REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT

NATIONAL ASSEMBLY

THE HANSARD

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THE HANSARD

Thursday, 11th June 2026

(The House met at 2.30 p.m.)

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

PRAYERS

Hon. Speaker: Hon. Members, we have quorum. We can start our business.

COMMUNICATION FROM THE CHAIR

Hon. Speaker: Members on their feet, take your seats. Hon. Farah, where is your nearest seat? Member for Sirisia, take your seat.

APPOINTMENT OF SENATORS TO MEDIATION COMMITTEE ON THE CO-OPERATIVES BILL

Hon. Speaker: Hon. Members, you recall that on Tuesday, 9th June 2026, I notified the House of the appointment of five Senators to the Mediation Committee on the Cooperatives Bill (National Assembly Bill No. 7 of 2024). I wish to inform the House of the appointment of four additional Senators to the said Mediation Committee. They are:

1. Sen. Daniel Kitonga Maanzo.
2. Sen. (Prof) Margaret Jepkoech Kamar.
3. Sen. Hamida Ali Kibwana.
4. Sen. Betty Batuli Montet.

Hon. Members, the appointment of the additional Senators brings the Senate representation in the said Mediation Committee to parity with that of the National Assembly appointed on 22nd April 2026. The Committee is now fully constituted in terms of Article 113 of the Constitution. It may commence the mediation process on the Bill in earnest.

The House is accordingly informed. Thank you.

Next Order.

PETITION

ESTABLISHMENT OF NATIONAL POLICE FIREARMS DIGITAL DETECTION AND TRACKING SYSTEM

Hon. Speaker: Hon. Members, I have a Petition regarding the establishment of a National Police Firearms Digital Detection and Tracking System. Article 119 of the Constitution accords any person the right to petition Parliament to consider any matter within its authority. Further, Standing Order 225(2)(b) requires the Speaker to report to the House any Petition other than those presented by a Member. In this regard, I wish to report that my Office has received a Petition from Mr Emmanuel Kelly Ojoo, Identification Card No. 2607…, calling for the establishment of a National Police Firearms Digital Detection and Tracking System.

While the Petition acknowledges the provisions of Articles 243 and 244 of the Constitution regarding the establishment and functions of the National Police Service, the

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Petitioner is concerned that several security incidents, including attack on police posts and stations in some parts of the country, where officers are reportedly ambushed and firearms forcefully taken, exposes vulnerabilities in current firearms storage, monitoring and rapid response systems.

The Petitioner contends that the theft or unauthorised removal of police firearms places police officers at heightened operational risk, endangers civilians and undermines public confidence in national security institutions. The Petitioner observes that the firearm issuance and armoury management systems in many police stations remain largely manual and lack immediate electronic detection mechanisms, capable of flagging unauthorised removal or tampering in real time. Further, the Petitioner notes that there is presently no mandatory nationwide encrypted and automated alert system that instantly notifies command structures upon irregular firearm movement, thereby delaying rapid response and recovery efforts.

The Petitioner, therefore, prays that the National Assembly intervene to amend the National Police Service Act, the Firearms Act and related legislation to establish secure national digital firearms detection and tracking system within the National Police Service. This, the Petitioner asserts, must include biometric controlled smart armouries, encrypted real time tracking and alert mechanisms, safeguards for operational confidentiality, dedicated budgetary support and security protections to ensure officers are not unfairly held liable for systemic technological failures.

Having established that the matters raised in the Petition fall within the authority of this House, and that they are not pending before any court of law or constitutional body, I hereby commit the Petition to the Public Petitions Committee for consideration, pursuant to the Standing Orders of the House. The Committee is required to consider the Petition and report its findings to the House and the Petitioner, in accordance with Standing Order 227 (2). I thank you.

Hon. KJ?

Hon. John Kiarie (Dagoretti South, UDA): Thank you, Hon. Speaker. Our Standing Orders allow for comments on petitions. What has been brought forward, though it goes to the Public Petitions Committee, involves the Committee led by Hon. Tongoyo. It speaks to some issues under the Departmental Committee on Communication, Information and Innovation. Today's technology allows effective tracking and we must thank the Petitioner for bringing this matter before the House.

I wish to request that your office allow for some engagement with the Departmental Committee on Communication, Information and Innovation as well as with the Departmental Committee on Administration and Internal Security, led by Hon. Tongoyo, so that we may be able to contribute to this Petition.

Dagoretti South, having suffered the brunt of the theft of police equipment and attacks on police stations, it also has an interest in this Petition. We must thank the Petitioner, even as this matter goes to the Public Petitions Committee. It is a new world which requires us to make use of the available technology, even in public policing and security. We must, therefore, thank the Petitioner. I hope that my Committee and the one that is led by Hon. Tongoyo shall be involved in prosecuting it.

I thank you, Hon. Speaker.

Hon. Speaker: Thank you. Hon. Milemba.

Hon. Omboko Milemba (Emuhaya, ANC): Thank you, Hon. Speaker. This Petition will expand the space of security, especially on the issue of firearm movement. As I thank the Petitioner, I note that he has opted to address one side of the issue, where police officers lose their firearms after being attacked, as illustrated by the examples he has already given.

However, there are situations where police officers illegally hire out firearms for criminal activities, something that has been raised on several occasions. I think it is a very good

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Petition. Therefore, the Committees that have been given the opportunity to consider it, should be careful to develop it in such a way that it results in legislation that can digitize the movement of firearms from police stations, police posts and any other places where firearms are kept. This will go a long way in ensuring that firearms remain in the hands of the correct persons and can be tracked any time.

Hon. Speaker, yesterday I was at Kenyatta National Hospital and I noticed that they have digitised everything. They can track financial transactions, movement of patients and every other operation. This is an area where the Ministry of Interior and National Administration can leverage technology to ensure that we can track the movement of firearms and even ammunition. That will save us a great deal of trouble.

Thank you, Hon. Speaker.

(Loud consultations)

Hon. Speaker: Order, Hon. Members. I agree with Hon. KJ and Hon. Milemba. Leader of the Majority Party, kindly look into this Petition. I direct that you find a way of fusing the Departmental Committee on Communication, Information and Innovation, the Departmental Committee on Administration and Internal Affairs and the Public Petitions Committee to look at it and see how they can engineer some legislation. It makes a lot of sense.

Next Order.

PAPER

Hon. Speaker: Chairperson, Committee on Members' Services and Facilities.

Hon. Wachira Karani (Laikipia West, UDA): Thank you, Hon. Speaker. I beg to lay the following Paper on the Table:

> Report of the Committee on Members' Services and Facilities on its inspection visits to constituency offices in Nakuru County.

Hon. Speaker: Thank you. Next Order.

NOTICE OF MOTION

Hon. Speaker: Hon. Wachira Karani, Chairperson of the Committee on Members' Services and Facilities. Proceed.

ADOPTION OF REPORT ON INSPECTION VISITS TO CONSTITUENCY OFFICES IN NAKURU COUNTY

Hon. Wachira Karani (Laikipia West, UDA): Hon. Speaker, I beg to give notice of the following Motion:

> THAT, this House adopts the Report of the Committee on Members' Services and Facilities on inspection visits in constituency offices in Nakuru County, laid on the Table of the House on Thursday, 11th June 2026.

Hon. Speaker: Thank you. Next Order.

QUESTIONS AND STATEMENTS

Leader of the Majority Party.

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STATEMENT

BUSINESS FOR THE WEEK OF 15TH TO 19TH JUNE 2026

Hon. Kimani Ichung'wah (Kikuyu, UDA): Thank you, Hon. Speaker. This is the usual Thursday Statement on behalf of the House Business Committee. Pursuant to the provisions of Standing Order 44(2)(a), I rise to present the following Statement. The House Business Committee met on Tuesday, 9th June 2026 to prioritize business for consideration during the week and the business coming before the House in the following week.

Hon. Speaker, as Members may have noticed from the Order Paper today, the House Business Committee approved light business for the Sitting. This is intended to allow the Cabinet Secretary for the National Treasury and Economic Planning, Hon. F.C.P.A., John Mbadi E.G.H., to make a public pronouncement of the Budget Highlights and revenue-raising measures for the National Government for the Financial Year 2026/2027, commencing at 3.00 p.m.

Hon. Speaker, with regard to business scheduled for Tuesday next week, the House is expected to undertake the following business:

1. The Second Reading of the following Bills—
   - (a) The Appropriation Bill, 2026.
   - (b) The Finance Bill, 2026 - if public participation will have been concluded on this Bill.
   - (c) The Sovereign Wealth Fund Bill, 2026.
   - (d) The Central Bank of Kenya (Amendment) Bill, 2026.
   - (e) The Kenya Revenue Authority (Amendment) Bill, 2026.
   - (f) The Plant Protection Bill, 2025.
   - (g) The Competition (Amendment) Bill, 2026.
2. Committee of the whole House on the following Bills—
   - (a) The Appropriation Bill, 2026.
   - (b) The Fisheries Management and Development Bill, 2023.
3. Motions—
   - (a) Report on inspection visit to the East African Science and Technology Commission and the East African Health Research Commission;
   - (b) Report of the Kenya Delegation to the 1st Assembly of the Inter-Parliamentary Union (IPU) and related meetings;
   - (c) Second report on the status of reports on petitions and resolutions;
   - (d) Report on consideration of a Petition regarding the proposal to amend the Consumer Protection Act;
   - (e) Report on the audited financial statements of selected State corporations in the roads and transport sector;
   - (f) The Eighth Report on audited financial statements of six State corporations.

In conclusion, Hon. Speaker, the House business shall reconvene again on Tuesday, 16th June 2026 to schedule business for the rest of the week. I now wish to lay this Statement on the Table.

A reminder to the Chairpersons of the Departmental Committee on Finance and National Planning and the Departmental Committee on Agriculture and Livestock that we are still waiting for them to table reports on the Plant Protection Bill and the Competition (Amendment) Bill.

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(Loud consultations)

Hon. Speaker, protect me from the 'impeacher'.

Hon. Speaker: Order.

(Hon. GG Kagombe consulted loudly)

Is that the Member for Gatundu South?

Hon. Kimani Ichung'wah (Kikuyu, UDA): Thank you, Hon. Speaker. The consultations were too loud and they were coming from the corner where Hon. Mwengi Mutuse is seated. When there are Cabinet Secretaries in the House, you never know what Hon. Mwengi Mutuse could be planning.

(Laughter)

In the next 10 minutes, the Cabinet Secretary for the National Treasury and Economic Planning, Hon. John Mbadi, will make his pronouncement on Budget highlights and revenue-raising measures for the national Government for the next Financial Year. Hon. Speaker, I am reemphasising this because you are a Senior Counsel, but your predecessor, Hon. JB Muturi, is not. The former Vice-President, Hon. Kalonzo Musyoka, is also said to be one.

I saw them yesterday, together with others out there, claiming that the Cabinet Secretary was coming to read the Budget. I can forgive Hon. Kalonzo Musyoka because the last time he held public office was under the old Constitution. He is still living in the past under the old constitutional order where Ministers would come to Parliament to read the Budget. However, Hon. JB Muturi sat where you sit as Speaker, under the current Constitution. He knows very well that the Cabinet Secretary does not read any Budget.

We have just concluded the consideration of the Budget Estimates. We are only left with the consideration of the Appropriation Bill, which we will do next week. The Cabinet Secretary is just issuing a public pronouncement on the Budget highlights and revenue-raising measures. Therefore, I urge the country to forgive those people in their confusion. They are still living in the past. That is why we tell them that they cannot forge or fashion an agenda to move the country forward, if they keep living in the past.

As we welcome the Cabinet Secretary, I want to inform those confused leaders out there to stop living in the past and adopt the present constitutional order, where the National Assembly holds the power of the purse. I have listened to them. In their desperation, they are all telling the country to reject the Finance Bill. None of them has told Kenyans which particular clauses in the Finance Bill they have a problem with. In 2024, many Kenyans did not understand that after public participation, the Chairperson of the Departmental Committee on Finance and National Planning would table a report in the House. Kenyans can wait for that report next week. They will realise that the Committee has addressed most of their concerns. We shall amend the Finance Bill and pass a piece of legislation that caters for the interests of Kenyans. It will not be a piece of legislation that serves the political interests of those confused people who do not even know whether we are reading a budget or making a public pronouncement.

Hon. Speaker: Let us have Hon. Junet. Take one or two minutes.

Hon. Junet Mohamed (Suna East, ODM): Thank you, Hon. Speaker. I wish to add my voice to what the Leader of the Majority Party has said. I know we are in an era of misinformation and disinformation, but when that misinformation comes from high-level members of society, some of whom have been speakers of this House, it becomes worrying. I heard the former Speaker say that this is the first time a budget is being presented when the

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President is not around. The last President to be present in this House during the Budget presentation was President Mwai Kibaki, under the old Constitution. It appears that those people do not know what is happening in the country. They have no agenda to sell to Kenyans and so, they are scavenging for anything. Even the President's travels have become a problem for them. The Cabinet Secretary for the National Treasury and Economic Planning will come to the House to issue the statement, not the President.

Secondly, they have spoken about the Finance Bill. First, they claimed that the Bill contained a clause converting all freehold titles into leasehold titles. That lie has since been demystified and so, they have nothing else to say.

Lastly, I want to remind the House and Kenyans that the former Chairman of the Orange Democratic Movement (ODM) will be presenting the Budget highlights today. Can you repeat after me? ODM!

Hon. Members: ODM!

Hon. Junet Mohamed (Suna East, ODM): Thank you very much.

(Loud consultations)

Hon. Speaker: Order, Hon. Members. Hon. Junet, you are out of order for conducting an illegal choir on the Floor of the House.

(Laughter)

Order, Hon. Members. For the avoidance of doubt, Hon. Junet and Hon. Ichung'wah have made an important point. The President is under no obligation to be in Parliament when the Cabinet Secretary for the National Treasury and Economic Planning is issuing his statement and outlining the revenue-raising measures. He is not reading a Budget. If the President chose to come, he would sit in the Speaker's Row. He would not occupy his usual seat during the State of the Nation Address. There is no crisis just because the President is out of the country. The budget-making process is exclusively a preserve and responsibility of the National Assembly.

Next Order.

MOTION

CONSIDERATION OF REPORT ON THE AGRICULTURAL AND LIVESTOCK EXTENSION SERVICES BILL

THAT, the House do agree with the report of the Committee of the whole House on its consideration of the Agricultural and Livestock Extension Services Bill (Senate Bill No. 12 of 2022).

(Moved by Hon. (Dr) John Mutunga Kanyuithia on 10.6.2026 – Morning Sitting)

(Resumption of consideration interrupted on 10.6.2026 – Morning Sitting)

(Several Members stood up in their places)

Hon. Speaker: Members on their feet, take your seats. Hon. Keynan, take your seat.

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(Question put and agreed to)

BILL

Third Reading

THE AGRICULTURAL AND LIVESTOCK EXTENSION SERVICES BILL
(Senate Bill No. 12 of 2022)

Hon. Speaker: Go ahead, Hon. Justice Kemei.

Hon. Justice Kemei (Sigowet/Soin, UDA): Hon. Speaker, on behalf of the Chairperson of the Departmental Committee on Agriculture and Livestock, I beg to move that the Agricultural and Livestock Extension Services Bill, (Senate Bill No. 12 of 2022), be now read a Third Time. I request Hon. Susan Ngugi to second.

Hon. Speaker: Let us have Hon. Susan.

Hon. Susan Ngugi (Tharaka Nithi County, TSP): Hon. Speaker, I second.

(Several Members stood up in their places)

Hon. Speaker: Members on their feet, take your seats. Hon. Nzengu, take your seat.

(Question proposed)

Do I put the question?

Hon. Members: Yes.

(Question put and agreed to)

(The Bill was accordingly read a Third Time and passed)

(The Speaker consulted with the Lead Clerk-at-the-Table)

Hon. Speaker: Leader of the Majority Party, it is now 3.00 O'clock. Will you search, find and bring to the Chamber the Cabinet Secretary for the National Treasury and Economic Planning?

Hon. Members: Power! Power!

Hon. Speaker: Order! Leader of the Majority Party.

Hon. Kimani Ichung'wah (Kikuyu, UDA): Hon. Speaker, as you have directed, I did not have to search for the Cabinet Secretary. He was well within the precincts of Parliament, and on time. It is now my pleasure and honour to present to the House, to the country and to you, Hon. Speaker, the Cabinet Secretary for the National Treasury and Economic Planning, Fellow of the Certified Public Accountants of Kenya (FCPA), Hon. John Mbadi, the expert.

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

Hon. Speaker: Hold on, Cabinet Secretary. Take your seat.

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COMMUNICATION FROM THE CHAIR

RECOGNITION OF INVITED GUESTS IN THE GALLERIES

Hon. Members, I have a short Communication in relation to this agenda in the Order Paper. As you are aware, the Cabinet Secretary for the National Treasury and Economic Planning is to make Public Pronouncement of Budget Highlights and Revenue-Raising Measures for the National Government for the Financial Year 2026/2027 and the Medium Term, during this Afternoon Sitting. In this regard, and in accordance with the Standing Orders, I have designated a suitable place in the Chamber for that purpose.

