
THE REPUBLIC OF KENYA



COUNTY GOVERNMENT OF THARAKA NITHI

**COUNTY BUDGET REVIEW AND OUTLOOK
PAPER**

SEPTEMBER 2025

© County Budget Review and Outlook Paper (CBROP) 2025

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2025 has been prepared in accordance with Section 118 of the Public Finance Management (PFM) Act, 2012. This legislation mandates that each county government produce an annual budget review and outlook paper, to be submitted to the County Executive Committee by September 30th for review and approval. The 2025 CBROP outlines the implementation of priority programmes, policies, and reforms that align with the National Government's Bottom-Up Economic Transformative Agenda (BETA) and are captured within the Third Generation County Integrated Development Plan (CIDP III 2023-2027).

This paper reviews the county's fiscal performance for the 2024/25 financial year in relation to the approved budget. It also analyzes the projections set out in the County Fiscal Strategy Paper (CFSP) 2024, assessing how actual financial outcomes for the previous year have impacted compliance with fiscal responsibility principles and county financial obligations. Where there are deviations from the county's financial objectives as outlined in the most recent fiscal strategy paper, this document provides explanations and recommends measures to address identified shortcomings. The updated economic and financial outlook herein establishes a broader fiscal framework for preparing the upcoming budget.

I am confident that this policy paper will serve as a valuable tool in fostering financial discipline and fiscal responsibility, as envisaged in Section 107 of the PFM Act, 2012, and will contribute significantly to realizing the ambitions and aspirations of the people of Tharaka Nithi County.



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ACKNOWLEDGEMENT

The preparation of the CBROP 2025 has been undertaken in accordance with the Public Finance Management (PFM) Act, 2012 and the PFM (County) Regulations, 2015. As one of the initial deliverables in the budget cycle for the 2025/2026–2027/2028 Medium Term Expenditure Framework (MTEF) period, this document presents a detailed account of the county’s actual fiscal performance for the 2024/25 financial year in comparison to the budget appropriation for that period.

The successful completion of this document resulted from the dedicated and coordinated efforts of numerous individuals within the County Government. I wish to extend my sincere appreciation to the Governor, H.E. Muthomi Njuki, and the Deputy Governor, H.E. Muisraeli Nyaga, for their unwavering support and exemplary leadership throughout the preparation and finalization of the CBROP 2025. Special recognition goes to the County Executive Committee Member for Finance and Economic Planning Mr. Lawrence Rweria, for his invaluable support during the preparation process. I also acknowledge the contributions of other County Executive Committee members, County Chief Officers, and the sector working group members, all of whom played pivotal roles in the development of this document. I am grateful as well to the County Budget and Economic Forum (CBEF) members for their insightful consultations and important input throughout the drafting of the CBROP.

Lastly, I extend my gratitude to the Budget and Economic Planning team: Director Budget and Economic Planning, Mr. Lawrence Micheni; Assistant Director Economic Planning, Madam Josephine Mumbua; Principal Finance Officer, Rachel Kimani; Economists/Statisticians Pamela Gakii, Anthony Matumo and Nathan Mwiti; Finance Officers: Refflid Njeru, Teresia Mburia, Erick Kimathi; Monitoring and Evaluation Officer, Nancy Kananu; and the Public Participation Officer, Michael Kimathi. Their continued dedication to collecting, analyzing, and compiling the necessary information has been instrumental in the completion of this document.



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ABBREVIATIONS AND ACRONYMS

| | |
|----------|--|
| ABDP | Aquaculture Business Development Programme |
| ADP | Annual Development Plan |
| ASALs | Arid and Semi-Arid Lands |
| ASDSP | Agriculture Sector Development Support Programme |
| BETA | Bottom-up Economic Transformative Agenda |
| BPS | Budget Policy Statement |
| CA | County Assembly |
| CAPR | County Annual Progress Report |
| CARA | County Allocation of Revenue Act |
| CBEF | County Budget and Economic Forum |
| CBK | Central Bank of Kenya |
| CBR | Central Bank Rates |
| CBROP | County Budget Review and Outlook Paper |
| CCTV | Closed Circuit Television |
| CEC | County Executive Committee |
| CFSP | County Fiscal Strategy Paper |
| CG | County Government |
| CGAAA | County Government Additional Allocation Act |
| CHP | Community Health Promoters |
| CIDP | County Integrated Development Plan |
| CO | Chief Officer |
| CORe | County Own Revenue |
| COVID | Corona Virus Disease |
| CRA | Commission on Revenue Allocation |
| DANIDA | Danish International Development Agencies |
| DMS | Debt Management Strategy |
| DoRA | Division of Revenue Act |
| ELRP | Emergency Locust Response Project |
| FIF | Facility Improvement Fund |
| FLLoCA | Financing Locally Led Climate Actions |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GFS | Government Finance Systems |
| IBEC | Intergovernmental Budget and Economic Council |
| ICT | Information, Communication Technology |
| KABDP | Kenya Agribusiness Development Programme |
| KCSAP | Kenya Climate Smart Agriculture Project |
| KDSP | Kenya Devolution Support Prorogramme |
| KES/KShs | Kenya Shillings |
| KISIP | Kenya Informal Settlement Improvement Project |
| KUSP | Kenya Urban Support Programme |
| K-WASH | Kenya-Water Sanitation and Hygiene |

| | |
|--------|--|
| M&E | Monitoring and Evaluation |
| MSMEs | Micro Small and Medium Enterprises |
| MTEF | Medium Term Expenditure Framework |
| MTP | Medium Term Plan |
| NAVCDP | National Agriculture Value Chain Development Project |
| OSR | Own Source Revenue |
| PFM | Public Finance Management |
| PWDs | Persons With Disabilities |
| SMEs | Small and Medium Enterprises |
| SSA | Sub-Saharan Africa |
| SWGs | Sector Working Groups |
| UHC | Universal Health Coverage |
| UK | United Kingdom |
| USA | United States of America |
| WB | World Bank |

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LEGAL BASIS FOR PREPARATION OF CBROP

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

- 1) A County Treasury shall
 - a. Prepare a CBROP in respect of the County for each year; and
 - b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.
- 2) In preparing its CBROP, the County Treasury shall specify
 - a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year.
 - b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)
 - c. Information on:
 - (i) Any changes in the forecasts compared with the CFSP; or
 - (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and
 - d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall
 - a) Arrange for the Paper to be laid before the County Assembly; and
 - b) As soon as practicable after having done so, publish and publicise the Paper.



FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC

FINANCIAL MANAGEMENT

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that:

(1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (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 the County Government's total revenue.
- b. Over the medium term, a minimum of thirty (30) per cent of the County government's budget shall be allocated to the development expenditure.
- c. The County Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.
- d. Over the medium term, the Government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. However, 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.
- e. The County debt shall be maintained at a sustainable level as approved by the County Assembly.
- f. The fiscal risks shall be managed prudently; and
- g. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future.

SECTION I: INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) is prepared in line with Chapter 11 of the Constitution of Kenya 2010, Sections 102 and 105 of the County Government Act 2012, and Section 118 of the Public Finance Management (PFM) Act 2012, with guidance from Chapter Five of the County Budget Operations Manual 2014. It links policy, planning, and budgeting by reviewing the previous year's financial and non-financial performance and assessing how this impacts compliance with fiscal responsibility principles and financial objectives set out in the preceding County Fiscal Strategy Paper (CFSP). The CBROP thus serves as a key accountability and planning tool for evaluating county fiscal performance and aligning future spending to development priorities.

The 2025 CBROP evaluates the fiscal performance for FY 2024/25, presents the macroeconomic and financial forecasts, and sets the Medium-Term Expenditure Framework (MTEF) for FY 2025/26–2027/28. It also presents indicative sector ceilings for FY 2026/27 and over the medium term.

Additionally, the CBROP provides details variations in projections and sector ceilings as outlined in the 2025 CFSP, offering justifications for the variances and proposing mitigation measures and timelines to address the fiscal risks. It highlights how financial performance in FY 2024/25 may have affected the attainment of fiscal objectives, outlines progress made in implementing the county's development agenda as guided by the 2025/26 Annual Development Plan (ADP) and the 2023–2027 County Integrated Development Plan (CIDP) and informs the preparation of the 2026 CFSP and the 2026/27 Annual Budget Estimates.

1.1 Objective of CBROP

The broad objective of CBROP is to provide a review of the previous year's fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in CFSP 2026. The specific objectives are:

- i. To review the fiscal performance for FY 2024/25 and assess how it impacts the county's financial objectives and adherence to fiscal responsibility principles.
- ii. To provide detailed analysis of actual fiscal performance in FY 2024/25 compared with the approved budget appropriation.

- iii. To evaluate the financial performance for FY 2024/25 and how it affected compliance with the fiscal responsibility principles, or the financial objectives as set out in the CFSP 2024.
- iv. To establish and explain deviations between actual outcomes and the forecasts contained in the CFSP 2024.
- v. To provide reasons for any deviations from the financial objectives in CFSP 2025, together with mitigation measures, measurable proposals, and clear timelines for addressing the deviations.
- vi. To specify updated economic and financial forecasts, considering changes from earlier projections, and provide a basis for medium-term fiscal and expenditure planning.
- vii. To guide policy formulation and resource allocation by identifying fiscal challenges, opportunities and priorities that should inform the CFSP 2026 and the FY 2026/27 County Budget.

1.2 Significance of CBROP

The County Budget Review and Outlook Paper (CBROP) is a policy tool that reviews fiscal performance for FY 2024/25 against the approved budget, highlighting deviations and their impact on compliance with fiscal responsibility principles under Section 107 of the Public Finance Management Act, 2012. It also provides updated revenue and expenditure forecasts and sets preliminary sector ceilings to guide Sector Working Groups (SWGs) in preparing annual estimates.

The CBROP is prepared within the framework of the Third CIDP (2023–2027) and the Fourth Medium-Term Plan (2023–2027). It informs the Medium-Term Expenditure Framework (MTEF) process by guiding fiscal planning, resource allocation, and budget preparation, thereby forming a basis for the 2026 County Fiscal Strategy Paper (CFSP) and the FY 2026/27 County Budget in line with county development priorities.

1.3 Structure of the CBROP

The County Budget Review and Outlook Paper (CBROP) is broadly classified into two parts: a review section and an outlook section and organized into five chapters.

Chapter One introduces the CBROP by outlining its legal framework, significance, objectives, and overall structure. Chapter Two details the county’s fiscal performance for FY 2024/25 and its implications on financial objectives set out in the Medium-Term Expenditure Framework (MTEF). This section is presented in three sub-sections: an overview, fiscal performance, and implications of fiscal performance. Chapter Three highlights recent economic developments the Medium-Term Fiscal Framework, and risks to the outlook—shifting focus from past performance to the present and the immediate future. Chapter Four sets out the county’s resource allocation framework, establishing the overall resource envelope and defining expenditure limits or ceilings for each county department. Chapter Five concludes the paper by reaffirming that the outlined policies: -

- (a) Reflect changed circumstances,
- (b) Are consistent with fiscal responsibility principles under the PFM Act,
- (c) Align with the county’s strategic objectives as the basis for allocating public resources, and
- (d) Are anchored in the County Integrated Development Plan (CIDP) as the blueprint for county development.

SECTION II: REVIEW OF COUNTY FISCAL PERFORMANCE

IN FY 2024/25

2.1 Overview

During the year under review, the County realized a total revenue of KES 5.63 billion, representing 80 percent of the annual target of KES 7.01 billion. This performance reflected a 7 percent increase compared to the previous financial year. The total expenditure for the year amounted to KES 5.41 billion, with an unspent balance of KES 226.44 million. Out of the total expenditure, KES 3.74 billion was spent on recurrent activities, while KES 1.14 billion was utilized for development. The County Assembly recorded an expenditure of KES 523.35 million against an allocation of KES 539.07 million, translating to a performance rate of 97 percent.

2.2 Fiscal Performance for FY 2024/25

Table 1 summarizes the revenue performance by the County for FY 2023/24 to FY 2024/25

Table 1: Revenue Performance 2024/25

| Particulars | 2023/24 FY Actual | 2024/25 FY Approved | 2024/25 FY Actual | % performance |
|------------------------------|----------------------|----------------------|----------------------|---------------|
| TOTAL REVENUES | 5,258,282,681 | 7,005,682,985 | 5,633,637,947 | 80% |
| Unspent Bal from Previous FY | 253,643,267 | 107,439,962 | 107,439,962 | 100% |
| Revenue (Total) | 5,004,639,414 | 6,898,243,023 | 5,526,197,985 | 80% |
| Equitable Share Allocation | 4,027,976,038 | 4,749,766,131 | 4,749,766,134 | 100% |
| Local Revenue | 417,346,035 | 485,000,000 | 481,791,096 | 99% |
| Grants (Total) | 559,317,341 | 1,663,476,892 | 294,640,755 | 18% |
| Total Expenditure | 5,258,282,681 | 7,005,682,985 | 5,633,637,947 | 80% |
| Recurrent | 3,383,476,175 | 4,091,285,978 | 3,743,839,649 | 92% |
| Development | 1,250,260,479 | 2,375,329,551 | 1,140,001,835 | 48% |
| County Assembly | 517,106,065 | 539,067,456 | 523,352,348 | 97% |
| Unspent Bal Current FY | 107,439,962 | 0 | 226,444,115 | |

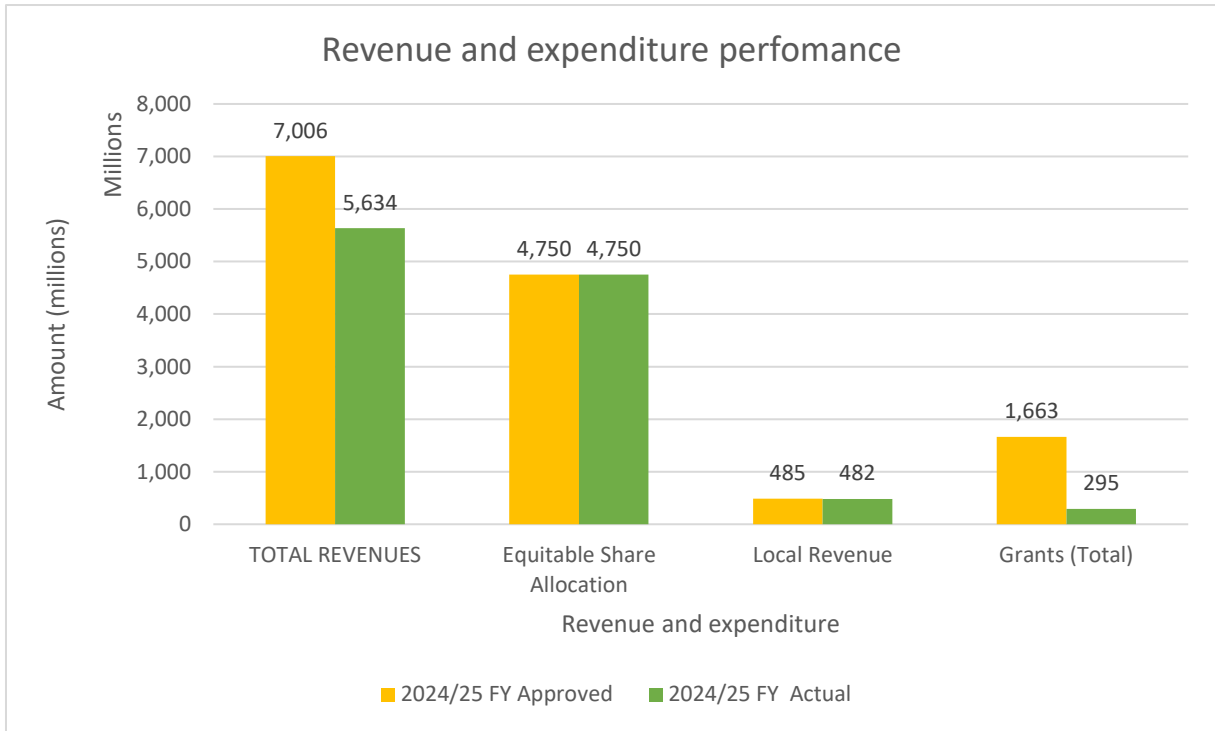


Figure 1: Fiscal Performance for FY 2024/25

In the year under review, the County realized total revenue of KES 5.63 billion. This comprised an equitable share of KES 4.75 billion, County Own Source Revenue of KES 481.79 million, conditional grants totaling KES 294.64 million (including KES 9.98 million for ABDP, KES 37.95 million for CHPs, and KES 6.69 million for ELRP), and balances brought forward amounting to KES 107.44 million. At the close of the 2024/25 financial year, an unspent balance of KES 226.44 million was recorded. During the same financial year, the County achieved an overall budget absorption rate of 80 percent, with development expenditure absorption at 48 percent and recurrent expenditure absorption at 92 percent.

