REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYERI

DRAFT COUNTY FISCAL STRATEGY PAPER, 2026

"ACCELERATING GAINS UNDER THE BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE AND SUSTAINABLE GROWTH"

FEBRUARY, 2026

FOREWORD

ACKNOWLEDGEMENT

LIST OF ABBREVIATIONS

ADP	Annual Development Plan
BPS	Budget Policy Statement
CARA	County Allocation of Revenue Act
CECM	County Executive Committee Member
CHRAC	County Human Resource Advisory Committee
CHVs	Community Health Volunteers
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
DANIDA	Danish International Development Agency
EDF	Enterprise Development Fund
e-GP	Electronic Government Procurement System
EIA	Environmental Impact Assessment
FIF	Facility Improvement Fund
FLLoCA	Financing Locally Led Climate Actions
GDP	Gross Domestic Product
GIS	Geographical Information System
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KCSAP	Kenya Climate Smart Agricultural Project
KDSP	Kenya Devolution Support Program
KEMSA	Kenya Medical Supplies Agency
KEPSA	Kenya Private Sector Alliance
KIBT	Kenya Institute of Business Training
KISP	Kenya Infrastructure Support Program
KUSP	Kenya Urban Support Program
MSMEs	Micro Small and Medium sized Enterprises
MTP	Medium Term Plan
MTEF	Medium Term Expenditure Framework
NCPWD	National Council for Persons with Disabilities.
NEMA	National Environment Management Authority
NHIF	National Hospital Insurance Fund
NITA	National Industrial Training Authority
PFM	Public Finance Management
THS	Transforming Health Systems
TVET	Technical and Vocational Education and Training
UHC	Universal Health Coverage

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Legal Basis for the Publication of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is published in accordance with Section 117 of the Public Finance Management Act, 2012. The law states that:

1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County assembly, by 28th February of each year.

2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County government in preparing their budget both for the coming financial year and over the medium term.

4) The County treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to County government revenues, expenditures and borrowing for the coming financial year and over the medium term.

5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of -

(a) the commission of revenue allocation.

(b) the public.

(c) the interested persons or groups.

(d) Any other forum that is established by legislation.

6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County assembly shall consider and may adopt it with or without amendments.

7) The County Treasury shall consider any recommendations made by the County assembly when finalizing the budget proposal for the financial year concerned.

8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County assembly.

Fiscal Responsibility Principles for the National and County Governments

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM act, 2012, (Section 15) states that:

1) Over the medium term, a minimum of 30 percent of the national and County budgets shall be allocated to development expenditure.

2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.

3) 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.

4) Over the medium term, the national and county government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

5) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the County assemblies for the County Governments.

6) Fiscal risks shall be managed 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.

ABOUT THE COUNTY FISCAL STRATEGY PAPER

The County Fiscal Strategy Paper (CFSP) is a county government policy document that sets out the broad strategic priorities and policy goals that will guide the County departments and entities in preparing their budgets, both for the following financial year and over the medium term. It looks at how the past and the present settings can inform the future.

In the paper, there is an indication on how adherence to the fiscal responsibility principles, prudency and transparency in management of public resources will be achieved in line with the Constitution and the Public Finance Management (PFM) Act, 2012 are underlined.

Section 117 of the PFM Act, 2012, provides that the County Treasury shall prepare and submit to the County Executive Committee the CFSP for approval. Subsequently, the approved CFSP is submitted to the County Assembly, by the 28th of February each year. The County Assembly shall, not later than 14 days after the CFSP is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The County Executive Committee Member for Finance shall take into account resolutions passed by County Assembly in finalizing the budget for the FY 2026/27.

The County Fiscal Strategy Paper contains:

(a) an assessment of the current economic situation including macroeconomic forecasts;

(b) the financial outlook with respect to local revenue and expenditures for the next financial year and over the medium term;

(c) the proposed expenditure ceilings for the departments and entities, including the County Assembly.

(d) the fiscal responsibility principles and financial objectives over the medium-term including total pending bills; and

(e) Statement of Specific Fiscal Risks.

The preparation of the CFSP was a consultative and all-inclusive process that involved engagement of all the stakeholders, taking into consideration the views of: County Governments departments; the public; and other interested person.

I. ACCELERATING GAINS UNDER BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE AND SUSTAINABLE GROWTH

1.1 Overview

1. The 2026 Fiscal Strategy Paper outlines the County Governments priority policies, programmes and interventions to be implemented in the FY 2026/27 and over the medium term. The 2026 CFSP also outlines the progress made in delivering the Bottom-Up-Economic Transformation Agenda (BETA) over the past three years. It serves as the Government's overarching framework for driving economic turnaround through the value chain approach designed to promote inclusive growth by reducing the cost of living, enhancing food security, generating employment opportunities, broadening the tax base, strengthening the foreign exchange balances and fostering inclusive growth.

2. Despite facing constrained fiscal resources, the Government has achieved notable progress across the core pillars and enablers of BETA, including revenue administration, expenditure management, governance, digital transformation, 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, BETA has strengthened inclusive growth, job creation, financial and digital inclusion, healthcare access, affordable housing, and national competitiveness.

3. Over the medium term, the Government will consolidate the gains realized under BETA through a value chain approach, to scale their impact, bridge urban-rural divides and ensure sustainable bottom-up transformation. This will be supported by a 'Whole-of Government-Approach' to service delivery, with special emphasis on; Agricultural Transformation; MSME Economy; Healthcare; Housing and Settlement; and Digital Superhighway and Creative Economy

4. The Government will further support and accelerate economic transformation for improved livelihoods by upholding macroeconomic stability and strengthen governance, enhance fiscal management, accelerate development of key infrastructure, boost investment in key economic sectors, strengthen human capital development, promote empowerment of youth, women and PWDs, facilitate fiscal decentralization and undertake policy, legal and institutional reforms to improve efficiency and effectiveness in public service delivery.

5. Building on the gains realized over the past three years of BETA implementation, the County Government will, in the next phase, focus on strategic interventions aimed at accelerating socio-economic transformation. These priorities include: strengthening human capital through education, skills development, technical training, and innovation; promoting a shift towards increased local production and value addition; supporting access to reliable, affordable, and sustainable energy to underpin productive economic activities; and investing in efficient transport and logistics infrastructure to improve market access, reduce the cost of doing business, and enhance regional competitiveness. This strategic direction emphasizes long-term planning, sustained investment in people, expansion of productive capacity, and development of critical infrastructure to support inclusive, resilient, and sustainable county economic growth.

1.2 Core Thematic Areas

6. To achieve broad-based impact, especially for households at the base of the economic pyramid, the Government seeks to drive economic growth, expand opportunities, and enhance social welfare across in five core pillars. These are: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy.

1.2.1 Agricultural Transformation and Inclusive Growth

7. The Agriculture sector remains a major contributor to the Kenyan economy, contributing an average of 21.4 percent of the GDP directly, forming approximately 65 percent of Kenya's total exports and possesses one of the highest employment multiplier, particularly for economically marginalized groups. Despite several challenges related to climate change, the rising cost of farm inputs, emerging pests, diseases and food safety concerns, the Government will continue to prioritize policies and investments that strengthen agricultural productivity, ensure food security, and enhance farmers income.

8. Through the Fertilizer Subsidy Programme, the Government will continue to sustain and further deepen the initiative to consolidate gains already achieved. Over the medium term, the programme will avail 2.3 million metric tonnes of assorted fertilizer and 40,000 metric tonnes of agricultural lime to 4.4 million smallholder farmers across all counties. The County in the last year benefitted from the programme through the operationalization of twelve (12) satellite fertilizer stores across all sub-counties and the distribution of 10,100 bags of fertilizer, of which, 7,463 bags were redeemed by 3,528 farmers. In addition to fertilizer distribution, farmers were sensitized on appropriate application rates and soil fertility management through extension services. These interventions enhanced the efficiency and timeliness of input uptake, reduced production costs, increased crop yields and improved household income.

9. The County Government remains committed to supporting the agricultural sector through a range of strategic initiatives. Through the Department of Agriculture, Livestock and Aquaculture development, the County distributed 6.7 tonnes of certified maize seeds and 310 tonnes of goat manure to thousands of farmers. Additionally, 4.2 tonnes of certified sunflower seeds, worth Kshs. 3 million were procured to bolster oil crop production. These interventions contributed to a significant increase in maize production, which rose to 33.784 million kgs from 15.4 million kgs in FY 2022/23. Production of beans and Irish potatoes also recorded notable growth, reaching 8.684 million kgs and 35.86 million kgs, respectively. This is a new entrant to our value chain and endeavor at diversification for our farmers.

10. To enhance livestock production, dairy and poultry farmers across various wards in the County benefitted from the distribution of milk cans, farm equipment, feed mixers, raw materials, and over 40,000 indigenous chicks. Additionally, the County procured and administered 41,281 vaccine doses, targeting diseases such as lumpy skin disease, anthrax, FMD, rabies and various poxes in cattle, dogs, cats, goats and sheep. To improve livestock genetics, approximately 10,388 artificial inseminations were performed using stored semen and liquid nitrogen, supporting the development of high-quality livestock breeds.

11. In collaboration with the Aquaculture Business Development Programme (ABDP), the County supported 1,622 fish farmers through the distribution of 678,000 fingerlings, stocking 674 ponds and providing essential items such as pond liners, nets and 5,640 bags of fish feed. The programme also established 32 Aquaculture Field schools, supported 8 aquaculture enterprises, and constructed a school pond stocked with 1,000 fingerlings. These interventions aim to promote fish farming, enhance nutrition and boost household income across the County.

12. Recognizing that climate variability and market risks pose existential threats to agricultural livelihoods, the County, through Wambugu Agricultural Training Centre (ATC), continues to promote adoption of modern agricultural technologies and innovations. Platforms such as annual stakeholder's field days and weekly open days reach approximately 23,000 farmers each year, providing practical demonstrations and skills training in crop production, livestock management, agribusiness and climate-smart agriculture. Furthermore, the expansion of irrigation infrastructure has enabled farmers to implement supplementary irrigation during periods of inadequate rainfall, thereby stabilizing production and enhancing resilience to climate variability.

1.2.2 Transforming the Micro, Small and Medium Enterprise (MSME) Economy

13. The Micro, Small and Medium Enterprise (MSME) Economy sector remains the backbone of the economy, accounting for 98 percent of all businesses, providing 84 percent of total employment, equivalent to14.9 million jobs, and contributing 40 percent to GDP. Despite this pivotal role, the sector continues to face structural constraints, including limited access to affordable credit, punitive collateral requirements, high interest rates, averaging 18 percent, restrictive licensing frameworks, inadequate infrastructure, weak market linkages, and low technical and managerial capacity. The Government is addressing these constraints through an integrated approach.

14. The Government established and strengthened the Financial Inclusion Fund, popularly known as Hustlers Fund to provide access to affordable credit, capacity building, linkage to markets, strengthen the capacity of MSMEs to venture into economic activities in building and construction of value chains and ring-fencing certain components of low-cost housing projects for MSMEs. To deepen financial inclusion and enhance access to affordable credit for MSMEs, the Government continues to scale up the Hustler Fund with a target of disbursing more funds and expanding the scheme to commercial banks. Through the provision of partial risk guarantees to financial institutions, the scheme will unlock access to credit for MSMEs viable business models but limited collateral.

15. To strengthen cooperative movements, the County conducted comprehensive capacity building for 500 cooperative leaders and staff to enhance governance, financial literacy, transparency and accountability. Additionally, 16 new cooperative societies were registered, expanding economic opportunities and collective growth. To promote sustainability and environmental conservation, the County supported 4 cooperatives in establishing three nurseries using polytubes.

16. The County has continued to invest in the development and promotion of retail and wholesale markets while supporting the growth of micro and small enterprises. Through the Enterprise Development Fund programme, a total of Kshs 93 million has been disbursed to 277 beneficiaries, with the fund's portfolio valued at Kshs 28 million as at the end of the previous financial year. The fund continues to play a critical role in enhancing business expansion and economic empowerment across the County. To further improve the business environment and foster a vibrant trading ecosystem, the County upgraded market infrastructure through the construction of stalls, market sheds, ablution blocks, walkways as well as renovation and rehabilitation of the already existing market facilities.

1.2.3 Healthcare

17. Achieving Universal Health Coverage remains a cornerstone of the Government, aimed at ensuring equitable access to quality health services for all citizens. The promotion of accessible, affordable and quality healthcare is fundamental to socio-economic development. Accordingly, the Government will continue to implement the Universal Health Care plan to ease the financial burden on households and businesses.

18. To strengthen financial resilience and sustainability, the Government commits to implementing financing reforms through the Social Health Insurance Fund, Primary Healthcare Fund and Emergency Chronic and Critical Illness Fund. Financial sustainability is enhanced at the County by retaining funds at the facility level and ring-fencing resources through the Nyeri Health Services Fund.

19. The County continues to enhance availability of human capital in the public health sector through engagement of 840 community health promoters who provide direct care in households across the County. The CHPs conduct screening of community members for diseases like diabetes and hypertension which by extension play a key role reversing some NCDs and other ailments. This represents a seismic shift from the old, reactive healthcare model to a forward-looking system that prioritizes prevention and preparedness.

