



COMMISSION ON REVENUE ALLOCATION

Promoting an Equitable Society

REVIEW REPORT ON THE COUNTY FISCAL STRATEGY PAPERS (CFSPS) FOR FY 2026/2027

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Submissions of the County Fiscal Strategy Papers

Own Source Revenue (OSR) performance

Fiscal Responsibility Principles

Alignment of CFSP

Fiscal Risks

Pending Bills

Budget Ceilings

Public Participation

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JUNE 2026

FOREWORD

The County Fiscal Strategy Paper (CFSP) is a critical policy and planning instrument in the county budget cycle. Prepared pursuant to Section 117 of the Public Finance Management Act (Cap. 412A), the CFSP provides the fiscal framework that guides county governments in preparing their annual budgets and medium-term expenditure plans. It outlines the broad strategic priorities and policy objectives, presents the fiscal outlook on revenues and expenditures, and ensures that county budgets are aligned with national priorities as articulated in the Budget Policy Statement.

In recognition of the Commission on Revenue Allocation's constitutional mandate under Article 216(2) of the Constitution to make recommendations on the financing and financial management of county governments, Section 117(5)(a) of the Public Finance Management Act further requires county governments to seek and consider the Commission's views during the preparation of their County Fiscal Strategy Papers. This statutory requirement reinforces the Commission's role in promoting prudent fiscal management, equitable resource allocation, and sustainable public finances across county governments.

This report presents the Commission's review of the County Fiscal Strategy Papers submitted by county governments for the Financial Year 2026/27. The review demonstrates notable progress in county compliance with the statutory requirements governing the preparation of the CFSP. The Commission received and reviewed forty-seven (47) County Fiscal Strategy Papers submitted by county governments, enabling it to provide its views as required under Section 117(5)(a) of the Public Finance Management Act. The review assessed the fiscal outlook presented in the CFSP, including county revenue projections, own-source revenue performance, recurrent and development expenditure, personnel emoluments, fiscal risks, pending bills, county assembly recurrent expenditure ceilings, public participation, and alignment of county priorities with the national objectives outlined in the 2026 Budget Policy Statement.

The review reveals encouraging progress in several areas, including increased compliance with the requirement to seek the Commission's views, universal alignment of submitted CFSP with the national development priorities under the Bottom-Up Economic Transformation Agenda (BETA), and evidence of public participation in all the submitted County Fiscal Strategy Papers. Nevertheless, the review also highlights persistent fiscal management challenges, including unrealistic own-source revenue

projections, continued non-compliance with the statutory thresholds on personnel emoluments and development expenditure by some counties, high recurrent expenditure, accumulation of pending bills, and the need for strengthened fiscal risk management and more credible revenue forecasting.

The recommendations contained in this report are intended to support county governments, the Senate, County Assemblies, and other stakeholders in strengthening fiscal discipline, improving budget credibility, and enhancing the sustainability of county public finances.

The Commission remains committed to working collaboratively with county governments, Parliament, County Assemblies, the National Treasury, and other stakeholders to strengthen public financial management systems and enhance the effectiveness, transparency, accountability, and sustainability of county finances in accordance with the Constitution and the Public Finance Management Act.



CPA Mary Wanyonyi Chebukati, CBS

CHAIRPERSON

LIST OF ABBREVIATIONS

BPS	Budget Policy Statement
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Forum
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CGA	County Government Act
CRA	Commission on Revenue Allocation
DORA	Division of Revenue Act
IBEC	Intergovernmental Budget and Economic Council
MSME	Micro Small and Medium Enterprise
NWBC	National Wage Bill Conference
OAG	Office of the Auditor General
OSR	Own Source Revenue
PFMA	Public Finance Management Act

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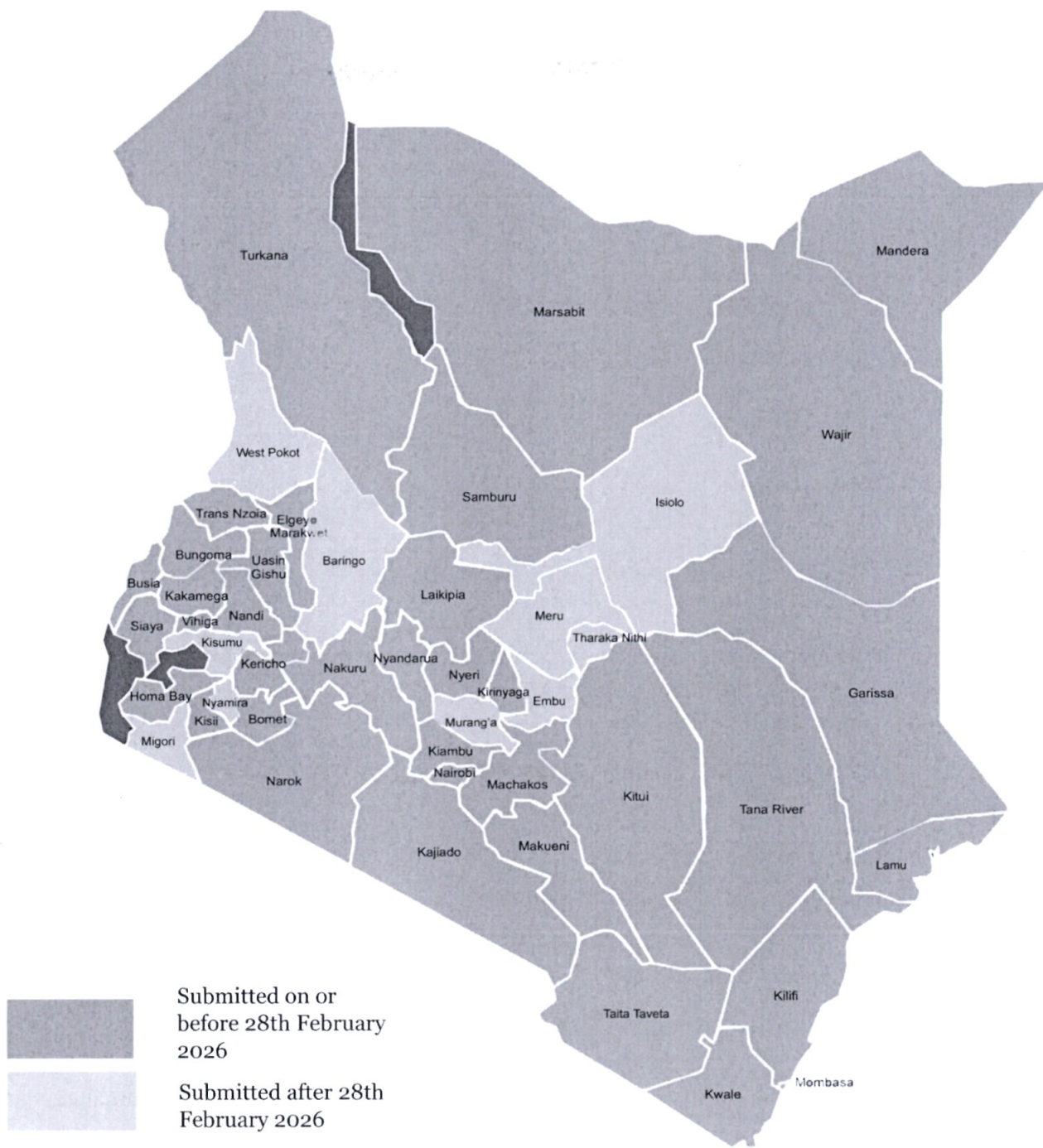
The Public Finance Management CAP 412A Section 117

1. The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval, and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly by 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 consider 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 finalising the budget proposal for the financial year concerned.
8. The County Treasury shall publish and publicise the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

The Public Finance Management CAP 412 A Section 107 (2)

The 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. PFM CAP 412A Regulation 25 (1) (a) and (b) stipulates that the county government's expenditure on wages and benefits for its public officers shall not exceed 35% of the county's total revenues.
- 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. 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.



Executive Summary

The FY 2026/27 County Fiscal Strategy Papers (CFSPs) Review Report evaluates county governments' compliance with the requirements of the Public Finance Management (PFM) Act, CAP 412A, and assesses the fiscal outlook of county governments across Kenya. The review focused on revenue performance, expenditure management, fiscal responsibility, pending bills, alignment with national priorities, public participation, and county assembly expenditure ceilings.

All 47 county governments submitted their CFSPs to the Commission on Revenue Allocation (CRA) for review. Most counties complied with the requirement to align their fiscal strategies with national priorities under the Bottom-Up Economic Transformation Agenda (BETA), particularly in agriculture, healthcare, infrastructure, trade, education, and digital transformation.

The review identified significant weaknesses in county revenue forecasting and fiscal discipline. Only 10 of the 47 counties achieved own-source revenue (OSR) performance within the acceptable deviation threshold of $\pm 10\%$ between targets and actual collections, indicating widespread weaknesses in revenue forecasting methodologies. While some counties such as Narok, Mombasa, and Makueni exceeded their estimated revenue potential, many counties continued to underperform relative to their OSR potential, limiting their capacity to finance development and manage rising recurrent expenditures. Counties proposed several revenue enhancement strategies, including automation of revenue systems, expansion of revenue bases, stronger enforcement, improved valuation rolls, and enhanced public sensitization.

On expenditure management, the report notes that all counties maintained recurrent expenditure below total revenue as required by law. However, recurrent expenditures remained excessively high in several counties, leaving limited fiscal space for development spending. Personnel emoluments emerged as a major concern, with only four counties meeting the legal threshold requiring wage bills to remain below 35% of total revenue. Many counties projected wage expenditures above the threshold in FY 2026/27, raising concerns about fiscal sustainability. Counties proposed measures such as staff rationalization, payroll audits, automation, hiring freezes, and performance-based management to contain wage growth.

Regarding development expenditure, most counties complied with the requirement to allocate at least 30% of budgets to development over the medium term. However, counties such as Nairobi recorded persistently low actual development expenditure

due to high recurrent costs, pending bills, and wage obligations. For FY 2026/27 projections, only Nandi and Meru fell below the statutory 30% development threshold. The review further highlighted growing fiscal risks and pending bills across counties. Forty-five counties disclosed fiscal risks and mitigation measures as required under the PFM framework. Nonetheless, pending bills remain a major challenge, with counties such as Nairobi, Kiambu, Machakos, Kilifi, and Mombasa reporting substantial outstanding obligations running into billions of shillings. Counties proposed prioritizing settlement of pending bills, strengthening procurement controls, improving cash-flow planning, and enhancing transparency to prevent accumulation of arrears.

The report also assessed county assembly recurrent expenditure ceilings and found significant variances between CRA recommendations and county projections. Several county assemblies exceeded recommended ceilings, while others failed to provide sufficient financial information. In addition, public participation compliance was generally strong, with all 47 counties demonstrating evidence of stakeholder engagement through public forums or memoranda during preparation of the CFSPs. The Commission concluded that while counties have made progress in aligning fiscal strategies with national priorities and complying with some fiscal responsibility principles, major challenges remain in revenue mobilization, wage bill management, expenditure efficiency, and pending bill settlement. The report recommends stricter compliance with fiscal responsibility thresholds, adoption of scientific revenue forecasting models, timely submission of CFSPs, enhanced own-source revenue mobilization, prudent management of personnel costs, and prioritization of pending bill payments to strengthen county fiscal sustainability and service delivery.

CHAPTER ONE: INTRODUCTION

1.1 Background

The Public Finance Management (PFM), CAP 412A Section 117 outlines the process of preparing the County Fiscal Strategy Paper (CFSP) by the County Treasury as follows;

- a. All counties to submit a CFSP to their respective county assemblies by 28th February each year;
- b. The CFSP to be aligned with the national objectives in the Budget Policy Statement;
- c. The CFSP to 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;
- d. The County Treasury to include in its CFSP the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term; and
- e. In preparing the CFSP, the County Treasury to seek and take into account the views of the Commission on Revenue Allocation, the public, any interested persons or groups and any other forum that is established by legislation.

1.2 Objective of the Report

The objective of this report is to;

- i. Consolidate the reviews of 2026/27 CFSPs in fulfilment of Section 117 (5a) of the PFM CAP 412A.
- ii. Make recommendations to the Senate and County Governments on the findings of the CFSP reviews in line with Article 216 (5) of the Constitution.

1.3 Scope of the Report

The report consolidates the reviews of the County Fiscal Strategy Papers (CFSPs) for the Financial Year 2026/2027 submitted to the Commission by county governments, with reference to the FY 2025/2026 CFSPs and CARA 2024, where relevant, for comparative analysis and contextual interpretation.

The report further analyses county government revenue projections and performance, expenditure trends, fiscal risks, pending bills, alignment of the CFSPs with national government priorities and objectives, and compliance with county assembly recurrent expenditure budget ceilings. The report also provides recommendations informed by the analysis's findings.

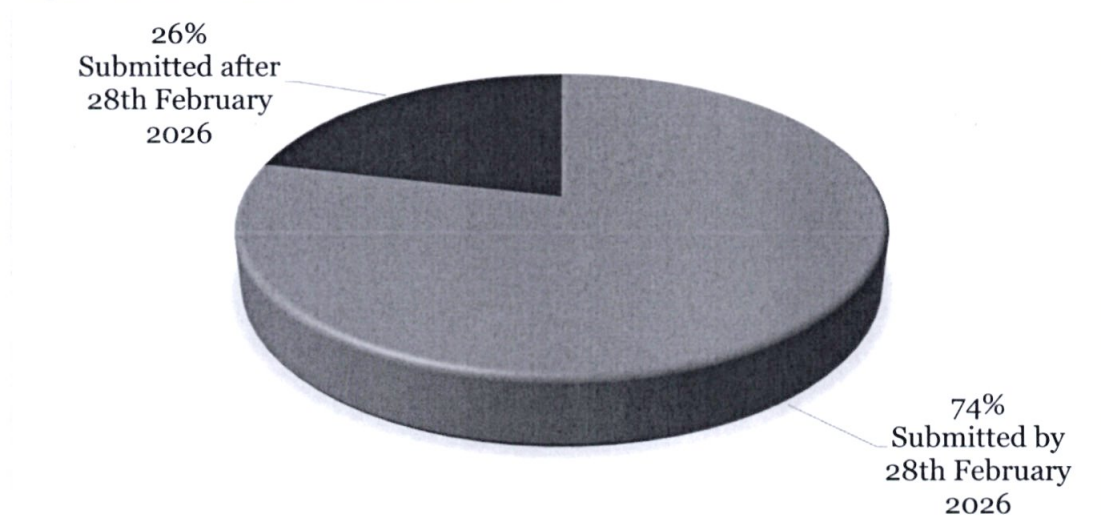
CHAPTER TWO: OBSERVATION AND FINDINGS OF THE COUNTY FISCAL STRATEGY PAPERS

The Commission received and reviewed the forty-seven (47) CFSPs and developed recommendations for the respective county governments. The thematic areas of the review included: Submissions of the County Fiscal Strategy Papers, County own source revenues (OSR) performance, adherence to fiscal responsibility principles in respect of recurrent and development expenditures, fiscal risks to the FY 2026/27 framework, alignment of CFSP with national objectives, pending bills, county assembly recurrent expenditure budget ceilings, and public participation.

