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REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MERU

COUNTY FISCAL STRATEGY PAPER 2023/2024 AND THE MEDIUM TERM

February 24, 2023

A Green United Prosperous Model County

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FOREWORD

The 2023 Meru County Fiscal Strategy Paper highlights the legal responsibility of the County Government while reviewing the recent economic development in specifying the strategic priorities and policy goals.

The paper has been aligned with the County Integrated development plan (CIDP), the County Annual development plan (ADP) and the Budget Policy Statement 2023 (BPS) which provide the basis for prioritization of the development agenda and an identification of the means and resources for their implementation.

The County Fiscal Strategy paper has also been prepared with a broad overview of the financial year 2022/23 due to obvious political activities bearing in mind that this year has been dominated with political activities and transition of government both at the National and county level.

With an alleviation of economic outlook both at the national and county levels, the CFSP 2023 is designed to position the county on a raising trajectory economic recovery path by stimulating economic activities in certain sectors of the local economy, particularly the productive sectors.

With regard to the fiscal policy, performance in the FY 2022/23 was satisfactory despite the underperformance in revenue and elevated expenditures associated with the global inflation caused by an increase in cost of fuel and food. However, prevailing unfavourable economic conditions are likely to adversely affect revenue performance and will be taken into account during finalization of the FY 2023/24 budget.

In light of this, the Government fiscal policy continues to focus on enhanced revenue collection and mobilization, expenditure prioritization and reduction of the fiscal deficit. As a County we will continue with the implementation of priority programmes and projects set out in County plans to accelerate growth, employment creation and poverty reduction. The same spirit, detailed budgets for all departments and corporations have been analysed to limit growth of recurrent expenditure

CPA. MONICA K. KATHONO

COUNTY EXECUTIVE MEMBER FINANCE, ECONOMIC PLANNING & ICT

ACKNOWLEDGEMENT

The 2023 CFSP is prepared in compliance with the provisions of the Public Finance Management Act, 2012. As we finalize the budget for the FY 2023/24 and the medium term, I wish to emphasize that we are operating under tight resource constraints amidst significant revenue shortfalls occasioned by declining economic activities. On the other hand, the Government is confronted with significant expenditure demands; this called for proper prioritization to ensure focus is on critical expenditures with the highest positive impact on the well-being of county citizens. In this regard, the Government will continue to prudently manage the use of public resources over the 2023/24-2025/26 Medium Term Expenditure Framework (MTEF).

Preparation of the 2023 CFSP was a collaborative effort among various departments and we are grateful for their timely inputs. We are grateful to the guidance of County Executive Committee members and Chief Officers for their unlimited contribution and guidance in development of this document. We also extend gratitude to the Sector working groups for their input, Budget and Economic Forum and the general public who provided invaluable inputs to this 2023 CFSP. Finally, we thank the core team from the Budget and Economic Planning Department under the guidance of the Director Budget who worked tirelessly to put together inputs from different departments, Corporations and stakeholders and ensured the document was produced in time while maintaining high quality standards.

CPA CHARLES MWENDA

CHIEF OFFICER FINANCE, ECONOMIC PLANNING & ICT

ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CECM	County Executive Committee Member
CRA	Commission on Revenue Allocation
CSWGs	County Sector Working Groups
CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
FSP	Fiscal Strategy Paper
CIDP	County Integrated Development Plan
ADP	Annual Development Plan
FY	Financial Year
GDP	Gross Domestic Product
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PFM	Public Finance Management
PWD	People with Disabilities
SRC	Salaries and Remuneration Commission
SWG	Sector Working Group
ASDSP	Agricultural Sector Development Support Programme
NARIGP	National Agricultural and Rural Inclusive Growth Project
BPS	Budget Policy statement
CBR	Central Bank Rate
ICT	Information Communication & Technology

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

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

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

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

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

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of:

a) The Commission on Revenue Allocation;
b) The public;
c) Any interested persons or groups; and
d) Any other forum that is established by legislation.

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

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

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

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the PFMA (2012) sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 states that:

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

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

a) The county government's recurrent expenditure shall not exceed its total revenue;
b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
c) the county government's expenditure on wages and benefits for its public officers shall not exceed 35 percentage of its total revenue;
d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
e) The county's debt shall be maintained at a sustainable level as approved by the CA;
f) The fiscal risks shall be managed prudently; and
g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.

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

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ABOUT THE COUNTY FISCAL STRATEGY PAPER

The County Fiscal Strategy paper (CFSP) is a county government policy document that sets out the broad strategic priorities and policy goals to guide the departments and corporations in preparing their budgets for the subsequent financial year and over the medium term. In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012.

Section 117 of the PFM Act, 2012, provides that the County Treasury shall prepare and submit to the County Executive Committee for approval the County Fiscal Strategy Paper and thereafter submit the approved Fiscal Strategy Paper to the county assembly, by the **28th February** of each year. Not later than **fourteen days** after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments. The County Executive Committee member for Finance, Economic Planning and ICT shall take into account resolutions passed by County assembly in finalizing the budget for the FY 2023/24 and the medium term. The CFSP contains:

a) An assessment of the current state of the economy including macroeconomic forecasts;
b) The financial outlook with respect to Government revenue, expenditures and borrowing for the next financial year and over the medium term;
c) The proposed expenditure ceilings for departments and agencies;
d) The fiscal responsibility principles and financial objectives over the medium-term including limits on; and
e) Statement of Specific Fiscal Risks.

Preparation of the FSP is a consultative process that involves seeking and taking into account views of: The commission on revenue allocation; the public; any interested persons or groups; and any other forum that is established by legislation.

The County Fiscal Strategy Paper,2023 consists of five sections as outlined below:

Chapter 1: County Strategic Blueprint

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

Chapter 2: Recent Economic Developments and Policy Outlook

This chapter outlines the economic context that will guide preparation of FY 2023/24 MTEF budget. It provides an overview of the global, national and county economic & macroeconomic developments.

Chapter 3: Fiscal Policy Budget Framework

This chapter outlines the fiscal framework that is supportive of the realization of growth over the medium to long term as well as the fiscal strategies for the realization of the county's economic prospects. It sets out a framework for sustainable public finances management, while managing vulnerability to economic and fiscal risks.

Chapter 4: Medium Term Expenditure Framework

This section presents the resource envelope, spending priorities, strategic priorities and interventions for the proposed 2023/24 MTEF budget and the medium term. Sector achievements for the MTEF period are also reviewed.

Chapter 5: Conclusion

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

CHAPTER 1: COUNTY STRATEGIC BLUE PRINT

1.0 Overview

The 2023 County Fiscal Strategy Paper is the first to be prepared under the 3rd Administration of the County government of Meru and sets out the priority programs, policies and reforms of the Administration that will be implemented in the Medium-Term Expenditure Framework (MTEF). The CFSP 2023 identifies the broad strategic priorities and policy goals that will guide the Government in preparing its budget for Financial Year (FY) 2023/24 and the Medium Term.

1.1 Global and Regional Economic Development Outlook

The document is framed against a backdrop of global economic slowdown occasioned by the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of the COVID-19 pandemic, and persistent supply chain disruptions.

In the context of this challenging times, Kenya's economy remains resilient with an impressive economic performance of 7.5 percent in 2021 largely on account of bold economic policies and structural reforms as well as sound economic management implemented overtime. However, the momentum has been disrupted again by the Russia-Ukraine conflict that has seen disruption in global trade with increased fuel, fertiliser and food prices. The annual inflation rate in Kenya rose to 7.9 per cent in June of 2022, breaching the upper limit of the Central Bank of Kenya's target range of 2.5 percent -7.5 percent for the first time since August 2017 mainly driven by supply side constraints occasioned by external shocks. Aside from these shocks, the Kenya economy is confronted by various bottlenecks including recurrent drought affecting agricultural productivity; declining manufacturing productivity; skewed access to finance for business and development; rigidities in business regulatory framework; weak governance; and fiscal risks including pension's liabilities, stalled public projects, pending bills; and high debt service that has hindered the economy from achieving its full potential.

