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24/6/25

REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT (FOURTH SESSION) - 2025

PUBLIC DEBT AND PRIVATIZATION COMMITTEE

REPORT ON THE EXPENDITURES OF THE CONSOLIDATED FUND SERVICES
UNDER THE SUPPLEMENTARY ESTIMATES NO. III FOR FY 2024/25

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 24 JUN DAY: TUE	
TABLED BY:	HON. KIRIA IRENE NJOKI MP, CHAIRPERSON.
CLERK-AT THE-TABLE:	MS. ANN SHIBUKO.

JUNE 2025

TABLE OF CONTENTS

LIST OF ACRONYMS & ABBREVIATIONS.....	3
ANNEXURES.....	4
VICE-CHAIRPERSON'S FOREWORD	5
COMMITTEE RECOMMENDATION.....	6
ACKNOWLEDGEMENTS.....	6
PREFACE.....	7
a) Establishment and Mandate of the Committee	7
b) Membership of the Committee	7
c) Committee Secretariat	8
d) Parliamentary Budget Office	8
1) INTRODUCTION.....	9
2) THE CONSOLIDATED FUND SERVICES EXPENDITURES	9
2.1. Public Debt Service.....	10
2.2. Pensions, Salaries, Allowances & other Miscellaneous Expenditures	11
3) COMMITTEE OBSERVATIONS.....	11
4) COMMITTEE RECOMMENDATION	11

LIST OF ACRONYMS & ABBREVIATIONS

CFS	Consolidated Fund Services
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction & Development
IMF	International Monetary Fund
SO	Standing Orders
TDB	Trade Development Bank

ANNEXURES

Annex 1	Adoption Schedule
Annex 2	Adoption Minutes

VICE-CHAIRPERSON'S FOREWORD

The review of the Consolidated Fund Services (CFS) under Supplementary Estimates No. III for FY 2024/25 offers an encouraging signal of Kenya's evolving fiscal landscape. Notably, CFS expenditures are projected to decline by Kshs. 295.28 billion—from Kshs. 2.29 trillion to Kshs. 1.99 trillion.

Public debt service continues to dominate CFS allocations, accounting for 88 percent of total CFS expenditures. While this underscores the weight of debt-related obligations on the national budget, it also highlights a significant opportunity: the need to institutionalize structured and predictable liability management. By doing so, the government can unlock more sustainable fiscal space over the medium term, support development priorities, and protect essential public services.

The Committee observes that the current gains from liability management operations, though welcome, should be anchored in a robust policy framework. The absence of a comprehensive national liability management policy has limited the strategic deployment of debt reorganization tools such as prepayments, swaps, and restructuring. Formalizing such a policy will allow the National Treasury to plan proactively, reduce refinancing risks, and better align fiscal outcomes with the country's long-term development agenda.

COMMITTEE RECOMMENDATION

The Committee has examined the proposed changes to the Consolidated Fund Services (CFS) Expenditures in line with its mandate and has prepared this report for consideration by the National Assembly. Upon considering the estimates, the Committee recommends, **THAT:**

1. The National Treasury should, within 60 days of the adoption of this report, develop and publish a comprehensive National Liability Management Policy. The policy should articulate clear guidelines and measurable targets aimed at reducing the debt service burden and enhancing fiscal space.

ACKNOWLEDGEMENTS

The Committee extends its gratitude to the Office of the Speaker of the National Assembly and the Office of the Clerk of the National Assembly, for the support extended in fulfilling its mandate of reviewing the expenditures of the Consolidated Fund Services under the Supplementary Estimates No. III for FY 2024/25.

Finally, the Committee would like to thank the Parliamentary Budget Office and the Directorate of Audit, Appropriations, and other Select Committees for the invaluable support provided in the review of the Consolidated Fund Service Expenditures and the finalization of this report.

It is therefore my pleasant undertaking, on behalf of the Public Debt and Privatization Committee, to table this report and recommend it for adoption by this House.

