



# **REPUBLIC OF KENYA**

**THE NATIONAL TREASURY AND ECONOMIC PLANNING**

**MEDIUM TERM**

## **2025 BUDGET POLICY STATEMENT**

**CONSOLIDATING GAINS UNDER BOTTOM-UP  
ECONOMIC TRANSFORMATION AGENDA FOR  
INCLUSIVE GREEN GROWTH**

**FEBRUARY 2025**

© Budget Policy Statement (BPS) 2025

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# Foreword

The 2025 Budget Policy Statement (BPS), which is the third to be prepared under the Kenya Kwanza Administration, highlights the progress made in the implementation of the strategic interventions articulated in the Bottom-Up Economic Transformation Agenda (BETA) and anchored on the Fourth Medium Term Plan of the Vision 2030. BETA is the Government's transformation agenda geared towards economic turnaround through a value chain approach. BETA is about investing the limited capital available where it will create the most jobs at the bottom of the pyramid. It is a commitment to invest in smallholder agriculture and the informal sector and end socio-economic exclusion by levelling the playing field for all investors. Great progress has been realized in the implementation of the core pillars and enablers of BETA over the last two years. Going forward and over the medium term, the Government will consolidate the gains realized under the BETA for inclusive green growth with a special focus on the following six (6) objectives: bringing down the cost of living; eradicating hunger; creating jobs; expanding the tax base; improving foreign exchange balances; and fostering inclusive growth. Emphasis will be placed on promoting investment in BETA core pillars and enablers and harnessing implementation of the targeted interventions through a value chain approach. The value chain approach targets to enhance production, value addition and market access, and attract local and foreign investments.

The 2025 BPS has been prepared against a backdrop of stable global and domestic economic outlook. Global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. On the domestic front, the Kenyan economy has remained resilient despite the challenging domestic and external environment. The focused interventions and structural reforms of the Government under BETA have stabilized the economy and supported economic recovery to 5.6 percent in 2023 from 4.9 percent in 2022 following a strong rebound in agriculture after two years of severe drought. Additionally, macroeconomic fundamentals have strongly rebounded and are projected to continue to strengthen and remain stable. Economic growth is estimated to have slowed down to 4.6 percent in 2024 from a growth of 5.6 percent in 2023 reflecting deceleration of economic activities in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy. Growth is expected to pick up to 5.3 percent in 2025 and retain the same momentum over the medium term largely driven by: enhanced agricultural productivity; resilient services sector, and ongoing implementation of priorities under BETA.

The Government's fiscal policy for the FY 2025/26 and over the medium-term places special emphasis on fiscal consolidation to reduce public debt vulnerabilities while providing fiscal space to deliver essential public goods and services. Fiscal consolidation will be supported by concerted expenditure rationalization and revenue mobilization efforts. This will bring public debt on downwards path consistent with Kenya's debt anchor. To boost revenues, emphasis will be placed on a combination of tax administrative and tax policy reforms that include: strengthening tax administration for enhanced compliance through expansion of the tax base, minimizing tax expenditures, leveraging on technology to revolutionize tax processes, sealing revenue loopholes and enhancing the efficiency of tax system; and, focusing on non-tax revenues that Ministries, Departments and Agencies can raise through the services they offer to the public. The Government will also sustain efforts to strengthen accountability, transparency and a revenue mobilization path guided by the Medium-Term Revenue Strategy – that makes tax regime more efficient, equitable, and progressive. These deliberate efforts will be put in place to

strike a right balance between the need to create a stronger and more reliable revenue stream and the need to protect the critical masses who have been grossly affected by the prevailing macroeconomic shocks.

To strengthen expenditure control and improve efficiency and effectiveness in public spending, the Government will: rationalize and reduce non-essential expenditure; roll out an end-to-end e-procurement system to maximise value for money and increase transparency in procurement; operationalize the Public Investment Management Information System to automate public investment management process; revamp the public service pension administration through digitization and re-engineering of the pension management system; and expedite governance reforms targeting state corporations. To strengthen public finance management, the Government will fast-track the process of transitioning from cash basis to accrual basis of accounting to improve cash management and enhance financial and fiscal reporting; and entrench the adopted Zero-Based Budgeting approach while finalizing the FY 2025/26 to re-orient the budgeting and expenditure framework. The Government will also operationalize the Assets and Inventory Management Modules in the IFMIS for all MDAs. This will enable the Government have full visibility of all assets and inventory and facilitate optimal assets utilization and ensure idle and unserviceable assets are disposed in conformity with the existing legal requirements. To crowd-in the private sector in the provision of public services, the Government will scale up use of Public Private Partnerships (PPP) framework for commercially viable projects. The Government is also piloting a new Human Resource Management System which will be rolled out to all National Government Ministries and Departments as well as all County Governments in order to improve the management of the wage bill, including statutory payroll deductions.

In view of the constrained fiscal environment, prioritization during resource allocation will be critical in ensuring low-priority expenditures are dropped or deferred to give way to high-priority service-delivery programmes. Ministries, Departments and Agencies (MDAs) are therefore, required to re-evaluate all the existing or planned activities, projects, and programmes to be funded in the FY 2025/26 and medium-term budget. Sector Working Groups (SWGs) are required to eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. SWGs should also ensure that all expenditure items in the FY 2025/26 Budget are justified and emphasis is placed on allocating the limited resources based on programme efficiency and requirement rather than incremental budgeting. The hard sector ceilings provided for the FY 2025/26 budget and the Medium Term will form the basis of allocations.

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

# Acknowledgement

The 2025 Budget Policy Statement is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the strategic priorities of the Government, highlights the current state of the economy, provides macro-fiscal outlook over the medium term together with a summary of Government spending plans as a basis for the FY 2025/26. The publication of the 2025 BPS aims to improve the public's understanding of Kenya's public finances and guide public debate on economic and development matters.

The Government is keen on fostering prudent management of public resources in order to support inclusive green growth and development. Budget implementation in the first quarter of the FY 2024/25 was impeded by: protests that led to a slowdown of economic activities; the withdrawal of Finance Bill 2024 that was expected to raise an additional revenue amounting to Ksh 344.3 billion; and the implementation of the Collective Bargaining Agreements has continued to put pressure on the expenditures. Revenue shortfalls and emerging expenditures pressures is affecting our ability to execute the FY 2024/25 budget in a timely manner leading to cash flow challenges and associated build-up in unpaid bills. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the fiscal framework for FY 2024/25 budget was revised downwards through the Supplementary Estimates No. I taking into account the lower base effect following the preliminary actual outcome for FY 2023/24. Additionally, while preparing this budget, all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2025/26 have been scrutinized carefully to ensure quality and, alignment to the Government's Bottom - Up Economic Transformation Agenda as outlined in this BPS and the Fourth Medium Term Plan and other strategic interventions of national interest.

The policy measures outlined in the 2025 BPS are expected to improve economy-wide efficiencies, create an enabling environment that supports growth in businesses and investment, reduce the cost of living as well as enhance the wellbeing of all Kenyans. The tight fiscal stance is expected to reduce debt vulnerabilities through implementation of reforms to broaden the domestic tax base and improve tax compliance. Expenditure rationalization will continue to focus on enhanced efficiency of public investments, better targeting of subsidies and transfers, addressing weakness in state corporations, and digital delivery of public services. Social safety nets and fiscal risk management framework will be enhanced.

The completion of this policy statement was as a result of collective effort by various MDAs who provided valuable information. We are grateful for their contributions. We are also grateful for the inputs we received while preparing this document from the Macro Working Group; stakeholders and the general public during the Public Sector Hearings from 20<sup>th</sup> to 22<sup>nd</sup> November, 2024. A dedicated team in the National Treasury spent substantial amount of time putting together this BPS. We are particularly grateful to them for their tireless efforts and dedication.

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

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## ***About the Budget Policy Statement***

The Budget Policy Statement (BPS) is a Government policy document that sets out the broad strategic priorities and policy goals to guide the National Government and the County Governments in preparing their budgets for the subsequent financial year and over the medium term. In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012.

Section 25 of the PFM Act, 2012, provides that the National Treasury shall prepare and submit to the Cabinet the BPS for approval. Subsequently, the approved BPS is submitted to the Parliament, by the 15<sup>th</sup> of February each year. Parliament shall, not later than 14 days after the BPS is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The Cabinet Secretary, the National Treasury and Economic Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2025/26 and the medium term.

The Budget Policy Statement contains:

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

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



# **I. CONSOLIDATING GAINS UNDER BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE GREEN GROWTH**

## **1.1 Overview**

1. The 2025 Budget Policy Statement (BPS), which is the third to be prepared under the Kenya Kwanza Administration, highlights the progress made in the implementation of the strategic interventions articulated in the Bottom-Up Economic Transformation Agenda (BETA) and anchored on the Fourth Medium Term Plan of the Kenya Vision 2030. BETA is the Government's transformation agenda geared towards economic turnaround through a value chain approach. BETA is about investing the limited capital available where it will create the most jobs at the bottom of the pyramid. It is a commitment to invest in smallholder agriculture and the informal sector and end socio-economic exclusion by levelling the playing field for all investors.
2. Despite the challenging domestic and external environment, significant success has been registered following the various interventions rolled out by the Government during the past two years. The focused interventions and structural reforms of the Government under BETA have stabilized the economy and supported economic recovery to 5.6 percent in 2023 from 4.9 percent in 2022 following a strong rebound in agriculture after two years of severe drought. Economic growth is estimated to have slowed down to 4.6 percent in 2024 reflecting deceleration of economic activities in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy. Growth is expected to pick up to 5.3 percent in 2025 and 2026 and retain the same momentum over the medium term largely driven by: enhanced agricultural productivity; resilient services sector, and ongoing implementation of priorities under BETA.
3. Additionally, macroeconomic fundamentals have strongly rebounded and are projected to continue to strengthen and remain stable. In particular:
  - i) Inflation has significantly declined from a peak 9.6 percent in October 2022 to 3.0 percent in December 2024 reflecting the effectiveness of the Government's tight monetary policy and pass-through effects of the strengthening exchange rate that have eased food and energy prices;
  - ii) The Kenya Shilling to the US dollar has stabilized in the Ksh 128-130 range since January 2024. The exchange rate appreciated from an average of Ksh 160.8 in January 2024 to Ksh 129.4 in December 2024, an appreciation of 19 percent. The recovery has restored confidence in financial markets and significantly reduced the cost of servicing external debt, creating vital fiscal space for development imperatives;
  - iii) The foreign exchange reserves have grown to US dollar 10.1 billion in December 2024 from US dollar 7.3 billion in December 2023, providing 5.1 months of import cover. The resilience shields the country from external shocks in the global economy and restores investor confidence;
  - iv) Interest rates have begun to decline as a result of the easing of the monetary policy, reducing borrowing costs and freeing up fiscal space for growth-enhancing initiatives by businesses. Interbank rate declined to 11.4 percent in December 2024 from 11.7 percent in December 2023 in line with the easing of the monetary policy. The 91-day Treasury Bills rate declined to 10.0 percent in December 2024 from 15.7 percent in December 2023.

- v) Tax revenues have grown by 11.5 percent in the year to June 2024, reflecting the success of the Government's tax base expansion measures.
4. Great progress has also been realized in the core pillars of the Bottom-Up Economic Transformation Agenda. Key achievements include:
- i) To ensure food security in the country and reduce the cost of living, the Government has continued to roll out fertilizer and seeds subsidies to farmers across the country enabling them to increase the key food value chains and revamp underperforming/collapsed export crops. Since February 2024, the Government has distributed subsidised fertiliser to 6.45 million registered farmers in 45 counties, under the Fertilizer Subsidy Programme, as well as animal feed and certified seeds, enabling them to increase their yields. Additionally, maize production doubled to 61 million bags of maize in 2023 compared to the 30 million bags that was harvested in 2022. The achievement was made possible through leveraging on technology, utilizing an integrated digital platform that registered over 6 million farmers;
  - ii) To support livelihood and businesses, the Government disbursed Ksh 60.0 billion through the Financial Inclusion Fund, or the 'Hustler Fund' by end of November 2024 providing access to affordable credit to over 24.6 million customers with a repeat customers' base of 8.5 million beneficiaries and a repayment rate of 79 percent. Additionally, in keeping up with the BETA policy to inculcate a culture of saving for posterity, the Fund has successfully mobilized Ksh 3.3 billion in savings. Additionally, through the Credit Guarantee Scheme (CGS), a cumulative value of approximately Ksh 6.34 billion was disbursed to 4,147 MSMEs across 46 counties and 12 sectors of the economy as at 30<sup>th</sup> September 2024;
  - iii) To promote achievement of the universal health coverage, the Government has replaced the National Health Insurance Fund with Taifa Care and established the Social Health Authority (SHA), which administer three essential funds - Primary Healthcare Fund; the Social Health Insurance Fund (SHIF) and the Emergency, Chronic and Critical Illness Fund in a way that ensures every Kenyan, especially the most vulnerable, can access quality healthcare services when they need them most. The newly established SHIF empowers citizens to contribute towards accessing a broad range of healthcare benefits;
  - iv) To facilitate delivery of affordable houses and enable low-cost housing mortgages, the Government has facilitated construction of 124,000 housing units which are at different stages of completion across 75 sites in 37 counties. Already, 4,888 housing units are set for completion across 21 social housing projects and will soon be launched; and
  - v) To foster digital transformation, the Government has expanded last-mile fibre-optic connectivity using the extensive Kenya Power transmission lines network to the most remote and underserved areas of our country, and made significant strides to establish digital and ICT hubs. In 2023, the Government had laid 13,712 kilometers of fibre cable and increased the number of Public-Wi-Fi hot spots from 40 in 2022 to 1,222 in 2023, giving a total of 1,262 public Wi-Fi spots.
5. Over the medium term, the Government will consolidate the gains realized under the BETA for inclusive green growth with a special focus on the following six (6) objectives: bringing down the cost of living; eradicating hunger; creating jobs; expanding the tax base; improving foreign exchange balances; and inclusive growth. Emphasis will be placed on promoting investment in BETA core pillars and enablers and harnessing implementation of the targeted interventions through a value chain approach. The five core pillars are: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy.
6. A value chain describes the production-to-market linkages generating added benefit for the customer. The value chain approach targets to enhance production, value addition and market

access, and attract local and foreign investments. The priority BETA value chains are: (i) Leather and leather products; (ii) Textile and apparel; (iii) Dairy; (iv) Edible oils (sunflower, canola, palm oil, coconut, soya); (v) Tea; (vi) Rice; (vii) Blue economy; (viii) Minerals including forestry; and (ix) Construction/building materials. Other value chains include: (i) Maize; (ii) Potatoes; (iii) Pyrethrum; (iv) Beef; (v) Coffee; (vi) Apiculture (bees); and (vii) Indigenous poultry.

7. The Government will also build on the solid foundation already built over the last two years by entrenching structural reforms, enhancing governance, transparency and accountability, and promoting responsibility for the use of public resources. Key reforms will include: entrenching of the zero-based budgeting to re-orient the budgeting and expenditure framework of the Government; migrating from cash basis to accrual basis of accounting; implementing the Treasury Single Account to improve cash management; implementing a unified Personal Identification system for all personnel working across all the arms of Government; and exploiting the power of Information and Communication Technology to radically diminish opportunities for corruption, conflict of interest, and abuse of office by digitizing procurement and making it open and transparent.

## **1.2 Core Pillars**

### **1.2.1 Agricultural Transformation for Inclusive Green Growth**

8. Agriculture remains a core pillar for the realization of the Bottom-Up Economic Transformation Agenda's aspiration for inclusive green growth given that more than two-thirds of Kenyans derive livelihoods directly or indirectly from agriculture, which has the highest employment multiplier effect and consists of crucial value chains with the highest impact on job creation for economically excluded segments of the population. Given the critical role the agricultural sector plays in providing livelihoods, the Government embarked on implementation of interventions and boosted investments intended to transform the sector by raising productivity of key value chains in the sector that includes: fisheries and aquaculture, horticulture, food crops like maize, rice, edible oils, livestock, beekeeping, and rangeland development.

9. The interventions were aimed at: i) transforming poor farmers from food deficit to surplus producers through making inputs, especially fertilizer, more accessible and affordable, and providing intensive agricultural extension support; ii) raising the productivity of key food value chains, and reduce post-harvest losses; iii) reducing dependence on basic food imports by 30 percent; revamp underperforming or collapsed export crops and expand emerging ones; iv) boosting coffee and tea value chains; and v) providing adequate and affordable working capital to farmers through cooperative societies and deploy modern agricultural risk management instruments that ensure farming is profitable and income is predictable.

10. Implementation of these interventions over the last two years has borne fruits. Maize production in the country doubled to 61 million bags of maize in 2023 compared to the 30 million bags that was harvested in 2022. The achievement was made possible through leveraging on technology, utilizing the Kenya Integrated Agriculture Information System – an integrated digital platform that registered over 6 million farmers. Through the platform, farmers accessed fertilizer using mobile phone vouchers, made payments, and received collection notifications at nearby Government storage facilities. Additionally, more land has been put under cultivation, with each acre yielding higher production given the availability and affordability of fertilizer. Notably, since February 2024, the Government has distributed subsidised fertiliser to 6.45 million registered farmers in 45 counties, under the Fertilizer Subsidy Programme, as well as animal feed and certified seeds more easily and affordably, enabling them to increase their yields. Further, the Government in 2024 has procured and through e-vouchers distributed 7 million bags of both planting and top-dressing fertilizer to boost food production across the country. The

intervention is projected to further increase maize production to 74 million 90 kg bags. The Government has also concluded long-term agreements with eleven suppliers of assorted fertiliser so as to make this commodity available all year round. Fertiliser for the long rains season will be stocked in outlets nationwide, ensuring our farmers are ready to plant, grow and produce. This will not only increase agricultural output, but also reduce reliance on costly food imports, securing a more self-reliant and prosperous Kenya.

11. The dairy sector remains a vital value chain with a quick turnaround impact on households and the economy. To support the sub-sector, the Government has released Ksh 3 billion to modernise the New KCC, ensure farmers are paid on time, and maintain a high price of Ksh 50 per litre. As a result, milk intake to KCC has increased from 100,000 litres to 220,000 litres a day. Other strategic interventions include: the extension of duty-free imports for feed manufacturing raw materials; subsidised artificial insemination services; and the reduction of sexed semen costs from Ksh 7,000 to Ksh 2,900 through the Kenya Animal Genetic Resource Center. These measures have led to a 14 percent increase in milk production, from 4.6 billion litres in 2022 to 5.2 billion litres in 2023, with projections exceeding 6 billion litres this year. In addition, the value of exported dairy products has nearly doubled, rising from Ksh 4.8 billion in 2022 to Ksh 7.2 billion in 2023.

12. To revitalize the coffee sub-sector, the Government has raised disbursements through the Cherry Advance Fund from Ksh 2.7 billion to Ksh 6 billion, complemented by an additional disbursement of Ksh 1.5 billion by the Commodities Fund. The Government also allocated 320,000 bags of fertilizer specifically for the coffee sector as part of its overall goal of providing 600,000 seedlings and 15,000 metric tons of subsidized fertilizer and modernization of coffee cooperative factories. The measures were geared towards boosting coffee productivity from 2 kilogram to 10 kilogram, and increasing smallholder farmer earnings from Ksh 300,000 to Ksh 500,000 per acre annually by the end of 2027. In FY 2023/24, the country produced and exported 48,000 metric tonnes, earning farmers Ksh 25 billion. The Government is on track to increase exports from 51,000 metric tonnes to 150,000 metric tonnes by 2027.

13. To facilitate the holistic development of the livestock sector and anchor all its value chains in a sustainable strategic platform, the Government is implementing several policies and legislative reforms and improvements to transform the livestock sector, guide training institutions and provide a predictable environment to attract investments. These frameworks include the Veterinary Policy, Livestock Policy, Livestock Bill, Livestock Masterplan, Food Safety Policy, and Food Safety Coordination Bill. All these are at various stages of consideration by the Cabinet and Parliament.

14. The Government's interventions in the livestock value chain are robust and have led to an 8.6 percent increase in meat exports from 15,000 metric tonnes, valued at Ksh 9 billion in 2022, to 16,000 metric tonnes valued at Ksh 10 billion. There has also been a 42 percent growth in the export of live animals from 33,000 animals in 2022 to 47,000 animals in 2023. The Government plans to increase annual red meat production by an additional 108,500 metric tonnes valued at Ksh 54 billion. To sustain high livestock performance, several interventions have been undertaken with the aim of improving genetics and eliminating feed-water supply constraints, diseases, and barriers to market access. Key actions include the implementation of a countrywide breed improvement programme in collaboration with the counties and to upgrading of dairy and beef breeds. In 2023, the Kenya Animal Genetic Resource Centre provided farmers with 900,000 doses of bull semen with the aim of increasing production and productivity. To enhance livestock disease and pest management, the Government plans to launch a National Vaccination Programme to eradicate the Peste des Petits Ruminants (PPR) disease and control the Foot and Mouth Disease. Under this programme, more than 22 million cattle will be vaccinated against foot and mouth disease, while 50 million goats will be vaccinated through a collaborative nationwide exercise.

15. In an effort to increase food production and expand economic opportunities for the youth, the Government commissioned and trained 18,000 agripreneurs across the country. The agripreneurs will work through National Agricultural Value Chain Development Project (NAVCDP) to guide farmers on best agricultural practices, pest management, and irrigation techniques. The programme will also connect farmers with suppliers for quality inputs and link them to markets to secure fair prices. The agripreneurs will assist farmers in accessing financial services, support loan applications, and connect them with providers of farm and mechanization services. The agripreneur model will regularly track progress, provide feedback for improvement, and maintain accurate records to inform decision-making and planning. To enhance the Government's capacity to coordinate agricultural production and deliver services to the sector more efficiently, the Government is developing and integrating a farmers' and agripreneurs database into the Kenya Integrated Agriculture Information System.

16. Over the medium term, the Government will consolidate the gains made in the agricultural sector by aligning policy and regulatory framework under the sector towards increasing food production, boosting smallholder productivity and reducing the cost of food and reducing the number of food insecure Kenyans. Overall, the strategies will be geared towards: addressing the cost, quality and availability of inputs such as fertilizer for increased production and productivity; support towards revitalization of coffee, tea, sugar, cotton, edible oil crops and horticulture value chains; developing of irrigation infrastructure especially in ASALs; increasing access to affordable credit and agricultural extension services through the Agripreneur model; creating direct and indirect jobs, increasing average daily income of farmers as well as foreign exchange earnings; agro-processing through construction of County Aggregation and Industrial Parks (CAIPs); and strengthening of farmer cooperatives.

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

17. The Micro, Small and Medium Enterprise (MSME) sector remains a vital sector of the Bottom-Up Economic Transformation Agenda as it serves as an engine for inclusive green growth and transformation by providing jobs and income opportunities for economically excluded segments of the population, including youth, women, persons with disabilities and low-skilled persons. The sector, however faces challenges in accessing finance, inadequate infrastructure, regulatory and compliance constraints, limited market access and competition, skills and capacity gaps, weak institutional support and networking. To address these challenges and transform the MSME economy, the Government initiated a number of reforms including: establishment and strengthening of the Financial Inclusion Fund, popularly known as Hustler Fund to provide access to affordable credit; capacity building; and linkage to markets; and strengthen the capacity of MSMEs to venture into economic activities in building and construction value chains and ring-fencing certain components of low-cost housing projects for MSMEs.

18. Significant progress has been realized in the delivery of these reforms. By the end of November 2024, the Hustler Fund had disbursed Ksh 60.0 billion benefitting 24.6 million customers, with a repeat customers' base of 8.5 million beneficiaries and a repayment rate of 79 percent. Additionally, in keeping up with the BETA policy to inculcate a culture of saving for posterity, the Fund has successfully mobilized Ksh 3.3 billion in savings. Building on the gains made, the Government will roll out a third product offering, specifically tailored to the Small and Medium Enterprises (SME) sector. The new product will initially target the 2 million beneficiaries who have demonstrated a strong credit history with the Fund. The ground breaking initiative aims to create a pathway for the SME entrepreneurs to transition into the formal banking system, thereby deepening financial inclusion and strengthening the SME sector.

19. To further address the challenges facing the MSMEs, the Government has embarked on the review of the Micro, Small Enterprise (MSE) 2020 Policy. The review is aimed at pulling down



the barriers in the MSME sector that stifle business growth and development. The new policy that will be developed will unlock and improve access to finance, reduce regulatory burden, enhance market access and upgrade MSME infrastructure as well as nurture a supportive MSME ecosystems.

### **1.2.3 Housing and Settlement**

20. The Constitution of Kenya provides that every person has the right to accessible and adequate housing. As a core pillar of BETA, the Affordable Housing Programme provides an avenue to ensure the development of quality and affordable houses for Kenyans. The Affordable Housing Programme is expected to increase the supply of affordable houses from the current 2 percent to 50 percent, by facilitating the delivery of 200,000 housing units annually. In addition, the Programme aims to tackle the housing deficit that has left many Kenyans living in insecure, unsanitary, and poorly constructed dwellings while also fostering the inclusive green growth and generating job opportunities across various sectors. To realize these objectives, the Affordable Housing Programme was designed to increase opportunity for manufacturers, developers and the Jua Kali industry to produce high quality construction products and provide employment to different types of professional services and materials, bringing together labourers, masons and brick layers, artisans, electricians and carpenters, as well as architects, engineers, quantity surveyors, lawyers and real estate economists.

21. Progress has been made in the delivery of the affordable housing agenda. Notably, the enactment of the Affordable Housing Act, 2024, provides a long-term solution in financing the Affordable Housing Programme. The Act is a landmark legislation in Kenya aimed at addressing the housing deficit and ensuring that every Kenyan has access to affordable, adequate, and decent housing. The enactment of the Affordable Housing Act gives effect to Article 43(1)(b) of the Constitution which guarantees every person the right to accessible and adequate housing. This article delves into the key aspects of the Act, its implications, and how it aims to transform the housing sector in Kenya. The Act aims to create a framework for the development and access to affordable housing, emphasizing community engagement, public-private partnerships and inclusivity.

22. Additionally, after two years of implementing the Affordable Housing Programme, 124,000 housing units are at different stages of completion across 75 sites in 37 counties. The Programme includes houses for military, police, and correctional services personnel, student accommodation, and private-sector developments. In addition, on the online portal platform, Boma Yangu, over 547,000 have registered, of which 52,000 have collectively saved more than Ksh 2.3 billion towards homeownership. The Affordable Housing Programme has created over 164,000 jobs through the housing value chain. Already, 4,888 housing units are set for completion across 21 social housing projects and will soon be launched. The units, comprise of studios, one-bedroom, two- bedroom, and three-bedroom homes, and are tailored to meet the needs of Kenyans, offering 1,041 social housing units, 2,133 affordable housing units, and 1,714 affordable middle-class housing units in 24 counties.

#### **1.2.3.1 Urban Housing**

23. The rapid pace of urbanization has outpaced the development of necessary infrastructure leading to over 10 million people living in the informal settlement and 60 percent living in slum areas. To improve urban housing, the Government will scale-up implementation of the Kenya Urban Settlement Program Phase II that will strengthen the capacities of urban municipalities to improve delivery and resilience of urban infrastructure and services. In addition, the Program will enhance the contribution of the private sector in urban planning and development and support the transition of refugee camps into integrated host communities and refugee settlements.

Through the Kenya Informal Settlement Improvement Project Phase II, the Government will also fast track land tenure regularization, upgrade infrastructure, improve access to basic services, and strengthen institutional capacity development for slum upgrading in informal settlements in 33 counties.

### **1.2.3.2 Rural Housing and Settlement**

24. Rural housing is affected by rapid urbanization, rural-urban migration, and a lack of affordable housing. In the rural areas, the quality of housing is below the standard requirement and lack basic sanitation requirement. To support rural housing and settlement, the Government will continue to ensure that urbanization is planned and controlled through integrated land use planning and development programme that we are implementing throughout the country, in every county. Key initiatives will include supporting construction of affordable housing projects using local materials, supporting planned rural settlements with essential infrastructure, and promoting climate-resilient housing designs to foster inclusive green growth and bridge the urban-rural divide.

### **1.2.4 Healthcare**

25. The right to the highest quality of health is enshrined in the Constitution of Kenya. The Medium-Term Plan IV of Vision 2030 and Bottom-Up Economic Transformation Agenda prioritizes provision of equitable, accessible, affordable and quality healthcare. Despite recent strong economic growth in the country, many Kenyans face financial barriers in accessing healthcare and only 20 percent of Kenya's population have health insurance, with most of them being employed in the formal sector. In order to achieve Universal Health Coverage by 2030, the Government's BETA focuses on various interventions to: i) provision of a fully public financed primary health care system, an emergency care fund and a health insurance fund that will cover all Kenyans, ii) installation of digital health management information system, iii) set up of a Fund for improving health facilities; iv) set up of an Emergency Medical Treatment Fund, iv) establishment of a National Insurance Fund that covers all Kenyans, and v) availing of medical staff who would deliver Universal Health Coverage.

26. Significant milestones have been realized in the implementation of these interventions. To accelerate the implementation of the Universal Health Coverage, the Government enacted the Social Health Insurance Act, 2023; ii) Primary Health Care Act, 2023; iii) Facility Improvement Financing Act, 2023; and iv) Digital Health Act, 2023. The Social Health Insurance Act replaced the National Health Insurance Fund and established the Social Health Authority (SHA), which administer three essential funds namely: Primary Healthcare Fund; the Social Health Insurance Fund (SHIF); and the Emergency, Chronic and Critical Illness Fund in a way that ensures every Kenyan, especially the most vulnerable, can access quality healthcare services when they need them most. The shift from the National Health Insurance Fund model to Taifa Care is fundamental and radical in both scale and character. NHIF served a few salaried Kenyans and those who could pay, but Taifa Care covers every Kenyan regardless of their employment status. Secondly, despite serving a limited class of citizens, NHIF nevertheless accumulated billions of shillings of debt because of misalignment between contributions and the actual cost of healthcare. Taifa Care has undertaken an accurate costing of all healthcare-related goods and services, in order to provide timely, effective and efficient service to everyone. Additionally, the NHIF had a waiting period, lasting between registration and eligibility for services. Under Taifa Care, citizens are eligible for all services upon registration.

