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**REPUBLIC OF KENYA**

**THE NATIONAL TREASURY**

**MEDIUM TERM**

**2026 BUDGET POLICY  
STATEMENT**

**ACCELERATING GAINS UNDER THE BOTTOM-UP  
ECONOMIC TRANSFORMATION AGENDA FOR  
INCLUSIVE AND SUSTAINABLE GROWTH**

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
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<b>TABLED BY:</b>	Hon. Kimani Ichung'uah, EGH (Leader of the Majority Party)
<b>CLERK-AT-TABLE:</b>	Moses Korode

**FEBRUARY 2026**

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## Foreword

The 2026 Budget Policy Statement, the fourth to be prepared under the Kenya Kwanza Administration, sets out the Government's policy priorities, fiscal strategy, and medium-term programme implementation framework. Building on the strong foundations established over the past three years, the Statement consolidates progress achieved in implementing the Bottom-Up Economic Transformation Agenda (BETA), the Administration's flagship economic strategy aligned to the Fourth Medium Term Plan of Vision 2030. BETA is anchored on unlocking productivity and incomes at the base of the economy through a value-chain-driven allocation of public resources, ensuring that limited fiscal space is deployed where it yields the highest impact in job creation, income growth, and expanded economic participation. Notable progress has been recorded across the five core pillars of agriculture transformation, Micro, Small and Medium Enterprises' (MSMEs) development, housing and settlement, universal healthcare, and the digital superhighway, alongside key enablers such as energy, transport, logistics, and climate-resilient infrastructure. Collectively, these interventions have contributed to macroeconomic stabilization, improved livelihoods, and strengthened the foundations for a broad-based recovery.

With these gains now firmly established, the Government is transitioning into a more targeted phase of transformation focused on scaling capital, talent, technology, and infrastructure as the principal drivers of Kenya's next growth frontier. Over the medium term, policy emphasis will be placed on: i) scaling up investment in people through education, skills development, scientific training, and innovation; ii) transforming the economy from a net importer to a net exporter of goods and services, with particular emphasis on agricultural and manufactured products; iii) ensuring abundant, reliable, and affordable energy, the lifeblood of a modern economy; and iv), developing efficient transport and logistics infrastructure to connect markets, lower the cost of doing business, and reinforce Kenya as the aviation and commercial hub of East and Central Africa. To sustainably finance this transformation agenda, the Government has approved the establishment of the National Infrastructure Fund and the Sovereign Wealth Fund. Together, these instruments are expected to mobilize KSh 5 trillion through domestic resources, monetization of public assets and crowding-in of private capital, leveraging up to KSh 10 for every shilling invested. Importantly, privatization proceeds will be ring-fenced to support priority investments in food security, infrastructure expansion and energy-driven industrialisation. These initiatives will be implemented alongside continued investments in agriculture, MSMEs, housing, health, and other BETA pillars to ensure that growth remains inclusive, sustainable, and firmly anchored on job creation.

The 2026 BPS is prepared against a backdrop of a resilient yet uncertain global economic environment. Global growth is projected at 3.3 percent in 2026, moderating slightly to 3.2 percent in 2027, reflecting elevated trade policy uncertainty, tighter financial conditions, and persistent geopolitical tensions that continue to weigh on global economic activity. Notwithstanding the challenging external environment, Kenya's economy has demonstrated remarkable resilience, consistently outperforming global and regional averages over the past three years. This performance reflects deliberate Government policy interventions and the strength of the country's diversified economic base. Growth momentum was sustained in 2025, with the economy expanding by 4.9 percent, 5.0 percent, and 4.9 percent in the first, second, and third quarters respectively, driven by a robust agricultural sector, recovery in industry, and continued dynamism in services. The macroeconomic outlook remains positive, with GDP growth projected at 5.0 percent in 2025 and 5.3 percent in 2026, underpinned by favourable

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weather conditions, improved agricultural productivity, increased climate-smart investments, and the sustained implementation of BETA interventions.

In the context of this evolving macroeconomic environment, the Government will continue to pursue a prudent fiscal strategy that reinforces macroeconomic stability while safeguarding priority development spending. Medium-term fiscal consolidation will be anchored on sustainable domestic revenue mobilization through targeted tax policy and administrative reforms, rationalization of non-essential expenditure, strengthened expenditure control and improved spending efficiency. To enhance the effectiveness and fairness of revenue collection, the Kenya Revenue Authority will implement targeted administrative and policy reforms aimed at improving tax compliance, including among the self-employed, broadening the tax base, and strengthening the integrity of the tax system. The reforms will focus on improving income visibility, applying risk-based and proportionate enforcement, simplifying compliance for small and medium taxpayers, and strengthening oversight in higher-risk segments. Collectively, these measures will ensure that tax obligations reflect economic activity across all sectors, support sustainable domestic revenue mobilization, and safeguard efficiency and predictability in tax administration. On the expenditure side, the Government accelerate reforms to improve expenditure control and spending efficiency. Key measures will include: the full operationalization of e-procurement systems; automation of public investment management processes; digitization of pension, payroll, and human resource management systems; accelerated transition toward accrual accounting; implementation of the Treasury Single Account; adoption of Zero-Based Budgeting principles, use of PPPs for commercially viable projects; and implementation of State-Owned Enterprises' reforms, including privatization, partial divestiture, and strategic partnerships.

Given the constrained fiscal space, prioritisation of expenditure will remain essential. Ministries, Departments, and Agencies (MDAs), together with Sector Working Groups (SWGs), will be required to re-examine all existing and proposed programmes, eliminate low-impact activities, and ensure that resource allocation focuses on high-priority, high-return interventions that drive inclusive growth, create jobs, expand export capacity, and strengthen resilience. All budget proposals for FY 2026/27 and the medium term must be firmly aligned to the BETA value chain approach and the Government's strategic shift toward capital, talent, technology, and infrastructure.

The National Treasury expresses its appreciation to all Ministries, Departments and Agencies, Sector Working Groups, County Governments, Constitutional Commissions and Independent Offices, development partners, private sector stakeholders, and non-state actors for their valuable contributions to the preparation of this Statement. Their continued collaboration remains essential in ensuring that the national budget reflects the country's development priorities, strengthens accountability, and enhances the effectiveness of public resource use.



**HON. FCPA JOHN MBADI NG'ONGO, EGH**  
**CABINET SECRETARY**

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## Acknowledgement

The 2026 Budget Policy Statement (BPS) is prepared in compliance with the provisions of the Public Finance Management Act, CAP 412A. It outlines the strategic priorities of the Government, presents the current state of the economy, and provides medium-term macroeconomic and fiscal projections together with expenditure ceilings for the National Government for the FY 2026/27, as well as fiscal responsibility principles and financial objectives over the medium term. The Statement aims to enhance public understanding of Kenya's public finances and to guide informed dialogue on economic and development issues.

Budget execution progressed well during the first half of the FY 2025/26. However, execution has been constrained by a combination of factors, including slower-than-anticipated adoption of the e-procurement system, revenue underperformance, and emerging expenditures pressures. By end-December 2025, ordinary revenue collected that amounted to KSh 1,236.5 billion was below target by KSh 115.3 billion. All ordinary revenue categories except import duty recorded below target performance during the period under review. In order to safeguard budget implementation while maintaining fiscal consolidation path, the Government has revised the fiscal projections for the FY 2025/26. The process has accommodated emerging revenue shortfalls and critical additional expenditure requirements.

Looking ahead, the Government's fiscal policy for FY 2026/27 and the medium term remains anchored on a growth-supportive fiscal consolidation strategy. The strategy also emphasizes prudent management of public debt, strengthening of debt sustainability, and advancement of initiatives under the Bottom-Up Economic Transformation Agenda (BETA), including human capital development, agricultural transformation, energy, and transport and logistics. To realize these objectives, the fiscal consolidation strategy prioritizes revenue mobilization, expenditure optimization, and protection of essential programs and social interventions. Alongside efforts to broaden the Personal Income Tax base, the Government will continue to implement data-driven and risk-based tax administration reforms to improve income visibility, strengthen compliance, and promote fairness across the tax system. These measures will ensure that tax obligations reflect economic substance rather than form, while supporting sustainable domestic revenue mobilization without increasing the burden on compliant taxpayers.

The preparation of this BPS has been a collaborative effort, drawing on inputs from Ministries, Departments, and Agencies (MDAs), Sector Working Groups, County Governments, Constitutional Commissions, Independent Offices, Development Partners, private sector actors, and non-state stakeholders. We are also grateful for the inputs we received while preparing this document from the Macro Working Group; stakeholders and the general public during the Public Sector Hearings from 19<sup>th</sup> to 21<sup>st</sup> November 2025. Their contributions have been invaluable in ensuring that the Statement reflects national priorities, strengthens accountability, and promotes effective use of public resources. The National Treasury extends its appreciation to all involved, particularly the dedicated team that meticulously compiled this document.



**DR. CHRIS KIPTOO, CBS**  
**PRINCIPAL SECRETARY/THE NATIONAL TREASURY**

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## *About the Budget Policy Statement*

The Budget Policy Statement (BPS) is a Government policy document that sets out the broad strategic priorities and policy goals to guide the National Government and the County Governments in preparing their budgets for the subsequent financial year and over the medium term. In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, CAP 412A.

Section 25 of the PFM Act, CAP 412A, provides that the National Treasury shall prepare and submit to the Cabinet the BPS for approval. Subsequently, the approved BPS is submitted to the Parliament, by the 15<sup>th</sup> of February each year. Parliament shall, not later than 14 days after the BPS is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The Cabinet Secretary, the National Treasury shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2026/27 and the medium term.

The 2026 Budget Policy Statement contains:

- (a) an assessment of the current state of the economy, including macroeconomic forecasts as well as the priorities of the Government current pillars of growth and strategic directions;
- (b) the financial outlook with respect to Government revenue, expenditures and borrowing for the next financial year and over the medium term;
- (c) the proposed expenditure ceilings for the National Government, including those of Parliament and the Judiciary and indicative transfers to County Governments;
- (d) the fiscal responsibility principles and financial objectives over the medium-term including limits on total annual debt; and
- (e) Statement of Specific Fiscal Risks.

The preparation of the 2026 BPS was a consultative process that involves seeking and taking into account the current Government priorities and challenges in economic management and the views of: The Commission on Revenue Allocation; County Governments; Controller of Budget; Parliamentary Service Commission; Judicial Service Commission; Ministries, Departments and Agencies; the public and any other interested persons or groups.

## I. ACCELERATING GAINS UNDER THE BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE AND SUSTAINABLE GROWTH

### 1.1 Overview

1. The 2026 Budget Policy Statement (BPS) is the fourth to be prepared under the Kenya Kwanza Administration since assuming office in September 2022. It sets out the Government priority policies, programmes and interventions to be implemented in the FY 2026/27 and over the medium term. The 2026 BPS also outlines the progress made in delivering the Bottom-Up Economic Transformation Agenda (BETA) over the past three years. BETA serves as the Government's overarching framework for driving economic turnaround through the value chain approach and is aligned with the Fourth Medium Term Plan of the Kenya Vision 2030, and are designed to promote inclusive growth by: i) bringing further down the cost of living; ii) ensuring food security; iii) creating jobs; iv) expanding the tax base; v) improving foreign exchange balances; and vi) fostering high and inclusive growth.

2. Despite constrained fiscal resources, the Government has achieved notable progress across the core pillars and enablers of BETA, including revenue administration, expenditure management, governance, digital transformation, education quality reforms, social protection, MSME financing, agricultural commercialization, and infrastructure expansion. Ongoing efforts to streamline PFM systems, strengthen debt transparency, and realign public spending remain central to sustaining macroeconomic stability. Overall, BETA has strengthened inclusive growth, job creation, financial and digital inclusion, healthcare access, affordable housing, and national competitiveness.

3. Over the medium term, the Government will consolidate the gains realized under BETA through a value chain approach, to scale their impact, bridge urban-rural divides and ensure sustainable bottom-up transformation. This will be supported by a 'Whole-of Government-Approach' to service delivery. In this respect, special emphasis will be placed on:

- i) **Agricultural Transformation:** The Government will prioritize enhancing food security, promoting crop diversification, and modernizing agricultural value chains through County Aggregation and Industrial Parks. Strengthening extension services, improving livestock productivity and disease control, and expanding agricultural insurance schemes are central to building climate resilience and ensuring sustainable farmer incomes.
- ii) **MSME Economy:** Key policy priorities will include expanding access to affordable credit through the Hustler Fund and Credit Guarantee Scheme, streamlining regulations to promote enterprise formalization, establishing MSME Development Hubs across all counties, and empowering youth through the NYOTA programme. NYOTA beneficiaries will be linked to MSEA institutions, including CIDCs, Enterprise Development Centres, and the Kariobangi Centre of Excellence, to support incubation, mentorship, market linkages, and access to affordable workspaces and common user facilities. Government will also modernize CIDCs and worksites into technology-driven enterprise and innovation centres to accelerate grassroots economic development. Strengthening cooperatives and market linkages will further support value addition and inclusive participation.
- iii) **Healthcare:** The focus will be on achieving Universal Health Coverage through integrated Primary Healthcare Networks, expansion of community health services, and deployment of sufficient medical personnel. Sustainable financing mechanisms, digital health platforms, improved medicine supply chains, and patient safety initiatives are central to ensuring equitable access to quality healthcare services.

- iv) Housing and Settlement: Policy priorities will emphasize affordable housing delivery, upgrading informal settlements, and promoting planned rural and urban settlements. Expanding housing finance, supporting housing cooperatives, implementing climate-resilient designs, and improving market infrastructure are key to increasing homeownership, stimulating job creation, and fostering inclusive urban development.
  - v) Digital Superhighway and Creative Economy: The Government will continue to expand nationwide digital connectivity through fiber networks, public Wi-Fi, and digital hubs while building digital skills among youth. Full digitization of government services, robust cyber-security, and support for the creative economy including film, music, arts, and digital content are prioritized to drive innovation, youth employment, and economic diversification.
4. The Government will further implement the following interventions to support and accelerate economic transformation for improved livelihoods:
- i) Continue to uphold macroeconomic stability and strengthen governance, peace, and security to ensure a safe and supportive business environment;
  - ii) Enhance fiscal management by expanding domestic revenue through policy and administrative reforms, enhancing efficiency, accountability, and value for money in public spending, and managing public debt prudently to remain within statutory limits;
  - iii) Accelerate the development of key infrastructure including roads, railway, energy and water systems to lower the cost of doing business, and ease the movement of people and goods;
  - iv) Boost investment in key economic sectors to drive broad based sustainable growth by advancing agricultural transformation, strengthening manufacturing, promoting environmental conservation and climate change mitigation, revitalizing tourism, and ensuring sustainable land use and management;
  - v) Strengthen human capital development by increasing investment in health, education, and targeted social safety nets for vulnerable populations to achieve desirable social and economic outcomes;
  - vi) Promote empowerment of youth, women and persons living with disability through Government funded programs complemented by strategic partnerships with private sector organizations;
  - vii) Facilitate fiscal decentralization by allocating sharable revenues to County Governments to bolster institutional capacity and improve service delivery; and
  - viii) Undertake policy, legal and institutional reforms to improve efficiency and effectiveness in public service delivery.
5. Having reflected on the achievements of the past three years under BETA, the Government's next phase of transformation will focus on: i) scaling up investment in people through education, skills development, scientific training, and innovation; ii) transforming the economy from a net importer to a net exporter of goods and services, with particular emphasis on agricultural and manufactured products; iii) ensuring abundant, reliable, and affordable energy, the lifeblood of a modern economy; and iv), developing efficient transport and logistics infrastructure to connect markets, lower the cost of doing business, and reinforce Kenya as the aviation and commercial hub of East and Central Africa. This roadmap prioritizes long-term industrial planning, large-scale investments in people, expansion of productive capacity, and strategic infrastructure systems to position Kenya for accelerated and sustainable growth.
6. To finance Kenya's transformation, the Government has approved the establishment of the National Infrastructure Fund and the Sovereign Wealth Fund agenda, which will mobilise KSh

5 trillion through domestic resources, monetisation of public assets and crowding in private capital leveraging up to KSh 10 for every shilling invested, while ring-fencing privatisation proceeds for food security, infrastructure expansion and energy-driven industrialisation.

## 1.2 Implementation of the Bottom-Up Economic Transformation Agenda

7. The Government continues to consolidate and accelerate implementation of the Bottom-Up Economic Transformation Agenda through strategic investments across five core pillars. These pillars constitute the foundation for achieving inclusive prosperity, job creation, and sustainable economic transformation, with interventions directly impacting households at the base of the economic pyramid. The five core pillars: Agricultural Transformation; Micro, Small and Medium Enterprises (MSME) Economy; Digital Superhighway and Creative Economy; Healthcare; and Housing and Settlement, represent integrated pathways through which the Government seeks to drive economic growth, expand opportunities, and enhance social welfare across the country.

### 1.2.1 Agricultural Transformation for Inclusive Green Growth

8. Agriculture remains a core pillar of the Bottom-Up Economic Transformation Agenda (BETA) and a key driver of sustainable and inclusive growth. The sector supports more than two-thirds of Kenyan households and possesses one of the highest employment multiplier effects, particularly for economically marginalized groups. For these reasons, the Government has over the past three years implemented targeted reforms to modernize agriculture, improve access to inputs, enhance agricultural productivity, strengthen land administration, ensure food security, and enhance farmers' income. Key achievements include expansion of KIAMIS farmer registration from zero to 7.1 million farmers; implementation of the fertilizer subsidy programme reaching 3.15 million farmers and reducing fertilizer prices by 62 percent from KSh 6,500 to KSh 2,500 per bag; scaled-up artificial insemination services reaching over 1 million livestock; and accelerated digitization of land records through Ardhi Sasa, resulting in the issuance of over 1 million title deeds and digitization of 3 million land parcels. In addition, the Government will prioritize smallholder aggregation through cooperative and value chain-based enterprise models to strengthen participation of MSMEs in agribusiness across production, aggregation, processing, and marketing segments.

9. These reforms have translated into significant production gains across key value chains. Maize output increased by 95 percent from 34 million bags in 2022 to 67 million bags in 2024, with production projected to reach 70 million bags in 2025. National milk production exceeded 5 billion litres annually, rising further to 5.3 billion litres by 2025. Tea production reached 598.47 million kilograms in 2025, with earnings increasing by 56 percent from KSh 138 billion in 2022 to KSh 215 billion. Coffee acreage expanded by 5.6 percent to 115,500 hectares, while average cherry prices increased by 52 percent to KSh 120 per kilogram. Between 2022 and 2025, sugar production increased by 76 percent to over 815,000 metric tonnes, rice production grew by 65 percent to 293,950 metric tonnes, and cotton cultivation expanded by 89.6 percent to 40,697 hectares. Improved agricultural productivity has strengthened food security, stabilized market supplies, and eased cost-of-living pressures for households. The wholesale average price of maize declined by 24.5 percent from KSh 4,729 per bag in 2022 to KSh 3,568 per bag in 2024, contributing to lower food inflation and enhanced household welfare.

10. In FY 2026/27 and over the medium term, the Government will sustain and deepen the fertilizer subsidy programme to consolidate gains already achieved. The programme will avail 2.3 million metric tonnes of assorted fertilizer and 40,000 metric tonnes of agricultural lime to 4.4 million smallholder farmers nationwide. This intervention addresses persistent soil fertility constraints while making critical inputs affordable to resource-constrained farmers, thereby

boosting productivity and food security. To ensure effective implementation, continuous farmer registration under the Kenya Integrated Agriculture Management Information System (KIAMIS) will be strengthened to enhance accurate targeting and eliminate leakages. Resources will support the integration of soil sampling data into KIAMIS to enable precision agriculture and optimize fertilizer application based on soil-specific nutrient requirements. The Government will expand soil health services to guide appropriate fertilizer use, scale up geo-location of redemption centres to strengthen last-mile delivery, and invest in e-voucher technology and mobile connectivity to enhance efficiency. Over time, the framework will be refined to increase private agro-dealer participation through competitive e-voucher redemption systems that enhance farmer choice and market efficiency, alongside strengthened monitoring, evaluation, and anti-corruption safeguards to protect programme integrity. In parallel, agricultural financing programmes will be aligned to local production realities to enhance accessibility, including review of eligibility criteria and collateral frameworks for Government-supported credit schemes.

11. To accelerate the transformation of large-scale irrigated agriculture as a strategic pillar of national food security and economic growth, the Government will operationalize the Galana Kulalu Food Security Project. The Project, gazetted in 2025 as a Special Economic Zone (SEZ), prioritizes the attraction of private investment, expansion of irrigated acreage to 6,400 acres by June 2026, and fast-tracking of critical infrastructure to support modern, climate-resilient farming systems. Over the medium term, the Government will undertake construction of a major dam to enable irrigation of up to 200,000 acres, with the objective of producing an estimated 14 million bags of maize annually, sufficient to eliminate the national maize deficit, stabilize food prices, reduce import dependence, and conserve foreign exchange. The project will also promote agro-industrial development, create employment opportunities, and stimulate inclusive economic growth in Kilifi, Tana River, and across the country. To complement large-scale irrigation, the Government will promote block farming models to enable aggregation of small and fragmented land holdings, improve mechanization efficiency, and enhance youth participation in agriculture, particularly for those without access to individual land ownership.

12. Recognizing that climate variability and market risks pose significant threats to agricultural livelihoods, the Government will expand agricultural insurance coverage across the country. The scheme will cover strategic crops, including maize, potato, wheat, and green grams, providing protection against weather-related shocks and market price volatility. In addition, the Government will expand and progressively nationalize strategic market support systems, including warehouse receipt systems, across priority crops and regions to strengthen structured markets, reduce post-harvest losses, improve access to credit using stored produce as collateral, and support transition from subsistence to commercially oriented farming.

13. To promote crop diversification and strengthen high-value agricultural value chains, the Government targets the distribution of 3.5 million assorted fruit tree seedlings nationwide, including date palms for ASAL regions. This includes 2.5 million avocado seedlings, 800,000 coffee seedlings, 120,000 macadamia seedlings, 30,000 coconut seedlings, and 25,000 cashew nut seedlings. These measures support a transition toward higher-value crops that generate increased farmer incomes while expanding Kenya's agricultural export base. In addition, to support industrial crop expansion and downstream processing, the Government will produce 95 metric tonnes of edible oil, 22.6 metric tonnes of cotton seed, and 2.25 million palm oil seedlings, strengthening domestic agro-processing capacity and reducing reliance on imported industrial raw materials.

14. To enhance livestock productivity and disease control, the Government will produce and distribute 3.3 million straws of bull semen and 210,000 straws of goat semen to support genetic improvement programmes. In parallel, 22.7 million cattle will be vaccinated against Foot and Mouth Disease to protect livestock assets and sustain market access. To safeguard milk quality

and public health, 12,320 milk handling premises will be inspected and certified, and 306,375 milk samples will be tested nationwide. In addition, the Government will promote livestock identification and traceability systems to enhance quality assurance, food safety, and market confidence for both domestic and export markets. To support value addition and export growth, investments will be directed toward expanded meat, dairy, and leather processing infrastructure, as well as inspection and certification systems to facilitate access to regional and international markets. These measures, supported by regulatory reforms, agricultural insurance schemes, trade facilitation initiatives, and increased private sector participation, aim to improve competitiveness, expand export volumes, and increase foreign exchange earnings from the livestock sector.

## 1.2.2 Transforming the Micro, Small and Medium Enterprise (MSME) Economy

15. The Micro, Small and Medium Enterprises (MSME) sector remains the backbone of Kenya's economy, accounting for 98 percent of all businesses, providing 84 percent of total employment (approximately 14.9 million jobs), and contributing 40 percent to GDP. The sector spans informal home-based enterprises, artisans, mechanics, tailors, carpenters, fabricators, and medium-sized formal enterprises. Despite this central role, MSMEs face structural constraints, including limited access to affordable credit, punitive collateral requirements, high interest rates averaging 18 percent, restrictive licensing frameworks, inadequate infrastructure, weak market linkages, and low technical and managerial capacity. To address market access and financing constraints, the Government will strengthen cooperative development across sectors to serve as primary production, aggregation, marketing, and financial intermediation platforms for MSMEs.

16. The Government is addressing these constraints through an integrated approach encompassing financial inclusion, regulatory reforms, infrastructure development, market access facilitation, and enterprise capacity building. To create a more conducive business environment, the Government prioritizes the review of the Micro and Small Enterprises Act to streamline regulatory requirements and reduce barriers to formalization. In addition, the Government will progressively nationalize one-stop MSME formalization services to enhance convenience, reduce compliance costs, and improve accessibility for enterprises across all counties.

17. To deepen financial inclusion and provide affordable credit to Micro, Small and Medium Enterprises (MSMEs), the Government remains focused on scaling up the Hustler Fund to disburse KSh 100 billion, reaching 30 million Kenyans including informal sector workers, small traders, and entrepreneurs who have historically been excluded from formal financial services. As part of this process, the Government disbursed KSh 72 billion through the Financial Inclusion Fund and KSh 4.86 billion in industrial credit via Stawi and Inua Biashara between 2022 and 2025, creating thousands of jobs in manufacturing and value-added agricultural processing. Complementing this, the Credit Guarantee Scheme will be expanded to facilitate KSh 50 billion in commercial bank lending to over 200,000 enterprises. By providing partial risk guarantees to financial institutions, the Scheme unlocks bank credit for MSMEs that possess viable business ideas but lack traditional collateral. The Government will strengthen linkages between Kenya Industrial Estates (KIE) financing products and the Credit Guarantee Scheme to enhance affordability and accelerate credit uptake by MSMEs. Further, NYOTA beneficiaries will be linked to complementary financial interventions including the Hustler Fund, Uwezo Fund, and KIE financing windows to support enterprise graduation and financial up-scaling.

18. In addition, to deepen financial inclusion among MSMEs, the Government launched the Women Entrepreneurs Finance Code in December 2025 and is implementing Kenya's National Financial Inclusion Strategy (2025–2028). The Strategy goes beyond expanding access to improve financial health and outcomes for MSMEs, women, youth, and rural populations. The Women Entrepreneurs Finance Code seeks to expand institutions working to close the financing gap for women entrepreneurs. Implementation of these initiatives is expected to consolidate

gains in the financial sector, leverage technology and stakeholder synergy, and support Government measures to transform the MSME economy. The Government will also develop MSME-specific financial products within the Hustler Fund framework and align public MSME financing programmes to evolving enterprise realities, including digitalization, green production standards, global value chain participation, and changing global market trends. In addition, linkages will be established between MSME financing programmes, including the Hustler Fund and KIE, and the national Warehouse Receipt System to support asset-backed lending, improve working capital access, and strengthen market integration.

19. To strengthen cooperative movements and enhance enterprise bargaining power, the Government will prioritize enactment of the Cooperative Societies Act and scale up targeted investments in cooperative value-addition infrastructure across agriculture, manufacturing, trade, and service sectors. Strategic investments will be made in value-addition infrastructure for dairy, cotton, and coffee cooperatives to enable producers to capture higher value along supply chains. To enhance access to business development support services, the Government will continue to establish MSME development hubs in all forty-seven counties. These hubs will offer entrepreneurs access to business mentorship, technical training, market intelligence, and linkages to both domestic and export markets. Through continuous capacity building initiatives and provision of decent workspaces, these hubs will enable MSMEs to transition from informal operations to competitive, formalized enterprises.

20. Significant progress has been made in the implementation of these interventions. Between 2022 and 2024, foreign direct investment tripled from USD 463 million to USD 1.5 billion. Over 300,000 new businesses were registered. As of December 2024, KSh 6.43 billion had been advanced to 4,198 MSMEs across the country through the Credit Guarantee Scheme, supporting 26,714 jobs. Business registration was reformed, reducing processing time from 14 days to 24 hours and costs from KSh 10,950 to KSh 5,000. The Women Enterprise Fund disbursed KSh 3.12 billion to 261,681 entrepreneurs with average loan size of KSh 11,942. Industrial skills training reached 251,077 individuals while over 500 new standards were developed. Over 50,000 MSMEs were registered and 174,165 community self-help groups formed.

### 1.2.3 Healthcare

21. Achieving Universal Health Coverage (UHC) remains a cornerstone of the Government's social policy under the Bottom-Up Economic Transformation Agenda BETA framework, aimed at ensuring equitable access to quality health services for all Kenyans. Over the medium term, the Government plans to complete enrolment of all eligible Kenyans in the Social Health Authority, targeting 35 million people. The Government also intends to expand Primary Healthcare Networks in all forty-seven counties, integrating community health units, health centers, and hospitals into coordinated systems that provide a continuum of care. These networks promote effective referrals and integrated community-based care. Infrastructure investments include construction of new health facilities, equipping existing facilities with modern medical equipment, and full rehabilitation of hospitals. To reduce dependence on overseas medical referrals, the Government will continue to prioritize establishing cancer treatment centers, cardiac catheterization laboratories, and renal dialysis centers providing Kenyans with advanced medical care within the country.

22. Community health services will be strengthened through expansion of the Community Health Promoter workforce to 120,000 CHPs receiving monthly stipends, ensuring at least two CHPs serve each community health unit. The Government remains focused on addressing unequal distribution of healthcare personnel through targeted recruitment and deployment strategies, with particular focus on underserved rural areas. These interventions will enhance human resource capacity across the health system.

23. To strengthen financial resilience and sustainability, the Government commits to implementing financing reforms through the Social Health Insurance Fund, Primary Healthcare Fund, and Emergency Chronic and Critical Illness Fund. Financial sustainability will be enhanced by retaining funds at the facility level and ring-fencing resources for Health Products and Technologies. These reforms will improve maternal and child health outcomes and enhance supply chain management systems.

24. Digitalization of health services is a central focus to improve efficiency, transparency, and coordination across facilities. The Government will continue to implement digital health systems including claims management, supply chain management, and integrated health information systems. These digital platforms will enhance service delivery coordination and strengthen accountability across the healthcare system.

25. Between 2022 and 2025, the Government implemented strategic interventions to strengthen primary healthcare, expand health infrastructure, improve service delivery, and ensure sustainable financing. A key achievement is the enrolment of over 27 million Kenyans in the Social Health Authority by 2025, representing more than 200 percent growth from fewer than 9 million under NHIF, with over 21 million entirely new members. The Government has also deployed 107,831 Community Health Promoters supporting 8.8 million households and established 228 Primary Care Networks, sponsored approximately 2.49 million vulnerable households; and established 228 Primary Healthcare Networks (PHCNs) across all 47 counties, out of a target of 315 networks. These networks integrate community health units, dispensaries, health centres, and hospitals, facilitating seamless referrals, continuity of care, and coordinated health service delivery. Disease control achievements include 89 percent tuberculosis treatment success, 80 percent immunization coverage, and 1.4 million people on antiretroviral therapy. Kenya BioVax Institute achieved 90 percent completion while KEMRI developed 638 research proposals and published 1,501 papers.

#### **1.2.4 Housing and Settlement**

26. The Affordable Housing Programme (AHP) is a central pillar of the Bottom-Up Economic Transformation Agenda (BETA), aimed at expanding access to decent and affordable housing for low- and middle-income households, reducing the national housing deficit, and stimulating broad-based economic growth through construction-led employment and industrial development. For this reason, the Government will continue to implement affordable, social and institutional housing programmes through diversified models including public-private partnerships, tenant purchase schemes, and social housing programs.

27. To support local construction capacity and reduce housing costs, the Government targets to establish 15 Constituency Appropriate Building Materials and Technologies (ABMTs) centres. These centres will promote use of locally-sourced, climate-appropriate building materials and provide technical training in modern construction methods. Additionally, 506 markets will be constructed to enhance commercial infrastructure and support local economic activities. The Government will further continue to support development of satellite cities and implement urban renewal programs in major urban areas to decongest existing urban centers and create planned, liveable communities with integrated infrastructure and amenities.

28. To increase access to housing finance the Government will: i) Scale up capitalization of the Housing Fund; ii) Expand the Boma Yangu affordable mortgage product; iii) Partner with financial institutions to provide long-term, low-interest mortgages; and iv) Disburse KSh 1 billion in rural housing loans to underserved areas. The Kenya Mortgage Refinance Company (KMRC) has been pivotal in this process, disbursing KSh 21.4 billion by August 2025, and unlocking over 4,500 affordable home loans across 39 counties. Reduced interest rates for refinanced mortgages (10 percent vs. commercial average of 16.2 percent in 2024) have made homeownership more affordable for low- and middle-income households.

29. Between 2022 and 2025, progress has been realized in provision of affordable houses under the Affordable Housing Programme. Currently, 214,057 housing units are under construction across all 47 counties, marking significant progress toward national housing objectives. Completed units include: 605 units in Bondeni; 1,080 units in Mukuru; 110 units in Homabay; and 390 institutional units across various counties. Ongoing projects include: 83,044 affordable units (32 percent completion); 44,803 social housing units (17 percent completion); and 11,527 institutional units (22 percent completion). To date, 1,189 units have been handed over to beneficiaries. Additional progress includes packaging 178,000 student beds for universities, TVETs, and KMTCs, with 74,000 under construction. Market infrastructure expansion includes: 44 markets completed (including 10 market sheds, 30 ESP markets, and 4 modern markets); 276 modern markets under development, with another 175 at early stages; and an additional 34 modern and 205 ESP markets under construction at approximately 48 percent completion.

30. The Affordable Housing Programme has generated over 428,000 jobs, up from 17,744 in 2022 to 330,000 by 2025, with employment projected to reach 1 million by 2026. Jobs span across technical and professional fields, including masons, carpenters, electricians, plumbers, architects, engineers, surveyors, and real estate specialists, as well as thousands of MSMEs engaged in fittings, fabrication, and interior works.

## 1.2.5 Digital Superhighway and Creative Economy

### 1.2.5.1 Digital Superhighway

31. Digital transformation is central to Kenya's strategy for competitiveness in the Fourth Industrial Revolution. The Government views digital connectivity and literacy as core national infrastructure equivalent to roads, water, and electricity, essential for access to education, healthcare, finance, markets, public services, and emerging digital opportunities. Under this pillar, the Government is prioritizing the development of digital infrastructure including fiber optic networks and data centres, connectivity expansion ensuring universal and affordable access, digital skills development, e-government platforms and enhancing service delivery, and youth empowerment and the growth of the creative economy.

32. Recognizing that digital infrastructure underpins modern economic competitiveness, the Government will install 37,645 kilometers of backbone fiber optic network, extending high-speed internet connectivity to underserved rural and remote areas. Internet connectivity will be provided to 18,680 public institutions nationwide, while 27,516 public Wi-Fi hotspots will be installed to expand affordable internet access to communities across the country. The JamboTel secure communication system will be deployed to all government institutions, enhancing coordination and reducing communication costs.

33. Human capital development for the digital economy will be accelerated through training programs that will equip one million young Kenyans with digital skills including software coding, digital marketing, and online freelancing. To support this, the Government targets to establish 100 digital hubs equipped with computers and high-speed internet. These hubs will provide youth and entrepreneurs with infrastructure necessary to develop digital skills and establish technology-based businesses.

34. To modernize public service delivery, the Government targets to automate 100 percent of Government services, enabling citizens to access services efficiently through digital platforms. Safeguarding this digital infrastructure requires robust cybersecurity frameworks. The Government seeks to complete the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operation Centers to protect critical digital infrastructure. Data controllers and data processors will be registered, and public awareness campaigns on data protection will be carried out to ensure responsible data management.

35. Significant progress has already been made in strengthening digital infrastructure nationwide. From 2022 to 2025, digital transformation accelerated with 24,000 kilometers of fiber optic cable added, expanding total infrastructure to 80,633 kilometers. This comprise of 30,454 kilometres of public sector fibre up from 22,486 kilometres in 2022 and 50,179 kilometres of private sector fibre, reflecting substantial investment in nationwide broadband capacity. Under the National Optic Fibre Backbone, 7,152 kilometres of fibre have been installed, connecting 82 hospitals and 1,114 public institutions to high-speed internet.

36. To support widespread access and digital inclusion, the Government established 404 digital hubs and distributed 21,372 devices to enhance digital access and expand training opportunities. In addition, 1,578 JiConnect public Wi-Fi hotspots have been rolled out in markets, town centres, bus stages, and public facilities, growing from zero hotspots in 2022 to nearly 1,500 by 2025. This increased internet penetration increased to over 90 percent with mobile subscriptions reaching over 60 million. These investments are helping to bridge the digital divide and create vibrant community-level digital ecosystems that support learning, entrepreneurship, and innovation. To modernize public service delivery, over 17,668 services were on-boarded onto the e-Citizen platform from over 350 agencies. Monthly government collections through e-Citizen have increased from KSh 1.45 billion in 2022 to KSh 8.2 billion in 2025.

37. To safeguard this digital backbone, the Government has operationalized the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operations Centres. These institutions strengthen digital security, enhance real-time threat detection, and ensure the resilience of critical Government systems. Ongoing initiatives include registering all data controllers and processors and intensifying public awareness campaigns on data privacy and responsible data handling.

38. Human capital development for the digital economy has registered strong gains. Nearly two million individuals have received digital skills training since 2022, including 1,556,561 youth trained under the Ajira Digital Programme and 1,893,914 trained through broader digital literacy initiatives. The Jitume Programme has enrolled 4,147 trainees and provided specialised digital training to 14,611 young people. Youth digital employment has risen sharply: combined employment under Ajira Digital and Jitume increased from 99,071 young people in 2022 to 297,866 in 2025, an additional 198,795 youth, representing over 200 percent growth. Overall, more than 300,000 young Kenyans now earn income online through Ajira, Jitume, and the expanding Business Process Outsourcing (BPO) sector.

### 1.2.5.2 Creative Economy

39. The creative economy in Kenya has emerged as a key driver of economic growth, job creation, and youth empowerment, encompassing sectors such as film, music, fashion, arts, media, digital content, and design. Over the past several years, significant progress has been made in enhancing skills development, infrastructure, and market access. The Government, through agencies such as the Kenya Film Commission (KFC), National Arts Council (NAC), and the Ministry of Sports, Culture and Heritage, has facilitated capacity building programs, providing training in entrepreneurship, technical skills, and business management. Notably, between 2020 and 2025, over 240,000 young people received training in business and entrepreneurship skills, while guidance on career development and financial literacy reached more than 1.1 million youth nationwide through empowerment centres.

40. Infrastructure and production capacity have been strengthened through investment in film production studios, cultural centres, innovation hubs, and exhibition platforms, enabling creative professionals to showcase and commercialize their work. The Government has also supported access to finance for creative enterprises, including grants, venture funds, and incentives for partnerships with private investors. Regulatory reforms under the Copyright Act, 2001, and

subsequent amendments have enhanced intellectual property protection, while programs promoting digital content creation and distribution have expanded market reach both locally and internationally.

41. Planned reforms over the medium term aim to consolidate these achievements and further position the creative economy as a driver of industrial growth and employment under the BETA framework. These include expanding specialized skills training in areas such as digital media, animation, fashion design, music production, and gaming, with a focus on youth and women entrepreneurs. The Government will enhance market access through export promotion programs, trade fairs, and digital marketplaces, while strengthening intellectual property protection and enforcement to incentivize innovation. Financing mechanisms for creative enterprises will be scaled up, including the introduction of creative economy credit facilities, blended finance instruments, and public-private partnerships. Additionally, reforms will focus on strengthening policy coordination and institutional capacity, including the Kenya Film Commission, National Arts Council, and County cultural departments, to ensure coherent support for creative clusters and innovation hubs.

## 1.3 Enablers

42. Realization of the Government's Bottom – Up Economic Transformation Agenda requires a robust enabling environment anchored on strategic cross-cutting interventions. The Government is committed to continue to strengthen implementation of critical enablers providing the infrastructure, institutional frameworks, and capacity necessary for sustainable economic transformation. These enablers constitute the foundational systems through which the Government seeks to create an enabling ecosystem for private sector growth, enhance service delivery, and ensure equitable access to opportunities across all regions and communities:

### 1.3.1 Infrastructure

43. Infrastructure development constitutes the physical backbone to enable economic transformation. It provides essential connectivity for movement of people, goods, and services, reliable energy supply powering productive activities, accessible water resources supporting agriculture and human settlements, and sustainable management of natural resources. Infrastructure investments reduce transaction costs, open new markets, and facilitate movement of goods and people. For this reason, using both public procurement and Public Private Partnerships (PPPs) frameworks, the Government will intensify investments in: construction of water pans, small, large and mega dams and associated irrigation infrastructure; expansion of roads and transport network, clean energy generation and distribution capacity; exploration and commercialization of oil and gas. A total of 10 PPP projects are under implementation: Nairobi Expressway, Nairobi-Nakuru Mau Summit Highway, Road Annuity Projects (Lot 33, 15 and 18), Menengai Geothermal Power Plant projects (Sosian, Quantum & Orpower22), Galana Kulalu Food Security Project, and Kenya Defence Forces Residential Accommodation Project.

#### 1.3.1.1 Water and Irrigation

44. The Government is committed to ensure universal access to clean and safe water, improve sanitation, enhance national water storage capacity, and expand irrigation to strengthen water security and food production. National water coverage has expanded significantly, with approximately additional six million people can now access clean and safe water. The Karimenu II Bulk Water Supply System, with a treatment capacity of 70,000 cubic metres per day, and the Northern Collector Water Diversion Tunnel, with a capacity of 140,000 cubic metres per day, have been successfully operationalized, significantly enhancing water availability to urban and peri-urban areas. Over the medium term, 23 towns and 120 schools have been connected to water

services and under the Kenya Towns Programme, an additional 13 towns have been connected to water services, expanding access to safe water for households, educational institutions, and communities. To increase water storage, the Yamo Dam in Samburu County has been completed with a capacity of 1.2 million cubic metres, while construction of Thwake Dam has progressed to 94 percent completion. Additionally, 135 small dams and water pans have been constructed across the country, collectively providing over 2.7 million cubic metres of surface water storage, enhancing local water resilience. Further, seven exploratory boreholes have been drilled in ASAL counties to generate groundwater data, supporting water resource planning in arid and semi-arid regions.

45. To improve sanitation across the country, 13 towns have been connected to sewer systems, and 150 low-cost, safe pit latrines have been constructed alongside human waste recycling plants, enhancing hygiene and promoting sustainable waste management. Monitoring and management of water resources have been enhanced through the rehabilitation of 54 river gauging stations and the upgrading of 10 manual stations to telemetry systems, allowing for real-time monitoring of river water levels.

46. The Government has continued to strengthen the irrigation investment in the country by bringing an additional 108,210 acres under irrigation through community-managed and smallholder projects. In this regard, irrigation water storage capacity has been expanded by 42 million cubic metres, enabling the irrigation of 28,000 acres of land across the country. The infrastructure works including water reservoirs and canals at the Galana Kulalu Food Security Project have been built and are undergoing final testing. In addition, 20 public schools have been equipped with micro-irrigation systems, including boreholes, greenhouses, and raised water tanks, facilitating the production of horticultural and fruit seedlings and promoting agricultural education among students.

### 1.3.1.2 Roads and Bridges

47. The Government targets to prioritize construction and rehabilitation of road infrastructure to enhance connectivity across the country. This includes construction of 1,891 kilometres of roads, rehabilitation of 515 kilometres of roads, and periodic maintenance of 1,224 kilometres of roads. Additionally, 78,320 kilometres of roads will receive routine maintenance, while 10,153 kilometres will be maintained under Performance Management contracts. These investments will link major economic centres through trunk roads. County roads will connect rural areas to markets, while rural access roads will open agricultural zones to trade.

48. To expand and modernize the national road and transport system, the Government has, over the last three years, implemented extensive infrastructure development and policy reforms across the sector. In the roads sector, the Government has constructed 1,798.25 kilometres of new roads, rehabilitated an additional 305.87 kilometres, and undertaken routine maintenance on 102,561.61 kilometres to ensure improved road condition and connectivity. Further, 2,111.3 kilometres underwent periodic maintenance, while 28,844.55 kilometres were maintained through Performance-Based Contracts to enhance efficiency, accountability, and long-term sustainability of road networks.

49. To improve transport system, the Government has completed construction of the Miritini MGR Station, Mombasa Terminus, including a new metre-gauge railway link and a railway bridge across the Makupa Causeway, providing seamless first- and last-mile connectivity for SGR passengers. To strengthen policy and regulatory frameworks, the Government developed the National E-Mobility Policy to guide the transition to clean and sustainable transport technologies, the National Road Safety Action Plan (2024–2025) to enhance safety across transport corridors, and the National Logistics and Freight Strategy for horticulture exports,

alongside the Naivasha Dry Port Masterplan, to improve logistics performance and regional competitiveness.

### 1.3.1.3 Electricity

50. The Government will continue to expand energy infrastructure to achieve 100 percent electricity connectivity over the medium term. This goal will be realized through the Last Mile Connectivity Programme, the deployment of off-grid solar solutions in remote areas, and the development of renewable energy mini-grids. To meet rising demand, the Government will increase national power generation capacity by an additional 10,000 megawatts (MW) through geothermal, wind, solar, and hydroelectric projects. This expansion is designed to support growing industrial activity and drive sustained economic growth. Reliable and affordable energy supply remains central to powering manufacturing, promoting agricultural value addition, and enabling digital transformation across all sectors of the economy.

51. To enhance energy access, reliability, and sustainability, the Government has increased the national installed power generation capacity by 160 MW, raising total capacity from 3,076 MW to 3,236 MW. To strengthen electricity transmission and distribution, 405 kilometres of transmission lines were constructed, alongside 5 new high-voltage substations, 1,321.9 kilometres of medium-voltage distribution lines, and 20 medium-voltage distribution substations. To expand access in off-grid and underserved regions, the Government constructed five new hybrid mini-grids and installed 169,494 Standalone Solar Home Systems, improving clean energy uptake and supporting rural development. A total of 1,185,481 new customers were connected to electricity, including 2,082 public facilities such as schools, health centres, and administrative offices, while 27,027 street lighting points were installed to enhance safety and support 24-hour economies.

52. To improve system efficiency, reliability, and value for money in electricity supply, the Government will implement targeted measures to reduce transmission losses across the national grid. These measures include the rehabilitation and modernization of transmission assets, expansion of high-voltage transmission lines and substations, and implementation of an updated Transmission Master Plan to align network development with projected demand. The Government will also revise the Grid Code to strengthen technical and operational standards, modernize system control and real-time monitoring infrastructure, and enhance coordination of generation, transmission, and distribution investments. These reforms will be supported by clear performance targets to ensure efficient power evacuation, reduce losses, and deliver reliable electricity to consumers.

53. To promote clean cooking and sustainable energy, the Government facilitated the construction of eight institutional biogas plants and 621 domestic biogas units, and subsidized 14,071 clean cookstoves to reduce reliance on biomass and improve household health outcomes.

### 1.3.1.4 Petroleum and E-mobility

#### *Petroleum*

54. In the exploration of oil and gas, the Government reconstituted and reconfigured the Kenya Petroleum Exploration Block Map to 50 blocks, in line with recommendations from the FY 2021/22 study. Data packages and atlases for Blocks 9, L8, and L4 were finalized to enhance investor readiness. In addition, ten petroleum blocks were marketed at the 11th East African Petroleum Conference and Exhibition (EAPCE'25) held in Dar es Salaam to attract new investment and strengthen regional cooperation. The Government also undertook a series of stakeholder engagement and public participation forums in West Pokot and Turkana Counties, and completed a survey for the full length of the proposed crude oil pipeline. Geoscientific data

acquisition was conducted in Block L18, covering an area of 1,025 km<sup>2</sup>, to advance exploration activities. In support of the development of the South Lokichar Oil Field, the Government prepared a land acquisition plan for the crude oil pipeline corridor, identified a feasible make-up water pipeline route, and conducted disclosure meetings along the proposed corridor.

55. The Environment and Social Impact Assessment (ESIA) for the water pipeline was completed and submitted to NEMA. Further, the government reviewed the Upstream Water Framework Agreement (UWFA) and carried out stakeholder engagements and community sensitization activities to ensure local participation and compliance with environmental and social safeguards.

56. To strengthen the regulatory environment, the Draft Petroleum (Liquefied Petroleum Gas) Regulations, 2024 and the Draft National Petroleum Policy, 2024 were finalized and are awaiting gazettelement.

### *E-Mobility*

57. The e-mobility sub-sector is emerging as a strategic area for Kenya's green growth, industrialization, and transport modernization agenda. Progress has been recorded in the adoption of electric motorcycles, buses, and light commercial vehicles in urban centers such as Nairobi, Mombasa, and Kisumu. The Government, through the Ministry of Transport and Infrastructure and partnerships with County Governments, has supported pilot programs for electric buses in public transport fleets, promoting cleaner urban mobility and reducing reliance on fossil fuels.

58. Efforts to develop charging infrastructure have begun in key urban corridors, including private sector-led installations at malls, commercial centers, and industrial parks. Policy support has also been provided through tax incentives, reduced import duties for electric vehicles (EVs), and promotion of public-private partnerships to stimulate investment in local assembly and distribution. Kenya has also partnered with regional and international development agencies to access technical assistance, financing, and knowledge-sharing for EV deployment and sustainable transport solutions.

59. Planned reforms aim to accelerate e-mobility adoption, strengthen local value chains, and enhance environmental sustainability. Key interventions include: i) development and implementation of comprehensive Electric Vehicles (EV) policies, standards for vehicle safety, charging infrastructure, and interoperability; ii) continued provision of tax incentives, duty exemptions, and financing schemes to encourage uptake of electric vehicles by individuals, businesses, and public transport operators; iii) promotion of local assembly of EVs, batteries, and components, leveraging industrial parks and export-oriented manufacturing zones; iv) expansion of nationwide EV charging networks, including fast-charging stations along highways, urban centres, and industrial clusters; v) training programs for engineers, technicians, and operators in EV maintenance, battery management, and green transport solutions; vi) encouraging use of renewable energy sources (solar and wind) to power EV charging stations, reducing carbon emissions and supporting Kenya's climate goals; vii) scaling up deployment of electric buses, shuttles, and light commercial vehicles in urban transport fleets, aligned with urban decongestion and environmental sustainability initiatives; and viii) implementing a Green Port Policy at Mombasa to introduce climate-friendly technologies and ensure the ports' long-term resilience against global trade disruptions.

### **1.3.2 Manufacturing Sector**

60. The Government continues to prioritize the development of manufacturing as a key enabler of economic growth, job creation, and industrialization. Efforts have been placed to strengthen local value chain through backward and forward linkages to enhance productivity and

competitiveness in the export market. The Government has also implemented targeted interventions to improve industrial infrastructure, including industrial parks, special economic zones, and access to reliable power and transport networks, ensuring that raw materials, intermediate goods, and finished products move efficiently along the value chain. Key value chains targeted include agro-processing, leather and leather products, building and construction materials, textiles and apparel, dairy products, edible and crop oils, tea and coffee, and sugar. The Government has implemented and or plans to implement the following initiatives under each value chain:

#### **1.3.2.1 Agro-Processing**

61. To enhance productivity, reduce input costs, minimize post-harvest losses, and promote value addition, the Government, in collaboration with County Governments, has initiated the development of County Aggregation and Industrial Parks (CAIPs). The Government plans to construct 47 CAIPs, one in each county. In the first phase, 13 CAIPs have been developed and are fully operational, while construction of the remaining 34 parks will be undertaken in subsequent phases, with completion targeted by 2027. These facilities serve as strategic hubs for aggregation, processing, storage, and market access, supporting the modernization of agriculture and the strengthening of county-level value chains.

62. In addition, the Government will continue to strengthen support for agricultural cooperatives and producer organizations to invest in value addition and agro-processing through improved access to finance, technical assistance, and market linkages. This includes facilitating cooperative access to affordable credit through financial institutions, including the Cooperative Bank of Kenya and other commercial and development finance institutions, supported by targeted credit guarantee schemes and blended finance instruments. The Government will also support cooperatives through capacity-building in governance, financial management, and business development, alongside the provision of common-user processing facilities, cold storage, and quality assurance infrastructure within CAIPs. These measures aim to enhance cooperative competitiveness, increase farmer incomes, and expand participation of smallholder producers in domestic and export markets.

#### **1.3.2.2 Leather and Leather Products**

63. The leather sub-sector is a strategic component of Kenya's manufacturing and export ecosystem, leveraging the country's strong livestock base to drive value addition, employment creation, and export diversification. The Government, through the Kenya Leather Development Council (KLDC), has supported the establishment and upgrading of tanneries and leather processing facilities, particularly in key hubs such as Thika, Nakuru, and Kitui. Efforts to formalize the sector have included enforcement of quality standards for hides and skins, strengthening linkages between livestock producers and tanneries, and providing technical support to small and medium leather enterprises. Investment incentives, including duty remission schemes and export facilitation measures, have encouraged private-sector participation and strengthened domestic value addition. The sector's contribution to manufacturing GDP and employment has further been supported through targeted training programmes, particularly for youth and artisans in leather product design and production.

64. Over the medium term, the Government will scale up industrial competitiveness and exports of leather and leather products through a comprehensive value-chain approach. Planned reforms include strengthening backward linkages by improving collection, preservation, and grading of hides and skins at farm and slaughterhouse levels; expanding domestic tanning, finishing, and manufacturing capacity; promoting local value addition for footwear, garments, and leather accessories; and enforcing robust quality, environmental, and occupational standards

in line with international requirements. To anchor large-scale leather manufacturing and export-oriented production, the Government will operationalize the Kenanie Leather Industrial Park that is expected to significantly boost local manufacturing of leather products, create over 100,000 jobs, and inject approximately KSh 120 billion into the economy. In addition, the Government will facilitate access to finance and technical skills for leather SMEs, enhance market access through trade promotion and participation in regional and international leather expos, and leverage export incentive frameworks to expand Kenya's regional and global market share.

### 1.3.2.3 Building and Construction Materials

65. The building and construction materials sub-sector has been a key focus under Government's Bottom-Up Economic Transformation Agenda. Government support has included investment in capacity expansion for cement, steel, roofing, and other building materials manufacturers. Measures to reduce reliance on imports have been complemented by promotion of local content through standards enforcement and industrial incentives. Local enterprises producing tiles, bricks, cement, steel reinforcement bars, and other materials have received technical support and certification to improve quality. These initiatives have contributed to meeting the growing demand from public housing projects and private construction, while also generating employment in manufacturing and distribution chains.

66. Over the medium term, the Government will continue to implement reforms to enhance domestic production capacity and competitiveness of construction materials. Key interventions include: promoting energy-efficient and alternative building materials (such as interlocking blocks and precast concrete products); strengthening quality assurance through enforcement of Kenya Bureau of Standards (KEBS) regulations; incentivizing adoption of modern manufacturing technologies; supporting SME integration into large-scale housing projects; and facilitating access to finance and technical skills for manufacturers. The sector will also benefit from policies to enhance regional trade and export of building materials, reducing reliance on imports and supporting Kenya's industrialization and affordable housing goals.

### 1.3.2.4 Textiles and Apparel

67. The textiles and apparels sub-sector is a key contributor to Kenya's manufacturing GDP, employment, and export potential. Since 2022, the Government has supported industrial revival and competitiveness through upgrading existing textile factories, and promoting compliance with Kenya Bureau of Standards (KEBS) for quality assurance. Government interventions have included facilitation of duty remission and export incentives, support for SMEs in textile manufacturing, and technical training programs for youth and artisans in apparel design, tailoring, and production. These initiatives have contributed to sustaining employment, increasing local value addition, and strengthening backward linkages with the cotton and textile raw material supply chain.

68. Planned reforms over the medium term aim to expand competitiveness, promote local manufacturing, and enhance export readiness. Key interventions include: strengthening backward linkages by supporting cotton and fibre production, expanding industrial capacity for spinning, weaving, and garment production, and promoting value addition in finished textiles and apparel. The Government also intends to enhance quality standards, ensure compliance with international textile regulations, and provide targeted technical skills training and financing for SMEs and youth enterprises. Further reforms under the BETA framework include facilitating regional and global market access through trade agreements, supporting industrial clusters and textile parks, and leveraging public-private partnerships to modernize production and reduce import dependence.

### 1.3.2.5 Dairy Products

69. The dairy sub-sector is a key pillar of Kenya's agricultural economy, supporting an estimated 1.8 million households and contributing significantly to food security, rural livelihoods, and agro-industrial development. As demand for processed dairy products continues to rise, the Government has prioritized interventions that strengthen the value chain, enhance milk quality, and expand market opportunities for producers and processors. Notable progress has been achieved through the modernization and expansion of New Kenya Cooperative Creameries (New KCC). Upgraded processing plants in major dairy regions have increased national milk-handling capacity and improved reliability of farmer payments. These investments have also helped stabilize farm-gate prices during periods of surplus production, offering a more predictable market for smallholder farmers.

70. To address challenges in milk aggregation and quality control, the Government working with County Governments, has expanded the network of milk collection and cooling centres. These facilities have enhanced cold-chain preservation, reduced post-harvest losses, and enabled producers to supply higher-quality milk to processors. Complementing these efforts is the establishment of a camel milk processing facility, which has boosted formal marketing and value addition for producers in arid and semi-arid areas. Additionally, partnerships with technical institutions and local fabricators have promoted the production of dairy machinery and equipment, reducing costs for small and medium-sized enterprises.

71. The country's cold-chain infrastructure has further strengthened through public-private investments in bulk milk coolers, chilling units, and refrigerated transport. These improvements have enhanced traceability, supported compliance with quality standards, and broadened access to regional markets. Regulatory reforms have also progressed, with the Kenya Dairy Board continuing to enforce Dairy Industry Regulations and national milk quality standards through inspections, licensing, and compliance monitoring.

72. Planned reforms anchored in the Agricultural Sector Transformation and Growth Strategy and the National Dairy Development Strategy, focus on strengthening cooperative governance, implementing national milk quality and safety programmes, scaling up artificial insemination and breeding services, and expanding climate-resilient feed and fodder systems. Additional reforms include deepening cold-chain investment through Public-Private Partnerships and enhancing extension and training services to support improved productivity and compliance across the value chain.

### 1.3.2.6 Edible and Crop Oils

73. The Government has prioritized the expansion of edible oils and industrial crop production to boost local processing, reduce import dependency, and increase farmer incomes. The area under edible oil crops, particularly sunflower, has expanded by 90.6 percent, from 60,000 hectares in 2022 to 114,350 hectares by April 2025. To support this growth, the Government procured and distributed 556 metric tons of sunflower seeds to farmers across 35 counties and established 15 oil extraction facilities in focus regions.

74. Coconut production has also been expanded, with 42,000 seedlings procured and distributed to six coastal counties, increasing the area for farming by an additional 625 hectares. To further support industrial crop expansion, the Government will continue to foster a favourable environment for production of 95 metric tonnes of edible oil, 22.6 metric tonnes of cotton seed, and 2.25 million palm seedlings, strengthen domestic processing capacity and reduce reliance on imported industrial raw materials. These measures are aligned with national efforts to enhance value addition, create jobs, and stimulate sustainable agricultural and industrial growth. These

interventions have contributed to a reduction in the edible oil import bill by KSh 17 billion, with palm oil imports declining from KSh 114.2 billion in 2022 to KSh 96.8 billion in 2023.

#### 1.3.4.7 Tea and Coffee Sub-sectors

75. The Government remains committed to enhancing the tea and coffee sub-sectors to drive growth, create employment, and boost export competitiveness. In the tea sub-sector, the Government is focusing on value addition to increase smallholder farmers' incomes and strengthen Kenya's position as Africa's largest tea producer and exporter. The Government priority is to raise the share of value-added tea exports tenfold to 50 percent by 2027. Value addition practices include packaging, branding, blending, obtaining quality certifications, and producing flavoured or instant tea varieties, which can create jobs and increase smallholder incomes by up to 40 percent compared to traditional black tea.

76. The Government is undertaking tea reforms to increase income to farmers, strengthen value chain, improve competitiveness in global market and support sustainable growth of the Kenyan tea industry. The reforms include: promoting direct international sales by tea factories; upgrading tea factory infrastructure; tax and regulatory incentives; tea regulatory and quality standards; value addition and diversification; reforms of payments and pricing systems; and market expansion and branding.

77. To expand market access, the Government is engaging in high-level diplomacy to open new export markets, including China and Iran, securing trade agreements, promoting Kenyan tea products, and supporting domestic processing and export-oriented value chains. The Government is also supporting infrastructure and capacity development including the acquisition of specialized equipment for the incubation center at Embu Town CIDC, which has trained 294 MSMEs in advanced orthodox tea, purple tea, and specialty tea production. Factory modernization efforts have upgraded eight KTDA-managed factories with orthodox tea processing lines, while seven cottage tea factories were licensed. As a result, tea production has increased from 535.04 million kilograms in 2022 to 598.47 million kilograms in 2025, a 12 percent increase, while total export earnings rose from KSh 138 billion to KSh 215 billion. Average earnings per kilogram of green leaf increased by 28 percent, and value-added tea exports grew by 33 percent to 27 million kilograms, supported by VAT exemptions on teas purchased from local factories for value addition.

78. In the coffee sub-sector, the Government has implemented the Direct Settlement System (DSS) to ensure payments from coffee sales are credited directly to farmers' bank accounts, enhancing transparency and ensuring farmers receive at least 80 percent of their coffee's value. The DSS has also enabled co-operative societies to recover loans and reduce indebtedness. The Government will continue to support coffee farmers through the Coffee Cherry Advance Revolving Fund, which has already disbursed over KSh 9.7 billion in three years, providing farmers with access to finance while promoting repayment reliability and fostering sustainable production practices.

79. Agricultural support has resulted in a 5.6 percent expansion in the area under coffee cultivation, from 109,385 hectares in 2022 to 115,500 hectares in 2025, supported by the distribution of nearly 50,000 coffee seedlings across four counties. Production has increased modestly while the average price for coffee cherry rose by 52 percent from KSh 78.99 per kilogram in 2022 to KSh 120 per kilogram in 2025. Traded volumes and export values also increased significantly, with 48,200 metric tons valued at USD 229.55 million, representing growth of 11 percent and 23 percent respectively, and exports is projected to reach 60,000 metric tonnes in 2025, with long-term targets of 150,000 metric tonnes.

### 1.3.4.8 Sugar Sub-sector

80. The Government has implemented comprehensive reforms to revitalize the sugar industry, enhance productivity, and improve smallholder farmer incomes. The Sugar Act, 2024 has been fully operationalized, introducing a 4 percent Sugar Development Levy and enabling the leasing of four State-owned sugar mills to private investors. The levy is charged at 4 percent of the ex-factory price for locally produced sugar and 4 percent of the Cost, Insurance, and Freight (CIF) value for imported sugar. Proceeds from the levy are earmarked for factory modernization and infrastructure development, farmer support services, and effective industry regulation and administration.

81. To strengthen governance, efficiency, product quality, and competitiveness, the Government leased Sony Sugar, Muhoroni, Chemelil, and Nzoia Sugar Mills to private investors. These leases are expected to improve operational efficiency, attract private capital, and safeguard a combined installed milling capacity of 11,200 tonnes of cane per day, thereby stabilizing production and protecting farmer livelihoods.

82. Following these reforms, the revitalized sugar sector now supports an estimated 250,000 direct jobs and sustains the livelihoods of approximately six million people across the value chain, including farming, milling, transport, wholesale, and retail trade. In addition, the implementation of the catchment-area zoning policy has significantly reduced cane poaching and ensured a more predictable and reliable supply of cane to mills, contributing to improved production planning, higher capacity utilization, and overall sector efficiency.

83. The reforms have delivered measurable gains across farming, production, and market performance. The area under sugarcane cultivation expanded by 19 percent, from 242,508 hectares in 2022 to 289,631 hectares by December 2024, representing an increase of 47,123 hectares (approximately 116,500 acres). Over the same period, sugar production increased by 76 percent, from 472,773 metric tonnes to over 815,000 metric tonnes. As a result of increased domestic output, sugar imports declined by approximately 70 percent, reflecting improved self-sufficiency, reduced pressure on foreign exchange, and enhanced stability of the domestic sugar market.

### 1.3.3 Blue Economy

84. The blue economy presents a significant opportunity for Kenya to drive inclusive, climate-resilient growth and economic transformation in line with the Bottom-Up Economic Transformation Agenda. By sustainably leveraging marine and inland water resources, the Government aims to empower coastal and inland fishing communities, enhance household incomes, and contribute to national economic growth. In parallel, the Government is advancing policies to promote green shipping, including the adoption of alternative fuels, energy-efficient vessel designs, and digital maritime solutions to improve logistics efficiency. These interventions will reduce emissions, create green jobs, attract sustainable investment, and strengthen economic resilience while supporting Kenya's climate action commitments.

85. The Government has prioritized the modernization and expansion of Kisumu Port as a strategic intervention to strengthen Kenya's role in East Africa's inland trade and logistics network. As a result, cargo throughput increased from 127,000 metric tonnes in 2023 and an estimated 400,000 metric tonnes by the end of 2025. The Government will sustain this growth trajectory to expand regional trade, deepen economic integration, and unlock new opportunities across the Lake Victoria Basin. Further, the commissioning of the MV Mpungu, a 96-metre cargo vessel with a capacity of 1,000 tonnes, marks a major milestone in advancing inland water transport. The vessel provides roll-on/roll-off services for wheeled cargo, removing the equivalent of 22 trucks per trip from regional roads, thereby improving trade efficiency, reducing logistics costs, supporting road preservation, and lowering carbon emissions. The MV Mpungu

will serve key regional ports including Port Bell, Jinja, and Mwanza, transporting construction materials and heavy machinery, and strengthening regional connectivity.

86. To enhance maritime safety, security, and human capital development, the Government has implemented targeted regulatory, training, and infrastructure interventions. Between 2022 and 2025, all eligible ships docking at the Port of Mombasa were inspected, alongside 3,242 small boats and vessels, to ensure compliance with maritime safety standards. To expand Kenya's skilled maritime workforce, 13,455 youths were trained in accredited maritime courses, while 4,821 Kenyan seafarers were recruited to serve on international vessels, reflecting growing global demand for Kenyan maritime professionals. In addition, the Government signed four Memoranda of Understanding with Seychelles, Angola, Egypt, and South Korea to strengthen maritime cooperation, capacity building, and seafarer placement. Infrastructure development also progressed, with construction of the Kisumu Maritime Rescue and Coordination Centre reaching 20 percent completion, and the Survival Training and Certification Centre in Mombasa attaining 17 percent completion, both critical to improving maritime emergency response and professional training standards.

87. To enable local fishing communities to transition from artisanal fisheries to modern, deep-sea commercial operations within Kenya's 200-mile Exclusive Economic Zone (EEZ) and beyond, the Government is implementing a range of support measures. These include facilitating access to financial resources through concessional loans, grants, and partnerships with commercial and development finance institutions to enable investment in deep-sea fishing trawlers and equipment. Complementary capacity-building programmes will provide training in vessel operation, navigation, sustainable fishing practices, fish handling, safety at sea, and business management. Through these interventions, the Government aims to increase participation of coastal communities in high-value, export-oriented fisheries, enhance productivity and incomes, create employment opportunities, and strengthen the competitiveness of Kenya's blue economy while ensuring compliance with national and international maritime and fisheries regulations.

88. To advance sustainable fisheries and aquaculture, the Government will establish the Kabonyo Regional Training Centre of Excellence to strengthen research, capacity development, and technology transfer in modern aquaculture practices. In support of sustainable resource management and investment, the Government will intensify fish stock enhancement programmes and undertake comprehensive fish quality and ecosystem assessments to safeguard long-term viability of aquatic resources. To strengthen fish value chain development, the Government will construct 77 fish landing sites, comprising 20 along the Indian Ocean coastline and 57 across inland waters, to improve fish handling, enhance market access, promote value addition, and support socio-economic transformation within fishing communities.

### **1.3.4 The Services Economy**

#### **1.3.4.1 Financial Services**

89. The financial services sector continues to play a pivotal role in Kenya's economic transformation by facilitating access to credit, savings, investment, and financial inclusion. Over the past decade, significant progress has been made in expanding digital financial services, with mobile money platforms now serving over 30 million users, enabling faster, more convenient payments, micro-savings, and credit access. The Government, through the Central Bank of Kenya (CBK) and Financial Sector Deepening (FSD) Kenya, has promoted financial literacy, consumer protection, and inclusion programs targeting youth, women, rural populations, and micro and small enterprises (MSEs). Regulatory reforms, including the Microfinance Act, Sacco Societies Act, and enhancements to licensing and supervision frameworks, have strengthened sector stability, transparency, and confidence. Initiatives supporting SME financing, green

finance, and insurance penetration have further broadened access to financial services and promoted resilience within the economy.