The need to address these challenges, bolster resilience while building on successes realized overtime forms the basis of the Kenya Kwanza Government's Economic Recovery Agenda anchored on the Bottom-Up Approach. The agenda is geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings

1.2 County Context

The regional and national economic outlook effects trickles down to the County. **Agriculture** is the major economic activity in the Meru County due to the rich volcanic soils in the high-altitude areas. Coffee, tea, miraa and dairy products as primary produce. Wholesale and retail trade also play important role in the county's economy. Recurrent drought had adversely affected agricultural productivity in the region, leading to low harvests in various commodities. High costs of raw materials have led to decline in manufacturing productivity.

These impacts are highly regressive, as they affected households, as well as women and girls, the most. Its effects on food insecurity, malnutrition and hunger are particularly alarming in the current context at the county. High food, fuel and energy prices has affected the most vulnerable in society the most, especially in our county in which more than 50% of the income of the poorest households is spent on food. A 10% increase in food prices erodes the buying power of these households by more than 5 per cent, or about as much as poor families spend on average on health.

Through the various priority economic policies, structural reforms, fiscal consolidation plan and sectoral expenditure programs outlined in this 2023 CFSP, the Government is taking determined steps to address these challenges, bolster resilience to shock as part of the strategy for socio-economic transformation and inclusive growth. Over the medium-term expenditure framework (2023-2026) will prioritize implementation of economic recovery strategies to re-position the economy on a steady and sustainable growth trajectory.

The county Government of Meru will implement policies and structural reforms and promote investment in four key areas of focus that are expected to have the highest impact at the bottom of the income earnings. These are:

a) Agriculture Productivity for food and cash for all households and value addition.
b) Water for domestic an Irrigation use.
c) Infrastructure Development in Roads, education, markets, urban and health.
d) Micro, Small and Medium Enterprise (MSMEs)
e) Affordable Housing

The County Government has aligned its priorities with the Big 4 Agenda which includes food and nutritional security, affordable housing, manufacturing, and universal health coverage. The realization of these national goals will help in actualizing the Vision 2030 Agenda.

In the medium term, the County will continue re-orienting expenditure towards the priority programmes outlined in the County’s Integrated Development Plan 2023-2028 and as identified in public consultative forums. The critical programmes to be implemented are expected to stimulate the County’s Socio-Economic development. The strategic priorities of the current leadership are anchored on fostering sustainable development that promotes inclusive economic growth and opens economic opportunities for a better future for the residents of Meru County.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENT AND MEDIUM OUTLOOK

2.1 Overview

In this chapter, highlights of the economic performance reflecting effects both at the national and county level have been detailed. This is in line with the county's economic performance dependency with the national economic performance, macro- economic stability/instability, Kenya's fiscal and economic policy formulations and implementation.

2.2 Macro-Economic Performance Indicators and trends

2.2.1 Global Economic Development

The global economy grew by 5.9 percent in 2021 after a near collapse in 2020 that saw the global GDP contract by 3.2 percent. The growth in real GDP was mainly due to increased global trade and increased activities resulting from easing of COVID-19 restriction measures. Growth in Advanced Economies was 5.3 percent in 2021 following a contraction of 4.3 percent in 2020. The global economic growth is estimated to have decelerated significantly with a growth of 2.9 percent in 2022 with a low focus of 1.7 percent in 2023.

2.2.2 National /Domestic Economic trends

The growth momentum continued in the first three quarters of 2022 averaging 5.5 percent despite subdued performance in agriculture and weaker global growth. The economy grew by 6.7 percent in the first quarter and 5.2 percent in the second quarter compared to a growth of 2.7 percent and 11.0 percent in similar quarters in 2021.

In the third quarter of 2022, the economy grew by 4.7 percent compared to a growth of 9.3 percent in the corresponding quarter of 2021. Most sectors posted slower growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic. The growth in the third quarter of 2022 was mainly supported by the service sectors particularly Accommodation and Food Service activities, Wholesale and retail trade, Professional, Administrative and Support services, Education and Financial and Insurance activities. The growth was however slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors

The agriculture sector recorded a contraction of 0.6 percent in the third quarter of 2022 compared to a growth of 0.6 percent recorded in the corresponding quarter of 2021. The slowdown in performance of the sector was mainly attributed to unfavorable weather conditions that prevailed in first three quarters of 2022. The decline was reflected in the decline in vegetable exports and milk intake by processors. The sector's performance was cushioned from a steeper contraction by improved production in fruits, coffee and cane

The activities in the services sector normalized and remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID19 pandemic. The sector growth slowed down to 6.1 percent in the third quarter of 2022 compared to a growth of 11.4 percent in the third quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, wholesale and retail trade, professional, administrative and support services and education sub-sectors.

The key performance indicator for economic growth include: Level of inflation; Interest rates, Kenya shilling exchange rates, money and lending rates among others as discussed below;

a) **Inflation**

The year-on-year inflation rate eased for the second consecutive month in December 2022 but was still above the 7.5 percent upper bound target. Inflation rate eased to 9.1 percent in December 2022 from 9.5 percent in November 2022 due to a decline in food prices as a result of favorable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.7 percent recorded in December 2021. Overall annual average inflation increased to 7.6 percent in December 2022 compared to the 6.1 percent recorded in December 2021.

b) **Interest Rates**

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 percent to 8.75 percent in November 2022.The interbank rate remained stable at 5.4 percent in December 2022 compared to 5.0 percent in December 2021 while the Treasury bills rates increased in December 2022 due to tight liquidity conditions.

Commercial banks' lending rates remained relatively stable in October 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.4

percent in October 2022 from 12.1 percent in October 2021 while the average deposit rate increased to 7.0 percent from 6.4 percent over the same period. Consequently, the average interest rate spread declined to 5.4 percent in October 2022 from 5.7 percent in October 202

c) Kenya Shilling Exchange rate

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies has weakened to exchange at Ksh 122.9 in December 2022 compared to Ksh 112.9 in December 2021. Against the Euro, the Kenya shilling also weakened to Ksh 130.0 from Ksh 127.6 over the same period. The Kenyan Shilling strengthened against the Sterling Pound to Ksh 149.8 in December 2022 from Ksh 150.2 in December 2021.

d) Money and Credit Facilities

Broad money supply, M3, moderated to a growth of 7.2 percent in the year to September 2022 compared to a growth of 6.1 percent in the year to September 2021. The growth in December 2022 was mainly due to an increase in domestic credit particularly net lending to the private sector. This growth was however curtailed by a decline in the Net Foreign Assets (NFA). Net Foreign Assets (NFA) of the banking system in the year to December 2022 contracted by 51.9 percent, compared to a contraction of 21.0 percent in the year to December 2021. The decline in NFA partly reflected a reduction in reserves at the Central Bank due to scheduled debt service, and the increase in commercial bank’s borrowing from foreign sources. Net Domestic Assets (NDA) registered a growth of 16.7 percent in the year to December 2022, an improvement compared to a growth of 12.4 percent over a similar period in 2021. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved. Growth of domestic credit extended by the banking system to the Government moderated to 11.6 percent in the year to December 2022 compared to a growth of 28.3 percent in the year to December 2021. Lending to other public sector also declined during the period, mainly due to repayments by county governments and parastatals.

e) **Unemployment Rate**

The number of people in extreme poverty declined to 16% in 2021 from 17% in 2020, and unemployment fell to 12.3% from 14.3% over the period, attributable to per capita income growth, social safety-net programs, and economic recovery.

f) Public Debt

Public debt surged to 68% of GDP at end-June 2021 from 63% in 2020, driven by the primary deficit. Kenya is assessed as being at high risk of debt distress. The current account deficit widened to 5.2% of GDP in 2021 on the back of an increased trade deficit.

g) Balance of Payment

The overall balance of payments position declined to a deficit of USD 107.6 million (0.1 percent of GDP) in the year to August 2021 from a surplus of USD 989.5 million (1.0 percent of GDP) in the year to August 2020 (Figure 1.10). This was mainly due to a decline in receipts from services despite an improvement in the capital and financial accounts.