27. To date, over 15 million Kenyans have enrolled in Taifa Care and more than 60 percent of employers have successfully transitioned into its framework. The newly established Social Health Insurance Fund (SHIF) empowers citizens to contribute towards accessing a broad range

of healthcare benefits. This represents a seismic shift from the old, reactive healthcare model to a forward-looking system that prioritises prevention and preparedness. Once the transition from NHIF is complete and SHIF becomes fully operational, Kenya will have a healthcare system that guarantees dignity, peace of mind and equitable access for every citizen. Under the Digital Health Act, the Government will continue to enhance the efficiency and transparency provided by technology in the provision of healthcare services to eliminate fraud and fake claims.

28. As a start, free primary healthcare is increasingly becoming available at dispensaries, health centres and hospitals. Ambulance and emergency services are also slowly but surely being made available at no fee. Under Taifa Care, we have introduced a comprehensive benefits package that brings specialised care, such as cardiothoracic surgery, within reach for many Kenyans, without the burden of financial strain. Through the Digital Health Act, the Government has revolutionized healthcare delivery process including registration, eligibility checks, as well as claims. By eliminating unnecessary human interaction, the Government is tackling corruption, reducing inefficiencies and ensuring that resources are used where they are needed most.

29. Building on the gains made, the Government through the Facility Improvement Fund (FIF) will ensure that hospitals are equipped with the tools they need including: medicine, equipment and other resources necessary to provide quality care, while involving citizens in decision making at every facility. To start of the process, the Government is clearing decade-old debts, and ensuring access to medicine and equipment. Already, the Government has paid disbursed Ksh 8.7 billion to settle historical debts owed to public, private and faith-based medical facilities, and will continue to clear the remaining balances in a phased-out approach over the coming months. This underscores the Government's commitment to ensuring uninterrupted delivery of healthcare services.

30. To increase availability of human capital in the public health sector, the Government will continue to implement programmes like Afya Bora Mashinani that has engaged over 100,000 community health promoters who provide direct care in households across the country. In addition, the Government will implement institutional and strategic measures to extend the impact of Universal Health Coverage by developing the biomedical, pharmaceutical, and medical supplies production industries.

31. Over the medium term, the Government will continue to implement strong institutional and strategic measures to extend the impact of Universal Health Coverage by developing the biomedical, pharmaceutical, and medical supplies production industries. To enhance healthcare delivery and ensure the security of medical supplies, the Government will improve the overall supply chain, starting with capacity upgrades and the establishment of Kenya Medical Supplies Agency (KEMSA) regional distribution centres in Kisumu, Embakasi, and Mombasa. Further, the Government will scale up the scope of existing programmes such as Edu Afya to encompass all school-going children, extending beyond its current focus on secondary school students. In addition to covering prenatal care, the Linda Mama Programme will be enhanced to provide comprehensive postnatal care ensuring a holistic approach to maternal and child health.

## **1.2.5 Digital Superhighway and Creative Economy**

### **1.2.5.1 Digital Superhighway**

32. The digital economy has undergone rapid changes both globally and domestically in recent years, with the COVID-19 pandemic accelerating the shift towards digital technologies. In order to entrench Kenya's lead in digital economy, the Government under the BETA committed to: i) promote investment in the digital superhighway and the creative economy which provides tremendous potential for the country in employing hundreds of thousands of young people and generating immense wealth if the young people are facilitated to plug into the global digital



economy; ii) support extension of National Fiber Optic Backbone infrastructure to ensure universal broadband availability; and iii) digitize and automate all critical Government processes throughout the country, with a view of bringing greater convenience to citizens.

33. Towards this end, the Government has expanded last-mile fiber-optic connectivity using the extensive Kenya Power transmission lines network to the most remote and underserved areas of the country, and making significant strides to establish digital and ICT hubs. Government is on schedule to establish 1,450 ICT by end of 2024 across the country's wards to provide digital literacy training, support content creation, and facilitate access to Government services. This will create a foundation for digital transformation, enabling IT economy workers, young digital creators and entrepreneurs to access a wealth of opportunities both locally and globally.

34. The Government committed to increase and fast-track broadband connectivity across the country, by constructing at least 100,000 kilometres of National Fibre Optic connectivity. So far, the Government has laid 13,712 kilometres of fiber cable and increased the number of Public-Wi-Fi hot spots from 40 in 2022 to 1,222 in 2023, giving a total of 1,262 public Wi-Fi spots. The Government's flagship initiative under the Jitume Programme targets to empower over 1 million youths in the country to access reasonable and sustainable income and to provide infrastructure and over 23,000 digital devices to centres among other activities. In order to make Government services more accessible and improve efficiency and service deliver, the Government has digitized 20,855 services up from 350 in 2022, representing an increase of almost 6,000 percent which has improved revenue collection.

35. Over the medium, the Government will continue to: increase and fast-track broadband connectivity across the country by construction of national fibre optic connectivity network; enhance Government service delivery through digitization and automation of all Government critical processes; establish Africa Regional Hub and promote the development of software for export; implement the Digital Master Plan will adhere to environmental agreements in which Kenya is a signatory; and strengthen Konza Technopolis to bring together industry, academic institutions, and other innovators to co-invest in emerging technologies to create high-quality jobs that leverage artificial intelligence, robotics, and other technologies.

### **1.2.5.2 Creative Economy**

36. The Government is committed to supporting the creative economy which plays a key role in fostering creativity and addressing the high unemployment rates. The sector offers the opportunity to enhance our cultural values, heritage, and national identity. Currently, the creative economy is growing at faster rate than any other economy in the region and has a potential to contribute significantly to GDP. The sector interlinks the arts, business and technology, which are intensive in creative skills and can generate income through trade and intellectual property rights. Acknowledging this potential, the Government is expanding and supporting the creative economies as part of economic diversification strategies and efforts to stimulate economic growth.

37. To further support the creative economy, the enactment of the Creative Economy Support Bill, 2024 will establish a legal framework for the support of persons in the creative industry and further enhance entry and contribution to the industry. Further, the Bill seeks to establish a Creatives Fund for purposes of financing creative initiatives by various creatives in the industry and for supporting the implementation and execution of creative projects.

## **1.3 Enablers**

38. Actualization of the Government's Bottom – Up Economic Transformation Agenda (BETA) for inclusive green growth will be underpinned by sound and innovative policy and

structural reforms targeted at all socio-economic sectors. These include: building efficient infrastructure; harnessing the manufacturing sector; climate-change mitigation and adaptation mechanisms; building human capital; social protection; as well as enhancing governance and the rule of law. The following enablers will be prioritized to enhance the attainment of the Agenda:

### **1.3.1 Infrastructure**

39. Infrastructure remains a key enabler to the implementation of BETA through provision of cost-effective public utilities and essential services geared at promotion socio-economic transformation across the country. For this reason, the Government will intensify investments in: construction of water pans, small, large and mega dams and associated irrigation infrastructure; expansion of roads and transport network, clean energy generation and distribution capacity; exploration and commercialization of oil and gas; to foster an enabling environment for inclusive green growth, enhance Kenya's competitiveness, and facilitate cross-border trade and regional integration. These infrastructure developments are also designed to stimulate business growth, attract private investment, and contribute to long-term economic prosperity and poverty reduction.

#### **1.3.1.1 Water and Irrigation**

40. To enhance access to safe water for domestic, irrigation and industrial use, the Government has made significant progress over the last two years. Notably, the Government has increased access to improved water services by connecting an additional 5,843,258 people; improved access to sanitation services by connecting an additional 280,000 households; increased water storage per capita from 107 cubic metres to 108 cubic metres by completion of Karimenu Dam, Yamo Dam, Pemba Dam and Bakuli Dam; operationalized bulk water supply at the Karimenu II (70,000 cubic metres per day) and Northern Collector Water Diversion Tunnel (140,000 cubic metres per day); and completed groundwater mapping for Wajir, Turkana, and Marsabit counties. Additionally, the Government has developed an additional 181,069 acres under irrigation for rice, maize and other value chains; completed 15 MCM Thiba Dam and expanded Mwea Irrigation Scheme by 5,600 acres to 30,600 acres; harvested and stored 52.1 million cubic meters of water for irrigation; reclaimed, rehabilitated and restored 3,183 acres of degraded land; and equipped 25 public schools with boreholes, greenhouses and irrigation kits. To address the issue of land degradation, the Government is finalizing the development of the Land Reclamation Policy 2024 in order to enhance reclamation of degraded lands, marginal lands, wastelands, and wastewater; establish a new legal and institutional framework to support land reclamation; and secure land neutrality

41. Over the medium term, the Government will build on the progress made in order to provide reliable safe and clean water through water harvesting for domestic use and recharge of ground water in 23 ASAL counties, 100 small towns and 300 schools. This will entail supporting 1,150 water harvesting projects for irrigation to provide 517.5 million cubic metres of water in ASALs; construction of small dams and water pans, and drilling of boreholes; water harvesting from "laggahs" and exploitation of ground water for irrigation in arid counties; and building capacity on uptake of irrigation in schools by drilling and equipping 465 boreholes and installing 510 greenhouses. In addition, the Government will facilitate construction of the following multi-purpose dams: Arror, Kimwarer, High Grand Falls, Muny, Lower Ewaso Ng'iro, Ewaso Ng'iro North River, and Oloshoibor ; and two (2) dams at Kieni Integrated Irrigation Project, desilting ten (10) tributaries at Integrated Ecosystem Irrigation in Athi River Basins; construction of a fruit and vegetable processing plant through the Kimira Oluch Smallholder Farm Improvement Project Phase II, and construction of a sugar mill through the Tana Delta Sugar Irrigation Project

42. Further, the Government will expedite the enactment of the Water (Amendment) Bill, 2023 to promote private investment in the water sector through the Public-Private Partnerships (PPPs) model. The amendments seek to expand the role of National Government entities such as the Water Works Development Agencies (WWDAs) and National Water Storage Authority (the NWSA) to provide water services by allowing them to enter into bulk water purchase agreements under the PPP Act, 2021 which was previously the preserve of county water service providers (WSPs).

### **1.3.1.2 Roads and Bridges**

43. In order to expand road and bridges in the country, the Government has over the last two years, constructed 2,766 kilometres of roads; rehabilitated 280 kilometres of roads; maintained 10,320 kilometres of roads under Performance Based Contracts; maintained 117,294 kilometres of roads under routine maintenance; maintained 2,389 kilometres of roads under periodic maintenance; and constructed 77 bridges. These efforts aim to enhance transportation networks, support inclusive green growth, and improve overall connectivity across the country.

44. Over the medium term, the Government will prioritize: completion of 1,542 kilometres of roads; construction of 62 bridges across the country; rehabilitation of 675 kilometres of roads; maintenance of 84,988 kilometres of roads under routine maintenance programme; maintenance of 1,633 kilometres of roads under periodic maintenance programme; and maintenance of 30,234 kilometres of roads under Performance Based Contracts. The Government will also: upgrade and maintain rural access roads to open up the rural areas to enable farmers to get their produce to markets faster and cheaply; and improve road infrastructure in urban informal settlement and critical national and regional trunk roads that have the highest immediate economic impact.

45. To enhance road safety in the country, the Government has developed and launched the National Road Safety Action Plan (NRSAP) 2023-2028 which targets to reduce accidents and incidences on the Kenyan roads. The Government has also reviewed and developed several Regulations including: Traffic (School Transport) Rules 2024; Traffic (Motor Vehicle Inspection) Rules 2024; Traffic (Drink Driving) Rules 2024; and NTSA (Operation of Commercial Services Vehicles) 2024. To streamline transport accident investigations, the Government established the Kenya Transport Accident Investigation Bureau (KTAIB) in October 2023 as part of institutional and legal reforms. The KTAIB will investigate accidents involving road, rail, and water transport. It will also promote the sharing of best practices, resources, and safety lessons between different modes of transport.

46. To streamline transport and reduce traffic congestion, the Government will implement the Mass Rapid Transit System (MRTS) within the greater Nairobi Metropolitan Area. The Government intends to fast-track implementation of the Bus Rapid Transit (BRT) Transit Lines 2, 3 and 5. Under this Project, the Government will acquire Electric Vehicle buses to further reduce Green House Gases effects emanating from the transport sector. The MRTS is expected to elevate Nairobi to a regional hub through an efficient transport sector that integrates public transport with land use planning, improving access to residential estates, and decentralizing settlements which will in turn reduce cost of housing in the Nairobi Metropolitan Area.

### **1.3.1.3 Electricity**

47. Access to clean, sustainable and affordable energy remains a key enabler for inclusive green growth and transformation as envisioned by the Bottom-Up Economic Transformation Agenda. To expand access to electricity, the Government has over the last two years, installed an additional 240MW of electricity thus increasing total installed capacity by 5.4 percent from 3,076MW in 2022 to 3,243 MW in October 2024; constructed 675 kilometres of transmission lines and built 4 high voltage substations; installed 1,266.7 kilometres of medium voltage

distribution lines and constructed 30 distribution substations; and installed 54,577 street lighting points to enhance security and promote a 24-hour economy. Consequently, 774,000 more customers were added to electricity including 1,702 public facilities, increasing the total number of customers connected to electricity to 9,791,575 in October 2024 from 8,919,584 in 2022.

48. Over the medium term, the Government will build on the progress made by strengthening policy guidelines and laws to enhance energy generation, transmission and distribution aimed at connecting 1,440,000 new customers and 1,080 public facilities to electricity. Some of the interventions will involve: drilling of 34 geothermal wells; construction of 1,742 kilometres transmission lines and 21 transmission substations; construction of 1,050 kilometres distribution lines and 33 distribution substations; installation of 19,500 street lighting points; and construction of 55 institutional and 1,800 household biogas plants to enhance power grid resilience, improve service delivery, and ensure long-term energy sustainability.

#### **1.3.1.4 Petroleum and E-mobility**

49. BETA aims to promote clean, affordable, and quality alternative renewable energy sources for inclusive green growth and transformation. Towards this end, specific interventions include: expansion of energy centres from 16 to 47; installation of 4,350 solar PV systems; installation of 50,823 stand-alone systems; development of 10 small hydro's; installation of 80 wind masts and data loggers; development of two (2) bio fuel plants for value addition; construction of 300 biogas plants in counties; development of 195 energy efficient charcoal kilns; and promotion of clean cooking solutions; promotion of energy efficiency and conservation including E-mobility, green building and reduction of GHGs; electrification of institutions and community boreholes; development of Kenya green hydrogen; and promotion of energy production from municipal waste.

##### ***Petroleum***

50. In order to boost local production of petroleum products, the Government has reviewed South-Lokichar Field Development Plan to facilitate development of the oil fields; developed and gazetted Petroleum (Importation) Regulations, 2023 and Petroleum (Pricing) Regulations, 2022 of the Petroleum Act, 2019; demarcated land for development of oil fields in South-Lokichar, and registered 23 of 63 communities and their Community Land Management Committees in Turkana County.

51. Over the medium term, the Government will prioritize the advancement of the oil and gas sector to strengthen energy security. Key initiatives will include: acquisition of Geo-Scientific data in 3,600 square kilometres to establish oil and gas potential; completion of evaluation of gas potential in Petroleum Blocks 9, L4 and L8 in Marsabit, Garissa & Lamu, and Kilifi Counties respectively; provision of clean cooking gas to 600 public learning institutions. Additionally, the Government will distribute 6 kilogram LPG cylinders and accessories to 210,000 low-income households; import and distribute 22.6 million metric tons of petroleum fuels; and complete land acquisition in South-Lokichar for the development of the oil fields, and water make-up and crude oil pipelines.

##### ***E-Mobility***

52. Transitioning to electric mobility (e-mobility) remains a priority intervention of the Government's inclusive green growth and climate action plan aimed at reducing greenhouse gas emissions and air pollution while at the same time meeting the mobility needs of consumers. Significant developments and encouraging efforts have been realized. The arrival and use of electric vehicles and motorcycles in Nairobi, marks a significant turning point towards this transformation. In addition to lowering carbon emissions, these vehicles and motorcycles are

economically friendly. Additionally, electric vehicles and motorcycles are an important breakthrough toward bettering air quality and easing traffic in busy cities because of their quiet operation and lower running costs as compared to fuel diesel buses.

53. As a significant step towards e-mobility, the Government launched the first batch of locally assembled electric buses in partnership with BasiGo and Kenya Vehicle Manufacturers (KVM) in April 2024. This initiative is aligned with the national goal of transitioning to a fully electric bus fleet by 2027. The Government has also partnered with BasiGo and KVM to assemble electric buses locally, with BasiGo planning to deliver 1,000 electric buses in the next three years. These efforts are aimed at reducing carbon emissions, improving transport infrastructure, and creating green jobs. In order to promote e-mobility, the Government has developed a National Electric Mobility Policy to guide in the transition of Internal Combustion Engines (ICE) vehicles to electric vehicles (EVs). This will facilitate reduction of harmful vehicle emissions into the atmosphere, reducing Green House Gases effect from the transport sector as well as create employment through development and adoption of e-mobility.

### **1.3.2 Manufacturing Sector**

54. The manufacturing sector in Kenya plays an important role in accelerating inclusive green growth and development, creating jobs directly and indirectly through backward and forward linkages with other sectors; and enhancing competitiveness of the country in export markets. To realize these objectives, the Government under the Bottom-Up Economic Transformation Agenda has embarked on interventions aimed at revamping and improving competitiveness of local industries by focusing on value chains development.

55. To support value chains development, special emphasis has been placed on boosting productivity and value addition, addressing input constraints, strengthening extension services, and enhancing market for locally manufactured products. Key value chains prioritized include: agro-processing; leather and leather products; building and construction materials; textiles and apparel; dairy products; edible and crop oils; tea and coffee, and sugar. To promote exports, the Government will finalize the review of the Integrated National Export Development and Promotion Strategy to update it to the current trade figures and align it with the changing scenario. The Government through the Ministry of Investments, Trade and Industry in collaboration with stakeholders will also conduct countrywide sensitization on the concluded agreements like Kenya-EU Economic Partnership Agreement (EPA).

56. The Government has implemented and or plans to implement the following initiatives under each value chain:

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

57. Agro-processing remains a priority of the Government's efforts to support value addition across the agricultural value chain to create jobs and increase wealth for Kenyans. A major challenge in agriculture is post-harvest losses, which range from 20 percent to 50 percent due to poor storage and handling. To address this, 200 integrated fresh produce markets are at various stages of construction to support farmers and traders. Additionally, the Government is constructing 18 County Aggregation and Industrial Parks (CAIPs) that will provide value addition centers and storage facilities for agricultural products. The project has already been rolled out in 18 counties, and will expand to all 47 counties by FY 2025/26, reducing post-harvest losses and boosting farmers' incomes. CAIPs are a collaborative effort between the National and County Governments. By fostering collaboration among farmers, processors, exporters, and research institutions, CAIPs are expected to increase employment, exports, and farmers' incomes, while promoting economic growth and industrialization.



58. Building on the progress made, the Government will continue to increase production, value addition, marketing and attracting investments in value addition of products from agriculture, fisheries, and livestock farming. These will be achieved through: raising productivity of key value chains; revamping under-performing and collapsed exports crops; and promoting emerging ones. Targeted opportunities for agro-processing are: cash and food crops (tea, coffee, sugarcane, cashew nuts and macadamia, legumes, cereals, fruits, vegetables, oil crops, roots, and tubers); livestock (dairy, meat, honey); and fisheries (marine, fresh water and aquaculture). In addition, the project targets to: promote the manufacture of animal feeds and valorization of agricultural residue; establish aggregation centres, rural transformation centres and cold storages; establish and operationalize Integrated Agro-Industrial Park; and establish food processing hubs in Kisumu, Eldoret, Kilifi, Miritini, Nakuru and Taita Taveta to enhance value addition in agricultural, livestock and fisheries products.

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

59. To transform the leather and leather products value chain, the Government has invested resources towards the upgrade of the Ewaso Ng'iro South Development Authority's leather factory through: acquisition of modern equipment; building of a footwear factory; and mopping up hides and skins. Machinery for increasing processing capacity at the factory has already been procured and installed. To supply quality hides and skins, 703 flayers have been trained and subsidised flaying equipment provided to 680 slaughter points. At the same time, the construction of the Kenya Leather Industrial Park at Kenanie, Machakos County, is 85 percent complete. This park will have a common effluent treatment plant, 2 tanneries, 2 leather manufacturing plants and 100 acres for investors to set up leather factories by the end of the year 2024.

60. To further support the growth of the leather industry in the country, the Government will build on the ongoing interventions geared towards boosting productivity along the leather and leather products value chain; increasing income from leather to Ksh 120 billion; increasing job opportunities from 17,000 to 100,000 jobs; availing three (3) million hides and 18 million skins to the tanneries; and increasing recovery of hides and skins from abattoirs, slaughterhouses and home slaughter and consequently increasing tannery utilization from 25 percent to 100 percent. Towards this end, the Government is developing local capacity to handle hides and skins to provide quality raw material, tanning as well as the local manufacturing of finished leather goods such as shoes, bags, and belts.

61. To enhance production and improvement of quality of raw materials for processing and value addition, the Government will: review Hides and Skin and Leather Trade Act (Cap 359) to reinstate licensing of the value chain actors and attract more MSMEs in the value chain; finalize Kenya Leather Value Chain Development Policy; finalize the Leather Development Authority (KLDA) Bill to improve the legal and policy framework underpinning the leather industry; map and sensitize MSMEs on leather value chains; develop and disseminate policies and strategies focused on MSMEs in the leather value chain; establish hides and skins collection centres; support collection, preservation and delivery of hides and skins to tanneries; mobilize livestock farmers into cooperatives; manufacture leather and leather products; and build capacity of the value chain actors including MSMEs to improve the quality of hides and skins, leather and leather products.

62. To enhance leather value addition, the Government will among other things complete: construction of Kenya Leather Industrial Park – Kenanie; establishment of Common Effluent Treatment Plants and tanneries in Eldoret, Isiolo and Mombasa; establishment of leather processing clusters in Isiolo, Uasin Gishu, Narok, Kisumu and Mombasa; construction of 10 common manufacturing facilities; optimization of Ewaso Ng'iro South Development Authority tannery to produce finished leather products; and establishment and operationalization of

Kariakor manufacturing facility. The Government will also promote establishment of leather cottage industries through capacity building of leather operators on designing, finishing and fashion of leather and leather goods.

63. To boost market for leather and leather products, the Government will: complete development and operationalization of public Special Economic Zones (SEZs) in Naivasha, Kisumu, Lamu and Dongo Kundu; link MSMEs with large enterprises and Government institutions (uniformed forces and schools); continue enforcement of Access to Government Procurement Opportunities (AGPO) and 40 per cent Local Content preferential procurement to promote local demand; sensitize exporters on market requirements and opportunities; export market development and promotion, including market diversification; strengthening of commercial representation; identification of unfair import trade practices threatening leather industry; and sensitization of manufacturers on unfair import trade practices.

### **1.3.2.3 Building and Construction Materials**

64. The Government has continued to support building and construction value chains to boost job creation and foreign exchange earnings. In part, the Government has continued to develop production capability of jua kali MSMEs and attract investments in provision of affordable construction materials, especially green construction materials and products for local and international markets in the construction industry. To accelerate local manufacturing, the Government imposed levies on the importation of clinker, saving the country Ksh 20 billion in foreign exchange, as clinker imports dropped to zero. The Government also imposed levies on imported steel billets, enabling 11 steel factories that had closed in the past 6 years to come back into operation, now hired 16,000 workers and saved Ksh 110 billion in foreign exchange.

65. Over the medium term, the Government will consolidate the gains realized by continuing to: support establishment of industrial park for construction materials; enhance local manufacturing of construction materials (clinker, cement, cabros, prefabs) and electrical and electronics fittings, cables and products; and ring-fence certain components of the low cost housing project for MSMEs. Value addition will be enhanced through: stimulating domestic investment into housing and construction sectors; modernization of East Africa Portland Cement Company; promotion of use of alternative building technologies; establishment of heavy clay plant; promotion of cottage construction industries; establishment of waste recycling plants for power generation; establishment of MSMEs industrial parks and incubation centres in every TVET; establishment of MSMEs business development centres in every Ward; establishment of cooperative social housing schemes; development of standards for MSMEs products; accreditation of construction bodies; and modernization and linking of CIDCs to TVET.

### **1.3.2.4 Textiles and Apparel**

66. Cotton is recognized as a strategic crop under MTP IV of Kenya's Vision 2030 and a priority value chain within the Bottom-Up Economic Transformation Agenda. To revitalize the textiles and apparel sub-sector, the Government has continued to implement measures geared towards enhancing local production of cotton. These measures include: mobilization of cotton growers into cooperatives; distribution of 70 metric tons of certified cotton seeds (Bio Technology cotton and hybrid) to farmers through existing and established cooperatives; availing 1,320 metric tons of seed cotton through Food Security and Crop Diversification Project; increasing acreage under cotton from 26,000 acres to 200,000 acres through distribution of Bio Technology cotton in the 24 cotton growing counties; promoting use of alternative fibre (natural and artificial); sensitization and mobilization of MSMEs within cotton catchment areas; supply of subsidized fertilizer to farmers; establishment of aggregation centres in CIDCs within the

catchment areas; and prioritization of financial inclusion funds for textile and apparels value chain.

67. In addition, the Government is on course to increase cotton production and modernise ginneries. The Government will distribute 15,700 kilograms of seeds to farmers in Busia and another 20,000 kilograms to farmers in Meru, Makueni, Kitui and Machakos. Subsidised fertiliser will be provided through the tried and tested e-voucher system. Additionally, 5,000 acres have been harvested in Lamu. The Government has also worked with stakeholders to negotiate a price increase for farmers from Ksh 54 a kilo to Ksh 72.

68. Over the medium term, the Government will build on the ongoing interventions in order to: establish textile value addition centres in Nyando and Kieni (aggregation cooperatives); establish seven (7) modern cooperative society ginneries in Homa Bay, Siaya, Meru, Lamu, Kwale, Kirinyaga and Bungoma counties; modernize existing ginneries; equip CIDCs with common user tailoring facilities; construct industrial warehouses with associated basic infrastructure facilities to attract investors in apparel processing; conduct capacity building on fashion and design of clothing and textile products; construct eight (8) large industrial sheds; and develop railway sliding related infrastructure at Export Processing Zone (EPZ) in Athi River. In addition, the Government has developed draft National Cotton, Textile, and Apparel (CTA) Policy 2024 to guide the development of cotton value chain in Kenya. The policy seeks to revitalize and enhance the competitiveness and sustainability of the Cotton, Textile and Apparel sector in Kenya and the within the region.

69. Efforts to enhance market access will involve: sensitization of exporters on market requirements and opportunities; export market diversification; capacity building of commercial attachees on textile and apparels sector development; “Made in Kenya” global campaigns; linkage of tailors with large entrepreneurs, schools, colleges and Government training institutions; identification and sensitization of manufacturing on unfair trade practices threatening textile industry; and attracting both local and foreign investments through packaging and promotion of bankable investment projects in the value chain to private sector for investments or co-investments.

### **1.3.2.5 Dairy Products**

70. Dairy and livestock sub-sectors remain an integral part to the Government’s plan to improve food security, create jobs and boost exports. To support value chains under the dairy sub-sector, the Government targets to double dairy productivity through appropriate feeding, enhancement of export up to one (1) billion litres of milk, increase farm gate price to at least Ksh 40 per litre; create 500,000 jobs and increase farmers’ monthly income to an average of Ksh 6,000 per cow. Towards this end, the Government has supported value addition in the sub-sector through: modernizing New Kenya Cooperative Creameries; establishment of camel milk processing factory, collection, and cooling centres; provision of cooler plants to dairy cooperative societies; fabrication of dairy products machinery and equipment; promotion of investment in dairy cold chains and build capacity of enterprises.

71. Over the medium term, the Government will build on ongoing interventions including:: establishment and equipping of a feed centre in every Ward; production of animal feeds at the Nasewa Industrial Park; distribution of subsidized fertilizers to sustain production of dairy products; capacity building and mobilization of dairy farmers into cooperatives; installation of dairy mechanization equipment (feeds equipment, lab equipment, silage wrapping machines, forage choppers, hay baling, tractors, milk parlours and bulk coolers); establishment of dairy cottage industries for animal feeds; sensitization of MSMEs on opportunities in animal feeds; and prioritization of financial inclusion for dairy value chain. Additionally, the Government will lead the distribution of bulk milk coolers to dairy farmers across various counties. A total of 230



coolers will be provided to dairy cooperative societies in 40 counties, supporting local milk producers. This initiative is designed to improve milk aggregation, value addition, and market access, thereby increasing the competitiveness of the dairy value chain. It will also significantly reduce post-harvest milk losses, and boost the volume of milk collected and processed.

72. In order to enhance market access, the Government will fast track implementation of the following interventions: completion and accreditation of national dairy laboratory; local and export markets promotion and diversification; sensitization of exporters on market requirements and opportunities; ‘Made in Kenya’ global campaigns; development of export markets and products; establishment of export warehouses; identification of unfair import trade practices affecting dairy value chain; and sensitization of manufacturers on unfair trade practices.