90. In the banking sector, CBK introduced the revised Risk-Based Credit Pricing Model (RBCPM) in September 2025 for all new variable rate loans, with full adoption for existing loans scheduled by February 28, 2026. The RBCPM aligns lending rates with borrowers' risk profiles using the Kenya Shilling Overnight Interbank Average (KESONIA) rate plus a risk premium, and banks are required to disclose weighted average lending rates, premiums, and fees on their websites and on the Total Cost of Credit platform. In addition, the operating hours of Kenya Electronic Payment and Settlement System (KEPSS) and Real Time Gross Settlement (RTGS) systems were extended from July 2025 to enhance the efficiency, accessibility, and resilience of Kenya's payments ecosystem, supporting the country's transition to a 24/7 digital economy and regional financial integration.

91. The Government has strengthened the regulation of virtual assets through the Virtual Assets Service Providers (VASPs) Act, 2025, which came into force on November 4, 2025. The Act establishes a framework for licensing, supervision, and regulation of VASPs by CBK and the Capital Markets Authority (CMA), including requirements to prevent money laundering, terrorism financing, and proliferation financing. Licensing and supervision of VASPs will commence upon the issuance of implementing Regulations.

92. Progress has also been made in the capital markets and investment space. The Government is reviewing the legal and regulatory framework to address emerging developments, including collective investment schemes, public offerings, alternative investment instruments, and credit rating operations, enhancing transparency, investor protection, and market efficiency. In the insurance and pensions sub-sector, the Government has advanced reforms aimed at expanding coverage, strengthening prudential regulation, and improving operational efficiency. Digitization and re-engineering of public sector pensions, including the Public Service Superannuation Scheme (PSSS) and non-contributory schemes, are underway to improve monitoring, ensure timely payments, and enhance sustainability. Regulatory oversight of private pensions and insurance companies has been strengthened through enhanced reporting requirements, risk-based supervision, and consumer protection initiatives.

93. Planned reforms over the medium term across the financial services sector focus on consolidating these achievements. To enhance and entrench the role of microfinance banks in supporting MSMEs finance needs, the Government will prioritize the enactment of the Microfinance Bill 2025 that is currently in Parliament. Digital financial services will be further expanded to underserved populations, including rural communities and women, SME financing, green finance, and insurance penetration will be deepened through innovative credit guarantees, blended finance, and sector-specific support programs, while efforts will be scaled up to create programmes that formally link small-scale traders and Jua Kali's artisans with large scale manufacturers and international value chains. In banking, full adoption of RBCPM will be reinforced alongside improved consumer transparency and financial literacy.

94. In addition, payments infrastructure will continue to be upgraded, including interoperability across mobile money and banking platforms and cross-border settlements. VASPs regulation will advance with the issuance of implementing Regulations, licensing, and ongoing supervision to ensure market integrity. Capital markets reforms will be finalized to strengthen frameworks for collective investment schemes, alternative instruments, and credit rating operations. The Government will also continue strengthening prudential oversight and consumer protection in insurance and pensions, while digitizing and streamlining operations to improve efficiency and sustainability.

## 1.3.4.2 Tourism Sector

95. The tourism sector remains a key pillar of the economy and continues to play a critical role in advancing the socio-economic well-being of Kenyans. Its multiplier effects extend across key sectors including agriculture, trade, environment, manufacturing, and infrastructure, thereby supporting broad-based economic development. The sector is a leading foreign exchange earner and a significant source of employment, contributing directly to national growth, community livelihoods, and sustainable economic transformation.

96. To enhance the tourism in the country, the Government has developed the National Tourism Policy (2025-2030) to transform Kenya's tourism sector into an internationally competitive and sustainable industry. The Policy aims to promote sustainable tourism that supports economic development, environmental conservation, and community participation while strengthening legal and institutional frameworks for effective sector coordination. It seeks to enhance quality standards, integrate tourism priorities into national and county development plans, mobilize resources for sustainable growth, incentivize investment, and promote innovative, market-responsive tourism products. Recognizing that Kenya's traditional reliance on safari and beach tourism limits resilience, the Policy prioritizes re-engineering tourism product development to tap into new markets and improve visitor experiences. Key focus areas include strengthening Kenya's destination identity by evolving "Magical Kenya" into a multi-layered national brand, deepening niche tourism offerings such as culinary tourism, wellness retreats, cultural and heritage experiences, and film tourism, and accelerating smart tourism initiatives.

97. In addition, the Policy underscores robust marketing and promotion initiatives to position Kenya as a premier global tourism destination through aggressive destination marketing in both traditional and emerging source markets and by implementing integrated marketing campaigns across online and offline platforms to enhance visibility and attract more international arrivals.

98. Over the medium term, the sector has demonstrated remarkable growth and resilience. In 2024, the country recorded a historic 2.4 million international arrivals, representing a 15 percent increase from the previous year, generating tourism earnings of KSh 452.2 billion, an increase of 19.8 percent from 2023, bolstered by aggressive marketing and the implementation of the Electronic Travel Authorization (ETA). Similarly, revenue generated from the tourism levy rose from KSh 3.9 billion to KSh 5.1 billion. The number of local and international delegates rose from 638,478 to 736,874, and local conferences hosted increasing from 10,558 to 12,224. In addition, 991 establishments, including hotels and lodges, were assessed and accredited to meet quality standards.

99. The Government is committed to ensuring the safety and security of all tourists visiting the country. To achieve this, the Government will strengthen the Tourism Police Unit to enhance law enforcement and protection in key tourism areas. Licensed tour operators will be listed on the National Tourism Service Portal to provide tourists with verified and trustworthy service providers. Additionally, a Tourism Crisis Management Unit will be established to provide immediate assistance to tourists in distress, allowing for timely reporting and resolution of safety-related incidents. These measures aim to build confidence among both domestic and international tourists, promote a safe and secure tourism environment, and reinforce Kenya's reputation as a premier tourist destination.

## 1.3.5 Environment and Climate Change

100. Provision of a clean, secure, and sustainable environment, together with robust climate change mitigation and adaptation measures, remains central to the realization of the Bottom-Up Economic Transformation Agenda (BETA) and Vision 2030. In this regard, the Government continues to mainstream environmental conservation, climate resilience, reversal of deforestation, biodiversity protection, and land restoration across all programmes at both national

and county levels. To strengthen the policy and legislative framework, the Government will undertake a comprehensive review of the National Environment Policy (2013) and the Environmental Management and Coordination Act (EMCA), 1999, and develop ten regulations under the Climate Change Act, alongside the enactment of the Kenya Meteorology Bill, to enhance climate governance and service delivery.

101. The Government will also prioritize the restoration of 40 degraded wetlands to enhance ecosystem resilience and safeguard critical biodiversity. Enforcement of the ban on single-use plastics will be strengthened, supported by the promotion of circular economy initiatives to reduce environmental pollution. In alignment with Kenya's Nationally Determined Contribution (NDC), the Government will continue implementing mitigation and adaptation interventions aimed at reducing greenhouse gas emissions to 98 MTCO<sub>2</sub> equivalent by 2030. To support climate-informed decision-making across sectors, modernization of meteorological infrastructure and services will be accelerated to improve the reliability, accuracy, and accessibility of weather and climate forecasts nationwide. In addition, 12 solid waste management demonstration centres will be established to support counties in adopting modern and sustainable waste management practices. Conservation of water towers will continue, including restoration of the Cherangany Forest Ecosystem through the growing of 4 million tree seedlings. Watershed management efforts will also be enhanced through reclamation of 1,200 hectares of degraded land in the Lake Naivasha Basin and 700 hectares in the Lake Victoria Basin.

102. To restore and enhance the country's forest cover, the Government will intensify implementation of the 15-Billion Tree Programme (2022–2032), targeting the growth of 4.5 billion trees by 2027 as a key medium-term milestone. To support large-scale restoration, the Government will produce and distribute 700,000 kilograms of certified tree seeds and establish 400 tree nurseries nationwide as propagation centres, enabling production of 2.2 billion seedlings for rehabilitation of degraded landscapes. Restoration efforts will include rehabilitation of 330,050 hectares of degraded forest areas and protection of 2.6 million hectares of gazetted public forests. To enhance access, surveillance, and fire management, 690 kilometres of forest roads will be maintained. Forest expansion initiatives will include establishment of 6,800 hectares of bamboo forests, 8,504 hectares of forest plantations, 10,163 hectares of woodlots, and gazettement of 4,500 hectares of new public forests. In addition, 139 forest research technologies will be developed and disseminated to promote innovation and sustainable forest management.

103. Significant achievements have been realized in the implementation of environmental conservation, climate resilience, and circular-economy initiatives reforms. Key achievements realized between 2022 and 2025 include the establishment of four mini e-waste model collection centres, six waste management demonstration centres, and six Model Material Recovery Facilities (MRFs), alongside licensing of 249,758 waste transporters to ensure safe and compliant waste handling. Further, six green points and centres of excellence were established, 360 hectares of degraded ecosystems rehabilitated, and 427,803 hectares of water catchment areas protected. Climate monitoring capacity was strengthened through installation of 120 Automatic Weather Stations across 24 counties and three Automatic Weather Observing Systems. National restoration efforts also included restoration of 59 wetlands, development of Kenya's NDC (2031–2035) to unlock climate finance, and implementation of wide-ranging climate mitigation and adaptation actions.

104. Further, under the 15-Billion Tree Programme, the Government coordinated the planting of 1.076 billion trees, supported by production of 192,981 kilograms of certified seeds and distribution of 150,367 kilograms to counties and forestry stakeholders. A total of 260.1 million tree seedlings were produced to support landscape restoration, resulting in rehabilitation of 58,976.4 hectares of degraded natural forests and establishment of 27,633.2 hectares of woodlots

on private farms. Protection measures covered 2.602 million hectares of gazetted natural forests. Forest development initiatives included establishment of 16,004 hectares of forest plantations in public gazetted forests, 18,259 hectares of commercial forests, and 2,141 hectares of bamboo forests. To support implementation, the Government constructed 12 seed processing units, maintained 610.7 kilometres of forest roads, and conserved 389.4 hectares of seed sources critical for sustained quality seed.

105. In recognition of the critical role mangroves play in coastal protection, biodiversity conservation, carbon sequestration, and supporting fisheries-based livelihoods, the Government is implementing targeted initiatives to preserve and rehabilitate Kenya's mangrove ecosystems. These measures include the adoption of the National Mangrove Ecosystem Guidelines (2025) to standardize conservation practices, coupled with the implementation of Community-Based Ecological Mangrove Restoration (CBEMR) approaches to empower local communities in sustainable mangrove management. Restoration efforts focus on replanting degraded areas, controlling illegal logging, enhancing monitoring and enforcement, and promoting alternative livelihoods for coastal populations dependent on mangroves. These interventions aim to strengthen ecosystem resilience, protect coastal communities from climate-related risks, support sustainable fisheries, and contribute to Kenya's climate change mitigation and biodiversity conservation goals.

### **1.3.6 Education and Training**

106. Kenya's social and economic transformation depends critically on the development of strong human capital to support long-term growth. To sustain ongoing education reforms, the Government will continue strengthening the foundations of quality learning, training, and research; promoting equity and inclusivity; scaling up investment in the education sector; and enhancing system resilience to emerging challenges, including technological disruption, widening inequalities, and global shifts in education delivery. In addition, the Government will strengthen education-to-industry linkages to ensure training systems respond to evolving labour market and enterprise development needs.

107. To strengthen governance and relevance in primary and secondary education, the Government will complete reviews of the legal and policy framework. Key reforms include enactment of a law governing Teacher Education and Training, establishment of the Code of Regulation for Teachers (CORT), and amendments to the Basic Education Act to align the sector with contemporary needs. The Government will continue rolling out Competency-Based Education and Training (CBET) for learners transitioning from Grade 9, as part of the nationwide shift from the 8-4-4 system to the 2-6-3-3-3 system. CBET strengthens alignment between education and industry by emphasizing digital skills, critical thinking, and practical problem-solving. To support implementation, construction of specialized Junior Secondary School facilities will continue, 50,000 teachers will be trained in competency-based pedagogies, and mid-year assessments will be introduced to support learners requiring re-assessment.

108. To achieve optimal teacher-learner ratios and improve learning outcomes, the Government will recruit 30,000 additional teachers, prioritizing STEM and technical subjects. Classroom infrastructure will be expanded through construction of 20,000 new classrooms and rehabilitation of 15,000 existing classrooms. Emphasis will be placed on construction and equipping of laboratories, particularly in rural schools, sanitation facilities, libraries, and the provision of digital learning resources. The School Meals Programme will be expanded to reach three million learners in arid and semi-arid counties, improving enrolment, retention, and learning outcomes. Means-testing for higher education placement will be streamlined to enhance fairness, and inclusive education will be strengthened through assistive technologies, including refreshable braille displays.

109. In support of industrialization, tertiary and higher education remain a priority to equip young people with market-relevant skills, entrepreneurial capabilities, and adaptive competencies. For this reason, the Digital Learning Programme and ICT infrastructure will be expanded to build digital literacy and global readiness. The Digital Learning Programme will expand technology-enabled learning, benefiting both TVET and university students. Teacher welfare and continuous professional development remain strategic priorities. Technical and Vocational Education and Training (TVET) will be strengthened through establishment of 100 centres equipped with modern facilities and industry-aligned curricula, with capacity to train 200,000 youth annually. Funding, curricula, and industry partnerships will be enhanced to position TVET as a pathway to employability, productivity, and innovation. To deepen education-industry linkages, TVET institutions will be linked to Constituency Industrial Development Centres (CIDCs) and County Aggregation and Industrial Parks (CAIPs) to support practical training, skills and technology transfer, industry mentorship, and enterprise incubation. In addition, the Government will progressively adopt dual-training models that combine classroom learning with structured industry and enterprise exposure, including embedded entrepreneurship training to equip technical graduates with self-employment and enterprise development capabilities.

110. Significant progress has been recorded across all levels of education. In primary and secondary education, more than 14 million learners benefited from capitation grants covering over 10 million primary and four million secondary students. Competency-Based Curriculum implementation reached Grade 9, with over 300,000 teachers trained and large-scale distribution of learning materials. Over 150,000 teachers were recruited on permanent terms, with an additional 46,000 intern teachers deployed. Teacher management reforms included promotion of 126,462 teachers, digitization of 403,476 teacher records, and retooling of 220,097 teachers on CBET. Specialized Junior Secondary School facilities were constructed, and mid-year assessments were introduced to support learners needing re-assessment. Across infrastructure and digital learning initiatives, 13,500 classrooms, 863 laboratories, and 1,896 sanitation facilities were constructed, over 500 libraries established, and over one million devices distributed. Additionally, the School Meals Programme reached over 2.3 million learners annually, contributing to improved participation, retention, and learning outcomes.

111. In tertiary and higher education, gross enrolment in TVET increased from 562,499 to 708,885 learners, the number of accredited TVET institutions grew from 2,401 to 2,969, and universities supported over 550,000 students. A total of 3,300 trainers were recruited, and CBET candidates assessed and certified rose from 16,083 to 214,275. In total, 110,251 trainees received scholarships, 36 TVET projects were completed, and 108 projects progressed at various stages of implementation. In addition, the Open University of Kenya was operationalized, offering 30 bachelor's degree programmes and enrolling 5,063 students. Under the student-centred financing model, 257,523 students received scholarships, while 38,250 benefited from bursaries. To promote research and innovation, 52 innovations were incubated into commercial ventures, 430 innovators were trained, and 78 outstanding innovators recognized.

### 1.3.7 Women Agenda

112. The Constitution of Kenya guarantees equal treatment for men and women and upholds their right to equal opportunities across political, economic, cultural, and social spheres. In line with this mandate, the Government continues to advance gender equality by promoting meaningful inclusion of women in decision-making, enhancing their economic empowerment, and intensifying efforts to eliminate Gender-Based Violence (GBV) and Female Genital Mutilation (FGM).

113. To strengthen gender equality, community development, and social empowerment, the Government has implemented targeted interventions to expand access to economic opportunities

and strengthen social protection systems. Key initiatives include planned disbursement of KSh 12 billion to 16,850 Affirmative Action Groups, provision of bursaries and scholarships to 178,500 needy students, and support for girls' education through sanitary towels for 11.1 million girls and 7,500 dignity kits for GBV survivors. Additionally, KSh 9.6 billion will support 660,000 women entrepreneurs, while 1,200 duty bearers and 9,000 community members will be trained on GBV prevention. A further 99,000 individuals will be sensitized on gender mainstreaming, and 3,000 survivors will be engaged as frontline advocates in the fight against FGM.

114. To strengthen policy implementation, the Government will advance several priority actions, including continued financing of Affirmative Action Groups, expanded financial support to women entrepreneurs totalling KSh 3.3 billion, and implementation of recommendations from the Taskforce on GBV and Femicide. The Government will also establish three safe houses and GBV protection centers, intensify the national campaign to eradicate FGM, and undertake a Special Needs Assessment Survey to inform future interventions.

115. Between FY 2022/23 and FY 2024/25, substantial progress was made in advancing gender equality and social empowerment. During this period, KSh 3.33 billion was disbursed to 10,785 Affirmative Action Groups, and 155,580 needy students benefited from bursaries and scholarships through the National Government Affirmative Action Fund (NGAAF). The Women Enterprise Fund (WEF) disbursed KSh 3.12 billion to 261,681 women entrepreneurs, and 361,481 women were trained in financial literacy. In addition, 64,000 individuals were trained on gender mainstreaming, 43,700 resource persons and duty bearers received training on anti-FGM strategies, and 11,485 persons were trained in psychosocial support and counselling to strengthen the national response to GBV.

### **1.3.8 Social Protection**

116. Social Safety Net Programmes remain a central pillar of the Government's Bottom-Up Economic Transformation Agenda, aimed at reducing poverty, creating jobs, and expanding income opportunities for economically excluded populations. To achieve these goals, the Government continues to strengthen and expand social safety nets and allocate financial resources to safeguard vulnerable groups nationwide. Income security for vulnerable households will be enhanced through cash transfers to 1,211,863 beneficiaries under the Inua Jamii Programme, including 1,148,256 older persons and 63,607 households with persons with severe disabilities (PWSDs). Additional support includes training, registration, and linkage of 206,000 community groups to Microfinance Institutions, and sensitization of 33,000 community members on healthy ageing and older persons' rights. Well-being interventions for persons with disabilities include registration and issuance of disability cards to 510,000 PWDs, provision of sunscreen lotion to 5,000 persons with albinism, and essential drugs and supplies to 20,000 persons with autism. Furthermore, adult literacy will be expanded through the establishment of 47 Accelerated Adult Education Centres (AECs).

117. The Government will strengthen child protection services through targeted interventions. These include disbursement of cash transfers to 441,516 households with Orphans and Vulnerable Children (OVC) and 22,300 learners under the Presidential Secondary School Bursary Programme annually. Child protection systems will be enhanced through the screening and rescue of 4,500 human trafficking victims, rescue and reintegration of 20,500 street persons, and provision of care and protection services to 1,295,000 children affected by violence and 12,610 children in conflict with the law. Family-based care will be promoted by placing 50,000 children under Alternative Family Care Options. Additionally, the Nutritional Improvement Cash and through Education (NICHE) Programme will be implemented in 25 counties, and a cash-plus pilot programme for poor and vulnerable adolescents will be rolled out, encompassing

cash transfers, skills training, social and behavioural change activities, case management, psychosocial support, childcare, and life skills training.

118. Between FY 2022/23 and FY 2024/25, the Government disbursed cash transfers to 1,749,656 beneficiaries under the Inua Jamii Programme, comprising 1,253,045 older persons, 63,607 households with PWSDs, and 443,004 households caring for OVCs. During the same period, 175,467 Community Self-Help Groups were registered, 152,403 PWDs were registered, and 12,705 assistive devices were provided. Additional interventions included therapy services to 15,884 persons, drug provision to 6,941 persons with autism, and distribution of sunscreen lotion to 3,800 persons with albinism. Child protection efforts managed 946,798 cases, placed 1,508 children under Alternative Family Care Options, resolved 533,436 child rights violations, rescued 15,163 street persons, and provided bursaries and scholarships to 35,000 OVCs. Further, 155,580 needy students benefited from bursaries and scholarships, supporting equitable access to education for disadvantaged learners.

### 1.3.9 Sports, Culture and Arts

#### 1.3.9.1 Sports and Arts

119. Sports and arts play a critical role in promoting national identity, cultural expression, social cohesion, and economic growth. The Government will continue to promote and develop sports at all levels, focusing on the implementation of the Sports Policy, enforcement of the World Anti-Doping Code and the Convention Against Doping, and regulation of sports activities nationwide. In addition, the Government will strengthen coordination of sports training and education, expand the sports industry to support sustainable livelihoods, develop and manage sports facilities, and establish sports academies to nurture talent. Capacity-building efforts for athletes and technical personnel will be intensified, particularly in anti-doping compliance and awareness.

120. Over the last three years, significant progress has been achieved in the sports sector. Kenya successfully hosted the 2024 CHAN tournament and continues preparations for the 2027 AFCON, supported by major infrastructure upgrades including completed renovations of Moi International Sports Centre (MISC) Kasarani and Nyayo National Stadium to CHAN standards, and construction of the Talanta Stadium (Raila Odinga International Stadium). Kenyan athletes excelled internationally, securing 131 medals in major competitions, including 11 medals at the 2025 World Athletics Championships in Tokyo. During this period, the country hosted 35 international sports competitions, enhancing its regional and global sporting profile. The Government also facilitated participation of 115 teams in regional and international competitions and registered 760 sports organizations. Capacity-building reached 68,870 individuals through anti-doping education, while 6,960 athletes and 3,683 technical personnel received targeted training, including sessions on anti-doping compliance and best practices.

121. Over the medium term, the Government will continue strengthening sports development by hosting 26 international events, including the 2027 AFCON, and supporting 143 Kenyan teams in global competitions. Talent development will be advanced through 60 constituency-based sports academies and training of 10,200 athletes and 4,800 technical personnel. Infrastructure development will be intensified, with completion of the Kenya Academy of Sports Complex, upgrades to 14 stadia, and enhancement of 23 community sports facilities. Preparations for the 2027 AFCON include the Talanta Sports City, currently at 68 percent completion, scheduled for delivery by early to mid-2026. The facility will feature a 60,000-seat multi-purpose stadium primarily for football, adjacent training grounds for athletics and rugby, and employs over 3,300 workers operating in double shifts. Recent works include roof installation, interior finishing, development of three full training pitches, and pedestrian walkways. Other key stadia slated for

upgrades include MISC Kasarani, Nyayo National Stadium, and Kipchoge Keino Stadium, to meet AFCON standards.

122. Governance of the sports sector will be enhanced by registering 1,350 sports organizations and broadening anti-doping compliance efforts, including sensitization of 76,000 individuals and 13,050 intelligence-based athlete tests. Sector governance will also be strengthened through digitization, streamlined licensing and registration processes, improved regulatory oversight, policy reviews, and promotion of sustainable financing mechanisms for sports, arts, and culture.

### **1.3.9.2 Culture and Heritage**

123. The Government's Bottom-Up Economic Transformation Agenda (BETA) aims to conserve Kenya's diverse cultures and heritage while promoting the commercialization of indigenous knowledge. In line with this, the Government has implemented initiatives to advocate for the preservation, conservation, and promotion of cultural expressions that contribute positively to national identity.

124. Significant achievements over the past years include the restoration of nine heritage sites and monuments, strengthening cultural diplomacy through international exchange programmes, and organization of heritage preservation exhibitions. Additionally, the Government has honoured 142 heroes representing diverse contributions to Kenya's freedom, unity, and development; hosted 21 cultural festivals; and empowered 3,397 artists and cultural practitioners. Documentation and archiving efforts have included establishing a National Digital Repository and 13 county-level digital repositories, acquisition of 13,772 archival materials, digitization of 1.3 million public records, and microfilming of 203,977 analogue records.

125. Over the medium term, the Government will continue advancing the cultural agenda by modernizing museums, protecting nine cultural heritage sites, and hosting nine inter-community cultural exchange festivals. Talent development will be enhanced through establishment of three music studios and nurturing of over 1,800 musicians. Empowerment initiatives will target women in pastoralist communities, with 1,200 women and girls trained in bead-craft production. To promote economic opportunities, 450 cultural and creative products will be commercialized to create jobs for cultural practitioners, youth, and women. The Government will also recognize and honour 450 heroes and heroines to foster national pride and unity. In safeguarding Kenya's documentary heritage, 370,000 records will be digitized, stored, and archived, ensuring the nation's rich cultural and historical legacy is preserved for future generations.

### **1.3.10 Youth Empowerment and Development Agenda**

126. Youth empowerment and development remain a cornerstone of the Government's Bottom-Up Economic Transformation Agenda (BETA). Anchored on the Kenya Young People's Agenda, Government interventions aim to equip youth with entrepreneurial and life skills, promote youth employment locally and abroad, and unlock the potential of youth-owned Micro, Small, and Medium Enterprises (MSMEs). Over the past three financial years, Kenya implemented four Bilateral Labour Agreements (BLAs) and two Memorandums of Understanding (MOUs) to enhance decent jobs under the labour migration programme, orienting 231,877 migrant workers through pre-departure training and recognizing 527 craftsmen on prior learning.

127. Over the medium term, the Government aims to place 570,000 job seekers locally and abroad, sign 12 bilateral labour agreements, certify 310,000 workers, and conduct workplace inspections. Additionally, 90,000 youth will be trained in life skills and technical competencies to boost employability and wealth creation, while 43,000 youth will receive mentorship and entrepreneurship training. A total of 4,422 youth talents will be identified, nurtured, and awarded through the WHO'Z Next Talent Search Programme, ensuring recognition and support for

creative and innovative potential. Further, comprehensive ICT services, guidance and counselling, talent, and career development will be provided to 580,000 youth through One-Stop Youth Empowerment Centres, creating accessible platforms for skills acquisition and personal development. The development of the Kenya Youth Development Index will enable monitoring and tracking of youth outcomes to inform data-driven policies. In the creative economy, the Government plans to issue 16,300 licences to film distributors and exhibitors, supporting local and foreign production and promoting Kenya as a regional hub for creative industries.

128. To further enhance youth engagement, the Government is leveraging the National Youth Opportunities Towards Advancement (NYOTA) Project, a five-year initiative geared towards productively involving young people in national development. The project targets 820,000 unemployed youth aged 18–29 years (and up to 35 years for Persons with Disabilities) with Form 4 Education and below. NYOTA has four key interventions: i) Improving youth employability by providing skills training, apprenticeships, and certification for 90,000 youth, including recognition of prior learning for 20,000 beneficiaries; ii) Expanding employment opportunities through supporting 110,000 youth entrepreneurs with business skills, capital, mentorship, and financial linkages; iii) Supporting youth savings by equipping 190,000 beneficiaries with financial literacy and saving incentives; and iv) Strengthening youth employment systems by building institutional capacity and providing digital training for 600,000 youth to access Government opportunities. Through NYOTA, youth will be empowered with skills, entrepreneurship opportunities, financial literacy, and civic engagement, positioning them as active agents of national development, innovation, and economic resilience.

129. Significant progress over the last three years reflects the impact of these initiatives. The Government has provided youth-friendly services to 1,177,480 young people, including 72,623 beneficiaries of subsidized Sexual and Reproductive Health (SRH) services, and trained 94,298 youth in leadership and governance. Additionally, 56,350 youth were equipped with life skills, while 3,943 talents were identified and nurtured in arts, innovation, and creative industries. To promote economic empowerment, 28,003 youth entrepreneurs accessed loans totaling KSh 553 million, and 3,537 youth secured employment opportunities abroad.

130. In entrepreneurship and the creative sector, 218,902 youth were trained in business skills, and 24,507 youth received entrepreneurship-specific training. Guidance and counselling services on career development and SRH reached 1,177,480 youth at empowerment centres nationwide. The creative economy benefited from support to 1,745 local and foreign film producers, training for 1,847 filmmakers, issuance of 1,795 film licences, and nurturing of 60 students in film production. These interventions collectively demonstrate the Government's continued commitment to harnessing youth potential, expanding economic and creative opportunities, and ensuring that young people are equipped to contribute meaningfully to Kenya's social and economic transformation.

### **1.3.11 Governance and Rule of Law**

131. Strong governance institutions and adherence to the rule of law provide the enabling environment for sustainable development. The Constitution establishes separation of powers, independence of institutions, and accountability mechanisms ensuring good governance. Article 10 enshrines national values including rule of law, democracy, transparency, and accountability. Consequently, the Government has prioritized strengthening governance within the public service through reforms, laws, and policies designed to enhance professionalism, transparency, and service delivery.

132. Kenya has made notable strides in governance and the rule of law, which are central to economic growth, stability, and citizen confidence including:

- i) The Judiciary has implemented reforms to improve access to justice, reduce case backlog, and increase efficiency through e-court systems, online case management, establishment of 19 Employment Courts across all counties, and use of alternative dispute resolution mechanisms. As a result, the justice sector reduced case backlog by 30 percent, from 500,000 cases in 2022 to 350,000 in 2025, and digitalized over 100 courts, enabling electronic filing and virtual hearings. Legal aid services have been expanded through the National Legal Aid and Awareness Programme, improving access for marginalized populations;
  - ii) Efforts to combat corruption have intensified, led by the Ethics and Anti-Corruption Commission (EACC). Key milestones include the enforcement of asset declaration requirements for public officers, investigation and prosecution of high-profile corruption cases, and strengthening of preventive measures such as digitization of procurement and public financial management to reduce opportunities for rent-seeking. These reforms have enhanced transparency, accountability, and public trust in governance;
  - iii) Transformation of the public service has been advanced through performance management systems linking staff evaluation to service delivery outcomes, adoption of e-government platforms such as e-citizen portals and e-procurement, digitized records, and targeted capacity building programs. These reforms have improved operational efficiency, responsiveness, and compliance across government institutions;
  - iv) Devolution has been fully operationalized through functioning County Governments, including assemblies, executive structures, and service delivery units. Implementation of Integrated Financial Management Systems (IFMIS) at the county level has strengthened transparency and accountability in public fund management. Citizen engagement platforms now allow participation in budget formulation and county development planning, enhancing oversight and inclusivity; and
  - v) In the security sector, the Government has strengthened the National Police Service, including specialized units for counter-terrorism and cybercrime. Police recruitment reduced the police-to-citizen ratio from 1:1,150 to 1:800, complemented by training in modern investigation, human rights, community policing, and cybercrime. Correctional Services has expanded rehabilitation programmes and probation services to all counties. Community policing initiatives enhance citizen participation, while border security has been upgraded with modern scanners and biometric systems to manage cross-border threats and illegal activities.
133. Planned medium-term interventions under governance aim to consolidate achievements and further strengthen public service, rule of law, and security:
- i) Rule of Law and Judicial Reforms: Expand e-justice systems, modernize court infrastructure, deploy digital case management in all courts, establish specialized commercial and employment courts, reduce average case resolution time to 18 months, and employ 100 additional High Court judges and 200 magistrates, with continuous judicial training;
  - ii) Anti-Corruption Measures: Strengthen enforcement, expand whistle-blower protection, enhance public participation in monitoring government accountability, institutionalize preventive measures, intensify high-profile prosecutions, and recover stolen public assets;
  - iii) Public Service Transformation: Accelerate digitalization of government services, implement performance-based management, streamline processes, and improve human resource capacity and service delivery at national and county levels;

- iv) Devolution: Strengthen oversight and accountability in counties, promote citizen engagement in budgeting and planning, and enhance County Governments' capacity to deliver core services;
- v) Security and Stability: Invest in police modernization, intelligence, community policing, border management, and counter-terrorism. Recruit 20,000 additional officers, provide modern equipment and vehicles, and improve police housing to enhance officer welfare and public safety; and
- vi) Institutional Capacity Building: Strengthen governance and oversight institutions, including the Judiciary, EACC, Office of the Auditor-General, and other regulatory bodies, to improve efficiency, transparency, and compliance.

### 1.3.12 Foreign Policy and Regional Integration

134. Kenya's foreign policy continues to advance economic diplomacy, regional integration, and international partnerships, contributing to trade expansion, investment promotion, and political stability. The Government has strengthened engagement with key regional and international blocs, including the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), the African Union (AU), and the Intergovernmental Authority on Development (IGAD), ensuring that Kenya leverages its strategic position in regional and continental affairs.

135. Key achievements include the negotiation and implementation of trade facilitation agreements, promotion of regional infrastructure projects such as the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor, and harmonization of cross-border standards to enhance intra-African trade. Kenya has also leveraged diplomatic channels to attract foreign direct investment (FDI), participate in regional peacekeeping and security initiatives, and support regional industrialization and energy projects. Engagement with international partners has provided technical assistance, financing, and market access support for sectors prioritized under the Bottom-Up Economic Transformation Agenda (BETA).

136. Over the medium term, the Government will implement targeted interventions to strengthen Kenya's position as a regional hub for trade, investment, and diplomacy. These include:

- i) Economic Diplomacy: Expansion of trade missions, investor roadshows, and bilateral/multilateral engagement to attract FDI and promote exports, particularly in agro-processing, manufacturing, and services;
- ii) Regional Integration: Deepening engagement with EAC, COMESA, and AU frameworks to facilitate harmonized trade standards, efficient border management, and coordinated infrastructure development, including transport, energy, and digital corridors;
- iii) Institutional Strengthening: Capacity building within the Ministry of Foreign Affairs and missions abroad to enhance negotiation, trade promotion, and consular services;
- iv) Peace, Security, and Stability: Active participation in regional peacekeeping, counter-terrorism, and conflict resolution initiatives to ensure a stable environment conducive to trade and investment;
- v) Public-Private Partnerships: Collaboration with the private sector to identify export opportunities, leverage diaspora networks, and strengthen Kenya's regional industrial and service clusters; and
- vi) Continental Integration: Supporting Kenya's role in the African Continental Free Trade Area (AfCFTA) to expand market access for local industries and increase participation in regional value chains.

## 1.4 Roadmap to Harnessing Human Capital, Technology, Talent, and Infrastructure

137. Having reflected on the achievements of the past three years under BETA, the Government is now shifting its policy focus toward harnessing capital, technology and talent to accelerate progress with minimal friction. Building on the foundations laid under BETA, the roadmap for Kenya's next level of development prioritizes on long-term industrial planning, investments in people, and the creation of competitive national capacities. Specifically, the Government will focus on four major national priorities: i) scaling up investment in people through education, skills development, scientific training, and innovation; ii) transforming the economy from a net importer to a net exporter of goods and services, with particular emphasis on agricultural and manufactured products; iii) ensuring abundant, reliable, and affordable energy, the lifeblood of a modern economy; and iv), developing efficient transport and logistics infrastructure to connect markets, lower the cost of doing business, and reinforce Kenya as the aviation and commercial hub of East and Central Africa.

138. The Government's next phase of transformation focuses on harnessing capital, technology, and talent to build a competitive, export-driven economy. This roadmap prioritizes long-term industrial planning, large-scale investments in people, expansion of productive capacity, and strategic infrastructure systems to position Kenya for accelerated and sustainable growth.

### 1.4.1 Human Capital Development

139. Education remains the cornerstone of Kenya's human capital development. The Government is committed to strengthening Education through continued investment in skills development, scientific training and innovation. Kenya has made notable progress in expanding access to education, improving infrastructure, enhancing quality of learning and advancing science, research, and innovation, all of which have contributed to better education outcomes. Education plays a critical role in lifting communities out of poverty by enhancing labor productivity, while simultaneously boosting the overall productivity and adaptability of the workforce. Kenya's competitiveness, both regionally and globally, depends on a well-educated population supported by strong training and research systems.

140. To scale up Science, Technology, Engineering and Mathematics (STEM) programmes in the education system, the Government has established the State Department for Science, Research, and Innovation. This institutional reform is designed to strengthen innovation, promote research, and build a pool of high-level professionals in engineering and science. It also provides a framework for fully operationalizing the National Research Fund by progressively increasing investment in research and innovation from the current 0.8 percent of GDP to 2 percent over the next ten years. Achieving this target will support the financing of start-ups, the scaling and commercialization of innovation, and the growth of technology-driven enterprises. These efforts will be supported by Government in collaboration with industry players in the private sector. In addition, targeted funding will be provided for the development and deployment of real-time trade intelligence and market analytics tools to enable local enterprises to identify high-demand export opportunities such as floriculture exports to China and horticultural produce to the European Union and align production, standards, and logistics accordingly.

### 1.4.2 Sustainable Agriculture

141. The Government recognizes that Kenya can no longer rely on rainfall alone to determine agricultural output or food security. Although the country is endowed with fertile arable land, only 15 percent supports rain-fed agriculture, while the remaining 85 percent of the land receives insufficient rainfall. To address this, the Government is prioritizing expanded modern irrigation

as a key pillar of national agricultural policy, ensuring that arid and semi-arid areas are transformed into productive agricultural hubs.

142. Food security efforts will include large-scale modern irrigation, comprising 50 mega dams, 200 mini-dams and over 1,000 micro-dams nationwide to harvest and store water for irrigation and multiple-use purposes. These interventions will bring an additional 2.5 million acres under production within the next five to seven years to support agro-industrialisation and rural livelihoods, securing water for domestic consumption, crop production and export-oriented agriculture. The Government has already mapped out the location of these dams, including High Grand Falls (Tana River), Isiolo-Barsalinga, Sigly canal (Garissa), Soin Koru (Kisumu), Rumuruti (Laikipia), Thuci (Embu & Tharaka-Nithi), Lowaat (Turkana), Muhoya (Nyeri-Kirinyaga), Narosura (Narok), Arror (Elgeyo-Marakwet), Ndarugu (Kiambu), Kokwanyo (Homa Bay), Rare (Kilifi), and Tongaren (Bungoma), among others, to ensure nationwide coverage.

### 1.4.3 Energy

143. Energy is a foundational pillar of national development, and no modern economy can grow without abundant, reliable, and affordable power. As Kenya advances its economic transformation agenda, expanding energy generation and access remains a top national priority. Despite an installed capacity of 3,300 MW, it remains insufficient in meeting the demands of a rapidly modernising economy. To support domestic electrification, industrial manufacturing, agro-processing, e-mobility, green industrialisation and the digital economy, the Government will undertake an accelerated expansion of power generation. Kenya is endowed with diverse and underutilised renewable resources, including geothermal, solar, hydro, wind and nuclear, which collectively provide a strong platform for sustainable energy growth. The increasing energy requirements of modern technologies such as data centres, artificial intelligence, and advanced manufacturing further underscore the urgency to scale up supply. Accordingly, the Government will prioritise the development of an additional 10,000 MW of affordable and dependable power over the next seven years to secure energy sufficiency, leveraging geothermal, hydro, solar, wind and nuclear potential to support manufacturing, value addition, digital expansion, e-mobility and emerging technologies.

### 1.4.4 Transport and logistics

144. The modernization and expansion of transport and logistics infrastructure is essential for driving economic growth, strengthening national competitiveness and enabling the efficient movement of goods and people across the country. Efficient transport and logistics systems will reduce the cost of doing business, enhance market access, and support Kenya's role as a regional commercial and aviation gateway. To address existing infrastructure gaps, the Government will implement a comprehensive ten-year programme that includes dualling 2,500 kilometres of priority highways, tarmacking an additional 28,000 kilometres of roads, and expanding strategic transport corridors through Public-Private Partnerships.

145. The transport and logistics investments will also include the modernisation of Jomo Kenyatta International Airport, and building of a new world class international airport, the Ports of Mombasa and Lamu and reforms to restore the operational and financial stability of Kenya Airways. Major projects are already underway, including the dualling of the Rironi-Naivasha-Nakuru-Mau Summit and the Rironi-Maai Mahiu-Naivasha roads, with additional key corridors across the country earmarked for expansion to eliminate congestion and improve mobility. The extension of the Standard Gauge Railway from Naivasha to Kisumu and onward to Malaba has also already begun, marking a significant step toward enhanced regional connectivity.

## 1.5 National Infrastructure Fund and Sovereign Wealth Fund

146. In order to transform the country into a first-world economy, the Kenya Kwanza Manifesto envisaged the establishment of an infrastructure Fund/Bank. The Government has taken a major in this regard, following Cabinet approval for the establishment of the National Infrastructure Fund and the Sovereign Wealth Fund, which will anchor long-term development and economic transformation. The National Infrastructure Fund will be established as a limited company with initial capitalization from privatization proceeds, with a view to progressively reduce the financing of commercially viable infrastructure projects from the budget. Through domestic resource mobilisation, monetisation of mature public assets, democratisation of ownership via capital markets, and deployment of national savings, the Fund will crowd in large-scale private capital while reducing reliance on borrowing and taxation. All privatisation proceeds will be ring-fenced for infrastructure investment, with every shilling expected to leverage up to KSh 10 from long-term investors such as pension funds, sovereign partners, private equity and development finance institutions.

147. In parallel, Cabinet approved the Sovereign Wealth Fund Policy, establishing a dedicated national fund to prudently manage revenues from mineral and petroleum resources, dividends from public investments, and a portion of privatisation proceeds. Anchored on inter-generational savings, fiscal resilience and commercially viable strategic investments, the Sovereign Wealth Fund will strengthen fiscal discipline, protect the economy from external shocks, and enhance long-term competitiveness. The Fund operationalizes Article 201 of the Constitution on generational equity, establishes a comprehensive framework for the prudent management and investment of revenues from mineral and petroleum resources, and advances the Kenya Kwanza Administration investment-led growth agenda.

148. Together, the National Infrastructure Fund and Sovereign Wealth Fund will finance Kenya's transformation agenda focused on food security, infrastructure expansion and energy-driven industrialisation. Both funds will operate under strong governance, transparency and accountability frameworks, with professional and independent management. This financing architecture represents a decisive shift toward a sustainable, investment-led development model that mobilises capital, accelerates delivery, preserves national value and secures long-term prosperity for present and future generations.

## II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

### 2.1 Global Economic Outlook

149. Global growth is estimated at 3.3 percent in 2025, underpinned by easing trade tensions, improved financial conditions, and resilient consumer and business spending. Growth is projected to remain at 3.3 percent in 2026, before easing marginally to 3.2 percent in 2027 (Table 2.1). The sustained resilience reflects continued investment in technology, particularly artificial intelligence, more flexible private-sector supply chains, and generally accommodative financial conditions. However, heightened policy uncertainty, geopolitical tensions, and the risk of renewed trade fragmentation continue to weigh on the global outlook.

**Table 2.1: Global Economic Performance**

	Growth (%)			
	Actual	Estimate	Projections	
Economy	2024	2025	2026	2027
World	3.3	3.3	3.3	3.2
Advanced Economies	1.8	1.7	1.8	1.7
<i>Of which: USA</i>	2.8	2.1	2.4	2.0
<i>Euro Area</i>	0.9	1.4	1.3	1.4
<i>Japan</i>	(0.2)	1.1	0.7	0.6
Emerging and Developing Economies	4.3	4.4	4.2	4.1
<i>Of which: China</i>	5.0	5.0	4.5	4.0
<i>India</i>	6.5	7.3	6.4	6.4
Sub-Saharan Africa	4.1	4.4	4.6	4.6
<i>Of which: South Africa</i>	0.5	1.3	1.4	1.5
Nigeria	4.1	4.2	4.4	4.1

*Source: IMF World Economic Outlook Update, January 2026.*

150. In advanced economies, growth is expected to be moderate at 1.8 percent in 2026 and 1.7 percent in 2027 from an estimated 1.7 percent in 2025. The United States economy is projected to expand by 2.4 percent in 2026 from a growth of 2.1 percent in 2025, buoyed by strong business investment and resilient household spending, albeit amid ongoing trade-policy uncertainty. The euro area and other major advanced economies are anticipated to register slower but stable growth, underpinned by domestic demand and wage gains, but constrained by weaker external demand and subdued business sentiment.

151. In emerging market and developing economies, growth is projected to moderate to 4.2 percent in 2026, from 4.4 percent in 2025. China's growth outlook remains firm, reflecting continued policy stimulus, increased policy bank lending, and lower effective US tariff rates following the temporary trade truce. Growth in the Middle East and Central Asia is expected to accelerate in 2026, supported by higher oil output, resilient domestic demand, and ongoing reforms. In Latin America and the Caribbean, growth is projected to slow in 2026 before

recovering in 2027, while emerging and developing Europe is expected to rebound from the sharp slowdown experienced in 2025 as the effects of earlier trade-policy shifts dissipate.

152. In Sub-Saharan Africa, growth is projected to strengthen from 4.4 percent in 2025 to 4.6 percent in 2026 and 2027, supported by macroeconomic stabilization, improving domestic demand, easing inflationary pressures, and continued reform efforts in several key economies. Notwithstanding the improved outlook, the region remains exposed to risks arising from fiscal pressures, external financing constraints, and global economic uncertainty.

## 2.2 Domestic Economic Performance

153. The Kenyan economy continues to demonstrate significant resilience despite facing multiple challenges from both domestic and external environments. Over the past three years (2022–2024), the economy expanded at an average annual rate of 5.1 percent (4.9 percent in 2022, 5.7 percent in 2023, and 4.7 percent in 2024). This performance exceeds the global average growth rate of 3.5 percent and the sub-Saharan Africa average of 3.9 percent over the same period. This strong performance reflects the sound and deliberate policies implemented during the period, as well as the growing diversification of the economy, which has reduced reliance on any single sector.

154. The economy continued to demonstrate resilience in 2025, posting improved performance with growth of 4.9 percent, 5.0 percent and 4.9 percent in the first, second and third quarters respectively (Table 2.2). This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector, and the resilience of services sector. All economic sectors recorded positive growth rates in the first three quarters of 2025, with varied magnitudes across activities.

**Table 2.2: Sectoral GDP Performance**

Sectors/Sub-sectors	Quarterly Growth Rates					
	2024 Q1	2024 Q2	2024 Q3	2025 Q1	2025 Q2	2025 Q3
<b>1. Primary sector</b>	<b>4.5</b>	<b>4.0</b>	<b>2.9</b>	<b>6.2</b>	<b>4.9</b>	<b>4.0</b>
1.1. Agriculture, Forestry and Fishing	5.6	4.5	4.0	6.0	4.4	3.2
1.2. Mining and Quarrying	(16.1)	(5.5)	(12.2)	10.8	15.3	16.6
<b>2. Secondary Sector (Industry)</b>	<b>1.5</b>	<b>0.5</b>	<b>0.3</b>	<b>2.6</b>	<b>3.3</b>	<b>4.1</b>
2.1. Manufacturing	1.9	3.2	2.3	2.1	1.0	2.5
2.2. Electricity and Water supply	2.8	1.2	0.9	3.6	5.7	3.6
2.3. Construction	0.4	(3.7)	(2.6)	3.0	5.7	6.7
<b>3. Tertiary sector (Services)</b>	<b>6.8</b>	<b>6.2</b>	<b>5.7</b>	<b>4.8</b>	<b>5.5</b>	<b>5.4</b>
3.1. Wholesale and Retail trade	3.6	2.5	2.6	5.4	4.1	4.8
3.2. Accommodation and Restaurant	38.1	35.0	22.9	4.1	7.8	17.7
3.3. Transport and Storage	4.1	3.4	4.6	3.7	5.4	5.2
3.4. Information and Communication	9.2	6.7	6.9	5.8	6.0	4.5
3.5. Financial and Insurance	9.6	8.0	7.3	5.2	6.7	5.4
3.6. Public Administration	7.5	9.0	7.3	6.5	6.0	5.1
3.7. Others	5.8	5.6	4.9	4.4	5.2	5.2
of which: Professional, Admin & Support Services	9.4	6.7	4.5	4.6	8.5	6.1
Real Estate	6.9	5.9	4.8	5.3	5.5	5.7
Education	2.4	3.2	4.8	2.9	3.2	3.4
Health	5.4	8.1	6.2	4.8	6.8	4.1
Taxes less subsidies	2.9	3.8	6.3	5.7	3.3	3.7
<b>Real GDP</b>	<b>4.9</b>	<b>4.6</b>	<b>4.2</b>	<b>4.9</b>	<b>5.0</b>	<b>4.9</b>

Source of Data: Kenya National Bureau of Statistics

155. In 2025, **the primary sector** grew by 6.2 percent in the first quarter, 4.9 percent in the second quarter and 4.0 percent in the third quarter compared to a growth of 4.5 percent, 4.0 percent and 2.9 percent in the corresponding quarters of 2024 (Table 2.2). This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector and a recovery in the mining and quarrying sub-sector. Activities in the agriculture, forestry, and fishing sub-sector expanded by 6.0 percent in the first quarter, 4.4 percent in the second quarter and 3.2 percent in the third quarter of 2025, compared to growth of 5.6 percent, 4.5 percent and 4.0 percent in the corresponding quarters of 2024. This performance was driven by favorable weather conditions experienced in most parts of the country involved in crop and animal production. This was evident in the significant increase in the production of milk, coffee, and vegetables, as well as exports of cut flowers. However, the sub-sector's performance was somewhat curtailed by a decline in tea and sugarcane production.

156. The mining and quarrying sub-sector grew by 10.8 percent in the first quarter, 15.3 percent in the second quarter, and 16.6 percent in the third quarter of 2025, compared to contractions of 16.1 percent, 5.5 percent, and 12.2 percent, respectively, in the corresponding quarters of 2024. This growth reflected increased activity and renewed investment following a period of subdued performance in the previous year.

157. In the first three quarters of 2025, **the industry sector** recorded a growth of 2.6 percent in the first quarter, 3.3 percent in the second quarter and 4.1 percent in the third quarter, an improvement from a growth of 1.5 percent, 0.5 percent and 0.3 percent, respectively, in the corresponding quarters of 2024. This growth was driven by improved performance across manufacturing, electricity and water supply, and construction sub-sectors.

158. The manufacturing sub-sector grew by 2.1 percent in the first quarter, 1.0 percent in the second quarter, and 2.5 percent in the third quarter of 2025, compared to growth of 1.9 percent, 3.2 percent, and 2.3 percent, respectively, in the corresponding quarters of 2024. This growth was supported by both food and non-food manufacturing activities. Within food manufacturing, the sub-sector benefited from strong increases in coffee auctions and milk deliveries. Non-food manufacturing also performed well, with increased production of cement and galvanized sheets, as well as increased assembly of motor vehicles.

159. The electricity and water supply sub-sector grew by 3.6 percent in the first quarter, 5.7 percent in the second quarter, and 3.6 percent in the third quarter of 2025, representing an improvement compared to growth of 2.8 percent, 1.2 percent, and 0.9 percent, respectively, in the corresponding quarters of 2024. Growth was driven by higher electricity generation, with solar, wind, and geothermal sources contributing significantly, although increases in thermal generation and a decline in hydro generation curtailed overall performance.

160. The construction sub-sector grew by 3.0 percent in the first quarter, 5.7 percent in the second quarter, and 6.7 percent in the third quarter of 2025, up from growth of 0.4 percent and contractions of 3.7 percent and 2.6 percent, respectively, in the corresponding quarters of 2024. This performance was driven by increased consumption of key inputs such as cement, iron, and steel. Additionally, the quantity of imported bitumen increased during the period.

161. The **services sector** recorded growth of 4.8 percent in the first quarter, 5.5 percent in the second quarter, and 5.4 percent in the third quarter of 2025, compared to growth of 6.8 percent, 6.2 percent, and 5.7 percent, respectively, in the corresponding quarters of 2024. The transportation and storage sub-sector expanded by 3.7 percent in the first quarter, 5.4 percent in the second quarter, and 5.2 percent in the third quarter of 2025, compared to growth of 4.1 percent, 3.4 percent, and 4.6 percent, respectively, in the corresponding quarters of 2024. Performance in this sub-sector was supported by increased activity in road, water, and air transport, as well as railway operations.

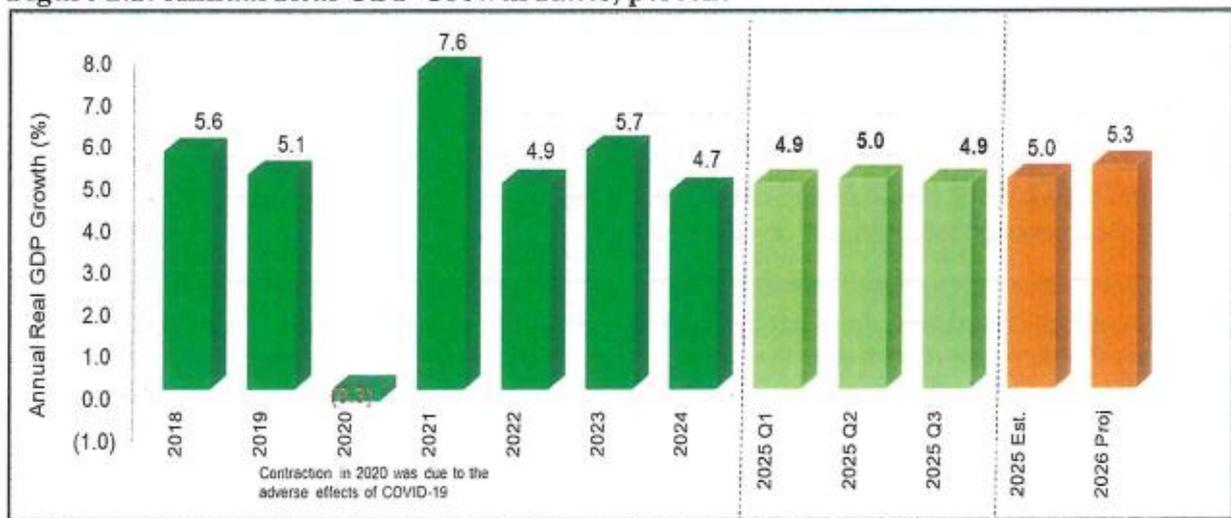
162. The accommodation and food service sub-sectors grew by 4.1 percent in the first quarter, 7.8 percent in the second quarter, and 17.7 percent in the third quarter of 2025, compared to growth of 38.1 percent, 35.0 percent, and 22.9 percent, respectively, in the corresponding quarters of 2024. This growth was largely supported by increased visitor arrivals, as Kenya co-hosted the African Nations Championship (CHAN) in the third quarter of 2025. International visitor arrivals through the two major airport, Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA), increased during the first three quarters of 2025.

163. The information and communication sub-sector grew by 5.8 percent in the first quarter, 6.0 percent in the second quarter, and 4.5 percent in the third quarter of 2025, compared to growth of 9.2 percent, 6.7 percent, and 6.9 percent, respectively, in the corresponding quarters of 2024. This performance was supported by increases in both domestic and international mobile voice traffic, as well as higher mobile broadband data consumption.

164. The financial and insurance sub-sector recorded growth of 5.2 percent in the first quarter, 6.7 percent in the second quarter, and 5.4 percent in the third quarter of 2025, compared to growth of 9.6 percent, 8.0 percent, and 7.3 percent, respectively, in the corresponding quarters of 2024. The slower growth reflects the impact of easing interest rates, which moderated earnings from financial intermediation, alongside relatively modest credit growth to the private sector.

165. Leading indicators of economic activity point to improved performance in the fourth quarter of 2025. As such, full-year growth is estimated at 5.0 percent and projected to improve to 5.3 percent in 2026. This growth is supported by continued resilience of key service sectors and agriculture, and continued recovery of the industry sector. The outlook will be reinforced by the ongoing implementation of priorities under Bottom-Up Economic Transformation Agenda (BETA) (Figure 2.1).

**Figure 2.1: Annual Real GDP Growth Rates, percent**



Source of Data: Kenya National Bureau of Statistics

### **Inflation Developments**

166. Overall year-on-year inflation has declined and remained below the mid-point of the policy target range of  $5.0 \pm 2.5$  percent since June 2024. The stable inflation has been supported by: abundant supply of food attributed to favorable weather conditions coupled with government interventions; lower fuel inflation attributed to the stability of the exchange rate and lower international oil prices. Inflation stood at 4.4 percent in January 2026 compared to 3.3 percent in January 2025 (Figure 2.2). The increase reflects the easing of monetary policy.

167. Core inflation remained muted at 2.2 percent in January 2026 from 2.0 percent in January 2025, mainly on account of lower prices of processed food items. Non-core inflation rose to 10.3 percent in January 2026 from 6.8 percent in January 2025, driven primarily by sharper increases in transport costs, as well as higher prices of vegetables, particularly tomatoes, carrots, onions, and cabbages, alongside pressures from utilities and energy.

**Figure 2.2: Inflation Rate, Percent**



Source of Data: Kenya National Bureau of Statistics

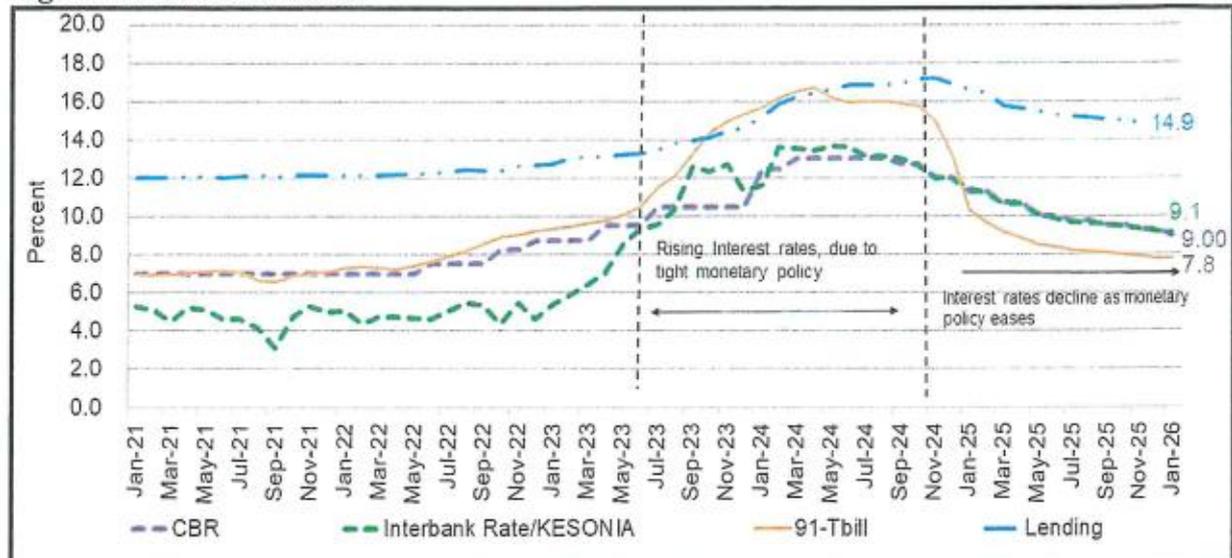
### Interest Rates Developments

168. The Central Bank of Kenya, through the Monetary Policy Committee (MPC), has gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 9.0 percent in December 2025 (Figure 2.3). This measure is intended to augment previous policy actions aimed at stimulating bank lending to the private sector and supporting economic activity. It also seeks to ensure that inflationary expectations remain firmly anchored, while the exchange rate remains stable.

169. Short-term interest rates declined in line with the easing of monetary policy. KESONIA (the overnight interbank rate) declined to 9.0 percent in January 2026 from 11.2 percent in January 2025, while the 91-day Treasury bill rate declined to 7.7 percent from 9.6 percent over the same period. Similarly, the 182-day Treasury bill rate declined to 7.8 percent in January 2026 from 10.0 percent in January 2025, while the 364-day Treasury bill rate declined to 9.2 percent from 11.3 percent over the same period. The decrease in government domestic borrowing rates has contributed to lower debt-servicing costs.

170. Commercial banks' average lending and deposit rates decreased in the year to November 2025 in tandem with the easing of the monetary policy. The average lending rate decreased to 14.9 percent in November 2025 from 17.2 percent in November 2024 while the average deposit rate also decreased to 7.3 percent from 10.4 percent over the same period. Consequently, the average interest rate spread increased to 7.6 percent in November 2025 from 6.8 percent in November 2024.

**Figure 2.3: Interest Rates.**



Source of Data: Central Bank of Kenya

### Monetary and Credit Developments

171. Broad money supply, M3, grew by 9.8 percent in the year to December 2025, compared to a contraction of 0.2 percent in the year to December 2024 (Table 2.3). The improved growth of M3 was driven by higher growth in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA), particularly credit to both the Government and the private sector. The NFA of the banking system grew by 40.7 percent in the year to December 2025, compared to a growth of 6.1 percent in the year to December 2024. The increase in NFA was mainly attributable to a rise in the Central Bank’s foreign assets, while growth in commercial banks’ foreign assets slowed during the period.

**Table 2.3: Money and Credit Developments (12 Months to December 2025, KSh billion)**

				Absolute Change		Percent Change	
	2023 December	2024 December	2025 December	2023-2024 December	2024-2025 December	2023-2024 December	2024-2025 December
<b>COMPONENTS OF M3</b>							
1. Money supply, M1 (1.1+1.2+1.3)	2,044.1	2,121.4	2,406.0	77.3	284.6	3.8	13.4
1.1 currency outside banks (M0)	282.1	292.8	323.2	10.7	30.4	3.8	10.4
1.2 Demand deposits	1,663.9	1,714.5	1,970.0	50.6	255.5	3.0	14.9
1.3 Other deposits at CBK	98.0	114.1	112.8	16.1	(1.3)	16.4	(1.1)
2. Money supply, M2 (1+2.1)	3,952.3	4,231.3	4,682.7	279.0	451.3	7.1	10.7
2.1 Time and savings deposits	1,908.3	2,109.9	2,276.7	201.7	166.7	10.6	7.9
Money supply, M3 (2+3.1)	5,498.6	5,488.7	6,029.3	(9.8)	540.6	(0.2)	9.8
3.1 Foreign currency deposits	1,546.3	1,257.4	1,346.7	(288.8)	89.3	(18.7)	7.1
<b>SOURCES OF M3</b>							
1. Net foreign assets (1.1+1.2)	793.6	841.7	1,183.9	48.1	342.2	6.1	40.7
1.1 Central Bank	486.9	610.1	892.5	123.3	282.4	25.3	46.3
1.2 Banking Institutions	306.7	231.5	291.4	(75.2)	59.8	(24.5)	25.8
2. Net domestic assets (2.1+2.2)	4,705.0	4,647.1	4,845.4	(57.9)	198.4	(1.2)	4.3
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	6,252.0	5,909.0	6,429.8	(343.1)	520.9	(5.5)	8.8
2.1.1 Government (net)	2,239.5	1,984.2	2,289.6	(255.3)	305.4	(11.4)	15.4
2.1.2 Other public sector	101.3	67.1	54.5	(34.2)	(12.6)	(33.8)	(18.8)
2.1.3 Private sector	3,911.2	3,857.7	4,085.8	(53.5)	228.1	(1.4)	5.9
2.2 Other assets net	(1,547.0)	(1,261.9)	(1,584.4)	285.1	(322.5)	18.4	(25.6)

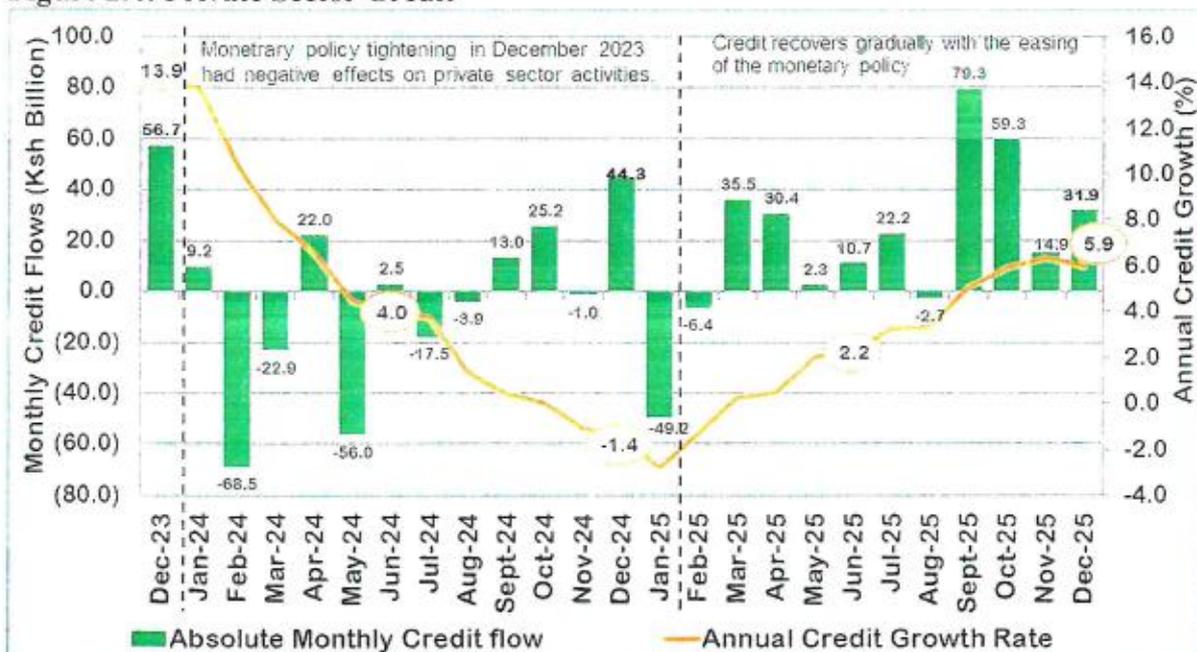
Source of Data: Central Bank of Kenya

172. Net Domestic Assets (NDA) improved to a growth of 4.3 percent in the year to December 2025, compared to a contraction of 1.2 percent over a similar period in 2024. The domestic credit extended by the banking system to the Government grew by 15.4 percent in the year to December 2025 compared to a contraction of 11.4 percent over a similar period in 2024 while lending to other public sectors contracted by 18.8 percent compared to a contraction of 33.8 percent over the same period. Increased net lending to government mainly reflected increase uptake of government securities by commercial banks. In contrast, lending to other public sector declined, mainly reflecting repayments by parastatals

173. Growth in private sector credit from the banking system recorded a growth of 5.9 percent in the year to December 2025 compared to a contraction of 1.4 percent in the year to December 2024. Growth in credit to key sectors of the economy, particularly Agriculture, manufacturing, building and construction, Finance and insurance, and consumer durables, remained strong in December 2025. This mainly reflects improved demand for credit in line with the declining interest rates.

174. The Monthly (month on month) credit flows to the private sector improved to KSh 31.9 billion in December 2025 due to the easing of the monetary policy stance to lower the cost of funds for banks (Figure 2.4). Sustained demand particularly for working capital due to resilient economic activities and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs will continue to support private sector credit uptake.

Figure 2.4: Private Sector Credit



Source of Data: Central Bank of Kenya

### External Sector Developments

175. The current account deficit stood at US\$ 3,298.9 million (2.4 percent of GDP) in December 2025, compared to US\$ 1,550.6 million (1.2 percent of GDP) in December 2024 (Table 2.4). The current account balance was supported by resilient goods exports, an improvement in services receipt and net primary income, and increased remittances. The current account deficit in the 12 months to December 2025 was more than fully financed by financial account inflows.

**Table 2.4: Balance of Payments (USD Million)**

				Year to December 2025		Actuals as a Percent of GDP	
	Dec-23	Dec-24	Dec-25	Absolute Change	Percent Change	Dec-24	Dec-25
<b>Overall Balance</b>	<b>1,008.1</b>	<b>(1,458.7)</b>	<b>(1,868.3)</b>	<b>(409.6)</b>	<b>(28.1)</b>	<b>(1.2)</b>	<b>(1.3)</b>
<b>A) Current Account</b>	<b>(2,728.4)</b>	<b>(1,550.6)</b>	<b>(3,298.9)</b>	<b>(1,748.3)</b>	<b>(112.8)</b>	<b>(1.2)</b>	<b>(2.4)</b>
<i>Merchandise Account (a-b)</i>	<i>(9,556.4)</i>	<i>(9,734.2)</i>	<i>(10,995.3)</i>	<i>(1,261.1)</i>	<i>(13.0)</i>	<i>(7.8)</i>	<i>(7.9)</i>
a) Goods: exports	11,031.3	12,507.9	13,266.1	758.1	6.1	10.0	9.5
b) Goods: imports	20,587.8	22,242.1	24,261.3	2,019.2	9.1	17.7	17.3
<i>Net Services (c-d)</i>	<i>1,703.4</i>	<i>2,416.1</i>	<i>2,100.9</i>	<i>(315.2)</i>	<i>(13.0)</i>	<i>1.9</i>	<i>1.5</i>
c) Services: credit	7,149.2	8,077.6	8,168.3	90.6	1.1	6.4	5.8
d) Services: debit	5,445.8	5,661.5	6,067.4	405.9	7.2	4.5	4.3
<i>Net Primary Income (e-f)</i>	<i>(1,861.1)</i>	<i>(1,845.5)</i>	<i>(1,798.7)</i>	<i>46.8</i>	<i>2.5</i>	<i>(1.5)</i>	<i>(1.3)</i>
e) Primary income: credit	182.3	291.7	401.1	109.4	37.5	0.2	0.3
f) Primary income: debit	2,043.5	2,137.2	2,199.8	62.6	2.9	1.7	1.6
<i>Net Secondary Income</i>	<i>6,985.8</i>	<i>7,613.0</i>	<i>7,394.1</i>	<i>(218.8)</i>	<i>(2.9)</i>	<i>6.1</i>	<i>5.3</i>
g) Secondary income: credit	7,079.0	7,662.1	7,459.7	(202.4)	(2.6)	6.1	5.3
of which Remittances	4,189.9	4,945.2	5,036.8	91.5	1.9	3.9	3.6
h) Secondary income: debit	93.3	49.1	65.5	16.4	33.5	0.0	0.0
<b>B) Capital Account</b>	<b>127.6</b>	<b>232.2</b>	<b>180.7</b>	<b>(51.5)</b>	<b>(22.2)</b>	<b>0.2</b>	<b>0.1</b>
<b>C) Financial Account</b>	<b>(1,847.0)</b>	<b>(3,213.6)</b>	<b>(5,266.7)</b>	<b>(2,053.1)</b>	<b>(63.9)</b>	<b>(2.6)</b>	<b>(3.8)</b>

*Source of Data: Central Bank of Kenya*

176. The balance in the merchandise account deteriorated by US\$ 1,261.1 million to a deficit of US\$. 10,995.3 million in December 2025 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 6.1 percent, due to higher domestic exports particularly horticulture, coffee, manufactured goods, and apparel. Goods imports rose by 9.1 percent, reflecting increases in intermediate and capital goods imports.