2.2.1 County Own Source Revenue Performance

During the year under review, the County Own Revenue (CORe) collection amounted to KES 481.79 million, up from KES 417.35 million realized in FY 2023/24, representing a growth of 15 percent. This performance translated to 99 percent achievement of the annual CORe target of KES 485 million as approved in the FY 2024/25 annual budget estimates. The top five revenue streams were: hospital fees and charges (KES 243.51 million), single business permits (KES 91.39 million), cess fees (KES 60.48 million), liquor licenses (KES 20.73 million), and parking fees (KES 20.54 million).

The growth in own-source revenue collection was attributed to enhanced administration, strengthened supervision, and deliberate efforts to expand the tax base. Specifically, the roll-out of SHA to counties, which emphasizes digitization for accountability has contributed to improved revenue in Tharaka Nithi. To minimize revenue leakages, the county has continued to uphold existing strategies, that include automation of all revenue collection systems (*going cashless*), improving surveillance at cess points, and increasing enforcement personnel. Additionally, improved stakeholder engagement played a crucial role in fostering trust and cooperation, particularly through regular consultations with traders, business owners, and transport operators. Market committee engagements provided a platform to address concerns, enhance transparency, and sensitize stakeholders on their obligations, thereby promoting voluntary compliance.

As detailed in table 2 below, the revenues collected show consistent growth across all quarters, despite a drop in revenue collection in FY 2021/22. This trend reflects the effectiveness of the strategies employed in revenue collection and the community's response to the county's initiatives.

Table 2: Own Source Revenue Performance FY 2019/20 – 2024/25 per Quarter

| FY | Q1 ACTUAL | Q2 ACTUAL | Q3 ACTUAL | Q4 ACTUAL | TOTAL ACTUAL |
|---------|---------------|----------------|----------------|----------------|----------------|
| 2019/20 | 53,399,871.00 | 49,225,474.00 | 88,230,144.00 | 80,748,922.00 | 271,604,411.00 |
| 2020/21 | 52,439,055.00 | 50,787,919.00 | 58,274,313.00 | 93,088,218.00 | 254,589,505.00 |
| 2021/22 | 46,308,025.00 | 41,233,295.00 | 79,419,200.00 | 67,331,410.00 | 234,291,930.00 |
| 2022/23 | 38,102,408.00 | 40,404,694.00 | 89,107,564.00 | 119,122,985.00 | 286,737,651.00 |
| 2023/24 | 92,139,088.00 | 63,721,702.00 | 117,575,225.00 | 143,910,117.00 | 417,346,132.00 |
| 2024/25 | 78,651,551.00 | 103,632,793.00 | 133,095,734.00 | 166,411,018.00 | 481,791,096.00 |

Table 3: Top Ten Revenue Streams FY 2024/25

| SNO | SOURCE OF INCOME | CODE | Sum of Proposed Budget Estimates FY 2024-2025 | Sum of Revised Budget Estimates 2024-2025 | Actual Revenue (KShs.) | Variance (KShs.) |
|-----|---|------|---|---|------------------------|------------------|
| | | | | A | B | C=B-A |
| 1 | Hospital Fees and Charges | | 165,000,000 | 200,000,000 | 243,508,369 | 43,508,369 |
| 2 | Single Business Permit, and advertisement | R003 | 75,000,000 | 81,000,000 | 91,386,989 | 10,386,989 |
| 3 | Cess | R004 | 80,000,000 | 80,000,000 | 60,476,567 | (19,523,433) |
| 4 | Liquor License | R022 | 20,000,000 | 20,000,000 | 20,734,402 | 734,402 |
| 5 | Parking Fees | R006 | 20,000,000 | 20,000,000 | 20,536,079 | 536,079 |

| | | | | | | |
|----|---|------|------------|------------|------------|-------------|
| 6 | Market Fees, Entrance fee | R005 | 25,000,000 | 25,000,000 | 15,757,460 | (9,242,540) |
| 7 | Plan approval fees | R008 | 7,000,000 | 7,000,000 | 7,459,455 | 459,455 |
| 8 | Veterinary Services | R012 | 9,000,000 | 9,000,000 | 6,977,024 | (2,022,976) |
| 9 | Plot Rents / Land Rates / Stand Premium | R002 | 6,000,000 | 6,000,000 | 6,138,822 | 138,822 |
| 10 | Rent / Lease County Houses and Stalls | R007 | 4,500,000 | 4,500,000 | 5,016,706 | 516,706 |

To refine local revenue collection strategies and approaches, the County engaged in knowledge exchange with counterpart counties including Kwale, Kisumu, and Laikipia on adoption of best practices in mobilization, enforcement, and automation. Further, a multisectoral approach was adopted, bringing together all county departments to streamline processes, align enforcement, and create synergies in revenue collection. This holistic strategy not only strengthened accountability but also enhanced efficiency and sustainability in resource mobilization.

To achieve the County revenue potential of KES 750 million, it is necessary to strengthen collections across revenue streams through:

1. Strengthening the instruments of revenue collections, including review/ development of policies, laws, and regulations, including the Revenue Mobilization Strategy, Rating Act, Markets and Trade Licensing Act, Cess Act, Tax Waiver Administration Act, and Building Approvals legislation among others.
2. Mapping of all revenue streams.
3. Updating of the valuation roll
4. Full rollout of SHA in level II and III facilities
5. Adoption tariffs and pricing policy

2.2.2 Conditional Loans and Grants

In the FY 2024/25, the County received KES 402.08 million in conditional loans and grants, which includes unspent balances of KES 107.44 million, against a targeted amount of KES 1.77 billion, representing an achievement of 23 percent. The loans and grants comprised funding from DANIDA, NAVCDP, KISIP (II), FLLoCA, KUSP (II) - UIG, ELRP, ABDP, the Road Maintenance Levy, and the CHP national grant. However, delays in the disbursement of conditional grants such as KUSP II- UDG, K-WASH, KDSP II, KADBP, supplement for construction of headquarters, salary arrears for workers, and County Aggregation and Industrial Park (CAIP) significantly affected the implementation of priority projects and programmes.

Table 4 below analyzes Conditional Grants released in FY 2024/25.

Table 4: Summary Release of Conditional Loans and Grants

| Source of Revenue | FY 2023/24 | | | FY 2024/25 | | |
|---|------------------------------------|-----------------------|------------|------------------------------------|-----------------------|------------|
| | 2023/24 Revised Approved Estimates | 2023/24 Actual (KShs) | % Achieved | 2024/25 Revised Approved Estimates | 2024/25 Actual (KShs) | % Achieved |
| Supplement for construction of county headquarters | 103,160,000.00 | 0 | 0% | 47,981,059 | | 0% |
| Conditional Grant- Leasing of Medical Equipment | 124,723,404.30 | 0 | 0% | - | - | #DIV/0! |
| IDA (WB) Kenya Climate Smart Agriculture Project (KCSAP) | 90,000,000.00 | 0 | 0% | - | - | #DIV/0! |
| IDA (World Bank) Credit (National Agricultural Value Chain Development Project (NAVCDP) | 250,000,000.00 | 195,112,952.00 | 78% | 151,515,152 | 77,251,060 | 51% |
| DANIDA Grant | 14,856,750.00 | 7,161,000.00 | 48% | 6,045,000 | 6,045,000 | 100% |
| Sweden - Agricultural Sector Development Support Program (ASDSP) | 1,785,670.00 | 2,285,670.00 | 128% | - | - | #DIV/0! |
| Kenya Informal Settlement improvement Project KISIP II | 92,630,231.00 | 92,630,231.00 | 100% | 168,945,347 | 167,000,000 | 99% |
| World Bank Emergency Locust Responses Project (ELRP) | 105,805,161.00 | 104,620,428.00 | 99% | 104,600,000 | 6,689,317 | 6% |
| Provision for provision of Fertilizer Subsidy | 71,299,830.00 | 0 | 0% | - | - | #DIV/0! |
| Aquaculture Business Development Programme (ABDP) | 12,810,384.00 | 19,379,784.00 | 151% | 12,810,384 | 9,978,406 | 78% |
| Aggregated Industrial Parks Programme | 100,000,000.00 | 0 | 0% | 250,000,000 | - | 0% |
| Financing Locally Led Climate Action Programme (FLLoCA) Program | 205,050,000.00 | 115,989,776.00 | 57% | 298,703,582 | 8,913,384 | 3% |
| Livestock Value Chain Support Project | 28,647,360.00 | 0 | 0% | | | #DIV/0! |
| De-risking and Value Chain Enhancement | 63,341,980.00 | 0 | 0% | | | #DIV/0! |

| | | | | | | |
|---|------------------|----------------|------|----------------------|--------------------|------|
| Community Health Promoters - National Grant | 22,137,500.00 | 22,137,500.00 | 100% | 37,950,000 | 37,950,000 | 100% |
| Kenya water Sanitation and Hygiene program (K-WASH PforR) | 150,000,000.00 | 0 | 0% | 353,808,808 | - | 0% |
| Kenya Urban Support Project (KUSP) UIG | 0.00 | 0 | 0% | 35,000,000 | 32,309,300 | 92% |
| Other Conditional Grants/Basic Salary Arrears for CG Health Workers | 24,597,481 | | 0% | 24,597,481 | | 0% |
| KDSP II | 0.00 | 0 | 0% | 37,500,000 | - | 0% |
| Kenya Urban Support Programme - UDG | 0 | 0 | 0% | 66,362,245 | | 0% |
| Road Maintenance Levy | 0 | 0 | 0% | 161,810,687 | 55,944,250 | 35% |
| Kenya Agribusiness Development Programme (KABDP) | 0 | 0 | 0% | 10,918,919 | | 0% |
| Total Amount | 1,460,845,751.30 | 559,317,341.00 | 38% | 1,768,548,664 | 402,080,717 | 23% |

2.2.3 County Expenditure Performance

The total expenditure during FY 2024/25 comprised KES 4.27 billion for recurrent and KES 1.14 billion for development expenditure. The County Assembly recorded total expenditure of KES 523.35 million against an allocation of KES 539.07 million, translating to a 97 percent absorption rate. By the close of the financial year, an unspent balance of KES 226.44 million was recorded. Table 5 provides a breakdown of expenditure by type, while Table 6 shows expenditure by the County Executive and County Assembly.

The county executive development expenditure was KES 1.14 billion against an allocation of KES 2.39 billion, representing 48 percent performance. These resources were directed towards programmes and projects aimed at fostering sustainable growth and maximizing impact, including urban development, construction of early childhood education infrastructure, rehabilitation of vocational training centers, development of stadia, establishing roads and bridges, provision of domestic and irrigation water supply, upgrading and operationalization of health facilities, promotion of agriculture, climate change mitigation, and adaptation.

The county executive recurrent expenditure was KES 3.74 billion, against an allocation of KES 4.09 billion, reflecting a 92 percent performance. The funds were strategically distributed to cover essential operational needs, including payment of staff emoluments, procurement of health commodities, routine maintenance and operational expenses.

The high absorption of recurrent expenditure (92 percent) compared to the relatively low performance of development expenditure (48 percent) highlights a structural imbalance in resource utilization. While recurrent spending is critical for sustaining operations, the under-utilization of development funds poses a risk to long-term growth and service delivery. Going forward, there is need to strengthen planning, procurement, and project implementation capacity to ensure that development resources are fully absorbed and translated into tangible outcomes for citizens. To ensure development expenditure meets the mandatory 30% threshold, the County Treasury is implementing the following measures:

- Allocating 30% of all exchequer releases exclusively for development expenditure.
- Ensuring approved departmental procurement plans are strictly aligned with annual work plans.
- Lobbying the Council of Governors and national institutions to ensure the timely approval of key PFM legislation.

- Lobbying the Council of Governors and national institutions to ensure the timely disbursement of conditional grants and exchequer releases.

Overall, the County Government will continue to implement practical strategies that enhance efficiency and effectiveness in public spending during ongoing fiscal reforms, strengthen fiscal discipline, comply with the Public Finance Management (PFM) Act, 2012, and intensify revenue mobilization efforts to adequately finance priority services and meet county fiscal obligations.

Table 5: Expenditure by type

| Description | 2023/24 FY Actual | 2024/25 FY Approved | 2024/25 FY Actual | % performance |
|--------------------------|----------------------|----------------------|----------------------|---------------|
| Total Expenditure | 5,269,282,681 | 7,005,682,985 | 5,633,637,947 | 80% |
| Recurrent | 3,900,304,912 | 4,614,641,109 | 4,267,191,997 | 92% |
| Development | 1,261,537,807 | 2,391,041,876 | 1,140,001,835 | 48% |
| unspent balances | 107,439,962 | | 226,444,115 | |

Table 6: County Executive and County Assembly Expenditure.

| Description | 2023/24 FY Actual | 2024/25 FY Approved | 2024/25 FY Actual | % performance |
|-------------------------|----------------------|----------------------|----------------------|---------------|
| Total | 5,269,282,681 | 7,005,682,985 | 5,633,637,947 | 80% |
| County Executive | 4,644,736,654 | 6,466,615,529 | 4,883,841,484 | 76% |
| Recurrent | 3,394,476,175 | 4,091,285,978 | 3,743,839,649 | 92% |
| Development | 1,250,260,479 | 2,375,329,551 | 1,140,001,835 | 48% |
| County Assembly | 517,106,065 | 539,067,456 | 523,352,348 | 97% |
| Recurrent | 505,828,737 | 523,355,131 | 523,352,348 | 100% |
| Development | 11,277,328 | 15,712,325 | - | 0% |
| Unspent in FY | 107,439,962 | - | 226,444,115 | |

Expenditure by Economic Classification

The County's expenditure performance by economic classification is categorized into compensation to employees, use of goods and services, grants and other transfers, social benefits, and development expenditures, in line with the GFS coding system. Table 7 below provides a detailed breakdown of the county's expenditure performance by economic classification.

