THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF THARAKA NITHI

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2026

© **County Budget Review and Outlook Paper (CBROP) 2026**

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2026 has been prepared in accordance with Section 118 of the Public Finance Management (PFM) Act, 2012. This legislation mandates that each county government produce an annual budget review and outlook paper, to be submitted to the County Executive Committee by September 30th for review and approval. The 2026 CBROP outlines the implementation of priority programmes, policies, and reforms that align with the National Government's Bottom-Up Economic Transformative Agenda (BETA) and are captured within the Third-Generation County Integrated Development Plan (CIDP III 2023-2027).

This paper reviews the county's fiscal performance for 2025/26 financial year in relation to the approved budget. It also analyzes the projections set out in the County Fiscal Strategy Paper (CFSP) 2025, assessing how actual financial outcomes for the previous year have impacted compliance with fiscal responsibility principles and county financial obligations. Where there are deviations from the county's financial objectives as outlined in the most recent fiscal strategy paper, this document provides explanations and recommends measures to address identified shortcomings. The updated economic and financial outlook herein establishes a broader fiscal framework for preparing the upcoming budget.

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



CPA. Lawrence Ireri K. Rweria
County Executive Committee Member
Finance and Economic Planning

ACKNOWLEDGEMENT

The preparation of the CBROP 2026 has been undertaken in accordance with the Public Finance Management (PFM) Act, 2012 and the PFM (County) Regulations, 2015. As one of the initial deliverables in the budget cycle for the 2026/2027–2028/2029 Medium Term Expenditure Framework (MTEF) period, this document presents a detailed account of the county's actual fiscal performance for the 2025/26 financial year in comparison to the budget appropriation for that period.

The successful completion of this document resulted from the dedicated and coordinated efforts of numerous individuals within the County Government. I wish to extend my sincere appreciation to the Governor, H.E. Muthomi Njuki, and the Deputy Governor, H.E. Muisraeli Nyaga, for their unwavering support and exemplary leadership throughout the preparation and finalization of the CBROP 2026. Special recognition goes to the County Executive Committee Member for Finance and Economic Planning Mr. Lawrence Rweria, for his invaluable support during the preparation process. I also acknowledge the contributions of other County Executive Committee members, County Chief Officers, and the sector working group members, all of whom played pivotal roles in the development of this document. I am grateful as well to the County Budget and Economic Forum (CBEF) members for their insightful consultations and important input throughout the drafting of the CBROP.

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



Mr. Kinyua Kabinga
County Chief Officer
Finance and Economic Planning.

ABBREVIATIONS AND ACRONYMS

ABDP	Aquaculture Business Development Programme
ADP	Annual Development Plan
ASALs	Arid and Semi-Arid Lands
ASDSP	Agriculture Sector Development Support Programme
BETA	Bottom-up Economic Transformative Agenda
BPS	Budget Policy Statement
CA	County Assembly
CAPR	County Annual Progress Report
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBR	Central Bank Rates
CBROP	County Budget Review and Outlook Paper
CCTV	Closed Circuit Television
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CG	County Government
CGAAA	County Government Additional Allocation Act
CHP	Community Health Promoters
CIDP	County Integrated Development Plan
CO	Chief Officer
CORe	County Own Revenue
COVID	Corona Virus Disease
CRA	Commission on Revenue Allocation
DANIDA	Danish International Development Agencies
DMS	Debt Management Strategy
DoRA	Division of Revenue Act
ELRP	Emergency Locust Response Project
FIF	Facility Improvement Fund
FLLoCA	Financing Locally Led Climate Actions
FY	Financial Year

GDP	Gross Domestic Product
GFS	Government Finance Systems
IBEC	Intergovernmental Budget and Economic Council
ICT	Information, Communication Technology
KABDP	Kenya Agribusiness Development Programme
KCSAP	Kenya Climate Smart Agriculture Project
KDSP	Kenya Devolution Support Prorogramme
KES/KShs	Kenya Shillings
KISIP	Kenya Informal Settlement Improvement Project
KUSP	Kenya Urban Support Programme
K-WASH	Kenya-Water Sanitation and Hygiene
M&E	Monitoring and Evaluation
MSMEs	Micro Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NAVCDP	National Agriculture Value Chain Development Project
OSR	Own Source Revenue
PFM	Public Finance Management
PWDs	Persons With Disabilities
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
SWGs	Sector Working Groups
UHC	Universal Health Coverage
UK	United Kingdom
USA	United States of America
WB	World Bank

TABLE OF CONTENTS

FOREWORD i
ACKNOWLEDGEMENT ii
ABBREVIATIONS AND ACRONYMS iii
TABLE OF CONTENTS v
LIST OF TABLES vii
LIST OF FIGURES viii
LEGAL BASIS FOR PREPARATION OF CBROP ix
FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCIAL MANAGEMENT x
SECTION ONE 1
INTRODUCTION 1
1.1 Objectives of CBROP 1
1.2 Significance of CBROP 2
1.3 Structure of the CBROP 2
SECTION II 4
REVIEW OF COUNTY FISCAL PERFORMANCE IN FY 2025/26 4
2.1 Overview 4
2.2 Fiscal Performance for FY 2025/26 4
2.2.1 County Own Source Revenue Performance 5
2.2.2 Conditional Loans and Grants 8
2.2.3 County Expenditure Performance 10
2.3 Fiscal Balance (or net position) 25
2.4 Implications for the FY 2025/26 Performance 25
SECTION III 27
RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK 27
3.1 Overview 27
3.2 Recent Economic Developments 28
3.3 Progress Report on Budget Implementation 31
3.4 County Economic Outlook and Policies 31
3.5 Outlook and Risk Assessment 35
SECTION IV 38

RESOURCE ALLOCATION FRAMEWORK 38
4.1 Adjustment to the FY 2026/27 Budget 38
4.2 Medium Term Expenditure Framework 39
4.3 Proposed FY 2027/28 Budget Framework 39
4.3.1 Revenue Projections 39
4.3.2 Expenditure Forecasts 43
4.4 Projected Fiscal Balance (deficit) and Likely Financing 49
4.5 Pending Bills 49
ANNEXTURES 52
ANNEX I: BUDGET CALENDAR FOR THE FY 2026-2027 52

LIST OF TABLES

Table 1: Revenue Performance 2025/26 4
Table 2: Own Source Revenue Performance FY 2019/20 – 2025/26 per Quarter 6
Table 3: Top Ten Revenue Streams FY 2025/26 7
Table 4: Summary Release of Conditional Loans and Grants 9
Table 5: Expenditure by Type 11
Table 6: County Executive and County Assembly Expenditure. 11
Table 7: County Expenditure Performance by Economic Classification 12
Table 8: Absorption Rates by Sector FY 2025/26 14
Table 9: Absorption rates by Department FY 2025/26 15
Table 10: Summary of Departmental Performance for FY 2025/26 17
Table 11: Expenditure by Programme FY 2025-26 18
Table 12*:* Adherence to Fiscal Responsibility Principles 21
Table 13: Comparison CFSP 2026 Against Budget Estimates FY 2025/26 24
Table 14: Tharaka Nithi GCP by Economic Activity, 2024 34
Table 16: MTEF Revenue Projections by source FY 2024/25- FY 2029/30 40
Table 17: OSR Projections by Revenue Stream FY 2025/26- FY 2029/30 40
Table 18: Revenue and Expenditure Projections FY 2025/26-2029/30 42
Table 19: Summary of Actual and Projected Expenditure MTEF 44
Table 20: Summary of Indicative Departmental Ceilings for the MTEF Period 2025/26- 2029/30 45
Table 21: Summary of Indicative Sector Ceilings 47
Table 22: Departmental Ceilings by Expenditure Category for FY 2027/28 47
Table 23: Recurrent and Development Expenditure FY 2025/26-FY 2029/30 48
Table 24: Ageing Analysis of County Executive Pending Bills 50

LIST OF FIGURES

Figure 1: Fiscal Performance for FY 2025/26 5
Figure 2: Comparison of recurrent expenditure for FYs 2024/25 and 2025/26 13
Figure 3: Kenya GDP Growth Rates in Percentage, 2022-2026 29
Figure 4: Tharaka Nithi GCP from 2019 – 2024 35
Figure 5: Revenue Projections FY 2024/25-FY 2029/30 41

LEGAL BASIS FOR PREPARATION OF CBROP

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

1) A County Treasury shall

a. Prepare a CBROP in respect of the County for each year; and

b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.

2) In preparing its CBROP, the County Treasury shall specify

a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year.

b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)

c. Information on:

(i) Any changes in the forecasts compared with the CFSP; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and

d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.

4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall

a) Arrange for the Paper to be laid before the County Assembly; and

b) As soon as practicable after having done so, publish and publicize the Paper.

FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCIAL MANAGEMENT

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

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

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

The County Government's recurrent expenditure shall not exceed the County Government's total revenue.

a. Over the medium term, a minimum of thirty (30) per cent of the County government's budget shall be allocated to the development expenditure.
b. The County Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.
c. Over the medium term, the Government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. However, short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.
d. The County debt shall be maintained at a sustainable level as approved by the County Assembly.
e. The fiscal risks shall be managed prudently; and
f. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future.

SECTION ONE
INTRODUCTION

The 2026 County Budget Review and Outlook Paper (CBROP) is a key financial report prepared by county governments in Kenya under section 118 of the Public Finance Management (PFM) Act, 2012- It is a document providing linkage for budget planning for counties by connecting policy, planning, and budgeting by reviewing the previous year's financial and non-financial performance and assessing how this impacts compliance with fiscal responsibility principles and financial objectives set out in the preceding County Fiscal Strategy Paper (CFSP). CBROP demonstrates a vital accountability tool for evaluating county fiscal performance and aligning future spending to development priorities.

The 2026 CBROP is prepared in line with Chapter 11 of the Constitution of Kenya, 2010, Sections 102 and 105 of the County Government Act 2012. The paper evaluates the fiscal performance for FY 2025/26, discusses the macroeconomic and financial outlook, and sets the Medium-Term Expenditure Framework (MTEF) for FY 2027/28–2029/30. It also presents indicative sector ceilings for FY 2027/28 and over the medium term, in line with the budget circular issued on 30th August 2026.

The CBROP outlines details on variations between actual fiscal outcomes and projections in the CFSP 2025, offering justifications for the variances and suggesting mitigation to address the fiscal risks. It also highlights how financial performance in FY 2025/26 affected the attainment of fiscal objectives. Additionally, it outlines progress made in implementing the county's development agenda as guided by the 2026/27 Annual Development Plan (ADP) and the third-generation County Integrated Development Plan (CIDP). It also informs the preparation of the CFSP 2027 and the Annual Budget Estimates for FY 2027/28.

1.1 Objectives of CBROP

The broad objective of CBROP is to provide a review of the previous year's fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in CFSP 2027. The specific objectives are:

i. To review the fiscal performance for FY 2025/26 and assess how it impacts the county's financial objectives and adherence to fiscal responsibility principles.
ii. To provide detailed analysis of actual fiscal performance in FY 2025/26 compared with the approved budget appropriation.
iii. To establish and explain deviations between actual outcomes and the forecasts contained in the CFSP 2025.

iv. To evaluate the financial performance for FY 2025/26 and how it affected compliance with the fiscal responsibility principles, or the financial objectives as set out in the CFSP 2025.
v. To provide reasons for any deviations from the financial objectives in CFSP 2025, together with mitigation measures, measurable proposals, and clear timelines for addressing the deviations.
vi. To specify updated economic and financial forecasts, considering changes from earlier projections, and provide a basis for medium-term fiscal and expenditure planning.
vii. To guide policy formulation and resource allocation by identifying fiscal challenges, opportunities and priorities that should inform the 2027 CFSP and the FY 2027/28 County Annual Budget Estimates.

1.2 Significance of CBROP

The County Budget Review and Outlook Paper (CBROP) is a policy tool that reviews fiscal performance for FY 2025/26 against the approved budget estimates, highlighting deviations and their impact on compliance with fiscal responsibility principles under Section 107 of the Public Finance Management Act, 2012. It also provides updated revenue and expenditure forecasts and sets preliminary sector ceilings to guide Sector Working Groups (SWGs) in preparing annual estimates.

The CBROP is prepared within the framework of the third-generation CIDP (2023–2027) and the Fourth Medium-Term Plan (MTP 2023–2027). It informs the Medium-Term Expenditure Framework (MTEF) process by guiding fiscal planning, resource allocation, and budget preparation, thereby forming a basis for the CFSP 2027 and the FY 2027/28 County Annual Budget Estimates in line with county development priorities.

1.3 Structure of the CBROP

The CBROP 2026 is broadly classified into two parts: a review section and an outlook section and is organized into five chapters. Chapter One introduces the CBROP by outlining its legal framework, significance, objectives, and overall structure. Chapter Two details the county's fiscal performance for FY 2025/26 and its implications on financial objectives set out in the Medium-Term Expenditure Framework (MTEF). This section is presented in three sub-sections: an overview, fiscal performance, and implications of fiscal performance.

Chapter Three highlights recent economic developments, the Medium-Term Fiscal Framework, and risks to the outlook—shifting focus from past performance to the present and the immediate future. Chapter Four sets out the county's resource allocation framework, establishing the overall resource

envelope and defining expenditure limits or ceilings for each county department. Chapter Five concludes the paper by reaffirming that the outlined policies:

(a) Reflect changed circumstances;
(b) Are consistent with fiscal responsibility principles under the PFM Act, 2012;
(c) Align with the county's strategic objectives as the basis for allocating public resources; and
(d) Are anchored in the County Integrated Development Plan (CIDP) as the blueprint for county development.

SECTION II

REVIEW OF COUNTY FISCAL PERFORMANCE IN FY 2025/26

2.1 Overview

During the year under review, the county realized total revenue basket of KES 6.78 billion, which represents 87 percent of the annual target of KES 7.78 billion. This performance reflected a 7 percent increment compared to the previous financial year's performance of 5.633 billion

The total expenditure for the year was KES 6.78 billion, with an unspent balance of KES 567.91 million. Of the gross expenditure, KES 3.98 billion was utilized on recurrent expenditure while KES 1.71 billion was utilized for development expenses. The unspent balances of KES 567.91 million is attributed to late disbursement of conditional grants –KUSP II, KDSP II, FLLoCA and K-WASH – that was not utilized at the end of the financial year. County Assembly expenditure was KES 524.79 million, against an allocation of KES 538.53 million, translating to a performance rate of 97 percent for the period under review.

2.2 Fiscal Performance for FY 2025/26

Table 1 below summarizes the revenue performance for FY 2024/25 and FY 2025/26.

