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FEBRUARY 2026

DEPARTMENT OF FINANCE & ECONOMIC PLANNING

COUNTY FISCAL STRATEGY PAPER (CFSP)

Theme: Towards a Healthy, Empowered, and Food Secure Marsabit County



**COUNTY GOVERNMENT OF
MARSABIT**

DEPARTMENT OF FINANCE & ECONOMIC PLANNING

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To obtain copies of the document, please contact:

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(within 7 days of adoption by the County Executive Committee)

FOREWORD

It is with great pleasure that I present the County Fiscal Strategy Paper (CFSP) for the 2026/27 Financial Year. This document outlines the strategic priorities, policy goals, and fiscal framework that will guide the County Government's budgeting process for the medium term, in line with the provisions of the Public Finance Management Act, 2012.

The County's priorities and goals, as set forth in this paper, are informed by the visionary leadership of H.E. Governor Mohamud Mohamed Ali, EGH, his transformative agenda, and the County Integrated Development Plan (CIDP) 2023-2027. These goals also align with the National Government's 'Bottom-up Agenda' as articulated in the 2026 Budget Policy Statement (BPS), which aims to drive sustainable economic growth and development. This approach is firmly anchored in the Vision 2030 development blueprint for Kenya.

As we formulate the FY 2026/27 Program-based Budget (PBB), this paper sets the foundation for ensuring that the County's financial management remains efficient, effective, and aligned with our strategic objectives. Our goal is to ensure fiscal discipline while optimizing resource allocation to priority sectors that will unlock the economic potential of Marsabit County. These sectors are essential for driving growth and improving the livelihoods of our citizens.

This fiscal strategy is designed to support continued reforms in public financial management, focusing on curbing non-priority expenditures, thereby creating fiscal space for investments in key development areas. We remain committed to monitoring the implementation of programs, projects, and initiatives to ensure that they deliver tangible and sustainable outcomes for our people.

I wish to reiterate that the success of these objectives depends on our collective commitment to transparency, accountability, and the effective management of public resources.

We look forward to a successful fiscal year ahead, one that will bring about real transformation in the lives of the people of Marsabit County.

Mr. Hussein A. Fundi

County Executive Committee Member,
Finance & Economic Planning

ACKNOWLEDGEMENT

This paper outlines the broad strategic macroeconomic issues affecting the County and the fiscal framework to guide spending plans, serving as the foundation for the FY 2026/27 budget estimates and the medium term. It is our expectation that this document will foster a greater understanding of public finances and inform public discourse on County development matters, thereby ensuring meaningful participation of the people in the budget process, in accordance with the Constitution.

The Department of Finance and Economic Planning expresses its gratitude to all those who contributed their efforts to the preparation of this CFSP 2026. The development of this Fiscal Strategy Paper was a consultative and inclusive process, in line with the Public Finance Management (PFM) Act and the Constitution. Much of the information in this policy document was derived from the County Budget Review and Outlook Paper (CBROP) and Annual Reports.

We extend our sincere appreciation to the Marsabit County Government Executive for their continued cooperation. Special thanks are due to the hardworking and skilled Finance and Planning team for ensuring the timely delivery of this policy paper. Special gratitude goes to the Director Budget Wario J. Harsama, Deputy Director Economic Planning, Qalicha M. Roba, Assistant Director Economic Planning, Ibrahim Hachu D. Ejersa. Equally, we received valuable support and contributions from the community through the public participation process, County departments, and other County Government officials. Their contributions have been invaluable, and we extend our heartfelt thanks to each one of them.

To all who were involved, please accept my deepest appreciation.

Ahmed Sheikh Yussuf

County Chief Officer,

Economic Planning & Budget

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
BOP	Balance of Payment
BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CCO	County Chief Officer
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CRA	Commission of Revenue Allocation
DMS	Debt Management Strategy
ECDE	Early Childhood Development and Education
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geometric Information System
HIV	Human Immunodeficiency Virus
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information & Communication Technology
IFMIS	Integrated Financial Management and Information System
KNBS	Kenya National Bureau of Statistics
Ksh.	Kenyan Shillings
LAN	Local Area Network
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NDA	Net Domestic Asset
NFA	Net Foreign Asset
NSE	Net Security Exchange
PE	Personnel Emoluments
PFM	Public Finance Management
PWDs	People With Disabilities

Legal Basis for the preparation of the County Fiscal Strategy Paper

The CFSP is prepared in accordance with Section 117 of the Public Finance Management Act, 2012 that states that:

- (1) County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
- (2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- (3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the medium term.
- (4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- (5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of—
 - (a) The Commission on Revenue Allocation;
 - (b) The public;
 - (c) Any interested persons or groups; and
 - (d) Any other forum that is established by legislation.
- (6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
- (7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
- (8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

County Treasury Fiscal Responsibility Principles

A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility and shall not exceed the limits stated in the regulations. In managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles—

- (a) the County Government's recurrent expenditure shall not exceed the County Government's total revenue
- (b) Over the medium term a minimum of thirty percent of the County Government's budget shall be allocated to the development expenditure
- (c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly
- (d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
- (e) The county debt shall be maintained at a sustainable level as approved by county assembly
- (f) The fiscal risks shall be managed prudently
- (g) Reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

In addition, short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited County Government revenue. Every County Government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.



CHAPTER ONE: COUNTY STRATEGIC BLUE PRINT



CHAPTER ONE:

COUNTY STRATEGIC BLUE PRINT

1.0 INTRODUCTION

1.1 Overview

The preparation of the County Fiscal Strategy Paper (CFSP) is a statutory requirement under Section 117 of the Public Finance Management (PFM) Act, CAP 412A. It constitutes a critical component of the budgetary process, defining the broad strategic priorities and policy goals that will guide the Marsabit County Government in formulating its budget for the forthcoming financial year and the medium term.

The Marsabit County Fiscal Strategy Paper for the Financial Year 2026/27 provides:

- An assessment of the current economic environment, including relevant macroeconomic forecasts, and aligns with the Government's strategic growth pillars.
- A financial outlook projecting county revenue, expenditures, and borrowing for the 2026/27 financial year and the medium term.
- Proposed expenditure ceilings for all County Government departments.
- The fiscal responsibility principles and medium-term financial objectives, including limits on annual borrowing.
- A statement of specific fiscal risks.

The County's Medium-Term Expenditure Framework (MTEF) for FY 2026/27 to FY 2028/29 is anchored on the priorities articulated in the Governor's Manifesto, as consolidated in the draft Marsabit County Integrated Development Plan (CIDP) 2023–2027. These priorities are aligned with Kenya Vision 2030 and are consistent with the Kenya Kwanza Government's Bottom-Up Economic Transformation Agenda for the period 2023–2027. To advance this development agenda, the County has identified the following key priorities and strategic interventions:

- A. Enhance food and nutrition security and increase household incomes among pastoral, agro-pastoral, and fishing communities, with targeted interventions to address malnutrition among women, children, and vulnerable groups.

- B. Ensure equitable access to quality and affordable healthcare services, including reproductive, maternal, adolescent, and child health services, with a focus on reducing teenage pregnancies and improving health outcomes.
- C. Improve early childhood development, vocational education, youth empowerment, and sports development, while addressing school dropout rates, early marriage, and adolescent vulnerability through integrated social and education programmes.
- D. Strengthen road, transport, and housing infrastructure to stimulate economic growth and improve access to essential services.
- E. Expand access to safe and adequate water, improve sanitation and hygiene (WASH), and promote a clean and sustainable environment to enhance public health outcomes.
- F. Promote sustainable land use and orderly urban development through efficient land administration, secure tenure, equitable access, and sustainable management of land-based resources.
- G. Promote green, affordable, reliable, and sustainable energy services while conserving the environment.
- H. Improve the ease of doing business to support wealth creation and economic growth.
- I. Enhance quality and efficiency of service delivery across all decentralized units.
- J. Strengthen ICT infrastructure to improve efficiency and accessibility of public services.
- K. Promote social cohesion and strengthen disaster risk reduction and mitigation mechanisms.
- L. Enhance citizen sensitization, awareness, and advocacy on health, education, nutrition, WASH, and social protection issues.
- M. Strengthen a professional, ethical, and responsive human resource to ensure effective and efficient public service delivery across devolved units

1.2 Legal Basis for the County Fiscal Strategy Paper

The preparation of the CFSP is firmly grounded in the Constitution of Kenya (2010) and the Public Finance Management (PFM) Act. Public Finance Management (PFM) Act, CAP 412A, The CFSP is prepared in accordance with Section 117 of the Public Finance Management Act, 2012 that states that:

- County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
- The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

- In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the medium term.
- The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of—
 - i) The Commission on Revenue Allocation;
 - ii) The public;
 - iii) Any interested persons or groups; and
 - iv) Any other forum that is established by legislation.

- Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
- The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
- The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

1.2.1 Constitution of Kenya, 2010

Article 220 (1) stipulates that the budgets of county governments shall contain:

- (a) Estimates of revenue and expenditure, differentiating between recurrent and development expenditure;
- (b) Proposals for financing any anticipated deficit; and
- (c) Proposals regarding borrowing and other forms of public debt.

Sub-article (2) further mandates that national legislation shall prescribe the structure of county plans and budgets, their tabling timelines, and the form of consultation between national and county governments.

1.3 Principles of Public Finance and Fiscal Responsibility Principles

1.3.1 Principles of Public Finance

1. Article 201 of the Kenyan Constitution, 2010 sets out the following principles of public

finance:

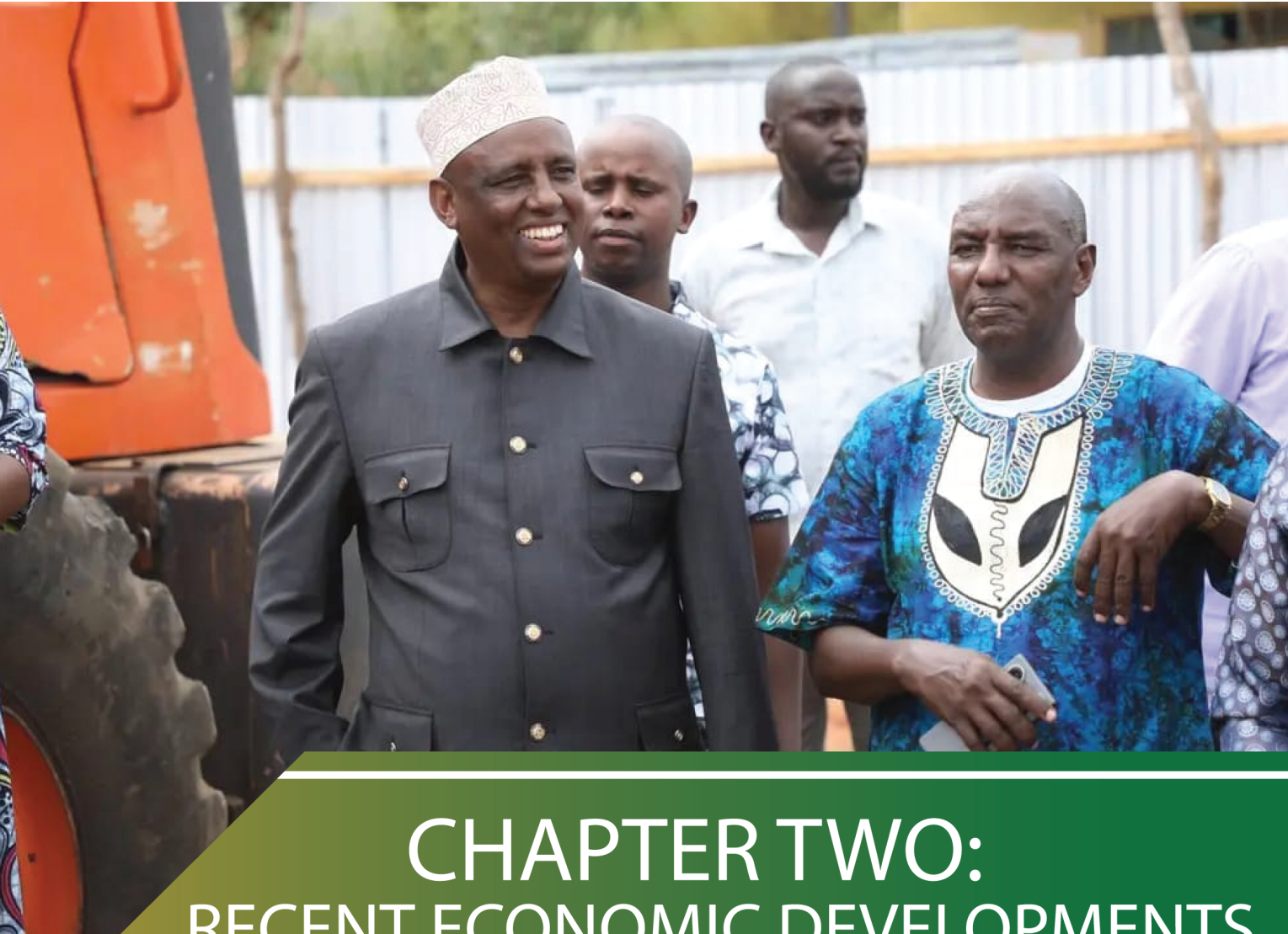
2. There shall be openness and accountability, including public participation in financial matters.
3. The public finance system shall promote an equitable society, in particular-
 - The burden of taxation shall be shared fairly.
 - Revenue raised nationally shall be shared equitably among national and county governments; and
 - Expenditure shall promote the equitable development of the country, including by making special provision for marginalized groups and areas.
4. The burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations.
5. Public money shall be used in a prudent and responsible way; and
6. Financial management shall be responsible, and fiscal reporting shall be clear.

1.3.1 Fiscal Responsibility Principles.

- A. The Public Finance Management (PFM) Act, 2012 sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources:
 - The County Government's recurrent expenditure shall not exceed the County government's Total Revenue.
 - Over the Medium Term, a minimum of 30 %of the County government's budget shall be allocated to the Development expenditure.
 - The County Governments' expenditure on wages and benefits for its public officers shall not exceed a percentage of the County government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly and in line with the PFM act.
 - Over the Medium Term, the government's borrowing shall be used only for financing development expenditure and not for recurrent expenditure.
 - The County debt shall be maintained at sustainable level as approved by County Assembly.
 - The fiscal risks shall be maintained prudently; and
 - A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.
- B. County Treasury Fiscal Responsibility Principles

A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility and shall not exceed the limits stated in the regulations. In managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles—

- the County Government's recurrent expenditure shall not exceed the County Government's total revenue
- Over the medium term a minimum of thirty percent of the County Government's budget shall be allocated to the development expenditure
- The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly
- Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
- The county debt shall be maintained at a sustainable level as approved by county assembly
- The fiscal risks shall be managed prudently
- Reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.
- In addition, short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited County Government revenue. Every County Government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.



CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK



CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

2.1 Overview

This section reviews the latest information on the macroeconomic variables and their latest trends at the national level and how this impacts the Marsabit county government policies, processes and operations. These statistics are based on the National Treasury's Budget Policy Statement of 2026.