Table 7: County Expenditure Performance by Economic Classification

| Description | Actual Expenditure and Revenue FY 2023/24 | Revised Estimates FY 2024/25 | Actual Expenditure and Revenue FY 2024/25 |
|--------------------------------|---|------------------------------|---|
| A. Total Budget [1+2] | 5,150,842,719 | 7,005,682,985 | 5,407,193,832 |
| 1.0 Total Expenditure | 4,431,210,056 | 5,458,595,982 | 4,494,329,228 |
| 1.1 Compensation to Employees | 2,354,655,972 | 2,814,098,850 | 2,710,773,363 |
| 1.2 Use of Goods and Services | 920,451,767 | 1,033,074,153 | 893,760,152 |
| 1.3 Grants and Other Transfers | 1,065,676,480 | 1,566,803,079 | 856,052,885 |
| 1.4 Social benefits | 20,425,837 | 35,000,000 | 26,742,828 |
| 1.5 Other payments | 70,000,000 | 9,619,900 | 7,000,000 |
| 2.0 Other Development | 719,632,663 | 1,547,087,003 | 912,864,604 |
| 2.1 Other Development | 719,632,663 | 1,547,087,003 | 912,864,604 |
| Financed by: | | | |
| B. Total Revenue | 5,258,282,681 | 7,005,682,985 | 5,633,637,947 |
| 3.1 Equitable Share | 4,027,976,038 | 4,749,766,131 | 4,749,766,134 |
| 3.2 County Own Revenue [COrE] | 417,346,035 | 485,000,000 | 481,791,096 |
| 3.3 Conditional Grants | 559,317,341 | 1,663,476,892 | 294,640,755 |
| 3.4 Balance b/f | 253,643,267 | 107,439,962 | 107,439,962 |
| C. Net Financing [B-A] | 107,439,962 | - | 226,444,115 |

The County's total expenditure was KES 5.41 billion for both recurrent and development expenditure. The total recurrent expenditure comprised of KES 2.71 billion spent on payments of wages and salaries, KES 893.76 million spent on goods and services, KES 856.05 million spent on grants and transfers (including transfers to County Assembly of KES 523.35 million), KES 26.74 million spent on social benefits and KES 7 million on other payments. Figure 2 below illustrates the recurrent expenditures for FY 2023/24 and FY 2024/25, inclusive of the County Assembly allocation. Other development expenditure for FY 2024/25 amounted to KES 912.86 million against a revised target of KES 1.55 billion representing 16.88 percent of the total annual expenditure.

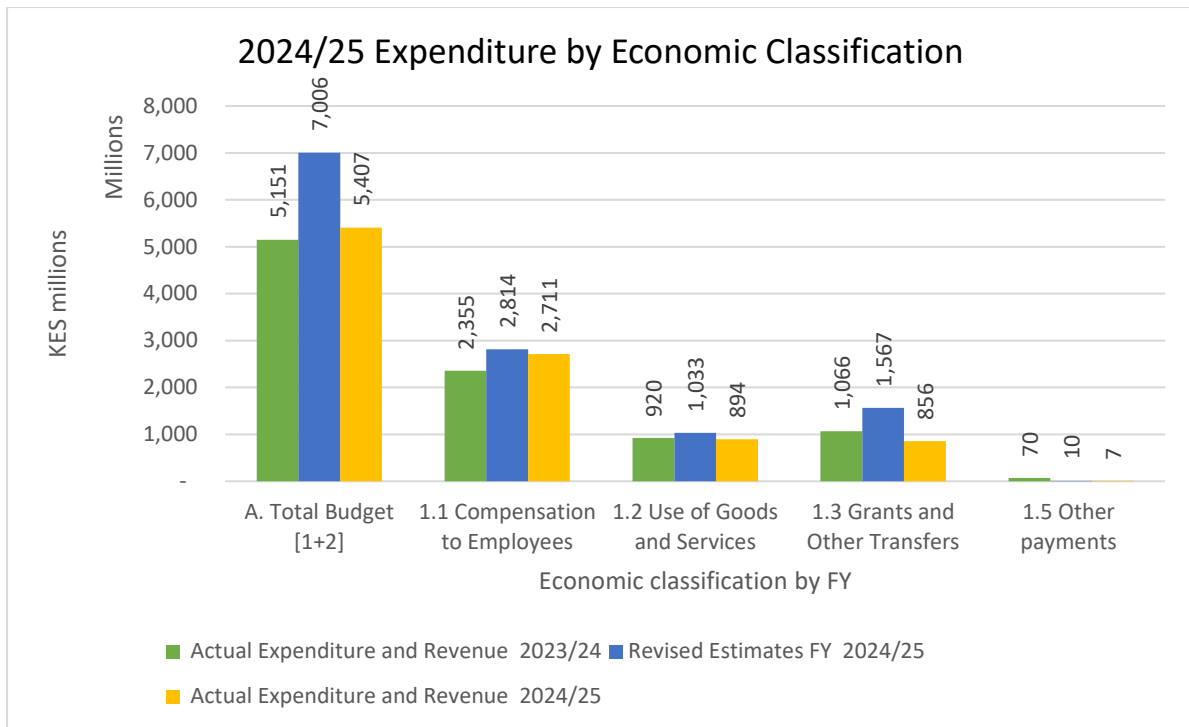


Figure 2: Comparison of recurrent expenditure for FYs 2023/24 and 2024/25

Common Causes of Expenditure Under-performance

1. Legal and regulatory hurdles.
2. Late disbursement of funds from the National Treasury disrupt cash flow and stall implementation of planned projects
3. Under performance of OSR, conditional grants and loans.
4. Procurement inefficiencies and lengthy processes delay project commencement.

Table 8: Absorption Rates by Sectors 2024/25 FY

| SECTOR | C-FSP 2024 | | | BUDGET ALLOCATION 2024/25 | | | Cumulative Expenditure 2024/25 | | | Absorption | Deviation |
|-----------------------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|----------------------|--------------------------------|----------------------|----------------------|---------------|---------------|
| | Recurrent | Development | Total | Recurrent | Development | Total | Recurrent | Development | Total | (%) | CFSP - BUDGET |
| Public Administration | 1,095,385,300 | 35,000,000 | 1,130,385,300 | 1,192,502,453 | 30,712,325 | 1,223,214,778 | 1,060,518,519 | 6,479,495 | 1,066,998,014 | 87.23% | 8.21% |
| Infrastructure | 218,385,400 | 680,856,034 | 899,241,434 | 279,368,000 | 753,926,406 | 1,033,294,406 | 258,751,705 | 602,317,795 | 861,069,500 | 83.33% | 14.91% |
| Health Services | 1,952,366,882 | 70,000,000 | 2,022,366,882 | 2,340,086,041 | 136,702,703 | 2,476,788,744 | 2,225,896,888 | 107,273,687 | 2,333,170,575 | 94.20% | 22.47% |
| Education And Social Services | 301,312,223 | 100,000,000 | 401,312,223 | 393,022,272 | 76,071,740 | 469,094,012 | 320,052,654 | 52,706,327 | 372,758,981 | 79.46% | 16.89% |
| General Economic | 171,166,080 | 300,000,000 | 471,166,080 | 130,836,738 | 155,191,698 | 286,028,436 | 128,869,950 | 2,744,711 | 131,614,661 | 46.01% | -39.29% |
| Agriculture | 278,091,268 | 495,960,190 | 774,051,458 | 199,634,174 | 518,306,704 | 717,940,878 | 198,523,455 | 277,424,730 | 475,948,185 | 66.29% | -7.25% |
| Environment And Natural Resources | 94,871,950 | 296,000,000 | 390,871,950 | 79,191,431 | 720,130,300 | 799,321,731 | 74,578,826 | 91,055,090 | 165,633,916 | 20.72% | 104.50% |
| GRAND TOTAL | 4,111,579,103 | 1,977,816,224 | 6,089,395,327 | 4,614,641,109 | 2,391,041,876 | 7,005,682,985 | 4,267,191,997 | 1,140,001,835 | 5,407,193,832 | 77.18% | 15.05% |

Table 9: Absorption rates by Department 2024/25 FY

| DEPARTMENT | C-FSP 2024 | | | BUDGET ALLOCATION 2024/25 | | | Cumulative Expenditure 2024/25 | | | Absorption | Deviation (%) |
|--|----------------------|--------------------|----------------------|---------------------------|--------------------|----------------------|--------------------------------|--------------------|----------------------|---------------|----------------|
| | REC | DEV | TOTAL | REC | DEV | TOTAL | REC | DEV | TOTAL | (%) | CFSP - BUDGET |
| Governor's Office | 144,275,700 | - | 144,275,700 | 116,031,675 | - | 116,031,675 | 104,714,749 | - | 104,714,749 | 90.25% | -19.58% |
| Finance and Economic Planning | 181,229,900 | - | 181,229,900 | 317,193,862 | 5,000,000 | 322,193,862 | 245,394,970 | - | 245,394,970 | 76.16% | 77.78% |
| County Public Service Board | 34,133,400 | - | 34,133,400 | 22,244,952 | - | 22,244,952 | 20,784,552 | - | 20,784,552 | 93.43% | -34.83% |
| Administration and Public Service | 171,454,300 | 5,000,000 | 176,454,300 | 213,676,833 | 10,000,000 | 223,676,833 | 166,271,900 | 6,479,495 | 172,751,395 | 77.23% | 26.76% |
| County Assembly | 564,292,000 | 30,000,000 | 594,292,000 | 523,355,131 | 15,712,325 | 539,067,456 | 523,352,348 | - | 523,352,348 | 97.08% | -9.29% |
| SUB-TOTALS | 1,095,385,300 | 35,000,000 | 1,130,385,300 | 1,192,502,453 | 30,712,325 | 1,223,214,778 | 1,060,518,519 | 6,479,495 | 1,066,998,014 | 87.23% | 8.21% |
| Roads, Transport and Infrastructure | 218,385,400 | 680,856,034 | 899,241,434 | 279,368,000 | 753,926,406 | 1,033,294,406 | 258,751,705 | 602,317,795 | 861,069,500 | 83.33% | 14.91% |
| SUB-TOTALS | 218,385,400 | 680,856,034 | 899,241,434 | 279,368,000 | 753,926,406 | 1,033,294,406 | 258,751,705 | 602,317,795 | 861,069,500 | 83.33% | 14.91% |
| Medical Services and ICT | 1,636,584,194 | 70,000,000 | 1,706,584,194 | 1,989,319,519 | 134,000,000 | 2,123,319,519 | 1,876,398,958 | 107,273,687 | 1,983,672,645 | 93.42% | 24.42% |
| Public Health and Sanitation | 315,782,688 | - | 315,782,688 | 350,766,522 | 2,702,703 | 353,469,225 | 349,497,930 | - | 349,497,930 | 98.88% | 11.93% |
| SUB-TOTALS | 1,952,366,882 | 70,000,000 | 2,022,366,882 | 2,340,086,041 | 136,702,703 | 2,476,788,744 | 2,225,896,888 | 107,273,687 | 2,333,170,575 | 94.20% | 22.47% |
| Youth and Sports | 36,888,800 | 30,000,000 | 66,888,800 | 13,934,509 | 40,000,000 | 53,934,509 | 12,612,509 | 28,695,320 | 41,307,829 | 76.59% | -19.37% |
| Culture and Tourism | 31,200,000 | - | 31,200,000 | 13,660,072 | 3,682,940 | 17,343,012 | 11,881,732 | - | 11,881,732 | 68.51% | -44.41% |
| Gender, Children and Social Services | 28,600,000 | 10,000,000 | 38,600,000 | 12,737,217 | 2,388,800 | 15,126,017 | 11,327,913 | - | 11,327,913 | 74.89% | -60.81% |
| Education and Vocation Training | 204,623,423 | 60,000,000 | 264,623,423 | 352,690,474 | 30,000,000 | 382,690,474 | 284,230,500 | 24,011,007 | 308,241,507 | 80.55% | 44.62% |
| SUB-TOTALS | 301,312,223 | 100,000,000 | 401,312,223 | 393,022,272 | 76,071,740 | 469,094,012 | 320,052,654 | 52,706,327 | 372,758,981 | 79.46% | 16.89% |
| Trade, Investment Promotion, Energy and Industry | 52,831,880 | 300,000,000 | 352,831,880 | 31,375,352 | 155,191,698 | 186,567,050 | 29,516,168 | 2,744,711 | 32,260,879 | 17.29% | -47.12% |
| Revenue and Resource Mobilization | 118,334,200 | - | 118,334,200 | 99,461,386 | - | 99,461,386 | 99,353,782 | - | 99,353,782 | 99.89% | -15.95% |
| SUB-TOTALS | 171,166,080 | 300,000,000 | 471,166,080 | 130,836,738 | 155,191,698 | 286,028,436 | 128,869,950 | 2,744,711 | 131,614,661 | 46.01% | -39.29% |
| Agriculture and Crop Production | 202,125,795 | 380,184,333 | 582,310,128 | 154,826,558 | 459,334,071 | 614,160,629 | 154,435,680 | 233,284,075 | 387,719,755 | 63.13% | 5.47% |
| Fisheries and Ecosystem management | 21,000,000 | 22,810,384 | 43,810,384 | 7,414,000 | 14,810,384 | 22,224,384 | 7,313,000 | 9,978,406 | 17,291,406 | 77.80% | -49.27% |

| | | | | | | | | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------|----------------|
| Lands, Physical Planning and Urban | 54,965,473 | 92,965,473 | 147,930,946 | 37,393,616 | 44,162,249 | 81,555,865 | 36,774,775 | 34,162,249 | 70,937,024 | 86.98% | -44.87% |
| SUB-TOTALS | 278,091,268 | 495,960,190 | 774,051,458 | 199,634,174 | 518,306,704 | 717,940,878 | 198,523,455 | 277,424,730 | 475,948,185 | 66.29% | -7.25% |
| Environment and Natural Resources | 33,668,000 | 206,000,000 | 239,668,000 | 34,344,269 | 296,000,000 | 330,344,269 | 32,442,845 | 56,000,000 | 88,442,845 | 26.77% | 37.83% |
| Water Services and Irrigation | 61,203,950 | 90,000,000 | 151,203,950 | 44,847,162 | 424,130,300 | 468,977,462 | 42,135,981 | 35,055,090 | 77,191,071 | 16.46% | 210.16% |
| SUB-TOTALS | 94,871,950 | 296,000,000 | 390,871,950 | 79,191,431 | 720,130,300 | 799,321,731 | 74,578,826 | 91,055,090 | 165,633,916 | 20.72% | 104.50% |
| GRAND TOTAL | 4,111,579,103 | 1,977,816,224 | 6,089,395,327 | 4,614,641,109 | 2,391,041,876 | 7,005,682,985 | 4,267,191,997 | 1,140,001,835 | 5,407,193,832 | 77.18% | 1 |

Table 10: Summary of Departmental performance for FY 2024/25 budget

| Sector /Department | Allocated amount (KShs.) A | Actual Expenditure (KShs.) B | Absorption rate (%) *100 | *Remarks |
|---|----------------------------|------------------------------|--------------------------|---|
| 3613 Medical Services | 2,123,319,519 | 1,983,672,645 | 93.42% | |
| 3630 Revenue and Resource Mobilization | 99,461,386 | 99,353,782 | 99.89% | |
| 3616 Public Administration and Devolution Affairs | 223,676,833 | 172,751,395 | 77.23% | Undisbursed KDSP II Conditional grants affected the overall performance |
| 3621 County Assembly | 539,067,456 | 523,352,348 | 97.08% | |
| 3617 Education, Gender, Culture and Social Services | 382,690,474 | 308,241,507 | 80.55% | |
| 3633 Gender, Children and Social Services | 15,126,017 | 11,327,913 | 74.89% | |
| 3612 Roads, Infrastructure and Public Works | 1,033,294,406 | 861,069,500 | 83.33% | |
| 3619 Finance and Economic Planning | 322,193,862 | 245,394,970 | 76.16% | |
| 3628 Youth and Sports | 53,934,509 | 41,307,829 | 76.59% | |

| | | | | |
|---|----------------------|----------------------|---------------|--|
| 3611 Office of Governor and Deputy Governor | 116,031,675 | 104,714,749 | 90.25% | |
| 3615 Agriculture and Crop Production | 614,160,629 | 387,719,755 | 63.13% | Undisbursed KABDP and partial disbursement of NACDP & ELRP Conditional Grant affected the Department's performance |
| 3625 Public Health and Sanitation | 353,469,225 | 349,497,930 | 98.88% | |
| 3629 Culture and Tourism | 17,343,012 | 11,881,732 | 68.51% | |
| 3623 County Public Service Board | 22,244,952 | 20,784,552 | 93.43% | |
| 3622 Water Services and Irrigation | 468,977,462 | 77,191,071 | 16.46% | Undisbursed K-WASH Conditional Grant affected the Department's performance |
| 3620 Environment, Mining and Natural Resources | 330,344,269 | 88,442,845 | 26.77% | Undisbursed FLLOCA Conditional Grant affected the Department's performance |
| 3632 Fisheries and Ecosystem Development | 22,224,384 | 17,291,406 | 77.80% | Partial disbursement of ABDP affected the Department's performance |
| 3631 Lands, Physical Planning and Housing | 81,555,865 | 70,937,024 | 86.98% | |
| 3634 Trade, Investment Promotion, Energy and Industry | 186,567,050 | 32,260,879 | 17.29% | Undisbursed CAIP Conditional Grant affected the Department's performance |
| Grand Total | 7,005,682,985 | 5,407,193,832 | 77.18% | Undisbursed conditional grants affected the overall performance |

