REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT

NATIONAL ASSEMBLY

THE HANSARD

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THE HANSARD

Thursday, 12th June 2025

The House met at 2.30 p.m.

[The Speaker (Hon. Hon. Moses Wetang'ula) in the Chair]

PRAYERS

Hon. Speaker: Hon. Members, we have quorum to transact business. Clerks-at-the-Table.

PAPERS

Hon. Speaker: Leader of the Majority Party.

Hon. Naomi Waqo (Marsabit County, UDA): I beg to lay the following Papers on the Table:

1. Reports to Parliament on all new loans contracted by the Government of Kenya from 1st January 2025 to 30th April 2025 from the Ministry of National Treasury and Economic Planning.
2. The County Governments Budget Implementation Review Report from the Office of the Controller of Budget for the first nine months of the 2024/2025 Financial Year.
3. Reports of the Auditor-General and financial statements for the year ended 30th June 2024 and the certificates therein in respect of:
   (a) Cardinal Otunga Girls High School.
   (b) Kyondoni Girls High School.
   (c) Lugulu Girls High School.
   (d) Musuani Secondary School.
   (e) Ng'iya Girls High School.
   (f) St. Angela Girls Secondary School.
   (g) St. Charles Lwanga Secondary School.
   (h) St. Matthias Mulumba, Matinyani Boys High School.
   (i) St. Monica Girls Mulutu Secondary School.
   (j) Vihiga Friends High School.

Thank you, Hon. Speaker.

Hon. Speaker: Thank you. Chairperson, Departmental Committee on Administration and Internal Security. Hon. Tongoyo. Chairperson, Departmental Committee on Housing, Urban Planning and Public Works, Hon. Johana.

Hon. Johana Kipyegon (Emurua Dikirr, UDA): Hon. Speaker, I beg to lay the following Paper on the Table:

Report of the Departmental Committee on Housing, Urban Planning and Public Works on its Consideration of the Senate Amendments to the National Construction Authority (Amendment) Bill (National Assembly Bill No.59 of 2022).

Thank you, Hon. Speaker.

Hon. Speaker: Thank you. Next order.

NOTICES OF MOTION

Hon. Speaker: Chairperson, Departmental Committee on Administration and Internal Security. Hon. Raso, where is your Chairman? Are you holding any brief?

(Hon. Ali Raso spoke off the record)

Next order.

QUESTIONS AND STATEMENTS

STATEMENT

Hon. Speaker: Leader of the Majority Party, are you ready with your Thursday Statement? Hon. Naomi Waqo.

Hon. Naomi Waqo (Marsabit County, UDA): Yes.

Hon. Speaker: Go ahead.

BUSINESS FOR THE WEEK OF 16TH TO 20TH JUNE 2025

Hon. Naomi Waqo (Marsabit County, UDA): Hon. Speaker, pursuant to the provisions of Standing Order 44(2) (a), I rise to give the following Statement on behalf of the House Business Committee, which met on Tuesday, 10th June 2025 to prioritise business for consideration during the week.

As you had previously communicated, today, Thursday, 12th June 2025, the Cabinet Secretary for the National Treasury and Economic Planning, Hon. FCPA John Mbadi Ng'ongo, EGH, will make a public pronouncement of the Budget highlights and revenue raising measures for Financial Year 2025/2026 and the Medium Term. In this regard, I wish to remind Members that the House is expected to prioritise consideration of Budget-related Bills, taking into consideration the statutory timelines applicable to the Budget-making process.

With regard to business scheduled for Tuesday next week, the House is expected to consider the following Bills at various stages:

1. Committee of the whole House on:
   (a) The Kenya National Council for Population and Development Bill, 2023; and,
   (b) Consideration of Senate amendments to the National Disaster Risk Management Bill, 2023.
2. Second Reading of:
   (a) The Finance Bill, 2025; and,
   (b) The National Cohesion and Integration Bill, 2023.

Additionally, debate will be undertaken on the following Motions, some of which are subject to the respective Committees tabling their reports–

1. Consideration of nominees for appointment to the National Police Service Commission;
2. Approval of the mediated version of the Division of Revenue Bill, 2025;
3. Consideration of Senate amendments to the National Disaster Risk Management Bill, 2023;
4. Consideration of the Performance Audit Report on the Provision of Services to Persons with Disabilities by the National Council for persons with disabilities; and,

5. Consideration of Comprehensive Economic Partnership Agreement between the Republic of Kenya and the United Arab Emirates.

In conclusion, the House Business Committee will reconvene on Tuesday, 17th June 2025 to schedule business for the rest of that week.

I now lay this statement on the Table.

Thank you, Hon. Speaker.

Hon. Speaker: Thank you, Hon. Naomi. We go back to order No.5. Chairperson of the Departmental Committee on Administration and Internal Security, lay your paper.

PAPER

Hon. Gabriel Tongoyo (Narok West, UDA): Hon. Speaker, I beg to lay the following Paper on the Table:

Report of the Departmental Committee on Administration and Internal Security on its approval hearing of the following nominees for appointment as Members of the National Police Service Commission –

1. Ms Peris Muthoni Kimani;
2. Mr Benjamin Juma Imai; and,
3. Prof Collette A. Suda.

Hon Speaker: Thank you. Proceed to give your Notice of Motion.

NOTICE OF MOTION

APPROVAL OF NOMINEES FOR APPOINTMENT AS MEMBERS OF THE NATIONAL POLICE SERVICE COMMISSION

Hon. Gabriel Tongoyo (Narok West, UDA): Hon. Speaker, I beg to give notice of the following Motion:

THAT, taking into consideration the findings of the Departmental Committee on Administration and Internal Security in its report on the Approval Hearing of Nominees for Appointment as Members of the National Police Service Commission, laid on the Table of the House on Thursday, 12th June 2025, and pursuant to the provisions of Article 246(2) and 250(2) of the Constitution and Sections 3 and 8 of the Public Appointments (Parliamentary Approval) Act, Cap 7F, approves the appointment of the following nominees as Members of National Police Service Commission–

1. Ms Peris Muthoni Kimani;
2. Mr Benjamin Juma Imai; and,
3. Prof Collette A. Suda.

Hon. Speaker: Thank you. At Order No.7, Chairman, Departmental Committee on Administration and Internal Security, you have a date with the House.

(Hon. Musa Sirma consulted loudly)

Hon. Musa Sirma, be orderly. Are you ready?

Hon. Gabriel Tongoyo (Narok West, UDA): Thank you, Hon. Speaker. You instructed me to, on behalf of this House, carry out an interrogation on the National Police Service, the Inspector General (IG), and the Independent Policing Oversight Authority (IPOA) with regard to the unfortunate death of Albert Ojwang'. I was to give a preliminary report to the House this afternoon as you instructed, but we finished the interrogation only 10 minutes ago. The

Secretariat has reported that they are not done with the Report that I was supposed to table in this House. I would kindly ask to be given up to Tuesday to be able to present a meaningful Report before this House.

Having said that, the good news is that IPOA confirmed to the Committee that it is ready to arrest three individuals in connection with the murder of Albert Ojwang' as early as now.

Hon. Speaker: Go on.

Hon. Gabriel Tongoyo (Narok West, UDA): I have said it, Hon. Speaker.

Hon. Speaker: Go on, Hon. Tongoyo. Are you done?

Hon. Gabriel Tongoyo (Narok West, UDA): Hon. Speaker, your attention was disrupted. I have said we were done with the interrogation of the Inspector-General of Police and IPOA 10 minutes ago and the Report is not ready. However, I am happy to report that IPOA confirmed to us that it is ready to arrest three individuals in connection with the murder, as early as today. It is actually looking for the Inspector-General to give them the police to do the arrest.

Hon. Speaker: Thank you, indeed. I have also been following the proceedings from my chamber and I know you finished barely 20 minutes ago. Your request is not unreasonable. We will give you up to Tuesday. It will be the first issue on the Floor of the House.

Hon. Deputy Speaker.

Hon. Gladys Boss (Uasin Gishu, UDA): Thank you, Hon. Speaker. I commend the Committee for the professional manner in which it conducted the interrogation of the DCI and the Ministry of Interior and National Administration in relation to the death of Albert Ojwang'. It was not a public-gallery theatre like what happened in the Senate. The Committee was very clear and focused and deliberate on ensuring that whatever questions were asked were aimed at getting justice for the family of Albert Ojwang'. I congratulate the Committee for its professionalism.

Thank you.

Hon. Speaker: Members, you know today is a day for special business. The Chairman of the Committee has said that they just finished the interrogation of the security agencies. He has told you what remedial action is taking place, and he will bring a report on Tuesday, which I will allow you to debate if you wish.

Minority Leader.

Hon. Junet Mohamed (Suna East, ODM): Hon. Speaker, thank you for your guidance. This is a very serious matter and it is good that Parliament is seized of it. We have faith in the Committee to bring us a very detailed report on what happened. This is a young man who has lost his life in a very mysterious way. The family is grieving. But let us not politicise this matter. Let us leave investigative agencies to do their work and report to this House and to the country.

When one of our colleagues abducted himself, the police did a fantastic job. They told us what happened. We expect a detailed report of that nature from the police as soon as possible. As people from the lake region, we are grieving. We have lost a very prominent young boy who had a very bright future. When I see people taking advantage of it politically, I feel very sad. I am very happy that you directed the Committee to look into this matter. We want a report as soon as possible so that we know what happened to our son. Let us not politicise this matter. If you want politics, kill your son and mourn on your own.

(Applause)

Hon. Speaker: Order, Hon. Members. Let us not open debate. I directed the Chairperson of the Committee to expeditiously bring facts to the House, not rumours. I also followed the proceedings. I salute the Members of the Committee. You have been very incisive in putting questions to the police officers. I hope and believe that on Tuesday, Hon. Gabriel Tongoyo will bring a comprehensive report. Anyone of you who will want to comment or who has material to add will have an opportunity. We must move to the next business.

MOTION

CONSIDERATION OF REPORT ON THE CULTURE BILL

THAT, this House do agree with the Report of the Committee of the whole House on its consideration of the Culture Bill (National Assembly Bill No.12 of 2024)

(Moved by Hon. Daniel Wanyama on 11.6.2025 – Afternoon Sitting)

(Resumption of consideration interrupted on 11.6.2025 – Afternoon Sitting)

(Question put and agreed to)

BILL

Third Reading

THE CULTURE BILL
(National Assembly Bill No.12 of 2024)

Hon. Naomi Waqo (Marsabit County, UDA): Hon. Speaker, I beg to move that the Culture Bill (National Assembly Bill No.12 of 2024) be now read a Third Time. I request Hon. Catherine Omanyo, a strong member of the Committee to second.

Hon. Catherine Omanyo (Busia County, ODM): I second fully, because I was involved from A to Z.

Hon. Speaker: Just say, "I beg to second."

Hon. Catherine Omanyo (Busia County, ODM): I second.

(Question proposed)

Hon. Speaker: Do I put the question?

Hon. Members: Yes.

(Question put and agreed to)

(The Bill was read a Third Time and passed)

Hon. Speaker: Next Order.

MOTION

ADOPTION OF REPORT ON THE CONSOLIDATED FUND
SERVICES EXPENDITURES FOR FY 2025/2026.

THAT, this House adopts the Report of the Public Debt and Privatisation Committee on its consideration of the Consolidated Fund Services for the Budget Estimates for the 2025/2026 Financial Year, laid on the Table of the House on Wednesday, 11th June 2025.

(Moved by Hon. Abdi Shurie on 11.6.2025 – Afternoon Sitting)

(Debate concluded on 11.6.2025 – Afternoon Sitting)

(Question put and agreed to)

Hon. Speaker: Next Order.

BILLS

Second Readings

THE LEARNERS WITH DISABILITIES BILL
(Senate Bill No. 4 of 2023)

(Moved by Hon. Julius Melly on 24.4.2025)

(Debate concluded on 11.6.2025 – Afternoon Sitting)

(Question put and agreed to)

(The Bill was read a Second Time and committed to the Committee of the whole House

Hon. Speaker: Next Order.

THE POLITICAL PARTIES (AMENDMENT) (NO.2) BILL
(Senate Bill No.26 of 2024)

(Moved by Hon. Owen Baya on 3.6.2025)

(Debate concluded on 11.6.2025 - Afternoon Sitting)

(Question put and agreed to)

(The Bill was read a Second Time and Committed to Committee of the whole House)

Chairperson of the Departmental Committee on Finance and National Planning, you have a Paper to lay on the Table.

PAPER

Hon. Kuria Kimani (Molo, UDA): Hon. Speaker, I beg to lay the following Paper on the Table:

Report of the Departmental Committee on Finance and National Planning on its consideration of the Finance Bill (National Assembly Bill No.19 of 2025).

Hon. Speaker: Yes, Leader of the Minority Party.

Hon. Junet Mohamed (Suna East, ODM): Hon. Speaker, the Report on the Finance Bill was tabled just a few seconds ago.

Hon. Speaker: Correct.

