REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MERU

FISCAL STRATEGY PAPER

OCTOBER 2017

Foreword

It is a requirement under the PFM Act 2012, section 117 that the County Treasury prepares and presents before the county executive committee a County Fiscal Strategy Paper that outlines the county's fiscal framework for the medium term. The approved fiscal strategy paper should then be presented to the County Assembly by the 28th of February of each financial year. This being an election year the dates for submission of the paper has been adjusted to 10th November. The CFSP underpins and elaborates the county's fiscal strategies and policies aimed at achieving accelerated, inclusive and sustainable economic development. It is therefore a critical paper for guiding public spending in the FY 2017/18.

The paper elaborates policies for laying a firm foundation for achieving the objectives set out in the First County Integrated Development Plan (2013 – 2017) (CIDP), the Annual Development Plan 2017/18 (ADP) and is aligned to the Kenya Vision 2030 pillars.

The implementation framework of the CIDP aims at ensuring value for money as well as creating opportunities for the local population to prosper. The framework creates the fiscal space necessary for financing priority projects and programmes captured. It is expected to ensure flagship projects identified at the sectoral levels receive adequate resources.

MUTHOMI J. KIRERA
CEC MEMBER FINANCE
MERU COUNTY GOVERNMENT

Acknowledgement

The 2017 Fiscal Strategy Paper (FSP) for Meru County is part of the County Government's effort to ensure effective linkages between policies, plans and budgets. It provides an essential resource envelope and presents the fiscal framework for the 2017/2018 budget and subsequent budgets falling within the Medium Term Expenditure Framework (MTEF).

The CFSP 2017 is aligned to the national objectives as set out in the Budget Policy Statement (BPS). The paper provides specific expenditure ceilings for county sectors, departments and Semi-Autonomous Government Agencies. It also provides guidelines that aim at structuring the pattern of county government expenditure towards priority areas for investment. The CFSP priorities are derived from sectoral reports which have recommendations from expenditure reviews.

The preparation of this fiscal paper was a collaborative effort. Much of the information was obtained from various county departments and agencies as well as non-state actors.

My sincere gratitude goes to all individuals and organizations that participated in this year's budget process including members of the County Executive Committee (CEC), members of the budget and economic forum, fiscal analysts, budget officers and economists who at various stages made invaluable contribution to the process.

A core team in the Department of Finance/Treasury and Economic planning spent a significant amount of time to put together this report. In this regard, we are grateful to: Ms.Dinah Gaceri (Fiscal Analyst), who headed the team comprising of Mr. Anthony Gitobu, Mr. Fredrick Mutembei, Mr. John Kuria Kimotho, Mr. Erick Muriuki, Miss Fridah Karimi, Mr. Antony Kirimi, Mr. Gabriel Mukuria, Mr. Eric Mutwiri, Mr. Simon Mwiti and Ms. Doris Kalionchi.

CHARLES MWENDA
Ag. Chief Officer Finance/Treasury
County Government of Meru.

Contents

Abbreviation

ADP	Annual Development Plan
A-I-A	Appropriations in Aid
BPS	Budget Policy Statement
CA	County Assembly
CARPS	Capacity Assessment and Rationalization of Public Service
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
CPSB	County Public Service Board
FY	Financial Year
IMF	International Monetary Fund

VTCs	Vocational Training Centers
CBROP	County Budget Review and Outlook Paper
ECDE	Early Childhood Development
FSP 2017	Fiscal Strategy Paper, 2017
GDP	Gross Domestic Product
GoK	Government of Kenya
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
MoU	Memorandum of Understanding
MSE	Micro and Small Enterprises
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PBB	Programme Based Budget
PERs	Public Expenditure Review
PFM	Public Financial Management
PFMA	Public Finance Management Act
PMI	Performance Marginal Index
PPP	Public Private Partnership
TTI	Technical Training Institute
VAT	Value Added Tax

Annexes

Annex Table 1: Summary of Expenditure by Programmes, 2017/18-2019/20 FY

Annex Table 2: 2017/18 Local Revenue Estimates per Revenue Stream

Annex Table 3: Budget and Economic Forum Minutes

[Type a quote from the document or the summary of an interesting point. You can position the text box anywhere in the document. Use the Drawing Tools tab to change the formatting of the pull quote text box.]

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:

1.1 **INTRODUCTION**

1. The 2017 Fiscal Strategy Paper (FSP) is the fourth to be prepared under Devolution. It points to the continued implementation of the CIDP (2013-2017), ADP 2017/2018 and County Government Acts that are the guiding structure for transformation for economic prosperity in the County. The developments are implemented around the economic agenda that includes:

(i) Investing in quality and accessible health care services, quality education as well as strengthening the social safety net to reduce the burden on households and to promote shared prosperity; and creating a conducive business environment for job creation;

(ii) Investing in infrastructure in areas such as transport, energy and ICT;

(iii) Investing in sectoral transformation to ensure broad-based and sustainable economic growth with a major focus on agricultural transformation which ensures food security;

(iv) Investing in environment, water and sanitation and natural resources;

(v) Investing in promotion of youth, women and marginalized groups' participation in the economy;

(vi) Consolidating gains made in devolution in order to provide better service delivery and enhanced economic development.