2.1 Submissions of the County Fiscal Strategy Papers 2026

In pursuit of the Commission's mandate on financing and financial management by county governments, and in conformity with the requirements of S. 117 (5a) of the PFM CAP 412 A, the Commission, on 3rd February 2026, requested, through a letter referenced CRA/ADM/24 VOL I (116), that all forty-seven (47) county governments submit copies of their CFSPs to the Commission for its views before submitting them to the county assemblies for approval on 28th February 2026. Notably, all the forty-seven (47) counties submitted their CFSPs to the Commission for its input. Figure 1 below shows the status of CFSP submissions.

Figure 1: Submission Status of CFSPs



Source: County Fiscal Strategy Papers 2026

It is important to note that all the forty-seven (47) County Governments submitted their CFSPs for CRA's review. However, only thirty seven (37) counties submitted their CFSPs on or by 28th February 2026 as per the law. The remaining ten (10) counties

submitted after 28th February 2026. Consequently, this constitutes a breach of the PFM CAP 412A Section 117. However, the PFM CAP 412A, Section 117, is silent on enforcement. Annex 1 shows the counties that submitted CFSPs to CRA.

2.2 Revenues

The PFM CAP 412A Section 117 (4) stipulates that the County Treasury shall include in the 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.

The PFM CAP 412A Section 117 (2) (a) and The PFMA county regulation 25 (1) (a) set limits for recurrent expenditures and the county government's expenditure on wages and benefits against total revenue, respectively.

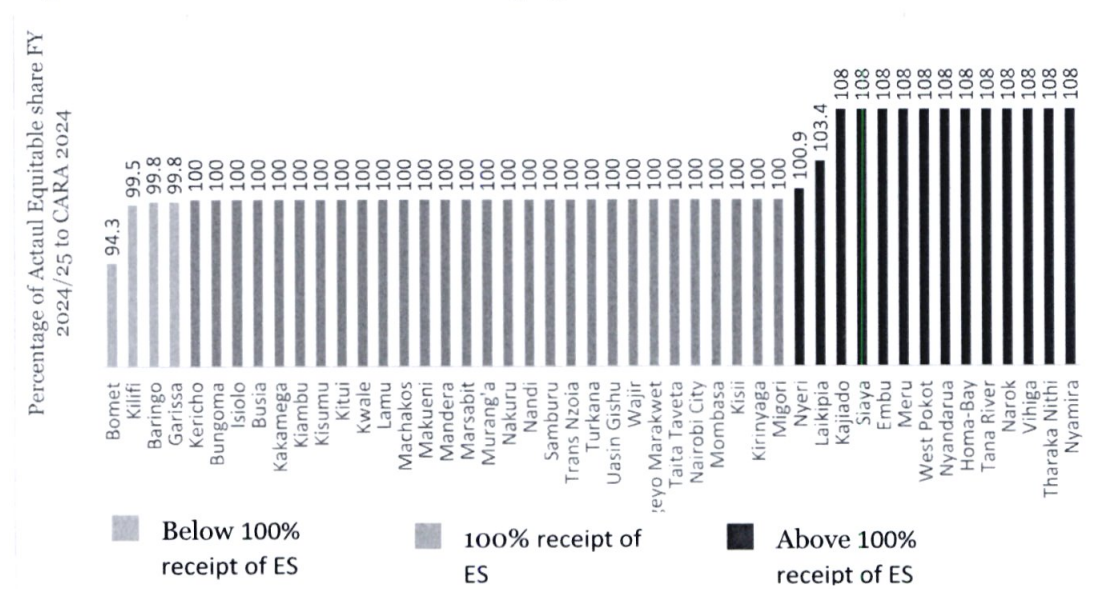
In developing the CFSP for the FY 2026/27 report, the Commission considered total revenue to comprise the equitable share and Own Source Revenue.

2.2.1 Equitable Share

A comparative analysis was conducted between the equitable share allocated to county governments under the County Allocation of Revenue Act (CARA) 2024 and the actual total equitable share received by the counties as at 30 June 2025.

The analysis aimed to determine the total disbursement of the equitable share to county governments in FY2024/25, as shown in **Figure 2**.

Figure 2: Comparison of equitable Share as per CARA 2024 and Actual Equitable share received FY 2024/25



Source: OCOB County Governments Budget Implementation Report 2024/25 and CARA 2024

The following findings can be observed from Figure 2.

Fourteen (14) counties received an equitable share above CARA 2024. These were Nyeri (100.9%), Laikipia (103.4%), and Kajiado, Siaya, Embu, Meru, West Pokot, Nyandarua, Homa Bay, Tana River, Narok, Vihiga, Tharaka Nithi, and Nyamira, all at 108%.

Four (4) counties received equitable shares below the CARA 2024. These were Bomet (94.3%), Kilifi (99.5%), Baringo (99.8%) and Garissa (99.8%). Twenty-nine (29) counties received an equitable share in line with CARA 2024.

The negative variances in the equitable may be attributed to late disbursements and low absorption, while the positive variance is due to balances carried forward from the previous year. This is further due to the untimely manner in which equitable share disbursements are made to some counties.

2.2.2 County Own Source Revenues (OSR)

The Commission on Revenue Allocation (CRA) is mandated under Article 216(2)(b) to provide recommendations on the financing and financial management of county governments. Pursuant to Article 216(3)(b), it is also mandated to define and enhance revenue sources for both county and national governments. In addition, Article 209(3) further empowers county governments to raise their own revenue by imposing property rates, entertainment taxes, and any other tax authorised by an Act of Parliament. Also, county governments may impose fees and charges on services they provide.

In reviewing the 2026/27 CFSPs, the following comparative analysis was conducted.

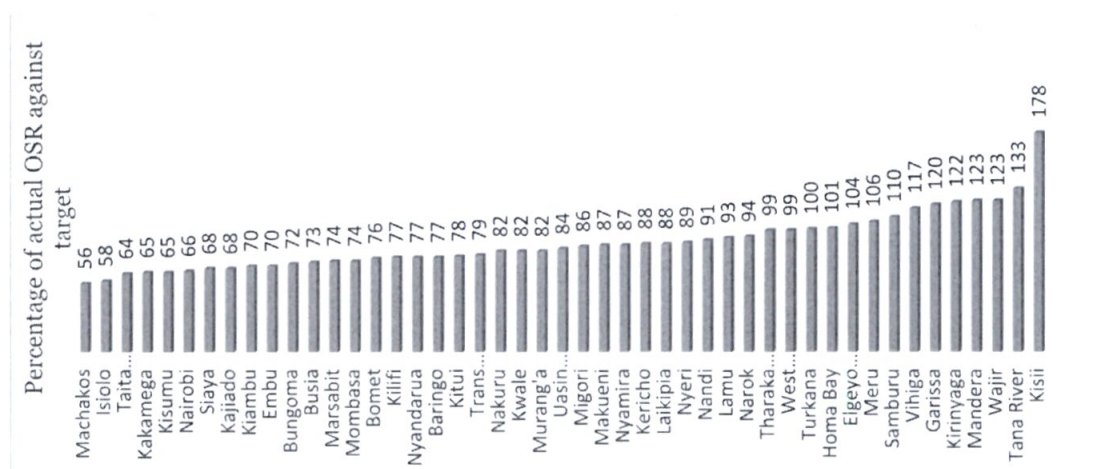
- a. Annual OSR performance - Actual versus Target.
- b. Targets over the years against the 2026/27 Potential.
- c. OSR Projections for FY 2026/27 against the CRA potential study of 2022.

a. Annual OSR Performance (Actual versus Target)

A comparative analysis of the actual OSR collection and OSR targets for FY 2024/25 was undertaken.

The analysis was conducted to determine the predictability of OSR collection in line with PFM CAP 412A Section 107(2)(g), as shown in Figure 3.

Figure 3: FY 2024/25 OSR Performance (Actual Against Target)



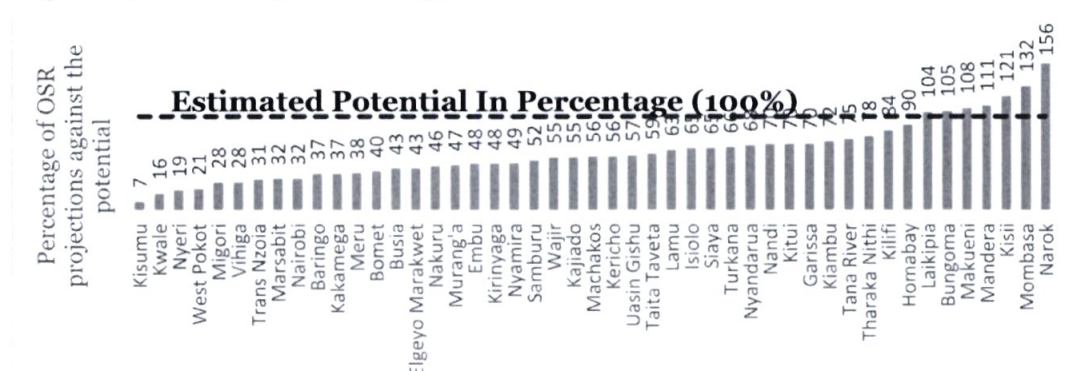
Source: County Fiscal Strategy Papers 2026

Figure 3 shows a deviation from the targets, indicating a forecasting problem. Good practice allows a deviation from the target of $\pm 10\%$. It was observed that ten (10) of forty-seven (47) counties had deviations within the $\pm 10\%$ threshold. These are Nandi (-9%), Lamu (-7%), Narok (6%), Tharaka Nithi and West Pokot (-1%), Turkana (0%), Homa Bay (1%), Elgeyo Marakwet (4%), Meru (6%), and Samburu (10%). All other thirty-seven (37) counties had deviations beyond the 10% threshold. This implies that the counties are not using a scientific approach to estimate OSR projections.

b. OSR Projections for FY 2026/27 Against the CRA Potential

A comparative analysis was undertaken of the OSR projections for FY 2026/27 against the OSR potential estimates contained in the CRA's OSR Potential and Tax Gap Study of 2022. Figure 4 below shows the 2026/27 OSR projections alongside the 2022 CRA CRA's OSR Potential and Tax Gap Study.

Figure 4: OSR Projections Against the Potential



Source: CRA Own Compilation

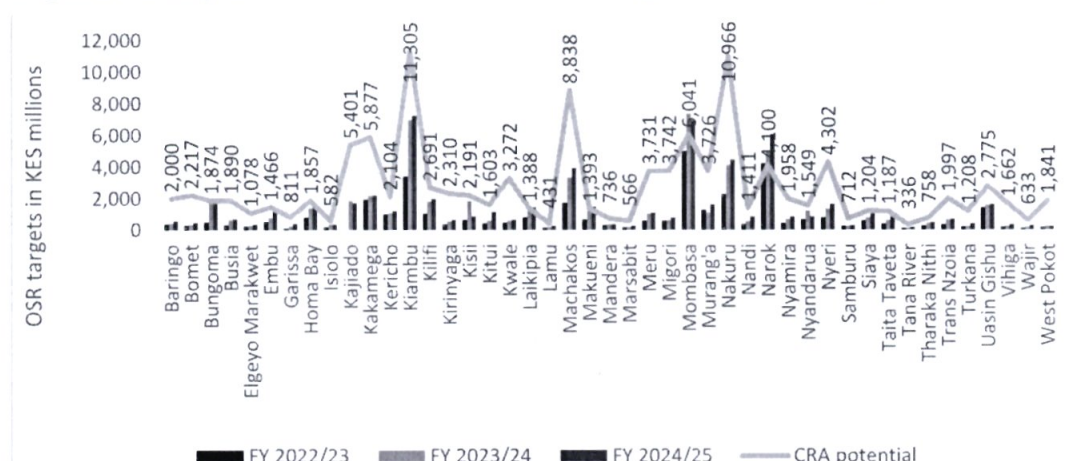
It was observed in Figure 4 that OSR projections for seven (7) counties were above their potential. These were Laikipia (104%), Bungoma (105%), Makueni (108%), Mandera (111%), Kisii (121%), Mombasa (132%) and Narok (156%).

The OSR projections forty (40) counties were below their potential. The counties with less than 30% projections relative to potential were Kisumu (7%), Kwale (16%), Nyeri (19%), West Pokot (21%), Migori (28) and Vihiga (28%). This implies that these counties may not be able to achieve their maximum revenue to address their growing needs.

c. OSR Targets over medium-term against the OSR Potential

A comparative analysis was undertaken of the OSR targets for FY 2022/23, 2023/24 and 2024/25 against the OSR potential estimate to assess unpredictability in target setting. Figure 5 shows targets over the years against the OSR potential.

Figure 5: Targets Over the Medium-term against the OSR potential



Source: County Fiscal Strategy Papers 2026

Figure 5 shows that most counties have targets moving closer to their OSR potential estimates, except for Kiambu, Machakos, Nakuru, Nairobi and Kisumu. Notably, Narok, Makueni, and Mombasa have exceeded their estimated OSR potential. This implies that the counties require additional support to develop OSR strategies to achieve their OSR potential.

Note: Nairobi (KES 67.7 billion) and Kisumu (KES 28.8 billion) are outliers, since their OSR potential estimates are significantly higher than those of the other counties. As such, they have been omitted from the graph.

Proposed Strategies for Enhancing OSR

The following are some of the revenue enhancement strategies proposed by counties to increase their OSR in the 2026/27 CFSP:

- i. Full automation of revenue collection systems.
- ii. Capacity building of revenue and enforcement officers to improve efficiency in revenue collection.
- iii. Strengthening the legal and policy framework.
- iv. Expansion of the OSR base.
- v. Comprehensive OSR mapping
- vi. Public sensitisation to educate residents on the benefits of timely revenue payments.
- vii. Updated valuation roll to enhance land rates revenue collection.
- viii. Adherence and enforcement of existing laws.
- ix. Introduction of revenue forecasting models for better predictability.

Annex 2 outlines the proposed strategies for each county government.

