

**COUNTY GOVERNMENT OF MACHAKOS  
COUNTY ASSEMBLY OF MACHAKOS**



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**THE BUDGET AND APPROPRIATIONS COMMITTEE'S  
REPORT ON THE COUNTY BUDGET REVIEW AND  
OUTLOOK PAPER (CBROP), 2025**

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**JUNE, 2026**

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## ACRONYMS

<b>ADP</b>	Annual Development Plan
<b>A-I-A</b>	Appropriations-in-Aid
<b>BAC</b>	Budget and Appropriations Committee
<b>BETA</b>	Bottom-up Economic Transformation Agenda
<b>CBROP</b>	County Budget Review and Outlook Paper
<b>CFSP</b>	County Fiscal Strategy Paper
<b>CIDP</b>	County Integrated Development Plan
<b>CoB</b>	Controller of Budget
<b>COVID</b>	Corona Virus Disease
<b>CRA</b>	Commission on Revenue Allocation
<b>CT</b>	County Treasury
<b>EAC</b>	East African Community
<b>EMDE</b>	Emerging Markets and Developing Economies
<b>EPZ</b>	Export Processing Zone
<b>FDI</b>	Foreign Direct Investment
<b>FIF</b>	Facility Improvement Fund
<b>FY</b>	Financial Year
<b>GCP</b>	Gross County Product
<b>GDP</b>	Gross Domestic Product
<b>MTEF</b>	Medium Term Expenditure Framework
<b>MTFF</b>	Medium Term Fiscal Framework
<b>OCOB</b>	Office of the Controller of Budget
<b>PFM</b>	Public Finance Management
<b>RRI</b>	Rapid Results Initiative
<b>SBP</b>	Single Business Permit
<b>SPA</b>	Special Purpose Account

## 1.0 PREAMBLE

1. **Hon. Speaker**, Section 118 of the Public Finance Management (PFM) Act, 2012 requires that each County Treasury (CT) prepares the County Budget Review and Outlook Paper (CBROP) in respect of their County for each financial year. The CBROP presents:
  - i. Actual fiscal performance in the reporting period compared to the budget;
  - ii. Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
  - iii. Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest CFSP;
  - iv. The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. The CBROP should be submitted to the County Executive Committee by 30<sup>th</sup> September and approved by 14<sup>th</sup> of October then submitted to the Assembly by 21<sup>st</sup> October every year. Once approved by the County Executive Committee and forwarded to the County Assembly, the County Treasury should have it published and publicized.
3. The 2025 CBROP was submitted to the County Assembly on 18<sup>th</sup> October, 2025; within the legal timeline, tabled in the House on 26<sup>th</sup> November, 2025 and thereafter committed to the Budget and Appropriations Committee (BAC).

## 1.1 ESTABLISHMENT AND MANDATE OF THE COMMITTEE

4. **Hon. Speaker**, the Budget and Appropriations Committee is a select committee established in line with the provisions of Standing Order No. 186 (3) (a) which provides that there shall be a select committee to be known as the County Budget and Appropriations Committee consisting of a Chairperson and not more than eight other members. The main role of the committee is to take the lead in budgetary preparation and oversight by the County Assembly, among other roles including to examine the CBROP and make recommendations to the House. Other mandates of the committee include the following:
  - a. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of County budget.

- b. Discuss and review the Budget Estimates and make recommendations to the House
  - c. Examine Bills related to the County Budget including Appropriation Bills.
5. The broad objective of the committee is to ensure that there is prudence and accountability in the use of public resources and that the public realizes value for money in all government expenditure.

## 1.2 MEMBERSHIP OF THE COMMITTEE

6. **Hon. Speaker**, the Committee currently comprises of the following Members:

- |                          |                    |
|--------------------------|--------------------|
| 1. Hon. Aliphonce Nzioka | - Vice Chairperson |
| 2. Hon. Dominic Ndambuki | - Member           |
| 3. Hon. Paul Wambua      | “                  |
| 4. Hon. Peter Kilonzo    | “                  |
| 5. Hon. Nicholas Nzioka  | “                  |
| 6. Hon. Stephen Mwanthi  | “                  |
| 7. Hon. Margaret Ndalana | “                  |
| 8. Hon. Winfred Mutua    | “                  |
| 9. Hon Phoebe Koki       | “                  |

## SECRETARIAT

- |                         |                          |
|-------------------------|--------------------------|
| 1. Ms. Evelyne Kimote   | - Senior Clerk Assistant |
| 2. Mr. Sylvester Nzangi | - Senior Fiscal Analyst  |
| 3. Ms. Mary Nzembi      | - Clerk Assistant        |
| 4. Mr. Shadrach Mbithi  | - Fiscal Analyst         |
| 5. Ms. Margaret Wania   | - Legal Clerk            |
| 6. Ms. Ruth Mwikali     | - Hansard Officer        |
| 7. Ms. Abigael Mwikali  | - Commisionaire.         |

## 1.3 OBJECTIVES OF THE CBROP

7. **Hon. Speaker**, the CBROP aims to provide a review of the fiscal performance for the FY 2024/25 and how the outcomes impacted the County's financial objective and fiscal responsibility principles as envisaged in the PFM Act, 2012 and CFSP. It also relays the primary sector ceilings for the FY 2026/27 budget inclusive of indicative projections for the FY 2027/28 and 2028/29

Medium Term Expenditure Framework (MTEF) period. The ceilings will set off the budget preparation process for the next fiscal year.