Hon. Junet Mohamed (Suna East, ODM): Once it is tabled, it becomes a public document. We urge the citizenry and our colleagues to read the Report because there are three or four versions of the Finance Bill in the country. Everybody is talking about his own Finance Bill. Some will tell you that bread is being taxed. Others will tell you that shoes are being taxed. Still others will tell you that oxygen is being taxed. The Report of the real Finance Bill, which contains the recommendations, has just been tabled by the Chairperson of the Departmental Committee on Finance and National Planning. The Committee conducted extensive public participation.

I would like to inform my colleagues and the country at large that the Report of the Finance Bill, 2025 has just been tabled. There is no other Finance Bill. Members of the public should know that they can collect the Report from Parliament and read it. They should not read the fake Finance Bill being propagated by certain people in certain villages.

Hon. Speaker: I could not have said it any better. Hon. Members, I want to emphasise what I have been telling you over and over. You are elected to legislate in this House, not at funeral gatherings. Many of you will go to funerals to oppose non-existent clauses in the Bill but when you come to the House, you are nil by mouth. That is not how to legislate.

Yes, Hon. Robert Mbui.

Hon. Robert Mbui (Kathiani, WDM): Thank you, Hon. Speaker. The Finance Bill is not being tabled today; it has been around. What is being tabled today is the Report of the Committee.

Hon. Speaker: Yes.

Hon. Robert Mbui (Kathiani, WDM): Members of Parliament and the public have been discussing the Finance Bill, so that uncomfortable contents in the Bill would be removed. I wanted to clarify that.

Hon. Speaker, just before the Cabinet Secretary for the National Treasury and Economic Planning comes into the Chamber, there are two major issues whose solutions we are still awaiting. First, is the disbursement of the National Government Constituencies Development Fund (NG-CDF) for this financial year. Second, is a decision by the court on the matter of the Road Maintenance Levy Fund (RMLF). We should get answers so that we can comfortably listen to the Cabinet Secretary. Otherwise, we will sit here feeling bitter listening to the Cabinet Secretary giving us a story.

Hon. Speaker, I do not know. Can we get responses from the Chairpersons of the NG-CDF Committee and the Budget and Appropriations Committee on those two matters?

Thank you, Hon. Speaker.

Hon. Speaker: Hon. Robert Mbui, you have legitimate concerns, but I also want to advise you that 10 minutes before I came to the Chamber, your colleagues from both sides of the House, numbering close to 100 walked to the Speaker's Chamber with exactly the same concerns. I explained to them in very clear terms and details. We reached an understanding that your worries are neither here nor there. We are okay and you will be okay.

(Hon. Johnson Naicca cheered)

Order, Hon. Naicca! Your actions are out of order, yet you are a senior Member of this House.

Hon. Robert, your concerns are legitimate and the process we are taking is equally satisfactory. Hold your horses on that. I am your last line of defence on all these issues and you know that.

Leader of the Majority Party, please look for the Cabinet Secretary for the National Treasury and Economic Planning and direct him into the Chamber for the solemn business this afternoon.

Hon. Rozaah Buyu (Kisumu West, ODM): On a point of order, Hon. Speaker.

Hon. Speaker: Yes, Hon. Rozaah Buyu. What is your point of order?

Hon. Rozaah Buyu (Kisumu West, ODM): Thank you, Hon. Speaker. I like that you called him the Cabinet Secretary, but you forgot to add the phrase "the expert" Cabinet Secretary.

Thank you, Hon. Speaker.

(Laughter)

[The Cabinet Secretary for the National Treasury and Economic Planning (Hon. John Mbadi) was ushered into the Chamber]

COMMUNICATION FROM THE CHAIR

INTERRUPTION OF BUSINESS FOR PRONOUNCEMENT ON THE BUDGET POLICY HIGHLIGHTS AND REVENUE-RAISING MEASURES FOR THE NATIONAL GOVERNMENT FOR FY 2025/2026

Hon. Speaker: Cabinet Secretary, take your seat. Members on your feet, take your seats.

Hon. Members, I have a short Communication.

Section 40 of the Public Finance Management Act Cap 412A and Standing Order 244C...

(Hon. Gonzi Rai's phone rang)

Whose phone is ringing? Who is the Member seated behind Hon. KJ? Hon. Gonzi Rai, you are one of the fathers of this House. Should we forgive you? Okay. Order, Members.

Section 40 of the Public Finance Management Act Cap 412A and Standing Order 244C require the Cabinet Secretary for the National Treasury and Economic Planning to make a public pronouncement on the Budget Policy Highlights and Revenue-Raising Measures for the national Government each financial year. Pursuant to the said provisions, I will shortly interrupt the business of the House to allow the Cabinet Secretary for the National Treasury and Economic Planning to make a public pronouncement on the Budget Highlights and Revenue-Raising Measures for the national Government for the Financial Year 2025/2026 and the Medium-Term. In accordance with the Standing Orders, I have also designated a suitable place in the Chamber for that purpose.

Hon. Members, as we welcome the Cabinet Secretary to the National Assembly, I wish to remind the House that today's event is largely ceremonial. No decision will be required on the speech as the supply period, which commences with the consideration of the Budget Estimates and concludes with the enactment of an Appropriations Act, is still ongoing.

Before we proceed, I take this opportunity to acknowledge and recognise the presence of distinguished guests in both the Speaker's and the Public galleries. They include Cabinet Secretaries, Principal Secretaries, Chairpersons and Chief Executive Officers of various parastatals, senior Government officials, members of the diplomatic corps and development partners.

I also wish to recognise and appreciate the presence of university student leaders and their colleagues from universities across the country, members of the Bunge la Wananchi, representatives of various youth and women's groups, a group of traders representing a cross-section of our small-scale business community, including bodaboda riders who are with us today.

On behalf of the National Assembly and on my own behalf, I welcome all of you to the National Assembly. Before I invite the Cabinet Secretary to make the pronouncement of the Budget highlights, I wish to remind the House that in accordance with the provisions of Standing Order 244C(3), the Cabinet Secretary shall be heard in total silence without question or clarification being sought by anyone of you.

(Applause)

Hon. Members: We will cheer.

Hon. Speaker: Hon. Members, you will only cheer by thumping your feet, but not by verbal expressions.

Hon. Members, I now interrupt the business of the House to allow the Cabinet Secretary to make a public Pronouncement of the Budget Policy Highlights and Revenue-Raising Measures for the National Government for the Financial Year 2025/2026. The Cabinet Secretary for the National Treasury and Economic Planning, Hon. FCPA John Mbadi Ng'ongo, EGH, is now invited to proceed.

I thank you, Hon. Members.

(Applause)

PRONOUNCEMENT OF THE BUDGET HIGHLIGHTS

BUDGET POLICY HIGHLIGHTS AND REVENUE-RAISING MEASURES FOR THE NATIONAL GOVERNMENT FOR FY 2025/2026

The Cabinet Secretary for the National Treasury and Economic Planning (Hon. John Mbadi): Thank you, Hon. Speaker and Hon. Members of the National Assembly, for granting me this opportunity to read the Budget Highlights and Revenue-Raising Measures for the Financial Year 2025/2026.

It is with great honour and privilege that I present to this esteemed House and the people of Kenya the Budget Statement for the Financial Year 2025/2026. I make this Statement in compliance with Section 40 of the Public Finance Management Act, Cap. 412A and Standing Order 244C of the National Assembly. These legal provisions give life to the binding constitutional requirements of good governance to which the President and certainly the National Treasury and Economic Planning remain fully committed to.

At the outset, allow me to express my sincere gratitude to His Excellency Hon. (Dr) William Samoei Ruto, the President of the Republic of Kenya and Commander in Chief of the Defence Forces, for the trust he bestowed upon me by appointing me the Cabinet Secretary for the National Treasury and Economic Planning to provide leadership in economic and financial affairs of our country. I remain mindful of the aspirations and high expectations of Kenyans as I serve in this office.

(Applause)

The Constitution protects realisation of economic, social and cultural rights which include the rights to adequate food, housing, education, health, social security, take part in cultural life, water and sanitation, and work. This Budget speaks to these rights and reaffirms the priority policies and strategies aimed at stimulating economic recovery articulated in the Bottom-Up Economic Transformation Agenda (BETA), while highlighting the achievements over the past two-and-a-half years in enhancing the livelihoods of Kenyans. At its core, BETA has adopted a value chain approach, focusing on strategic investment in areas that generate the highest impact, particularly in job creation and income generation at the grassroots level. Significant successes have been achieved through targeted interventions and structural reforms. These measures have laid a solid foundation for economic recovery and set us on a path towards long-term growth and stability. Let me mention a few achievements under BETA.

Firstly, the Kenyan economy has remained resilient and registered an average growth of 5.2 per cent for the period between 2023 and 2024, outpacing both global growth of 3.3 per cent and 3.8 per cent for the sub-Saharan Africa region over the same period. Other macroeconomic fundamentals such as inflation and exchange rate have strongly rebounded and are projected to remain stable.

(Applause)

Secondly, the government has rolled out fertiliser and seeds subsidies to farmers across the country. This has boosted production in key food value chains and revived underperforming or collapsed export crops such as pyrethrum. Since February 2024, a total of 6.5 million registered farmers have benefited from the Fertiliser Subsidy Programme. As a result of these initiatives, the cost of fertiliser has declined by 67 per cent, from Ksh7,500 in 2022 to Ksh2,500 in 2025. Maize production has increased by 38.9 per cent, from 61.7 million bags in 2022 to 85.7 million bags in 2024. This is a clear demonstration of the positive impact of our agricultural reforms towards food security and improved household incomes.

Thirdly, to support livelihoods and small businesses, the Government has disbursed loans amounting to over Ksh75 billion by the end of May 2025 through the Financial Inclusion Fund, popularly known as the Hustler Fund. This initiative has provided access to affordable credit to over 26 million customers, with a strong base of 9 million repeat borrowers and a repayment rate of 79 per cent. A total of 4.5 million borrowers are eligible to be graduated to the mainstream financing institutions. To build a culture of savings for the future, the Fund has also successfully mobilised Ksh4.5 billion in savings from its beneficiaries.

Fourthly, to enhance the attainment of Universal Health Coverage (UHC), the Government has expanded Social Health Insurance. As of May 2025, more than 22 million Kenyans were registered with the Social Health Authority (SHA), representing a remarkable 175 per cent increase in membership compared to the 8 million previously enrolled under the defunct National Hospital Insurance Fund (NHIF). This marks a major milestone in our health sector reforms and brings us closer to our goal of equitable, affordable and accessible healthcare for all.

(Applause)

Fifthly, in fulfilment of the commitment to deepen home ownership and close the housing gap, the Government has facilitated the construction of affordable housing units across the country. Since September 2022, 2,379 affordable housing units have been completed across four counties with another 11,000 units in the last stages of completion. The units have been advertised for sale to the public through the Boma Yangu platform. In addition, there are

148,465 units under active construction across the remaining 43 counties. As part of the programme, the Government is also supporting the development of institutional housing for the uniformed services and students. These efforts have created over 250,000 direct and indirect jobs for Kenyans. In addition, over Ksh11 billion has been ring-fenced for *Jua Kali* and Micro, Small and Medium Enterprises (MSMEs) to support local fabrication of steel doors, windows and other construction materials.

Sixthly, to drive digital transformation and inclusion, the Government has expanded the last mile fibre-optic connectivity to 13,590 kilometres in 2025 up from 8,900 kilometres in 2022, which is an increase of 53 per cent. The government has also established 285 digital hubs across the country, and increased the number of digitised Government services from 350 in 2022 to 20,985 in 2025 through integration with the e-Citizen and mobile platforms, ensuring seamless access for all Kenyans.

Seventh, to promote access to reliable and competitive energy, the Government has expanded energy generation by installing an additional 167 megawatts of electricity from 3,076 megawatts in 2022 to 3,243 megawatts in 2025. This has enabled the connection of 932,839 more customers to electricity. The system peak has increased from 2,149 megawatts of electricity in July 2022 to 2,316 megawatts of electricity in February 2025. The total number of customers connected to electricity has increased to 10 million in 2025 from 8.9 million in 2022.

Eighth, to boost education and training outcomes in the country as a tool for creating equality in society, the Government has invested significant resources and implemented radical changes in the education sector, including:

1. Resolving the uncertainty surrounding the Competency-Based Curriculum (CBC).
2. Launching of the Kenya Education Management Information System to consolidate all existing student registers from early childhood development to institutions of higher learning into a single centralised database.
3. Rolling out a new student-focused higher education model with special emphasis on students from vulnerable families.
4. Recruitment of 76,000 teachers, including for Junior Secondary School, to improve the teacher-student ratio.

Ninth, to enhance domestic and regional connectivity, boost rural productivity, improve urban informal settlements and reduce urban congestion, the Government has constructed an additional 1,574 kilometres of roads and 129 bridges from 2022 to April 30, 2025. Further, the Government has rehabilitated an additional 212 kilometres of roads and periodically maintained 126,177 kilometres of roads.

