

COUNTY GOVERNMENT OF THARAKA NITHI

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

2026 COUNTY FISCAL STRATEGY PAPER

Consolidating Gains and Securing Legacy for Sustainable Transformation

February 2026

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Vision

A prosperous, industrialized, and cohesive County

Mission

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

Core Values

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

Integrity

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

Inclusiveness

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

Citizen-focused

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

Creativity & Innovativeness

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

Transparency and Accountability

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

Teamwork

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

Table of Contents

List of Tables v
List of Figures vi
Foreword vii
Acknowledgements viii
Abbreviations and Acronyms ix
CHAPTER ONE: COUNTY STRATEGIC BLUEPRINT 1
1.1 Introduction 1
1.1.1 General Context 1
1.1.2 County Specific Context 2
1.2 Programmes for achieving the County Strategic Blueprint's Objective 2
1.3. Outline of the 2026 County Fiscal Strategy Paper 7
CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK 8
2.1 Overview 8
2.2 Recent economic Developments 9
2.3 Update on Fiscal Performance and Emerging Trends for FY 2024/25 22
2.3.1 Overview 22
2.3.2 Comparison of Actual Performance against Budget 2024/25 22
2.3.3 Significant Economic, Legislative and Financial Events 26
2.4 Revised Estimates 29
2.4.1 Revenue performance for FY 2025/26 29
2.4.2 Expenditure performance 30
2.5 Economic Policy and Outlook 31
2.6 Risks to the Economic Outlook: Expectations and Opportunities 33
2.6.1 Risks Experienced in Tharaka Nithi County 34
CHAPTER THREE: FISCAL POLICY AND BUDGET FRAMEWORK 37
3.1 Overview 37
3.2 Fiscal Policy Status 37
3.3 Fiscal Strategy Paper's Obligation to Observe Fiscal Principles 37
3.3.1 Fiscal Responsibility Principles 38
3.3.2 Fiscal Structural Reforms 43
3.3.3 Debt Financing Policy 44
3.4 Budget Framework Proposed for FY 2026/27-2028/29 MTEF 44
3.4.1 Revenue Projections 44
3.4.2 Expenditure Projections 48

3.4.3 Recurrent Expenditure Forecasts 51
3.4.4 Development and Net Lending 52
3.4.5 Fiscal Balance and Deficit Financing 53
3.5 Summary 53
CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK 54
4.0 Overview 54
4.1 Resource Envelope 54
4.2 Spending Priorities 55
4.2.1 Details of Sector Priorities 55
4.2.2 Criteria for Resource Allocation 64
4.2.3 Sectoral Ceilings 65
4.3 Medium Term Expenditure Estimates 67
CHAPTER FIVE: CONCLUSION AND NEXT STEPS 72

List of Tables

Table 1: Global Economic Performance 10
Table 2: Sectoral GDP Performance 11
Table 3: Money and Credit Developments (12 Months to September 2025, KShs billion) 14
Table 4: Balance of Payments (USD Million) 19
Table 5:Summary of County Fiscal Performance for FY 2024/25 23
Table 6: Comparison of actual revenues for FY 2022/23 - FY 2024/25 24
Table 7: Allocation and Actual Expenditures by Type – Combined 24
Table 8: Allocations and Actual expenditure Executive and Assembly 25
Table 9: Expenditure by Economic Class s 25
Table 10: Comparison of Actual Performance against Budget 2024/25 30
Table 11: Summary of status of Compliance on responsibility principles 38
Table 12: County Government Revenue Trend 46
Table 13: County Government Revenue Sources by Type 46
Table 14: Estimates vs Actual Expenditure FY 2021/22- 2025/26 49
Table 15: County Government Fiscal Projections FY 2024/25-2028/29 MTEF 50
Table 16: Expenditure by Economic Classifications - FY 2024/25-2028/29 MTEF 51
Table 17: Actual and Projected Development Expenditure FY 2024/25-2028/29 52
Table 18: Departmental Ceilings 67

Table 19: 2026/27 Sector Ceilings 68

List of Figures

Figure 1: Annual Real GDP Growth Rates, percent 13
Figure 2: Private Sector Credit 15
Figure 3:Inflation Rate, Percent 16
Figure 4: Short Term Interest Rates 17
Figure 5: Commercial Bank Rates. 17
Figure 6: Foreign Exchange Reserves (USD Million) 20
Figure 7: Kenya Shillings Exchange Rate 20
Figure 8: Performance of the Nairobi Securities Exchange 21
Figure 9: Fiscal Performance for FY 2023/24 and 2024/25 23
Figure 10: Expenditure by Economic Classification 26
Figure 11 : County Revenue Trends by Source 48
Figure 12: Expenditure by Economic Classifications from FY 2026/27 MTEF 52
Figure 13: Actual, Budget Estimates and Projected Development Expenditure 2024/25 – 2028/29 ..53

Foreword

The 2026 Tharaka Nithi County Fiscal Strategy Paper is the third to be prepared under the third CIDP 2023-2027. The Paper outlines the budgeting and development framework that the County Government seeks to pursue in the 2026/27, 2027/28 and 2028/29 MTEF period. The paper focuses on realization of key medium-term policies and priorities highlighted in the CIDP 2023-2027. The document further outlines the current state of the County in terms of budget implementation and specifies the set strategic priorities and policy goals together with a summary of the County government spending plans. The key thematic areas envisaged in the 2023-2027 CIDP advanced through CFSP include: improving the livelihood of the County residents through investments in agricultural productivity, improved healthcare, sustainable infrastructure, socio-economic empowerment, improved natural resource management and human resource skills development.

In FY 2026/2027, the total county budget is projected at KShs. 7,033.76 million with recurrent allocated KShs. 4,657.63 million and development KShs. 2,376.13 million to be financed from equitable share from the national government. An additional allocation from loans and grants of KShs 1323.37 million, and own source revenue of KShs. 590 million. In the medium term, the economic outlook of the county is projected minimalistic with county economic growth and resources showing sluggish trends. Therefore, the financial objectives outlined as departmental ceilings have been developed to depict the shrinking fiscal space for the FY2026/27 Budget and the Medium Term which will form the basis for departmental detailed budgets to be submitted to the County Assembly for approval by April 30, 2026. Furthermore, considering the limited projected resources vis a vis the development needs outlined in the approved Annual Development Plan for FY 2026/27, emphasis has been put to establish robust resource mobilization strategies including enhanced own source revenue collections and netting strategic partnerships.



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Acknowledgements

The 2026 County Fiscal Strategy Paper (CFSP) has been prepared in compliance with the Public Finance Management Act, 2012, marking a key stage in the annual budget formulation process. The policy document was developed through a participatory approach, engaging various stakeholders in identifying sector priorities and resource requirements. Specifically, members of public provided crucial inputs through public engagements meetings which have been considered incorporated in this document and forms key sector priorities. The publication of the 2026 CFSP aims to enhance public understanding of county financial objectives, fiscal policy framework and to guide informed debate on key county economic and development issues.

I extend my appreciation to all County Executive Committee Members (CECMs) and Accounting Officers overseeing departments for their support throughout the entire process. Their contributions were essential in shaping the County Fiscal framework. Furthermore, I thank national government agencies, among other stakeholders, for the timely advice and insight, which have led to the successful completion of this Paper. Special acknowledgement is accorded to members of the public, civil society organizations, the business community, and organized groups who participated in the public participation forums by presenting their memoranda and feedback; each of the contributions were highly valued and have helped us finalize the 2026 CFSP.

Lastly, I thank the Budget and Economic Planning Unit for coordinating the compilation of this Paper, led by Lawrence Micheni and Josephine Mumbua. They continue to demonstrate the importance of teamwork and collaboration in the preparation process of the 2026 C-FSP, and the overall planning and budgeting cycle.



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Abbreviations and Acronyms

ABDP	Aquaculture Business Development Programme
ADP	Annual Development Plan
ASDSP	Agriculture Sector Development Support Programme
ATI	Agricultural Training Institute
BETA	Bottom-Up Economic Transformative Agenda
BOP	Balance of Payments
BPS	Budget Policy Statement
BREHS	Building Resilient and Responsive Health Systems
CAIPs	County Aggregation and Industrial Parks
CBK	Central Bank of Kenya
CBOs	Community Based Organisations
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CCIS	County Climate Institutional Support
CCO	County Chief Officer
CCRIs	County Climate Resilience Investments
CECM	County Executive Committee Member
CEREB	Central Region Economic Bloc
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development plan
COG	Council of Governors
CORe	County Own Revenue
COVID	Corona Virus Disease
CPI	Consumer price Index
CRA	Commission of Revenue Allocation
DANIDA	Danish International Development Agency
DRIVE	De-risking and Value Chain Enhancement
DRM	Disaster Risk Management
EABL	East Africa Breweries Limited
EAC	East Africa Community

ECDE	Early Childhood Development & Education
ECF	Extended Credit Facility
EFF	Extended Fund Facility
ELRP	Emergency Locust Response Project
FDI	Foreign Direct Investment
FIF	Facility Improvement Fund
FLLoCA	Financing Locally Led Climate Action
FPOs	Farmer's Producer Organizations
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
GIS	Geographic Information System
HIV	Human Immunodeficiency Virus
HPT	Health Products and Technologies
HQ	Headquarters
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
KCSAP	Kenya Climate Smart Agriculture Project
KEWASIP	Kenya Water Shed Services Improvement Project
KNBS	Kenya National Bureau of Statistics
KShs	Kenya Shillings
LAN	Local Area Network
LPG	Liquified Petroleum Gas
M_3	Money Supply
MDA	Ministries, Departments and Agencies
MTDS	Medium-term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets

NSE	Nairobi Securities Exchange
O&M	Operations and Maintenance
OSR	Own Source Revenue
PE	Personnel Emoluments
PEM	Public Expenditure management
PFM	Public Finance Management
PIM	Public Investments Management
PPI	Programmes, Projects, and Initiatives
PPP	Public-Private Partnership
PWDs	People With Disabilities
REA	Rural Electrification Authority
RMNCAH	Reproductive, Maternal, New-born, Child, and Adolescent Health
RSF	Resilience and Sustainability Facility
SACCOs	Savings and Credit Cooperatives
SDGs	Sustainable Development Goals
SRC	Salaries and Remuneration Commission
SSA	Sub-Saharan Africa
TVETs	Technical and Vocational Education Training
UHC	Universal Health Coverage
USA	United States of America
VAT	Value Added Tax
VTCs	Vocational Training Centres
WEO	World Economic Outlook
YP	Youth Polytechnic

CHAPTER ONE: COUNTY STRATEGIC BLUEPRINT

1.1 Introduction

The County Fiscal Strategy Paper (CFSP) is a policy document that outlines the fiscal framework for preparing budget estimates in given financial year. It outlines the broad strategic priorities and policy goals that guide the county entities in budgeting over the medium-term period. The 2026 CFSP outlines the framework for annual budget estimates to be prepared for FY 2026/27 and MTEF. It highlights the crucial strategies and policies required to enhance budget implementation.

The 2026 CFSP also outlines the progress made in achieving our county's objectives as outlined in the CIDP III (2023-2027) as well as delivering the Bottom-Up Economic Transformation Agenda (BETA), which serves as the Government's overarching framework for driving economic turnaround through the value chain approach as aligned with the Fourth Medium Term Plan.

Despite constrained fiscal resources, the County Government has achieved notable progress across the core pillars and enablers of County Strategic Blueprint, including revenue administration, expenditure management, governance, digital transformation, early education quality reforms, social protection, MSME Financing, agricultural commercialization, and infrastructure expansion. Ongoing efforts to streamline PFM systems, strengthen debt transparency, and realign public spending remain central to sustaining macroeconomic stability. Overall, the implementation of the County Strategic Blueprint has supported inclusive growth, job creation, financial and digital inclusion, healthcare access, National Government affordable housing programme, and national competitiveness.

1.1.1 General Context

The 2026 CFSP emphasize on targeted priorities to consolidate gains made, sustain resilience, and accelerate inclusive development across key sectors. This policy position is grounded on the prevailing macro-economic outlook projected by the National Treasury. Specifically, Kenya economic growth was sustained at 4.7 percent in 2024 and is anticipated to increase to approximately 5.0 percent in 2026. This outlook reflects a recovery in previously subdued sectors like construction and mining, alongside an increase in private sector credit. The economic growth is increasingly driven by higher agricultural productivity, a rebound in construction, and robust service delivery.

The economy has thus been able to withstand adverse impacts of domestic and external shocks. Further, in the third and fourth quarters of 2025, the economy remained strong with a growth of 5.5 percent and 6.7 percent respectively. The 2026 BPS indicates that this resilient growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector, and the rebounding of construction sector driven by low interest rates and increasing public investment. All economic sectors recorded growth rates in the second half of 2025, with varied magnitudes across subsectors.

Therefore, Kenyan economy demonstrated remarkable resilience over the last one year, consistently growing at a pace that matches both the global and regional averages. This is attributed to deliberate policy development and promotion of a diversified economy.

1.1.2 County Specific Context

The county economy is continually improving, with the Gross County Product growth of 5.3%, registering a higher growth rate compared to the national average of 4.5%, according to the 2025 Gross County Product Report. Additionally, the county's leading sector of agriculture contributed KShs. 36,330 million to the national economy in 2024. The secondary and the service sectors contributed 0.6% and 0.5% respectively. Own Source Revenue increased from KShs 417 million in 2023/24 to KShs 481 million in 2024/25, indicating a 15.3 % increase in collections. In a bid to ensure that a conducive business environment is sustained, the county government will strive to enhance Kathwana and Chuka municipalities among townships of Marimanti and Chogoria to be the preferred business hubs. Moreover, the continued expansion of market centres and general public investments in infrastructure is expected to improve the capacity of traders engaging in commerce in the region and further reinforce productivity in the County.

1.2 Programmes for achieving the County Strategic Blueprint's Objective

As we approach final year of implementation of CIDP III (2023-2027), this County Fiscal Strategy Paper (CFSP) for FY 2026/27 is not merely a budget policy framework, but a legacy charter for Tharaka Nithi County. The focus is threefold: first, to complete and commission all strategic infrastructure projects, particularly in health, roads, water and trade, to ensure they deliver tangible services to the people. Second, to institutionalize the programs that have transformed our county's economy—from the crop subsidy programme to creche' programme—so they outlive the current administration. Third, to affirm a fiscally responsible county government with a strengthened

revenue base and a clear pipeline of priority projects for the next generation. This CFSP is thus a commitment to sustainable development, ensuring that the foundation laid in past years of devolution translates into lasting prosperity for every household in Tharaka Nithi.

To respond to the socio-economic needs of the people of Tharaka Nithi, key programmes have been prioritized for implementation in FY 2026/27. These programmes are organized under nine broad priorities that guide the County Strategic Blueprint:

- Enhance agricultural production and diversify farming activities to improve productivity and food security.
- Expand access to quality and affordable healthcare services.
- Sustain investment in infrastructure to accelerate socio-economic growth.
- Promote inclusive, diverse, and accessible education to strengthen human capital development.
- Ensure universal access to safe water and sanitation.
- Harness trade and markets to spur economic growth
- Improve planning and promote orderly urban development.
- Deliver efficient and effective public services to citizens.
- Strengthen democratic institutions and foster good governance.

Each strategic objective will be pursued through priority strategies and interventions, ensuring that the County's development blueprint is implemented in a way that sustains resilience. Fiscal and policy direction of the FY 2026/27 Budget.

1.3.1 Agriculture: Increased Production, Productivity, and Diversification

Agriculture is a key driver of economic development and a foundation for rural livelihoods. Increasing agricultural production not only has the potential to raise per capita incomes in rural communities but also provides essential raw materials that support industrial growth. To achieve this strategic goal, the County will implement targeted sector policies and specific strategies aimed at enhancing productivity, diversification, and value addition across the agricultural sector.

- Provision of quality farm inputs
- Pest and disease control
- Promotion of diversified enterprises: poultry, livestock, fisheries

- Expansion of irrigated agriculture and integrated fish farming
- Establishment of agro-processing plants and hubs
- Promotion of agroforestry and climate-smart agriculture
- Post-harvest infrastructure: grain stores, milk coolers
- Farmer capacity building and mechanization
- Improved livestock breeds and breeding programmes
- Linkages to financial service providers

1.3.2 Access to Quality and Affordable Health Services

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

- Provision of essential health products and technologies
- Enhancement of laboratory and diagnostic services
- Establishment of blood bank and mental health units
- Production and distribution of medical oxygen
- Strengthening referral and emergency services
- Expansion and upgrading of health infrastructure
- Strengthening Reproductive, Maternal, New-born, Child, and Adolescent Health (RMNCAH)
- Promotion of nutrition and community health programmes
- Enforcement of public health regulations

1.3.3 Sustained Investment in Infrastructural for Accelerated Social Economic Growth

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

- Upgrading key roads to bitumen standards
- Construction and maintenance of bridges, footbridges, and culverts
- Expansion of ICT infrastructure and hubs
- Automation of government services

- Enhancement of internet connectivity to improve public service delivery
- Household and institutional electricity connections
- Promotion of alternative and energy-efficient technologies
- Development of a County Energy Plan

1.3.4 Quality, Inclusive, and Accessible Education for Growth and Development.

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

- Construction, rehabilitation, and refurbishment of ECDE centres and vocational training centres
- Recruitment of teachers, caregivers, and instructors
- Rollout of digital and playgroup learning
- Provision of teaching, learning, and recreational materials
- Promotion of school feeding programmes and bursaries for vulnerable learners
- Provision of clean water and sanitation in schools
- Promote technology-embedded courses in VTCs and disability-friendly facilities
- Establishment of sports infrastructure, promote talent scouting and support competitive sporting

1.3.5 Water and Sanitation: Universal Access to Adequate

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

- Development and rehabilitation of water infrastructure
- Groundwater exploration, surface and rainwater harvesting
- Emergency water trucking
- Regulation of water service providers
- Protection of catchment areas and enforcement of water use laws
- Strengthening water user associations
- Water quality monitoring and pollution control
- Climate-resilient water infrastructure and early warning systems

1.3.6 Trade and Enterprise Development

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

- Strengthening cooperatives, SACCOs, and CBOs
- Establishment of incubation and innovation centres
- Capacity building and governance strengthening for enterprises
- Trade incentives for vulnerable groups
- Promotion of contract farming and value chain development
- Development of agro-processing industries
- Organization of trade fairs, exhibitions, and business conferences
- Development of tourism and niche products, including adventure and eco-tourism

1.3.7 Promote better planning and urban development.

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

- Improved solid waste management and sanitation facilities
- Upgrading market roads and street lighting
- Facilitate land adjudication, issuance of title deeds, and land use management
- Regulation of commercial and residential construction
- Development and implementation of County spatial plans
- Expansion of GIS laboratory and community sensitization on land issues

1.3.8 Public Service Delivery

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

- Strengthening performance management systems
- Establishment of County Service Delivery Unit
- Staff training and capacity development
- Promotion of good governance, labour practices, and employee relations
- Development of career progression and competency profiles
- Policy review and customization

- Strengthening industrial relations and County legal office
- Implementation of public participation and civic education frameworks

1.3.9 Democratic Governance and Accountability

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

- Strengthened oversight of County operations and public expenditure
- Development and harmonization of County laws and legislation
- Timely policy and budget approvals
- Vetting and approval of public appointments
- Capacity development for County Assembly members and staff
- Strengthened research and information services

1.3. Outline of the 2026 County Fiscal Strategy Paper

The CFSP 2026 is presented in five chapters: Chapter One introduces the County's development agenda and defines the context and strategic direction of the policy document. It shares the broad national context and the international economic context within which the county operates and explains how the county government has prepared its policy sectoral priorities. Chapter Two outlines the recent economic developments and macroeconomic policy outlook in which the 2026/27 MTEF budget is to be prepared. It reviews updated information on select macroeconomic variables and their current trends at the national level. The section shares updated fiscal performance and emerging challenges in relation to the growth outlook for Kenya as contained in the Budget Policy Statement and local economic policy reviews. Chapter Three presents the fiscal framework that will augment the County development agenda over the medium term. The need to acquire adequate resources for the development agenda is undertaken in the context of the wider national economic environment. An outline of the County's current economic context summarizes the section and provides a distinct portrait of the County's resource threshold and the respective spending priorities for all sectors. The chapter outlines the sector-based expenditure ceilings while Chapter Five presents a summary of the main changes and decisions.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

2.1 Overview

This chapter reviews global, regional and national economic trends to establish recent developments and their implications on fiscal policy and service delivery in Tharaka Nithi county. The analysis gives the macroeconomic premise on which the 2026 CFSP is prepared. Further, the review guides the County Government prioritization of expenditure, revenue forecasting and establishing fiscal sustainability framework.