Table 1: Revenue Performance 2025/26

Particulars	2024/25 FY Actual	2025/26 FY Approved	2025/26 FY Actual	% performance
TOTAL REVENUES AND BALANCES BROUGHT FORWARD	**5,633,637,947**	**7,777,008,045**	**6,787,799,244**	**87%**
Unspent Bal from Previous FY	107,439,962	205,324,447	205,324,447	100%
Unspent Bal from FY 2024/25 Conditional Grants	0	21,119668	21,119668	100%
Revenue (Total)	**5,526,197,985**	**7,550,563,930**	**6,561,355,129**	**87%**
Equitable Share Allocation	4,749,766,134	5,058,286,293	5,058,286,293	100%
Local Revenue	481,791,096	668,481,692	662,325,191.00	99%
Grants (Total)	294,640,755	1,823,795,945	840,743,645.00	46%
Total Expenditure	**5,407,193,832**	**7,777,008,045**	**6,219,885,332**	**80%**
Recurrent	3,743,839,649	4,394,501,929	3,980,039,182	91%
Development	1,140,001,835	2,843,972,511	1,715,052,877	60%
County Assembly	523,352,348	538,533,605	524,793,273	97%
Unspent Bal Current FY	**226,444,115**	**0**	**567,913,912**	

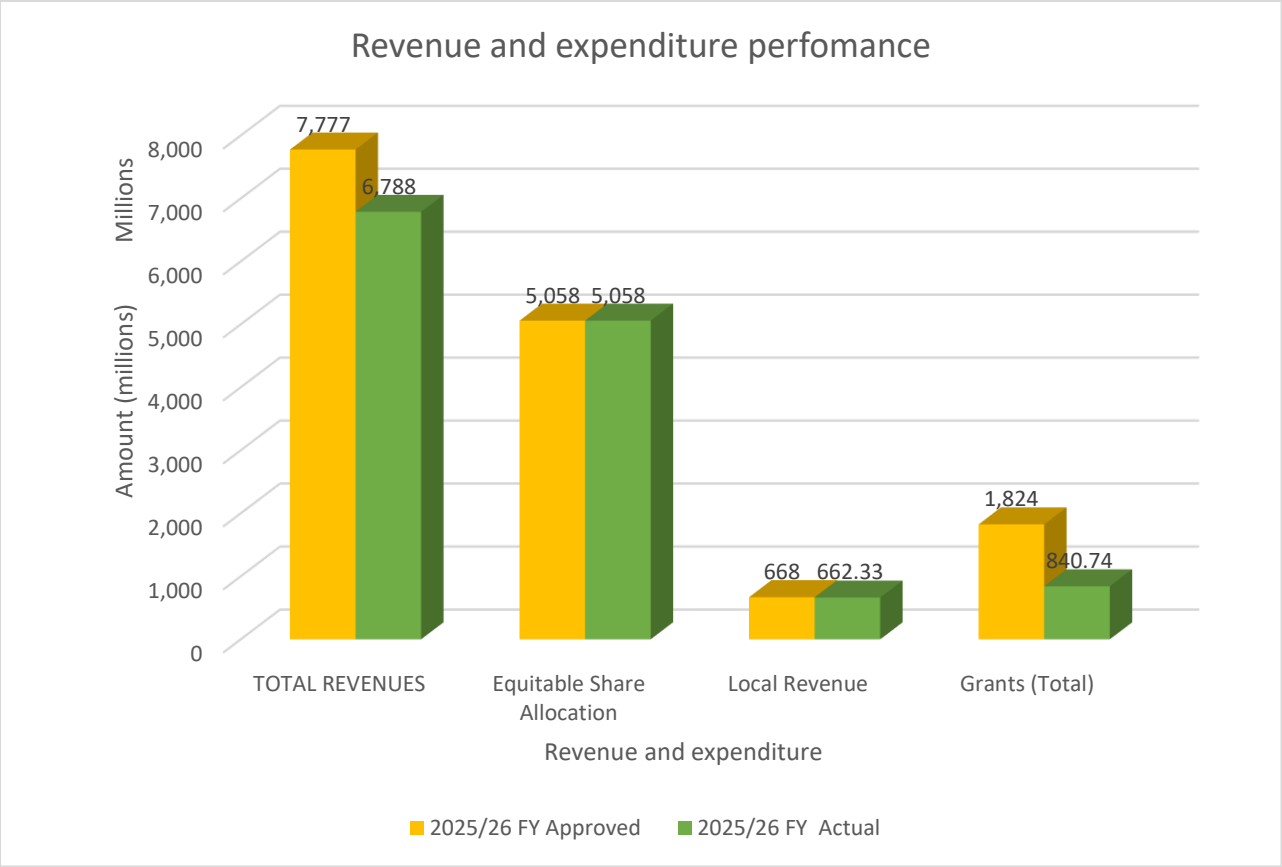

Figure 1: Fiscal Performance for FY 2025/26

The County realized total revenue of KES 6.78 billion, comprising equitable share of KES 5.05 billion, County Own Source Revenue of KES 662.33 million, conditional grants totaling KES 840.74 million (including KES 7.86 million for ABDP; KES 37.95 million for CHPs; and KES 39.53 of equalization fund, that were disbursed directly to respective Special Purpose Accounts), and balances brought forward of KES 226.44 million. There was an unspent balance of KES 567.91 million with the county achieving an overall budget absorption rate of 87 percent, with total development expenditure absorption at 60 percent and total recurrent expenditure absorption at 91 percent.

2.2.1 County Own Source Revenue Performance

The County Own Source Revenue (CORe) collection totaled KES 662.33 million in FY 2025-26, increasing from KES 481.79 million realized in FY 2024/25, representing a growth of 37.47 percent. This performance translated to 99 percent achievement of the annual CORe target of KES 668.48 million, as approved in the FY 2025/26 Annual Budget Estimates. The top five revenue streams were: Hospital Fees and Charges (KES 400.18 million), Single Business Permits (KES 92.78 million), Cess fees (KES 55.72 million), Liquor Licenses (KES 24.10 million), and Parking Fees (KES 20.96 million).

The growth in own-source revenue collection was attributed to improved enforcement and supervision, revenue automation, legislation and policy development (Trade and Markets Act and the Tax Waiver Administration Act), to strengthen the county revenue management system. Specifically, the complete rollout of SHA across county health facilities has significantly improved digitization, accountability and improved own source revenue collection. Additionally, improved stakeholder sensitization played a crucial role in fostering trust and cooperation, particularly through regular consultations with traders, business owners, and transport operators. Market committee engagements provided a platform to address concerns, enhance transparency, and sensitize stakeholders on their obligations, thereby promoting voluntary compliance. An increase in CORe is anticipated resulting from improved market infrastructure to accommodate more traders in Chogoria, Cheera, Gatunga, Chuka and Ndagani.

Table

2 below illustrates that the revenues collected had consistent growth across all quarters, despite a drop in revenue collection in FY 2021/22, which can be attributed to the General Elections. The FY 2025/26 recorded the highest revenues collected in the county. This trend reflects the effectiveness of the strategies employed in revenue collection and the favorable community response to county initiatives.

Table 2: Own Source Revenue Performance FY 2019/20 – 2025/26 per Quarter

FY	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Total Actual
2019/20	53,399,871	49,225,474	88,230,144	80,748,922	271,604,411
2020/21	52,439,055	50,787,919	58,274,313	93,088,218	254,589,505
2021/22	46,308,025	41,233,295	79,419,200	67,331,410	234,291,930
2022/23	38,102,408	40,404,694	89,107,564	119,122,985	286,737,651
2023/24	92,139,088	63,721,702	117,575,225.	143,910,117	417,346,132
2024/25	78,651,551	103,632,793	133,095,734	166,411,018	481,791,096
2025/26	82,491,648	136,931,359	240,343,724	202,558,460	662,325,191

Table 3 presents a summary of the highest own source revenue streams for FY 2025-2026.

Table 3: Top Ten Revenue Streams FY 2025/26

Sno	Source of Income	Code	Sum Of Proposed Budget Estimates Fy 2025-2026	Sum Of Revised Budget Estimates 2025-2026	Actual Revenue (Kshs.)	Variance (Kshs.)
				A	B	C=B-A
1	Hospital Fees and Charges		305,400,000	375,400,000	400,182,014	24,782,014
2	Single Business Permit, advertisement	R003	90,000,000	98,150,000	92,784,668	(5,365,332)
3	Cess	R004	69,000,000	60,522,000	55,721,310	(4,800,690)
4	Liquor License	R022	25,000,000	25,000,000	24,107,866	(892,134)
5	Parking Fees	R006	22,000,000	22,000,000	20,960,031	(1,039,969)
6	Market Fees, Entrance fee	R005	25,000,000	23,486,000	14,890,832	(8,595,168)
7	Miscellaneous fee		1,000,000	14,081,692.00	13,226,014.00	(855,678)
8	Plan approval fees	R008	16,000,000	16,000,000.00	13,080,928.00	(2,919,072)
9	Plot Rents / Land Rates / Stand Premium	R002	8,000,000	8,200,000	11,352,560	3,152,560
10	Veterinary Services	R012	9,200,000	9,200,000	6,695,106	(2,504,894)

Tharaka Nithi County aims to enhance its own-source revenue generation through diversifying revenue sources, modernizing revenue collection systems, enforcing robust fiscal discipline, and leveraging technology, thus reducing dependency on national transfers. These efforts will not only ensure fiscal sustainability but also empower the County Government to deliver better services to the people. The county aims at adopting different revenue raising measures to achieve the revenue potential of KES 752 million:

1. Enhancing tax compliance and collection efficiency through
    a. Tax education and sensitization
    b. Expansion of tax base
2. Strengthening property and land taxation
3. Promoting agricultural and market revenue
4. Strengthening enforcement and compliance
5. Improved revenue collection for social services

2.2.2 Conditional Loans and Grants

In FY 2025/26, the County received KES 861.86 million in conditional loans and grants, against a targeted amount of KES 1.84 billion, representing an achievement of 46.7 percent. The loans and grants comprised funding from DANIDA, NAVCDP, KDSP II, FLLoCA, K-WASH, KUSP (II), ABDP, CHP National Grant, Equalization Fund, Supplement for Construction of County Headquarters. Notably ABDP, Equalization fund, and CHP grant were disbursed directly from ministries, departments and agencies. Various challenges significantly affected the implementation of priority projects and programmes supported by these grants and loans. These include partial disbursement of conditional grants from FLLoCA, ABDP, K-WASH, KDSP II, and KUSP II, and non-disbursement of KISIP II, Road Maintenance Levy and salary arrears for health workers. Table 4 below analyzes Conditional Grants released in FY 2025/26.

Table 4: Summary Release of Conditional Loans and Grants

	FY 2024/25			FY 2025/26		
Source of Revenue	**2024/25 Revised Approved Estimates**	**2024/25 Actual (KShs)**	**% Achieved**	**2025/26 Revised Approved Estimates**	**2025/26 Actual (KShs)**	**% Achieved**
Supplement for construction of county headquarters	47,981,059.00	-	0%	30,000,000	30,000,000	100%
IDA (World Bank) Credit (National Agricultural Value Chain Development Project (NAVCDP)	151,515,152.00	77,251,060	51%	231,250,000	230,985,918	100%
DANIDA Grant	6,045,000.00	6,045,000	100%	6,324,000	6,324,000	100%
Kenya Informal Settlement improvement Project KISIP II	168,945,347.00	167,000,000	99%	1,000,000	0	0%
World Bank Emergency Locust Responses Project (ELRP)	104,600,000.00	6,689,317	6%	0	0	0%
Aquaculture Business Development Programme (ABDP)	12,810,384.00	9,978,406	78%	10,489,999	7,864,218	75%
Aggregated Industrial Parks Programme	250,000,000.00	-	0%	0	0	0%
Financing Locally Led Climate Action Programme (FLLoCA) Program	298,703,582.00	8,913,384	3%	286,133,840	94,320,874	33%
Community Health Promoters - National Grant	37,950,000.00	37,950,000	100%	37,950,000	37,950,000	100%
Kenya water Sanitation and Hygiene program (K-WASH PforR)	353,808,808.00	-	0%	350,000,000	141,979,713	41%
Kenya Urban Support Project (KUSP) UIG	35,000,000.00	32,309,300	92%	71,750,000	26,000,000	36%
Other Conditional Grants/Basic Salary Arrears for CG Health Workers	24,597,481.00	-	0%	24,597,481		0%
KDSP II - Level I	37,500,000.00	-	0%	72,909,500	70,503,589	97%
KDSP II - Level II	0.00	-	0%	352,500,000	97,796,194	28%
Kenya Urban Support Programme - UDG	66,362,245.00	-	0%	270,060,827	78,611,813	29%
Road Maintenance Levy	161,810,687.00	55,944,250	35%	55,944,250	0	0%
Kenya Agribusiness Development Programme (KABDP)	10,918,919.00	-	0%		0	0%
Equalization Fund	0.00	-	0%	44,005,716	39,528,794	90%
Total Amount	1,768,548,664.00	402,080,716.88	23%	**1,844,915,613**	**861,865,113**	**46.7%**

2.2.3 County Expenditure Performance

The total expenditure during FY 2025/26 comprised KES 4.48 billion for recurrent and KES 1.73 billion for development expenditure. The County Assembly recorded total expenditure of KES 524.79 million against an allocation of KES 538.53 million, translating to a 97 percent absorption rate. By the close of the financial year, an unspent balance of KES 567.91 million was recorded. Table 5 provides a breakdown of expenditure by type, while Table 6 shows expenditure by the County Executive and County Assembly.

The County Executive development expenditure was KES 1.71 billion against an allocation of KES 2.84 billion. This represents a 60 percent performance compared to 48 percent performance achieved in FY 2024/25. The development resources were directed towards programmes and projects that foster sustainable growth and maximize impact, including upgrading of the health facilities, promotion of agriculture through rehabilitation of tea buying centers, urban development including improvement of market infrastructure, completion of ongoing early childhood education infrastructure, rehabilitation of vocational training centers, improvement of stadia, upgrading and maintenance of roads, construction of bridges and footbridges, completion of the county headquarters, finalization of the County Spatial Plan, expansion of domestic and irrigation water supply, climate change mitigation, and adaptation.

The County Executive recurrent expenditure was KES 3.98 billion, against an allocation of KES 4.39 billion, reflecting a 91 percent performance. The funds were strategically distributed to cover essential operational needs, including payment of staff emoluments, procurement of essential commodities and health supplies, routine maintenance and operational expenses.

The County Treasury will continue implementing the following measures to ensure development expenditure meets the mandatory 30% threshold:

- Allocating 30% of all exchequer releases exclusively for development expenditure.
- Ensuring approved departmental procurement plans are strictly aligned with Annual Work Plans.
- Continuous advocacy with the Council of Governors and national institutions to ensure the timely approval of key PFM legislation, disbursement of conditional grants and exchequer releases.

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

Table 5: Expenditure by Type

Description	2024/25 FY Actual	2025/26 FY Approved	2025/26 FY Actual	% performance
Total Expenditure	**5,633,637,947**	**7,777,008,045**	**6,787,799,243**	**87%**
Recurrent	4,267,191,997	4,903,035,534	4,487,858,758	**92%**
Development	1,140,001,835	2,873,972,511	1,732,026,573	**60%**
Unspent balances	226,444,115		567,913,912	

Table 6: County Executive and County Assembly Expenditure.

Description	2024/25 FY Actual	2025/26 FY Approved	2025/26 FY Actual	% performance
Total	**5,633,637,947**	**7,777,008,045**	**6,787,799,243**	**87%**
County Executive	**4,883,841,484**	**7,238,474,440**	**5,695,092,059**	**79%**
Recurrent	3,743,839,649	4,394,501,929	3,980,039,182	91%
Development	1,140,001,835	2,843,972,511	1,715,052,877	60%
County Assembly	**523,352,348**	**538,533,605**	**524,793,272**	**97%**
Recurrent	523,352,348	508,533,605	507,819,576	100%
Development	0	30,000,000	16,973,696	57%
Unspent in FY	**226,444,115**	**-**	**567,913,912**	

Expenditure by Economic Classification

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

Table 7: County Expenditure Performance by Economic Classification

Description	Actual Expenditure and Revenue FY 2024/25	Revised Estimates FY 2025/26	Actual Expenditure and Revenue FY 2025/26
A. Total Budget [1+2]	**5,407,193,832**	**7,777,008,045**	**6,219,885,332**
1.0 Total Expenditure	**4,494,329,228**	**5,446,031,986**	**4,872,477,087**
1.1 Compensation to Employees	2,710,773,363	2,929,668,923	2,919,683,951
1.2 Use of Goods and Services	893,760,152	1,395,419,896	1,031,675,353
1.3 Grants and Other Transfers	856,052,885	1,062,943,167	920,042,684
1.4 Social benefits	26,742,828	45,000,000	1,075,098
1.5 Other payments	7,000,000	13,000,000	0
2.0 Other Development	**912,864,604**	**2,330,976,059**	**1,347,408,244**
2.1 Other Development	912,864,604	2,330,976,059	1,347,408,244
Financed by:			
B. Total Revenue	**5,633,637,947**	**7,777,008,045**	**6,787,799,244**
3.1 Equitable Share	4,749,766,134	5,058,286,293	5,058,286,293
3.2 County Own Revenue [CORe]	481,791,096	668,481,692	662,325,191
3.3 Conditional Grants	294,640,755	1,823,795,945	840,743,645
3.4 Balance b/f	107,439,962	226,444,115	226,444,115
C. Net Financing [B-A]	**226,444,115**	**-**	**567,913,912**

The County's total expenditure was KES 6.22 billion for both recurrent and development expenditure. The total recurrent expenditure comprised of KES 2.92 billion spent on payments of wages and salaries, KES 1.03 billion spent on goods and services, KES 920.04 million spent on grants and transfers (including transfers to County Assembly of KES 524.80 million), and KES 1.08 million spent on social benefits.

