grants	11,831.57	12,541.15	10,353.42	-2,187.73	82.56%
2. EXPENDITURE	Actual (kshs. Million)	Approved Budget Est' (kshs. Million)	Actual Expenditure (kshs. Million)	Deviation	% Absorption
	a	b	c	(b-c)	(c/b)
Recurrent Expenditure					
Compensation to Employees	4,801.50	5,093.80	5,093.80	0.00	100.00%
Use of goods and services	2,645.85	2,990.23	2,328.32	661.91	77.86%
County Assembly					
Recurrent Sub-Total	7,447.35	8,084.02	7,422.12	661.90	1.78
FIF		270.00	233.37	-36.63	86.43%
Kaguru		33.67	13.5	-20.17	40.10%
Subtotal-AIEs		303.67	246.87	-56.80	81.30%
Total Recurrent		8,387.69	7,668.99	-718.70	91.43%
				0	
Development Expenditure	2,625.99	4,153.46	2,586.53	-1,566.93	62.27%
				0	
Total Expenditure	10,073.34	12,541.15	10,255.52	-2,285.64	81.77%

b. Revenue Performance.

During the Financial Year 2021/22, the county received Kshs 8.029 billion as an equitable share of the revenue raised nationally, Kshs 606.72 million as conditional grants from the development partners, raised Kshs.385.39 million as own-source revenue, and had a cash balance of Kshs.1.089 billion from FY 2020/2021. The total funds which were available for budget implementation during the period amounted to Kshs 10.353.5 billion.

S/No.	Revenue	Annual Budget Allocation FY 2021/22 (in Kshs)	Actual receipts FY 2021/22 (in Kshs.)	Actual Receipts as a % of Annual Allocation.
a.	Equitable Share	8,788,594,074	8,029,085,488.00	91.36
b.	County Own Revenue	689,061,600	385,391,541.00	55.93
c.	Appropriation-in-Aid	270,000,000	233,372,387.00	86.43
d.	Kaguru Training Centre	33,670,051	13,582,066.00	40.34
	Sub Total	9,781,325,725	8,661,431,482.00	89
B.	Conditional Grants from the National Government			
i	Conditional Grants to Level-5 Hospitals	373,872,832	240,313,060.11	64.28
ii	Allocation for Development of Youth Polytechnic	58,249,984		0.00
iii	Compensation for User Forgone Fee	31,648,848		0.00
iv	Road Maintenance Fuel Levy	241,491,600		0.00
	Sub Total	705,263,264	240,313,060.11	34
C.	Loans and Grants from Development Partners			
1	Transforming Health systems for Universal care Project (WB)	36,886,029	18,682,207.98	50.65
2	IDA (WB) Credit (National Agricultural and Rural Inclusive Growth Project NARIGP)	398,724,835	160,239,502.00	40.19
3	IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 1 Grant	141,844,646	141,844,646.00	100.00
4	IDA (WB) Credit: Kenya Urban Support Project (KUSP) –Urban Development Grant (UDG)	116,890,200	-	0.00
6	IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 2 Grant	45,000,000	-	0.00
	DANIDA Grant	17,811,750	8,905,875.00	50.00
	GoK- ASDSP	33,084,638	15,048,225.00	45.48

	WB- Emergency Locust Response Project (ELRP)	47,977,333	17,682,247.00	36.86
	Kenya Informal Settlement Improvement Project-KISIP	110,000,000		0.00
	Capital Grant -THS	16,991,148		0.00
	Sub Total	965,210,579	362,402,702.98	37.55
D.	Other Sources of Revenue			
2	Balance b/f from FY 2020/21	1,089,355,021	1,089,355,020.76	100.00
	Sub Total	1,089,355,021	1,089,355,020.76	100.00
	Grand Total	12,541,154,589	10,353,502,265.85	82.56

During the FY 2021/22, the County generated a total of Kshs. 385.39 million as its own source revenue. This amount represented 56 per cent achievement relative to set target of Kshs. 689 million for financial year in review.

c. Expenditure Performance.

In FY 2021/22, the government was able to absorb 81.8 percent of its annual budget inclusive of cash balances from FY 2020/2021 where the recurrent expenditure amounted to Kshs.7.668 billion representing 91.4% absorption of the recurrent budget, while Kshs. 2.586 billion was spent on development accounting for 62.3 % absorption of the Kshs. 4.153 billion development budget.

The table below gives an analysis of expenditure per departments and their absorption percentage.

3.