20. The County has strived to ensure uninterrupted delivery of quality healthcare services to its citizens across all 131 county health facilities. These comprise 1 (Level 5) referral facility, 6 (Level 4) hospitals providing sub-county services, 23 (Level 3) health centers, and 101 (Level 2) dispensaries. Collectively, these facilities constitute the foundation of primary healthcare delivery at the community level. Notably, investments have been made in health infrastructure, including the installation of a septic tank at Ngorano health centre, completion of the male ward at Endarasha health centre, construction of a perimeter wall at Nyeri town health Centre, construction of Miiri and Honi dispensaries, renovation works at Gatitu, Ruthagati and Kiamathaga dispensaries, and fencing and paving works at Zaina dispensary.

21. To improve the efficiency and effectiveness of service delivery, the County undertook refurbishment of non-residential buildings at Karatina and Mukurweini hospitals, carried out roof repairs and upgrades at the oncology unit of the County Referral hospital, and advanced works on the Karatina Accident and Emergency block. Additional key milestones included the construction of Wamagana level IV hospital (Phase 1), construction of an outpatient (OPD) block at Mukurweini hospital, and ongoing works at Othaya sub-county hospital. Furthermore, the continuous supply of medical drugs and non-pharmaceutical commodities across all health facilities significantly strengthened the County healthcare system.

22. To strengthen the capacity of health facilities, the County Government procured a broad range of major and specialized medical equipment for various facilities. This included essential mobility aids, such as twenty (20) walking frames, twenty (20) wheelchairs, thirty-three (33) adjustable double crank patient beds and thirty (30) bedside lockers to enhance patient comfort and welfare. In addition, the County acquired advanced diagnostic and treatment equipment, including three (3) patient vital signs monitors, two (2) anaesthetic machines, a biochemistry analyzer, and a gastroscope tube for specialized procedures. Health facilities were further equipped with electric and manual delivery beds, orthopedic traction beds, and assorted surgical instrument sets, including myomectomy, hysterectomy, dilation and curettage (D&C) kits.

23. In support of maternal and child health services, the County procured essential equipment including nebulizers, oxygen concentrators, TENS machines, IUCD insertion sets, speculums, and KEPI fridges for safe vaccine storage. Additionally, basic clinic tools such as examination couches, thermometers, examination lamps, and instrument trolleys were distributed to various facilities. These investments enhanced service readiness and strengthened the capacity for both routine and specialized care across the health facilities.

24. Going forward, the County will increase overall health budget using health services fund, donor funds and support from other development partners, strengthen operationalization of Nyeri Health Service Fund Act 2021 and its regulations to ease collection, use and management of Facility Improvement Fund (FIF), Fast track promotions of health workers to minimize apathy and costly industrial actions by health workers, ensure provision of medical equipment service contracts to reduce the down time of essential equipment.

1.2.4 Digital Superhighway and Creative Economy

1.2.4.1 Digital Superhighway

25. As a powerhouse in the ICT landscape, Kenya has firmly positioned itself as a regional and continental hub for innovation. This achievement stems from strategic policy frameworks combined with constitutionally enshrined freedoms of expression, media, information, and communication, which have fostered a vibrant enabling environment for technological growth over the years. The Government views digital connectivity and literacy as the core national infrastructure equivalent to the other essential services such as roads, water, access to education and underpins modern economic competitiveness.

26. The County Government remains committed to partnering with the National Government in advancing the extension of the National Optic Fibre Backbone infrastructure work. This collaborative effort will focus on expanding high-speed internet access to underserved rural and remote areas. To modernize public service delivery, the Government plans to fully automate all Government services, enabling citizens to access services efficiently through digital platforms.

27. The county has prioritized the teaching and learning of digital skills, including coding, in the technical and vocational education and training (TVET) institutions, to prepare students to be competitive in the economy of the future. The curriculum for tertiary learning institutions will continuously be reviewed to make sure that Kenya's youth stay up to speed in terms of global technological changes. These initiatives are expected to spur e-commerce, the creative arts and the digital economy; the frontier of the Bottom-Up Economic Transformation Agenda.

28. For enhanced network connectivity and security of ICT equipment, the Government executed a comprehensive server upgrade and ensured full implementation of countywide internet connectivity. The County has continuously strived to automate all operations, including local revenue collection, which has promoted efficient and effective service delivery.

1.2.4.2 Creative Economy

29. The Government is committed to supporting the creative economy which plays a key role in fostering creativity and addressing the high unemployment rates. The sector offers the opportunity to enhance our cultural values, heritage, and national identity. Currently, the creative economy is growing at a faster rate than any other economy in the region and has a potential to contribute significantly to GDP. The sector interlinks the arts, business and technology, which are intensive in creative skills and can generate income through trade and intellectual property rights.

30. To further support the creative economy, the Government has strengthened infrastructure and production capacity through investment in film production studios, cultural centres, innovation hubs, and exhibition platforms, enabling creative professionals to showcase and commercialize their work. It has also supported access to finance for creative enterprises, including grants and incentives for partnerships with private investors.

31. In collaboration with key stakeholders, the County is formulating the Nyeri County Cultural and Heritage Policy to strengthen the growth of cultural and creative industries. The youth in the County are talented in a diverse spectrum of creative work which includes music, theatre, graphic design, digital animation, fashion, and craft, among others and the County Government has majorly continued to support growth of the economy by promoting the youth.

1.3 Enablers

32. Actualization of the Government's Bottom – Up Economic Transformation Agenda requires a robust enabling environment anchored on strategic cross-cutting interventions. The Government is committed to continue to strengthen implementation of critical enablers providing the infrastructure, institutional frameworks, and capacity necessary for sustainable economic transformation. These include: building efficient infrastructure, harnessing the manufacturing sector, climate-change mitigation and adaptation mechanisms, building human capital, social protection; as well as enhancing governance and the rule of law. The following enablers will be prioritized to enhance the attainment of the Agenda

1.3.1 Infrastructure

33. The Government will intensify investments in construction of water pans, dams and associated irrigation infrastructure, expansion of roads and transport network, clean energy generation and distribution capacity, to foster an enabling environment for inclusive green growth, enhance competitiveness, and facilitate economic growth in the County. These infrastructure developments are also designed to stimulate business growth, attract private investment, and contribute to long-term economic prosperity and poverty reduction for the residents of Nyeri.

1.3.1.1 Water

34. The County Government has continued to strengthen strategies aimed at expanding access to water for both domestic and agricultural use through facilitation of water extension services, promotion of water conservation and storage, and enhancement of groundwater exploitation. In response to rapid climate change and inadequate rainfall in recent years, the County has intensified sensitization and support to farmers on irrigation farming practices to ensure sustained food production across the county. Key achievements include the completion of over 74 kilometres of water pipelines, construction of more than two masonry water storage tanks, and transfer of over KShs. 17.5 million in capital grants to three Water Service Providers to enhance service delivery. Water harvesting and storage at the farm and community levels were improved through desilting of two small dams and distribution of approximately 176 plastic water tanks, while the promotion of renewable energy was supported through solarization of six borehole pumping systems. Environmental sustainability was further strengthened through rehabilitation of the Kagumo riparian zone, conduct of over 15 Environmental Impact Assessments, development of the County Environment Action Plan and State of Environment Report, and capacity building of youth on environmental sustainability. Additionally, over 3,125 fruit trees were procured to increase tree cover, and environmental management was promoted through the celebration of three international environmental days. These interventions collectively aim to improve the wellbeing of communities, enhance access to clean and safe water, and promote sustainable environmental management in line with the County's development priorities.

35. Major parts of Nyeri County's agricultural land require irrigation, against only a small percent that is irrigated. Irrigation is the single most important game changer in agriculture. To enhance access to safe water for domestic and industrial use, the Government has planned to construct and fence dams, water pans and boreholes. Additionally, there are plans to undertake water extension activities to unconnected areas by provision of pipes and fittings and provision of water storage tanks. There will also be establishment of green spaces and provision of tree seedlings to locals for planting which will aid in management of the water catchment areas as well as acting as a strategy for regulation of the adverse climate change effects.

1.3.1.2 Roads

36. There have been interventions through which the County has significantly enhanced mobility, accessibility, and service delivery across all wards in the County. In an effort to expand and improve road infrastructure and bridges, the County has upgraded several kilometres of earth roads to gravel/murram standards and opened 800 metres of new roads, enhancing connectivity and facilitating the marketing of agricultural goods and services. These improvements have contributed to the reduction of post-harvest losses, lowered business operating costs, and reduced vehicle maintenance expenses within the County. According to the County Road Register, the road network comprises an estimated 3,784 km of earth roads, 2,710 km of gravel roads, and 904.04 km of bitumen roads. During the 2024/2025 financial year, a total of 338.8 km of roads were graded, with 260 km graded by County machinery and 78.8 km by contractors, while 0.84 km of roads were concreted.

37. Additionally, the county through Nyeri Municipality made significant progress in infrastructure development. The total road network in the Municipalitycomprises 498.7 km of earth, gravel, and bitumen roads, of which 6.8 km were graveled, 0.675 km tarmacked, and 7.55 km graded during the year. Moreover, the municipality collected 10,075 tons of solid waste, demonstrating continued efforts to improve urban sanitation and maintain a clean and functional urban environment.

38. The County Government will continue to prioritize the upgrading and maintenance of roads, as well as the improvement of road infrastructure across all wards, recognizing that roads have the highest immediate economic impact. To ensure proper road conditions, the County will educate citizens on the importance of planting grass and vegetation along drainage channels and discourage encroachment on road reserves for farming activities.

1.3.1.3 Electricity

39. Access to clean, sustainable, and affordable energy remains a key enabler for inclusive green growth and transformation, as envisioned by the Bottom-Up Economic Transformation Agenda. Over the last year, the County implemented several initiatives to expand energy access and enhance public lighting. Key achievements include the installation of 2.25 km of streetlights with 45 poles, establishment of 423 standalone posts, connection of two transformers, and installation or rehabilitation of nine high-mast floodlights. In addition, 28 streetlight poles were installed by KPLC, and 10 solar floodlights were deployed, contributing to improved safety, security, and energy sustainability across the County.

40. Over the medium term, and with a view to reducing the cost of electricity, the County Government plans to invest in solar lighting while ensuring the long-term viability and sustainability of the energy sector. In recognition of the adverse effects of climate change globally, the County is also promoting the incorporation of renewable energy sources, including biogas systems, in everyday activities. These initiatives not only simplify household energy needs for families but also contribute to environmental conservation and sustainable development.

1.3.1.4 Land use and Planning

41. In the previous financial year, the Lands Department made significant strides in improving land management and infrastructure development in the County. The Lands department developed the Electronic Development Application and Approval System (eDAMS) and the County Land Information Management System (CLIMS), both reaching 50% completion, enhancing efficiency and transparency in land administration. Draft Local Physical and Land Use Development Plans for Ndumanu and Gitunduti informal settlements were prepared up to the Notice of Completion stage, awaiting approval. The department also successfully completed the Nyeri County Specific Slum Upgrading and Prevention Strategy 2025–2035, providing a framework for sustainable slum management and prevention.

42. Under KISIP II, the department achieved 50% completion of infrastructure upgrading in five informal settlements. In Chorongi, 0.93 km of roads were tarmacked, water reticulation with 33 consumer connections was installed, and 2 skip bins provided. Kiamwathi saw 0.44 km of roads tarmacked alongside 2 skip bins. In Ihwagi, 0.39 km of roads were tarmacked, water reticulation with 103 consumer connections established, a high mast installed, an ablution block and a 50 m^3

water tank constructed, and 2 skip bins provided. Mweiga received 0.935 km of tarmacked roads, water reticulation for 450 consumer connections, and 2 skip bins. Finally, in Kiawara, 0.812 km of roads were tarmacked, a high mast installed, sewer connections with 350 consumer connections established, and 2 skip bins provided. These achievements underscore the department's commitment to improving urban infrastructure, promoting organized settlement planning, and enhancing service delivery in informal settlements.

1.3.2 Manufacturing Sector

43. The County Government continues to prioritize the development of the manufacturing sector as a key driver of economic growth, job creation, and industrialization. To support this, the County has implemented targeted interventions aimed at improving industrial infrastructure, including the development of an Aggregated and industrial park, promotion of the leather industry, and enhancement of dairy processing facilities.

1.3.2.1 Leather and Leather Products

44. The County has a big potential to develop its leather sector given the available market in uniformed services and schools. Key challenges in the sector arise from poor quality of hides and skins, lack of skills and limited leather factories in the country. As part of the economic turnaround strategy, the Government will support value chains in the leather sector in order to increase recovery and enhance quality of hides and skins to enable creation of jobs.

45. There is plan by the Government to support the shoe production line at Rukira Youth Polytechnic to increase in production which will in turn create more jobs for the youth in marketing of the shoes. This will also be an incentive for diversification in the future.

1.3.2.2 Dairy Products

46. The County Government has maintained its commitment to safeguarding livestock against epidemics and viral diseases, including foot and mouth disease and East Coast fever, which are major constraints to livestock production. To ensure healthy dairy herds and sustainable milk production over the last year, animals were vaccinated against notifiable diseases, and dairy cattle were inseminated under the County's animal breeding programme, with affordable artificial insemination (AI) services provided to farmers across all wards. In addition, the County distributed 52,293 indigenous one-month-old chicks and 379 dairy goats to farmers to enhance livestock quality and productivity. These interventions were complemented by extension support and farmer training on feeding, housing, breeding, and disease control. The integration of improved livestock breeds with technical guidance has strengthened household food security, increased farm incomes, and promoted sustainable livestock management practices throughout the County.

