

MURANG'A COUNTY GOVERNMENT



COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2025

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COUNTY VISION, MISSION AND MOTTO

Vision

Sustainable development for socio-economic transformation

Mission

To transform the County for sustainable development for the benefit of
all

Motto

Kamùingì Koyaga Ndirì (Unity is Strength)

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FOREWORD

The County Budget Review and Outlook Paper (CBROP), 2025 has been prepared in line with section 118 of the Public Finance Management (PFM) Act 2012, which requires the county government to prepare a County Budget Review and Outlook Paper for each financial year.

This CBROP reviews fiscal performance of the county for the 2024/25 financial year and give comparison to the budget appropriation for the same year. In addition, it provides information on changes in forecasts that will be captured in the County Fiscal Strategy Paper (CFSP) 2026 and how the actual financial performance of the previous financial year may have affected compliance with the fiscal responsibility principles and the county financial objectives for the year. It also gives reasons for any deviation from the county financial objectives captured in the county fiscal strategy paper and offers proposals to address the deviations.

The updated economic and financial outlook presented in this paper will set out the broad fiscal parameters in preparation for the next budget cycle of 2026/2027. In particular, the provisional ceilings presented are intended to guide the sector working groups in preparing their respective budgets estimates.

It is therefore, expected that this policy paper will trigger broad consultations that will set a solid base for prioritization of expenditures for 2026/2027 and beyond thereby setting preliminary ceiling for County Fiscal Strategy Paper (CFSP) 2026



Prof. Kiarie Mwaura
CECM, Finance and Economic Planning
Murang'a County Government

ACKNOWLEDGMENT

The 2025 County Budget Review and Outlook Paper, which reviews the performance of the 2024/25 financial year and provides the medium-term budget outlook, has been prepared in line with section 118 (1) (a) of the Public Finance Management Act 2012. It provides an overview of how the actual performance of the FY 2024/25 affected compliance with the fiscal responsibility principles outlined in the PFM Act, and the financial objectives set out in the County Fiscal Strategy Paper 2026.

In its preparation, consideration has been given to the prevailing global and local economic conditions as well as the CIDP for 2023-2027. It is, therefore, my firm belief that this CBROP will achieve its intended objective of guiding various county entities in the preparation of their 2026/2027 budget.

The information contained in this paper was obtained from the County Treasury and I appreciate the efforts made by the Director of Budget Emilio Muchunu, Budget officers; Samuel Kinyanjui and Dennis Kabera in the preparation of this paper.

I wish to express my sincere gratitude to the County Executive Committee for the leadership and continued support in implementation of the programmes/projects prioritized in the County Integrated Development Plan 2023-2027 and the Annual Development Plan FY 2026/2027. Special recognition goes to the County Executive Committee Member for Finance and Economic Planning, under whose direction and guidance, this assignment was successfully undertaken. I wish to specifically thank the Chief Officers who provided able leadership in their respective Departments in consolidating their projects and programmes.

Finally, I specially wish to recognize members of the Directorate of Economic Planning led by Ag. Director, Mr. Stephen Mwangi, Assistant Director, Justin Gatuita and Economists/ Statisticians Judith Mwaniki and Ann Njoroge in the Department of Finance and Economic Planning for their steadfastness and technical support in the compilation of this Plan. Their commitment and tireless effort ensured that this document was prepared and submitted within the required timeline. While it may not be possible to mention each person by name, we acknowledge all individual effort in the execution of this noble assignment.

A handwritten signature in black ink, appearing to read 'Kiarie Mwaure', with a horizontal line drawn through it.

Prof. Kiarie Mwaure
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ABBREVIATION AND ACRONYMS

AiA	Appropriations in Aid
ADP	Annual Development Plan
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CAIPS	County Aggregated Industrial Park
CARB	County Allocation of Revenue Bill
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
CG	County Government
CIDP	County Integrated Development Plan
CIT	Corporate Income Tax
DORB	Division of Revenue Bill
FISM	Financial Intermediation Services Indirectly Measured
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GOK	Government of Kenya
ICT	Information, Communication and Technology
IMF	International Monetary Fund
KUSP	Kenya Urban Support Programme
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MTP	Medium Term Plan
NG	National Government
NSE	Nairobi Securities Exchange
MTEF	Medium Term Expenditure Framework
NGCDF	National Government Constituency Development Fund
NDA	Net Domestic Assets NFA Net Foreign Assets
OSR	Own Source Revenue
PAYE	Pay As You Earn PFM Public Finance Management
PV	Present Value
SWGs	Sector Working Groups
WEO	World Economic Outlook
VAT	Value Added Tax

PREAMBLE

1.1. Legal Basis for Preparation of the County Budget Review and Outlook Paper

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

1) A County Treasury shall;

- a. Prepare a CBROP in respect of the County for each year; and
- b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.

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

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

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

c. Information on: Any changes in the forecasts compared with the CFSP; or

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

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

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

Not later than seven days after the CBROP is approved by the CEC, 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.

1.2. Fiscal Responsibility Principles in the Public Financial Management Law

The Constitution of Kenya 2010 as well as the PFM Act 2012 set out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 of the PFM Act 2012 states that: the County Government's recurrent expenditure shall not exceed the County Government's total revenue;

Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;

The County Government's expenditure on wages shall not exceed a percentage of the County

Government's total revenue as prescribed by the County Executive Member for Finance in regulations approved by the County Assembly;

Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;

The County debt shall be maintained at a sustainable level as approved by County Assembly;

The fiscal risks shall be managed prudently; and

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.

CHAPTER ONE

INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) is prepared in line with section 118 of the Public Finance Management (PFM) Act 2012. The paper reviews the following: fiscal performance of the county for the financial year 2024/2025; the updated macro-economic and financial forecasts; deviations from the approved County Fiscal Strategy Paper (CFSP) 2025; and the reasons for such deviations.

1.3. Objective of CBROP

The County Budget Review and Outlook Paper (CBROP) provides a review of the previous fiscal year's performance and how these impacts on the financial objectives and fiscal responsibility principles set out in the County Fiscal Strategy Paper (CFSP). This together with the macroeconomic outlook, provides a basis for revision of the current year's (2025/2026) budget in the context of the broad fiscal parameters underpinning the next budget (2026/2027) and the medium term (2026/2027 -2028/2029). The fiscal framework and the medium-term policy priorities will be firmed up in the County Fiscal Strategy Paper 2025.

Specifically, the CBROP provides:

- i. Updated economic and financial forecasts in relation to the changes expected from the most recent County Fiscal Strategy Paper (CFSP);
- ii. Details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- iii. Any changes in the forecasts captured in the CFSP;
- iv. Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- v. Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.4. Significance of CBROP

The paper is a policy document that links planning with budgeting. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF), as it reviews previous year's fiscal performance and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered to as provided for in section 107 of the PFM Act 2012.