2. The implementation of the devolution agenda is expected to raise efficiency and productivity in the County thereby sustaining growth. This will create opportunities for productive jobs for residents and visitors. The CFSP therefore, reiterates the ongoing County's priority projects, programmes and structural transformation measures to be implemented during the FY 2017/18 – 2019/20.

1.2 **Outline of the CFSP**

1.2.0 Recent Economic & Fiscal Developments

3. Section (II) outlines the economic context in which the 2017/18 county budget is prepared. It provides an overview of the recent County economic developments covering the domestic scene.

1.2.1 Forward Economic and policy Outlook

4. Section (III) outlines the forward economic context that will guide preparation of 2018/19 and 2019/20 budgets. It provides an overview of the forward County economic developments covering the domestic scene.

1.2.2 Strategic Priorities and Interventions

5. Section IV outlines the overall County priorities based on the ADP (2017/18) and CIDP (2013-2017).

1.2.3 Fiscal policy and Budget Framework

6. Section V outlines the fiscal framework that is supportive of the realization of the 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

1.2.4 Medium-Term Expenditure Framework

7. Section VI presents the resource envelope and spending priorities for the proposed 2017/18 MTEF budget and the medium term. Sector achievements and priorities are also reviewed, along with costing of the devolved functions for the 2017/18-2019/20 MTEF period.

2. RECENT ECONOMIC AND FISCAL DEVELOPMENTS

2.1 National Economic and Fiscal Overview

2.1.1 National Recent Economic Developments

8. Kenya's economy gained steam in the second quarter of 2016 expanding at 6.2% year-on-year. The uptick was supported by broad-based increases in all sectors of the economy including the larger agricultural sector, forestry and fishing, transportation and real estate. Tourism continued to recover from security concerns. Robust Performance Marginal Index (PMI) readings throughout Q3 point to another quarter of solid growth. However, the government's decision to limit commercial banks' interest rates at 4 percent points above the CBK's benchmark rate which became effective in September, risks curtailing private sector credit growth and overall GDP growth going forward. Meanwhile, the IMF will likely take a tough stance on the country's wide fiscal deficit which threatens its commitment to fulfill the fiscal targets agreed under its USD 1.5 billion precautionary credit facility with the fund.

2.1.2 Growth Update

9. The World Bank's most recent Kenya Economic Update of March 2016 projected a 5.9% growth in 2016 expected to rise further to 6% in 2017. The report attributed the positive outlook to low oil prices, good agriculture performance, supportive monetary policy, and ongoing infrastructure investments.

10. According to the latest Kenya National Bureau of Statistics (KNBS) quarterly report, Kenya's economy expanded by 6.2% in the second quarter compared to 5.9% in the same period in 2015. This growth was mainly supported by agriculture, forestry and fishing; transportation and storage; real estate; and wholesale and retail trade. Manufacturing, construction, financial and insurance sectors slowed down during this quarter while accommodation and food services; mining and quarrying; electricity and water supply; also information and communication sectors recorded improvements.

2.1.3 Interest Rates

11. In August 2016, the President of Kenya signed into law, an amendment to the 2015 Banking Bill which capped lending interest rates. The law caps the maximum lending interest rate at 4% above the base rate set by the Central Bank of Kenya. Interest rate spreads in Kenya in the past have been considered to be generally higher than that of its peers. The effects of the rate regulation remains to be seen and could vary from the intended affordable loans to the low income households and small businesses, to reduced profitability for the banking sector and increased charges on commercial bank products.

2.1.4 Inflation

12. Inflation in 2016 has remained within the government target rate of 6.34%, largely driven by food inflation. Kenya continues to benefit from low fuel prices and good rains, a stable macroeconomic environment, and good monetary policy action, which ensured inflation, remained contained at 6.34% in the first half of 2016.

2.1.5 *The Kenya shilling Exchange Rate*

13. The Kenya Shilling continued to be within the desired strength zone and was a great boost to the country's market which grew tremendously.

2.2 County Economic and Fiscal Overview

2.2.1 County Economic overview

14. The County continues to invest in: agriculture to improve food security, income streams and providing raw materials to support industrialization and production; water for domestic purposes and irrigation to improve the livelihoods of the communities; infrastructure to improve connectivity and accessibility towards 24hours economy; Cooperatives mainly through provision of seed capital to SACCOs and affordable credit facilities which has promoted a saving culture, expanding local business and improving social-economic welfare; Continued spatial planning for townships has helped improve land use; Expansion of health facilities and provision of drugs and medical equipment has improved service delivery and access to better health care; Construction of ECDE classrooms and employment of ECDE teachers has increased enrollment and alleviated literacy levels; Construction of Vocational Training centers and recruitment of polytechnic instructors has led to promotion of skills which is requisite for sustainable development in the County.