#### **1.4 FISCAL RESPONSIBILITY PRINCIPLES**

8. **Hon. Speaker**, in line with Chapter 12 of the Constitution of Kenya as read with Section 107 of the PFM Act, 2012, the County Government shall adhere to the fiscal responsibility principles which are:

- i. The County Government's recurrent expenditure shall not exceed the county Government's total revenue;
- ii. Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure;
- iii. The County Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County Government revenue as prescribed by the Regulations;
- iv. Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- v. Public debt and obligations shall be maintained at a sustainable level as approved by County Assembly;
- vi. Fiscal risks shall be managed prudently, and;
- vii. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future.

## 2.0 REVIEW OF FISCAL PERFORMANCE IN FY 2024/2025

9. **Hon. Speaker**, in the FY 2024/25, this Assembly approved a budget of Kshs. 14.4 billion as at the beginning of the financial year which comprised of Kshs. 10.1 Billion and Kshs. 4.3 Billion relating to recurrent and development expenditure respectively. In the course of budget implementation in the reporting period, the County adjusted its budget to accommodate the unspent funds in the FY 2023/2024 and changes in the County Allocation Revenue Act, County Government Additional Allocations Act among others giving a total County Budget of Kshs. 15.62 Billion comprising of Kshs. 10.87 Billion and Kshs. 4.75 Billion as recurrent and development expenditures respectively.

### 2.1 Fiscal performance

#### 2.1.1 Revenue performance

10. During the year under review, budget execution was hampered by challenges in the mobilization of Own Source Revenue which fell below expectations. The County realized Kshs. 2.18 Billion as OSR against a target of Kshs. 3.9 Billion. The county's total revenue receipts were Kshs. 13.03 Billion against a target of Kshs. 15.62 Billion. The Table below gives the fiscal out-turn for the FY 2024/2025:

***Table 1: Fiscal Out-turn for the FY 2024/2025 (Amounts in Kshs.)***

	Actual Expenditure FY 2022/2023	Actual Expenditure FY 2023/2024	Printed Estimates FY 2024/2025	Revised Estimates FY 2024/2025	Actual Performance FY 2024/2025	Budget Execution (%)
Total Revenue	11,969,212,702	12,812,761,825	14,392,185,634	15,622,164,355	12,967,367,442	83
Equitable Share	10,078,605,585	10,239,597,083	9,914,003,936	9,597,223,940	9,597,222,939	100
Unspent Balances FY 2023/2024			-	783,851,812	783,851,812	100
Equalization Fund	-	-	-	12,923,347	-	-
Unconditional Grants	-	-	1,708,218	16,053,513	-	-
Conditional Grants	460,815,858	1,023,816,263	1,000,511,971	1,286,318,677	404,457,376	32
Hospital Revenues	120,317,958	204,409,376	687,000,000	903,877,867	755,682,847	84

	Actual Expenditure FY 2022/2023	Actual Expenditure FY 2023/2024	Printed Estimates FY 2024/2025	Revised Estimates FY 2024/2025	Actual Performance FY 2024/2025	Budget Execution (%)
Own Source Revenue	1,309,473,301	1,344,939,102	2,788,961,509	3,021,915,199	1,426,152,468	47
<b>Total Expenditure</b>	<b>10,257,046,327</b>	<b>12,458,451,500</b>	<b>14,392,185,633</b>	<b>15,622,164,356</b>	<b>11,693,093,801</b>	<b>75</b>
Recurrent Vote	8,398,286,797	9,506,985,069	10,067,055,061	10,874,415,758	9,552,212,021	88
Compensation to Employees	5,566,708,303	6,286,026,135	6,358,782,113	6,698,764,221	6,395,358,649	95
Use of Goods and Services	2,831,578,494	3,187,569,007	3,539,814,730	3,992,848,024	3,156,853,371	79
Current Grants	-	33,389,927	168,458,218	182,803,513	-	-
Development Vote	1,858,759,530	2,951,466,431	4,325,130,572	4,747,748,598	2,140,881,780	45
Acquisition of Non-Financial Assets	1,858,759,530	2,198,426,026	3,491,368,601	3,669,262,672	1,846,384,957	50
Capital Grants	-	753,040,405	833,761,971	1,078,485,926	294,496,823	27

*Source: Machakos County Financial Statements FY 2024/2025*

### 2.1.2 County Own Source Revenue (OSR)

11. **Hon. Speaker**, the County Government targeted to collect Kshs. 3.9 Billion as Own Source Revenue which consisted of Kshs. 3 billion as ordinary OSR and Kshs. 0.9 Billion as FIF. Due to prevailing revenue mobilization challenges, the County collected Kshs. 1.42 Billion and Kshs. 0.76 Billion as ordinary OSR and FIF respectively. This amount represented an increase of 40% compared to Kshs.1.55 Billion realized in FY 2023/2024 and translated to 55.6% of the total target for the FY 2024/25. The Table below gives a comparative revenue collection trends by stream;

**Table 2: Own Source Revenue Yearly Collection by Stream**

Revenue Stream	Actual FY 2021/2022	Actual FY 2022/2023	Actual FY 2023/2024	Target FY 2024/2025	Actual FY 2024/2025
Land Rates & Ground Rent	169,415,389	204,509,754	289,607,582	441,415,053	181,168,927