In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2026/2027 budget and in the medium term to guide Sector Workings Groups (SWGs) before being affirmed in the CFSP 2026.

1.5. Structure

This paper has four other sections. Section Two, reviews the county's fiscal performance for the year 2024/2025. The section is further, divided into three sub-sections, namely: The Overview; Fiscal Performance; and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections comprising of: Recent Economic Developments; Economic Outlook & Policies; Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the county government intends to operate within resource envelope. It outlines the resources envelope (total revenues) and allocates these across departments by setting expenditure ceilings for each department. In addition, the section has four other sub-sections: adjustment to the proposed budget; the medium-term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing.

CHAPTER TWO

2.0. REVIEW OF COUNTY FISCAL PERFORMANCE IN FINANCIAL YEAR 2024/2025

2.1. Overview

In the Fiscal Year 2024/25, the County Government had an approved budget of KShs. 10,501,477,953 as the initial budget which was revised to KShs 10,743,651,085 through a supplementary budget. It was necessary to adjust the revenues and align with revised projections, as per the supplementary budget. The development budget allocation was KShs. 3,218,196,723 and the recurrent budget allocation KShs. 7,525,454,362

2.2. Fiscal Performance

The fiscal year 2024/2025 the total budget was KShs 10,743,651,085 for both revenue and expenditure. The realized revenue amounted to KShs 9,008,779,246 with total expenditure totaling KShs 9,182,354,411 of the total KShs 2,276,391,800 was development expenditure and KShs 6,905,962,610 recurrent expenditure.

2.2.1. Revenue Performance

The County realized KShs 9,008,779,246 as the total revenue for 2024/2025 with KShs. 7,511,867,031 Equitable Share, KShs. 177,128,020 loans and grants and KShs 1,319,784,195 Own Source Revenue and KShs 731,683,568 being cash brought forward from the financial year 2023-2024. Own source Revenue has been in an up-ward trend due to revenue enhancement strategies that included automation. Table 1 and the figure 1 below shows the upward trend over the years.

Table 1: Own Source Revenue Performance Over the Last Six FY Years

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
551,677,222.4	627,164,598.42	520,317,425.01	658,166,964.80	1,116,795,730	1,319,784,195

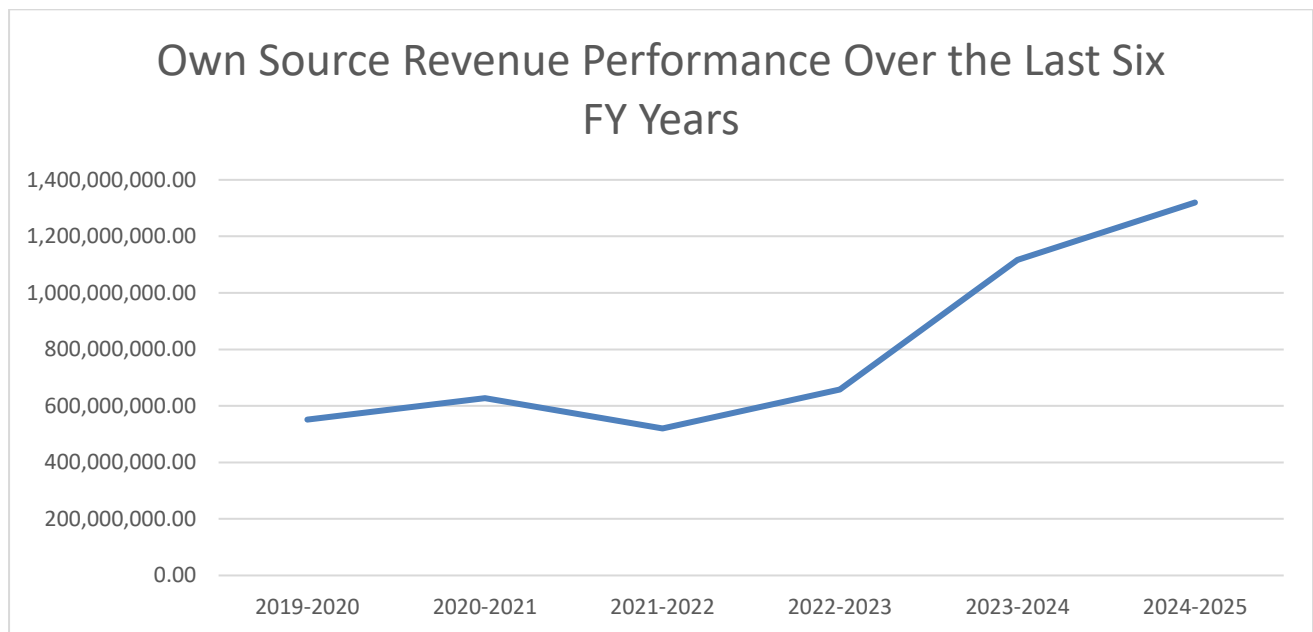


Figure 1: Own Source Revenue Performance Over the Last Six FY Years.

The table below shows the breakdown of own source revenue streams performance in FY 2024-2025

Table 2 Local Revenue Performance in FY 24/25

NO	REVENUE SOURCE	TARGET	FY 2024-2025	%
1	LICENCES	300,375,930	246,197,929	82%
2	LAND RATE	130,200,000	77,072,366	59%
3	CESS REVENUE	63,357,815	9,285,677	15%
4	HOUSE RENT/STALL/HALL	4,327,450	3,394,079	78%
5	BUS PARK FEE	37,952,620	39,329,300	104%
6	PARKING FEE	20,058,610	19,951,150	99%
7	BARTER MARKET FEE	65,510,875	50,158,286	77%
8	SELF HELP GROUP	847,385	386,175	46%
9	LIQUOR	100,084,260	97,758,276	98%
10	MOTOR BIKES/Tuk Tuk	8,142,700	8,672,799	107%
11	BULDG MTS & OTHER CESS	91,750,160	73,911,294	81%
12	ADVERTISEMENT	13,189,680	12,785,380	97%
13	LANDS & PLANNING REVENUE	78,511,455	65,853,392	84%
14	IMPOUNDING FEES	3,035,010	3,145,280	104%
15	OTHER REVENUES	3,498,330	3,402,330	97%
16	FIRE FIGHTING	1,536,760	1,428,600	93%
17	MARIIRA FARM	1,028,015	1,011,188	98%
18	COOPERATIVES (AUDIT)	259,930	79,530	31%