### **1.3.2.6 Edible and Crop Oils**

73. Edible oils is the second import bill in Kenya after petroleum yet most edible oil crops are traditional food value chain. The population especially in western and the coastal Kenya have an existing practice and resilience on farming edible oil crops such as groundnuts, sunflower, soya beans, sesame, among others. For this reason, the Government has continued to implement measures targeted at enhancing local production and processing of edible oils including: supporting farmers to access certified oil crops seeds (canola, sunflower and soya bean) and seedlings; supporting the production of oil palm seedlings; sensitizing farmers on opportunities available in the edible oil value chain; and prioritization of financial inclusion for edible value chains. The focus on edible oils value chain is expected to increase production of raw materials in Kenya, promote value addition, and significantly reduce the import bill. Groundnuts like other edible oils is a rich value chain offering smallholder farmers a commercial opportunity to transform subsistence farming and raise the household income levels.

74. Progress has been made in the delivery of these interventions. In 2023, 70 tonnes of sunflower seeds were purchased, with 40 tonnes distributed to farmers. Another 40 tonnes of seed have been allocated to the Agricultural Development Corporation for seed multiplication. Additionally, the Government, through the Agriculture and Food Authority, has procured and distributed 500 metric tonnes of seeds, worth Ksh 241 million, to farmers in 24 counties. In the FY 2024/25, Ksh 414 million has been budgeted for this programme under the National Edibles Oils Promotion Project.

75. Building on the progress made, the Government will continue to support value addition in the edible and crop oils value chain through: promotion of cottage industries; providing small industries with processing machineries at Kenya Industrial Estate (KIE), Constituency Industrial Development Centres (CIDCs), Rural Technology Development Centre; providing cooperatives with edible oil processing infrastructure; incubate, train, and facilitate oil crops SMEs with equipment for value addition at the Ward level; and fabricate 50 machinery and equipment for edible oils. Interventions to enhance market access entail: linking farmers with oil processors through contract farming; stabilization of edible oil prices; establishment of aggregation centres; sensitization of exporters on market requirements and opportunities; strengthening commercial representation; and attracting both local and foreign investments through packaging and promotion of bankable investment projects in the edible oils value chain to the private sector for investments or co-investments.

### **1.3.2.7 Tea and Coffee Sub-sectors**

76. Tea and coffee sub-sectors account for 23 percent of the country’s total exports and supports over five million livelihoods including 650,000 farmers. The sub-sectors are however vulnerable to climate change due to erratic weather patterns and price fluctuations, necessitating a shift to more sustainable and profitable practices. For this reason, the Government is implementing

interventions to support value addition in the tea and coffee value chains, increase farmers' incomes, create jobs, and boost a climate resilient and environmentally sustainable trade system for Kenya's tea and coffee.

77. To revitalize tea and coffee the sub-sectors, the Government will build on the ongoing efforts including: reforming the legal and policy frameworks; promote value addition through provision of processing equipment; export market development and export promotion; and establishment of warehouse for value added tea and coffee in key development markets. The Government's reforms in the tea and coffee sub-sectors are bearing fruit. Notably, smallholder tea farmers exported KETEPAs' value added teas to West Africa and China starting from December 2022. In addition, the average prices at the Nairobi Coffee Exchange have risen by 25 percent and in the FY 2023/24, the country produced and exported 48,000 metric tonnes, earning farmers Ksh 25 billion.

78. Over the medium term, the Government will continue to support value addition in the tea and coffee sub-sectors through: mobilization of tea and coffee farmers into cooperatives, provision of subsidized fertilizer to tea growers through tea and coffee factories and the provision of processing equipment to tea and coffee cooperatives; promotion of tea and coffee cottage industries; diversification to speciality teas and coffees; construction of tea and coffee research and development factory; establishment of tea and coffee value addition hubs and warehouses; establishment of common user facility within Dongo Kundu SEZ; and the establishment of 10 orthodox tea manufacturing lines in smallholder tea factories.

79. To enhance market access, the project targets to: establish incubation centres for speciality tea and coffee diversification; develop export market and products including showcasing of tea products; implement a global marketing strategy for Kenya tea and coffee; engage in bilateral agreements to address both tariff and non-tariff barriers; facilitate access to selected regional markets such as negotiated concessionary airfreight cargo charges in West and Central Africa; sensitize exporters on market requirements and opportunities; establish tea packaging industries; strengthen commercial representation; and enhance 'Made in Kenya' global campaigns. It also targets to attract local and foreign investments through packaging and promotion of bankable investment projects in the tea value chain for private sector investments or co-investments and developing or reviewing industry regulations.

### **1.3.2.8 Sugar Sub-sector**

80. The sugar industry is a strategic sub-sector, whose value chains have been the mainstay of the local economies of our sugar belt, and a generator of much-needed jobs. For this reason, the Government has implemented targeted measures over the last two years aimed at restructuring and restoring operations at public sugar mills to boost competitiveness of the sugar sub-sector, raise farmer incomes and enhance their productivity. Notably, the Government has restored operations in all the 17 sugar factories across the country, while four new sugar factories are under construction. This has boosted domestic sugar production in the country to 84,000 metric tonnes, meeting the local demand. The success is largely attributed to subsidised fertiliser for sugarcane farmers, an additional 500,000 acres of land brought under production, and improved management of the sugar sector, which have revitalised production. To further revitalize Kenya's sugar sub-sector, the Government enacted the Sugar Act 2024, to provide further policy guidance. The new law re-establishes the Kenya Sugar Board to regulate, develop, and promote the sugar industry; and the Kenya Sugar Research and Training Institute (KSRTI) to undertake sugar research function geared at improving sugarcane yields, enhancing pest control and providing training for farmers and millers.

### **1.3.3 Blue Economy**

81. The blue economy presents an immense opportunity for Kenya to drive inclusive green growth and transformation as envisioned by the Bottom-Up Economic Transformation Agenda. By leveraging its rich marine and freshwater resources, Kenya can empower coastal communities, improve livelihoods, and contribute to national economic growth. It is currently estimated that the blue economy contributes Ksh 20 billion to the economy annually and is expected to increase to over Ksh 80 billion in 5 years. The transformation will create thousands of jobs and stimulate regional economy through increased investment in various industries, enhanced export manufacturing and expanded overall economic activity.

82. In order to harness the potential of the blue economy, the Government has invested resources that have: facilitated completion or rehabilitation of 8 fish landing sites and markets equipped with cold chain storage facilities across the country; supported 12,668 small scale farmers with aquaculture inputs; and issued grants to 618 common interest groups across the coastal region for alternative livelihoods. To further boost the fishing industry, the Government is fast-tracking the completion of the Phase One of Liwatoni Fish Processing Plant and Shimoni Fish Port, Kenya's first dedicated fish port, which is now 82 percent complete. Once complete, the Port will increase the handling capacity by 50,000 metric tons of fish annually, thereby promoting value addition for both domestic and export markets. The infrastructure development will enhance fish value chain with the by-products from the fish being stored at the landing sites used to feed light and small industries to spur economic growth at the grassroots.

83. To promote and enhance aquaculture and mariculture in the country, the Government has invested resources towards the development of the National Mariculture Resource and Training Centre (NAMARET) in Shimoni, Kwale County. The centre will serve as a catalyst for the growth of productive and profitable mariculture. It will function as a marine fish seed breeding and multiplication centre, facilitate research and innovation in mariculture, and offer training for fish farmers and students. To increase fish production and facilitate the transition of fisherfolk to deep-water and Exclusive Economic Zone (EEZ) fishing, the Government has procured and distributed 123 fishing boats to local communities. Additionally, the Government plans to acquire deep-sea fishing vessels for offshore fishing, with a total budget of Ksh 600 million allocated for this purpose. To make the landing sites vibrant, the Government has embarked on forming cooperatives for Beach Management Units (BMUs) to ensure fishermen pool and sell their fish as one unit to fetch good price.

### **1.3.4 The Services Economy**

#### **1.3.4.1 Financial Services**

84. Safeguarding financial stability and expanding access to affordable finance remain key priorities under the Government's Bottom - Up Economic Transformation Agenda (BETA). Towards this end, the Government continues to take steps to improve prudential regulation and supervision, with a view to addressing the increased sophistication of the financial sector. To expand access to affordable financing to individuals and Micro, Small and Medium Enterprises (MSMEs) excluded at the bottom of the pyramid, the Government will continue implementing the Financial Inclusion Fund, or the 'Hustlers' Fund. The Government will also convert the Credit Guarantee Scheme into the Kenya Credit Guarantee Scheme Company (KCGSC) to ensure sustainability and develop a Credit Guarantee Policy whose objective is to provide a clear framework for a sustainable model for credit guarantee scheme for MSMEs.

85. To promote agricultural productivity and transformation, the Government will continue to implement the Rural Kenya Financial Inclusion Facility (RK-FINFA). The project aims to contribute to income growth, climate change resilience and improved livelihoods in rural areas

through: (i) strengthening the capacities of financial institutions for innovation, rural outreach and green finance services in Kenya; and building the capacities of MSMEs and smallholder farmers for sustainable investment and financial literacy skills particularly tailored to reach women, youth and marginalized groups; (ii) operating two rural investment instruments of Rural Credit Guarantee Scheme, and Green Financing Facility; and (iii) promoting policies and institutional arrangements that support the medium and longer-term development of a more conducive operational environment for the rural investment instruments.

86. The Kenya banking sector remains stable and resilient and continues to play its role of mobilizing funds and channelling them to the deserving productive economic activities. The banking sector remained profitable with a growth in assets of 0.3 percent from Ksh 7.72 trillion in February 2023 to Ksh 7.74 trillion in February 2024. Credit from commercial banks to the private sector stood at an annual growth rate of 6.9 percent in April 2024.

87. In order to position the banking sector to effectively play its role in Kenya's socio-economic transformation, three recent key reforms have been implemented:

- i) Licensing and oversight of Digital Credit Providers to address inherent challenges including high cost of credit, unethical debt collection, inadequate disclosure and lack of transparency, breach of data privacy, and abuse of personal information. As at the end of March 2024, 51 Digital Credit Providers had been licensed;
- ii) Issuance of the draft Kenya Green Finance Taxonomy for public participation by the CBK in April 2024, that will serve as a tool to classify whether particular economic activities are 'green' or environmentally sustainable and serve as a guide for banking sector and other market participants in making informed investment or financing decisions; and
- iii) Revision of the Anti-Money Laundering, and Combating the Financing of Terrorism and Proliferation Financing supervisory framework by the CBK to eliminate money laundering vulnerability in the banking sector through implementation of risk-based supervision, undertaking institutional and sectoral risk assessments, and enhancing staff complement and capacity for supervision.

88. The Kenyan financial services sector is exposed to dynamic global, regional, and local developments necessitating continuous reforms. To strengthen the resilience and safeguard the stability of the financial services sector, the Government will continue to stress preservation of capital and liquidity buffers; develop macro-prudential policy and crisis management framework; enhance surveillance while encouraging banks to strengthen their governance frameworks and business models; embark on mergers and acquisitions, and other capital strengthening efforts; and closely foreign exchange loans, deposits, and on-and off-balance sheet exposures in the banking system.

89. As part of the process, CBK intends to progressively increase the minimum core capital for banks from the current Ksh 1.0 billion to Ksh 10.0 billion. The CBK will engage the market for an appropriate time table to achieve this goal. This is intended to strengthen the resilience and increase the bank's capacity to finance large scale projects while creating sufficient capital buffer to absorb and withstand shocks posed by the continuous emerging risks associated with adoption of technology and innovations as institutions expand. Additionally, CBK plans to amend the Banking Act to provide for stiff dissuasive penalties that are proportionate to the violations committed, support a strong compliance culture in banks, and align to international best practices.

90. The Government is also keen to continue enhancing efficiency, stability and access of financial services to Kenyans. Towards this end, the Government will fast track the review and harmonization of all laws governing the retirement benefits sector through the National Retirement Benefits Policy that aims to among things, addresses some of the pertinent challenges

that have slowed down the growth of the retirement benefits sector. The Government will also speed up the approval of the National Insurance Policy and its implementation in order to grow the insurance industry in Kenya. To deepen capital markets, the Government will continue to undertake a comprehensive review of the legal and regulatory framework to address emerging issues in the capital markets space. This includes, among others, aspects on collective investment schemes, public offers and listings, alternative investment mechanisms, and streamlining credit rating operations in Kenya.

91. The fast evolution and emergence of Virtual Assets (Vas) and Virtual Asset Service providers (VASPs) with their dynamics pose various risks and opportunities to the financial sector. The usage of Vas continues to gain traction due to their speed and cost effectiveness; cross-border and anonymity nature and as an alternative investment opportunity. To position Kenya as a leading player in the digital ecosystem, while safeguarding the economy, and its financial system, the Government is committed to develop a sound legal and regulatory framework for harnessing the benefits while addressing the inherent risks. This will ensure there is a fair, competitive and stable market for Vas and VASPs that fosters innovation, sound risk management and financial literacy.

92. To strengthen digital finance in Kenya, the Government will continue to implement the National Payment Strategy (2022-2025) and fast-track finalization of a National Policy on Digital Finance. Notably, the National Payments System has undergone major changes and transformation, which include establishment of national payments infrastructure, automation and upgrades of various payment systems. Building on the progress made, the Central Bank of Kenya together with industry stakeholders, are working towards finalizing and launching a Fast-Payment System that will enable seamless interoperability for all retail payment services offered by bank and non-bank providers. To this end, the CBK is in the process of setting up the appropriate institutional governance framework for the Fast Payment System as well as assessing the available technological infrastructure options suitable to implement a robust and efficient Fast Payment System for the financial services sector in Kenya.

93. The implementation of the Fast Payment System solution, which is in line with emerging global developments and international best practice will be implemented as a digital public infrastructure through a public-private partnership arrangement and will enable Kenya to leverage the benefits of technology such as increasing affordability of financial services, payments innovation, enhancing the quality of financial inclusion, and enhanced oversight and stability in the National Payments System.

#### **1.3.4.2 Tourism Sector**

94. Tourism sector remains a critical enabler for the realization of the Bottom-Up Economic Transformation Agenda's objective of sustainable growth and inclusive economic development. For this reason, the Government will continue to implement ongoing initiatives in the FY 2025/26 targeted at promoting tourism including: diversification and development of tourism niche products across various circuits to attract diverse market segments; strengthening of tourism policy and regulatory framework by reviewing the Tourism Act to align with emerging sector needs; strengthening of the country's capacity to host Meetings, Incentives, Conferences, and Exhibitions; fostering partnerships with County Governments, the private sector and local communities to ensure sustainable tourism development; and empowering youth as agents of innovation and development to create employment opportunities in the tourism sector.

95. The Government will also reposition the "Magical Kenya" brand to include all niche products and experiences as an upmarket destination with emphasis on elements of authenticity, diversity, sustainability, and safety while also marketing Kenya through brand ambassadors, social media influencers and digital media; and continue to engage Kenyans in diaspora to market



the destination in 12 source and emerging markets; develop and translate marketing materials in 6 foreign languages; and hold 4 roundtable meetings annually with Kenyan Ambassadors and diaspora community.

96. Over the medium term, the Government will undertake the following interventions geared towards development of new and strengthening existing markets: development of marketing strategies for invest-source-markets (high returns) targeting African market, and new and existing markets; establishment of tourism desks in foreign missions; enhancement of the policy on a visa free regime, development of marketing and promotional media contents targeting growing middle class, employed youth population and retirees; and establishment and maintenance of partnerships with low-cost carriers and tour operators to connect tourism destinations and trade to incentivize travel. Further, the Government will promote sports tourism through the following international sporting events: World Rally Championship Safari Rally, Magical Kenya Open Golf, Magical Kenya Ladies Golf, Kipkeino Classic, Safari Sevens Rugby and Standard Chartered Nairobi Marathon.

#### **1.3.4.3 Aviation Sector**

97. The aviation sector is a major contributor to Kenya's economy as well as a key enabler of the Government's Bottom-Up Economic Transformation Agenda. As one of the most visited countries in Eastern Africa, aviation is essential for the tourism industry and to connect the country with the rest of the world, strengthening trading ties and generating new business opportunities. In order to entrench Kenya's position as a regional aviation hub, the Government has continued to expand and modernize airstrips to connect various parts of the country. As part of the process, the Government refurbished Terminals 1B and C at Jomo Kenyatta International Airport (JKIA), and rehabilitated 15 aerodromes.

98. Over the medium term, the Government will build on the progress made in order to facilitate expeditious and safe movement of aircraft in Kenya's airspace and improve passenger handling services through the expansion and modernization of aviation facilities and services. This will involve the construction of a control tower at Kisumu and Diani airports; the construction of an additional terminal facility at JKIA with a capacity of handling 20 million passengers annually; upgrading of facilities in terminal 1E to permanent status; the installation of equipment and systems for air navigation services; completion of construction of Kisumu Airport Control Tower; and completion of rehabilitation of terminal building and Apron at Ukunda Airport.

#### **1.3.5 Environment and Climate Change**

99. Provision of a clean, secure and sustainable environment as well as climate change mitigation and adaptation are central for the realization of the aspirations of the Bottom-Up Economic Transformation Agenda and the Kenya Vision 2030. For this reason, the Government has continued to mainstream issues of environment conservation, climate change mitigation and adaptation, halt and reversal of deforestation, biodiversity loss and land degradation, in all Government programmes and in both levels of Government.

100. As part of environmental conservation and management efforts, the Government continues to implement the National Tree Growing Programme. The Programme aims to grow 15 billion trees across the country by 2030 to promote and support more resilient livelihoods. The project adopts Whole-of-Government and Whole-of-Society approaches which involve: supporting production of 7.9 billion seedlings; the expansion of the existing 300 Kenya Forestry Service tree nurseries to produce 300 million seedlings annually; the refurbishing existing 300 and establishment of 50 new tree nurseries; drilling and equipping of 300 boreholes in all tree nurseries; equipping the 11 constructed seed centres; and constructing and equipping of seven (7) new seed centres. It also covers procurement and growing of 1.75 billion tree seedlings from

private tree nurseries; and rehabilitation and restoration of 175,000 Ha of degraded public natural forest areas.

101. As part of climate change mitigation and adaptation efforts, the Government has strengthened actions to prevent deforestation, halt and reverse biodiversity loss, combat desertification and restore degraded landscapes as part of a broader programme to fulfil the commitments to reduce emissions by 32 percent by 2030 as contained in Kenya's Nationally Determined Contribution (NDC) and in line with the National Climate Change Action Plan (NCCAP) III 2023-2027. In addition, the Government has adopted a Bottom-Up 3P solutions with greater focus on the People, Planet and Profit through prioritizations of biomass energy (wood fuel), agro-forestry and solid waste management value chains. To facilitate attainment of these goals, the Government has developed and is implementing policies and strategies to tap into the global carbon market opportunities, green and climate financing mechanisms such as Green Climate Fund, promote green bonds and debt for climate swaps among others. In part, the Government in collaboration with County Governments and Development Partners will continue to commit funds towards the National Tree Growing Programme through the Financing Locally-led climate Action (FLLoCA) Program.

102. Kenya has advanced disaster risk management through the implementation of the National Disaster Risk Management Policy, 2017 with 26 County governments enacting Disaster Risk Management Act, and the establishment of a National Disaster Management Unit and Disaster Management Directorates in 32 Counties.

103. Over the medium term, the Government will prioritize scaling up of clean cooking technologies and promoting youth-owned and operated briquette-making enterprises. To support the solid waste management value chain, the Government will focus on adopting the Extended Producer Responsibility (EPR) model based on household level separation, organize waste collectors into cooperatives and provide circular economy waste separation sites/infrastructure. Under the agroforestry value chain, the focus is on development of a policy and regulatory framework to attract climate finance funds to facilitate establishment of 5 million acres (20,000 square kilometres) agro-forestry woodlots in dry lands.

### **1.3.6 Education and Training**

104. Education and training remain a key enabler of the Government's Bottom-Up Economic Transformation Agenda for inclusive growth. To boost education and training outcomes in the country, the Government has invested significant resources and implemented radical changes in the education sector, including: resolving uncertainty around the Competency Based Curriculum (CBC); roll-out of a new student-focused higher education funding model, with special emphasis for students from vulnerable families that seeks to offer scholarships to 112,741 students and loans to 113,140 students; and the Open University of Kenya as a specialized university offering Seven undergraduate degree programmes and currently with an enrolment of 2,300 students. Additionally, the Government launched the National Education Management Information System. This online platform generates accurate and reliable data, allowing the Government to address efficiency, accountability and transparency issues in the Education sector.

105. The investment by Government has: improved the student enrolment in primary and secondary schools as well as tertiary institutions; significantly improved student-teacher ratio by employing 56,000 teachers for primary and secondary schools and 2,000 tutors for Technical and Vocational Education and Training (TVET) institutions; facilitated construction and operationalization of 614 secondary school classrooms and 392 laboratories, and 842 sanitation blocks, 3500 classrooms for grade 9; 143 TVET institutions; and supported procurement of training equipment for 97 TVETs institutions. In subsequent years, the Government is committed

to recruit more to further bridge the teacher-student ratio gap. Government has also engaged 52,000 teacher interns to equip Kenyan youth with practical skills and competencies.

106. Over the medium term, the Government will continue to undertake education reforms; expand infrastructure in all learning institutions; and strengthen linkages between industry and training institutions in order to enhance access to education at all levels. Priority will be given to: recruitment and training of teachers; enrolment of school children of pre-primary age in schools; expanding school feeding programme and providing learners with day meals; provision of sanitary hygiene packs to school going girls at puberty stage; rehabilitation and equipment of schools; providing water, sanitation and hygiene facilities; expansion of Junior and Senior school education infrastructure, and awarding capitation grants including minimum essential package; and integrating Duksi and Madrassa into formal basic education. In addition, the Government will facilitate: construction and equipping of TVET institutions in 52 constituencies; equipping 72 existing TVET institutions; recruiting 2,000 technical trainers and instructors; establishing incubation centres in every TVET institution; and online learning in TVET institutions and universities. In order to enhance equity in provision of learning opportunities and resources for learners who may be excluded or marginalized, the Government will provide resources for infrastructural development for special needs education (SNE)/PWDs in schools and universities; and capacity building of teachers and trainers on SNE.

107. In order to enhance access to quality and relevant education, the Government will continue to review the curriculum for primary and secondary schools as well as tertiary institutions, to make sure the students are in touch with global change. This will involve designing the curriculum and support materials; designing course content and outline; reviewing the Competency Based Assessment Framework from the exam-based system of academic progression to alternative progression criteria; capacity building of CBC implementers and stakeholders; and developing measures to ensure tertiary institutions and universities deliver on Competency Based Education. The Government will also prioritise the teaching and learning of digital skills, including coding, from the primary school to tertiary education, including TVET institutions; as well as developing and operationalizing the National Skills Management Information System; and Integrated Higher Education Information Management System.

### **1.3.7 Women Agenda**

108. The Constitution of Kenya provides for equal treatment of both men and women, including the right to equal opportunities in political, economic, cultural and social spheres. In compliance with this provision, the Government through Bottom-Up Economic Transformation Agenda has continued to promote greater inclusion of women in order to realise gender equality, especially representation in decision making and economic empowerment, and breaking the silence on Gender Based Violence (GBV) and Female Genital Mutilation (FGM).

109. Specifically, the Government has provided financial inclusion and capacity building for women through the Hustler Fund in women-led cooperative societies, chamas, merry-go-rounds and table banking initiatives, and to take measures to protect them from predatory lending. Notably, over the last two years, the Government has: lent a total of Ksh 23 billion to 8.8 million women have borrowed from the Hustler Fund, out of the Ksh 47 billion cumulatively disbursed by the Fund; disbursed Ksh 942 million to 1.4 million women who are members of 53,000 women groups that are already accessing affordable financial facilities through the Women Enterprise Fund; and developed and submitted a proposed legislative framework on two thirds gender principle to National Assembly for consideration. Additionally, over the last two years, the Government has disbursed a total of Ksh 3.3 billion to Affirmative Action Groups and provided 132,562 needy students with bursaries and scholarships through National Government Affirmative Action Fund (NGAAF); issued sanitary towels to 2.29 million girls in 23,492 public



primary schools; and built capacity of 46,745 resource persons and duty bearers on Anti- Female Genital Mutilation.

110. To protect women against domestic violence, the Government launched Protection against Domestic Violence Rules (PADV). The protection Against Domestic Violence rules provides for individuals who suspect or fall victim to aggressive behaviour, a legal redress to report their circumstances to relevant authorities and receive justice. The Government has also deployed increased personnel at the gender desks in police stations, and enhanced funding for the Anti-female Genital Mutilation Campaign, as well as upholding the dignity of girls and women, especially in learning institutions by providing menstrual hygiene products free of charge.

111. Over the medium term, the Government will continue to empower women economically through capacity building and facilitating access to affordable credit and markets through the Hustler Fund, Women Enterprise Fund and other affirmative action funds. The Government will also prioritize implementation of measures to ensure zero tolerance to FGM and gender violence as well as femicide through awareness campaigns, providing GBV essential services to survivors, establishing rescue centres and safe houses, and establishing gender desks in all police stations; and capacity building of GBV duty bearers and police officers on GBV. The Government will further promote gender equality by integrating gender perspective in designing, implementing, monitoring and evaluation of all policies, programmes and projects. This will entail: training MDACs on gender-responsive budgeting; analysing levels of compliance of MDACs on gender mainstreaming policies; and development of a framework for the implementation of the two-thirds gender principle in elective positions and a legal framework to operationalize the two-third gender principle.

### **1.3.8 Social Protection**

112. Social Safety Nets Programs remain a priority intervention of the Government's Bottom-Up Economic Transformation Agenda geared towards poverty reduction, jobs creation and provision of income opportunities for economically excluded segments of the population. For this reason, the Government has continued to develop and expand social safety nets, and provide financial resources to vulnerable groups. Over the last three years, the Government has: provided cash transfers to 1,251,721 older Persons; 44,954 households with Persons with Disabilities (PWDs); and 259,043 households with Orphans and Vulnerable Children (OVCs) under the Inua Jamii Programme; registered and issued disability cards to 152,403 PWDs, issued assistive devices to 10,969 PWDs; provided sunscreen lotions to 3,840 Persons with Albinism; provided protection, intervention and rescue to over 712,569 children, Assisted 237,638 children through the child-helpline-116; provided Rehabilitation and Re-integration in 30 Statutory Institutions to 11,625 children, Provided scholarships to 22,300 OVCs under the Presidential Secondary School Education programme; Provided cash and nutritional improvement to over 31,823 households for children in their first 100 days of their life in 5 counties and registered 175,467 Community Self-Help Groups and linked them to various Micro-finance Institutions.

113. Building on the progress made, the Government will streamline the cash transfer programme for elderly and vulnerable households in order to improve operational efficiency, prompt payment, accountability, and coverage. This will entail: i) enactment of the Social protection Bill and operationalization of the Social Protection Fund ii) Integration of social protection systems to relevant Government information systems (NRB, CRS, SHA, Pensions); iii) upgrading of the single registry; enhancing of Consolidated Cash Transfer Programme - Management Information System (CCTP-MIS); and iv) graduation for the vulnerable groups through economic empowerment. The Government will also continue to empower affirmative action groups through access to financial facilities through the National Government Affirmative Action Fund. To cushion the most vulnerable from extreme hunger, the Government will scale up the Hunger Safety Net Programme for provision of cash transfers to households in ASALs.

114. The Constitution of Kenya, 2010 Article 53 recognizes the rights of all children to be protected from abuse, neglect, harmful cultural practices, all forms of violence and exploitative labour. The Children Act, 2022 makes provision for children rights, parental responsibilities, alternative care of children, care and protection of children and children in conflict with the law. This entails: i) implementation of the care reforms, ii) Establishment and operationalization of Child Welfare Fund, iii) Rescue, Rehabilitation and Re-integration of children iv) Protection of children in emergency situations, v) Prevention and response to violence against children, vi) Documentation of child protection case management through Child Protection Information Management System and Child Helpline-1 16, vii) Implementation of the Counter-Trafficking in Persons Act, 2010, viii) Child Protection workforce strengthening through community volunteerism, ix) Coordinate child participation programmes, and x) implementation of child participation guidelines.

115. In alignment with its commitment to fostering an inclusive society, the Government will continue to enhance the rights of older persons in Kenya, through the following key initiatives: finalize the older persons Bill 2024 which seeks to provide a comprehensive legal framework for the protection and promotion of the rights and welfare of older persons; establish Older Persons Rescue Center to offer support services and safe havens for vulnerable and abused older persons, ensuring their dignity and well-being and prevent elder abuse.

116. Further, the Government will continue to promote and protect rights and welfare of PWDs. Specific interventions will include: i) merging of the National Fund for the Disabled of Kenya with National Council for Persons with Disabilities to enhance accountability; registration of PWDs to access services; provision of market-oriented skills for self-reliance; ii) implementation of albinism and autism programmes; and iii) enrolment of learners with special needs and disabilities in public primary schools. To rescue, rehabilitate, re-socialize, and re-integrate street families into society, the Government will establish a model National Street Families Rehabilitation Centre, develop a Street Families' Rehabilitation Management Information System, and undertake national street families' census.

117. To ensure attainment of 100 percent in health insurance coverage for senior citizens, the Government will continue to implement the Social Health Insurance Act, 2023. The Act extends health insurance to all Kenyans based on member contributions, with Government-subsidized coverage for the poor; and expanded cash transfer programmes for elderly and vulnerable households to improve operational efficiency. To enhance savings rate and reduce old age poverty, the Government will continue to prioritize retirement contributions to National Social Security Fund (NSSF) and strengthening of National Informal Sector Retirement Savings Scheme that is administered through the Kenya National Entrepreneurs Savings Trust.

### **1.3.9 Sports, Culture and Arts**

#### **1.3.9.1 Sports and Arts**

118. The Government's Bottom-Up Economic Transformation Agenda recognises the central role of sports in talent development, community empowerment, healthcare improvement and economic transformation through employment creation, income generation throughout the sports economy value chain. To realize these benefits, the Government continues to facilitate: the development of legal framework, sports and arts infrastructure, development of creative and film industry; promote sports tourism; promote anti-doping campaigns; and organisational mechanisms to promote the effective and sustainable monetisation of all talent in sports and creative economies.