The current account remained stable in the year to August 2021. The current account deficit was at USD 5,707.3 million (5.2 percent of GDP) compared to USD 4,975.6 million (4.8 percent of GDP) in the year to August 2020 (Table 1.5). The current account balance was supported by an improvement in the net primary income balance and the net secondary income balance.

2.3 County Economic outlook

Meru county comes as the sixth with a GDP contribution of 2.9 Per Cent to the national share of GDP as at 2022. The National economic growth is a key parameter that influences the national government share of transfers to the Counties, the greater the domestic GDP, the more allocation counties expect. However, with the domestic economic growth in 2022 estimated to have decelerated at 5.9 percent and projected to further decrease to 5.7 percent in 2023, the equitable share allocation to Counties is unlikely to increase. This calls for the County to explore alternative financing for its developmental programs. Some of the County economic indicators include:

a) Interest rates

The stable interest rate is favourable for the development Programs and projects for County Government even as the County explores alternative means of financing its development programs such as the use of Public Private Partnerships and sourcing for grants for project implementation.

b) Credit uptake

Small and Medium Enterprises have had a slow uptake of credit due to slowdown in economic activity. However, the development and implementation of MSEs and County recovery strategies will improve the credit worthiness for population and the county at large.

c) Fiscal Inflation

Overall inflation picked up in 2021 but remained within the government's target range. Food inflation averaged 8.6 per cent in 2021 compared to 9.2 per cent in 2020. In August, September and October 2021, food inflation took double digits, recording 10.7 per cent in August, and 10.6 per cent in both September and October 2021; owing to the high oil and commodity prices at the global stage. Inflation is projected to edge up to 7%, close to the upper end of the target band (7.5%), caused by greater energy and food inflation.

d) Medium Small and Medium Enterprises Sector

Majority of Medium Small and Medium Enterprises (MSMEs) in Meru County operate in the wholesale and retail trade and repair of motor vehicles and motorcycles, manufacturing, arts, entertainment and recreation, accommodation and food services, financial and insurance activities. Ideally, these are the sectors that were affected most by the COVID-19 pandemic, economic decline and need focus in achieving reengineering and recovery. MSMEs in Meru County are largely located in commercial premises, and therefore most of the businesses faced difficulties in meeting their rental obligations due to income disruptions. According to the May *2020 KNBS COVID_19* survey, 6.6 per cent of the non-farm businesses attributed non-payment of household rental obligations to delayed incomes/earnings while 93.4 per cent attributed the same to reduced incomes/earnings. For those involved in farm businesses, 52.8 per cent attributed the same to delayed incomes/earnings while 47.2 per cent were affected by temporary layoffs/closure of businesses.

e) Agriculture and livestock

Meru county is known for a wide and extensive agricultural activity that form the backbone of the economy of meru people. The county government of Meru aspires to guarantee food safety and security and improved nutrition for all through promotion of urban agriculture; enhanced multi-sectoral daily inspection of food to ensure food consumed in all households is safe; support agriculture through extension services; Agricultural support through provision of green houses, fish tanks and farming tools; continuous vaccination of animals to prevent zoonotic diseases and animal-human transmissions

f) County Debt Management

Debt management has significant repercussions on future spending levels, extending into future mid- term period. The county government of Meru shall put in place debt management strategies that will determine the long term aims of debt management and should cover all County government liabilities including contingent liabilities in the Debt Management Strategy Paper. The most common cause of pending bills accumulation is huge spending against inadequate resource envelope.

g) Building Resilience through the Digital Economy

The spread of the Internet and the emergence of digital technologies in an interconnected youthful world has led to the emergence of the digital economy. The digital economy is not only important to economic growth and development but is also an important factor in building a resilient economy. Kenya's Digital Economy Blueprint 2019 identifies five pillars of the digital economy; these are: digital government, digital business, innovation-driven entrepreneurship, digital skills and values and digital infrastructure. The economic importance of the digital economy can be demonstrated by the ICT sector's contribution to GDP. In 2021, the sector contribution to GDP declined to 2.4 per cent compared to 2.6 per cent in 2020. In 2021, the sector witnessed an increased growth rate of 8.8 per cent. Meru county shall embrace the digital economy in its day to day running of its activities. The county will ensure that every department has digitized most of its activities to reduce delays in the offering of their services. This will enhance socio-economic resilience during shocks and emergency situations.

2.4 Fiscal Risks and Mitigation measures

Fiscal outturns often differ substantially from budget or other fiscal projections, owing to shocks such as deviations of economic growth from expectations, natural disasters, calls on government guarantees, or unexpected legal claims on the state. In many instances, failure to disclose and prepare for such risks has caused the County government other obligations, larger public debts and unexpected spending pressures or revenue losses. This often require disruptive adhoc adjustments during the fiscal year. Indeed, even in counties where debts and deficits have been reduced, policymakers 'attention is turning toward risks—especially from contingent liabilities and off-balance-sheet items—that may not be fully apparent in "headline" fiscal indicators.

To address the challenges posed by fiscal risks, several counties have recently increased their disclosure of such risks, so as to foster fiscal sustainability and to reduce borrowing costs and the likelihood of crises.

The government's approach to managing fiscal risks follows a five-stage process. This is to:

(i) identify the source, scale and likelihood of the risk;
(ii) disclose the risk to raise awareness and ensure accountability;
(iii) mitigate the risk where cost-effective and consistent with broader policy objectives;
(iv) provision for risks that cannot be mitigated but whose size and timing are relatively certain; accommodate residual risks when setting the overall fiscal policy

CHAPTER 3. BUDGET FOR FY 2023/24 AND THE MEDIUM TERM

3.3 Fiscal Framework Summary

The 2023/24-2025/26 Medium-Term Fiscal Policy aims at supporting a sustainably wealthy and vibrant County by providing high quality services to improve the livelihoods of its citizens. The County Government will pursue prudent fiscal policies to ensure economic growth and development. In addition, these policies will provide support to economic activities while allowing for sustainable implementation of projects and Programs. Adhering to these policies will also enhance local revenue collection which will ensure there are adequate resources for capital investments.

In respect to Own Source revenue generation, the County Government is striving to institute corrective measures to reduce revenue leakages through the County Revenue Board which is responsible for revenue mobilization and management.

3.3.1 Revenue Projections

During the FY 2023/24 the county projects own source revenue collection (OSR) of Kshs.550 million, Kshs 240M from Appropriation-in-Aid and Kshs 16M Kaguru. To enhance County local revenue as a proportion of total revenues, the County Government through Revenue Board shall focus on maximization of OSR through:

i. Formulation and execution of Finance Act 2023 observing the emerging issues and current constraints in local revenue administration;
ii. Develop own Meru revenue management system;
iii. Training and Capacity development of revenue board staff;
iv. Strengthening controls to reduce revenue leakages;
v. Enforcement of debt recovery measures.
vi. Public Sensitization and creating awareness on need to pay taxes.
vii. Fast tracking updating of Valuation Roll

3.3.2 Expenditure Projections

The County's f/y 2023/24 will be kshs.10,889,173,280.00 Comprising of Kshs 7,637,095,187.96 (70 per cent) and Kshs.3,252,078,092.04 (30 per cent) allocation for recurrent and development expenditure respectively. For the recurrent expenditure, Kshs. 5,458,393,935.28 has been allocated for Compensation to Employees and Kshs. 2,178,701,252.68 for use of goods and services.