Tenth, the Government has also made significant progress in expanding social protection through the Inua Jamii cash transfer programme. From 2022 to 2025, the number of households with orphans and vulnerable children receiving support has increased by 65 per cent to 428,421. Additionally, persons living with disabilities registered for support grew by 34 per cent to 59,637. The number of senior citizens aged 70 years and above registered for social protection also rose by 66 per cent to over 1.2 million. These efforts have provided stable incomes to the beneficiaries and reduced their dependency on relatives, enhancing their dignity and quality of life.

Hon. Speaker, notwithstanding these achievements, we are aware that a lot remains to be done to address the pressing challenges facing Kenyans. In this year's budget-making process, we accorded Kenyans an opportunity to share their views on how to address the economic challenges facing our country. In my various engagements at open *barazas* and in the media, Kenyans have been very resolute in voicing their concerns that include over-taxation and high cost of living, unemployment, need for protection of the poor and vulnerable, and more importantly, the need to reduce Government expenditure and wastage of resources across the national and county governments.

I am aware of these domestic challenges facing Kenyans and the external factors, such as geopolitical tensions and shifting global trade dynamics, which lead to the escalation of the cost of essential commodities in the country, requiring comprehensive responses by the Government. The social unrest precipitated by the Finance Bill of 2024 brought to the fore the importance of values and principles of governance as enshrined in our Constitution. In response and to win public trust, we have strengthened public participation in all policy formulation, including budget budget-making process. I have actively engaged Kenyans in various social forums in an effort to promote inclusive dialogue on the challenges facing our economy.

(Applause)

As a result of these consultations, we are focused on the following broad areas:

First, easing the tax burden on Kenyans by increasing the pool of taxpayers and enhancing tax compliance. In this respect, the ongoing work on the digitisation and automation of the Kenya Revenue Authority is in line with Kenya's Medium-Term Revenue Strategy. Thus, all who are able shall henceforth contribute to financing the operations of Government and the development of our country.

Second, to enhance liquidity in the economy and support small businesses, we have started the process of settling pending bills that have been validated, particularly those related to road construction, which has resulted in the resumption of road construction projects across the country. The Pending Bills Verification Committee will share their final report by the end of June 2025. This report will be analysed and recommendations tabled in the Cabinet for approval, after which we shall embark on the process of clearing the eligible bills, starting with those related to individuals, businesses and the Micro, Small and Medium Enterprises, the majority of whom have borne the brunt of non-payment.

Third, promotion of good governance on public finance matters. Kenyans have expressed concerns about the public debt. Indeed, there is a perception of a lack of transparency in the management of public debt. In this regard, I request that the Auditor-General conduct a comprehensive audit of public debt. This audit is currently ongoing, and once completed, the report will be shared with this House.

Fourth, there has been public perception and concerns in the past that our budgets tend to be unrealistic. To address these concerns, we took a two-pronged approach. First, we adopted zero-based budgeting, where every budget item has to be justified at the beginning of every financial year. This process was used in the preparation of the financial year 2025/2026 budget, which is the first time it is used, and which budget I submitted to this House on the 30th of April 2025. In response to concerns about unrealistic revenue projections, we have reduced revenue projections to be in line with the trends. Therefore, revenue projections in the Financial Year 2025/2026 Budget and over the medium-term are consistent with the growth of the economy.

Fifth, in order to improve governance in the public procurement process, I launched the e-procurement system on 7th April 2025. Beginning 1st July 2025, all procurement by ministries, departments and agencies will be done through the e-procurement system without any exception. This will reduce the opaqueness and save Government resources estimated at 10 per cent of procurable budgets.

Sixth, we have taken deliberate efforts to enhance transparency and promote inclusive policy-making and deepen public understanding of the Government’s economic priorities. We have not only intensified media engagement through the TV stations and radios, but also engaged the public in open places like Jeevanjee Garden, Bunge la Mwananchi and Mombasa County, where we held a meeting at Swahili Port Amphitheatre. Similar engagements have also taken place in other locations in Nairobi, Mombasa, Eldoret and Nyeri, thereby providing valuable insights and lessons which have been taken into consideration while preparing this budget.

Seventh, to create additional jobs for the youths, the Government has begun rolling out Climate WorX, a nationwide programme that will engage over 110,000 youths across all 47 counties. The programme started last year in Nairobi's informal settlements has been a great success. Now it is being expanded to the rest of the country. Climate WorX is designed as a social support programme that gives young people paid work to improve their communities. The youths will help build roads, plant trees, and clean up the environment in their neighbourhoods.

Hon. Speaker, through the programme, the Government is not only providing a pay cheque to help young people meet their immediate needs, but also offering financial support to help them develop themselves and their families. Indeed, the programme enables them to save money and prepare for their next steps, including starting businesses, continuing their education or finding long-term jobs. I encourage all the youths to register ahead of the registration deadline.

Today, having heard Kenyans loud and clear, we have accommodated their diverse concerns in the Financial Year 2025/2026 Budget. In this regard, this budget provides highlights of the measures the Government has taken to stimulate economic recovery, strengthen macroeconomic stability and enhance resilience of our economy.

Hon. Speaker, achieving these strategic objectives will require that we pull in the same direction. It is in this context, that H.E. the President has urged us to put our differences aside, build bridges and focus on implementation of strategic interventions for a better Kenya. In this respect, the theme for this year’s Budget is “Stimulating Sustainable Economic Recovery for Improved Livelihoods, Job Creation and Business and Industrial Prosperity in line with the Bottom-Up Economic Transformation Agenda”. As we move forward in the implementation of the Government’s Agenda, we are also conscious of the fiscal constraints that demand our collective attention and thoughtful action:

1. One, rising demands for increased public spending which could lead to either higher debt or the need to raise taxes, both of which require careful consideration and balanced decision making given current public concerns.
2. Two, face constraints on account of public debt accumulation. Progressively, our debt carrying capacity has narrowed. This calls for prudence and discipline on how we manage and take on new debt.
3. Finally, we face the challenges of mobilising higher tax revenues as we must balance the need for increased revenues with the need to keep the cost of doing business low to stimulate economic growth.

Hon. Speaker and Hon Members, these constraints are interlinked, and addressing them effectively requires strategic planning, fiscal discipline and a commitment to long-term sustainability. In this regard, this Budget will continue to implement a fiscal consolidation plan designed towards slowing down the growth of public debt while protecting service delivery to citizens. Given the limited resources, we have made tough choices by curtailing funding to lower-priority areas. This has allowed us to re-direct our scarce resources towards the Bottom-Up Economic Transformation Agenda (BETA) core pillars and enablers, accelerating outcomes for citizens, while maintaining pro-poor spending in health, education and vulnerable groups.

Hon. Speaker, the rest of my Statement will present the economic context around which this budget is prepared, policy priorities and structural reforms under BETA, the proposed resource allocations as well as revenue raising measures that the Government will implement in the FY 2025/26 Budget.

Let me start with the Economic policy context. I will first speak to the global context. The FY 2025/26 Budget has been prepared in the context of heightened uncertainty due to recent tariff wars and the intensification of geopolitical tensions which continue to pose significant risks to global economies. In this respect, global economic growth is expected to slow down from 3.3 per cent in 2024 to 2.8 per cent in 2025 and finally to 3.0 per cent in 2026.

Regarding the Domestic Economy, Hon. Speaker and Hon Members, on the domestic front, the economy has remained resilient, recording an average growth rate of 5.2 per cent for the years 2023 and 2024. This performance is higher than the global average of 3.3 per cent and the 3.8 per cent average for the Sub-Saharan Africa region over the same period. This strong growth reflects the impact of sound and deliberate policies as well as the resilience of our well diversified economy. These factors have enabled us to withstand significant domestic and external shocks while maintaining a steady path of progress.

In 2024, the economy grew by 4.7 per cent supported by positive growths in all sectors except construction and mining. This growth was lower compared to 5.7 per cent in 2023 mainly due to adverse effects of floods in the second quarter and the anti-Finance Bill protests in the third Quarter of 2024 that disrupted economic activities. In fact, our economy closed down for about three months.

Hon. Speaker, the Government's policy interventions have strengthened the macroeconomic indicators as reflected in the following achievements:

1. First, inflation rate has declined to 3.8 per cent in May 2025 from a peak of 9.6 per cent in October 2022. The prices of essential food items including sugar, milk, maize flour, wheat flour, bread and rice, among others, have eased. For example, the price of 2 kilograms of sifted maize flour has declined to Ksh156.9 in May 2025 from Ksh177.7 in October 2022. Similarly, cost of energy and power has come down over the same period.
2. Second, in response to the decline in inflation, the Central Bank of Kenya has gradually eased monetary policy, lowering the Central Bank Rate from 13 per cent in August 2024 to 9.75 per cent in June 2025. With the easing of monetary policy stance, interest rates have been declining. For example, the 91-day Treasury Bills rates have declined from an average of 15.9 per cent in May 2024 to 8.3 per cent by May 2025. In addition, the average commercial bank lending rates that peaked at 17.2 per cent in November 2024 have since declined to 15.7 per cent in April 2025 and are expected to decline further. This decline has not only reduced the cost on government debt but is also expected to stimulate lending by banks to the private sector and support economic activity.
3. Thirdky, foreign exchange market has remained stable supported by a narrowing in the current account deficit and improved investor sentiment and confidence in the economy. The current account deficit narrowed to an all-time low at 1.3 per cent of GDP in 2024 from 2.5 per cent of GDP in 2023 supported by exports of goods, resilient tourism and remittance inflows and a contraction in food imports. As a result, foreign exchange reserves have increased to their highest levels and stood at US Dollar 10.5 billion, which is equivalent to 4.7 months of import cover, by 30th May 2025 and continue to provide adequate cover and a buffer against any short-term shocks in the foreign exchange market. The exchange rate against the US Dollar has appreciated from Ksh159.7 to the Dollar in January 2024, to stabilise at Ksh129.3 by 30th May 2025.

Hon. Speaker, the economy is expected to sustain growth momentum in 2025 and 2026 with growth projected at 5.3 per cent per year. This growth outlook is premised on a stable macroeconomic environment over the medium-term. To foster macroeconomic stability, the

Government will continue to uphold prudent monetary and fiscal policies, ensuring that our actions remain aligned with the evolving needs of the economy and of the Kenyan people.

As part of the process, the Government will work to ensure that inflation remains within the targeted range, maintain a competitive exchange rate to the dollar, and deliver stable interest rates. Fiscal policy stance over the medium term will continue to support the Government's priority programmes under BETA through a growth-oriented fiscal consolidation plan. As such, the fiscal deficit is projected to decline from 5.3 per cent of GDP in the FY 2023/24 to 2.7 per cent of GDP in the FY 2028/29.

Hon. Speaker, Kenya’s economic outlook faces both external and domestic risks. Globally, trade tensions, financial market volatility, and geopolitical conflicts could reduce Kenya's exports, tourism, and remittances as well as raise costs of essential commodities.

In the domestic scene, extreme weather may impact agriculture, infrastructure and food security. The government is monitoring these risks closely. It will take necessary actions and measures to safeguard macroeconomic stability.

Hon. Speaker and Hon. Members, let me now expound the policy, priorities and structural reforms the government is implementing to sustain economic growth and improve livelihoods of Kenyans. The priorities fall under the Bottom-Up Economic Transformation Agenda (BETA).

As my statement affirmed earlier, the government's initiatives under BETA over the last two and a half years have resulted in significant successes. Notwithstanding a challenging domestic and external landscape.

Over the medium term, the government will consolidate the gains already realised to stimulate sustainable economic recovery for improved livelihoods. To this end, the government will continue to implement policies, programmes, projects, and interventions geared towards bringing down the cost of living further, ensuring food security, creating jobs, expanding the tax base, improving foreign exchange balances, and fostering inclusive growth.

Priority will be given to attract strategic investment across BETA’s five core pillars and their enablers using a value-chain approach to enhance production, add value, and improve market access. The whole-of-government approach to service delivery will supported it. The government will also implement the following interventions to support and accelerate economic recovery.

First, continue to uphold macroeconomic stability and strengthen security to ensure a safe and supportive business environment.

Second, accelerate development of key infrastructure including roads, railway, energy, and water systems to lower the cost of doing business and ease movement of people and goods.

Third, boost investment in key economic sectors to drive a broad-based sustainable growth. This includes advancing agricultural transformation, strengthening manufacturing, promoting environmental conservation and climate change mitigation, revitalising tourism, and ensuring sustainable land use and management.

Fourth, strengthen human capital development by increasing investment in health, education, and targeted social safety nets for vulnerable populations to achieve both social and economic outcomes.

Fifth, promote empowerment of youth, women, and persons living with disabilities through government-funded programmes complemented by strategic partnerships with private sector organisations.

Sixth, facilitate fiscal decentralisation by allocating shareable revenues to county governments to bolster institutional capacity and improve service delivery.

Finally, undertake policy, legal, and institutional reforms to improve efficiency and effectiveness in public service delivery.

I now want to turn to a presentation on building resilience against climate change.

Climate change is now a global crisis. Kenya remains vulnerable to the impact of climate change that poses both economic and fiscal risks. In response, the government is taking proactive steps to align with the global transition towards a low-carbon climate-resilient future.

To address the challenges and opportunities in climate finance and investment, the government has developed several frameworks. These include: Climate Finance Mobilisation Strategy, National Policy Framework on Green Fiscal Incentives, Carbon Market Framework and the National Green Taxonomy.