19	VETERINARY SERVICES	122,020,240	18,750,010	15%
20	PUBLIC HEALTH	3,975,985	3,004,151	76%
21	WEIGHT & MEASURES	336,790	556,800	165%
22	HOSPITAL REVENUE	550,000,000	534,640,181	97%
23	Murang'a County Small Traders Empowerment Fund		49,010,022	
	TOTALS	1,600,000,000	1,319,784,195	82.5%

2.2.1.1 Revenue collection challenges faced during the previous budget year

1. Network and System downtime - Following automation via USSD codes like *267# and online platforms, occasional network outages disrupt the entire payment process, inconveniencing both traders and the county.
2. Unmapped business and streams

2.2.1.2 Proposed Solutions

1. Having a multi-telecommunication provider to allow automated failover systems to instantly switch traffic if the primary network drops
2. Conducting comprehensive business mapping to push own-source collections

2.2.2. Expenditure Performance

The County spent a total of KShs 9,182,354,411.81 during the financial year 2024/2025, against a revised budget of KShs. 10,743,651,085.46. The budget execution rate was 85.5 percent for the year under review

2.2.2.1. County Recurrent Expenditure

The County's total recurrent expenditure for 2024/2025 was KShs 6,905,962,610.98 actual expenditure on Executive recurrent amounted to Kshs 6,090,620,352.93 and County assembly recurrent amounted to KShs 815,342,258. The recurrent expenditure ratio to the recurrent budget for the year was 92 percent and increase from 91 percent in the financial year 2023/2024

Table 3: Recurrent Expenditure Absorption Rate

FY	REC BUDGET	REC EXPENDITURE	ABSORPTION
2024-2025	7,525,454,362.00	6,905,961,278.00	92%
2023-2024	7,287,710,659.00	6,659,935,510.00	91%
2022-2023	6,861,822,388.00	6,432,536,990.00	94%
2021-2022	7,372,371,261.00	6,685,907,816.00	91%
2020-2021	5,805,858,283.00	5,177,350,711.00	70%

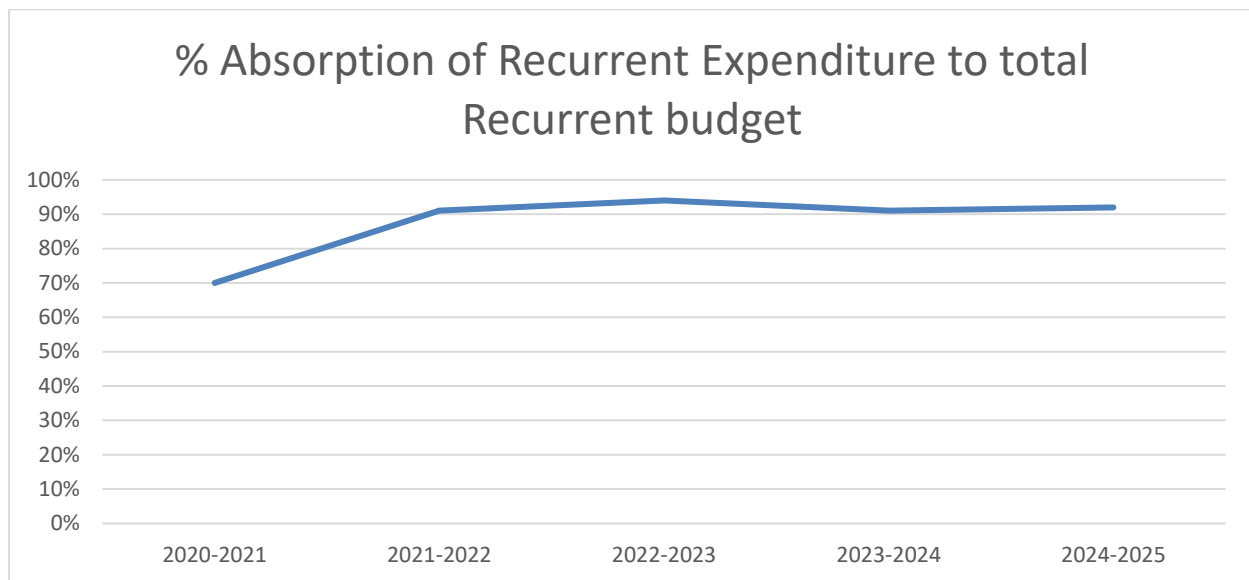


Figure 2: Absorption of Recurrent Expenditure to total Recurrent budget

2.2.2.2. County Development Expenditure

The development expenditure was KShs. 2,276,391,800.38 The County Executive's share of development expenditure was KShs. 2,238,610,600.38 and the County Assembly's share was KShs. 37,781,200 This development expenditure represented an absorption rate of 24.8 percent of the total expenditure.

Table 4: County Expenditure

Expenditure	Amount	Absorption (%)
Recurrent	6,905,962,611	75.2
Development	2,276,391,800	24.8
Total Expenditure	9,182,354,411	100

The development expenditure ratio to the development budget for the year was 71 percent and increase from 66 percent in the financial year 2023/2024.

Table 5: Development Absorption Rate

FY	DEV BUDGET	DEV EXPENDITURE	ABSORPTION
2024-2025	3,218,196,723.00	2,278,761,070.00	71%
2023-2024	3,120,655,387.00	2,046,320,339.00	66%
2022-2023	2,892,057,567.00	2,037,799,896.00	70%
2021-2022	3,296,193,009.00	1,374,406,246.00	42%
2020-2021	3,079,054,530.00	2,540,832,829.00	77%