3.3.3 Statement on Pending Bills

The County Government of Meru, through the Second Supplementary Budget Estimates in the Financial Year 2022/2023, will set aside the sum of approximately Kshs.761,329,623 to cater for the settlement of eligible pending bills. However, there still remains pending bills in the form of inherited debt from the defunct local governments amounting to Kshs.23,311,393 and also current ineligible pending bills of Kshs.401,211,188.87. Further there is a contingent legal liability totalling to Kshs.728M who court decree are already enforceable and we have factored kshs.100M for the same in FY 2023/24 budget though it's not sufficient.

3.4 Adherence to Fiscal Responsibility Principles

To have sustainable development and growth, the County Government is required to meet its fiscal targets. This is made possible by strict adherence to fiscal responsibility principles. These policies will aim at rationalizing allocation of more resources from recurrent to Capital and Development Programs so as to promote sustainable and inclusive growth.

Some of the fiscal responsibility principles to be observed include:

a) Over the medium term, a minimum of 30% of the County Government budget shall be allocated to development expenditure; Development expenditure allocation amounts to 30% of total revenues in the financial year 2023/2024.
b) The County Government's expenditure on wages and benefits for public officers shall not exceed 35 percent of the County Government revenue as prescribed by the Public Financial Management Act (PFMA 2012). This is a challenging fiscal principle as the county is faced with huge wage bill without equivalent corresponding revenue that support cash flow to meet this requirement.
c) Borrowing shall be used for development expenditure only.

3.5 Budgetary Allocations for the FY 2023/24 and the Medium Term

The budgetary allocation between the County Executive and the County Assembly is summarized in the Table 13 below:

Table 3.1: Summary Budget Allocations for the FY 2023/24 – 2025/26 (Kshs. Million)

Particulars	Approved Est' FY 2022/2023	CFSP 2023/24	Projected 2024/2025	Projected 2025/2026
County Executive and CPSB	9,746.27	9,798.79	9,894.76	9,994.76
County SAGAS	458.03	490.593	500.41	521.32
County Assembly	1,158.44	1,090.39	1,090.39	1,090.39

Total	**11,362.74**	**10,889.10**	**11,978.01**	**13,175,8**

3.6 Criteria for Resource Allocation

The following criteria guided the allocation of resources among Government Departments and SAGAs for FY 2023/24 and over the medium term:

i. Programmes that are geared towards economic recovery and sustainability.

ii. Linkage of the programmes with the objectives of the CIDP 2023-2028 Annual Development Plan 2023/2024.

iii. The programmes that address the core mandates of the respective Sectors and Sub Sectors and geared towards achievement of the Governor's Manifesto.

iv. Public participation on identification of projects for equitable development.

v. Emphasis will be given to the on-going and multi-year projects to ensure completion and operationalization.

vi. Priority will be given to paying outstanding pending bills/debts as per Pending Bills Committee report so as to maintain them at a sustainable level.

3.7 Public Participation/ Sector Hearings and Involvement of Stakeholders

Public participation and involvement of stakeholders in the medium-term budget process is a constitutional requirement. In fulfilment of this requirement, Sector Working Groups (SWGs) were convened to develop the sector reports, which were subjected to public hearings for the FY 2023/24 and further the County held Fiscal Strategy Paper public participation across all wards between 7th - 9th February, 2023.

Annex 2: *provides minutes, attendance lists, and a summary of projects policy issues raised during the Public Hearings and the responses. It also contains minutes of the County Budget and Economic Forum and minutes on a consultation meeting with all County Executive Committee Members, chief officers and MDs of the Corporations/ Agencies.*

4: MEDIUM TERM EXPENDITURE FRAMEWORK

4.0 overview

The MTEF for the FYs 2023/24-2025/26 is anchored on Fiscal Responsibility principles, sets out the medium-term expenditure priorities and inflexible budget constraints against which sector plans can be developed and refined and aims to ensure that budgets reflect government's social and economic priorities. It is also aligned to the National Governments Fourth Medium-Term Plan (2023- 2027) of the Kenya Vision 2030 that will prioritize implementation of economic recovery strategies of the new Administration to re-position the economy on a steady and sustainable growth trajectory.

The expenditure ceilings in this Fiscal policy document have been revised to reflect emerging realities. In this regard, Departments, Corporations and Agencies budgets for FY 2023/24 have been scrutinized carefully to ensure quality and alignment to the National and County Government Economic Recovery Agenda as outlined in this CFSP, CIDP 2023-2028 and other strategic interventions of county interest. Departments and corporations should adhere to the firm sector ceilings, provided in this document to facilitate the finalization of the FY 2023/24 and the medium-term budget proposals

In this regard, departments and corporations are urged to adopt efficiency in allocation of resources through cost budgeting and re-align their programmes, projects and activities with the new County Government's priority programmes and reduce non-priority spending.

4.1 Resource Envelope

The 2023/24 projection of Kshs. 10,889,173,280 billion will be an increase of 0.65 per cent from the fiscal year 2022/23 where the County expects Kshs. 10,818,815,401 billion as the actual revenue as per the County Governments Additional Allocation (No.2) Act, 2022 and County Allocation of revenue 2023(excluding balances in the County Revenue Fund as at the end of FY 2022/23). The marginal increment is mainly attributable to the lapse of some of the grants such as Kenya Urban Support Programme (KUSP), Kenya Devolution Support Program (KDSP), decrease in National Agricultural and Rural Inclusive Growth project (NARIGP) allocation and uncertainties on the donor grants.

The exchequer releases include the equitable share at 9.752 billion and conditional grants of Kshs.270.789 million. The FIF is projected at Kshs300 million against an actual figure of Kshs. 233.37 million in the fiscal year 2021/22 translating to a growth trajectory of 22.21%. On the other hand, the local sources are projected at Kshs.550 million against an actual performance in the fiscal year 2021/22 of Kshs.385.39 million depicting a 29.93% growth. In general, receipts from National Government will constitute 92.56% of the total budget while Own Source Revenue will constitute 5.49 % of total revenue. Historically, the contribution of external revenue to the total revenue has been predominantly higher than internal revenue.

To this end, sustaining reforms in revenue administration will be key in mobilizing resources for development expenditure. In line with the provisions of Article 175 of the Constitution, the need for County Governments to have reliable revenue is a key principle in the devolution framework. To achieve this, the County Government will fully adopt and execute Finance Act 2019 and develop 2023 Act by maximizing all revenue streams and developing our own revenue system to strengthen the automation in revenue collection.

Further, in order to support the County Governments to enhance their Own Source Revenue, the National Treasury in consultation with the County Governments and other stakeholders developed the National Rating Bill and the County Governments (Revenue Raising Process), Bill whose objective is to unlock more revenues for the county governments from property taxes. On the other hand, the County Governments Bill will outline the process to be followed in exercising their power under Articles 209 and 210 of the Constitution to impose, vary or waiver taxes, fees, levies and other charges.

As part of the implementation of the National Policy to Support County Governments enhance their Own Source Revenue, the Commission on Revenue Allocation (CRA) in collaboration with the National Treasury and other stakeholders is in the process of developing a model tariffs and pricing policy. The County Governments are expected to customize this model policy to develop their respective tariffs and pricing policy in line with Section 120 of the County Government Act, 2012. The tariffs and pricing policy will form the basis for levying fees and charges by the County Governments.

