



COUNTY GOVERNMENT OF THARAKA NITHI

**DEPARTMENT OF FINANCE, ECONOMIC PLANNING,
REVENUE AND RESOURCE MOBILIZATION**

2025 COUNTY FISCAL STRATEGY PAPER

Supporting the Bottom-Up Economic Transformative Agenda

February 2025

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Vision

A prosperous, industrialized, and cohesive County

Mission

Enhance sustainable socio-economic growth and optimal utilization of resources.

Core Values

As Tharaka Nithi County, we are committed to championing these core values as the guiding codes for our operations:

(ICT)²

Integrity

Straightforwardness, ingenuousness, honesty, and sincerity are an integral part of our undertakings which we shall firmly adhere to in every duty to our society.

Inclusiveness

We believe in equity and equality. As a County we do not regard status or personal preferences but approach our work as guided by principles of fairness and non-bias. People from diverse backgrounds or communities are involved in the County development, and we incorporate the needs, assets, and perspectives of communities into the design and implementation of County programs.

Citizen-focused

We consistently endeavour to create enduring relationships with our citizens; in so doing our approach goes beyond standard citizen participation principles and make their input an integrated, formalized part of setting County projects/program goals, performance measures, and standards.

Creativity & Innovativeness

We thrive on creativity and ingenuity. We seek the innovations and ideas that can bring a positive change to the County. We value creativity that is focused, data-driven, and continuously improving based on results.

Transparency and Accountability

We will remain accountable to our stakeholders and will acknowledge responsibility for our actions and decisions. Thus, we shall always endeavour to be transparent, answerable, and liable always.

Teamwork

Every person is important and has a part in County development. We endeavour to build a workplace environment that cultivates person's uniqueness, encourages staff participation, collaboration and integration of diverse skills and capabilities.

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Foreword

The 2025 Tharaka Nithi County Fiscal Strategy Paper is the third to be prepared under the third CIDP 2023-2027. The Paper outlines the budgeting and development framework that the County Government seeks to pursue in the 2025/26, 2026/27 and 2027/28 MTEF period. The paper focuses on key medium-term policies and priorities as highlighted in the Governors Manifesto and CIDP 2023-2027. The document further outlines the current state of the County in terms of budget implementation and specifies the set strategic priorities and policy goals together with a summary of the County government spending plans.

The development framework advances achievement of the key thematic areas envisaged in the 2023-2027 CIDP as we focus on improving the livelihood of the County residents through investments in key priority areas that support increased agricultural productivity, improved healthcare, sustainable infrastructure, socio-economic empowerment, improved natural resource management and Skills development.

In FY 2025/2026, the total county budget is projected at KShs. 6784.2 million with recurrent allocated KShs. 4,211.4 million and development KShs. 2,572.52 million to be financed from equitable share from the national government of KShs 4,587.15 million, conditional and unconditional additional allocations of KShs 1717 million, and own source revenue of KShs 480 million.

In the medium term, the projected county resources are constrained. Therefore, strict ceilings have been provided for the FY2025/2026 Budget and the Medium Term which will form the basis for departmental detailed budgets which shall be submitted to the County Assembly for approval by April 30, 2025. Furthermore, considering the limited projected resources vis a vis the development needs of the county, emphasis will be on pursuit of robust resource mobilization strategies including enhanced own source revenue collections and strategic partnerships.



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THARAKA NITHI COUNTY

Acknowledgements

The 2025 County Fiscal strategy paper (CFSP) is prepared in compliance with the provisions of the Public Finance Management Act, 2012 as an important stage in the budget formulation process. The paper was prepared in a participatory manner through involvement of departments in identification of sector priorities and preparation of Sector Reports. Further, the community members were consulted through Public Participation Forums conducted across the six Sub-Counties which contributed to the finalization of the document. The publication of the 2025 CFSP aims to improve the public's understanding of County public finances and guide public debate on economic and development matters.

My special thanks go to all the County Executive Committee Members (CECMs) and County Chief Officers in charge of various Departments for their support throughout the entire process. Their contributions were paramount in shaping the County Fiscal framework. In addition, I appreciate the national government agencies among other stakeholders who were very instrumental in preparation of this Paper by providing important information in their policy documents and advisories. My special appreciation goes to the public and all interested groups who participated in the public participation forums which took place on 20th February 2025 across the six sub-counties as well as through written memoranda which helped in the finalization of the CFSP 2025.

Lastly, I thank my staff in the Budget and Economic Planning, Department for their coordination and technical support in the compilation of this Paper. They demonstrated recommendable levels of teamwork and commitment throughout the preparation process of the C-FSP 2025.



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THARAKA NITHI COUNTY

Abbreviations and Acronyms

ABDP	Aquaculture Business Development Programme
ASDSP	Agriculture Sector Development Support Programme
ATI	Agricultural Training Institute
BETA	Bottom-Up Economic Transformative Agenda
BOP	Balance of Payments
BPS	Budget Policy Statement
CAIPs	County Aggregation and Industrial Parks
CARA	County Allocation of Revenue Act
CBC	Competency Based Curriculum
CBD	Central Business District
CBK	Central Bank of Kenya
CBOs	Community Based Organisations
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CCIS	County Climate Institutional Support
CCRIs	County Climate Resilience Investments
CECM	County Executive Committee Member
CEREB	Central Region Economic Bloc
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development plan
COG	Council of Governors
CORe	County Own Revenue
COVID	Corona Virus Disease
CPI	Consumer price Index
CRA	Commission of Revenue Allocation
DANIDA	Danish International Development Agency
DoRA	Division of Revenue Allocation
DRIVE	De-risking and Value Chain Enhancement
DRM	Disaster Risk Management
EABL	East Africa Breweries Limited
EAC	East Africa Community
ECDE	Early Childhood Development & Education
ELRP	Emergency Locust Response Project
FDI	Foreign Direct Investment
FIF	Facility Improvement Financing
FLLoCA	Financing Locally Led Climate Action
FPOs	Farmer's Producer Organizations
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs
GIS	Geographic Information System
GVA	Gross Value Added
HIV	Human Immunodeficiency Virus

HPT	Health Products and Technologies
HQ	Headquarters
HR	Human Resource
IBEC	Inter-Governmental Budget and Economic Council
ICRMS	Integrated County Revenue Management System
ICT	Information and Communication Technology
ICU	Intensive Care Unit
IFMIS	Integrated Financial Management Information System
IGRTC	Inter-Governmental Relations Technical Committee
IMF	International Monetary Fund
KDSP	Kenya Devolution Support Programme
KISIP	Kemba Informal Settlement Improvement Project
KNBS	Kenya National Bureau of Statistics
KRA	Key Result Area
KShs	Kenya Shillings
KUSP	Kenya Urban Support Project
K-WASH	Kenya-Water Sanitation and Hygiene
LAN	Local Area Network
LPG	Liquified Petroleum Gas
M ₂	Quasi-Money
M ₃	Money Supply
MDA	Ministries, Departments and Agencies
MPC	Monetary Policy Committee
MSMEs	Micro Small and Medium Enterprises
MTDS	Medium-term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NAVCDP	National Agriculture Value Chain Development Project
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NFNF	Non-Food Non-Fuel
NSE	Nairobi Securities Exchange
NSSF	National Social Security Fund
O&M	Operations and Maintenance
OCOB	Office of Controller of Budget
OSR	Own Source Revenue
PE	Personnel Emoluments
PEM	Public Expenditure management
PFM	Public Finance Management
PIM	Public Investments Management
PLWDs	Persons Living with Disabilities
PPI	Programmes, Projects, and Initiatives
PPPs	Public-Private Partnerships
PWDs	People With Disabilities
RCT	Randomised Controlled Test
REA	Rural Electrification Authority
RMNCAH	Reproductive, Maternal, New-born, Child, and Adolescent Health
RSF	Resilience and Sustainability Facility

SACCOs	Savings and Credit Cooperatives
SDGs	Sustainable Development Goals
SHA	Social Health Authority
SHIF	Social Health Insurance Fund
SMEs	Small and Medium Enterprises
SRC	Salaries and Remuneration Commission
SSA	Sub-Saharan Africa
TIMPs	Technologies, Innovations and Management Practices
TVETs	Technical and Vocational Education Training
UHC	Universal Health Coverage
UPN	Unique Personal Number
USA	United States of America
VAT	Value Added Tax
VTCs	Vocational Training Centres
WEO	World Economic Outlook
YP	Youth Polytechnic

CHAPTER ONE: COUNTY STRATEGIC BLUEPRINT

1.1 Introduction

The County Fiscal Strategy Paper (CFSP) is a policy document that lays down the fiscal framework for preparation of budget estimates. It outlines the broad strategic priorities and policy goals that guide the county entities in budgeting over the medium-term period. The 2025 CFSP outlines parameters for annual budget estimates prepared for FY 2025/26 and highlights the crucial strategies and policies required to enhance budget implementation. It also provides the priority programs and projects to be implemented through a three-year Medium-Term Expenditure Framework (MTEF).

It has been aligned to the third County Integrated Development Plan (CIDP) 2023-2027, the Bottom-Up Economic Transformative Agenda (BETA), MTP IV, Budget Policy Statement (BPS) 2025, the Kenya Vision 2030 and the Sustainable Development Goals (SDGs). The CFSP provides an assessment of the state of global and domestic economic performance and its implication on the County Fiscal Framework.

The proposed interventions outlined in the 2025 CFSP include increase market participation and value addition for agricultural transformation, ensuring quality healthcare, improving the road network, facilitating a conducive business environment, provision of quality early childhood and vocational training, climate change mitigation and adaptation and enhancing service delivery.

1.1.1 General Context

The national government has continued to proactively implement various interventions and structural reforms that have stabilized the economy and supported economic recovery. The government will continue to ensure accelerated and all-inclusive development for the private sector to thrive. The Kenyan economy has remained strong and resilient due to a strong performance in the agricultural sector, recovery in the manufacturing sector and a strong performance in the service sector. Even though growth is estimated to have slowed down to 4.6% in 2024 from 5.6% in 2023, it is expected to pick up to 5.3% in 2025 and retain the same momentum over the medium term. This will be driven by increased agricultural productivity, resilient services sector and the on-going implementation of the Bottom-Up Economic Transformative Agenda (BETA).

The economy continues to face external shocks, including persistent geopolitical tensions, shifting United States of America foreign policy and the resurgence of the DR Congo Conflict. Internally, the anti-Finance Bill protests that gave rise to the Gen-Z demonstrations, evolving political realignments and the constrained government fiscal space have all impacted recent economic performance. These events created political, social, and economic turbulence, affecting government revenue collection, investor confidence, and overall economic stability.

The macroeconomic fundamentals are on a positive rebound and are projected to continue on an upward trajectory. This is reflected by the decline of inflation to 3 percent and stabilization of the Kenya Shilling of 129 to the dollar, while the interest rates have begun to decline, easing of the monetary policy, hence reducing borrowing and freeing up fiscal space. Subsequently, targeted strategic priorities will continue to be implemented to sustain these positive gains.

Steady progress has been made during FY 2024/25, attributed to the interventions implemented by the National Government to improve the challenging economic environment to address these demands and economic improvements are underway in various sectors, as illustrated in the draft Budget Policy Statement (BPS).

Kenya's economy is expected to exhibit resilience in the face of daunting conditions impacting economic expansion. Economic growth registered during 2024 stood at 4.6%, compared to 5.6% in 2023, reflecting a deceleration of economic activities in the first nine months of 2024 (5.5% in Q1). However, inflation was reported to be 3.0% in December 2024, attributed to slow development in construction and mining sector, poor credit in the private sectors. Growth is expected to increase to 5.3% in 2025 and stabilize over the medium term.

At the regional level, Sub-Saharan Africa is expected to maintain stable growth of 4.2% in 2025, up from 3.6% in 2024, against growth in emerging markets and developing economies averaging at 4.2% in 2024. This economic growth rate is attributed to improved economic activities as the adverse impacts of prior weather changes reduce and supply constraints increase. Thus, the rebound is anticipated to lead to a gradual rise in regional economy and boost key sectors in the regional economy.

1.1.2 County Specific Context

The county economy is continually improving, with the Gross County Product growth of 9.3%, increasing from 80,476 million in 2022 to 87,936 million in 2023, reflecting a contribution of 0.6% to the national economy. The county's leading sector is the primary sector that contributed 0.9% to the national economy. The secondary and the service sectors contributed 0.6% and 0.5% respectively. Own Source tax Revenues increased from KShs 286 million in 2022/23 to KShs 417 million in 2023/24, indicating a 45.5% growth and 8.34% contribution to the total county revenues. In a bid to ensure that a conducive business environment is sustained, the county government will continue improving the conditions of municipalities, with an emphasis on public health concerns that influence health. Further, the continued establishment of modern markets and improved public infrastructure is anticipated to improve the capacity of traders engaging in commerce in the Eastern region. Continued prioritization of various policies to enhance service delivery and empower youth will be upheld by the county government in a bid to further reinforce productivity in the County.

1.2 Programmes for achieving the County Strategic Blueprint's Objective

Key programmes will be implemented to address the development challenges facing the people of Tharaka Nithi. This will be bundled under the following nine broad priorities that the County Government intends to be achieved in line with the CIDP 2023-2027

- a) Increase agricultural production and diversification for improved production and productivity.
- b) Ensure access to quality and affordable health care services.
- c) Ensure sustained investment in infrastructure for accelerated social economic growth.
- d) Promote quality, inclusive, diverse, and accessible education for growth and development.
- e) Promote universal access to adequate, safe, and sustainably managed natural resources and sanitation.
- f) Harness the power of trade to spur economic growth.
- g) Promote better planning and urban development.
- h) Ensure provision of efficient and effective public service delivery
- i) Strengthening the democratic arena and fostering good governance.

Every strategic objective is achieved by various priority strategies as outlined below.

1.3.1 Increased agricultural production and diversification for improved production and productivity.

Agriculture plays a strategic role in the progress of economic development for any society. Through increase in agricultural production, there is potential rise in per capita income in the rural community alongside production of primary raw materials that set stage for industrialization. Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Provision of quality farm inputs
- b) Pest and disease control
- c) Agricultural diversification (poultry, animal husbandry and fisheries)
- d) Agribusiness development
- e) Agriculture risks and resilience management
- f) Expansion of irrigated agricultural land
- g) Integrated fish farming
- h) Agro-processing plants/hubs
- i) Promotion of agro forestry
- j) Climate smart agriculture
- k) Establish post-harvest structures (Grain stores, milk coolers)
- l) Farmers capacity building
- m) Mechanization of agriculture
- n) Linkages to financial service providers
- o) Operationalization of agriculture training Centre and veterinary laboratory
- p) Education, research and training
- q) Improved livestock breeds and breeding.
- r) Revitalization of industrial crops
- s) Promotion of high value traditional crops
- t) Undertaking agricultural extension services

1.3.2 Ensure access to quality and affordable health services.

Health sector is among the key priority sectors in Tharaka Nithi County Government, and it envisions a County free from preventable diseases and ill health. To achieve this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Provide health products and technologies (HPT)
- b) Enhance laboratory services.
- c) Establish blood bank services.
- d) Production and reticulation of oxygen in facilities
- e) Enhance referral and emergency services.
- f) Infrastructure development for health
- g) Establishment of specialized units
- h) Enhancing primary healthcare
- i) Purchase of medical equipment
- j) Enhancing county environmental and community health services
- k) Establishment of a school health policy, emergency referral, RMNCAH sustainability
- l) Enhance RMNCAH (Reproductive, maternal, new-born, child adolescent health) services.
- m) Enforce public health regulations in public amenities.
- n) Communicable and non-communicable diseases prevention and management programmes
- o) Enhance maternal and child health services.
- p) Establishment of a mental health unit
- q) Promote nutrition and dietetic services.

1.3.3 Ensure sustained investment in infrastructure for accelerated social economic growth.

Infrastructure is key to achieving investment, increased production, access to essential services and overall economic growth. Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Upgrading of key roads to bitumen standards
- b) Construction and maintenance of bridges, footbridges, and culverts.
- c) Quality assurance and inspection services
- d) Establishment of ICT Hubs
- e) Acquisition of modern ICT equipment and software

- f) Automation of all government services
- g) Internet connectivity
- h) Connect electricity to households and public facilities.
- i) Promote use of alternative energy resources
- j) Promote use of efficient energy technologies
- k) Develop and operationalize a county energy plan.