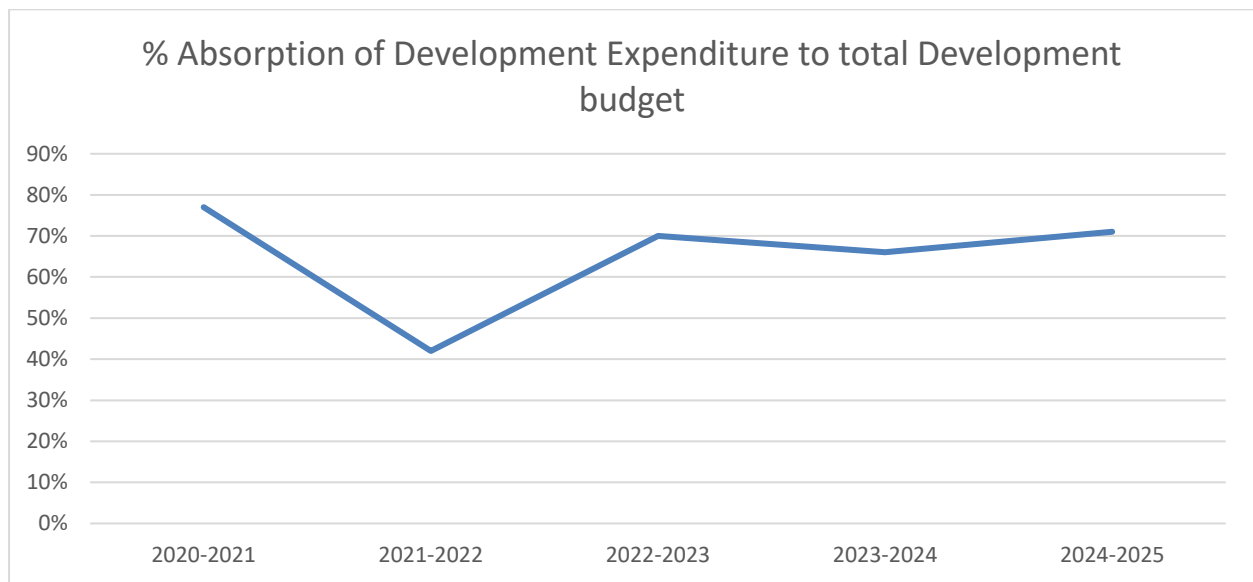


Figure 3: Absorption of Development Expenditure to total Development budget

Table 6: County Fiscal Performance by Department

Sector/Department	FY 2024/2025				
	Budget	Recurrent Expenditure (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)	Absorption Rate (percent)
Governorship, County Coordination and Administration	409,326,209.00	313,181,229.54	14,818,319.10	327,999,548.64	80
Finance, Information Technology and Economic Planning	411,008,543.00	342,604,575.30	44,669,636.91	387,274,212.21	94
Agriculture,Livestock and Fisheries	846,615,728.00	280,630,848.15	459,674,036.47	740,304,884.62	87
Energy Transport and Roads	1,307,471,381.00	27,963,185.80	874,690,115.20	902,653,301.00	69
Commerce,Trade, Industry and Tourism	249,330,706.00	47,837,498.45	90,373,759.30	138,211,257.75	55
Education & Technical Training	797,309,214.00	744,173,356.25	29,765,384.00	773,938,740.25	97
Health And Sanitation	3,646,453,095.46	2,932,162,805.48	310,128,158.10	3,242,290,963.58	89
Lands, Housing & Physical Planning	82,979,031.00	56,005,926.15	19,621,741.70	75,627,667.85	91
County Public Service Board	34,565,881.00	31,741,065.90	-	31,741,065.90	92
Youth, Culture, Gender, Social Services & Special Programs	283,379,737.00	85,290,583.05	173,649,200.00	258,939,783.05	91
Environment, Natural Resources, Water and Irrigation	425,537,167.00	116,062,294.80	114,189,844.40	230,252,139.20	54
Public Service Administration	1,131,332,478.00	1,002,560,596.06	82,400,525.00	1,084,961,121.06	96
Murang'a Municipality	104,679,057.00	58,283,012.00	9,878,794.20	68,161,806.20	65
Kenol Municipality	63,848,024.00	22,946,476.00	4,926,924.00	27,873,400.00	44
Kangari Municipality	33,000,000.00	22,647,500.00	9,824,162.00	22,647,500.00	69
Devolution and External Linkages	51,000,000.00	6,529,400.00		16,353,562.00	32
County Assembly	865,814,834	815,342,258.05	37,781,200	853,123,458.50	99
TOTAL	10,743,651,085.46	6,905,962,610.98	2,276,391,800.38	9,182,354,411.81	85.5

Table 7: Murang'a County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Budget (KShs.)		Expenditure (KShs)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	6,699,639,528	825,814,834	6,090,620,353.32	815,340,925.17	91	99
Compensation to	4,265,839,677	440,092,707	4,208,014,491.41	434,427,219.32	99	99
Operations and	2,433,799,851	385,722,127	1,882,605,862	380,913,705.85	77	99
Development	3,178,196,723.46	40,000,000	2,240,979,870.08	37,781,200	71	94
Total	9,877,836,251.46	865,814,834	8,331,600,223.40	853,122,125.17	84	99

Source: Murang'a County treasure

2.2.2.3. Implications for the FY 2024/2025 performance

The 2024-2025 budget implementation was impeded by delayed cash disbursement from the national government, high personnel costs and pending bills from previous years.

The high personnel budget allocation and the need to finance some critical Programme currently classified within the recurrent budget as per the Public Sector Accounting Standard Board (PSASB). These includes School Feeding, Kangata care, medical drugs and bursary continue to enjoy high public demand thereby posing challenges on development budget reporting in the context of Fiscal Responsibility Principles as provided in the PFM Act 2012.

A. Minimum of 30percent allocated to development budget

A minimum of 30 percent was allocated to development budget, the County achieved 24.8% of the total expenditure which was below the set threshold on actual expenditures. Failure to achieve the development target was attributed to not achieving own source revenue target and delayed disbursement of loans and grants in the financial year. The loans and grants included road maintenance levy fund, Kenya Urban Support Programme (KUSP) and County Aggregated industrial park (CAIPS)

B. Expenditures on wages and benefits for public offers not to exceed the limit set by regulations.

The PFM regulation sets the Personnel Emoluments limit at 35 Percent of the budget, the actual ratio achieved was 43percent. The county is implementing strategies to reduce the ratio in the medium term to fully comply with the regulations. The county has been progressively reducing the ratio through enhancement of revenue collection, retirement through natural attrition as evidenced the table below:

Table 8: Percentage of Wage Bill to Total Budget

FY	TOTAL BUDGET	WAGE BILL	ABSORPTION (%)
2024-2025	10,743,651,085.00	4,642,441,710.00	43
2023-2024	10,408,366,046.00	4,463,761,136.00	43
2022-2023	9,803,879,955.00	4,271,264,055.00	44
2021-2022	10,668,564,270.00	4,362,009,462.00	41
2020-2021	8,884,912,813.00	4,141,290,263.00	47