Table: Projected Resource Envelope for Financial Year 2023/24

FY 2023/2024 PROJECTED RESOURCE ENVELOPE			
REVENUE STREAM	**REVENUE BUDGET FOR FY 2022/23**	**REVENUE BUDGET FOR FY 2022/23 AS PER CGAA, Act**	**PROJECTED REVENUES FOR THE FY 2023/24**
a. Equitable Share	9,493,857,338.00	9,493,857,338.00	9,752,384,008.00
b. County Own Revenue	600,000,000.00	600,000,000.00	550,000,000.00
c.Appropriation in Aid- Hospital FIF	270,000,000.00	270,000,000.00	300,000,000.00
d.Kaguru Training Centre	33,670,051.15	33,670,051.15	16,000,000.00
Total	**10,397,527,389.15**	**10,397,527,389.15**	**10,618,384,008.00**
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	36,886,029.00		0.00
ii.World Bank for national agricultural and Rural Inclusive Growth project	398,724,835.00	195,158,825.00	0.00
iii.World Bank for national agricultural value chain development project (NAVCDP)		70,000,000.00	70,000,000.00
iv. World Bank Urban development grant for Kenya urban support program	116,890,200.00	2,339,914.88	0.00
v.KDSP (Level 1+ Level 2 Grant FY 2019-20)	141,844,646.00		0.00
vi.KDSP (Level 1 Grant FY 2018-19	45,000,000.00		0.00
vii.Danida	17,811,750.00	25,860,375.00	25,860,375.00
vii. GoK-ASDSP	33,084,638.00	9,945,897.00	9,945,897.00
vii World Bank Emergency Locust Response Project (ELRP)	47,977,333.00	75,983,000.00	75,983,000.00
viii. Worl kenya Informal settlement Improvement Project-KISIP II	110,000,000.00	20,000,000.00	67,000,000.00
VIII.World credit Financing Locally-Led Climate Action		22,000,000.00	22,000,000.00
x. Capital Grant-THS	16,991,148.26		0.00
Sub-Total	**965,210,579.26**	**421,288,011.88**	**270,789,272.00**
Total	**11,362,737,968.41**	**10,818,815,401.03**	**10,889,173,280.00**

Source: County Treasury

4.2 FY 2023/2024 and Medium-Term Budget Priorities

The paper aims at streamlining the medium-term development priorities towards a transformative development agenda facilitating a resilient sustainable economic growth with focus on economic recovery strategies. In order to achieve this, the County Government will endeavour to pursue the flagship projects and other development projects as outlined in the County Integrated Development Plan (2023-2028) and, the Annual Development Plan (ADP)

2023/24, the Governor's Manifesto and other County policies. These will be geared towards enhancement of quality services delivery and provision, creation of employment opportunities, improvement of the general welfare of Meru residents' people and above all ensuring equity and minimising costs through elimination of duplication and inefficiencies.

Over the medium term the County government expenditure will focus on the following key priority areas;

4.3 Strategic Priorities and Interventions

4.3.1 Strategic Priority I: Water

Water is a key driver of sustainable growth and poverty alleviation as an input to almost all production, in agriculture, industry, energy, transport and health. Ensuring access to clean water and sanitation is a core responsibility of the County and depends on effective governance and natural resource management.

The government will invest in provision of water for domestic and irrigation use. The main driver towards realizing this objective is through construction of mega dams, water pans, drilling of boreholes, and distribution of the current water systems.

4.3.2 Strategic Priority II: Investment in Agriculture

Agriculture is the major economic activity in the county with high levels of agricultural productivity, predominantly rain-fed agriculture contributing on average to about 80% of household income.

However, agricultural productivity in the county has largely declined occasioned by the prolonged drought as a result of failed rain and high global fertiliser prices resulting in severe food shortage. The spread of the COVID19 pandemic and other political emergence worsened the situation with farm inputs prices doubling in the past two years, affecting productivity of Kenyan farmers.

Over the medium term the County Government will endeavour to: Support farmers to access quality inputs such as grafted assorted seeds, fertiliser among others in conjunction with National Government and also ensure that farmers have access to extension services in order to improve farming skills; Enhance agricultural market access; supporting fish farming; intensifying expansion of dairy farming; animal diseases, pests control, surveillance, pasture and fodder improvement, capacity building for fish farmers; support for value addition, and provision of artificial insemination (AI) services across the County and invest in value addition to support improvement of .

4.3.3 Strategic Priority III: Supporting the Micro, Small and Medium Enterprise (MSME) Economy

The Micro, Small and Medium Enterprise (MSME) Economy contribute very significantly to the economy, employing about 85 percent of non-farm jobs. Access to credit is a stimulant that enhance growth in the MSME economy. However, high interest rates crowd out the private sector and the MSMEs. The County government is committed to ensure that its residents access affordable credit. Towards this end, the Government will commit resources every year to provide MSMEs with access to the fund through the microfinance corporation lending programme to PWD, women and youth empowerment programmes which will be targeting training and issuance of seed capital.

In addition to the interventions, the National Government will work with the County Government to create frameworks that provide secure trading places in the cities and towns.

Meru residents can also benefit from the National Government Hustlers Fund which was initiated as an intervention to correct market problems at the bottom of the pyramid and to cushion the MSMEs against high cost of credit.

4.3.4 Strategic Priority IV: To provide Quality, Affordable and Accessible Healthcare

The constitution provides every Kenyan with a right to the highest attainable standard of health with access to emergency treatment when necessary and emphasizes the right of access to quality health services by all including children, persons with disabilities, minority and marginalized groups as well as the elderly.

The County government will continue to invest in health with an aim to ensure its residents benefit from quality, affordable and accessible healthcare. The sectors focus will be first on preventive and promotive healthcare programs which seeks to empower individuals to make healthier choices and reduce their risk of disease and disability. At the population level, they help eliminate health disparities, improve quality of life, and improve the availability of healthcare and related services.

The government will promote investment in health infrastructure for the Meru Level 5 referral hospital, the Level 4, 3sand 2 hospitals across the County, enhancing access to Pharmaceuticals and consumable medical supplies; equipping dispensaries and improving services delivered in the health centres.

To improve health outcomes, enhance collection of FIF in hospitals and enhance service delivery in our health centers, the County government will leverage on ICT connectivity in our Level 4, 3 and 2 hospitals information technology to drive responsiveness and minimise leakages in revenue collection. Additionally, the National government will ensure deployment of an integrated state-of-the-art health information system that will enable every Kenyan to own and control access to their health record

On the National Front health sector interventions, the Government will reform the National Health Insurance Fund (NHIF) as a necessary imperative. Progress has been made in enrolling more members into the insurance scheme. In the past 10 years, 12 million Kenyans have joined the Fund. The challenge, however, is that the NHIF is an occupational scheme for salaried people on payroll in the public and private sectors, and not the social insurance scheme it ought to be. The Government will thus change the contribution structure from an individual contributory scheme to a household contribution model.

Further, to build a better human resource for healthcare, the National Government will work with County Governments to build a centralised system. Measures will be put in place to address the challenge of inadequate human resources in the public hospitals and the poor industrial relations between health professionals.

4.3.5 Strategic Priority V: Infrastructure development and networking

Infrastructure development is one of the key strategic priorities for the County. In the medium term, the County Government will invest in infrastructural development through; Improvement of informal settlements; urban infrastructure development; road infrastructure development and maintenance of roads; construction and improvement of markets.

Over the medium term the county plans to facilitate construction of Sub County and ward Offices, Construction of Rehabilitation Centers, Construction and equipping of ECDE classrooms and friendly sanitation blocks, Construction of workshops for Vocational Training Centers, Health Infrastructure development through construction of new dispensaries, completion and equipping of level 5, level 4’s and 3

4.3 Partnership linkages

The Government has identified a number of key sectors including water, housing, urban development, Agriculture, roads, trade and industry in which it wishes to work with the private sector through the Public Private Partnerships framework. The PPP envisages mobilizing resources within the FY 2023/24, based on the current projects in the PPP pipeline. To achieve this, all projects will be screened for commercial viability as PPPs, before being considered for implementation within the Budget.

4.4 Medium Term Expenditure Estimates

The summary of indicative Departmental Ceilings for FY 2023/24 is indicated in **Annexure 1.** This information will guide County Departments to adjust their budgets within their overall total ceiling.

4.4.1 Baseline Ceilings

The Projected departmental ceilings for the MTEF period 2023/2024-2025/2026 is based on the resource allocation criteria discussed in this document, highlighted key strategic policies highlighted above and sector priorities outlined in the **4.6** below.

