

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF KERICHO

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (C- BROP)

SEPTEMBER

2025

FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2025 has been prepared in accordance with Section 118 of the Public Finance Management (PFM) Act, 2012. It provides a detailed review of the recent economic developments and the actual fiscal performance of the County Government for the Financial Year (FY) 2024/2025. The document highlights the extent to which actual performance compared with budget appropriations for the same period. In addition, it assesses how the fiscal outcomes of FY 2024/2025 influenced the County's adherence to fiscal responsibility principles and achievement of set financial objectives.

The Paper further provides an updated economic and financial outlook, which serves as a foundation for guiding the preparation of the subsequent budget. It outlines the key fiscal parameters, including revenue and expenditure projections, that will shape policy decisions moving forward. Notably, the provisional expenditure ceilings contained in the CBROP are designed to offer clear direction to sector working groups (SWGs) as they begin the process of preparing their sectoral budget submissions. This alignment is crucial in ensuring a consistent and disciplined budgeting framework.

By setting out these fiscal guidelines, CBROP aims to strengthen the County's budgeting process and enhance accountability in the use of public resources. It emphasizes the importance of aligning expenditure with available resources, prioritizing key development programs, and maintaining fiscal sustainability. These measures not only ensure compliance with the statutory requirements of the PFM Act but also build public confidence in the County's financial management systems.

Ultimately, it is expected that this policy paper will play a pivotal role in enhancing financial discipline and promoting the fiscal responsibilities outlined under Section 107 of the PFM Act, 2012. By providing a clear roadmap, the CBROP will contribute towards

the realization of the development aspirations of the residents of Kericho County. The County Government remains committed to using this framework to achieve sustainable growth, improve service delivery, and foster inclusive socio-economic development for all.

Hon. Jackson Rop

C.E.C – Finance and Economic Planning and Head of County Treasury

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ACRONYMS

CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CPI	Consumer Price Index
FIF	Facility Improvement Fund
FY	Financial /Fiscal year
GDP	Gross Domestic Product
SDR	Special Drawing Rights
IFMIS	Integrated Financial Management Information Systems
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTP	Medium Term Plan
PFM Act	Public Finance Management Act

1.0 BACKGROUND

The primary objective of the County Budget Review and Outlook Paper (CBROP) is to assess the County's actual fiscal performance for the previous financial year against the approved budget appropriations. This review provides insights into the revenue collected, expenditure trends, and how these outcomes compare to the fiscal targets set. In doing so, CBROP highlights areas where performance was on track and identifies gaps that may have hindered the achievement of financial objectives.

In addition, CBROP sets out updated economic and financial forecasts that reflect any changes from the projections made in the most recent County Fiscal Strategy Paper (CFSP). Where deviations from the CFSP objectives are noted, the CBROP provides explanations and proposes corrective measures, including timelines for addressing the variances. This ensures the County maintains fiscal discipline while adapting to changing economic realities, ultimately promoting sound financial management and effective budget implementation.

1.1 LEGAL BASIS FOR THE PREPARATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER (C-BROP)

Section 118 of the Public Financial Management Act, 2012 states that:

- 1) A County Treasury shall –
 - (a) Prepare a County Budget Review and outlook Paper in respect of the County for each Financial Year, and
 - (b) Submit the paper to the County Executive Committee by the 30th September of that year.
- 2) In preparing its County Budget Review and Outlook Paper, the County Treasury shall specify-

- (a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year.
 - (b) The updated economic and financial forecasts with sufficient information to show changes from the forecast in the most recent County Fiscal Strategy Paper.
 - (c) Information on –
 - (i) Any changes in the forecasts compared with County Fiscal Strategy Paper, or
 - (ii) How actual financial performance for the previous Financial Year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that Financial Year; and
 - (d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall-
- a) arrange for the Paper to be laid before the County Assembly; and
 - b) as soon as practicable after having done so, publish and publicize the Paper.

Under section 137 of the PFM Act 2012, the County Budget and Economic forum purpose shall be;

- (a) Preparation of county plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the county; and
- (b) Matters relating to budgeting, the economy and financial management at the county level.

1.1.1. Fiscal Responsibility Principles in the Public Financial Management Law.

1. The Public Financial Management Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 avers that:

- 1) A County Treasury shall manage its public finances in accordance with the principle of fiscal responsibility set out in subsection (2) and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
 - (a) The County government recurrent expenditure shall not exceed the county government's total revenue.
 - (b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure:
 - (c) The county government's expenditure on wages and benefits for the 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.
 - (d) Over the medium term, the government's borrowings shall be used for the purpose of financing development expenditure and not for recurrent expenditure, i.e., the county debt shall be maintained at a sustainable level as approved by the County Assembly.

2.0 REVIEW OF FISCAL PERFORMANCE IN FINANCIAL YEAR 2024/2025

2.1 OVERVIEW

The Kericho County Approved Supplementary I Budget for the Financial Year (FY) 2024/25 was set at Kshs. 9.756 billion. Out of this, Kshs. 3.561 billion, representing 36.5 per cent, was allocated to development programmes, while Kshs. 6.195 billion, or 63.5 per cent, was directed towards recurrent expenditure. This budget reflected an overall increase of Kshs. 1.272 billion, equivalent to 15 per cent, compared to the FY 2023/24 budget. In the previous year, the County had approved a development budget of Kshs. 2.73 billion and a recurrent budget of Kshs. 5.753 billion. The growth in the FY 2024/25 budget was mainly attributed to improved performance in Own Source Revenue collection and a higher Equitable Share from the national government.

A significant portion of the FY 2024/25 budget was financed through the equitable share of revenue raised nationally, which stood at Kshs. 6.932 billion, accounting for 71 per cent of the total budget. This remains the mainstay of county financing, underscoring the County's reliance on national transfers to support service delivery and development programmes. To complement this, additional allocations from the national government contributed Kshs. 1.035 billion, translating to 11 per cent of the budget.