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

DEPARTMENTAL FISCAL PERFORMANCE(EXPENDITURE SUMMARY) FOR THE FINANCIAL YEAR 2021/22										
NO	DEPARTMENTS	Budget Allocation (kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate(%) j=g/a*100	Development Absorption Rate(%) k=h/b*100	TOTAL Absorption Rate(%) l=i/c*100
		REC	DEV	TOTAL	REC	DEV	TOTAL			
		a	b	c	g	h	i			
1	COUNTY ASSEMBLY	1,008.66	68.00	1,076.66	961.07	-	961.07	95.3	0.0	89.3
2	OFFICE OF THE GOVERNOR	368.05	-	368.05	299.00	-	299.00	81.2	0.0	81.2
3	FINANCE , ECONOMIC PLANNING & ICT	996.46	26.00	1,022.46	863.23	26.55	889.78	86.6	102.1	87.0
4	AGRICULTURE, LIVESTOCK & FISHERY	324.89	635.20	960.09	291.72	245.16	536.88	89.8	38.6	55.9
5	WATER & IRRIGATION	124.52	520.32	644.83	118.42	496.95	615.37	95.1	95.5	95.4
6	EDUCATION TECHNOLOGY, GENDER & SOCIAL DEVELOPMENT	853.11	200.31	1,053.42	792.12	87.28	879.40	92.9	43.6	83.5
7	HEALTH SERVICES	3,154.72	379.98	3,534.69	3,107.29	152.99	3,260.28	98.5	40.3	92.2
8	LAND, PHYSICAL PLANNING, URBAN DEVELOPMENT & PUBLIC WORKS	172.97	562.99	735.96	137.16	104.03	241.18	79.3	18.5	32.8
9	LEGAL AFFAIRS, PUBLIC SERVICE MANAGEMENT AND ADMINISTRATION	809.01	141.84	950.86	658.70	141.84	800.54	81.4	100.0	84.2
10	ROADS,TRANSPORT & ENERGY	134.77	1,422.83	1,557.60	99.93	1,232.48	1,332.41	74.2	86.6	85.5
11	TRADE, INVESTMENT,INDUSTRIALIZATION, TOURISM & COOPERATIVE DEVELOPMENT	142.01	149.62	291.63	109.69	72.73	182.42	77.2	48.6	62.6
12	YOUTH AFFAIRS & SPORT	183.75	34.81	218.56	136.06	24.82	160.88	74.0	71.3	73.6
13	PUBLIC SERVICE BOARD	45.20	-	45.20	38.39	-	38.39	84.9	0.0	84.9
14	ENVIRONMENT,WILDLIFE & NATURAL RESOURCES	69.59	11.56	81.15	56.22	1.70	57.92	80.8	14.7	71.4
	GROSS TOTALS	8,387.69	4,153.46	12,541.15	7,668.99	2,586.53	10,255.52	91.4	62.3	81.8

Analysis from table 2.3 above:

Summarily, in the financial year 2021/2022 overall budget absorption rate was 91.4%, which was pretty positive across all departments. This underutilization was mostly attributed to late disbursement of funds by the National Treasury throughout the financial year, under collection of own source revenue and conditional grants from development partners that were not received by close of the fiscal year.

2.3 Local Revenue Performance

From the table below actual local revenue collected through County Revenue Fund amounted to Kshs.385.4 Million against a target of Kshs. 689 Million resulting to a shortfall of Kshs.304.6 Million.

Own revenue shortfall was attributed mainly by the following:

- i. Some businesses were recovering from the effect of Covid-19 which had immensely affected their operations hence there was no cash flow to pay the single business permit.
- ii. The potatoes regulations which were introduced have resulted in many traders not transporting their produce hence low collection in market fees and Cess.
- iii. All barriers were affected after the members of the public were advised to avoid cash handling, since most of the customers were not willing to use the pay bill to pay Cess fees.
- iv. Perennial challenge of mobility due the unavailability of enough vehicles affected revenue collection in all sub counties.
- v. Non-payment of market fees in some markets.
- vi. An outdated valuation roll.
- vii. Inadequate budget allocation which has severely affected the operations of the board.
- viii. There was resistant in paying various county levies due to the incitement by some political leaders.
- ix. Inadequate POS machines and system downtimes

Below is a table showing analysis of performance of revenue per stream

Table 2.4 Revenue Performance per stream

MERU COUNTY TOTAL REVENUE COLLECTION ANALYSIS AS PER SOURCE FY 2021/2022								
	Revenue Stream	ANNUAL TARGET S (Kshs. Million)	1ST QUARTER (Kshs. Million)	2ND QUARTER (Kshs. Million)	3RD QUARTER (Kshs. Million)	4TH QUARTER (Kshs. Million)	ACTUAL TOTALS (Kshs. Million)	VARIANCE (Kshs. Million)
1	Single business permit	149.495	11.076	2.139	55.923	26.657	95.796	53.700
2	Cess	105.510	18.407	12.704	16.439	15.739	63.289	42.221
3	Parking fees	112.476	14.733	14.633	19.707	10.237	59.309	53.168
4	Market fee	59.285	12.459	10.459	12.668	9.089	44.675	14.610
5	Land Rates	41.240	7.114	2.366	13.215	3.382	26.077	15.163
6	Outdoor adverts. & Signboard	39.686	3.811	3.208	10.745	19.365	37.129	2.557
7	Building plans	40.716	8.034	6.513	6.139	6.053	26.739	13.976
8	Plot Rent	12.688	2.930	2.219	3.746	1.930	10.825	1.863
9	House rent/Stall rent	14.233	2.771	2.283	3.096	1.385	9.535	4.698
10	Slaughter house fees	8.324	0.949	0.815	0.990	0.849	3.603	4.721
11	Meat Inspection and Veterinary Services	4.189	0.617	0.823	0.396	0.309	2.145	2.044
12	Impounding fees & Fines	1.638	0.130	0.051	0.107	0.037	0.324	1.313
13	Toilets fee	1.774	0.195	0.174	0.172	0.139	0.680	1.093
14	Application fees	1.951	0.021	0.037	0.022	0.007	0.087	1.864
15	Income from county properties/Estates	0.293	0.196	-	0.004	0.008	0.208	0.085
16	Fire section fee	0.870	0.018	0.045	0.050	0.026	0.139	0.731
17	Refuse collection fee	0.219	0.016	0.028	0.116	0.028	0.188	0.030
18	Transfer & Subdivision fee	0.263	0.007	0.058	0.393	0.007	0.465	-0.202
19	Sale of County Documents.	0.049	0.007	-	-	0.028	0.035	0.015
20	Audit Fees/Sacco registration	0.250	0.201	0.120	0.383	0.387	1.091	-0.841
21	Weight and Measures	1.200	-	-	-	1.595	1.595	-0.395
22	Surrender of Imprest/Salary	1.000	0.040	0.103	-	0.105	0.247	0.753
23	Burial permit (MTRH)	0.050	0.001	0.003	0.006	0.002	0.012	0.038
24	AMS Mitunguu	1.100	-	-	-	-	-	1.100
25	ATC Kaguru	1.500	1.200	-	-	-	1.200	0.300
	TOTALS	689.00	84.930	58.781	144.319	97.362	385.392	304.608

As indicated in table 2.4 above, the County own revenues is mainly attributable to Single business permit, Cess, Parking fees, Market fees, Landrates, 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 1 below indicates the trends in the revenue performance per stream per quarter for the last financial year.

