REPUBLIC OF KENYA **EMBU COUNTY GOVERNMENT**

FINANCE & ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

Vision

A prosperous County with Equal Opportunities for all

Mission

To ensure effective resource mobilization and optimization for Wealth and Job Creation

OCTOBER 2025

Legal Basis for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

(1) A County Treasury shall:

(a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

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

(2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify:

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

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

(c) Information on:

(i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or

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

(d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

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

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

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

Fiscal Responsibility Principles in the Public Finance Management

The Public Finance Management (PFM) Act, 2012 sets out the following fiscal responsibility principles to ensure prudency and transparency in the management of public resources;

1) The County Government's recurrent expenditures shall not exceed the county government's total revenue.

2) Over the Medium Term, a minimum of thirty percent of the county government's budget shall be allocated to the development expenditures.

3) The County Governments' expenditures on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly.

4) Over the Medium Term the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

5) The county debt shall be maintained at sustainable level as approved by county assembly.

6) The fiscal risks shall be maintained prudently; and

7) 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.

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Abbreviations

AiA	Appropriation in Aid
BROP	Budget Review and Outlook Paper
CBROP	County Budget Review and Outlook Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
FY	Financial Year
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act

FOREWORD

The Embu County Budget Review and Outlook Paper (CBROP) 2025 has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and the PFM (County Government) Regulations, 2015. It reviews the County's fiscal performance for the financial year 2024/2025 focusing on revenue collection, expenditure trends and their implications for the Medium-Term Expenditure Framework (MTEF) and the preparation of the FY 2026/2027 budget. The document also outlines recent economic and financial forecasts intended to guide the County's medium-term fiscal strategy.

During FY 2024/2025, the County Government recorded total revenue of Ksh. 7,260,953,024 against a budget of Ksh. 8,533,542,551 representing a performance rate of 85.1 percent. The revenue shortfall of Ksh. 1,272,589,527 was mainly attributed to non-disbursement of conditional allocations; including loans and grants, and underperformance in Own Source Revenue (OSR). The overall expenditure absorption rate stood at 83.7 percent with recurrent expenditure performance at 96.4 percent and development expenditure at 57.8 percent. This performance was broadly consistent with the County's financial objectives and fiscal responsibility principles outlined in the PFM Act, 2012.

The County's fiscal policy and medium-term budget framework, as outlined in CBROP 2025, prioritize inclusive and sustainable development through transparent and accountable financial management, full implementation of the County Integrated Development Plan (CIDP) 2023–2027 and implementation of strategies to enhance Own Source Revenue growth. The education sector will focus on the construction and renovation of ECDE classrooms and kitchens, improvement of sanitation facilities for child safety, and the upgrading of Vocational Training Colleges to enhance learning standards. In the health sector, the County plans to increase investment in health technologies, specialized medical equipment, and infrastructure to expand access to quality healthcare services.

To spur economic growth, the County will develop modern markets, establish aggregation centers, and organize investor conferences to attract local and external investment. In agriculture, key initiatives include empowering farmers through cooperatives, providing subsidized farm inputs, revamping the Agricultural Mechanization Services, and promoting value addition to strengthen food security. The Lands and Urban Development sector will prioritize structured growth through the implementation of the County Spatial Plan, construction of bus parks, establishment of smart markets, and rehabilitation of housing units.

Additionally, the County will invest in reliable and affordable water services, environmental conservation, and climate change mitigation programs, while scaling up initiatives in youth empowerment, sports development, and cultural preservation. Overall, CBROP 2025 lays a strong foundation for a responsive, inclusive, and fiscally responsible budget for FY 2026/2027, focusing on health, agriculture, and trade development as key priorities for sustainable growth.

Prof. Kinyua N. Kamaria
CECM FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The 2025 CBROP was developed through the collaborative efforts of all county departments and entities whose invaluable contribution has made this document possible. The document was prepared under the able leadership of H.E. Governor Cecily Mutitu Mbarire, E.G.H., and the supportive guidance of Deputy Governor Kinywa Mugo. We also acknowledge the invaluable contributions of the County Executive Committee who diligently reviewed and discussed this document. Their commitment and dedication were instrumental in its successful approval.

Special appreciation goes to the dedicated team from the Department of Finance and Economic Planning, whose tireless efforts ensured the successful fulfillment of this statutory requirement. The team worked under the guidance of CECM for Finance and Economic Planning Prof. Kinyua Kamaria and Chief Officer for Finance Mr. Damiano Muthee. The team comprised Mr. Boniface Muli Lova, Mr. John Mucira, Mr. Joshua Mwangi, Mr. Linus Mugambi, Ms. Catherine Gathee, Mr. Peter Njeru, and Ms. Stella Wanyaga. We also extend our gratitude to Mr. Eric Kinyua, Ag. Director Budget and Mr. Katana Ndune, for their contributions. Lastly, to everyone involved in making this exercise a success, feel appreciated. Your efforts were not in vain, as the CBROP will play a pivotal role in shaping the county's future planning and budgeting processes.

As we move into the crucial phase of preparing the FY 2026/27 budget, it is essential that we strictly follow the established guidelines and deadlines, while also prioritizing public participation and consultation with other key stakeholders. The success of any budget implementation hinges significantly on its quality, underscoring the importance of dedicating sufficient time and resources to its preparation.

Lastly, we acknowledge that it is God who gives us the opportunity to serve. May he always guide us and Bless the great people of Embu.

Erastus Macharia Njeru
<u>Chief Officer- Economic Planning & Budgeting</u>

EXECUTIVE SUMMARY

The County Budget Review and Outlook Paper (CBROP) 2025 is a vital policy instrument that evaluates the implementation of Embu County's 2024/2025 budget and sets the stage for the formulation of the 2026/2027 fiscal year budget. This document plays a central role in shaping the county's development agenda by reflecting on past performance, identifying areas for improvement and reinforcing strengths that can drive inclusive growth and equitable opportunities for all citizens. Grounded on Section 118 of the Public Finance Management (PFM) Act 2012 and aligned with constitutional principles governing public finance in Kenya; the CBROP promotes transparency, fiscal discipline, and accountability in budget execution. It serves as a performance scorecard for implementers, highlighting achievements and pinpointing gaps that require attention.

During the review period, Embu County achieved impressive revenue collections but the targets were also very stretched. Despite the reasonably impressive revenues, delays in the release of exchequer funds posed challenges to the timely implementation of county programs and projects. However, the county government remained focused on key development priorities. Health and education were prioritized as foundational pillars for economic transformation while substantial investments were made in infrastructure specifically improvement and maintenance of the road network to unlock the county's economic potential. The productive sectors of agriculture and trade also received targeted funding, recognizing their critical role as the backbone of the county's economy.

The CBROP also provides a broader analysis of the county's fiscal performance within the context of national and global economic trends, taking into account political, social, environmental, and technological factors that influence development outcomes. It outlines policy directions that reflect the county government's priorities, offering a roadmap for private sector actors and other stakeholders to align their efforts with the county's vision. Despite operating in a challenging macroeconomic and political environment, the resilience and dedication of county leadership and staff ensured continuity in service delivery and support for economic development. Ultimately, the 2025 CBROP reaffirms Embu County's commitment to prudent financial management and inclusive growth, laying a strong foundation for future prosperity.

The structure of the 2025 County Budget Review and Outlook Paper (CBROP) is organized to provide clarity and depth in its analysis. **Section I** focuses on the objectives of CBROP. **Section II** focuses on the **Fiscal Performance Review** for the financial year 2024/2025. This section delivers a detailed examination of County's budget execution, assessing how actual performance aligns with the financial objectives outlined in the 2025 County Fiscal Strategy Paper (CFSP). It identifies any deviations from planned targets, analyzes their causes, and discusses the implications for future budgeting and policy formulation. This review is essential for understanding the effectiveness of fiscal strategies and ensuring that corrective measures are taken to enhance financial management and service delivery in the upcoming fiscal cycle. **Section III: Recent Economic Developments and Outlook:** This section highlights recent developments in the local and national economy, discussing key macroeconomic trends and their potential impact on the county's budget and financial planning. It also includes projections for economic performance in the near future.

Section IV: Proposed Resource Allocation Framework: This section outlines the proposed framework for resource allocation in the upcoming fiscal year and the medium term. It details how resources will be distributed across sectors, guided by the county's priorities and the sector ceilings presented in the CBROP.

Section V: Conclusion: This section summarizes the key findings and recommendations of the CBROP, emphasizing the way forward in budget preparation and financial management.

I: INTRODUCTION

A. Overview

1. The **County Budget Review and Outlook Paper (CBROP)** is a critical document prepared in line with the **Public Finance Management (PFM) Act, 2012** and its accompanying regulations. It provides a detailed assessment of the county's financial performance for the **Fiscal Year (FY) 2024/25**, including an evaluation of how well the county has adhered to the financial objectives outlined in the PFM Act.