Further, the County carried forward a cash balance of Kshs. 536.3 million from FY 2023/24, which formed 5 per cent of the financing framework. This rollover ensured continuity of funding for ongoing programmes and projects while strengthening the County's cash flow position in the new financial year. In addition, Own Source Revenue was projected to contribute Kshs. 1.22 billion, representing 13 per cent of the total budget, highlighting the County's efforts to enhance local resource mobilization for sustainable financing.

The Own Source Revenue was structured into two components: Kshs. 576.24 million (6 per cent) was to be deposited into the County Revenue Fund (CRF), while Kshs. 646.35 million (7 per cent) was expected to be collected and utilized as Appropriations-in-Aid (A-I-A) at source. This dual approach to local revenue management aimed to ensure that county entities directly retained some resources to support their operations while also centralizing a portion into the CRF for redistribution in line with county priorities. Such a strategy was designed to enhance efficiency, accountability, and flexibility in financing County programmes and services.

Table 1: Summary of Final Supplementary Budget FY 2024/25

	Line Ministries/Departments	RECURRENT SUPPL	DEVELOPMENT SUPPL	TOTAL SUPPL	%
1	County Assembly Services	880,334,303	106,733,214	987,067,517	10%
2	Public Service & Administration	424,359,708	20,950,340	445,310,048	5%
3	Office of the Governor & Deputy governor	161,256,392	0	161,256,392	2%
4	County Public Service Board	82,743,700	0	82,743,700	1%
5	Finance & Economic Planning	350,133,239	36,984,012	387,117,251	4%
6	Health Services	2,904,160,750	242,043,875	3,146,204,625	32%
7	Agriculture, Livestock Development & Fisheries	189,870,333	503,264,709	693,135,042	7%
8	Education, Youth Affairs, Culture & Social Services	616,031,470	241,482,326	857,513,796	9%
9	Public Works, Roads & Transport	105,308,742	969,265,412	1,074,574,154	11%
10	Trade, Industrialization, Tourism, Wildlife & Cooperative Development	66,767,379	355,064,267	421,831,646	4%
11	Water, Energy, Natural Resources & Environment	174,994,615	593,482,722	768,477,337	8%
12	Land, Housing & Physical Planning	165,962,467	217,013,999	382,976,466	4%
13	Information, Communication & E-Government	73,731,262	41,000,000	114,731,262	1%
14	STRATEGIC INTERVENTION	0	234,000,000	234,000,000	2%
	TOTAL EXPENDITURE	6,195,654,360	3,561,284,876	9,756,939,236	100%

Table 2: Shows the expected sources of budget financing in the FY 2024/25

FINANCIAL YEAR 2024/25	Supplementary 1
SOURCES OF REVENUE	
Revenue Description	
1.CRA Equitable share	6,962,657,506
2.Local Collections	576,244,311
3.Facility Improvement Fund	646,355,000

4.CONDITIONAL GRANTS	
4A. Routine Maintenance Fuel Levy Fund	169,758,085
4D. County Aggregated Industrial Parks	250,000,000
4E. County health promoters	45,690,000
5. DONOR FUNDS	
5A. DANIDA FUND	8,287,500
5D. Kenya Devolution Support Project 11 (world bank)	37,500,000
5F. Kenya Urban Support Program UDG (SIDA)	43,550,249
5F. Kenya Urban Support Program UIG (SIDA)	35,000,000
5L. FLOCCA Grants to support climate change CCIs	11,000,000
5M. FLOCCA Grants to support climate change CCIR	203,392,898
5N. FLLOCA Grants to Support Climate Change CCIR (UNSPENT DONOR)	68,750,000
IDA National Agricultural Value Chain Dev't Project (NAVCDP)	151,515,152
SWEDEN Kenya Agricultural Business Dev't Project (KABDP)	10,918,919
Returned to CRF Issues	69,223
June Allocations	536,250,393
Gross Total	9,756,939,236

2.2 FISCAL PERFORMANCE

2.2.1 Revenue

During the review period, the County Government received a total of Kshs. 8.547 billion in revenues to support both development and recurrent activities. This marked a 13 per cent growth compared to the Kshs. 7.524 billion collected in FY 2023/24, demonstrating an improvement in overall resource mobilization. The increase reflects strengthened fiscal performance and enhanced capacity of the County to finance its operations and development priorities.

The equitable share from the national government remained the primary source of revenue, amounting to Kshs. 6.738 billion. This accounted for the largest share of the county's revenue basket and underscored the continued importance of intergovernmental fiscal transfers in sustaining county operations. Complementing this were additional allocations from the national government and development

partners, which contributed Kshs. 193.2 million. These grants were targeted at supporting specific projects and programs aimed at improving service delivery.

Own-source revenue (OSR) continued to play a critical role in financing county activities, generating Kshs. 1.07 billion during the year. This comprised Kshs. 682 million from Facility Improvement Financing (FIF) and Kshs. 396 million from other local revenue sources. The performance of OSR highlighted the county's ongoing efforts to enhance financial autonomy by diversifying revenue streams and improving efficiency in revenue collection. Such efforts are essential for reducing dependency on national transfers and ensuring greater flexibility in budget execution.

In addition, the county carried forward a cash balance of Kshs. 536 million from FY 2023/24, which provided supplementary resources to support planned activities. This rollover enhanced the county's fiscal space, ensuring the continuity of projects and programs that had not been fully implemented in the previous financial year. Collectively, the improved revenue performance positions the county to better meet its development commitments while upholding fiscal discipline.

During the year, the County generated Kshs. 1.079 billion from its internal revenue sources, including Facility Improvement Financing (FIF). This reflected a strong performance, representing a 28 per cent increase compared to the Kshs. 841 million collected in a similar period in FY 2023/24. The growth demonstrates improved efficiency in revenue mobilization and highlights the County's continued efforts to strengthen financial sustainability through enhanced local resource generation.