Figure 2 below illustrates the recurrent expenditures for FY 2024/25 and FY 2025/26, inclusive of the County Assembly allocation. Other development expenditure for FY 2025/26 amounted to KES 1.35 billion against a revised target of KES 2.33 billion.

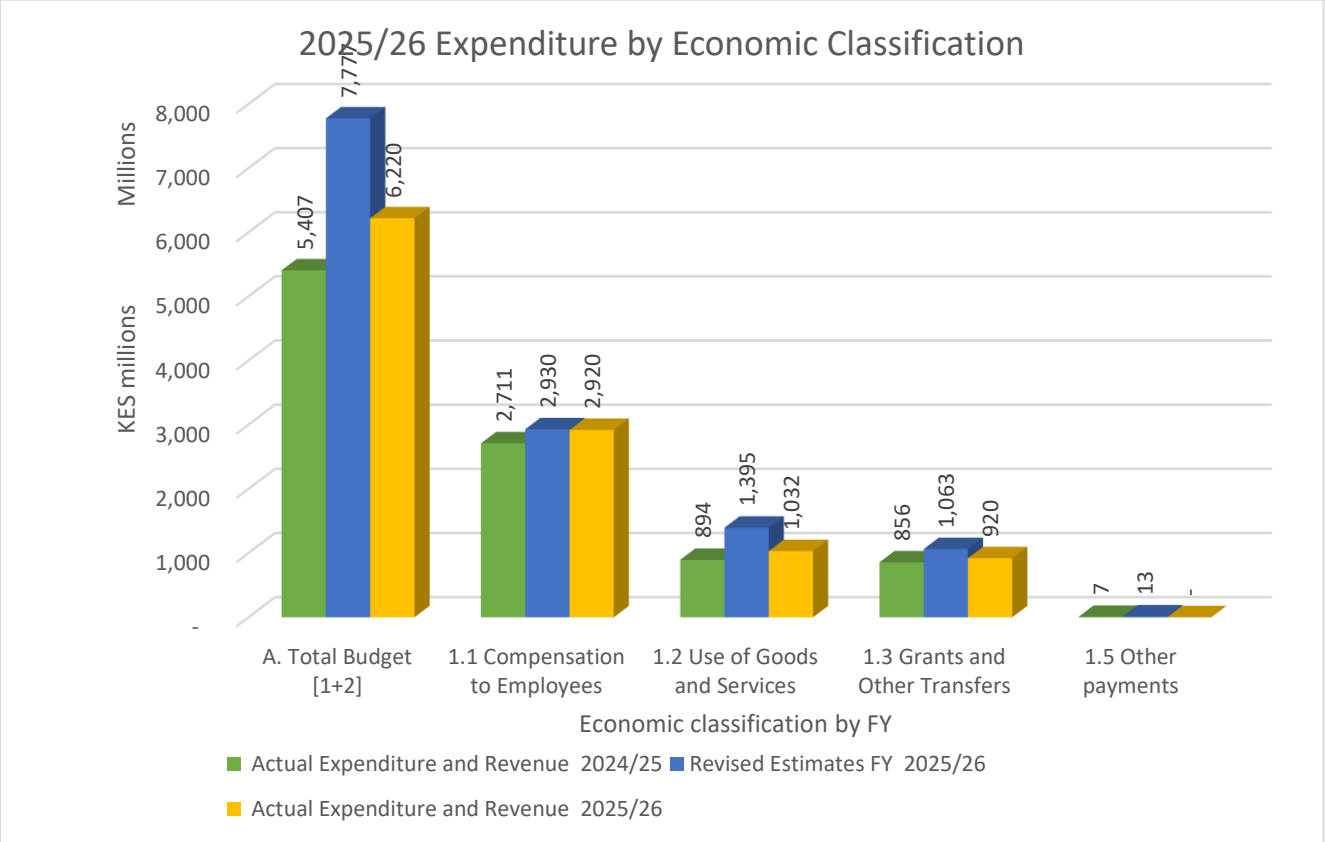

Figure 2: Comparison of recurrent expenditure for FYs 2024/25 and 2025/26

Common Causes of Expenditure Underperformance

1. Exchequer release delays
2. Inefficiencies in procurement processes
3. Revenue shortfalls
4. Poor project planning in designs and prefeasibility studies

Table 8: Absorption Rates by Sector FY 2025/26

SECTOR	C-FSP 2025			BUDGET ALLOCATION 2025/26			Cumulative Expenditure 2025/26			Absorption	Deviation (%)
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	(%)	CFSP - BUDGET
Public Administration	1,092,983,944	387,000,000	1,479,983,944	1,104,790,175	401,500,000	1,506,290,175	1,001,351,282	19,254,585	1,020,605,867	67.76%	1.78%
Infrastructure	220,385,400	690,756,034	911,141,434	256,424,839	974,856,063	1,231,280,902	167,488,729	755,362,772	922,851,501	74.95%	35.14%
Health Services	1,994,349,000	90,000,000	2,084,349,000	2,695,837,468	173,392,380	2,869,229,848	2,556,114,873	98,932,180	2,655,047,053	92.54%	37.66%
Education And Social Services	318,312,223	110,000,000	428,312,223	318,982,414	87,000,000	405,982,414	280,478,735	48,994,286	329,473,021	81.15%	-5.21%
General Economic	176,166,080	200,000,000	376,166,080	182,655,246	10,634,069	193,289,315	168,677,176	7,887,230	176,564,406	91.35%	-48.62%
Agriculture	305,091,268	404,059,665	709,150,933	249,764,843	497,589,999	747,354,842	239,849,596	476,867,575	716,717,171	95.90%	5.39%
Environment and Natural Resources	104,110,864	691,000,000	795,110,864	94,580,549	729,000,000	823,580,549	73,898,367	324,727,945	398,626,312	48.40%	3.58%
GRAND TOTAL	**4,211,398,779**	**2,572,815,699**	**6,784,214,478**	**4,903,035,534**	**2,873,972,511**	**7,777,008,045**	**4,487,858,758**	**1,732,026,573**	**6,219,885,331**	79.98%	14.63%

Table 9: Absorption rates by Department FY 2025/26

DEPARTMENT	C-FSP 2025			BUDGET ALLOCATION 2025/26			Cumulative Expenditure 2025/26			Absorption	Deviation (%)
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL	(%)	CFSP - BUDGET
Governor's Office	119,574,900	-	119,574,900	107,651,050		107,651,050	97,112,342	-	97,112,342	90.21%	-9.97%
Finance and Economic Planning	181,229,900	-	181,229,900	205,487,116	4,000,000	209,487,116	180,063,439	-	180,063,439	85.95%	15.59%
County Public Service Board	40,133,400	-	40,133,400	36,887,463	-	36,887,463	34,118,011	-	34,118,011	92.49%	-8.09%
Administration and Public Service	178,454,300	357,000,000	535,454,300	200,932,549	367,500,000	568,432,549	138,994,323	2,280,889	141,275,212	24.85%	6.16%
Office of the County Secretary and County Attorney	39,700,800	-	39,700,800	45,298,392	-	45,298,392	43,243,591	-	43,243,591	95.46%	14.10%
County Assembly	533,890,644	30,000,000	563,890,644	508,533,605	30,000,000	538,533,605	507,819,576	16,973,696	524,793,272	97.45%	-4.50%
SUB-TOTALS	**1,092,983,944**	**387,000,000**	**1,479,983,944**	**1,104,790,175**	**401,500,000**	**1,506,290,175**	**1,001,351,282**	**19,254,585**	**1,020,605,867**	67.76%	1.78%
Roads, Transport and Infrastructure	220,385,400	690,756,034	911,141,434	256,424,839	974,856,063	1,231,280,902	167,488,729	755,362,772	922,851,501	74.95%	35.14%
SUB-TOTALS	**220,385,400**	**690,756,034**	**911,141,434**	**256,424,839**	**974,856,063**	**1,231,280,902**	**167,488,729**	**755,362,772**	**922,851,501**	74.95%	35.14%
Medical Services and ICT	1,662,584,304	90,000,000	1,752,584,304	2,228,523,034	173,392,380	2,401,915,414	2,112,541,075	98,932,180	2,211,473,255	92.07%	37.05%
Public Health and Sanitation	331,764,696	-	331,764,696	467,314,434	-	467,314,434	443,573,798	-	443,573,798	94.92%	40.86%
SUB-TOTALS	**1,994,349,000**	**90,000,000**	**2,084,349,000**	**2,695,837,468**	**173,392,380**	**2,869,229,848**	**2,556,114,873**	**98,932,180**	**2,655,047,053**	92.54%	37.66%
Youth and Sports	38,888,800	50,000,000	88,888,800	36,945,063	42,000,000	78,945,063	33,179,927	25,606,510	58,786,437	74.46%	-11.19%
Culture and tourism	33,700,000	-	33,700,000	28,677,330	5,000,000	33,677,330	28,236,379	2,089,500	30,325,879	90.05%	-0.07%
Gender, Children and social services	31,100,000	10,000,000	41,100,000	29,722,540	-	29,722,540	27,058,898	-	27,058,898	91.04%	-27.68%
Education and Vocation Training	214,623,423	50,000,000	264,623,423	223,637,481	40,000,000	263,637,481	192,003,531	21,298,276	213,301,807	80.91%	-0.37%
SUB-TOTALS	**318,312,223**	**110,000,000**	**428,312,223**	**318,982,414**	**87,000,000**	**405,982,414**	**280,478,735**	**48,994,286**	329,473,021	81.15%	-5.21%
Trade, investment promotion,	56,831,880	200,000,000	256,831,880	45,136,280	10,634,069	55,770,349	44,090,025	7,887,230	51,977,255	93.20%	-78.29%

Energy and Industry											
Revenue and resource Mobilization	119,334,200	-	119,334,200	137,518,966	-	137,518,966	124,587,151	-	124,587,151	90.60%	15.24%
SUB-TOTALS	**176,166,080**	**200,000,000**	**376,166,080**	**182,655,246**	**10,634,069**	**193,289,315**	**168,677,176**	**7,887,230**	**176,564,406**	91.35%	-48.62%
Agriculture and Crop Production	211,025,795	368,249,281	579,275,076	185,277,823	469,700,000	654,977,823	179,713,648	459,106,957	638,820,605	97.53%	13.07%
Fisheries and Ecosystem Management	24,100,000	25,810,384	49,910,384	14,962,200	15,989,999	30,952,199	13,846,685	9,860,618	23,707,303	76.59%	-37.98%
Lands, Physical Planning and Urban	69,965,473	10,000,000	79,965,473	49,524,820	11,900,000	61,424,820	46,289,263	7,900,000	54,189,263	88.22%	-23.19%
SUB-TOTALS	**305,091,268**	**404,059,665**	**709,150,933**	**249,764,843**	**497,589,999**	**747,354,842**	**239,849,596**	**476,867,575**	**716,717,171**	95.90%	5.39%
Environment and Natural Resources	38,876,914	241,000,000	279,876,914	35,847,700	294,000,000	329,847,700	21,862,413	153,983,483	175,845,896	53.31%	17.85%
Water Services Irrigation	65,233,950	450,000,000	515,233,950	58,732,849	435,000,000	493,732,849	52,035,954	170,744,462	222,780,416	45.12%	-4.17%
SUB-TOTALS	**104,110,864**	**691,000,000**	**795,110,864**	**94,580,549**	**729,000,000**	**823,580,549**	**73,898,367**	**324,727,945**	**398,626,312**	**48.40%**	3.58%
GRAND TOTAL	**4,146,164,829**	**2,122,815,699**	**6,784,214,478**	**4,903,035,534**	**2,873,972,511**	**7,777,008,045**	**4,487,858,758**	**1,732,026,573**	**6,219,885,331**	**79.98%**	14.63%

Table 10: Summary of Departmental Performance for FY 2025/26

Sector /Department	Allocated amount (KShs.) A	Actual Expenditure (KShs.) B	Absorption rate (%) *100	*Remarks
3613 Medical Services	2,401,915,414	2,211,473,255	92.07%	
3630 Revenue and Resource Mobilization	137,518,966	124,587,151	90.60%	
3616 Public Administration and Devolution Affairs	568,432,549	141,275,212	24.85%	Partial disbursement of KDSP II Conditional grants affected the overall performance
3621 County Assembly	538,533,605	524,793,272	97.45%	
3617 Education and Vocational Training	263,637,481	213,301,807	80.91%	
3633 Gender, Children and Social Services	29,722,540	27,058,898	91.04%	
3612 Roads, Infrastructure and Public Works	1,231,280,902	922,851,501	74.95%	
3619 Finance and Economic Planning	209,487,116	180,063,439	85.95%	
3628 Youth and Sports	78,945,063	58,786,437	74.46%	
3611 Office of Governor and Deputy Governor	107,651,050	97,112,342	90.21%	
3615 Agriculture and Crop Production	654,977,823	638,820,605	97.53%	
3625 Public Health and Sanitation	467,314,434	443,573,798	94.92%	
3629 Culture and Tourism	33,677,330	30,325,879	90.05%	
3623 County Public Service Board	36,887,463	34,118,011	92.49%	
3622 Water Services and Irrigation	493,732,849	222,780,416	45.12%	Partial disbursement of K-WASH Conditional Grant affected the Department's performance
3620 Environment, Mining and Natural Resources	329,847,700	175,845,896	53.31%	Partial disbursement of FLLoCA Conditional Grant affected the Department's performance
3632 Fisheries and Ecosystem Development	30,952,199	23,707,303	76.59%	
3631 Lands, Physical Planning and Housing	61,424,820	54,189,263	88.22%	
3634 Trade, Investment Promotion, Energy and Industry	55,770,349	51,977,255	93.20%	
3635 Office of the County Secretary and County Attorney	45,298,392	43,243,591	95.46%	
Grand Total	**7,777,008,045**	**6,219,885,331**	79.98%	Partial/ Undisbursed conditional grants affected the overall performance