B. Objectives of CBROP

The 2025 County Budget Review and Outlook Paper (CBROP) present a thorough analysis of Embu County’s fiscal performance for the financial year 2024/2025. It focuses on evaluating how effectively the county adhered to the objectives and principles outlined in the Public Finance Management (PFM) Act, 2012. This review is essential for determining whether the county’s financial strategies and budgetary allocations were implemented in a manner that promotes efficiency, accountability, and transparency in the use of public resources. By examining budget execution against planned targets, the CBROP provides valuable insights into the county’s fiscal discipline and operational effectiveness, forming a critical foundation for the development of the 2026/2027 budget and guiding future policy decisions. The County Budget Review and Outlook Paper (CBROP) will play a key role in shaping the development of the FY 2026/27 budget, which will detail the specific programmes and projects to be implemented over the medium term, as outlined in the County Integrated Development Plan (CIDP) 2023-2027.

II: REVIEW OF FISCAL PERFORMANCE FOR THE FY 2024/25

A. FY 2024/25 Fiscal Performance

The CFSP 2024 outlined the policy goals and priority development areas that informed the FY 2024/25 supplementary budget estimates. Table 1 below highlights the variances between the supplementary budget estimates and the CFSP projections for the year.

Table 1: Comparison between CFSP 2024/2025 and Approved Budget FY 2024/25

Item	Approved CFSP 2024/2025	Annual Targeted Revenue (Kshs.)	Variation	% Variance
Equitable Share of Revenue from National Government	5,421,731,176	5,797,241,692	375,510,516	6.5%
Loans and Grants	731,713,599	1,001,511,303	269,797,704	26.9%
Own Source Revenue and AiA	900,000,000	1,546,792,241	646,792,241	41.8%
Unspent Exchequer Funds for FY 2023/2024	0	187,997,315	187,997,315	100%
Total	**7,053,444,775**	**8,533,542,551**	**1,480,097,776**	**17%**

The Approved CFSP for FY 2024/25 projected total revenue at Kshs. 7,053,444,775, against a supplementary budget target of Kshs. 8,533,542,551. This reflects an upward variation of Kshs. 1,480,097,776.

Within the CFSP, revenue sources were broken down as follows:

- Equitable share from the National Government: Kshs. 5,421,731,176
- Loans and grants: Kshs. 731,713,599
- Own source revenue (including AiA): Kshs. 900,000,000

The supplementary budget revised these projections upward across several items. Notably, own source revenue including AiA increased to Kshs. 1,546,792,241, indicating significant growth expectations. In addition, the supplementary budget incorporated Kshs. 187,997,315 in unspent exchequer funds from FY 2023/24 as detailed in table 3 on revenue performance, which had not been captured in the CFSP projections.

Table 1: Detailed Revenue comparison between CFSP and Supplementary Budget Estimates

Revenue Stream	CFSP Ceilings 2024/25 (Kshs)	Annual Targeted Revenue (Kshs.)	Variance	% Variance
Equitable Share Of Revenue From National Government	5,421,731,176	5,797,241,692	375,510,516	6.93 %
Conditional Allocation for National Agricultural Value Chain Development Project(NAVCDP)	151,515,152	151,515,152	0	0%
DANIDA Grant To Finance Primary Health Care in Devolved Context	6,630,000	6,630,000	0	0%
Conditional Additional Allocation for Community Health Promoters	37,603,527	37,603,527	0	0%
Financing Locally Led Climate Action(FLLoCA)-County Climate Resilience Investment(CCRI) Grant	137,500,000	137,500,000	0	0%
Financing Locally Led Climate Action(FLLoCA)-County Climate Institutional Support (CCIS) Grant	0	11,000,000	11,000,000	100 %
Emergency Locust Response Project (ELRP)	104,600,000	104,600,000	0	0%
Aquaculture Business Development Project(ABDP)	10,237,551	10,237,551	0	0%
Kenya Devolution Support Programme II	37,500,000	37,500,000	0	0%
Kenya Urban Support Programme-Urban Institutional Grants	35,000,000	35,000,000	0	0%
Kenya Urban Support Programme- Urban Development Grants	0	52,595,562	52,595,562	100 %
Kenya Nutrition Support Grant	0	5,000,000	5,000,000	100 %
Unconditional Allocations to	0	2,142	2,142	100%

Revenue Stream	CFSP Ceilings 2024/25 (Kshs)	Annual Targeted Revenue (Kshs.)	Variance	% Variance
County Governments from Court Fines and Mineral Royalties				
Chinese Government Grant	0	2,700,000	2,700,000	100%
KCB VTC Scholarship Grant	0	12,500,000	12,500,000	100%
Conditional Grant for Aggregated Industrial Parks Programme	0	186,000,000	186,000,000	100 %
Conditional Additional Allocation For Maintenance of County Roads From the Road Maintenance Levy Fund(RMLF)	211,127,369	211,127,369	0	0%
FY 2023/24 Unspent Funds	0	187,997,315	187,997,315	100%
Local Sources	459,362,250	827,376,039	368,013,789	44%
Appropriations In Aid (AiA)-Ministerial-Other	440,637,750	243,367,303	-197,270,447	-81%
Appropriations In Aid (AiA)-Health (FIF)	0	476,048,899	476,048,899	100 %
Total revenue	**7,053,444,775**	**8,533,542,551**	**1,480,097,776**	**17%**

There was a total variation of Kshs. 1,480,097,776 in the revenue projections between the CFSP ceilings for FY 2024/25 and the targeted annual revenue. This variation mainly resulted from an increase in new grants and allocations such as the Aggregated Industrial Parks Programme (Kshs. 186 million), Appropriations in Aid from Health FIF (Kshs. 476 million), and unspent funds from FY 2023/24 (Kshs. 188 million), in addition to an improvement in local revenue sources by Kshs. 368 million. These gains were, however, partly offset by a reduction in ministerial AiA, by Kshs. 197 million. Overall, this represented a 21% variation from the projections in the CFSP ceilings for FY 2024/25.

REVENUE PERFORMANCE IN FY 2024/2025

The section discusses revenue performance for financial year 2024/2025. Table 3 shows the targeted revenue by revenue streams namely Equitable Share and Conditional Grants, local source revenue and Appropriations In Aid (AiA)- Ministerial. In also show the unspent balances that were brought forward

Table 2: Revenue Performance in FY 2024/25

Revenue Stream	Annual Targeted Revenue (Kshs.) A	Actual Revenue (Kshs.) B	Variance (Kshs.) C=B-A	% Variance
a) Equitable Share and Conditional Grants				
Equitable Share Of Revenue From National Government	5,369,896,832	5,369,897,176	344	100%
Equitable Share Of Revenue From National Government(FY 2023/2024 Unreleased June Exchequer allocation)	427,344,860	427,344,860	0	100%
Conditional Allocation for National Agricultural Value Chain Development Project(NAVCDP)	151,515,152	39,281,206	-112,233,946	26%
DANIDA Grant To Finance Primary Health Care in Devolved Context	6,630,000	5,635,500	-994,500	85%
Conditional Additional Allocation for Community Health Promoters	37,603,527	0	-37,603,527	0%
Financing Locally Led Climate Action(FLLoCA)- County Climate Resilience Investment(CCRI) Grant	137,500,000	9,804,145	-127,695,855	7%
Financing Locally Led Climate Action(FLLoCA)- County Climate Institutional Support (CCIS) Grant	11,000,000	11,000,000	0	100%
Emergency Locust Response Project (ELRP)	104,600,000	0	-104,600,000	0%
Aquaculture Business Development Project(ABDP)	10,237,551	0	-10,237,551	0%
Kenya Devolution Support Programme II	37,500,000	0	-37,500,000	0%
Kenya Urban Support Programme-Urban Institutional Grants	35,000,000	32,309,300	-2,690,700	92%
Kenya Urban Support Programme-Urban Development Grants	52,595,562	0	-52,595,562	0%
Kenya Nutrition Support Grant	5,000,000	0	-5,000,000	0%
Unconditional Allocations to County Governments from Court Fines and Mineral Royalties	2,142	0	-2,142	0%

Revenue Stream	Annual Targeted Revenue (Kshs.) A	Actual Revenue (Kshs.) B	Variance (Kshs.) C=B-A	% Variance
Chinese Government Grant	2,700,000	0	-2,700,000	0%
KCB VTC Scholarship Grant	12,500,000	0	-12,500,000	0%
Conditional Grant for Aggregated Industrial Parks Programme	186,000,000	186,000,000	0	100%
Conditional Additional Allocation For Maintenance of County Roads From the Road Maintenance Levy Fund(RMLF)	211,127,369	73,706,112	-137,421,257	35%
FY 2023/24 Unspent Funds-DANIDA Grant To Finance Primary Health Care in Devolved Context	7,854,000	7,854,000	0	100%
Conditional Grant and loans	**1,001,511,303**	**357,736,263**	**-643,775,040**	**36%**
FY 2023/24 Unspent Funds-Financing Locally Led Climate Action(FLLoCA)- County Climate Resilience Investment(CCRI) Grant	90,946,645	90,946,645	0	100%
FY 2023/24 Unspent Funds-Kenya Nutrition Support Grant	5,437,406	5,437,406	0	100%
FY 2023/24 Unspent Funds-Conditional Grant for Aggregated Industrial Parks Programme	64,000,000	64,000,000	0	100%
FY 2023/24 Unspent Funds-Unspent Exchequer Funds FY 2023/2024	34,954	34,954	0	100%
FY 2023/24 Unspent Funds-Youth Climate Action Fund Grant	19,724,310	19,724,310	0	100%
Sub-Total	**6,986,750,310**	**6,342,975,614**	**-643,774,696**	**91%**
b) Own Source Revenue and AiA				
Local Sources	827,376,039	399,241,664	-428,134,375	48%
Appropriations In Aid (AiA)-Ministerial-Other	243,367,303	985,050	-242,382,253	0%
Sub-Total	**1,070,743,342**	**400,226,714**	**-670,516,628**	**37%**
c) Health FIF				
Appropriations In Aid (AiA)-Health (FIF)	476,048,899	517,750,696	41,701,797	109%
Sub-Total	**476,048,899**	**517,750,696**	**41,701,797**	**109%**

Revenue Stream	Annual Targeted Revenue (Kshs.) A	Actual Revenue (Kshs.) B	Variance (Kshs.) C=B-A	% Variance
Total Revenue	**8,533,542,551**	**7,260,953,024**	**1,272,589,527**	**85%**

The actual total revenue received was Ksh 7,260,953,024, against a target of Ksh 8,533,542,551 representing an achievement of 85 percent. The total equitable share received equated to the targeted amount of Ksh 5,369,897,176 which resulted to 100% achievement.