It is the tradition of this House to recognise invited guests who are seated in the Galleries of our hallowed Chamber. I, therefore, wish to recognise the presence of the following Members of the Cabinet:

1. Hon. Kipchumba Murkomen, EGH, Cabinet Secretary for Interior and National Administration.
2. Hon. Geoffrey Ruku, Cabinet Secretary for Public Service, Human Capital Development and Special Programmes.
3. Hon. Soipan Tuya, EGH, Cabinet Secretary for Defence.
4. Hon. Alice Wahome, EGH, Cabinet Secretary for Lands, Public Works, Housing and Urban Development.
5. Hon. Aden Duale, EGH, Cabinet Secretary for Health and the Leader of the Majority Party Emeritus of this House.
6. Mr Julius Migos Ogamba, EBS, Cabinet Secretary for Education.
7. Hon. Mutahi Kagwe, EGH, Cabinet Secretary for Agriculture and Livestock Development, my former colleague in the Senate and my year-mate at The University of Nairobi.
8. Hon. Salim Mvurya, EGH, Cabinet Secretary for Youth Affairs and Sports.
9. Hon. Opiyo Wandayi, EGH, Cabinet Secretary for Energy and Petroleum and the Minority Leader Emeritus of this House.
10. Mrs. Hannah Wendot Cheptumo, Cabinet Secretary for Gender, Culture, the Arts and Heritage.
11. Hon. Dorcas Oduor, SC, EGH, The Attorney-General.
12. Ms Mercy Wanjau, EGH, Secretary to the Cabinet.

(Applause)

I also acknowledge all Principal Secretaries and the accompanying officials. I accord special recognition to the Principal Secretaries from the National Treasury and Economic Planning, Dr Chris Kiptoo, CBS, Mr Cyrill Odede and Dr Boniface Makokha, who work closely with the Cabinet Secretary for the National Treasury and Economic Planning.

(Applause)

We are also joined by the following Judges:

1. Hon. Justice Hilary Chemitei, Judge of the High Court.
2. Hon. Justice Mohammed Kullow, Judge of the Environment and Land Court.
3. Hon. Justice Onesmus Makau, Judge of the Employment and Labour Relations Court.

They are accompanied by the Deputy Chief Registrar of the Judiciary, Mr Paul Ndemo, OGW.

(Applause)

I also wish to recognise the Heads and Members of Constitutional Commissions and Independent Offices, as well as the leadership of State corporations who are in attendance. I further wish to recognise distinguished members of the diplomatic corps who have graciously joined us for this event.

(Applause)

I also acknowledge the presence of the Chairperson of the Council of Governors, His Excellency FCPA Ahmed Abdullahi, EGH, Governor of Wajir County.

(Applause)

On behalf of the House, I extend a warm welcome to all our invited guests. The National Assembly is honoured by your presence on this auspicious occasion. Your continued partnership and support to the work of Parliament is duly noted and valued.

I now interrupt the business of the House to allow Hon. FCPA John Mbadi, EGH, the Cabinet Secretary for the National Treasury and Economic Planning, also a former Leader of the Minority Party in the National Assembly, to make Public Pronouncement of Budget Highlights and Revenue-Raising Measures for the National Government for the 2026/2027 Financial Year and the Medium Term.

The Cabinet Secretary for the National Treasury and Economic Planning, Hon. FCPA John Mbadi, EGH, you may now proceed with your afternoon job.

(Applause)

PRONOUNCEMENT OF BUDGET HIGHLIGHTS

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

The Cabinet Secretary for National Treasury (Hon. John Mbadi): Thank you, Hon. Speaker and Hon. Members of the 13th Parliament, for granting me this opportunity to read the Budget Highlights and Revenue-Raising Measures for the Financial Year 2026/2027. I make this Statement in fulfilment of the requirements of Section 40 of the Public Finance Management Act (Cap. 412A) and Standing Order 241 of the National Assembly.

This is the first Budget since the passing of the late Rt. Hon. His Excellency Raila Amolo Odinga, who is fondly remembered as a patriot and national hero, and who steadfastly championed economic justice, democracy and equal opportunity for all Kenyans. His legacy continues to inspire and guide us as we transform Kenya into a newly industrialised and middle-income economy. In honour of his immense contribution to our country, I would politely request and invite Members of this esteemed House to observe a moment of silence, which will take a minute.

Hon. Speaker: Members and guests in the Galleries, be upstanding.

(Members and invited guests observed a minute of silence)

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The Cabinet Secretary for National Treasury (Hon. John Mbadi): Thank you very much.

Hon. Members: Jowi! Jowi!

The Cabinet Secretary for National Treasury (Hon. John Mbadi): Hon. Speaker, the Rt. Hon. Raila Amolo Odinga was a key partner to His Excellency President (Dr) William Samoei Ruto, in the Broad-Based Arrangement. This Budget captures the ideals of the two great leaders, especially on the aspiration to transform our economy from its current status to a more developed nation status, a path to Cannan through Singapore. The extensive public participation throughout the Budget process presents a solid basis and foundation for what is clearly the 'People's Budget'.

Public participation is a constitutional imperative. In compliance with this requirement, I personally led extensive public engagements with Kenyans from across the country in the last one year. This was meant to get their views and inputs to the Budget that I am presenting today. For example, I met youth and the business community, particularly bodaboda operators, jua kali artisans, leadership of the mitumba sector and scrap metal dealers. I also engaged extensively with members of the fourth estate, and in the process, launched their Financial Journalists Association. Additionally, I travelled to various regions and conducted numerous regional dialogues. Those include Kilifi in December 2025 for the Coastal Region Dialogue; Migori in Nyanza; Kakamega in Western; Eldoret and Nakuru in Rift Valley regions in January 2026. In February 2026, I travelled to Kiambu and Meru counties, while in May 2026, I met the youth and the business community from Kajiado and Nairobi regions. The month of May and June 2026 have been very intense in terms of engagements.

Hon. Speaker, besides the regional dialogues, I joined *Bunge la Mwananchi* community at Jeevanjee Gardens, Nairobi and *Gumzo la Uchumi Mashinani* in Busia County for conversation with faith-based organizations in May 2026. I have also, on numerous occasions, appeared in a number of television stations, expounding on what we are doing and what we intend to do as a Government. Further, in the same month of May 2026, I returned to my *alma mater*, the University of Nairobi, where I had a dialogue with comrades at the Chandaria Auditorium.

In my engagements with wananchi, I walked into a couple of shops to directly engage with the mobile phone dealers on the proposed tax changes, that is, the excise duty on mobile phones. Additionally, last Thursday, 4th June 2026, I joined a panel of eminent professionals on the Citizen Digital X Space in unpacking the Finance Bill 2026. The eminent professionals included Fellow of the Certified Public Accountants of Kenya (FCPA) Prof. Elizabeth Kalunda, the Chairperson of Institute of Certified Public Accountants of Kenya (ICPAK); Deloitte Tax Policy Lead, Mr Fred Kimotho; the Chief Executive Officer of the Kenya Bankers Association, Mr Raymond Molenje; the Chief Executive Officer of Kenya Association of Manufacturers (KAM), Mr Tobias Alando; and, the Chief Executive Officer of Institute of Economic Affairs, Mr Kwame Owino. A total of 15,847 Kenyans tuned in while live listeners topped 14,249.

Hon. Speaker, the message from Kenyans across the country, from our rural villages to our bustling towns and cities, the ordinary mwananchi is clear with a consistent message. They have genuine expectations from the Government. Kenyans want an economy that works for them, an economy where the cost of living is manageable, where opportunities for employment and businesses are expanding and where the benefits of economic growth are shared widely across society. Wananchi want to see a Government that listens to their concerns and responds with policies that promote opportunity, fairness and prosperity. They want to see a Government that protects their livelihoods, supports farmers and small businesses, empowers the youth and women, and ensures that public resources are used prudently and transparently. Above all, the

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people of Kenya want assurance that their hard-earned taxes will translate into tangible improvements in their daily lives.

The main feedback from all those engagements was that the Government should reduce the overall cost of living by lowering the tax burden on essential commodities, tame wastage of public resources and decisively deal with corruption. Among the concerns and anxieties raised by Kenyans is the fear of potential outbreaks of infectious diseases, including Ebola, given the reported cases in some countries within the region. I wish to underscore that while Kenya is currently free of any confirmed Ebola Virus Disease, the Government has activated the National Ebola Incident Management System to coordinate surveillance and response. Already, enhanced screening is taking place at all the points of entry, especially the airports and border points. The Government has, in the meantime, trained over 1,000 healthcare workers and put together a reserve team of 241 experts in epidemiology, laboratory services and emergency response who remain on standby for rapid deployment. The Government has also designated isolation and treatment facilities across the country, including at Kenyatta National Hospital and the National Police Service Hospital. The Ministry of Health is working closely with regional and international partners, including the World Health Organization, Africa Centre for Disease Control and Prevention (CDC), Inter-governmental Authority on Development (IGAD) and the East African Community on this matter. These efforts are further supported by our development partners.

Already, the Government of the United States of America has committed approximately US$13.5 million towards health security interventions including disease surveillance and emergency preparedness. In addition, the World Bank has mobilised resources under the Regional Recovery and Resilience Operation Programme, which will support, among others, interventions in strengthening the health systems. Those resources, complemented by domestic budgetary allocations, will significantly enhance Kenya's capability and capacity to prevent, detect and respond to Ebola and other epidemic-prone diseases, while safeguarding livelihoods and maintaining economic stability.

Hon. Speaker and Hon. Members, this demonstrates that this Government is listening and responding to the concerns of citizens. On other concerns that Kenyans raised with me during the public engagements that I highlighted above, I will be elaborating on interventions that the Government is putting in place to cushion Kenyans and improve their livelihoods.

Hon. Speaker, the Budget for Financial Year 2026/2027 will prioritise various interventions under the Bottom-Up Economic Transformation Agenda (BETA) that promote private sector-led growth, expand employment opportunities and enhance delivery of public services, while preserving fiscal sustainability and building resilience against emerging economic challenges. This Budget is being presented at a time of heightened global uncertainty arising from the ongoing conflict in the Middle East. The conflict has disrupted global commodity markets and supply chains, weakened investor confidence and tightened financial conditions. Those developments have heightened risks to growth and inflation, increased pressure on public finances and created uncertainty in global markets.

For a developing economy such as Kenya, the impact is being felt through higher pump prices following a steep increase in global oil prices from an average of US$63.06 per barrel in February 2026 to US$94.4 per barrel by the end of May 2026. In addition, tighter financing conditions, weakening export demand, slower investment flow and rising cost of living, continue to exert pressure on economic activities. Yet, even in this environment, new opportunities are emerging. Countries that strengthen competitiveness, deepen regional integration and build resilient productive capacity, will be the ones that will thrive.

It is against this backdrop that Kenya's economic journey over the past three years stands as a story of resilience. Difficult but necessary choices were made, delivering a steady recovery. Faced with significant domestic and external pressures and shocks, the Government

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took difficult but necessary decisions to restore macro-economic stability, strengthen public finances and lay a firm foundation for sustainable growth. The hard decisions are bearing fruits. Under BETA, we have recorded clear gains. First, the Kenyan economy has remained resilient and registered an average growth rate of 5 per cent in the period of 2022 to 2025, outperforming the average global growth rate of 3.4 per cent and that of Sub-Saharan Africa of 4.1per cent.

Importantly, macro-economic stability has been preserved, confidence in our economy has actually strengthened and the foundations for sustained growth are now firmly in place. Macro-economic fundamentals such as inflation and exchange rates have strongly rebounded, and are projected to remain stable. Interest rates have declined, supporting growth in private sector credit from the banking industry. We have also accumulated the highest levels of official foreign exchange reserves of US$13.2 billion, which is equivalent to 5.6 months of import cover by May 2026, providing adequate cover and a buffer against short term domestic and external shocks.

Hon. Speaker, let me mention some of the key achievements. Since the roll-out of the Bottom-Up Economic Transformation Agenda (BETA), the agriculture sector has registered key gains, including reduced fertiliser costs through Government subsidy programmes, increased marketed agricultural production, expanded food security interventions and strengthened farmer support services targeting both small-holder and commercial farmers. Specifically, fertiliser disbursements under the Fertiliser Subsidy Programme increased substantially to 21.3 million bags in 2025 from 1.4 million bags in 2022.

(Applause)

The cost of a 50-kilogramme bag of fertiliser declined from Ksh7,500 to Ksh2,500. As a result, farmers realised estimated savings of approximately Ksh105 billion over a two-year period, enabling increased investment in production. Agricultural production increased significantly between 2022 and 2025. For example, maize production almost doubled to 67 million bags in 2025 from 34 million bags in 2022, while maize imports declined substantially to 3.3 million bags from 9.9 million bags over the same period, reflecting improved domestic production. Increased production contributed to a decline in the retail price of a 2-kilogramme packet of maize flour from an average of Ksh250 to Ksh165 over the same period.

Paddy rice production also increased significantly to 303,724 metric tonnes in 2025 from 192,299 metric tonnes in 2022. To support expanded cultivation, the area under rice production in public irrigation schemes increased from 48,324 acres to 71,624 acres. Potato production increased to 2.5 million tonnes in 2025 from 1.8 million tonnes in 2022, while milk production increased to 5.5 million litres from 4.6 million litres over the same period. The increased production has improved food security, reduced dependence on food imports, and contributed to more stable food prices and higher farmer incomes. Farmers across various value chains have enhanced production and benefited from higher earnings. Tea production increased to 550.4 million kilogrammes in 2025 from 535 million kilogrammes in 2022, while tea export earnings rose significantly to Ksh187 billion from Ksh163 billion over the same period.

To support the rehabilitation of ageing plantations and the expansion of coffee acreage, the Government progressively distributed coffee seedlings over the years, including 85,000 seedlings in the 2023/2024 Financial Year, 809,000 seedlings in the 2024/2025 Financial Year, and 3,127,769 seedlings in the 2025/2026 Financial Year. In addition, a further 2,242,769 coffee seedlings were distributed under the March-May 2026 long-rains programme. As a result of those interventions, the area under coffee increased to 115,500 hectares in 2025 from 109,385 hectares in 2022. In the edible oils sector, the area under edible crops increased

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significantly to 114,350 hectares in 2025 from 60,000 hectares in 2022, reflecting growing farmer participation and investment.

Interventions in the sugar sector have led to significant growth in both production and processing capacity, with the area under sugar-cane cultivation increasing by 19.4 per cent and national sugar production rising to 815,454 metric tonnes in 2024 from 472,773 metric tonnes in 2022. Having spoken about agriculture, and you can see the kind of improvement that has taken place in agriculture, let me turn to healthcare.

Access to healthcare has expanded substantially through far-reaching reforms aimed at strengthening primary healthcare, improving service delivery, and ensuring sustainable health financing. A total of 31.2 million Kenyans are now registered under the Social Health Authority (SHA), compared to about 8 million under the defunct National Health Insurance Fund (NHIF), while 228 primary care networks have been established and operationalised. A total of 107,831 Community Health Promoters (CHPs) have been recruited and trained, while 16,810 medical interns have completed their internships, bringing healthcare services closer to communities.

The Government recognises the critical role that contracted healthcare facilities play in the delivery of healthcare services to Kenyans. It is with this in mind that the Government, in the current 2025/2026 Financial Year, has allocated Ksh4 billion for the settlement of outstanding NHIF pending bills. Going forward, we will settle the balance of the bills owed under the defunct NHIF, which spans over the years. This allocation is specifically designated for the settlement of NHIF pending bills that are owed to contracted healthcare facilities, in accordance with the Presidential Directive prioritising the clearance of outstanding obligations for facilities with claims not exceeding Ksh10 million. The claims earmarked for settlement under this allocation have been duly verified and adjudicated and will be fully paid before the close of this financial year. The Government will subsequently prioritise payment of outstanding claims exceeding the Ksh10 million threshold once they have been verified in the next Budget.

The Government has accelerated the implementation of the Affordable Housing Programme to address Kenya's housing deficit, create jobs, stimulate local manufacturing, support Micro, Small, and Medium Enterprises (MSMEs), strengthen county economies, and improve the quality of life of millions of Kenyans. Through the programme, a total of 277,281 housing units have been completed or are under implementation nationwide as of May 2026. The programme has also successfully aggregated demand through the *Boma Yangu* platform, where more than one million Kenyans have registered their interest in home ownership, demonstrating the scale of housing demand and growing public confidence in the Government's housing agenda, and I hope they will not listen to other voices out there.

To improve living conditions for students and support the expansion of higher education, the Government has packaged 177,686 student beds for development across universities, while 22,512 institutional housing units are under construction for our disciplined forces, teachers, healthcare workers, and other public servants. The programme has also created over 640,442 jobs across the housing value chain through construction activities, professional services, manufacturing, logistics, and supporting industries. Those are Kenyans who would otherwise be jobless if we did not have the Affordable Housing Programme.

(Applause)

Under the Modern Markets Programme, a total of 476 markets have been packaged for development nationwide, with 354 already under implementation. This will provide dignified trading spaces and support entrepreneurship, and that is the BETA

The Government continues to implement a number of interventions to empower our youth. In particular, the Government has constructed four Youth Empowerment Centres in

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Mwea, Chepalungu, Dagoretti North and Mandera South constituencies. In addition, 25 Youth Empowerment Centres have been equipped, bringing the total number to 156 centres across the country. The Government has also enhanced skills development and wealth creation through the provision of loans to 93,559 youth entrepreneurs through the Youth Enterprise Development Fund. Additionally, 91,253 youth have benefited from start-up grants under the National Youth Opportunities Towards Advancement (NYOTA) Programme. The NYOTA programme has also supported 51,604 youth through on-the-job experience in 26 counties across the country.

Thirdly, the Government has also implemented the Vijana Vuka na Afya (VIVA) Project in Nairobi, Kisumu and Mombasa, where 72,623 youths have benefited from subsidised sexual reproductive health services.

In support of the creative economy, the Government has established three film hubs at Dedan Kimathi University in Nyeri, as well as in Bomet and Migori counties, and fully equipped them with film production equipment. Additionally, a cinema theatre has been established at Dedan Kimathi University of Technology with an audience capacity of 150. Further, to reach more youth, particularly in rural areas, a Cinema Mashinani Programme has been rolled out. The Government has also facilitated the production of 1,745 local and foreign films in Kenya and trained 1,847 film-makers.

To further empower the youth, the Government, in partnership with the United Nations Development Programme (UNDP), has developed the NextGen.ke initiative, which will provide recently graduated youth with paid internship opportunities in the private sector, thus enabling them to acquire practical workplace experience and market-relevant skills. I personally led the negotiation on this score. To support this intervention, the Government has committed an initial allocation of Ksh2 billion towards its implementation.