Table 11: Expenditure by Programme FY 2025-26

	Revised Budget Estimates FY 2025/26		Cumulative Expenditure FY 2025/26		Absorption Rate (%)	
Department/Programme	**Development**	**Recurrent**	**Development**	**Recurrent**	**Development**	**Recurrent**
3611 Office of Governor and Deputy Governor		**107,651,050**		**97,112,342**	**0.0%**	**90.2%**
P: County Government Advisory Services		11,487,175		6,639,000	0.0%	57.8%
P: General Administration, Planning and Support Services		96,163,875		90,473,342	0.0%	94.1%
3612 Roads, Infrastructure, Public Works and Urban Development	**974,856,063**	**256,424,839**	**755,362,772**	**167,488,729**	**77.5%**	**65.3%**
P: General Administration Planning and Support Services		83,044,055		79,019,485	0.0%	95.2%
P: ICT Infrastructure Development	10,000,000		9,471,966		94.7%	0.0%
P: Kathwana Municipality Development Programme		8,450,000		743,500	0.0%	8.8%
P: Public Works and Housing Services	157,421,400	3,175,800	141,663,623	1,038,500	90.0%	32.7%
P: Roads Transport	516,822,850	122,433,984	451,663,415	70,237,047	87.4%	57.4%
P: Urban Development and Administration	290,611,813	39,321,000	152,563,768	16,450,198	52.5%	41.8%
3613 Medical Services	**173,392,380**	**2,228,523,034**	**98,932,180**	**2,112,541,075**	**57.1%**	**94.8%**
P: Curative and Rehabilitative Services		279,414,698		235,328,198	0.0%	84.2%
P: General Administration Planning and Support Services	173,392,380	1,899,638,188	98,932,180	1,830,826,539	57.1%	96.4%
P: ICT Infrastructure Development		49,470,148		46,386,338	0.0%	93.8%
3615 Agriculture, Livestock, Veterinary Services, and Cooperative Development	**469,700,000**	**185,277,823**	**459,106,957**	**179,713,648**	**97.7%**	**97.0%**
P: Cooperative Development and Management		-			0.0%	0.0%
P: Crop Development and Management	261,250,000	5,045,000	259,982,587	2,458,160	99.5%	48.7%
P: General Administration Planning and Support Services	189,150,000	122,950,158	184,674,370	120,118,478	97.6%	97.7%
P: Livestock and Fisheries Resource Management and Development	19,300,000	57,282,665	14,450,000	57,137,011	74.9%	99.7%
3616 Public Administration, Intergovernmental Coordination and Devolution Affairs	**367,500,000**	**200,932,549**	**2,280,889**	**138,994,323**	**0.6%**	**69.2%**
P: General Administration, Planning and Support Services	367,500,000	126,010,209	2,280,889	78,859,923	0.6%	62.6%
P: Kenya Devolution Support Programme		74,922,340		60,134,400	0.0%	80.3%
3617 Education and Vocational Training	**40,000,000**	**223,637,481**	**21,298,276**	**192,003,531**	**53.2%**	**85.9%**

P: Education and Youth Training	40,000,000	33,530,800	21,298,276	2,059,059	53.2%	6.1%
P: General Administration Planning and Support Services		190,106,681		189,944,472	0.0%	99.9%
3619 Finance and Economic Planning	**4,000,000**	**205,487,116**		**180,063,439**	**0.0%**	**87.6%**
P: Economic Policy and County Planning		5,871,300		5,680,370	0.0%	96.7%
P: Financial Management Services		13,901,755		12,205,865	0.0%	87.8%
P: General Administration, Planning and Support Services	4,000,000	185,714,061		162,177,204	0.0%	87.3%
3620 Environment, Mining and Natural Resources	**294,000,000**	**35,847,700**	**153,983,483**	**21,862,413**	**52.4%**	**61.0%**
P: Environment and Natural Resources Management	294,000,000	35,847,700	153,983,483	21,862,413	52.4%	61.0%
3622 Water Services and Irrigation	**435,000,000**	**58,732,849**	**170,744,462**	**52,035,954**	**39.3%**	**88.6%**
P: Water Supply Services	435,000,000	58,732,849	170,744,462	52,035,954	39.3%	88.6%
3623 County Public Service Board		**36,887,463**		**34,118,011**	**0.0%**	**92.5%**
P: General Administration, Planning and Support Services		36,887,463		34,118,011	0.0%	92.5%
3625 Public Health and Sanitation		**467,314,434**		**443,573,798**	**0.0%**	**94.9%**
P: Preventive and Promotive Health Services		467,314,434		443,573,798	0.0%	94.9%
3628 Youth and Sports	**42,000,000**	**36,945,063**	**25,606,510**	**33,179,927**	**61.0%**	**89.8%**
P: Sports Development and Promotion	42,000,000	36,945,063	25,606,510	33,179,927	61.0%	89.8%
3629 Culture and Tourism	**5,000,000**	**28,677,330**	**2,089,500**	**28,236,379**	**41.8%**	**98.5%**
P: Culture, Arts and Social Services	5,000,000	26,065,580	2,089,500	25,963,583	41.8%	99.6%
P: Tourism Development and Promotion		2,611,750		2,272,796	0.0%	87.0%
3630 Revenue and Resource Mobilization		**137,518,966**		**124,587,152**	**0.0%**	**90.6%**
P: Financial Management Services		13,103,000		3,890,000	0.0%	29.7%
P: Resource Mobilization		124,415,966		120,697,152	0.0%	97.0%
3631 Lands, Physical Planning and Housing	**11,900,000**	**49,524,820**	**7,900,000**	**46,289,263**	**66.4%**	**93.5%**
P: Land Policy and Planning	11,900,000	49,524,820	7,900,000	46,289,263	66.4%	93.5%
3632 Fisheries And Ecosystem Development	**15,989,999**	**14,962,200**	**9,862,418**	**13,846,685**	**61.7%**	**92.5%**
P: Livestock and Fisheries Resource Management and Development	15,989,999	14,962,200	9,862,418	13,846,685	61.7%	92.5%
3633 Gender, Children and Social Services	**-**	**29,722,540**		**27,058,898**	**0.0%**	**91.0%**

P: Gender and Youth Empowerment	-	29,722,540		27,058,898	0.0%	91.0%
3634 Trade, Investment Promotion, Energy and Industry	**10,634,069**	**45,136,280**	**7,887,230**	**44,090,025**	**74.2%**	**97.7%**
P: Energy Resource Development & Management	8,000,000	37,883,080	5,253,161	37,523,925	65.7%	99.1%
P: General Administration Planning and Support Services	2,634,069		2,634,069		100.0%	0.0%
P: Industrial Development and Investment	-	7,253,200		6,566,100	0.0%	90.5%
3635 Office of the County Secretary and County Attorney		**45,298,392**		**43,243,591**	**0.0%**	**95.5%**
P: County Government Advisory Services		32,483,192		31,480,091	0.0%	96.9%
P: County Leadership and Coordination of MDAs		12,815,200		11,763,500	0.0%	91.8%
3621 County Assembly	**30,000,000**	**508,533,605**	**9,960,810**	**465,339,060**	**33.2%**	**91.5%**
P: County Legislation Services		254,720,117		243,431,686	**0.0%**	**95.6%**
P: General Administration, Planning and Support Services	30,000,000	241,093,488	9,960,810	212,394,567	**33.2%**	**88.1%**
P: Legal Affairs		12,720,000		9,512,807	**0.0%**	**74.8%**
Grand Total	**2,873,972,511**	**4,903,035,534**	**1,732,026,573**	**4,487,858,758**	**60.3%**	**91.5%**

2.2.4 Adherence to Fiscal Responsibility Principles

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

Table 12: Adherence to Fiscal Responsibility Principles

Item	Target	Achieved	Status
Total Expenditure		6,219,885,331	
Total Revenue		6,787,799,243	
Total Expenditure as % of total revenue	≤ 100%	91.63%	Complied
Total recurrent		4,487,858,758	
Total Recurrent as % of Total expenditure	≤ 70%	72.15%	Not complied
Total Development		1,732,026,573	
Total Development as % of total revenues	≥ 30%	27.85%	Not complied
Total wages		2,919,683,951	
Total wages as % of Total revenues	≤ 35%	43.01%	Not complied
County assembly allocation -As per CRA ceiling	508,533,605	538,533,605	Complied

i. The County Government's recurrent expenditure shall not exceed the county government's total revenue. The county government incurred recurrent expenditure of KES 4.29 billion against revenue receipt of KES 6.78 billion thus remaining within the limits of the PFMA, 2012.

ii. Over the medium term, a minimum of 30 percent of the County budget shall be allocated to development expenditure. The development allocation in FY 2025/26 revised estimates was 37 percent of the total revenue. The actual development expenditure for the county government was 27.85 percent, falling short of the outlined principles in the PFM Act 2012. This shortfall is attributed to delayed and/or partial disbursement of conditional grants & loans.

iii. The County Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly. In FY 2025/26, the County Government's share of wages and employee benefits to revenue stood at 43.01 percent, exceeding the statutory requirement of 35 percent of the County Government's total revenue. Factors that have contributed to personnel emoluments rising above the 35 percent recommended by the PFM Regulations 2015 include salary reviews and increments by the SRC, as well as the operationalization of completed projects, including the Agricultural Training Institute, the county Intensive Care Unit, and the Amenity Ward at Chuka Referral Hospital, alongside health facilities such as Kibugua HC and the Kithanya, Kathingithu, Miomponi, and Nthigiriri dispensaries, among other projects. In trying to address the wage bill issue, the county continues to put up measures to halt non-essential staff recruitment, undertaking staff rationalization and redesignation as well as designing measures and modalities to increase the own source revenue collection so as to bridge the gap

iv. The Government's borrowing shall be used only for the purpose of financing development expenses and not for recurrent expenses. However, short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue. During the FY 2025/26, the county government did not borrow, as outlined in the Debt Management Strategy Paper, 2025. The budget was financed by equitable share, loans and grants from the National Government and Own Source Revenue. The County Government maintained prudent fiscal management to mitigate the accumulating pending bills. Going forward, the County Government will continue honouring the repayment plan of the pending bills so as to offset payment in the shortest period possible and ensuring expenditure is in accordance with funds availability.

v. **Fiscal risks shall be managed prudently.** The government has been prudently managing its fiscal risks to ensure financial stability. This was done by identifying possible fiscal risks and devising mitigation measures. The county has an Internal Audit and Risk Management Unit to identify, quantify and manage fiscal risks. Additionally, the county has established an internal Pending Bills Verification Committee as well as an Internal Audit Committee.

vi. The County Government is committed to maintaining a reasonable degree of predictability in tax rates and tax bases, even as future tax reforms are considered. To support this goal, the County Treasury is adopting tariffs and pricing policies proposed by the CRA. These policies are designed to provide clear guidelines on taxation that foster economic development, promote diversification, enhance the country's competitiveness, and align tax incentive schemes with the government's development age. These measures aim to promote investment and establish a flexible fiscal framework that accommodates revenue-raising tax policies and administrative reforms over the medium term. The Government continues to pursue tax reforms by exploring new revenue streams—such as those in the mining sub-sector—along with initiatives like revenue mapping, property rates, and improved physical planning services. The County Treasury will strengthen legal frameworks and guidelines, including the establishment of a County Court, regular review of by-laws, and capacity building for enforcement officers, to address noncompliance. The overarching objective is to generate sufficient tax revenues, maintain a stable and predictable tax environment, and minimize tax expenditure

Analysis of CFSP 2025 against FY 2025/26 budget and the implication to the County Government

The CFSP 2025 provided the policy goals and priority development areas that guided the preparation of the FY 2025/26 Annual Budget Estimates. The Annual Budget Estimates for the FY 2025-26 Equitable Share mirrored projections of the CFSP 2025. However, the Revised Estimates for FY 2025/26 indicated an increase of 9.3 percent of the equitable share. This was attributed to the enactment of the Division of Revenue Act (DORA) 2025 that saw an increase of revenues to counties from KES 387.43 billion to KES 415 billion and the subsequent passage of the County Allocation of Revenue Act (CARA) that revised Tharaka Nithi County's equitable share to KES 5.058 billion from KES 4.587 billion proposed in the County Allocation of Revenue Bill, 2025.

The County's Own Source Revenue (OSR) as approved in the Annual Budget Estimates as well as the Revised Estimates indicated a positive variance compared to CFSP 2025 Projections, mainly due to an increase in the projected Appropriation-in-Aid (A-i-A) estimates and the need to include the balances brought forward in the revised budget. The revision in the county forecast was necessitated by a projected increase in hospital fees.

The projected conditional allocations for the FY 2025/26 Annual Budget Estimates stood at KES 1.59 billion compared to the KES 1.717 billion indicated in the CFSP 2025. This figure was further revised during the Supplementary Budget, to KES 1.844 billion. The variance was due to a revision in the conditional grants for KUSP II, KDSP II, FLLoCA, and basic salary arrears for county government health workers.

Overall, the FY 2025/26 Revised Budget Estimates indicate an increase of KES 691.63 million in recurrent expenditure and KES 301.15 million in development expenditure compared to the expenditure projections in CFSP 2025.

Table 13 below presents the comparison CFSP 2026 against Annual Budget Estimates for FY 2025/26.

Table 13: Comparison CFSP 2026 Against Budget Estimates FY 2025/26

Expenditures	2025 CFSP Projections (A)	2025/26 Revised Estimates (B)	2025/26 Printed Estimates (C)	Variance (CFSP - Printed Estimates) (D)	Variance (CFSP - Revised Estimates) (E)	% Deviation (D/A)*100	% Deviation (E/A)*100
Revenues							
Equitable Share	4,587,150,462	5,058,286,293	4,587,150,462	-	(471,135,831)	0.0%	-9.3%
Own Source Revenue	480,000,000	668,481,692	585,400,000	(105,400,000)	(188,481,692)	-22.0%	-28.2%
Conditional Allocation-Loans and Grants	1,717,064,016	1,844,915,613	1,597,849,728	119,214,288	(127,851,597)	6.9%	-6.9%
Balance B/F	0	205,324,447	0	-	(205,324,447)	0.0%	-100.0%
Total Budget	**6,784,214,478**	**7,777,008,045**	**6,770,400,190**	**13,814,288**	**(992,793,567)**	**0.2%**	**-12.8%**
Expenditure Item							
Total Recurrent Expenditure	**4,211,398,779**	**4,903,035,534**	**4,258,549,163**	**(47,150,384)**	**(691,636,755)**	**-1.1%**	**-14.1%**
Operations and Maintenance	1,706,398,856	1,973,366,611	1,839,904,560	(133,505,704)	(266,967,755)	-7.8%	-13.5%
Personnel Emoluments	2,504,999,923	2,929,668,923	2,418,644,603	86,355,320	(424,669,000)	3.4%	-14.5%
Total Development Expenditure	2,572,815,699	2,873,972,511	2,511,851,027	60,964,672	(301,156,812)	2.4%	-10.5%
Total Expenditure	6,784,214,478	7,777,008,045	6,770,400,190	13,814,288	(992,793,567)	0.2%	-12.8%
Percentage Share of P.E.	36.9%	37.7%	35.7%	1.2%	-0.7%		
Percentage Share of O&M	25.2%	25.4%	27.2%	-2.0%	-0.2%		
Percentage Share of OSR	7.1%	8.6%	8.6%	-1.6%	-1.5%		
Percentage Share of Recurrent to Budget	62.1%	63.0%	62.9%	-0.8%	-1.0%		
Percentage Share of Development to Budget	37.9%	37.0%	37.1%	0.8%	1.0%		

The overall expenditures as provided for in the annual budget estimates and the revised estimates indicate that there were minimal deviations from the projected estimates in the CFSP 2025. Specifically, the Personal Emoluments (P.E.) share was projected at 36.9 percent in the CFSP, which was adjusted to 35.7 percent in the annual budget estimates but later adjusted to 37.7 percent in the revised estimated. These changes were necessitated by the need to provide for the June 2025 salaries arrears. The percentage share of recurrent expenditure to budget slightly increased from the projected 62.1 percent to 63 percent in the Annual Budget Estimates as well as in the revised budget estimates. The percentage share of development expenditure to budget share reduced slightly from 37.90% projected in the CFSP to 37.0% as approved in the revised estimates.

Overall, while the deviations from the CFSP 2025 projections were relatively minimal, the notable shift toward settlement of salary arrears and routine adjustments to recurrent expenditure requirements resulting in a slightly reduced share for development expenditures in the revised estimates. The County maintained a consistent expenditure structure and continued to provide service delivery and development priorities.

2.3 Fiscal Balance (or net position)

Reflecting the fiscal trends in both expenditure and revenue, the resource shortfall—including grants on a cash basis—stood at KES 989.21 million (13.55 percent of the target), primarily due to shortfalls in county own source revenue, conditional loans, and grants. This outcome affected budget implementation and led to a continued incurrence of pending bills.