Revenue Stream	Actual FY 2021/2022	Actual FY 2022/2023	Actual FY 2023/2024	Target FY 2024/2025	Actual FY 2024/2025
Single Business Permit	279,702,729	298,859,046	297,038,809	300,606,861	367,704,942
Quarry Extraction Fees	146,802,687	189,782,165	123,176,334	458,892,708	142,925,000
Sand Gravel	19,408,401	26,475,610	27,721,006	114,665,608	45,207,520
Market Fees	7,249,032	13,253,012	61,656,607	100,610,377	95,157,067
Plot/Stall Rent	3,242,039	3,351,824	4,355,382	17,594,199	3,508,579
Bus park	111,101,993	140,981,326	98,467,384	435,549,647	106,867,370
House Rent	860,962	1,792,252	1,548,303	3,882,156	1,448,150
Refuse/Conservancy Fee	28,320,120	32,406,484	29,255,982	30,249,053	36,827,445
Sign Board & Advertisement Fee	43,302,031	75,168,364	81,294,436	117,013,656	100,240,155
Fire Fighting & Ambulance Mgt Unit	14,145,202	17,154,355	14,415,031	32,235,653	38,292,498
Slaughter House Fees/Livestock	12,502,064	14,831,987	12,984,296	73,699,829	12,947,016
Enforcement Management	3,787,116	7,338,385	5,664,486	23,939,332	11,111,748
Off-street Parking Unit	13,999,740	16,411,332	19,274,217	561,416,781	19,667,610
Building Plan Approvals	147,655,443	162,826,953	131,754,599	184,312,666	139,926,626
Cess	7,358,762	14,081,514	49,212,296	2,026,820	44,617,159
Social Services	82,039	295,720	1,701,069		2,980,470
Water Sales	796,369	689,000	426,593	606,780	2,066,500
People's Park/Maruba	902,871	-	855,967	4,824,709	599,100
House Loan Repayment	84,000	116,933	159,768		30,995
Salary Refunds/Advances	858,716	2,448,444	228,067	2,257,167	753,175
Agri Farm	66,200	463,760	143,441		65
Health Revenue	38,809,908	120,317,958	204,409,376	903,877,867	755,682,847
Liquor	61,556,386	72,373,670	80,028,783	71,649,216	60,842,130

Revenue Stream	Actual FY 2021/2022	Actual FY 2022/2023	Actual FY 2023/2024	Target FY 2024/2025	Actual FY 2024/2025
Tourism	2,173,225	1,185,601	174,253	969,867	0
Interest & Penalties on Plot and Stall Rent	58,541	197,770	406,533	406,229	393,655
Noise Pollution	541,107	386,650	1,071,069	3,363,781	3,405,750
Motor Cycle Registration	3,414,930	11,204,510	11,505,086	10,787,664	7,222,601
Weights and Measures	263,750	886,880	811,724	10,551,153	240,215
Court Fines	-	-	-	18,388,233	
<b>Total</b>	<b>1,118,461,753</b>	<b>1,429,791,259</b>	<b>1,549,348,479</b>	<b>3,925,793,065</b>	<b>2,181,835,314</b>

*Source: Machakos County Financial Statements FY 2024/2025*

12. Table 2 above shows that the top five revenue earners to the County are Single Business Permit (SBP), Land Rates, Quarry Extraction, Building Plans Approvals and Health Revenues. Yearly collection trends in the last four years have shown a steady improvement of Own Source Revenue collections from a low of Kshs. 1.1 Billion in FY 2021/22 to a high of Kshs. 2.2 Billion in FY 2024/25.

### 2.1.3 Conditional Grants

13. **Hon. Speaker**, the County expected to receive Kshs. 1.32 Billion as Additional Allocations/Conditional Grants comprising of Kshs. 12.9 Million Equalization Fund, Kshs. 16 Million unconditional grants, Kshs. 0.85 Billion conditional grants from development partners and Kshs.0.44 Billion conditional grants from National Government share of revenue. The actual receipts amounted to Kshs. 406.5 Million representing a 31% achievement rate.

### 2.1.4 Expenditure performance

14. Analysis of expenditure by economic classification shows that compensation of employees had the highest absorption rate at 51% of available revenue and 42% of the total budget while Operations and Maintenance accounted for 25% of available revenue and 21% of total budget. Development expenditure accounted for 15% of the available revenue and 12% of the total budget. The county spent 91% of the total revenue available during the financial year though this expenditure was 75% of the total county budget. This is as tabulated here below;

**Table 3: Expenditure Performance by Economic Classification for FY 2022/2023 and FY 2024/2025**

Economic Item	Actual Expenditure FY 2022/2023	Actual Expenditure FY 2023/2024	Printed Estimates FY 2024/2025	Revised Estimates FY 2024/2025	Actual Performance FY 2024/2025	Budget Execution
Compensation of Employees	5,566,708,303	6,286,026,135	6,358,782,113	6,698,764,221	6,395,358,649	95
Use of goods and Services	2,831,578,494	3,187,569,007	3,539,814,730	3,992,848,024	3,156,853,371	79
Current Grants	-	33,389,927	168,458,218	182,803,513	-	-
Acquisition of Non-Financial Assets	1,858,759,530	2,198,426,026	3,491,368,601	3,669,262,672	1,846,384,957	50
Capital Grants	-	753,040,405	833,761,971	1,078,485,926	294,496,823	27
<b>Total</b>	<b>10,257,046,327</b>	<b>12,458,451,500</b>	<b>14,392,185,633</b>	<b>15,622,164,356</b>	<b>11,693,093,801</b>	<b>75</b>