Figure 1: Revenue trends per quarter

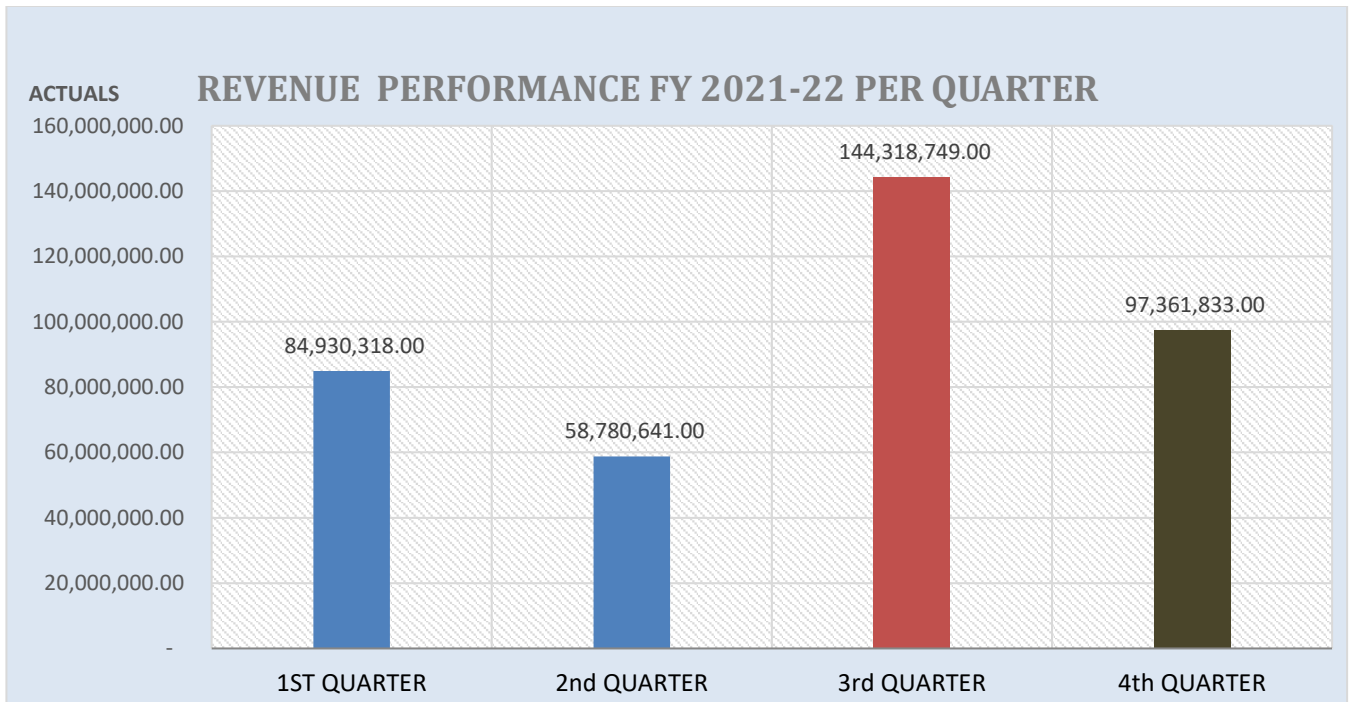
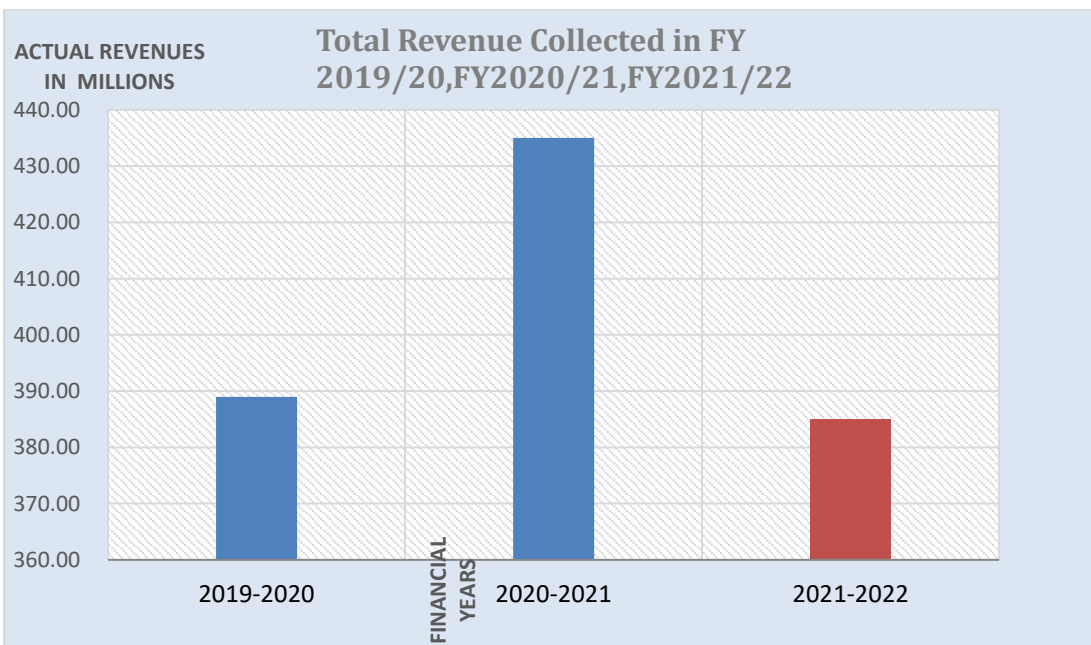


Figure 2: Revenue trends for the last three financial year

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



- a) As indicated in figure 2, the County own revenue grew in the year 2020/2021 as the county revenue board increased automation, monitoring, increased staff and public awareness on need to pay revenue, increasing human resource capacity by recruiting officers to replace retired

ones, training of 543 employees on Customer care, public relation, Finance act 2019, HR policies and Constitution article 10 & 232. In subsequent year revenue shortfall was mainly attributed by challenges as indicated in 2.3 above.