The recurrent expenditure category, non–discretionary expenditure take first charge. Compensation of employees for the county overall expenditure should account for a maximum of 35 % of the budget revenues. Adhering to this principle may not be achieved as there are challenges which affect the County Government in realizing local revenue targets and continued recruitment to cover the gap on capacity which continually led to increase in county wage bill. Going forward, the County will address the issue of low local revenue and staff rationalization.

Compensation to employees will be centralized in the Department of Legal Affairs, Public Service and Administration for easier implementation. Development expenditures are undertaken on the basis of CIDP 2023 – 2028, Annual Development Plan (2023), the Governor's Manifesto, Public participation report of CFSP conducted in February, 2023 as well as departmental strategic priorities. The Proposed capital projects will be evaluated in the context of the following elements:

(a) Emphasis will be placed on completion and operationalization of ongoing projects;

(b) Projects that are in compliance with the County Government regulations and priorities as outlined in the County Integrated Development Plan, Annual Development Plan and which are fully justified for financing;

(c) Community needs identified through public participation;

(d) Department strategic needs that contribute greatly in addressing county's socio-economic needs.

Table: Departmental Ceilings

See Annexure 1 attached herein

4.6 Details of Sector/Departmental Priorities

4.6.1 Roads, Energy and Public Works Sector

110. The sector comprises of Roads, Energy and Public works subsectors. During the FY 2023/24 and in the medium term, the sector will implement the following planned priorities:

- Improve road infrastructure through opening up of new access roads, rehabilitation of existing roads, upgrading of rural roads, and construction of new roads with land acquisition.
- Provide adequate, safe and quality source of sustainable energy through promotion and adoption of alternative energy e.g., Biogas, solar and wind energy.
- Energy policies development such as CEP.
- Improve fleet management through purchase, lease & maintenance of vehicles, disposal mechanism for obsolete vehicles, and purchase & maintenance of earth-moving plants and equipment.
- Provision of safe and standard public works facilities through promotion, adoption & provision of technical support on alternative modern building technology, inspection approval & monitoring of buildings, and coordination & linkage with other relevant agencies.

4.6.2 Education, Science, Culture and Arts

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

104. During the MTEF period 2023/24-2024/25 the sector will prioritize the following:

- Promotion of literacy levels through improvement/addition of infrastructure (ECDE classrooms), provision of learning materials, implementation & monitoring of curriculum, capacity building of teachers & officers, School Feeding Programme and issuing of school uniforms to vulnerable learners.

- Increase youth employability through addition & equipping of VTCs, improvement of infrastructure, implementation & monitoring of Curriculum, free tuition in Vocational Training Centers, capacity building of VTC trainers and officers, sensitization of the community to embrace Vocational Training, issuing of tool kits to VTC graduates, and provision of Retention Enhancement Fund for needy students.
- Promotion and conservation of culture through development and implementation of county cultural policy, identification, protection & mapping cultural practitioners & sites, completion and operationalization of cultural centres, completion of Meru Cultural Center and museum at Nchiru, recognition of Ameru heroes and heroines and bestowing of awards & honors, organize and participate in county, national and international cultural festivals, and equipping of cultural centers.
- Promotion of the creative industry through establishment of recording studios and marketing of art works.
- Public sensitization on consumption, sales and production of alcoholic drinks with collaboration & coordination with other government agencies.

4.6.3 Youth Affairs, Sports, Gender and Social Development Sector

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

During the MTEF period 2023/24-2025/26 the sector will prioritize the following:

- Youth social economic empowerment
- Continued implementation of MYS programme by skills development, engagement in community service works. Twende kazi/ Ngarisha mtaa programme, Skills development and training and Talent Development under the MYS Programme

- Identification of performing artists and capacity building.
- Sports Talent Development.
- Maintenance and equipping of stadias and promote of sports through Kenya Youth and Intercounty sports, KICOSCA and governor's cup
- Women and men social economic development, gender mainstreaming and financial literacy.
- Gender based violence /Female genital mutilation campaigns
- Men and boy programmes.
- Provision of insurance cover for the needy.

4.6.4 Trade, Tourism, Investments and Cooperatives

This sector covers the following sub-sectors: Cooperatives Development, Trade Development, Tourism Development sub sectors and Investment Corporation as a semi-autonomous agency. The Sector integrates both product and service industries. During the MTEF period 2023/24-2025/26 the sector plans to prioritize the following in line with the respective the sub-sectors:

Sub-Sector 1: Trade

Trade development through:

- Empowerment of Micro Small and Medium Enterprises's(MSMEs)
- Provision of industrial equipment for jua kali entrepreneurs
- Establishment of cottage industries
- Capacity buildings of entrepreneurs
- Improvement of market infrastructure through, construction of market boundary walls, stalls, modern toilets and sheds
- Construction of modern kiosks
- Promote fair trade practices through sensitization of traders on weights and measures Act, Calibration and verification of weighing and measuring equipment and establishment of calibration laboratory

Sub-Sector 2: Cooperatives

Capacity building for Cooperatives through:

- Providing education Seminars, Workshops and tailor-made programmes for cooperatives.
- Coffee Value addition and marketing through, support in coffee milling, branding and packaging, market accessibility, upgrading of coffee factories. and refurbishment/Modernization, Digitalization of coffee factories
- Support & promote Dairy sector initiatives through provision of milk equipment, market accessibility and conversion of self-help groups and CBOs into Co-operatives.
- Support & Promote Saccos including PWDs Saccos initiatives through grants and Seed Capital provision.
- Promotion of Potatoes, bananas, Miraa, Sweet potato, Avocado, Macadamia, fisheries Co-operatives.

Sub-Sector 3: Tourism

- Tourism Product Development through engagement of county govt. with national government agencies and private sector in tourism, engaging all department to tap our tourism products such as culture and sports and resource mobilization.

- Promote tourism Marketing through promotion of domestic tourism, marketing and use of print and electronic media
- Improvement of access Roads to attraction sites through engagement of County and National government leadership.

Semiautonomous Agency: Meru County Investment Development Corporation (MCIDC)

- Promote increased investment through packaging investment opportunities, develop an investments portfolio catalogue and partnering with investors to execute projects through PPP and joint venture

4.6.5 Public Administration and Intergovernmental Relations Sector (PAIRs)

This sector is made up of the following sub-sectors; Office of the Governor, Finance, Economic Planning & ICT, County Assembly, Public Service Board, Legal Affairs & Public Service Management and Administration, Meru County Microfinance Corporation, and Meru County

Revenue Board Sagas. The Sector provides overall policy and leadership direction to the county, oversees county legislation as well as the human resource function in the public service and management of public resources. It further coordinates county policy formulation, implementation, monitoring and evaluation. During the MTEF period 2023/24-2025/26 the sector plans to achieve its planned objectives through implementation of the following priorities in line with the respective the sub-sectors:

Sub-Sector 1: County Assembly

- Formulation and approval of County laws.
- Approval and Monitoring of County Budget
- Provision of lift in the existing county assembly offices
- Provision of offices for the Members of the County Assembly

Sub-Sector 2: Office of the Governor

- To establish a delivery unit for continuous result tracking in monitoring and implementation of projects and programs. Further provide a mechanism for feedback on implementation of projects in collaboration with departments.
- Enhance the capacity of EMU officers and other county officials' staff through trainings.
- Establishment of County Disaster Command Centre
- Civic education for citizens
- Improve information collection, development and dissemination
- Improve the Inter-Departmental linkages within the County Government.
- Establishment of more networks and linkages focusing on key donors, corporates and foundations.

Sub-Sector 3: County Treasury, Economic Planning and ICT

- Internal audit and assurance
- Financial reporting and asset management
- Preparation of planning documents (CIDP, ADP & CAPR)
- Preparation of the budget and budget documents/ templates
- Carry out public participation and engagement for planning and budget documents
- Monitoring Budget implementation
- Capacity building of Civil Society Organizations (CSOs) to be Trainers of Trainers on budget process and County staff.