On Conditional loans and grants out of the expected Ksh 1,001,511,303, only Ksh 357,736,263 was received creating a deficit of Ksh 643,775,040 representing 36% of the expected funds as illustrated in table 3 above. This greatly affected absorption rates.

Local revenue collection reached Ksh 400,226,714, against a target of Ksh 1,070,743,342, resulting in poor performance of 37 percent. This poor performance in local revenue collection can be attributed to negligible collection in Appropriations In Aid (AiA)-Ministerial (others) that achieved less than one percent of the target amount, however Appropriations In Aid (AiA)- Health (FIF) surpassed their target by 9 percent achieving Ksh 517,750,696 against a target of Ksh 476,048,899

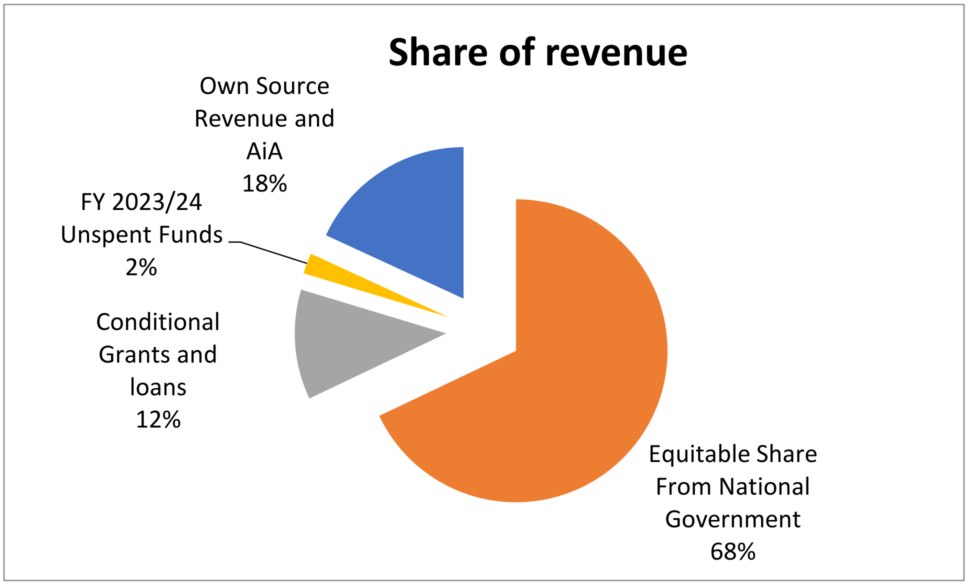
Table 4: Summary Revenue Performance in FY 2024/25

Revenue Stream	Annual Targeted Revenue (Kshs.) A	Actual Revenue (Kshs.) B	Variance (Kshs.) C=B-A	% Variance
Equitable Share From National Government	5,797,241,692	5,797,242,036	344	100%
Conditional Grants and loans	1,001,511,303	357,736,263	-643,775,040	36%
FY 2023/24 Unspent Funds	187,997,315	187,997,315	0	100%
Own Source Revenue and AiA	1,546,792,241	917,977,410	-628,814,831	59%
	8,533,542,551	7,260,953,024	-1,272,589,527	85%

- **Equitable Share from National Government**: Achieved **100%** of the target, with actual receipts slightly above projections.
- **Conditional Grants and Loans**: Fell significantly short, attaining only **36%** of the target leaving a large negative variance.
- **FY 2023/24 Unspent Funds**: were fully realized at **100%**.
- **Own Source Revenue & AiA**: Underperformed at 59% of the target, with a substantial shortfall.
- **Overall Performance**: Out of total targeted revenue of **Kshs. 8.53 billion**, actual revenue stood at **Kshs. 7.26 billion** representing **85% achievement**. In summary, the county relied heavily on the **equitable share**, while Conditional **grants and loans and own-source revenue** underperformed, creating a notable overall shortfall.

Visual representation of revenue streams

Figure 1: Revenue stream contribution to the resource basket FY 2024/25



Local Revenue Performance

The total local revenue collection for FY 2024/25 amounted to Kshs. 399.24 million against a target of Kshs. 827.38 million, representing an overall performance of 48 percent.

Table 5: Own Source revenue achievement against target

Revenue Source	**Projection FY.2024/2025**	**Achievement FY.2024/2025**	**Achievement Against Target**
Single business permit	218,551,360	119,974,512	55%
Stalls rent	20,173,972	7,723,111	38%
Market Fees	42,029,108	17,774,977	42%
Miraa Mkt. Fees	-	3,971,478	
Buspark	47,072,601	30,082,551	64%
Street Parking	33,623,286	19,249,565	57%
Cess	156,255,240	69,689,066	45%
Land Rates	50,434,929	14,995,910	30%
Subdivision	26,898,629	17,925,568	67%
Enforcement	8,405,822	681,020	8%
Building Plan	44,718,977	6,360,579	14%
Advert Fees	58,840,751	36,923,133	63%
Slaughter Hse Fees	3,026,096	1,243,880	41%
Misc.	-	76,300	-
Liqour	84,058,215	42,954,101	51%
Veterinary	10,086,986	3,131,189	31%
Weights	2,689,863	1,023,940	38%
Audit Fee	336,233	257,984	77%
House Rent	20,173,972	5,150,766	26%
Coffee Pulping	-	49,834	-
Cemetry		2,200	
Local Rev. Total	**827,376,039**	**399,241,664**	**48%**

Among the key revenue streams, Single Business Permits contributed the highest share at Kshs. 119.97 million representing a 55%, followed by Liquor Licenses at Kshs. 42.95 million representing a 51%, and Bus Park collections at Kshs. 30.08 million representing 64%. Particularly, Advert Fees and Subdivision recorded relatively stronger performances at 63 percent and 67 percent of their targets, respectively.

However, several streams significantly underperformed, including Building Plan Approvals 14 %, Enforcement 8%, and House Rent 26%. Land Rates, a traditionally strong source, also registered low performance at 30%, while Cess achieved only 45% of its target. New and minor revenue sources such as Miraa Market Fees, Coffee Pulping, and Cemetery collections recorded minimal yields. Overall, the underperformance across most revenue lines highlights persistent challenges in revenue mobilization, enforcement, and compliance, thereby constraining the county's capacity to meet its local revenue targets.

The total Appropriations-in-Aid (AiA) collections for FY 2024/25 amounted to Kshs. 917.98 million against a target of Kshs. 1.55 billion, representing an overall performance of 59 percent.

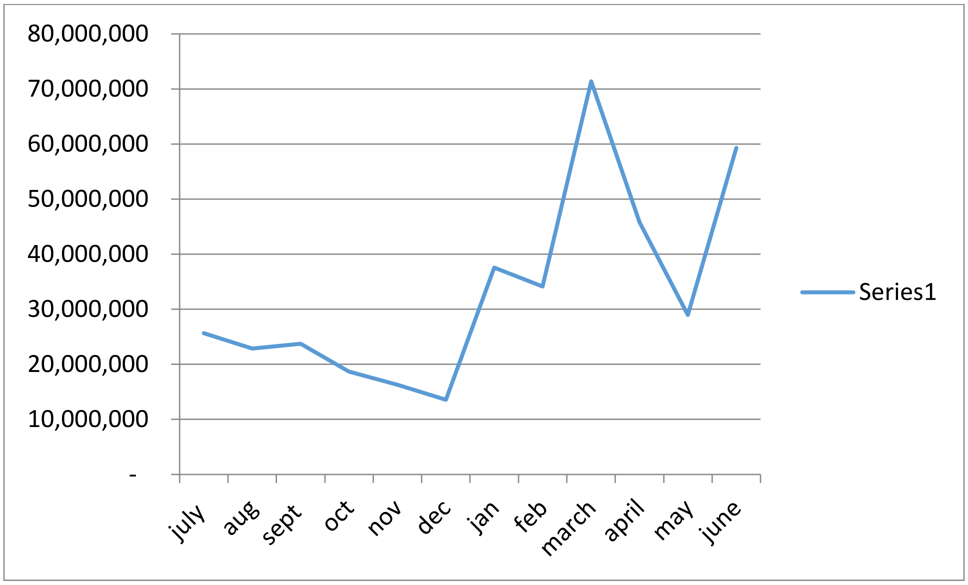
Table 6: Appropriation in aid achievement against target

