REPUBLIC OF KENYA

THE NATIONAL TREASURY

DRAFT 2026 BUDGET REVIEW AND OUTLOOK PAPER

AUGUST 2026

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Foreword

The 2026 Budget Review and Outlook Paper (BROP) has been prepared against a backdrop of heightened global uncertainty, marked by the ongoing conflict in the Middle East, which has disrupted energy markets and international shipping routes and contributed to volatility in energy and commodity prices. These developments have increased risks to global growth, which is projected to moderate from 3.5 percent in 2025 to 3.0 percent in 2026, before recovering to 3.4 percent in 2027. Against this challenging environment, Kenya's economy has remained resilient, with real GDP growth accelerating to 5.3 percent in the first quarter of 2026, from 4.9 percent in the corresponding quarter of 2025. This performance reflects sound macroeconomic management, sustained structural reforms and increasing economic diversification, which have strengthened the economy's capacity to withstand adverse shocks. Growth is projected at 5.0 percent in 2026 and 5.1 percent in 2027, supported by resilient domestic demand, improving credit conditions, strong services activity and continued investment. Going forward, the Government will remain focused on maintaining macroeconomic stability, advancing fiscal consolidation and deepening structural reforms to strengthen economic resilience and productive capacity. Continued implementation of the Bottom-Up Economic Transformation Agenda (BETA) will support investment, job creation and improved livelihoods, while Public-Private Partnerships, reforms to State-Owned Enterprises and other measures to mobilize private capital will complement public resources and enhance economic productivity.

The fiscal performance for FY 2025/26 demonstrates the Government's resolve to safeguard macroeconomic stability despite operating within a constrained fiscal environment. Total revenue, including Appropriations-in-Aid, amounted to KSh 3,198.8 billion against a target of KSh 3,259.0 billion, while total expenditure and net lending amounted to KSh 4,484.2 billion compared to a target of KSh 4,656.5 billion. Consequently, the fiscal deficit, including grants, stood at KSh 1,264.7 billion, equivalent to 6.8 percent of GDP. Despite these fiscal pressures, the Government continued to meet its key obligations, including debt servicing, financing priority public services and transfers to County Governments, while remaining firmly committed to the fiscal consolidation path.

The fiscal outcome in FY 2025/26 underscores the need to sustain the Government's fiscal consolidation agenda while safeguarding economic recovery and service delivery. Accordingly, the FY 2027/28 and medium-term fiscal framework will continue to focus on enhancing domestic revenue mobilisation, prudent expenditure management and continued public financial management reforms, and ensuring that limited public resources are directed towards the highest national priorities. These efforts will support the restoration of fiscal space, safeguard debt sustainability and create room for greater investment in priority programmes that promote economic growth and improve the welfare of Kenyans.

The FY 2027/28 and Medium-Term Budget is therefore prepared within a constrained resource envelope that calls for greater expenditure discipline and strategic prioritisation. To maximise the impact of every shilling spent, the Government will entrench the Zero-Based Budgeting approach, requiring Ministries, Departments and Agencies to rigorously justify all expenditure proposals and align them with the Government's development priorities. Sector Working Groups are expected to carefully scrutinise all programmes and projects to ensure that available resources are directed towards high-impact interventions that accelerate implementation of the Bottom-Up Economic Transformation Agenda, create jobs, support private sector growth and deliver better outcomes for citizens. The FY 2027/28 Budget is also being prepared under a revised budget calendar to facilitate completion of the budget process ahead of the 2027 General Elections. I therefore urge all Ministries, Departments and Agencies, Sector Working Groups and other stakeholders to adhere strictly to the prescribed timelines to ensure the timely preparation, approval and implementation of the Budget.

I wish to express my sincere appreciation to Parliament, County Governments, Development Partners, the private sector, civil society and all Kenyans for their continued partnership in advancing our national development agenda. I also commend all Ministries, Departments and Agencies, together with other stakeholders, for their invaluable contribution to the preparation of this Budget Review and Outlook Paper. As we prepare the FY 2027/28 Budget and Medium-Term Expenditure Framework, I call upon all stakeholders to continue working together to strengthen fiscal sustainability, accelerate economic transformation and build a resilient, inclusive and prosperous Kenya for present and future generations.

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

Acknowledgement

The 2026 Budget Review and Outlook Paper (BROP) has been prepared in accordance with the Public Finance Management (PFM) Act, Cap. 412A, and the Public Finance Management (National Government) Regulations. The BROP reviews the implementation of the FY 2025/26 Budget, assesses the implications of the fiscal outturn for the Government's fiscal responsibility principles and medium-term fiscal objectives, and presents updated macroeconomic and fiscal projections together with indicative sector ceilings to guide the preparation of the FY 2027/28 Budget and the Medium-Term Expenditure Framework. The BROP also forms the basis for the preparation of the 2027 Budget Policy Statement, which will outline the Government's policy priorities and macro-fiscal framework for the medium term.

Budget implementation during FY 2025/26 was undertaken in a constrained fiscal environment characterised by revenue shortfalls and financing pressures. These developments have necessitated a review of the medium-term fiscal framework while reinforcing the need for prudent expenditure management, realistic revenue projections and rigorous prioritisation of public expenditure. As we prepare the FY 2027/28 Budget, it is imperative that Ministries, Departments and Agencies align their budget proposals with available resources and national priorities to ensure the efficient and effective use of public funds. I therefore urge all Ministries, Departments and Agencies, together with the Sector Working Groups, to adopt a results-oriented approach in preparing the FY 2027/28 and Medium-Term Budget by rigorously reviewing all programmes and projects and prioritising interventions that deliver the greatest socio-economic impact. Equally important is the continued promotion of transparency and accountability through meaningful public participation and stakeholder engagement to ensure that budget priorities reflect the aspirations and needs of the Kenyan people.

The preparation of this Budget Review and Outlook Paper has been a collaborative effort involving many institutions and stakeholders. I wish to sincerely thank all Ministries, Departments and Agencies, Sector Working Groups and other spending units for their timely submission of budget implementation reports and other information that informed this Paper. I also acknowledge the Macro Working Group for its valuable technical review of the document and its contribution in developing the macroeconomic and fiscal framework that underpins the indicative sector ceilings. I further appreciate the invaluable contributions made by the Directorates and Departments within The National Treasury during the preparation of this Paper. In particular, I commend the Macro and Fiscal Affairs Department for coordinating the preparation and finalisation of the 2026 Budget Review and Outlook Paper. Finally, I extend my gratitude to all institutions, stakeholders and members of the public whose constructive views and recommendations enriched this document and continue to strengthen Kenya's budget process.

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

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Abbreviations and Acronyms

AiA	Appropriations in Aid
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CARB	County Allocation of Revenue Bill
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
CG	County Government
CIT	Corporate Income Tax
DORB	Division of Revenue Bill
FISM	Financial Intermediation Services Indirectly Measured
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GOK	Government of Kenya
ICT	Information, Communication and Technology
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MTP	Medium Term Plan
NG	National Government
NSE	Nairobi Securities Exchange
MTEF	Medium Term Expenditure Framework
NCDF	National Constituency Development Fund
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OSR	Own Source Revenue
PAYE	Pay As You Earn
PFM	Public Finance Management
PV	Present Value
SGR	Standard Gauge Railway
SWGs	Sector Working Groups
WEO	World Economic Outlook
VAT	Value Added Tax

Legal Basis for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 26 of the Public Finance Management Act, 2012. The law states that:

1) The National Treasury shall prepare and submit to -Cabinet for approval, by the 30th September in each financial year, a Budget Review and Outlook Paper, which shall include:
   a. Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
   b. Updated macro-economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent Budget Policy Statement;
   c. Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest Budget Policy Statement; and
   d. The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2) Cabinet shall consider the Budget Review and Outlook Paper with a view to approving it, with or without amendments, not later than fourteen days after its submission.
3) Not later than seven days after the BROP has been approved by Cabinet, the National Treasury shall:
   a. Submit the paper to the Budget Committee of the National Assembly to be laid before each house of Parliament; and
   b. Publish and publicize the paper not later than fifteen days after laying the Paper before Parliament.

Fiscal Responsibility Principles in the Public Finance Management Act

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 15 of the Act states that:

1) Over the medium term, a minimum of thirty percent of the National and County Governments' budget shall be allocated to the development expenditure.
2) The National Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the National Government revenue as prescribed by the regulations.
3) Over the medium term, the National Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
4) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament (NG) and County Assembly (CG).
5) Fiscal risks shall be managed prudently.
6) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

Executive Summary

The 2026 Budget Review and Outlook Paper (BROP) has been prepared pursuant to PFM Act, CAP 412A and its Regulations. It provides an overview of how the actual performance of the FY 2025/26 affected compliance with the fiscal responsibility principles outlined in the PFM Act, and the financial objectives set out in the 2027 Budget Policy Statement (BPS). It also presents the recent economic developments, macroeconomic and fiscal projections, and indicative sector ceilings for the FY 2027/28 and the medium-term budget as well as information on variations from the projections outlined in the 2027 Budget Policy Statement. The 2026 BROP will form the basis for the development of the 2027 Budget Policy Statement that will detail the various programmes and initiatives that will be undertaken during the Fourth Medium Term Plan of the Kenya Vision 2030.

The 2026 Budget Review and Outlook Paper (BROP) has been prepared against a backdrop of heightened global uncertainty, marked by the ongoing conflict in the Middle East, which has disrupted energy markets and international shipping routes and contributed to volatility in energy and commodity prices. These developments have increased risks to global growth, which is projected to moderate from 3.5 percent in 2025 to 3.0 percent in 2026, before recovering to 3.4 percent in 2027. Against this challenging environment, Kenya’s economy has remained resilient, with real GDP growth accelerating to 5.3 percent in the first quarter of 2026, from 4.9 percent in the corresponding quarter of 2025. This performance reflects sound macroeconomic management, sustained structural reforms and increasing economic diversification, which have strengthened the economy’s capacity to withstand adverse shocks. Growth is projected at 5.0 percent in 2026 and 5.1 percent in 2027, supported by resilient domestic demand, improving credit conditions, strong services activity and continued investment. Going forward, the Government will remain focused on maintaining macroeconomic stability, advancing fiscal consolidation and deepening structural reforms to strengthen economic resilience and productive capacity. Continued implementation of the Bottom-Up Economic Transformation Agenda (BETA) will support investment, job creation and improved livelihoods, while Public-Private Partnerships, reforms to State-Owned Enterprises and other measures to mobilize private capital will complement public resources and enhance economic productivity.

The fiscal performance for FY 2025/26 demonstrates the Government's resolve to safeguard macroeconomic stability despite operating within a constrained fiscal environment. Total revenue, including Appropriations-in-Aid, amounted to KSh 3,198.8 billion (17.2 percent of GDP) against a target of KSh 3,259.0 billion, while total expenditure and net lending amounted to KSh 4,484.2 billion (24.1 percent of GDP) compared to a target of KSh 4,656.5 billion. Consequently, the fiscal deficit, including grants, stood at KSh 1,264.7 billion, equivalent to 6.8 percent of GDP. Despite these fiscal pressures, the Government continued to meet its key obligations, including debt servicing, financing priority public services and transfers to County Governments, while remaining firmly committed to the fiscal consolidation path. The fiscal outcome in FY 2025/26 underscores the need to sustain the Government's fiscal consolidation agenda while safeguarding economic recovery and service delivery. Accordingly, the FY 2027/28 and medium-term fiscal framework will continue to focus on enhancing domestic revenue mobilization, prudent expenditure management and continued public financial management reforms, and ensuring that limited public resources are directed towards the highest national priorities. These efforts will support the restoration of fiscal space, safeguard debt sustainability and create room for greater investment in priority programmes that promote economic growth and improve the welfare of Kenyans.

In the FY 2027/28, total revenue including Appropriation-in-Aid (AiA) is projected at KSh 3,943.0 billion (17.1 percent of GDP). Of this, ordinary revenue is projected at KSh 3,207.8 billion (13.9 percent of GDP). This revenue performance will be underpinned by the on-going reforms in policy and revenue administration. The overall expenditure and net lending is projected at KSh 5,322.9 billion (23.1 percent of GDP) comprising: recurrent expenditure of KSh 3,887.2 billion (16.8 percent of GDP); development expenditure of KSh 958.0 billion (4.2 percent of GDP); transfer to Counties of KSh 472.8 billion and Contingency Fund of KSh 5.0 billion. The resulting fiscal deficit including grants of KSh 1,321.0 billion (5.7 percent of GDP) in FY 2027/28 will be financed by a net external financing of KSh 235.9 billion (1.0 percent of GDP) and a net domestic financing of KSh 1,085.2 billion (4.7 percent of GDP).

The FY 2027/28 and Medium-Term Budget is therefore prepared within a constrained resource envelope that calls for greater expenditure discipline and strategic prioritisation. Taking into account the constrained fiscal environment, the Government will entrench the Zero-Based Budgeting Approach, requiring Ministries, Departments and Agencies to rigorously justify all expenditure proposals and align them with the Government's development priorities. Sector Working Groups are expected to carefully scrutinise all programmes and projects to ensure that available resources are directed towards high-impact interventions that accelerate implementation of the Bottom-Up Economic Transformation Agenda, create jobs, support private sector growth and deliver better outcomes for citizens. The FY 2027/28 Budget is also being prepared under a revised budget calendar to facilitate completion of the budget process ahead of the 2027 General Elections. Ministries, Departments and Agencies, Sector Working Groups and other stakeholders are required to adhere strictly to the prescribed timelines to ensure the timely preparation, approval and implementation of the Budget. The sector ceilings provided for the FY 2027/28 and the medium-term budget will form inputs into the 2027 Budget Policy Statement.

I. INTRODUCTION

Objective of the 2026 Budget Review and Outlook Paper

1. The 2026 Budget Review and Outlook Paper (BROP) provides a review of the fiscal performance for FY 2025/26, including adherence to the objectives and principles set out in the 2026 Budget Policy Statement (BPS) and the Public Finance Management (PFM) Act, CAP 412A. It also reviews recent economic and fiscal developments, assesses progress in the implementation of the FY 2025/26 Budget, and updates the macroeconomic and fiscal outlook, taking into account the outcomes of FY 2025/26. In this regard, the medium-term macroeconomic and fiscal projections have been revised from those presented in the 2026 BPS. The BROP further sets out the resource framework and indicative sector ceilings for FY 2027/28 and the medium term, and provides information on variations from the projections in the 2026 BPS. The 2026 BROP therefore provides an important link between the performance of the current financial year and the preparation of the 2027 BPS and the FY 2027/28 and Medium-Term Budget, while reinforcing the Government's commitment to prudent public finance management, fiscal sustainability, efficient allocation of public resources, and inclusive and sustainable economic transformation, consistent with the priorities of the Bottom-Up Economic Transformation Agenda (BETA) BETA as set out in the Fourth Medium Term Plan of Vision 2030.

2. Preparation of the FY 2027/28 and the medium-term budget that will be guided by the Budget Calendar. The Budget Calendar for FY 2027/28 is guided by the timelines provided in the PFM Act, CAP 412A and has the following critical steps:

i) The Budget Circular for the preparation of the FY 2027/28 and Medium-Term Budget was issued on 10th July 2026;
ii) The Sector Working Groups were subsequently launched on 22nd July 2026. The Public Sector Hearings will be held from 12th to 14th October 2026;
iii) Preparation of the 2027 Budget Policy Statement will commence after approval of this 2026 Budget Review and Outlook Paper. Preparation of the 2027 Budget Policy Statement will be informed by the budget proposals from the Sector Working Groups and feedback from the public;
iv) The 2027 Budget Policy Statement will be submitted to Cabinet for approval by 13th November 2026 and to Parliament by 30th November 2026 together with the Medium-Term Debt Management Strategy, 2027; Division of Revenue Bill, 2027; County Allocation of Revenue Bill, 2027; and County Governments Additional Allocation Bill, 2027;
v) The detailed Budget Estimates, Appropriation Bill, 2027 and the Finance Bill, 2027 will be submitted to Cabinet for approval by 26th January 2027 and to Parliament by 30th January 2027; and
vi) Presentation of the Budget Statement to Parliament is scheduled for 18th March 2027 and approval and assent of both the Appropriation Bill, 2027 and Finance Bill, 2027 by 31st June 2027.

3. As required by the PFM Act, CAP 412A, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilisation and Government spending to ensure debt sustainability and stimulate economic activity. In this regard, the 2026 BROP provides sector ceilings which will guide the budget preparation process for the FY 2027/28 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term macro-fiscal projections as presented in Sections III and IV of this document.

Sector ceilings in the 2026 BROP are aligned to the priorities of the Government that enhance value chain and linkage to BETA and other priority programmes outlined in MTP IV of the Vision 2030. It is also foreseen that risks may arise through the FY 2027/28 and medium-term budget process. Assessment of such risks will be undertaken once information is consolidated and responsive policy actions implemented.

4. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2025/26 and its implications on adherence to fiscal responsibility principles and the financial objectives as set out in the 2027 BPS; Section III highlights the recent economic developments and outlook; Section IV presents the proposed resource allocation framework; and Section V presents conclusion.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2025/26

A. FY 2025/26 Fiscal Performance

Revenue Performance

5. In FY 2025/26, total revenue, including Appropriations-in-Aid (AiA), amounted to KSh 3,198.8 billion (17.2 percent of GDP). This fell short of the target of KSh 3,259.0 billion (17.5 percent of GDP) by KSh 60.2 billion on account of shortfall recorded in ordinary revenue and ministerial appropriation in aid **(Table 1).** The ordinary revenue collection was KSh 2,588.4 billion against a target of KSh 2,640.6 billion, a shortfall of KSh 52.2 billion. The Ministerial AiA was below target by KSh 7.9 billion during the period under review. Overall, as compared to the same period in FY 2024/25, total revenue inclusive of the Ministerial AiA grew by 9.4 percent.

Table 1: Government Revenue and External Grants for the FY 2025/26 (KSh Million)

	2024/2025 Actual	2025/2026		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	**2,923,551**	**3,198,801**	**3,258,959**	**(60,158)**	**9.4**
(a) Ordinary Revenue	**2,420,174**	**2,588,401**	**2,640,617**	**(52,216)**	**7.0**
Import Duty	157,107	180,006	176,539	3,467	14.6
Excise Duty	292,468	311,955	313,306	(1,351)	6.7
PAYE	560,501	599,797	592,075	7,722	7.0
Other Income Tax	532,530	575,762	577,278	(1,516)	8.1
VAT Local	327,662	356,882	359,578	(2,696)	8.9
VAT Imports	333,067	365,562	361,811	3,751	9.8
Investment Revenue	84,828	84,816	150,204	(65,388)	(0.0)
Traffic Revenue	3,523	3,863	3,867	(4)	9.7
Taxes on Intl. Trade & Trans.(IDF Fee)	47,073	49,340	49,268	72	4.8
Others [1]	81,414	60,419	56,691	3,728	(25.8)
(b) Appropriation In Aid [2]	**503,377**	**610,400**	**618,342**	**(7,942)**	**21.3**
o/w Railway Development Levy	36,820	48,496	47,125	1,371	31.7
(c) External Grants	**33,320**	**20,662**	**39,924**	**(19,262)**	**(38.0)**
Total Revenue and External Grants	**2,956,871**	**3,219,463**	**3,298,883**	**(79,420)**	**8.9**
Total Revenue and External Grants as a percentange of GDP	**18.3**	**17.3**	**17.7**		

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.
2/ includes receipts from Road Maintenance Levy Fund and AiA from Universities
*Provisional
Source of Data: The National Treasury

6. Ordinary revenue collection in FY 2025/26 amounted to KSh 2,588.4 billion, against a target of KSh 2,640.6 billion. Income tax collection surpassed target by KSh 6.2 billion, of which income tax recording a shortfall of KSh 1.5 billion which was offset by an overperformance of KSh 7.7 billion. The performance of corporate income tax is mainly attributed to high operating costs and financial distress among businesses, redundancies, downsizing, restructuring and closures.

7. Import duty collection was above target by KSh 3.5 billion; investment revenue recorded the highest shortfall of KSh 65.4 billion mainly on account the reduction of dividend receipts following the divestiture of the Government's share in Safaricom. Investment revenue collection was KSh 84.8 billion against a target of KSh 150.2 billion.

8. The Value Added Tax (VAT) registered a net surplus of KSh 1.1 billion, as the shortfall in VAT on domestic goods and services was offset by a surplus in VAT on imported goods and services.

9. Overall, ordinary revenue grew by 7.0 percent in FY 2025/26, with all major tax heads recording growths **(Table 1).** Ministerial AiA grew by 21.3 percent during the period under review. The growth was attributed to the revision of fees and charges by MDAs. External grants amounted to KSh 20.7 billion against a target of KSh 39.9 billion, translating in a shortfall of KSh 19.3 billion.

Expenditure Performance

10. Total expenditure and net lending for FY 2025/26 amounted to KSh 4,484.2 billion against a target of KSh 4,656.5 billion, resulting in an under-expenditure of KSh 172.4 billion **(Table 2).** This deviation was mainly attributed to below target absorption in both recurrent and development expenditures by the National Government.

11. Recurrent expenditure by the National Government amounted to KSh 3,285.3 billion, falling short of the KSh 3,400.7 billion target by KSh 115.4 billion. The shortfall in recurrent spending was mainly attributed to below-target expenditure in operations and maintenance category, foreign interest payments, domestic interest and pensions payments.

12. Development expenditure amounted to KSh 731.5 billion against a target of KSh 771.0 billion, translating to an under-spending of KSh 39.5 billion. This variance was largely driven by lower-than-projected absorption in development projects, which underperformed by KSh 41.5 billion. Transfers to County Governments were below target by KSh 17.5 billion mainly due to a shortfall in additional allocations.

Table 2: Expenditure and Net Lending for the FY 2025/26 (KSh Million)

	2024/2025 Actual	2025/2026		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	**2,948,431**	**3,285,343**	**3,400,731**	**(115,388)**	**11.4**
Domestic Interest	784,117	862,652	911,946	(49,294)	10.0
Foreign Interest	211,002	211,760	214,808	(3,048)	0.4
Pensions & Other CFS	176,753	166,222	201,620	(35,398)	(6.0)
Contribution to Civil Servants' Pension	34,335	43,646	38,415	5,232	27.1
Wages and Salaries	624,689	684,351	689,334	(4,983)	9.6
Operation and Maintenance	1,117,534	1,316,711	1,344,608	(27,897)	17.8
O/W: Appropriation-in-Aid	300,755	344,646	357,561	(12,915)	14.6
2. DEVELOPMENT	**582,937**	**731,542**	**771,004**	**(39,462)**	**25.5**
Development Projects (Net)	392,864	500,739	542,223	(41,484)	27.5
Payment of Guaranteed Loans	19,685	-	-	-	(100.0)
Appropriation-in-Aid	170,387	230,803	228,781	2,022	35.5
3. County Governments	444,570	467,272	484,803	(17,531)	5.1
4. Parliamentary Service	41,552	45,311	47,102	(1,791)	9.0
5. Judicial Service	771	916	931	(15)	18.8
6. Equalization Fund	-	7,301	7,602	(301)	-
TOTAL EXPENDITURE	**3,975,938**	**4,484,157**	**4,656,537**	**(172,380)**	**12.8**

Wages and salaries; includes wages for teachers, civil servants and police
Source of Data: The National Treasury

Ministries, Departments and Agencies Expenditure

13. The total ministerial and other public agencies expenditure including A.I.A was KSh 2,550.1 billion against a target of KSh 2,931.7 billion. Recurrent expenditure was KSh 1,828.6 billion against a target of KSh 2,041.9 billion, while development expenditure amounted to KSh 721.5 billion against a target of KSh 889.9 billion. The percentage of total expenditure to the target was 87.0 percent while the percentage of total expenditures to the target for recurrent and development were 89.6 percent and 81.1 percent respectively, as at the end of the period under review.

14. As at the period ending 30th June, 2026, recurrent expenditures by the State Department for Basic Education, Higher Education and Research; Teachers Service Commission; Vocational and Technical Training; Public Health and Professional Standards; labour and Skills Development; correctional service; Youth Affairs and Arts; Culture and Heritage; Sports; Social Protection and Senior Citizens; Children Services; Immigration and Citizen Services and Medical Services (Social Sector) accounted for 49.1 percent of total recurrent expenditure. In addition, the security sector accounted for 25.4 percent of total recurrent expenditure.

15. Analysis of development outlay indicates that the State Department for Roads accounted for the largest share of the total development expenditure (19.3 percent) followed by the State Department for Housing and Urban Development (18.0 percent) and the State Department for Economic Planning (8.6 percent). **Table 3** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.