- Enhance capacity to stakeholders and staff on planning processes
- Establishment of Sub-County revenue collection centres
- Procurement of revenue collection system
- Maintenance of Local and Wide Area Networks
- Provision of Internet

Sub-Sector 3: Public Service Board

- Hiring and sourcing of human resources within the County Public Service
- Advising Executive on matters relating to human resource management
- Induction and capacity building of employees

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

- Administration and support services
- Human Resource Management
- Public Service Management and Transformation
- Office Accommodation Management
- Coordination of government functions.
- Management of County office accommodation
- Enforcement services

Meru County Microfinance Corporation SAGA

- Provision of lending facility (financing) to customers
- Provision of financial literacy to customers

4.6.6 Environmental Protection, Water and Natural Resources Sector

107. This sector consists of Environment and Natural Resources, and Water and Irrigation Sub-sectors. The sector is one of the key drivers of the government agenda in improvement of resident's livelihood through provision of water for domestic and irrigation use. Among the programmes planned for implementation over the medium-term period include:

Sub-Sector 1. Water & Irrigation

- Sinking, developing, equipping, solarization and distribution of water both from new and existing boreholes to homesteads.

- Provision of storage facilities to the community to aid in rain water harvesting and storage and construction of masonry storage tanks.

- Water quality monitoring and development of water quality lab
- Rehabilitation of old water and irrigation systems.
- Capacity building of water management committees.
- Development and running of sewerage systems.
- Introduction of new irrigation technologies.
- Provision of distribution pipelines for community water projects and irrigation schemes to improve access to water for irrigation.
- Increase the capacity of the water treatment plants for them to increase their connections to all major towns within the county and to treat waste water more effectively.
- Construction of dams to increase storage capacity of water in cubic meters.
- Construction of water pans and small reservoirs to increase storage capacity and recharge ground water

Sub-Sector 2: Environment & Natural Resources

- Dumpsites maintenance (Murera, Muungu and Nkunga).
- Procurement of garbage skip loaders, backhoes and skip bins.
- Pollution control through procurement of pollution control equipment and issuances of noise control licenses.
- Procurement and installation of municipal solid waste incinerators and land purchase for relocation of dumpsites
- Catchment areas rehabilitation, restoration and protection.
- Greening of hills & institutions as well as promotion for formation of environmental club in schools.
- Promotion of sustainable use of energy saving and green energy.
- Mapping and pegging of natural resources.
- Development and operationalization of climate change Act

4.6.7 Health Services Sector

108. During the MTEF period 2023/24-2025/26 the sector will implement its planned priorities within the following programmes; Curative and Rehabilitative Healthcare, Preventive and promotive, Health Finance, Planning and policy and Administration, planning and support services.

109. Among the priorities planned for implementation include:

- Environmental and community health - Increase use and access to quality health services, reduction of food and water borne diseases, increase sanitation facilities friendly to PWDs, reduce the triple threats in Meru (GBV/Intimate Partner Violence (IPV), HIV and Teenage pregnancy) and Mental health
- Communicable and Non-communicable Disease (NCDs) prevention and control – Increase awareness and screening for NCDs for all genders at all levels of care including for breast & cervical cancer, diabetes & hypertension. Strengthen referral and follow up system for all NCDs clients including confirmed cancer cases, improve capacity building for all health care professionals and community health volunteers on NCDs including cancers, establish and operationalize more palliative and rehabilitative care centers.
- HIV/AIDS program - Increase uptake of targeted HIV Testing services, increase utilization of Quality ART Services and attainment of viral suppression for all patients on treatment.
- Nutritional Services - Reduce stunted growth burden, increase access to nutrition & dietetics services, scale up access to delivering services to ASAL sub-counties, improve micronutrient status for children and adolescent women of reproductive health and older persons.
- Mental Health - Reduce prevalence of mental health diseases.
- Disease Surveillance - Strengthen surveillance focal points at all levels.
- Health Promotion - Existence of a functional health promotion structure, formation of school health clubs, fully functional community health units offering integrated, appropriate health services.

- Maternal and Child Health Care - Improve maternal and child health, increase access to Elimination of Mother to Child Transmission (EMTCT) services, decrease number of infants diagnosed with HIV, strengthen care practices and services for improved maternal, new born, infant and young child nutrition.
- Reproductive Health - Improve reproductive health services, increase knowledge and skills of Health care workers on Comprehensive Emergency Obstric and new born care services.
- Immunization - Increase access to vaccine preventable diseases, diagnostic services and enhance youth health.
- Pharmaceutical and Non-pharmaceutical commodities - Enhanced access to Essential Medicine and medical supplies.
- Emergency and disaster response Services - Improving response to medical emergencies and disasters.
- Eye Health - Availing functional units.
- Health Infrastructure - Increase access to basic health and related services, Levels 2, 3 & 4 Hospitals.
- Human Resource for Health - Increased health care personnel, number of Medical Doctors per 10,000 population, number of Nurses per 10,000 population, percentage of Health management workers trained.
- Implementation of Public Health Regulations and standards
- Provision of community health services and empowering community health workers to enhance preventive health
- Enhancing COVID-19 preventive mechanisms by enhancing public awareness
- Capacity building to reduce incidences of drug abuse and diseases among the youth
- Computerization/automation of Level 4 Hospitals within the County
- Coordination cancer screening in the regions with high cancer incidence
- Equipping and staffing MTRH cancer unit
- Completion and equipping of the ward block at the Meru Level 5 Hospital

4.6.8 Agriculture Rural and Urban Development Sector

111. During the MTEF period 2023/24-2025/26 the sector plans to achieve its planned objectives through implementation of the following priorities in line with the respective the sub-sectors:

Sub sector 1: Agriculture, Livestock & Fisheries

- Promotion of grain production through distribution of certified grain seeds.
- Tree crop development through distribution of grafted assorted seedlings.
- Promote soil & water conservation and agroforestry.
- Promote access of fertilizer to farmers through sensitization on Government subsidized fertilizer.
- Provision of farm inputs
- Empowerment of the Youth into agriculture.
- Capacity building through intensive farmers training and enhancement of extension services
- Provision of funds for migratory and invasive pests through emergency locust response conditional fund.
- Promotion of poultry farming.
- Promotion of bee farming through distribution of bee-hives and capacity building of bee-keeping farmers.
- Promotion of fish farming through provision of fingerlings, and training of farmers.
- Livestock farming promotion through livestock genetic improvement, pasture and fodder development, and livestock marketing.
- Construction and maintenance of livestock markets.
- Improvement of cattle by acquisition of semen for artificial insemination and vaccines.
- Development of training infrastructure (ATC Kaguru & AMS)
- Promotion of climate smart agriculture
- Construction of farm aggregation stores.

Sub sector 2: Municipalities

- Enhance waste management within the Municipalities
- Ensure coordinated and controlled urban development within the Municipalities
- Revenue collection within the Municipality
- Facilitate and regulate public transport
- Promotion of urban Agriculture
- Establishment of urban institutions across the municipalities.

Sub sector 3: Lands, Physical Planning & Urban Development

- Land administration and management by:
    - Preparing County Land Registry and an Implementable Valuation roll.
    - Facilitating the completion of all open adjudication sections.
    - Facilitating the opening and completion of new adjudication sections.
    - Establishment of Appropriate Building Technology (ABT) and other emerging technologies
    - Tenure regularisation of market plots
    - Affordable housing programme and maintenance existing government houses and regularising their tenure.
    - Fast tracking preparation of county valuation roll.
    - Adoption and establishment of labour-based programmes/ training centres.
    - County Spatial Plan Integrated Strategic urban spatial development plans through: preparation of the county spatial plan, operationalization of a GIS system for the county and preparation of the integrated strategic urban spatial development plans.
    - Identify, map and reserve existing public land, repossess grabbed public land and purchase land for public use and future investment

CHAPTER 5: CONCLUSION

The policies outlined in this CFSP aim at striking a balance between priorities which keep changing and the emerging issues that are broadly in line with the CIDP and the fiscal responsibility principles outlined in the PFM Act, 2012. They are also consistent with the national strategic objectives as outline in the budget policy statement which set a basis for County Government allocation of public resources.