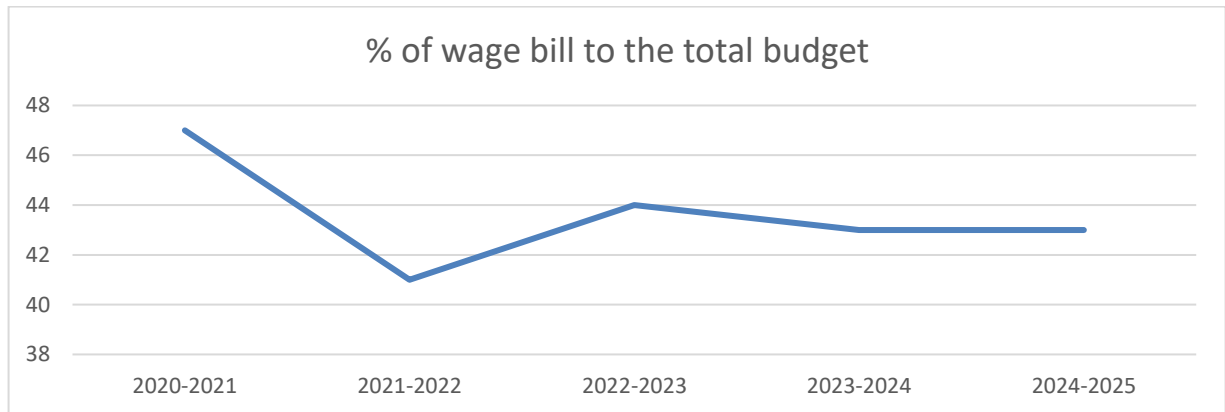


Figure 4: Percentage of Wage bill to the Total Budget

C. Over the medium-term borrowings shall only be used for development expenditure

The county did not engage in borrowing, except for cashflow management to facilitate payments of salaries as most disbursements were received late.

D. Public Debt and obligations shall be maintained at sustainable level

The County has maintained its debt at sustainable level and has continued implementing pending bill payment plan as prepared and submitted to the Office of the Controller of Budget. The county had a pending bill of 1.8B at the end of FY 2024-2025 from a high of 2.75B reported at the beginning of the year 2022-2023.

E. The County to Maintain a reasonable degree of predictability with respect to tax rates

County fees and charges has remained unchanged from the year 2018 to date, any revision in future will undergo the necessary public participation.

F. Fiscal risks shall be managed prudently

The county has been managing fiscal risks prudently.

CHAPTER THREE

3.0. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOKS

3.1. World Economic Outlook

Global economic growth is projected to pick up slightly to 3.1 percent in 2026 compared to 3.0 percent in 2025. This reflects the positive impact of further easing of monetary policy as inflationary pressures subside, stronger domestic demand in emerging markets and developing economies, and a gradual recovery in global trade. This modest improvement is expected to offset the effects of a slowdown in advanced economies, where tighter financial conditions and demographic headwinds continue to weigh on growth. Overall, the outlook suggests a cautiously optimistic rebound, though risks from geopolitical tensions, debt vulnerabilities, and climate-related shocks remain significant.

Table 9: Global Economic Performance

Economy	Growth (percent)			
	Actual		Projections	
	2023	2024	2025	2026
World Advanced Economies	3.5	3.3	3.0	3.1
of which: USA	1.8	1.8	1.5	1.6
Euro Area	2.9	2.8	1.9	2.0
Japan	0.5	0.9	1.0	1.2
Emerging and Developing Economies	1.4	0.2	0.7	0.5
of which: China	4.7	4.3	4.1	4.0
India	5.4	5.0	4.8	4.2
Sub-Saharan Africa of which:	9.2	6.5	6.4	6.4
South Africa	3.6	4.0	4.0	4.3
Nigeria	0.8	0.5	1.0	1.3
	2.9	3.4	3.4	3.2

Source: IMF world Economic outlook, July 2025

In advanced economies, growth will remain modest at 1.5 percent in 2025 and 1.6 percent in 2026. Growth in the USA is projected to expand by 1.9 percent in 2025 and 2.0 percent in 2026, supported by resilient consumption and an expected easing of financial conditions, while the Euro Area is forecast to grow by 1.0 percent in 2025 and 1.2 percent in 2026, reflecting gains from lower inflation and improving real incomes but constrained by structural and geopolitical challenges. Emerging Market and Developing Economies are projected to grow moderately at 4.1 percent in 2025 and 4.0 percent in 2026. This growth is supported by stronger performance in South Asia and Sub-Saharan Africa, steady growth in Middle East and Central Asia, but slower momentum in China and Latin America. At the regional level, Sub-Saharan Africa is projected to grow steadily at 4.0 percent in 2025 and improve to 4.3 percent in 2026, reflecting gradual recovery across the region. The growth is supported by robust growth in non-resource-rich countries, increased private consumption, improving investments, and a decline in inflation. However, the outlook remains constrained by high debt levels, climate vulnerabilities, external risks from global trade tensions, commodity price fluctuations, and structural constraints.

3.2. Kenya's Economic Performance and Outlook

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

Sectors	Annual Growth Rates		Quarterly Growth Rates		
	2023	2024	2023 Q1	2024 Q1	2025 Q1
1. Primary sector	5.7	3.9	5.4	4.5	6.2
1.1. Agriculture, Forestry and Fishing	6.6	4.6	6.5	5.6	6.0
1.2. Mining and Quarrying	(6.5)	(9.2)	(10.6)	(16.1)	10.0
2. Secondary Sector (Industry)	2.6	1.5	2.1	1.5	2.6
2.1. Manufacturing	2.2	2.8	2.1	1.9	2.1
2.2. Electricity and Water supply	3.2	1.9	3.8	2.8	3.6
2.3. Construction	3.0	(0.7)	1.4	0.4	3.0
3. Tertiary sector (Services)	6.8	6.1	6.6	6.8	4.8
3.1. Wholesale and Retail trade	3.3	3.8	3.7	3.6	5.4
3.2. Accommodation and Restaurant	33.6	25.7	46.3	38.1	4.1
3.3. Transport and Storage	5.5	4.4	6.8	4.1	3.8
3.4. Information and Communication	10.3	7.0	10.4	9.2	5.8
3.5. Financial and Insurance	10.1	7.6	4.7	9.6	5.1
3.6. Public Administration	5.0	8.2	8.4	7.5	6.5
3.7. Others	6.1	5.2	5.7	5.8	4.4
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.4	4.6
Real Estate	7.3	5.3	6.6	6.9	5.3
Education	2.9	3.9	3.6	2.4	2.9
Health	4.5	6.3	4.8	5.4	4.8
Taxes less subsidies	3.2	4.4	2.7	2.9	5.7
Real GDP	5.7	4.7	5.4	4.9	4.9

Figure 5: Kenya's Economic Performance by Sector

Source: Kenya National Bureau of Statistics

3.2.1. Inflation Developments

Overall year-on-year inflation declined and has remained below the mid-point of the policy target range of 5.0 ± 2.5 percent since June 2024. The year-on-year inflation was stable at 4.5 percent in August 2025 compared to 4.4 percent in August 2024. The stable inflation has been supported by: abundant supply of food attributed to favorable weather conditions coupled with government interventions; lower fuel inflation attributed to the stability of the exchange rate; lower international oil prices; and the decline in non-core inflation reflecting impact of previous monetary policy tightening.

