REPUBLIC OF KENYA

COUNTY GOVERNMENT OF HOMA BAY

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER, 2026

FOREWORD

The County Budget Review and Outlook Paper (CBROP) for Homa Bay County provides a comprehensive assessment of the County's fiscal and economic performance during FY 2025/26 and sets out the fiscal outlook for FY 2026/27 and the Medium-Term Expenditure Framework. The outlook is based on strengthening fiscal sustainability, improving budget credibility and aligning available resources with priority programmes that have the greatest impact on service delivery, livelihoods and local economic development.

The fiscal outlook for FY 2026/27 remains cautious, reflecting pressure from competing service delivery needs, fluctuations in own-source revenue, delays in transfers and conditional grants, rising operational costs and existing financial obligations. Revenue projections will therefore be based on demonstrated collection trends and realistic revenue potential, while expenditure plans will be aligned to available financing and prioritized according to urgency, impact and implementation readiness.

On revenue, the County will focus on broadening the local revenue base and improving collection efficiency. Priority measures will include comprehensive revenue mapping, updating revenue registers, strengthening digital collection systems, regular reconciliation and targeted enforcement. Particular attention will be given to markets, health facilities, parking, fisheries, agricultural produce, property-related revenues, business permits and other viable sources. Improved coordination and follow-up on transfers and conditional grants will complement these efforts and enhance predictability of available resources.

On expenditure, the County will maintain a disciplined approach to recurrent commitments while protecting essential services. Wage-related costs will be closely monitored, non-essential administrative expenditure restrained and new commitments subjected to available financing. Verified pending bills will be addressed through an orderly payment approach, while stronger commitment controls will minimize the creation of additional arrears.

Development spending will focus on completing priority ongoing projects and improving implementation of programmes with clear economic and social benefits. Investments in health, water, roads, agriculture, fisheries, markets, trade, youth and women empowerment will receive priority based on available resources, project readiness and identified service delivery gaps. Better procurement sequencing, contract management and physical monitoring will be used to minimize delays and improve utilization of development resources.

Over the medium term, Homa Bay County will seek to strengthen its fiscal position by improving the reliability of local revenue, enhancing the predictability of external financing, controlling recurrent pressures and improving the quality of development expenditure. Fiscal performance will be reviewed regularly to identify emerging risks and inform timely adjustments to resource allocation and programme implementation.

The overall fiscal outlook for Homa Bay County is therefore one of prudent consolidation, improved resource mobilization and strategic prioritization. The County will align expenditure commitments with realistic and predictable financing, protect essential services and focus development resources on programmes with clear and sustainable economic and social returns. Fiscal pressures will be actively managed through stronger financial controls, timely review of budget performance and early corrective action where implementation deviates from approved plans.

Over the medium term, the County will seek to create greater fiscal space by strengthening the reliability of own-source revenue, improving the flow and utilization of external resources, containing recurrent pressures and progressively addressing outstanding obligations. The emphasis will shift from expenditure expansion to improving the efficiency, quality and impact of every shilling spent. This approach will support a more credible and resilient county budget, reduce the risk of stalled programmes and ensure that fiscal decisions are increasingly driven by evidence, affordability and development impact.

The fiscal outlook consequently provides a clear basis for responsible resource allocation and sustainable service delivery. Homa Bay County will pursue a disciplined fiscal path that balances immediate service delivery needs with longer-term development priorities, while strengthening the capacity to respond to emerging economic and social pressures. The ultimate objective is to ensure that public resources are translated into improved services, stronger livelihoods, increased local economic activity and equitable development across the County.

Hon. Solomon Obiero

CEC Member Finance & Economic Planning
County Government of Homa Bay

ACKNOWLEDGEMENT

The preparation of this County Budget Review and Outlook Paper was a collaborative and consultative process involving all County Government departments and relevant technical officers. I wish to acknowledge and appreciate the commitment, cooperation and valuable contributions made by all officers who worked diligently, including beyond normal working hours, to ensure the successful preparation and timely completion of this document.

I particularly recognise the leadership and guidance provided by the County Executive Committee Members and Chief Officers in coordinating the preparation process and facilitating the provision of the necessary information. Their support was instrumental in ensuring that the Paper reflects the County's fiscal performance, emerging challenges and policy priorities.

I also extend my appreciation to the technical team from the Directorate of Budget and Planning for their dedication, professionalism and tireless efforts in coordinating, compiling, reviewing and finalising the CBROP. Special recognition goes to officers from the Accounts, Finance, Reporting and Revenue Directorates for their cooperation and for providing the financial data, technical information and clarifications required during the preparation process.

I further acknowledge the contribution of all other departments and stakeholders who supported the preparation of this document. Their collective efforts, technical input and commitment to public financial management contributed significantly to the production of a comprehensive and credible CBROP for Homa Bay County.

Lawrence Smith Gworo,

Chief Officer - Economic Planning & Budget

County Government of Homa Bay

CONTENTS

FOREWORD ii
ACKNOWLEDGEMENT iv
List of Tables vi
List of Figures vi
1.0 INTRODUCTION 1
1.1 Background 1
1.2 Objectives of the 2026 CBROP 2
1.3 Significance of CBROP 2
1.4 Structure of the CBROP 2
2.0 REVIEW OF THE FY 2025/26 FISCAL PERFORMANCE 3
2.1 County Revenue 3
2.2 Withdrawals from the County Revenue Fund and County Assembly Fund 9
2.3 County Expenditures 9
2.4 Settlement of Trade Payables 15
2.2 Borrowing by the County 16
3.0 MACROECONOMIC DEVELOPMENT AND OUTLOOK 18
3.1 Overview 18
3.2 Fundamental Economic Developments 19
3.3 Economic Outlook 22
3.4 Fiscal Policy 22
3.5 Risk to Economic Outlook 23
4.0 RESOURCE ALLOCATION FRAMEWORK 24
4.1 Assessing budget execution for the FY 2026/27 24
4.2 Fiscal Policy for the FY 2026/27 and the Medium-Term Budget 25
4.3 Resource Mobilisation Strategies 26
4.4 FY 2027/28 Fiscal Projections 26
4.5 Medium-Term Budget Framework for FY 2026/27 26
4.6 Resource Allocation Criteria 28

List of Tables

Table 1 Revenue Performance against the Target,FY2025/2026 4
Table 2 Ordinary Own Source Revenue performance by stream, FY2025/2026..... 5
Table 3 Health Facilities Revenue Performance as at 30th June 2026 7
Table 4 Additional Allocation(grants and Equalization Fund)Performance against the Target, FY2025/26 8
Table 5 Budget Absorption by expenditure classification,FY2025/26 10
Table 6 Budget Allocation and Absorption Rates by Department FY2025/2026..... 11
Table 7 Budget Execution by Programmes and Sub-Programmes with Highest Absorption ... 12
Table 8 Budget Execution by Programmes and Sub-Programmes with Lowest Absorption..... 13
Table 9 Development Projects with the Highest Expenditure..... 14
Table 10 Statement of trade payables(Pending Bills) as at 30th June 2026 16
Table 11 County Trade Payables Ageing Analysis as of 30th June 2026 16
Table 12 Global Economic Performance. 18
Table 13 Fiscal Framework, FY 2024/2025-2028/29..... 27
Table 14 Departmental Indicative Ceilings FY 2026/2027 27

List of Figures

Figure 1 County Revenue Performance FY2021/22-FY2025/26 3
Figure 2 Own Source Revenue Trend from FY2017/18-FY2025/26..... 5
Figure 3 Top Performed Ordinary OSR by Stream, FY2025/2026 6
Figure 4 Trend in Conditional Grants and Equalization Fund Revenue, FY2021/22–FY2025/26 8
Figure 5 Kenya's Real Economic Sectors Growth Comparison 19
Figure 6 Kenya Shilling Exchange Rate..... 20
Figure 7 Inflation Rate % 20
Figure 8 unemployment Rate: Kenya- vs World(2017-2025 21
Figure 9 Fiscal Responsibility Adherence 24
Figure 10 Expenditure Estimates by Classification FY 2026-27 25

1.0 INTRODUCTION

1.1 Background

1. The County Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management Act (PFMA), 2012.

   The Act requires

   a) The County Treasury is required to:
      i. Prepare a CBROP for each financial year, and
      ii. Submit it to the County Executive Committee by September 30th of that year.

   b) In formulating the CBROP, the County Treasury must:
      i. Review the actual fiscal performance of the previous year against the budget appropriation,
      ii. Provide updated economic and financial forecasts, highlighting any changes from those in the latest County Fiscal Strategy Paper (CFSP).
      iii. Present information on any forecast adjustments compared to the CFSP, and how actual financial performance impacts compliance with fiscal responsibility principles or financial objectives for that year.

   c) The County Executive Committee must consider and approve the CBROP, with or without amendments, within fourteen days of its submission.

   d) Within seven days of approval by the County Executive Committee, the County Treasury must:
      i. Lay the CBROP before the County Assembly, and
      ii. Publish and publicize the paper as soon as practicable thereafter.

2. The CBROP is typically submitted to the County Assembly by October 21st and made publicly available. It serves as a year-end report, reviewing the budget performance of the previous financial year, 2025/26, and offering insights into the successes and challenges of its implementation. Prepared roughly three months after the close of the fiscal year, it also provides an update on the county's fiscal position for the first quarter of the current financial year.
3. In February, the County Government issues the County Fiscal Strategy Paper, outlining financial projections for the coming year. Six months later, the CBROP evaluates the accuracy of those projections. The CBROP summarizes the county's revenue collection and sectoral program expenditures for FY2025/26, identifying any significant deviations and making recommendations for correction. It also presents financial forecasts to establish the fiscal framework for the coming year and medium term.
4. A crucial function of the CBROP is to set the provisional sector ceilings for the next financial year, which guide sector hearings between November and January. These ceilings are finalized and published in February in the County Fiscal Strategy Paper.
5. The 2026 CBROP provides a review of the fiscal performance for FY 2025/26, updates on national macroeconomic and fiscal forecasts influencing the county's fiscal framework, deviations from the CFSP 2025, and indicative sector ceilings for the FY 2026/27 budget and the medium term. These ceilings initiate the budget preparation process for FY 2027/28, to be revised and confirmed in the CFSP 2026.

1.2 Objectives of the 2026 CBROP

6. The CBROP 2026 will serve the following purposes;
    i. Providing an update on the county government's fiscal position for the first quarter of the current financial year 2026/2027 which provides the basis for revising the current budget and fiscal framework as contained in the 2026 CFSP.
    ii. Providing an assessment of actual budget performance for the FY 2025/26 compared to the budgetary appropriation for that financial year and further shows how this has affected the economic performance of the county;
    iii. Providing an updated economic and financial forecast with sufficient information to show changes from the forecasts in the 2025 County Fiscal Strategy Paper and giving reasons for any deviation from the county's financial objectives as set out in that CFSP together with the proposals to address the deviation and the time estimated for doing so.
    iv. Finally, it will set indicative budget ceilings that will be distributed to different sectors for the next financial year 2027/28

1.3 Significance of CBROP

7. The paper is a policy document that links planning with budgeting. It is critical in the budget making process within the Medium-Term Expenditure Framework (MTEF). It ensures that the County Government reviews its previous year's performance as it also guarantees that the County Government makes forecasts based on both the County and the national economic outlook and their likely impact on the level of future revenues and prompts the County Government to set preliminary sector ceilings in light of this review of revenue.