177. Services receipts increased by 7.2 percent, mainly supported by increased receipts from travel services. The deficit on the primary account narrowed by US\$ 46.8 million to a deficit of US\$. 1,798.7 million in the year to December 2025, compared to the same period last year. Diaspora remittances increased by 1.9 percent to US\$ 5,036.8 million in the 12 months to December 2025 compared to US\$ 4,945.2 million in a similar period in 2024. Remittances increased forex inflows into the country, with some going to investment while others support household consumption of our people.

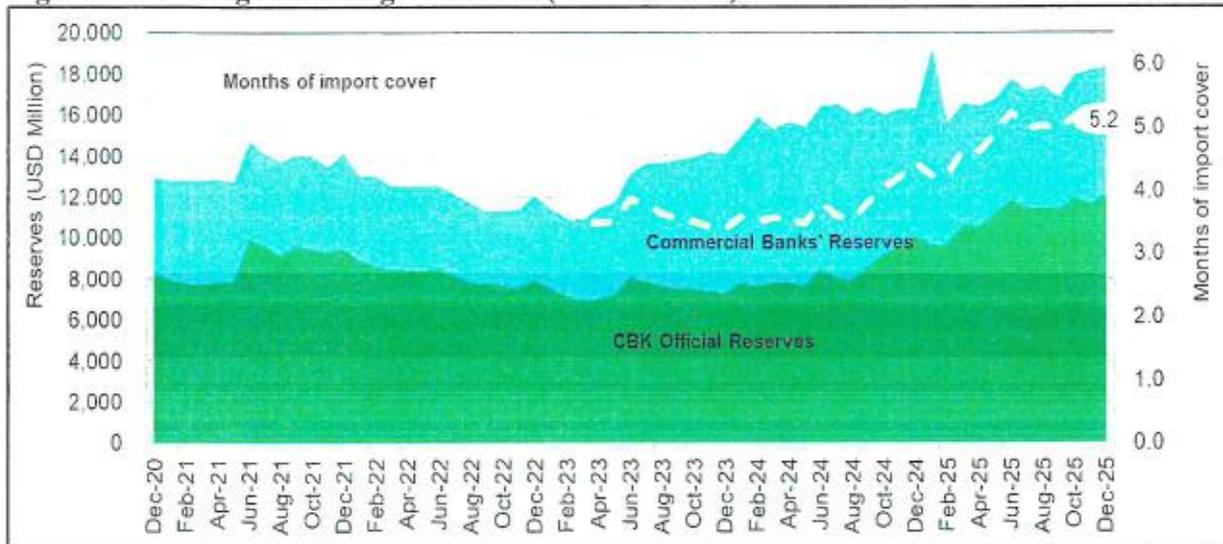
178. The capital account balance decreased by US\$. 51.5 million to register a surplus of US\$ 180.7 million in December 2025 compared to a surplus of US\$ 232.2 million in the same period in 2024. Net financial inflows improved to US\$. 5,266.7 million in December 2025 compared to US\$. 3,213.6 million in December 2024 reflecting an increase in net financial liabilities, which more than offset the decline in net acquisition of financial assets. The net financial inflows were mainly in the form of Portfolio investments, direct investments, financial derivatives and other investments.

### *Foreign Exchange Reserves*

179. The banking system's foreign exchange holdings remained strong at US\$. 18,312.1 million in December 2025 from US\$. 16,324.5 million in December 2024. The official foreign exchange reserves held by the Central Bank stood at US\$. 12,098.6 million compared to US\$ 10,066.6 million over the same period in 2024 (**Figure 2.5**). Commercial banks foreign exchange holdings decreased to US\$. 6,213.6 million in December 2025 from US\$. 6,257.9 million in December 2024.

180. The official reserves held by the Central Bank in December 2025 represented 5.2 months of import cover, compared to 4.4 months of import cover in December 2024. These reserves continue to provide adequate cover and a buffer against short-term shocks in the foreign exchange market. The level of reserves also exceeds the minimum requirement of four months of import cover.

Figure 2.5: Foreign Exchange Reserves (USD Million)

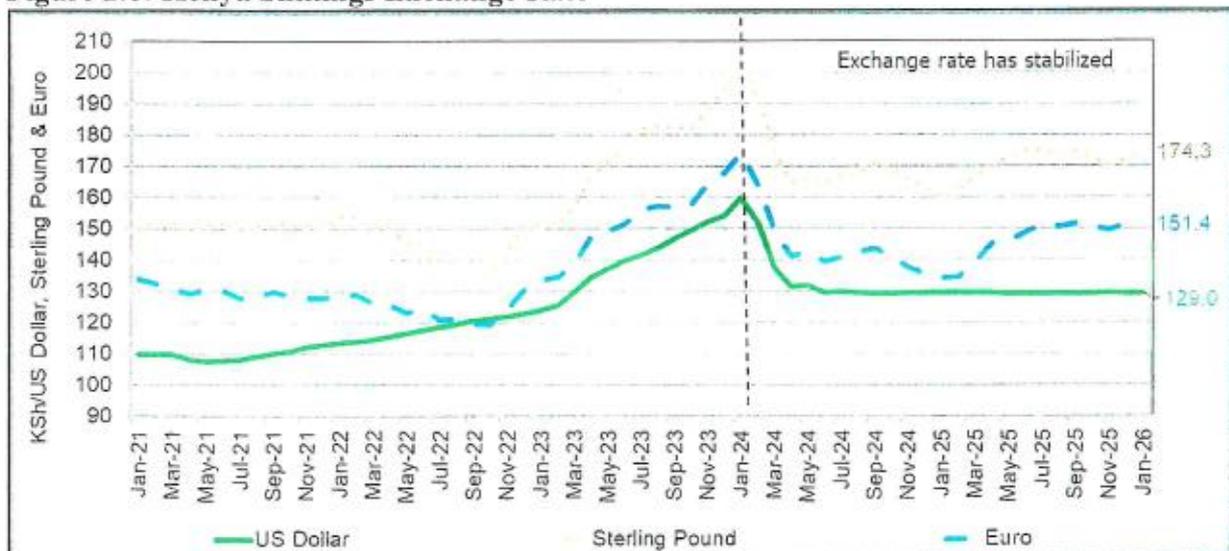


Source of Data: Central Bank of Kenya

### Exchange Rate Developments

181. The Kenya Shilling remained relatively stable against the US Dollar, exchanging at an average of KSh 129.0 in January 2026 compared to KSh 129.4 in January 2025. However, the Shilling depreciated against the Sterling Pound and the Euro by 9.1 percent and 13.0 percent, respectively. The Sterling Pound averaged KSh 174.3 in January 2026, up from KSh 159.8 in January 2025, while the Euro averaged KSh 151.4 compared to KSh 134.0 over the same period. Overall, the foreign exchange market remained well-supported by steady inflows from agricultural exports and diaspora remittances, which helped cushion the Shilling against excessive volatility (Figure 2.6).

Figure 2.6: Kenya Shillings Exchange Rate

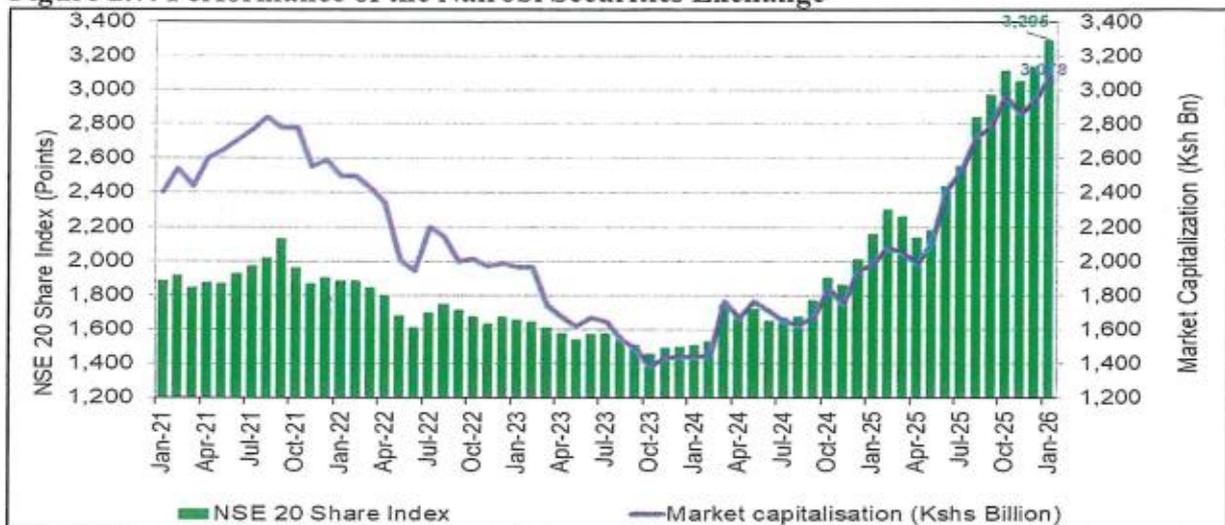


Source of Data: Central Bank of Kenya

## Capital Markets Developments

182. The stability of the Kenya Shilling against major international currencies, together with improved macroeconomic conditions, has boosted investor confidence. This has driven higher foreign direct investment inflows and increased participation in the Nairobi Securities Exchange (NSE). As a result, the NSE 20 Share Index improved by 52.4 percent to 3,295 points in January 2026, up from 2,163 points in January 2025. Similarly, market capitalization expanded by 55.2 percent to KSh 3,078 billion from KSh 1,984 billion over the same period (Figure 2.7). These levels represent the strongest performance of the NSE since the pre-COVID period, reflecting renewed confidence in Kenya’s economic recovery and long-term prospects.

**Figure 2.7: Performance of the Nairobi Securities Exchange**



Source of Data: Nairobi Securities Exchange

## 2.3 Fiscal Performance

183. Budget execution progressed well during the first half of the FY 2025/26. However, execution has been constrained by a combination of factors, including slower-than-anticipated adoption of the e-procurement system, revenue underperformance, and emerging expenditures pressures. To order to safeguard budget implementation while maintaining fiscal consolidation path, the Government has revised the fiscal projections for the FY 2025/26. The process has accommodated emerging revenue shortfalls and critical additional expenditure requirements, while ensuring alignment with approved fiscal targets.

### Revenue Performance

184. By the end of December 2025, total revenue collected including A-I-A amounted to KSh 1,500.6 billion against a target of KSh 1,637.7 billion (Table 2.5). The revenue collection was below target by KSh 136.1 billion. This performance is attributed to underperformance recorded in ordinary revenue of KSh 115.3 billion, and KSh 20.8 billion in Ministerial A-I-A.

185. The ordinary revenue collection was KSh 1,236.5 billion against a target of KSh 1,351.9 billion. All ordinary revenue categories except import duty recorded below target performance during the period under review. The total revenue recorded a growth of 12.4 percent compared to a growth of 1.6 percent recorded in December 2024.

186. The ministerial A-I-A collected amounted to KSh 264.1 billion against a target of KSh 284.9 billion, KSh 20.8 million below the target. The performance of A-I-A translated to a growth of 49.2 percent.

Table 2.5: Fiscal Performance as at 31<sup>st</sup> December, 2025

	Dec-24			Dec-25					
	(KSh Billion)	% of GDP	% Growth	KSh Billion			% of GDP		
				Target	Prel. Act.	Deviation	Target	Prel. Act.	% Growth
A. Total Revenue including External Grants	1,342.2	7.4	1.8	1,654.6	1,506.3	(148.3)	8.6	7.8	12.2
Total Revenues (1+2)	1,334.7	7.4	1.6	1,636.7	1,500.6	(136.1)	8.5	7.8	12.4
1. Ordinary Revenue	1,157.8	6.4	6.3	1,351.9	1,236.5	(115.3)	7.0	6.4	6.8
Import duty	71.5	0.4	4.8	83.7	84.7	1.0	0.4	0.4	18.4
Excise duty	141.3	0.8	1.1	167.6	153.6	(14.0)	0.9	0.8	5.7
Income tax	530.8	2.9	8.1	626.9	542.4	(84.5)	3.3	2.8	2.2
VAT	304.1	1.7	(4.4)	379.4	351.0	(28.4)	2.0	1.8	15.4
Other Revenue	110.0	0.6	54.0	94.3	104.8	10.5	0.5	0.5	(4.7)
2. Ministerial Appropriation in Aid	176.9	1.0	(21.2)	284.9	264.1	(20.8)	1.5	1.4	49.2
3. External Grants	7.5	0.0	37.7	17.9	5.8	(12.2)	0.1	0.0	(23.3)
B. Total Expenditure and Net Lending	1,795.8	9.9	5.3	2,097.0	2,024.4	(72.6)	10.9	10.5	12.7
1. Recurrent Expenditure	1,372.1	7.6	5.9	1,541.3	1,552.2	10.9	8.0	8.1	13.1
2. Development	232.0	1.3	(12.7)	325.7	292.7	(33.0)	1.7	1.5	26.1
3. County Allocation	191.6	1.1	34.5	229.9	179.5	(50.4)	1.2	0.9	(6.3)
4. Contingency Fund	-	-	-	-	-	-	-	-	-
C. Balance Exclusive of Grants	(464.0)	(2.6)	18.6	(460.3)	(523.8)	(63.6)	(2.4)	(2.7)	12.9
D. Balance inclusive of Grants (Cash basis)	(456.5)	(2.5)	123.5	(442.4)	(518.1)	(75.7)	(2.3)	(2.7)	13.5
Discrepancy	(51.9)	(0.3)	131.3	-	(1.7)	(1.7)	-	(0.0)	(97.9)
E. Total Financing	404.6	2.2	122.5	442.4	517.0	74.7	2.3	2.7	27.8
1. Net Foreign Financing	(6.6)	(0.0)	(76.4)	(42.2)	7.8	51.0	(0.2)	0.0	(217.1)
2. Net Domestic Financing	411.2	2.3	95.8	485.6	509.2	23.6	2.5	2.6	23.8
Nominal GDP (Fiscal Year)	18,054.3			19,272.8	19,272.8				

Source of Data: National Treasury

### Expenditure Performance

187. The total expenditure and net lending for the period ending December 2025 amounted to KSh 2,024.4 billion, against a target of KSh 2,097.0 billion. The resultant below target expenditure of KSh 72.6 billion is largely attributed to below target disbursement towards development expenditure and County Governments. Development expenditure was also below target by KSh 33.0 billion, while transfer to counties recorded a shortfall of KSh 50.4 billion mainly due to delayed disbursements. The recurrent expenditure was above target by KSh 10.9 billion mainly due to higher than targeted expenditures in operations & maintenance, and domestic interest (Table 2.5).

188. During the period July 2025 to December 2025, the fiscal balance including grants amounted to KSh 518.1 billion (2.7 percent of GDP) against a targeted deficit of KSh 442.4 billion (2.3 percent of GDP). The deficit was financed by net foreign borrowing amounting to KSh 7.8 billion and net domestic financing of KSh 509.2 billion.

### 2.4 Kenya's Macroeconomic Policy Outlook

189. Kenya's economic outlook is estimated to have expanded by 5.0 percent in 2025 and expected to strengthen to 5.3 percent in 2026 (see Table 2.6 for calendar years and Annex Table 1 for fiscal years). This performance is taking place against a broadly supportive global environment, where growth is estimated at 3.3 percent in 2026 and 3.2 percent in 2027, sustained by easing trade tensions, accommodative financial conditions and expanding technology investment, particularly in artificial intelligence.

**Table 2.6: Kenya's Macroeconomic Indicators and Projections**

	2023	2024	2025	2026	2027	2028	2029	2030
	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
<i>annual percentage change, unless otherwise indicated</i>								
<b>National Account and Prices</b>								
Real GDP	5.7	4.7	5.0	5.3	5.3	5.3	5.3	5.3
Primary Sector	5.7	3.8	5.0	5.0	4.7	4.8	4.7	4.9
- of which: Agriculture	6.6	4.6	4.6	4.7	4.5	4.5	4.4	4.5
Secondary Sector	2.6	1.5	3.5	3.9	3.9	4.3	4.5	4.9
Tertiary Sector	6.8	6.1	5.3	6.0	6.0	6.1	6.1	6.0
GDP deflator	5.9	2.5	6.0	4.9	4.6	4.7	4.7	4.5
CPI Index (eop)	6.6	4.5	4.5	5.0	4.9	4.7	4.7	4.9
CPI Index (avg)	7.7	4.5	4.1	5.0	5.0	4.7	4.7	4.7
Terms of trade (-deterioration)	-1.7	-0.4	3.8	2.3	3.2	3.2	3.8	3.8
Exchange Rate (Ksh/US\$, average)								
<b>Money and Credit (end of period)</b>								
Net domestic assets	3.1	9.0	10.7	8.8	8.5	8.6	9.2	8.0
Net domestic credit to the Government	14.2	13.8	8.3	6.2	5.0	5.5	5.7	2.8
Credit to the rest of the economy	3.1	3.9	7.0	9.3	9.8	9.7	10.4	1.7
Broad Money, M3 (percent change)	7.2	9.2	10.5	10.2	10.2	10.2	10.3	7.6
Reserve money (percent change)	7.9	3.5	9.3	10.1	10.1	10.1	10.1	7.5
<i>in percentage of GDP, unless otherwise indicated</i>								
<b>Investment and Saving</b>								
<b>Consumption</b>								
Central Government	11.8	11.2	11.6	11.2	11.0	10.6	10.3	9.9
Private	76.2	76.9	77.1	76.9	76.9	76.9	76.9	76.9
Final consumption expenditure by NPISH	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.4
<b>Gross Fixed Capital Investment</b>								
Central Government	4.2	4.2	4.2	4.3	4.4	4.6	4.6	4.7
Private	12.3	12.6	10.4	11.2	11.2	11.1	11.1	11.0
<b>Gross National Saving</b>								
Central Government	0.4	0.1	-0.1	0.1	0.3	1.9	2.3	2.3
Private	11.9	13.9	13.4	13.0	12.9	11.4	11.1	11.1
Exports value, goods and services	16.8	17.0	15.3	14.6	14.2	14.0	13.9	13.5
Imports value, goods and services	24.3	23.1	21.8	20.7	20.0	19.5	18.7	18.2
Current Account Balance	-4.2	-2.7	-1.3	-2.3	-2.3	-2.3	-2.3	-2.3
Gross reserves in months of next yr's imports	3.1	4.0	4.4	4.4	4.5	4.6	4.7	4.9
Gross reserves in months of this yr's imports	3.4	4.3	4.6	4.7	4.8	4.9	5.0	5.1
<b>Central Government Budget in Fiscal Years</b>								
Total revenue	16.5	17.3	17.1	17.6	16.9	17.5	17.0	16.8
Total Expenditure and Net Lending	22.5	23.0	23.2	23.9	22.5	21.4	20.6	20.2
Overall Fiscal Balance excl. Grants	-6.0	-5.8	-6.1	-6.2	-5.6	-3.9	-3.6	-3.4
Overall Fiscal Balance, incl. Grants	-5.9	-5.6	-5.9	-6.0	-5.3	-3.6	-3.3	-3.2
Statistical discrepancy	-0.2	-0.1	0.1	0.0	0.0	0.0	0.0	0.0
Overall Fiscal Balance, incl. Grants, Cash Basis	-5.6	-5.3	-5.9	-6.0	-5.3	-3.6	-3.3	-3.2
Primary Budget Balance	-0.8	0.1	-0.2	-0.1	0.4	1.6	1.6	1.4
Net domestic borrowing	3.2	3.8	5.0	4.7	4.3	2.4	2.7	2.6
<b>Public debt in Fiscal years</b>								
Nominal Government Public Debt (eop), Gross	71.9	67.5	68.9	68.2	67.2	64.6	61.8	59.3
Nominal Public Debt (eop), Net of Deposits	68.5	64.2	65.4	65.0	64.3	62.0	59.5	57.2
Domestic (Gross) Debt	33.8	34.5	36.9	38.0	38.7	37.5	36.7	35.9
Domestic (Net) Debt	30.4	31.2	33.5	34.8	35.9	34.9	34.4	33.8
External Debt	38.1	33.0	32.0	30.2	28.5	27.1	25.2	23.4
<b>Memorandum Items:</b>								
Nominal GDP (in Ksh Billion) in calendar years*	15,109	16,224	18,063	19,943	21,952	24,212	26,682	29,367
Per capita income (Ksh) in calendar years	294,504	309,722	337,789	365,411	386,424	417,903	451,676	487,671
Nominal GDP (in US\$ Million) in calendar years	108.037	121.256	139.886	154.408	169.547	186.259	205.364	226.650
* Nominal GDP in Fiscal Years in Annex Table 2								

Source: The National Treasury

190. Kenya's growth projection will be anchored by a robust agricultural sector, steady expansion in services, and a gradual rebound in industry. Agriculture is expected to benefit from favourable weather conditions, climate-smart investments, and Government initiatives aimed at improving productivity and market access. Strong linkages between agriculture and other sectors, particularly agro-processing, exports, and rural household incomes, will continue to support broad-based growth.

191. Industrial activity is projected to firm up over the medium term, supported by easing production costs and a more stable exchange rate environment. The construction industry is set for a notable turnaround following the clearance of verified pending bills, which will help restart stalled projects, improve liquidity for contractors, and stimulate related industries such as manufacturing and construction materials. Kenya's dynamic services sector, especially finance, ICT, and trade, is expected to retain momentum. Government efforts to promote sustainable tourism, expand community-based tourism models, and enhance port infrastructure to support cruise tourism will further lift hospitality and transport services.

192. On the demand side, private consumption and investment are expected to remain resilient, supported by a favourable macroeconomic environment. Lower inflation and prudent monetary policy will help improve household purchasing power and ease cost pressures on firms. Remittances, Kenya's largest source of foreign exchange, are projected to remain strong and provide an additional buffer for household consumption. The ongoing decline in lending rates will improve credit affordability for businesses and households, stimulating private investment, enterprise expansion, and job creation.

193. Private sector investments will also be bolstered by measures aimed at improving competitiveness, reducing regulatory bottlenecks, and strengthening market efficiency. Positive investor sentiment, improved access to international markets, adherence to fiscal consolidation, and a more stable exchange rate anchored on credible monetary policy and sound liability-management practices will enhance Kenya's investment climate. The expansion of Public-Private Partnerships (PPPs) is expected to play a major role in closing development infrastructure gaps. The harmonized Public Investment Policy, now fully operational, aligns PPP and Public Investment Management processes to ensure efficient, coordinated planning and execution of projects. Over the medium term, the Government will prioritize PPP investments across key sectors including Agriculture, Roads, Transport and Logistics, Urban Development and Housing, Energy, Water, ICT, Agribusiness and Manufacturing, and Health. There are currently 40 Public Private Partnership (PPP) projects, of which 10 are under implementation while 30 are in the pipeline at various stages of the PPP project cycle. In FY 2026/27, the Government targets to mobilize at least KSh 80 billion in private investment through PPPs. To strengthen openness, transparency, and accountability, the Government will continue to enforce compliance with the National Treasury Circular on Public Disclosure of Privately Initiated Proposals (PIPs) issued in April 2025, and enhance public participation at all critical stages of the PPP project lifecycle, in line with the PPP Act, including the publication of all intended and ongoing projects pursuant to Sections 43 and 69 of the PPP Act. Ongoing privatization of select State-owned enterprises will complement these efforts by improving efficiency, attracting both domestic and foreign investors, and creating fiscal space for priority development programs.

194. Growth in public consumption is expected to remain modest in line with the medium-term fiscal adjustment. Recurrent expenditure as a share of GDP is projected to gradually decline, while development spending is expected to rise to support implementation of BETA priorities. To support private-sector liquidity and stimulate economic activity, the Government will continue efforts to clear pending bills, especially those in the roads sector. These payments will be facilitated through a bond issuance by the Kenya Roads Board. In addition, major

infrastructure investments will increasingly leverage PPP arrangements to reduce pressure on the exchequer.

195. Kenya's external position is expected to remain stable over the medium term, supported by rising exports and an improving global environment. The implementation of key trade agreements, stronger growth in Kenya's main regional markets in Africa, and lower international commodity prices will help strengthen export performance. The removal of certain export tariffs by China, and improved access to European Union markets, are expected to enhance Kenya's export competitiveness, boost foreign exchange earnings, and narrow the external imbalance. Continued resilience in agricultural exports, particularly horticulture and tea, will remain a core driver of external sector stability.

196. Stabilizing global economic conditions are expected to strengthen diaspora remittances and support continued growth in tourism and transport services. The expected rebound in service exports, particularly tourism, ICT-enabled services, and transport, will help cushion the economy against reduced income flows from declining donor support. Import growth is projected to pick up as domestic demand strengthens, supported by a stable exchange rate and industrial recovery. The increase in imports will mainly reflect higher demand for raw materials to support manufacturing and industrial activity, as well as consumer goods required to meet rising household consumption.

## 2.4.1 Monetary Policy Management

197. The Central Bank of Kenya (CBK) manages monetary policy with the primary objective of maintaining price and financial stability to support sustainable economic growth. The framework is anchored on an inflation-targeting regime, with the current target set at  $5 \pm 2.5$  percent. The introduction of core and non-core inflation measures in January 2025 has enhanced CBK's capacity to make data-driven policy decisions, with core inflation providing a more accurate reflection of underlying price trends and structural price pressures.

198. The Monetary Policy Committee (MPC) continues to implement reforms outlined in the White Paper on Modernization of the Monetary Policy Framework and Operations. These reforms aim to enhance the effectiveness of monetary policy, strengthen the anchoring of inflation expectations, and improve the overall transmission of policy decisions to the economy. Key elements include the shift toward a forward-looking, interest-rate-based framework, strengthened liquidity management instruments, enhanced policy communication and transparency, and upgraded market infrastructure to deepen financial markets and support investor confidence.

199. A significant milestone in this transition is the introduction of a revised Risk-Based Credit Pricing Model (RBCPM) for the banking sector to strengthen monetary policy transmission, enhance transparency in lending, and promote responsible credit allocation. Under the RBCPM, lending rates are linked to the Kenya Shilling Overnight Interbank Average rate (KESONIA), reflecting borrowers' risk profiles and aligning with international best practices. The total lending rate comprises KESONIA plus a risk-adjusted premium ("K") that covers operational costs, expected returns, and borrower risk, while the total cost of credit includes applicable fees and charges. To promote transparency and informed borrowing, banks are required to publish weighted average lending rates, risk premiums, and associated fees for all lending products on their websites and on the Total Cost of Credit (TCC) platform.

200. In a major step to modernize Kenya's financial infrastructure, the CBK extended the operating hours of the Kenya Electronic Payment and Settlement System (KEPSS) and the national Real Time Gross Settlement (RTGS) system, effective July 1, 2025. This strategic enhancement strengthens the efficiency, accessibility, and resilience of the country's payment

ecosystem, supporting Kenya's transition toward a 24/7 digital economy, facilitating seamless cross-border transactions, and improving the country's competitiveness as a regional financial hub. These upgrades also promote financial inclusion by enhancing access to digital payment systems for households and businesses.

201. Looking ahead, monetary policy will continue to focus on preserving the credibility of the inflation-targeting framework, improving the transmission of policy rates to lending rates, and safeguarding financial stability. Policy efforts will ensure that monetary conditions remain supportive of private sector credit growth and broader economic activity, underpinned by prudent fiscal management, robust financial sector oversight, and continued development of digital financial infrastructure to enhance efficiency and inclusivity in the economy.

#### 2.4.2 Fiscal Policy and Outlook

202. The fiscal policy for FY 2026/27 and the medium term will be anchored on a growth-supportive consolidation strategy that advances the Government's priorities under Bottom - Up Economic Transformation Agenda (BETA) and the Fourth Medium Term Plan. The policy will also integrate the Government's emerging initiatives in human capital development, agricultural transformation, energy, and transport and logistics. This approach is intended to slow the pace of public debt accumulation, strengthen debt sustainability, and support the implementation of a proactive liability-management framework, while safeguarding the quality of public services. Fiscal consolidation efforts will prioritize enhanced domestic revenue mobilization, rigorous expenditure optimization and reprioritization, and protection of essential government programs and social interventions.

203. The medium term fiscal projections in the 2026 Budget Policy Statement have been revised from those of the 2025 Budget Review and Outlook Paper (BRBP) estimates taking into account budget implementation for FY 2025/26 and the available resource envelope. Over the medium term, as a percent of GDP, the Government's total revenue including AiA is projected to increase from 16.9 percent of GDP in the FY 2026/27 to 17.5 percent of GDP in the FY 2027/28 and moderate to 17.0 percent of GDP in the FY 2028/29. Of the total revenue, ordinary revenue is projected to increase from 13.9 percent of GDP in the FY 2026/27 to 14.7 percent of GDP in the FY 2027/28 and moderate to 14.4 percent of GDP in the FY 2028/29. Total expenditure is projected to decrease from 22.5 percent of GDP in the FY 2026/27 to 21.4 percent of GDP in the FY 2027/28 to 20.6 percent of GDP in the FY 2028/29. Of the total expenditures, recurrent expenditure is projected to decline from 16.5 percent of GDP in the FY 2026/26 to 15.5 percent of GDP in the FY 2027/28 to 14.6 percent of GDP in the FY 2028/29 while development and net lending expenditure is expected to rise from 3.6 percent of GDP in the FY 2026/27 to 3.8 percent of GDP in the FY 2027/28 to 4.1 percent of GDP in the FY 2028/29.

204. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to gradually decline from 5.3 percent of GDP in the FY 2026/27 to 3.6 percent of GDP in the FY 2027/28 to 3.3 percent of GDP in the FY 2028/29 (**Table 2.7, Annex Tables 2 and 3**). This will boost the country's debt position and ensure the country's development agenda is sustainably funded.

**Table 2.7: Fiscal Framework**

	FY 2023/24	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
	Actual	Prel.	Budget	Proj.	BPS Projections			
<i>Amount in KSh Billion</i>								
<b>TOTAL REVENUE</b>	2,702.7	2,923.6	3,321.7	3,352.1	3,533.7	4,038.9	4,337.2	4,699.5
Ordinary revenue	2,288.9	2,420.2	2,754.7	2,744.4	2,901.9	3,390.0	3,658.0	3,957.6
Tax Revenue	2,167.8	2,272.4	2,627.1	2,600.8	2,767.4	3,099.0	3,374.0	3,705.5
Non Tax Revenue	121.1	147.8	127.6	143.6	134.5	291.1	284.0	252.1
Ministerial Appropriation in Aid	413.7	503.4	566.9	607.7	631.8	648.9	679.2	741.8
<b>TOTAL EXPENDITURE AND NET LENDING</b>	3,605.2	3,975.9	4,269.9	4,532.8	4,703.9	4,931.4	5,241.6	5,662.3
Recurrent	2,678.4	2,948.4	3,134.1	3,338.7	3,456.9	3,569.0	3,712.3	4,018.3
Development	546.4	582.9	649.0	707.3	749.5	883.8	1,041.2	1,129.7
County Transfer	380.4	444.6	484.8	484.8	495.5	473.5	483.0	509.4
Contingency Fund	-	-	2.0	2.0	2.0	5.0	5.0	5.0
<b>BALANCE EXCLUDING GRANTS</b>	(902.5)	(1,052.4)	(948.2)	(1,180.7)	(1,170.2)	(892.5)	(904.4)	(962.9)
Grants	22.0	33.3	47.2	39.9	54.4	58.8	67.1	77.1
<b>BALANCE INCLUSIVE OF GRANTS</b>	(880.5)	(1,019.1)	(901.0)	(1,140.7)	(1,115.8)	(833.7)	(837.3)	(885.8)
Adjustment to cash basis	45.4	-	-	-	-	-	-	-
<b>BALANCE INCLUSIVE OF GRANTS(cash basis)</b>	(835.1)	(1,019.1)	(901.0)	(1,140.7)	(1,115.8)	(833.7)	(837.3)	(885.8)
<i>Discrepancy</i>	<i>(16.8)</i>	<i>15.1</i>	-	-	-	-	-	-
<b>TOTAL FINANCING</b>	818.3	1,034.2	901.0	1,140.7	1,115.8	833.7	837.3	885.8
Net Foreign Financing	222.7	179.7	287.4	254.8	225.5	287.8	153.3	148.3
Net Domestic Financing	595.6	854.5	613.5	885.9	890.4	545.9	684.0	737.4
<b>Nominal GDP (Fiscal year)</b>	<b>15,666.6</b>	<b>17,144.0</b>	<b>19,272.8</b>	<b>19,003.2</b>	<b>20,947.4</b>	<b>23,081.7</b>	<b>25,446.8</b>	<b>28,024.3</b>
<i>As a share of GDP</i>								
<b>TOTAL REVENUE</b>	17.3	17.1	17.2	17.6	16.9	17.5	17.0	16.8
Ordinary revenue	14.6	14.1	14.3	14.4	13.9	14.7	14.4	14.1
Tax Revenue	13.8	13.3	13.6	13.7	13.2	13.4	13.3	13.2
Non Tax Revenue	0.8	0.9	0.7	0.8	0.6	1.3	1.1	0.9
Ministerial Appropriation in Aid	2.6	2.9	2.9	3.2	3.0	2.8	2.7	2.6
<b>TOTAL EXPENDITURE AND NET LENDING</b>	23.0	23.2	22.2	23.9	22.5	21.4	20.6	20.2
Recurrent	17.1	17.2	16.3	17.6	16.5	15.5	14.6	14.3
Development	3.5	3.4	3.4	3.7	3.6	3.8	4.1	4.0
County Transfer	2.4	2.6	2.5	2.6	2.4	2.1	1.9	1.8
Contingency Fund	-	-	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE EXCLUDING GRANTS</b>	(5.8)	(6.1)	(4.9)	(6.2)	(5.6)	(3.9)	(3.6)	(3.4)
Grants	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.3
<b>BALANCE INCLUSIVE OF GRANTS</b>	(5.6)	(5.9)	(4.7)	(6.0)	(5.3)	(3.6)	(3.3)	(3.2)
Adjustment to cash basis	0.3	-	-	-	-	-	-	-
<b>BALANCE INCLUSIVE OF GRANTS(cash basis)</b>	(5.3)	(5.9)	(4.7)	(6.0)	(5.3)	(3.6)	(3.3)	(3.2)
<i>Discrepancy</i>	<i>(0.1)</i>	<i>0.1</i>	-	-	-	-	-	-
<b>TOTAL FINANCING</b>	5.2	6.0	4.7	6.0	5.3	3.6	3.3	3.2
Net Foreign Financing	1.4	1.0	1.5	1.3	1.1	1.2	0.6	0.5
Net Domestic Financing	3.8	5.0	3.2	4.7	4.3	2.4	2.7	2.6
<b>Nominal GDP (Fiscal year)</b>	<b>100.0</b>							

Source of Data: National Treasury

### Revenue Projections versus Nominal GDP Growth Rates

205. Table 2.8 provides projections of annual growth rates of total and ordinary revenues compared to the growth rates of nominal GDP. In the FY 2026/27, total revenue is projected to grow by 5.7 percent while the nominal GDP is projected to expand by 10.2 percent. As a share of GDP, total revenue and ordinary revenue are projected at 16.9 percent and 13.9 percent in FY 2026/27, respectively.

**Table 2.8: Revenue Projections Vs Nominal GDP**

	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
	Act.	Act.	Act.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
<i>Amount in KSh Billions</i>									
Total Revenue	2,200	2,361	2,703	2,924	3,352	3,534	4,039	4,337	4,699
Ordinary Revenue	1,918	2,041	2,289	2,420	2,744	2,902	3,390	3,658	3,958
Nominal GDP	12,759	14,299	15,667	17,144	19,003	20,947	23,082	25,447	28,024
<i>Annual Growth Rates</i>									
Total Revenue	22.0	7.3	14.5	8.2	14.7	5.4	14.3	7.4	8.4
Ordinary Revenue	22.8	6.4	12.1	5.7	13.4	5.7	16.8	7.9	8.2
Nominal GDP	13.3	12.1	9.6	9.4	10.8	10.2	10.2	10.2	10.1
<i>Percent of GDP</i>									
Total Revenue	17.2	16.5	17.3	17.1	17.6	16.9	17.5	17.0	16.8
Ordinary Revenue	15.0	14.3	14.6	14.1	14.4	13.9	14.7	14.4	14.1
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source of Data: National Treasury

### 2.4.2.1 Domestic Revenue Mobilization

206. Government will implement a mix of tax administrative and tax policy measures in order to boost revenue collection thereby supporting economic activity. In the FY 2026/27 and over the medium term, the Government will focus on domestic resource mobilization efforts that include:

- i) Continued implementation of the National Tax Policy and the Medium-Term Revenue Strategy to progressively strengthen tax revenue mobilization by simplifying and harmonizing tax laws, rationalizing and targeting tax expenditures, and creating a simple, predictable and fair tax system.
- ii) Deepening tax administration reforms through sustained investment in technology to modernize the tax framework, improve compliance, broaden the tax base, strengthen customs valuation, and seal revenue leakages.
- iii) Scaling up non-tax revenues by enhancing the capacity of MDAs to effectively generate income from public services and strengthen their operational systems to improve service-based revenue performance.

#### *Fostering Fairness and Equity in Personal Income Tax*

207. Personal Income Tax (PIT) is a central instrument for promoting fairness and equity within the tax system, as it is designed to ensure that individuals contribute to public finances in line with their economic capacity. For PIT to function effectively in this role, the tax burden must be shared broadly and applied consistently across income earners. Where compliance is uneven and concentrated on a narrow group of taxpayers, the redistributive role of PIT is weakened and confidence in the tax system is undermined. In Kenya, PIT performance has been characterized by strong compliance among formal sector employees and persistently low compliance among the self-employed. This imbalance has resulted in a system where income visibility, rather than ability to pay, largely determines tax contribution. As a consequence, formal sector taxpayers bear a disproportionate share of the PIT burden, while a large and economically active self-employed population remains outside effective taxation. This outcome is neither equitable nor sustainable and places continued pressure on a limited segment of compliant taxpayers.

208. Fostering fairness and equity in PIT therefore requires deliberate action to improve compliance among the self-employed and informal sector. Enhancing income visibility within this segment is essential to broadening the tax base and ensuring that PIT obligations reflect economic reality across different forms of employment. A broader and more inclusive PIT base reduces over-reliance on PAYE contributors and allows the tax burden to be shared more evenly among income earners. This approach is grounded in the canons of taxation, particularly equity, fairness, certainty, convenience, and economy. Equity is strengthened when taxpayers are assessed based on their economic capacity rather than the form in which their income is earned. Fairness is reinforced when individuals with similar income levels are subject to similar tax treatment, regardless of whether they are formally employed or self-employed. Certainty is enhanced when tax obligations are credible and consistently applied across all income earners, reducing perceptions that compliance is optional for certain groups.

209. At the same time, a focus on administrative efficiency ensures that compliance measures are proportionate, scalable, and cost-effective. By adopting risk-based and data-informed approaches, the tax system can reduce reliance on intrusive enforcement methods while directing effort to areas of highest non-compliance. This supports the canon of economy by lowering the cost of collection relative to revenue yield, while also improving convenience for compliant taxpayers. Ultimately, fostering fairness and equity in PIT is not about increasing the burden on

any one group, but about rebalancing the system so that all income earners contribute according to their ability to pay. By improving compliance among the self-employed and easing the disproportionate pressure on formal sector taxpayers, the PIT system can better fulfil its redistributive role, strengthen tax morale, and support sustainable domestic revenue mobilization.

## 2.4.2.2 Expenditure Reforms

210. The Government continues to implement measures to enhance expenditure control and ensure value for money in public spending. Key interventions include the continued enforcement of austerity measures aimed at reducing recurrent expenditure, rollout of end-to-end e-procurement systems to increase transparency, continued implementation of governance reforms targeting state corporation including privatization, and piloting of the Human Resource Management System (HRMS), which is being deployed across all National Government Ministries and Departments as well as County Governments to improve wage bill management.

### *Implementation of Treasury Single Account*

211. To enhance public cash management, the Government is implementing the Treasury Single Account (TSA) in three phases. In November 2025, the National Treasury issued a circular providing guidelines for the implementation of the TSA system. The TSA aims to enhance efficiency in government cash management, unify government banking arrangements, and provide real-time visibility of public cash resources, thereby strengthening overall fiscal transparency management.

212. Following its operationalization, all Ministries and Departments (MDAs), representing 100 percent coverage, were migrated to the TSA environment with effect from 1<sup>st</sup> July 2025. During the FY 2025/26, the National Treasury will continue implementing the remaining TSA features, notably the automation of County Government exchequer processes, which is expected to be completed by the end of the financial year. In addition, inclusion of State Corporations and SAGAs daily cash balances in the TSA system through the CBK's Granular Data Integration (GDI) system to enable visibility of bank accounts in commercial banks.

### *Accrual Accounting*

213. To improve cash management and enhance financial and fiscal reporting, the Government is in the process of transitioning from cash basis to accrual basis of accounting. The transition is being implemented over a three-year period (1<sup>st</sup> July 2024 – 30<sup>th</sup> June 2027), in line with IPSAS 33 on first-time adoption of accrual accounting. The phased approach outlines the progressive recognition of assets and liabilities on public sector balance sheets.

214. In FY 2024/25, transitioning entities recognized financial assets and financial liabilities. In FY 2025/26, entities will additionally recognize inventories in accordance with IPSAS 12 (Inventories), while progressively identifying non-financial assets and liabilities for recognition in FY 2026/27, to ensure full compliance with the IPSAS accrual framework. IPSAS 12 guides the recognition, measurement and expensing of inventories, including items held for sale, in production, or for consumption in service delivery. With audited accrual-based comparative figures for FY 2024/25 available, the FY 2025/26 financial statements will comprise:

- i) Statement of Financial Position (as at 30<sup>th</sup> June 2026, with 2025 comparatives), reflecting financial assets, financial liabilities (IPSAS 41) and inventories (IPSAS 12), with disclosures on classifications, donated inventories, and inventories pledged as security.
- ii) Statement of Financial Performance (for FY 2025/26 with 2024/25 comparatives), including inventories expensed and any write-downs or reversals.

- iii) Statement of Changes in Net Assets/Equity, Cash Flow Statement (direct method), and a Statement of Budget Information comparing budget and actual amounts.
- iv) Related accounting policies, notes and disclosures, including inventory valuation methods (FIFO).

215. The Public Sector Accounting Standards Board (PSASB), in concurrence with the National Treasury, will provide standardized reporting templates in line with the Public Finance Management Act, 2012.

216. Entities shall apply IPSAS 46 on measurement, with guidance to use historical cost or current operational value for assets, and cost of fulfilment for liabilities. Where estimates are required during transition, they shall be consistent with IPSAS 14 and reflect conditions prevailing at the transition date, including market rates and management's best judgment for non-financial assets.

### ***Zero-based Budgeting Approach***

217. The Government has entrenched Zero-Based Budgeting in budget preparation for the FY 2026/27. The IFMIS Budget Module now incorporates standardized costing methodologies, allowing Ministries, Departments, and Agencies (MDAs) to prioritize spending based on program impact and fiscal efficiency. This approach ensures that FY 2026/27 and subsequent budgets are based on credible and cost-effective expenditure frameworks.

### ***Public Investment Management Reforms***

218. Public Investment Management (PIM) reforms aim to embed fiscal discipline, climate resilience, and transparency into the country's capital expenditure framework. The PIM Regulations, 2022, now require Ministries, Departments, and Agencies (MDAs) to complete ongoing projects before starting new ones, thereby reducing fiscal risks and ensuring value for money. Additionally, all projects must undergo environmental and climate risk assessments, including disaster risk evaluations, to ensure investments are sustainable and aligned with national climate commitments. These measures strengthen institutional credibility and protect public resources while positioning Kenya's investment portfolio to deliver long-term development impact.

219. To enhance efficiency and accountability, the Public Investment Management Information System (PIMIS) has been implemented across National Government MDAs, with expansion underway to County Governments. PIMIS digitises the submission, tracking, approval, implementation, and monitoring of project concept notes, prefeasibility, and feasibility studies, while a PIM-PPP framework is being developed to integrate Public-Private Partnership projects into the system. To fully realise these reforms, ongoing training on the PIM framework and PIMIS usage is essential, equipping MDAs and counties with the skills to apply climate risk evaluation, enforce compliance, and leverage data analytics for decision-making. The national treasury is institutionalising this training, alongside stakeholder engagement and oversight, which will be pivotal in ensuring that Kenya's public investments remain transparent, resilient, and impactful.

### ***National Assets and Liabilities Management Reforms***

220. The Government is committed to unlocking the full potential of its substantial and diverse public asset portfolio through the development of an Optimal Asset Utilization Framework. This strategic initiative aims to transform idle and underperforming assets into engines of growth and fiscal sustainability. Asset optimization provides a sustainable, non-tax revenue pathway that can reduce reliance on borrowing, ease pressure on the Exchequer, and eliminate unnecessary

acquisition of new assets. To complement this, the Government's effort to streamline operation and maintenance will enhance operational efficiency by reducing costly repairs and extending asset life cycles, which will deliver significant expenditure savings. This directly supports ongoing revenue-enhancement measures and accelerates fiscal consolidation efforts.

221. When fully leveraged, these assets will strengthen fiscal sustainability, improve service delivery, and enhance financial performance across their lifecycle. Key opportunities for optimization include the commercialization of public land, road corridors/way leaves and training facilities, efficient allocation of office space, and leasing. Further, to bridge the resources gap, the Government is standardizing leasing practices across Ministries, Departments, Agencies (MDAs), and County Governments by developing a comprehensive Leasing Framework. This framework will provide clear guidelines for leasing public assets and attract private sector investment.

222. Further, to enhance asset and liabilities management, the Government has operationalized Assets and Inventory Management Modules in IFMIS, with State Departments, County Governments, Commissions, and Independent Offices already on boarded and actively uploading asset registers. This enhances transparency, accountability, and efficiency in managing public resources by providing a centralized platform for tracking and reporting government assets. Asset Tagging and Asset Valuation Policy Frameworks are under development to ensure completeness and accuracy of asset registers. This is aligned with the accrual accounting transition roadmap, which requires all assets to be identified, valued and recorded in the financial statement by 30<sup>th</sup> June 2027.

### ***Pension Reforms***

223. To consolidate and advance ongoing public service pension reforms, the Government continues to strengthen the Public Service Superannuation Scheme (PSSS) alongside legacy non-contributory pension arrangements, with a focus on sustainability, efficiency, transparency, and timely payment of benefits. Key reform interventions include the digitisation and re-engineering of pension administration processes, anchored on the deployment of an end-to-end Enterprise Resource Planning (ERP) solution. This reform is designed to enhance data integrity, automate pension workflows, improve monitoring and reporting, and reduce processing timelines across the pension lifecycle - from enrolment and contribution management to benefit computation and payment. These reforms are aligned to the broader Public Finance Management framework and the Government's digital public service agenda, and are expected to deliver improved service delivery to pensioners and beneficiaries, strengthen compliance, and enhance institutional accountability in the management of public pension obligations.

### ***Public Procurement Reforms***

224. To streamline public procurement processes and enhance integrity, the Government has undertaken significant legal, institutional and technological reforms. In part, the Government developed the Public Procurement and Asset Disposal (Amendment) Bill, 2025 to modernise Kenya's procurement legal framework in line with evolving governance, digitisation and local content objectives. Key reform areas in the Bill include: enhancement of transparency and accountability through mandatory disclosure and reporting requirements; strengthen the role of the Regulator to enforce standards, compliance and sanctions for noncompliant Procuring Entities; promotion of local content and preference and reservation schemes, especially for youth, women and persons with disabilities; and provision a stronger legal basis for electronic procurement and framework contracting.

225. To operationalize procurement reforms and eliminate manual inefficiencies, the Government has prioritised the rollout of an end-to-end e-Government Procurement (e-GP)

System. The system that was officially launched in July 2025, has shifted procurement processes from fragmented and manual processes to a fully digitised procurement platform. Since its rollout, 1,538 Procuring Entities have been registered, over 33,000 suppliers registered, over 22,000 staff trained, over 12,000 suppliers/contractors trained, 584 Annual Procurement plans published, 2100 tenders closed, and 223 contracts published in the e-Government Procurement system. In addition, the platform has been integrated with core Government systems, including: IFMIS, Business Registration Services (BRS), e-Citizen, and i-Tax, with initial on-boarding prioritising National Government Ministries, Departments and Agencies (MDAs); State Corporations; and County Governments. Next steps will include: full rollout of the system to Schools, and other Procuring Entities; continuous user training and change management to improve adoption and system utilisation; and issuance of manuals and guidelines to assist users of the system.

### *State Owned Enterprises' Reforms*

226. Many State-Owned Enterprises (SOEs) have continued to require recurrent budget support, on-lending, and Government guarantees, thereby creating significant contingent liabilities for the Exchequer. To mitigate these fiscal risks and reallocate public resources towards priority social and development expenditures, the Government is implementing a comprehensive programme of SOE reforms, including privatization, partial divestiture, and strategic partnerships. In January 2025, the Cabinet approved far-reaching reforms to streamline State Corporations and strengthen governance, accountability, and operational efficiency. These reforms entail:

- i) Merger of 42 State Corporations into 20 entities to improve operational efficiency and eliminate redundancy as some have duplicating and or overlapping mandates;
- ii) Dissolution of 25 State Corporations and their functions transferred back to their parent ministries or other State Corporations;
- iii) Restructuring six State Corporations to align their mandates for improved performance;
- iv) Declassification of four public funds currently categorized as State Corporations and transferring their functions back to the relevant ministries; and,
- v) Declassification of 13 professional bodies currently categorized as State Corporations to private entities with no exchequer budget.

227. The reform agenda is anchored in the Government-Owned Enterprises Act, 2025, which was passed by Parliament in October 2025 and assented to by the President in November 2025. The Act establishes a comprehensive legal framework for governance, oversight, and performance management of Government-Owned Enterprises (GOEs), requiring them to operate as commercially viable entities under clear governance standards, including merit-based board appointments and robust performance contracts, with the objective of enhancing efficiency, transparency, and accountability while reducing fiscal risks to the Exchequer.

228. Consistent with this framework, the Government has approved the partial privatization of Kenya Pipeline Company (KPC) through an Initial Public Offering (IPO) on the Nairobi Securities Exchange, involving the sale of 65 percent of Government shareholding while retaining a strategic 35 percent stake. The transaction is targeted for completion by 31<sup>st</sup> March 2026 and is expected to generate approximately KSh 100 billion, contributing to domestic revenue mobilization and deepening capital market participation.

229. Further, the Government has agreed to a partial divestment of its stake in Safaricom PLC, involving the sale of 15 percent of its shares to Vodafone Kenya (part of the Vodacom Group) at approximately KSh 34 per share, raising an estimated KSh 204 billion, together with an

upfront payment of KSh 40.2 billion in respect of future dividends, bringing total proceeds to about KSh 244 billion. Following the transaction, Government shareholding will stand at 20 percent, Vodafone at 55 percent, and public investors at 25 percent. The proceeds will be applied to support priority national infrastructure investments and broader economic development objectives.

### ***Settlement and Resolution of Pending Bills***

230. The Government remains firmly committed to resolving pending bills as part of strengthening fiscal discipline, supporting private sector liquidity, and restoring confidence in public financial management. Since its inauguration, the Pending Bills Verification Committee has received a total of 115,617 claims valued at KSh 664.8 billion. As at 31<sup>st</sup> December 2025, the Committee had analyzed 91,911 claims valued at KSh 637.6 billion, representing about 80 percent of the total number of bills submitted.

231. Of the analyzed claims, settlement is being operationalized through specific financing channels, with KSh 80.3 billion of pending bills related to the roads sector earmarked for settlement through securitization, while KSh 155.3 billion has been recommended for settlement in the FY 2025/26. This demonstrates steady progress toward clearing verified obligations while safeguarding the integrity of the verification and settlement process. Going forward, the Committee will prioritize verification of the remaining 23,706 pending bills valued at KSh 27.2 billion, largely relating to the National Hospital Insurance Fund (now transitioning to the Social Health Authority) under the State Department for Medical Services, Kenya Wildlife Service under the State Department for Wildlife, Public Universities, and Sugar Companies.

### **2.4.2.3 Deficit Financing Policy**

232. The Government will continue to mobilize resources from both domestic and external sources to finance fiscal deficits to meet its debt maturities as guided by the Medium-Term Debt Management Strategy. External financing will remain focused on concessional and semi-concessional facilities from multilateral and bilateral partners, while commercial borrowing will be limited to liability management operations and to priority projects that are unable to secure concessional funding but are aligned to the national development agenda.

233. On the domestic front, the Government will prioritize the issuance of medium to long-term Treasury bonds to reduce refinancing risks and smoothen the redemption profile, while the use of short-term Treasury bills will be restricted to liquidity management purposes. In line with the PFM Act, CAP 412A, the Government will also continue to broaden the investor base and introduce new instruments to enhance market depth. To diversify financing sources, the Government will explore alternative instruments including sustainability-linked bonds, diaspora bonds, Samurai bonds and Panda bonds. The Government remains firmly committed to narrowing fiscal deficits over the medium term to contain the growth of public debt and safeguard fiscal sustainability.

## **2.5 Risks to the Economic Outlook**

234. Kenya's economic outlook faces several downside risks that could constrain growth and challenge macroeconomic stability. Domestically, extreme weather events, such as droughts, floods, and prolonged dry spells, pose significant threats to agricultural output. Disruptions in food production could lead to elevated food prices, fuelling inflationary pressures and reducing household purchasing power. Climate-related damage to infrastructure, including roads, bridges, and irrigation systems, could further disrupt economic activities and increase Government

spending on emergency response and reconstruction, diverting resources from development priorities.

235. On the external front, rising costs of imported fuel and food, driven by global supply shocks, geopolitical tensions, or trade restrictions, could amplify inflation and increase production costs for businesses. Volatility in international financial markets, fluctuations in commodity prices, and tighter global financing conditions may also adversely affect investment flows and exchange rate stability. Uncertainty surrounding trade policies, tariffs, or regional trade agreements could further impede export growth and cross-border commerce.

236. Despite these potential headwinds, there are significant upside opportunities. Accelerated implementation of structural reforms under BETA and the Fourth Medium-Term Plan, including enhanced public financial management, improved expenditure efficiency, governance reforms, and streamlined business regulations, could boost investor confidence, attract private investment, and spur economic activity. A supportive global economic environment, characterized by stable commodity prices, declining oil prices, and robust external demand, could further strengthen export earnings, foreign exchange inflows, and overall economic resilience. Additionally, Kenya's transition to climate-smart agriculture, renewable energy investments, and enhanced disaster preparedness can mitigate some domestic risks, supporting more sustainable and inclusive growth.

237. Sustained coordination between monetary and fiscal policies will remain critical in maintaining a stable macroeconomic environment conducive to investment, savings, and growth. The Government will continue to closely monitor both domestic and international developments and implement timely policy interventions to shield the economy from adverse shocks, while promoting structural transformation and resilience in key sectors such as agriculture, energy, manufacturing, and services.

## III. BUDGET FOR FY 2026/27 AND THE MEDIUM TERM

### 3.1 Fiscal Framework for FY 2026/27 and Medium-Term Budget

238. The FY 2026/27 budget and the medium-term expenditure framework are anchored on the Government's policy priorities and the macroeconomic strategy outlined in Chapters I and II. In advancing the Bottom-Up Economic Transformation Agenda (BETA), the Government will sustain its growth-supportive fiscal consolidation efforts by restraining expenditures and strengthening revenue mobilization. This approach is intended to moderate the pace of public debt accumulation while ensuring that delivery of essential public services remains uncompromised.

#### Revenue Projections

239. Total revenues, inclusive of Appropriation-in-Aid, are projected at KSh 3,533.7 billion (16.9 percent of GDP) in FY 2026/27, up from the projected KSh 3,352.1 billion (17.6 percent of GDP) in FY 2025/26. Within this, ordinary revenue is expected to reach KSh 2,901.9 billion (13.9 percent of GDP), compared to the projected KSh 2,744.4 billion (14.4 percent of GDP) in FY 2025/26 (**Annex Tables 2 and 3**). Revenue performance will be supported by ongoing reforms in tax policy and revenue administration aimed at broadening the tax base and enhancing compliance.

#### Expenditure Projections

240. Overall expenditures and net lending are projected at KSh 4,703.9 billion (22.5 percent of GDP) in FY 2026/27, compared to KSh 4,532.8 billion (23.9 percent of GDP) projected for FY 2025/26. The FY 2026/27 expenditure outlook comprises recurrent spending of KSh 3,456.9 billion (16.5 percent of GDP); development expenditure of KSh 749.5 billion (3.6 percent of GDP); transfers to County Governments amounting to KSh 495.5 billion; and an allocation of KSh 2.0 billion to the Contingency Fund.

#### Deficit Financing

241. Based on the projected revenue and expenditure framework, the fiscal deficit including grants is expected to reach KSh 1,115.8 billion (5.3 percent of GDP) in FY 2026/27, from the projected deficit of KSh 1,140.7 billion (6.0 percent of GDP) in FY 2025/26.

242. The FY 2026/27 fiscal deficit will be financed through net external borrowing amounting to KSh 225.5 billion (1.1 percent of GDP) and net domestic financing of KSh 890.4 billion (4.2 percent of GDP).

### 3.2 FY 2026/27 and Medium-Term Budget Priorities

243. The FY 2026/27 and the Medium-Term Framework will continue the implementation of the Bottom-up Economic Transformation Agenda (BETA) as prioritized in the Medium-Term Plan (MTP) IV of the Kenya Vision 2030. The Agenda is geared towards economic turnaround and inclusive growth, and aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These include: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

244. The Government will prioritize implementation of strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Social Protection;

Sports, Culture and Arts; Youth Empowerment and Development Agenda; Governance; and Foreign Policy and Regional Integration.

### 3.3 Budgetary Allocations for the FY 2026/27 and the Medium-Term

245. The total budget for FY 2026/27 is projected at KSh 4,737.5 billion. The allocations to the three Arms of Government including sharable revenues to the County Governments is summarized in **Table 3.1**.

**Table 3.1: Summary Budget Allocations for the FY2026/27 – 2028/29 (KSh Million)**

S.NO.	Details	Financial Years			
		Approved Budget	2026 BPS Projections		
			2025/26	2026/27	2027/28
1.0	National Government	2,549,544.0	2,867,422.5	3,295,849.8	3,469,067.9
	Executive	2,473,773.5	2,788,701.9	3,213,937.3	3,382,879.2
	Parliament	47,990.7	48,778.9	51,054.4	52,903.7
	Judiciary	27,779.8	29,941.8	30,858.2	33,285.1
2.0	Consolidated Fund Services	1,337,324.8	1,450,123.4	1,462,858.1	1,497,723.8
3.0	County Government- Sharable Revenue	415,000.0	420,000.0	440,882.5	450,377.2
	<b>Total.....KSh</b>	<b>4,301,868.7</b>	<b>4,737,545.9</b>	<b>5,199,590.4</b>	<b>5,417,168.9</b>
<b>% Share in the Total Allocation</b>					
1.0	National Government	59.3	60.1	63.4	66.7
	Executive	57.5	58.9	61.3	65.1
	Parliament	1.1	1.0	1.0	1.0
	Judiciary	0.6	0.6	0.6	0.6
		-	-	-	-
2.0	Consolidated Fund Services	31.1	30.6	28.1	28.3
3.0	County Government	9.6	8.9	8.5	8.7
<b>Notes**</b>					
* Consolidated Fund Services(CFS) is composed of domestic interest, foreign interest and pension & salaries for State Officers					
**County Government allocation is composed of sharable allocation					

Source: The National Treasury

#### Criteria for Resource Allocation

246. Resource allocation for the BETA priority programmes will be undertaken through a value chain approach under five sectors namely: Finance and Production; Infrastructure; Environment and Natural Resources; Social Sectors; and Governance and Public Administration. The nine (9) identified key value chain areas for implementation include: Leather; Cotton; Dairy; Edible Oils; Tea; Rice; Blue Economy; Natural Resources (including Minerals and Forestry); and Building Materials. This process ensures there is no break in the cycle in the resource allocations for a value chain. The process will ensure adequate resources are allocated to any entity along the value chain and elimination of duplication of roles and budgeting of resources. Spending in these essential interventions is aimed at achieving quality outputs and outcomes with optimum utilization of resources. The momentum and large impact they will create will raise economic vibrancy and tax revenues.

247. MDAs are expected to ensure efficiency in allocation of resources through zero based budgeting and reviewing the portfolio of externally funded projects. MDAs are also encouraged to restructure and re-align their spending plans with the Government priority programmes. Realization of these objectives will be within the hard budgetary constraint and ceilings provided in this BPS. The following criteria will serve as a guide for allocating resources:

- i) Linkage of programmes with the value chains of the Bottom-Up Economic Transformation Agenda priorities;
- ii) Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;
- iii) Linkage of programmes that support mitigation and adaptation of climate change;
- iv) Completion of ongoing projects, viable stalled projects and payment of verified pending bills;
- v) Degree to which a programme addresses job creation and poverty reduction;
- vi) Degree to which a programme addresses the core mandate of the MDAs, Expected outputs and outcomes from a programme;
- vii) Cost effectiveness, efficiency and sustainability of the programme; and
- viii) Requirements for furtherance and implementation of the Constitution.

248. The baseline estimates reflect the current ministerial spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of public debts and interest therein, salaries and pensions.

249. Development expenditures have been allocated on the basis of the flagship projects in Vision 2030, the Bottom - Up Economic Transformation Agenda and the MTP IV Priorities. The following criteria was used in apportioning capital budget:

- a. *On-going projects*: emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation;
- b. *Counterpart funds*: priority was given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners; and
- c. *Strategic policy interventions*: further priority was given to policy interventions covering the entire nation, regional integration, social equity and environmental conservation.

### 3.4 Details of Sector Priorities

250. **Table 3.2** provides the projected baseline ceilings for the FY 2026/27 and the medium-term, classified by sector. **Annex Table 4** provides a summary of expenditures by programmes for the FY 2025/26– 2028/29 period.

**Table 3.2: Summary of Budget Allocations for the FY2026/27– 2028/29 (KSh Million)**

Code	Sector		Approved Budget	BPS Projection			% Share in Total Ministerial Expenditure			
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	Approved FY 2025/26 Budget	FY 2026/27	FY 2027/28	FY 2028/29
010	Agriculture, Rural and Urban Development (ARUD)	Subtotal	82,407.8	97,007.0	91,159.6	101,647.6	3.2	3.4	2.8	2.9
		Rec_Gross	34,439.7	41,357.6	44,108.5	47,342.6	1.9	2.0	2.1	2.1
		Dev_Gross	47,968.1	55,649.4	47,051.1	54,305.0	6.4	6.6	4.0	4.3
020	Energy, Infrastructure and ICT	Sub_Total	534,627.8	594,597.4	594,631.0	594,928.0	21.0	20.7	27.1	25.8
		Rec_Gross	154,156.4	151,620.4	155,022.6	159,778.0	8.1	7.5	7.4	7.2
		Dev_Gross	380,471.4	442,977.0	439,608.4	435,150.0	12.9	13.2	20.3	18.6
030	General Economic and Commercial Affairs	Sub_Total	58,159.8	62,192.9	70,492.0	72,719.7	2.3	2.2	2.1	2.1
		Rec_Gross	36,558.3	37,562.7	40,181.1	41,740.6	2.0	1.9	1.9	1.9
		Dev_Gross	21,601.5	24,630.2	30,310.9	30,979.1	2.9	2.9	2.6	2.5
040	Health	Sub_Total	138,105.5	167,407.0	197,377.6	203,123.5	5.4	5.8	6.0	5.9
		Rec_Gross	110,608.3	136,024.1	156,938.5	164,143.2	6.1	6.7	7.4	7.4
		Dev_Gross	27,497.3	31,382.9	40,439.1	38,980.3	3.7	3.7	3.4	3.1
050	Education	Sub_Total	703,066.2	767,314.2	816,340.2	869,390.7	27.6	26.8	24.8	25.1
		Rec_Gross	677,286.4	737,201.2	781,274.2	825,548.7	27.3	26.5	27.1	27.3
		Dev_Gross	25,779.7	30,113.0	35,066.0	43,842.0	4.0	3.6	3.0	3.5
060	Governance, Justice, Law and Order (GJLO)	Sub_Total	283,042.4	329,989.3	339,252.2	344,876.2	11.1	11.5	10.3	9.9
		Rec_Gross	264,118.5	304,059.6	310,983.7	312,676.5	14.6	15.0	14.7	14.1
		Dev_Gross	18,923.9	25,929.7	28,268.5	32,199.7	2.5	3.1	2.4	2.6
070	Public Administration and International Relations (PAIR)	Sub_Total	321,503.2	354,998.8	385,257.6	416,413.8	12.6	12.4	11.7	12.0
		Rec_Gross	194,673.1	224,280.9	243,667.4	266,367.2	10.8	11.1	11.6	12.0
		Dev_Gross	126,830.1	130,717.9	141,590.2	150,046.6	17.0	15.4	11.9	12.0
080	National Security	Sub_Total	253,770.2	299,983.3	295,255.4	312,475.5	10.0	10.5	9.0	9.0
		Rec_Gross	248,816.2	292,049.3	281,321.4	293,541.5	13.8	14.5	13.3	13.3
		Dev_Gross	4,954.0	7,934.0	13,934.0	18,934.0	0.7	0.9	1.2	1.5
090	Social Protection, Culture and Recreation	Sub_Total	78,994.4	87,224.7	83,382.3	90,362.9	3.1	3.0	2.5	2.6
		Rec_Gross	54,145.3	60,732.0	55,847.6	61,556.6	3.0	3.0	2.6	2.8
		Dev_Gross	24,849.1	26,492.7	27,534.6	28,806.3	3.3	3.1	2.3	2.3
0100	Environment Protection, Water and Natural Resources	Sub_Total	95,866.7	106,708.0	122,672.0	163,130.0	3.8	3.7	3.7	4.7
		Rec_Gross	33,879.1	36,210.0	39,081.0	42,176.0	1.9	1.8	1.9	1.9
		Dev_Gross	61,987.5	70,498.0	83,591.0	120,954.0	8.3	8.3	7.0	9.6
	<b>Grand Total</b>	Sub_Total	2,549,544.0	2,867,422.5	3,295,849.9	3,469,067.9	100.0	100.0	100.0	100.0
		Rec_Gross	1,894,706.3	2,021,097.7	2,108,425.4	2,214,866.9	70.8	70.5	64.0	63.8
		Dev_Gross	744,837.7	846,324.7	1,187,424.5	1,254,201.0	29.2	29.5	36.0	36.2

Source of Data: National Treasury

### Agriculture Rural and Urban Development Sector

251. The ARUD sector encompasses five key sub-sectors: the State Departments for Agriculture, Blue Economy and Fisheries, Lands and Physical Planning, Livestock Development, and the National Land Commission. It is instrumental in executing Kenya's development agenda, aligning with Vision 2030, Medium-Term Plans, the Bottom-Up Economic Transformation Agenda (2022-2027), the Agricultural Sector Transformation and Growth Strategy (2019-2029), Sustainable Development Goals, and other policies.