47. Over the medium term, the County Government will remain committed to supporting livestock farmers by providing the necessary inputs to enhance production, improve food security, create employment, and boost farmers' incomes. To achieve this, the Government will continue to improve breeding stock through the provision of artificial insemination services, implement vaccination programmes for disease control, and provide farmer training on best livestock rearing practices.

Additionally, the County plans to procure and distribute dairy goats to farmers to increase production and supply milk pasteurizers for improved storage and value addition.

1.3.3 The Services Economy

1.3.3.1 Tourism Sector

48. The tourism sector continues to play a pivotal role in driving socio-economic transformation under the Bottom-Up Economic Transformation Agenda, serving as a key catalyst for employment creation, business development, and revenue generation. Recognizing its potential to stimulate inclusive growth, the County Government remains committed to implementing targeted initiatives aimed at increasing tourist arrivals, enhancing visitor experiences, and promoting Nyeri County as a premier destination for both domestic and international tourists. These efforts are designed to boost the sector's contribution to the County's own-source revenue, support local enterprises, and create sustainable job opportunities for communities across all wards.

49. Over the last Fiscal year, the County successfully organized the Miss/Mr Tourism Nyeri Beauty Pageant, a flagship event that showcased the County's cultural diversity and natural beauty. In the same period, the Annual Tourism and Cultural Festival was held, highlighting Nyeri's rich traditions, music, and artistry. Collectively, these initiatives enhanced cultural pride, promoted local talent, and strengthened Nyeri County's positioning as a premier destination for tourism and cultural heritage. These efforts contributed to increased tourist engagement, supported local businesses, and reinforced the role of culture as a driver of socio-economic development.

50. The Government intends to undertake capacity building initiatives for Community-Based Tourism Operators (CBTOs) to enhance their skills, knowledge, and ability to contribute to sustainable tourism development. A County Branding Manual will be developed to establish a consistent and impactful image for the County, aimed at attracting investors. The Tourism Policy will guide strategic planning and the implementation of sustainable tourism practices, ensuring that tourism development in Nyeri County remains economically viable and environmentally responsible.

1.3.4 Environment and Climate Change

51. Provision of a clean, secure and sustainable environment as well as climate change mitigation and adaptation are central for the realization of the aspirations of the Bottom –Up Economic Transformation Agenda and the Kenya Vision 2030. For this reason, the Government has continued to mainstreaming issues of environment conservation, climate change mitigation and adaptation, halt and reversal of deforestation, biodiversity loss and land degradation, in all Government programmes.

52. The County remains steadfast in its mission to protect the environment, mitigate against climate change and promote sustainable development across the County. The relentless commitment to environmental stewardship has thus solidified the position as the leading County in forest and tree cover and coverage rates of 40.1% and 45.7%, respectively in Kenya.

53. Over the past year, the county has made significant strides in environmental management and sustainability, demonstrating strong commitment to environmental conservation. Six borehole pumping systems were solarized to promote renewable energy. The Kagumo riparian zone was rehabilitated to enhance environmental protection, and over 15 Environmental Impact Assessments (EIAs) were conducted for key projects. Consultancy services were undertaken to develop the County Environmental Action Plan (CEAP) and State of the Environment Report (SOEr), strengthening research and development on environmental matters. Youths were trained on environmental sustainability to build their capacity, more than 3,125 fruit trees were planted to increase tree coverage, and environmental awareness was promoted through the celebration of three international environmental days, reflecting the county's proactive approach to safeguarding natural resources and promoting a sustainable environment.

54. Through the Climate Action (FLLoCA) program, In the last year, Nyeri County made significant strides under the Financing Locally Led Climate Action Program (FLOCCA), advancing climate resilience, sustainable agriculture, and water security. The county developed key climate-planning frameworks, including the Participatory Climate Risk Assessment Report and the County Climate Change Action Plan 2023–2027, and established institutional structures such as ward-level committees and a functional County Climate Change Unit to coordinate climate responses. FLOCCA supported the construction of two solar coffee dryers at Chorongi and Thageini Coffee factories, reducing drying time by 50% while lowering costs for farmers. The program also facilitated the construction of a water intake for the Gatei Water Project and the rehabilitation of seven boreholes across multiple wards, enhancing access to water for domestic and irrigation purposes. Additionally, community springs at Hathia, Gachie, Kinoria, and Kiguongo were rehabilitated to ensure clean water supply and protect water sources from environmental degradation. These achievements highlight Nyeri County's commitment to locally led climate action, environmental conservation, and sustainable development.

55. Due to the rapid climatic changes and inadequate rainfall experienced in the recent past, the County Government has continued to sensitize and support farmers on irrigation farming practices with the aim of ensuring that there is continued food production across the county. The government will continue to drill and equip boreholes, rehabilitate existing boreholes, and fit them with solar pumps. With regard to environmental protection, there will be increased momentum towards promotion of county greening and riparian conservation where the County will undertake to protect and develop the existing springs, procure, and supply tree seedlings, provide and install fuel saving jikos in institutions, and participate in environmental awareness creation through celebration of environmental days.

56. Nyeri County has made significant progress in solid waste management through a combination of public-private partnerships, community engagement, and regulatory reforms. The county signed three Memoranda of Understanding (MoUs) with CHANIA HORT FLORA COMPANY LIMITED, TETRA G ARTS GLOBAL FOUNDATION, and FAIR AND SUSTAINABLE INSECTS' FARMS KENYA to manage organic waste. The Solid Waste Management department conducted quarterly clean-up exercises, educating residents and businesses on proper waste separation at the source. Legal and regulatory frameworks were strengthened through the review of the County Solid Waste Management Act 2021 and the development of a new policy draft to address illegal dumping and poor waste segregation. Additionally, the Government carried out unclogging and cleaning of open drainage systems, as well as sweeping, collection, transportation, and disposal of waste, ensuring proper waste management, preventing land and water contamination, reducing greenhouse gas emissions, and promoting environmental protection and long-term sustainability.

57. For maintenance of a clean and secure environment, the county plans to procure more skip bins for garbage collection and purchase safety gear and working tools for the staff involved in the collection to protect them from the hazardous health effects of gases that are emitted from the dumpsites. Further, to ensure improved management of both solid and liquid waste, the government will hire excavators and a wheel loader to that will be used to push and compact garbage in all the county dumpsites. There are also plans to improve access roads to the dumpsites to make it easy to access the sites while transporting the waste. Other interventions will include construction and maintenance of refuse chambers, sweeping, unclogging, and cleaning of open drainage systems, organizing and conducting major town clean ups and planting of phytoremediation trees at the dumpsites.

58. Through the established partnership with private sectors, sustainable waste management will be enhanced through installation of bio digesters and composting of organic wastes to produce organic fertilizer, establishment of electrical and electronic waste collection facility and procuring a glass crusher upon which the glass powder will be used in the manufacturing of Cabro-blocks.

1.3.5 Education and Training

59. Education and training remain a key enabler of the Government's Bottom-Up Economic Transformation Agenda for inclusive growth. To sustain the ongoing transformation of the education system, the Government will continue to strengthen the foundations of high-quality learning, training and research, promote equity and inclusivity and scale up resource allocation to the education sector.

60. The Government has continued to invest in education to facilitate development of the necessary skills and competencies to learners in pre-primary and tertiary level (VTCs) to enable them effectively to play their part by contributing to the eradication of illiteracy level and instilling in them the necessary skills.

61. To this end, the Government has endeavored to promote conducive pre-primary and tertially learning environment through significant strides in education, vocational training, governance, and project management. The county constructed ten ECDE classrooms and renovated nine others, built fourteen ECDE pit latrines and one ECDE kitchen, and provided play items, including swings and slides, in two ECDE centers. Teaching and learning materials were supplied to 20,500 learners across 428 ECDE centers. Under the Elimu Fund Governor's Scholarship, full school fees were provided for 180 high school students. The county supported 20 Vocational Training Centres (VTCs) through capitation, procured examination materials, removed asbestos, and carried out renovations at Karatina VTC, and built the capacity of Boards of Management for all VTCs. Technological innovations included the development of an interactive dashboard with a citizen interface providing real-time information. Governance and accountability were strengthened through the signing and cascading of performance contracts across county departments, water service providers, and the municipal board, as well as a stock-taking and inventory of all county projects since the inception of devolution. Additionally, the county conducted environmental and social screening for proposed investment projects under the Second Kenya Devolution Support Programme (KDSPII), ensuring sustainable and responsible development.

62. For realization of quality skills and competences the Government will establish and upgrade the existing infrastructure in both ECDE and Polytechnics in the County. Effort dedicated in the VTCs will contribute to the overall well-being of the students as well as making them become more competitive to the job market.

1.3.6 Social Protection

63. Social protection remains a central pillar of the Government's Bottom-Up Economic Transformation Agenda, aimed at reducing poverty, creating jobs, and expanding income opportunities for economically excluded populations. In pursuit of these goals, the Government continues to strengthen and allocate financial resources to safeguard vulnerable groups across the county.

64. The special interest groups (youth, women and marginalized) are given priority in procurement of goods and services for the County. In addition, the County has continued to provide food to citizens in the hunger-stricken areas, as well as the street children.

65. The County government has so far been able to undertake the following activities through the department of Gender and social services; offered care and protection to orphaned and vulnerable children in Karatina Children's Home through provision of basic needs and education. This was complimented by the equipping of a multipurpose dining hall at the facility. Additionally, through the department, the Nyeri County Directorate of Fire and Disaster Management promoted social protection by responding to emergencies such as fires, road traffic accidents, drownings, landslides, and other humanitarian incidents, ensuring the safety and well-being of affected individuals. The department provided material support, including iron sheets for disaster victims, and trained officers in basic first aid to serve as effective first responders. Community sensitization campaigns, fire drills in schools and public institutions, and county-wide awareness during International Fire Fighters Day strengthened disaster preparedness and reduced vulnerability. Additionally, stakeholder meetings on disaster management enhanced coordination and support systems, reinforcing the county's commitment to protecting lives, safeguarding communities, and promoting resilience.

66. Nyeri County advanced empowerment and employment creation by supporting special interest groups with merchandise for business startups, helping them generate income and improve livelihoods. The county also facilitated mentorship and training forums addressing critical social issues, including gender-based violence and substance abuse, to build awareness and strengthen community resilience at the grassroots level. Additionally, the county oversaw the construction, equipping, and smooth operations of the Ihururu Rehabilitation Center, providing essential support services for individuals in need and reinforcing social welfare and protection initiatives.

1.3.7 Sports, Culture and Arts

67. The County Government of Nyeri recognizes the pivotal role of sports in talent development, community empowerment, improved public health, and economic transformation through employment creation and income generation across the sports value chain. To harness these benefits, the County continues to facilitate the development of enabling legal and policy frameworks, invest in sports, arts, and recreational infrastructure, promote the creative and film industry, enhance sports tourism, and strengthen institutional mechanisms that support the effective, sustainable, and inclusive monetization of talent across all sporting and creative disciplines.

68. During the period under review, the County Government of Nyeri continued to strengthen sports infrastructure to support talent development and community recreation. Key interventions included the construction of ablution and toilet blocks at Gichira Stadium, Mathaithi Stadium, and Karindi Sports Field, development of a basketball and volleyball pitch at Gichira Stadium, erection of portable handball, netball, and volleyball goal posts at Kamukunji Stadium Grounds, and installation of chain-link fencing at Gikumbo Stadium. These investments enhanced the safety, functionality, and accessibility of sports facilities, creating a conducive environment for training, competitions, and youth engagement across the county.

69. The Government is also considering partnering with the National Government in sponsoring talented youths to the National Youth Talent Academy where they will be assisted in furthering their skills and talents.

70. Nyeri County intends to promote and strengthen culture and the arts as key drivers of identity, social cohesion, and economic development. The County will support the organization and participation in cultural festivals, commemorative events, and creative showcases such as the Nyeri Annual Tourism Festival, Dedan Kimathi Commemoration, Mr. and Miss Tourism Pageant, Scouts Founder's Day, and national celebrations including Mashujaa Day, Madaraka Day, and Jamhuri Day, to preserve heritage and showcase local talent. The County also plans to develop and implement a County Branding Manual to project a consistent cultural identity and enhance the visibility of creative industries. Further, the County will leverage ICT tools and digital platforms to document, promote, and market cultural and artistic activities, ensuring wider reach, youth participation, and sustainable growth of the cultural and creative sector.

1.3.8 Youth Empowerment and Development Agenda

71. Youth empowerment and development remain a cornerstone of the Government's Bottom-Up Economic Transformation Agenda, recognizing the critical role of young people in driving development, innovation, and economic growth. Anchored on the Kenya Young People's Agenda, the Government interventions aim to equip youth with entrepreneurial and life skills, enhance employability, and unlock the potential of youth-owned Micro, Small, and Medium Enterprises (MSMEs).

72. The Government launched the Youth Development Policy which attests the importance the County attaches to the youth development programs. The Government continues to undertake research and development in the promotion of Gender, Youth, Sports and Social Services to ensure that women are empowered and the youth are engaged in income generating activities. In the year under review through the department, the county provided business startup Merchandise that were issued to the youth groups. The teenage girls were sensitized and provided with dignity kits in all sub- counties.