The global economy continues to expand at a moderate pace, supported by easing financial conditions, sustained investment in technology, and a recalibration of household demand. However, this growth trajectory remains vulnerable to persistent risks, including ongoing geopolitical tensions, trade policy uncertainties, and mounting fiscal pressures. At the domestic level, the Kenya economy has shown resilience due to the enhancement in the performance of agriculture sectors, increased government spending, and the continued growth of service sectors. These changes have direct effects on the county's economy. As such, Tharaka Nithi County economic structure is highly dependent on agriculture, small scale trade, emerging services and devolved public investments which are directly affected by dynamism of global economy. Against this backdrop, the County Government has been able to align its fiscal strategy to capitalize on the positive economic trends as well as reducing potential risks to achieve inclusive growth, employment and better service delivery.

Macroeconomic and financial conditions evolved alongside these fiscal adjustments. The Kenya Shilling appreciated sharply in 2024 following Central Bank interventions, external financing inflows, and debt management operations, easing the cost of servicing external debt. Monetary policy shifted toward easing in late 2024 and 2025 to stimulate private sector credit, although confidence was dampened by credit rating downgrades that reflected heightened debt distress risks after the withdrawal of key revenue measures. Continued engagement with the IMF and World Bank through Extended Fund Facility (EFF) and Extended Credit Facility (ECF) arrangements has been central to fiscal stabilization, debt management, and structural reforms in several countries, including Kenya, Côte d'Ivoire, and Papua New Guinea. These programs focus on reducing debt vulnerabilities and fostering sustainable growth. The

transition from NHIF to the Social Health Insurance Fund introduced new structural reforms aimed at advancing universal health coverage.

These fiscal and economic developments were accompanied by far-reaching structural and political changes. The post-protest dissolution and reconstitution of the Cabinet, adoption of a broad-based government, and impeachment of the Deputy President underscored the depth of political realignment underway. Administratively, the government announced substantial budget cuts and intensified digitization of revenue collection through mandatory e-TIMS compliance and centralized fee collection via e-Citizen, which improved revenue administration despite weak headline tax performance. Looking ahead to 2026, economic growth is projected to recover moderately, supported by agriculture and services, but fiscal risks remain elevated as the deficit exceeds targets and debt service continues to absorb a large share of revenues, necessitating continued fiscal discipline and reform-oriented policy choices.

2.2 Recent economic Developments

2.2.1 Global overview

Global economic growth is projected to remain modest over the medium term. In 2025, advanced economies recorded an economic growth of 1.6 percent and is expected to accelerate to 2.1 percent by end of 2026. This outlook is underpinned by resilient household consumption, easing financial conditions, and robust business investment—particularly in sectors related to artificial intelligence. Nevertheless, the pace of expansion continues to be tempered by ongoing trade policy uncertainty, sluggish external demand, and persistently low business confidence.

On the hand, emerging markets and developing economies recorded a growth of 4.2 percent in 2025 and is expected to decline to 4.0 percent in 2026. Growth in these economies is supported by resilient domestic demand, particularly in South Asia, the Middle East and Central Asia regions, alongside a gradual recovery in investment. Nonetheless, sluggish growth in China and subdued performance in Latin America continue to weigh on aggregate global growth.

The outlook for Sub-Saharan Africa remains relatively favorable, with economic growth at 4.1 percent in 2025 and significantly accelerating to 4.4 percent in 2026. This performance is supported by macroeconomic stabilization, recovering private consumption, improved investment environment, and ongoing structural reforms. Despite this resilience, the region

continues to face vulnerabilities arising from fiscal pressures, increasing external debt, climate-related shocks, and volatility in global commodity markets. Generally, the global real GDP is estimated to grow by 3.2 percent in 2025, before moderating slightly to 3.1 percent by end of 2026, as indicated in table 1.

These global and regional trends and economic developments have significant influence on agricultural export prices, input costs, inflationary pressures, and external financing conditions. Specifically, in Tharaka Nithi, fluctuations in global commodity prices and weather-related risks associated with climate change have direct implications on household incomes, food security, and county revenue performance, underscoring the need for prudent fiscal planning and investment in climate-resilient development.

Table 1: Global Economic Performance

	Actual		Projections	
Economy	**2023**	**2024**	**2025**	**2026**
World	3.5	3.3	3.2	3.1
Advanced Economies	1.8	1.8	1.6	1.6
Of which: USA	*2.9*	*2.8*	*2.0*	*2.1*
Euro Area	*0.5*	*0.9*	*1.2*	*1.1*
Japan	*1.4*	*0.1*	*1.1*	*0.6*
Emerging and Developing Economies	4.7	4.3	4.2	4.0
Of which: China	*5.4*	*5.0*	*4.8*	*4.2*
India	*9.2*	*6.5*	*6.6*	*6.2*
Sub-Saharan Africa	3.6	4.1	4.1	4.4
Of which: South Africa	0.8	0.5	1.1	1.2
Nigeria	2.9	4.1	3.9	4.2

Source: Source: IMF World Economic Outlook, October 2025

2.2.2 Domestic Economic Performance

The Kenyan economy has been relatively resilient in the past three years, posting growth rates that exceed both global and regional average. This performance is indicative of the role of sound policy interventions and benefits of a diversified economy structure which has allowed the economy to withstand adverse impacts of external and domestic shocks. Economic growth in 2024 was 4.7 percent as most sectors performed positively, with exceptions in the construction and mining and quarrying industries. This trend was maintained in 2025, and the economy grew by 4.9 percent in the first quarter and 5.0 percent in the second quarter. Strong

agricultural performance, recovery of industrial sector, and sustained resilience of the services sector contributed hugely to this growth. All the sectors of the economy registered positive growth in the first half of 2025 albeit varying degrees of growth in different subsectors.

Table 2: Sectoral GDP Performance

Sectors/Sub-sectors	Annual Growth Rates	Quartely Growth Rates			
	2024	2024 Q1	2024 Q2	2025 Q1	2025 Q2
1. Primary sector	**3.9**	**4.5**	**4.0**	**6.2**	**4.9**
1.1. Agriculture, Forestry and Fishing	4.6	5.6	4.5	6.0	4.4
1.2 Mining and Quarrying	(9.2)	(16.1)	(5.5)	10.8	15.3
2. Secondary Sector (Industry)	**1.5**	**1.5**	**0.5**	**2.6**	**3.3**
2.1. Manufacturing	2.8	1.9	3.2	2.1	1.0
2.2. Electricity and Water supply	1.9	2.8	1.2	3.6	5.7
2.3. Construction	(0.7)	0.4	(3.7)	3.0	5.7
3. Tertiary sector (Services)	**6.1**	**6.8**	**6.2**	**4.8**	**5.5**
3.1. Wholesale and Retail trade	3.8	3.6	2.5	5.4	4.0
3.2. Accomodation and Restaurant	25.7	38.1	35.0	4.1	7.8
3.3. Transport and Storage	4.4	4.1	3.4	3.8	5.4
3.4. Information and Communication	7.0	9.2	6.7	5.8	6.0
3.5. Financial and Insurance	7.6	9.6	8.0	5.1	6.6
3.6. Public Administration	8.2	7.5	9.0	6.5	6.0
3.7. Others	5.2	5.8	5.6	4.4	5.2
of which: Professional, Admin & Support Services	9.4	9.4	6.7	4.6	8.5
Real Estate	5.3	6.9	5.9	5.3	5.5
Education	3.9	2.4	3.2	2.9	3.2
Health	6.3	5.4	8.1	4.8	6.8
Taxes less subsidies	4.4	2.9	3.8	5.7	3.3
Real GDP	**4.7**	**4.9**	**4.6**	**4.9**	**5.0**

Source: Source: IMF World Economic Outlook, October 2025

The primary sector grew by 6.2 percent in the first quarter and 4.9 percent in the second quarter of 2025, compared to 4.5 percent and 4.0 percent in the corresponding quarters of 2024. This growth was largely attributable to vigorous performance in agriculture, forestry, and fishing, supported by favourable weather conditions across most parts of the country.

Agricultural output expanded significantly, with increased production of milk, coffee, vegetables, fruits, and cut flowers, although tea production declined. The mining and quarrying sub-sector recorded strong recovery, growing by 10.8 percent in the first quarter and 15.3 percent in the second quarter of 2025, reversing contractions recorded in 2024. Construction

activity recovered strongly, supported by increased consumption of key inputs such as cement, iron, steel, and imported bitumen.

The industry sector recorded improved growth of 2.6 percent in the first quarter and 3.3 percent in the second quarter of 2025, up from weaker performance in 2024. Manufacturing growth was supported by increased food and non-food production, including higher milk deliveries and increased output of construction materials such as cement and galvanized sheets. The electricity and water supply sub-sector also recorded improved growth, driven by increased electricity generation from renewable energy sources.

The services sector remained a key driver of economic growth, recording growth of 4.8 percent in the first quarter and 5.5 percent in the second quarter of 2025 at the national level. Increased passenger movement and freight transport, particularly along key agricultural corridors, supported local commerce and strengthened linkages between producers and markets. The accommodation and food services sub-sector continued to grow, albeit at a slower pace compared to the post-pandemic rebound experienced in 2024.

At the county level, this growth was reflected in improved performance across transport, tourism, trade, and hospitality-related activities. Transport and storage activities expanded, supported by increased land transport services, improved rural access roads, enhanced connectivity to market centers, and growth in inter-county trade. The county recorded increased visits to key tourist attractions including: Mt. Kenya tourist sites via Chogoria Gate, which continues to attract eco-tourists, hikers, and adventure travellers. Additionally, the Nithi Viewpoint**,** which is gaining popularity as a scenic attraction and stopover site also contributed to this growth, thus expanding eco-tourism and nature-based tourism activities within forested and highland areas. Cultural tourism also played an important role in supporting the services sector.

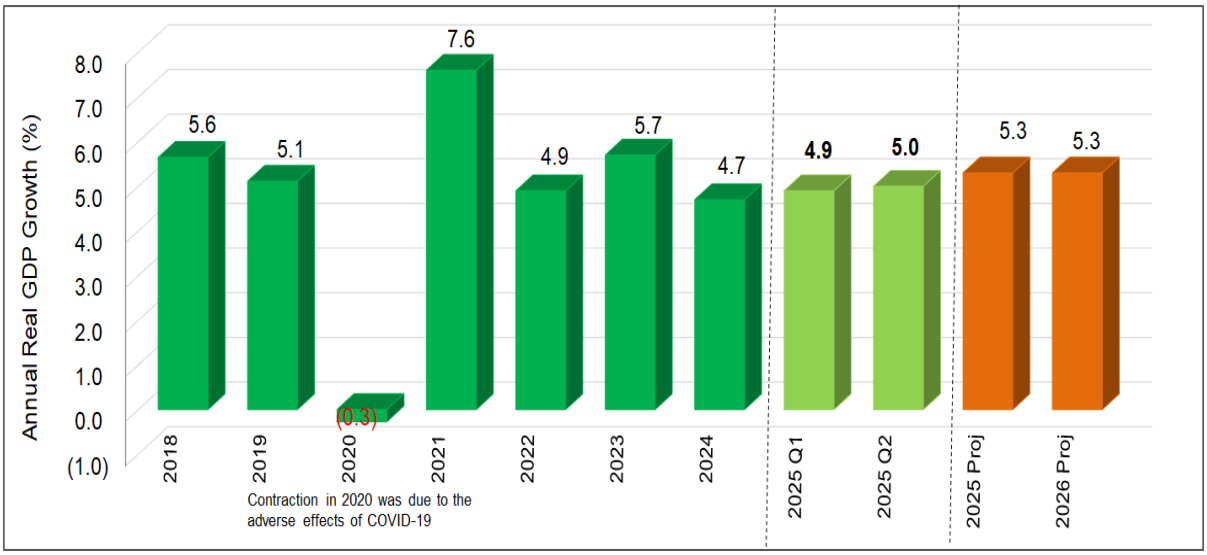
Events such as the Annual Ura Gate Cultural Festival continued to attract visitors from neighbouring counties and beyond, promoting cultural heritage, local crafts, traditional music, and cuisine. These cultural events stimulated demand for: Accommodation facilities, Catering and hospitality services, Transport services and Small-scale trade. Growth in guest houses, eco-lodges, hotels, and short-term rental facilities contributed to employment creation and expansion of hospitality-related enterprises. Continued investments in tourism infrastructure,

marketing, road accessibility, and hospitality standards are expected to further enhance the sector's contribution to Own Source Revenue (OSR) and local economic development.

The information and communication sub-sector recorded steady growth, driven by increased mobile voice traffic and rising demand for broadband data services. Financial and insurance services also expanded, although at a slower pace due to easing interest rates and modest credit growth. For Tharaka Nithi County, growth in services has supported expansion of small and medium enterprises, digital trade, mobile financial services, and improved access to markets.

Leading indicators point to improved economic performance in the second half of 2025, with national growth projected at about 5.3 percent in both 2025 and 2026. This outlook is supported by continued resilience in agriculture and services, recovery in industry, and implementation of national priorities under the Bottom-Up Economic Transformation Agenda (BETA). For Tharaka Nithi County, these developments provide opportunities to enhance own-source revenue performance, strengthen service delivery, and advance inclusive and sustainable local economic growth through targeted investments aligned to county development priorities.

Figure 1: Annual Real GDP Growth Rates, percent



Source: Kenya National Bureau of Statistics

2.2.3 Local Economic Trends

Broad Money Supply

Broad money supply, M3, grew by 7.0 percent in the year to September 2025 compared to a growth of 1.6 percent in the year to September 2024. Improved growth of M3 was due to an increase in the growth of Net Domestic Assets (NDA) particularly credit to the private sector.

The NFA of the banking system slowed down to a growth of 7.9 percent in the year to September 2025 compared to a growth of 26.1 percent in the year to September 2024. Growth in the NFA was mainly due to an increase in Central Bank's foreign assets while commercial banks' foreign assets declined during the period (BPS 2026).

Table 3: Money and Credit Developments (12 Months to September 2025, KShs billion)

				Absolute Change		Percent Change	
	2023 September	2024 September	2025 September	2023-2024 September	2024-2025 September	2023-2024 September	2024-2025 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	2,017.3	1,972.8	2,321.7	(44.5)	348.9	(2.2)	17.7
1.1 currency outside banks (M0)	267.5	268.2	292.5	0.7	24.3	0.3	9.1
1.2 Demand deposits	1,645.2	1,603.4	1,853.3	(41.8)	249.9	(2.5)	15.6
1.3 Other deposits at CBK	104.6	101.1	175.9	(3.5)	74.8	(3.3)	73.9
2. Money supply, M2 (1+2.1)	3,898.2	4,043.5	4,485.6	145.3	442.1	3.7	10.9
2.1 Time and savings deposits	1,881.0	2,070.8	2,163.9	189.8	93.2	10.1	4.5
Money supply, M3 (2+3.1)	**5,295.9**	**5,381.4**	**5,758.6**	**85.6**	**377.2**	**1.6**	**7.0**
3.1 Foreign currency deposits	1,397.6	1,337.9	1,273.0	(59.7)	(64.9)	(4.3)	(4.9)
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**708.5**	**893.3**	**963.9**	**184.8**	**70.6**	**26.1**	**7.9**
1.1 Central Bank	516.2	472.1	767.1	(44.2)	295.0	(8.6)	62.5
1.2 Banking Institutions	192.3	421.2	196.8	228.9	(224.4)	119.1	(53.3)
2. Net domestic assets (2.1+2.2)	**4,587.4**	**4,488.2**	**4,794.7**	**(99.2)**	**306.5**	**(2.2)**	**6.8**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	6,077.7	6,219.0	4,160.6	141.4	(2,058.4)	2.3	(33.1)
2.1.1 Government (net)	2,203.4	2,346.4	129.4	143.0	(2,217.0)	6.5	(94.5)
2.1.2 Other public sector	100.6	83.6	51.4	(17.1)	(32.2)	(17.0)	(38.5)
2.1.3 Private sector	**3,773.6**	**3,789.1**	**3,979.8**	**15.4**	**190.8**	**0.4**	**5.0**
2.2 Other assets net	(1,490.3)	(1,730.9)	634.1	(240.6)	2,364.9	(16.1)	136.6

Source: Central Bank of Kenya

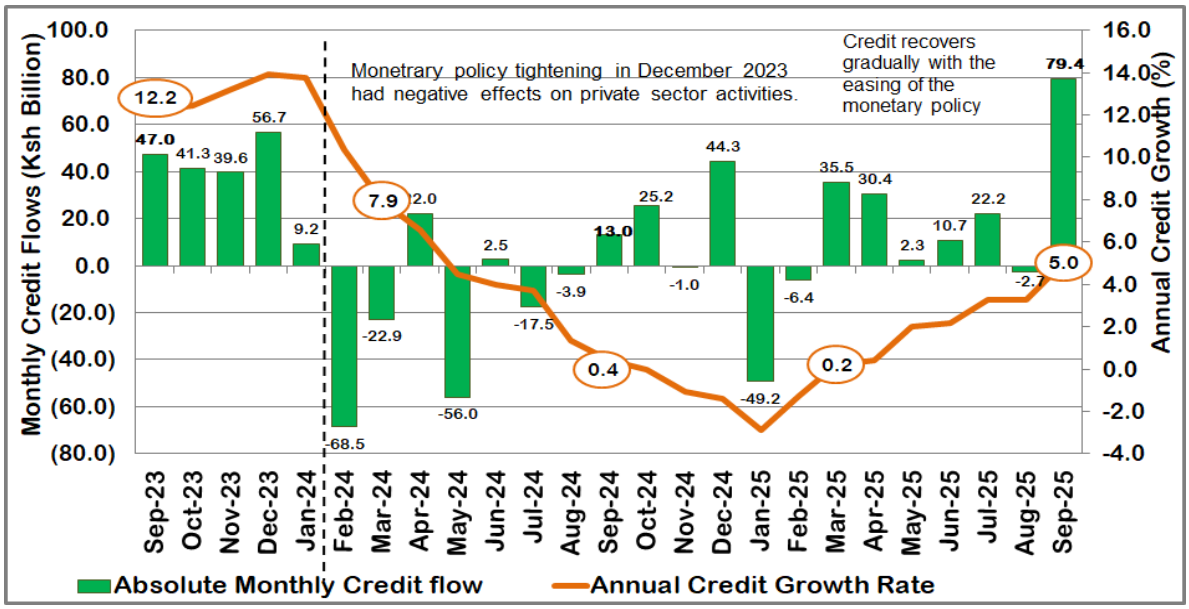
Net Domestic Assets (NDA) grew by 6.8 percent in the year to September 2025, compared to a contraction of 2.2 percent over a similar period in 2024. The domestic credit extended by the banking system to the Government contracted by 94.5 percent in the year to September 2025 compared to a growth of 6.5 percent in the year to September 2024 while lending to other public sectors also contracted by 38.5 percent compared to a contraction of 17.0 percent over the same period. The decline in domestic credit to government in September 2025 was largely attributed to increased uptake of credit by the private sector, as banks shifted their lending portfolios toward more profitable private investments amid lower yields on Treasury bills.

Growth in private sector credit from the banking system recorded a growth of 5.0 percent in the year to September 2025 compared to a growth of 0.4 percent in the year to September 2024. Growth in credit to key sectors of the economy, particularly manufacturing, building and

construction, and consumer durables, improved in September. This mainly reflects improved demand for credit in line with the declining lending interest rates (BPS 2026).

The Monthly (month on month) credit flows to the private sector improved to KShs 79.4 billion in September 2025 from KShs 13.0 billion in September 2024. This is due to the easing of the monetary policy stance to lower the cost of funds for banks. Sustained demand particularly for working capital due to resilient economic activities and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs will continue to support private sector credit uptake (BPS 2026).