2.3 Expenditures

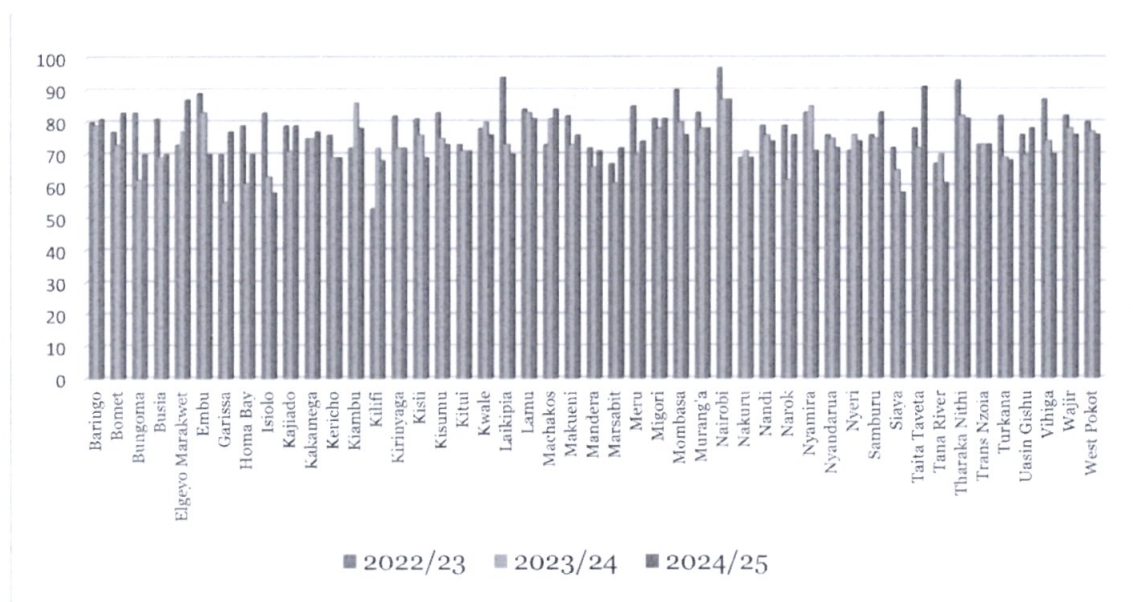
2.3.1 Recurrent Expenditures

PFM CAP 412A Section 107 sets out the fiscal responsibility principles to be enforced by the County Treasury in managing the county government's public finances. PFM CAP 412A S. 107 (2)(a) requires that the county government's recurrent expenditure shall not exceed its total revenue.

a. Recurrent Expenditure to Total Revenues

A comparative analysis of recurrent expenditure to total revenues was undertaken for FY 2022/23, 2023/24 and 2024/25. Figure 6 below shows the recurrent expenditure to total revenues for each of the three years.

Figure 6: Recurrent expenditure as a Percentage of total revenue over years



Source: OCOB Reports

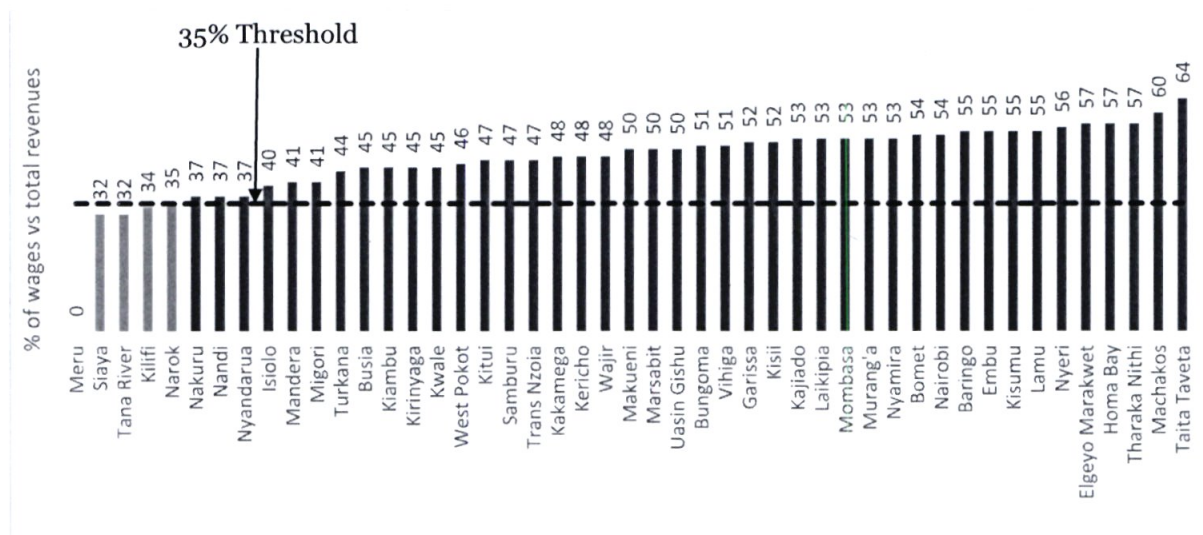
The CFSP reports shows that none of the forty seven (47) counties' recurrent expenditure exceeded total revenue over the four (4) years under review. However, counties are showing very high recurrent expenditure relative to total revenue. For instance, in FY 2024/25, Taita Taveta was at 91%, Nairobi and Elgeyo Marakwet at 87%, while Machakos had 84%.

2.3.2 Personnel Emoluments

PFM CAP 412A Section 107 sets out the fiscal responsibility principles to be enforced by the County Treasury in managing the county government's public finances. PFM CAP 412A Regulation 25 (1) (a) and (b) stipulates that the county government's expenditure on wages and benefits for its public officers shall not exceed 35% of the county's total revenues.

The Third National Wage Bill Conference (NWBC), held from 15 to 17 April 2024 at the Bomas of Kenya, unveiled a robust plan to manage the public wage bill. The NWBC resolutions emphasised the government's commitment to achieving a wage bill-to-revenue ratio of no more than 35 per cent by 2028.

Figure 7: County Governments' Actual Expenditure on Personnel Emolument for FY 2024/25

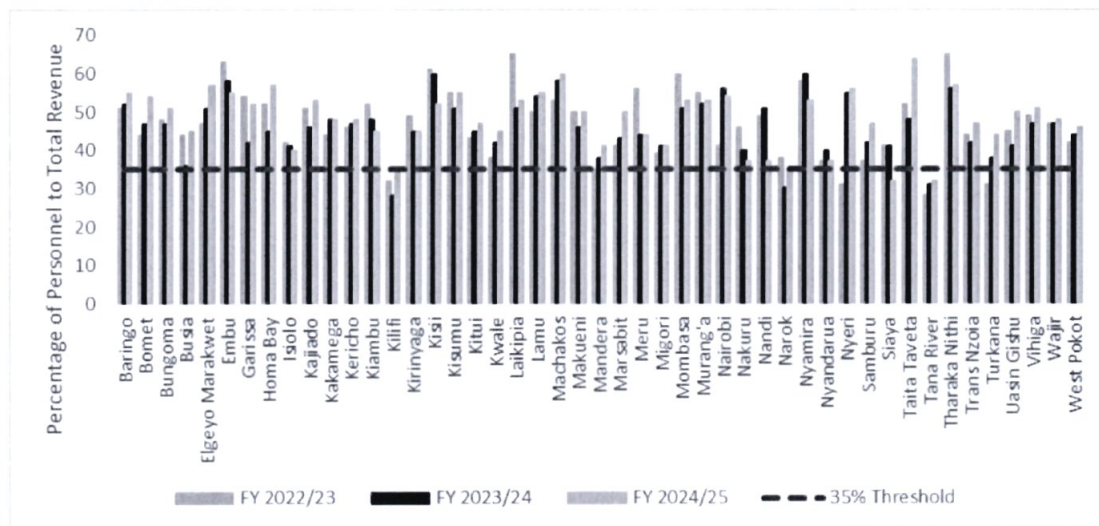


Source: OCOB Reports

Figure 7 shows that in FY 2024-25, only four (4) counties met the wage and benefits threshold of not exceeding 35% of the county's total revenues. These counties are Siaya, Tana River, Kilifi and Narok. The other forty-two (42) counties were above the threshold. Further, Taita Taveta county had the highest personnel emolument expenditure at 64%. The counties above the threshold are not aligned to PFM CAP 412A Section 107 (2)(c).

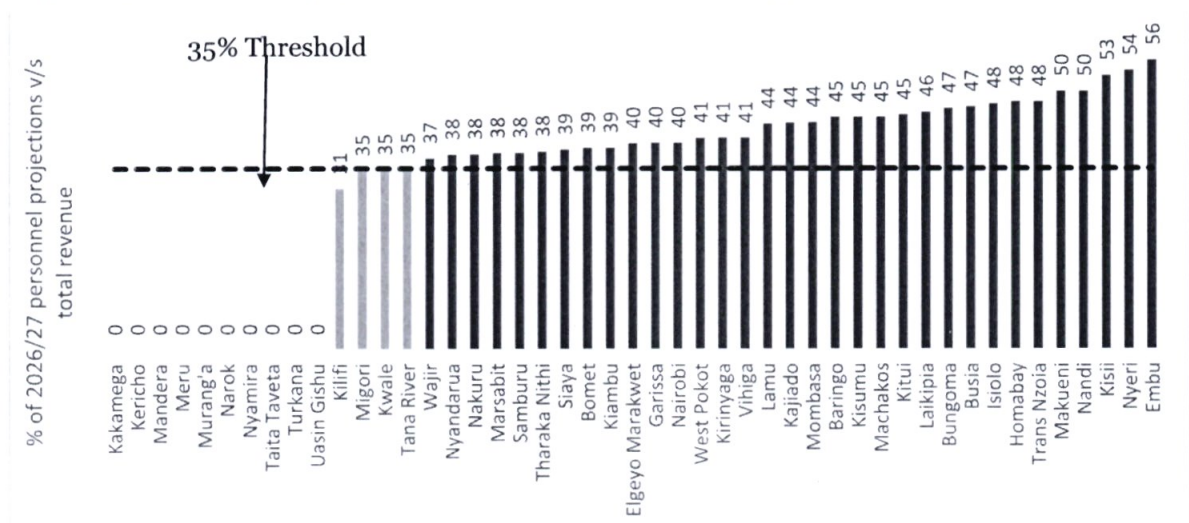
The commission also provided personnel wage bill analysis for the previous three years as shown in figure 8. From the analysis of the 3 FY's personal emoluments, Kilifi and Tana River Counties have maintained figures of less than 35%. Siaya which had been above the 35% threshold, fell to 32% in 2024/25. It is worth noting that Embu, Isiolo, Kiambu, Kirinyaga, Kisii, Meru and Nakuru Counties have been on a downward trend in their personnel emoluments over the 3 financial years.

Figure 8: Analysis of Personnel Emoluments for the past 3 years



An analysis of the proposed allocation of personnel emoluments was undertaken and the findings are as shown in Figure 9.

Figure 9 CFSP 2026/27 Personnel Emoluments Proposed Allocations



Source: CFSPs 2026/27

In the 2026/27 CFSPs, counties proposed varied allocations towards personnel emolument. Four counties (4) adhered to the 35% threshold in their projections for personnel emolument. These were Kilifi at 31%, while Migori, Kwale, and Tana River were at 35%. Thirty-three (33) counties were above the 35% threshold. Embu county had the highest proposed projection at 56%.

Notably, ten (10) counties did not propose any allocations for wages.,

a. Strategies for Managing High Wage bill and Benefits

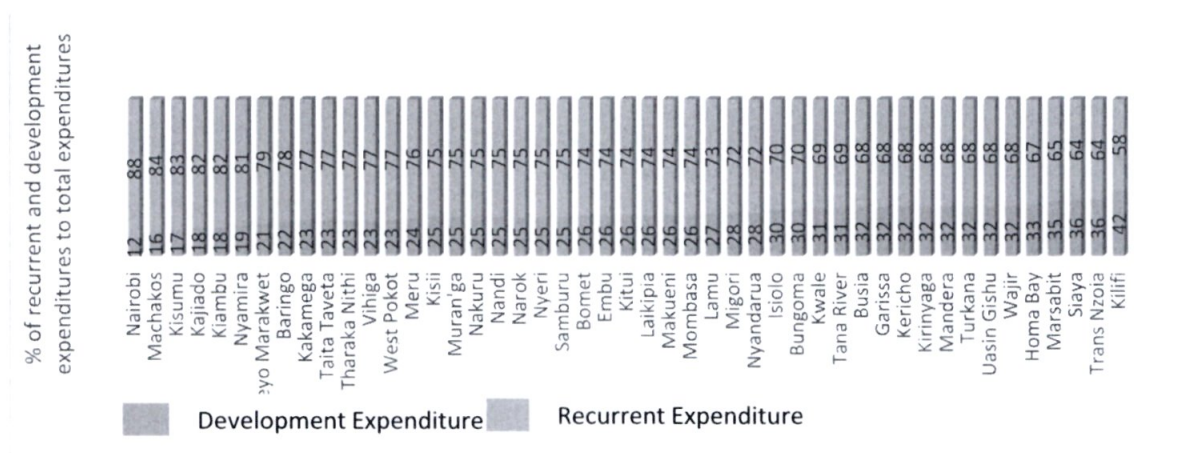
In the CFSPs for FY 2026/27, the county governments outlined various measures and strategies to be implemented to curb the wage bill in the medium term as follows.

1. Rationalisation of staffing to ensure optimal utilisation of personnel. This involves redeploying staff to address role duplication, downsizing, and eliminating redundant roles.
2. Regular payroll audits to eliminate ghost workers.
3. Use of controls such as biometric validation to eliminate ghost workers and ensure accurate, cost-effective payroll management.
4. Link pay to productivity by introducing performance-based contracts and appraisals.
5. Increasing total revenues, particularly own-source revenue, to adhere to fiscal responsibility thresholds set in the PFMA.
6. Restricting staff recruitment to technical, essential services positions and critical positions only.
7. Establishment of an optimal staffing structure to ensure the wage bill is sustainable.
8. Institution of a comprehensive hiring freeze to curb the wage bill.
9. Adopt automation of service provisions to reduce wage costs.
10. Outsource non-core services to reduce permanent staff wage bills.

b. Total Recurrent Expenditures to Total Expenditures

An analysis was undertaken of recurrent expenditures relative to total expenditures for FY 2024/25 to establish whether recurrent expenditures were being undertaken at the expense of development.

Figure 10 Total Recurrent Expenditures to Total Expenditures



Source: County Fiscal Strategy Papers 2026

It was observed that seventeen (17) counties in FY 2024/25 had recurrent expenditure as a percentage of total expenditure at or below 70%. The five (5) counties with the lowest percentage of recurrent expenditure to total expenditure were Homa Bay 67%, Marsabit 65%, Siaya and Trans Nzoia at 64%, and Kilifi 58%.

The five (5) counties with the highest percentage of recurrent expenditure to total expenditure were Nairobi 88%, Machakos 84%, Kisumu 83%, and Kajiado and Kiambu both at 82%.