73. In FY 2024/2025, Nyeri County promoted youth empowerment and development through active participation in sports and competitive events. Key initiatives included the Nyeri Mega National Volleyball Tournament, the Governor Mwalimu Kahiga Volleyball Championships, the Athletics Kenya Central Region Cross Country Championships, and participation in the Kenya Youth Inter-County Sports Association (KYISA) Games. These events provided youth with opportunities to showcase their talents, develop teamwork and leadership skills, and engage in healthy recreational activities, fostering personal growth and community involvement.

74. Nyeri County strengthened youth empowerment and development by providing both skill-building and practical engagement opportunities. The construction and equipping of social halls created dedicated spaces where youth can participate in indoor games and acquire ICT skills in modern, technology-enabled facilities, enhancing their learning, creativity, and employability. Furthermore, the county continued to provide training on Access to Government Opportunities (AGPO), equipping young people with the knowledge and skills needed to participate in government procurement processes, from tender applications stage to service delivery, thereby promoting entrepreneurship, self-reliance, and active economic participation among the youth.

75. In light of Article 54 of the Constitution of Kenya 2010, the County Government placed 200 young certificate, diploma, and bachelor's degree holders to the Sixth cohort of the internship program. This provided an opportunity to the interns to gain hands-on experience in the work environment annually while, at the same time, to isolate them from harmful traits of drugs and substance abuse practices and exploitation. Additionally, the County Government offered attachment opportunities to students as part of the requirements for them to be exposed in their field of training. Over five hundred individuals have been offered attachment opportunities from various learning institutions of higher learning.

1.3.9 Engaged Citizenry

76. Pursuant to the various guiding rules and regulations, the county executive in collaboration with the County Assembly has ensured incorporation of views and engagement of the public in proposal, formulation and implementation phases of the Government's plans and budget documents. This has in turn enhanced seamless generation of beneficial programs and projects to the citizenry across the County in all wards, as it still creates the sense of ownership and buy in by members of the community. Additionally, continued political good will from the County legislature has led to the timely approval of the statutory planning and budgeting documents and thus consequently contributing to timely service delivery to the people of Nyeri.

1.3.10 Governance and the Rule of Law

77. Strong governance institutions and adherence to the rule of law provide the enabling environment for sustainable development. The Constitution establishes separation of powers, independence of institutions, and accountability mechanisms ensuring good governance. Article 10 enshrines national values including rule of law, democracy, transparency, and accountability. For this reason, the County Government in collaboration with the National Government has prioritized strengthening governance within the public service through implementation of a series of laws, and policies designed to enhance professionalism, transparency, and service delivery.

78. Through devolution, Nyeri County has fully operationalized its governance structures, clearly distinguishing the functions of the executive, the county assembly, and service delivery units. The implementation of the Integrated Financial Management System (IFMIS) has enhanced transparency and accountability in public fund management. Additionally, citizen engagement platforms have been introduced, enabling residents to actively participate in budget formulation and county development planning, thereby promoting inclusive governance and accountability.

79. The County's initiatives further promote good governance and the rule of law by strengthening accountability, transparency, and compliance with established regulations. Adherence to SRC guidelines for intance in the construction of the Governor's Official Residence reflects prudent management of public resources, while institutionalized performance contracting, regular reviews, and monitoring and evaluation on county projects enhance accountability and value for money. Improved collaboration with national institutions and enhanced public communication further promote openness, coordination, and public trust in county leadership.

80. In the previous financial year, the office of the County Secretary enhanced good governance by holding 20 County Executive Committee meetings, conducting 2 staff trainings, and organizing a work retreat to build capacity and promote accountability; initiating the development of the Strategic Plan for the Office of the Governor and Deputy Governor to ensure structured planning and efficient service delivery; implementing the Alcoholic Drinks Control Act, 2025, to strengthen compliance and public safety; and upgrading the staff car park area to improve operational efficiency and professionalism.

1.3.11 Public Service Management

81. The department of County Public Service Management is responsible for coordinating policies, human resource development, capacity building, and internship programs within the County Government of Nyeri. The Directorate provides leadership in managing the county's workforce, promoting staff welfare, motivation, and employee satisfaction to ensure effective service delivery across all departments. It oversees recruitment, payroll, employee welfare, training, and performance management, ensuring compliance with relevant legislation, including the Public Officers Ethics Act, 2003, and the Persons with Disabilities Act, 2003.

82. Over the last year, the Government achieved significant milestones in workforce management and staff welfare. The county ensured timely payment of salaries and personal emoluments for all 4,116 employees, while 1,689 staff terms were translated from contract to permanent and pensionable status, enhancing job security and retention. Employees were provided with medical and group life insurance, and promotions were conducted transparently through CHRAC and the County Public Service Board. The county also strengthened youth empowerment through internship and industrial attachment programs, mentoring 180 interns in the sixth cohort and bringing the total to 1,061, with 96 absorbed into county service.

83. Additionally, the county through the department prioritized capacity building and infrastructure improvements to enhance service delivery. Induction and targeted professional training promoted a culture of learning and improved efficiency among staff. Block 'C' at County Headquarters was renovated, including refurbished washrooms, improved drainage, construction of a lift at County

Headquarters for accessibility, CCTV installation, and upgraded internet infrastructure, fostering inclusivity, safety, and a conducive working environment for staff and visitors.

84. The County Government has strived to strengthen human resource management by implementing a strategic Recruitment Plan to attract qualified candidates and address skills gaps. Efforts will focus on retaining experienced employees through professional development, career progression, and a positive work environment, including promotions for eligible officers who have stagnated in their job groups. The County Public Service Board will continue widely advertising vacant posts to encourage diverse applications and implement affirmative action measures. Additionally, the government will optimize workforce utilization through cross-training, enabling employees to perform multiple roles, improving efficiency, and ensuring effective delivery of services within available resources.

II RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 Overview

85. This section provides a comprehensive analysis of recent economic developments in relation to macroeconomic factor and provides the outlook for both global and domestic levels. The overview sets the scene for a deeper exploration of the specific factors shaping economic performance and prospects and the associated risks for the County.

2.2 Recent Economic Developments

2.2.1 Global and Regional Economic Developments

86. The Global economy remained resilient in 2025 on account of strategic increase in exports to the United States in anticipation of implementation of the tighter trade restrictions and higher tariff barriers, enhanced financial conditional and growth in consumer expenditure. The target growth rate of 3.2 percent in 2025 is, however, expected to moderate to 3.1 percent in 2026 reflecting the impact of slowed exports as the temporary boost from front-loading of exports decelerates and the anticipated trade barriers materialize. Furthermore, the slowdown will be heightened by weak global demand and continued geopolitical tensions.

87. Advanced economies are expected to continue their modest recovery, with projections indicating a growth rate of 1.6 percent in both 2025 and 2026. Within this group, certain regions are anticipated to perform better than others. The United States, for example, is forecast to achieve a higher-than-average growth rate, with 2.0 percent in 2025 and a further increase to 2.1 percent in 2026. In contrast, the Euro area is expected to grow at a slower pace, with rates of 1.2 percent in 2025 and 1.1 percent in 2026.

88. The positive outlook for advanced economies is mainly attributed to increased household consumption and expenditure, which is likely to drive demand and stimulate economic activity. Additionally, strong business investment and ongoing advancements in artificial intelligence technology are expected to support growth in these regions.

89. However, several factors could potentially limit growth prospects. Notably, uncertainty surrounding trade policies may create an unpredictable business environment, leading to weaker exports and reduced business confidence. These challenges could dampen the overall economic momentum in advanced economies, despite the underlying strengths in consumption and technological progress.

90. Emerging and developing markets are projected to demonstrate strong growth prospects, with anticipated growth rates of 4.1 percent in 2025 and 4.0 percent in 2026. Sub-Saharan Africa is expected to experience a more positive outlook, with growth of 4.1 percent in 2025 and a moderate increase to 4.4 percent in 2026. This resilience reflects progress in macroeconomic stabilization, recovery in private consumption, improvements in investment conditions, and ongoing economic reforms. However, the region continues to encounter risks related to fiscal pressures and external vulnerabilities.

91.

2.2.2 Domestic Economic Developments

92. The Kenyan economy has continued to record remarkable resilience amidst exposure negative to global externalities and shocks. This resilience can be attributed to the diverse nature of the economy and deliberate policy actions by the Government aimed at safeguarding economic growth and development.

93. In 2024, Kenya recorded an Economic growth rate of 4.7 percent. This positive growth trajectory was sustained in the first and second quarters of 2025, with growth rates of 4.9 and 5.0 percent respectively. The growth was primarily supported by strong performance in the agriculture sector, a recovery of the industry sector, and the resilience of services sector. All economic sectors recorded positive growth rates in the first half of 2025, with varying magnitudes across activities

94. Kenya's main primary industries include agriculture, forestry and fishing and mining, and quarrying. In the first half of 2025, this sector showed better growth, recording an average rate of 5.55 percent, up from 4.2 percent during the same period in 2024. The improved performance was driven by positive trends in both of its subsectors. Better weather boosted productivity in agriculture, forestry, and fishery, increasing output of milk, coffee, vegetables, fruits, and cut flowers. However, a drop in tea production limited overall growth.

95. Kenya's secondary sector, including manufacturing, electricity, water supply, and construction, grew by 3.3 percent in the second quarter of 2025, up from 2.6 percent in the first quarter of the same year. This outpaced growth in quarter 1 and quarter 2 of 2024 (1.5 percent and 0.5 percent respectively). Growth was driven by strong food and non-food manufacturing, increased solar and geothermal power generation, higher demand for construction materials, and more imported bitumen.

96. The services sector expanded by 4.8% in Q1 and 5.5% in Q2 of 2025, reflecting a deceleration from 6.8% and 6.2% growth recorded in the corresponding quarters of 2024. Growth in transportation, storage, accommodation, and food services moderated, primarily attributed to decreased activity within land transport, railways, and port operations. The information and communication subsector also demonstrated a slower growth rate during the first two quarters of 2025 compared to the same period in 2024. Expansion in the ICT subsector was supported by higher volumes of both domestic and international mobile voice traffic, as well as increased consumption of mobile broadband data.

97. Leading indicators of economic activity point to improved performance. The growth of the economy is expected to pick up to 5.3 percent in both 2025 and 2026, supported by continued resilience of key service sectors and agriculture, and continued recovery of the industry sector. The outlook will be reinforced by the ongoing implementation of priorities under Bottom-Up Economic Transformation Agenda

98. Prices of goods and services have stayed relatively steady, with inflation below the policy target mid-point of 5.0 ± 2.5 percent since June 2024. This price stability is due to factors like abundance in food supplies from better weather, government intervention, a stable exchange rate, lower global oil prices, and a drop in non-core inflation from earlier monetary tightening. In

October 2025, inflation was at 4.6 percent, up from 2.7 percent in October 2024, reflecting a loosening of monetary policy.

Kenya Shilling Exchange Rate

99. The Kenya Shilling maintained stability against the US Dollar, averaging KShs 129.2 in October 2025, consistent with the figure recorded during the same period in the previous year. In contrast, the Shilling experienced depreciation relative to the Sterling Pound and the Euro, by 2.3 percent and 6.8 percent, respectively. The average exchange rate for the Sterling Pound was KShs 172.7 in October 2025, compared to KShs 168.8 in October 2024, while the Euro averaged KShs 150.5, up from KShs 140.9 over the comparable time-frame. The foreign exchange market remained resilient overall, supported by sustained inflows from agricultural exports and diaspora remittances, which mitigated excessive volatility in the Shilling.

Interest Rates

100. The Monetary Policy Committee (MPC) of the Central Bank of Kenya has adopted a gradual approach to easing monetary policy, reducing the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 9.25 percent in October 2025. These measures are designed to complement earlier actions intended to enhance bank lending to the private sector and promote economic activity. Additionally, the policy aims to maintain well-anchored inflation expectations and support the stability of the exchange rate.

101. The Country's short-term interest rates have fallen with the easing of monetary policy. The Kenya Shilling Overnight Interbank Average (KESONIA) dropped to 9.3% in October 2025 from 12.1% in 2024. The 91-day Treasury Bill rate decreased to 7.9% from 15.0%, the 182-day to 7.9% from 15.8%, and the 364-day to 9.4% from 16.1% within the same period. Lower domestic borrowing rates have reduced debt servicing costs.

Money and Credit

102. Broad money supply (M3) rose 7.0% by September 2025, up from 1.6% the previous year, mainly driven by growth in Net Domestic Assets to the private sector. Growth in Net Foreign Assets slowed to 7.9%, down from 26.1%, as Central Bank foreign assets increased but commercial banks' foreign assets declined.

103. 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 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.

External Sector Developments

104. 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.

105. 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.

106. The overall balance of payments increased to a deficit of USD 2,172.9 million (1.6 per cent of GDP) in September 2025, compared to a deficit of USD 392.7million (0.3 per cent of GDP) in September 2024.

Foreign Exchange Reserves

107. In September 2025, the banking system maintained robust foreign exchange holdings, totaling US$16,892.3 million, an increase from US$16,391.4 million in September 2024. The Central Bank's official foreign exchange reserves rose to US$11,383.6 million, compared to US$8,602.6 million during the same period in 2024. Conversely, commercial banks' foreign exchange holdings declined to US$5,508.7 million in September 2025, down from US$7,788.8 million in September 2024.

108. 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.

