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REPUBLIC OF KENYA
COUNTY GOVERNMENT OF KILIFI
THE COUNTY TREASURY

COUNTY FISCAL STRATEGY PAPER 2026

*Accelerating Inclusive Growth through Productive
Investments and Fiscal Sustainability*

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FOREWORD

The County Fiscal Strategy Paper (CFSP) 2026 sets out the County Government's fiscal policy direction, strategic priorities, and resource allocation framework for FY 2026/27 and the medium term. It has been prepared in accordance with Article 220 of the Constitution of Kenya and Section 117 of the Public Finance Management Act, 2012, which requires the County Treasury to submit the CFSP to the County Executive Committee and the County Assembly by 28th February each year. The CFSP provides the foundation for the preparation of a credible, affordable, and policy-driven budget by establishing the fiscal framework within which sector ceilings are determined and aligned to available resources.

The CFSP 2026 is anchored on the theme **“Accelerating Inclusive Growth through Productive Investments and Fiscal Sustainability.”** This reflects the County Government's commitment to stimulating broad-based economic growth through targeted investments in trade, agriculture, infrastructure, industrialization, and human capital development, while safeguarding the sustainability of public finances. The fiscal framework adopts a prudent and realistic stance in light of evolving macroeconomic conditions and increasing service delivery demands.

The strategy emphasizes strengthening own-source revenue mobilization, rationalizing recurrent expenditure, and protecting development allocations. Development expenditure remains above the statutory minimum threshold, while personnel emoluments are maintained within the prescribed ceiling under the Public Finance Management Act. The structured ceiling framework separating personnel, operations and maintenance, and development expenditure enhances transparency, strengthens expenditure control, and provides clear guidance to sector working groups during preparation of the FY 2026/27 budget estimates.

The priorities outlined in this CFSP are aligned with the County Integrated Development Plan (CIDP), the 2026 Budget Policy Statement, and the Bottom-Up Economic Transformation Agenda (BETA), ensuring policy coherence between national and county development frameworks. I urge all departments to align their budget proposals strictly with the ceilings set out in this document and focus on programmes that deliver measurable impact and value for money.

I take this opportunity to appreciate the County Treasury team, sector departments, and stakeholders who contributed to the preparation of this document. I now submit the County Fiscal Strategy Paper 2026 to the County Assembly for consideration and approval in accordance with the law.

HON. PHILIP K. CHARO

**CECM – FINANCE, ECONOMIC PLANNING, RESOURCE MOBILIZATION, ROADS
& EXECUTIVE OFFICE OF THE GOVERNOR.**

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The preparation of the County Fiscal Strategy Paper (CFSP) 2026 was a coordinated and consultative process undertaken in accordance with the Public Finance Management Act, 2012. The County Treasury acknowledges the leadership and policy direction provided by the County Executive Committee, which ensured that the fiscal strategy articulated in this document remains aligned to the County's development priorities and fiscal responsibility principles.

Special appreciation is extended to the Directorate of Budget Management and Economic Planning for coordinating the preparation of the CFSP, undertaking fiscal analysis, consolidating sector submissions, and developing the medium-term fiscal framework. The technical contributions of Fiscal Analysts, Economists, and officers within the County Treasury were instrumental in preparing the revenue projections, expenditure ceilings, and policy priorities contained in this document.

The County Government further acknowledges the valuable input of Sector Working Groups and County departments, whose submissions and programme proposals informed the identification of strategic priorities and realistic budget ceilings. Their engagement ensured that the CFSP reflects sector implementation capacity and service delivery needs.

Appreciation is also extended to development partners, civil society organizations, and members of the public who provided views during the public participation process. Their contributions strengthened transparency and inclusiveness in the development of this fiscal strategy.

Finally, the County Treasury recognizes the continued guidance of national institutions, including the National Treasury, the Commission on Revenue Allocation, and the Office of the Controller of Budget, whose frameworks and oversight support sound public financial management at the county level.

ENG. HEZEKIAH MWARUA,
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List of Acronyms

Acronym	Description
ARUD	Agriculture, Rural and Urban Development
BETA	Bottom-Up Economic Transformation Agenda
BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CoB	Controller of Budget
CRA	Commission on Revenue Allocation
ECDE	Early Childhood Development Education
EII	Energy, Infrastructure, and ICT
ENV	Environmental Protection, Water and Natural Resources
FY	Financial Year
GECA	General Economic and Commercial Affairs
GJLO	Governance, Justice, Law, and Order
ICT	Information, Communication and Technology
KES	Kenya Shillings
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
O&M	Operations and Maintenance
OSR	Own-Source Revenue
PAIR	Public Administration and International Relations
PBB	Programme-Based Budget
PFM	Public Finance Management
PFM Act	Public Finance Management Act, 2012
PSC	Public Service Commission
PSM	Public Service Management
VFM	Value for Money
VTC	Vocational Training Centre
WDPs	Ward Development Projects

EXECUTIVE SUMMARY

The County Fiscal Strategy Paper (CFSP) 2026 sets out the County Government's fiscal policy direction, strategic priorities, and resource allocation framework for FY 2026/27 and the medium term. Prepared in accordance with Article 220(2) of the Constitution of Kenya and Section 117 of the Public Finance Management Act, 2012, the CFSP provides the foundation for preparation of a credible, affordable, and policy-driven budget. It aligns the County's development objectives with prevailing economic conditions, realistic revenue projections, and fiscal responsibility principles.

The CFSP 2026 is anchored on the theme "*Accelerating Inclusive Growth through Productive Investments and Fiscal Sustainability*." Under this theme, the County prioritises targeted investments that unlock productivity, strengthen service delivery, and expand the local economic base, while maintaining discipline in expenditure management to safeguard long-term fiscal sustainability. The strategy reflects a deliberate shift towards completion and optimization of ongoing projects, avoidance of project proliferation, and prioritization of interventions with measurable socio-economic impact.

The fiscal framework projects total County revenue at KES 18.17 billion in FY 2026/27, rising to KES 19.39 billion by FY 2028/29. Growth is largely driven by enhanced own-source revenue performance, while equitable share and conditional grants remain stable over the medium term. The revenue projections are prudent and realistic to minimize fiscal risks and enhance budget credibility.

Expenditure policy emphasizes affordability, efficiency, and strict adherence to fiscal responsibility principles. Recurrent expenditure is maintained at 64.80 percent of total revenue, while development expenditure is sustained at 35.20 percent, above the statutory minimum threshold of 30 percent. Personnel emoluments remain within the prescribed wage bill limits. This expenditure structure protects service delivery while preserving adequate fiscal space for capital investments.

In response to fiscal risk considerations and observations from oversight institutions, the CFSP provides a dedicated allocation of KES 500 million in FY 2026/27 for the settlement of verified pending bills. This allocation is intended to restore supplier confidence, reduce legal and interest-related risks, support local enterprises, and strengthen overall fiscal credibility. The settlement of pending obligations forms part of the County's broader fiscal risk management strategy and commitment to responsible public financial management.

The CFSP also introduces a disaggregated budget ceiling framework separating Personnel Emoluments, Operations and Maintenance, and Development Expenditure. This approach enhances transparency, strengthens expenditure control, and provides clear guidance to Sector Working Groups during budget preparation. Detailed ceilings are provided to guide alignment of sector priorities with available fiscal space.

The CFSP 2026 presents a balanced and credible fiscal framework that aligns policy objectives with realistic resources, enforces fiscal discipline, mitigates fiscal risks, and protects productive investments. The strategy positions the County to advance inclusive growth, strengthen fiscal sustainability, and improve service delivery outcomes over the medium term.

CHAPTER ONE: INTRODUCTION AND LEGAL FRAMEWORK

1.1 Background and Purpose of the CFSP

1. The County Fiscal Strategy Paper (CFSP) 2026 is a key policy document that sets out the County Government's strategic fiscal priorities and policy direction for the upcoming fiscal year, FY 2026/27, and the medium term. The CFSP provides the framework within which county budgets are prepared and ensures that resource allocation decisions are aligned with prevailing economic conditions, fiscal realities, and the County's development objectives.
2. The preparation of the CFSP 2026 comes at a time of constrained fiscal space, rising demand for public services, and heightened expectations for improved budget credibility and value for money. In this context, the CFSP serves as a critical instrument for balancing development aspirations with fiscal sustainability, guiding the County in making deliberate policy choices, prioritizing interventions, and managing trade-offs within available resources.
3. The CFSP 2026 is anchored on the theme **"Accelerating Inclusive Growth through Productive Investments and Fiscal Sustainability."** This theme reflects the County's commitment to promoting inclusive economic growth through targeted, high-impact investments, while strengthening fiscal discipline to ensure continuity of essential services and long-term financial stability.

1.2 Legal Basis for the Preparation of the CFSP

4. The preparation of the County Fiscal Strategy Paper is anchored in the Constitution of Kenya, 2010, and the Public Finance Management (PFM) Act, 2012. Specifically, Section 117 of the PFM Act requires the County Treasury to prepare and submit to the County Executive Committee and the County Assembly a County Fiscal Strategy Paper setting out the county government's priorities and the fiscal framework for the budget year and the medium term.
5. In accordance with the law, the CFSP must:
 - (a) Outline the strategic priorities and policy goals that will guide the preparation of the County Budget.
 - (b) Provide a basis for setting sector ceilings and guiding sector working groups in the budget process.
 - (c) Ensure consistency with national fiscal policy objectives and macroeconomic assumptions as articulated in the national Budget Policy Statement (BPS).
 - (d) Promote adherence to fiscal responsibility principles, including prudent management of public resources and sustainability of public finances.
6. The CFSP 2026 therefore forms a legally mandated link between policy priorities and the annual budget estimates and provides the foundation for credible, disciplined, and transparent public financial management at the county level.

1.3 Linkage to National and County Policy Frameworks

7. The CFSP 2026 is prepared in alignment with the Draft Budget Policy Statement (BPS) 2026 and the national policy direction articulated therein. The national BPS emphasizes growth-supportive fiscal consolidation, prioritization of productive investments, strengthening of revenue mobilization, and enhanced efficiency in public spending. These principles inform the County's fiscal strategy and guide the interpretation of national priorities within the county context.
8. At the county level, the CFSP 2026 is aligned with:
 - (a) The County Integrated Development Plan (CIDP), which sets out the County's long-term development objectives.
 - (b) The Annual Development Plan (ADP), which operationalizes CIDP priorities in the short term.
 - (c) The County Budget Review and Outlook Paper (CBROP), which provides an assessment of recent budget performance and the fiscal outlook.
 - (d) Other relevant sectoral and spatial plans guiding service delivery and development interventions.
9. Through this alignment, the CFSP ensures coherence across planning, budgeting, and implementation instruments, and reinforces the principle that budgets must be policy-driven and fiscally realistic.

1.4 CFSP 2026 Theme and Strategic Orientation

10. The CFSP 2026 theme, "*Accelerating Inclusive Growth through Productive Investments and Fiscal Sustainability*," reflects the County's strategic response to current economic and fiscal conditions. The theme underscores the need to focus limited resources on interventions that generate measurable economic and social returns, while safeguarding the County's fiscal position.
11. Under this strategic orientation, the County will:
 - (a) Prioritise completion and optimization of ongoing projects over initiation of new ones.
 - (b) Direct development spending towards sectors with high productivity and service delivery impact.
 - (c) Strengthen own-source revenue mobilization and improve revenue administration.
 - (d) Contain growth of non-essential recurrent expenditure.
 - (e) Enhance efficiency, accountability, and value for money in public spending.

12. This approach ensures that growth objectives are pursued within a disciplined fiscal framework and that public resources are deployed in a manner that supports sustainable development outcomes.

1.5 Role of the CFSP in the Budget Preparation Process

13. The CFSP 2026 serves as the primary policy guide for the preparation of the FY 2026/27 Budget Estimates and the Medium-Term Expenditure Framework. It provides clear guidance to sector working groups on policy priorities, expenditure ceilings, and fiscal constraints, and forms the basis for evaluating sector budget proposals.
14. Once approved, the CFSP will:
 - (a) Guide the setting of indicative sector ceilings.
 - (b) Inform sector budget hearings and prioritization discussions.
 - (c) Support consistency between policy objectives, resource allocation, and expected outcomes.
 - (d) Enhance budget credibility and facilitate effective oversight by the County Assembly and other stakeholders.

1.6 Overview of the CFSP 2026

15. The County Fiscal Strategy Paper (CFSP) 2026 sets out the County Government's overall fiscal direction and strategic priorities for the FY 2026/27 budget and the medium term. It explains how the County plans to balance its development ambitions with the resources that are realistically available, considering the current economic environment and national policy direction.
16. Through this CFSP, the County outlines its commitment to promoting inclusive economic growth by focusing on productive, high-impact investments that improve livelihoods and service delivery. At the same time, the document emphasizes the importance of fiscal discipline to ensure that public finances remain sustainable and that essential services can be delivered consistently. The CFSP therefore highlights the key thematic areas, sector priorities, and strategic actions that will guide planning and budgeting across all sectors.
17. The CFSP 2026 also examines the broader macroeconomic environment and how it affects the County's fiscal position, including revenue performance, expenditure pressures, and emerging fiscal risks. It reaffirms the County's commitment to sound public financial management by outlining the principles and standards that will guide resource allocation, expenditure prioritization, and risk management in the coming fiscal year.
18. The CFSP 2026 serves as a practical link between policy intentions and the annual budget process. It provides clear direction to sector working groups, strengthens the credibility of the budget, and promotes transparency and accountability in the use of public resources. The CFSP

aims to ensure that limited resources are used efficiently and responsibly to deliver sustainable development outcomes for the people of the County.

1.7 Organization of the CFSP Document

19. The remainder of this CFSP is organized as follows:

- (a) Chapter Two** presents the County's priority themes and overarching strategic policy direction.
- (b) Chapter Three** analyses the macroeconomic environment and its implications for the County's fiscal ecosystem.
- (c) Chapter Four** outlines the County's fiscal responsibility framework and adherence to public finance principles.
- (d) Chapter Five** concludes the document and highlights the way forward in the budget preparation process.

CHAPTER TWO: ACCELERATING INCLUSIVE GROWTH THROUGH PRODUCTIVE INVESTMENTS AND FISCAL SUSTAINABILITY

2.1 Introduction and Strategic Context

20. This chapter sets out the County Government's overarching policy direction and strategic priorities for FY 2026/27 and the medium term, anchored on the theme *Accelerating Inclusive Growth through Productive Investments and Fiscal Sustainability*. The chapter outlines how the County intends to pursue inclusive economic growth while maintaining fiscal discipline in a constrained resource environment.
21. The strategic focus recognizes the need to prioritise interventions that deliver measurable economic and social returns, strengthen service delivery, and support long-term fiscal sustainability. In this regard, the County will emphasise selective, high-impact investments, efficient use of existing assets, and prudent management of public resources.

2.2 Strategic Policy Pillars

22. The County's policy direction under this theme is anchored on the following interrelated pillars:

2.2.1 Productive and Inclusive Investments

23. The County will prioritise investments that enhance productivity, support livelihoods, and stimulate local economic activity. Emphasis will be placed on sectors with high potential to generate growth, employment, and improved service delivery outcomes, while ensuring that investments are affordable and implementable within available fiscal space.

2.2.2 Fiscal Sustainability and Discipline

24. Recognizing the importance of maintaining sound public finances, the County will strengthen fiscal discipline through prudent expenditure management, enhanced own-source revenue mobilization, and improved budget credibility. Growth initiatives will be pursued within a framework that safeguards fiscal stability and continuity of essential services.

2.2.3 Efficiency, Value for Money, and Project Completion

25. The County will prioritise completion and optimization of ongoing projects, improve efficiency in public spending, and strengthen value-for-money considerations in resource allocation. This approach aims to maximize developmental outcomes while minimizing fiscal risks and wastage.

2.3 Priority Thematic Areas

26. In line with the strategic pillars underpinning the CFSP 2026, the County will focus its policy and budget interventions on a set of priority thematic areas that are critical to inclusive growth, service delivery, and fiscal sustainability. These thematic areas reflect the County's

development priorities, prevailing economic and fiscal conditions, and the need to maximize the impact of limited resources.

27. Accordingly, the County will prioritise the following thematic areas in the FY 2026/27 budget and the medium term:
- (a) Strengthening agricultural productivity, food security, and value chains.
 - (b) Improving access to quality health and education services.
 - (c) Expanding water security, environmental protection, and climate resilience interventions.
 - (d) Enhancing infrastructure, energy access, and connectivity.
 - (e) Promoting enterprise development, trade, investment, and local economic growth.
 - (f) Strengthening governance, justice, public administration, and social protection.
28. These thematic areas provide the policy basis for sector prioritization, resource allocation, and the determination of sector ceilings in the FY 2026/27 budget and the medium-term expenditure framework.