*Source: Machakos County Financial Statements FY 2024/2025*

### 2.1.5 County Entities Expenditure Analysis

15. **Hon. Speaker**, all County entities achieved an execution rate of at least 50% with the exception of Water, Irrigation, Environment & Climate Change, Lands, Urban Development, Housing & Energy and Agriculture, Food Security & Cooperative Development at 41%, 40% and 49% respectively. Departments of Devolution and County Attorney achieved the highest absorption rate 88% and 89% followed by The County Assembly (86%), Finance (85%), Education (84%) and Health (81%). Table 4 below gives the detailed analysis of every County entity's recurrent, development and total expenditures:

**Table 4: County Entities Expenditure Performance for the Period Ending 30th June**

County Entity		Actual Expenditure FY 2023/2024	Printed Estimates FY 2024/2025	Revised Estimates FY 2024/2025	Actual Performance FY 2024/2025	Budget Execution
Office of the Governor	Recurrent	477,506,629	797,345,768	797,345,768	666,104,331	84
	Development	732,271	59,830,059	53,312,174	25,607,583	48
	<b>Total</b>	<b>478,238,900</b>	<b>857,175,827</b>	<b>850,657,942</b>	<b>691,711,914</b>	<b>81</b>
County Public Service Board	Recurrent	30,161,925	38,013,709	38,013,709	31,186,853	82
	Development	-	21,796,931	18,000,000	-	-

County Entity		Actual Expenditure FY 2023/2024	Printed Estimates FY 2024/2025	Revised Estimates FY 2024/2025	Actual Performance FY 2024/2025	Budget Execution
	<b>Total</b>	<b>30,161,925</b>	<b>59,810,640</b>	<b>56,013,709</b>	<b>31,186,853</b>	<b>56</b>
Roads, Transport and Public Works.	Recurrent	211,578,222	244,405,006	277,315,520	215,072,546	78
	Development	425,374,344	1,029,916,379	808,886,465	399,309,575	49
	<b>Total</b>	<b>636,952,566</b>	<b>1,274,321,385</b>	<b>1,086,201,985</b>	<b>614,382,122</b>	<b>57</b>
Health	Recurrent	4,115,520,128	4,242,640,010	4,547,392,259	3,934,234,602	87
	Development	470,040,244	572,722,244	607,578,996	219,540,657	36
	<b>Total</b>	<b>4,585,560,372</b>	<b>4,815,362,254</b>	<b>5,154,971,255</b>	<b>4,153,775,259</b>	<b>81</b>
County Assembly	Recurrent	919,694,196	1,114,313,264	944,156,126	924,156,118	98
	Development	57,346,762	174,400,000	174,400,000	43,341,639	25
	<b>Total</b>	<b>977,040,958</b>	<b>1,288,713,264</b>	<b>1,118,556,126</b>	<b>967,497,757</b>	<b>86</b>
Water, Irrigation, Environment and Climate Change	Recurrent	117,128,210	146,200,496	163,600,496	122,445,582	75
	Development	443,483,954	605,611,724	664,088,175	212,950,523	32
	<b>Total</b>	<b>560,612,164</b>	<b>751,812,220</b>	<b>827,688,671</b>	<b>335,396,105</b>	<b>41</b>
Agriculture, Food Security and Co-operative Development	Recurrent	255,648,065	276,621,746	277,236,361	262,288,499	95
	Development	702,144,004	521,658,938	455,393,212	93,785,214	21
	<b>Total</b>	<b>957,792,069</b>	<b>798,280,684</b>	<b>732,629,573</b>	<b>356,073,713</b>	<b>49</b>
Finance, Economic Planning and Revenue Management	Recurrent	1,122,464,760	994,884,451	1,153,331,416	1,098,672,885	95
	Development	568,480,286	246,636,671	993,957,761	718,628,749	72
	<b>Total</b>	<b>1,690,945,046</b>	<b>1,241,521,122</b>	<b>2,147,289,177</b>	<b>1,817,301,635</b>	<b>85</b>
Gender, Youth, Sports and Social Welfare.	Recurrent	146,177,389	144,571,815	152,471,665	117,399,029	77
	Development	125,592,017	400,158,502	194,441,334	89,650,001	46
	<b>Total</b>	<b>271,769,406</b>	<b>544,730,317</b>	<b>346,912,999</b>	<b>207,049,030</b>	<b>60</b>
Trade, Industry, Tourism and Innovation.	Recurrent	178,327,729	157,017,292	156,576,868	138,416,562	88
	Development	114,949,228	130,575,969	266,584,567	179,662,170	67
	<b>Total</b>	<b>293,276,957</b>	<b>287,593,261</b>	<b>423,161,435</b>	<b>318,078,733</b>	<b>75</b>
Education	Recurrent	529,201,849	560,803,754	762,572,320	660,545,764	87
	Development	-	110,410,378	97,787,708	62,418,779	64
	<b>Total</b>	<b>529,201,849</b>	<b>671,214,132</b>	<b>860,360,028</b>	<b>722,964,543</b>	<b>84</b>
Lands, Urban Development, Housing and Energy.	Recurrent	226,431,017	253,137,941	265,203,441	176,680,797	67
	Development	42,094,320	326,915,650	345,760,162	67,288,148	19
	<b>Total</b>	<b>268,525,337</b>	<b>580,053,591</b>	<b>610,963,603</b>	<b>243,968,946</b>	<b>40</b>
Devolution	Recurrent	1,125,704,378	1,010,248,037	1,252,348,036	1,128,068,213	90
	Development	1,229,000	117,987,127	67,558,044	28,698,742	42
	<b>Total</b>	<b>1,126,933,378</b>	<b>1,128,235,164</b>	<b>1,319,906,080</b>	<b>1,156,766,955</b>	<b>88</b>
	Recurrent	51,440,570	86,851,773	86,851,773	76,940,240	89