1.4 Structure of the CBROP

8. This CBROP 2026 has been organized into five sections, namely;
    i. Section one that provides the background information on CBROP, explains the objectives of the CBROP, explains the significance of CBROP and expounds on the structure of the document;
    ii. Section two that provides a review of the county's fiscal performance during the FY 2025/26 and the effect of that performance on the financial objectives of the county set out in the CFSP 2026;
    iii. Section three highlights the recent economic developments and the county's updated macroeconomic outlook;
    iv. Section four presents the medium-term fiscal framework including the proposed resource allocation framework, the need to revise the current budget; and
    v. Section five that provides the conclusion and recommends the next steps towards achieving the objectives of the FY 2027/28 Medium Term Expenditure Framework proposals.

2.0 REVIEW OF THE FY 2025/26 FISCAL PERFORMANCE

9. The county's revised revenue estimates stood at KShs. 13,601,450,964, The Equitable National Shareable Revenue at KShs. 8,646,376,063; Conditional Grants Allocation at KShs. 2,429,216,326; Own Source Revenue at KShs. 1,671,087,323 (including A-In-A for Health at KShs. 1,104,906,565 and Ordinary Own Source Revenue at KShs. 566,180,758); Equalization Fund at KShs. 214,023,965 and unspent balances from the previous FY 2024/25 of KShs. 640,747,287. To Consolidate the Gains Under the GENOWA Economic Transformation for Inclusive Green Growth and adhere to the fiscal responsibility principles, the County Government of Homa Bay allocated KShs. 8,409,356,720 and KShs. 5,192,094,244 for recurrent and development respectively. The above figures represented 62% and 38% allocation for recurrent and development respectively.

2.1 County Revenue

10. During FY2025/26, the County Government realized a total resource envelope of KShs. 11.029 billion, comprising an opening balance of KShs. 1.62 million, Equitable Share of KShs. 8.646 billion, Additional Allocations of KShs. 724.67 million, Ordinary Own Source Revenue of KShs. 393.97 million and health-sector Appropriations-in-Aid (A-i-A) of KShs. 1.262 billion. Compared with the total resource envelope of KShs. 11.83 billion in FY2024/25 and KShs. 9.97 billion in FY2023/24, the FY2025/26 outturn declined by 6.8 per cent from FY2024/25 but remained 10.6 per cent above FY2023/24. Against the revised resource target of KShs. 13.601 billion, the County realized 81.1 per cent, resulting in a shortfall of KShs. 2.572 billion. The FY2025/26 decline was mainly attributable to lower realization of conditional grants and other intergovernmental transfers

Figure 1 County Revenue Performance FY2021/22-FY2025/26

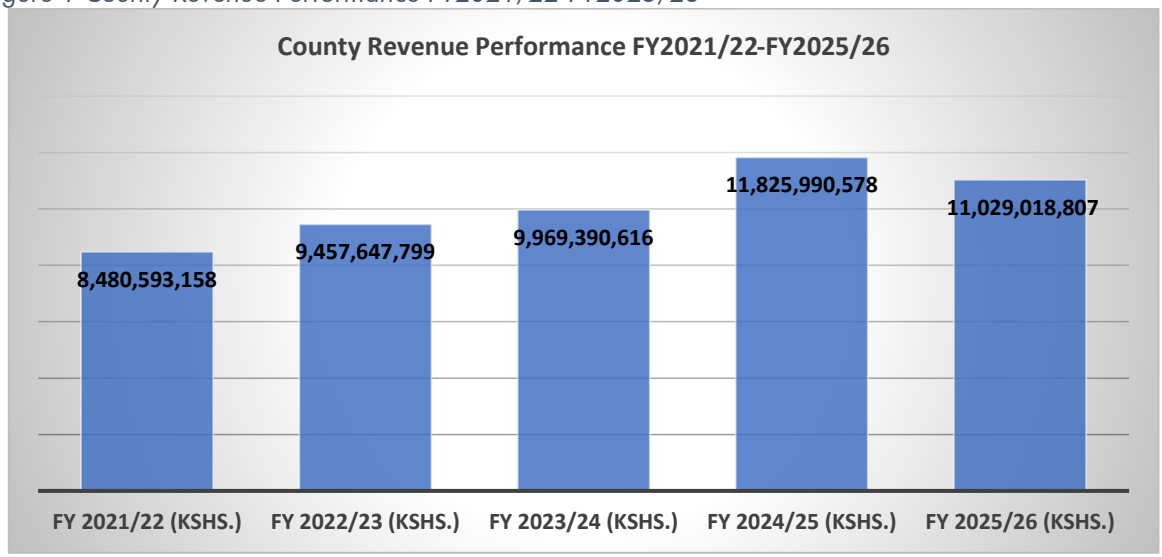


Table 1 Revenue Performance against the Target,FY2025/2026

Revenue Source	Annual Target (KShs.)	Actual Revenue (KShs.)	Variance (KShs.)	Performance
Opening Balance	325,747,287	1,622,323	324,124,964	**0.5%**
Equitable Share	8,646,376,063	8,646,376,063	0	**100.0%**
Additional Allocations (Conditional Grants)	2,958,240,291	724,669,900	2,233,570,391	**24.5%**
Ordinary Own Source Revenue	566,180,758	393,965,024	172,215,734	**69.6%**
Appropriations-in-Aid (Health Facility Fund)	1,104,906,565	1,262,385,497	(157,478,932)	**114.3%**
Grand Total	**13,601,450,964**	**11,029,018,807**	**2,572,432,157**	**81.1%**

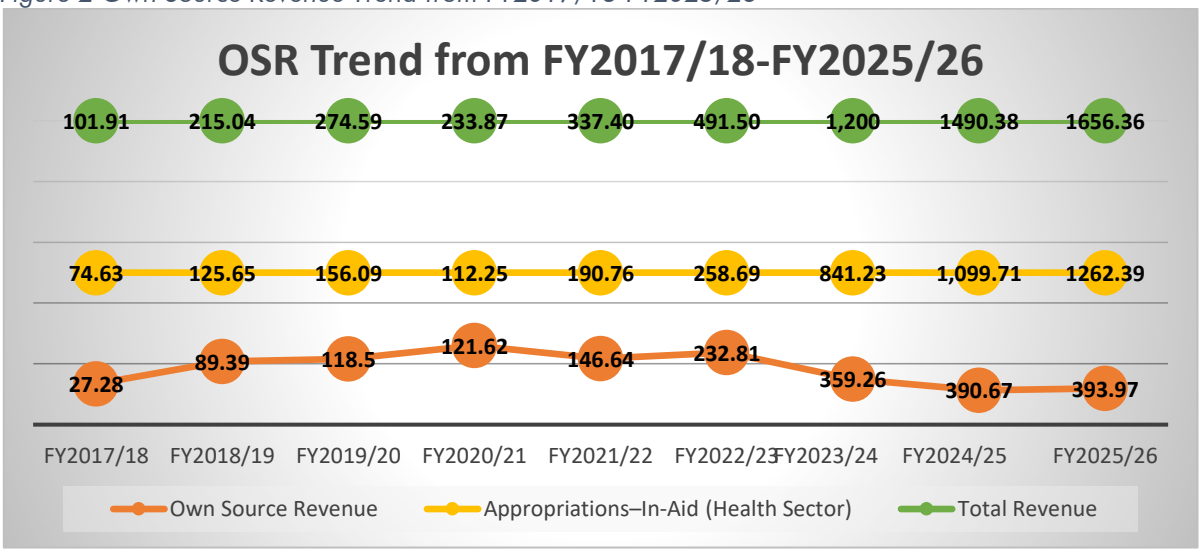
11. The revenue outturn was largely supported by the Equitable Share, which achieved 100 per cent of the annual target and remained the County's principal source of financing. Health-sector Appropriations-in-Aid (A-i-A) also performed strongly, achieving 114.3 per cent of the annual target, partly reflecting improved health-facility collections and reimbursements under the Social Health Authority (SHA).
12. Ordinary Own Source Revenue (OSR) amounted to KShs. 393.97 million, representing 69.6 per cent of the annual target of KShs. 566.18 million. This was an improvement from KShs. 390.67 million in FY2024/25 and KShs. 359.26 million in FY2023/24, indicating gradual growth in internally generated revenue despite failure to meet the annual target.
13. Conditional Grants and additional allocations amounted to KShs. 724.67 million, representing only 24.5 per cent of the revised annual target of KShs. 2.958 billion. The significant shortfall was mainly attributable to delays or non-disbursement of earmarked transfers, including KISIP II, UHC, CHP, County Industrial Parks, KUSP and KDSP II. This constrained resources available for implementation of programmes and projects financed through the respective grants.
14. The County did not receive any allocation from the Equalization Fund during the reporting period, further widening the gap between the planned and realised resource envelope and affecting programmes earmarked for financing through the Fund.
15. Overall, the FY2025/26 revenue performance reflects continued reliance on intergovernmental transfers, particularly the Equitable Share. Although OSR has recorded gradual growth over the three-year period, its contribution remains relatively low compared to transfers. The significant underperformance of conditional grants also exposed the County to resource and cash-flow pressures.

Trend in Own Source Revenue

16. The County's own-source revenue and Appropriations-in-Aid generally increased over the nine-year period from FY2017/18 to FY2025/26, with total collections rising from KSh 101.91 million to KSh 1.66 billion. OSR grew steadily, while A-i-A recorded a sharp increase from FY2022/23, mainly driven by improved health-

sector collections. Overall, the trend reflected improved domestic revenue mobilisation.