252. During FY 2022/23 to 2024/25, the sector supported agricultural diversification and technology transfer by distributing over 3.5 million seedlings—including macadamia, avocado, coconut, cashew nuts, coffee, and pawpaw—and supplying approximately 1.1 million metric tonnes of fertilizer and 40,000 metric tonnes of lime to over 3.1 million beneficiaries. Insurance coverage was extended to nearly 250,000 farmers across 41 counties, focusing on crops like maize, potatoes, and green grams. Six fish landing sites were rehabilitated to enhance processing and value addition, while grants totaling KSh 3.37 billion supported over 83,000 members of Common Interest Groups to promote livelihood diversification and reduce fishing pressure. The sector also developed fisheries management plans for lobster, marine aquariums, small purse seine fishing, and Lake Turkana

253. In land management, the sector registered over 1.2 million title deeds, established geodetic control points, geo-referenced land parcels, settled over 33,500 households—including squatters and landless individuals—and processed more than 10,000 allotment letters to improve land governance. It issued land use advisories, resolved disputes through various mechanisms, and developed policies and bills for livestock development. Additionally, the sector inspected and certified nearly 17,000 milk handling premises, conducted extensive milk quality testing, and produced millions of semen straws for breeding programs.

254. Looking ahead to 2026/27–2028/29, the sector aims to enhance land rights, secure livelihoods, and promote sustainable land use. Priorities include issuing over 1.3 million title deeds, resolving 6,000 land disputes, and installing 17 COR stations for geo-referencing land parcels. Fishery development will focus on constructing 26 landing sites and completing key aquaculture centers. The sector plans to produce millions of semen straws, inspect thousands of milk premises, vaccinate cattle against Foot and Mouth Disease, and supply fertilizers and soil health services to millions of farmers. Industrial crop expansion will be supported through increased production of edible oil, cotton seed, and palm seedlings.

255. Funding allocations for these initiatives are projected at KSh 97 billion in FY 2026/27, KSh 91.2 billion in FY 2027/28, and KSh 101.6 billion in FY 2028/29, reflecting the sector's commitment to sustainable development and economic growth.

### **Energy, Infrastructure, and ICT (EII) Sector**

256. The Energy, Infrastructure, and ICT (EII) Sector is crucial to Kenya's socio-economic development, serving as both a driver and enabler across various sectors. It aims to promote sustainable infrastructure in roads, transport, housing, digital connectivity, and energy, aligning with Kenya Vision 2030, Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium-Term Plan (MTP IV) 2023–2027, regional commitments like Africa Agenda 2063, and the Sustainable Development Goals (SDGs).

257. The sector has made significant progress. In roads, over 1,798 kilometres were constructed, and routine maintenance covered more than 102,561 kilometres. Key milestones also include acquiring the MV Uhuru II ferry, completing the Miritini–Mombasa railway link, and upgrading major ports with new cranes. The affordable housing program completed 2,185 units, while the Kenya Informal Settlement Improvement Project (KISIP II) delivered infrastructure such as security and floodlights, access roads, drainage systems, and created thousands of jobs. Additionally, designs and supervision for new government buildings and pedestrian bridges have enhanced mobility and service delivery.

258. ICT advancements included laying 7,152 kilometres of fiber optic cables, connecting over 1,100 public institutions and 82 hospitals, digitizing 17,668 Government services via the e-Citizen platform. To improve access to information, 17,521 TV news items were produced covering BETA activities and other national priorities, 73,323 print news items were

disseminated, 150 MyGov pull-out editions were produced and disseminated, and three editions of the Kenya Yearbook were published and distributed. The Ajira Digital Programme trained over 1.5 million youths, promoting digital inclusion. The energy sector increased capacity by 160 MW, connecting over 1.1 million new customers, and expanded off-grid solutions with mini-grids and solar home systems. The petroleum sector supported clean cooking initiatives and stabilized fuel prices.

259. Looking ahead, the sector plans to expand infrastructure with 1,891 km of new roads and extensive maintenance. From the FY 2026/27 to 2030/31, the Roads Subsector intends to upgrade 28,000 kilometers to bitumen standards and participate in investing in dualling of 2,500 Km of roads. The amount required for these upgrades cannot be met through contemporary funding. The Government intends to fund the financing gap from several alternative financing mechanisms including securitization of a portion of the Fuel Levy Fund, National Infrastructure Fund, and Public Private Partnership. Other priorities include modernizing the railway system, completing port berths, establishing logistic hubs, and enhancing maritime safety through programs like Vijana Baharia. Housing targets include constructing over 505,000 units and 506 markets. Energy plans involve adding 275.5 MW of capacity, drilling geothermal wells, and connecting 900,000 new customers. Digital infrastructure will see the installation of 37,645 km of fibre, internet access for 18,680 institutions, and 27,516 Wi-Fi hotspots, aiming for full automation of government services.

260. To improve access to information, the Kenya News Agency will be revamped, the Postal Corporation of Kenya and Kenya Broadcasting Corporation will be revitalized, broadcasting and telecommunications infrastructure will be rolled out in unserved and underserved areas, mass media skills will be developed through the Kenya Institute of Mass Communication, KIMC Eldoret Campus will be established, Studio Mashinani will be established in the remaining 41 counties, National Addressing System will be installed countrywide, and Government advertising services will be digitized. The petroleum sector will focus on oil production in Turkana, resource evaluation, and expanding LPG reticulation in social housing. In addition, the Sector plans to fully integrate the Kenya Export Guide into national program to provide automated, paperless works flows for documentation like certificates of origin as well as have a paperless customs system that connect with regional partners to double intra-African trade through digital corridors.

261. Funding for these initiatives are projected at KSh 594.6 billion for FY 2026/27, KSh 894.6 billion for FY 2027/28, and KSh 894.9 billion for FY 2028/29.

### **General Economic and Commercial Affairs Sector**

262. The General Economic and Commercial Affairs (GECA) Sector plays a vital role in fostering economic growth through policy development, programme implementation, and project execution that promote trade, industrialization, investment, enterprise development, market access, private sector growth, employment, and competitiveness at local, regional, and international levels. It also emphasizes environmental conservation and climate change mitigation in its initiatives.

263. Between 2022/23 and 2024/25, the sector achieved significant progress across various sub-sectors. Key accomplishments include the implementation of policies and reforms aligned with government priorities, growth in membership of SASRA-regulated SACCOs to 7.4 million, and the construction of 21 County Aggregation and Industrial Parks. The modernization of Rivatex machinery, registration of 6,392 industrial property rights, and training of over 13,000 students and SMEs in industrial and entrepreneurial skills highlight the sector's focus on innovation and capacity building.

264. Employment creation was notable, with 62,304 jobs generated against a target of 75,496, supported by investments totalling KSh 3,798 billion domestically and USD 1.503 billion in foreign direct investment. The MSMEs sub-sector disbursed KSh 72 billion through the Financial Inclusion Fund and KSh 4.86 billion via Kenya Industrial Estates, creating approximately 290,000 jobs. International visitor arrivals increased from 1.65 million to 2.4 million, with earnings rising from KSh 297.3 billion to KSh 458.2 billion, driven by marketing efforts and the Electronic Travel Authorization system.

265. Kenya's total export value grew from KSh 1,007.9 billion to KSh 1,112.3 billion, supported by trade agreements with the EU, UK, and UAE. Regional policy development and capacity building included training 436 youth, women, and persons with disabilities on the EAC Simplified Trade Regime. The ASALs and Regional Development sub-sector completed key projects such as leather processing, mango processing, land rehabilitation, and irrigation, benefiting thousands of households and livestock

266. Looking ahead to 2026/27 and beyond, the sector plans to implement 16 programmes aligned with Kenya Vision 2030 and BETA priorities. These include initiatives in regional development, trade promotion, industrial growth, standards, MSME support, digitization, investment promotion, tourism, regional integration, and administrative support. Going forward, the sector will pivot from primary exports towards an export-led manufacturing economy through the establishment of commercial offices in high-potential markets identified under the Route to Market (RTM) Strategy 2025–2027, alongside the creation of a dedicated export development fund and risk-sharing guarantee scheme to support market development and diversification into new products.

267. The sector's budget is projected at KSh 62.2 billion for FY 2026/27, increasing to KSh 70.5 billion in FY 2027/28 and KSh 72.7 billion in FY 2028/29.

## **Health Sector**

268. The health sector in Kenya continues to advance its commitment to the constitutional right to health, aligning with national development frameworks such as Vision 2030, MTP IV, and BETA. Guided by the Kenya Health Policy (2014–2030) and Universal Health Coverage (UHC), significant progress has been made from FY 2022/23 to 2024/25 in strengthening community health systems, expanding specialized services, and implementing health financing reforms.

269. During this period, the sector expanded Primary Health Care Networks to 228 out of 315 facilities and deployed 107,831 Community Health Promoters, improving household care for over 7.8 million families. Public health capacity was enhanced with antimicrobial resistance testing laboratories increasing from 17 to 28. Child health indicators remained strong, with Vitamin A supplementation and Penta-3 immunization coverage exceeding 83 percent. HIV prevalence decreased from 3.7 percent to 3.03 percent, ART coverage reached 87 percent, and malaria incidence declined by 27 percent. TB treatment success improved to 89 percent, and screening for hypertension and diabetes expanded. Early cancer detection services were introduced in 30 counties.

270. Availability of essential medicines increased to 62 percent, digitalization of health facilities reached 18 percent, and blood collection totalled 333,533 units. Human resource capacity was strengthened through the placement of 16,810 interns, evaluation of 229 training institutions, and registration of 4,281 previously unregulated health professionals

271. Specialized and referral services expanded significantly, with national hospitals performing complex surgeries, oncology treatments, dialysis, imaging, and transplants. Notable milestones included Kenya's first renal artery bypass surgery and advanced cancer imaging. Enrolment at

Kenya Medical Training College increased from 25,889 to 35,513, alongside infrastructure upgrades across county facilities.

272. Health financing reforms progressed with the rollout of the Social Health Insurance Fund (SHIF), Primary Health Care Fund (PHC-F), and Emergency, Chronic, and Critical Illness Fund (ECCIF). Funding for these initiatives increased to KSh 13.1 billion (PHC-F) and KSh 8 billion (ECCIF) in FY 2025/26, with SHIF registration reaching 25 million Kenyans by October 2025, marking a significant step toward financial protection.

273. Looking ahead to FY 2026/27–2028/29, the sector aims to deepen UHC implementation by strengthening community health, expanding health financing schemes, increasing health workforce, enhancing regulation, promoting local manufacturing, advancing digital health, and modernizing laboratories and referral systems. Emphasis will also be placed on emergency preparedness, antimicrobial resistance containment, climate resilience, and governance.

274. Future efforts will focus on resource mobilization, regulation under the Social Health Authority, local health product manufacturing, digital health expansion, and improved coordination of disease control programs. The sector is committed to delivering equitable, accessible, and quality healthcare for all Kenyans, with projected budgets of KSh 167.4 billion, KSh 197.4 billion, and KSh 203.1 billion for FY 2026/27, FY 2027/28 and FY 2028/29, respectively.

### **Education Sector**

275. The Education Sector is vital for human capital development, providing inclusive, equitable, and quality education, training, and research. It encompasses Basic Education, Technical and Vocational Education and Training (TVET), Higher Education, Science, Technology, Innovation, and the Teachers Service Commission, guided by Kenya's 2010 Constitution, Vision 2030, the Fourth Medium Term Plan, the Bottom-Up Economic Transformation Agenda, and the 2023–2027 National Education Sector Strategic Plan.

276. During the review period, the sector made significant progress in access, equity, quality, and relevance, driven by reforms such as Competence-Based Education (CBE), institutional modernization, and enhanced learner support systems.

#### ***Basic Education***

277. Improvements in enrolment and learning conditions were notable. Junior Secondary enrolment tripled from 1.02 million in 2022/23 to 3.13 million in 2024/25, reflecting the CBC rollout. Secondary enrolment increased from 3.69 million to 4.04 million before stabilizing at 3.35 million after a transition period. Infrastructure development included 13,500 classrooms, 863 laboratories, and 1,896 sanitation facilities. Equity initiatives, such as the Elimu Scholarship Programme and School Meals Programme, supported thousands of learners annually. Assessment stability was maintained with over 1.24 million KPSEA candidates, and support for learners with special needs was enhanced through assistive devices and targeted interventions.

#### ***Technical and Vocational Education and Training (TVET)***

278. TVET experienced expansion and quality improvements. Enrolments grew from 562,499 to 708,885, with accredited institutions increasing from 2,401 to 2,969. The implementation of Competency-Based Education (CBE) advanced, with assessed and certified candidates rising from 16,083 to 214,275. Trainer capacity was strengthened through recruitment and professional development, with a 260 percent increase in training participation. Infrastructure development included 36 completed projects and 108 ongoing ones, supported by scholarships benefiting over 110,000 students.

**Higher Education and Research**

279. Access, financing, and innovation output improved. University enrollment increased from 638,479 to 680,768 in 2023/24, then decreased to 547,092 in 2024/25 following funding reforms. Student financing expanded, with loan beneficiaries rising significantly with university loan beneficiaries increasing from 228,453 to 415,335 and TVET loan beneficiaries from 122,321 to 277,774. The Open University of Kenya enrolled 5,063 students in 30 digital programs. Research and innovation activities included 52 incubated innovations, 430 trained innovators, and 78 outstanding innovators. Major development projects were completed, with ongoing initiatives supporting research and innovation ecosystems.

**Teachers Service Commission (TSC)**

280. The TSC enhanced teacher recruitment, capacity, and welfare. Promotions reached 126,462 teachers, and recruitment continued through various programs. Teacher retooling on CBE involved 220,097 educators. Digitization of 403,476 teacher files improved records management, and infrastructure was expanded with new county offices in Kilifi and Machakos.

**Science, Research, and Innovation**

281. Research activities increased, with licensed studies rising from 8,187 to 12,339 and over 242 projects funded. Innovation support included incubating 8–12 innovations annually, contributing to science and technology solutions aligned with national priorities.

**Future Priorities (FY 2026/27–2028/29)**

282. The sector aims to fully operationalize CBC/CBE up to Senior School, expand secondary infrastructure, strengthen teacher management, and scale digital learning. Efforts will focus on improving access to affordable TVET and university education, enhancing STEM and research ecosystems, promoting equity, and implementing data-driven governance through KEMIS and PPP engagement.

283. Funding allocations for the sector are projected at KSh 767.3 billion, KSh 816.3 billion, and KSh 869.4 billion for the FY 2026/27, FY 2027/28 and FY 2028/29, respectively.

**Governance, Justice, Law and Order Sector**

284. The Governance, Justice, Law, and Order Sector (GJLO) align with the UN-Classification of the Functions of Government (COFOG) to guide budgeting and ensure efficient fiscal planning. It includes 17 sub-sectors, 14 semi-autonomous Government Agencies (SAGAs), and various tribunals, all dedicated to upholding the rule of law, protecting human rights, ensuring access to justice, maintaining security, and promoting ethical governance.

285. During the review period, the sector made significant progress in fulfilling its mandate. Most sub-sectors met their performance targets, demonstrating improved coordination, efficiency, and accountability. Notable achievements include managing 413,556 inmates in court—exceeding the target of 360,000—thus facilitating timely trials and better access to justice. The sector also operationalized 47 County and 290 Sub-County Disaster Management Committees, enhancing emergency response by over 60 percent compared to the previous period. Police patrols and intelligence operations contributed to a decline in national crime rates, with all officers receiving medical insurance coverage. Additionally, the digitization of over 5,000 government services on the e-Citizen platform reduced service turnaround times by 70 percent.

286. Passport processing was streamlined, clearing a backlog of over 200,000 applications and reducing processing time from 21 to 7 days, resulting in the issuance of 514,152 passports. The sector conducted 128,010 training sessions on value-based education and presented 389 cases

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for offence determination, recovering assets worth KSh 3.4 billion. The Assets Recovery Agency managed suspected proceeds of crime totalling KSh 9.36 billion, which are currently under investigation. The Public Prosecution maintained a conviction rate of 93.12 percent, improved case management through the Judiciary's e-filing system, and advanced alternatives to trials.

287. Looking ahead, the sector aims to strengthen community policing, promote restorative justice, and improve correctional services through rehabilitation, vocational training, psychosocial support, and community initiatives. Infrastructure development, administrative gazettement, forensic training, and police welfare reforms—such as enhanced medical coverage, housing, and professional training—will be prioritized. The sector also plans to expand digital services via the e-Citizen platform, review legislation to strengthen the rule of law, and enhance transparency and data-driven decision-making.

288. The sector budget is projected at KSh 329.9 billion for FY 2026/27, increasing to KSh 339.3 billion in FY 2027/28, and KSh 344.9 billion in FY 2028/29.

### **Public Administration and International Relations Sector**

289. The Public Administration and International Relations (PAIR) Sector play a vital role in coordinating government functions, including planning, administration, public finance, and legislative activities, while also fostering Kenya's international relations.

290. Between FY 2022/23 and 2024/25, the sector implemented programs aligned with the Bottom-Up Economic Transformation Agenda (BETA), Kenya Vision 2030, Fourth Medium-Term Plan (2023–2027), and other national priorities. Notable achievements include strengthening government coordination, enhancing performance management, and promoting transparency and accountability. These efforts led to improved macroeconomic management, fiscal discipline, and effective coordination of legislative and cabinet decisions. The sector also advanced intergovernmental relations, devolution support, and improved delivery of foreign and diaspora services through economic diplomacy and citizen protection. Additionally, it promoted public service transformation, capacity building, monitoring and evaluation, citizen engagement, ethics, and good governance, contributing to better service delivery, job creation, and socio-economic development.

291. For FY 2026/27 to 2028/29, the sector plans to implement 46 programs and 136 sub-programs aligned with the Bottom-Up Economic Transformation Agenda and Kenya Vision 2030. The budget allocations are KSh 367.5 billion, KSh 385.3 billion, and KSh 416.4 billion for each fiscal year, respectively, focusing on improving service delivery, financial management, resource mobilization, and monitoring and evaluation.

292. For FY 2026/27 to 2028/29, the sector plans to implement 46 programs and 136 sub-programs aligned with the Bottom-Up Economic Transformation Agenda and Kenya Vision 2030, focusing on improving service delivery, financial management, resource mobilization, and monitoring and evaluation. The budget is projected at KSh 354.9 billion, KSh 385.3 billion, and KSh 416.4 billion for the FY 2026/27, FY 2027/28, and FY 2028/29, respectively.

### **National Security Sector**

293. The National Security Sector is vital for fostering socio-economic and political development, supporting Kenya Vision 2030 and the Bottom-up Economic Transformation Agenda (BETA). It addresses emerging threats such as terrorism, radicalization, trafficking, money laundering, cyber-crime, and other challenges that threaten peace and progress.

294. To implement key programs and counter these threats, the sector's budget is projected at KSh 299.9 billion for FY 2026/27, KSh 295.3 billion for FY 2027/28, and KSh 312.5 billion for FY 2028/29.

### **Social Protection, Culture and Recreation Sector**

295. The Social Protection Sector is vital for Kenya's socio-economic development, aligning with Vision 2033, MTP IV, and the Bottom-Up Economic Transformation Agenda. It promotes sustainable employment, labour practices, talent development, gender equality, community empowerment, and cultural preservation.

296. Between 2022/23 and 2024/25, the sector advanced sports and creative industries through infrastructure upgrades for events like CHAN 2024 and AFCON 2027. Kenyan athletes earned 131 medals globally, and the country hosted 35 international events, establishing itself as a sporting hub. Heritage sites were restored, cultural diplomacy strengthened via international exchanges, and over 2.4 million public records digitized. The creative sector supported 2,720 women in beadwork, 1,600 performing artists, and 7,393 emerging musicians, providing income opportunities. Additionally, 815 youths received training in music and dance.

297. Youth empowerment was prioritized, with 1.17 million youths accessing services, leadership training, and skills development. The sector issued business loans to 28,003 youths and facilitated employment abroad for 3,537 individuals. In skills development, 251,077 people received industrial training, and bilateral agreements with Germany and Austria enhanced workforce mobility. Social protection programs reached over a million vulnerable persons through cash transfers and supported persons with disabilities, orphans, students, and women entrepreneurs with KSh 3.12 billion to promote gender equality and economic empowerment.

298. Future priorities include modernizing museums, protecting nine cultural heritage sites, hosting festivals, establishing music studios, and nurturing over 1,800 musicians. Youth programs will train 90,000 in life and technical skills, mentor 43,000 in entrepreneurship, and provide ICT, counselling, and career services to 580,000 youths. In employment, the sector aims to place 570,000 job seekers locally and abroad, sign 12 bilateral agreements, certify 310,000 workers, and conduct workplace inspections. Social protection will expand cash transfers to over 1.2 million vulnerable individuals, support community groups, persons with disabilities, and enhance child protection, gender equality, and women's economic empowerment through bursaries, sanitary products, GBV prevention, and financial aid. In addition, the Government will strengthen child protection services, the Government through provision of cash transfers for orphans and vulnerable children, issuance of secondary school bursary, sensitization of parents and caregivers on prevention of violence against children and harmful practices, training children on online safety, training parents on positive parenting, distribution of dignity kits to emergency hit children, reintegration of children to family/community care who are at Statutory Children Institutions, sensitization of stakeholders on children adoption services, and establishment of an Integrated National Children Database.

299. The sector's budget allocation is projected at KSh 87.2 billion for FY 2026/27, KSh 83.4 billion for FY 2027/28, and KSh 90.4 billion for FY 2028/29.

### **Environment Protection, Water and Natural Resources Sector**

300. The Environment Protection, Water, and Natural Resources (EPWNR) Sector is vital to Kenya's socio-economic development, focusing on food security, climate resilience, water security, biodiversity, mineral development, and sustainable resource management. During FY 2022/23–2024/25, the sector implemented numerous initiatives supported by an improved budget absorption rate rising from 78 percent to 95 percent, achieving progress in irrigation, water and sanitation, mining regulation, wildlife conservation, environmental protection, climate change response, and forestry.

301. In agriculture, the sector expanded irrigated land by 108,210 acres, boosting community and smallholder productivity. Water storage increased by 42 million cubic meters, enabling

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irrigation of 28,000 acres. Paddy rice production reached 320,000 tons, valued at KSh 64 billion. The Galana Kulalu Food Security Project was 99 percent complete, and 880 hectares of degraded land were rehabilitated. Additionally, 20 schools were equipped with micro-irrigation systems, boreholes, and greenhouses to support horticulture and seedling production.

302. Water and sanitation efforts improved urban and rural access, with key projects like the Karimenu II bulk water system and the Northern Collector Tunnel operationalized, supplying Nairobi and surrounding areas. Twenty-three towns and 120 schools gained new water connections, and major dams such as Thwake and Yamo Dam advanced in construction. Over 135 small dams and pans provided more than 2.7 million cubic meters of storage. Sewer services expanded to 13 towns, and 150 low-cost sanitation facilities were built. River monitoring and pollution hotspot mapping enhanced environmental compliance.

303. The mining sector issued 7,783 mineral export permits, 6,427 explosives licenses, and 472 fireworks permits. Inspections covered exploration sites, mining operations, and explosives handling, with geological surveys conducted for various minerals. Support for artisanal miners included training 8,725 individuals and formalizing 255 cooperatives to promote safety and environmental standards.

304. Wildlife conservation saw disbursement of KSh 2.818 billion for human-wildlife conflict compensation, a 54 percent reduction in poaching, and habitat restoration of 7,839 hectares. The Kenya Wildlife Service trained 1,350 rangers and 150 cadets, enhancing protection efforts. Park visitation reached 8.96 million, generating KSh 21.1 billion, supported by digitized revenue systems. Wildlife stress mitigation included constructing water pans and boreholes, alongside maintaining park infrastructure.

305. The environment and climate change subsector advanced Kenya's green transition through circular economy initiatives, ecosystem rehabilitation, and climate resilience strengthening. It established e-waste centers, waste management hubs, and licensed nearly 250,000 waste transporters. Rehabilitated land and water catchments covered thousands of hectares, wetlands were restored, and meteorological capacity was enhanced with 120 weather stations. The country submitted its updated NDC to the UNFCCC, unlocking climate finance opportunities, while meteorological services supported early warning and adaptation strategies.

306. Forestry efforts contributed significantly to the 15-Billion Tree Programme, with over 1 billion trees grown, high-quality seeds produced, and 260 million seedlings raised. Forest conservation protected 2.6 million hectares of gazetted forests, and plantations, bamboo forests, and seed facilities expanded to promote sustainable management.

307. Looking ahead to FY 2026/27–2028/29, the sector aims to scale irrigation by 300,000 acres, increase water storage by 1 billion cubic meters, and improve access to clean water from 74 percent to 80 percent. Sanitation access will be raised from 40.9 percent to 65 percent, with efforts to eliminate open defecation and extend water supply to 2.1 million more people. Major projects like WSDP, Mwache Dam, and others will be completed. Mining priorities include completing the Geo-Data Bank, mapping new deposits, and enhancing regulation. Wildlife initiatives will focus on habitat restoration, fencing, and disbursement of KSh 5.95 billion in compensation. Environmental efforts will involve wetland restoration, plastic ban enforcement, meteorological upgrades, and GHG reduction. Forestry targets include planting 15 billion trees, producing 2.2 billion seedlings, and rehabilitating over 330,000 hectares of forests.

308. The sector's budget allocation is projected at KSh 106.7 billion, KSh 122.7 billion, and KSh 163.1 billion for the FY 2026/27, FY 2027/28 and FY 2028/29, respectively.

### 3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders

309. Public participation and involvement of stakeholders in the medium-term budget process is a Constitutional requirement. In fulfilment of this legal requirement, while preparing the 2026 Budget Policy Statement (BPS), the resolutions adopted by Parliament on the previous Budget Policy Statements were taken into account. **Annex Table 5** explains how the resolutions by Parliament on the 2025 BPS and 2024 BPS have been taken into account in the 2026 BPS and the reasons thereof.

310. The Public Finance Management (PFM) Act, CAP 412A requires that the input of the public be taken into account before the budget proposals are firmed up. In compliance, Public Sector Hearings were conducted from 19<sup>th</sup> to 21<sup>st</sup> November 2025 at the Kenyatta International Convention Centre providing a platform for members of the public to give input into the country's budget and sector plans. **Annex Table 6** provides a summary of the comments received and the actions taken and or response given during the Public Sector Hearings.

311. Further, the draft 2026 BPS was uploaded onto the National Treasury website on 19<sup>th</sup> December 2025 inviting the public and stakeholders to share comments. As required by the PFM Act, CAP 412A, the document was further shared with the various stakeholders including:

- i) Institutions listed in the PFM Act, 2012 which include: the Commission on Revenue Allocation; County Governments; Controller of Budget; Parliamentary Service Commission and the Judicial Service Commission;
- ii) Institutions that constitute the Macro Working Group which include: the National Treasury; State Department for Economic Planning; Central Bank of Kenya; Kenya Revenue Authority; Kenya National Bureau of Statistics; Kenya Institute of Public Policy Research and Analysis; and Commission on Revenue Allocation;
- iii) Cabinet Secretaries and Principal Secretaries of all Government Ministries and the Office of the Attorney General; and
- iv) Office of the Council of Economic Advisors at the Executive office of the President.

312. The comments were considered in finalizing this document. A summary of the comments received from the various stakeholders and the public and the actions taken are summarized in **Annex Table 7**.

## IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

### 4.1 County Governments' Compliance with Fiscal Responsibility Principles

313. The following Fiscal Responsibility Principles (FRPs) need to be adhered to in line with the relevant legal provisions:

- i) **Development budget:** In accordance with the PFM Act CAP 412A Section 107 (2) (b), over the medium term, a minimum of thirty percent of the County Governments' budgets shall be allocated to development expenditure. Therefore, it is essential to ensure adherence to this fiscal responsibility principle both at the budget approval stage and during the actual implementation of the budget.
- ii) **Wages:** Regulation 25(1) (a) and (b) of the PFM (County Governments) Regulations 2015 provides that County Governments' expenditure on wages and benefits for public officers shall not exceed thirty-five percent (35 percent) of the County Government's total revenue. Compliance with this fiscal rule has been wanting, highlighting the necessity for a concerted effort to ensure that the wage bill remains within the legally established threshold.
- iii) **Borrowing:** Regulation 25 (1) (d) of the PFM (County Governments) Regulations 2015 provides that the county public debt shall not exceed twenty percent (20 percent) of the total revenue of the County Government at any given time. Any County Government seeking to borrow must comply with this legal requirement.
- iv) **Taxes:** In accordance with provisions of Section 15 (2) (e) of the PFM Act CAP 412A, County Governments should uphold a reasonable degree of predictability regarding tax rates and tax bases, considering any potential future tax reforms while implementing legislation for the collection of own-source revenue. Prioritizing the establishment of adequate legal frameworks regarding the principal legislation governing the imposition of taxes and fees is essential to ensure that these actions are conducted in accordance with the law.
- v) **Fiscal risk:** County Governments are required to manage fiscal risks prudently in accordance with Section 15 (2) (e) of the PFM Act CAP 412A.

#### 4.1.1 County Governments Overall Expenditure for FY 2024/25

314. **Table 4.1** below provides a summary of the total expenditures, total revenues, and overall absorption rates for the FY 2024/25.

**Table 4.1: County Governments Overall Expenditure for FY 2024/25**

Item (KSh)	Approved Budget	Actual Figures	Overall Absorption Rates
Total Revenue	601,690,000,000	533,110,000,000	
Total Expenditures	601,689,110,000	470,735,360,000	78.2
Total Development Expenditures	218,989,610,000	123,757,190,000	56.5
Total Recurrent Expenditures	382,699,520,000	346,978,140,000	90.7
Wages		220,639,460,000	
Other Recurrent		126,338,690,000	
% of Development in Total Expenditure	36.4	26.3	
% of Recurrent Exp in Total Expenditure	63.6	73.7	
% of Wages in Total Revenue		41.4	

Source of Data: Controller of Budget

315. The actual estimated total expenditures for County Governments amounted to KSh 470.7 billion for the FY 2024/25. This figure includes both recurrent and development expenditures, while the actual total revenue amounted to KSh 533.1 billion. Budgeted development expenditure represented 36.4 percent of budgeted total expenditure, while budgeted recurrent expenditure accounted for 63.6 percent of the total budget. Additionally, expenditure on wages was 41.4 percent of total revenue, a decrease from 47.6 percent in the previous financial year.

316. **Table 4.1** above shows County Governments' adherence to the Fiscal Responsibility principles mentioned above. A deeper analysis is provided below:

- i) **Development Expenditure:** The counties' allocation was 36.4 percent of the total budget falling within the requirement. However, the 26.3 percent rate of actual development expenditure to total budget falls short of this requirement, indicating an underspending on projects that promote long-term growth and infrastructure development.
- ii) **Recurrent Expenditure:** Counties are encouraged to limit recurrent expenditures to free up resources for development. With 73.7 percent of the budget spent on recurrent expenses, counties are heavily reliant on these funds, suggesting a need to reduce recurrent costs in favour of development priorities.
- iii) **Wages and Salaries:** PFMA CAP 412A emphasizes limiting spending on personnel emoluments to a sustainable level to ensure fiscal stability. As highlighted above, counties' expenditure on wages was 41.4 percent of total revenue. This level is close to the ceiling but still above 35 percent, signaling a high wage burden that may limit spending flexibility.

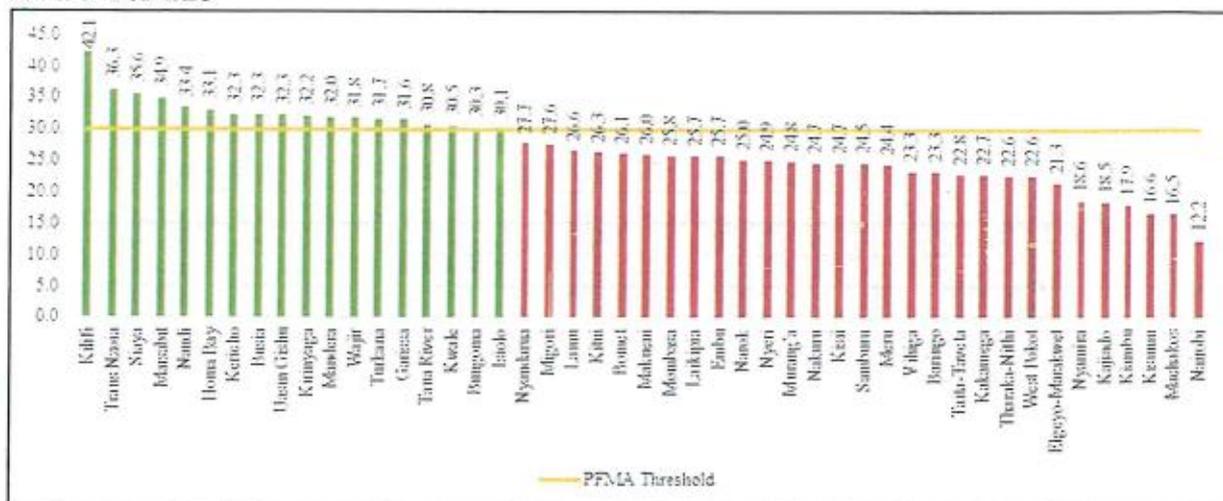
317. These figures suggest the need for counties to re-evaluate spending priorities, emphasizing the reduction of recurrent and wage expenses and reallocating funds towards development to meet the PFMA guidelines.

#### 4.1.2 Recurrent Expenditure as a Percentage of Total Revenue

318. County Governments are required under Section 107(2) of the PFM Act CAP 412A, to ensure that recurrent expenditure does not exceed their total revenue. In FY 2024/25, all County Governments complied with this provision based on their budgeted recurrent expenditure. The performance by county is illustrated in **Figure 4.1**.



**Figure 4.3: Actual Development Expenditures as a Percentage of Actual Total Expenditure for FY 2024/25**



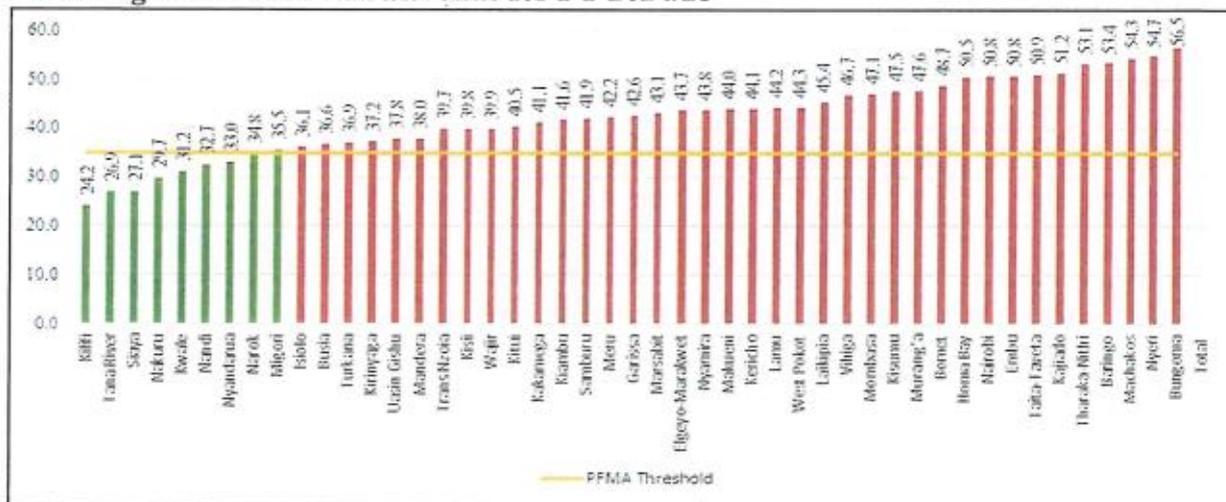
Source of Data: Controller of Budget

321. The decline in development expenditure from 36.4 percent in budget allocation to 26.3 percent in actual spending indicates that, although counties are allocating a significant share of their budgets to development, actual implementation remains low. This trend suggests that development outcomes may be constrained by higher spending on recurrent expenditures, as well as challenges in executing development plans, including delays in project procurement and implementation.

**4.1.4 Expenditure on Wage Bill as a Percentage of Total Revenue**

322. Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, stipulates that County Governments’ expenditure on wages and benefits for public officers should not exceed 35 percent of their total revenue. In FY 2024/25, counties spent KSh 220.64 billion on wages, representing 41.4 percent of the total revenue of KSh 533.11 billion. This exceeds the prescribed threshold under the PFM Act CAP 412A, 2012. As illustrated in Figure 4.4, most counties allocated a higher proportion of their revenue to wages above the recommended threshold, with only nine counties namely: Kilifi, Tana River, Siaya, Nakuru, Kwale, Nandi, Nyandarua, Narok, and Migori remaining within the legal limit.

**Figure 4.4: County Governments’ Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for FY 2024/25**



Source of Data: Controller of Budget

## 4.2 Performance of County Governments Own Source Revenue

### 4.2.1 Performance of Own Source Revenue Against Target

323. In FY 2024/25, County Governments collectively generated KSh 67.3 billion in Own Source Revenue (OSR) against an annual target of KSh 87.7 billion, representing a performance rate of 76.8 percent. A summary of individual county performance is presented in Table 4.2.

**Table 4.2: Total County Government OSR Collection for FY 2024/25 (Including A-i-A)**

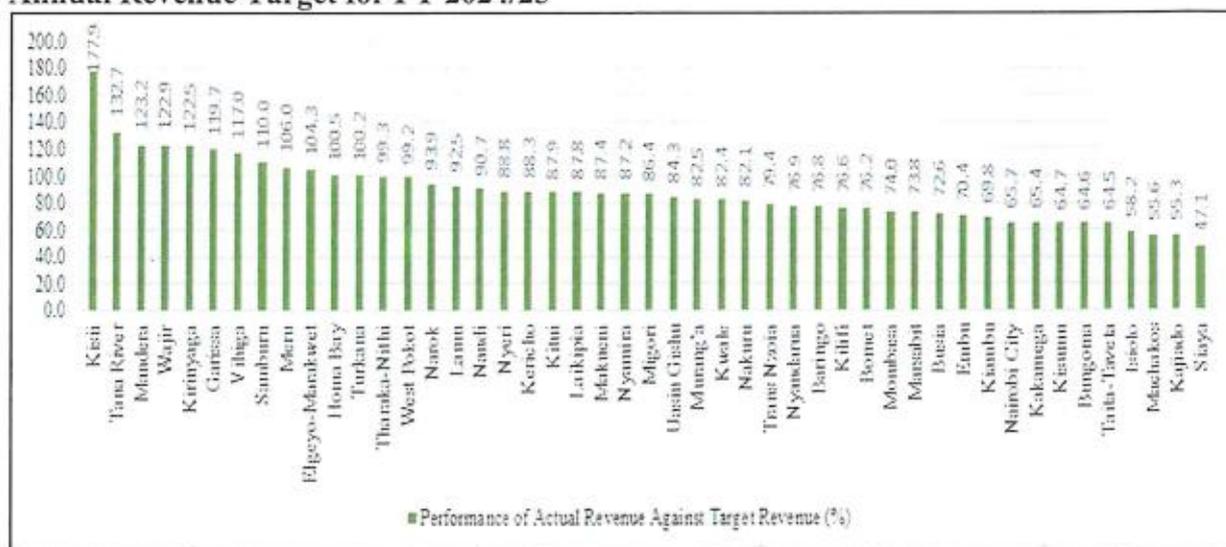
County	Target Revenue			Actual Revenue			Performance of Actual Revenue against Target Revenue (%)
	Ordinary OSR Target (KSh million)	FIF AIA	Total OSR	Ordinary OSR	FIF AIA Actual (KSh Million)	Total OSR Revenue (KSh Million)	
Kitui	345	1	345	250.04	882.09	1,538.64	177.9
Tana River	148.16	3.94	152.10	189.27	3.86	203.33	132.7
Mandera	283.21	81.79	365	208.69	204.69	483.17	103.1
Wajir	90	180	270	113.37	218.35	331.72	103.9
Kisumu	490.45	218	648.45	362.6	481.52	794.12	102.5
Garissa	160	240	400	94.72	384.14	478.87	119.7
Vihiga	163.51	176.49	340	186.47	211.39	397.86	117.0
Samburu	262.93	18.7	281.63	300.42	9.41	309.83	110.0
Meru	247	300	1,027.00	404.82	758.9	1,169.32	109.0
Elgeyo-Marakwet	107.43	244	351.43	79.47	286.02	367.49	104.3
Hema Bay	301.74	982.27	1,484.01	380.87	1,039.71	1,490.38	100.9
Turkana	241	159	400	171.14	201.69	400.85	100.2
Tharaka-Nithi	285	200	485	238.28	248.71	487.79	99.3
West Pokot	97.2	132.8	230	88.67	140.41	228.68	99.1
Marakish	2,811.05	120.95	6,122.00	3,512.53	192.55	3,683.56	59.9
Lamu	120	180	300	90.18	189.12	289.34	93.1
Mandii	208.94	334.23	543.17	374.68	391.01	765.7	90.7
Ukeri	800	826.3	1,626.30	693.88	769.2	1,453.08	88.8
Kenia	576.24	646.36	1,222.60	398.72	682.9	1,079.65	88.3
Nitui	264.21	754.39	1,018.60	264.11	691.3	899.42	87.9
Lakipia	842.5	602.5	1,445.00	573.09	699.97	1,269.06	87.3
Malindi	905.18	666.26	1,471.43	512.22	773.29	1,285.80	87.4
Nyamira	400	400	800	194.53	606.6	741.13	87.2
Migori	220	220	440	337.86	354.19	692.26	85.4
Uasin Gishu	1,599.00	79.16	1,474.16	1,010.89	283.04	1,243.44	84.3
Murang'a	820	790	1,600.00	782.14	834.84	1,319.78	82.5
Kwale	820	800	1,620	283.21	240.27	527.8	82.4
Nairobi	2,448.76	1,997.21	4,445.97	1,830.14	1,797.79	3,647.92	82.1
Trans Nzoia	368.3	311.7	680	288.47	251.42	539.92	79.4
Nyandarua	600	290	890	370.71	282.53	653.24	76.9
Baringo	580.1	220	600.1	250.26	210.87	461.13	76.3
Kilifi	1,570.80	400	1,970.80	388.26	622.11	1,010.38	76.6
Bomet	264.78	227	491.78	196.15	211.61	367.77	76.2
Mombasa	3,680.66	1,250.00	6,930.66	4,208.73	916.99	5,122.71	74.0
Marsabit	110	141.16	251.16	80.98	104.43	183.42	73.8
Busia	467.3	209.71	697.01	266.93	289.05	505.98	72.6
Embu	827.38	476.05	1,303.42	399.24	317.74	616.98	70.4
Nairobi	3,430.94	1,800.00	7,230.94	3,243.43	1,616.89	4,060.34	69.3
Nairobi City	20,090.93	0	20,090.93	11,790.73	1,398.02	13,188.79	65.7
Kakamega	1,369.00	841	2,200.00	543.13	394.8	1,437.93	65.4
Nisumu	2,871.85	932.12	3,804.07	502.36	1,659.67	2,463.03	64.7
Bungoma	1,042.46	735.47	1,777.93	485.53	663.26	1,148.79	64.6
Taita-Taveta	600	290	890	318.64	229.35	547.99	64.5
Isiolo	271.21	100	371.21	181.26	64.89	216.15	58.3
Machakos	3,021.92	903.88	3,925.79	1,426.13	724.68	2,180.94	55.6
Kajiado	1,200.00	440	1,640.00	591.14	216.4	807.74	50.3
Siaya	643.39	283.95	927.34	236.84	192.84	436.68	47.1
<b>Total</b>	<b>66,902.49</b>	<b>20,767.20</b>	<b>87,669.66</b>	<b>42,710.17</b>	<b>24,567.38</b>	<b>67,297.57</b>	<b>76.8</b>

Source of Data: Controller of Budget

324. Total OSR included the Facility Improvement Fund, which is the money collected and retained by health facilities in line with the Facilities Improvement Financing Act, 2023. As at the 30<sup>th</sup> June 2024, the public health facilities had collected and retained a total of KSh 24.5 billion against a target of KSh 20.7 billion overshooting the target by 18 percent. For ordinary revenue performance, counties were able to generate KSh 42.7 billion against a target of KSh 66.9 billion which represents an average of 64 percent of the targeted OSR.

325. A total of twelve counties managed to collect more than one hundred percent of their annual OSR target. These counties are; Kisii, Tana River, Mandera, Wajir, Kirinyaga, Garissa, Vihiga, Samburu, Meru, Elegeyo-Marakwet, Homabay, and Turkana. Conversely, four County Governments collected less than 60 percent of their OSR target. These counties are: Isiolo, Machakos, Kajiado and Siaya. The summary of individual county performance is presented in Figure 4.5.

**Figure 4.5: Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target for FY 2024/25**



Source of Data: Controller of Budget

#### 4.2.2 OSR Growth in FY 2024/25

326. An assessment of the OSR performance for FY 2023/2024 -2024/2025 reveals that 20 Counties recorded more than 50 percent growth in revenue collection. This could be attributed to the implementation of the OSR policy, continuous capacity building on public finance management, revenue automation and revenue administration reforms such as implementation of the FIF. Nonetheless, there is a need to explore the reasons for negative OSR growth in Kakamega County that recorded a decline in OSR collection in FY 2024/25 by 15.2 percent. The details of performance for the 47 County Governments are summarised in Table 4.3.

**Table 4.3: County Governments OSR Growth between FY 2023/24 and FY 2024/25**

S.No.	County	Actual OSR Collected - FY 2023/24 (KSh Millions)	Actual OSR Collected - FY 2024/25 (KSh Millions)	Difference in OSR Collection	FY 2024/25 Growth Rate
1	Mombasa	2,279.67	4,208.73	1,929.06	84.6%
2	Nyamira	77.14	134.53	57.39	74.4%
3	Siaya	136.08	236.84	100.76	74.0%
4	Taita-Taveta	186.9	318.64	131.74	70.5%
5	Murang'a	481.13	785.14	304.01	63.2%
6	Embu	244.99	399.24	154.25	63.0%
7	Kisii	347	556.54	209.54	60.4%
8	Nandi	234.61	374.68	140.07	59.7%
9	West Pokot	54.36	85.67	31.31	57.6%
10	Kwale	186.78	293.21	106.43	57.0%
11	Tharaka-Nithi	152.18	238.28	86.1	56.6%
12	Busia	170.76	266.93	96.17	56.3%
13	Kiambu	2,083.51	3,243.45	1,159.94	55.7%
14	Marsabit	52.04	80.98	28.94	55.6%
15	Lalikipia	369.4	573.09	203.69	55.1%
16	Kilifi	577.34	888.26	310.92	53.9%
17	Kitui	171.88	264.11	92.23	53.7%
18	Nvandarua	242.04	370.71	128.67	53.2%
19	Bomet	102.33	156.15	53.82	52.6%
20	Nitiga	123.3	186.47	63.17	51.2%
21	Kericho	264.1	396.75	132.65	50.2%
22	Migori	226.42	357.36	130.94	49.0%
23	Nyeri	461.33	683.88	222.55	48.2%
24	Meru	273.29	404.82	129.53	47.1%
25	Makueni	350.73	512.22	161.47	46.0%
26	Nakuru	1,270.59	1,850.14	579.55	45.6%
27	Mandera	143.47	206.59	63.12	44.0%
28	Turkana	120.52	171.14	50.62	42.0%
29	Machakos	1,008.17	1,426.15	417.98	41.5%
30	Elgeyo-Marakwet	56.45	79.47	23.02	40.8%
31	Kirinyaga	258.57	362.6	104.03	40.2%
32	Trans Nzoia	205.91	288.47	82.56	40.1%
33	Kajiado	427.11	591.14	164.03	38.4%
34	Lamu	66.77	92.13	25.36	38.0%
35	Bungoma	352.7	485.53	132.83	37.7%
36	Homa Bay	285.54	390.67	105.13	36.8%
37	Nairobi City	8,711.69	11,790.75	3,079.06	35.3%
38	Uasin Gishu	760.32	1,010.39	250.07	32.9%
39	Kisumu	611.96	803.36	191.4	31.3%
40	Baringo	190.86	250.26	59.4	31.1%
41	Garissa	73.4	94.72	21.32	29.0%
42	Samburu	232.87	300.42	67.55	29.0%
43	Wajir	87.93	113.37	25.44	28.9%
44	Isiolo	122.28	151.26	28.98	23.7%
45	Tana River	163.18	199.27	36.09	22.1%
46	Narok	4,378.99	5,512.53	633.54	13.0%
47	Kakamega	640.55	543.13	-97.42	-15.2%

Source of Data: Controller of Budget

#### 4.2.3 National Government Support on enhancement of County Government OSR

327. The County Governments Own Source Revenue (OSR) enhancement efforts are guided by the National Policy to Support Enhancement of County Governments Own Source Revenue which was approved by Cabinet in 2018 to be implemented in ten years. The goal of the policy is to propose a standardized institutional, policy and legal framework for own source revenue raising measures and enforcement that would be applicable to all County Governments.

328. Some the notable achievements of the Policy so far include: enactment of the National Rating Act 2024 which was spearheaded by the National Treasury in collaboration with the State Department for Lands; development of a model Tariffs and Pricing Policy by the Commission on Revenue Allocation in conjunction with the National Treasury; development of the County Governments (Revenue Raising Process) Bill by the National Treasury and other stakeholders, which is awaiting consideration by the Parliament; and, development of a framework outlining processes and procedures for payment of Contribution in Lieu of Rates (CILOR) provided for the National Rating Act.

329. Currently, the National Treasury is finalizing the review of the Policy. Engagement with the County Governments will be undertaken to take stock of the progress made so far in the implementation of the Policy as well as identify challenges and opportunities that will inform the next phase of implementing the Policy. Some of the pending activities that the National Treasury is committed in finalizing include: holding the County OSR Conference; developing the National Rating Act Regulations in order to operationalize the Act and the CILOR payment framework; finalization of the proposed Integrated County Revenue Management System (ICRMS); and, the finalization of the revenue forecasting model to be used by the County Governments to provide an objective criterion to set revenue targets.

330. Additionally, the OSR policy also recommended 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. This Bill is aimed at ensuring compliance with Article 209 (5) of the Constitution as well as ensuring consistency and predictability in county revenue practices. The Cabinet on 28<sup>th</sup> February 2023 approved the County Governments (Revenue Raising Process) Bill, 2023. The Bill has since been resubmitted to Parliament for consideration. The Bill is currently in the Second Reading stage at Senate. It is anticipated that once this Bill is enacted, the complaints from the traders and truck drivers within the region will be mitigated, Intergovernmental Relations Technical Committee (IGRTC) have already formed a multiagency team inclusive of the National Treasury to address the grievances. The recommendations from this team will be submitted to Summit for further directions.

### 4.3 County Government Pending Bills

331. Section 94 (1) (a) of the PFM Act CAP 412A, stipulates, inter alia, that failure to make any payments as and when due by a State Organ or a Public Entity is an indicator of a serious material breach or a persistent material breach of measures established under the Act. Article 225 of the Constitution read together with Section 96 of the PFMA CAP 412A gives the Cabinet Secretary responsible for Finance powers to stop the transfer of funds to the concerned State Organ.

332. As of 30<sup>th</sup> June 2025, County Governments reported outstanding pending bills amounting to KSh 183.0 billion. This comprises KSh 130.8 billion for recurrent activities and KSh 52.2 billion for development activities. The total pending bills for the County Executive are KSh 177.9 billion, while those for the Assemblies amount to KSh 5.1 billion. Nairobi City County has the highest pending bills, totalling KSh 86.8 billion, representing 47 percent of the total stock of pending bills. On average, the total pending bills by County Governments accounted for 30 percent of the total county government approved budgets in FY 2024/25.

333. An analysis of the aged pending bills for County Governments as of 30<sup>th</sup> June 2025 shows that KSh 48.9 billion (27 percent) are under one year, KSh 19.8 billion (11 percent), are aged between one and two years, KSh 20.34 billion (11 percent), are aged between two and three years, and KSh 85.4 billion (45 percent), are older than three years. This analysis excludes aged pending bills for Kakamega and Narok Counties. **Table 4.4**, presents county government pending bills as at 30<sup>th</sup> June 2025.

Table 4.4: County Governments Pending Bills as of 30<sup>th</sup> June 2025 (In KSh Million)

No	County	County Executive				County Assembly				Grand Total	FY 2024/25 Budget	Percent of Pending Bill to Budget
		Recurrent		Development		Recurrent		Development				
		Sub-Total	Development	Sub-Total	Development	Sub-Total	Development					
1.	Nairobi	78,949.10	7,169.40	86,118.60	650.6	650.6	650.6	650.6	86,769.20	43,564.27	199	
2.	Kilifi	3,820.10	5,367.40	9,187.40	68.2	68.2	-	68.2	9,255.60	21,406.50	43	
3.	Machakos	3,785.10	2,695.10	6,480.10	251.7	1.9	1.9	253.6	6,733.80	15,622.16	43	
4.	Narok	3,962.60	2,188.90	6,151.50					6,151.50	17,567.52	35	
5.	Kiambu	4,259.90	3,352.70	7,612.60	244	31.2	31.2	275.2	7,887.90	23,480.38	34	
6.	Busia	1,382.30	1,258.90	2,641.20	620.5	-	-	620.5	3,261.70	10,770.15	30	
7.	Wajir	1,324.10	2,155.00	3,479.10	233.5			233.5	3,712.60	13,517.62	27	
8.	Tana River	1,293.18	1,060.06	2,353.25	0	0		0	2,353.25	9,177.72	26	
9.	Taita-Taveta	1,364.40	653.1	2,017.50	38.4			38.4	2,055.90	8,179.70	25	
10.	Bungoma	2,227.50	1,368.50	3,596.00	14.7	-	-	14.7	3,610.70	16,704.46	22	
11.	Garissa	747.2	1,677.40	2,424.60	116.3	45	45	161.3	2,585.90	12,005.81	22	
12.	Lalikipia	856.3	999.7	1,856.00	10.4			10.4	1,866.40	8,479.54	22	
13.	Mombasa	2,439.40	1,310.80	3,750.10	117.5			117.5	3,867.70	17,360.00	22	
14.	Embu	924.2	822.7	1,746.90	16.2	-	-	16.2	1,763.10	8,533.54	21	
15.	Kajiado	1,087.50	1,458.20	2,545.70	30.6	69.6	69.6	100.2	2,646.00	12,786.47	21	
16.	Kericho	661.3	1,367.00	2,028.30	-	53.8	53.8	53.8	2,082.10	9,756.94	21	
17.	Murang'a	1,588.10	333.4	1,921.50	72.2			72.2	1,993.70	10,743.65	19	
18.	Mandera	968.3	1,525.40	2,493.70		6.1	6.1	6.1	2,499.80	14,567.55	17	
19.	Nyandarua	571.6	869.1	1,440.70	71.3			71.3	1,512.00	8,779.76	17	
20.	Siaya	832.9	1,057.00	1,890.00				-	1,890.00	10,948.13	17	
21.	Bomet	600	857.4	1,457.40	20.1	45.8	45.8	65.9	1,523.20	9,831.70	15	
22.	Isiolo	786.9	209.8	996.7	5.8	8.1	8.1	13.9	1,010.60	6,805.05	15	
23.	Nakuru	2,850.40	668.7	3,519.20	158			158	3,677.20	23,980.40	15	
24.	Marsabit	532.5	700.2	1,232.60	30.6	170.6	170.6	201.2	1,433.80	10,318.61	14	

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No	County	County Executive		County Assembly		Grand Total	FY 2024/25 Budget	Percent of Pending Bill to Budget	
		Recurrent	Development	Sub-Total	Recurrent				Development
25.	Trans Nzoia	805.4	703	1,508.40			1,508.40	10,455.02	14
26.	Kwale	654.5	915.5	1,570.00	187.5	142.1	1,899.60	14,876.06	13
27.	Meru	829.7	848.7	1,678.40	63.5		1,741.90	13,108.95	13
28.	Homa Bay	715.1	726.1	1,441.30	102.6	94.3	1,638.20	13,130.57	12
29.	Kakamega	773.6	938.2	1,711.90	454.4	-	2,166.30	17,646.79	12
30.	Vihiga	211.2	621	832.2			832.2	7,105.90	12
31.	Tharaka-Nithi	468.6	176.2	644.7	82.9	13.9	741.6	7,005.68	11
32.	Kirinyaga	316.2	486.7	802.9	-	-	802.9	7,925.71	10
33.	Nandi	476	495.7	971.7	-	13.5	985.1	10,188.22	10
34.	Kisumu	507.8	838	1,345.90	2.5	2.1	1,350.50	15,314.33	9
35.	Migori	475.9	361.4	837.2	184.6	36.4	1,058.10	12,147.01	9
36.	Turkana	43.6	1,141.50	1,185.10		144.3	1,329.30	17,213.59	8
37.	Kisii	594.5	401.8	996.3	8.2	28.4	1,033.00	15,155.35	7
38.	Makueni	558	98.6	656.6	161.5		818.2	11,580.21	7
39.	Uasin Gishu	199.7	863.6	1,063.20	57.7		1,121.00	15,179.79	7
40.	Baringo	202.3	143.9	346.3	-	-	346.3	8,983.76	4
41.	Nyamira	218	114.2	332.2	-	8.2	340.4	8,102.90	4
42.	Nyeri	321.1	27.8	348.9	6		354.9	9,004.03	4
43.	West Pokot	215.3	75	290.3	21.5		311.8	8,101.51	4
44.	Samburu	35	140.6	175.5	46.4	9.3	231.3	7,382.22	3
45.	Kitui	173.7	56.1	229.9	-	-	229.9	14,305.36	2
46.	Lamu	32.1	-	32.1	-	-	32.1	4,988.65	1
47.	Elgeyo-Marakwet	3.1	9.1	12.1	-	-	12.1	7,899.87	0
<b>Total</b>		<b>126,645.28</b>	<b>51,308.56</b>	<b>177,953.75</b>	<b>4,149.90</b>	<b>924.6</b>	<b>183,028.75</b>	<b>601,689.11</b>	<b>30</b>

334. The growing stock of pending bills in County Governments poses a fiscal discipline and sustainability risk. The National Treasury has started transitioning from cash basis to accrual accounting, which is expected to improve the recording of pending bills in financial statements and facilitate gradual payment. Through the Second Kenya Devolution Support Programme II (KDSP II), County Governments have been supported in developing Pending Bills Action plans for repaying pending bills and ensuring compliance with Regulation 55 (2) b of the Public Finance Management (County Governments) Regulations, 2015.

335. During its 27<sup>th</sup> Ordinary Session held on 23<sup>rd</sup> June 2025, the Intergovernmental Budget and Economic Council (IBEC) approved and adopted the County Governments' Pending Bills Action Plan, as submitted by the Controller of Budget. The Council further directed all County Governments to customise and implement their respective Pending Bills Action Plans, aiming to progressively reduce the stock of pending bills and keep them at minimal levels.

#### **Status of Pension Funds Unremitted Deductions by County Governments**

336. The Taskforce on the Non-Remittance of Pension Contributions and Statutory Deductions by County Government Entities was established following Senate resolutions to address persistent non-remittance of pension contributions and other statutory deductions by county governments, which posed risks to retirement security and fiscal discipline.

337. The Taskforce was mandated to assess the extent and causes of non-remittance and recommend administrative, operational, and policy measures to ensure that pension contributions and statutory deductions are remitted concurrently with payroll processing. The Taskforce has since submitted its report to the Senate. In response, the Government is implementing the Human Resource Information System – Kenya (HRIS-Ke), which is designed to automate payroll processing and facilitate the simultaneous computation and remittance of pension contributions and other statutory deductions. The system is being integrated with IFMIS and approved budget controls, thereby strengthening enforcement, reducing manual interventions, and minimising the risk of non-remittance.

#### **4.4 Equalisation Fund**

338. Article 204 of the Constitution establishes the Equalisation Fund, which requires that half a per cent (0.5 percent) of all revenue collected by the National Government each year, calculated based on the most recent audited revenue received and approved by the National Assembly, be paid into the Fund. According to Article 204(2), the National Government shall use the Equalisation Fund to provide marginalised areas with basic services, including water, roads, health facilities, and electricity.

339. The Equalization Fund Appropriation Act 2023 allocated KSh 10,330,317,433 as conditional grants to the thirty-four (34) eligible counties identified as marginalised under the Second Marginalisation Policy. By the end of the FY 2024/25, the Equalization Fund Advisory Board had received and reviewed 1,593 project proposals from these 34 beneficiary counties. Of these proposals, the Board approved 1,556 projects amounting to KSh 9,759,733,778, as summarised in **Table 4.5**. The National Treasury has allocated KSh 9.6 billion to the Equalization Fund for the FY 2025/26, representing 0.5 percent of the national revenue based on the FY 2021/22 audited and approved revenues.

Table 4.5: Approved Projects for Implementation by Counties as Appropriated in Equalisation Fund Appropriation Act 2023

No.	County	Marginalized Areas	Appropriated Amount	Approved Projects	Projects Budget
1	Baringo	90	595,027,099	137	568,246,610
2	Bomet	3	19,215,175	3	19,215,174
3	Bungoma	9	58,779,836	7	58,779,835
4	Busia	3	17,979,656	3	17,979,656
5	Elgeyo Marakwet	11	65,114,751	16	56,644,349
6	Garissa	83	630,912,260	91	628,784,868
7	Homa-Bay	20	131,603,304	31	131,603,302
8	Isiolo	25	166,157,751	25	166,157,748
9	Kajiado	64	414,765,595	29	414,765,596
10	Kericho	10	60,882,122	11	54,681,482
11	Kilifi	78	539,901,714	67	537,169,000
12	Kisumu	4	24,333,610	4	23,603,602
13	Kitui	63	397,477,349	105	366,047,999
14	Kwale	39	292,590,513	61	290,451,457
15	Laikipia	18	119,303,227	33	115,677,719
16	Lamu	10	57,614,460	10	57,614,460
17	Machakos	2	12,923,347	2	12,923,347
18	Mandera	97	753,408,998	89	753,403,998
19	Marsabit	68	469,644,478	103	468,336,157
20	Meru	5	29,927,013	6	29,004,018
21	Migori	27	177,764,414	41	177,764,414
22	Murang'a	1	5,679,579	1	5,679,579
23	Nakuru	1	6,435,119	1	6,435,119
24	Nandi	19	116,745,012	30	116,745,012
25	Narok	112	771,670,228	148	715,984,924
26	Samburu	95	649,686,536	39	636,090,960
27	Siaya	5	31,973,185	7	31,973,185
28	Taita Taveta	2	13,335,187	3	13,332,929
29	Tana River	65	442,122,368	61	413,261,671
30	Tharaka-Nithi	7	44,005,716	14	42,915,203
31	Trans Nzoia	1	7,478,246	1	7,478,246
32	Turkana	144	1,144,091,494	87	1,071,965,691
33	Wajir	94	730,167,615	220	727,325,516
34	West Pokot	149	1,021,690,952	70	1,021,690,952
	<b>Total</b>	<b>1,424</b>	<b>10,020,407,909</b>	<b>1,556</b>	<b>9,759,733,778</b>

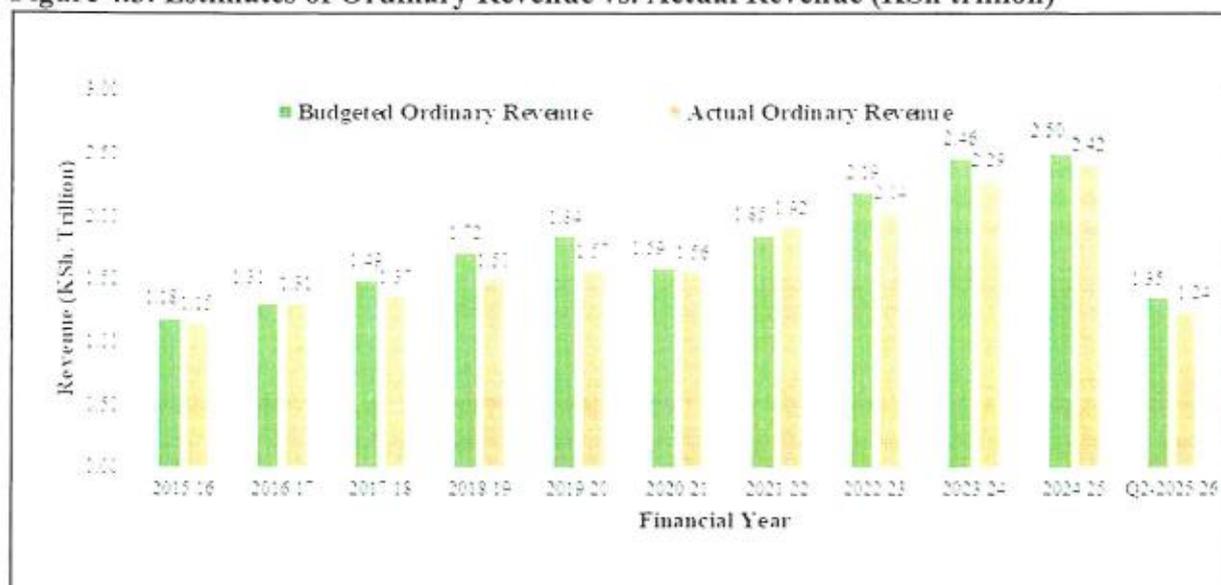
Source: Equalization Fund Advisory Board (EFAB)

## 4.5 Division of Revenue for the FY 2026/27

### 4.5.1 Performance of Shareable Revenue

340. Ordinary revenue is projected to grow to KSh 2,901.9 billion in FY 2026/27 from an approved budget of KSh 2,754.7 billion in FY 2025/26. Ordinary revenue collected over the past ten years has been below target except for FY 2021/22 when the target was surpassed as indicated in Figure 4.5.

**Figure 4.5: Estimates of Ordinary Revenue vs. Actual Revenue (KSh trillion)**



Source of Data: The National Treasury

## 4.5.2 Division of Revenue for FY 2026/27

### 4.5.2.1 Application of Article 203 (1) of the Constitution in Division of Revenue

341. Article 218(2) of the Constitution requires division of revenue between the two levels of Government and across County Governments to take into account the criteria set out in Article 203 (1) of the Constitution. The criteria include factors such as: national interest, public debt, other national obligations and needs of the disadvantaged groups and areas, among others.

342. As indicated in **Table 4.6**, it should be noted that after considering all the mandatory expenditures under Article 203(1) of the Constitution, the balance left for sharing between the two levels of Government is KSh 330.1 billion. Following the allocation of KSh 438.3 billion to County Governments for FY 2026/27 – comprising a proposed equitable share of KSh 420.0 billion and additional allocations of KSh 18.3 billion from the National Government’s revenue – the National Government faces a deficit of KSh 108.2 billion. This shortfall impacts the financing of key functions including education, health, defence, roads, and energy, among others. This will occasion additional borrowing which may distort the fiscal framework already set out in the 2026 Budget Policy Statement (BPS). **Table 4.6** provides an assessment of the extent to which the requirements of Article 203 (1) of the Constitution have been incorporated in estimating the division of revenue between the national and county levels of Government in the FY 2026/27.

343. On public debt servicing, the 2026 BPS has taken into account public debt related costs. These comprise the annual debt redemption cost as well as the interest payment for both domestic and external debt. The allocation for payment of public debt related costs is expected to increase from KSh 1,437.9 billion allocated in FY 2025/26 to KSh 1,542.1 billion allocated in the FY 2026/27, reflecting an increase of KSh 56.0 billion.

344. Pursuant to Article 203(1) (b) of the Constitution, the 2026 BPS has also taken into account the requirements for other national obligations, such as, mandatory pension contributions and/or payments, financing for constitutional offices, including Parliament and Judiciary as well as expenses relating to other statutory bodies. These are estimated to cost KSh 876.1 billion in FY 2026/27 up from KSh 811.3 billion allocated in the FY 2025/26.

**Table 4.6: Summary of Considerations under Article 203 (1) of the Constitution**

S/No	ITEM DESCRIPTION (KSh Millions)	FY 2026/27
	<b>ORDINARY REVENUE (EXCLUDING AIA)</b>	<b>2,901,875</b>
A	<b>National Interest [Article 203 (1)(a)]</b>	<b>136,430</b>
B	<b>Public debt (Art. 203 [1][b])</b>	<b>1,542,069</b>
C	<b>Other National obligations (Article 203 [1][b])</b>	<b>876,111</b>
D	<b>Emergencies [Article 203 (1)(k)]</b>	<b>2,000</b>
E	<b>Equalization Fund [Article 203 (1) (g) and (h)]. Of which:</b>	<b>15,163</b>
	<i>a. Allocation in FY 2026/27</i>	<i>9,602</i>
	<i>b. Arrears</i>	<i>5,561</i>
F	<b>Total Mandatory Expenditures under Article 203(1) (A+B+C+D+E)</b>	<b>2,571,773</b>
G	<b>BALANCE TO BE SHARED BY THE 2 LEVELS OF GOVERNMENT</b>	<b>330,101</b>
H	<b>County Government allocation from revenue raised nationally of which; -</b>	<b>438,293</b>
	<i>a) Equitable Share of Revenue</i>	<i>420,000</i>
	<i>b) Additional conditional allocations financed from revenues raised nationally. Of which,</i>	<i>18,293</i>
	<i>i) Unconditional Additional Allocations</i>	<i>1,981</i>
	<i>ii) Conditional Additional Allocations</i>	<i>16,312</i>
I	<b>Balance left for the National Government</b>	<b>(108,192)</b>

Source of Data: The National Treasury

345. Based on ordinary revenue projection of KSh 2,901.9 billion in FY 2026/27, it is proposed that KSh 2,472.3 billion be allocated to National Government, KSh 420.0 billion to County Governments as equitable revenue share and KSh 9.6 billion to the Equalization Fund. The National Treasury proposes to allocate an additional KSh 5.6 billion in FY 2026/27 as partial payment to arrears for Equalization Fund. **Table 4.7** shows the computation of the equitable share to County Governments for the FY 2019/20 to FY 2026/27.