2.4 Sectoral Policy Objectives

29. The sectoral policy objectives under this chapter are designed to operationalize the CFSP theme and guide sector planning and budgeting. Each sector has been assigned a clear policy objective, which should serve as the anchor for sector narratives, strategic interventions, and budget proposals.

2.4.1 Promoting Food Security, Sustainable Settlements, and Climate-Resilient Municipal Development

30. In line with the Governor's Manifesto and the County's commitment to inclusive and climate-resilient growth, the Agriculture, Rural and Urban Development (ARUD) thematic area remains central to driving livelihoods, food security, orderly settlement development, and municipal transformation. The sector plays a critical role in supporting household incomes, strengthening local value chains, and expanding the County's economic base while ensuring sustainable use of land and natural resources.

Strengthening Agricultural Productivity and Food Security

31. To promote food security and agricultural transformation, the County has continued to prioritise investments that enhance productivity, resilience, and market access across crops, livestock, and fisheries sub-sectors. Key interventions have focused on scaling up agricultural extension services, farm input support, irrigation development, livestock production, fisheries management, and value-chain strengthening. These investments have expanded access to

quality inputs, improved farmer skills, and increased adoption of climate-smart practices contributing to improved yields and resilience to climate variability.

32. Building on these gains, the County will deepen investments in climate-smart and market-oriented agriculture during FY 2026/27 and the medium term. Priority actions will include expansion and rehabilitation of irrigation schemes, construction of water pans and ponds, provision of mechanized farming services, and enhanced farm input support. The County will also promote value addition and agro-processing for priority value chains such as dairy, honey, poultry, fish, fruits, cassava, coconut, and vegetables, in line with the “One County, One Product” initiative. These interventions are expected to improve household incomes, reduce food costs, and strengthen countywide food security.

Livestock and Fisheries Development

33. The County will continue to strengthen livestock and fisheries productivity through targeted animal health services, policy frameworks, infrastructure development, genetic improvement, disease surveillance, and capacity building for farmers and fishing communities. Emphasis will be placed on reducing livestock morbidity and mortality, improving product quality, and enhancing market access. In the fisheries sub-sector, the County will support artisanal and aquaculture production through improved fishing gear, quality fingerlings, cold-chain infrastructure, and strengthened Beach Management Units (BMUs) to promote sustainable resource use.
34. To address post-harvest losses and improve market efficiency, the County will promote aggregation and value addition through milk collection and cooling facilities, livestock markets, fish handling infrastructure, and improved slaughter and processing facilities. These measures will enhance productivity, protect livelihoods, and contribute to stable incomes for livestock and fishing communities.

Agricultural Skills Development and Extension Services

35. The County will operationalize the Agricultural Training Centre framework to strengthen farmer skills development and institutionalize extension service delivery. This framework will support farmer field schools, demonstration sites, and dissemination of climate-smart technologies across crops, livestock, and fisheries value chains. Improved access to practical training and extension services is expected to increase productivity, reduce post-harvest losses, and enhance resilience to climate shocks.

Sustainable Settlement Development and Land Governance

36. Recognizing the role of orderly settlement development in inclusive growth, the County has made progress in spatial planning, informal settlement upgrading, land governance, and affordable housing. These interventions aim to improve living conditions, enhance tenure security, and guide sustainable urban growth. The County will consolidate these efforts by

completing additional local physical and land use plans, popularizing the County Spatial Plan and Land Use Policy, digitizing spatial data, securing public land, and registering informal settlements and community land.

37. To strengthen land-based own-source revenue, the County will prioritise preparation and implementation of an updated valuation roll. The valuation roll will provide an equitable and transparent basis for land rate assessment, expand the ratable base, improve compliance, and support automation of land and revenue records. This intervention is expected to significantly enhance land-based revenue, reduce dependence on exchequer transfers, and provide predictable financing for urban infrastructure and municipal services.

Municipal Development and Urban Resilience

38. Municipal development remains a key pillar of the ARUD thematic area. The County's municipalities—Mtwapa, Malindi, Watamu, Kilifi, and Mariakani—have continued to invest in infrastructure, solid waste management, drainage, roads, street lighting, public safety, and urban greening to support clean, safe, and economically vibrant urban spaces. These investments contribute to improved service delivery, climate resilience, and local economic growth.
39. In FY 2026/27, the County will scale up municipal interventions that enhance urban resilience and service delivery, including waste management systems, stormwater drainage and flood control, upgrading of urban roads and walkways, expansion of street lighting, development of public spaces, strengthening of fire and emergency services, and improvement of urban water security. Municipal physical and land use development plans will guide orderly growth and protect critical natural systems.

2.4.2 Stimulating Enterprise Development, Trade, Investment, and Own-Source Revenue Growth

Strategic Context

40. The General Economic and Commercial Affairs thematic area remains central to Kilifi County's strategy for accelerating inclusive growth and strengthening fiscal sustainability. Under the CFSP 2026 framework, the County Government will deliberately reposition trade, cooperatives, MSMEs, and investment facilitation as structured drivers of local economic expansion and own-source revenue performance. This strategic orientation reflects a shift from fragmented and capital-intensive expansion toward coordinated, fiscally grounded interventions that enhance productivity, unlock value addition, and ensure that public investments translate into functional assets and sustainable economic returns.
41. By linking enterprise development directly to fiscal sustainability, the County seeks to create a virtuous cycle in which improved economic activity strengthens revenue performance, which in turn supports enhanced service delivery and long-term financial resilience.

Modernization and Operationalization of Trade Infrastructure

42. Markets serve as the primary interface between producers, traders, and consumers and therefore play a critical role in livelihood support and revenue mobilization. However, inefficiencies in infrastructure, stalled projects, and underutilization of completed facilities have constrained their full economic potential.
43. In FY 2026/27, the County will prioritize refurbishment and modernization of key market facilities through structural rehabilitation, sanitation upgrades, drainage improvements, enhanced lighting, and strengthened safety systems. Completion of partially constructed market projects will be guided by cost-to-complete assessments and phased allocations aligned to rapid operationalization and revenue activation. Underutilized market facilities will be repurposed through structured public participation to ensure conversion into economically productive or socially responsive uses such as MSME hubs, aggregation centers, or structured commercial spaces.
44. This approach ensures recovery of value from sunk investments, minimizes idle public assets, and avoids proliferation of new infrastructure that may create unsustainable maintenance obligations.

Modernization of Informal Trading Spaces and Revenue Integration

45. Open-air and informal markets remain critical nodes of employment and food distribution, particularly in rural and peri-urban areas. To enhance safety, organization, and fiscal efficiency, the County will undertake a structured census and geo-referencing of market tents and informal trading spaces, integrating the findings into digital revenue systems to improve billing accuracy and compliance.
46. Routine maintenance, standardized layouts, and safety enhancements will reduce congestion and operational risks while improving trader confidence. By linking service improvements directly to revenue administration reforms, the County will reduce leakages and strengthen predictability of trade-derived own-source revenue.

Strengthening MSMEs and Enterprise Financing

47. Micro, Small, and Medium Enterprises form the backbone of Kilifi's local economy and are essential for job creation and household income growth. Beyond access to finance, MSMEs require structured capacity building, coordinated departmental engagement, and improved market linkages.
48. The County will institutionalize continuous enterprise training at ward and sub-county levels, focusing on financial literacy, governance, compliance, product development, and business sustainability. Sectoral coordination between Trade, Agriculture, Fisheries, Tourism,

Cooperatives, and Finance will be strengthened to support value chain integration and structured market access. Formalization support will improve enterprise competitiveness and enable access to procurement and tourism markets.

49. The Wezesha Fund will continue to operate as a performance-based revolving financing instrument targeting youth, women, and persons with disabilities. Emphasis in FY 2026/27 will be placed on borrower sensitization, structured technical support, strengthened loan recovery systems, and graduated financing linked strictly to repayment performance. These measures will safeguard the revolving nature of the Fund, reduce fiscal strain, and enhance enterprise sustainability.

Strengthening the Cooperative Movement

50. Cooperatives cut across agriculture, transport, housing, financial services, and value addition, and remain a powerful vehicle for grassroots wealth creation and economic empowerment. However, governance weaknesses, limited access to affordable finance, weak audit systems, and low adoption of ICT have constrained their full contribution to the County economy.
51. During FY 2026/27, the County will finalize and operationalize Cooperative Regulations to enhance governance compliance and strengthen oversight mechanisms. Establishment of a Cooperative Enterprise Development Fund will improve access to affordable finance for cooperative enterprises and support aggregation and value addition. Ward Boda Boda Cooperatives and the County SACCO will be operationalized through structured governance training, shared ICT systems, and strengthened compliance mechanisms.
52. Cooperative supervision and audit services will be enhanced to improve governance standards and increase audit-related revenue. Completion of stalled cooperative projects, including ISO certification and infrastructure upgrades for the Malindi Farmers' Cooperative processing facility and re-procurement of the Boda Boda Cooperative Management System, will unlock value from prior investments and strengthen structured sector organization.
53. Through these interventions, the County will enhance cooperative profitability, improve market access, reduce post-harvest losses, and expand income opportunities while strengthening structured revenue systems.

Investment Facilitation and Operationalization of KCIDC

54. To institutionalize structured investment promotion and commercialization, the County will operationalize the Kilifi County Investment and Development Corporation as a coordinated investment facilitation platform. By functioning as a one-stop interface for investors, the Corporation will reduce administrative fragmentation, improve approval timelines, and enhance investor confidence.
55. Seed funding will support staffing, systems development, and preparation of bankable investment opportunities. Through structured public-private partnerships and

commercialization of strategic assets, the County will mobilize private capital for markets, industrial infrastructure, logistics hubs, tourism facilities, and energy projects. This approach reduces fiscal pressure while expanding employment and revenue opportunities.

Completion and Operationalization of the County Aggregation Industrial Park (CAIP)

56. The County Aggregation Industrial Park remains a flagship intervention aimed at promoting value addition, agro-processing, light manufacturing, and structured market access. In FY 2026/27, targeted development financing will support completion of outstanding works, installation of operational infrastructure, and phased commissioning of high-impact sections.
57. Once operationalized, the Park will serve as a hub for aggregation, storage, processing, packaging, and distribution, strengthening local value chains and supporting farmers, cooperatives, MSMEs, and private investors. Integration of the Park into the County's broader investment promotion framework will facilitate anchor tenant attraction and structured private sector participation. Operationalization of this facility will recover value from sunk public investments, stimulate value addition, create employment, and expand own-source revenue through leases and commercial activity.

Strengthening Trade-Related Revenue Mobilization

58. Trade-related revenues, including Single Business Permits, advertising fees, market levies, and stall rents, remain critical pillars of own-source revenue. Enhanced collaboration between the Trade Department and the County Treasury will improve trader registration, stall verification, billing accuracy, and compliance enforcement.
59. Automation, digital payment systems, real-time reconciliation, and routine joint inspections will reduce leakages and enhance transparency. By visibly reinvesting collected revenues into market improvements, the County will strengthen willingness to pay and reinforce fiscal accountability.

Fiscal and Development Impact

60. The integrated trade and cooperative strategy under CFSP 2026 advances a disciplined and results-oriented economic agenda. By focusing on completion, modernization, value addition, enterprise support, and structured investment facilitation, the County will expand economic participation, improve productivity, strengthen governance, and enhance sustainability of own-source revenue.
61. These interventions are fully aligned with the County's fiscal responsibility framework and ensure that enterprise development directly supports fiscal resilience, service delivery continuity, and inclusive long-term growth within an affordable and enforceable fiscal envelope.

2.4.3 Enhancing Human Capital Development and Market-Aligned Skills

62. Education is a long-term productive investment that underpins inclusive growth, economic competitiveness, and social mobility. Under CFSP 2026, the Education thematic area is guided by a shift from a basic service-delivery model towards a human capital investment approach that strengthens foundational learning and equips learners with relevant, market-aligned skills.
63. The County will prioritise Early Childhood Development Education (ECDE) as the foundation for long-term learning outcomes and productivity. Focus will be placed on improving the quality of ECDE through teacher recruitment and continuous professional development, improved learning environments, and strengthened collaboration with the national government to ensure seamless transition from pre-primary to primary education. These measures aim to reduce early drop-out rates and ensure that all children have an equitable start in life.
64. To bridge the gap between education and the labour market, the County will reposition Vocational Training Centres (VTCs) as centres of practical skills development, innovation, and enterprise creation. Investments will focus on modernizing training equipment, strengthening industry-relevant curricula, and promoting innovation and entrepreneurship. Collaboration with trade and investment stakeholders will support exposure of trainees to market opportunities, enabling graduates to transition from job seekers to job creators.
65. Equity and inclusion remain central to the education agenda. Through targeted bursaries and scholarships, the County will continue to support learners from vulnerable and marginalized households. Inclusive education will be strengthened through universal design of learning facilities and deliberate inclusion of people with disabilities within teaching and training institutions. These interventions aim to ensure that human capital development contributes to inclusive growth and reduced inequality across the County.

2.4.4 Enhancing Social Protection, Inclusion, and Community Development

66. The Social Protection, Culture and Recreation thematic area supports inclusive growth by safeguarding vulnerable populations, promoting social cohesion, and unlocking the creative and athletic potential of the County's residents. The sector ensures that economic growth is human-centered and that no segment of society is left behind.
67. The County will strengthen responsive social protection systems to cushion vulnerable groups, including the elderly, orphans and vulnerable children, and people with disabilities, against economic shocks. Emphasis will be placed on timely and predictable support through existing social assistance programmes, complemented by targeted advocacy initiatives aimed at protecting vulnerable populations from abuse and exploitation.
68. Youth empowerment through sports, culture, and recreation remains a key pillar of social development. The County will continue to invest in strategic sports and recreational infrastructure and talent development frameworks that provide structured pathways for youth

engagement, skills development, and income generation. These initiatives also contribute to social cohesion, public health, and local tourism development.

69. To strengthen community development and civic participation, the County will decentralize social services to the grassroots level through community facilities that support integration, dialogue, and cultural exchange. Inclusive design standards will be enforced across public infrastructure to ensure accessibility for all, while preferential access to county programmes will be maintained for PWDs and other marginalized groups.
70. In addition, the County will leverage culture and heritage as drivers of economic diversification by promoting cultural tourism and community-based attractions beyond traditional coastal tourism zones. This approach will broaden income opportunities, strengthen community ownership of development initiatives, and enhance local economic resilience.

2.4.5 Enhancing Connectivity, Energy Access, and Infrastructure for Productive Growth and Service Delivery

71. Improving connectivity, energy access, and infrastructure is fundamental to unlocking economic productivity and enhancing service delivery in Kilifi County. Efficient transport networks, reliable energy, and resilient physical and digital infrastructure lower the cost of doing business, expand access to markets and services, and stimulate private sector participation across key sectors including agriculture, fisheries, tourism, trade, and the blue economy.
72. Under the CFSP 2026 theme, the County will pursue a disciplined infrastructure agenda that prioritises high-impact investments, completion and optimization of ongoing projects, and adequate maintenance, all within a fiscally sustainable framework. The focus is on interventions that deliver measurable productivity gains while safeguarding long-term asset performance and value for money.

Transport Networks and Market Connectivity

73. The County will strengthen transport connections to support inclusive growth, reduce production and transaction costs, and improve access to markets and social services. Emphasis will be placed on upgrading and maintaining strategic road links that connect rural production areas to markets, ports, urban centres, and tourism nodes. This approach aligns with the Bottom-Up Economic Transformation Agenda (BETA) and the County's development priorities by unlocking agricultural productive zones, supporting the blue economy, and facilitating MSME activity.
74. Consistent with County plans and the Governor's Manifesto, the County will adopt climate-resilient road designs and cost-effective maintenance strategies to enhance durability, manage climate risks, and maximize returns on infrastructure spending. Priority will be given to

interventions that improve last-mile access, decongest urban centres, and enhance safety while avoiding the proliferation of new projects that create unsustainable maintenance liabilities.

Energy Access and Productive Use

75. Expanded and reliable energy access is a critical enabler of productivity, security, and service delivery. The County will prioritise energy interventions that extend productive hours, support MSMEs, and improve safety in markets, health facilities, and public spaces. Emphasis will be placed on renewable energy solutions, especially solar-powered lighting, and systems in public infrastructure, to reduce operating costs, enhance climate resilience, and support sustainable development.
76. By focusing on strategic deployment and maintenance of lighting and energy systems, the County will strengthen the productive use of energy at the community level, support value addition, and improve the operating environment for small enterprises, consistent with BETA objectives.

Digital and ICT Infrastructure

77. The County will strengthen digital and ICT infrastructure to improve efficiency, transparency, and accountability in public service delivery. Priority will be given to expanding e-governance platforms, automating, and digitizing revenue administration, and improving connectivity in towns, markets, and public spaces to support MSME innovation and participation in the digital economy.
78. These interventions will enhance budget credibility and service responsiveness, reduce leakages, and support data-driven decision-making. By integrating ICT into core service delivery and revenue systems, the County will improve operational efficiency while creating an enabling environment for skills development and private sector innovation.