Capital Markets Development

109. Economic recovery, the appreciation of the Kenya Shilling against major international currencies, and sustained macroeconomic stability have collectively bolstered market confidence, resulting in increased foreign direct investment and heightened activity at the Nairobi Securities Exchange. Consequently, the NSE 20 Share Index recorded a significant rise of 63.6 percent, reaching 3,117 points in October 2025 compared to 1,906 points in October 2024. Similarly, market capitalization grew by 61.1 percent to KShs 2,966 billion from KShs 1,841 billion during the same period. These figures represent the strongest performance by the NSE since the pre-COVID era, underscoring renewed optimism in Kenya's economic recovery and long-term outlook.

2.3 Fiscal performance

2.3.1 Financial Year 2025/26 Budget

110. The implementation of the FY 2025/26 budget is currently underway. However, in the first half of the fiscal year, it has been affected by delays in the release of exchequer funds due to the late enactment of the Division of Revenue Act. At the national level, the situation is further compounded by emerging revenue shortfalls, which have impacted the timely disbursement of funds to counties.

111. Additionally, the ongoing migration to the e-Government Procurement (e-GP) system has led to delays in procurement processes, slowing down the execution of development projects. These challenges have necessitated expenditure rationalization measures to ensure seamless budget implementation and to safeguard the fiscal consolidation plan championed by the National Treasury.

112. At the commencement of the 2025/26 fiscal year, the County Government established the completion of ongoing projects, carried over from the 2024/25 fiscal period, as its primary fiscal objective. In alignment with established priorities, the County Government focused on addressing outstanding pending bills. Specifically, the total pending liabilities from FY 2024/25 amounted to Kshs. 342,359,626, out which Kshs. 322.5 million was recurrent in nature and Kshs. 19.9 million associated to development expenditures.

113. To facilitate settlement, the County Treasury directed all Departmental Accounting Officers to prioritize pending bills and ongoing projects as the first charge in the current year's budget, in accordance with section 42 (1b) of the PFM (County Government Regulation), 2015. As of December 31, 2025, payments totalling Kshs. 13,884,504.65 had been made for pending bills with corresponding votes in the current year's budget, leaving an outstanding balance of Kshs. 328,475,121.47.

114. As a result, it became necessary to realign budgetary allocations and amounts to facilitate the settlement of outstanding bills and the continuation of ongoing projects, as well as to reappropriate the bank balance from FY 2024/25. This led to the introduction of the First Supplementary Budget for FY 2025/26 which was assented to in December 2025. The supplementary budget restored votes previously utilized for pending bills and guaranteed that sufficient resources were allocated to address all remaining obligations and ongoing works.

115. The County Government will continue to strengthen monitoring and evaluation of projects and programmes both at the departmental and County level to improve efficiency and effectiveness in their execution for maximum benefit to target population. This will guarantee value for money as well as the achievement of the set development objectives.

Table 1: Sources of Revenue for the First Supplementary Budget FY 2025/26

Classification	Description	Original Budget		Supplementary 1 Budget			
		Amount	Other Sources	Balance Brought Forward	Other Changes	Proposed Supplementary 1 Resource Envelop	Source
Equitable Share	Equitable Share	**6,518,609,255**		285,064,165	377,523,418	**7,181,196,838**	CARA,2025 - 22nd July,2025
Loans and Grants	Doctors Salaries Arrears	55,172,326			-	**55,172,326**	Amendment to CGAAA,2025 - 30 September,2025
	Community Health Promoters	74,250,000			-	**74,250,000**	

Classification	Description	Original Budget		Supplementary 1 Budget			
		Amount	Other Sources	Balance Brought Forward	Other Changes	Proposed Supplementary 1 Resource Envelop	Source
	Aggregated Industrial Parks Programme (CAIP)	250,000,000		6,835,020	-	**256,835,020**	
	ABDP	16,769,367			-	**16,769,367**	
	IDA (World Bank) Credit - National Agricultural Value Chain Development Programme (NAVCDP)	231,250,000			-	**231,250,000**	
	DANIDA	8,721,000		1,669	-	**8,722,669**	
	KISIP II				52,000,000	**52,000,000**	
	KDSP II (Level I)	37,500,000		1,120	35,409,500	**72,910,620**	
	Court Fines	76,000			-	**76,000**	Senate Act no. 8 of 2025(CGAAA,2025) passed 23rd July,2025
	Roads Maintenance Fuel Levy (RMFL)			4,313	100,348,699	**100,353,012**	As per letter dated 28th Sept,2025 from KRB
	IDA (World Bank) Credit - Financing Locally - Led Climate Action (FLLoCA) program - County Climate Institutional Support (CCIS) Grants Level 2	136,000,000		50,823,040	(11,000,000)	**175,823,040**	To be determined on the basis of criteria in the various sections of the CGAAA,2025
	KUSP UIG	35,000,000		28,868,406		**63,868,406**	
	KUSP UDG			4,036		**4,036**	
	KDSP II (Level II)	352,500,000			-	**352,500,000**	
	Subtotal	**1,197,238,693**	**-**	**86,537,604**	**176,758,199**	**1,460,534,496**	
Own Source Revenue	Own Source Revenue	**800,000,000**				**800,000,000**	
A-in-A	Nyeri Health Fund		**850,000,000**				
Total		**8,515,847,948**	**850,000,000**	**371,601,769**	**554,281,617**	**9,441,731,334**	

Source: Department of Finance and Economic Planning, 2026

Revenue Performance

116. As at the second quarter of the FY 2025/26, a total of Kshs. 236,620,520 was raised as the County's Own Source Revenue which is an increase of Kshs. 3,961,764 (1.70%) as compared to previous collection of Kshs 232,658,756 over the similar period of FY 2024/2025. The Nyeri County Health Services Fund achieved an actual collection of Kshs. 269,113,891 over the same period against an annual target of Kshs 850 million. However, there is unremitted pending claims of Kshs 538,282,258 from the Social Health Authority that the county has not received. In addition, a total of Kshs. 2,861,895,059 was received from National Treasury as equitable share while no amount has so far been realized as conditional grants.

Table 2: Cumulative Revenue Out-turn, July – December 2025

Classification	Description	Total Allocation for FY 2025/2026	Amount Disbursed as at 31.12.2025
Equitable Share	Equitable Share	**7,181,196,838**	**2,861,895,059**
Loans and Grants	Doctors Salaries Arrears	**55,172,326**	0
	Community Health Promoters	**74,250,000**	0
	Aggregated Industrial Parks Programme (CAIP)	**256,835,020**	0

Classification	Description	Total Allocation for FY 2025/2026	Amount Disbursed as at 31.12.2025
	ABDP	**16,769,367**	0
	IDA (World Bank) Credit - National Agricultural Value Chain Development Programme (NAVCDP)	**231,250,000**	0
	DANIDA	**8,722,669**	0
	KISIP II	**52,000,000**	0
	KDSP II (Level I)	**72,910,620**	0
	Court Fines	**76,000**	0
	Roads Maintenance Fuel Levy (RMFL)	**100,353,012**	0
	IDA (World Bank) Credit - Financing Locally - Led Climate Action (FLLoCA) program - County Climate Institutional Support (CCIS) Grants Level 2	**175,823,040**	0
	KUSP UIG	**63,868,406**	0
	KUSP UDG	**4,036**	0
	KDSP II (Level II)	**352,500,000**	0
	Subtotal	**1,460,534,496**	**0**
Own Source Revenue	Own Source Revenue	**800,000,000**	**236,620,520**
Sub-Total		**9,441,731,334**	**3,098,515,579**
A-in-A	Nyeri Health Fund	**850,000,000**	**269,113,891**
Grand-Total			**3,367,629,470**

Source: Department of Finance and Economic Planning, 2026

Expenditure Performance

117. By the end of Q2 FY 2025/26, total expenditure was Kshs. 2,753,485,445, Kshs. 208,194,096 for development and Kshs. 2,545,291,059 for recurrent costs, representing 29% of the approved first supplementary budget.

118. The absorption rate for recurrent expenditure against the approved recurrent first supplementary budget was 40% as at the end of the second quarter with the Department of Education and Training achieving the highest absorption rate among all departments.

119. As at the end of the second quarter of the 2025/26 financial year, the absorption rate for recurrent expenditure stood at 40% in relation to the approved recurrent first supplementary budget. Notably, the Department of Education and Training recorded the highest absorption rate among all departments.

Table 3: Recurrent Expenditure - July to December 2025

Department	Approved First Supplementary Budget FY 2025/26	Actual Expenditures as of 31st December, 2025	Percentage Absorption
Executive Office of the Governor and the Deputy Governor	149,384,402	40,870,579	27%
Office of the County Secretary	402,545,866	84,936,660	21%
Finance, Economic Planning and ICT	634,144,849	271,140,608	43%
Lands, Physical Planning and Urban Development	84,660,503	24,513,331	29%
Health Services and Public Health	2,757,819,573	1,255,209,090	46%
Gender, Youth, Social Services and Sports	110,555,619	31,916,860	29%

Department	Approved First Supplementary Budget FY 2025/26	Actual Expenditures as of 31st December, 2025	Percentage Absorption
County Public Service and Solid Waste Management	237,214,526	41,180,148	17%
Agriculture, Livestock and Aquaculture Development	260,348,572	115,032,719	44%
Trade, Cooperatives, Culture and Tourism	73,634,599	22,077,376	30%
Education, Training and Devolution	523,708,260	300,178,858	57%
Water, Environment, and Climate Change	83,958,295	22,482,729	27%
County Assembly	793,941,493	277,820,388	35%
County Public Service Board	51,879,758	17,523,310	34%
Roads, Transport, Public Works, Infrastructure and Energy	97,672,637	35,320,673	36%
County Attorney	24,300,586	3,216,910	13%
Nyeri Municipality	38,352,164	1,871,110	5%
	6,324,121,702.00	**2,545,291,349.00**	**40%**

120. On the other hand, by the end of the second quarter of the FY 2025/26, development expenditure accounted for only 6.68 percent of the Approved First Supplementary Budget. Notably, the Department of Health Services achieved the highest absorption rate at 15.83%. The overall low rate of development expenditure absorption is primarily attributed to two main factors: delays in the release of the equitable share by the National Treasury, and setbacks in implementing the Electronic Government Procurement systems.

Table 4: Development Expenditure- July to December 2025

Department	Approved First Supplementary Budget FY 2025/26	Actual Expenditures as at 31st December, 2025	Percentage Absorption
Executive Office of the Governor and the Deputy Governor	31,774,752	0	0.00%
Office of the County Secretary	1,500,000	0	0.00%
Finance, Economic Planning and ICT	25,476,348	0	0.00%
Lands, Physical Planning and Urban Development	72,300,000	0	0.00%
Health Services and Public Health	343,176,181	54,336,112	15.83%
Gender, Youth, Social Services and Sports	169,431,509	5,430,171	3.20%
County Public Service and Solid Waste Management	60,384,302	9,000,000	14.90%
Agriculture, Livestock and Aquaculture Development	364,164,735	0	0.00%
Trade, Cooperatives, Culture and Tourism	336,129,494	1,007,000	0.30%
Education, Training and Devolution	547,537,005	26,452,804	4.83%
Water, Environment, and Climate Change	297,001,336	28,216,274	9.50%
County Assembly	30,000,000	0	0.00%

Department	Approved First Supplementary Budget FY 2025/26	Actual Expenditures as at 31st December, 2025	Percentage Absorption
County Public Service Board	4,000,000	0	0.00%
Roads, Transport, Public Works, Infrastructure and Energy	626,051,062	65,084,783	10.40%
County Attorney	0		0.00%
Nyeri Municipality	208,682,908	18,666,952	8.95%
	3,117,609,632.00	**208,194,096.00**	**6.68%**

121. Going forward, we are hopeful that all the necessary legislation will be enacted to facilitate the commencement and subsequent execution of projects and as well as settlement of the already completed ones to improve absorption of funds and guarantee benefit to the society.

2.4 Fiscal Policy

122. The fiscal policy approach for the fiscal year 2026/27 and the medium-term period is designed to provide robust support for the County Government's priority programs and projects. These initiatives are specifically outlined in the County Integrated Development Plan for FY 2023-2027, as well as the Annual Development Plan for 2026/27.

123. Importantly, the County's economic development plans are fully aligned with the National Government's Bottom-Up Economic Transformation Agenda and the Medium-Term Plan IV. This alignment ensures that local priorities are integrated with national strategies, promoting cohesive progress and maximizing the impact of both local and national initiatives.

124. During this time frame, the Government is committed to implementing a series of strategic initiatives focused on promoting sustainable economic growth while simultaneously pursuing fiscal consolidation measures. These strategies aim to enhance economic development through targeted investments and policy adjustments, ultimately working to stimulate productivity and job creation in various sectors.

125. In addition, the Government seeks to mitigate the accumulation of debts and liabilities that arise from not meeting fiscal targets. This will involve meticulous financial planning and rigorous monitoring of budgetary performance to ensure that revenues are maximized, and expenditures are kept within sustainable limits. By prioritizing fiscal responsibility, the Government aims to create a stable economic environment conducive to long-term growth and prosperity.

126. Fiscal consolidation will be supported by continued efforts to enhance domestic revenue mobilization, reprioritize and rationalize expenditures, and safeguard priority Government programmes and social spending.

127. To strengthen domestic revenue mobilization, the Government is committed to implementing a comprehensive set of measures aimed at boosting county income streams. These measures will include the introduction and adjustment of various levies and charges, supported by targeted administrative and policy reforms. The overarching objective is to enhance compliance, broaden the revenue base, and ensure sustainable financing for county priorities.

