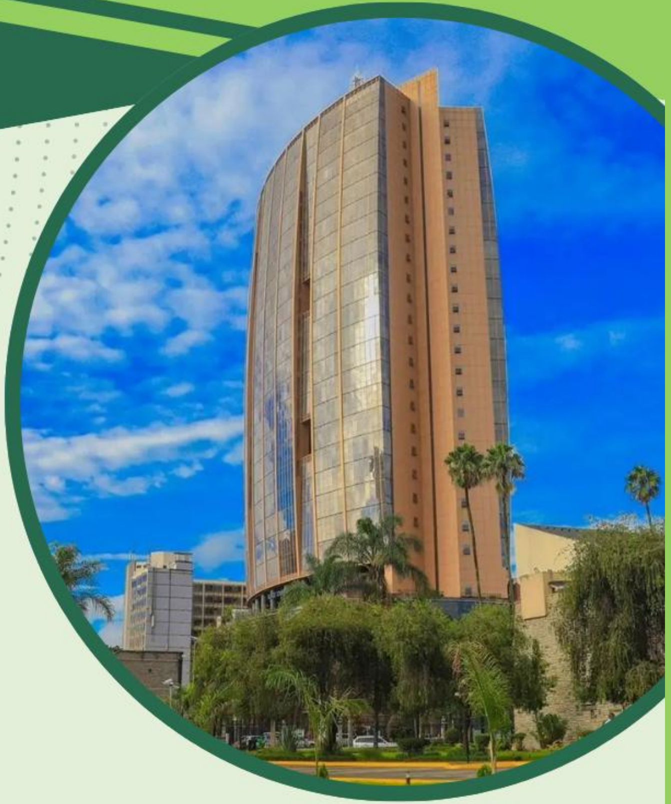
PARLIAMENTARY
BUDGET
OFFICE



BUDGET EXPLAINER

2026 - 2027

JULY 2026

Disclaimer

Pursuant to Section 10 of the Public Finance Management Act, the Parliamentary Budget Office (PBO) is a non-partisan professional office of the Parliament of the Republic of Kenya. The primary function of the Office is to provide professional services in respect of budget, finance, and economic information to Committees of Parliament.

For more information, contact:
The Director,
Parliamentary Budget Office
Parliament of the Republic of Kenya
Protection House, 10th Floor.
P.O. Box 41842 – 00100 GPO
NAIROBI, KENYA
Tel: +254-20-284-8810
Email: pbo@parliament.go.ke

The document can be downloaded from www.parliament.go.ke

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS

ABDP	Aquaculture Business Development Programme
ACT	Artemisinin Combination Therapy
AFA	Agriculture and Food Authority
AFC	Agricultural Finance Corporation
AFD	French Development Agency
AiA	Appropriations-in-Aid
AIDS	Acquired immune deficiency syndrome
ART	Antiretroviral Therapy
BPO	Business process outsourcing
CAIPs	County Aggregated and Industrial Parks
CAJ	Commission for Administration of Justice
CBK	Central Bank of Kenya
CFS	Consolidated Funds Services
CHPs	Community Health Promoters
CPST	Centre for Parliamentary Studies and Training
CRA	Commission on Revenue Allocation
DANIDA	Danish International Development Agency
Devt	Development
DP	Deputy President
DRPNK	Drought Resilience Programme in Northern Kenya
EACC	Ethics and Anti-Corruption Commission
ELRB	Emergency Locust Response Projects
FSRP	Food Systems Resilience Project
GDP	Gross domestic product
GoK	Government of Kenya
Govt	Government
HELB	Higher Education Loans Board
HIV	human immunodeficiency viruses
ICT	Information Communication and Technology
ICTA	Information and Communication Technology Authority
IDA	International Development Association
IEBC	Independent Electoral and Boundaries Commission
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
KABDP	Kenya Agriculture Business Development Project
KALRO	Kenya Agricultural and Livestock Research Organization
KDF	Kenya Defence Forces
KDSP	Kenya Devolution Support Programme
KeLCoP	Kenya Livestock Commercialization project
KEMFRI	Kenya Marine and Fisheries Research Institute

KENHA	Kenya National Highways Authority
KEPHIS	Kenya Plant Inspectorate Services
KeRRA	Kenya Rural Roads Authority
KFS	Kenya Forest Service
KISIP	Kenya Informal Settlement Improvement Project
KMTC	Kenya Medical Training College
KNH	Kenyatta National Hospital
KNHRC	Kenya National Commission on Human Rights Commission
KNTC	Kenya National Trading Company
KRA	Kenya Revenue Authority
KRC	Kenya Railways Corporation
KSG	Kenya School of Government
Kshs	Kenya Shillings
KUCCPS	Kenya Universities and Colleges Central Placement
KURA	Kenya Urban Roads Authority
KUSP	Kenya Urban Support Project
KUTRRH	Kenyatta University Teaching, Referral and Research Hospital
KWS	Kenya Wildlife Service
LPG	Liquefied Petroleum Gas
MDA	Ministries, Departments and Agencies
MGR	Meter Gauge Railway
MT	Metric Ton
MTRH	Moi Teaching and Referral Hospital
NAVCDP	National Agricultural Value Chain Development Project
NCIC	National Cohesion and Integration Commission
NDMA	National Drought Management Authority
NGAAF	National Government Affirmative Action Fund
NG-CDF	National Government Constituency Development Fund
NGEC	National Gender and Equality Commission
NHC	National Housing Corporation
NHIF	National Hospital Insurance Fund
NIA	National Irrigation Authority
NIS	National Intelligence Service
NKPCU	New Kenya Planters Cooperative Union
NLC	National Lands Commission
NOFBI	National Optic Fibre Network Backhaul Initiative
NPSC	National Police Service Commission
NYOTA	National Youth Opportunities Towards Advancement
NYS	National Youth Service
OVCs	Orphans and Vulnerable Children
PBO	Parliamentary Budget Office
PPP	Public Private Partnership

PSC	Public Service Commission
PSSS	Public Service Superannuation Scheme
PWSD	People With Severe Disability
RDA	Regional Development Authorities
RMLF	Road Maintenance Levy Fund
RMNCAH	Reproductive maternal, newborn, child and adolescent health
SAGA	Semi-Autonomous Government Agency
SDG	Sustainable Development Goals
SRC	Salaries and Remuneration Commission
STEM	Science, technology, engineering, and mathematics
TB	Tuberculosis
TPF	Tourism Promotion Fund
TSC	Teachers Service Commission
TVET	Technical and Vocational Education and Training
UHC	Universal Health Care
UIG	Urban Institutional Grant
UK	United Kingdom
UNFPA	United Nations Population Fund
WB	World Bank
WSDP	Water and Sanitation Development Project
YCTC	Youth Correction and Training Centre

FOREWORD

For FY 2026/27, the National Assembly approved total budgetary allocations of Kshs. 4.85 trillion, comprising Ministerial Expenditure, Consolidated Fund Services (CFS) and Transfers to County Governments. Ministerial Expenditure accounts for Kshs. 2.92 trillion, of which Kshs. 2.08 trillion is allocated to recurrent expenditure and Kshs. 844.4 billion to development expenditure. CFS, amounting to Kshs. 1.5 trillion, primarily provides for public debt servicing, pensions and constitutional obligations. Transfers to County Governments total Kshs. 428 billion, providing the equitable share of nationally raised revenue to support the delivery of devolved services and promote equitable regional development.

The allocation for ministerial expenditure reflects the Government's prioritization of sectors that are vital to national progress. The National Executive is allocated Kshs. 2.84 trillion, emphasizing support for key ministries and major development initiatives. Significant recurrent funding is directed towards the Education and National Security sectors, while development funds target Energy, Infrastructure, and ICT to boost the country's infrastructure and technology. The Legislature is allocated Kshs. 51.01 billion to support the operations of elected representatives who make laws and oversee government spending on behalf of the people of Kenya. The Judiciary is allocated Kshs. 30.38 billion to support courts across the country, from the magistrates' courts to the Supreme Court, so citizens can access justice.

CFS expenditures show the heavy financial burden of public debt, with Kshs. 1.25 trillion allocated for debt servicing, of which Kshs. 986.73 billion is for internal debt and Kshs. 267.51 billion is for external debt. Additionally, Kshs. 241.94 billion is earmarked for pensions and remuneration of constitutional office holders. This allocation highlights the ongoing challenge of managing debt while ensuring fiscal stability, with a notable portion of internal debt interest directed towards long-term treasury bonds.

Transfers to county governments, amounting to Kshs. 428 billion, is aimed to enhance local governance and development, focusing on infrastructure, healthcare and community services. Grants and loans from development partners contribute Kshs. 53.82 billion, targeting sectors like healthcare, agriculture and urban development. Effective management of these funds is crucial for achieving sustainable development and poverty reduction, ensuring that resources are utilized transparently to maximize benefits and support Kenya's long-term growth objectives.

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

ACKNOWLEDGEMENTS

This document was prepared by a team led by Dr. Benjamin Ng'imor. The team consisted of William Wambiru, Cyrille Mutali, Wilson Macharia and Winnie Akinyi.

The report was prepared under the leadership and guidance of FA. Dr. Martin Masinde, OGW (Director, Parliamentary Budget Office). The report also benefited from valuable regular discussions with other staff of the Parliamentary Budget Office.