2.4.6 Strengthening Water Security, Environmental Stewardship, and Climate Resilience

79. Water security and environmental sustainability are foundational to inclusive growth, public health, and economic resilience in Kilifi County. The County's development trajectory is increasingly constrained by water scarcity, environmental degradation, and climate variability, with rural communities and vulnerable populations bearing a disproportionate share of the impact. Prolonged droughts, erratic rainfall patterns, and degradation of water catchment areas have heightened pressure on livelihoods, infrastructure, and public finances.
80. In response, the County Fiscal Strategy Paper (CFSP) 2026 prioritises a shift from fragmented, reactive interventions towards an integrated and fiscally sustainable approach to water resource management, environmental protection, and climate resilience. The County will focus on targeted, high-impact investments, optimization of existing assets, and preventive environmental management to reduce long-term fiscal risks and enhance socio-economic resilience.

Enhancing Water Security and System Resilience

81. The County will prioritise expansion and strengthening of water supply systems to improve access to safe, dependable, and affordable water, particularly in underserved rural and peri-urban areas. Emphasis will be placed on improving distribution efficiency, reducing non-revenue water, and enhancing system resilience through selective expansion of pipeline networks and strategic development of groundwater sources.
82. To address climate-induced water stress, the County will strengthen water storage and harvesting capacity through construction and rehabilitation of water pans, tanks, and dams, with a focus on rainwater capture and storage. These interventions will reduce vulnerability to seasonal variability, lower dependence on surface water sources, and support household consumption, agriculture, and small-scale economic activities.

Environmental Conservation and Climate Adaptation

83. Environmental stewardship is a core pillar of the County's climate resilience strategy. The County will prioritise protection and restoration of critical ecosystems, including forests, water catchments, wetlands, and riparian reserves, to safeguard ecosystem services and natural water sources. These interventions will enhance biodiversity, mitigate climate risks, and support long-term water security.
84. The County will also maintain climate adaptation and environmental safeguards across sector programmes, working collaboratively with agriculture, urban development, and infrastructure sectors to promote sustainable land use and climate-smart practices. This integrated approach will reduce environmental degradation while supporting productive economic activity.

Solid Waste Management and Pollution Control

85. Effective solid waste management is essential to environmental health, urban resilience, and economic competitiveness. The County will strengthen waste management systems through improved collection, transportation, and disposal infrastructure, prioritizing efficiency, accessibility, and environmental compliance. These measures will reduce pollution, protect public health, and improve the quality and attractiveness of urban and peri-urban environments for residents, investors, and tourists.

Coastal and Natural Resource Protection

86. Given Kilifi County's extensive coastline and dependence on marine and coastal ecosystems, the County will strengthen protection of coastal and aquatic resources to support the blue economy and safeguard livelihoods. Priority will be given to pollution control, conservation of marine habitats, and sustainable use of coastal resources, enhancing resilience of fishing communities while preserving the County's natural capital.

87. Through the Environmental Protection, Water and Natural Resources thematic area, the County will pursue preventive, resilience-building investments that deliver long-term economic and social returns while containing future fiscal pressures. By strengthening water security, conserving natural resources, improving waste management, and enhancing climate resilience, the County will reduce vulnerability to climate shocks, protect livelihoods, and support sustainable development in line with Kenya Vision 2030 and the County Integrated Development Plan (CIDP III).

2.4.7 Effective Governance and Coordination to Promote Fiscal Responsibility

88. Effective governance and strong institutional coordination are central to achieving fiscal discipline, budget credibility, and value for money in public service delivery. In this regard, the Kilifi County Government will reinforce strict adherence to the Public Finance Management (PFM) Act, applicable regulations, and approved budgets, while strengthening budget credibility through realistic revenue forecasting and controlled expenditure commitments.
89. To prevent the accumulation of pending bills and improve cash discipline, the County will strengthen internal control systems, commitment controls, and cash management practices across all departments. The use of integrated revenue management systems will be expanded to enhance transparency, traceability, and accountability in the administration of own-source revenues, while minimizing leakages and improving compliance.
90. The County will institutionalize timely financial reporting and regular public disclosure of budget performance to strengthen transparency and oversight. Implementation of audit recommendations will be enforced, and accountability mechanisms strengthened to deter misuse or inefficient use of public resources. Coordination between the Executive, the County Assembly, and Accounting Officers will be enhanced to ensure alignment between planning, budgeting, and implementation, while inter-departmental collaboration will be strengthened to eliminate duplication and optimize resource utilization.
91. Citizen participation and social accountability will remain integral to governance reforms. The County will actively involve communities in planning, implementation, and monitoring of development projects to enhance local ownership, improve service delivery outcomes, and promote value for money. These measures reinforce the County's commitment to inclusive, grassroots-driven development that supports poverty reduction, economic growth, and social cohesion.
92. To sustain these reforms, the County will invest in institutional capacity building through continuous staff training, performance contracting, and results-based management across departments. Ethical leadership and a strong compliance culture will be promoted within public institutions. In addition, development of the Kilifi County Government office complex will be

prioritized to improve coordination, enhance service delivery efficiency, and reduce long-term operational costs.

93. The County will prioritise strong governance, fiscal discipline, and institutional coordination to enhance budget credibility, safeguard public resources, and ensure efficient and accountable service delivery within a sustainable fiscal framework.

2.4.8 Improving Access to Quality, Affordable, and Efficient Healthcare Services

94. Access to quality, affordable, and efficient healthcare services remains a core pillar of inclusive growth and human development in Kilifi County. The County will prioritise strengthening health service delivery systems to ensure equitable access, improved quality of care, and financial protection for all residents.
95. The County will focus on completion, upgrading, and operationalization of existing health infrastructure to maximize returns on past investments. Priority will be given to strengthening referral services through targeted upgrades of key facilities, including Kilifi County Hospital and St. Luke's Hospital, alongside expansion of outpatient, maternity, laboratory, and diagnostic services at selected sub-county and ward-level facilities. These investments will be complemented by provision of essential medical and laboratory equipment and improved functionality of community health systems, including Community Health Promoters and Units.
96. To enhance efficiency and affordability, the County will strengthen health supply chain management to ensure consistent availability of essential medicines, vaccines, and medical commodities, supported by functional cold-chain systems. Human resource capacity will be strengthened through rational recruitment, equitable deployment, continuous professional development, and performance-based management of health personnel. Digital health interventions, including rollout of Electronic Medical Records systems, will be expanded to improve data quality, patient management, and accountability.
97. Financial protection will be strengthened through expanded enrollment in Social Health Insurance schemes, targeted waivers and exemptions for vulnerable populations, and alignment with national Universal Health Coverage initiatives. Quality of care will be enhanced through strengthened referral and emergency services, institutionalization of service standards, and improved health information systems. Partnerships, monitoring and evaluation, and citizen engagement will be reinforced to improve governance, accountability, and value for money in the health sector.
98. The County will prioritise completion and optimization of health infrastructure, strengthening of service delivery systems, and expansion of financial protection mechanisms to improve health outcomes while ensuring efficiency and fiscal sustainability.

2.4.9 Strengthening Governance, Justice, Law and Order for a Stable and Accountable Society

99. Effective governance, access to justice, and maintenance of law and order are fundamental enablers of inclusive growth, social cohesion, and fiscal sustainability. In Kilifi County, a stable and predictable governance environment supports service delivery, protects public and private investments, and enhances citizen confidence in public institutions. The Governance, Justice, Law, and Order (GJLO) sector therefore plays a critical role in underpinning economic activity and safeguarding development gains.
100. Under CFSP 2026, the County will prioritise strengthening governance systems, legal frameworks, and enforcement mechanisms to ensure accountability, rule of law, and protection of rights. Emphasis will be placed on institutional effectiveness, coordination, and compliance with constitutional and statutory obligations, while avoiding the creation of unsustainable recurrent expenditure pressures.
101. The County will strengthen legal and judicial support services to enhance access to justice, timely resolution of disputes, and protection of vulnerable populations. This includes improving legal advisory services, contract management, and litigation support to minimize fiscal exposure arising from adverse court awards, compensation claims, and contractual disputes. Strengthened legal compliance will support prudent public financial management and reduce contingent liabilities.
102. To enhance public safety and order, the County will support coordinated enforcement of county laws, regulations, and by-laws in collaboration with national security agencies. Priority will be given to improving enforcement capacity, inspectorate services, and community-based approaches to law and order that promote compliance, deterrence, and peaceful coexistence. These interventions are critical for protecting livelihoods, markets, public infrastructure, and investment environments across urban and rural areas.
103. The County will also strengthen civic education, alternative dispute resolution mechanisms, and community engagement platforms to promote peaceful conflict resolution, social cohesion, and respect for the rule of law. By empowering communities with knowledge of their rights and responsibilities, the County will reduce enforcement costs and enhance voluntary compliance with laws and regulations.
104. Institutional coordination and oversight will be strengthened through improved governance structures, performance management, and monitoring systems. Collaboration between the Executive, County Assembly, and independent oversight institutions will be enhanced to improve accountability, policy coherence, and implementation discipline. These measures will reinforce transparency, reduce governance-related fiscal risks, and strengthen public trust in County institutions.

105. The County will prioritise effective governance, legal compliance, and public safety in respect of development investments, reduce fiscal risks, and create a stable and predictable environment for inclusive growth and sustainable service delivery.

2.5 Crosscutting Policy Considerations

106. In implementing the strategic priorities outlined in this chapter, all sectors shall mainstream the following cross-cutting policy considerations in the design, prioritization, and budgeting of their programmes and interventions:

Climate Change Adaptation and Environmental Sustainability

107. Sectors shall integrate climate resilience and environmental safeguards into programme design and implementation to mitigate climate-related risks, protect natural resources, and ensure long-term sustainability of public investments. Priority shall be given to interventions that reduce vulnerability to climate shocks and minimize future fiscal pressures arising from environmental degradation.

Gender, Youth, and Social Inclusion

108. Programmes and budgets shall deliberately promote inclusion of women, youth, persons with disabilities, and other vulnerable groups to ensure equitable access to public services and economic opportunities. Targeted interventions should be prioritized to address structural inequalities and promote broad-based, inclusive growth.

Value for Money and Efficiency in Public Spending

109. All sectors shall ensure that public resources are utilised efficiently and economically, with emphasis on measurable outcomes, cost-effectiveness, and avoidance of duplication. Budget proposals shall be supported by clear justification, realistic costing, and demonstration of expected benefits.

Completion and Optimization of Ongoing Projects

110. Priority shall be given to completion, operationalization, and optimization of ongoing projects before initiation of new ones. This approach is intended to maximize returns on existing investments, minimize accumulation of pending bills, and reduce the creation of unsustainable recurrent expenditure obligations.

2.6 Linkage to Budget Preparation and Resource Allocation

111. The strategic priorities and policy directions articulated in this chapter shall form the primary basis for the preparation of sector budget submissions, determination of sector ceilings, and allocation of resources in the FY 2026/27 budget and the medium-term expenditure framework.

112. Sector Working Groups shall be required to clearly demonstrate alignment between proposed programmes and the CFSP theme, priority thematic areas, and sectoral policy objectives. Budget proposals that do not adequately reflect the strategic direction set out in this chapter or that exceed approved ceilings shall be subject to revision or exclusion during the budget review process.
113. Through this linkage, the CFSP 2026 ensures coherence between policy priorities, resource allocation, and budget execution, thereby strengthening budget credibility, fiscal discipline, and value for money in public spending.
114. Finally, The strategic priorities and policy directions outlined in this chapter provide the foundation for the County's fiscal and budgetary decisions for FY 2026/27 and the medium term. By focusing on productive investments, inclusive growth, and fiscal sustainability, the County seeks to maximize the impact of limited resources while safeguarding long-term financial stability. These priorities should guide sector planning, resource allocation, and budget preparation, ensuring that public spending is aligned to clear development outcomes and delivered within a disciplined fiscal framework. The next chapter builds on this policy direction by examining the prevailing macroeconomic environment and its implications for the County's fiscal ecosystem.

CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

3.1 Overview of the Global and National Economic Context

- 115.** Global economic growth moderated from 3.5 percent in 2023 to 3.3 percent in 2024, reflecting the cumulative effects of tight monetary policy, geopolitical tensions, and subdued global trade. Growth is projected to ease further to 3.2 percent in 2025 and 3.1 percent in 2026, signaling a period of moderate but uneven expansion.
- 116.** Advanced economies continue to experience subdued growth, constrained by high debt levels and restrictive financial conditions, while emerging and developing economies remain the primary drivers of global growth. In Sub-Saharan Africa, growth improved to 4.1 percent in 2024 and is projected to strengthen to 4.4 percent by 2026, supported by recovery in services and commodity production.

Table 1: Global Economic Performance

Economy	2023 (Actual)	2024 (Actual)	2025 (Projection)	2026 (Projection)
World	3.5	3.3	3.2	3.1
Advanced Economies	1.8	1.8	1.6	1.6
USA	2.9	2.8	2	2.1
Euro Area	0.5	0.9	1.2	1.1
Japan	1.4	0.1	1.1	0.6
Emerging & Developing Economies	4.7	4.3	4.2	4
China	5.4	5	4.8	4.2
India	9.2	6.5	6.6	6.2
Sub-Saharan Africa	3.6	4.1	4.1	4.4
South Africa	0.8	0.5	1.1	1.2
Nigeria	2.9	4.1	3.9	4.2

Source: IMF World Economic Outlook, October 2025

- 117.** The global outlook points to continued external uncertainty, underscoring the need for counties to strengthen domestic revenue mobilization, prioritise productivity-enhancing investments, and manage fiscal risks prudently.

3.2 National Economic Performance and Outlook

- 118.** Kenya's economy has remained resilient, growing by 4.7 percent in 2024 and strengthening to 4.9 percent and 5.0 percent in the first two quarters of 2025. Growth was driven by strong performance in agriculture, recovery in industry, and sustained expansion in services.

119. Agriculture benefitted from favorable weather conditions, while the industry sector recovered on the back of improved construction activity and energy supply. The services sector remained the main growth driver, supported by trade, transport, tourism, ICT, and financial services.

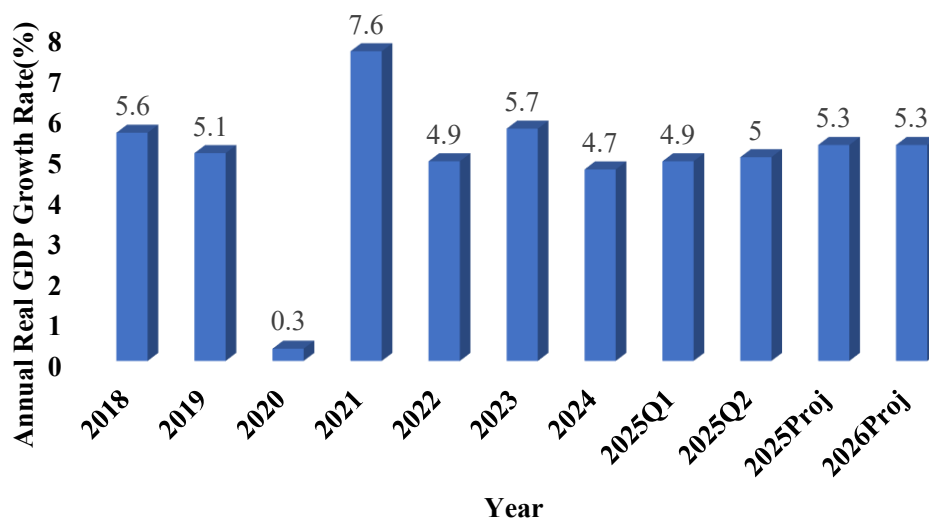
Table 2: Sectoral GDP performance

Sector/Sub-sector	Annual Growth Rates	Quarterly Growth Rates			
	2024	2024Q1	2024Q2	2025Q1	2025Q2
1. Primary Sector	3.9	4.5	4.0	6.2	4.9
Agriculture, Forestry, and Fishing	4.6	5.6	4.5	6.0	4.4
Mining and Quarrying	(9.2)	(16.1)	(5.5)	10.8	15.3
2. Secondary Sector (Industry)	1.5	1.5	0.5	2.6	3.3
Manufacturing	2.8	1.9	3.2	2.1	1.0
Electricity and Water Supply	1.9	2.8	1.2	3.6	5.7
Construction	(0.7)	0.4	(3.7)	3.0	5.7
3. Tertiary Sector (service)	6.1	6.8	6.2	4.8	5.5
Wholesale and Retail trade	3.8	3.6	2.5	5.4	4.0
Accommodation and Restaurant	25.7	38.1	35.0	4.1	7.8
Transport and Storage	4.4	4.1	3.4	3.8	5.4
Information and Communication	7.0	9.2	6.7	5.8	6.0
Financial and Insurance	7.6	9.6	8.0	5.1	6.6
Public administration	8.2	7.5	9.0	6.5	6.0
Others of which	5.2	5.8	5.6	4.4	5.2
Professional, Admin, and Support Services	9.4	9.1	6.7	4.6	8.5
Real Estate	5.3	6.9	5.9	5.3	5.5
Education	3.9	2.4	3.2	2.9	3.2
Health	6.3	5.4	8.9	4.8	6.8
Taxes less subsidies	4.4	2.9	3.8	5.7	3.3
Real GDP	4.7	4.9	4.6	4.9	5.0

Source of Data: Kenya National Bureau of Statistics

120. Leading indicators point to improved performance in the second half of 2025, with national growth projected at approximately 5.3 percent in both 2025 and 2026, supported by implementation of the Bottom-Up Economic Transformation Agenda (BETA).