SIGNED



.....
HON. NJOKI IRENE MREMBO, MP.
VICE-CHAIRPERSON, PUBLIC DEBT & PRIVATIZATION COMMITTEE

24 / 6 / 2025

.....
DATE

PREFACE

a) Establishment and Mandate of the Committee

The powers of each House of Parliament to establish committees and to make Standing Orders for the orderly conduct of its proceedings are provided for under Article 124 of the Constitution of Kenya, 2010. To ensure effective oversight on matters concerning public debt, debt guarantees, public-private partnerships, and the privatization of national assets, the National Assembly Standing Order 207A establishes the Public Debt and Privatization Committee, which is tasked with specific mandates such as:

- i. Oversight of public debt and guarantees, pursuant to Article 214 of the Constitution
- ii. Examine matters relating to debt guarantees by the National government;
- iii. Oversight Consolidated Fund Services excluding audited accounts;
- iv. Examine reports on the status of the economy in respect of the public debt;
- v. Oversight of public-private partnership programs by the national government with respect of the public debt; and
- vi. Oversight privatization of national assets

This Committee is therefore mandated, among other functions, to examine the Consolidated Fund Service Expenditures and propose recommendations to the House for adoption.

b) Membership of the Committee

The Public Debt and Privatization Committee as currently constituted, comprises the following Members of Parliament: -

CHAIRPERSON

Hon. Abdi Shurie, CBS, M.P.
Balambala Constituency
Jubilee Party

VICE-CHAIRPERSON

Hon. Njoki Irene Mrembo, M.P
Bahati Constituency
Jubilee Party

Hon. Omboko Milemba M.P
Emuhaya Constituency
ANC Party

Hon. (CPA) Suleka, H. Harun. M.P
Nominated MP
UDM Party

Hon. (Dr.) Irene Kasalu M.P
Kitui County
Wiper Party

Hon. Kipkoros Joseph Makilap M.P
Baringo North Constituency
UDA Party

Hon. Kwenya, Thuku Zachary, M.P
Kinangop Constituency
Jubilee Party

Hon. Chege Njuguna M.P
Kandara Constituency
UDA Party

Hon. Muiruri Muthama Stanley, M.P
Lamu West Constituency
Jubilee Party

Hon. Abdi Ali Abdi, M.P
Ijara Constituency
NAP-K

Hon. Aden Daud, EBS, M.P
Wajir East Constituency
Jubilee Party

Hon. Kirwa Abraham Kipsang, M.P
Mosop Constituency
UDA Party

Hon. (Dr.) Daniel Manduku, M.P
Nyaribari Masaba Constituency
ODM Party

Hon. Letipila Dominic Eli, M.P
Samburu North Constituency
UDA Party

Hon. Barongo Nolfason Obadiah, M.P
Bomachoge Borabu Constituency
ODM Party

c) Committee Secretariat

The Committee was supported by the following staff in the preparation of this report:

Mr. Leonard Machira
Principal Clerk Assistant II & Head of Secretariat

Mr. Chacha Machage
Senior Fiscal Analyst / Clerk Assistant

Mr. Job Mugalavai
Fiscal Analyst II/ Clerk Assistant

Ms. Audrey Ogutu
Legal Counsel II

Mr. Timothy Chiko
Research Officer III

Ms. Edith Chepngeno
Media Relations Officer III

Ms. Mwanaasha Juma
Assistant Serjeant-at-Arms

Mr. George Mbaluka
Office Assistant

Mr. Danton Nirvana
Audio Officer III

d) Parliamentary Budget Office

The Committee also received technical support from the following staff of the Parliamentary Budget Office:

FA (Dr.) Martin Masinde, OGW
Director, Parliamentary Budget Office (PBO)

Mr. Robert Nyaga
Senior Deputy Director (PBO)