I. INTRODUCTION

1. This document serves as a summary of the budget, highlighting key spending priorities in the National Government for the financial year 2026/27. It is a crucial tool for enhancing transparency, accountability and public participation in the budget process. It serves as a bridge between the Government and the public by making it easier to understand the allocation of resources and the Government's spending priorities and also enabling the public to grasp the key aspects of the budget.

2. In essence, this budget explainer aims to promote fiscal transparency by providing a clear and concise overview of the government's financial plans. This transparency fosters accountability and encourages public participation in shaping the direction of the nation's economy. The document will enhance and strengthen social audit by the public. In addition, this document will be able to shed light on key performance indicators and outputs that the government aims to achieve at the end of FY 2026/27.

3. Further, the document will enlighten the public on the Consolidated Fund Services (CFS), shedding light on government debt services, remuneration of constitutional office holders and pensions. The source and types of internal and external debts will be highlighted as well as types of government pensions.

4. The document will also underscore the equitable share, showing the equitable share allocations to counties, additional allocations from the National Government and finally loans and grants from development partners. It will highlight the County Allocation of Revenue Bill (CARB) which determines allocations to each county using the formular proposed by the Commission on Revenue Allocation (CRA), and the County Government Additional Allocation Bill (CGAAB) which contains additional conditional and unconditional allocations from the National Government as well as loans and grants from development partners.

II. Overview of the FY 2026/27 Budget

5. The total revenue and grants for FY 2026/27 amounts to **Kshs. 3.67 trillion** and is equivalent to **17.65 percent** of GDP. This comprises of the following:
   a) **Ordinary Revenue of Kshs. 2.99 trillion (14.34 percent of GDP)** – This is the money the government collects regularly, primarily through taxes and other non-tax revenues, to fund its core functions and meet its obligations. The ordinary revenue comprises of Income Tax, Value Added Tax (VAT), Excise Tax, Import Duty and other non-tax revenues. The Income Tax amounting to Kshs. 1.38 trillion is tax on individuals' and cooperations' incomes. Value Added Tax (VAT) amounting to Kshs. 829.2 billion is tax on sale of goods and services. Import Duty amounting to Kshs. 186.2 billion is a tax on imported goods, whereas Excise Duty amounting to Kshs. 382.2 billion is a tax on the production or import of specific goods. The other Tax and Non-Tax Revenue amounting to Kshs. 204.5 billion includes fees and charges levied on government services, revenue from government-owned property, revenue from sale of goods and services produced by government entities, and fines and penalties imposed from violations of law and regulations.
   b) **Appropriations-in-Aid of Kshs. 644.8 billion (3.1 percent of GDP)** – These are revenues collected by government agencies through fees, charges, levies and other sources in the course of delivering services. Subject to the provisions of the law and Parliamentary approval through the budget, such revenues are excluded from the Consolidated Fund and retained by the collecting entities to finance or offset their approved expenditures as appropriated by the National Assembly.
   c) **Grants of Kshs. 43.6 billion (0.21 percent of GDP)** - Grants are funds provided to the government or its agencies by donors, international organizations, or foreign governments to finance specific projects or programs. These grants are often aimed at addressing development challenges, promoting good governance, and improving public services. Unlike loans, grants do not need to be repaid, making them a preferred source of funding for development projects.

6. The total expenditure for FY 2026/27 amounts to **Kshs. 4.85 trillion** and is equivalent to **23.31 percent** of GDP. This comprises of the following:
   a) **Recurrent Expenditure of Kshs. 2.08 trillion (9.98 percent of GDP)** – This allocation finances the Government's recurring obligations, including personnel emoluments, pensions, and other operating expenses. The sizeable allocation reflects the Government's commitment to maintaining the continuity of public service delivery and the efficient functioning of government institutions.
   b) **Development Expenditure of Kshs. 844.4 billion (4.06 percent of GDP)** – This allocation funds new and ongoing projects and initiatives aimed at economic development and infrastructure improvement. It includes investments in sectors such as education, health, transportation and technology which are crucial for long-term national growth.
   c) **Consolidated Fund Services (CFS) of Kshs. 1.5 trillion (7.21 percent of GDP)** – This allocation funds expenses relating to servicing public debt, pensions and salaries of State

Officers and Constitutional office holders, and other statutory financial commitments. The significant allocation reflects the ongoing responsibility of managing the country's debt and ensuring financial stability.

d) **Equitable Share to County Governments of Kshs. 428 billion (2.06 percent of GDP)** - This allocation constitutes the equitable share of nationally raised revenue transferred to county governments to finance devolved functions and the delivery of essential public services. It enables county governments to meet their constitutional responsibilities, address county-specific development priorities, and strengthen service delivery at the grassroots level. This allocation also reinforces the objectives of devolution by promoting equitable resource distribution, enhancing local governance and fostering balanced regional development.

7. The fiscal deficit for FY 2026/27 amounts to **Kshs. 1.18 trillion** and is equivalent to **5.66 percent** of GDP. Fiscal deficit occurs when the government's total expenditure exceeds the total revenue and grants. The fiscal deficit is funded through net external borrowing of **Kshs. 116.2 billion** (0.56 percent of GDP) and net domestic borrowing of **Kshs. 1.06 trillion** (5.1 percent of GDP).

TABLE 1: FISCAL FRAMEWORK FOR FY 2026/27

Category	Amount (Kshs. Billions)	As a share of GDP (%)
Total Revenue and Grants	**3,674.10**	**17.65**
Ordinary Revenue	2,985.70	14.34
Income tax	*1,383.60*	*6.65*
VAT	*829.20*	*3.98*
Import duty	*186.20*	*0.89*
Excise duty	*382.20*	*1.84*
Other tax & non-tax revenue	*204.50*	*0.98*
Appropriation-in-Aid	644.80	3.10
Grants	43.60	0.21
Total Expenditures	**4,852.00**	**23.31**
Recurrent Expenditure	2,078.30	9.98
Development Expenditure	844.40	4.06
Consolidated Funds Services	1,501.30	7.21
Equitable Share for Counties	428.00	2.06
Deficit	**(1,177.90)**	**(5.66)**
Total Financing	**1,177.90**	**5.66**
Net External Financing	116.20	0.56
Net Domestic Financing	1,061.70	5.10
Nominal GDP	**20,816.80**	

Source: National Treasury

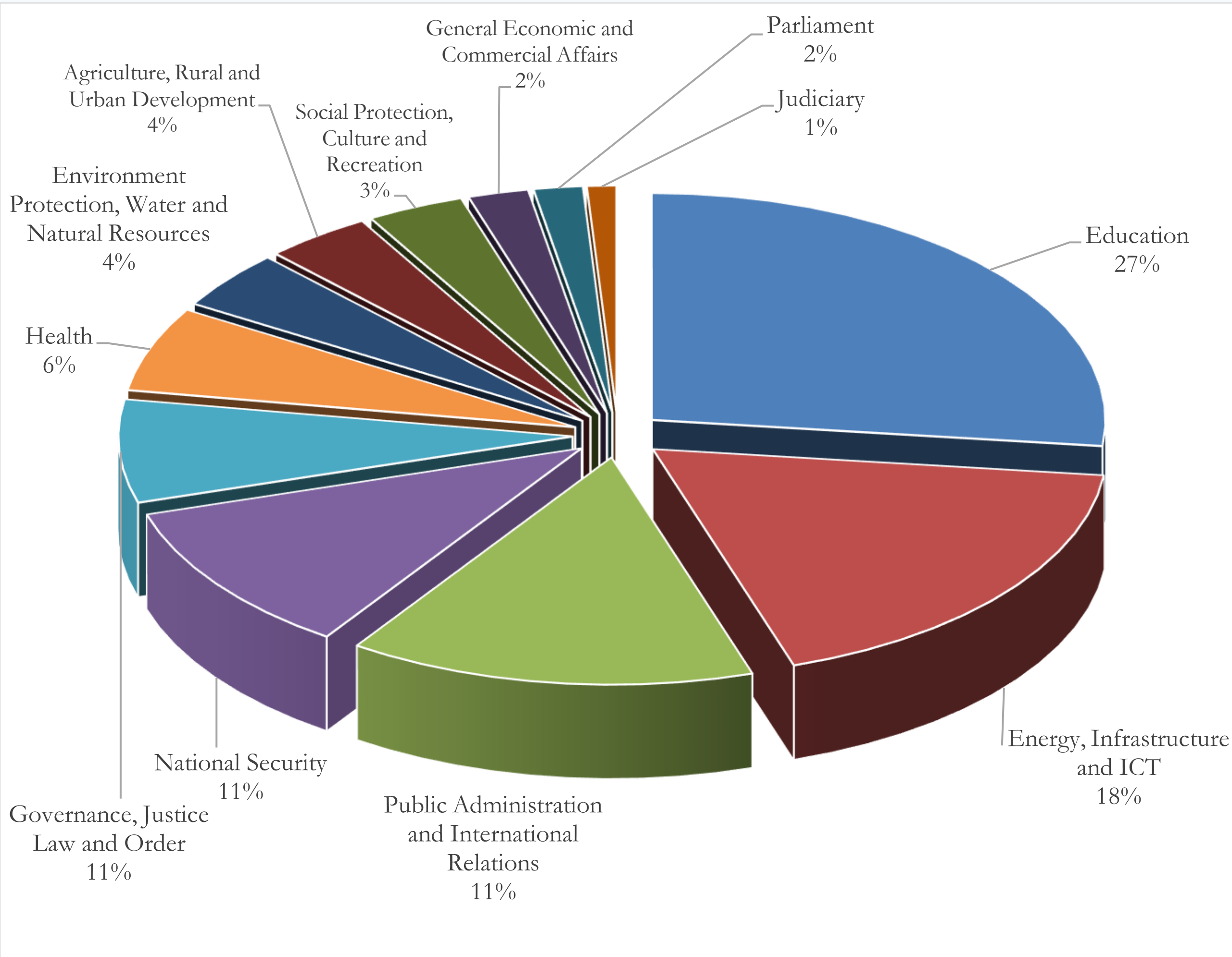
III. SECTORAL EXPENDITURE

3.1 OVERVIEW

8. Sectoral Expenditure comprises of the total amount of resources allocated to Ministries, Department and Agencies (MDA) for expenditure. Each MDA is allocated funding to cater for recurrent and development expenditure. All the MDAs are grouped into 10 sectors in accordance with their mandates as shown in Figure 1.