2.1.1 Gross Domestic Product growth and its main drivers by sector

Global context

Global growth has remained resilient in 2025, supported by front-loading of exports to the United States ahead of higher tariff implementation, improved financial conditions, and strong consumer spending. Global real GDP is estimated to grow by 3.2 percent in 2025, before moderating slightly to 3.1 percent in 2026. Growth is projected to slow in 2026 as the temporary boost from front-loading fades and as higher effective tariff rates and elevated trade-policy uncertainty weigh on activity. In addition, weak global demand and heightened geopolitical tensions continue to pose significant risks to the global outlook. In advanced economies, growth is expected to remain modest at about 1.6 percent in both 2025 and 2026. In the United States, growth is projected at 2.0 percent in 2025, rising slightly to 2.1 percent in 2026, supported by resilient household spending, strong business investment, particularly in AI-related technologies, and easing financial conditions. Meanwhile, growth in the Euro Area is projected at 1.2 percent in 2025 and 1.1 percent in 2026. This moderate expansion is underpinned by rising real wages, which bolster household consumption, as well as investment in technology and equipment, although progress is constrained by trade-policy uncertainty, weaker export demand and subdued business confidence.

Domestic Economic Developments

Kenya's economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. This strength is rooted in deliberate policies and the benefits of a diversified economy. The economy has thus been able to withstand adverse impacts of domestic and external shocks. In 2024, the

economy grew by 4.7 percent supported by positive growths in all sub-sectors except construction, and mining and quarrying. Further, in the first and second quarters of 2025, the economy remained strong with a growth of 4.9 percent and 5.0 percent, respectively. This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector, and the resilience of

services sector. All economic sectors recorded positive growth rates in the first half of 2025, with varied magnitudes across activities.

In 2025, **the primary sector** grew by 6.2 percent in the first quarter and 4.9 percent in the second quarter compared to a growth of 4.5 percent and 4.0 percent in the corresponding quarters of 2024. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector and a recovery in the mining and quarrying sub-sector. Activities in the agriculture, forestry, and fishing sub-sector expanded by 6.0 percent in the first quarter and 4.4 percent in the second quarter of 2025, compared to growth of 5.6 percent and 4.5 percent in the corresponding quarters of 2024. This performance was driven by favorable weather conditions experienced in most parts of the country involved in crop and animal production. This was evident in the significant increase in production of milk, coffee, vegetables, fruits and cut flowers. However, the sub-sector's performance was somewhat curtailed by a decline in tea Production. The mining and quarrying sub-sector grew by 10.8 percent in the first quarter and 15.3 percent in the second quarter of 2025, compared to a contraction of 16.1 percent and a contraction of 5.5 percent in the same quarters of 2024. This reflected increased activity and renewed investment following a period of subdued performance in the previous year.

In the first half of 2025, **the industry sector** recorded a growth of 2.6 percent in the first quarter and 3.3 percent in the second quarter, an improvement from a growth of 1.5 percent and 0.5 percent in corresponding quarters of 2024. This growth was driven by improved performance across manufacturing, electricity and water supply, and construction. The manufacturing subsector grew by 2.1 percent in the first quarter of 2025 compared to 1.9 percent in the first quarter of 2024, and by 1.0 percent in the second quarter of 2025 compared to 3.2 percent in the second quarter of 2024. This growth was supported by both food and non-food manufacturing activities. In food manufacturing, the sub-sector benefitted from strong increases in coffee auctions and milk deliveries. Non-food manufacturing also performed well, with increased production in cement and galvanized sheets.

The **services sector** recorded a growth of 4.8 percent in the first quarter and 5.5 percent in the second quarter of 2025, a slowdown from the 6.8 percent and 6.2 percent growths posted in the corresponding quarters of 2024. The transportation and storage sub-sector expanded by 3.8 percent in the first quarter and 5.4 percent in the second quarter of 2025, compared to 4.1 percent and 3.4 percent in the corresponding quarters of 2024. The performance was supported by increased activity in land transport, railway operations, and port throughput. Accommodation and food service sub-sectors grew by 4.1

percent in the first quarter and 7.8 percent in the second quarter of 2025, a slowdown, compared to a growth of 38.1 percent and 35.0 percent in the corresponding quarters of 2024. The number of visitor arrivals via the two major airports, the Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) increased in the first half of 2025.

2.1.2 The Broad Money Supply Trend

Broad money supply, M3, grew by 7.0 percent in the year to September 2025 compared to a growth of 1.6 percent in the year to September 2024. The improved growth of M3 was due to an increase in the growth of Net Domestic Assets (NDA) particularly credit to the private sector. The NFA of the banking system slowed down to a growth of 7.9 percent in the year to September 2025 compared to a growth of 26.1 percent in the year to September 2024. Growth in the NFA was mainly due to an increase in Central Bank's foreign assets while commercial banks' foreign assets declined during the period. Net Domestic Assets (NDA) grew by 6.8 percent in the year to September 2025, compared to a contraction of 2.2 percent over a similar period in 2024. The domestic credit extended by the banking system to the Government contracted by 94.5 percent in the year to September 2025 compared to a growth of 6.5 percent in the year to September 2024 while lending to other public sectors also contracted by 38.5 percent compared to a contraction of 17.0 percent over the same period. The decline in domestic credit to government in September 2025 was largely attributed to increased uptake of credit by the private sector, as banks shifted their lending portfolios toward more profitable private investments amid lower yields on Treasury bills.

2.1.3 The Inflation Rate Trend

Overall year-on-year inflation has declined and remained below the mid-point of the policy target range of 5.0 ± 2.5 percent since June 2024. The stable inflation has been supported by: abundant supply of food attributed to favorable weather conditions coupled with government interventions; lower fuel inflation attributed to the stability of the exchange rate; lower international oil prices; and the decline in non-core inflation due to the impact of previous monetary policy tightening. Inflation stood at 4.6 percent in October 2025 compared to 2.7 percent in October 2024. The slight increase reflects the easing of monetary policy. Core inflation increased to 2.7 percent in October 2025 from 1.8 percent in October 2024, largely driven by higher prices of processed food items. Non-core inflation rose to 9.9 percent in September 2025 from 5.1 percent in October 2024, driven primarily by sharper increases in transport costs, as well as higher prices of vegetables, particularly tomatoes, carrots, onions, and cabbages, alongside pressures from utilities and energy.

2.1.4 The Interest Rate Trend

The Central Bank of Kenya through the Monetary Policy Committee (MPC) has gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 9.25

percent in October 2025. This is meant to augment the previous policy actions aimed at stimulating lending by banks to the private sector and supporting economic activities. It also seeks to ensure that inflationary expectations remain firmly anchored and the exchange rate also remain stable. The short-term interest rates have declined in line with the easing of the monetary policy. KESONIA (overnight interbank rate) declined to 9.3 percent in October 2025 compared to 12.1 percent in October 2024 while the 91-day Treasury Bills rate declined to 7.9 percent from 15.0 percent, over the same period. The 182-day Treasury Bills rate declined to 7.9 percent in October 2025 from 15.8 percent in October 2024 while the 364-day Treasury Bills also declined to 9.4 percent from 16.1 percent over the same period. The decrease in government domestic borrowing rates have led to lower debt servicing costs.

2.1.5 The Balance of Payments Trend

The balance in the merchandise account deteriorated by US\$ 1,890.6 million to a deficit of US\$ 11,428.4 million in September 2025 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 4.0 percent, due to higher domestic exports particularly horticulture, coffee, manufactured goods, and apparel. Goods imports rose by 10.9 percent, reflecting increases in intermediate and capital goods imports. Net services receipts increased by 6.7 percent, mainly, supported by increased receipts from transport and travel services. The deficit on the primary account narrowed by US\$ 41.9 million to a deficit of US\$ 1,841.9 million in the year to September 2025, compared to the same period last year.

2.1.6 The Exchange Rate Trend

The Kenya Shilling remained relatively stable against the US Dollar, exchanging at an average of Ksh 129.2 in October 2025, the same as in the corresponding period of the previous year. However, the Shilling depreciated against the Sterling Pound and the Euro by 2.3 percent and 6.8 percent, respectively. The Sterling Pound averaged Ksh 172.7 in October 2025, up from Ksh 168.8 in October 2024, while the Euro averaged Ksh 150.5 compared to Ksh 140.9 over the same period. Overall, the foreign exchange market remained well-supported by steady inflows from agricultural exports and diaspora remittances, which helped cushion the Shilling

against excessive volatility

2.1.7 The Stock Market Trend

The stability of the Kenya Shilling against major international currencies, together with improved macroeconomic conditions, has boosted investor confidence. This has driven higher foreign direct investment inflows and increased participation in the Nairobi Securities Exchange (NSE). As a result, the NSE 20 Share Index improved by 63.6 percent to 3,117 points in October 2025, up from 1,906 points

in October 2024. Similarly, market capitalization expanded by 61.1 percent to Ksh 2,966 billion from Ksh 1,841 billion over the same period. These levels represent the strongest performance of the NSE since the pre-COVID period, reflecting renewed confidence in Kenya's economic recovery and long-term prospects.

2.2 Impact of the Macro-economic performance indicators to the County

The county contributes approximately 0.5% to Kenya's national Gross Value Added (GVA), with a GVA per capita of KSh 90,342 and poverty levels of 65.9%. The county's overall growth rate from 2013 to 2022 averaged 6.73%, above the national average of 4.37%, although highly **erratic** due to external shocks like droughts and market access limitations.

Sectoral Contributions and Impact on Growth

Agriculture

- Agriculture contributes about 30.77% of GVA, but shows below-national-average growth at 6.59% (national average: 12.71%).
- Production is vulnerable to extreme droughts, with severe contractions recorded, e.g., -22.83% in 2017.
- Livestock forms the comparative advantage; yet, integration into leather and dairy value chains is low. Milk and beef generate substantial economic value, but crop production remains limited due to aridity and low irrigation uptake.
- Fisheries underutilized, capturing 15,644 metric tonnes in 2021 versus 94,349 metric tonnes in Lake Victoria.

Impact: Agricultural volatility directly correlates with household income fluctuation, food insecurity, and underemployment in rural areas, constraining economic stability.

Industry

- The industry sector contributes 29.58% of GVA, recording an average growth rate of 26.44%, well above the national average of 10.58%.
- Growth is largely driven by major infrastructure interventions; for example, electricity generation from the Lake Turkana Wind Farm in 2019 triggered a sharp increase in output, with industry growing by 84.51%.
- Construction remains the dominant sub-sector, although electricity supply is increasingly contributing to overall industrial output and sectoral diversification.

Impact: Industrial growth remains a key driver of GVA stability and a potential catalyst for higher wages; however, heavy reliance on singular or isolated infrastructure projects exposes the economy to structural fragility and heightens vulnerability to external and sector-specific shocks.

Services

- Services dominate with 39.71% of GVA, primarily non-market services (public administration, defense at 39.49%; health at 9.84%; real estate at 9.98).
- Tourism potential remains low despite the county's three national reserves and unique wildlife.
- Average growth is 9.40%, below the national average of 11.13%.

Impact: Service sector inefficiencies constrain private sector expansion, limit the creation of employment opportunities outside agriculture, and undermine the diversification of income sources across the county economy.

Labour Force Capacity and Productivity

- Total working-age population: 230,067 (~50% of total population), with majority youth (18–34 years: ~54.08%).
- Challenges in human capital: literacy at 37.8% vs 78.4% nationally, secondary school enrollment at 12.1% vs 54.2%, high teenage pregnancy (29.4% vs 15.8% nationally), limited vaccination coverage (67.5% vs 75%).
- Implications: Low skill levels reduce labour productivity, perpetuate underemployment, and delay industrial transformation.

Impact: Workforce limitations restrict effective participation in high-value sectors, creating a structural bottleneck that constrains GVA growth, productivity gains, and innovation across the economy.

Fiscal and Revenue Dynamics

- The County Treasury emphasizes 30% allocation to development expenditures, limiting recurrent spending pressure.
- Dependence on national transfers and susceptibility to climate-driven shocks affect fiscal predictability and the ability to fund strategic priority projects.
- Fiscal reform focus includes expanding local revenue: land rates, extractive fees, livestock fees, water tariffs.

Impact: Fiscal constraints limit investment in the physical and social infrastructure required for sustained growth; strengthening own-source revenue mobilization is therefore pivotal to enhancing fiscal resilience and long-term economic stability.

Macroeconomic Indicators and Household Well-being

- High poverty levels (65.9%) and low GVA per capita underscore extreme vulnerability to market, climatic, and price shocks.
- Erratic economic growth and structural agricultural fragility directly undermine food security, with the Kenya NDMA flagging recurrent emergency conditions linked to water scarcity and livestock losses.
- Supply-side inflationary pressures driven by external shocks—particularly fuel, fertilizer, and food prices—continue to elevate the cost of living and erode household purchasing power.

Impact: Macroeconomic volatility translates to recurring crises at the household level, affecting **nutrition, health outcomes, and educational attainment**.

Strategic Interventions

- **Agricultural and livestock resilience:** expansion of irrigation, development of feedlots, adoption of climate-smart agriculture, and increased uptake of agricultural and livestock insurance.
- **Infrastructure development:** accelerated electricity expansion, road upgrading, improved water supply systems, and enhanced physical and digital connectivity.
- **Human capital development:** strengthened ECDE and vocational training, school feeding programmes, adult literacy initiatives, and expansion of the health workforce.
- **Private sector growth:** promotion of tourism, expansion of Agro-processing, and value addition in leather and dairy subsectors.

Expected Outcome: Improved macroeconomic indicators will stabilize growth patterns, reduce poverty levels, enhance labour productivity, and raise household incomes across Marsabit County.

The macro-economic performance indicators in Marsabit County—encompassing agriculture, industry, services, labour force characteristics, and fiscal dynamics—interact in a complex and interdependent manner to shape overall economic outcomes. Persistent constraints, including low levels of human capital, high climatic vulnerability, infrastructural deficits, and limited fiscal space, continue to suppress the county’s productive potential and undermine inclusive growth. Addressing these structural challenges through targeted interventions in resilience building, value-chain integration, and sustained human capital enhancement is critical to ensuring that gains in gross value added (GVA) are effectively translated into long-term, sustainable economic and social development.

2.2.1 Update on Fiscal Performance and Emerging Trends

County Government of Marsabit

Overview of FY 2024/25 Budget: Marsabit County, Revenue Performance in FY 2024/25

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
A	Equitable Share of Revenue Raised Nationally -	7,597,151,194	7,597,151,194	100
Subtotal		7,597,151,194	7,597,151,194	100
B	Additional Allocations			
1	DANIDA Grant - Primary Health Care in a Devolved Context	10,432,500	10,432,500	100
2	KDSP II	37,500,000		-
3	World Bank- Emergency Locust Response Project (ELRP)	142,500,000		-

4	Kenya Livestock Commercialization Project (KELCOP)	41,250,000	41,094,477	100
5	Road Maintenance Levy Fund	237,670,000	83,508,017	35
6	Community Health Promoters	47,074,916		-
7	Transfer of Museum Function	2,878,080		-
8	Food Systems Resilience Project	173,076,923	126,814,599	73
9	Kenya Urban Support Programme - UIG	35,000,000	32,309,300	92
10	FLLOCA – CCRI	194,579,160		-
11	FLLOCA – CCIS	11,000,000	11,000,000	100
12	Drought Resilience Programme in Northern Kenya (DRPNK)	462,435,270	70,127,132	15
13	Unconditional Allocation for 20 Share of Mineral Royalties	331,285		-
14	FLLOCA - CCRI for FY 2023/24 balance in SPA	137,500,000		-
15	Drought Resilience Programme In Northern Kenya (DRPNK) - Unspent balance B/F from FY 2023/24	145,038,664		-
Subtotal		1,678,266,798	375,286,025	22
C	Own Source Revenue			
16	Ordinary Own Source Revenue	110,000,000	80,984,138	74
17	Facility Improvement Fund (FIF)	141,164,000	104,433,449	74
Subtotal		251,164,000	185,417,587.68	74
D	Other Sources of Revenue			
18	Unspent Balance from FY 2023/24	912,187,635.35	912,187,635.35	100
Sub-Total		912,187,635.35	912,187,635.35	100
Grand Total		10,438,769,627	9,070,042,442	87

Source: Marsabit County Treasury

The Marsabit County Approved Supplementary II Budget for FY 2024/25 was Kshs.10.32 billion. It comprised Kshs.4.23 billion (41 per cent) and Kshs.6.04 billion (59 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represented an increase of Kshs.893.96 million (10 per cent) from the FY 2023/24 budget comprised a development budget of Kshs.4.32 billion and a recurrent budget of Kshs.5.1 billion. The increase in the budget was primarily attributed to the rise in additional allocation.