1.3.4 Promote quality, inclusive, diverse, and accessible education for growth and development.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Construction, refurbishment, and rehabilitation of infrastructure in learning institutions
- b) Provision of sanitation facilities
- c) Employment of teachers, caregivers, instructors, and quality assurance officers
- d) Roll out digital learning in all ECDE centres and other learning institutions.
- e) Introduction of play group learning for children below 4 years
- f) Procure and distribute teaching, learning and recreational materials.
- g) Award of bursaries to needy and vulnerable children
- h) Provision of school feeding programme
- i) Provision of clean and safe drinking water to learning institutions
- j) Development of scheme of service for ECDE teachers
- k) Provision of technology embedded courses in the VTCs.
- l) Provision for disability friendly facilities.
- m) Establishment of home craft centres
- n) Construction and rehabilitation of stadia
- o) Training and holding competitions for sportsmen and sportswomen.
- p) Establishment of county talent academy for sports
- q) Procurement of sports equipment and tools
- r) Conduct annual marathon and sports extravaganza.
- s) Promotion of sports tourism

1.3.5 Promote universal access to adequate, safe, and sustainably managed water resources and sanitation.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Development and rehabilitation of water infrastructure
- b) Ground water exploration.
- c) Surface and rainwater harvesting
- d) Water trucking
- e) Strict Regulation of water service providers
- f) Mapping of water and mineral resources
- g) Protection of catchment areas
- h) Enforcement of laws and regulations on water use
- i) Strengthening of water resource user associations
- j) Water pollution control and quality analysis
- k) Water resource referencing
- l) Development of climate proof infrastructure
- m) Climate information and early warning systems

1.3.6 Harness the power of trade to spur economic growth.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Strengthening and reviving of cooperatives
- b) Capacity building and supporting cooperative societies to strengthen governance.
- c) Formation of incubation centres
- d) Strengthen SACCOs and CBOs
- e) Training and sensitization to SACCOS
- f) Introduction of tax incentives to vulnerable groups
- g) Contract farming.
- h) Value chain development
- i) Agro-processing industries
- j) Undertaking trade fairs and exhibitions
- k) Development and diversification of tourism products
- l) Tourism branding and advertising

- m) Development of niche products
- n) Holding annual cultural festivals
- o) Introduction of business conferences
- p) Establishment of adventure and ecotourism ventures

1.3.7 Promote better planning and urban development.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Proper waste management
- b) Improve sanitation amenities.
- c) Improvement of markets roads
- d) Improving street lighting and floodlights
- e) Land use and management!
- f) Demarcation and issuance of title deeds
- g) Land adjudication.
- h) Policy formulation and enforcement of development plans
- i) Regulate commercial and residential construction.
- j) Development and implementation of the county spatial plans
- k) Expansion of county GIS lab
- l) Community sensitization on land issues

1.3.8 Ensure provision of efficient and effective public service delivery.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Enhance performance management.
- b) Establishment and strengthening of the county service delivery unit.
- c) Training and capacity development of county staff.
- d) Promotion of best labour practices in management of human resources
- e) Promoting values and principles of governance
- f) Establish /promote employee committee relations.
- g) Embrace alternative dispute resolution mechanisms.
- h) Develop Career Progression Guidelines
- i) Develop Personnel Competencies profile.

- j) Review/ Customize policies.
- k) To enhance proper industrial relations in the county
- l) Strengthen the county legal office.
- m) Ensuring proper communication and events management
- n) Embrace external partnership.
- o) Revision and implementation of the county public participation and civic education policy
- p) Development of County DRM Common Programming Framework

1.3.9 Strengthen the democratic arena and fostering good governance.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Oversight of County activities especially with respect to public expenditure
- b) Map out all the laws needed by the County.
- c) Approving overall policy within set deadlines
- d) Development of County legislations
- e) Vetting and approval of appointments of state officers
- f) Capacity development for County Assembly members and staff.
- g) Strengthen research and information service.

1.3 Outline of County Fiscal Strategy Paper

The CFSP 2025 is presented in five chapters with chapter one giving the County's strategic blueprint which defines the pace and direction of the whole document. It set the broad context of Kenya and the international economy within which the county operates, and how the county government has set its policy priorities and decisions. Chapter two outlines the recent economic developments and macroeconomic policy outlook in which the 2025/26 MTEF budget is to be prepared. It reviews the latest information on the macroeconomic variables and their latest trends at the national level, gives an update on fiscal performance and any emerging challenges. The chapter also relates the growth outlook for Kenya as contained in the Budget Policy Statement to the County's own economic policy settings. Chapter three presents the fiscal framework that will supports the County development agenda over the medium term in view of the need to mobilise adequate resources to facilitate the development agenda. This is undertaken in the context of the wider national economic environment and after assessing the County's current economic situation. Chapter four gives a clear picture of the County's resource base and

the spending priorities in terms of sectors and outlining the sector-based expenditure ceilings. Chapter five provides a summary of the main changes and decisions to be put to effect and the way forward.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

2.1 Overview

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. Despite the challenging domestic and external environment, significant success has been registered following the various interventions rolled out by the Government during the past two years. The strong rebound in agriculture after two years of severe drought and focused interventions and structural reforms have helped to stabilize the economy and supported economic recovery to 5.6 percent in 2023 from 4.9 percent in 2022. Growth is estimated to have slowed down to 4.6 percent in 2024, reflecting deceleration of economic activities in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy. Growth is expected to pick up to 5.3 percent in 2025 and retain the same momentum over the medium term due to enhanced agricultural productivity, resilient services sector, and achievement of BETA targets.

2.2 Recent economic Developments

2.2.1 Global overview

Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 2025 from 3.3 percent in 2023 because of the easing global inflation and supply chain constraints. The outlook reflects stronger-than-expected growth in the USA, some large emerging market economies such as India, and improved growth prospects in the UK. The main risks to the global growth outlook relate to disruptions to the disinflation process, potentially triggered by new spikes in commodity prices amid persistent geopolitical tensions. There is also a possible resurgence of financial market volatility with adverse effects on sovereign debt markets, a deeper growth slowdown in China and an intensification of protectionist policies which would exacerbate trade tensions, reduce market efficiency, and further disrupt supply chains

Growth of the world economy is projected to remain at 3.2% in 2025 having declined in 2022 from 3.5% to 3.2% in 2024. Advanced economies growth is projected to remain stable at 1.8 percent in 2024 and 2025 from 1.7 percent in 2023. 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 3.6 percent in 2024 and 2023. This growth is driven by improved economic activities as the adverse impacts of prior weather shocks subside and supply constraints gradually ease.

Table 1: Global Economic growth rates

	Growth (%)			
	Actual	Estimate	Projections	
Economy	2022	2023	2024	2025
World	3.5	3.3	3.2	3.2
Advanced Economies	2.6	1.7	1.8	1.8
Of which: USA	1.9	2.9	2.8	2.2
Euro Area	3.4	0.4	0.8	1.2
Japan	1.0	1.7	0.3	1.1
Emerging and Developing Economies	4.1	4.4	4.2	4.2
Of which: China	3.0	5.2	4.8	4.5
India	7.0	8.2	7.0	6.5
Sub-Saharan Africa	4.0	3.6	3.6	4.2
Of which: South Africa	1.9	0.7	1.1	1.5
Nigeria	3.3	2.9	2.9	3.2
Kenya*	4.9	5.6	5.2	5.4

2.2.2 Domestic Economic Performance

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 (5.5 percent Q1 4.6 percent Q2 and 4.0 percent in Q3) in 2023. The growth in the first three quarters of 2024 was primarily underpinned by strong performance in the agriculture sector, a slight recovery of the manufacturing sector, and the resilience of services sector. All the economic sub- sectors except mining and construction recorded a positive growth rate in the first quarters of 2024, though the magnitudes varied across the economic activities. The diversified structure of the Kenyan economy remains a key source of resilience to domestic and external shocks (BPS, 2025).

Kenya has faced increasing public debt, with its debt-to-GDP ratio nearing 65% as of 2025. The government has been working with the IMF under an extended credit facility and extended fund facility programs to address fiscal deficits. Tax reforms and new levies (such as digital taxes and higher VAT rates) have been implemented to raise revenue (BPS, 2025).

The primary sector grew by an average of 4.2 percent in the first three quarters of 2024 (5.0 percent in the first quarter, 4.4 percent in the second quarter and 3.2 percent in the third quarter) mainly supported by strong agricultural activities despite a contraction in mining and quarrying. In the first three quarters of 2024, the agriculture sector remained robust growing by 6.1 percent in the first quarter, 4.8 percent in the second quarter and 4.2 percent in the third quarter. This growth was supported by favourable weather conditions and the impact of Government interventions to lower the cost of production. However, the sectors' performance was somewhat curtailed by heavy rains and floods, between March and June 2024, that led to loss of livestock and damage to croplands (BPS, 2025).

Activities in Mining and Quarrying contracted in the first three quarters of 2024 mainly due to a decline in production of most minerals such as titanium, soda ash and gemstone. This was because of the closure of Kwale miner Base Titanium which formally shut down its mining activity in Kenya in December 2024 due to depletion of commercially viable ore (BPS, 2025).

Industrial sector performance remained subdued, with growth of the sector slowing down to an average of 0.8 percent in the first three quarters of 2024 (1.0 percent Q1, 0.8 percent Q2 and 0.6 percent Q3). This was mainly on account of a slowdown in activities from electricity & water supply and contraction of the construction sub-sectors. The slowed growth in electricity & water supply was due to a decline in generation of electricity from geothermal, wind and solar while the contraction in construction sector is due to a slowdown in public sector infrastructure projects. Activities in the manufacturing sector, which accounts for nearly half of the industrial sector output, was supported by significant growths in the manufacture of food while the non-food manufacturing activities recorded varied performance (BPS, 2025).

The activities in the services sector continued to sustain strong growth momentum in the first three quarters of 2024 averaging 5.6 percent (6.2 percent Q1, 5.3 percent Q2 and 5.3 percent Q3). The performance was largely characterized by significant growths in accommodation and food service, financial and insurance, information and communication, real estate, and wholesale and retail trade sub-sectors. Accommodation and restaurant service sub-sector benefited from several high-profile international conferences held in Nairobi between April and June 2024 that attracted significant international participation. Growth in the information and communication sub-sector was supported by increased voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs) (BPS, 2025).

Considering the performance of the economy in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy growth is estimated to expand overall by 4.6 percent in 2024 and 5.3 percent in 2025. These projections are mainly supported by: a robust services sector and recovery of manufacturing sector; robust agricultural productivity and improvement in exports. The outlook will be reinforced by implementation of policies and reforms under the priority sectors of the Bottom-Up Economic Transformation Agenda (BETA) and improvement in aggregate demand. Additionally, implementation of prudent fiscal and monetary policies will continue to support economic growth.

Table 2: Economic performance

Sectors	Annual Growth Rates		Quarterly Growth Rates					
	2022	2023	2023 Q1	2023 Q2	2023 Q4	2024 Q1	2024 Q2	2024 Q3
Primary Industry	(0.8)	5.6	5.3	6.9	5.3	5.0	4.4	3.2
1.1. Agriculture, Forestry and Fishing	(1.5)	6.5	6.4	7.8	6.2	6.1	4.8	4.2
1.2. Mining and Quarrying	9.3	(6.5)	(11.0)	(8.3)	(6.9)	(14.8)	(2.7)	(11.1)
Secondary Sector (Industry)	3.5	2.5	2.5	2.1	2.0	1.0	0.8	0.6
2.1. Manufacturing	2.6	2.0	1.7	1.5	2.0	1.2	3.3	2.3
2.2. Electricity and Water supply	5.5	2.8	3.7	2.8	1.3	2.4	1.0	0.9
2.3. Construction	4.1	3.0	3.0	2.7	2.2	0.1	(2.9)	(2.0)
Tertiary sector (Services)	6.6	6.8	6.5	6.7	6.3	6.2	5.3	5.3
3.1. Wholesale and Retail trade	3.5	2.7	2.9	2.1	2.8	4.9	4.4	4.8
3.2. Accommodation and Restaurant	26.8	33.6	47.1	42.7	18.1	28.0	26.6	13.7
3.3. Transport and Storage	5.8	6.2	6.6	4.6	8.5	3.9	3.6	5.2
3.4. Information and Communication	9.0	9.3	9.5	7.6	11.0	7.8	7.2	6.1
3.5. Financial and Insurance	12.0	10.1	5.9	13.2	6.3	7.0	5.1	4.7
3.6. Public Administration	5.1	4.6	7.6	3.2	3.4	5.8	5.1	5.4
3.7. Others	5.3	6.1	5.7	5.9	6.1	5.9	5.1	5.1
of which: Professional, Admin & Support Services	9.4	9.4	8.6	6.6	12.8	9.9	6.8	7.8
Real Estate	4.5	7.3	7.3	8.1	6.2	6.6	6.0	5.5
Education	5.2	3.1	2.0	3.1	3.9	4.0	3.1	3.8
Health	3.4	4.9	5.1	4.7	4.8	5.5	5.5	4.4
Less subsidies	6.7	2.2	3.0	1.8	2.0	4.5	5.8	3.4

Tharaka Nithi County's economic situation mirrors the national trends while reflecting unique local dynamics. Over the past year, economic growth has been bolstered 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). However, global events, such as the election of President Donald Trump in the United States, have caused ripples in the international markets, impacting commodity prices and trade patterns. While the direct implications on Tharaka Nithi's economy are limited, shifts in global trade policies underscore the need for diversified export markets and enhanced local value addition to agricultural produce. The

county economy remains intricately linked to national economic trends, with fiscal allocations and development priorities 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 capitalizing on emerging opportunities for sustainable growth.

The manufacturing, secondary services and service sectors in Tharaka Nithi County present immense growth potential, aligning with national economic strategies. The Gross County Product 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). In manufacturing these estimates include both the formal manufacturing sector and informal manufacturing activities undertaken by unincorporated household enterprises. Manufacturing in Tharaka Nithi is largely agro-based, driven by agricultural output from tea, coffee, dairy, and horticulture. Small and medium-sized enterprises (SMEs) dominate this sector, engaging in processing and value addition of agricultural produce. The key industries include Agro-processing: Coffee and tea processing plants, dairy processing and grain milling, Timber and Woodwork through Small-scale furniture production and sawmilling, Metalwork and Fabrication: Local welding and mechanical workshops that produce farm tools/materials and metallic construction materials. Construction Materials industries are involved in production of bricks, tiles, fencing poles, culverts and other building materials.

The secondary sector generally includes mining and quarrying activities, electricity, gas, steam, and air conditioning supply activities, water supply, sewerage, waste management and construction. In Tharaka Nithi, key secondary sector services include quarrying involving mainly the extraction of sand, murram, blocks and machine-cut stones; support services related to manufacturing and industrial activities like; Water Supply and Waste Management through provision of clean water and management of industrial waste necessary to manufacturing industries; Transport and Logistics through warehousing, packaging, and distribution of goods produced in the county; Construction and Engineering Services through Infrastructure development including road construction, industrial building projects, and supply of construction materials; Repair and Maintenance Services and this includes workshops and firms offering machinery repair, vehicle maintenance, and industrial equipment servicing centers.

The Services sector activities consist of all economic sectors excluding agriculture, forestry and fishing, mining and quarrying, construction, manufacturing electricity and water supply activities. The key services sector in Tharaka Nithi County comprises of trade and commerce such as retail and

wholesale trade which control the local markets where supermarkets and mini- retail chains continue to grow. The Cross-county market linkages with neighboring Meru and Embu counties have boosted commercial activities; Financial services with presence of commercial banks, SACCOs, and microfinance institutions that support local businesses growth; Tourism and Hospitality signified by ecotourism attractions such as Mt. Kenya National Park and Chogoria Gate as well as growth in hotel and accommodation largely driven by local and intercontinental visitors; ICT and Digital Economy with increased internet penetration facilitating e-commerce, online businesses, and digital entrepreneurship; Real Estate and Urban Development through growth in urban areas such as Chuka municipality, Kathwana municipality, Marimanti and Chogoria towns leading to real estate growth.

Additionally, the county has witnessed increased investment in residential and commercial assets; Transport and Logistics through improvement of road network which eases movement and trade as well as public transport and boda-boda industry growth supporting employment and connectivity. The county government, in collaboration with national agencies and private stakeholders, will continue to implement targeted policies and strategies to foster manufacturing and service sector growth for sustainable economic development, job creation, and improved livelihoods for residents.

2.2.3 Local Economic Trends

Monetary and Credit Developments

By the end of June 2024, broad money supply (M3) had grown by 7.0 percent, reaching KShs 5,965.6 billion. Similarly, Money and Quasi-Money (M2) increased from KShs 4,425.4 billion in June 2023 to KShs 4,623.9 billion in June 2024. Net foreign assets (NFA) experienced substantial growth, rising from KShs 588.2 billion in June 2023 to KShs 910.5 billion in June 2024. This increase was largely attributed to higher foreign asset holdings by commercial banks and other depository corporations. By the end of June 2024, broad money supply (M3) expanded by 7.0 percent to KShs 5,965.6 billion. Similarly, Money and Quasi-Money (M2) grew from KShs 4,425.4 billion in June 2023 to KShs 4,623.9 billion in June 2024. Net foreign assets (NFA) also saw a notable increase, rising from KShs 588.2 billion in June 2023 to KShs 910.5 billion by June 2024. This growth was primarily driven by an increase in foreign asset holdings by commercial banks and other depository institutions (BPS, 2025).