Table 3: Ministerial Expenditures for the Period Ending 30th June 2026 (KSh Million)

MINISTRY/DEPARTMENT/COMMISSION	Jun-26									% of Total
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	Exp. To
1011 Executive Office of the President	6,684	6,860	(176)	1,329	1,344	(15)	8,013	8,204	(191)	97.7
1012 Office of the Deputy President	5,112	5,268	(155)	100	100	(0)	5,212	5,368	(155)	97.1
1013 Office of the Prime Cabinet Secretary	602	629	(27)	-	-	-	602	629	(27)	95.7
1014 State Department for Parliamentary Affairs	433	440	(6)	-	-	-	433	440	(6)	98.5
1015 State Department for Performance and Delivery Management	-	-	-	-	-	-	-	-	-	-
1016 State Department for Cabinet Affairs	226	235	(9)	-	-	-	226	235	(9)	96.1
1017 State House	17,121	17,254	(133)	1,292	1,295	(3)	18,413	18,549	(135)	99.3
1018 State Department for National Government Coordination	967	1,034	(67)	21	22	(1)	988	1,056	(68)	93.5
1023 State Department for Correctional Services	38,574	38,737	(163)	267	329	(62)	38,841	39,066	(225)	99.4
1024 State Department for Immigration and Citizen Services	14,249	14,960	(711)	12,878	14,302	(1,425)	27,126	29,262	(2,136)	92.7
1025 National Police Service	134,004	134,493	(488)	1,671	1,713	(42)	135,675	136,206	(531)	99.6
1026 State Department for Internal Security & National Administration	47,894	49,877	(1,983)	8,031	8,037	(6)	55,925	57,914	(1,989)	96.6
1032 State Department for Devolution	1,370	1,374	(4)	9,666	14,176	(4,510)	11,036	15,550	(4,514)	71.0
1033 State Department for Special Programmes	13,330	13,809	(478)	166	166	-	13,496	13,974	(478)	96.6
1036 State Department for the ASALs and Regional Development	9,010	9,623	(613)	4,718	4,976	(258)	13,728	14,598	(871)	94.0
1041 Ministry of Defence	213,852	221,819	(7,967)	1,000	4,634	(3,634)	214,852	226,453	(11,601)	94.9
1053 State Department for Foreign Affairs	17,234	23,746	(6,512)	782	2,346	(1,564)	18,016	26,092	(8,076)	69.0
1054 State Department for Diaspora Affairs	750	759	(8)	-	-	-	750	759	(8)	98.9
1064 State Department for Vocational and Technical Training	37,155	43,766	(6,611)	5,761	7,282	(1,521)	42,916	51,048	(8,132)	84.1
1065 State Department for Higher Education and Research	120,983	156,422	(35,440)	4,859	4,992	(133)	125,841	161,414	(35,573)	78.0
1066 State Department for Basic Education	108,461	114,599	(6,138)	15,721	18,073	(2,352)	124,181	132,672	(8,491)	93.6
1067 State Department for Science, Innovation and Research	859	1,070	(210)	-	-	-	859	1,070	(210)	80.3
1071 The National Treasury	79,973	89,873	(9,900)	30,538	37,262	(6,725)	110,510	127,135	(16,625)	86.9
1072 State Department for Economic Planning	4,385	4,433	(48)	62,047	62,211	(164)	66,432	66,644	(212)	99.7
1073 State Department for Public Investments and Assets Management	3,485	3,873	(388)	726	736	(10)	4,211	4,609	(398)	91.4
1082 State Department for Medical Services	93,317	93,491	(174)	29,817	33,704	(3,887)	123,134	127,195	(4,061)	96.8
1083 State Department for Public Health and Professional Standards	29,615	33,523	(3,908)	3,688	4,202	(514)	33,303	37,725	(4,422)	88.3
1091 State Department for Roads	58,158	71,628	(13,470)	139,289	182,745	(43,456)	197,447	254,373	(56,926)	77.6
1092 State Department for Transport	2,316	6,833	(4,517)	14,067	61,200	(47,134)	16,382	68,033	(51,651)	24.1
1093 State Department for Shipping and Maritime Affairs	625	3,629	(3,004)	565	2,625	(2,060)	1,189	6,253	(5,064)	19.0
1094 State Department for Housing & Urban Development	2,346	6,926	(4,580)	129,956	140,987	(11,031)	132,302	147,913	(15,610)	89.4
1095 State Department for Public Works	3,433	4,045	(612)	762	813	(51)	4,194	4,858	(664)	86.3
1097 State Department for Aviation and Aerospace Development	474	14,359	(13,886)	653	653	(0)	1,126	15,012	(13,886)	7.5
1104 State Department for Irrigation	813	1,131	(318)	9,130	10,935	(1,805)	9,942	12,065	(2,123)	82.4
1109 State Department for Water & Sanitation	3,378	8,496	(5,118)	48,360	51,838	(3,477)	51,738	60,334	(8,596)	85.8
1112 State Department for Lands and Physical Planning	5,082	5,607	(525)	7,582	7,702	(120)	12,663	13,309	(645)	95.2
1122 State Department for Information Communication Technology & Digital Economy	3,151	3,628	(477)	7,912	8,587	(676)	11,063	12,215	(1,152)	90.6
1123 State Department for Broadcasting & Telecommunications	4,190	6,240	(2,050)	276	325	(50)	4,466	6,565	(2,100)	68.0
1132 State Department for Sports	5,486	5,655	(169)	21,493	23,611	(2,118)	26,979	29,266	(2,286)	92.2
1134 State Department for Culture and Heritage	2,229	3,000	(770)	125	212	(87)	2,354	3,212	(857)	73.3
1135 State Department for Youth Affairs and the Arts	2,787	2,892	(105)	2,410	3,226	(816)	5,197	6,119	(922)	84.9
1152 State Department for Energy	1,126	12,140	(11,013)	34,695	50,488	(15,793)	35,822	62,628	(26,806)	57.2
1162 State Department for Livestock Development	3,168	6,296	(3,127)	6,976	7,331	(354)	10,145	13,626	(3,481)	74.5
1166 State Department for the Blue Economy and Fisheries	3,180	3,585	(405)	6,514	7,564	(1,049)	9,695	11,149	(1,454)	87.0
1169 State Department for Crop Development	15,464	24,352	(8,888)	46,399	48,865	(2,466)	61,863	73,217	(11,353)	84.5
1173 State Department for Cooperatives	4,711	5,944	(1,233)	3,349	3,371	(22)	8,060	9,315	(1,255)	86.5
1174 State Department for Trade	2,991	5,083	(2,092)	300	300	-	3,291	5,383	(2,092)	61.1
1175 State Department for Industry	3,252	4,734	(1,482)	5,628	5,690	(62)	8,880	10,362	(1,482)	85.7
1176 State Department for Micro, Small and Medium Enterprises	1,482	2,257	(775)	9,314	9,842	(528)	10,796	12,099	(1,302)	89.2
1177 State Department for Investment Promotion	866	1,612	(746)	2,697	3,261	(564)	3,563	4,873	(1,311)	73.1
1184 State Department for Labour and Skills Development	2,087	4,986	(2,899)	537	853	(315)	2,624	5,839	(3,215)	44.9
1185 State Department for Social Protection and Senior Citizens Affairs	33,172	33,285	(113)	146	207	(61)	33,318	33,492	(174)	99.5
1186 State Department for Children Services	11,599	11,941	(342)	183	184	(0)	11,782	12,125	(343)	97.2
1192 State Department for Mining	1,656	2,194	(537)	74	267	(194)	1,730	2,461	(731)	70.3
1193 State Department for Petroleum	19,683	25,030	(5,347)	5,048	5,291	(243)	24,731	30,321	(5,590)	81.6
1202 State Department for Tourism	7,432	11,758	(4,327)	2,036	5,210	(3,174)	9,468	16,968	(7,501)	55.8
1203 State Department for Wildlife	3,760	13,566	(9,806)	2,076	3,529	(1,453)	5,836	17,095	(11,259)	34.1
1212 State Department for Gender and Affirmative Action	1,515	1,666	(151)	4,557	4,633	(77)	6,071	6,300	(228)	96.4
1213 State Department for Public Service	19,217	22,254	(3,037)	1,832	2,024	(192)	21,049	24,278	(3,230)	86.7
1221 State Department for East African Community	1,259	1,281	(23)	-	-	-	1,259	1,281	(23)	98.2
1252 State Law Office	4,382	5,116	(734)	300	300	(0)	4,682	5,416	(734)	86.4
1253 State Department for Justice Human Rights and Constitutional Affairs	1,035	1,064	(28)	-	-	-	1,035	1,064	(28)	97.3
1261 The Judiciary	25,271	25,637	(366)	981	1,513	(532)	26,253	27,151	(898)	96.7
1271 Ethics and Anti-Corruption Commission	4,334	4,359	(25)	162	180	(18)	4,495	4,539	(43)	99.0
1281 National Intelligence Service	64,947	64,947	-	-	-	-	64,947	64,947	-	100.0
1291 Office of the Director of Public Prosecutions	5,357	5,560	(203)	272	286	(14)	5,629	5,846	(217)	96.3
1311 Office of the Registrar of Political Parties	3,027	3,057	(30)	-	-	-	3,027	3,057	(30)	99.0
1321 Witness Protection Agency	592	791	(199)	-	-	-	592	791	(199)	74.8
1331 State Department for Environment & Climate Change	2,649	4,142	(1,493)	1,374	1,704	(329)	4,024	5,846	(1,822)	68.8
1332 State Department for Forestry	6,112	11,088	(4,976)	5,412	6,462	(1,050)	11,523	17,550	(6,026)	65.7
2011 Kenya National Commission on Human Rights	501	521	(20)	-	-	-	501	521	(20)	96.1
2021 National Land Commission	5,554	5,553	1	556	556	(0)	6,110	6,109	1	100.0
2031 Independent Electoral and Boundaries Commission	10,975	12,980	(2,005)	30	30	-	11,005	13,010	(2,005)	84.6
2041 Parliamentary Service Commission	2,732	2,870	(137)	-	-	-	2,732	2,870	(137)	95.2
2042 National Assembly	27,466	28,929	(1,463)	-	-	-	27,466	28,929	(1,463)	94.9
2043 Parliamentary Joint Services	6,814	6,948	(134)	1,564	1,565	(1)	8,378	8,513	(135)	98.4
2044 Senate	8,306	8,379	(73)	-	-	-	8,306	8,379	(73)	99.1
2051 Judicial Service Commission	916	941	(25)	-	-	-	916	941	(25)	97.4
2061 Commission on Revenue Allocation	424	488	(64)	-	-	-	424	488	(64)	86.9
2071 Public Service Commission	3,513	3,627	(114)	-	-	-	3,513	3,627	(114)	96.8
2081 Salaries and Remuneration Commission	803	869	(66)	-	-	-	803	869	(66)	92.4
2091 Teachers Service Commission	397,945	410,622	(12,677)	466	671	(205)	398,411	411,293	(12,882)	96.9
2101 National Police Service Commission	1,395	1,455	(61)	-	-	-	1,395	1,455	(61)	95.8
2111 Auditor General	8,282	8,359	(77)	320	330	(10)	8,602	8,689	(87)	99.0
2121 Controller of Budget	933	948	(15)	-	-	-	933	948	(15)	98.4
2131 Commission on Administrative Justice	642	666	(24)	-	-	-	642	666	(24)	96.4
2141 National Gender and Equality Commission	560	560	(0)	-	-	-	560	560	(0)	100.0
2151 Independent Policing Oversight Authority	1,405	1,406	(1)	-	-	-	1,405	1,406	(1)	99.9
Total	**1,828,607**	**2,041,882**	**(213,275)**	**721,452**	**889,866**	**(168,414)**	**2,550,059**	**2,931,686**	**(381,627)**	**87.0**

**Provisional*

Source of Data: The National Treasury

Overall Balance and Financing

16. The fiscal deficit (including grants, on a cash basis) amounted to KSh 1,264.7 billion (6.8 percent of GDP) in FY 2025/26 against a target of KSh 1,357.7 billion (7.3 percent of GDP) **(Table 4)**.

Table 4: Budget Outturn for the FY 2025/26 (KSh Million)

	2024/2025	2025/2026			% growth	2025/2026 as a % of GDP		2024/2025 Actual as a % of GDP
	Actual	Actual*	Targets	Deviation		Actual	Targets	
A. TOTAL REVENUE AND GRANTS	**2,956,871**	**3,219,463**	**3,298,883**	**(79,420)**	**8.9**	**17.3**	**17.7**	**17.0**
1. Revenue	**2,923,551**	**3,198,801**	**3,258,959**	**(60,158)**	9.4	17.2	17.5	16.8
Ordinary Revenue	**2,420,174**	**2,588,401**	**2,640,617**	**(52,216)**	7.0	13.9	14.2	13.9
Import Duty	157,107	180,006	176,539	3,467	14.6	1.0	0.9	0.9
Excise Duty	292,468	311,955	313,306	(1,351)	6.7	1.7	1.7	1.7
Income tax	1,093,032	1,175,559	1,169,353	6,206	7.6	6.3	6.3	6.3
VAT	660,729	722,444	721,389	1,055	9.3	3.9	3.9	3.8
Investment Revenue	84,828	84,816	150,204	(65,388)	(0.0)	0.5	0.8	0.5
Others	132,010	113,622	109,826	3,796	(13.9)	0.6	0.6	0.8
Appropriation-in-Aid	503,377	610,400	618,342	(7,942)	21.3	3.3	3.3	2.9
2. Grants	**33,320**	**20,662**	**39,924**	**(19,262)**	**(38.0)**	**0.1**	**0.2**	**0.2**
AMISOM Receipts	956	0	5,081	(5,081)	(100.0)	-	0.0	0.0
Revenue	18,922	13,880	20,676	(6,796)	(26.6)	0.1	0.1	0.1
Appropriation-in-Aid	13,442	6,782	14,168	(7,386)	(49.5)	0.0	0.1	0.1
B.EXPENDITURE AND NET LENDING	**3,975,938**	**4,484,157**	**4,656,537**	**(172,380)**	**12.8**	**24.1**	**25.0**	**22.8**
1. Recurrent	**2,948,431**	**3,285,343**	**3,400,731**	**(115,388)**	**11.4**	**17.6**	**18.2**	**16.9**
Domestic Interest	784,117	862,652	911,946	(49,294)	10.0	4.6	4.9	4.5
Foreign Interest	211,002	211,760	214,808	(3,048)	0.4	1.1	1.2	1.2
Pension & Other CFS	176,753	166,222	201,620	(35,398)	(6.0)	0.9	1.1	1.0
Contribution to Civil Servants' Pension	34,335	43,646	38,415	5,232	27.1	0.2	0.2	0.2
Wages and Salaries	624,689	684,351	689,334	(4,983)	9.6	3.7	3.7	3.6
O & M/Others	1,117,534	1,316,711	1,344,608	(27,897)	17.8	7.1	7.2	6.4
2. Development and Net Lending	**582,937**	**731,542**	**771,004**	**(39,462)**	**25.5**	**3.9**	**4.1**	**3.3**
O/W Domestically financed	397,657	548,361	552,760	(4,399)	37.9	2.9	3.0	2.3
Foreign financed	165,595	175,879	210,641	(34,762)	6.2	0.9	1.1	0.9
3.Net Lending	19,685	0	0	-	(100.0)	0.0	-	0.1
4. Equalization Fund	-	7,301.0	7,602.2	(301)	-	0.0	0.0	0.0
5. County Governments	444,570	467,272	484,803	(17,531)	5.1	2.5	2.6	2.5
5. CF	-	-	-	-	-	**0.0**	-	**0.0**
C. DEFICIT EXCL.GRANT (Commitment basis)	**(1,052,387)**	**(1,285,356)**	**(1,397,578)**	**112,223**	**22.1**	**(6.9)**	**(7.3)**	**(6.0)**
D. DEFICIT INCL.GRANTS (Commitment basis)	**(1,019,067)**	**(1,264,694)**	**(1,357,654)**	**92,960**	**24.1**	**(6.8)**	**(7.3)**	**(5.8)**
E. ADJUSTMENT TO CASH BASIS								
F. DEFICIT INCL.GRANTS (Cash basis)	**(1,019,067)**	**(1,264,694)**	**(1,357,654)**	**92,960**	**24.1**	**(6.8)**	**(7.3)**	**(5.8)**
Discrepancy	*15,146*	*(13,647)*	*0*	*(13,647)*	-	*-0.1*	*0.0*	*0.1*
G. FINANCING	**1,034,213**	**1,251,047**	**1,357,655**	**(106,608)**	**21.0**	**6.7**	**7.3**	**5.9**
1. Net Foreign financing	**179,738**	**267,347**	**384,037**	**(116,690)**	**48.7**	**1.4**	**2.1**	**1.0**
Disbursements	**527,042**	**771,691**	**907,677**	**(135,986)**	**46.4**	**4.1**	**4.9**	**3.0**
Programme Loans	113,683	99,860	130,900	(31,040)	(12.2)	0.5	0.7	0.7
Project Cash Loans	85,810	110,650	130,245	(19,595)	28.9	0.6	0.7	0.5
Project Loans AIA	65,633	86,110	102,461	(16,351)	31.2	0.5	0.5	0.4
OPEC Funds	8,847	0	4,000					
Commercial Financing	253,070	475,071	540,071	(65,000)	88	3	2.9	1.5
Debt repayment - Principal	(347,304)	(504,344)	(523,640)	19,297	**45.2**	**(2.7)**	**(2.8)**	**(2.0)**
2. Net Domestic Financing	**854,474**	**983,701**	**973,618**	**10,082**	**15.1**	**5.3**	**5.2**	**4.9**
Government Securities	853,121	993,652	961,666	31,987	16.5	5.3	5.2	4.9
Government Overdraft & Others	1,862	21,793	-	21,793	1,070.4	0.1	-	0.0
Movement in Government Deposits	24,789	(9,408)	33,157	(42,565)	(138.0)	-0.1	0.2	0.1
Domestic Loan Repayments (Net Receipts)	8,048	13,725	11,905	1,819	70.5	0.1	0.1	0.0
Domestic Loan Repayment	(1,110)	(1,110)	(1,110)	-	-	0.0	(0.0)	(0.0)
Other Accounts Payable	(32,235)	(34,951)	(32,000)	-	-	(0.2)	(0.2)	(0.2)
MEMO ITEM								
GDP ESTIMATE	**17,434,534**	**18,642,472**	**18,642,472**	-	**6.9**	**100.0**	**100.0**	**100.0**

**Provisional*
Source of Data: National Treasury

17. The fiscal deficit in FY 2025/26 was financed through net domestic financing of KSh 983.7 billion (5.3 percent of GDP) which was above target by KSh 93.0 billion. The net external financing amounted to KSh 267.3 billion (1.4 percent of GDP), representing a shortfall of KSh 116.7 billion from target. Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh 771.7 billion for the period ending 30th June 2026 against a target of KSh 907.7 billion. The total disbursement included KSh 86.1 billion Project Loans A.I.A; KSh 99.9 billion program loans; and KSh 110.7 billion Project Loans-Cash. The external repayments (outflows) of principal debt amounted to KSh 504.3 billion. The amount comprised of principal repayments due to commercial institutions; bilateral sources; and multilateral sources amounting to, KSh 278.1 billion, KSh 132.8 billion and KSh 93.4 billion respectively.

Pending Bills

18. The total outstanding National Government pending bills as at 30th June 2026 amounted to KSh 465.9 billion. These comprise recurrent bills of KSh 271.2 billion (58.2 percent) and development pending bills of KSh 194.7 billion (41.8 percent). The pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills belong to Contractor/Projects and Suppliers. Ministries/State Departments and other Government Agencies pending bills constitutes mainly of historical pending bills.

19. The National Government policy on clearance of pending bills continues to be in force. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the current financial year budget in line with the Treasury guidelines for implementation of the financial year 2025/26 and the medium-term budget, Treasury Circular No. 7/2023. In addition, the National Treasury has developed a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed.

Fiscal Performance for the FY 2025/26 in relation to Financial Objectives

20. To enhance financial management in FY 2025/26, the following financial objectives were adopted:

i) To enhance revenue collection in FY 2025/26

21. To enhance revenue collection to at least 17.5 percent of GDP, the Government broadened the tax base, enhanced digitization and improved tax compliance. In FY 2025/26, total revenue was at 17.2 percent of GDP.

ii) To reduce the fiscal deficit to 7.3 percent of GDP in FY 2025/26

22. The fiscal deficit including grants for FY 2025/26 was 6.8 percent of GDP which was largely within target. This was achieved through enhanced revenue mobilization and expenditure rationalization.

iii) To ensure effective, efficient and economic use of public resources allocated in FY 2025/26

23. The Government implemented several targeted measures to control public expenditure and enhance fiscal discipline. Key measures included: reduction of non-essential expenditure, migration from cash basis to accrual, operationalization of Treasury Single Account, digitalization of public services, continued use of Public-Private Partnerships financing strategy and State-Owned Enterprises reforms.

iv) To reduce the cost borrowing in FY 2025/26

24. In order to reduce the cost of borrowing, the government employed the following strategies: lengthening debt maturity, deepening domestic debt markets, and balancing concessional and commercial borrowing. The government also diversified the funding sources, engaged in debt buy backs, and refinanced to manage liabilities and lower interest expenses.

B. Adherence to Fiscal Responsibility Principles

25. In accordance with the Constitution, the PFM Act, CAP 412A, and the PFM Regulations, and consistent with the principles of prudent and transparent management of public resources, the Government has largely complied with the fiscal responsibility principles established in law:

a. **Over the medium term a minimum of thirty percent of the National and County Governments budget shall be allocated to the development expenditure.**

The allocation for the National Government development expenditure for FY 2025/26 was 26.9 percent **(Table 5).** The allocation for County Governments was 37.0 percent of their total budget **(Table 9).** The National Government projects an allocation of 26.7 percent in the FY 2026/27 and 29.5 percent for FY 2027/28 and above 30 percent over the medium term.

b. **The National Government's expenditure on wages and benefits for its public officers shall not exceed 35 percent of the National Government revenue as prescribed by the PFM Act Regulations, 2015**;

In FY 2025/26, the wage-to-revenue ratio was 24.6 percent[1], well within the prescribed limit. Medium-term forecasts maintain this trajectory, indicating continued fiscal discipline in personnel spending **(Table 5)**.

Table 5: Adherence to Fiscal Responsibility Principles

	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28		FY 2028/29		FY 2029/30		FY 2030/31
	Prel. Actual	Supp. II	Prel. Actual	Budget	BPS'26	BROP'26	BPS'26	BROP'26	BPS'26	BROP'26	BROP'26
	KSh Billion										
1.0 Total Expenditure & Net Lending	3,978.9	4,661.5	4,467.7	4,821.9	4,931.4	5,322.9	5,241.6	5,777.1	5,662.3	6,303.3	6,811.4
1.1 Total Ministerial National Govt Expenses	**2,328.2**	**2,809.9**	**2,726.9**	**2,817.6**	**2,990.0**	**3,246.0**	**3,255.9**	**3,601.0**	**3,602.4**	**3,973.9**	**4,353.6**
Total Recurrent	2,948.4	3,400.7	3,285.3	3,565.6	3,569.0	3,887.2	3,712.3	4,195.4	4,018.3	4,564.4	4,938.5
CFS (Interest & Pensions)	1,206.2	1,366.8	1,284.3	1,501.3	1,462.9	1,599.2	1,497.7	1,680.4	1,545.6	1,781.5	1,856.4
Ministerial Recurrent	1,742.2	2,033.9	2,001.1	2,064.3	2,106.2	2,288.0	2,214.6	2,515.0	2,472.7	2,783.0	3,082.1
o/w Wages & Salaries	624.7	689.3	684.4	702.0	752.4	777.9	790.0	857.6	829.5	955.2	1,055.5
Wages as % National Government Revenues	**24.9%**	**24.2%**	**24.9%**	**21.9%**	**22.1%**	**22.2%**	**21.2%**	**22.0%**	**20.2%**	**21.5%**	**21.2%**
Development	585.9	776.0	725.8	753.4	883.8	958.0	1,041.2	1,086.0	1,129.7	1,191.0	1,271.4
Development as % Ministerial National Government expenditures	**25.2%**	**27.6%**	**26.6%**	**26.7%**	**29.6%**	**29.5%**	**32.0%**	**30.2%**	**31.4%**	**30.0%**	**29.2%**
1.2 County Allocation	444.6	484.8	456.5	502.0	473.5	472.8	483.0	490.7	509.4	542.9	596.4
Equitable share	418.3	415.0	415.0	428.0	440.9	440.1	450.4	458.0	476.7	510.2	563.7
Conditional Grants	26.3	69.8	41.5	74.0	32.7	32.7	32.7	32.7	32.7	32.7	32.7
Contigency Fund	-	-	-	1.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
2.0 Total Revenues	2,923.6	3,259.0	3,168.3	3,630.6	3,839.1	3,943.0	4,173.7	4,362.2	4,590.3	4,956.2	5,536.0
3.0 Total National Government Revenues (Incl. A-I-A)	**2,505.3**	**2,844.0**	**2,753.3**	**3,202.6**	**3,398.2**	**3,502.9**	**3,723.4**	**3,904.2**	**4,113.6**	**4,446.0**	**4,972.2**
4.0 National Government Domestic Borrowing (net)	854.5	973.6	983.7	898.0	745.7	1,085.2	847.5	1,207.0	846.6	1,294.1	1,159.4

/1Wages: For teachers and civil servants including the police. The figure includes the funds allocated for the pension contributory scheme

Source of Data: National Treasury

c. **Over the medium term, the National Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;**

In FY 2025/26, the National Government borrowing amounted to KSh 983.7 billion. Out of this, KSh 776.0 billion, equivalent to 78.9 percent was utilized for development expenditure. Over the medium term, the Government will ensure adherence to the fiscal responsibility.

d. **Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the County Assembly for County Government**;

The Debt Sustainability Analysis (DSA) conducted jointly between the National Treasury and the Central Bank of Kenya in September 2025 indicates that Kenya's public debt remains at sustainable levels but with high risk of debt distress (**Table 6**). Below is a summary of the DSA results:

i) In 2026, the Present Value (PV) of total debt-to-GDP ratio is 65.6 percent and is projected to remain above the 55 ± percent ceiling. The Present Value (PV) of total debt as a percentage of GDP is expected to above 55 percent benchmark until 2029 **(Table 6).** The Government remains committed to maintain public debt within sustainable levels.