The budget was to be financed from various revenue sources, including the equitable share of revenue raised nationally, amounting to Kshs.7.59 billion (73 per cent), additional allocations of Kshs.1.68 billion (16

per cent), a cash balance of Kshs.912.19 million (9 per cent) brought forward from FY 2023/24, and Kshs.251.16 million (2 per cent) generated as own-source revenue. The own-source revenue comprised Kshs.110. million (1 per cent) to be deposited into the CRF and Kshs.141.16 million (1 per cent) as Appropriations-in-Aid (A-I-A) to be spent at source. The A-I-A comprised Kshs.141.16 million representing Facility Improvement Financing (revenue from health facilities). A breakdown of the additional allocations is shown in Table below.

Revenue Performance

The County received Kshs.9.07 billion in revenues in the review period to fund its development and recurrent activities. This amount represented an increase of 20.8 per cent compared to the amount received in FY 2023/24 of Kshs.7.5 billion. The total revenue consisted of Kshs.7.59 billion from the equitable share of revenue raised nationally. Other revenue streams were additional allocations from the national government and development partners of Kshs.375.29 million and own-source revenue (OSR) collection of Kshs.185.42 million. Additionally, the County had a cash balance of Kshs.912.19 million from FY 2023/24.

The total OSR collection of Kshs.185.42 million included Facilities Improvement Financing (FIF) of Kshs.104.43 million, and Kshs.80.98 million from other OSR sources. Table below summarizes the total revenue available to the County Government during FY 2024/25.

Marsabit County Summary of Budget and Expenditure by Economic Classification (FY 2024/25)

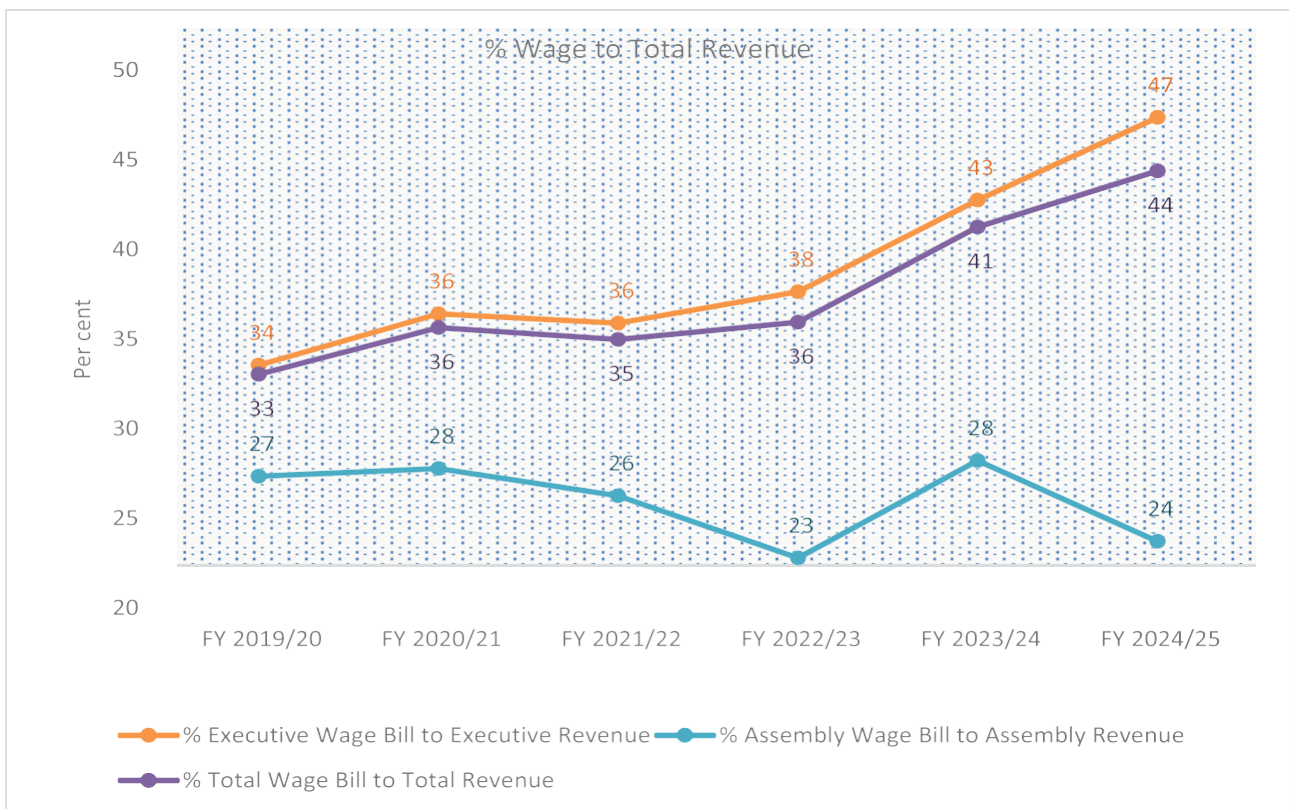
Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	5,378,206,816	666,740,178	4,947,698,667	663,363,892	92	99
Compensation of Employees	3,649,650,797	270,334,640	3,649,650,797	263,469,729	100	97
Operations and Maintenance	1,728,556,019	396,405,538	1,298,047,870	399,894,163	75	101
Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Development Expenditure	3,657,915,664	615,742,968	2,568,772,780	445,776,373	70	72
Total	9,036,122,480	1,282,483,146	7,516,471,447	1,109,140,265	83	86

Source: Marsabit County Treasury

Expenditure on Compensation of Employees

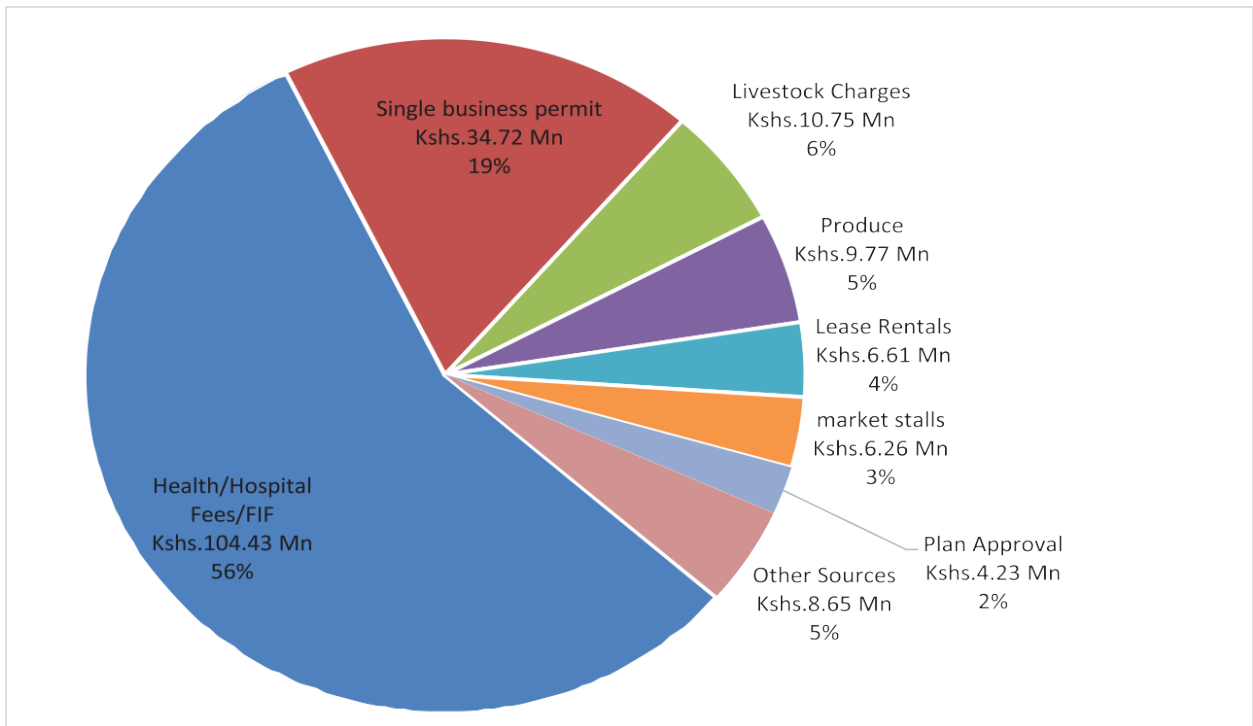
During the period under review, the expenditure on employee compensation totalled Kshs.3.91 billion. Therefore, the percentage of compensation of employees to revenue was 43 per cent. This expenditure on employee compensation shows an increase compared to the Kshs.3.32 billion reported in FY 2023/24. Of this total, Kshs.1.68 billion related to the Health Sector employees, which accounted for 43 per cent of the overall employees’ compensation. the compensation trend of employees’ expenditures as a percentage of total revenue received from FY 2019/20 to FY 2024/25.

Percentage of Employee Compensation to Total Revenue Received from FY 2019/20 to FY 2024/25



The County does not have governing legislation for operating the Facility Improvement Fund (FIF). Figure shows the collection trend in own-source revenue from FY 2019/20 to FY 2024/25.

Marsabit County Trend in Own-Source Revenue Collection from FY 2019/20 to FY



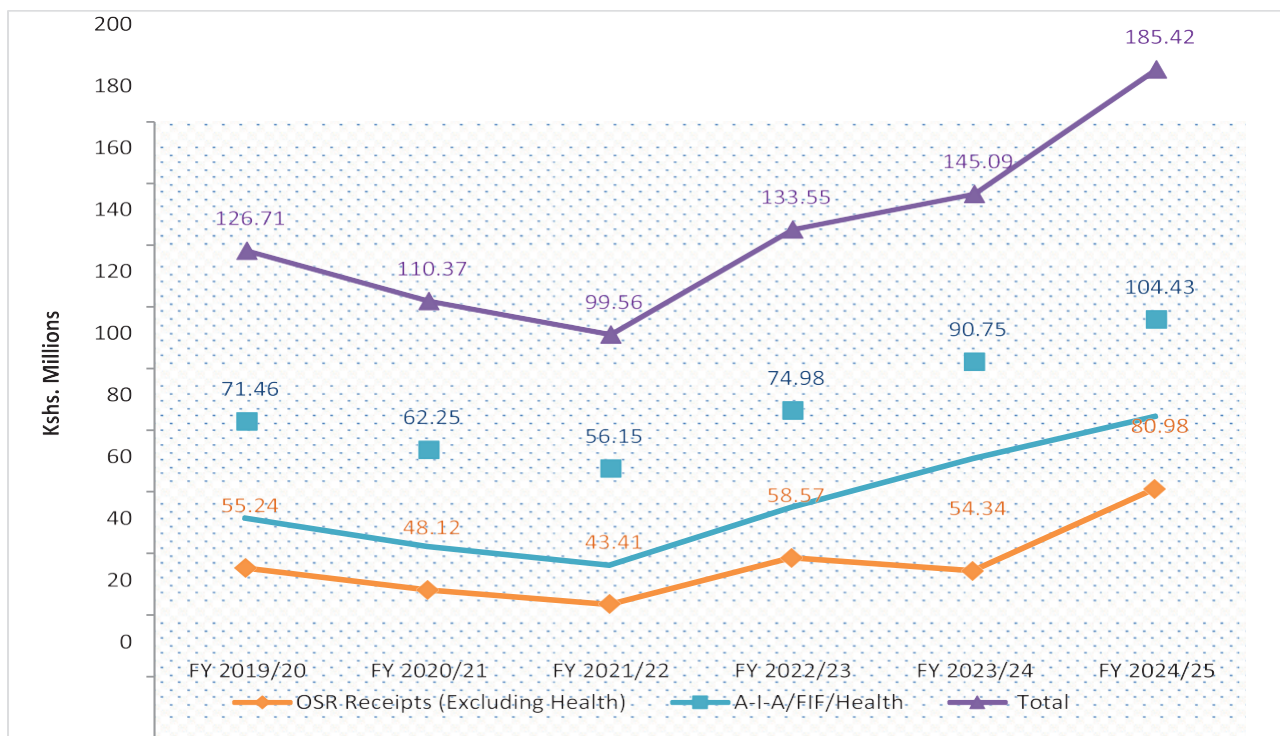
2024/25.

Source: Marsabit County Treasury

During the year, the County generated Kshs.185.42 million from its revenue sources, including FIF. This amount was an increase of 21 per cent compared to Kshs.145.09 million realized in a similar period in FY 2023/24, and was 74 per cent of the annual target and 2 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR receipts are shown in Figure above, the highest revenue stream, at Kshs.104.43 million, was from the Facility Improvement Fund, accounting for 56 per cent of the total OSR receipts. The County Government has not automated Revenue collection.

Marsabit County Trend in Own-Source Revenue Collection from FY 2019/20 to FY 2024/25.



Source: Marsabit County Treasury

During the year, the County generated Kshs.185.42 million from its revenue sources, including FIF. This amount was an increase of 21 per cent compared to Kshs.145.09 million realized in a similar period in FY 2023/24, and was 74 per cent of the annual target and 2 per cent of the equitable revenue share disbursed

Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.8.55 billion from the CRF account in FY 2024/25, which comprised Kshs.2.92 million (34 per cent) for development programmes and Kshs.5.63 billion (64 per cent) for re- current programmes. Analysis of the recurrent exchequers released indicates that Kshs.3.89 billion was for employee compensation and Kshs.1.73 billion for operations and maintenance expenditures.

The operations and maintenance exchequer analysis indicates that 9 per cent was for domestic travel and 3 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.151.23 million and included Kshs.55.71 million for the County Executive and Kshs.95.52 million for the County Assembly. The foreign exchequer totaled Kshs.42.86 million, comprising Kshs.10.33 million for the County Executive and Kshs.32.52 million for the County Assembly. As of the closure of FY 2024/25, the County Government’s cash balance in the CRF account was Kshs.413.39 million.

County Expenditure Review

The County spent Kshs.8.63 billion on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.3.01 billion for development programmes and Kshs.5.61 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 71 per cent, while recurrent expenditure represented 93 per cent of the annual recurrent expenditure budget.