The revenue collected during the period accounted for 88.3 per cent of the annual target, showing commendable progress toward meeting set objectives. Additionally, it represented 16 per cent of the equitable share revenue disbursed by the national government, underscoring the important complementary role of local revenues in financing county operations. This performance illustrates the County's growing

capacity to fund its budget from diverse sources while reducing reliance on external transfers.

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Receipts (Kshs.)	(%)
A	Equitable Share of Revenue Raised Nationally -	6,962,657,506	6,738,396,691.50	97
	Subtotal	6,962,657,506	6,738,396,691.50	97
B	Additional Allocations			
1.	Routine Maintenance Fuel Levy Fund	169,758,085	59,568,948	35
2.	County Aggregated Industrial Parks	250,000,000		-
3.	County health promoters	45,690,000		-
4.	DANIDA FUND	8,287,500	8,287,500	100
5.	Kenya Devolution Support Project 11 (world bank)	37,500,000		-
6.	Kenya Urban Support Program UDG (SIDA)	43,550,249		-
7.	Kenya Urban Support Program UIG (SIDA)	35,000,000	32,309,300	92
8.	FLOCCA Grants to support climate change CCIs	11,000,000		-
9.	FLOCCA Grants to support climate change CCIR	203,392,898	13,742,755	7
10.	FLLOCA Grants to Support Climate Change CCIR (UNSPENT DONOR)	68,750,000		-
11.	IDA National Agricultural Value Chain Dev't Project (NAVCDP)	151,515,152	79,383,098	52
12.	Kenya Agricultural Business Dev't Project (KABDP)	10,918,919		-
13.	FLOCCA Grants to support climate change CCIR	203,392,898	13,742,755	7
14.	Kenya Agricultural Business Dev't Project (KABDP)	10,918,919		-
	Subtotal	1,035,362,803	193,291,601	19
C	Own Source Revenue			
15.	Ordinary Own Source Revenue	576,244,311	396,750,029	69
16.	Facility Improvement Fund (FIF)	646,355,000	682,898,723	106
17.	Other AIAs (Indicate Name and Amount for each)			
	Subtotal	1,222,599,311.00	1,079,648,752.25	
D	Other Sources of Revenue			
18.	Unspent Balance from FY 2023/24	1,758,918,927	1,615,968,368	92
19.	Other Revenues (provide a list)			
	Sub-Total	1,758,918,927	1,615,968,368	92
	Grand Total	9,756,939,236	8,547,656,661	88

2.2.2 Expenditure performance

The County incurred a total expenditure of Kshs. 7.97 billion during the reporting period to implement both development and recurrent programmes. This level of spending translated to 102.5 per cent of the total funds released by the Controller of Budget (CoB), indicating that the County was able to fully utilize the resources

availed for service delivery and development priorities. Out of this expenditure, Kshs. 2.578 billion was directed towards development initiatives, while Kshs. 5.397 billion was spent on recurrent programmes.

In terms of budget absorption, expenditure on development programmes stood at 72.4 per cent of the annual development budget, reflecting progress in implementing planned projects though with some room for improvement in execution. On the other hand, recurrent expenditure absorption was stronger at 87.1 per cent of the annual recurrent budget, underscoring the County's commitment to meeting its operational obligations such as salaries, operations, and maintenance. This balance between recurrent and development spending highlights the County's efforts to ensure both service continuity and investment in long-term growth.

Table 7: FY 2024/2025 Total Expenditure Analysis

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	5,315,320,057	880,334,303	4,516,974,169	880,239,028	85	100
Development Expenditure	3,454,551,662	106,733,214	2,525,915,586	52,914,711	73	50
Total	8,769,871,719	987,067,517	7,042,889,755	933,153,739	80	95

Source: County Treasury

Global Expenditure analysis

The Controller of Budget approved withdrawals of Kshs.7.78 billion from the County Revenue Fund (CRF) account in FY 2024/25. This comprised Kshs.2.369 billion (30 per cent) for development programmes and Kshs.5.412 billion (70 per cent) for recurrent programmes. A further analysis of the recurrent exchequers released shows that Kshs.3.744 billion was allocated to employee compensation, while Kshs.1.667 billion was directed towards operations and maintenance expenditure.

Within the operations and maintenance budget, allocations were made for travel-related activities. The domestic travel exchequer amounted to Kshs.300 million, while the foreign travel exchequer totalled Kshs.47.5 million. This means that domestic travel accounted for 18 per cent of the operations and maintenance allocation, while foreign travel accounted for 2.9 per cent.

Breaking it down further, the domestic travel expenditure included Kshs.127 million for the County Executive and Kshs.173 million for the County Assembly. Similarly, for foreign travel, the County Executive utilized Kshs.14.3 million, whereas the County Assembly accounted for Kshs.33.1 million. These figures highlight the significant share of Assembly-related travel in both domestic and foreign travel allocations. By the close of FY 2024/25, the County Government maintained a cash balance of Kshs.15.6 million in the CRF account.

The County Executive spent a total of Kshs.7.016 billion in FY 2024/25. Out of this, Kshs.3.317 billion (47.3 per cent) went to compensation of employees, Kshs.1.199 billion (17.1 per cent) was allocated to operations and maintenance, and Kshs.2.5 billion (35.6 per cent) supported development activities.

The County Assembly, on the other hand, spent a total of Kshs.931.9 million. This was broken down into Kshs.453 million (48.6 per cent) for compensation of employees, Kshs.426 million (45.7 per cent) for operations and maintenance, and Kshs.52.9 million (5.7 per cent) for development programmes.