To diversify our financing sources, address Budget deficits, and fund social and environmental sustainability projects, the government is developing a Sustainability-Linked Bond Framework that will allow issuance of a bond. We re-affirm our dedication to protecting our environment, safeguarding livelihoods, and building a climate-resilient Kenya for current and future generations.

As a country, we continue to experience challenges of disaster occurrences mainly due to weather variability and climate change. These pose significant fiscal disruptions while affecting lives and livelihoods of millions of Kenyans.

To have a financing framework to manage disaster risks, the government is finalising development of the Public Finance Management (Disaster Risk Management Fund) Regulations of 2025. The Regulations seek to establish a dedicated Fund to address four cycles of disaster risk management: preparedness, mitigation, response and recovery.

Allow me now to turn to policy, legal, and institutional reforms.

Recognising that sustainable economic recovery depends on timely implementation of effective policy, legal and institutional reforms the government is implementing the following interventions to enhance a business environment, improve public service delivery, and bolster accountability in managing public finances.

One is public procurement reforms. To streamline public procurement, we developed the Public Procurement and Asset Disposal (Amendment) Bill of 2024. It is currently in Parliament for enactment. The Bill seeks to enhance transparency and accountability, and strengthen the regulator's role to enforce standards, compliance and sanctions to non-compliant procuring entities. The Bill promotes use of local content and align it with international best practices. I urge Hon. Members to fast- track its enactment.

To automate public procurement and asset disposal fully, I launched the end-to-end e-Government Procurement (e-GP) System in April 2025. The system is a complete departure from manual processes. It will increase bidder participation, enhance efficiency in processing procurement requests, and increase authenticity of procurement documents through integration with government systems.

The rollout of the e-Government Procurement (e-GP) System is scheduled for July 2025. To ensure its effective use, the National Treasury rolled out the training of end users from procuring entities in both the national and county governments on the e-Government Procurement (e-GP) System Phase 1 modules that cover from procurement planning to contract management.

We have trained suppliers. To date, 400 end users of the e-Government Procurement (e-GP) System including public finance management staff and suppliers from both the national and county governments have been trained in readiness for the full rollout in July 2025.

Next, I want to speak on restraining the growth of the public sector wage bill that has been of serious concern.

The government continues to implement measures aimed at reducing the ratio of government’s wage bill as a share of tax revenue with a view to free much needed resources for priority social and development spending. The government will implement the following initiatives to control the wage bill.

First, the government will fully implement the Unified Human Resource Management System across all public entities by July 2025. This initiative is part of broader efforts to enhance public sector efficiency, improve management of the wage bill, and ensure effective utilisation of public funds.

Second, the Salaries and Remuneration Commission (SRC) sustainably continues to reduce the number of allowances in public service through a phased approach aimed at streamlining allowances to improve transparency, accountability, equity, and fairness thereby, ensuring the total compensation bill is affordable and fiscally sustainable.

To this end, the SRC will progressively, review allowances and benefits in future collective bargaining agreements to align allowances to policy guidelines for public service.

Allow me turn to reforms of state corporations.

State Corporations are a major source of fiscal risks to public finances due to management and operational inefficiencies. An assessment by The National Treasury to determine viability of State Corporations identified critical gaps and vulnerabilities. To address the vulnerabilities, in January 2025, the Cabinet approved reforms to streamline State Corporations and enhance their governance and accountability. The reforms target to address operational and financial inefficiencies, enhance service delivery, and reduce State Corporations' overreliance on exchequer support. The approved reforms include the following:

First, merger of 42 State Corporations into 20 entities to improve operational efficiency and eliminate redundancy as some have duplicating and or overlapping mandates.

Second, dissolution of 25 State Corporations and their functions transferred back to their parent ministries or other State Corporations.

Third, restructuring six State Corporations to align their mandates for improved performance.

Fourth, declassification of four public funds currently categorised as State Corporations and transferring their functions back to the relevant ministries.

Fifth, declassification of 13 professional bodies currently categorised as State Corporations to private entities with no exchequer budget.

In order to enhance the operational efficiency, improve governance and ownership of State Corporations, the Government developed the Government-Owned Enterprises Bill, 2024. The Bill is part of broader efforts by the Government to streamline public enterprises, reduce fiscal risks, and enhance service delivery to citizens. The Bill is currently, before this august House for consideration. I urge Honourable Members to favourably consider the Bill to enable its enactment.

In order to secure the uptake of cotton production while also providing alternative lint supplies for local apparel manufacturers, the Cabinet approved the revival and commercialisation of Rivatex East Africa Limited by onboarding non-equity strategic partners.

On sugar sector reforms, H.E. the President re-affirmed his commitment, during this year's Madaraka Day celebrations, to ensure the prompt payment of sugarcane farmers. The Government has also taken practical steps to deliver its promise to modernise the mills and transform these once-struggling factories into productive, sustainable enterprises.

Currently, four state-owned sugar factories: Chemelil Sugar Company, Muhoroni Sugar Company, Nzoia Sugar Company and South Nyanza Sugar Company (SONY) have been placed under competitive leasing arrangements. This initiative is expected to enhance efficiency, restore profitability and protect the livelihoods of farmers.

Let me now turn to pending bills. The Government remains committed to resolving the long-standing issue of pending bills, as part of the broader efforts to strengthen public financial management and restore confidence in Government processes. In this respect, the Pending Bills Verification Committee that was appointed in September 2023 is currently, finalising its report for submission by end of this month.

Since its inauguration, the Committee received a total of 65,627 pending bills claims valued at Ksh571.6 billion. The Committee has analysed 57 percent of the bills received, valued at Ksh522.9 billion. Out of this, a total of Ksh229 billion has been recommended for settlement. Once the Committee submits its report, we shall submit the recommendations to Cabinet for approval to settle the pending bills.

On the National Assets and Inventory Management Reforms, in order to promote prudent management of public assets and liabilities, The National Treasury digitised assets in the Assets and Inventory Management modules in the IFMIS for use by both National and County Governments.

Already, 52 State Departments have gone live on the IFMIS Asset module and are at various stages of uploading their registers for six asset categories namely: Land, Buildings, Motor Vehicles, ICT Equipment, Office Equipment, and Furniture and Fittings. In addition, a roadmap is in place to rollout the module to the County Governments. This reform will enable Accounting Officers have visibility of all assets and inventory under their control and facilitate optimal assets utilisation.

To enhance the management and utilisation of public assets, the Government is developing a policy on public sector asset valuation. The policy will support accurate financial reporting, strengthen fiscal discipline and inform evidence based public investment decision.

In addition, the Government will develop a framework to facilitate identification of Public Sector assets. This will ensure accuracy and completeness of assets registers which are critical for transition to accrual basis of accounting.

On financial Sector Reforms, the banking sector has remained stable and resilient with a strong asset base; which grew by 1.5 per cent from Ksh7.6 trillion in April 2024 to Ksh7.7 trillion in April 2025. To anchor the banking sector to continue playing its role in Kenya's social economic transformation, various reforms have been implemented which include:

1. The Central Bank of Kenya lifted the moratorium on licensing of new commercial banks in Kenya in April 2025. This is expected to attract Foreign Direct Investment in the sector resulting in competition and consequently reduced lending rates.
2. To promote the greening of the banking sector, Central Bank of Kenya in April 2025, issued the Kenya Green Finance Taxonomy and the Climate Risk Disclosure Framework for implementation by the sector.

The Kenya Green Finance Taxonomy is a tool to classify whether particular economic activities are 'green' or environmentally, sustainable and promote the transition to a low-carbon economy.

The Climate Risk Disclosure Framework is aimed at enabling banks to integrate climate-related risks into their governance, strategy, risk management and disclosure frameworks. It is also intended to enable banks to leverage on business opportunities from efforts to mitigate and adapt to climate change; and

3. Issuance of Guidelines on Global Liquidity Standards and Leverage Ratio.

The Central Bank of Kenya, in April 2025, issued Guidelines on Liquidity Coverage Ratio, Net Stable Funding Ratio, and Leverage Ratio for the banking sector. These guidelines will enhance the banking sector's liquidity and capital frameworks to promote greater financial stability and resilience thereby, ensuring that banks have the ability to withstand unexpected shocks, maintain stable funding, and manage their risk profiles effectively.

Hon. Speaker, the Central Bank of Kenya in collaboration with The National Treasury and other stakeholders, are developing The National Financial Inclusion Strategy for the period 2025 to 2028. The Strategy provides a coordinated framework for advancing financial inclusion agenda to meet the needs of all Kenyans through deepening access and usage of financial services, enhancing quality of affordable financial products that meet consumer needs.

Hon. Speaker, to strengthen digital finance in Kenya, the Government will continue to implement the National Payment Strategy for the period 2022 to 2025 and fast-track finalisation of a National Policy on Digital Finance. In order to reform and modernise the national payment system, Central Bank of Kenya is doing the following:

One, undertaking a comprehensive review of the National Payment System's legal and regulatory framework.

Two, implementing a fast payment system that seeks to address persistent challenges in interoperability, affordability, and the high cost of digital transactions; and

Three, effective 1st July 2025, the Kenya Electronic Payment and Settlement System will transition to a 24/7 settlement capability. This will support round-the-clock trade, enable faster clearing of government payments, facilitate real-time business-to business transactions, and provide greater flexibility for consumers and financial institutions.

Following the grey listing of the Republic of Kenya by the Financial Action Task Force in February, 2024, the Government has continuously, addressed the technical deficiencies identified in Kenya's Mutual Evaluation Report, which was published by the Eastern and Southern Africa Anti-Money Laundering Group in September 2024.

As you are aware, one of the technical deficiencies identified in the Kenya's Mutual Evaluation Report was lack of a Policy and Regulatory Framework to the Virtual Assets and Virtual Assets Service Providers. In order to regulate this sector, the Government has developed the Virtual Assets Service Providers Bill, 2025 which is currently before Parliament. I urge Hon. Members to fast-track its enactment.

On capital Markets Developments, to further deepen the capital markets, the Government continues to review the legal and regulatory framework to address emerging issues in the sector. In particular, the Government overhauled the Public Officer Regulations and Collective Investment Schemes Regulations to spur uptake of products while ensuring that investors are protected. The Government has also approved new regulatory frameworks to support credit ratings and alternative investment funds, which have attracted a lot of interest from investors.

Further, the Government is in the process of reviewing the regulatory framework for licensing, margin trading, and conduct of business for market intermediaries and mergers, acquisitions and takeovers. Once in place, these regulations will re-invigorate capital markets activity and make our capital markets more facilitative and efficient.

To diversify the Government's sources of financing, a Sukuk bond has been issued, while other Sharia-compliant products are in the pipeline. The first Sukuk bond raised Ksh3.2 billion, which has been effectively, deployed in the Affordable Housing Programme and Pension Reforms.

In the Tax Laws (Amendment) Act 2024, we introduced a number of incentives aimed at increasing disposable income for our senior citizens once they retire. I thank this honourable House for passing the Tax Laws (Amendment) Bill in December. We, among others, increased the tax-deductible amount, removed tax on all retirement benefits and introduced tax exemption on pension savings towards post-retirement medical schemes. Despite the reforms introduced in this sector, benefit adequacy remains a persistent challenge. Many retirees still find their pensions insufficient to meet their basic needs.

The retirement benefits system predominantly covers the working population in the public and private sectors, to the exclusion of the unemployed population, who are the majority in the informal sector. To address this, The National Treasury, in collaboration with key stakeholders, is implementing the National Retirement Benefits Policy. This Policy outlines a clear, forward-looking strategy to address long-standing structural challenges, such as fragmented legal frameworks, exclusion of informal sector workers, limited medical cover for the elderly, weak portability mechanisms and inadequate dispute resolution structures. The

Government remains committed to fulfilling its obligations to retired public servants while ensuring that our pension system is modern, inclusive, efficient and sustainable.

In this respect, the Government is undertaking reforms aimed at delivering faster, more transparent and citizen-friendly pension services. Key among these reforms is the re-engineering of the Pension Management Information System, which, together with the launch of a pension self-registration platform, will significantly, improve data accuracy, enhance biometric verification and reduce pension processing time from several months to less than 30 days. These reforms will also ensure real-time claims, tracking and integration with the National Identification and Payroll System, reducing errors and potential leakages. The re-engineered Pension Management System is planned for roll-out on 1st July 2025. It will transform pension administration by:

1. Enabling Ministries, Departments and Agencies (MDAs) to submit pension claims online, at source, through integration with the Government's human resource systems.
2. Allowing pensioners and beneficiaries to access services remotely and track the status of their claims in real-time.
3. Providing automated updates to clients on the progress of their claims through system-generated notifications.

On insurance reforms, to facilitate the growth of the insurance industry in Kenya, the Government will speed up the approval of the National Insurance Policy and its implementation. The policy will guide the review of the Insurance Act, which has served its purpose, albeit with progressive amendments for the last 30 years. The Insurance Regulatory Authority (IRA) is undertaking focused training on livestock and crop insurance, targeting farmers and pastoralist communities. These efforts are aimed at improving understanding and access to agricultural insurance as a tool for mitigating climate-related risks and protecting the livelihoods of farmers and pastoralist communities. Also, the Authority is conducting a comprehensive money laundering and terrorist financing risk assessment on the vulnerability of the insurance industry. This will aid in the identification of areas of improvement so as to strengthen the supervisory framework.