Settlement of Pending Bills

The County reported pending bills totaling Kshs.1.32 billion as of 30 June 2024. This amount included Kshs.889.96 million from the County Executive and Kshs.425.14 million from the County Assembly. The pending bills from the County Executive and County Assembly were for development expenditures only.

During the year, the County Executive settled pending bills amounting to Kshs.871.98 million. On the other hand, the County Assembly settled pending bills worth Kshs.352.65 million, Table 3.302 provides additional details of pending bills.

2.2.3 Fiscal balance

In the medium term, the government is forecasting a balanced budget hence there will be no need for debt financing.

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

- i) Section 107 (2) (b) of the Public Finance Management Act 2012 mandates that at least thirty per cent of the budgets for national and county governments should be allocated to development expenditures over the medium term. In adherence to this regulation, the County has regularly designated a minimum of 30% of its development budget, achieving 39% for FY 2024/25 and 36% for FY 2025/26. For FY 2026/27, the expected percentage allocation for development expenditure is projected to be 40% of the budget.
- ii) In accordance with section 25(1) (b) of the PFM (County Governments) Regulations, the county government is required not to spend more than 35 per cent of its aggregate revenue on salaries and wages. However, since the dawn of devolution, pressure has been rising for countries to adhere to this

provision on wage bill ceiling despite the fact that the rise is triggered mainly by external factors. These include the increase in salaries of staff as well as the signing of CBAs nationally and the effects being imposed on counties to execute without the provision of additional resources, e.g. the CBA for nurses and doctors and the stipends for the Community Health Promoters which has continued to strain the county's resource basket.

- iii) The County's allocation on salaries and wages in FY 2024/25 stood at Kshs. 3,631,115,734, representing 37% percent of the total county budget, and Kshs. 3,880,092,176, representing 38% in FY 2025/26. The incessant recruitment of staff without consideration of its effect on the budget has further deepened pressure on the already strained budget, leaving very little for operations and maintenance. Further, the demand for promotions from workers, whenever they are due, has also contributed significantly to the continued rise in the wage bill.
- iv) The forecast for personal emoluments for the fiscal year 2026/27 is anticipated to constitute 40% of the budget, exceeding the statutory requirements. However, the county will persist in exploring strategies to mitigate this escalating trend, which will encompass but is not limited to, the optimal utilization of current personnel, regulated hiring practices, and prioritizing essential replacements exclusively.
- v) Section 107 (2) (d) of the Public Finance Management Act of 2012 stipulates that, over the medium term, the government's borrowings shall solely be utilized for the purpose of financing development expenditures and not for recurrent expenditures. In compliance with this regulation, the County prepares a balanced budget, wherein no borrowing is required to finance its budget. This has been the prevailing trend since the inception of devolution, and no borrowing is anticipated for the fiscal year 2026/27 or over the medium term.
- vi) In reference to debt management, Section 107 (2)(e) of the Public Finance Management Act,2012 stipulates that public debt and obligations must be maintained at a sustainable level, as sanctioned by Parliament for the national government and by the county assembly for county government. The Government has consistently demonstrated a proactive approach in addressing debts accrued from eligible pending bills and ongoing works, ensuring they are prioritized as a first charge, in alignment with Regulation 41 (2) of the PFM (County Government) Regulation, 2015, and subsequent reappropriation in supplementary budgets.

- vii) The local revenue target for the fiscal years 2025/26 and 2026/27 remains unchanged. During both financial years, the County Treasury has prepared the Finance Bills in compliance with the Public Finance Management Act of 2012, thereby ensuring inclusivity and participation from stakeholders throughout the process. Furthermore, the Government has consistently ensured the availability of information regarding rates and charges while advancing efforts towards the simplification and automation of revenue collection. In the medium term, any changes to levies and charges will be made through a consultative process.
- viii) Further, plans are underway to introduce and adopt revenue forecasting models. This initiative aligns with the requirements of Section 107 (2) (f &g) of the Public Finance Management Act of 2012, which mandates the maintenance of a reasonable degree of predictability with regard to tax rates and tax bases and prudent management of fiscal risks by ensuring that the government does not plan or spend beyond its means.

2.2.6 Economic Policy and Outlook

Marsabit County's economic growth prospects for the FY 2026/27 and over the medium term will largely be influenced by the national growth prospects, according to BPS (2026), The economy is projected to remain strong and resilient in 2025, 2026 and over the medium term supported by the continued robust growth of the services sectors, the rebound in agriculture, and the ongoing implementation of measures to boost economic activity in priority sectors by the Government. As such, the economy is expected to remain strong and expand by 5.3 percent in both 2025 & this growth will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. From an expenditure perspective, private consumption is expected to support aggregate demand, supported by the ongoing labour market recovery, improved consumer confidence, and resilient remittances.

The growth outlook will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase investments in at least five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and

Settlement; Healthcare; and Digital Superhighway and Creative Industry. These sectors are key to the county economy given that it entirely relies on Livestock, partly agriculture and trade (wholesale and Retail). In furtherance of the agenda on inclusive growth and innovation in Micro, Small, and Medium Enterprises (MSMEs), the National Government has launched the Hustlers Fund, as an intervention to correct market failure problems at the bottom of the pyramid. This program aims to lift those at the bottom of the pyramid through structured products in personnel finance that includes savings, credit, insurance, and investment. The County Government has created an emergency drought mitigation program to supplement the National Government effort. The fund will provide capital to the struggling MSMEs from the negative impact of drought.

Risks to Economic Outlook

According to the BPS (2026), there are downside risks to this macroeconomic outlook emanating from national as well as external sources. On the domestic front, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result in domestic inflationary pressures and food insecurity. Additionally, tight fiscal space due to the impact of the multiple shocks that have affected the global and the domestic economy might lead to tight liquidity conditions for financing the budget.

On the external front, uncertainties in the global economic outlook stemming from the escalating geopolitical fragmentations could result in higher commodity prices which poses a risk to domestic inflation outcomes leading to further tightening of financial conditions. Additionally, weaker global demand due to the slowdown in the global economic recovery could adversely affect Kenya's exports, foreign direct investments and remittances. Continued strengthening of US dollar against other global currencies arising from aggressive monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.

The upside risk to the domestic economy relate to early easing of global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances. Faster than projected rebound in economic activities that would result

in higher Government revenues providing fiscal space that would support fiscal consolidation.

The Kenyan Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize.

At the level, the County Government is continually monitoring the climate change risk and taking appropriate measures to strengthen resilience in the economy. To cushion the county against the downsides of the risks, the County Government will continue to implement the drought mitigation programs to protect the lives and livelihoods of the residents.



CHAPTER THREE: FORWARD ECONOMIC AND FISCAL OUTLOOK



CHAPTER THREE:

FORWARD ECONOMIC AND FISCAL OUTLOOK

3.1 National Forward Economic and Fiscal Development

3.1.1 Economic Outlook

Kenya's economic outlook is expected to strengthen in 2025 and 2026, with real GDP projected to grow by 5.3 percent. On the supply side, the recovery will be anchored by a robust agricultural sector, steady expansion in services, and a gradual rebound in industry. Agriculture is expected to benefit from favourable weather conditions, climate-smart investments, and Government initiatives aimed at improving productivity and market access. Strong linkages between agriculture and other sectors, particularly agro-processing, exports, and rural household incomes, will continue to support broad-based growth. Industrial activity is projected to firm up over the medium term, supported by easing production costs and a more stable exchange rate environment. The construction industry is set for a notable turnaround following the clearance of verified pending bills, which will help restart stalled projects, improve liquidity for contractors, and stimulate related industries such as manufacturing and construction materials. Kenya's dynamic services sector, especially finance, ICT, and trade, is expected to retain momentum.

Government efforts to promote sustainable tourism, expand community-based tourism models, and enhance port infrastructure to support cruise tourism will further lift hospitality and transport services. On the demand side, private consumption and investment are expected to remain resilient, supported by a favourable macroeconomic environment. Lower inflation and prudent monetary policy will help improve household purchasing power and ease cost pressures on firms. Remittances, Kenya's largest source of foreign exchange, are projected to remain strong and provide an additional buffer for household consumption. The ongoing decline in lending rates will improve credit affordability for businesses and households, stimulating private investment, enterprise expansion, and job creation.

Private investment will also be reinforced by measures aimed at improving competitiveness, reducing regulatory bottlenecks, and strengthening market efficiency. Positive

investor sentiment, improved access to international markets, adherence to fiscal consolidation, and a more stable exchange rate anchored on credible monetary policy and sound liability management practices will enhance Kenya's investment climate. The expansion of Public-Private Partnerships (PPPs) is expected to play a major role in closing infrastructure gaps. The harmonized Public Investment Policy, now fully operational, aligns PPP and Public Investment Management processes to ensure coordinated planning and execution. Over the medium term, the Government will prioritize PPP investments across key sectors including Agriculture, Roads, Transport and Logistics, Urban Development and Housing, Energy, Water, ICT, Agribusiness and Manufacturing, and Health. Ongoing privatization of select State-owned enterprises will complement these efforts by improving efficiency, attracting both domestic and foreign investors, and creating fiscal space for priority development programs. Growth in public consumption is expected to remain modest in line with the medium-term fiscal adjustment. Recurrent expenditure as a share of GDP is projected to gradually decline, while development spending is expected to rise to support implementation of BETA priorities. To support private-sector liquidity and stimulate economic activity, the Government will continue efforts to clear pending bills, especially those in the roads sector. These payments will be facilitated through a bond issuance by the Kenya Roads Board. In addition, major infrastructure investments will increasingly leverage PPP arrangements to reduce pressure on the exchequer.

Kenya's external position is expected to remain stable over the medium term, supported by rising exports and an improving global environment. The implementation of key trade agreements, stronger growth in Kenya's main regional markets in Africa, and lower international commodity prices will help strengthen export performance. The removal of certain export tariffs by China, and improved access to European Union markets, are expected to enhance Kenya's export competitiveness, boost foreign exchange earnings, and narrow the external imbalance.

Continued resilience in agricultural exports, particularly horticulture and tea, will remain a core driver of external sector stability. Stabilizing global economic conditions are expected to strengthen diaspora remittances and support continued growth in tourism and transport services. The expected rebound in service exports, particularly tourism, ICT-enabled services, and transport, will help cushion the economy against reduced income flows from declining donor support. Import growth is projected to pick up as domestic demand strengthens, supported by a stable exchange rate and industrial recovery. The increase in imports will mainly

reflect higher demand for raw materials to support manufacturing and industrial activity, as well as consumer goods required to meet rising household consumption.

Monetary Policy Management

The Central Bank of Kenya (CBK) manages monetary policy with the primary objective of maintaining price and financial stability to support sustainable economic growth. The framework is anchored on an inflation-targeting regime, with the current target set at 5 ± 2.5 percent. The introduction of core and non-core inflation measures in January 2025 has enhanced CBK's capacity to make data-driven policy decisions, with core inflation providing a more accurate reflection of underlying price trends and structural price pressures.

The Monetary Policy Committee (MPC) continues to implement reforms outlined in the White Paper on Modernization of the Monetary Policy Framework and Operations. These reforms aim to enhance the effectiveness of monetary policy, strengthen the anchoring of inflation expectations, and improve the overall transmission of policy decisions to the economy. Key elements include the shift toward a forward-looking, interest-rate-based framework, strengthened liquidity management instruments, enhanced policy communication and transparency, and upgraded market infrastructure to deepen financial markets and support investor confidence.

Macroeconomic Assumptions Underlying the Medium Term Fiscal Framework

The macroeconomic assumptions for FY 2026/27 and medium-term Budget are outlined below:

- i) Global macroeconomic conditions remain stable;
- ii) Real GDP is projected to grow by 5.3 percent in 2025 and to sustain this growth rate over the medium term, largely driven by enhanced agricultural productivity, a resilient services sector, and ongoing implementation of priorities under BETA;
- iii) Favorable weather conditions are anticipated to boost agricultural productivity;
- iv) Inflation is expected to be maintained within the target range of 5 ± 2.5 percent;
- v) Interest rates are expected to continue declining in line with the monetary policy stance and remain stable over the medium term to enhance credit to the private sector and support economic activities; and
- vi) Exchange rate is expected to remain stable.

Risks to the national Economic Outlook

- o Kenya's economic outlook faces several downside risks that could constrain growth

and challenge macroeconomic stability. Domestically, extreme weather events, such as droughts, floods, and prolonged dry spells, pose significant threats to agricultural output. Disruptions in food production could lead to elevated food prices, fuelling inflationary pressures and reducing household purchasing power. Climate-related damage to infrastructure, including roads, bridges, and irrigation systems, could further disrupt economic activities and increase Government spending on emergency response and reconstruction, diverting resources from development priorities.

- On the external front, rising costs of imported fuel and food, driven by global supply shocks, geopolitical tensions, or trade restrictions, could amplify inflation and increase production costs for businesses. Volatility in international financial markets, fluctuations in commodity prices, and tighter global financing conditions may also adversely affect investment flows and exchange rate stability. Uncertainty surrounding trade policies, tariffs, or regional trade agreements could further impede export growth and cross-border commerce.
- Despite these potential headwinds, there are significant upside opportunities. Accelerated implementation of structural reforms under BETA and the Fourth Medium-Term Plan, including enhanced public financial management, improved expenditure efficiency, governance reforms, and streamlined business regulations, could boost investor confidence, attract private investment, and spur economic activity. A supportive global economic environment, characterized by stable commodity prices, declining oil prices, and robust external demand, could further strengthen export earnings, foreign exchange inflows, and overall economic resilience. Additionally, Kenya's transition to climate-smart agriculture, renewable energy investments, and enhanced disaster preparedness can mitigate some domestic risks, supporting more sustainable and inclusive growth.
- Sustained coordination between monetary and fiscal policies will remain critical in maintaining a stable macroeconomic environment conducive to investment, savings, and growth. The Government will continue to closely monitor both domestic and international developments and implement timely policy interventions to shield the economy from adverse shocks, while promoting structural transformation and resilience in key sectors such as agriculture, energy, manufacturing, and services.

County Economic and Fiscal Outlook

Economic Outlook

- The County government will implement policies set out in CIDP III over the medium term with a focus on priority programmes identified during public participation forums with a view of securing socio- economic development. Revamping and boosting livestock and crop production by improving value additions through government and private investment to accelerate economic growth. The county will also focus on improving access to quality health care, access to clean and safe drinking water, support of social protection programs. Over the medium-term period, the county economy is projected to remain resilient through continued robust investments and support to livelihood related sectors.
- Marsabit county has emerged as the fastest growing economy with a gross county product (GCP) growth rate of 9.3%; driven by increased activity in the water and construction sectors

Marsabit County, characterized by its arid and semi-arid terrain, will experience differentiated sectoral impacts shaped by both national growth dynamics and the county's specific local context.

a) Agriculture & Livestock

- **Livestock** remains the backbone of the county's economy. With national focus on modernization:
 - Improved grazing management schemes and expanded water infrastructure have the potential to significantly enhance livestock productivity and resilience.
 - Nomadic pastoralism will benefit from strategies to commercialize livestock value chains.
 - **Crop agriculture** is constrained by arid climatic conditions; however, national initiatives focused on irrigation expansion and the adoption of drought-resilient crops have the potential to enhance both subsistence and commercial farming in select agro-ecological zones.

b) Infrastructure & Energy

- National investment in roads and renewable energy (solar, wind) can enhance Marsabit's connectivity:
 - Improved transport will reduce post-harvest losses in livestock and crops.