Cumulatively, the two arms of government spent Kshs.7.948 billion. Of this total, Kshs.3.77 billion (47.4 per cent) was used on employee compensation, Kshs.1.625 billion (20.4 per cent) on operations and maintenance, and Kshs.2.553 billion (32.2 per cent) on development.

Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	5,315,320,057	880,334,303	4,516,974,169	880,239,028	85	100
Compensation of Employees	3,604,759,651	453,279,359	3,317,554,728	453,279,359	92	100
Operations and Maintenance	1,710,560,406	427,054,944	1,199,419,441	426,959,669	70	100
Development Expenditure	3,454,551,662	106,733,214	2,525,915,586	52,914,711	73	50
Total	8,769,871,719	987,067,517	7,042,889,755	933,153,739	80	95

During the review period, expenditure on compensation of employees amounted to Kshs.3.77 billion. This represented 39 per cent of the revenue. This reflects a higher percentage as required by Regulation 25(1)(c) of the PFM (County Governments) Regulations, 2015. The spending reflects an increase compared to Kshs.3.54 billion reported in FY 2023/24. Out of the total compensation, Kshs.1.944 billion was spent on health sector employees, accounting for 52 per cent of the overall wage bill.

Table 9: Expenditure Analysis by County Entity

Programme	Sub-Programme	Approved Supplementary Budget Estimates FY 2024/25 (Kshs.)		Actual Expenditure FY 2024/25 (Kshs.)		Absorption Rate	
		Rec	Dev	Rec	Dev	Rec	Dev
County Coordination Services	County Coordination Services	161,256,392	-	150,400,330	-	93%	
		161,256,392	-	150,400,330	-	93%	
DEPARTMENT: FINANCE AND ECONOMIC PLANNING							
Administration, Planning and Support Services.	Administration Services.	288,833,239	-	268,718,539	-	93%	0%
Administration, Planning and Support Services.	Monitoring Budget Implementation and Reporting	29,200,000	36,984,012	27,964,232	31,158,676	96%	84%
Public Finance Management	Budget Formulation co-ordination and management	25,750,000	234,000,000	24,257,108	234,000,000	94%	100%
Audit Services	County Audit	6,350,000	-	5,703,210	-	90%	
		350,133,239	270,984,012	326,643,089	265,158,676	93%	98%
DEPARTMENT: AGRICULTURE, LIVESTOCK AND FISHERIES							
Policy, Strategy and Management of Agriculture	Development of Agricultural Policy, Legal & Regulatory framework.	72,128,418	-	56,600,809		78%	
Crop Development and Management	Agriculture Extension Services	60,708,413	358,664,149	59,157,636	291,665,189	97%	81%
Livestock Resource Management and Development	Livestock Disease Management and Control.	-	83,692,389		61,699,412		74%
Livestock Resource Management and Development	Livestock Production and Extension Services	37,919,501	-	35,668,508		94%	
Fisheries development	Management and Development of Capture Fisheries	7,400,131	8,650,000	7,287,800	6,633,670	98%	77%
Cooperative development and management	Cooperative Advisory & Extension Services.	11,713,870	52,258,171	8,260,213	38,497,419	71%	
		189,870,333	503,264,709	166,974,966	398,495,690	88%	79%

DEPARTMENT: WATER, ENERGY, NATURAL RESOURCES AND ENVIRONMENT							
Environment policy development and coordination	Planning Coordination Policy and Administrative Services	161,738,287	25,000,000	152,547,753	24,898,056	94%	100%
Water supply services	Rural Water Supply	13,256,328	568,482,722	13,218,164	473,465,404	100%	83%
		174,994,615	593,482,722	165,765,917	498,363,460	95%	84%
DEPARTMENT: EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICES							
General Administration & planning services.	Policy Development and Administration	607,931,470	17,363,468	603,927,920	4,941,500	99%	28%
Basic Education	Early Childhood Development Education	5,000,000	113,618,858	4,330,557	86,149,092	87%	76%
Gender and Social Development	Social Welfare Services/Social Infrastructure Development	3,100,000	15,500,000	2,805,890	12,212,072	91%	79%
Youth development and empowerment services	Youth development (YP) Training	-	95,000,000		95,000,000		100%
		616,031,470	241,482,326	611,064,367	198,302,664	99%	82%
DEPARTMENT: HEALTH SERVICES							
Curative Health	Administration and Planning	1,586,148,035	131,735,203	1,153,353,021	130,919,230	73%	99%
Preventive and Promotive Health	Preventive Medicine and Promotive Health	1,318,012,715	110,308,672	1,153,902,330	105,375,362	88%	96%
		2,904,160,750	242,043,875	2,307,255,351	236,294,593	79%	98%
DEPARTMENT: LANDS, HOUSING AND PHYSICAL PLANNING							
Administration and support services	General Administration and Planning	123,284,985	133,050,249	72,685,967	44,030,995	59%	33%
Housing Development and Human Resource	Housing Development	9,879,309	23,106,250	8,801,913	20,100,080	89%	87%
Land policy and planning	Development Planning and Land Reforms	27,145,730	21,001,700	24,651,297	12,856,650	91%	61%
Land policy and planning	Land Use Planning	5,652,443	39,855,800	4,967,011	17,943,892	88%	45%
		165,962,467	217,013,999	111,106,188	94,931,617	67%	44%