County Entity		Actual Expenditure FY 2023/2024	Printed Estimates FY 2024/2025	Revised Estimates FY 2024/2025	Actual Performance FY 2024/2025	Budget Execution
County Attorney	Development	-	6,510,000	-	-	-
	Total	51,440,570	93,361,773	86,851,773	76,940,240	89
<b>Total Recurrent</b>		9,506,985,067	10,067,055,062	10,874,415,758	9,552,212,021	88
<b>Total Development</b>		2,951,466,430	4,325,130,572	4,747,748,598	2,140,881,780	45
<b>Total Budget</b>		12,458,451,497	14,392,185,634	15,622,164,356	11,693,093,801	75

Source: Machakos County Financial Statements FY 2024/2025

### 3.0 RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK

16. **Hon. Speaker**, achieving the County's medium-term strategic objective is dependent on the performance of both the Global and the National economy.
17. The Global growth is projected at 3% for 2025 and 3.1% in 2026, an upward revision from the April, 2025 World Economic Outlook. This reflects lower effective tariff rates, better financial conditions and fiscal expansion in some major jurisdictions. Global inflation is expected to fall, but US inflation is predicted to stay above target. Downside risks from potentially higher tariffs, elevated uncertainty and geopolitical tensions persist. Restoring confidence, predictability, and sustainability remains a key policy priority.
18. Growth in advanced economies is projected to be 1.5% in 2025 and 1.6% in 2026. In the United States, with tariff rates settling at lower levels and looser financial conditions, the economy is projected to expand at a rate of 1.9% in 2025. In the euro area, growth is expected to accelerate to 1% in 2025 and to 1.2% in 2026 whereas in the other advanced economies, growth is projected to decelerate to 1.6% in 2025 and pick up to 2.1% in 2026.
19. In emerging market and developing economies, growth is expected to be 4.1% in 2025 and 4% in 2026. Relative to the forecast in April, growth in 2025 for China is revised upward by 0.8 percentage points to 4.8%. The Middle East and Central Asia, growth is projected to accelerate to 3.4% in 2025 and 3.5% in 2026. Growth is expected to be relatively stable in 2025 in sub-Saharan Africa at 4%, before picking up to 4.3% in 2026. On the other hand global inflation is expected to continue to decline, with headline inflation falling to 4.2% in 2025 and 3.6% in 2026.
20. **Hon. Speaker**, Africa's economy is projected to increase from 3.3% growth in 2024 to 3.9% in 2025, reaching 4% in 2026.
21. In 2024, Kenyan economy grew at a slower pace compared to 2023. The real GDP grew by 4.7%, down from 5.7% in 2023 which was attributed to weak industrial activity, low investment, floods, high interest rates, subdued business sentiment following the mid 2024 protests along with

reduced development spending due to fiscal consolidation efforts and climate related shocks. Inflationary pressures eased with the overall annual inflation rate declining to 4.5% in 2024, down from 7.7% in 2023, the lowest in the last five years. However, high public debt remains a major concern.

22. The Kenya Economic Update, May 2025, projects real GDP growth at 4.5% in 2025 and 5% in 2026–27. The projected medium-term growth is in line with Kenya’s potential growth (4.7%), which is above the Sub-Saharan African average (4.2%). However, it is lower than the East African Community (EAC) peers’ growth average (5.3%). Low inflationary pressures, easing monetary conditions, and a pickup in credit growth are expected to support household and business incomes, while projected fiscal consolidation is expected to free resources for private investment growth.
23. Despite improvements in Kenya’s macroeconomic conditions, the country continues to face structural challenges, including insufficient job creation and low wages, especially among the youth. Efforts at fiscal consolidation have been undermined by revenue shortfalls and rising expenditure pressures, culminating in setbacks such as the rejection of the Finance Bill 2024 due to public concerns over its impact on the cost of living.
24. According to the Gross County Product (GCP) 2024, Machakos County was the sixth largest economy with a GCP of 3.2% after Nairobi (27.5), Kiambu (5.6), Nakuru (5.2), Mombasa (4.8) and Meru (3.4). The major economic activities contributing to the County’s growth include: Manufacturing; Agriculture, Forestry and Fishing; Wholesale and retail trade; Construction; Real estate and Transport.

### 3.1 Risks to the Outlook

25. **Hon. Speaker**, on the external front, the key downside risks include: Geopolitical tensions, protectionist policies, inflationary pressures, supply chain disruptions, Cybersecurity threats, labor market challenges, climate change impacts, financial market volatility, technological disruption, regulatory changes, emerging market vulnerabilities and public health risks.
26. At County level, the risks include but not limited to National economic performance, delays in disbursements, low own source revenue collection, high wage bill, unpredictable weather and pending bills.