Figure 2: Private Sector Credit



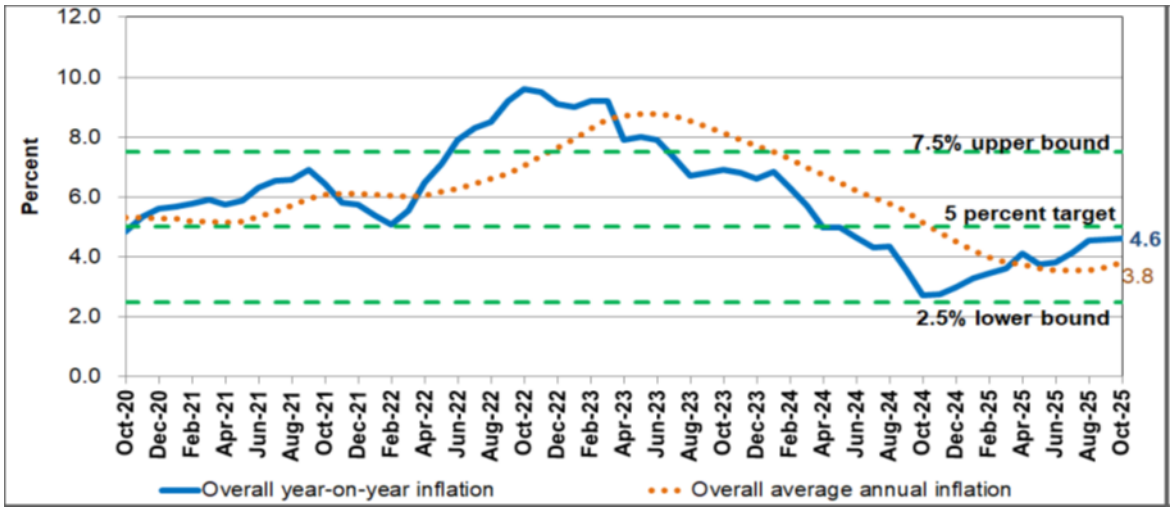
Source: Central Bank of Kenya

Inflation Developments

Overall year-on-year inflation has continued to ease and has remained below the midpoint of the policy target range of 5.0 ± 2.5 percent since June 2024. The subdued inflationary environment has been supported by adequate food supplies arising from favorable weather conditions and targeted government interventions. In addition, lower fuel inflation, underpinned by exchange rate stability and reduced international oil prices, alongside a moderation in non-core inflation following the cumulative effects of earlier monetary policy tightening, contributed to overall price stability. Inflation stood at 4.6 percent in October 2025, up from 2.7 percent in October 2024, with the marginal increase largely reflecting the easing of monetary policy (BPS, 2026).

Core inflation rose to 2.7 percent in October 2025 from 1.8 percent in October 2024, mainly driven by higher prices of processed food items. Non-core inflation increased to 9.9 percent in September 2025 from 5.1 percent in October 2024, largely reflecting sharper increases in transport costs and elevated prices of vegetables, particularly tomatoes, carrots, onions, and cabbages, as well as upward pressures from utilities and energy prices (BPS, 2026).

Figure 3:Inflation Rate, Percent



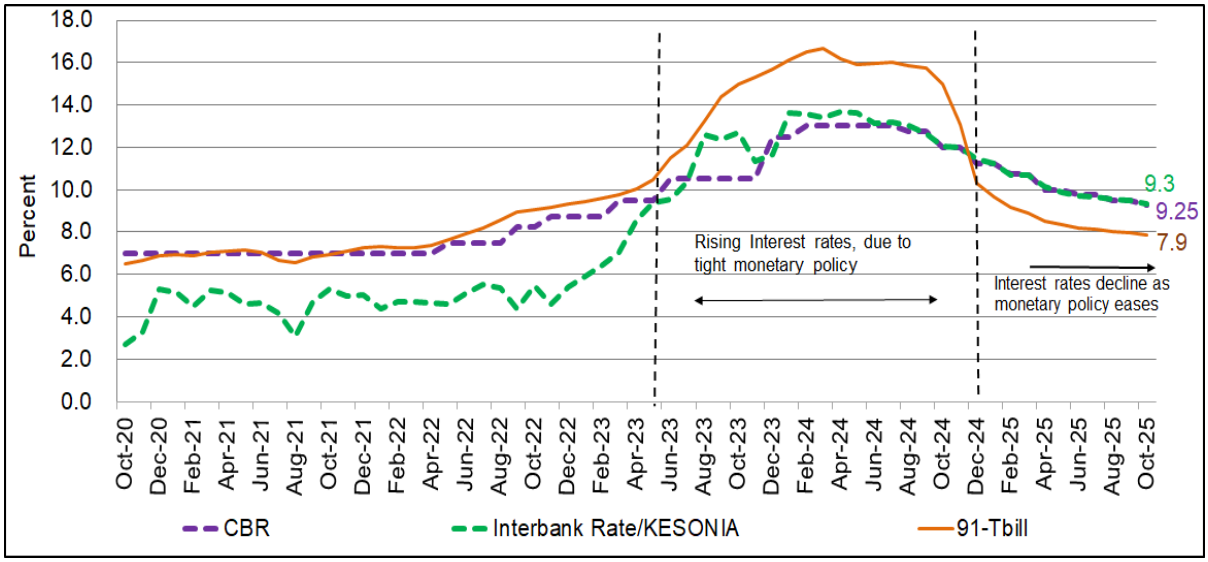
Source of Data: Kenya National Bureau of Statistics

Interest Rates Developments

The Central Bank of Kenya, through the Monetary Policy Committee (MPC), has progressively eased monetary policy by reducing the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 9.25 percent in October 2025 (Figure 2.3a). This adjustment builds on earlier policy measures aimed at stimulating credit growth to the private sector and supporting overall economic activity. The easing of policy has also been geared towards anchoring inflation expectations and maintaining stability in the exchange rate (BPS, 2026).

In line with the accommodative monetary policy stance, short-term interest rates declined during the period under review. The Kenya Shilling Overnight Interbank Average (KESONIA) rate fell to 9.3 percent in October 2025 from 12.1 percent in October 2024. Similarly, yields on Treasury Bills declined, with the 91-day rate falling to 7.9 percent from 15.0 percent, the 182-day rate decreasing to 7.9 percent from 15.8 percent, and the 364-day rate dropping to 9.4 percent from 16.1 percent over the same period. The reduction in domestic borrowing rates has contributed to lower government debt servicing costs (BPS, 2026).

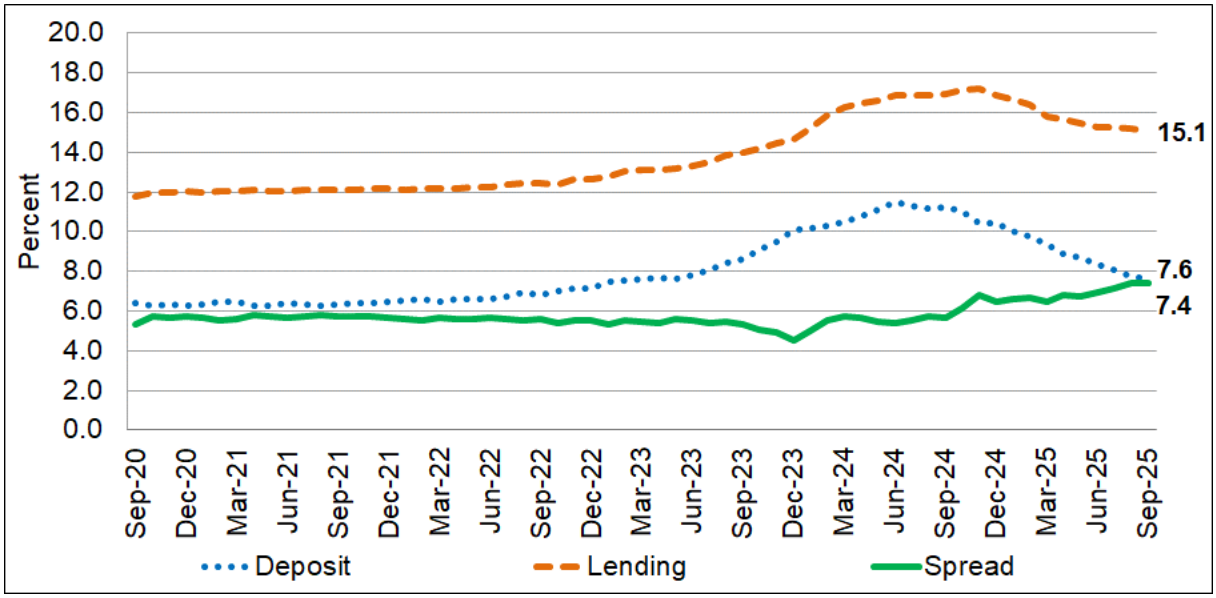
Figure 4: Short Term Interest Rates



Source of Data: Central Bank of Kenya

Average commercial bank lending and deposit rates declined in the period up to September 2025, in line with the easing of monetary policy. The average lending rate fell to 15.1 percent in September 2025 from 16.9 percent in September 2024, while the average deposit rate declined to 7.6 percent from 11.2 percent over the same period. As a result, the average interest rate spread widened to 7.4 percent in September 2025, up from 5.7 percent in September 2024 (BPS, 2026).

Figure 5: Commercial Bank Rates.



Source of Data: Central Bank of Kenya

Balance of Payments trends

The capital account balance increased by US$. 120.6 million to register a surplus of US$ 262.6 million in September 2025 compared to a surplus of US$. 142.1 million in the same period in 2024. Net financial inflows improved to US$. 4,738.3 million in September 2025 compared to US$. 1,130.9 million in September 2024. The net financial inflows were mainly in the form of direct investments, financial derivatives and other investments. However, portfolio investments registered a net outflow during the period partly due to global risk aversion, unattractive demand for high yields from investors amid fiscal strain, low investor appetite for sovereign credit, and political-financial instability (BPS, 2026).

The balance in the merchandise account deteriorated by US$ 1,890.6 million to a deficit of US$. 11,428.4 million in September 2025 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 4.0 percent, due to higher domestic exports particularly horticulture, coffee, manufactured goods, and apparel. Goods imports rose by 10.9 percent, reflecting increases in intermediate and capital goods imports. Net services receipts increased by 6.7 percent, mainly, supported by increased receipts from transport and travel services. The deficit on the primary account narrowed by US$. 41.9 million to a deficit of US$. 1,841.9 million in the year to September 2025, compared to the same period last year (BPS, 2026).

Net Secondary income remained resilient and increased by US$. 61.9 million during the review period owing to an increase in remittances. Diaspora remittances increased by 7.6 percent to US$ 5,080 million in the 12 months to September 2025 compared to US$ 4,723 million in a similar period in 2024. Remittances increased forex inflows into the country, with some going to investment while others support household consumption of our people (BPS, 2026).

The current account deficit was US$. 3,459.8 million (2.5 percent of GDP) in September 2025 compared to US$ 1,819.3 million (1.4 percent of GDP) in September 2024). The current account balance was supported by resilient goods exports, an improvement in net receipts on the services account, net primary income and net secondary income balance. The current account deficit in the 12 months to September 2025 was more than fully financed by financial account inflows (BPS, 2026).

Table 4: Balance of Payments (USD Million)

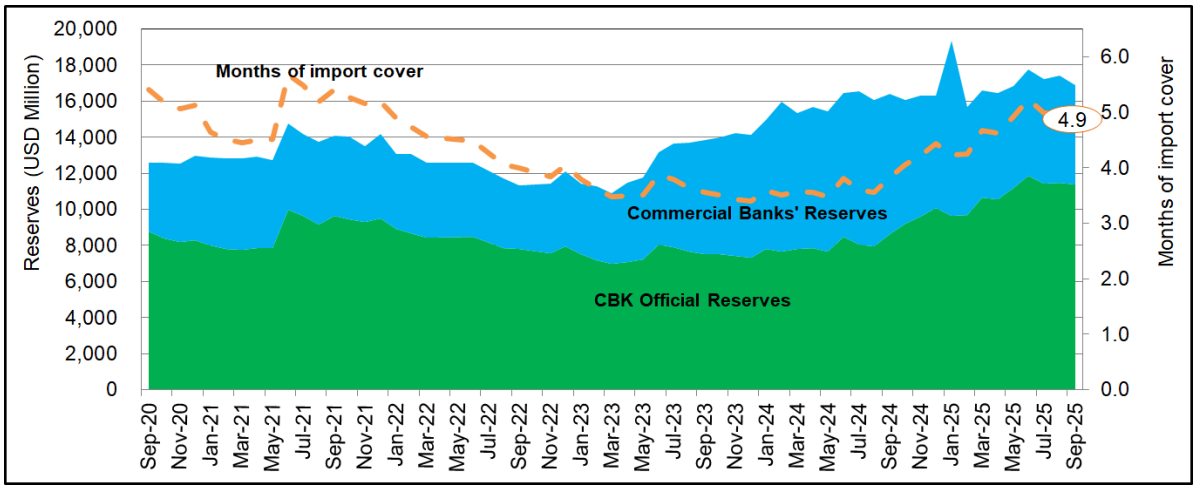
				Year to September 2025		Actuals as a Percent of GDP	
	Sep-23	Sep-24	Sep-25	Absolute Change	Percent Change	Sep-24	Sep-25
Overall Balance	**1,063.3**	**(392.7)**	**(2,172.9)**	**(1,780.2)**	**(453.3)**	**(0.3)**	**(1.6)**
A) Current Account	**(2,522.0)**	**(1,819.3)**	**(3,459.8)**	**(1,640.5)**	**(90.2)**	**(1.4)**	**(2.5)**
Merchandise Account (a-b)	(9,482.8)	(9,537.8)	(11,428.4)	(1,890.6)	(19.8)	(7.6)	(8.2)
a) Goods: exports	10,820.6	12,264.6	12,753.2	488.6	4.0	9.8	9.1
b) Goods: imports	20,303.4	21,802.4	24,181.5	2,379.1	10.9	17.4	17.3
Net Services (c-d)	1,874.6	2,178.3	2,324.6	146.3	6.7	1.7	1.7
c) Services: credit	7,590.9	7,611.8	8,188.4	576.6	7.6	6.1	5.8
d) Services: debit	5,716.3	5,433.5	5,863.8	430.3	7.9	4.3	4.2
Net Primary Income (e-f)	(1,899.2)	(1,883.8)	(1,841.9)	41.9	2.2	(1.5)	(1.3)
e) Primary income: credit	168.8	244.6	406.3	161.7	66.1	0.2	0.3
f) Primary income: debit	2,068.0	2,128.4	2,248.2	119.8	5.6	1.7	1.6
Net Secondary Income	6,985.4	7,424.0	7,485.8	61.9	0.8	5.9	5.3
g) Secondary income: credit	7,068.9	7,485.7	7,550.1	64.3	0.9	6.0	5.4
h) Secondary income: debit	83.5	61.8	64.2	2.4	3.9	0.0	0.0
B) Capital Account	**144.3**	**142.1**	**262.6**	**120.6**	**84.9**	**0.1**	**0.2**
C) Financial Account	**(2,023.9)**	**(1,130.9)**	**(4,738.3)**	**(3,607.4)**	**(319.0)**	**(0.9)**	**(3.4)**

Source of Data: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's foreign exchange holdings remained strong at US$. 16,892.3 million in September 2025 from US$. 16,391.4 million in September 2024. The official foreign exchange reserves held by the Central Bank stood at US$. 11,383.6 million compared to US$ 8,602.6 million over the same period in 2024. Commercial banks foreign exchange holdings decreased to US$. 5,508.7 million in September 2025 from US$. 7,788.8 million in September 2024. The official reserves held by the Central Bank in September 2025 represented 4.9 months of import cover as compared to the 3.8 months of import cover in September 2024. These reserves continue to provide adequate cover and buffer against any short- term shocks in the foreign exchange market. It surpasses the requirement of a minimum requirement of a 4 Months of import cover.

Figure 6: Foreign Exchange Reserves (USD Million)

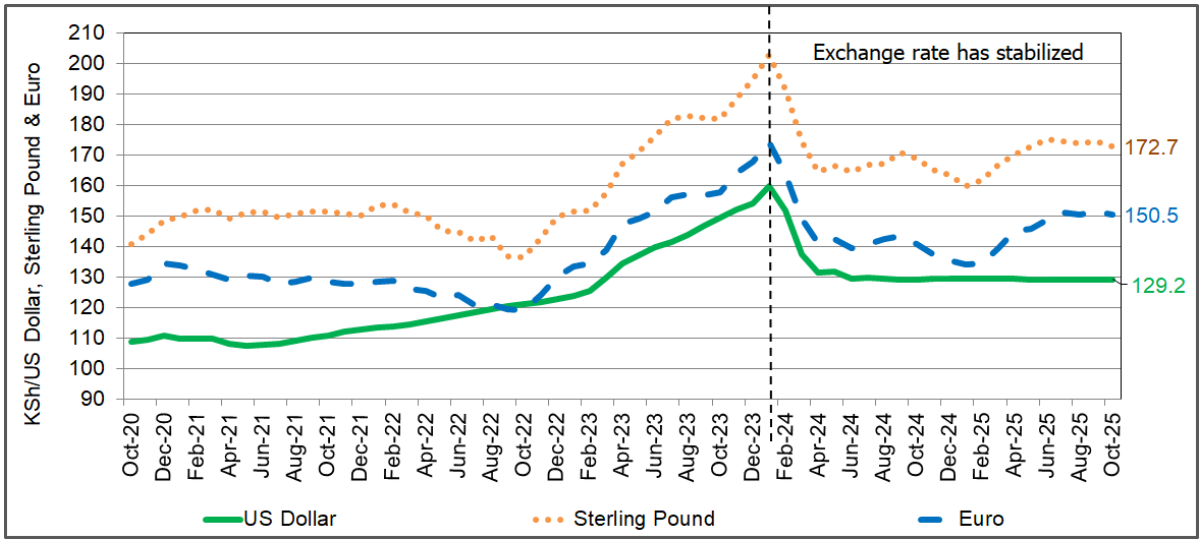


Source of Data: Central Bank of Kenya

Exchange Rate Developments

The Kenya Shilling remained relatively stable against the US Dollar, exchanging at an average of KShs 129.2 in October 2025, the same as in the corresponding period of the previous year. However, the Shilling depreciated against the Sterling Pound and the Euro by 2.3 percent and 6.8 percent, respectively. The Sterling Pound averaged KShs 172.7 in October 2025, up from KShs 168.8 in in October 2024, while the Euro averaged KShs 150.5 compared to KShs 140.9 over the same period. Overall, the foreign exchange market remained well-supported by steady inflows from agricultural exports and diaspora remittances, which helped cushion the Shilling against excessive volatility.

Figure 7: Kenya Shillings Exchange Rate

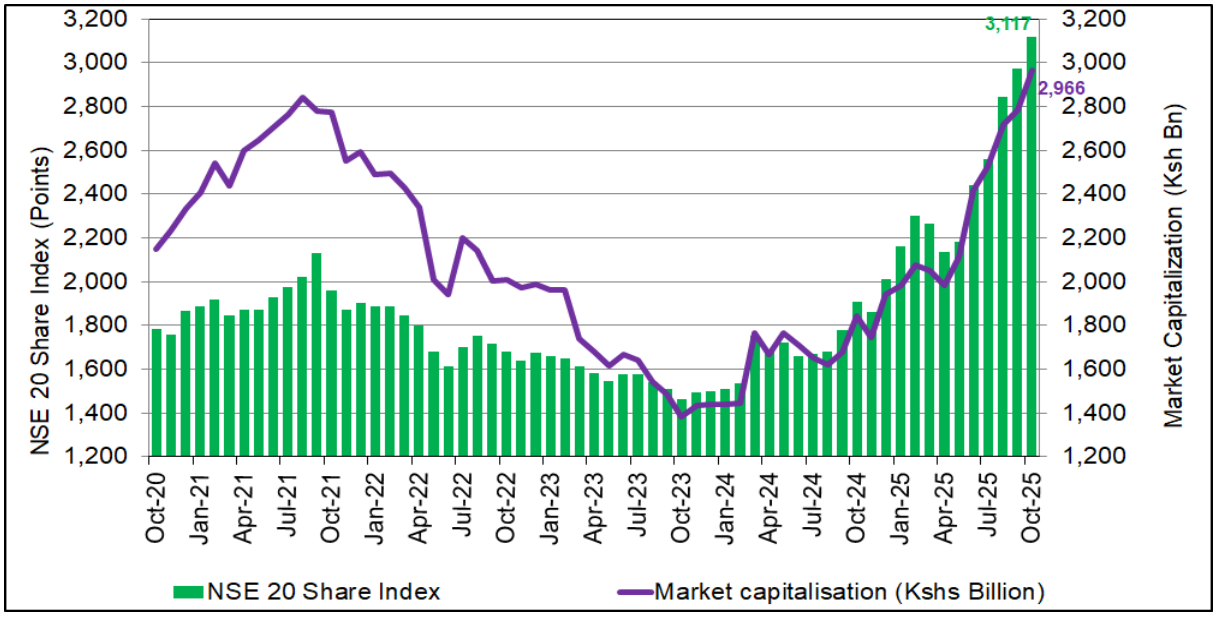


Source of Data: Central Bank of Kenya

Capital Markets Developments

The stability of the Kenya Shilling against major international currencies, together with improved macroeconomic conditions, has boosted investor confidence. This has driven higher foreign direct investment inflows and increased participation in the Nairobi Securities Exchange (NSE). As a result, the NSE 20 Share Index improved by 63.6 percent to 3,117 points in October 2025, up from 1,906 points in October 2024. Similarly, market capitalization expanded by 61.1 percent to KShs 2,966 billion from KShs 1,841 billion over the same period. These levels represent the strongest performance of the NSE since the pre-COVID period, reflecting renewed confidence in Kenya's economic recovery and long-term prospects.