Table 6: Kenya's Public Debt Sustainability Analysis

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2030
PV of debt-to-GDP ratio	55	65.7	65.3	65.6	65.0	64.2	63.1	62.1
PV of public debt-to-revenue and grant ratio		391.5	379.8	379.0	369.5	365.0	367.1	365.1

Source: The National Treasury

ii) The External Debt Sustainability Analysis (DSA) indicates that while the present value (PV) of external debt to GDP remains below the 40 percent threshold throughout the projection period, the PV of public and publicly guaranteed (PPG) external debt relative to exports is expected to be below the 180 percent limit through 2030 from 2026. In addition, debt service pressures remain significant, as the debt service-to-revenue ratio breached the 18 percent threshold between 2024 and 2025 due to heavy maturities and thereafter is projected to be below the threshold while the debt service-to-exports ratio is anticipated to remain above the 15 percent sustainability benchmark through 2030 **(Table 7).**

Table 7: Kenya's External Debt Sustainability

Indicators	Thresholds	2024	2025	2026	2027	2028	2029	2034
PV of external debt–to-GDP ratio	40	30.8	28.3	27.5	26.8	25.5	24.4	24.6
PV of PPG external debt-to-exports ratio	180	180.3	182.2	167.5	158.7	147.9	141.6	145.1
PPG Debt service-to-exports ratio	15	26.3	22.5	18.3	15.9	18.3	15.9	15.9
PPG Debt service-to-revenue ratio	18	27.0	20.6	17.6	15.5	18.3	16.1	16.2

Source: The National Treasury

To safeguard debt sustainability and reduce elevated risk of debt distress, the Government will adopt targeted policy measures aimed at strengthening external debt indicators. These measures include broadening and diversifying the export base to enhance foreign exchange earnings, while simultaneously building and maintaining robust gross international reserves to provide a stronger buffer against external shocks. These measures will improve the debt service-to-exports ratio, ease pressure on external debt sustainability thresholds, and reinforce Kenya’s overall resilience in managing public debt obligations.

To strengthen debt sustainability and mitigate risks, the Government will maintain a firm commitment to fiscal consolidation path over the medium term, thereby creating fiscal space and reducing vulnerabilities associated with public debt. Further, the Government will maximize the use of concessional external financing to lower borrowing costs, while strategically extending the maturity profile of public debt through the issuance of medium- to long-term bonds. These measures will ease near-term debt service pressures, improve debt sustainability indicators, and enhance Kenya’s resilience in managing future financing needs.

The National Treasury will continue to actively pursue Liability Management Operations (LMOs) aimed at lengthening the maturity profile of both domestic and external debt, thereby alleviating short-term repayment pressures and reducing rollover risks. In parallel, the Government should prioritize policies that foster solid and consistent export growth, as sustained expansion of the export base is critical to strengthening external debt sustainability indicators and ensuring resilience against external shocks. Together, these measures will enhance Kenya’s debt management strategy and support long-term fiscal and external stability.

e. **Fiscal risks shall be managed prudently**

The Government endeavours to prudently manage fiscal risks across key areas to ensure macroeconomic stability. First, the Government continues to address fiscal risks associated with public debt, maintaining sustainable levels to avoid undue pressure on public finances. Second, the Government has taken steps to mitigate the crystallization of contingent liabilities by ensuring that unforeseen obligations do not derail its fiscal objectives. Third, the Government is managing fiscal risks related to devolution, including those arising from county-level financial activities.

f. **A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future**.

The National Treasury continues to implement measures outlined in the National Tax Policy and the Medium-Term Revenue Strategy (MTRS). These documents seek to enhance predictability in tax policies giving businesses and investors’ confidence in planning for the future.

C. County Governments' Fiscal Performance.

26. Article 190 of the Constitution of Kenya provides that Parliament shall, through legislation, ensure County Governments receive adequate support to enable them to effectively perform their functions and operate financial management systems that meet the standards prescribed by national legislation.

27. In line with this provision, Section 12(1)(i) of the Public Finance Management (PFM) Act, 2012 mandates the National Treasury to strengthen financial and fiscal relations between the National and County Governments. It also encourages the provision of support to County Governments, in accordance with Article 190(1) of the Constitution. Further, Section 12(1)(j) of the PFM Act requires the National Treasury to assist County Governments in building capacity for efficient, effective, and transparent financial management.

28. Pursuant to these constitutional and statutory provisions, the National Treasury continues to implement initiatives aimed at strengthening intergovernmental fiscal relations. These initiatives include development of policies and legislative frameworks, providing technical support and advisory services, and undertaking capacity-building programmes to enhance public financial management across County Governments.

a) Sources of County Governments' Revenue

i) Transfers to County Governments in FY 2025/26

29. During FY 2025/26, a total of KSh 464.4 billion was transferred to County Governments in form of equitable share of revenue and additional allocations from the National Government and donor partners. This was against a target of KSh 485.7 billion which represents a 95.6 percent achievement. The transfers included full disbursement of equitable share of KSh 415 billion as contained in the Division of Revenue Act 2025 and additional allocations amounting to KSh49.4 billion.

30. As of 30th June, 2026, County Governments received a total of KSh 415 billion, representing 100 percent of the total equitable share allocations for FY 2025/2026, as provided in the Division of Revenue Act, 2025. This transfer is a significant milestone in fulfilling the provisions of Article 219 of the Constitution.

31. The County Government Additional Allocations Act (CGAAA) 2025 for FY 2025/26 was assented to on 21st November 2025. The Act contained a total allocation of KSh 70.7 billion. This comprised of unconditional allocations from National Government amounting to KSh 2.9 billion, conditional allocations from the National Government share of revenue amounting to KSh 9.9 billion and conditional allocations from development partners in form of loans and grants amounting to KSh 57.7 billion. County Governments received KSh 41.5 billion through the respective Ministries, Departments and Agencies (MDAs). In total, County Governments received KSh 49.4 billion against an allocation of KSh 70.7 billion translating to 70 percent performance. This was a marked improvement compared to KSh18.23 billion disbursement against a target of KSh 50.5 billion which translated to a 36 percent performance in the previous FY 2024/25. This improvement was attributed to early enactment of the CGAAA 2025 for financial year 2025/26. The MDAs are currently expected to submit to the National Treasury information on the actual transfers of additional allocations to the beneficiary County Governments.

32. Unconditional allocations from National Government consisted of KSh 2.9 billion as allocation of 20 per cent share of mineral royalties to County Governments as defined in the Mining Act, 2016 and KSh 11.5 million emanating from contravention of County Legislation.

Out of this, the National Treasury disbursed 100 percent of the KSh 2.9 billion allocations for mineral royalties to eligible counties. The full disbursement of the allocation reflects the Government's commitment to ensuring the timely transfer and supporting County Governments in the delivery of devolved functions. The National Treasury continues to coordinate the transfer of these funds to eligible County Governments to facilitate the equitable sharing of benefits arising from mineral resources.

33. The allocation of KSh 11.5 million for court fines was appropriated in the budget estimates of the National Treasury but due to revenue underperformance, the monies were not disbursed to counties. Consideration have been made to reappropriate these allocations in subsequent budgets to allow transfers to beneficiary County Governments.

34. Conditional allocations from the National Governments share of revenue of KSh 9.9 billion consisted of allocations towards Settlement of Doctors Arrears, Community Health Promoters Programme, Construction of County Headquarters, County Aggregation and Industrial Parks (CAIPs) and the 0.5% allocation of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees. The National Treasury transferred a total of KSh 4.9 billion to County Governments through the respective Ministries, Departments and Agencies as transfers towards construction of county headquarters and CAIPs to enable the continued implementation and completion of the projects. Allocations towards Settlement of Doctors Arrears and Community Health Promoters Programme were not disbursed during the financial year due to revenue underperformance.

35. In an effort to ensure hundred percent disbursement for additional allocations, the National Treasury has developed the draft Public Finance Management (Amendment) Bill, 2025 (National Assembly Bill No. 17 of 2025) that proposes to introduce two bills to govern additional allocations in a bid to separate additional allocations financed by National Governments share of revenue and those by Development Partners as contained in the County Governments Additional Allocations Act (CGAAA) by amending section 42 and section 191 of the PFMA Cap.412A. Further, the National Treasury has made significant progress in the development of the National Policy on the Management of Intergovernmental Fiscal Transfers that is expected to provide a comprehensive framework for improving the management of intergovernmental fiscal transfers by enhancing predictability, transparency, accountability, and coordination in the transfer of resources between the two levels of government, thereby ensuring timely disbursement and utilization of resources.

ii) County Governments Own Source Revenue

36. County Governments play a critical role in the delivery of devolved services and the promotion of socio-economic development at the local level. Their ability to effectively discharge these functions depends, in part, on their capacity to mobilize adequate Own Source Revenue (OSR). Own Source Revenue comprises revenue generated from county taxes, fees, charges and licenses independent of equitable share allocations and other transfers from the National Government or Development Partners.

37. The Office of the Controller of Budget (OCOB), in the *County Governments Budget Implementation Review Report* for the first nine months of FY 2025/26, provides data on county Own Source Revenue (OSR) collections and Appropriations-in-Aid (A-i-A). A summary of this performance is presented in **Table 8**.

Table 8: Total OSR for the First Nine Months of FY 2025/26, KSh m (Including A-i-A)

County	Target Revenue (Ksh. Millions)			Actual Released (Ksh.Millions)			Perfomance (%)
	Ordinary OSR	FIF/AIA	Total OSR	Ordinary OSR	FIF/AIA	Total OSR	Performance of Actual revenue against Target Revenue(%)
Samburu	282.37	0	282.37	277.72	112.1	389.82	138.1
Garissa	101	349	450	44.27	444.86	489.13	108.7
Kirinyaga	459	305	764	324.74	454.8	779.54	102.0
West Pokot	98.15	253.51	351.66	77.34	216.31	293.65	83.5
Trans Nzoia	324.97	275.03	600	243.14	245.43	488.57	81.4
Nyeri	800	850	1,650.00	530.03	764.29	1,294.32	78.4
Vihiga	170	274.13	444.13	148.45	194.75	343.2	77.3
Mombasa	3,877.93	1,200.00	5,077.93	2,192.10	1,718.19	3,910.29	77.0
Tharaka-Nithi	293.08	305.4	598.48	189.65	270.12	459.76	76.8
Murang'a	1,018.57	588.1	1,606.67	503.65	656.86	1,160.51	72.2
Lamu	150	130	280	71.17	129.63	200.8	71.7
Wajir	110	240	350	75.79	166.73	242.51	69.3
Migori	525	350	875	204.15	388.11	592.26	67.7
Makueni	1,067.56	600	1,667.56	317.66	806.8	1,124.46	67.4
Laikipia	725	626	1,351.00	374.65	508.38	883.02	65.4
Enbu	712.49	600	1,312.49	263.4	591.77	855.17	65.2
Meru	796	1,025.50	1,821.50	324.7	848.19	1,172.89	64.4
Machakos	3,020.88	1,069.90	4,090.78	1,378.81	1,242.11	2,620.93	64.1
Elgeyo - Marakwet	107.43	350	457.43	55.78	230.11	285.89	62.5
Kwale	486.04	400	886.04	259.91	292.38	552.3	62.3
Nakuru	2,400.00	2,175.90	4,575.90	1,313.32	1,502.58	2,815.90	61.5
Homa Bay	566.18	1,104.91	1,671.09	304.04	714.57	1,018.62	61.0
Uasin Gishu	1,300.00	450	1,750.00	666.55	391.54	1,058.09	60.5
Nandi	669.21	453.61	1,122.82	217.34	456.76	674.1	60.0
Bungoma	683.89	1,393.56	2,077.45	390.62	831.13	1,221.76	58.8
Kitui	312.35	806.9	1,119.25	196.24	452.22	648.47	57.9
Narok	5,909.59	120.95	6,030.54	3,301.73	142.08	3,443.81	57.1
Nyamira	675	300	975	166.66	386.47	553.13	56.7
Kakanega	957.37	1,242.63	2,200.00	431.57	806.13	1,237.70	56.3
Kilifi	1,875.71	500	2,375.71	524.62	691.78	1,216.40	51.2
Nairobi	19,942.05	1,236.00	21,178.05	9,440.57	1,348.85	10,789.42	50.9
Busia	554.7	445.06	999.76	153.13	355.31	508.44	50.9
Baringo	331.94	320	651.94	131.27	195.25	326.51	50.1
Bomet	607.5	290	897.5	88.05	340.65	428.69	47.8
Nyandarua	218.71	650	868.71	101.58	309.7	411.28	47.3
Taita-Taveta	669.6	280	949.6	234.55	202.53	437.09	46.0
Isiolo	271.21	104	375.21	122.54	44.29	166.83	44.5
Kajiado	1,200.00	440	1,640.00	514.24	214.17	728.41	44.4
Tana River	196.07	4.35	200.42	85.62	2.24	87.86	43.8
Marsabit	150	173.5	323.5	67.92	73.81	141.73	43.8
Mandera	360	322.53	682.53	128.13	146.98	275.11	40.3
Kericho	870.13	724.25	1,594.38	245.56	392.32	637.88	40.0
Kiambu	7,322.37	2,611.85	9,934.22	2,486.44	1,411.62	3,898.06	39.2
Kisii	1,467.00	1,700.00	3,167.00	352.49	809.14	1,161.62	36.7
Kisumu	2,741.31	800	3,541.31	581.66	505.57	1,087.23	30.7
Siaya	2,036.24	1,078.69	3,114.92	184.2	423.24	607.45	19.5
Turkana	600	600	1,200.00	143.04	19.88	162.92	13.6
Total	**70013.6**	**30120.26**	**100133.85**	**30430.79**	**23452.73**	**53883.53**	**53.8**

Source of Data: Controller of Budget

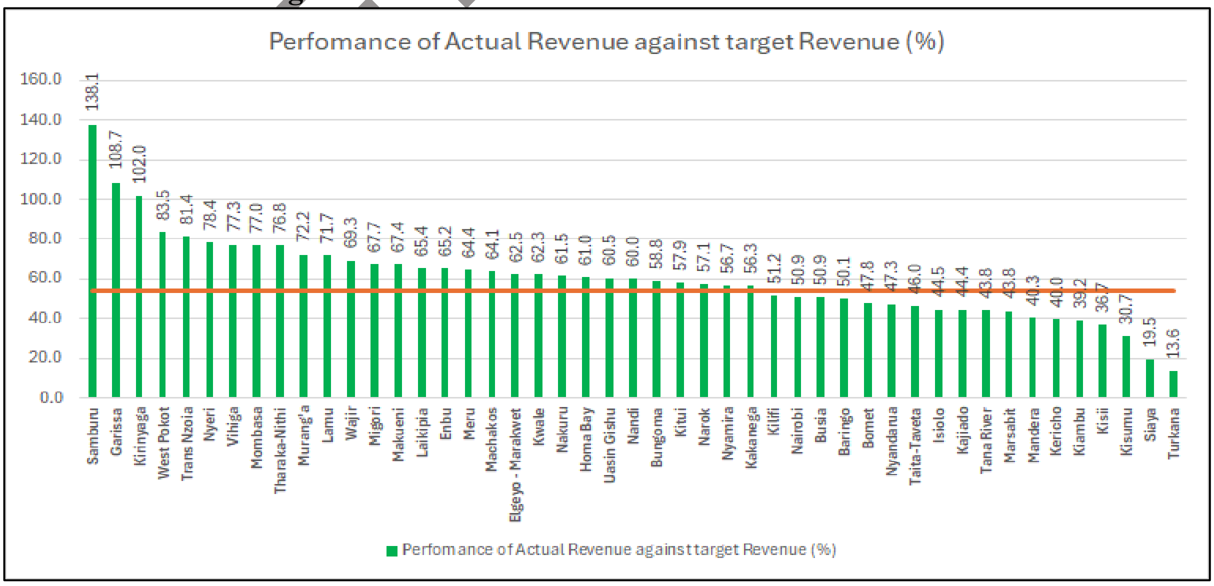
38. During the first nine months of FY 2025/26, County Governments collectively generated KSh 53.83 billion in Own Source Revenue (OSR), representing an increase from KSh 45.90

billion recorded over the corresponding period in FY 2024/25. This translates to an overall performance rate of 53.8 percent against an annual target of KSh 100.13 billion, Of the total collections, Appropriations-in-Aid (A-i-A), including the Facility Improvement Fund (FIF) and other A-i-A sources, amounted to KSh 23.45 billion against a target of KSh 30.12 billion, representing a performance rate of 77.9 percent. Excluding A-i-A, counties generated ordinary OSR amounting to KSh 30.43 billion against a target of KSh 70.01 billion, translating to a performance rate of 43.5 percent.

39. Overall, County Governments recorded moderate progress in mobilizing own source revenue during the review period, although performance remained below the annual target. The aggregate OSR performance highlights a substantial deviation from the set targets, reflecting underlying challenges in local revenue mobilization and possible external constraints affecting collection efforts. The average OSR performance for counties stood at 53.8%. Only 29 counties managed to collect more than average OSR collection for counties of their annual OSR targets. The top-performing counties were: Samburu at 138.1, Garissa at 108.7% Kirinyaga at 102% and West Pokot at 83.5%. Conversely, the counties with the lowest OSR performance included Kisumu at 30.7%, Siaya at 19.5%, and Turkana at 13.6%.

40. The relatively strong performance recorded by counties such as Garissa, Narok, and Samburu may be attributed to sustained efforts to strengthen local revenue administration, including enhanced enforcement, expanded automation of revenue collection systems, and improved compliance by taxpayers. Tana River's performance, which exceeded its annual target, may indicate that its revenue target was conservative relative to its actual revenue potential. Conversely, the weaker performance recorded by counties such as Machakos, Bungoma, and Kisumu may reflect challenges including inefficiencies in revenue administration, weak enforcement of county revenue laws, limited automation of revenue collection systems, and optimistic revenue projections. These variations underscore the need for continued reforms aimed at strengthening county revenue administration, enhancing automation, broadening the local revenue base, and improving the realism of county revenue forecasts. These performance levels are illustrated in **Figure 1.**

Figure 1: Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target for the First Nine Months of FY 2025/26



Source of Data: Controller of Budget

iii) Other Revenue Raising Measures Implemented in FY 2025/26

41. The National Treasury continues to implement the National Policy to Support Enhancement of County Governments' Own Source Revenue 2018, which seeks to strengthen county revenue mobilization through legal, policy, and institutional reforms. A key milestone under the Policy is the enactment of the National Rating Act, 2024. The Act provides for the establishment of a framework to facilitate County Governments in claiming Contributions in Lieu of Rates (CILOR) payable by the National Government. Consequently, the National Land Commission, in consultation with the Cabinet Secretary responsible for Lands, the Council of Governors and the National Treasury has commenced the development of regulations as provided under Section 20 (2) of the National Rating Act, 2024. These regulations will provide for: a) all public land that should be included in the valuation roll; b) all public land excluded from appearing on the valuation roll for rating purposes; and c) all public land exempted for purposes of appearing on the valuation roll.

b) County Governments Expenditure for FY 2025/26

42. **Table 9** provides a summary of total expenditures, total revenues and absorption rates for the FY 2025/26.

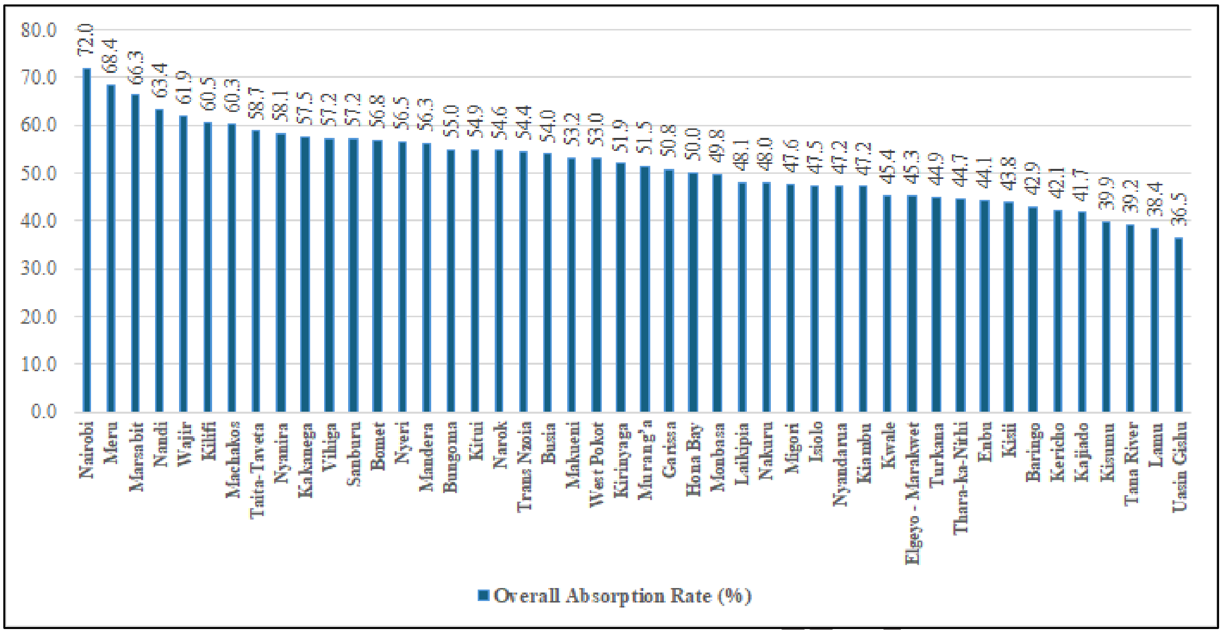
Table 9: County Revenue, Expenditures and Overall Absorption Rates for First Nine Months of the FY 2025/26

Item	Approved Budget Estimates (KSh Million)	Actual (KSh Million)	Overall Absorption (%)
Total Revenue	415,000.00	387,346.42	
Total Expenditure	633,303.87	331,647.72	52
Development Expenditure	234,329.28	72,073.40	31
Recurrent Expenditure	398,974.59	259,574.32	65
Wages and Salaries		171,356.97	
Other Recurrent		88,217.35	
% of Development Exp. in Total Expenditure	37.0		
% of Recurrent Exp. in Total Expenditure	63.0		
% of Wages in Total Revenue		44.0	

Source of Data: Controller of Budget

43. During the first nine months of FY 2025/26, County Governments recorded total actual expenditure of KSh 331.65 billion, comprising both recurrent and development expenditure. Over the same period, total actual revenue amounted to KSh 387.35 billion. The aggregate budget absorption rate stood at 52.0 percent, an improvement from 47.7 percent recorded during the corresponding period of FY 2024/25. The higher absorption rate indicates improved budget execution by County Governments, although expenditure performance remained below the expected level for the review period. County-specific budget absorption rates are presented in **Figure 2**.