2.4 Fiscal balance

In line with performance in revenue and expenditure, fiscal deficit amounted to Kshs 390.85 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 Medium Term period.

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Overview

The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020. This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021. The strong performance was supported by continued recovery in manufacturing, transport and storage, accommodation and food services, wholesale and retail trade, Professional, administration and support services and financial and insurance.

Activities in agriculture, forestry and fishing sector remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021. The poor performance of the sector was mainly due to the significant decline in horticultural exports and tea production. The sector's performance was however cushioned from a steeper slump by the increase in production of cane, milk, and coffee. The sector's contribution to GDP growth was -0.1 percentage points in the first quarter of 2022 compared to 0.1 percentage points contribution in the same quarter in 2021

The year-on-year inflation rate increased to 8.5 percent in August 2022 (above the 7.5 percent upper bound) from 6.6 percent in August 2021 mainly due to higher food and fuel prices. This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the waiver of import duties and 33 levies on white maize and the reduction in VAT on LPG will further moderate domestic prices. Overall annual average inflation remained within Government target range at 6.6 percent in August 2022 compared to the 5.7 percent recorded in August 2021

The foreign exchange market has largely remained stable despite the tight global financial conditions and the high demand for the US Dollar in the international market. The Kenya Shilling to the US Dollar exchanged at Ksh 119.4 in August 2022 compared to Ksh 109.2 in August 2021. Over the same period, the Kenyan Shilling strengthened against other major international

currencies. The Euro exchanged at Ksh 121.0 in August 2022 compared to Ksh. 128.6 in August 2021 while the Sterling Pound exchanged at Ksh 143.5 compared to Ksh 150.9 over the same period.

3.2 County Economic Outlook and Policies

The economic impact of the high fuel prices is strongly felt across all departments and sectors of the Meru economy. All the same, growth of the Meru County Economy is expected to remain resilient in FY 2022/23. This will be supported by a broad-based private sector growth within the county, including recoveries in agriculture while the public sector consolidates.

Additionally, the County Government shall implement Economic Stimulus Programs that target strategic interventions in agriculture, Manufacturing, health, education, water among others. At the heart of the policies, is the desire to foster a conducive environment critical to return the economy back to long term growth point or path. The Government will ensure that all the proposed policies and legislation are implemented within the specific timelines.

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

3.2.1 Manufacturing

Manufacturing 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 manufacturing sector, the county will:

- a) Inject some stimulus to cushion the businesses and traders through affordable credit; waiver of some County taxes, cess, and other charges.
- b) Create opportunities to spur innovation and promote manufacturing and industry development and generation of jobs for the youth.
- c) Engage with investment partners through PPP.

3.2.2 Agriculture and Livestock

The agricultural sector contributes the highest share to the GCP at 54.2 percent. Agriculture accounts for the largest share of economic activity in Meru County. More than a half of county economic activity is driven by the agriculture sector. 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) 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.

- b) The County shall also introduce drought tolerant crops such as green grams.
- c) Farmers trainings on agronomy shall be done across the county to enable them maximize production.
- d) Farm inputs are very expensive in Meru just like in other parts of Kenya. The county shall improve access to quality and affordable inputs including certified seeds, water, AI services, fertilizers, livestock vaccination and ploughing services by county tractor hire services.
- e) The county shall take alternative measures to increase production through training and partnering with other stakeholders to provide coolers, and upgrading rural roads for ease in transport.
- f) 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.
- g) In Meru, dairy production is a big success story, even in the face of high costs of inputs and labour. Efforts shall be made to ensure the cattle are of good breeds, are well fed and managed.
- h) The county shall develop partnership with the National Government, NGOs, development partners, Research Institutions and the Private sector in enhancing agro-processing and value addition capacities of the county particularly to include khat, bananas, potatoes and horticultural crops.
- i) The county shall enhance small holder farmers' adoption of farming as business by linking farmers to product markets beyond the county level, in domestic and external markets, at competitive prices.
- j) Meru County shall invest in storage facilities and driers and cold storage facilities for fresh produce particularly at collection points. The key cause of food crops losses/wastages as identified by households in Meru County are losses related to weevils, storage related, floods and theft related. Significant losses are also experienced with livestock products such as milk and eggs production. Investment in storage and cooling facilities will minimize spoilage and post-harvest losses.
- k) The county shall be committed to digitize the agri-food sector to support: - training and 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.

- l) 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. There is also need for the county to mitigate disasters, such as those related to floods, through institutional capacity development, vulnerability analyses and updates, monitoring and early warning systems, and public education.
- m) 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.
- n) 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.

3.2.3 Water and Sanitation

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) 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 improved livelihoods.
- b) Expand and rehabilitate the existing piped water connection infrastructure to help increase access to water.
- c) Increase water supply in households, institutions and public places through drilling of boreholes and rehabilitation of water supply schemes in all the sub-counties.
- d) Integrate public private partnerships arrangements to enhance water provision in the County.
- e) Map out water resources through a County Water Master Plan to establish the quality and quantity.
- f) Develop and implement water and sanitation services policy, law, rule and regulations.