Core inflation increased to 3.0 percent in August 2025 from 2.2 percent in August 2024, largely driven by higher prices of processed food items. Core inflation is compiled from nonvolatile

commodities such as manufactured food items, health services, education services and ICT. Non-core inflation decreased to 9.2 percent in August 2025 from 10.3 percent in August 2024, mainly on account of relatively lower energy prices. Non-core Consumer Price Index (CPI) component is largely comprised of fresh vegetable farm produce, energy items and select transport components, which are predominantly driven by volatility in global energy prices and domestic weather conditions.

3.2.2. Interest Rates Developments

The Central Bank of Kenya through the Monetary Policy Committee (MPC) has gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 9.5 percent in August 2025. This is meant to augment the previous policy actions aimed at stimulating lending by banks to the private sector and supporting economic activities. It also seeks to ensure that inflationary expectations remain firmly anchored and the exchange rate remains stable. In addition, the Cash Reserve Ratio (CRR) was reduced to 3.25 percent in February 2025 from 4.25 percent, to complement the lowering of the CBR and support lending to the private sector.

The short-term interest rates have declined in line with the easing of the monetary policy. The interbank rate declined to 9.5 percent in August 2025 compared to 13.0 percent in August 2024 and has remained within the prescribed corridor around the CBR (set at CBR ± 75 basis points). The 91-day Treasury Bills rate declined to 8.0 percent in August 2025 from 15.9 percent in August 2024. The 182-day Treasury Bills rate declined to 8.1 percent in August 2025 from 16.7 percent in August 2024 while the 364-day Treasury Bills also declined to 9.6 percent from 16.9 percent over the same period. The decrease in government domestic borrowing rates has led to lower debt servicing costs.

Commercial banks average lending and deposit rates decreased in the year to July 2025 in tandem with the easing of the monetary policy. The average lending rate decreased to 15.2 percent in July 2025 from 16.8 percent in July 2024 while the average deposit rate also decreased from 8.1 percent from 11.3 percent over the same period. Consequently, the average interest rate spread increased to 7.2 percent in July 2025 from 5.6 percent in July 2024.

Kenya's economic performance is projected to pick up in 2025 and 2026, with real GDP growth projected at around 5.3 percent (Table 15 in calendar years and Annex Table 1 in fiscal years). On the supply side, growth will be driven by resilient agriculture, steady services, and gradual improvement in industry. The agriculture sector will be driven by favorable weather conditions and productivity-enhancing government interventions. Linkages with other sub-sectors will boost the agro-processing industries, merchandise exports, as well as households' incomes.

The industrial sector is projected to pick up in the medium term due to the reduced cost of production and stable exchange rate. Notably, the construction sub-sector is expected to recover following the settlement of verified pending bills, which will facilitate the resumption of stalled projects, improve liquidity for contractors, and stimulate growth in associated sectors including manufacturing and materials supply. Kenya's fast-growing services, including the financial sector and ICT, are projected to maintain momentum. Ongoing efforts by the government to promote eco-friendly tourism practices, expand community-based tourism, and invest in port facilities to

promote cruise tourism, are expected to drive the growth of the hospitality sector in the medium term.

On the demand side, private consumption and investment are projected to maintain a steady pace supported by a conducive macroeconomic environment. Prudent monetary policy and lower inflation will support disposable incomes of households and firms. Moreover, remittance inflows to Kenya are projected to remain resilient and provide further support. Lower lending rates are expected to encourage increased private investment by making credit more affordable for businesses, thereby supporting expansion and job creation, while also boosting household consumption through easier access to loans, which can stimulate economic growth. Private investment will also be supported by improved business confidence, adherence to fiscal consolidation, and a stable exchange rate underpinned by prudent monetary policy and successful liability management. The privatization of state-owned assets is expected to boost private investment by attracting both foreign and domestic investors, improving enterprise efficiency, and freeing up public resources to support broader economic growth.

Growth of public consumption is projected to remain subdued, in line with the planned fiscal adjustment in the medium term. As a percentage of GDP recurrent expenditure is projected to decline, while development expenditure is projected to gradually pick up to support BETA. The Government also plans to mobilize funds for planned major infrastructural projects through PPPs and will enhance liquidity to the private sector by clearing pending bills particularly the approved payments related to the roads sector. The settlement of the road sector pending bills will be facilitated through a bond issued by the Kenya Roads Board.

Kenya's external balance is projected to remain stable in the medium term, supported by increasing exports as trade agreements are implemented, and global financial conditions ease further. Additionally, a projected robust growth in Kenya's key trading partners (Africa) and low international commodity prices will drive demand for Kenya's exports with resilience expected in agriculture. The removal of export tariffs by China and improved access to European Union markets are expected to boost Kenya's exports, increase foreign exchange earnings, and help improve the country's external balance.

An anticipated stabilization in global growth in the medium term is expected to support resilience in diaspora remittances as well as continued growth in tourism and transport receipts. The estimated recovery in service exports is expected to compensate for a decline in incomes following reduction in aid flows. A projected increase in domestic demand supported by stable exchange rate will drive import growth largely through imports of raw materials for the recovery in industrial growth and imports for household consumption.

3.3. County Level Outlook

Murang'a County recognizes agriculture as the backbone of the County's economy and targets to modernize production and market accessibility. The County produces on average 350,000 liters of milk daily, 150,000 metric tons of Avocados annually making it the leading source of Avocados in Kenya. Gross Value 17.8 billion of tea produced by the County's small-scale holder farmers in the year ending June 2024 making it the leading producer in the smallholder category. The county has 10 Kenya Tea Development Agency (KTDA) managed tea factories and produces 31,000,000 kilos of cherry coffee annually, making it one of the top five leading counties in production.

Murang'a County Government in its aim to enhance service delivery and promote a socially and economically empowered county came up with the following flagship programmes:

- Kang'ata care health support Programme benefiting 38,000 beneficiaries and their dependents
- Automation of County Services: Digitization of revenue collection, land management, hospital operations and all county processes.
- Telemedicine services across 38 rural health facilities, enabling patients in remote areas to access specialized care without the need to travel long distances.
- The ECDE feeding program benefiting all ECDE learners that has improved school performance, retained pupil enrollment, and achieved a 100% transition rate from ECDE to primary schools within the county.
- Murang'a Child Programme that awards bursaries to over 10,000 students across the county.
- Smart city programme that aims to construct durable and high-quality bitumen roads to enhance transportation and connectivity in urban areas across the county of Murang'a.
- Community Based Projects aimed at renovating and constructing new ECDE centers across the county.
- Inua Mkulima Programme that includes subsidies for mango, milk, maize and sorghum.
- Murang'a Youth Service (MYS) Programme that offers youths direct employment and short TVET courses of their choice and employs 1,050 youths across the County every three months.