## 4.0 RESOURCE ALLOCATION FRAMEWORK

### 4.1 Implementation of the FY 2025/26 Budget

27. Implementation of the current FY 2025/2026 budget has been delayed by the late approvals of expenditure by the Office of the Controller of Budget (OCOB). This is however expected to be regularized as we move into the second quarter of the FY. The Medium-Term Fiscal Framework (MTFF) for the FY 2026/2027 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities.
28. To finance FY 2025/26, the County Treasury projects its revenues at Kshs. 15.2 Billion. This will comprise Equitable Share of Kshs. 10 Billion, Additional Allocations Kshs. 1.1 Billion, and Own Source Revenue of Kshs. 4.1 Billion representing 66%, 7%, and 27% of the total revenue respectively.

### 4.2 Medium Term Expenditure Framework (MTEF)

29. **Hon. Speaker**, the 2026/2027-2028/2029 MTEF builds up on the National Government's efforts to stimulate and sustain economic activity through BETA. The document is framed against a backdrop of global economic slowdown occasioned by the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of the COVID-19 pandemic, persistent supply chain disruptions, food security and climate change effects.
30. The fiscal policy for the FY 2026/2027 and over the medium term thus aims at supporting programmes that will accelerate the transformation agenda of the county government in making Machakos the place to invest through a fiscal consolidation plan aimed at slowing down the growth in pending bills without affecting service delivery.
31. The following will therefore serve as the criteria to guide the prioritization and final allocation of resources;
- i. Projects and Programmes identified in the Annual Development Plan 2026/2027 and CIDP 2023-2027 that are aligned with BETA priorities and Medium-Term Plan IV of Vision 2030;
  - ii. Completion of ongoing projects, stalled projects and payment of verified eligible pending bills;
  - iii. The Governor's Manifesto, including directives and cabinet decisions;
  - iv. Cost effectiveness, efficiency and sustainability of the programmes/projects;
  - v. Degree to which the programmes address the strategic objectives of the County;

- vi. Degree to which the programmes address the core function and responsibilities of the county entity, and;
- vii. Requirements for the furtherance and implementation of the Constitution of Kenya.

32. Hon. Speaker, the County's proposed Resource Envelope in the Medium Term is as presented below;

***Table 5: Resource Envelope in the Medium Term***

Description	Revised Estimates FY 2024/2025	Printed Estimates FY 2025/2026	Projected Estimates FY 2026/2027	Projected Estimates FY 2027/2028
<b>Equitable Share</b>	<b>9,597,223,940</b>	<b>10,027,000,000</b>	<b>10,027,000,000</b>	<b>10,027,000,000</b>
<b>Equalization Fund</b>	<b>12,923,347</b>			
<b>Return to CRF</b>	<b>783,851,812</b>			
Court Fines	16,053,513	1,617,189	1,617,189	1,617,189
<b>Total Unconditional Grants</b>	<b>16,053,513</b>	<b>1,617,189</b>	<b>1,617,189</b>	<b>1,617,189</b>
Community Health Promoters Project	83,250,000	83,250,000	83,250,000	83,250,000
Aggregated Industrial Parks	186,000,000			
Road Maintenance Levy Fund	111,125,100	111,125,100	-	
County Rural & Urban Affordable Housing Committee		8,817,410		
Kenya Devolution Support Project (KDSP I) – World Bank	58,417,280			
Kenya Devolution Support Project (KDSP II Level 2) – World Bank	37,500,000	37,500,000	37,500,000	37,500,000
Kenya Devolution Support Project (KDSP II Level 1) – World Bank		352,500,000	352,500,000	352,500,000
Kenya Urban Support Project (UIG)- World Bank	35,000,000	35,000,000	35,000,000	35,000,000
Kenya Urban Support Project (UDG)- World Bank	179,392,140	90,174,566	90,174,566	90,174,566

Description	Revised Estimates FY 2024/2025	Printed Estimates FY 2025/2026	Projected Estimates FY 2026/2027	Projected Estimates FY 2027/2028
Universal Healthcare in Devolved Context (PHCDC)-DANIDA L2&3	12,250,425	8,820,000	11,943,750	11,943,750
Universal Healthcare in Devolved Context (PHCDC)-DANIDA L1 FY 2025/2026		8,636,250		
Universal Healthcare in Devolved Context (PHCDC)-DANIDA L1 FY 2024/2025		3,123,750		
Universal Healthcare in Devolved Context (PHCDC)-DANIDA L2&3 FY 2024/2025		8,820,000		
Universal Healthcare in Devolved Context (PHCDC)-DANIDA L2&3 FY 2023/2024		11,025,000		
Universal Healthcare in Devolved Context (PHCDC)-DANIDA L1 FY 2023/2024		3,123,750		
National Agricultural Value Chain Development Project-World Bank	151,515,152	151,515,152	151,515,152	151,515,152
Emergency Locust Response Project- World Bank	104,600,000			
Kenya Agricultural Business Development Project-Sweden	10,918,919			
Aquaculture Business Development Program-IFAD	12,262,438	12,262,438	12,262,438	12,262,438
Financing Locally-Led Climate Change Action Program (FLLoCA) County Climate Resilience Investment-World Bank	234,440,930	137,500,000	137,500,000	137,500,000
Financing Locally-Led Climate Change Action Program (FLLoCA) County Climate Institutional Support-World Bank	11,000,000	11,000,000	11,000,000	11,000,000
Basic Salary Arrears for Health Workers	58,646,293			