- g) Promote protection of water catchment areas, determination and protection of wetlands.
- h) Develop and promote ground water recharge strategies.
- i) Fast track cutting down of water conservation unfriendly trees.
- j) Expand sewer infrastructure to accommodate more households.
- k) Support the implementation of Community Led Total Sanitation (CLTS) initiatives.
- l) Promote the importance of handwashing and construct WASH facilities to increase access at the household level
- m) Enforce the WASH regulation of having toilets in all public facilities such as supermarkets, hotels and banks.

3.2.4 Urban Development and Housing

Under this sector the County will seek to:

- i) Develop a policy to promote home ownership to address the problem of rent distress.
- ii) 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.
- iii) Identify and designate urban centers for upgrade pursuant to provisions of the Urban Areas and Cities (amendment) Act, 2019.
- iv) 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.
- v) Formulate and seek approval of urban development plans and development control policies to support investment and development of urban areas.
- vi) Develop and implement an addressing system with complete, correct and unique address data in line with the National Addressing System. To be used on pandemic and disaster surveillance and emergency response.

3.2.5 Transport and Infrastructure

The county has a total of 8,574.84 Kilometers of classified road network. Approximately 69.5 per cent of the paved road network is in good condition, 24.0 per cent in fair condition and 5.4 per cent in poor condition. While 10.2 per cent of the unpaved road network is in good condition, 44.0 per cent in fair and 45.0 per cent in poor condition.

The **unpaved road network in the county covers 3704.39KMs (county roads)** and 498.74KMs (National roads), of this, 10.2 per cent is in good condition (KRB, 2019).

To enhance mobility options for residents and maintain the roads in good condition to support economic, social and subsistence activities, the County will:

- i) Identify county significant infrastructure projects, with project speed emphasis, for implementation to support economic recovery from the effects of the pandemic.

- ii) Re-develop bus parks and termini to address crowding and social distancing concerns stipulated in the public health guidelines.
- iii) 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.
- iv) 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.
- v) 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. This is in line with the Integrated National Transport Policy 2009 and the Sustainable Development Goals.
- vi) 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.

3.2.6 Tourism

The County has 39 profiled and mapped operational and potential tourist attractions in the county. These include the Meru National park, Mt. Kenya National park, Lewa Downs Conservancy, Ngare Ndare Forest Trust and Lake Nkunga as the major tourist attraction sites in Upper Eastern-Kenya. These sites have sustained attraction of adventure tourists and competitive sports like the rhino charge and the Safaricom marathon. These sites offer additional activities like mountain climbing, canopy walks, camping, trekking, diving at waterfalls, bird watching and safari drives. The County is in the process of establishing Nyambene Conservancy that has attraction sites like Igombe Crater, bird watching and breathtaking sceneries.

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) Identify, develop and market tourism products.
- b) Enhance conservation and management of tourism attraction areas and sites.
- c) Enhance accessibility to tourism products and facilities.
- d) Capacity building (Train service providers in the tourism industry on internationally acceptable standards).
- e) Construction of five-star rated accommodation facility at Meru National Park with a 300-bed capacity through Private Public Partnership (PPPs).

f) Preservation of cultural sites

3.2.7 Health

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. In 2019/2020, the number of health facilities in the county were 562 comprising of 529 Primary health facilities and 33 hospitals. The number of beds per 10,000 population is 35 which is high than the WHO recommendation of 30 beds per 10, 000 population. In 2019/20, total health workforce was 13 health workers per 10,000 populations which are lower than the WHO target of 23 health workers per 10,000. In Meru County, only 17.4 per cent of the county population had health insurance cover. The NHIF is the leading health insurance provider reported by 91.1 per cent of the population.

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) Promote construction, upgrading and equipping of health facilities through additional funding to health sector.
- b) 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.
- c) 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. The county will also ensure that all health centers in the 9 sub counties have enough drugs and other health commodities.
- d) Create awareness on availability and importance of free maternity services and address other constraints to access of maternal health services in the county.

3.2.7 Education and Training

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 (VCTs) 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) The County government will collaborate with private providers and non-state actors such as faith-based organisations in provision of ECDE services while enforcing public health protocols in schools including provision of WASH and PPEs in the County.
- b) County government need to recruit more ECDE teachers subject to availability of funds so that to avoided overcrowded classes.
- c) 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.
- d) The county will partner with National Government in ensuring integration of ICT into teaching and learning in the education sector- facilitate production of radios and online teaching and learning materials as well as extending the existing distance learning programmes to all rural areas to increase ICT coverage in the County.
- e) Adequately funding of subsidized exam fees to enhance enrollment in VCTs, Monitoring and evaluation and capacity building of VCTs Board of Governors, Officers and Instructors.

3.2.8 Social Protection

The main source of revenue to implement social protection activities in the county are mostly government budgetary allocations and donor contributions.

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

- a) Expansion of **social protection services to reach vulnerable girls** as a protective measure against early pregnancies, FGM, early and forced marriages.
- b) 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.
- c) More sensitization of youths, women and PWDs about AGPO so that they are able to exploit business opportunities with government.
- d) 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.

3.2.9 Gender and Youth

Mainstreaming of youth issues in the county programs and projects requires inclusion in the planning and policy decisions of the counties. The recognition and inclusion of the youth department within the counties is necessary. There needs to be a priority on youth policies within the county if youth mainstreaming is to take place.