DEPARTMENT: PUBLIC WORKS, ROADS AND TRANSPORT							
Transport Management and safety	General Administration Planning and Support Services	93,862,784	-	90,648,010		97%	
Infrastructure, Roads and Transport	Rehabilitation of Road	3,400,000	939,665,412	3,400,000	686,442,055	100%	73%
Infrastructure, Roads and Transport	Maintenance of Roads and Bridges/Periodic Maintenance	8,045,958	29,600,000	8,045,955	25,576,235	100%	86%
		105,308,742	969,265,412	102,093,964.90	712,018,290	97%	73%
DEPARTMENT: TRADE, INDUSTRIALISATION, TOURISM, WILDLIFE AND COOPERATIVE MANAGEMENT							
Trade development and investment	Fair trade Practices and Consumer Protection (weight & measures)	19,160,892	346,431,761	15,720,669	76,823,081	82%	22%
Trade development and investment	Administrative and Support Services.	40,833,526	2,000,000	39,720,724	-	97%	0%
Tourism development and marketing	Local Tourism Development.	6,772,961	6,632,506	4,515,409	5,583,416	67%	84%
		66,767,379	355,064,267	59,956,801	82,406,496	90%	23%
DEPARTMENT: ICT AND E-GOVERNMENT							
Information & Communication Service	News and Information Services	73,731,262	-	69,841,204	-	95%	0%
Information & Communication Service	ICT and BPO development services	-	41,000,000	-	24,194,793	0%	59%
		73,731,262	41,000,000	69,841,204	24,194,793	95%	59%
DEPARTMENT: COUNTY PUBLIC SERVICE BOARD							
Administration of Human Resources and Public Service	Establishment, Appointment, Discipline and Board Management.	82,743,700	-	79,123,292	-	96%	
		82,743,700	-	79,123,292	-	96%	
DEPARTMENT: PUBLIC SERVICE MANAGEMENT							
Administration of Human Resources and Public Service	General Administration, Planning and Support Services	309,845,855	20,950,340	296,918,088	15,749,306	96%	75%
Administration of Human Resources and Public Service	Human Resource Development	114,513,853	-	69,825,612	-	61%	
		424,359,708	20,950,340	366,743,700	15,749,306	86%	75%
County Executive Grand Total		5,315,320,057	3,454,551,662	4,516,969,170	2,525,915,585	85%	73%

3.0 IMPLEMENTATION OF FY 2025/26 BUDGET

3.1 Recent Economic Developments

The global economy has remained resilient in 2024 and 2025 despite multiple headwinds. The recovery from the COVID-19 pandemic has continued, though unevenly, with advanced economies generally stabilizing while many emerging markets struggle with fiscal pressures and limited access to capital. Growth has been supported by strong consumer demand, moderating energy prices, and improving global trade volumes. However, persistent inflationary pressures and geopolitical uncertainties have kept risks elevated.

Inflation trends have shifted across regions. In the United States and the Eurozone, headline inflation has moderated from its 2022 peaks but remains above central bank targets, largely due to sticky services prices and wage growth. In contrast, several emerging markets, particularly in Latin America and Sub-Saharan Africa, continue to grapple with high food and fuel inflation, exacerbated by currency depreciations. Central banks globally have maintained relatively tight monetary policies to anchor expectations, though discussions around easing are increasingly prominent.

Global trade has shown signs of recovery, driven by easing supply chain constraints and stronger demand for manufactured goods and technology products. Asia, led by China and India, remains the anchor of global trade flows. However, weaker demand in Europe and slower investment growth in China have created imbalances, highlighting the fragility of trade growth. Ongoing shifts toward near-shoring and friend-shoring, as firms seek to diversify supply chains away from geopolitical flashpoints, are also reshaping global trade patterns.

Financial markets have displayed cautious optimism. Equity markets in advanced economies have rebounded on expectations of eventual monetary easing and

resilient corporate earnings, while bond markets have adjusted to slower but steady disinflation. Emerging markets, however, face tighter financing conditions, with higher borrowing costs and constrained access to international capital markets. Currency volatility has persisted, particularly in economies with large current account deficits or heavy reliance on commodity exports.

Commodity markets have stabilized, though volatility remains a key concern. Oil prices have fluctuated in response to supply adjustments by OPEC+ and geopolitical tensions in the Middle East, while natural gas markets have calmed compared to the volatility experienced in 2022. Agricultural commodity prices have eased due to improved harvests in some regions, though climate-related risks and trade restrictions continue to threaten food security in vulnerable economies. The global push for green energy and critical minerals has also intensified competition in resource markets.

Looking ahead, global growth prospects remain modest. The International Monetary Fund and World Bank project a gradual slowdown in growth in 2025 as tighter monetary and fiscal conditions weigh on demand. Risks to the outlook include escalating geopolitical conflicts, financial market instability, climate shocks, and uneven access to technology and capital. Policymakers face the delicate task of sustaining growth while ensuring macroeconomic stability, with structural reforms and international cooperation expected to play a crucial role in shaping the next phase of the global economy.

Recent macroeconomic and financial developments

Kenya's real GDP growth has decelerated: from about 5.6% in 2023 down to 4.5-4.7% in 2024. The slower growth in 2024 has been attributed to a combination of factors: adverse weather (floods), protests over tax reforms and general policy uncertainty, reduced public spending due to fiscal consolidation, and weak

industrial & private consumption growth. Looking ahead, growth is projected to slightly recover, averaging around 4.9% in 2025-2027, assuming continued easing of inflation, improvements in credit growth, and stronger export performance.).

Inflation in Kenya has eased significantly, moving into more moderate levels. For example, in early-2025, headline inflation was reported around 3.5%-3.8%, well within the Central Bank of Kenya's (CBK) target band. Core inflation (excluding volatile food/fuel components) has also been relatively stable. In response to the easing inflation and with an aim to stimulate private sector lending and investment, the CBK has been cutting the policy rate; e.g. in April 2025, it lowered the benchmark rate by 75 basis points to 10.0%. Alongside this, Kenya has seen some stabilization of its exchange rate and strengthening of foreign exchange reserves.

Kenya's current account deficit has been narrowing. In the 12 months to February 2025, the current account deficit is reported at about 3.1% of GDP, helped by a rebound in exports (especially agriculture and re-exports) and strong remittance inflows. Remittances in particular have grown substantially (e.g. ~18-19% year-on-year in some reports) supporting foreign exchange earnings. On trade, imports have begun recovering and growing, though manufactured exports and travel services have underperformed relative to potential.