128. Ongoing efforts are focused on reforming, automating, and simplifying revenue-raising procedures. By embracing technological solutions, the county aims to streamline revenue collection processes, minimize manual interventions, and improve accuracy. The application of these technologies is also critical in preventing revenue leakages, thereby safeguarding public funds and maximizing returns.

129. A key priority is the enhancement of the existing revenue management system. Plans are underway to strengthen its capacity, making it more robust and efficient. The upgraded system will facilitate improved monitoring, reporting, and management of revenues, contributing to greater overall efficiency in county revenue collection.

130. To further address revenue shortfalls, the Government is actively pursuing collaborations and partnerships with the private sector and donor organizations. These engagements are designed to support the funding of viable county projects and programs, supplementing locally generated revenues and expanding the financial resources available for development initiatives.

131. Regarding expenditure rationalisation, the Government will uphold measures to strengthen expenditure control and enhance efficiency and effectiveness in public spending. These measures will encompass implementing austerity strategies aimed at reducing Government recurrent expenditure, enhancing the e-procurement system to maximise value for money and increase transparency in procurement, managing the wage bill, and prioritising spending to enhance overall public benefit.

132. To strengthen resource management, the Government is transitioning from cash to accrual accounting to enhance cash management and reporting. Accrual accounting will account for all assets and liabilities. This process follows IPSAS 33 standards, and a roadmap approved by the Implementation Steering Committee. As of November 2025, financial assets including all bank accounts had been fully recognized, while work is ongoing to capture other assets, including physical infrastructure and natural resources, with completion targeted by FY 2026/27. The accrual system will enable comprehensive accounting of all government assets and liabilities, enhancing financial reporting and fiscal oversight

133. The County Government will continue strengthening value for money in public capital expenditure through strict adherence to Public Investment Management (PIM) Regulations. These regulations require that all county projects be properly initiated, appraised, and implemented, and that ongoing projects must be completed before new ones begin, reducing fiscal risks and preventing project backlogs.

134. All development projects in FY 2026/27 will also be subject to environmental and climate risk assessments, including carbon footprint and disaster-related evaluations. This aligns with emerging national standards for climate-sensitive development planning.

135. To enhance project efficiency and accountability, the County will benefit from the ongoing rollout of the Public Investment Management Information System (PIMIS) to counties. Through PIMIS, the county will digitize project proposal submission, tracking, and monitoring reducing paperwork, improving transparency, and supporting data-driven decision-making during project execution in FY 2026/27.

136. Additionally, a PIM-PPP framework is being developed at the national level to integrate Public-Private Partnership projects into the PIMIS platform. For the county, this will strengthen oversight, improve coordination with investors, and ensure optimal utilization of resources for capital projects in the 2026/27 fiscal year.

137. Lastly, The County Government will progressively adopt the Zero-Based Budgeting approach in preparing the FY 2026/27 and future budgets and continuously entrench the culture of civic education, public participation and inclusivity in the planning process.

2.5 Fiscal Responsibility Principle

138. In accordance with the Constitution, Section 107 of the Public Finance Management (PFM) Act 2012, and the PFM (County) Regulations of 2015, the Government has committed to the principles of prudent and transparent management of public resources, as outlined in the statute.

139. Section 107 (2) (b) of the Public Finance Management Act 2012 mandates that at least thirty per cent of the budgets for national and county governments should be allocated to development expenditures over the medium term. In adherence to this regulation, the County has regularly designated a minimum of 30% of its development budget, achieving 32.23% in FY 2024/25 and 33.02 in the First Supplementary Budget for FY 2025/26. The actual development expenditure for FY 2024/25 was 21.91% and is expected to go higher in FY 2025/26. For FY 2026/27 the expected percentage allocation for development expenditure is projected to be …..of the budget.

140. In accordance with section 25(1) (b) of the PFM (County Governments) Regulations, the county government is required not to spend more than 35 per cent of its aggregate revenue on salaries and wages. However, since the advent of devolution, pressure has been rising for countries to adhere to this provision on wage bill ceiling despite the fact that the rise is triggered mainly by external factors. These include the increase in salaries of staff as well as the signing of CBAs nationally and the effects being imposed on counties to execute without the provision of additional resources, e.g., the CBA for nurses and doctors, which has continued to strain the county's resource basket.

141. The County's allocation on salaries and wages in FY 2024/25 stood at Kshs. 4,534,694,644, representing 50.36 percent of the total county budget, and Kshs 4,638,295,098, representing 49.13 in FY 2025/26. The incessant recruitment of staff without consideration of its effect on the budget has further deepened pressure on the already strained budget, leaving very little for operations and maintenance. Further, the demand for promotions from workers, whenever they are due, has also contributed significantly to the continued rise in the wage bill.

142. The forecast for personal emoluments for the fiscal year 2026/27 is anticipated to constitute ……of the budget, significantly exceeding the statutory requirements. However, the county will persist in exploring strategies to mitigate this escalating trend, which will encompass but is not limited to, the optimal utilization of current personnel, regulated hiring practices, and prioritizing essential replacements exclusively.

143. Section 107 (2) (d) of the Public Finance Management Act of 2012 stipulates that, over the medium term, the government's borrowings shall solely be utilized for the purpose of financing development expenditures and not for recurrent expenditures. In compliance with this regulation, the County prepares a balanced budget, wherein no borrowing is required to finance its budget. This has been the prevailing trend since the inception of devolution, and no borrowing is anticipated for the fiscal year 2026/27 or during the medium term.

144. In reference to debt management, Section 107 (2)(e) of the Public Finance Management Act,2012 stipulates that public debt and obligations must be maintained at a sustainable level, as sanctioned by Parliament for the national government and by the county assembly for county government. The Government has consistently demonstrated a proactive approach in addressing debts accrued from eligible pending bills and ongoing works, ensuring they are prioritized as a first charge, in alignment with Regulation 41 (2) of the PFM (County Government) Regulation, 2015, and subsequent reappropriation in supplementary budgets. To uphold sustainable levels of Government debt, the Government will continually implement debt management strategies as outlined in the Medium-Term Debt Management Paper for the fiscal years 2026/27-2028/29.

145. The local revenue target for the fiscal years 2024/25 and 2025/26 remained unchanged. During both financial years, the County Treasury has prepared the Finance Bills in compliance with the Public Finance Management Act of 2012, thereby ensuring inclusivity and participation from stakeholders throughout the process. Furthermore, the Government has consistently ensured the availability of information regarding rates and charges while advancing efforts towards the simplification and automation of revenue collection. In the medium term, any changes to levies and charges will be made through a consultative process.

146. Further, plans are underway to introduce and adopt revenue forecasting models. This initiative aligns with the requirements of Section 107 (2) (f &g) of the Public Finance Management Act of 2012, which mandates the maintenance of a reasonable degree of predictability with regard to tax rates and tax bases and prudent management of fiscal risks by ensuring that the government does not plan or spend beyond its means.

2.6 Economic Outlook

147. Kenya's economy is predicted to strengthen in 2025 and 2026, with real GDP growth reaching 5.3 percent. This improvement will be driven by a strong agricultural sector, ongoing growth in services, and a slow but steady recovery in industry. Favourable weather, climate-smart investments, and government programs focused on boosting productivity and market access are likely to benefit agriculture. The close connections between agriculture and areas such as agro-processing, exports, and rural incomes will help sustain broad-based economic growth.

148. Industrial activity is expected to improve due to lower production costs and a more stable exchange rate. For counties, this suggests reduced cost of construction inputs (cement, steel, bitumen) for county level projects, easier resumption of stalled or delayed development works, especially as verified county pending bills are cleared and consequently better liquidity for local contractors, enabling faster project execution and lower risk of abandonment.

149. Lower inflation and easing lending rates are expected to Increase household purchasing power, supporting local markets and own-source revenue, improve access to credit for local businesses, enabling expansion and job creation. For counties, this reinforces stronger revenue performance (market fees, licenses, land rates) and more vibrant local economic ecosystem.

150. The national government plans major PPP-driven investments across key sector including roads, water, ICT, agribusiness, manufacturing, and health. Counties stand to benefit from this through expanded opportunities to co-develop infrastructure with private investors and additional fiscal space as PPPs reduce reliance on exchequer-funded projects.

151. China's removal of some export tariffs and better EU market access are expected to improve Kenya's export competitiveness, increase foreign exchange earnings, and reduce the external deficit. Strong agricultural exports, especially horticulture and tea, will support stability, with Nyeri County likely to benefit as a leading coffee and tea producer.

2.7 Risk to the Economic Outlook

152. Kenya is expected to experience steady economic growth in the medium term, supported by a stable macroeconomic environment. Nonetheless, this positive outlook is tempered by the presence of significant risks, both internal and external, which could influence the country's and consequently the County's economic trajectory.

153. Externally, the economy faces uncertainties linked to geopolitical tensions, which have the potential to disrupt global trade and investment patterns. Persistent supply chain disruptions, particularly those caused by the ongoing shipping crisis, threaten to delay imports and escalate costs for critical goods and raw materials. Fluctuating oil prices further contribute to instability, potentially raising production costs for businesses and affecting market performance.

154. Additionally, volatility in international financial markets may hinder investment flows and lead to instability in exchange rates. Kenya's exposure to unpredictable commodity prices and the possibility of tighter global financing conditions add layers of complexity, potentially restricting access to needed external funding for development initiatives. Shifting trade policies, including changes to tariffs and regional trade agreements, present further challenges that could hamper export growth and complicate cross-border commerce.

155. These external pressures collectively risk driving up inflation and escalating production costs, which may erode the competitiveness of Kenyan enterprises and adversely impact profitability across sectors. In such a climate, volatility and uncertainty in global markets can discourage investment, limit access to international capital, and impede progress in export and regional trade integration.

156. Domestically, adverse weather conditions may impact agricultural output and increase food insecurity. Furthermore, a global economic slowdown can affect exports and tourism, while higher fuel prices could raise import costs. At the County level, the economic slowdown may hinder the realization of revenue targets. However, the government's focus on fiscal consolidation offers some mitigation against these risks

157. On the upside, effective implementation of structural reforms could enhance economic stability, supported by an improvement in global financing conditions and a reduction in international prices. Enhanced coordination of monetary and fiscal policies is expected to promote investment and growth.

158. At the county level, these risks will be subject to diligent monitoring, and corrective measures will be implemented to mitigate their potential adverse effects. Furthermore, the County Government will cooperate with the National Government in executing policy directives aimed at addressing these risks.

III. BUDGET FY 2026/2027 AND THE MEDIUM-TERM FRAMEWORK

3.1 Fiscal Framework Summary

159. The FY 2026/27 budget and medium-term expenditure framework are anchored on the National and County Government's policy priorities and macroeconomic strategy as outlined in Chapter I and Chapter II. In advancing its development agenda over the medium-term, the County sustaining its growth enhancing fiscal consolidation efforts by restraining expenditures and strengthening revenues mobilization. This will reduce overreliance on equitable share and moderate the pace of potential debts in terms of pending bills and commitments while ensuring that delivery of essential public services remains uncompromised.

160. The County remains committed to adherence to the fiscal responsibility principles in utilization of allocated resources to ensure that the resultant economic growth and development is sustainable. The Government policies will guarantee smooth implementation of the projects and programs that will facilitate economic activities in the County. The fiscal framework will also ensure resources allocated for development activities are aligned to the County priorities for optimal benefit to all.

3.1.1 Revenue Projections

161. In the FY 2025/26, Own Source Revenue is projected at Kshs 800 Million. This revenue is expected to be enhanced by the Finance Act, 2025 and an expanded enforcement team for payment of revenue across all revenue streams. The County will continue to leverage on the automated revenue management system to improve revenue performance and seal all potential leakages.

3.1.2 Expenditure Projections

162. The County Integrated Development Plan 2023-2027 and the Annual Development Plan 2025/26 outline priority development programmes and projects that were identified, during the public participation forums and sector hearings, for implementation with the FY 2025/26 budget. The projects and programmes are aimed at providing solutions to the development challenges facing the County in order to achieve its vision of "A wealthy County with happy, healthy and secure people". These projects and programmes will guide in preparation of the budget estimates for the same period which is projected to be Kshs. 5,714,133,973 for recurrent and Kshs. 2,801,713,975 for development.

3.1.3 Deficit Financing

163. The County expenditures will be restrained to guarantee debt sustainability and intergenerational equity in line with the Constitution of Kenya, 2010, Section 107 of the PFM Act, 2012 and Regulation 25 of the PFM (County Governments) Regulations, 2015. The law sets out the Fiscal Responsibility Principles which the County Governments have to adhere to and enforced through the County Treasury.

164. The budget for the Fiscal Year 2026/27 will be a balanced one. Pending bills and possible roll-overs from FY 2025/2026 will be treated as first charge settled by the respective departments. However, shortfall in the projected revenue collection and late disbursement of funds by the National Treasury often result in accumulation of pending bills and projects spillovers to sequent periods.

165. The County Treasury is committed to improving its fiscal policy to reduce possibilities of deficit. This will be achieved through enhancement of revenue mobilization, widening revenue base, conducting revenue potential study, containing unproductive expenditures and leakages during the medium-term period.

3.1.4 Key Priorities for the 2024/2025 Medium Term Budget

166. The budget for the FY 2026/27 and the Medium-Term Expenditure Framework will continue implementation of the CIDP 2023-2027 through the Annual Development Plan 2026/27 that clearly spells out the expectations of the county citizenly. To realize these aspirations, experiences in the current and previous financial years will be used as building blocks for future budgeting. The overriding agenda is geared towards economic turnaround and inclusive growth aimed at increasing investment in the county.