- Off-grid energy projects can support small-scale industries and local enterprise development.

c) Trade & Services

- Desert-to-market linkages can be strengthened through targeted road upgrades and improved logistics infrastructure, enhancing market access and reducing transaction costs.
- Expanded ICT rollouts, including improved mobile and broadband access, can accelerate e-commerce adoption and deepen financial inclusion across the county.

d) Tourism

- Eco-tourism and cultural tourism development are well aligned with national tourism promotion strategies and branding initiatives.
- Marsabit's distinctive natural assets—such as **Marsabit Forest** and **Lake Paradise**—when leveraged through coordinated national marketing, have strong potential to attract niche and high-value international visitors.

e) Public Finance and Investment

- The national fiscal stance emphasises a strategic shift from recurrent expenditure towards productive capital investment to support long-term growth:
 - At the county level, budgetary priorities should focus on infrastructure development, capital projects, and improved operational efficiency to maximise development impact.
 - The CBROP 2025/2026 indicates that Marsabit County has made progress in budget transparency, but gaps remain in departmental-level reporting, clarity of allocations, and the depth of public engagement.
 - Strengthened and effective public participation mechanisms can play a critical role in steering resource allocation towards high-impact, development-oriented projects.

Strategic Recommendations for 2026

- prioritize livestock commercialization and the scaling of drought-resilient interventions within national agricultural programmes.
- Leverage national infrastructure and energy investments to unlock trade, tourism, and SME development opportunities.
- Strengthen transparency and departmental-level reporting to better align county budgeting with national strategic priorities.
- Build climate resilience through sustained investments in water resources, rangeland

management, and sustainable energy solutions.

Marsabit County's 2026 economic outlook is cautiously positive, broadly aligned with national growth trends in agriculture, health, infrastructure, and services. The trajectory will be shaped by the effective implementation of capital projects, strengthened public participation, and close strategic alignment with national sectoral initiatives. While significant opportunities exist in livestock commercialization, eco-tourism, healthcare financing, and renewable energy, persistent climate risks and fiscal resource constraints necessitate deliberate, well-coordinated mitigation and resilience-building strategies.

3.2.2 County Fiscal Outlook

- ❖ In the medium term, resource allocation and utilization will be guided by the priorities outlined in the County Integrated Development Plan (CIDP III) and other county plans, as well as section 107 of the PFM Act 2012. The County Government will prioritize spending within the overall sector limits and strategic sector objectives to ensure the efficient use of public funds and enhanced expenditure productivity.
- ❖ To achieve the transformative development goals, the County Government will focus on implementing the flagship and other development projects outlined in the County Integrated Development Plan (2023-2027) during the Medium-term Expenditure period from 2026/27 to 2028/29
- ❖ The fiscal policy stance over the medium term aims at unlocking the economic potential of Marsabit County by supporting rapid and inclusive economic growth and ensuring effective delivery of services. To this end, the new administration intends to improve allocations to the productive sectors of the economy and fast track implementation of development projects and programmes that will have desired impact on the lives of the people. Over the last couple of years, there has been an increased expenditure pressure and it is important to match this increase with a corresponding increase in revenue yields through efficient collection and widening of revenue bases. The expenditure on personnel emoluments will be closely monitored to ensure that it complies with the PFMA regulations stipulating that personnel cost should not be more than 35% of the total expenditure. ***Continuing With Prudent Fiscal Policy***

- ❖ The fiscal policy underpinning the FY 2026/27 budget and MTEF will sustain the revenue projections to be able to inject the necessary predictability into the budget process. The County government will institute measures to improve local revenue collections as well as weeding out unproductive expenditures. To improve linkages between policy, planning and budgeting, Treasury has embarked on the review of its third Marsabit County Integrated Development Plan. Through thorough consultations with all the stakeholders, the plan will chart the development agenda of the County going forward.
- ❖ Treasury will continue to pursue a policy that will support economic activity within the context of sustainable public financing. The County Government of Marsabit will continue to reorient expenditure towards priority programmes in education, health, agriculture & livestock and infrastructure under the medium-term expenditure framework (MTEF)

3.2.1.4 Risks to the Economic & fiscal Outlook

Risks & Constraints

- **Climate variability:** recurrent droughts and advancing desertification remain primary risk factors undermining livelihoods and overall productivity.
- **Resource limitations:** constrained financial and human capital may slow the absorption and effective uptake of benefits from national sectoral initiatives.
- **Information gaps:** incomplete capital project data and weak public participation mechanisms risk impeding evidence-based decision-making and optimal project implementation.



CHAPTER FOUR: STRATEGIC PRIORITY AND INTERVENTIONS



CHAPTER FOUR: STRATEGIC PRIORITY AND INTERVENTIONS

4.1 Introduction

Chapter Four presents the core strategic blueprint that will guide Marsabit County's development agenda for the Financial Year 2026/27 and the Medium-Term period. This chapter translates the county's vision into 13 concrete, actionable objectives, each designed to tackle the most pressing challenges and unlock transformative growth across all sectors.

Recognizing that pastoralism and the broader agricultural economy form the bedrock of livelihoods for 85% of residents, the strategy places paramount importance on **increasing food security and household incomes**. This will be achieved by building resilience against climate shocks, promoting irrigation and value addition, and safeguarding livestock health. Concurrently, the county is deeply committed to **ensuring universal access to quality, affordable health services**, with targeted interventions to combat teenage pregnancy, malnutrition among children and mothers, and harmful practices, while strengthening the entire healthcare system from community units to referral hospitals.

To secure a prosperous future, the plan invests heavily in **human capital development through education, youth empowerment, and sports** and in the **physical foundations for growth—roads, water, energy, and planned urban settlements**. Crucially, this development will be underpinned by **effective, transparent, and accountable governance**. This includes decentralizing services, enhancing civic participation, leveraging digital technology, building a professional public service, and actively promoting social cohesion and disaster preparedness.

Each strategic objective is supported by a focused set of key interventions, with clear cross-cutting themes of **climate resilience, gender equity, youth inclusion, and nutrition** woven throughout. This integrated approach ensures that our investments are sustainable, equitable, and collectively drive Marsabit County toward its overarching goal of becoming a resilient, healthy, empowered, and food-secure community.

4.1.1 Sector: Agriculture, Livestock, Fisheries & Natural Resources

Strategic Objective 1: Increase Food and Nutritional Security and Household Incomes

Cross-cutting Focus: Nutrition, climate resilience, youth and gender inclusion

The pastoralist and livestock economy constitutes the foundational livelihood for approximately 85% of the county's residents and contributes an estimated 27% to the Gross County Product. To catalyze transformative growth within this sector, the county government will implement a multi-faceted strategy.

Key Interventions:

- ❖ **Promote Irrigated Agriculture:** Develop and expand irrigation schemes for both crop production and pasture cultivation to reduce dependency on erratic rainfall and enhance year-round food and feed availability.
- ❖ **Support Agro-Processing and Climate-Smart Agriculture:** Facilitate the establishment of agro-processing units and promote the adoption of CSA technologies and practices to increase productivity, build resilience, and improve market competitiveness.
- ❖ **Improve Livestock Systems:** Upgrade livestock breeds through controlled breeding programs, establish dedicated feedlots for finishing, and create disease-free zones to improve herd health and market value.
- ❖ **Strengthen Market Linkages:** Develop robust and transparent market information systems and physical infrastructure to connect livestock and fisheries producers efficiently to regional and national markets.
- ❖ **Promote Sustainable Resource Management:** Implement integrated soil and water conservation programs, and promote sustainable management of forests, rangelands, and wetlands to secure the natural resource base.
- ❖ **Enhance Food Security via Technology:** Disseminate and support the adoption of modern agricultural technologies, including drought-resistant seeds, precision farming tools, and efficient irrigation systems.
- ❖ **Build Drought Resilience:** Invest in climate-proof infrastructure (e.g., water pans, pasture banks) and promote livelihood diversification strategies to cushion households against climatic shocks.
- ❖ **Strengthen Research and Extension:** Forge partnerships with research institutions to adapt innovations to local contexts and revitalize the agricultural extension system for effective farmer outreach and support.
- ❖ **Enhance Animal Health:** Strengthen veterinary service delivery, disease surveillance networks, and veterinary public health measures to safeguard livestock assets and public health.

- ❖ **Increase Sustainable Fish Production:** Support both subsistence and commercial aquaculture development and improve management of natural fishery resources to increase production and incomes.
- ❖ **Promote Nutrition-Sensitive Agriculture:** Integrate nutrition objectives into agricultural programming, targeting women, children, and vulnerable households with bio-fortified crops, kitchen gardens, and nutrition education.

4.1.2 Sector 2: Integrated Health, Nutrition, and WASH

Strategic Objective 2: To ensure universal access to equitable, affordable, and quality essential health services, integrated with nutrition security, safe WASH, and achieve optimal health and well-being for all.

Cross-cutting Priorities: Adolescent & Youth Health, Climate Resilience, Community Empowerment, **One Health**, Health System Governance.

Guiding Principle: This sector adopts a **Primary Health Care (PHC)** approach as the foundation for a resilient health system and embeds the **One Health** framework to address interconnected health threats. We focus on prevention, community engagement, and integrated service delivery to overcome geographic, financial, and social barriers to health.

Key Strategic Interventions

1. Health Systems Strengthening & Governance

- **Rehabilitate and Equip the Tiered Health Network:** Modernize infrastructure, essential medical equipment, and utilities (power, water) across all levels—from community units to county referral hospitals—ensuring a functional, interconnected service delivery network.
- **Optimize the Health Workforce:** Increase the density and competency of the health workforce by 25% through targeted recruitment, retention schemes, and continuous professional development, with a focus on specialist cadres, epidemiologists, laboratory technicians, and community health professionals.
- **Strengthen Supply Chain & Commodity Security:** Reform and digitalize the supply chain management system for essential medicines, vaccines, nutrition supplements, and medical commodities to guarantee last-mile availability and eliminate stock-outs.
- **Advance Health Management Information Systems (HMIS):** Implement an integrated digital health platform for electronic medical records (EMR), real-time

surveillance, telemedicine, and data-driven decision-making to enhance efficiency and quality of care.

- **Enhance Sector Governance & Accountability:** Institute robust frameworks for performance-based financing, regular supportive supervision, and participatory monitoring & evaluation to ensure transparency, accountability, and continuous quality improvement (CQI).

2. Integrated Service Delivery & Clinical Care

- **Scale Up Integrated Management of Childhood Illnesses (IMCI):** Ensure all primary care facilities provide standardized, evidence-based care for the under-5 population.
- **Strengthen Emergency, Critical & Referral Care:** Establish a fully operational 24/7 Emergency Operations and Referral Centre, equip a fleet of life-support ambulances, and develop standardized protocols to manage trauma, obstetric emergencies, and acute medical conditions.
- **Expand Diagnostic Capacity:** Equip referral hospitals with advanced diagnostic capabilities (e.g., radiology, microbiology, pathology) to provide comprehensive care and reduce costly out-of-county referrals.
- **Prioritize Sexual, Reproductive, Maternal & Adolescent Health (SRMNAH):**
 - Scale up youth-friendly SRH services and comprehensive sexuality education (CSE) to reduce adolescent pregnancy and STI incidence.
 - Strengthen quality antenatal care (ANC), skilled birth attendance (SBA), emergency obstetric and newborn care (EmONC), and postnatal care to reduce maternal and neonatal mortality.
 - Implement community-led action to eliminate harmful practices, including early child marriage and Female Genital Mutilation/Cutting (FGM/C).

3. Prevention, Nutrition, WASH & One Health

- **Institutionalize Preventive & Promotive Health:** Fully operationalize and fund the community health strategy, empowering Community Health Promoters (CHPs) to conduct proactive outreach, health education, and early identification of risks.
- **Implement a Multi-Sectoral Nutrition Action Plan:** Address all forms of malnutrition through targeted interventions, including promotion of exclusive breastfeeding, complementary feeding, micronutrient supplementation, and management of acute malnutrition.

- **Ensure Universal Access to WASH:** Achieve and sustain access to safely managed water, gender-sensitive sanitation, and handwashing facilities with soap in all health facilities, schools, and public spaces to prevent infections and outbreaks.
- **Strengthen Integrated Disease Surveillance and Response (IDSR):** Establish a robust, real-time **epidemic and pandemic preparedness** system. This includes enhancing event-based and indicator-based surveillance at community and facility levels, building laboratory diagnostic capacity for priority pathogens, and ensuring rapid investigation and containment of outbreaks.
- **Operationalize the One Health Approach:** Establish a formal **multi-sectoral coordination mechanism** linking human health, animal health (veterinary services), and environmental health agencies. Jointly conduct risk assessments, surveillance for zoonotic diseases (e.g., rabies, brucellosis, avian influenza), and develop collaborative response plans to mitigate threats at the human-animal-environment interface.
- **Promote Sanitation and Hygiene:** Launch community-led total sanitation campaigns to eliminate open defecation and promote hand washing.

4. Social Determinants & Cross-Sectoral Linkages

- **Integrate School Health & Nutrition:** Implement robust school-based health screening, deworming, menstrual health management, and feeding programs to improve educational outcomes and retention.
- **Develop Shock-Responsive Social Protection:** Align health, nutrition, and social protection programs (e.g., cash transfers, health insurance subsidies for the indigent) to build household resilience and protect the most vulnerable from health-related financial shocks.
- **Foster Healthy Environments & Climate Action:** Mainstream environmental and climate resilience into health programming, addressing linkages between climate change, water security, vector-borne diseases, and food systems through a **One Health lens**.

4.1.3 Sector: Education, Youth & Sports

Strategic Objective 3: Improve Access to Quality Education, Youth Empowerment and Sports Development

Cross-cutting Focus: Gender equity, school retention, life skills, health & nutrition

The county is committed to being a catalyst for human capital development.

Key Interventions:

- ❖ **Improve Access and Retention:** Implement targeted programs, including scholarships and infrastructure development, to ensure children enroll, stay in, and complete school at all levels.
- ❖ **Expand ECDE and VTC Infrastructure:** Construct, rehabilitate, and fully equip ECDE centres and VTCs with modern learning tools and workshops to improve the learning environment.
- ❖ **Strengthen Alternative Learning:** Enhance the quality and relevance of ECDE, VTC, and other skills-based curricula to align with market demands and community needs.
- ❖ **Scale Up School Feeding:** Expand school feeding programs, particularly in ECDE centres, to improve nutrition, concentration, and attendance.
- ❖ **Provide Financial Support:** Systematize the provision of bursaries and scholarships for needy students at primary, secondary, and tertiary levels.
- ❖ **Link Training to Markets:** Establish strong linkages between VTCs and industry, and provide post-training support (e.g., mentorship, toolkits) to graduates for successful transition to work.
- ❖ **Promote Youth Entrepreneurship:** Offer business development training, access to start-up capital, and incubation support to foster youth-led enterprises.
- ❖ **Deliver Life-Skills Programs:** Implement in-school and out-of-school programs that equip youth with critical life skills to mitigate risky behaviors and promote healthy development.
- ❖ **Identify Sports Talent:** Establish structured systems for scouting, nurturing, and developing athletic talent across the county from a young age.
- ❖ **Develop Sports Infrastructure:** Build, upgrade, and professionally manage stadiums and sporting facilities to provide adequate venues for training and competition.
- ❖ **Facilitate Sports Participation:** Support teams and athletes to participate in local, regional, and national leagues and tournaments.