2.2.2. Recent Fiscal Development

15. Implementation of the current budget for FY 2016/17 in the first and second quarter has progressed well despite delayed disbursement of funds from the ex chequer.

County own revenue collection has performed well compared to the same period in the previous financial year. This has been attributed to improvement in the revenue collection systems.

While the collections had improved it was below the set target. These affected the smooth flow of funds for development. Generally, the county government operations in the first and second quarter slowed down expenditures.

16. In the first quarter of 2016, the County received equitable share disbursement amounting to Ksh1.252 billion against a target of Ksh1.752 billion implying a shortfall of Ksh.500 million. Local revenue collection in the first quarter amounted to Ksh.78.059 million against a target of Ksh.81.111million recording a shortfall of Ksh.3 million. This totaled to a cumulative revenue receipts of Ksh.1.330billion.

The combined effect of local revenue and A.I.A shortfalls implied cumulative expenditures were below target of Ksh.2.162 billion by end of first quarter. The total cumulative expenditures for the first quarter of the financial year amounted to Ksh.1.139 billion against a target of Ksh2.080billion.

2.3 Conclusion

17. The County continues to enhance growth in terms of development expenditure. However, there is need to put in place mechanisms to enhance resource mobilization and financial discipline.

3. FORWARD ECONOMIC AND FISCAL OUTLOOK

3.1 National Economic Outlook

Kenya's Growth outlook

18. The economic growth prospects for FY 2017/18 takes into account developments in the global environment and internal risks while accommodating the Government's national strategic objectives as outlined in the second Medium Term Plan (MTP) for the period 2013-2017 of Vision 2030 and the broad devolution agenda. Real GDP is estimated to expand by 6.3 percent in FY 2017/2018 and 6.4 percent by FY 2018/19.

3.2 County Economic and Fiscal outlook

County Economic outlook

19. The County's growth prospects for the FY 2017/18 revolves around creation of employment opportunities, improving household incomes, expansion of inter and intra-county trade levels.

20. The County Government intends to reduce unemployment levels to an estimated rate of 30% far much better than that prevailing at the National level.

21. To improve levels of inter-county trade, the County will invest in value addition of milk, bananas, coffee and potatoes, marketing of county products such as Miraa, coffee, tea, and bananas; Agriculture to enhance food security and reduce overreliance on imported agricultural products at inter-county level; and lobby its neighbors to establish an economic zone in a bid to leverage on prospects of individual county comparative advantages.

22. To reduce inflation, the County focuses on reducing the costs of production, increasing supply of agricultural products, and enhancing a sustainable utility curve in line with improving individual incomes.

23. The rising number of tertiary institutions will promote research and provide employment and the requisite skills for economic growth of the county.

24. The service industry will contribute to the economic growth of the county majorly through availability of credit to invest in infrastructure network, improving transport and hence reduce the cost of trade.

County Forward Fiscal outlook

25. The County Treasury will employ adequate measures geared towards standardizing expenditures to the current resource envelope as determined by the Macro Working Group.

3.3 Conclusion

26. In line with the County's economic outlook, the County Government wishes to focus on improving infrastructure, committing more funds to the agricultural sector, and improve trade to better the livelihoods of the residents of Meru.

4. STRATEGIC PRIORITIES AND INTERVENTIONS

4.1 Overview

27. The County Government draws its priorities from the CIDP and the ADP 2017/18. Implementation of the identified initiatives will be through funding from the ex-chequer, local revenue collections and other resources harnessed from partners using the Private Public Partnership model (PPP).

In summary, for the FY 2017/18, the government projects to utilize Kshs. 9 billion to fund Programmes and Sub-Programmes to enhance strategic development priorities for the residents of Meru.

Priority 1: Promotion of Agriculture, Livestock and Fisheries Production

28. Agriculture plays a strategic role in the progress of economic development for any society. Meru County is well aware that through increase in agricultural production there is potential rise in per capita income in the rural community alongside production of primary raw materials that set stage for industrialization.
The government is strategically putting significant resources into this sector which is a key driver towards the county's vision of attaining a Green Model prosperous County.

Priority 2: Investment and Resource Mobilization

29. According to the ADP, the resource requirement is projected at 6.1 billion shillings. However, 2.9 billion shillings is available for allocation to development expenditure. Consequently, the deficit of 3.2 billion shillings limits the realization of the aspirations of the residents of Meru. The County Government therefore, through the Meru Investment Corporation, will enhance mobilization of resources through the Public Private Partnership (PPP) so as to bridge the existing resource gap.