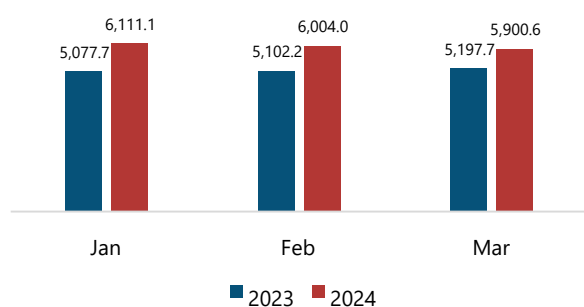


Figure 1: Money Supply and Net Foreign Assets, Nov 2022 to Nov.2024

Growth in private sector credit from the banking system declined by 1.1 percent in the year to November 2024 compared to a growth of 13.2 percent in the year to November 2023, due to the impact of exchange rate appreciation on foreign currency denominated loans and the lagged effects of monetary policy tightening. Reduced credit growth was observed in manufacturing, finance and insurance, trade (exports) and building and construction sub-sector. These are some of the sub-sectors with significant foreign currency denominated loans (BPS, 2025).

The Monthly (month on month) credit flows to the private sector have slowed down since December 2023 following the monetary policy action of increasing the central bank rate to manage inflation expectation which resulted in the increased cost of credit. With the strong easing of monetary policy stance, credit to the private sector is expected to recover as lending rates decline. Sustained demand particularly for working capital due to resilient economic activity and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs will continue to support private sector credit uptake. Growth in private sector credit from the banking system declined by 1.1 percent in the year to November 2024 compared to a growth of 13.2 percent in the year to November 2023, due to the impact of exchange rate appreciation on foreign currency denominated loans and the lagged effects of monetary policy tightening. Reduced credit growth was observed in manufacturing, finance and insurance, trade (exports) and building and construction sub-sector. These are some of the sub-sectors with significant foreign currency denominated loans (BPS, 2025).

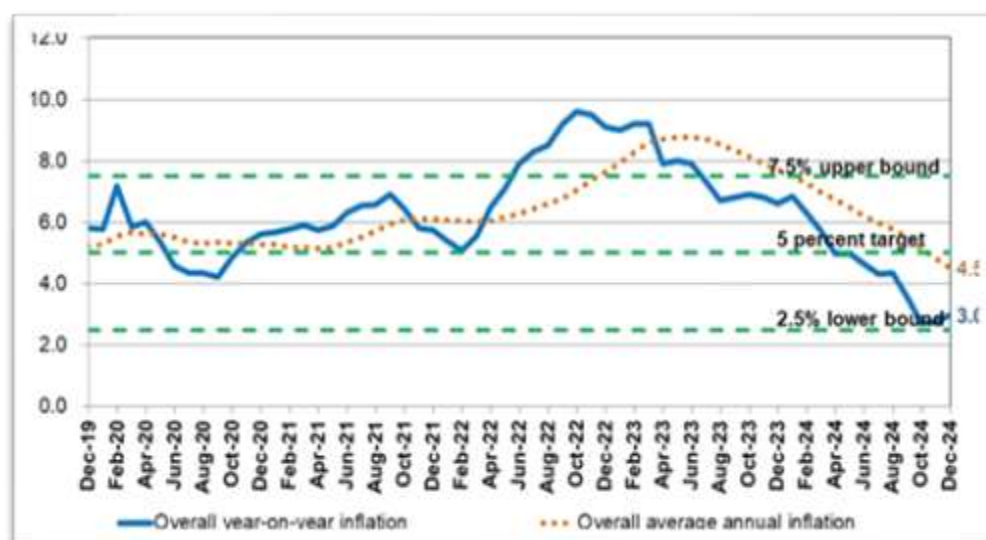
The Monthly (month on month) credit flows to the private sector have slowed down since December 2023 following the monetary policy action of increasing the central bank rate to manage inflation expectation which resulted in the increased cost of credit (Figure 2.3). With the strong easing of monetary policy stance, credit to the private sector is expected to recover as lending rates decline. Sustained demand particularly for working capital due to resilient economic activity and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs will continue to support private sector credit uptake.

The Inflation Rate Trend

Overall inflation declined and has remained below the mid-point of the target band of 5.0 percent since June 2024, mainly reflecting significant declines in energy prices and continued easing of food prices. Inflation declined to 3.0 percent in December 2024 from 6.6 percent in December 2024 and a peak of 9.6 percent in October 2022. Easing inflation has been supported by abundant supply of food arising from favourable weather conditions, lower fuel inflation attributed to appreciation of the exchange rate and lower international oil prices, and the decline in non-food non-fuel (NFNF) inflation reflecting impact of previous monetary policy tightening (BPS, 2025).

Given that inflation is below the mid-point of the target range and the exchange rate has stabilized, the Central Bank of Kenya through the Monetary Policy Committee (MPC) has gradually eased monetary policy by lowering the Central Bank Rate (CBR), initially to 12.75 percent from 13 percent in August 2024 to 12.0 percent in October 2024 and further to 11.25 percent in December 2024. The easing of the monetary policy stance is aimed at improving credit to the private sector thereby supporting economic activities (BPS, 2025).

Figure 2: Inflation trend December 2019 to December 2024

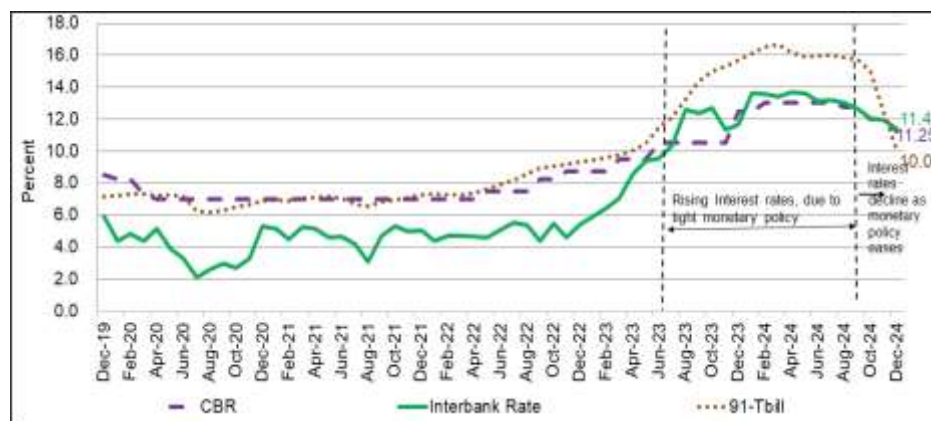


The Interest Rate

Interest rates have declined in line with the easing of the monetary policy. The interbank rate declined to 11.4 percent in December 2024 compared to 11.7 percent in December 2023 and has remained within the prescribed corridor around the CBR (set at $CBR \pm 150$ basis points). The 91-day Treasury

Bills rate also declined to 10.0 percent in December 2024 from 15.7 percent in December 2023 (BPS, 2025).

Figure 3 : Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

The Balance of Payments Trend

The Balance of Payments (BoP) is a comprehensive record of all economic transactions between a country's residents and the rest of the world over a given period. In Kenya, as in many developing economies, BoP trends are shaped by factors such as trade balances, remittances, capital flows, and foreign direct investment (FDI). The current account reflects the trade balance (exports minus imports), income from abroad, and current transfers such as remittances. Kenya has a persistent trade deficit due to high imports of machinery, oil, and consumer goods, which outweigh export earnings from key commodities like tea, coffee, and horticultural products.

Kenya's export revenues are influenced by major markets, including the European Union, the United States, and regional partners, while fluctuations in global agricultural prices impact the trade balance. Remittances from the Kenyan diaspora continue to play a crucial role in foreign exchange inflows, consistently exceeding \$3 billion annually in recent years, thereby supporting the current account. Tourism is another significant contributor to service exports, though disruptions such as the COVID-19 pandemic have negatively impacted revenues. The sector's recovery depends on global travel patterns and political stability. Additionally, volatile global oil prices continue to affect Kenya's import bill, given the country's reliance on petroleum imports.

Net receipts on the services account declined by US\$13.1 million, settling at US\$675.1 million in November 2024 compared to the same period in 2023. This decline was primarily due to reduced transport earnings, despite an increase in receipts from tourism as international travel continues to recover. Remittance inflows grew by 15.3 percent, reaching US\$4,808 million over the 12 months

leading to November 2024. The capital balance increased by US\$21.4 million in November 2024, compared to a surplus of US\$131.1 million in the same period the previous year. Imports rose by 7.5 percent over the 12 months leading to November 2024, largely driven by increased demand for intermediate capital goods (BPS, 2025).

Table 3: Short Term Interest Rates, Percent

				Year to November 2024		Actuals as a Percent of GDP	
	Nov-22	Nov-23	Nov-24	Change	Percent Change	Nov-23	Nov-24
Overall Balance	2,149.9	979.9	(1,500.7)	(2,480.6)	(253.2)	1.0	(1.2)
A) Current Account	(6,134.4)	(4,354.5)	(4,537.9)	(183.4)	(4.2)	(4.4)	(3.6)
<i>Merchandise Account (a-b)</i>	<i>(12,231.8)</i>	<i>(10,167.5)</i>	<i>(10,539.7)</i>	<i>(372.3)</i>	<i>(3.7)</i>	<i>(10.3)</i>	<i>(8.3)</i>
a) Goods: exports	7,472.9	7,234.9	8,171.6	936.7	12.9	7.3	6.4
b) Goods: imports	19,704.7	17,402.4	18,711.4	1,309.0	7.5	17.6	14.7
<i>Vet Services (c-d)</i>	<i>1,381.9</i>	<i>688.9</i>	<i>675.7</i>	<i>(13.1)</i>	<i>(1.9)</i>	<i>0.7</i>	<i>0.5</i>
c) Services: credit	6,539.7	5,685.8	5,513.7	(172.1)	(3.0)	5.8	4.3
d) Services: debit	5,157.9	4,996.9	4,838.0	(159.0)	(3.2)	5.1	3.8
<i>Vet Primary Income (e-f)</i>	<i>(1,741.5)</i>	<i>(1,923.3)</i>	<i>(2,190.2)</i>	<i>(266.9)</i>	<i>(13.9)</i>	<i>(1.9)</i>	<i>(1.7)</i>
e) Primary income: credit	143.3	196.9	292.4	95.5	48.5	0.2	0.2
f) Primary income: debit	1,884.8	2,120.1	2,482.6	362.4	17.1	2.1	1.9
<i>Vet Secondary Income</i>	<i>6,457.0</i>	<i>7,047.4</i>	<i>7,516.3</i>	<i>469.0</i>	<i>6.7</i>	<i>7.1</i>	<i>5.9</i>
g) Secondary income: credit	6,519.5	7,135.4	7,623.8	488.3	6.8	7.2	6.0
h) Secondary income: debit	62.5	88.1	107.4	19.3	22.0	0.1	0.1
B) Capital Account	165.0	131.1	152.5	21.4	16.3	0.1	0.1
C) Financial Account	(4,089.0)	(2,539.6)	(5,420.6)	(2,881.0)	(113.4)	(2.6)	(4.2)

Foreign Exchange Reserves

The banking system's foreign exchange holdings remained strong at US\$. 16,312.1 million in November 2024, an improvement from US\$. 14,211.1 million in November 2023. The official foreign exchange reserves held by the Central Bank stood at US\$. 9,578.0 million compared to US\$ 7,397.6 million over the same period in 2023. Commercial banks foreign exchange holdings decreased to US\$. 6,734.1 million in November 2024 from US\$. 6,813.5 million in November 2023. The official reserves held by the Central Bank in November 2024 represented 4.9 months of import cover as compared to the 3.9 months of import cover in November 2023. These reserves continue to provide adequate cover and buffer against any short-term shocks in the foreign exchange market (BPS, 2025).

The Exchange Rate Trend

The foreign exchange market remained stable in 2024 despite heightened global uncertainties, a stronger U.S. Dollar, and geopolitical tensions in the Middle East. The Kenyan Shilling was

relatively weak at the beginning of the year but strengthened against the U.S. Dollar from mid-February 2024, stabilizing against major international currencies (BPS, 2025). By December 2024, the exchange rate against the U.S. Dollar averaged KShs 129.4, marking a 19.0 percent appreciation from KShs 159.7 in January 2024. Against the Euro, the Shilling strengthened by 22.2 percent, exchanging at an average of KShs 135.6 in December 2024, compared to KShs 174.3 in January 2024. Similarly, the Shilling appreciated 19.3 percent against the British Pound, averaging KShs 163.6 in December 2024 from KShs 202.9 in January 2024 (BPS, 2025).

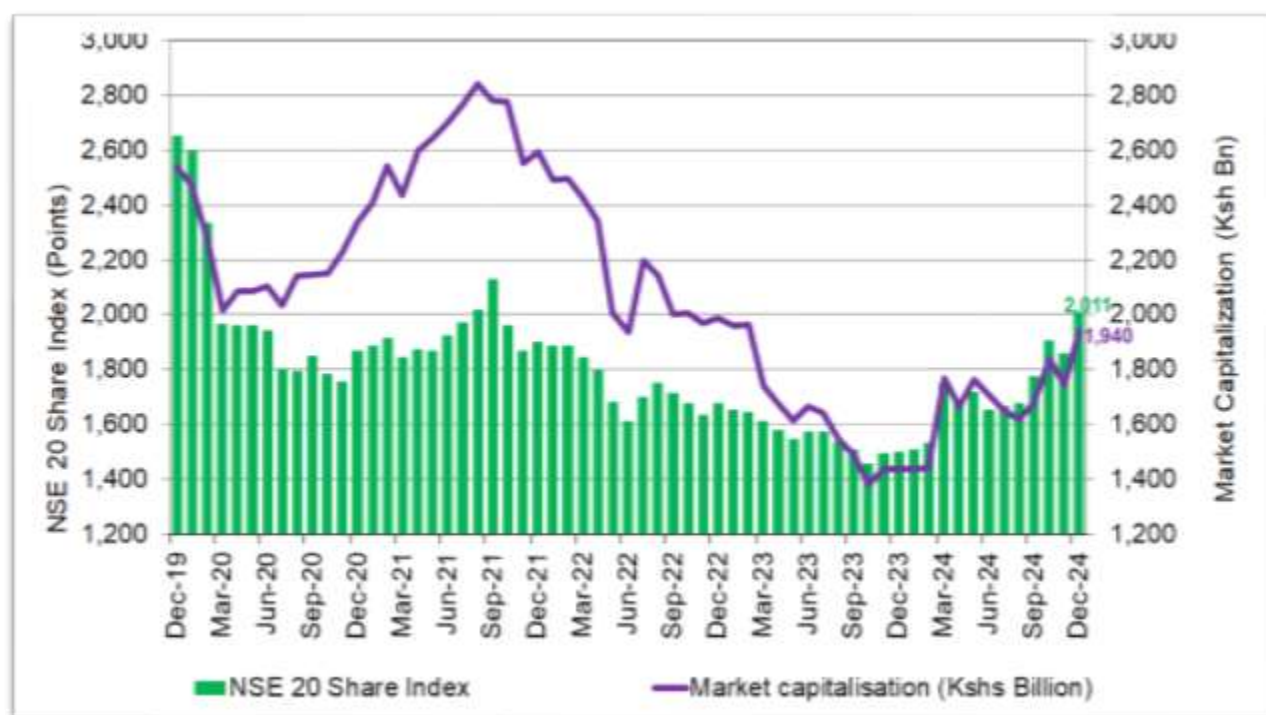
This exchange rate stability was primarily supported by strong inflows from agricultural exports, remittances, and portfolio investments. On the demand side, increased economic activity in the manufacturing, wholesale, and retail sectors contributed to foreign currency needs. The appreciation of the Shilling boosted investor confidence, attracting foreign direct investment and increased participation in the Nairobi Securities Exchange (NSE). Additionally, it helped reduce debt servicing costs, improved domestic borrowing performance, and contributed to stable interest rates (BPS, 2025).

The Stock Market Trend

The economic recovery appreciation of the Kenyan shilling against major international currencies and macroeconomic stability have created confidence and triggered inflows of foreign direct investments and investors to the NSE. The NSE 20 share index in December 2024 improved to 2011 points compared to 1501 in December 2023 while capitalization also improved to KShs 1940 billion from KShs 1940 billion at the same period (BPS, 2025).

NSE Performance: The NSE 20 Share Index increased by 8.0 percent, reaching 1,752.0 points in March 2024, up from 1,622.0 points in March 2023. Broad Money Supply (M3): Grew by 13.5 percent, reaching KShs 5.9 trillion by the end of March 2024. Current Account Balance: The deficit widened from KShs 110.5 billion in Q1 2023 to KShs 131.2 billion in Q1 2024. Financial and Insurance Sector Growth: The sector expanded by 7.0 percent in Q1 2024, up from 5.9 percent in Q1 2023. Interest Rates: The cost of credit increased, with the average lending rate rising to 16.28 percent in March 2024, compared to 13.09 percent in March 2023. The interbank rate also rose from 7.05 percent to 13.42 percent over the same period. 91-day Treasury Bill Yield: Averaged 16.68 percent in March 2024, up from 9.76 percent in March 2023.

Figure 4: Short Term Interest Rates, Percent



2.3 Update on Fiscal Performance and Emerging Trends for FY 2023/24

2.3.1 Overview

The fiscal performance of Kenya was significantly impacted by the demonstrations and rejection of the Finance Bill, particularly during 2023–2024. These events created political, social, and economic turbulence, affecting government revenue collection, investor confidence, and overall economic stability.