Figure 8: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

2.3 Update on Fiscal Performance and Emerging Trends for FY 2024/25

2.3.1 Overview

The financial year 2024/25 marked a significant turning point in Kenya's fiscal policy, characterized by a forced shift from aggressive revenue-raising measures to expenditure rationalization following widespread, youth-led protests against the Finance Bill 2024. The withdrawal of the Bill in June 2024, after unprecedented public demonstrations and the storming of Parliament, fundamentally altered the fiscal trajectory by removing proposed consumption and income-related taxes. This event triggered a recalibration of the government's fiscal strategy, anchored on spending cuts, debt management, and administrative tax reforms, and signaled a broader re-negotiation of the social contract between the state and citizens.

In response to the revenue shortfall, the government pursued alternative legislative and policy measures aimed at stabilizing public finances. These included the implementation of the Affordable Housing Act and levy, enactment of the Tax Laws (Amendment) Act in December 2024 to broaden the tax base and the preparation of the Finance Bill 2025, which emphasizes transfer pricing controls, limits on loss carry-forwards, and enhanced taxation of the digital economy.

2.3.2 Comparison of Actual Performance against Budget 2024/25

2.3.2.1 Fiscal Performance for FY 2024/25

The FY 2024/25 total county revenue was KShs 5,633.64 million made up of KShs 4,749.77 million as equitable share, KShs 481.79 million as Own Source Revenue, KShs 294.64 million as Conditional grants, and KShs 107.44 million as balance brought forward from FY 2023/24. The total revenues recorded represent a performance of 80 per cent which is an increase from the KShs 5,258.28 million realised in the FY 2023/24. There is a noticeable growth in the equitable share and other revenue streams. Table 5 summarizes the fiscal performance by the County for FY 2023/24 to FY 2024/25.

Table 5:Summary of County Fiscal Performance for FY 2024/25

Particulars	2023/24 FY Actual	2024/25 FY Approved	2024/25 FY Actual	% performance	% Deviation	Growth %
TOTAL REVENUES	**5,258,282,681**	**7,005,682,985**	**5,633,637,947**	**80%**	**-19.58%**	**7.14%**
Unspent Bal from Previous FY	253,643,267	107,439,962	107,439,962	100%	0.00%	-57.64%
Revenue (Total)	**5,004,639,414**	**6,898,243,023**	**5,526,197,985**	**80%**	**-19.89%**	**10.42%**
Equitable Share Allocation	4,027,976,038	4,749,766,131	4,749,766,134	100%	0.00%	17.92%
Local Revenue	417,346,035	485,000,000	481,791,096	99%	-0.66%	-29.40%
Grants (Total)	559,317,341	1,663,476,892	294,640,755	18%	-82.29%	-13.86%
Total Expenditure	**5,258,282,681**	**7,005,682,985**	**5,633,637,947**	**80%**	**-19.58%**	**7.14%**
Recurrent	3,383,476,175	4,091,285,978	3,743,839,649	92%	-8.49%	10.65%
Development	1,250,260,479	2,375,329,551	1,140,001,835	48%	-52.01%	-8.82%
County Assembly (R&D)	517,106,065	539,067,456	523,352,348	97%	-2.92%	1.21%
Unspent Bal Current FY	107,439,962	0	226,444,115			0.00%

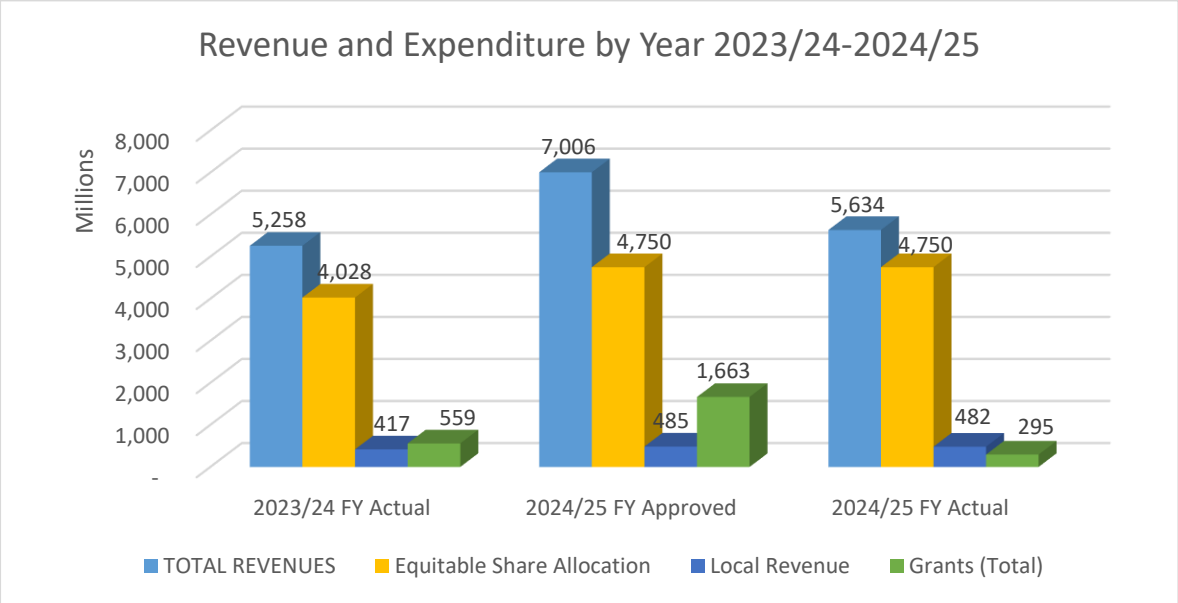


Figure 9: Fiscal Performance for FY 2023/24 and 2024/25

2.3.2.2 Comparison of actual revenues for FY 2022/23 - FY 2024/25

Table 6 below demonstrates growth of the County's actual revenue performance over the period FY 2022/23 to FY 2024/25 reflecting a continued dependence on equitable share. Total revenues increased by 7.1 percent between FY 2023/24 and FY 2024/25, largely driven by a 17.9 percent increase in the equitable share following improved national revenue performance. During the same period, conditional allocations declined by 47.3 percent, reflecting reduced donor disbursements as well as completion of some programme-specific financing. Own source revenue grew by 15.4 percent, indicating gradual improvements in local revenue mobilization.

The improvement in Own Source Revenue performance was driven by a range of targeted administrative and technological reforms aimed at enhancing efficiency and compliance. The improvement in OSR was as a result of the aspect of the SHA as well as improved laboratory services within the county. Other key measures included strengthened inter-departmental coordination for integrated revenue collection, and the expanded use of cashless payment platforms to improve transparency and reduce leakages. The significant reduction in unspent balances points to improved absorption of prior-year resources. Overall, the revenue trends underscore the County's fiscal vulnerability to national transfers and reinforce the need for strengthened own source revenue mobilization and prudent fiscal management over the medium term.

Table 6: Comparison of actual revenues for FY 2022/23 - FY 2024/25

Source	FY 2022/23 ACTUAL	FY 2023/24 ACTUAL	FY 2024/25 ACTUAL	Change (2023/24 Vs 2024/25)	Percentage change
Equitable Share	4,551,334,482	4,027,976,038	4,749,766,134	721,790,096	17.9%
Conditional Allocation (Loans and grants)	238,795,699	559,317,341	294,640,754	- 264,676,586	-47.3%
Local Revenue	286,737,651	417,346,035	481,791,096	64,445,061	15.4%
Unspent Balance	183,981,694	253,643,267.0	107,439,962	- 146,203,305	-57.6%
Total	**5,260,849,526**	**5,258,282,681**	**5,633,637,946**	**375,355,265**	7.1%

2.3.2.3 Allocation and Actual Expenditures by type

In the FY 2024/25, the County's total expenditure amounted to KShs. 5,633.64 million with an absorption rate of 80 percent. The total recurrent and development expenditure was KShs. 4,267.19 million and KShs. 1,140 million indicating 92 percent and 48 percent absorption rates respectively. At the end of the financial year there was an unspent balance of KShs. 226.44 million

Table 7: Allocation and Actual Expenditures by Type – Combined

Particulars	2023/24 FY Actual	2024/25 FY Approved	2024/25 FY Actual	% performance
Total Expenditure	**4,479,989,745**	**7,005,682,985**	**5,633,637,947**	**80%**
Recurrent	3,900,304,912	4,614,641,109	4,267,191,997	**92%**
Development	1,261,537,807	2,391,041,876	1,140,001,835	**48%**
Unspent balances	107,439,962		226,444,115	

2.3.2.4 Expenditure by Category (Executive and Assembly)

In the financial year 2024/25 the overall budget absorption rate was at 80%, with 76% absorption rate for the County Executive and 97% for the County Assembly. The recurrent and development absorption rate for the County Executive were 92% and 48%, respectively, while that of the County Assembly being 100% for recurrent expenditure and 0% for development expenditure. This is outlined in table 8 below.

Table 8: Allocations and Actual expenditure Executive and Assembly

Particulars	2023/24 FY Actual	2024/25 FY Approved	2024/25 FY Actual	% performance
Total	**5,269,282,681**	**7,005,682,985**	**5,633,637,947**	**80%**
County Executive	**4,644,736,654**	**6,466,615,529**	**4,883,841,484**	**76%**
Recurrent	3,394,476,175	4,091,285,978	3,743,839,649	92%
Development	1,250,260,479	2,375,329,551	1,140,001,835	48%
County Assembly	**517,106,065**	**539,067,456**	**523,352,348**	**97%**
Recurrent	505,828,737	523,355,131	523,352,348	100%
Development	11,277,328	15,712,325	-	0%
Unspent in FY	**107,439,962**	**-**	**226,444,115**	**4.0%**

2.3.2.5 Expenditure by economic class

The County's actual expenditure by economic classification over the period FY 2022/23 to FY 2024/25 indicates a steady increase in overall spending, with total expenditure rising from KShs 4.55 billion in FY 2022/23 to KShs 5.41 billion in FY 2024/25. Personnel emoluments remain the largest cost driver, accounting for 50.1 percent of total actual expenditure in FY 2024/25, reflecting continued growth in the wage bill and its significant claim on available resources.

Table 9: Expenditure by Economic Class

Expenditure by Economic Classification - Actuals (KShs)				
Year	**2022/23 Actual Expenditure**	**2023/24 Actual Expenditure**	**2024/25 Actual Expenditure**	**2024/25(%)**
Personnel	2,105,920,482	2,354,655,972	2,710,773,363	50.1%
O&M	1,423,131,050	1,534,648,940	1,556,418,634	28.8%
Development	1,023,906,323	1,261,537,807	1,140,001,835	21.1%
Total	**4,552,957,855**	**5,150,842,719**	**5,407,193,832**	100.0%

Operations and Maintenance (O&M) expenditure accounted for 28.8 percent, showing an increase over the period as the county continued to delivery services to its citizens. Development expenditure, which constituted 21.1 percent of total spending in FY 2024/25, declined compared to FY 2023/24, highlighting the impact of fiscal constraints and cash flow pressures which was due to conditional loans and grants not fully disbursed. Overall, the expenditure pattern underscores the need for tighter control of recurrent spending to create additional fiscal space for development investment.

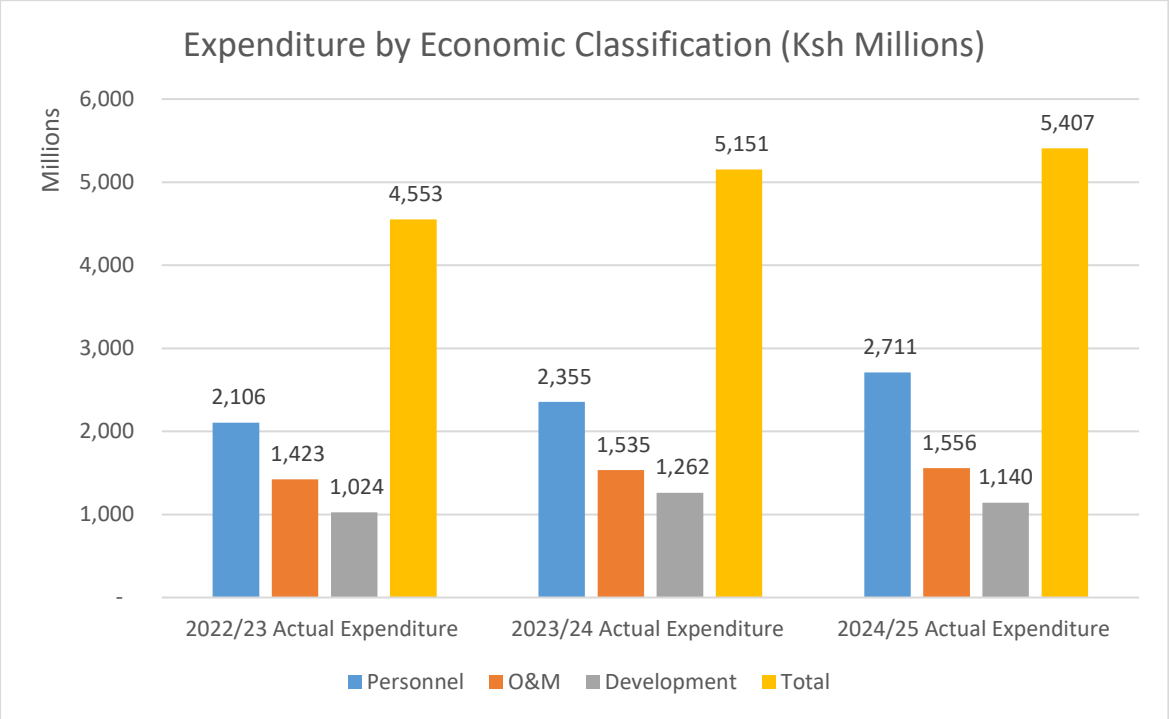


Figure 10: Expenditure by Economic Classification

2.3.3 Significant Economic, Legislative and Financial Events

The financial year 2024/25 marked a significant turning point in Kenya's fiscal policy, following a forced shift from aggressive revenue-raising measures to expenditure rationalization. The withdrawal of the Finance Bill in June 2024 fundamentally altered the fiscal trajectory by eliminating proposed consumption and income taxes, triggering a recalibration of fiscal policy anchored on spending cuts, debt management, and administrative tax reforms. This shift underscored a broader re-negotiation of the social contract and set the context within which intergovernmental fiscal relations and county financing evolved during the period.

The Fourth Basis for Revenue Sharing (FY 2025/26–FY 2029/30), as recommended by the Commission on Revenue Allocation (CRA) and approved by the Senate in June 2025, constitutes the operative framework for horizontal distribution of the equitable share among the 47 county governments over the medium term. The formula has been introduced within a fiscally constrained macroeconomic environment characterized by elevated public debt servicing obligations and limited fiscal space at the national level, thereby heightening the significance of an objective and predictable allocation mechanism. It is anchored on population (42%), equal share (22%), poverty (14%), land area (9%), and income distance (13%), alongside a stabilization factor to ensure that no county receives less than its FY 2024/25 allocation. Application of the Fourth Basis Formula resulted in an upward revision of the equitable share from KShs 4.54 billion to KShs 5.03 billion in Tharaka Nithi County for FY 2025/26 as per the approved CARA 2025. Over the medium term the County will benefit from an increased equitable share, thereby expanding the County's fiscal envelope to support priority expenditure and service delivery commitment.

A significant legislative reform in county financing is the proposed restructuring to split the County Governments' Additional Allocations Bill into two distinct pieces of legislation. This reform separates funds drawn from the National Government's revenue share from those sourced through external loans and grants from development partners. By creating these two legislative tracks, the government aims to eliminate persistent delays in disbursements that previously arose when negotiations or approval processes for donor-funded programmes stalled the entire Bill, consequently delaying release of domestically financed grants. By establishing parallel legislative tracks, the National Government can facilitate timely approval and release of national conditional grants even where external financing arrangements are still being finalized.

Macroeconomic conditions evolved alongside fiscal and intergovernmental developments. The national economy showed signs of gradual stabilization, supported by easing inflation, appreciation of the Kenya Shilling, and a downward adjustment of the Central Bank Rate aimed at stimulating private sector activity. These gains were partially offset by continued fiscal consolidation pressures arising from high public debt service obligations, revenue shortfalls, and delayed enactment of key legislation such as the County Allocation of Revenue Act (CARA). For county governments, these dynamics translated into delayed exchequer releases, tight cash flows, and disruptions to budget execution and service delivery planning.

At the same time, significant legislative, institutional, and sector-specific reforms continued to reshape the county fiscal landscape. These included tax law amendments to broaden the base through VAT and excise measures, increased digitization of revenue administration through e-TIMS and e-Citizen platforms, and the development of standardized Own Source Revenue forecasting models and a unified Integrated County Revenue Management System (ICRMS) under KDSP II. The transition from NHIF to the Social Health Authority introduced new financing and preparedness requirements for counties, while enhanced NSSF contribution rates effective February 2025 exerted additional pressure on county wage bills. Collectively, these economic, legislative, and financial developments underscore the need for a cautious, reform-oriented fiscal stance, emphasizing prudent expenditure management, strengthened revenue mobilization, and adaptive planning within a volatile but gradually stabilizing national fiscal environment.

The transition to Accrual-Based Accounting that began in FY 2024/25 represents a landmark Public Financial Management (PFM) reform aimed at enhancing transparency, accountability, and fiscal sustainability in Kenya. Following Cabinet approval and formalization, all National Government MDAs and County Governments commenced a three-year phased migration (2024–2027) toward full compliance with International Public Sector Accounting Standards (IPSAS). Unlike the previous cash-based system, which recognized transactions only upon receipt or payment of cash, the accrual framework records revenues when earned and expenses when incurred, thereby improving the visibility of pending bills, outstanding liabilities, pension obligations, and PPP commitments. The Integrated Financial Management Information System (IFMIS) is being upgraded, with a new Standard Chart of Accounts (SCOA) to support accrual recording and electronic Government Procurement (e-GP) system. Overall, the shift provides a more comprehensive view of government assets and liabilities, improves budget credibility, strengthens debt management, and enhances investor confidence in Kenya's public financial reporting framework.

The introduction of e-GPS is intended to enhance transparency, competitiveness, and efficiency in public procurement by automating key processes such as requisitioning, tendering, contract award, and payment tracking. However, the transition has presented significant implementation challenges at the county level, including system downtimes, limited supplier capacity particularly among small and local contractors, gaps in user training, and delays in procurement cycle times during the changeover period. Connectivity constraints and integration challenges

with existing IFMIS modules have also affected timely budget execution. While e-GP remains a critical reform for strengthening accountability and value for money, its effectiveness in the medium term will depend on sustained capacity building, system stabilization, and targeted support to local suppliers to ensure inclusive participation and uninterrupted service delivery.

The Central Bank of Kenya (CBK) has continued to pursue an accommodative monetary policy stance, progressively lowering its benchmark Central Bank Rate (CBR) in order to stimulate credit growth and support economic activity. Most recently, during the February 2026 Monetary Policy Committee meeting, the CBK reduced the CBR to 8.75% from 9.00%, marking the tenth consecutive cut in the benchmark rate since 2024. This reduction in the benchmark lending rate is expected to stimulate economic activity by making borrowing more affordable for businesses and individuals, thereby fostering increased investment, consumer spending, and job creation at national and county government levels.

2.4 Revised Estimates

The County's approved budget for the FY 2025/26 amounts to KShs. 6,770.4 million. The allocations for the recurrent expenditure, development expenditure, and County Assembly are KShs. 3,750.02 million, KShs. 2,481.85 million and KShs. 538.53 million respectively. The budget is financed through an equitable share of KShs. 4,587.15 million, conditional grants amounting to KShs. 1,597.85 million, and own-source revenue of KShs. 585.4 million.

2.4.1 Revenue performance for FY 2025/26

The budget implementation for the first six months of the FY 2025/26 stood at 37 percent, falling short of the target of 50 percent. The county realized a total revenue of KShs 2,531.8 million, comprising KShs 2,099.19 million from the equitable share, KShs 219.42 million from local sources, KShs 7.86 million from conditional grants and KShs 205.32 million brought forward from the fiscal year 2024/25. The total revenue achieved accounted for 37 percent of the annual target of KShs 6,770.4 million. Specifically, the equitable share represented 46 percent of its target, while Own Source Revenue collection was 37 percent of its annual target.