9. The sectors with the largest budget allocations are as follows: Education with an allocation of Kshs. 784.5 billion; Energy, Infrastructure and ICT with an allocation of Kshs. 530.3 billion; Governance, Justice Law and Order with an allocation of Kshs. 331.1 billion; National Security with an allocation of Kshs. 316.2 billion; and Public Administration and International Relations with an allocation of Kshs. 307.8 billion.

FIGURE 1: BREAKDOWN OF SECTORAL EXPENDITURE FOR FY 2025/26 BY SECTOR



Source: National Treasury

3.2 AGRICULTURE, RURAL AND URBAN DEVELOPMENT SECTOR

10. The sector's overall mandate is to attain national food and nutrition security and ensure sustainable development and utilization of land and blue economy resources. Its funding is expected to support farmers, subsidise fertiliser, manage land registration and titling, and develop the fisheries and blue economy. To achieve its overall mandate, the sector has been allocated Kshs. 111.38 billion, broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 44.99 billion. This is to be funded from AIA of Kshs. 23.53 billion and GoK Exchequer funding of Kshs. 21.45 billion.
    b) Development expenditure amounts to Kshs. 66.4 billion. This is funded from Local AIA of Kshs. 2.84 billion, external grants of Kshs. 681 million, external loans of Kshs. 23.51 billion and GoK Exchequer funding of Kshs. 39.36 billion.

11. The funds under the sector are to be utilized by 5 MDAs as detailed in Table 2. The highest funding is for the State Department for Agriculture amounting to Kshs. 67.45 billion, State Department for Lands and Physical Planning amounting to Kshs. 17.14 billion and State Department for Livestock Development amounting to Kshs. 12.1 billion.

TABLE 2: VOTES UNDER THE AGRICULTURE, RURAL AND URBAN DEVELOPMENT SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1112 State Department for Lands and Physical Planning	5,738	11,405	17,143
1162 State Department for Livestock Development	5,865	6,230	12,095
1166 State Department for the Blue Economy and Fisheries	3,101	4,828	7,929
1169 State Department for Agriculture	24,354	43,093	67,446
2021 National Land Commission	5,930	840	6,771
Total	**44,988**	**66,396**	**111,384**

Source: National Treasury

3.3 EDUCATION SECTOR

12. The sector's overall mandate is to provide, promote and coordinate competency based inclusive and equitable quality education, training and research for sustainable development. Its funding is expected to pay teachers across the country, fund free primary and subsidised secondary education, and run public universities and TVET colleges. To achieve its overall mandate, the sector has been allocated Kshs. 784.48 billion, broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 748.16 billion. This is to be funded from AIA of Kshs. 85.79 billion and GoK Exchequer funding of Kshs. 662.37 billion.
    b) Development expenditure amounts to Kshs. 36.32 billion. This is to be funded from External Grants of Kshs. 8.77 billion, External Loans of Kshs. 14.3 billion and GoK Exchequer funding of Kshs. 13.25 billion.

13. The funds under the sector are to be utilized by 5 MDAs as detailed in Table 3. The highest funding is for Teachers Service Commission amounting to Kshs. 424.25 billion, State

Department for Higher Education and Research amounting to Kshs. 163.91 billion, and State Department for Basic Education amounting to Kshs. 136.56 billion.

TABLE 3: VOTES UNDER THE EDUCATION SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1064 State Department for Technical Vocational Education and Training	49,886	8,619	58,505
1065 State Department for Higher Education and Research	155,326	8,588	163,913
1066 State Department for Basic Education	118,186	18,369	136,555
1067 State Department for Science, Innovation and Research	1,256	-	1,256
2091 Teachers Service Commission	423,510	742	424,252
Total	**748,164**	**36,318**	**784,482**

Source: National Treasury

3.4 ENERGY, INFRASTRUCTURE AND ICT SECTOR

14. The sector's overall mandate is to provide efficient, affordable and reliable infrastructure and services for sustainable economic growth and development. Its funding is expected to build and repair roads, connect homes to electricity, expand housing, and fund internet, mobile and postal services. To achieve its overall mandate, the sector has been allocated Kshs. 530.25 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 138.22 billion. This is to be funded from AIA of Kshs. 120.07 billion and GoK Exchequer funding of Kshs. 18.16 billion.
    b) Development expenditure amounts to Kshs. 392.03 billion. This is funded from Local AIA of Kshs. 2.84 billion, external grants of Kshs. 681 million, external loans of Kshs. 23.51 billion and GoK Exchequer funding of Kshs. 39.36 billion.

15. The funds under the sector are to be utilized by 10 MDAs as detailed in Table 4. The highest funding is for the State Department for Roads amounting to Kshs. 224.89 billion, the State Department for Housing and Urban Development amounting to Kshs. 138.28 billion and the State Department for Transport amounting to Kshs. 64.8 billion.

TABLE 4: VOTES UNDER THE ENERGY, INFRASTRUCTURE AND ICT SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1091 State Department for Roads	57,802	167,085	224,887
1092 State Department for Transport	7,626	57,175	64,801
1093 State Department for Shipping and Maritime Affairs	5,136	1,851	6,987
1094 State Department for Housing & Urban Development	5,621	132,662	138,283
1095 State Department for Public Works	3,574	1,837	5,411
1097 State Department for State Department for Aviation and Aerospace Development	13,281	651	13,932
1122 State Department for Information Communication Technology & Digital Economy	3,914	8,850	12,764

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1123 State Department for Broadcasting & Telecommunications	6,583	397	6,981
1152 State Department for Energy	12,793	21,371	34,164
1193 State Department for Petroleum	21,891	150	22,041
Total	**138,221**	**392,030**	**530,252**

Source: National Treasury

3.5 ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES SECTOR

16. The sector's overall mandate is to promote sustainable utilization and management of environment and natural resources for socio- economic development. Its funding is expected to support clean water and sanitation projects, protect forests and wildlife, manage irrigation, and respond to climate change. To achieve its overall mandate, the sector has been allocated Kshs. 121.24 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 40.47 billion. This is to be funded from AIA of Kshs. 23.98 billion and GoK Exchequer funding of Kshs. 16.49 billion.
    b) Development expenditure amounts to Kshs. 80.77 billion. This is funded from Local AIA of Kshs. 583.7 million, external grants of Kshs. 4.55 billion, external loans of Kshs. 36.21 billion and GoK Exchequer funding of Kshs. 39.43 billion.

17. The funds under the sector are to be utilized by 6 MDAs as detailed in Table 5. The highest funding is for the State Department for Water and Sanitation amounting to Kshs. 61.38 billion, the State Department for Forestry amounting to Kshs. 18.6 billion and the State Department for Wildlife amounting to Kshs. 16.63 billion.

TABLE 5: VOTES UNDER THE ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1104 State Department for Irrigation	988	10,514	11,502
1109 State Department for Water & Sanitation	8,685	52,694	61,378
1192 State Department for Mining	2,172	478	2,650
1203 State Department for Wildlife	14,800	1,830	16,630
1331 State Department for Environment & Climate Change	4,249	6,225	10,474
1332 State Department for Forestry	9,573	9,031	18,604
Total	**40,466**	**80,772**	**121,237**

Source: National Treasury

3.6 GENERAL ECONOMIC AND COMMERCIAL AFFAIRS SECTOR

18. The sector's overall mandate is to promote economic transformation through implementing integrated socio-economic policies and programmes for a rapidly industrializing economy. Its funding is expected to promote tourism, support small businesses and cooperatives, and drive industrial growth and investment. To achieve its overall mandate, the sector has been allocated Kshs. 61.22 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 39.9 billion. This is to be funded from AIA of Kshs. 17.9 billion and GoK Exchequer funding of Kshs. 22.01 billion.
    b) Development expenditure amounts to Kshs. 21.31 billion. This is funded from Local AIA of Kshs. 6.24 billion, external grants of Kshs. 1.52 billion, external loans of Kshs. 4.91 billion and GoK Exchequer funding of Kshs. 8.64 billion.