The **Finance Bill of 2024**, which proposed higher taxes on fuel, housing, and digital services, sparked widespread protests across the country. These demonstrations disrupted economic activity, including commerce, transport, and business operations. Small- and medium-sized enterprises (SMEs), which are a significant source of tax revenue in Kenya, were forced to close during protests, resulting in reduced tax collections. The resistance to the Finance Bill led to delays in implementing new revenue measures, further straining the government’s ability to meet revenue targets for the fiscal year. The demonstrations led to security costs, including the deployment of law enforcement to maintain order, which stretched the government budget. Compensation for property damage caused during protests also added to government expenses. Subsidies, such as the fuel subsidy reintroduced temporarily to calm public discontent, added an extra burden on the fiscal budget.

The uncertainty created by the demonstrations deterred foreign and domestic investors, leading to reduced inflows of Foreign Direct Investment (FDI). Investors perceived Kenya as politically unstable,

which weakened investor sentiment and led to higher borrowing costs for the government in international markets. A slowdown in economic growth, particularly in the informal sector, affected consumption patterns and reduced the government's revenue from consumption-based taxes like VAT (Value Added Tax). 2024 was marked by heightened political activity including impeachment proceedings and political realignments. These developments have shaped the business environment and public policy reforms, contributing to shifting investment sentiments. Despite these challenges, Kenya's economic outlook remains cautiously optimistic, supported by structural reforms, digital economy expansion, and investments in infrastructure.

The legislative standoff on the approval of Division of Revenue Act (DoRA) resulted in disruptions due to delayed rollout of government-funded initiatives and budget implementation. This has impacted the expected multiplier effect on the economy and reduced potential tax revenue. In addition, disbursement of funds to devolved units has been slow and irregular.

2.3.2 Comparison of Actual Performance against Budget 2023/24

2.3.2.1 Fiscal Performance for FY 2023/24

The FY 2023/24 total county revenue was KShs 5,258.28 million made up of KShs 4,027.9 million as equitable share, KShs 417.3 million as Own Source Revenue, KShs 559.3 million as Conditional grants, and KShs 253.64 million as balance brought forward from FY 2022/23. The total revenues recorded represent a performance of 81 per cent a minimal decrease from the KShs 5,260.85 million realised in the FY 2022/23. There is a noticeable decrease in the equitable share while the other revenue streams recorded substantial growth. Table 5 summarizes the fiscal performance by the County for FY 2022/23 to FY 2023/24.

Table 4: Summary of County Fiscal Performance for FY 2023/24

Particulars	2022/23 FY Actual	2023/24 FY Approved	2023/24 FY Actual	% performance
TOTAL REVENUES	5,260,849,525	6,518,796,358	5,258,282,681	81%
Unspent Bal from Previous FY	183,981,694	253,643,267	253,643,267	100%
Revenue (Total)	5,076,867,831	6,265,153,091	5,004,639,414	80%
Equitable Share Allocation	4,551,334,482	4,378,234,821	4,027,976,038	92%
Own Source Revenue	286,737,650	450,670,000	417,346,035	93%
Grants (Total)	238,795,699	1,436,248,270	559,317,341	39%
Total Expenditure	5,260,858,525	6,518,796,358	5,258,282,681	81%
Recurrent	3,573,950,014	3,821,114,983	3,383,476,175	89%
Development	898,976,991	2,133,164,779	1,250,260,479	59%
County Assembly	534,983,755	564,516,596	517,106,065	92%
Unspent Bal Current FY	252,947,765	-	107,439,962	

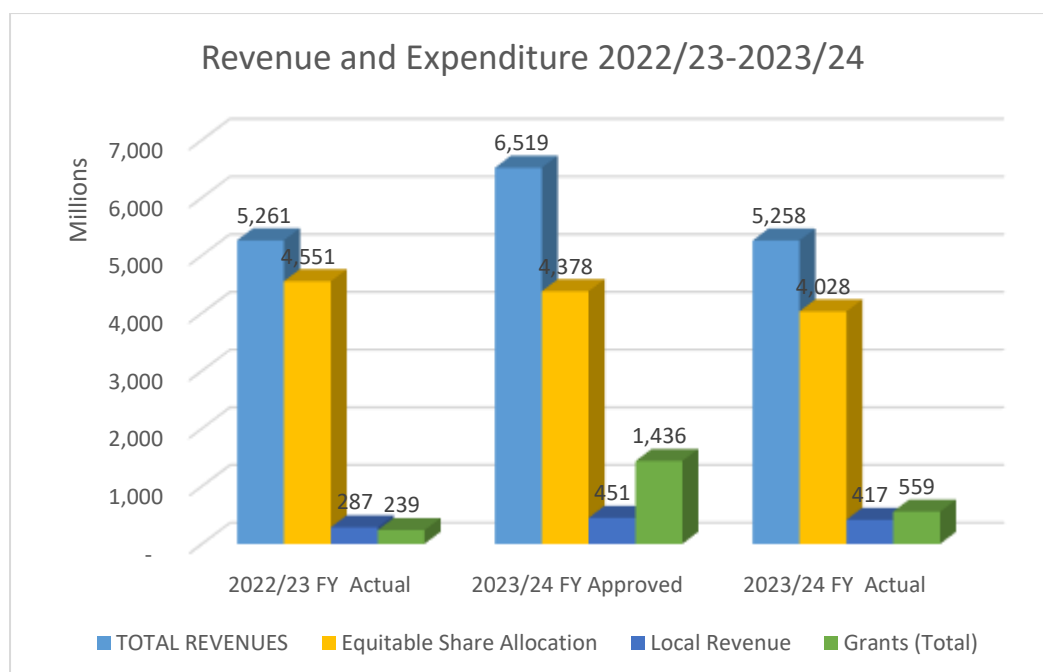


Figure 5: Fiscal Performance for FY 2023/24

Table 5: Allocation and Actual Expenditure by Type combined.

Particulars	2022/23FY Actual	2023/24 FY Approved	2023/24 FY Actual	% performance
Total Expenditure	4,479,989,745	6,518,796,358	5,258,282,681	81%
Recurrent	3,529,051,532	4,365,631,579	3,889,304,912	89%
Development	1,023,906,323	2,153,164,779	1,261,537,807	59%
unspent balances	183,981,694		107,439,962	

Expenditure by Category

In the financial year 2023/24 the overall budget absorption rate was at 81%, with 78% absorption rate for the County Executive and 92% for the County Assembly. The recurrent and development absorption rate for the County Executive were 89% and 59%, respectively, while that of the County Assembly was 93% for recurrent expenditure and 56% for development expenditure. This is outlined in table 7 below.

Table 6: Allocation and Actual Expenditure Executive and Assembly

Particulars	2022/23 FY Actual	2023/24 FY Approved	2023/24 FY Actual	% performance
Total	4,736,939,549	6,518,796,358	5,258,282,681	81%
County Executive	4,152,925,123	5,954,279,762	4,633,736,654	78%
Recurrent	3,135,910,418	3,821,114,983	3,383,476,175	89%
Development	1,017,014,705	2,133,164,779	1,250,260,479	59%
County Assembly	400,032,732	564,516,596	517,106,065	92%
Recurrent	400,032,732	544,516,596	505,828,737	93%
Development	-	20,000,000	11,277,328	56%
Unspent in FY	183,981,694	-	107,439,962	2.0%

2.3.3 Significant Economic, Legislative and Financial Events

The Fourth Basis for Revenue Sharing is a framework for sharing revenue among county governments in Kenya from FY 2025/26 to FY 2029/30 which aims to facilitate service delivery as well as address economic disparities among counties. In developing the Fourth Basis framework, the Commission shifted from the functional approach adopted in the Third Basis to the use of expenditure proxies. The shift was informed by availability, credibility and statistical soundness of data; actual expenditures of county governments, and the need to ensure that the revenue sharing remains stable and predictable. The framework proposes that 42 percent of the equitable share of revenues from the National Treasury to counties be based on population, followed by equal share (22 percent), poverty (14 percent), income distance (13 percent) and geographical size (9 percent). In implementing the Fourth Basis, a stabilisation factor has been inbuilt in the framework to ensure no county government will get less than what they were allocated in financial year 2024/25.

Stability in revenue sharing is important to ensure county programmes and projects continue without disruption that may be occasioned by sudden budget cuts arising from change of the revenue sharing framework. However, the proposed formula has faced challenges with some stakeholders arguing that it disproportionately benefits certain regions, particularly those with larger land masses, at the expense of more populous areas. The Senate is currently deliberating on the proposal, and adjustments may be made before a final decision is reached.

The Finance Bill of 2024, which proposed increased taxes, ignited widespread protests across Kenya which disrupted key sectors of the economy with vital contributors to the nation's tax revenue being forced to close during the protests, leading to a significant drop in tax collections. The resistance to the Finance Bill resulted to delays in the implementation of new revenue measures, further hampering the government's ability to meet its revenue targets for the fiscal year which negatively affected the proposed equitable share of revenue to county governments.

The County Allocation of Revenue Act (CARA), 2024 which is a key area of legislation ensures equitable distribution of resources, supports local economies, and enhances public service delivery. Delay in passing the CARA has led to significant financial uncertainty and operational challenges for the county. This has consequently delayed counties from receiving their equitable share of revenue, hampering their ability to deliver essential services. Stalemate between the senate and parliament on the Division of Revenue Amendment Bill, 2024 which proposed a reduction of the equitable share from 400 billion to KShs. 387.42 billion, has put immense pressure on the county governments'

delivery of service and led to financial shortfalls. The Commission on Revenue Allocation (CRA) recommended maintaining of criteria used in county projections and allocations.

Further, after the national assembly decision to remove the 47 county governments as beneficiaries of the Roads Maintenance levy fund, the council of governors filed a case challenging the use of roads maintenance levy by the Kenya Roads board to build roads in the counties. This has resulted into delayed implementation of the budget by the county governments and the need for a budget supplementary to address the revenue changes. The CoG has called for an immediate resolution to these stalemates to prevent a total shutdown of county operations.

In a bid to enhance revenue forecasting by County Governments, the National Treasury is leading a multi-agency technical team in development of revenue forecasting models to be utilized in estimation of Own Source Revenue targets. The development of the forecasting tool is supported through KDSP II in realization of Key Result Area (KRA) 1 on Sustainable Financing and Expenditure Management. Once finalized the models will enhance target setting and accuracy of fiscal forecasting as well as reduce piling up of pending bills occasioned by overcasting. Further, regarding the Integrated County Revenue Management System (ICRMS), the National Treasury is developing an ICRMS to replace the fragmented County revenue management systems currently being operated by counties. The ICRMS is a unified, centralized management system aimed at enhancing effectiveness in the collection and administration of County Government Own Source Revenue (OSR). This will be a great step for our county to ensure that we have realistic revenue projections as well as having an enhanced and effective revenue collection system.

The Intergovernmental Relations Act, 2012 of Kenya outlines the framework for the collaboration and coordination between the county government and the national government. The recent county bursary stalemate has resulted into a growing concern over the legal framework governing the implementation of county bursaries and scholarships. The Intergovernmental Relations Technical Committee (IGRTC) expedited discussions between Council of Governors (CoG) and OCOB which led to an agreement that allowed counties to continue issuing bursaries under structured intergovernmental agreements. In light of this, the county government will continue to align with the Public Finance Management Act, 2012 and the requirements of the Intergovernmental agreement as concerns issuance of bursaries.

The country has transitioned from the National Health Insurance (NHIF) to a more inclusive Social Health Authority (SHA) system that seeks to provide comprehensive and equitable health care coverage for all citizens. The county government plays a pivotal role in preparedness and proactive

engagement in ensuring a smooth and effective implementation. The counties are required to; allocate resources to equip health facilities with Information and Communication Technology (ICT) so they can manage beneficiaries, information and digital claims, ensure facilities are connected with electricity and a power back up, coordinate and build capacity of health providers to effectively implement SHA. As a county we can benefit from SHA by gaining access to a wider pool of funds for healthcare services, which will allow us to provide more comprehensive healthcare to our citizens, including preventive care, hospitalization, and specialized treatments. Through increased patient access to healthcare facilities, the county will contribute towards achieving Universal Health Coverage (UHC).

Under the new framework, NSSF contributions have increased to six percent of an employee's salary, matched in equal amounts by employers effective 1st February 2025. The minimum contributions are set to increase from Sh420 to Sh480, while high-income earners will pay as much as Sh4,320, up from the current Sh2,160. Currently the county wage bill is above the 35% threshold and with these new developments it is expected to rise further.

The Central Bank of Kenya's reduction of lending rates from 11.25% to 10.75% is expected to stimulate economic activity by making borrowing more affordable for businesses and individuals, potentially leading to increased investment, consumer spending, and job creation at National and county levels.

2.4 Revised Estimates

The County's approved budget for the FY 2024/25 amounts to KShs. 6,482.17 million. The allocations for the recurrent expenditure, development expenditure, and for the County Assembly are KShs. 3,534.39 million, KShs. 2,327.77 million and KShs. 620 million respectively. The budget is financed through an equitable share of KShs. 4,534.48 million, conditional grants amounting to KShs. 1,497.68 million, and own-source revenue of KShs. 450 million. However, the equitable share was later reduced to KShs. 4,399.5 million in the revised County Allocation of Revenue Act (CARA). This will be the basis for preparation of the first Supplementary Budget of Fy 2024/25.

2.4.1 Revenue performance for FY 2024/25

The budget implementation for the first six months of the FY 2024/25 stood at 36 percent, falling short of the target of 50 percent. This underperformance can primarily be attributed to a significant shortfall in revenue, because of the withdrawal of the Finance Bill 2024 and protests that led to slowdown of economic activities. As a result, the expected equitable share to counties was significantly reduced.

Further, there has been delays in passing the County Additional Allocation Revenue Act that affects the release of conditional loans and grants. The implementation of the Collective Bargaining Agreements especially under Human Resources for Health has continued to put pressure on recurrent expenditures. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the County Treasury will rationalize expenditures through the forthcoming Supplementary Budget Estimates.

In this period, the county realized a total revenue of KShs 2,465.8 million. This comprised KShs 2,176.05 million from the equitable share, KShs 182.31 million from local sources and KShs 107.44 million brought forward from the fiscal year 2023/24 (including KShs 105.07 million of conditional grants). As a result, the total revenue achieved accounted for 38 percent of the annual target of KShs 6,482.17 million. Specifically, the equitable share represented 48 percent of its target, while Own Source Revenue collection was 41 percent of its annual target.

2.4.2 Expenditure performance

The total expenditure for the first half of the financial year 2024/25 amounted to KShs 2,355.42 million. This expenditure included KShs 1,801.18 million utilised as recurrent expenditure, KShs 330.36 million for development, and KShs 223.88 million utilized under the County Assembly. In terms of budget performance, the recurrent expenditure accounted for 51 per cent of the total annual recurrent budget estimates, the development expenditure represented 14 per cent of the annual development budget estimates, and the County Assembly's expenditure reached 36 per cent of its annual budget for the financial year 2024/25.

A summary of the fiscal performance for the first six months is presented in the following table.

Table 7: Comparison of Actual Performance against Budget 2024/25

PARTICULARS	2023/24 FY Actual	2024/25 FY Budget Estimates	2024/25 Actual (First Half)	% Utilisation
TOTAL REVENUE & GANTS	5,258,282,681	6,482,165,317	2,465,800,039	38%
Unspent Bal from Previous FY	253,643,267	-	107,439,962	100%
Revenue (Total)	5,004,639,414	6,482,165,317	2,358,360,077	36%
Equitable Share Allocation	4,027,976,038	4,534,480,732	2,176,054,334	48%
Own Source Revenue	417,346,035	450,000,000	182,305,743	41%
Grants (Total)	559,317,341	1,497,684,585	-	0%
Total Expenditure	5,258,282,681	6,482,165,317	2,355,419,791	36%
Recurrent	3,383,476,175	3,534,387,103	1,801,184,199	51%
Development	1,250,260,479	2,327,773,889	330,359,580	14%
County Assembly	517,106,065	620,004,325	223,876,012	36%
Unspent Bal Current FY	107,439,962	-	110,380,248	-

Table 8 summarizes the approved budget allocation, expenditure and absorption rate by departments in the first six months of FY 2024/25.