119. Significant progress has been realized following implementation of these measures. These include: i) Kenya, alongside Tanzania and Uganda, successfully won the Pamoja bid for AFCON 2027; ii) facilitation of 112 teams to represent Kenya in various competitions and won 138

medals (49 gold, 35 silver, 54 bronze); iii) Kenya hosted 34 international sports competitions in 2023 e.g. WRC Safari Rally, Kip keino Classic, Magical Kenya Open Golf, and Nairobi City Marathon; iv) registration of a total of 707 sports organizations, licensed 11 professional sports bodies and 58 professional sportspersons; reaching out to 44,500 persons through anti-doping education and conducted 3,520 intelligence-based tests on athletes; and v) training 6,252 athletes as well as 2,610 coaches, referees and umpires in various sports disciplines, including football, chess, basketball, volleyball, hockey and Kabaddi.

120. Over the medium term, the Government will implement ongoing initiatives including the Talanta Hela to: i) promote talents among the youths and revitalize the creative economy through identifying, nurturing and monetization of youth talents in sports and creative, digital space including Artificial Intelligence (Ai) and Bottom-up Football Tournament; ii) train 8,900 athletes and 5,200 technical personnel; iii) facilitate participation of 43 national teams in international sports competitions; iv) conduct 4,500 tests and sensitize 57,000 persons on Anti-Doping; v) streamline the collection and distribution of royalties to artists (including skiza tunes); and vi) review the inter-county licensing regime; and host eight (8) international sports competitions (WRC-Safari Rally Championship, World U17 Chess Championship, Sirikwa World Cross Country Championship, Kaptagat Marathon, Nairobi City Marathon, World Athletics Continental Tour, African cycling Championship and Magical Kenya Golf Open).

121. To promote development of sports and arts infrastructure, the Government will: complete construction of Talanta Sports City and facilitate upgrade of three (3) Stadia (Moi International Sports Centre Kasarani; Nyayo; and Kipchoge Keino Eldoret) in readiness for hosting the CHAN 2025 and AFCON 2027 Pamoja Bid; upgrade the existing stadia into international standards, and complete stalled regional stadia; expedite completion of second phase of Kenya Academy of Sports Complex); construction of one international standard stadium; and support establishment of constituency community multipurpose sports and arts facilities including construction of 160 constituency sports academies.

122. To promote the development of creative and film industry, the Government will: i) establish a National Creative Economy Council to regulate the creative sector; ii) develop programmes to support protection from exploitation of IP and other rights host international art and creatives festival exhibitions; iii) develop Government-powered arts and crafts industry information portal; engage artists in mentorships and apprenticeships programmes; iv) strengthen existing institutions like the Kenya Academy of Sports, the new Kenya Rallying School, the Kenya Film Commission and the Kenya National Theatre; and v) issue licenses to exhibitors, distributors and new film makers. To effectively anchor these reforms, the Sports Act and Sports Policy are undergoing review, while enactment of the Creative Economy Policy, the Creative Economy Support Bill 2024 is being fast tracked. The Bill seeks to establish a supportive environment for creatives, enhance the industry's economic impact, and create a dedicated Creative Fund.

### **1.3.9.2 Culture and Heritage**

123. The Government's Bottom-Up Economic Transformation Agenda aims to ensure that Kenya's diverse cultures and heritage are conserved, and indigenous knowledge is commercialized. To protect and promote all forms of national culture and the cultural heritage of communities, the Government has developed and will fast track enactment of the Culture Bill, National Kiswahili Council of Kenya Bill, and the National Heritage and Museums Bill. The Government has also: i) empowered 6,000 women in bead craft production on beadwork enterprise for women in pastoralist communities; ii) established a curio mall at Sekenani under *Ushanga* Kenya Initiative; iii) documented 16 traditional cuisines for preservation of cultural services; iv) rehabilitated 32 traditional homesteads at Bomas of Kenya to improve access to cultural tourism; v) digitized 180,000 heritage collections for heritage knowledge conservation; and vi) digitized 450,000 records for preservation and conservation of public archives and public records.

124. Over the medium term, the Government will prioritize empowerment of the cultural practitioners through: i) the establishment of a national arts gallery and promotion of the Kenya National Music and Cultural Festival; ii) conducting cultural exchange projects (cultural festivals, inter-cultural exchange and dialogue); iii) mapping and documenting Kenya's indigenous languages; iv) establishing an integrated national cultural and creative industries information management system; and v) identification and honouring heroes and heroines during national holiday celebrations to commemorate their heroic deeds and providing support services to the heroes and heroines in need. The Government will also undertake capacity building of 500 women and youths in modern designs and technologies; digitization and commercialization of beaded products from target pastoralist communities; protection and preservation of Ushanga products and trade mark; promote development of Ushanga and Johari products for target markets and portfolio; and operationalize Ushanga State Agency; and construction of an Ushanga Mall at Sekanani Gate in Narok County.

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

125. Youth empowerment and development remains an integral part of the Government's Bottom-up Economic Transformation Agenda and essential to the entire plan. For this reason, the Government has implemented initiatives anchored on the Kenya Young People's Agenda with aim of developing entrepreneurial and life skills and enhancing employability of the youth, and unlocking the potential of Micro, Small and Medium Enterprises (MSMEs) owned by the youth. Notable progress has been made on this front over the last three years. In part, the Government has: trained 201,418 youth on life skills, core business skills, job-specific skills and entrepreneurship skills that led to creation of 187,451 employment opportunities; disbursed loans worth Ksh 1.24 billion to 95,664 youth entrepreneurs; operationalized 83 Youth Empowerment Centres (YECs), completed construction of YECs, and facilitated 1,059,480 youth to access services at the Centers; Identified and nurtured 5,200 youth talents and engaged 3,915 youth in green jobs.

126. Building on the progress made, the Government will over the medium term: disburse Ksh 1.35 billion to 47,361 youth entrepreneurs; continue to enhance skills development among the youth through training 80,000 youth on apprenticeship, life skills, and market specific technical skills for employment creation; engage 219,042 youth in intergenerational dialogue, and 215,702 youth in environmental conservation; equip 150 Youth Empowerment Centres (YECs) and facilitate 2,500,000 youth to access youth empowerment services at YECs; train 43,000 youth in leadership and governance, enrol 32,100 young people in the President's Award programme; and collaborate with the TVET ecosystem to bridge the gap between industry and training; and transforming the youth labour market through evidence and credible data.

### **1.3.11 Governance**

127. Corruption including wastage of public resources remain serious threats to the realization of the aspirations of the Bottom-Up Economic Transformation Agenda. To strengthen the framework for governance and anti-corruption including improving accountability and transparency, the Government has implemented a number of reforms that include:

- i) Published the Kenya's Access to Information (General) Regulations in 2023 that guides on the procedure for proactive disclosure of information by public entities and private bodies; and the procedure for requesting access to information thereby improving access to information by the public;
- ii) Developed the Conflict-of-Interest Bill in line with best practices, to ensure responsible use of public funds would help elevate trust in government and public financial management. The Governance shall fast track enactment of the Bill that is currently being reviewed by a



meditation committee comprising of members of the National Assembly and the Senate. Going forward, the Government committing to full automation and publication of asset declarations of high-level public officials; and

- iii) Strengthened the capacity of the Judiciary for efficient adjudication of corruption cases and improving access to justice through facilitating judicial appointments and provision of adequate infrastructure.

128. Consequently, the Government was able to: complete 377 investigation files on corruption cases; process 681 files on economic crimes; avert Ksh 10.9 billion in potential losses; recover Ksh 17.7 billion from corruptly acquired assets; and reach 37.77 million Kenyans through awareness and sensitization on ethics & anti-corruption over the last three years. Over the medium term, the Government will build on the progress made by: prioritizing implementation of key reforms to address deficiencies in governance, anti-corruption frameworks and AML/CFT, including leveraging on the requested governance diagnostic by International Monetary Fund; scaling up the implementation of the provision of the Constitution; strengthening the rule of law; increasing access to justice; and ensuring respect for Human rights, equality and inclusion. This will enhance the effective implementation of BETA priorities, enhance public policy credibility and garner public trust, and provide an enabling environment for private investment, including finance to build climate resilience.

129. As part of the process, the Government will champion broader engagement through timely and open communication and public participation throughout public policy making process including to enhance accountability and renew political and social support. Further, the Government will continue to strengthen various institutions that are mandated to fight corruption in the country, implement reforms on good governance and enhance the capacity to recover corruptly acquired assets. In part, the Government will prioritize judicial and legal services transformation through the expansion of infrastructure, automation of court processes, and recruitment of personnel. Specific interventions will include:

- i) To enhance accountability and promote responsibility for the use of public resources, the Government will introduce measures to levy a surcharge against any accounting officer or other public officer who has, by their actions or omissions, occasioned loss of public resources in accordance with Articles 226 (5), 201 (d); and 232 (b) of the Constitution;
- ii) To facilitate expeditious investigation and prosecution of all offences related to corruption and economic crimes, the Government will fast track amendments of the relevant statutes, including the Evidence Act and the Criminal Procedure Code, and provide for their determination within 6 months;
- iii) To make it easier and safer for citizens and whistle-blowers to come forward and report corruption and economic crimes, the Government shall consider relevant amendments to the Witness Protection Act to enhance appropriate incentives; and
- iv) To manage conflicts arising in the discharge of official duties, the Government will fast track enactment of the Conflict of Interests Bill. The Bill prohibits public officers from engaging in activities that conflict with public interest, imposes obligations to declare potential conflicts, and creates penalties for violations.

#### **1.3.11.1 Public Service Transformation**

130. The Government continues to implement Public Service Transformation Strategy aimed at creating an efficient and effective public service, and a highly motivated human resource capacity for efficient public service delivery as envisaged under Bottom-Up Economic Transformation Agenda and the Kenya Vision 2030. The Strategy seeks to enhance responsible and accountable public service in the wake of globalisation, digital governance, and online enterprise. Progress has been made in the implementation of the Strategy. In particular, the

Government has: upgraded the Government Human Resource Information System (GHRIS); and sensitized 9,616 officers on the Public Service Guidance and Counselling Policy.

131. Over the medium term, the Government will strengthen implementation of ongoing reforms to transform the Public Service that is centred on performance management and productivity. Accordingly, the Government will introduce a robust and integrated performance management architecture that provide for standardised tools for measuring service delivery across the Public Service, including State corporations and public universities, and across both levels of Government. To realize this, the Government will employ the Whole-of-Government Approach to revamp, re-institutionalise and drive a citizen-centric performance management system. Further, the Government will implement a Unified Personal Identification system for all personnel working across all the arms of Government, including constitutional commissions. The System seeks to improve human resource management and eliminate the ‘ghost worker’ payroll fraud at all levels of Government. The Government will also introduce a legal and institutional framework for mandatory and continuous vetting of all public officers. The same framework will provide the repository of wealth declarations across the entirety of Government under one office.

132. To strengthen and nurture strong leadership within the Public Service, the Government will continue to implement the Public Service Emerging Leaders Fellowship (PSELF) and Public Service Internship Programme (PSIP). To improve the sustainability and institutionalisation of the Public Service Internship Programme, the Government will develop a framework to partner with private sector organisations; and anchor the programme in law by amending the Public Service Commission Act.

#### **1.3.11.2 Strengthening Leadership Accountability and De-Personalising Politics**

133. The Government continues to implement various initiatives and strategies geared towards enhancing transparency, accountability and leadership effectiveness. Specifically, the Government has: been conducting public participation and consultations throughout policy making processes through town hall meetings and other forums for citizens to engage and hold the Government accountable in compliance with the Constitution; made efforts to improve the efficiency and professionalism of the civil service through hiring, training, and performance evaluation of civil servants; developed Public Policy Handbook and Guidelines for the development of Government Policy and Legislation; and developed the Government Legislative Agenda schedule (repository).

134. The Government will build on the progress made to strengthen overall leadership and accountability by developing a framework to promote open governance; promoting a culture of adherence to the rule of law; strengthening electoral and political processes, democracy and public participation; and reviving and roll-out an integrated public complaints referral mechanism system. The Government will also promote coordination of Government Legislative Agenda (GLA) and Parliamentary liaison across all Ministries and State Departments; and promote inter-agency coordination and synergy in the development of legislation and policy, and strengthen the relationship between Parliament and the Executive for the efficient dispatch of Government business.

#### **1.3.11.3 Strengthening Devolution**

135. The implementation of the devolved system of governance has recorded significant progress, including the transfer of functions and resources to County Governments, development of policies, laws and legislations to support devolution, and alignment of sectoral laws to the Constitution. The total equitable share allocation to the counties amounted to Ksh 3.3 trillion since inception of devolution in 2013. The county equitable share of national revenue increased from Ksh 190 billion in 2013/14 to Ksh 385 billion in FY 2023/24.

136. Over the medium term, the National Government will continue disbursing funds to counties in a more efficient and timely way; and supporting counties to improve their capacity to generate their own source revenue. Government will also complete transfer of all functions constitutionally earmarked to counties and develop a framework for ensuring that state-owned firms carrying out devolved or shared functions adhere to the principles of governance and ensure that the principle of funding-follows-functions is adhered to with respect to all devolved functions. Further, the Government will enhance intergovernmental cooperation and consultations through the intergovernmental sector forums, convening Intergovernmental Budget and Economic Council and Summit meetings that facilitate coordination of both levels of Government, and internally within counties and National Government institutions.

#### **1.3.11.4 Security**

137. The security and safety of all citizens remains a critical enabler for sustaining socio-economic transformation, attaining the Bottom-Up Economic Transformation Agenda and other priority programmes as outlined in the Fourth Medium Term Plan of Vision 2030. For this reason, the Government has continued to invest significant resources and implement a wide range of reforms to improve the capacity of the security forces to protect Kenyans and their property against internal and external threats.

138. Progress has been made in the implementation of these reforms over the last three years including: reduced crime rate per population of 100,000 from 148 to 142; equipment of forensic laboratory with up to 51.8 percent level of equipping to aid investigations; completion of 7 previously stalled construction projects; operationalization of 18 Administration Police Sub-County Headquarters for better delivery of policing services; completion of investigation of 102,275 out of 110,080 reported traffic cases; and completion of the construction of the National Police Service Referral Hospital –Mbagathi.

139. Building on the progress made, the Government will continue to strengthen the security capabilities through the recruitment of additional police, prison and military officers and expansion of prison, police and military infrastructure and equipment. To improve the welfare of security personnel, priority will be accorded to development of infrastructure in support of their operations, training, healthcare and housing requirements. The Government will also prioritize: digitization of police stations and services; modernization of security products and services including lifting processes on ID acquisition, unique personal identifier and passports to enhance access to services.

#### **1.3.12 Foreign Policy and Regional Integration**

140. The Kenya's Foreign Policy is anchored on five interlinked pillars of diplomacy that guides the country's relations and diplomatic engagements with the rest of the world. These include: i) Economic and Commercial Diplomacy Pillar; ii) Peace Diplomacy Pillar; iii) Environmental Diplomacy Pillar; iv) Cultural Diplomacy Pillar; and v) Diaspora Diplomacy Pillar. The Government has continued to enhance Kenya's role in the international arena by focusing on the following key result areas: i) project, promote and protect Kenya's interests and image globally; ii) promote global and regional peace, security and stability; iii) safeguard Kenya's sovereignty and territorial integrity; iv) promote economic cooperation, and commercial diplomacy; v) strengthen public diplomacy and stakeholders engagement; vi) enhance provision of consular services; and strengthen policy, legal and institutional capacity.

141. Notable achievements have been realized for the past two years. The Government has: facilitated high-level visits (outbound 84 and 80 inbound); operationalized five (5) fully-fledged Diplomatic Missions in Abidjan, Rabat, Bern, Jakarta and Maputo; three (3) Consulates in Goma, Jeddah & Arusha and a Liaison Office in Hargeisa; successfully lobbied for the election of 23 Country and 21 individual candidatures into international policy-making organs; facilitated

Evacuation of 1,329 Kenyans in distress as well as the repatriation of 74 mortal remains of deceased Kenyans abroad; Offered mobile consular services (I.Ds, Passports, Birth certificates) to 13,500 Kenyans in 46 countries around the world; coordinated 57 Joint Commissions for Cooperation (JCC)/Joint Permanent Commissions for Cooperation (JPCC); and coordinated processing to conclusion of 168 international agreements and MOUs.

142. Over the medium term, to entrench Kenya's significance in world affairs, the Government will implement the Kenya Foreign Policy 2024 that published and launched in December 2024 to make it relevant, effective, and inclusive in advancing the country's national interests and the common good through diplomatic means. The Policy provides a comprehensive framework for guiding the nation's foreign relations and diplomatic efforts as Kenya prepares to transition from the Foreign Policy 2014 framework. The Foreign Policy objectives are structured around seven interlinked focus areas, including Peace and Security Diplomacy, Economic and Commercial Diplomacy, Socio-Cultural, Diaspora, Digital, Environmental and Climate Diplomacy.

#### **1.3.12.1 Economic and Commercial Diplomacy**

143. Economic and commercial diplomacy is one of the focus areas of Kenya's Foreign Policy. The goal of Economic and Commercial Diplomacy in Kenya is to create a strong and sustainable economic transformation to achieve social and economic development in line with the goals of the Bottom-Up Economic Transformation Agenda and the Kenya Vision 2030. Towards this end, the Government will prioritize implementation of reforms aimed at: i) increasing capital flows to Kenya and the East African region; supporting export promotion and investment by Kenyan enterprises within the region and beyond; ii) promoting the country as a favourite destination for foreign direct investment, tourism, and conferencing; iii) expanding access to traditional markets and explore new destinations for Kenya's exports; iv) enhancing technological advancement by exploring new sources of affordable and appropriate technology; v) supporting the exploration of alternative sources of traditional and renewable energy; vi) strengthening regional economic communities and organizations to serve as competitive spring boards to emerging and global markets; and vii) promoting fair trade and equitable bilateral, regional and multilateral trade agreements.

144. To unlock the potential of Kenya's commercial and trade relations, the Government will continue to promote bilateral cooperation in trade and investment, increase the uptake of Kenya's trade and investment opportunities in the EAC region and the whole of Africa; enhance the regional integration by providing a better business environment through liberalization of regional trade, investment facilitation, and facilitation of the movement of goods, services, capital and people across regional borders. Kenya is a member of the multilateral trading system such as the World Trade Organization (WTO) and the United National Conference on Trade and Development (UNCTAD). At the continental level, Kenya is an active member of the Africa Continental Free Trade Area (AfCFTA), and an African Caribbean and Pacific (ACP) country signatory to the Cotonou Agreement, The East Africa Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Tripartite arrangements i.e. COMESA-EAC-SADC.

#### **1.3.12.2 Anchor State**

145. The Government will continue to strengthen Kenya's profile as regional role as an anchor state in regional, continental, and global affairs. Underlying Kenya's Peace and Security Diplomacy is the recognition of peace and stability as necessary pre-conditions for development and prosperity. Linked to this, is Kenya's conviction that its own stability and economic wellbeing are dependent on the stability of the sub-region, Africa and the rest of the world.

146. Kenya's importance as security actor and anchor state has grown overtime. The country, which served on the UN Security Council in 2021-2022, is one of the only African members of



the Ukraine Defence Contact Group. Kenya participates in Operation Prosperity Guardian, a maritime taskforce launched by the United States in response to Houthi attacks against vessels in the Red Sea. With the support of the United States, the country is leading a new Multinational Security Support mission in Haiti, where gangs have taken over much of the capital.

147. Over the medium term, the Government will continue to strengthen Kenya's profile as regional role as an anchor state by: i) promoting the resolution of conflicts by peaceful means; ii) collaborating with other African countries to strengthen the conflict prevention, management and resolution capacity of regional institutions, including the East African Community (EAC), Inter Governmental Authority on Development (IGAD), Common Market for Eastern and Southern Africa (COMESA) and the African Union (AU) with the aim of promoting sustainable peace and development; iii) supporting peace efforts by the African Union and the United Nations through contributing troops and providing leadership in peacekeeping missions within the continent and globally; and iv) creating conflict analysis and prevention capacity nationally and in the region through the Foreign Service Academy. In pursuing these objectives, Kenya's foreign peace diplomacy continues to draw on Kenya's experiences in mediation, conflict resolution and peacekeeping. Further, Kenya will continue to support institutions that are involved in peace keeping in the Continent which include International Peace Support Training Centre and East African Standby Force Command, among others.

#### **1.3.12.3 Global Citizenship**

148. The Government continues to deepen bonds with long-standing international and bilateral partners including the African Union, the East African Community and the United Nations and its affiliates to address various issues such as peace and security, trade, human rights and environmental protection shaped by its foreign policy objectives, economic interests, and regional dynamics. The Government's involvement with global debate on Sustainable Development has given the country leverage in building blocks for an enhanced role and contributions particularly emerging issues such as Climate Change, Oceans and Blue Economy and the quest for the reformation of international organizations to ensure equity and fair representation of all member states. In undertaking this renewed role at the global level, Kenya has established its credentials as a global champion for multilateralism and a proponent of a rule-based multilateral system. Furthermore, Kenya has assumed a lead role in the African Union's efforts to strengthen relations with the People of African Descent, the 6<sup>th</sup> Regional Constituency; under the framework of the Organization of African, Caribbean and Pacific States.

#### **1.3.12.4 Diaspora**

149. Kenyans living abroad have made a great contribution to the country's development through various pathways including remittances, which constitute an estimated 4.0 percent of GDP, and are expected to increase to Ksh 1 trillion by 2027. To enhance and sustain diaspora participation, the Government will prioritize programmes on protecting Diaspora rights and championing their welfare; promoting continuous dialogue and engagement with Kenyans abroad; facilitating increase in diaspora savings, investments, and remittances; and enhancing international labour mobility, job placements and enabling skills and technology transfers. As part of the process, the Government will prioritize implementation of the Diaspora Policy 2024 that seeks to protect, empower and prosper, promote continuous dialogue and engagement with Kenyan diaspora and integrate them into the national development agenda. The Government will also facilitate implementation of the Diaspora Integrated Information Management System (DIIMS) and operate a 24-hour response centre to ensure a round the clock communication with the diaspora, especially during evacuation and repatriation.

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

### 2.1 Global Economic Outlook

150. Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023 supported by easing of global inflation and supply chain constraints (**Table 2.1**). The outlook reflects stronger-than-expected growth in the USA, some large emerging market economies such as India, and improved growth prospects in the UK. The main risks to the global growth outlook relate to disruptions to the disinflation process, potentially triggered by new spikes in commodity prices amid persistent geopolitical tensions, a possible resurgence of financial market volatility with adverse effects on sovereign debt markets, a deeper growth slowdown in China.

**Table 2.1: Global Economic Performance**

| Economy                                  | Growth (%) |            |              |            |
|--|------------|------------|--------------|------------|
|  | Actual     |            | Projections  |            |
|  | 2022       | 2023       | 2024         | 2025       |
| <b>World</b>                             | <b>3.5</b> | <b>3.3</b> | <b>3.2</b>   | <b>3.3</b> |
| <b>Advanced Economies</b>                | <b>2.6</b> | <b>1.7</b> | <b>1.7</b>   | <b>1.9</b> |
| <i>Of which: USA</i>                     | <i>1.9</i> | <i>2.9</i> | <i>2.8</i>   | <i>2.7</i> |
| <i>Euro Area</i>                         | <i>3.4</i> | <i>0.4</i> | <i>0.8</i>   | <i>1.0</i> |
| <i>Japan</i>                             | <i>1.0</i> | <i>1.5</i> | <i>(0.2)</i> | <i>1.1</i> |
| <b>Emerging and Developing Economies</b> | <b>4.1</b> | <b>4.4</b> | <b>4.2</b>   | <b>4.2</b> |
| <i>Of which: China</i>                   | <i>3.0</i> | <i>5.2</i> | <i>4.8</i>   | <i>4.6</i> |
| <i>India</i>                             | <i>7.0</i> | <i>8.2</i> | <i>6.5</i>   | <i>6.5</i> |
| <b>Sub-Saharan Africa</b>                | <b>4.0</b> | <b>3.6</b> | <b>3.8</b>   | <b>4.2</b> |
| <i>Of which: South Africa</i>            | <i>1.9</i> | <i>0.7</i> | <i>0.8</i>   | <i>1.5</i> |
| <b>Nigeria</b>                           | <b>3.3</b> | <b>2.9</b> | <b>3.1</b>   | <b>3.2</b> |
| <b>Kenya*</b>                            | <b>4.9</b> | <b>5.6</b> | <b>4.6</b>   | <b>5.3</b> |

Source: IMF World Economic Outlook Update, January 2025. \*National Treasury Projection

151. Growth in the advanced economies is projected to remain stable at 1.7 percent in 2024 and 1.9 percent in 2025 from 1.7 percent in 2023. In the United States, growth is projected at 2.8 percent in 2024 and 2.7 percent in 2025 reflecting strong wealth effects, a less restrictive monetary policy stance and supportive financial conditions, stronger outturns in consumption and non-residential investment and demand factors in the labour market. In the Euro area, growth is expected to pick up but at a more gradual pace, with geopolitical tensions continuing to weigh on sentiment. However, growth in Japan is expected to contract in 2024 reflecting temporary supply disruptions and fading of one-off factors that boosted activity in 2023, such as the surge in tourism.

152. Growth in emerging markets and developing economies is projected to remain stable at 4.2 percent in 2024 and 2025, with divergence across major economies. At the regional level, growth in Sub-Saharan Africa is expected to rebound to 4.2 percent in 2025 from 3.8 percent in 2024. This growth is driven by improved economic activities as the adverse impacts of prior weather shocks subside and supply constraints gradually ease.

## 2.2 Domestic Economic Performance

153. The Kenyan economy has remained resilient and registered an average growth of 4.7 percent per year for the period 2011 and 2019. This growth is well above the world average growth of 3.5 percent and 3.8 percent for the sub-Saharan African region, over the same period. This performance reflects sound and deliberate policies implemented during the period and the beauty of a diversified structure – that doesn't rely on one or a few sectors. The economy has thus been able to withstand severe impacts of domestic and external shocks.

154. The Kenyan economy remained strong and resilient in the first three quarters of 2024 despite its growth being relatively slower than the corresponding period in 2023. In the first three quarters of 2024, the economic growth averaged 4.5 percent (5.0 percent Q1, 4.6 percent Q2 and 4.0 percent in Q3) compared to an average growth of 5.6 percent (5.5 percent Q1, 5.6 percent Q2 and 6.0 percent in Q3) in 2023. The growth in the first three quarters of 2024 was primarily underpinned by strong performance in the agriculture sector, a slight recovery of the manufacturing sector, and the resilience of services sector. All the economic sub-sectors except mining and construction recorded positive growth rates in the first three quarters of 2024, though the magnitudes varied across the economic activities (**Table 2.2**).

**Table 2.2: Sectoral GDP Performance**

| Sectors  | Quarterly Growth Rates |            |            |            |            |            |
|--|------------------------|------------|------------|------------|------------|------------|
|  | 2023 Q1                | 2023 Q2    | 2023 Q3    | 2024 Q1    | 2024 Q2    | 2024 Q3    |
| <b>1. Primary Industry</b>                       | <b>5.3</b>             | <b>6.9</b> | <b>4.8</b> | <b>5.0</b> | <b>4.4</b> | <b>3.2</b> |
| 1.1. Agriculture, Forestry and Fishing           | 6.4                    | 7.8        | 5.1        | 6.1        | 4.8        | 4.2        |
| 1.2. Mining and Quarrying                        | (11.0)                 | (8.3)      | 0.8        | (14.8)     | (2.7)      | (11.1)     |
| <b>2. Secondary Sector (Industry)</b>            | <b>2.5</b>             | <b>2.1</b> | <b>3.3</b> | <b>1.0</b> | <b>0.8</b> | <b>0.6</b> |
| 2.1. Manufacturing                               | 1.7                    | 1.5        | 2.8        | 1.2        | 3.3        | 2.3        |
| 2.2. Electricity and Water supply                | 3.7                    | 2.8        | 3.3        | 2.4        | 1.0        | 0.9        |
| 2.3. Construction                                | 3.0                    | 2.7        | 4.0        | 0.1        | (2.9)      | (2.0)      |
| <b>3. Tertiary sector (Services)</b>             | <b>6.5</b>             | <b>6.7</b> | <b>7.6</b> | <b>6.2</b> | <b>5.3</b> | <b>5.3</b> |
| 3.1. Wholesale and Retail trade                  | 2.9                    | 2.1        | 3.1        | 4.9        | 4.4        | 4.8        |
| 3.2. Accommodation and Restaurant                | 47.1                   | 42.7       | 34.5       | 28.0       | 26.6       | 13.7       |
| 3.3. Transport and Storage                       | 6.6                    | 4.6        | 5.1        | 3.9        | 3.6        | 5.2        |
| 3.4. Information and Communication               | 9.5                    | 7.6        | 8.8        | 7.8        | 7.2        | 6.1        |
| 3.5. Financial and Insurance                     | 5.9                    | 13.2       | 15.5       | 7.0        | 5.1        | 4.7        |
| 3.6. Public Administration                       | 7.6                    | 3.2        | 4.6        | 5.8        | 5.1        | 5.4        |
| 3.7. Others                                      | 5.7                    | 5.9        | 6.6        | 5.9        | 5.1        | 5.1        |
| of which: Professional, Admin & Support Services | 8.6                    | 6.6        | 9.7        | 9.9        | 6.8        | 7.8        |
| Real Estate                                      | 7.3                    | 8.1        | 7.7        | 6.6        | 6.0        | 5.5        |
| Education  | 2.0                    | 3.1        | 3.5        | 4.0        | 3.1        | 3.8        |
| Health   | 5.1                    | 4.7        | 5.0        | 5.5        | 5.5        | 4.4        |
| Taxes less subsidies                             | 3.0                    | 1.8        | 1.9        | 4.5        | 5.8        | 3.4        |
| <b>Real GDP</b>                                  | <b>5.5</b>             | <b>5.6</b> | <b>6.0</b> | <b>5.0</b> | <b>4.6</b> | <b>4.0</b> |

Source of Data: Kenya National Bureau of Statistics

155. **The primary sector** grew by an average of 4.2 percent in the first three quarters of 2024 (5.0 percent in the first quarter, 4.4 percent in the second quarter and 3.2 percent in the third quarter) mainly supported by strong agricultural activities despite a contraction in mining and quarrying. In the first three quarters of 2024, the agriculture sector remained robust growing by 6.1 percent in the first quarter, 4.8 percent in the second quarter and 4.2 percent in the third quarter. This growth was supported by favorable weather conditions and the impact of Government interventions to lower the cost of production. However, the sectors' performance was somewhat curtailed by heavy rains and floods, between March and June 2024, that led to loss of livestock and damage to croplands.