Ms. Julie Mwithiga
Senior Fiscal Analyst

1) INTRODUCTION

1. The Supplementary Estimates No. III for FY 2024/25 were submitted to the National Assembly on 17th June 2025, in accordance with Article 223 of the Constitution and Section 44 of the Public Finance Management Act, CAP. 412A. These estimates seek to regularize expenditures for development projects financed by the exchequer, Appropriations in Aid, and development partners.
2. Subsequently, the Public Debt and Privatization Committee is mandated to examine the estimates of the Consolidated Fund Service (CFS) Expenditures, which are contained within the estimates, in accordance with the National Assembly Standing Orders (S.O. 207A-1(c)), and table its report to the National Assembly (S.O. 207A(4)).
3. The Consolidated Fund Service (CFS) Expenditures constitute mandatory expenditures that are a charge to the Consolidated Fund¹ and do not form part of the annual Appropriations Bill². These expenses include:
 - i. Public debt servicing expenditures,
 - ii. Pension payments, and
 - iii. Salary and allowances for independent offices and constitutional commissions,
 - iv. Guaranteed debt payments, among other expenditures.
4. This report therefore examines the expenditures of the Consolidated Fund Services (CFS) as outlined in Supplementary Estimates No. III for FY 2024/25, highlights key observations and outlines corresponding recommendations.

2) THE CONSOLIDATED FUND SERVICES EXPENDITURES

5. The Consolidated Fund Services (CFS) expenditures, under the third Supplementary Estimates for FY 2024/25 will amount to Kshs. 1.99 trillion. This is a projected decline of Kshs. 295.28 billion from Kshs. 2.29 trillion under the second Supplementary Budget. This reduction is attributed to a decline in public debt service expenditure, as there are no changes to other expenditures, such as pensions, guaranteed debt, and salaries and allowances.
6. The Kshs. 1.99 trillion CFS expenditures will comprise of:
 - i. Public debt servicing expenditures – Kshs. 1.75 trillion;
 - ii. Pension payments – Kshs. 223.15 billion;
 - iii. Salary and allowances – Kshs. 4.08 billion; and,
 - iv. Guaranteed debt payments and other miscellaneous expenditures – Kshs. 19.7 billion.
7. Given that public debt continues to be the largest expenditure under the CFS, this underscores the need for prudent public debt management to ease pressure arising from mandatory expenditures. Implementing strategies for debt reorganization, enhancing domestic revenue mobilization, and improving fiscal discipline will help reduce the debt burden over time. Without these interventions, the government's ability to finance vital public services could face rising challenges from constraints caused by rising debt-driven CFS expenditures.
8. This concern is further illustrated by the third Supplementary Estimates, which projects CFS expenditures at Kshs. 1.99 trillion, thus exceeding both ministerial recurrent expenditure (Kshs. 1.77 trillion) and development expenditure (Kshs. 597.46 billion). This trend reflects a possible persistent crowding out of productive

¹ Article 206

² Article 221(7)

spending, thereby creating a compelling case for reforms that redirect resources, primarily, towards increasing development expenditure. Such a shift would not only unlock long-term productivity but also enhance economic resilience and inclusive growth.

2.1. Public Debt Service

9. Under the Supplementary Estimates No. III for FY 2024/25, public debt service expenses are projected to amount to Kshs. 1.76 trillion or 88 percent of the Consolidated Fund Services (CFS). This indicates a significant reduction of Kshs. 298.28 billion (14 percent) from the Kshs. 2.04 trillion in the Supplementary Budget No. II. The decrease is driven by Kshs. 301.37 billion reduction in debt redemption, slightly offset by an increase in interest payment by Kshs. 6.09 billion.

a) Domestic Debt Service

10. Domestic debt service under the Supplementary Estimates No. III is projected at Kshs. 1.15 trillion, representing a Kshs. 185.26 billion reduction from Kshs. 1.33 trillion as indicated in Supplementary Budget No. II. The decrease stems from the following:

- i. Domestic Debt redemption payments: This is projected to decline by Kshs. 186.5 billion from Kshs. 569.9 billion to Kshs. 383.4 billion. This is driven by:
 - a) a reduction of Kshs. 184.2 billion in the provision made to cover any shortfall in the redemption of Treasury Bills, from Kshs. 200 billion to Kshs. 15.89 billion; and,
 - b) a Kshs. 2.5 billion reduction in redemption payments due to IMF- on lent loans, from Kshs. 10 billion to Kshs 7.5 billion. This is however partly offset by an increase of Kshs. 150.3 million for a 9-year bond (IFB1/2020/9) that was due in April 2025.
- ii. Domestic interest payments: This is projected to increase by Kshs. 1.2 billion—from Kshs. 767.2 billion to Kshs. 768.5 billion, due to increased interest expenditure for one treasury bond - the FXD1/2022/15 worth Kshs. 85.93 billion whose interest rate increased by Kshs. 10.76 billion to Kshs. 11.99 billion.

b) External Debt Service.