2.4 Implications for the FY 2025/26 Performance

The 2025/26 financial year was marked by partial disbursement of conditional grants and loans, which affected budget implementation. Consequently, the fiscal performance in FY 2025/26 impacted the financial objectives outlined in the CFSP 2025 as follows:

i. During FY 2025-26, the Equitable Share from the National Government was fully disbursed, while the conditional grants and loans were partially disbursed. The county received a total of KES 861.86 million as conditional grants and loans, translating to 46.70%, against a target of KES 1.84 billion. This underperformance is attributed to partial fulfilment of terms outlined in the performance for results framework for the conditional grants.

ii. The County Own-Source Revenue (CORe) collection was KES 662.33 million, against a target of KES 668.48, indicating a 99% achievement of the set target. The CORe collected represents 9.7% of the total county revenue basket. The CORe increased by 37.5% from KES 481.79 million realized in FY 2024/25. The increment attributed to enhanced enforcement, completion of the Social Health Authority (SHA) rollout, stakeholder engagement and departmental collaboration.

iii. Tables 8 and 9 above indicate absorption rates for most County sectors ranged over 80% for both development and recurrent expenditure, with the overall actual expenditure level reaching 79.98%. Public Administration and Devolution Affairs, Water Services and Irrigation, and Environment and Natural Resources Departments recorded the lowest absorption rates at 24.85%, 45.12%, and 53.31% respectively, due to partial disbursement of the KDSP II, K-WASH, and FLLoCA conditional grants, impacting the ability of the dockets to achieve full absorption.

iv. Expenditure on personnel emoluments was 43.01% of the budget, which exceeds the 35% threshold recommended by the PFM Regulations (2015). This expenditure continues to exert considerable pressure on the county fiscal space. In contrast, expenditure on other development activities accounted for 27.85 % of total expenditure, which is below the recommended 30% threshold stipulated in the PFM Act, 2012.

Given these deviations, the revenue and expenditure ceilings for FY 2026/27 and the medium term will be revised based on updated macroeconomic assumptions and formally reaffirmed in the County Fiscal Strategy Paper (CFSP) 2027. The County Government remains committed to the fiscal responsibility principles stipulated in Section 107 of the PFM Act, 2012, and will make appropriate adjustments in the CFSP 2026 objectives to reflect these changes.

SECTION III

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Overview

The economic environment underpinning the County Budget Review and Outlook Paper (CBROP) 2026 reflects a gradually improving domestic economy amid heightened global and regional uncertainties. The global economy continues to face downside risks arising from geopolitical conflicts, elevated commodity prices, trade policy uncertainty and tighter financial conditions. Assuming that the conflict in Middle East remains limited in duration and scope, the International Monetary Fund projects global economic growth at 3.1 percent in 2026 and 3.2 percent in 2027, with emerging market and developing economies remaining particularly exposed to external shocks and fluctuations in commodity prices.

Kenya's economy has remained resilient despite the challenging external environment. Real Gross Domestic Product (GDP) grew by 4.6 percent in 2025, compared to a revised growth of 4.7 percent in 2024, which was supported by broad-based growth across the major sectors of the economy. The improvement continued into 2026, with real GDP expanding by 5.3 percent in the first quarter compared with 4.9 percent in the corresponding quarter of 2025. Nevertheless, renewed inflationary pressures, particularly from food and transport costs, together with developments in international commodity markets, continue to influence household purchasing power, production costs and the overall cost of delivering public services.

At the county level, the performance of the Tharaka Nithi economy remains closely linked to developments in agriculture, trade, transport, construction and public services. Agriculture continues to provide the principal source of livelihoods and household incomes, while the performance of other sectors increasingly depends on agricultural production, market access, infrastructure, availability of water and purchasing power. The county's economic performance is therefore sensitive to weather conditions, input costs, commodity prices and the effectiveness of interventions aimed at improving agricultural productivity and value addition.

The county fiscal environment during the period under review has continued to be shaped by the adequacy and timeliness of intergovernmental transfers, own-source revenue performance, expenditure pressures and the implementation of development programmes. Against this background, the County Government will continue to strengthen domestic resource mobilization, improve expenditure

efficiency, safeguard resources for development, enhance project implementation and promote investments that expand the productive capacity of the local economy.

3.2 Recent Economic Developments

The global economic environment during the period under review remained characterized by moderate growth, persistent geopolitical tensions, elevated commodity prices and continued uncertainty in international trade and financial markets. The International Monetary Fund projects global economic growth at 3.1 percent in 2026 and 3.2 percent in 2027, with the outlook remaining vulnerable to prolonged geopolitical conflicts, renewed trade restrictions, commodity price shocks and tightening of global financial conditions. These developments continue to have implications for developing economies through their effects on energy and food prices, exchange rates, external financing conditions and investment flows.

For Emerging Market and Developing Economies (EMDEs), the operating environment remains particularly sensitive to changes in global commodity prices, capital flows and international interest rates. Higher energy and transport costs can increase domestic production and distribution costs, while disruptions in global supply chains may affect the availability and prices of key inputs. These external developments therefore remain important considerations in assessing the economic and fiscal outlook for Kenya and, by extension, county governments.

Kenya's economy demonstrated resilience during 2025 despite the challenging external environment. According to the Kenya National Bureau of Statistics (KNBS) 2026, real Gross Domestic Product (GDP) expanded by 4.6 percent in 2025, compared with a revised growth of 4.7 percent in 2024. Growth was supported by broad-based activity across several sectors, including agriculture, construction, mining and quarrying, accommodation and food services, financial and insurance activities, and public administration. Nominal GDP increased from KSh 16.2 trillion in 2024 to KSh 17.6 trillion in 2025, reflecting continued expansion of economic activity.

The positive momentum continued into 2026 with real GDP growing by 5.3 percent in the first quarter of 2026, compared with 4.9 percent during the corresponding quarter of 2025. The expansion was broad-based, with notable growth recorded in accommodation and food services, mining and quarrying, construction, financial and insurance activities, information and communication, and agriculture, forestry and fishing. This performance indicates continued recovery in productive activity and domestic demand, although the sustainability of the recovery remains dependent on developments in inflation, household purchasing power, production costs and the external environment.

Inflationary pressures, however, strengthened in 2026, with consumer price inflation increasing to 6.6 percent in August 2026, mainly reflecting higher prices of food and non-alcoholic beverages and transport services. Food and non-alcoholic beverage prices increased by 9.0 percent, while transport costs rose by 15.7 percent over the year (KNBS, 2026). The increase in these essential expenditure components has implications for household welfare and purchasing power and may also increase the cost of implementing public programmes and delivering county services.

Monetary conditions have remained relatively supportive of economic activity while responding to emerging inflationary risks. In August 2026, the Central Bank of Kenya retained the Central Bank Rate at 8.75 percent. The Bank continued to monitor developments in international energy prices, geopolitical tensions, exchange rate movements and domestic inflation. As of September 2026, the Kenya Shilling remained broadly stable against the United States Dollar, with the exchange rate standing at approximately KSh 129.45 per US Dollar.

According to the Kenya National Bureau of Statistics, the labour market continued to expand with reported increase in employment outside small-scale agriculture from 20.8 million persons in 2024 to 21.6 million in 2025, representing an increase of approximately 822,000 jobs. However, the majority of the new employment opportunities were generated in the informal sector, highlighting the continued importance of supporting productive enterprises, small businesses and value-chain development. The public sector wage bill also continued to increase, placing emphasis on the need for prudent management of personnel costs and improved efficiency in the delivery of public services.

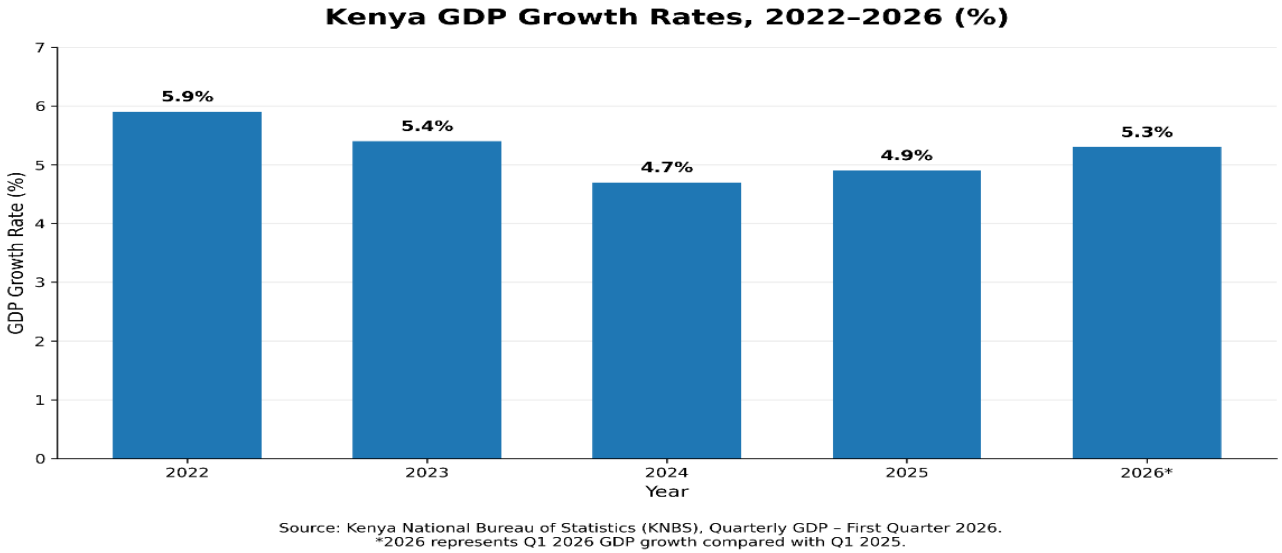

Figure 3: Kenya GDP Growth Rates in Percentage, 2022-2026

Tharaka Nithi’s County economy continued to record gradual expansion, with economic activity remaining strongly anchored in agriculture and related value chains. The Gross County Product 2025 indicates that the County's nominal GCP per capita increased from KSh 214,340 in 2023 to KSh 225,923 in 2024, reflecting continued expansion in the value of economic activity. The County's economic structure remains significantly influenced by agriculture, forestry and fishing, alongside transport and storage, construction, wholesale and retail trade, accommodation and food services, and public and other services.

Agriculture remains a key determinant of household incomes, local demand and the performance of other sectors within the County. Agricultural production during the period under review continued to be influenced by weather conditions, access to agricultural inputs, market conditions and water availability. The Kenya Meteorological Department's 2026 seasonal outlook for the March–April–May rainfall season indicated that Tharaka Nithi County was likely to receive rainfall slightly above the long-term average, although the distribution was expected to be uneven and interspersed with dry spells. The outlook also identified the possibility of heavy rainfall events and warmer-than-average temperatures, with implications for soil moisture, crop and livestock water requirements, agricultural productivity and rural infrastructure. These conditions underscore the importance of strengthening climate-smart agriculture, irrigation, water harvesting, agricultural extension and early-warning systems to enhance the resilience of farming households.

The County Government continued to implement interventions aimed at improving agricultural productivity, food security, value addition and access to markets. Support to agricultural value chains has included the implementation of the National Agricultural Value Chain Development Project (NAVCDP) targeting the five value chains (Dairy, Poultry, Coffee, Banana and Greengrams) in the county. Additionally, collaboration with financial institutions and cooperative societies has been pursued to improve farmers' access to savings and affordable credit. In addition, the launch of the Kilimo na Afya Project in July 2026 introduced an integrated approach linking nutrition-sensitive agriculture, household food production and community health, particularly for vulnerable households. These interventions are expected to strengthen household resilience, improve nutrition and enhance the productive capacity of the local economy.

The performance of the local economy is also being supported by continued investment in infrastructural development. Improvements in roads connectivity, market infrastructure, irrigation and water supply are crucial in reducing the cost of doing business, facilitating movement of agricultural

produce, improving access to markets and strengthening linkages between rural production areas and urban centres.

The County's economic performance remains exposed to several structural and emerging risks. These include climate variability, fluctuations in agricultural commodity prices, rising production and transport costs, limited access to affordable finance, inadequate value addition and storage facilities, and constraints in market access. Given the central role of agriculture in the County economy, adverse weather conditions or disruptions in agricultural production can have wider effects on household incomes, food prices, trade and own-source revenue performance.

Going forward, the County Government will continue to prioritize interventions that raise agricultural productivity; strengthen value chains and market access; promote climate adaptation and mitigation; expand water and irrigation infrastructure; improve transport and market infrastructure; support micro-small and medium enterprises; and strengthen domestic revenue mobilization. These measures will be critical in broadening the County's economic base, increasing household incomes and employment opportunities, and enhancing the capacity of the County Government to finance priority development programmes over the medium term.

3.3 Progress Report on Budget Implementation

Implementation of the FY 2026/27 budget commenced despite delayed budget approvals. Performance in the first quarter of FY 2026/27 shows that the county has received an equitable share allocation amounting to KES 1.174 billion, while conditional grants and loans received amounted to KES 1.99 million, from the National Government Housing Levy Fund. Own-source revenue collection amounting to KES 130.78 million was realized. Unspent balances for FY 2025/26 were KES 567.90 million (includes balances for donor funded programmes). Transfers to County Assembly for the first quarter of FY 2026/27 were KES 140.16 million, while County Executive recurrent expenditure was KES 613.07 million and development expenditure of KShs102.23 million. Expenditure patterns reveal that most outlays were on recurrent items, including personnel emoluments and operations and maintenance.

3.4 County Economic Outlook and Policies

The economic performance of Tharaka Nithi County continues to move in step with national fiscal and macroeconomic policy. As the National Treasury rolls out its medium-term fiscal consolidation agenda for FY 2027/28 and beyond, the county government must calibrate its own budgeting to withstand external shocks while capturing new avenues for growth.

The county's economy has continued to be shaped by regional economic developments. Growth over the recent period has resulted in stronger farm output, aided by favorable rains, continued distribution of farm inputs, and wider uptake of climate-resilient agricultural practices. Nationally, agriculture accounted for roughly 23.2 per cent of Kenya's GDP in 2025, underscoring the sector's continued weight in the wider economy. The Kenya National Bureau of Statistics' Gross County Product 2025 report values Tharaka Nithi's economy at approximately USD 0.74 billion (about KSh 97.7 billion) for 2024, equivalent to a GDP per capita of approximately KSh 285,311; placing the county's overall share of national output at about 0.6 per cent.

Agriculture remains the county's largest employer, engaging an estimated 80 per cent of the population and contributing an average of about 30 per cent of the county's Gross Value Added since 2015. More than seven in every ten residents live and work in rural areas. The county continues to channel investment into boosting production and productivity, deepening value addition, and widening market access for small-scale farmers.

For the medium term, the county government's priority initiatives include advancing cash crop development, distributing fertilizer and high-yield seed varieties, expanding artificial insemination services, and strengthening agricultural value chains. Partnerships with the National Government continue through programmes such as the Aquaculture Business Development Programme (ABDP) and the National Agriculture Value Chain Development Project (NAVCDP), that connect local farmers to markets.

The county government remains committed to the right to safe, accessible water, and to sound water and sanitation management. Investment continues in water and irrigation infrastructure, with strategic partnerships supporting water reservoirs and smallholder irrigation schemes in underserved areas. The K-WASH programme, which seeks to improve health outcomes through sustainable water and sanitation management, is expected to further widen access to clean domestic water.

The Financing Locally-Led Climate Actions (FLLoCA) programme, backed by the World Bank, continues to build climate resilience at community level by strengthening the capacity of county and national government to plan, finance and deliver local adaptation and mitigation projects, particularly in rural areas. The implementation of this programme is expected to enable the county government to be better equipped to manage the climate-related pressures affecting socioeconomic development.

The county also remains focused on delivering quality and effective healthcare, and has continued to widen its network of health facilities to improve access. Health facility density at county level stands

at 4.3 per 10,000 population, above the national average of 2.2. The County will continue investing in the upgrading and improvement of health facilities to ease pressure on level four and five hospitals, as we also improve the county's specialized care system.

The county continues to embed competency-based curricula, rehabilitate Vocational Training Centres, and promote early childhood education to strengthen learning outcomes. Further, the county continues to promote the adoption of the Competency Based Education and Training (CBET) within the VTCs, to equip learners with job-ready skills in alignment with industry needs. Specifically, the county has fostered collaborations and partnerships to sustain distribution of learning materials in a bid to improve learning outcomes. Additionally, it will endeavor to lift enrolment and retention rates in our learning institutions, and oversee the full rollout of digital learning in ECDE centers. In a bid to promote valorization of cultural practices, the county will continue documentation of traditions and undertake cultural festivals at sub-county and ward levels, that will culminate in the annual county cultural festivals.