This underperformance can primarily be attributed to a shortfall in revenue and delays in passing the County Government Additional Allocation Revenue Act, 2025 that affected the release of conditional loans and grants. The implementation of the Collective Bargaining

Agreements especially under Human Resources for Health has continued to put pressure on recurrent expenditures. To ensure seamless implementation of the FY 2025/26 budget and safeguard the fiscal consolidation plan, the County Treasury will develop the supplementary budget estimates to incorporate the increased equitable share, balances brought forward from FY 2024/25 and ensure expenditure rationalization.

2.4.2 Expenditure performance

The total expenditure for the first half of the financial year 2025/26 amounted to KShs 2,531.8 million. This expenditure included KShs 1,585.71 million utilised as recurrent expenditure, KShs 367.56 million for development utilized by the County Executive, and KShs 210.31 million utilized by the County Assembly. There was a closing balance of KShs 368.22 million as at 31st December 2025. The County Executive's recurrent and development expenditures accounted for 42 per cent and 15 per cent of the annual budget estimates respectively, while the County Assembly's expenditure was 39 per cent of its annual budget estimates for the financial year 2025/26.

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

Table 10: Comparison of Actual Performance against Budget 2025/26

PARTICULARS	2024/25 FY Actual	2025/26 FY Budget Estimates	2025/26 Actual (First Half)	% Utilisation
TOTAL REVENUE & GRANTS	**5,633,637,947**	**6,770,400,190**	**2,531,798,084**	**37%**
Unspent Bal from Previous FY	107,439,962	-	205,324,447.00	100%
Revenue (Total)	**5,526,197,985**	**6,770,400,190**	**2,326,473,637**	34%
Equitable Share Allocation	4,749,766,134	4,587,150,462	2,099,188,812	46%
Local Revenue	481,791,096	585,400,000	219,422,407	37%
Grants (Total)	294,640,755	1,597,849,728	7,862,418	0%
Total Expenditure	**5,633,637,947**	**6,770,400,190**	**2,531,798,084**	37%
Recurrent	3,743,839,649	3,750,015,558	1,585,714,266	42%
Development	1,140,001,835	2,481,851,027	367,560,476	15%
County Assembly	523,352,348	538,533,605	210,307,448	39%
Unspent Bal Current FY	226,444,115	-	368,215,894	-

2.5 Economic Policy and Outlook

Kenya's economic outlook is projected to strengthen in 2025 and 2026, with real GDP growth expected at 5.3 percent. For county economies, this improved outlook will be underpinned by a recovery in agriculture, sustained expansion of the services sector, and a gradual rebound in industrial activity. Agricultural performance is expected to benefit from favourable weather conditions, climate-smart farming practices, and ongoing Government initiatives to enhance productivity, value addition, and market access at the local level. Strong interlinkages between agriculture and county-based activities, particularly agro-processing, trade, and rural household incomes will continue to support inclusive and broad-based growth.

Industrial activity is expected to strengthen over the medium term, with counties benefiting from easing production costs and a more stable exchange rate environment. The construction sector is projected to experience a notable turnaround following the clearance plan of verified pending bills, which will unlock stalled county and national projects, improve contractor liquidity, and stimulate demand for locally sourced construction materials. County economies will also continue to draw momentum from the services sector, particularly finance, ICT, trade, and transport. Ongoing initiatives to promote sustainable and community-based tourism, alongside investments in transport corridors, ports, and logistics infrastructure, are expected to support growth in hospitality, trade, and mobility within and across counties.

On the demand side, private consumption and investment are expected to remain resilient, translating into improved economic activity at the county level. Lower inflation and a prudent monetary policy stance will support household purchasing power and reduce operating costs for county-based enterprises. Diaspora remittances are projected to remain strong, providing additional support to local consumption and small business activity. The continued decline in lending rates is expected to improve access to credit for households and enterprises, encouraging investment, business expansion, and job creation within counties.

Private investment at the county level is expected to be reinforced by measures aimed at improving competitiveness, reducing regulatory bottlenecks, and strengthening market efficiency. Improved investor confidence, better access to regional and international markets, fiscal consolidation, and a more stable exchange rate environment will enhance the overall investment climate. The expansion of Public–Private Partnerships (PPPs) is expected to play a critical role in addressing county infrastructure gaps. The harmonized Public Investment Policy provides a coordinated framework linking national and county planning, ensuring alignment

of PPPs with public investment priorities. Over the medium term, PPP investments are expected to span key county-relevant sectors including agriculture, roads, transport and logistics, urban development and housing, energy, water, ICT, agribusiness, manufacturing, and health. Ongoing privatization of select State-owned enterprises will complement these efforts by improving service delivery, crowding in private capital, and creating fiscal space for priority development programmes.

Growth in public consumption is expected to remain modest in line with the medium-term fiscal adjustment, with implications for county fiscal operations. Recurrent expenditure is projected to decline gradually as a share of GDP, while development spending is expected to increase to support implementation of BETA priorities that cascade to counties. Continued efforts to clear pending bills will ease liquidity constraints for contractors and suppliers operating at the county level. These payments, including those facilitated through bond issuance by the Kenya Roads Board, are expected to stimulate local economic activity. In addition, increased use of PPPs for major infrastructure investments will help reduce pressure on public finances while sustaining service delivery.

Kenya's external position is expected to remain stable over the medium term, supported by rising exports and an improving global environment. The implementation of key trade agreements, stronger growth in Kenya's main regional markets in Africa, and lower international commodity prices will help strengthen export performance. The removal of certain export tariffs by China, and improved access to European Union markets, are expected to enhance Kenya's export competitiveness, boost foreign exchange earnings, and narrow the external imbalance. Continued resilience in agricultural exports, particularly horticulture and tea, will remain a core driver of external sector stability.

Stabilizing global economic conditions are expected to sustain diaspora remittances and support continued growth in tourism and transport services, benefiting county economies reliant on these sectors. The rebound in service exports, particularly tourism, ICT-enabled services, and transport will help cushion reduced external financing flows and donor support. Import growth is projected to rise alongside strengthening domestic demand, with counties benefiting from increased availability of raw materials for manufacturing and construction, as well as consumer goods to meet growing household demand. This recovery in trade activity is expected to further reinforce local production, employment, and revenue generation.

These developments point to a strengthening macroeconomic environment that supports sustained national growth while creating opportunities for counties to accelerate local economic development, employment creation, and service delivery.

2.6 Risks to the Economic Outlook: Expectations and Opportunities

Kenya's macroeconomic outlook is subject to several downside risks arising from both domestic and external factors, which could constrain growth and pose challenges to macroeconomic stability. On the domestic front, extreme weather events including droughts, floods, and prolonged dry spells remain a significant risk, particularly given the economy's reliance on agriculture. Adverse climatic conditions could weaken agricultural output, disrupt food supply chains, elevate food prices, and exacerbate inflationary pressures, thereby eroding household purchasing power. In addition, climate-related damage to infrastructure such as roads, bridges, and irrigation systems could disrupt economic activity and necessitate increased government expenditure on emergency response and reconstruction, diverting resources from long-term development priorities. Extreme weather may also heighten food insecurity and increase the incidence of water-borne diseases, placing further strain on public health systems.

Externally, the outlook is exposed to heightened geopolitical and global economic uncertainties. Escalation of geopolitical tensions particularly the ongoing conflicts in the Middle East and Ukraine alongside supply chain disruptions linked to the Red Sea and Suez Canal shipping crisis, could lead to higher import and production costs. Volatility in international oil prices and rising global fuel and food costs could widen Kenya's import bill, intensify inflationary pressures, and increase production costs for businesses. Furthermore, lower-than-anticipated global economic growth, especially in key export destinations, could dampen export earnings, tourism receipts, and remittance inflows. Tight global financial conditions, driven by a slower-than-expected return of global inflation to target levels, may constrain access to affordable external financing, heighten exchange rate pressures, and complicate the management of Kenya's external financing requirements.

Despite these downside risks, the economic outlook is supported by notable upside opportunities. Accelerated implementation of structural reforms under the Bottom-Up Economic Transformation Agenda (BETA) and the Fourth Medium-Term Plan (MTP) IV, particularly in public financial management, expenditure efficiency, governance, and the

business regulatory environment, could enhance investor confidence, attract private investment, and stimulate economic activity. A faster than projected rebound in domestic economic activity would support higher government revenues, creating fiscal space to advance fiscal consolidation while safeguarding priority social and development spending. Additionally, early normalization of global financing conditions, coupled with lower international fuel and food prices, would strengthen Kenya's external balances and ease inflationary pressures.

Continued coordination between monetary and fiscal policies will remain critical in sustaining macroeconomic stability, which is a prerequisite for investment, savings, and inclusive growth. The Government's commitment to fiscal consolidation, prudent debt management, and prioritization of concessional financing is expected to mitigate some of the vulnerabilities associated with external shocks. Moreover, investments in climate-smart agriculture, renewable energy, disaster preparedness, and resilient infrastructure are expected to reduce exposure to climate-related risks and support sustainable growth. The Government will continue to closely monitor both domestic and international developments and implement timely and appropriate policy measures to safeguard the economy against adverse shocks while promoting structural transformation and resilience across key sectors of the economy.

2.6.1 Risks Experienced in Tharaka Nithi County

Generally, the county's economic outlook is shaped by several structural risks, including overreliance on rain-fed agriculture, heightened vulnerability to climate change, limited economic diversification beyond agriculture, inadequate infrastructure, high youth unemployment, and the potential for political instability. Collectively, these factors constrain productivity, weaken revenue generation, and limit private sector participation, thereby posing a significant challenge to the county's ability to achieve sustainable and inclusive economic growth.

According to the Comprehensive Own Source Revenue Potential and Tax Gap Study of County Governments (CRA, 2022), Tharaka Nithi County's own source revenue potential is Kshs 756 million. The county has put tremendous efforts towards realization of this goal and overall revenue performance. However, current own source revenue performance accounts for 7.9% of the county total revenues, which exposes the county to over-reliance on the equitable share from the National Government.

To mitigate this risk, the County will diversify revenue sources, strengthen revenue administration, and improve compliance. This will be supported through development of key policies and laws, strengthening revenue automation systems and revenue mapping. The policies and laws include: Tax Waiver Administration Act, County Revenue Administration Act, Trade Licensing Act, Updating of The County Valuation Role, County Rating Act, Tariffs and Pricing Policy, Building Approval Legislation Act, cess act as well as development of a county revenue mobilization strategy.

The accumulation of pending bills poses a significant risk to the County's economic stability by discouraging private sector participation, disrupting local businesses, delaying service delivery, and exposing the County to costly legal disputes. As at 31st December 2025, outstanding pending bills for the county executive stood at KShs. 377.06 million. To prevent further accumulation, the County is strengthening budget execution and cash-flow management, developing a Pending Bills Management Strategy, implementing a Pending Bills Action Plan and building capacity on proper record-keeping and verification of payment obligations.

A high wage bill continues to constrain fiscal space by crowding out resources meant for development priorities such as infrastructure, health, and education, thereby limiting economic growth and service delivery. The County will address this through comprehensive human resource and skills audits, implementation of audit recommendations, undertaking staff recruitment on need basis, compliance with SRC guidelines on remuneration, and automation of payroll systems.

Climate change presents a growing fiscal and economic risk through its adverse effects on agriculture, tourism, and infrastructure, driven by extreme weather events that reduce productivity and increase social protection needs. The County will mitigate these impacts by promoting climate-smart agriculture, investing in resilient infrastructure and disaster preparedness, supporting green job creation, and integrating climate considerations into development planning and budgeting.

The county government's absorption of development expenditure has been low, undermining service delivery and inconsistent with Section 107(2)(b) of the Public Finance Management Act, 2012, which requires a minimum of 30 percent of the County budget to be allocated to development spending over the medium term. To address this, the County will advocate for

timely exchequer releases and enhance resource mobilization from development partners and donors to supplement available financing.

Overall, the implementation of these measures will strengthen the county's capacity to manage fiscal risks, improve efficiency in resource allocation, and enhance resilience to external shocks such as climate change. The county remains cognizant of potential economic and fiscal risks and will continue to put in place appropriate mitigation measures to safeguard macroeconomic stability. Given the evolving risk environment, sustained collaboration and support from the national government will be critical in protecting livelihoods and maintaining economic stability over the medium term.

CHAPTER THREE: FISCAL POLICY AND BUDGET FRAMEWORK

3.1 Overview

This chapter sets the strategic priorities, fiscal policy and the budget framework for FY 26/27 and the medium term. It focuses on the fiscal discipline, including keeping recurrent expenditure below total revenue, managing debt and optimizing revenue collection. In addition, it provides the resource envelope (own source revenue, equitable share and conditional grants and loans) and sectoral ceilings to guide the FY 2026/27 annual budget preparations.

The FY 2026/27 budget and the medium-term expenditure framework are anchored on the Government's policy priorities and the macroeconomic strategy outlined in Chapters I and II. In advancing the county's strategic blueprint, the County Government will sustain its growth-supportive fiscal consolidation efforts by restraining expenditures and strengthening revenue mobilization. This approach is intended to ensure that service delivery of essential public services remains uncompromised.

3.2 Fiscal Policy Status

The county government is focusing on managing debt and reducing pending bills while placing more emphasis on efficient service delivery. There is need to prioritize allocating funds to critical sectors such as health, infrastructure, education and agriculture as well as implementing measures to curb unnecessary recurrent costs and improve fiscal discipline.

During the financial year 2024/25, County budget absorption level was at 80% with 48% and 92% absorption rates for development and recurrent expenditures respectively. In the same period the County Own Revenue **(OSR)** collection amounted to **KES 481.79** million, up from **KES 417.35** million realized in **FY 2023/24** translating to a 15.4% increase. The OSR is anticipated to contribute 8.4% of the total county revenue basket over the medium term. There are strategic efforts to boost own source revenue (OSR) and improve efficiency in revenue collection. Revenue mobilisation through grants and partnerships remain key in supplementing the insufficient equitable share and OSR.

3.3 Fiscal Strategy Paper's Obligation to Observe Fiscal Principles

Tharaka Nithi County Government is firmly committed to maintaining fiscal discipline as set out in the Public Finance Management (PFM) Act, 2012, as well as the adoption of best

practices in public finance management. To demonstrate our commitment to prudent fiscal policy, the County Government recognizes that the fiscal principles currently followed will have significant implications for long-term financial sustainability, service delivery, and economic growth. This section outlines the County's adherence to fiscal responsibility principles and the structural reforms necessary to strengthen financial management systems and ensure compliance with national fiscal frameworks.

3.3.1 Fiscal Responsibility Principles

In managing the County Government's public finances, the County Treasury has been and shall enforce the following fiscal responsibility principles as outlined in the Public Finance Management (PFM) Act, 2012 and the PFM 2015 regulations:

Summary of status of compliance on responsibility principles.

Table 11: Summary of status of Compliance on responsibility principles

NO	FISCAL RESPONSIBILITY PRINCIPLE	STATUS
1.	- The county government's recurrent expenditure shall not exceed the county government's total revenue. - Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure	The proposed recurrent expenditure is 66.2% and the development is 33.8% of the total proposed expenditure.
2.	The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly.	The proposed budget on wages and benefits stands at 38.3% against the expected limit of 35%
3.	Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;	So far, no borrowing done of capital nature
4.	The county debt shall be maintained at a sustainable level as approved by county assembly;	To be observed well as discussed in the Debt Management Strategy 2026
5.	The fiscal risks shall be managed prudently	The County Treasury will continue to identify, assess,

		Mitigate and monitor any potential threats to fiscal stability.
6.	A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future	This will be observed through preparation of the Finance bill

These fiscal responsibilities are observed as discussed further below.

a) Sound Fiscal Policies and Uniform Practices

Ensure there are sound fiscal policies and uniform practices for managing County resources across all departments and entities. This includes establishing clear guidelines for budget preparation, resource allocation, expenditure management, and financial reporting. The County will develop and implement standardized procedures that promote consistency, efficiency, and accountability in financial operations. Regular reviews of fiscal policies will be conducted to ensure they remain relevant and responsive to changing economic conditions and development priorities.

b) The County Government's recurrent expenditure shall not exceed the county government's total revenue

The PFM Act requires counties to ensure that recurrent expenditure does not exceed total revenue. This prevents accumulation of unsustainable fiscal deficits and protects service delivery.

For FY 2026/27, the total proposed recurrent expenditure is KShs. 4,657.6 million, while the total projected expenditures are KShs 7,033.7 million, therefore meeting the fiscal responsibility requirements.

c) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure

Consistent with the requirements of the law, the County Government's allocation to development expenditure has been above 30 percent of the total expenditures. In the FY 2026/27, development expenditure as a percentage of total expenditure is projected at 33.8 percent meeting the set threshold. In the fiscal outlays presented in this County Fiscal Strategy Paper, the County Government continues to observe this requirement. The allocation to

development expenditures is projected at 33.8 Percent in the FY 2027/28 and remain above the recommended threshold over the medium term.

d) The County Government's expenditure on wages and benefits for public officers

The law requires that the expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the county's total revenues as prescribed by the CECM for finance in regulations and approved by the county assembly pursuant to PFMA 2012 section 107 (2)(c).

The staff wages and benefits to total expenditure ratio have been increasing from 48 % in FY 2021/22 to 49% in FY 2022/23 and slightly decreased to 47% in FY 2023/24, further increasing to 49% in the FY 2024/25. This is above the minimum recommended 35% threshold in the Public Finance Management (PFM) (Amendment) Regulations, 2015. In FY 2025/26 approved budget estimates, the share of wages and benefits to revenues is estimated at 40% and is projected to decrease to 38.3% in FY 2026/27 and to be maintained at 38.3% over the medium term. This increase in wages and staff benefits over the past ten years is due to the various factors despite deliberate efforts by the County Government to contain it. These factors include implementation of the collective bargaining agreements for the health workers, periodic salary reviews and increments by the SRC, and implementation of the Finance Act of 2023 on housing levy and NSSF, recruitment of health personnel during COVID-19 pandemic, staff attrition in critical service delivery points such as health and agriculture sectors, operationalization of completed projects including the ICU, amenity unit and other new programmes. The expenditure on wages and benefits to county staff is expected to remain above the recommended threshold with implementation of the Fourth Remuneration Review Cycle for county governments as advised by the SRC. However, in a bid to manage costs downwards, the County is freezing nonessential employment and enhancing revenue collection.

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

The Government is committed and continues to adhere to the principle as per the PFM Act section 107(2)(d) which requires that national governments borrowed resources be used only for purposes of financing development and not for recurrent expenditure. So far, no borrowing has been done by the county government. Any borrowing decisions to be done will be preceded

by thorough feasibility studies, cost-benefit analyses, and debt sustainability assessments to ensure that the County can service the debt without compromising essential services.

The County will develop a comprehensive borrowing strategy that identifies potential sources of financing, including development partners, financial institutions, and the national government. Projects financed through borrowing will be carefully selected based on their potential to generate revenue, create employment, and contribute to the County's development objectives as outlined in the County Integrated Development Plan (CIDP). Progress reports on borrowed funds utilization will be regularly submitted to the County Assembly and made available to the public to ensure transparency and accountability.

f) Short-Term Borrowing for Cash Flow Management

Restrict short-term borrowing to cash flow management purposes, not exceeding five percent of the most recent audited County Government revenue. Short-term borrowing may be necessary to address temporary cash flow mismatches arising from delays in revenue collection or transfers from the national government. However, such borrowing will be strictly limited in duration (not exceeding the financial year) and amount to prevent the accumulation of debt obligations.

The County Treasury will implement improved cash management practices, including accurate cash flow forecasting, timely revenue collection, and expenditure prioritization to minimize reliance on short-term borrowing. A cash management committee will be established to monitor cash positions regularly and recommend appropriate interventions to maintain liquidity while avoiding unnecessary borrowing costs.

g) Public debt and obligations shall be maintained at a sustainable level as approved by the County Assembly

The county government prepares the Debt Management Strategy paper as per the requirement of Public Finance Management (PFM) Act, 2012 which sets out the debt management strategy of the County Government over the medium term with respect to actual and potential liabilities. Regular preparation and publication of the Medium Term DMS promotes transparency in the conduct of budget financing and public financial management. The 2026 DMS paper is meant to act as a guideline for debt management practices of the County Government including the management of the debt portfolio, and adherence to various laws and Regulations governing debt contracting and management.

h) Fiscal risks shall be managed prudently

Kenya‘s risk remains high due to volatile international commodity prices, tighter external financing conditions, elevated inflation, and continued drought. The Government continues to respond to these adverse impacts through fiscal measures such as, subsidized Artificial Insemination, fertilizer subsidy and provision of certified seeds to farmers to enhance agricultural productivity. In addition, the Government will continue with the fiscal consolidation programme which is expected to reduce debt vulnerabilities and ensure a stronger debt sustainability position going forward. To manage fiscal risks prudently as required, the Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and their implications on the budget.