Figure 2 Own Source Revenue Trend from FY2017/18-FY2025/26



Ordinary Own Source Revenue

Target	Actual	Shortfall
566.2M	394.0M	172.2M

Collection rate 69.6%

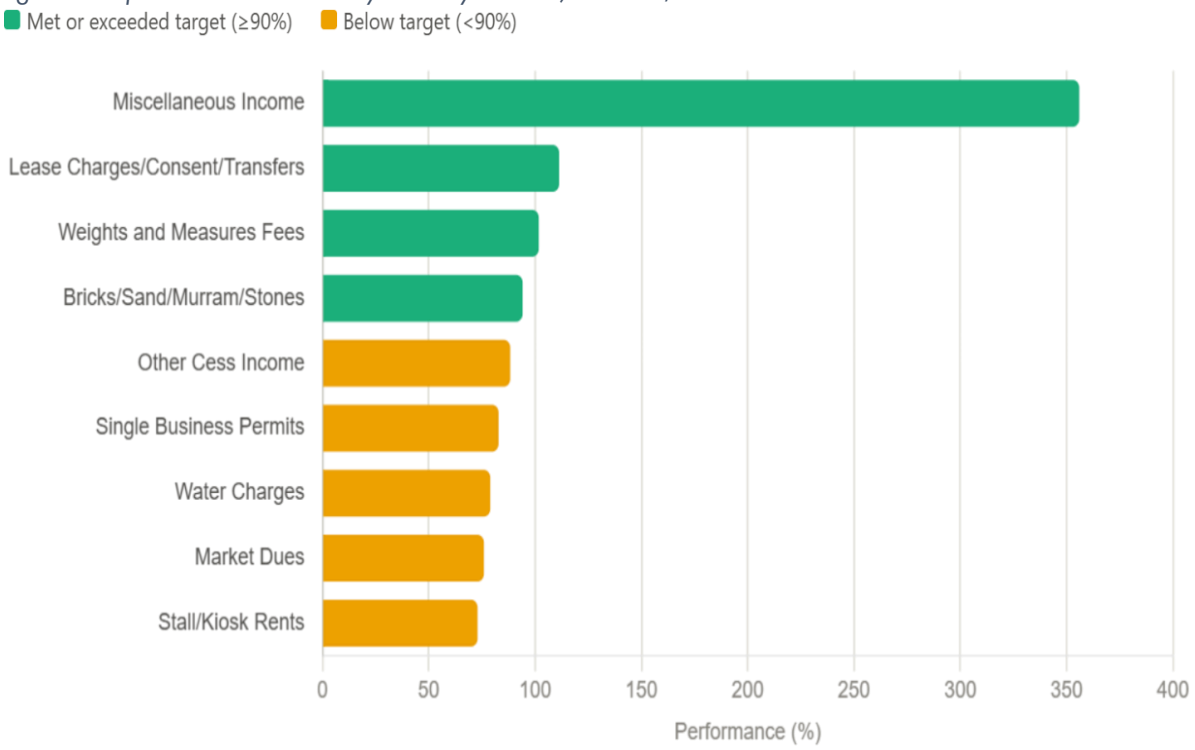
Table 2 Ordinary Own Source Revenue performance by stream, FY2025/2026

No.	Revenue Stream	Annual Target (KSh)	Actual Revenue (KSh)	Variance (KSh)	Performance
1	Land Rates/Plot Rents	36,560,500	8,305,623	28,254,877	22.70%
2	Land Transfers / Sales / Extension / Change of Use	1,780,400	733,200	1,047,200	41.20%
3	Lease Charges/Consent/Transfers	2,690,500	2,994,469	-303,969	111.30%
4	Ground Rents	2,595,500	1,442,205	1,153,295	55.60%
5	Single Business Permits	117,560,340	97,302,072	20,258,268	82.80%
6	Market Dues	54,670,340	41,493,940	13,176,400	75.90%
7	Approval Plans/Transfers/Certificates	16,568,000	7,674,370	8,893,630	46.30%
8	Housing Fees (Rents)	1,324,970	692,900	632,070	52.30%
9	Fish Cess	18,580,790	6,831,707	11,749,083	36.80%
10	Other Cess Income	27,400,560	24,197,961	3,202,599	88.30%
11	Taxi/Motorcycle Fees	46,789,369	7,918,531	38,870,838	16.90%
12	Site Value Rates	—	12,020	—	0
13	Stall/Kiosk Rents	12,090,700	8,818,550	3,272,150	72.90%
14	Slaughterhouse Fees	2,531,300	1,176,990	1,354,310	46.50%
15	Stock Auction Fees (Cattle/Goats/Sheep)	7,289,400	2,109,395	5,180,005	28.90%
16	Stock Movement Fees	1,100,560	55,300	1,045,260	5.00%
17	Veterinary Charges	1,670,110	924,657	745,453	55.40%
18	Advertising/Billboard Fees	32,450,290	22,210,827	10,239,463	68.40%
19	Landing Fees	1,180,900	—	1,180,900	0.00%

20	Bus Park Fees	60,679,625	41,966,454	18,713,171	69.20%
21	Liquor Licensing	20,678,230	9,533,003	11,145,227	46.10%
22	Search and Clearance Certificates	161,789	83,200	78,589	51.40%
23	Noise Pollution Fees	1,550,690	436,600	1,114,090	28.20%
24	Fire Inspection Fees	5,200,000	898,950	4,301,050	17.30%
25	Tractor Hire Services	2,560,780	132,650	2,428,130	5.20%
26	Hire of Machinery, Equipment and Wayleave Charges	3,280,450	521,700	2,758,750	15.90%
27	Conservancy Fees/Wildlife Grants	—	12,000	—	0
28	Water Charges	701,495	553,628	147,867	78.90%
29	Fines and Penalties	3,860,780	1,651,175	2,209,605	42.80%
30	Survey/Subdivision Fees	601,490	238,000	363,490	39.60%
31	Weights and Measures Fees	709,600	721,700	-12,100	101.70%
32	Bricks/Sand/Murram/Stones	69,400,300	65,324,456	4,075,844	94.10%
33	Hire of Stadium/Parks/Open Spaces	3,560,600	700,000	2,860,600	19.70%
34	Public Health	—	6,399,804	-6,399,804	0
35	Miscellaneous Income	8,400,400	29,896,987	-21,496,587	355.90
	Total Own Source Revenue	**566,180,758**	**393,965,024**	**172,215,734**	**69.60%**

17. Own-Source Revenue (OSR) performance varied across revenue streams. Miscellaneous Income recorded the highest achievement at 356 per cent of the annual target, followed by Lease Charges/Consent/Transfers at 113 per cent, Weights and Measures Fees at 102 per cent, and Bricks/Sand/Murram/Stones at 95 per cent of their respective annual targets.
18. Revenue arrears declined from Kshs.26.35 million as at 1 July 2025 to Kshs.23.27 million as at 30 June 2026. The outstanding revenue arrears related entirely to land rates. The County issued demand letters to defaulters to facilitate recovery of the outstanding arrears.

Figure 3 Top Performed Ordinary OSR by Stream, FY2025/2026



Appropriation in Aid (Facility Improvement Fund)

Approved budget	Revenue earned	Performance	Over-performance
1.105 Bn	1.262 Bn	114.3%	+157.48 M

19. Health facilities generated total revenue of KSh 1.262 billion against an approved target of KSh 1.105 billion, representing an achievement of 114.3 per cent and an over-performance of KSh 157.48 million. The total revenue comprised KSh 791.88 million in cumulative cash receipts and KSh 470.51 million in unpaid claims.
20. Performance varied considerably across the facilities. Level 3 facilities were the best performers, achieving 223.2 per cent of their approved revenue targets. They were followed by Homa Bay County Referral Hospital at 137.8 per cent and Nyandiwa Level 4 Hospital at 125.5 per cent. Other facilities recorded moderate performance, with Rangwe Sub-County Hospital achieving 85.4 per cent and Ober Level 4 Hospital 62.7 per cent of their respective targets.
21. Conversely, a number of facilities recorded significantly low revenue performance. Sena Level 4 Hospital recorded the lowest achievement at 5.7 per cent, followed by Magunga Level 4 Hospital at 6.7 per cent, Kabondo Sub-County Hospital at 7.9 per cent, and Ndiru Level 4 Hospital at 10.1 per cent.
22. The low performance in these facilities points to the need for targeted interventions in revenue mobilisation, claims processing, cash collection, and financial management to improve their contribution to overall facility revenue.

Table 3 Health Facilities Revenue Performance as at 30th June 2026

S/No	Health Facility	Approved Annual Target FY2025/26	Annual Actual Receipts (Kshs)	Unpaid Claims	Revenue Earned
1	Homa Bay County Referral Hospital	274,000,000	377,532,070	173,029,997	550,562,067
2	Rachounyo County Hospital	68,000,000	33,354,989	25,298,366	58,653,355
3	Rachounyo North S/County	39,000,000	14,390,130	9,365,888	23,756,018
4	Ndhiwa Sub County Hospital	39,000,000	7,404,656	12,980,768	20,385,424
5	Mbita Sub County Hospital	39,000,000	19,523,567	11,377,443	30,901,010
6	Kabondo Sub County Hospital	39,000,000	3,086,919	15,000,399	18,087,318
7	Rangwe Sub County Hospital	39,000,000	33,308,882	8,799,035	42,107,917
8	Suba South S/County Hospital	39,000,000	12,326,797	14,378,929	26,705,726
9	Magunga L4 Hospital	39,000,000	2,622,553	4,009,003	6,631,556
10	Kisegi L4 Hospital	26,000,000	9,563,842	8,277,282	17,841,124
11	Pala L4 Hospital	26,000,000	5,460,738	7,846,555	13,307,293
12	Tom Mboya L4 Hospital	39,000,000	15,220,035	9,870,400	25,090,435
13	Ogongo L4 Hospital	26,000,000	14,211,828	5,980,450	20,192,278
14	Makongeni L4 Hospital	39,000,000	6,784,044	9,673,980	16,458,024
15	Marindi L4 Hospital	26,000,000	3,408,170	7,986,573	11,394,743
16	Nyang'iela L4 Hospital	26,000,000	6,474,974	8,798,340	15,273,314
17	Othoro L4 Hospital	26,000,000	5,871,955	7,498,209	13,370,164
18	Miriu L4 Hospital	26,000,000	10,901,084	8,099,366	19,000,450
19	Ober L4 Hospital	26,000,000	16,290,203	7,498,387	23,788,590
20	Ndiru L4 Hospital	26,000,000	2,617,708	8,090,355	10,708,063
21	Kandiege L4 Hospital	26,000,000	6,550,053	9,789,855	16,339,908

22	Nyandiwa L4 Hospital	26,000,000	32,638,239	10,274,366	42,912,605
23	Malela L4 Hospital	26,000,000	9,415,903	5,094,054	14,509,957
24	Sena L4 Hospital	26,000,000	1,477,694	3,099,744	4,577,438
25	Level 3 Facilities	59,906,565	133,711,476	78,387,446	212,098,922
26	Public Health	14,000,000	7,731,800	-	7,731,800
	Total	**1,104,906,565**	**791,880,306**	**470,505,190**	**1,262,385,497**

Conditional Additional

23. The best-performing grants were UDG (98%), Climate Action Programme (86%), and NAVCDP (73%), while several grants, including the Equalization Fund, recorded 0% performance. KISIP II also recorded low performance at 7%, contributing significantly to the overall shortfall.