Priority 3: Promotion of Education, Youth Empowerment and Social Protection

30. In every society, technical skills are requisite for economic development. The County Government (CG) is dedicated towards promoting acquisition of such skills to the youth, women, Persons Living with Disabilities (PLWDs) as a means to empower them economically hence integrate them in the development agenda, addressing standard eight leavers, form four leavers, and adults who may want acquire vocational skills and ECDE education. The County is doing this by construction of classrooms, workshops and hostels in Youth Polytechnics across wards in the County.
The CG has established child care rehabilitation centers as a mode of offering child services to the Orphans and Vulnerable Children through Cash Transfers directly through the department of Culture. This in time promotes the continuous rehabilitation of street children.

Priority 4: Enhancing Infrastructure development and Water Connectivity for both domestic and irrigation purpose.

31. Infrastructure is key to achieving investment, increased production, access to essential services and overall economic growth. This entails an elaborate road network, water distribution and establishment of an effective transport system.

The County Government's priority in this case is Enabling road infrastructure for conducive business environment ,improving housing infrastructure in the County,opening up new roads, gravelling, construction of culverts, road protection works, construction of bridges, construction of paved roads to concrete and bitumen standards, street lighting, development and upgrade of bus parks, routine maintenance of existing markets loop-roads, expansion of community based water projects, provision of water consumer meters, provision of plastic and construction of permanent water tanks, geophysical aerial mapping of piped water, and the realization of ward-level water supplies.

Priority 5: Healthcare

32. The health sector is among the key priorities for Meru County Government. In this case the government will invest in improving health infrastructure, equipping hospitals and dispensaries, provision of adequate drugs in the various health centers, improving services delivered in the heath centers. The sector will also continue to investment in implementation of preventative health interventions and to improve access to equitable and affordable healthcare.

For the FY 2017/18, health sector has attracted the highest level of resource allocation as compared to any other sector. This clearly demonstrates the government's commitment towards promoting a healthy population hence reducing mortality.

5. FISCAL POLICY AND BUDGET FRAMEWORK

5.1 Overview

33. Fiscal responsibility is important since the Constitution requires the CG to progressively provide for a minimum basic standard of economic and social rights to its citizens within available resources. In order for spending to increase on a sustainable basis to meet these basic needs, we should be prepared to match the increased expenditure demands with a corresponding increase in revenue yield through efficient collection and widening of revenue bases. The Fiscal Policy underpinning the FY 2017/18 Budget and MTEF aims at increasing revenues by 7 percent of total expenditure over the medium term and containing growth of total recurrent expenditure.

34. Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure. The County is committed to standardize the recurrent expenditure and devote more resources to development.

Nevertheless, as a prudent fiscal policy over the medium term, the County's borrowings shall be used only for the purpose of financing development and not for recurrent expenditure.

35. The County also takes into account the fiscal risks arising from contingent liabilities, liquidity risk arising from failure to actualize local revenue targets, high county public wage bill (currently at 38.70%) of the total budget and potential changes to national transfers and allocations.

5.2 Continuing with Prudent fiscal policy

36. The County will continue to pursue prudent fiscal policy to assure economic stability. The County's fiscal policy objectives will provide an avenue to support economic activity within a context of sustainable public financing.

The County has oriented expenditure towards priority programmes in Health, Agriculture, Infrastructure, Environment and Youth sectors under the MTEF.

5.2.1 Adherence to Fiscal Responsibility Principles

37. In line with the Constitution, the new PFMA, 2012 and in keeping with the prudence and transparent management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statutes as follows:

(i) ***Over the medium term, a minimum of 30% of the Budget shall be allocated to development expenditure.***

38. The County's development budget allocation over the medium term is above 30 percent, which is the minimum requirement. In the FY 2015/16 the County allocated 34.0 percent to development. Similarly, in 2016/17 the County allocated 31 percent to development. However, delays in exchequer releases by the national treasury have led to intervals in procurement by departments' hence low uptake of development funds. Over the medium term, development expenditure is projected to expand to 34.4 percent in the FY 2018/19.

(ii) ***The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county's total revenue.***

39. On wages and benefits, the share to County revenues was 39.58 percent in the FY 2015/16 (including arrears amounting to Kshs. 60Million), 35% in the FY 2016/17 and is projected at 38.70 percent in the FY 2017/18.This expenditure item is projected to decline over the MT planning period.

(iii) Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

40. It is prudent for a government to procure external financing using a fiscal policy only for development projects. Although the County envisages maintaining a balanced budget, it will seek to adhere to borrowing guidelines as set out in the PFM regulations if need arises.

(iv) Public debt and obligations shall be maintained at a sustainable level as approved by County Assembly (CA) and guaranteed by the National Government.