Table 8: Budget Allocation, Expenditure and Absorption Rate by Department for the First Half

	Budget Allocation (KShs.)		Expenditure (KShs.)		Absorption rate (%)	
Department	Rec	Dev	Rec	De v	Re c	Dev
County Assembly	564,292,000	55,712,325	223,876,012	0	39.67%	0.00%
3611 Office of Governor and Deputy Governor	144,275,700	0	39,788,519	0	27.58%	0.00%
3612 Roads, Infrastructure, Public Works and Urban Development	218,485,400	698,756,034	141,205,375	177,361,124	64.63%	25.38%
3613 Medical Services	1,580,584,194	149,000,000	974,991,119	35,728,699	61.69%	23.98%
3615 Agriculture, Livestock, Veterinary Services, and Cooperative Development	198,125,895	380,398,663	96,677,160	77,469,724	48.80%	20.37%
3616 Public Administration, Intergovernmental Coordination and Devolution Affairs	157,754,300	10,000,000	59,425,699	0	37.67%	0.00%
3617 Education and Vocational Training	234,623,423	30,000,000	99,973,258	17,564,101	42.61%	58.55%
3619 Finance and Economic Planning	216,729,900	0	79,552,926	0	36.71%	0.00%
3620 Environment, Mining and Natural Resources	33,668,000	146,000,000	16,735,843	0	49.71%	0.00%
3622 Water Services and Irrigation	61,404,323	416,808,808	18,296,983	19,677,415	29.80%	4.72%
3623 County Public Service Board	34,133,400	0	6,753,378	0	19.79%	0.00%

3625 Public Health and Sanitation	315,782,688	80,000,000	142,438,931	0	45.11%	0.00%
3628 Youth and Sports	36,888,800	70,000,000	12,476,459	0	33.82%	0.00%
3629 Culture and Tourism	31,200,000	5,000,000	14,618,288	0	46.85%	0.00%
3630 Revenue and Resource Mobilization	116,334,200	7,000,000	47,519,230	0	40.85%	0.00%
3631 Lands, Physical Planning and Housing	51,965,000	50,000,000	19,123,778	0	36.80%	0.00%
3632 Fisheries and Ecosystem Development	21,000,000	14,810,384	5,389,670	0	25.67%	0.00%
3633 Gender, Children and Social Services	28,600,000	10,000,000	9,104,218	0	31.83%	0.00%
3634 Trade, Investment Promotion, Energy and Industry	52,831,880	260,000,000	17,113,365	2,558,517	32.39%	0.98%
Grand Total	4,098,679,103	2,383,486,214	2,025,060,211	330,359,580	49.41%	13.86%

2.5 Economic Policy and Outlook

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 and is projected to remain stable over the medium term. The economic growth is expected to slow down to 4.6 percent in 2024 from a growth of 5.6 percent in 2023 reflecting deceleration of economic activities in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy. Growth is expected to pick up to 5.3 percent in 2025 and retain the same momentum over the medium term.

The projected growth in 2025 and over the medium term will benefit from the enhanced agricultural productivity and a resilient services sector. Agriculture productivity both at the national and county level is expected to be largely driven by favourable weather conditions and productivity-enhancing government interventions that will reduce the cost of production. Moreover, Government intervention measures by both national and county government aim at lowering the cost of production such as the continuous implementation of fertilizer and seed subsidy program, Pests and diseases Monitoring, control and reporting, continuous farmers capacity building on Good Agriculture Practices along all the value chains, support to farmers on produce aggregation and marketing as well as Stakeholders coordination and collaboration among other Agricultural Extension which will support growth of the sector.

Aggregate investment is projected to rise from 16.2 percent of GDP in 2025 to 16.8 percent of GDP over the medium term driven by increased investments by both the Government and the private sector. Private investments will be boosted by stable macroeconomic conditions coupled with

measures aimed at improving competitiveness, inclusivity, market efficiency, positive business sentiment, and access to the international market. Interventions by the Government to avail credit to the private sector will strengthen MSMEs thereby strengthen the private sector led growth opportunities. Investment will also benefit from an increased focus on Public Private Partnerships (PPPs) that are expected to partly fill the investment financing gap in the wake of ongoing fiscal consolidation efforts which would reduce government domestic borrowing and lower yields on government securities.

Development spending in the budget will increase progressively over the medium term so as not to impact on growth momentum. This spending will support sustained Government investments in the Bottom-Up Economic Transformation Agenda as well as the county's development agenda. Particularly, investments in our identified five priority agricultural value chains in our county (Dairy, Tea, coffee, green grams and bananas), investment in our health sector for a healthy county population, investment in the roads and infrastructure sector, as well as investment in our education systems especially in ECDE and the VTCs for a better informed population. Additionally, Government interventions towards climate change adaptation and mitigation measures that include rehabilitation of wetlands and reforestation are expected to support growth over the medium term.

Kenya's external position is expected to remain supportive of macroeconomic stability. Overall, the current account deficit is expected to be stable in the medium term. Exports are expected to recover, both from improvements in the global and regional trade outlook, and domestic conditions. Growth will also be supported by implementation of trade initiatives including the Kenya–EU Economic Partnership Agreement, and export promotion measures. These interventions will have a positive outlook to our county's products for export that includes coffee and tea, hence an improvement of our county's GCP which over the years has remained generally stable.

2.6 Risks to the Economic Outlook: Expectations and Opportunities

Kenya's macroeconomic outlook

There are downside risks to this macroeconomic outlook emanating from internal as well as external sources. 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. Internally, extreme weather (drought or

floods) could weaken agricultural output, lead to destruction of capital, increase food insecurity and lead to a surge in cases of water-borne diseases.

Lower than anticipated global economic growth and particularly in major exports destination could reduce Kenya's exports, tourism receipts, and remittances growth, while increase in global fuel prices could increase Kenya's imports bill. 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.

The upside risk to the domestic economy relate to 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. Continued coordination between monetary and fiscal policies are expected to result to a stable macroeconomic condition 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 were to materialize.

2.6.1 Risks Experienced in Tharaka Nithi County Government

Generally, as a county overreliance on rain-fed agriculture, vulnerability to climate change, limited diversification beyond agriculture, low value-added in agricultural products, inadequate infrastructure, high youth unemployment, and potential for political instability; are primarily the risks to the county's economic outlook all of which can significantly impact the county's ability to achieve sustainable economic growth.

Other risks that can negatively impact on the county's economic outlook and the appropriate measures to be taken includes.

Table 9: Risks, Implications and Mitigation Measures

Fiscal Risk	Implications	Mitigation Measure
Low own source revenue collections	This results to unfunded budgets resulting to the county's inability to fund essential services as well as increased potential for underdevelopment, increased reliance on central government funding, further leading to the accumulation of pending bills and difficulty in responding to local needs; ultimately hindering the county's capacity to effectively govern and deliver services to its residents.	Exploring new revenue sources and strengthening revenue collection systems Make use of county revenue forecasting model to ensure realistic revenue projection Regular Sensitization of our revenue collection officers. Conducting a review of the current revenue automation systems. Development of a county revenue enhancement plans
Huge and increasing pending bills (According to the half year financial reports, the county Executive has an outstanding pending bill of KShs 381 million, while the County Assembly's Pending Bills amounts to KShs 113 million)	Unpaid pending bills can significantly hinder our county's economic development by discouraging its future investments, disrupting local businesses, hindering the delivery of essential services, and can lead to legal disputes with suppliers and contractors, further damaging the county's reputation and consuming valuable resources ultimately impacting on the overall economic activity within the county.	To ensure that the county does not accumulate more pending bills the county commits to improve on financial management through implementation of an effective budget and cash flow management systems to prioritize timely payments to suppliers. Development of a pending bills action plan Development of a pending bills management strategy Capacity building on record keeping of payment of pending bills
High Wage bill	A high wage bill significantly lowers our county's ability to meet financial obligations on operations & maintenance and development requirements. It hinders a county's economic development by limiting the funds available for crucial investments in infrastructure, education, healthcare, and other vital services, essentially crowding out development spending due to the high cost of salaries, ultimately impacting the overall quality of	Carry out HR and skills audit to ascertain the actual number of employees. Development of an action plan for implementing the recommendations from the audit Continuous self-checks to ensure that the payroll data is consistent with the approved staff establishment and other HR records

	life and hindering economic growth potential.	Compliance checks on grading and salary structures and ensuring that all salaries and allowances being paid are aligned with SRC guidelines Elimination of the manual payrolls and ensuring that all staff including casuals are assigned UPNs as per the new payroll module
Climate Change impacts	Climate change causes disruptions to agriculture, tourism, and infrastructure due to extreme weather events which leads to reduced crop yields, damage to property, and decreased economic activity, ultimately leading to reduced revenue and increased social needs of our people	Adopting climate-smart agricultural practices, investing in disaster preparedness, developing resilient infrastructure, as well as promoting green jobs and implementing carbon pricing mechanisms to incentivize emission reductions
Low actual development expenditure	The county is unable to fully achieve its developmental objective within the prescribed time frame due to delays in project planning and implementation.	Timely exchequer release of funds Resource mobilization from donors and other development partners Scale up the use of Public Private Partnerships framework for commercially viable projects

By implementing these measures, the county can better manage fiscal risks, ensure more effective resource allocation, and build resilience to external threats such as climate change.

The county is aware of all potential risks and will take appropriate measures to safeguard the stability of the county economy. This is a continuous effort and will require additional support from the national government to shield the population from uncertainty over the medium term

CHAPTER THREE: FISCAL POLICY AND BUDGET FRAMEWORK

3.1 Overview

This chapter presents the fiscal policy and budget framework envisioned by the County over the MTEF 2025/26-2027/28. It discusses the fiscal responsibility principles, budget expenditure framework over the MTEF period.

3.2 Fiscal Policy Status

The medium-term fiscal policy approach is geared towards supporting the implementation of policies and reforms under the priority sectors of the Bottom-Up Economic Transformative Agenda (BETA) and improvement in aggregate demand. The Government will put in place measures to broaden the revenue base and prioritization during resource allocation will be critical in ensuring low-priority expenditures are dropped or deferred to give way to high-priority service-delivery Programmes.

The County own source revenue annual growth rate is expected to be 5 percent over and above the inflation rate, to achieve 15% growth over the MTEF period. To improve on revenue projections, we will adopt the new revenue forecasting model. During the financial year 2023/24, County budget absorption level was at 81% with 59% and 89% absorption rates for development and recurrent expenditures respectively. Revenue mobilisation through grants and partnerships will be key in supplementing the insufficient equitable share and own source revenue.

Implementation of the reforms on revenue and expenditure is expected to result in improved service delivery. The Government will implement a mix of revenue administrative and policy measures to boost own revenue collection to above KShs 500 million over the medium term. In particular, the Government will focus on domestic resource mobilization efforts that includes.

- a) Review of the Finance Act 2024 that aims at harmonizing levies and fees.
- b) Roll out of the national integrated revenue collection system.
- c) Increased collection from Facility Improvement Fund (FIF) to over KShs 300 million because of the implementation of the SHIF
- d) GIS mapping of revenue streams
- e) Expansion of the tax base through incentivization and rebates.

3.3 Fiscal Strategy Paper's Obligation to Observe Fiscal Principles

Tharaka Nithi County Government is committed to the fiscal discipline as set out in PFM Act, 2012 as well as adoption of best practices in public finance management. To echo our commitments to

prudent fiscal policy, the County Government recognizes that the fiscal principles currently followed will have implications in the long term.

3.3.1 Fiscal Responsibility

To ensure prudence and transparency in management of resources, the County Treasury shall be guided by the fiscal responsibility principles as spelt out in the PFM Act 2012, section 107 hence in this regard, the County Government will.

- a) Ensure there is sound fiscal policies and uniform practices for managing County resources.
- b) Ensure that the county government's expenditure shall not exceed its total revenue.
- c) Allocate a minimum of 30 percent of their budget over the medium-term to development expenditure as provided for under Section 107 (2) (b) of the PFM Act, 2012.
- d) Expenditure on wages and benefits for its public officers to be based on the guidelines under Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.
- e) Over the Medium Term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- f) Short term borrowing shall be for purposes of cash management restricted to management of cash flows and shall not exceed five percent of the most recent audited County Government revenue.
- g) The county debt obligations shall be maintained at a sustainable level as approved by the County Assembly.
- h) Fiscal risks shall be managed prudently.
- i) The approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the County Government or twice the personnel emoluments of that County assembly, whichever is lower.

3.3.2 Fiscal Structural Reforms

To enact and implement fiscal structures to enable the county to be fully compliant with the PFM Act 2012 and PFM Regulations 2015, the FY 2025/2026 Budget framework will consider other vital reforms including:

- a. Migrating from cash basis to accrual basis of accounting.
- b. Entrenching of the zero-based budgeting to re-orient the budgeting and expenditure framework of the County Government.
- c. Enhanced revenue projection through revenue forecasting models.

- d. The county treasury will ensure that the Integrated Financial Management Information System (IFMIS) is fully operationalized. This will be enhanced through.
 - I. Capacity buildings and training sessions especially on strengthening audit systems.
 - II. Adhering to budget implementation, reporting and expenditure management recommendations.
 - III. Retraining revenue officers on Revenue Collection Systems and enforcement procedures.

3.3.3 Debt Financing Policy

The County Government's debt management objective is to ensure that financing needs and payment obligations are met at the lowest possible cost with a prudent degree of risk. Tharaka Nithi County has a robust framework for enhancing its ability to make decisions on the appropriate composition of borrowing for cash management as well as exhibiting a commitment to long-term financial planning that will ensure fiscal prudence and financial stability. In deciding the level of borrowing, emphasis will be placed on total pending bills and to assess the potential risk to the available fiscal space to ensure debt sustainability.

3.4 Budget Framework Proposed for FY 2025/26-2027/28 MTEF.

The FY 2025/26 and the medium-term budget are aligned with the national and county government's policy priorities and macroeconomic framework outlined in earlier chapters. In support of the Bottom-Up Economic Transformative Agenda, the County Government will maintain a growth-friendly fiscal consolidation strategy by managing expenditures and improving revenue mobilization. This approach aims to reduce the growth of pending bills while ensuring uninterrupted service delivery. Tharaka-Nithi County Government will continue to prioritize programs that drive the socio-economic transformation of the County. The program-based budgeting approach will focus on social investments aimed at improving living standards and alleviating poverty. A fundamental goal within this framework is to maintain a zero fiscal deficit. The County's key priorities are to increase market participation and value addition for agricultural transformation, ensuring quality healthcare, improving the road network, facilitating a conducive business environment, provision of quality early childhood and vocational training, climate change mitigation and adaptation and enhancing service delivery.

3.4.1 Revenue Projections

The estimated total revenue for Tharaka Nithi County in the FY 2025/26 Budget Framework is KShs. 6,784.21 million. This amount will be raised through a combination of the Equitable Share, Own-Source Revenue, Loans, and Conditional Grants. According to the Budget Policy Statement of 2025, the county is expected to receive KShs. 4,587.15 million from the Equitable Share and KShs. 1,717.06 million in Loans and Conditional Grants.

Additionally, the County's Own Source Revenue is projected to be KShs. 480 million, which includes the Facility Improvement Fund (FIF) for FY 2025/26. In the medium term, 67.62 per cent of the county's revenues will come from the equitable share, 25.31 per cent from loans and conditional grants, and 7.08 per cent from County Own Revenue sources. The county expects to receive conditional grants for Community Health Promoters, NAVCDP, KISIP II, KUSP II, ABDP, KDSP II, K-WASH, Road Maintenance levy and FLLoCA.

According to the fiscal projections the Equitable Share will increase to KShs 4,587.15 million in FY 2025/26 million and further rise to KShs 4,816.51 million in the FY 2026/27. Over the same period the loans and conditional grants are estimated to be KShs 1,717.06 million and 1,987.72 respectively. Further, the County own source revenues are projected to be KShs 480 million and KShs 555.66 million over the 2025/26 MTEF period. The table below gives a summary of the county government trends for FY 2023/24 and projections for the FY 2025/26 and MTEF.