Figure 4 Trend in Conditional Grants and Equalization Fund Revenue, FY2021/22–FY2025/26

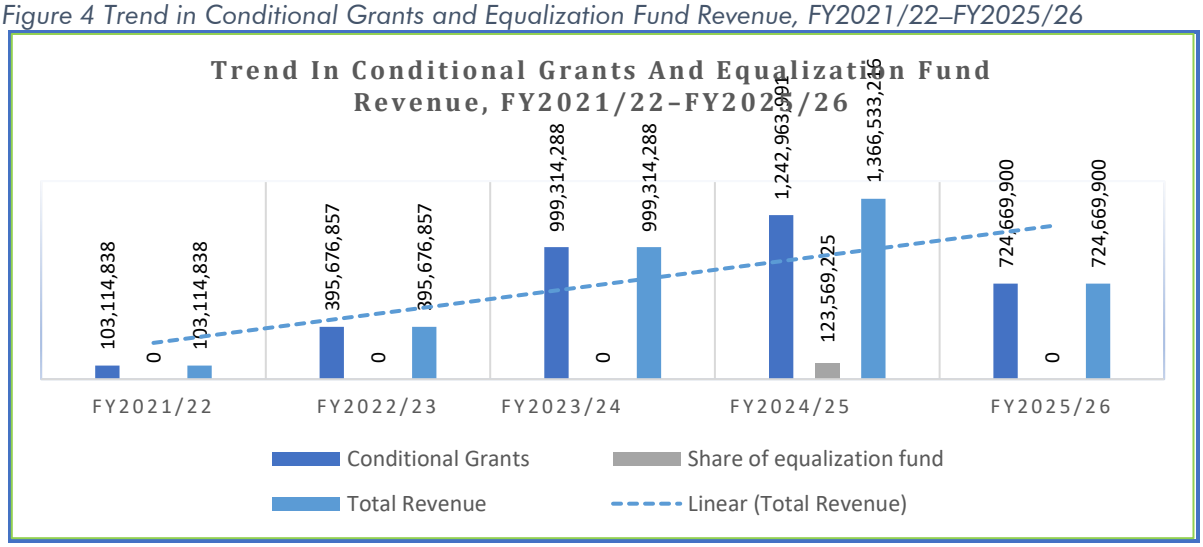


Table 4 Additional Allocation (grants and Equalization Fund) Performance against the Target, FY2025/26

S/No	Grant Programme	Annual Revised Targeted FY2025/26 (Kshs.)	Actual Revenue FY2025/26 (Kshs.)	Variance (Kshs.)	Performance
1	Kenya Urban Support Programme (UDG)	59,000,000	58,090,522	909,478	98%
2	Financing Locally-Led Climate Actions Programme -CCRI&CCRIG) IDA &KFW	286,324,165	247,146,480	39,177,685	86%
3	National Value Chain Development Project (NAVCDP)	317,776,329	230,929,310	86,847,020	73%
4	Kenya Devolution Support Programme (KDSPII)	352,000,000	120,503,588	231,496,412	34%
5	Kenya Informal Settlements Improvement Programme (KISIP)II	933,950,162	68,000,000	865,950,162	7%
6	National Agriculture and Rural Inclusive Growth Project (NARIGP)	953,905	0	953,905	0%
7	Aquaculture Business Development Programme (ABDP)	10,866,551	0	10,866,551	0%
8	DANIDA	32,782,114	0	32,782,114	0%
9	Doctors Arrears	26,419,251	0	26,419,251	0%
10	Community Health Promoters (CHP)	88,620,000	0	88,620,000	0%
11	Universal Health Care Project	315,000,000	0	315,000,000	0%

12	Housing Levy Fund	1,987,622	0	1,987,622	0%
13	Kenya Urban Support Programme (UIG)	35,002,000	0	35,002,000	0%
14	Kenya Urban Support Programme (UDG)	32,307,300	0	32,307,300	0%
15	Kenya Devolution Support Programme (KDSP II) - Institutional/Level 1 Grant	72,909,500	0	72,909,500	0%
16	County Industrial Parks Development	117,178,185	0	117,178,185	0%
17	Road Maintenance Levy	61,139,242	0	61,139,242	0%
18	Equalization Fund	214,023,965	0	214,023,965	0%
	Total	**2,958,240,291**	**724,669,900**	**2,233,570,391**	**24%**

2.2 Withdrawals from the County Revenue Fund and County Assembly Fund

24. During reporting period, the Controller of Budget approved exchequer withdrawals amounting to Kshs.9.92 billion from the County Revenue Fund (CRF) account. The withdrawals comprised Kshs.7.34 billion (73.97 per cent) for recurrent expenditure and Kshs.2.58 billion (26.03 per cent) for development expenditure.
25. Of the recurrent exchequer withdrawals of Kshs.7.34 billion, Kshs.6.20 billion was for compensation of employees and Kshs.1.14 billion for operations and maintenance. No exchequer withdrawals were approved from the County Assembly Fund (CAF) account, as the account had not been operationalized.

2.3 County Expenditures

26. During FY 2025/26, the County Government had an approved budget of KSh 13.60 billion and incurred total expenditure of KSh 10.24 billion, representing an overall budget absorption rate of 75.29 per cent. The expenditure comprised KSh 2.91 billion for development programmes and KSh 7.34 billion for recurrent programmes, translating to absorption rates of 56.01 per cent and 87.25 per cent, respectively. Consequently, KSh 3.36 billion remained unspent, reflecting under-absorption of the approved budget during the financial year.

Recurrent Expenditure Analysis

27. The County Government incurred recurrent expenditure of KShs. 7.34 billion against a combined approved recurrent budget of KShs. 8.41 billion for the County Executive and County Assembly, representing an absorption rate of 87.25 percent. Of the total recurrent expenditure, KShs. 6.20 billion was spent on compensation of employees, comprising KShs. 5.71 billion for the County Executive and KShs. 485.30 million for the County Assembly. Employee compensation accounted for 84.5 percent of total recurrent expenditure.
28. Operations and Maintenance (O&M) had a combined approved budget of KShs. 2.20 billion, against which KShs. 1.14 billion was utilised, representing an absorption rate of approximately 15.5 percent. The relatively low absorption of O&M expenditure indicated constrained implementation of planned operational activities during the financial year.
29. Managing the county wage bill remained a key priority in ensuring compliance with

the provisions of the Public Finance Management Act, 2012 and maintaining fiscal sustainability. The high proportion of recurrent expenditure devoted to compensation of employees underscored the need for continued measures to control the wage bill, strengthen establishment controls, improve payroll management and ensure that personnel costs remained within the prescribed fiscal limits.

Development Expenditure

30. The County Government had a combined approved development budget of KShs. 5.19 billion, comprising KShs. 5.04 billion for the County Executive and KShs. 152.34 million for the County Assembly. During FY 2025/26, the County Government incurred KShs. 2.91 billion in development expenditure, representing an overall absorption rate of approximately 56.00 per cent. The County Executive incurred KShs. 2.81 billion, representing an absorption rate of 55.75 per cent, while the County Assembly incurred KShs. 98.88 million, representing an absorption rate of 64.91 per cent.
31. Consequently, approximately KShs. 2.28 billion, equivalent to 44.00 per cent of the approved development budget, remained unutilised. The low absorption was mainly attributed to implementation and execution constraints that delayed the commencement, procurement and completion of planned development programmes and projects.
32. The key constraints included delays in procurement and contract award processes, delayed release and availability of funds, inadequate project preparedness, and delays in project commencement and completion. Consequently, some planned development activities were not implemented or completed within the financial year, resulting in lower expenditure and an unutilised development budget.
33. The performance underscored the need to strengthen programme-based budgeting, project preparedness, procurement planning, cash-flow management and expenditure execution. The County Government will enhance coordination among planning, finance, procurement and implementing entities, while strengthening monitoring, evaluation and reporting of development programmes and projects. These measures will support timely implementation of approved interventions, improve development budget absorption and enhance the achievement of planned outputs and outcomes in line with the County Integrated Development Plan (CIDP) and Annual Development Plan (ADP).
34. the County implemented various donor-funded and County-funded development projects. The highest expenditure among donor-funded projects was recorded under FLLoCA CCRG at KShs.212.81 million, followed by NAVCDP at KShs.148.05 million and KISIP 2 at KShs.68.00 million. Among County-funded projects, the highest expenditure was KShs.70.79 million for the construction of the Accident and Emergency, Casualty and Outpatient block at Homa Bay County Teaching.

Table 5 Budget Absorption by expenditure classification, FY2025/26

Expenditure Category	Approved Budget Estimates (KShs.)		Actual Expenditure (KShs.)		Absorption (%)	
	Executive	Assembly	Executive	Assembly	Executive	Assembly
Total Recurrent Expenditure	7,376,622,216	1,032,734,503	6,405,639,231	931,119,658	86.84%	90.16%

Compensation of Employees	5,732,865,231	485,302,952	5,713,687,013	485,302,945	99.67%	100.00%
Operations and Maintenance	1,643,756,986	547,431,551	691,952,218	445,816,713	42.10%	81.44%
Development Expenditure	**5,039,755,757**	**152,338,488**	**2,809,185,465**	**98,880,342**	**55.74%**	**64.91%**
Total Expenditure	**12,416,377,973**	**1,185,072,991**	**9,214,824,696**	**1,030,000,000**	**74.22%**	**86.91%**

Table 6 Budget Allocation and Absorption Rates by Department FY2025/2026

Department	Approved Budget (KShs. Millions)		Exchequer Issues (KShs. Millions)		Expenditure		Expenditure to Exchequer (%)		Absorption (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	577.92	341.23	410.68	35.26	410.68	35.26	100	100	71.06	10.33
County Public Service Board	69.83	5	60.34	0	60.34	0	100	-	86.4	0
Homa Bay Municipal Board	31.92	74.13	24.16	40.98	24.16	40.98	100	100	75.71	55.28
Department of Agriculture, Irrigation and Livestock	240.13	422.26	221.5	268.45	221.5	368.45	100	137.25	92.24	87.26
Gender Equality and Inclusivity, Youth, Sports, Talent Development, Cultural Heritage and Social Services	131.05	61.52	100.57	59.57	100.57	59.57	100	100	76.74	96.84
Roads, Public Works, Transport and Infrastructure	160.24	655.61	138.65	653	138.65	653	100	100	86.52	99.6
Blue Economy, Fisheries, Mining and Digital Economy	125.4	35.16	108.92	26.99	108.92	26.99	100	100	86.86	76.78
Education, Human Capital Development and Vocational Training	1,190.28	436.46	1,063.73	362.93	1,063.73	362.93	100	100	89.37	83.15
Public Health and Medical Services	3,203.50	446	3,000.98	445.98	3,000.98	445.98	100	100	93.68	100
Lands, Physical Planning, Housing and Urban Development	83.76	1,037.07	75.23	70.19	75.23	282.19	100	402.05	89.82	27.21
Trade, Industry, Tourism, Cooperative Development and Marketing	197.06	250	184.78	61.06	184.2	61.06	99.69	100	93.47	24.43
Water, Sanitation, Environment, Energy and Climate Change	265.15	552.27	202.14	314.47	202.14	314.47	100	100	76.24	56.94
Governance, Administration, Communication and Devolution	517.3	405.5	460.88	51.22	460.88	51.22	100	100	89.09	12.63
Executive Office of the Governor	538.41	221.25	332.7	81.55	332.7	81.55	100	100	61.79	36.86
Kendu Bay Municipal Board	10.42	15	3.38	1.49	3.38	1.49	100	100	32.38	9.93
Mbita Municipal Board	10.42	15	5.51	4.45	5.51	4.45	100	100	52.88	29.64
Ndhiwa Municipal Board	10.42	15	3.45	2.5	3.45	2.5	100	100	33.09	16.63

Oyugis Municipal Board	13.4	51.31	8.63	2.5	8.63	17.11	100	685.84	64.38	33.35
Executive Total	**7,376.62**	**5,039.76**	**6,406.22**	**2,482.57**	**6,405.64**	**2,809.19**	**99.99**	**113.16**	**86.84**	**55.74**
County Assembly	1,032.73	152.34	931.12	98.88	931.12	98.88	100	100	90.16	64.91
Grand Total	**8,409.36**	**5,192.09**	**7,337.34**	**2,581.45**	**7,336.76**	**2,908.07**	**99.99**	**112.65**	**87.25**	**56.01**

Table 7 Budget Execution by Programmes and Sub-Programmes with Highest Absorption