Given the scale of the youth employment challenge, the Government further calls upon development partners, the private sector, philanthropic organisations, and other stakeholders to join this national effort, acknowledging that the task of creating opportunities for Kenya's youth extends beyond the capacity of Government alone, and requires a broad-based partnership for sustainable impact.

Hon. Speaker and Hon. Members, to support micro, small and medium enterprises (MSMEs), the Government has deliberately moved to place affordable credit, markets, and shared infrastructure directly into the hands of enterprises and young people at the base of the economy. To expand access to affordable credit, the Government set up the Hustler Fund in 2022. Since then, the Fund has disbursed Ksh87 billion to 28 million accounts and given 4.5 million previously unscored or blacklisted Kenyans, a formal credit history for the first time.

Under the NYOTA Programme, more than Ksh5.6 billion has been invested in business skills training, mentorship, and start-up capital, thus benefiting, at least, 84 youths in each of the country's 1,450 wards. To promote value addition, the Government has equipped 214 Industrial Development Centres in constituencies and opened regional markets to more than 1,100 enterprises, creating over 23,000 direct and indirect jobs. This is the Bottom-Up Economic Transformation Agenda at work, and in the coming year, we will scale it up even further. The sustained Government investment since 2022 has improved infrastructure development, thereby enhancing connectivity, boosting manufacturing, facilitating trade, and enhancing access to markets and essential services.

Key achievements in this sector include the following: First, the expansion of the road network across the country, with over 2,669 kilometres of roads constructed and more than 132,000 kilometres maintained.

Second, an increase in the country's installed electricity generation capacity to 3,272 MW as at April 2026, with additional capacity expected from the 35 MW Globeleq Power

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Plant. To improve energy security and reliability, the Government has modernised substations, strengthened the national grid, reduced system losses, and enhanced regional power inter-connections. As a result, 73.45 kilometres of transmission lines and associated substations were constructed, while 200 kilometres of transmission lines were energised, including the Lessos - Kabarnet, Kitui - Wote, and Sondu - Homa Bay lines. In addition, 330 kilometres of distribution lines and seven associated sub-stations were completed. During the same period, access to electricity expanded significantly, with the number of connected customers rising from 8.9 million to over 10.2 million Kenyans.

Third, industrialisation is gaining momentum, with 10 County Aggregation and Industrial Parks (CAIPs) constructed over the last three years to support value addition and create employment opportunities across counties.

We have also invested heavily in critical social sectors and supported the vulnerable in the society. As a result, our social protection programmes have been strengthened, with 1.2 million vulnerable Kenyans currently supported under the Inua Jamii Programme, helping to improve household resilience and protect the most vulnerable members of our society.

Access to education and skills development has expanded through the implementation of far-reaching reforms across the education sector, including:

1. The successful implementation of the Competency-Based Curriculum (CBC).
2. The roll-out of the student-centred funding model, through which nearly 500,000 university and TVET students have benefited from scholarships and loans based on need and merit.
3. The recruitment of 100,000 teachers to strengthen teaching capacity and improve learner outcomes—a record in the history of any Government in this country.
4. The timely and consistent release of capitation funds to support learning in basic education institutions.
5. The construction of over 23,000 classrooms and the commencement of 1,600 laboratories in partnership with the National Government Constituencies Development Fund (NG-CDF), which continues to do a good job and deliver services to this country.
6. The revitalisation of Technical and Vocational Education and Training (TVET), with enrolment increasing from 562,499 trainees in 2022 to 825,484 trainees in 2025.

Access to clean and safe water has improved, with an additional six million Kenyans gaining access to water services through investment in key projects, thus enhancing public health and supporting economic activity. This comes as no surprise, considering that Kenya is a leader in designing innovative, paradigm-shifting, locally-led climate action initiatives. Take the Financing Locally-Led Climate Action (FLLoCA) Programme, for example. It has broken barriers in financing locally prioritised and locally-led resilience investments in 1,380 wards across 45 counties, benefiting more than 2.5 million beneficiaries. Key among the FLLoCA gold standard investments are: the 58-kilometre rehabilitation of the Colonial Yatta Canal in Machakos County, the Reverse Osmosis Water Treatment Facility in Makueni County, and the Kolanya Water Project in Busia County.

As a matter of fact, Kenya is the leading beneficiary of the Green Climate Fund, with a total of 37 projects approved and a portfolio worth more than US$1 billion. This remarkable achievement led to Kenya's identification as the host of the Green Climate Fund Africa Regional Office.

The Government has also made strides in the blue economy. Gains made under it include, fish landing sites. Five coastal counties have modern landing sites under development:

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Mwaepe in Kwale, Ksh255 million; Kidongo in Mombasa, Ksh175 million; Kilifi Central in Kilifi, Ksh275 million; Kipini in Tana River, Ksh151 million; and Mokowe in Lamu, Ksh239 million. Each of the site includes ice and cold storage facilities, boat docking areas, processing points, ablution blocks, market stalls, and waste management systems, supporting fish preservation, trade and employment. These projects are scheduled for completion by June 2026.

Also included in these gains is the lakeside. There are four fish landing sites: Nine sites along Lake Victoria, including Asat, Ogal, Bumbe, Wichlum, Asembo Bay, Wakula, Mainuga, Nyandiwa and Got Kachola, at Ksh1.49 billion by end of 2026. Along Lake Turkana is the Kalokol Fish Landing Site, Ksh182 million, and the contractor is on site. It includes docking facilities, cold storage and ice plants, fish processing areas, and market support infrastructure. There is also Lowarengak Fish Market at Ksh185 million, and the contractor is on site. It features cold storage, hygienic market stalls, and processing facilities to support fishers and traders. This is the inclusion that we need in this country.

(Applause)

Hon. Speaker, the Arid and Semi-Arid Lands (ASALs) in the Northern Kenya region have historically been marginalized. To drive inclusion and transform the region, the Government is implementing various interventions targeting infrastructure development and social inclusion programmes. These include construction of a 750-kilometre Northern Kenya Gateway Corridor that connects three expansive counties of Isiolo, Wajir and Mandera to boost regional connectivity and trade. Under this, there are various ongoing roads that the Government is implementing with the support of development partners.

The Government is also implementing various water interventions in the region through drilling and equipping of boreholes, construction of dams and water pans, and expansion of bulk water supply systems

Further, key interventions in the education sector include: Recruitment of 5,000 teachers in the hard-to-reach areas; integration of alternative learning systems like Duksi or Islamic Religious Schools, and Madrassa into formal education framework; construction of low-cost boarding facilities and dormitories; provision of scholarships to protect vulnerable students from dropping out; and implementation of TVETs to equip pastoralist youth with hands-on skills.

Finally, Hon. Speaker, devolution has been strengthened through the consistent and timely disbursement of resources to county governments, thus ensuring continuity in service delivery and implementation of county development programmes. Since 2022, funding to county governments has steadily increased, with the equitable share to counties increasing from Ksh370 billion in the Financial Year 2022/23 budget to Ksh428 billion in the Financial Year 2026/27 Budget. Total county allocations that include shareable revenue and additional allocations from the National Government allocations as well as donor proceeds have, therefore, increased from Ksh392 billion to Ksh502 billion over the same period. This reflects the Government's unwavering commitment to safeguarding and strengthening devolution as a key pillar of inclusive national development.

While we take pride in these achievements, we cannot afford complacency. Global uncertainty persists, high cost of living continues to affect many households, youth unemployment persists, and climate-related shocks continue to affect livelihoods and production. Our task is, therefore, clear: to solve the many problems that are facing Kenyans by sustaining targeted interventions under BETA, in order to accelerate job creation for our youth, grow investment and trade, and deepen economic resilience.

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Accordingly, Hon. Speaker, we chose the theme of the Financial Year 2026/27 Budget as: 'Sustaining the Bottom-Up Economic Transformation Agenda for Resilient and Inclusive Growth amid Global Uncertainty.' This theme aligns with the current challenges and priorities of the Government. As we move forward in implementing the Government's Transformation Agenda, we remain mindful of all the concerns raised by Kenyans on the prevailing fiscal environment and the need for continued prudence in the management of public resources. The current fiscal position that is characterized by narrowing fiscal space calls for careful prioritization and disciplined execution of Government programmes.

Let me speak plainly about the fiscal reality we face. Kenya's infrastructure financing deficit stands at approximately US$5 billion every year. That is about Ksh650 billion. Our development budget, while growing, cannot close that gap alone. The era of financing every road, every power line, and every dam through Government borrowing and taxation is over, not because we lack ambition, but because we have learnt from the consequences of that model. Debt-financed infrastructure has left us with more debt service obligations that crowd out the very spending our people need most, on health, education and social protection.

So, we are going to build better. We are shifting from a model where Government borrows to build, to enhanced use of the Public-Private Partnerships and the recently established National Infrastructure Fund in funding priority infrastructure through private sector finances. That is the foundation on which this Government's infrastructure programme rests. The Rironi - Nakuru - Mau Summit Expressway stands as proof. Construction of the Expressway is now underway and Kenyans will be driving on a modern, four-to-six-lane expressway once it is completed.

(Applause)

Thank you.

What makes this project truly historic is not the speed of delivery; it is how it was financed. Through the participation of the National Social Security Fund both as a debt and equity investor alongside international investors, a major national highway is being built with Kenyan capital, by Kenyan workers, for the Kenyan people. Beyond the Rironi - Nakuru - Mau Summit Project, the Government will continue executing an ambitious infrastructure development plan through the National Infrastructure Fund. The Fund will leverage on resources from privatization proceeds from mature national assets to attract private capital, domestic pension funds and climate finance.

Hon. Speaker, the rest of my Statement will present the economic context underpinning this budget, followed by the policy priorities, fiscal framework, expenditure proposals and taxation measures for the Financial Year 2026/27. I now turn to economic policy context, and I want to speak about the global context. This Budget, as I said earlier, has been prepared amidst heightened uncertainties associated with the ongoing conflict in the Middle East. The conflict has disrupted critical energy infrastructure and major shipping routes, including the Strait of Hormuz, thereby exerting upward pressure on prices of energy and food. Against this backdrop, global growth is, therefore, projected to slow down to 3.1 per cent in 2026 and 3.2 per cent in 2027, from an average of 3.4 per cent in 2024 and 2025.

Let me now turn to the domestic economy. Notwithstanding the challenging global environment, the Kenyan economy has remained resilient. The economy grew at an average rate of 5 per cent in the period 2022 to 2025, out-performing the average global growth rate of 3.4 per cent and that of Sub-Saharan Africa of 4.1 per cent. This performance reflects sound macro-economic policy management, particularly prudent monetary and sound fiscal policies, sustained structural reforms and the increasing diversification of the economy which has enhanced its capacity to withstand severe shocks.

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In 2025, the economy grew by 4.6 per cent, compared to a growth rate of 4.7 per cent in 2024. This growth was supported by positive growth in all the sectors. The outlook for 2026 has been revised down to 5.0 per cent from the earlier projection of 5.3 per cent, reflecting the adverse impact of the ongoing conflict in the Middle East to domestic economic activities. The economy is projected to maintain the momentum in 2027, with a projected growth rate of 5.2 per cent.

Hon. Speaker, micro-economic indicators remain broadly stable although emerging external pressures continue to impact domestic prices. In particular, overall inflation increased to 6.7 per cent in May 2026 from 5.6 per cent in April and 3.8 per cent in May 2025, due to higher energy prices arising from the elevated global oil prices. It remained within the target range of plus or minus 2.5 per cent over and above 5 per cent. Inflation is expected to remain within the target range in the near term, assuming a de-escalation of the conflict in the Middle East and supported by appropriate monetary policy actions and Government interventions, and expected stability in food prices due to favourable weather conditions and the stability in the exchange rate.

In April 2026, the Government deployed targeted stabilisation measures to cushion consumers from the full impact of rising global fuel prices. These interventions include the use of resources in the Petroleum Development Levy Fund to subsidise the fuel pump prices. In addition, the Government lowered the Value Added Tax (VAT) rate on petroleum products for three months from 16 per cent to 8 per cent.

Monetary conditions have eased considerably. This follows a reduction in the Central Bank of Kenya (CBK) rate from 11.25 per cent in December 2024 to the current rate of 8.7 per cent. And I am happy that CBK maintained the same rate for the time being. As a result, interest rates have declined over the same period. The 91-day Treasury Bill rate declined by about 8.3 per cent in May 2026 from 10.3 per cent in December 2024. Similarly, average commercial banks' lending rates declined to 14.5 per cent in May 2026 from 16.9 per cent in May 2025 and 17.2 per cent in November 2024, reflecting the decline in lending rates.

Credit to the private sector expanded by 9.3 per cent in the year to May 2026 from 2 per cent in the year to May 2025 and a contraction of 1.4 per cent in December 2024. The external sector remains resilient despite emerging risks. The current account deficit is projected at 3 per cent of Gross Domestic Product (GDP) in 2026 compared to 2.1 per cent of GDP in 2025, reflecting the higher international oil prices, lower receipts from services, slower growth in remittance inflows, and reduced exports. This is due to the adverse impact of the ongoing conflict in the Middle East.

At the same time, official foreign exchange reserves remain adequate, as I mentioned, at USD$13 billion in May 2026, which is equivalent to five and a half months of import cover, and continue to provide adequate cover and a buffer against short-term domestic and external shocks. The exchange rate has also remained broadly stable, averaging Ksh129.4 per US$1 in May 2026.

Activities in the Nairobi Securities Exchange (NSE) have improved over the past year. The Nairobi Securities Exchange 20-Share Index rose by 59.9 per cent to 3,491 points in May 2026, up from 2,183 points in May 2025, while market capitalisation expanded by 61.6 per cent to Ksh3,412 trillion from Ksh2110 trillion over the same period. However, between February and May 2026, the Nairobi Securities Exchange 20-Share Index declined by 5.5 per cent as investors became cautious of the rising global uncertainty associated with the conflict in the Middle East.

Hon. Speaker, the Fiscal Policy Stance for Financial Year 2026-2027 and the medium term is anchored on a fiscal consolidation strategy that advances the priorities of the Bottom-up Economic Transformation Agenda (BETA), while safeguarding debt sustainability and provision of essential public services. The strategy will be supported by continuous

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domestic revenue mobilisation and expenditure rationalisation through targeted tax and expenditure reforms. As a result, the fiscal deficit, including grants, is projected to decline gradually from 5.5 per cent of the GDP in Financial Year 2026-2027 to 3.3 per cent of GDP in Financial Year 2028-2029.

Risks remain, though. Domestically, climate-related shocks could disrupt agricultural production and infrastructure, while externally geopolitical tensions, commodity price volatility, weaker global growth, and tighter financial conditions continue to adversely affect inflation, exports, and capital flows. The Government will continue to monitor the evolution of these risks closely and deploy timely policy interventions to safeguard stability, strengthen resilience, and sustain inclusive economic growth.

Hon. Speaker, I will now turn to the policy priorities and strategic interventions that will underpin the Budget for Financial Year 2026-2027. Policy priorities and structural reforms It will be anchored on a Bottom-Up Economic Transformation Agenda (BETA). The economic context I have outlined is a clear reminder that we are operating in a period that demands resolve, discipline, and decisive actions. The convergence of global shocks and domestic pressures calls not only for incremental adjustments, but for bold and well-coordinated policy responses. In this regard, the Government has taken and will continue to take firm and, where necessary, decisive actions to consolidate recent gains, safeguard macro-economic stability, protect livelihoods, and strengthen economic transformation.

Our focus is not only on navigating the immediate challenges, but also on accelerating structural transformation, creating jobs at scale, and ensuring that the benefits of growth are broadly shared among all Kenyans. These interventions are being implemented within a coherent and forward-looking framework anchored on the Bottom-up Economic Transformation Agenda. BETA remains the Government's principal vehicle for translating policy into tangible outcomes and at the household level by aligning investments, reforms, and institutions around the goal of inclusive growth and shared prosperity.

Through the Bottom-Up Economic Transformation Agenda's five core priority pillars, the Government is scaling targeted interventions that address binding constraints to productivity, expand economic opportunities, and strengthen resilience across sectors. These priority pillars are deliberately structured to reinforce one another, ensuring that progress in one area catalyses gains across the broader economy.

The Government also continues to implement complementary cross-cutting policy interventions to sustain economic resilience, accelerate inclusive growth, and improve the business environment. These will create a seamless transition to the next frontier of economic transformation. These interventions include the following:

1. Strengthening fiscal and monetary policy coordination to safeguard economic stability and reinforce investor confidence.
2. Enhancing fiscal sustainability by expanding domestic revenue mobilisation and improving the efficiency of public expenditure.
3. Modernisation of strategic infrastructure and transport and logistics, energy and water sector to improve productivity, connect markets, lower the cost of doing business, and enhance competitiveness.
4. Supporting industrial development, trade, tourism, blue economy, Micro, Small, and Medium Enterprises (MSMEs), and innovation to accelerate job creation, broaden economic opportunities, and transform Kenya's economy to a net exporter of goods and services.
5. Strengthening environmental conservation and climate change mitigation and adaptation measures to promote sustainable development and resilience.

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6. Supporting human capital development through continued investment in quality education, universal health care, and well-targeted social protection interventions.
7. Advancing youth empowerment through targeted investment in skills development, entrepreneurship, digital opportunities, and access to affordable financing.
8. Strengthening governance reforms to enhance public service delivery.

Now I want to talk about evidence-based decision-making. As we implement this Budget, the Government reaffirms its commitment to strengthening economic planning and development as the foundation of sustainable growth, prudent resource allocation, and improved service delivery to our citizens.