Potential fiscal risks arising from contingent liabilities, including from Public Private Partnership projects among others, are considered and a contingency provision made to cushion the economy from unforeseeable shocks. the Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and their implications on the budget. Potential fiscal risks arising from contingent liabilities, including from development projects among others, are taken into account and a contingency provision made to cushion the economy from unforeseeable shocks. The County will develop a comprehensive fiscal risk management framework that includes:

- Regular fiscal risk assessments to identify and quantify potential risks
- Development of risk mitigation strategies including contingency reserves and insurance mechanisms
- Establishment of an early warning system to detect emerging fiscal pressures
- Scenario analysis to evaluate the fiscal impact of various risk events
- Clear protocols for responding to fiscal emergencies

A fiscal risk register will be maintained and updated regularly, with high-priority risks receiving immediate attention. The County will also establish a contingency fund, equivalent to at least 2 percent of total revenue, to provide a buffer against unforeseen fiscal shocks.

i) County Assembly Budget Ceiling

The approved expenditures of the County Assembly do not exceed seven percent of the total revenues of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower. The county assembly ceilings for recurrent expenditures are as proposed by the Commission on Revenue Allocation (CRA). Regular consultations between the County Executive and the County Assembly will be held to ensure mutual understanding of fiscal constraints and priorities. The County Assembly budget will be prepared in accordance with established guidelines and subjected to the same scrutiny and accountability mechanisms as other budget allocations. The County Assembly will be encouraged to adopt cost-effective practices, including rationalization of committees, prudent travel and hospitality expenditure, and investment in technology to enhance efficiency.

j) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the Government is in the process of developing a county Tariff and Pricing Policy to ensure certainty in taxation. Additionally, the county continues to carry out tax reforms through development of various tax laws in order to lock in predictability and enhance compliance within the tax system. The county is also in the process of developing a Revenue Mobilization Strategy that will outline the tax policy measures and strategies for sustainably raising revenues over the medium term that will ensure certainty continues to maintain tax rates at stable levels through various policy documents.

3.3.2 Fiscal Structural Reforms

To enact and implement fiscal structures that enable the County to be fully compliant with the PFM Act 2012 and PFM Regulations 2015, while also responding to emerging economic trends and challenges, the FY 2026/27 budget framework will prioritize the following vital reforms:

a) Full migration from cash basis to accrual basis of accounting
b) Entrenchment of zero-based budgeting
c) Enhanced revenue projection through advanced forecasting models

d) Full operationalization of the integrated financial management information system (IFMIS) through capacity building and training sessions and Adherence to budget implementation, reporting, and expenditure management recommendations
e) Strengthening internal controls and audit systems
f) Continuous public participation in budget processes
g) Automation of procurement processes through e-GP rollout.

3.3.3 Debt Financing Policy

The County Government's debt management objective is to ensure that financing needs and payment obligations are met at the lowest possible cost with a prudent degree of risk. Tharaka Nithi County has a robust framework for enhancing its ability to make decisions on the appropriate composition of borrowing for cash management as well as exhibiting a commitment to long-term financial planning that will ensure fiscal prudence and financial stability. In deciding the level of borrowing, emphasis will be placed on total pending bills and to assess the potential risk to the available fiscal space to ensure debt sustainability, as discussed in the debt management strategy paper 2026.

3.4 Budget Framework Proposed for FY 2026/27-2028/29 MTEF.

3.4.1 Revenue Projections

In FY 2026/27, the County total resource envelope is estimated at KShs. 7.03 billion showing a 3.7% increase from the projected KShs. 6.77 billion in the FY 2025/26 Approved Budget Estimates. Of this, Equitable share from the National Government is projected at KShs. 5.12 billion, Grants from both the National Government and Development Partners are projected at KShs. 1.32 billion and local revenue is projected to be KShs. 590 million in FY 2026/27 as indicated in Table 10 below. The total revenue projections for the FY 2027/28, FY 2028/29 and FY 2029/30 are KShs. 7.39 billion, KShs. 7.75 billion and KShs. 8.14 billion respectively.

The total county resource envelope for FY 2026/27 indicates a decrease of KShs. 226.17 million translating to 3.1 percent decrease from the projections of the County Budget Review Outlook Paper 2025. This is mainly due to a major decrease in conditional grants and loans. The county ‘s equitable share is proposed to increase by Khs. 471.14 million as per the draft BPS 2026 compared to the equitable share of KShs 4.587 billion in the approved budget estimates for FY 2025/26.

The Own Source Revenue performance will be underpinned by the ongoing reforms in tax policy and revenue administration measures geared towards expanding the tax base and improving tax compliance.

Table 12: County Government Revenue Trend

Financial Year	2024/25 Actual Expenditure	2025/26 Approved Budget Estimates	2026/27 Proposed Estimates	2027/28 Projected Estimates	2028/29 Projected Estimates	2029/30 Projected Estimates	% of 2026/27 Total
Equitable Share	4,749,766,134	4,587,150,462	5,120,391,271	5,376,410,835	5,645,231,376	5,927,492,945	72.80%
Loans and grants	294,640,755	1,597,849,728	1,323,370,252	1,389,538,765	1,459,015,703	1,531,966,488	18.81%
Own Source Revenue	481,791,096	585,400,000	590,000,000	619,500,000	650,475,000	682,998,750	8.39%
Other Receipts	107,439,962	-	-	-	-	-	0.00%
Total	**5,633,637,947**	**6,770,400,190**	**7,033,761,523**	**7,385,449,599**	**7,754,722,079**	**8,142,458,183**	**100.00%**

Table 13: County Government Revenue Sources by Type

Financial Year	2024/25 Actual Expenditure	2025/26 Approved Budget Estimates	2026/27 Proposed Estimates	2027/28 Projected Estimates	2028/29 Projected Estimates	% of 2026/27 Total
Equitable Share	4,749,766,134	4,587,150,462	5,120,391,271	5,376,410,835	5,645,231,376	72.80%
Community Health Promoters	37,950,000	32,703,317	37,950,000	39,847,500	41,839,875	0.54%
Other Conditional Grants/Basic Salary Arrears for CG Health Workers			24,597,481	25,827,355	27,118,723	0.35%
DANIDA	6,045,000	6,045,000	6,045,000	6,347,250	6,664,613	0.09%
Building Resilient and Responsive Health Systems (BREHS)			36,792,687	38,632,321	40,563,937	0.52%
National Agricultural Value Chain Development Project (NAVCDP)	77,251,060	231,249,281	105,000,000	110,250,000	115,762,500	1.49%
Kenya Informal Settlement Programme (KISIP)	167,000,000		-	-	-	0.00%
Emergency Locust Response Project (ELRP)	6,689,317		-	-	-	0.00%

Aquaculture Business Development Project (ABDP)	9,978,406	15,810,384	15,810,384	16,600,903	17,430,948	0.22%
Financing Locally- Led Climate Action (FLLoCA) - CCRI/CCIS	8,913,384	176,000,000	176,000,000	184,800,000	194,040,000	2.50%
Supplement Construction County HQ	-	47,981,059	30,510,000	32,035,500	33,637,275	0.43%
Aggregated Industrial Parks Programme	-	150,000,000	-	-	-	0.00%
KUSP - UIG Grant	32,309,300	36,750,000	26,000,000	27,300,000	28,665,000	0.37%
KUSP - UDG Grant			174,664,700	183,397,935	192,567,832	2.48%
WB KWASH PforR		350,000,000	150,000,000	157,500,000	165,375,000	2.13%
Equalization Fund			-	-	-	0.00%
Road Maintenance Levy	55,944,250	161,810,687	-	-	-	0.00%
KDSP II - Institutional Grant		352,000,000	352,500,000	370,125,000	388,631,250	5.01%
KDSP II- Investment Grant		37,500,000	37,500,000	39,375,000	41,343,750	0.53%
Kenya Water Shed Services Improvement Project (KEWASIP)			150,000,000	157,500,000	165,375,000	2.13%
Own Source Revenue	481,791,096	585,400,000	590,000,000	619,500,000	650,475,000	8.39%
Other receipts			-	-	-	0.00%
Total	**5,633,637,947**	**6,770,400,190**	**7,033,761,523**	**7,385,449,599**	**7,754,722,079**	**100.00%**

A detailed analysis of revenue sources by type shows that in the financial 2026/27 the projected revenues from conditional grants and loans will decrease by Kes. 263. 36 million. Despite having new anticipated conditional grants including BREHS, Basic Salary Arrears for CG Health Workers, KEWASIP and KUSP II programmes there been a decrease in other expected grants including the NAVCDP and K-WASH, that has resulted to the net decrease in the proposed conditional grants and loans.

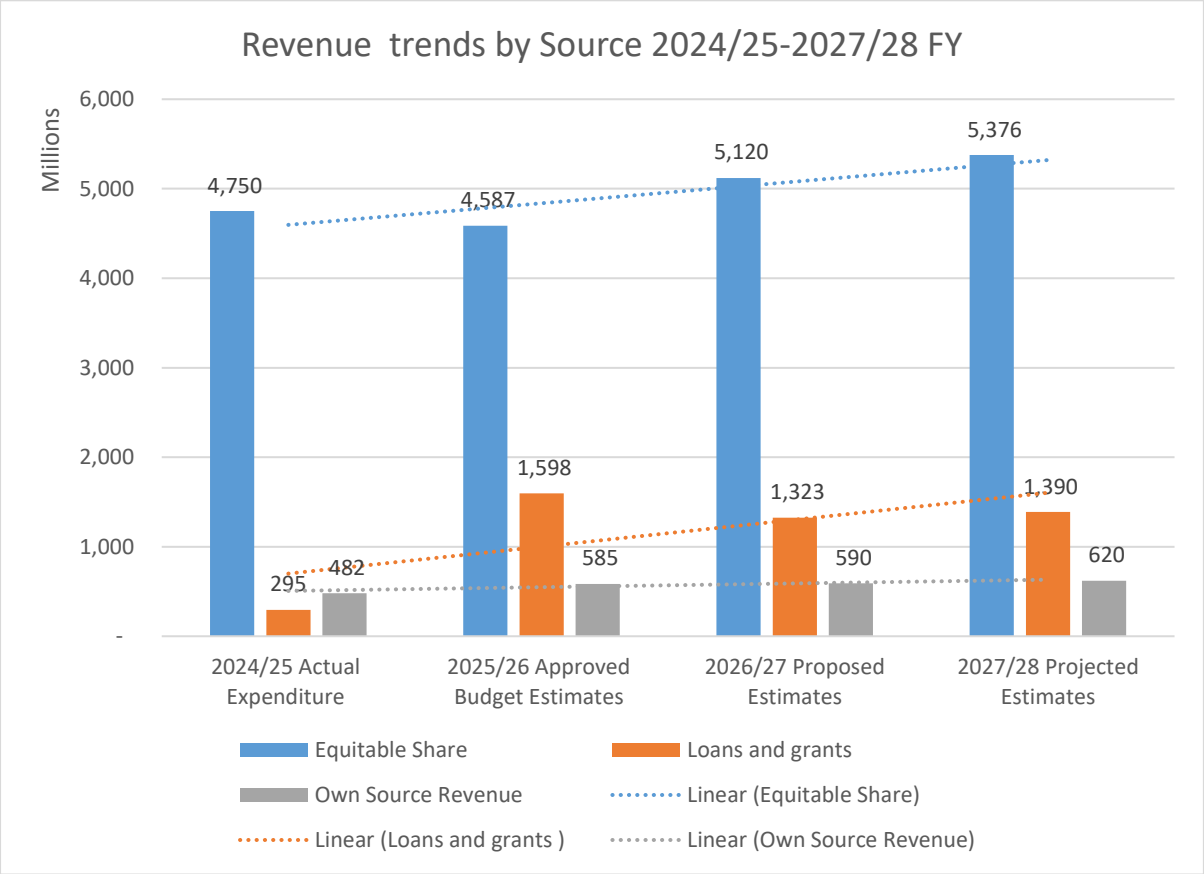


Figure 11 : County Revenue Trends by Source

3.4.2 Expenditure Projections

In the FY 2024/25, the county actual receipts were KShs 5.633 billion against an approved budget estimate of KShs 7.005 billion, resulting to KShs. 1.37 billion shortfall attributed to non-disbursement of majority of the conditional grants and loans. In the first half of FY 2025/26, the county's total receipts were KShs 2.53 billion, against an annual target of KShs 6.77 billion. The projected estimates for FY 2026/27 are KShs 7.03 billion. This is presented in table 14 below.

Table 14: Estimates vs Actual Expenditure FY 2021/22- 2025/26

FINANCIAL YEAR	2021/22 Actual Expenditure	2022/23 Actual Expenditure	2023/24 Actual Expenditure	2024/25 Actual Expenditure	2025/26 Approved Estimates	2026/27 Proposed Estimates
Estimates	5,857,834,974	5,911,260,701	5,681,363,406	7,005,682,985	6,770,400,190	7,033,761,523
Actual Receipts	5,554,449,574	5,260,849,525	5,258,282,681	5,633,637,947	2,531,798,084	-
Deviation	303,385,400	650,411,176	423,080,725	1,372,045,038	4,238,602,106	-

For the FY 2026/27 the projected total expenditure is 7.03 billion with a projected recurrent expenditure of 4,657.6 million and development expenditure of 2,276.1 billion.

In the financial year FY 2026/27, the 2025 CFSP projections were Kshs. 7.12 billion as compared to CFSP 2026 proposed projections of K 7.03 billion while the CBROP 2025 proposed estimates were Kshs. 7.26 billion. The decreased projection in the CFSP 2026 as compared to CBROP 2025 and CFSP 2025 is due to a significant decrease in conditional grants. This is despite an increase in the proposed equitable share allocation resulting from the adoption of the fourth basis of revenue allocation. Both CFSP and CBROP projections maintain the fiscal discipline as required by law with the FY 2026/27 proposed recurrent expenditure being 66.2% and the development of 33.8%. This fiscal discipline is further projected to be maintained over the medium term.

Tables 15 and 16 below illustrate County Government Fiscal Projections for FY 2024/25-2028/29 MTEF.

Table 15: County Government Fiscal Projections FY 2024/25-2028/29 MTEF

	2024/25 FY	2025/26 FY	2026/27 FY	2026/27 FY	2026/27 FY	2027/28 FY	2027/28 FY	2028/29 FY
Particulars	**Actual Expenditure**	**Approved Budget Estimates**	**Projections CFSP 2025**	**Proposed CFSP 2026**	**CBROP 2025 Proposed**	**CFSP 2026 Projections**	**CBROP 2025 Projected**	**CFSP 2026 Projections**
TOTAL REVENUE & GRANTS	5,633,637,947	6,770,400,190	7,123,425,201	7,033,761,523	7,259,932,669	7,385,449,599	7,622,929,302	7,754,722,079
Other Receipts	107,439,962	-	-	-	-	-	-	-
Revenue (Total)	**5,526,197,985**	**6,770,400,190**	**7,123,425,201**	**7,033,761,523**	**7,259,932,669**	**7,385,449,599**	**7,622,929,302**	**7,754,722,079**
Equitable Share Allocation	4,749,766,134	4,587,150,462	4,816,507,985	5,120,391,271	5,180,166,565	5,376,410,835	5,439,174,893	5,645,231,376
Local Revenue	481,791,096	585,400,000	504,000,000	590,000,000	585,400,000	619,500,000	614,670,000	650,475,000
Grant income	294,640,755	1,597,849,728	1,802,917,216	1,323,370,252	1,494,366,104	1,389,538,765	1,569,084,409	1,459,015,703
Subtotal	**5,526,197,985**	**6,770,400,190**	**7,123,425,201**	**7,033,761,523**	**7,259,932,669**	**7,385,449,599**	**7,622,929,302**	**7,754,722,079**
Total Expenditure	**5,633,637,947**	**6,770,400,190**	**7,123,425,201**	**7,033,761,523**	**7,259,932,669**	**7,385,449,599**	**7,622,929,302**	**7,754,722,079**
Recurrent	4,267,191,997	4,258,549,163	4,421,968,718	4,657,629,374	4,580,412,357	4,890,510,843	4,809,432,975	5,135,036,385
Recurrent as % of CG Total Revenue	*75.7%*	*62.9%*	*62.1%*	*66.2%*	*63.1%*	*66.2%*	*63.1%*	*66.2%*
Personnel Emolument	2,710,773,363	2,678,995,180	2,630,249,919	2,690,721,408	2,693,212,643	2,825,257,478	2,827,873,275	2,966,520,352
Operations & Maintenance	1,556,418,634	1,579,553,983	1,791,718,799	1,966,907,966	1,887,199,714	2,065,253,364	1,981,559,700	2,168,516,033
Personnel Emoluments as % of CG Revenue	*48.1%*	*39.6%*	*36.9%*	*38.3%*	*37.1%*	*38.3%*	*37.1%*	*38.3%*
Development	1,140,001,835	2,511,851,027	2,701,456,483	2,376,132,149	2,679,520,312	2,494,938,756	2,813,496,327	2,619,685,694
Development as % of CG Total Revenue	*20.2%*	*37.1%*	*37.9%*	*33.8%*	*36.9%*	*33.8%*	*36.9%*	*33.8%*
Unspent Bal Current FY	226,444,115							

3.4.3 Recurrent Expenditure Forecasts

The estimated total recurrent expenditure for the FY 2026/27 is KShs 4,657.6 million with KShs 2,690.7 million and KShs 1,966.9 million set aside for personnel emoluments and operations and maintenance respectively. The actual expenditure on personnel emoluments for FY 2024/25 stood at KShs 2,710.8 million, accounting for 48.12% of the total county revenues. In comparison, the approved budget estimates for FY 2025/26 reflect a reduction in this share to 39.57%. Furthermore, it is proposed that personnel costs drop to 38.25% by FY 2026/27. This consistent downward trend indicates that the county government is making significant progress toward attaining the recommended threshold of 35%.

Table 16: Expenditure by Economic Classifications - FY 2024/25-2028/29 MTEF

Particulars	**2024/25 FY Actual Expenditure**	**2025/26 FY Approved Budget Estimates**	**2026/27 FY Proposed Estimates**	**2027/28 FY Projections**	**2028/29 FY Projections**
Total Expenditure	**5,633,637,947**	**6,770,400,190**	**7,033,761,523**	**7,385,449,599**	**7,754,722,079**
Recurrent	4,267,191,997	4,258,549,163	4,657,629,374	4,890,510,843	5,135,036,385
Personnel Emolument	2,710,773,363	2,678,995,180	2,690,721,408	2,825,257,478	2,966,520,352
Operations & Maintenance	1,556,418,634	1,579,553,983	1,966,907,966	2,065,253,364	2,168,516,033
Recurrent as % of CG Total Expenditure	75.74%	62.90%	66.22%	66.22%	66.22%
Personnel Emoluments as % of CG Expenditure	48.12%	39.57%	38.25%	38.25%	38.25%
O&M as % of CG Expenditure	27.63%	23.33%	27.96%	27.96%	27.96%

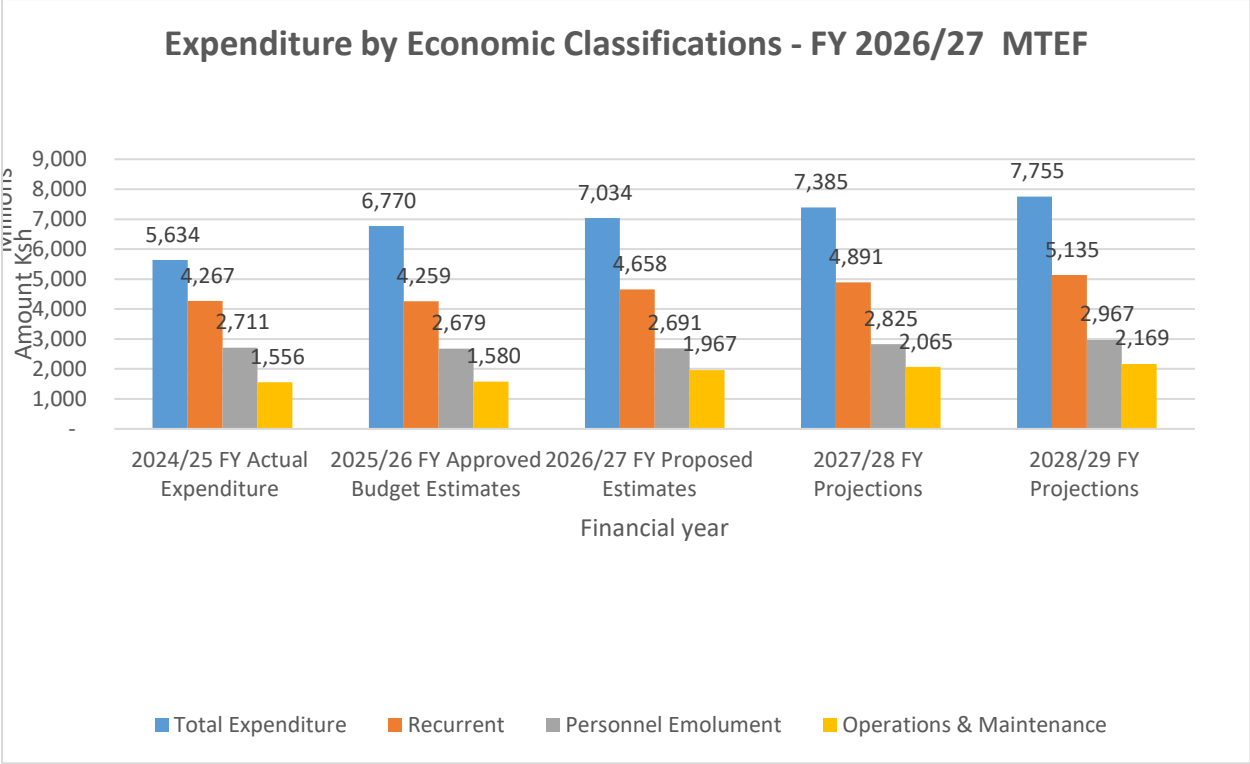


Figure 12: Expenditure by Economic Classifications from FY 2026/27 MTEF

3.4.4 Development and Net Lending

The proposed development expenditure for FY 2026/27 is KES 2,376.1 million, representing 33.8% of the total proposed estimates, meeting the recommended development allocation. This indicates a substantial improvement as compared to the actual development expenditures for FY 2024/25 of KShs 1.14 billion representing 20.2% of total county revenues which is attributed to the increase in equitable share. Development expenditure for the MTEF FY 2026/27 is expected to remain above the legal limit of 30%. The actual expenditures, budget estimates and proposed projections for FYs 2024/25 – 2028/29 are illustrated in Table 17 and figure 13 below.