41. The County's borrowing level is guided by PFM Act section 107 (2) (e) and section 107 (4). Section 107 (2) (e) states that the county debt shall be maintained at a sustainable level as approved by the CA. Section 107 (4) further states that every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each FY by resolution of the CA.

42. Over the medium term the County Government of Meru will continue to maintain a balanced budget where total revenue equals total expenditure i.e.

preparation of FY 2017/18 budget does not envisage borrowing to finance the budget. The focus will be to ensure the sustainability of current debt. Nevertheless, if need arises, the County will adhere to laid out laws by the County Assembly, using guidelines passed by the Parliament.

43. The County Government will continue to ensure that the level of debt does not crowd out economic activity and the private sector, given the need to increase private investment to accelerate economic expansion.

Fiscal risks shall be managed prudently.

44. The County Government also takes into account the fiscal risks arising from contingent liabilities, liquidity risk arising from failure to actualize local revenue targets and high county wage bill (38.70%) of the total budget. The County government continues to put measures in place to enhance revenue collection, majorly through automation and widening of revenue base

The County will observe the fiscal rules set out in the PFM law and County Assembly regulations so as to entrench fiscal discipline.

5.2.2Fiscal Reforms

45. The County Government will continue pursuing its policy objectives within the financial context established by fiscal responsibility principles. The progress made in the context of strategic priorities will continue to be regularly reviewed to establish the parameters for the Budget, with a continued focus on the level of expenditure on County development and the reduction of debt levels. The 2017/18 budget will operate under tight fiscal conditions, with any new policies needing to be offset by savings in other areas. The fiscal policy will be geared towards:

(i) Enhancing revenue administration and efficiency in collection, by formulating revenue administration regulations and reviewing fees, levies and charges legislations in order to simplify and modernize them. This is expected to increase revenue collection in the medium term from Kshs 391 million in 2015/2016 to Kshs 601 million in 2017/18. Currently, automation of revenue streams has been completed in Maua and Meru Town. In this regard, automation of revenue collection will extend to other major towns and sub Counties over the medium term.

(ii) Expenditure efficiency and effective implementation of budget programs through enforcement of cost benchmarks for all projects and consumables. There will further be enforcement of expenditure tracking and value for money audits to ensure efficiency and effectiveness in use of resources in the County Government; Project planning and management as well as engagement on Public Private Partnership will be strengthened.

On the revenue front, the County Government is expected to institute corrective measures to reverse the loss of revenue from local sources. These measures will include:

(i) With the establishment and operationalization of the Meru County Revenue Board which is mandated to: Collect, receive, administer, enforce and account for all revenue in accordance with the County laws related to revenue, revenue targets are expected to improve greatly.

(ii) Strengthening internal control systems, building capacity as well as restructuring to ensure qualified personnel for maximum output.

(iii) Strengthening and equipping County inspectorate unit to enforce all streams.

(iv) Enhancing cooperation and support from other departments to improve infrastructure and service delivery.

(v) Improve on automation of the revenue collection system.

(vi) Enactment of Meru County Finance Bill, Meru County Revenue Administration bill, Meru County enforcement service bill and code of regulation, all this aimed at improving efficiency in revenue collection.

(vii) Identify and close all revenue leakages to enhance revenue collection e.g. using anti-counterfeit records which are secure and continuous monitoring of revenue stream targets.

On the expenditure front, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened. This will incorporate full implementation of IFMIS; a Human Resource model for Personnel Management; a Fleet Management System for the monitoring of the County motor vehicles and a Mapping Model to manage all Single Business Licenses.
It is therefore imperative to continue restructuring expenditure systems to ensure efficiency and create fiscal space required to fund the county needs.

Deficit Financing Policy

46. The fiscal stance envisages maintaining a balanced budget, and resolving the already incurred debts.

5.3 2017/18 FY Budget Framework

47. The 2017/18 budget framework is set against the background of ADP and the MTEF. The National BPS projects improved performance across all sectors of the economy.

Therefore, allocations from the National Government to the County Government are projected to be on the increase.

Revenue projections

48. The FY 2017/18 budget revenue targets revenue inflow is projected at Ksh.9,143,326,431.40 which will be inclusive of Ksh.601,775,812 million own revenue and Ksh.8,541,550,619.40 Appropriation-in-Aid (Conditional Grants included). The performance of own revenue will be underpinned by effective administration and enforcement of the finance bill.

Expenditure projections

49. Total expenditure for the FY 2017/18 is projected at Ksh9.143 billion from the estimated Ksh8.322 billion in the FY 2016/17 budget. Recurrent expenditures are expected to amount to Ksh.6.005 billion as compared to Ksh.5.473 billion in the 2016/17 FY budget.

50. The wage bill for the County Government (inclusive of Government entities) is projected as Ksh.3.538 billion.

51. Expenditure ceilings on goods and services for sectors/ministries amount to Ksh.2.466 billion in the FY 2017/18. The figure having taken into account one-off expenditures in the FY 2016/17, an adjustment factor is applied to take into account the general increase in prices.