19. The funds under the sector are to be utilized by 8 MDAs as detailed in Table 6. The highest funding is for the State Department for Tourism amounting to Kshs. 17.96 billion, the State Department for ASALs and Regional Development amounting to Kshs. 11.43 billion, and the State Department for Industry amounting to Kshs. 8.69 billion.

TABLE 6: VOTES UNDER THE GENERAL ECONOMIC AND COMMERCIAL AFFAIRS SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1036 State Department for the ASALs and Regional Development	7,487	3,947	11,434
1173 State Department for Cooperatives	5,731	552	6,283
1174 State Department for Trade	4,796	416	5,212
1175 State Department for Industry	5,108	3,578	8,685
1176 State Department for Micro, Small and Medium Enterprises Development	2,339	3,395	5,734
1177 State Department for Investment Promotion	1,701	3,406	5,107
1202 State Department for Tourism	11,938	6,018	17,956
1221 State Department for East African Community	809	-	809
Total	**39,909**	**21,312**	**61,221**

Source: National Treasury

3.7 GOVERNANCE, JUSTICE, LAW AND ORDER SECTOR

20. The sector's overall mandate is to ensure effective and accountable leadership, promote a just, democratic and secure environment with strong governance structures to achieve inclusive economic, social and political development. Its funding is expected to pay police officers, run prisons, prosecute crime, fight corruption, and provide legal services to the state. To achieve its overall mandate, the sector has been allocated Kshs. 331.14 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 303.75 billion. This is to be funded from AIA of Kshs. 4.45 billion and GoK Exchequer funding of Kshs. 299.30 billion.
    b) Development expenditure amounts to Kshs. 27.39 billion. This is funded from Local AIA of Kshs. 11.14 billion, external loans of Kshs. 22 million and GoK Exchequer funding of Kshs. 16.23 billion.

21. The funds under the sector are to be utilized by 15 MDAs as detailed in Table 7. The highest funding is for the National Police Service amounting to Kshs. 147.3 billion, the State Department for Internal Security & National Administration amounting to Kshs. 62.89 billion, the State Department for Correctional Services amounting to Kshs. 42.64 billion, and the Independent Electoral and Boundaries Commission amounting to Kshs. 24.97 billion.

TABLE 7: VOTES UNDER THE GOVERNANCE, JUSTICE, LAW AND ORDER SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1023 State Department for Correctional Services	41,572	1,072	42,644
1024 State Department for Immigration and Citizen Services	13,429	12,457	25,886
1025 National Police Service	144,259	3,051	147,310
1026 State Department for Internal Security & National Administration	53,051	9,835	62,886
1252 State Law Office	5,670	300	5,970
1253 State Department for Justice Human Rights and Constitutional Affairs	1,480	-	1,480
1271 Ethics and Anti-Corruption Commission	4,974	123	5,097
1291 Office of the Director of Public Prosecutions	6,551	491	7,042
1311 Office of the Registrar of Political Parties	2,479	-	2,479
1321 Witness Protection Agency	979	-	979
2011 Kenya National Commission on Human Rights	593	-	593
2031 Independent Electoral and Boundaries Commission	24,903	62	24,965
2101 National Police Service Commission	1,579	-	1,579
2141 National Gender and Equality Commission	668	-	668
2151 Independent Policing Oversight Authority	1,562	-	1,562
Total	**303,749**	**27,391**	**331,140**

Source: National Treasury

3.8 HEALTH SECTOR

22. The sector's overall mandate is to build a progressive, responsive and sustainable healthcare system for accelerated attainment of the highest standard of health to all Kenyans. Its funding is expected to pay doctors and nurses in national referral hospitals, buy medicine and vaccines, and run disease-control and public health programmes. To achieve its overall mandate, the sector has been allocated Kshs. 176.25 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 141.02 billion. This is to be funded from AIA of Kshs. 53.54 billion and GoK Exchequer funding of Kshs. 87.48 billion.
    b) Development expenditure amounts to Kshs. 35.23 billion. This is funded from external grants of Kshs. 8.37 billion, external loans of Kshs. 7.86 billion and GoK Exchequer funding of Kshs. 18.01 billion.

23. The funds under the sector are to be utilized by 2 MDAs as detailed in Table 8. Funding for the State Department for Medical Services amounts to Kshs. 133.42 billion, and for the State Department for Public Health and Professional Standards it amounts to Kshs. 42.84 billion.

TABLE 8: VOTES UNDER THE HEALTH SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1082 State Department for Medical Services	107,682	25,735	133,417
1083 State Department for Public Health and Professional Standards	33,340	9,496	42,836
Total	**141,022**	**35,231**	**176,253**

Source: National Treasury

3.9 NATIONAL SECURITY SECTOR

24. The sector's overall mandate is to implement national security policies and strategies and to protect the country's sovereignty and promote peace and stability. Its funding is expected to support the Kenya Defence Forces and the National Intelligence Service, protecting Kenya's borders and national security. To achieve its overall mandate, the sector has been allocated Kshs. 316.23 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 305.6 billion. This is to be funded from AIA of Kshs. 8.19 billion and GoK Exchequer funding of Kshs. 297.4 billion.
    b) Development expenditure amounts to Kshs. 10.63 billion. This is funded from Local AIA of Kshs. 534 million, external loans of Kshs. 6.1 billion and GoK Exchequer funding of Kshs. 4 billion.

25. The funds under the sector are to be utilized by 2 MDAs as detailed in Table 9. The funding for the Ministry of Defence amounts to Kshs. 252.15 billion, and for the National Intelligence Service amounts to Kshs. 64.09 billion.

TABLE 9: VOTES UNDER THE NATIONAL SECURITY SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1041 Ministry of Defence	241,513	10,634	252,148
1281 National Intelligence Service	64,085	-	64,085
Total	**305,598**	**10,634**	**316,233**

Source: National Treasury

3.10 PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS SECTOR

26. The sector's overall mandate is to provide the following: overall leadership, coordination, policy direction and oversight in financial, economic, and devolution management; public sector transformation and performance management in service delivery; resource mobilization and allocation; alignment of policies and legislation with national development agenda; and management of Kenya's foreign policy and diaspora affairs for global competitiveness and national prosperity. Its funding is expected to cover the National Treasury, tax collection, the Presidency, embassies abroad, passports and immigration, and coordination of county affairs. To achieve its overall mandate, the sector has been allocated Kshs. 307.84 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 179.67 billion. This is to be funded from AIA of Kshs. 22.75 billion and GoK Exchequer funding of Kshs. 156.91 billion.

b) Development expenditure amounts to Kshs. 128.17 billion. This is funded from external grants of Kshs. 11.92 billion, external loans of Kshs. 28 billion and GoK Exchequer funding of Kshs. 88.27 billion.

27. The funds under the sector are to be utilized by 21 MDAs as detailed in Table 10. The highest funding is for the National Treasury amounting to Kshs. 123.87 billion, State Department for Economic Planning amounting to Kshs. 67.15 billion, State Department for Public Service amounting to Kshs. 26.79 billion and State Department for Foreign Affairs amounting to Kshs. 26.62 billion.

TABLE 10: VOTES UNDER THE PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1011 Executive Office of the President	6,188	1,311	7,499
1012 Office of the Deputy President	3,476	100	3,576
1013 Office of the Prime Cabinet Secretary	1,140	-	1,140
1014 State Department for Parliamentary Affairs	361	-	361
1016 State Department for Cabinet Affairs	269	-	269
1017 State House	12,517	1,027	13,544
1018 State Department for National Government Coordination	1,232	-	1,232
1032 State Department for Devolution	1,463	10,659	12,122
1033 State Department for Special Programmes	1,294	165	1,459
1053 State Department for Foreign Affairs	24,270	2,356	26,626
1054 State Department for Diaspora Affairs	817	-	817
1071 The National Treasury	76,551	47,323	123,874
1072 State Department for Economic Planning	5,151	61,996	67,147
1073 State Department for Investments and Assets Management	4,334	323	4,657
1213 State Department for Public Service	24,276	2,513	26,789
2061 Commission on Revenue Allocation	421	98	519
2071 Public Service Commission	3,736	-	3,736
2081 Salaries and Remuneration Commission	1,014	-	1,014
2111 Auditor General	9,526	303	9,829
2121 Controller of Budget	935	-	935
2131 Commission on Administrative Justice	695	-	695
Sub-Total	**179,666**	**128,174**	**307,840**

Source: National Treasury

3.11 SOCIAL PROTECTION, CULTURE AND RECREATION SECTOR

28. The sector's overall mandate is to promote sustainable employment, best labour practices, sports, gender equality and equity, empowerment of communities and vulnerable groups, diverse cultures, heritage and arts. Its funding is expected to pay cash transfers to older persons, orphans and people with severe disabilities, and support sports, youth programmes, culture and heritage. To achieve its overall mandate, the sector has been allocated Kshs. 101.27 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 59.34 billion. This is to be funded from AIA of Kshs. 4.47 billion and GoK Exchequer funding of Kshs. 54.86 billion.
    b) Development expenditure amounts to Kshs. 41.93 billion. This is funded from Local AIA of Kshs. 25.2 billion, external grants of Kshs. 223 million, external loans of Kshs. 5.15 billion and GoK Exchequer funding of Kshs. 11.36 billion.