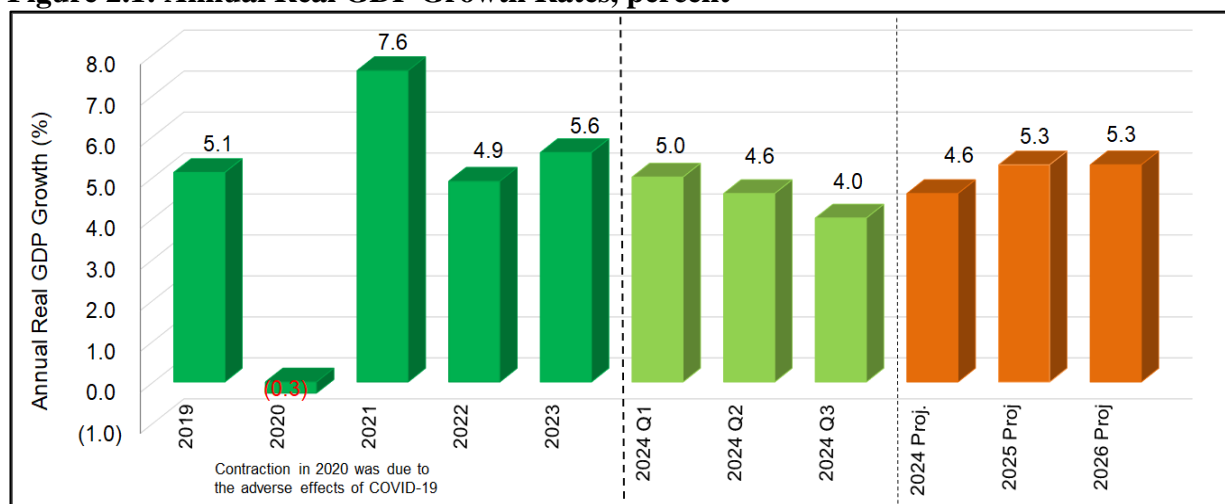
156. Activities in Mining and Quarrying contracted in the first three quarters of 2024 mainly due to a decline in production of most minerals such as titanium, soda ash and gemstone. This was as a result of the closure of Kwale miner Base Titanium which formally shut down its mining activity in Kenya in December 2024 due to depletion of commercially viable ore.

157. **Industrial sector performance** remained subdued, with growth of the sector slowing down to an average of 0.8 percent in the first three quarters of 2024 (1.0 percent Q1, 0.8 percent Q2 and 0.6 percent Q3). This was mainly on account of a slowdown in activities from electricity & water supply and contraction of the construction sub-sectors. The slowed growth in electricity & water supply was due to a decline in generation of electricity from geothermal, wind and solar while the contraction in construction sector is due to a slowdown in public sector infrastructure projects. Activities in the manufacturing sector, which accounts for nearly half of the industrial sector output, was supported by significant growths in the manufacture of food while the non-food manufacturing activities recorded varied performance.

158. The activities in the **services sector** continued to sustain strong growth momentum in the first three quarters of 2024 averaging 5.6 percent (6.2 percent Q1, 5.3 percent Q2 and 5.3 percent Q3). The performance was largely characterized by significant growths in accommodation and food service, financial and insurance, information and communication, real estate, and wholesale and retail trade sub-sectors. Accommodation and restaurant service sub-sector benefited from several high-profile international conferences held in Nairobi between April and June 2024 that attracted significant international participation. Growth in the information and communication sub-sector was supported by increased voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs).

159. Given the slowed outcome of the real GDP for the first three quarters of 2024 and the impact of contracted lending to the private sector by commercial banks, the estimated GDP for 2024 full year has therefore been revised down to 4.6 percent from the earlier estimate of 5.2 percent in the 2024 Budget Review and Outlook Paper. Growth is projected to pick up to 5.3 percent in 2025 and 2026 and retain the same momentum over the medium term largely driven by: enhanced agricultural productivity; resilient services sector, and ongoing implementation of priorities under Bottom-Up Economic Transformation Agenda (BETA). Additionally, implementation of prudent fiscal and monetary policies will continue to support economic activity (**Figure 2.1**).

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

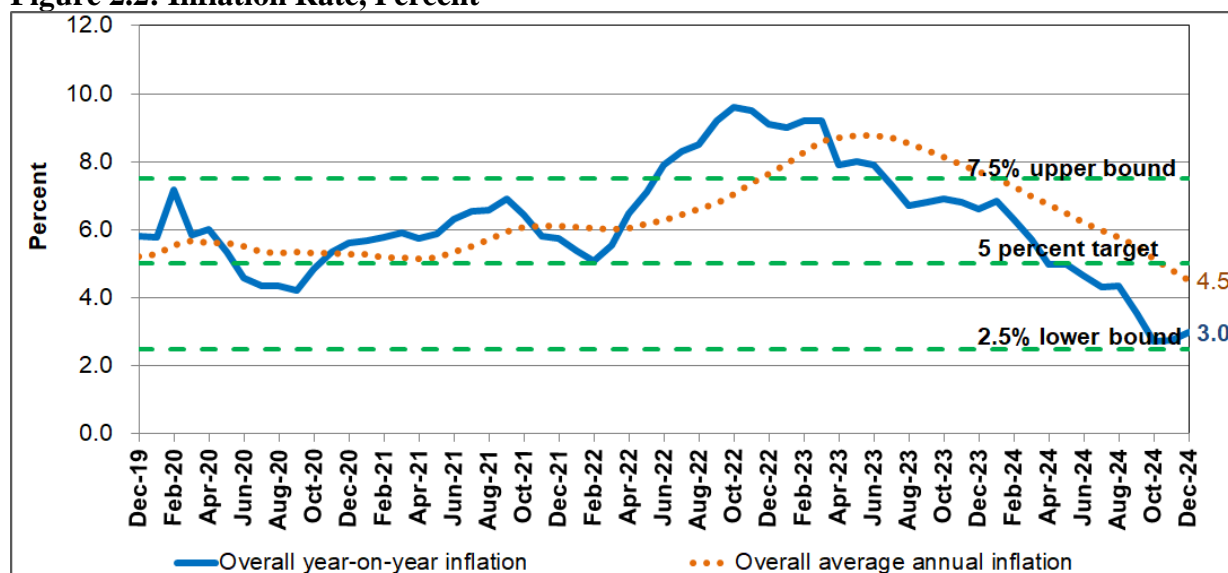


Source of Data: Kenya National Bureau of Statistics

### ***Inflation Developments***

160. Overall inflation declined and has remained below the mid-point of the target band of 5.0 percent since June 2024, mainly reflecting significant declines in energy prices and continued easing of food prices. Inflation declined to 3.0 percent in December 2024 from 6.6 percent in December 2023 and a peak of 9.6 percent in October 2022 (Figure 2.2). Easing inflation has been supported by abundant supply of food arising from favorable weather conditions, lower fuel inflation attributed to appreciation of the exchange rate and lower international oil prices, and the decline in non-food non-fuel (NFNF) inflation reflecting impact of previous monetary policy tightening.

**Figure 2.2: Inflation Rate, Percent**



Source of Data: Kenya National Bureau of Statistics

161. Food inflation remained a key driver of overall year-on-year inflation though it declined to 4.8 percent in December 2024 from 7.7 percent in December 2023. The easing of food prices was supported by increased food supply arising from favorable weather conditions, continued Government interventions particularly through subsidized fertilizer, and the general easing of international food prices. Prices of most vegetable food items increased in the month of



December 2024 compared to the same period in 2023 while those of non-vegetable food items declined significantly during the same period.

162. Fuel inflation declined to -1.0 percent in December 2024 from 13.7 percent in December 2023. The decline largely reflected the easing global oil prices and appreciation of the Kenya Shilling's which resulted in a downward adjustment of pump prices; and lower electricity prices. Core (non-food non-fuel) inflation has remained low and stable reflecting the impact of tight monetary policy and muted demand pressures.

163. Given that inflation is below the mid-point of the target range and the exchange rate has stabilized, the Central Bank of Kenya through the Monetary Policy Committee (MPC) has gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13 percent in August 2024 to 11.25 percent in December 2024. The easing of the monetary policy stance supports lowering of interest rates to boost lending by banks to the private sector thereby supporting economic activities.

### ***Monetary and Credit Developments***

164. Broad money supply, M3, contracted by 0.2 percent in the year to December 2024 compared to a growth of 21.2 percent in the year to December 2023 (**Table 2.3**). The slowdown in growth of M3 was due to a decline in the growth of Net Domestic Assets (NDA) particularly the domestic credit. The primary source of the growth in M3 was the resilience in the Net Foreign Assets (NFA) of the banking system, mainly reflected in the stability of commercial banks' Foreign Assets.

165. Net Domestic Assets (NDA) contracted by 1.2 percent in the year to December 2024, compared to a growth of 10.6 percent over a similar period in 2023. The slowdown in growth of the NDA was due to a decline in growth of the domestic credit to the private sector. The domestic credit extended by the banking system to the Government grew by 13.1 percent in the year to December 2024 compared to a growth of 16.4 percent in the year to December 2023.

**Table 2.3: Money and Credit Developments (12 Months to December 2024, Ksh billion)**

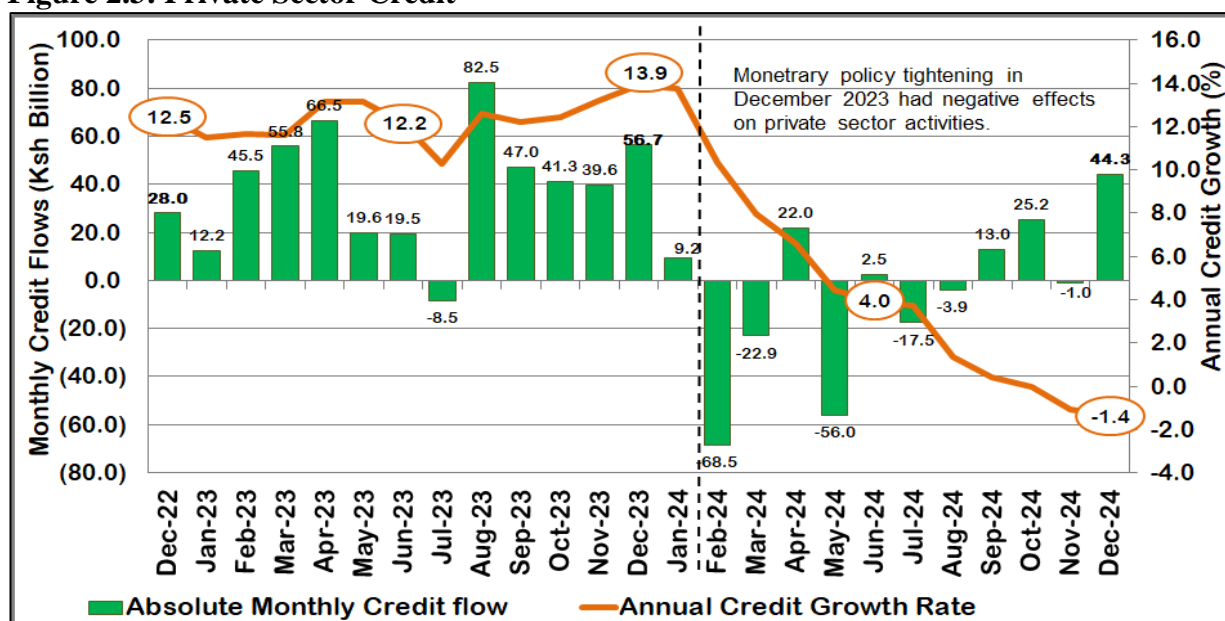
|   |                  |                  |                  | Change                |                       | Percent Change        |                       |
|---|------------------|------------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2022<br>December | 2023<br>December | 2024<br>December | 2022-2023<br>December | 2023-2024<br>December | 2022-2023<br>December | 2023-2024<br>December |
| <b>COMPONENTS OF M3</b>                 |                  |                  |                  |                       |                       |                       |                       |
| 1. Money supply, M1 (1.1+1.2+1.3)       | 1,971.1          | 2,044.1          | 2,121.4          | 73.0                  | 77.3                  | 3.7                   | 3.8                   |
| 1.1 currency outside banks (M0)         | 260.8            | 282.1            | 292.8            | 21.3                  | 10.7                  | 8.2                   | 3.8                   |
| 1.2 Demand deposits                     | 1,621.5          | 1,663.9          | 1,672.0          | 42.5                  | 8.1                   | 2.6                   | 0.5                   |
| 1.3 Other deposits at CBK               | 88.8             | 98.0             | 156.6            | 9.2                   | 58.6                  | 10.3                  | 59.8                  |
| 2. Money supply, M2 (1+2.1)             | 3,617.5          | 3,952.3          | 4,231.3          | 334.9                 | 279.0                 | 9.3                   | 7.1                   |
| 2.1 Time and savings deposits           | 1,646.4          | 1,908.3          | 2,109.9          | 261.9                 | 201.7                 | 15.9                  | 10.6                  |
| <b>Money supply, M3 (2+3.1)</b>         | <b>4,538.5</b>   | <b>5,498.6</b>   | <b>5,488.7</b>   | <b>960.1</b>          | <b>(9.8)</b>          | <b>21.2</b>           | <b>(0.2)</b>          |
| 3.1 Foreign currency deposits           | 921.1            | 1,546.3          | 1,257.4          | 625.2                 | (288.8)               | 67.9                  | (18.7)                |
| <b>SOURCES OF M3</b>                    |                  |                  |                  |                       |                       |                       |                       |
| 1. Net foreign assets (1.1+1.2)         | <b>283.9</b>     | <b>793.6</b>     | <b>841.7</b>     | <b>509.6</b>          | <b>48.1</b>           | <b>179.5</b>          | <b>6.1</b>            |
| 1.1 Central Bank                        | 537.8            | 486.9            | 610.1            | (50.9)                | 123.3                 | (9.5)                 | 25.3                  |
| 1.2 Banking Institutions                | (253.9)          | 306.7            | 231.5            | 560.6                 | (75.2)                | 220.8                 | (24.5)                |
| 2. Net domestic assets (2.1+2.2)        | <b>4,254.6</b>   | <b>4,705.0</b>   | <b>4,647.1</b>   | <b>450.4</b>          | <b>(57.9)</b>         | <b>10.6</b>           | <b>(1.2)</b>          |
| 2.1 Domestic credit (2.1.1+2.1.2+2.1.3) | 5,439.7          | 6,252.0          | 6,458.5          | 812.3                 | 206.5                 | 14.9                  | 3.3                   |
| 2.1.1 Government (net)                  | 1,924.3          | 2,239.5          | 2,533.7          | 315.3                 | 294.2                 | 16.4                  | 13.1                  |
| 2.1.2 Other public sector               | 81.9             | 101.3            | 67.1             | 19.4                  | (34.2)                | 23.7                  | (33.8)                |
| 2.1.3 Private sector                    | <b>3,433.5</b>   | <b>3,911.2</b>   | <b>3,857.7</b>   | <b>477.6</b>          | <b>(53.5)</b>         | <b>13.9</b>           | <b>(1.4)</b>          |
| 2.2 Other assets net                    | (1,185.2)        | (1,547.0)        | (1,811.4)        | (361.9)               | (264.4)               | (30.5)                | (17.1)                |

Source of Data: Central Bank of Kenya

166. Growth in private sector credit from the banking system declined by 1.4 percent in the year to December 2024 compared to a growth of 13.9 percent in the year to December 2023, due to the impact of exchange rate appreciation on foreign currency denominated loans and the lagged effects of monetary policy tightening. Reduced credit growth was observed in manufacturing, finance and insurance, trade (exports) and building and construction sub-sector. These are some of the sub-sectors with significant foreign currency denominated loans.

167. The Monthly (month on month) credit flows to the private sector have slowed down since December 2023 following the monetary policy action of increasing the central bank rate to manage inflation expectation which resulted in the increased cost of credit (**Figure 2.3**). With the strong easing of monetary policy stance, credit to the private sector is expected to recover as lending rates decline. Sustained demand particularly for working capital due to resilient economic activity and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs will continue to support private sector credit uptake.

**Figure 2.3: Private Sector Credit**



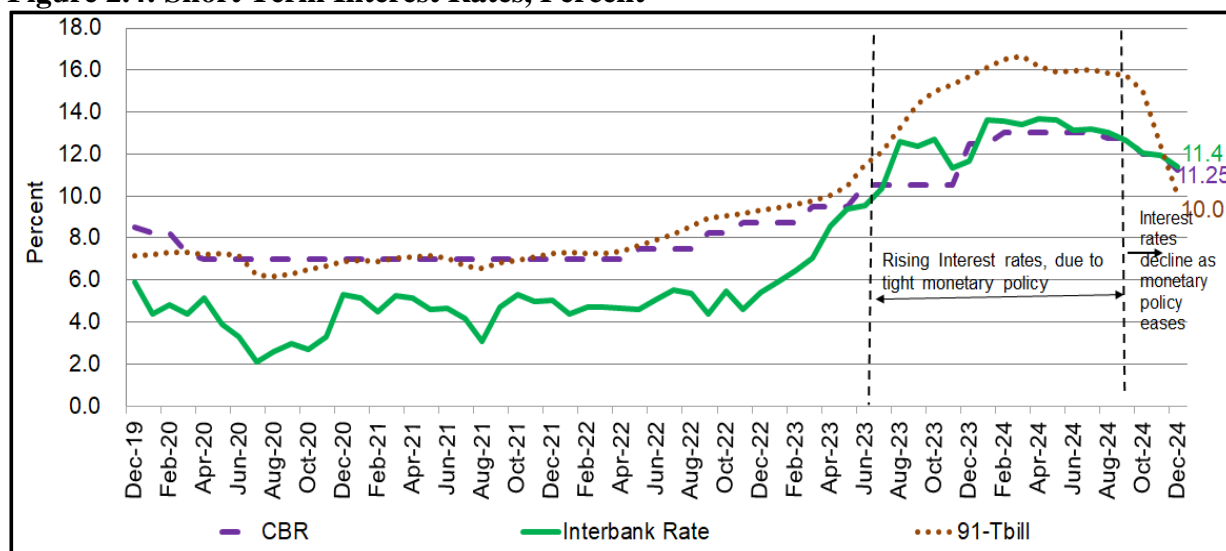
Source of Data: Central Bank of Kenya

### Interest Rates Developments

168. Interest rates have declined in line with the easing of the monetary policy. The interbank rate declined to 11.5 percent in December 2024 compared to 11.7 percent in December 2023 and has remained within the prescribed corridor around the CBR (set at CBR $\pm$  150 basis points). The 91-day Treasury Bills rate also declined to 10.0 percent in December 2024 from 15.7 percent in December 2023 (**Figure 2.4**).

169. Commercial banks average lending and deposit rates increased in the year to December 2024 in tandem with prevailing tight monetary policy stance thereby reflecting high cost of investable funds. The average lending rate increased to 16.9 percent in December 2024 from 14.6 percent in December 2023 while the average deposit rate increased to 10.5 percent from 10.1 percent over the same period. Consequently, the average interest rate spread increased to 6.4 percent in December 2024 from 4.5 percent in December 2023.

**Figure 2.4: Short Term Interest Rates, Percent**



Source of Data: Central Bank of Kenya

### External Sector Developments

170. The current account deficit was at US\$. 4,542.6 million (3.6 percent of GDP) in December 2024 compared to US\$ 4,294.0 million (4.4 percent of GDP) in December 2023, reflecting strong performance of export of goods as well as increased remittances (**Table 2.4**). Goods imports increased by 9.9 percent in the 12 months to December 2024, reflecting increases in intermediate and capital goods. On the other hand, goods exports increased by 15.4 percent in the 12 months to December 2024, reflecting increased exports of agricultural commodities and re-exports. The balance in the merchandise account deteriorated by US\$. 593.2 million to a deficit of US\$. 10,603.9 million in December 2024 mainly because the increase in import bill more than offset the increase in exports.

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

|                                  |                   |                   |                   | Year to December 2024 |                | Actuals as a Percent of GDP |              |
|----------------------------------|-------------------|-------------------|-------------------|-----------------------|----------------|-----------------------------|--------------|
|                                  | Dec-22            | Dec-23            | Dec-24            | Change                | Percent Change | Dec-23                      | Dec-24       |
| <b>Overall Balance</b>           | <b>2,140.5</b>    | <b>1,008.1</b>    | <b>(1,616.8)</b>  | <b>(2,624.9)</b>      | <b>(260.4)</b> | <b>1.0</b>                  | <b>(1.3)</b> |
| <b>A) Current Account</b>        | <b>(5,901.5)</b>  | <b>(4,294.0)</b>  | <b>(4,542.6)</b>  | <b>(248.6)</b>        | <b>(5.8)</b>   | <b>(4.4)</b>                | <b>(3.6)</b> |
| <i>Merchandise Account (a-b)</i> | <i>(11,933.9)</i> | <i>(10,010.8)</i> | <i>(10,603.9)</i> | <i>(593.2)</i>        | <i>(5.9)</i>   | <i>(10.4)</i>               | <i>(8.3)</i> |
| a) Goods: exports                | 7,421.4           | 7,227.8           | 8,343.7           | 1,115.9               | 15.4           | 7.5                         | 6.5          |
| b) Goods: imports                | 19,355.2          | 17,238.5          | 18,947.6          | 1,709.1               | 9.9            | 17.9                        | 14.8         |
| <i>Net Services (c-d)</i>        | <i>1,277.2</i>    | <i>632.3</i>      | <i>639.7</i>      | <i>7.5</i>            | <i>1.2</i>     | <i>0.7</i>                  | <i>0.5</i>   |
| c) Services: credit              | 6,528.3           | 5,454.8           | 5,582.6           | 127.8                 | 2.3            | 5.6                         | 4.4          |
| d) Services: debit               | 5,251.1           | 4,822.6           | 4,942.9           | 120.3                 | 2.5            | 5.0                         | 3.9          |
| <i>Net Primary Income (e-f)</i>  | <i>(1,760.7)</i>  | <i>(1,901.3)</i>  | <i>(2,153.6)</i>  | <i>(252.3)</i>        | <i>(13.3)</i>  | <i>(2.0)</i>                | <i>(1.7)</i> |
| e) Primary income: credit        | 141.6             | 204.6             | 311.5             | 107.0                 | 52.3           | 0.2                         | 0.2          |
| f) Primary income: debit         | 1,902.3           | 2,105.9           | 2,465.1           | 359.2                 | 17.1           | 2.2                         | 1.9          |
| <i>Net Secondary Income</i>      | <i>6,515.9</i>    | <i>6,985.8</i>    | <i>7,575.1</i>    | <i>589.4</i>          | <i>8.4</i>     | <i>7.2</i>                  | <i>5.9</i>   |
| g) Secondary income: credit      | 6,563.1           | 7,079.0           | 7,687.3           | 608.3                 | 8.6            | 7.3                         | 6.0          |
| h) Secondary income: debit       | 47.3              | 93.3              | 112.2             | 18.9                  | 20.3           | 0.1                         | 0.1          |
| <b>B) Capital Account</b>        | <b>141.3</b>      | <b>127.6</b>      | <b>176.5</b>      | <b>48.9</b>           | <b>38.3</b>    | <b>0.1</b>                  | <b>0.1</b>   |
| <b>C) Financial Account</b>      | <b>(4,158.8)</b>  | <b>(2,631.2)</b>  | <b>(5,989.2)</b>  | <b>(3,358.0)</b>      | <b>(127.6)</b> | <b>(2.7)</b>                | <b>(4.7)</b> |

Source of Data: Central Bank of Kenya

171. Net receipts on the services account increased by US\$. 7.5 million to US\$. 639.7 million in December 2024 compared to similar period in 2023. This was mainly on account of an increase in receipts from tourism as international travel continued to improve in spite of a decline in receipts due to transport. Remittances increased by 16.7 percent to USD 4,872 million in the 12 months to November 2024 compared to USD 4,175 million in a similar period in 2023.

172. The capital account balance increased by US\$. 48.9 million to register a surplus of US\$ 176.5 million in December 2024 compared to a surplus of US\$. 127.6 million in the same period in 2023. Net financial inflows improved to US\$. 5,989.2 million in December 2024 compared to US\$. 2,631.2 million in December 2023 reflecting a slowdown in inflows to the government and other sectors. The net financial inflows were mainly in the form of other investments and direct investments. However, portfolio investments and financial derivatives registered a net outflow during the period partly due to Kenya's limited access to international financial markets owing to elevated borrowing costs.

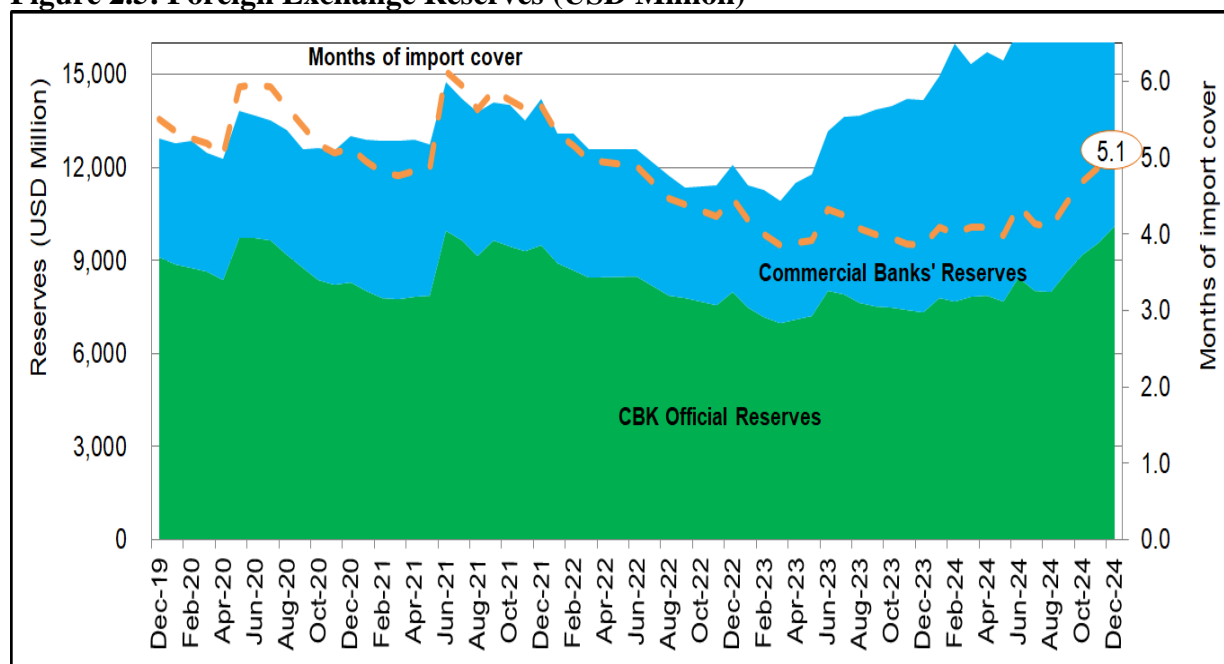
173. The overall balance of payments position slowed down to a deficit of US\$. 1,616.8 million (1.3 percent of GDP) in December 2024 from a surplus of US\$. 1,008.1 million (1.0 percent of GDP) in December 2023.

### **Foreign Exchange Reserves**

174. The banking system's foreign exchange holdings remained strong at US\$. 16,348.5 million in December 2024, an improvement from US\$. 14,155.8 million in December 2023. The official foreign exchange reserves held by the Central Bank stood at US\$. 10,090.6 million compared to US\$ 7,341.8 million over the same period in 2023 (**Figure 2.5**). Commercial banks foreign exchange holdings decreased to US\$. 6,257.9 million in December 2024 from US\$. 6,814.0 million in December 2023.

175. The official reserves held by the Central Bank in December 2024 represented 5.1 months of import cover as compared to the 3.9 months of import cover in December 2023. These reserves continue to provide adequate cover and buffer against any short-term shocks in the foreign exchange market.