52. The ceiling for development expenditures amounts to Ksh.3.137 billion in the FY 2017/18. Most of the outlays are expected to support roads infrastructure, water connectivity, ECDE classrooms construction, Youth and women empowerment and health equipment and infrastructure development.

6.0 MEDIUM TERM EXPENDITURE FRAMEWORK

6.1 Overview

53. The Medium Term Expenditure Framework is based on the outlook of the respective sectors with regard to the services and goods they plan to deliver.

6.2 Resource Envelope

PROJECTED RESOURCE ENVELOPE FOR THE FY 2017/2018	
Item	**Amount**

Equitable share	7,560,297,396.82
Danida Facility Improvement Fund	10,295,000.00
Conditional Funding for Level 5 Hospital	409,479,768.78
User foregone Fees	131,910,109.45
Free Maternity Health Care	114,704,443.00
Road Maintenance Fuel Levy	94,863,901.35
Hospital FIF	220,000,000.00
County Own Revenue	601,775,812.00
TOTAL	**9,143,326,431.40**

6.4 Medium Term Expenditure Sector Baseline Ceilings classified by sector

							% SHARE OF TOTAL REVENUE			
MTEF SECTOR CEILING FOR THE PERIOD 2017/18-2019/20										
	SECTOR		**PRINTED ESTIMATES**	**CFSP CEILING**	**PROJECTIONS**		**PRINTED ESTIMATES**	**CFSP CEILING**	**PROJECTIONS**	
			FY 2016/17	**FY 2017/18**	**FY 2018/19**	**2019/20**	**FY 2016/17**	**FY 2017/18**	**FY 2018/19**	**2019/20**
1	***Agriculture Rural and Urban Development***	**SUB-TOTAL**	**761.43**	**965.59**	**1,013.87**	**1,064.56**	**9.14%**	**10.56%**	**10.56%**	**10.56%**
		Rec. Gross	427.82	388.23	407.64	428.02	5.14%	4.25%	4.25%	4.25%
		Dev.Gross	333.61	577.36	606.23	636.54	4.01%	6.31%	6.31%	6.31%
2	***Energy, infrastructure and ICT***	**SUB-TOTAL**	**588.86**	**547.47**	**574.84**	**603.59**	**7.07%**	**5.99%**	**5.99%**	**5.99%**
		Rec. Gross	102.04	131.38	137.95	144.85	1.23%	1.44%	1.44%	1.44%

		Dev.Gross	486.82	416.09	436.89	458.74	5.84%	4.55%	4.55%	4.55%
3	***General Economic, Commercial and Labour Affairs***	**SUB-TOTAL**	**389.74**	**221.38**	**232.45**	**244.07**	**4.68%**	**2.42%**	**2.42%**	**2.42%**
		Rec. Gross	94.20	97.03	101.88	106.98	1.13%	1.06%	1.06%	1.06%
		Dev.Gross	295.54	124.35	130.57	137.10	3.55%	1.36%	1.36%	1.36%
4	***Health***	**SUB-TOTAL**	**2,038.77**	**2,528.00**	**2,654.40**	**2,787.12**	**24.48%**	**27.65%**	**27.65%**	**27.65%**
		Rec. Gross	1,795.95	1,843.00	1,935.15	2,031.91	21.56%	20.16%	20.16%	20.16%
		Dev.Gross	242.82	685.00	719.25	755.21	2.92%	7.49%	7.49%	7.49%
5	***Education***	**SUB-TOTAL**	**651.16**	**773.84**	**812.53**	**853.16**	**7.82%**	**8.46%**	**8.46%**	**8.46%**
		Rec. Gross	503.59	520.38	546.40	573.72	6.05%	5.69%	5.69%	5.69%
		Dev.Gross	147.57	253.46	266.13	279.44	1.77%	2.77%	2.77%	2.77%
6	***Public Administration and Intergovernmental Relations***	**SUB-TOTAL**	**2,965.17**	**3,439.55**	**3,611.53**	**3,792.10**	**35.60%**	**37.62%**	**37.62%**	**37.62%**
		Rec. Gross	2,648.70	2,874.45	3,018.17	3,169.08	31.80%	31.44%	31.44%	31.44%
		Dev.Gross	316.47	565.10	593.36	623.02	3.80%	6.18%	6.18%	6.18%
7	***Social Protection, Culture and Recreation***	**SUB-TOTAL**	**413.96**	**262.12**	**275.23**	**288.99**	**4.97%**	**2.87%**	**2.87%**	**2.87%**
		Rec. Gross	58.24	60.26	63.27	66.44	0.70%	0.66%	0.66%	0.66%
		Dev.Gross	355.72	201.86	211.95	222.55	4.27%	2.21%	2.21%	2.21%
8	***Environmental Protection, Water and Housing***	**SUB-TOTAL**	**519.78**	**405.38**	**425.65**	**446.93**	**6.24%**	**4.43%**	**4.43%**	**4.43%**
		Rec. Gross	133.84	90.61	95.14	99.90	1.61%	0.99%	0.99%	0.99%
		Dev.Gross	385.94	314.77	330.51	347.03	4.63%	3.44%	3.44%	3.44%
	Recurrent Sub-Total		***5,764.38***	***6,005.34***	***6,305.61***	***6,620.89***	***69.21%***	***65.68%***	***65.68%***	***65.68%***
	Development Sub-Total		***2,564.49***	***3,137.99***	***3,294.89***	***3,459.63***	***30.79%***	***34.32%***	***34.32%***	***34.32%***