29. The funds under the sector are to be utilized by 7 MDAs as detailed in Table 11. The highest funding is for the State Department for Sports amounting to Kshs. 32.4 billion, the State Department for Social Protection and Senior Citizens Affairs amounting to Kshs. 32.28 billion, and the State Department for Youth Affairs and Creative Economy amounting to Kshs. 7 billion.

TABLE 11: VOTES UNDER THE SOCIAL PROTECTION, CULTURE AND RECREATION SECTOR

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1132 State Department for Sports	3,758	28,639	32,397
1134 State Department for Culture and Heritage	3,038	254	3,292
1135 State Department for Youth Affairs and Creative Economy	3,387	3,576	6,964
1184 State Department for Labour and Skills Development	5,117	1,690	6,807
1185 State Department for Social Protection and Senior Citizens Affairs	30,371	1,908	32,279
1186 State Department for Children Services	12,431	740	13,171
1212 State Department for Gender and Affirmative Action	1,237	5,125	6,361
Total	**59,338**	**41,932**	**101,270**

Source: National Treasury

3.12 PARLIAMENT

30. Parliament's overall mandate is to effectively and efficiently discharge the constitutional mandate of representation, legislation and oversight. Its funding is expected to support the operations of elected representatives who make laws and oversee government spending on behalf of the people of Kenya. To achieve its overall mandate, the sector has been allocated Kshs. 51.01 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 49.1 billion. This is to be funded from AIA of Kshs. 24 million and GoK Exchequer funding of Kshs. 49.07 billion.
    b) Development expenditure amounts to Kshs. 1.92 billion. This is funded from GoK Exchequer funding.

31. The funds under the sector are to be utilized by 4 Votes as detailed in Table 12. The highest funding is for the National Assembly amounting to Kshs. 31.04 billion, Parliamentary Joint Services amounting to Kshs. 9.39 billion and the Senate amounting to Kshs. 8.58 billion.

TABLE 12: VOTES UNDER THE PARLIAMENT

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
2041 Parliamentary Service Commission	2,000	-	2,000
2042 National Assembly	31,044	-	31,044
2043 Parliamentary Joint Services	7,472	1,915	9,387
2044 Senate	8,581	-	8,581
Total	**49,097**	**1,915**	**51,012**

Source: National Treasury

3.13 JUDICIARY

32. The Judiciary's overall mandate is to handle disputes in a just manner, with a view to protecting the rights and liberties of all, thereby facilitating the attainment of the ideal rule of law. Its funding is expected to support courts across the country, from the magistrates' courts to the Supreme Court, so that citizens can access justice. To achieve its overall mandate, the sector has been allocated Kshs. 30.38 billion broken down as follows:
    a) Recurrent expenditure amounts to Kshs. 28.05 billion. This is to be funded from AIA of Kshs. 13 million and GoK Exchequer funding of Kshs. 28.04 billion.
    b) Development expenditure amounts to Kshs. 2.33 billion. This is funded from Local AIA of Kshs. 653 million and GoK Exchequer funding of Kshs. 1.68 billion.

33. The funds under the sector are to be utilized by 2 MDAs as detailed in Table 13. The funding is for the Judiciary amounting to Kshs. 29.41 billion and Judicial Service Commission amounting to Kshs. 967 million.

TABLE 13: VOTES UNDER THE JUDICIARY

MDA	Recurrent	Development	Total
	(Kshs. Millions)		
1261 The Judiciary	27,084	2,330	29,414
2051 Judicial Service Commission	967	-	967
Total	**28,052**	**2,330**	**30,382**

Source: National Treasury

IV. CONSOLIDATED FUNDS SERVICES EXPENDITURE

4.1 OVERVIEW

34. Consolidated Fund Services (CFS) comprises of expenditures that are charged against the Consolidated Fund as authorized by the Constitution or other Acts of Parliament pursuant to Article 206(2c) of the Constitution. CFS expenditures are non-discretionary (mandatory) and are exempt from being included in the Appropriations Act for a financial year pursuant to Article 214 of the Constitution. These expenditures include:

a) **Public Debt** – payment of the interest and redemptions on loans raised or guaranteed and securities issued or guaranteed by the National Government are CFS expenditures as provided in Article 214 of the Constitution. The public debt comprises of both internal debt which are monies borrowed from within the country and external debt which are monies borrowed from outside the country.

b) **Remuneration of Constitutional Office Holders** – The salaries and allowances of the President, Deputy President, Judges, Commissioners of Constitutional Commissions and Holders of Independent Offices established by the Constitution are CFS expenditures as provided in Articles 151(1), 160(3), and 250(7) of the Constitution.

c) **Pensions** – All pensions and gratuities are CFS expenditures as provided in Section 4 of the Pensions Act, CAP. 189, Section 13(2) of the retirement benefits (Deputy President and Designated State Officers) Act Cap 197B and Section 9(2) of the President Retirement Benefits Act Cap 197A.

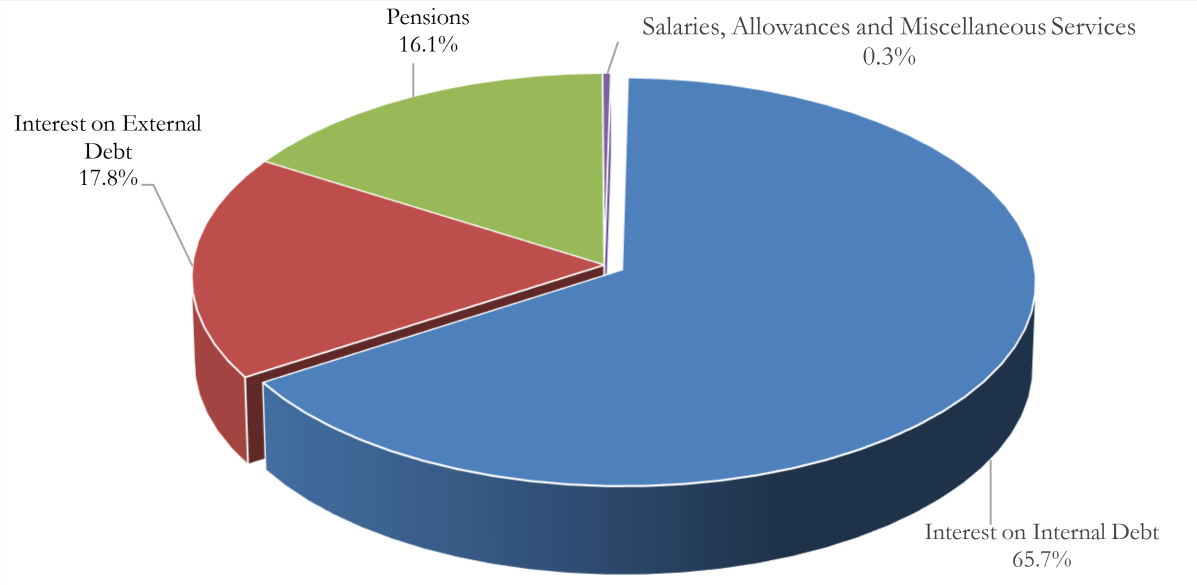
35. Despite redemptions being included as part of public debt, it's always exempted when calculating the total CFS expenditures since government always resorts to debt rollover as a form of payment of redemptions. When a public loan matures, the government has the option of either to repay the principal from its revenues (liquidating the loan) or to renew the debt by purchasing a new loan to pay the matured one (debt rollover). So, in a situation where the government opts for a rollover, it enters into a new loan agreement of a similar amount as the original loan with either the same lender or a different lender.

36. Taking this into consideration, the CFS expenditures (exclusive of public debt redemptions) for the FY 2026/27 amount to Kshs. 1.5 trillion. Payment of interest on public debt amounts to Kshs. 1.25 trillion and comprises of Kshs. 986.73 billion for internal debt and Kshs. 267.51 billion for external debt. Pension amounts to Kshs. 241.94 billion, salaries and allowances of constitutional office holders amount to Kshs. 5.08 billion and Miscellaneous services will amount to Kshs. 72.48 million.

37. Payments of redemptions on public debt for the FY 2026/27 amounts to Kshs. 1.06 billion. This comprises of internal debt redemptions amounting to Kshs. 648.78 billion and external

debt redemptions amounting to Kshs. 412.87 billion. Therefore, if the government opts to liquidate all its maturing loans instead of rollover, the CFS expenditure obligations will amount to Kshs. 2.56 trillion.

FIGURE 2: SUMMARY OF CFS EXPENDITURES FOR FY 2026/27



Source: National Treasury

4.2 INTEREST ON INTERNAL DEBT

38. Internal debt consists of treasury bonds, treasury bills and borrowings through the government overdraft facility at the Central Bank of Kenya (CBK). Treasury bond is a medium to long term internal debt instrument issued by the CBK with a maturity of more than 1 year. Treasury bills are short-term debt instruments issued by the CBK with a maturity of between 91-days and one year. Lastly, the government overdraft facility in the CBK is a short-term debt instrument available for the national government. All the internal debt instruments are denominated in Kenya shillings.

39. Internal debt interest payments for FY 2026/27 amount to Kshs. 986.73 billion. Interest payments on treasury bonds amount to Kshs. 873.25 billion, interest payments for treasury bills amount to Kshs. 98.89 billion, interest payments for government overdraft facility amount to Kshs. 11.18 billion, CBK Commission amounts to Kshs. 3 billion and interest payment of pre-1997 government overdraft debt amounts to Kshs. 408.86 million.