4.1.4 Sector: Culture, Gender, and Social Services

The county faces challenges related to gender inequality, vulnerability of Persons with Disabilities (PWDs) and orphans, and the need to preserve cultural heritage.

Priority Interventions:

- ❖ **Cultural Promotion:** Protect sacred sites, conduct cultural festivals (e.g., MLTCF), and support Ushanga groups for economic empowerment. Establish cultural centers and digitize indigenous knowledge to preserve traditions.
- ❖ **Gender Equality:** Develop and enact a County Gender Bill and an SGBV policy. Conduct gender audits, train women and youth on SGBV, and support campaigns against FGM and child marriage. Promote women’s economic empowerment through skills training and grants.
- ❖ **Social Protection:** Register PWDs and provide assistive devices. Support Orphans and Vulnerable Children (OVC) institutions with food and education bursaries. Construct community social halls and baraza parks. Develop and implement a Disability Bill to enforce rights and accessibility.

4.1.5 Sector: Roads, Transport & Housing

Strategic Objective 5: Improve Road, Transport and Housing Infrastructure to Spur Economic Growth

Cross-cutting Focus: Youth employment, safety, climate-resilient infrastructure

Infrastructure development is a primary enabler of economic growth.

Key Interventions:

- ❖ **Upgrade Urban Roads:** Reconstruct select urban roads to all-weather bitumen standards to decongest towns and facilitate trade.
- ❖ **Maintain County Roads Network:** Implement a planned maintenance and rehabilitation schedule for county roads and bridges to ensure year-round accessibility.
- ❖ **Upgrade Airstrips:** Improve landing strips and related facilities to enhance air connectivity for people, goods, and emergency services.
- ❖ **Enhance Water Transport Safety:** Enforce safety regulations, provide life-saving equipment, and train operators on Lake Turkana and other water bodies.
- ❖ **Ensure Transport Fleet Safety:** Maintain county vehicles to roadworthy standards and ensure driver competence through regular training and assessment.
- ❖ **Construct Affordable Housing:** Develop decent, affordable housing units for low and middle-income residents through public and partnership models.

- ❖ **Manage Government Estates:** Professionally maintain and upgrade county government housing estates to provide quality accommodation for staff.
- ❖ **Train Youth in Construction:** Provide technical training for youth in appropriate, cost-effective building technologies to create employment and skills.
- ❖ **Provide Technical Infrastructure Support:** Offer county government technical expertise to support sub-national infrastructure projects.

4.1.6 Sector: Water, Environment & Natural Resources

Strategic Objective 6: Improve Access to Safe Water and a Clean, Sustainable Environment

Cross-cutting Focus: Public health (WASH), climate change, community resilience

With over 90% of households relying on unimproved water sources and only 5% connected to sewers, this sector faces acute challenges.

Key Interventions:

- ❖ **Develop Water Infrastructure:** Construct mega water pans, boreholes, and large-scale water works to tap and store substantial water volumes.
- ❖ **Expand Distribution Networks:** Extend pipeline networks to reduce the distance households travel to fetch water, prioritizing underserved communities.
- ❖ **Combat Environmental Degradation:** Curb illegal charcoal burning and unsustainable logging through enforcement and provision of alternative livelihoods.
- ❖ **Implement Afforestation Programs:** Conduct large-scale tree planting exercises on public lands, schools, and degraded areas to restore ecosystems.
- ❖ **Control Invasive Species:** Manage and eradicate invasive plant species that threaten biodiversity and water resources.

4.1.7 Sector: Lands, Urban Development & Physical Planning

Strategic Objective 7: Promote Sustainable Land Use and Planned Urban Development

Cross-cutting Focus: Equity, tenure security, environmental sustainability

Orderly development hinges on effective land administration and urban planning.

Key Interventions:

- ❖ **Demarcate Adjudication Sections:** Finalize the physical demarcation of declared adjudication areas to prepare for individual ownership.
- ❖ **Accelerate Title Deed Issuance:** Streamline processes to expedite the issuance of title deeds, granting citizens legal ownership and unlocking economic potential.
- ❖ **Conduct Cadastral Surveys:** Undertake detailed land surveys for approved Local Physical Development Plans (LPDPs) to create an accurate spatial record.
- ❖ **Prepare Urban Plans:** Develop and adopt integrated physical and urban development plans for all major towns to guide sustainable growth.
- ❖ **Promote Urban PPPs:** Attract private investment for the development and management of urban services like markets, parking, and leisure facilities.
- ❖ **Expand Urban Infrastructure:** Plan and finance the systematic expansion of water, sewer, road, and drainage infrastructure in urban areas.
- ❖ **Establish Waste Management Systems:** Implement efficient solid and liquid waste collection, treatment, and disposal systems.
- ❖ **Formulate Urban Policies:** Develop and enact county urban management policies and legislation to regulate development.
- ❖ **Establish Municipalities:** Operationalize municipal boards with clear mandates for urban governance and service delivery.

4.1.8 Sector: Energy & Environment

Strategic Objective 8: Promote Green, Affordable and Reliable Energy

Cross-cutting Focus: Climate action, poverty reduction, innovation

Leveraging our significant potential in solar and wind energy, we are shifting towards a greener energy mix.

Key Interventions:

- ❖ **Research Renewable Resources:** Map and assess the potential of solar, wind, and other renewable energy sources across the county.
- ❖ **Expand Electricity Access:** Collaborate with national agencies and private players to extend the electricity grid to more households, schools, and health centers.

- ❖ **Install Solar Street Lighting:** Fit public streets in towns and trading centres with solar-powered lights to enhance security and extend business hours.
- ❖ **Promote Energy PPPs:** Create an enabling environment for private sector investment in renewable energy generation and distribution.
- ❖ **Develop Energy Regulations:** Formulate county-level legal and regulatory frameworks to guide and protect energy sector investments.
- ❖ **Distribute Solar Lighting:** Provide subsidized solar lanterns and home systems to low-income households without grid access.
- ❖ **Promote Energy Efficiency:** Create awareness and support local entrepreneurs in the distribution of energy-saving cookstoves and appliances.
- ❖ **Install Hybrid Water Systems:** Fit shallow wells with hybrid solar/wind-powered pumps to provide sustainable water abstraction.

4.1.9 Sector: Trade, Cooperatives & Industrial Development

Strategic Objective 9: Improve Ease of Doing Business and Promote Wealth Creation

Cross-cutting Focus: Youth and women enterprises, value addition

Our role is to cultivate a vibrant, orderly, and competitive business ecosystem.

Key Interventions:

- ❖ **Strengthen Cooperatives:** Revitalize and establish new cooperative societies for farmers, pastoralists, and traders to improve collective bargaining and market access.
- ❖ **Audit Cooperatives:** Conduct regular financial and governance audits of cooperatives to ensure transparency and accountability to members.
- ❖ **Promote Small-Scale Industry:** Support the establishment and growth of micro and small-scale manufacturing and processing industries.
- ❖ **Improve SME Finance:** Facilitate linkages between SMEs and financial institutions and explore the establishment of a county enterprise fund.
- ❖ **Promote Value Addition:** Provide technical and financial support for processing dairy, meat, leather, honey, and horticultural products.
- ❖ **Promote Wholesale and Retail Trade:** Develop modern market stalls and wholesale yards to improve the trading environment.

- ❖ **Attract Foreign Direct Investment (FDI):** Actively market the county's investment opportunities in agriculture, energy, and tourism to external investors.
- ❖ **Promote Fair Trade:** Enforce market regulations to ensure standard weights, measures, and fair pricing for consumers and producers.

4.1.10 Sector: County Administration & Devolved Units

Strategic Objective 10: Strengthen Decentralized and Responsive Service Delivery

Cross-cutting Focus: Equity, coordination, accountability

To bring services closer to the people, we are decentralizing administrative functions.

Key Interventions:

- ❖ **Construct Administrative Offices:** Build and equip functional administrative offices at the sub-county and ward levels to decentralize services.
- ❖ **Improve Coordination Mechanisms:** Establish regular coordination forums among county departments, sub-counties, and non-state actors to align efforts.
- ❖ **Develop Decentralization Policies:** Enact bills and policies that provide a clear legal framework for devolution within the county, ensuring effective service delivery at the grassroots.

4.1.11 Sector: Information, Communication & Technology

Strategic Objective 11: Improve ICT Infrastructure for Efficient and Transparent Service Delivery

Cross-cutting Focus: Digital inclusion, efficiency, accountability

Digital transformation is central to our governance agenda.

Key Interventions:

- ❖ **Digitize County Operations:** Transition from manual to digital workflows and records management across all departments.
- ❖ **Establish County Networks:** Roll out Local Area Network (LAN), Metropolitan Area Network (MAN), and Wide Area Network (WAN) connectivity to link all county offices.
- ❖ **Automate Key Services:** Implement e-citizen portals for automated service delivery in revenue, lands, business licensing, and other high-traffic areas.

- ❖ **Strengthen Financial Systems:** Ensure optimal use of the Integrated Financial Management Information System (IFMIS) and Human Resource information (HRIS) for fiscal discipline and payroll integrity.

4.1.12 Sector: Peace Building & Disaster Management

Strategic Objective 12: Strengthen Social Cohesion, Peace Building and Disaster Risk Management

Cross-cutting Focus: Early warning, climate resilience, community participation

Given our context, building peace and managing disasters are imperative for development.

Key Interventions:

- ❖ **Promote Conflict Prevention:** Conduct peace education and awareness campaigns within communities, especially among youth.
- ❖ **Strengthen Traditional Mechanisms:** Support and formally integrate credible traditional elders and institutions into the conflict resolution architecture.
- ❖ **Enhance Cross-Border Initiatives:** Foster and participate in regular peace dialogues with neighboring county and cross-border communities.
- ❖ **Build DRM Institutional Capacity:** Equip and train the county disaster management unit in modern disaster risk management practices.
- ❖ **Strengthen Non-State Actor Coordination:** Establish clear protocols for collaboration with NGOs, UN agencies, and community-based organizations in disaster response.
- ❖ **Monitor Drought Preparedness:** Regularly assess and stockpile contingency resources in drought-prone areas.
- ❖ **Disseminate Early Warnings:** Establish effective channels to disseminate weather, conflict, and other early warning information to communities in actionable formats.

4.1.13 Sector: Governance & Civic Education

Strategic Objective 13: Enhance Civic Awareness, Public Participation and Social Accountability

Cross-cutting Focus: Transparency, citizen engagement, inclusion

An informed and engaged citizenry is the bedrock of accountable governance.

Key Interventions:

- ❖ **Conduct Countywide Civic Education:** Organize forums and disseminate information on devolution, the County Integrated Development Plan (CIDP), budgets, and citizen responsibilities.
- ❖ **Strengthen Public Participation:** Institutionalize and resource public participation at the ward and sub-county levels for all key planning and budgeting processes.
- ❖ **Implement Ward Projects:** Ensure a portion of the development budget is allocated to ward-specific projects identified by communities.
- ❖ **Strengthen Feedback Mechanisms:** Operationalize the "Uwajibikaji" initiative and other channels for citizens to report on service delivery and provide feedback.
- ❖ **Build Capacity of Officers:** Train civic education officers and ward administrators on effective public engagement techniques.
- ❖ **Conduct Media Awareness:** Produce and air regular radio programs and use social media to update citizens on county projects and policies.

4.1.14 Sector: Human Resource Management

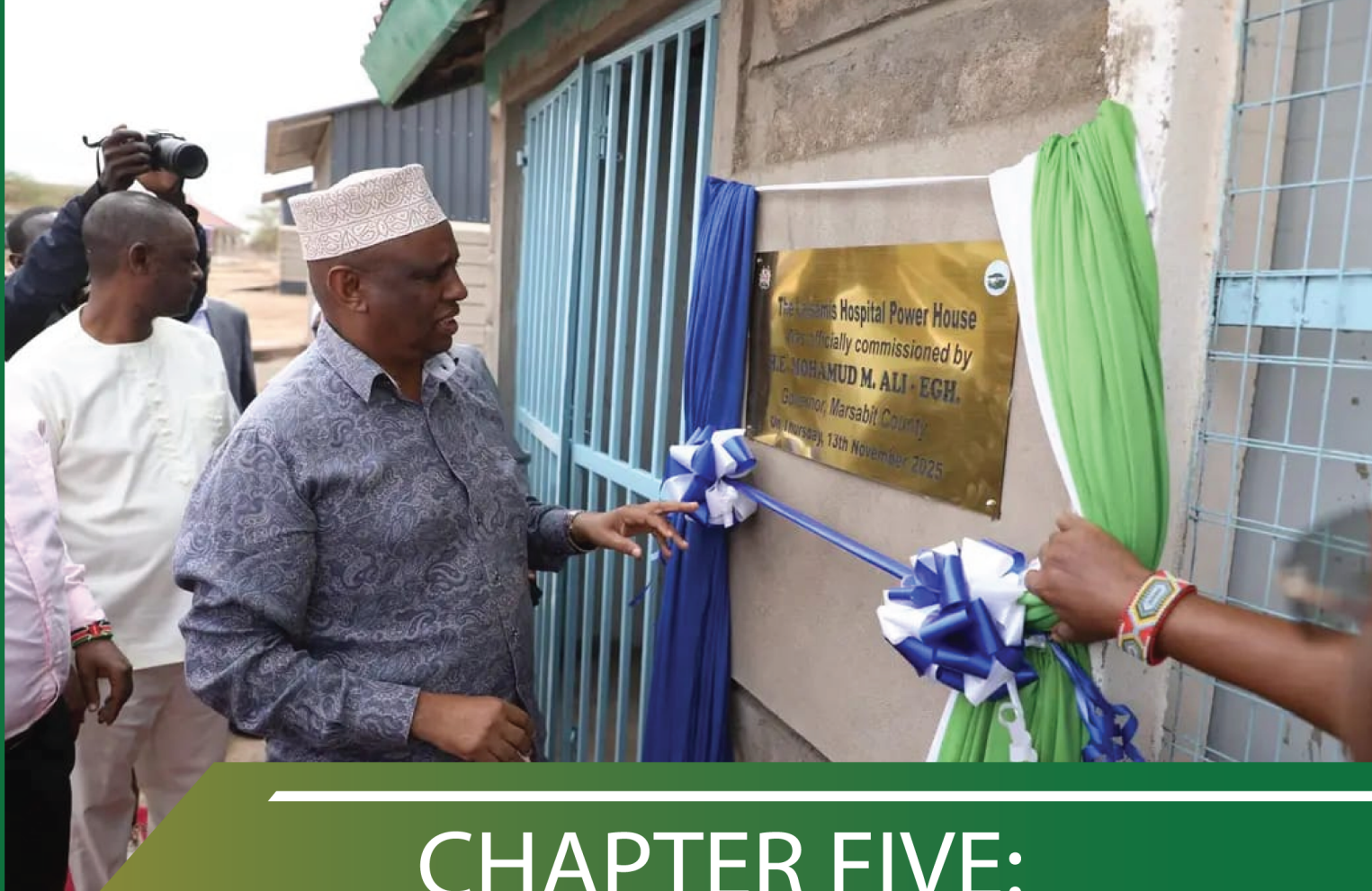
Strategic Objective 14: Strengthen Human Resource Capacity for Effective Public Service Delivery

Cross-cutting Focus: Professionalism, ethics, performance our workforce is our most valuable asset.