2.2.4 Adherence to Fiscal Responsibility Principles

In line with the Constitution, the PFMA, 2012 section 107, the PFM Regulations of 2015, the county government adhered to the fiscal responsibility principles as indicated in the table below:

Table 11: Adherence to Fiscal Responsibility Principles

| Item | Target | Achieved | Status |
|---|-------------|---------------|-----------------------|
| Total Expenditure | | 5,407,193,832 | |
| Total Revenue | | 5,633,637,947 | |
| <i>Total Expenditure as % of total revenue</i> | ≤ 100% | 95.98% | Complied |
| Total recurrent | | 4,267,191,997 | |
| <i>Total Recurrent as % of Total expenditure</i> | ≤ 70% | 78.92% | Not complied |
| Total Development | | 1,140,001,835 | |
| <i>Total Development as % of total revenues</i> | ≥ 30% | 21.08% | Not complied |
| Total wages | | 2,710,773,363 | |
| <i>Total wages as % of Total revenues</i> | ≤ 35% | 48.12% | Not complied |
| <i>County assembly allocation -As per CRA ceiling</i> | 485,355,131 | 539,067,456 | Complied ¹ |

- i) **The County Government’s recurrent expenditure shall not exceed the county government’s total revenue.** The county government incurred recurrent expenditure of KES 4.27 billion against revenue receipt of KES 5.63 billion thus remaining within the limits of the PFMA, 2012.
- ii) **Over the medium term, a minimum of 30 percent of the County budget shall be allocated to development expenditure.** The development allocation in FY 2024/25 revised estimates was 40.8 percent of the total budget. The actual development spending for the county government was 20.2 percent, falling short of the outlined principles in the PFM Act 2012. This shortfall is attributed to late disbursement of the equitable share, conditional grants & loans.
- iii) **The County Government’s expenditure on wages shall not exceed a percentage of the County Government’s total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.** The County Government’s share of wages and employee benefits to revenues was 48.12 percent in FY 2024/25 which exceeds the statutory requirement of 35 percent of the county government’s revenue. There are various factors that have caused the PE to remain above the 35 per cent recommended by PFM Regulations 2015 over the last ten years despite deliberate efforts by the County Government to contain it. The factors include salary reviews and increments by the SRC, and implementation of the Finance Act of 2023 on housing levy and NSSF, recruitment of health personnel during COVID-19 pandemic, staff attrition in critical service delivery points such as health and agriculture sectors, operationalization of completed projects and new programmes, and shortage of technical staff in sectors such infrastructure (engineers, surveyors,

¹ The allocation to the County Assembly included the balances of KES 43.7 million carried forward from the FY 2023/24 and a development expenditure of KES 30 million.

architects etc), health (specialists eg. anesthetists, ICU personnel, oncologists, ophthalmologists, etc) and in agriculture (plant and animal scientists) among others.

- iv) **Over the medium term, the Government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. However, 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.** During the period FY 2024/25, the county government did not borrow, as stipulated in the Debt Management Strategy Paper, 2024. The budget was financed by equitable share, loans and grants from the National Government and own source revenue. The County debt shall be maintained at a sustainable level as approved by the County Assembly. The County Government maintained prudent fiscal management to mitigate the accumulating pending bills.
- v) **Fiscal risks shall be managed prudently.** The government has been prudently managing its fiscal risks to ensure financial stability. This was done by identifying possible fiscal risks and devising mitigation measures. There is also an established, internal pending bills committee, audit committee, an internal audit and a risk management unit which plays a key role in identifying, quantifying, and managing fiscal risks.
- vi) **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.** On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and the tax base, the County Treasury is domesticating tariffs and pricing policy developed by the CRA whose objectives is to provide guidelines on taxation policy that support economic development and promote economic diversification, enhance the country's competitive edge, and establish tax incentive schemes that are aligned to the government's development agenda. Additionally, it is established to promote investment and foster a flexible fiscal space that contains revenue-raising tax policy and administrative reforms to be undertaken over the medium-term. Further, the Government continues to carry out tax reforms including exploring untapped revenue streams in the mining sub-sector, revenue mapping, property rates and physical planning services. Additionally, the County Treasury will establish sufficient legal frameworks and guidelines to curb noncompliance. This includes the establishment of a County Court, review of by-laws and capacity building of enforcement officers. The main objective is to raise adequate tax revenues, ensure a predictable tax environment and minimize tax expenditure.

Analysis of CFSP 2024 against FY 2024/25 budget and the implication in the County

The CFSP 2024 provided policy goals and priority development areas that guided the FY 2024/25 printed budget estimates. The equitable share projected in CFSP 2024 recorded a positive variance as compared to the

FY 2024/25 printed estimates. This was attributed to revision of the approved County Allocation on Revenue Act (CARA) that increased the county allocation from KES 4.20 billion to KES 4.53 billion. There were no adjustments to the County’s Own Source Revenue. The projected conditional allocation (loans and grants) in the CFSP 2024 increased by KES. 352.0 million occasioned by the revision of County Government Additional Allocation Act 2024 that increased the conditional county allocations. Table 11 below presents deviations of the printed estimates from the CFSP projections for the FY 2024/25. Overall, the printed budget estimates indicate a total recurrent expenditure reduction of KES 12.90 million and an increase in the development expenditure of KES 460.64 million as compared to the CFSP 2024 ceilings, necessitated by expenditure rationalization.

Table 12: CFSP 2024 against FY 2024/25 budget

| Expenditures | 2024 CFSP Projections | 2024/25 Printed Estimates | Variance |
|---|-----------------------|---------------------------|----------------------|
| Revenues | | | |
| Equitable Share | 4,438,768,407 | 4,534,480,732 | (95,712,325) |
| Own Source Revenue | 450,000,000 | 450,000,000 | - |
| Conditional Allocation-Loans And Grants | 1,145,661,447 | 1,497,684,585 | (352,023,138) |
| Total Budget | 6,034,429,854 | 6,482,165,317 | (447,735,463) |
| Expenditure Item | | | |
| Total Recurrent Expenditure | 4,111,579,103 | 4,098,679,103 | 12,900,000 |
| Operations And Maintainance | 1,650,579,180 | 1,804,182,972 | (153,603,792) |
| Personnel Emoluments | 2,460,999,923 | 2,294,496,131 | 166,503,792 |
| Total Development Expenditure | 1,922,850,751 | 2,383,486,214 | (460,635,463) |
| Total Expenditure | 6,034,429,854 | 6,482,165,317 | (447,735,463) |
| Percentage Share of P.E. | 40.8% | 35.4% | 5.4% |
| Percentage Share of O&M | 27.4% | 27.8% | -0.5% |
| Percentage Share of OSR | 7.5% | 6.9% | 0.5% |
| Percentage Share of Recurrent to Budget | 68.1% | 63.2% | 4.9% |
| Percentage Share of Development to Budget | 31.9% | 36.8% | -4.9% |

2.3 Fiscal balance (or net position)

In line with the fiscal performance in expenditure and revenues, the fiscal deficit, including grants, on a cash basis, amounted to KES 1.37 billion (19.6 percent of target) due to revenue shortfalls in county own source revenue, conditional loans and grants. This impacted on budget implementation and increased the stock of pending bills.

2.4 Implications for the FY 2024/25 Performance

The FY 2024/25 was characterized by several revenues for conditional grants and loans not released in full, which hampered budget implementation and impeded service delivery. The fiscal performance in FY 2024/25 affected the financial objectives set out in the County Fiscal Strategy Paper 2024 in the following ways:

- i) The year was marked by severe cash flow challenges, largely due to delayed approval of County Government Additional Allocation Act (CGAAA) 2024. This resulted to funds amounting to KES 1.37 billion (77.3 % of the target) from conditional grants not disbursed. Construction of County headquarters, WB K-WASH PforR, Aggregated Industrial Parks Programme, KABDP, KUSP, KDSP and conditional grants for basic salary arrears for county government health workers recording 0% disbursements. Additionally, Own Source Revenue underperformed by KES 3.2 million. These collective shortfalls disrupted budget implementation, leading to non-payment for goods and services delivered to the county.
- ii) The absorption rates as indicated in Tables 8 and 9, by most County sectors were above 80% for both development and recurrent with the overall actual expenditure level reaching 77.18 % of the target. However, Water and Irrigation and Trade, Investment, Industry and Energy Departments recorded the lowest absorption rates at 16.46% and 17.29% respectively, due to non-disbursement of the K-WASH and Aggregation of Industrial Parks conditional grants. Further, Environment and Natural Resources Department recorded an absorption rate of 26.77% occasioned by partial disbursement of FLLoCA conditional grants. Generally, the failure to achieve full absorption can be attributed to revenue deficits and unrealized conditional loans, and grants.
- iii) Notably, the County Own-Source Revenue (COrE) base increased by 15.4%, from KES 417.35 million in FY 2023/24 to KES 481.79 million in FY 2024/25. The COrE collected represents 8.6% of total county revenues. This significant achievement is attributed to enhanced enforcement, the implementation of the Social Health Authority (SHA), and an effective multisectoral approach through stakeholder engagement and departmental collaboration.
- iv) Expenditure on personnel emoluments consumed 48.1% of the budget, significantly exceeding the 35% threshold recommended by the PFM Regulations (2015). This continues to exert considerable pressure on county resources. In contrast, expenditure on other development activities accounted for 21.1% of total expenditure.

Given these deviations, the revenue and expenditure ceilings for FY 2026/27 and the medium term will be revised based on updated macroeconomic assumptions and formally affirmed in the County Fiscal Strategy Paper (CFSP) 2026. The County Government remains committed to the fiscal responsibility principles stipulated in Section 107 of the PFM Act, 2012, and make appropriate modifications to the CFSP 2026 objectives to reflect these changed circumstances.

SECTION III: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.0 Overview

The fiscal and economic assumptions underpinning the 2025/26 budget are anchored on continued economic recovery both globally and nationally, despite persistent risks from geopolitical tensions, trade disruptions, and climate variability. Kenya's GDP growth slowed to 4.9 percent in 2024, after expanding by 5.4 percent in 2023, with agriculture and services sectors sustaining growth momentum while the industrial sector remained subdued. According to the World Economic Outlook (WEO 2025), early 2025 indicators show resilience, with GDP maintaining 4.9 percent in the first quarter, supported by stable weather, easing inflation, and an accommodating monetary policy.

At the county level, Tharaka Nithi reflected national trends, recording improved own-source revenue in FY 2024/25 and sustaining growth into the first three months of FY 2025/26. However, the fiscal space remains tight due to delayed disbursements, high wage pressures, and pending bills. The County Treasury remains committed to strengthening revenue mobilization, rationalizing expenditures, and implementing structural reforms to support fiscal consolidation and aligning resources with development priorities.

3.1 Recent Economic Developments

The global economy has portrayed relative stability as growth is expected to decelerate and reach 3.1 percent in 2026. At 3.0 percent in 2025, the forecasts are below the 2024 outcome of 3.3 percent. Although the world economy has been steady in the current years, it is experiencing significant headwinds, including elevated trade tension, and policy uncertainty. This is leading to a decline in the outlook of most of the leading world economies. In the case of Emerging Market and Developing Economies (EMDEs) such as China, India, Russia, Brazil, Nigeria, South Africa and Mexico, the capability to bridge per capita income disparities to the advanced economies (e.g. United States, Germany and France), enhance employment growth and alleviate severe poverty is still wanting. The threats to the outlook are somewhat downside-related and may include increasing trade barriers, ongoing policy uncertainty, growing geopolitical tensions, and the percentage of extreme weather events. Further, policy uncertainty and trade tensions could be alleviated in case the leading economies can achieve sustainable agreements to subdue the prevailing trade disputes. The hard international environment experienced by EMDEs is further aggravated by fact that inflows of foreign direct investment into these economies have reduced to a rate that is less than half of the levels experienced in the year 2008 and is likely to continue being muffled. International collaboration is required to help recover a more predictable and open international commerce setting and increase the backing of nations struggling with warfare, debt, and climate change.

Across EMDEs, domestic policy action is also critical to contain inflation risks, strengthen fiscal resilience through improved revenue mobilization, and spending rationalization. To unlock job creation and long-term growth, structural reforms must focus on raising institutional quality, attracting private investment, and strengthening human capital and labor markets. In particular, countries in Fragile and Conflict Situations (FCS) face daunting development challenges that will require tailored domestic policy reforms, underpinned by well-coordinated multilateral support. That notwithstanding, fiscal stimulus is anticipated in major economies including China, Germany and the United States.

Global inflation is expected to fall to 3.6 percent in 2026 from 4.2 percent in 2025 and, a path similar to the first half of 2025. The overall picture hides notable cross-country differences, with forecasts predicting inflation will remain above target in the United States and be more restrained in other large economies.

Kenya's economy continues to recover from recent shocks including the COVID-19 pandemic, global conflicts, and adverse climate impacts. Real GDP hit 5.4 percent in 2023, driven by a rebound in agriculture and strong performance in the services sector, while industrial growth remained weak. Growth moderated in 2024, with GDP shrinking to 4.9 percent for the year. Indicators for the first quarter of 2025 show the economy growing at 4.9 percent year-on-year, with all major sectors posting positive growth, though services slowed compared to 2024. Inflation eased to about 4.5 percent in 2024, down from 7.7 percent in 2023, supported by stable food and fuel prices. Monetary policy has turned more accommodative, with the Central Bank easing interest rates to spur credit growth.

Key sectoral performance highlights include:

- Accommodation and food services declined by 4.1% in Q1 2025, from 38.1% in Q1 2024.
- Financial and insurance services expanded by 5.1% in Q1 2025, compared to 7.0% in Q1 2024.
- Information and communication grew by 5.8% in Q1 2025, slower than 7.8% in Q1 2024.
- Transport and storage grew by 4.0% in Q1 2025, compared to 3.8% in Q1 2024.