**Figure 2.5: Foreign Exchange Reserves (USD Million)**



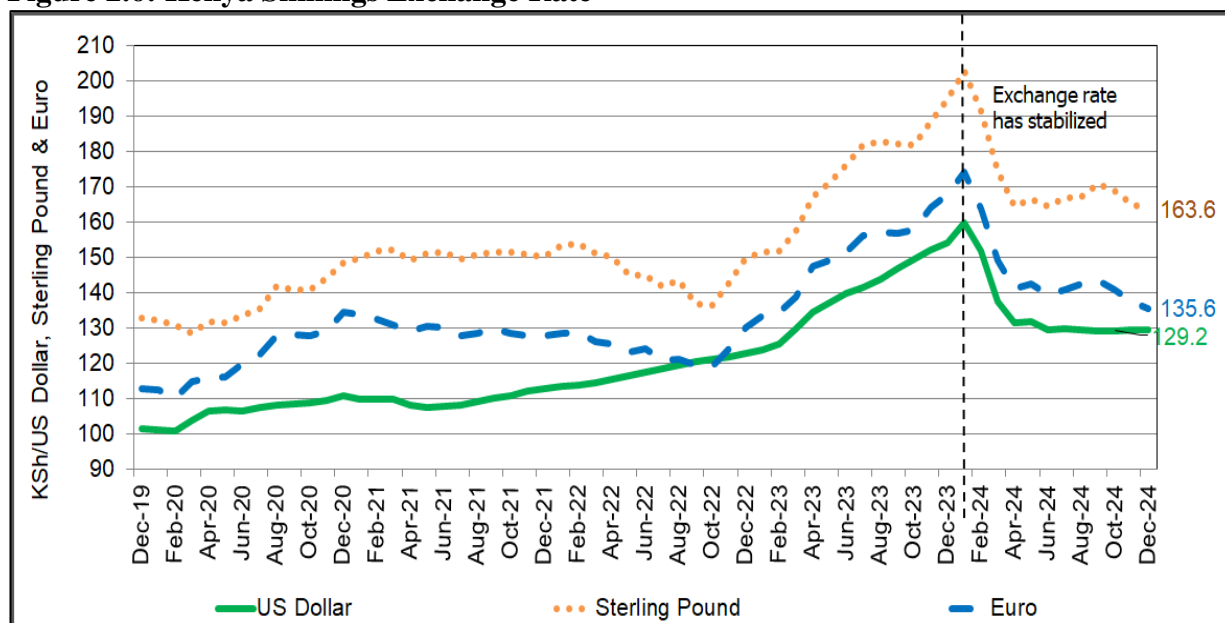
Source of Data: Central Bank of Kenya

## Exchange Rate Developments

176. The foreign exchange market remained stable in 2024 despite increased global uncertainties, effects of a stronger U.S. Dollar and geopolitical tensions in the Middle East. The Kenya Shilling exchange rate was weaker at the turn of the year but strengthened against the U.S. Dollar from mid-February 2024 and has now stabilized against major international currencies. In December 2024, the exchange rate against the US dollar averaged at Ksh 129.4 compared to an average of Ksh 160.8 in January 2024, an appreciation of 19.0 percent. Against the Euro, the Kenya Shilling strengthened by 22.2 percent to exchange at an average of Ksh 135.6 in December 2024 compared to an average of Ksh 174.3 in January 2024 while against the Sterling Pound the Kenyan Shilling strengthened by 19.3 percent to exchange at an average of Ksh 163.6 compared to an average Ksh 202.9, over the same period (**Figure 2.6**).

177. The foreign exchange market was mainly supported by inflows from agricultural exports, remittances and portfolio investors while demand was driven by pickup in economic activities specifically in the manufacturing, wholesale, and retail sub-sectors. The appreciation and stability of the exchange rate has created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. This appreciation has helped to reduce debt service costs, improve performance of domestic borrowing and stabilize interest rates.

**Figure 2.6: Kenya Shillings Exchange Rate**



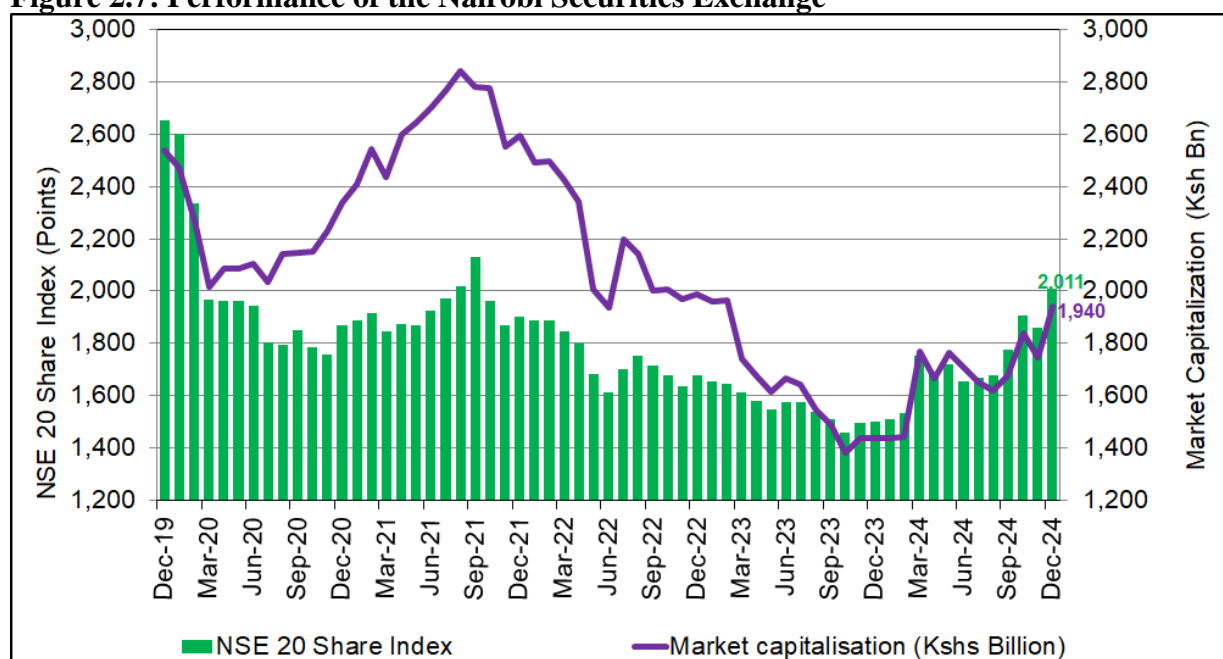
Source of Data: Central Bank of Kenya

## Capital Markets Developments

178. Economic recovery, appreciation of the Kenya Shilling against major international currencies and macroeconomic stability have created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. The NSE 20 Share Index improved to 2,011 points in December 2024 compared to 1,501 points in December 2023 while market capitalization also improved to Ksh 1,940 billion from Ksh 1,439 billion over the same period (**Figure 2.7**).



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



Source of Data: Nairobi Securities Exchange

## 2.3 Fiscal Performance

179. Budget implementation for the FY 2024/25 was initially impeded by the withdrawal of the Finance Bill, 2024 and protests that led to a slowdown of economic activities. Additionally, the FY2023/24 closed with unpaid exchequer requests (carryovers) of Ksh 218.5 billion and the implementation of the Collective Bargaining Agreements has continued to put pressure on the expenditures. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the National Treasury rationalized expenditures through the Supplementary Estimates I.

### Revenue Performance

180. By end December 2024, revenue collection amounted to Kshs 1,334.7 billion against a target of Kshs 1,442.3 billion resulting to an underperformance of Kshs 107.6 billion. The underperformance was mainly on account of shortfall registered in ordinary revenue. Total revenues grew by 1.6 percent by end December 2024 compared with a growth of 14.5 percent by end December 2023 (**Table 2.5a**).

181. Ordinary revenue for the period to December 2024 was Kshs 1,157.8 billion against a target of Kshs 1,251.0 billion translating into a shortfall of Kshs 93.2 billion. This represented a growth of 6.3 percent, a slowdown, compared to a growth of 10.5 percent by end December 2023. All broad tax categories of ordinary revenue fell short of the respective targets during the review period. Value Added Tax (VAT) recorded the highest shortfall of Kshs 36.5 billion, Income tax recorded a shortfall of Kshs 28.6 billion, Excise duty of Kshs 13.7 billion and Import duty of Ksh 6.1 billion.

182. This revenue trend is expected to reverse as economic activities pick up. Ministerial A-i-A amounted to Kshs 176.9 billion in December 2024 against a target of Kshs 191.3 billion recording a shortfall of Kshs 14.3 billion.

**Table 2.5a: Fiscal Performance as at 31<sup>st</sup> December, 2024**

|  | Dec-23                      |              |               | Dec-24          |                 |                |              |              |              |
|--|-----------------------------|--------------|---------------|-----------------|-----------------|----------------|--------------|--------------|--------------|
|  | Prel. Act.<br>(Ksh Billion) | % of<br>GDP  | % Growth      | Ksh Billion     |                 |                | % of GDP     |              |              |
|  |                             |              |               | Target          | Prl. Act.       | Deviation      | Target       | Prl. Act.    | % Growth     |
| <b>A. Total Revenue including External Grants</b>  | <b>1,318.7</b>              | <b>8.2</b>   | <b>14.5</b>   | <b>1,456.3</b>  | <b>1,342.2</b>  | <b>(114.0)</b> | <b>8.1</b>   | <b>7.4</b>   | <b>1.8</b>   |
| <b>Total Revenues (1+2)</b>                        | <b>1,313.3</b>              | <b>8.1</b>   | <b>14.5</b>   | <b>1,442.3</b>  | <b>1,334.7</b>  | <b>(107.6)</b> | <b>8.0</b>   | <b>7.4</b>   | <b>1.6</b>   |
| 1. Ordinary Revenue                                | 1,088.7                     | 6.7          | 10.5          | 1,251.0         | 1,157.8         | (93.2)         | 6.9          | 6.4          | 6.3          |
| Import duty  | 68.2                        | 0.4          | 1.7           | 77.6            | 71.5            | (6.1)          | 0.4          | 0.4          | 4.8          |
| Excise duty  | 139.8                       | 0.9          | 7.3           | 155.0           | 141.3           | (13.7)         | 0.9          | 0.8          | 1.1          |
| Income tax   | 491.3                       | 3.0          | 8.7           | 559.5           | 530.8           | (28.6)         | 3.1          | 2.9          | 8.1          |
| VAT  | 317.9                       | 2.0          | 20.3          | 340.6           | 304.1           | (36.5)         | 1.9          | 1.7          | (4.4)        |
| Other Revenue                                      | 71.4                        | 0.4          | (0.3)         | 118.3           | 110.0           | (8.3)          | 0.7          | 0.6          | 54.0         |
| 2. Ministerial Appropriation in Aid                | 224.6                       | 1.4          | 38.6          | 191.3           | 176.9           | (14.3)         | 1.1          | 1.0          | (21.2)       |
| 3. External Grants                                 | 5.5                         | 0.0          | 27.1          | 14.0            | 7.5             | (6.5)          | 0.1          | 0.0          | 37.7         |
| <b>B. Total Expenditure and Net Lending</b>        | <b>1,704.7</b>              | <b>10.6</b>  | <b>16.1</b>   | <b>1,796.0</b>  | <b>1,795.8</b>  | <b>(0.2)</b>   | <b>9.9</b>   | <b>9.9</b>   | <b>5.3</b>   |
| 1. Recurrent Expenditure                           | 1,296.3                     | 8.0          | 15.6          | 1,331.2         | 1,372.1         | 40.9           | 7.4          | 7.6          | 5.9          |
| 2. Development                                     | 265.9                       | 1.6          | 28.9          | 244.5           | 232.0           | (12.5)         | 1.4          | 1.3          | (12.7)       |
| 3. County Allocation                               | 142.5                       | 0.9          | 1.0           | 219.2           | 191.6           | (27.6)         | 1.2          | 1.1          | 34.5         |
| 4. Contingency Fund                                | -                           | -            | -             | 1.0             | -               | (1.0)          | 0.0          | -            | -            |
| <b>C. Balance Exclusive of Grants</b>              | <b>(391.4)</b>              | <b>(2.4)</b> | <b>21.6</b>   | <b>(353.7)</b>  | <b>(464.0)</b>  | <b>(110.3)</b> | <b>(2.0)</b> | <b>(2.6)</b> | <b>18.6</b>  |
| <b>D. Balance inclusive of Grants (Cash basis)</b> | <b>(204.3)</b>              | <b>(1.3)</b> | <b>(12.3)</b> | <b>(339.7)</b>  | <b>(456.5)</b>  | <b>(116.8)</b> | <b>(1.9)</b> | <b>(2.5)</b> | <b>123.5</b> |
| Discrepancy  | (22.4)                      | (0.1)        | 64.0          | -               | (51.9)          | (51.9)         | -            | (0.3)        | 131.5        |
| <b>E. Total Financing</b>                          | <b>181.8</b>                | <b>1.1</b>   | <b>(17.1)</b> | <b>339.7</b>    | <b>404.6</b>    | <b>64.9</b>    | <b>1.9</b>   | <b>2.2</b>   | <b>122.5</b> |
| 1. Net Foreign Financing                           | (28.2)                      | (0.2)        | (129.6)       | 284.8           | (6.6)           | (291.5)        | 1.6          | (0.0)        | (76.4)       |
| 2. Net Domestic Financing                          | 210.0                       | 1.3          | 69.1          | 54.9            | 411.2           | 356.4          | 0.3          | 2.3          | 95.8         |
| <b>Nominal GDP (Fiscal Year)</b>                   | <b>16,131.5</b>             | <b>100.0</b> | <b>15.2</b>   | <b>18,054.3</b> | <b>18,054.3</b> | <b>-</b>       | <b>100.0</b> | <b>100.0</b> | <b>11.9</b>  |

Source of Data: National Treasury

## Expenditure Performance

183. Total expenditure and net lending for the period ending December 2024 was largely on target at Kshs 1,795.8 billion against a target of Kshs 1,796.0 billion. Recurrent expenditures surpassed target by Ksh 40.9 billion while development expenditures and County transfers were below their respective targets (**Table 2.5a**). Development expenditures was below target by Kshs 12.5 billion mainly due to under absorption of foreign financed development projects by Kshs 1.6 billion and Ministerial domestically financed projects by Kshs 7.0 billion. Revenue mobilization and financing challenges affected our ability to execute the FY2024/25 budget in a timely manner leading to cash flow challenges.

184. Fiscal operations by end of December 2024 resulted in an overall deficit including grants of Kshs 456.5 billion (2.5 percent of GDP) against a target of Kshs 339.7 billion (1.9 percent of GDP). The deficit was largely financed through net domestic financing of Ksh 411.2 billion as net foreign financing was a repayment of Ksh 6.6 billion.

## Revision of the FY 2024/25 Budget

185. Taking into account the ordinary revenue shortfall to December 2024 of Ksh 93.2 billion, the additional revenue from the Tax Laws (Amendment) Act 2024 and the Business Laws Amendment Act, 2024, the total revenue projections to June 2025 has been revised to Ksh 3,065.2 billion (17.6 percent of GDP). Of this, ordinary revenue will be Ksh 2,580.9 billion (14.8 percent of GDP) down from Ksh 2,631.4 billion in Supplementary Estimates 1. The fiscal deficit in the FY 2024/25 is expected to be Ksh 862.7 billion (4.9 percent of GDP). The expenditures to June 2025 will be rationalised to ensure the fiscal deficit is maintained at 4.9 percent of GDP.

## 2.4 Fiscal Policy

186. The fiscal policy stance in the FY 2025/26 and over the medium term aims at supporting the priority programmes of the Government under the Bottom - Up Economic Transformation Agenda (BETA) and the MTP IV through a growth friendly fiscal consolidation plan. The plan targets to slow down the annual growth in public debt and implement an effective liability

management strategy, without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position. Fiscal consolidation will be supported by continued efforts to enhance domestic revenue mobilization, reprioritize and rationalize expenditure while safeguarding priority Government programmes and social spending.

187. Consequently, the Government's total revenue including A-i-A is projected at 17.6 percent of GDP in both FY 2024/25 and FY 2025/26 and before rising to 18.1 percent of GDP over the medium term. Of the total revenue, ordinary revenue is projected at 14.8 percent of GDP in the FY 2024/25, 14.7 percent of GDP in FY 2025/26 and rise to 15.5 percent of GDP over the medium term. Total expenditure is projected to decline from 22.8 percent of GDP in FY 2024/25 to 22.1 percent of GDP in FY 2025/26 and 21.1 percent of GDP over the medium term. Of the total expenditures, recurrent expenditure is projected to decline from 16.9 percent of GDP in FY 2024/25 to 16.1 percent of GDP in FY 2025/26 and 14.7 percent of GDP over the medium term. The development spending in the budget will increase progressively over the medium term so as not to impact on growth momentum (**Table 2.5 b**)

**Table 2.5 b: Fiscal Framework**

|   | FY 2022/23    | FY 2023/24    | FY 2024/25              |                        |              | FY 2025/26                  | FY 2026/27 | FY 2027/28 | FY 2028/29 |
|---|---------------|---------------|-------------------------|------------------------|--------------|-----------------------------|------------|------------|------------|
|   | <i>Actual</i> | <i>Actual</i> | <i>Budget Estimates</i> | <i>Suppl. 1 Budget</i> | <i>Proj.</i> | <i>2025 BPS Projections</i> |            |            |            |
| <i>Amount in Ksh Billion</i>            |               |               |                         |                        |              |                             |            |            |            |
| TOTAL REVENUE                           | 2,355.1       | 2,702.7       | 3,343.2                 | 3,060.0                | 3,065.2      | 3,385.8                     | 3,758.7    | 4,201.2    | 4,717.1    |
| Ordinary revenue                        | 2,041.1       | 2,288.9       | 2,917.2                 | 2,631.4                | 2,580.9      | 2,835.0                     | 3,176.5    | 3,566.4    | 4,025.0    |
| Ministerial Appropriation in Aid        | 313.9         | 413.7         | 426.0                   | 428.6                  | 484.3        | 550.7                       | 582.3      | 634.8      | 692.1      |
| TOTAL EXPENDITURE AND NET LENDING       | 3,221.0       | 3,605.2       | 3,992.0                 | 3,880.8                | 3,978.3      | 4,263.1                     | 4,574.1    | 5,017.1    | 5,477.1    |
| Recurrent                               | 2,311.6       | 2,678.4       | 2,841.9                 | 2,826.2                | 2,946.3      | 3,096.3                     | 3,256.2    | 3,573.5    | 3,822.0    |
| Development                             | 493.7         | 546.4         | 701.5                   | 599.5                  | 586.3        | 725.1                       | 869.4      | 976.6      | 1,174.1    |
| County Transfer                         | 415.8         | 380.4         | 444.5                   | 451.1                  | 445.6        | 436.7                       | 443.6      | 462.0      | 476.0      |
| Contingency Fund                        | -             | -             | 4.0                     | 4.0                    | -            | 5.0                         | 5.0        | 5.0        | 5.0        |
| BALANCE EXCLUDING GRANTS                | (865.9)       | (902.5)       | (648.8)                 | (820.9)                | (913.1)      | (877.3)                     | (815.4)    | (815.9)    | (759.9)    |
| Grants                                  | 23.1          | 22.0          | 51.8                    | 52.3                   | 50.3         | 46.2                        | 63.6       | 66.8       | 67.1       |
| BALANCE INCLUSIVE OF GRANTS             | (842.9)       | (880.5)       | (597.0)                 | (768.6)                | (862.7)      | (831.0)                     | (751.7)    | (749.1)    | (692.9)    |
| Adjustment to cash basis                | 37.0          | 45.4          | -                       | -                      | -            | -                           | -          | -          | -          |
| BALANCE INCLUSIVE OF GRANTS(cash basis) | (805.8)       | (835.1)       | (597.0)                 | (768.6)                | (862.7)      | (831.0)                     | (751.7)    | (749.1)    | (692.9)    |
| Discrepancy                             | (35.5)        | (16.8)        | -                       | -                      | -            | -                           | -          | -          | (0.0)      |
| TOTAL FINANCING                         | 770.3         | 818.3         | 597.0                   | 768.6                  | 862.7        | 831.0                       | 751.7      | 749.1      | 692.9      |
| Net Foreign Financing                   | 310.8         | 222.7         | 333.8                   | 355.5                  | 280.1        | 146.8                       | 107.5      | 64.0       | 138.3      |
| Net Domestic Financing                  | 459.5         | 595.6         | 263.2                   | 413.1                  | 582.7        | 684.2                       | 644.3      | 685.1      | 554.5      |
| Nominal GDP (Fiscal year)               | 14,299.2      | 15,826.4      | 18,054.3                | 18,053.7               | 17,434.5     | 19,272.8                    | 21,285.6   | 23,529.5   | 26,018.8   |
| <i>As a share of GDP</i>                |               |               |                         |                        |              |                             |            |            |            |
| TOTAL REVENUE                           | 16.5          | 17.1          | 18.5                    | 16.9                   | 17.6         | 17.6                        | 17.7       | 17.9       | 18.1       |
| Ordinary revenue                        | 14.3          | 14.5          | 16.2                    | 14.6                   | 14.8         | 14.7                        | 14.9       | 15.2       | 15.5       |
| Ministerial Appropriation in Aid        | 2.2           | 2.6           | 2.4                     | 2.4                    | 2.8          | 2.9                         | 2.7        | 2.7        | 2.7        |
| TOTAL EXPENDITURE AND NET LENDING       | 22.5          | 22.8          | 22.1                    | 21.5                   | 22.8         | 22.1                        | 21.5       | 21.3       | 21.1       |
| Recurrent                               | 16.2          | 16.9          | 15.7                    | 15.7                   | 16.9         | 16.1                        | 15.3       | 15.2       | 14.7       |
| Development                             | 3.5           | 3.5           | 3.9                     | 3.3                    | 3.4          | 3.8                         | 4.1        | 4.2        | 4.5        |
| County Transfer                         | 2.9           | 2.4           | 2.5                     | 2.5                    | 2.6          | 2.3                         | 2.1        | 2.0        | 1.8        |
| Contingency Fund                        | -             | -             | 0.0                     | 0.0                    | -            | 0.0                         | 0.0        | 0.0        | 0.0        |
| BALANCE EXCLUDING GRANTS                | (6.1)         | (5.7)         | (3.6)                   | (4.5)                  | (5.2)        | (4.6)                       | (3.8)      | (3.5)      | (2.9)      |
| Grants                                  | 0.2           | 0.1           | 0.3                     | 0.3                    | 0.3          | 0.2                         | 0.3        | 0.3        | 0.3        |
| BALANCE INCLUSIVE OF GRANTS             | (5.9)         | (5.6)         | (3.3)                   | (4.3)                  | (4.9)        | (4.3)                       | (3.5)      | (3.2)      | (2.7)      |
| Adjustment to cash basis                | 0.3           | 0.3           | -                       | -                      | -            | -                           | -          | -          | -          |
| BALANCE INCLUSIVE OF GRANTS(cash basis) | (5.6)         | (5.3)         | (3.3)                   | (4.3)                  | (4.9)        | (4.3)                       | (3.5)      | (3.2)      | (2.7)      |
| Discrepancy                             | (0.2)         | (0.1)         | -                       | -                      | -            | -                           | -          | -          | (0.0)      |
| TOTAL FINANCING                         | 5.4           | 5.2           | 3.3                     | 4.3                    | 4.9          | 4.3                         | 3.5        | 3.2        | 2.7        |
| Net Foreign Financing                   | 2.2           | 1.4           | 1.8                     | 2.0                    | 1.6          | 0.8                         | 0.5        | 0.3        | 0.5        |
| Net Domestic Financing                  | 3.2           | 3.8           | 1.5                     | 2.3                    | 3.3          | 3.6                         | 3.0        | 2.9        | 2.1        |
| Nominal GDP (Fiscal year)               | 100.0         | 100.0         | 100.0                   | 100.0                  | 100.0        | 100.0                       | 100.0      | 100.0      | 100.0      |

Source of Data: National Treasury

## 2.4.1 Domestic Revenue Mobilization

188. Government will implement a mix of tax administrative and tax policy measures in order to boost revenue collection efforts by the Kenya Revenue Authority (KRA) to over Ksh 4.0

trillion in the medium term thereby supporting economic activity. In the FY 2025/26 and over the medium term, the Government will focus on domestic resource mobilization efforts that include:

- i) Implementation of the National Tax Policy and Medium-Term Revenue Strategy 2024/25-2026/27;
- ii) Strengthening tax administration for enhanced compliance through expansion of the tax base, minimizing tax expenditures, leveraging on technology to revolutionize tax processes, sealing revenue loopholes and enhancing the efficiency of tax system; and,
- iii) Focus on non-tax revenues that Ministries, Departments and Agencies can raise through the services they offer to the public.

189. Implementation of the tax administrative reforms will target to: i) Reduce tax expenditures that now stands at 3.38 percent of GDP thereby adding revenues; ii) Expand the tax base and strengthen tax compliance as envisaged under the MTRS; iii) Rationalize tax structure to promote domestic production and encourage investments. As a start, the enactment of the Tax Amendment Act, 2024 has paved a way for transformative changes with potential benefits to Kenyans including: increased tax-free pension contributions; introduction of tax deductibility for Post-Retirement Medical Funds; pension benefits tax exemptions; and the tax amnesty program.

## **2.4.2 Expenditure Reforms**

190. Government will sustain measures to strengthen expenditure control and improve efficiency and effectiveness in public spending. These measures will include: implementation of austerity measures aimed at reducing Government recurrent expenditure; roll out an end-to-end e-procurement system to maximise value for money and increase transparency in procurement; piloting a Human Resource Management System which will be rolled out to all National Government Ministries and Departments as well as all County Governments in order to improve the management of the wage bill; scale up use of Public Private Partnerships (PPPs) framework for commercially viable projects to crowd-in the private in the provision of public services; and expediting governance reforms targeting state corporations. Other expenditure measures will include:

### ***Implementation of Treasury Single Account***

191. To improve public cash management, the Cabinet approved implementation of Treasury Single Account (TSA) over a three-year period. Treasury Single Account (TSA) is a unified structure of Government bank accounts that enables the consolidation and optimum utilization of Government cash resources. The implementation is in line with Section 28(2) and Section 119(2) of the Public Finance Management Act, 2012. The implementation of TSA will be rolled-out in clusters as follows: -

- i) Cluster 1: Comprises the migration to the TSA environment in the first year (FY 2024/25) of all state organs including constitutional institutions and independent offices categorized as Schedule I National Government entities as per Regulations 211(2) of the PFM (National Government) Regulations, 2015.
- ii) Cluster 2: Comprises the migration of County Governments to the TSA in the second year (FY 2025/26) in close consultation with Intergovernmental Budget and Economic Council.
- iii) Cluster 3: Comprises the migration in the third year (FY 2026/27), of all other National Government entities categorized as Schedule 3, Schedule 4 and Schedule 5 as per Regulations 211 of the PFM (National Government) Regulations, 2015.

## ***Accrual Accounting***

192. To strengthen management of public resources, the Government is in the process of transitioning from cash basis to accrual basis of accounting to improve cash management and enhance financial and fiscal reporting. The accrual accounting will enable the Government to account for all assets and liabilities including all Government assets. The transition to accrual accounting process is guided by accounting standards (IPSAS 33) together with a Road Map to be approved by the Implementation Steering Committee. The maximum transition period allowed by the standard is three years and involves recognition of all assets and liabilities of government in the balance sheet. All financial assets including bank accounts will be recognized in the first year of transition. All other assets including natural resources will be recognized in the second and third year of transition.

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

193. The Government will entrench the adopted Zero-Based Budgeting approach in finalizing the FY 2025/26 and future budgets to re-orient the budgeting and expenditure framework. To implement Zero Based Budgeting, the National Treasury has developed the Budget Costing Tool in the IFMIS Budget Module for the National Government which has incorporated standardized costing methodologies to streamline calculation of budget baselines and prioritization to give credible base for preparation of budget estimates.

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

194. To deliver value for money in public capital expenditure, the Government will continue to implement the Public Investment Management (PIM) Regulations. These regulations are meant to streamline the initiation, implementation, execution, and delivery of public investment projects. Government Ministries, Departments and Agencies (MDAs) will be required to complete ongoing projects before starting new ones, thereby minimizing the Government's exposure to sub-optimal development projects' portfolios, and reducing fiscal risks. Furthermore, all ongoing and new projects approved under the PIM framework must assess environmental and climate-related risks. This includes evaluating carbon emissions and disaster risk management as part of the project appraisals.

195. Over the medium term, the National Government will begin to roll out the PIM Regulations to County Governments and enhance the capacity of the Public Investment Management Information System (PIMIS) across all Ministries, Counties, Departments, and Agencies (MCDAs) to improve the management of development projects in all sectors. All Ministries, State Departments, and Agencies will be required to provide a comprehensive list of all their projects. To promote transparency, accountability and digitization, the PIMIS system will be rolled out to all Ministries, Departments, and Agencies (MDAs). The MDAs will be required to submit all project proposals through the PIMIS system. Additionally, the Government will put in place a PIM-PPP framework to facilitate capturing of the PPP projects in the PIMIS system.

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

196. To enhance the management of assets and liabilities in the public sector, the Government has initiated fiscal reforms geared towards automating and standardizing assets and inventory management in Ministries, Departments, Agencies (MDAs) as well as County Governments. In this regard, the National Treasury has operationalized the Assets and Inventory Management Modules in IFMIS. Fifty-six (56) State Departments have already gone live on IFMIS Asset module and are at various stages of uploading their registers for six asset categories. Currently,



the National Treasury is rolling out Asset and Inventory Modules to County Governments, Commissions and Independent Offices. This reform will enable Accounting Officers to have visibility of all assets and inventory under their control and facilitate optimal assets utilization. To enhance the management and utilization of public assets, the Government is developing an Assets Valuation Policy Framework for the public sector which will ensure completeness of the asset registers and facilitate transition to accrual accounting. Further, the Government has been undertaking physical verification to ascertain existence of assets reported by MDAs. Going forward, the Government plans to develop an Asset Tagging Framework to facilitate identification and tracking of public sector assets.

197. To effectively and efficiently discharge its mandate, the Government has adopted leasing as an alternative to asset acquisition in order to bridge the prevailing resource gaps and avail key resources, including land, to investors for capital investments. However, the absence of a standardized leasing framework has resulted in inconsistencies in leasing practices across MDAs, and County Governments. The National Treasury therefore is in the process of developing a comprehensive Leasing Framework that will provide clear, standardized guidelines and processes for the leasing of Government assets across all Public Sector entities.