Revenue Source	**Projection FY.2024/2025**	**Achievement FY.2024/2025**	**Achievement Against Target**
Youth Empowerment	50,701,521	658,050	1%
Gender	12,675,380	326,000	3%
Mwea National Park	50,701,521	-	0%
AMS	25,350,761	1,000	0%
Fisheries	2,535,076	-	0%
ECDE Approvals/Inspection	25,350,761	-	0%
Water and Irrigation	25,350,761	-	0%
Borehole drilling charges	50,701,521	-	0%
AIA – OTHERS	**243,367,303**	**985,050**	**0%**
Embu-Level 5	341,375,508	391,836,643	115%
Runyenjes Hospital	13,730,852	18,043,353	131%
Siakago Hospital	6,594,267	12,901,423	196%
Ishiara Hospital	12,117,060	15,029,905	124%
Kianjokoma Hospital	6,415,400	7,451,088	116%
Gategi Hospital	1,394,903	2,710,750	194%
Kiritiri Health Centre	4,463,691	7,434,273	167%
Level 3 Hospitals	23,516,005	17,754,053	75%
Level 2 Hospitals	46,477,218	24,157,379	52%
Public Health	19,964,004	20,431,829	102%
AiA Health (FIF) TOTALS	**476,048,908**	**517,750,696**	**109%**
GRAND TOTAL	**1,546,792,250**	**917,977,410**	**59%**

Most revenue streams underperformed, with Youth Empowerment 1%, Gender 3%, and several others such as Mwea National Park, AMS, Fisheries, ECDE approvals, Water and Irrigation, and Borehole drilling charges registering no collections. AiA-Others also posted minimal performance at 0 percent, with only Kshs. 985,050 realized against a target of Kshs. 243.37 million.

In contrast, the health sector recorded strong performance, with Siakago Hospital 196%, Gategi Hospital 194%, and Kiritiri Health Centre 167% exceeding their targets significantly. Other facilities such as Runyenjes Hospital 131%, Ishiara Hospital 124%, Kianjokoma Hospital 116%, and Embu Level 5 Hospital 115% also surpassed their targets. Public Health achieved 102%, while Level 3 and Level 2 Hospitals underperformed at 75% and 52%, respectively. Overall, the strong performance in health FIF collections 109% partly offset the weak results in other AiA categories, but the county still fell short of its aggregate target.

MONTH ON MONTH REVENUE CHART FY 2024/2025



The chart illustrates the county's monthly revenue collection trend, showing fluctuations across the financial year. Collections started moderately in July at around KSh 25 million, then gradually declined to the lowest point in December at about KSh 14 million. A sharp rise occurred in January, with revenues nearly doubling, and this upward trend continued to peak strongly in March at approximately KSh 71 million, the highest for the year. After March, collections dipped in April and May, before recovering significantly in June to about KSh 60 million.The total own source revenue was 397,987,986.

Comparison of CFSP and Approved Final Supplementary Budget Estimates

The Approved Budget for FY 2024/25 rose to Kshs. 8.53 billion, up from Kshs. 6.53 billion in the CFSP, reflecting a 31% increase. This growth was driven mainly by development spending, which expanded by 66%, compared to an 18% rise in recurrent expenditure.

Significant upward adjustments were recorded in infrastructure (Roads and Transport, +195%), health services (Embu Level 5 Hospital, +157%), Trade and Tourism (+173%), and Youth and Sports (+179%), signaling stronger focus on infrastructure, healthcare, economic growth, and social programs. Conversely, reductions were noted in Finance and Economic Planning (-23%), the County Assembly (-14%), and the County Public Service Board (-58%), reflecting cuts in development allocations.

Overall, the Approved Budget demonstrates a strategic reallocation of resources, prioritizing infrastructure, health, youth, and urban development, while moderating allocations to administrative and governance functions.

Table 7: Comparison of CFSP and Approved Budget Estimates for FY 2024/25

Portfolio	Recurrent Ceilings in Millions		% Variation	Development Ceilings in Millions		% Variation	Total Ceilings in Millions		% Variation
	Total CFSP Ceilings	Approved Budget		Total CFSP Ceilings	Approved Budget		CFSP Ceilings	Approved Budget	
Office of the Governor	240	292	-22%	20	20	0%	260	312	120%
Finance and Economic Planning	233	255	-10%	110	9	-92%	343	264	77%
Education, Vocational Training Centers	384	395	-3%	154	166	8%	538	561	104%
Health	1,842	1,871	26%	80	156	95%	1,922	2027	105%
Embu Level 5 Hospital	95	356	-301%	83	101	21%	178	457	257%
Roads, Public Works, Energy and Transport	38	77	-103%	291	895	207%	329	972	295%
Trade, Tourism, Investment, Industrial Development and Marketing	33	41	-25%	165	500	203%	198	541	273%
Agriculture, Blue Economy Livestock and Co-operative Development	231	275	-19%	220	224	2%	451	499	111%
Lands, Mining, Housing, Physical Planning and Urban Development	77	64	18%	50	126	152%	127	190	150%
Water, Irrigation, Environment ,Climate Change and Natural Resources	50	41	18%	52	134	158%	102	175	172%
Youth Empowerment and Sports, Gender, Children, Culture and Social Services	57	118	-106%	24	108	349%	81	226	279%
Administration ,Public Service , Devolution, Governance, ICT and GDU	772	1,004	-30%	10	2	-76%	782	1006	129%
County Public Service Board	36	36	0%	50	0	-100%	86	36	42%
County Assembly	681	745	-9%	200	14	-93%	881	759	86%

Portfolio	Recurrent Ceilings in Millions		% Variation	Development Ceilings in Millions		% Variation	Total Ceilings in Millions		% Variation
	Total CFSP Ceilings	Approved Budget		Total CFSP Ceilings	Approved Budget		CFSP Ceilings	Approved Budget	
Embu County Revenue Authority	15	35	-136%	0	31	100%	15	66	440%
Embu Municipal Board	52	70	-36%	10	71	613%	62	141	227%
Climate Change Unit	0	36	0%	178	264	49%	178	300	169%
Total	**4,835**	**5,712**	**118%**	**1,696**	**2,822**	**166%**	**6,531**	**8,534**	**131%**

The variance was due to changes in priorities along the way and also more funds were anticipated beyond the targeted funds in the Fiscal Strategy Paper example is climate change unit

The total approved supplementary expenditure for FY 2024/25 amounted to Kshs. 8,533.5 million, comprising Kshs. 5,711.8 million recurrent expenditure and Kshs. 2,821.7 million development expenditure. Actual expenditures stood at Kshs. 5,508.6 million for recurrent, representing an overall absorption rate of 96%, and Kshs. 1,631.3 million for development, reflecting a lower absorption rate of 58%.

Table 8: Expenditure under FY 2024/25 in Millions

Sector	Recurrent Expenditure			Development Expenditure		
	Gross Approved Supplementary Estimates FY 2024/25 (Kshs.) A	Actual Expenditure FY 2024/25 (Kshs.) B	Variance (Kshs.) C=A-B	Gross Approved Supplementary Estimates FY 2024/25 (Kshs.) A	Actual Expenditure FY 2024/25 (Kshs.) B	Variance (Kshs.) C=A-B
Office of Governor	292.2	284.2	97%	19.9	19.9	100%
County Public Service Board	35.9	34.4	96%	0.0	0.0	
Administration, Public Service, Devolution, Governance, ICT and GDU	1,004.3	950.4	95%	2.5	0.0	0%
County Assembly	745.1	745.1	100%	14.0	8.2	59%
Finance And Economic Planning	255.2	254.0	100%	9.1	9.0	100%
Trade, Tourism, Investment, Industrial Development and	40.6	37.0	91%	500.3	462.6	92%

Sector	Recurrent Expenditure			Development Expenditure		
	Gross Approved Supplementary Estimates FY 2024/25 (Kshs.) A	Actual Expenditure FY 2024/25 (Kshs.) B	Variance (Kshs.) C=A-B	Gross Approved Supplementary Estimates FY 2024/25 (Kshs.) A	Actual Expenditure FY 2024/25 (Kshs.) B	Variance (Kshs.) C=A-B
Marketing						
Agriculture, Livestock, Blue Economy and Co-Operative Development	275.5	243.1	88%	223.8	48.5	22%
Water Environment and Natural Resources	41.2	39.2	95%	134.3	92.2	69%
Health	1,871.3	1,746.9	93%	156.3	43.6	28%
Embu Level 5 and Referral Hospital	355.7	404.2	114%	100.5	57.9	58%
Roads, Public Works, Energy and Transport	76.6	62.7	82%	895.1	496.7	55%
Education, Science And Technology	395.1	388.3	98%	166.5	102.2	61%
Youth Empowerment, Sports, Gender, Culture, Children and Social Services	118.2	116.5	99%	107.7	56.2	52%
Lands, Physical Planning and Urban Development	63.5	62.9	99%	126.0	76.6	61%
Embu County Revenue Authority (ECRA)	35.4	33.7	95%	31.0	12.6	41%
Embu Municipal Board Headquarters	70.4	70.4	100%	71.3	27.4	38%
Financing Locally Led Climate Action Program	35.6	35.6	100%	263.6	117.6	45%
Total	**5,711.8**	**5,508.6**	**96%**	**2,821.7**	**1,631.3**	**58%**

Across the recurrent budget, most departments performed strongly in terms of absorption rates ranging between 91–100%, except for Agriculture 88% and Roads 82%.