Programme	Sub-Programme	Budget Estimates FY 2025/26 (KShs.)	Actual Expenditure FY 2025/26 (KShs.)	Absorption (%)
County Public Service Board				
Policy, Planning and Administration Services	Administrative Support Services	60,338,563	60,338,563	100
County Assembly Service Board				
Legislative Services	Members Welfare Support Services	270,225,000	270,225,000	100
Legislative Services	Legislative Development and Approval Services	64,000,000	64,000,000	100
Oversight and Control Services	Capacity Building Services	13,050,400	13,050,400	100
Oversight and Control Services	Report Writing Services	125,949,600	125,949,600	100
Oversight and Control Services	Public Participation and Education Services	-	-	-
Ward Representation Services	Staff Welfare Support Services	59,712,348	59,712,348	100
Ward Representation Services	Ward Operations and Maintenance	17,695,584	17,695,584	100
Policy, Planning and Administrative	Administrative Support Services	350,616,075	350,616,075	100
Department of Gender Equality and Inclusivity, Youth, Sports, Talent Development, Cultural Heritage and Social Services				
Policy, Planning and General Administration Services	Personnel Remuneration and Welfare of Staff Services	83,953,230	83,953,230	100
Department of Roads, Transport, Public Works and Infrastructure				
General Administration, Planning and Support Services	Remuneration and Staff Welfare Support Services	130,541,652	130,541,652	100
Public Works and Maintenance Services	Quality and Enforcement	3,000,000	3,000,000	100
Public Works and Maintenance Services	Purchase of Plant and Machinery Maintenance	20,000,000	20,000,000	100
Department of Blue Economy, Fisheries, Mining and Digital Economy				
General Administration, Planning and Support Services	Personnel Remuneration and Welfare Services	101,286,892	101,286,892	100
Department of Public Health and Medical Services				
Preventive and Promotive Health Services	Facility Infrastructure Improvement Services	158,000,000	158,000,000	100

Curative and Rehabilitative Health Services	Facility Infrastructure Improvement Services	288,000,000	288,000,000	100
Department of Trade, Tourism, Industrialisation, and Enterprise Development				
Planning and Administrative Services	Administrative and Support Services	174,867,754	174,867,754	100
Oyugis Municipal Board				
General Administration, Planning and Support Services	Personnel Remuneration and Development	6,556,056	6,556,056	100

Table 8 Budget Execution by Programmes and Sub-Programmes with Lowest Absorption

Programme	Sub-Programme	Budget Estimates FY 2025/26 (Kshs)	Actual Expenditure FY 2025/26 (Kshs)	Absorption (%)
Department of Finance and Economic Planning				
General administration and support services	General Logistics, Coordination and Asset Management Services	84,783,769	4,696,891	5.54
Financial management services	Emergency Management Services	321,232,242	35,255,215	10.97
Planning, budgeting and development coordination services	Public Participation Facilitation Services	15,673,285	1,793,900	11.45
	Internal Revenue Generation Services	32,883,600	7,171,740	21.81
	Economic planning and development services	10,453,000	469,529	
Executive Office of the Governor				
Strategy and service delivery improvement services	Strategy and advisory services	47,772,900	3,516,085	7.36
Governance and coordination services	Field coordination and administration services	14,181,600	1,385,445	9.77
Governance and Administration, Communication and Devolution				
Stakeholder, Special Projects Services	Special Projects Services	6,021,883	1,040,461	17.28
Department of Lands, Housing, Urban Development and Physical Planning				
Lands and Physical Planning	Land Valuation and Registration Support Services	12,000,000	2,187,990	18.23
Department of Public Health and Medical Services				
Preventive and promotive health services	Disease control services	55,650,000	11,090,110	19.93
County Assembly Service Board				
Support Services	Financial Management Services	131,485,496	29,870,658	22.72

Table 9 Development Projects with the Highest Expenditure

S/No	Sector	Project Name	Location	Budget (KShs.)	Amount Paid as at 30th June 2026 (KShs.)	Implementation Status	Remarks
Donor-funded Projects							
1	Water, Sanitation, Irrigation, Environment, Energy and Climate Change	Other Capital Grants (FLLoCA CCRG)	All Sub-Counties	212,806,459	212,806,459	100%	Complete
2	Office of the Deputy Governor and Department of Agriculture and Livestock	Capital Grants and Transfers (NAVCDP)	All Sub-Counties	148,045,611	148,045,611	100%	Projects implemented
3	Lands, Housing and Urban Development	KISIP 2	All Sub-Counties	68,000,000	68,000,000	95%	Ongoing
4	Department of Agriculture, Irrigation and Livestock	Capital Grants and Transfers (NAVCDP)	All Sub-Counties	66,944,054	66,944,054	100%	Projects implemented
5	Governance, Administration, Communication and Devolution	KDSP II	All Sub-Counties	50,000,000	50,000,000	100%	Projects complete
6	Homa Bay Municipal Board	KUSP Projects	Homa Bay Town	40,978,835	40,978,835	100%	Projects completed
County-funded Projects							
1	Public Health and Medical Services	Construction of multi-storied block for Accident & Emergency, Casualty and Outpatient at Homa Bay County Teaching and Referral Hospital	HBCTRH	70,786,783	70,786,783	53%	Ongoing
2	Executive Office of the Governor	Construction of the County Headquarters	Homa Bay Town	65,000,000	65,000,000	100%	Complete
3	Public Health and Medical Services	Construction of a modern funeral	Homa Bay Town	44,664,834	44,664,834	98%	Ongoing

		parlour at HCTRH					
4	Education, Human Capital Development and Vocational Training	Equipment and Resources for VTCs	All Sub-Counties	24,000,000	24,000,000	100%	Project complete
5	Public Health and Medical Services	Electrical installation for multi-storied Accident & Emergency Casualty Hospital block	HBCTRH	18,732,681	18,732,681	57%	Ongoing
6	Public Health and Medical Services	Electrical installation for multi-storied Accident & Emergency Casualty Hospital block	HBCTRH	15,587,500	15,587,500	75%	Ongoing

2.4 Settlement of Trade Payables

35. The County Government settled trade payables amounting to Kshs.1.64 billion against opening outstanding obligations of Kshs.1.93 billion as at 1 July 2025. The County Executive settled Kshs.1.46 billion, comprising Kshs.276.20 million for recurrent programmes and Kshs.1.18 billion for development programmes. The County Assembly settled Kshs.180.08 million, comprising Kshs.63.02 million for recurrent activities and Kshs.117.06 million for development activities.
36. In the same financial year, the County Government incurred additional trade payables amounting to Kshs.826.80 million, comprising Kshs.748.43 million for the County Executive and Kshs.78.37 million for the County Assembly. Consequently, outstanding trade payables as at 30 June 2026 stood at Kshs.1.12 billion, compared to Kshs.1.93 billion at the beginning of the financial year. The outstanding balance comprised Kshs.813.96 million for the County Executive and Kshs.304.06 million for the County Assembly.
37. The ageing analysis indicated that Kshs.474.10 million (42.4 per cent) of the outstanding trade payables had been outstanding for less than one year, Kshs.285.58 million (25.5 per cent) for between one and two years, Kshs.178.85 million (16.0 per cent) for between two and three years, and Kshs.179.49 million (16.1 per cent) for over three years. The County Executive accounted for Kshs.813.96 million of the outstanding balance, while the County Assembly accounted for Kshs.304.06 million.
38. The ageing profile demonstrates that a significant proportion of the County's outstanding obligations related to commitments carried forward from previous financial years. The continued accumulation of unpaid obligations may affect the

County's ability to meet its financial commitments and requires sustained efforts towards timely verification, prioritization and settlement of pending bills, subject to the availability of funds.

Table 10 Statement of trade payables (Pending Bills) as at 30th June 2026

County Entity	Opening Trade Payables as at 1 July 2025	Trade Payables Incurred in FY 2025/26	Trade Payables Paid in FY 2025/26	Outstanding Trade Payables as at 30 June 2026
Executive	1,524,513,380	748,431,227	1,458,983,604	813,961,003
Assembly	405,768,301	78,369,698	180,079,969	304,058,029
Total	**1,930,281,681**	**826,800,925**	**1,639,063,573**	**1,118,019,033**

Table 11 County Trade Payables Ageing Analysis as of 30th June 2026

COUNTY EXECUTIVE					
Category	**Under One Year (Kshs.)**	**1–2 Years (Kshs.)**	**2–3 Years (Kshs.)**	**Over 3 Years (Kshs.)**	**Total (Kshs.)**
Development Trade Payables	359,167,297	173,902,330	69,393,922	65,529,776	667,993,325
Recurrent Trade Payables (Goods & Services)	57,381,653	56,899,304m	18,903,387	12,783,334	145,967,678
Sub-Total	416,548,950	230,801,634	88,297,309	78,313,110	813,961,003
COUNTY ASSEMBLY					
Development Trade Payables	22,462,238	44,373,838	66,493,495	18,114,154	151,443,725
Recurrent Trade Payables (Goods & Services)	24,333,659	10,401,390	24,054,518	44,892,171	103,681,738
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	38,172,566	38,172,566
Recurrent Trade Payables (Staff Claims)	10,760,000	-	-	-	10,760,000
Total Recurrent Trade Payables	35,093,659	10,401,390	24,054,518	83,064,737	152,614,304
Sub-Total	57,555,897	54,775,228	90,548,013	101,178,891	304,058,029
Total Trade Payables	**474,104,847**	**285,576,862**	**178,845,322**	**179,492,001**	**1,118,019,032**

2.2 Borrowing by the County

39. The County Government maintained a payroll management overdraft facility with Kenya Commercial Bank (KCB) Limited, duly approved by the County Assembly. The facility attracted an interest rate of 0.5 per cent per month on the amount advanced, in addition to excise duty of 20 per cent on interest and applicable bank charges. As at 30 June 2026, the outstanding overdraft balance stood at Kshs.167 million.
40. In addition, the County Government had a financing arrangement with the County

Pension Fund (CPF) under a tenant purchase agreement signed on 6 May 2024 for the construction of the County Headquarters and ancillary facilities, comprising the Amphitheatre and Ushuru Centre. The project cost Kshs.820 million, repayable in monthly instalments of Kshs.17.25 million over four years. As at 30 June 2026, repayment arrears under the agreement amounted to Kshs.32.5 million.

41. The two financing arrangements constituted financial obligations for the County Government, with the outstanding overdraft and overdue CPF repayments requiring consideration in cash-flow planning and debt management.

3.0 MACROECONOMIC DEVELOPMENT AND OUTLOOK

3.1 Overview

42. The CBROP 2025/2026 has been prepared against a backdrop of heightened global economic uncertainty arising from ongoing conflicts in the Middle East, including the Israel-Palestine and Israel-Iran conflicts, the Russia-Ukraine war, persistent geopolitical tensions and disruptions to global trade and supply chains. These developments have continued to pose risks to global economic growth through volatility in energy and commodity prices, increased transportation costs, renewed inflationary pressures and tighter financial conditions.
43. Despite these challenges, according to IMF (July 2026), the global economic growth is projected to slow to 3.0 percent in 2026 from 3.5 percent in 2025, before recovering to 3.4 percent in 2027. The slowdown in 2026 reflects the adverse effects of the Middle East conflicts, including higher energy prices, elevated inflationary pressures, supply chain disruptions and increased geopolitical uncertainty.
44. Growth in advanced economies is projected to remain subdued, with growth rising slightly from 1.7 percent in 2026 to 1.8 percent in 2027, while Emerging markets and developing economies is projected to slow to 3.8 percent in 2026 from 4.5 percent in 2025, before recovering to 4.5 percent in 2027. The sharpest slowdown is expected in the Middle East and Central Asia, where growth is projected to fall to 0.7 percent in 2026 from 3.5 percent in 2025 before rebounding strongly to 6.5 percent in 2027 where as in Sub-Saharan Africa, growth is expected to moderate to 4.3 percent in 2026 from 4.5 percent in 2025, before recovering to 4.5 percent in 2027.