Through the second Kenya Devolution Support Programme, the county government continues to strengthen how services are delivered. The donor-supported programme targets improvements in sustainable financing and expenditure management, intergovernmental coordination, institutional performance and human resource management. Oversight, participation and accountability are being further reinforced through the performance-for-results programme.

Industrialization remains central to advancing the Bottom-Up Economic Transformation Agenda (BETA), with the county government continuing its shift from a purely agriculture-based economy toward processing and manufacturing to create jobs and widen the growth base. Kenya's Vision 2030 similarly places equitable education and training at the core of building a skilled workforce. Manufacturing, secondary- and the wider- services sector in the county continue to show room for expansion, in line with national economic priorities.

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

Table 14: Tharaka Nithi GCP by Economic Activity, 2024

GCP by Economic Activity at Current Prices, 2024	Amount (KES Million)
Agriculture, Forestry & Fishing	36,330
Mining & Quarrying	329
Manufacturing	4,072
Electricity Supply	415
Water Supply; Waste Collection	338
Construction	7,486
Wholesale & Retail Trade; Repair of Motor Vehicles	2,138
Transport & Storage	11,110
Accommodation & Food Service Activities	2,721
Information & Communication	2,143
Financial & Insurance Activities	1,223
Real Estate Activities	3,392
Professional & Technical Services	1,761
Administrative Support Services	1,195
Public Administration & Defense	8,895
Education	9,170
Human Health & Social Work Activities	880
Other Service Activities	1,814
Financial Services Indirectly Measured	342
Total GCP	**95,071**

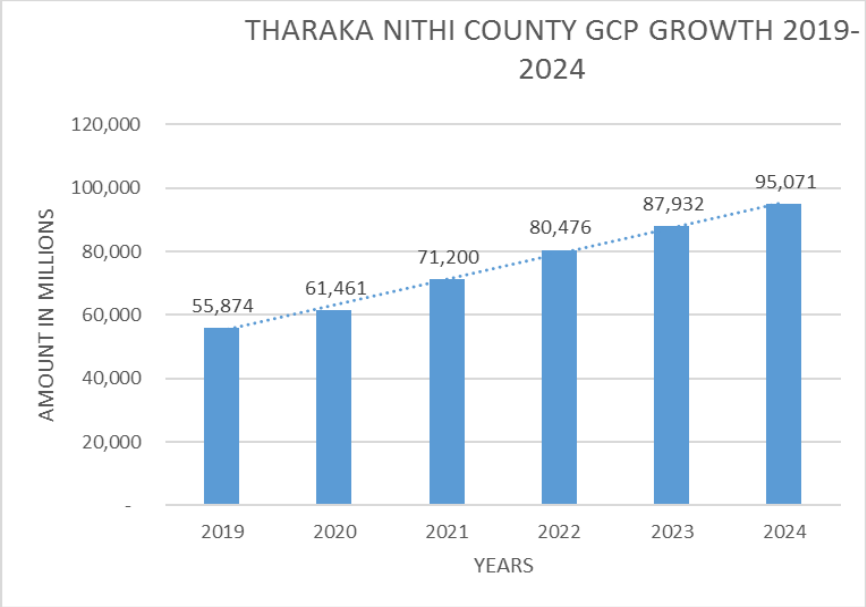

Figure 4: Tharaka Nithi GCP from 2019 – 2024

3.5 Outlook and Risk Assessment

Economic Growth Projections Real GDP growth for the year 2026 is projected to range between 4.3 percent and 5.3 percent, according to revised projections by major financial institutions and multilateral lenders, reflecting adjustments to prevailing global and domestic economic conditions.

Changes in Macroeconomic Assumptions

The projected growth is supported by recovery in key sectors of the economy, enhanced macroeconomic stability, moderation in inflationary pressures and strengthening of the Kenya Shilling against major international currencies. These developments point to a stable macroeconomic environment over the medium term. Nonetheless, the outlook remains subject to downside risks arising from both domestic and external fronts.

Geopolitical Risk

The global economy continues to face elevated geopolitical risks occasioned by rising rivalries and protracted conflicts. Such confrontations pose significant threats to global supply chains, overall economic stability, and the multilateral cooperation required to mitigate economic shocks.

Climate-Related Risk

Climate change has transitioned from an environmental concern to a core macroeconomic variable. In 2026, estimated global economic losses attributable to climate change are in the hundreds of billions, exacerbated by concurrent occurrence of heatwaves, droughts, floods and wildfires within the same regions. Climate change disrupts economic activity through destruction of critical infrastructure, diminished labour productivity attributable to extreme heat, and reduced agricultural yields. These

physical shocks precipitate cascading effects including financial system instability, elevated public borrowing costs, and increased insurance and operational costs globally.

Investment Risks

High levels of public debt elevate the risk of debt distress, resulting in increased domestic borrowing and a heightened tax burden on the private sector. Frequent changes in tax policy and restrictive import regulations contribute to increased costs of doing business and compliance challenges. Periodic civil unrest and political frictions disrupt business operations and dampen short-term investor confidence. Bureaucratic inefficiencies and governance challenges further undermine operational efficiency of private enterprises. Additionally, over-reliance on rain-fed agriculture exposes local assets to environmental vulnerabilities. The government's commitment to fiscal consolidation and prioritization of concessional borrowing is expected to mitigate these risks.

Financial Sector Risks

Kenya's fiscal vulnerabilities remain significant, reflecting persistent resource shortfalls, elevated public debt and high debt-servicing requirements. In FY 2025/26, the resource shortfall against the approved budget, including grants, stood at KSh 1,264.7 billion, equivalent to 6.8 percent of GDP, compared to a target of 7.3 percent of GDP. The deficit was financed through net domestic financing amounting to KSh 983.7 billion (5.3 percent of GDP) and net external financing of KSh 267.3 billion (1.4 percent of GDP). Public debt remains sustainable but at a high risk of debt distress, with the Present Value of total debt estimated at 65.6 percent of GDP in June 2026, above the 55±5 percent benchmark. External debt-service pressures also remain elevated, with the public and publicly guaranteed external debt service-to-exports ratio estimated at 18.3 percent in 2026, above the 15 percent sustainability threshold. At the same time the debt service-to-revenue ratio stood at 17.6 percent against an 18 percent threshold. These fiscal and debt vulnerabilities, together with high domestic financing requirements, could constrain fiscal space, increase financing pressures and limit resources available for productive expenditure and transfers to County Governments.

Monetary and Fiscal Risks

Upside risks to the outlook include earlier-than-anticipated normalization of global financing conditions and moderation in international fuel and food prices, which would strengthen external balances. A faster-than-projected rebound in economic activity would enhance revenue performance and provide additional fiscal space to support consolidation.

The Government will continue to strengthen coordination between monetary and fiscal policies to maintain stable macroeconomic conditions, which are a necessary prerequisite for investment, savings and sustained economic growth. The government continues to monitor developments in the domestic and external environment and will undertake appropriate policy interventions to safeguard the economy against adverse effects should the identified risks occur.

SECTION IV

RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to the FY 2026/27 Budget

The first quarter of FY 2026/27 was marked by a resilient national economic performance, with GDP growth accelerating to 5.3 percent and a stable monetary policy stance supporting credit access. Tharaka Nithi County's own-source revenue collection for the first quarter of FY 2026/27 stood at Kshs 130.8 million, underscoring the need to continue strengthening the County's local revenue base to complement national transfers and support development priorities. This coupled with the heightened political activity ahead of the 2027 General Election, introduces additional risks to programme implementation and public participation processes. These factors necessitate a review and adjustment of the County's FY 2026/27 budgetary allocations to align with the prevailing economic and fiscal realities.

By the close of the first quarter, the County's total receipts amounted to KSh 1.307 billion, representing 67 percent of the quarterly revenue target. Of this, equitable share transfers accounted for an estimated KSh 1.174 billion, while own-source revenue contributed KSh 130.8 million and conditional grants and loans contributed KSh 1.99 million during the quarter. Own-source revenue collections were drawn from KSh 91.22 million in Facility Improvement Fund (FIF) receipts and KSh 39.56 million from conventional revenue streams.

Expenditure for the first quarter of FY 2026/27 totaled KSh 855.46 million, consisting of KSh 613.07 million for county executive recurrent expenditure and KSh 140.16 million for County Assembly and KShs 102.22 million development expenditures incurred in the same period. At the same period a total of KShs 137.89 million was transferred to the special purpose accounts for FLLoCA (KShs 14.1 million), KUSP II (KShs 26 million) and KDSP II (KShs 97.8 million) programmes.

Rising expenditure demands, particularly on the recurrent side, continue to present a fiscal risk to the County. Pressure from the wage bill, compounded by the rollout of new salary adjustments, implementation of the collective bargaining agreements for the health care workers, could constrain the resources available for development spending. Furthermore, the pace of budget absorption across spending units remains a concern, especially with respect to development expenditure and the drawdown of grants. These emerging risks will be kept under close review, with corrective measures to be considered as part of the forthcoming Supplementary Budget process.

4.2 Medium Term Expenditure Framework

The FY 2027/28 budget will be implemented within the Medium-Term Expenditure Framework (MTEF), anchored on the Third-Generation County Integrated Development Plan (CIDP) 2023–2027. The framework seeks to strengthen the local economy, promote inclusive and sustainable growth, and position the county as a hub for value addition in the spirit of leaving no one behind. In responding to the needs and aspirations of residents, the county will prioritize investments that improve livelihoods, raise living standards, reduce vulnerability and contribute to reducing the county's poverty index. Priority will be given to high-impact social and economic programmes, essential recurrent expenditure and development projects that deliver tangible benefits to residents. Given the limited resources available, the county will continuously review and rationalize non-priority expenditure so that more resources can be directed towards key development priorities. Implementation will be guided by a programme-based budgeting approach, with emphasis on efficient use of public resources, improved service delivery and achievement of a balanced budget.

To strengthen fiscal sustainability, the County Government will focus on expanding its own-source revenue base while improving collection efficiency and reducing unnecessary expenditure. Maintaining an efficient workforce will help contain the wage bill and create fiscal space for investment in priority social and development programmes. The County will also pursue fiscal consolidation by containing recurrent expenditure and progressively directing more resources towards development, with at least 30 percent of total county revenue targeted for development programmes. Further, the County will actively explore Public-Private Initiatives (PPIs), investment opportunities and collaboration with development partners to complement available public resources and accelerate implementation of priority projects. These measures are intended to support economic growth, strengthen resilience to emerging shocks, improve service delivery and ensure that every shilling available to the County is used prudently and delivers meaningful value to the people of Tharaka Nithi.

4.3 Proposed FY 2027/28 Budget Framework

4.3.1 Revenue Projections

In FY 2027/28, the County Government projects total revenue of KES 7.86 billion, compared to KES 8.04 billion in FY 2026/27, representing a marginal decline of 2.2 percent. The reduction is mainly due to the expected changes in grants financing, including FLLoCA, KUSP, RML, Supplement for Construction of Headquarters and Equalization Fund, which have previously contributed to the County's overall resource envelope. Notably, both the equitable share and Own Source Revenue (OSR)

are projected to increase by 2.9% and 4.5% respectively, providing a more stable foundation for financing County programmes.

The County will continue strengthening revenue mobilization and administration, expanding the local revenue base and improving compliance. This is supported by the positive OSR performance, which grew by 37.5 percent from KES 481.79 million in FY 2024/25 to KES 662.33 million in FY 2025/26. These measures will help cushion the impact of reduced conditional grants and ensure that available resources are efficiently directed towards priority services and development programmes. Table 16 illustrates the total county revenue projections, while Table 17 provides a summary of OSR projections for the MTEF.

Table 15: MTEF Revenue Projections by source FY 2024/25- FY 2029/30

Description	Actual 2024/25 FY	Actual 2025/26 FY	Printed Estimate 2026/27 FY	2027/28 FY projected	Projection 2028/29 FY	Projection 2029/30 FY
Equitable Share Allocation	4,749,766,134	5,058,286,293	5,219,759,236	5,366,107,626	5,634,413,007	5,916,133,657
Grant income	294,640,755	840,743,645	2,170,775,037	1,812,723,252	1,903,359,415	1,998,527,385
Local Revenue	481,791,096	662,325,191	650,513,235	680,000,000	714,000,000	749,700,000
Unspent Bal from Previous FY	107,439,962	226,444,115	0	0	0	0
Grand Total	**5,633,637,947**	**6,787,799,244**	**8,041,047,508**	**7,858,830,878**	**8,251,772,422**	**8,664,361,043**

Table 16: OSR Projections by Revenue Stream FY 2025/26- FY 2029/30

REVENUE STREAM	Sum of Revised Budget Estimates 2025-26	Actual Revenue 2025-26 (KShs.)	Budget Estimate FY 2026-27	Projected 2027-28	Projected 2028-29	Projected 2029-30
SBP and Advertisement	98,150,000.00	92,784,668.00	98,000,000.00	95,000,000.00	99,750,000.00	104,737,500.00
LIVESTOCK SALES AND AGRICULTURAL CESS	3,578,000.00	1,168,483.00	5,500,000.00	3,750,000.00	3,937,500.00	4,134,375.00
BMT	23,486,000.00	14,890,832.00	18,000,000.00	17,000,000.00	17,850,000.00	18,742,500.00
NATURAL RESOURCE CESS	60,522,000.00	55,721,310.00	65,000,000.00	60,000,000.00	63,000,000.00	66,150,000.00
PARKING FEES	22,000,000.00	20,960,031.00	23,000,000.00	23,000,000.00	24,150,000.00	25,357,500.00
HOUSE RENT/STALL	5,314,000.00	5,087,637.00	5,500,000.00	6,000,000.00	6,300,000.00	6,615,000.00
PLAN APPROVAL	16,000,000.00	13,080,928.00	14,000,000.00	14,500,000.00	15,225,000.00	15,986,250.00
LIQOUR	25,000,000.00	24,107,866.00	22,000,000.00	24,000,000.00	25,200,000.00	26,460,000.00
VETINARY SERVICES	9,200,000.00	6,695,106.00	8,500,000.00	8,500,000.00	8,925,000.00	9,371,250.00
PENALTIES	400,000.00	165,490.00	700,000.00	500,000.00	525,000.00	551,250.00
ADMINISTRATIVE FEE	1,750,000.00	279,986.00	3,000,000.00	1,500,000.00	1,575,000.00	1,653,750.00
PLOT RENT, Land rates	8,200,000.00	11,352,560.00	10,000,000.00	12,500,000.00	13,125,000.00	13,781,250.00
PROPERTY FEE (SEARCH/TRANSFERS/SUBDIVISION & REPPEGING)	5,000,000.00	2,599,166.00	5,000,000.00	3,000,000.00	3,150,000.00	3,307,500.00

MISLENEOUS FEE	14,081,692.00	13,226,014.00	5,000,000.00	5,000,000.00	5,250,000.00	5,512,500.00
Co-operative Services	200,000.00	23,100.00	400,000.00	150,000.00	157,500.00	165,375.00
Fire Inspection	200,000.00	-	400,000.00	100,000.00	105,000.00	110,250.00
Weights and measures			1,000,000.00	500,000.00	525,000.00	551,250.00
Sub-Total	**293,081,692.00**	**262,143,177.00**	**285,000,000.00**	**275,000,000.00**	**288,750,000.00**	**303,187,500.00**
AIA/FIF (RECEIPTS FROM MEDICAL SERVICES)	375,400,000.00	400,182,014.00	365,513,235.00	405,000,000.00	425,250,000.00	446,512,500.00
Grand total	**668,481,692.00**	**662,325,191.00**	**650,513,235.00**	**680,000,000.00**	**714,000,000.00**	**749,700,000.00**