On the development side, absorption was generally weak, with Agriculture 22%, Health 28%, and Roads 55% recording the lowest utilization of their approved allocations. A few sectors, however, demonstrated relatively better performance, such as Trade 92% and Finance and Economic Planning 100%. The poor performance in Agriculture, Health and Roads sectors was attributable to reduced exchequer releases of budgeted conditional grants and loans affecting implementation of development projects

Overall, the county achieved near-full utilization of its recurrent resources, but significant underperformance was observed in development expenditure, highlighting persistent challenges in project implementation, and conditional grant absorption.

Assumption

All funds collected under FIF (Health) were utilized as shown in table 9 that;

- ✓ All funds collected under FIF (health) except level 5 were spent at source
- ✓ Of all the funds collected by Level 5, 3 percent went to support other health activities

Table 9: Expenditure analysis of FiF in Health

	Target FiF	Budget Allocation	Achieved	Expenditure
Health	134,673,400	146,248,899	125,914,053	137,669,152
Level 5	340,000,000	329,800,000	391,836,643	380,081,544
	474,673,400	476,048,899	517,750,696	517,750,696

Pending Bills

The County Government remains committed to maintaining debt owed to suppliers at sustainable levels in accordance with Section 123 of the PFM Act. During the period under review, the County accumulated pending bills totaling Ksh 1,746,909,550. This total comprised Ksh 822,724,897 for recurrent pending bills and Ksh 926,322,002 for development pending bills.

In the fiscal year 2024/25, pending bills amounting to Ksh 1,028 million were settled, with Ksh 681 million coming from recurrent expenditure and Ksh 345.7 million from development expenditure. The settlement status of eligible pending bills for FY 2024/25 is detailed in Table below.

Table 10: Settlement Status of Eligible Pending Bills in FY 2024/25

Department	Vote	Outstanding Pending Bills Amount as of 30th June 2024 (Kshs.)	Settled Pending Bills in FY 2024/2025 (Kshs.)	Pending Bills Incurred in the FY 2024/2025 (Kshs.)	Outstanding Pending Bill Amount as of 30th June 2025 (Kshs.)
		A	B	C	D=A-B+C
Office of Governor	Recurrent	40,740,594	3,432,786	-	37,307,808
	Development	4,378,362	4,378,362	-	-
	Total	**45,118,956**	**7,811,148**	**-**	**37,307,808**
County Public Service Board	Recurrent	237,800	-	-	237,800
	Development	-	-	-	-
	Total	**237,800**	**-**	**-**	**237,800**
Administration, Public Service, Devolution, Governance, ICT and GDU	Staff Emolument	451,675,008	451,306,361	119,644,457	120,013,104
	Recurrent	34,084,188	-	-	34,084,188
	Development	23,254,821	23,254,821	449,848	449,848
	Total	**509,014,016**	**474,561,182**	**120,094,305**	**154,547,139**
Finance & Economic Planning	Recurrent	102,694,596	43,838,464	-	58,856,132
	Development	-	-	-	-
	Total	**102,694,596**	**43,838,464**	**-**	**58,856,132**
Trade, Tourism, Investment, Industrial Development and Marketing	Recurrent	7,573,663	-	-	7,573,663
	Development	51,582,495	-	4,732,177	56,314,672
	Total	**59,156,158**	**-**	**4,732,177**	**63,888,335**
Agriculture, Livestock, Blue Economy and Co-operative Development	Recurrent	6,886,972	150,000	-	6,736,972
	Development	7,644,334	2,147,030	-	5,497,304
	Total	**14,531,306**	**2,297,030**	**-**	**12,234,276**
Water, Irrigation, Environment, Climate Change and Natural Resources	Recurrent	3,913,869	-	-	3,913,869
	Development	59,826,331	14,619,490	8,210,669	53,417,510
	Total	**63,740,201**	**14,619,490**	**8,210,669**	**57,331,379**
Health	Recurrent	172,637,349	85,496,507	73,249,045	160,389,887
	Development	88,556,049	38,487,238	22,037,491	72,106,303
	Total	**261,193,398**	**123,983,745**	**95,286,536**	**232,496,189**
Embu Level 5 Hospital	Recurrent	384,681,654	93,223,190	-	291,458,464
	Development	98,048,836	56,462,188	28,792,707	70,379,354
	Total	**482,730,489**	**149,685,378**	**28,792,707**	**361,837,818**
Roads, Public Works, Energy and Transport	Recurrent	10,581,915	2,844,620	64,906,492	72,643,787
	Development	522,532,163	167,007,931	64,906,492	420,430,724
	Total	**533,114,078**	**169,852,551**	**129,812,983**	**493,074,511**
Education and Vocational Training Centres	Recurrent	10,500,114	-	-	10,500,114
	Development	43,430,637	5,981,314	24,699,568	62,148,891
	Total	**53,930,751**	**5,981,314**	**24,699,568**	**72,649,005**
Youth Empowerment &	Recurrent	3,276,898	995,670	-	2,281,228
	Development	10,673,321	3,497,040	21,765,244	28,941,525

Department	Vote	Outstanding Pending Bills Amount as of 30th June 2024 (Kshs.)	Settled Pending Bills in FY 2024/2025 (Kshs.)	Pending Bills Incurred in the FY 2024/2025 (Kshs.)	Outstanding Pending Bill Amount as of 30th June 2025 (Kshs.)
		A	B	C	D=A-B+C
Sports, Gender, Culture, Children & Social Services	**Total**	**13,950,219**	**4,492,710**	**21,765,244**	**31,222,753**
Lands, Mining, Housing, Physical Planning and Urban Development	Recurrent	8,351,452	-	-	8,351,452
	Development	156,693,621	26,569,604	18,874,782	148,998,799
	Total	**165,045,073**	**26,569,604**	**18,874,782**	**157,350,251**
Embu County Revenue Authority	Recurrent	8,376,428	-	-	8,376,428
	Development	-	-	5,499,724	5,499,724
	Total	**8,376,428**	**-**	**5,499,724**	**13,876,152**
Embu Municipal Board	Recurrent	-	-	-	-
	Development	-	-	-	-
	Total	**-**	**-**	**-**	**-**
Climate Change Unit	Recurrent	-	-	-	-
	Development	-	-	-	-
TOTAL RECURRENT		**1,246,212,500**	**681,287,597**	**257,799,994**	**822,724,897**
TOTAL DEVELOPMENT		**1,072,132,104**	**345,778,803**	**199,968,701**	**926,322,002**
GRAND TOTAL		**2,317,211,832**	**1,028,070,977**	**457,768,695**	**1,746,909,550**

The county will continue encouraging fiscal discipline across all departments to avoid accumulation of pending bills. Further, The County has revised the revenue targets to realistic figures to help address the recurring revenue gap that has resulted to pending bills.

B. County Governments' Compliance with Fiscal Responsibility Principles

In accordance with the Public Finance Management Act of 2012 and the Public Finance Management Regulations of 2015, and in the spirit of prudent and transparent management of public resources, the County Government has adhered to the fiscal responsibility principles to a considerable extent, as outlined below.

Recurrent Expenditure as a percentage of Total Revenue

The PFM Act of 2012 stipulates that a County Government's recurrent expenditure must not exceed seventy percent of its total its total revenue. In the fiscal year 2024/25, the total recurrent expenditure was Ksh 5,711.8 million, while the total revenue available amounted to Ksh 8,533.5 million, representing 67 percent of the total revenue. This indicates that the total recurrent expenditure remained within the thresholds established by the Public Finance Management Act.

Development Budget as a Percentage of the Total Budget

The Public Finance Management Act, 2012 under Section 107(b) mandates that a minimum of 30 percent of each County Government's budget be allocated to development expenditure over the medium term. In the approved supplementary budget for FY 2024/25, the total budget amounted to Ksh 8,533.5 million, with Ksh 5,711.8 million allocated to recurrent expenditure and Ksh 2,821.7 million designated for development expenditure. This allocation for development expenditure represents 33 percent of the overall budget. Thus, it conforms to Section 107(2)(b) of the PFM Act, 2012, which stipulates that at least 30 percent of the budget must be allocated to development expenditures.

Expenditure on Personnel Emoluments

The Public Finance Management (County Government) Regulations, 2015 stipulate that expenditure on wages and benefits for public officers shall not exceed 35 percent of total revenues. In the fiscal year 2024/2025, total expenditure on emoluments amounted to Ksh 3,688.1 million against total revenue of Ksh 8,533.5 million. This translates to 43 percent of the overall budget allocation, indicating that the county has not adhered to this fiscal responsibility principle.

The substantial wage bill is attributed to factors beyond the county government’s control. Notably, the current revenue distribution formula does not account for inherited non-discretionary devolved costs. Additionally, the county has moved from wage bill of 49.2 percent in FY2023/2024 to 43 percent in FY 2024/2025 which is an improvement towards achieving PMFA regulations.

III. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

A. World Economic Outlook

Global economic growth is projected at 3.0 percent for 2025 and 3.1 percent in 2026. The forecast for 2025 is 0.2 percentage point higher than that in the reference forecast of the April 2025 World Economic Outlook (WEO) and 0.1 percentage point higher for 2026. This reflects the positive impact of further easing of monetary policy as inflationary pressures subside, stronger domestic demand in emerging markets and developing economies and a gradual recovery in global trade. This modest improvement is expected to offset the effects of a slowdown in advanced economies, where tighter financial conditions and demographic headwinds continue to weigh on growth. Overall, the outlook suggests a cautiously optimistic rebound, though risks from geopolitical tensions, debt vulnerabilities and climate-related shocks remain significant.

Global inflation is expected to fall to 4.2 percent in 2025 and 3.6 percent in 2026. The overall picture hides notable cross-country differences, with forecasts predicting that inflation will remain above target in the United States and be more subdued in other large economies.

Risks to the outlook are tilted to the downside. A rebound in effective tariff rates could lead to weaker growth. Elevated uncertainty could start weighing more heavily on activity, also as deadlines for additional tariffs expire without progress on substantial, permanent agreements. Geopolitical tensions could disrupt global supply chains and push commodity prices up. Larger fiscal deficits or increased risk aversion could raise long-term interest rates and tighten global financial conditions. Combined with fragmentation concerns, this could reignite volatility in financial markets.

On the upside, global growth could be lifted if trade negotiations lead to a predictable framework and to a decline in tariffs. Policies need to bring confidence, predictability and sustainability by calming tensions, preserving price and financial stability, restoring fiscal buffers and implementing much-needed structural reforms.

In advanced economies, growth will remain modest at 1.5 percent in 2025 and 1.6 percent in 2026. Growth in the USA is projected to expand by 1.9 percent in 2025 and 2.0 percent in 2026, supported by resilient consumption and an expected easing of financial conditions, while the Euro Area is forecast to grow by 1.0 percent in 2025 and 1.2 percent in 2026, reflecting gains from lower inflation and improving real incomes but constrained by structural and geopolitical challenges.

B. Regional Economic Output

Emerging Markets and Developing Economies are projected to grow moderately at 4.1 percent in 2025 and 4.0 percent in 2026. This growth is supported by stronger performance in South Asia and Sub-Saharan Africa, steady growth in Middle East and Central Asia, but slower momentum in China and Latin America. At the regional level, Sub-Saharan Africa is projected to grow steadily at 4.0 percent in 2025 and improve to 4.3 percent in 2026, reflecting gradual recovery across the region. The growth is supported by robust growth in non-resource-rich countries, increased private consumption, improving investments and a decline in inflation. However, the outlook remains constrained by high debt levels, climate vulnerabilities, external risks from global trade tensions, commodity price fluctuations and structural constraints.

C. Kenya Economic Outlook

Recent macroeconomic and financial developments

Kenya's economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. This strength is rooted in deliberate policies and the benefits of a diversified economy. The economy has thus been able to withstand adverse impacts of domestic and external shocks. In 2024, the economy grew by 4.7 percent supported by positive growths in all sub-sectors except construction, mining and quarrying. Further, in the first quarter of 2025, the economy remained strong with a growth of 4.9 percent. This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector and the resilience of services sector.

The primary sector grew by 6.2 percent in the first quarter of 2025 compared to a growth of 4.5 percent in the first quarter of 2024. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector and a recovery in the mining and quarrying sub-sector.

In the first quarter of 2025, the industry sector recorded a growth of 2.6 percent, improving from 1.5 percent in the same quarter of 2024. This growth was driven by improved performance across manufacturing, electricity and water supply, and construction.

The manufacturing sub-sector grew by 2.1 percent in the first quarter of 2025 compared to a growth of 1.9 percent in the first quarter of 2024. This growth was supported by both food and non-food manufacturing activities. In food manufacturing, the sub-sector benefitted from strong increases in coffee auctions, milk deliveries, sugar production, and soft drinks output. Non-food manufacturing also performed well, with increased production in cement and galvanized sheets.

The services sector recorded a growth of 4.8 percent in the first quarter of 2025, a slowdown from the 6.8 percent growth posted in the corresponding quarter of 2024. The transportation and storage sub-sector expanded by 3.8 percent, slightly lower than the 4.1 percent growth in the first quarter of 2024, supported by increased land transport and port activities. Accommodation and food service sub-sectors grew by 4.1 percent in the first quarter of 2025, a slowdown, compared to a growth of 38.1 percent in the first quarter of 2024. The number of visitor arrivals via the two major airports, the Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) increased by 0.5 percent in the first quarter of 2025 compared to a 10.4 percent growth in the first quarter of 2024

Inflation

Overall year-on-year inflation declined and has remained below the mid-point of the policy target range of 5.0 ± 2.5 percent since June 2024. The year-on-year inflation was stable at 4.5 percent in August 2025 compared to 4.4 percent in August 2024. The stable inflation has been supported by: abundant supply of food attributed to favorable weather

conditions coupled with government interventions; lower fuel inflation attributed to the stability of the exchange rate; lower international oil prices; and the decline in non-core inflation reflecting impact of previous monetary policy tightening

Monetary policy management

Kenya's GDP is projected to grow by 5.3 percent in 2025 and to sustain this growth rate over the medium term, largely driven by enhanced agricultural productivity, a resilient services sector, and ongoing implementation of priorities under BETA. Favorable weather conditions are anticipated to boost agricultural productivity while inflation is expected to be maintained within the target range of 5±2.5 percent. Interest rates are expected to continue declining in 2025 in line with the monetary policy stance and remain stable over the medium term to enhance credit to the private sector and support economic activities. Moreover, exchange rate is expected to remain stable.

D. Embu County Economic Outlook

The County's development agenda over the medium term is closely aligned with Kenya's Vision 2030, the Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium-Term Plan (MTP IV), County Integrated Development Plan (CIDP) and various regional and international commitments. Consequently, national and global economic trends have a direct influence on the County's performance. Monitoring these developments is therefore essential to ensure timely and informed adjustments to local policies and programs.

Economic and financial stability at the national level directly affects county operations. Both internal and external shocks can disrupt expenditure patterns, influence revenue flows and shape the overall economic direction. Recognizing this interconnection enables the County Government to anticipate potential challenges, strengthen fiscal resilience and adopt adaptive financial strategies.

Embu County's economy is showing steady growth driven by agricultural transformation, infrastructure modernization, and emerging industrial activities. The County's strategic development focus is on strengthening its economic base through value addition, improved governance and inclusive growth. Over the medium term, economic performance is expected to remain positive supported by favorable fiscal reforms, private sector investment and improved service delivery.

Agriculture remains the cornerstone of the County's economy employing approximately 70% of residents with about 87.9% of households engaged in farming. Efforts are increasingly focused on value addition and diversification into high-value crops such as avocado, macadamia, mangoes, honey and dairy products. There is also growing interest in livestock, poultry and apiculture as alternative income sources. Favorable weather conditions coupled with the supply of subsidized fertilizers and assorted certified seeds by the County Government have significantly boosted productivity resulting in bumper harvests and improved household food security. The ongoing construction and expansion irrigation projects such as Kagaari Kyeni Gaturi, Kanyuambora and Itabua Muthatari will further boost agricultural productivity and support horticulture and fodder production.

Private sector participation is on the rise, exemplified by the construction of an avocado processing plant that is expected to generate new employment opportunities and attract new businesses in its vicinity. Additional investments in quarrying, metal roofing, macadamia processing and dairy industries are further expanding job opportunities and enhancing the

County’s industrial base. The emphasis on value addition continues to improve market access for farmers and increase their incomes.

There is significant progress being made in infrastructure and industrial development. The nearly completed County Aggregation and Industrial Park (CAIP) in Machang’a, Mbeere South is expected to generate about 10,000 direct and indirect jobs. Modern markets in Embu Town, Kithimu, Manyatta, and Runyenjes together with road upgrades, electrification will lead to improved market accessibility thus driving inclusive economic growth and improving livelihoods across the County.

The health sector is also undergoing transformation through the implementation of the Facility Implementation Fund (FIF), which enhances the collection, management and utilization of health revenues. Granting financial autonomy to health facilities ensures improved access to funds thereby strengthening the delivery of quality healthcare services.

Embu County is at a pivotal stage of economic transformation with sound governance, strategic investment in agriculture and industry as well as strong collaboration between the public and private sectors positioning it to become a regional hub for agro-processing, trade and innovation. Sustaining this progress will require continued commitment to climate resilience, youth empowerment and prudent fiscal management to ensure long-term growth and improved livelihoods for all residents.

E. Risks to Fiscal Outlook

Kenya's economic outlook is subject to several downside risks that could hinder growth and macroeconomic stability.

Extreme weather events: could pose a serious threat to agricultural performance. Disruptions in food production due to droughts and floods could lead to higher food prices, exacerbating inflation and straining household incomes. Additionally, climate-related damage to infrastructure could disrupt economic activities and increase Government expenditure on disaster response and reconstruction.