Table 12 Global Economic Performance.

	Growth (%)					
	Actual				Projections	
Economy	2022	2023	2024	2025	2026	2027
World	3.6	3.5	3.5	3.5	3.0	3.4
Advanced Economies	2.9	1.8	1.9	1.9	1.7	1.8
Of which: USA	*1.9*	*2.9*	*2.8*	*2.1*	*2.3*	*2.2*
Euro Area	*3.4*	*0.5*	*1.0*	*1.4*	*0.9*	*1.2*
Japan	*1.0*	*1.4*	*(0.2)*	*1.1*	*0.6*	*0.7*
Emerging and Developing Economies	4.1	4.7	4.5	4.5	3.8	4.5
Of which: China	*3.0*	*5.4*	*5.0*	*5.0*	*4.6*	*4.1*
India	*7.0*	*9.2*	*7.1*	*7.7*	*6.4*	*6.7*
Sub-Saharan Africa	4.0	3.6	4.2	4.5	4.3	4.5
Of which: South Africa	1.9	0.8	0.5	1.1	1.1	1.3
Nigeria	3.3	2.9	4.1	4.0	4.1	4.3

Source: *IMF World Economic Outlook, July 2026.*

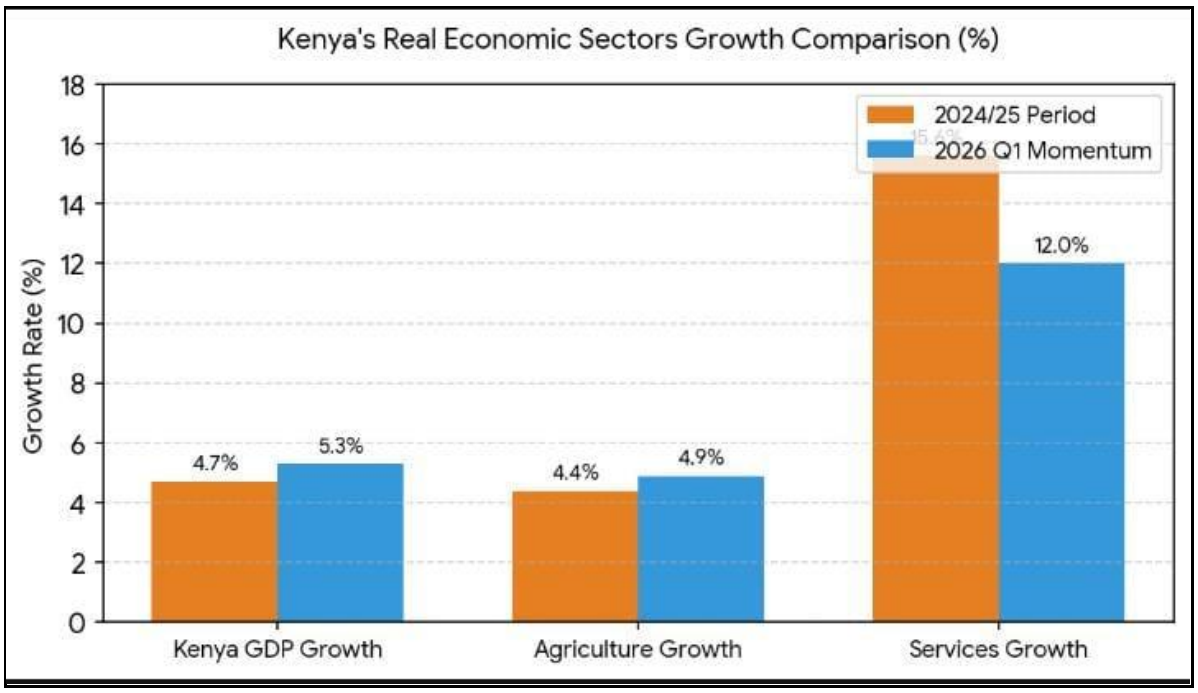
45. Against this backdrop, Homabay County will continue to strengthen fiscal resilience through enhanced own-source revenue mobilization, prudent expenditure management and prioritization of projects that support economic growth,

employment creation and effective service delivery.

3.2 Fundamental Economic Developments

46. The Kenya's economy remained resilient during FY 2025/26, with real GDP growth strengthening from 4.7 percent in 2024 to 4.9 percent in 2025, before accelerating to 5.3 percent in the first quarter of 2026. The improved performance reflects resilience across key sectors of the economy despite persistent global and domestic economic challenges. In Homabay, OSR declined, mainly due to subdued economic activity, which generally reduced business turnover and taxpayers' ability to meet their obligations, constraining the County's fiscal space for service delivery and development.

Figure 5 Kenya's Real Economic Sectors Growth Comparison



Sources: *Kenya National Bureau of Statistics.*

3.2.1 Kenya Shilling Exchange Rate.

47. In 2026, the Kenyan Shilling remained relatively stable against the US Dollar, supported by improved foreign exchange market conditions, adequate foreign exchange reserves and sustained inflows from exports and diaspora remittances. The Shilling traded at approximately KSh 129.4 per US Dollar in July 2026 compared to KSh 129.2 per US Dollar in July,2025, showing a marked appreciation from a peak of KSh 160.8 in January 2024. The Shilling strengthened against the Sterling Pound , averaging KSh 173.0 per Pound in July 2026, down from KSh 174.6 per Pound in July 2025. Against the Euro, the Shilling also strengthened and averaged KSh 147.7 per Euro in July 2026 compared to KSh 151.0 per Euro in July 2025.

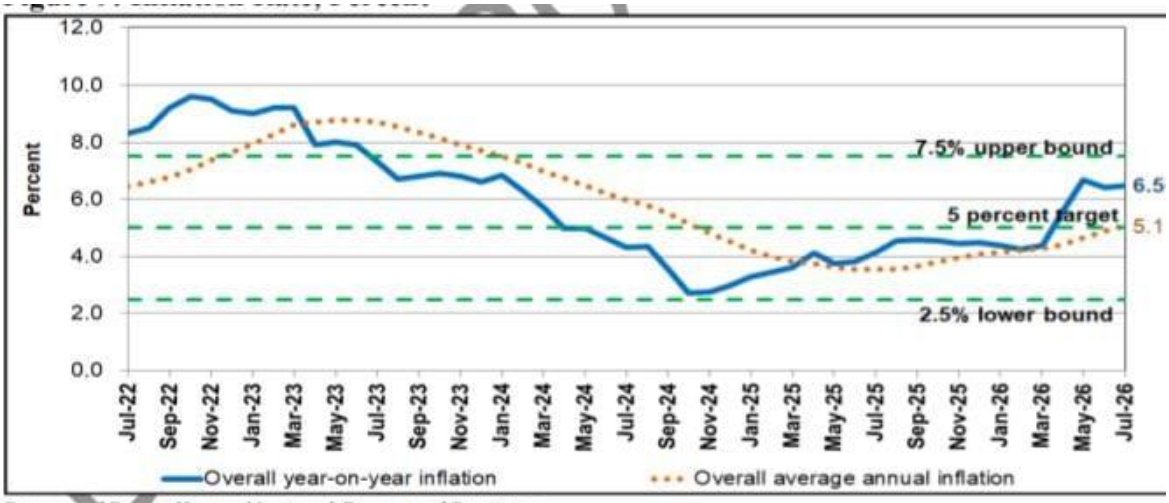
Figure 6 Kenya Shilling Exchange Rate.

Source of Data: Central Bank of Kenya.

3.2.2 Inflation Rate

48. Overall inflation increased to 6.5 percent in July 2026 from 4.1 percent in July 2025 due to higher energy prices arising from the elevated global oil prices but remained within the target range of 5±2.5 percent. Core inflation remained relatively stable at 3.2 percent in July 2026, compared to 3.1 percent in July 2025, supported by lower prices of selected manufactured food products and stable prices of other non-volatile items. In contrast, non-core inflation rose significantly to 15.0 percent in July 2026, from 7.2 percent in July 2025, mainly reflecting increase in energy and transport cost, as well as higher food prices. The rise in non-core inflation highlights continued exposure to food, energy and transport price shocks.

Figure 7 Inflation Rate %



Source of Data: Kenya National Bureau of Statistics

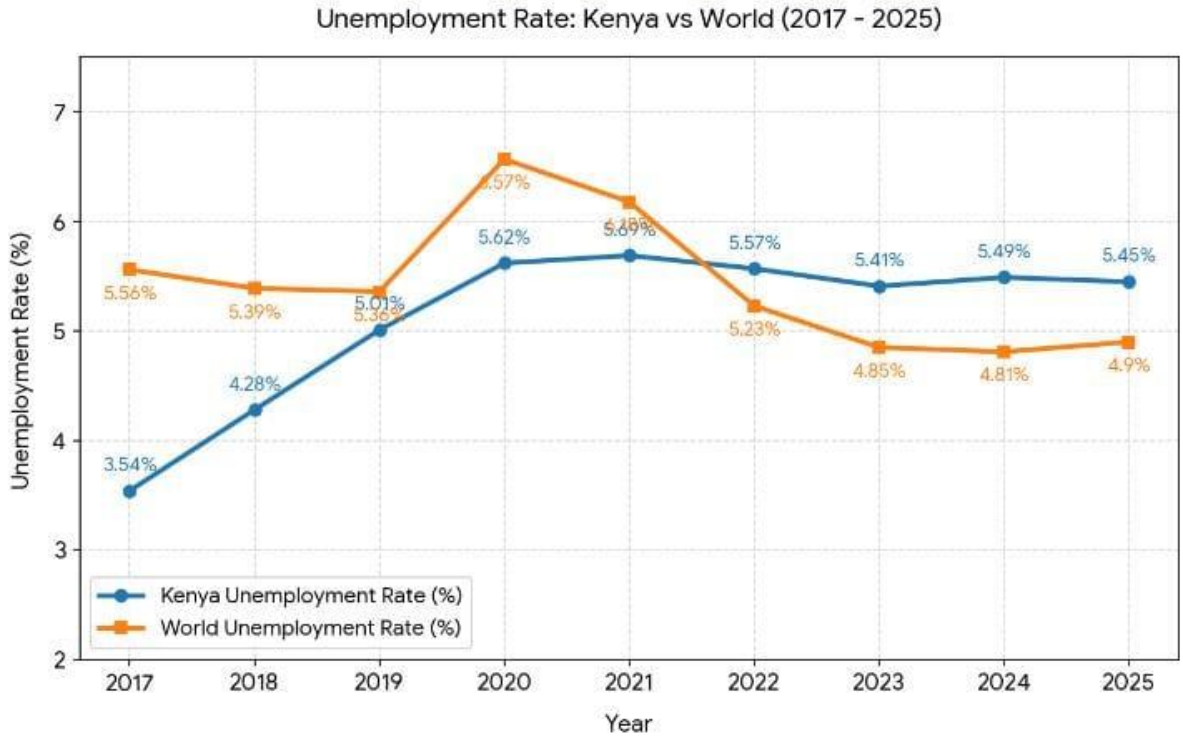
3.3.3 Domestic Employment.