On reforms under the education sector, The National Treasury is committed to upholding the right to education, including free and compulsory basic education as guaranteed under Article 53(b) of the Constitution of Kenya.

While we are cognisant that examinations must be conducted as scheduled later this year, there is a need to undertake a critical evaluation of the costing of examinations and assess the sustainability of the programme in view of the prevailing fiscal constraints, and explore optimal options for delivering national examinations in order to ensure economy and value for money in public spending.

A key consideration is the merits of public funding of examination fees for all primary and secondary school candidates, including those from well-off households, as opposed to targeting the vulnerable students in our schools.

We should also explore options for making the exercise of delivering national examinations simple and affordable, without compromising the credibility of the exercise. To this end, The National Treasury is in consultation with the Ministry of Education on how best to achieve this at a minimal cost, including evaluating possible cost-sharing mechanisms.

The Government remains committed to ensuring access to quality education for all children. In this regard, I assure the public and the 2025 examination candidates of our commitment to provide adequate funding for the 2025 national examinations.

On the fiscal policy framework, the implementation of the 2024/2025 Budget has faced notable challenges, primarily following the withdrawal of the Finance Bill 2024. Its withdrawal, alongside the associated public demonstrations, adversely affected economic activity and disrupted business operations across the country, compounding the fiscal pressures facing the Government already.

In response, the Government undertook a revision of the fiscal framework through Supplementary Estimates I in August 2024. This revision reflected a lower revenue base following the preliminary outcomes of the Financial Year 2023/2024, while also addressing immediate cash flow constraints. These adjustments were critical to ensuring the continuity of public service delivery.

In addition to the mid-year economic disruptions, the Budget execution has been further constrained by shortfalls in revenue and emerging expenditure pressures. Notably, the implementation of the Collective Bargaining Agreements (CBAs) and funding requirements under the new university education financing model has placed significant demands on the available fiscal space. These challenges have led to cash flow pressures and a build-up of pending obligations, necessitating careful fiscal management and reprioritisation.

To address these evolving dynamics, the Government prepared Supplementary Budget Estimates to accommodate revenue shortfalls experienced during the fiscal year and accommodated expenditure pressures.

On domestic revenue mobilisation, in order to support our economic agenda and sustain key Government programmes, the Government continues to implement a balanced mix of tax policy and administrative measures aimed at significantly boosting revenue collection. As part of the process, the Government is focused on broadening the tax base while reducing the burden of compliance. In this regard, we have prioritised sectors such as the digital economy, agribusiness, and Small and Medium Enterprises (SMEs) in tax education and outreach programmes.

In addition, the Kenya Revenue Authority (KRA) continues to embrace modern technology to streamline tax processes, facilitate trade and enhance voluntary compliance. A key milestone in this journey is the launch of GAVA Connect, an open application programming interface platform that enables Kenyan developers to build homegrown solutions for efficient access to tax services. This programme enhances service delivery, improves transparency, and strengthens our ability to detect tax evasion.

Kenya Revenue Authority has also introduced several digital tools to simplify compliance and boost operational efficiency. These include:

1. The auto-populated Value Added Tax (VAT) returns for seamless, accurate tax filing.
2. Simplified Pay as You Earn (PAYE) returns accessible via mobile, web, and application programme interface.
3. Electronic Rental Income Tax System that has enabled transparent rental income declarations.
4. Forecourt electronic Tax Invoice Management System integration in the petroleum sector, connecting fuel dispensers to point-of-sale terminals. This enables real-time transmission of sales data to Electronic Tax Invoice Management System simplifying compliance and ensuring greater transparency in fuel transactions.

Hon. Speaker, these solutions are more than just tech updates. They are the drivers of economic empowerment and accountability. Indeed, by simplifying tax procedures, developing user-friendly digital platforms, and providing on-the-ground support, Kenya Revenue Authority (KRA) is nurturing a fair and inclusive tax culture, one that enables businesses to thrive while meeting their obligations.

Hon. Speaker, building on the progress made, our focus in the Financial Year 2025/2026 and over the medium term, will be to strengthen domestic resource mobilisation through the following key initiatives:

1. Continue with the implementation of the National Tax Policy and the Medium-Term Revenue Strategy to provide a consistent and predictable framework for tax administration and policy formulation.
2. Continue with the automation of tax administration processes to improve the overall efficiency of the tax system.
3. Enhancing non-tax revenue collection by enabling Ministries, Departments, and Agencies (MDAs) to generate income through the services they provide to the public.

Hon. Speaker, as part of our broader fiscal reform agenda, the Government is undertaking targeted tax administrative reforms aimed at strengthening our revenue base and promoting inclusive economic growth. These reforms will focus on three key objectives:

1. Reducing tax expenditures.

Hon. Speaker, tax expenditures stood at 3.38 per cent of GDP in 2023. To unlock additional revenue for the National Government, we must reduce that tax expenditure.

2. Expanding the tax base and enhancing compliance, in line with the goals set out in the Medium-Term Revenue Strategy.
3. Streamlining the tax structure to encourage domestic production, attract investment, and stimulate economic growth.

Hon. Speaker, allow me to speak to improving the efficiency of public expenditure. In our continued effort to ensure prudent fiscal management, the Government will sustain and deepen measures aimed at strengthening expenditure control and enhancing the efficiency and effectiveness of public spending. To this end, the Government will implement a series of targeted actions which include:

1. Utilisation of the launched end-to-end e-procurement system to maximise value for money, enhance efficiency and transparency in public procurement processes.
2. Rolling out of a Human Resource Management System across all National Government Ministries and Departments, as well as county governments, to support better management of the public wage bill.
3. Scaling up the use of the Public-Private Partnerships (PPPs) framework for commercially viable projects to attract private sector participation in public service delivery.
4. Improving the public service pension administration through rolling out the pension management information system.
5. Fast-tracking governance reforms in state corporations to strengthen accountability, efficiency, and financial sustainability.

Let me now turn to revenue projections. Hon. Speaker and Members, based on the outlined policy measures and structural reforms, total revenue collection, including Appropriation-in-Aid (A-in-A) for the Financial Year 2025/2026 Budget is projected to be at Ksh3,321.8 billion which is equivalent to 17.2 per cent of GDP. Of this, ordinary revenue is projected at Ksh2,754.7 billion which is equivalent to 14.3 per cent of GDP, and Ministerial A-in-A also known as non-tax revenue, is projected at Ksh567 billion. Grants are projected at Ksh46.9 billion or 0.2 per cent of the GDP.

On expenditure projections, Hon. Speaker, total expenditure in the Financial Year 2025/2026 Budget is projected at Ksh4,291.9 billion, which is equivalent to 22.3 per cent of GDP. Of this, recurrent expenditures will amount to Ksh3,134.4 billion which is equivalent to 16.3 per cent of GDP and development expenditures, including allocations to domestic and foreign-financed projects, Contingency Fund and Equalisation Fund will amount to Ksh693.2 billion, which is equivalent to 3.6 per cent of GDP. Total allocation to county governments is projected at Ksh474.9 billion of which equitable share is Ksh405.1 billion.

On fiscal deficit and financing, Hon. Speaker, the resultant fiscal deficit including grants is projected at Ksh923.2 billion, equivalent to 4.8 per cent of GDP down from the estimated Ksh997.5 billion or 5.7 per cent of GDP in Financial Year 2024/2025. The fiscal deficit for the Financial Year 2025/2026 Budget will be financed by net external borrowing of Ksh287.7 billion which is equivalent to 1.5 per cent of GDP and net domestic borrowing of Ksh635.5 billion, which is equivalent to 3.3 per cent of GDP.

On public debt management, Kenya's public debt is projected to remain within sustainable levels over the medium term. In present value terms, the debt to GDP is projected to progressively decline from 63.0 per cent in 2024 towards the debt anchor of 55 per cent or plus or minus 5 per cent of GDP by 2028. To support the projected decline in debt levels, The National Treasury will continue implementing various reforms as guided by the Medium-Term Debt Management Strategy including Liability Management Operations, continue pursuing the use of concessional loans from multilateral, bilateral and limited commercial sources such as international bond issuances.

Additionally, reforms targeted to support domestic market development will eventually reduce the cost of public debt while sustaining fiscal consolidation efforts to ensure debt remains within sustainable levels.

Further, the Government will explore emerging funding instruments such as debt swaps, diaspora bonds, sustainability-linked bonds and Environmental, Social and Governance Debt instruments to fund budget deficits and manage public debt. This strategic approach will not only diversify our financing options but also strengthen international partnerships and promote sustainable growth.

Hon. Speaker and Members, the Government is keen on sustaining transparency and improving efficiency in public debt service. To this end, The National Treasury is in the process of integrating the Commonwealth Meridian Debt Management System with the Integrated Financial Management Information System (IFMIS) and the core banking systems of the Central Bank of Kenya (CBK).

On the PPP framework, Hon. Speaker, the Government continues to strengthen the role of PPPs in financing our development agenda. Currently, there are 32 PPP projects at various stages which are targeted to mobilise Ksh70 billion in the Financial Year 2025/2026 through private investments in priority sectors including energy, water, housing, health and transport.

To enhance transparency and accountability at all stages of the project lifecycle while implementing PPP, I recently issued a circular on mandatory disclosure requirements for all Privately Initiated Proposals. This measure is part of our broader effort to strengthen the integrity of the PPP program and to ensure that private sector participation in public projects fosters public trust.

Hon. Speaker, The National Treasury and Economic Planning in May 2025, received the final Report of the Committee of Experts on Leveraging Local Financial Markets for Investment into Public Private Partnerships Implementation. The Committee recommended the establishment and operationalisation of the PPP Implementation Trust Fund (PPP-ITF) as the central mechanism for enhancing private sector participation in PPP, particularly through institutional and retail entities.

Additionally, the PPP Regulations under consideration by Parliament will enhance clarity around PPP processes, thereby, enhancing efficiency and project delivery. This will also unlock a pipeline of county-level specific PPP projects in partnership with development partners.

To strengthen public finance management reforms and management of public resources, all MDAs adopted accrual accounting as of 1st July 2024. The first accrual-based financial statements are expected for the Financial Year ending 30th June 2025, which is a few days away. The accrual accounting will enable the government to account for all assets and liabilities. The migration to the TSA is progressing well. CBK is scheduled to go live with its T24 system upgrade in July 2025. This upgraded platform will support the implementation of TSA core functionalities and facilitate The National Treasury to roll out the key elements of the TSA system. Concurrently, The National Treasury is on track to on-board county governments in 2026. The final phase will involve integrating all remaining national government entities into the TSA by the 2026/2027 Financial Year.

To re-orient the budgeting and expenditure framework, the government adopted the zero-based budgeting approach while finalising the 2025/2026 Financial Year Budget. To implement this approach, The National Treasury developed a budget-costing tool that was integrated into IFMIS Budget Module for the national government. The zero-based budgeting approach compels all MDAs to justify expenditures from scratch, thus ensuring resources are allocated to high-impact activities. It promotes transparency and efficiency by requiring clear justification and critical assessment of spending.

Hon. Speaker, I know this Statement is long. By the way, Kenya is not a small economy; we are number six in Africa and we have jumped over Ethiopia. So, you cannot have a three-page statement for an economy as big as Kenya.

(Laughter)

Hon. Speaker: Go on without apology. So far, so good.

The Cabinet Secretary for The National Treasury and Economic Planning (Hon. John Mbadi): Thank you very much, Hon. Speaker.

Let me now turn to resource allocation so that Members and the Kenyan people can appreciate where we have allocated the limited resources that we have. Let me highlight the government spending priorities for the 2025/2026 Financial Year. Expenditures for the Financial Year will consolidate the gains realised under BETA, with special focus placed on promoting investment in core pillars and their enablers through a value-chain approach.

Agricultural transformation and inclusive growth is the first pillar. The government will continue to transform the agricultural sector by increasing productivity in key value chain, such as fisheries and aquaculture, horticulture, food crops, livestock and rangeland development. The Government will scale up support to farmers through input financing, subsidies and extension services. This will move the country from food deficit to food surplus, reduce reliance on food imports and revamp export crops. In this respect, I have proposed an allocation of Ksh47.6 billion for various programmes under this sector, despite the fact that agriculture is largely, devolved. This includes Ksh8 billion for fertiliser subsidy programme, Ksh10.2 billion for The National Agricultural Value Chain Development Project, Ksh800 million for Small-Scale Irrigation and Value Addition Project, Ksh1.2 billion for Food Security and Crop Diversification Project and Ksh5.8 billion for the Food Systems Resilience Project. To promote livestock production, I have proposed Ksh2.3 billion for the De-risking, Inclusion and Value Enhancement of Pastoral Economies Programme, Ksh1.6 million for the Kenya Livestock Commercialisation Programme and Ksh280 million for the Livestock Value Chain Support Project. I have also proposed Ksh340 million for the development of Leather Industrial Park at Kenanie.