Inflation: The rise in costs of fuel and food imports, driven by supply constraints or geopolitical instability, could put upward pressure on inflation, eroding household purchasing power and increasing the cost of doing business.

Revenue Collection Shortfalls: Underperformance in tax administration and compliance may result in lower-than-projected revenues. Delays in implementing revenue-enhancing reforms and broadening the tax base could widen fiscal deficits.

Expenditure Pressures: Rising wage bill, pensions, and interest payments continue to crowd out development spending. Emerging expenditure needs (e.g., drought response, climate change adaptation, security operations, and healthcare emergencies) may create unplanned fiscal pressures.

Fiscal Decentralization Risks: Rising transfers to counties amid limited fiscal space may generate tensions in resource allocation. Weak absorption capacity and accountability challenges at county level may reduce the efficiency of spending.

Political and Governance Risks: Policy reversals, delays in implementing fiscal consolidation measures, and election-related spending pressures could undermine fiscal discipline. Governance and corruption risks may affect resource utilization and investor confidence.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2025/26 Budget

The implementation of the FY 2025/26 Budget is already underway. The total revenue target for the year is KSh 8,990 million, of which 69.3 percent, equivalent to KSh 6,077 million and unspent exchequer balance of Ksh 150M which will be sourced from the equitable share of revenue raised nationally. Own source revenue comprising of ordinary revenue and appropriations-in-aid is projected to contribute KSh 1,364 million (15.2 percent) while the remaining KSh 1,398 million relates to conditional grants based on the County Government Additional Allocations.

The MTEF for FY 2025/26 underscores the importance of prudent public expenditure and enhanced revenue mobilization to stimulate sustained economic growth. Expanding the local revenue base remains a key priority, with deliberate measures aimed at strengthening revenue collection. Looking ahead, the local revenue is expected to record improved performance.

Notwithstanding the positive outlook, expenditure pressures especially recurrent related expenditure poses notable fiscal risks. The rising wage bill demands continue to constrain the pool of resources available for development projects. Furthermore, challenges persist in the pace of budget execution within spending units and county departments especially development expenditure performance. These risks will be closely monitored with the County Treasury undertaking the necessary adjustments through supplementary budgets where appropriate.

B. Fiscal Policy for FY 2026/27 and Medium-Term Budget

The County Government will maintain its policy of prioritizing expenditures to support economic recovery and advance transformative development agenda. This agenda focuses on delivering essential services, creating job opportunities, enhancing the overall welfare of residents, and ensuring equity while reducing costs by eliminating duplication and inefficiencies. Achieving these objectives will impact the budget ceilings.

The finance and economic planning sector of the County Government will maintain a transparent and accountable framework for managing public resources while closely monitoring the implementation of the County Integrated Development Plan (CIDP) 2023-2027. To enhance revenue performance the County has acquired and operationalized a new revenue management system.

The education sector will prioritize the construction of new ECDE classrooms, the establishment of kitchens in ECDE centers and the renovation of existing facilities. The resources will also be directed towards building modern sanitation facilities to improve the health, safety and security of children. The Vocational Training Centers (VTCs) will have the existing infrastructure modernized through construction dormitories and workshops to strengthen the capacity and quality of training.

The health sector will enhance access to affordable, high-quality preventive, curative and rehabilitative health care services. The key interventions will include provision of adequate medical supplies, specialized equipment and machinery and construction as well as renovation of existing infrastructure.

The Roads, Transport, Energy and Public Works sector will prioritize the upgrading of the county road network by transforming earth and gravel roads into all weather conditions, opening feeder roads and constructing bridges and drifts. The routine maintenance of existing roads will continue to ensure accessibility. In addition, the sector is committed to promoting sustainable energy solutions by adopting modern technologies.

The Trade, Investment, Tourism, Industrial Development and Marketing will foster a conducive business environment through targeted interventions such as construction of markets as well as provision and maintenance of proper hygiene, waste management and sanitation facilities within markets. The Investment promotion interventions will include construction of a banana aggregation centre and convening an investor conference.

The Agriculture, Livestock, Blue Economy and Cooperative Development sector will seek to strengthen cooperative development to empower farmers in value addition and market access thereby boosting food production and improving nutrition security. The major priorities include provision of subsidized fertilizer, overhaul of plant And machinery at the Agricultural Mechanization Services (AMS), purchase of certified seeds and support for value addition initiatives to enhance resilience and livelihoods.

The Lands, Mining, Housing, Physical Planning and Urban Development sector will enhance spatial planning through the development of a comprehensive County Spatial Plan seeking to promote structured growth while enhancing revenue mobilization. Further, the County will seek to complete the Siakago Main Bus Park, Smart Markets and rehabilitation of existing Government houses.

The Water, Irrigation, Environment, Climate Change, and Natural Resources sector will ensure the sustainable provision of adequate, reliable, affordable and high-quality water services. In the environment and natural resource management space, efforts will focus on maintaining a clean, healthy and sustainable ecosystem, alongside implementing measures to address climate change.

The Youth Empowerment, Sports, Gender, Culture, and Social Services sector will seek to promote talent development and enhance competitiveness in sports and the creative industry. The youth empowerment strategies will be designed to stimulate economic growth and address socio-economic challenges. Special focus will also be given to upholding the dignity and welfare of persons with disabilities and the elderly through training, networking and community-based programs. Cultural promotion will also remain a priority to preserve and celebrate local heritage.

C. Fiscal Revenue projections

The overall revenues for FY 2025/26 are projected at Ksh. 8,990 million which comprises of equitable share of revenue raised nationally, conditional grants and loans from National Government and other development partners and Own Source Revenue. The Own Source Revenue will be raised through levies, permits, rents, service charge and rates.

The 2025/26 budget target for revenue collection is expected to be Ksh. 1,364 million which is projected to increase to Ksh. 1,501 million in FY 2026/2027 which represents a 10 percent increase. Over the medium term, the local revenues are projected to increase to Ksh. 1,651 million FY 2027/28 and Ksh. 1,816 million in FY 2028/29. The projections are based on a 10 percent increment. Table 9 provides a breakdown of the various revenue streams and their expected targets over the medium-term period.

Table 11: Projected Revenues FY 2026/27-2028/29 MTEF period

DESCRIPTION OF REVENUE ITEM	2025/2026	2026/2027	2027/2028	2028/2029
Equitable Share Of Revenue From National Government	6,227,550,797	6,685,185,839	6,850,305,877	7,353,704,423
Conditional Allocation for National Agricultural Value Chain Development Project(NAVCDP)	231,250,000	231,250,000	231,250,000	231,250,000
DANIDA Grant To Finance Primary Health Care in Devolved Context	24,474,000	6,930,000	6,930,000	6,930,000
Conditional Additional Allocation For the Basic Salary Arrears For County Government Health Workers	32,801,231	0	0	0
Conditional Additional Allocation for Community Health Promoters	60,300,000	46,890,000	46,890,000	46,890,000
Financing Locally Led Climate Action(FLLoCA)-County Climate Resilience Investment(CCRI) Grant	235,541,470	137,500,000	137,500,000	137,500,000
Aquaculture Business Development Project(ABDP)	10,020,000	10,020,000	10,020,000	10,020,000
Second Kenya Devolution Support Programme (KDSP II)- Level 1 Grant	75,000,000	37,500,000	37,500,000	37,500,000
Second Kenya Devolution Support Programme(KDSP II) - Level 2 Grant	352,500,000	352,500,000	352,500,000	352,500,000
Kenya Urban Support Programme-Urban Institutional Grants	35,000,000	35,000,000	35,000,000	35,000,000
Kenya Urban Support Programme- Urban Development Grants	105,191,124	52,595,562	52,595,562	52,595,562
Local Sources	712,487,161	783,735,877	862,109,465	948,320,411
Appropriations In Aid (AiA)- Ministerial-Other	52,000,000	57,200,000	62,920,000	69,212,000
Appropriations In Aid (AiA)-Health-Facility Improvement Fund (FIF)	600,000,000	660,000,000	726,000,000	798,600,000

DESCRIPTION OF REVENUE ITEM	2025/2026	2026/2027	2027/2028	2028/2029
Unconditional Allocations To County Governments From Court Fines And Mineral Royalties	2,142	2,142	2,142	2,142
Kenya Commercial Bank Vocational Training Centre Scholarship Grant	20,000,000	20,000,000	20,000,000	20,000,000
Conditional Allocation For Kenya Nutrition Support Grant	5,000,000	10,000,000	10,000,000	10,000,000
Conditional Additional Allocation For Maintenance Of County Roads From The Road Maintenance Levy Fund (RMLF)	211,127,369	211,127,369	211,127,369	211,127,369
TOTAL	**8,990,245,294**	**9,337,436,789**	**9,652,650,415**	**10,321,151,907**

In the FY 2025/26, The County is expected to collect Ksh. 1,364 million as local revenue comprising of Ordinary local revenue and appropriation in Aid. This is projected to increase by 10 percent annually over the medium term.