Table 17: Actual and Projected Development Expenditure FY 2024/25-2028/29

	Actual Expenditure	**Budget Estimates**	**Projections**		
Financial Year	**2024/25 FY Actual Expenditure**	**2025/26 FY Approved Budget Estimates**	**2026/27 FY Proposed Estimates**	**2027/28 FY Projections**	**2028/29 FY Projections**
Total Expenditure	5,633,637,947	6,770,400,190	7,033,761,523	7,385,449,599	7,754,722,079
Development	1,140,001,835	2,511,851,027	2,376,132,149	2,494,938,756	2,619,685,694

Development as % of CG Total Revenue	20.24%	37.10%	33.78%	33.78%	33.78%

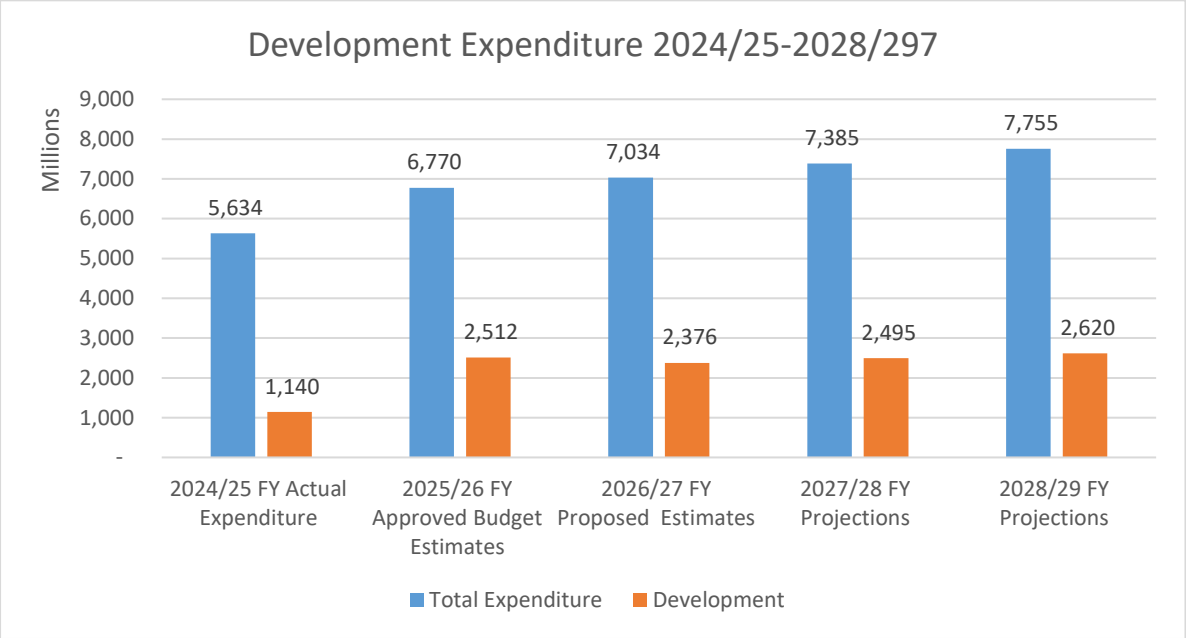


Figure 13: Actual, Budget Estimates and Projected Development Expenditure 2024/25 – 2028/29

3.4.5 Fiscal Balance and Deficit Financing

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

3.5 Summary

In conclusion, as a county our key objective is to promote long-term economic growth through prudent financial management, efficient resource allocation, debt sustainability, and enhancing public sector productivity. These goals aim to create a stable fiscal environment, fostering economic prosperity and improved well-being for residents. Subsequent projections have shown gradual increments of the total County budget, from KShs. 5,633 million actual receipts in FY 2024/25 to KShs. 7,754 million projected for the FY 2028/29. The successful implementation of this budget framework will be determined by the prudent management of fiscal risks discussed in previous chapters.

CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

4.0 Overview

The Medium-Term Expenditure Framework (MTEF) for the county provides a structured approach to planning and budgeting over the medium term, guiding the allocation of resources for the FY 2026/27 budget in line with the County Integrated Development Plan (CIDP 2023-27) and the national Bottom-Up Economic Transformation Agenda (BETA). The county's total resource envelope For FY 2026/27 is projected at approximately Kshs.7,033.7 million, comprising the national equitable share, conditional grants, and own-source revenue. The proposed MTEFs establishes clear expenditure ceilings that balance recurrent and development spending, with development expenditure maintained above the statutory minimum to support infrastructure development, economic empowerment, and improved service delivery. Through prudent fiscal management, enhanced revenue mobilization, and prioritization of key sectors such as health, agriculture, and infrastructure, the MTEF aims to promote fiscal sustainability, efficient resource utilization, and inclusive socio-economic growth across the county.

4.1 Resource Envelope

Over the MTEF period, the county projects a gradual growth in the resource envelope, driven mainly by anticipated increases in the equitable share, improved local revenue mobilization efforts and conditional grants. This projected resource base provides a predictable fiscal framework that enables the county to plan and prioritize expenditures effectively and support the implementation of strategic interventions aimed at enhancing service delivery, promoting economic growth, and ensuring fiscal sustainability. In the upcoming financial year, the resources available for allocation will be Kshs 7,033.7 million, comprising Kshs.590.0 million from its Own Revenue Sources, Kshs. 5,120.30 million as Equitable Share and Kshs. 1,323.4 million as Loans and Grants. The own sources of revenues will contribute to 8.4 percent of the total resource envelope. This indicates that the county relies heavily on national government funding from the equitable share contributing 72.8 percent and conditional loans and grants which contribute 18.8 percent to the total proposed county revenues.

Table 14: Resource Envelope for FY 2024/25-2026/27 FY

Details	2024/25 FY Actual Expenditure	2025/26 FY Approved Budget Estimates	2026/27 FY Proposed Estimates	% 2026/27 Total
Equitable share	4,857,206,096	4,587,150,462	5,120,391,271	72.8%
Grants	294,640,755	1,597,849,728	1,323,370,252	18.8%

Own Source revenue	481,791,096	585,400,000	590,000,000	8.4%
TOTAL	**5,633,637,947**	**6,770,400,190**	**7,033,761,523**	**100.0%**

4.2 Spending Priorities

4.2.1 Details of Sector Priorities

4.2.1.1 Agriculture and Rural Development sector

The agriculture sector is the cornerstone of Kenya's economy, creating employment for majority of the country's population. The sector is also Kenya's main income provider and contributed 21.8% to the gross domestic product in 2025. The sector supports over 90% of the Gross County Product of Tharaka Nithi, with 57% and 37% of contributions being derived from agriculture and services respectively. Despite various drawbacks impacting the local economy, more than 80% of the county population depends on the sector for their livelihood.

Agriculture plays a crucial role in achievement of national policies and plans, including MTP IV and the Bottom-Up Economic Transformation Agenda. Increasing agricultural productivity and ensuring farmers have access to high quality farm inputs has a proven impact on farmers as the nation works to achieve this goal. Farmers have been encouraged to adopt approaches and techniques to improve yields, as county governments continue identifying approaches that revolutionize the agriculture sector. For FY 2026/27, the following approaches have been proposed by the governments to secure economic growth:

a) Prioritized investments in provision of superior, accessible and affordable certified seeds and provision of subsidized fertilizer through the county crop subsidy programme.

b) Promotion of industrial cash crop farming through renovation and improvement of coffee and tea buying centers, and continued promotion of cotton farming.

c) Provision of agricultural extension services, to bring innovation and favourable farming practices closer to individual farmers.

d) Value addition of produce through the continued implementation of NAVCDP and ABDP programmes, which aspire to encourage market participation for selected value chains of green grams, Bananas, coffee, Dairy and Chicken.

e) Supporting farmer producer organizations to participate in enterprise development funding for infrastructural development as well as strengthening of agricultural SACCOs.

f) Continued provision of disease control and surveillance services to monitor diseases and vectors.

g) Promotion of the county artificial insemination and livestock breeding programme.

h) Sustained investment in livestock disease prevention through provision of vaccinations and sera to mitigate livestock disease prevalence in the county.

i) Continuous agricultural extension and capacity building as well as improve the mobility for extension staff. with the requisite skills and competencies required to improve extension techniques.

A total of Kshs 561.38 million comprising a recurrent expenditure of Kshs 244.96 million and a development expenditure of Kshs. 316.42 million has been allocated to the agriculture sector in FY 2026/27, to support achievement of the set priorities. Of the cumulative development expenditure, Kshs 105.0 million is earmarked to support implementation of the NAVCDP initiative, for the farm input provision program, infrastructural support for coffee and revitalization of tea buying centers.

The livestock and veterinary development departments have a development allocation of Kshs 20 million to be used in the implementation of the Artificial insemination and breeding programme, disease control and surveillance as well as infrastructural support for livestock produce. The fisheries and ecosystem management department has KShs 25.80 for development expenditure for the FY 2026/27 for the implementation of the ABDP programme to support aquaculture.

4.2.1.2 Health sector

Over the Medium-Term Expenditure Framework period, the County places strong emphasis on health sector spending to ensure residents can access quality, affordable, and timely healthcare services. Key priorities are anchored on three fundamental pillars. Firstly, the construction, upgrading, and equipping of health facilities, with particular focus on completing and operationalizing flagship projects such as the county referral hospital improvements, upgrading of level IV hospitals, and rehabilitation of health facilities across the county. The county also prioritizes investment in modern medical equipment, including diagnostic and laboratory services, to reduce referrals and improve patient outcomes. Second, resources are allocated to the recruitment, training, and motivation of healthcare workers to address staffing gaps, and enhance service delivery at all levels of care.

In addition to infrastructure and human resources, the county's health spending focuses on strengthening primary healthcare and preventive services that directly impact community well-being. Priority programmes include the procurement of essential medicines and medical supplies, expansion of maternal, newborn, child, and adolescent health services, and support for community health promoters to improve outreach and early disease detection. Investments are also directed towards disease surveillance, ambulance and emergency response services, and the digitization of health records to improve efficiency and accountability. Through these targeted investments, the County aims to reduce preventable illnesses, improve health outcomes, and ensure a healthier, more productive population that supports long-term socio-economic development. In FY 2025/26, the government prioritized implementing the following programmes and strategies:

a. Ensuring equitable access to quality health services and financial support through Universal Health coverage.
b. Completion of ongoing infrastructural projects, including works at Marimanti Hospital, where the CT scan block completion is underway, renovation of public health offices in Muthambi and Kajuki health centers and ongoing works at the county referral hospital.
c. Provision of essential commodities and medical supplies to health facilities to improve effectiveness in service delivery.
d. Infrastructural improvement of dispensaries, and health centers including Muthambi and Mpukoni health centers.
e. Promotion of public health and sanitation through disease control. This also include primary healthcare and prevention in communities through nutrition and sanitation initiatives.
f. Continued health systems strengthening to reinforce skills and capabilities of healthcare workers for improved governance and information-driven decision-making.

4.2.1.3 Roads, Transport, Infrastructure and Urban Development

The Department of Roads, Transport, Infrastructure, Urban Development and ICT has prioritized strategic infrastructure development to enhance service delivery and connectivity across the county. The sector remains focused on the completion of ongoing bridges and tarmacking of major roads to improve mobility and ensure safer transportation networks. Efforts are underway to open up additional access roads to enhance connectivity to remote areas, markets, and essential public facilities. Additionally, the county government is keen on completion of markets to support local trade and economic growth by improving accessibility and infrastructure. These initiatives collectively reflect

the department's commitment to sustainable development, improved transport systems, and strengthened ICT capacity within Tharaka Nithi County. The department is overseeing the installation of ICT equipment in the new office block, including computers, networking systems, internet infrastructure, and communication tools. This initiative is aimed at strengthening digital operations, improving internal efficiency, and enhancing public service delivery through modern technology systems. The completion of the county headquarters further complements this effort by providing a fully functional and well-equipped administrative center to support coordinated operations.

4.2.1.4 Water Environment and Natural resources

The Water, Environment and Natural Resources Sector is a critical pillar of the County's sustainable development agenda, playing a central role in water security, environmental conservation, climate resilience, and socio-economic transformation. The sector supports public health, agricultural productivity, ecosystem protection, and livelihoods, while contributing directly to the realization of CIDP III, Kenya Vision 2030, the Bottom-Up Economic Transformation Agenda (BETA), and the Sustainable Development Goals.

Over the recent review period, the sector registered notable achievements across its sub-sectors. Water coverage increased from 52% to 58% through the construction and rehabilitation of water supply schemes, improving access to clean and safe water for households and institutions. In the environment and natural resources sub-sector, over 500 hectares of degraded land were restored through tree planting, riverbank protection, and ecosystem rehabilitation initiatives, contributing to improved catchment protection and climate change mitigation. Solid waste management systems were strengthened in urban centres, leading to improved sanitation and public health outcomes.

Through the irrigation sub-sector, the County developed and rehabilitated irrigation schemes covering approximately 300 acres, promoting climate-smart agriculture and enhancing food security. These interventions enabled increased agricultural productivity, improved household incomes, and reduced vulnerability to climate variability, particularly in food-insecure areas.

During the FY 2026/27 and the Medium-Term Expenditure Framework period, the sector will focus on scaling up service delivery and strengthening sustainability of investments. Key priorities include:

a. Increasing water coverage to 70%, through promotion of the K-WASH programme.
b. Expanding rural water supply schemes.

c. Enhancing water quality and increasing water production capacity to meet rising demand.
d. The sector will also prioritize protection and restoration of critical water catchment areas
e. Development of climate-resilient irrigation infrastructure.
f. Expansion of water storage through construction of small dams and water harvesting systems.

The sector has also facilitated rehabilitation and equipping of boreholes, significantly increasing access to domestic water, while boosting subsistence and commercial farming. The environment subsector is essential to the country's sustainable development, with a significant contribution to environmental conservation efforts, economic development and mitigating the effects of climate change. The subsector has accomplished various objectives, including policy development under Kenya's Greening strategy and promoting the use of alternative energy at household and institutional level. Further, the environment subsector has strengthened solid waste management systems will enhance institutional and technical capacity, and deepen partnerships with national government agencies, development partners, private sector actors, and communities. These strategic interventions are expected to improve service delivery, enhance climate resilience, and support inclusive economic growth while ensuring sustainable management of the County's water, environment, and natural resources.

For the FY 2026/27 and the Medium Term, the sector aims to:

a. Augment water scarcity and environmental conservation through implementation of the KEWSIP project.
b. Incorporate environmentally friendly systems in communities by implementing the FLLoCA Programme.
c. Transition the county to become a resource-efficient and inclusive economy by implementing Kenya's green growth and investment plan. This includes climate change mitigation, and waste management geared towards transforming waste into organic resources and industrial materials.
d. Promote irrigation farming for horticultural products and promote double cropping.

4.2.1.5 Education and Social Services Sector

For FY 2026/27, the County Department Education and Social Services Sector will prioritize the construction of new ECDE classroom blocks across all wards to address increasing enrolment and reduce congestion in existing facilities. The strategic priorities for FY 2026/27 include:

Early Childhood Development (ECDE):

- Construct new ECDE classrooms across all wards to address enrolment and congestion
- Renovate dilapidated classrooms (roofs, walls, floors, windows, painting)
- Provide age-appropriate chairs and tables for learners
- Install safe play compounds, play equipment, and fencing at select ECDE centres
- Employ ECDE teachers and officers to improve teacher–learner ratios
- Implement school feeding programme (uji and lunch) to support learner retention
- Strengthen supervision and quality assurance (vehicles, motorcycles, ICT, inspections)
- Train ECDE teachers on CBC and digital learning
- Acquire teaching/learning materials, promote drama/music festivals, digitize data

Vocational Training

- Construct modern vocational training workshop blocks countywide
- Rehabilitate and maintain existing youth polytechnics (workshops, dormitories)
- Acquiring modern training equipment and materials to match industry needs
- Establish home craft centres to preserve local skills and promote community training
- Issues grants to needy trainees to enhance access and equity
- Recruit more instructors and offer continuous capacity building for staff
- Conduct regular inspections to ensure quality and safety standards are met

Youth Affairs

- Formulate and operationalize a County Youth Policy for legal and institutional support.
- Establish and equip youth centres/academies in all sub-counties for skills and entrepreneurship training.
- Provide grants, equipment, and startup capital to youth groups to encourage enterprise and value addition.
- Monitor and evaluate youth programmes for accountability and sustainability.
- Organize capacity-building workshops on entrepreneurship, leadership, digital, and life skills.

- Identify and promote youth talents through countywide searches and competitions.

Sports Development

- Organize countywide athletics and marathon events to boost participation and identify elite athletes.
- Conduct talent searches, training camps, and support county teams for national games.
- Support grassroots sports leagues, provide equipment, and improve facility sanitation.
- Invest in construction and upgrading of stadiums and training grounds.
- Procure a sports bus for team mobility during events and training.

Gender, Children, and Social Services

- Renovate and improve Kamarandi Rescue Centre for vulnerable children.
- Procure and distribute assistive devices for persons' with disabilities.
- Provide dignity kits to vulnerable boys and girls.
- Develop and validate social protection policies for gender, children, and social services.
- Construct new rescue centres.

Culture and Tourism

- Promote cultural festivals to constituency level for preservation of cultural heritage.
- Renovate Ura Gate and improve grounds for cultural activities.
- Commemorate key international days
- Digitize and document traditional knowledge.
- Market tourism routes via media and influencers.
- Improve tourist sites through signage, walkways, and accessibility enhancements.

4.2.1.6 Public Administration

The public administration sector comprises public administration, intergovernmental coordination and devolution affairs, finance and economic planning, public service board, legal affairs, office of the county secretary and county attorney. The sector mandates include coordination of public participation, provision of economic, legal and political advisory services, financial management, and promotion of governance and oversight. The sector is also tasked to promote transparency and accountability, through coordination of development planning, and population policy. To strengthen

the human resource component, the public administration sector ensures effective and efficient county public service management through training and capacity building, and development of legislative and regulatory frameworks for the functions of the government.

Through implementation of the third-generation County Integrated Development Plan, the public administration sector has achievements various targets set, including improved coordination and supervision of county government affairs; effective promotion of prudent public finance management and accountability in the public sector; enhanced oversight role in the public sector, development of the County Government Legislative Agenda; attained technical and financial support for devolution and coordination of national and county government activities. Additionally, the Sector has improved efficiency in public service delivery and consistent provisions of legislative consultative representation.