49. In 2025, the global unemployment rate remained relatively stable at 4.9 percent making a modest decline from the previous years. Kenya's rate stood at 5.49 percent

in 2024 down from 5.41 percent in 2023, reflecting resilience in global labour markets despite a challenging economic environment. However, employment creation continued to face pressure from slowing economic growth, geopolitical tensions, trade disruptions, technological challenges and persistent gaps in job quality.

50. In Homa Bay County, unemployment remains an important socio-economic concern among the youths and other economically active groups despite the county's relatively favorable youth unemployment position. The County's growing working-age population requires increased investment in skills development, entrepreneurship, agriculture, fisheries, MSMEs and the Informal sector.

Figure 8 unemployment Rate: Kenya- vs World (2017-2025



Source: IMF World Economic Outlook

51. The County will continue to promote employment and sustainable livelihoods through enterprise development, value addition, vocational training and improved access to markets and finance supporting inclusive growth and improved household income.

3.2.4 County – Specific Economic Developments.

52. Homa Bay County's economy remained dominated by the services sector, which accounted for 48.27 percent of Gross Value Added (GVA), followed by agriculture at 42.84 percent, reflecting its continued importance to livelihoods. Industry contributed to 8.89 percent, indicating scope for further expansion in manufacturing, fisheries, Agro-processing and value addition. The county continues to have significant opportunities in fisheries and Agro-processing, which are expected to support economic diversification, employment creation and increased household incomes.

3.3 Economic Outlook

3.3.1 National Economic Outlook.

53. Kenya's economy is expected to remain resilient, with real GDP growth projected at 5.0 percent in 2026 and 5.3 percent in 2027, supported by agriculture, manufacturing, services, ICT, financial services and continued investment. The 2006 growth outlook has, however, been affected by external risks, particularly geopolitical conflicts and elevated energy prices. Growth is expected to strengthen in 2027 as external pressures ease and global supply chains normalize.
54. The economic outlook will continue to be guided by the Bottom-Up Economic Transformation Agenda (BETA) and the Fourth Medium Term Plan (2023- 2027), emphasizing on agriculture, MSME development, affordable housing, healthcare, digitalization and employment creation. Continued investment in these priority sectors is expected to support inclusive growth, create employment, reduce poverty and inequality, and strengthen Kenya's economic resilience.

3.3.2 County Economic Outlook.

55. Homa Bay County's economy remains largely anchored in agriculture, livestock and fisheries while increasingly diversifying into ARUD, GECA, EIICT, Education and Health sectors. The county will continue to promote modern farming, climate-smart agriculture and value addition across key value chains, including maize, sorghum, sunflower, sugarcane, rice, sweet potatoes, cotton, bananas, poultry and diary, to enhance food security, household incomes, employment and market access.
56. Infrastructure development remains central to improving economic productivity and connectivity. The county will continue investing in road opening and maintenance, drainage infrastructure, equipment maintenance and other supporting infrastructure to improve access to markets and essential services. Tourism development will also remain a key growth opportunity, leveraging attractions such as Lake Victoria, Ruma National Park, Homa Hills Hot Springs and Tom Mboya Mausoleum, alongside investments in tourism infrastructure and promotion.
57. Education and Health will remain a priority sector in strengthening human capital and supporting inclusive economic growth. The county will continue to improve learning infrastructure, strengthen Vocational Training Centers through capitation and enhanced health care services, including Universal Health Coverage Interventions. These investments are expected to create jobs, reduce poverty and support Vision 2030 and BETA objectives.

3.4 Fiscal Policy

58. Guided by the theme **"Sustaining the GENOWA Agenda for Accelerated and Inclusive Economic Growth,"** Homa Bay County's fiscal policy, under the CIDP 2023-2027, focuses on strengthening domestic revenue mobilization, enhancing expenditure efficiency, and prioritizing resources towards programmes and projects that promote inclusive economic growth, improve service delivery and enhance the welfare of residents. The county will continue to align its fiscal operations with national fiscal policy, the CSFP and the MTEF.

3.4.1 Revenue Policy

59. Homa Bay County will strengthen own-source revenue mobilization by broadening the revenue base, improving revenue administration, enhancing compliance and expanding cashless revenue collection. The County will leverage data analytics and

digital systems to improve billing, monitoring and enforcement, while optimizing the use of county assets through leasing, rental and other appropriate commercial arrangements. These measures will support increased and sustainable own-source revenue to finance priority development programmes.

3.4.2 Expenditure Policy

60. The County will promote efficient expenditure management by prioritizing essential services and high-impact development programmes while containing non-essential and recurrent expenditure. The county will strengthen project planning, monitoring and implementation, enhance the use of IFMIS and E-Procurement, undertake regular audits and expenditure reviews to promote value for money. The county will also strengthen collaboration with development partners while leveraging on additional resources for priority investments.

3.4.3 Deficit Financing Policy

61. The County will limit external borrowing to non-concessional loans for capital projects, adhering to the ceilings in the County Debt Management Strategy Paper. The approach safeguards debt sustainability while encouraging diversification of financing sources beyond commercial borrowing.

3.5 Risk to Economic Outlook

3.5.1 Risks to the National Economic Outlook

62. Kenya's economic outlook remains subject to significant global and domestic risks, including geopolitical tensions, volatility in international energy and food prices, supply-chain disruption, exchange-rate pressures, tighter global financial conditions and climate related shocks.
63. Domestically, elevated public debts and debt-servicing costs, constrained fiscal space, inflationary pressures, adverse weather conditions and revenue shortfalls may continue to weigh on economic growth and public investment. These risks underscore the need for prudent fiscal management, strengthened economic resilience, effective risk mitigation and strategic planning at both national and county levels.

3.5.2 Risks to the County Economic Outlook

64. The County faces risks from rising inflation and interest rates, increasing debt, slow investment growth, and potential shortfalls in national revenue transfers. Policy uncertainties and delays in legislation may also affect development program implementation, prompting the County to enhance revenue mobilization and improve service delivery

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 Assessing budget execution for the FY 2026/27

65. The County Government remains committed to addressing the socio-economic challenges affecting marginalized and vulnerable populations. During the MTEF period, resource allocation and utilization will be guided by broad county development goals, strategic objectives and identified local development needs to promote equitable resource distribution and inclusive service delivery.
66. The County Government of Homa Bay projects total revenue of KShs. 12,104,350,747 for FY 2026/27, representing a decrease of KShs. 1,497,100,217 (11.0 percent) from the approved FY 2025/26 revenue estimate of KShs. 13,601,450,964.
67. The projected resource envelope comprises Equitable Share of KShs. 8,914,134,592, Conditional Grants of KShs. 1,305,104,867, Own Source Revenue of KShs. 1,671,077,323, comprising Health A-I-A of KShs. 1,104,906,565 and Ordinary Own Source Revenue of KShs. 566,180,758, and Equalization Fund of KShs. 214,023,965.
68. In line with the fiscal responsibility principles under the Public Finance Management Act, 2012, the County Government has allocated KShs. 8,404,043,481 (69.4 percent) to recurrent expenditure and KShs. 3,700,307,266 (30.6 percent) to development priorities. The resource allocation seeks to consolidate gains under the GENOWA Economic Transformation Agenda, promote inclusive green growth and address priority development needs across the County.

Figure 9 Fiscal Responsibility Adherence

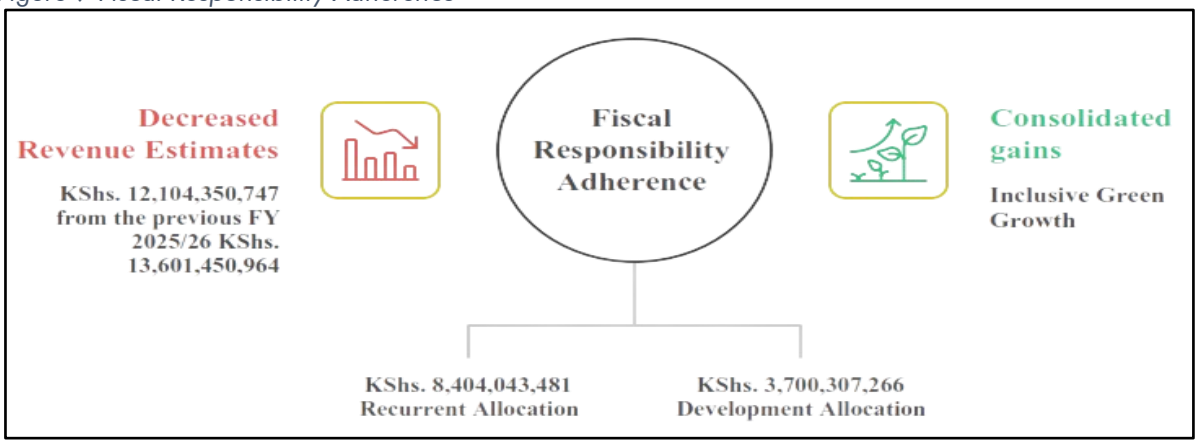
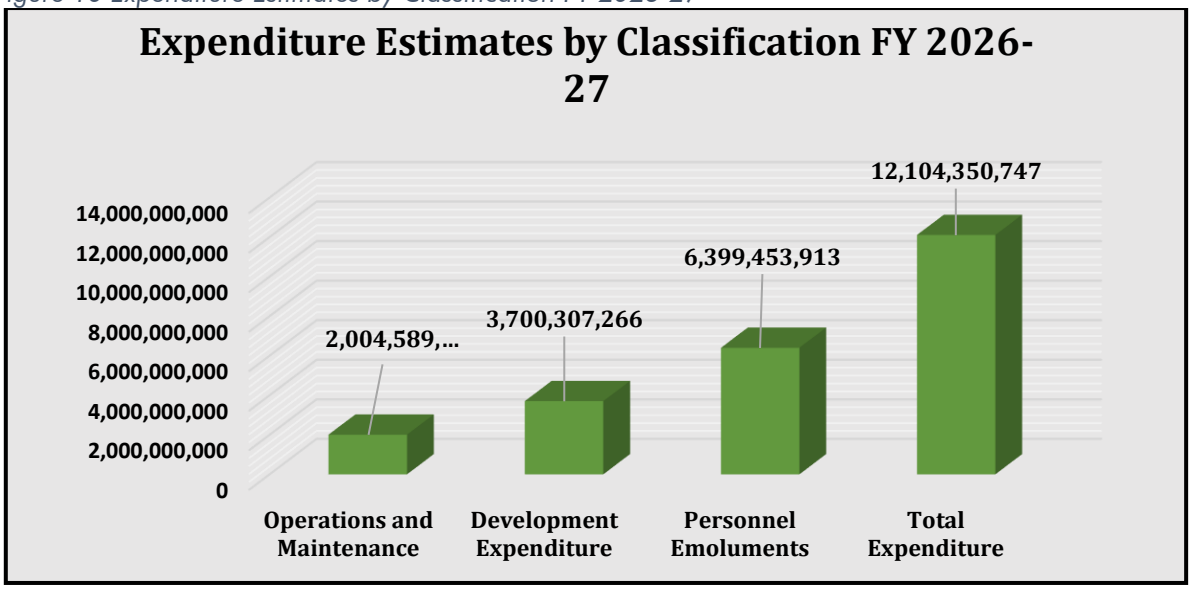