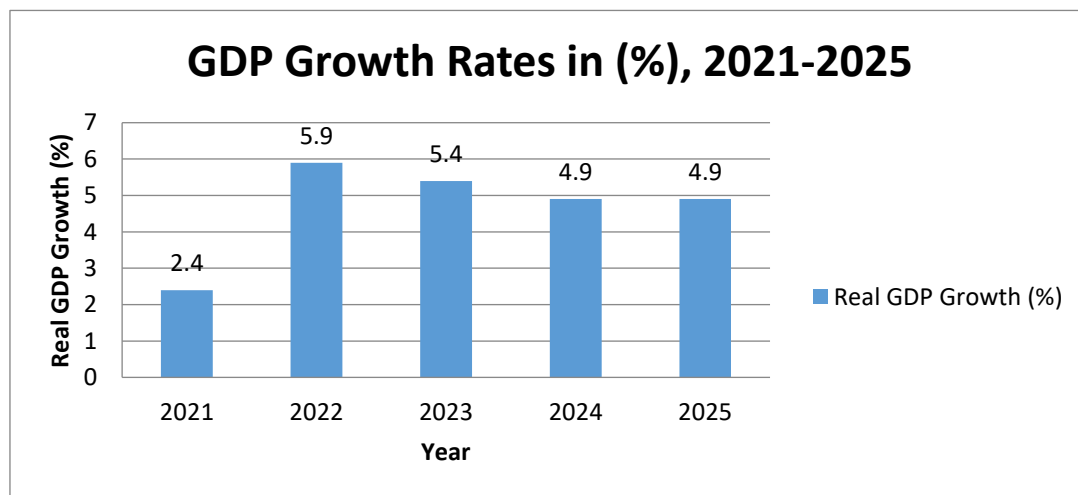
Agriculture continued to perform strongly in early 2025 due to stable weather, helping cushion the slowdown in services. Export activity also improved modestly. The World Bank projects Kenya's GDP growth to average at 4.9 percent for 2025–2027 in 2025, supported by private sector recovery, government investments under the Bottom-Up Economic Transformation Agenda (BETA), and prudent fiscal and monetary policies.

Tharaka Nithi County has mirrored national economic trends, with agriculture remaining the backbone of the local economy. Enhanced rainfall in 2024 led to destroyed crops and livestock, reducing agricultural productivity, weakening household incomes, and trading activities. However, stable weather conditions in mid-2024 and into 2025 have supported recovery in crop production and livestock rearing.

The County recorded an improvement in own-source revenue collection in FY 2024/25, supported by continued automation of revenue streams, enforcement measures, SHA roll out, deliberate efforts to expand the county revenue base and collaboration with departments. Performance in the first quarter of FY 2025/26 (July–September 2025) indicates stable revenue growth, though the fiscal space remains constrained due to recurrent expenditure pressures, delayed national disbursements, and the persistent burden of pending bills.

Government interventions, particularly in agriculture, infrastructure, and health, as well as structural reforms in revenue mobilization, have cushioned the county economy. Nonetheless, the need for stronger fiscal discipline, faster disbursement of conditional grants, and effective management of pending bills remains urgent to ensure sustained growth and service delivery.

Figure 3: Kenya GDP Growth Rates in Percentage, 2021-2025



Source: Kenya National Bureau of Statistics

In an effort to combat corruption, enhance transparency, efficiency, accountability, and maximize value for money in public procurement, the national government, through the National Treasury, has introduced an electronic Government Procurement (e-GP) system. This digital platform is designed to automate and streamline the public procurement process, replacing traditional manual procedures. Starting from July 1, 2025, all government procurement activities will be required to be conducted exclusively through the e-GP system. As a county, we are fully committed to embracing and adopting the e-GP process. However, to ensure a smooth and successful transition, it is crucial that personnel involved in operating the system receive comprehensive and adequate training. This will equip them with the necessary skills and knowledge to fully utilize the system, thereby ensuring its effective implementation and achieving the desired outcomes.

3.2 Progress report on budget implementation

Implementation of the FY 2025/26 budget has begun under a constrained fiscal environment shaped by delayed disbursement of funds. Performance in the first quarter of FY 2025/26 shows that the county has received an equitable share allocation amounting to KES 374 million while conditional grants and loans have not been

disbursed. Own-source revenue collection, amounting to KES 46.50 million was realized, comprising KES 20.6 million collected as FIF and KES 25.90 million from ordinary revenue streams. Unspent balances for FY 2024/25 were KES 226.44 million. Expenditure patterns reveal that most outlays were on recurrent items, including personnel emoluments and operations and maintenance, with limited development disbursements recorded in the first quarter of FY 2025/26.

Additionally, institutionalization of reforms to contain the wage bill, including payroll audits and enhanced HR controls. Expenditure rationalization will target recurrent and development budgets for all departments to align the same with the revised DoRA and CARA. The fiscal projections for the 2025 CBROP have been revised from those of the 2024 estimates considering the fiscal outcome of the FY 2024/25.

3.3 County Economic Outlook and Policies

Tharaka Nithi county economy remains intricately linked to national economic trends, with fiscal allocations significantly influenced by macroeconomic policies. As the national government implements its medium-term fiscal strategy, the county must align its planning to navigate economic uncertainties while seizing emerging opportunities for sustainable growth.

The county's economic situation reflects unique local dynamics. Over the past year, economic growth has been driven by increased agricultural productivity, supported by better rainfall performance in 2024, provision of farm inputs and increased adoption of resilience-building Technologies, Innovation and Management Practices (TIMPs). According to the Gross County Product 2024, the agricultural sector contributed 21.6 per cent to the national GDP, thereby exerting a significant impact on the overall economic performance over the years (2019-2023). Tharaka Nithi County agricultural sector contributed 0.9% of the national GDP.

The agriculture sector employs over 40 percent of the total population, with more than 70 percent living and working in rural areas. Tharaka Nithi is investing in agriculture to boost production and productivity, enhance value addition, and increase small-scale farmers' market participation.

Key initiatives that the county government proposed for the medium-term include improved cash crop development, distribution of fertilizers and high-yield seeds, artificial insemination, and strengthening horticulture. Additionally, collaboration with the National Government has led to projects like the Aquaculture Business Development Programme (ABDP) and the National Agriculture Value Chain Development Project (NAVCDP), which helps link farmers to local and international markets.

The county government advocates for the right to safe and accessible water for all, and ensure sustainable water and sanitation management. The county is focused on investments in water management and conservation and

pursued strategic partnerships to fund projects such as water reservoirs and smallholder irrigation systems in marginalized areas. Specifically, the K-WASH program which aims to enhance health and well-being through sustainable water and sanitation management is anticipated to expand access to clean and safe domestic water.

The Financing Locally-led Climate Actions (FLLoCA) programme, supported by the World Bank, focuses on building climate resilience at the community level by strengthening county and national government capacity to plan, fund, and implement local climate adaptation and mitigation projects, particularly in rural areas. The initiative comes to a close in FY 2026/27 and will enhance the county government's capacity to respond to emerging climate change issues that continue to impact socioeconomic development.

The county is also committed to providing quality and effective health care, having expanded its health facility network to improve access. The health facility density is at 4.3 per 10,000 population, surpassing the national target of 2.2. Efforts will continue to improve Intensive Care Units and upgrade health facilities to alleviate pressure on level five and four hospitals.

The county focuses on integrating competency-based curricula, rehabilitating Vocational Training Centers, and promoting early childhood education to ensure better learning outcomes. The county has also invested in increasing the number of VTC tutors to improve enrollment and retention.

Through the second Kenya Devolution Support Programme, the county government has made strides to improve the effectiveness of service delivery. The donor-funded programme aims to achieve results through enhancing sustainable financing and expenditure management, intergovernmental coordination, institutional performance, and human resource management. Additionally, oversight, participation, and accountability dimensions are being enhanced through the performance for results programme, which will run until FY 2026/27.

Industrialization is essential for advancing the Bottom-Up Economic Transformation Agenda (BETA) and the county government is shifting from an agriculture-based economy to processing and manufacturing to create jobs and foster economic growth. Kenyan Vision 2030 promotes equitable education and training as key to a skilled workforce. Statistics show that the manufacturing, secondary services and service sectors in the county present growth potential, aligning with national economic strategies. The Gross County Product (GCP) report 2024 shows that these sectors contributed 0.3 percent, 0.6 percent and 0.5 percent respectively to the national Gross Value Added (GVA). Overall, Tharaka Nithi maintained 0.6 percent contribution to the national GDP.

The table below highlights the GCP by economic activities at the current prices.

Table 13: *Tharaka Nithi GCP by economic activity, 2023*

| GCP by Economic Activity at Current Prices, 2023 | Amount (KES Million) |
|---|-----------------------------|
| Agriculture, Forestry & Fishing | 31,680 |
| Mining & Quarrying | 286 |
| Manufacturing | 3,438 |
| Electricity Supply | 240 |
| Water Supply; Waste Collection | 332 |
| Construction | 7,317 |
| Wholesale & Retail Trade; Repair of Motor Vehicles | 2,006 |
| Transport & Storage | 11,712 |
| Accommodation & Food Service Activities | 2,039 |
| Information & Communication | 1,927 |
| Financial & Insurance Activities | 1,136 |
| Real Estate Activities | 3,146 |
| Professional & Technical Services | 1,562 |
| Administrative Support Services | 1,072 |
| Public Administration & Defense | 8,354 |
| Education | 7,683 |
| Human Health & Social Work Activities | 2,690 |
| Other Service Activities | 1,656 |
| Financial Services Indirectly Measured | 343 |
| Total GCP | 87,932 |

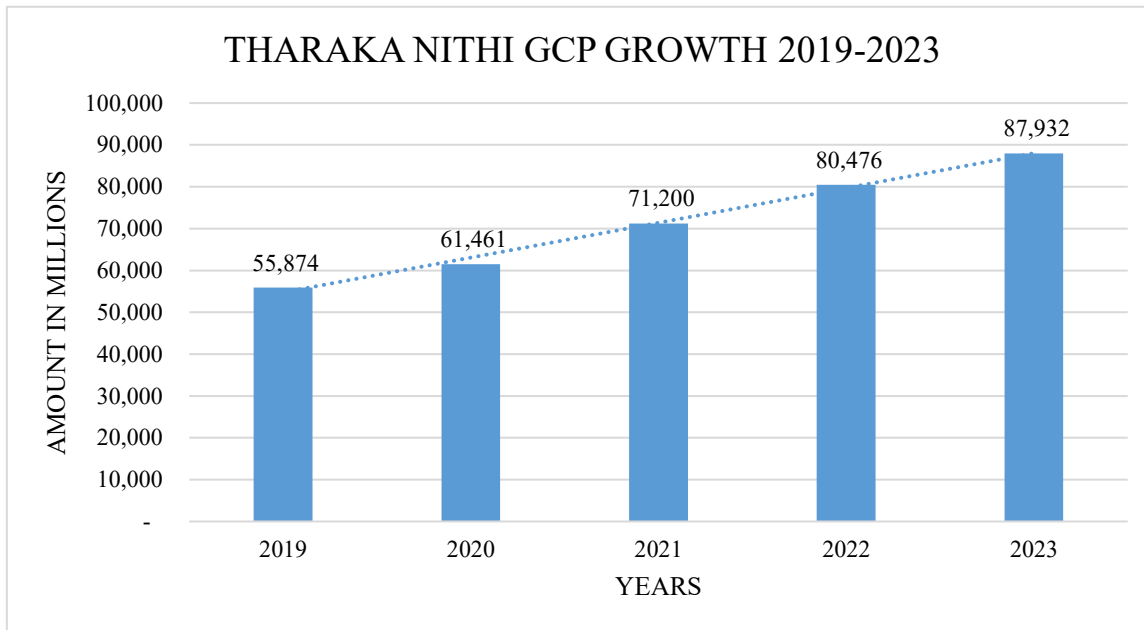


Figure 4: Tharaka Nithi's GCP growth, 2019-2023

3.4 Medium Term Fiscal Framework

The global economy has stabilized, with growth projected at 3.2 percent in 2024 and 3.3 percent in 2025, up from 3.3 percent in 2023. This improvement is supported by easing global inflation and reduced supply chain constraints. The outlook indicates stronger-than-expected growth in the United States, as well as in some large emerging market economies like India, along with more favorable growth prospects in the United Kingdom. However, the main risks to this global growth outlook include potential disruptions to the disinflation process, which could be triggered by new spikes in commodity prices due to ongoing geopolitical tensions. Additionally, there is concern about a possible resurgence of financial market volatility that could negatively affect sovereign debt markets, along with the possibility of a deeper growth slowdown in China.

| Economy | Growth (%) | | | |
|-----------------------------------|------------|------|-------------|------|
| | Actual | | Projections | |
| | 2022 | 2023 | 2024 | 2025 |
| World | 3.5 | 3.3 | 3.2 | 3.3 |
| Advanced Economies | 2.6 | 1.7 | 1.7 | 1.9 |
| Of which: USA | 1.9 | 2.9 | 2.8 | 2.7 |
| Euro Area | 3.4 | 0.4 | 0.8 | 1.0 |
| Japan | 1.0 | 1.5 | (0.2) | 1.1 |
| Emerging and Developing Economies | 4.1 | 4.4 | 4.2 | 4.2 |
| Of which: China | 3.0 | 5.2 | 4.8 | 4.6 |
| India | 7.0 | 8.2 | 6.5 | 6.5 |
| Sub-Saharan Africa | 4.0 | 3.6 | 3.8 | 4.2 |
| Of which: South Africa | 1.9 | 0.7 | 0.8 | 1.5 |
| Nigeria | 3.3 | 2.9 | 3.1 | 3.2 |
| Kenya* | 4.9 | 5.6 | 4.6 | 5.3 |

Source: IMF World Economic Outlook, January 2025. *National Treasury Projection

Growth in the advanced economies is projected to remain stable at 1.7 percent in 2024 and 1.9 percent in 2025 from 1.7 percent in 2023. In the United States, growth is projected at 2.8 percent in 2024 and 2.7 percent in 2025, reflecting strong wealth effects, a less restrictive monetary policy stance, and supportive financial conditions, stronger out turns in consumption and non-residential investment, and demand factors in the labour market. In the Euro area, growth may pick up but at a more gradual pace, with geopolitical tensions continuing to weigh on sentiment. However, growth in Japan will contract in 2024, reflecting temporary supply disruptions and the fading of one-off factors that boosted activity in 2023, such as the surge in tourism.

Growth in emerging markets and developing economies is projected to remain stable at 4.2 percent in 2024 and 2025, with divergence across major economies. At the regional level, growth in Sub-Saharan Africa is expected to rebound to 4.2 percent in 2025 from 3.8 percent in 2024. This growth is driven by improved economic activities as the adverse impacts of prior weather shocks subside and supply constraints gradually ease.