Figure 2: Overall Absorption rate by County Governments for the First Nine Months of FY 2025/26



Source of Data: Controller of Budget

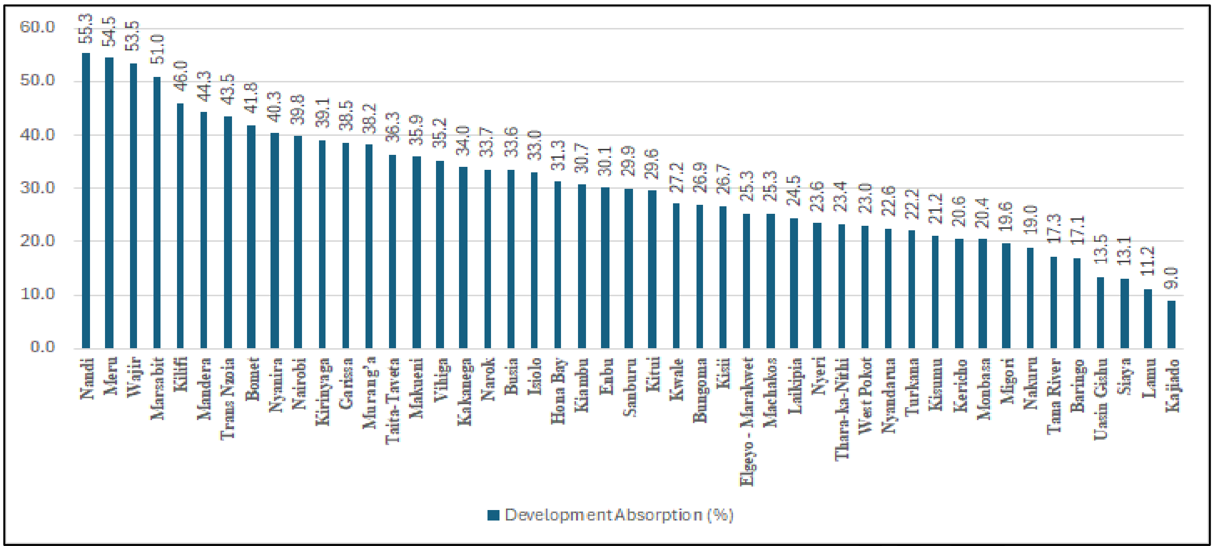
44. Counties that recorded relatively high-budget absorption rates, such as Nairobi, Meru, and Marsabit, may reflect stronger budget execution and a greater capacity to utilize available resources within the review period. Effective budget absorption is generally associated with timely implementation of planned programmes and projects, which supports improved service delivery and achievement of development objectives.

45. Conversely, counties with relatively low-budget absorption rates, including Uasin Gishu, Lamu, and Tana River, may have experienced challenges in implementing their approved budgets. These may include delays in procurement and project implementation, late disbursement of funds, administrative inefficiencies, or institutional capacity constraints. Addressing these challenges will be critical to improving budget execution, enhancing service delivery, and ensuring the timely implementation of county development programmes.

i) Absorption Rate for Development Expenditure

46. For the first nine months of FY 2025/26, the aggregate development expenditure absorption rate across County Governments stood at 30.8 percent, representing an improvement from 25.6 percent recorded during the corresponding period of FY 2024/25. This indicates that nearly one-third of the budgeted development expenditure had been utilized by the end of the review period **(Figure 3)**. While the improvement reflects enhanced implementation of development programmes and projects, the overall absorption rate remains relatively low, suggesting the need to accelerate project execution during the remaining quarter of the financial year.

Figure 3: Absorption Rates for Development Expenditure for the First Nine Months of 2025/26



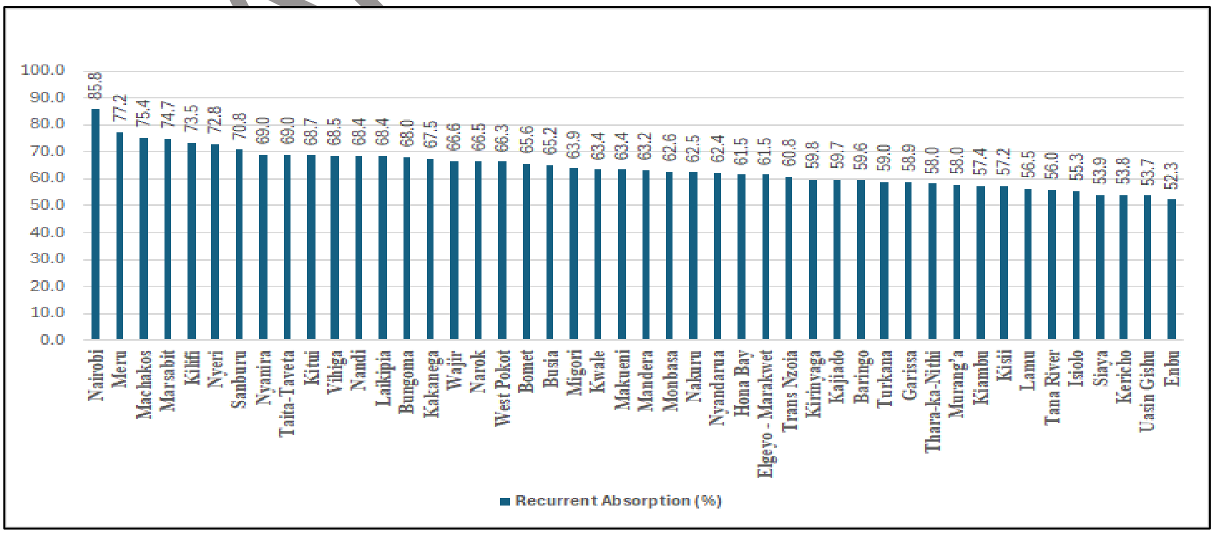
Source of Data: Controller of Budget

47. The counties with the highest absorption rate for development expenditure were Nandi, Meru and Wajir while the counties with the lowest absorption rate were Siaya, Lamu and Kajiado.

ii) Absorption Rates of the Recurrent Expenditure

48. During the first nine months of FY 2025/26, the aggregate recurrent expenditure absorption rate across County Governments stood at 65.1 percent **(Figure 4)**. The relatively high absorption rate reflects the priority accorded to financing recurrent obligations, including personnel emoluments and other operational expenditures necessary for the continued delivery of county services. While sustained funding of recurrent expenditure is essential for maintaining government operations, counties should continue to balance recurrent spending with adequate investment in development programmes to support long-term socio-economic growth.

Figure 4: Absorption Rates for Recurrent Expenditure for the First Nine Months of 2025/26



Source of Data: Controller of Budget

D. County Governments' Compliance with Fiscal Responsibility Principles

49. Section 107(2) of the Public Finance Management (PFM) Act, Cap. 412A, sets out the fiscal responsibility principles that guide County Governments in the management of public finances with the objective of promoting fiscal discipline, fiscal sustainability, accountability and the efficient use of public resources. It states that in managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

i) the county government's recurrent expenditure shall not exceed the county government's total revenue;
ii) over the medium term a minimum of thirty percent of the County Government's budget shall be allocated to the development expenditure;
iii) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
iv) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
v) the county debt shall be maintained at a sustainable level as approved by county assembly;
vi) the fiscal risks shall be managed prudently; and
vii) a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

50. In addition, Section 107(2)(c) of the PFM Act, read together with Regulation 25(1)(a) of the PFM (County Governments) Regulations, 2015, requires that expenditure on compensation of employees shall not exceed 35 per cent of total county government revenue. An assessment of County Governments' adherence to these principles during FY 2025/26 is presented below.

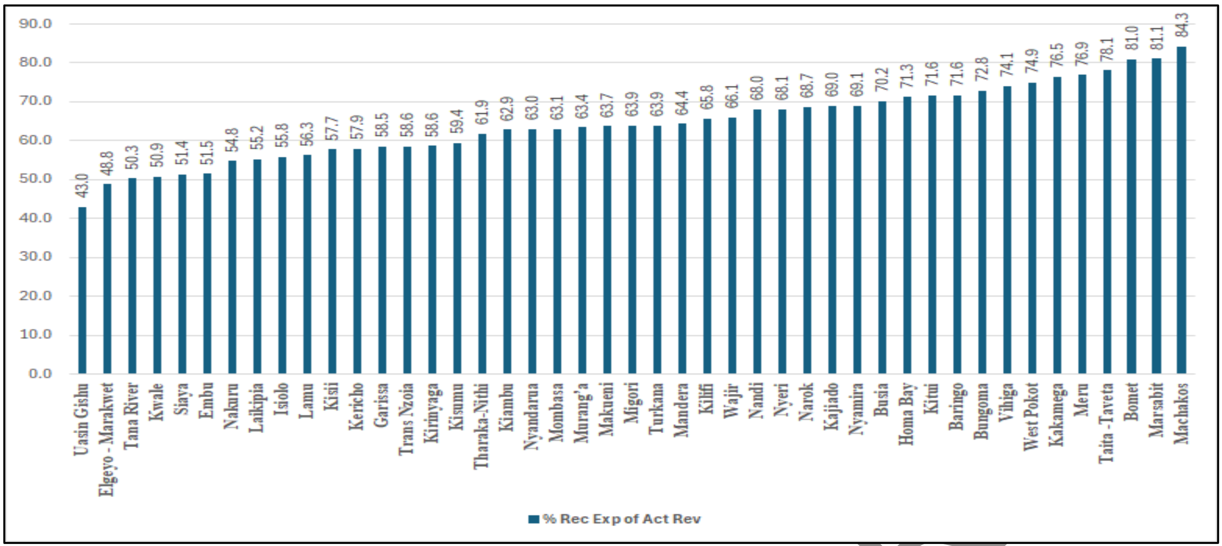
51. Overall, County Governments demonstrated broad compliance with the fiscal responsibility principles relating to development expenditure allocation and recurrent expenditure sustainability. However, challenges remain in the implementation of development programmes, expenditure absorption, compliance with the compensation of employees' threshold and management of pending bills. Addressing these challenges will strengthen fiscal discipline, improve service delivery and enhance the sustainability of county public finances.

i) Recurrent Expenditure as a Percentage of Total Revenue

52. Section 107(2)(a) of the Public Finance Management (PFM) Act, Cap. 412A requires that County Governments' recurrent expenditure shall not exceed their total revenue. The analysis indicates that all County Governments adhered to this principle, demonstrating that recurrent expenditure remained within the available revenue envelope and supporting fiscal sustainability.

53. However, as illustrated in **Figure 5**, Bomet (81.0%), Marsabit (81.1%) and Machakos (84.3%) counties spent over 80 per cent of their total revenue on recurrent expenditure. While these counties remained compliant with the statutory requirement, the high share of recurrent expenditure may reflect elevated personnel and operational costs, limited fiscal space for development spending, delays in the implementation of development projects, or lower-than-expected revenue performance. Sustained high recurrent expenditure may constrain the resources available for development programmes and compromise the counties' ability to expand infrastructure and improve service delivery over the medium term.

Figure 5: Recurrent Expenditure as a Percentage of Total Revenue for the First Nine Months of the FY 2025/26

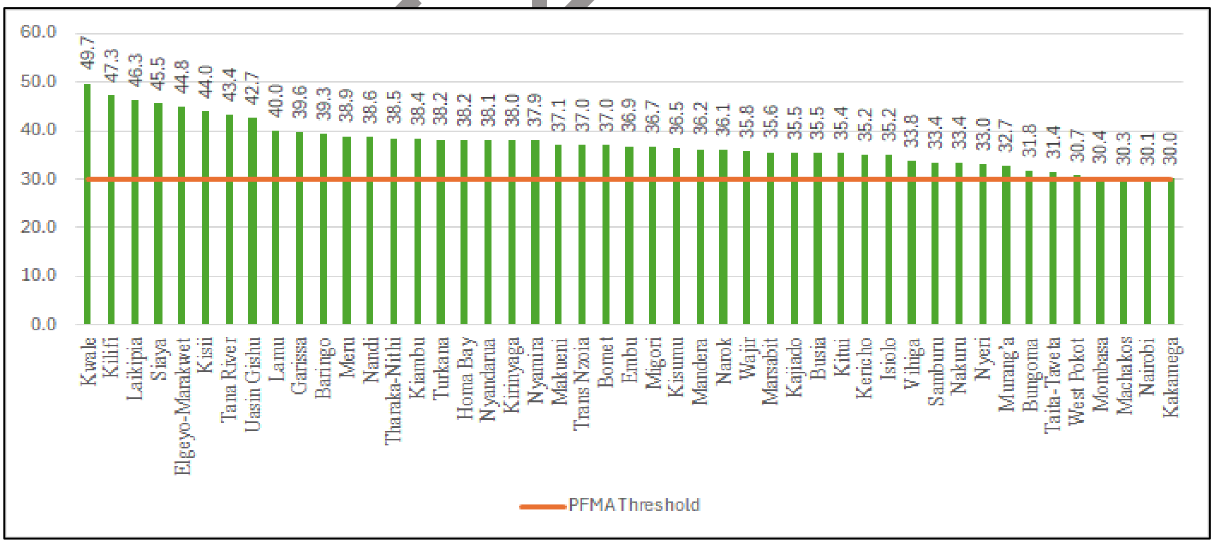


Source: Controller of Budget

ii) Development Budget as a Percentage of the Total Budget

54. Section 107(2)(b) of the PFM Act requires County Governments to allocate a minimum of 30 per cent of their budgets to development expenditure over the medium term. Analysis of FY 2025/26 budget estimates **(Figure 6)** indicates that the majority of counties complied with this requirement at the budgeting stage. Overall, counties allocated 37 percent of their expenditure to development falling within the required PFM threshold.

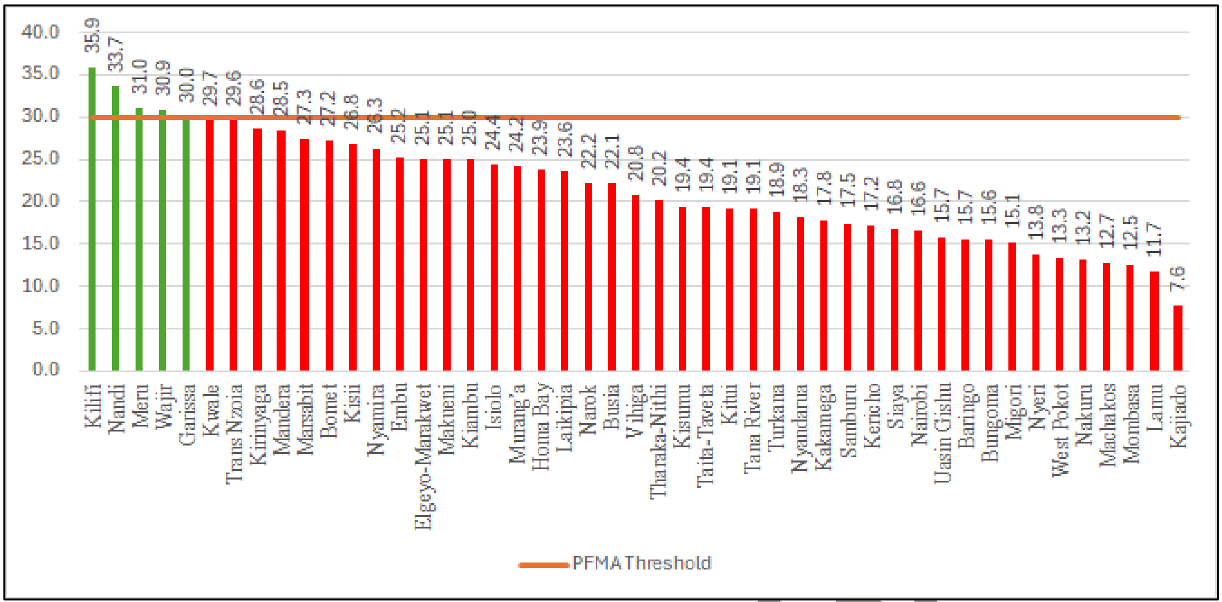
Figure 6: Budgeted Development Expenditure as a Percentage of Total County Budget for the first nine months of FY 2025/26



Source: Controller of Budget

55. Actual expenditure for the first nine months of FY 2025/26 varied across counties, as seen in Figure 7 with most counties falling below the statutory threshold due to low absorption of development expenditure, reflecting delays in project implementation and procurement. Only five counties namely Kilifi, Nandi, Meru, Wajir and Garissa, met the statutory threshold for actual development expenditure. In contrast, Kajiado, Lamu and Mombasa recorded the lowest performance in terms of the ratio of actual development expenditure to total expenditure.

Figure 7: Actual Development Expenditures as a Percentage of Actual Total Expenditure for the First Nine Months of the FY 2025/26



Source of Data: Controller of Budget

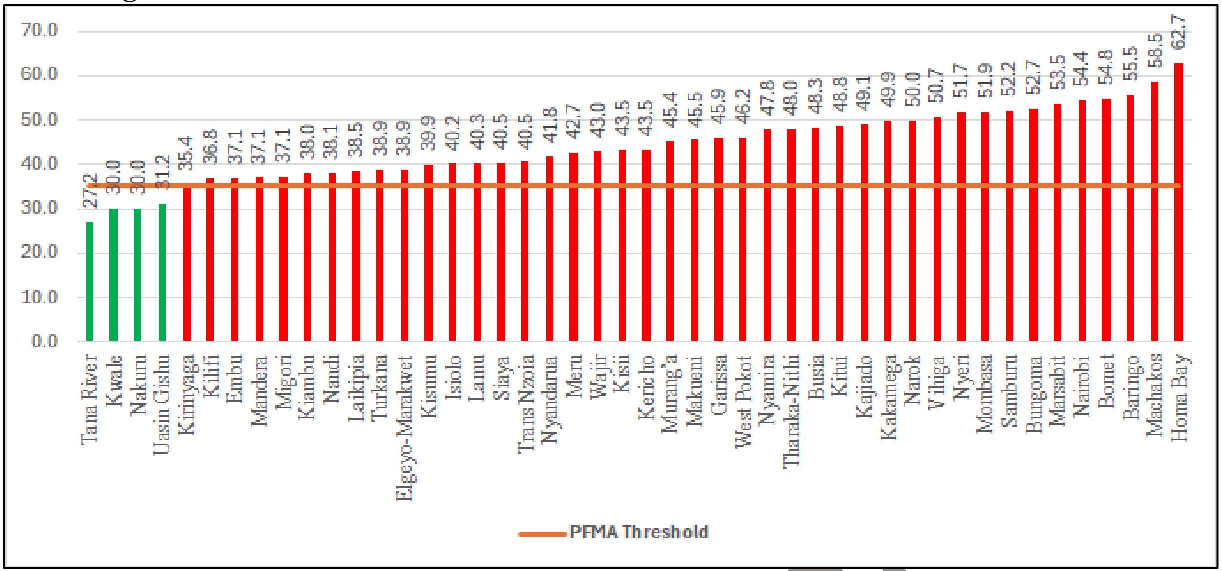
56. Development expenditure as a share of total actual expenditure improved slightly from 19.9 percent to 21.7 percent, indicating modest gains in counties' actual spending on development projects. However, the number of counties adhering to the PFMA threshold is significantly low. County development may be compromised with higher allocations going to recurrent expenditures.

iii) Expenditure on Wage Bill as a Percentage of Total Revenue

57. Section 107(2)(c) of the PFM Act, read together with Regulation 25(1)(a) of the PFM (County Governments) Regulations, 2015, requires that expenditure on compensation of employees shall not exceed 35 per cent of total county government revenue. The analysis of the first nine months shows that the majority of County Governments did not comply with the prescribed ceiling. Overall, County Governments spent 44.2 per cent of their total revenue on compensation of employees, exceeding the prescribed threshold of 35 per cent.

58. As illustrated in **Figure 8**, only four counties namely, Tana River (27.2%), Kwale (30.0%), Nakuru (30.0%) and Uasin Gishu (31.2%), complied with the prescribed threshold, while the remaining forty-three counties exceeded the statutory limit. Homa Bay recorded the highest wage bill at 62.7 per cent of total revenue, followed by Machakos (58.5 %) and Baringo (55.8 %). The high-wage bill observed in most counties constrains fiscal space for operations and development expenditure, thereby limiting resources available for service delivery and long-term development priorities.

Figure 8: County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for the First Nine Months of FY 2025/26



Source of Data: Controller of Budget

iv) Prudent Management of Fiscal Risks

59. Section 107 (2) (f) of the PFM Act, CAP412A requires County Treasuries to manage their fiscal risks prudently. During the review period, a number of fiscal risks were identified in revenue and expenditure performance. These are:

i) High expenditure on wage bill that lowers the ability of County Governments to meet financial obligations on operations & maintenance and development requirements;

ii) Underperformance in OSR, which results in unfunded budgets resulting in accumulation of pending bills, and

iii) High levels of pending bills that negatively affect effective delivery of public services as well as local business development.

60. As of 31st March, 2026, County Governments reported outstanding trade payables totalling KSh 156.84 billion. This amount includes KSh116.50 billion for recurrent activities and KSh 40.34 billion for development activities. The trade payables for the County Executive as of this date were KSh 151.49 billion, while for the Assemblies amounted to KSh 5.35 billion. **Table 10** below provides a breakdown of the County Governments' Trade Payables as of 31st March 2026.

Table 10: Trade Payables for the Counties as of 31st March 2026

County	County Executive (KSh Million)			County Assembly (KSh Million)			Grand Total (KSh Million)	FY 2025/26 Budget (KSh Million)	% of Pending Bill to Budget
	Rec	Dev	Sub-Total	Rec	Dev	Sub-Total			
Baringo	151.87	95.61	**247.48**	23.89	0.00	**23.89**	**271.37**	9,542.03	3
Bomet	229.87	352.85	**582.71**	7.21	10.85	**18.06**	**600.78**	10,815.78	6
Bungoma	1,576.69	1,801.31	**3,378.00**	0.01	-	**0.01**	**3,378.01**	17,433.19	19
Busia	1,174.30	937.57	**2,111.86**	548.34	0.00	**548.34**	**2,660.20**	11,248.15	24
Elgeyo- Marakwet	6.31	2.41	**8.72**	0.00	0.00	**0.00**	**8.72**	8,849.61	0
Embu	662.82	611.83	**1,274.64**	0.00	0.00	**0.00**	**1,274.64**	8,990.25	14
Garissa	731.47	814.44	**1,545.91**	57.89	26.74	**84.63**	**1,630.54**	12,694.63	13
Homa Bay	182.63	520.43	**703.06**	83.87	157.17	**241.04**	**944.10**	13,601.45	7
Isiolo	645.12	180.35	**825.46**	121.21	106.36	**227.57**	**1,053.03**	7,555.84	14
Kajiado	1,101.62	1,246.53	**2,348.16**	33.65	8.69	**42.34**	**2,390.49**	13,775.47	17
Kakamega	1,739.09	826.94	**2,566.03**	503.78	163.84	**667.62**	**3,233.65**	17,047.86	19
Kericho	247.83	776.14	**1,023.97**	0.00	13.21	**13.21**	**1,037.18**	10,034.96	10
Kiambu	3,059.85	2,283.83	**5,343.67**	175.30	31.21	**206.51**	**5,550.18**	26,831.32	21
Kilifi	2,786.36	3,317.43	**6,103.79**	287.24	4.29	**291.53**	**6,395.32**	19,876.51	32
Kirinyaga	363.85	373.98	**737.83**	0.00	0.00	**0.00**	**737.83**	8,541.37	9
Kisii	444.33	116.44	**560.77**	1.85	28.43	**30.28**	**591.05**	20,047.93	3
Kisumu	1,499.06	1,120.08	**2,619.14**	12.08	0.00	**12.08**	**2,631.22**	16,331.52	16
Kitui	11.73	103.33	**115.06**	9.22	0.00	**9.22**	**124.29**	14,745.36	1
Kwale	179.38	161.86	**341.24**	0.00	207.95	**207.95**	**549.19**	15,827.56	3
Laikipia	384.16	922.98	**1,307.14**	20.77	3.99	**24.76**	**1,331.90**	9,217.14	14
Lamu	17.92	0.00	**17.92**	0.00	0.00	**0.00**	**17.92**	5,592.56	0
Machakos	2,932.85	2,307.37	**5,240.23**	221.99	1.94	**223.93**	**5,464.16**	15,193.59	36
Makueni	93.10	17.09	**110.20**	113.52	0.00	**113.52**	**223.72**	13,106.07	2
Mandera	722.16	958.98	**1,681.14**	0.00	0.00	**0.00**	**1,681.14**	15,011.67	11
Marsabit	0.00	143.08	**143.08**	3.43	72.33	**75.76**	**218.84**	10,329.94	2
Meru	315.42	311.92	**627.34**	0.00	0.00	**0.00**	**627.34**	16,018.83	4
Migori	336.64	280.01	**616.65**	629.57	0.30	**629.87**	**1,246.51**	11,777.35	11
Mombasa	700.02	1,270.60	**1,970.62**	14.38	0.00	**14.38**	**1,985.00**	14,630.00	14
Murang'a	1,002.81	143.45	**1,146.26**	36.12	0.00	**36.12**	**1,182.39**	11,716.75	10
Nairobi	74,517.63	6,619.17	**81,136.80**	650.60	0.00	**650.60**	**81,787.40**	44,620.89	183
Nakuru	1,473.17	438.23	**1,911.40**	63.43	0.00	**63.43**	**1,974.83**	22,397.40	9
Nandi	222.46	216.09	**438.54**	0.00	0.00	**0.00**	**438.54**	10,641.18	4
Narok	2,786.50	1,592.52	**4,379.02**	21.80	0.00	**21.80**	**4,400.82**	17,231.06	26
Nyamira	386.19	322.92	**709.11**	3.70	10.07	**13.77**	**722.88**	8,646.30	8
Nyandarua	297.53	630.62	**928.15**	50.97	0.05	**51.02**	**979.17**	9,426.48	10
Nyeri	218.52	12.45	**230.97**	0.00	0.00	**0.00**	**230.97**	9,441.73	2
Samburu	6.27	53.74	**60.01**	24.11	0.00	**24.11**	**84.12**	8,109.38	1
Siaya	759.30	601.47	**1,360.77**	72.58	0.00	**72.58**	**1,433.35**	12,793.34	11
Taita-Taveta	1,331.45	480.54	**1,811.99**	84.95	0.00	**84.95**	**1,896.94**	8,335.02	23
Tana River	1,167.19	905.38	**2,072.56**	0.00	0.00	**0.00**	**2,072.56**	9,964.87	21
Tharaka-Nithi	244.74	109.80	**354.54**	101.12	3.92	**105.04**	**459.58**	7,510.56	6
Trans Nzoia	806.33	947.06	**1,753.39**	0.00	0.00	**0.00**	**1,753.39**	9,917.66	18
Turkana	2,520.86	2,034.42	**4,555.28**	39.67	213.20	**252.87**	**4,808.15**	19,906.29	24
Uasin Gishu	818.14	109.95	**928.09**	134.23	0.00	**134.23**	**1,062.32**	17,427.22	6
Vihiga	319.25	552.26	**871.51**	0.00	0.00	**0.00**	**871.51**	7,926.22	11
Wajir	861.99	1,569.28	**2,431.27**	129.81	0.00	**129.81**	**2,561.08**	13,638.52	19
West Pokot	183.25	77.49	**260.74**	0.00	0.00	**0.00**	**260.74**	8,985.06	3
Total	**112,220.01**	**39,272.20**	**151,492.21**	**4,282.31**	**1,064.54**	**5,346.85**	**156,839.06**	**633,303.84**	**25**

61. In efforts to address the threat of the ballooning pending bills owed by National and County Governments, the government is in the process of enforcing strict enforcement of automated Integrated Financial Management Information System (IFMIS) Invoice Twinning, fully integrated with an end-to-end Electronic Government Procurement (e-GP) platform. Invoice Twinning ensures that every supplier invoice is electronically matched to an approved procurement plan, a valid purchase order, evidence of goods or services received, and a

corresponding budget allocation before payment processing can commence. This eliminates duplicate, fraudulent, or unsupported payment claims while strengthening expenditure controls.