Table 10: County Government Revenue Trend

Financial Year	2023/24 Actual Expenditure	2024/25 Approved Budget Estimates	2025/26 Proposed Estimates	2026/27 Projected Estimates	2027/28 Projected Estimates	2028/29 Projected Estimates
Equitable Share	4,027,976,038	4,534,480,732	4,587,150,462	4,816,507,985	5,057,333,384	5,310,200,054
Loans and grants	559,317,341	1,497,684,585	1,717,064,016	1,802,917,216	1,893,063,077	1,987,716,231
Own Source Revenue	417,346,035	450,000,000	480,000,000	504,000,000	529,200,000	555,660,000
Other Receipts	253,643,267	-	-	-	-	-
Total	5,258,282,681	6,482,165,317	6,784,214,478	7,123,425,202	7,479,596,462	7,853,576,285

Table 11: County Government Revenue Sources by Type

Financial Year	2023/24 Actual Expenditure	2024/25 Approved Budget Estimates	2025/26 Proposed Estimates	2026/27 Projected Estimates	2027/28 Projected Estimates
Equitable Share	4,027,976,038	4,534,480,732	4,587,150,462	4,816,507,985	5,057,333,384
Community Health Promoters	22,137,500	29,730,288	32,703,317	34,338,483	36,055,407
DANIDA	7,161,000	6,045,000	6,045,000	6,347,250	6,664,613
ASDSP – Sweden	2,285,670	-	-	-	-
Kenya Agribusiness Development Programme (KABDP)		11,918,919	-	-	-
National Agricultural Value Chain Development Project (NAVCDP)	195,112,952	151,515,152	231,249,281	242,811,745	254,952,332
Kenya Informal Settlement Programme	92,630,231	168,945,347	168,945,347	177,392,614	186,262,245
Emergency Locust Response Project (ELRP)	104,620,428	104,600,000	-	-	-
Aquaculture Business Development Project (ABDP)	19,379,784	12,810,384	15,810,384	16,600,903	17,430,948
Financing Locally- Led Climate Action (FLLoCA) - CCRI/CCIS	115,989,776	146,000,000	176,000,000	184,800,000	194,040,000
Supplement Construction County HQ	-	28,000,000	-	-	-
Aggregated Industrial Parks Programme	-	250,000,000	150,000,000	157,500,000	165,375,000
KUSP - UIG Grant	-	35,000,000	35,000,000	36,750,000	38,587,500
KUSP - UDG Grant			-	-	-
WB KWASH PforR		353,808,808	350,000,000	367,500,000	385,875,000
Equalization Fund		-	-	-	-
Road Maintenance Levy		161,810,687	161,810,687	169,901,221	178,396,282
KDSP-II		37,500,000	389,500,000	408,975,000	429,423,750
Own Source Revenue	417,346,035	450,000,000	480,000,000	504,000,000	529,200,000
Other receipts	253,643,267	-	-	-	-
Total	5,258,282,681	6,482,165,317	6,784,214,478	7,123,425,202	7,479,596,462

The chart below shows the actual revenue sources for FY2023/2024, Estimates for FY2024/25, and the projected revenue for FY 2025/26 & FY 2026/27

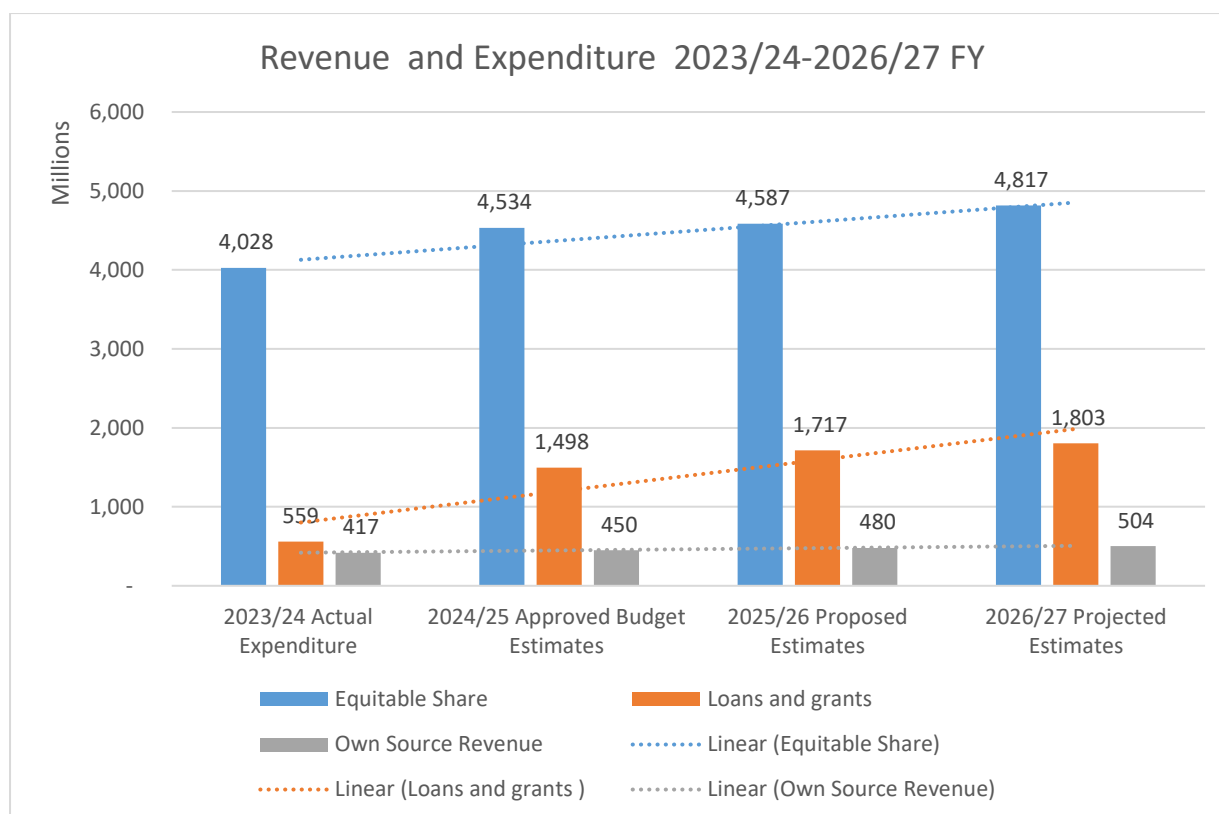


Figure 6 : County Revenue Trends by Source

3.4.2 Expenditure Projections

Table 11 below illustrates that the County's total expenditure for the FY 2025/26, which is projected to be KShs 6,784.21 million, a slight increase from KShs. 6,482.16 million approved estimates for the FY 2024/25. From table 12 below, out of the total county government expenditure, the recurrent expenditure for FY 2025/26 will be KSH 4,211.4 million representing 62 per cent of the County Government total revenue, while KShs 2,572.82 million will be utilized for development expenditure which is 38 per cent of the total projected revenue. The recurrent to development ratios of 62:38 meet the threshold as provided for in the fiscal responsibility principles of 70:30.

Table 12: Estimates vs Actual Expenditure FY 2021/22- 2025/26

FINANCIAL YEAR	2021/22 Actual Expenditure	2022/23 Actual Expenditure	2023/24 Actual Expenditure	2024/25 Approved Estimates	2025/26 Proposed Estimates
Estimates	5,857,834,974	5,911,260,701	5,681,363,406	6,482,165,317	6,784,214,478
Actual	5,554,449,574	5,260,849,525	5,258,282,681	2,465,800,039	-
Deviation	303,385,400	650,411,176	423,080,725	4,016,365,278	-

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Table 13: County Government Fiscal Projections FY 2023/24-2025/26 MTEF

	2023/24 FY	2024/25 FY	2025/26 FY	2025/26 FY	2025/26 FY	2026/27 FY	2026/27 FY	2027/28 FY
Particulars	Actual Expenditure	Approved Budget Estimates	Projections CFSP 2024	Proposed CFSP 2025	CBROP 2024 Proposed	CFSP 2025 Projections	CBROP 2024 Projected	CFSP 2025 Projections
TOTAL REVENUE & GRANTS	5,258,282,681	6,482,165,317	6,336,151,347	6,784,214,478	6,725,080,700	7,123,425,202	7,061,334,735	7,479,596,462
Other Receipts	253,643,267	-	-	-	-	-	-	-
Revenue (Total)	5,004,639,414	6,482,165,317	6,336,151,347	6,784,214,478	6,725,080,700	7,123,425,202	7,061,334,735	7,479,596,462
Equitable Share Allocation	4,027,976,038	4,534,480,732	4,660,706,827	4,587,150,462	4,594,480,200	4,816,507,985	4,824,204,210	5,057,333,384
Own Source Revenue	417,346,035	450,000,000	472,500,000	480,000,000	480,000,000	504,000,000	504,000,000	529,200,000
Grant income	559,317,341	1,497,684,585	1,202,944,519	1,717,064,016	1,650,600,500	1,802,917,216	1,733,130,525	1,893,063,077
Subtotal	5,004,639,414	6,482,165,317	6,336,151,347	6,784,214,478	6,725,080,700	7,123,425,202	7,061,334,735	7,479,596,462
Total Expenditure	5,258,282,681	6,482,165,317	6,336,151,347	6,784,214,478	6,725,080,700	7,123,425,202	7,061,334,735	7,479,596,462
Recurrent	3,889,304,912	4,098,679,103	4,317,158,058	4,211,398,779	4,308,389,865	4,421,968,718	4,523,809,358	4,643,067,154
<i>Recurrent as % of CG Total Revenue</i>	78%	63%	68%	62%	64%	62%	64%	62%
Personnel Emolument	2,354,655,972	2,176,953,017	2,584,049,919	2,504,999,923	2,405,993,953	2,630,249,919	2,526,293,651	2,761,762,415
Operations & Maintenance	1,534,648,940	1,921,726,086	1,733,108,139	1,706,398,856	1,902,395,912	1,791,718,799	1,997,515,708	1,881,304,739
<i>Personnel Emoluments as % of CG Revenue</i>	47%	34%	41%	37%	36%	37%	36%	37%
Development	1,261,537,807	2,383,486,214	2,018,993,288	2,572,815,699	2,416,690,835	2,701,456,484	2,537,525,377	2,836,529,308
<i>Development as % of CG Total Revenue</i>	25%	37%	32%	38%	36%	38%	36%	38%
Unspent Bal Current FY	107,439,962							

3.4.3 Recurrent Expenditure Forecasts

The estimated total recurrent expenditure for the FY 2025/26 is KShs 4,211.4 million with KShs 2,505 million and KShs 1,706.4 million set aside for personnel emoluments and operations and maintenance respectively. The proposed estimates for personnel emoluments is 36.9 per cent of the total proposed expenditure for the fiscal year, slightly above the 35 per cent threshold which has been occasioned by an increase in pension costs and salary increases after the implementation of the new salaries and benefits for public officers. It is imperative to note that over medium term these figures will further escalate on account of the current salary adjustments of the Salaries and Remuneration Commission (SRC) and the anticipated changes in taxation policies as contained in the medium-term revenue enhancement strategy.

Table 14: Expenditure by Economic Classifications - FY 2023/24-2027/28 MTEF

Particulars	2023/24 FY Actual Expenditure	2024/25 FY Approved Budget Estimates	2025/26 FY Proposed Estimates	2026/27 FY Projections	2027/28 FY Projections
Total Expenditure	5,258,282,681	6,482,165,317	6,784,214,478	7,123,425,202	7,479,596,462
Recurrent	3,889,304,912	4,098,679,103	4,211,398,779	4,421,968,718	4,643,067,154
Personnel Emolument	2,354,655,972	2,176,953,017	2,504,999,923	2,630,249,919	2,761,762,415
Operations & Maintenance	1,534,648,940	1,921,726,086	1,706,398,856	1,791,718,799	1,881,304,739
<i>Recurrent as % of CG Total Expenditure</i>	73.97%	63.23%	62.08%	62.08%	62.08%
<i>Personnel Emoluments as % of CG Expenditure</i>	44.78%	33.58%	36.92%	36.92%	36.92%
<i>O&M as % of CG Expenditure</i>	29.19%	29.65%	25.15%	25.15%	25.15%

Expenditure by economic classification is also presented in the following graph.

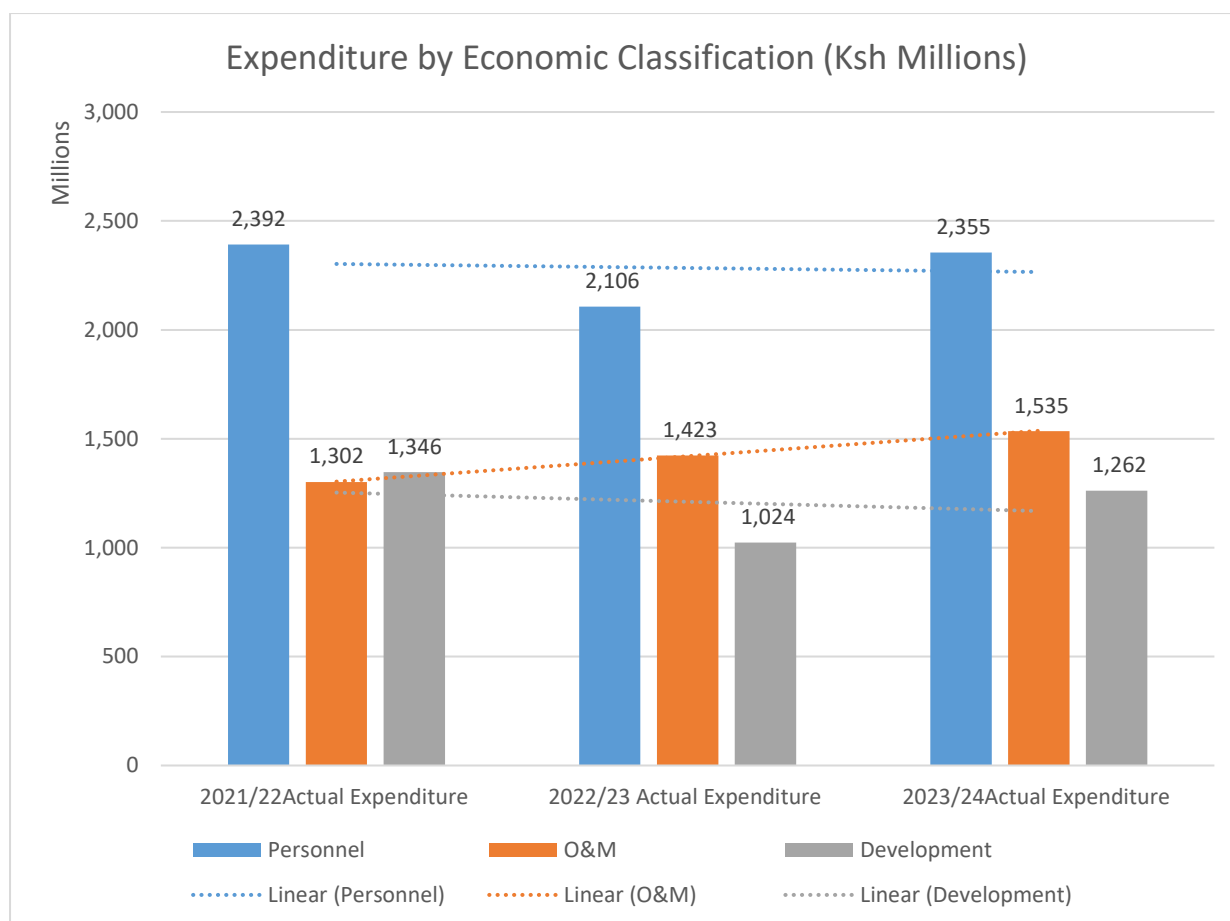


Figure 7: Actual Expenditure by Economic Classifications from FY 2021/22 – FY 2023/24

3.4.4 Development and Net Lending

The proposed development expenditure allocation for FY 2025/26 is KShs 2,572.82 million, compared to KShs 2,383.4 approved in the FY 2024/25 budget. This increase is attributed to the increase in some conditional grants especially the KDSP II level 2 grant. This development expenditure represents 38 per cent of the total resource envelope, which is above the stipulated 30 per cent threshold recommended by the Public Finance Regulations, 2015. Development expenditure for the MTEF FY 2025/26 is expected to remain above the legal limit of 30%. The actual expenditures, budget estimates and proposed projections for FYs 2023/24 – 2027/28 are illustrated in Table 13.

Table 15: Actual and Projected Development Expenditure 2022/23-2026/27

	Actual Expenditure	Budget Estimates	Projections		
Financial Year	2023/24FY Actual Expenditure	2024/25 FY Approved Budget Estimates	2025/26 FY Proposed Estimates	2026/27 FY Projections	2027/28 FY Projections
Total Expenditure	5,258,282,681	6,482,165,317	6,784,214,478	7,123,425,202	7,479,596,462
Development	1,261,537,807	2,383,486,214	2,572,815,699	2,701,456,484	2,836,529,308
Development as % of CG Total Revenue	24%	37%	38%	38%	38%

The figure below shows a graphical representation of of the development expenditure

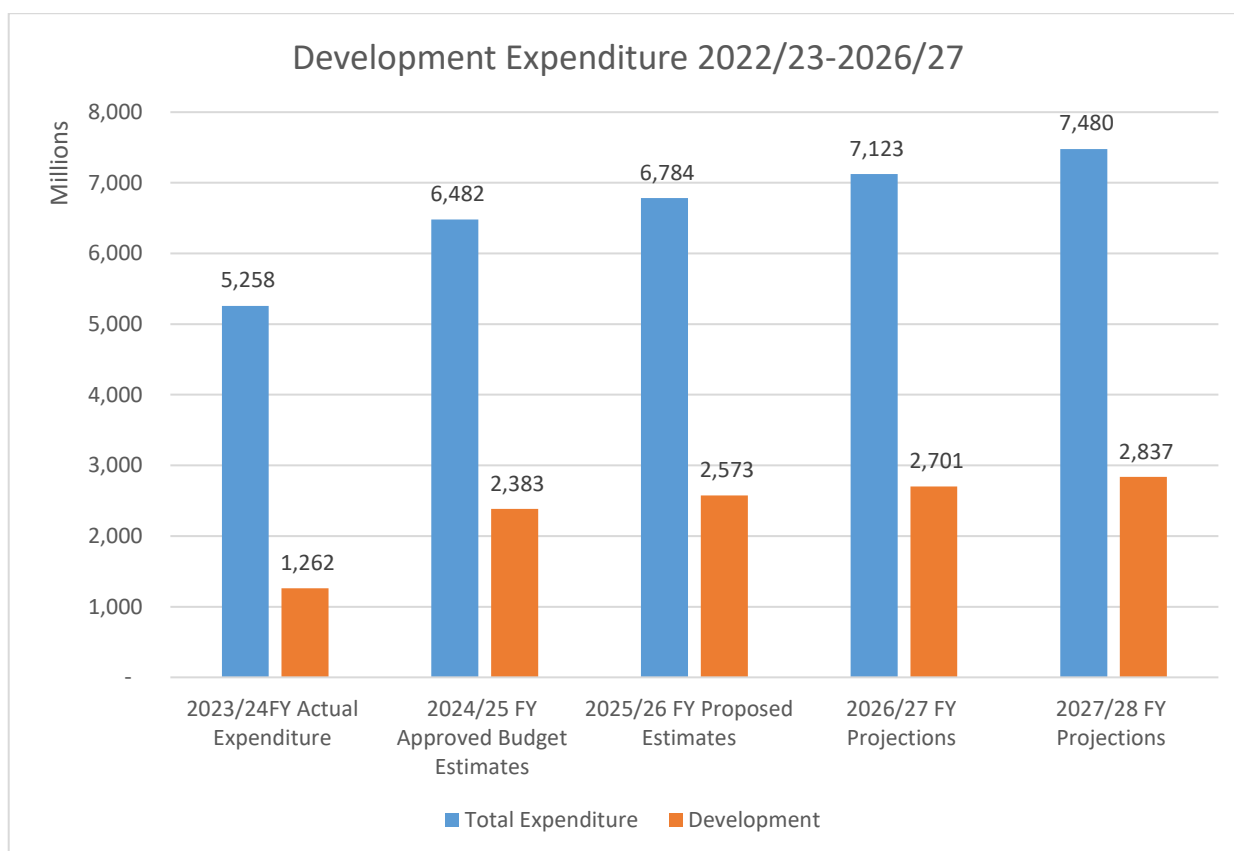


Figure 8: Actual, Budget Estimates and Projected Development Expenditure 2023/24 – 2027/28

3.4.5 Fiscal Balance and Deficit Financing

As enumerated in the fiscal responsibility principles in section 3.3.1, the County will maintain a balanced budget with the revenues covering all expenditures. Any revenue shortfalls will be addressed through the Supplementary Estimates.