The Kenyan economy remained strong and resilient in the first three quarters of 2024 despite its growth being relatively slower than the corresponding period in 2023. In the first three quarters of 2024, the economic growth averaged 4.5 percent (5.0 percent in Q1, 4.6 percent in Q2, and 4.0 percent in Q3) compared to an average growth of 5.6 percent (5.5 percent in Q1, 5.6 percent in Q2, and 6.0 percent in Q3) in 2023. The growth in the first three quarters of 2024 was underpinned by strong performance in the agriculture sector, a slight recovery of the manufacturing sector, and the resilience of the services sector. All the economic sub-sectors except mining and construction recorded positive growth rates in the first three quarters of 2024, though the magnitudes varied across the economic activities as shown in

Table 14: Sectoral GDP Performance

| Sectors | Annual Growth Rates | | Quarterly Growth Rates | | | | | |
|--|---------------------|--------------|------------------------|--------------|--------------|------------|------------|------------|
| | 2021 | 2022 | 2022 Q1 | 2022 Q2 | 2022 Q3 | 2023 Q1 | 2023 Q2 | 2023 Q3 |
| 1. Primary Industry | 0.5 | (1.0) | (0.4) | (1.5) | (1.5) | 5.9 | 8.0 | 6.4 |
| 1.1. Agriculture, Forestry and Fishing | (0.4) | (1.6) | (1.7) | (2.4) | (1.3) | 6.1 | 8.2 | 6.7 |
| 1.2. Mining and Quarrying | 18.0 | 9.3 | 23.8 | 16.6 | (4.5) | 3.3 | 5.2 | 1.1 |
| 2. Secondary Sector (Industry) | 6.8 | 3.5 | 4.4 | 4.2 | 3.0 | 2.4 | 1.7 | 2.9 |
| 2.1. Manufacturing | 7.3 | 2.7 | 3.8 | 3.6 | 1.8 | 2.0 | 1.4 | 2.6 |
| 2.2. Electricity and Water supply | 5.6 | 4.9 | 3.2 | 5.6 | 6.0 | 2.5 | 0.8 | 1.9 |
| 2.3. Construction | 6.7 | 4.1 | 6.0 | 4.5 | 3.5 | 3.1 | 2.6 | 3.8 |
| 3. Tertiary sector (Services) | 9.6 | 6.7 | 8.5 | 7.7 | 5.7 | 5.9 | 5.9 | 6.9 |
| 3.1. Wholesale and Retail trade | 8.0 | 3.8 | 4.9 | 4.1 | 3.6 | 5.7 | 4.2 | 4.8 |
| 3.2. Accommodation and Restaurant | 52.6 | 26.2 | 40.1 | 44.0 | 16.9 | 21.5 | 12.2 | 26.0 |
| 3.3. Transport and Storage | 7.4 | 5.6 | 7.7 | 7.2 | 5.1 | 6.2 | 3.0 | 2.8 |
| 3.4. Information and Communication | 6.1 | 9.9 | 9.0 | 11.2 | 11.8 | 9.0 | 6.4 | 7.3 |
| 3.5. Financial and Insurance | 11.5 | 12.8 | 17.0 | 16.1 | 9.6 | 5.8 | 13.5 | 14.7 |
| 3.6. Public Administration | 6.0 | 4.5 | 6.2 | 3.8 | 3.4 | 6.6 | 3.8 | 4.2 |
| 3.7. Others | 10.8 | 5.2 | 6.7 | 5.5 | 4.7 | 4.8 | 4.9 | 6.3 |
| of which: Professional, Admin & Support Services | 7.1 | 9.4 | 13.1 | 10.9 | 9.0 | 7.3 | 5.5 | 9.5 |
| Real Estate | 6.7 | 4.5 | 6.0 | 5.0 | 4.0 | 5.2 | 5.8 | 6.2 |
| Education | 22.8 | 4.8 | 4.6 | 4.4 | 3.9 | 3.0 | 4.0 | 4.7 |
| Health | 8.9 | 4.5 | 5.7 | 4.4 | 3.7 | 5.4 | 5.0 | 5.1 |
| Taxes less subsidies | 11.9 | 7.0 | 9.5 | 6.1 | 7.3 | 5.3 | 4.0 | 2.8 |
| Real GDP | 7.6 | 4.8 | 6.2 | 5.2 | 4.3 | 5.5 | 5.5 | 5.9 |

Source of Data: Kenya National Bureau of Statistics.

Tharaka-Nithi County's economy is predominantly supported by agriculture, infrastructure development, and public services. The main areas of focus include enhancing crop and livestock production, improving roads, water supply, climate change, healthcare and education. The county prioritizes development projects that boost living standards and foster economic growth, with significant investments scheduled for urban development, healthcare, and public administration.

While agriculture remains a cornerstone of the economy, ongoing efforts to improve infrastructure and service delivery aim to promote overall economic progress and enhance the quality of life for residents while strengthening social pillar through education and healthcare. However, the substantial wage bill incurred by the county limits the funding available for various initiatives, hindering the achievement of key objectives. This budget review and outlook paper presents policy proposals that can be implemented in the short to medium term to address the rising wage bill. These include reviewing recruitment practices, implementing a hiring freeze based on necessity, and streamlining payroll and control systems to clean up the payroll processes within the county.

3.5 Risks to the Outlook

Kenya's GDP growth is projected to rebound, with forecasts for 2025 ranging from 5.3% to 5.6%. This growth is supported by a rebound in key sectors that drive the economy, increased macroeconomic stability, and declining inflation and a strengthening shilling against major currencies. These all portray a stable economic

environment in the medium term, but, there are downside risks to this macroeconomic outlook emanating from domestic as well as external sources.

Geopolitical Risk

External risks include further escalation of geopolitical tensions – particularly the wars in the Middle East and Ukraine; potential worsening of supply disruptions due to the shipping crisis in the Red Sea and Suez Canal, which could result in higher import and production costs; and uncertainty about the evolution of international oil prices.

Climate change

Extreme weather (drought or floods) could weaken agricultural output, lead to the destruction of capital, increase food insecurity, and lead to a surge in cases of water-borne diseases. Lower than anticipated global economic growth, particularly in major export destinations, could reduce Kenya's exports, tourism receipts, and remittances growth, while an increase in global fuel prices could increase the country's import bill.

Changes in macroeconomic assumptions

Kenya's GDP growth is projected to rebound, with forecasts for 2025 ranging from 5.3% to 5.6%. This growth is supported by a rebound in Agriculture due to favorable weather, increased macroeconomic stability including declining inflation and strengthening shilling, and a government initiative such as farm input subsidies. Projections for future years are generally positive, though the world bank notes the fiscal path remains fragile due to high debt. The average growth in 2023 and 2024 was 5.2%.

Inflation declined significantly from 9.6% in October 2022 to 3.8% in May 2025. The development blueprint under the Bottom -Up- Economic Transformation Agenda (BETA) supports the agricultural sector and overall economic growth. Strong performance in the Services, infrastructure, real estate, finance and public administration sectors are all anticipated to support economic expansion, as the economy continues to demonstrate resilience against global shocks. Notably, the government is exploring financing opportunities to supports development.

Investment Risks

Tight global financial conditions arising from lower-than-expected return of global inflation to target levels could aggravate Kenya's vulnerabilities towards meeting external financing requirements. However, the Government's commitment to fiscal consolidation and prioritizing concessional borrowing is expected to mitigate this risk.

Financial Risks

The upside risk to the domestic economy relates to the fast-tracked implementation of structural reforms under BETA and the Fourth Medium-Term Plan (MTP) IV. Early normalization in global financing conditions and lower international fuel and food prices would strengthen Kenya's external balances. Faster than projected rebound in economic activities that would result in higher Government revenues, providing fiscal space that would support fiscal consolidation.

Monetary and Fiscal Risk

Continued coordination between monetary and fiscal policies is expected to result in stable macroeconomic conditions, which is a necessary condition for investment and savings, thereby promoting economic growth. The Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they materialize.

SECTION IV: RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to the 2025/26 FY Budget

The FY 2025/26 budget is guided by nine broad county government development priorities as contained in the CFSP 2025 and the third generation CIDP. The main objectives are to enhance economic growth and development, increase agricultural production, improve water access, improve access quality and affordable health services, provision of quality education, ensure sustained investment in infrastructure, and provision of efficient and effective services.

The total revenue estimates for FY 2025/26 are KES 6.77 billion; to be financed through equitable share of 4.59 billion (67.8%), OSR of KES 585.40 million (8.6%) and conditional grants and loans of 1.60 billion (23.6%). Estimated recurrent expenditure for the FY 2025/26 is KES 4.26 billion, which represents 63 percent of the total expenditure while estimated development expenditure is KES 2.51 billion. The Government's estimated development index for FY 2025/26 is 37 percent, which meets the minimum requirement of 30 percent set by the PFM Act.

The adoption of the fourth basis of revenue allocation for the FY 2025/26 - FY 2029/30 proposed new parameters for sharing of revenue for county governments. Tharaka-Nithi County is set to benefit from the fourth basis of revenue allocation as it is identified as one of the twelve counties receiving additional funding to catalyze development. This special allocation aims to provide resources for developing counties that have not fully engaged in development programs, offering Tharaka-Nithi a dedicated opportunity to fund and implement new projects. Additionally, the Division of Revenue Act (DoRA) 2025 established the equitable share for county governments at KES 405.1 billion, an increase of KES 17 billion from the previous year. Similarly, the enactment of the County Allocation of Revenue Act, (CARA) 2025, indicates an increase in Tharaka Nithi County's equitable share, from KES 4.58 billion to KES 5.05 billion. Further, the County Government Additional Allocations Act (CGAAA) 2025 indicates variances in conditional grants and loans, such as RMLF, ABDP, settlement of doctors' salary arrears, among others.

County leadership's recent structural changes and departments realignments will necessitate aligning financial resources with new priorities, ensuring strategic resource allocation for enhanced service delivery and operational efficiency.

With these developments, the County Treasury will review the FY 2025/26 printed budget estimates to appropriate the cash balances brought forward and incorporate changes proposed in the CARA and CGAAA for equitable share and conditional grants respectively as well as realign the budget with the new county

government structure. This will ensure seamless implementation of the budget and safeguard fiscal consolidation plans.

4.2 Medium Term Expenditure Framework

The FY 2026/27 budget is aligned with the Medium-Term Expenditure Framework, which is based on the third-generation County Integrated Development Plan (CIDP) for 2023-2027. The County Government of Tharaka Nithi aims to strengthen the local economy while fostering holistic growth, in line with its goal of being a haven for value addition and ensuring that no one is left behind. This framework addresses public demand for governance that supports all community members. Priority will be placed on both social and capital investments aimed at raising living standards and reducing the county's poverty index, implemented through a program-based budgeting approach. The outlined priorities will be effectively managed through this framework, which emphasizes resource optimization as a key approach. A key objective of this framework is to achieve a zero fiscal deficit.

4.3 Proposed 2026/27 Budget Framework

4.3.1 Revenue Projections

In FY 2026/27, the county government projects total revenue to increase from the FY 2025/26 printed estimates of KES 6.77 billion to KES 7.26 billion, reflecting a 7.2% increase. This comprises KES 585.4 million from own source revenue, KES 5.18 billion from the equitable share, and KES 1.49 billion from loans and grants. This revenue outlook is expected to improve through reforms in revenue mobilization, strengthened policies, strategic planning, and enhanced administration.

County own-source revenue is anticipated to sustain a positive growth trajectory, supported by improved management measures and initiatives to expand the tax base. Between FY 2022/23 and FY 2024/25, OSR collections increased by 68% from KES 286.73 million to KES 481.79 million. The overarching goal is to optimize collections by tapping into underutilized revenue streams, thereby realizing the full potential of local resources as prioritized in the budget framework. Strengthening the instruments of revenue collections, including review / development of policies, laws, and regulations, including the Revenue Mobilization Strategy, Rating Act, Markets and Trade Licensing Act, Cess Act, Tax Waiver Administration Act, and Building Approvals legislation among others remains central to increasing OSR. Table 12 and Figure 4 below illustrate the revenue projections for the MTEF.

Table 15: MTEF Revenue Projections by source FY 2023/24- FY 2028/29

| Description | Actual 2023/24 FY | Actual 2024/25 FY | Printed Estimate 2025/26 FY | 2026/27 FY projected | Projection 2027/28 FY | Projection 2028/29 FY |
|------------------------------|----------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| Equitable Share Allocation | 4,027,976,038 | 4,749,766,134 | 4,587,150,462 | 5,180,166,565 | 5,439,174,893 | 5,711,133,638 |
| Grant income | 559,317,341 | 294,640,755 | 1,597,849,728 | 1,494,366,104 | 1,569,084,409 | 1,647,538,630 |
| Local Revenue | 417,346,035 | 481,791,096 | 585,400,000 | 585,400,000 | 614,670,000 | 645,403,500 |
| Unspent Bal from Previous FY | 253,643,267 | 107,439,962 | 0 | 0 | 0 | 0 |
| Grand Total | 5,258,282,681 | 5,633,637,947 | 6,770,400,190 | 7,259,932,669 | 7,622,929,303 | 8,004,075,768 |

Figure 5 shows the revenue performance and the projections over the medium term.