62. When integrated with an end-to-end e-GP platform, the system creates a seamless digital procurement and payment lifecycle, from procurement planning and budget approval to tendering, contract award, contract execution, invoicing, and final payment. Such integration prevents MDAs from initiating procurement activities that are not supported by approved budgets or available cash, effectively blocking unbudgeted commitments at the source rather than addressing them after liabilities have already accumulated.

Remittance of statutory deductions (pension contributions) by County Governments

63. The Taskforce on Non-Remittance of Pension Deductions to Pension Schemes by County Government Entities concluded its assignment and submitted the final report to the Senate, in accordance with the provisions of Legal Notice No. 14800. The Taskforce recommended that pension contributions be paid together with salaries. Accordingly, the HRiS-Ke system, which is currently being rolled out in the counties, should be configured to enable automatic processing of remittances at the point of salary and statutory deduction processing. Furthermore, the deductions should be remitted automatically to the schemes simultaneously with the salary payments. In addition, the HRiS-Ke system should be integrated with IFMIS to ensure that all payments made are also reflected on the IFMIS platform, where the budget is captured. This integration will ensure proper alignment of expenditures with the approved budget.

64. The Senate Committee on County Public Investments and Special Funds considered the Taskforce Report and identified several outstanding administrative, financial, legal, regulatory, systemic, and structural challenges that continue to hinder the implementation of the Taskforce's recommendations. Consequently, the Committee recommended extending the Taskforce's term by an additional forty-five (45) days and requested the National Treasury to submit a progress report justifying the extension and outlining the status of implementation of the Taskforce's recommendations. The Taskforce is currently awaiting reappointment to enable it to address the outstanding matters identified by the Committee and complete its mandate.

E. Status of Equalisation Fund Disbursements and Project Implementation

65. During the period under review, the Equalisation Fund's cumulative constitutional entitlement, being one-half per cent (0.5%) of the most recent audited National Government revenue as approved by the National Assembly under Article 204(1) of the Constitution stood at KSh 80.09 billion. To date, a cumulative KSh 39.5 billion has been appropriated through three Appropriation Acts, namely KSh 12.4 billion (Equalisation Fund Appropriation Act, 2018), KSh 10.3 billion (Equalisation Fund Appropriation Act, 2023) and KSh 16.8 billion (Equalisation Fund Appropriation Act, 2026). The Equalisation Fund Appropriation Act, 2026 was, however, enacted towards the close of FY 2025/26 (assented to by the President on 29th May 2026) and falls for implementation in the current FY 2026/27; the operative appropriation for the period under review was therefore KSh 22.7 billion under the 2018 and 2023 Acts.

66. Against this operative appropriation, the Fund has received KSh 22.42 billion for financing basic services; water, roads, health facilities and electricity in the marginalised areas, reflecting near-full funding of the appropriations then due. Of the amount received, the Fund disbursed KSh 10.98 billion to Ministries, Departments and Agencies under the First Marginalisation Policy, an absorption rate of about 93% of the 2018 appropriation and KSh 6.92 billion to beneficiary County Governments under the Second Marginalisation Policy about 69% of the 2023 appropriation for the implementation of 1,984 projects (360 under the First Policy and 1,624 under the Second).

F. Emerging Issues

i) Proposed National Policy for Management of Intergovernmental Fiscal Transfers

67. The Constitution of Kenya, 2010, establishes a devolved system with two distinct and interdependent levels of government; the National Government and 47 County Governments, bound together by Article 6 that provides for principles of cooperation, consultation, and mutual respect. Fiscal decentralization is a fundamental pillar of this framework, ensuring that both levels of government are adequately resourced to deliver essential services to citizens.

68. Since the operationalization of a devolved system of government in 2013/14 financial year, significant progress has been made in advancing fiscal decentralization. However, persistent challenges continue to affect the efficiency and effectiveness of our intergovernmental fiscal transfer system. Although the Constitution, Public Finance Management Act (CAP412A) and its attendant Regulations provides a framework for prudent public financial management of intergovernmental fiscal transfer, there are persistent challenges affecting these fiscal transfers.

69. It is against this backdrop that National Treasury constituted and appointed members to a Multi-agency Taskforce to develop a National Policy on Management of Intergovernmental Fiscal Transfers in Kenya. The National Treasury has made significant progress in the development of this Policy that is expected to provide a comprehensive framework for improving the management of intergovernmental fiscal transfers by enhancing predictability, transparency, accountability, and coordination in the transfer of resources between the two levels of government, thereby ensuring timely disbursement and utilization of resources.

ii) Capacity Building of County Governments

70. Despite significant progress in the implementation of devolution, County Governments continue to face persistent public finance management challenges. Findings from reports by the Office of the Auditor-General (OAG), the Controller of Budget (CoB), and reviews of county fiscal documents have highlighted recurring weaknesses in budget formulation, execution, reporting, and accountability. These challenges include poor budget credibility arising from unrealistic revenue projections, low absorption of development funds, weak own-source revenue mobilisation, procurement inefficiencies, inadequate internal controls, and weak management of pending bills.

71. While recognizing these challenges and the need to strengthen county capacity in the management of additional allocations, the National Treasury through Intergovernmental Fiscal Relations Department, in collaboration with other departments of the National Treasury and the FLLoCA Programme, conducted capacity-building training on public finance management on additional allocations for Chief Officers responsible for Finance from all Forty-Seven (47) County Governments and Chairpersons of the County Assemblies' Committees on Budget and Appropriations.

III. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

A. World Economic Outlook

72. Global economic growth is projected to slow to 3.0 percent in 2026 from 3.5 percent in 2025, before recovering to 3.4 percent in 2027 **(Table 11).** The slowdown in 2026 reflects the adverse effects of the Middle East conflict, including higher energy prices, elevated inflationary pressures, supply chain disruptions, and increased geopolitical uncertainty. Growth is expected to recover in 2027 as energy market conditions gradually normalize, geopolitical tensions ease, and continued investment and productivity gains from AI-driven technological advancements provide stronger support to global economic activity. However, the recovery is expected to remain uneven, with energy exporters and technology-linked economies generally performing better than energy-importing countries with limited participation in the technology-driven expansion.

Table 11: Global Economic Performance

	Growth (%)					
	Actual				Projections	
Economy	2022	2023	2024	2025	2026	2027
World	3.6	3.5	3.5	3.5	3.0	3.4
Advanced Economies	2.9	1.8	1.9	1.9	1.7	1.8
Of which: USA	*1.9*	*2.9*	*2.8*	*2.1*	*2.3*	*2.2*
Euro Area	*3.4*	*0.5*	*1.0*	*1.4*	*0.9*	*1.2*
Japan	*1.0*	*1.4*	*(0.2)*	*1.1*	*0.6*	*0.7*
Emerging and Developing Economies	4.1	4.7	4.5	4.5	3.8	4.5
Of which: China	*3.0*	*5.4*	*5.0*	*5.0*	*4.6*	*4.1*
India	*7.0*	*9.2*	*7.1*	*7.7*	*6.4*	*6.7*
Sub-Saharan Africa	4.0	3.6	4.2	4.5	4.3	4.5
Of which: South Africa	1.9	0.8	0.5	1.1	1.1	1.3
Nigeria	3.3	2.9	4.1	4.0	4.1	4.3

*Source; IMF World Economic Outlook, July 2026 **National Treasury*

73. Growth in advanced economies is projected to remain subdued, with growth rising slightly from 1.7 percent in 2026 to 1.8 percent in 2027. The outlook reflects divergent effects of the Middle East conflict and the technology-driven investment cycle. Net energy exporters are partly cushioned by favourable terms-of-trade effects, while net energy importers face greater pressure from higher energy prices, although economies benefiting from technology-related activity are expected to perform better. Within the group, growth in the United States is projected at 2.3 percent in 2026 and 2.2 percent in 2027, supported by fiscal policy, accommodative financial conditions, and continued technology-related investment, while growth in the Euro Area and United Kingdom remains weaker before recovering in 2027 as the energy shock fades.

74. Growth in emerging market and developing economies is projected to slow to 3.8 percent in 2026 from 4.5 percent in 2025, before recovering to 4.5 percent in 2027, reflecting significant variation across regions. The sharpest slowdown is expected in the Middle East and Central Asia, where growth is projected to fall to 0.7 percent in 2026 from 3.5 percent in 2025 before rebounding strongly to 6.5 percent in 2027, as disruptions to energy production and transport ease. Growth in Emerging and Developing Asia is expected to remain relatively resilient, supported by strong technology-related investment and external demand.

75. Growth in Sub-Saharan Africa is projected to moderate to 4.3 percent in 2026 from 4.5 percent in 2025, before recovering to 4.5 percent in 2027. The slowdown in 2026 reflects higher energy and food prices arising from the Middle East conflict and reduced official development assistance, with the impact varying across economies. Growth is expected to strengthen in 2027 as external conditions improve, although structural and financing constraints and limited participation in the AI-driven technology expansion will continue to weigh on the region's outlook.

B. Kenya's Economic Performance

76. The Kenyan economy has remained resilient despite the challenging global environment, growing at an average rate of 5.0 percent over the period 2022 to 2025, compared with average global growth of 3.4 percent and 4.1 percent in Sub-Saharan Africa. This resilience reflects sound macroeconomic management, including prudent monetary and fiscal policies, sustained structural reforms, and increasing economic diversification, which have strengthened the economy's capacity to withstand adverse shocks. The economy's resilience continued in the first quarter of 2026, with real GDP growth accelerating to 5.3 percent from 4.9 percent in the corresponding quarter of 2025 **(Table 12**). The growth was broad-based, with all sectors recording positive performance, and was supported largely by stronger activity in manufacturing; agriculture, forestry and fishing; accommodation and food services; financial and insurance services; and real estate.

Table 12: Sectoral GDP Performance

Sectors/Sub-sectors	Annual Growth Rates		Quartely Growth Rates	
	2024	2025	2025 Q1	2026 Q1
1. Primary sector	**3.7**	**3.7**	**5.7**	**5.1**
1.1. Agriculture, Forestry and Fishing	4.4	3.1	5.3	4.9
1.2 Mining and Quarrying	(7.8)	14.9	12.7	9.1
2. Secondary Sector (Industry)	**1.6**	**4.1**	**3.6**	**5.1**
2.1. Manufacturing	3.0	2.0	2.8	4.4
2.2. Electricity and Water supply	2.7	5.2	4.1	4.3
2.3. Construction	(0.7)	6.8	4.5	6.6
3. Tertiary sector (Services)	**6.2**	**5.0**	**4.8**	**5.0**
3.1. Wholesale and Retail trade	4.0	3.6	4.3	4.0
3.2. Accomodation and Restaurant	25.9	15.6	8.0	14.7
3.3. Transport and Storage	4.3	3.7	3.6	3.6
3.4. Information and Communication	7.1	4.8	5.5	5.0
3.5. Financial and Insurance	7.5	6.5	5.3	6.3
3.6. Public Administration	8.7	8.3	9.5	5.7
3.7. Others	5.3	3.8	3.7	4.6
of which: Professional, Admin & Support Services	6.4	5.0	4.1	2.4
Real Estate	5.3	3.9	4.6	5.0
Education	4.8	2.8	1.8	6.2
Health	6.0	5.5	4.7	4.3
Taxes less subsidies	3.3	3.1	4.1	4.3
Real GDP	**4.7**	**4.6**	**4.9**	**5.3**

Source of Data: Kenya National Bureau of Statistics

77. The **primary sector** grew by 5.1 percent in the first quarter of 2026, compared to a growth of 5.7 percent in the corresponding quarter of 2025 **(Table 12).** Growth in the sector was supported by positive performance in both the agriculture, forestry and fishing and mining and

quarrying sub-sectors. However, the overall growth of the primary sector moderated compared to the corresponding quarter of 2025, reflecting slower expansion in these key sub-sectors.

78. The Agriculture, Forestry and Fishing sub-sector expanded by 4.9 percent in the first quarter of 2026, compared to 5.3 percent in the corresponding quarter of 2025. Growth was supported by improved output in tea, sugarcane and dairy, as well as stronger horticultural exports, reflecting favourable weather conditions, improved productivity and sustained export demand. However, overall growth moderated due to lower coffee production associated with the biennial production cycle and reduced fruit exports resulting from lower production and weaker demand in key export markets.

79. The Mining and Quarrying sub-sector grew by 9.1 percent in the first quarter of 2026, compared to 12.7 percent in the corresponding quarter of 2025. The sub-sector's performance was supported by increased production of key minerals, particularly soda ash, construction materials, and other quarry products, reflecting sustained demand from the construction and manufacturing sectors. However, growth moderated compared to the corresponding quarter of 2025, partly reflecting a higher base effect and slower expansion in mineral production.

80. **The industry sector** grew by 5.1 percent in the first quarter of 2026 compared to a growth of 3.6 percent in the first quarter of 2025, supported by improved growth in manufacturing, construction, and electricity and water supply sub- sectors.

81. The manufacturing sub-sector grew by 4.4 percent in the first quarter of 2026, compared to 2.8 percent in the corresponding quarter of 2025. The improved performance was driven by increased production in both the food and non-food manufacturing. Growth in food manufacturing was supported by higher production of sugar, soft drinks and dairy products, while non-food manufacturing benefited from increased production of assembled vehicles, galvanized sheets and cement. The sub-sector's performance was further supported by increased credit to manufacturing enterprises.

82. The construction sub-sector grew by 6.6 percent in the first quarter of 2026, compared to 4.5 percent in the corresponding quarter of 2025. The improved performance reflected increased demand for key construction materials, including cement, bitumen, iron and steel, indicating sustained activity in infrastructure development and private sector construction. Continued implementation of public infrastructure projects and resilient private sector investment also supported the sub-sector's growth.

83. The electricity and water supply sub-sector grew by 4.3 percent in the first quarter of 2026, compared to 4.1 percent in the corresponding quarter of 2025. The improved performance was supported by increased electricity generation, driven mainly by higher output from geothermal and hydro sources following improved water availability and continued investment in renewable energy. However, the growth was partly moderated by lower generation from thermal, wind and solar sources.

84. The services sector recorded a growth of 5.0 percent in the first quarter of 2026 compared to a growth of 4.8 percent in the same period in 2025. The transportation and storage sub-sector grew by 3.6 percent in the first quarter of 2026, the same rate as in the corresponding quarter of 2025. The sub-sector's performance was supported by increased road transport activity, higher cargo throughput at the Port of Mombasa, and continued growth in freight and passenger traffic on the Standard Gauge Railway (SGR), reflecting sustained trade and logistics activity.

85. The accommodation and food service sub-sector grew by 14.7 percent in the first quarter of 2026, compared to 8.0 percent in the corresponding quarter of 2025. The strong performance was supported by increased international visitor arrivals through the country's major airports,

reflecting sustained recovery in tourism, improved air connectivity, and stronger demand for hospitality services.

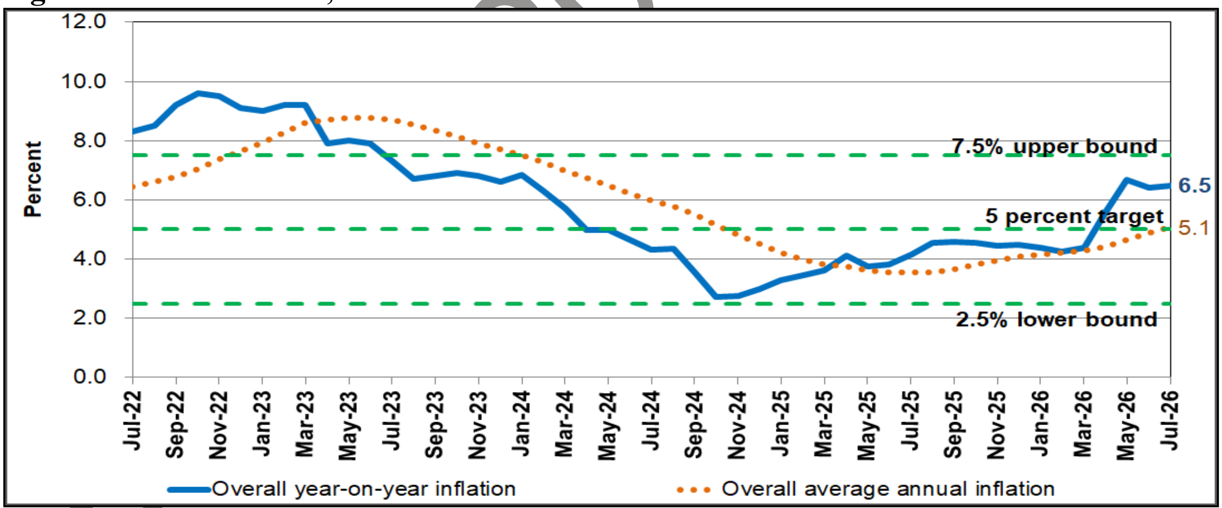
86. The information and communication sub-sector grew by 5.0 percent in the first quarter of 2026, compared to 5.5 percent in the corresponding quarter of 2025. The sub-sector's performance was supported by increased mobile voice traffic and higher international bandwidth utilization, reflecting continued growth in digital connectivity and communication services. However, overall growth moderated due to a decline in the use of SMS services and mobile money transactions, indicating evolving consumer preferences and payment patterns.

87. The financial and insurance sub-sector grew by 6.3 percent in the first quarter of 2026, compared to 5.3 percent in the corresponding quarter of 2025. The improved performance was supported by an accommodative monetary policy stance, reflected in lower policy and market interest rates, which reduced the cost of credit, improved liquidity conditions, and supported increased lending to the private sector.

Inflation Developments

88. Overall inflation increased to 6.5 percent in July 2026 from 4.1 percent in July 2025 due to higher energy prices arising from the elevated global oil prices but remained within the target range of 5±2.5 percent **(Figure 9).** Core inflation remained stable at 3.2 percent in July 2026, compared to 3.1 percent in July 2025, supported by lower prices of selected manufactured food items, alongside stable prices in other non-volatile components. In contrast, non-core inflation rose to 15.0 percent from 7.2 percent over the same period, largely driven by relatively higher energy prices, transport costs and food prices.

Figure 9: Inflation Rate, Percent



Source of Data: Kenya National Bureau of Statistics

89. In April 2026, the Government implemented targeted stabilization measures to cushion consumers from the full impact of rising global fuel prices. These interventions included the use of resources from the Petroleum Development Levy Fund to subsidize fuel pump prices. In addition, through Legal Notice No. 70 of 2026, the Government reduced the VAT rate on petroleum products from 16 percent to 8 percent for an initial period of three months. In July 2026, the Cabinet Secretary extended the application of the reduced 8 percent VAT rate for a further three months through a Gazette Notice.

90. Subsequently, global oil prices eased following the 18th June 2026 interim ceasefire agreement between the United States and Iran, which reduced geopolitical tensions and

improved confidence in global energy markets. The agreement supported the phased reopening of commercial shipping through the Strait of Hormuz, easing concerns over oil supply disruptions despite continued operational uncertainties. Consequently, Murban crude oil prices declined by approximately 31.1 percent, from about USD 100.2 per barrel at the height of the conflict in late April 2026 to around USD 69.0 per barrel by late June 2026, reflecting improved supply expectations and lower geopolitical risk premiums. The decline in global oil prices, together with the Government's fuel stabilization measures, helped moderate domestic fuel prices and contributed to the easing of overall inflation from 6.7 percent in May to 6.4 percent in June 2026.

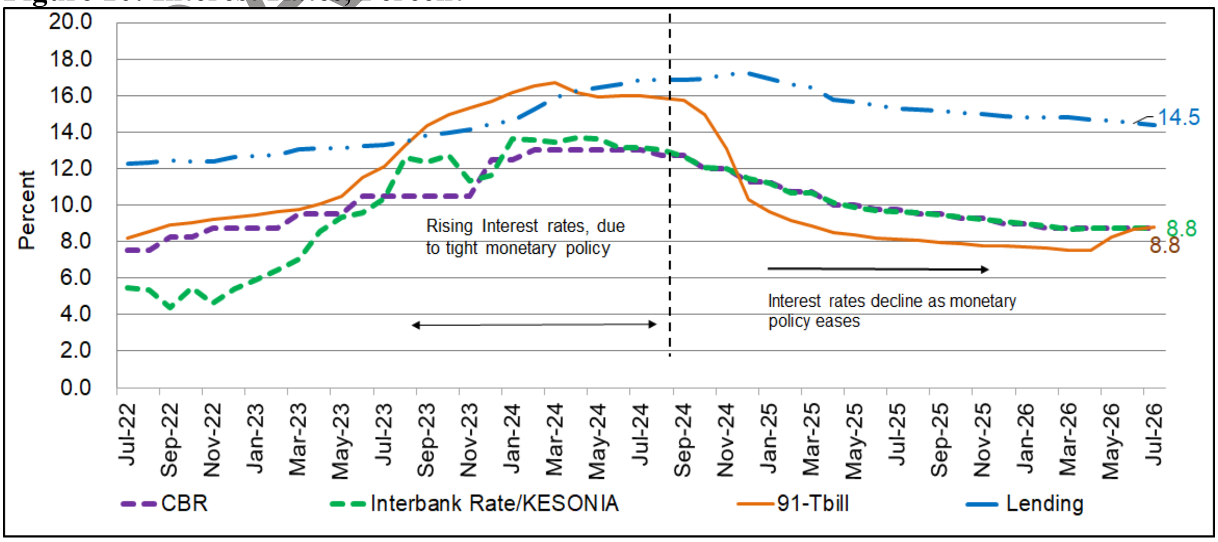
Interest Rates Developments

91. The Central Bank of Kenya, through the Monetary Policy Committee (MPC), has progressively eased monetary policy, lowering the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 8.75 percent by July 2026 **(Figure 10)**. This stance is intended to reinforce earlier measures aimed at stimulating bank lending to the private sector and supporting economic activities, while ensuring inflation expectations remain well anchored and the exchange rate stable.