To support the growth of the blue economy, I have proposed a total of Ksh8.2 billion to the blue economy and fisheries sub-sector. This includes Ksh2.3 billion for Aquaculture Business Development Project, Ksh2.4 billion for Kenya Marine Fisheries and Socio-Economic Development Project and Ksh500 million for the Kabonyo Fisheries and Aquaculture Training Centre.

To raise agricultural productivity and enhance resilience to climate change and risks in targeted smallholder farming and pastoral communities, I have proposed an allocation of

Kshs318 million towards the Ending Drought Emergencies Project and Ksh1.3 billion to Resilience for Food and Nutrition Security Programme in Horn of Africa Project.

The government is committed to land reforms to address historical inequalities, promote equitable access and ensure sustainable land management. To this end, I have proposed a sum of Ksh3.8 billion for settlement of the landless. I have also proposed Ksh1.1 billion for processing and registration of title deeds, Ksh712 million for digitisation of land registries, Ksh200 million for geo-referencing of land parcels and Ksh220 million for construction of land registries to safeguard legitimacy of land ownership.

The next pillar is transforming the Micro, Small and Medium Enterprises (MSMEs) economy. The government recognises the challenge of accessing affordable credit by most MSMEs and Kenyans at the bottom of the pyramid. To address this challenge, I have proposed an additional allocation of Ksh300 million to the Financial Inclusion Fund, popularly known as the Hustler Fund, to scale up access to credit for households and MSMEs.

I have also proposed an additional Ksh308 million for the Youth Enterprise Development Fund, Ksh550 million for the Centre for Entrepreneurship and Ksh1.3 billion for the Rural Kenya Financial Inclusion Facility.

Under Housing and Settlement, which is the other pillar, the government is committed to facilitating the construction of decent, safe and affordable houses for Kenyans. Through the Affordable Housing Programme (AHP), the government is creating direct jobs for the youth in the construction sector and indirectly, through the production and supply of building products. To continue supporting this initiative, I have proposed an allocation of Ksh128.3 billion for the Housing, Urban Development and Public Works sub-sector. This includes Ksh13.4 billion under the Kenya Urban Programme, Ksh64.5 billion for construction of affordable housing units, Ksh10.5 billion for construction of social housing units and Ksh16.5 billion for social and physical infrastructure. Other proposed allocations to the sub-sector include Ksh7.2 billion for the Kenya Informal Settlement Improvement Project Phase II, Ksh3.5 billion for the construction of housing units for the National Police Service and the Kenya Prisons Service, Ksh500 million for the Building Climate Resilience of the Urban Poor Programme, Ksh184 million for construction of footbridges and Ksh454 million to support construction of county headquarters. To ensure the safety of Kenyans through compliance with building codes and standards as well as other industry regulations, I have proposed an allocation of Ksh2.6 billion for the regulation and development of the construction industry. Members are aware of the challenges we have had, where collapsed buildings kill many Kenyans as a result of carelessness of various developers.

Let me turn to Universal Health Coverage (UHC). Access to quality and affordable health care through the UHC Programme is central to this government.

Towards this end, I have proposed an allocation of Ksh138.1 billion, up from Ksh123 billion in the current Financial Year, to the health sector to support various activities and programmes. This includes Ksh6.2 billion for UHC coordination and management, Ksh13.1 billion for primary health care, up from Ksh7.1 billion in the current Financial Year, and Ksh430 million to provide medical cover for orphans, elderly and severely disabled persons in our society. To lower cases of HIV/AIDS, malaria and tuberculosis, and enhance vaccines and immunisation programme in the country, I have proposed Ksh17.3 billion for the Global Fund, and Ksh4.6 billion for vaccines and immunisation programmes respectively.

To enhance early diagnosis and management of cancer and reduce the burden of treatment of chronic and critical illnesses among Kenyans, I have proposed an allocation of Ksh8 billion to the Emergencies, Chronic and Critical Illnesses Fund (ECCIF), to be managed by the Social Health Authority (SHA). This has moved from Ksh5 billion in the current Budget. I have also proposed Ksh1 billion for construction of a cancer centre at Kisii Level 5 Hospital, Ksh100 million to strengthen cancer management in Kenyatta National Hospital (KNH), and

Ksh100 million for expansion of comprehensive cancer treatment at Kenyatta University Teaching, Referral and Research Hospital (KUTRRH).

To improve health service delivery, I have also proposed a sum of Ksh42.4 billion for our referral hospitals including: Kenyatta National Hospital, Moi Teaching and Referral Hospital, Kenyatta University Teaching and Referral Hospital, Mwai Kibaki Teaching and Referral Hospital in Othaya, Jaramogi Oginga Odinga Teaching and Referral Hospital in Kisumu, and Mathari National Teaching and Referral Hospital. Other allocations include, Ksh1.3 billion for the construction of Kenyatta National Hospital Burns and Paediatrics Centre.

I have also proposed Ksh5.2 billion for Kenya Medical Supplies Agency (KEMSA) to recapitalise it, Ksh2.7 billion for the Kenya Medical Research Institute (KEMRI), Ksh500 million for procurement of family planning and productive health commodities, and Ksh300 million for procurement of equipment at the National Blood Transfusion Services. Further, to strengthen the capacity of medical personnel, I have also proposed an allocation of Ksh4.3 billion for medical interns, Ksh3.2 billion for Community Health Promoters (CHPs), Ksh303 million for training of health personnel, and Ksh8.9 billion for the Kenya Medical Training Centres (KMTCs).

On digital superhighway and creative economy, which is the other pillar of the Bottom-Up Economic Transformation Agenda (BETA) principle, the government continues to invest in digital superhighway to improve Information Communication and Technology (ICT) infrastructure, and expand internet access nationwide. The creative industry is a significant source of employment, particularly for the youth. It has the potential to address higher unemployment rates through promotion of music, theatre, graphic design, digital animation, fashion and craft, among others. To support growth in the digital superhighway, I have proposed an allocation of Ksh12.7 billion to fund initiatives in the ICT sector. Specifically, this proposed allocation includes Ksh2.3 billion for the construction of Kenya Advanced Institute of Science and Technology (Kenya-AIST) at Konza Technopolis, Ksh3.7 billion for Kenya Digital Economy Acceleration Project (KDEAP), Ksh333.2 million for Government-shared services, Ksh382 million for the digital superhighway, Ksh689 million for the establishment of digital hubs, and Ksh750 million for maintenance and rehabilitation of Kenya National Optic Fibre Backbone Infrastructure (NOFBI). In order to fast-track the development of the Konza Technopolis City, I have proposed an allocation of Ksh3.1 billion for Konza Data Centre and smart city facilities.

The Government is also committed to enhance transparency, accountability and efficiency in public procurement. I have in this regard proposed an allocation of Ksh700 million for rolling out the implementation of the Electronic Government Procurement (e-GP) System. Other key allocations to critical sectors supporting BETA include investing in critical infrastructure. The Government will continue to invest in transportation networks including roads, railways and air travel, to reduce travel time and logistic costs. This will make markets more accessible and facilitate the movement of goods and people. Towards this end, I have proposed an allocation of Ksh217.3 billion for development of roads across the country. This includes Ksh30 billion to support construction of new roads and bridges, Ksh70.8 billion for rehabilitation of roads, because the length of roads is too long, and Ksh115.6 billion for road maintenance. This Ksh115 billion is more than the Ksh85 million that we have in the current Budget by Ksh30 billion.

To expand railway transport and its infrastructure, I have proposed an allocation of Ksh38 billion. I have also proposed an allocation of Ksh450 million to the Kenya Ferry ramp in Mombasa, Ksh331 million for Nairobi Bus Rapid Transport (BRT) Project, and Ksh298.7 million for promotion of e-mobility projects. To facilitate movement of goods and people in our inland waters, I have also proposed an additional Ksh110.4 million for acquisition of ferries for Lake Victoria.

(Applause)

To scale up production of reliable and affordable energy, I have proposed an allocation of Ksh62.8 billion to cater for key energy interventions. This includes Ksh31.6 billion for the National Grid System, Ksh16.3 billion for Rural Electrification, Ksh11.6 billion for development of geothermal energy, Ksh2.1 billion for alternative energy technologies, and Ksh743 million for development of nuclear energy.

Let me now talk about improving education outcomes. The education sector plays a vital role in economic development by enhancing human capital, driving innovation and improving productivity. To this end, the Government continues to invest in education to raise learning outcomes, and ensure equal opportunities for all. I have proposed a total allocation of Ksh702.7 billion to the education sector; which is almost 28 per cent of our entire budget.

(Applause)

This will include an allocation of Ksh387.2 billion to the Teacher Service Commission (TSC). The allocation for TSC will include Ksh7.2 billion for recruitment of intern teachers, and Ksh980 for capacity building of teachers on Competence-Based Education (CBE). Further, I have proposed an allocation of Ksh7 billion for free primary education, Ksh28.9 billion for Junior Secondary School (JSS) capitation, and Ksh51.9 billion for free day secondary education. In addition, I have also proposed an allocation of Ksh5.9 billion for administering the national examinations, Ksh3 billion for the school feeding programme, and Ksh4 billion for the Technical and Vocational Educational and Training (TVET) and entrepreneurship project.

To enhance infrastructure development and provide a safe learning environment in our schools, I have proposed an allocation of Ksh1.7 billion for primary and secondary schools' infrastructure, and Ksh1.4 billion for construction and equipping of technical training institutes and vocational training centres. In addition, I have proposed Ksh13.3 billion for the Kenya Primary Education Equity in Learning Programme (KPEELP), and Ksh2.3 billion for the Kenya Secondary School Quality Improvement Project (SEQIP). Other proposed allocations to the education sector include: Ksh993 million for research, science, technology and innovation, Ksh41.5 billion to the Higher Education Loans Board (HELB) for provision of loans to university and TVET students; this has increased from Ksh35 billion. There is also Ksh16.9 billion for scholarship for university students, and Ksh7.7 billion capitation and scholarships for TVET students.

In supporting manufacturing for job creation and to continue promoting local industries, I have proposed an allocation of Ksh18 billion under various implementing Ministries, Departments and Agencies (MDAs). Out of this, Ksh4.5 billion will support establishment of County Integrated Agro-Industrial Parks (CIAIPs) in various counties, Ksh2.8 billion will go to Supporting Access to Finance and Enterprise Recover (SAFER), Ksh602 million for a development of Athi River Textile Hub, Ksh705 million for establishment of flagship Export Processing Zones (EPZs) hubs, Ksh504 million for development of Special Economic Zone (SEZ) Textile Park in Naivasha, and Ksh798 million for Kenya Jobs and Economic Transformation (KJET).

In order to revitalise and maximise the benefits from our cash crops, I have proposed Ksh2 billion for Coffee Cherry Advance Revolving Fund (CCARF), and another Ksh2 billion for coffee debt waivers. This is up from the Ksh3 billion that was allocated to this sub-sector in the last financial year. Another Ksh1.5 billion has been allocated for sugar sector reforms, Ksh120 million for modernisation and revitalisation of cotton ginneries and Ksh200 million for horticulture produce compliance enhancement project.

To support local production and processing of edible oils, I have proposed an allocation of Ksh300 million for the national edible oil crops promotion project. To enhance milk processing, I have proposed an allocation of Ksh400 million for excess milk mop-up and Ksh150 million for modernisation of milk processing factories in Runyenjes and Narok.

To equip our youth with essential training and internship opportunities in trade and industry, I have proposed an allocation of Ksh330 million for the Kenya Industry and Entrepreneurship Project, Ksh500 million for the construction of industrial research laboratories and Ksh109 million for Constituency Industrial Development Centres (CIDCs).

Let me now speak to improving security. A stable and secure environment fosters investment, trade and overall economic growth. In this regard, I have proposed an allocation of Ksh202.2 billion for defence, Ksh125.7 billion for the National Police Service (NPS), Ksh51.4 billion for the National Intelligence Service (NIS), Ksh32.5 billion for Internal Security and National Administration and Ksh38.1 billion for Kenya Prison Service. I have also proposed an additional allocation of Ksh10 billion to cater for leasing of police motor vehicles and Ksh3.6 billion for police modernisation programme. To combat crime and enhance administration of justice, I have proposed an allocation of Ksh1.2 billion for construction and modernisation of national forensic facilities.

Let me turn to protecting vulnerable groups in our society. Social protection services are crucial for building more equitable and resilient societies by reducing poverty, inequality and vulnerability as well as promoting economic growth and social cohesion. I have, in this regard, proposed an allocation of Ksh41.4 billion to protect the vulnerable members of our society and promote affirmative action. This is an increase from Ksh33 billion in the current financial year. Out of this allocation, Ksh25.1 billion will cater for cash transfers to the elderly persons. This has increased from Ksh18 billion, an increase of Ksh7 billion. The Ksh8.9 billion will be for cash transfers to orphans and vulnerable children. Again, this is an increase of Ksh1 billion more. Ksh1.5 billion will be for cash transfers to PWDs. This has been increased from Ksh1.19 billion. The proposed allocations also include Ksh3.9 billion for the Kenya Hunger Safety Net Programme, Ksh450 million for the National Fund for the Disabled of Kenya (NFDK). In addition, Ksh600 million will go to the Child Welfare Society of Kenya (CWSK), Ksh100 million for the Presidential Bursary for Orphans, Ksh180 million for the Street Families Rehabilitation Trust Fund, Ksh90 million for the National Albinism Support Programme and Ksh90 million for the National Autism Support Programme.