11. External debt service is projected to decline by Kshs. 110 billion—from Kshs. 704.9 billion to Kshs. 594.9 billion. The change is as a result of the following:

- i. External debt redemption payments: This is projected to decline by Kshs. 114.87 billion (or 24% reduction) to Kshs. 361.5 billion from Kshs. 476.4 billion in the Supplementary Budget No. II. This decline is solely attributed to liability management targeting the Trade Development Bank Syndicated Loan of which the amount due, Kshs. 173.8 billion, will decline to Kshs. 58.97 billion.
- ii. External Interest payments: This is projected to increase to Kshs. 233.37 billion. This is an increase of Kshs. 4.85 billion from Kshs. 228.52 billion under Supplementary Budget No. II. This increase is attributable to increases in interest expenditures for loans due to the International Bank for Reconstruction and Development (by Kshs. 2.28 billion) and Trade Development Bank Syndicated loan (Kshs. 2.57 billion).

2.2. Pensions, Salaries, Allowances & other Miscellaneous Expenditures

12. Under the Supplementary Estimates No. III for FY 2024/25, there is no change instituted to the allocation for pensions, salaries and allowances for constitutional and independent office holders, and other miscellaneous expenditures. Cumulatively, these expenditures will remain at Kshs. 246.97 billion.

3) COMMITTEE OBSERVATIONS

13. Arising from the consideration of the estimates, the Committee made the following pertinent observations, **THAT**:

1. Although the Consolidated Fund Services (CFS) expenditures have decreased in the third supplementary estimates for FY 2024/25, they still pose a risk of crowding out other critical expenditures, particularly development spending. Notably, development expenditure has dropped from Kshs. 746.34 billion in the Approved Budget to Kshs. 597.46 billion in Supplementary No. III. To promote economic growth and ensure long-term debt sustainability, it is essential to uphold fiscal responsibility by allocating at least 30 percent of the budget to development expenditure.
2. The reduction in external debt redemption payments is mainly due to liability management measures targeting the Trade Development Bank Syndicated Loan. The repayment obligation has been reduced from Kshs. 173.8 billion to Kshs. 58.97 billion. A similar trend is reflected in the projected CFS expenditures for FY 2025/26.
3. While liability management operations have the potential to create meaningful fiscal space, their effectiveness is limited due to the absence of a formal policy framework. As a result, these operations are not strategically implemented to deliver sustained medium-term fiscal relief.
4. If well-structured, liability management initiatives can generate long-term fiscal space, enabling increased investment and development spending—both essential for driving economic growth and enhancing public debt sustainability.

4) COMMITTEE RECOMMENDATION

14. The Committee therefore recommends as follows, **THAT**:

1. The National Treasury should, within 60 days of the adoption of this report, develop and publish a comprehensive National Liability Management Policy. The policy should articulate clear guidelines and measurable targets aimed at reducing the debt service burden and enhancing fiscal space.

SIGNED

.....
HON. NJOKI IRENE MREMBO, MP.
VICE-CHAIRPERSON, PUBLIC DEBT & PRIVATIZATION COMMITTEE

24 / 6 / 2025

DATE

DATE: 24 JUN 2025

DAY.

TABLED
BY:
CLERK-AT
THE-TABLE:



REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

13TH PARLIAMENT – (FOURTH SESSION)

MINUTES OF THE 19TH SITTING OF THE SELECT COMMITTEE ON PUBLIC DEBT AND PRIVATIZATION, HELD ON 24TH JUNE 2025, AT 11.30 AM, IN COMMITTEE ROOM 20, 3RD FLOOR BUNGE TOWER, PARLIAMENT BUILDINGS.