**Table 4.7: County Governments' Equitable Revenue Share (KSh Million)**

Budget Item	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
1. Baseline (i.e. allocation in the previous FY)	314,000	316,500	316,500	370,000	370,000	385,425	387,425	415,000
Add:-								
<i>a. Revenue Share (RMRF, Level-5 Hospital Grant, Compensation for foregone user fees and Rehabilitation of Village Polytechnics</i>	-	-	17,400	-	-	-	-	-
<i>b. Adjustments for revenue growth</i>	2,500	-	36,100	-	15,000	2,000	27,575	5,000
<i>c. Transfer of Library Services</i>	-	-	-	-	425	-	-	-
<b>Computed Equitable Revenue Share Allocation</b>	<b>316,500</b>	<b>316,500</b>	<b>370,000</b>	<b>370,000</b>	<b>385,425</b>	<b>387,425</b>	<b>415,000</b>	<b>420,000</b>

Source of Data: The National Treasury

346. The allocation to County Governments' equitable revenue share of KSh 420.0 billion in FY 2026/27 is informed by the following circumstances: -

- i) Overall revenue shortfalls against targets as well as expenditures pressures during implementation of FY 2025/26. Specifically, ordinary revenues underperformed by KSh 115.3 billion as at end of December 2025. If this trend continues, it is bound to affect the projected ordinary revenue for FY 2026/27;
- ii) Over the years, the National Government has continued to solely bear shortfalls in revenue in any given financial year except for FY 2024/25;

- iii) The macroeconomic assumptions outlined in 2026 Budget Policy Statement (BPS), including anticipated growth rates, inflation, and other economic performance indicators, which influence the resources available for allocation;
- iv) Declining ordinary revenue as a percent of GDP which indicates that revenue collection is not keeping pace with economic growth. Ordinary revenue as a share of GDP has declined from a high of 18.1 percent in FY 2013/14 to 14.1 percent in FY 2024/25 budget, and is projected at 14.4 percent in FY 2025/26;
- v) Consolidated Fund Services (CFS) is taking about 48.5 percent of ordinary revenue in the FY 2025/26, up from just 16.4 percent in 2013/14, pensions and interest payments tripling their share of revenues to 8.7 percent and 39.8 percent from FY 2013/14 to FY 2025/26. This trend is expected to remain the same in FY 2026/27;
- vi) The spending allocation for FY 2026/27 and medium-term budget is guided by the Government's fiscal consolidation plan intended to reduce annual uptake of debt and thereby reduce debt vulnerabilities and improve debt sustainability. The implementation of the fiscal consolidation plan by the Government is aimed at reducing the fiscal deficit inclusive of grants from 6.0 percent of GDP in FY 2024/25 and FY 2025/26, to 5.3 percent of the GDP in FY 2026/27. In this regard, there is need for continuous rationalization of expenditures by eliminating non-core expenditures while improving efficiency in development projects implementation to contain expenditure growth, and stabilize debt;
- vii) Increased expenditures for National Government for purposes of debt servicing; and
- viii) The proposed Equitable Share for financial year 2026/27 of KSh 420 billion is equivalent to 21.9 percent of the most recent audited and approved actual revenues raised nationally of KSh 1,920.4 billion for FY 2021/22, pursuant to Article 203 (2) and (3) of the Constitution.

#### **4.5.2.2 Application of Article 203 (2) of the Constitution in Division of Revenue**

347. Article 203 (2) the Constitution requires that the equitable share allocation to counties should not be less than fifteen (15) percent of the last audited revenue raised nationally, as approved by the National Assembly. The above proposed equitable share for FY 2026/27 of KSh 420.0 billion is equivalent to 21.9 percent of the audited and approved actual revenues raised nationally of KSh 1,920.4 billion for FY 2021/22, which is above the 15% minimum prescribed under the Constitution.

#### **4.5.2.3 Horizontal Allocation of Revenue**

348. The National Treasury proposes to allocate County Governments an equitable share of KSh 420.0 billion from the shareable revenue raised nationally to be shared among county governments using the Fourth Basis formula for sharing revenue approved by Parliament under Article 217 of the Constitution.

349. The Fourth Basis formula which is applicable from financial year 2025/26 to financial year 2029/30 has taken into account the following parameters: 1) The Baseline Allocation Ratio; 2) Affirmative Action Allocation; and 3) The Fourth Basis indices namely: (i) Population (45%); (ii) Basic Share index (35%); (iii) Poverty Index (12%); and (iv) Geographical Size (8%).

350. The three components contained in the Forth Basis as follows:

- i) The Baseline Allocation Ratio - This is derived from each County's allocation for Financial Year 2024/25. The Baseline Allocation Ratio ensures that each county maintains what it had already secured in the FY 2024/25 which is meant to ensure that no county loses on revenue hence holding all Counties harmless.

- ii) The Affirmative Action Allocation - This component provides for equitable share for county governments that has been ring-fenced to cater for and be shared equally among the 12 smaller counties that are not favored by the other parameters such as population and geographical size therefore would likely receive very little allocation using the formula thus impeding development. This component considers disparities among counties and aims at equitable distribution of resources across all counties in line with Article 203(1) (g).
- iii) The Fourth Basis indices- The third component of the formula shares out the difference using the parameters of the approved Fourth basis which are Population Index, Equal share Index, Poverty Index and Geographical Size Index. The Population Index is based on the 2019 Kenya Population and Housing Census whereas the Poverty Index is based on the 2022 Kenya Poverty Report by the Kenya National Bureau of Statistics.

351. The horizontal distribution of County Governments' equitable revenue share allocation of KSh 420.0 billion for FY 2026/27 shall be in accordance with the Fourth determination of the basis of the division of revenue among counties approved by Parliament pursuant to Article 217 (7) of the Constitution, as shown in **Table 4.8**.

**Table 4.8: Allocation of Each County Government's Equitable Share of Revenue Raised Nationally in FY 2026/27**

SNO.	County	Allocation Ratio	Equitable Share	Baseline Allocation of KSh 387,425 Billion in 2024/25		Affirmative Action Allocation of KSh 4,460 Billion in FY 2026 2*	Additional Equitable Share Above KSh 391,885 (KSh 35,565 Billion) Using 4th Generation Formula		Total Equitable Share Allocation for FY 2026 2*
				Allocation Ratio	Equitable Share		Allocation Ratio	Equitable Share	
		Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H=D+E+G
1	Burigo	1.72965677	7,083,683,384	1.72520442	6,683,873,223	-	1.72965677	486,293,000	7,170,166,223
2	Bomet	1.86925695	7,447,200,499	1.81070446	7,015,121,755	-	1.86925695	525,541,392	7,540,663,147
3	Bungoma	2.88722071	11,838,054,666	2.88331254	11,170,673,599	-	2.88722071	811,742,102	11,982,415,701
4	Busia	1.91057095	7,856,564,058	1.93971364	7,514,935,582	-	1.91057095	517,157,023	8,032,092,605
5	Elgeyo-Marakwet	1.37021376	5,515,146,712	1.24583940	4,826,732,019	371,666,667	1.37021376	385,263,714	5,582,662,400
6	Embu	1.45307451	6,077,441,672	1.38602809	5,269,896,832	371,666,667	1.45307451	408,571,899	6,150,095,398
7	Garissa	2.54093580	8,877,784,676	2.13988446	8,290,447,365	-	2.54093580	714,284,101	9,004,831,466
8	Homa-Bay	2.05968100	8,646,376,063	2.10586773	8,170,280,800	-	2.05968100	579,079,313	8,749,360,113
9	Isiolo	1.45439517	5,631,357,298	1.27082847	4,923,507,187	371,666,667	1.45439517	408,903,203	5,704,077,057
10	Kajiado	2.37612492	8,894,254,886	2.15396880	8,345,013,610	-	2.37612492	668,047,522	9,015,061,132
11	Kakamega	3.00387301	13,674,845,566	3.35045578	12,980,503,320	-	3.00387301	844,538,897	13,825,042,217
12	Kericho	1.90440430	7,178,668,356	1.73929543	6,738,465,302	-	1.90440430	535,423,269	7,273,888,571
13	Kimbu	3.36630462	13,071,817,986	3.17318105	12,293,696,674	-	3.36630462	946,436,543	13,240,133,217
14	Kiifi	2.78413711	12,813,396,770	3.14121274	12,169,843,476	-	2.78413711	782,769,150	12,952,612,626
15	Kisumu	1.43077009	6,151,661,892	1.40653616	5,449,272,719	371,666,667	1.43077009	402,261,011	6,223,200,397
16	Kisii	2.22317145	9,519,721,768	2.40197088	9,395,835,688	-	2.22317145	625,044,653	9,930,880,341
17	Kisumu	2.14881404	8,902,026,938	2.16953696	8,405,328,573	-	2.14881404	604,139,067	9,009,467,640
18	Kina	2.67332787	11,503,907,837	2.80982593	10,885,968,099	-	2.67332787	751,606,132	11,637,574,231
19	Kwale	1.96101230	9,078,699,643	2.22634358	8,625,411,603	-	1.96101230	551,338,665	9,176,750,268
20	Lalipin	1.49418391	6,104,082,006	1.39047164	5,387,034,732	371,666,667	1.49418391	420,089,805	6,178,791,204
21	Lamu	1.09161720	3,857,621,205	0.84001567	3,254,430,723	371,666,667	1.09161720	281,604,675	3,907,702,065
22	Machakos	2.51745075	10,179,132,681	2.47718241	9,597,223,940	-	2.51745075	707,781,278	10,305,005,218
23	Makueni	2.07236592	8,976,335,654	2.19327825	8,497,308,272	-	2.07236592	582,645,678	9,079,953,950
24	Mandera	2.48516735	12,265,064,993	3.01751786	11,690,618,560	-	2.48516735	698,704,801	12,389,323,361
25	Marsabit	2.19994759	8,105,669,078	1.96093468	7,597,151,194	-	2.19994759	618,515,264	8,215,684,458
26	Meru	2.63727267	10,553,946,059	2.56677821	9,944,340,480	-	2.63727267	741,469,212	10,685,809,692
27	Migori	2.15818006	8,883,939,719	2.16430958	8,385,076,399	-	2.15818006	606,772,323	8,991,848,722
28	Mombasa	2.09262921	8,383,385,281	2.03902021	7,899,674,038	-	2.09262921	588,342,704	8,488,016,742
29	Murang'a	1.97965756	7,969,464,876	1.93892161	7,511,867,031	-	1.97965756	556,580,723	8,068,447,754
30	Nairobi City	5.35763115	21,417,128,397	5.20841762	20,178,711,957	-	5.35763115	1,506,297,997	21,685,009,954
31	Nakuru	3.40969073	14,455,147,658	3.52764991	13,666,997,646	-	3.40969073	958,634,548	14,625,632,194
32	Nandi	1.84169137	7,771,778,066	1.89612728	7,346,071,107	-	1.84169137	517,791,527	7,863,862,634
33	Narok	2.28620647	9,770,317,146	2.38548796	9,241,860,519	-	2.28620647	642,766,950	9,884,627,469
34	Nyamira	1.47860565	6,073,434,356	1.38349048	5,359,987,994	371,666,667	1.47860565	415,709,977	6,147,364,638
35	Nyandarua	1.53358128	6,662,675,631	1.53230216	5,936,521,652	371,666,667	1.53358128	431,166,376	6,739,354,695
36	Nyeri	1.63323997	6,896,132,673	1.68254740	6,518,609,255	-	1.63323997	459,185,417	6,977,794,672
37	Samburu	1.47988401	6,336,970,364	1.45143667	5,623,228,509	371,666,667	1.47988401	416,069,389	6,410,964,564
38	Siaya	1.95978998	7,754,478,885	1.88461597	7,301,473,431	-	1.95978998	550,994,953	7,852,468,384
39	Taita-Taveta	1.39582365	5,760,449,685	1.30764364	5,066,138,383	371,666,667	1.39582365	392,435,818	5,830,240,868
40	Tana-River	1.72076961	7,222,474,730	1.76155871	6,824,718,834	-	1.72076961	483,794,376	7,308,513,210
41	Tharaka-Nithi	1.24209956	5,058,286,293	1.13557677	4,399,508,312	371,666,667	1.24209956	349,216,292	5,120,391,271
42	Trans-Nzeia	1.94946967	7,991,120,837	1.94631243	7,540,500,922	-	1.94946967	548,092,399	8,088,594,321
43	Turkana	2.93875860	13,892,577,371	3.41053967	13,213,283,320	-	2.93875860	826,231,981	14,039,515,301
44	Uasin-Gishu	2.18306645	8,977,014,770	2.18684880	8,472,398,961	-	2.18306645	613,769,131	9,086,168,092
45	Vihiga	1.48891590	6,008,751,224	1.36617969	5,292,921,648	371,666,667	1.48891590	418,608,705	6,083,197,019
46	Wajir	2.61640338	10,507,580,883	2.58605576	9,902,799,041	-	2.61640338	735,601,811	10,638,400,852
47	West Pokot	1.69885483	7,002,426,008	1.70606846	6,609,735,714	-	1.69885483	477,633,036	7,087,368,750
		100.00000000	415,000,000,000	100.00000000	387,425,000,000	4,460,000,000	100.00000000	28,115,000,000	420,000,000,000

Source of Data: The National Treasury

#### 4.5.2.4 Additional Allocations to County Governments in FY 2026/27

352. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the National Government's Share of revenue either conditionally or unconditionally; while Article 190 of the Constitution also provides that Parliament shall by legislation ensure that County Governments have adequate support to enable them to perform their functions. Further, Section 4 of the County Governments Additional Allocations Act (CGAAA), 2025 requires that additional allocations shall be funds agreed upon by the National Assembly and the Senate during the consideration of the Budget Policy Statement and shall comprise of County Governments' additional allocations financed from either the National Government's Share of Revenue or proceeds of loans or grants from Development Partners. Pursuant to Section 5 of the CGAAA 2025, funds for additional allocations to County Governments shall be included in the budget estimates of the National Government and shall be submitted to Parliament for approval.

353. In the 2026 Budget Policy Statement, the National Treasury proposes to allocate KSh 75.7 billion as additional (conditional and unconditional) allocations to County Governments. Out of this, KSh 18.3 billion will be financed from the National Government's share of revenue, and KSh 57.4 billion from proceeds of loans and grants from Development Partners. This is summarized in **Table 4.9**.

**Table 4.9: Additional Allocations to County Governments in FY 2026/27**

S/NO	Project Description	Amount in KSh.
<b>I. Unconditional Additional Allocations Financed from National Government's Share of Revenue</b>		
1	Unconditional Additional Allocations from Court fines	148,259,370
2	Unconditional Additional Allocations from 20% Share of Mineral Royalties to County Governments	1,833,128,821
<b>Sub Total</b>		<b>1,981,388,191</b>
<b>II. Conditional Additional Allocations Financed from National Government's Share of Revenue</b>		
1	Conditional Additional Allocations for the Community Health Promoters (CHPs) Programme	3,234,930,000
2	Conditional Additional Allocations to Supplement Construction of County Headquarters	523,100,000
3	Conditional Additional Allocations for the County Aggregation and Industrial Parks (CAIPs) Programme	3,250,000,000
4	Conditional Additional Allocations from 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees	365,991,679
5	Conditional Additional Allocations for the Remuneration of Universal Health Coverage (UHC) Workers	8,937,615,000
<b>Sub Total</b>		<b>16,311,636,679</b>
<b>III. Conditional Additional Allocations Financed from Proceeds of Loans and Grants from Development Partners</b>		
1	AfD (France) - Kenya Informal Settlement Improvement Project (KISIP) II	400,000,000
2	IDA (World Bank) - Building Resilience & Responsive Health Systems (BREHS)	7,800,000,000
3	KfW - Financing Locally-led Climate Action (FLoCA) Program - County Climate Resilience Investment Grant (CCRJ-G)	1,200,000,000
4	IDA (World Bank) - Financing Locally-led Climate Action (FLoCA) Program - County Climate Resilience Investment Grant (CCRJ-G)	6,157,500,000
5	IDA (World Bank) - Food Systems Resilience Project (FSRP)	3,900,000,000
6	IDA (World Bank) - National Agricultural Value Chain Development Project (NAVCDP)	3,560,000,000
7	IDA (World Bank) - Water and Sanitation Development Project (WSDP)	850,000,000
8	IDA (World Bank) - Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	954,734,992
9	IDA (World Bank) - Second Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)	16,703,171,420
10	IFAD - Kenya Livestock Commercialization Project (KeLCoP)	378,730,000
11	KfW - Drought Resilience Programme in Northern Kenya (DRPNK)	853,600,000
13	IDA (World Bank) - Second Kenya Devolution Support Program (KDSP II) - Institutional Grant (Level 1 Grant)	1,762,500,000
14	IDA (World Bank) - Second Kenya Devolution Support Program - Service Delivery and Investment Grant (Level 2 Grant) (KDSP)	7,755,000,000
15	IDA (World Bank) - Kenya Water, Sanitation and Hygiene (K-WASH) Programme	4,282,086,900
16	IFAD - Integrated Natural Resource Management (INReM) Programme	812,442,000
<b>Sub Total</b>		<b>57,399,765,312</b>
<b>GRAND TOTAL</b>		<b>75,692,790,182</b>

Source of Data: The National Treasury

#### 4.5.2.5 Allocation of Sharable revenue between the two levels of Government and the additional allocations to counties from the National Government share of Revenue

354. It should be noted that, and pursuant to Article 202 (2) of the Constitution, the National Government has over the years provided for additional allocations to County Governments from its share of revenues. These primarily conditional allocations are intended to advance the attainment of policy priorities objectives for both levels of government, including those that pertain to international commitments. **Table 4.10** shows division of shareable revenue between the County Governments and National Government.

**Table 4.10: Division of Revenue Raised Nationally FY 2020/21 – FY 2026/27 (KSh Million)**

Type/Level of allocation	2020/21	2021/22	2022/23	2023/24	2024/25	2025/2026	2026/2027
a) National Government Share	1,533,700	1,398,799	1,764,516	2,177,867	2,235,993	2,319,813	2,472,273
<i>Out of which: Additional Allocations to County Governments</i>	<i>6,595</i>	<i>7,537</i>	<i>5,363</i>	<i>10,117</i>	<i>16,923</i>	<i>12,837</i>	<i>17,927</i>
<i>i) Leasing of Medical Equipment</i>	<i>6,295</i>	<i>7,295</i>	<i>5,200</i>	-	-	-	-
<i>ii) County Aggregated Industrial Park (CAIPs)</i>	-	-	-	<i>4,500</i>	<i>2,000</i>	<i>4,448</i>	<i>3,250</i>
<i>iii) Road Maintenance Levy Fund</i>	-	-	-	-	<i>10,532</i>	-	-
<i>iv) Supplement for construction of County Headquarters</i>	<i>300</i>	<i>332</i>	<i>163</i>	<i>457</i>	-	<i>420</i>	<i>523</i>
<i>v) Community Health Promoters (CHPs)</i>	-	-	-	-	<i>2,584</i>	<i>3,233</i>	<i>3,233</i>
<i>vi) Transferred Miscellaneous Function</i>	-	-	-	-	<i>30</i>	-	-
<i>vii) Outstanding Basic Salary Arrears for Health Workers</i>	-	-	-	-	<i>1,750</i>	<i>1,750</i>	-
<i>viii) Fertilizer Subsidy Program</i>	-	-	-	<i>5,000</i>	-	-	-
<i>ix) Transfer of Library Services Function</i>	-	-	-	<i>163</i>	-	-	-
<i>x) Court fines</i>	-	-	-	-	-	<i>12</i>	<i>148</i>
<i>xi) 20% Share of Mineral Royalties</i>	-	-	-	-	-	<i>2,635</i>	<i>1,533</i>
<i>xii) Transfer of UHC Workers</i>	-	-	-	-	-	-	<i>3,933</i>
b) Equalization Fund	6,500	6,825	7,068	8,369	8,000	10,590	15,163
<i>Of which: i) 0.5% Equalization Fund</i>	<i>6,500</i>	<i>6,825</i>	<i>7,068</i>	<i>8,369</i>	<i>7,533</i>	<i>9,692</i>	<i>9,692</i>
<i>ii) Equalization Fund Arrears</i>	-	-	-	-	<i>247</i>	<i>897</i>	<i>5,561</i>
c) County Equitable Share	316,500	370,000	370,000	385,425	387,425	415,000	420,000
<b>Total Shareable Revenue</b>	<b>1,856,700</b>	<b>1,775,624</b>	<b>2,141,584</b>	<b>2,571,661</b>	<b>2,631,271</b>	<b>2,744,415</b>	<b>2,901,875</b>

Source of Data: The National Treasury

#### 4.5.2.6 Disaggregation of Total Proposed Transfers to the Counties

355. Taking into the above proposed additional allocations to County Governments in FY 2026/27, the expected total transfers to County Governments is KSh 495.7 billion. **Table 4.11** shows disaggregation of total proposed transfers to the Counties in FY 2026/27 and allocations in previous financial year. From the table, there is clear demonstration that there has been consistent growth of total transfers to County Governments over the financial years.

**Table 4.11: Disaggregation of County Governments' Allocation (KSh Millions)**

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
A) County Equitable Share	316,500	316,500	370,000	370,000	385,425	387,425	415,000	420,000
B) Additional Allocations to County Governments	45,595	30,204	39,880	22,359	46,362	42,002	70,666	75,693
<i>Of which: a) GoI-funded unconditional allocations</i>	-	-	-	-	<i>10,117</i>	-	<i>2,946</i>	<i>1,951</i>
<i>b) GoI-funded conditional allocations</i>	<i>6,595</i>	-	<i>7,537</i>	<i>5,200</i>	<i>3,944</i>	<i>4,534</i>	<i>9,954</i>	<i>16,312</i>
<i>c) Allocations from proceeds of loans and grants</i>	<i>39,000</i>	<i>30,204</i>	<i>32,343</i>	<i>17,159</i>	<i>33,202</i>	<i>35,639</i>	<i>57,735</i>	<i>57,406</i>
C) Total County Allocations (A+B)	362,095	346,704	409,880	392,359	431,787	429,427	485,666	495,693

Source of Data: The National Treasury

## 4.6 Intergovernmental Fiscal Transfers

356. National Government Ministries Departments and Agencies (MDAs) are responsible for development of frameworks for the management of conditional additional allocations made to beneficiary County Governments. These frameworks outline the total allocation to each conditional additional allocation and the specific amount apportioned to each participating County Governments; the conditions to be met by participating County Governments; and the responsibilities of both MDAs, and beneficiary County Governments. The Accounting Officers in the respective MDAs are responsible for submission of these frameworks to the National Treasury for inclusion in the County Governments Additional Allocations Bill (CGAAB), 2026.

### 4.6.1 Intergovernmental Agreements in respect of the Additional Conditional Allocations

357. Section 9 of the CGAAA, 2022 for FY 2021/22 vide Kenya Gazette Supplement No. 74 of 29<sup>th</sup> April made consequential amendments to the PFM Act, 2012 to provide for among others, the insertion of Sections 191A to 191E on intergovernmental agreements. These sections required that the National Treasury shall enter into an intergovernmental agreement with the respective County Governments for the transfer of the respective conditional allocations made to the County Governments pursuant to the Act; that such agreements shall set out any conditions that may be attached to the conditional allocations; and that the requisition of funds from the County Revenue Fund (CRF) for the purposes of a conditional grant shall be supported by the intergovernmental agreement approved under Section 191A.

358. However, the National Treasury prepared and submitted to the Cabinet the Public Finance Management (Amendment) Bill, 2024 which seeks to repeal Section 191 A-E of the Public Finance Management Act (CAP 412A) to provide for seamless implementation of conditional allocations while ensuring there is no duplication in management of the conditional allocations. The Bill has since then been approved by the Cabinet and forwarded to the Hon. Attorney General with the accompanying Cabinet Memorandum, for onward transmission to Parliament.

### 4.6.2 Mechanisms to Isolate Donor-funds from GoK funds for Additional Allocation

359. In light of the persistent delays in the approval of the County Governments Additional Allocations Bill (CGAAB), Intergovernmental Budget and Economic Council (IBEC) directed the National Treasury to initiate a multi-stakeholder engagement to explore and develop alternative legislative and administrative frameworks to ensure the efficient and timely flow of conditional grants to County Governments. The National Treasury prepared the Public Finance Management (Amendment) Bill, 2025 Bill proposing to amend Sections 42 and 191 of the PFM Act to provide for submissions of two separate Bills: one covering allocations from the National Government's share of revenue and another for allocations financed by proceeds of loans and grants from Development Partners.

360. The amendments aim to address the delays in enactment of the CGAAB which leads to late disbursement of funds, disruption in service delivery and low absorption of allocated funds at the county level. It has also led to fiscal inefficiencies resulting in additional costs for the country in the form of commitment fees and interest charged on foreign borrowing. The submission of two separate bills will facilitate faster approval and timely disbursement of additional allocations, particularly the financing from Development Partners. The amendment Bill has since been cleared by the Office of the Attorney General, approved by Cabinet and is now awaiting transmittal to Parliament.

## V. STATEMENT OF SPECIFIC FISCAL RISKS

### 5.1 Introduction

361. In line with the requirements of the Public Finance Management Act, 2012, this Annexure presents the Statement of Specific Fiscal Risks (SSFR). It provides an assessment of fiscal risks that could affect the achievement of the macroeconomic targets and objectives outlined in this BPS. The Kenyan economy is estimated to have grown by 5.0 percent in 2025 and projected to expand by 5.3 percent in 2026, up from 4.7 percent in 2024, supported by favourable weather conditions, improved agricultural productivity, climate-smart investments, and sustained implementation of Bottom-Up Economic Transformation Agenda (BETA) interventions.

362. Despite this positive outlook, downside risks remain. These arise from both domestic and external shocks, including uncertainties in macroeconomic assumptions, public debt dynamics, operations of state corporations, contingent liabilities, financial sector vulnerabilities, and natural risks. If these risks materialize, they could challenge the Government's ability to implement and sustain the fiscal and macroeconomic policies detailed in this BPS. This section also outlines the measures the Government is implementing to mitigate these risks.

### 5.2 Risk in Changes in Macroeconomic Assumptions

363. The fiscal sensitivity analysis assesses the impact of deviations in key macroeconomic variables on revenue, expenditure, and the overall budget balance relative to the projected baseline. The results confirm that fiscal outcomes remain sensitive to shocks in economic growth, inflation, and external sector conditions (**Table 5.1**).

364. A 1.0 percentage point reduction in real GDP growth lowers revenue by KSh 13.2 billion in FY 2026/27, widening to KSh 17.6 billion by FY 2029/30. Expenditures decline by KSh 7.2 billion in FY 2026/27 and KSh 8.8 billion in FY 2029/30, resulting in a deterioration of the budget balance by KSh 6.0 billion and KSh 7.9 billion, respectively. This highlights growth underperformance as a key downside fiscal risk.

**Table 5.1: Fiscal Sensitivity to Key Macroeconomic Variables (KSh billion)**

	Revenue				Expenditures				Budget Balance			
	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Reduction in real GDP (%) by 1.0 % point	-13.2	-14.4	-15.9	-17.6	-7.2	-8.0	-8.8	-8.8	-6.0	-6.4	-7.1	-7.9
Increase in inflation rate (%) by 1.0 % Point	20.4	29.6	32.9	36.6	11.7	17.0	18.7	18.7	8.7	12.6	14.1	16.0
Depreciation in exchange rate (Ksh/US\$) by 10%	24.0	25.6	29.6	34.7	4.5	4.9	5.4	5.4	19.5	20.7	24.2	28.7
Increase in value of imported goods (US\$) by 10%	14.9	1.1	1.3	1.4	0.0	0.0	0.0	0.0	14.9	1.1	1.3	1.4
All shocks Combined	46.0	39.3	44.8	51.6	8.5	13.4	14.7	14.7	37.6	26.0	30.1	35.4

Source of Data: National Treasury

365. A 1.0 percentage point increase in inflation raises revenues by KSh 20.4 billion in FY 2026/27, increasing to KSh 36.6 billion by FY 2029/30, while expenditures rise by KSh 11.7 billion and KSh 18.7 billion, respectively. The net effect is an improvement in the budget balance of KSh 8.7 billion in FY 2026/27 and KSh 16.0 billion by FY 2029/30.

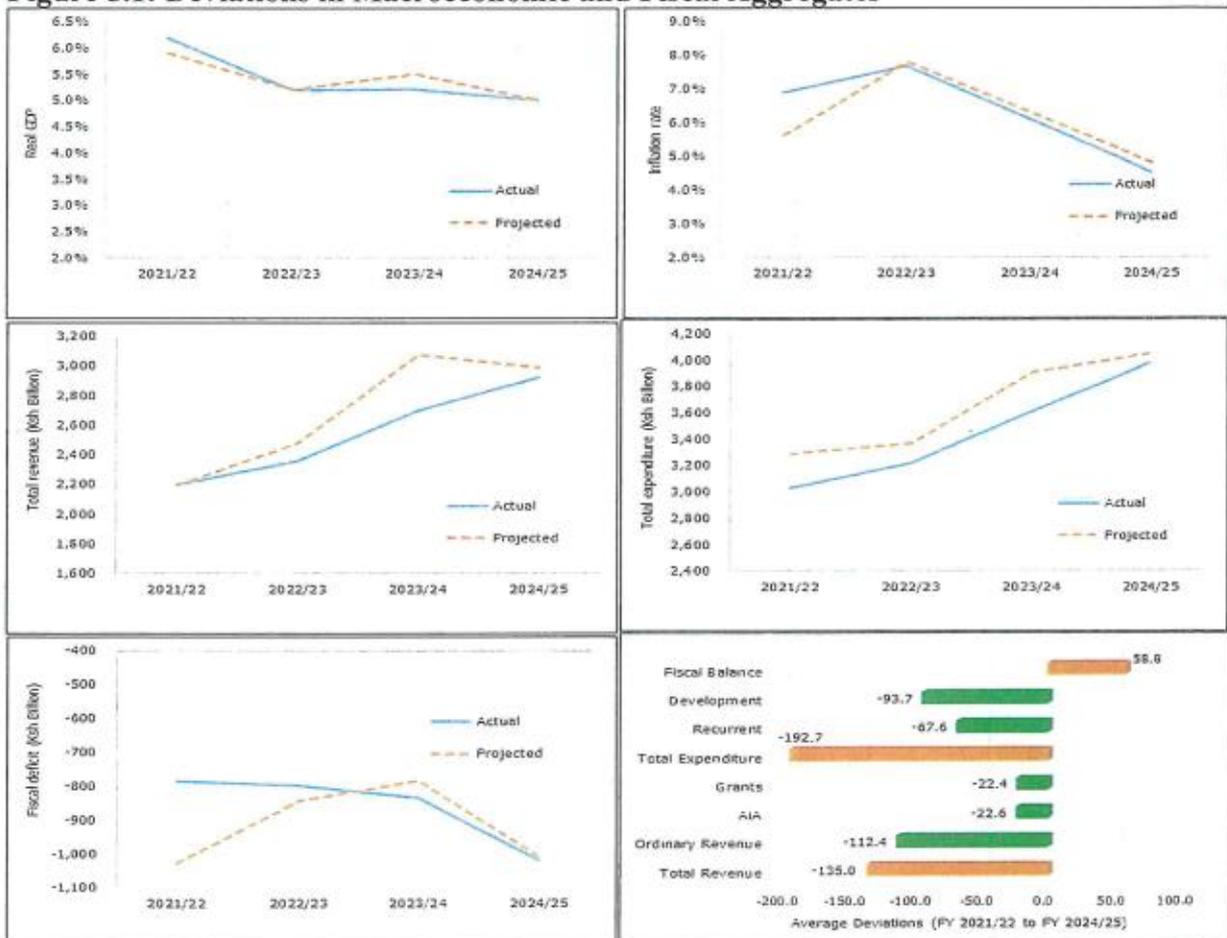
366. A 10 percent depreciation of the exchange rate increases revenues by KSh 24.0 billion in FY 2026/27 and KSh 34.7 billion in FY 2029/30, while expenditures increase by KSh 4.5 billion and KSh 5.4 billion, respectively. Consequently, the budget balance improves by KSh 19.5 billion in FY 2026/27 and KSh 28.7 billion by FY 2029/30, underscoring exchange rate exposure in fiscal outcomes.

367. Under a scenario where all shocks are combined, revenues increase by KSh 46.0 billion in FY 2026/27 and KSh 51.6 billion in FY 2029/30, while expenditures rise by KSh 8.5 billion and KSh 14.7 billion, respectively. This results in an overall improvement in the budget balance of KSh 37.6 billion in FY 2026/27 and KSh 35.4 billion by FY 2029/30.

368. Overall, the analysis indicates that economic growth shocks pose the most significant downside risk to fiscal performance, while inflation and exchange rate movements tend to improve nominal fiscal aggregates in the short to medium term. These findings reinforce the need for sustained growth, macroeconomic stability, and prudent fiscal and debt management.

### Assessment of Past Forecast Accuracy of Underlying Assumptions and Budgetary Aggregates

**Figure 5.1: Deviations in Macroeconomic and Fiscal Aggregates**



Source: National Treasury

369. An assessment of past forecast accuracy indicates that Kenya's macroeconomic assumptions have remained broadly credible. Over FY 2021/22–FY 2024/25, actual real GDP growth and inflation largely remained within the projected target ranges, with only modest deviations (**Figure 5.1**). The standard deviation of real GDP growth during the period was 0.2 percentage points, while inflation deviations averaged 0.7 percentage points. The largest inflation deviation of 1.3 percentage points occurred in FY 2021/22, reflecting the impact of prolonged drought conditions and heightened external shocks, including global supply chain disruptions and elevated commodity prices.

370. Despite the relative accuracy of macroeconomic forecasts, budgetary aggregates exhibited persistent execution gaps. Total revenue underperformed targets by an average of KSh 135 billion annually, comprising shortfalls of KSh 112 billion in ordinary revenue and KSh 23 billion in Ministerial Appropriations-in-Aid (A-I-A) (**Table 5.2**). On the expenditure side, total expenditure and net lending were underspent by an average of KSh 193 billion, mainly due to lower absorption in development expenditure (KSh 94 billion) and recurrent expenditure (KSh 68 billion). While lower recurrent spending is consistent with Government fiscal consolidation efforts aimed at reducing unproductive expenditure, persistent development underspending points to implementation and absorptive capacity constraints that may undermine growth and service delivery objectives.

**Table 5.2: Deviations in Macroeconomic and Fiscal Aggregates**

	2021/22			2022/23			2023/24			2024/25			2025/26	Average	Standard
	Proj.	Actual	Dev.	Proj.	Actual	Dev.	Proj.	Actual	Dev.	Proj.	Prel. Actual	Dev.	Proj.	Deviations	Deviations
<b>I. Key Macroeconomic Assumptions</b>															
Real GDP	5.9%	6.2%	0.3%	5.2%	5.2%	0.0%	5.5%	5.2%	-0.3%	5.0%	4.9%	-0.1%	5.1%	0.0%	0.2%
Inflation Rate (avg)	5.0%	6.9%	1.3%	7.8%	7.7%	-0.1%	6.3%	6.1%	-0.2%	4.8%	4.3%	-0.5%	4.5%	0.1%	0.7%
Exchange rate (Ksh US\$) avg		113.8			139.7			129.4			129.3				
Export growth		10.0%			8.2%			10.4%			2.8%				
Import growth		16.4%			-2.4%			-0.5%			6.8%				
<b>II. Fiscal Aggregates (in Ksh billion)</b>															
Total Revenue	2,192	2,200	8	2,479	2,361	-118	3,071	2,703	-368	2,986	2,924	-62	3,311	-135	196
Ordinary Revenue	1,852	1,918	66	2,145	2,041	-104	2,625	2,269	-356	2,496	2,420	-76	2,744	-112	183
Aid	340	282	-59	333	319	-14	446	414	-32	489	503	14	567	-23	35
Grants	63	31	-32	42	23	-19	47	22	-25	47	33	-14	47	-22	23
Total Expenditure	3,286	3,028	-258	3,367	3,221	-146	3,903	3,605	-298	4,045	3,976	-69	4,491	-193	215
Recurrent	2,227	2,135	-92	2,368	2,312	-56	2,780	2,678	-82	2,909	2,948	41	3,328	-68	71
Development	658	540	-117	561	494	-67	718	546	-171	602	583	-19	676	-94	110
Domestic	411	378	-33	337	344	7	438	377	-61	395	398	3	465	-21	35
External	239	162	-78	194	158	-36	250	152	-98	185	166	-19	201	-63	69
Net Lending	-	-	0	16	12	-4	19	17	-1	20	20	0	-	-1	2
Equalization Fund	7	-	-7	14	-	-14	11	-	-11	3	-	-3	10	-9	10
County Allocation	401	352	-49	436	416	-21	424	380	-43	454	445	-9	485	-31	35
Balance	1,031	785	-246	846	800	-46	785	835	50	1,012	1,019	7	1,132	59	128
Financing	1,031	748	-283	846	770	-76	785	818	33	1,012	1,034	22	1,132	-76	148
Net Foreign Financing	343	143	-201	363	311	-52	362	223	-139	185	180	-7	195	-100	125
Net Domestic Financing	688	605	-83	484	460	-24	423	596	173	826	854	29	937	24	96
<b>Memo Items:</b>															
Nominal GDP (Ksh billion)	12,844	12,698	-146	14,336	14,289	-37	16,132	15,667	-465	17,435	17,341	-291	19,003	-235	284

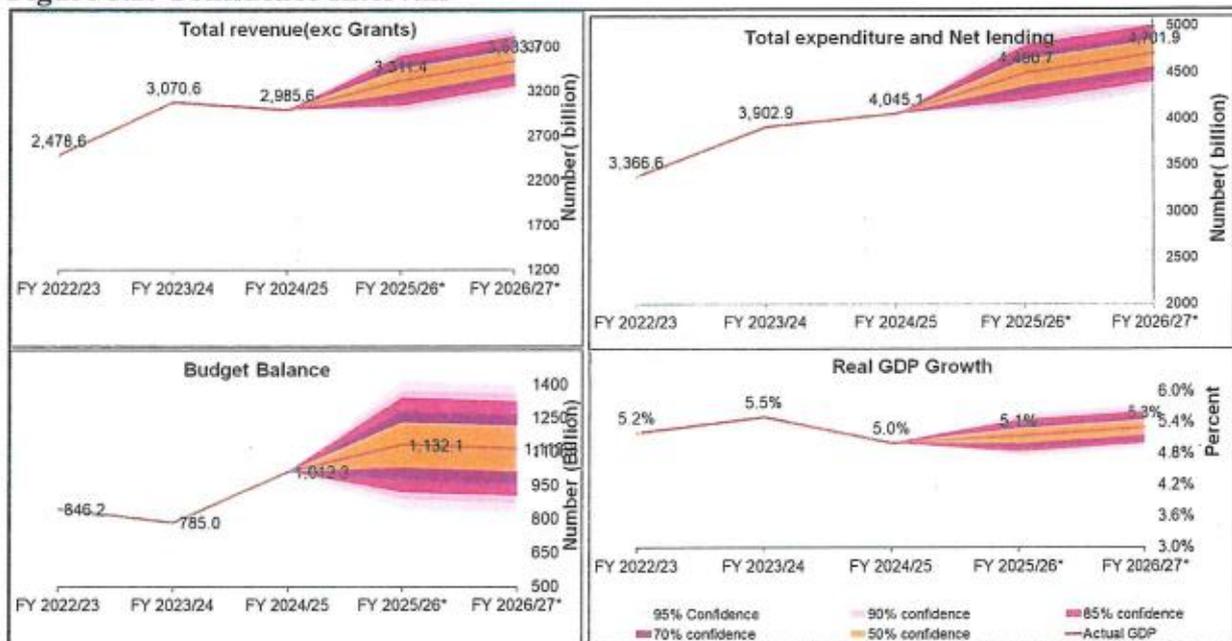
Source: National Treasury

371. Real GDP growth is projected at 5.3 percent in FY 2026/27, reflecting improved economic conditions compared to the estimated growth of 5.1 percent in FY 2025/26. However, forecast uncertainty remains, with a 95 percent confidence interval ranging between 4.9 percent and 5.7 percent, corresponding to a standard deviation of 0.2 percentage points (Figure 5.2). Deviations from the central growth projection could arise from adverse weather conditions, slower-than-expected recovery in key sectors or external shocks, which would negatively affect revenue performance and fiscal balances.

372. Fiscal projections for FY 2026/27 are subject to notable uncertainty. Total revenue is projected at KSh 3,533.7 billion, with a 95 percent confidence interval of between KSh 3,150.1 billion and KSh 3,917.3 billion (standard deviation of KSh 196 billion). Total expenditure is projected at KSh 4,703.9 billion, with a confidence range of KSh 4,284.7 billion to KSh 5,119.2 billion (standard deviation of KSh 213 billion). As a result, the fiscal deficit is projected to range between KSh 823.7 billion and KSh 1,404.0 billion at the 95 percent confidence level, underscoring downside risks to fiscal consolidation should revenues underperform or spending pressures materialize.

373. These uncertainties pose fiscal risks by potentially widening the fiscal deficit, increasing borrowing requirements, and exerting pressure on debt sustainability. In particular, lower-than-expected growth or revenue outturns would necessitate either additional borrowing or in-year expenditure adjustments, while expenditure overruns could undermine ongoing fiscal consolidation efforts

Figure 5.2: Confidence Intervals



Source of Data: National Treasury

### 5.3 Specific Fiscal Risks

374. This section covers specific fiscal risk that Kenya faces and elevates the importance of effective risk management. The specific fiscal risks include:

- a) Fiscal Risks Associated with Public Debt;
- b) Fiscal Risks Arising from Accumulation of National Government’s Pending Bills;
- c) Crystallization of Contingent Liabilities;

- d) Fiscal Risks Related to Devolution;
- e) Climate Change Related Fiscal Risks to the Economy; and
- f) Other fiscal risks.

375. The analysis of the above specific risks is as follows:

### **5.3.1 Fiscal Risk Associated with Public Debt**

376. The performance of the economy has a direct bearing on debt sustainability, with strong economic growth supporting improvement in debt indicators and enhancement in Government's fiscal position. Currently, key economic indicators remain robust, which provides a favourable environment for strengthening debt sustainability. Building on this momentum, the Government's strategy to sustain economic recovery and its commitment to fiscal consolidation are expected to further improve debt ratios over the medium term. Notwithstanding this outlook, several risks remain.

377. Depreciation of the Kenya shilling against major currencies poses a significant threat, given that approximately 47.0 percent of the public debt portfolio is denominated in foreign currencies, thereby could increase external debt service costs. Tight global financial conditions and elevated domestic interest rates could further raise the cost of new borrowing, heighten rollover risks for maturing obligations and increase the overall interest payment burden. The substantial share of domestic debt held in Treasury Bills also exposes the Government to frequent refinancing pressures, underscoring the need for proactive liability management, including the gradual shift towards medium and long-term Treasury Bonds.

378. In addition, guarantees extended to State-Owned Enterprises (SOEs) and commitments under Public-Private Partnerships (PPPs) present contingent fiscal risks, particularly where these entities face financial distress, which may necessitate Government intervention and elevate public debt service obligations. Continuous monitoring of these exposures, alongside establishing a dedicated budget line for contingent liabilities, remains essential to safeguard fiscal stability. Furthermore, adverse shocks to projected revenues could intensify borrowing pressures and contribute to higher-than-planned debt accumulation.

### **5.3.2 Crystallization of Contingent Liabilities**

379. Contingent liabilities are potential obligations from uncertain events, recognised in financial statements only when probable and measurable; otherwise, they are disclosed. They may be explicit, arising from legal or contractual commitments, or implicit, from moral or political expectations. Often excluded from the budget, they can act as hidden subsidies and create fiscal risks. To safeguard fiscal sustainability, the Government will systematically identify, assess, monitor, and disclose all contingent liabilities, strengthening transparency, risk management, and resource planning.

#### **5.3.2.1 State Corporations / Government Owned Enterprises (GOEs)**

380. State Corporations continue to represent a significant source of contingent liabilities to the Government due to their legal and financial autonomy to contract obligations, often with explicit or implicit Government support. Fiscal risks arise where the Government may be required to intervene in the event that an entity is unable to meet its financial obligations, thereby creating unplanned pressure on the Exchequer. The key sources of fiscal risk from State Corporations and Government-Owned Enterprises (GOEs) include:

- i) Explicit and implicit contingent liabilities: These arise from government-guaranteed loans, on-lent loans, commercial borrowing, legal claims, pending bills, and operational failures. Underperformance or weak financial management in State Corporations can trigger Government intervention, even in the absence of a legal obligation.
- ii) Risks from Government-Linked Companies (GLCs): In entities where Government ownership is below 50 percent, direct oversight is limited. However, the Government may still face contractual, moral or political pressure to provide financial support in the event of distress, creating implicit fiscal exposure.
- iii) Moral-hazard and concentration risks: Given the strategic importance of certain entities, their failure could have wider economic and social consequences, increasing the likelihood of Government support and disrupting budget execution.

381. These risks translate into measurable fiscal exposure, reflected in outstanding guarantees, on-lent loans, non-guaranteed debt and arrears held by State Corporations, as summarized below:

- i) Government-guaranteed debt: As at 30 June 2025, outstanding guarantees amounted to KSh 83.2 billion, a decline from KSh 100.2 billion in FY 2023/24, largely due to loan repayments. Beneficiary entities include Kenya Electricity Generating Company (Kengen), Kenya Ports Authority (KPA) and Kenya Airways (KQ).
- ii) Non-guaranteed SOE debt: Fourteen (14) State-Owned Enterprises held KSh 44.9 billion in non-guaranteed debt (0.3 percent of GDP), independently contracted without recourse to Government support, but still posing potential implicit fiscal risk.
- iii) On-lent loan exposure: The cumulative on-lent loan portfolio stood at KSh 1,051.1 billion, with Kenya Railways Corporation accounting for KSh 547.4 billion (52 percent), indicating a high concentration risk within a single entity.
- iv) Pending bills: Outstanding pending bills exceeded KSh 25 billion as at 30<sup>th</sup> June 2025, mainly relating to unpaid contractors for capital projects, unremitted taxes and pension contributions, and unpaid utility charges.

382. In order to mitigate the SOE-related fiscal risks, the Government will continue to implement the following measures and reforms:

- i) Strengthening oversight, governance and financial discipline through continuous financial evaluation and fiscal risk analysis by the National Treasury.
- ii) Implementation of the Mwongozo Code of Governance, establishment of audit committees, and operationalization of risk management frameworks across State Corporations, supported by the PFM Act and Public Audit Act.
- iii) Application of Capital Markets Authority's governance regulations for State Corporations and Government-Linked Companies listed on the Nairobi Securities Exchange to enhance transparency, accountability and disclosure.
- iv) Strengthening implementation of State Corporation reforms, including restructuring, aimed at reducing reliance on the Exchequer and creating fiscal space. Following Cabinet approval for implementation of the Reforms, the National Treasury constituted a Multi-Agency Technical Working Committee. The Committee, conducted assessments of the entities identified for reforms under Phase One and: i) Reviewed and drafted necessary legislation (amendments, repeals, and new laws); ii) Assessed staff for redeployment or reassignment to ensure no job losses; and iii) Documented assets and liabilities of affected entities for action.

- v) Implementation of privatization and restructuring initiatives under the Privatisation Act, 2023, particularly for commercial State Corporations, to improve efficiency, attract private capital and support fiscal consolidation.

### 5.3.2.2 Public Private Partnerships (PPP) Projects

383. Public Private Partnerships (PPPs) remain a key instrument for mobilizing private capital for infrastructure development and easing short-term fiscal pressures. However, the growing PPP portfolio, comprising 36 projects at various stages, also exposes the Government to significant fiscal risks. These risks mainly stem from contingent liabilities and long-term contractual commitments, including potential breaches of contract, unfunded additional obligations, and exposure to inflation and exchange rate movements. Against this backdrop, the fiscal risks associated with PPPs are assessed through the Government's exposure to specific implemented and planned projects, as outlined below:

- i) Implemented PPP projects in the FY 2024/25 mobilized a total of KSh 145.7 billion in private capital. Key projects in the year included: a) Galana-Kulalu Food Security Project (KSh 6.0 billion – additional investment): implementation, performance and operational risks that may necessitate further fiscal support; and b) Orpower 22 Menengai Geothermal Power Plant (KSh 11.7 billion): off-taker and payment risks typical of energy PPPs, with potential implications for Government guarantees and contractual obligations;
- ii) Large-scale PPP projects under implementation in the FY 2025/26 are expected to raise a total of KSh 65.0 billion. Projects under implementation include: a) Rironi–Nakuru–Mau Summit Road Project (KSh 150 billion): traffic demand uncertainty, revenue shortfalls and potential renegotiation risks; b) Africa 50 transmission lines (KSh 41 billion): foreign exchange exposure, construction and completion risks; and c) NTSA new generation driving licence and traffic monitoring system (KSh 45 billion): technology, performance and contract renegotiation risks. These projects also face cross-cutting risks related to inflation and exchange rate volatility, which may crystallize into Government obligations where risk allocation is not effectively enforced; and
- iii) Planned PPP projects in the FY 2026/27 are expected to raise a total of KSh 50.0 billion. Planned projects during the year will include: a) University of Nairobi purpose-built student accommodation (KSh 9.2 billion); b) Sabaki Water Carrier Project (KSh 28 billion) for abstraction of 80,000 m<sup>3</sup>/day water from the Baricho aquifer among others; and c) Moi Teaching and Referral Hospital expansion (KSh 4.0 billion) - expansion of Teaching and Student Accommodation Facilities at the Ultra-Modern College of Health Sciences.

384. To mitigate these fiscal risks, the Government has instituted the following measures:

- i) Strengthening the legal and institutional framework under the PPP Act, 2021, including the review and alignment of existing PPP regulations and Project Facilitation Fund Regulations, 2017;
- ii) Enhanced oversight by the Public Private Partnerships Committee (PPPC) and the PPP Directorate, supported by ongoing capacity strengthening in project appraisal, risk allocation and contract management;
- iii) Implementation of a joint Public Investment Management–PPP (PIM-PPP) planning framework to ensure that projects meet affordability, value-for-money and socio-economic return thresholds prior to approval;

- iv) Improved transparency and disclosure, including mandatory publication of Privately Initiated Proposals (PIPs), structured public participation, and disclosure of intended and ongoing PPP projects; and
- v) Provision of Government Support Measures (GSMs), including Letters of Support, Partial Risk Guarantees and Indemnity Agreements, where justified, with associated contingent liabilities closely monitored and disclosed to safeguard fiscal sustainability and limit undue exposure to the Exchequer.

### 5.3.3 Fiscal Risks Related to Devolution

385. Section 107 (2) (f) of the PFM Act, 2012 require County Treasuries to manage their fiscal risks prudently. During the review period, a number of fiscal risks were identified in revenue and expenditure performance. These are:

- i) High levels of pending bills that negatively affects effective delivery of public services as well as local business development. According to OCOB, as at 30th June 2025, County Governments reported outstanding pending bills amounting to KSh 176.9 billion.
- ii) Non-remittance of statutory deductions by some County Governments more especially pension contributions, posing a huge challenge to the social security of the pensioners;
- iii) High expenditure on wage bill that lowers the ability of County Governments to meet financial obligations on operations & maintenance and development requirements. In the FY 2024/25, on average as reported by the OCOB, the County Governments expenditure on wages was 41.4 percent of their total revenue; and,
- iv) Underperformance in OSR, which results in unfunded budgets resulting to accumulation of pending bills. County Governments collectively collected 67.3 billion against a target of KSh 87.7 billion representing 76.8 percent of their target in FY 2024/25.

### 5.3.4 Climate Change Related Fiscal Risks to the Economy

386. Climate change in Kenya is characterized by a clear warming trend alongside highly variable and increasingly unpredictable rainfall patterns. Average annual temperatures have risen by slightly over 1°C since the 1950s, with an accelerated increase observed from the 1990s onwards (**Figure 5.3**), consistent with regional and global warming trends. Rainfall patterns have become more erratic in both spatial and temporal distribution, with increased frequency of rainfall extremes, including prolonged droughts and intense precipitation events. These climatic changes have contributed to more frequent and severe climate-related hazards such as droughts, floods, and landslides, resulting in significant socio-economic and developmental challenges, particularly for agriculture, water resources, infrastructure, and livelihoods. The impacts are further exacerbated by limited adaptive capacity, including inadequate climate-resilient infrastructure and insufficient early warning systems, and constrained access to appropriate technologies (World Bank, 2023; Government of Kenya, 2023).

**Figure 5.3: Observed Annual Average Mean Surface Air Temperature of Kenya, 1901-2024**



Source: World Bank Climate Change Knowledge Portal

387. Kenya is highly vulnerable to climate-related hazards, particularly recurrent droughts and floods, which pose significant social, economic, and environmental risks. Severe droughts now occur approximately every 5–7 years, while moderate droughts and flood events are experienced every 2–3 years, reflecting increasing climate variability and extremes. These hazards result in loss of life, heightened food and water insecurity, reduced agricultural and livestock productivity, infrastructure damage, loss of biodiversity, resource-based conflicts and rising economic losses.

388. Between 1964 and 2025, floods resulted in 2,647 deaths, and droughts have affected over 61 million people (Table 5.3). Trends show a rising frequency of floods, landslides, and storms, and climate change is expected to exacerbate these events, increasing both their frequency and severity. For example, the 2022-2023 drought followed severe flooding in 2019-2020. As these climate risks continue to intensify, the need for robust adaptation and mitigation strategies becomes even more urgent to reduce their impact on Kenya's population and economy.

**Table 5.3: Natural Disasters in Kenya, 1964-2025**

	No. of Events	Total No. deaths	Total No. affected	Total damage (000' USD)
Floods	64	2,647	5,983,149	710,524
Drought	18	196	61,450,000	251,500

Source: EM-DAT, the International Disaster Database (2025)

389. According to the *State of the Climate Kenya (2024)*, the year 2024 was Kenya's hottest year on record. Rainfall was highly variable: western and central highlands received above-average rains, while most other regions were drier than normal. Floods displaced over 100,000 households, destroyed crops and infrastructure, and caused damages exceeding KSh 400 million in coastal regions. In addition, poor short rains worsened food insecurity, with the number of food-insecure people doubling from 1 million in July 2024 to 2.15 million by February 2025.

390. Climate events account for a significant proportion of natural disasters in Kenya, and the damage caused by these events underscores the urgency of investing in resilient infrastructure across sectors such as energy, water resources, agriculture, and tourism.

### 5.3.4.1 Specific Fiscal Risks related to Climate Change

#### Nature of Specific Fiscal Risks

391. Kenya's key economic sectors are highly exposed to climate change, with sector-specific vulnerabilities and economy-wide implications:

- i) **Agriculture:** As the backbone of the economy, agriculture is highly climate dependent. Increased rainfall variability, droughts, and extreme weather events reduce crop yields, undermine food security, and threaten rural livelihoods.
- ii) **Energy:** Kenya's energy sector – especially hydropower – is vulnerable to changing rainfall patterns, increasing risks of power shortages. Rising temperatures also reduce the efficiency of geothermal plants and transmission systems.
- iii) **Labour Productivity:** Higher temperatures lower labour productivity, especially for outdoor workers in agriculture, forestry, and fisheries, with disproportionate impacts in arid and semi-arid regions.
- iv) **Road Transport:** With approximately 93 percent of freight and passenger traffic depending on roads, climate-induced disruptions like flooding and road degradation during extreme weather events can isolate regions and hinder trade and mobility.
- v) **Tourism and Wildlife:** Climate change alters ecosystems, wildlife habitats, and migration patterns, reducing the attractiveness of nature-based tourism and threatening a key source of foreign exchange.
- vi) **Water Resources:** Climate variability intensifies water scarcity and degrades water quality, constraining domestic consumption, agricultural production, and energy generation, with cascading effects on health and economic activity.
- vii) **Health & Education:** The rising frequency of hot days and nights has led to increased health risks (KMD, 2022). Floods and heat extremes damage infrastructure, disrupt access to health and education services, increase water-borne diseases, and reduce food availability and school attendance during droughts.

### 5.3.4.2 Long Term Climate Change Fiscal Risks Analysis Using Q-CRAFT

392. Climate change is already exerting measurable impacts on Kenya's economy, with potentially far-reaching macroeconomic and fiscal consequences over the long term. Rising temperatures associated with climate change are expected to adversely affect economic growth and undermine the sustainability of public finances, thereby heightening fiscal risks. Using the Quantitative Climate Change Risk Assessment Fiscal Tool (Q-CRAFT), this analysis assesses how changes in temperature influence economic activity and, in turn, affect fiscal outcomes, leading to increasing fiscal pressures over time. The assessment is undertaken over a long-term horizon extending to the end of the century in order to capture the gradual and compounding nature of climate change impacts on the economy and public finances.

393. The analysis evaluates four alternative scenarios reflecting progressively severe climate change outcomes relative to a baseline scenario that assumes the continuation of the current macro-fiscal trajectory in the absence of climate change effects. **Table 5.4** presents the climate change scenarios for Kenya, together with the corresponding projected increases in global temperatures and their implications for temperature changes in Kenya

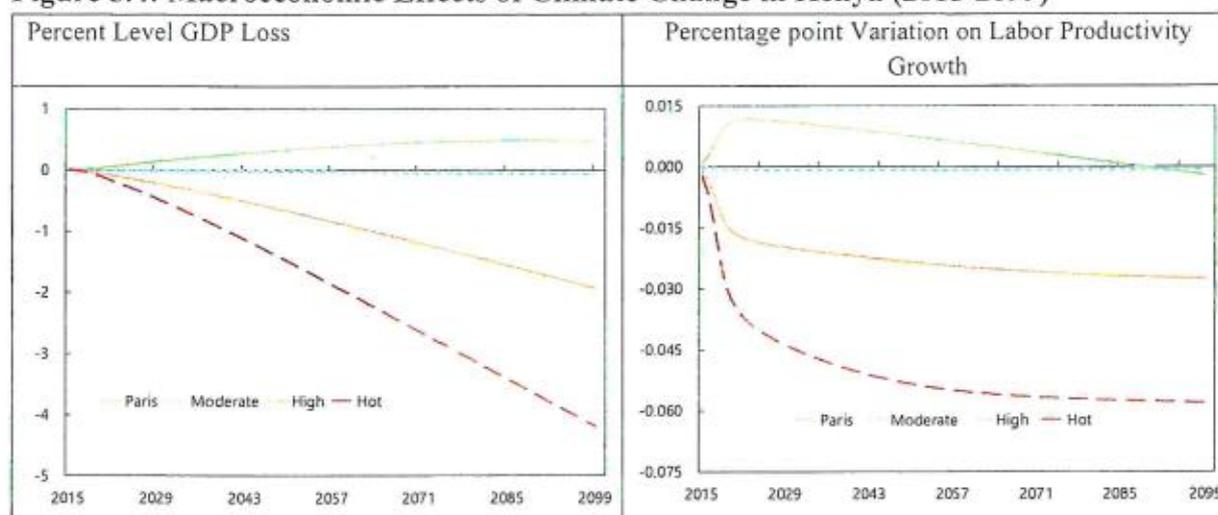
**Table 5.4: Climate Change Scenarios in Kenya**

Scenario	Description	Temperature Change Degrees Celsius	
		2021-2050	2021-2100
Paris:	It assumes that countries will maintain their current climate mitigation policies and will take additional actions to meet their Paris Agreement commitments.	1.0	1.0
Moderate:	It assumes that countries will maintain their current climate mitigation policies but will not take additional actions to meet their Paris Agreement commitments.	1.2	1.6
High:	Countries reduce their current climate mitigation efforts, resulting in limited energy efficiency enhancements and continued reliance on fossil fuels.	1.4	2.2
Hot:	This scenario follows the emissions path of the high scenario. However, it adopts the 90th percentile of temperature increase among all climate models rather than the average temperature projection.	1.9	2.9

### 5.3.4.3 Macroeconomic Impacts of Climate Change

394. Under the Paris Agreement-aligned scenario, there is a modest improvement in macroeconomic outcomes, with the level of GDP higher by about 0.5 percentage points by 2100, alongside improved labour productivity growth. This reflects the mitigating effect of climate action measures in reducing the adverse economic impacts of climate change. In contrast, the remaining climate change scenarios result in progressively larger and compounding declines in both GDP levels and labour productivity, albeit to differing degrees. While the annual impact on growth appears relatively small, these effects accumulate substantially over the long term. Under the high-temperature (hot) scenario, the level of GDP is projected to be about 4.2 percentage points lower than the baseline by the end of the century (Figure 5.4), consistent with estimated climate change impacts observed in comparable countries in the region.

**Figure 5.4: Macroeconomic Effects of Climate Change in Kenya (2015-2099)**



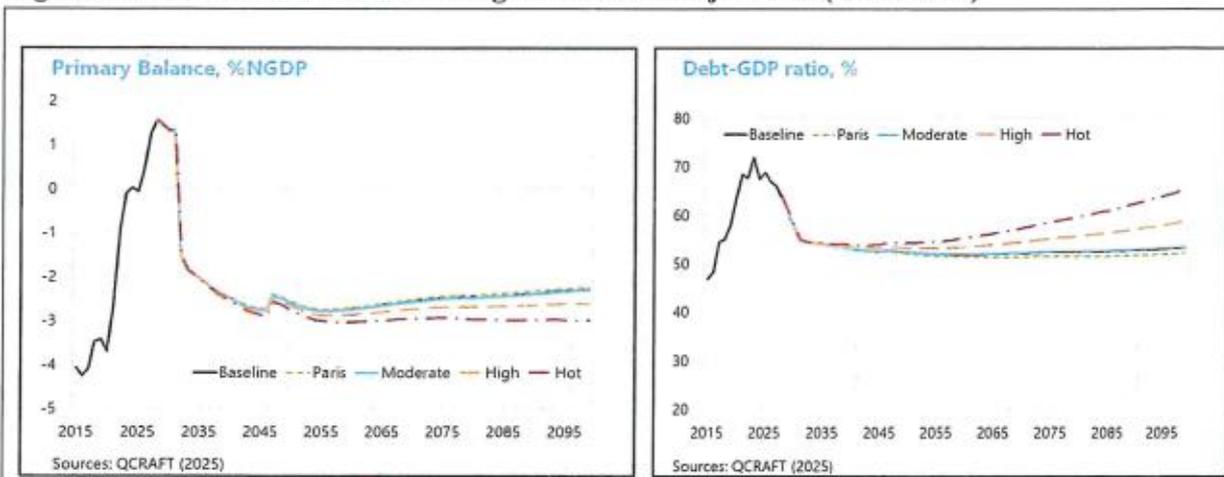
Source: Q-CRAFT (2025)

### 5.3.4.4 Effects of Climate Change on Fiscal Projections

395. Assuming Government expenditure remains unchanged while revenues decline due to weaker GDP growth, the analysis shows that Kenya's primary deficit would widen under all climate change scenarios, except under the Paris-aligned scenario. This would translate into higher net borrowing requirements and an upward pressure on the debt-to-GDP ratio (Figure 5.5). These results underscore the importance of proactive fiscal risk mitigation measures, including strengthening domestic revenue mobilisation, improving expenditure efficiency, and enhancing debt management strategies to preserve fiscal sustainability.

396. At the same time, the findings highlight the need to integrate climate considerations into fiscal planning through climate-responsive budgeting, particularly by prioritising investments in climate-resilient infrastructure and human capital that can reduce long-term economic and fiscal vulnerabilities. Managing the trade-off between fiscal consolidation and growth-enhancing, climate-adaptive investment will therefore be critical. In contrast, outcomes under the baseline and Paris-aligned scenarios indicate a declining debt-to-GDP ratio over the medium to long term, consistent with the Government's objective of maintaining public debt at 55 percent of GDP in net present value terms.

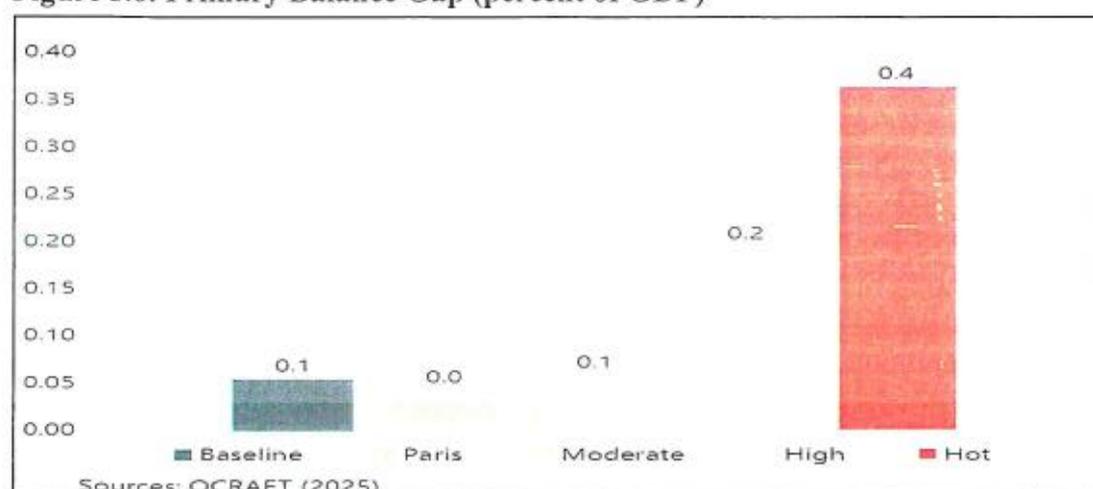
**Figure 5.5: Effects of Climate Change on Fiscal Projections (2015-2095)**



397. The primary balance gap (PB gap), defined as the difference between the debt-stabilising primary balance and the projected primary balance, provides an indication of the magnitude of fiscal adjustment required to stabilise public debt. A wider gap implies a greater need for fiscal restructuring. Under the baseline scenario, the required fiscal consolidation is relatively modest, at about 0.1 percentage points of GDP over the projection horizon. However, when climate change impacts are incorporated, the required adjustment increases to approximately 0.4 percent of GDP (Figure 5.6).

398. This reinforces the case for embedding climate risks within the fiscal framework, including through systematic identification, quantification, and disclosure of climate-related fiscal risks, and the use of climate-responsive budgeting tools to guide resource allocation toward mitigation and adaptation measures that can lower future fiscal pressures.

**Figure 5.6: Primary Balance Gap (percent of GDP)**



#### 5.3.4.5 Enhancing Analysis of the Climate Change Impact to the Economy: Greening the Macroeconomic Model

399. The World Bank, in collaboration with the Government of Kenya through the National Treasury, initiated a program to strengthen macroeconomic modelling capacity and to integrate climate change considerations into macroeconomic analysis, drawing on data from the Natural Capital Accounts. The engagement has progressively built technical capacity among officers from the National Treasury, State Department of Planning and the Kenya National Bureau of Statistics (KNBS), and has supported the development of a customized macroeconomic model for Kenya, known as KENMod. This initiative reflects Government efforts to enhance evidence-based policymaking by embedding climate change and natural capital considerations into the macro-fiscal framework.

400. In parallel, significant progress has been made in the development and institutionalization of Natural Capital Accounting (NCA) by KNBS. Advances have been recorded in the Ecosystem, Energy, Forest, and Water Accounts, with the natural capital dataset currently extending to 2023 and ongoing efforts underway to update and expand coverage. Further progress includes the development of an Investment Prioritization Tool for land restoration, which supports evidence-based decision-making aligned with the National Landscape and Ecosystem Restoration Strategy. In addition, the establishment of a National Plan for the Advancement of Environmental-Economic Accounting has strengthened the institutional framework for NCA, providing a platform for structured coordination, including discussions on the formation of a National Steering Committee and the systematic integration of natural capital data into national planning and policy processes.

401. Building on these data and institutional advances, the Macro-Fiscal Model (MFMod) provides the analytical framework underpinning KENMod. MFMod is a structural macro econometric model with estimated equations that supports macroeconomic forecasting and policy analysis across key variables, including GDP, consumption, investment, government spending, exports and imports, wages, exchange rates, and monetary and fiscal policy transmission channels. The model is customized to reflect country-specific economic structures and is estimated using national data within an error-correction framework that ensures consistency with economic theory in the long run while capturing short-term economic dynamics.