Figure 1: Annual Real GDP Growth Rate

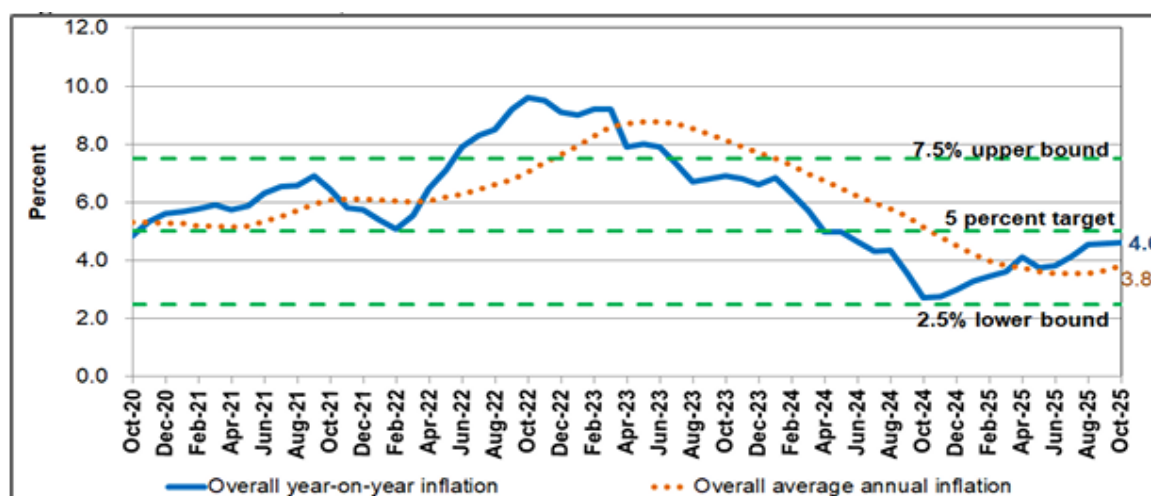


3.3 Macroeconomic Conditions

3.3.1 Inflation Developments

121. During 2024 and 2025, inflation in Kenya stayed inside the Central Bank's target range of 2.5–7.5 percent. This stability was due to a stable currency, reduced fuel prices, and plentiful food supplies. Inflation stood at 4.6 percent in October 2025, reflecting mild pressure from energy and transport costs.

Figure 2: Inflation Trends

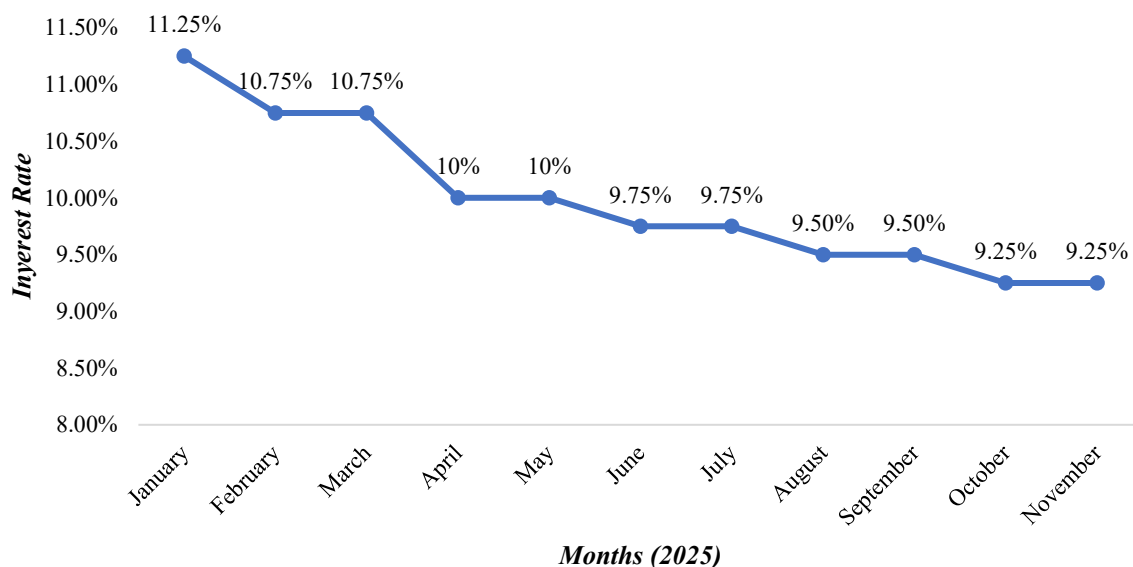


Source: Kenya National Bureau of Statistics

3.3.2 Interest Rates

- 122.** Monetary policy eased significantly in 2025, with the Central Bank Rate declining from 11.25 percent in January to 9.00 percent by December. This easing supported lower commercial lending rates and improved access to credit, particularly for the private sector.

Figure 3: Interest Rate Developments

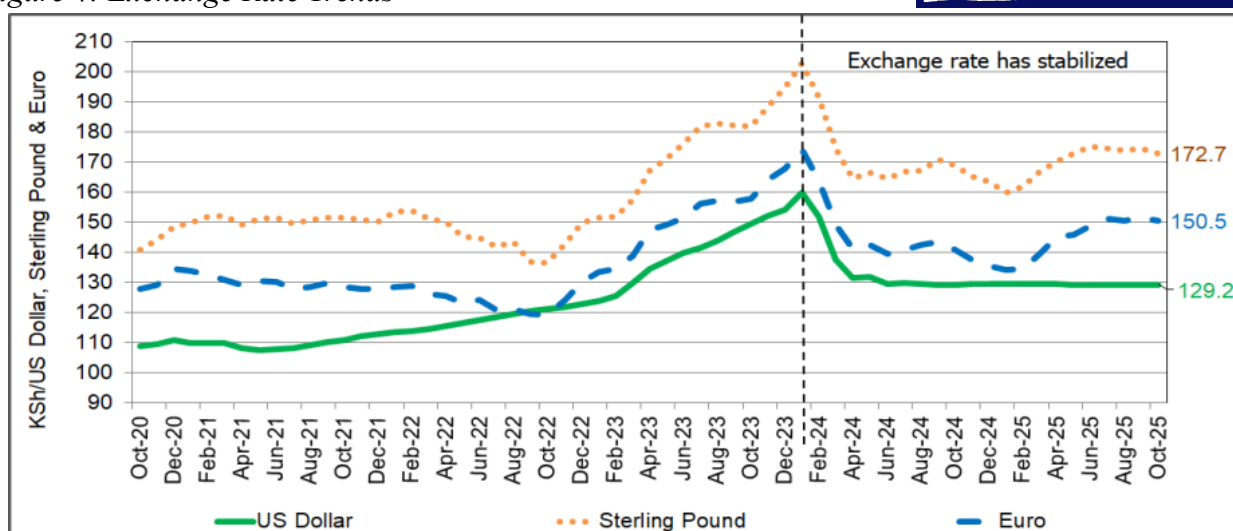


Source: Kenya National Bureau of Statistics

3.3.3 Exchange Rate Developments

- 123.** The Kenya Shilling remained broadly stable against the United States Dollar during 2025, supported by improved foreign exchange inflows from diaspora remittances, recovery in agricultural exports, and moderation in global fuel prices. Enhanced fiscal and monetary coordination at the national level also contributed to improved market confidence and reduced exchange rate volatility. However, the Shilling depreciated against the Euro and the Sterling Pound, reflecting the strengthening of these currencies in international markets rather than domestic currency weakness.
- 124.** Exchange rate movements have direct implications for county finances and service delivery. Stability against the US Dollar helped contain the cost of imported fuel, fertilizer, medical supplies, and capital equipment, thereby easing expenditure pressures. Conversely, depreciation against the Euro and Pound increased the cost of externally financed projects, specialized equipment, and donor-supported programmes denominated in these currencies. These developments underscore the importance of prudent fiscal planning, prioritization of locally sourced inputs, and careful management of externally funded projects to mitigate exchange rate-related fiscal risks at the county level.

Figure 4: Exchange Rate Trends



Source: Central Bank of Kenya

3.4 Economic Outlook

3.4.1 Global Outlook

125. Global economic growth in 2026 is expected to remain moderate, reflecting the lingering effects of tight financial conditions, subdued global trade, and persistent geopolitical uncertainties. Downside risks remain elevated, driven by geopolitical tensions, trade protectionism, high global debt levels, and increasing frequency of climate-related shocks. While some countries have seen a drop in inflation, persistent issues with energy and supply chains continue to hold back economic growth.
126. For sub-national governments, this global outlook implies heightened external vulnerability, particularly through its impact on commodity prices, exchange rates, and external financing conditions. Despite reduced inflation in some countries, ongoing energy and supply chain issues still limit growth. Careful fiscal planning is essential to support economic growth, increase productive investment, and strengthen domestic revenue, reducing vulnerability to external shocks.

3.4.2 National Outlook

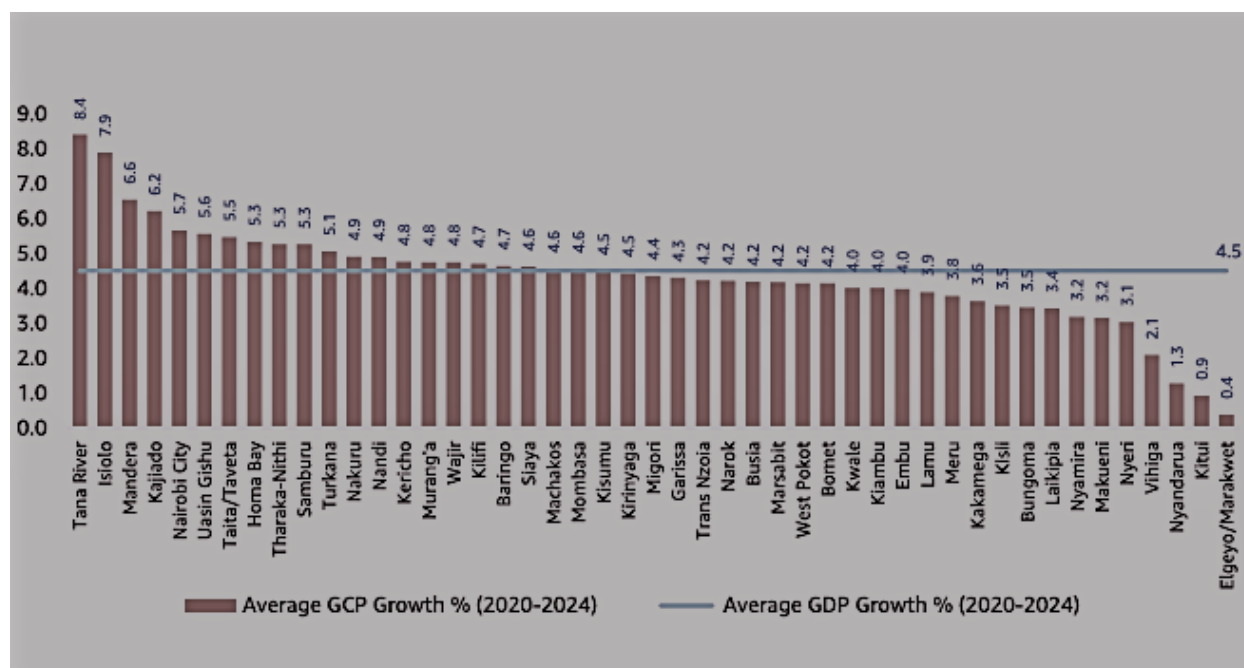
127. Kenya's economy is projected to maintain steady growth averaging about 4.9 percent over the medium term, supported by easing inflation, improved macroeconomic stability, recovery in construction activity, and continued resilience of the services sector. Agricultural performance is also expected to remain supportive, subject to favorable weather conditions. Ongoing structural reforms under the Bottom-Up Economic Transformation Agenda are anticipated to further support economic activity and private sector confidence.
128. However, the growth outlook remains constrained by high public debt servicing obligations, limited fiscal space, and rigid expenditure structures that reduce flexibility in budget execution.

These constraints are expected to continue exerting pressure on national transfers to counties and limit the scope for expansionary fiscal measures. Consequently, counties will need to adopt prudent expenditure prioritization, strengthen own-source revenue performance, and focus on efficiency and value for money to sustain service delivery and development outcomes.

3.5 Kilifi County Economic Performance and Outlook

129. Kilifi County's economy has demonstrated notable resilience over recent years, supported by a diversified economic base anchored on agriculture, tourism, transport, and construction. Over the period 2020–2024, the County recorded an average Gross County Product (GCP) growth rate of approximately 4.7 percent, marginally outperforming the national average. This performance reflects the County's capacity to withstand external shocks and sustain economic activity despite periods of macroeconomic uncertainty.
130. Agriculture remains the dominant contributor to GCP, underpinning rural livelihoods, food security, and value chain development across the County. The transport and manufacturing sectors also play a significant role, supported by Kilifi's strategic location and improving infrastructure. Tourism and hospitality have rebounded strongly following the post-pandemic recovery, driven by enhanced road connectivity, renewed investor confidence, and rising domestic and international visitor numbers. In the future, growing fields like the blue economy, digital services, and creative industries offer new possibilities for diversifying the economy, generating jobs, and increasing County revenue.

Figure 5: GCP Growth vs National GDP Growth



Source: KNBS, Gross County Product 2025

Table 3: GCP by Economic Activity

Sector	2024 Millions)	(KES	2023 Millions)	(KES	2022 Millions)	(KES
Agriculture, Forest, and Fishing		69,330		59,197		51,778
Mining & Quarrying		5,967		5,597		5,988
Manufacturing		56,123		51,320		48,360
Electricity Supply		10,339		8,392		5,256
Water Supply & Waste Collection		2,626		2,331		2,365
Construction		3,438		3,336		3,131
Wholesale & Retail Trade; Repair of Motor Vehicle		15,456		14,820		13,146
Transport and Storage		50,466		49,721		45,137
Accommodation & Food Service Activities		8,246		6,257		4,725
Information & Communication		8,493		7,767		7,152
Financial & Insurance Activities		5,834		5,455		4,404
Real Estate Activities		26,297		24,402		22,406
Professional & Technical Services		5,353		4,794		4,343
Administrative Support Services		3,516		3,148		2,665
Public Administration & Defence		21,578		20,241		15,981
Education		14,975		13,922		15,225
Human Health & Social Work Activities		6,469		6,197		5,193
Other Service Activities		8,688		8,017		7,383
Financial Services Indirectly Measured		-1,841		-1,848		-1,482
GCP (KES Millions)		321,352		293,066		263,157

Source: KNBS, Gross County Product Report 2025

- 131.** The County's economic structure underscores the need to prioritise value addition in agriculture, strengthen market connectivity, and diversify into underperforming sectors such as financial services.

3.6 Fiscal Performance of Kilifi County

3.6.1 Overall Fiscal Performance

- 132.** In FY 2024/25, the County realised total revenue of KES 17.22 billion against an approved budget of KES 21.90 billion, resulting in an overall budget absorption rate of 78.6 percent. Performance of the equitable share was strong, with receipts reaching 99.5 percent of the approved allocation, reflecting predictability of national transfers. In contrast, grants significantly underperformed, due to delays in disbursement and implementation challenges associated with conditional funding.
- 133.** Own Source Revenue (OSR) exceeded the approved target, driven primarily by improved performance of the Facility Improvement Fund (FIF) and strengthened revenue administration

in select streams. This performance shows county revenues have potential but also reveals the need to expand the OSR base for greater stability and less reliance on external funding.