### ***Pension Reforms***

198. To sustain and strengthen the pension reforms, the Government will monitor and completely separate and delink the governance of the Public Service Superannuation Scheme, (PSSS) from that of the non-contributory scheme. Furthermore, the Government will revamp the public service pension administration through digitization and re-engineering of the pension management system. Digitization will streamline processes, improve accuracy, and facilitate timely pensions payments. This will also enable better monitoring and management of pension-related matters while re-engineering will complement the digitization by availing an end-to-end Enterprise Resource Planning (ERP) solution that takes advantage of the modern IT technologies. To ensure that the pension scheme remains sustainable and that beneficiaries receive their entitled benefits, the Government will conduct an actuarial valuation of the future obligations of the non-contributory defined benefits pension scheme.

### **2.4.3 Deficit Financing Policy**

199. The Government will continue to mobilize resources from both domestic and external sources to meet its borrowing requirements. The external sources will be from multilateral, bilateral and commercial lenders while from domestic sources, resources will be from issuances of Treasury bonds whereas Treasury bills will be issued for cash management purposes. While focus will be to maximize loans on concessional terms, non-concessional and commercial external borrowing will be limited to projects that cannot secure concessional financing and are in line with the Government development agenda.

200. Despite the disruptions to global supply chains and finance that has led to tightening and increased cost of external commercial financing, the Government will continue monitoring the macro environment conditions before accessing the international capital market through issuance of sovereign bonds and liability management operations. The Government will also explore other sources of financing including green and climate change financing options, if the macroeconomic conditions improve. In addition, the Government may explore new markets through issuing Panda, Samurai and diaspora bond as part of instruments diversification and deficit financing options

201. The domestic debt market remains one of fundamental funding sources as it has contributed to more than half of the total funding requirements over the years and mitigates against shocks

in the external debt markets. The Government is committed to continuous implementation of reforms aimed at improving efficiency in the domestic market and diversify the investor base. Further, the Government will continue to explore new financing options aimed at safeguarding the stability of the domestic debt market. In promoting financial inclusion and a saving culture, the Government has prioritized re-engineering the issuance of the M-Akiba bond process. The Government will revamp the mobile-phone retail product platform to ensure more retail investors are able to access government securities. The platform will be integrated into the new Central Bank's Central Securities Depository System thus providing an alternative investment opportunity for the informal sector.

202. To moderate debt accumulation and reduce debt service over the medium-term, the Government will sustain fiscal consolidation efforts over the medium term to restore fiscal space.

## 2.5 Kenya's Macroeconomic Outlook

203. Kenya's economic performance is projected to remain stable over the medium term (**Table 2.6 in calendar years and Annex Table 1 in fiscal years**). Economic growth is expected to slow down to 4.6 percent in 2024 from a growth of 5.6 percent in 2023 reflecting deceleration of economic activities in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy. Growth is expected to pick up to 5.3 percent in 2025 and retain the same momentum over the medium term.

204. The projected growth in 2025 and over the medium term will benefit from the enhanced agricultural productivity and a resilient services sector. Agriculture productivity is expected to be largely driven by favourable weather conditions and productivity-enhancing government interventions. However, the growth in the sector is expected to average around 3.0 percent in line with trend. The services sector is projected to remain resilient growing at an average of 6.6 percent over the medium term. Reforms in ICT sector is expected to boost growth in financial services, health, and public administration while Accommodation and restaurant subsectors will be boosted by Government's effort to revamp the sector, through promotion of high-profile international conference, cultural festivals and promoting wildlife safaris. The industrial sector is projected to grow from 0.9 percent in 2024 to 2.2 percent in 2025 and above 3.0 percent over the medium term. Growth in industry will be supported by reduction in costs of production and easing of exchange rate pressures. Additionally, the ongoing initiatives by the Government to support value addition is expected to boost growth in industry.

205. On the demand side, aggregate domestic demand is expected to remain resilient even as public sector consolidates with the private sector playing a stronger role in the medium-term recovery. This growth will be supported by improvement in the external account supported by strong export growth and resilient remittances.

206. Consumption is projected at 88.0 percent of GDP in 2025 and average around 87 percent of GDP over the medium term driven by lower recurrent spending by the Government and relatively lower household disposable income as credit to the private sector gradually recovers. The easing of inflationary pressures will result in strong household disposable income, which will in turn support household consumption. Moreover, remittance inflows to Kenya are projected to remain resilient, providing further support to household incomes.

207. Aggregate investment is projected to rise from 16.2 percent of GDP in 2025 to 16.8 percent of GDP over the medium term driven by increased investments by both the Government and the private sector. Private investments will be boosted by stable macroeconomic conditions coupled with measures aimed at improving competitiveness, inclusivity, market efficiency, positive business sentiment, and access to the international market. Interventions by the Government to avail credit to the private sector will strengthen MSMEs thereby strengthen the private sector led

growth opportunities. Investment will also benefit from an increased focus on Public Private Partnerships (PPPs) that are expected to partly fill the investment financing gap in the wake of ongoing fiscal consolidation efforts which would reduce government domestic borrowing and lower yields on government securities.

208. Development spending in the budget will increase progressively over the medium term so as not to impact on growth momentum. This spending will support sustained Government investments in the Bottom-Up Economic Transformation Agenda. Particularly, investments in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Government interventions towards climate change adaptation and mitigation measures that include rehabilitation of wetlands and reforestation are expected to support growth over the medium term.

209. Kenya's external position is expected to remain supportive of macroeconomic stability. Overall, the current account deficit is expected to be stable in the medium term. Exports are expected to recover, both from improvements in the global and regional trade outlook, and domestic conditions. Growth will also be supported by implementation of trade initiatives including the Kenya - UAE Economic Partnership Agreement and the Kenya - EU Economic Partnership Agreement, and export promotion measures. The economic partnerships align with Kenya's Bottom-Up Economic Transformation Agenda (BETA) by unlocking new markets for priority value chains, attracting foreign direct investment, and promoting technology transfer to support livelihoods across the country. Increased remittance inflows and tourism receipts are expected to further provide foreign exchange buffer. Imports are expected to grow as domestic demand recovers, particularly of raw materials, fuels, and intermediate goods, consistent with investment growth and the stability in the foreign exchange market.

### ***Monetary Policy Management***

210. The monetary policy stance over the medium term will aim at achieving and maintaining overall inflation within the target range of  $5 \pm 2.5$  percent while maintaining a competitive exchange rate and stable interest rates. Inflation is expected to remain within the target range supported by low and stable food prices on account of improved supply attributed to favorable weather conditions while fuel inflation is expected to remain low due to base effects, stable exchange rate and easing international oil prices. The main risks to inflation relate to uncertainty on the evolution of international oil prices due to the escalation of geopolitical conflicts (Middle East and Russia-Ukraine).

211. The KNBS jointly with CBK launched an official methodology of compiling core inflation from the basket of the overall inflation. This methodology aligns with international best practice and the EAC convergence criteria with regard to computation of CPI measures in the region. In the CPI basket, there are 330 elementary aggregates that form core and non-core basket. Given the methodology, new core basket will have 275 items or 81 percent of the weight while the non-core basket will have 55 items or 19 percent of the weight. Using this methodology, the overall inflation of 3.0 percent in December 2024 is now split at 2.0 percent core inflation and 1.0 percent non-core inflation.

212. The ongoing implementation of reforms to modernize Monetary Policy Framework and Operations continues to enhance monetary policy transmission, support anchoring of inflation expectation and improve distribution of liquidity in the interbank market. In particular, the interest rate corridor, initially set at  $\text{CBR} \pm 250$  basis points was narrowed to  $\pm 150$  basis points in June 2024 to ensure that the interbank rate (operating target) closely tracks the CBR. Additionally, the reduction of the applicable interest rate to the Discount Window from the initial 600 basis points above CBR to 400 basis points above CBR and further to 300 basis points above

the CBR has improved access to the Window. To further enhance efficiency in the interbank market and strengthen alignment of the policy rate with the interbank rate. The Central Bank of Kenya has recently undertaken the following major reforms in the operation of the interbank foreign exchange market:

- i) Introduction of electronic matching systems (EMS) in the interbank market;
- ii) Requirement of maximum spread of 20 cents on indicative quotes in the interbank market removed; and
- iii) The CBK published exchange rate is now a weighted average rate of all interbank transactions executed the previous day. Previously, the published rate was based on the indicative rate provided by selected major players in the interbank market.

213. Additionally, the implementation of the DhowCSD, an upgraded Central Securities Depository infrastructure, has greatly enhanced efficiency in investment in Government Securities. The DhowCSD also continues to improve the functioning of the interbank market by facilitating collateralized lending amongst commercial banks and further reducing segmentation in the interbank market.

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

|   | 2022        | 2023        | 2024        | 2025        | 2026        | 2027        | 2028        | 2029        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | Act         | Act.        | Est.        | Proj.       | Proj.       | Proj.       | Proj.       | Proj.       |
| <i>annual percentage change, unless otherwise indicated</i> |             |             |             |             |             |             |             |             |
| <b>National Account and Prices</b>                          |             |             |             |             |             |             |             |             |
| Real GDP  | 4.9         | 5.6         | 4.6         | 5.3         | 5.3         | 5.4         | 5.4         | 5.4         |
| Primary Sector  | -0.8        | 5.6         | 4.3         | 2.6         | 2.8         | 3.1         | 2.9         | 3.0         |
| - of which: Agriculture                                     | -1.5        | 6.5         | 5.0         | 3.0         | 3.0         | 3.2         | 2.9         | 3.0         |
| Secondary Sector  | 3.5         | 2.5         | 0.9         | 2.2         | 2.7         | 3.1         | 3.5         | 3.7         |
| Services Sector   | 6.6         | 6.8         | 5.7         | 6.3         | 6.7         | 6.6         | 6.6         | 6.6         |
| GDP deflator  | 7.0         | 6.1         | 4.7         | 5.0         | 4.8         | 4.6         | 4.9         | 4.9         |
| CPI Index (eop)   | 9.1         | 6.6         | 4.8         | 5.0         | 5.0         | 5.0         | 5.0         | 5.0         |
| CPI Index (avg)   | 7.6         | 7.7         | 4.5         | 5.0         | 5.0         | 5.0         | 5.0         | 5.0         |
| Terms of trade (-deterioration)                             | 0.7         | -3.3        | 1.7         | 2.4         | 2.0         | 3.0         | 3.4         | 3.9         |
| <b>Money and Credit (end of period)</b>                     |             |             |             |             |             |             |             |             |
| Net domestic assets   | 7.5         | 4.6         | 9.4         | 9.3         | 9.1         | 9.5         | 9.0         | 9.7         |
| Net domestic credit to the Government                       | 10.3        | 7.3         | 7.2         | 7.0         | 6.6         | 5.8         | 4.2         | 5.7         |
| Credit to the rest of the economy                           | 7.8         | 3.8         | 7.8         | 11.7        | 11.4        | 11.1        | 10.2        | 13.6        |
| Broad Money, M3 (percent change)                            | 9.5         | 8.2         | 10.4        | 10.5        | 10.5        | 10.6        | 10.6        | 10.7        |
| Reserve money (percent change)                              | 6.0         | 7.6         | 4.3         | 10.4        | 10.4        | 10.5        | 10.5        | 10.6        |
| <i>in percentage of GDP, unless otherwise indicated</i>     |             |             |             |             |             |             |             |             |
| <b>Investment and Saving</b>                                |             |             |             |             |             |             |             |             |
| <b>Consumption</b>  | <b>87.9</b> | <b>88.9</b> | <b>88.8</b> | <b>88.0</b> | <b>87.1</b> | <b>87.1</b> | <b>87.1</b> | <b>87.0</b> |
| Central Government  | 12.2        | 11.9        | 11.9        | 11.2        | 10.5        | 10.5        | 10.6        | 10.5        |
| Private   | 74.9        | 76.2        | 76.2        | 76.2        | 76.1        | 76.1        | 76.1        | 76.1        |
| Final consumption expenditure by NPISH                      | 0.8         | 0.7         | 0.7         | 0.6         | 0.5         | 0.5         | 0.4         | 0.4         |
| <b>Gross Fixed Capital Investment</b>                       | <b>19.1</b> | <b>16.4</b> | <b>17.2</b> | <b>16.2</b> | <b>16.4</b> | <b>16.8</b> | <b>16.7</b> | <b>16.8</b> |
| Central Government  | 4.6         | 4.2         | 4.1         | 4.3         | 4.6         | 4.7         | 4.9         | 4.7         |
| Private   | 14.4        | 12.2        | 13.1        | 11.9        | 11.9        | 12.1        | 11.8        | 12.0        |
| <b>Gross National Saving</b>                                | <b>14.0</b> | <b>11.2</b> | <b>13.3</b> | <b>12.3</b> | <b>12.5</b> | <b>12.9</b> | <b>12.9</b> | <b>12.8</b> |
| Central Government  | -4.1        | -3.0        | -4.9        | -4.7        | -3.9        | -3.1        | -2.7        | -2.0        |
| Private   | 18.1        | 14.3        | 18.1        | 17.0        | 16.4        | 15.9        | 15.6        | 14.8        |
| Exports value, goods and services                           | 12.2        | 11.7        | 11.7        | 11.1        | 10.9        | 10.7        | 10.2        | 10.5        |
| Imports value, goods and services                           | 21.5        | 20.4        | 19.8        | 18.5        | 17.9        | 17.4        | 16.7        | 15.5        |
| Current Account Balance                                     | -5.0        | -5.1        | -4.0        | -3.9        | -3.9        | -4.0        | -3.8        | -4.0        |
| Gross reserves in months of next yr's imports               | 4.3         | 3.7         | 3.9         | 4.0         | 4.0         | 4.0         | 4.2         | 4.0         |
| Gross reserves in months of this yr's imports               | 3.9         | 4.0         | 4.3         | 4.3         | 4.3         | 4.3         | 4.3         | 4.3         |
| <b>Central Government Budget in Fiscal Years</b>            |             |             |             |             |             |             |             |             |
| Total revenue   | 17.2        | 16.5        | 17.1        | 17.6        | 17.6        | 17.7        | 17.9        | 18.1        |
| Total Expenditure and Net Lending                           | 23.7        | 22.5        | 22.8        | 22.8        | 22.1        | 21.5        | 21.3        | 21.1        |
| Overall Fiscal Balance excl. Grants                         | -6.5        | -6.1        | -5.7        | -5.2        | -4.6        | -3.8        | -3.5        | -2.9        |
| Overall Fiscal Balance, incl. Grants                        | -6.2        | -5.9        | -5.6        | -4.9        | -4.3        | -3.5        | -3.2        | -2.7        |
| Overall Fiscal Balance, incl. Grants, Cash Basis            | -6.2        | -5.6        | -5.3        | -4.9        | -4.3        | -3.5        | -3.2        | -2.7        |
| Primary Budget Balance                                      | -1.6        | -0.8        | 0.0         | 0.8         | 1.5         | 1.8         | 1.8         | 1.9         |
| <b>Public debt in Fiscal years</b>                          |             |             |             |             |             |             |             |             |
| Nominal Central Government Debt (eop), Gross                | 71.9        | 66.7        | 65.5        | 63.6        | 61.1        | 58.5        | 55.5        | 52.5        |
| Nominal Debt (eop), Net of Deposits                         | 68.5        | 63.4        | 62.5        | 60.9        | 58.6        | 56.2        | 53.5        | 50.7        |
| Domestic (Gross)  | 33.8        | 34.2        | 34.4        | 34.6        | 34.4        | 34.0        | 32.9        | 31.2        |
| Domestic (Net)  | 30.4        | 30.9        | 31.4        | 31.9        | 31.9        | 31.8        | 30.9        | 29.3        |
| External  | 38.1        | 32.5        | 31.2        | 28.9        | 26.7        | 24.4        | 22.6        | 21.3        |
| <b>Memorandum Items:</b>                                    |             |             |             |             |             |             |             |             |
| Nominal GDP (in Ksh Billion)                                | 13,490      | 15,109      | 16,544      | 18,329      | 20,228      | 22,356      | 24,711      | 27,330      |
| Nominal GDP (in US\$ Million)                               | 114,450     | 108,037     | 121,737     | 141,458     | 156,141     | 172,360     | 190,234     | 209,925     |

Source: The National Treasury



## 2.6 Risks to the Economic Outlook

214. Kenya's growth outlook portrays a stable macroeconomic environment in the medium term. However, there are downside risks to this macroeconomic outlook emanating from domestic as well as external sources. External risks include further escalation of geopolitical tensions – particularly the wars in the Middle East and Ukraine; potential worsening of supply disruptions due to the shipping crisis in the Red Sea and Suez Canal, which could result in higher import and production costs; and uncertainty about the evolution of international oil prices. Internally, extreme weather (drought or floods) could weaken agricultural output, lead to destruction of capital, increase food insecurity and lead to a surge in cases of water-borne diseases.

215. Lower than anticipated global economic growth and particularly in major exports destination could reduce Kenya's exports, tourism receipts, and remittances growth, while increase in global fuel prices could increase Kenya's imports bill. Tight global financial conditions arising from lower-than-expected return of global inflation to target levels could aggravate Kenya's vulnerabilities towards meeting external financing requirements. However, the Government's commitment to fiscal consolidation and prioritizing concessional borrowing is expected to mitigate this risk.

216. The upside risk to the domestic economy relate to fast-tracked implementation of structural reforms under BETA and the Fourth Medium-Term Plan (MTP) IV. Early normalization in global financing conditions and lower international fuel and food prices would strengthen Kenya's external balances. Faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. Continued coordination between monetary and fiscal policies are expected to result to a stable macroeconomic condition which is a necessary condition for investment and savings thereby promoting economic growth.

217. The Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize.

### III. BUDGET FOR FY 2025/26 AND THE MEDIUM TERM

#### 3.1 Fiscal Framework for FY 2025/26 and Medium-Term Budget

218. The FY 2025/26 and the medium-term budget is based on the Government's policy priorities and macroeconomic policy framework set out in Chapter I and Chapter II. To support the Bottom - Up Economic Transformation Agenda, the Government will continue with the growth friendly fiscal consolidation plan by containing expenditures and enhancing mobilization of revenues in order to slow down growth in public debt without compromising service delivery.

##### Revenue Projections

219. In the FY 2025/26 total revenue including Appropriation-in-Aid (A-i-A) is projected at Ksh 3,385.8 billion (17.6 percent of GDP) from the projected Ksh 3,065.2 billion (17.6 percent of GDP) in FY 2024/25. Of this, ordinary revenue is projected at Ksh 2,835.0 billion (14.7 percent of GDP) from the projected Ksh 2,580.9 billion (14.8 percent of GDP) in FY 2024/25 (**Annex Table 2 and 3**). Revenue performance will be underpinned by the ongoing reforms in tax policy and revenue administration geared towards expanding the tax base and improving tax compliance.

##### Expenditure Projections

220. The overall expenditures and net lending are projected at Ksh 4,263.1 billion (22.1 percent of GDP) in FY 2025/26 from the projection of Ksh 3,978.3 billion (22.8 percent of GDP) in FY 2024/25. The FY 2025/26 comprise: recurrent expenditure of Ksh 3,096.3 billion (16.1 percent of GDP); development expenditure of Ksh 725.1 billion (3.8 percent of GDP); transfers to County Governments of Ksh 436.7 billion and Contingency Fund of Ksh 5.0 billion, respectively.

##### Deficit Financing

221. Reflecting the projected expenditures and revenues, the fiscal deficit including grants is projected at Ksh 831.0 billion (4.3 percent of GDP) in FY 2025/26 compared to the projected fiscal deficit of Ksh 862.7 billion (4.9 percent of GDP) in FY 2024/25.

222. The fiscal deficit in FY 2025/26 will be financed by a net external financing of Ksh 146.8 billion (0.8 percent of GDP) and a net domestic financing of Ksh 684.2 billion (3.6 percent of GDP).

#### 3.2 FY 2025/26 and Medium-Term Budget Priorities

223. The FY 2025/26 and the Medium-Term Framework will focus on the implementation of the Bottom-up Economic Transformation Agenda (BETA) as prioritized in the Medium-Term Plan (MTP) IV for Kenya Vision 2030. The Agenda is geared towards economic turnaround and inclusive growth, and aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These include: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

224. The Government will also prioritize implementation of strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Social Protection; Sports, Culture and Arts; Youth Empowerment and Development Agenda; Governance; and Foreign Policy and Regional Integration.

### 3.3 Budgetary Allocations for the FY 2025/26 and the Medium-Term

225. The total budget for FY 2025/26 is projected at **Ksh 4,263.1 billion**. The allocations to the three Arms of Government including sharable revenues to the County Governments is summarized in **Table 3.1**.

**Table 3.1: Summary Budget Allocations for the FY2025/26 – 2027/28 (Ksh Million)**

| S/NO.   | Details                             | Financial Years                 |                    |                    |                    |
|---|-------------------------------------|---------------------------------|--------------------|--------------------|--------------------|
|   |                                     | Supplementary<br>Estimates No.1 | BPS Projection     |                    |                    |
|   |                                     |                                 | 2024/25            | 2025/26            | 2026/27            |
| 1.0   | National Government                 | 2,300,525.7                     | 2,489,004.9        | 2,859,187.2        | 3,194,632.9        |
|   | Executive                           | 2,237,155.0                     | 2,420,766.9        | 2,786,308.4        | 3,116,725.6        |
|   | Parliament                          | 40,865.5                        | 42,488.2           | 44,612.7           | 46,087.8           |
|   | Judiciary                           | 22,505.1                        | 25,749.8           | 28,266.0           | 31,819.5           |
|   |                                     |                                 |                    |                    |                    |
| 2.0   | Consolidated Fund Services          | 1,237,233.8                     | 1,368,994.9        | 1,389,161.0        | 1,428,789.0        |
| 3.0   | County Government- Sharable Revenue | 410,834.0                       | 405,069.4          | 416,992.2          | 429,377.2          |
|   | Sharable Revenue                    | 380,000.0                       | 405,069.4          | 416,992.2          | 429,377.2          |
|   | FY 2023/24 Carry Overs/Arrears      | 30,834.0                        |                    |                    |                    |
|   | <b>Total.....Kshs.</b>              | <b>3,948,593.4</b>              | <b>4,263,069.2</b> | <b>4,665,340.4</b> | <b>5,052,799.1</b> |
|   |                                     |                                 |                    |                    |                    |
| <b>% Share in the Total Allocation</b>  |                                     |                                 |                    |                    |                    |
| 1.0   | National Government                 | 58.3                            | 58.4               | 61.3               | 63.2               |
|   | Executive                           | 56.7                            | 56.8               | 59.7               | 61.7               |
|   | Parliament                          | 1.0                             | 1.0                | 1.0                | 0.9                |
|   | Judiciary                           | 0.6                             | 0.6                | 0.6                | 0.6                |
|   |                                     | -                               | -                  | -                  | -                  |
| 2.0   | Consolidated Fund Services          | 31.3                            | 32.1               | 29.8               | 28.3               |
| 3.0   | County Government                   | 10.4                            | 9.5                | 8.9                | 8.5                |
| <b>Notes***</b>   |                                     |                                 |                    |                    |                    |
| <b>* Consolidated Fund Services(CFS)is composed of domestic interest, foreign interest and pension&amp; salaries for State Officers</b> |                                     |                                 |                    |                    |                    |
| <b>**County Government allocation is composed of sharable allocation</b>  |                                     |                                 |                    |                    |                    |
| <b>*** FY 2024/25 Supplementary Estimates includes Ksh.67.8billion proposed under Supplementary Estimates No.2</b>                      |                                     |                                 |                    |                    |                    |

Source of Data: The National Treasury

### Criteria for Resource Allocation

226. 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.

227. 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.

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

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

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

### 3.4 Details of Sector Priorities

230. **Table 3.2** provides the projected baseline ceilings for the FY 2025/26 and the medium-term, classified by sector. **Annex Table 4** provides a summary of expenditures by programmes for the FY 2025/26– 2027/28 period.

**Table 3.2: Summary of Budget Allocations for the FY2025/26 – 2027/28 (Ksh Million)**

| Code   | Sector  |           | Supplementary<br>Estimates No.1 | 2025 BPS    |             |             |         | Supple<br>mentary<br>Estimates<br>No.1 | % Share in Total<br>Ministerial Expenditure |         |         |
|--|---|-----------|---------------------------------|-------------|-------------|-------------|---------|--|---|---------|---------|
|  |   |           |                                 | 2024/25     | 2025/26     | 2026/27     | 2027/28 |  | 2024/25                                     | 2025/26 | 2026/27 |
| 010  | AGRICULTURE, RURAL & URBAN DEVELOPMENT<br>(ARUD)            | Subtotal  | 73,933.0                        | 77,671.6    | 99,974.3    | 105,678.4   | 3.2     | 3.1                                    | 3.5   | 3.3     |         |
|  |   | Rec_Gross | 29,362.1                        | 32,202.2    | 34,157.9    | 36,585.8    | 1.8     | 1.8                                    | 1.7   | 1.7     |         |
|  |   | Dev_Gross | 44,571.0                        | 45,469.3    | 65,816.4    | 69,092.6    | 7.0     | 6.4                                    | 7.3   | 7.0     |         |
| 020  | ENERGY, INFRASTRUCTURE AND ICT                              | Sub_Total | 444,289.6                       | 504,604.1   | 554,147.0   | 597,288.0   | 19.3    | 20.3                                   | 19.4  | 18.7    |         |
|  |   | Rec_Gross | 142,034.0                       | 149,704.0   | 155,741.0   | 163,325.0   | 8.6     | 8.4                                    | 7.9   | 7.4     |         |
|  |   | Dev_Gross | 302,255.6                       | 354,900.1   | 398,406.0   | 433,963.0   | 47.1    | 50.0                                   | 44.4  | 44.0    |         |
| 030  | GENERAL ECONOMIC AND COMMERCIAL AFFAIRS<br>(GECA)           | Sub_Total | 45,625.5                        | 59,139.2    | 80,251.6    | 85,067.7    | 2.0     | 2.4                                    | 2.8   | 2.7     |         |
|  |   | Rec_Gross | 29,865.6                        | 37,812.5    | 38,575.7    | 40,584.5    | 1.8     | 2.1                                    | 2.0   | 1.8     |         |
|  |   | Dev_Gross | 15,759.9                        | 21,326.7    | 41,675.9    | 44,483.2    | 2.5     | 3.0                                    | 4.6   | 4.5     |         |
| 040  | HEALTH  | Sub_Total | 118,856.3                       | 131,494.8   | 214,783.7   | 231,034.0   | 5.2     | 5.3                                    | 7.5   | 7.2     |         |
|  |   | Rec_Gross | 86,828.3                        | 98,948.0    | 176,241.7   | 184,864.0   | 5.2     | 5.6                                    | 9.0   | 8.4     |         |
|  |   | Dev_Gross | 32,028.0                        | 32,546.8    | 38,542.0    | 46,170.0    | 5.0     | 4.6                                    | 4.3   | 4.7     |         |
| 050  | EDUCATION   | Sub_Total | 681,722.8                       | 723,890.0   | 759,614.3   | 847,091.8   | 29.6    | 29.1                                   | 26.6  | 26.5    |         |
|  |   | Rec_Gross | 660,634.9                       | 696,462.0   | 717,255.3   | 801,302.8   | 39.8    | 39.2                                   | 36.5  | 36.3    |         |
|  |   | Dev_Gross | 21,087.9                        | 27,428.0    | 42,359.0    | 45,789.0    | 3.3     | 3.9                                    | 4.7   | 4.6     |         |
| 060  | GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)                   | Sub_Total | 234,860.7                       | 265,872.7   | 300,103.6   | 334,261.6   | 10.2    | 10.7                                   | 10.5  | 10.5    |         |
|  |   | Rec_Gross | 228,979.7                       | 243,504.7   | 271,053.7   | 296,938.1   | 13.8    | 13.7                                   | 13.8  | 13.4    |         |
|  |   | Dev_Gross | 5,881.0                         | 22,368.0    | 29,049.9    | 37,323.6    | 0.9     | 3.1                                    | 3.2   | 3.8     |         |
| 070  | PUBLIC ADMINISTRATION AND INTERNATIONAL<br>RELATIONS (PAIR) | Sub_Total | 311,795.4                       | 286,759.0   | 288,794.2   | 316,483.5   | 13.6    | 11.5                                   | 10.1  | 9.9     |         |
|  |   | Rec_Gross | 186,453.4                       | 189,701.8   | 211,822.9   | 238,562.3   | 11.2    | 10.7                                   | 10.8  | 10.8    |         |
|  |   | Dev_Gross | 125,342.0                       | 97,057.2    | 76,971.3    | 77,921.2    | 19.5    | 13.7                                   | 8.6   | 7.9     |         |
| 080  | NATIONAL SECURITY   | Sub_Total | 219,303.1                       | 257,023.1   | 300,684.5   | 391,057.5   | 9.5     | 10.3                                   | 10.5  | 12.2    |         |
|  |   | Rec_Gross | 217,769.1                       | 244,507.1   | 261,429.5   | 346,038.5   | 13.1    | 13.7                                   | 13.3  | 15.7    |         |
|  |   | Dev_Gross | 1,534.0                         | 12,516.0    | 39,255.0    | 45,019.0    | 0.2     | 1.8                                    | 4.4   | 4.6     |         |
| 090  | SOCIAL PROTECTION, CULTURE AND RECREATION                   | Sub_Total | 68,942.5                        | 78,785.8    | 91,236.3    | 94,875.5    | 3.0     | 3.2                                    | 3.2   | 3.0     |         |
|  |   | Rec_Gross | 45,281.0                        | 52,142.8    | 62,450.9    | 65,106.1    | 2.7     | 2.9                                    | 3.2   | 2.9     |         |
|  |   | Dev_Gross | 23,661.5                        | 26,643.0    | 28,785.4    | 29,769.4    | 3.7     | 3.8                                    | 3.2   | 3.0     |         |
| 0100   | ENVIRONMENT PROTECTION, WATER AND<br>NATURAL RESOURCES      | Sub_Total | 101,196.9                       | 103,764.6   | 169,598.0   | 191,795.0   | 4.4     | 4.2                                    | 5.9   | 6.0     |         |
|  |   | Rec_Gross | 32,151.7                        | 33,699.2    | 34,119.0    | 35,627.0    | 1.9     | 1.9                                    | 1.7   | 1.6     |         |
|  |   | Dev_Gross | 69,045.2                        | 70,065.4    | 135,479.0   | 156,168.0   | 10.8    | 9.9                                    | 15.1  | 15.8    |         |
|  | GRAND TOTAL   | Sub_Total | 2,300,525.7                     | 2,489,004.8 | 2,859,187.6 | 3,194,632.9 | 100.0   | 100.0                                  | 100.0                                       | 100.0   |         |
|  |   | Rec_Gross | 1,659,359.5                     | 1,778,684.3 | 1,962,847.7 | 2,208,933.9 | 72.1    | 71.5                                   | 68.7  | 69.1    |         |
|  |   | Dev_Gross | 641,166.2                       | 710,320.6   | 896,339.9   | 985,699.0   | 27.9    | 28.5                                   | 31.3  | 30.9    |         |
| Memo Note: FY 2024/25 Supplementary Estimates includes Ksh.67.8billion proposed under Supplementary Estimates No.2 |   |           |                                 |             |             |             |         |  |   |         |         |

Memo Note: FY 2024/25 Supplementary Estimates includes Ksh.67.8billion proposed under Supplementary Estimates No.2

Source of Data: National Treasury

## Agriculture Rural and Urban Development Sector

231. The Agriculture Rural and Urban Development Sector is a major player in the delivery of national development agenda as envisaged in Kenya Vision 2030, the Kenya Kwanza Plan - Bottom-Up Economic Transformation Agenda (2022-2027), Agricultural Sector Transformation and Growth Strategy (ASTGS) and the Sustainable Development Goals (SDGs) and among other national and international policies and obligations.