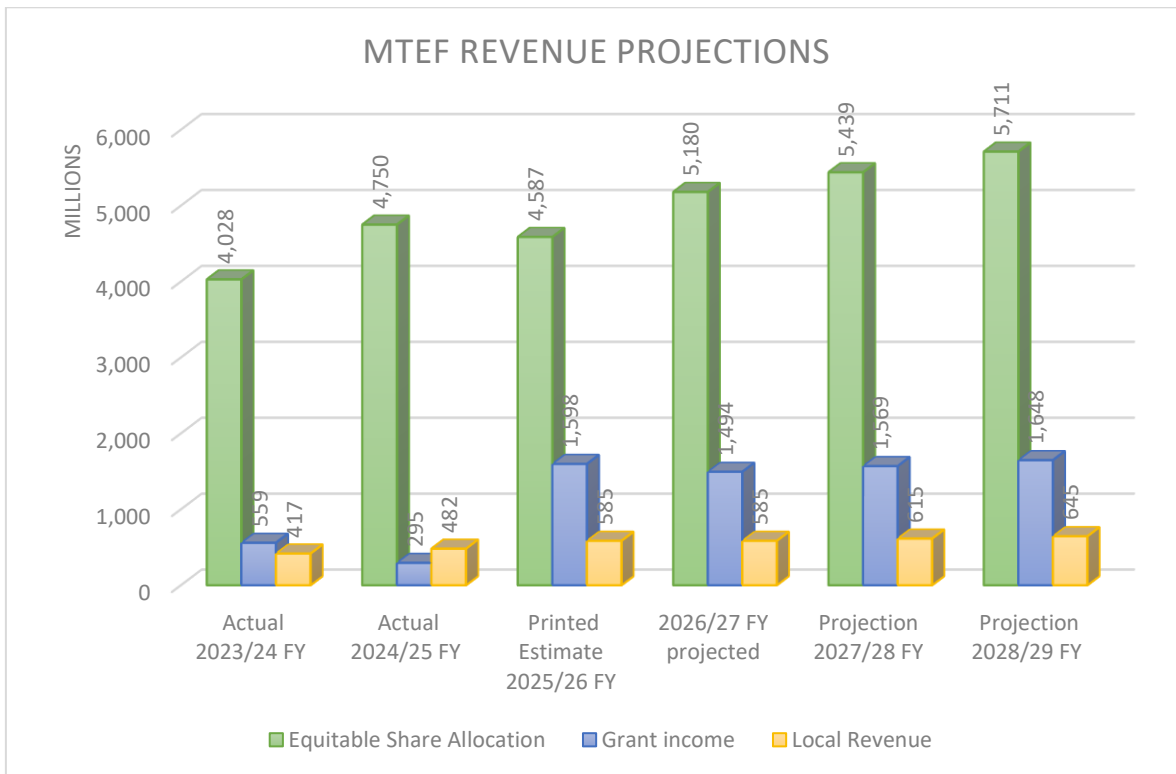


Figure 5: Revenue Projections FY 2023/24-FY 2028/29

Table 16 : Revenue and Expenditure Projections FY 2024/25-2028/29

| Description | 2024/25 FY | | 2025/26 FY | | | 2026/27 FY | | 2027/28 FY | 2028/29 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Budget Estimates | Actual | Budget Estimates | CBROP 2024 | CFSP 2025 | CFSP 2025 | CBROP 2025 | CBROP 2025 | CBROP 2025 |
| TOTAL REVENUE & GRANTS | 7,005,682,985 | 5,633,637,947 | 6,770,400,190 | 6,725,080,700 | 6,784,214,478 | 7,123,425,201 | 7,259,932,669 | 7,622,929,303 | 8,004,075,768 |
| Unspent Bal b/f \Previous FY | 107,439,962 | 107,439,962 | 0 | 0 | 0 | | 0 | 0 | 0 |
| Revenue (Total) | 6,898,243,023 | 5,526,197,985 | 6,770,400,190 | 6,725,080,700 | 6,784,214,478 | 7,123,425,201 | 7,259,932,669 | 7,622,929,303 | 8,004,075,768 |
| Equitable Share Allocation | 4,749,766,131 | 4,749,766,134 | 4,587,150,462 | 4,594,480,200 | 4,587,150,462 | 4,816,507,985 | 5,180,166,565 | 5,439,174,893 | 5,711,133,638 |
| Local Revenue | 485,000,000 | 481,791,096 | 585,400,000 | 480,000,000 | 480,000,000 | 504,000,000 | 585,400,000 | 614,670,000 | 645,403,500 |
| Grant and Loans | 1,663,476,892 | 294,640,755 | 1,597,849,728 | 1,650,600,500 | 1,717,064,016 | 1,802,917,216 | 1,494,366,104 | 1,569,084,409 | 1,647,538,630 |
| Grand (Total) | 7,005,682,985 | 5,633,637,947 | 6,770,400,190 | 6,725,080,700 | 6,784,214,478 | 7,123,425,201 | 7,259,932,669 | 7,622,929,303 | 8,004,075,768 |
| Total Expenditure | 7,005,682,985 | 5,633,637,947 | 6,770,400,190 | 6,725,080,700 | 6,784,214,478 | 7,123,425,202 | 7,259,932,669 | 7,622,929,303 | 8,004,075,768 |
| Recurrent | 4,614,641,109 | 4,267,191,997 | 4,258,549,163 | 4,308,389,865 | 4,211,398,779 | 4,421,968,718 | 4,580,412,357 | 4,809,432,975 | 5,049,904,624 |
| <i>Recurrent as % of CG Total Revenue</i> | <i>66%</i> | <i>76%</i> | <i>63%</i> | <i>64%</i> | <i>62%</i> | <i>62%</i> | <i>63%</i> | <i>63%</i> | <i>63%</i> |
| Personnel Emolument | 2,814,098,850 | 2,710,773,363 | 2,418,644,603 | 2,405,993,953 | 2,504,999,923 | 2,630,249,919 | 2,693,212,643 | 2,827,873,275 | 2,969,266,939 |
| Operations & Maintenance | 1,800,542,259 | 1,556,418,634 | 1,839,904,560 | 1,902,395,912 | 1,706,398,856 | 1,791,718,799 | 1,887,199,714 | 1,981,559,700 | 2,080,637,685 |
| <i>Personnel Emoluments as % of CG Revenue</i> | <i>40%</i> | <i>48%</i> | <i>36%</i> | <i>36%</i> | <i>37%</i> | <i>37%</i> | <i>37%</i> | <i>37%</i> | <i>37%</i> |
| Development | 2,391,041,876 | 1,140,001,835 | 2,511,851,027 | 2,416,690,835 | 2,572,815,699 | 2,701,456,484 | 2,679,520,312 | 2,813,496,328 | 2,954,171,144 |
| <i>Development as % of CG Total Revenue</i> | <i>34%</i> | <i>20%</i> | <i>37%</i> | <i>36%</i> | <i>38%</i> | <i>38%</i> | <i>37%</i> | <i>37%</i> | <i>37%</i> |
| Unspent Bal Current FY | 0 | 226,444,115 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

4.3.2 Expenditure Forecasts

The forecasted budget for FY 2026/27 is KES 7.26 billion, with projected recurrent and development expenditure of KES 4.58 billion and KES 2.68 billion respectively. This indicates a 7.2% increase in total revenues, with 7.6 percent and 6.7 percent increase in recurrent and development expenditures respectively.

The projected budget is anticipated to grow to KES 7.62 billion in FY 2027/28 and KES 8.0 billion in FY 2028/29. The FY 2027/28 recurrent and development expenditures are projected to be KES 4.81 billion and KES 2.81 billion respectively, while that of FY 2028/29 are projected at KES 5.05 billion and KES 2.95 billion respectively.

Over this MTEF period, recurrent expenditure is expected to account for 63% of the overall budget largely driven by staff compensation, while the development budget will account for 37%. Key investment priorities will focus on advancing universal health coverage, strengthening skills development, enhancing public service delivery, expanding road infrastructure, upgrading urban centers and markets, improving access to water and sanitation, addressing climate change, promoting value addition and market access for smallholder farmers, boosting agricultural productivity for food security, and supporting the growth of MSMEs. Table 16 summarizes the actual and projected expenditure for the period while table 17 gives a summary of indicative departmental ceilings for the MTEF period.

Table 17: Summary of Actual and Projected Expenditure MTEF

| Expenditure Classification | Actual Expenditure 2024/25 | Approved Budget Estimates 2025/26 | Projected Estimates (MTEF) 2026/27 | Projected Estimates (MTEF) 2027/28 | Projected Estimates (MTEF) 2028/29 |
|-----------------------------------|-----------------------------------|--|---|---|---|
| Recurrent | 3,900,304,912 | 4,258,549,163 | 4,580,412,357 | 4,809,432,975 | 5,049,904,624 |
| Personnel Emoluments | 2,710,773,363 | 2,418,644,603 | 2,693,212,643 | 2,827,873,275 | 2,969,266,939 |
| Operations & Maintenance | 1,545,648,940 | 1,839,904,560 | 1,887,199,714 | 1,981,559,700 | 2,080,637,685 |
| Development | 1,261,537,807 | 2,511,851,027 | 2,679,520,312 | 2,813,496,328 | 2,954,171,144 |
| County Assembly | 523,352,348 | 538,533,605 | 593,960,285 | 623,658,299 | 654,841,214 |
| Un spent Bal current FY | 107,439,962 | - | - | - | - |
| Total | 5,269,282,681 | 6,770,400,190 | 7,259,932,669 | 7,622,929,303 | 8,004,075,768 |

Table 18: Summary of Indicative departmental Ceilings for the MTEF Period 2024/25- 2028/29

| SECTOR | MINISTERIAL DEPARTMENTS | TOTAL EXPENDITURE KSHS | | | | | % SHARE OF TOTAL EXPENDITURE | | | | |
|---|--|----------------------------|----------------------|----------------------|----------------------|----------------------|------------------------------|-------------------|------------------|---------------------|---------------------|
| | | 2024/25 Actual Expenditure | 2025/26 Estimates | 2026/27 Ceilings | 2027/28 Projections | 2028/29 Projections | 2024/25 Actual Expenditure | 2025/26 Estimates | 2026/27 Ceilings | 2027/28 Projections | 2028/29 Projections |
| Public Administration | Governor's Office | 104,714,749 | 109,931,939 | 119,680,173 | 125,664,182 | 131,947,391 | 1.94% | 1.62% | 1.65% | 1.65% | 1.65% |
| | Finance and Economic Planning | 245,394,970 | 246,229,900 | 248,484,703 | 260,908,938 | 273,954,385 | 4.54% | 3.64% | 3.42% | 3.42% | 3.42% |
| | County Public Service Board | 20,784,552 | 40,133,400 | 45,411,796 | 47,682,386 | 50,066,505 | 0.38% | 0.59% | 0.63% | 0.63% | 0.63% |
| | Public Administration, Intergovernmental Coordination and Devolution Affairs | 172,751,395 | 535,454,300 | 620,954,300 | 652,002,015 | 684,602,116 | 3.19% | 7.91% | 8.55% | 8.55% | 8.55% |
| | County Assembly | 523,352,348 | 538,533,605 | 593,960,285 | 623,658,299 | 654,841,214 | 9.68% | 7.95% | 8.18% | 8.18% | 8.18% |
| | Office of the County Secretary and County Attorney | 0 | 39,700,900 | 51,500,800 | 54,075,840 | 56,779,632 | 0.00% | 0.59% | 0.71% | 0.71% | 0.71% |
| | Sub Total | 1,066,998,014 | 1,509,984,044 | 1,679,992,057 | 1,763,991,660 | 1,852,191,243 | 19.73% | 22.30% | 23.14% | 23.14% | 23.14% |
| Infrastructure, Energy, ICT and Housing | Roads, Transport and Infrastructure | 861,069,500 | 775,177,146 | 944,872,131 | 992,115,738 | 1,041,721,524 | 15.92% | 11.45% | 13.01% | 13.01% | 13.01% |
| | Sub Total | 861,069,500 | 775,177,146 | 944,872,131 | 992,115,738 | 1,041,721,524 | 15.92% | 11.45% | 13.01% | 13.01% | 13.01% |
| Health | Medical Services | 1,983,672,645 | 1,831,351,197 | 1,864,306,839 | 1,957,522,181 | 2,055,398,290 | 36.69% | 27.05% | 25.68% | 25.68% | 25.68% |
| | Public Health and Sanitation | 349,497,930 | 331,764,696 | 364,290,379 | 382,504,898 | 401,630,143 | 6.46% | 4.90% | 5.02% | 5.02% | 5.02% |
| | Sub Total | 2,333,170,575 | 2,163,115,893 | 2,228,597,218 | 2,340,027,079 | 2,457,028,433 | 43.15% | 31.95% | 30.70% | 30.70% | 30.70% |
| Education and Social Services | Gender, Children and Social Services | 11,327,913 | 36,000,000 | 47,759,502 | 50,147,477 | 52,654,851 | 0.21% | 0.53% | 0.66% | 0.66% | 0.66% |
| | Youth and Sports | 41,307,829 | 88,888,000 | 118,888,800 | 124,833,240 | 131,074,902 | 0.76% | 1.31% | 1.64% | 1.64% | 1.64% |
| | Culture and Tourism | 11,881,732 | 36,249,800 | 48,700,000 | 51,135,000 | 53,691,750 | 0.22% | 0.54% | 0.67% | 0.67% | 0.67% |
| | Education and Vocational Training | 308,241,507 | 254,622,350 | 282,623,423 | 296,754,594 | 311,592,324 | 5.70% | 3.76% | 3.89% | 3.89% | 3.89% |
| | Sub Total | 372,758,981 | 415,760,150 | 497,971,725 | 522,870,311 | 549,013,827 | 6.89% | 6.14% | 6.86% | 6.86% | 6.86% |
| General Economic and Commercial Affairs | Trade, Investment Promotion, Energy and Industry | 32,260,879 | 206,831,880 | 370,831,880 | 389,373,474 | 408,842,148 | 0.60% | 3.05% | 5.11% | 5.11% | 5.11% |
| | Revenue and Resource Mobilization | 99,353,782 | 119,330,000 | 150,134,200 | 157,640,910 | 165,522,956 | 1.84% | 1.76% | 2.07% | 2.07% | 2.07% |
| | Sub Total | 131,614,661 | 326,161,880 | 520,966,080 | 547,014,384 | 574,365,103 | 2.43% | 4.82% | 7.18% | 7.18% | 7.18% |
| Agriculture | Fisheries And Ecosystem Development | 17,291,406 | 49,910,000 | 50,589,999 | 53,119,499 | 55,775,474 | 0.32% | 0.74% | 0.70% | 0.70% | 0.70% |
| | Agriculture, Livestock, Veterinary Services, and Cooperative Development | 387,719,755 | 581,241,378 | 624,600,917 | 655,830,963 | 688,622,511 | 7.17% | 8.59% | 8.60% | 8.60% | 8.60% |

| | | | | | | | | | | | |
|--|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------|----------------|----------------|----------------|----------------|
| | Lands, Physical Planning and Urban Development | 70,937,024 | 153,965,450 | 144,401,466 | 151,621,539 | 159,202,616 | 1.31% | 2.27% | 1.99% | 1.99% | 1.99% |
| | Sub Total | 475,948,185 | 785,116,828 | 819,592,382 | 860,572,001 | 903,600,601 | 8.80% | 11.60% | 11.29% | 11.29% | 11.29% |
| Environment, Water and Natural Resources | Environment and Natural Resources | 88,442,845 | 279,850,300 | 239,913,038 | 251,908,690 | 264,504,125 | 1.64% | 4.13% | 3.30% | 3.30% | 3.30% |
| | Water Services and Irrigation | 77,191,071 | 515,233,949 | 328,028,038 | 344,429,440 | 361,650,912 | 1.43% | 7.61% | 4.52% | 4.52% | 4.52% |
| | Sub Total | 165,633,916 | 795,084,249 | 567,941,076 | 596,338,130 | 626,155,037 | 3.06% | 11.74% | 7.82% | 7.82% | 7.82% |
| Grand Total | Grand Total | 5,407,193,832 | 6,770,400,190 | 7,259,932,669 | 7,622,929,302 | 8,004,075,768 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Table 19: Summary of Indicative Sector Ceilings

| SECTOR | TOTAL EXPENDITURE KSHS | | | | | % SHARE OF TOTAL EXPENDITURE | | | | |
|--|----------------------------|----------------------|----------------------|----------------------|----------------------|------------------------------|-------------------|------------------|---------------------|---------------------|
| | 2024/25 Actual Expenditure | 2025/26 Estimates | 2026/27 Ceilings | 2027/28 Projections | 2028/29 Projections | 2024/25 Actual Expenditure | 2025/26 Estimates | 2026/27 Ceilings | 2027/28 Projections | 2028/29 Projections |
| Public Administration | 1,066,998,014 | 1,509,984,044 | 1,679,992,057 | 1,763,991,660 | 1,852,191,243 | 19.73% | 22.30% | 23.14% | 23.14% | 23.14% |
| Infrastructure, Energy, ICT and Housing | 861,069,500 | 775,177,146 | 944,872,131 | 992,115,738 | 1,041,721,524 | 15.92% | 11.45% | 13.01% | 13.01% | 13.01% |
| Health Services | 2,333,170,575 | 2,163,115,893 | 2,228,597,218 | 2,340,027,079 | 2,457,028,433 | 43.15% | 31.95% | 30.70% | 30.70% | 30.70% |
| Education and Social Services | 372,758,981 | 415,760,150 | 497,971,725 | 522,870,311 | 549,013,827 | 6.89% | 6.14% | 6.86% | 6.86% | 6.86% |
| general economic and commercial affairs | 131,614,661 | 326,161,880 | 520,966,080 | 547,014,384 | 574,365,103 | 2.43% | 4.82% | 7.18% | 7.18% | 7.18% |
| Agriculture | 475,948,185 | 785,116,828 | 819,592,382 | 860,572,001 | 903,600,601 | 8.80% | 11.60% | 11.29% | 11.29% | 11.29% |
| Environment, Water and Natural Resources | 165,633,916 | 795,084,249 | 567,941,076 | 596,338,130 | 626,155,037 | 3.06% | 11.74% | 7.82% | 7.82% | 7.82% |
| Grand Total | 5,407,193,832 | 6,770,400,190 | 7,259,932,669 | 7,622,929,302 | 8,004,075,768 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Table 20: Recurrent and Development Expenditure FY 2024/25-FY 2028/29

| Expenditure classification | Actual Expenditure 2024/25 | Approved budget estimates 2025/26 | Projected estimates (MTEF) 2026/27 | Projected estimates (MTEF) 2027/28 | Projected estimates (MTEF) 2028/29 |
|----------------------------|----------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Recurrent | 4,267,191,997 | 4,258,549,163 | 4,580,412,357 | 4,809,432,975 | 5,049,904,624 |
| Development | 1,140,001,835 | 2,511,851,027 | 2,679,520,312 | 2,813,496,328 | 2,954,171,144 |
| Total | 5,407,193,832 | 6,770,400,190 | 7,259,932,669 | 7,622,929,303 | 8,004,075,768 |

4.4 Projected fiscal balance (deficit) and likely financing

The FY 2025/26 is balanced, and FY 2026/27 is predicted to be balanced as well. The county expenditure priorities will be aligned with the available resources to prevent the buildup of pending bills. The county will tap into potential revenue streams to increase its own source revenue. In addition, the county will encourage prudent utilization of available resources to avoid budget deficits and eliminate inefficiencies. Subsequent shortfalls in revenue that may occur within the year will be addressed through supplementary within the existing framework recommended and approved by the Intergovernmental Budget and Economic Council (IBEC).