The County will:

- a) **Designate gender safe spaces** to provide accommodation for GBV survivors and create spaces to be used as **recovery centers preferably County Referral Hospitals**
- b) Strengthen enforcement of laws related to early pregnancies especially where adults are involved.
- c) Enhance community awareness and sensitization on gender inequalities, gender-based violence reporting and prevention and reproductive health.
- d) Establish a multi-sectoral committee that oversees the implementation of gender policies across various cross-cutting sectors.
- e) Strengthen inclusive community outreach strategies to ensure GBV messaging is localized and clear, and addresses stigma, discrimination and other power dynamics that serve as barriers to accessing GBV services among differently able persons.
- f) Bring onboard key stakeholders to actively engage and sensitize the youth on reproductive health; HIV/Aids prevention measures.
- g) Involving youth directly in planning and implementing policies, since young people are among the most effective advocates for change.
- h) Youth empowerment through providing skill-based-training in various fields of development, financial and business support

3.2.10 Environment and Natural Resources Management

The county has a rich ecosystem that includes forests, rivers and hills. Efforts to conserve the environment are hampered increasing population which exerts pressure on the natural resources, encroachment on wetlands, land degradation, deforestation, illegal logging, water pollution, charcoal burning and land pollution.

The county plans to:

- a) Promote afforestation by providing tree seedlings to communities and schools.
- b) Develop natural resources utilization policy.
- c) Enforce the environment management and conservation policies.
- d) Provide capacity building of communities around forest land on forests on Sustainable Forest Management.
- e) Impose total ban on wetland cultivation and logging.
- f) Reposes all encroached water catchment land.
- g) Provide waste collection services at households, promote and facilitate regular waste collection, environment clean up exercises at neighborhoods and in towns.

3.2.10 Energy Planning

Energy Act, 2019 has provided two levels of energy planning. - National and County Level

The county shall do the following in order to provide affordable energy to its citizens:

- a) Develop and submit a county energy plan in respect of the county's energy requirements.
- b) Carry out feasibility studies for renewable energy aimed at providing relevant information for optimal exploitation of these resources
- c) Development of county renewable energy master plans
- d) Build local renewable energy centers in collaboration with REREC

3.3 Medium Term Expenditure Framework

The fiscal resources continue to be limited while at the same time, the county Government is confronted with significant expenditure demands. This calls for proper prioritization to ensure that we focus on critical expenditures with the highest positive impact on the well-being of the Ameru residents and population. For this reason, the county Government will continue to prudently manage the use of public resources over the 2023/24-2025/26 Medium Term Expenditure Framework (MTEF). Towards this end, while developing the budget proposals for the medium-term, we took caution and made efforts to curtail the growth of recurrent budgets especially budget items under the category referred to as use of goods and services. The budgeting organs also ensured that funding priority is accorded to completion of ongoing projects, which are supportive to accelerated inclusive growth and development.

3.4 Fiscal Policy Outlook

Fiscal policy over the medium-term aims at enhancing revenue mobilisation, expenditure rationalization and strengthening management of public debt to minimize cost and risks of the portfolio, while accessing external donor funding to finance development projects. This is geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of County Integrated Development Plan.

3.5 Risks to the Outlook

Risks from the global economies relate to persistence of the Covid-19 pandemic and required lockdowns, voluntary social distancing and its effect on consumption, the ability of laid off workers securing employment in other sectors, rising operating cost to make work places more hygienic and safe, reconfiguration of disrupted global supply chains, extent of cross-border spill overs occasioned by weaker external demand and funding shortfalls.

On the domestic front, risks will emanate from weaker external demand, reduced tourist arrivals and containment measures due the Covid-19 pandemic. In addition, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly wage related recurrent expenditures and the erratic weather related shocks that could have negative impact on energy generation and agricultural output leading to higher inflation that could slow down growth.

The Government is continually monitoring these risks and taking appropriate monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy. To cushion the country against the downsides of the risks, the Government is planning a Post Covid-19 Economic Recovery Strategy to return the economy on a stable growth path. Additionally, the diversified nature of our economy continues to offer resilience to any global challenges

On the County front 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. Further, as witnessed during the FY 2021/22, 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

The FY 2022/23 Budget and the Medium-Term Budget will focus on targeted intervention of economic recovery Programme that aims to reposition the economy on an inclusive and sustainable growth path. This will in turn ensure enhanced continued fiscal discipline and debt sustainability.

4.1 Implementation of the FY 2022/23 Budget

Implementation of the FY 2022/23 Budget has begun well with indicators in the first month pointing to meeting the end year target especially in revenue collection. This performance coupled with the outcome in revenue collection in the FY 2021/22 indicate that the projections for the FY 2022/23 especially in own source revenue need to be adjusted so that they are realistic and offers a strong base for supporting the expenditure estimates in the FY 2023/24 and the Medium Term Budget.

The underperformance in revenue collected locally during the Financial Year 2021/22 has implications on the financial objectives set out in the County Fiscal Strategy Paper 2022 and FY 2022/23 budget estimates. Revenue collected during the FY 2021/22 amounted to 385 million against a target of 689 million. Hence, the baseline for projecting both the revenue and expenditures for the FY 2022/23 and the medium term has changed given the FY 2021/22 outcome and performance of the first two months of FY 2022/23.

In this regard Own Source Revenue has been adjusted to a target of 500million from a target of 600 million. Therefore, revised total revenues for the FY 2022/23 are projected at Ksh 11.262 billion. This will comprise of 9.493 billion equitable shares, 965 million Conditional Grants from Donors, 303 million Appropriations in A.I.D and 500 million Own Source Revenue.

Further, following transition into new Government the County Treasury will be making a revision of the budget, as a result of new policies and reorganization of Government that may occur. In addition, some emerging issues which affect the development path of the county need to be addressed. This will take place through adjustment to the current 2022/2023 Budget Estimates, via a supplementary budget to cater for the following;

- Any salary deficit
- Pending Bills and Obligations for both recurrent and development expenditures

- Any foreseen or experienced revenue adjustments
- Interventions to considered for other priority shifts
- Emergencies and Calamities e.g Drought mitigation

4.2 FY 2022/23 Budget Framework (MTEF)

The FY 2023/24 and the Medium Term Budget framework build up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of programmes in the CIDP 2022-2027; County Vision 2040, the Annual Development Plan 2023/2024 and alignment county priorities to National governments priorities.