Table 4: Revenue Performance by Source FY2024/25

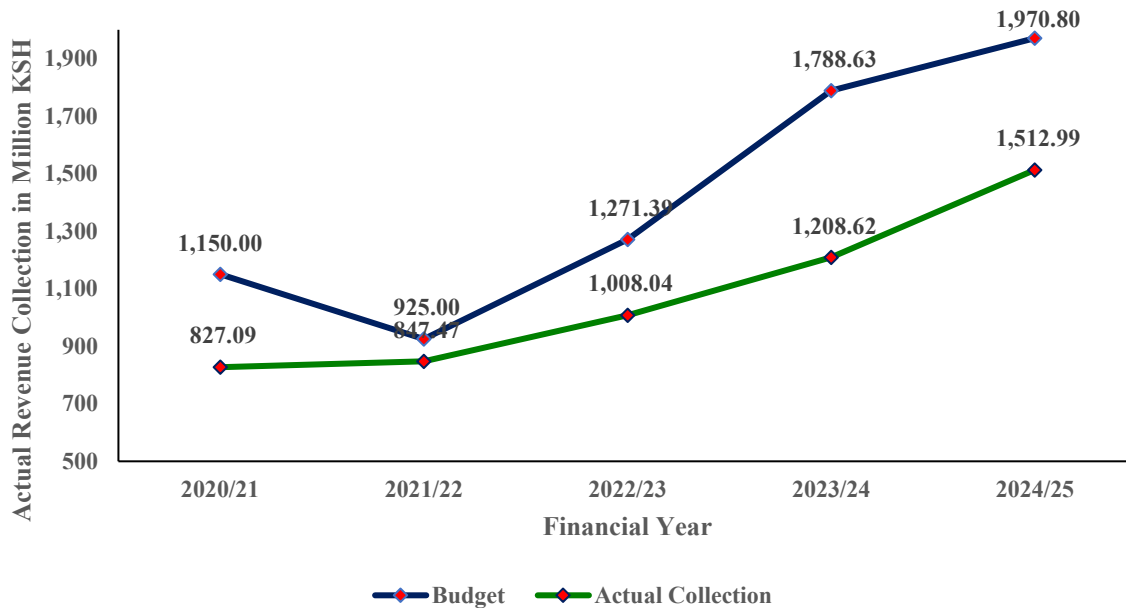
S/No	Revenue	Annual Budget Allocation	Actual Receipts	% Actual Receipts
A	Equitable Share of Revenue Raised Nationally	12,169,843,476.00	12,109,297,591.00	99.5
	Balance b/f from FY2023/24	3,429,531,680.00	1,401,734,363.38	40.9
	Sub-Total	15,599,375,156.00	13,511,031,954.38	86.6
B	Conditional & Unconditional Grants	3,876,578,311.10	2,172,080,971.00	56.0
	Allocation for Mineral Royalties	950,062,289.00	-	-
	Sub-Total	4,826,640,600.10	2,172,080,971.00	45.0
C	Other Sources of Revenue			
	Ordinary Own Source Revenue	1,071,168,594.90	890,880,458.60	83.2
	Facility Improvement Fund (FIF)	400,000,000.00	622,114,063.90	155.5
	Other Revenues		20,012,220.00	
	Appropriation in Aid (AIA)			
	Sub-Total	1,471,168,594.90	1,533,006,742.50	104.2
	Gross Total	21,897,184,351.00	17,216,119,667.88	78.6

Source: The County Treasury

3.6.2 Own Source Revenue Performance

134. Own Source Revenue (OSR) has recorded a steady upward trend over the past five fiscal years, increasing from KES 827 million in FY 2020/21 to KES 1.51 billion in FY 2024/25. This improvement reflects gradual economic recovery, expansion of selected revenue bases, and targeted reforms in revenue administration, including automation and enhanced compliance measures.
135. As illustrated in Figure 6, actual OSR collections have consistently increased year-on-year, particularly from FY 2022/23 onwards. However, the figure also shows a persistent gap between approved revenue targets and actual collections, with budgeted OSR growing at a faster pace than realised revenue. This trend highlights the need for more realistic revenue forecasting and alignment of targets with demonstrated collection capacity to strengthen budget credibility.

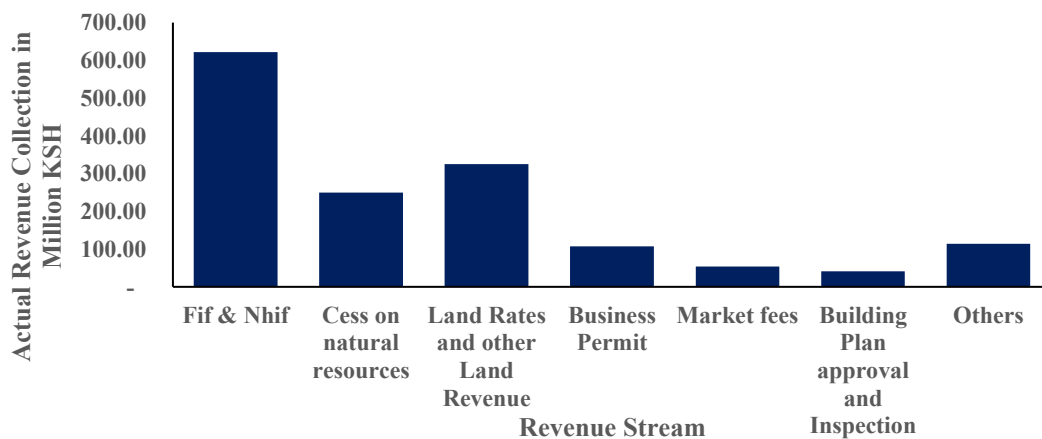
Figure 6: OSR Revenue Trend 2020/21–2024/25



Source: The County Treasury

136. Further analysis of the revenue structure, presented in Figure 7, indicates that OSR remains highly concentrated in a limited number of revenue streams, notably health-related revenues and selected commercial sources. While these streams have performed strongly, the narrow revenue base exposes the County to volatility and fiscal risk in the event of sector-specific shocks or policy changes. Broadening the OSR base through diversification of revenue streams and strengthening of underperforming sources will therefore be critical to enhancing revenue predictability and supporting fiscal sustainability over the medium term.

Figure 7: OSR Composition FY2024/25



Source: The County Treasury

3.6.3 Expenditure Performance

- 137.** In FY 2024/25, the County incurred total expenditure of KES 17.22 billion, translating to an overall absorption rate of 78.6 percent of the approved budget. Expenditure performance varied across economic classifications, reflecting differences in the rigidity of recurrent commitments, procurement timelines, and cash flow constraints.
- 138.** As presented in Table 5, personnel emoluments recorded the highest absorption rate at 91.4 percent, underscoring the fixed nature of the wage bill and its priority in expenditure execution. Operations and maintenance achieved an absorption rate of 79.1 percent, indicating moderate performance but also pointing to challenges related to cash rationing and commitment controls. Development expenditure recorded an absorption rate of 70.8 percent, reflecting delays in procurement, contract execution, and disbursement of conditional grants.

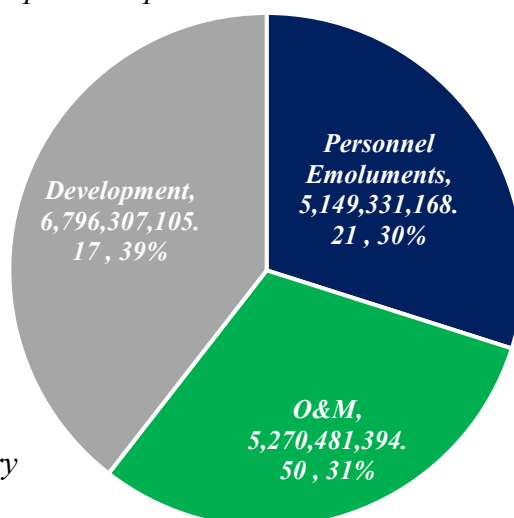
Table 5: Expenditure by Economic Item FY2024/25

Expenditure Item	Budget FY2024/25	Actual FY2024/25	Variance	Absorption Rate
Personnel Emoluments	5,636,088,764.90	5,149,331,168.21	486,757,596.69	91.4%
Operations & Maintenance	6,665,400,081.48	5,270,481,394.50	1,394,918,686.98	79.1%
Development	9,595,795,505.46	6,796,307,105.17	2,799,488,400.29	70.8%
Total	21,897,284,351.84	17,216,119,667.88	4,681,164,683.96	78.6%

Source: The County Treasury

- 139.** The composition of expenditure is further illustrated in Figure 8, which shows the distribution between recurrent and development spending. While the County met the statutory requirement on development expenditure, the lower absorption of development votes highlights persistent implementation and cash management challenges. These trends underscore the need to strengthen project readiness, procurement planning, and cash flow management to improve development absorption and ensure timely delivery of development outcomes.

Figure 8: Recurrent vs Development Expenditure FY2024/25

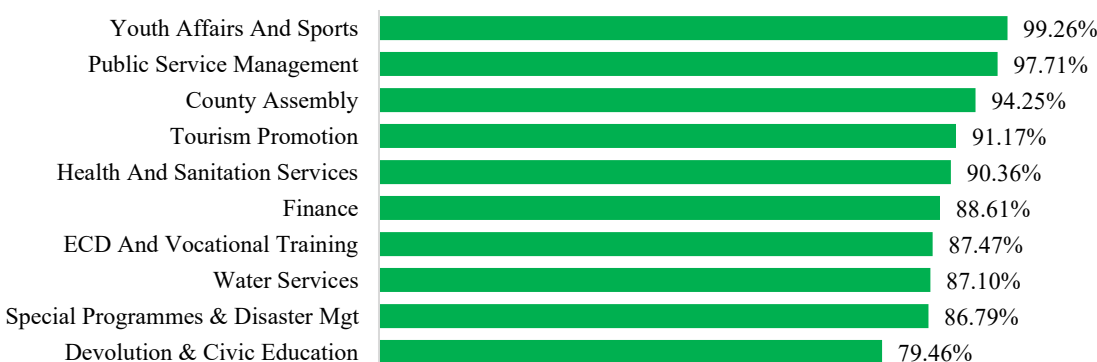


Source: The County Treasury

3.7 Departmental Expenditure Performance (Summary)

- 140.** Departmental expenditure performance in FY 2024/25 varied significantly across County entities, reflecting differences in mandate complexity, budget structure, procurement readiness, and cash flow management. Overall, service-oriented departments demonstrated stronger budget absorption compared to governance and emerging sectors.
- 141.** As illustrated in Figure 9, frontline service delivery departments, including Health, Agriculture, Education, and the County Assembly—recorded high absorption rates. This performance reflects the predominance of recurrent expenditure, particularly personnel emoluments and essential operations, as well as established procurement pipelines and predictable service delivery obligations. High absorption in these departments indicates stable execution of core mandates and sustained demand for public services.

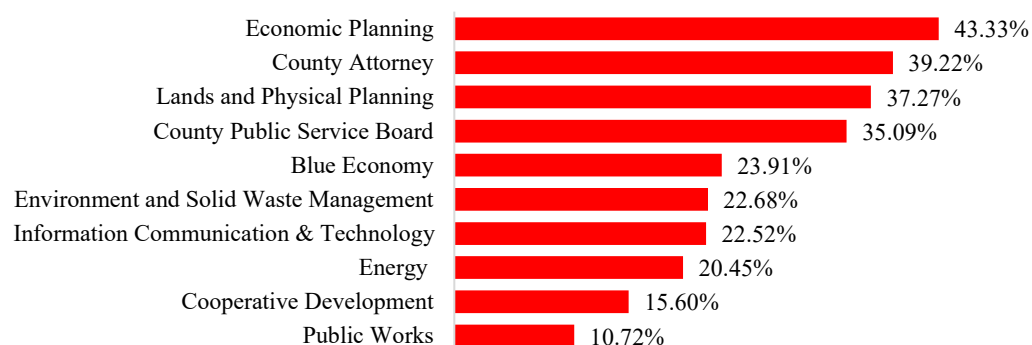
Figure 9: Top 10 Divisions by Absorption Rate FY2024/25



Source: The County Treasury

- 142.** In contrast, Figure 10 highlights persistently low absorption rates among governance and emerging sectors such as ICT, Blue Economy, and Cooperatives. These sectors are characterized by a higher proportion of development expenditure, reliance on project-based funding, and comparatively weaker project readiness. Delays in procurement processes, limited technical capacity, and challenges in sequencing project implementation contributed to slower expenditure execution in these departments.

Figure 10: Bottom 10 Divisions by Absorption Rate FY2024/25



Source: The County Treasury

- 143.** The observed disparities underscore the need to strengthen project planning, procurement readiness, and implementation support in low-absorbing sectors. Addressing these structural challenges will be critical to improving budget credibility, enhancing value for money, and ensuring that emerging sectors effectively contribute to the County’s inclusive growth and fiscal sustainability objectives.

3.8 Policy Implications

- 144.** The analysis in this chapter underscores the importance of safeguarding fiscal space to support service delivery and development spending. In particular, the fixed nature of the wage bill requires deliberate containment to prevent crowding out of operations, maintenance, and development expenditure. Strengthening procurement planning, commitment controls, and cash flow management will also be critical to improving budget execution and reducing delays that undermine absorption of both recurrent and development allocations.
- 145.** In addition, variations in departmental absorption rates highlight the need for targeted capacity strengthening in project planning and implementation, especially in low-absorbing and emerging sectors. Own-source revenue has grown, but dependence on limited sources still poses fiscal risk. Broadening the revenue base and strengthening underperforming sources will therefore be essential to enhance revenue predictability and support fiscal sustainability over the medium term.

CHAPTER FOUR: FISCAL RESPONSIBILITY FRAMEWORK

4.1 Overview and Fiscal Policy Context

- 146.** This chapter sets out the fiscal responsibility framework that will guide Kilifi County Government's budget formulation and execution for FY 2026/27 and the medium term. The framework is anchored on the principles of prudent public financial management as stipulated under the Constitution of Kenya (2010), the Public Finance Management Act (2012), and accompanying regulations. It outlines the County's fiscal policy stance, assesses compliance with statutory fiscal responsibility thresholds, and defines the parameters within which revenue mobilization, expenditure prioritization, and fiscal risk management will be undertaken.
- 147.** The fiscal framework for CFSP 2026 is formulated against a backdrop of constrained fiscal space, persistent expenditure pressures, and growing demand for service delivery. In response, the County Government commits to a disciplined fiscal path that prioritises macro-fiscal stability, protects development expenditure, and enhances efficiency and value for money in public spending. The overarching objective is to strengthen fiscal sustainability while supporting inclusive economic growth through productive public investments.

4.2 County Medium Term Fiscal Outlook

- 148.** Table 6 presents the County Government's Medium-Term Fiscal Framework (MTFF) for FY 2026/27 to FY 2028/29. The framework sets out projected revenues, expenditure allocations, and key fiscal indicators over the medium term and provides the quantitative foundation for the County's fiscal policy stance, budget ceilings, and resource allocation decisions. It reflects a balanced and fiscally sustainable approach, anchored on realistic revenue projections, controlled growth in recurrent expenditure, and sustained prioritization of development spending.
- 149.** The County's medium-term revenue framework is anchored on equitable share transfers, conditional grants, and progressive growth in own-source revenue (OSR). Total revenue for FY 2026/27 is projected at KES 18.17 billion, increasing to KES 18.71 billion in FY 2027/28 and KES 19.39 billion in FY 2028/29.
- 150.** Equitable Share is projected at KES 12.95 billion annually over the medium term, pending final determination under the County Allocation of Revenue Act (CARA). Conditional Grants are projected at KES 2.95 billion annually, based on confirmed and expected programmatic allocations.
- 151.** Own Source Revenue is projected at KES 2.27 billion in FY 2026/27, rising to KES 2.81 billion in FY 2027/28 and KES 3.49 billion in FY 2028/29. The medium-term growth trajectory reflects the implementation of revenue enhancement measures, including full automation of revenue streams, operationalization of the updated valuation roll, strengthened enforcement and compliance mechanisms, improved integration between sector departments and the County Treasury, and optimization of trade and cooperative-related revenue sources.

152. The County will continue to pursue prudent revenue forecasting to safeguard budget credibility and ensure realistic alignment between projections and actual collections.
153. On the expenditure side, total expenditure is projected at KES 18.17 billion in FY 2026/27, KES 18.71 billion in FY 2027/28, and KES 19.39 billion in FY 2028/29, fully matching total projected revenue over the medium term and maintaining a balanced budget position. Total recurrent expenditure for FY 2026/27 is projected at KES 11.24 billion, increasing to KES 11.58 billion in FY 2027/28 and KES 11.997 billion in FY 2028/29.
154. Personnel emoluments are projected at KES 5.82 billion in FY 2026/27, rising to KES 5.99 billion in FY 2027/28 and KES 6.21 billion in FY 2028/29 over the medium term. In FY 2026/27, personnel expenditure represents 32 percent of total revenue, which remains below the statutory ceiling of 35 percent prescribed under Section 107 of the Public Finance Management Act and the County PFM Regulations. The County Government remains committed to maintaining personnel costs within the legal threshold during both budget formulation and implementation in order to safeguard fiscal sustainability and protect development allocations.