3.5 Summary

In conclusion, as a county our key objective is to promote long-term economic growth through prudent financial management, efficient resource allocation, debt sustainability, and enhancing public sector

productivity. These goals aim to create a stable fiscal environment, fostering economic prosperity and improved well-being for residents. Subsequent projections have shown gradual increments of the total County budget, from KShs 3 billion to KShs 6 billion over a five-year period. The successful implementation of this budget framework will be determined by the prudent management of fiscal risks discussed in previous chapters.

CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

4.0 Overview

The FY 2025/26 budget and the Medium-Term Budget Framework (MTEF) aligns with the Bottom-Up Economic Transformation Agenda by ensuring that the county's fiscal strategy is in harmony with national economic goals, promoting a cohesive approach to development and resource utilization. It outlines the county's fiscal program priorities, policies, and reforms over the medium term, ensuring that resources are allocated efficiently to support sustainable socio-economic growth and development. Aligning with BETA's focus on enhancing sectors such as agriculture, micro small and medium enterprises (MSMEs), housing, healthcare, and the digital economy, the MTEF aims to enhance the county's revenue base, improve service delivery, ensure efficient resource utilization and fiscal consolidation hence fostering economic resilience and development.

4.1 Resource Envelope

The County Government is committed to mobilizing resources to finance its budgetary needs, prioritizing key areas such as enhancing agricultural productivity, strengthening healthcare services, developing sustainable infrastructure, promoting socioeconomic empowerment, improving natural resource management, and advancing skills development. In the upcoming financial year, the resources available for allocation will be KShs 6,532.2 million, comprising KShs 480 million from its Own Revenue Sources, KShs. 4,587.2 as Equitable Share and KShs 1,465.1 as Loans and Grants.

Table 16: Resource Envelope for FY 2023/24-2025/26 FY

Details	2023/24 FY Actual Expenditure	2024/25 FY Approved Budget Estimates	2025/26 FY Projections	% 2025/26 Total
Equitable share	4,281,619,305	4,534,480,732	4,587,150,462	67.6%
Grants	559,317,341	1,497,684,585	1,717,064,016	25.3%
Own Source revenue	417,346,035	400,000,000	480,000,000	7.1%
TOTAL	5,258,282,681	6,432,165,317	6,784,214,478	100.0%

4.2 Spending Priorities

4.2.1 Details of Sector Priorities

4.2.1.1 Agriculture and Rural Development sector

Agriculture plays a significant role in the county's economy, providing employment and income opportunities for the majority of the population. In the last five years, agriculture, forestry and fishing has contributed about 21.6 per cent of the GDP thereby exerting a significant impact on the overall economic performance. According to the GCP 2024, Tharaka Nithi county agriculture sector contributed 0.9 percent to the Kenyan GDP exhibiting the significant role the sector plays in the

county's economy despite the numerous challenges experienced. Agriculture serves as the primary livelihood for the majority of households in the county with approximately 80 percent engaged in agricultural activities.

The sector is a major player in the delivery of national development agenda as envisaged in Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (2023-2027). The sector's main goal is to increase agricultural production and productivity by providing high quality, innovative and competitive agriculture related services for food and nutrition security and increase in household incomes. Efforts to modernize and improve agricultural practices in the county through the adoption of modern farming techniques, irrigation systems, and the use of improved seeds and fertilizers will enhance productivity and increase yields hence enhanced household income and economic growth. In FY 2025/26, the government prioritized implementing the following programmes and strategies:

- a) Investing heavily in the Provision of High quality accessible and affordable farm inputs including certified seeds and subsidized fertilizers.
- b) Revitalization of industrial crops – this includes investments in coffee improvement and infrastructural support as well as rehabilitation of tea buying centres. The county will also engage in farmer mobilization to embrace cotton and oil crops farming.
- c) Operationalization of the ATI by establishment of demo plots as well as conducting continuous training activities.
- d) Increased marketing and value addition – this will basically be done through the implementation of the NAVCDP, and ABDP programmes whose main objectives is to increase market participation and value addition for selected value chains. In addition to fish marketing and value addition, other targeted agricultural value chains in our county are green grams, Bananas, coffee, Dairy and Chicken value chains. This will involve supporting farmer producer organizations to access enterprise development funding for infrastructural development as well as strengthening of agricultural SACCOs.
- e) Promotion and support for livestock production through livestock policy development and capacity building.
- f) Continuous control and surveillance of animal diseases, pests and vectors.
- g) Implementation of the artificial insemination and breeding programme.
- h) Disease prevention through vaccinations – this will result into reduced incidences of livestock diseases.
- i) Cooperative management and development – by strengthening the cooperative movement as a tool for economic growth and rural development. This will involve capacity building sessions

on governance and management, conducting frequent supervision, advisory and inspection of cooperative management as well as auditing of cooperatives' books of accounts to ensure compliance and competitiveness.

- j) Increased agricultural extension and capacity building as well as improve the mobility for extension staff. This aims at tackling the challenges of low agricultural productivity and outdated farming practices in general by providing farmers with the necessary knowledge, skills, and resources to improve their agricultural techniques.

To support the implementation of these priorities, in FY 2025/26 the agriculture and rural development sector has been allocated a total of KShs 629.2 million comprising a recurrent expenditure of KShs 235.1 million and a development expenditure of KShs 394.1 million. Out of the total development expenditure, agriculture and crop production department has been allocated KShs 351.2 million out of which KShs 231.2 million is meant for the implementation of the NAVCDP project while KShs. 120 million will be for the certified seed programme, rehabilitation of tea buying centres, coffee improvement and infrastructural support as well as operationalization of the ATI. The livestock and veterinary development departments have a development allocation of KShs 17 million to be used in the implementation of the Artificial insemination and breeding programme, disease control and surveillance as well as infrastructural support for livestock produce. The fisheries and ecosystem management department has KShs 25.8 million as development allocation for the FY 2025/26 for the implementation of the ABDP programme as well as infrastructural support for fish farming.

4.2.1.2 Health sector

The government endeavours to put in place investments that will lead to provision of quality health services to all its people. The Health Sector is an important contributor to the national economic growth through ensuring that its citizens live a healthy life. The government has continuously increased resources towards the health sector to improve quality and bring health care closer to the people for sustainability of its human capital base. The county sector's vision is to have a county free from preventable diseases and ill health which will be achieved through provision of effective leadership and participation in provision of equitable, responsive, accessible, and accountable high quality health care services to the Citizens.

During the medium-term period the government will pay special attention to the following priorities in health sector as outlined in our CIDP III: Procurement of adequate Health Products and Technologies (Medical drugs, Non- Pharmaceuticals, Laboratory reagents, Nutrition commodities, Medical Equipment), Strengthen Health Care Financing by registering residents into the Social Health

Authority (SHA), Strengthen Eye services in the County by constructing and equipping an eye unit and optometry workshop at Chuka County Referral Hospital, Equipping ICU in the county referral hospital, Upgrading of health centres to level 4 as well as computerization of health systems in all health facilities.

To ensure that these priorities are well implemented, in the FY 2025/26 the sector has been allocated KShs 2,045.4 million, comprising of KShs 1,955.4 million as recurrent and KShs 90 million as development

4.2.1.3 Roads, Transport, Infrastructure and Urban Development

Resilient infrastructure is key aspect to development and transformation. In quest to transform the economy of our county, the County Government will ensure there is reliable road infrastructure by investing in Road networks through Construction and Maintenance to ensure safe and efficient transportation.

To strengthen resilience, priority will be given to climate-smart infrastructure and modern techniques like low-volume seal tarmacking to promote sustainability and cost efficiency. The county will work to upgrade more roads to bitumen standards and ensure the completion of ongoing road projects to enhance durability and long-term sustainability.

To improve accessibility, safety, and efficient transportation, more roads will be constructed, expanded, and maintained. Murraming, grading, and gravelling will be carried out on all major and ward roads to enhance interconnectivity. Proper linkages, including bridges and footbridges, are essential for ensuring citizens can access basic services easily and efficiently. The government will allocate funds for bridges, footbridges, and other civil works to shorten travel distances, ultimately saving time and reducing costs.

County Government under the Kenya Urban Support Program (KUSP) aims at supporting urban development projects such as upgrading of roads, enhancing public utilities and improving the overall infrastructure to serve better the growing urban populations. The county has an allocation of KShs 35 million. Kathwana, the county headquarters, received funding in the first phase, which was utilized for projects such as tarmacking town streets and constructing an open-air market. The successful implementation in Kathwana, has led to establishment of Chuka Town Municipality which was included in the second phase of KUSP.

The Kenya Informal Settlement Improvement program (KISIP) whose objective includes improving infrastructure, enhancing the living conditions in informal settlements, securing land tenure and

enhancing accessibility to basic services has an allocation of KShs 168.95 million. The project aims at improving the market roads to bitumen standards the development of drainage systems along the market roads, installation of high mast floodlights and the construction of foot paths in Kathwana and Marimanti Towns.

The sector has been allocated a total KShs 950.1 million comprising KShs 259.33 million for recurrent and KShs 690.76 million for the development. Out of the total sector allocation, the ICT Sub-sector has been allocated KShs 38.95 million as recurrent expenditure.

4.2.1.4 Water Environment and Natural resources

The Sector is essential to the country's sustainable development, playing a vital role in conserving natural resources, enhancing economic growth, and addressing climate change. Over the past seven years, Water, Environment and Natural resources Sector made significant achievements. For environment and natural resources, the county has developed Environmental policy, planted over 500,000 tree seedlings, screened over 8 projects and trained over 1,200 households on alternative sources of energy. Through the irrigation directorate, there has been an increase in area under irrigation to 650 acres which targeted the cultivation of horticulture thus enhancing agricultural productivity. The sector Completed the construction of one Irrigation scheme, surveyed, drilled and equipped over 4 new boreholes and completed construction of 2 small dam, resulting to a remarkable increase in agricultural production, enabling consistent double cropping.

During the FY 2025/26 and the Medium Term, the sector plans to increase the number of household served with clean water by 1000 households, want to increase per capita water supply in rural areas to 8,500M³, and increase amount of water produced per day to 10,000M³. Further, water storage capacity will be increased through the construction of 8 small dams.

4.2.1.5 Education and Social Services Sector

Education and Vocational training sector aim to enhance access to high-quality education and skill development. In this regard the sector will achieve this agenda through the following key sector priorities in the FY 2025/26; Implementation of digital learning in all ECDE centres and other learning materials, Infrastructure improvement through construction of more classrooms as well as installing water tanks and hand washing facilities for better hygiene. The sector also aims to expand the Randomized Control Trial (RCT) project to cover all schools in the county, introduce feeding programme in all ECDE centres, employment of a second teacher for all the 442 ECDE centres as well

as capacity building for teachers to equip them with CBC teaching methods. Key interventions to enhance skill development include Construction of new workshops as well as provision of learning equipment, rehabilitation and modernization of existing structures within our VTCs, recruitment of 48 vocational training instructors, and in service training of office cadre staff as per government requirement MPSG/DPSM/HRD/1/44/IVOLXX (110) dated 30th January 2025.

The department of gender, children and social services has recorded a number of achievements in the 2023/24 financial year and of important to note is the mobilization of over 200 PLWDS to register for Social Health Authority (SHA), issuance of more than five hundred assistive devices for PLWDS, trained more than fifty Gender officers in collaboration with Kenyatta University under the Women Economic Empowerment project, community sensitization on Gender based violence among others. In the FY 2025/26 the department plans to establish an additional child rescue centre at a cost of KShs 10 million, create awareness and sensitization camps throughout the county, hold consultative meetings and workshops with gender stakeholders, provide support for vulnerable orphans and vulnerable children. The recurrent expenditure allocation for the FY 2025/26 is KShs 31.1 million.

Culture and tourism sub sector has a total budget allocation of KShs. 33.7 million in the FY 2025/26. Key among the sub sector's priorities will be development and diversification of tourism products through Mt. Kenya route, improvement and marketing, tour guides and porters training, branding of tourists' sites and development of county tourism policy, promotion of cultural heritage as well as development of Ura Gate.

Youth and sports department has a proposed budget expenditure of KShs. 88.8 million in FY 2025/26. KShs. 38.88 million will be for recurrent expenditure while KShs. 50 million will be spent on development. The sub sector will invest in promoting sports activities by constructing sports stadia, provision of sporting equipment, holding sports clinics and events and training of sports officials. Administration is committed to develop talents and boost sporting activities in the county thus harnessing untapped talent, creating a cohesive society, and ultimately promoting national unity. We are planning this financial year 2025/2026 to conduct talent search in every ward and registration for every team within Tharaka Nithi county of sporting equipment, holding sports clinics and events and training of sports officials.

4.2.1.6 Public Administration, Finance and Economic Planning Sector

Public administration, finance and economic planning sector mandates are to; coordinate participation of communities and locations in governance at the local level oversight; Provide policy

direction; Prudent public finance management for transparency and accountability; Coordinates County and Sectoral development plan; Management of population policy; Ensures effective and efficient County public service through staff capacity building, as well as the development of a sound legislative and regulatory framework is key in coordinating, management, and over-sighting of the planning, administrative, public Finance, and Legislative functions of the Government, and promoting Kenya's International Relations.

In the past seven years, the sector realized various achievements of the targeted outputs and outcomes including coordination and supervision of county government affairs; promotion of prudent public finance management and accountability in the public sector; enhanced oversight role in the public sector, development of the County Government Legislative Agenda; support for devolution and coordination of national and county government activities. Additionally, the Sector ensured an effective and efficient public service delivery and steered the County to prosperity through effective legislation and consultative representation.

In the FY 2025/26 and the Medium-Term Budget, the Sector has prioritized programmes and projects aligned with the Bottom-Up Economic Transformation Agenda and the Fourth Medium Term Plan of Kenya Vision 2030. The Sector will implement the following programmes: Integrated Service Delivery, Human Resource Management, County Government Advisory Services, County Public Service Board, Economic Policy and County Planning, Financial Management Services, General Administration & Support Services, County Legislation & Oversight Services and 16 sub-programmes designed to address citizens' needs thereby enhancing service delivery. In addition, the Sector will continue to enhance efficiency and effectiveness in service delivery and promote comprehensive public financial management, intensify resource mobilization and strengthen monitoring and evaluation.

4.2.1.7 General Economics and Commercial Affairs

The General Economic and Commercial Affairs (GECA) Sector comprises five subsectors namely: Trade; Industry; Investment Promotion, Revenue, and resource mobilization.

During the 2023/24 MTEF period the sector implemented programmes and sub programmes which resulted to remarkable achievements that include: Automation of revenue streams, Resource mobilization, construction of sheds in all cess points, training and capacity building of revenue clerks and enforcement officers, supporting of MSMEs, Creation of awareness and distribution of alternative sources of energy and successful inspection and approval of liquor premises.

The following are challenges that affect the sector; Delayed disbursement of funds by National Treasury hampering service delivery; Inadequate funds to finance projects as planned due to low budget ceiling.