	Total	*8,32 8.87*	*9,14 3.33*	*9,600. 50*	*10,080.52*	*100.00%*	*100.00%*	*100.00%*	*100.00%*

6.5 Sector Priorities

Agriculture Rural and Urban Development Sector

54. This sector is comprised of the Department of Agriculture, Livestock & Fisheries and the Department of Lands, Housing, and Physical Planning. The goal of this sector is to attain food security, sustainable land management and sustainable urban infrastructure development.

55. During the 2017/18-2019/20 MTEF period the sector will prioritize on the following programmes which include: Administration, planning and Support Services; Livestock Management and Development; Aquaculture development;

56. Crop Development, crop value addition and input supply support, animal husbandry, livestock market access improvement, animal diseases management and control, Fish hatchery development and fish breeding, Improvement and rehabilitation of machinery at AMS Mitunguu, Improvement of training facilities and farm development at ATC Kaguru, Digital topographical mapping and integrated strategic spatial plans, Planning and survey of market centers, and Land Adjudication.

57. In order to implement the prioritized programmes, the Sector has been allocated Ksh.965.59 million, Ksh.1,013.87 million, Ksh.1,064.56 million for the FY 2016/17- 2017/18 and 2018/19 respectively. Recurrent expenditure allocation is Ksh.388.23 million, Ksh.407.64 million. Ksh.428.02 million for FY 2016/17, 2017/18 and 2018/19 respectively, whereas development expenditure for the same period is Ksh.577.36 million, Ksh.606.23 million, Ksh.636.54 million respectively.

Energy, Infrastructure and ICT

58. In the MTEF period 2016/17-2018/19, the Sector has prioritized programs and Sub programs intended to facilitate development of quality, and accessible transport, infrastructure and efficient, reliable and affordable ICT services that supports socio-economic transformation in Meru County.

59. In order to implement the prioritized Programmes, the Sector has been allocated Ksh.547.47 million, Ksh.574.84 million, Ksh.603.59 million for the FY

2017/18, 2018/19 and 2019/20 respectively. Recurrent expenditure allocation is Ksh.131.38 million, Ksh.137.95 million. Ksh.144.85 million for FY 2017/18, 2018/19 and 2019/20 respectively, whereas development expenditure for the same period is Ksh.416.09 million, Ksh.436.89 million, and Ksh.458.7 million respectively.

General Economic and Commercial Affairs

60. During the 2017/18-2019/20 MTEF period the sector has prioritized implementation of four development programmes. Some of the projects to be funded include: Markets upgrading, Provision of seed capital to youth women and general traders SACCOs, Capacity building of coffee farmers and leaders, Capacity building of SACCOs, Acquisition of milk coolers, Market toilets construction, Training of traders, Promotion of fair trade and Tourism Marketing/ promotion.

61. The Sector has been allocated Ksh.21.38 million, Ksh.232.45 million, and Ksh.244.07 million for the FY 2016/17, 2017/18 and 2018/19 respectively. Recurrent expenditure allocation is Ksh.97.03 million, Ksh.101.88 million and Ksh.106.98 million for FY 2016/17, 2017/18 and 2018/19 respectively, whereas development expenditure for the same period is Ksh.124.35million, Ksh.130.57 million, and Ksh.137.10 million respectively.

Health Sector

62. The sector's goal is to ensure residents of Meru County are healthy through implementation of preventive health interventions, and improved access to and utilization of quality curative services.

During the MTEF period 2017/18-2019/20 the sector will focus on: improving health infrastructure, purchasing medical equipment, provision of enough drugs to health centers, remuneration of health staff, construction of dispensaries, Communicable disease control, Non-communicable conditions Prevention; rehabilitation & equipping of health centers; equipping of Theatres; and implementation of Health legislative and regulatory frameworks.