Kenya faces downside risks going forward. Key among them are climate shocks (droughts or floods), which disrupt agriculture, a major sector. Political and social unrest (e.g. protests stemming from tax reforms) has also constrained investor confidence and policy implementation. On the external side, rising global interest rates and protectionist trade policies could raise costs of borrowing and dampen export prospects.

To safeguard stability, recommended policy actions include stronger revenue mobilization (broadening tax base, closing loopholes), more efficient public

expenditure (verifying and clearing arrears, prioritizing capital outlays that have high returns), continued monetary discipline to keep inflation anchored while easing rates carefully, and structural reforms to boost private sector productivity, job creation, and resilience to shocks.

Outlook and risks

Moderate Growth Recovery

Kenya is expected to slowly recover its growth momentum. After a dip in 2024 to about 4.5-4.7 %, projections for 2025-2027 generally point to a rebound toward 5.0-5.5 % GDP growth, assuming gravity of current pressures eases. Agriculture, services, remittances, and tourism are likely to play key roles in driving this recovery.

Improving Inflation & Exchange Rate Stability

Inflation, which had been elevated, is expected to continue moderating, aided by lower global commodity price pressures and tighter monetary policy. Exchange rates and foreign exchange reserves have shown signs of stabilizing, which should tame import costs and reduce currency-risk pressures.

Fiscal Consolidation & Deficit Control

The government has signalled intent to reduce its fiscal deficit (for instance, targeting 4.5 % of GDP in FY 2025/26) and improve revenue mobilization.

If successful, this will help ease debt servicing pressures and free up resources for growth-promoting investments.

Private Sector & Investment Recovery

If interest rates gradually ease, private sector credit picks up, and business confidence is restored, investment (both domestic and foreign) could rise. Structural reforms (e.g. on digital infrastructure, regional integration, regulatory environment) are seen as catalysts for that recovery.

3.2 Medium Term Fiscal Framework

The County Government remains committed to pursuing fiscal responsibility in line with Section 107 of the Public Finance Management Act. This commitment reflects the county's determination to uphold prudence, transparency, and accountability in the use of public resources. By adhering to the principles of fiscal responsibility, the county aims to build public trust and ensure that funds are directed toward activities that yield the greatest impact on service delivery.

On the expenditure side, the County Government will continue implementing expenditure rationalization measures. These measures are intended to improve efficiency in resource allocation while minimizing wasteful spending. By cutting down on non-essential expenditures and prioritizing high-impact activities, the county will create more fiscal space for productive investments that directly benefit citizens.

To strengthen expenditure management, the County Government will intensify the use of the Integrated Financial Management Information System (IFMIS) across all departments. This digital platform enhances transparency by providing real-time monitoring of financial transactions, improving internal controls, and reducing opportunities for misuse of funds. Consistent application of IFMIS is expected to significantly improve financial reporting, accountability, and compliance with budgetary guidelines.

The county will also continue to reorient its spending towards priority programmes identified through public consultative forums. This participatory approach ensures that citizens' voices directly inform government decisions, thereby promoting inclusivity and alignment of public resources with community needs. By anchoring spending priorities on broad-based consultations, the county enhances ownership of development initiatives among its stakeholders.

The critical programmes selected for implementation are designed to accelerate economic activities, stimulate job creation, and improve livelihoods. These interventions will not only address immediate socio-economic needs but also lay the foundation for sustainable growth. Priority sectors are expected to include health, agriculture, infrastructure, and education, all of which are vital for improving welfare and unlocking long-term development potential.

Ultimately, the county's strategy emphasizes balancing fiscal prudence with the pursuit of growth. By ensuring that resources are managed responsibly, expenditures are efficient, and programmes are citizen-driven, the government is positioning itself to deliver tangible outcomes. This balanced approach is expected to strengthen fiscal discipline while promoting inclusive socio-economic transformation in line with the aspirations of the people.

3.3 Risks to the Outlook

High Public Debt and Debt Servicing Burden

Kenya's public debt remains elevated, with large portions of revenue (sometimes about a third) going into interest payments. If debt costs rise again (e.g., due to tighter global rates or weaker creditor confidence), debt servicing could crowd out productive spending.

Tight Credit Conditions & Private Sector Crowd-Out

Elevated interest rates and weak credit growth have already squeezed the private sector. If rates remain high or lending continues contracting, investment, consumption, and employment growth could be dampened.

External Financing and Foreign Exchange Risks

Delays or lack of access to external funding (from IMF, multilateral lenders, or private markets) could strain the government balance sheet. Foreign exchange

reserves, though improving, remain vulnerable if export revenues drop or remittances weaken. Currency depreciation could add inflationary pressure.

Adverse Weather & Climate Shocks

Agriculture is a major part of GDP and employment; droughts, floods or other climate-driven shocks could severely hamper output, food security, and rural incomes, with knock-on effects for growth overall.

Policy Uncertainty and Social Stability Concerns

Public protests over tax reforms, revenue shortfalls, or spending cuts can disrupt economic activity and delay reforms. Investors may be wary if policy signals are mixed, or if there is weak governance. Also, reforms needed for fiscal consolidation or for improving the business environment may face implementation challenges.

Global Spillovers

Kenya remains exposed to global developments. For example, rising global interest rates, tighter external borrowing conditions, fluctuations in commodity prices (especially oil), and shifts in trade policies could negatively affect the Kenyan economy. A less favorable global environment (e.g. slowing global growth) could reduce demand for Kenya's exports or shrink remittances.