92. Short-term interest rates have declined. KESONIA (the overnight interbank rate) declined to 8.8 percent in July 2026 from 9.6 percent in July 2025. The decline signalled improved liquidity conditions in the interbank money market and lowering of banks' short-term funding costs, which supports credit expansion. Treasury bill rates remained relatively stable across maturities in the year to July 2026, although movements varied by tenor. The 91-day Treasury bill rate increased to 8.8 percent in July 2026 from 8.1 percent in July 2025, while the 182-day rate rose to 9.0 percent from 8.4 percent. In contrast, the 364-day rate declined to 9.0 percent from 9.7 percent over the same period. The mixed movement across maturities reflects prevailing market liquidity conditions and investor demand across the different maturities.

93. In line with the easing in monetary conditions, average commercial bank lending rates declined to 14.4 percent in June 2026 from 15.3 percent in June 2025, while average deposit rates also declined to 6.8 percent from 8.4 percent over the same period. As a result, the interest rate spread widened to 7.5 percent from 6.9 percent, reflecting the faster adjustment in deposit rates relative to lending rates.

Figure 10: Interest Rates, Percent



Source of Data: Central Bank of Kenya

Monetary and Credit Developments

94. Broad money supply, M3, grew by 11.3 percent in the year to June 2026, compared to a growth of 7.5 percent in the year to June 2025 **(Table 13).** The improved growth of M3 was driven by higher growth in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). The NFA of the banking system grew by 32.9 percent in the year to June 2026, compared to a growth of 17.7 percent in the year to June 2025. The increase in NFA was mainly attributable to a rise in the Central Bank's foreign assets reflecting increased foreign reserves by the Central Bank. The net foreign assets of commercial banks also increased, reflecting increased deposits abroad.

Table 13: Money and Credit Developments (12 Months to June 2026, KSh billion)

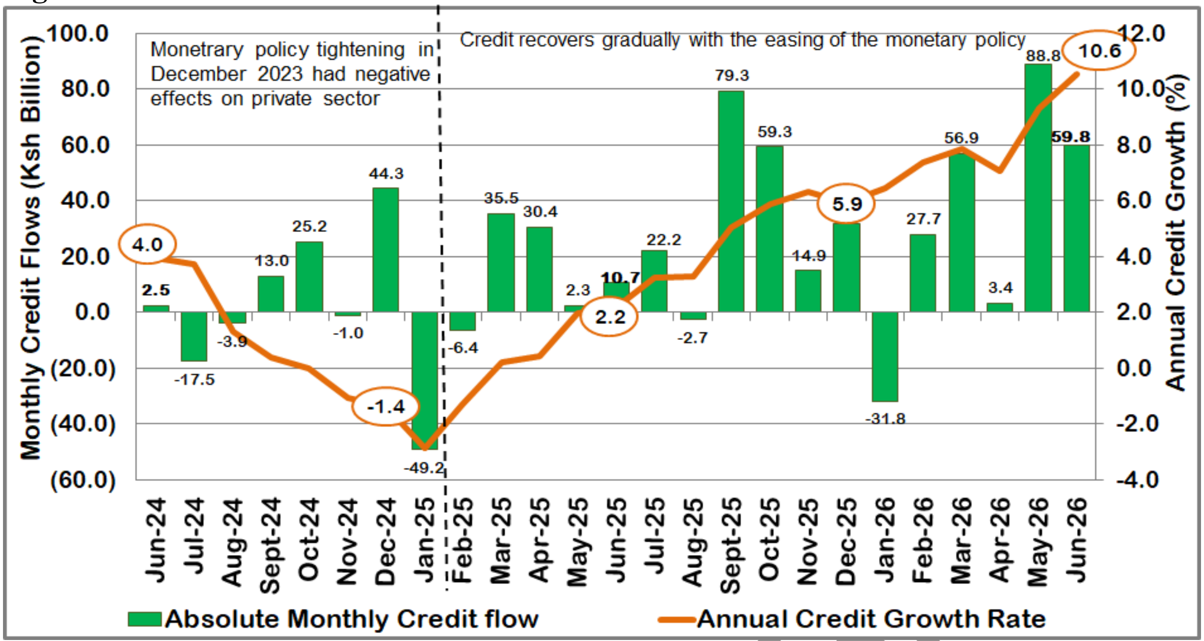
				Absolute Change		Percent Change	
	2024 June	**2025 June**	**2026 June**	**2024-2025 June**	**2025-2026 June**	**2024-2025 June**	**2025-2026 June**
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	2,063.6	2,342.3	2,670.0	278.7	327.7	13.5	14.0
1.1 currency outside banks (M0)	274.2	286.0	331.0	11.8	45.0	4.3	15.7
1.2 Demand deposits	1,630.6	1,880.4	2,216.6	249.8	336.2	15.3	17.9
1.3 Other deposits at CBK	158.9	175.9	122.4	17.0	(53.5)	10.7	(30.4)
2. Money supply, M2 (1+2.1)	4,041.6	4,519.6	5,015.1	478.0	495.5	11.8	11.0
2.1 Time and savings deposits	1,978.0	2,177.3	2,345.2	199.3	167.9	10.1	7.7
Money supply, M3 (2+3.1)	**5,381.3**	**5,786.5**	**6,437.6**	**405.2**	**651.2**	**7.5**	**11.3**
3.1 Foreign currency deposits	1,339.7	1,266.9	1,422.5	(72.8)	155.6	(5.4)	12.3
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**905.9**	**1,066.3**	**1,417.5**	**160.4**	**351.2**	**17.7**	**32.9**
1.1 Central Bank	479.2	810.8	1,144.1	331.6	333.3	69.2	41.1
1.2 Banking Institutions	426.7	255.5	273.5	(171.2)	17.9	(40.1)	7.0
2. Net domestic assets (2.1+2.2)	**4,475.4**	**4,720.2**	**5,020.1**	**244.7**	**300.0**	**5.5**	**6.4**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	5,502.0	6,172.4	6,696.0	670.4	523.6	12.2	8.5
2.1.1 Government (net)	1,619.5	2,230.1	2,351.8	610.6	121.7	37.7	5.5
2.1.2 Other public sector	84.9	61.4	53.6	(23.5)	(7.8)	(27.7)	(12.6)
2.1.3 Private sector	**3,797.5**	**3,880.9**	**4,290.6**	**83.4**	**409.7**	**2.2**	**10.6**
2.2 Other assets net	(1,026.6)	(1,452.2)	(1,675.9)	(425.7)	(223.6)	(41.5)	(15.4)

Source of Data: Central Bank of Kenya

95. Net Domestic Assets (NDA) improved to a growth of 6.4 percent in the year to June 2026, compared to a growth of 5.5 percent in the year to June 2025. Domestic credit extended by the banking system to the Government grew by 5.5 percent in the year to June 2026 compared to a growth of 37.7 percent over a similar period in 2025. The decreased net lending to government mainly reflected decreased uptake of government securities by commercial banks. Lending to other public sector also declined, mainly reflecting net repayments by parastatals.

96. Growth in private sector credit from the banking system recorded a growth of 10.6 percent in the year to June 2026 compared to a growth of 2.2 percent in June 2025 **(Figure 11).** Growth in credit to key sectors of the economy, particularly manufacturing, building and construction, transport and communication, real estate and agriculture remained strong, reflecting improved demand for credit in line with the declining lending interest rates. The Monthly (month on month) credit flows to the private sector improved to KSh 59.8 billion in June 2026 from KSh 10.7 billion in June 2025 due to the easing of the monetary policy stance to lower the cost of funds for banks and sustained demand particularly for working capital due to resilient economic activities.

Figure 11: Private Sector Credit



Source of Data: Central Bank of Kenya

External Sector Developments

97. The current account deficit widened to US$ 4,366.3 million (2.8 percent of GDP) in the year to June 2026, compared to US$ 2,585.3 million (1.9 percent of GDP) in the year to June 2025 mainly due to a higher trade deficit **(Table 14)**. The current account balance was supported by resilient goods exports, increased service receipts and an improvement in net primary income. The current account deficit in the 12 months to June 2026 was more than fully financed by financial account inflows

98. The balance in the merchandise account deteriorated by US$ 1,888.3 million to a deficit of US$. 12,389.3 million in June 2026 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 8.9 percent, driven by horticulture, tea, coffee, food, and machinery and transport equipment. Goods imports rose by 13.1 percent, reflecting higher imports of food, intermediate and capital goods and mineral fuels.

99. Services receipts increased by 8.3 percent, driven by transport and travel services receipts. The deficit on the primary account narrowed by US$ 226.3 million to a deficit of US$. 1,884.7 million in the year to June 2026, compared to the deficit of US$ 2,110.9 million in same period the previous year. Diaspora remittances decreased by 2.4 percent to US$ 4,960.4 million in the 12 months to June 2026 compared to US$ 5,084.1 million in a similar period in 2025.

100. The capital account balance decreased by US$. 90.4 million to register a surplus of US$ 159.9 million in the year to June 2026 compared to a surplus of US$ 250.3 million in the same period in 2025. Net financial inflows improved to US$ 6,092.1 million in the year to June 2026, compared to US$ 4,576.5 million in the year to June 2025. This reflected an increase in net financial liabilities, which more than offset the decline in net acquisition of financial assets. The net financial inflows were mainly in the form of Portfolio investments, direct investments, financial derivatives and other investments.

Table 14: Balance of Payments (USD Million)

			Year to June 2026		Actuals as a Percent of GDP	
	Jun-25	**Jun-26**	**Absolute Change**	**Percent Change**	**Jun-25**	**Jun-26**
Overall Balance	**(2,830.8)**	**(1,509.4)**	**1,321.4**	**46.7**	**(2.1)**	**(1.0)**
A) Current Account	**(2,585.3)**	**(4,366.3)**	**(1,781.0)**	**(68.9)**	**(1.9)**	**(2.8)**
Merchandise Account (a-b)	(10,501.0)	(12,389.3)	(1,888.3)	(18.0)	(7.7)	(7.9)
a) Goods: exports	12,546.1	13,666.4	1,120.3	8.9	9.2	8.8
b) Goods: imports	23,047.0	26,055.6	3,008.6	13.1	16.9	16.7
Net Services (c-d)	2,417.2	2,558.1	141.0	5.8	1.8	1.6
c) Services: credit	8,190.5	8,873.3	682.8	8.3	6.0	5.8
d) Services: debit	5,773.3	6,315.1	541.8	9.4	4.2	4.2
Net Primary Income (e-f)	(2,110.9)	(1,884.7)	226.3	10.7	(1.6)	(1.3)
e) Primary income: credit	381.8	399.3	17.5	4.6	0.3	0.3
f) Primary income: debit	2,492.8	2,284.0	(208.8)	(8.4)	1.8	1.6
Net Secondary Income	7,609.4	7,349.5	(259.9)	(3.4)	5.6	4.9
g) Secondary income: credit	7,663.0	7,454.5	(208.5)	(2.7)	5.6	4.9
of which Remittances	5,084.1	4,960.4	(123.7)	(2.4)	3.7	3.3
h) Secondary income: debit	53.6	105.0	51.5	96.0	0.0	0.1
B) Capital Account	**250.3**	**159.9**	**(90.4)**	**(36.1)**	**0.2**	**0.1**
C) Financial Account	**(4,576.5)**	**(6,092.1)**	**(1,515.6)**	**(33.1)**	**(3.4)**	**(3.3)**

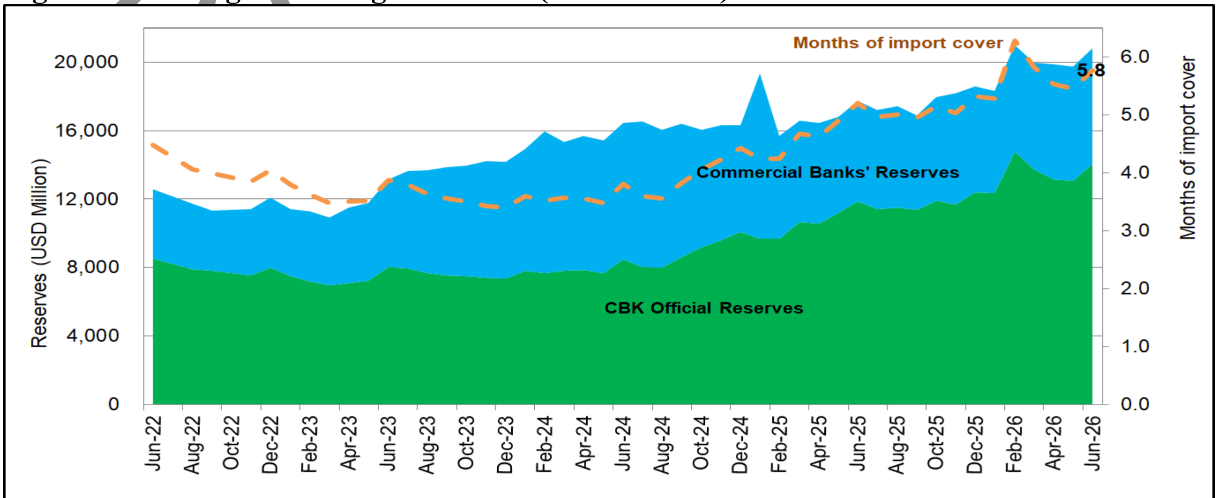
Source of Data: Central Bank of Kenya

Foreign Exchange Reserves

101. The banking system's foreign exchange holdings remained strong at US$. 20,795.4 million in June 2026 from US$. 17,199.4 million in June 2025. The official foreign exchange reserves held by the Central Bank stood at US$. 14,023.5 million compared to US$ 11,407.7 million over the same period in 2025 **(Figure 12).** Commercial banks foreign exchange holdings increased to US$. 6,772.0 million in June 2026 from US$. 5,791.8 million in June 2025.

102. The official reserves held by the Central Bank in June 2026 represented 5.8 months of import cover, compared to 5.0 months of import cover in June 2025. These reserves continue to provide adequate cover and a buffer against short-term shocks in the foreign exchange market.

Figure 12: Foreign Exchange Reserves (USD Million)

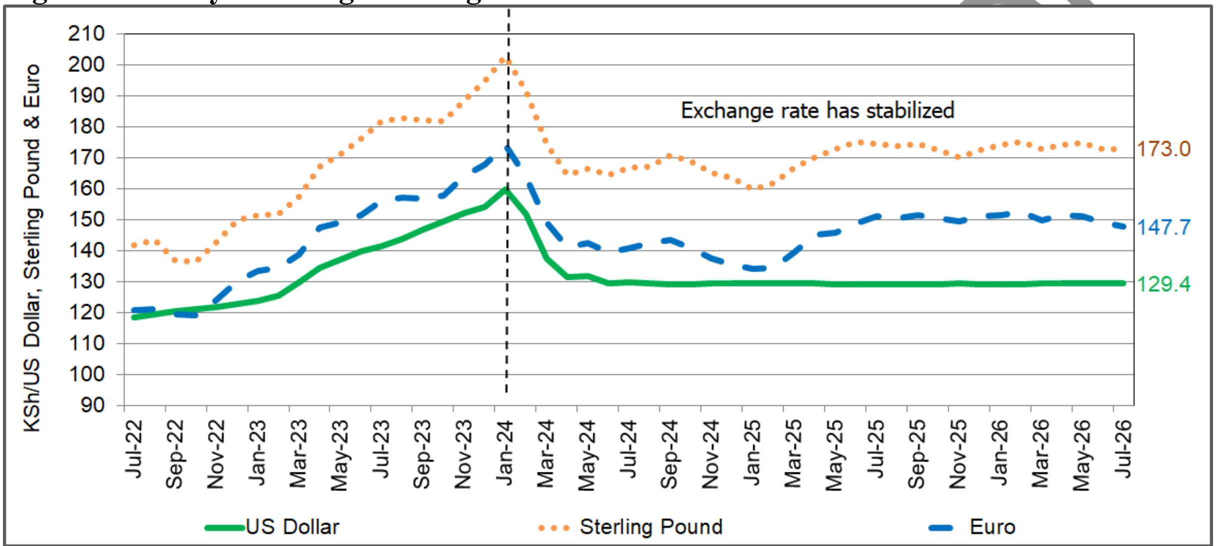


Source of Data: Central Bank of Kenya

Exchange Rate Developments

103. The Kenya Shilling remained relatively stable against the US Dollar, averaging KSh 129.4 per US dollar in July 2026 compared to KSh 129.2 per US dollar in July 2025 and showing a marked appreciation from a peak of KSh 160.8 in January 2024. The Shilling strengthened against the Sterling Pound, averaging KSh 173.0 per Pound in July 2026, down from KSh 174.6 per Pound in July 2025. Against the Euro, the Shilling also strengthened and averaged KSh 147.7 per Euro in July 2026 compared to KSh 151.0 per Euro in July 2025. The stability was supported by strong foreign exchange reserves, steady remittance and export inflows, and improved market confidence, which helped cushion the Shilling against excessive volatility **(Figure 12).**

Figure 13: Kenya Shilling Exchange Rate



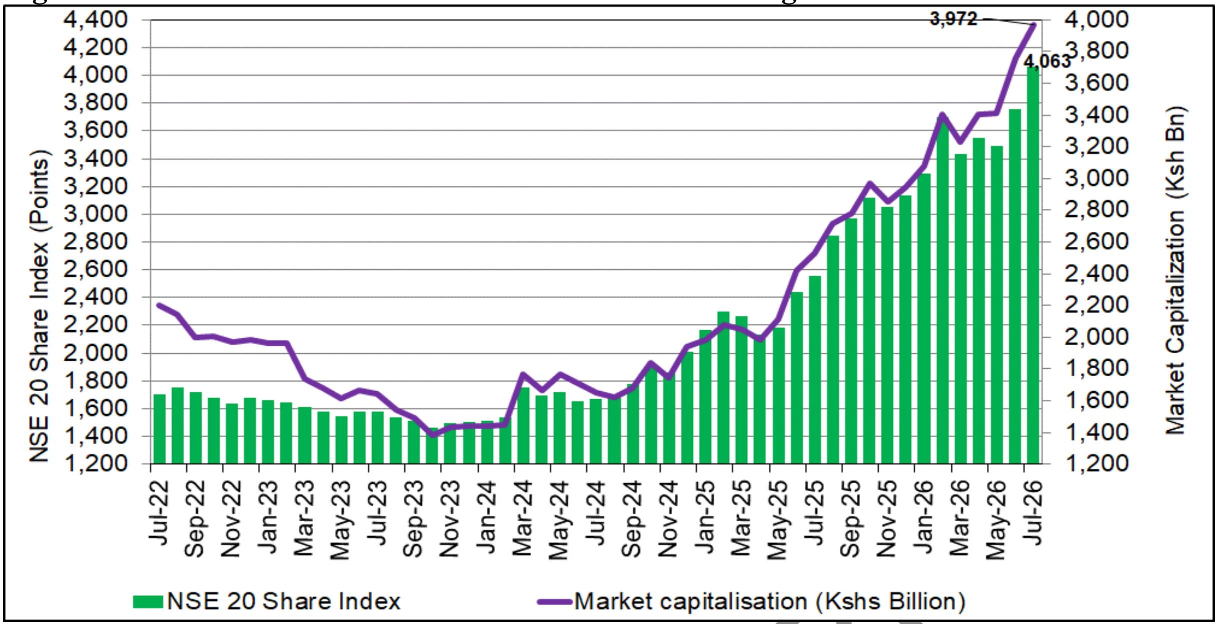
Source of Data: Central Bank of Kenya

Capital Markets Developments

104. Activities at the Nairobi Securities Exchange (NSE) improved significantly over the past year, reflecting strengthened investor confidence and improved macroeconomic conditions. The NSE 20 Share Index rose by 58.8 percent to 4,063 points in July 2026 from 2,559 points in July 2025, crossing the 4,000-point mark for the first time in nearly a decade. Market capitalization increased by 57.4 percent to KSh 3,972 billion from KSh 2,524 billion over the same period **(Figure 14).** The strong performance was supported by lower domestic interest rates, a relatively stable exchange rate, improved corporate earnings, and increased participation by domestic and foreign investors. The positive momentum continued into August 2026, with market capitalization surpassing the KSh 4 trillion mark for the first time.

105. Market activity was further supported by major capital market transactions, including the successful Kenya Pipeline Company (KPC) Initial Public Offering (IPO) and the Government's partial divestiture of a 15 percent stake in Safaricom PLC to Vodacom, one of the largest capital market transactions in Kenya's history. Equity turnover increased by 242.6 percent to KSh 381.9 billion in the first seven months of 2026 compared to the corresponding period in 2025, while the volume of shares traded rose by 127.4 percent to 11.84 billion. These developments, together with increased market liquidity and investor participation, contributed to the strong performance of the equity market.

Figure 14: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

C. Kenya's Macroeconomic Outlook

106. Kenya's economic growth outlook for 2026 has been revised downward to 5.0 percent from the earlier projection of 5.3 percent, reflecting the adverse effects of the ongoing Middle East conflict on domestic economic activity. The economy is, however, projected to maintain momentum in 2027, with growth expected at 5.1 percent as external pressures ease and global supply chains normalize **(Table 15).**

107. In 2026, agricultural activity could moderate in the second and third quarters due to mixed weather conditions, but is expected to strengthen in the fourth quarter and beyond on account of the expected El Niño induced above average rainfall. Industrial sector is expected to remain robust, supported by the Affordable Housing Programme, ongoing infrastructure projects, including the Rironi-Mau summit road expansion, continued settlement of pending bills, and increased investment through Public-Private Partnerships (PPPs). Services are also expected to remain resilient, supported by continued digitization, sustained activity in key service sectors, and the lagged effects of monetary policy easing.

108. Despite the external shock, domestic demand is expected to remain resilient, supported by moderating inflation, monetary easing, strong remittance inflows and a relatively stable exchange rate. Lower borrowing costs are expected to support private sector credit, household consumption and investment, while easing production costs and improving investor confidence. However, higher fuel prices associated with the Middle East conflict are expected to exert upward pressure on inflation, although it is projected to remain within the 5±2.5 percent target range.

109. Private investment is expected to be further supported by reforms aimed at improving the business environment, reducing regulatory bottlenecks and enhancing market efficiency. Improved investor confidence and greater access to international markets, together with the strong performance of the Nairobi Securities Exchange (NSE), are expected to support capital mobilization and private sector investment. Public-Private Partnerships (PPPs) will continue to support infrastructure development and mobilize private capital. Ongoing reforms in State-Owned Enterprises, including strategic privatization and divestiture, are also expected to

improve efficiency, attract private capital and create fiscal space for priority development programmes.

110. Growth in public consumption is projected to moderate over the medium term, in line with the Government's fiscal consolidation efforts and measures to contain recurrent expenditure. In contrast, public investment is projected to increase, with resources increasingly directed towards high-impact development projects and priority Government programmes. The Government will also continue to leverage Public-Private Partnerships (PPPs) to mobilize private capital for major infrastructure projects, thereby supporting investment while reducing pressure on the public budget. Continued settlement of verified pending bills will further improve liquidity in the private sector, particularly in the roads sector, supporting business activity and investment.

111. The current account deficit is projected to widen from 2.1 percent of GDP in 2025 to 3.0 percent in 2026 before improving to 2.8 percent in 2027 amid heightened geopolitical tensions and higher energy-related import costs. Stronger import demand, associated with recovering investment activity and rising fuel costs, is expected to continue exerting pressure on external balances. Nevertheless, export performance is expected to remain supported by agriculture, tourism, and manufactured goods exports, while remittance inflows should continue to provide an important source of foreign exchange. External financing conditions and reserves are expected to remain adequate, supported by a combination of official financing, portfolio inflows, and foreign direct investment, including inflows linked to ongoing privatization initiatives.

Risks to the Macroeconomic Outlook

112. The economic outlook remains subject to a range of downside risks, both domestic and external. Domestically, adverse weather conditions, including droughts, floods and erratic rainfall, could weaken agricultural production, disrupt food supply and increase inflationary pressures, with implications for household purchasing power and economic activity. Climate-related damage to infrastructure could also increase public expenditure requirements and constrain resources available for development.

113. External risks remain significant, particularly from prolonged geopolitical tensions and disruptions to global energy and commodity markets. A sustained increase in international oil prices could raise domestic fuel and transport costs, widen the import bill and place upward pressure on inflation and the current account. Further disruptions to global supply chains or trade could increase the cost and availability of imported inputs, while tighter global financial conditions could raise external financing costs, weaken capital inflows and increase exchange rate pressures.

114. A sharper-than-expected slowdown in global economic activity could also reduce demand for Kenya's exports, tourism receipts and remittances, while weaker commodity prices could affect export earnings from key agricultural products. Financial market volatility and changes in global investor sentiment could further affect portfolio flows and domestic financial conditions. Domestically, weaker private investment, slower credit growth or delays in the implementation of key infrastructure and structural reform programmes could moderate the pace of economic expansion.

115. The Government will continue to monitor emerging risks closely and respond through timely and targeted policy measures, while maintaining fiscal discipline and advancing reforms that strengthen the economy's capacity to absorb shocks and sustain inclusive growth.