Description	Revised Estimates FY 2024/2025	Printed Estimates FY 2025/2026	Projected Estimates FY 2026/2027	Projected Estimates FY 2027/2028
<b>Total Conditional Grants</b>	<b>1,286,318,677</b>	<b>1,074,193,416</b>	<b>922,645,906</b>	<b>922,645,906</b>
<b>Hospital Revenues (FIF)</b>	<b>903,877,867</b>	<b>997,846,534</b>	<b>970,531,578</b>	<b>964,928,493</b>
<b>Own Source Revenue</b>	<b>3,021,915,199</b>	<b>3,092,928,582</b>	<b>3,121,962,458</b>	<b>3,154,158,705</b>
<b>Total County Budget</b>	<b>15,622,164,355</b>	<b>15,193,585,721</b>	<b>15,043,757,131</b>	<b>15,070,350,293</b>

33. The County's Medium-Term Expenditure by each entity is presented here below:

**Table 6: Medium Term Expenditure by County Entity**

County Entity		Actual Performance FY 2024/2025	Printed Estimates FY 2025/2026	Projected Estimates FY 2026/2027	Projected Estimates FY 2027/2028
Office of the Governor	Recurrent	596,053,066	784,108,377	784,108,377	784,108,377
	Development	7,531,248	22,926,329	4,626,327	14,937,481
	<b>Total</b>	<b>603,584,314</b>	<b>807,034,706</b>	<b>788,734,704</b>	<b>799,045,858</b>
County Public Service Board	Recurrent	35,209,897	43,276,101	43,276,101	43,276,101
	Development	-	7,404,438	5,000,000	5,500,000
	<b>Total</b>	<b>35,209,897</b>	<b>50,680,539</b>	<b>48,276,101</b>	<b>48,776,101</b>
Roads, Transport and Public Works.	Recurrent	250,006,564	266,879,278	268,601,939	267,980,696
	Development	457,493,327	1,158,939,932	983,072,217	1,085,410,675
	<b>Total</b>	<b>707,499,891</b>	<b>1,425,819,210</b>	<b>1,251,674,156</b>	<b>1,353,391,371</b>
Health	Recurrent	4,211,857,057	4,201,906,177	4,117,154,467	4,173,576,700
	Development	261,107,479	521,247,542	515,962,416	545,018,345
	<b>Total</b>	<b>4,472,964,536</b>	<b>4,723,153,719</b>	<b>4,633,116,883</b>	<b>4,718,595,045</b>
County Assembly	Recurrent	924,156,118	967,857,996	964,156,126	969,156,126
	Development	43,341,639	155,000,000	160,250,000	160,525,000
	<b>Total</b>	<b>967,497,757</b>	<b>1,122,857,996</b>	<b>1,124,406,126</b>	<b>1,129,681,126</b>
	Recurrent	131,566,375	140,720,821	144,155,733	154,889,377
	Development	58,601,308	657,048,295	673,913,929	536,683,504

County Entity		Actual Performance FY 2024/2025	Printed Estimates FY 2025/2026	Projected Estimates FY 2026/2027	Projected Estimates FY 2027/2028
Water, Irrigation, Environment and Climate Change	<b>Total</b>	190,167,684	797,769,116	818,069,662	691,572,881
Agriculture, Food Security and Co-operative Development.	Recurrent	271,361,918	250,185,779	266,249,156	268,549,389
	Development	95,467,748	329,294,596	329,801,546	362,611,248
	<b>Total</b>	<b>366,829,666</b>	<b>579,480,375</b>	<b>596,050,702</b>	<b>631,160,637</b>
Finance, Economic Planning and Revenue Management	Recurrent	1,053,486,205	1,211,595,425	1,234,584,196	1,214,004,767
	Development	577,897,174	537,153,765	566,402,570	580,821,609
	<b>Total</b>	<b>1,631,383,379</b>	<b>1,748,749,190</b>	<b>1,800,986,766</b>	<b>1,794,826,376</b>
Gender, Youth, Sports and Social Welfare.	Recurrent	126,305,222	209,023,798	209,731,166	212,389,381
	Development	56,789,749	282,857,555	283,260,896	312,111,986
	<b>Total</b>	<b>183,094,971</b>	<b>491,881,353</b>	<b>492,992,062</b>	<b>524,501,367</b>
Trade, Industry, Tourism and Innovation.	Recurrent	136,010,000	169,401,323	163,552,638	162,290,282
	Development	180,281,078	152,030,496	222,202,415	200,477,206
	<b>Total</b>	<b>316,291,078</b>	<b>321,431,819</b>	<b>385,755,053</b>	<b>362,767,488</b>
Education	Recurrent	670,169,503	805,623,068	785,893,023	769,814,970
	Development	66,885,507	107,200,939	111,817,787	111,817,786
	<b>Total</b>	<b>737,055,009</b>	<b>912,824,007</b>	<b>897,710,810</b>	<b>881,632,756</b>
Lands, Urban Development, Housing and Energy.	Recurrent	167,519,766	262,129,087	283,032,605	286,533,510
	Development	95,396,365	231,229,113	239,725,750	235,077,021
	<b>Total</b>	<b>262,916,131</b>	<b>493,358,200</b>	<b>522,758,355</b>	<b>521,610,531</b>
Devolution	Recurrent	1,207,710,290	1,225,447,582	1,210,798,416	1,185,579,612
	Development	42,763,055	430,341,912	412,091,286	365,113,227
	<b>Total</b>	<b>1,250,473,345</b>	<b>1,655,789,494</b>	<b>1,622,889,702</b>	<b>1,550,692,839</b>
County Attorney	Recurrent	82,473,782	59,053,779	55,336,050	57,095,918