TABLE 14: SUMMARY OF INTERNAL DEBT INTEREST PAYMENTS FOR FY 2026/27

Details	Amount (Kshs. billions)	Share of Total (%)
Treasury Bonds	873.25	88.50
Treasury Bills	98.89	10.02
Government Overdraft	11.18	1.13
Commission to CBK	3.00	0.30
Pre-1997 Government Overdraft Debt	0.41	0.04
Total	**986.73**	**100.00**

Source: National Treasury

4.3 INTEREST ON EXTERNAL DEBT

40. External debt consists of bilateral debt, multilateral debt and commercial debt. Bilateral debt arises from loans negotiated between Kenya and a single lending country. The biggest bilateral partners for Kenya include China, India, Japan and France. Multilateral debt arises from loans negotiated between Kenya and multilateral agencies like African Development Bank and the World Bank. Finally, Commercial debt is because of loans negotiated between Kenya and international commercial lending institutions in the form of Eurobonds and Syndicate Loans. All external debt instruments are denominated in foreign currencies and are long term.

41. External debt interest payments for FY 2026/27 amount to Kshs. 267.51 billion. Of this amount, commercial debt interest amounts to Kshs. 160.95 billion with the largest payments going to International Sovereign Bonds of Kshs. 128.03 billion, new loans of Kshs. 18.4 billion and syndicated loans from the Trade and Development Bank of Kshs. 7.26 billion. Multilateral debt interest amounts to Kshs. 70.3 billion with the largest payments going to World Bank's IDA of Kshs. 27.9 billion, African Development Bank of Kshs. 16.39 billion and World Bank's IBRD of Kshs. 14.45 billion. Bilateral debt interest amounts to Kshs. 36.26 billion with the largest payments going to Exim Bank of China of Kshs. 28.61 billion, Italy Kshs. 3.02 billion and France Kshs. 2.11 billion.

TABLE 15: SUMMARY OF EXTERNAL DEBT INTEREST PAYMENTS FOR FY 2026/27

Details	Amount (Kshs. billions)	Share of total CFS (%)
Bilateral Debt	36.26	13.56
Multilateral Debt	70.30	26.28
Commercial Debt	160.95	60.16
Total	**267.51**	**100.00**

Source: National Treasury

4.4 PENSIONS

42. Pensions refer to regular payment of an amount to a retired employee to cover their expenses once they are no longer earning a salary. Pensions provide a critical financial lifeline to retirees. Accordingly, the law prioritizes their payment to safeguard the financial well-being of retirees, many of whom are often vulnerable and have limited or no alternative sources of income. Pensions payments for FY 2026/27 amount to Kshs. 241.94 billion and comprise of the following:

    a) **Ordinary pension** – This amounts to Kshs. 103.33 billion and accounts for 42.71 percent of the total pensions. It comprises of monthly payments made to support public servants upon retirement until death under the defined benefit Scheme and payment of ordinary pensions to dependents, widows and children of public servants for a defined period after the death of the primary beneficiary. The monthly pensions for Civil Servants, Members of Parliament, Military Officers and State Officers amount to Kshs. 88.57 billion, pensions to Widows and Children of civil servants and military amounts to Kshs. 9.11 billion and pensions to dependents amounts to Kshs. 5.56 billion.

b) **Commuted pension** – This amounts to Kshs. 92.21 billion and accounts for 38.11 percent of the total pension budget. This is a lump sum payment that is awarded to public servants upon retirement or at the conclusion of their service contracts as a token of appreciation for their service. Civil servants account for the largest share of this provision, receiving Kshs. 69.7 billion, followed by military personnel who are allocated Kshs. 25.49 billion.

c) **Public Service Superannuation Scheme (PSSS) contribution** – This amounts to Kshs. 39.57 billion, representing 16.35 percent of overall pension expenditure. The PSSS is a defined contribution Scheme, requiring public servants to remit 7.5% of their pensionable income, while the government contributes at least 15% as mandated by the Public Service Superannuation Act, Section 6(2). This contribution is a direct charge on the Consolidated Fund, as outlined in Section 6(3) of the Act.

d) **Other pension schemes** – These amount to Kshs. 6.83 billion representing 2.82 percent of overall pension expenditure. This mainly comprises of accrued benefit for PSSS upon early exits which amounts to Kshs. 6.7 billion to cater for public servants who are retiring under the Public Servants Super Annuation Scheme. Other expenditures include refund of pensions to UK government which amounts to Kshs. 39 million and refund of contribution to WCPS and other ex-gratia which amount to Kshs. 92.1 million.

TABLE 16: SUMMARY OF PENSION EXPENDITURES FOR FY 2026/27

Details	Amount (Kshs. billions)	Share of total (%)
Ordinary Pension	103.33	42.71
Commuted Pension	92.21	38.11
Public Service Superannuation Scheme	39.57	16.35
Other Pension Schemes	6.83	2.82
Total	**241.94**	**100.00**

Source: National Treasury

4.5 Salaries, Allowances and Miscellaneous Services

43. The remuneration for Constitutional and Independent office holders in FY 2026/27 will amount to Kshs. 5.08 billion. This total includes Kshs. 3.51 billion in salaries, Kshs. 1.47 billion in allowances, and Kshs. 100.55 million in gratuities. These benefits are set by the Salaries and Remuneration Commission (SRC), in accordance with Article 230(4)(a) of the Constitution, which mandates the SRC to determine and review salaries and benefits for State officers.

44. The highest expenditure is attributed to the Judiciary, specifically the Chief Justice and other Judges, whose compensation totals Kshs. 4.12 billion as well as TSC Commissioners, whose compensation totals Kshs. 147.82 million. Gratuity payments are allocated to office holders whose terms are ending during the financial year. The Commissions that expect retirements

in FY 2026/27 include the Teachers Service Commission (TSC), the National Land Commission (NLC), and the Controller of Budget.

TABLE 17: SUMMARY OF SALARIES AND ALLOWANCES FOR CONSTITUTIONAL OFFICE HOLDERS FOR FY 2026/27

Details	Salaries	Allowances	Gratuity	Total
	(Kshs. millions)			
President and DP	25.46	16.98	-	42.44
Attorney General	7.13	4.84	-	11.97
Chief Justice and Judges	2,990.95	1,127.56	-	4,118.51
Auditor General	7.13	4.86	-	11.98
PSC Commissioners	46.14	33.06	-	79.20
TSC Commissioners	48.64	32.06	67.12	147.82
KNHRC Commissioners	30.66	18.12	-	48.77
Former President	14.51	8.17	-	22.68
NCIC Commissioners	36.08	24.40	-	60.49
CRA Commissioners	41.11	28.71	-	69.82
SRC Commissioners	57.99	38.66	-	96.65
NLC Commissioners	46.14	32.00	18.80	96.94
Controller of Budget	5.90	3.99	14.64	24.53
NPSC Commissioners	33.05	22.00	-	55.05
Director of Public Prosecutions	5.90	3.99	-	9.89
EACC Commissioners	18.30	1.69	-	19.99
CAJ Commissioners	15.96	12.94	-	28.90
NGEC Commissioners	26.02	18.15	-	44.17
IEBC Commissioners	52.60	36.85	-	89.45
Total	**3,509.69**	**1,469.03**	**100.55**	**5,079.27**

Source: National Treasury

45. Under Miscellaneous Services, an allocation of Kshs. 72.48 million has been made. Of this, Kshs. 69.3 million represents the government's statutory contribution to the Housing Levy Fund and Kshs. 3 million is earmarked for the employer's contribution to the National Social Security Fund (NSSF), specifically for Constitutional and Independent Office holders whose remuneration is a direct charge to the Consolidated Fund.