63. In order to implement the prioritized programmes, the Sector has been allocated Ksh.2,528.00 billion, Ksh.2,654.40 billion, and Ksh.2.787.12 billion for the FYs' 2017/18 , 2018/19 and 2019/20 respectively. Recurrent expenditure allocation is Ksh.1,843.00 billion Ksh.1.935.15 billion and Ksh.2,03191 billion for FYs' 2017/18 , 2018/19 and 2019/20 respectively, whereas development expenditure for the same period is Ksh.685.00 million, Ksh.719.25 million, and Ksh.755.21 million respectively.

Education

64. The Education Sector objectives include: To ensure access, retention, transition and quality in all the sub sectors; To alleviate levels of illiteracy and promote acquisition of professionalism from early stages; To promote county and national cohesion and integration; To promote research and innovation for social economic development

65. In order for the sector to achieve these objectives it has been allocated Ksh.773.84 million, Ksh.812.53 million, and Ksh.853.16 million for the FYs' 2017/18 , 2018/19 and 2019/20 respectively. Recurrent expenditure allocation is Ksh.520.38 million, Ksh.546.40 million, and Ksh.573.72 million for FYs' 2017/18, 2018/19 and 2019/20 respectively, whereas development expenditure for the same period is Ksh.253.46 million, Ksh.266.13 million, and Ksh.279.44million respectively.

Public Service Administration and Inter-governmental Relations Sector

66. The Public Administration sector is considered as one of the most cross-cutting sectors based on the nature of its mandate and functions. It is composed of Treasury/ Finance sub-sector, Public Service & Administration, Public Service Board, County assembly, Economic Planning and Office of the Governor. The Meru Micro Finance Corporation and Meru Investment Corporation are the Semi-Autonomous County Government entities within this broad sector.

67. The broad mandate of this sector includes, County resource mobilization and management; county human resource recruitment and management; County planning, Policy formulation, implementation, and review; County legislation and coordination of County internal and external affairs. The Sector therefore provides important linkage to both National and International partners/stakeholders under the leadership of the Office of the Governor.

During the MTEF period 2017/18-2019/20, the sector will concentrate on improving efficiency in public service delivery though reducing none priority expenditure and enhancing employee productivity in policy implementation.

68. Over the MTEF period 2017/18-2019/20 the sector has been allocated Ksh.3,439.45 billion, Ksh.3,611.53 billion, and Ksh.3,792.10 billion respectively. Recurrent expenditure allocation is Ksh.2874.45billion, Ksh.3,018.17 billion and Ksh.3,169.08 billion for FYs' 2016/17, 2017/18 and 2018/19 respectively, whereas development expenditure for the same period is Ksh.565.10 million, Ksh.593.36 million, and Ksh.623.02 million respectively.

Social Protection, Culture and Recreation Sector

69. The role of the sector is to coordinate and enhance development of communities through management of sports activities, socio-cultural intervention for economic empowerment and promotion/regulation of responsible gaming. This sector also focuses on community empowerment through youth training and coordination of gender mainstreaming.

70. During the 2016/17 – 2018/19 MTEF period, the social sector shall focus on implementation of the following programmes: Sports promotion and development, Sports grounds rehabilitation, Youth and empowerment, Arts and culture promotion and gender mainstreaming.

71. Major Developmental challenges and emerging issues facing the sector include youth unemployment and rising proportion of the dependency population, inadequate human resources, insufficient office space and furniture; inadequate training equipment; inadequate funding.

72. The total allocated budget ceiling for the sector FYs' 2017/18 is Ksh.262.12 million with Kshs. 60.26million for recurrent expenditure and the balance of Kshs. 201.86million set aside for development

Environment Protection, Water and Natural Resources Sector

73. The Environment Protection, Water and Natural Resources is one of the key sectors that strives in achieving the County's goals of providing clean and secure environment for all as envisaged in CIDP 2013-17. At the County level, the sector is represented by the Department of Environment, Water and natural Resources and energy.

74. Major functions of the sector includes; Enforcement of waste management policies and solid waste disposal; Control of air, noise pollution and other public nuisance; Identification of renewable sites for development Implementation of specific government policies on natural resources and environmental conservation; Water and sanitation services including rural water and sanitation services in towns without formal service providers.

Going forward the sector will focus on water and sewerage services sustaining efforts on environmental conservation as well as county energy reticulations. Water and Sewerage Management strives to increase water supply and sewerage services, improved water quality and coverage though spring protection, borehole drilling and rehabilitation of exiting water infrastructures.

75. To achieve the above projects and programmes the Sector has been allocated Ksh.405.38 million, Ksh.425.65 million, and Ksh.446.93 million for the FYs' 2016/17, 2017/18 and 2018/19 respectively. Recurrent expenditure allocation is Ksh.90.61 million, Ksh.95.14 million and Ksh.99.90 million for FYs' 2016/17, 2017/18 and 2018/19 respectively, whereas development expenditure for the same period is Ksh.314.77 million, Ksh.330.51 million, and Ksh.347.03 million respectively.