MEMBERS OF PARLIAMENT PRESENT.

1. **Hon. Mrembo, Irene Njoki- M.P.** **-Vice- Chairperson.**
2. Hon. (Dr.) Irene Kasalu, M.P
3. Hon. Kwenya, Thuku Zachary, M.P
4. Hon. Muiruri Muthama Stanley, M.P
5. Hon. Joseph Makilap, M.P
6. Hon. Aden Daud, EBS. M.P
7. Hon. (Dr.) Daniel Manduku, M.P
8. Hon. CPA. Suleka H. Harun, M.P
9. Hon. Barongo, Nolfason Obadiah, M.P.

MEMBERS OF PARLIAMENT ABSENT WITH APOLOGY

1. **Hon. Abdi Shurie M.P.** **– Committee Chairperson**
2. Hon. Omboko Milemba, M.P
3. Hon. Letipila, Dominic Eli, M.P
4. Hon. Kirwa, Abraham Kipsang, M.P
5. Hon. Abdi, Ali, Abdi, M.P.
6. Hon. Chege Njuguna M.P

THE COMMITTEE SECRETARIAT

1. Mr. Chacha Machage - Clerk Assistant / Senior Fiscal Analyst
2. Mr. Job Mugalavai - Clerk Assistant / Fiscal Analyst II
3. Ms. Edith Chepngeno - Media Relations Officer III
4. Mr. Danton Nirvana - Audio Officer III
5. Ms. Mwanasha Juma - Sergeant at Arms.

MIN/NO.NA/PDPC/2025/019/001: PRELIMINARIES

The Vice -Chairperson of the Committee Hon. Mrembo, Irene Njoki- M.P, called the meeting to order at 11.30 a.m. and requested Hon. (Dr.) Daniel Manduku, M.P to lead the committee in opening prayers. Afterwards, the Chairperson invited the Committee members and the secretariat to introduce themselves.

MIN/NO.NA/PDPC/2025/019/002: ADOPTION OF THE AGENDA.

The Agenda of the Committee was adopted having been Proposed by Hon. Aden Daud, EBS. M.P and Seconded by the Hon. Joseph Makilap, M.P.

MIN/NO.NA/PDPC/2025/019/003: CONSIDERATION AND ADOPTION OF THE REPORT ON THE EXPENDITURES OF THE CONSOLIDATED FUND SERVICES UNDER THE SUPPLEMENTARY ESTIMATES NO. III FOR FY 2024/25.

COMMITTEE OBSERVATIONS:

Having Considered submissions on the Expenditures of the the Consolidated Fund Services under the Supplementary Estimates no. III for FY 2024/25 the Committee made the below observations.

1. Although the Consolidated Fund Services (CFS) expenditures have decreased in the third supplementary estimates for FY 2024/25, they still pose a risk of crowding out other critical expenditures, particularly development spending. Notably, development expenditure has dropped from Kshs. 746.34 billion in the Approved Budget to Kshs. 597.46 billion in Supplementary No. III. To promote economic growth and ensure long-term debt sustainability, it is essential to uphold fiscal responsibility by allocating at least 30 percent of the budget to development expenditure.
2. The reduction in external debt redemption payments is mainly due to liability management measures targeting the Trade Development Bank Syndicated Loan. The repayment obligation has been reduced from Kshs. 173.8 billion to Kshs. 58.97 billion. A similar trend is reflected in the projected CFS expenditures for FY 2025/26.
3. While liability management operations have the potential to create meaningful fiscal space, their effectiveness is limited due to the absence of a formal policy framework. As a result, these operations are not strategically implemented to deliver sustained medium-term fiscal relief.
4. If well-structured, liability management initiatives can generate long-term fiscal space, enabling increased investment and development spending—both essential for driving economic growth and enhancing public debt sustainability.