The county held the Murang'a Investment Conference 2025 that created a platform that brought together investors, business people, government representatives and industry leaders to unlock various opportunities, particularly the manufacturing sector within Murang'a County. This will create jobs and technology transfer in Murang'a, if the objectives of the conference are realized. In particular, industries in the agro-processing sector were encouraged to attend and consider investing because of the backward linkages created. The conference displayed an expanded menu of investment options including healthcare, technology, recreation and sports.

Murang'a Industrial Park (1,300 Acres) with an Export Processing Zone (EPZ) allocated 500 acres and Special Economic Zone (SEZ) allocated 800 acres. The Export Processing Zone (EPZ) was allocated to the National Government's Export Processing Zone Authority through a gazette notice. The opportunities within the Special Economic Zone include Murang'a Medicity, technology and innovation hub, light, medium and heavy industries, commercial hub, stadium, recreational area, market, bus station, schools, housing, affordable housing, infrastructure – roads, sewer, water, internet and power, national and county government institutions.

3.4. Risks to the Outlook

- a) The county economy is still exposed to various risks that affect the country, including the ongoing Russia - Ukraine conflict, upheaval in the Middle East has the potential to disrupt global supply chains with the net effect of raising commodity prices of oil and other goods and, as a result, leading to higher inflation. This could have a negative effect on economic

projections already made.

- b) The county's major economic activity is agriculture as such, inadequate rainfall could lead to drought and poor harvest. This has the effect of reducing revenues that are realizable from cess levy on agricultural produce.
- c) Climate-related risk damage to infrastructure could disrupt economic activities and increase County Government expenditure on disaster response and reconstruction.
- d) The heightened political activities could increase tension leading to lower than projected economic activities level.
- e) The high stock of pending bills poses a risk to implementation and realization of county development objectives. The county is alive to this risk and has put in place measures to ensure that it pays off the bills and ensures that there is no further accumulation of pending bills.

3.5. Implementation of the FY 2025/26 Budget

The implementation of the FY 2025/26 Budget remains on track with development budget being KShs 3,828,918,848 and recurrent budget KShs 7,887,826,592 totaling to KShs 11,716,745,440. The proposed recurrent budget allocations per sector deviated from the set sector ceilings approved in the CFSP 2025. Additionally, the proposed development budget allocations per sector slightly deviated from the set sector ceilings in the CFSP 2025.

The following emerging issues in the budget cycle that could have triggered the misalignment;

- Approval of the Conditional Allocations Act 2025 in June that provided some new allocations for conditional grants for all counties. The Act had not been approved during the considerations of the CFSP 2025.
- County Funds Disbursements pattern during the FY 2024-25 by the National Treasury that predicted possible amounts to be carried forward to the FY 2025-26. The pattern was not predictable during the considerations of CFSP 2025.

It is expected that there will be a supplementary budget later in the year to correct the misalignment.

CHAPTER FOUR

4.0. RESOURCE ALLOCATION FRAMEWORK

4.1. Fiscal Projections

The Criteria for resource allocation for allocation and utilization of resources in the medium term is guided by the priorities outlined in the County Integrated Development Plan (CIDP) 2023-2027, Bottom-up Economic Transformation Agenda (BETA) as outlined in the Fourth Medium Term Plan, Governors Manifesto and other County Plans/ Policies.

4.2. Projected Revenue

Table 10: Revenue Projection by Source

PROJECTED REVENUE BUDGETS PER SOURCE FOR F/Y 2025/26 to 2028/29				
FINANCIAL YEAR	2025/26 (KSHS.)	2026/27 (KSHS.)	2027/28 (KSHS.)	2028/2029 (KSHS.)
Equitable share	7,969,464,876	8,367,938,120	8,786,335,026	9,225,651,777
Equitable share C/F	-	-	-	-
Local Revenue	1,416,669,232	1,600,000,000	1,714,169,771	1,885,586,748
Loans and Grants	1,389,591,281	1,389,591,281	1,389,591,281	1,389,591,281
TOTAL REVENUE	10,775,725,389	11,357,529,401	11,890,096,078	12,500,829,806

4.3. County Own Source Revenue Projections by Streams

Table 11: Own Source Revenue Projection by Streams

Revenue Source	FY 2024/25	FY 2025/26	Projected		
	Actual (KShs.)	Target (KShs.)	FY 2026/27 (KShs.)	FY 2027/28 (KShs.)	FY 2028/29 (KShs.)
Licenses	246,197,929	260,000,000	286,000,000	314,600,000	346,060,000
Land Rate	77,072,366	100,000,000	110,000,000	121,000,000	133,100,000
Cess Revenue	9,285,677	10,000,000	11,000,000	12,100,000	13,310,000
House Rent/Stall/Hall	3,394,079	3,400,000	3,740,000	4,114,000	4,525,400
Bus Park Fee	39,329,300	39,500,000	43,450,000	47,795,000	52,574,500
Parking Fee	19,951,150	20,000,000	22,000,000	24,200,000	26,620,000
Barter Market Fee	50,158,286	50,200,000	55,220,000	60,742,000	66,816,200
Self Help Group	386,175	400,000	440,000	484,000	532,400
Liquor	97,758,276	100,000,000	110,000,000	121,000,000	133,100,000
Motor Bikes/Tuk- tuk	8,672,799	8,700,000	9,570,000	10,527,000	11,579,700

Revenue Source	FY 2024/25	FY 2025/26	Projected		
	Actual (KShs.)	Target (KShs.)	FY 2026/27 (KShs.)	FY 2027/28 (KShs.)	FY 2028/29 (KShs.)
Buldg Mts & Other Cess	73,911,294	73,650,000	81,015,000	89,116,500	98,028,150
Advertisement	12,785,380	13,200,000	14,520,000	15,972,000	17,569,200
Lands & Planning Revenue	65,853,392	75,000,000	82,500,000	90,750,000	99,825,000
Impounding Fees	3,145,280	3,500,000	3,850,000	4,235,000	4,658,500
Other Revenues	52,412,352	6,419,232	7,061,155	7,767,271	8,543,998
Fire Fighting	1,428,600	1,500,000	1,650,000	1,815,000	1,996,500
Mariira Farm	1,011,188	1,100,000	1,210,000	1,331,000	1,464,100
Cooperatives (Audit)	79,530	100,000	110,000	121,000	133,100
Veterinary Services	18,750,010	20,000,000	22,000,000	24,200,000	26,620,000
Public Health	3,004,151	5,000,000	5,500,000	6,050,000	6,655,000
Weight & Measures	556,800	1,000,000	1,100,000	1,210,000	1,331,000
Hospitals /Health Centers	534,640,181	624,000,000	728,063,845	755,040,000	830,544,000
Total Revenue	1,319,784,195	1,416,669,232	1,600,000,000	1,714,169,771	1,885,586,748