In the coming financial year, we will intensify efforts to institutionalise evidence-based planning and decision-making across all levels of Government. This approach will ensure that public resources are directed to interventions that deliver the highest economic and social returns, aligning with the national development priorities. To achieve this, the Government will accelerate the finalisation and implementation of a comprehensive economic planning policy and an economic planning Bill. These two instruments will create a coherent, transparent mechanism for identifying, prioritising, and sequencing Government policies, programmes, and projects based on rigorous economic analysis, affordability, and measurable impact.

We will also continue to invest in national statistical systems, policy research, data analytics, and monitoring and evaluation to provide timely and reliable evidence for decision-making. Integrated planning and data management system will be rolled out to improve coordination among ministries, departments, agencies and even county governments. Through these measures, we will foster a culture of evidence-based policy making, strengthen public accountability and ensure that every shilling spent delivers maximum value to the people of Kenya.

To strengthen economic stability, the Government continues to roll out targeted structural, institutional and regulatory reforms to improve the business environment, boost public services efficiency and reinforce accountability in public finances. In building resilience against climate change, the Government has continued to make concerted efforts to strengthen disaster risk management. The recently enacted National Disaster Risk Management Bill, 2023, which is now an act of Parliament, and I thank the National Assembly, provides a legal framework for coordination of disaster risk management activities across the two levels of government, supporting prompt responses when disasters occur.

To further strengthen the country's preparedness and response to climate-related risks, the National Treasury and Economic Planning is spearheading the development of a new disaster risk financing strategy for the period 2026-2030, since the earlier strategy for the period 2018-2022 came to an end. In response to changes in climate, the Government will continue to implement the Financing Locally-Led Climate Action (FLLoCA) Programme, a transformative initiative that has unlocked green investments at the county level, thus empowering local communities to adapt to impacts of climate change.

To finance large-scale climate and environmental projects, the Government will establish the Kenya Green Investment Facility, in line with Kenya's commitments under the nationally determined contributions to the Paris Agreement. To further scale green financing, the Government is finalising the framework for issuance of sustainability-linked bonds with targets in forestry and rural electrification expansion. Kenya secured the hosting rights for the Green Climate Fund Regional Office for East and Southern Africa in Nairobi, reinforcing the country's position as a regional green finance hub. Further, the National Treasury and Economic Planning is at an advanced stage of accreditation as a direct access entity to the Green Climate Fund, thus enabling the country to increase public sector-driven climate

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investments and opportunities. The Government will host the African Green Investment Forum in October 2026. It will serve as a flagship continental initiative designed to mobilise substantial green finance, accelerate sustainable investments and advance Africa's leadership in this domain.

To operationalise public procurement reforms and eliminate manual inefficiencies, the Government officially launched the rollout of an end-to-end e-Government Procurement system in July 2025. It has now shifted procurement processes from fragmented and manual processes to a fully digitised procurement platform. It has been integrated with core Government systems, including Integrated Financial Management Information System (IFMIS), Business Registration Services and iTax, with initial onboarding prioritising national Government ministries, departments and agencies. State corporations, and county governments will then follow.

Significant progress has been made. To date 1,543 procuring entities have been registered, over 40,000 suppliers registered, over 22,000 staff trained, over 12,000 suppliers or contractors have also been trained, 652 annual procurement plans have been published and over 8,000 tenders published. Going forward, the next steps will include full rollout of the system to all schools and other procuring entities that are yet to onboard to the E-GP system. Continuous user training and change management to improve adoption and system utilisation will be conducted. Further, beginning 1st July 2026, there will be no exemption to procure outside the system.

(Applause)

Together, these measures will ensure that every shilling allocated, through this Budget, delivers maximum value to Kenyans. During the implementation of the E-GP system, we have experienced challenges which have hindered its seamless implementation. Some of these challenges include resistance from users and litigation in the courts. To further strengthen our procurement framework, the Government developed the Public Procurement and Asset Disposal (Amendment) Bill, 2026. Among the key reform areas in the Bill include mandatory disclosure and reporting requirements, promotion of local content and preference and reservation schemes, especially for youth, women and persons with disabilities, and provision of a stronger legal basis for electronic procurement and framework contracting. I submitted this Bill to Parliament for consideration and approval. I urge the House to favourably consider it.

I will speak on the reforms in State corporations. They remain cornerstones of Kenya’s development architecture, delivering essential public services and catalysing strategic investments. I mentioned, in my Statement last year, that the Government embarked on comprehensive reforms which target to streamline mandates, strengthen governance, enhance accountability and improve operational efficiency of State-owned enterprises.

The implementation of the reforms is ongoing through a Multi-Agency Technical Working Committee. In the first phase, the Committee considered 23 mergers, 16 dissolutions, seven transfers of functions back to ministries, departments and agencies and the declassification of selected State corporations. Under Phase 1 of the reforms, the Committee has finalised the review of enabling legislations of the affected State corporations and drafted appropriate Bills, where necessary. There is review of the staff complements, skills and placement or deployment of those affected so as to facilitate a smooth transition and documentation of assets and liabilities of the entities identified. I submitted to this House the draft Bill supporting the implementation of the reforms under Phase 1. I urge Hon. Members to favourably consider the Bills to enable timely implementation of the reforms.

Let me now speak about the new child in town: Government-owned enterprises. As part of the reforms, the Government-Owned Enterprises Act, No.25 of 2025 was assented to by

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His Excellency the President on 21st November 2025, and came into effect on 5th December 2025. It provides a modern framework for the ownership, oversight and management of commercial State corporations. The implementation of the Act is underway, with reforms being rolled out across 65 identified Government-owned enterprises and 18 statutory entities. As a requirement under the Act, the Independent Search and Selection Panel has begun the process of recruiting independent directors of the board of Government-owned enterprises. All them are required to operate as commercial entities, that is for profit and be self-financing, self-sustaining and accountable to the public through the National Treasury and Economic Planning.

In March 2026, the Government established the National Infrastructure Fund, following the enactment of the National Infrastructure Fund Act, 2026. It is an innovative mechanism for scaling up infrastructure development by mobilising private capital and expertise to execute commercially viable infrastructure projects, while reducing reliance on taxation and debt. The Fund will promote growth of infrastructure projects by pulling capital from diverse sources which include pension funds, sovereign wealth funds, private equity, banks, development finance institutions, among others, to finance large-scale and long-term projects. In this respect, the proceeds from privatisation will be channelled into the Fund, thus ensuring transparent revenue flow in financing national priority projects, including national highways, airports, seaports, electricity generation, Information and Communication Technology (ICT), water and irrigation, and agribusiness.

As a start, the proceeds from March 2026 Initial Public Offering (IPO) of Kenya Pipeline Company of Ksh106 billion, as well as the expected Ksh204 billion from the partial divestiture of the Government's stake in Safaricom to Vodacom will form the seed capital to the Fund. To complement the National Infrastructure Fund, the Government has submitted to this august House the Bill to establish Sovereign Wealth Fund with three distinct components: The Stabilisation Component, Strategic Infrastructure Investment Component and Future Generation also known as *Urithi* Component. This Fund will bring into operation Article 201 of the Constitution on inter-generational equity by ensuring that natural resources wealth is invested productively and spread equitably to both current and future generations.

Let me now speak to sugar reforms, or the reforms in the sugar sector. Hon. Speaker, the Government has also taken practical steps to deliver its promise to modernise the sugar mills and transform those once-struggling factories into productive, sustainable enterprises. The sugar sector reform programme has significantly progressed following the implementation of the Government leasing framework for State-owned sugar companies. The leasing process has since been successfully concluded, with investors having fully taken over the operations of the sugar factories; namely, Chemelil Sugar Company, Muhoroni Sugar Company, South Nyanza Sugar Company and Nzoia Sugar Company. Since the resumption of operations, substantial investments have been undertaken towards rehabilitation and modernisation of the factories, resulting in significant revamping of the mills and improvement of operational capacity. These initiatives are expected to enhance efficiency, restore profitability and protect the livelihoods of farmers.

Hon. Speaker, these are not isolated transactions. They are proof that when governance is strengthened, when mandates are clarified and when institutions are held to account, the corporations can be genuine engines of growth. The Government will press forward, deepening these reforms and ensuring that every public enterprise earns its place through performance, transparency and value-created.

Let me speak to National Assets and Inventory Management. Hon. Speaker, to strengthen national assets management, the National Treasury has operationalised the assets and inventory management models in our IFMIS, thus providing real-time visibility of public assets across all levels of Government. An analysis of the asset registers shows that ministries,

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departments and agencies collectively hold assets valued at approximately Ksh4.9 trillion, underscoring the importance of robust asset management. To strengthen transparency and support the transition to accrual accounting, the National Treasury has developed a Government asset valuation policy framework and a public asset tagging framework. To unlock greater value from these assets without placing additional pressure on public finances, the National Treasury is developing an asset optimisation framework and a leasing framework to attract private capital and expertise, while supporting infrastructure development and improved service delivery.

Let me speak to digital signatures in Government. Hon. Speaker, in line with the Digital Transformation Agenda, the Government has also embarked on reforms to modernise and harmonise the legal and regulatory framework governing secure digital identities, electronic signatures, electronic seals and time-stamping services. To make this a reality, I will, in the next Financial Year, submit to this House the necessary amendments to the Public Finance Management Act and Kenya Information and Communications Act, as well as the attendant regulations. This will make use of electronic signatures, electronic seals and time-stamping services a reality in Government, thereby creating efficiency in service delivery.

(Applause)

Hon. Speaker, let me speak to something that has been very troubling: pending bills. As I informed this House in my Statement last year, the Pending Bills Verification Committee was established in November 2023 to review and validate outstanding claims and provide a credible basis for settlement. The Committee has since concluded its work and analysed a total of 91,911 pending bill claims valued at over Ksh637 billion. Following this verification exercise, 29,885 claims amounting to Ksh235.6 billion have been recommended for settlement. Of these amounts, Ksh80.3 billion has already been settled through securitisation in the road sector, leaving a verified outstanding balance of Ksh155.3 billion for other sectors. To settle the verified outstanding balance of Ksh155.3 billion, the National Treasury has proposed a balanced and sustainable settlement strategy, which includes a combination of direct budgetary allocations and securitisation. The proposal is to settle the verified outstanding balance of Ksh155.3 billion over two years, starting with the Financial Year 2026/2027.

In the Financial Year 2026/2027, the National Treasury is proposing a budgetary provision of Ksh68 billion to settle the verified pending bills to suppliers and contractors owed by the Government for amounts of up to Ksh100 million. This provision will also partly settle suppliers or contractors whose pending bills exceed Ksh100 million, ensuring that no supplier is excluded. With the settlement of this Ksh68 billion worth of claims, the Government will have settled 99 per cent of the verified outstanding pending bills, representing 63 per cent of the total value, which is a tremendous progress. Now, in terms of numbers, this will be 99 per cent of the bills, but the remaining Ksh88 billion worth of claims will be addressed through other budgetary provisions and instruments.

Hon. Speaker, the deliberate policy of settling pending bills of up to Ksh100 million, while individually smaller in value, accounts for the majority of suppliers and of the highest multiplier effect on economic activity. This is to ensure that the micro, small and medium enterprises are not starved of the essential working capital, which is critical to the sustainability of their businesses.

On financial sector reforms, Kenya's financial sector remains strong and continues to support households, businesses, savings and investment across the country. Today, the banking sector remains strong, very stable and profitable, supported by adequate capital and liquidity buffers. In the year to March 2026, total banking sector assets grew by 13.8 per cent, from Ksh7.7 trillion to Ksh8.7 trillion and profitability increased by 13.6 per cent, from

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Ksh73 billion to Ksh83.5 billion. To strengthen the banking sector's resilience, deepen competition and improve access to credit for households and businesses, the Government is implementing the following reforms One, progressive increase in minimum co-capital requirements for commercial banks from Ksh1 billion to Ksh10 billion by December 2029. Two, lifted the moratorium on licencing of new commercial banks effective 1st July 2025. Three, implementation of the revised Risk-Based Credit Pricing Model anchored on the Kenya shilling overnight inter-bank average to enhance transparency and fairness in loan pricing and strengthen monetary policy transmission and number four, implementation of the Banking Penalties Regulations 2025 to strengthen enforcement, governance, accountability and compliance in the banking sector.

Hon. Speaker, to strengthen banking sector's resilience and stability, the Business Laws (Amendment) Act of 2024 requires commercial banks to progressively raise the minimum core capital from Ksh1 billion to Ksh10 billion by 2029 through targeted milestones. While the Government firmly upholds the strategic necessity of raising the minimum core-capital, it is prudent that this transition be managed in a manner that is least disruptive to credit access and financial services delivery, particularly to the micro, small and medium enterprise segment and other niche markets that are currently served by the banking industry. To allow flexibility in achieving this objective and following wide consultations, especially with the Kenya Bankers Association, I will be proposing amendments to the timeline specified in the Business Laws (Amendment) Act of 2024 to allow commercial banks to raise the minimum core-capital to Ksh10 billion by 31st December 2032, without their new annual milestones. This will provide the flexibility necessary for institutions to pursue measured, commercially sound and market-sensitive capital raising strategies in a manner that preserves shareholder value and sustains investor confidence.

To make it easy and cheaper for Kenyans and businesses to send and receive money across the East Africa region, partner states are working to connect their financial system as per the East African Community Payment System Master Plan of 2025, so that transactions are faster, more affordable and more efficient to support trade and regional integration.

To safeguard the country against illicit financial flows, the Government has, over the last two years undertaken far-reaching reforms aimed at strengthening our anti-money laundering, counter-financing of terrorism and counter-proliferation financing framework, following the country's placement on the Financial Action Task Force Grey List in February 2024. These reforms include the adoption of the Virtual Assets Service Providers Legal Framework, strengthening beneficial ownership transparency, enhancing risk-based supervision across financial and designated non-financial business and professions sectors, improving inter-agency collaboration and increasing investigations, prosecutions, and asset recovery efforts relating to money laundering and terrorism financing offences. Further, reporting institutions have continued to enhance compliance with AML/CFT obligations, thereby reinforcing the integrity and resilience of our financial system.

Kenya has made substantial progress in addressing the action items under the FATF Action Plan, with only a few outstanding measures remaining as we approach the conclusion of the implementation period. The Government remains fully committed to finalising the remaining reforms and securing Kenya's exit from the Grey List at the earliest opportunity. These achievements demonstrate our unwavering resolve to align Kenya with international best practices, safeguard the country against illicit financial flows and strengthen investor confidence in our economy.

The Government is also supporting innovation in financial services through the implementation of the Virtual Assets Service Providers Act, 2025. In this regard, we have developed regulations to govern virtual assets service providers. The regulatory framework

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ensures that new technologies operate in a safe and regulated environment that protects users, strengthens financial stability and encourages responsible innovation.

Under capital markets development, the Government continues to implement measures to deepen and broaden capital markets in order to mobilise savings for productive long-term investments. These efforts have continued to yield results, with the Nairobi Securities Exchange (NSE) recording exceptional performance in 2025.

The capital markets supported the recent Initial Public Offering (IPO) by the Kenya Pipeline Company (KPC) and its subsequent listing at the NSE in March 2026. Further, the capital markets supported recent issuances by various companies to raise capital. These include the Ksh44.8 billion Kenya Sharia-compliant Linzi Bond for infrastructure financing, the Safaricom's Ksh20 billion Green Bond to support 5G expansion, the East African Breweries Limited (EABL) PLC Ksh16.8 billion Medium-Term Note Programme and the Ksh3.4 billion Spearhead Africa Infrastructure Fund to support long-term infrastructure financing across the region.

Innovation in market access has advanced significantly with the launch of the Zidi Trading Application that is integrated into the M-Pesa platform. This ground-breaking platform enables Kenyans to conveniently buy and sell securities through their mobile phones, marking a major milestone in financial inclusion and retail investor participation.

Kenya is emerging as a key player in the carbon credit space, leveraging its rich natural resources and strong base in renewable energy to participate in global climate markets. To actualise the formal trading of carbon credits, the Government is preparing carbon credit regulations, which will allow the Government and private sector players to benefit through trading of carbon credits that are generated in Kenya and the region.

In my recent public engagements, coffee farmers raised concerns about continued exploitation by middlemen in the marketing and pricing of their coffee. I want to assure Kenyans that through the reforms the Government is implementing at the Nairobi Coffee Exchange, the exploitative middlemen have been eliminated, thus ensuring the farmers to retain a much larger share of the export price of their coffee. Farmers today are able to sell their coffee directly at the Exchange supported by various brokerage firms, the majority of which are owned by farmers through their co-operative societies.

The Nairobi Coffee Exchange has also enhanced price recovery, thereby improving earnings for the coffee farmers. To further support prompt payment for coffee sold through the Exchange, the Government introduced the Direct Settlement System, which has reduced payment delays across the coffee value chain.

Coffee traceability is now a reality. Through the Nairobi Coffee Exchange trading platform and the Direct Settlement System cataloguing and invoicing, every coffee lot has a unique identification record, milling data, warehouse records, auction sales and buyer data that can be accessed, allowing traceability of coffee from the farm to the buyer. This has created greater buyer confidence in the origin, quality and authenticity of Kenyan coffee by eliminating coffee laundering.

On pension reforms, delayed pension processing has long been a source of frustration and hardship for retiring public servants. A civil servant who has dedicated their career to public service deserves timely and dignified access to their retirement benefits. To hasten the processing of pension claims, I launched the e-Pension Management Information System on 1st June 2026. Following this launch, we have now discontinued manual submission of pension claims unless expressly authorised by the National Treasury.

To ensure this reform delivers lasting impact, Ministries, Departments and Agencies (MDA) are now required to initiate pension claims, at least, nine months before a public officer's retirement date. This will facilitate resolutions of late or incomplete pension claims ahead of our employees' retirement date. Further, the National Treasury, in collaboration with

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the Kenya School of Government (KSG), will institutionalise training on the e-Pension Management Information System as part of a continuous capacity building programme to ensure sustained competency in pension administration across the public service.

On insurance reforms, to expand access to insurance, the Insurance Regulatory Authority (IRA) licensed five micro-insurance companies in the Financial Year 2024/2025. This has increased access to affordable insurance, with over 11 million lives covered as at 31st December 2025.