The policies and departmental ceilings provided in this document will guide the Departments/Agencies in preparation of the 2023/24 MTEF budget. Budgetary resources are usually limited; thus, it is imperative that Departments prioritize their programs within the available resources to ensure that utilization of public funds are in line with County Government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for programs.

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programs envisaged in this Paper. Proper implementation of the budget is critical towards providing services that will promote sustainable growth. Sustainability requires greater effort from all the stakeholders including County Government departments, civil societies, communities, County Assembly and development partners. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.

ANNEX 1: FY 2023-2024 CELINGS PER DEPARTMENT

NO	Department	DESCRIPTION	CEILINGS
1	County Assembly	Compensation to Employees	540,600,000.00
		Use of Goods and Services	457,157,166.00
		Sub-total Recurrent	**997,757,166.00**
		Development	38,000,000.00
		Total	**1,035,757,166.00**
2	Office of the Governor	Use of Goods and Services	184,069,000.00
		Total	**184,069,000.00**
3	Finance, Economic Planning &ICT	Use of Goods and Services	95,981,200.00
		Non-Discretional Items -	119,500,000.00
		Finance Costs	33,000,000.00
		Sub-Total Recurrent	**248,481,200.00**
		ICT Development	6,000,000.00
		Mortgage	81,000,000.00
		Local Authorities Bills -IGRTC Report	23,311,393.00
		Sub-Total Development	**110,311,393.00**
		Total Finance &ICT	**358,792,593.00**
A)	Meru County Investment	Compensation to Employees	14,709,324.00
	Corporation.	Use of Goods and Services	7,000,000.00
		Sub-Total Recurrent	**21,709,324.00**
		Total MCIDC	**21,709,324.00**
B)	Meru Revenue Board	Compensation to Employees	254,522,044.00
		Use of Goods and Services	68,000,000.00
		Sub-Total Recurrent	**322,522,044.00**
		System Development	27,000,000.00

		Maintenance of Market Collection Centres	2,000,000.00
		Provision for pending Bills	10,000,000.00
		Sub-Total	**39,000,000.00**
		Total MRBC	**361,522,044.00**
c)	Meru County Microfinance Corporation.	Compensation to Employees	55,155,481.28
		Use of Goods and Services	21,000,000.00
		Sub-Total Recurrent	**76,155,481.28**
		Total MCMC	**76,155,481.28**
		Total Finance Dept and SAGAs	**818,179,442.28**
4	Agriculture, Livestock Fisheries Development	Use of Goods and Services	44,821,465.33
		Sub-Total Recurrent	**44,821,465.33**
		livestock, Vet and Agric. Development	90,000,000.00
		Farm inputs provisional Seedlings	10,000,000.00
		NAVCDP&ASDP Co-Funding	11,500,000.00
		Conditional Grants Development	155,928,897.00
		Provision for Ward Fund	9,850,000.00
		Provision for Pending Bills	4,136,160.00
		Sub-Total Development	**281,415,057.00**
		Total	**326,236,522.33**
5	Water And Irrigation	Use of Goods and Services	32,364,471.00
		Sub-Total Recurrent	**32,364,471.00**
		Flagship Development Projects	249,000,000.00
		Provision for Ward Fund	56,300,000.00
		Provision for pending Bills	8,289,884.00
		Sub- Total Development	**313,589,884.00**
		Total	**345,954,355.00**
6	Education Technology, Culture & Arts	Use of Goods and Services	57,500,000.00
		Sub-Total Recurrent	**57,500,000.00**

		Youth Polytechnic Dev. Fund	69,300,000.00
		Scholarship Programme	6,000,000.00
		Purchase of Education and TVETS Aids	8,000,000.00
		Other Development	30,000,000.00
		Provision for Ward Fund	170,150,000.00
		Provision for Pending Bills	5,393,318.19
		Sub-Total Development	**288,843,318.19**
		Total	**346,343,318.19**
7	Health Services	Use of Goods and Services	89,670,000.00
		Medical Drugs-Recurrent	115,000,000.00
		Management of Covid-19	8,000,000.00
		Community Health Volunteers	20,000,000.00
		Level 5, User forgone, Danida	25,860,375.00
		Sub-Total Recurrent	**258,530,375.00**
		Flagship Development Projects	200,000,000.00
		Medical Drugs-Development	125,000,000.00
		Hospital FIF	300,000,000.00
		Provision for Ward fund	40,200,000.00
		Provision for pending Bills	49,115,213.15
		Sub-Total Development	**714,315,213.15**
		Total	**972,845,588.15**
8	Lands, Physical Planning, Urban Development &Public Works	Use of Goods and Services and Municipalities	69,841,600.00
		Municipal Court -Staff Training	4,000,000.00
		Sub-Total Recurrent	**73,841,600.00**
		Development	80,000,000.00
		Valuation Roll	20,000,000.00
		Conditional Grants	67,000,000.00
		Provision for Pending Bills	13,897,842.10
		Sub-Total Development	**180,897,842.10**

		Total	**254,739,442.10**
9	Legal Affairs, Public Service Management& Administration.	Compensation to Employees	4,580,200,454.00
		Use of Goods and Services	107,300,000.00
		Staff Medical Cover	330,000,000.00
		Office Rent	5,070,000.00
		Security Services	10,000,000.00
		Sub-Total Recurrent	**5,032,570,454.00**
		Leopard Rock Compensation	100,000,000.00
		Construction of low-cost offices	15,000,000.00
		Sub-Total Development	**115,000,000.00**
		Total	**5,147,570,454.00**
10	Roads. Transport & Energy	Use of goods and Services	56,270,000.00
		Sub-Total Recurrent	**56,270,000.00**
		Development Flagship Projects	300,000,000.00
		Purchase of Graders	142,000,000.00
		Energy Department	29,000,000.00
		Provision for Pending Bills	40,073,969.62
		Provision for ward Projects	385,800,000.00
		Sub-Total Development	**896,873,969.62**
		Total	**953,143,969.62**
11	Trade, Tourism and Co-operatives Development.	Use of Goods and Services	60,000,000.00
		Sub-Total Recurrent	**60,000,000.00**
		Development	81,000,000.00
		Provision for Ward Fund	6,000,000.00
		Provision for Pending Bills	8,026,150.01
		Sub-Total Development	**95,026,150.01**
		Total	**155,026,150.01**

12	Youth Affairs,Sports,Gender&Social Development	Use of Goods and Services	52,600,000.00
		Kikosca Games	10,000,000.00
		Gender Mainstreaming	8,000,000.00
		MYS Recurrent	25,000,000.00
		Sub-Total Recurrent	**95,600,000.00**
		MYS Development	20,000,000.00
		PWDS Empowerment	15,000,000.00
		Seed Capital for Women Empowerment	50,000,000.00
		Provision for Ward Fund	21,700,000.00
		Provision for Pending Bills	10,000,000.00
		Sub-Total Development	**116,700,000.00**
		Total	**212,300,000.00**
13	County Public Service Board	Use of Goods and Services	43,000,000.00
		Total	**43,000,000.00**
14	Environment &Natural Resources	Use of Goods and Services	21,125,444.28
		Sub-Total Recurrent	**21,125,444.28**
		Development	52,882,428.04
		Purchase of Incinerators	20,000,000.00
		Sub-Total Development	**72,882,428.04**
		Total	**94,007,872.32**
	Summary		
	Compensation To Employees		**5,445,187,303.28**
	Use Of Goods and Services		**2,181,130,721.61**
	Development		**3,262,855,255.11**
	Total Expenditure		**10,889,173,280.00**