4.0 RESOURCE ALLOCATION FRAMEWORK FOR FY 2026/2027 FINANCIAL YEAR

4.1. 2026/2027 Budget framework

The FY 2026/27 and Medium-Term Budget Framework builds upon the Government's continued efforts to sustain economic recovery, address prevailing fiscal pressures, and position the county on a path of sustainable and inclusive growth. The budget framework is anchored on policies and programmes that support resilience, stimulate productivity, and enhance service delivery while responding to current economic challenges such as high debt service obligations, tight financing conditions, and climate-related shocks.

Implementation will focus on key interventions outlined in the Third Generation County Integrated Development Plan (CIDP III) and aligned with the Fourth Medium-Term Plan (MTP IV) of Vision 2030. Priority will also be given to flagship programmes identified through public participation, with emphasis on sectors such as health, agriculture, infrastructure, and youth empowerment. These programmes are expected to enhance competitiveness, stimulate local economic activity, and improve the overall welfare of citizens.

The County Government will also continue to implement its fiscal consolidation strategy, which aims to contain the pace of growth in debt and create fiscal space for development spending. In line with national fiscal objectives, the county will progressively reduce reliance on borrowing by enhancing its own-source revenue performance and exercising greater discipline in expenditure management.

Aggressive revenue mobilization measures will remain a cornerstone of the fiscal strategy. These include broadening the revenue base, modernizing revenue collection systems through automation, sealing revenue leakages, and improving compliance and enforcement. Such measures will not only increase the county's fiscal capacity but also reduce dependency on unpredictable national transfers.

On the expenditure side, measures will focus on controlling recurrent spending while channeling more resources towards development priorities. Expenditure rationalization will continue, with emphasis on eliminating waste, improving efficiency, and ensuring value for money in all public investments. The adoption of digital financial management platforms, including full deployment of IFMIS, will further strengthen transparency and accountability.

Overall, the FY 2026/27 Budget and Medium-Term Framework seeks to strike a delicate balance between maintaining fiscal prudence and delivering tangible socio-economic outcomes. Through a combination of sound fiscal management, targeted

investments, and inclusive development programmes, the county aims to foster sustainable growth, safeguard macroeconomic stability, and ensure that the benefits of development are equitably shared among its citizens.

4.1.1 Medium Term Fiscal Projections

Going forward, and in view of the limited fiscal space, Medium-Term Expenditure Framework (MTEF) budgeting will emphasize reallocation of non-priority expenditures to cater for priority sectors. This approach is intended to strengthen fiscal discipline while ensuring that scarce resources are directed towards programmes with the greatest socio-economic impact. In the interim, resource allocation decisions will continue to be guided by the Annual Development Plan (ADP) and the County Fiscal Strategy Paper (CFSP), in line with the requirements of the Public Finance Management framework.

The priority social sectors—notably health, education, water, and social protection—will continue to receive adequate funding under the budget. These sectors will, however, be expected to improve the efficiency and effectiveness of spending to create additional fiscal space. Such efficiency gains will enable the accommodation of other emerging and strategic interventions, particularly those linked to infrastructure development, agriculture, and youth empowerment.

In order to provide predictability and enhance forward planning, the County Treasury has prepared tentative projections of expenditure estimates for the period 2026/27, 2027/28, and 2028/29. These projections are classified by department and entity, providing a medium-term outlook on resource allocations across the county government.

Further details on the distribution of resources between recurrent and development spending are presented in Annex I, which highlights departmental ceilings and the balance between operational expenditures and investments in development programmes. This framework is intended to strike a balance between maintaining service delivery and scaling up development initiatives.

Table10: Income Projection under MTEF 2026-2027 – 2028-2029

FINANCIAL YEAR	2026/27	2027/28	2028/29
SOURCES OF REVENUE			
Revenue Description			
1.CRA Equitable share	7,178,668,356	7,178,668,356	7,178,668,356
2.Local Collections	436,948,994	436,948,994	436,948,994
3.Facility Improvement Fund	724,245,582	724,245,582	724,245,582
4.CONDITIONAL GRANTS			
4C. Doctor Salary Arrears	43,439,856	47,783,842	52,562,226
4E. County health promoters	45,690,000	50,259,000	55,284,900
5. DONOR FUNDS	-	-	-
5A. DANIDA FUND	8,670,000	9,537,000	10,490,700
5B. Kenya Devolution Support Project 11 (world bank)	37,500,000	41,250,000	45,375,000
5C. Kenya Devolution Support Project 11 (world bank) UDG	352,500,000	387,750,000	426,525,000
5D. Kenya Urban Support Program UDG (SIDA)	43,550,249	47,905,274	52,695,801
5E. Kenya Urban Support Program UIG (SIDA)	25,000,000	27,500,000	30,250,000
5F. FLOCCA Grants to support climate change CCIR	203,392,898	223,732,188	246,105,407
5G. IDA National Agricultural Value Chain Dev't Project (NAVCDP)	231,250,000	254,375,000	279,812,500
5H. SWEDEN Kenya Agricultural Business Dev't Project (KABDP)	10,918,919	12,010,811	13,211,892
5I. K-WASH projects	129,000,000	141,900,000	156,090,000
GROSS TOTAL	9,470,774,854	9,583,866,046	9,708,266,358

Table 11: Projected Estimates Per Department and Entity for FY 2026/27 - 2028/29 MTEF Budget