To strengthen climate resilience, the Government is promoting agricultural and index-based insurance products. Through the De-risking, Inclusivity and Value Enhancement (DRIVE) Livestock Insurance Project, over Ksh2.7 million livestock valued at Ksh29.3 billion have been insured, while payouts exceeding Ksh648 million have supported pastoral communities that have been affected by drought since 2023. Further, the Government has initiated amendments to the Insurance Act to establish agricultural insurance as a stand-alone class of insurance business. This reform will strengthen the regulatory framework for agricultural risk management and support food security, financial inclusion and sustainable agricultural development.

To deepen local insurance capacity and retain insurance premiums within the domestic economy, the Government will, effective 1st July 2026, require all importers to obtain a Marine Cargo Insurance cover from insurers licensed under the Insurance Act, prior to customs clearance.

On the fiscal policy framework, the implementation of the Financial Year 2025/2026 Budget has remained broadly on course despite emerging pressures on revenue performance and expenditure demands. These developments have necessitated measured adjustments, while informing a more deliberate and responsive fiscal policy stance for the Financial Year 2026/2027 and the Medium Term. On the revenue front, performance has fallen short of target in the Financial Year 2025/2026 due to slower-than-expected tax receipts, largely driven by administrative constraints and a slowdown in economic activities.

At the same time, expenditure pressures have intensified. The implementation of pending and newly negotiated collective bargaining agreements has raised the public sector wage bill beyond initial projections, thereby constraining fiscal space. In addition, emergency interventions in response to floods and droughts have required additional resources. As a result of these developments, it became necessary to introduce targeted adjustments through the First Supplementary Budget for the Financial Year 2025/2026.

To enhance tax administration, including upgrading of critical systems and strengthening of compliance efforts, we allocated an additional Ksh17 billion to the Kenya Revenue Authority (KRA) under the First Supplementary Budget for the Financial Year 2025/2026. These interventions are expected to improve efficiency and support a recovery in revenue performance.

The First Supplementary Budget also reflected additional expenditure of Ksh368.6 billion compared to the original budget to cater for the emerging expenditure pressures. Consequently, the fiscal deficit, including grants, is now projected at Ksh1,199.4 billion, which is equivalent to 6.4 per cent of the GDP, compared to Ksh901 billion, or 4.7 per cent of the GDP, in the original budget estimates.

Fiscal policy is not merely about balancing budgets. It is about creating conditions for sustainable growth, protecting the vulnerable and securing prosperity for future generations. Accordingly, the fiscal policy for the Financial Year 2026/2027 and the medium term will be anchored on a growth-supportive consolidation path, aligned with the Government's priorities under the Bottom-Up Economic Transformation Agenda and the Fourth Medium-Term Plan.

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The policy will prioritise enhanced domestic revenue mobilisation, strengthened expenditure control and strategic re-prioritisation of public spending. This approach aims to reinforce public debt sustainability and safeguard essential public services.

On domestic revenue mobilisation, every shilling of development begins with every shilling of revenue collected fairly, efficiently and transparently. To boost revenues, the Government will continue to strengthen the implementation of the National Tax Policy and Medium-Term Revenue Strategy, aimed at simplifying tax laws, rationalising tax expenditures and creating a fair, predictable and efficient tax system.

The Kenya Revenue Authority has intensified reforms to modernise tax administration, enhance compliance and improve service delivery through technology and innovation. Notable progress has been made in expanding the Electronic Tax Invoice Management System, with over 655,000 taxpayers now on-boarded, significantly enhancing transaction visibility and strengthening VAT compliance. Integration between iTax and customs systems has improved end-to-end taxpayer visibility, while the roll-out of the Electronic Rental Income Tax System has simplified compliance within the rental sector. So, we have already implemented the system that I think some people are still dreaming about out there.

The Kenya Revenue Authority has also strengthened enforcement through data-driven compliance strategies, artificial intelligence and non-intrusive cargo-scanning technologies, thus enhancing the detection of illicit trade and reducing revenue leakages. As a result, the active taxpayer base increased by 82,000 to over 6.6 million taxpayers as of March 2026, from 6.5 million as of March 2025, reflecting growing voluntary compliance and improved taxpayer engagement. I want to thank Kenyans for this.

Service delivery and trade facilitation have equally improved through initiatives such as Huduma Popote and enhanced customs systems, which have reduced cargo clearance times and improved operational efficiency.

In the Financial Year 2026/2027, the Kenya Revenue Authority will intensify reforms to strengthen revenue mobilisation, modernise tax administration and improve taxpayer experience through the following measures:

1. Roll out integrated digital tax administration and revenue monitoring systems, including the Domestic Tax Administration System, expanded electronic invoicing, virtual electronic tax registers, enhanced point-of-sale integration and the e-Customs mobile application, to improve efficiency, compliance and real-time visibility of transactions.
2. Implement device identification and registration, and strengthen exchange of information frameworks to combat tax evasion, illicit trade and cross-border revenue leakages.
3. Simplify taxpayer processes through pre-populated returns, streamlined digital payment solutions and expanded digital service delivery platforms to reduce the cost and burden of compliance.
4. Expand taxpayer outreach and support through initiatives such as *Ushuru* GPT, the Omni-Channel Customer Engagement System, Huduma Popote and Ushuru Mashinani to enhance accessibility and responsiveness.
5. Strengthen enforcement, compliance and revenue assurance through advanced data analytics, artificial intelligence and integrated investigation and case-management systems.
6. Invest in core ICT infrastructure, integrated enterprise platforms and cybersecurity systems to safeguard the integrity, resilience and efficiency of revenue administration.

The Government will continue to scale up non-tax revenues by strengthening the capacity of ministries, departments and agencies to efficiently generate income from public

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services while enhancing their operational systems to improve efficiency and overall revenue performance.

On improving efficiency of public expenditure, raising revenue is only half the equation. Ensuring that every shilling delivers maximum value is equally important. In order to improve efficiency and value for money in public expenditure, the Government is implementing targeted reforms to strengthen expenditure controls, enhance transparency and improve public-sector efficiency. These reforms include the full rollout of e-government procurement, completion of key Treasury Single Account reforms and transition to accrual-based accounting to strengthen cash management, fiscal oversight and financial reporting.

The Government will also deepen public financial management reforms through the entrenchment of zero-based budgeting, digitisation and automation of pension and payroll administration, and strengthened human resource management systems to enhance efficiency, accountability and service delivery across the public sector.

Further, the Government will optimise the management of public assets and liabilities, accelerate state corporation reforms and targeted privatisation, and scale up the use of public-private partnerships to provide private capital, improve efficiency and support the delivery of commercially viable projects. Allow me now to expound on some of the expenditure reforms that we are implementing.

First, migration to accrual accounting. Effective public finance management begins with understanding what we own, what we owe and how public resources are being utilised.
To improve cash management, the Government is implementing one of the most significant financial management reforms in Kenya's history: The transition from Cash Basis to Accrual Basis accounting under the International Public Sector Accounting Standards. Following Cabinet approval of the transition roadmap in March 2024, implementation commenced in Financial Year 2024/2025 through a structured three-year phased approach led by the National Treasury.

This reform fundamentally changes how Government accounts for public resources. For the first time, Kenya's financial statements will present a complete and accurate picture of the country's financial position, capturing not just cash flows but all public-sector assets, liabilities, revenues and expenditures. Public debt obligations, infrastructure assets, inventories, receivables and payables will all be recognised and reported transparently, giving Parliament, citizens and investors a true account of the nation's financial health. Implementation is progressing as scheduled across three phases. The first phase addresses financial assets and liabilities. The current phase incorporates inventories and prepayments. The final phase will bring in all remaining assets and liabilities, culminating in full consolidation of public-sector entities, that is, consolidation of financial statements.

To support this transition, the Government is upgrading Integrated Financial Management Information System (IFMIS) and related systems, strengthening the public-sector asset-management framework, undertaking asset identification and valuation exercises across ministries, departments and agencies, counties and other public entities, and building capacity among public officers to sustain the reform beyond its implementation period. This reform is not just about accounting standards. It is about accountability. It is about ensuring that those entrusted with public resources can be held to a higher standard of transparency and reinforcing public confidence in the stewardship of national resources.

Second, the Treasury Single Account. As I informed this House in last year's Budget Statement, the Government has been implementing the Treasury Single Account framework to strengthen cash management and improve the efficiency of public financial operations.

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Following the successful roll-out of the Treasury Single Account to all ministries, the Government has reduced the cost of overdraft financing from the Central Bank of Kenya by 61 per cent in this financial year, translating into substantial savings.

I want again to pause there. I saw some people talking about reforming this so that there can be savings. I want to repeat that the Government has reduced the cost of overdraft financing from the Central Bank of Kenya by 61 per cent in this Financial Year, translating already into substantial savings. So, the work that you intend to do is actually already done.

The implemented Treasury Single Account model directly links invoices to specific budgets submitted by ministries and departments, among other enhanced features. These Treasury Single Account reforms have substantially improved the efficiency of Government exchequer operations, delivered transparency in exchequer and cash management, and ensured that public funds are released only against verified and approved obligations, thus laying the foundation for managing pending bills. There is going to be no more cherry-picking of invoices for payment.

Building on this momentum in Financial Year 2026/2027, the Government will extend the Treasury Single Account framework to county governments by completing the automation of county exchequer requisition processes, after which counties will progressively migrate to a Treasury Single Account architecture mirroring that of the national Government.

Two, it will operationalise, in collaboration with the Central Bank of Kenya (CBK), a Granular Data Integration System to deliver real-time visibility of the cash and liquidity positions of State corporations and Semi-autonomous Government Agencies. Hon. Speaker, taken together, these reforms represent a significant modernisation of our public cash management architecture. They are already delivering measurable savings, deepening fiscal transparency and strengthening our capacity to deliver value for every shilling of public money.

Let me now talk about strengthening Internal Oversight and Audit, and Fiscal Discipline. Every shilling entrusted to the Government must be accounted for and deliver value to the people of Kenya. The recurrence of audit queries and delays in implementing audit recommendations across public institutions continues to expose public resources to fiscal risk and weaken service delivery.

To strengthen accountability and fiscal discipline, and to support the Government's Zero-Fault Audit Initiative, the Government will introduce amendments to the Public Finance Management Act and related regulations to strengthen the mandate of the Office of the Internal Auditor-General and enhance oversight across the public sector. We are strengthening the Office of the Internal Audit. The reforms will establish a framework for tracking the implementation of audit recommendations and resolutions issued by Parliament, the Office of the Auditor General, Audit Committees and other oversight institutions with clear accountability mechanisms for non-compliance.

The Government will also strengthen internal audit functions across public entities, roll out integrated internal audit management systems and enhance the adoption of enterprise risk management to improve the identification and mitigation of fiscal and operational risk. These reforms will strengthen transparency, internal controls and prudent management of public resources, while improving accountability and service delivery across the Government.

Let me now turn to revenue projections for the Financial Year 2026/2027. Our fiscal projections reflect a careful balance between ambition and realism, ensuring that we live within our means, while investing in our future. Based on the outlined policy measures, total revenue collection, including Appropriations-in-Aid for the Financial Year 2026/2027, is projected at Ksh3,630.5 billion, which is equivalent to 17.4 per cent of our GDP.

Of this, ordinary revenue is projected at Ksh2,985.7 billion, which is equivalent to 14.3 per cent of the GDP. Ministerial Appropriations-in-Aid is projected at Ksh644.8 billion,

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which is equivalent to 3.1 per cent of GDP. Grants are projected at Ksh43.6 billion or 0.2 per cent of GDP.

Hon. Speaker, on expenditure projections, total expenditure in the Financial Year 2026/2027 Budget is projected at Ksh4,820.4 billion, which is equivalent to 23.2 per cent of GDP. Of this, recurrent expenditure will amount to Ksh3,568.4 billion, which is equivalent to 17.1 per cent of GDP and development expenditure, including allocations to domestic and foreign finance projects. The Contingency Fund and Equalisation Fund will amount to Ksh750 billion, which is equivalent to 3.6 per cent of GDP.

Total allocation to county governments is projected at Ksh502 billion, of which Ksh428 billion is equitable share and Ksh74 billion is additional allocations from the national Government's share of revenue, loans and grants from development partners: Ksh16.6 billion from the national Government and loans and grants of Ksh57.4 billion.

On fiscal deficit and financing, resultant fiscal deficit and financing, including grants, is projected at Ksh1,146.2 billion, which is equivalent to 5.5 per cent of GDP. The fiscal deficit will be financed by net external borrowing of Ksh116.2 billion, which is equivalent to 0.6 per cent of GDP, and net domestic borrowing of Ksh1,030 billion, which is equivalent to 4.9 per cent of GDP.

On public debt management, debt is a tool for development but only when it is managed prudently and sustainably. To preserve debt sustainability and strengthen economic resilience, the Government will continue implementing fiscal consolidation measures that are anchored on enhanced domestic revenue mobilisation, strict expenditure controls and improved efficiency in public spending. Given these reforms, the present value of public debt to GDP is projected to decline steadily towards the approved debt anchor over the medium term.

In pursuit of the strategic objective of strengthening debt portfolio diversification, the National Treasury is actively advancing a range of innovative financing instruments. These initiatives are designed to broaden the investor base, optimise the cost-risk profile of public debt and enhance overall resilience in debt management. In this regard, the Government is considering thematic and liability-management instruments, such as debt-for-food swaps and debt-for-development swaps. These instruments provide an opportunity to convert external debt obligations into targeted investments that directly support national priorities, including food security, sustainable development and social infrastructure, while simultaneously easing debt service pressures and reinforcing fiscal sustainability.

Further to this, the Government is also evaluating opportunities to access new and diversified international capital markets. This includes the potential issuance of Samurai bonds in the Japanese market, and a lot of progress has been made in this area, and Panda bonds in the Chinese domestic market. By tapping into those markets, the Government stands to benefit from deep and diversified pools of capital, secure potentially competitive financing terms and promote currency diversification within the debt portfolio, thereby reducing reliance on traditional funding sources.

Complementing these efforts and in recognition of the growing global demand for ethical and faith-based financing, the Government is considering introducing Sukuk Instruments. These Sharia-compliant securities, which are structured on asset-backed or asset-based principles, will enable the Government to access liquidity from Islamic finance markets. This will not only expand the investor base to include investors with Sharia-compliance mandates, but also promote financial inclusion and contribute to the deepening of domestic and international capital markets. In practice, these initiatives underscore a forward-looking, proactive approach to public debt management, emphasising innovation, prudent risk management, and alignment with both domestic development priorities and evolving global financing trends.

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To further strengthen transparency, coordination and efficiency in the implementation of externally funded projects, the National Treasury has spearheaded the development of the Development Project Management Information System. This innovative digital platform will serve as a centralised repository for real-time tracking of project implementation, monitoring of disbursement and alignment of outcomes with national development priorities. By enhancing project oversight and accountability, this system represents a significant step towards ensuring that externally mobilised resources are utilised effectively and that every shilling delivers value for money and tangible impact for our citizens.

Let me now talk about the Public-Private Partnership Framework. The scale of Kenya’s development ambitions demands that we leverage not only public resources, but also the private sector's capital, innovation and expertise. Public-Private Partnerships (PPPs) have, therefore, become a central pillar of our development financing strategy. Beyond mobilising additional resources, public-private partnerships enable the Government to harness private sector innovation, technical expertise, operational efficiency, and risk-sharing arrangements that enhance project delivery while preserving fiscal sustainability.

The Government continues to strengthen the PPPs as a key instrument for delivering strategic investments under the Bottom-up Economic Transformation Agenda. In this Financial Year, we have so far mobilised approximately Ksh96 billion in private capital investment in PPPs, comprising the CRBC/NSSF investment for the Rironi-Gilgil (A8) and the Nairobi-Maai Mahiu-Naivasha (A8 South) sections of the Nairobi-Nakuru-Mau-Summit Highway. Building on this momentum, the Government targets to mobilise, at least, Ksh70 billion through PPP investments in the Financial Year 2026/2027 across the energy, transport, water, housing, health, and digital infrastructure sectors.

Other priority projects, besides the Nairobi-Nakuru-Mau-Summit project, include: The Nairobi-Mombasa Expressway and the Mau-Summit-Eldoret-Malaba Highway, which will strengthen regional connectivity and facilitate trade along the Northern Corridor.

In ports and logistics, the Government is leveraging private-sector capital and expertise to develop container terminals, cargo berths, inland container depots, and special economic zones in Mombasa, Lamu, Nairobi and Naivasha, thus strengthening Kenya’s position as the region’s leading trade and logistics hub.

Hon. Speaker, in the energy sector, priority investments include the High Grand Falls Hydropower Project, that is expected to generate 700 megawatts, and the Karura Hydropower Project, that is expected to generate an additional 90 megawatts. Together, those projects will add approximately 790 megawatts of clean, reliable power to support industrialisation, digital transformation and emerging technologies. Those investments will be complemented by strategic transmission infrastructure projects to strengthen and expand the national grid.

In the water sector, the Government is advancing key dam projects, including Radat Dam, Barsalinga Dam, Lowaat Dam and Soin Koru Dam, which will enhance water security, irrigation, food production and climate resilience in some of the country's most water-stressed regions.

In the ICT sector, the Kenya National Data Centre, PPP and the Konza Data Centre project will strengthen Kenya’s digital infrastructure, support data sovereignty and position the country as a leading digital and innovation hub in the East African region. Together, those projects represent investments valued at over US$10 billion and will support economic growth, improve service delivery, create jobs and strengthen Kenya's productive capacity.