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

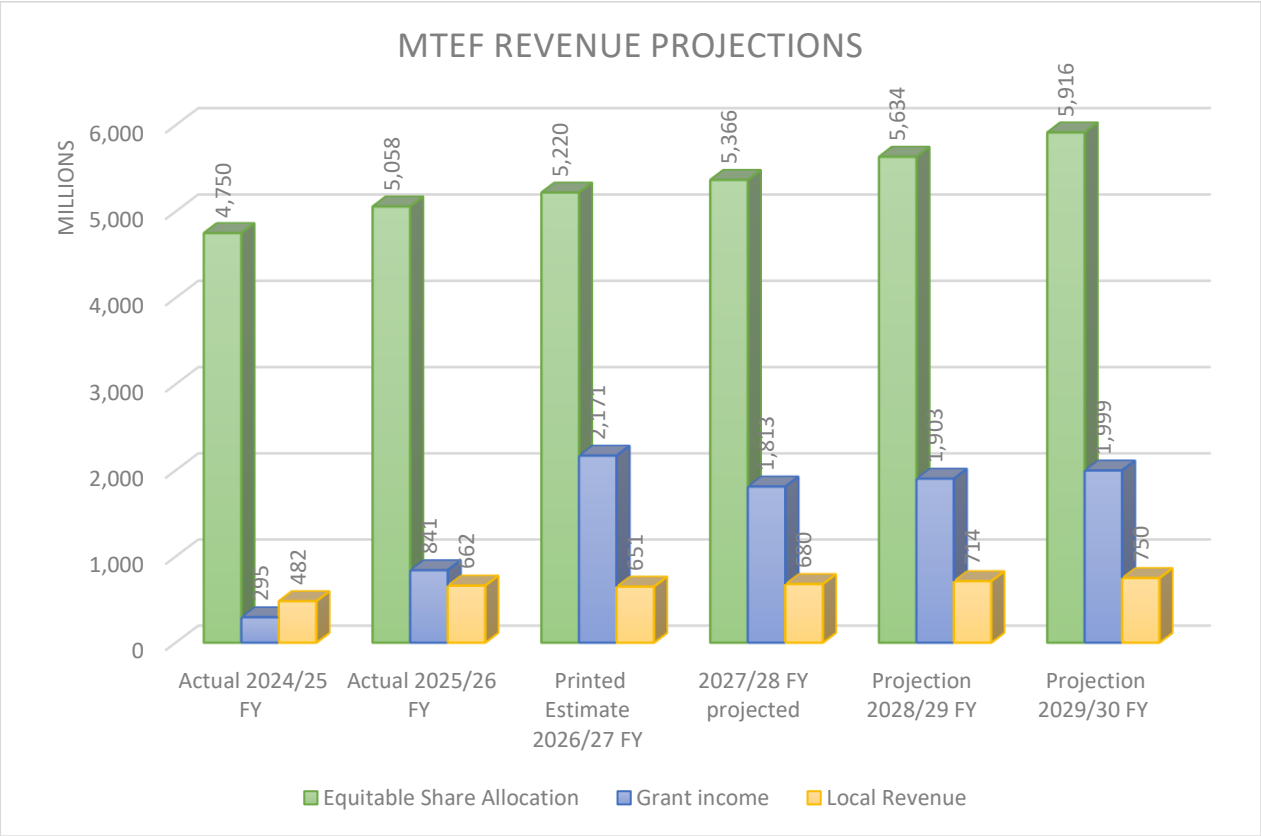

Figure 5: Revenue Projections FY 2024/25-FY 2029/30

Table 17: ***Revenue and Expenditure Projections FY 2025/26-2029/30***

	2025/26 FY		2026/27 FY			2027/28 FY		2028/29 FY	2029/30
Description	**Budget Estimates**	**Actual**	**Budget Estimates**	**CBROP 2025**	**CFSP 2026**	**CFSP 2026**	**CBROP 2026**	**CBROP 2026**	**CBROP 2026**
TOTAL REVENUE & GRANTS	7,777,008,045	6,787,799,244	8,041,047,508	7,259,932,669	7,033,761,523	7,385,449,600	7,858,830,878	8,251,772,422	8,664,361,043
Unspent Bal b/f \Previous FY	226,444,115	226,444,115	0	0	0		0	0	0
Revenue (Total)	**7,550,563,930**	**6,561,355,129**	**8,041,047,508**	**7,259,932,669**	**7,033,761,523**	**7,385,449,600**	**7,858,830,878**	**8,251,772,422**	**8,664,361,043**
Equitable Share Allocation	5,058,286,293	5,058,286,293	5,219,759,236	5,180,166,565	5,120,391,271	5,376,410,835	5,366,107,626	5,634,413,007	5,916,133,657
Local Revenue	668,481,692	662,325,191	650,513,235	585,400,000	590,000,000	619,500,000	680,000,000	714,000,000	749,700,000
Grant and Loans	1,823,795,945	840,743,645	2,170,775,037	1,494,366,104	1,323,370,252	1,389,538,765	1,812,723,252	1,903,359,415	1,998,527,385
Grand (Total)	**7,777,008,045**	**6,787,799,244**	**8,041,047,508**	**7,259,932,669**	**7,033,761,523**	**7,385,449,600**	**7,858,830,878**	**8,251,772,422**	**8,664,361,043**
Total Expenditure	**7,777,008,045**	**6,787,799,243**	**8,041,047,508**	**7,259,932,669**	**7,033,761,523**	**7,385,449,599**	**7,858,830,878**	**8,251,772,422**	**8,664,361,043**
Recurrent	4,903,035,534	4,487,858,758	5,058,935,646	4,580,412,357	4,657,629,374	4,890,510,843	5,283,873,429	5,548,067,100	5,825,470,455
Recurrent as % of CG Total Revenue	*63%*	*66%*	*63%*	*63%*	*66%*	*66%*	*67%*	*67%*	*67%*
Personnel Emolument	2,929,668,923	2,919,683,951	3,048,483,048	2,693,212,643	2,690,721,408	2,825,257,478	3,007,737,266	3,158,124,129	3,316,030,336
Operations & Maintenance	1,973,366,611	1,568,174,807	2,010,452,598	1,887,199,714	1,966,907,966	2,065,253,365	2,276,136,163	2,389,942,971	2,509,440,120
Personnel Emoluments as % of CG Revenue	*38%*	*43%*	*38%*	*37%*	*38%*	*38%*	*38%*	*38%*	*38%*
Development	2,873,972,511	1,732,026,573	2,982,111,862	2,679,520,312	2,376,132,149	2,494,938,756	2,574,957,449	2,703,705,321	2,838,890,587
Development as % of CG Total Revenue	*37%*	*26%*	*37%*	*37%*	*34%*	*34%*	*33%*	*33%*	*33%*
Unspent Bal Current FY	0	567,913,912	0	0	0	0	0	0	0

4.3.2 Expenditure Forecasts

The forecasted budget for FY 2027/28 is KSh 7.86 billion, with projected recurrent and development expenditure of KES 5.28 billion and KSh 2.57 billion respectively, compared to the FY 2026/27 budget of KSh 8.04 billion, comprising recurrent expenditure of KShs 5.06 billion and development expenditure of KSh 2.98 billion.

The projected budget is anticipated to grow to KSh 8.25 billion in FY 2028/29 and KSh 8.66 billion in FY 2029/30. The FY 2028/29 recurrent and development expenditures are projected at KSh 5.55 billion and KSh 2.70 billion respectively, while that of FY 2029/30 are projected at KSh 5.83 billion and KSh 2.84 billion respectively. Over the MTEF period, recurrent expenditure is expected to account for 67% of the overall budget, largely driven by staff compensation, while the development budget will account for 33%.

The County Government continues to operate within a constrained fiscal environment and will therefore apply a Zero-Based Budgeting approach to ensure that availed resources are directed to programmes and projects that deliver the greatest impact to residents. Departments and agencies will be required to critically review existing and planned activities, justify their expenditure needs and prioritize efficiency, effectiveness and value for money.

In line with the third-generation CIDP 2023–2027, the Constitution and other policy priorities, emphasis will be placed on completing ongoing and stalled projects, settling verified pending bills, creating employment and reducing poverty, while strengthening climate change adaptation and mitigation. Key investment areas will include universal health coverage, quality education and skills development, roads, ICT and urban infrastructure, water and sanitation, waste management, youth and women empowerment, agricultural productivity, value addition and market access, food security, MSME development and improved public service delivery. Priority will also be given to programmes that support the County Executive Committee resolutions, and demonstrate cost-effectiveness, sustainability and tangible benefits to the community. The County will maintain a development expenditure target of at least 30 percent of total expenditure and strengthen engagement with the private sector and development partners to unlock additional investment and economic opportunities. Overall, the medium-term approach will focus on safeguarding livelihoods, supporting businesses, and creating jobs.

Table 19 summarizes the actual and projected expenditure for the period while Table 20 gives a summary of indicative departmental ceilings for the MTEF period.

Table 18: ***Summary of Actual and Projected Expenditure MTEF***

Expenditure Classification	Actual Expenditure 2025/26	Approved Budget Estimates 2026/27	Projected Estimates (MTEF) 2027/28	Projected Estimates (MTEF) 2028/29	Projected Estimates (MTEF) 2029/30
Total Recurrent	**4,487,858,758**	**5,058,935,646**	**5,283,873,429**	**5,548,067,100**	**5,825,470,455**
Personnel Emoluments	2,919,683,951	3,048,483,048	3,007,737,266	3,158,124,129	3,316,030,336
Operations & Maintenance	1,568,174,807	2,010,452,598	2,276,136,163	2,389,942,971	2,509,440,120
Total Development	**1,732,026,573**	**2,982,111,862**	**2,574,957,449**	**2,703,705,321**	**2,838,890,587**
County Assembly	524,793,272	573,960,285	549,249,532	576,712,009	605,547,609
Un spent Bal current FY	**567,913,912**	**-**	**-**	**-**	**-**
Total	**6,787,799,243**	**8,041,047,508**	**7,858,830,878**	**8,251,772,422**	**8,664,361,043**

Table 19: ***Summary of Indicative Departmental Ceilings for the MTEF Period 2025/26- 2029/30***

SECTOR	MINISTERIAL DEPARTMENTS	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
		2025/26 Actual Expenditure	2026/27 Estimates	2027/28 Ceilings	2028/29 Projections	2029/30 Projections	2025/26 Actual Expenditure	2026/27 Estimates	2027/28 Ceilings	2028/29 Projections	2029/30 Projections
Public Administration	Governor's Office	97,112,342	154,823,569	139,938,072	146,934,975	154,281,724	1.56%	1.93%	1.78%	1.78%	1.78%
	Finance and Economic Planning	180,063,439	278,595,782	248,316,109	260,731,915	273,768,510	2.89%	3.46%	3.16%	3.16%	3.16%
	County Public Service Board	34,118,011	65,871,127	65,590,700	68,870,235	72,313,746	0.55%	0.82%	0.83%	0.83%	0.83%
	Public Administration, Intergovernmental Coordination and Devolution Affairs	141,275,212	552,473,579	544,450,212	571,672,722	600,256,358	2.27%	6.87%	6.93%	6.93%	6.93%
	County Assembly	524,793,272	573,960,285	549,249,532	576,712,009	605,547,609	8.44%	7.14%	6.99%	6.99%	6.99%
	Office of the County Secretary and County Attorney	43,243,591	78,218,842	97,418,379	102,289,297	107,403,762	0.70%	0.97%	1.24%	1.24%	1.24%
	Sub Total	**1,020,605,867**	**1,703,943,184**	**1,644,963,003**	**1,727,211,153**	**1,813,571,711**	**16.41%**	**21.19 %**	**20.93 %**	**20.93 %**	**20.93 %**
Infrastructure, ICT and Urban Development	Municipality of Kathwana	0	232,515,520	152,250,000	159,862,500	167,855,625	0.00%	2.89%	1.94%	1.94%	1.94%
	Municipality of Chuka		73,149,180	72,250,000	75,862,500	79,655,625	0.00%	0.91%	0.92%	0.92%	0.92%
	Roads, Transport, Infrastructure and ICT	922,851,501	1,007,510,021	745,501,042	782,776,094	821,914,898	14.84%	12.53 %	9.49%	9.49%	9.49%
	Sub Total	**922,851,501**	**1,313,174,721**	**970,001,042**	**1,018,501,094**	**1,069,426,148**	**14.84%**	**16.33 %**	**12.34 %**	**12.34 %**	**12.34 %**
Health	Medical Services	2,211,473,255	1,102,599,094	1,783,197,259	1,872,357,122	1,965,974,978	35.55%	13.71 %	22.69 %	22.69 %	22.69 %
	Chuka County Referral, Hospital		184,500,000	201,411,250	211,481,813	222,055,903	0.00%	2.29%	2.56%	2.56%	2.56%
	Public Health and Sanitation	443,573,798	1,490,948,177	876,281,597	920,095,677	966,100,461	7.13%	18.54 %	11.15 %	11.15 %	11.15 %
	Sub Total	**2,655,047,053**	**2,778,047,271**	**2,860,890,106**	**3,003,934,612**	**3,154,131,342**	**42.69%**	**34.55 %**	**36.40 %**	**36.40 %**	**36.40 %**
Education and Social Services	Gender, Children and Social Services	27,058,898	31,552,911	45,089,649	47,344,132	49,711,338	0.44%	0.39%	0.57%	0.57%	0.57%
	Youth, Sports and Tourism	58,786,437	98,757,193	85,429,550	89,701,028	94,186,079	0.95%	1.23%	1.09%	1.09%	1.09%
	Culture and Tourism	30,325,879	0	0	0	0	0.49%	0.00%	0.00%	0.00%	0.00%
	Education, Vocation Training and Culture	213,301,807	379,081,885	385,079,145	404,333,103	424,549,758	3.43%	4.71%	4.90%	4.90%	4.90%

	Sub Total	**329,473,021**	**509,391,989**	**515,598,345**	**541,378,262**	**568,447,175**	**5.30%**	**6.33 %**	**6.56 %**	**6.56 %**	**6.56%**
General Economic and Commercial Affairs	Trade, Investment Promotion and Cooperatives Development	51,977,255	9,409,680	36,410,037	38,230,539	40,142,065	0.84%	0.12%	0.46%	0.46%	0.46%
	Energy and Industry		314,520,100	310,927,852	326,474,244	342,797,957	0.00%	3.91%	3.96%	3.96%	3.96%
	Revenue and Resource Mobilization	124,587,151	179,294,584	168,681,807	177,115,897	185,971,692	2.00%	2.23%	2.15%	2.15%	2.15%
	Sub Total	**176,564,406**	**503,224,364**	**516,019,696**	**541,820,680**	**568,911,714**	**2.84%**	**6.26 %**	**6.57 %**	**6.57 %**	**6.57%**
Agriculture	Fisheries And Ecosystem Development	23,707,303	23,660,384	52,979,349	55,628,316	58,409,732	0.38%	0.29%	0.67%	0.67%	0.67%
	Agriculture, Livestock and Veterinary Services	638,820,605	463,847,696	588,806,713	618,247,048	649,159,401	10.27%	5.77%	7.49%	7.49%	7.49%
	Lands, Physical Planning and Housing	54,189,263	42,088,466	75,759,364	79,547,332	83,524,699	0.87%	0.52%	0.96%	0.96%	0.96%
	Sub Total	**716,717,171**	**529,596,546**	**717,545,425**	**753,422,697**	**791,093,831**	**11.52%**	**6.59 %**	**9.13 %**	**9.13 %**	**9.13%**
Environment, Water and Natural Resources	Environment and Natural Resources	175,845,896	424,963,038	357,749,278	375,636,742	394,418,579	2.83%	5.28%	4.55%	4.55%	4.55%
	Water Services and Irrigation	222,780,416	278,706,395	276,063,984	289,867,183	304,360,542	3.58%	3.47%	3.51%	3.51%	3.51%
	Sub Total	**398,626,312**	**703,669,433**	**633,813,262**	**665,503,925**	**698,779,121**	6.41%	8.75%	8.06%	8.06%	8.06%
Grand Total	**Grand Total**	**6,219,885,331**	**8,041,047,508**	**7,858,830,878**	**8,251,772,422**	**8,664,361,043**	**100.00%**	**100.0 0%**	**100.0 0%**	**100.0 0%**	**100.00 %**