402. Through KENMod, climate change and natural capital considerations are explicitly incorporated into macro-fiscal projections and policy simulations, enabling more robust economic analysis, improved fiscal planning, and the promotion of long-term sustainability and shared prosperity. To strengthen the integration of climate change and environmental sustainability into macro-fiscal analysis, KENMod incorporates a Climate and Natural Capital Extension comprising four interlinked analytical channels. These extensions enable the explicit transmission of climate and environmental shocks into macroeconomic and fiscal outcomes, thereby enhancing the assessment of climate-related fiscal risks and policy responses. They include:

- a. **Climate Damages Module:** Labor heat stress, Human health, water and heat stress, - erosion and land degradation, Livestock, Inland flooding, Roads and bridges.
- b. **Reconstruction and Adaptation Module:** analyzes investments in reconstruction and adaptation, modeling their costs and benefits in reducing damages.
- c. **Energy, Emissions, and Pollution Module:** includes energy as a production factor, assesses carbon pricing impacts, and tracks CO2 emissions and local air pollutants like PM 2.5.
- d. **Land Use and Natural Capital Module:** model of land allocation (relative land price includes ecosystem services) and the measurement of Adjusted Net Savings (capture resources depletion).

403. Collectively, these four channels enable KENMod to comprehensively assess the macroeconomic and fiscal implications of climate change, natural capital depletion, and policy responses. By integrating climate damages, adaptation, mitigation, and natural capital dynamics into the macro-fiscal framework, the model supports more informed fiscal planning, enhanced risk management, and the design of policies that promote climate resilience, sustainability, and inclusive growth.

### **Economic Policy Simulations**

404. Economic policy simulations were conducted using KENMod, beginning with a baseline scenario that reflects the projected trajectory of the economy in the absence of additional shocks. Against this baseline, four climate-related scenarios were simulated to assess the macroeconomic and fiscal impacts of climate shocks on GDP, inflation, and fiscal aggregates:

- The first scenario models a 10 percent reduction in crop yields in 2026, capturing drought-induced losses in agricultural output.
- The second scenario simulates a 20 percent decline in livestock output in 2026, reflecting severe drought impacts on pastoral and livestock systems.
- The third scenario assesses flood-related damage to roads and bridges in 2027 equivalent to 2 percent of the public capital stock, with the monetary value of damage approximated using the capital-stock-to-GDP ratio.
- The fourth scenario combines all three climate shocks, crop yield losses, livestock output declines, and flood-related infrastructure damage, to capture the compounded macroeconomic and fiscal effects of concurrent climate events.

## Results of the simulations

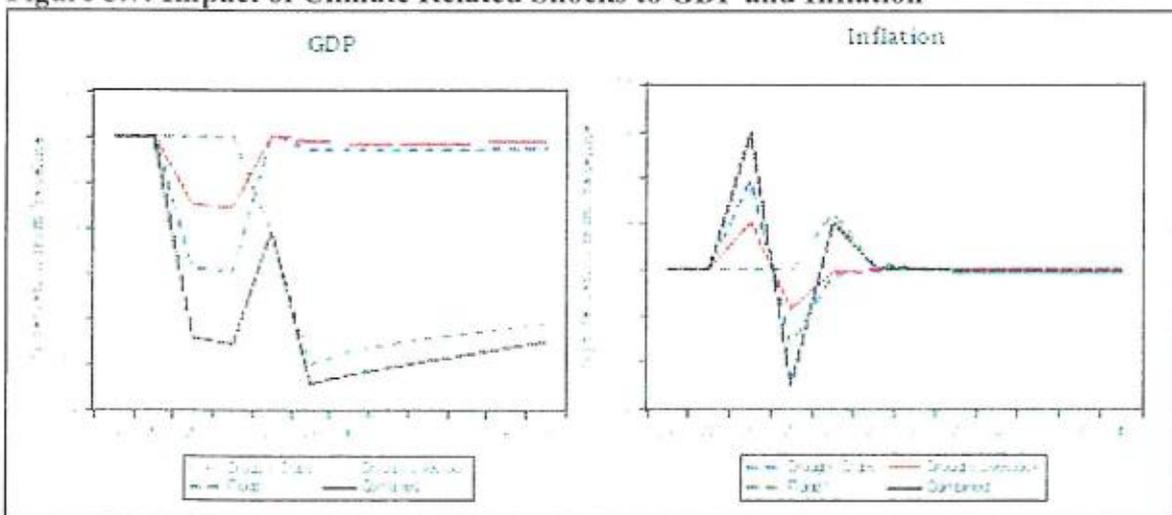
### i. Impact of climate related shocks on real GDP and inflation

405. Analysis of climate-related shocks indicates significant short- and medium-term effects on Kenya's economic performance. A drought affecting crop production in 2026 is projected to reduce output noticeably, reflecting immediate losses in agricultural value added and spillover effects across the broader economy. Droughts affecting livestock production generate smaller, though still meaningful, GDP losses, consistent with their relatively lower economy-wide linkages (Figure 5.7).

406. In comparison, flood events, such as those simulated for 2027, result in deeper and more persistent contractions in GDP. Unlike droughts, which tend to dissipate quickly, floods damage infrastructure, reducing productive capacity and increasing transaction costs. Consequently, GDP remains below the baseline for several years, highlighting the slower recovery associated with capital stock destruction.

407. Scenarios combining drought and flood shocks produce the largest and most enduring output declines. Losses are amplified when agricultural shocks precede infrastructure damage, indicating nonlinear interaction effects. These compound shocks, affecting both food production and transport networks, significantly weaken economic resilience and prolong recovery, underscoring the macroeconomic risks posed by consecutive or simultaneous climate events.

**Figure 5.7: Impact of Climate Related Shocks to GDP and Inflation**



Source: *The National Treasury*

408. Climate shocks affect inflation primarily in the short term. Crop-related drought shocks in 2026 lead to a pronounced spike in inflation, reflecting immediate food price pressures, while livestock drought shocks in the same year generate smaller but noticeable inflationary pressures. The combined shocks spanning 2026–2027 produces the largest and most volatile inflation, reflecting compounded supply constraints across agricultural subsectors. Following the initial spike, inflation briefly undershoots the baseline before gradually converging back, suggesting that price pressures dissipate over time as the economy adjusts.

409. Overall, droughts tend to generate sharp but temporary GDP and inflation effects, whereas floods produce deeper, longer-lasting output losses. When occurring in combination, climate shocks can amplify economic disruption, highlighting the need for targeted climate risk management and resilience-building measures.

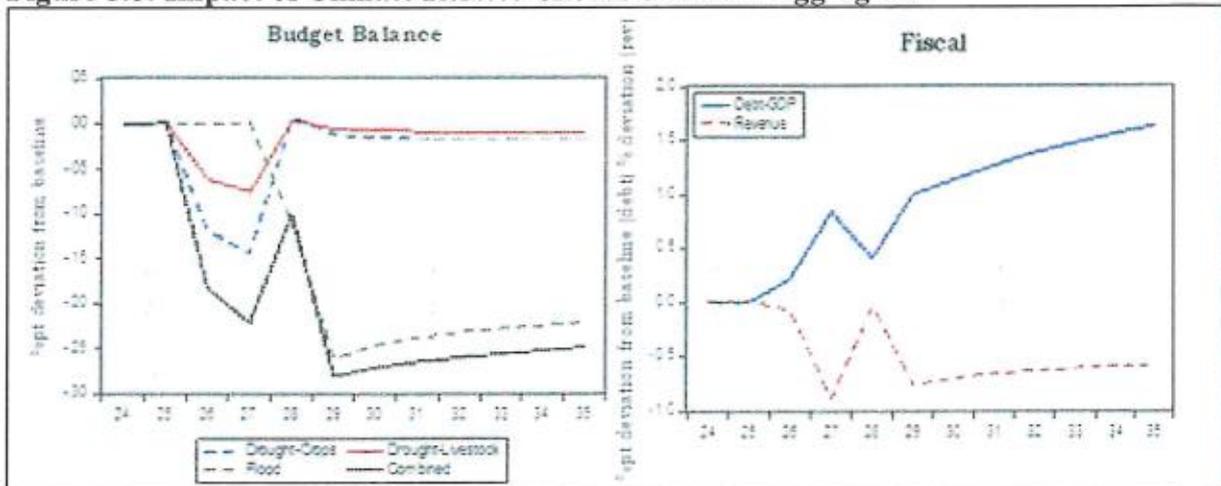
**ii. Impact of climate related shocks on Fiscal Aggregates**

410. Climate-related shocks are projected to have significant implications for fiscal outcomes. Droughts affecting crops and livestock in 2026 reduce agricultural output, lowering GDP and government revenues while increasing expenditure pressures. Crop-related droughts lead to a sharp but relatively contained deterioration in the budget balance, followed by gradual stabilization. Livestock droughts generate smaller and less volatile fiscal effects, with a faster recovery path, reflecting greater resilience in the livestock sector.

411. Floods in 2027 produce the most severe fiscal impact. Infrastructure damage equivalent to 2 percent of the capital stock raises public spending needs while simultaneously weakening economic activity, resulting in a pronounced and persistent decline in the budget balance. Combined drought and flood shocks amplify these effects, producing a sustained deficit that remains significantly below baseline through 2026–2027.

412. Across all scenarios, the debt-to-GDP ratio rises steadily, while government revenues fall sharply and recover only partially. By the end of the projection period, the simulations point to a high-debt, low-revenue fiscal position, highlighting that climate shocks, particularly floods and their interaction with drought-induced agricultural losses, can impose long-lasting constraints on fiscal sustainability. These findings underscore the importance of integrating climate risk considerations into fiscal planning, debt management, and resilience-building measures.

**Figure 5.8: Impact of Climate Related Shocks on Fiscal Aggregates**



Source: The National Treasury

**5.3.5 Other Fiscal Risks**

**5.3.5.1 Natural Disasters and Man-made Hazards**

413. Disasters continue to be a major threat to various economies across the globe causing fiscal constraints, affecting lives and livelihoods. The Government will continue to fast track the finalization of the disaster risk financing framework under the PFM CAP 412A in order to mobilize resources towards efficient and effective disaster risk management in the country.

414. Further, the Government will fast-track the finalization of the Disaster Risk Financing Strategy 2026-2030, focusing on six Strategic Priorities to : i) ensure a coordinated approach to disaster risk financing and disaster risk reduction across national and County Governments; ii) Enhance capacity and raise awareness in MDAs and County Governments on the need to

strengthen disaster preparedness and response capacity of for resilience; iii) Promote transparency and fiscal accountability of disaster related expenditures; iv) Improvement financing capacity by strengthening and expanding the Government's portfolio of disaster risk financing instruments; v) support key programs to protect the most vulnerable populations from the impacts of disasters and contribute to building resilience; and vi) To promote financing for disaster prevention and preparedness to reduce future disaster risks.

#### **5.3.5.2 Money Laundering, Terrorist Financing & Proliferation Financing**

415. The National Treasury will continue to lead Kenya's strategic response following its placement on the Financial Action Task Force (FATF) list of jurisdictions under increased monitoring (FATF Grey List). This will be anchored on a coordinated reform agenda encompassing legislative amendments, institutional strengthening, and enhanced compliance oversight, each aimed at addressing the technical deficiencies identified by FATF. As chair of the National Taskforce on Anti-Money Laundering, Combating the Financing of Terrorism, and Countering the Financing of Proliferation (AML/CFT/CPF), the National Treasury will ensure robust inter-agency collaboration across implementing entities, law enforcement, and regulatory bodies, while reinforcing risk-based supervision of financial institutions and designated non-financial businesses and professions (DNFBPs).

416. In addition, the National Treasury will oversee the implementation of the International Cooperation Review Group (ICRG) Action Plan matrix, ensuring measurable progress and timely reporting to both FATF and ESAAMLG. Kenya remains firmly committed to sustaining the reform momentum, achieving sector-wide compliance, and delivering demonstrable outcomes that restore global financial credibility, enhance investor confidence, and safeguard the integrity of its financial system.

## ANNEX 1: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

1. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM (National Government) Regulations, 2015 and in keeping with prudent and transparent management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statute as follows (**Table 1**).

- i) Over the medium term a minimum of thirty percent of the National and County Governments budget shall be allocated to the development expenditure;
- ii) National government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the National Government;
- iii) Over the medium term, the National Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- iv) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the County Assembly for County Governments;
- v) Fiscal risks shall be managed prudently; and
- vi) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

**Table 1: Performance of Fiscal Responsibility Indicators**

	FY 2023/24	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
	Actual	Actual	Budget	Proj.	BPS'25			
	<i>Ksh Billion</i>							
1.0 Total Expenditure & Net Lending	3,605.2	3,975.9	4,269.9	4,532.8	4,703.9	4,931.4	5,241.6	5,662.3
1.1 Total Ministerial National Govt Expenses	2,214.3	2,331.8	2,515.5	2,749.3	2,831.8	3,022.7	3,288.5	3,635.0
Total Recurrent	2,678.4	2,953.5	3,142.0	3,346.6	3,471.2	3,569.0	3,712.3	4,018.3
CFS (Interest & Pensions)	1,018.8	1,206.2	1,337.3	1,366.5	1,450.1	1,462.9	1,497.7	1,545.6
Ministerial Recurrent	1,659.6	1,747.3	1,804.7	1,980.1	2,021.1	2,106.2	2,214.6	2,472.7
o/w Wages & Salaries	575.3	624.7	657.3	701.7	720.7	752.4	790.0	829.5
Net Lending	17.4	19.7	-	-	-	-	-	-
Wages as % National Government Revenues	24.5%	24.9%	22.6%	23.9%	23.1%	20.9%	20.3%	19.6%
Development	554.7	584.5	710.8	769.2	810.7	916.5	1,073.9	1,162.3
Development as % Ministerial National Government expenditures	25.1%	25.1%	28.3%	28.0%	28.6%	30.3%	32.7%	32.0%
1.2 County Allocation	380.4	444.6	484.8	484.8	495.5	473.5	483.0	509.4
Equitable share	354.6	418.3	415.0	415.0	420.0	440.9	450.4	476.7
Conditional Grants	25.8	26.3	69.8	69.8	75.5	32.7	32.7	32.7
Contingency Fund	-	-	2.0	2.0	2.0	5.0	5.0	5.0
2.0 Total Revenues	2,702.7	2,923.6	3,321.7	3,352.1	3,533.7	4,038.9	4,337.2	4,699.5
3.0 Total National Government Revenues (incl. A-I-A)	2,348.1	2,505.3	2,906.7	2,937.1	3,113.7	3,598.0	3,886.8	4,222.8
4.0 National Government Domestic Borrowing (net)	395.6	354.5	613.5	385.9	890.4	545.9	684.0	737.4

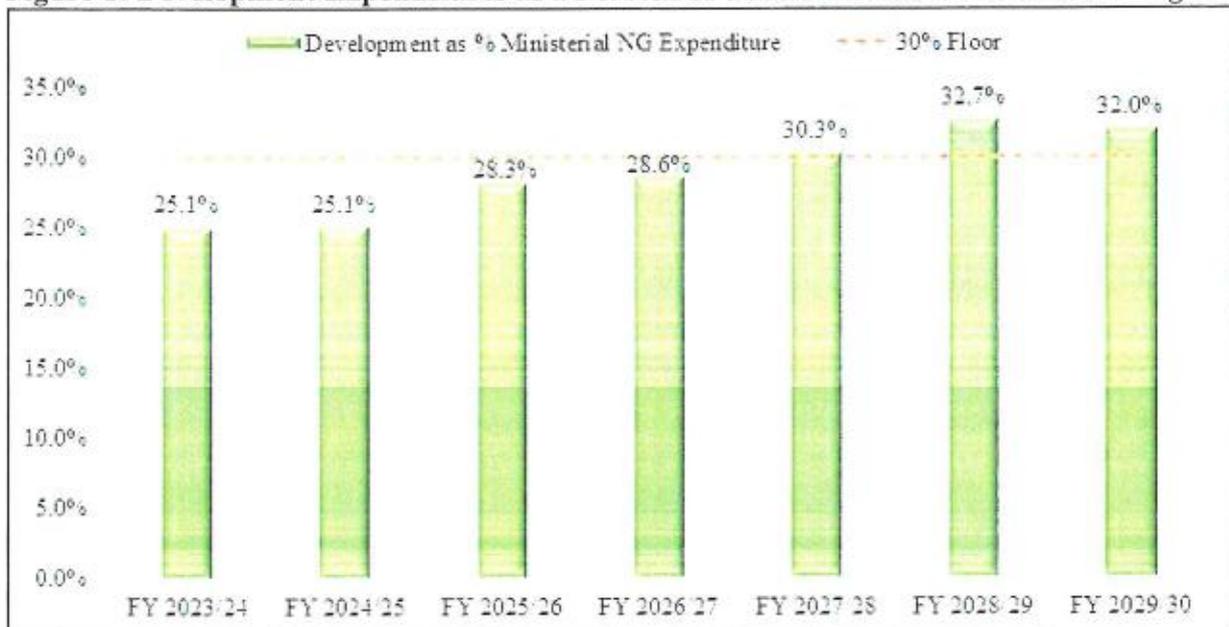
Source: The National Treasury

### i) Allocation to Development Expenditure over the Medium Term

2. In alignment with statutory provisions, the National Government continues to anchor its budget framework on the requirement that development expenditures constitute no less than 30 percent of total ministerial spending. In FY 2024/25, actual development outlays accounted for 25.1 percent, falling below the threshold set under the PFM Act, Cap. 412. This variance relative to the earlier projection of 26.2 percent stemmed from expenditure rationalization measures undertaken during budget execution.

3. Looking ahead, the share of development spending is expected to rise to 28.6 percent in FY 2026/27 and remain above the recommended minimum over the medium term, as illustrated in **Table 1 and Figure 1**.

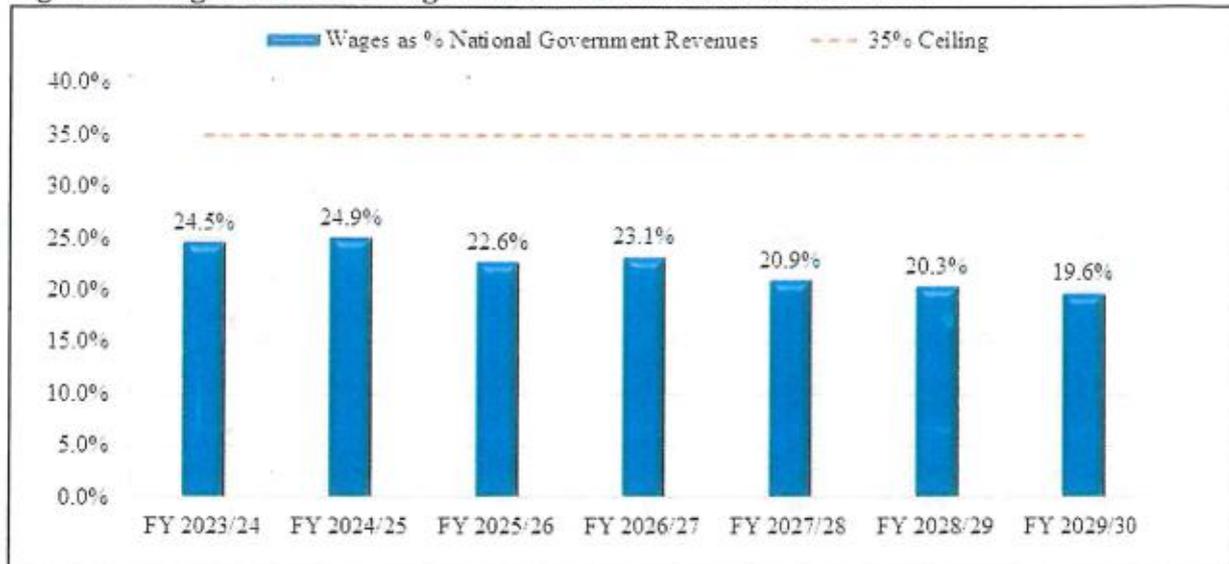
**Figure 1: Development Expenditures as a Percent of Total National Government Budget**



Source: *The National Treasury*

### ii) Compliance with the Requirement on Expenditure on Wages and Benefits

4. The legal framework stipulates that expenditure by the National Government on compensation of employees including salaries, benefits, and allowances must not exceed 35 percent of the National Government's equitable share of nationally raised revenues together with other revenues generated under Article 209(4) of the Constitution. In adherence to this requirement, the National Government's wage and benefits bill accounted for 24.9 percent of revenues in FY 2024/25, remaining well within the statutory ceiling of 35 percent. Over the medium term, this ratio is projected to decline further to 23.1 percent in FY 2026/27 (**Figure 2**).

**Figure 2: Wages as a Percentage of National Government Revenues**

*Wages: For teachers and civil servants including the police. The figure includes the funds allocated for the pension contributory scheme*

*Source: National Treasury*

### iii) Compliance with the Requirement to use National Government's Borrowings only for Financing Development Expenditure

5. The National Treasury continues to mobilize resources through borrowing to finance development programmes endorsed by Parliament in accordance with Section 15(2) (c) of the Public Finance Management Act, 2012, which stipulates that national government borrowing shall be directed solely toward development expenditure and not recurrent spending. The Government remains fully committed to this fiscal principle and consistently ensures that all borrowing is applied strictly to development outlays. During FY 2024/25, KSh 273.9 billion of the total KSh 1,034.2 billion in borrowing was allocated to development expenditure. Looking ahead, borrowing requirements are projected at KSh 1,115.8 billion in FY 2026/27, KSh 833.7 billion in FY 2027/28, and KSh 837.3 billion over the medium term.

### iv) Maintenance of Public debt and Obligations at a Sustainable Level

6. Kenya's public debt and obligations are assessed to be sustainable but with a high risk of debt distress. The External Debt Sustainability Analysis (DSA) shows that the present value (PV) of external debt to GDP stays below the 40 percent threshold over the entire projection horizon. Similarly, the PV of public and publicly guaranteed (PPG) external debt to exports is projected to remain under the 180 percent ceiling from 2026 through 2030. However, debt service pressures remain elevated. The debt service to revenue ratio exceeded the 18 percent benchmark in 2024–2025 due to large maturities, before easing below the threshold thereafter, while the debt service to exports ratio is expected to stay above the 15 percent sustainability limit through to 2030 (Table 2).

**Table 2: Kenya's Public Debt Sustainability Analysis**

Indicators	Threshold	2024	2025	2026	2027	2028	2029	2030
		Actual	Projection					
PV of PPG external debt-to-GDP ratio	40.0	30.8	28.3	27.5	26.8	25.5	24.4	24.6
PV of PPG external debt-to-exports ratio	180.0	180.3	182.2	167.5	158.7	147.9	141.6	145.1
PPG debt service-to-exports ratio	15.0	26.3	22.5	18.3	15.9	18.3	15.9	15.9
PPG debt service-to-revenue ratio	18.0	27.0	20.6	17.6	15.5	18.3	16.1	16.2

Source: The National Treasury

7. Under overall public debt, the Present Value (PV) of total public debt-to-GDP ratio remained above the 55.0 percent benchmark (**Table 3**). The present value of public debt was 65.3 percent of GDP in 2025 and is projected to decline by 2030.

**Table 3: Kenya's External Debt Sustainability**

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2030
		Actual						
PV of debt-to-GDP ratio	55	65.7	65.3	65.6	65.0	64.2	61.3	62.1
PV of public debt-to-revenue grants		391.5	379.8	379.0	369.5	365.0	367.1	365.1

Source: The National Treasury

3. To enhance debt sustainability and lower the risk of debt distress, the Government will implement targeted policies to strengthen external debt indicators. These include expanding and diversifying the export base to boost foreign exchange earnings, pursuing and sustaining low single digit fiscal deficits, improving the Country Policy and Institutional Assessment (CPIA) score, and maintaining adequate net international reserves to cushion against external shocks. Together, these measures will improve the external debt service to exports ratio, reduce pressure on sustainability thresholds, and strengthen Kenya's overall capacity to manage public debt obligations.

4. New financing will prioritize concessional external resources to contain borrowing costs, alongside a strategic extension of the debt maturity profile through the issuance of medium to long-term instruments. These actions will help alleviate near-term debt service pressures, strengthen debt sustainability indicators, and enhance Kenya's capacity to manage future financing requirement.

#### v) Prudent Management of Fiscal Risks

8. The Government continues to manage fiscal risks prudently across key domains to safeguard overall fiscal stability. To reinforce this effort, the Fiscal Risk Committee, previously established to strengthen institutional oversight remains central in the systematic identification, assessment, and mitigation of emerging fiscal risks. First, the Government is sustaining measures to contain fiscal vulnerabilities stemming from public debt, ensuring debt remains on a sustainable trajectory and does not exert excessive strain on the fiscal framework. Second, proactive steps are being taken to limit the materialization of contingent liabilities, thereby preventing unexpected obligations from undermining fiscal commitments. Third, the

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Government continues to monitor and manage fiscal risks associated with devolution, particularly those arising from county government financial operations and obligations.

**vi) Compliance with the Requirement to Maintain a Reasonable Degree of Predictability with respect to the Level of Tax Rates and Tax Bases**

9. In line with the principle of ensuring stability and predictability in both tax rates and the tax base, the National Treasury has continued to advance the rollout of the National Tax Policy. The Policy is designed to articulate a coherent framework for taxation that underpins sustainable economic growth, supports economic diversification, enhances national competitiveness, and aligns tax incentives with the Government's broader development priorities. It further aims to promote investment and safeguard fiscal flexibility by outlining revenue-mobilization measures and administrative reforms to be executed over the medium term. In addition, the Government is sustaining efforts to modernize and streamline tax legislation to reinforce certainty and strengthen compliance across the tax system. The overarching goal remains to secure adequate and stable domestic revenues while minimizing tax expenditures and fostering a predictable tax environment.

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**Annex Table 1: Macroeconomic Indicators**

	2023/24	2024/25	2025/26		2026/27		2027/28		2028/29		2029/30	
	Act.	Prel.	Budget	Proj.	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026
<i>annual percentage change, unless otherwise indicated</i>												
<b>National Account and Prices</b>												
Real GDP	5.2	4.9	5.3	5.1	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
GDP Deflator	4.2	4.3	5.5	5.3	5.4	5.5	5.3	5.4	5.3	5.3	5.3	5.3
CPI Index (eop)	5.2	4.4	4.7	4.8	4.8	4.9	4.7	4.8	4.7	4.7	4.8	4.8
CPI Index (avg)	6.1	4.3	4.7	4.5	4.8	5.0	4.8	4.9	4.7	4.7	4.7	4.7
Terms of Trade (-deterioration)	-1.1	1.7	3.7	3.1	3.2	2.7	3.5	3.2	4.0	3.5	4.5	3.8
<b>Money and Credit (end of period)</b>												
Net domestic assets	-0.2	6.4	13.4	12.4	10.4	9.2	9.9	8.4	9.4	8.6	9.2	8.7
Net domestic credit to the Government	7.9	20.0	6.0	8.7	7.2	8.0	5.4	4.5	5.3	5.4	5.5	5.6
Credit to the rest of the economy	4.0	2.2	8.5	5.5	10.6	8.5	11.1	10.0	10.7	9.6	10.3	9.7
Broad Money, M3 (percent change)	6.8	7.5	10.8	10.8	10.2	10.2	10.4	10.2	10.4	10.2	10.3	10.1
Reserve money (percent change)	18.7	-1.3	8.2	8.3	10.1	10.1	10.3	10.1	10.3	10.1	10.2	10.0
<i>in percentage of GDP, unless otherwise indicated</i>												
<b>Investment and Saving</b>												
Investment	16.6	15.6	15.6	15.0	15.6	15.5	15.6	15.6	15.6	15.7	16.5	16.6
Central Government	4.2	4.1	4.2	4.2	4.2	4.2	4.4	4.4	4.6	4.7	4.5	4.5
Private	12.4	11.5	11.3	10.8	11.4	11.2	11.1	11.1	11.0	11.0	12.0	12.0
Gross National Savings	14.7	13.8	14.1	12.6	14.1	12.9	13.9	12.9	13.9	13.0	16.7	14.0
Central Government	-1.6	-2.0	-0.7	-1.6	-0.9	-1.2	0.4	0.5	0.9	1.0	1.3	1.1
Private	16.4	15.8	14.9	14.3	15.1	14.1	13.6	12.4	13.0	12.0	15.4	12.9
<b>Central Government Budget</b>												
Total revenue	17.3	17.1	17.2	17.6	17.1	16.9	17.5	17.5	17.1	17.0	16.7	16.8
Total expenditure and net lending	23.0	23.2	22.2	23.9	22.2	22.5	21.5	21.4	20.8	20.6	19.8	20.2
Overall Fiscal balance excl. grants	-5.8	-6.1	-4.9	-6.2	-5.1	-5.6	-4.0	-3.9	-3.7	-3.6	-3.1	-3.4
Overall Fiscal balance, incl. grants, cash basis	-5.3	-5.9	-4.7	-6.0	-4.9	-5.3	-3.7	-3.6	-3.4	-3.3	-2.9	-3.2
Statistical discrepancy	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. discrepancy	-5.3	-5.9	-4.7	-6.0	-4.9	-5.3	-3.7	-3.6	-3.4	-3.3	-2.9	-3.2
Primary budget balance	0.0	-0.1	1.0	-0.1	0.8	0.4	1.6	1.6	1.5	1.6	1.4	1.4
Net domestic borrowing	3.8	5.0	3.2	4.7	4.4	4.3	2.7	2.4	2.5	2.7	2.5	2.6
<b>External Sector</b>												
Exports value, goods and services	17.0	16.1	14.9	14.9	13.9	14.4	12.9	14.1	12.3	13.9	13.8	13.7
Imports value, goods and services	23.7	22.5	20.2	21.2	18.7	20.3	17.4	19.7	16.4	19.1	15.7	18.4
Current external balance, including official transfers	-1.9	-1.8	-1.4	-2.4	-1.5	-2.6	-1.6	-2.7	-1.7	-2.6	0.2	-2.6
Gross reserves in months of next yr's imports	3.8	5.1	5.0	4.8	5.0	4.8	5.0	4.9	5.1	5.0	5.1	5.2
Gross reserves in months of this yr's imports	4.1	5.4	5.1	5.1	5.2	5.2	5.3	5.3	5.4	5.4	5.5	5.5
<b>Public debt</b>												
Nominal central government debt (eop), gross	67.5	68.9	66.9	68.2	65.5	67.2	63.1	64.6	60.6	61.8	57.8	59.3
Nominal debt (eop), net of deposits	64.2	65.4	63.8	65.0	62.7	64.3	60.6	62.0	58.3	59.5	55.7	57.2
Domestic (gross)	34.5	36.9	36.5	38.0	36.8	38.7	36.1	37.5	35.2	36.7	34.4	35.9
Domestic (net)	31.2	33.5	33.4	34.8	34.0	35.9	33.5	34.9	32.9	34.4	32.3	33.8
External	33.0	32.0	30.4	30.2	28.7	28.5	27.0	27.1	25.4	25.2	23.3	23.4
<b>Memorandum Items:</b>												
Nominal GDP (in Ksh Billion)	15,667	17,144	19,273	19,003	20,954	20,947	23,126	23,082	25,527	25,447	28,158	28,024
Nominal GDP (in US\$ Million)	114,501	130,405	146,947	147,148	162,101	161,987	179,205	177,919	198,278	195,809	219,156	215,992

Source: National Treasury

**Annex Table 2: Government Fiscal Operations, KSh Billion**

	2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		2029/30	
	Act	Prfl	Budget	Proj	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026
<b>TOTAL REVENUE</b>	<b>2,702.7</b>	<b>2,923.6</b>	<b>3,321.7</b>	<b>3,352.1</b>	<b>3,583.4</b>	<b>3,533.7</b>	<b>4,044.3</b>	<b>4,038.9</b>	<b>4,368.4</b>	<b>4,337.2</b>	<b>4,697.1</b>	<b>4,699.5</b>		
Ordinary Revenue (Tax/Non-Tax Revenue)	2,288.9	2,420.2	2,754.7	2,744.4	2,998.3	2,901.9	3,387.9	3,390.0	3,635.8	3,658.0	3,955.2	3,957.6		
Tax Revenue	2,167.8	2,272.4	2,627.1	2,600.8	2,883.6	2,767.4	3,096.8	3,099.0	3,371.8	3,374.0	3,703.1	3,705.5		
Income Tax	1,042.8	1,093.0	1,284.8	1,266.8	1,288.4	1,321.6	1,484.9	1,484.9	1,619.2	1,619.2	1,775.5	1,775.5		
Import duty (net)	133.9	157.1	162.9	167.0	177.2	185.2	191.8	194.0	203.2	205.4	217.6	220.0		
Excise duty	276.7	292.5	335.5	323.1	358.8	349.9	397.0	397.0	440.5	440.5	488.8	488.8		
Value Added Tax	645.5	660.7	771.7	771.7	781.8	833.4	941.3	941.3	1,021.0	1,021.0	1,127.6	1,127.6		
Other Tax Revenue	68.9	69.1	72.2	72.2	77.4	77.4	81.9	81.9	87.9	87.9	93.6	93.6		
Non-Tax Revenue	121.1	147.8	127.6	143.6	314.6	134.5	291.1	291.1	284.0	284.0	252.1	252.1		
Ministerial Appropriation in Aid	413.7	503.4	566.9	607.7	585.1	631.8	656.4	648.9	712.6	679.2	741.8	741.8		
Railway Development Levy	32.0	36.8	40.7	40.7	45.0	45.0	49.7	49.7	54.9	54.9	60.7	60.7		
African Union & Int'l Subscription Fund	5.4	5.2	6.6	6.6	6.4	6.4	7.0	7.0	7.8	7.8	8.6	8.6		
Recurrent	239.5	199.7	231.9	254.4	224.9	216.7	268.8	261.3	293.5	262.1	297.5	297.5		
Road Maintenance Levy - Normal		73.3	70.2	70.2	84.1	84.1	88.7	88.7	93.5	93.5	98.5	98.5		
NMS - Recurrent	0.0	22.5	23.5	23.5	23.3	23.3	26.6	26.6	28.1	28.1	29.7	29.7		
PDL - Recurrent	22.0	42.4	43.1	63.3	56.4	81.3	59.1	59.1	61.9	61.9	60.0	60.0		
NMS - Development	0.0	14.1	14.4	14.4	15.1	15.1	15.9	15.9	16.6	16.6	17.5	17.5		
PDL - Development	2.3	32.2	32.0	32.0	33.1	33.1	34.9	34.9	36.7	36.7	38.7	38.7		
Housing Development Levy	54.2	73.2	93.0	93.0	91.1	91.1	101.6	101.6	113.3	113.3	126.4	126.4		
<b>EXPENDITURE AND NET LENDING</b>	<b>3,605.2</b>	<b>3,975.9</b>	<b>4,269.9</b>	<b>4,532.8</b>	<b>4,649.7</b>	<b>4,703.9</b>	<b>4,969.7</b>	<b>4,931.4</b>	<b>5,304.6</b>	<b>5,241.6</b>	<b>5,580.9</b>	<b>5,662.3</b>		
Recurrent expenditure	2,678.4	2,948.4	3,134.1	3,338.7	3,437.1	3,456.9	3,607.4	3,569.0	3,775.3	3,712.3	3,946.8	4,018.3		
Interest payments	840.7	995.1	1,097.7	1,126.5	1,193.4	1,203.1	1,234.3	1,203.4	1,261.3	1,231.8	1,198.3	1,269.8		
Domestic interest	622.5	784.1	851.4	883.8	961.1	956.4	984.4	953.5	1,008.0	978.5	950.8	1,022.3		
Foreign interest	218.2	211.0	246.3	242.8	232.3	246.6	249.9	249.9	253.2	253.2	247.5	247.5		
Pensions & Other CFS	143.9	176.8	205.2	205.6	211.2	207.5	218.7	218.7	224.0	224.0	232.1	232.1		
Pensions	140.6	172.9	200.5	200.5	206.5	202.4	213.9	213.9	219.3	219.3	227.2	227.2		
Other CFS	3.3	3.9	4.7	5.1	4.7	5.1	4.7	4.7	4.7	4.7	5.0	5.0		
Contribution to Civil Service Pension Fund	34.2	34.3	34.4	34.4	39.6	39.6	40.8	40.8	42.0	42.0	43.7	43.7		
Net Issues/Net Expenditure	1,372.7	1,441.5	1,462.5	1,615.4	1,652.3	1,644.3	1,722.4	1,722.4	1,823.2	1,823.2	2,038.5	2,038.5		
O/W: Wages & Salaries	575.3	624.7	657.3	701.7	710.1	720.7	752.4	752.4	790.0	790.0	829.5	829.5		
Free Secondary education	70.2	54.6	54.9	54.9	57.7	60.9	79.1	79.1	82.3	82.3	82.3	82.3		
Free Primary Education	11.3	30.4	7.9	7.9	8.2	8.2	14.7	14.7	15.3	15.3	15.3	15.3		
Junior Secondary School - Capitation	30.5	7.6	30.9	30.9	31.9	31.9	41.5	41.5	43.1	43.1	43.1	43.1		
IEBC	4.6	3.9	5.9	5.9	16.4	15.5	16.4	15.5	29.2	29.2	29.2	29.2		
Defense and MIS	205.4	231.4	241.0	264.1	245.0	283.9	251.1	291.0	257.4	298.2	263.8	263.8		
Others	479.9	465.6	439.0	504.7	552.1	492.5	529.7	489.8	568.3	527.5	737.7	737.7		
Ministerial Recurrent AIA	286.9	300.8	334.3	356.7	340.7	362.5	391.2	383.7	424.9	391.4	434.2	434.2		
Development and Net Lending	546.4	582.9	649.0	707.3	761.0	749.5	883.8	883.8	1,041.2	1,041.2	1,119.7	1,129.7		
Domestically financed (Gross)	377.0	397.7	437.9	495.9	496.8	510.3	580.2	580.2	676.7	676.7	759.6	759.6		
O/W Domestically Financed (Net)/NMS	250.2	227.3	237.2	276.9	285.4	274.0	349.9	349.9	425.7	425.7	490.7	490.7		
Ministerial Development AIA	197.2	170.4	200.7	219.0	211.4	236.3	230.3	230.3	251.1	251.1	269.0	269.0		
Foreign financed	151.9	165.6	201.5	201.8	249.1	224.1	285.0	285.0	341.9	341.9	336.9	346.9		
Net lending	17.4	19.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Equalization Fund	0.0	0.0	9.6	9.6	15.2	15.2	18.6	18.6	22.6	22.6	23.1	23.1		
County Transfers	380.4	444.6	484.8	484.8	446.6	495.5	473.5	473.5	483.0	483.0	509.4	509.4		
Equitable Share	354.6	418.3	415.0	415.0	420.0	420.0	440.9	440.9	450.4	450.4	476.7	476.7		
Conditional Allocation	25.8	26.3	69.8	69.8	26.6	75.5	32.7	32.7	32.7	32.7	32.7	32.7		
Contingency Fund	0.0	0.0	2.0	2.0	5.0	2.0	5.0	5.0	5.0	5.0	5.0	5.0		
<b>Fiscal Balance (commitment basis excl. grants)</b>	<b>-902.5</b>	<b>-1,052.4</b>	<b>-948.2</b>	<b>-1,180.7</b>	<b>-1,066.4</b>	<b>-1,170.2</b>	<b>-925.5</b>	<b>-892.5</b>	<b>-936.1</b>	<b>-904.4</b>	<b>-883.8</b>	<b>-962.9</b>		
Grants	22.0	33.3	47.2	39.9	48.8	54.4	58.8	58.8	67.1	67.1	77.1	77.1		
<b>Fiscal Balance (cash basis incl. grants) Excl. SGR</b>	<b>-880.5</b>	<b>-1,019.1</b>	<b>-901.0</b>	<b>-1,140.7</b>	<b>-1,017.6</b>	<b>-1,115.8</b>	<b>-866.6</b>	<b>-833.7</b>	<b>-869.1</b>	<b>-837.3</b>	<b>-806.7</b>	<b>-885.8</b>		
Adjustment to Cash Basis	45.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Fiscal Balance (incl. grants) Cash Basis</b>	<b>-835.1</b>	<b>-1,019.1</b>	<b>-901.0</b>	<b>-1,140.7</b>	<b>-1,017.6</b>	<b>-1,115.8</b>	<b>-866.6</b>	<b>-833.7</b>	<b>-869.1</b>	<b>-837.3</b>	<b>-806.7</b>	<b>-885.8</b>		
Statistical discrepancy	-16.8	15.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>TOTAL FINANCING</b>	<b>818.3</b>	<b>1,034.2</b>	<b>901.0</b>	<b>1,140.7</b>	<b>1,017.6</b>	<b>1,115.8</b>	<b>866.6</b>	<b>833.7</b>	<b>869.1</b>	<b>837.3</b>	<b>806.7</b>	<b>885.8</b>		
Net Foreign Financing	222.7	179.7	287.4	254.8	99.5	225.5	235.9	287.8	225.1	153.3	98.0	148.3		
Disbursements	760.5	527.0	627.6	937.5	564.3	564.5	674.7	674.7	639.3	639.3	685.0	634.3		
Commercial Financing	286.9	253.1	221.2	579.4	145.6	145.6	224.1	224.1	140.0	140.0	200.7	140.0		
of which: External Debt Operations - Refinancing	0.0	188.3	0.0	150.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total Project loans (AIA + Revenue)	155.8	151.4	211.2	218.8	226.9	227.0	258.8	258.8	307.5	307.5	292.5	302.5		
o/w: Project loans (AIA)	68.3	65.6	86.5	95.7	100.6	100.8	123.3	123.3	140.3	140.3	135.3	145.3		
Project Loans Revenue	87.4	85.8	124.6	123.1	126.2	126.2	135.6	135.6	167.2	167.2	157.2	157.2		
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
OPEC Funds	0.0	8.8	0.0	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Programme Loans	317.8	113.7	193.3	130.9	191.8	191.8	191.8	191.8	191.8	191.8	191.8	191.8		
o/w: P for R Programme Loans	18.2	15.3	3.5	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
IMF - EFF/ECF/RSF	135.1	50.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
World Bank DPO	154.1	21.8	170.5	101.4	170.5	170.5	170.5	170.5	170.5	170.5	170.5	170.5		
AfDB	0.0	26.3	21.3	26.0	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3		
Debt repayment - Principal	-537.8	-347.3	-340.2	-682.7	-464.8	-339.0	-438.9	-387.0	-414.2	-486.0	-587.0	-486.0		
Net Domestic Financing	595.6	854.5	613.5	885.9	918.1	890.4	630.8	545.9	643.9	684.0	708.7	737.4		
<b>Memoranda items</b>														
Gross Debt (Stock)	10,582.0	11,810.8	12,711.8	12,951.6	13,983.5	14,067.4	14,596.0	14,901.1	15,465.1	15,738.4	16,271.9	16,624.2		
External Debt	5,171.7	5,484.8	5,772.3	5,739.6	5,776.6	5,965.1	6,250.0	6,252.9	6,475.1	6,406.2	6,573.1	6,554.6		
Domestic Debt (gross)	5,410.3	6,326.0	6,939.6	7,211.9	8,206.8									

**Annex Table 3: Government Fiscal Operations, Percent of GDP**

	2023/24	2024/25	2025/26		2026/27		2027/28		2028/29		2029/30	
	Act.	Prfl.	Budget	Proj.	BROP 2025	BPS 2026						
<b>TOTAL REVENUE</b>	17.5	17.1	17.2	17.6	17.1	16.9	17.5	17.5	17.1	17.0	16.7	16.8
Ordinary Revenue (Tax+Non-Tax Revenue)	14.6	14.1	14.3	14.4	14.3	13.9	14.6	14.7	14.3	14.4	14.0	14.1
Tax Revenue	13.8	13.3	13.6	13.7	12.8	13.2	13.4	13.4	13.2	13.3	13.2	13.2
Income Tax	6.7	6.4	6.7	6.7	6.1	6.3	6.4	6.4	6.2	6.4	6.3	6.3
Import duty (net)	0.9	0.9	0.8	0.9	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Excise duty	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Value Added Tax	-1	3.9	-0	4.1	3.7	-0	-1	4.1	4.0	4.0	-0	-0
Other Tax Revenue	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Non-Tax Revenue	0.8	0.9	0.7	0.8	1.5	0.6	1.3	1.3	1.1	1.1	0.9	0.9
Ministerial Appropriation in Aid	2.6	2.9	2.9	3.2	2.8	3.0	2.8	2.8	2.8	2.7	2.6	2.6
Railway Development Levy	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
African Union & Int'l Subscription Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurrent	1.7	1.2	1.2	1.3	1.1	1.2	1.2	1.1	1.2	1.0	1.1	1.1
Road Maintenance Levy - Normal	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4
NMS - Recurrent	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PDL - Recurrent	0.1	0.2	0.2	0.3	0.3	0.4	0.3	0.3	0.2	0.2	0.2	0.2
NMS - Development	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PDL - Development	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Housing Development Levy	0.3	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5
<b>EXPENDITURE AND NET LENDING</b>	23.0	23.2	22.2	23.9	22.2	22.5	21.5	21.4	20.8	20.6	19.8	20.2
Recurrent expenditure	17.1	17.2	16.3	17.6	16.4	16.5	15.6	15.5	14.8	14.6	14.0	14.3
Interest payments	5.4	5.8	5.7	5.9	5.7	5.7	5.3	5.2	4.9	4.8	4.3	4.5
Domestic interest	4.0	4.6	4.4	4.7	4.6	4.6	4.3	4.1	3.9	3.8	3.4	3.6
Foreign interest	1.4	1.2	1.3	1.3	1.1	1.2	1.1	1.1	1.0	1.0	0.9	0.9
Pensions & Other CFS	0.9	1.0	1.1	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8
Pensions	0.9	1.0	1.0	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil Service Pension Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net Issues/Net Expenditure	8.8	8.4	7.6	8.5	7.9	7.8	7.4	7.5	7.1	7.2	7.2	7.3
Q/W Wages & Salaries	3.7	3.6	3.4	3.7	3.4	3.4	3.3	3.3	3.1	3.1	2.9	3.0
Free Secondary education	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Free Primary Education	0.1	0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Junior Secondary School - Capitation	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
IEBC	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Defense and NIS	1.3	1.3	1.3	1.4	1.2	1.4	1.1	1.3	1.0	1.2	0.9	0.9
Others	3.0	2.7	2.3	2.7	2.6	2.4	2.3	2.1	2.2	2.1	2.6	2.6
Ministerial Recurrent AIA	1.8	1.8	1.7	1.9	1.6	1.7	1.7	1.7	1.7	1.5	1.5	1.5
Development and Net lending	3.5	3.4	3.4	3.7	3.6	3.6	3.8	3.8	4.1	4.1	4.0	4.0
Domestically financed (Gross)	2.4	2.3	2.3	2.6	2.4	2.4	2.5	2.5	2.7	2.7	2.7	2.7
Q/W Domestically Financed (Net)/NMS	1.6	1.3	1.2	1.5	1.4	1.3	1.5	1.5	1.7	1.7	1.7	1.8
Ministerial Development AIA	1.3	1.0	1.0	1.2	1.0	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Foreign financed	1.0	1.0	1.0	1.1	1.2	1.1	1.2	1.2	1.3	1.3	1.2	1.2
Net lending	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equitization Fund	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
County Transfers	2.4	2.6	2.5	2.6	2.1	2.4	2.0	2.1	1.9	1.9	1.8	1.8
Equitable Share	2.3	2.4	2.2	2.2	2.0	2.0	1.9	1.9	1.8	1.8	1.7	1.7
Conditional Allocation	0.2	0.2	0.4	0.4	0.1	0.4	0.1	0.1	0.1	0.1	0.1	0.1
Contingency Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fiscal Balance (commitment basis excl. grants)</b>	-5.8	-6.1	-4.9	-6.2	-5.1	-5.6	-4.0	-3.9	-3.7	-3.6	-3.1	-3.4
Grants	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Fiscal Balance (incl. grants)	-5.6	-5.9	-4.7	-6.0	-4.9	-5.3	-3.7	-3.6	-3.4	-3.3	-2.9	-3.2
Adjustment to Cash Basis	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-5.3	-5.9	-4.7	-6.0	-4.9	-5.3	-3.7	-3.6	-3.4	-3.3	-2.9	-3.2
Statistical discrepancy	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL FINANCING</b>	5.2	6.0	4.7	6.0	4.9	5.3	3.7	3.6	3.4	3.3	2.9	3.2
Net Foreign Financing	1.4	1.0	1.5	1.3	0.5	1.1	1.0	1.2	0.9	0.6	0.3	0.5
Disbursements	4.9	3.1	3.3	4.9	2.7	2.7	1.9	2.9	2.5	2.5	2.4	2.3
Commercial Financing	1.8	1.5	1.1	3.0	0.7	0.7	1.0	1.0	0.5	0.6	0.7	0.5
of which: External Debt Operations - Refinancing	0.0	1.1	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.0	0.9	1.1	1.2	1.1	1.1	1.1	1.1	1.2	1.2	1.0	1.1
o/w: Project loans (AIA)	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5
Project Loans Revenue	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	2.0	0.7	1.0	0.7	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7
o/w: P for R Programme Loans	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	0.9	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	1.0	0.1	0.9	0.5	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6
AfDB	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debt repayment - Principal	-3.4	-2.0	-1.8	-3.6	-2.2	-1.6	-1.9	-1.7	-1.6	-1.9	-2.1	-1.7
Net Domestic Financing	3.8	5.0	3.2	4.7	4.4	4.3	2.7	2.4	2.5	2.7	2.5	2.6
Memo Items												
Gross Debt (Stock)	67.5	68.9	66.0	68.2	66.7	67.2	63.1	64.6	60.6	61.8	57.8	59.3
External Debt	33.0	32.0	30.0	30.2	27.6	28.5	27.0	27.1	25.4	25.2	23.3	23.4
Domestic Debt (gross)	34.5	36.9	36.0	38.0	39.2	38.7	36.1	37.5	35.2	36.7	34.4	35.9
Domestic Debt (net)	31.2	33.5	32.9	34.8	36.3	35.9	33.5	34.9	32.9	34.4	32.3	33.8
Financing gap	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The National Treasury

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**Annex Table 4: Summary of Expenditure by Programmes (KSh Million)**

Sector Code	Sector/Programme	2026 BPS Projections											
		Approved FY 2025/26 Budget			FY 2026/27			FY 2027/28			FY 2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
010	<b>AGRICULTURE, RURAL &amp; URBAN DEVELOPMENT</b>	34,409.7	47,998.1	82,407.8	41,357.6	55,649.4	97,007.0	44,108.5	47,081.1	91,189.6	47,342.6	54,305.0	101,647.6
	1112 State Department for Lands and Physical Planning	5,782.4	4,982.4	10,764.8	6,109.9	4,840.0	10,949.9	6,357.4	4,960.0	11,317.4	6,655.9	5,010.0	11,668.9
	0101000 Land Policy and Planning	4,368.4	3,960.1	8,328.5	4,592.9	4,014.0	8,607.9	4,738.7	3,950.0	8,688.7	4,991.4	3,879.0	8,870.4
	0121000 Land Information Management	71.0	1,022.3	1,093.3	113.0	826.0	939.0	152.8	1,040.0	1,162.8	160.5	1,131.0	1,291.5
	0122000 General Administration, Planning and Support Services	1,340.7	-	1,340.7	1,403.0	-	1,403.0	1,466.0	-	1,466.0	1,537.0	-	1,537.0
	<b>1162 State Department for Livestock Development</b>	5,035.4	5,076.1	10,111.5	5,147.0	10,348.7	15,495.7	5,551.3	9,212.0	14,763.3	5,944.4	9,524.0	15,468.4
	0112000 Livestock Resources Management and Development	5,035.4	5,076.1	10,111.5	5,147.0	10,348.7	15,495.7	5,551.3	9,212.0	14,763.3	5,944.4	9,524.0	15,468.4
	<b>1166 State Department for the Blue Economy and Fisheries</b>	2,998.2	5,231.7	8,229.9	3,169.0	4,222.6	7,391.6	3,345.3	1,745.0	5,090.3	3,537.4	3,976.0	7,513.4
	0116000 Fisheries Development and Management	2,741.4	5,231.7	7,973.1	2,880.6	3,416.6	6,297.2	3,040.3	1,344.0	4,384.3	3,215.9	186.0	3,401.9
	0117000 General Administration, Planning and Support Services	199.7	-	199.7	224.4	-	224.4	236.8	-	236.8	247.2	-	247.2
	0118000 Development and Coordination of the Blue Economy	57.1	-	57.1	64.0	806.0	870.0	68.3	401.0	469.3	74.3	3,796.0	3,864.3
	<b>1169 State Department for Agriculture</b>	17,792.7	32,151.8	49,944.5	24,597.3	35,397.6	59,994.9	26,375.2	30,589.1	56,964.3	28,543.0	35,061.0	63,604.0
	0107000 General Administration Planning and Support Services	8,643.9	11,035.0	19,678.9	14,913.4	4,087.0	19,010.4	15,979.0	3,246.5	19,225.5	17,138.5	3,132.6	22,371.1
	0108000 Crop Development and Management	4,087.2	20,316.8	24,404.0	3,780.3	30,860.6	34,640.9	3,817.6	26,992.6	30,810.2	3,903.3	29,578.4	33,481.7
	0109000 Agribusiness and Information Management	133.2	890.0	933.2	143.6	-	143.6	190.6	-	190.6	178.5	-	178.5
	0120000 Agricultural Research & Development	4,928.5	-	4,928.5	5,750.0	450.0	6,200.0	6,388.1	350.0	6,738.1	3,321.7	350.0	7,072.7
	<b>2021 National Land Commission</b>	2,803.2	556.1	3,359.3	2,334.4	940.5	3,174.9	2,479.3	575.0	3,054.3	2,628.9	734.0	3,362.9
	0116000 Land Administration and Management	2,803.2	556.1	3,359.3	2,334.4	940.5	3,174.9	2,479.3	575.0	3,054.3	2,628.9	734.0	3,362.9
	<b>ENERGY, INFRASTRUCTURE AND ICT</b>	154,186.4	390,441.4	534,627.8	151,620.4	442,977.0	594,597.4	155,022.0	739,609.0	894,631.0	159,778.0	735,150.0	894,928.0
	<b>1091 State Department for Roads</b>	71,541.3	150,253.2	221,794.5	73,825.0	158,287.0	232,112.0	73,969.0	181,785.0	255,754.0	74,572.0	203,966.0	278,538.0
	0202000 Road Transport	71,541.3	150,253.2	221,794.5	73,825.0	158,287.0	232,112.0	73,969.0	181,785.0	255,754.0	74,572.0	203,966.0	278,538.0
	<b>1092 State Department for Transport</b>	7,121.8	40,334.2	47,456.0	7,111.0	57,950.0	65,061.0	7,622.0	61,408.0	69,030.0	9,255.0	63,524.0	71,779.0
	0201000 General Administration, Planning and Support Services	1,628.1	2,494.3	4,122.4	1,714.0	2,711.0	4,425.0	1,881.0	2,956.0	4,817.0	2,217.0	3,023.0	5,240.0
	0203000 Rail Transport	607.1	36,509.4	37,116.5	491.0	48,408.0	48,899.0	730.0	45,804.0	46,534.0	824.0	45,494.0	46,318.0
	0204000 Marine Transport	15.9	450.0	465.9	27.0	5,900.0	5,927.0	29.0	12,668.0	12,697.0	30.0	15,007.0	15,037.0
	0205000 Air Transport	-	-	-	-	-	-	-	-	-	-	-	-
	0216000 Road Safety	4,870.8	970.5	5,841.2	4,879.0	931.0	5,810.0	4,982.0	-	4,982.0	5,184.0	-	5,184.0
	<b>1093 State Department for Shipping and Maritime Affairs</b>	3,458.8	2,224.6	5,683.4	5,032.0	1,351.0	6,383.0	5,603.0	1,494.0	7,097.0	6,109.0	2,564.0	8,673.0
	0220000 Shipping and Maritime Affairs	3,458.8	2,224.6	5,683.4	5,032.0	1,351.0	6,383.0	5,603.0	1,494.0	7,097.0	6,109.0	2,564.0	8,673.0

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**Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd**

Sector Code	Sector/Programme	2026 BPS Projections											
		Approved FY 2025/26 Budget			FY 2026 2*			FY 2027 25			FY 2028 29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	<b>ENERGY, INFRASTRUCTURE AND ICT</b>	154,186.4	380,441.4	534,627.8	151,620.4	442,977.0	594,597.4	155,022.0	739,609.0	894,631.0	159,775.0	35,150.0	894,925.0
	1094 State Department for Housing & Urban Development	7,099.4	116,729.4	123,828.8	5,689.0	133,647.0	139,336.0	5,937.0	376,630.0	382,575.0	6,275.0	331,908.0	388,183.0
	0102000 Housing Development and Human Settlement	4,754.1	103,861.9	108,616.0	4,628.0	112,722.0	117,350.0	4,829.0	361,777.0	366,580.0	2,649.0	331,024.0	336,673.0
	0103000 Urban and Metropolitan Development	1,773.8	13,667.5	15,441.2	316.0	19,895.0	20,411.0	345.0	14,852.0	17,266.0	622.0	884.0	1,506.0
	0108000 General Administration Planning and Support Services	591.6	-	591.6	555.0	-	555.0	563.0	-	563.0	665.0	-	665.0
	1095 State Department for Public Works	3,691.7	753.0	4,444.7	3,398.0	1,509.0	4,907.0	3,708.0	1,619.0	5,328.0	4,098.0	1,850.0	5,948.0
	0103000 Government Buildings	643.3	452.0	1,095.3	752.0	622.0	1,374.0	794.0	730.0	1,424.0	854.0	876.0	1,730.0
	Programme Ocean, Rivers, and Lakes Ecosystem Infrastructure				98.0	887.0	985.0	125.0	719.0	844.0	144.0	764.0	908.0
	0104000 Coastal Infrastructure and Pedestrian Access	102.8	249.0	351.8									
	0106000 General Administration Planning and Support Services	322.1	-	322.1	352.0	-	352.0	362.0	-	362.0	449.0	-	449.0
	0218000 Regulation and Development of the Construction Industry	2,588.5	20.0	2,608.5	2,195.0	96.0	2,291.0	2,427.0	179.0	2,606.0	2,944.0	290.0	3,234.0
	1097 State Department for Aviation and Aerospace Development	14,156.4	358.8	14,515.2	13,308.0	479.0	13,787.0	13,535.0	512.0	14,047.0	14,047.0	587.0	14,634.0
	0205000 Air Transport	14,156.4	358.8	14,515.2	13,308.0	479.0	13,787.0	13,535.0	512.0	14,047.0	13,928.0	587.0	14,515.0
	1122 State Department for Information Communication Technology & Digital Economy	3,853.6	12,635.2	16,488.8	3,554.0	14,415.0	17,969.0	4,234.0	20,103.0	24,326.0	4,788.0	23,423.0	28,211.0
	0207000 General Administration Planning and Support Services	403.4	-	403.4	419.0	-	419.0	449.0	-	449.0	419.0	-	419.0
	0210000 ICT Infrastructure Development	1,171.3	11,920.0	13,091.3	241.0	13,650.0	13,891.0	238.0	19,349.0	19,586.0	222.0	22,546.0	22,818.0
	0217000 E-Government Services	1,978.8	715.2	2,694.0	1,892.0	383.0	2,275.0	2,319.0	348.0	2,667.0	2,589.0	409.0	3,098.0
	Programme ICT Security & Data Protection Services	6197.2	356.0	6,553.2	6,010.0	430.0	6,440.0	6,407.0	460.0	6,957.0	7,688.0	527.0	8,215.0
	0207000 General Administration Planning and Support Services	228.7	-	228.7	252.0	-	252.0	260.0	-	260.0	260.0	-	260.0
	0208000 Information and Communication Services	5,652.1	322.4	6,004.5	5,470.0	399.0	5,869.0	5,921.0	340.0	6,261.0	6,424.0	343.0	6,767.0
	0209000 Mass Media Skills Development	276.4	33.7	310.1	285.0	31.0	316.0	319.0	170.0	489.0	192.0	182.0	371.0
	1152 State Department for Energy	11,987.9	51,485.0	63,472.9	13,302.4	64,984.0	78,286.4	13,471.0	85,189.0	98,661.0	14,087.0	95,775.0	109,832.0
	0211000 General Administration Planning and Support Services	369.7	295.0	664.7	382.0	1,112.0	1,494.0	428.0	516.0	842.0	385.0	597.0	1,162.0
	0212000 Power Generation	2,337.1	19,507.9	21,845.0	2,761.4	13,322.0	16,083.4	2,291.0	20,940.0	23,721.0	2,922.0	26,690.0	29,612.0
	0213000 Power Transmission and Distribution	9,220.4	38,659.4	47,879.8	10,681.0	47,527.0	58,208.0	10,177.0	61,588.0	71,765.0	10,482.0	47,601.0	72,482.0
	0214000 Alternative Energy Technologies	60.3	2,038.7	2,099.0	22.0	2,612.0	2,634.0	25.0	2,155.0	2,180.0	88.0	1,487.0	1,575.0
	1193 State Department for Petroleum	25,378.4	5,311.0	30,689.4	20,391.0	9,835.0	30,226.0	20,456.0	10,400.0	30,856.0	20,008.0	11,026.0	31,634.0
	0215000 Exploration and Distribution of Oil and Gas	25,378.4	5,311.0	30,689.4	20,391.0	9,835.0	30,226.0	20,456.0	10,400.0	30,856.0	20,008.0	11,026.0	31,634.0

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Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd

Sector Code	Sector/Programme	2026 BPS Projections															
		Approved FY 2025/26 Budget				FY 2026/27				FY 2027/28				FY 2028/29			
		Current	Capital	Total		Current	Capital	Total		Current	Capital	Total		Current	Capital	Total	
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIR	36,559.3	21,601.5	58,159.9		37,562.7	24,630.2	62,192.9		40,181.1	30,310.9	70,492.0		41,740.6	30,979.1	72,719.7	
	1036 State Department for the ASALs and Regional Development	7,073.6	3,805.2	10,878.8		7,541.9	3,726.2	11,268.1		7,622.6	4,192.7	11,815.3		7,283.2	4,279.9	11,563.1	
	0733000 Accelerated ASAL Development	4,802.0	2,055.7	6,857.8		5,287.1	2,448.3	7,735.4		5,402.9	2,547.8	7,950.7		5,140.8	2,597.8	7,738.6	
	0743000 General Administration, Planning and Support Services	279.4	-	279.4		294.9	-	294.9		293.0	-	293.0		309.7	-	309.7	
	1013000 Integrated Regional Development	1,992.2	1,749.5	3,741.7		1,959.9	1,277.9	3,237.8		1,926.7	1,645.0	3,571.6		1,832.8	1,682.2	3,514.9	
	1173 State Department for Cooperatives	5,877.6	1,471.4	7,349.0		5,938.1	1,530.8	7,468.8		6,394.8	2,136.8	8,531.6		6,474.5	2,250.0	8,724.6	
	0304000 Cooperative Development and Management	5,877.6	1,471.4	7,349.0		5,938.1	1,530.8	7,468.8		6,394.8	2,136.8	8,531.6		6,474.5	2,250.0	8,724.6	
	1174 State Department for Trade	3,984.1	369.8	4,353.9		3,777.2	433.8	4,211.0		4,182.3	605.5	4,787.8		4,508.5	637.6	5,146.0	
	0309000 Domestic Trade and Enterprise Development	2,023.9	299.8	2,323.7		1,960.1	331.8	2,293.9		2,178.9	295.3	2,474.2		2,380.7	389.8	2,770.5	
	0310000 Fair Trade Practices And Compliance of Standards	192.3	70.0	262.3		239.3	100.0	339.3		263.3	310.2	573.4		281.3	247.8	529.1	
	0311000 International Trade Development and Promotion	1,405.4	-	1,405.4		1,286.7	-	1,286.7		1,422.8	-	1,422.8		1,547.6	-	1,547.6	
	0312000 General Administration, Planning and Support Services	362.4	-	362.4		291.1	-	291.1		315.4	-	315.4		299.0	-	299.0	
	1175 State Department for Industry	3,579.8	5,822.3	9,402.0		4,313.9	4,877.6	9,191.5		4,695.9	7,855.5	12,551.4		5,138.6	8,271.8	13,410.4	
	0301000 General Administration, Planning and Support Services	752.6	-	752.6		609.9	-	609.9		601.4	-	601.4		615.8	-	615.8	
	0320000 Industrial Promotion and Development	1,770.7	4,892.3	6,663.0		2,176.1	4,227.6	6,403.6		2,352.6	6,319.6	8,672.2		2,697.4	6,038.6	8,736.0	
	0321000 Standards and Quality Infrastructure & Research	1,056.5	930.0	1,986.5		1,528.0	650.0	2,178.0		1,741.9	1,535.9	3,277.9		1,825.3	2,233.3	4,058.6	
	1176 State Department for Micro Small and Medium Enterprises Development	2,031.7	3,061.8	5,093.5		2,040.2	4,843.9	6,884.0		2,268.7	5,119.4	7,388.1		2,440.2	5,170.9	7,611.1	
	0316000 Promotion and Development of MSMEs	880.6	2,711.8	3,592.4		881.2	3,893.9	4,775.0		954.4	4,019.4	4,973.8		1,007.3	4,038.9	5,046.2	
	0317000 Product and Market Development for MSMEs	513.4	-	513.4		512.7	550.0	1,062.7		516.6	550.0	1,066.6		536.2	550.0	1,086.2	
	0318000 Digitization and Financial Inclusion for MSMEs	335.6	350.0	685.6		340.0	400.0	740.0		493.6	550.0	1,043.6		580.1	582.1	1,162.2	
	0319000 General Administration, Planning and Support Services	302.1	-	302.1		306.3	-	306.3		304.1	-	304.1		316.5	-	316.5	
	1177 State Department for Investments Promotion	1,451.4	2,061.0	3,512.5		1,562.7	3,200.0	4,762.7		1,625.8	4,110.6	5,736.4		1,711.4	4,280.7	5,992.1	
	0322000 Investment Development and Promotion	1,451.4	2,061.0	3,512.5		1,562.7	3,200.0	4,762.7		1,625.8	4,110.6	5,736.4		1,711.4	4,280.7	5,992.1	
	1202 State Department for Tourism	11,525.4	5,010.0	16,535.4		11,547.4	6,018.0	17,565.4		12,543.6	6,290.5	18,834.0		13,310.8	6,088.2	19,399.0	
	0313000 Tourism Promotion and Marketing	809.7	534.0	1,393.7		1,249.9	300.0	1,449.9		1,514.9	200.0	1,714.9		1,735.9	270.0	1,975.9	
	0314000 Tourism Product Development and Diversification	10,472.6	4,386.0	14,858.6		9,898.1	5,738.0	15,636.1		10,632.3	6,070.5	16,702.8		11,170.1	5,858.2	17,028.3	
	0315000 General Administration, Planning and Support Services	243.1	40.0	283.1		399.4	80.0	479.4		391.4	20.0	411.4		384.8	10.0	394.8	
	1221 State Department for East African Community	1,034.7	-	1,034.7		941.4	-	941.4		847.4	-	847.4		873.5	-	873.5	
	0305000 East African Affairs and Regional Integration	1,034.7	-	1,034.7		941.4	-	941.4		847.4	-	847.4		873.5	-	873.5	

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**Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd**