Further, it is of great concern that recurrent expenditure in Nairobi stood at 88%, leaving only 12% for development expenditure.

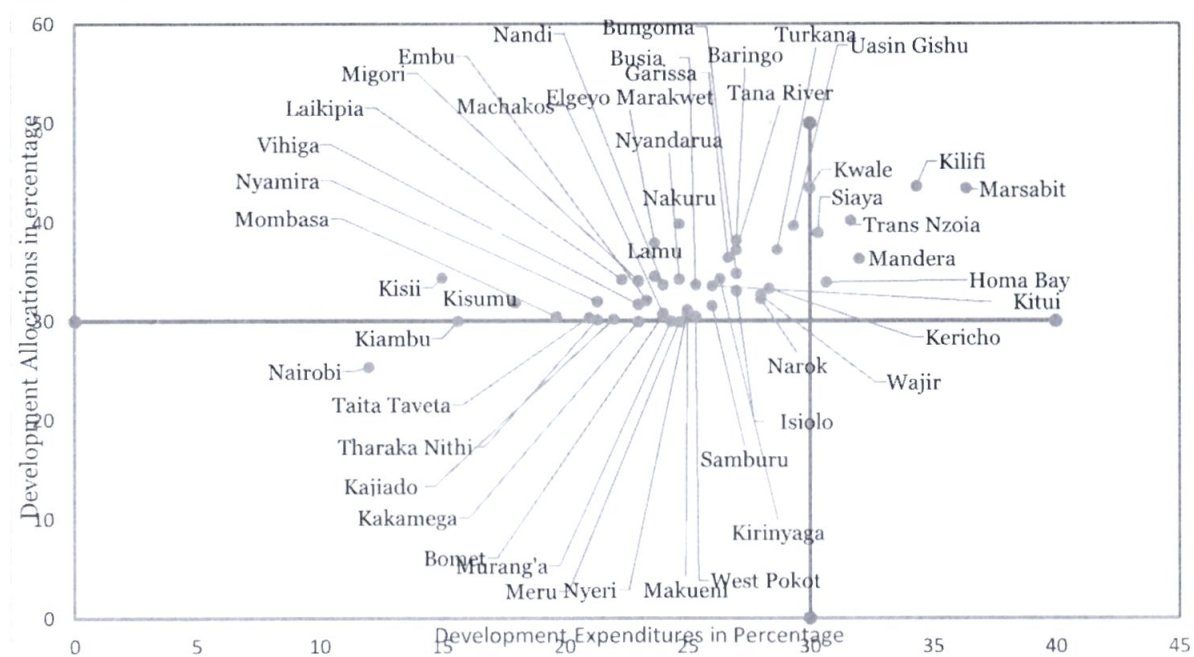
2.3.3 Development Expenditure

PFM CAP 412 A Section 107 sets out the fiscal responsibility principles to be enforced by the County Treasury in managing the county government's public finances. Regulation 25(g) requires that the allocation to development be at least 30% in the medium term, and that actual expenditure subsequently be at least 30%.

a. Compliance with the 30% Threshold for various years

An analysis was undertaken of development allocations and expenditures in the medium term (2022/23, 2023/24 and 2024/25) to establish compliance with the 30% threshold in accordance with the law.

Figure 11 Development Expenditure over Medium Term



Source: OCOB Reports

The following observations were made based on Figure 10:

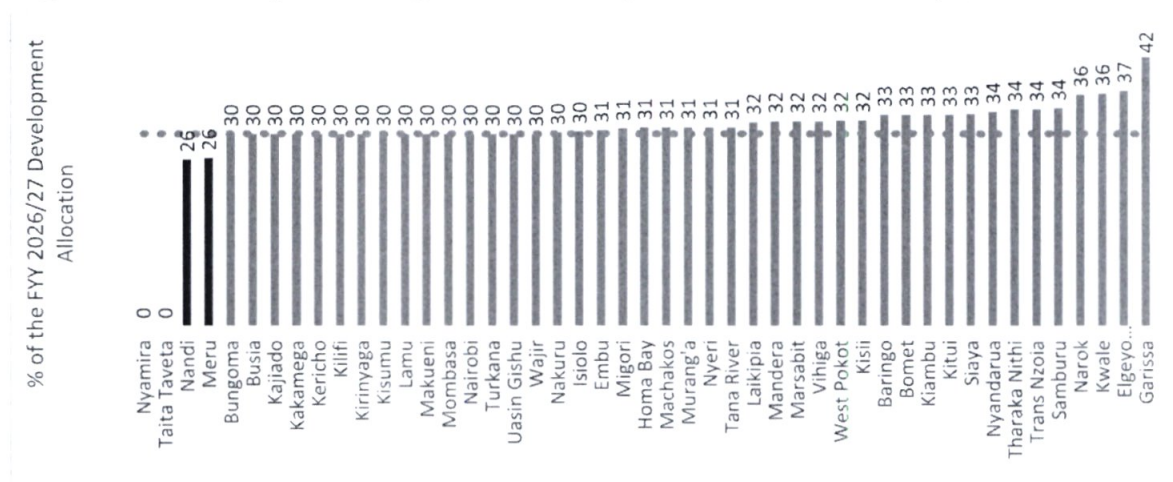
- i. Only one county, Nairobi (25%), had development allocations below 30% in the medium term.
- ii. The county with the lowest allocations for development in the medium term was Nairobi at 25%.
- iii. Meru, Kakamega, Murang'a, Kiambu, Tharaka Nithi, Kajiado, Taita Taveta and Mombasa allocated 30% of their budgets to development expenditure.
- iv. The six counties with the highest allocations for development in the medium term were Kilifi (44%), Kwale (44%), Marsabit (43%), Trans Nzoia (40%), Nakuru (40%) and Uasin Gishu (40%).
- v. The five counties with the lowest development expenditure in the medium term were Nairobi (12%), Kisii (15%), Kiambu (16%), Kisumu (18%), and Mombasa (20%).
- vi. The five counties with the highest development expenditure in the medium term were Marsabit (36%), Kilifi (34%), Mandera (32%), Trans Nzoia (32%), and Homa Bay (31%).

It is important to note that the city counties of Nairobi, Mombasa, Kisumu, Uasin Gishu and Nakuru had development expenditure below 30%. The reason may be that cities' operational costs are high, with a high wage bill and pending bills.

b. Development Expenditure Projections for FY 2026/27

An analysis was undertaken of development expenditure projections against the 30% fiscal responsibility threshold to establish compliance as shown in Figure 12.

Figure 12: Development Expenditure Projections for FY 2026/27



Source: County Fiscal Strategy Papers 2026

It was observed that two (2) counties had development expenditure projections below

30%. These were Meru and Nandi, both at 26%.

The counties with the highest development projections are Garissa (42%), Elgeyo Marakwet (37%), Kwale (36%), Narok (36%), Samburu (34%), Trans Nzoia (34%), Tharaka Nithi (34%) and Nyandarua (34%). Figure 11 below shows development expenditure projections for FY 2026/27 against the 30% threshold.

Nyamira and Taita Taveta counties did not provide data for the FY 2026/27 development projection.

2.4 Fiscal Risks to the FY 2026/27 Framework

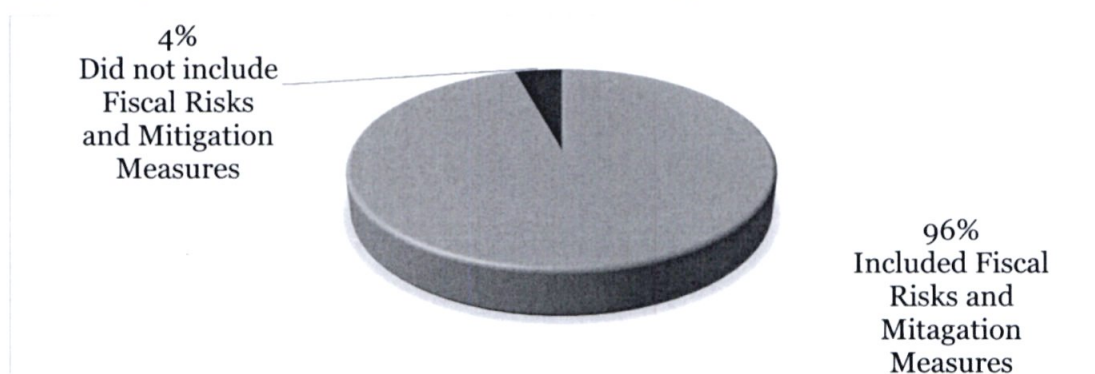
PFM CAP 412A Section 107 2(f) provides that fiscal risks should be managed prudently. PFM CAP 412A, the county regulation, Section 25 (2) states that the County Executive Committee Member shall, in the CFSP, include a statement of fiscal risks outlining the potential policy decisions and key areas of uncertainty that may have a material effect on the fiscal outlook/framework, such as;

- i. Potential policy decisions affecting revenue, taxpayer behavioural responses, and court decisions that are likely to affect revenue bases and overall tax and revenue collections and government income, including tax concessions (tax expenditures), increases in tax rates, and tax minimisation and avoidance by taxpayers and ratepayers;
- ii. Potential policy decisions that could increase or decrease expenses depending on the decisions taken, and which constitute risks to the fiscal forecasts, only to the extent that they cannot be managed within existing baselines or budget allowances;
- iii. Potential capital decisions that pose risks to the fiscal forecasts, only to the extent that they cannot be managed within the existing county government balance sheet;
- iv. Matters dependent on external factors, such as the outcome of negotiations or international obligations; and
- v. A list of contingent liabilities, including debt guarantees.

b. Disclosure of Fiscal Risks and Mitigation Measures

In the CFSPs for FY 2026/27, Forty-five (45) of the forty-seven (47) counties that submitted their CFSPs included the fiscal risks and mitigation measures as required by law, as shown in Figure 13.

Figure 13: Disclosure of Fiscal Risks and Mitigation



Source: County Fiscal Strategy Papers 2026

d. Summary of Fiscal Risks and Mitigation Measures

The forty-five (45) counties that outlined various fiscal risks and mitigation measures are listed in Table 1. Based on the county fiscal risks listed in the CFSPs, five fiscal risks that are common in most counties are highlighted below;

1. *Low Own Source Revenue (OSR) / Revenue Underperformance* – Many counties report weak revenue collection, missed revenue targets, or over-reliance on national transfers. Examples include Embu, Kisumu, Mandera, Nakuru, Vihiga, Wajir, and Migori.
2. *Delayed National Government Transfers / Exchequer Releases* – Counties frequently face delays in equitable share disbursements, leading to cash flow constraints and stalled projects. Examples include Baringo, Kajiado, Kakamega, Trans Nzoia, Vihiga, and Migori
3. *Pending Bills and Outstanding Liabilities* – Accumulation of unpaid bills is a common fiscal challenge affecting counties such as Embu, Kisumu, Murang’a, Nyamira, Nyandarua, Uasin Gishu, and Tana River.
4. *High Wage Bill and Recurrent Expenditure Pressures* – Several counties struggle with excessive personnel costs and operational expenditure, including Mombasa, Nairobi City County, Nandi, Kakamega, and Kirinyaga.
5. *Climate Change and Disaster Risks* – Droughts, floods, landslides, and other extreme weather events.

Table 1: Summary of Fiscal Risks and Mitigations (see Annex 3)

2.5 Pending Bills

Pending bills are financial obligations that have been budgeted for but remain unsettled at the end of the financial year. Pending bills should be a first charge in the

preceding financial year, after the year of occurrence, in line with amendments to Section 130, PFM CAP 412A.

a. Status of Pending Bills in the CFSPs

The review of the CFSPs shows that twenty-six (26) counties provided information on the status of pending bills.

Table 1: Status of Counties' Pending Bills as Per CFSP

No.	Timeline	Status of pending bills
1.	As at 30 th June 2024	i. Marsabit (KES 1.32 billion) ii. Lamu (KES 49.12 million) iii. Taita/Taveta (KES 1.40 billion)
2.	As at 30 th June 2025	i. Nairobi City (KES 88.96 billion) ii. Trans Nzoia (KES 1.2 billion) iii. West Pokot (KES 311.8 Million) iv. Kajiado (KES. 2.646 billion) v. Mandera (KES 1.38 billion) vi. Kisumu KES (4.5 billion) vii. Busia (KES 2.64 billion) viii. Makueni (KES 821.14 million)
3.	As at 31st December 2025	i. Nyeri (KES. 328 Million) ii. Kitui (KES 637 billion) iii. Mombasa (KES 3 billion) iv. Tharaka Nithi (KES 377 Million)
4.	As at January 2026	i. Homa Bay (KES 1 billion) ii. Kiambu (KES 5.51 billion)
5.	As at February 2026	i. Machakos (KES 1.5 Billion) ii. Nakuru (KES 4.1 billion)
6.	FY 2025/2026	i. Narok(KES 693 million) ii. Tana River (KES 3.94 billion) iii. Turkana (KES 1.28 billion) iv. Vihiga (KES 538.2 million) v. Migori (KES 649 million)
7.	FY 2026/27	i. Nyandarua (KES 200 million)
8.	since the start of FY 2022/23	i. Wajir (KES 3.59 billion)

Further, the Commission documented the Pending Bills status as at 30th June 2024/25, based on the OCOB report.