To accelerate project origination and preparation, the National Treasury has established a framework for the Rapid Results Initiative, bringing together Ministries, Departments, and Agencies to identify, develop and fast-track investment opportunities in priority BETA sectors. The National Treasury is also at the tail-end of finalising all the required PPP regulations and guidelines to fully operationalise the PPP Act. This is in addition to the recently issued circular

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on mandatory disclosure requirements for all privately initiated proposals. These circulars aim to enhance uniformity, transparency, and accountability, and to build public trust by enabling timely disclosures, integrity and standard reporting.

As we expand the PPP programme, we remain committed to increasing the participation of Kenyan enterprises, investors, and financial institutions to promote local ownership, domestic value creation, and reduce foreign-exchange risk. In this regard, the National Infrastructure Fund will play a key role in mobilising long-term domestic capital and supporting local participation in infrastructure financing.

Our pension funds, insurance companies, SACCOs and retail investors will increasingly have the opportunity to participate in strategic national investments, ensuring that the benefits and returns generated by those projects accrue to Kenyan citizens while supporting long-term economic transformation. By mobilising domestic savings and channelling them into productive investments, we are creating a model of growth owned, financed, and sustained by Kenyans. Kenya is not just open for business. Kenya is investing in itself.

Now, let me turn to resource allocations. Over the past three years, we have laid a firm foundation for inclusive growth. The Financial Year 2026/27 Budget builds on those gains and advances BETA, the Administration's core economic strategy aligned with the Fourth Medium Term Plan of Vision 2030. BETA focuses on public resources, unlocking productivity and increasing incomes at the base of the economy through deliberate, value-chain-driven allocations, even with limited fiscal space. This budget prioritises interventions that deliver the greatest impact in job creation, higher household incomes, and broader economic participation.

Agricultural transformation and inclusive growth are the first pillar. Agriculture remains central to BETA and Kenya's long-term prosperity. It supports more than two-thirds of Kenyan households and generates significant employment multiplier effects, especially among groups that are historically excluded from modern economic opportunities. Strengthening agriculture is, therefore, essential for food and nutrition security, enhancing resilience, and promoting a shared prosperity.

To accelerate agricultural transformation, bearing in mind that agriculture is largely devolved, I propose a targeted allocation of Ksh64 billion across priority programmes that boost productivity, value addition and resilience. Key investments include Ksh18 billion for the fertiliser subsidy programme; Ksh2 billion for the seed subsidy programme, Ksh1 billion for the coffee seedlings programme to lower input costs for small-holders; Ksh4.7 billion for the National Agricultural Value Chain Development Project to advance processing and market linkages. Further, I propose Ksh5.4 billion for the Food System Resilience Project and Ksh1.6 billion for the Resilience for Food and Nutrition Security Programme to enhance adaptive livelihoods, diversify income sources and reduce vulnerability to climate shocks.

Recognising the economic potential of pastoral and livestock systems, I propose Ksh3.3 billion for the de-risking, inclusion and value enhancement of pastoral economies programme; Ksh1.3 billion for the Kenya Livestock Commercialisation Programme and Ksh400 million for the Livestock Value Chain Support Project. These allocations will foster greater market access, commercialisation, animal health services and resilience among pastoral communities.

The blue economy offers meaningful opportunities for coastal and lakeside communities. To support the growth of the blue economy and the fisheries sub-sector, I propose Ksh8.2 billion, including Ksh2.1 billion for the Aquaculture Business Development Project, Ksh1.8 billion for the Kenya Marine Fisheries and Socio-economic Development Project, and Ksh578 million for the Carbonium Fisheries and Aquaculture Training Centre. These investments will expand sustainable aquaculture, uplift fisher folks' incomes, and create jobs in value addition and logistics.

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Addressing historical land inequalities remains a priority for this Government. To promote equitable access and ensure sustainable land management, I am proposing Ksh9.4 billion to settle the landless. Of this amount, Ksh5 billion is for the landless in the Coast region; Ksh892 million for the processing and registration of title deeds; and Ksh388 million for the digitisation of land registries to secure tenure, reduce disputes and unlock productive land use.

(Applause)

Let me turn to the second pillar that is transforming the Micro, Small and Medium Enterprises (MSME) economy. MSMEs are the backbone of our economy. They account for 98 per cent of businesses, provide approximately 14.9 million jobs and contribute about 40 per cent to our GDP.

They span from informal home-based enterprises to artisans, mechanics, tailors, carpenters, and fabricators, and to medium-sized firms. Nurturing those sectors is essential for broad-based job creation and inclusive growth. Lack of affordable credit remains a major constraint for MSMEs and households at the bottom of the pyramid. To address this, I propose Ksh550 million for the Centre for Entrepreneurship Project to strengthen incubation, skills and business development services, and Ksh1.1 billion for Rural Kenya Financial Inclusion Facility to expand credit access and financial services to under-served communities.

Housing and settlement are the third pillar. Decent housing underpins social stability and economic productivity. Our affordable housing programme not only provides safe and affordable homes to Kenyans, but also generates jobs directly in construction and indirectly across the building and services sectors.

To sustain this momentum, I propose Ksh143.7 billion for the housing sector, urban development and public works sub-sectors. This package will include Ksh18.6 billion under the Kenya Urban Programme, Ksh50.6 billion for the construction of affordable housing units, Ksh20.9 billion for social housing units, Ksh20.2 billion for institutional housing and Ksh18.2 billion for critical social and physical infrastructure. Further support will include Ksh2.7 billion for the Kenya Informal Settlements Improvement Project Phase II and Ksh535 million targeted to support the construction of the county headquarters. These investments will improve living conditions, service provision and local governance capacity.

To protect lives and property through compliance with building codes and standards, I propose Ksh2.4 billion for the regulation and development of the construction industry, thus reinforcing safety, quality and accountability across the sector.

Allow me to turn to the other pillar: Universal Health Coverage (UHC). UHC is central to BETA's social contract. Equitable access to quality health services is essential for human capital, productivity and poverty reduction. Towards this end, I have proposed Ksh177.2 billion for the health sector to advance UHC and strengthen essential services. Key allocations include Ksh8.6 billion for UHC staff salaries and Ksh19.1 billion for the Primary Healthcare Fund to finance frontline services.

To reduce the burden of communicable diseases and advance immunisation, I propose Ksh18.5 billion for the Global Fund and Ksh6.4 billion for the Vaccines and Immunisation Programme. These investments will protect children and communities and reduce health-related economic shocks.

Tackling cancer and other chronic illnesses requires focused investments. I propose Ksh3 billion to the Emergencies, Chronic and Critical Illness Fund, Ksh1 billion for the construction of a Cancer Centre at Kisii Level 5 Hospital, Ksh300 million to strengthen cancer management at Kenyatta National Hospital, and Ksh150 million for the expansion of the Comprehensive Cancer Centre at Kenyatta University Teaching, Referral and Research

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Hospital. These measures will expand diagnostic and treatment capacity across regions, given that we are the leading hub in terms of health in this region.

To improve tertiary healthcare, I propose Ksh45.3 billion for our referral hospitals. Additional targeted investments include Ksh470 million for the construction of the Kenyatta National Hospital Burns and Paediatrics Centre, Ksh300 million for renovations and replacement of obsolete equipment at Kenyatta National Hospital, and Ksh2 billion for the construction of a new 2,000-bed multi-speciality facility at Moi Teaching and Referral Hospital to expand capacity and improve health outcomes.

To ensure reliable supply chains and strengthen human resources, I propose Ksh20.9 billion for the Kenya Medical Supplies Agency (KEMSA), Ksh3.1 billion for the Kenya Medical Research Institute (KEMRI), Ksh1.3 billion for the Integrated Reproductive Health Programme, Ksh500 million for family planning and reproductive health commodities, and Ksh600 million for equipment at the National Blood Transfusion Services.

As a country, we value the services offered by our health workers. To build workforce capacity, I propose Ksh9.3 billion for medical interns, Ksh10.9 billion for the Kenya Medical Training Colleges, and Ksh3.2 billion and Ksh396 million for stipends and medical insurance for Community Health Promoters, respectively.

Beyond healthcare, digital transformation remains a strategic enabler of competitiveness in the Fourth Industrial Revolution. Digital connectivity and literacy are essential for education, healthcare, finance, markets, public services and emerging digital opportunities. Kenya's creative economy—encompassing film, music, fashion, arts, media, digital content and design—has become a powerful engine of growth and youth employment. Investing in creative industries expands cultural exports and drives innovation.

To accelerate digital adoption and inclusion, I propose Ksh8.6 billion for this sector. This includes Ksh4.3 billion for the Kenya Digital Economy Acceleration Project, Ksh1.3 billion for the maintenance and rehabilitation of the National Optic Fibre Backbone Infrastructure, Ksh528 million for the maintenance and rehabilitation of Last-Mile County Connectivity, Ksh309 million for Government Shared Services, Ksh382 million for Digital Superhighway cybersecurity, Ksh400 million for the establishment of digital hubs and Ksh455 million for ICT infrastructure maintenance.

Now, let me move to investing in infrastructure. Infrastructure is the backbone of economic transformation. It provides connectivity, energy and water resources that are needed to power productive activities and sustain human settlement. By reducing transaction costs and opening markets, infrastructure investments deliver long-term value. Towards this end, I propose Ksh220.4 billion for road development, including Ksh44.3 billion for road construction and bridges, Ksh58 billion for road rehabilitation, and Ksh118.1 billion for road maintenance. This balanced mix supports connectivity, freight, efficiency and long-term road preservation.

To expand railway transport, I propose allocating Ksh38.4 billion to railway projects. Additionally, Ksh400 million is proposed for the Kenya Ferry Ramp in Likoni, Mombasa; Ksh1 billion for development of Public Ferry Landing Ramps in Lake Victoria, including Mbita and Sena Islands in Suba North and West sub-counties of Homa Bay County respectively; Ksh150 million for acquisition of a public ferry in Lake Victoria, thus completing the purchase of a public ferry for use in Lake Victoria; and Ksh582 million for Nairobi Bus Rapid Transport Project which is a critical public transport investment that will reduce congestion and enhance mobility.

Reliable and affordable energy is vital for industry and households. I propose Ksh30.9 billion for the energy sub-sector, including Ksh7.5 billion for the national grid system, Ksh20.2 billion for rural electrification, and Ksh3.2 billion for alternative energy technologies. These allocations expand access, lower costs and promote sustainable growth. I wish to add

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that many energy projects will be financed through the National Infrastructure Funds because they are commercially viable.

I now want to turn to improving education outcomes.

Hon. Members: Yes! Tell us!

The Cabinet Secretary for National Treasury (Hon. John Mbadi): Hon. Speaker, Kenya's future depends on developing strong human capital. To this end, we will continue to strengthen quality learning, training and research, promote equity and inclusivity, scale up investment in education, fortify the system against emerging technological and labour-market shifts, and strengthen education-industry linkages, thus ensuring skills match demand.

I propose Ksh784.5 billion for the education sector. A lot has been said about de-funding education. In the 2026/2027 Financial Year, we are proposing Ksh784.5 billion, which is 26.4 per cent of the Ministerial budget. Compare that to the 2021/2022 Budget before this Administration came into office. The education budget was Ksh526 billion. That has now increased by 49 per cent.

(Applause)

It was 24.5 per cent of the Ministerial Budget. It is now 26.5 per cent of the Ministerial Budget. Therefore, it is incorrect to say that this Administration is de-funding education. In fact, we are funding it more. The Ksh784.5 billion includes Ksh424 billion for the Teacher Service Commission (TSC) to pay our teachers. That has moved from Ksh290 billion in 2022 to Ksh421 billion now.

(Applause)

I am proposing Ksh136 billion for basic education, up from Ksh107 billion in 2022; Ksh163.9 billion for higher education, up from Ksh105 billion in 2022; Ksh1.3 billion for science, innovation, and research; and Ksh58.5 billion for Technical and Vocational Education and Training (TVET). This comprehensive allocation safeguards service delivery and expands opportunities across the learning continent.

Hon. Speaker, within this funding to the education sector, I propose Ksh7 billion for free primary education, Ksh54.6 billion for free day secondary education and Ksh30.7 billion for Junior Secondary School (JSS) capitation.

(Applause)

The two, that is, Ksh54.6 billion for free day secondary education and Ksh30.7 billion for JSS education, total to Ksh85.3 billion. What was it in 2022? In 2022, it was Ksh62.4 billion. I also propose Ksh9.9 billion for the administration of national exams. That is in addition to what we provided before the end of this year to pay the teachers' arrears of Ksh1.5 billion. Therefore, teachers who marked exams will be paid Ksh1.5 billion before the end of this Financial Year.

(Applause)

The School Feeding Programme has a proposed allocation of Ksh3 billion compared to the Ksh2.2 billion in 2022. I am proposing Ksh4.9 billion to be allocated for the conversion of 20,000 intern teachers into permanent and pensionable positions from January 2027.

(Applause)

Further, the newly recruited 24,000 intern teachers will be converted to permanent and pensionable terms in July 2027. In this respect, I am proposing an allocation of Ksh8.2 billion

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for intern teachers to address staffing gaps and improve learning outcomes. By next year, this Government will have employed 116,000 teachers. On average, that is over 20,000 teachers per year.

(Applause)

No other government has ever employed more than 10,000 teachers in a single year. On average, this Government is employing 20,000 teachers per year.

(Applause)

To improve the learning environment and skills training, I am proposing Ksh4.1 billion for primary and secondary school infrastructure and Ksh2.1 billion for the construction and equipping of TVET centres. I also propose Ksh7.1 billion for the Kenya Primary Education Equity in Learning (KPEEL) Programme and Ksh4.7 billion for the Kenya Secondary Education Equity and Quality Improvement Programme (SEEQIP)

(Applause)

Hon. Speaker, further investments in this sector include Ksh56.3 billion for the Higher Education Loans Board (HELB) for provision of loans to university and TVET students. How much was it in 2022? It was Ksh15.39 billion. It has moved from Ksh15.39 billion to Ksh56.3 billion in this financial year.

(Applause)

There is an additional Ksh30.9 billion for university scholarships, with Ksh9.2 billion dedicated specifically for TVET scholarships; Ksh6.7 billion for Collective Bargaining Agreement (CBA) arrears for universities and the 2021/2022 CBA, and another Ksh5.9 billion for ongoing projects in universities across the country. These measures expand access and strengthen human capital to build a competitive economy.

Hon. Speaker, let me now speak to supporting manufacturing for job creation. Manufacturing is a linchpin for structural transformation. We will, therefore, continue to strengthen local value chains, deepen backwards and forward linkages and enhance competitiveness in domestic and export markets. To continue promoting local industries, I propose Ksh16.7 billion to support manufacturing initiatives across implementing agencies. This includes Ksh2.6 billion for equipping completed county-integrated agro-industrial parks.

I also propose Ksh5.4 billion for supporting access to finance and enterprise recovery projects, Ksh602 million for the development of Athi River Textile Hub, Ksh300 million for the establishment of a flagship Export Processing Zones (EPZ) hub, Ksh604 million for the development of a Special Economic Zone Textile Park in Naivasha and Ksh2.4 billion for the Kenya Jobs and Economic Transformation (KJET). These measures will deepen industrial clustering and create high-quality employment opportunities.

I further propose Ksh500 million for the Coffee Cherry Revolving Fund, Ksh2 billion for coffee debt waivers, and Ksh2.7 billion for sugar sector reforms, in order to stabilise key agricultural and industrial value chains and protect livelihoods.

To prepare our youth for industry needs, I propose allocating Ksh500 million to construct industrial research laboratories that foster innovation, create internship opportunities, and promote industry–academia collaboration.

Turning to matters of national security, which remain of concern to all Kenyans, a safe and stable environment is indispensable for investment, trade and economic growth. I, therefore, propose Ksh252.1 billion for the Kenya Defence Forces (KDF), Ksh144.7 billion for

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the National Police Service (NPS), Ksh64.1 billion for the National Intelligence Service (NIS), Ksh63.9 billion for Internal Security and National Administration, and Ksh42.6 billion for the Prisons Service. These allocations will strengthen national security and uphold the rule of law. Specific security interventions include Ksh13 billion for the leasing of police motor vehicles, Ksh7 billion for the police modernisation programme, and Ksh1 billion for the construction and modernisation of national forensic facilities.

I have also proposed Ksh3.9 billion in stipends for village elders for the first time, a matter that has been discussed for years.

(Applause)

Thank you very much.

Let me repeat that: I have also proposed Ksh3.9 billion for stipends for village elders to enhance local administrative capacity and to appreciate and recognise the critical role that they play in addressing security and other societal challenges.

I now turn to the protection of vulnerable groups in our society. Social safety nets remain central to poverty reduction and inclusive growth. Strengthened safety nets protect livelihoods, create pathways out of poverty, and enable economically excluded households to participate in productive economic activities.

(Applause)

Thank you.

In this regard, I propose Ksh41.8 billion for the protection of vulnerable Kenyans, including Ksh24.6 billion for cash transfers to elderly persons, Ksh8.9 billion for cash transfers to orphans and vulnerable children, and Ksh1.5 billion for cash transfers to persons living with severe disabilities. These measures provide immediate relief and sustain basic household consumption. The allocation also includes Ksh4.3 billion for the Kenya Hunger Safety Net Programme, Ksh550 million for the National Fund for the Disabled of Kenya, Ksh1.1 billion for the Child Welfare Society of Kenya (CWSK), and Ksh200 million to support autism and albinism programmes in order to strengthen social protection and community support systems.

Under the equity, poverty reduction, women and youth empowerment that is anchored on the Kenya Young People's Agenda, the Government is funding key interventions that will equip young people with entrepreneurial and life skills, promote local and international employment opportunities, and unlock opportunities for youth and MSMEs

The Government will also fund initiatives that advance gender equality by promoting meaningful inclusion of women in decision-making, enhancing their economic empowerment, and intensifying efforts to eliminate gender-based violence and harmful practices such as female genital mutilation.