Key Interventions:

- ❖ **Strategic Recruitment and Planning:** Conduct workforce audits and recruit competitively to fill gaps with qualified personnel based on current and future needs.
- ❖ **Manage Employee Welfare:** Implement comprehensive welfare programs, including medical, counseling, and occupational safety, to maintain a motivated workforce.
- ❖ **Invest in Staff Training:** Provide regular, needs-based training and development opportunities to enhance staff competencies.
- ❖ **Implement HR Information Systems:** Deploy a full Human Resource Information System (HRIS) to automate records, leave, and payroll management.

- ❖ **Conduct Job Evaluation and Performance Management:** Regularly review job descriptions and implement a results-based performance appraisal system.
- ❖ **Develop HR Policies:** Formulate, review, and enforce clear HR policies covering conduct, discipline, reward, and career progression.
- ❖ **Improve HR Infrastructure:** Provide adequate office space, equipment, and tools for the HR department to function effectively.



CHAPTER FIVE: FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR 2026/27 AND THE MEDIUM-TERM



CHAPTER FIVE:

FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR 2026/27 AND THE MEDIUM-TERM

5.1 Revenue Projections

In the FY 2026/27, Ordinary Own Source Revenue is projected at Ksh 180 million and Ksh. 120 million for FIF under the department of Health. This revenue is expected to be enhanced by the Finance Act, 2026 and an expanded enforcement team for payment of revenue across all revenue streams. The County will continue to leverage on the automated revenue management system to improve revenue performance and seal all potential leakages.

5.2 Expenditure Projections

The County Integrated Development Plan 2023-2027 and the Annual Development Plan 2026/27 outline priority development programmes and projects that were identified, during the public participation forums and sector hearings, for implementation with the FY 2026/27 budget.

The projects and programmes are aimed at providing solutions to the development challenges facing the County in order to achieve its vision.

These projects and programmes will guide in preparation of the budget estimates for the same period which is projected to be Ksh. 6.82 billion for recurrent and Ksh. 3.24 Billion for development.

5.3 Deficit Financing

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

The Financial Year 2026/27 budget will be a balanced one. Pending bills and possible roll-overs from FY 2025/2026 will be settled by all departments as first charge. This may result from shortfall in the current projected revenue collection and late disbursement of funds by the

National Treasury forcing the County Treasury to seek ways of addressing the consequences of the deficit.

The County Treasury remains devoted in strengthening the fiscal policy to reduce possibilities of deficit. This will be achieved through strengthening revenue mobilization, widening revenue base, and conducting revenue potential study, containing unproductive expenditures and leakages during the medium term period.

5.4 Key Priorities for the 2026/2027 Medium Term Budget

The CIDP 2023-2027 and the Annual Development Plan 2026/27 outlines the aspirations of Marsabit people. In order to realize these aspirations, the challenges and lessons learnt during the current Financial Year will be used as building blocks for the fiscal year. In this regard, through the Medium-Term Framework of 2026/27 – 2028/29, the County Government will implement priority programmes under the Annual Development Plan 2026/27 to accelerate economic recovery and enhance service delivery.

The above will be achieved through strong linkages between policy, budgeting, implementation, and monitoring of planned outcomes. This will help County Government to ensure that public spending remains affordable within a sustainable framework. In this regard, public spending will be directed towards the most critical needs of the County with the aim of bringing down the cost of living; eradicating hunger; creating jobs; and provide the greater majority of our citizens with much needed social security. Further, the County Government will ensure departments' requests for resources take into account the resource constraints in light of the fiscal consolidation policy. Additionally, public spending will be directed towards the most critical needs of the County with the aim of achieving quality outputs and outcomes with optimum utilization of resources.

5.5 Allocation Baseline Ceilings

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

Development expenditures have been allocated out on the basis of the flagship projects in the CIDP 2023-2027, ADP 2026-2027 and public views collected during public participation of

developing the planning documents. The following factors were considered in apportioning the development budget.

- a. On-going projects:** emphasis should be given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- b. Counterpart funds:** priority was also given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners.
- c. Strategic policy interventions:** on this, priority should be given to policy interventions covering the entire County on matters of social equity and environmental conservation.

5.5 Criteria for resource allocation

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

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

- Requirements for furtherance and implementation of the Constitution.

5.6 Departmental Allocation of Resources

5.6.1 Introduction

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

The County Integrated Development Plan (2023-2027) and the Annual Development Plan FY 2026/267 outlines the County Government's transformative agenda and are the basis for preparation of this document. It is therefore important to note that there is need for continuous capacity building of the technical personnel to equip them with necessary skills to implement and efficiently operate with the e-procurement, Integrated Financial Management Information System & Internet Banking system updates, budget making process, resource allocation, monitoring and evaluation for optimal service delivery.

5.6.2 Departmental Budgeting

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

The departments are expected to prepare their budgets within the approved ceilings. Each department is expected to plan, formulate, execute, and report on their budgets as guided by the budget circular.

5.6.3 Resources available

Based on the National Government transfers as provided for in the draft Budget Policy Statement, 2026, the County government is committed to spend within its means as well as adhere to the recommended expenditure framework set up by the National Treasury. In the FY

2026/2027, the County Treasury projects a total budget of Kshs. 10,061,663,048. This amount includes the equitable share of revenue raised nationally and loans & grants from the National Government entities and donors and local revenue of Ksh. 180,000,000 and FIF of Ksh. 120,000,000 for the department of Health.

5.6.3.1 External Sources

This will comprise of equitable share and conditional grants (FLLoCA, CHPs, DANIDA, DRNPK, KUSP, FSRP, KDSP II and BREHES). It will also include transfers from National Government Ministries and Agencies channeled through the County Revenue Fund (CRF).

In financial year 2026/27, the Budget Policy Statement, 2026 proposes that the County will receive Kshs. 8,215,666,458 as equitable share, own source revenue of Ksh. 300,000,000 & Conditional allocation of Ksh. 1,545,996,590 totaling to Ksh. **10,061,663,048.**

5.6.3.2 Internal Sources

These are the own source of revenues from specific County revenue raising measures through imposition of land rates, parking fees, entertainment taxes, as well as any other tax and user fees and charges as authorized to impose. These fees and charges shall be included in the Finance Bills prepared each and every year. In the FY 2026/27 budget, the local revenue is projected at Kshs 180 Million. Further, the County estimates to collect Ksh. 120 million as AIA for Facility Improvement Funding under the County Department of Health.

5.6.4 Allocation of Revenue among Departments

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

SUMMARY OF RECURRENT AND DEVELOPMENT EXPENDITURE ESTIMATES - FY 2025/2026				
Code	County Department	Recurrent	Development	Total
3461	County Assembly	741,494,088	240,600,000	982,094,088
3462	County Executive	458,101,332	150,000,000	608,101,332
3463	Finance & Economic Planning	579,952,600	700,000,000	1,279,952,600
3464	Agriculture, Livestock & Fisheries	302,164,823	1,001,306,054	1,303,470,877
3465	County Public Service Board	103,375,670	5,000,000	108,375,670
3466	Education, Skill Development, Youth & Sports	651,199,166	91,200,000	742,399,166
3467	County Health Services	2,154,778,693	202,726,602	2,357,505,295
3468	Administration, Coordination & ICT	790,425,000	416,150,000	1,206,575,000
3469	Energy, Lands & Urban Development	246,457,947	183,300,000	429,757,947
3470	Roads & Public Works	125,476,304	142,081,415	267,557,719
3471	Water, Environment & Natural Resources	175,033,420	487,789,789	662,823,209
3472	Trade, Tourism, Industry & Enterprise Development	107,406,096	4,100,000	111,506,096
3473	Culture & Social Services	185,642,649	48,700,000	234,342,649
3474	Office of the County Attorney	24,978,854	-	24,978,854
3475	Office of the County Secretary	10,500,000	-	10,500,000
TOTAL		6,656,986,642	3,672,953,860	10,329,940,502
Percentage		64%	36%	100%

5.6.5 Fiscal Discipline

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

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

Section 107 (2) (b) of the PFMA, 2012 provides that County Governments should allocate a minimum of 30 percent of their budget over the medium-term to development expenditure. Our County complied with this legal requirement and allocated 38 percent of the approved budget to development in FY 2025/2026 and will continue doing so in future budgets.

The County Government continues putting efforts in expanding the revenue base and opening up more revenue streams. This, combined with other strategies, will reduce over-reliance on external sources of revenues from the National Government and development partners thereby releasing more resources to capital projects and programmes.

5.6.6 Equity in Allocation of Resources

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

5.7 Expenditure Framework

5.7.1 Resource Envelope

The resource envelope that is applied for the setting of departmental ceilings and allocations is based on the fiscal and budget framework outlined above and was based on the proposed County allocations as indicated in the Budget Policy Statement, 2026 for national sources and expected conditional loans and grants. In this resource envelope, the equitable share from national government is expected to finance nearly 80 percent of the total County budget for FY 2026/2027, approximately 17 percent will be financed through conditional grants from development partners while 3 percent will be financed from own source revenue collection.

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

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

The table below shows the County's Resource Envelope for the FY 2026/27 MTEF;

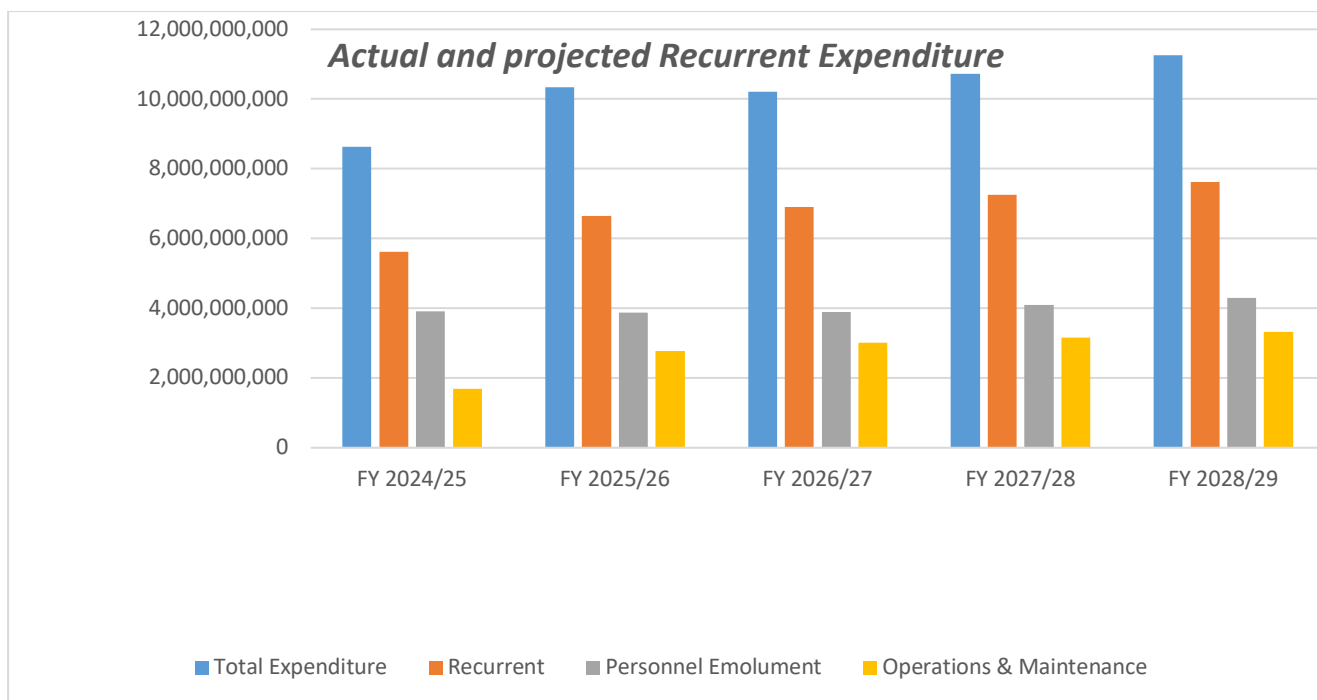
RESOURCE ENVELOPE				
		Financial Years		
S/No.	REVENUE STREAM	2026/27	2027/28	2028/29
1	Equitable Share	8,215,666,458	8,626,449,781	9,057,772,270
2	On Source Revenue	180,000,000	189,000,000	198,450,000
3	AIA - FIF - Hospitals Collections	120,000,000	126,000,000	132,300,000
4	Primary Health Care in Devolved Context (PHC)	10,914,000	11,459,700	12,032,685
5	KDSP II - Level I Grant	37,500,000	39,375,000	41,343,750
6	KDSP II - Level II Grant	352,500,000	370,125,000	388,631,250
7	Kenya Livestock Commercialization Project (KELCOP)	50,150,000	52,657,500	55,290,375
8	Unconditional Allocation for 20% Share of Mineral Royalties	2,169,704	2,278,189	2,392,099
9	Community Health Promoters	60,090,000	63,094,500	66,249,225
10	Doctors Salary Arrears	15,028,763	15,780,201	16,569,211
11	Food Systems Resilience Project	320,109,840	336,115,332	352,921,099
12	FLLOCA - CCRI	250,000,000	262,500,000	275,625,000
13	DRPNK - Drought Resilience Programme in Northern Kenya	308,000,000	323,400,000	339,570,000
14	Kenya Urban Support Programme - UIG	26,000,000	27,300,000	28,665,000
15	Kenya Urban Support Programme - UDG	50,000,000	52,500,000	55,125,000
16	IDA (World Bank) Credit/Grant Building Resilient and Responsive Health System - BREHES	63,534,283	66,710,997	70,046,547
	Total	10,061,663,048	10,564,746,200	11,092,983,510

5.7.2 Recurrent Expenditure Forecasts

The total recurrent expenditure forecasts for FY 2026/27 is Ksh.6.82 billion which is an increase from the previous year's allocation of Ksh. 6.7 billion. This recurrent expenditure forecast comprises of Ksh. 3.9 billion as compensation to employees and Ksh 2.92 billion for operations and maintenance. The Compensation to employees represents 38% of total revenues for the financial year retain in the same proportion for the previous period FY 2025/26.