Table 2: Status of Counties' Pending Bills as Per OCOB Report

FY 2024/25 COUNTY GOVERNMENTS PENDING BILLS						
No	County	As of 1 July 2024 (KES)	Settled Pending Bills in FY 2024/25 (KES)	Pending bills incurred in FY 2024/25 (KES)	Reconciliation KES	Outstanding Pending Bills as of 30 th June 2025 (KES)
1.	Narok	-	-	-	-	-
2.	Nyamira	812,858,417	472,460,480			340,397,937
3.	E/Marakwet	103,636,607	101,442,258	9,950,383		12,144,732
4.	Lamu	49,122,594	24,804,534	29,953,436	(22,157,081)	32,114,251
5.	Samburu	686,070,000	505,890,000	51,080,000		231,260,000
6.	Garissa	2,823,061,870	1,343,382,686	1,106,231,581		2,585,910,765
7.	Kitui	848,704,677	848,704,677	229,850,575		229,850,575
8.	West Pokot	510,615,192	314,627,244	126,033,444	-10,223,160	311,798,232
9.	Baringo	589,478,908	589,478,908	368,450,289	(22,184,466)	346,265,823
10.	Nyeri	260,333,291	202,184,227	265,651,914		323,800,978
11.	Siaya	1,123,648,608	577,698,205	-		545,950,403
12.	T/Nithi	672,821,426	269,501,132	338,235,539		741,555,833
13.	Kirinyaga	1,229,536,760	511,915,728	85,298,759		802,919,791
14.	Makueni	768,885,760	697,593,262	746,877,104		818,169,603
15.	Vihiga	1,418,863,193	586,657,344	-		832,205,949
16.	Isiolo	1,410,687,481	823,245,099	423,124,453		1,010,566,836
17.	Kisii	1,122,474,442	741,802,134	652,283,829		1,032,956,138
18.	Migori	1,941,432,763	1,398,774,398	388,277,062		930,935,427
19.	U/Gishu	710,183,823	664,721,162	1,075,496,626		1,120,959,286
20.	Nyandarua	1,243,028,653	469,373,976	530,978,167		1,304,632,844
21.	Turkana	5,186,683,166	3,857,572,757	-	228,301	1,329,338,710
22.	Nandi	1,143,044,536	774,321,525	971,663,904		1,340,386,915
23.	Kisumu	2,991,817,208	1,661,320,970	-	19,990,820	1,350,487,058
24.	Marsabit	1,315,101,901	1,224,625,862	1,343,300,237		1,433,776,276
25.	Trans Nzoia	2,165,530,871	1,112,556,485	455,435,517		1,508,409,903
26.	Bomet	924,800,302	456,106,496	1,054,547,078		1,523,240,884
27.	Homa Bay	1,598,847,782	1,085,821,868	1,363,957,206		1,876,983,120
28.	Meru	1,478,255,236	954,572,832	1,218,251,375		1,741,933,779
29.	Embu	2,388,161,541	1,099,020,686	473,935,889		1,763,076,745
30.	Laikipia	1,738,329,949	929,876,984	1,057,945,097		1,866,398,063
31.	Kwale	2,337,554,459	2,081,321,860	1,643,361,945	1,004	1,899,595,548
32.	Murang'a	1,376,465,899	849,935,761	1,380,575,150		1,907,105,288
33.	Taita Taveta	2,301,347,904	422,140,816	176,670,202		2,055,877,290
34.	Kericho	1,254,666,617	682,450,204	1,509,897,513		2,082,113,916
35.	Kakamega	2,195,662,634	1,126,737,799	3,235,233,417	(2,137,849,669)	2,166,308,583
36.	Tana River	2,195,026,375	691,755,683	877,224,357		2,380,495,049
37.	Mandera	2,230,894,035	969,858,926	1,238,833,343		2,499,868,452
38.	Kajiado	2,459,552,016	1,220,773,211	1,407,129,274	42,009	2,645,950,088

FY 2024/25 COUNTY GOVERNMENTS PENDING BILLS						
No	County	As of 1 July 2024 (KES)	Settled Pending Bills in FY 2024/25 (KES)	Pending bills incurred in FY 2024/25 (KES)	Reconciliation KES	Outstanding Pending Bills as of 30 th June 2025 (KES)
39.	Busia	2,248,551,626	723,339,319	1,736,512,696		3,261,725,006
40.	Bungoma	4,509,211,946	2,525,918,053	1,627,372,110		3,610,666,003
41.	Nakuru	1,540,331,427	351,103,802	2,487,928,136		3,677,155,761
42.	Wajir	2,201,772,339	503,086,896	2,013,962,827		3,712,648,271
43.	Mombasa	4,472,022,932	1,369,203,716	679,288,611	85,542,491	3,867,650,318
44.	Machakos	5,619,547,618	1,418,175,596	2,532,391,145		6,733,763,167
45.	Kiambu	6,917,060,638	1,276,195,188	2,247,009,956		7,887,875,407
46.	Kilifi	10,930,308,383	1,674,682,116	-		9,255,626,267
47.	Nairobi C. C	121,778,734,476	7,845,451,841	9,620,248,443	(36,784,377,946)	86,769,153,132

Source: OCOB Report

b. Measures to Manage Pending Bills

In the CFSPs for FY 2026/27, the county governments outlined various measures to mitigate the pending bills in the medium term as follows:

1. Prioritise settlement of pending bills in budgets before funding new projects, ensuring suppliers and contractors are paid first.
2. Regularly verify and audit all pending bills to eliminate ineligible or fictitious claims.
3. Enhance cash flow planning by strictly aligning commitments with expected disbursements and revenue inflows.
4. Rationalise and cut/reduce non-core expenditure to free up resources for settling outstanding obligations.
5. Strengthen procurement controls – procure only within approved budget ceilings to avoid creating new arrears.
6. Implement the Treasury Single Account (TSA) and IFMIS to consolidate resources and improve bill settlement tracking.
7. Enhance OSR through reforms and automation to generate funds for bill payments.
8. Promote transparency and accountability by publishing lists of pending bills and subjecting payments to public scrutiny.
9. Complete ongoing or stalled projects before starting new ones, avoiding the accumulation of new unpaid bills.

2.6 Alignment of CFSP to National Objectives

PFM CAP 412 A, Section 107 (2), provides that the CFSP should be aligned with the

national objectives in the Budget Policy Statement (BPS). The 2026 BPS aims to consolidate the gains realised under the Bottom-up Economic Transformative Agenda (BETA) for inclusive green growth, with a special focus on the following six (6) objectives: bringing down the cost of living; eradicating hunger; creating jobs; expanding the tax base; improving foreign exchange balances; and inclusive growth. Emphasis will be placed on promoting investment in BETA's core pillars and enablers and on harnessing the implementation of targeted interventions through a value chain approach. The five core pillars are: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy.

All forty-seven (47) county governments have aligned their CFSP strategic priorities with the national objectives in the following areas: Agriculture, Livestock, Veterinary, and Fisheries; Health Services; Finance and Economic Planning; Cooperative Development; Trade and Industrialisation; Roads, Transport, Public Works, Housing, and Infrastructure Development; Education and Public Service; Gender, Youth, and Social Services; Sports, Culture, and Lands, Physical Planning, and Urban Development. By linking county programmes to national policy goals and the CIDP, the CFSP promotes policy coherence and coordinated development planning across levels of government.

2.7 County Assembly Recurrent Expenditure Budget Ceilings

The PFM CAP 412 (2A) County regulations, under Section 25(1)(f), required that the approved expenditures of a county assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower. However, this provision proved unrealistic and was not applied. Since Article 203(d) emphasises the need to ensure that county governments have adequate resources to carry out their assigned functions, while Article 203(j) underscores the importance of maintaining stable and predictable revenue allocations. Using 7% of the total revenue or twice the personnel emoluments may not provide small counties with enough resources to fulfil the county assembly functions of legislation, representation, and oversight.

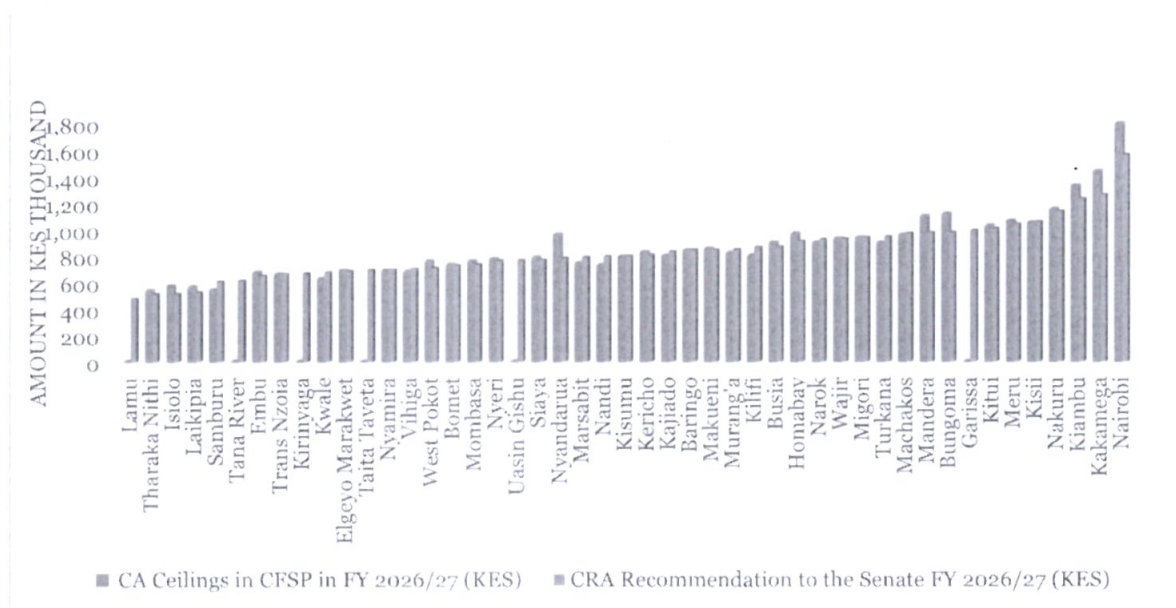
PFM CAP 412 (2A) Section 107 (2A) provides as follows. Pursuant to Articles 201 and 216 of the Constitution and notwithstanding subsection (2), the Commission on Revenue Allocation shall recommend to the Senate the budgetary ceilings for the recurrent expenditure of each county government.

PFM CAP 412A Section 117 (4) provides that the County Treasury shall include in its County Fiscal Strategy Paper the financial outlook for county government revenues, expenditure and borrowing for the coming financial year and for the medium term.

a. CRA's Recommendation v/s Ceilings Projections in CFSPs

An analysis was undertaken of the FY 2026/27 CRA's recommendation to the Senate on the county recurrent expenditure budget ceilings against the FY 2026 CFSP.

Figure 14: CRA County Recurrent Ceilings vs CFSP Projections



Source: County Fiscal Strategy Papers 2026

From Figure 14, it is observed that seventeen (17) counties had projected the assembly's ceilings below CRA's ceiling recommendation. On the other hand, twenty-two (22) counties had projected the assemblies' ceilings above CRA's recommendations. Two (2) counties had projected the assembly's ceiling in line with CRA's recommendation, while 6 assemblies had not projected the county assemblies' ceilings.

The five (5) counties with the highest negative variance in CRA's recommendation and CFSP projections for 2026 are Nairobi (KES 230 M), Kakamega (KES 1770 M), Nyandarua (KES 175), Bungoma (KES 140 M) and Mandera (KES 124 M).

The five (5) counties with the highest positive variance in CRA's recommendation and CFSP projections for 2026 are Nandi (KES 69 M), Kilifi (67), Samburu (KES 63 M), Marsabit (KES 51 M), Kwale and (KES 48 M) .

Table 3: Variance of the CFSP projections and CRA Recommendations on Recurrent Expenditure to the Senate

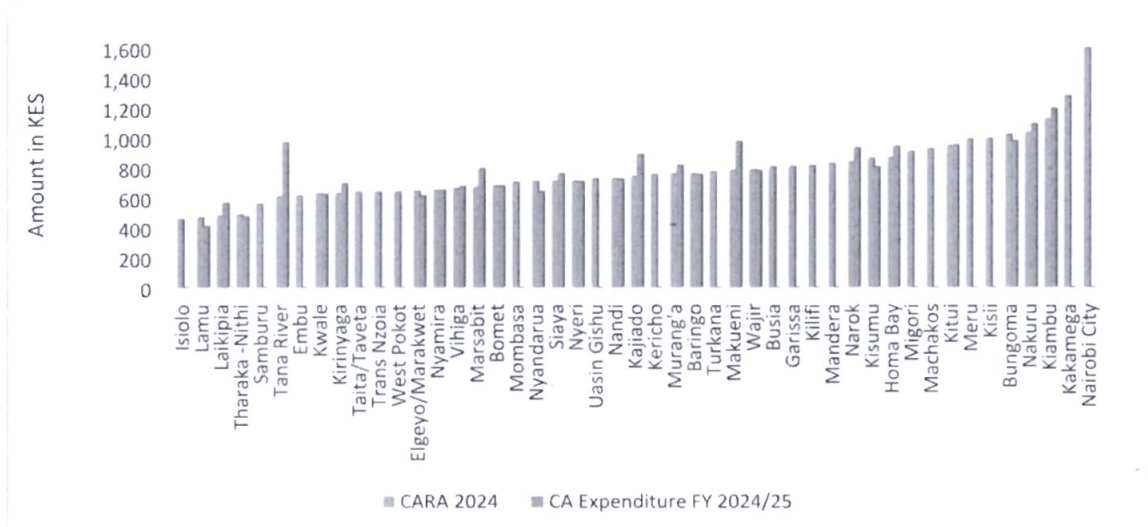
No	County	CA Ceilings in CFSP in FY 2026/27 (KES)	CRA Recommendation to the Senate FY 2026/27 (KES)	Variance (KES)
1	Baringo	842,484,225	847,626,854	(5,142,629)
2	Bomet	731,537,286	731,537,286	-
3	Bungoma	1,116,961,439	976,506,613	140,454,826
4	Busia	899,598,045	869,947,142	29,650,903
5	Elgeyo Marakwet	688,948,874	684,431,351	4,517,523
6	Embu	672,046,648	651,091,348	20,955,300
7	Garissa	0	995,206,383	(995,206,383)
8	Homabay	965,225,034	913,968,214	51,256,820
9	Isiolo	571,957,767	515,234,218	56,723,549
10	Kajiado	797,211,356	833,655,216	(36,443,860)
11	Kakamega	1,440,150,864	1,262,977,973	177,172,891
12	Kericho	829,314,633	808,829,560	20,485,073
13	Kiambu	1,332,680,576	1,233,843,597	98,836,979
14	Kilifi	800,000,000	867,147,393	(67,147,393)
15	Kirinyaga	0	666,664,869	(666,664,869)
16	Kisii	1,051,143,180	1,061,001,255	(9,858,075)
17	Kisumu	792,864,077	799,826,065	(6,961,988)
18	Kitui	1,025,218,850	1,007,699,946	17,518,904
19	Kwale	625,396,495	675,305,556	(49,909,061)
20	Laikipia	565,000,000	526,142,878	38,857,122
21	Lamu	0	479,609,506	(479,609,506)
22	Machakos	957,194,136	970,874,933	(13,680,797)
23	Makueni	854,631,315	847,824,561	6,806,754
24	Mandera	1,098,009,473	974,349,992	123,659,481
25	Marsabit	741,494,088	792,562,104	(51,068,016)
26	Meru	1,062,252,086	1,040,373,863	21,878,223
27	Migori	936,954,113	941,149,982	(4,195,869)
28	Mombasa	758,845,894	736,274,590	22,571,304
29	Murang'a	820,000,000	851,528,548	(31,528,548)
30	Nairobi	1,800,000,000	1,569,710,435	230,289,565
31	Nakuru	1,151,659,233	1,139,437,714	12,221,519
32	Nandi	727,658,319	797,267,097	(69,608,778)
33	Narok	899,510,000	927,319,735	(27,809,735)
34	Nyamira	689,414,409	698,351,387	(8,936,978)
35	Nyandarua	960,000,000	785,219,049	174,780,951
36	Nyeri	776,126,610	763,643,931	12,482,679
37	Samburu	542,616,860	605,962,163	(63,345,303)
38	Siaya	786,692,650	770,412,462	16,280,188
39	Taita Taveta	0	694,446,178	(694,446,178)

No	County	CA Ceilings in CFSP in FY 2026/27 (KES)	CRA Recommendation to the Senate FY 2026/27 (KES)	Variance (KES)
40	Tana River	0	612,807,695	(612,807,695)
41	Tharaka Nithi	533,960,285	513,863,636	20,096,649
42	Trans Nzoia	658,910,349	663,677,259	(4,766,910)
43	Turkana	900,000,000	946,217,760	(46,217,760)
44	Uasin Gishu	0	767,346,325	(767,346,325)
45	Vihiga	678,796,294	704,103,951	(25,307,657)
46	Wajir	930,000,000	930,166,214	(166,214)
47	West Pokot	756,061,685	711,194,510	44,867,175

c. Actual County Assembly Recurrent Expenditure Against CARA

An analysis of CARA 2024 and county assemblies' recurrent expenditures for FY 2024/25 was undertaken to determine adherence.