Table 6: Medium-Term Fiscal Framework, FY 2026/27–FY 2028/29 (KES)

Item	FY 2026/27	FY 2027/28	FY 2028/29
A. Revenue			
Equitable Share	12,952,603,626.00	12,952,603,626.00	12,952,603,626.00
Conditional Grants	2,946,056,183.44	2,946,056,183.44	2,946,056,183.44
Own Source Revenue	2,272,787,230.58	2,809,174,586.57	3,490,123,608.03
Total Revenue	18,171,447,040.02	18,707,834,396.01	19,388,783,417.47
B. Expenditure			
Personnel Emoluments	5,817,216,627.90	5,988,930,054.98	6,206,921,938.71
Operations & Maintenance	5,426,972,675.62	5,587,166,826.26	5,790,534,875.31
Total Recurrent Expenditure	11,244,189,303.52	11,576,096,881.24	11,997,456,814.02
Development Expenditure	6,927,257,736.50	7,131,737,514.77	7,391,326,603.45
Total Expenditure	18,171,447,040.02	18,707,834,396.01	19,388,783,417.47
C. Fiscal Indicators			
Development Expenditure (%)	38.12%	38.12%	38.12%
Budget Balance (Surplus/Deficit)	-	-	-

Source: The County Treasury

155. Development expenditure is projected at KES 6.93 billion in FY 2026/27, increasing to KES 7.13 billion in FY 2027/28 and further to KES 7.39 billion in FY 2028/29 over the medium term. This allocation represents 38.12 percent of total expenditure consistently across the three financial years, which is above the statutory minimum requirement of 30 percent as prescribed under Section 107 of the Public Finance Management Act and the County PFM Regulations.

156. The County Government will prioritize completion of ongoing projects, operationalization of strategic economic assets, and implementation of high-impact infrastructure investments aligned to the County Integrated Development Plan (CIDP) and the Bottom-Up Economic Transformation Agenda (BETA). Project execution will be phased and guided by strengthened commitment control systems to ensure that development allocations are safeguarded and translated into measurable outputs and service delivery improvements.

4.3 Fiscal Policy Stance and Objectives

157. The County's fiscal policy for FY 2026/27 will be guided by the need to consolidate fiscal discipline while maintaining adequate space for development spending. In this regard, the County Government will pursue policies aimed at strengthening domestic revenue mobilization, rationalizing recurrent expenditure, and improving the efficiency of public investment management.
158. On the revenue side, emphasis will be placed on broadening the tax base rather than increasing tax rates, through enhanced automation, valuation roll implementation, revenue administration reforms, and improved compliance. On the expenditure side, fiscal consolidation will be pursued through expenditure reprioritization, containment of non-essential spending, and enforcement of commitment controls to prevent accumulation of new pending bills.
159. The fiscal policy framework also underscores the County's commitment to transparency, accountability, and predictability in public finance management, in line with the fiscal responsibility principles outlined in the PFM Act.

4.4 Compliance with Fiscal Responsibility Principles

160. In accordance with Section 107 of the Public Finance Management Act (2012), the County Government will ensure strict adherence to the statutory fiscal responsibility principles over the medium term.

4.4.1 Recurrent Expenditure as a Percentage of Total Revenue

161. Maintaining recurrent expenditure within sustainable limits remains a core pillar of the County's fiscal responsibility framework. In line with Section 107 of the Public Finance Management Act, the County Government is required to ensure that recurrent expenditure does not exceed total revenue, thereby safeguarding fiscal space for development spending and long-term service delivery.
162. As presented in Table 7, Total revenue is projected at KES 18.17 billion in FY 2026/27, increasing to KES 18.71 billion in FY 2027/28 and KES 19.39 billion in FY 2028/29 over the medium term. Total recurrent expenditure is projected at KES 11.24 billion in FY 2026/27, rising to KES 11.58 billion in FY 2027/28 and KES 11.997 billion in FY 2028/29 billion in FY 2028/29.

163. Recurrent expenditure represents 61.88 percent of total revenue consistently across the three financial years. This is well within the statutory requirement under Section 107(2)(a) of the Public Finance Management Act and Regulation 25 of the County PFM Regulations, which stipulate that recurrent expenditure shall not exceed total revenue, effectively setting a ceiling of 100.00 percent.
164. The County is therefore fully compliant with the PFM Act threshold over the medium-term framework. The projected recurrent ratios demonstrate prudent expenditure management, preservation of fiscal space for development spending, and adherence to statutory fiscal responsibility principles during both budgeting and implementation.

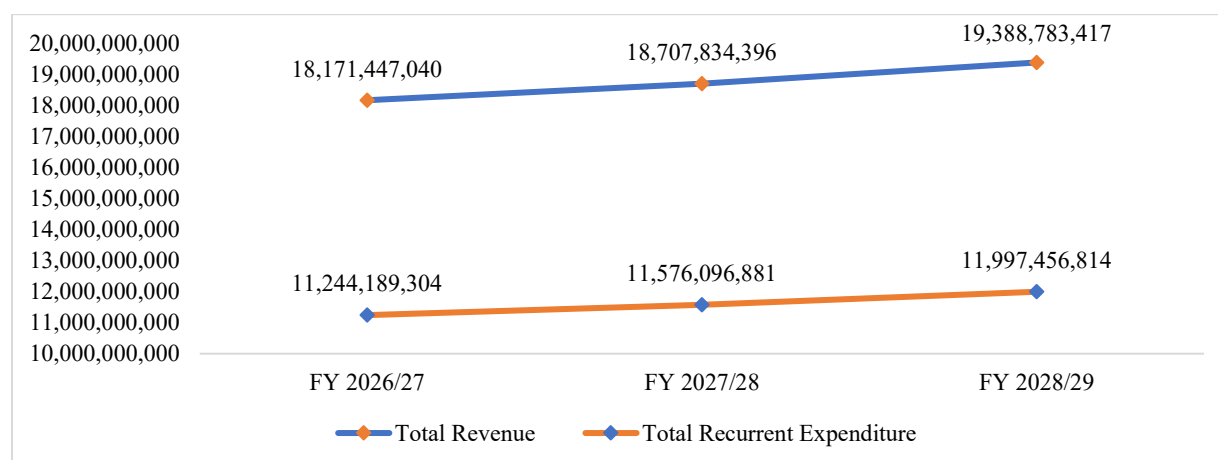
Table 7: Recurrent Expenditure as a Percentage of Total Revenue, FY 2026/27–FY 2028/29

Item	FY 2026/27	FY 2027/28	FY 2028/29
Total Revenue (A)	18,171,447,040	18,707,834,396	19,388,783,417
Total Recurrent Expenditure (B)	11,244,189,304	11,576,096,881	11,997,456,814
Recurrent Expenditure as % of Revenue	61.88%	61.88%	61.88%
PFM Act Threshold	≤ 100%	≤ 100%	≤ 100%
Compliance Status	Compliant	Compliant	Compliant

Source: The County Treasury

165. The trend is further illustrated in Figure 11, which shows the relationship between total revenue and recurrent expenditure over the medium term. The chart indicates that while both revenue and recurrent expenditure grow gradually, the gap between the two remains stable throughout the projection period. This stability signals that recurrent expenditure is not growing at a pace that would crowd out development spending or undermine fiscal sustainability. Instead, it reflects a balanced fiscal stance in which growth in recurrent costs is aligned with realistic revenue growth.

Figure 11: Trend of Recurrent Expenditure vs Total Revenue, FY 2026/27–FY 2028/29



Source: The County Treasury

4.4.2 Development Expenditure Compliance

166. Sustaining adequate levels of development expenditure remains a central objective of the County's fiscal responsibility framework, as it directly supports economic growth, service delivery expansion, and long-term development outcomes. In accordance with the Public Finance Management Act, county governments are required to allocate a minimum proportion of their total budgets to development expenditure to ensure that public resources are directed towards capital investments rather than being absorbed entirely by recurrent costs.

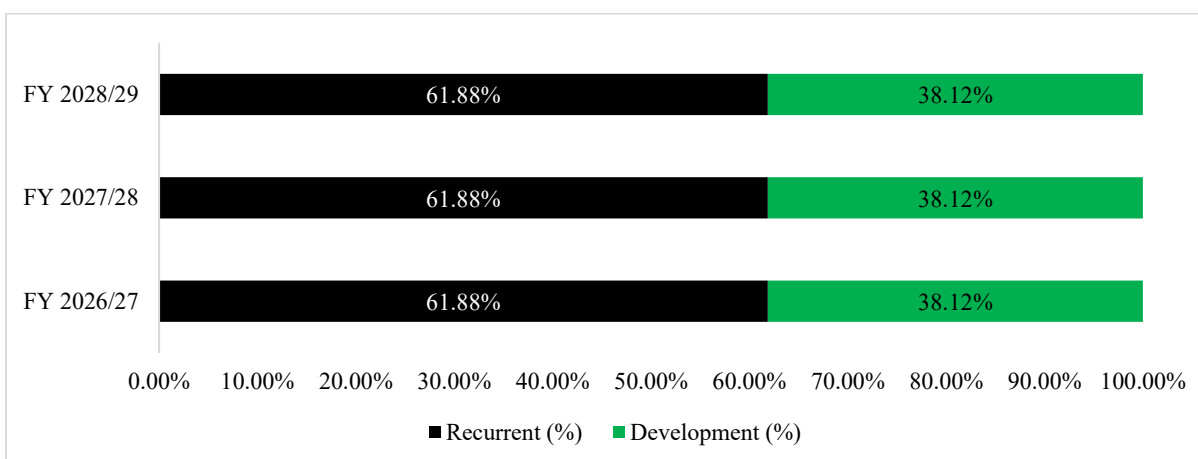
Table 8: Development Expenditure as a Percentage of Total Expenditure, FY 2026/27–FY 2028/29

Item	FY 2026/27	FY 2027/28	FY 2028/29
Total Expenditure	18,171,447,040	18,707,834,396	19,388,783,417
Development Expenditure	6,927,257,737	7,131,737,515	7,391,326,603
Development Expenditure as % of Revenue	38.12%	38.12%	38.12%
Statutory Minimum (PFM Act)	30%	30%	30%
Compliance Status	Compliant	Compliant	Compliant

Source: The County Treasury

167. As shown in Table 8, Total expenditure is projected at KES 18.17 billion in FY 2026/27, increasing to KES 18.71 billion in FY 2027/28 and KES 19.39 billion in FY 2028/29. Development expenditure is projected at KES 6.93 billion in FY 2026/27, rising to KES 7.13 billion in FY 2027/28 and KES 7.39 billion in FY 2028/29 over the medium term.
168. Development expenditure represents 38.12 percent of total expenditure consistently across the three financial years. This exceeds the statutory minimum requirement of 30.00 percent as prescribed under Section 107 of the Public Finance Management Act and Regulation 25 of the County Governments PFM Regulations.
169. The County is therefore compliant with the development expenditure threshold over the medium-term framework. The projected allocation demonstrates sustained commitment to capital investment, completion of ongoing projects, and protection of development funding in line with fiscal responsibility principles.
170. The expenditure composition is further illustrated in Figure 12, which depicts the relative shares of recurrent and development expenditure over the medium term. The chart shows a stable and balanced expenditure structure, with development expenditure maintaining a substantial and consistent share of total spending. This stability indicates that development investments are being protected despite pressures arising from recurrent expenditure, particularly personnel emoluments and operations and maintenance costs.

Figure 12: Composition of Expenditure – Recurrent versus Development



Source: The County Treasury

4.4.3 Wage Bill Compliance

- 171.** Containing expenditure on personnel emoluments remains a critical pillar of the County’s fiscal responsibility framework, given the rigid and recurrent nature of wage-related costs. In accordance with Section 107(2)(b) of the Public Finance Management Act, county governments are required to ensure that expenditure on wages and benefits does not exceed thirty-five percent of total county revenue. Compliance with this requirement is essential to safeguarding fiscal sustainability and preventing crowding out of operations, maintenance, and development expenditure.
- 172.** As presented in Table 9, expenditure on personnel emoluments is projected to remain at approximately 32 percent of total county revenue throughout the medium term, from FY 2026/27 to FY 2028/29. The wage bill is projected to increase moderately in nominal terms, from KES 5.82 billion in FY 2026/27 to KES 6.21 billion in FY 2028/29, reflecting controlled growth in staffing levels and remuneration. Over the same period, total county revenue is projected to grow at a pace sufficient to absorb this increase, thereby maintaining the wage bill ratio comfortably below the statutory ceiling.

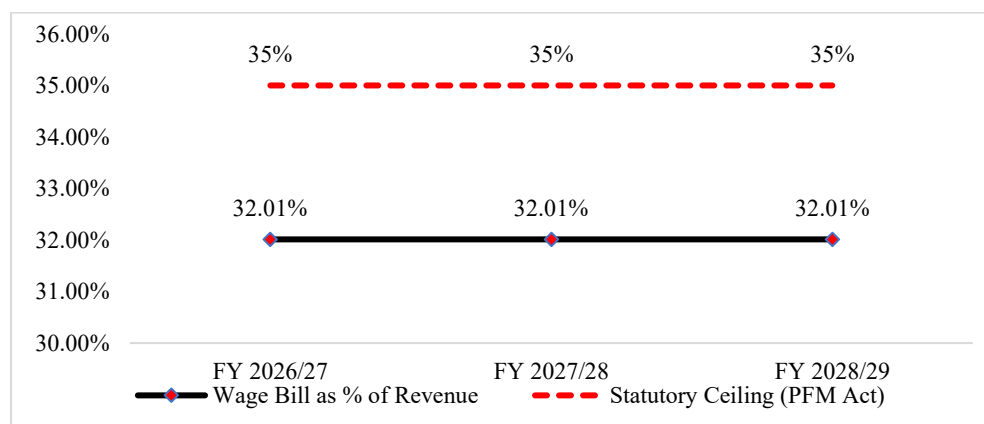
Table 9: Wage Bill as a Percentage of Total County Revenue, FY 2026/27–FY 2028/29

Item	FY 2026/27	FY 2027/28	FY 2028/29
Total County Revenue	18,171,447,040	18,707,834,396	19,388,783,417
Personnel Emoluments / Wage Bill	5,817,216,628	5,988,930,055	6,206,921,939
Wage Bill as % of Revenue	32.01%	32.01%	32.01%
Statutory Ceiling (PFM Act)	35%	35%	35%
Compliance Status	Compliant	Compliant	Compliant

Source: The County Treasury

173. The trend is further illustrated in Figure 13, which shows a stable wage bill over the medium term and a clear margin below the 35 percent statutory threshold. This stability indicates effective workforce planning, strengthened payroll controls, and disciplined recruitment practices. By maintaining wage-related expenditure within sustainable limits, the County preserves fiscal space for service delivery, asset maintenance, and development investments, while ensuring continuity and quality of public services.

Figure 13: Wage Bill Trends FY 2021/22–FY 2026/27



Source: The County Treasury

174. The projected wage bill profile demonstrates strong compliance with fiscal responsibility principles and reinforces the County’s commitment to prudent expenditure management. Continued adherence to these controls will be essential in maintaining budget credibility, managing fiscal risks, and supporting inclusive and sustainable development over the medium term.

4.5 Revenue Framework

175. The County’s revenue framework for CFSP 2026 is anchored on strengthening fiscal autonomy, improving revenue predictability, and reducing vulnerability to external financing shocks. Over the medium term, the County Government will pursue a balanced revenue strategy that combines sustained growth in own-source revenue with prudent and realistic assumptions on intergovernmental transfers and external support.
176. Own-source revenue (OSR) is expected to be the primary driver of revenue growth over the medium term. The County will continue to strengthen revenue mobilization through full automation of revenue streams, operationalization of the updated valuation roll, enhanced enforcement and compliance measures, and institutional strengthening of revenue administration units. These reforms are intended to broaden the revenue base, seal leakages, improve equity in revenue collection, and enhance predictability of collections, while avoiding excessive reliance on rate increases that could constrain economic activity.