167. The above will be achieved through enhanced connections between policy, budgeting, implementation, and monitoring of planned activities and programmes. This will help County Government to ensure that public spending remains affordable within a sustainable framework. In this regard, public spending will be directed towards the most critical needs of the County with the aim of bringing down the cost of living; eradicating hunger; creating jobs; and provide the greater majority of our citizens with much needed social security. Further, the County Government will ensure departments' requests for resources are alive to the shrinking fiscal space in light of the fiscal consolidation policy. Further, public expenditure will be focused on the most critical needs of the County with the aim of optimizing the use of resources available.

3.1.5 Allocation Baseline Ceilings

168. The current departmental and entities' spending levels in their programmes will form the baseline ceilings for the budget allocations. In the recurrent expenditures, non-discretionary expenditures take first charge. These include payment of salaries/wages and gratuity for employees, medical and motor vehicle insurance covers, water, and electricity bills among others.

169. Development expenditures have been allocated out on the basis of the flagship projects in the CIDP 2023-2027, ADP 2025-2026 and public views collected during public participation of developing the planning documents. The following factors were considered in apportioning the development budget.

a. ***On-going projects:*** emphasis should be given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.

b. ***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 development partners.

c. ***Strategic policy interventions:*** on this, priority should be given to policy interventions covering the entire County on matters of social equity and environmental conservation.

3.1.6 Criteria for resource allocation.

170. In completion of the Medium-Term Framework Budget FYs 2026/2027 – 2028/2029, there will be in-depth analysis to inhibit spending on non-productive areas and ensure resources are directed to priority projects and programmes. Any additional resources will be used to fund key County strategic priorities which includes.

- Projects and Programmes identified during the public participation forums for the FY 2026/2027 budget and subsequent ones over the medium term.
- Linkage of projects and programmes with the priorities that address Governor's Transformation Agenda.
- Linkage of the project or programme with the priorities of Medium-Term Plan IV of the Kenya Vision 2030.
- Degree to which a project or programme addresses job creation and poverty reduction.
- Degree to which a project or programme addresses the core mandate of the department, expected outputs and outcomes from a programme.
- Cost effectiveness and sustainability of the project or programme.
- Areas aimed at improving food security, improving infrastructure and other social economic enablers of development as outlined in the CIDP 2023-2027.
- Requirements for furtherance and implementation of the Constitution.

The baseline estimates reflect the current departmental spending levels in their respective sectors.

IV. DEPARTMENTAL ALLOCATION OF RESOURCES

4.0 Introduction

171. Choice of projects and programmes to be implemented in a specific financial year should be done through public participation and sector hearings as stipulated in the Constitution of Kenya 2010, the PFM Act 2012 and other relevant laws and regulations. The preparation of this County Fiscal Strategy Paper, 2026 takes into account the above requirements. The public participation forums provide a platform for project prioritization considering the scarcity of resources against the many competing needs.

172. The County Integrated Development Plan (2023–2027) and the Annual Development Plan for FY 2026/27 provide the framework for the County Government's transformative agenda and form the basis for the preparation of this document. In this regard, there is a continued need for capacity building of technical personnel to enhance their competencies in the implementation and effective operation of the e-procurement system, Integrated Financial Management Information System (IFMIS) and Internet Banking system updates, as well as in the budget formulation process, resource allocation, and monitoring and evaluation, in order to achieve optimal service delivery.

4.1 Departmental Budgeting

173. County Governments are required to allocate a minimum of 30 percent of their budget over medium-term to development expenditure as provided for under Section 107 (2) (b) of the PFMA, 2012. It's in this line that the FY 2026/27 budget for the County will be prepared. The County Treasury will issue guidelines to the county departments and spending units on the preparation of FY 2026/27 budget with specific ceilings as adopted by the County Assembly through this paper. The departments are expected to prepare their budgets within the approved ceilings. Each department is expected to plan, formulate, execute, and report on their budgets as guided by the budget circular.

4.2 Resources available

174. Based on the National Government transfers as provided for in the Budget Policy Statement, 2026, the County government is commitment to spend within its means as well as adhere to the recommended expenditure framework set up by the National Treasury. In the FY 2026/2027, the County Treasury projects a total budget of Kshs,,,,,,,. This amount includes the equitable share of revenue raised nationally and loans & grants from the National Government entities and donors and local revenue of Ksh.800,000,000

4.3 External Sources

175. This will comprise of equitable share and conditional grants (FLLoCA, CHPs, DANIDA, ABDP, National Agricultural Value Chain Development, County Aggregated Industrial Parks Programme (CAIP), KUSP and KDSP II). It will also include transfers from National Government Ministries and Agencies channeled through the County Revenue Fund (CRF).

176. In financial year 2026/27, the Budget Policy Statement, 2026 proposes that the County will receive Kshs 6,977,794,672 as equitable share, as envisaged in Article 202(2) of the Constitution, the County Government expects to receive loans & grants amounting to Kshs. 1,197,238,693 from the national government entities and donors.

4.4 Internal Sources

177. These are the own source of revenues from specific County revenue raising measures through imposition of land rates, parking fees, entertainment taxes, as well as any other tax and user fees and charges as authorized to impose. These fees and charges are included in the revenue administration Act, 2014 and subsequent Finance Bills prepared each and every year. In the FY 2026/27 budget, the local revenue is projected at Kshs 800 Million, the same amount estimated in the FY 2025/2026.

4.5 Allocation of Revenue among Departments

178. Departmental allocation for recurrent and development spending framework during FY 2025/26 is provided in table 5 below.

Table 5: Approved Budget Allocations by County Departments and Units, July 2025 – June 2026

DEPARTMENT	RECURRENT	% OF TOTAL	DEVELOPMENT	% OF TOTAL	TOTAL	% OF TOTAL
Executive Office of the County Governor	149,384,402	2.4	31,774,752	1.0	181,159,154	1.9
Office of the County Secretary	402,545,866	6.4	1,500,000	0.0	404,045,866	4.3
Finance, Economic Planning and ICT	634,144,849	10.0	25,476,348	0.8	659,621,197	7.0
Lands, Physical Planning and Urban Development	84,660,503	1.3	72,300,000	2.3	156,960,503	1.7
Health Services	2,757,819,573	43.6	343,176,181	11.0	3,100,995,754	32.8
Gender, Youths, Social Services and Sports	110,555,619	1.7	169,431,509	5.4	279,987,128	3.0
County Public Service and Solid Waste Management	237,214,526	3.8	60,384,302	1.9	297,598,828	3.2
Agriculture, Livestock and Fisheries	260,348,572	4.1	364,164,735	11.7	624,513,307	6.6
Trade, Culture, Tourism and Co-operative Development	73,634,599	1.2	336,129,494	10.8	409,764,093	4.3
Education, Training and Devolutions	523,708,260	8.3	547,537,005	17.6	1,071,245,265	11.3
Water, Environment and Climate Change	83,958,295	1.3	297,001,336	9.5	380,959,631	4.0
County Assembly	793,941,493	12.6	30,000,000	1.0	823,941,493	8.7
County Public Service Board	51,879,758	0.8	4,000,000	0.1	55,879,758	0.6
Transport, Public Works, Infrastructure and Energy	97,672,637	1.5	626,051,062	20.1	723,723,699	7.7
Office of the County Attorney	24,300,586	0.4	0	0.0	24,300,586	0.3
Nyeri Municipality	38,352,164	0.6	208,682,908	6.7	247,035,072	2.6
TOTAL	**6,324,121,702**	**100.0**	**3,117,609,632**	**100.0**	**9,441,731,334**	**100.0**

Source: Department of Finance and Economic Planning, 2026

4.6 Fiscal Discipline

179. According to Section 94 (1) (a) of the PFM Act, 2012, failure to make any payments as and when due by a State organ or a public entity may be an indicator of a serious material breach or a persistent material breach of measures established under the Act. In this context, any pending commitment by the end the financial year will be treated as first charge in the subsequent budget.

180. County Governments are required under Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015 to ensure that expenditure on wages and benefits does not exceed 35 percent of their total revenue. The county Government has put in measures to comply with this section by recruiting officers at entry level in departments with ageing workforce, translating terms of engagement for officers on contracts to permanent and pensionable, outsourcing non-core services and harmonization of salaries and benefits

181. Section 107 (2) (b) of the PFMA, 2012 provides that County Governments should allocate a minimum of 30 percent of their budget over the medium-term to development expenditure. Our County complied with this legal requirement and allocated 33 percent of the approved budget to development in FY 2025/2026 and will continue doing so in future budgets.

182. The County Government will continue to implement strategies aimed at enhancing local revenue mobilization by expanding the revenue base and identifying new revenue streams. These measures, together with increased sensitization and strengthened enforcement, are expected to reduce over-reliance on transfers from the National Government and development partners, thereby freeing additional resources for the financing of capital projects and programmes.

4.7 Equity in Allocation of Resources

183. Through the CFSP 2026, the county seeks to continue putting in place measures to address the challenges brought about by the negative global and persistent shocks that have pushed the economy to its lowest vibrant level. Against this background, the Government continues to implement interventions and policies to reduce the cost of living and improving livelihoods, while at the same time fostering a sustainable inclusive economic transformation in line with the Bottom-Up Economic Transformation Agenda. To ensure equal and uniformity in economic growth in the county, resources have been allocated to fund both infrastructural and human development for all areas.

V. 2026/27 EXPENDITURE FRAMEWORK

5.0 Resource Envelope

184. The resource envelope that is applied for the setting of departmental ceilings and allocations is based on the fiscal and budget framework outlined in Section IV and was based on the proposed County allocations as indicated in the Budget Policy Statement, 2026 for national sources and expected conditional loans and grants. In this resource envelope, the equitable share from national government is expected to finance nearly 80 percent of the total County budget for FY 2026/2027, approximately 10 percent will be financed through conditional grants from development partners while 10 percent will be financed from own source revenue collection.

185. The percentage of revenue received from the National Government as equitable share is determined through the Revenue Sharing formulae by the Commission on Revenue Allocation (CRA). However, it is important to note the ratio of equitable share relative to the OSR for FY 2026/27 remains high. In this regard, it is imperative for the County Government to be more committed in developing strategies for own source revenue enhancement over the medium term. This will reduce over-reliance on exchequer releases from the National Government which will translate to operational efficiency and timely payments of pending bills and roll over which are potential debts.

186. The National Government is developing and enhancing the capacity of counties for revenue forecasting so as to improve the accuracy of own source revenue projections. The National Treasury in collaboration with other national agencies are in the process of developing a revenue forecasting tool that uses a more scientific approach.

187. The difference between the budgetary estimates and the equitable share will be funded through the county own generated revenue and conditional loans, and grants. The County will also strengthen its resolve to increase its local revenue collection as an approach to meet the expanding and strained budgetary needs. Further, the County will continue engaging and partnering with the private sector and development partners to fund some of the development activities during the financial year FY 2026/27.

188. The County Government envisions a balanced budget that will be fully funded by the resource envelop in order of priority as outlined in this document. The resource basket will therefore be entirely financed through the revenue collected from local sources, equitable share, loans, and grants.

5.1 Spending Priorities

189. The County has developed the Annual Development Plan for the FY 2026-2027 and the third-generation County Integrated Development Plan for the period 2023-2027. The preparation of these documents, as well as identification and prioritizing of strategic development programmes for inclusion in these plans has been all-inclusive and consultative. The identification of the programmes is also guided by the Medium-Term Plan (MTP IV) of the Kenya Vision 2030, the Bottom-Up Economic Transformation Agenda and the Governor's Manifesto among other national and international development blueprints and agreements.

190. Departments and spending units are expected to ensure efficiency in allocation of resources through zero based budgeting and reviewing the terms and counter funding required for projects and programmes supported by conditional loans and grants. Departments are therefore encouraged to restructure and re-align their spending plans with the County Government's priority programmes. The following criteria will serve as a guide for allocating resources

i. Linkage of programmes with the value chains aligned to the County Integrated Development Plan and the Bottom-Up Economic Transformation Agenda of the National Government;
ii. Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;
iii. Linkage of programmes that support mitigation and adaptation of climate change;
iv. Completion of ongoing projects, viable stalled projects and payment of verified pending bills;
v. Degree to which a programme addresses job creation and poverty reduction;
vi. Degree to which a programme addresses the core mandate of the county department and spending units, Expected outputs and outcomes from a programme;
vii. Cost effectiveness, efficiency and sustainability of the programme; and
viii. Requirements for furtherance and implementation of the Constitution.

The baseline estimates reflect the current departmental spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures take first charge and they include payment of salaries, wages pensions and gratuity.

Development expenditures have been allocated on the basis of the flagship projects in County Integrated Development Plan (2023-2027) and the Annual Development Plan which outlines the development agenda of the county. The following criteria was used in apportioning capital budget:

191.

- **Ongoing projects:** Emphasis was given to completion of ongoing capital projects and in particular infrastructure projects with high impact on poverty reduction, equity, and employment creation.

- **Roll over projects:** These are projects earmarked to be undertaken in the financial year 2024/25 but they haven't started due to various challenges faced during financial year.

- **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 development partners.

- **County flagships:** These are projects that are considered to have a huge impact or a multiplier effect cutting across multiple wards and departments and that require a significant proportion of the County appropriation.