Actual and projected Recurrent Expenditure by Economic Classifications

Total Expenditure	Actual Expenditure	Approved Budget Estimates	Projections		
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Total Expenditure	8,625,611,712	10,329,940,502	10,061,663,048	10,564,746,200	11,092,983,510
Recurrent	5,611,062,559	6,656,986,642	6,841,368,928	7,183,437,371	7,542,609,240
Personnel Emolument	3,913,120,526	3,880,092,176	3,901,500,000	4,117,575,000	4,323,453,750
Operations & Maintenance	1,697,942,033	2,776,894,466	2,939,868,928	3,065,862,371	3,219,155,490
Recurrent as % of CG Total Expenditure	65%	64%	68%	68%	68%
Personnel Emoluments as % of CG Expenditure	45%	38%	38%	38%	38%
O&M as % of CG Expenditure	20%	27%	29%	29%	29%



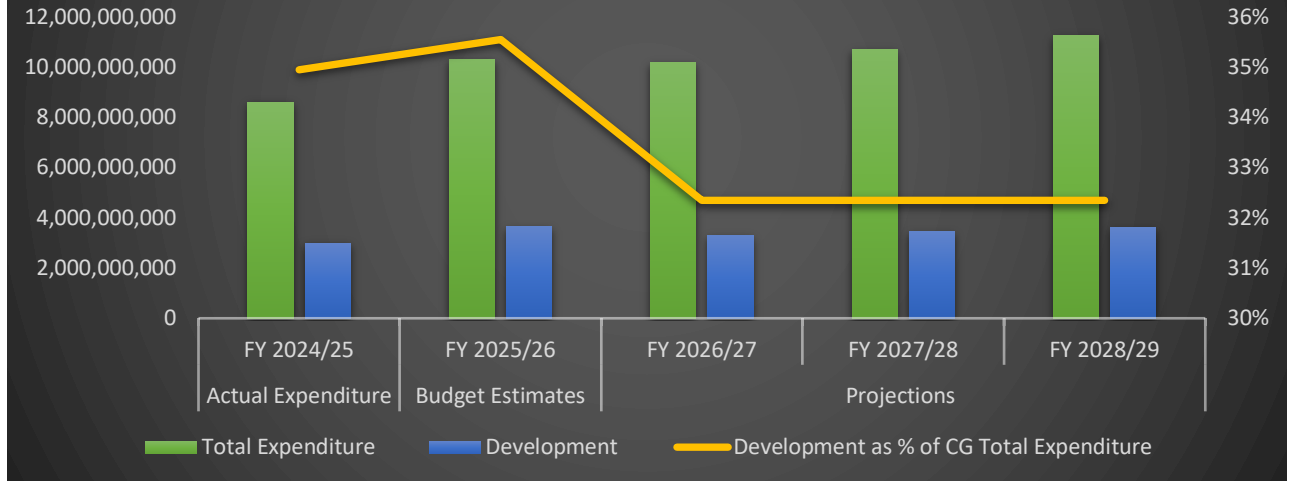
Actual and projected Development Expenditure by Economic Classifications

The FY 2026/27 budget projects total development expenditure will be Ksh. 3.24 billion compared to last year (FY 2025/26) Ksh. 3.7 billion representing 32% of total budget and expected to retain the same proportion over the medium term. The development expenditure will be funded by equitable share transfers from National Treasury as well as own source revenue and loans and grants from national government and development partners.

Actual and projected Development Expenditure by Economic Classifications

	Actual Expenditure	Approved Budget Estimates	Projections		
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Total Expenditure	8,625,611,712	10,329,940,502	10,061,663,048	10,564,746,200	11,092,983,510
Development	3,014,549,153	3,672,953,860	3,220,294,123	3,381,308,829	3,550,374,271
Development as % of CG Total Expenditure	35%	36%	32%	32%	32%

Actual and projected Development Expenditure by Economic Classifications



5.7.3 Spending Priorities

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

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

- i Linkage of programmes with the value chains aligned to the County Integrated Development Plan and the Bottom-Up Economic Transformation Agenda of the National Government;

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

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

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

- **Ongoing projects:** Emphasis was given to completion of ongoing capital projects and in particular infrastructure projects with high impact on poverty reduction, equity, and employment creation.
- **Roll over projects:** These are projects earmarked to be undertaken in the financial year 2025/26 but they haven't started due to various challenges faced during financial year.
- **Counterpart funds:** priority was also given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners.

- **County flagships:** These are projects that are considered to have a huge impact or a multiplier effect cutting across multiple wards and departments and that require a significant proportion of the County appropriation.
- **County newly proposed projects:** Proposals from the public participation and the departments were also considered in the determining of the departmental allocations.
- **Strategic policy thrusts and interventions:** Further priority was given to policy intervention covering the entire County for social equity and environmental conservation.

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

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

5.7.4 Public Participation/ Sector Hearings and Involvement of Stakeholders

Public participation and involvement of stakeholders in the medium-term budget process is a Constitutional requirement. In fulfilment of this requirement, while preparing the County Fiscal Strategy Paper (CFSP), 2026, the resolutions adopted by the county assembly on Annual Development Plan were taken into account. Further, the PFM Act, 2012 (CAP 412A) requires that the input of the public be taken into account before the budget proposals are firmed up. In this regard, the public participation and stakeholder engagement were conducted through physical forum across all the twenty wards of the county.

Medium-Term Expenditure Estimates

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

Departmental Budgetary Ceilings for the Financial Year 2026-2027 and MTEF

		Total Expenditure Kshs.		Projections		%SHARE OF TOTAL EXPENDITURE			
Vote		Approved 2025/26	CFSP Ceilings 2026/27	2027/2028	2028/2029	Appro ved 2025/2 6	CFSP Ceiling s 2026/27	2027/202 8	2028/202 9
County Assembly	SUB- TOTAL	1,372,780,811	741,494,088	778,568,792	817,497,232	14%	7%	7%	7%
	Rec. Gross	765,337,843	741,494,088	778,568,792	817,497,232	8%	7%	7%	7%
	Dev. Gross	607,442,968	0	0	0	6%	0%	0%	0%
County Executive	SUB- TOTAL	722,444,000	658,101,332	691,006,399	725,556,719	7%	7%	7%	7%
	Rec. Gross	572,444,000	508,101,332	533,506,399	560,181,719	10%	7%	7%	7%
	Dev. Gross	150,000,000	150,000,000	157,500,000	165,375,000	4%	5%	5%	5%
County Treasury	SUB- TOTAL	1,069,962,157	1,289,952,600	1,354,450,230	1,422,172,742	11%	13%	13%	13%
	Rec. Gross	332,462,157	589,952,600	619,450,230	650,422,742	6%	9%	9%	9%
	Dev. Gross	737,500,000	700,000,000	735,000,000	771,750,000	20%	22%	22%	22%
Agriculture, Livestock & Fisheries	SUB- TOTAL	1,170,561,478	1,137,524,663	1,194,400,896	1,254,120,941	12%	11%	11%	11%
	Rec. Gross	281,109,366	317,164,823	333,023,064	349,674,217	5%	5%	5%	5%

	Dev. Gross	889,452,112	820,359,840	861,377,832	904,446,724	24%	25%	25%	25%
Water, Environment & Natural Resources	SUB-TOTAL	499,050,000	712,803,124	748,443,280	785,865,444	5%	7%	7%	7%
	Rec. Gross	220,000,000	177,203,124	186,063,280	195,366,444	4%	3%	3%	3%
	Dev. Gross	279,050,000	535,600,000	562,380,000	590,499,000	7%	17%	17%	17%
Education, Skills Development, Youth & Sports	SUB-TOTAL	738,805,783	653,839,166	686,531,124	720,857,681	8%	6%	6%	6%
	Rec. Gross	621,000,000	546,199,166	573,509,124	602,184,581	10%	8%	8%	8%
	Dev. Gross	117,805,783	107,640,000	113,022,000	118,673,100	3%	3%	3%	3%
Health Services	SUB-TOTAL	2,087,263,415	2,633,745,739	2,765,433,026	2,903,704,677	21%	26%	26%	26%
	Rec. Gross	1,848,074,915	2,405,811,456	2,526,102,029	2,652,407,130	31%	35%	35%	35%
	Dev. Gross	239,188,500	227,934,283	239,330,997	251,297,547	6%	7%	7%	7%
Energy, Lands, & Urban Development	SUB-TOTAL	276,600,000	387,957,947	407,355,844	427,723,636	3%	4%	4%	4%
	Rec. Gross	219,000,000	246,457,947	258,780,844	271,719,886	4%	4%	4%	4%
	Dev. Gross	57,600,000	141,500,000	148,575,000	156,003,750	2%	4%	4%	4%
Public Service Board	SUB-TOTAL	125,000,000	103,375,670	108,544,454	113,971,676	1%	1%	1%	1%
	Rec. Gross	110,000,000	103,375,670	108,544,454	113,971,676	2%	2%	2%	2%
	Dev. Gross	15,000,000	0	0	0	0%	0%	0%	0%
Administrati on & ICT	SUB-TOTAL	581,000,000	1,209,604,816	1,270,085,057	1,333,589,310	6%	12%	12%	12%

	Rec. Gross	575,000,000	816,604,816	857,435,057	900,306,810	10%	12%	12%	12%
	Dev. Gross	6,000,000	393,000,000	412,650,000	433,282,500	0%	12%	12%	12%
Roads, Public Works & Housing	SUB-TOTAL	544,870,000	205,076,304	215,330,119	226,096,625	6%	2%	2%	2%
	Rec. Gross	130,000,000	125,476,304	131,750,119	138,337,625	2%	2%	2%	2%
	Dev. Gross	414,870,000	79,600,000	83,580,000	87,759,000	11%	2%	2%	2%
Tourism, Trade, Industry, Enterprise Development & Cooperative	SUB-TOTAL	302,121,920	120,406,096	126,426,401	132,747,721	3%	1%	1%	1%
	Rec. Gross	112,121,920	107,406,096	112,776,401	118,415,221	2%	2%	2%	2%
	Dev. Gross	190,000,000	13,000,000	13,650,000	14,332,500	5%	0%	0%	0%
Culture, Gender & Social Services	SUB-TOTAL	184,578,080	167,302,649	175,667,781	184,451,171	2%	2%	2%	2%
	Rec. Gross	135,678,080	115,642,649	121,424,781	127,496,021	2%	2%	2%	2%
	Dev. Gross	48,900,000	51,660,000	54,243,000	56,955,150	1%	2%	2%	2%
Office of the County Attorney	SUB-TOTAL	29,978,854	24,978,854	26,227,797	27,539,187	0%	0%	0%	0%
	Rec. Gross	29,978,854	24,978,854	26,227,797	27,539,187	1%	0%	0%	0%
	Dev. Gross	0	0	0	0	0%	0%	0%	0%
Office of the County Secretary	SUB-TOTAL	10,500,000	15,500,000	16,275,000	17,088,750	0%	0%	0%	0%
	Rec. Gross	10,500,000	15,500,000	16,275,000	17,088,750	0%	0%	0%	0%
	Dev. Gross	0	0	0	0	0%	0%	0%	0%

TOTAL		9,715,516,498	10,061,663,048	10,564,746,200	11,092,983,510	100%	100%	100%	100%
TOTAL REC. GROSS		5,962,707,135	6,841,368,925	7,183,437,371	7,542,609,240	61%	68%	68%	68%
TOTAL DEV. GROSS		3,752,809,363	3,220,294,123	3,381,308,829	3,550,374,271	39%	32%	32%	32%

5.7.5 Baseline ceilings

5.7.5.1 Recurrent Expenditure Projections

The total recurrent budget for FY 2026/27 will be Ksh. 6.82 billion as compared to Ksh. 6.66 billion in FY 2025/26 Approved Budget Estimates. The recurrent estimates account for approximately 68 % of the total County budget which consists of all non-discretionary expenditures such as payment of statutory obligations namely, wages, salaries, pension, gratuity, payee, and utilities, taking first charge.

The County wage bill is at 39 percent of the total budget thereby leaving very little amount for other operations and maintenance especially after considering the utility bills. The allocation for operations and maintenance is also further compounded by the 30 percent minimum requirement for development and the allocations for conditional grants.

5.7.5.2 Development Expenditure Projections

On the other hand, 32% percent of the total budget estimate, amounting to Ksh. 3.24 billion, is reserved for funding planned development projects and programmes in line with the PFM Act, 2012. The development expenditure is shared out on the basis of the Conditional grants, County priorities, consideration of ongoing projects and programmes, the Approved ADP 2026/2027, the views of the public and other stakeholders as articulated during the public participation and sector hearing forums for the CIDP 2023-2027 and the County flagship projects.



CHAPTER SIX: CONCLUSION



CHAPTER SIX:

CONCLUSION

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

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

ANNEX

Annex 1: Budget Calendar for the 2026/27 MTEF Budget Process

ACTIVITY	RESPONSIBILITY	TIMEFRAME/DEADLINE
Develop and issue MTEF Guidelines and Budget Calendar	County Treasury	30th August 2025
Launch of Sector Working Groups (SWGs)	County Treasury	15th September 2025
Undertake Departmental Expenditure Review	All Departments	15th September 2025
Preparation of Progress report on MTP	All Departments	15th September 2025
Preparation of annual Plans	All Departments	1st September 2025
Capacity building for MTEF and Programme Based Budget	County Treasury	31st October 2025
Estimation of the Resource Envelope	County Treasury	30th September 2025
Determination of policy priorities	County Treasury	30th September 2025
Preliminary Resource Allocation to Sectors	County Treasury	30th September 2025
Submission of Information necessary for the Development of County Budget Review and Outlook Paper	All Departments	10th September, 2025
Develop County Budget Review and Outlook Paper (CBROP)	County Treasury	20th September 2025
Submit County Budget Review and Outlook Paper (CBROP) to the County Executive Committee	County Treasury	30th September 2025
Departments in Sub-counties submit their inputs to Relevant departments	Departments in the Sub- Counties	30th September 2025
Deliberation and approval of CBROP	County Executive Committee	14th October, 2025
Submission of Approved CBROP to the County Assembly	County Treasury	21st October, 2025
Convene Public Sector Hearing on MTEF budget proposals	County Treasury	12th November 2025
Issue Circular on Revised Budget	County Treasury	15th November, 2025
Review of the MTEF Budget Proposals	County Treasury	20th November, 2025
Submission of Sector Reports to the County Treasury	Sector Working Group	27th November, 2025
Submission of Supplementary Budget Proposals	All departments	8th January, 2026
Review of Supplementary Budget Proposals	County Treasury	15th January, 2026
Submission of Information for Preparation of Draft County Fiscal Strategy Paper (CFSP)	County Treasury	15th January, 2026
Submission of CFSP to the County Executive Committee in preparation of Public Participation	County Treasury	1st February, 2026
Public Participation meetings of the CFSP	County Treasury/ All	15th February, 2026

ACTIVITY	RESPONSIBILITY	TIMEFRAME/DEADLINE
Submission of CFSP to the County Executive Committee for approval	County Treasury	19th February, 2026
Submission Of CFSP to County Assembly for approval	County Treasury	28th February, 2026
Submit Supplementary Budget Proposals to Assembly	County Treasury	27th February, 2026
Develop and Issue Final Guidelines on preparation of 2024/2025 Budget Estimates	County Treasury	30th January, 2026
Preparation of itemized and Programme Based Budgets	All departments	15th March, 2026
Submission of itemized and Programme Based Budgets to the County Treasury	All departments	16th March, 2026
Review and finalize Departmental itemized and Programme Based Budgets	County Treasury	30th March, 2026
Submission of Budget Estimates to Executive Committee for Approval Before Public Participation	County Treasury	4th April, 2026
Public Hearing On the Budget Estimates	County Treasury	18 April, 2026
Consolidation of Budget Estimates after Public Participation	County Treasury	20th April, 2026
Submission of Budget Estimates to Executive Committee for Approval	County Treasury	23rd April, 2026
Submission of Budget Estimates to County Assembly for approval	County Treasury	27th April, 2026
Review of Budget Estimates by the County Assembly	County Assembly	25th May, 2026
Approval of the Budget Estimates	County Assembly	15th June, 2026
Consolidation of the Final Budget Estimates	County Treasury	22nd June, 2026
Submission of Appropriation Bill to the County Assembly	County Treasury	27th June, 2026
Consideration and Passage Of Appropriation Bill	County Assembly	30 June, 2026



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To obtain copies of the document, please contact:

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