To empower youth, women, and constituencies across the country, I propose Ksh110.2 billion for targeted initiatives. This includes Ksh12.5 billion for the National Youth Service (NYS), Ksh4.9 billion for the National Youth Opportunities Towards Advancement (NYOTA) Project, Ksh1.6 billion for the Youth Employment Support Programme and Ksh1 billion for Film Development Services. These investments will spur skills development, civic engagement and growth in the creative industry.

(Applause)

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To support women and girls, I propose Ksh402 million for the Women Enterprise Fund and Ksh4.9 billion for the National Government Affirmative Action Fund (NGAAF) to enhance their inclusion, dignity and economic participation.

(Applause)

To promote regional equity and strengthen local development, I propose Ksh61.8 billion for the National Government Constituencies Development Fund (NG-CDF), Ksh10.3 billion for the Equalisation Fund to finance programmes in marginalised areas and Ksh10.5 billion for the Kenya Devolution Support Programme II.

(Applause)

Sports and arts are vital for national identity, youth empowerment and economic diversification. We will, therefore, promote sports at all levels, enforce international anti-doping standards, and commercialise indigenous knowledge to create livelihood opportunities. To harness national talent and promote Kenya as a regional cultural hub, I propose allocating Ksh45.6 billion to sports, culture, recreation, and tourism, including Ksh25.2 billion for the Sports, Arts and Social Development Fund and Ksh14.3 billion for the Tourism Fund. These allocations will stimulate job creation, community development, and foreign exchange earnings.

(Applause)

Environmental conservation, climate resilience, reforestation, biodiversity protection and land restoration are central to sustainable development. Access to clean water, improved sanitation and expanded irrigation are equally crucial for health, productivity and agricultural growth. Towards this end, I propose allocating Ksh124.8 billion to the cluster. To safeguard ecosystems and tackle climate risks, I propose Ksh13.4 billion for forest resource conservation and management, Ksh1.7 billion for forest research and development, and Ksh3.2 billion for the tree-growing campaign. I further propose Ksh4.7 billion for environmental management and protection, Ksh8.9 billion for the FLLoCA Project and Ksh1.8 billion for meteorological services.

In order to support solid waste management in Nairobi, I propose Ksh2.5 billion and Ksh1 billion for the removal of asbestos.

(Applause)

Additional targeted allocations in this sector include Ksh13 billion for wildlife security, conservation and management, Ksh1.2 billion for wildlife research and development, Ksh1.1 billion for human-wildlife conflict compensation and Ksh800 million for wildlife insurance. These investments protect the natural capital that underpins tourism and rural livelihoods.

To expand water infrastructure and ensure water security, I propose Ksh51.5 billion for water and sewerage infrastructure development, Ksh6.3 billion for water resource management and Ksh2.5 billion for water storage and floods control.

To promote irrigation development in the country and reduce reliance on rain-fed agriculture, I propose Ksh1.1 billion for irrigation and drainage development, Ksh1.8 billion for large-scale commercial irrigation development, Ksh3.3 billion for community-managed irrigation development, Ksh3 billion for public irrigation schemes and Ksh1.6 billion for the

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revitalisation of irrigation in Arid and Semi-Arid Lands (ASAL). These allocations will improve access, productivity and resilience in agriculture and settlement.

On improving governance and sustaining the fight against corruption, strong institutions and adherence to the rule of law are prerequisites for sustainable development. Effective governance strengthens investor confidence and ensures efficient delivery of public services. To strengthen accountability and the rule of law, I propose Ksh5.1 billion for the Ethics and Anti-Corruption Commission (EACC), Ksh7 billion for the Office of the Director of Public Prosecutions (ODPP), Ksh6 billion for the State Law Office and Ksh9.8 billion for the office of the Auditor-General. These allocations will intensify anti-corruption efforts and reinforce public sector integrity.

Hon. Speaker, to enhance parliamentary oversight and legislative functions, I propose Ksh50.9 billion for Parliament. Further, to support the administration of justice, I propose Ksh30.4 billion for the Judiciary. These allocations are essential to uphold democracy, transparency and citizen trust in public institutions.

On allocations to the county governments, the Government remains committed to supporting devolution through inter-governmental fiscal transfers in line with Article 202 of the Constitution. I, therefore, propose to allocate Ksh428 billion in equitable share, which shall be transferred to the respective county governments as per the First Basis for Revenue Sharing Formula during the Financial Year 2026/2027. The Ksh428 billion represents 21 per cent of the most recent audited revenues for the Financial Year 2022/2023, which is way higher than the minimum of 15 per cent prescribed in Article 203(2) of the Constitution. Including the additional allocation from the national Government's share of revenue of Ksh16.6 billion to the proposed share level of Ksh428 billion implies that the county governments will receive a total of Ksh444.6 billion, just about Ksh5 billion less than what is in the 10-Point Agenda. Further to this allocation, I have proposed an additional allocation of Ksh57.4 billion from loans and grants from development partners.

The National Treasury has developed the Draft Public Finance Management (Amendment) Bill, 2025, which proposes to amend Sections 42 and 191 of the Public Finance Management Act, Cap. 412A. These amendments aim to provide for the submission of two separate Bills: The County Governments (Additional Allocations of National Government’s Share of Revenue) Bill, and the Proceeds from Loans and Grants from Development Partners Bill. This will mitigate delays in the approval and disbursement of the county governments additional allocations.

Hon. Speaker, now let me talk about the Equalisation Fund. To support the implementation of projects in marginalized areas, a sum of Ksh10.3 billion has been proposed as an allocation to the Equalization Fund in the Financial Year 2026/2027.

Now I turn to the county governments pending bills. The growing stock of pending bills in the county governments poses a fiscal risk. As of 30th June 2025, the county governments reported outstanding pending bills of Ksh183 billion. During its 27th Ordinary Session, the Inter-Governmental Budget and Economic Council (IBEC) approved and adopted the County Governments Pending Bills Action Plan, submitted by the Controller of Budget. The Council directed all county governments to customize and implement their respective pending bills action plans to progressively reduce the stock of pending bills. I urge the county governments to ensure full implementation of the agreed action plans.

Let me now turn to taxation measures. Having talked about expenditure and the money that is being allocated here and there, it is now time to see where money is coming from—the taxation measures. Following the tragic events of 25th June 2024—a day that remains etched in our hearts—which I hope will never be repeated in this country, the Government was reminded of the need to always listen to the voices of our citizens. As I mentioned at the

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beginning of this Statement that, I championed public engagements with Kenyans of all walks of life while putting together this Budget, and the supporting policy measures.

Over the last month, the focus has been more on the Finance Bill, 2026. As I mentioned, I engaged Kenyans widely in town hall meetings, at various media stations, at *Bunge la Mwananchi,* Jeevanjee Gardens, Nairobi, in Ongata Rongai, Kajiado County, comrades at the University of Nairobi, and through Citizen Digital X Space, just to mention a few. I thank all Kenyans who took time to attend those forums and engage with me. My assurance is that their voices have been reflected in the proposals that I am presenting today.

Hon. Speaker, in preparing these proposals, I have been guided by the overriding principle of addressing the well-being of the common mwananchi first. In this regard, I have deliberately chosen not to introduce new taxes or increase tax rates that would further overburden the hardworking Kenyans and their families. Instead, the measures are focused on reforms that seek to improve efficiency in tax collection, create fairness in the tax system and broaden the revenue base without burdening the mwananchi.

Hon. Speaker, allow me to share a striking reality. Today, only 3.1 million working Kenyans contribute to Pay-as-you-Earn (PAYE). Yet, millions of other Kenyans who make money in our economy do not contribute to the taxes we collect. Many of those people have been filing nil returns year after year. The burden of developing this country has, therefore, been on a few of us. This must change. We shall continue to broaden our tax base, a process that will help us to lower the tax rates to ease the burden on the few who are tax compliant.

To support the financing of the Financial Year 2026/2027 Budget, I will present highlights of two sets of proposals. The first set of proposals relates to custom measures agreed upon by the East African Community (EAC) Ministers and Cabinet Secretaries responsible for Finance and Economic Affairs during this year's Pre-Budget Consultations held in Arusha, Tanzania on 15th May 2026, which will conclude this coming weekend. The measures agreed upon target to support local manufacturing, promote value addition, strengthen industrial competitiveness, enhance food security, protect jobs, and align the regional tariff structure with Kenya's economic development projects.

The second set of proposals are contained in the Finance Bill, 2026. These measures are guided by three key principles. First, efficiency, to ensure that tax collection is done with minimal leakages and ease compliance. Second, fairness, to ensure that the tax burden is shared equitably among all. Third, simplicity, to ensure that compliance with tax laws is straightforward, transparent and predictable for all Kenyans. The measures I present today, a majority of which are targeted to simplify tax compliance and strengthen tax administration, are expected to yield an additional revenue of Ksh98.9 billion.

On custom measures, allow me to express my sincere appreciation to this House for the approval granted to the Custom Measures on 8th May 2026, which I subsequently presented during the Pre-Budget Consultations held in Arusha, Tanzania on 15th May 2026. I wish to inform this House that all those measures were subsequently adopted by the EAC Ministers and Cabinet Secretaries responsible for Finance and Economic Affairs. These measures will take effect from 1st July 2026. I will now highlight some of them

Hon. Speaker, high production costs continue to constrain growth and competitiveness of local industries, particularly where manufacturers rely on imported inputs that are not available locally. To lower the cost of production for our local industries and make locally produced goods affordable, Kenya secured an approval at the region to continue applying a zero per cent duty remission on selected inputs that are used in the manufacture of pharmaceutical products, roofing materials, automotive parts for vehicles, motorcycles and cold rooms for preservation, leather processing and the assembly of smart mobile phones, laptops and tablets.

(Applause)

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Kenya also secured approval to continue applying a duty remission rate of only 10 per cent on selected inputs used in the furniture and door manufacturing, as well as completely knocked down kits for assembly of motorcycles. Through these measures, we aim to protect the jobs created by the industries in these categories to support the livelihoods of our people.

Food security is one of the pillars of the Bottom-Up Economic Transformation Agenda (BETA) and, therefore, remains a national priority. To support affordability of food and animal feeds by Kenyans, Kenya was allowed to continue importing wheat at a duty remission rate of 10 per cent instead of the common external tariff rate of 35 per cent; continue importing inputs for manufacture of animal feeds duty free under the EAC Duty Remission Scheme and apply a zero per cent Import Duty on dates that will be consumed by our Muslim brothers and sisters during the Ramadhan period in 2027.

(Applause)

Kenya also secured approval to continue applying an import duty of 35 per cent or US$200 per metric tonne, whichever is higher, on imported rice instead of the common external tariff rate of 75 per cent or US$345 per metric tonne.

To promote value addition of locally grown products, Kenya was allowed a stay of application of the EAC Common External Tariff (EAC-CET) rates and apply a duty rate of 35 per cent or equivalent specific duty rates on selected processed food products, including preserved vegetables, peas, sweet corn, tomato products, sauces, jams, edible oils, malt extracts and other prepared food products. This will cushion the local industries from imported products and make Kenyan products more competitive in the domestic market, protect those agro-based industries, thus safeguarding income of our farmers and the local jobs created in the agro-processing value chain.

Hon. Speaker, to protect local manufacturers in the textile, apparel, leather and footwear sectors and the many jobs in those industries, Kenya was granted an extension of a stay of application of EAC Common Standard Tariff and apply higher duty rates, ranging between 25 per cent and 35 per cent on imported textiles, apparel, blankets, bed linen, carpets, tarpaulins, leather products and worn clothing while maintaining zero per cent duty remission on selected inputs for leather processing.

To strengthen digital connectivity and part of the Digital Super-highway Pillar of BETA, the local assembly of smart devices remains a key priority. Expanding access to affordable smart telecommunication devices will enable more Kenyans to participate in the digital economy and benefit from emerging opportunities in business and innovation. With this in mind, Kenya requested, and was granted, a zero per cent duty remission on inputs used in the assembly of smartphones, laptops and tablets. Additionally, optical fibre cables and recorded software products will be imported at a higher tariff rate of 10 per cent, instead of the EAC Common Standard Tariff rate of zero per cent.

(Applause)

Hon. Speaker, to lower the cost of construction materials for the delivery of affordable housing as part of the BETA priorities, Kenya was allowed to continue applying zero per cent duty remission on selected inputs for the manufacture of roofing materials and related industrial products. Further, to protect local industries that manufacture steel products, aluminium products, pipes, electrical equipment, ceramic tiles and other construction materials, Kenya was also allowed to continue applying stays of application at duty rates ranging from 25 per cent to 35 per cent, together with equivalent specific duty rates, where applicable; to discourage under-declaration of import values.

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Given the limited fiscal space, Kenya continues to explore alternative financing models, particularly the Public-Private Partnership (PPP) arrangements in developing infrastructure projects. With this in mind, Kenya was granted a stay of application of the common tariff and apply a zero per cent Import duty on goods, materials and equipment imported for use in PPP projects.

Hon. Speaker, local assembly of motor vehicles and manufacturing of automotive parts continue to create jobs for Kenyans. In this respect, Kenya applied to protect those industries and the associated value chain. Kenya was granted a zero per cent duty remission on selected inputs that are used in the manufacture of automotive parts.

To support local manufacturing of paper and paper products, Kenya was allowed to continue applying stays of application at a rate of 35 per cent on craft paper and paperboard, printed poly-bags, sacks and bags and related packaging materials, instead of the common tariff rates of 25 per cent.

(Applause)

To protect local manufacturers of household and industrial products and the jobs therein, Kenya will continue the stay of application under the Common Tariff Rates and apply rates ranging from 25 to 35 per cent together with equivalent specific Duty rates, where applicable; on products, including Liquefied Petroleum Gas (LPG) stoves, cookware, aluminium products, steel products, electrical equipment and related manufactured goods.

Hon. Speaker, let me now turn to the highlights of proposals contained in the Finance Bill, 2025, which seeks to amend various domestic tax laws to improve revenue collection, ease tax compliance and create fairness within the tax system.

Under Income Tax, currently, certain corporate restructurings such as mergers, amalgamations or internal re-organizations are exempt from Capital Gains Tax. To encourage the establishment and growth of Real Estate Investment Trusts, the Bill proposes to extend the exemption to qualifying property transfers into approved Real Estate Investment Trusts to avoid selective treatment or application.

Hon. Speaker, to promote fairness, improve consistency within the tax system, and support investment in the petroleum sector, the Bill proposes to reduce the Corporate Tax rate applicable to non-resident petroleum contractors from 37.5 per cent to 30 per cent. This will harmonize with the rate that is applicable to other non-resident companies. The Bill further clarifies that repatriated income earned by non-resident petroleum contractors will be subject to tax at the rate of 15 per cent, which is consistent with the treatment applicable to other non-resident persons operating in Kenya.

The current framework for taxation of trusts is complex and may create uncertainty in the taxation of trust incomes and distributions. To improve clarity and align the framework with international best practices, the Bill proposes to introduce a single point taxation system at the trustee level and remove the risk of double taxation for beneficiaries, thereby improving compliance and reducing opportunities for tax avoidance.

The Bill does not propose to increase monthly income tax. I wish to state that clearly. On the contrary, it proposes a simplified tax framework for non-resident persons who earn monthly rental income in Kenya, but do not pay tax on that income. In this case, therefore, non-resident landlords will be required to register and account for tax directly, especially where the property is not managed through a property agent, while preserving the existing Withholding Tax framework where non-residents are currently complying with their tax obligations. This proposal will not result in higher rent or additional burden on existing tenants who reside in properties that are owned by non-residents.

Currently, any persons making payments to non-resident ship owners and charterers are required to withhold and remit tax on shipping income. This has affected compliance,

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particularly where persons procuring shipping services are not aware of the reloading obligations. To simplify the administration of the tax and provide greater certainty in its collection, the Bill proposes to place responsibility for payment of the tax on resident shipping agents and provide a clear timeline for remittance, being within five days after receipt of payment or before the ship leaves the port of lading, whichever is earlier.

Currently, the deadline for filing tax returns is 30th June of every year for all categories of income. This leaves no room for verification and validation of filed returns before the commencement of another financial year. To provide sufficient time for verification and validation of filed returns, I propose revisions to the timelines for filing individual income tax returns. Under the proposal, taxpayers with nil returns will be required to file within one month after the end of the year of income since they have no tax liabilities to report. Taxpayers whose income is fully taxed at source, including persons earning employment income only, will be required to file within four months after the end of the year of income. All other taxpayers will continue to file their returns by 30th June every year. Similarly, all businesses will continue to file their returns by 30th June every year. Therefore, it is not true that we are reducing the filing period for everyone, thus making the filing of returns more complicated.

Currently, gains arising from offshore transfers where the value of the transferred shares is derived from assets located in Kenya, are not taxed. To ensure that gains derived from Kenyan assets remain taxable in Kenya, irrespective of how the transactions are structured, the Bill proposes to amend the Income Tax Act to ensure that all gains from transfer of assets located in Kenya get the same tax treatment, irrespective of the location of the beneficial owners.

When companies make profits, those profits should find their way back to shareholders within a reasonable time. Currently, some companies have been holding back their profits indefinitely simply to defer paying the dividend tax. This is a loophole that needs to be addressed. In order to provide greater certainty in the application of the deemed dividend provisions, which are already in law; and to discourage indefinite retention of profits solely for the purpose of deferring dividend taxation, the Bill proposes to introduce a minimum deemed dividend distribution threshold of 60 per cent of undistributed income.

Hon. Speaker, rapid advances in technology have transformed the way businesses make payments, distribute software, and provide services across borders. However, the current Income Tax Act provisions do not clearly address the tax treatment of certain payments arising from software distribution arrangements, payment card schemes, payment processing systems, and related digital platforms. This has created uncertainty and disputes regarding the taxation of interchange fees, merchant service fees, and other payments made for access to these systems. The Bill, therefore, proposes amendments to clarify the definition of management or professional fees and royalties in order to provide a clear legal framework for the taxation of such payments and reduce opportunities for revenue leakage.