COMMITTEE RECOMMENDATIONS:

The Committee made the below recommendations:

1. In The National Treasury should, within 60 days of the adoption of this report, develop and publish a comprehensive National Liability Management Policy. The policy should articulate clear guidelines and measurable targets aimed at reducing the debt service burden and enhancing fiscal space.


MIN/NO.NA/PDPC/2025/019/004: ADOPTION OF THE REPORT

1. The report on the consideration of the Expenditures of the the Consolidated Fund Services under the Supplementary Estimates no. III for FY 2024/25 were adopted by the Committee having been proposed by Hon. Adeb Daud, EBS, M.P and seconded by Hon. Hon. CPA. Suleka H. Harun, M.P
2. Minutes of the 19th sitting held on 24th June 2025 at 11.30 am in Committee Room 20, 3rd Floor, Bunge Tower, Parliament Buildings were confirmed as a true recording of the proceedings having been proposed by Hon. Joseph Makilap, M.P. and seconded by Hon. (Dr.) Irene Kasalu, M.P

MIN/NO.NA/PDPC/2025/019/005: ADJOURNMENT

There being no other business, the meeting was adjourned at 12.30 P.M. The next meeting will be communicated in due course.

DATE.....24/6/2025.....

SIGNED..........

HON. NJOKI IRENE MREMBO, MP.

(VICE-CHAIRPERSON, PUBLIC DEBT & PRIVATIZATION COMMITTEE)



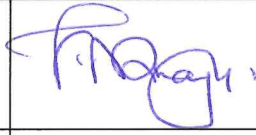
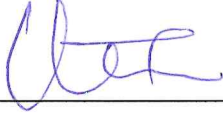

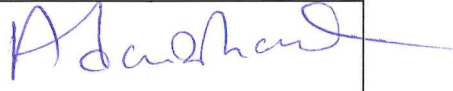

REPUBLIC OF KENYA
13TH PARLIAMENT
NATIONAL ASSEMBLY – FOURTH SESSION - 2025

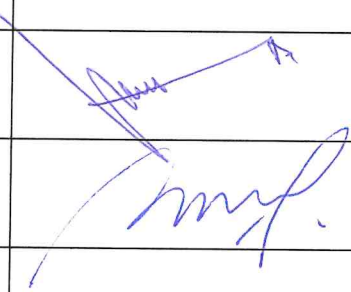
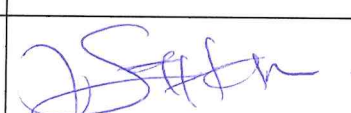
PUBLIC DEBT AND PRIVATIZATION COMMITTEE MEMBERS.

ADOPTION SCHEDULE

**REPORT ON THE EXPENDITURES OF THE CONSOLIDATED FUND
SERVICES UNDER THE SUPPLEMENTARY ESTIMATES NO. III
FOR FY 2024/25**

DATE 24/6/2025 TIME 11:30 AM SITTING NO: 19
VENUE 3RD FLOOR - BUNGLE TOWER, ROOM NO: 20.

No	NAME	SIGNATURE
1.	The. Hon. Abdi Shurie, M.P – Chairperson	
2.	The. Hon. Mrembo, Irene Njoki, M.P. – Vice-Chairperson	
3.	The. Hon. Omboko Milemba, CBS, M.P.	
4.	The. Hon. (Dr). Irene Kasalu, M.P.	
5.	The. Hon. Kwenya, Thuku Zachary, M.P.	
6.	The. Hon. Muiruri, Muthama Stanley, M.P.	
7.	The. Hon. Abdi, Abdi Ali, M.P.	
8.	The. Hon. Aden Daud, EBS. M.P	
9.	The. Hon. Barongo, Nolfason Obadiah, M.P.	

10.	The. Hon. Chege Njuguna, M.P.	
11.	The. Hon. (Dr) Daniel Manduku, M.P.	
12.	The. Hon. Kipkoros, Joseph Makilap, M.P.	
13.	The. Hon. Kirwa, Abraham Kipsang, M.P.	
14	The. Hon. Letipila, Dominic Eli, M.P.	
15	The. Hon. (CPA) Suleka H. Harun, M.P.	

Committee Clerk

Date Signature