On equity, poverty reduction, women and youth empowerment, unemployment remains one of the most persistent and challenging issues facing the country today. The challenge is not only about job creation but also bridging the critical gap between education and employment and developing relevant skills for the modern economy. To empower the youth, support businesses owned by the youth and women and to promote development in constituencies, I have proposed Ksh105.6 billion for these initiatives. This allocation includes Ksh10 billion for the National Youth Service (NYS), Ksh3.6 billion for the National Youth Opportunity towards Advancement (NYOTA) and Ksh318 million for the Youth Enterprise Development Fund. In addition, I have proposed an allocation of Ksh990 million for film development services. To further empower women and girls, I have proposed Ksh353 million for the Women Enterprise Fund, Ksh940 million for provision of sanitary towels to school-going girls, Ksh254 million for strengthening prevention and response to gender-based violence in Kenya, Ksh110 million for eradication of Female Genital Mutilation (FGM) and Ksh4 billion for the National Government Affirmative Action Fund (NGAAF).

To promote regional equity, reduce poverty and enhance social development across the country, I have proposed Ksh58.8 billion for the National Government Constituencies

Development Fund (NG-CDF), Ksh9.6 billion for the Equalisation Fund to finance programmes in identified marginalised areas and Ksh15.9 billion for the Kenya Devolution Support Programme II.

To stimulate tourism growth, sports, culture, recreation and arts in order to harness national pride, empower the youth and position Kenya as a regional beacon of talent and heritage, I have proposed an allocation of Ksh29.7 billion to support sports, culture, recreation as well as tourism. This proposed allocation includes Ksh13.5 billion for the Sports, Arts and Social Development Fund, Ksh2.3 billion to establish an automation and digitisation system for the Sports Registrar, Ksh241 million for the Anti-Doping Agency of Kenya (ADAK) to enable Kenya to remain competitive in athletics and other sports, Ksh402 million for Sports Kenya, Ksh245 million for the Kenya Academy of Sports, Ksh8.2 billion for the Tourism Fund and Ksh4.8 billion for the Tourism Promotion Fund.

On environmental protection, water and natural resources, to safeguard natural ecosystems, ensure sustainable water use and tackle the impact of climate change, I have proposed an allocation of Ksh10.7 billion for forest resources conservation and management, Ksh1.6 billion for forest research and development, Ksh3.7 billion for environment management and protection, Ksh11.5 billion for the Kenya Financing Locally-Led Climate Action Project (FLLOCA), Ksh1.6 billion for the Kenya Meteorological Service, Ksh13.2 billion for wildlife security, conservation and management and Ksh953 million for wildlife research and development. In addition, I have proposed an allocation of Ksh1.1 billion for human-wildlife conflict compensation and Ksh950 million for wildlife insurance. I have also proposed an allocation of Ksh26.8 billion for water and sewerage infrastructure development. Out of this, Ksh16.5 billion will go to water resource management and Ksh1.9 billion for water storage and flood control. In addition, I have proposed Ksh15 billion for irrigation and land reclamation and Ksh266 million for water harvesting and storage for irrigation.

To improve governance and sustain the fight against corruption to enhance good governance, intensify the fight against corruption and entrench integrity and accountability in public service delivery, I have proposed Ksh4.5 billion for the Ethics and Anti-Corruption Commission (EACC), Ksh4.5 billion for the Office of Director of Public Prosecutions (ODPP), Ksh5.3 billion for the State Law Office and Ksh8.7 billion for the Office of the Auditor-General. In addition, to enhance the oversight and legislative role of Parliament, I propose an allocation of Ksh48 billion for Parliament. To enable administration of justice, I propose an allocation of Ksh27.8 billion for the Judiciary.

Let me turn to allocation to county governments. To support devolution, county governments will receive Ksh405.1 billion in the 2025/2026 Financial Year as the equitable share of revenue raised nationally, an increase of Ksh17.6 billion from Ksh387.4 billion in the 2024/2025 Financial Year. The Ksh405.1 billion represents 25.8 per cent of the most recently audited revenues for the Financial Year 2020/2021, way higher than the minimum of 15 per cent prescribed in Article 203(2) of the Constitution.

In order to ensure food and nutrition security, infrastructure development, improved water and sanitation systems, among others, the county governments will receive an additional Ksh69.8 billion as additional allocations.

Hon. Speaker, next is on the Equalisation Fund. To support implementation of projects in marginalised areas, Ksh7.85 billion has been proposed as an allocation to the Equalisation Fund in the Financial Year 2025/2026 and an additional Ksh2.74 billion to settle outstanding arrears owed to the Fund.

Allow me to now speak to the measures to enhance county governments' own source revenue. The Own Source Revenue Policy recommended the development of a national framework legislation to regulate the introduction of taxes, fees and charges by the county governments. Consequently, the National Treasury and other stakeholders developed the

County Governments (Revenue Raising Process) Bill, which is currently before Parliament for consideration. I urge this honourable House to consider the Bill and prioritise its enactment.

Hon. Speaker, I will now turn to tax policy measures supporting the Financial Year 2025/2026 Budget. These measures include proposals contained in the Finance Bill, 2025, as well as the customs duty measures agreed upon by the East African Community (EAC) Ministers for Finance during the EAC Pre-Budget Meeting held in May this year, which I attended. These measures are set to take effect from 1st July 2025.

The freedoms we enjoy in this country have not come easy. In the last couple of years, Kenyans have spoken clearly and loudly on the desired direction in development of policy and governance of taxation. In 2023, the Minority Party in Parliament, supported by the efforts of the then Orange Democratic Movement (ODM) Party Chairman, protested against the Finance Act, 2023.

(Laughter)

Last year, some provisions in the Finance Bill, 2024 triggered protests across the country. Those actions in the two years regrettably resulted in the loss of lives and destruction of property and adversely impacted the economic lives of many. In remembrance of our fellow Kenyans who lost their most precious lives during those protests, let us observe a minute of silence.

Hon. Speaker: Hon. Members, be upstanding.

(The House observed a minute of silence)

The Cabinet Secretary for the National Treasury and Economic Planning (Hon. John Mbadi): May their souls continue resting in eternal peace.

Hon. Speaker: Thank you. Take your seats.

The Cabinet Secretary for the National Treasury and Economic Planning (Hon. John Mbadi): Hon. Speaker, no life should be lost and no property should be destroyed again. The message from Kenyans was clear. Since I took office at the Ministry of the National Treasury and Economic Planning, I assured Kenyans that we shall strive to reduce the tax burden. In this respect, the Finance Bill, 2025 has neither proposed new taxes nor raised any tax rates. Instead, we have chosen to enhance tax revenue collection through administrative reforms by simplifying and streamlining tax laws to make them clearer and easier to implement, thereby improving taxpayer compliance. The process also involves rationalisation of tax expenditure to enhance equity and fairness.

The revenue foregone through tax incentives or tax expenditures has increased significantly from Ksh393.1 billion in 2022, which is equivalent to 2.9 per cent of the Gross Domestic Product (GDP), to Ksh510.6 billion in 2023, which is equivalent to 3.4 per cent of GDP. To reverse this trend, the Finance Bill, 2025 proposes reforms to rationalise tax expenditures so as to promote equity, fairness, efficiency and reduce distortions within the tax system. The proposed reforms are in line with the National Tax Policy and the Medium-Term Revenue Strategy.

Hon. Speaker, from the proposed reforms, we expect to raise Ksh30 billion more as additional revenue. Customs measures agreed upon by East African Community (EAC) Ministers during the pre-budget meeting are intended to protect our industries and ensure they access raw materials and inputs at affordable prices. The meeting allowed Kenya to import tea packaging materials at a lower duty rate of 10 per cent. In addition, Kenya was granted an extension of duty remission to import wheat at the rate of 10 per cent. These measures will support our wheat and tea farmers.

I will begin with the customs measures and later provide highlights on the proposed amendments of tax laws in the Finance Bill, 2025. To meet the local demand of rice, Kenya was allowed to extend the stay of application on the EAC Common External Tariff and import rice at the rate of 35 per cent or US$200 per metric tonne, whichever is higher, instead of the Common External Tariff rate of 75 per cent or US$345 per metric tonne. Mindful of wheat farmers in Kenya, EAC Ministers agreed on duty remission of wheat at a rate of 10 per cent instead of the Common External Tariff rate of 35 per cent, provided the millers who intend to import wheat under the duty remission must first purchase locally produced wheat.

To promote local assembly of telecommunication equipment, Kenya was granted an extension of duty remission on inputs for assembly of telecommunication devices, including mobile phones, laptops and tablets.

In order to reduce the production cost of animal feeds, Kenya requested for an extension to import inputs for production of animal feeds duty-free under the EAC duty remission scheme which was granted. We urge the producers of animal feeds to apply for the remission.

Hon. Speaker, the leather sector is one of the priority value chains under BETA. To support local producers of leather and leather products, Kenya was allowed to extend the stay of application on the Common External Tariff rate and apply import duty rate of 35 per cent on leather products. To promote tanneries and supply local manufacturers with high quality leather, Kenya was allowed to import chemicals for leather processing under duty remission.

To support local assembly of transformers, which is critical to energy distribution, the EAC Ministers approved Kenya's request for a tariff split on transformers to provide for a distinction between fully built and unassembled transformers. Currently, it is one tariff line which is very difficult for us to separate and incentivise either of them.

To support the local assemblers of cranes, Kenya was granted approval to import inputs for assembly of cranes duty-free under duty remission.

Last year, Kenya was granted a stay of application on the EAC Common External Tariff to apply a higher duty rate ranging from 25 to 35 per cent on certain types of paper used in manufacturing packaging materials. This action adversely affected exporters, particularly in the tea sector. To address this, Kenya opted not to request for an extension of the stay of this Common External Tariff. This decision will not affect local manufacturers of packaging materials as they will continue importing raw materials under duty remission.

Hon. Speaker, let me speak to the Finance Bill, 2025. I will highlight some of the proposals contained in the proposed Finance Bill, 2025. Under Income Tax Act, to enable faster recovery of investment by businesses on loose items such as utensils, linen and industrial tools, the Bill proposes to amend the Income Tax Act to allow for a full cost deduction of these items in the first year of purchase as opposed to the current three years. This will improve cashflows of the relevant businesses.

We have noted increased tax disputes arising from audits carried on cross-border transactions. These disputes could have been avoided if the multinational companies had Advance Pricing Agreements with the Commissioner at KRA. To address this gap, the Bill proposes to amend the Income Tax Act to empower the Commissioner to enter into Advance Pricing Agreements with multinational companies.

Hon. Speaker, the Tax Laws (Amendment) Act, 2024, passed in December last year, introduced the Minimum Top-up Tax in line with global best practices. The Act inadvertently omitted the due date for payment of the tax, thus creating enforcement challenges. To address this, I have proposed an amendment to the Income Tax Act to clarify that the due date will be the end of the fourth month following the close of a company's accounting period.

Again, the Tax Laws (Amendment) Act, 2024, passed in December last year, exempted gratuity payments from income tax – Pension and gratuity. However, the provision is not clear whether all gratuity, including from private pension schemes, is exempt from tax. In this respect, the Bill is proposing to amend the Income Tax Act to clarify that all gratuity payments, whether from public or private sources, are exempt from tax.

To encourage wider participation in virtual asset transactions, especially among the youths, the Bill proposes to reduce the digital asset tax rate from 3 to 1.5 per cent. And to ensure consistency and effective administration of the law, the Bill proposes to amend the Third Schedule to the Income Tax Act to clarify that fringe benefit tax is payable by the employer at the corporate tax rate, and that withholding tax on qualifying dividends and qualifying interest is final tax. That is not clear in the current arrangement.

Hon. Speaker, under the current Income Tax Act, individuals with mortgages, and Hon. Members, would be interested in listening to this, for purchasing or improving residential houses can claim tax relief on interest payments on the mortgage. However, those who take up a mortgage to construct their residential houses are excluded from this relief. That is the law as it is today. To ensure fairness, the Bill proposes to extend this benefit to interest on mortgages taken for the construction of residential houses. This will support home ownership and align with the BETA Pillar on Affordable Housing.

The current tax-free daily subsistence allowance of Ksh2,000 for private sector employees on official duties outside their usual workplace is lower than that of the public sector employees. To enhance equity, the Bill is proposing to increase the tax-free daily subsistence allowance for private sector employees from Ksh2,000 to Ksh10,000.

Kenya has an opportunity to strengthen its position as a regional financial hub. In this respect, the Bill proposes amendments to the Income Tax Act to provide that companies certified by the Nairobi International Financial Centre Authority (NIFCA) that invest new capital of at least Ksh3 billion over three years to pay a reduced corporate tax rate of 15 per cent for the first 10 years and 20 per cent for the subsequent 10 years. The companies qualifying for this will be required to employ Kenyans at the senior management level.