Table 20: Summary of Indicative Sector Ceilings

SECTOR	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
	2025/26 Actual Expenditure	2026/27 Estimates	2027/28 Ceilings	2028/29 Projections	2029/30 Projections	2025/26 Actual Expenditure	2026/27 Estimates	2027/28 Ceilings	2028/29 Projections	2029/30 Projections
Public Administration	1,020,605,867	1,703,943,184	1,644,963,003	1,727,211,153	1,813,571,711	16.41%	21.19%	20.93%	20.93%	20.93%
Infrastructure, ICT and Urban Development	922,851,501	1,313,174,721	970,001,042	1,018,501,094	1,069,426,148	14.84%	16.33%	12.34%	12.34%	12.34%
Health Services	2,655,047,053	2,778,047,271	2,860,890,106	3,003,934,612	3,154,131,342	42.69%	34.55%	36.40%	36.40%	36.40%
Education and Social Services	329,473,021	509,391,989	515,598,345	541,378,262	568,447,175	5.30%	6.33%	6.56%	6.56%	6.56%
General Economic and Commercial Affairs	176,564,406	503,224,364	516,019,696	541,820,680	568,911,714	2.84%	6.26%	6.57%	6.57%	6.57%
Agriculture	716,717,171	529,596,546	717,545,425	753,422,697	791,093,831	11.52%	6.59%	9.13%	9.13%	9.13%
Environment, Water and Natural Resources	398,626,312	703,669,433	633,813,262	665,503,925	698,779,121	6.41%	8.75%	8.06%	8.06%	8.06%
Grand Total	**6,219,885,331**	**8,041,047,508**	**7,858,830,878**	**8,251,772,422**	**8,664,361,043**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table 21: Departmental Ceilings by Expenditure Category for FY 2027/28

Department	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total
Agriculture and Crop Production	60,512,260	33,964,500	-	94,476,760	155,647,065	250,000,000	405,647,065	500,123,825
Livestock and Veterinary Development	46,991,264	21,691,624	-	68,682,888	20,000,000	-	20,000,000	88,682,888
Fisheries and Ecosystem management	14,668,965	12,500,000	-	27,168,965	10,000,000	15,810,384	25,810,384	52,979,349
County Assembly	-	519,249,532	-	519,249,532	30,000,000	-	30,000,000	549,249,532
County Public Service Board	36,412,304	29,178,396	-	65,590,700	-	-	-	65,590,700
Office of Governor and Deputy Governor	64,977,872	74,960,200	-	139,938,072	-	-	-	139,938,072
Office of the County Secretary and County Attorney	43,117,879	54,300,500	-	97,418,379	-	-	-	97,418,379
Public Administration and Devolution Affairs	85,100,212	59,350,000	37,500,000	181,950,212	10,000,000	352,500,000	362,500,000	544,450,212
Finance and Economic Planning	92,715,559	155,600,550	-	248,316,109	-	-	-	248,316,109

Education, Vocational Training and Culture	258,694,475	76,384,670	-	335,079,145	50,000,000	-	50,000,000	385,079,145
Gender, children and Social Services	16,430,147	18,659,502	-	35,089,649	10,000,000	-	10,000,000	45,089,649
Youth, Sports and Tourism	20,881,550	24,548,000	-	45,429,550	40,000,000	-	40,000,000	85,429,550
Land and Physical planning	20,035,898	33,723,466	2,000,000	55,759,364	20,000,000	-	20,000,000	75,759,364
Medical Services	1,229,817,365	241,606,113	231,773,781	1,703,197,259	80,000,000	-	80,000,000	1,783,197,259
Chuka County Referral Hospital	-	201,411,250		201,411,250	-		-	201,411,250
Public Health and Sanitation	692,652,531	105,489,979	58,139,087	856,281,597	20,000,000	-	20,000,000	876,281,597
Information Communication Technology	29,153,144	30,345,600	-	59,498,744	20,000,000	-	20,000,000	79,498,744
Roads, Infrastructure, Public Works and Urban Development	118,917,298	98,585,000	17,500,000	235,002,298	431,000,000	-	431,000,000	666,002,298
Municipality of Kathwana	-	3,500,000	8,750,000	12,250,000	10,000,000	130,000,000	140,000,000	152,250,000
Municipality of Chuka	-	3,500,000	8,750,000	12,250,000	10,000,000	50,000,000	60,000,000	72,250,000
Revenue and Resource Mobilization	128,556,607	30,125,200	-	158,681,807	10,000,000	-	10,000,000	168,681,807
Trade, Investment Promotion and Cooperatives Development	13,100,357	13,309,680	-	26,410,037	10,000,000	-	10,000,000	36,410,037
Energy and Industry	6,207,752	14,720,100		20,927,852	40,000,000	250,000,000	290,000,000	310,927,852
Water Services and Irrigation	21,557,589	24,506,395	-	46,063,984	80,000,000	150,000,000	230,000,000	276,063,984
Environment and Natural resources	7,236,240	30,513,038		37,749,278	70,000,000	250,000,000	320,000,000	357,749,278
Total	**3,007,737,266**	**1,911,723,295**	**364,412,868**	**5,283,873,429**	**1,126,647,065**	**1,448,310,384**	**2,574,957,449**	**7,858,830,878**

Table 22: Recurrent and Development Expenditure FY 2025/26-FY 2029/30

Expenditure classification	Actual Expenditure 2025/26	Approved budget estimates 2026/27	Projected estimates (MTEF) 2027/28	Projected estimates (MTEF) 2028/29	Projected estimates (MTEF) 2029/30
Recurrent	4,487,858,758	5,058,935,646	5,283,873,429	5,548,067,100	5,825,470,455
Development	1,732,026,573	2,982,111,862	2,574,957,449	2,703,705,321	2,838,890,587
Total	**6,219,885,331**	**8,041,047,508**	**7,858,830,878**	**8,251,772,422**	**8,664,361,043**

4.4 Projected Fiscal Balance (deficit) and Likely Financing

The FY 2026/27 is balanced, and FY 2027/28 is predicted to be balanced as well. The county expenditure priorities will be aligned with the available resources to prevent the accumulation of pending bills. The county will optimize own source revenue collection by widening the revenue based. Further, we will encourage prudent utilization of available resources to prevent budget deficits. Subsequent shortfalls in revenue that may occur within the year will be addressed through supplementary within the existing framework recommended and approved by the Intergovernmental Budget and Economic Council (IBEC).

4.5 Pending Bills

At the start of FY 2025/26, the County Government had total pending bills amounting to KSh 958.84 million, comprising KSh 842.59 for the County Executive and KSh 116.25 million for the County Assembly, with KSh 594.18 million settled during the financial year. As at the close of the financial year, the County Executive had an outstanding pending bill of KES 758.09 million, comprising KSh 203.11 million in development bills and KES 554.98 million in recurrent bills**.** The County Assembly had pending bills amounting to KES 101.29 million at the close of the financial year.

The ageing analysis indicates that KSh 494.73 million of the County Executive's pending bills were incurred within the year, while KES 143.15 million were aged over a three-year period. The County Government established a Pending Bills Committee to strengthen the verification, prioritization and settlement of outstanding obligations, in addition to development of the County Pending Bills Management Strategy.

Table 23: Ageing Analysis of County Executive Pending Bills

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Pending Bills	110,408,780	31,031,313	9,559,394	52,109,609	203,109,096
Recurrent Pending Bills (Goods & Services)	376,558,887	66,206,170	13,423,661	70,341,940	526,530,658
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)				20,693,721	20,693,721
Recurrent Pending Bills (Staff Claims)	7,758,241				7,758,241
Total Recurrent Pending Bills	384,317,128	66,206,170	13,423,661	91,035,661	554,982,620
Total Pending Bills	494,725,908	97,237,483	22,983,055	143,145,270	758,091,716
County Assembly Pending Bills					
Development Pending Bills			3,919,048		3,919,048
Recurrent Pending Bills (Goods & Services)			19,834,410	62,213,017	82,047,423
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)			15,328,067		15,328,067
Total Recurrent Trade Payables – County Assembly			35,162,477	62,213,017	97,375,494
Total Pending Bills – County Assembly			**39,081,525**	**62,213,017**	**101,294,542**
GRAND TOTAL TRADE PAYABLES	494,725,908	**97,237,483**	**62,064,580**	**205,358,287**	**859,386,258**

Going forward, the County will prioritize pending bills in current and medium-term budgets, strengthen cash-flow management, and strive to address verified obligations. With the objective of reducing the stock of outstanding obligations and improving fiscal discipline and continuity of service delivery, pending bills will take first charge in implementation of the FY 2026/27 and subsequent years.

SECTION V

CONCLUSION

The 2026 County Budget Review and Outlook Paper (CBROP) reinforces the fiscal directives and strategic priorities set out in the 2025 CBROP, providing a refined basis for the development of the 2027 County Fiscal Strategy Paper (CFSP). This alignment ensures continuity in implementing the County Integrated Development Plan (CIDP 2023–2027) and the Fourth Medium-Term Plan (MTP IV), while accommodating updated socio-economic realities and fiscal projections for FY 2027/28 and the medium term.

The County Government will continue to prioritize value chain enhancement in agriculture, delivery of quality healthcare services, expansion of access to basic education and skills development, improvement of water supply, development of critical infrastructure, promotion of trade, and strengthening governance, transparency, and accountability. The 2026 CBROP further emphasizes integrating lessons learned from previous fiscal years, reinforcing efficient allocation of resources and optimizing outcomes within a constrained fiscal environment.

Fiscal proposals outlined in the 2026 CBROP are designed to realize the development objectives of MTP IV, CIDP III (2023–2027), Annual Development Plans, and the fiscal responsibility principles under the Public Finance Management Act, 2012, ensuring that sector ceilings, priorities, and revenue mobilization strategies are aligned with current economic conditions. The paper underscores the importance of linking budget allocations with Annual Development Plans (ADPs), facilitating timely execution of priority projects, and fostering public participation, inter-agency collaboration, and robust monitoring and evaluation for enhanced accountability.

In guiding the preparation of the 2027 CFSP, the 2026 CBROP ensures that the County's fiscal strategy remains consistent with national frameworks such as Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA), sustaining progress on core socio-economic objectives and promoting inclusive growth.

In addition, the 2026 CBROP serves as a strategic tool for fiscal planning, resource allocation, and accountability, providing a solid foundation for the 2027 CFSP and advancing the County's development agenda within a sustainable, responsible, and performance-oriented fiscal environment.

ANNEXTURES

ANNEX I: BUDGET CALENDAR FOR THE FY 2026-2027

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Prepare and issue budget circular with guidelines	CEC Member for Finance	28th August 2026
2. Sector Woking Groups and CBEF		
2.1 CBEF Meeting – Consideration of ADP FY 2027/28	County Treasury	28th August 2026
2.2 SWGs Reports		Mid- October 2026
3. Monitoring and Evaluation		
3.1 M&E field work	County Treasury (Economic Planning Department)	1st -4th September 2026
3.2 Annual M&E		2nd Week April 2027
4. Statistical abstract 2025	County Treasury (Economic Planning	
4.1 Update of the statistical abstract	Department	March 2027
5. Development of ADPs for FY 2027/28		
5.1 Draft ADP FY 2027-2028		17th August 2026
5.2 Public Participation of ADP FY 2027-2028		26th August 2026
5.3 Submission of ADP FY 2027-2028 to CEC and CBEF	County Treasury (Economic Planning Department)	27th August 2026
5.4 Submission of ADP FY 2027-2028 to County Assembly		1st September 2026
5.5 Report of ADP from County Assembly		
5.6 Consolidation of CA recommendations to Final ADP		
5.7 Approval of ADP by County Assembly		(Within 21 days upon submission)
6.Development of CADP for FY 2028/29		
6.1 Draft CADP FY 2028-2029	Economic Planning Department	June 2027
7. Development of County Budget Review and Outlook Paper (CBROP) 2026	County Treasury (Budget Unit)	
7.1 Estimation of Resource Envelope		9th September 2026
7.2 Determination of policy priorities		9th September 2026
7.3 Preliminary resource allocation to Sectors		9th September 2026
7.4 Draft County Budget Review and Outlook Paper		17th September 2026
7.5 Validation		22nd September 2026
7.6 Submission and approval of CBROP by CEC		30th September 2026
7.7 Submission of approved CBROP to County Assembly		14th October 2026
8. County Fiscal Strategy Paper (CFSP) 2027 and Debt Management Strategy (DMS) 2027		
8.1 Draft CFSP	County Treasury	30th November 2026

ACTIVITY	RESPONSIBILITY	DEADLINE
8.2 Draft Debt Management Strategy (DMS)	Budget Unit	30th November 2026
8.3 Validation Workshop	Budget Unit	8th - 11th December 2026
8.4 CBEF Meeting: Consideration of CFSP and DMS (Strategic Planning)	County Treasury	16th December 2026
8.5 Submission of CFSP and DMS to CEC for approval	County Treasury	17th December 2026
8.6 Submission of CFSP & DMS to County Assembly for approval	County Assembly	18th December 2026
9. Preparation of Budget proposals for the MTEF	Departments	
9.1. Drafting of Sector Reports (Programmes and projects submitted)	SWGs	12th -16th October 2026
9.2 Public Sector Hearings	County Treasury	October 2026
9.3 Review and Incorporation of stakeholder input in Sector reports	SWGs	12th November 2027
9.4 Submission of Sector Reports to Treasury	Sector Chairpersons	26th November 2027
10. Preparation and approval of the final departmental budget		
10.1 Develop and issue final guidelines on preparation of 2027-2028 MTEF Budget	County Treasury	21st December 2026
10.2 Submission of Draft Revenue Raising Measures (Finance Bill) to County Treasury	Revenue Department	21st December 2026
10.3 Submission of Budget proposals from the departments to County Treasury (First draft)	Line departments	11th January, 2027
10.4 Consolidation of the Draft Budget Estimates (final draft)	County Treasury	25th January, 2027
10.5 Consultative meeting with CECs/COs on budget proposals	County Treasury	29th January 2027
10.6 CEC / CBEF Meeting: Consideration of Budget Estimates	County Treasury	19th February 2027
10.7 Submission of Draft Budget Estimates to CEC	County Treasury	24th February, 2027
10.8 Submission of Draft Budget Estimates to County Assembly	County Treasury	25th February, 2027
10.9 Submission of Final Revenue Raising Measures (Finance Bill)	Revenue Department	25th February, 2027
10.10 Review of Draft Budget Estimates by County Assembly	County Assembly	9th March, 2027
10.11 Report on Draft Budget Estimates from County Assembly	County Assembly	16th March, 2027
10.12 Consolidation of the Final Budget Estimates	County Treasury	23rd -26th March, 2027
10.11 Approval of Appropriation Bill by County Assembly	County Assembly	6th April, 2027
10.12 Approval of Vote on Account by County Assembly	County Assembly	6th April, 2027
10.13 Budget Statement	CEC Finance	30th March, 2027
10.14 Appropriation Bill passed	County Assembly	6th April, 2027
11. Public participation		
11.1 ADP 2027/28 public hearing	County Treasury (Economic Planning Department)	26th August 2026
11.2 CFSP and Budget Estimate public hearing		14th December 2026

ACTIVITY	RESPONSIBILITY	DEADLINE
12. CIDP 2023-2027 Review		
12.1 Stakeholders' engagement	County Treasury (Economic Planning Department	14th - 16th October 2026
12.2 Departmental retreat		23rd – 27th November 2026
13. Development of Fourth Generation CIDP 2028-2032		
13.1 Draft of 4th Generation CIDP	County Treasury (Economic Planning Department	May 2027