Figure 10 Expenditure Estimates by Classification FY 2026-27



4.2 Fiscal Policy for the FY 2026/27 and the Medium-Term Budget

69. The County Government of Homa Bay remains committed to prudent fiscal management, efficient resource allocation and effective utilization of public resources to promote socio-economic development and improve service delivery. The FY 2026/27 fiscal policies will focus on revenue enhancement, pending bills settlement, wage bill containment, expenditure efficiency and alignment of resources with priority programmes.
70. **Prioritization of Essential Services and Socio-Economic Development:** The County Government will align resource allocation and expenditure execution with strategic priorities, focusing on healthcare, education, water and sanitation, infrastructure and agriculture to improve service delivery, livelihoods and inclusive economic growth.
71. **Sustainable Revenue Generation:** The County Government will strengthen revenue mobilization through improved forecasting, enhanced compliance and enforcement, automation of collection systems and measures to minimize revenue leakages. These interventions will improve OSR performance, broaden the revenue base and reduce reliance on transfers from the National Government.
72. **Prudent Debt Management and Settlement of Pending Bills:** The County Government will prioritize the settlement of legitimate, verified and duly supported pending bills in accordance with the PFM Act, 2012. As a first charge, **KShs. 422,554,531** has been allocated in FY 2026/27 towards various accounts payable. Commitment controls and cash-flow management will be strengthened to prevent the accumulation of new arrears.
73. **Rationalization of the Wage Bill:** The County Government will implement staffing rationalization, payroll and human resource audits, controlled recruitment and departmental restructuring to progressively contain the wage bill towards the recommended 35 percent threshold. In FY 2026/27, **KShs. 6,399,453,913** has been allocated for compensation of employees and other employment benefits.
74. **Compliance with Development Partner Funding Requirements:** The County Government will strengthen compliance, reporting, financial management, monitoring and implementation of development partner-funded programmes. External grants are projected at **KShs. 1,305,104,867** in FY 2026/27, supporting programmes including KDSP II, FLLoCA, NAVCDP, KUSP, Resilient Health Systems

and Community Health Promoters.

75. **Departmental Efficiency and Human Resource Management:** The County Government will improve departmental efficiency through strengthened human resource records, payroll controls, staff audits, targeted recruitment, capacity development and performance management to enhance workforce productivity and service delivery.
76. **Public Investment Management:** The County Government will strengthen project identification, appraisal, prioritization, implementation and monitoring to improve value for money and minimize fragmentation. Citizen participation will be enhanced, alongside the development of a GIS-referenced project investment management dashboard to strengthen transparency, accountability and oversight.

4.3 Resource Mobilisation Strategies

77. The County Government will strengthen partnerships with development partners, government agencies and the private sector; enhance access to grants and conditional transfers; promote co-financing and Public-Private Partnerships; strengthen own-source revenue mobilization; broaden the revenue base; and improve project preparation to attract external financing for priority programmes and projects.

4.4 FY 2027/28 Fiscal Projections

78. For FY 2027/28, the County Government of Homa Bay projects total revenue and expenditure of KShs. 12,428,130,907. The projected resource envelope will comprise equitable share of KShs. 9,214,134,592, conditional grants of KShs. 1,305,104,867, ordinary own-source revenue of KShs. 577,504,373, health-sector Appropriations-in-Aid of KShs. 1,204,906,565, and the County's share of the Equalization Fund amounting to KShs. 126,480,510.
79. The projected expenditure will comprise recurrent expenditure of KShs. 8,699,691,635 and development expenditure of KShs. 3,728,439,272. Recurrent expenditure will include KShs. 6,499,453,913 for personnel emoluments and KShs. 2,200,237,722 for operations and maintenance. The allocation framework will seek to promote fiscal discipline, sustain essential service delivery and support the implementation of priority development programmes in line with the County Integrated Development Plan and other approved planning instruments.

4.5 Medium-Term Budget Framework for FY 2026/27

80. The FY 2026/27 and Medium-Term Budget Framework will continue to prioritize the implementation of development interventions identified in the County Integrated Development Plan (CIDP) 2023–2027 and operationalized through the County Annual Development Plan (CADP) 2026/27. The Framework will further align County programmes and investments with the Fourth Medium-Term Plan (MTP IV), the Bottom-Up Economic Transformation Agenda (BETA), the Sustainable Development Goals (SDGs) and the County's GENOWA Agenda.
81. In implementing these priorities, the County Government will adopt an integrated approach guided by the five SDG pillars of People, Planet, Prosperity, Peace and Partnerships.
82. The People pillar will focus on improving access to healthcare, food security, education, social protection and other essential services.
83. The Planet pillar will support environmental conservation, climate resilience,

sustainable natural resource management, water and sanitation.

84. The Prosperity pillar will promote agricultural transformation, fisheries and value-chain development, MSMEs, infrastructure, decent housing, employment creation, and the digital and creative economy.
85. The Peace pillar will strengthen accountable, transparent and effective institutions.
86. The Partnership's pillar will promote collaboration with the National Government, development partners, private sector, communities and other stakeholders to mobilize resources and support implementation of priority programmes.
87. The CADP 2026/27 will provide the annual implementation framework for translating these priorities into specific programmes, projects, outputs and performance targets. Overall, the Medium-Term Budget Framework will seek to promote inclusive economic growth, improve service delivery, create employment opportunities, enhance household incomes, strengthen climate resilience and improve the quality of life of the people of Homa Bay County.

Table 13 Fiscal Framework, FY 2024/2025-2028/29

Revenue/Expenditure Category	Revised Estimates II FY2024/25	Revised Estimates FY 2025/26	Approved Estimates FY 2026/27	Projected Estimates FY2027/28	Projected Estimates FY2028/29
Total Revenue	**13,130,574,618**	**13,601,450,964**	**12,104,350,747**	**12,428,130,907**	**12,842,210,605**
Equitable Share	8,170,280,800	8,646,376,063	8,914,134,592	9,214,134,592	9,514,134,592
Conditional Grants	2,468,464,225	2,429,216,326	1,305,104,867	1,305,104,867	1,305,104,867
Own Source Revenue (Ordinary)	501,737,917	566,180,758	566,180,758	577,504,373	589,054,461
Appropriations–In-Aid	981,068,740	1,104,906,565	1,104,906,565	1,204,906,565	1,304,906,565
Share of equalization fund	260,206,608	214,023,965	214,023,965	126,480,510	129,010,120
June 2024 Capitation	650,270,979	-	-	-	-
Other Unspent balances	98,545,349	640,747,287	-	-	-
Recurrent Expenditure	**7,939,423,075**	**8,409,356,720**	8,404,043,481	**8,699,691,635**	**8,989,547,423**
Personnel Emoluments	5,870,237,286	6,211,698,265	6,399,453,913	6,499,453,913	6,699,500,000
Operations and Maintenance	2,069,185,789	2,197,658,455	2,004,589,568	2,200,237,722	2,290,047,423
Development Expenditure	**5,191,151,543**	**5,192,094,244**	**3,700,307,266**	**3,728,439,272**	**3,852,663,181**
Total Expenditure	**13,130,574,618**	**13,601,450,964**	**12,104,350,747**	**12,428,130,907**	**12,842,210,605**

Table 14 Departmental Indicative Ceilings FY 2026/2027

DEPARTMENTAL CEILINGS FY 2026/2027						
VOTE	SPENDING ENTITY	APPROVED ESTIMATES FY 2026/2027				
		Salaries	O and M	Recurrent	Development	Total (R+D)
5120	Finance and Economic Planning	555,314,225	100,000,000	655,314,225	333,091,865	988,406,090
5122	County Public Service Board	38,077,549	19,840,848	57,918,397	0	57,918,397
5123	County Assembly Service Board	537,733,095	437,491,939	975,225,034	184,000,000	1,159,225,034
5124	Homa Bay Municipal Board	9,487,661	11,800,000	21,287,661	59,000,000	80,287,661
5125	Agriculture and Livestock	119,563,792	22,500,000	142,063,792	305,244,200	447,307,992
5126	Gender Equality and Inclusivity, Youth, Sports, Talent	51,577,300	50,774,479	102,351,779	80,000,000	182,351,779

	Development, Cultural Heritage and Social Services					
5127	Roads, Public Works, Transport and Infrastructure	84,508,889	16,000,000	100,508,889	731,000,000	831,508,889
5128	Blue Economy, Fisheries, Mining and Digital Economy	76,671,839	17,000,000	93,671,839	45,000,000	138,671,839
5129	Education, Human Capital Development and Vocational Training	900,234,979	290,000,000	1,190,234,979	159,000,000	1,349,234,979
5130	Public Health and Medical Services	2,963,137,181	619,223,150	3,582,360,331	346,000,000	3,928,360,331
5131	Lands, Physical Planning, Housing and Urban Development	83,126,793	49,000,000	132,126,793	54,787,057	186,913,850
5132	Trade, Industry, Tourism, Cooperative Development and Marketing	153,565,228	20,000,000	173,565,228	180,000,000	353,565,228
5133	Water, Sanitation, Irrigation, Environment, Energy and Climate Change	120,960,806	60,459,152	181,419,958	476,184,144	657,604,102
5134	Governance, Administration, Communication and Devolution	479,123,617	132,500,000	611,623,617	417,000,000	1,028,623,617
5135	Executive Office of the Governor	186,960,310	120,000,000	306,960,310	230,000,000	536,960,310
5136	Kendu Bay Municipal Board	6,554,717	9,000,000	15,554,717	20,000,000	35,554,717
5137	Mbita Municipal Board	6,269,413	9,000,000	15,269,413	20,000,000	35,269,413
5138	Ndhiwa Municipal Board	7,408,454	9,000,000	16,408,454	20,000,000	36,408,454
5139	Oyugis Municipal Board	19,178,065	11,000,000	30,178,065	40,000,000	70,178,065
	Total Estimates	**6,399,453,913**	**2,004,589,568**	**8,404,043,481**	**3,700,307,266**	**12,104,350,747**

4.6 Resource Allocation Criteria

88. Given the County's constrained fiscal space, competing development needs and dependence on transfers from the National Government, budgetary resources will be allocated through a transparent, equitable and results-oriented process. The allocation framework will be guided by the CIDP 2023–2027, CADP, BETA, MTP IV, the GENOWA Agenda and the SDGs, particularly the five pillars of People, Planet, Prosperity, Peace and Partnerships. The County's expenditure prioritization policy will seek to maximize the impact of limited public resources by supporting essential service delivery, poverty reduction, employment creation, agricultural and enterprise development, climate resilience, equitable resource distribution, accountable governance and sustainable economic growth. In allocating resources among competing priorities, the following criteria will be considered.