Sector/Code	Vote/Programme	2026 BPS Projections											
		Approved FY 2025/26 Budget				FY 2025/26				FY 2025/29			
		Current	Capital	Total	Total	Current	Capital	Total	Total	Current	Capital	Total	Total
040	HEALTH	110,608.2	27,497.3	138,105.5	167,407.1	156,939.5	40,439.1	197,377.6	164,143.2	38,980.3	203,123.5	203,123.5	
	1082 State Department for Medical Services	84,017.3	21,936.1	105,953.4	134,303.6	124,110.6	27,425.5	151,539.1	129,154.4	24,681.3	153,835.7	153,835.7	
	0402000 National Referral & Specialized Services	48,689.2	6,449.0	55,138.2	55,073.3	70,090.0	7,361.0	77,451.0	77,451.0	9,387.1	86,838.1	86,838.1	
	0410000 Curative & Reproductive Maternal New Born Child Adolescent Health RANGAH	1,634.0	15,267.1	16,901.0	29,697.6	1,941.0	18,117.2	20,058.2	2,002.6	14,394.0	16,396.6	16,396.6	
	0411000 Health Research and Innovations	2,942.6	23.0	3,165.6	4,128.5	3,064.3	1,850.0	4,914.3	1,840.1	800.6	2,640.7	2,640.7	
	0412000 General Administration	30,771.5	-	30,771.5	33,401.7	48,443.4	169.6	48,543.4	30,587.3	100.0	30,687.3	30,687.3	
	1083 State Department for Public Health and Professional Standard	26,501.0	5,561.2	32,152.2	33,103.4	32,827.9	13,010.6	45,838.5	34,958.8	14,299.0	49,257.8	49,257.8	
	0406000 Preventive and Promotive Health Services	5,803.0	43.6	6,146.6	9,177.5	4,958.3	12,661.6	15,015.9	6,620.5	17,591.0	18,591.1	18,591.1	
	0407000 Health Resources Development and Innovation	13,987.5	1,185.0	15,172.5	17,676.8	20,790.3	709.0	21,485.8	22,483.0	1,358.0	23,841.0	23,841.0	
	0408000 Health Policy, Standards and Regulations	4,227.5	50.0	4,277.5	5,197.1	5,267.8	159.0	5,426.1	5,172.1	300.0	5,472.1	5,472.1	
	0412000 General Administration	2,475.0	-	2,475.0	827.8	811.5	100.0	911.3	877.0	100.0	977.0	977.0	
050	EDUCATION	673,286.5	29,779.7	703,066.2	767,314.2	781,274.3	35,008.0	816,340.3	825,548.7	43,842.0	869,390.7	869,390.7	
	1064 State Department for Technical, Vocational Education and Training	35,408.4	7,836.3	43,244.8	47,023.4	40,669.6	8,602.0	49,271.6	41,386.5	10,915.0	52,301.5	52,301.5	
	0505000 Technical Vocational Education and Training	34,528.8	7,836.3	42,365.1	48,122.2	39,732.4	8,602.0	48,334.4	40,444.1	10,915.0	51,359.1	51,359.1	
	0507000 Youth Training and Development	54.1	-	54.1	60.7	60.7	-	60.7	60.7	-	60.7	60.7	
	0508000 General Administration, Planning and Support Services	82.6	-	82.6	811.3	850.3	-	850.3	868.1	-	868.1	868.1	
	1065 State Department for Higher Education & Research	140,953.0	2,782.0	143,735.0	160,091.1	175,503.9	6,620.0	182,123.9	191,636.5	8,307.0	199,943.5	199,943.5	
	0504000 University Education	140,651.4	2,782.0	143,433.4	159,549.6	175,125.6	6,620.0	181,769.6	191,329.5	8,307.0	199,636.5	199,636.5	
	0506000 Research, Science, Technology and Innovation	300.6	-	300.6	346.3	378.3	-	378.3	421.5	-	421.5	421.5	
	0508000 General Administration, Planning and Support Services	109,421.8	18,490.4	127,912.2	118,680.5	123,718.3	17,363.0	141,081.3	133,921.0	21,448.0	155,369.0	155,369.0	
	0501000 Primary Education	13,291.6	14,370.8	27,662.4	21,221.4	13,258.4	11,244.0	24,505.4	24,772.4	12,698.0	37,470.4	37,470.4	
	0502000 Secondary Education*	81,946.8	4,094.6	86,041.5	86,681.8	88,682.8	6,620.0	94,791.5	90,883.8	7,603.0	104,346.8	104,346.8	
	0503000 Quality Assurance and Standards	9,949.7	23.0	9,972.7	14,279.3	15,392.1	40.0	14,419.3	14,474.2	87.0	14,561.2	14,561.2	
	0508000 General Administration, Planning and Support Services	5,233.7	-	5,233.7	5,247.8	6,281.9	-	6,281.9	7,589.6	-	7,589.6	7,589.6	
	1067 State Department for Science, Innovation and Research	992.9	-	992.9	2,405.0	1,245.2	1,681.0	2,926.2	1,407.8	2,143.0	3,550.8	3,550.8	
	0506000 Research, Science, Technology and Innovation	992.9	-	992.9	2,405.0	1,245.2	1,681.0	2,926.2	1,407.8	2,143.0	3,550.8	3,550.8	
	2091 Teachers Service Commission	386,510.4	671.0	387,181.4	422,214.3	440,137.3	900.0	440,937.3	457,197.0	1,029.0	458,226.0	458,226.0	
	0509000 Teacher Service Management	376,889.5	629.0	377,518.5	411,695.2	429,240.6	700.0	429,945.6	441,527.7	837.0	442,364.7	442,364.7	
	0510000 Governance and Standards	1,064.2	-	1,064.2	1,583.8	1,583.8	-	1,583.8	1,583.8	-	1,583.8	1,583.8	
	0511000 General Administration, Planning and Support Services	8,756.6	42.0	8,798.6	8,955.3	9,312.9	98.0	9,403.3	9,403.3	172.0	9,575.3	9,575.3	

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**Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd**

Sector Code	Sector/Vote/Programme	2026 BPS Projections															
		Approved FY 2025/26 Budget				FY 2026/27				FY 2027/28				FY 2028/29			
		Current	Capital	Total		Current	Capital	Total		Current	Capital	Total		Current	Capital	Total	
060	<b>GOVERNANCE, JUSTICE, LAW AND ORDER</b>	264,118.5	18,923.9	283,042.3	25,929.7	304,059.5	310,983.7	329,989.2	29,268.5	339,252.2	312,676.5	344,876.3	312,676.5	33,199.8	344,876.3		
1023	State Department for Correctional Services	37,844.2	309.0	38,153.2	42,437.4	39,410.0	45,211.5	43,459.8	1,022.4	48,024.5	48,152.9	52,441.6	48,152.9	4,288.7	52,441.6		
062	3000 General Administration, Planning and Support Services	641.1	16.0	657.1	651.1	39,410.0	651.1	751.1	100.0	840.6	1,040.9	1,065.9	1,040.9	62.0	1,065.9		
062	7000 Prison Services	34,752.9	223.1	34,976.0	39,410.0	782.6	41,571.6	43,996.4	2,418.8	43,996.4	43,854.6	47,035.0	43,854.6	3,180.5	47,035.0		
062	8000 Probation & After Care Services	2,450.3	69.9	2,520.2	2,376.4	139.8	2,516.1	3,187.6	394.2	3,187.6	3,257.4	3,749.6	3,257.4	483.2	3,749.6		
1024	State Department for Immigration and Citizen Services	11,704.4	10,640.3	22,344.7	12,815.7	23,951.9	13,325.2	24,548.4	11,223.1	34,548.4	13,686.2	35,227.5	13,686.2	11,541.2	35,227.5		
060	5000 Migration & Citizen Services	5,478.2	7,441.1	12,919.3	5,804.2	7,441.1	13,245.3	6,078.3	7,441.1	13,519.3	6,243.1	15,736.6	6,243.1	7,513.5	15,736.6		
062	6000 Population Management Services	5,086.4	2,999.2	8,085.6	5,639.6	3,395.1	9,034.7	5,826.6	3,467.1	9,293.6	5,985.9	9,678.6	5,985.9	3,692.7	9,678.6		
063	1000 General Administration and Planning	1,139.8	200.0	1,339.8	1,371.9	300.0	1,671.9	1,420.4	315.0	1,735.4	1,457.3	1,921.3	1,457.3	335.0	1,921.3		
1025	National Police Service	125,378.6	1,712.8	127,091.4	136,378.0	2,813.9	139,191.9	140,792.3	3,188.6	143,980.8	151,161.5	154,808.1	151,161.5	3,646.6	154,808.1		
060	1000 Policing Services	125,378.6	1,712.8	127,091.4	136,378.0	2,813.9	139,191.9	140,792.3	3,188.6	143,980.8	151,161.5	154,808.1	151,161.5	3,646.6	154,808.1		
1026	State Department for Internal Security and National Administration	31,864.5	3,965.8	35,830.3	35,786.3	7,351.6	43,137.9	37,153.3	8,142.3	45,295.6	38,130.8	46,703.6	38,130.8	8,572.7	46,703.6		
062	9000 General Administration and Support Services	10,824.8	3,533.8	14,358.6	13,533.6	6,680.0	20,213.6	14,060.0	6,900.0	20,960.0	13,976.1	20,876.1	13,976.1	6,900.0	20,876.1		
063	0000 Policy Coordination Services	1,530.4	65.0	1,595.4	1,702.3	80.0	1,782.3	1,618.6	300.0	1,818.6	1,697.1	1,897.1	1,697.1	300.0	1,897.1		
063	2000 National Government Field Administration Services	19,509.4	347.0	19,856.4	20,550.2	591.6	21,141.8	21,474.7	1,042.3	22,317.0	22,457.6	23,930.4	22,457.6	1,472.7	23,930.4		
1252	State Law Office	5,056.8	300.0	5,356.8	5,630.9	300.0	5,930.9	5,916.4	357.8	6,274.2	6,110.9	6,600.2	6,110.9	489.3	6,600.2		
060	6000 Legal Services	4,336.6	50.0	4,386.6	4,861.4	20.0	4,881.4	5,114.6	100.0	5,214.6	5,289.0	5,409.0	5,289.0	120.0	5,409.0		
060	7000 Governance, Legal Training and Constitutional Affairs	750.2	250.0	1,000.2	769.6	280.0	1,049.6	801.8	257.8	1,059.5	822.0	1,191.3	822.0	369.3	1,191.3		
1253	State Department for Justice Human Rights and Constitutional Affairs	1,020.4	-	1,020.4	1,277.8	-	1,277.8	1,243.7	-	1,243.7	1,292.4	1,292.4	1,292.4	-	1,292.4		
060	7000 Governance, Legal Training and Constitutional Affairs	1,020.4	-	1,020.4	1,277.8	-	1,277.8	1,243.7	-	1,243.7	1,292.4	1,292.4	1,292.4	-	1,292.4		
Programme :	Governance, Human Rights and Constitutional Affairs				1,277.8		1,277.8	1,243.7		1,243.7	1,292.4	1,292.4	1,292.4		1,292.4		
1261	The Judiciary	25,237.4	1,700.0	26,937.4	26,384.5	2,629.9	29,014.4	27,721.4	2,170.5	29,891.9	29,125.1	32,278.0	29,125.1	3,152.9	32,278.0		
061	0000 Dispensation of Justice	25,237.4	1,700.0	26,937.4	26,384.5	2,629.9	29,014.4	27,721.4	2,170.5	29,891.9	29,125.1	32,278.0	29,125.1	3,152.9	32,278.0		
1271	Ethics and Anti-Corruption Commission	4,320.0	180.0	4,500.0	4,520.0	123.0	4,643.0	4,828.7	305.6	5,034.3	5,048.4	5,329.7	5,048.4	281.3	5,329.7		
061	1000 Ethics and Anti-Corruption	4,320.0	180.0	4,500.0	4,520.0	123.0	4,643.0	4,828.7	305.6	5,034.3	5,048.4	5,329.7	5,048.4	281.3	5,329.7		
1291	Office of the Director of Public Prosecutions	4,395.6	86.0	4,481.6	5,283.3	491.0	5,774.3	5,695.7	64.5	5,760.2	5,919.3	6,005.3	5,919.3	86.0	6,005.3		
061	2000 Public Prosecution Services	4,395.6	86.0	4,481.6	5,283.3	491.0	5,774.3	5,695.7	64.5	5,760.2	5,919.3	6,005.3	5,919.3	86.0	6,005.3		
1311	Office of the Registrar of Political Parties	2,487.0	-	2,487.0	2,323.0	-	2,323.0	2,422.6	-	2,422.6	2,463.9	2,463.9	2,463.9	-	2,463.9		
061	4000 Registration, Regulation and Funding of Political Parties	2,487.0	-	2,487.0	2,323.0	-	2,323.0	2,422.6	-	2,422.6	2,463.9	2,463.9	2,463.9	-	2,463.9		
1321	Witness Protection Agency	841.2	-	841.2	1,016.1	-	1,016.1	1,031.9	-	1,031.9	1,077.7	1,077.7	1,077.7	-	1,077.7		
061	5000 Witness Protection	841.2	-	841.2	1,016.1	-	1,016.1	1,031.9	-	1,031.9	1,077.7	1,077.7	1,077.7	-	1,077.7		

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**Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd**

Sector/Code	Vote/Programme	2026 BPS Projections															
		Approved FY 2025/26 Budget				FY 2026-27				FY 2027-28				FY 2028-29			
		Current	Capital	Total		Current	Capital	Total		Current	Capital	Total		Current	Capital	Total	
060	GOVERNANCE, JUSTICE, LAW AND ORDER	264,118.5	18,923.9	283,042.3	304,059.5	25,929.7	329,989.2	310,983.7	28,268.5	339,252.2	312,076.5	344,876.3	310,983.7	28,268.5	339,252.2		
2011	Kenya National Commission on Human Rights	530.3	-	530.3	614.6	-	614.6	593.9	-	593.9	618.3	618.3	593.9	-	593.9		
0616000	Protection and Promotion of Human Rights	530.3	-	530.3	614.6	-	614.6	593.9	-	593.9	618.3	618.3	593.9	-	593.9		
2031	Independent Electoral and Boundaries Commission	9,302.3	30.0	9,332.3	24,903.3	61.7	24,965.1	20,259.7	103.1	20,362.8	4,909.6	5,050.7	20,259.7	103.1	20,362.8		
0617000	Management of Electoral Processes	9,302.3	30.0	9,332.3	24,903.3	61.7	24,965.1	20,259.7	103.1	20,362.8	4,909.6	5,050.7	20,259.7	103.1	20,362.8		
0618000	Determination of Electoral Boundaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2051	Judicial Service Commission	842.4	-	842.4	927.4	-	927.4	966.4	-	966.4	1,007.1	1,007.1	966.4	-	966.4		
0619000	Judicial Oversight	842.4	-	842.4	927.4	-	927.4	966.4	-	966.4	1,007.1	1,007.1	966.4	-	966.4		
2101	National Police Service Commission	1,390.8	-	1,390.8	1,569.2	-	1,569.2	1,613.1	-	1,613.1	1,674.0	1,674.0	1,613.1	-	1,613.1		
0620000	National Police Service Human Resource Management	1,390.8	-	1,390.8	1,569.2	-	1,569.2	1,613.1	-	1,613.1	1,674.0	1,674.0	1,613.1	-	1,613.1		
2141	National Gender and Equality Commission	556.5	-	556.5	722.5	-	722.5	711.1	-	711.1	730.0	730.0	711.1	-	711.1		
0621000	Promotion of Gender Equality and Freedom from Discrimination	556.5	-	556.5	722.5	-	722.5	711.1	-	711.1	730.0	730.0	711.1	-	711.1		
2151	Independent Policing Oversight Authority	1,315.9	-	1,315.9	1,469.4	-	1,469.4	1,496.9	-	1,496.9	1,559.3	1,559.3	1,496.9	-	1,496.9		
0622000	Police Oversight Services	1,315.9	-	1,315.9	1,469.4	-	1,469.4	1,496.9	-	1,496.9	1,559.3	1,559.3	1,496.9	-	1,496.9		
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	194,678.0	126,825.1	321,503.2	224,281.0	130,717.9	354,998.9	243,667.3	141,590.2	385,257.5	266,363.2	416,413.8	243,667.3	141,590.2	385,257.5		
1011	Executive Office of the President	4,535.3	1,034.0	5,569.3	5,641.5	1,311.2	6,952.7	5,343.8	1,385.0	6,728.8	5,554.5	7,030.5	5,343.8	1,385.0	6,728.8		
0603000	Government Printing Services	767.6	300.0	1,067.6	807.7	500.0	1,307.7	828.3	271.8	1,100.1	856.2	1,220.0	828.3	271.8	1,100.1		
0701000	General Administration Planning and Support Services	1,759.1	480.0	2,239.1	2,674.9	578.2	3,253.1	2,256.9	578.2	2,835.1	2,344.1	2,920.1	2,256.9	578.2	2,835.1		
0703000	Government Advisory Services	1,069.7	183.0	1,252.7	1,131.0	333.6	1,464.6	1,188.2	183.0	1,371.2	1,290.2	1,428.2	1,188.2	183.0	1,371.2		
0706000	Leadership and Coordination of Government Services	911.9	69.0	980.9	1,027.9	339.9	1,367.8	1,070.2	30.0	1,100.2	1,134.2	1,164.3	1,070.2	30.0	1,100.2		
1012	Office of the Deputy President	2,072.1	100.0	2,172.1	3,481.0	100.0	3,581.0	3,324.3	300.0	3,624.3	3,474.1	3,824.1	3,324.3	300.0	3,624.3		
0734000	Deputy President Services	2,072.1	100.0	2,172.1	3,481.0	100.0	3,581.0	3,324.3	300.0	3,624.3	3,474.1	3,824.1	3,324.3	300.0	3,624.3		
1013	Office of the Prime Cabinet Secretary	356.6	-	356.6	827.6	-	827.6	850.9	-	850.9	875.3	875.3	850.9	-	850.9		
0735000	Government Coordination and Supervision	356.6	-	356.6	827.6	-	827.6	850.9	-	850.9	875.3	875.3	850.9	-	850.9		
1014	State Department for Parliamentary Affairs	363.5	-	363.5	406.7	-	406.7	423.0	-	423.0	439.0	439.0	423.0	-	423.0		
0736000	Parliamentary Liaison and Legislative Affairs	363.5	-	363.5	406.7	-	406.7	423.0	-	423.0	439.0	439.0	423.0	-	423.0		
0760000	Policy Coordination and Strategy	74.5	-	74.5	83.8	-	83.8	99.7	-	99.7	103.1	103.1	99.7	-	99.7		
0761000	General Administration, Planning and Support Services	221.6	-	221.6	200.1	-	200.1	188.3	-	188.3	195.1	195.1	188.3	-	188.3		
1016	State Department for Cabinet Affairs	228.7	-	228.7	298.8	-	298.8	311.2	-	311.2	324.2	324.2	311.2	-	311.2		
0758000	Cabinet Affairs Services	228.7	-	228.7	298.8	-	298.8	311.2	-	311.2	324.2	324.2	311.2	-	311.2		
1017	State House	7,654.0	894.9	8,548.9	10,651.8	1,027.0	11,678.8	10,359.6	1,204.5	11,564.1	10,680.9	11,930.9	10,359.6	1,204.5	11,564.1		
0704000	State House Affairs	7,654.0	894.9	8,548.9	10,651.8	1,027.0	11,678.8	10,359.6	1,204.5	11,564.1	10,680.9	11,930.9	10,359.6	1,204.5	11,564.1		

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**Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd**

Sector/Code	Sector/Programme	2026 BPS Projections											
		Approved FY 2025/26 Budget			FY 2026/27			FY 2027/28			FY 2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	194,678.0	126,825.1	321,503.2	224,281.0	130,717.9	354,998.9	243,667.3	141,590.2	385,257.5	266,363.2	150,050.6	416,413.8
	1018 State Department for National Government Coordination	1,022.3	22.0	1,044.3	944.2	130.0	1,074.2	993.0	158.0	1,151.0	1,043.9	28.0	1,071.9
	0735000 Government Coordination and Supervision	1,022.3	22.0	1,044.3	944.2	130.0	1,074.2	993.0	158.0	1,151.0	1,043.9	28.0	1,071.9
	1032 State Department for Devolution	1,331.2	15,915.1	17,246.4	1,373.1	11,011.5	12,384.6	1,485.6	1,552.2	3,037.8	1,576.1	1,452.2	3,028.3
	0712000 Devolution Services	1,331.2	15,915.1	17,246.4	1,373.1	11,011.5	12,384.6	1,485.6	1,552.2	3,037.8	1,576.1	1,452.2	3,028.3
	1033 State Department for Special Programmes	488.1	165.6	653.7	687.2	165.0	852.2	723.8	263.0	986.8	762.2	320.0	1,082.2
	Disaster Risk Management	488.1	165.6	653.7	687.2	165.0	852.2	723.8	263.0	986.8	762.2	320.0	1,082.2
	1053 State Department for Foreign Affairs	23,017.7	2,346.4	25,364.1	24,358.1	2,356.3	26,714.4	25,396.5	3,050.0	29,446.5	26,350.6	4,250.0	30,600.6
	0714000 General Administration Planning and Support Services	3,335.0	238.1	3,573.1	3,631.6	36.3	3,667.9	3,699.3	300.2	3,999.5	3,818.5	372.2	4,190.7
	0715000 Foreign Relation and Diplomacy	19,478.8	1,978.3	21,457.1	20,326.8	2,300.0	22,626.8	21,080.2	2,500.0	25,186.8	21,892.6	3,500.0	25,392.6
	0741000 Economic and Commercial Diplomacy	47.9	-	47.9	52.0	-	52.0	55.0	-	55.0	60.0	-	60.0
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	156.1	150.0	306.1	304.7	20.0	324.7	362.0	349.8	711.8	609.5	377.8	987.3
	1054 State Department for Diaspora Affairs	717.8	-	717.8	844.6	-	844.6	877.6	-	877.6	912.0	-	912.0
	0752000 Management of Diaspora Affairs	717.8	-	717.8	844.6	-	844.6	877.6	-	877.6	912.0	-	912.0
	1071 The National Treasury	64,379.8	42,499.6	106,879.4	81,551.0	50,905.8	132,456.8	96,419.8	125,933.0	222,352.8	112,828.7	133,220.7	246,049.4
	0717000 General Administration Planning and Support Services	52,261.1	2,178.0	54,439.1	71,439.2	6,200.0	77,639.2	82,927.1	1,141.8	84,078.9	98,815.9	1,401.9	100,217.8
	0718000 Public Financial Management	6,942.8	24,713.6	31,656.4	7,926.7	34,324.8	42,251.5	11,224.4	124,458.9	135,683.3	11,616.0	131,541.5	143,157.3
	0719000 Economic and Financial Policy Formulation and Management	1,346.7	15,608.0	17,154.7	1,556.4	10,258.0	11,814.4	1,595.7	352.3	1,928.0	1,698.7	277.3	1,976.0
	0720000 Market Competition	638.2	-	638.2	638.7	87.0	725.7	662.6	-	662.6	698.1	-	698.1
	1072 State Department for Economic Planning	3,679.5	59,360.1	63,039.6	3,905.7	59,522.6	63,428.3	4,610.7	2,628.7	7,239.4	4,906.0	2,432.7	7,338.7
	0710000 Public Service Transformation	168.4	6.0	174.4	208.0	208.0	414.0	211.4	36.0	237.4	215.2	20.0	235.2
	0760000 Economic Policy and National Planning	1,048.2	399.5	1,447.7	1,099.7	430.5	1,530.2	1,121.8	2,162.7	3,317.5	1,236.8	1,949.9	3,186.7
	0709000 National Statistical Information Services	396.2	-	396.2	563.8	-	563.8	588.1	-	588.1	609.4	-	609.4
	0774000 Macro-economic Policy, National Planning and Research	1,337.3	16.9	1,354.1	1,465.8	15.0	1,478.8	1,552.9	156.0	1,708.9	1,692.4	176.2	1,868.6
	0775000 Sectoral & Intergovernmental Development Planning Coordination	719.4	58,937.7	59,657.2	598.4	58,873.1	59,471.5	1,106.3	281.0	1,387.3	1,152.2	286.0	1,438.8
	1073 State Department for Public Investments and Assets Management	3,172.3	736.0	3,908.3	3,407.2	750.2	4,057.4	3,511.0	882.8	4,393.8	3,717.2	1,010.0	4,727.2
	Programme 1: Public Investment & Portfolio Management	626.2	-	626.2	601.4	-	601.4	601.4	-	601.4	701.4	-	701.4
	Programme 2: Public Pensions & Retirement Benefit Management	1,029.6	50.2	1,079.8	1,029.6	50.2	1,079.8	1,029.6	50.2	1,079.8	1,164.1	50.2	1,214.3
	Programme 3: Government Assets Management	1,434.7	700.0	2,134.7	1,434.7	700.0	2,134.7	1,556.7	832.6	2,369.3	1,623.2	959.8	3,283.0
	Programme 4: General Administration, Planning and Support Services	216.7	-	216.7	216.7	-	216.7	216.7	-	216.7	228.5	-	228.5
	0718000 Public Financial Management	3,172.3	336.0	3,908.3	3,172.3	336.0	3,908.3	3,172.3	336.0	3,908.3	3,172.3	336.0	3,908.3

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**Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd**

Sector Code	Sector/Programme	2026 BPS Projections															
		Approved FY 2025/26 Budget				FY 2026/27				FY 2027/28				FY 2029/29			
		Current	Capital	Total		Current	Capital	Total		Current	Capital	Total		Current	Capital	Total	
070	<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	194,678.0	126,825.1	321,503.2	130,717.9	354,995.9	385,257.5	141,590.2	266,363.2	150,050.6	416,413.8		243,667.3	25,308.4	1,587.0	206,363.2	416,413.8
	1213 State Department for Public Service	19,752.4	1,856.4	21,608.8	1,523.3	25,240.7	25,978.3	1,913.0	24,165.3	1,837.0	27,195.4		24,165.3	25,308.4	1,837.0	25,308.4	27,195.4
	0710000 Public Service Transformation	8,299.9	1,743.4	10,043.3	339	1,700.0	1,700.0	464.5	1,235.5	1,235.5	1,700.0		1,235.5	1,235.5	300	1,235.5	1,700.0
	Public Service Human Resource Management and Development				1,662.3	12,821.2	12,821.2	1,172.2	12,011.9	1,587.0	15,744.7		12,011.9	12,011.9	1,587.0	12,011.9	15,744.7
	0709000 General Administration, Planning and Support Services	1,602.8	-	1,602.8	394.9	394.9	492.8	-	492.8	-	492.8		492.8	492.8	-	492.8	492.8
	0747000 National Youth Service	9,839.7	145.0	9,984.7	431.0	10,321.6	10,321.6	231.3	10,321.6	11,254.3	11,254.3		10,321.6	10,321.6	11,254.3	11,254.3	
	<b>Parliament</b>	46,425.7	1,505.0	47,990.7	1,505.0	48,779.9	51,054.4	2,065.0	48,980.4	2,065.0	52,903.7		48,980.4	50,838.7	2,065.0	48,980.4	52,903.7
	<b>2061 The Commission on Revenue Allocation</b>	370.0	-	370.0	510.6	510.6	526.5	-	526.5	-	544.2		526.5	544.2	-	544.2	544.2
	0737000 Inter-Governmental Transfers and Financial Matters	370.0	-	370.0	510.6	510.6	526.5	-	526.5	-	544.2		526.5	544.2	-	544.2	544.2
	<b>2071 Public Service Commission</b>	3,561.7	-	3,561.7	3,640.6	3,640.6	3,695.3	55.0	3,695.3	3,758.6	3,758.6		3,695.3	3,758.6	-	3,758.6	3,758.6
	0725000 General Administration, Planning and Support Services	916.3	-	916.3	992.9	1,042.9	1,042.9	55.0	1,042.9	1,042.9	1,042.9		1,042.9	1,042.9	-	1,042.9	1,042.9
	0726000 Human Resource Management and Development	2,415.6	-	2,415.6	2,469.2	2,469.2	2,425.0	-	2,425.0	2,425.0	2,425.0		2,425.0	2,425.0	-	2,425.0	2,425.0
	0727000 Governance and National Values	168.3	-	168.3	142.1	142.1	148.8	-	148.8	151.7	151.7		148.8	151.7	-	151.7	151.7
	0744000 Performance and Productivity Management	39.3	-	39.3	66.8	66.8	65.8	-	65.8	71.0	71.0		65.8	71.0	-	71.0	71.0
	075000 Administration of Quasi-Judicial Functions	21.0	-	21.0	29.6	29.6	30.7	-	30.7	31.8	31.8		30.7	31.8	-	31.8	31.8
	<b>2081 Salaries and Remuneration Commission</b>	751.7	-	751.7	790.9	790.9	822.2	-	822.2	857.0	857.0		822.2	857.0	-	857.0	857.0
	0728000 Salaries and Remuneration Management	751.7	-	751.7	790.9	790.9	822.2	-	822.2	857.0	857.0		822.2	857.0	-	857.0	857.0
	<b>2111 Auditor General</b>	8,359.0	330.0	8,689.0	8,476.3	300.0	5,776.3	300.0	9,128.8	300.0	10,112.6		9,128.8	9,812.6	300.0	10,112.6	10,112.6
	0729000 Audit Services	8,359.0	330.0	8,689.0	8,476.3	300.0	8,776.3	300.0	9,128.8	300.0	10,112.6		9,128.8	9,812.6	300.0	10,112.6	10,112.6
	<b>2121 Office of the Controller of Budget</b>	834.1	-	834.1	913.7	913.7	948.1	-	948.1	983.7	983.7		948.1	983.7	-	983.7	983.7
	0730000 Control and Management of Public Finances	834.1	-	834.1	913.7	913.7	948.1	-	948.1	983.7	983.7		948.1	983.7	-	983.7	983.7
	<b>2131 The Commission on Administrative Justice</b>	674.2	-	674.2	720.1	720.1	756.6	-	756.6	784.1	784.1		756.6	784.1	-	784.1	784.1
	0731000 Provision of Administrative Justice	674.2	-	674.2	720.1	720.1	756.6	-	756.6	784.1	784.1		756.6	784.1	-	784.1	784.1
080	<b>NATIONAL SECURITY</b>	248,836.2	4,934.0	253,770.2	292,049.3	7,934.0	299,983.3	13,934.0	291,321.4	293,541.5	18,934.0		291,321.4	293,541.5	18,934.0	312,475.5	312,475.5
	<b>1041 Ministry of Defence</b>	197,388.9	4,934.0	202,322.9	233,432.3	7,934.0	241,366.3	13,934.0	224,046.4	233,804.5	18,934.0		224,046.4	233,804.5	18,934.0	252,738.5	252,738.5
	0801000 Defence	184,951.9	4,734.0	189,685.9	220,002.1	6,684.0	226,686.1	13,324.0	211,136.6	221,568.8	18,134.0		211,136.6	221,568.8	18,134.0	239,642.8	239,642.8
	0802000 Civil Aid	335.0	-	335.0	335.0	335.0	341.6	-	341.6	341.6	341.6		341.6	341.6	-	341.6	341.6
	0803000 General Administration, Planning and Support Services	2,919.7	-	2,919.7	3,241.8	3,241.8	3,241.8	-	3,241.8	3,241.8	3,241.8		3,241.8	3,241.8	-	3,241.8	3,241.8
	0805000 National Space Management																
	0806000 Defence Industrialization	9,142.3	200.0	9,342.3	9,648.4	300.0	10,148.4	600.0	9,227.4	3,497.4	9,227.4		9,227.4	3,497.4	800.0	9,227.4	9,227.4
	<b>1281 National Intelligence Service</b>	51,447.2	-	51,447.2	58,617.0	-	58,617.0	-	57,275.0	59,737.0	59,737.0		57,275.0	59,737.0	-	59,737.0	59,737.0
	0804000 National Security Intelligence	51,447.2	-	51,447.2	58,617.0	-	58,617.0	-	57,275.0	59,737.0	59,737.0		57,275.0	59,737.0	-	59,737.0	59,737.0

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**Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd**

Sector/Code	Year/Programme	2026 BPS Projections											
		Approved FY 2025/26 Budget			FY 2026/27			FY 2027/28			FY 2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
090	<b>SOCIAL PROTECTION, CULTURE AND RECREATION</b>	54,145.3	24,849.1	78,994.4	60,732.0	26,492.7	87,224.7	55,847.6	27,534.8	83,382.3	61,556.6	28,806.3	90,362.9
	1132 State Department for Sports	1,626.8	15,835.0	17,461.8	7,384.9	13,108.9	20,493.7	1,921.0	18,900.0	20,821.0	2,044.8	19,901.7	21,946.5
	0901000 Sports	1,626.8	15,835.0	17,461.8	7,384.9	13,108.9	20,493.7	1,921.0	18,900.0	20,821.0	2,044.8	19,901.7	21,946.5
	<b>1134 State Department for Culture and Heritage</b>	2,772.6	813.0	3,585.6	2,940.7	1,444.0	4,384.8	2,952.9	1,255.0	4,207.9	3,132.6	52.0	3,184.6
	0902000 Culture/Heritage	1,642.4	131.0	1,773.4	1,646.8	54.7	1,701.5	1,741.7	75.0	1,816.7	1,841.4	10.0	1,851.4
	0903000 The Arts	254.0	300.0	554.0	256.8	24.4	281.1	268.6	-	268.6	380.9	-	380.9
	0904000 Library Services	467.8	145.0	612.8	472.9	-	472.9	504.3	-	504.3	539.3	-	539.3
	0905000 General Administration, Planning and Support Services	136.3	-	136.3	139.3	-	139.3	146.6	-	146.6	162.0	-	162.0
	0916000 Public Records Management	124.2	37.0	161.1	323.0	65.0	390.0	291.6	50.0	341.6	309.0	42.0	351.0
	0917000 Lottery Control, Licensing and Regulations	148.0	-	148.0	-	-	-	-	-	-	-	-	-
	<b>1135 State Department for Youth Affairs and Creative Economy</b>	2,228.6	2,672.4	4,901.0	2,581.3	2,201.4	4,782.8	2,705.4	2,392.3	5,097.7	2,855.5	2,488.7	5,344.3
	0211000 Film Development Services	811.2	454.7	1,265.9	814.6	31.5	848.2	880.3	-	880.3	948.0	-	948.0
	0711000 Youth Empowerment Services	162.8	481.4	644.2	491.8	-	491.8	520.0	139.3	659.4	568.6	362.8	831.4
	0748000 Youth Development Services	661.7	1,736.3	2,398.0	694.3	2,167.9	2,862.3	706.0	2,252.9	2,958.9	726.9	2,225.9	3,182.8
	0749000 General Administration, Planning and Support Services	593.0	-	593.0	580.6	-	580.6	599.1	-	599.1	612.0	-	612.0
	<b>1134 State Department for Labour and Skills Development</b>	4,295.2	765.6	5,060.8	4,467.0	1,065.3	5,532.3	4,499.1	1,287.2	5,786.3	4,538.7	1,437.5	5,976.3
	0910000 General Administration, Planning and Support Services	474.9	-	474.9	534.2	-	534.2	541.8	-	541.8	536.9	-	536.9
	0906000 Labour, Employment and Safety Services	3,174.7	211.6	3,386.4	1,269.2	246.3	1,515.5	1,287.5	273.5	1,561.0	1,322.7	303.8	1,629.4
	0907000 Manpower Development, Industrial Skills & Productivity Management	2,645.5	553.0	3,202.5	2,663.6	819.0	3,482.6	2,669.8	1,013.7	3,683.5	2,676.2	1,133.7	3,809.9
	<b>1135 State Department for Social Protection and Senior Citizens Affairs</b>	29,132.9	187.1	29,320.0	29,160.3	708.3	29,868.6	29,361.2	730.3	30,091.5	34,309.3	776.3	35,085.6
	0908000 Social Development and Children Services	1,635.5	39.0	1,664.5	-	-	-	-	-	-	-	-	-
	0909000 National Social Safety Net	27,147.5	148.1	27,295.6	27,179.5	540.3	27,719.8	27,358.1	540.3	27,898.4	32,230.3	540.3	32,770.6
	0914000 General Administration, Planning and Support Services Programme: Social Development and Disability Inclusion	360.0	-	360.0	390.9	-	390.9	377.8	-	377.8	398.2	-	398.2
	<b>1136 State Department for Children Services</b>	12,074.1	244.0	12,318.1	12,170.9	140.0	12,310.9	12,323.6	100.0	12,423.6	12,536.8	150.0	12,686.8
	0908000 Social Development and Children Services	2,608.1	244.0	2,850.1	1,589.8	168.0	1,757.8	1,623.3	190.0	1,815.3	1,680.8	236.0	1,916.8
	0909000 National Social Safety Net	9,310.7	-	9,310.7	-	-	-	-	-	-	-	-	-
	0914000 General Administration, Planning and Support Services Programme: Child Protection and Safeguarding	157.3	-	157.3	-	-	-	-	-	-	-	-	-
	<b>1212 State Department for Gender and Affirmative Action</b>	2,015.2	4,328.9	6,344.1	2,127.0	4,124.7	6,251.7	2,084.4	4,000.0	6,084.4	2,138.9	4,000.0	6,138.9
	0911000 Community Development	940.8	4,000.0	4,940.8	940.0	4,000.0	4,940.0	940.0	4,000.0	4,940.0	940.0	4,000.0	4,940.0
	0912000 Gender Empowerment	833.0	328.9	1,161.9	955.1	124.7	1,079.8	903.6	-	903.6	946.4	-	946.4
	0913000 General Administration, Planning and Support Services	241.4	-	241.4	231.9	-	231.9	240.8	-	240.8	232.5	-	232.5

SECRET

**Annex Table 4: Summary of Expenditure by Programmes (KSh Million) ... Cont'd**

Sector Code	Sector/Vote Programme	2026 BPS Projections											
		Approved FY 2025/26 Budget			FY 2026-27			FY 2027-28			FY 2028-29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	33,879.1	61,987.5	95,866.7	36,210.0	70,498.0	106,708.0	39,081.0	\$3,591.0	122,672.0	42,176.0	120,954.0	163,130.0
	1104 State Department for Irrigation	955.2	6,593.2	7,548.4	943.0	7,528.0	8,471.0	1,039.0	8,978.0	10,017.0	1,085.0	10,692.0	11,777.0
	1014000 Irrigation and Land Reclamation	761.4	6,148.2	7,109.6									
	1015000 Water Storage and Flood Control												
	1022000 Water Harvesting and Storage for Irrigation	20.9	245.0	265.9									
	1023000 General Administration, Planning and Support Services	172.9		172.9	168.0	83.0	248.0	179.0	125.0	304.0	184.0	182.0	366.0
	P1: Irrigation Development & Rehabilitation				723.0	6,609.0	6,733.0	803.0	6,994.0	7,797.0	847.0	8,610.0	9,456.0
	P2: Land Reclamation and Climate Resilience Irrigation Development				32.0	1,448.0	1,500.0	57.0	1,839.0	1,916.0	29.5	1,894.0	1,943.0
	1109 State Department for Water & Sanitation	6,777.9	47,176.4	53,954.3	7,343.0	49,503.0	56,846.0	7,942.0	59,187.0	67,129.0	8,570.0	88,373.0	96,943.0
	1001000 General Administration, Planning and Support Services	725.9	111.0	836.9	845.0	209.0	1,044.0	906.0	768.0	1,614.0	974.0	672.0	1,386.0
	1004000 Water Resources Management	2,041.2	14,437.0	16,478.2	2,092.0	20,433.0	22,425.0	2,056.0	15,238.0	17,294.0	2,171.0	16,786.0	18,957.0
	1017000 Water and Sewerage Infrastructure Development	3,669.7	31,080.3	34,750.0	4,121.0	27,384.0	31,485.0	4,557.0	39,678.0	44,233.0	4,974.0	61,394.0	66,267.0
	1015000 Water Storage and Flood Control	372.2	1,543.9	1,916.1	375.0	1,500.0	1,881.0	423.0	3,519.0	3,942.0	434.0	9,401.0	9,855.0
	1192 State Department for Mining	1,363.4	267.2	1,630.6	1,539.0	478.0	2,017.0	1,588.0	633.0	2,221.0	1,667.0	332.0	2,499.0
	1007000 General Administration, Planning and Support Services	375.1		375.1	459.0		459.0	446.0		446.0	463.0		463.0
	1009000 Mineral Resources Management	617.8	71.2	689.0	656.0	203.0	859.0	683.0	229.0	882.0	679.0	215.0	894.0
	1021000 Geological Survey and Geoinformation Management	370.6	196.0	566.6	424.0	273.0	697.0	479.0	404.0	883.0	532.0	619.0	1,151.0
	1203 State Department for Wildlife	11,955.5	2,404.1	14,359.6	13,250.0	1,858.0	15,108.0	14,411.0	2,640.0	17,051.0	15,811.0	3,930.0	19,741.0
	1019000 Wildlife Conservation and Management	11,955.5	2,404.1	14,359.6	13,250.0	1,858.0	15,108.0	14,411.0	2,640.0	17,051.0	15,811.0	3,930.0	19,741.0
	1331 State Department for Environment & Climate Change	3,894.9	1,934.7	5,829.6	4,103.0	2,605.0	6,708.0	4,432.0	2,898.0	7,330.0	4,728.0	3,520.0	8,248.0
	1002000 Environment Management and Protection	2,036.2	1,788.7	3,741.9	2,177.0	2,241.0	4,388.0	2,314.0	2,581.0	4,923.0	2,844.0	3,050.0	3,697.0
	1010000 General Administration, Planning and Support Services	486.2		486.2	460.0	29.0	489.0	471.0	30.0	511.0	484.0	70.0	554.0
	1012000 Meteorological Services	1,372.6	229.0	1,601.6	1,166.0	33.0	1,200.0	1,547.0	287.0	1,834.0	1,603.0	460.0	2,063.0
	1332 State Department for Forestry	8,932.2	3,612.0	12,544.2	9,032.0	8,526.0	17,558.0	9,669.0	9,255.0	18,924.0	10,315.0	13,607.0	23,922.0
	1018000 Forests Development, Management and Conservation	8,761.7	3,612.0	12,373.8	8,833.0	8,220.0	17,053.0	9,259.0	9,255.0	18,694.0	10,581.0	13,607.0	23,688.0
	1024000 Agroforestry and Commercial Forestry Development	15.3		15.3	27.0		27.0	44.0		44.0	49.0		49.0
	1025000 General Administration, Planning and Support Services	155.1		155.1	172.0		172.0	185.0		185.0	185.0		185.0
	<b>TOTAL</b>	<b>1,804,706.3</b>	<b>744,837.7</b>	<b>2,549,544.0</b>	<b>2,021,097.8</b>	<b>846,324.8</b>	<b>2,867,422.5</b>	<b>2,108,425.3</b>	<b>1,187,434.6</b>	<b>3,295,849.8</b>	<b>2,214,866.8</b>	<b>1,254,201.1</b>	<b>3,469,067.9</b>

**Annex Table 5: Policy Resolutions by Parliament on Previous Budget Policy Statements**

1. **Section 25(8) of the Public Finance Management (PFM) Act, 2012** prescribes that the Cabinet Secretary for The National Treasury shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. The National Assembly approved the 2025 Budget Policy Statement and the 2024 Budget Policy Statement on 12<sup>th</sup> March 2025 and 7<sup>th</sup> March 2024, respectively.

2. **Section 38(1) (iii) of the PFM Act, 2012** requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS have been taken into account. In this regard, the following Section provides a brief to Parliament on the extent to which the resolutions of the House on the 2025 BPS and 2024 BPS have been taken into account and the reasons thereof.

No.	Resolution	Action taken
1.	Further to the resolution of the House during the approval of FY 2024/25 Estimates on reengineering the Integrated Financial Management Information System (IFMIS), the National Treasury submits geographical information of development projects per county and constituency by 30th April, 2025.	The Integrated Financial Management Information System (IFMIS) has established a standardized chart of accounts that includes a segment dedicated to geographical location, which is essential for budgeting purposes. Counties are mandated to allocate budgets for projects by specifying the cost center associated with the geographical location. This functionality has been integrated into the system, where a designated section for geographical codes constitutes a segment of the budget line for each project
2.	The Cabinet Secretary for the National Treasury and Economic Planning ensures that projects that are nearing completion are prioritized for resource allocation. This should include a list of development projects that are earmarked for completion in FY 2025/26 for all Ministries, Departments and Agencies (MDAs).	During the finalization of the FY 2025/26 Budget, the National Treasury prioritized funding to projects that are nearing completion. A list of these projects, which are set to be completed in FY 2025/26 and the Medium-Term, is provided alongside the submitted FY 2025/26 Budget in accordance with this resolution.
3.	Given that several policy pronouncements in the BPS have not been funded, before submission of the Budget Estimates for FY 2025/26 to the National Assembly, the Cabinet Secretary for the National Treasury and Economic Planning ensures that these unfunded priorities have been factored within the approved ceilings as provided in the Fourth Schedule to the Report.	In light of the fiscal consolidation policy and the existing resource constraints, the National Treasury has prioritized critical expenditures in the FY 2025/26 Budget. Any priority expenditure not included in the FY 2025/26 Budget will be considered during the preparation of FY 2026/27 and the Medium-Term Budget.

No.	Resolution	Action taken
4.	<p>On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury and Economic Planning submits to the National Assembly a statement on the fiscal impact of adopting zero-based budgeting.</p>	<p>In accordance with the Cabinet directive, MDAs are to implement Zero-Based Budgeting (ZBB) starting from FY2025/26. The National Treasury has adopted the ZBB, ensuring that all expenditures are thoroughly costed and justified for funding. To facilitate the implementation of Zero-Based Budgeting, the National Treasury has developed a Costing Tool that is now integrated into the IFMIS.</p>
5.	<p>To entrench oversight of Appropriations in Aid (AIA) and earmarked public funds, the National Treasury:</p> <ol style="list-style-type: none"> <li>collates and reports on all AIA generated by non-commercial national government entities, including fees, charges, levies, together with related expenditure, projects, and programs and provide the report to the National Assembly by 30th April, 2025;</li> <li>Reports to the National Assembly on all extra budgetary funds realized and related expenditure by 30th April, 2025;</li> <li>Proposes changes to the Controller of Budget Act to provide for the Controller of Budget to approve the utilization of A-I-A and related expenditure by September 2025; and</li> <li>Identifies and proposes legislation to the National Assembly on the overall framework for the financial management of AIA, including the repeal of non-critical public funds and AIA mandates by September 2025.</li> </ol>	<p>The details of AIA projections for FY 2025/26 by non-commercial government entities and their related expenditures are as provided in the Itemized Budget Estimates for FY 2025/26 under their specific Votes and Heads. The National Treasury will develop framework for the financial management of AIA, including the repeal of non-critical public funds and AIA mandates by September 2025 as resolved.</p>
6.	<p>Given the government reliance on several payment systems for various functions such as capitation for schools, salaries payments, transfer to counties, and exchequer releases, the Cabinet Secretary for the National Treasury and Economic Planning provides to Parliament with an update on integration of government payment systems within the Integrated Financial Management Information System (IFMIS) ecosystem to enhance transparency and accountability by the 30<sup>th</sup> April, 2025.</p>	<p>Ministries, Departments, Agencies, and Counties (MDCAs) utilize the IFMIS for payment processing, which integrates with KRA iTax and the CBK core banking system. IFMIS facilitates budget uploads and transaction processing, while KRA's iTax generates Payment Registration Numbers (PRN) to alert suppliers about tax obligations. CBK serves as the disbursement platform for funds. Key concerns have been addressed as outlined below:</p> <ol style="list-style-type: none"> <li>Capitation funding for schools is administered through the Integrated Financial Management Information System (IFMIS). The Ministry of Education does not utilize any alternative payment</li> </ol>

No.	Resolution	Action taken
		<p>systems. The National Education Management Information System (NEMIS) is solely designated for the maintenance of student data and is not intended for processing payments;</p> <p>ii) Processing of salaries for public servants is conducted through the Integrated Financial Management Information System (IFMIS). The National Treasury is currently finalizing the integration between IFMIS and the Human Resource Integrated System (HRIS) to ensure seamless maintenance of employee data and efficient payroll processing;</p> <p>iii) Transfer of equitable shares to Counties is facilitated through the Integrated Financial Management Information System (IFMIS). However, the notification regarding the funds transferred to the County Revenue Fund is conducted manually;</p> <p>iv) Processing of Exchequer for MDAs is efficiently automated through the IFMIS; and</p> <p>v) National Treasury is currently engaged in the integration of the Debt Management System and E-Citizen with the IFMIS</p>
7.	<p>On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury and Economic Planning submits a statement to the National Assembly on timelines and fiscal impact of merging, restructuring, and winding up state entities in line with the Cabinet Decision of 21<sup>st</sup> January 2025.</p>	<p>In light of the Cabinet Decision dated 21<sup>st</sup> January 2025, a Multi-Agency Technical Working Committee was established to execute the State Corporations' Reforms as sanctioned by the Cabinet. This Committee includes representatives from the Executive Office of the President, the State Department for Public Service, the Office of the Attorney General/State Law Office, the State Corporations Advisory Committee, and the Inspectorate of State Corporations. The reforms were implemented in two phases, with the entire process completed by the end of FY 2024/25.</p>
8.	<p>On submission of the Budget Estimates for FY 2025/26, the Intergovernmental Relations Technical Committee (IGRTC) submits a statement to the National Assembly on fiscal impact and timelines for implementation of Gazette Notice No. Vol. CXXXVI-No. 219 of 2024 on the delineation and transfer of devolved functions.</p>	<p>Following the publication of the re-validated sector exercise reports on the delineation of functions, IGRTC published the respective Gazette Notices (No. 16472 to 16483) on 16<sup>th</sup> December, 2024 on the delineated functions. Additionally, the IGRTC through the letter dated 26<sup>th</sup> March 2025, <b>Ref: IGR/FIN/8/1/VOL IV (63)</b> provided the status of this resolution. <b>Annex 2</b></p>

No.	Resolution	Action taken
9.	On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury and Economic Planning provides a list of all Public-Private Partnerships (PPP) projects to be implemented in FY 2025/26.	of this Budget Summary provides a Statement on fiscal impact and timelines for implementation of Gazette Notice No. Vol. CXXVI-No. 219 of 2024 on the delineation and transfer of devolved functions. A list of all Public-Private Partnerships (PPPs) projects was provided in Annex 3 of the Budget Summary for the FY 2025/26.
10	By 30 <sup>th</sup> June, 2025, the National Treasury submits a comprehensive report detailing the implementation status of the new digitized pension system. Additionally, the report should include an action plan to clear pension arrears, ensure timely contributions, and enhance administrative efficiency.	In line with the ongoing Public Service Pension Schemes (PSPS) reforms, the National Treasury is undertaking the comprehensive re-engineering of the Pension Management Information System (PMIS) to improve functionality, operational efficiency, data reliability. The reform aim to deliver a fully integrated Enterprise Resource Planning (ERP) solution that automates pension administration processes, eliminates manual interfaces, strengthens internal controls, and enhances service delivery to pensioners and beneficiaries.  Development of the new system has been completed, and pilot implementation is ongoing across selected Ministries, Departments and Agencies (MDAs). Complementary activities include user training, data migration, and system stabilization, ahead of phased roll-out across the wider public service. Upon full implementation, the system is expected to significantly improve timeliness of pension processing, contribution management, compliance oversight, and reporting, thereby reinforcing confidence in the public service pension framework.
<b>B. Policy Resolutions on the 2024 BPS</b>		
11	Given the need to link the Bottom-up Economic Transformation Agenda to the Vision 2030, the Cabinet Secretary for National Treasury and Economic Planning to submit the Fourth Medium Term Plan of the Vision 2030 to the National Assembly before submission of the Budget Estimates for FY 2024/25.	The National Treasury and Economic Planning submitted the Fourth Medium Term Plan of Vision 2030 to the National Assembly and was officially launched by H.E. the President on 21st March 2024.

No.	Resolution	Action taken
12	The National Treasury to prepare guidelines for proper costing of government policies, programmes and projects to minimize discrepancies between the planned and actual resource requirements before the preparation of the 2025 BPS.	The National Treasury prepared a Budget Manual that covers among others a chapter on budget costing. Further, a budget costing tool has been prepared in the IFMIS system and PFM officials have been trained on the same. The 2025 BPS will be prepared after budget costing is conducted within the budget costing tool.
13	In view of delayed compensation for land acquired from individuals by the Government for various projects, the National Treasury should prioritize payments for land compensation in the FY 2024/25 estimates, before they are submitted to the National Assembly. Going forward, no Government project should commence before the owners of such land are compensated.	The Government will continue prioritize payment of pending land compensation within the approved allocations in the FY 2024/25 Budget. To ensure compliance with this requirement, the Public Investment Management (PIM) Regulations, 2022 was enacted and requires Ministries, Departments and Agencies to avail land for any project as a prerequisite before such projects are approved and funded by the National Treasury.
14	Given the funding challenges facing the Department of Immigration and Citizen Services on issuance of documents such as Passports, Identity Cards, Birth and Death certificates, before finalization of the Annual Estimates for FY 2024/25, the Cabinet Secretary for National Treasury and Economic Planning enhances the Appropriation-in-Aid for the Department by increasing the current allocation to 20 percent of all the revenues it generates to the Exchequer through issuance of documents (an equivalent of KSh 3.980 billion in the FY 2024/25 Revenue estimates).	In the FY 2023/24, the National Treasury provided KSh 1.3 billion as Appropriation in Aid (A.i.A) to the State Department for Immigration and Citizen Services to help address cash flow challenges. In the FY2024/25 budget, the State Department has been allowed to utilize A.i.A amounting to KSh 3.9 billion in compliance with the resolution of the National Assembly to address challenges on issuance of documents such as Passports, Identity Cards, and Birth and Death certificates. It is important to note that the A.i.A allocation to MDAs is not pegged on percentage collection but on assessed needs of the MDA.
15	To improve the gender responsiveness of government policies, before finalization of the 2025 Budget Policy Statement, the National Treasury to incorporate a section on the gender responsiveness of the various policy proposals in line with international best practices.	The Government is committed to embracing Gender Responsive Budgeting (GRB) to ensure achievement of equity between genders. We also recognize that Gender responsiveness is critical in boosting economic growth and for sustainability. In this regard, the National Treasury is committed to adhere to this resolution of the National Assembly.
16	The East Africa Customs Management Act, 2004 allows the Council of Ministers to review the regional customs tariffs, and these changes have not been subjected to public participation. The National Treasury to ensure that any such reviews are subjected to public participation and submitted to the National Assembly before they are formally ratified.	The National Treasury remains committed to ensuring effective public and stakeholder engagement in all policy formulation and implementation process. The National Treasury wishes to underscore that the proposals to amend the East Africa Customs Management Act usually come from EAC Partner States. Thereafter, the East Africa Legislative Assembly conduct public participation on the consolidated proposals in all EAC Partner States.

No.	Resolution	Action taken
17	<p>Given the delays in approval of the County Government Additional Allocations Bill and subsequent interruption in implementation of those programmes, the Cabinet Secretary for National Treasury and Economic Planning ensures that there are no requests for mid-year revisions in compliance with the provisions of section 191(1) of the Public Finance Management Act, 2012.</p>	<p>On the other hand, the proposals for review of regional customs tariffs normally come from the public and various stakeholders. The National Treasury together with the Kenya Revenue Authority and Ministry of Trade, Investments and Industry then engages the stakeholders who submitted the proposals for better understanding. The National Treasury will begin to submit reviews of regional customs tariffs to the National Assembly starting from 30th April 2024.</p> <p>The National Treasury will comply with this resolution.</p>
18	<p>By 30<sup>th</sup> April 2024, the National Treasury to submit a detailed report on Public-Private Partnership (PPP) projects to the National Assembly. This report should address the shortcomings identified in the 2024 BPS by providing comprehensive information on the nature, scope, and status of individual PPP initiatives.</p>	<p>The National Treasury submitted a detailed report on Public-Private Partnership (PPP) projects to the National Assembly. The details were annexed to the 2024 Budget Summary (Annex 1), providing the required information on PPP projects.</p>
19	<p>Before finalization of the FY 2024/25 budget estimates, the National Treasury to transfer the resources previously being utilized by the Government Delivery Services from the Office of the Prime Cabinet Secretary, Vote 1013, to the State Department for Performance and Delivery Management where the service is currently domiciled.</p>	<p>During the preparation of the FY 2024/25 Budget, allocations for the functions that were being performed by the Government Delivery Services were prioritized under the State Department for Performance and Delivery Management. In addition to this, the State Departments Budget is prioritized towards delivery of its mandate as provided for in the Executive Order No. 1 of 2023.</p>
20	<p>Before submission of the 2025 BPS, the National Treasury to authorize the National Land Commission to be a collector of revenue for the National Government as per Section 76(1) of the Public Finance Management Act, 2012 to enhance AIA collections in the sector.</p>	<p>The National Treasury will endeavour to engage the National Land Commission on the enhancement of the Appropriation in Aid, National Government as per Section 76(1) of the Public Finance Management Act, 2012.</p>

No.	Resolution	Action taken
21	<p>The Independent Electoral and Boundaries Commission, in close collaboration with the National Treasury, undertakes a thorough scrutiny and audit of all the pending bills, particularly the bills owed to suppliers with a view to settling the eligible pending bills.</p>	<p>The National Treasury is committed to ensuring payment of all pending bills within a sustainable fiscal framework. The Cabinet Secretary, the National Treasury and Economic Planning under Gazette Notice No. 13355 of 30<sup>th</sup> September 2023, appointed a Pending Bills Verification Committee (PBVC) to carry out a thorough analysis of the stock of pending bills that have accumulated from June 2005 to June 2022. Among other tasks the PBVC is to develop reforms or measures that will ensure future accumulation of pending bills is avoided. The PBVC is already working on the pending bills verification exercise after receiving submissions from MDAs including those by the Independent Electoral and Boundaries Commission from 29th January to 2nd February 2024. The PBVC will be making recommendations on the eligible pending bills that will be paid in the FY 2024/25 and the Medium Term.</p>
22	<p>Before finalization of estimates for FY 2024/25 and in line with the Presidential Working Party Report on Education Reforms, the National Treasury to transfer the Low-Cost Boarding Schools (LCBS), function and the attendant budgetary provisions to the National Council for Nomadic Education in Kenya (NACONEK), which is best suited to implement the programme. This will ensure that the LCBSs are given adequate attention to address education disparities and oversee interventions that will enhance access, retention, transition and completion rates in ASAL areas.</p>	<p>The National Treasury transferred an allocation of KSh 400 million to National Council for Nomadic Education in Kenya (NACONEK).</p>

Annex Table 6: Highlights of the Issues Raised During Public Sector Hearings

CATEGORY OF ISSUE	ISSUES	PROPOSED WAY FORWARD/ACTION TAKEN/RESPONSE
Policy Issues	<ul style="list-style-type: none"> <li>● Long queues and limited access in fertilizer distribution</li> <li>● Extension service ratio too low (1:3000 vs 1:400 standard)</li> <li>● Need for more support to farmers for food security</li> <li>● Livestock breeding, disease control, and drought mitigation</li> <li>● Need for subsidies for other farm inputs besides fertilizer</li> </ul>	<p style="text-align: center;"><b>AGRICULTURE, RURAL AND URBAN DEVELOPMENT (ARUD)</b></p> <ul style="list-style-type: none"> <li>● National Cereals Produce Board (NCPB) centres available in all counties from where the farmers get the fertilizers. Plans underway to use the Vulnerable and Marginalized Groups (VMGs) system, to support targeted distribution of the fertilizer</li> <li>● The sector mentioned that there is ongoing collaboration with counties to improve staffing.</li> <li>● Farmers are supported through seed subsidies and the revival of agricultural clubs in schools to boost agricultural production. There are also efforts on exploration of Land Commercialization Initiatives to increase food production</li> <li>● Multiple breeding centers have been operationalized in the country (Kirinyaga, Naivasha, Marimati, Barchuma, among others). The 'DRIVE' programme provides insurance that compensates farmers for losses of animals due to drought.; ongoing vaccination campaign for animals that is meant to minimize animal diseases; KAGRIC is currently providing/distributing drought-resilient animal genetics to ASAL livestock farmers; and provision of concessional loans and grants as well as digital financing systems, to farmers to improve their access to funds for livestock feed.</li> <li>● The sector indicated that plans are underway to expand subsidies beyond seeds.</li> </ul>
Project Implementation Issues	<ul style="list-style-type: none"> <li>● County-specific agricultural programmes</li> <li>● Need for revival of pyrethrum farming</li> <li>● Low prices and value addition for mangoes produced in the Kitui county</li> </ul>	<ul style="list-style-type: none"> <li>● Programmes should be tailored to county resources; includes fish landing sites, aquaculture with construction of dams in some counties to boost multipurpose functions.</li> <li>● Sector reported that a request for KSh 534M was submitted to Treasury for factory restoration</li> <li>● Farmers were encouraged to process mangoes to increase earnings.</li> </ul>

Resource Allocation Issues	<ul style="list-style-type: none"> <li>Funding gaps for key agricultural programmes</li> <li>Alternative Agricultural Financing Mechanism</li> <li>Clarification on the gap between sector requirements and allocations</li> </ul>	<ul style="list-style-type: none"> <li>The function is majorly devolved. Further Partnerships with FAO and other development partners for Agricultural production improvement are being pursued.</li> <li>PPPs, private developer partnerships, and commercialization initiatives underway to increase production at a lower cost and reduce funding gaps</li> <li>There are plans to explore alternative financing mechanisms such as PPPs, privatization, securitization, among others.</li> <li>Affirmed as one of the existing funds; being updated to align with PFM Act.</li> </ul>
Governance Issues	<ul style="list-style-type: none"> <li>Clarification on Veterinary Services Development Fund</li> </ul>	<ul style="list-style-type: none"> <li>The sector reported that there are reforms being implemented; value addition emphasized.</li> <li>Tea boards to provide information where there are other deductions during bonus issue</li> </ul>
Governance Issues	<ul style="list-style-type: none"> <li>Concerns on the governance issues in tea sector; low bonuses in some areas</li> </ul>	<ul style="list-style-type: none"> <li>The sector reported that there are reforms being implemented; value addition emphasized.</li> <li>Tea boards to provide information where there are other deductions during bonus issue</li> </ul>
<b>ENERGY, INFRASTRUCTURE, AND ICT (EI&amp;ICT)</b>		
Policy issues	<ul style="list-style-type: none"> <li>Tolling on Roads and Road maintenance levy paid at the fuel pump amounts to double taxation.</li> <li>The EPRA Price control model for fuel prices is benefiting only those along the pipeline infrastructure and in major towns.</li> <li>Access to digital infrastructure for children, including those living with disability, to support CBE</li> </ul>	<ul style="list-style-type: none"> <li>The road tolling policy was subjected to public participation in early 2025, and feedback has been received from Kenyans.</li> <li>Part of the fuel levy is used for road maintenance for already constructed roads in urban and rural areas. The fund is distributed to national, county, and agency levels, including KENHA (40 percent), KURA (15 percent), and KWS (1 percent), among others.</li> <li>Budget for the infrastructure, equipment and materials for children to facilitate CBE and training to acquire technological skills</li> </ul>
Resource allocation Issues	<ul style="list-style-type: none"> <li>Inadequate resources for road maintenance and the construction of new roads. Road construction portfolio requires KSh 413 billion, has been allocated KSh 150 billion in 2026/2027, which is not adequate to construct all the roads needed in the country; hence, other sources of funding are required.</li> </ul>	<ul style="list-style-type: none"> <li>The government, through the State Department for Roads, has adopted the PPP model to construct some of the new roads to bridge the funding gaps. The establishment of the Infrastructure fund is also targeting to avail resources for these infrastructure</li> </ul>
Governance Issues	<ul style="list-style-type: none"> <li>Protection from harmful digital content</li> <li>Poor road quality in some urban and rural roads, especially all-weather roads under county governments.</li> </ul>	<ul style="list-style-type: none"> <li>The government is working with the office of the data protection commissioner to ensure the security of data and digital content, as well as working with technology players (Google, Twitter, etc) to ensure protection from harmful digital content.</li> </ul>

		<ul style="list-style-type: none"> <li>The standards for the construction of all roads are available, but the limitation is on the resources allocated</li> </ul>
<b>EDUCATION SECTOR</b>		
Policy issues	<ul style="list-style-type: none"> <li>Parents are being forced to pay despite Free Primary Education (FPE)</li> <li>TVET- Need to embrace assistive technologies &amp; digital accessibility</li> <li>Mental health and psychosocial support gaps</li> <li>Abolition of the Edu Afia programme</li> </ul>	<ul style="list-style-type: none"> <li>The Ministry to review FPE funding model and ensure 100percent free learning</li> <li>MoE clarified that it is embracing AI and digital tools in transition to Competency-Based Education and Training (CBET) by 2029</li> <li>Ministry should consider revamping guidance and counselling programmes</li> <li>The Government, through the Ministry of Health rolled up a Universal Health Care programme for all citizens and cannot segregate a group of people for special treatment</li> </ul>
Project Implementation Issues	<ul style="list-style-type: none"> <li>The need for mobile STEM laboratories as building permanent structures is taking too long.</li> <li>Facilities in TVETs are not inclusive for persons with disabilities</li> <li>Basic Education - Shortage of teachers</li> <li>Lack of sanitary towel support for the learners</li> <li>Enhancement of the school feeding programme to have sufficient food</li> </ul>	<ul style="list-style-type: none"> <li>Sector indicated that efforts to avail the necessary STEM infrastructure are ongoing</li> <li>MoE reported that upgraded Special Needs TVETs including assistive devices have been provided, that the architecture of the TVETs takes into account Trainees with Disability and that. Further, it was clarified that there are TVETS specifically for Trainees with disabilities and have a state of Art (Thika TTI, Karen TTI, St. Joseph TTI, Machakos TTI for the deaf)</li> <li>TSC is undertaking staffing measures</li> <li>Sector requested to improve the budgetary provision for the programme</li> <li>The sector requested to consider increasing food ratios especially in areas where this is the only meal that the learners rely on.</li> </ul>
Resource Allocation Issues	<ul style="list-style-type: none"> <li>Declining numbers of learners with Special needs; delayed and partial disbursement of their funds</li> <li>Underutilization of the SNE budget despite poor facilities</li> <li>Large funding deficit in Secondary Education and delay in disbursement</li> <li>Non-payment of Grade 10 publishers has led to a halt in book supply.</li> <li>Provision of resources for JSS confirmation of teachers to PnP.</li> </ul>	<ul style="list-style-type: none"> <li>The ministry noted the decline is due to the transition to CBC; prioritizing LSNES in resource allocation; and engaging NT on increased funding. There is affirmative funding for Trainees with Disability, they are allocated full bursary/ scholarships</li> <li>The sector clarified that this is one of the areas marked for special focus in the MTEF period.</li> <li>The Ministry should review allocation and absorption gaps and ensure that funds reach schools on time. The sector agreed to consider reallocation of funds, be stringent on the resource utilization, collaborate with agencies, and prioritize essential learning.</li> </ul>

	<ul style="list-style-type: none"> <li>● Unfair issuance of NG-CDF bursary funds to learners</li> <li>● Wajir TVET land encroachment</li> <li>● Occurrence of corporal punishment cases in schools</li> <li>● Hidden fees, tuition surcharges, and Saturday schooling</li> <li>● Measures put in place to ensure stability, transparency and accountability in TVETs</li> <li>● Prevalence of drug abuse across schools especially Universities</li> <li>● Zero absorption of the Secondary Management Services Programme- Bursaries</li> </ul>	<ul style="list-style-type: none"> <li>● The Ministry negotiated with publishers and reached an agreement; books will be supplied.</li> <li>● Current contract terms are two years before confirmation; dialogue ongoing with teachers</li> <li>● The Ministry took note and measures to ensure fairness will be put in place</li> <li>● The Ministry will engage the County Government, National Land Commission and Ministry of Internal Security to ensure that the land is fenced.</li> <li>● TSC indicated that this is not allowed and offending teachers are disciplined in line with TSC Code of Conduct</li> <li>● The Ministry of Education should consider enforcing the school calendar and restrictions on illegal fees.</li> <li>● TVETs are in final phase of transitioning to the Curriculum Development, Assessment and Certification (CDAC) exam model and enhancing M&amp;E</li> <li>● The sector is working closely with the Ministry of Internal security and NACADA to curb the menace</li> <li>● Ministry to investigate reasons for non-request; ensure future utilization</li> </ul>
<p>Policy issues</p>	<p style="text-align: center;"><b>HEALTH SECTOR</b></p> <ul style="list-style-type: none"> <li>● Ministry preparedness in HIV prevention and treatment policy, including testing, PrEP uptake, PMTCT, paediatric HIV treatment, and continuity of treatment post-donor exit.</li> <li>● Need for a clear plan on donor exit and sustainable government substitution for HIV/AIDS, immunisation and family planning programmes.</li> <li>● Underdeveloped policy on mental health, including inadequate focus on services for men, women and children, as well as the mental health of health workers</li> <li>● Coverage of PWDs, the elderly and the children under SHA, as well as cushioning for the vulnerable cannot afford individual contributions to SHA</li> <li>● NHIF debt in the form of pending bills civil servants who died during COVID 19 were not compensated</li> </ul>	<ul style="list-style-type: none"> <li>● The Ministry of Health was requested to provide Antiretroviral therapy support for discordant couples and ensure continuity post-donor exit. It was clarified that Key and vulnerable populations have been factored into the budget.</li> <li>● Request to increase the Mental Health budget to 5 percent of the health budget as recommended by WHO.</li> <li>● The sector clarified that Universal Health Coverage has several funds, the primary health care fund, the Emergency, and that there is an allocation of KSh 3.7 billion under SHA for the poor and vulnerable population, including persons with severe disability</li> <li>● Total government funding through the immunisation programme is KSh 4.6 Billion and KEPI KSh 8 Billion.</li> </ul>