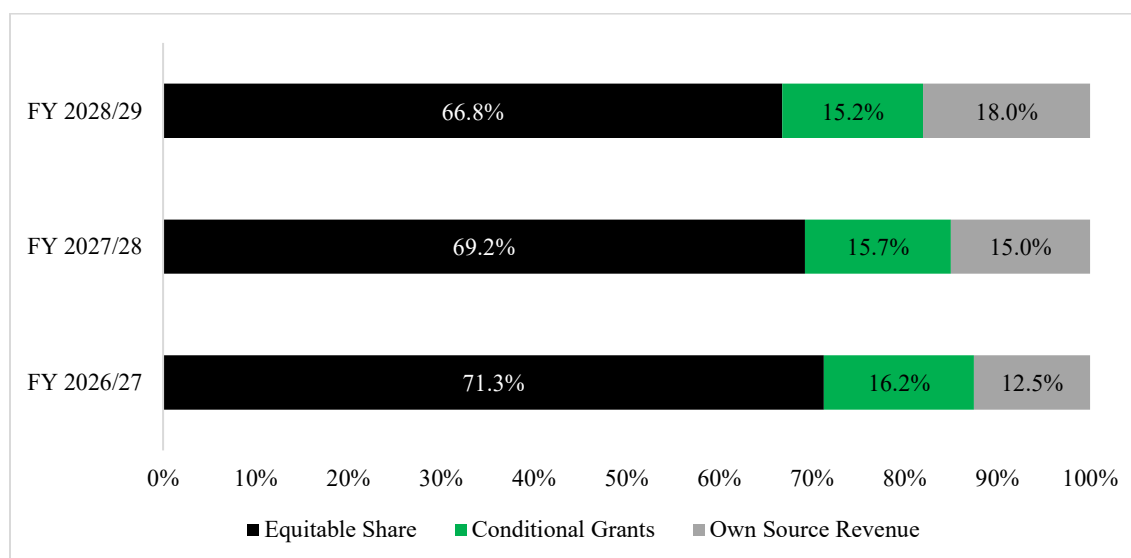
177. Intergovernmental transfers will continue to constitute the largest share of County revenue. Equitable share allocations from the national government are projected conservatively in recognition of prevailing national fiscal constraints and the need to safeguard budget credibility. Conditional grants and development partner support will be integrated into the medium-term fiscal framework in a transparent and cautious manner, considering historical disbursement patterns, compliance requirements, and implementation capacity to minimize fiscal disruptions during budget execution.
178. The structure and medium-term projections of County revenue are presented in Table 4.5, which outlines expected revenue by source for FY 2026/27 to FY 2028/29. The table provides the quantitative basis for assessing revenue sustainability and informs the determination of sector ceilings and expenditure prioritization. The relative contribution of each revenue source is further illustrated in Figure 4.4, which shows the composition of County revenue over the medium term. The figure highlights the continued dominance of intergovernmental transfers alongside a gradually expanding contribution from own-source revenue, underscoring the importance of sustained revenue reforms to enhance fiscal resilience.

Table 10: Revenue Sources and Medium-Term Projections, FY 2026/27–FY 2028/29

Revenue Source	FY 2026/27	FY 2027/28	FY 2028/29
Equitable Share	12,952,603,626.00	12,952,603,626.00	12,952,603,626.00
Conditional Grants	2,946,056,183.44	2,946,056,183.44	2,946,056,183.44
Own Source Revenue	2,272,787,230.58	2,809,174,586.57	3,490,123,608.03
Total Revenue	18,171,447,040.02	18,707,834,396.01	19,388,783,417.47

Source: The County Treasury

Figure 14: Composition of County Revenue by Source



Source: The County Treasury

179. The revenue framework seeks to support a realistic, predictable, and sustainable revenue base for the County's development agenda. By strengthening own-source revenue mobilization while prudently managing expectations around transfers and grants, the County positions itself to enhance budget credibility, protect service delivery, and support inclusive economic growth over the medium term.

4.6 Expenditure Framework

180. The County's expenditure framework for FY 2026/27 and the medium term is guided by the overarching objective of safeguarding fiscal sustainability while maximizing the developmental impact of public spending. In line with the fiscal policy direction set out in this CFSP, expenditure planning will prioritise fiscal discipline, completion and optimization of ongoing projects, and strict alignment with the strategic priorities articulated in Chapter Two. The framework emphasizes affordability, value for money, and measurable socio-economic outcomes as the primary criteria for expenditure allocation.
181. Recurrent expenditure will be managed prudently to prevent erosion of fiscal space for development and service delivery. Operations and maintenance (O&M) expenditures will be rationalized to ensure sustainability of existing public assets, continuity of essential services, and efficiency in day-to-day operations. This will involve prioritizing critical operational needs, strengthening expenditure controls, and eliminating non-essential and low-impact spending. By focusing O&M resources on asset maintenance and service continuity, the County seeks to protect past investments and avoid costly future rehabilitation.
182. Development expenditure will be prioritized towards productive and growth-enhancing investments that directly support inclusive economic growth, improved service delivery, and resilience of the County's economy. Emphasis will be placed on completing ongoing projects, operationalizing stalled investments, and ensuring that new projects are introduced only where there are clear justification, readiness, and alignment with County development priorities. This approach is intended to maximize returns on public investment, minimize accumulation of pending bills, and strengthen budget credibility.
183. The medium-term expenditure framework, presented in Table 11, summarises projected expenditure by economic classification for FY 2026/27 to FY 2028/29 and provides the quantitative basis for enforcing expenditure ceilings and sector allocations. The framework ensures that expenditure growth remains aligned with realistic revenue projections and fiscal responsibility principles, thereby supporting sustainable budgeting, efficient resource use, and delivery of priority development outcomes.

Table 11: Medium-Term Expenditure Framework by Economic Classification, FY 2026/27–FY 2028/29

Expenditure Item	FY 2026/27	FY 2027/28	FY 2028/29
Personnel Emoluments	5,817,216,627.90	5,988,930,054.98	6,206,921,938.71
Operations & Maintenance	5,426,972,675.62	5,587,166,826.26	5,790,534,875.31
Total Recurrent Expenditure	11,244,189,303.52	11,576,096,881.24	11,997,456,814.02
Development Expenditure	6,927,257,736.50	7,131,737,514.77	7,391,326,603.45
Total Development Expenditure	6,927,257,736.50	7,131,737,514.77	7,391,326,603.45
Total Expenditure	18,171,447,040.02	18,707,834,396.01	19,388,783,417.47

Source: The County Treasury

4.7 Pending Bills Management and Fiscal Risk Framework

4.7.1 Pending Bills Allocation and Clearance Strategy

- 184.** The County Government recognizes that the accumulation of pending bills presents significant fiscal and operational risks, including pressure on cash flow, disruption of service delivery, exposure to litigation, and erosion of supplier confidence. Prudent management of outstanding obligations is therefore central to maintaining fiscal credibility and strengthening public financial management systems.
- 185.** In response to these risks, the FY 2026/27 fiscal framework provides an allocation of KES 500 million for the phased settlement of verified and eligible pending bills. This allocation reflects a deliberate and structured approach to reducing the stock of arrears within an affordable fiscal envelope, while safeguarding statutory expenditure thresholds and maintaining a balanced budget position.
- 186.** Settlement of pending bills will be guided by formal verification processes and prioritization criteria. Priority will be accorded to legally binding obligations, completed works, delivered goods and services, and cases that present high exposure to interest accrual or litigation risk. Payments will be aligned to realistic cash flow projections to ensure sustainability and avoid destabilizing ongoing service delivery commitments.

4.7.2 Fiscal Risks and Mitigation Measures

- 187.** Pending bills constitute a material fiscal risk within the meaning of Section 107(2)(f) of the Public Finance Management Act, which requires counties to disclose and manage fiscal risks prudently. The principal risks associated with pending bills include potential re-accumulation of arrears, court-awarded penalties, liquidity constraints, and weakening of financial discipline across spending units.

188. To mitigate these risks, the County Treasury will strengthen enforcement of commitment control systems, ensure strict alignment of procurement plans to approved budgets and cash flow forecasts, and prohibit expenditure commitments outside authorized ceilings. Quarterly monitoring and reporting of pending bills will be undertaken to enhance transparency and accountability. Additionally, departments will prioritize completion of ongoing projects before initiating new ones, thereby minimizing the creation of unfunded obligations.
189. The allocation of KES 500 million in FY 2026/27 demonstrates the County's commitment to restoring fiscal stability, reinforcing expenditure discipline, and managing fiscal risks in a transparent and responsible manner.

4.8 Indicative Budget Ceilings and Resource Allocation Criteria

190. To strengthen fiscal discipline, enhance transparency, and improve enforceability of budget controls, the County Government has adopted a disaggregated ceiling framework for FY 2026/27. Under this approach, indicative sector ceilings are structured across three distinct expenditure envelopes: Personnel Emoluments, Operations and Maintenance (O&M), and Development Expenditure. This framework ensures that growth in each category is managed in line with fiscal responsibility principles while providing clarity to sectors during budget preparation.
191. The disaggregation of ceilings is intended to prevent the reallocation of resources between expenditure categories in ways that could undermine fiscal sustainability, particularly through unchecked growth in personnel costs or diversion of development funds to recurrent spending. By ring-fencing each expenditure envelope, the County enhances budget credibility, strengthens compliance with statutory fiscal thresholds, and ensures alignment between policy priorities and resource allocation.
192. The indicative ceilings presented in this section are derived directly from the approved Medium-Term Fiscal Framework and shall constitute binding control totals during preparation of sector budget submissions. Sector Working Groups will be required to prepare their proposals strictly within these ceilings, and any adjustments shall be considered only within the overall fiscal envelope and in accordance with established approval procedures.

4.8.1 Personnel Emoluments Ceilings

193. Personnel emoluments constitute the most rigid and recurrent component of County expenditure and therefore require the highest level of fiscal control. In accordance with Section 107(2)(b) of the Public Finance Management Act, the County Government is required to ensure that expenditure on wages and benefits remains within the statutory ceiling and does not crowd out resources for service delivery, operations, and development investment. The indicative ceilings for Personnel Emoluments for FY 2026/27, presented in Table 12, have been determined based on approved staff establishments, payroll audit outcomes, and medium-term workforce planning considerations, reflecting the County's commitment to sustainable staffing levels.

Table 12: Indicative Sector Ceilings for Personnel Emoluments, FY 2026/27

Sector	Division	Personnel Emoluments
PAIR	3112000000 Office of the Governor	227,022,467.38
	3151000000 County Secretary	-
	3113000000 County Division For Finance	596,480,043.25
	3125000000 County Division For Economic Planning	-
	3136000000 County Division For Resource Mobilization	-
	3123000000 Public Service Management	339,161,899.30
	3149000000 County Division For Devolution & Civic Education	-
	3122000000 County Public Service Board	63,821,535.31
GJLO	3124000000 County Attorney	-
ARUD	3114000000 County Division For Agriculture	287,085,780.42
	3126000000 County Division For Livestock	-
	3137000000 County Division For Blue Economy	-
	3152000000 County Division for Lands and Physical Planning	172,350,595.74
	3154000000 County Division for Housing and Urban Development	-
EII	3153000000 County Division For Energy	-
	3143000000 County Division For Roads And Transport Services	170,720,408.89
	3144000000 County Division For Public Works	-
	3129000000 County Division For Information Communication & Technology	-
ENV	3138000000 County Division For Water Services	125,057,313.69
	3139000000 County Division for Environment and Solid Waste Management	-
	3155000000 County Division for Climate Change	-
Education	3141000000 County Division For Early Childhood Education And Vocational Training	885,222,868.72
Health	3142000000 County Division For Health And Sanitation Services	2,710,698,730.84
Social	3145000000 County Division For Gender And Social Services	77,925,368.42
	3146000000 County Division For Youth Affairs And Sports	-
	3150000000 County Division For Special Programmes And Disaster Management	-
GECA	3147000000 County Division For Trade Development	161,669,615.95
	3148000000 County Division For Tourism Promotion	-
	3132000000 County Division For Cooperative Development	-
	TOTAL	5,817,216,627.90

Source: The County Treasury

194. Allocation of personnel emoluments is concentrated in frontline service delivery sectors, particularly health and education, where staffing needs are inherently labor-intensive, while governance, coordination, and oversight functions are funded in line with their statutory mandates. Divisions without explicit allocations under this envelope are either serviced through centralized staffing arrangements or have no incremental personnel cost implications for the

fiscal year. The total personnel emoluments ceiling for FY 2026/27 is fully aligned with the wage bill limits set out in the Medium-Term Fiscal Framework and the wage bill compliance analysis presented earlier in this chapter. These ceilings are binding and shall form the basis for sector budget submissions, and any proposed variations will require strong justification and must not compromise overall wage bill sustainability or fiscal responsibility principles.

4.8.2 Operations and Maintenance (O&M) Ceilings

195. Operations and Maintenance (O&M) expenditure represents the primary financing mechanism for day-to-day service delivery, asset upkeep, and operational continuity across County departments. Given its discretionary nature and potential to expand rapidly without adequate controls, O&M expenditure has been subject to clearly defined ceilings to ensure efficiency, value for money, and alignment with fiscal sustainability objectives. The indicative O&M ceilings for FY 2026/27, presented in Table 13, have been derived from the approved Medium-Term Fiscal Framework and reflect a deliberate balance between sustaining essential services and avoiding fragmentation of resources across low-impact activities.

Table 13: Indicative Sector Ceilings for Operations and Maintenance, FY 2026/27

Sector	Division	O&M
PAIR	3111000000 County Assembly	867,147,393.00
	3112000000 Office of the Governor	301,130,628.62
	3151000000 County Secretary	52,377,076.72
	3113000000 County Division For Finance	609,900,154.38
	3125000000 County Division For Economic Planning	72,282,982.90
	3136000000 County Division For Resource Mobilization	81,261,010.17
	3123000000 Public Service Management	376,000,000.00
	3149000000 County Division For Devolution & Civic Education	428,506,194.71
	3122000000 County Public Service Board	74,739,386.97
GJLO	3124000000 County Attorney	109,068,738.70
ARUD	3114000000 County Division For Agriculture	12,420,173.62
	3126000000 County Division For Livestock	22,562,326.70
	3137000000 County Division For Blue Economy	25,040,182.48
	3152000000 County Division for Lands and Physical Planning	56,080,315.40
	3154000000 County Division for Housing and Urban Development	17,435,989.61
EII	3153000000 County Division For Energy	16,428,843.14
	3143000000 County Division For Roads And Transport Services	160,016,896.99
	3144000000 County Division For Public Works	30,243,620.04
	3129000000 County Division For Information Communication & Technology	63,930,874.41
ENV	3138000000 County Division For Water Services	34,579,053.94
	3139000000 County Division for Environment and Solid Waste Management	142,516,370.25
	3155000000 County Division for Climate Change	7,345,567.73

Education	3141000000 County Division For Early Childhood Education And Vocational Training	479,971,974.94
Health	3142000000 County Division For Health And Sanitation Services	967,508,458.89
Social	3145000000 County Division For Gender And Social Services	38,220,038.16
	3146000000 County Division For Youth Affairs And Sports	35,053,522.12
	3150000000 County Division For Special Programmes And Disaster Management	184,965,971.83
GECA	3147000000 County Division For Trade Development	77,048,822.35
	3148000000 County Division For Tourism Promotion	29,774,930.29
	3132000000 County Division For Cooperative Development	53,416,577.26
	TOTAL	5,426,972,675.62

Source: The County Treasury

- 196.** Allocation of O&M resources prioritises service-delivery-intensive and coordination-heavy functions where operational costs are inherently higher. Significant allocations are provided to the Health sector (KES 967.51 million) and Education sector, particularly Early Childhood Education and Vocational Training (KES 479.97 million), reflecting the recurrent operational demands associated with frontline service provision. Core governance and coordination functions, including the County Assembly (KES 867.1 million), Finance (KES 609.90 million), Public Service Management (KES 376.0 million), and Devolution and Civic Education (KES 438.51 million), are also allocated substantial O&M resources to support legislative functions, fiscal operations, human resource management, and public participation obligations. Other productive and regulatory sectors receive targeted O&M allocations aligned to their operational mandates, while divisions with minimal or no allocations are either supported through centralized services or have limited operational cost requirements for the fiscal year. The total O&M ceiling of KES 5.43 billion is binding and shall guide sector budget submissions, with any proposed reallocations required to demonstrate clear service delivery justification and compliance with the approved fiscal framework.

4.8.3 Development Expenditure Ceilings

- 197.** Development expenditure represents the County's primary instrument for driving inclusive economic growth, expanding service delivery capacity, and strengthening long-term resilience. In line with the CFSP 2026 theme of accelerating inclusive growth through productive investments, development ceilings for FY 2026/27 have been structured to prioritise completion and optimization of ongoing projects, financing of high-impact capital investments, and avoidance of fragmented project initiation. The indicative development ceilings presented in Table 14 are derived from the approved Medium-Term Fiscal Framework and are fully consistent with the County's commitment to maintaining development expenditure above the statutory minimum threshold.