Table 12: Summary of Local Revenue Collection

Revenue Streams	Approved Budget	Projections		
	2025/2026	**2026/2027**	**2027/2028**	**2028/2029**
Local Sources	712,487,161	783,735,877	862,109,465	948,320,411
Appropriations In Aid (AiA)- Ministerial-Other	52,000,000	57,200,000	62,920,000	69,212,000
Appropriations In Aid (AiA)-Health-Facility Improvement Fund (FIF)	600,000,000	660,000,000	726,000,000	798,600,000
Total Revenue	**1,364,487,161**	**1,500,935,877**	**1,651,029,465**	**1,816,132,411**

Given the limited resources and the many competing needs, the County recognizes the importance of engaging diverse stakeholders to address the challenges it faces. Accordingly, the County intends to pursue the following strategies:

- Strengthen partnerships and collaborations with key stakeholders to mobilize additional resources for enhanced development outcomes.
- Enhance the capacity of the County revenue mobilization unit by adopting modern technologies, training staff to improve efficiency in revenue collection.
- Promote community participation and ownership of development initiatives through structured forums to ensure inclusivity and sustainability.
- Leverage technology and innovation by investing in digital platforms for service delivery, and data-driven decision-making to maximize efficiency and transparency.
- Strengthen financial management and accountability systems to build confidence among stakeholders and attract more investment.

Conditional allocations, Loans & Grants

The county government will enhance its engagement with development partners and the National Government to fund specific County Government development initiatives through loans and grants.

D. Expenditure Forecasts

Expenditure Projections in FY 2025/2026 budget

The overall expenditure for FY 2025/26 amounts to Ksh 8,990 million comprising of development expenditure at Ksh 3,317 million (36.9 percent) and recurrent expenditure at Ksh 5,673 million (63.1percent). The recurrent expenditure comprises of remuneration of Kshs 3,738 million (41.58 percent) and operations & maintenance of Kshs 1,934 million (21.52 percent).

Table 13: Projected expenditures FY 2026/27-2028/29 MTEF period

Economic classification	**2025/2026**	**2026/2027**	**2027/2028**	**2028/2029**
Personal Emoluments	3,738,396,501	3,887,932,361	4,043,449,655	4,205,187,642
Operation and Maintenance	1,934,723,742	1,800,666,872	1,595,479,447	1,700,870,823
Total Recurrent	**5,673,120,243**	**5,688,599,233**	**5,638,929,103**	**5,906,058,465**
Development	3,317,125,051	3,648,837,556	4,013,721,312	4,415,093,443
Total Expenditure	**8,990,245,294**	**9,337,436,789**	**9,652,650,415**	**10,321,151,907**
Development Index	36.90%	39.08%	41.58%	42.78%
Emoluments Index	41.58%	41.64%	41.89%	40.74%
Operation and Maintenance Index	21.52%	19.28%	16.53%	16.48%

The total expenditure is projected to rise from 8,990 million in FY 2025/26 to Ksh 10,321 million by 2028/29. This growth reflects the county’s commitment to sustaining service delivery while progressively scaling up investments in development.

Recurrent expenditure, which includes personal emoluments and operation and maintenance, remains the largest spending component; though its share gradually reduces in favor of development. Personnel emoluments are projected to rise from Ksh 3,738 million in 2025/26 to Ksh 4,205 million in 2028/29, reflecting adjustments for salaries and benefits. In contrast, operation and maintenance costs are expected to slightly decline in the medium term from Ksh 1,934 million in 2025/26 to Ksh 1,700 million in 2028/29.

Development expenditure shows the most significant growth, rising from Ksh 3,317 million in 2025/26 to Ksh 4,415 million in 2028/29. This steady increase demonstrates the government’s focus on transformative projects, infrastructure and long-term growth initiatives.

The Development Index which is a measure of the share of development spending against total expenditure improves from 36.9% in 2025/26 to 42.8% in 2028/29 thus confirming the shift toward greater development investment. Meanwhile, the Emoluments Index remains relatively stable averaging around 41%, while the Operation and Maintenance Index declines from 21.5% to 16.5%, reflecting the reduced proportion of resources allocated to running costs.

Overall, the expenditure projections illustrate a balanced fiscal strategy by maintaining essential recurrent obligations while progressively expanding development allocations to drive inclusive growth and sustainable service delivery.

Sector indicative ceilings

The County Government will continue with its policy of expenditure prioritization with a view to achieving the transformative development agenda which is anchored on provision of core services. This will minimize costs through the elimination of duplication, inefficiencies, and improving the general welfare of the people. Realization of these objectives will have implications in the budget ceilings to be provided in this Budget Review and Outlook Paper.

The following criteria will serve as a guide for allocating resources:

a) Completion of the ongoing projects
b) Completion of stalled projects
c) Linkage of the Programme with the objectives of CIDP and ADP
d) Pending bills

Table 14: Indicative Sector Ceilings for MTEF period FY 2026/27 – FY 2028/2029

Portfolio	**Approved Budget**	**Projections**		
	2025/2026	**2026/2027**	**2027/2028**	**2028/2029**
Office of The Governor	302,482,495	314,163,973	324,769,535	347,261,691
Finance and Economic Planning	289,119,455	300,284,870	310,421,900	331,920,400
Education, Vocational Training Centers	639,833,787	664,543,330	686,977,014	734,554,119
Health	2,370,505,911	2,462,051,744	2,545,165,801	2,721,433,154
Roads, Transport, Energy and Public Works	964,245,767	1,001,483,675	1,035,291,808	1,106,991,713
Trade, Tourism, Investment, Industrial Development And Marketing	206,974,833	214,967,930	222,224,827	237,615,173
Agriculture, Livestock, Blue Economy And Cooperative Development	484,639,564	503,355,709	520,348,014	556,385,104
Lands, Mining Housing, Physical Planning and Urban Development	157,791,155	163,884,843	169,417,275	181,150,394
Water, Irrigation, Environment, Climate Change And Natural Resources	142,360,214	147,857,979	152,849,375	163,435,073
Youth Empowerment And Sports, Gender, Culture, Children And Social Services	332,130,454	344,956,897	356,601,968	381,298,703

Portfolio	Approved Budget	Projections		
	2025/2026	2026/2027	2027/2028	2028/2029
Administration, Public Service, Devolution, Governance, ICT and GDU	1,286,570,341	1,336,256,002	1,381,365,394	1,477,032,883
County Public Service Board	38,562,033	40,051,248	41,403,300	44,270,716
County Assembly	693,997,909	720,799,199	745,131,972	796,736,642
Embu Level 5 Hospital	509,348,244	529,018,606	546,877,241	584,751,631
Embu County Revenue Authority	65,915,985	68,461,574	70,772,703	75,674,119
Climate Change Unit	290,541,470	301,761,801	311,948,690	333,552,929
Embu Municipality	195,279,466	202,820,903	209,667,741	224,188,436
County Attorney	19,946,211	20,716,508	21,415,856	22,899,027
Total	**8,990,245,294**	**9,337,436,789**	**9,652,650,415**	**10,321,151,907**

**The FIF allocation for the Level 5 of Ksh. 426,800,000 was moved from the Health department*

The total county expenditure is projected to grow steadily from Ksh 8,990 million in FY 2025/26 to Ksh 10,321 million in FY 2028/29. Health remains the largest allocation, rising from Ksh 2,370 million in FY 2025/26 to Ksh 2,721 million by FY 2028/29. Administration, Public Service, Devolution, Governance, ICT and GDU follows with allocations increasing from Ksh 1,286 million to Ksh 1,477 million over the same period. Roads, Transport, Energy and Public Works will receive growing investments, moving from Ksh 964 million to Ksh 1,106 million. Education and Vocational Training is also a key priority, increasing from Ksh 640 million to Ksh 735 million.

Other sectors such as Agriculture, Water and Environment, Trade, and Social Services show modest but steady growth in allocations, reflecting balanced investment across both social and economic sectors. This expenditure framework demonstrates the county's fiscal strategy of strengthening health services, infrastructure, and governance, while also supporting education, agriculture, and social development.

V. CONCLUSION

A review of the county's performance over the past year reveals notable improvements in fiscal management compared to previous years. Development expenditure absorption rose to Ksh 1,631 million in FY 2024/25 up from Ksh 1,586 million in FY 2023/24.

Personnel emoluments continue to decline, and if the trend persists, the county could reach the 35% threshold in the medium term down from a historical high of over 50%. During this period, the county has made substantial progress in strengthening fiscal discipline and rebuilding trust among suppliers, contractors, and staff with pending dues. Efforts to manage the high wage bill more effectively are also ongoing.

Looking ahead, the county is making strong progress in implementing development projects across key sectors. Food security initiatives are advancing, new markets are being constructed to support traders, and road infrastructure is being upgraded to improve connectivity. In the health sector, completion of health facilities, recruitment of staff, operationalization of FIF among other significant investments are enhancing service delivery, while in education, expansion of Early Childhood Development and Education (ECDE) and Vocational Training Centers (VTCs) as well as the school feeding program remain Key priority.

In water provision, the county's drilling rig will play a key role in borehole drilling, especially in arid regions. This is complemented by increased investment in water pans, dams, and infrastructure for water companies. Irrigation projects are also being prioritized to improve water access. Overall, the medium-term outlook is positive, with robust development plans set to drive growth and improve residents' quality of life.

The county is also investing heavily in social support to Vulnerable and Marginalized groups as well as youth and women through sports support like the Governor's cup, Women Financial Inclusion, Disability support program, Youth Empowerment programs among others.