The sector will also implement other earmarked priority programmes such as: fairs and trade exhibitions, Enabling fair business practise by improved accuracy and precision (Consumer protection); opportunities for dairy value chain; Promotion of Linkage of small enterprises to large enterprises, Formation of Business Producer group, Policy Regulation, Sustainable Energy, Mobilize funds from development partners, Fully automate own source revenue, and Diversify revenue streams.

To implement the above interventions, the sector has a resource allocation of KShs 376.16 million comprising of KShs 119.33 million for Revenue and Resource mobilization and KShs 356.83 million for Trade, investment promotion, Energy, and Industry.

4.2.1.8 Lands and physical planning

To attain efficient, equitable and sustainable use of land resource, spatial planning and development for improved living environment, the Lands, Physical Planning and Housing sector has prepared the Draft Tharaka Nithi County Spatial Plan which outlines county resource management over a ten-year period and enhances land utilization. The sector has also completed preparation of Marimanti Town Physical and Land Use Development Plan, and Chuka Muslim Village Local Physical and Land Use Plan. The residents of Muslim Village will be issued with title deeds to their parcels of land. Development Plans for Chuka Municipality and Chuka Town CBD are ongoing and nearing completion. Within eight market centers (Itugururu, Kamwimbi, Kaanwa, Kibugua, Magutuni, Kaare, Gatunga and Mukothima) the process of preparing market advisory plans has started in efforts to improve land use and tenure security. Inventory of County Staff Houses has been prepared and allocations done for County Staff Housing which contributes towards own-source revenue. Development Control (processing of development applications) is ongoing which also contributes to own source revenue hence inspections and approvals to support compliance will be carried out in a bid to establish a well-coordinated and strategic approach land use developments. Land adjudication has an effect on supporting national policies and follow up is done to ensure issuance of tenure security (title deeds) to the residents. Through Affordable Housing Programme, a key contributor to structured urbanization, land parcels within Chuka, Chogoria, Kathwana and Marimanti towns have been identified for implementation with Chuka Town already under implementation, this will meet the

housing demands in urban centers. The National Land Commission has been engaged in the expansion of Itugururu Airstrip, Itugururu Agricultural Training Institute and Ntuntuni Solid Waste Management Site to pave way for the various developments within the specific areas.

For affordable and accessible housing, land tenure, effective and efficient land services, KShs 80 million will be set aside in the FY 2025/2026 to ensure all the set goals are achieved, which is inclusive of both KShs 10 million development and 70 million for recurrent.

4.2.2 Criteria for Resource Allocation

The following criteria guided the allocation of resources within the county entities for FY 2025/26 and over the medium term:

- a. Ensuring program alignment with development plans by integrating the priorities of County Integrated Development Plan III within the framework of the "Leaving No One Behind" development agenda.
- b. Linkage of programmes with the National Bottom-Up Economic Transformation Agenda.
- c. The program will address viable stalled projects and verified pending bills. Resources will be allocated to ensure expenditure remains within revenue limits, preventing debt accumulation. Additionally, provisions will be made for settling outstanding bills.
- d. Requirements for furtherance and implementation of the fiscal responsibility principles, existing policies and legal frameworks.
- e. Allocation will be based on sustainability and efficiency to ensure long-term sustainability and optimal use of funds.
- f. Strategic goals and objectives of departments. Allocation is in accordance with the objectives and strategic outcomes of each departmental program.

4.2.3 Sectoral Ceilings

The baseline estimates reflect the current departmental spending levels in sector programmes.

- a. Non-discretionary expenditures take priority in the recurrent expenditure category, covering payments for pending bills, salaries, and pensions.
- b. Development expenditures have been allocated based on the county priorities. The following criteria was used in apportioning capital budget:
 - i. On-going projects: Emphasis will be on completion of all ongoing projects where the Government will undertake project appraisal that will

guide on the viability and costs required to complete all ongoing projects. This has informed prioritizing projects budgeted for across the various wards and departments.

- ii. Counterpart funds: priority was also given to adequate allocations for donor counterpart funds which is the portion that the government must finance in support of the projects financed by loans and grants.

4.3 Medium Term Expenditure Estimates

The summary of indicative departmental ceilings for FY 2025/26 is as indicated in table 14 and informs the Sector Ceilings for FY 2025/26 and MTEF as shown in table 15 below.

Table 17: Departmental Ceilings

Department	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total
Agriculture and Crop Production	100,177,840	34,964,500	-	135,142,340	120,000,000	231,249,281	351,249,281	486,391,621
Livestock and Veterinary Development	55,991,264	19,892,191	-	75,883,455	17,000,000	-	17,000,000	92,883,455
Fisheries and Ecosystem management	12,600,000	11,500,000		24,100,000	10,000,000	15,810,384	25,810,384	49,910,384
County Assembly	-	533,890,644	-	533,890,644	30,000,000		30,000,000	563,890,644
County Public Service Board	21,233,400	18,900,000	-	40,133,400	-	-	-	40,133,400
Office of Governor and Deputy Governor	40,614,700	78,960,200		119,574,900	-	-	-	119,574,900
Office of the County Secretary and County Attorney	24,400,300	15,300,500		39,700,800			-	39,700,800
Public Administration and Devolution Affairs	102,604,300	38,350,000	37,500,000	178,454,300	5,000,000	352,000,000	357,000,000	535,454,300
Finance and Economic Planning	76,547,000	104,682,900	-	181,229,900	-	-	-	181,229,900
Education and Vocational Training	153,921,723	60,701,700	-	214,623,423	50,000,000	-	50,000,000	264,623,423
Gender, children and Social Services	19,600,000	11,500,000	-	31,100,000	10,000,000	-	10,000,000	41,100,000
Culture and Tourism	20,200,000	13,500,000	-	33,700,000	-	-	-	33,700,000
Youth and Sports	25,340,800	13,548,000	-	38,888,800	50,000,000	-	50,000,000	88,888,800
Land and Physical planning	38,678,000	31,287,473	-	69,965,473	10,000,000	-	10,000,000	79,965,473
Medical Services	1,310,799,066	312,839,138	0	1,623,638,204	90,000,000	-	90,000,000	1,713,638,204
Public Health and Sanitation	243,526,400	49,489,979	38,748,317	331,764,696	-	-	-	331,764,696
Information Communication Technology	15,600,500	23,345,600	-	38,946,100	-	-	-	38,946,100
Roads, Infrastructure, Public Works and Urban Development	51,400,400	133,985,000	35,000,000	220,385,400	360,000,000	330,756,034	690,756,034	911,141,434
Revenue and Resource Mobilization	95,009,000	24,325,200	-	119,334,200	-	-	-	119,334,200
Trade, investment promotion, Energy and Industry	36,101,480	20,730,400	-	56,831,880	50,000,000	150,000,000	200,000,000	256,831,880
Water Services and Irrigation	40,253,750	24,980,200	-	65,233,950	100,000,000	350,000,000	450,000,000	515,233,950
Environment and Natural resources	20,400,000	18,476,914	-	38,876,914	65,000,000	176,000,000	241,000,000	279,876,914
Total	2,504,999,923	1,595,150,539	111,248,317	4,211,398,779	967,000,000	1,605,815,699	2,572,815,699	6,784,214,478

Table 18: 2025/26 Sector Ceilings

Sector	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total
Health Services	1,554,325,466	362,329,117	38,748,317	1,955,402,900	90,000,000	-	90,000,000	2,045,402,900
Public Administration	265,399,700	790,084,244	37,500,000	1,092,983,944	35,000,000	352,000,000	387,000,000	1,479,983,944
Infrastructure and ICT	67,000,900	157,330,600	35,000,000	259,331,500	360,000,000	330,756,034	690,756,034	950,087,534
Agriculture and Rural Development	168,769,104	66,356,691	-	235,125,795	147,000,000	247,059,665	394,059,665	629,185,460
Lands and physical planning	38,678,000	31,287,473	-	69,965,473	10,000,000	-	10,000,000	79,965,473
Education and Social Services	219,062,523	99,249,700	-	318,312,223	110,000,000	-	110,000,000	428,312,223
Water, Environment and Natural Resources	60,653,750	43,457,114	-	104,110,864	165,000,000	526,000,000	691,000,000	795,110,864
General Economic and Commercial Affairs	131,110,480	45,055,600	-	176,166,080	50,000,000	150,000,000	200,000,000	376,166,080
Total	2,504,999,923	1,595,150,539	111,248,317	4,211,398,779	967,000,000	1,605,815,699	2,572,815,699	6,784,214,478

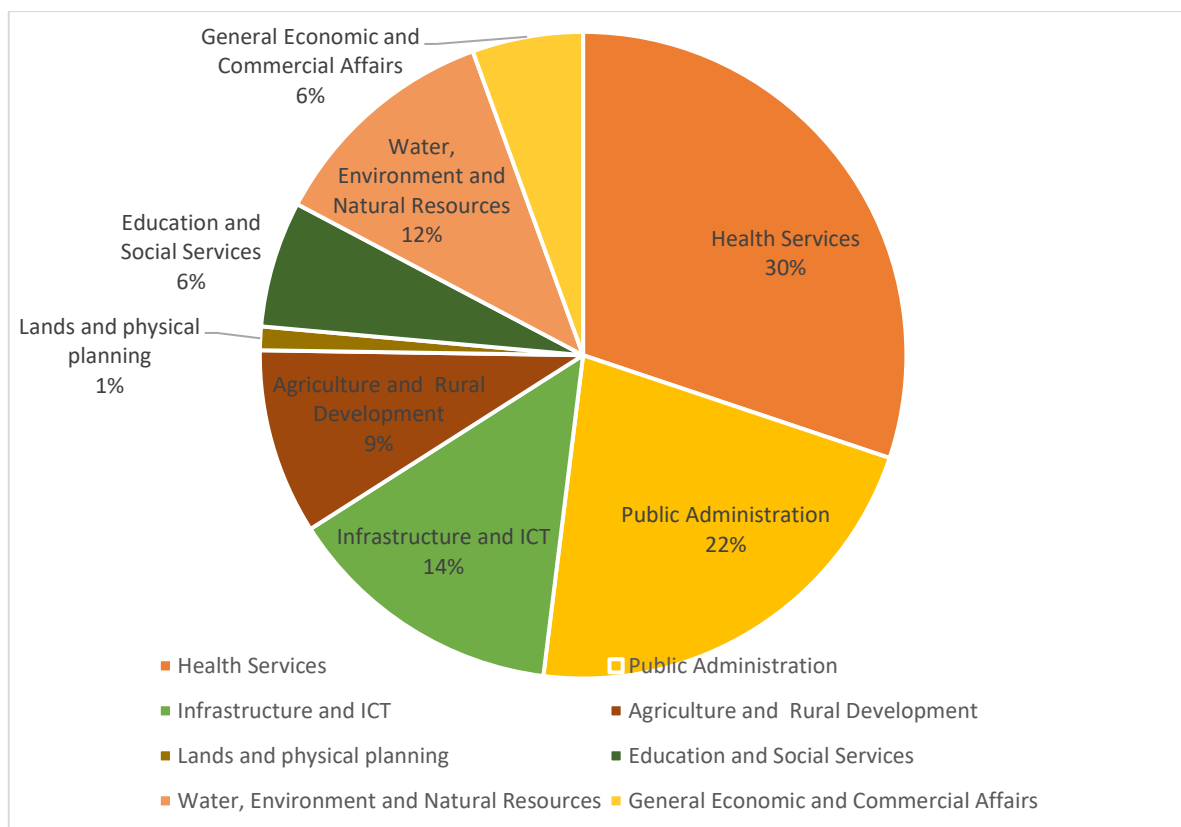
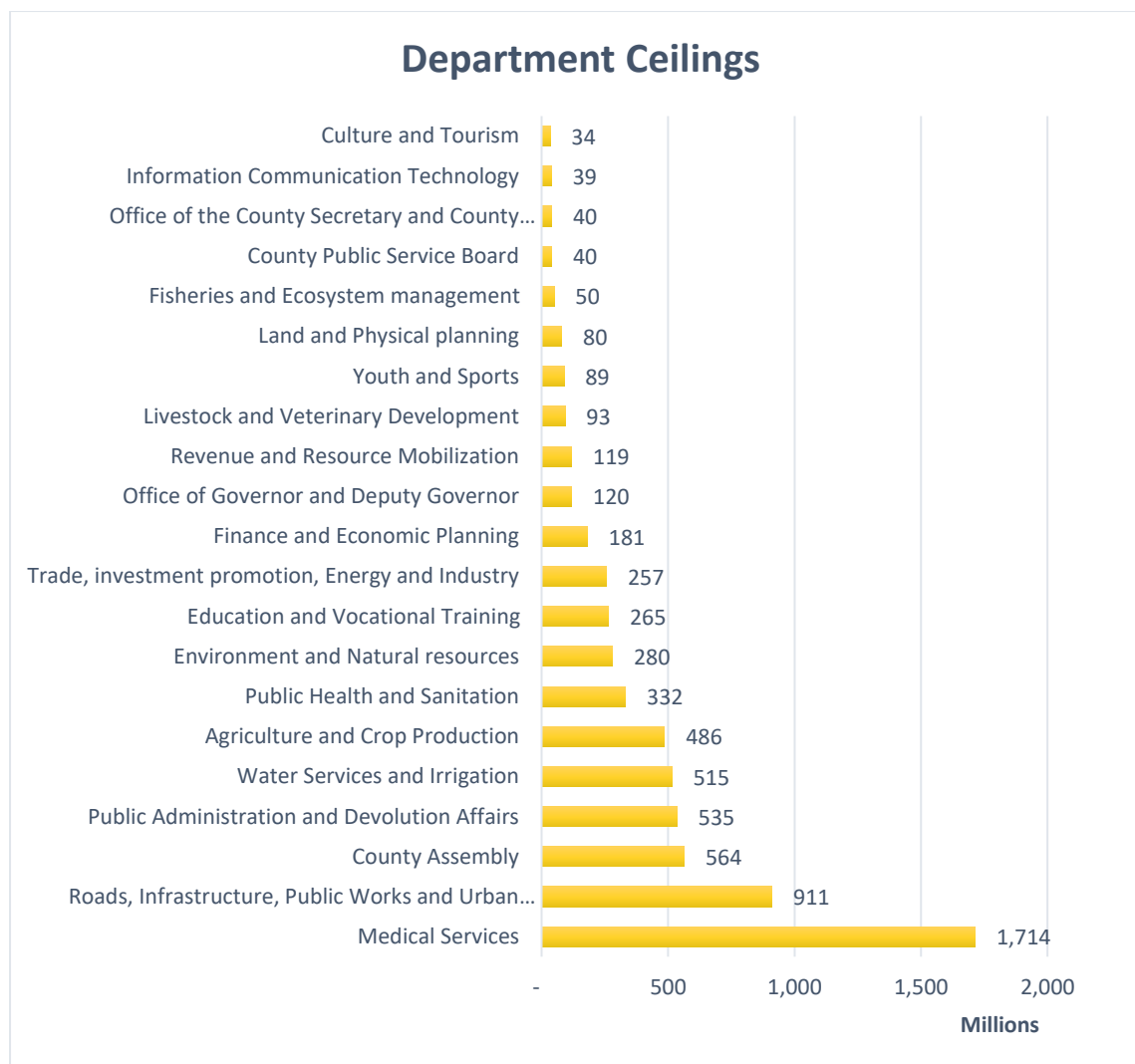


Figure 9: Pie Chart Presentation of Sector Allocation % of Total Expenditure

The overall expenditure and allocations in terms of percentages as per the sectors in this CFSP is well indicated in the above pie chart. The top five sectors in terms of allocation are health which takes the biggest share at (31%) followed by public administration (19%), infrastructure and ICT (14%) and Agriculture and Rural Development sector (10%).

Figure 10 : Graphical Presentation of the departmental Allocations.



CHAPTER FIVE: CONCLUSION AND NEXT STEPS

The overall expenditure in this CFSP as outlined in MTEF framework has grown moderately considering the minimal growth in the annual revenues. The critical sectors and programs will continue to receive a significant share of resources as well as capital investments as contributions to the growth objectives. The CFSP 2025 has detailed the set of fiscal policies that are aimed at completing ongoing projects in addition to the fiscal responsibility principles entrenched in the PFM Act, 2012. The overall strategy is consistent with the national strategic objectives that will accelerate economic recovery to improve livelihoods.

Budgetary resources are usually limited; thus, it is imperative that departments prioritize their programmes within the available resources to ensure that utilization of public funds are in line with County Government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. Priority should be given to any stalled projects and the recently initiated but still on-going projects. The departments should also pay attention to estimated requirements for each of the stages in the project cycle to ensure that the budget amounts are based on clear timelines and milestones. There is need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for ordinary programmes.

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programmes envisaged in this document and strengthen the County 's capacity to deliver services to its residents. Monitoring and evaluation will involve the tracking of activities, tracking of budget usage, the assessment of performance and putting in place strategies and actions for the attainment of results. Proper implementation of the budget is critical towards providing services that will promote sustainable development. Sustainability requires greater effort from all the stakeholders including County Government departments, sector working groups, civil societies, communities, County Assembly, and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.