- **County newly proposed projects:** Proposals from the public participation and the departments were also considered in the determining of the departmental allocations.

- **Strategic policy thrusts and interventions:** Further priority was given to policy intervention covering the entire County for social equity and environmental conservation.

192. The above projects and policy interventions as contained in the planning documents have high impact on poverty reduction, investment, equity, employment, and wealth creation. In addition, the Constitution, and the PFM Act, 2012 requires the national and county governments to promote budgetary transparency, accountability, and effective financial management of their respective jurisdictions. Therefore, inefficient, and wasteful public expenditure will continue being eliminated at all costs in order to promote trust in public spending.

193. In finalizing the preparation of the 2026/27 MTEF budget, the County Government will continue to undertake austerity measures aimed at minimizing expenditure on the non-productive areas and programmes and ensuring that resources are allocated optimally to priority programmes that have immense impact accruing to the intended beneficiaries.

5.2 Public Participation/ Sector Hearings and Involvement of Stakeholders

194. Public participation and involvement of stakeholders in the medium-term budget process is a Constitutional requirement. In fulfilment of this requirement, while preparing the 2026 County Fiscal Strategy Paper (CFSP) the resolutions adopted by the county assembly on Annual Development Plan were taken into account. Further, the PFM Act, 2012 (CAP 412A) requires that the input of the public be taken into account before the budget proposals are firmed up. In this regard, the public participation and stakeholder engagement were conducted through physical forum on 5th of February, 2026. An online public engagement was undertaken through a virtual social platform where the citizens and particularly the youth will be engaged on 12th of February, 2025.

5.3 Medium-Term Expenditure Estimates

195. The table below shows the approved baseline ceilings for the FY 2026/27 budget estimates classified by County departments and spending units.

Table 6: Approved Budgetary Ceilings for the Financial Year 2026-2027

	Approved Budget 2025/26			Proposed Recurrent Budget 2026/27				Proposed Development Budget 2026/27			Total Proposed Budget	Projected Estimates 2027/28		
	Recurrent	Development	Total Budget	Personal Emoluments	0&M	Conditional/ County Wide	Total Recurrent	Conditional Grant	County Wide Projects	Total Development	Total Budget	Recurrent	Development	Total Budget
Executive Office of the County Governor	149,384,402	31,774,752	181,159,154											
Office of the County Secretary	402,545,866	1,500,000	404,045,866											
Finance, Economic Planning & ICT	634,144,849	25,476,348	659,621,197											
Lands, Physical Planning and Urban Development	84,660,503	72,300,000	156,960,503											
Health Services	2,757,819,573	343,176,181	3,100,995,754											
Gender, Youths, Social Services and Sports	110,555,619	169,431,509	279,987,128											
County Public Service and Solid Waste Management	237,214,526	60,384,302	297,598,828											
Agriculture, Livestock and Aqua Culture	260,348,572	364,164,735	624,513,307											
Trade, Culture, Tourism and Co-operative Development	73,634,599	336,129,494	409,764,093											
Education, Training and Devolution	523,708,260	547,537,005	1,071,245,265											
Water, Environment, and Climate Change	83,958,295	297,001,336	380,959,631											
County Assembly	793,941,493	30,000,000	823,941,493											
County Public Service Board	51,879,758	4,000,000	55,879,758											
Transport, Public Works, Infrastructure and Energy	97,672,637	626,051,062	723,723,699											
Office of the County Attorney	24,300,586	-	24,300,586											
Nyeri Municipality	38,352,164	208,682,908	247,035,072											
Total	**6,324,121,702**	**3,117,609,632**	**9,441,731,334**											

Source: Department of Finance, Economic Planning & ICT, 2026

5.4 Baseline ceilings

5.4.1 Recurrent Expenditure Projections

196. The total recurrent budget for FY 2025/2026 will be Kshs 5.71 billion as compared to Kshs. 5.86 billion in FY 2024/25 Original Budget estimates. The recurrent estimates account for approximately 67 % of the total County budget which consist of all non-discretionary expenditures such as payment of statutory obligations namely, wages, salaries, pension, payee, and utilities, taking first charge.

197. The County wage bill is at 51.49 percent of the total budget thereby leaving very little amount for other operations and maintenance especially after considering the utility bills. The allocation for operations and maintenance is also further compounded by the 30 percent minimum requirement for development and the allocations for conditional grants.

5.4.2 Development Expenditure Projections

198. On the other hand, 32% percent of the total budget estimate, amounting to Kshs.2.80 billion, is reserved for funding planned development projects and programmes in line with the PFM Act, 2012. The development expenditure is shared out on the basis of the Conditional grants, County priorities, consideration of ongoing projects and programmes, the Approved ADP 2025/2026, the views of the public and other stakeholders as articulated during the public participation and sector hearing forums for the CIDP 2023-2027 and the County flagship projects.

VI. CONCLUSION

199. In conclusion, the County Treasury will maintain a close collaboration with the National Treasury, the Office of the Controller of Budget, and other pertinent bodies to improve its operational efficiency. Additionally, the County Government is committed to enhancing the skills of its staff to ensure compliance with principles of fiscal responsibility, thereby ensuring value for money and prudent management of public funds.

200. The ceilings established in this strategic document will serve as a guide for the development of the FY 2026/2027 County budget. This strategy paper significantly informed by the development strategies and priorities as outlined in the County short-term and long-term development blueprints. Further, input from the public and all key stakeholders has been thoroughly incorporated through various means including public participation, and digital platforms. The feedback gathered forms the foundation for strategic planning, setting priorities, and allocating resources. Despite facing a multitude of competing demands and limited resources, it is imperative for all County departments and spending agencies to prioritize their expenditures to avoid wastage and ensure the optimal social and economic benefit for the citizens of Nyeri.

ANNEX I: OWN REVENUE SOURCES COLLECTED IN THE FIRST HALF OF THE FY 2025/2026

	Revenue Stream	Annual Targeted Revenue (Kshs.)	Total Q2 FY 2025-26	Total Q2 2024/25	Percentage Performance in FY 2025/26
	Own Source Revenue	**Kshs**	**Kshs**	**Kshs**	**(%)**
	Executive Office of the Governor and the Deputy Governor				
1	Liquor License	70,000,000	33,893,890	28,735,091	48.42
	Department of Agriculture, Livestock and Aquaculture Development				
2	Agricultural Mechanization Station	1,500,000	299,190	101,230	19.95
3	Wambugu Agricultural Training Centre	8,000,000	1,918,760	498,200	23.98
4	Veterinary Charges, Slaughtering Fees & Slaughterhouse Inspection Fees	9,600,000	2,731,640	5,237,239	28.45
5	Nyeri Slaughterhouse	500,000	120,000	0	24.00
6	Kiganjo Slaughterhouse	120,000	60,000	0	50.00
7	Sale of Fertilizer/lime	10,000	0	0	0.00
8	Gura Fishing Camp/fisheries revenue	10,000	0	0	0.00
9	Coffee Permit	400,000	354,200	230,200	88.55
	Department of Trade, Cooperatives, Culture and Tourism				
10	Market Entrance/Stalls/Shop Rents	52,000,000	19,916,318	20,866,251	38.30
11	Weights and Measures	6,000,000	1,826,209	1,709,725	30.44
12	Co-operative Audit	2,500,000	338,600	313,300	13.54
13	Cultural Centre	200,000	64,000	0	32.00
	Department of Health Services				
14	Hospital Services	0	0	0	0
15	Public Health	18,000,000	4,255,500	4,528,072	23.64
16	Burial Fees	100,000	27,600	15,800	27.60
	Department of Finance, Economic Planning and ICT				
17	Business Permits	130,000,000	13,590,662	17,410,868	10.45
18	Commission 3%/Agency Fee (Fees from KHC, Insurance Firms, etc.)	5,000,000	3,185,338	2,599,550	63.71
19	Ambulant Hawkers Licenses (Other than BSS Permits)	700,000	219,570	197,010	31.37
20	Miscellaneous	200,000	7,980	20,909	3.99
21	Document Search Fee/Duplicate receipts	200,000	138,500	113,500	69.25
22	Impounding Charges/Court Fines, penalties, and forfeitures	5,000,000	837,205	2,156,500	16.74
23	Application Fee	9,400,000	1,175,940	4,058,387	12.51
24	Parking Clamping/Penalties/Offences fees	2,000,000	264,350	617,150	13.22
25	Central Kenya shows annual permit	200,000	0	132,241	0.00

	Revenue Stream	Annual Targeted Revenue (Kshs.)	Total Q2 FY 2025-26	Total Q2 2024/25	Percentage Performance in FY 2025/26
26	Sale of Old Office Equipment and Furniture	2,000,000	0	0	0
	Department of Roads, Transport, Public Works, Infrastructure and Energy				
27	Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc.)	7,000,000	1,374,723	4,345,127	19.64
28	Cess (Quarry, Produce, Kaolin, etc.)	45,000,000	22,277,195	17,682,276	49.50
29	Street Parking Fees	48,000,000	14,996,059	18,864,710	31.24
30	Enclosed Bus Park	90,000,000	42,369,136	42,704,424	47.08
31	Fire-Fighting Services	18,000,000	1,886,200	2,332,600	10.48
	Department of Lands, Physical Planning and Urban Development				
32	Land Rates/ Other Property Charges	70,000,000	9,590,306	4,759,489	13.70
33	Ground Rent - Current Year / Temporary Occupation License (TOL), New Occupation, Space Rent, Retainers fees	5,200,000	1,652,554	725,578	31.78
34	Ground Rent - Other Years	2,000,000	945,152	498,141	47.26
35	Hire of Plant & Machinery	0	0	0	0.00
36	Plot Transfer Fee/Business Subletting / Transfer Fee	1,200,000	410,000	415,000	34.17
37	Housing Estates Monthly Rent	30,000,000	11,714,785	14,064,729	39.05
38	Approvals (Extension of users, Pegging for Kiosk, Subdivision, transfer, Amalgamation, survey, Occupation Cert, boundary dispute etc.)	23,000,000	9,927,155	7,332,908	43.16
39	Sign Boards & Advertisement Fee	44,500,000	8,337,670	9,492,438	18.74
40	Buildings Plan Approval Fee/Buildings Inspection Fee	32,000,000	11,607,877	9,053,023	36.27
41	Consent to Charge Fee/Property Certification Fee (Use as Collateral)	1,500,000	534,100	500,200	35.61
42	Sales of Council's Minutes / Bylaws	600,000	202,000	238,000	33.67
43	Debts Clearance Certificate Fee	1,600,000	777,500	601,000	48.59
	Department of Gender, Youth, Social Services and Sports				
44	Hire of Grounds (Kamukunji, Whispers Park) / Social Hall Hire	2,000,000	1,555,853	67,500	77.79
45	Library Services	1,500,000	375,468	317,570	25.03
46	Stadium Hire (Ruringu, Karatina etc)	300,000	134,000	82,000	44.67
	Department of Education, Training and Devolution				
47	Food Ration (KRT) Nursery School	400,000	85,000	126,050	21.25
48	Food Ration (Kingo'ngo) Nursery School	300,000	90,000	72,000	30
49	Food Ration (Nyakinyua) Nursery School	400,000	81,000	40,700	20.25

	Revenue Stream	Annual Targeted Revenue (Kshs.)	Total Q2 FY 2025-26	Total Q2 2024/25	Percentage Performance in FY 2025/26
50	Registration of School, Training/Learning Center Fee	0	0	0	0
	Department of County Public Service and Solid Waste Management				
51	Public Toilets/Use of public toilets	100,000	36,885	43,640	36.89
52	Refuse Collection Fee/Tipping charges/Garbage Dumping Fee/waste disposal charges	50,000,000	9,781,450	8,057,930	19.56
	Department of Water, Environment, and Climate Change				
53	Polluters of Environment Penalties	50,000	0	16,000	0
54	Noise Regulation/Pollution	1,710,000	653,000	684,500	38.19
	TOTAL LOCAL SOURCES	**800,000,000**	**236,620,520**	**232,658,756**	**29.58**

Source: Directorate of Revenue, 2026

ANNEX II: SOURCES OF BUDGET FUNDING IN FY 2026/2027

PROPOSED RESOURCE ENVELOP FOR FY 2026/27			
Classification	**Description**	**Total in Kshs**	**Other Sources**
Equitable Share		**6,896,132,673**	
Loans & Grants	Community Health Promoters	74,250,000.00	
	Court Fines	76,000	
	DANIDA	12,183,750	
	Kenya Informal Settlement Improvement Project(KISIP II)	52,000,000.00	
	Kenya Devolution Support Program KDSP II (Level I)	37,500,000	
	Kenya Devolution Support Program KDSP II (Level II)	352,500,000	
	Kenya Urban Support Program (KUSP UIG)	36,750,000	
	Kenya Urban Support Program (KUSP UDG)	78,434,342	
	IDA (World Bank) Credit- National Agricultural Value Chain Development	105,000,000	
	IDA (World Bank) Credit- FLLOCA Climate Change Grant Level 2	125,000,000	
	Total	**925,403,668**	
Estimated Local Revenue	OSR	**800,000,000**	
Estimated total amount for budgeting		**8,569,826,765**	**850,000,000**

ANNEX III: HIGHLIGHTS OF THE PUBLIC PARTICIPATION ON PREPARATION OF THE CFSP, 2026 AND THE MTEF BUDGET 2026/2027-2028/2029