County Entity		Actual Performance FY 2024/2025	Printed Estimates FY 2025/2026	Projected Estimates FY 2026/2027	Projected Estimates FY 2027/2028
	Development	-	3,702,219	5,000,000	5,000,000
	<b>Total</b>	<b>82,473,782</b>	<b>62,755,998</b>	<b>60,336,050</b>	<b>62,095,918</b>
<b>Total Recurrent</b>		<b>9,863,885,762</b>	<b>10,597,208,591</b>	<b>10,530,629,993</b>	<b>10,549,245,206</b>
<b>Total Development</b>		<b>1,943,555,678</b>	<b>4,596,377,131</b>	<b>4,513,127,139</b>	<b>4,521,105,088</b>
<b>Total Budget</b>		<b>11,807,441,440</b>	<b>15,193,585,722</b>	<b>15,043,757,132</b>	<b>15,070,350,294</b>

## 5.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

34. **Hon. Speaker**, the Committee observes and recommends:

- 1) That the County Treasury adheres to the budget calendar for the FY 2026/27 budget making process. This will ensure that the process is within the set legal timelines and also give the Committee/House ample time to scrutinize, analyze and process each and every budget document.
- 2) That during the year under review, the County collected Own Source Revenue of Kshs. 2.1 Billion against a target of Kshs. 3.9 Billion. The Committee observed that there was an underperformance thus recommends to the County Government as follows:
  - a. Ensure strict enforcement measures to minimize loss of revenue,
  - b. Strengthen internal controls,
  - c. Frequently conduct Rapid Results Initiative (RRI) and grant waivers for different streams of revenue from time to time
  - d. Set realistic/achievable revenue targets informed by previous trends.
  - e. Expand the revenue streams and;
  - f. Implement the County property valuation roll.
- 3) The committee noted low absorption of development budget in most of the departments eg Lands, at 19%, Agriculture at 21%, Water at 32% and Roads at 49%. The Committee further noted that the cause was mostly due to late commencement of the procurement process. It therefore recommends that the procurement processes under the development budget should be initiated in good time to facilitate timely completion and payment of projects. This will also aid in addressing the issue of pending bills as projects will be executed and paid for in the FY in which they were

initially budgeted for as well as increasing the absorption rate of the development budget. As part of budget monitoring and execution, it is recommended that the departments provide quarterly progress reports to the Assembly and the same are tabled in the House as per Standing Order

- 4) That the County Government overall wage bill stands at 51% of the previous year's actual revenues against the set legal limit of 35%. The Committee recommends that the County puts in place measures to reduce the wage bill to the set legal limit of 35%.
- 5) That the performance of Conditional grants was way below the set expenditure target. The actual receipts for grants amounted to Kshs. 406.5 Million translating to 31% against a total target of Kshs. 1.34 Billion. The Committee recommends that the County Treasury needs to improve the low performance of the grants.
- 6) The committee observed that the total outstanding pending bills stood at Kshs. 5.5 billion as at 30<sup>th</sup> June, 2025 which remains high. The Committee recommends that the County Treasury should come up with plans to mitigate this.

#### **6.0 ACKNOWLEDGEMENT**

35. The Budget and Appropriations Committee acknowledges the Office of the Speaker and the Clerk of the County Assembly for facilitating the Committee to undertake this exercise. I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the meetings and in preparation of this report.

36. **Hon. Speaker**, it is therefore my privilege, on behalf of the Budget and Appropriations Committee to table the Machakos County Budget Review and Outlook Paper (CBROP), 2025 before this Honorable House for consideration and adoption.

Thank you, **Hon Speaker**.

SIGNED: 

DATED: 16<sup>th</sup> June 2026.

**HON. ALIPHONCE MUTINDA (MCA, KIVAA WARD)**

**VICE-CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE**



REPUBLIC OF KENYA  
COUNTY GOVERNMENT OF MACHAKOS  
COUNTY ASSEMBLY OF MACHAKOS



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Third Assembly

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**Adoption schedule for Report of the Budget and Appropriations Committee on  
Machakos County Budget Review and Outlook Paper, 2025.**

The report was adopted by the following Members:

**Date: 16<sup>th</sup> June, 2026**

NO.	COMMITTEE MEMBERSHIP	SIGNATURE
1.	Hon. Aliphonce Mutinda –Vice Chair	
2.	Hon. Dominic Ndambuki – Member	DNW
3.	Hon. Nicholas Nzioka - Member	
4.	Hon. Stephen Mwanthi - Member	
5.	Hon. Paul Wambua - Member	
6.	Hon. Phoebe Koki - Member	P. K
7.	Hon. Peter Kilonzo - Member	P. K
8.	Hon. Winfred Mutua - Member	
9.	Hon. Margaret Ndalana - Member	MN