4.5 Pending Bills

At the start of FY 2024/25 the County Government total pending bills was KES 878.34 million. Out of the total pending bills, KES 635.9 million was settled by the county government. In the same period, the county incurred KES 600.15 million as pending bills, which includes KES 219.68 million for salary arrears and statutory deductions. This culminated to the total outstanding County Executive pending bills of KES 842.59 million as at 30th June 2025, comprising of KES 185.43 million and KES 657.16 million for development and recurrent respectively. The county executive has already settled salary arrears for June 2025. The County Assembly closed the financial year with pending bills amounting to KES 96.82 million. Table 16 gives an ageing analysis of pending bills.

Table 21: Ageing Analysis of County Executive Pending Bills

| Category | Ageing analysis (Amount in Kshs.) | | | | Total |
|--|-----------------------------------|-------------------|-------------------|--------------------|--------------------|
| | Under one year | 1-2 years | 2-3 years | Over 3 years | |
| Development Pending Bills | 107,234,631 | 12,251,529 | 782,070 | 65,167,008 | 185,435,238 |
| <i>Recurrent Pending Bills (Goods & Services)</i> | 273,235,868 | 71,306,328 | 35,626,759 | 57,306,118 | 437,475,073 |
| <i>Recurrent Pending Bills (Salary Arrears and Statutory Deductions)</i> | 219,681,190 | | | | 219,681,190 |
| <i>Recurrent Pending Bills (Staff Claims)</i> | | | | | - |
| Total Recurrent Pending Bills | 492,917,058 | 71,306,328 | 35,626,759 | 57,306,118 | 657,156,263 |
| Total Pending Bills | 600,151,689 | 83,557,857 | 36,408,829 | 122,473,126 | 842,591,501 |

The County Government has constituted a pending bills committee that helps the county executive in proactive fiscal management measures on the pending bills, hence ensuring the county continues to function efficiently. In order for the County Government to effectively address the issue of pending bills, it is necessary to prioritize budgeting for the pending bills in current and forecasted years thus pending bills will take first charge in FY 2025/26. It is also important for cash flow management to ensure that sufficient funds are available for upcoming payments.

SECTION V: CONCLUSION

The 2025 CBROP will form the basis for the development of the 2026 CFSP that will detail the progress made towards the County development agenda as provided in the CIDP 2023-27. The County Government in the FY 2026/27 and over the medium term will focus on promotion of key value chains in agricultural production, provision of quality healthcare services, basic education and skills development, improvement to water access, development of critical infrastructure and trade promotion and enhancing governance, transparency & accountability as well as efficiency and effectiveness in delivery of public goods.

The fiscal proposals contained in the CBROP 2025 are geared towards realizing the development objectives contained in the MTP IV, CIDP III (2023-2027), Annual Development Plans and the fiscal responsibility principles outlined in the PFM Act 2012. Further, the county operates within the constrained fiscal environment, making it essential to prioritize budget accuracy and maximize value through the efficient use of available funds. During the FY 2026/27 and over the medium term, the Government will adopt Zero Based Budgeting Approach to guide the prioritization and allocation of resources to projects and programmes. As budgetary resources are limited, sectors are, therefore, required to prioritize their programmes for FY 2026/27 within the available ceilings to ensure that use of public funds is in line with county government priorities and financial prudence.

Towards minimizing pending bills, all departments will be required to clear outstanding liabilities in addition to adhering to the principles of project management, for example preparing bills of quantities in advance. County Sector Working Groups need to prudently consider detailed costing of projects, strategic significance, deliverables (outputs and outcomes), alternative interventions, administration and implementation plans for efficient and effective utilization of resources.

The indicative sector ceilings will serve as a guide in the preparation of the 2026 CFSP and formulating budget estimates for the FY 2026/27 and that Sectors and departments are encouraged to realign their programs and sub-programs to the provided ceilings and the County Government priorities outlined in the CIDP 2023-27 and the ADP 2026/27. All departments are expected to adhere to and execute all key budget

activities within the specified timelines as outlined in the Budget circular of August 2025 and ensure timely and smooth finalization of the MTEF budget for 2026/27 and over MTEF period.

To mirror this, effective budget implementation at the county level will be facilitated through capacity building and the development of systems for close monitoring and evaluation of spending entities to ensure that resource application bears maximum benefits to the citizens. The involvement of all stakeholders in budget execution will be key in enhancing overall budget implementation. In addition, the prioritization of public needs will be key in shaping the final budget policies and allocations for the 2026/27 financial year.

The county will continue to strengthen its revenue collection and management systems with the goal of generating more revenues while ensuring the stability of the fiscal framework and financial health of the County. The identification of other sources of revenue for example implementation of the new valuation roll will avail more resources for development programmes. The county will revitalize revenue collection measures in order to ensure that the various projections for revenue streams for the MTEF will be realized.

ANNEXURES

Annex I: Budget Calendar for the FY 2025/26

| ACTIVITY | RESPONSIBILITY | DEADLINE |
|--|--|--|
| 1. Prepare and issue budget circular with guidelines | CEC Member for Finance | August 29 th 2025 |
| 1.1 Two-day sensitization workshop for accounting officers | | 3 rd - 4 th September 2025 |
| 2. Sector Working Groups and CBEF | County Treasury | |
| 2.1.1 1 st CBEF Meeting – Review of FY 2024/2025 and Consideration of ADP FY 2026/27 | | 22 nd -23 rd September 2025 |
| 2.1.2 First meeting for SWGs | | October 2025 |
| 2.2 Second meeting for SWGs | | February 2026 |
| Submission of projects and programmes to be implemented for FY 2025/26 | | December 2025 |
| 2.3 Third meeting for SWGs | | April 2026 |
| 3. County Annual Progress Report | County Treasury (Economic Planning Department) | |
| 3.1 Draft CAPR | | 30 th July 2026 |
| 3.2 Validation of the CAPR | | 1 st – 2 nd August 2026 |
| 3.3 Submission to CEC for Approval | | 15 th August 2026 |
| 3.4 Submission to CA for Approval | | 30 th August 2026 |
| 4. Monitoring and Evaluation | County Treasury (Economic Planning Department) | |
| 4.1 M&E field work | | September 2025, November 2025, January 2026 and May 2026 |
| 4.2 Annual M&E week | | 2 nd Week November 2025 |
| 5. Statistical abstract 2025 | County Treasury (Economic Planning Department) | |
| 5.1 Draft | | November 2025 |
| 5.2 Launch | | December 2025 |
| 6. Development of ADPs for FY 2026/27 | County Treasury (Economic Planning Department) | |
| 6.1. Draft ADP FY 2026-2027 | | 29 th August 2025 |
| 6.2 Public Participation of ADP FY 2025-2026 | | 2 nd – 4 th September 2025 |
| 6.3 Submission of ADP FY 2025-2026 to CEC | | 29 th August 2025 |
| 6.4 Submission of ADP FY 2025-2026 to County Assembly | | 1 st September 2025 |
| 6.5. Report of ADP from County Assembly | | |
| 6.6. Consolidation of CA recommendations to Final ADP | | |
| 6.7. Approval of ADP by County Assembly | | <i>(Within 21 days upon submission)</i> |
| 7. Development of County Budget Review and Outlook Paper (CBROP) 2025 | County Treasury (Budget Unit) | |
| 7.1. Estimation of Resource Envelope | | 9 th September 2025 |
| 7.2. Determination of policy priorities | | “ |
| 7.3. Preliminary resource allocation to Sectors | | “ |
| 7.4. Draft County Budget Review and Outlook Paper | | 17 th Sep 2025 |
| 7.5. Validation | | 22 nd September 2025 |
| 7.6. Submission and approval of CBROP by CEC | | 30 th September 2025 |
| 7.7. Submission of approved CBROP to County Assembly | | 14 th October 2025 |
| 8. Preparation of Budget proposals for the MTEF | Departments | |
| 8.1. First retreat to draft Sector Reports (Programmes and projects submitted) | SWGs | 14 th -17 th October 2025 |
| 8.2. Public Sector Hearings | County Treasury | September 2025 and February 2026 |
| 8.3. Review and Incorporation of stakeholder inputs in Sector proposals | SWGs | 14 th January 2026 |
| 8.4 Submission of Sector Reports to Treasury | Sector Chairpersons | 19 th February 2026 |
| 8.5. Consultative meeting with CECs/COs on budget proposals | County Treasury | 14 th April 2026 |
| 8.6 3 rd CBEF Meeting: Consideration of Budget Estimates | County Treasury | 24 th April 2026 |
| 9. Draft County Fiscal Strategy Paper (CFSP) 2026 and Debt Management Strategy (DMS) 2025 | | |
| 9.1. Draft CFSP | County Treasury | 6 th February 2026 |
| 9.2. Draft Debt Management Strategy (DMS) | Budget Unit | “ |
| 9.3.1 Validation Workshop | Budget Unit | 10 th - 16 th February 2026 |
| 9.3.2 2 nd CBEF Meeting: Consideration of CFSP and DMS (Strategic Planning) | County Treasury | 17 th February 2026 |
| 9.4. Submission of CFSP and DMS to CEC for approval | County Treasury | 20 th February 2026 |
| 9.5. Submission of CFSP & DMS to County Assembly for approval | County Assembly | 26 th February 2026 |
| 10. Preparation and approval of Final Departmental Budgets | | |

| | | |
|--|--|--------------------------------|
| 10.1. Develop and issue final guidelines on preparation of 2026-2027 MTEF Budget | County Treasury | January, 2026 |
| 10.2. Submission of Draft Revenue Raising Measures (Finance Bill) to County Treasury | Revenue Department | 25 th March, 2026 |
| 10.3. Submission of Budget proposals to County Treasury (First draft) | Line departments | 31 st March, 2026 |
| 10.4. Consolidation of the Draft Budget Estimates (final draft) | County Treasury | 14 th April, 2026 |
| 10.5. Submission of Draft Budget Estimates to CEC | County Treasury | 24 th April, 2026 |
| 10.6. Submission of Draft Budget Estimates to County Assembly | County Treasury | 30 th April, 2026 |
| 10.7. Submission of Final Revenue Raising Measures (Finance Bill) to County Treasury | Revenue Department | 30 th April, 2026 |
| 10.8. Review of Draft Budget Estimates by County Assembly | County Assembly | 17 th June, 2026 |
| 10.9. Report on Draft Budget Estimates from County Assembly | County Assembly | 18 th June, 2026 |
| 10.10. Consolidation of the Final Budget Estimates | County Treasury | 19 th June, 2026 |
| 10.11. Approval of Appropriation Bill by County Assembly | County Assembly | 25 th June, 2026 |
| 10.12. Approval of Vote on Account by County Assembly | County Assembly | 26 th June, 2026 |
| 10.13 Budget Statement | CEC Finance | 24 th June, 2026 |
| 10.14 Appropriation Bill passed | County Assembly | 26 th June, 2026 |
| 11. Public participation | County Treasury (Economic Planning Department) | September 2025 - February 2026 |

Annex II: Revenue Performance per Stream and location

| REVENUE STREAM | Sum of Proposed Budget Estimates FY 2023/24 | Sum of Revised Budget Estimates 2023-2024 (A) | Actual Revenue (KShs.) (B) | Variance (KShs.) (C=B-A) |
|---|---|---|----------------------------|--------------------------|
| SBP | 75,000,000 | 81,000,000 | 71,954,510.00 | (9,045,490) |
| LIVESTOCK AND AGRICULTURAL PRODUCE CESS | 7,000,000 | 1,000,000 | 498,957.00 | (501,043) |
| BMT | 25,000,000 | 25,000,000 | 15,757,460.00 | (9,242,540) |
| NATURAL RESOURCE CESS | 80,000,000 | 80,000,000 | 60,476,567.00 | (19,523,433) |
| PARKING | 20,000,000 | 20,000,000 | 20,536,079.00 | 536,079 |
| HOUSE RENT/STALL | 4,500,000 | 4,500,000 | 5,016,706.00 | 516,706 |
| ADVERTISEMENT | 6,800,000.00 | 6,800,000.00 | 19,432,479.00 | 12,632,479 |
| PLAN APPROVAL | 7,000,000 | 7,000,000 | 7,459,455.00 | 459,455 |
| LIQOUR | 20,000,000 | 20,000,000 | 20,734,402.00 | 734,402 |
| VETINARY SERVICES | 9,000,000 | 9,000,000 | 6,977,024.00 | (2,022,976) |
| COOPERATIVE SERVICES | 200,000 | 200,000 | - | (200,000) |
| ADMINISTRATIVE FEE | 6,000,000 | 6,000,000 | 436,157.00 | (5,563,843) |
| PLOT RENT | 6,000,000 | 6,000,000 | 6,138,822.00 | 138,822 |
| WEIGHTS AND MEASURES | 500,000 | 500,000 | - | (500,000) |
| PROPERTY FEE (SEARCH/TRANSFERS/SUBDIVISION & REPPEGING) | 3,000,000 | 3,000,000 | 2,383,409.00 | (616,591) |
| MISLENEOUS FEE | 15,000,000 | 15,000,000 | 480,700.00 | (14,519,300) |
| ORDINARY REVENUE TOTAL | 285,000,000.00 | 285,000,000.00 | 238,282,727.00 | (46,717,273) |
| AIA (RECEIPTS FROM MEDICAL SERVICES) | 165,000,000.00 | 200,000,000 | 243,508,375.50 | 43,508,376 |
| GRAND TOTAL | 450,000,000.00 | 485,000,000.00 | 481,791,102.50 | (3,208,898) |

REVENUE BY SUB COUNTY

| S/N O | SUB COUNTY | TARGET | ACTUAL | VARIANCE | PERCENTAGE (%) |
|-------|---------------------------|-----------------------|-----------------------|-----------------------|----------------|
| 1 | MWIMBI SUB COUNTY | 13,500,000.00 | 9,685,124 | (3,814,876.00) | 71.7 |
| 2 | CHOGORIA TOWN | 28,000,000.00 | 22,289,163 | (5,710,837.00) | 79.6 |
| 3 | CHUKA SUB COUNTY | 21,000,000.00 | 17,979,522 | (3,020,478.00) | 85.6 |
| 4 | CHUKA URBAN | 70,000,000.00 | 60,241,487 | (9,758,513.00) | 86.1 |
| 5 | IGAMBANG'OMBE SUB COUNTY | 28,000,000.00 | 22,718,630 | (5,281,370.00) | 81.1 |
| 6 | MUTHAMBI SUB COUNTY | 20,000,000.00 | 15,099,326 | (4,900,674.00) | 75.5 |
| 7 | THARAKA NORTH SUB COUNTY | 39,000,000.00 | 34,048,699 | (4,951,301.00) | 87.3 |
| 8 | THARAKA SOUTH SUB COUNTY | 25,000,000.00 | 20,422,249 | (4,577,751.00) | 81.7 |
| 9 | CHIAKARIGA SUB COUNTY | 32,000,000.00 | 28,691,855 | (3,308,145.00) | 89.7 |
| 10 | MUNICIPALITY | 2,000,000.00 | 1,710,124 | (289,876.00) | 85.5 |
| 11 | A.I SERVICES | 4,000,000.00 | 3,446,702 | (553,298.00) | 86.2 |
| 12 | HEADQUARTERS | 2,500,000.00 | 1,949,846 | (550,154.00) | 78.0 |
| 13 | HOSPITAL FEES AND CHARGES | 200,000,000 | 243,508,369 | 43,508,369.00 | 121.8 |
| | TOTALS | 485,000,000.00 | 481,791,096.00 | (3,208,904.00) | 99.3 |