Table 14: Indicative Sector Ceilings for Development Expenditure, FY 2026/27

Sector	Division	Development
PAIR	3111000000 County Assembly	100,000,000.00
	3112000000 Office of the Governor	-
	3151000000 County Secretary	-
	3113000000 County Division For Finance	1,630,344,741.75
	3125000000 County Division For Economic Planning	-
	3136000000 County Division For Resource Mobilization	-
	3123000000 Public Service Management	205,100,048.71
	3149000000 County Division For Devolution & Civic Education	-
	3122000000 County Public Service Board	-
GJLO	3124000000 County Attorney	17,674,115.08
ARUD	3114000000 County Division For Agriculture	298,867,487.36
	3126000000 County Division For Livestock	72,066,622.77
	3137000000 County Division For Blue Economy	38,227,319.18
	3152000000 County Division for Lands and Physical Planning	65,183,965.26
	3154000000 County Division for Housing and Urban Development	735,393,397.85
EII	3153000000 County Division For Energy	86,881,187.43
	3143000000 County Division For Roads And Transport Services	572,480,132.22
	3144000000 County Division For Public Works	-
	3129000000 County Division For Information Communication & Technology	-
ENV	3138000000 County Division For Water Services	1,832,335,281.51
	3139000000 County Division for Environment and Solid Waste Management	22,210,412.37
	3155000000 County Division for Climate Change	250,000,000.00
Education	3141000000 County Division For Early Childhood Education And Vocational Training	233,568,556.97
Health	3142000000 County Division For Health And Sanitation Services	270,252,047.25
Social	3145000000 County Division For Gender And Social Services	46,868,018.86
	3146000000 County Division For Youth Affairs And Sports	196,658,434.19
	3150000000 County Division For Special Programmes And Disaster Management	-
GECA	3147000000 County Division For Trade Development	217,134,771.12
	3148000000 County Division For Tourism Promotion	36,011,196.62
	3132000000 County Division For Cooperative Development	-
	TOTAL	6,927,257,736.50

Source: The County Treasury

198. Allocation of development resources is concentrated in sectors with the highest potential to unlock productivity gains, improve service delivery outcomes, and enhance climate resilience. Significant allocations are provided to Water Services (KES 1.83 billion) to address water security challenges, system expansion, and resilience to climate variability. Substantial

development investments are also directed to Finance (KES 1.63 billion) to support strategic countywide programmes and settling of pending bills, Housing and Urban Development (KES 735.39 million) to strengthen orderly urban growth and municipal services, and Roads and Transport Services (KES 572.48 million) to improve connectivity and market access. Other allocations support agriculture and the blue economy, education infrastructure, health facilities, youth and social development, trade, and climate change interventions, ensuring balanced sectoral development while aligning with County priorities. The total development expenditure ceiling of KES 6.93 billion is binding and shall guide sector budget submissions, with new project proposals considered only where there is clear policy justification, readiness for implementation, and assurance of affordability within the medium-term fiscal envelope.

4.8.4 Strategic Interventions and Priority Expenditure Commitments

- 199.** The strategic interventions for FY 2026/27 represent the County Government's priority expenditure commitments, aligned to the policy direction outlined in Chapter Two and the fiscal ceilings established under the Medium-Term Fiscal Framework. As presented in Table 15, these interventions are structured to protect core service delivery, address critical fiscal risks, and support productive investments while maintaining overall fiscal discipline. Recurrent allocations focus on unavoidable and high-impact obligations such as legislative operations, medical supplies, insurance, education support, social protection, and emergency response, ensuring continuity of essential public services and institutional stability.
- 200.** Development allocations prioritise high-impact investments that directly support inclusive growth and economic resilience, including water and sanitation infrastructure, urban and municipal development, road connectivity, agricultural input support, youth and sports infrastructure, and enterprise development. Targeted allocations for settlement of pending bills, emergency response, and countywide development programmes strengthen budget credibility and manage fiscal risks, while investments in trade, youth, and MSME support aim to stimulate local economic activity and job creation. Overall, the strategic interventions framework reflects a deliberate shift towards fewer, better-funded, and policy-aligned programmes, with an aggregate allocation of KES 6.13 billion—comprising KES 3.65 billion in recurrent expenditure and KES 2.48 billion in development expenditure—fully consistent with the approved fiscal framework and the County's commitment to value for money and fiscal sustainability.

Table 15: Strategic Interventions and Priority Expenditure Commitments, FY 2026/27

Departments/items	Recurrent	Development	Total
County Assembly	867,147,393	100,000,000	967,147,393
Office of the Governor	528,153,096		528,153,096
Total	528,153,096	-	528,153,096
Finance			
Car loan & mortgage	100,000,000		100,000,000
Emergency fund	250,000,000		250,000,000
WDPS		875,000,000	875,000,000

Pending Bills		500,000,000	500,000,000
Total	350,000,000	1,375,000,000	1,725,000,000
Agriculture			
Input Subsidy Program - Certified seeds		50,000,000	50,000,000
Input Subsidy Program - fertilizers		30,000,000	30,000,000
Total	-	80,000,000	80,000,000
PSM			
Medical insurance	316,000,000		316,000,000
Kilifi County Office Complex		200,000,000	200,000,000
Contractual Staff Gratuity	40,000,000		40,000,000
Total	356,000,000	200,000,000	556,000,000
County Attorney			
legal Fees	50,000,000		50,000,000
Total	50,000,000	-	50,000,000
Education			
Scholarships	400,000,000		400,000,000
Feeding Programme		100,000,000	100,000,000
Capitation	50,000,000		50,000,000
Total	450,000,000	100,000,000	550,000,000
Health			
Medical Drugs	350,000,000		350,000,000
Non-Pharmaceutical	350,000,000		350,000,000
Food and Rations	60,000,000		60,000,000
Electricity	30,000,000		30,000,000
Total	790,000,000	-	790,000,000
Roads			
Motor Vehicle insurance	100,000,000		100,000,000
Total	100,000,000	-	100,000,000
Trade			
Kilifi Investment Development Corporation		25,000,000	25,000,000
Wezesha Fund		80,000,000	80,000,000
Total	-	105,000,000	105,000,000
Youth Affairs			
Kilifi County Stadium		150,000,000	150,000,000
Governor's Cup		30,000,000	30,000,000
Total	-	180,000,000	180,000,000
Special Programme			
Emergency relief	120,000,000		120,000,000
Cash transfers to Elderly	35,000,000		35,000,000
Total	155,000,000	-	155,000,000
Lands & Energy			

Valuation Roll		20,000,000	20,000,000
Total	-	20,000,000	20,000,000
Municipalities			
Kilifi		70,000,000	70,000,000
Malindi		80,000,000	80,000,000
Mtwapa		60,000,000	60,000,000
Watamu		65,000,000	65,000,000
Mariakani		65,000,000	65,000,000
Total	-	340,000,000	340,000,000
Grand Total	3,646,300,489	2,480,000,000	6,126,300,489

Source: The County Treasury

4.9 Summary of Indicative Budget Ceilings

201. The indicative budget ceilings for FY 2026/27, as presented in Sections 4.7.1 to 4.7.3, establish a coherent and enforceable resource allocation framework that balances fiscal discipline with the County's development priorities. By disaggregating ceilings into Personnel Emoluments, Operations and Maintenance, and Development Expenditure, the County Government has strengthened control over expenditure growth, enhanced transparency in budget preparation, and reduced the risk of reallocations that could undermine fiscal sustainability.
202. The Personnel Emoluments ceiling safeguards compliance with statutory wage bill limits while ensuring adequate staffing for critical service delivery functions, particularly in health and education. The Operations and Maintenance ceiling provides sufficient resources to sustain service delivery and maintain public assets, while enforcing efficiency and value for money in recurrent spending. The Development Expenditure ceiling protects capital investment and prioritises completion of ongoing projects and high-impact interventions that support inclusive growth, climate resilience, and local economic development.
203. Taken together, these ceilings form a binding framework within which sector working groups prepare budget submissions for FY 2026/27. The framework ensures that aggregate expenditure remains affordable, aligned to realistic revenue projections, and consistent with public finance management principles. Detailed sector and departmental ceilings disaggregated by expenditure category are provided in Annex 2 and shall guide preparation of sector submissions, determination of budget ceilings, and subsequent budget execution.

CHAPTER FIVE: CONCLUSION AND WAY FORWARD

204. The County Fiscal Strategy Paper (CFSP) 2026 establishes a coherent, realistic, and fiscally responsible framework to guide preparation of the FY 2026/27 budget and the medium-term expenditure plan. It aligns the County's development priorities with credible revenue projections, enforces expenditure discipline, and safeguards compliance with the fiscal responsibility principles set out in the Constitution of Kenya and the Public Finance Management Act, 2012.
205. The fiscal strategy maintains an appropriate balance between sustaining essential service delivery, protecting development investments, and managing fiscal risks. Recurrent expenditure is contained within sustainable levels, development expenditure is maintained above the statutory minimum threshold, and the wage bill remains within prescribed limits. In addition, the allocation of KES 500 million for settlement of verified pending bills strengthens fiscal credibility, reduces exposure to legal and interest-related risks, and supports local enterprises and contractors. This intervention is a deliberate step toward restoring confidence in the County's financial management and improving liquidity within the local economy.
206. The CFSP further enhances budget credibility through the introduction of disaggregated expenditure ceilings for Personnel Emoluments, Operations and Maintenance, and Development Expenditure. This framework reinforces enforceability of fiscal controls, improves transparency in resource allocation, and ensures that sector priorities are aligned with available fiscal space. By prioritizing completion of ongoing projects and limiting the initiation of new projects to those that are strategic and affordable, the County Government seeks to avoid fragmentation of resources and maximize the socio-economic impact of public investments.
207. Looking ahead, the immediate next step is the consideration and approval of this CFSP by the County Assembly in accordance with Section 117 of the Public Finance Management Act. Upon approval, the County Treasury will issue final sector ceilings and detailed budget preparation guidelines to guide formulation of the FY 2026/27 Programme-Based Budget and the Medium-Term Expenditure Framework.
208. Sector Working Groups will be required to strictly align their budget proposals to the approved ceilings and policy priorities outlined in this document. Emphasis will be placed on measurable outputs and outcomes, value for money, and alignment with the County Integrated Development Plan (CIDP) and other planning instruments. Strengthened monitoring and evaluation mechanisms will be applied to ensure that budget implementation remains consistent with approved fiscal targets.
209. The County Government will also intensify efforts to enhance own-source revenue performance through administrative reforms, improved compliance mechanisms, automation of revenue systems, and broadening of the revenue base. At the same time, expenditure management reforms, including strengthened commitment controls, improved procurement planning, and

tighter cash management—will be implemented to prevent accumulation of new borrowing risks and mitigate fiscal risks.

210. The CFSP 2026 provides a disciplined and forward-looking fiscal strategy that supports inclusive growth, strengthens service delivery, and safeguards fiscal sustainability. With the support of the County Assembly and adherence by all implementing departments, the County Government is well positioned to deliver a credible FY 2026/27 budget and achieve meaningful socio-economic progress over the medium term.

ANNEXURE

6.1 Summary of Sectors

For purposes of planning, budgeting, and fiscal management, the County Government's functions are organized into thematic sectors. These sectors provide the institutional framework through which policy priorities articulated in the County Fiscal Strategy Paper (CFSP) 2026 are translated into programmes, projects, and budget allocations. Sectorization enhances coherence in planning, supports enforcement of budget ceilings, and facilitates monitoring of performance and accountability for results.

Each sector comprises a set of functional divisions with related mandates and service delivery responsibilities. Sector Working Groups are required to prepare budget submissions within the indicative ceilings assigned under the CFSP, ensuring alignment with sector policy objectives, fiscal responsibility principles, and the overall development strategy of the County. The composition of each sector, including the divisions falling under it, is summarized in **Annex 1**.

Annex 1: Sector Structure and Constituent Divisions

Sector	Acronym	Constituent Divisions
Public Administration and International Relations	PAIR	County Assembly; Office of the Governor; County Secretary; Finance; Economic Planning; Resource Mobilization; Public Service Management; Devolution and Civic Education; County Public Service Board
Governance, Justice, Law, and Order	GJLO	County Attorney
Agriculture, Rural and Urban Development	ARUD	Agriculture; Livestock; Blue Economy; Lands and Physical Planning; Housing and Urban Development
Energy, Infrastructure, and ICT	EII	Energy; Roads and Transport Services; Public Works; Information Communication and Technology
Environmental Protection, Water and Natural Resources	ENV	Water Services; Environment and Solid Waste Management; Climate Change
Education	EDU	Early Childhood Education and Vocational Training
Health	HEALTH	Health and Sanitation Services
Social Services	SOCIAL	Gender and Social Services; Youth Affairs and Sports; Special Programmes and Disaster Management
General Economic and Commercial Affairs	GECA	Trade Development; Tourism Promotion; Cooperative Development

Source: The County Treasury

By clearly defining sector composition, the CFSP strengthens coordination across divisions, improves budget credibility, and ensures that resource allocation decisions are consistent with institutional mandates and service delivery responsibilities.

6.2 Consolidated Indicative Ceilings for FY2026/27

Annex 2: Consolidated Indicative Ceilings for FY2026/27

Division	P.E.	O&M	Total Recurrent	Development	Total Allocation
3111000000 County Assembly	-	867,147,393.00	867,147,393.00	100,000,000.00	967,147,393.00
3112000000 Office of the Governor	227,022,467.38	301,130,628.62	528,153,096.00	-	528,153,096.00
3151000000 County Secretary	-	52,377,076.72	52,377,076.72	-	52,377,076.72
3113000000 County Division For Finance	596,480,043.25	609,900,154.38	1,206,380,197.64	1,630,344,741.75	2,836,724,939.39
3125000000 County Division For Economic Planning	-	72,282,982.90	72,282,982.90	-	72,282,982.90
3136000000 County Division For Resource Mobilization	-	81,261,010.17	81,261,010.17	-	81,261,010.17
3123000000 Public Service Management	339,161,899.30	376,000,000.00	715,161,899.30	205,100,048.71	920,261,948.01
3149000000 County Division For Devolution & Civic Education	-	428,506,194.71	428,506,194.71	-	428,506,194.71
3122000000 County Public Service Board	63,821,535.31	74,739,386.97	138,560,922.28	-	138,560,922.28
3124000000 County Attorney	-	109,068,738.70	109,068,738.70	17,674,115.08	126,742,853.78
3114000000 County Division For Agriculture	287,085,780.42	12,420,173.62	299,505,954.03	298,867,487.36	598,373,441.39
3126000000 County Division For Livestock	-	22,562,326.70	22,562,326.70	72,066,622.77	94,628,949.47
3137000000 County Division For Blue Economy	-	25,040,182.48	25,040,182.48	38,227,319.18	63,267,501.67
3152000000 County Division for Lands and Physical Planning	172,350,595.74	56,080,315.40	228,430,911.14	65,183,965.26	293,614,876.40
3154000000 County Division for Housing and Urban Development	-	17,435,989.61	17,435,989.61	735,393,397.85	752,829,387.46
3153000000 County Division For Energy	-	16,428,843.14	16,428,843.14	86,881,187.43	103,310,030.56
3143000000 County Division For Roads And Transport Services	170,720,408.89	160,016,896.99	330,737,305.88	572,480,132.22	903,217,438.09
3144000000 County Division For Public Works	-	30,243,620.04	30,243,620.04	-	30,243,620.04
3129000000 County Division For Information Communication & Technology	-	63,930,874.41	63,930,874.41	-	63,930,874.41
3138000000 County Division For Water Services	125,057,313.69	34,579,053.94	159,636,367.63	1,832,335,281.51	1,991,971,649.14

3139000000 County Division for Environment and Solid Waste Management	-	142,516,370.25	142,516,370.25	22,210,412.37	164,726,782.62
3155000000 County Division for Climate Change	-	7,345,567.73	7,345,567.73	250,000,000.00	257,345,567.73
3141000000 County Division For Early Childhood Education And Vocational Training	885,222,868.72	479,970,574.24	1,365,193,442.96	233,568,556.97	1,598,761,999.93
3142000000 County Division For Health And Sanitation Services	2,710,698,730.84	967,508,458.89	3,678,207,189.72	270,252,047.25	3,948,459,236.98
3145000000 County Division For Gender And Social Services	77,925,368.42	38,220,038.16	116,145,406.58	46,868,018.86	163,013,425.44
3146000000 County Division For Youth Affairs And Sports	-	35,053,522.12	35,053,522.12	196,658,434.19	231,711,956.31
3150000000 County Division For Special Programmes And Disaster Management	-	184,965,971.83	184,965,971.83	-	184,965,971.83
3147000000 County Division For Trade Development	161,669,615.95	77,048,822.35	238,718,438.29	217,134,771.12	455,853,209.42
3148000000 County Division For Tourism Promotion	-	29,774,930.29	29,774,930.29	36,011,196.62	65,786,126.91
3132000000 County Division For Cooperative Development	-	53,416,577.26	53,416,577.26	-	53,416,577.26
TOTAL	5,817,216,627.90	5,168,694,654.00	11,244,189,303.52	6,927,257,736.50	18,171,447,040.02

Source: The County Treasury



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