Gambling activities have grown significantly in recent years, particularly through digital platforms. While these are legitimate activities, winnings from gambling are income and, like any other income, they should be taxed. The Bill, therefore, proposes to introduce Withholding Tax on winnings, lotteries and prize competitions.

The scrap metal trade is a significant economic activity that supports the livelihoods of many Kenyans. To improve traceability of transactions and strengthen compliance in the scrap metal trade, the Bill proposes to introduce a Withholding Tax on income earned from the sale of scrap metal at a low rate of 1.5 per cent of the gross amount paid.

Currently, payments made by the national carrier to non-resident service providers are exempt from withholding tax, while similar payments when made to residents are taxed. To promote fairness and ensure consistent tax treatment between resident and non-resident service

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providers, the Bill proposes to remove the exemption from withholding tax on payments made by the national carrier to non-resident service providers.

Hon. Speaker, let me now turn to proposed amendments to the Value Added Tax (VAT). Dialysis remains a life-sustaining treatment for many Kenyans living with kidney disease, yet the cost of essential renal treatment equipment continues to place pressure on households and healthcare providers. The Bill, therefore, proposes to exempt dialysers, which are critical life-saving components for patients experiencing kidney failure, from VAT in order to reduce costs and make renal treatment more affordable.

The Government recognizes the important role that trade in used clothing and footwear, commonly known as mitumba, continues to play in supporting livelihoods and providing affordable access to clothing across the country. To simplify compliance, the Bill proposes to charge VAT at the point of importation, while subsequent domestic sales of second-hand clothing and second-hand footwear will be exempt from VAT. This means that mitumba traders selling to Kenyans will not be burdened with VAT obligations. Contrary to what is being said out there, we are making mitumba even cheaper because there will be no multiple VAT charges. You will pay only once at the point of entry.

Currently, passengers arriving at ports of entry in Kenya are allowed VAT exemption on value of goods not exceeding US$300. This threshold has remained unchanged and has not kept pace with current realities. The Bill, therefore, proposes to increase the VAT exempt threshold on value of goods for passengers arriving at our ports of entry from US$300 to US$2,000.

The scrap metal sector plays an important role in supporting local manufacturing and recycling activities, but it presents significant challenges in the administration of input VAT. To simplify VAT administration within the sector while complementing the Withholding Income Tax framework proposed under the Income Tax Act, the Bill proposes to exempt scrap metal from payment of VAT.

Hon. Speaker, PPPs continue to play an important role in the delivery of strategic infrastructure projects across the country. To reduce the cost of implementing these projects, the Bill proposes a VAT exemption for goods and services imported or procured locally for use solely in approved PPP infrastructure projects.

The rapid growth of digital payment platforms has created uncertainty regarding the VAT treatment of certain payment facilitation and processing services. While these services support financial transactions, they are distinct from the underlying financial services. The Bill, therefore, seeks to clarify that core financial services, including money transfer services such as M-Pesa, will remain exempt from VAT while platforms that facilitate services such as merchant acquiring, payment gateway, aggregation and settlement services will not qualify for exemption.

Hon. Speaker, to promote consistency in the treatment of input VAT and support proper administration of the VAT framework, the Bill proposes adjustment of input VAT previously claimed where goods that were intended for taxable supply subsequently become exempt while still in stock. Kenya's tax expenditure was estimated at Ksh286 billion or 1.8 per cent of GDP in 2024, a decline from Ksh368 billion or 2.4 per cent of GDP in 2023.

To further reduce tax expenditures, I propose to rationalise some of the existing incentives, such as:

1. To remove VAT exemption on certain goods and services currently exempt, including denatured ethanol, direction-finding compass, affordable housing construction inputs, tourism facility construction inputs, and aircraft of charter, excluding parts, and large aircraft of over 2,000 kilogrammes These are what we call choppers or helicopters. We are removing them from VAT exempt but aircraft parts will still enjoy VAT exemption.

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2. To exclude from VAT exemption spare parts applicable to official aid funded projects to reduce opportunities for misuse of the exemption. We exempt the vehicles but not the parts.
3. Transfer selected supplies from zero rated status to VAT exempt status in line with the National Tax Policy objective of limiting zero rating primarily to export.
4. To exempt mobile phones from VAT as part of the simplified taxation framework for mobile phones outlined under the proposal under the Excise Duty Act.

When we talked of excise duty on phones moving from 10 per cent to 25 per cent, the Government's critics talked about it, but they did not tell Kenyans that we are removing VAT on mobile phones from 16 per cent to nothing. The above measures are expected to further lower tax expenditures as a share of GDP, hence improve revenue collection.

Hon. Speaker, I now turn to the proposed amendments to the Excise Duty Act. Currently, more Kenyans drink bottled water in both urban and rural areas. The Bill proposes to remove the Excise Duty of Ksh6.41 per litre of bottled water. It is expected that vendors of bottled water will pass this benefit to ordinary citizen by lowering the price of bottled water because it has ceased to be a luxury.

Mobile phones have become essential tools for enhancing communication, access to information and delivery of services. They support education, businesses, financial services, e-commerce, healthcare and social interaction while also promoting digital inclusion, productivity and social economic development. To further encourage use of mobile phones in the country, the Bill proposes to simplify taxation of mobile phones by replacing the existing multiple taxes and levies with a single excise duty at the rate of 25 per cent chargeable at the point of activation on any telecommunications network. This measure will lower the prices of mobile phones in the country. I heard a leader complain about the 25 per cent excise duty. I am asking why he is complaining about the 25 per cent excise duty. Does he want us to retain it at 55.5 per cent, because that is the rate as at today?

Hon. Speaker, in recognition of the health risks associated with excessive sugar consumption, the Bill proposes to increase excise duty on sugar-sweetened beverages from Ksh14 per litre to Ksh20 per litre. In support of public health, the Bill also proposes to adjust the excise duty rates on manufactured tobacco and tobacco substitutes, tobacco extracts and essences from Ksh11,382 per kilogram to Ksh12,550 per kilogram, while the excise duty rates applicable to cigars, cheroots, cigarillos and related commodities containing tobacco or tobacco substitutes will be adjusted from Ksh16,260 per kilogram to Ksh18,000 per kilogram.

Hon. Speaker, betting on horse racing is currently exempt from excise duty. In order to create fairness in the taxation of betting and gaming activities, the Bill proposes to remove this exemption. Further, to expand the scope of taxation, the Bill proposes to amend the definition of gaming wallets to include land-based betting and gaming activities. To promote fairness and consistency in the taxation of similar products, the Bill proposes to harmonise excise duty treatment within the alcoholic beverages sector by removing the preferential excise duty rate of Ksh10 per centilitre of pure alcohol for alcoholic beverages that are manufactured by small independent brewers.

In the Finance Act of 2025, Excise Duty rate for undenatured extra neutral alcohol supplied to licensed manufacturers of spirituous beverages was set at Ksh500 per litre. To support manufacturers in this sector, the Bill proposes to reduce the applicable excise duty rate to Ksh80 per litre. In addition, the Bill proposes amendments to clarify that this rate is applicable to both locally purchased and imported undenatured extra neutral alcohol that is supplied to licensed manufacturers.

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Hon. Speaker, to address environmental externalities, the Bill proposes to introduce excise duty on coal at the rate of 5 per cent of the excisable value. The Bill also proposes to extend excise duty on plastic articles for locally manufactured products in order to promote consistency in tax treatment. The Bill further proposes to establish a clear excise duty taxation framework for vintage and collector vehicles. This proposal relates to vehicles whose year of first registration is at least 30 years before the date of purchase, and whose value is at least Ksh10 million.

The proposed amendments to the Tax Procedures Act seek to strengthen tax administration, improve compliance, support digitization and make it easier for taxpayers to meet their tax obligations. Currently, foreign investors are required to obtain Kenya Revenue Authority PIN before opening Central Depository and Settlement Corporation (CDSC) accounts to participate in trading in the Nairobi Securities Exchange (NSE). In order to improve the attractiveness of Kenya's capital market to foreign portfolio investors, the Bill proposes to exempt foreign investors from the requirement to obtain a KRA PIN solely for purposes of opening CDSC accounts.

Income earned by non-resident investors from investment in the NSE is subject to Withholding Tax as a final tax. They are not required to file annual income tax returns. I am grateful because this House approved the Virtual Asset Service Providers Bill of 2025, which was enacted in 2025. Currently, there is no reporting framework for virtual asset transactions. In order to address this gap, the Bill proposes to introduce a virtual asset reporting framework for virtual asset service providers so as to improve visibility of virtual asset transactions and align Kenya's reporting framework with international best practices.

To simplify compliance, reduce filing errors and improve efficiency in tax administration, the Bill proposes to amend the Tax Procedures Act to provide for pre-populated tax returns using information already available to KRA. Under this amendment, taxpayers still retain the right to review, confirm or amend the information before submitting their returns.

To strengthen the integrity of the tax system and prevent tax arrangements designed primarily to obtain a tax benefit while presiding in fairness for compliant taxpayers, the Bill proposes the introduction of a general anti-avoidance rule which is applicable across tax laws. The Tax Procedures (Amendment) Act of 2024 provided for a tax amnesty on penalties, interest and fines for taxpayers on tax liabilities approved up to 31st December 2023. This facilitated taxpayers to clear principal tax liabilities to Government. In order to encourage settlement of existing tax liabilities by more taxpayers, the Bill proposes a six-month amnesty beginning 1st July 2026 for tax liabilities accrued up to 31st December 2025. Under this amnesty, taxpayers who settle the principal tax due within the amnesty period will qualify for waiver of the related penalties, interest and fines.

To support faster resolution of system-related issues and improve taxpayer confidence in digital tax administration, the Bill proposes to allow for waiver of penalties and interest by the Commissioner up to a specified threshold of Ksh2 million arising from electronic tax system errors. To improve continuity of tax records and simplify compliance for reinstated entities, the Bill proposes to provide for automatic reinstatement of Personal Identification Number (PIN) where the registered company or other entity is restored to the official register. To improve efficiency in tax administration, the Bill proposes to allow tax assessments to be issued based on information lawfully available to the Commissioner.

To further align enforcement of tax compliance, the Bill proposes to amend the Tax Procedures Act to clarify that enforcement of tax collection when a Tax Appeals Tribunal or a court judgment on a tax dispute is in favour of the Commissioner shall only be suspended where a stay order has been granted. To lower compliance costs and simplify customs clearance procedures, the Bill proposes to remove the requirement for importers to present certificates of

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origin where such certificates are not necessary for purposes of claiming preferential tariff treatment.

Hon. Speaker, under the Miscellaneous Fees and Levies Act, the Bill proposes to rationalise the application of Import Declaration Fee and Railway Development Levy exemption on aircraft by limiting the exemption to aircraft parts and large aircraft used for commercial air transport. This measure is intended to better target the exemption while supporting Kenya's position as a regional hub for aircraft maintenance and aviation services. The Bill also proposes amendments to clarify the application of customs procedures to all fees and levies imposed under the Miscellaneous Fees and Levies Act. These measures are intended to improve administration and support prudent fiscal management.

To support the growth of the real estate investment trust market and development of Kenya's capital markets, the Bill proposes to exempt from Stamp Duty transfers of beneficial interest in property into approved real estate investment trusts. This measure complements the proposed amendments under the Income Tax Act on exemption of real estate investment trusts from Capital Gains Tax. In line with the proposed simplified framework under the Excise Duty Act on mobile phones, the Bill proposes to exempt imported mobile phones from imported declaration fee and Railway Development Levy. This is another benefit that is not being talked about by naysayers of the Bill.

To increase resources available for road maintenance while ensuring that existing annuity obligations continue to be met, the Bill proposes amendments to the Road Maintenance Levy Act to reduce the allocation to the Road Annuity Fund from Ksh3 per litre to Ksh1.5 per litre of fuel. This reduction of Ksh1.50 per litre of fuel will be allocated to the Road Maintenance Levy Fund.

Hon. Speaker, as I conclude, I want to underscore that we have navigated a period of extraordinary challenges, yet the economy has held firm. Kenyans have demonstrated remarkable resilience and patience and the Government has remained steadfast in its commitment to deliver on the promises of BETA at the most difficult period in the history of this country.

This Budget was carefully crafted against a backdrop of limited fiscal space and competing priorities. It reflects prudent choices and disciplined fiscal management while directing resources towards programmes and interventions that will have the greatest impact on the lives of ordinary Kenyans, while staying firmly on course with our fiscal consolidation plan. The reforms I have outlined today are designed to cushion our citizens, strengthen economic resilience and lay the foundation for sustainable growth and transformation. They will stimulate job creation, ease the cost of living and accelerate economic transformation, which our people deserve.

This Budget is deliberate, decisive and targeted. It channels scarce resources to where they catalyse the greatest economic and social returns; to smallholder farmers and pastoralists, Medium, Small and Micro Enterprises (MSMEs), the youth, health and education, infrastructure that connects markets and to institutions that uphold the rule of law. Every allocation is chosen to multiply employment, protect the vulnerable, advance equity and unlock private investment. By prioritising inclusive bottom-up growth, we will not only sustain recovery, but also accelerate shared prosperity across Kenya. This is, therefore, a Budget for the mwananchi. This is a Budget for the people. I call upon Hon. Members and all Kenyans to stand behind its implementation as we work together with purpose and resolve towards our shared prosperity. Together, we can translate these investments into jobs, higher incomes and a better future for every Kenyan.

Hon. Speaker, I thank His Excellency the President, Dr William Samoei Ruto, and His Excellency the Deputy President, Professor Kithure Kindiki, for their unwavering support, leadership and counsel as we prepared this Budget. I am forever grateful to the President for

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the support he has given me and my Ministry. I am also greatly indebted to the Prime Cabinet Secretary, the Attorney-General, my fellow Cabinet Secretaries, all Principal Secretaries, accounting officers and personnel across Government Ministries, Departments and Agencies (MDAs), who diligently contributed to the development of the Financial Year 2026/2027 Budget.

I thank the Speakers of the National Assembly and the Senate, the Leaders of the Majority and Minority Parties, the entire House leadership, including the respective Clerks, for supporting the approval process of the Financial Year 2026/2027 Budget. My sincere thanks also go to the Chairpersons and the Members of the Budget and Appropriations Committee and the Finance and National Planning Committee, all the Departmental Committees of this House, and the staff of the Parliamentary Budget Office for their constructive input and leadership during the approval process of this Budget.

I appreciate, in a special way, Dr Chris Kiptoo, the Principal Secretary for the National Treasury and the staff of the National Treasury, who worked tirelessly for long hours to ensure that this Budget and the supporting documents were prepared and submitted within the legal timelines. I also wish to acknowledge my two other Principal Secretaries at the National Treasury, namely, Dr Bonface Barasa Makokha, Principal Secretary for the State Department for Economic Planning; and Mr Cyrell Wagunda Odede, Principal Secretary for the State Department for Public Investments and Assets Management, together with their respective staff, for their support during the preparation and finalization of the Financial Year 2026/2027 Budget.

My sincere appreciation also goes to the Governor of the Central Bank of Kenya, the Commissioner-General of the Kenya Revenue Authority, the management and staff of both institutions and all MDAs for their valuable contributions to the Budget-making process. My gratitude goes to our multilateral and bilateral development partners for their continued technical and financial support. I also thank the private sector for its participation and contribution throughout the budget-making process.

Hon. Speaker, I equally appreciate members of the Fourth Estate and other non-State actors for their active engagement and participation during the Financial Year 2026/2027 Budget-making process.

I cannot forget to extend my sincere thanks to my dear wife, Madam Rhoda Mbadi, and my children, who have remained my pillar of strength.

(Applause)

In the course of the year, calls of duty would be challenging, but when I got home, I felt relaxed among them. I will forever remain grateful for their support, inspiration and prayers as I executed my duties at the National Treasury.

Finally, I thank Kenyans from all walks of life who offered suggestions and proposals throughout the Budget-making process. I thank you all.

Hon. Speaker, before I resume my seat, you will recall that I have already submitted to this House the Budget Estimates and the Finance Bill, 2026, together with the accompanying documents as required by the Public Finance Management Act, CAP 412A. Today, I further submit the following documents to this august House and request that you graciously receive them:

1. Budget Statement for the Financial Year 2026/2027.
2. The 2026 Budget Policy Statement.
3. Estimates of Revenue, Grants and Loans for the Financial Year 2026/2027 Budget.
4. Financial Statement for the Financial Year 2026/27 Budget.

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5. Medium Term Debt Management Strategy 2026.
6. The Mwananchi Guide for the Financial Year 2026/2027 Budget, for which we also have a Kiswahili version.
7. Statistical Annex to the Budget Statement for the FY 2026/2027.

Thank you, Hon. Speaker and Hon. Members.

(The Cabinet Secretary handed the documents to the Speaker)

(Applause)

Hon. Speaker: Cabinet Secretary, you may now take your seat.

Hon. Members: Power! Power!

Hon. Speaker: Order, Hon. Members! I thank the Cabinet Secretary for the National Treasury and Economic Planning for ably making a public pronouncement of the Budget Highlights for the National Government for the Financial Year 2026/2027 and the Medium Term, and the Revenue Raising Measures. In this regard, I confirm that, in conformity with the provisions of sections 39 and 39A of the Public Finance Management Act, and Standing Order 244C, the Cabinet Secretary has already submitted to the National Assembly the relevant legislative proposals that are necessary to actualize the revenue-raising measures to finance the 2026/2027 Budget. This has since culminated in the Finance Bill, 2026, which is under consideration by the House.

It is now my pleasure to invite all Hon. Members, the Cabinet Secretary for the National Treasury and Economic Planning, other Cabinet Secretaries, representatives of the Judiciary, members of the diplomatic corps and all invited guests to a reception at the Parliament Courtyard hereafter.

ADJOURNMENT

Hon. Speaker: Hon. Members, the House now stands adjourned until Tuesday, 16th June 2026 at 2.30 p.m. I thank you.

(The House rose at 6.13 p.m.)

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