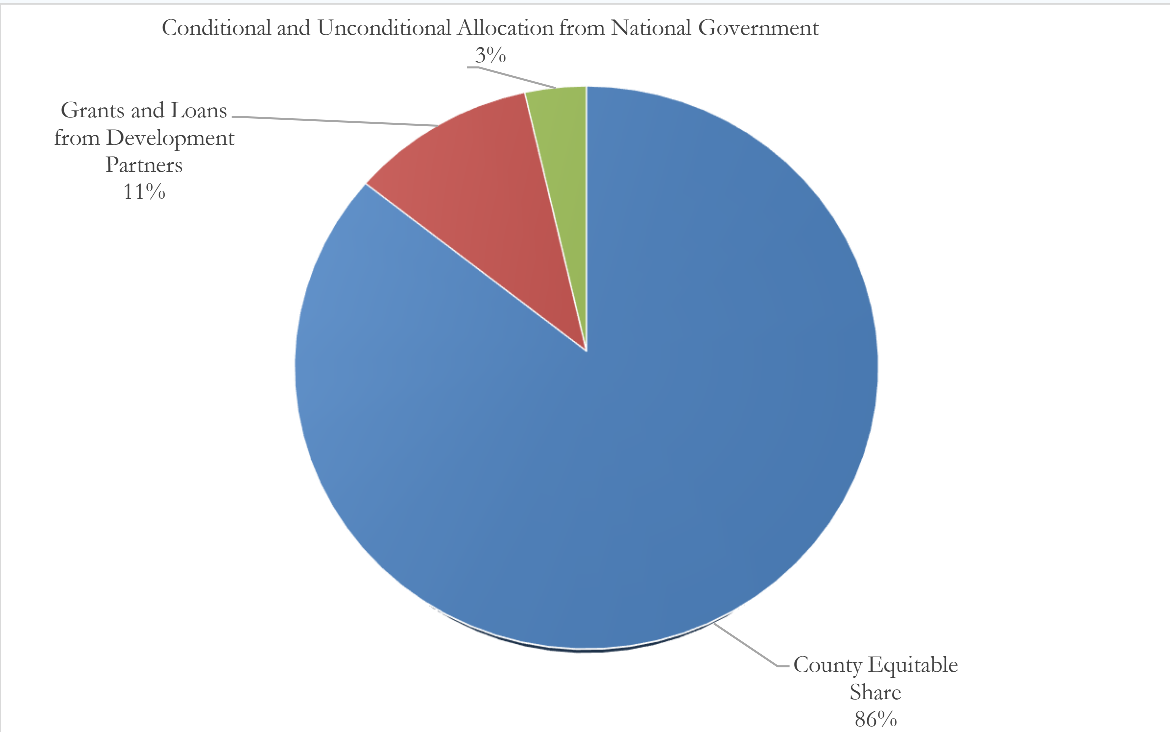
V. TRANSFERS TO COUNTY GOVERNMENTS

5.1 OVERVIEW

46. There are three main categories of transfers from the National Government to county governments. These comprise:
    i) The county equitable share which is the constitutionally guaranteed allocation of nationally raised revenue, shared equitably among the county governments;
    ii) Additional allocations from the National Government's share of revenue, which may be conditional or unconditional; and
    iii) Proceeds of grants and loans from development partners to finance functions that are implemented by county governments.

47. In the FY 2026/27, the total transfers to county government amount to Kshs. 499.78 billion. This is broken down to the three main categories of transfers to county governments as follows:
    i) The County Equitable Share amounts to Kshs. 428 billion and constitutes 85.64% of the total transfers.
    ii) Grants and Loans from Development Partners amount to Kshs. 53.82 billion and constitute 10.77% of the total transfers.
    iii) Conditional and Unconditional allocations from the National Government amount to Kshs. 18.44 billion and constitute 3.69% of the total transfers.

FIGURE 3: SUMMARY OF TRANSFERS TO COUNTY GOVERNMENT FOR FY 2025/26



Source: National Treasury

5.2 EQUITABLE SHARE

48. The equitable share of nationally raised revenue is first vertically allocated between the National Government and county governments through the Division of Revenue Act, in accordance with the criteria provided in Article 203 of the Constitution. The county governments' share is then horizontally allocated among the 47 county governments through the County Allocation of Revenue Act, based on the revenue sharing formula provided for under Article 217 of the Constitution.

49. The vertical sharing of revenue between the National Government and county governments for FY 2026/27 is based on the criteria set out in Article 203(1) of the Constitution. These criteria include:
   a) **National Interest** – these are expenditures on project and programmes that are critical to the achievement of the country's economic development objectives, require significant resource investment and generate benefits that accrue across the country.
   b) **Public debt** – these are interest payment related costs for both domestic and external debt.
   c) **Other National Obligations** - these are essential funding for mandatory pension contributions, financing of constitutional offices, financing of Parliament and the Judiciary as well as expenses relating to other statutory bodies.
   d) **Fiscal Capacity and Efficiency of County Governments** – this takes into consideration the need to support county governments to grow their own source revenue.
   e) **County governments' ability to perform the functions assigned to them and meet other developmental needs of the county** – the estimated cost of expenditures for devolved functions which has been the basis for equitable sharing of national revenue over the years.

50. The horizontal sharing of revenue for FY 2026/27 uses the fourth basis for revenue sharing which was determined by Parliament in June 2025. The implementation of the fourth basis provided that:
   a) Kshs. 387.43 billion is to be shared among the counties based on the aggregate allocation ratio of the third basis formula.
   b) Kshs. 4.46 billion is to be shared by 12 small counties as Affirmative Action since they may not be favoured by other parameters. These are Elgeyo Marakwet, Embu, Isiolo, Kirinyaga, Laikipia, Lamu, Nyamira, Nyandarua, Samburu, Taita/Taveta, Tharaka-Nithi and Vihiga counties. Each of the counties will receive Kshs. 371.67 million.
   c) Any additional allocation above the Kshs. 391.89 billion is to be shared based on the allocation ratio of the fourth basis. The parameters considered in the fourth basis of revenue sharing among counties are Population Index (0.45), Equal Share Index (0.35), Poverty Index (0.12) and Geographical Size Index (0.08). For FY 2026/27 the additional allocation amounts to Kshs. 36.11 billion.

5.3 Conditional and Unconditional Allocations from National Government

51. Conditional and unconditional allocations from the National Government are funds used to support strategic county-level programs aimed at enhancing service delivery and accelerating socio-economic development across the country. The funds are appropriated to the respective state departments of the National Government then transferred to County Governments through the annual County Governments Additional Allocations Act. In FY 2026/27, there are 7 conditional and unconditional allocations from the national government:

a) **Court Fines** – This is an unconditional allocation transferred to beneficiary county governments from fines collected by the Judiciary for contraventions of county legislation. For FY 2026/27, **Kshs. 148.26 million** has been allocated to **29 counties** as transfers of court fines collected for contravention of county laws.

b) **Share of Mineral Royalties** – This is an unconditional allocation transferred to beneficiary counties from royalties paid by the holders of mineral rights. The Mining Act, 2016 requires that royalties be shared as follows; 70% for national government 20% for county governments and 10% for communities. In FY 2026/27, **Kshs. 1.83 billion** has been allocated to **30 counties** in which mining operations took place in FY 2025/26.

c) **Community Health Promoters (CHPs)** – This is a conditional allocation to support the payment of monthly stipends to Community Health Promoters (CHPs) who provide essential primary healthcare services including antenatal care, immunisation, nutrition education and treatment of common illnesses. The programme supports the implementation of Primary Health Care and advances achievement of Universal Health Coverage (UHC). For FY 2026/27, **Kshs. 3.23 billion** has been allocated to all **47 counties** for the payment of monthly stipends to Community Health Promoters (CHPs). This allocation among counties is based on the number of CHPs per county.

d) **Supplement for Construction of County Headquarters** – This is a conditional allocation meant to support construction of offices for the counties which did not inherit sufficient administrative infrastructure during the 2013/14 transition to devolved government. In FY 2026/27, **Kshs. 523.01 million** has been allocated to **5 counties** to continue the National Government's support of the construction of county headquarters for these counties.

e) **County Aggregated and Industrial Parks (CAIPs)** – This is a conditional allocation to support county governments in developing agro-industrial parks and enhancing the productivity and value addition of the agricultural sector in a sustainable manner. In FY 2026/27, **Kshs. 3.25 billion** has been allocated to **13 counties** to support the operationalization of County Aggregated and Industrial Parks (CAIPs). The programme is under a co-financing model that require the beneficiary counties to match the National Government's allocation of Kshs. 250 million for access of the full conditional grant. Counties may first access Ksh.125 million (half) upon provision of land and a master plan; the remaining half is unlocked upon depositing their own matching contribution in the Special Purpose Account.

f) **Allocation for County Rural and Urban Affordable Housing Committees** – This is a conditional allocation to support the administrative activities of County Rural and Urban Affordable Housing Committees. In FY 2026/27, **Kshs. 365.99 million** is allocated to all **47 counties** and is divided equally with each county receiving Kshs. 7.79 million. The allocation is made in accordance with section 11(4)(c) of the Affordable Housing Act, which mandates that the Affordable Housing Board set aside 0.5% of the funds collected for the county committees to facilitate their administration.

g) **Transition of UHC workers' salaries to PnP terms** - This is a conditional allocation to support transition of UHC workers from contractual to permanent and pensionable employment terms. In FY 2026/27, **Kshs. 1.759 billion** has been allocated to all the **47 counties** and is distributed based on the number of UHC workers per county.