Table 15: Kenya's Macroeconomic Indicators and Projections

	2023 Act.	2024 Act.	2025 Act.	2026 Est.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
annual percentage change, unless otherwise indicated								
National Account and Prices								
Real GDP	5.7	4.7	4.6	5.0	5.1	5.2	5.3	5.3
Primary Sector	5.7	3.8	3.7	4.3	4.0	4.1	4.2	4.3
- of which: Agricuture	6.6	4.6	3.1	3.9	3.6	3.6	3.6	3.6
Secondary Sector	2.6	1.5	4.1	4.2	4.3	4.7	5.1	5.4
Tertiary Sector	6.8	6.1	5.0	5.4	5.8	5.9	6.0	6.0
GDP deflator	5.4	3.2	2.9	7.6	6.0	5.2	4.9	4.7
CPI Index (eop)	6.6	4.5	4.4	5.7	5.2	4.8	4.7	4.9
CPI Index (avg)	7.7	4.5	4.1	5.9	5.5	4.9	4.7	4.7
Terms of trade (-deterioration)	-1.7	-0.6	-0.2	4.3	4.0	3.7	3.8	3.8
Exchange Rate (Ksh/US$, average)								
Money and Credit (end of period)								
Net domestic assets	3.1	8.5	10.9	9.8	8.8	9.3	9.8	8.1
Net domestic credit to the Government	14.2	14.3	9.4	9.1	9.0	9.0	8.1	3.5
Credit to the rest of the economy	3.1	2.9	6.4	8.5	7.5	8.2	9.8	1.4
Broad Money, M3 (percent change)	7.2	9.0	11.0	11.3	10.5	10.8	10.9	7.7
Reserve money (percent change)	7.9	3.2	9.7	11.1	10.4	10.7	10.8	7.6
in percentage of GDP, unless otherwise indicated								
Investment and Saving								
Consumption	**88.7**	**88.5**	**88.2**	**88.8**	**88.5**	**87.7**	**87.1**	**86.8**
Central Government	11.8	11.2	11.2	11.3	11.0	10.5	10.2	9.8
Private	76.2	76.6	76.3	76.9	77.0	76.8	76.5	76.6
Final consumption expenditure by NPISH	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Gross Fixed Capital Investment	**16.6**	**16.5**	**17.0**	**16.8**	**17.4**	**18.0**	**18.5**	**18.0**
Central Government	4.2	4.2	4.3	4.3	4.4	4.5	4.5	4.6
Private	12.4	12.3	12.7	12.4	13.1	13.5	13.9	13.3
Gross National Saving	**12.4**	**13.6**	**15.5**	**14.6**	**14.3**	**15.0**	**15.5**	**14.9**
Central Government	0.4	0.1	-0.1	-0.4	-0.4	0.2	0.6	1.3
Private	12.0	13.4	15.6	15.1	14.7	14.8	14.9	13.6
Exports value, goods and services	16.7	16.9	15.6	14.9	14.4	14.1	13.9	13.5
Imports value, goods and services	24.4	23.1	22.0	21.6	20.6	20.0	19.3	18.8
Current Account Balance	-4.2	-2.9	-1.5	-2.1	-3.1	-3.0	-3.0	-3.1
Gross reserves in months of next yr's imports	3.2	4.0	4.2	4.5	4.5	4.6	4.7	4.9
Gross reserves in months of this yr's imports	3.4	4.3	4.6	4.7	4.8	4.9	5.0	5.1
Central Government Budget in Fiscal Years								
Total revenue	16.6	17.3	17.3	17.2	17.0	17.1	17.1	17.5
Total Expenditure and Net Lending	22.6	23.1	23.5	24.1	23.3	23.1	22.7	22.2
Overall Fiscal Balance excl. Grants	-6.0	-5.8	-6.2	-6.9	-6.4	-6.0	-5.6	-4.8
Overall Fiscal Balance, incl. Grants	-5.9	-5.6	-6.0	-6.8	-6.2	-5.7	-5.3	-4.5
Statistical discrepancy	-0.2	-0.1	0.1	-0.1	0.0	0.0	0.0	0.0
Overall Fiscal Balance, incl. Grants, Cash Basis	-5.6	-5.3	-6.0	-6.8	-6.2	-5.7	-5.3	-4.5
Primary Budget Balance	-0.8	0.1	-0.2	-1.0	0.0	0.1	0.3	0.8
Net domestic borrowing	3.2	3.8	5.1	5.3	5.0	4.7	4.7	4.6
Public debt in Fiscal years								
Nominal Government Public Debt (eop), Gross	72.1	67.7	69.9	69.8	68.7	67.7	66.7	64.3
Nominal Public Debt (eop), Net of Deposits	68.7	64.3	67.9	67.8	66.9	66.1	65.2	63.1
Domestic (Gross) Debt	33.9	34.6	37.4	39.3	40.2	41.0	41.9	42.2
Domestic (Net) Debt	30.5	31.2	35.4	37.3	38.4	39.4	40.5	40.9
External Debt	38.2	33.1	32.5	30.5	28.5	26.7	24.8	22.2
Memorandum Items:								
Nominal GDP (in Ksh Billion) in calender years*	15,034	16,232	17,578	19,707	21,926	24,327	26,972	29,719
Per capita income (Ksh) in calendar years	293,038	309,871	328,703	361,094	385,975	419,890	456,590	493,524
Nominal GDP (in US$ Million) in calendar years	107,499	120,400	135,944	151,551	167,662	185,123	205,261	226,678
* Nominal GDP in Fiscal Years in Annex Table 2								

Source: The National Treasury

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2026/27 Budget

116. The implementation of the FY 2026/27 budget remains on track. In order to maintain the fiscal balance consistent with the fiscal consolidation plan, revenue projections and expenditure estimates for FY 2026/27 remain largely aligned with those in the approved 2026 BPS. Total revenue including AiA for the FY 2026/27 is projected at KSh 3,630.6 billion (17.4 percent of GDP), while total expenditure and net lending is projected at KSh 4,819.4 billion (23.2 percent of GDP). Overall fiscal deficit including grants is projected at KSh 1,145.2 billion (5.5 percent of GDP) **(Annex Tables 2 and 3)**. The deficit will be financed by a net foreign financing of KSh 247.2 billion (1.2 percent of GDP) and a net domestic financing of KSh 898.0 billion (4.3 percent of GDP).

B. Fiscal Policy for FY 2027/28 and Medium-Term Budget

117. The fiscal policy approach for FY 2027/28 and the medium term is designed to support the Government's key initiatives under BETA and the Fourth Medium Term Plan through a growth-oriented fiscal consolidation plan. This strategy aims to moderate the annual increase in public debt and execute a robust liability management plan, while maintaining the quality of public service delivery. These measures are expected to strengthen the country's debt sustainability. Fiscal consolidation efforts will focus on improving domestic revenue collection, optimizing and reprioritizing expenditures, and protecting critical government programs and social spending. Special attention will be given to boosting revenue through a blend of tax administration improvements and tax policy reforms, which include:

i) Implementation of the National Tax Policy and the Medium-Term Revenue Strategy to progressively strengthen tax revenue mobilization;

ii) Enhancing tax administration to improve efficiency, compliance, broaden the tax base, rationalize tax expenditures, ensure continuous investment in technology to achieve seamless tax administration, and enhance customs valuation; and

iii) Scaling up non-tax revenues that MDAs raise through the services they offer to the public.

118. On expenditure reforms, the Government will continue implementing measures aimed at strengthening expenditure controls and enhancing the efficiency and effectiveness of public spending. Key measures include:

i) Full implementation of the e-Government procurement system to all Procuring Entities;

ii) Full implementation of the Treasury Single Account, including automation of County Government exchequer processes, and integration of State Corporations and SAGAs' daily cash balances to enhance visibility of accounts held in commercial banks;

iii) Continuous transition from cash-based to full accrual-basis of accounting across the public sector to improve transparency, completeness, and accuracy of Government financial reporting in line with IPSAS standards;

iv) Continuous consolidation of the public service pension reforms through the digitisation and automation of pension administration under the end-to-end Enterprise Resource Planning;

v) Strengthening implementation of the Human Resource Information System – Kenya (HRIS-Ke), to automate payroll processing and facilitate the simultaneous computation and remittance of pension contributions and other statutory deductions;

vi) Continuous use of Public-Private Partnerships framework in the implementation of commercially viable projects; and

vii) Entrenching the zero-based budgeting to re-orient the budgeting and expenditure framework of the Government.

Fiscal Projections

119. In the FY 2027/28, total revenue including Appropriation-in-Aid (AiA) is projected at KSh 3,943.0 billion (17.1 percent of GDP). Of this, ordinary revenue is projected at KSh 3,207.8 billion (13.9 percent of GDP). This revenue performance will be underpinned by the on-going reforms in policy and revenue administration. The overall expenditure and net lending is projected at KSh 5,322.9 billion (23.1 percent of GDP) comprising: recurrent expenditure of KSh 3,887.2 billion (16.8 percent of GDP); development expenditure of KSh 958.0 billion (4.2 percent of GDP); transfer to Counties of KSh 472.8 billion and Contingency Fund of KSh 5.0 billion. The resulting fiscal deficit including grants of KSh 1,321.0 billion (5.7 percent of GDP) in FY 2027/28 will be financed by a net external financing of KSh 235.9 billion (1.0 percent of GDP) and a net domestic financing of KSh 1,085.2 billion (4.7 percent of GDP).

Medium Term Fiscal Projections

120. The medium-term fiscal projections in the 2026 BROP have been revised from those of the 2026 Budget Policy Statement estimates taking into account the fiscal outcome of the FY 2025/26 and the available resource envelope. Over the medium term, as a percent of GDP, the Government's total revenue including AiA is projected at 17.1 percent in the FY 2028/29 and 17.5 percent of GDP in the FY 2029/30. Of the total revenue, ordinary revenue is projected at 14.0 percent in the FY 2028/29 and 14.3 percent of GDP in the FY 2029/30. Total expenditure is projected to decrease from 22.7 percent of GDP in the FY 2028/29 to 22.2 percent of GDP in the FY 2029/30. Of the total expenditures, recurrent expenditure is projected to decline from 16.5 percent of GDP in the FY 2028/29 to 16.1 percent of GDP in the FY 2029/30 while development and net lending expenditure is projected at 4.3 percent of GDP in the FY 2028/29 and 4.2 percent of GDP in the FY 2029/30.

121. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to gradually decline from 5.7 percent of GDP in the FY 2027/28 to 5.3 percent of GDP in the FY 2028/29 to 4.5 percent of GDP in the FY 2029/30 **(Table 16, Annex Tables 2 and 3)**. This will boost the country's debt position and ensure the country's development agenda is sustainably funded.

Table 16: Government Fiscal Projections, KSh Billion

	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28		FY 2028/29		FY 2029/30		FY 2030/31
	Prel.	Suppl. II	Prel.	Budget	BPS'26	BROP'26	BPS'26	BROP'26	BPS'26	BROP'26	BROP'26
TOTAL REVENUE	**2,923.6**	**3,259.0**	**3,198.8**	**3,630.6**	**3,839.1**	**3,943.0**	**4,173.7**	**4,362.2**	**4,590.3**	**4,956.2**	**5,536.0**
% of GDP	***17.0***	***17.5***	***17.2***	***17.4***	***16.6***	***17.1***	***16.3***	***17.1***	***16.2***	***17.5***	***17.7***
Ordinary revenue	2,420.2	2,640.6	2,588.4	2,985.7	3,190.2	3,207.8	3,494.6	3,559.0	3,848.5	4,062.8	4,547.3
% of GDP	***14.1***	***14.2***	***13.9***	***14.3***	***13.8***	***13.9***	***13.6***	***14.0***	***13.6***	***14.3***	***14.5***
Ministerial Appropriation in Aid	503.4	618.3	610.4	644.8	648.9	735.2	679.2	803.2	741.8	893.4	988.7
Grants	33.3	39.9	20.7	43.6	58.8	58.8	67.1	67.1	77.1	77.1	77.1
TOTAL EXPENDITURE	**3,975.9**	**4,656.5**	**4,484.2**	**4,819.4**	**4,931.4**	**5,322.9**	**5,241.6**	**5,777.1**	**5,662.3**	**6,303.3**	**6,811.4**
% of GDP	***23.2***	***25.0***	***24.1***	***23.2***	***21.3***	***23.1***	***20.4***	***22.7***	***20.0***	***22.2***	***21.7***
Recurrent Expenditure	2,948.4	3,400.7	3,285.3	3,565.6	3,569.0	3,887.2	3,712.3	4,195.4	4,018.3	4,564.4	4,938.5
of which CFS	1,206.2	1,366.8	1,284.3	1,501.3	1,462.9	1,599.2	1,497.7	1,680.4	1,545.6	1,781.5	1,856.4
Ministerial Net	1,441.5	1,676.4	1,656.4	1,699.6	1,722.4	1,835.0	1,823.2	2,023.0	2,038.5	2,253.5	2,489.9
Development	582.9	771.0	731.5	750.8	883.8	958.0	1,041.2	1,086.0	1,129.7	1,191.0	1,271.4
County Transfer	444.6	484.8	467.3	502.0	473.5	472.8	483.0	490.7	509.4	542.9	596.4
BALANCE INCLUSIVE OF GRANTS	**(1,019.1)**	**(1,357.7)**	**(1,264.7)**	**(1,145.2)**	**(1,033.5)**	**(1,321.0)**	**(1,000.8)**	**(1,347.8)**	**(994.9)**	**(1,270.0)**	**(1,198.4)**
Adjustments to cash basis	-	-	-	-	-	-	-	-	-	-	-
Of which Equitable Share	418.3	415.0	415.0	428.0	440.9	440.1	450.4	458.0	476.7	510.2	563.7
% of GDP	*2.4*	*2.2*	*2.2*	*2.1*	*1.9*	*1.9*	*1.8*	*1.8*	*1.7*	*1.8*	*1.8*
BALANCE INCLUSIVE OF GRANTS	**(1,019.1)**	**(1,357.7)**	**(1,264.7)**	**(1,145.2)**	**(1,033.5)**	**(1,321.0)**	**(1,000.8)**	**(1,347.8)**	**(994.9)**	**(1,270.0)**	**(1,198.4)**
% of GDP	*(5.9)*	*(7.3)*	*(6.8)*	*(5.5)*	*(4.5)*	*(5.7)*	*(3.9)*	*(5.3)*	*(3.5)*	*(4.5)*	*(3.8)*
TOTAL FINANCING	**1,034.2**	**1,357.7**	**1,251.0**	**1,145.2**	**1,033.5**	**1,321.0**	**1,000.8**	**1,347.8**	**994.9**	**1,270.0**	**1,198.4**
NET FOREIGN FINANCING	179.7	384.0	267.3	247.2	287.8	235.9	153.3	140.8	148.3	(24.1)	39.0
NET DOMESTIC FINANCING	854.5	973.6	983.7	898.0	745.7	1,085.2	847.5	1,207.0	846.6	1,294.1	1,159.4
PRIMARY BALANCE	(39.1)	(230.9)	(190.3)	109.0	169.9	18.7	231.0	66.6	274.8	235.7	382.2
% of GDP	*(0.2)*	*(1.2)*	*(1.0)*	*0.5*	*0.7*	*0.1*	*0.9*	*0.3*	*1.0*	*0.8*	*1.2*
Nominal GDP	**17,157.3**	**18,642.5**	**18,642.5**	**20,816.8**	**23,126.5**	**23,081.7**	**25,649.5**	**25,446.8**	**28,345.7**	**28,345.7**	**31,319.4**

Source of Data: National Treasury

C. FY 2027/28 and Medium-Term Budget Framework

122. The FY 2027/28 Budget and the Medium-Term framework will remain aligned with the priorities outlined in the MTP IV and the BETA. Resource allocation for the BETA priority programmes will be undertaken through a value chain approach under five sectors namely: Finance and Production; Infrastructure; Environment and Natural Resources; Social Sectors; and Governance and Public Administration. The nine (9) identified key value chain areas for implementation include: Leather; Cotton; Dairy; Edible Oils; Tea; Rice; Blue Economy; Natural Resources (including Minerals and Forestry); and Building Materials. This process ensures there is no break in the cycle in the resource allocations for a value chain. The process will ensure adequate resources are allocated to any entity along the value chain and elimination of duplication of roles and budgeting of resources. Spending in these essential interventions is aimed at achieving quality outputs and outcomes with optimum utilization of resources. The momentum and large impact they will create will raise economic vibrancy and tax revenues.

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

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

vii) Cost effectiveness, efficiency and sustainability of the programme; and
viii) Requirements for furtherance and implementation of the Constitution.

Criteria for Resource Allocation

124. The FY 2027/28 and Medium-Term Budget is prepared within a constrained resource envelope that calls for greater expenditure discipline and strategic prioritisation. The Government will continue to implement the Zero-Based Budgeting approach to guide the prioritization and allocation of limited resources to projects and programmes. MDAs will be required to reassess all planned and existing programmes, projects and activities to be funded in the FY 2027/28 and over the medium-term budget. In this context, the principles of efficiency, effectiveness, and prudence in public spending will be strictly enforced, ensuring that low-priority expenditures are curtailed in favor of high-priority, service-delivery programmes.

125. The following criteria will guide prioritization and final allocation of resources:

i. Programmes that enhance value chain and linkage to BETA priorities;
ii. Linkage of the programme with the priorities of MTP IV of the Vision 2030;
iii. Presidential Directives and Cabinet Decisions;
iv. Completion of ongoing projects, stalled projects and payment of verified pending bills;
v. Degree to which a programme addresses job creation and poverty reduction;
vi. Degree to which a programme addresses the core mandate of the MDAs;
vii. Programmes aimed at climate change mitigation and adaptation;
viii. Programmes that promote gender equality and promote children’s rights;
ix. Cost effectiveness, efficiency and sustainability of the programme; and
x. Requirements for furtherance and implementation of the Constitution.

126. Based on the above criteria, Sector Working Groups are expected to carefully scrutinise all programmes and projects to ensure that available resources are directed towards high-impact interventions that accelerate implementation of the Bottom-Up Economic Transformation Agenda, create jobs, support private sector growth and deliver better outcomes for citizens. Reflecting on the above, the Medium-Term Expenditure Framework will guide resource allocation into the medium term. The sector ceilings provided for the FY 2027/28 and the medium-term budget will form inputs into the 2027 Budget Policy Statement.

127. The FY 2027/28 Budget is being prepared under a revised budget calendar to facilitate completion of the budget process ahead of the 2027 General Elections. The Budget Calendar provided in **Annex Table 4** outlines the timeframes for delivery of policy documents, reports and relevant Bills. Ministries, Departments and Agencies, Sector Working Groups and other stakeholders are required to strictly adhere strictly to the prescribed timelines to ensure the timely preparation, approval and implementation of the Budget.

V. CONCLUSION AND NEXT STEPS

128. Kenya's economy has demonstrated resilience despite a challenging domestic and global environment. Real GDP growth strengthened to 5.3 percent in the first quarter of 2026 and is projected at 5.0 percent for 2026, supported by strong agricultural performance, recovery in industrial activity and sustained growth in services. However, significant downside risks remain, requiring continued prudent macroeconomic management and accelerated implementation of structural reforms under BETA and the Fourth Medium-Term Plan.

129. The FY 2025/26 fiscal outturn confirms that Kenya continues to operate within a constrained fiscal environment, with revenue falling below target and the fiscal deficit remaining elevated at 6.8 percent of GDP. The outcome reinforces the need to sustain fiscal consolidation while safeguarding economic recovery and essential public services. The Government will therefore continue to strengthen domestic revenue mobilization, enhance expenditure efficiency, manage fiscal risks and advance public financial and debt management reforms to restore fiscal space and safeguard debt sustainability.

130. The FY 2026/27 fiscal framework remains anchored on the approved 2026 Budget Policy Statement. The FY 2027/28 and medium-term macroeconomic and fiscal projections have been updated to reflect the FY 2025/26 outturn and the available resource envelope. The fiscal framework provides for a gradual reduction in the fiscal deficit from 5.5 percent of GDP in FY 2026/27 to 4.5 percent by FY 2029/30, supported by stronger revenue mobilization and expenditure rationalization. Within the constrained resource envelope, the Government will strengthen expenditure prioritisation and efficiency to ensure that scarce public resources are directed towards high-impact programmes that support economic growth, employment, private sector development and improved livelihoods, while maintaining essential public services.

131. The 2026 BROP provides the basis for preparation of the 2027 Budget Policy Statement and the FY 2027/28 and Medium-Term Budget. The next steps will focus on translating the resource envelope and sector ceilings into a credible and prioritised budget, informed by Sector Working Group proposals and public participation, and aligned to BETA and MTP IV. The revised Budget Calendar will facilitate completion of the budget process ahead of the 2027 General Elections, and MDAs, Sector Working Groups and other stakeholders will be required to strictly adhere to the approved ceilings and timelines to ensure timely preparation, approval and implementation of the Budget.

Annex Table 1: Macroeconomic Indicators for the FY 2024/25 - 2030/31 Period

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31
	Prel.	Suppl.II	Prel.	Budget	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BROP 2026
	annual percentage change, unless otherwise indicated										
National Account and Prices											
Real GDP	4.6	4.8	4.8	5.0	5.1	5.1	5.2	5.2	5.3	5.3	5.3
GDP Deflator	3.1	4.9	5.3	6.1	5.8	5.9	5.4	5.5	5.4	5.4	5.5
CPI Index (eop)	4.6	5.1	5.4	5.3	5.0	5.0	4.8	4.8	4.8	4.8	4.9
CPI Index (avg)	4.3	4.7	5.0	5.5	5.2	5.2	4.8	4.8	4.7	4.7	4.9
Terms of Trade (-deterioration)	-0.4	3.1	2.0	2.8	3.2	3.8	3.5	3.8	3.8	3.8	3.8
Money and Credit (end of period)											
Net domestic assets	6.4	11.6	11.4	10.8	9.6	9.2	9.4	8.4	9.2	10.0	9.7
Net domestic credit to the Government	20.0	9.5	9.6	8.0	4.5	8.9	5.4	9.0	5.5	8.9	7.3
Credit to the rest of the economy	2.2	3.9	3.7	10.4	11.6	8.0	10.8	6.9	10.5	9.4	10.2
Broad Money, M3 (percent change)	7.5	10.3	10.3	11.7	11.1	10.9	10.9	10.2	10.5	11.4	10.5
Reserve money (percent change)	-1.3	7.8	7.8	11.6	11.0	10.8	10.8	10.1	10.4	11.3	10.4
	in percentage of GDP, unless otherwise indicated										
Investment and Saving											
Investment	16.7	17.2	16.8	17.5	17.5	17.8	17.8	18.4	18.9	19.2	9.5
Central Government	4.2	4.3	4.3	4.3	4.4	4.4	4.6	4.7	4.5	4.5	4.7
Private	12.6	12.9	12.5	13.2	13.0	13.3	13.1	13.7	14.4	14.7	4.7
Gross National Savings	14.9	14.7	14.3	14.8	14.9	14.7	15.2	15.3	16.4	16.0	6.1
Central Government	-2.1	-2.5	-2.3	-1.3	0.5	-1.3	1.0	-0.8	1.1	0.0	0.5
Private	17.0	17.3	16.5	16.1	14.4	15.9	14.2	16.1	15.4	16.1	5.6
Central Government Budget											
Total revenue	17.3	17.5	17.2	17.4	17.5	17.1	16.9	17.1	16.6	17.5	17.7
Total expenditure and net lending	23.5	25.0	24.1	23.2	21.3	23.1	20.4	22.7	20.0	22.2	21.7
Overall Fiscal balance excl. grants	-6.2	-7.5	-6.9	-5.7	-3.9	-6.0	-3.5	-5.6	-3.4	-4.8	-4.1
Overall Fiscal balance, incl. grants, cash basis	-6.0	-7.3	-6.8	-5.5	-3.6	-5.7	-3.3	-5.3	-3.1	-4.5	-3.8
Statistical discrepancy	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	-6.0	-7.3	-6.8	-5.5	-3.6	-5.7	-3.3	-5.3	-3.1	-4.5	-3.8
Primary budget balance	-0.1	-1.2	-1.0	0.5	1.6	0.1	1.5	0.3	1.4	0.8	1.2
Net domestic borrowing	5.1	5.2	5.3	4.3	2.4	4.7	2.7	4.7	2.6	4.6	3.7
External Sector											
Exports value, goods and services	16.2	15.1	15.2	14.5	14.2	14.3	13.9	14.1	13.6	13.7	13.1
Imports value, goods and services	22.6	21.6	21.8	20.5	19.8	20.4	19.0	19.8	18.3	19.0	18.3
Current external balance, including official transfers	-1.8	-2.5	-2.6	-2.6	-2.6	-3.1	-2.5	-3.1	-2.5	-3.1	-3.4
Gross reserves in months of next yr's imports	5.0	4.8	4.8	4.9	4.9	4.9	5.0	5.0	5.2	5.1	7.0
Gross reserves in months of this yr's imports	5.4	5.1	5.1	5.2	5.3	5.3	5.4	5.4	5.5	5.5	5.6
Public debt											
Nominal central government debt (eop), gross	69.9	70.6	69.8	68.0	65.5	67.7	62.3	66.7	59.5	64.3	62.1
Nominal debt (eop), net of deposits	67.9	67.5	67.8	65.2	62.9	66.1	60.0	65.2	57.4	63.1	60.9
Domestic (gross)	37.4	39.2	39.3	39.4	37.8	41.0	36.8	41.9	35.9	42.2	41.9
Domestic (net)	35.4	36.0	37.3	36.5	35.3	39.4	34.5	40.5	33.8	40.9	40.7
External	32.5	31.5	30.5	28.6	27.7	26.7	25.6	24.8	23.7	22.2	20.2
Memorandum Items:											
Nominal GDP (in Ksh Billion)	16,905	18,642	18,642	20,817	23,127	23,082	25,650	25,447	28,346	28,346	31,319
Nominal GDP (in US$ Million)	128,009	144,132	143,770	160,454	177,365	176,072	196,287	193,649	217,221	215,957	238,451