Figure 15: Actual Expenditures vs CARA Recurrent Ceilings 2024
(Amount in KES million)



Source: CARA 2024 and County assemblies' Financial Statements 2024/25

Figure 15 shows that fifteen (15) assemblies had expenditures above the CARA 2024. On the other hand, eleven (11) assemblies had expenditures below the ceilings in CARA. One (1) assembly had expenditures equal to the ceilings in CARA. Notably, twenty (20) counties' recurrent expenditures could not be ascertained since they did not submit their financial statements for the year ending June 2025 to CRA.

Five (5) Assemblies with the highest negative variance are Tana River (KES 362 m), Makueni (KES 194 m), Kajiado (KES 148 m), Marsabit (KES 127 m) and Narok (KES 97 m).

Five (5) Assemblies with the highest positive variance are, Nyandarua (KES 69 m), Lamu (KES 59 m), Kisumu (KES 58 m), Bungoma (KES 41 m) and Elgeyo Marakwet (KES 30m). Positive variance implies that County Assemblies did not spend all their budget, resulting in unspent balances. While negative variance implies that county assemblies spent more than what CARA allocated them.

Table 4: Variance of CARA 2024 and Expenditures as per Financial Statements 2024/25

No.	County	CARA 2024	Expenditures as per Financial Statements 2024/25	Variance
			Actual Total Costs (ATC)	(C-I) CARA -ATC
1	Baringo	757,858,506	754,815,786	3,042,720
2	Bomet	677,847,307	677,808,821	38,486
3	Bungoma	1,019,575,196	978,189,592	41,385,604
4	Busia	804,254,206	-	804,254,206
5	Elgeyo/Marakwet	642,494,863	612,639,501	29,855,362
6	Embu	612,356,235	-	612,356,235
7	Garissa	805,632,232	-	805,632,232
8	Homa Bay	865,455,765	940,564,312	(75,108,547)
9	Isiolo	455,851,471	-	455,851,471
10	Kajiado	739,100,667	886,670,931	(147,570,264)
11	Kakamega	1,277,560,747	-	1,277,560,747
12	Kericho	753,482,865	-	753,482,865
13	Kiambu	1,122,733,276	1,194,091,080	(71,357,804)
14	Kilifi	811,428,332	-	811,428,332
15	Kirinyaga	626,637,101	694,021,446	(67,384,345)
16	Kisii	994,072,293	-	994,072,293
17	Kisumu	862,083,652	803,636,195	58,447,457
18	Kitui	946,077,555	950,913,219	(4,835,664)
19	Kwale	625,406,505	623,408,858	1,997,647
20	Laikipia	477,594,112	562,413,393	(84,819,281)
21	Lamu	466,864,730	408,306,721	58,558,009
22	Machakos	924,156,126	-	924,156,126
23	Makueni	780,912,038	974,646,461	(193,734,423)

No.	County	CARA 2024	Expenditures as per Financial Statements 2024/25	Variance
			Actual Total Costs (ATC)	(C-I) CARA -ATC
24	Mandera	825,043,653	-	825,043,653
25	Marsabit	666,740,178	793,452,921	(126,712,743)
26	Meru	991,451,371	-	991,451,371
27	Migori	907,920,737	-	907,920,737
28	Mombasa	700,845,894	-	700,845,894
29	Murang'a	755,814,834	815,340,925	(59,526,091)
30	Nairobi City	1,596,625,912	-	1,596,625,912
31	Nakuru	1,034,293,969	1,090,976,409	(56,682,440)
32	Nandi	727,658,319	723,444,108	4,214,211
33	Narok	834,927,075	931,672,770	(96,745,695)
34	Nyamira	650,614,404	651,633,916	(1,019,512)
35	Nyandarua	706,936,676	638,370,056	68,566,620
36	Nyeri	710,551,514	706,116,388	4,435,126
37	Samburu	557,171,977	-	557,171,977
38	Siaya	710,085,117	757,239,696	(47,154,579)
39	Taita/Taveta	635,498,816	-	635,498,816
40	Tana River	605,987,033	968,277,465	(362,290,432)
41	Tharaka -Nithi	485,355,131	473,859,359	11,495,772
42	Trans Nzoia	636,754,015	-	636,754,015
43	Turkana	770,739,999	-	770,739,999
44	Uasin Gishu	727,164,370	-	727,164,370
45	Vihiga	659,816,891	674,555,283	(14,738,392)
46	Wajir	784,444,072	780,812,719	3,631,353
47	West Pokot	637,364,488	-	637,364,488
Total		36,369,242,225	21,067,878,331	15,301,363,894

2.8 Public Participation

Article 201 of the Constitution of Kenya outlines the principles of public finance. Specifically, Art. 201(a) states that there shall be openness and accountability, including public participation in financial matters. The PFM CAP 412A Section 117 (5) (b), (c) and (d) provides that, in preparing the CFSP, the County Treasury shall seek

and take into account the views of the public; any interested persons or groups; and any other forum established by legislation. Further, the PFM CAP 412A Section 137 (2) provides for the establishment of the County Budget and Economic Forum (CBEF). The purpose of the Forum is to provide a means for consultation by the county government on the preparation of county plans, the County Fiscal Strategy Paper (CFSP) and the Budget Review and Outlook Paper for the County (CBROP); and on matters relating to budgeting, the economy and financial management at the county level.

Section 115(1) of the County Government Act (CGA) stipulates that public participation in county planning processes shall be mandatory. Further, Section 87 of the Act outlines the principles of citizens' participation in county governments. Section 92(2) provides that the Governor shall submit an annual report to the county assembly on citizen participation in the affairs of the county government.

The County Fiscal Strategy Paper is one of the planning documents, and hence public participation ought to have been undertaken. In the period under review, all forty-seven (47) counties demonstrated in their CFSPs that they had undertaken public participation. The CFSPs 2026/27 reviews showed that all forty-seven (47) counties that submitted the papers had undertaken public participation sessions, either through physical meetings or memoranda. The Commission recommends that in the subsequent reports, the public participation engagements should include comments received from stakeholders and how they were addressed.

2.9 Emerging Issues

- i. The petition to stop the transfer of funds to the County Government of Taita Taveta, to the Cabinet Secretary for the National Treasury and Economic Planning. The petition stated a material breach of the Public Finance Management Act (Cap 412A) on non-adherence to fiscal responsibility principles in budgeting and implementation.
- ii. Counties' non-compliance with the timelines set out in the legislation in preparation for the CFSPs. For instance, the Nakuru County Executive has rejected the CFSP adopted and approved by the Assembly after the lapse of the 14 days provided under the PFMA CAP 412A Section 117, arguing that the Assembly did not adopt it within the stipulated timelines.

CHAPTER THREE: CONCLUSION AND RECOMMENDATIONS

The review of the FY 2026/27 County Fiscal Strategy Papers (CFSPs) reveals significant progress by county governments in aligning fiscal strategies with national development priorities and adhering to the requirements of the Public Finance Management (PFM) framework. The submission of CFSPs by all 47 counties demonstrates a strong commitment to the planning and budgeting process and provides a solid foundation for fiscal coordination across the two levels of government. Notably, the Commission commend the 37 counties that submitted their CFSPs on time.

It is worth noting that some counties demonstrated compliance with the fiscal responsibility principles across several key criteria. Specifically, Siaya and Kilifi counties maintained recurrent expenditure at or below total revenue, kept their wage bills within 35% of total revenue, and actual expenditure on development (including projections) of at least 30% of their budgets.

Despite these achievements, several fiscal and budgetary challenges persist. Key concerns include weaknesses in revenue forecasting, underperformance in own-source revenue mobilization, rising personnel expenditures, inefficiencies in public spending, and the accumulation of pending bills. While most counties complied with statutory fiscal responsibility principles, including maintaining recurrent expenditure within available revenue and allocating at least 30 percent of their budgets to development expenditure, elevated recurrent spending and wage bill pressures continue to constrain fiscal space for development investments.

Furthermore, optimistic revenue projections and persistent shortfalls in own-source revenue collection undermine budget credibility and fiscal sustainability. The growing stock of pending bills, coupled with delays in intergovernmental transfers, has intensified liquidity constraints and adversely affected service delivery and project implementation in several counties.

The findings highlight the need for strengthened fiscal discipline and enhanced public financial management practices at the county level. Priority actions should include the adoption of evidence-based revenue forecasting methodologies, implementation of robust own-source revenue enhancement strategies, prudent management of personnel expenditures, timely preparation and submission of fiscal policy documents, and accelerated settlement of verified pending bills. Addressing these challenges will enhance fiscal sustainability, improve budget credibility, and

strengthen the capacity of county governments to deliver quality public services and achieve their development objectives.

The following are the recommendations for consideration:

i. Strengthen Compliance with County Fiscal Strategy Paper (CFSP) Submission Requirements

County Governments should ensure the timely submission of County Fiscal Strategy Papers (CFSPs) to the Commission on Revenue Allocation in compliance with Section 117(5)(a) of the Public Finance Management Act (PFMA), Cap 412A. Further, the Senate of Kenya should consider amending Section 117(5)(a) of the PFMA to require county governments to seek the Commission's views at least two weeks before submission of CFSPs to County Assemblies, and no later than 28th February each year.

ii. Enhance Timeliness and Predictability of Intergovernmental Fiscal Transfers

The National Government should ensure the timely and equitable disbursement of funds to county governments to facilitate effective budget implementation, improve service delivery, and enhance resource absorption within the financial year.

iii. Enforce Compliance with Personnel Emoluments Thresholds

County Governments should strictly adhere to the personnel emoluments threshold prescribed under Section 107(2)(c) of the PFMA, Cap 412A, and Regulation 25(1)(b) of the County Governments Public Finance Management Regulations. Counties exceeding the statutory limit should implement expenditure rationalization and workforce management measures to contain recurrent expenditure within sustainable levels.

iv. Strengthen Own Source Revenue (OSR) Mobilization

County Governments should enhance efforts to realize their Own Source Revenue (OSR) potential through improved revenue administration, automation, diversification of revenue streams, and strengthened enforcement mechanisms. Enhanced OSR performance will support fiscal sustainability, manage rising wage bills, and increase allocations to development expenditure.

v. Develop and Institutionalize Optimal Staffing Frameworks

County Governments, in collaboration with relevant stakeholders, should develop and implement scientifically informed optimal staffing frameworks within defined

timelines and subject to available budgetary resources. This will support efficient human resource planning, fiscal sustainability, and improved service delivery.

vi. Ensure Compliance with Development Expenditure Thresholds

County Governments should align County Fiscal Strategy Paper projections and budget implementation plans with the minimum development expenditure threshold of 30% as stipulated under Section 107(2)(b) of the PFMA, Cap 412A. Counties falling below the threshold should strengthen budget prioritization and execution to enhance development outcomes.

vii. Adopt Evidence-Based Revenue Forecasting Models

County Governments should institutionalize the use of scientific and data-driven forecasting models, including Moving Average forecasting techniques and Elasticity models, in setting realistic and achievable Own Source Revenue targets. This will improve fiscal planning accuracy and budget credibility.

viii. Prioritize Settlement of Pending Bills

County Governments should comply with Section 130 of the PFMA, Cap 412A, by prioritizing the settlement of verified pending bills as a first charge against county revenues. This will enhance fiscal discipline, restore supplier confidence, and reduce accumulation of arrears.

ix. Adopt a Fully Integrated Revenue Management System

The County Government should implement a centralized Revenue Management System that integrates all revenue streams. This will eliminate fragmented systems and provide a single source of information for revenue collection and reporting.

Annex 1: CFSP Submission Status

No	County	Dates Submitted
1	Bomet	Submission on or before 28th February 2026
2	Bungoma	
3	Busia	
4	Elgeyo Marakwet	
5	Garissa	
6	Homabay	
7	Kajiado	
8	Kakamega	
9	Kericho	
10	Kiambu	
11	Kilifi	
12	Kirinyaga	
13	Kisii	
14	Kitui	
15	Kwale	
16	Laikipia	
17	Machakos	
18	Makueni	
19	Mandera	
20	Marsabit	
21	Mombasa	
22	Nairobi	
23	Nakuru	
24	Nandi	
25	Narok	
26	Nyandarua	
27	Nyeri	
28	Samburu	
29	Siaya	
30	Tana River	
31	Trans Nzoia	

No	County	Dates Submitted
32	Turkana	
33	Uasin Gishu	
34	Vihiga	
35	Wajir	
36	Taita Taveta	
37	Lamu	
38	Baringo	Submission after 28th February 2026
39	Embu	
40	Kisumu	
41	Meru	
42	Murang'a	
43	Nyamira	
44	Tharaka Nithi	
45	West Pokot	
46	Isiolo	
47	Migori	

Annex: 2 Measures to Increase Own Source Revenue

NO.	County	Proposed Strategies
1	Vihiga	• Strengthening the resource mobilization framework to enhance internal revenue collection. • Capacity building of revenue and enforcement officers to improve efficiency in revenue collection. • Review and improvement of the Revenue Information Management System to enhance efficiency in revenue administration. • Preparation and implementation of the Finance Bill and revenue enhancement strategies to expand the county's revenue base. • Development of digital platforms and automation of revenue collection systems to reduce leakages and improve accountability. • Conducting baseline surveys and assessment of revenue streams to determine the county's revenue potential. • Strengthening enforcement mechanisms and sealing revenue leakages to maximize collection. • Promoting economic growth through investment in market infrastructure and updating the valuation roll to broaden the revenue base.
2.	Bomet	• Implementation of a Revenue Enhancement Strategy to improve revenue mobilization. • Automation of revenue collection systems, including processes such as land rates and liquor licensing, to improve efficiency and reduce leakages. • Expansion and identification of new revenue streams to broaden the county's revenue base. • Development and implementation of appropriate revenue policies and legislation aligned with emerging business trends. • Strengthening the technical capacity of revenue staff through training and capacity building to enhance revenue administration.