5.4 Grants and Loans from Development Partners

52. Grants and Loans from Development Partners amount to Kshs. 56.9 billion, representing 11.7% of the total transfers to county governments. These comprise proceeds from grants and loans provided by development partners to finance functions implemented by county governments. The funds are appropriated to the relevant National Government State Departments and subsequently transferred to county governments through the annual County Government Additional Allocation Act. In FY 2026/27, the following 16 projects and programmes are funded through grants and loans from development partners:

a) **French Development Agency (AfD) Credit for Kenya Informal Settlement Improvement Project II (KISIP)** – This loan supports the development of sustainable infrastructure and land tenure security in selected informal settlements within participating urban areas as part of the Government's slum upgrading programme. **Kshs. 400 million** has been allocated for distribution among **10 beneficiary counties** once they meet all set conditions of the grant.

b) **IDA (World Bank) Grant for Building Resilience and Responsive Health Systems (BREHS) –** This loan targets the strengthening of community health services by supporting the operation and maintenance of Level 2 and 3 health facilities as well as enhancing the functionality of County Health Facility Management Committees. In FY 2026/27, **Kshs. 2.48 billion** has been allocated to be shared by all **47 counties.**

c) **IDA (World Bank) Credit for Financing Locally- Led Climate Action Program-County Climate Resilience Investment (FLLOCA-CCRI)** – This grant targets to encourage and financially facilitate County Governments to implement their County Climate Action Plans (CCAPs) as well as incentivize them to increase county contributions into the County Climate Change Fund (CCCF) and mainstream climate action into the regular operations of county departments. **Kshs. 6.19 billion** has been allocated to be shared to **45 beneficiary counties** once they meet all set conditions of the grant.

d) **German Development Bank (KfW) Credit for Financing Locally- Led Climate Action Program-County Climate Resilience Investment (FLLOCA-CCRI)** - This grant supports county governments in implementing their County Climate Change Action Plans (CCAPs), incentivizes increased county contributions to the County Climate Change Fund (CCCF) and promotes the integration of climate action into the regular operations of the county departments. **Kshs. 1.2 billion** has been allocated for distribution among **16 beneficiary counties** once they meet all set conditions of the grant. A key condition for counties to access this funding is that, in each financial year, the county government must allocate at least 1.5% of its development budget to the County Climate Change Fund (CCCF).

e) **IDA (World Bank) Credit for Food Systems Resilience Project (FSRP)** – This is a loan to increase preparedness against food insecurity and improve the resilience of food systems in targeted project areas of Kenya. **Kshs. 3.9 billion** will be shared among **13 beneficiary counties** and will focus on value-chain development, post-harvest management and climate-smart agriculture.

f) **IDA (World Bank) Credit for National Agricultural Value Chain Development Project (NAVCDP)** - This is a loan to increase market participation and value addition for targeted farmers in selected value chains in project areas. **Kshs. 3.5 billion** will be shared equally among **34 beneficiary counties** with 32 counties each receiving Kshs. 105 million while Nairobi and Mombasa counties will each receive Kshs. 70 million. Each beneficiary counties are required to provide a counterpart contribution of Kshs. 5 million.

g) **IDA (World Bank) Credit for Water and Sanitation Development Project (WSDP)** – This is a loan for implementation of Water and Sanitation activities to increase water and sanitation coverage in select Coastal and Northeastern Counties. **Kshs. 850 million** will be allocated to **6 beneficiary counties**.

h) **IDA (World Bank) Credit for Kenya Urban Support Project Urban Institutional Grant (KUSP - UIG)** – This grant supports participating county governments in strengthening urban governance through the preparation of urban development plans including the establishment and operationalization of urban institutional arrangements, and the initial preparation of urban infrastructure investments. For FY 2026/27, **Kshs. 954.73 million** has been allocated to **45 beneficiary counties** with disbursements subject to the fulfilment of the grant's prescribed conditions.

i) **IDA (World Bank) Credit for Kenya Urban Support Project Urban Development Grant (KUSP - UDG)** – This is a grant providing support to participating county governments to develop waste management, storm water drainage infrastructure, roads and NMT connectivity, fire and disaster management facilities/equipment and urban socio-economic infrastructure such as markets. For FY 2026/27, **Kshs. 16.7 billion** has been allocated to be shared to **45 beneficiary counties** subject to the fulfilment of the grant's prescribed conditions.

j) **International Fund for Agriculture Development (IFAD) Credit for Kenya Livestock Commercialization Project (KeLCoP)** – This grant supports the

National Government's agricultural transformation Agenda by increasing the incomes of rural small-scale livestock farmers' incomes, while enhancing food and nutrition security. **Kshs. 378.73 million** has been allocated for distribution among **10 counties beneficiary county governments**.

k) **German Development Bank (KfW) Credit for Drought Resilience Programme in Northern Kenya (DRPNK)** – This grant supports the strengthening of drought resilience and climate change adaptive capacities of pastoral and agro-pastoral production systems and livelihoods in selected counties on a sustainable basis through the construction and rehabilitation of relevant infrastructure. **Kshs. 853.6 million** has been allocated to **Turkana** and **Marsabit Counties**.

l) **International Fund for Agriculture Development (IFAD) Credit for Integrated Natural Resource Management Programme (INReMP)** – This grant aims to improve integrated management of natural resources and strengthen food and nutrition security for communities living in Cherangany Hills and Mau West Water Towers. **Kshs. 812.44 million** has been allocated for distribution among **10 beneficiary county governments**.

m) **IDA (World Bank) Credit for Kenya Devolution Support Programme II (KDSP Level I Grant)** – This grant supports county governments in financing capacity-building and institutional strengthening initiatives. The grant is intended to incentivize counties to establish core governance and public financial management systems that strengthen institutional capacity, facilitate achievement of Program results, and support Program coordination. **Kshs. 1.76 billion** has been allocated to be shared to all **47 counties** once they meet all set conditions of the grant. Some of the conditions include publishing budget data, establishing programme institutional arrangements, submitting approved work plans and cash plans, maintaining a qualified or unqualified audit opinion, and ensuring timely release of funds from the CRF.

n) **IDA (World Bank) Credit for Kenya Devolution Support Programme II (KDSP Level II Grant)** – The is a service delivery and investment grant targeted to finance investments in county infrastructure and service delivery to incentivize improved county performance. **Kshs. 7.76 billion** has been allocated for distribution among all **47 counties** once they meet all set conditions of the grant.

o) **IDA (World Bank) Credit for Kenya Water, Sanitation and Hygiene (K-WASH)** – This loan supports efforts to increase access to improved water and sanitation services, eliminate open defecation and strengthen the operational and financial performance of Water Service Providers in the participating counties, including refugee hosting counties. **Kshs. 4.28 billion** has been allocated for distribution among **19 beneficiary counties,** subject to their meeting the prescribed conditions of the loan.

p) **IDA (World Bank) Credit for Kenya Watershed Services Improvement Project II (KEWASIP)** – This grant aims to undertake activities that expand the area under sustainable land and watershed management and provide grants to communities to improve their livelihoods. **Kshs. 1.8 billion** will be shared among the **12 beneficiary counties** with each of the counties receiving Kshs. 150 million.

ANNEXURE

Annex 1: Total Allocations for Counties FY 2025/26

S/ No	County	Equitable share	National Govt. Conditional & Unconditional Allocation	Development Partners (Loans and Grants)		Total Allocation
				Shared	Not-Shared[1]	
		Kshs. Millions				
1	Baringo	7,309	302	516		8,126
2	Bomet	7,690	514	134		8,338
3	Bungoma	12,213	373	183		12,770
4	Busia	8,205	249	168		8,622
5	Elgeyo/ Marakwet	5,693	578	419		6,691
6	Embu	6,266	311	127		6,705
7	Garissa	9,208	259	872		10,339
8	Homa Bay	8,914	292	266		9,473
9	Isiolo	5,820	640	449		6,910
10	Kajiado	9,203	526	142		9,871
11	Kakamega	14,065	383	266		14,715
12	Kericho	7,426	241	216		7,883
13	Kiambu	13,509	306	157		13,972
14	Kilifi	13,175	515	413		14,103
15	Kirinyaga	6,338	172	127		6,636
16	Kisii	10,109	339	139		10,587
17	Kisumu	9,181	655	220		10,056
18	Kitui	11,851	239	296		12,387
19	Kwale	9,334	1,005	481		10,820
20	Laikipia	6,298	172	454		6,924
21	Lamu	3,988	468	273		4,729
22	Machakos	10,506	323	144		10,973
23	Makueni	9,246	606	287		10,139
24	Mandera	12,588	466	415		13,469
25	Marsabit	8,392	220	862		9,474
26	Meru	10,897	387	296		11,580
27	Migori	9,165	348	220		9,733
28	Mombasa	8,655	206	202		9,064
29	Murang'a	8,227	281	136		8,643
30	Nairobi City	22,114	676	153		22,942
31	Nakuru	14,898	307	192		15,398
32	Nandi	8,011	426	215		8,652
33	Narok	10,068	220	194		10,481
34	Nyamira	6,266	295	128		6,689
35	Nyandarua	6,862	391	129		7,382
36	Nyeri	7,108	212	130		7,451
37	Samburu	6,529	457	498		7,485

[1] Allocation under various donor projects will be shared to the beneficiary county governments once they meet the set conditions: FLLOCA-CCIS - Ksh.6.2 billion; FLLoCA-CCRI - Ksh.1.2 billion; KDSP Level II - Ksh.13.04 billion; KUSP-UDG - Ksh.10.3 billion; KUSP-UIG - Ksh.1.3 billion; KWASH - Ksh.4.61 billion.

S/ No	County	Equitable share	National Govt. Conditional & Unconditional Allocation	Development Partners (Loans and Grants)		Total Allocation
				Shared	Not-Shared[1]	
		Kshs. Millions				
38	Siaya	8,009	206	169		8,384
39	Taita/Taveta	5,942	443	227		6,612
40	Tana River	7,446	314	506		8,266
41	Tharaka-Nithi	5,220	558	274		6,052
42	Trans Nzoia	8,245	237	250		8,731
43	Turkana	14,275	516	1,206		15,996
44	Uasin Gishu	9,261	311	220		9,791
45	Vihiga	6,202	192	128		6,523
46	Wajir	10,848	195	636		11,679
47	West Pokot	7,223	627	436		8,286
	Total	**428,000**	**17,961**	**14,572**	**39,245**	**499,778**