In the FY 2026/27 and the Medium-Term Budget, the proposed expenditure for the sector is KShs 1,642.91 million and has prioritized the following programmes and projects: Integrated Service Delivery, Human Resource Management, County Government Advisory Services, County Public Service Board, Economic Policy and County Planning, Financial Management Services, General Administration & Support Services, County Legislation & Oversight Services. The sector will also be implementing the second Kenya Devolution Support Programme (KDSP II) which aims to enhance service delivery. In addition, the public administration sector will continue to enhance efficiency and effectiveness in service delivery by:

a. Promoting comprehensive public financial management through implementation of the second Kenya Devolution Support Programme (KDSP II) and rollout of e-procurement government system (e-GPS).
b. Intensifying resource mobilization to support continued provision of essential utilities.
c. Strengthening monitoring and evaluation activities for improved project implementation.
d. Promote infrastructural establishment to support administrators at ward level
e. Promote use of authoritative data for evidence-based planning and decision making through preparation of the county statistical abstract.
f. Facilitate continued transparency, accountability in economic planning, governance, and research by undertaking the mid-term review of the CIDP 2023-2027.
g. Legislative support and oversight provision to support policy development and advisory services.

4.2.1.7 General Economics and Commercial Affairs

The General Economics and Commercial Affairs (GECA) Sector encompasses, Trade, Industry, Investment Promotion, Energy, and Cooperative Development subsectors. This sector plays a pivotal role in driving the County's economic transformation by fostering enterprise development, advancing industrial growth, promoting sustainable energy practices, and increasing own-source revenue.

The sector has prioritized strategic interventions to be implemented within the 2026/27 MTEF, including inspection of weights and measures, connection of public institutions to the national electric grid, facilitating of trade exhibitions strengthening consumer protection and fair trade practices, promotion of value chain development including dairy value chains, linking small enterprises to large enterprises, formation of producer business groups, development and enforcement of policy and regulatory frameworks, construction and improvement of cess point infrastructure, promotion of sustainable and clean energy solutions, mobilization of resources from development partners, full automation of own-source revenue, and diversification of county revenue streams to enhance fiscal sustainability. Continued prioritization of cooperative development to reinforce the positive impacts of the cooperative movement as a pillar of rural development and support supervision of services, through oversight of cooperative management, will also be done through periodic audits to encourage compliance.

The Department of Revenue and Resource Mobilization will continue to pursue to raise, manage, and account for resources, in line with its mandate. In a bid to efficiently execute its functional mandate, the department will continue to identify and secure funds from diverse own source revenue sources, to bolster equitable share from the national government. This includes improved collection of fees, charges, rates and levies through automated revenue systems. The department will also pursue legislation development in line with the second Kenya Devolution Support Programme including preparation of Tariffs and Pricing Policy, Cess Act, Tax Waiver and Revenue Administration Act, Trade Licensing Act, County Rating Act, Building Approval Legislation, and subsequent updating of the county valuation roll. This is in addition to preparation of a county revenue mobilization strategy, streamlining operations at designated CESS points across the county.

4.2.1.8 Lands and physical planning

In pursuit of efficient, equitable, and sustainable land use, the Lands, Physical Planning, and Housing sector will strive to undertake development of local and physical land use plans. Specifically, the sector targets to complete the developed Draft Tharaka Nithi County Spatial Plan. This blueprint guides county resource management and land utilization for the next ten years. Additionally, the sub-sector also finalized the Marimanti Town Physical and Land Use Development Plan and the Chuka Muslim Village Local Physical and Land Use Plan. Development plans for Chuka Municipality and Chuka Town CBD are progressing and nearing completion. In eight market centers—Itugururu, Kamwimbi, Kaanwa, Kibugua, Magutuni, Kaare, Gatunga, and Mukothima—market advisory plans are being formulated to enhance land use and tenure security.

The subsector will continue pursuing the use of the inventory of County Staff Houses, and allocations made for County Staff Housing to support increased own-source revenue. Ongoing development control—processing development applications—continues to generate revenue, with inspections and approvals ensuring compliance and promoting a strategic approach to land use.

Land adjudication supports national policies, with continuous follow-up to ensure residents receive secure land tenure through title deeds.

Additionally, the National Land Commission is facilitating establishment of the Ntuntuni Solid Waste Management Site to improve regional waste management through a partnership framework that will address solid waste management within Tharaka Nithi, Embu and Meru Counties. In the FY 2026/2027, the proposed allocation for the departments is KShs 109.40 million which is inclusive of KShs 30.0 million development and KShs 79.4 million for recurrent expenditure. The sector will also prioritize the following

a. Chuka Municipality Integrated Strategic Urban Development Plan (ISUDP)
b. Mapping and beaconed public lands
c. Chuka Town Local Physical & Land Use Development Plan (ISUDP)
d. Kathwana Municipality Integrated Development Planning
e. Urban Development plans

4.2.2 Criteria for Resource Allocation

The following criteria guided the allocation of resources within the county entities for FY 2026/27 and over the medium term:

a. Aligning program alignment to development plans and incorporating spending priorities from MTP IV and the third generation CIDP 2023-27.

b. Inclusion of priorities outlined in the National Bottom-Up Economic Transformation Agenda.

c. Priority accorded to ongoing projects, pending and other outstanding bills, within revenue limits, to prevent debt accumulation.

d. Compliance with fiscal responsibility principles, existing policies and legal guidelines.

e. Sustainability and efficiency to ensure long-term availability and optimal utilization of resources.

f. Allocation is in accordance with the strategic goals and objectives of departmental programs.

4.2.3 Sectoral Ceilings

The provisional baseline estimates mirror the departmental spending levels in sector programmes.

a. Non-discretionary expenditures take priority in the recurrent expenditure category, catering for payments of pending bills, remuneration, and retirement benefits.

b. Development expenditures have been allocated based on the county priorities. The following criteria was used in apportioning capital budget:

i. Availability of Adequate Financing: Projects must be affordable within the approved sector ceiling and consistent with the county's resource envelope, ensuring that development commitments do not crowd out essential recurrent expenditures.

ii. Ongoing projects: Emphasis will be on completion of all ongoing projects where the Government will undertake project appraisal that will guide on the viability and costs required to complete all ongoing projects. This has informed prioritizing projects budgeted for across the various wards and departments.

iii. Economic and Social Impact: Proposed development projects should demonstrate clear economic, social, or service delivery benefits, including contribution to poverty reduction, job creation, improved access to services, or enhancement of productivity.

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

v. Equity and Inclusivity: Development spending should promote equitable distribution of resources across wards and target vulnerable and marginalized populations in line with equity principles.

vi. Compliance with Legal and Regulatory Requirements: All development expenditures must comply with the Public Finance Management Act, procurement laws, environmental and social safeguards, and other applicable regulations.

4.3 Medium Term Expenditure Estimates

The summary of indicative departmental ceilings for FY 2026/27 is as indicated in table 17 and informs the Sector Ceilings for FY 2026/27 and MTEF as shown in table 18 below.

Table 18: Departmental Ceilings

Department	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total
Agriculture and Crop Production	102,177,840	34,964,500	-	137,142,340	165,647,065	105,000,000	270,647,065	407,789,405
Livestock and Veterinary Development	56,991,264	22,691,624	-	79,682,888	20,000,000	-	20,000,000	99,682,888
Fisheries and Ecosystem management	16,600,000	11,500,000		28,100,000	10,000,000	15,810,384	25,810,384	53,910,384
County Assembly	0	533,960,285	-	533,960,285	40,000,000		40,000,000	573,960,285
County Public Service Board	22,233,400	23,178,396	-	45,411,796	-	-	-	45,411,796
Office of Governor and Deputy Governor	44,719,973	74,960,200		119,680,173	-	-	-	119,680,173
Office of the County Secretary and County Attorney	29,200,300	26,300,500		55,500,800	-		-	55,500,800
Public Administration and Devolution Affairs	132,604,300	48,350,000	37,500,000	218,454,300	20,000,000	352,500,000	372,500,000	590,954,300
Finance and Economic Planning	100,801,803	156,600,550	-	257,402,353		-	-	257,402,353
Education, Vocational Training and culture	186,081,723	78,384,670	-	264,466,393	60,000,000	-	60,000,000	324,466,393
Gender, children and Social Services	22,100,000	16,659,502	-	38,759,502	10,000,000	-	10,000,000	48,759,502
Youth, Sports and Tourism	33,380,800	28,548,000	-	61,928,800	40,000,000	-	40,000,000	101,928,800
Land and Physical planning	40,678,000	38,723,466	-	79,401,466	30,000,000	-	30,000,000	109,401,466
Medical Services	1,328,307,831	292,606,113	61,390,168	1,682,304,112	150,000,000	-	150,000,000	1,832,304,112

Public Health and Sanitation	268,526,400	127,489,979	43,995,000	440,011,379	10,000,000	-	10,000,000	450,011,379
Information Communication Technology	19,153,144	33,345,600	-	52,498,744	20,000,000	-	20,000,000	72,498,744
Roads, Infrastructure, Public Works, Urban Development, Housing and ICT	63,400,400	100,585,000	26,000,000	189,985,400	391,000,000	30,510,000	421,510,000	611,495,400
Kathwana Municipality		9,500,000		9,500,000	20,000,000	125,515,520	145,515,520	155,015,520
Chuka Municipality		7,500,000		7,500,000	20,000,000	49,149,180	69,149,180	76,649,180
Revenue and Resource Mobilization	105,009,000	31,125,200	-	136,134,200	10,000,000	-	10,000,000	146,134,200
Trade, investment promotion and Cooperatives development	22,941,250	19,309,680	-	42,250,930	10,000,000		10,000,000	52,250,930
Energy and Industry	20,160,230	20,720,100		40,880,330	15,000,000	-	15,000,000	55,880,330
Water Services and Irrigation	50,253,750	26,506,395	-	76,760,145	110,000,000	150,000,000	260,000,000	336,760,145
Environment and Natural resources	25,400,000	34,513,038	-	59,913,038	70,000,000	326,000,000	396,000,000	455,913,038
Total	**2,690,721,408**	**1,798,022,798**	**168,885,168**	**4,657,629,374**	**1,221,647,065**	**1,154,485,084**	**2,376,132,149**	**7,033,761,523**

Table 19: 2026/27 Sector Ceilings

Sector	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total
Health Services	1,596,834,231	420,096,092	105,385,168	2,122,315,491	160,000,000	-	160,000,000	2,282,315,491
Public Administration	329,559,776	863,349,931	37,500,000	1,230,409,707	60,000,000	352,500,000	412,500,000	1,642,909,707
Infrastructure and ICT	82,553,544	150,930,600	26,000,000	259,484,144	451,000,000	205,174,700	656,174,700	915,658,844
Agriculture and Rural Development	175,769,104	69,156,124	-	244,925,228	195,647,065	120,810,384	316,457,449	561,382,677

Lands and physical planning	40,678,000	38,723,466	-	79,401,466	30,000,000	-	30,000,000	109,401,466
Education and Social Services	241,562,523	123,592,172	-	365,154,695	110,000,000	-	110,000,000	475,154,695
Water, Environment and Natural Resources	75,653,750	61,019,433	-	136,673,183	180,000,000	476,000,000	656,000,000	792,673,183
General Economic and Commercial Affairs	148,110,480	71,154,980	-	219,265,460	35,000,000	-	35,000,000	254,265,460
Total	**2,690,721,408**	**1,798,022,798**	**168,885,168**	**4,657,629,374**	**1,221,647,065**	**1,154,485,084**	**2,376,132,149**	**7,033,761,523**

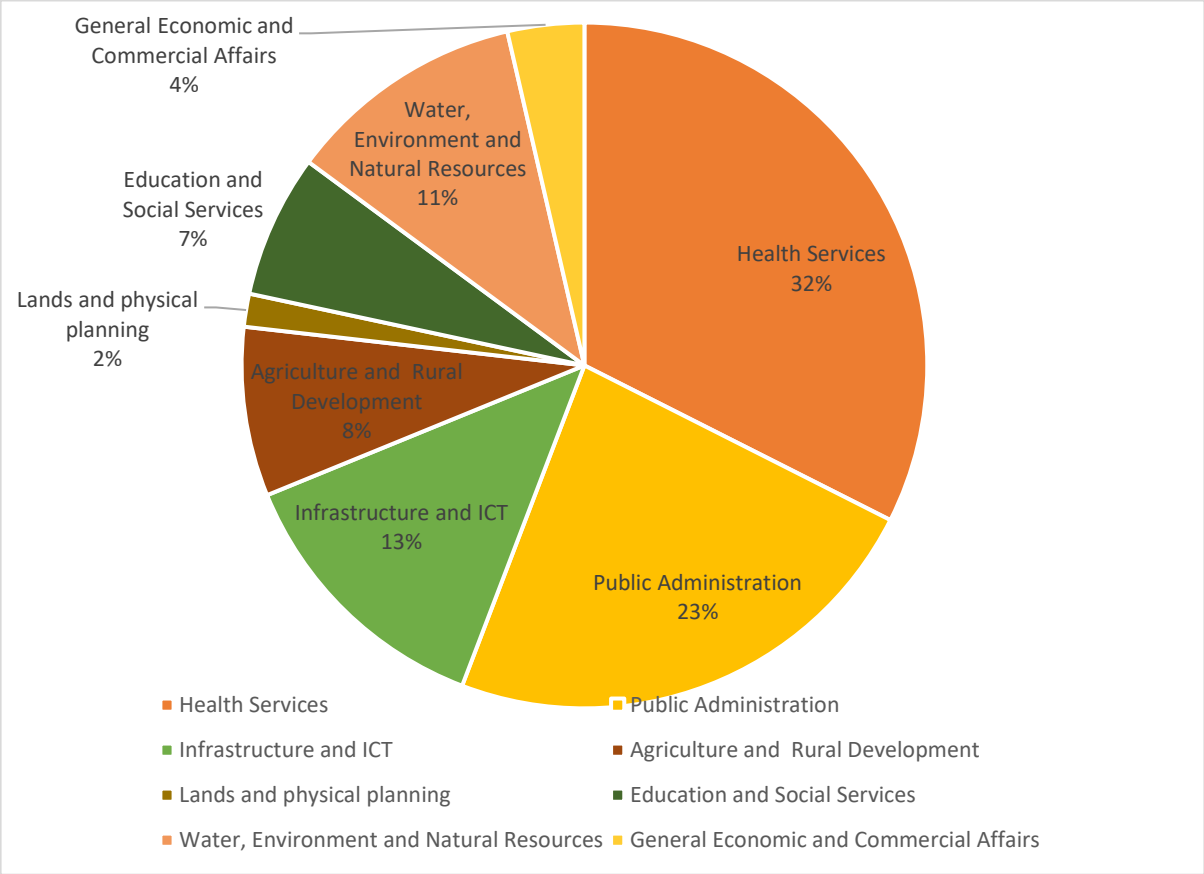


Figure 9: Sector Allocation as percentage of total expenditure

The overall expenditure and allocations in terms of percentages as per the sectors in this CFSP are well indicated in the above pie chart. The top five sectors in terms of allocation are health which takes the biggest share at (32%) followed by public administration (23%), infrastructure and ICT (13%) and Agriculture and Rural Development sector (8%). The notably high proposed allocation for Department of Health Services and Sanitation is attributed to the recurrent expenditure proposed for salaries and allowances for health workers, increased investment in infrastructure and public works for various health facilities.

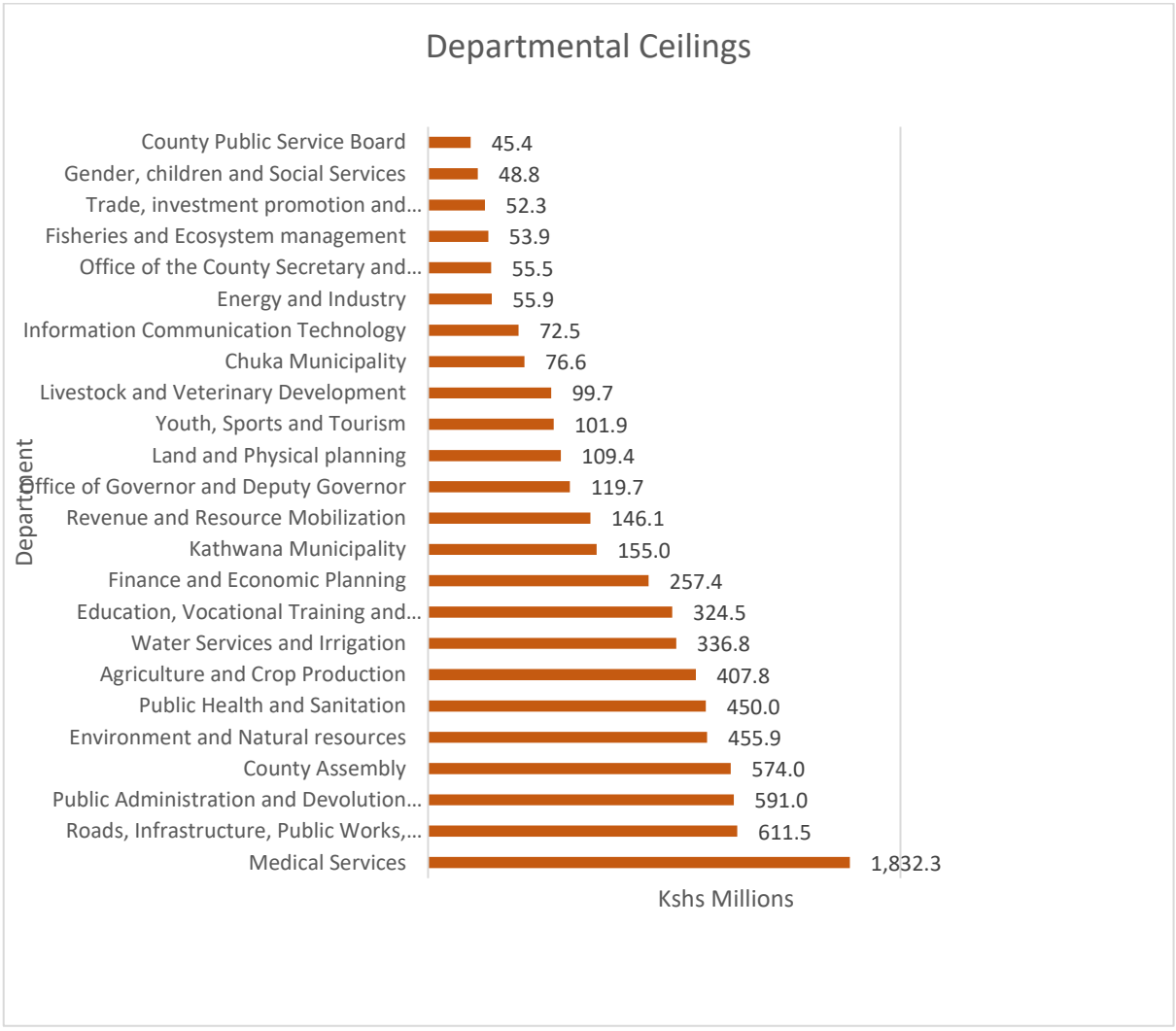


Figure 10: Graphical Presentation of the departmental Allocations.

CHAPTER FIVE: CONCLUSION AND NEXT STEPS

The overall expenditure in the 2026 CFSP, as outlined in the MTEF framework, has grown moderately in line with the minimal increase in annual revenues. Critical sectors and programs will continue to receive a substantial share of resources, including capital investments, to support growth objectives. The CFSP 2026 details fiscal policies focused on completing ongoing projects, in accordance with the fiscal responsibility principles embedded in the PFM Act, 2012. This strategy aligns national strategic objectives to accelerate economic recovery and enhance livelihoods.

Budgetary resources are often limited; therefore, departments must prioritize their programs within available resources to ensure public funds are used in line with County Government priorities. Departments should carefully assess detailed project costs, strategic significance, deliverables (outputs and outcomes), alternative interventions, and implementation plans when allocating resources. Priority should go to stalled projects and recently initiated but ongoing initiatives. Departments must also consider the estimated requirements for each stage of the project cycle to ensure budget allocations are based on clear timelines and milestones. It is essential to use recurrent resources efficiently and effectively before allocating funds to routine programs.

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programmes envisaged in this document and strengthening the County ’s capacity to deliver services to its residents. Monitoring and evaluation will involve tracking activities, budget usage, and assessing performance, while also implementing strategies and actions to achieve results. Proper implementation of the budget is critical for service provision and sustainable development. Sustainability requires greater effort from all stakeholders, including County Government departments, sector working groups, civil society organizations, communities, the County Assembly, and development partners, to accomplish goals. This will require consistent consultation across the board, innovative solutions to pertinent challenges, and encouraging innovation to build a progressive County.