	<ul style="list-style-type: none"> <li>Health financing gaps in the management of Non-Communicable Diseases in Kenya (diabetes, cancer, hypertension and cardiovascular disease)</li> <li>Malnutrition in Elgeyo Marakwet and the county teams lack sufficient tools and equipment to handle the challenge.</li> <li>Underfunding of HIV programmes, immunisation, family planning, RMNCAH, and NCDs management (diabetes, cancer, hypertension, CVD).</li> <li>Mental health financing remains far below the WHO-recommended 5 percent of the health budget.</li> <li>Pending bills under NHIF (civil servants who died during COVID-19 are not compensated).</li> <li>Concern in decline in target achieved under immunization and if the Immunization financing targeting is aligned to the projected population.</li> <li>Nutrition programme under funded in 2025/26</li> <li>Underfunding of Reproductive Maternal, New-born Child, and Adolescent Health Programme</li> <li>Strengthening of primary healthcare with a resource requirement of KSh 10 billion but allocated KSh 4,426.48 million in 2026/27</li> </ul>	<ul style="list-style-type: none"> <li>The sector was requested to increase funding for the immunisation programme to move from 85 percent to 100 percent, as well as to increase the Primary Health Care Fund allocation for FY 2026/27.</li> <li>It requires an additional KSh 5 billion annually. A dedicated budget line for family planning is recommended to track its financing.</li> <li>Increased allocation should go to Community Health Promoters (CHPs) to pay stipends, further facilitate the transfer of health services to counties according to Schedule 4 of the Constitution</li> </ul>
Resource Allocation Issues	<ul style="list-style-type: none"> <li>Mobile phones given to CHP are of low phone memory as well as Inadequate skills and equipment for the CHPs</li> <li>County Governments have not been paying their share of the CHP incentives, even though the National Government continues to remit its KSh 2,500 contributions</li> <li>Shortage of Medical supplies stock in Health facilities</li> </ul>	<ul style="list-style-type: none"> <li>Health is majorly devolved. It is the responsibility of County Governments to acquire drugs from KEMSA and avail them to their hospitals</li> </ul>
Governance Issues		
<b>GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)</b>		
Policy issues	<ul style="list-style-type: none"> <li>Consider zero rating for production of essential goods</li> <li>Lack of financial literacy, lack of jobs and high poverty among communities</li> <li>Budget should be gender and child sensitive (per TNT Circular 11/2024 &amp; 8/2025)</li> </ul>	<ul style="list-style-type: none"> <li>Zero-rating is discouraged due to high corruption risks in supply chains.</li> <li>The sector was requested to enhance Hustler Fund support and financial literacy programmes</li> <li>Sector to incorporate gender and child matters, especially within MSMEs and State Department for Investment programmes</li> </ul>

	<ul style="list-style-type: none"> <li>MSMEs loans requirements as the target population (youth) are majorly fresh graduates with no collateral</li> <li>ASAL- Repetitive budgeting for boreholes/dams without sustainable alternatives</li> <li>High sector requirements vs low historic allocations</li> <li>Market access challenges, counterfeit, and weak MSME support</li> <li>Ease of doing business especially in the Northern Corridor</li> <li>Some of the issues reported as emerging issues are within the control of the sector/ Government such as high interest rates and market access constraints</li> <li>Conflict resolution between the Pokot and Turkana communities along the Turkwel Gorge</li> </ul>	<ul style="list-style-type: none"> <li>Review of the MSME loans qualification criteria to make it more accessible to youths</li> <li>The sector should explore long-term water solutions e.g., underground dams)</li> <li>It was recommended that the sector should review the targets to match the allocations. The Sector however clarified that there is constrained fiscal space and thus critical programmes are prioritized</li> <li>Strengthen market regulation and MSME empowerment initiatives. The sector outlined that there is a committee in place looking into the issues of counterfeit.</li> <li>Increase funding to regulatory agencies; improve oversight</li> <li>The weights and measures department be well funded to facilitate automation of its services to boost confidence of even importers</li> <li>Integration of Turkana &amp; West Pokot County using the resources generated from Turkwel Gorge dam. The water from the Dam is proposed to be used in irrigation downstream as a measure to engage the communities in other commercial activities</li> </ul>
	<b>GOVERNANCE, JUSTICE, LAW AND ORDER(GJLOs)</b>	
	<ul style="list-style-type: none"> <li>Forensic Laboratories</li> <li>IEBC should adopt advanced voting technologies that enable eligible voters to cast their ballots remotely</li> <li>Adoption of technology in the police service</li> <li>Modernization of the police service and training</li> </ul>	<ul style="list-style-type: none"> <li>The establishment of forensic laboratories should be expedited to improve service delivery, which has been hindered by a lack of evidence.</li> <li>Adoption of technology supported; however, current low trust in IEBC may challenge successful implementation.</li> <li>It was agreed that the police service needs modern equipment and ICT infrastructure to enhance service delivery and reduce corruption.</li> <li>There is a necessity to enhance police services through acquiring modern technology, ICT, and infrastructure.</li> <li>It was noted that the police require ongoing training, skilling, reskilling, and upskilling of officers for improved crowd management during riots and protests.</li> <li>Funds have been requested from the National Treasury for this purpose.</li> </ul>
Policy issues		

	<ul style="list-style-type: none"> <li>● Police housing and accommodation</li> </ul>	<ul style="list-style-type: none"> <li>● It was noted that police officers' living conditions were relatively poor and that, therefore, housing and accommodation conditions need to be improved to enhance service delivery.</li> </ul>
Project Implementation Issues	<ul style="list-style-type: none"> <li>● Inadequate police training for crowd control</li> <li>● Voter registration issues and shrinking public trust in the electoral process</li> <li>● Need for child protection units across the country</li> </ul>	<ul style="list-style-type: none"> <li>● Police training to be continuous and expanded for better riot management.</li> <li>● It was noted that registration issues may have been caused by poor network connectivity in some regions, particularly in the ASALs, and efforts are underway to resolve them.</li> <li>● Child protection units have been established in all counties, either within police stations, children's service departments, civil society organisations, non-governmental organisations, or other entities. The units are well funded, but the community need to be sensitised on the same</li> </ul>
Resource Allocation Issues	<ul style="list-style-type: none"> <li>● It was noted that some agencies have been allocated limited resources, yet they provide key services in the country, such as EACC, IEBC and NPS.</li> <li>● Adequate resource allocation for IEBC</li> </ul>	<ul style="list-style-type: none"> <li>● It was clarified that the allocations in the report were indicative ceilings and could be adjusted over time.</li> </ul>
	<ul style="list-style-type: none"> <li>● How to determine the percentage of resources that goes to general administration and actual program implementation?</li> <li>● No allocation to disaster and risk reduction for FY 2026/27</li> </ul>	<ul style="list-style-type: none"> <li>● Civic education on voter registration is a crucial but costly endeavour that demands significant resources. The commission is working to enlist development partners and stakeholders to fill the resource gap.</li> <li>● There is a request to the Treasury to provide or allocate additional resources to the IEBC, given that the commission's establishment was delayed and may therefore be experiencing backlogs.</li> <li>● Further, the general election is near, and therefore, there is a need for adequate preparations, which require resources.</li> </ul>
Governance Issues	<ul style="list-style-type: none"> <li>● Slow rate of decentralisation of legal aid</li> <li>● Need for provision of data on femicide &amp; GBV</li> <li>● IEBC Campaign Finance Bill rejected</li> <li>● Shrinking public trust in IEBC</li> </ul>	<ul style="list-style-type: none"> <li>● According to budget guidelines, 70 percent of the revenue is allocated to recurrent expenses and 30 percent to development.</li> <li>● The General Administration Program includes both support and technical programs, so it might not be clear what percentage goes to each.</li> <li>● It was clarified that the program had no allocation since it was moved to the State Department for Special Programs</li> <li>● The National Legal Aid Fund has not been established, as it requires a framework/regulation to establish it. The regulations have been developed and are awaiting approval.</li> </ul>

	<ul style="list-style-type: none"><li>● Lack of age-sensitive courts- especially for the elderly who are undergoing or have undergone sexual violence or gender-based violence, and are afraid to be witnesses for fear of victimization.</li><li>● Corruption in public service, especially police</li><li>● Eroding trust in police</li><li>● Lack of platforms for children's voices</li><li>● Poor inclusion of women in governance</li><li>● Strategies put in place to support disarmed youth in rustling zones</li><li>● No clarity on compensation for riot victims as there is duplication of roles</li><li>● Limited Government services in Samburu; insecurity</li></ul>	<ul style="list-style-type: none"><li>● There is a plan to come up with a one-stop shop for data on community vices such as femicide and GBV, among others, for ease of access and to inform policy and decision-making processes.</li><li>● IEBC is engaging Parliament to reintroduce it.</li><li>● The commission intends to undertake civic education nationwide to help restore public trust</li><li>● There is an ongoing effort to conduct sensitization and civic education of the citizens at the rural establishments in the Counties on sexual GBV, child abuse, and GBV for the community to be aware of their rights and the proper channels of reporting of such incidents.</li><li>● Corruption is being addressed through process automation and strengthened legal frameworks in collaboration with key oversight institutions. There are proposed amendments in parliament by EACC to amend the Act to strengthen the fight against corruption.</li><li>● There is a plan to implement community policing to engage the public on the roles of citizens and police officers, thereby bridging the disconnect between the police and the public. It is an ongoing process.</li><li>● They will be invited to budget-making and other forums, ensuring presentations that are child-friendly.</li><li>● There has been a campaign for women's empowerment and the inclusion of women in governance and leadership forums, which has so far achieved greater success. It is an ongoing effort</li><li>● Depending on their age, Youth offered schooling, economic activities, or service roles.</li><li>● No overlap, The panel of experts committee was set up to accelerate compensation for victims of riots and protests by Panel of experts developing clear compensation framework. The others remain at the Victim Compensation Authority.</li><li>● It was indicated that several national government facilities have been established in Samburu County to serve County residents, including police services.</li></ul>
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ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES (EPWNR)	
Policy issues	<ul style="list-style-type: none"> <li>Youth groups &amp; CBOs need more empowerment</li> <li>Quality of tap water from water schemes</li> <li>Increased Human-wildlife conflict</li> </ul>
Project Implementation Issues	<ul style="list-style-type: none"> <li>Restoration of ASAL regions</li> <li>Large resource gaps</li> <li>Over-reliance on donor funding; project delays</li> <li>Completion of Thwake Dam</li> <li>Lack of mechanisms to protect planted trees</li> <li>Indigenous seedlings to be procured from local communities</li> <li>Itare Dam financing has been resolved</li> </ul>
Resource Allocation Issues	<ul style="list-style-type: none"> <li>Insufficient water in schools; need more boreholes</li> </ul>
Governance Issues	<ul style="list-style-type: none"> <li>Waste disposal near schools/residences</li> <li>Huge pending bills &amp; court awards emanating from State Agencies suing each other</li> <li>Tree cutting in Nakuru</li> </ul>
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	
Policy Issues	<ul style="list-style-type: none"> <li>Ballooning wage bill</li> </ul>
<ul style="list-style-type: none"> <li>Consider assigning Environment cleaning and sanitation contracts to the youth groups</li> <li>The Ministry is improving water treatment to ensure drinkability, though it was reported that it is working on minimizing water rationing and that water from regulated water schemes can be drunk directly from the tap</li> <li>It was indicated that measures are being put in place in the medium term</li> <li>It was recommended that the sector should drill more Boreholes and dams for irrigation; and indigenous trees to be grown should be sourced locally</li> <li>This was indicated to be due to limited fiscal space, though prioritization is ongoing</li> <li>The sector indicated that the Infrastructure Fund proposed aims to reduce reliance on external funds for the development of the large infrastructure including dams.</li> <li>The project has been prioritized for completion in the Budget period</li> <li>The sector should work collaboratively with the local communities to ensure the planted trees are sustained to grow to maturity</li> <li>It was agreed that indigenous trees to be grown will be sourced locally</li> <li>Initial project funding of KSh 5 billion had been released; works to resume</li> <li>The sector has been drilling school boreholes and water kiosks in the markets where the school boreholes had been done. It acknowledged that it shall consider increasing target based on available funds</li> <li>The Environment and Climate Change sub sector took note and committed to take enforcement action</li> <li>The Government had issued circular directing all State Agencies to avoid suing one another in courts, instead use internal dispute resolution mechanisms</li> <li>It was clarified that the Trees being harvested had attained maturity and replanting was ongoing</li> <li>Ongoing discussions with the IMF and the World Bank; digital solutions are considered to reduce costs.</li> </ul>	

	<ul style="list-style-type: none"> <li>● Monitoring and Evaluation sensitization program for the community</li> <li>● Strategies to manage public debt and the accumulating pending bills</li> <li>● Strategies in place for Long-term disaster &amp; risk management needs</li> </ul>	<ul style="list-style-type: none"> <li>● It is an ongoing process and will extend the reach to the rural areas</li> <li>● Some of the proposed measures to generate more revenue to help pay the debts are: Strengthening austerity measures to reduce government expenditure and Accountability by institutions such as EACC, COB, OAG, CAJ, among others</li> <li>● There is a National Disaster and Risk Management Policy and Bill in parliament awaiting approval. Issues with rising water levels are a new phenomenon under study; various stakeholders are being engaged to identify the causes and develop solutions.</li> </ul>
<p>Governance Issues</p>	<ul style="list-style-type: none"> <li>● Court awards are not honoured by the government.</li> <li>● Need for adherence to fiscal discipline and strengthened debt management.</li> <li>● Perceived extravagance and wastage in government institutions</li> <li>● Risk of digitization and digitization of government services</li> <li>● Weak community sensitization on government programmes, such as the budget-making process in rural areas</li> <li>● Overlap between NPS &amp; chiefs and unpaid village elders</li> <li>● Corruption complaints in the pensions department poor service delivery</li> <li>● E-citizen revenue management</li> <li>● A concern as to why MPs manage NG-CDF in the counties rather than having the funds under some ministry</li> </ul>	<ul style="list-style-type: none"> <li>● Some of the awards have been paid, while others have not, due to limited resources or a lack of provision. There is a plan in place to explore alternative ways to raise resources to comply with the court awards.</li> <li>● The Government continues implementing fiscal consolidation measures to reduce public debt</li> <li>● Clarified that the government has significantly reduced meeting costs by hosting at State House rather than hotels.</li> <li>● Adopt frequent system auditing to reduce risks of hacking and cybersecurity threats</li> <li>● Community sensitisation is an ongoing process. Huduma Centres have been established in all counties to deliver services and raise public awareness of various government programmes. Public participation is enshrined in the constitution and is a significant part of the budget-making process. The Treasury has complied with this provision.</li> <li>● The concern lies in the State Department for Internal Security and National Administration, where the issue will be taken up and addressed adequately by the relevant sector.</li> <li>● Citizens were advised to submit complaints and evidence of the complaints reported for investigations. It was reported that the pension department is being digitized.</li> <li>● The government owns the portal. The revenue collected through e-citizen is usually submitted to the relevant institutions for their use</li> </ul>

		<ul style="list-style-type: none"> <li>It was clarified that the NG-CDF Act does not give specify on which agency should run the fund</li> </ul>
	<b>SOCIAL PROTECTION, CULTURE AND RECREATION</b>	
	<p>Community Health- Low awareness and unclear roles of community actors</p> <ul style="list-style-type: none"> <li>Confusion on gender-validation responsibilities</li> <li>Exclusion of transgender/intersex persons</li> <li>Eligibility age for the Inua Jamii programme set at 70 despite life expectancy of 68</li> <li>Lack of AI integration</li> <li>Youth employment- Overreliance on foreign jobs; lack of support for freelancers</li> <li>Disability inclusion- Poor representation of PWDs; insufficient stipend (KSh 2,000)</li> <li>Weak child movement monitoring; high child abuse rates</li> <li>Proposal for Child Welfare Fund</li> </ul>	<ul style="list-style-type: none"> <li>Ministry to enhance outreach initiatives for sensitization</li> <li>The sector should create awareness on the mandates for the various actors under gender related matters.</li> <li>Recommendation to reduce the age to 60 years for qualification of the Inua Jamii programme from 70 years to 60 years</li> <li>Inquiry was noted and sector agreed that it will explore AI in the services it offers</li> <li>The sector was recommended to have a structured youth employment and freelancer support programmes</li> <li>Proposal to raise stipend to KSh 4,000; improve registration; expand categories</li> <li>Need strengthened child protection systems</li> <li>A proposal to have a child Welfare Fund that will support street families/kids</li> </ul>
Policy issues		
Project Implementation Issues	<ul style="list-style-type: none"> <li>The OVC programme is repeatedly underachieving targets</li> <li>Sanitary towels programme- Very low achievement (2.4M vs target 11.1M); unclear data</li> <li>Women Empowerment- Large spending with limited measurable results</li> </ul>	<ul style="list-style-type: none"> <li>The Ministry requested clarification of systemic challenges that have resulted to the under achievements</li> <li>Need clarity on financial inconsistencies and implementation challenges</li> <li>The Sector was recommended to strengthen M&amp;E and outcome tracking</li> </ul>
Resource Allocation Issues	<ul style="list-style-type: none"> <li>Delay in disbursement of the Senior citizens stipend and as well as it being low value (KSh 2,000)</li> <li>Need to reinstate child protection programme funding</li> </ul>	<ul style="list-style-type: none"> <li>Recommendation to raise the amount and also improve timeliness of its disbursement</li> <li>Recommendation to restore allocations</li> </ul>

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Annex Table 7: Public Proposals and Comments on the 2026 Budget Policy Statement

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Consolidating Gains Under Bottom-Up Economic Transformation Agenda for Inclusive and Sustainable Growth	Prioritize high-multiplier sectors such as agriculture by providing sufficient support towards fertilizer subsidy, irrigation, and extension services; social protection to cover eight million extremely poor Kenyans; and increase allocations for climate adaptation and resilience fund.	The Government remains committed to prioritizing high-multiplier sectors to drive inclusive growth. This includes supporting agriculture through fertilizer subsidies, irrigation, and extension services; expanding social protection coverage; and increasing allocations for climate adaptation and resilience initiatives to safeguard livelihoods and strengthen the country's capacity to respond to climate-related risks.
	Agriculture should be the most heavily invested sector in the 2026/27 – 2028/29 MTEF period. Investment should focus on irrigation, extension services, and lowering the cost of inputs to ensure food sovereignty	Agriculture is instrumental in advancing Kenya's development agenda. Over the 2026/27–2028/29 MTEF period, National Government funding allocations for ARUD are projected at KSh 97.0 billion in FY 2026/27, KSh 91.2 billion in FY 2027/28, and KSh 101.6 billion in FY 2028/29, reflecting the Government's commitment to sustainable development and economic growth. As a devolved function, these investments complement county-level initiatives to enhance agricultural productivity, rural development, and urban food security.
	The 2026 Budget Policy Statement should explicitly indicate that the stipend framework for Community Health Promoters (CHPs) will be addressed through coordinated efforts within intergovernmental frameworks. Additionally, the National Government should ensure that both the financial and work-related needs of CHPs are met to enable effective delivery of community health services.	In Kenya, CHPs are central to the Community Health Strategy and play an essential role in advancing universal health coverage (UHC) by improving access to preventive and promotive health services at the community level.  The stipend framework for Community Health Promoters (CHPs) will be addressed through existing intergovernmental coordination mechanisms, in line with the respective mandates of the National and County Governments. Measures are also being undertaken to ensure that both the financial and work-related needs of CHPs are adequately supported, in

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	<p>On Housing and Settlement additional focus could also be placed on the supporting infrastructure, especially focusing on clean water supply or access, waste disposal, and effective sewer systems to address the increasing housing numbers under the Affordable Housing program</p> <p>The Government should shift focus from providing loans to supporting direct production. By investing in manufacturing and value-addition hubs, the youth can participate in the real economy as producers rather than just debtors.</p> <p>Resources currently allocated to affordable housing projects should be redirected to more pressing social and economic sectors.</p> <p>The 2026 BPS should detail more targeted and robust measures to reduce corruption. Ensuring that budgeted funds reach their intended recipients is essential for restoring public trust and achieving the</p>	<p>order to enhance the effective delivery of community health services.</p> <p>The Government is committed to ensuring universal access to clean and safe water, improving sanitation, enhancing national water storage capacity, and expanding irrigation to strengthen water security and food production. As part of ongoing efforts, investments are being made to enhance access to clean water, improve waste management, and expand sewer systems in housing developments, ensuring that increasing housing numbers are matched with adequate and sustainable infrastructure.</p> <p>The Government has invested in manufacturing and value-addition hubs, including County Aggregation and Industrial Parks, to support direct production and strengthen value chains. Affordable credit for MSMEs remains essential to enhance start-ups, liquidity, and participation of youth and other producers in the real economy.</p> <p>The Government recognizes the need to prioritize resources for sectors with the greatest immediate social and economic impact. While affordable housing remains a long-term priority, current allocations have been reviewed to ensure that funding for pressing areas such as health, education, and social protection are adequate to support the implementation of their programs.</p> <p>The Government is committed to strengthening public finance management measures to ensure that budgeted resources are used efficiently and reach their intended beneficiaries. This includes enhancing financial oversight, improving public</p>

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	<p>objectives of the Bottom-Up Economic Transformation Agenda (BETA).</p> <p>In the 2026 BPS the acronyms KESONIA, KEPSS and RTGS have been used. These may need to be defined for ease of reference and understanding by the public.</p> <p>The Government should ensure full disbursement of the remaining KSh 3.348 billion allocated to County Aggregation Centers and Industrial Parks to enhance the implementation of these projects.</p> <p>Priority should also be given to climate-resilient and food security-oriented investments to reduce vulnerability to recurrent droughts and other external shocks.</p>	<p>financial management systems, leveraging digital platforms such as e-Government procurement for transparency, and enforcing accountability mechanisms across all sectors. These measures will support the effective implementation of the Bottom-Up Economic Transformation Agenda (BETA) and help restore public trust in the use of public resources.</p> <p>The acronyms have been defined accordingly.</p> <p>The Government has set aside KSh 3.25 billion in the FY 2026/27 for implementation of County Aggregation and Industrial Parks (CAIP). The funds will continue to support construction of CAIPs across the country which are expected to be completed by 2027.</p> <p>The Government is prioritizing climate-resilient and food security-oriented investments by expanding modern irrigation as a central pillar of national agricultural policy, with a focus on transforming arid and semi-arid areas into productive agricultural hubs. Food security interventions include the development of large-scale modern irrigation infrastructure comprising 50 mega dams, 200 mini-dams, and over 1,000 micro-dams nationwide to harvest and store water for irrigation and multiple-use purposes. These investments are expected to bring an additional 2.5 million acres under production within the next five to seven years, thereby reducing vulnerability to recurrent droughts, supporting agro-industrialisation and rural livelihoods, and securing water for</p>

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	<p>The Government should enhance revenue mobilization strategies, including engaging in public-private partnerships with development partners to bridge budget shortfalls and support critical development initiatives.</p> <p>The Government should fast-track the enactment of the Sovereign Wealth Fund Bill to establish a clear legal mandate, robust governance architecture, and strong accountability mechanisms. In parallel, the National Infrastructure Fund (NIF) should be financed exclusively through Public Private Partnerships, without introducing additional taxes on Kenyans.</p> <p>The Government should also clearly delineate the roles and responsibilities of the NIF in relation to existing PPP frameworks to avoid duplication and institutional overlap. A phased and realistic investment approach should be adopted, with priority given to the completion of projects already in the PPP pipeline before initiating new ones. This will help ensure timely financial close, efficient resource use, and delivery of high-impact infrastructure projects that support economic growth.</p> <p>The 2026 BPS should state if privatization proceeds are planned to finance the 2026/27 budget, and the projected funding amount. While a focus on food security, infrastructure expansion, and energy-driven</p>	<p>domestic use, crop production, and export-oriented agriculture.</p> <p>The Government is undertaking a mix of tax policy and administrative measure to boost revenue collection. In addition, the Government has identified PPPs as one of the key avenues to partly fill the investment financing gap occasioned by ongoing fiscal consolidation efforts.</p> <p>The Cabinet has approved the Sovereign Wealth Fund Policy, establishing a dedicated national fund to prudently manage revenues from mineral and petroleum resources, dividends from public investments, and a portion of privatization proceeds. Anchored on intergenerational savings, fiscal resilience, and commercially viable strategic investments, the Sovereign Wealth Fund will strengthen fiscal discipline, protect the economy from external shocks, and enhance long-term competitiveness.</p> <p>In parallel, the Cabinet has approved the establishment of the National Infrastructure Fund (NIF) as a limited liability company to serve as the central vehicle for aligning public finances with national development priorities. The NIF will be financed through Public Private Partnerships and other domestic resource mobilization mechanisms, including monetization of mature public assets, democratization of ownership via capital markets, and deployment of national savings, without introducing additional taxes on Kenyans.</p> <p>Privatization proceeds are expected to form part of the broader fiscal strategy and will be directed toward financing priority development expenditures, including food security,</p>

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	<p>industrialization is a welcome proposal, the overall objective could be defeated without adequate transparency and accountability measures.</p> <p>The Government should institute measures to enhance the efficiency of recurrent expenditure within the education sector and ensure value for money, particularly in personnel costs, which remain the primary driver of spending. At the same time, a strategic review is necessary to address the declining share of development expenditure by prioritizing capital investments that support infrastructure expansion, especially in the rapidly growing TVET and junior school subsectors.</p> <p>Education and training programs should be better aligned with labour market and skills demand by expanding and modernizing TVET institutions and strengthening public-private partnerships to support infrastructure development and market-relevant skills training.</p>	<p>infrastructure expansion, and energy-driven industrialisation. In line with ongoing State-Owned Enterprise (SOE) reforms, these proceeds will be ring-fenced to ensure they are used for their intended purposes.</p> <p>To safeguard the effectiveness, transparency and accountability mechanisms are being strengthened throughout the privatization process. This includes adherence to established legal and regulatory frameworks, enhanced oversight, and clear reporting on the utilization of proceeds, thereby supporting fiscal sustainability, efficiency, and long-term economic growth.</p> <p>The Government is committed to ensuring value for money across all sectors, including education, by strengthening measures to enhance the efficiency of recurrent expenditure, particularly personnel-related costs. In this regard, total funding allocations for the sector have been enhanced from KSh 703.1 billion in FY 2025/26 to KSh 767.3 billion in FY 2026/27, KSh 816.3 billion in FY 2027/28, and KSh 869.4 billion in FY 2028/29.</p> <p>Development expenditure is also projected to rise from KSh 29.8 billion in FY 2025/26 to KSh 30.1 billion in FY 2026/27, KSh 35.1 billion in FY 2027/28, and KSh 43.8 billion in FY 2028/29, with a focus on infrastructure expansion and capacity enhancement.</p> <p>To equip learners with skills aligned to labour market demand, the Government adopted the Competency-Based Curriculum (CBC), which focuses on developing practical</p>

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	<p>The Government should also modernize labour laws to reflect the realities of digital and platform-based work. To enhance job quality and earnings, policy focus should shift toward developing higher value-added digital skills, including software engineering and artificial intelligence, to complement and gradually transition from low-wage micro-task work that is increasingly vulnerable to automation.</p>	<p>skills, knowledge, and attitudes needed to thrive in the 21st-century economy. In parallel, Technical and Vocational Education and Training (TVET) is being expanded and strengthened through the establishment of 100 modern TVET centers offering industry-relevant curricula and equipped with state-of-the-art facilities.</p> <p>In addition, the Government is now shifting its policy focus toward leveraging capital, technology, and talent to accelerate national progress. As part of this strategy, it has established the State Department for Science, Research, and Innovation to scale up Science, Technology, Engineering, and Mathematics (STEM) programmes across the education system. This institutional reform aims to strengthen innovation, promote research, and develop a pool of highly skilled professionals in science and engineering. It also provides a framework to fully operationalize the National Research Fund, with progressively increased investment to support research and technological advancement.</p>
	<p>Adequate budgetary provisions should be made to support Kenya's active participation in EAC, COMESA, IGAD, and AfCFTA initiatives, coupled with the harmonization of trade, customs, and regulatory frameworks to enhance cross-border trade. The Government should also allocate resources for focused economic diplomacy programs that advance AfCFTA implementation and promote export diversification.</p>	<p>The Government will continue to provide adequate budgetary support for Kenya's active engagement in EAC, COMESA, IGAD, and AfCFTA initiatives. Through these diplomatic channels, Kenya continues to attract foreign direct investment, participate in regional peacekeeping and security efforts, and advance regional industrialization and energy projects. Collaboration with international partners has also delivered technical assistance, financing, and market access support for sectors prioritized under BETA.</p>

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	<p>The 2026 BPS should provide further details on the measures put in place to ensure that the Social Health Authority (SHA) does not only focus on enrolment, but also clear communication on contribution and on the delivery of services for all those enrolled.</p>	<p>The mandate and objectives of the Social Health Authority (SHA) are provided in the Social Health Insurance Act, 2023, which establishes the SHA to manage social health insurance, oversee contributions, contract health service providers, and ensure delivery of quality health services. Additionally, the SHA operates under the Social Health Insurance Fund (SHIF), which finances benefits for enrolled members. These legal instruments provide the framework for the SHA to go beyond enrolment, ensuring clear communication on contribution requirements and the delivery of services to all beneficiaries.</p>
	<p>The Government should consider widening the pool of target learners beyond those in ASAL regions in the school feeding program. In FY 2023/24 where the focus was also exclusively on ASAL regions, the targets were barely reached by half. There is crucial need to not just widen the pool and but also provided elaborate details on how the priority will be met. Other pro-poor programmes such as bursaries provide useful insights on where poor household live that could provide a targeting solution.</p>	<p>The Government recognizes the importance of effective targeting to ensure value for money and optimal impact of the school feeding programme. ASAL regions continue to be prioritized because they experience the highest levels of food insecurity, poverty, climate vulnerability, and heightened risks to school attendance, particularly during periods of drought and economic shocks. In these areas, school feeding serves not only as a nutrition intervention but also as a critical incentive for school enrolment, attendance, and retention among highly vulnerable learners. In addition, school feeding programmes also exist in other parts of the country, including non-ASAL regions, often supported through a mix of Government, County Government, and Development Partner initiatives.</p>
	<p>Instead of only focusing on licensing of new film makers, the government can give tax incentives and benefits to all newly licensed film makers on cameras and other film related material to ensure they</p>	<p>Licensing of filmmakers is necessary to regulate the industry, ensure professional standards, and protect intellectual property rights. It allows the Government to monitor and support participants in the creative economy, ensure</p>

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	<p>are well set for their contribution to economic transformation ensuring they add into the creative economy.</p>	<p>compliance with content and safety regulations, prevent illegal or unsafe production practices, and provide a framework for access to incentives, training, and financing. Licensing also helps integrate filmmakers into the formal economy, enabling them to contribute effectively to economic transformation and the growth of Kenya's creative sector</p>
	<p>To ensure the provision of sanitary towels in schools, budget implementation challenges hindering the delivery of this critical programme, particularly procurement-related issues, must be addressed to achieve the target of 11.1 million beneficiaries.</p>	<p>The Government has continued to allocate resources for the provision of sanitary towels to school-going girls to promote the dignity of girls and enhance school attendance and retention by reducing menstruation-related absenteeism. In FY 2025/26, the Government allocated KSh 940 million which has supported efforts to overcome implementation challenges and ensure effective delivery of the programme, which is critical to reaching the target of 11.1 million beneficiaries. The allocation will be enhanced in the FY 2026/27 budget.</p>
	<p>The 2026 Budget Policy Statement should clearly outline the broad strategic priorities and policy goals alongside Budget Projections and include examples of high impact Programmes and projects.</p>	<p>The 2026 Budget Policy Statement outlines the Government's policy measures, highlighting broad strategic priorities and policy goals under BETA alongside budget projections. It also provides examples of high-impact MTEF programmes and projects designed to drive economic growth, improve service delivery, and support national development objectives.</p>
Recent Economic Developments and Medium-Term Outlook	<p>Update the recent economic development with the latest data available. Section 2.2 in the 2026 BPS should include a dedicated subsection on public debt developments to strengthen macro-fiscal analysis and policy coherence.</p>	<p>The section has been updated with the latest data. Section 2.2 of the 2026 BPS provides an overview of domestic economic performance. Annex 1 presents Kenya's public debt sustainability analysis. In addition, the 2026 Medium-Term Debt Management Strategy (MTDS) provides the framework</p>

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	<p>The macroeconomic outlook remains broadly positive, with economic growth projected to strengthen over the medium term, supported by improved performance in agriculture and services, as well as the continuation of structural reforms. The outlook is consistent with prevailing economic conditions. Inflation projections should be anchored at 5.0 percent over the medium term, corresponding to the midpoint of the target range.</p> <p>The Government should revise the GDP growth projection to 4.7 – 4.9 percent in 2025, providing fiscal planning flexibility while maintaining development ambitions. This approach is consistent with the actual growth of 4.9 percent recorded in the third quarter of 2025.</p> <p>Review the current account balance projections to reflect the recent increase in imports of capital and intermediate goods imports.</p> <p>Included the revised FY 2025/26 budget estimates in Table 2.5 and Annex Tables 1-3 to reflect fiscal performance to November 2025.</p> <p>There is need to highlight factors behind the strong and sustained improvement in the terms of trade, in 2025 and the medium-term, given</p>	<p>that guides government decisions on public borrowing and debt management, and sets out the desired structure of the public debt portfolio to minimize costs, manage risks, and ensure debt sustainability over the medium term.</p> <p>In order to sustain macroeconomic stability in FY 2026/27 and over the medium term, the inflation target has been set at 5.0 percent, with a flexible margin of 2.5 percent on either side to accommodate potential adverse shocks.</p> <p>Based on performance in the first three quarters of 2025 (Q1 – 4.9 percent, Q2 – 5.0 percent, and Q3 – 4.9 percent) and the available economic indicators for the fourth quarter, the GDP estimate for 2025 has been revised to reflect the full-year outcome.</p> <p>The current account will be reviewed to give the correct position of the economy, taking into account the most recent data on imports of capital and intermediate goods.</p> <p>Table 2.5 provides the fiscal performance as at 31<sup>st</sup> December 2025. However, revision of budget estimates takes into account the performance of revenue collection, expenditure trends, and emerging economic developments to ensure that the fiscal framework remains realistic and aligned with actual performance.</p> <p>The strong and sustained improvement in Kenya's terms of trade in 2025 and over the medium term is supported by several</p>

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	<p>uncertainty in global economic outlook and volatility in global commodity prices particularly oil.</p>	<p>factors. Kenya's external position remained stable, underpinned by rising exports and a relatively favourable global environment. The implementation of key trade agreements, stronger growth in Kenya's main regional markets in Africa, and lower international commodity prices contributed to improved export performance. Additionally, the removal of certain export tariffs by China and better access to European Union markets enhanced Kenya's export competitiveness, boosted foreign exchange earnings, and helped narrow the external imbalance. Continued resilience in agricultural exports, particularly horticulture and tea, was a core driver of external sector stability, mitigating the impact of global economic uncertainty and commodity price volatility.</p>
	<p>The ordinary revenue path the 2026 BPS needs to be treated cautiously and adjusted more realistically to KSh 2.8 trillion, especially heading into an election period when administrative focus can shift, and compliance may weaken.</p>	<p>Ordinary revenue for FY 2025/26 is projected at KSh 2,744.4 billion (14.4 percent of GDP), and projections takes into account the previous year's revenue performance and emerging trends across the economy.</p>
	<p>The total expenditure and net lending for FY 2025/26 should be adjusted to 20.7 percent of GDP to align with realistic revenue projections.</p>	<p>The Government aims to reduce total expenditure progressively from 23.9 percent of GDP in FY 2025/26 to 20.2 percent of GDP over the medium term by ensuring fiscal discipline while maintaining support for priority development programs.</p>
	<p>To maintain a credible fiscal consolidation agenda and support debt sustainability, a deficit of KSh 940 billion (4.5 percent of GDP) for FY 2025/26 should be considered, reflecting realistic assumptions of total revenue at 16.2 percent of GDP and total expenditure at 20.7 percent of GDP.</p>	<p>The Government is committed to continuing its growth-friendly fiscal consolidation plan by containing expenditures without compromising service delivery and enhancing revenue mobilization. In addition, ongoing tax policy and expenditure reforms are being implemented to ensure predictability, improve compliance, and eliminate waste in the public service.</p>

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	<p>The Government should expand its tax base by modernizing tax administration, leveraging digital platforms for compliance, and curbing leakages in revenue collection. Formalize the informal sector - Kenya's informal sector contributes over 30 percent of GDP but pays a disproportionately small share of taxes.</p> <p>The Government should rationalise tax expenditures and exemptions by reviewing the VAT and income tax exemptions.</p>	<p>These measures support maintaining a credible fiscal consolidation agenda and underpin debt sustainability, consistent with projected deficit of KSh 1,115.8 billion (5.3 percent of GDP) in FY 2026/27, from the projected deficit of KSh 1,140.7 billion (6.0 percent of GDP) in FY 2025/26.</p> <p>The Government is committed to simplifying the tax system through deepened administration reforms and sustained investment in digital technology to improve compliance, broaden the tax base, and reduce revenue leakages. In addition, the Government continues to implement the National Tax Policy and Medium-Term Revenue Strategy to simplify tax laws, rationalize expenditures, and create a fair, predictable system. These reforms will also support the gradual integration of the informal sector through simplified processes, digital platforms, and strengthened taxpayer education and support</p> <p>The Government acknowledges the need to rationalise tax expenditures and exemptions and continues to take steps to review tax expenditure and exemptions in line with the National Tax Policy and the Medium-Term Revenue Strategy. This includes assessing the cost, effectiveness, and equity of existing exemptions to ensure they are well-targeted, time-bound, and aligned with national development priorities. The objective is to eliminate inefficient and distortive exemptions, protect critical social and productive sectors, and enhance revenue mobilization while maintaining a fair and predictable tax system.</p> <p>Kenya has made notable progress in integrating i-Tax and e-TIMS to support data-driven tax compliance. e-TIMS</p>
	<p>The Government should expand data-driven compliance by fully integrating iTax and eTims.</p>	

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	<p>Government spending must be aligned with revenue projections, prioritizing high-impact investments while rationalizing recurrent expenditures.</p> <p>The Government should avoid overreliance on costly commercial loans, such as Eurobonds, and instead prioritize concessional financing. Additionally, borrowed funds should be directed toward capital projects that generate significant future returns, in accordance with the Public Finance Management Act, 2012.</p> <p>The Government should rationalize expenditure to ensure that the fiscal deficit does not exceed 3.5 percent of GDP, in line with the fiscal consolidation policy.</p>	<p>transaction data is now linked to taxpayer profiles in i-Tax, enabling cross-validation of VAT declarations and strengthening risk-based enforcement. While full automation is still underway, the integration has already improved transparency and reduced opportunities for under-declaration.</p> <p>The Government is committed to aligning expenditure with realistic revenue projections to safeguard fiscal sustainability. This will be achieved by prioritizing high-impact and growth-enhancing investments, strengthening public investment management, and rationalizing recurrent expenditures through expenditure reviews, efficiency gains, and tighter controls on non-priority spending. These measures will ensure better value for money while supporting service delivery and development outcomes.</p> <p>The Government remains committed to prudent debt management by minimizing reliance on costly commercial borrowing and prioritizing concessional and semi-concessional financing where feasible. This approach is guided by the Medium-Term Debt Management Strategy and aims to reduce debt service costs and refinancing risks.</p> <p>The Government remains committed to its fiscal consolidation plan, aiming to reduce the fiscal deficit to 3.2 percent of GDP over the medium term. Fiscal discipline is reinforced through rationalizing expenditure, prioritizing high-impact and growth-enhancing investments, and strengthening expenditure controls to improve efficiency and value for money.</p> <p>Continued efforts to rationalize tax expenditures are ongoing. Tax expenditures declined to 1.77 percent of GDP in 2024 from</p>

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	<p>The Government should enforce Medium Term Expenditure Framework (MTEF) discipline by applying strict ceilings on wage bill allocations to ensure that development spending is prioritized.</p> <p>To address gaps for socio-economic transformation, the Government should implement binding medium-term fiscal anchors, enforce the 30 percent development spending rule at both allocation and execution, establish multi-year investment envelopes for social sectors, gender, and climate, and ensure that public investment pipelines are aligned to BETA value chains.</p> <p>The government should implement workforce audits and freeze non-essential hiring to curb wage bill expansion. This aligns with the Budget Policy Statement's call for efficiency in recurrent expenditure.</p>	<p>a revised 2.45 percent in 2023, reflecting the Government's commitment to streamlining tax incentives, enhancing domestic revenue mobilization, and promoting equity and efficiency within the tax system.</p> <p>The legal framework stipulates that expenditure by the National Government on compensation of employees including salaries, benefits, and allowances must not exceed 35 percent of the National Government's equitable share of nationally raised revenues together with other revenues generated under Article 209(4) of the Constitution. In adherence to this requirement, the National Government's wage and benefits bill accounted for 24.9 percent of revenues in FY 2024/25, remaining well within the statutory ceiling of 35 percent. The ratio is projected to decline further to 23.1 percent in FY 2026/27 and 19.6 percent over the medium term.</p> <p>The Government is committed to medium-term fiscal anchors to support socio-economic transformation, including enforcing the statutory 30 percent minimum for development spending. In FY 2024/25, development expenditure reached 25.1 percent, slightly below the threshold due to expenditure rationalization, but are projected to rise to 28.0 percent in FY 2026/27 and remain above the recommended minimum over the medium term.</p> <p>The Government remains committed to ensuring efficiency in recurrent expenditure, including the management of the wage bill, which stood at 24.9 percent of revenues in FY 2024/25 and is projected to decline to 23.1 percent by FY 2026/27 and 19.6 percent over the medium term. To contain wage bill growth,</p>

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	<p>The National Treasury and Kenya Revenue Authority must have realistic revenue projections based on the actual capacity of the economy, not aspirational targets.</p> <p>Expenditure prioritization that focuses on high multiplier investments and prudent use of resources generated through genuinely monetized assets.</p> <p>The Government should accelerate payroll digitization and Human Resource Information System (HRIS) integration to eliminate inefficiencies.</p> <p>Ordinary revenue targets are ambitious given historical trends. Please consider detailing specific tax policy reforms, timelines, and enforcement strategies to achieve these targets.</p>	<p>workforce audits will be conducted to identify redundancies, and non-essential hiring will be frozen.</p> <p>The Government is committed to ensuring that revenue projections are realistic and grounded in the actual capacity of the economy. The National Treasury and Kenya Revenue Authority continue to base forecasts on historical collection trends, economic performance, and the impact of ongoing tax reforms, rather than on aspirational targets.</p> <p>The Government is committed to prioritizing expenditure on high-multiplier investments that generate significant economic returns. Resources will be deployed prudently, leveraging genuinely monetized assets to support growth-enhancing projects, improve service delivery, and maximize value for money.</p> <p>Kenya has made significant progress in digitising public sector payroll through the integration of IPPD, GHRIS and IFMIS, helping to reduce payroll leakages, eliminate ghost workers and strengthen establishment control. Biometric verification and the digitisation of core HR functions have further improved payroll integrity. Building on the progress made, the Government will fast-track the full real-time integration of the system, particularly at the county level to accelerate system harmonisation and strengthen data governance to achieve a fully automated payroll system.</p> <p>The National Tax Policy and the Medium-Term Revenue Strategy (MTRS) outline the tax policy and administration reforms aimed at enhancing compliance, reducing administrative complexity, supporting investment, and</p>

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	<p>increasing revenue collection towards 20 percent of GDP in the medium term. Key measures include deepening tax administration reforms through sustained investment in technology to modernize the tax framework, broaden the tax base, strengthen customs valuation, and seal revenue leakages. These reforms, together with clear timelines and enforcement strategies, are expected to support the achievement of ordinary revenue targets.</p> <p>To improve cash management, the migration of MDAs to the Treasury Single Account (TSA) is ongoing and is targeted to be completed by 30<sup>th</sup> June 2026. The Government is currently working to integrate more accounts, including those of semi-autonomous agencies, into the TSA. The next phase will bring County Governments on board in FY 2026/27, followed by the integration of all other National Government entities into the TSA by FY 2027/28, ensuring full realization of the objectives of the TSA initiative.</p> <p>Section 2.4.2 of the 2026 BPS provides a progress status of the Pending Bills Verification Committee up to December 2025. As at 31<sup>st</sup> December 2025, the Committee had analysed 91,911 claims valued at KSh 637.6 billion, representing about 80 percent of the total number of bills submitted.</p> <p>The update also highlight some of the measures the Government has undertaken/plans to undertake in order to settle the verified and eligible pending bills. Of the analysed claims, settlement is being operationalized through specific financing channels, with KSh 80.3 billion of pending bills related to the roads sector earmarked for settlement through</p>	<p>Although the 2026 BPS indicates that the TSA implementation has improved cash management, enhanced visibility across government entities, and reduced idle balances, enabling more efficient utilization of public resources, with only six government accounts mapped to the TSA, this objective may minimally be realised. There is need for more accounts to be mapped into the TSA to enhance the realisation of this government initiative</p> <p>The 2026 BPS captures the pending bills stock for the County Governments, while the National Governments' Pending Bills are missing, a clear gap that needs to be addressed. There is a need for the 2026 BPS to provide the details of the pending bills for the Ministries, Departments and Government Agencies, with clear timelines on how the eligible pending bills will be settled.</p>

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Budget for FY 2026/27 and the Medium Term	<p>In the 2026 BPS ARUD's funding figures show a dip then rise, but no rationale for the FY 2027/28 reduction despite ambitious targets. The Government should explain the dip.</p> <p>Under the Energy, Infrastructure, and ICT (EII) Sector, the 2026 BPS should highlight the role of the proposed Infrastructure Fund in financing and supporting the sector's priority programs and projects.</p> <p>Under the General Economic and Commercial Affairs (GECA) sector, the 2026 Budget Policy Statement reports a substantial increase in funding from KSh 62.9 billion in FY 2026/27 to KSh 70.5 billion in FY 2027/28, followed by a marginal increase to KSh 72.7 billion in FY 2028/29. The BPS should clarify whether the increase in FY 2027/28 reflects the implementation of major programmes during that year and indicate whether the modest growth in FY 2028/29 is sufficient to sustain these programmes or if the FY 2027/28 allocations largely finance one-off interventions.</p> <p>Provide clarification on what informs the downwards revision for the ordinary revenue projection for FY2026/27 by KSh 96.4 billion (from KSh 2,998.3 billion in BRPOP 2025) despite the projection of improved economic growth in 2026 given that there are ongoing reforms in tax policy and revenue administration aimed at broadening the tax base.</p>	<p>securitization, while KSh 155.3 billion has been recommended for settlement under Supplementary I of FY 2025/26.</p> <p>The 2026 BPS shows a temporary dip in ARUD funding for FY 2027/28, followed by a rise, reflecting resource reprioritization or fiscal planning adjustments in light of the next general elections. The Government remains committed to achieving ARUD targets, and alignment of resources with sector priorities.</p> <p>The 2026 BPS addresses this by highlighting the role of the proposed Infrastructure Fund in Section 1.5 of the BPS.</p> <p>The increase in GECA sector funding in FY 2027/28 reflects the rollout and scaling up of major programmes planned for implementation over the medium term. As outlined in the 2026 BPS, the sector plans to implement 16 programmes aligned with Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA), covering regional development, trade promotion, industrial growth, MSME support, digitization, investment promotion, tourism, and regional integration.</p> <p>The Government has revised the medium-term fiscal projections in the 2026 BPS from the 2025 BRPOP to reflect actual budget implementation in the first half of FY 2025/26. Preliminary estimates indicate that total ordinary revenue fell short of target by KSh 115.3 billion in December 2025 (Table 2.5) of the 2026 BPS. This has necessitated revision in the</p>

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>The 2026 BPS indicates a deficit financing mix of KSh 1,006.6 billion in domestic borrowing and KSh 99.5 billion in external borrowing, up 64.1 percent from KSh 613.5 billion in FY 2025/26. High domestic borrowing could destabilize the yield curve, affect market confidence, and constrain credit growth to the private sector. The Government should set a more prudent domestic borrowing target, aligned with liquidity conditions, debt maturities, and the external environment, while coordinating the BPS deficit strategy with the 2026 MTDS. Greater use of concessional external financing and PPPs, alongside fast-tracking verified pending bill settlements, would ease pressure on the domestic market, support economic activity, and improve financial sector liquidity.</p>	<p>revenue projections for FY 2026/27 to ensure realism and alignment with prevailing macroeconomic conditions.</p> <p>The observation regarding the deficit financing mix in the 2026 BPS is noted. While domestic borrowing is projected to rise significantly, the Government remains mindful of the potential impact on the yield curve, market confidence, and credit availability to the private sector. To mitigate these risks, the Government will continue to implement a fiscal consolidation strategy, taking into account liquidity conditions, debt maturities, and the prevailing external environment. Efforts are also ongoing to expand the use of concessional external financing, public-private partnerships (PPPs), and settlement of verified pending bills, which collectively reduce pressure on the domestic debt market, support economic activity, and enhance financial sector liquidity.</p>
	<p>In the education sector, the 2026 Budget Policy Statement (BPS) should clearly indicate the number of teachers recruited against the remaining teacher requirements and outline measures to address the outstanding gaps in order to support the Competency-Based Curriculum (CBC). The BPS should also highlight ongoing and planned teacher recruitment initiatives aimed at addressing existing shortages and ensuring the effective and sustainable implementation of CBC.</p>	<p>The Government has made commendable progress in strengthening the education sector and supporting the implementation of the Competency-Based Curriculum (CBC). Between 2022 and 2025, over 150,000 teachers were recruited on permanent terms alongside 46,000 intern teachers, significantly improving teacher availability across schools. In addition, 3,300 trainers were recruited to enhance instructional capacity, while the number of Competency-Based Education and Training (CBET) candidates assessed and certified increased from 16,083 to 214,275, demonstrating strong gains in skills development and capacity building.</p>

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>There is a need to expedite the approval of audited accounts to give a clear reflection of the total government's collection. This will increase the allocation to the counties in tandem with the prevailing economic circumstances in Kenya.</p> <p>In the 2026 BPS, the Government seeks to bring down the cost-of-living, ensure food security, create jobs, expand the tax base, improve foreign exchange balances and foster inclusive growth. The 2026 BPS projects ordinary revenue at KSh 2.902 trillion, or, 13.9 per cent of GDP and total revenue at KSh 3.487 trillion, which is 16.7 per cent of GDP. Historical trends indicate years of missed revenue targets.</p> <p>The Government should come up with concrete strategies to ensure that the projected revenue can be realised. While ordinary revenue shows strong tax mobilization, the reliance on borrowing and non-recurring inflows raises sustainability concerns, given the historical revenue performance as indicated from the provided trends in the tax to GDP ratio. The Government is optimistic that tax targets will be met, as well as bridging the deficit by additional borrowing, which will lead to heavy dependence on debt, and limited fiscal space for development spending.</p>	<p>Building on these achievements, the Government remains committed to further improving teacher-pupil ratios through the planned recruitment of an additional 30,000 teachers, with priority given to STEM and technical subjects.</p> <p>The Government of Kenya recognizes the importance of timely approval of audited accounts to provide an accurate reflection of total Government collections and is actively striving to ensure that all government books are audited promptly. Expediting this process will enhance transparency, ensure that revenue collections are accurately captured, and enable equitable and timely allocation of funds to counties.</p> <p>The Government has revised the medium-term fiscal projections in the 2026 Budget Policy Statement from the 2025 Budget Review and Outlook Paper (BROP) to reflect actual budget implementation in FY 2025/26 and the available resource envelope. These revisions are intended to ensure that revenue projections are realistic and aligned with prevailing economic conditions.</p> <p>Over the medium term, total revenue including Appropriations-in-Aid (AiA) is projected at 17.5 percent of GDP in FY 2027/28 and 17.0 percent of GDP in FY 2028/29, while ordinary revenue is projected at 14.7 percent of GDP and 14.4 percent of GDP, respectively. These projections are underpinned by ongoing tax administration reforms, rationalization of tax expenditures, and measures to broaden the tax base, which are expected to strengthen revenue performance.</p>

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
County Financial Management and Division of Revenue	<p>The Government should include a firm, actionable commitment to resolve pending bills, including a national framework for verification, time-bound clearance plans, and enforcement measures for non-compliant counties. Strengthening Treasury oversight and linking transfers to demonstrated progress on arrears clearance will be pivotal in ensuring fiscal discipline and restoring credibility across county governments, while also improving service delivery, liquidity for suppliers, and overall fiscal stability.</p> <p>County Governments should ensure that pending bills are prioritized as a first charge in the budget cycle. The National Treasury should state how they will go beyond the policies and reports put in place to ensure pending bills are addressed forthwith. Since pending bills sometimes arise due to procurement and accounting officers lacking expertise in capturing them at the start of the financial year and processing payments from the authorized list, government institutions should employ accountants who are members of ICPAK and continually strengthen their capacity through professional development programs.</p> <p>The 2026 BPS should incorporate IBEC's resolution on pending Bills management where the CoB was mandated to develop the pending bills action plan template, pending bills tracking template and the pending bills universal template for adoption by the Counties. The 2026 BPS should come up with strategies to compel the counties to publish their pending bills on their websites to enhance tracking aging and gradual reduction.</p> <p>Counties should comply with their pending bills payment plan for FY 2024/25, 2025/26 and the Senate resolutions, which were</p>	<p>Section 4.3 of the 2026 BPS addresses this concern. The growing stock of pending bills in County Governments poses a fiscal discipline and sustainability risk. To address this risk, the National Treasury has started transitioning from cash basis to accrual accounting, which is expected to improve the recording of pending bills in financial statements and facilitate gradual payment.</p> <p>This is in force and being monitored by Office of the Controller of Budget. The Office actively enforces these measures, particularly during the approval of withdrawals from County Revenue Fund (CRF) Accounts. Government personnel involved in public finance management are qualified professionals with the necessary credentials who undergo regular training to improve their ability to effectively serve the public.</p> <p>Section 4.3 of the 2026 BPS addresses this concern. To progressively reduce the stock of pending bills, the Intergovernmental Budget and Economic Council (IBEC) approved and adopted the County Governments' Pending Bills Action Plan in June 2025, as submitted by the Controller of Budget. The Council further directed all County Governments to customize and implement their respective Pending Bills Action Plans.</p> <p>County Governments were directed by IBEC in June 2025 to customize and implement respective Pending Bills Action</p>

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	<p>communicated in a letter to all the 47 County Governors Ref: SEN/RESOLS/05/2024(03) dated 9 May 2024.</p> <p>In reviewing performance in Own-Source Revenue (OSR) collection against targets, the 2026 BPS should highlight the key drivers behind the strong performance of the top 12 counties that exceeded 100 percent of their targets. It should also analyse the factors contributing to underperformance in other counties, including whether targets were set too high or too low, and assess whether counties are using reliable and evidence-based revenue forecasting approaches.</p> <p>The Government should negotiate between both levels of government to maintain county allocations at 17 percent, as was in FY 2024/25. Based on projected ordinary revenue of KSh 2.9 trillion, this would provide counties with KSh 493 billion to meet the pressures of delivering critical services and clearing pending bills.</p> <p>The Government should establish tighter controls and monitoring mechanisms to ensure that wage expenditures do not surpass the set regulation and in compliance with regulation 25(1) (b) of the PFM County Government Regulation, 2015 and ensure timely disbursements of exchequer releases.</p> <p>There is a need for both levels of government to migrate their payrolls to the Human Resource Information System- Kenya. Further, manual</p>	<p>Plans which will be monitored closely by the Office of the Controller of Budget.</p> <p>This has been addressed in Section 4.2.2 of the 2026 BPS. The growth in OSR could be attributed to implementation of the OSR policy, continuous capacity building on public finance management, revenue automation and revenue administration reforms such as implementation of the FIF.</p> <p>Section 4.5.2.1 highlights some of the factors taken into account in determining the allocation to County Governments for the FY 2026/27. The factors include, overall revenue and macroeconomic performance, and the need to meet critical/mandatory expenditures including public debt. Despite this, the Government has been increasing allocation to County Governments as demonstrated in the consistent growth of total transfers over the years in Table 4.11.</p> <p>The National Treasury and the Office of the Controller of Budget are monitoring wage bills across County Governments and pending bills using a hybrid of administrative and technical support to County Governments to manage them. In addition to this, the Third National Wage Bill Conference 2024 came resolved that all counties managing the wage bill adhere to the fiscal responsibility principles that limits the ratio of wage bill to revenue at 35 percent.</p> <p>This has been addressed in Section 4.3 of the 2026 BPS. The use of the integrated human resource management systems is</p>

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	<p>multiple and stand-alone payroll systems to cease. This will monitor and ensure that the wage bill to revenue ratio does not exceed the 35% threshold.</p> <p>County governments should fast-track the automation and integration of revenue collection systems across all revenue streams to minimize leakages, enhance transparency, and improve efficiency.</p> <p>The County Governments should adopt realistic, evidence-based revenue projections grounded in economic activity and historical performance. County Governments should also invest in capacity building for revenue officers, including training on revenue administration, to enhance efficiency and collection.</p> <p>The Equalization Fund Advisory Board should establish project implementation units (PIUs) at the divisional level with the intention of directly transferring funds to them. This will improve efficiency.</p>	<p>already under implementation in the National and County Governments in management of the Human Resources.</p> <p>This has been addressed in Section 4.2.3 of the 2026 BPS. Among the planned measures for boosting own-source revenue by County Governments is the finalization of the proposed integrated County Revenue Management System.</p> <p>This has been addressed in Section 4.2.3 of the 2026 BPS. To boost revenue forecasting by County Governments, the National Treasury will finalize the revenue forecasting model to provide an objective criteria to set revenue targets.</p> <p>Section 44 of the Second Marginalization Policy established that pockets of marginalized areas and communities found within relatively developed counties were excluded in the first policy which considered a county as a unit of analysis. Further, Section 56 proposes use of a small area to identify a marginalized community- sub location, as opposed to using a county is necessary to improve targeting and maximum impact in improving services among the marginalized communities.</p> <p>The proposal to introduce further PIUs in the divisional level is;</p> <ul style="list-style-type: none"><li>i) Not anchored within the Second Marginalization Policy, and</li><li>ii) Additional PIUs will culminate to thinly spread financing of projects in the divisions- a situation that may not have</li></ul>

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	<p>There is a need to expedite the approval of audited accounts to give a clear reflection of the total Government's collection. This will increase the allocation to the counties in tandem with the prevailing economic circumstances in Kenya.</p> <p>The Government should, through intergovernmental processes, prioritize some resources in FY 2026/27 to fast-track support to all 47 counties in enacting the FIF Acts and adopting a standardized implementation approach, enabling health facilities to retain and effectively utilize the revenue they generate.</p> <p>Over the past year, there was 100 percent disbursement of the equitable share of revenue raised nationally in FY 2024/25 to the counties. However, this was done late as the last disbursement was made on the 24th of June 2025. This trend ordinarily made it difficult for the devolved units to meet their obligations, some citing this as the reason for the increasing stock of pending bills since they could not manage to absorb all the funds within the remaining portion of the financial year. The 2026 BPS should provide strategies that will ensure sustained growth of ordinary revenue to support the financial muscle of the devolved governments as well as timely disbursement of the allocated resources. This will enhance the credibility of their operations.</p>	<p>the expected impact as it has been observed even at the ward level.</p> <p>Extra PIUs at the division will translate to a further strain on the operational costs which, in accordance with Regulation 10(1) of the PFM (Equalization Fund Administration) Regulations 2021, provides for the expenses of the Board to be paid out of the Fund whereby section 10(3) caps it at 3% of the annual EF allocation.</p> <p>Parliament is mandated to approve audited accounts. The National Treasury will continue to engage Parliament to expedite.</p> <p>The Facilities Improvement Financing Act, 2023 stipulates that a County Government may enact legislation to give further effect to the provisions of the Act in the respective Counties. The National Treasury advise that Counties to use their own resources in enacting the legislation.</p> <p>Section 4.6.2 provides one of the measures being undertaken by the National Treasury and its stakeholders in addressing delayed disbursement to counties. Multi-agency engagements have been held and a proposal has been made to amend Sections 42 and 191 of the PFM 2012. The amendments aim to address the delays in enactment of the CGAAB which leads to late disbursement of additional allocations, disruption in service delivery and low absorption of allocated funds at the county level.</p>

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	<p>As indicated in the 2026 BPS, the counties were unable to meet their OSR targets despite having a huge potential for revenue. The 2026 BPS should come up with stringent measures to support the counties to realise their revenue potential as indicated in their assessment through periodic capacity building and enabling national and county revenue legislation development. As observed, the revenue raised from FIF exceeded the target by 18 percent, indicating efficiency realized through FIF implementation. There is a need for the counties to be supported to strengthen the other aspects of revenue collection to match the FIF.</p>	<p>This has been addressed in Section 4.2.3 of the 2026 BPS. Among the planned measures for boosting own-source revenue collection by County Governments is the finalization of the proposed integrated County Revenue Management System, and revenue forecasting model to provide an objective criteria to set revenue targets.</p>
	<p>Despite the 2026 BPS indicating that the last audited revenue and approved by the National Assembly and being used for revenue sharing is for FY 2021/2022, this lags behind by three financial years i.e. (FYs, 2022/23, 2023/24 and 2024/2025) for which data is nationally available within the said institutions. In order to ensure that the National Treasury uses the most current revenue data, there is need to fast rack the processing and adoption of the Audited statement of revenue by Parliament.</p>	<p>Parliament is mandated to approve audited accounts. The National Treasury will continue to engage Parliament to expedite this process.</p>
	<p>The 2026 BPS should propose mechanisms to assess the impact of Equalization Fund since inception and make necessary adjustments to strengthen the realisation of the intended objectives.</p>	<p>This is duly noted. In addition to fully implementing the regulations, the Board of the Equalisation Fund, will explore ways to more frequently undertake and publish reviews of performance to gauge levels of achievement of objectives of the fund.</p>
	<p>On Table 4.10, has omitted the additional conditional allocations of 0.5 percent of housing levy fund to the county rural and urban affordable housing committee. Section 11(4)(c) and 11(5) of the Act provides that not less than point five percent (0.5%) of the monies from the Affordable Housing Levy shall be allocated to the county committees</p>	<p>KSh 365,991,679 being total conditional additional allocations from 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees has been included in Table 4.9 of the 2026 BPS.</p>

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Statement of Specific Fiscal Risks	<p>for the administration of the County Committees, the allocation of which shall be appropriated as a conditional grant to County Governments.</p> <p>Climate related fiscal risks and contingent liabilities from SOEs and PPPs need stronger mitigation measures, including a dedicated Climate Resilience Fund and a Contingent Liabilities Register.</p>	<p>The Government of Kenya is mitigating climate-related and SOE risks through strengthened policy, fiscal, and institutional measures. Climate risks are being addressed through implementation of the Climate Change Act and National Climate Change Action Plans, mainstreaming climate considerations into planning and budgeting, scaling up climate finance, investing in climate-resilient infrastructure and renewable energy, and strengthening disaster risk management and early warning systems. At the same time, risks from State-Owned Enterprises are being mitigated through enhanced oversight and governance reforms, improved financial reporting and transparency, rationalization of borrowing and government guarantees to limit contingent liabilities, restructuring of financially distressed SOEs, and increased private sector participation through PPPs. Together, these measures aim to safeguard fiscal sustainability, enhance resilience to climate shocks, and reduce potential fiscal pressures arising from SOEs.</p>
	<p>The fiscal risks identified are largely qualitative. Quantification of risks will enhance the usefulness of the risk statement for macro forecasting, policy analysis and stress testing.</p>	<p>The National Treasury acknowledges the need to strengthen the quantification of fiscal risks to enhance their usefulness for macroeconomic forecasting, policy analysis and stress testing. To this end, the National Treasury is progressively enhancing its fiscal risk management framework through improved data collection, analytical tools and institutional coordination, through the Fiscal Risk Committee. Efforts are underway to systematically assess and quantify key risks,</p>

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	<p>On fiscal risk associated with public debt, the National Treasury should provide further details in this section of the potential impact of depreciation of the Kenyan shilling and the trade-offs that will be made if there is a higher cost to settle external debt. Secondly, the discussion on SOEs should be accompanied with a specific set of steps that are either in place or planned to reduce the exposure by SOEs borrowing and in line with the approval by the cabinet in 2025 to reform SOEs. In both scenarios the National Treasury should be clear on what trade-off will be made to accommodate if the risks materialize and its impact.</p> <p>The 2026 BPS should put in place solid strategies to ensure compliance with the debt anchor. Further, it should provide mechanisms to guard the utilisation of the ordinary revenues from servicing debt. The current trend may lead to persistent debt accumulation and eventual debt distress.</p>	<p>particularly those arising from SOEs, contingent liabilities, climate-related shocks and macroeconomic dynamics, to better inform budget planning and debt sustainability analysis.</p> <p>The National Treasury acknowledges the need to strengthen disclosure of fiscal risks related to public debt and SOEs. The 2026 BPS recognises exchange rate volatility as a key risk to external debt and outlines mitigation measures including prudent debt management, prioritisation of concessional financing, fiscal consolidation and enhanced domestic revenue mobilisation. In the event of higher debt servicing costs, the Government will prioritise expenditure rationalisation and efficiency while protecting essential services. The BPS also aligns with the Cabinet-approved 2025 SOE reform agenda aimed at improving governance, financial transparency and reducing reliance on borrowing and exchequer support, with corrective actions such as enhanced oversight and restructuring to be applied where risks materialise.</p> <p>Annex 1 of the 2026 BPS reports on Kenya's public debt sustainability analysis. In addition, the 2026 Medium-Term Debt Management Strategy (MTDS) provides a comprehensive framework to guide government borrowing and debt management decisions, setting the desired structure of the public debt portfolio to minimize costs, manage risks, and ensure sustainability over the medium term. These measures collectively aim to prevent persistent debt accumulation, protect ordinary revenues from being diverted solely to debt servicing, and mitigate the risk of debt distress.</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Annexes	<p>The BPS to have a paragraph or annex dedicated to how budget has lived to the budget guidelines need to emphasize gender and children (41.3 percent of population). The budget proposal and budget statement to have an annex on children's issues. National Treasury through implementation of the new Standard Chart of Accounts (SCOA) and IFMIS re-configuration to enable budget tagging for spending on children, gender and climate. The OCoB expenditure report to Parliament to have an annex on gender and children. The Office of the Auditor General to provide audit reports on expenditure on children and gender.</p> <p>Under Annex 1 paragraph 5 The BPS should provide a full breakdown of the functional and economic classification of debt expenditure for the past three years (2022/23, 2023/24 and 2024/25). This will strengthen the BPS justification for the issue and mitigation steps as part of ensuring there is fiscal discipline.</p>	<p>The National Treasury acknowledges the proposal to enhance the visibility and tracking of expenditure on gender and children in the budget framework. While the 2026 Budget Policy Statement does not include a standalone annex on these groups, their priorities are mainstreamed across the document through targeted sub-sections (1.3.7, 1.3.8, and 3.4), and sectoral interventions in health, education, social protection, Gender-based violence prevention and child welfare.</p> <p>At present, there is no explicit gender- or child-specific budget tagging within SCOA or IFMIS; however, ongoing public financial management reforms and programme-based budgeting provide a basis for considering such mechanisms in future. Gender and children's issues are currently addressed through sectoral policies and programmes implemented by line ministries, with continued prioritisation of resources to these groups.</p> <p>Existing accountability frameworks, including Controller of Budget and Auditor-General reports, already support oversight of expenditures benefiting women and children. The proposal to introduce specific annexes is noted for consideration within future PFM reforms.</p> <p>The BPS highlights whether the Government has adhered to the fiscal responsibility principles set out in the PFM Act, CAP 412A, ensuring that public debt and obligations are maintained at sustainable levels, as approved by Parliament for the National Government. In addition, The National Treasury publishes the Annual Public Debt Management Report, which provides a comprehensive account of Kenya's</p>

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	<p>The integration of public feedback into final priorities should be more visible. A summary of key concerns and how they influenced allocations.</p>	<p>public and publicly guaranteed debt and outlines the Government's borrowing activities. The report aims to enhance fiscal transparency, reduce information asymmetries, and strengthen accountability by enabling effective oversight by Parliament, investors, and the public.</p> <p>Public participation in the medium-term budget process is a Constitutional requirement, and in preparing the 2026 BPS, resolutions from the 2024 and 2025 BPS were taken into account, as outlined in Annex Table 5 with explanations for actions taken. In compliance with PFM Act, CAP 412A, Public Sector Hearings were held from 19<sup>th</sup> to 21<sup>st</sup> November 2025 at the Kenyatta International Convention Centre to gather input from the public on the budget and sector plans. Annex Table 6 summarizes the comments received and responses provided, while Annex 7 presents feedback specific to the 2026 BPS.</p>

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