The start-up companies that are certified by the Nairobi International Financial Centre Authority will enjoy a 15 per cent tax rate for the first three years and 20 per cent for the subsequent four years. Dividends earned by certified holding companies and regional headquarters will be exempted from tax, provided that at least Ksh250 million is reinvested annually in Kenya.

We have noted that some employees seek refunds from KRA on reliefs of deductions that ought to have been deducted by their employers. To address this challenge, the Bill proposes to amend the Income Tax Act to make it mandatory for employers to consider all eligible tax reliefs and deductions when computing employees' income tax. Presently, employers are not compelled to deduct these reliefs in computing Pay As You Earn.

On Value Added Tax, while a supplier is required to issue a Tax Invoice at the point of sale, there is currently no definition of tax invoice under the VAT Act. This creates ambiguity on what constitutes a Tax Invoice. To resolve this ambiguity, the Bill proposes to amend the VAT Act to define a Tax Invoice.

Hon. Speaker, to strengthen tax administration and enhance compliance, the Bill proposes to require the issuance of tax invoices for all supplies whether taxable or exempt. This amendment will support better record-keeping by taxpayers and facilitate the pre-population of returns.

To support business operations, the Bill proposes to shorten the period for claiming refunds on bad debts from three years to two years, and to allow taxpayers to either request for a refund or offset it against future VAT liabilities. Entities in Special Economic Zones currently benefit from VAT exemptions and zero-rating, but there is no provision to recover tax when these benefits are misused. To safeguard revenue and promote accountability, the Bill proposes to recover VAT where exempted or zero-rated goods or services are used for purposes other than those intended.

Hon. Speaker, to prevent revenue leakages, strengthen tax administration and promote equity across sectors, the Bill proposes to move some zero-rated goods and services that are consumed locally to exempt status. Further, some of the goods exempted from VAT have multiple uses making it difficult to effectively monitor whether they are finally used for the intended purpose. In this respect, the Bill proposes to amend the VAT Act to remove such exemptions.

On Excise Duty, to minimise tax disputes relating to classification of locally produced excisable goods, the Bill proposes an amendment to the Excise Duty Act to clarify that the East African Community Common External Tariff and its classification rules shall apply to all excisable goods, both imported and locally manufactured. To streamline the processing of applications for licenses to manufacture excisable goods by the Commissioner, the Bill proposes to amend the Excise Duty Act to require the Commissioner to provide feedback on the application within 14 working days from the date of receipt of all valid documents.

Hon. Speaker, the Excise Duty Act provides for taxation of alcoholic beverages based on pure alcohol content, which increased cost for producers using spirits over 90 per cent alcohol content as raw materials from Ksh356 to about Ksh1,000 per litre. Since undenatured extra neutral alcohol is a key input in the manufacturing of spirituous beverages, the Bill proposes to amend the Excise Duty Act to provide an excise duty rate of Ksh500 per litre for undenatured extra neutral alcohol above 90 per cent strength supplied to licensed spirituous beverage manufacturers.

To promote equity and fairness in taxation of excisable services offered through the internet or electronic network, the Bill proposes to amend the Excise Duty Act to bring non-resident persons without a physical presence in Kenya into the tax net when they supply excisable services through these mediums. To avoid double taxation of fees charged by digital lenders, the Bill proposes to amend the definition of "digital lender" under the Excise Duty Act to exclude entities licensed under the Banking Act, the Co-operative Societies Act, and the Microfinance Act.

Hon. Members, to enhance clarity and consistency in the administration of excise duty legislation, the Bill proposes to amend the Excise Duty Act to clarify that imported plastic products, including plates, self-adhesive plastics, and printed polymers, will be subject to excise duty at 25 per cent of the excisable value or Ksh200 per kilogramme, whichever is higher.

Regarding miscellaneous fees and levies, the Export and Investment Promotion Levy on billets and wire rods, which are raw materials in the manufacture of nails, fencing wires, gabions, bolts and nuts, have raised production costs of these products. In this respect, the Bill proposes to amend the Miscellaneous Fees and Levies Act to review the Levy downwards. To promote Nairobi as regional aircraft maintenance hub, while managing tax expenditures, the Bill proposes to amend the Miscellaneous Fee and Levies Act to introduce Import Declaration Fee and Railway Development Levy on small aircrafts and helicopters but retain the exemption on spare parts for all aircrafts. Next is the Tax Procedures Act, 2015.

(Several Members spoke off the record)

No, this is the Act from 2015.

To enhance the Commissioner's ability to recover unpaid taxes from non-residents, the Bill proposes to amend the Tax Procedures Act to expand the scope of agency notices to include non-resident persons.

This next measure is controversial. To close a loophole that hinders enforcement of tax compliance and ensure timely revenue collection, the Bill proposes to amend the Tax Procedures Act to clarify that enforcement of tax collection when a Tax Appeals Tribunal or court judgement on tax dispute is in favour of the Commissioner shall only be suspended where a stay order has been granted. That is not the one I thought was controversial. The controversial one is yet to come.

To remove financial and legal barriers that may hinder effective enforcement of recovery of unpaid taxes, the Bill proposes to amend the Tax Procedures Act to provide that property transfers made by or to the Commissioner in recovery of tax liabilities be exempted from stamp duty.

To promote transparency, uphold fair administrative action, and strengthen trust in tax administration, the Bill proposes to amend the Tax Procedures Act to require the Commissioner to provide reasons when issuing amended tax assessments to a taxpayer. This is to avoid misuse of the Kenya Revenue Authority (KRA) for political reasons where they simply say that you did not pay such an amount three years ago, yet you had already been cleared for tax purposes. Reasons must be provided.

To address taxpayers' concerns regarding penalties and interest arising from system-related delays or administrative errors beyond a taxpayers' control, the Bill proposes to amend the Tax Procedures Act to allow the Cabinet Secretary to grant waivers on penalties and interest arising from such circumstances upon recommendation by the Commissioner. Presently, there is no law to reverse any errors that the KRA makes on your tax assessment.

In conclusion, we have experienced a wide range of challenges as a nation in the past two years. In navigating these trying times, we have demonstrated exceptional resilience and remained steadfast in our development and democratic journey. Kenyans have demonstrated commendable patience and resilience as the Government continues to fulfil its commitments to improve livelihoods through the implementation of BETA. Under the leadership of His Excellency the President (Dr) William Samoei Ruto, we have made meaningful progress in advancing our development agenda, promoting inclusion, fostering national unity, and working together to build our nation and renew the spirit of patriotism.

(Applause)

The Budget I have presented today has been thoughtfully prepared to navigate the delicate balance of competing interests while adhering to our fiscal consolidation plan. I am confident that the policies and structural reforms I have outlined provide a solid foundation for sustaining our socio-economic transformation. These measures are designed to stimulate job creation, strengthen our economic recovery, and ease the cost of living. Therefore, I call upon Members and all Kenyans to support the implementation of the Budget as we work together in pursuit of shared prosperity.

Finally, the journey to a prosperous Kenya calls for leadership and the collective commitment of all Kenyans. Last year, the Orange Democratic Movement joined hands with the United Democratic Alliance to form a broad-based government. This unity has brought renewed peace and stability to Kenya and fostered inclusive development beyond tribal lines.

(Applause)

Thank you very much.

I wish to acknowledge with gratitude the unwavering leadership and vision of His Excellency the President, Dr. William Samoei Ruto and His Excellency the Deputy President, Professor Kithure Kindiki. I also wish to recognise the invaluable efforts of the Prime Cabinet Secretary, the Attorney General, my fellow Cabinet Secretaries, Principal Secretaries, Accounting Officers, and all personnel across Government Ministries, Departments and

Agencies who have diligently contributed to the development of the Financial Year 2025/2026 Budget.

(Applause)

Thank you, Hon. Members.

I sincerely thank Baba, Rt. Hon. Prime Minister Raila Amollo Odinga, and the entire Orange Democratic Movement fraternity for their invaluable mentorship as well as trusting me with party leadership positions in my political journey. I will not forget that I served the people of Suba South Constituency as their elected representative for a period of 15 years and a further 2 years as nominated Member of Parliament before my appointment to the Cabinet. I truly appreciate the people of Suba South Constituency for the opportunity they gave me to serve them and I will remain forever grateful. In addition, I served in the leadership of Parliament as the Minority Leader, and equally I appreciate the support accorded to me by this House and its leadership during my tenure. My sincere appreciation also goes, first, to you, Hon. Speaker of the National Assembly…

Hon. Members: *Papa wa Roma! Papa wa Roma!*

The Cabinet Secretary, National Treasury and Economic Planning (Hon. John Mbadi): And your counterpart the Speaker of the Senate, the Majority and Minority Leaders and the entire House Leadership including respective Clerks for supporting the approval process of the Financial Year 2025/2026 Budget.

Second is to Chairpersons and Members of both the Budget and Appropriations Committee and the Finance and National Planning Committee, and all the other Departmental Committees of this House as well as the staff of the Parliamentary Budget Office, for their constructive inputs and leadership during the approval process of this budget;

Third, my colleagues at the National Treasury and Economic Planning led by Dr Chris Kiptoo, the Principal Secretary for the National Treasury, Dr Bonface Barasa Makokha, the Principal Secretary for the State Department for Economic Planning and Mr Cyrell Wagunda Odede, the Principal Secretary for Public Investments and Assets Management for their commitment, dedication and support in the preparation of this Budget.

Fourth, special appreciation goes to Mr James Muhati, the former Principal Secretary for the State Department for Economic Planning for his unwavering commitment and invaluable support during the first half of the Financial Year. His dedication and strategic leadership greatly advanced the Ministry’s mandate and played a pivotal role in shaping key national economic planning initiatives.

Fifth, my appreciation goes to the Governor of the Central Bank of Kenya, the Commissioner-General of the Kenya Revenue Authority, as well as the management and staff of both institutions, the Financial Sector Regulators, and other MDAs for their valuable contributions to the budget process.

Sixth, my gratitude goes to our Multilateral and Bilateral Development Partners for their continued technical and financial support. Seventh, I thank the private sector for their participation and contribution in the budget process.

Eighth, I wish to appreciate the media and non-state actors for their active engagement and participation in the Financial Year 2025/2026 budget process.

Mr Speaker, I forever remain indebted to my beloved wife, Madam Roda Mbadi, who is in the Speakers Gallery, and my children for their support and inspiration as I execute my duties at the National Treasury and Economic Planning. Their prayers and guidance gave me the zeal to proceed even during my lowest moments. I remain deeply grateful to my siblings for raising me, paying my school fees and supporting me throughout my journey. I am sure that my late parents, Jaduong Stanslaus Ng’ongo Omoth, and his babe, Slermina Yambo Ng’ongo, my mother, are smiling down from above as they see their youngest son perform this great service for the great people of Kenya today. God is truly faithful.

(Applause)

Lastly, Hon. Speaker, my utmost gratitude goes to all Kenyans for their contributions during the budget-making process. Thank you. May God bless Kenya.

(Applause)

Before I resume my seat, you will recall that I have already submitted to this House the Budget Estimates and the Finance Bill 2025, together with the accompanying documents, as required by the Public Finance Management Act 2012. Today, I further submit the following documents to this august House, and request that you graciously receive them. They include:

1. The Budget Statement for the Financial Year 2025/2026.
2. The 2025 Budget Policy Statement (BPS).
3. Estimates of Revenue, Grants and Loans for the Financial Year 2025/2026.
4. Financial Statements for the Financial Year 2025/2026.
5. Medium-Term Debt Management Strategy 2025.
6. Budget Highlights— the Mwananchi Guide for the Financial Year 2025/2026
7. Statistical Annex to the Budget Statement for the Financial Year 2025/2026.

(The documents were handed over to the Speaker)

Thank you Hon. Speaker and Hon. Members.

(Applause)

Hon. Speaker: Thank you, Cabinet Secretary. You may now take your seat. Thank you for just above two hours well spent in presenting your first Budget highlights to this House.

Hon. Members, I wish to thank the Cabinet Secretary for the National Treasury and Economic Planning for ably making a public pronouncement of the Budget Policy Highlights and the Revenue Raising Measures for the national Government for the Financial Year 2025/2026 and the Medium-Term. I confirm that in conformity with the provisions of Section 39 and 39(A) of the Public Finance Management Act 412A and Standing Order 244(C), the Cabinet Secretary had already submitted to the National Assembly the relevant legislative proposals necessary to actualise the revenue raising measures to finance the 2025/2026 Budget. These have since culminated in the Finance Bill 2025, which is under consideration by this House.

It is my pleasure to invite all Members, the Cabinet Secretary for the National Treasury and Economic Planning, other Cabinet Secretaries, and all invited guests to a reception at the Parliamentary Courtyard.

ADJOURNMENT

Hon. Speaker: Hon. Members, the time now being 5.23 p.m., this House stands adjourned until Tuesday, 17th June 2025, at 2.30 p.m.

I thank you.

The House rose at 5.23 p.m.

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