Source: The National Treasury

Annex Table 2: Government Operations for the FY 2024/25 - 2030/31 Period, KSh Billion

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31
	Prel.	Suppl.II	Prel.	Budget	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BROP 2026
TOTAL REVENUE	**2,923.6**	**3,259.0**	**3,198.8**	**3,630.6**	**3,839.1**	**3,943.0**	**4,173.7**	**4,362.2**	**4,590.3**	**4,956.2**	**5,536.0**
Ordinary Revenue (Tax+Non-Tax Revenue)	2,420.2	2,640.6	2,588.4	2,985.7	3,190.2	3,207.8	3,494.6	3,559.0	3,848.5	4,062.8	4,547.3
Tax Revenue	2,272.4	2,457.4	2,467.2	2,858.7	3,076.8	3,097.6	3,374.0	3,446.8	3,705.5	3,936.7	4,416.2
Income Tax	1,093.0	1,169.4	1,175.6	1,383.6	1,484.9	1,463.4	1,619.2	1,628.6	1,775.5	1,870.8	2,092.1
Import duty (net)	157.1	176.5	180.0	186.2	194.0	247.4	205.4	276.9	220.0	324.1	354.3
Excise duty	292.5	313.3	312.0	382.2	397.0	405.7	440.5	447.2	488.8	496.6	564.3
Value Added Tax	660.7	721.4	722.4	829.2	919.1	899.0	1,021.0	1,005.1	1,127.6	1,148.0	1,299.8
Other Tax Revenue	69.1	76.8	77.2	77.4	81.9	82.1	87.9	88.9	93.6	97.2	105.7
Non-Tax Revenue	147.8	183.2	121.2	127.1	113.4	110.2	120.5	112.3	142.9	126.1	131.1
Ministerial Appropriation in Aid	**503.4**	**618.3**	**610.4**	**644.8**	**648.9**	**735.2**	**679.2**	**803.2**	**741.8**	**893.4**	**988.7**
Railway Development Levy	36.8	47.1	48.5	48.5	49.7	55.7	54.9	59.5	60.7	76.5	76.6
African Union & Int't Subscription Fund	5.2	6.6	11.2	9.7	7.0	9.7	7.8	10.7	8.6	12.3	14.4
Recurrent	199.7	255.2	229.2	270.2	261.3	312.5	262.1	337.5	297.5	357.2	400.7
Road Maintenance Levy - Normal	73.3	70.2	80.3	62.8	88.7	99.0	93.5	109.2	98.5	121.6	134.5
NMS - Recurrent	22.5	25.5	24.0	22.0	26.6	31.7	28.1	34.7	29.7	38.4	42.6
PDL - Recurrent	42.4	66.7	81.8	80.2	59.1	65.9	61.9	75.2	60.0	86.6	99.3
NMS - Development	14.1	14.4	15.0	7.0	15.9	18.7	16.6	20.7	17.5	23.0	25.4
PDL - Development	32.2	32.0	35.0	32.7	34.9	43.3	36.7	47.8	38.7	53.2	58.8
Housing Development Levy	73.2	95.0	79.1	110.0	101.6	92.1	113.3	101.5	126.4	116.1	127.2
EXPENDITURE AND NET LENDING	**3,975.9**	**4,656.5**	**4,484.2**	**4,819.4**	**4,931.4**	**5,322.9**	**5,241.6**	**5,777.1**	**5,662.3**	**6,303.3**	**6,811.4**
Recurrent expenditure	2,948.4	3,400.7	3,285.3	3,565.6	3,569.0	3,887.2	3,712.3	4,195.4	4,018.3	4,564.4	4,938.5
Interest payments	995.1	1,126.8	1,074.4	1,254.2	1,203.4	1,339.8	1,231.8	1,414.5	1,269.8	1,505.7	1,580.6
Domestic interest	784.1	911.9	862.7	986.7	953.5	1,032.8	978.5	1,070.3	1,022.3	1,131.8	1,184.8
Foreign Interest	211.0	214.8	211.8	267.5	249.9	306.9	253.2	344.2	247.5	373.8	395.8
Pensions & Other CFS	176.8	201.6	166.2	207.5	218.7	218.7	224.0	224.0	232.1	232.1	232.1
Pensions	172.9	196.5	162.4	202.4	213.9	213.9	219.3	219.3	227.2	227.2	227.2
Other CFS	3.9	5.1	3.9	5.2	4.7	4.7	4.7	4.7	5.0	5.0	5.0
Contribution to Civil Service Pension Fund	34.3	38.4	43.6	39.6	40.8	40.8	42.0	42.0	43.7	43.7	43.7
Net Issues/Net Expenditure	1,441.5	1,676.4	1,656.4	1,699.6	1,722.4	1,835.0	1,823.2	2,023.0	2,038.5	2,253.5	2,489.9
O/W: Wages & Salaries	624.7	689.3	684.4	702.0	752.4	777.9	790.0	857.6	829.5	955.2	1,055.5
Free Secondary education	54.6	54.9	50.0	54.6	79.1	59.8	82.3	65.4	82.3	71.5	78.2
Free Primary Education	30.4	7.9	6.9	7.0	14.7	8.4	15.3	9.2	15.3	10.3	11.8
Junior Secondary School - Capitation	7.6	30.9	25.6	30.8	41.5	51.3	43.1	56.6	43.1	62.3	62.3
IEBC	3.9	5.9	11.1	24.9	16.4	29.2	29.2	11.2	29.2	7.2	7.2
Defense and NIS	231.4	264.1	278.8	297.4	235.4	298.3	244.8	299.2	263.8	297.1	299.5
Others	465.6	578.0	558.5	552.0	545.4	572.6	580.9	685.6	737.7	810.4	934.4
Ministerial Recurrent AIA	300.8	357.6	344.6	364.7	383.7	453.0	391.4	492.0	434.2	529.5	592.3
Development and Net lending	**582.9**	**771.0**	**731.5**	**750.8**	**883.8**	**958.0**	**1,041.2**	**1,086.0**	**1,129.7**	**1,191.0**	**1,271.4**
Domestically financed (Gross)	397.7	552.8	548.4	562.8	580.2	654.4	676.7	721.4	759.6	821.0	901.4
O/W Domestically Financed (Net)/NMS	227.3	324.0	317.6	315.3	349.9	415.5	425.7	458.0	490.7	510.2	563.7
Ministerial Development AIA	170.4	228.8	230.8	247.4	230.3	238.9	251.1	263.4	269.0	310.7	337.7
Foreign financed	165.6	210.6	175.9	177.8	285.0	285.0	341.9	341.9	346.9	346.9	346.9
Net lending	19.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	7.6	7.3	10.3	18.6	18.6	22.6	22.6	23.1	23.1	23.1
County Tranfers	**444.6**	**484.8**	**467.3**	**502.0**	**473.5**	**472.8**	**483.0**	**490.7**	**509.4**	**542.9**	**596.4**
Equitable Share	418.3	415.0	415.0	428.0	440.9	440.1	450.4	458.0	476.7	510.2	563.7
Conditional Allocation	26.3	69.8	52.3	74.0	32.7	32.7	32.7	32.7	32.7	32.7	32.7
Contingency Fund	**0.0**	**0.0**	**0.0**	**1.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance *(commitment basis excl. grants)*	**-1,052.4**	**-1,397.6**	**-1,285.4**	**-1,188.8**	**-1,092.3**	**-1,379.9**	**-1,067.9**	**-1,414.9**	**-1,072.0**	**-1,347.1**	**-1,275.4**
Grants	**33.3**	**39.9**	**20.7**	**43.6**	**58.8**	**58.8**	**67.1**	**67.1**	**77.1**	**77.1**	**77.1**
Fiscal Balance *(incl. grants)*	**-1,019.1**	**-1,357.7**	**-1,264.7**	**-1,145.2**	**-1,033.5**	**-1,321.0**	**-1,000.8**	**-1,347.8**	**-994.9**	**-1,270.0**	**-1,198.4**
Fiscal Balance *(cash basis incl. grants) Exl. SGR*	**-1,019.1**	**-1,357.7**	**-1,264.7**	**-1,145.2**	**-1,033.5**	**-1,321.0**	**-1,000.8**	**-1,347.8**	**-994.9**	**-1,270.0**	**-1,198.4**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance *(incl. grants) Cash Basis*	**-1,019.1**	**-1,357.7**	**-1,264.7**	**-1,145.2**	**-1,033.5**	**-1,321.0**	**-1,000.8**	**-1,347.8**	**-994.9**	**-1,270.0**	**-1,198.4**
Statistical discrepancy	15.1	0.0	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**1,034.2**	**1,357.7**	**1,251.0**	**1,145.2**	**1,033.5**	**1,321.0**	**1,000.8**	**1,347.8**	**994.9**	**1,270.0**	**1,198.4**
Net Foreign Financing	**179.7**	**384.0**	**267.3**	**247.2**	**287.8**	**235.9**	**153.3**	**140.8**	**148.3**	**-24.1**	**39.0**
Disbuserments	**527.0**	**907.7**	**771.7**	**790.1**	**674.7**	**696.0**	**639.3**	**640.6**	**634.3**	**634.3**	**634.3**
Commercial Financing	253.1	540.1	475.1	300.9	224.1	195.0	140.0	195.0	140.0	140.0	140.0
of which: External Debt Operations - Refinancing	188.3	143.6	142.7	130.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	151.4	232.7	196.8	191.6	258.8	258.8	307.5	307.5	302.5	302.5	302.5
o/w: Project loans (AIA)	65.6	102.5	86.1	75.3	123.3	123.3	140.3	140.3	145.3	145.3	145.3
Project Loans Revenue	85.8	130.2	110.7	116.3	135.6	135.6	167.2	167.2	157.2	157.2	157.2
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	8.8	4.0	0.0	114.5	0.0	104.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	113.7	130.9	99.9	183.1	191.8	138.1	191.8	138.1	191.8	191.8	191.8
o/w: P for R Programme Loans	15.3	3.5	2.6	5.0	0.0	5.0	0.0	5.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	50.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	21.8	101.4	97.2	94.3	170.5	97.5	170.5	97.5	170.5	170.5	170.5
AfDB	26.3	26.0	0.0	83.9	21.3	35.6	21.3	35.6	21.3	21.3	21.3
Debt repayment - Principal	-347.3	-523.6	-504.3	-542.9	-387.0	-460.1	-486.0	-499.8	-486.0	-658.4	-595.3
Net Domestic Financing	**854.5**	**973.6**	**983.7**	**898.0**	**745.7**	**1,085.2**	**847.5**	**1,207.0**	**846.6**	**1,294.1**	**1,159.4**
Memo items											
Gross Debt (Stock)	11,813.9	13,168.5	13,013.2	14,155.5	15,189.0	15,621.8	16,189.8	16,969.6	17,184.7	18,239.6	19,438.0
External Debt	5,488.5	5,868.9	5,684.7	5,957.9	6,245.7	6,167.8	6,399.0	6,308.6	6,547.3	6,284.5	6,323.4
Domestic Debt (gross)	6,325.5	7,299.6	7,328.5	8,197.6	8,943.3	9,454.0	9,790.8	10,661.1	10,637.4	11,955.2	13,114.6
Domestic Debt (net)	5,988.1	6,709.1	6,960.9	7,607.0	8,352.8	9,086.4	9,200.2	10,293.4	10,046.8	11,587.5	12,746.9
Financing gap	15.1	0.0	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**16,904.9**	**18,642.5**	**18,642.5**	**20,816.8**	**23,126.5**	**23,081.7**	**25,649.5**	**25,446.8**	**28,345.7**	**28,345.7**	**31,319.4**

Source: The National Treasury

Annex Table 3: Government Operations for the FY 2024/25 - 2030/31 Period (% of GDP)

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31
	Prel.	Suppl.II	Prel.	Budget	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BROP 2026
TOTAL REVENUE	**17.3**	**17.5**	**17.2**	**17.4**	**16.6**	**17.1**	**16.3**	**17.1**	**16.2**	**17.5**	**17.7**
Ordinary Revenue (Tax+Non-Tax Revenue)	**14.3**	**14.2**	**13.9**	**14.3**	**13.8**	**13.9**	**13.6**	**14.0**	**13.6**	**14.3**	**14.5**
Tax Revenue	13.4	13.2	13.2	13.7	13.3	13.4	13.2	13.5	13.1	13.9	14.1
Income Tax	6.5	6.3	6.3	6.6	6.4	6.3	6.3	6.4	6.3	6.6	6.7
Import duty (net)	0.9	0.9	1.0	0.9	0.8	1.1	0.8	1.1	0.8	1.1	1.1
Excise duty	1.7	1.7	1.7	1.8	1.7	1.8	1.7	1.8	1.7	1.8	1.8
Value Added Tax	3.9	3.9	3.9	4.0	4.0	3.9	4.0	4.0	4.0	4.1	4.2
Other Tax Revenue	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Non-Tax Revenue	0.9	1.0	0.7	0.6	0.5	0.5	0.5	0.4	0.5	0.4	0.4
Ministerial Appropriation in Aid	**3.0**	**3.3**	**3.3**	**3.1**	**2.8**	**3.2**	**2.6**	**3.2**	**2.6**	**3.2**	**3.2**
Railway Development Levy	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2
African Union & Int't Subscription Fund	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurrent	1.2	1.4	1.2	1.3	1.1	1.4	1.0	1.3	1.0	1.3	1.3
Road Maintenance Levy - Normal	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.4
NMS - Recurrent	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PDL - Recurrent	0.3	0.4	0.4	0.4	0.3	0.3	0.2	0.3	0.2	0.3	0.3
NMS - Development	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PDL - Development	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.2
Housing Development Levy	0.4	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
EXPENDITURE AND NET LENDING	**23.5**	**25.0**	**24.1**	**23.2**	**21.3**	**23.1**	**20.4**	**22.7**	**20.0**	**22.2**	**21.7**
Recurrent expenditure	**17.4**	**18.2**	**17.6**	**17.1**	**15.4**	**16.8**	**14.5**	**16.5**	**14.2**	**16.1**	**15.8**
Interest payments	5.9	6.0	5.8	6.0	5.2	5.8	4.8	5.6	4.5	5.3	5.0
Domestic interest	4.6	4.9	4.6	4.7	4.1	4.5	3.8	4.2	3.6	4.0	3.8
Foreign Interest	1.2	1.2	1.1	1.3	1.1	1.3	1.0	1.4	0.9	1.3	1.3
Pensions & Other CFS	1.0	1.1	0.9	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.7
Pensions	1.0	1.1	0.9	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.7
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil Service Pension Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Net Issues/Net Expenditure	8.5	9.0	8.9	8.2	7.4	8.0	7.1	8.0	7.2	8.0	8.0
O/W: Wages & Salaries	3.7	3.7	3.7	3.4	3.3	3.4	3.1	3.4	2.9	3.4	3.4
Free Secondary education	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Free Primary Education	0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Junior Secondary School - Capitation	0.0	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
IEBC	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0
Defense and NIS	1.4	1.4	1.5	1.4	1.0	1.3	1.0	1.2	0.9	1.0	1.0
Others	2.8	3.1	3.0	2.7	2.4	2.5	2.3	2.7	2.6	2.9	3.0
Ministerial Recurrent AIA	1.8	1.9	1.8	1.8	1.7	2.0	1.5	1.9	1.5	1.9	1.9
Development and Net lending	**3.4**	**4.1**	**3.9**	**3.6**	**3.8**	**4.2**	**4.1**	**4.3**	**4.0**	**4.2**	**4.1**
Domestically financed (Gross)	2.4	3.0	2.9	2.7	2.5	2.8	2.6	2.8	2.7	2.9	2.9
O/W Domestically Financed (Net)/NMS	1.3	1.7	1.7	1.5	1.5	1.8	1.7	1.8	1.7	1.8	1.8
Ministerial Development AIA	1.0	1.2	1.2	1.2	1.0	1.0	1.0	1.0	0.9	1.1	1.1
Foreign financed	1.0	1.1	0.9	0.9	1.2	1.2	1.3	1.3	1.2	1.2	1.1
Net lending	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
County Tranfers	**2.6**	**2.6**	**2.5**	**2.4**	**2.0**	**2.0**	**1.9**	**1.9**	**1.8**	**1.9**	**1.9**
Equitable Share	2.5	2.2	2.2	2.1	1.9	1.9	1.8	1.8	1.7	1.8	1.8
Conditional Allocation	0.2	0.4	0.3	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-6.2**	**-7.5**	**-6.9**	**-5.7**	**-4.7**	**-6.0**	**-4.2**	**-5.6**	**-3.8**	**-4.8**	**-4.1**
Grants	**0.2**	**0.2**	**0.1**	**0.2**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.2**
Fiscal Balance (incl. grants)	**-6.0**	**-7.3**	**-6.8**	**-5.5**	**-4.5**	**-5.7**	**-3.9**	**-5.3**	**-3.5**	**-4.5**	**-3.8**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	**-6.0**	**-7.3**	**-6.8**	**-5.5**	**-4.5**	**-5.7**	**-3.9**	**-5.3**	**-3.5**	**-4.5**	**-3.8**
Statistical discrepancy	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**6.1**	**7.3**	**6.7**	**5.5**	**4.5**	**5.7**	**3.9**	**5.3**	**3.5**	**4.5**	**3.8**
Net Foreign Financing	**1.1**	**2.1**	**1.4**	**1.2**	**1.2**	**1.0**	**0.6**	**0.6**	**0.5**	**-0.1**	**0.1**
Disbuserments	**3.1**	**4.9**	**4.1**	**3.8**	**2.9**	**3.0**	**2.5**	**2.5**	**2.2**	**2.2**	**2.0**
Commercial Financing	1.5	2.9	2.5	1.4	1.0	0.8	0.5	0.8	0.5	0.5	0.4
of which: External Debt Operations - Refinancing	1.1	0.8	0.8	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	0.9	1.2	1.1	0.9	1.1	1.1	1.2	1.2	1.1	1.1	1.0
o/w: Project loans (AIA)	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.6	0.5	0.5	0.5
Project Loans Revenue	0.5	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.5
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	0.1	0.0	0.0	0.6	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Programme Loans	0.7	0.7	0.5	0.9	0.8	0.6	0.7	0.5	0.7	0.7	0.6
o/w: P for R Programme Loans	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	0.1	0.5	0.5	0.5	0.7	0.4	0.7	0.4	0.6	0.6	0.5
AfDB	0.2	0.1	0.0	0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Debt repayment - Principal	-2.1	-2.8	-2.7	-2.6	-1.7	-2.0	-1.9	-2.0	-1.7	-2.3	-1.9
Net Domestic Financing	**5.1**	**5.2**	**5.3**	**4.3**	**3.2**	**4.7**	**3.3**	**4.7**	**3.0**	**4.6**	**3.7**
Memo items											
Gross Debt (Stock)	69.9	70.6	69.8	68.0	65.7	67.7	63.1	66.7	60.6	64.3	62.1
External Debt	32.5	31.5	30.5	28.6	27.0	26.7	24.9	24.8	23.1	22.2	20.2
Domestic Debt (gross)	37.4	39.2	39.3	39.4	38.7	41.0	38.2	41.9	37.5	42.2	41.9
Domestic Debt (net)	35.4	36.0	37.3	36.5	36.1	39.4	35.9	40.5	35.4	40.9	40.7
Financing gap	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: The National Treasury

Annex Table 4: Budget Calendar for the FY 2027/28 Medium-Term Budget

Activity	Responsibility	Timeline
1. Develop and Issue FY 2027/28 Budget Preparation Guidelines	**National Treasury**	**10-Jul-26**
2. Launch of the FY 2027/28 and the Medium Term Budget Process	**National Treasury**	**22-Jul-26**
3. Programme Performance & Strategic Reviews	**MDAs**	**30-Jul-26**
3.1 Review and Update of Strategic Plans	"	"
3.2 Review of Programme Outputs and Outcomes	"	"
3.3 Review of Expenditure for the Period 2023/24 - 2025/26	"	"
3.4 Review and Approval of Projects for FY2027/28	Project Committees	"
3.5 Progress Report on MTP IV Implementation	"	"
3.6 Preparation of Annual Plans	"	"
4.Submission of Baseline Information	**MDAs**	**12-Aug-26**
5. Development of Medium-Term Budget Framework	**Macro Working Group**	**30-Aug-26**
5.1 Estimation of Resource Envelope	"	"
5.2 Determination of Policy Priorities	"	"
5.3 Preliminary Resource Allocation to Sectors, Parliament, Judiciary & Counties	"	"
5.4 Draft 2026 Budget Review and Outlook Paper (2026 BROP)	"	15-Aug-26
5.5 Submission of 2026 BROP to the Cabinet	"	26-Aug-26
5.6 Approval of 2026 BROP by the Cabinet	"	30-Aug-26
5.7 Submission of Approved 2026 BROP to Parliament	"	1-Sep-26
6. Preparation of Sector Budget Proposals	**Line Ministries**	**23-Oct-26**
6.1 Retreats to Draft Sector Budget Proposals	Sector Working Group	7th Sep - 2nd Oct 2026
6.2 Hold Public Sector Hearing	National Treasury	12th -14th Oct. 2026
6.3 Review and Incorporation of Stakeholder Inputs in the Sector Budget Proposals	Sector Working Group	16-Oct-26
6.4 Submission of Sector Budget Proposals to the National Treasury	Sector Chairpersons	20-Oct-26
6.5 Consultative Meeting with CSs/PSs on Sector Budget Proposals	National Treasury	23-Oct-26
7. Draft Budget Policy Statement (BPS)	**Macro Working Group**	**30-Nov-26**
7.1 Draft 2027 BPS	Macro Working Group	30-Oct-26
7.2 Division of Revenue Bill (DORB)	National Treasury	"
7.3 County Allocation of Revenue Bill (CARB)	National Treasury	"
7.4 County Governments' Additional Allocation Bill (CGAAB)	National Treasury	"
7.5 Submission of BPS, DORB, CARB and CGAAB to Cabinet for Approval	National Treasury	13-Nov-26
7.6 Submission of BPS, DORB, CARB and CGAAB to Parliament for Approval	National Treasury	30-Nov-26
8. Preparation of Pre-Election Report	**National Treasury**	**10-May-27**
8.1 Draft Pre-Election Report	National Treasury	30-Apr-27
8.2 Submission of Pre-Election Report to Parliament	National Treasury	10-May-27
9. Preparation and Approval of Final MDAs Budgets		**31-Mar-27**
9.1 Develop and Issue Final Guidelines on Preparation of 2027/28 MTEF Budget	National Treasury	15-Dec-26
9.2 Submission of Budget Proposals to the National Treasury	Line Ministries	30-Dec-26
9.3 Consolidation of the Draft Budget Estimates	National Treasury	20-Jan-27
9.4 Submission of the FY 2027/28 and the Medium Term Budget to Cabinet for Approval	National Treasury	26-Jan-27
9.5 Submission of the FY 2027/28 and the Medium Term Budget to Parliament	National Treasury	29-Jan-27
9.6 Submission of the Finance Bill, 2027	National Treasury	29-Jan-27
9.7 Review of Draft Budget Estimates by Parliament	National Assembly	19-Feb-27
9.8 Report on Draft Budget Estimates from Parliament	National Assembly	5-Mar-27
9.9 Consolidation of the Final Budget Estimates	National Treasury	8-Mar-27
9.10 Submission of Appropriation Bill to Parliament	National Treasury	8-Mar-27
10. Budget Statement	**National Treasury**	**18-Mar-27**
11. Appropriation Bill Passed	**National Assembly**	**31-Mar-27**
12. Finance Bill Passed	**National Assembly**	**31-Mar-27**

Source: National Treasury

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THE NATIONAL TREASURY
AUGUST 2026