4.4. Medium Term Expenditure Framework

Table 12: Summary of Proposed Indicative Sector Ceilings for FY 2026/27 and the MTEF

DEPARTMENT	FY 2025-2026			FY 2026-2027			FY 2027-2028		
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL
Governorship, County Coordination and Administration	314,084,209	10,000,000	324,084,209	324,084,209	7,000,000	331,084,209	340,288,419	7,350,000	347,638,419
County Assembly	816,710,947	30,000,000	846,710,947	858,374,792	20,000,000	878,374,792	901,293,532	20,000,000	921,293,532
Finance, And Economic Planning	344,358,969	33,000,000	377,358,969	384,358,969	30,000,000	414,358,969	382,576,917	30,000,000	412,576,917
Agriculture, Livestock and Fisheries	304,644,858	623,233,198	927,878,056	314,644,858	584,184,071	898,828,929	330,377,101	603,393,275	933,770,375
Energy Transport and Roads	36,347,435	1,427,408,897	1,463,756,332	40,847,435	1,216,441,894	1,257,289,329	38,689,807	1,281,871,051	1,320,560,858
Commerce, Trade, Industry and Tourism	46,750,000	183,000,000	229,750,000	56,750,000	143,000,000	199,750,000	59,587,500	150,150,000	209,737,500
Education & Technical Training	715,323,424	36,500,000	751,823,424	735,323,424	36,500,429	771,823,853	772,089,595	45,325,450	817,415,046
Health And Sanitation	3,426,645,088	401,672,527	3,828,317,615	3,159,005,317	306,984,200	3,465,989,517	3,316,955,583	297,383,410	3,614,338,993
Lands, Housing & Physical Planning	52,062,983	17,000,000	69,062,983	53,039,000	17,000,000	70,039,000	55,690,950	17,850,000	73,540,950
County Public Service Board	28,844,175	-	28,844,175	31,844,175	-	31,844,175	33,436,384	-	33,436,384
Youth, Culture, Gender, Social Services & Special Programs	92,798,723	167,800,000	260,598,723	97,798,723	168,344,000	266,142,723	102,688,659	186,761,200	289,449,859
Environment, Natural Resources, Water and Irrigation	122,820,066	338,659,226	461,479,292	127,820,066	328,159,226	455,979,292	134,211,069	348,767,187	482,978,257
Public Service Administration & Information Technology	1,414,173,110	20,000,000	1,434,173,110	1,586,117,008	20,000,000	1,606,117,008	1,350,481,766	21,000,000	1,371,481,766
Murang'a Municipality	62,962,595	81,000,000	143,962,595	65,962,595	71,000,000	136,962,595	67,160,725	74,550,000	141,710,725
Kenol Municipality	26,550,010	73,250,000	99,800,010	32,550,010	73,250,000	105,800,010	28,927,511	76,912,500	105,840,011
Kangari Municipality	26,050,000	10,500,000	36,550,000	30,050,000	10,500,000	40,550,000	28,402,500	11,025,000	39,427,500
Devolution and External Linkages	56,700,000	375,895,000	432,595,000	50,700,000	375,895,000	426,595,000	53,235,000	394,689,750	447,924,750
TOTAL	7,887,826,592	3,828,918,848	11,716,745,440	7,949,270,581	3,408,258,820	11,357,529,401	7,996,093,017	3,567,028,823	11,563,121,841

Table 13: Percentage Allocation per Department

PERCENTAGE ALLOCATION PER DEPARTMENT				
DEPARTMENT	RECURRENT	DEVELOPMENT	TOTAL	% ALLOCATION
Governorship, County Coordination and Administration	324,084,209	7,000,000	331,084,209	2.9
County Assembly	858,374,792	20,000,000	878,374,792	7.7
Finance, And Economic Planning	384,358,969	30,000,000	414,358,969	3.6
Agriculture, Livestock and Fisheries	314,644,858	584,184,071	898,828,929	7.9
Energy Transport and Roads	40,847,435	1,216,441,894	1,257,289,329	11.1
Commerce, Trade, Industry and Tourism	56,750,000	143,000,000	199,750,000	1.8
Education & Technical Training	735,323,424	36,500,429	771,823,853	6.8
Health And Sanitation	3,159,005,317	306,984,200	3,465,989,517	30.5
Lands, Housing & Physical Planning	53,039,000	17,000,000	70,039,000	0.6
County Public Service Board	31,844,175	-	31,844,175	0.3
Youth, Culture, Gender, Social Services & Special Programs	97,798,723	168,344,000	266,142,723	2.3
Environment, Natural Resources, Water and Irrigation	127,820,066	328,159,226	455,979,292	4.0
Public Service Administration & Information Technology	1,586,117,008	20,000,000	1,606,117,008	14.1
Murang'a Municipality	65,962,595	71,000,000	136,962,595	1.2
Kenol Municipality	32,550,010	73,250,000	105,800,010	0.9
Kangari Municipality	30,050,000	10,500,000	40,550,000	0.4
Devolution and External Linkages	50,700,000	375,895,000	426,595,000	3.8
TOTAL	7,949,270,581	3,408,258,820	11,357,529,401	100.0

CHAPTER FIVE

5.0. CONCLUSION

Due to the prevailing economic situation, the County Government shall continue to exercise prudence in its expenditure and budget management. Further, it shall continue to monitor closely risks that could affect the realization of its objectives, including: the ongoing economic shocks of rising interest rates; security shocks affecting the global economy; and the adverse effects of climate change causing unpredictable rain patterns.

Going by the constrained resource envelope vis-à-vis the competing priority needs of the County Government; departments shall be required to rationalize the proposed budget and only allocate resources in areas that will have maximum impact.

The ceilings indicated shall be re-evaluated and firmed up in the County Fiscal Strategy Paper (CFSP) 2026. These provisional ceilings shall act as a guide to Departments in preparing their budgets for the year 2026/27. However, once the ceilings for the medium-term period 2026/27 and 2028/29 are firmed in the CFSP, they shall be expected to remain the same unless there is a significant change in the County's macroeconomic indicators and assumptions of revenue sources.