	Line Ministries/Departments				%
		26-27	27-28	28-29	26-27
1	County Assembly Services	834,314,633	842,657,779	851,084,357	9%
2	Public Service & Administration	920,000,724	929,200,731	938,492,739	10%
3	Office of the Governor & Deputy governor	161,205,983	181,201,487	183,013,502	2%
4	County Public Service Board	97,380,885	98,354,694	107,899,892	1%
5	Finance & Economic Planning	521,793,365	527,011,299	552,281,412	6%
6	Health Services	3,124,168,414	3,155,410,098	3,186,964,199	33%
7	Agriculture, Cooperative Development, Livestock & Fisheries	591,247,043	597,159,513	603,131,109	6%
8	Education, Libraries, Culture & Social Services	916,297,620	925,460,596	934,715,202	10%
9	Public Works, Roads & Transport	488,820,736	493,708,943	498,646,033	5%
10	Trade, Innovation, Industrialization, Tourism, Wildlife & Cooperative Development	382,520,205	386,345,407	390,208,861	4%
11	Water, Energy, Natural Resources & Environment	644,013,634	650,453,770	656,958,308	7%
12	Land, Housing & Physical Planning	218,246,122	220,428,583	222,632,869	2%
13	Information, Communication & E-Government	270,228,302	272,930,585	275,659,891	3%
14	Office of the County Attorney	48,652,263	49,138,786	49,630,173	1%
15	Kericho Municipal Board	119,199,565	120,391,561	121,595,476	1%
16	Litein municipal Board	31,337,623	31,650,999	31,967,509	0%
17	STRATEGIC INTERVENTION	150,000,000	151,500,000	153,015,000	2%
	TOTAL EXPENDITURE	9,470,774,854	9,583,866,047	9,708,266,358	100%

Expenditure Forecasts

The County expenditure framework for FY 2026/27–2028/29 projects a steady rise in allocations across all departments, with a total outlay of Kshs. 9.47 billion in 2026/27 growing to Kshs. 9.71 billion in 2028/29. The expenditure comprises recurrent and development votes. The County Treasury will endeavor to maintain fiscal responsibility principle of 68:32 in 2026/2027 for recurrent and development expenditures as required by section 107 of the Public Finance Management Act, 2012.

5.0 CONCLUSION AND WAYFORWARD

Kericho County's expenditure forecasts for FY 2026/27–2028/29 reflect a well-balanced and forward-looking budget strategy. The focus on Health, Education, and Public Service demonstrates a strong commitment to investing in people, improving service delivery, and strengthening institutions. At the same time, consistent allocations to infrastructure, water, environment, and economic development sectors show a deliberate effort to create an enabling environment for growth and sustainability. The inclusion of Strategic Interventions also ensures flexibility to address emerging priorities, making the budget both responsive and resilient. By maintaining this positive trajectory, Kericho County is well-positioned to achieve sustainable socio-economic transformation, improve livelihoods, and build a stronger, more resilient future for its residents.

Strong fiscal discipline will provide a solid foundation for effective financial management and the achievement of county goals. By ensuring that resources are utilized efficiently and strategically across all departments, the county can maximize impact and deliver quality services to its people. With consistent adherence to well-designed plans and programmes, Kericho County is well-positioned to realize its development objectives and create lasting value for its residents.

	Line Ministries/Departments				
	RECURRENT EXTIMATES	26-27	27-28	28-29	26-27
1	County Assembly Services	829,314,633	837,607,779	845,983,857	13%
2	Public Service & Administration	558,452,693	564,037,220	569,677,592	9%
3	Office of the Governor & Deputy governor	161,205,983	181,201,487	183,013,502	2%
4	County Public Service Board	97,380,885	98,354,694	107,899,892	2%
5	Finance & Economic Planning	467,432,070	472,106,391	496,827,455	7%
6	Health Services	2,805,749,144	2,833,806,635	2,862,144,702	43%
7	Agriculture, Cooperative Development, Livestock & Fisheries	229,358,320	231,651,903	233,968,422	4%
8	Education, Libraries, Culture & Social Services	672,181,858	678,903,677	685,692,713	10%
9	Public Works, Roads & Transport	101,841,514	102,859,929	103,888,528	2%
10	Trade, Innovation, Industrialization, Tourism, Wildlife & Cooperative Development	72,092,041	72,812,961	73,541,091	1%
11	Water, Energy, Natural Resources & Environment	183,154,748	184,986,295	186,836,158	3%
12	Land, Housing & Physical Planning	89,042,417	89,932,841	90,832,170	1%
13	Information, Communication & E-Government	119,182,575	120,374,401	121,578,145	2%
14	Office of the County Attorney	48,652,263	49,138,786	49,630,173	1%
15	Kericho Municipal Board	50,649,316	51,155,809	51,667,367	1%
16	Litein municipal Board	14,337,623	14,480,999	14,625,809	0%
	TOTAL EXPENDITURE	6,451,375,820	6,534,273,022	6,628,177,403	

	Line Ministries/Departments				
	DEVELOPMENT ESTIMATES	26-27	27-28	28-29	26-27
1	County Assembly Services	5,000,000	5,050,000	5,100,500	0%
2	Public Service & Administration	361,548,031	365,163,511	368,815,146	12%
3	Finance & Economic Planning	54,361,295	54,904,908	55,453,957	2%
4	Health Services	318,419,270	321,603,463	324,819,497	11%
5	Agriculture, Cooperative Development, Livestock & Fisheries	361,888,723	365,507,610	369,162,686	12%
6	Education, Libraries, Culture & Social Services	244,115,762	246,556,920	249,022,489	8%
7	Public Works, Roads & Transport	386,979,222	390,849,014	394,757,504	13%
8	Trade, Innovation, Industrialization, Tourism, Wildlife & Cooperative Development	310,428,164	313,532,446	316,667,770	10%
9	Water, Energy, Natural Resources & Environment	460,858,886	465,467,475	470,122,150	15%
10	Land, Housing & Physical Planning	129,203,705	130,495,742	131,800,699	4%
11	Information, Communication & E-Government	151,045,727	152,556,184	154,081,746	5%
12	Kericho Municipal Board	68,550,249	69,235,751	69,928,109	2%
13	Litein municipal Board	17,000,000	17,170,000	17,341,700	1%
14	STRATEGIC INTERVENTION	150,000,000	151,500,000	153,015,000	5%
	TOTAL EXPENDITURE	3,019,399,034	3,049,593,024	3,080,088,955	