Additionally, the Government will continue to implement its fiscal consolidation plan to contain the pace of growth in debt. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measures to whip in additional revenue and reign on expenditures to restrict its growth. Expenditure measures will include cost budgeting and curtailing initiation of new projects, a review of portfolio of externally funded projects to restructure and re-align with the Government priority programmes and reducing non-priority spending. As a result, the overall fiscal deficit is expected to decline and thus will ensure the country's development agenda is sustainably funded.

In the FY 2023/24 revenue collection including Appropriation-in-Aid (A-i-A) is projected at Kshs.11.204 billion. Of this, own source revenues are projected at Kshs. 532.5 million. This revenue performance will be underpinned by continuous reforms in tax policy and revenue administration by County Revenue Board and boosted by economic recovery occasioned by the planned Post Covid-19 Economic Recovery Strategy. On the other hand, the overall expenditure is projected at the total revenue amount i.e Ksh11.204 billion as the County maintains a balance budget. Of this, recurrent expenditure will amount to Kshs 7.894 billion while, development expenditure will amount to Kshs 3.309 billion. 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: Revenue Projections for the Financial Year 2023/24

FY 2023/24 PROJECTED REVENUE		
REVENUE STREAM	Approved Revenue Budget FY 2022/23	Projected FY 2023/24 Revenue Budget
a. Equitable Share	9,493,857,338.00	9,541,326,624.69
b. County Own Revenue	600,000,000.00	532,500,000.00
c. Appropriation in Aid- Hospital FIF	270,000,000.00	234,539,248.94
d. Kaguru Training Centre	33,670,051.15	29,987,794.91
Total	10,397,527,389.15	10,338,353,668.53
e. 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(THS)	53,877,177.26	36,886,029.00
ii. World Bank for national agricultural and Rural Inclusive Growth project	398,724,835.00	398,724,835.00
iii. World Bank grant for Kenya urban support program(KUSP)	116,890,200.00	116,890,200.00
iv. KDSP (Level 1+Level 2)	186,844,646.00	141,844,646.00
v. Danida	17,811,750.00	16,941,800.00
vi. GoK-ASDSP	33,084,638.00	9,225,276.00
vii. World Bank-Locust Response Project(ELRP)	47,977,333.00	35,983,000.00
ix. Kenya Informal settlement Improvement Project (KISIP)	110,000,000.00	110,000,000.00
Sub-Total	965,210,579.26	866,495,786.00
Total	11,362,737,968.41	11,204,849,454.53
Notes:		
<i>(a) Assumption of 5% increase in Equitable share owing to national governments projection of increase in GDP from 17.5% to 18%</i>		
<i>(b) Conditional grants from development partners maintained as per approved FY 2022/23 CARA owing to the fact that the national government did not disburse most of them during the FY 2021/22</i>		
<i>(c) Kenya Devolution Support Program(KDSP) expectation of Level 2 grant</i>		

4.3 Medium Term Fiscal Projections

Over the medium term, driven by economic recovery strategies, continued revenue enhancement measures, the Government's total revenue including A-i-A is projected to rise by 0.11 in the FY 2024/25 and 0.15 percent in the FY 2025/26. On the other hand, the Government will continue to pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. In addition, provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies will be prioritized. Therefore total expenditures will be equal to total revenues as the County maintains a balanced budget policy. The county expects to increase development allocation will be maintained at above 35%.

4.4 Medium-Term Expenditure Framework

The FY 2023/24-2025/2026 budget framework builds up on the Government's efforts on revamping, stimulating and sustaining and re-position the economy on a steady and sustainable growth trajectory.

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. Funding will be geared towards implementation of the following key interventions to stimulate overall county growth across all sectors;

- a) Distribution of water to households by supporting community projects through provision of pipes and water tanks.
- b) Investing in infrastructure development across all sectors
- c) Social economic empowerment
- d) Investing in accessible and quality health services
- e) Streamlined waste management services
- f) Provision of Quality Education, Gender empowerment, Youth & Sports development
- g) Improved food security and promotion of commercial agriculture

h) Improved Land and Housing Services

The composition of expenditure will focus on productive development projects and priority commitments, while protecting budgetary allocations to social sectors, namely; education, health and social protection. The FY 2023/24 MTEF Budget will therefore focus on the following; improving infrastructure connectivity across the country; Enhancing social welfare programmes in health, special programmes, education and social protection. The resources earmarked for strategic interventions in the areas of social welfare, youth, women and PWDs empowerment will be ring-fenced over the medium term.

Reflecting the above medium-term expenditure framework, the tables below provides the tentative projected baseline ceilings for the 2023/2024- MTEF, classified by Departments.

Table: Medium Sector Ceiling FY 2023/2024, Ksh. Million

a. RECURRENT CEILINGS:

FY 2023/2024 PROJECTED EXPENDITURE CEILINGS				
NO	DEPARTMENTS	Budget FY 2022/23	Projected 2023/24	Projected 2024/25
	RECURRENT			
1	County Assembly	1,128,437,598.00	988,437,598.00	1,018,090,725.94
2	Office of the Governor	170,328,586.96	170,828,586.96	175,953,444.57
3	Finance and Economic Planning	800,231,883.20	812,211,535.25	836,577,881.31
4	Agriculture, Livestock, Fisheries, and Veterinary Services	87,698,483.00	85,698,483.00	88,269,437.49
5	Water, Irrigation, Environment and Natural Resources.	25,152,628.00	40,153,220.37	41,357,816.98
6	Education, Science, Culture, Ict and Arts.	84,664,999.00	64,664,999.00	66,604,948.97
7	Health Services	434,423,703.98	454,423,703.98	468,056,415.10
8	Lands, Physical Planning & Urban Development	90,000,000.00	84,000,000.00	86,520,000.00
9	Public Service Management & Administration	4,888,403,999.90	4,956,003,999.90	5,104,684,119.90
10	Roads, Transport & Public Works	46,090,814.00	43,590,814.00	44,898,538.42
11	Trade, Tourism, Investment, and Cooperatives.	80,628,097.00	67,981,677.71	70,021,128.04
12	Youth Affairs, Sports, Gender and Social Development	120,000,000.00	100,000,000.00	106,500,000.00
13	County Public Service Board	30,000,000.00	27,000,000.00	33,410,000.00
14	Environment, Wildlife & Natural Resources	25,500,592.37		
	TOTAL	8,011,561,385.41	7,894,994,618.17	8,140,944,456.72
<p>Notes:</p> <p>(a) The above ceilings are subject to adjustments depending on revenue provisions by CRA. More so, the same will be reviewed in the coming CFSP</p> <p>(b) Also note that departments have been reorganized and Environment and water have been merged</p>				

b. DEVELOPMENT CEILINGS

FY 2023/2024 PROJECTED EXPENDITURE CEILINGS				
NO	DEPARTMENTS	Budget FY 2022/23	Projected 2023/24	Projected 2024/25
	DEVELOPMENT			
1	County Assembly	30,000,000.00	30,000,000.00	30,900,000.00
2	Office of the Governor		-	
3	Finance and Economic Planning	160,770,000.00	166,270,000.00	171,258,100.00
4	Agriculture, Livestock, Fisheries, and Veterinary Services	616,988,206.00	616,988,206.00	635,497,852.18
5	Water, Irrigation, Environment and Natural Resources.	347,050,000.00	338,650,000.00	348,809,500.00
6	Education, Science, Culture, Ict and Arts.	343,877,375.00	354,277,475.00	364,905,799.25
7	Health Services	524,536,029.00	504,536,029.00	519,672,109.87
8	Lands, Physical Planning & Urban Development	351,890,200.00	341,890,200.00	352,146,906.00
9	Public Service Management & Administration	141,844,646.00	141,844,646.00	146,099,985.38
10	Roads, Transport & Public Works	570,970,127.00	550,970,127.00	567,499,230.81
11	Trade, Tourism, Investment, and Cooperatives.	95,000,000.00	167,778,153.36	172,811,497.96
12	Youth Affairs, Sports, Gender and Social Development	116,650,000.00	96,650,000.00	103,049,500.00
13	County Public Service Board			5,600,000.00
14	Environment, Wildlife & Natural Resources	51,600,000.00		
	TOTAL	3,351,176,583.00	3,309,854,836.36	3,418,250,481.45

c. TOTAL BUDGET

FY 2023/2024 PROJECTED EXPENDITURE CEILINGS				
NO	DEPARTMENTS	Budget FY 2022/23	Projected 2023/24	Projected 2024/25
	TOTALS			
1	County Assembly	1,158,437,598.00	1,018,437,598.00	1,048,990,725.94
2	Office of the Governor	170,328,586.96	170,828,586.96	
3	Finance and Economic Planning	961,001,883.20	978,481,535.25	1,007,835,981.31
4	Agriculture, Livestock, Fisheries, and Veterinary Services	704,686,689.00	702,686,689.00	723,767,289.67
5	Water, Irrigation, Environment and Natural Resources.	372,202,628.00	378,803,220.37	390,167,316.98
6	Education, Science, Culture, Ict and Arts.	428,542,374.00	418,942,474.00	431,510,748.22
7	Health Services	958,959,732.98	958,959,732.98	987,728,524.97
8	Lands, Physical Planning & Urban Development	441,890,200.00	425,890,200.00	438,666,906.00
9	Public Service Management & Administration	5,030,248,645.90	5,097,848,645.90	5,250,784,105.28
10	Roads, Transport & Public Works	617,060,941.00	594,560,941.00	612,397,769.23
11	Trade, Tourism, Investment, and Cooperatives.	175,628,097.00	235,759,831.07	242,832,626.00
12	Youth Affairs, Sports, Gender and Social Development	236,650,000.00	196,650,000.00	206,049,500.00
13	County Public Service Board	30,000,000.00	27,000,000.00	33,410,000.00
14	Environment, Wildlife & Natural Resources	77,100,592.37		
	TOTAL	11,362,737,968.41	11,204,849,454.53	11,374,141,493.60
Notes:				
<i>(a) The above ceilings are subject to adjustments depending on revenue provisions by CRA. More so, the same will be reviewed in the coming CFSP</i>				

5 CONCLUSION

The FY 2023/2024 and the Medium-Term budget and fiscal framework projections presented in this CBROP takes into account the expected recovery in the global economy and risks facing our economy such as public expenditure pressures coupled with the County’s huge wage bill which continues to exert pressure on other expenditures.

The fiscal outlook presented herein will seek to achieve the objectives outlined in the PFM Act, 2012 and lay ground for the next financial year in terms of preparing the CBROP and CFSP. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on different sectors of the county will be crucial in ensuring that the County gets to deliver on its functions.

The set of policies outlined in this CBROP reflect the change in priorities and plan and are broadly in line with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the National governments “Big Four” Agenda as prioritized in the third Medium Term Plan (MTP III) of the Vision 2030 to build resilient and sustainable economic recovery and inclusive growth.

The policies and sector ceilings herewith will guide the Departments in preparation of FY 2023/24 budget. The County Government should endeavor in the preparation of realistic budgets while progressively expanding its revenue base. The ceilings will form inputs into the next County Fiscal Strategy Paper (CFSP) which will be finalized by February 2023.