NO.	County	Proposed Strategies
3.	Bungoma	• Use of the Bungoma Automated Revenue Management System to support all local revenue streams and improve efficiency in revenue collection. • Sealing revenue leakages and improving collection efficiency through strengthened revenue administration measures. • Development of a market entry fees module that registers traders, generates bills and allows payment through cashless platforms such as M-Pesa, enabling the county to track defaulters. • Implementation of cashless payment systems for market fees as provided under the Finance Act to reduce cash handling and enhance transparency. • Flexible payment plans for property rate defaulters, allowing them to clear arrears through structured installment arrangements. • Development of a tariffs and pricing policy (with support from the Commission on Revenue Allocation and National Treasury) to guide the levying of county fees and charges. • Comprehensive audit and registration of outdoor advertising and signage companies to create an updated database for billing and enforcement. • Registration of entities liable to agricultural produce transportation fees to strengthen enforcement and revenue tracking.
4.	Busia	• Review and strengthen the legal and policy framework for revenue collection • Simplify and harmonize county revenue streams • Enhance fairness and improve taxpayer compliance • Automate and digitize revenue collection systems • Improve data management and revenue tracking • Seal revenue leakages and enhance transparency and accountability • Strengthen capacity of departments to generate revenue • Improve service delivery in revenue-generating sectors • Review and adjust fees, charges, and tariffs where necessary

NO.	County	Proposed Strategies
		- Promote performance-based revenue collection - Enhance collection from key revenue streams such as: - Market fees - Bus park fees - Trade licenses
5.	Garissa	- Enhance staff capacity - Develop and enact policies/legal frameworks - Equip Sub-Counties' offices - Use digital communication for compliance - Implement a cashless revenue collection system - Strengthen the Audit function - Public sensitization and education - Improve access in marginalized areas - Introduce an updated valuation roll
6.	Kwale	- Enact the 2026 Finance Bill - Administrative and policy reforms - Leverage technology - Expand recruitment and training of revenue collection staff. - Implement revenue mapping - Intensify compliance and enforcement efforts - Complete the valuation roll process
7.	Kitui	- Develop, enact, and implement policy/legal framework - Data mapping - Automation and digitization - Staffing and staff development - Stakeholder engagement - Interdepartmental collaboration - Explore untapped and underexploited revenue streams.
8	Kisii	- Structural reforms to improve revenue efficiency and collection. - Medium-term revenue outlook integrated into the resource envelope and MTEF ceilings.

NO.	County	Proposed Strategies
		• Strict adherence to fiscal responsibility principles, including maintaining a reasonable degree of predictability in tax rates and bases.
9.	Kiambu	• Operationalization of the Kiambu County Revenue Authority • Finalize ERP Implementation in All Revenue Modules • Rapid Result Initiatives (RRI) at Municipalities • Staff Training & Capacity Building • Equipping Sub-County Offices • Community Engagement via SMS & Public Sensitization • Strengthened Audit, Compliance & Enforcement • Mobile Collection Offices • Physical Planning Enforcement & Updated Valuation Roll • Specific FY 2026/27 Quick-Win Measures
10.	Kirinyaga	• Full Automation of Revenue Collection Systems • Enhancement of Billing and Enforcement Mechanisms • Development and Implementation of a Valuation Roll • Alignment with National Digitization and Data-Sharing • Strengthening Appropriations-in-Aid (Especially FIF)
11.	Kericho	• Automation of Revenue Systems • Base Expansion • Compliance Improvement
12	Kakamega	• Fiscal Structural Reforms & Public Finance Management Programme • Unified Business Permit & Business Environment Improvement • Digitization & e-Government Integration (ICT & Finance)
13.	Elgeyo Marakwet	• Full Roll-out of the Integrated County Revenue Management System (ICRMS) • Strict Enforcement & Compliance Enhancement • Revenue Base Expansion & Mapping Individual Targets & Accountability
14	Makueni	• Streamline Third-Party Data Sharing

NO.	County	Proposed Strategies
		• Establishment of a Data Management Unit • Performance Monitoring & Accountability • Strengthen Legal & Policy Framework • Comprehensive Mapping of All Revenue Sources • Improved Revenue Forecasting • Leverage Technology & Innovation (Deep Automation) • Streamline Third-Party Data Sharing
15	Homa - Bay	• Legal & Policy Framework Strengthening • Rate Determination & Base Expansion • Full Implementation of Automated Revenue Collection System • Funding & Maintenance of Revenue-Producing Assets • Governance, Capacity Building & Stakeholder Engagement • Risk Mitigation Integration
16	Meru	• Full automation of all revenue streams with cashless payment systems. • Development and passage of the Meru County Finance Bill 2026 to introduce new revenue streams. • Regular departmental meetings with internal stakeholders (e.g., Agriculture, Trade, Livestock) to identify and plug gaps. Collaboration with the Meru County Revenue Board for enforcement of county laws. • Mapping and targeting high-potential streams (e.g., Single Business Permits, parking fees, land rates, outdoor adverts). • Regular evaluation and adjustment of collection strategies based on performance. Projected OSR target: ~KSh 550 million for FY 2026/26.
17	West Pokot	• Dedicated West Pokot County Revenue Enhancement Action Plan (2024) with specific strategies per stream. • For natural resources/mining: Review trade licensing fees, develop investment policy, construct parking bays in quarry areas, review land rates in mining zones, and integrate into county statistics.

NO.	County	Proposed Strategies
		• For liquor licensing: Review Liquor Licensing Act, map businesses, unify licensing streams, and introduce solid waste surcharges. • For property rates: Approve valuation rolls, review Rating Act, digitize land register integration with revenue system, public sensitization, link to building plans, and capacity building for enforcement staff. • For parking fees: Designate additional areas, operationalize online payments, and enforce penalties. • Overall: Unified billing/collection, public education, and domestication of tariff/pricing policies.
18	Mombasa	• Restored revenue strategy focusing on increased and efficient mobilization. • Upgrading and automation of county revenue systems. • Implementation of the Finance Act 2026 with strengthened enforcement mechanisms. • Rationalization of existing fees/charges and expansion of the revenue base. - Inter-departmental concerted efforts and collaboration with business associations. • Technology integration (e.g., GIS for land rates, dynamic pricing for parking) and taxpayer sensitization. Targeting growth of ~12% in revenue effort over the medium term. • High reliance on port-related and tourism activities.
19	Tana River	• Rigorous mobilization and comprehensive revenue mapping. • Strengthened enforcement mechanisms to address previous underperformance. • Expansion of revenue base through identification of new streams. Improved collection efficiency and reduction of leakages. • Alignment with austerity measures to live within means while boosting local revenue (projected modest growth in CFSP).
20	Lamu	• General enhancement through automation and better collection systems (common county approach). • Public participation and sensitization to improve compliance.

NO.	County	Proposed Strategies
		• Expansion of revenue base linked to tourism, fishing, and port-related activities. • Integration with conditional grants and carry-over balances for overall fiscal support. • Focus on realistic target setting (OSR forms a smaller portion of the budget, ~6%).
21	Taita Taveta	• Development and launch of a tailored Revenue Enhancement Action Plan (REAP) with CRA/World Bank support (completed phase). • Revenue mapping, automation, and enforcement reforms. Public sensitization and base broadening (e.g., mining, agriculture, tourism-related fees). • Capacity building and performance monitoring.
22	Wajir	• Participation in CRA/World Bank-supported REAP development (ongoing phase). • Automation of collection systems and sealing of leakages. • Expansion of revenue base through better mapping of potential streams (e.g., livestock, trade). • Strengthened enforcement and stakeholder engagement. • Use of data-driven approaches for compliance.
23	Marsabit	• Standard measures from county CFSPs: Automation of revenue systems, public sensitization, and enforcement. • Revenue base expansion focused on livestock markets, natural resources, and trade licenses. • Improved forecasting and inter-departmental coordination (details more limited in public documents; aligns with arid/semi-arid county strategies).
24	Nyamira	• Automation and digitization of collection to reduce leakages. • Expansion of revenue base and improved compliance through sensitization. • Enforcement of existing laws and mapping of new streams (e.g., agriculture, property-related). • Capacity building for revenue staff.

NO.	County	Proposed Strategies
		Alignment with national forecasting tools for realistic targets (historically noted as lower performer in some national reports).
25	Mandera	- Full implementation of the Mandera County Own Source Revenue Enhancement Strategy (launched 2026). - Automation and technology reforms to make revenue payments more convenient and reduce leakages. - Continued investment in technology for additional revenue stream automation. - Revenue base expansion through mapping and better administration (aligned with CFSP emphasis on financing future budgets).
26	Embu	- Automation of revenue processes and expansion of the revenue base to reduce leakages. - Improved human resource capacity in revenue management and taxpayer sensitization. - Ring-fencing of user fees (especially health) for reinvestment in service delivery. - Exploitation of existing streams while exploring innovative avenues (e.g., timely insurance claims in health). - Strong performance noted (99.5% achievement in prior year) through these combined efforts.
27	Nyandarua	- Comprehensive GIS-based revenue mapping across the county to seal leakages and provide accurate data analytics. - Adoption of a new Integrated Revenue Management System (post-current contract expiry) for cashless and automated collections. - Development of legislative and policy frameworks, upgrading of collection infrastructure, and business mapping. - Initiatives such as Taxpayers' Week, recognition of top taxpayers, and establishment of a County Revenue Board. - Diversification of revenue sources and public-private partnerships.

NO.	County	Proposed Strategies
28	Nyeri	• Combination of revenue administrative and policy reforms: expansion of the revenue base, minimizing revenue expenditures, and sealing loopholes. • Leveraging technology to revolutionize collection and management processes (automation and simplification). • Strengthening accountability, transparency, and compliance for equitable and progressive administration. • Introduction of revenue forecasting models for better predictability. • Collaboration with private sector and donors for additional funding support.
29	Machakos	• Comprehensive revenue enhancement strategy: mapping and digitizing all potential revenue streams. • Automation of collection systems and enforcement using data-driven mechanisms. • Revenue diversification through public-private partnerships (PPPs) in key sectors (e.g., tourism, agriculture) to create new taxable activities. • Clear legal and policy framework for innovative initiatives (e.g., land value capture, user fees) • Addressing ICT infrastructure gaps and digital literacy for staff/residents.
30	Siaya	• Introduction of a raft of tax policy measures through the Finance Bill 2026/26 to support OSR targets. • Broadening the local revenue base through targeted projects and improved collection efficiency. • Enforcement of revenue collection alongside preparation and implementation of a revenue enhancement plan. • Focus on major streams like Single Business Permits and market fees while addressing overall underperformance.
31	Kisumu	• Implementation of the Kisumu Revenue Board's Revenue Enhancement Action Plan (REAP) 2024-2028 for structured, transparent, and stakeholder-driven optimization.

NO.	County	Proposed Strategies
		• Full integration of all revenue streams (structured and non-structured) into the Integrated Revenue Management System (IRMS) with reduced system downtime • Strict adherence to Finance Act billing processes; new valuation rolls for higher property rates. • Outdoor advertisement reforms (new invoices from 2024 business census) and SBP system with QR Code/GIS to prevent duplication/fakes. • Stakeholder collaboration and targeted optimization of key sources.
32	Murang'a	• Automation of revenue collection and optimization of existing streams. • Participation in CRA/World Bank-supported REAP development (ongoing phase with Machakos, etc.). • Revenue base expansion, enforcement improvements, and sealing of leakages through technology and capacity building. • Alignment with national OSR policy for efficiency and compliance.
33	Trans Nzoia	• Standard measures aligned with national guidelines: automation, cashless systems, and revenue base expansion. • Strengthening collection efficiency, enforcement, and inter-departmental coordination (common in CFSPs for similar counties). • Mapping of potential streams (e.g., agriculture-related cess) and public sensitization.
34	Samburu	• Automation of revenue systems, public sensitization, and enforcement to reduce leakages. • Revenue base expansion focused on livestock markets, natural resources, and trade licenses (typical for ASAL counties). • Improved forecasting and collaboration (details often limited but follow arid/semi-arid strategies).
35	Uasin Gishu	• Tailored Revenue Enhancement Action Plan (REAP) already developed and launched (with CRA/World Bank support, alongside Taita Taveta, West Pokot, etc.).

NO.	County	Proposed Strategies
		- Automation, revenue mapping, enforcement reforms, and capacity building. - Public sensitization and broadening of base (e.g., urban-related fees in Eldoret).
36	Nandi	- Participation in CRA/World Bank REAP drafting (with Kisumu, Bungoma, etc.). - Automation, base expansion, enforcement, and data-driven approaches. - Targeting key streams like property rates, licensing, and market fees with improved compliance.
37	Baringo	- Automation and digitization to reduce leakages; revenue base expansion through mapping. - Sensitization campaigns and enforcement strengthening. - Focus on agriculture/livestock-related streams and policy alignment with national guidelines.
38	Laikipia	- Automation of collection systems, public sensitization, and enforcement. - Revenue base expansion (e.g., tourism, wildlife, agriculture-related fees). - Capacity building and integration with broader fiscal reforms.
39	Narok	- Strengthening and reforming the existing revenue collection system through structural reforms. - Maximizing collection via enhanced administration and policy measures. - Improved revenue forecasting capacity for accuracy. - Alignment with national OSR policy and continued automation efforts.
40	Nakuru	- Detailed revenue performance tracking and historical comparisons in CFSPs for better targeting. - Automation, base expansion, enforcement, and realistic forecasting. - Emphasis on major streams with public participation and transparency (strong urban base around Nakuru town).
41	Kilifi	Full implementation of the Kilifi County Revenue Enhancement Plan (REP) 2026–2028 to bridge the tax gap

NO.	County	Proposed Strategies
		(potential ~KSh 2.7B vs. actual ~KSh 1.5B). 100% automation of all revenue streams and procurement of GIS-based revenue mapping. • Rehabilitation of entry/cess points (e.g., Kanagoni, Mariakani, Mazeras, Mtwapa), installation of automated weighbridges, and provision of POS gadgets. • Short-term: Regulate waivers, provide staff uniforms/protective gear, capacity building, benchmarking, stakeholder sensitization, geo-fencing of gadgets, and rehabilitation of collection stations. • Long-term: Develop primary legislation (e.g., County Cess Act), explore new streams (blue economy, carbon markets), and strengthen inter-departmental collaboration. • Strict enforcement, ring-fencing of budgets for maintenance, and clear separation of roles between service providers and staff.
42	Isiolo	• Enhancement of county own-generated revenue through automation of revenue systems (listed as a key priority in CFSP and ADP). • Focus on strengthening structures for resource mobilization and management. • Public sensitization and improved collection efficiency to support priorities like food security, water, health, and infrastructure. • Integration with broader fiscal measures to reduce reliance on equitable share amid budget constraints and under-absorption linked to OSR shortfalls.
43	Turkana	• Broadening the revenue base and refocusing on key streams (e.g., through automation of more revenue streams and sealing leakages). • Innovative revenue strategies, including technological upgrades for accurate reporting and efficiency. • Revenue forecasting, governance improvements (e.g., development of revenue regulations and Finance Acts), and sensitization campaigns.

NO.	County	Proposed Strategies
		• Alignment with the 9-Point Agenda, emphasizing wealth creation/revenue enhancement alongside value addition in crops, livestock, and fish. • Continued efforts that have positioned Turkana among better-performing counties in OSR realization in national reports.
444	Baringo	• Broadening the revenue base through increased/new revenue streams to stimulate economic growth and reduce fiscal gaps. • Structural reforms and strengthening of the revenue collection system • Prudent fiscal measures, including realistic forecasting and alignment with national OSR enhancement policy. • Focus on economic resilience, inclusive growth, and balancing spending with enhanced local collections in the medium term
45	Tharaka Nithi	• Development and implementation of a county revenue enhancement plan with realistic projections (target: KSh 480–585 million for FY 2026/2026). • Strengthening collection systems, exploring new revenue sources, and regular sensitization of revenue officers. • Review and improvement of current revenue automation systems to reduce leakages. • Use of revenue forecasting models for credible projections and inter-departmental coordination. • Emphasis on robust resource mobilization strategies (including OSR) to support the constrained fiscal framework and development priorities.
46	Nairobi	• Leverage technology for tracking and managing revenues to minimize leakages. • Integrate systems for efficient billing and collection (e.g., expand digital platforms for payments). • Use GIS and data analytics for better revenue management and compliance. GIS-based Valuation Roll & Property Rates • Expand and continuously update the GIS-based Mass Valuation Roll to increase the number of rated properties. • Add more properties to the valuation tool for rating purposes.

NO.	County	Proposed Strategies
		• Strengthen collection of property rates through better data and enforcement. • Expansion of Revenue Base • Introduce/strengthen new streams, e.g., regularization of building approvals and efficient processing of construction permits. • Increase rated properties and formalize informal sectors. • Explore dynamic pricing (e.g., for parking) and target high-potential areas like billboards/advertisements. • Strengthening Key Revenue Streams • Enhance systems for property rates, parking fees, and Single Business Permits (SBP). • Conduct business registration drives and issue timely bills/demand notices. Improve data reliability and address legal challenges (e.g., disputes over valuation rolls). • Enforcement & Compliance Aggressive enforcement on non-compliant taxpayers (e.g., inspections, penalties, clamping of properties with arrears). • Public sensitization and taxpayer education campaigns. - Publish lists of large defaulters and pursue legal recovery where necessary. • Strengthen surveillance and statutory inspections. • Policy & Administrative Reforms Review and update revenue policies/legislation for fairness and predictability. • Minimize revenue expenditures and seal loopholes. Improve accountability, transparency, and equitable administration. • Introduce revenue forecasting models for better predictability and realistic targets. • Alternative & External Resource Mobilization Explore Public-Private Partnerships (PPPs), Joint Ventures, green bonds, grants, and leasing. • Target receivables as a source of capital. • Synchronize Finance Bill processes with budgeting to avoid delays. Institutional & Capacity Measures- Capacity building for revenue staff.

NO.	County	Proposed Strategies
		• Inter-departmental collaboration (e.g., with Lands, Urban Planning, and Finance). • Prioritize completion of ongoing projects and austerity to free resources while boosting OSR
47	Migori	• Diversifying and expanding the local revenue base such expanded natural resource taxation • Automation • Compliance enforcement, • Updating of valuation rolls.

Annex 3: Fiscal Risks and Mitigation Measures

No.	County	Fiscal Risk (Key Unique Issue)	Mitigation Measures
1	Baringo	• Delayed equitable share disbursements • Donor funding uncertainty	• Cash prioritization; pending bills plan • Alternative financing (PPP)
2	Bomet	• Inflation pressures affecting economy • Revenue Mobilization Constraints	• Promote value chains and insurance schemes • Strengthening enforcement measures and diversifying revenue streams to increase revenue collection.
3	Bungoma	• Weak governance and procurement systems • Non-remittance of Statutory Deductions	• Strengthen accountability and compliance • Ensuring timely compliance and remittance of statutory deductions as required by law.
4	Busia	• E-procurement and ICT capacity gaps • Weak Management of Statutory Funds	• Enhance ICT systems and staff capacity • Operationalize funds; review legal frameworks; strengthen governance and oversight
5	Embu	• High historical pending bills • Revenue Underperformance & Over-reliance on Equitable Share	• Structured payment plans and controls • Enhance revenue generation through automation, revenue mapping, new streams, and improved collection efficiency
6	Elgeyo Marakwet	• Climate-related risks such as droughts and other extreme weather events such as landslides and mud-flows, that pose	• Climate-smart agriculture to enhance food security and resilience against extreme weather conditions.

		significant threats to agriculture, food security, infrastructure, and public health.	
7	Garissa	• Debt sustainability and budget deviations • Unforeseen Expenditure Pressures	• Borrowing controls and audits • Establish a contingency fund, improve risk assessment mechanisms, and diversify revenue sources to cushion against shocks
8	Homa Bay	• Contingent liabilities and political pressure • Revenue Under-Performance	• Monitoring frameworks and fiscal discipline • Automation of revenue collection
9	Kajiado	• Rapid urbanization pressure (Ngong, Kitengela, Kiserian) • Low / Volatile Own Source Revenue (OSR) Collections • Delays or Reductions in National Government Transfers	• Strengthen urban planning; enhance infrastructure investment • Strengthen revenue administration and automation (e.g., digital collection systems). • Continuous advocacy with the national government for timely releases.
10	Kakamega	• High operational expenditure pressure • Delays in Exchequer Releases & Revenue Shortfalls	• Budget rationalization • Prepare and approve supplementary budgets; continue to rationalize and re-prioritize both development and operational expenditures to spend within the approved budget.
11	Kericho	• Exposure to national debt distress	• Fiscal consolidation

12	Kiambu	• Large structured pending bills • Missed Revenue Targets	• Payment plans and austerity • Enhance own-source revenue collection through proactive strategies; meet established targets to fully finance the budget
13	Kirinyaga	• Agriculture-driven revenue volatility • OSR underperformance, high recurrent expenditure pressures	• Market support and diversification • Full automation of revenue systems and enhanced enforcement to boost OSR; contain non-priority recurrent spending and rationalize workforce; strengthen commitment controls and monitoring to prevent pending bills; improve M&E and accountability frameworks
14	Kisii	• Persistent over-dependence on national transfers exposes the County to exchequer delays, leading to stalled projects and rising pending bills • Inflationary pressures from volatility in global oil prices inflate production costs and reduce purchasing power	• Strengthened financial controls, faster project implementation, completion-first mandate for ongoing projects (PIMIS), Zero-Based Budgeting, and systematic prioritization of high-impact programmes • Monetary policy alignment with national easing, Public-Private Partnerships (PPPs), National Infrastructure Fund, and revenue

			diversification to reduce dependence on transfers
15	Kisumu	• Flood risks and disaster exposure • Pending Bills & Outstanding Liabilities • Revenue Underperformance & Over-reliance on Equitable Share	• Disaster preparedness infrastructure • Treat pending bills and ongoing commitments as a first charge on the budget. • Aggressively enhance OSR through fuller automation of revenue collection (licenses, land rates, business permits, market fees, informal sector), revenue mapping, and infrastructure/human capacity building.
16	Kitui	• Governance, legal and ICT risks • Revenue Mobilization Constraints	• Compliance and digital investment • Fast-tracking revenue enhancement strategies: increased OSR at health facilities (Facilities Improvement Financing Act, 2023)
17	Kwale	• Elevated public debt and widening deficit. • Own Source Revenue (OSR) Underperformance	• Diversify revenue source. • Build fiscal buffers/reserves to handle emergencies • Enactment and implementation of the Finance Bill 2026 and Kwale Biashara Fund Act; revenue mapping, automation, staff training, and intensified compliance/enforcement
18	Laikipia	• Insecurity & Cattle Rustling	• Enhance community policing and peace-building; collaborate with

		Increased Public Expenditure Pressure & Macroeconomic Volatility	national security agencies for patrols and intelligence; invest in security infrastructure and alternative livelihoods to reduce conflicts Prioritize high-impact programs and cut non-essential spending; strictly adhere to fiscal responsibility principles; improve procurement efficiency and expenditure controls; explore public-private partnerships and donor grants
19	Lamu	- Terrorism and insecurity - Climate Change & Disasters (Droughts, Floods, Invasive Species)	- Security coordination - Enhance climate change mitigation and adaptation investments (e.g., irrigation, water harvesting, resilient crops/livestock).
20	Machakos	- Low Budget Absorption & Implementation Challenges - Climate Change & Disaster Shocks	- Prioritize completion of ongoing high-impact projects - Integrate climate-smart approaches into sector planning (agriculture, water, infrastructure)
21	Makueni	- Weak planning-budget linkage - Intergovernmental Fiscal Transfer risks	- Strengthen planning frameworks - Strengthen reporting and compliance to avoid grant disbursement delays

22	Mandera	• Inadequate capacity • Low Own Source Revenue (OSR) Performance & Over-reliance on Equitable Share	• Capacity building and coordination • Enact/enforce revenue laws and policies; introduce new streams (e.g., trade licenses, market fees, sand/ quarrying cess, livestock markets).
23	Marsabit	• Severe climate shocks (pastoral economy) • Low Budget Absorption & Implementation Challenges	• Resilience programs and early warning • Strengthen monitoring & evaluation, capacity building for staff, and inter-departmental coordination.
24	Meru	• Social risks (mental health issues and terminal illness) • Capacity turnover	• Awareness creation on mental health and terminal illness among staff. • Improve work and environment and staff welfare
25	Mombasa	• Extremely high wage bill • National Transfers / Disbursement	• Wage control and austerity • Prepare supplementary budgets where needed to align with actual disbursements
26	Murang'a	• Pending Bills / Outstanding Liabilities.	• Prioritize settlement of verified pending bills as a first charge on the budget (with dedicated allocations and a payment plan). • Treat pending bills and ongoing commitments as priority before new projects
27	Nairobi City County	• Inadequate resources • High Wage Bill	• Expanding income sources eg tax compliance • Establish semi-autonomous entities. - Introduce a fully

			funded voluntary early retirement scheme.
28	Nakuru	• Under performance of OSR • Abrupt Withdrawal of Development Partners	• Strengthen OSR mobilization • Monitor donor situations closely; adjust plans during CIDP mid-term review; diversify funding through PPPs, grants, and internal revenue enhancement
29	Nandi	• High stalled projects • High Wage Bill Expenditure	• Project prioritization • Freeze non-critical recruitment and improve staff productivity through performance contracts and appraisals. - Align personnel emoluments with overall revenue growth.
30	Narok	• International Relations and Conflicts • Weak Revenue Collection	• Diversification of economic activities; diplomatic and tourism promotion efforts; contingency planning for external shocks • Full automation of revenue collection; widening the revenue base; implementation of revenue enhancement strategies and sensitization.
31	Nyamira	• Revenue resistance and political interference • Pending Bills / Payment Arrears	• Automation and enforcement • Strengthen commitment controls, e-procurement, and cash flow management to prevent new accumulation.
32	Nyandarua	• Revenue system transition challenges	• Automation and reforms • Strengthen commitment controls, e-procurement, and

		• Pending Bills / Contingent Liabilities	cash flow management to prevent new accumulation
33	Nyeri	• Low budget absorption rates • Revenue Shortfalls & Over-reliance on Equitable Share	• Forecasting and execution improvements • Implement revenue forecasting models and conduct revenue potential studies
34	Samburu	• Pastoral economy vulnerability • Macroeconomic & Implementation Risks (Inflation, External Shocks, Low Absorption)	• Climate resilience • Closely monitor macroeconomic developments and implement timely interventions/expenditure rationalization.
35	Siaya	• Global shocks affecting inflation • External/Macroeconomic Shocks (Global Supply Disruptions, Geopolitical Tensions, Commodity Price Volatility)	• Policy alignment • Implement timely policy interventions to shield the economy from adverse shocks
36	Tana River	• Disasters (locusts, floods) • Pending bills	• Strengthening Disaster Risk Management • Prioritize clearing ineligible pending bills
37	Tharaka Nithi	• Non-compliance with development expenditure rule • Low own source revenue collections	• Budget reforms • Explore new revenue sources and strengthen revenue collection systems.
38	Trans Nzoia	• Reputational debtor risk	• Pending bill clearance

		• Delayed Exchequer Releases / Over-reliance on National Transfers	• Realign expenditure through supplementary budgets when necessary. - Aggressively enhance OSR and explore partnerships with development partners.
39	Turkana	• Oil, livestock dependency and shocks • Overdependence on Equitable Share	• Economic diversification • Diversifying Own Source Revenue (OSR) and establishing structured payment plans for pending bills and development of a county debt management strategy paper.
40	Uasin Gishu	• Policy-driven model (Nguzo Kumi) • Pending Bills / Outstanding Liabilities	• Strategic prioritization • Prioritize clearance of verified pending bills as a first charge on the budget through dedicated allocations and structured payment plans
41	Vihiga	• Delayed disbursements causing cash flow issues • Underperformance of Own Source Revenue	• Expenditure control and planning • Automation of revenue collection systems, strengthening enforcement, sealing leakages, and updating valuation rolls to expand the revenue base.
42	Wajir	• Livestock-dominated economy risk • Underperformance of Revenue (OSR and Conditional Grants)	• Policy reforms • Fast-track automation of revenue streams (ongoing process) to improve efficiency and collection
43	West Pokot	• Insecurity along the county boarder	• Peace caravan. • Strengthen peace committee

		Economic/Fiscal	Enhance revenue collection through automation, enforcement, and diversification; strict adherence to cash flow management
44	Isiolo	- resource allocation and utilization constraints - Climate change risks: Unpredictable weather patterns, driven by climate change, could severely impact crop and livestock - limited fiscal flexibility	- To be guided by the priorities outlined in CIDP III and other county plans the PFM Act 2012. - Spending within the overall sector limits and strategic sector objectives - Focus to be on implementing the flagship and other development projects outlined CIDP - Climate smart - Widening the revenue base
45	Migori	Delayed disbursement of national transfers and OSR shortfalls	Widening the revenue base

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