232. During the 2021/22 - 2023/24 Medium-Term Expenditure Framework (MTEF) period, the Sector issued 1,246,019 land title deeds and geo referenced 139,415 land parcels; settled 29,986 landless households; produced 2.3 Million straws of cattle and goat semen; availed 3980



improved breeds to farmers; produced 79.4 Million doses of assorted livestock vaccines and analyzed 177,300 animal samples for antimicrobial resistance; completed development/rehabilitation of 8 fish landing sites; supported 12,668 small scale fish farmers with aquaculture inputs and issued grants amounting to Ksh 1.6 billion to 618 common interest groups to the coastal counties for alternative livelihoods; provided 1,060,285.65 MT of assorted subsidized fertilizers to 1,436,715 farmers; supported technology transfer and crop diversification through provision of 965,317 assorted seedlings, 172 MT of drought tolerant seeds and 5800 MT of Irish potato seed; facilitated compulsory land acquisition for 63 infrastructural development projects for the National and County Governments; and issued 7,124 letters of allotments in urban areas

233. During the FY 2025/26 and the Medium Term, the sector plans to: Register and issue 1,310,000 title deeds countrywide; Digitalize land records in 15 land offices; Settle 47,000 landless households; Issue 22,800 allotment letters for public land; Facilitate compulsory land acquisition for 80 infrastructural development projects; Address 6,193 land disputes through Historical Land Injustice (HLI) and Alternative Dispute Resolution (ADR); and make 2,980 recommendations of appropriate redress for land cases; Train 1,000 fishing crew annually to create adequate technical capacity for exploitation of Kenya's Exclusive Economic Zone; Construct 52 Fish Landing sites along the Indian Ocean and in inland lakes and dams; Support 22,668 fish farmers with technical extension services; Support 1,525,658 farmers with 570,138 MT of subsidized assorted fertilizers; Provide 265 MT of assorted oil crop seeds; 300 MT of Cotton and canola seeds to farmers; 300 MT of Rice seeds and 800,000 assorted fruit seedlings to farmers; Provide Agri-credit facilities to 5,070 MSMEs; Produce and distribute 10.5 million doses of semen and 45,000 improved breed embryos; Distribute 640 milk coolers in all the counties; and Complete Kenya Leather Industrial Park at Kenanie.

234. To implement the above interventions, the sector has a resource allocation of Ksh 77.7 billion, Ksh 99.9 billion, and Ksh 105.7 billion for the FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

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

235. The Energy, Infrastructure, and ICT (EII) Sector emerges as a pivotal force, strategically propelling and expediting socio-economic progress within the country. Functioning both as a driver and an enabler to the other Sectors of the economy, EII steadfastly advances sustainable, efficient, and effective infrastructure aligned to the Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium-Term Plan (MTP IV) 2023-2027 of Kenya Vision 2030, regional infrastructure commitments, Africa Agenda 2063 and Sustainable Development Goals (SDGs).

236. During the FY 2021/22 - 2023/24, the Sector realized the following achievements: Constructed 2,766 km and rehabilitated 280 km of road; Constructed 77 bridges; undertook Periodic maintenance of 117,294 km and Routine maintenance of 2,389 km of roads; Constructed 23.5 km and rehabilitated 793.74 km of railway lines; Acquired Standard Gauge Rail (SGR) and Meter Gauge Rail (MGR) rolling stock and wagon ferry (MV Uhuru II); Completed Kipevu Oil Terminal; Refurbished Terminals 1B and C, at Jomo Kenyatta International Airport (JKIA); Rehabilitated 15 airstrips; Enhanced Aviation Security Oversight; Developed National Road Safety Action Plan and Road Safety Regulations; and acquired 249 km of land along the LAPSSSET corridor. In addition, the Sector inspected all the eligible ships that docked the Port of Mombasa and 1,700 small boats and vessels to enhance maritime Safety and Security; Trained 10,549 youths in various maritime courses; Recruited 3,872 Seafarers in international vessels; Developed the National Maritime Transport, and Maritime Education and Training Policies; Completed construction of 1,067 housing units in various locations, while

construction of 33,081 housing units is ongoing and is at average of 25.7 percent; Facilitated 692 Civil Servants with mortgage facility to own houses; Completed construction 17 Markets while 6 markets are ongoing on an average of 82 percent completion level; and Issued 1,020 title deeds in selected informal settlements of Nakuru and Kilifi to regularize land tenure.

237. The Sector: Completed construction of Mtangawanda and New Mokowe Jetties; Developed 28 footbridges to enhance pedestrian mobility; Inspected and audited 5,040 buildings to ensure safety; Trained 156,506 Contractors, Skilled construction workers and site supervisors; Registered 32,336 Contractors; and accredited 69,207 skilled construction workers and site supervisors; Deployed 3,141 Km new build Fibre Network; Provided internet connectivity to 7,009 public institutions; Installed 1,537 Public WiFi's across Counties; Connected 39 hospitals to internet; operationalized the Office of the Data Protection Commissioner and established 7 Regional Offices; on-boarded 5,084 Government services to e-citizen portal; and Trained and linked 2,079,658 youths to online jobs under Ajira Digital Programme; Produced printed and disseminated the Kenya Yearbook publications, Agenda Kenya publications, Cabinet Series publications, Big Four Agenda publications; Standardized and published public sector advertisements in the weekly MyGov publications; established two additional Studio Mashinani to create employment opportunities for the youth; Accredited 27,552 journalists and media practitioners; trained 2,385 Media Practitioners in information and cinematic arts at Kenya Institute of Mass Communication; and increased the National Digital TV coverage from 86% to 98%.

238. The Sector further: increased electricity installed capacity by 193MW thus raising the total installed capacity from 3,051MW in June 2022 to 3,244MW in June 2024; constructed 675 Km of transmission line, 4 new high voltage substations, 1,266.7 Km of medium voltage distribution lines and 30 distribution substations; Connected 1,681,404 customers to electricity, including 1,702 public facilities thus increasing total number of customers to 9.79 million; installed 54,577 street lighting points across the country to promote 24-hour economy and enhance security; Reviewed the South-Lokichar draft Field Development Plan (FDP) and demarcated the required land for development of the South-Lokichar Oil Fields; Acquired geoscientific data in Petroleum Blocks L16, L17, and L18 in Kilifi, Mombasa, and Kwale Counties, covering 3,465 km<sup>2</sup>; Developed and gazetted the Petroleum (Importation) Regulations, 2023, and the Petroleum (Pricing) Regulations, 2022; Imported and distributed 20.072 million Metric Tonnes (MT) of petroleum fuels; and Tested 68,619 samples of petroleum products at dispensing stations across the country to mitigate against adulteration and diversion of petroleum products meant for export. Further, the Sector implemented 811 Capital Projects during the period under review, where 164 projects were completed; 64 projects were between 90-99 percent completion level by the end of June 2024; 45 were between 75-89 percent completion level; 85 projects were between 50-74 percent completion level; and 294 projects were below 50 percent completion level. Out of the 772 projects, 122 were completed prior to the FY 2023/24 but payments were yet to be cleared by 30<sup>th</sup> June, 2024.

239. During the FY 2025/26 and the Medium Term, the Sector will implement 25 Programmes with the following targets: Under Road, the Government will: Construct 1,098.06 km and rehabilitate 675 km of roads; Construct 62 bridges; Undertake Routine Maintenance of 84,988 km and Periodic Maintenance of 1,633 km of roads; and Train 16,230 Plant Operators, Contractors and Technicians. Under Transport the sector will Complete construction of the Riruta-Lenana-Ngong Railway Line and fast-track construction Phase I of the Nairobi Railway City (NRC) Project; Complete the new MGR link connecting Mombasa SGR Terminus to Mombasa MGR station, along with construction of a railway bridge across the Makupa Causeway; Acquire a new ferry for Lake Victoria; Complete construction of the control tower at Kisumu Airport; Complete rehabilitation of the terminal building and apron at Ukunda Airport;

and Automate and upgrade nine motor vehicle inspection centres, and establish five new motor vehicle inspection centres. Under the Shipping and Maritime the sector will develop the maritime spatial plan; Construct a survival training and certification centre; Inspect all eligible Ships that dock at Mombasa Port; train 20,000 and recruit 15,500 Seafarers; Develop a centralized maritime databank; and Develop 5 Maritime Regulations. Under the Housing and Urban Development, the sector will construct 217,654 affordable housing units and 80,909 social housing units; and 65,297 institutional housing units; Implement the Second Kenya Informal Settlement Improvement Project (KISIP II) in 33 counties; implement the Second Kenya Urban Support Programme (KUSP II) in 79 municipalities across 45 counties; and construct 505 markets.

240. Further under Public Works, the sector will design, document and supervise 855 public buildings for various MDCA; Construct 44 footbridges across the country to enable safe river-crossings and access to social amenities; Build 5 jetties and 5,800 meters of seawall; Inspect and audit 5,000 buildings and structures for safety, and test 220 buildings for structural integrity; Register 29,500 contractors and accredit 156,000 skilled construction workers and site supervisors; and Build capacity in the construction industry through training programs for contractors, skilled construction workers, and site supervisors. Under the ICT and Digital Economy, the sector will install 38,871 km of backbone fibre network; Provide internet connectivity to 44,575 public institutions and install 18,510 public Wi-Fi hotspots; Onboard 13,800 government services on the e-Citizen platform; Complete construction of the Horizontal Infrastructure Phase 1 project at Konza Technopolis; and Complete construction and operationalization of the Kenya Advanced Institute of Science and Technology. In addition, under Broadcasting and Telecommunication Complete the rollout of National Digital Signal Coverage; Install 42 KBC stations with solar power; Accredit 27,000 journalists; Train 9,800 on-the-job journalists and 2,998 mass media practitioners; and Publish three Kenya Yearbook editions and 15 editions covering the BETA pillars.

241. The sector will also drill 34 geothermal wells; Construct 1,742 km of transmission lines and 21 transmission substations; Construct 1,050 Km of distribution lines and 33 distribution substations; Connect 1,440,000 new customers and 1,080 public facilities to electricity; Install 19,500 street lighting points; and Construct 55 institutional and 1,800 household biogas plants. The sector will also acquire geo-scientific data over 3,600 Km<sup>2</sup> area to evaluate oil and gas potential in Petroleum Blocks; Evaluate gas potential in Petroleum Blocks 9, L4, and L8 in Marsabit, Garissa, Lamu and Kilifi Counties; Acquire land for development of South Lokichar Oil Fields; Provide Clean Cooking Gas to 600 public learning institutions and distribute 6Kg Liquefied Petroleum Gas (LPG) cylinders to 210,000 low-income households; Import and distribute 22.6 million Metric Tonnes Petroleum Fuels; and Develop a National Petroleum Master Plan

242. To implement these programmes, the Sector has been allocated Ksh 504.6 billion, Ksh 554.1 billion and Ksh 597.3 billion in FY 2025/26, FY 2026/27 and FY 2027/28, respectively.

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

243. The General Economic and Commercial Affairs (GECA) Sector plays a crucial role in promoting the economic growth and development of the country through developing and implementing policies, programmes and projects that stimulate trade, industrialization, investment, enterprise development, market access, private sector development, job and wealth creation and overall economic competitiveness locally, regionally and internationally. Additionally, the sector ensures that programme and project development and implementation take cognizant of environmental conservation and climate change mitigation.

244. During the Fiscal Years 2021/22-2023/24, the sector implemented sixteen (16) programmes and achieved a wide range of outputs key among them: Increased the value of wholesale and

retail trade by 2.74% from Ksh 814 billion in 2022 to Ksh 836.7 billion in 2023; Disbursed Ksh 5.4 billion to farmers across 26 coffee growing counties in Kenya and facilitated recovery of outstanding remittances to SACCOS totalling Ksh 1.428 billion; Refurbished and operationalized 21 Constituency Industrial Development Centres (CIDCs) across the country creating 3927 jobs directly and indirectly; Mapped out and equipped CIDCs in the leather, textile, diary, construction and building and edible oils priority value chains; On-boarded 22 million Kenyans within the Financial Inclusion Fund (Hustler Fund) platform with a repeat customer base of 7.5 million; Attracted investments worth Ksh 480 billion in Domestic Direct Investment (DDI), and USD 1.504 billion in Foreign Direct Investment (FDI) for the FY 2023/2024; Cumulatively eliminated 273 Non-Tariff Barriers (NTBs) which resulted to an increase in Kenya's exports to the EAC market from Ksh 226 billion to Ksh 305 Billion; Capacity built a total of 1,888 cross boarder Women, Youth and PWDs on EAC trade rules, regulations and procedures; Established County Aggregation and Industrial Parks (CAIPs) in eighteen (18) counties to support agro-processing and value addition; Kenya's export earnings grew from Ksh 873.1 Billion in 2022 to Kshs. 1,007.9 Billion in 2023; International arrivals increased from 1.65 Million in FY 2022/23 to 2.18 million in the FY 2023/24 while total tourism earnings increasing from 297.3 billion to Ksh 352.54 billion in the same period; and Distributed food and non-food items to 818,370 people affected by El-nino and floods during October November December short rains in 2023 and March April May long rains in 2024 respectively.

245. During the FY 2025/26 and the Medium Term, the sector has prioritized to implement sixteen (16) programmes in line with the Fourth Medium Term Plan (MTP IV) for Kenya Vision 2030 and BETA priorities. The programmes prioritized for the period are: Accelerated ASALs Development; Integrated Regional Development Co-operative Development and Management; Domestic Trade Promotion and Regulation; Fair Trade Practices and Compliance with Standards; International Trade Development and Promotion; Industrial Promotion and Development, Standards and Quality Infrastructure and Research, Promotion and Development of MSMEs; Product and Market Development for MSMEs; Digitization and Financial Inclusion for MSMEs; Investments Development and Promotion; Tourism Promotion and Marketing; Tourism Product Development and Diversification; East African Affairs and Regional Integration; and General Administration, Support Services and Planning.

246. To implement the above interventions, the sector has a resource allocation of Ksh 59.1 billion, Ksh 80.3 billion and Ksh 85.1 billion in the FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

## **Health Sector**

247. The Health Sector is an important contributor to the national economic growth through ensuring that all Kenyans are productive and live a healthy life. The Constitution underscores the "right to health" while the Kenya Vision 2030, the MTP IV as well as the Bottom-Up Economic Transformation Agenda recognize provision of equitable, accessible and affordable health care of the highest attainable standards to all Kenyans. Through the Bottom-Up Economic Transformation Agenda (BETA) and in an effort to deliver Universal Health Coverage the Ministry of Health in collaboration with County Governments and key stakeholders in the spirit of Afya bora Mashinani will continue to prioritize Kenya Vision 2030 Flagship Projects for the Health Sector as outlined in MTP-IV including Social Health Protection, Community Health High Impact Interventions, Family Health & Strategic Public Health Programme, National Health Institutions, Local Manufacture of Life-Saving Essential Health Products and Diagnostics, Human Resources for Health, Health Infrastructure and Medical Tourism.

248. Significant achievements over the past three fiscal years include expanded access to advanced healthcare services, enhanced maternal and child health outcomes, and substantial



gains in communicable disease prevention. Availability of specialized equipment and skills enabled an increase of locally available services for heart surgeries, cancer screening and treatment and other specialized services through the referral health facilities.

249. Programs addressing HIV/AIDS, malaria, and tuberculosis (TB) made considerable strides, with treatment success rates improving markedly with TB treatment success rate of 89%. Immunization services (Penta 3) have flat-lined at 84% and there is a need to address gaps for higher performance. The fill and finish facility under the Kenya BioVax is 90% complete and will contribute towards the self-sustenance of vaccine availability. The country has attained the 80% global threshold in terms of effective treatment for malnourished children under 5 years of age, pregnant and lactating women.

250. On training, the tertiary institutions have continued to provide high-quality workforce for the sector with regulatory bodies undertaking their registration, accreditation and oversight functions. There is a need to address the unregulated cadres within the sector to ensure operational consistency with guidelines. A total of 93,390 Community health promoters were engaged and kitted by the end of the FY 2023/2024. The performance demonstrates increasing coverage with quality health services across the various entities and delivery approaches.

251. In the FY 2025/26 and Medium Term, the sector aims at expanding UHC and strengthen the health system's resilience. UHC priorities over this period include expanding primary healthcare infrastructure, focusing on maternal and child health, and improving supply chains for essential health products. This includes digital health investments in infrastructure to connect healthcare facilities with the National Optic Fibre Backbone Infrastructure (NOFBI), targeting expanded coverage to over 6,000 health facilities by 2028. Emphasis on evidence-based and data-driven decision-making the digital health superhighways will include the full implementation of the Electronic Community Health Information System (eCHIS) and integration of UHC tracking in real-time through the Kenya Health Situation Room.

252. To implement these programmes, the Sector has been allocated Ksh 131.5 billion, Ksh 214.8 billion and Ksh 231.0 billion in the FY 2025/26, 2026/27 and 2027/28 respectively.

## **Education Sector**

253. Education Sector is a critical player in promoting political, social, and economic development through education and training to create a knowledge-based economy.

254. The achievements for the previous Fiscal Years 2021/22 -2023/24 are: increased enrolment in tertiary and universities, funding of 242 research projects, expansion of infrastructure in learning institutions as well as rollout and implementation of the Competency-Based Curriculum and Assessment of Pre-primary 1 to Grade 7. Other achievements are on teacher education; recruitment, promotion and training of teachers & trainers; enhanced ICT integration; improved pupil-book ratio, Curriculum design for lower and middle school developed; and Increased disbursement of scholarship and loans to university students and TVET trainees; and Roll out of Recognition of Prior Learning

255. In the FY 2025/26 and the Medium Term the sector focuses on reaching important benchmarks in education's relevance, quality, equity, and accessibility. Basic education is currently implementing the Competency-Based Curriculum (CBC), which will necessitate increased funding for instructional materials, teacher preparation, and infrastructure. In support of Kenya's industrialization goal, the sector will prioritize funding for Tertiary and Higher Education to make sure that Kenyans receive the knowledge, skills and attitudes they need to satisfy labour market demands and encourage entrepreneurship. Furthermore, the sector underscores the need to expand digital learning programs and the provision of ICT infrastructure.



This is to empower learners with the knowledge and digital skills required to thrive in a fast-evolving global marketplace. The sector will also focus on investing in teacher welfare and capacity development. Teachers are central to the successful delivery of education reforms, and as such, this budget prioritizes professional development, recruitment, and enhanced teacher support, particularly in underserved regions.

256. The sector will also continue to undertake major reforms in line with the Presidential Working Party on Education Reform Report. These reforms aim to promote quality and inclusive education, training and research for sustainable development and ensure socio-economic development.

257. To implement these programmes, the Sector has been allocated Ksh 723.9 billion, Ksh 759.6 billion, and Ksh 847.1 billion in FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

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

258. Governance, Justice, Law and Order (GJLO) Sector consists of sixteen sub-sectors with the primary role of enhancing governance, justice, law, and order, a key pillar in the socio-economic, and political development of the Country. During the Fiscal Years 2021/22 – 23/24, the Sector achieved notable results across sub-sectors. The Prison Services contained 63,178 inmates in safe custody, rehabilitated 124,246 offenders, supported 3,480 probationers with educational opportunities, supervised 125,117 on probation and 128,353 on Community Service Orders. Migration services issued 539,810 passports, 666,475 Electronic Travel Authorizations, 824,364 second-generation ID cards, and 972,630 Maisha cards. A total of 1,168,151 births and 204,498 deaths were registered. The e-Citizen platform integrated 17,692 Government services, connecting 19 agencies to the Maisha database, and expanded operational civil and immigration offices. Policing achievements included constructing the NPS Referral Hospital, equipping a forensic lab to 51.88 percent, operationalized 18 Administration Police Sub-County Headquarters. Field administration trained 1,441 officers, sensitized 892,757 Kenyans on climate-related conflicts, registered 1,500 Public Benefits Organizations, and reached over 10 million parents and caregivers through awareness campaigns on positive parenting. Legal services concluded 5,214 cases against the government, processed 681 international cooperation requests, issued 2,940 international law advisories, and registered Ksh 1.01 billion in assets and cash forfeitures.

259. Additionally, they finalized 13,197 estates, registered 110,023 marriages, and generated Ksh 3.31 billion in revenue through 414,474 business entity registrations. Anti-corruption efforts completed 377 investigation files, processed 681 economic crime cases, and recovered Ksh 17.68 billion in assets while reaching 37.77 million Kenyans through awareness. Public prosecution services maintained a conviction rate of 93.12 percent, enhanced alternatives to trials, and improved case management through the Judiciary's E-filing system. The Prosecution Training Institute was operationalized, adding new facilities and diploma programs. Political party regulation saw the registration of 15 parties and the establishment of five new county offices, while witness protection services reduced relocation and resettlement times, increasing the number of protected witnesses to 167. Human rights efforts resolved 8,614 complaints, filed 34 PIL cases, trained 3,860 organizations, sensitized 10 million people, reviewed 79 laws, and conducted 73 compliance audits. Electoral processes were strengthened by defending 14 election petitions and initiating reforms. The Police Service Commission recruited 5,900 officers and 1,121 civilian staff, resolved 548 disciplinary cases, provided psychosocial support to 64,880 officers, and digitized 1.5 million documents. Efforts to promote gender equality included auditing 77 institutions and processing 78% of gender discrimination complaints. Police oversight processed 11,003 misconduct complaints, investigated 2,633 cases, submitted 463 files for prosecution, and inspected 2,285 police facilities

260. In the FY 2025/26 and the Medium Term , the Sector will ensure safe containment of inmates; treatment of youthful offenders in boys and girls in Borstal institutions and Youth Corrective Training Centre (YCTC); Operationalize of Magereza Level IV Hospital; modernize prison infrastructure; supervise offenders serving community services and probation orders; rehabilitate and reintegrate non-custodial offenders; upscale police modernization; inspect police premises and facilities across the country and make appropriate recommendations; monitor police operations; recruit and train constables and serving officers; acquire and distribute assorted security equipment; equip the National Forensic Laboratory; provide security coverage across the country; implement Maisha ecosystem, offer immigration services and e-citizen services; delinking, decentralization and automation of State Law Office(SLO) & Department of Justice (DOJ) services; coordinate security operations, Government programmes, projects, directives and initiatives, train National Government Administrative Officers(NGAO); establish ports of entry and exits; provide training on peace building and conflict management and carryout sensitization on Alcohol and Drug Abuse Preventive and Management Guidelines.

261. The sector will also implement National Ethics and Corruption Policy; implement alternatives to prosecutions; digitization of ODPP Processes; integrate and implement the Uadilifu Case Management system; conduct capacity building of the Prosecutors; register voters, conduct electoral operations and education; upgrade, support and maintain electoral technology; implement electoral legal reforms; admit, maintain threatened and intimidated witnesses; enhance redress, accountability and access to Justice through human rights complaints resolution; registration and regulation of political parties; and funding of Political Parties Fund (PPF); provide counselling and psychosocial support to police officers.

262. The sector has been allocated Ksh 265.9 billion, Ksh 300.1 billion and Ksh 334.3 billion in FY 2025/26, FY 2026/27 and FY 2027/28 respectively to implement the planned programmes and projects.

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

263. Public Administration and International Relations Sector is key in coordinating, management, and over-sighting of the planning, administrative, public Finance, and Legislative functions of the Government, and promoting Kenya's International Relations.

264. During the implementation of the FY 2021/22 – 2023/24 budgets, the Sector realized various achievements of the targeted outputs and outcomes including coordination of national and sectoral development planning; promotion of prudent public finance management and accountability in the public sector; enhanced oversight role in the public sector, development of the Government Legislative Agenda Schedule and Public Policy Handbook; management of Kenya's Foreign Policy as well as support for devolution and coordination of government activities. Additionally, the Sector ensured an effective and efficient public service, youth empowerment, employment creation, and the enforcement of administrative justice and access to information.

265. In the FY 2025/26 and the Medium-Term Budget, the Sector has prioritized programmes and projects aligned with the Bottom-Up Economic Transformation Agenda and the Fourth Medium Term Plan of Kenya Vision 2030. The Sector will implement 44 programmes and 120 sub-programmes designed to address citizen's needs thereby enhancing service delivery. In addition, the Sector will continue to enhance efficiency and effectiveness in service delivery and promote comprehensive public financial management, intensify resource mobilization and strengthen monitoring and evaluation.

266. To implement these programmes, the Sector has been allocated Ksh 286.8 billion, Ksh 288.8 billion and Ksh 316.5 billion in the FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

## **National Security Sector**

267. The Sector plays a key role in creating a conducive environment for socio-economic and political development. It is therefore a critical actor and enabler in the realization of Kenya Vision 2030, and the Bottom-up Economic Transformation Agenda (BETA).

268. The Sector will continue to address contemporary and emerging threats to national security that undermine peace and development. These include terrorism, radicalization, human and drug trafficking, money laundering, cyber-crime and other socio-economic and political challenges.

269. In order to implement the prioritized programmes and minimize the above-mentioned threats, the Sector has been allocated Ksh 257.0 billion, Ksh 300.7 billion and Ksh 391.1 billion in FY 2025/26, FY 2026/27 and FY 2027/28, respectively.

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

270. The Social Protection Sector plays a crucial role in the country's socio-economic transformation in line with the aspirations of the Fourth Medium Term Plan (MTP IV) 2023-2027 of the Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA). Specifically, the Sector promotes sustainable employment, maintains best labour practices, develops and nurtures talents including sports, promotes gender equality and equity, empowers communities and vulnerable groups, as well as promotes and preserve diverse cultures and heritage.

271. During the review period, FY 2021/22 to FY 2023/24 the Sector implemented 22 Programmes with corresponding 43 sub-programmes. Specifically the Sector: won the Pamoja bid for AFCON 2027; facilitated 112 national teams in international competitions and won 138 medals; facilitated inscription of Historic Town and Archaeological Site of Gedi on the UNESCO World Heritage list; repatriated migrated archives from United Kingdom; identified and honoured 681 heroes and heroines; trained 201,418 youth on life skills, core business skills, job-specific skills and entrepreneurship skills that led to creation of 187,451 employment opportunities; and operationalized 83 Youth Empowerment Centres (YECs) and constructed 29 YECs. The Sector further disbursed loans worth Ksh 1.24 billion to 95,664 youth entrepreneurs; placed 306,963 youths on employment both locally and abroad; provided cash transfers to 1,251,721 Older Persons, 44,954 households with PWDs, and 259,043 households with Orphans and Vulnerable Children; disbursed Ksh 3.3 billion to Affirmative Action Groups, provided 132,562 needy students with bursaries and scholarships; and disbursed Ksh 5.7 billion to 365,737 women entrepreneurs.

272. In the 2025/26-2027/28 MTEF period, the Sector will implement 19 Programmes and with corresponding 39 sub-programmes. The Sector has prioritized programmes and projects that are aligned to the Bottom-Up Economic Transformation Agenda and Fourth Medium Term Plan of Kenya Vision 2030. Priority has been accorded to vulnerable groups programmes while also taking into consideration programmes that will regulate the labour sector, promote employment, promote Kenya's diverse culture and heritage, and develop creative arts and sports talent

273. To implement these programmes, the Sector has been allocated Ksh 78.8 billion, Ksh 91.2 billion and Ksh 94.9 billion for FY 2025/26, FY 2026/27 and FY 2027/28, respectively.

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

274. The Environment Protection, Water, and Natural Resources (EPWNR) Sector is essential to the country's sustainable development, playing a vital role in conserving natural resources, enhancing economic growth, and addressing climate change.

275. In the period the FY 2021/22 – 2023/24, the Environment Protection, Water, and Natural Resources Sector made significant strides. This sector developed an additional 91,499 acres for irrigation which targeted the cultivation of rice, maize, and horticulture thus enhancing agricultural productivity. The expansion of the Mwea Irrigation Scheme to 30,600 acres, coupled with the construction of the Thiba Dam—capable of holding 15.6 million cubic meters, resulting to a remarkable increase of 346,175 tons in paddy rice production, enabling consistent double cropping. Further, the sector experienced improved access to water services increasing from 70 percent in FY 2021/22 to 73 percent in FY 2023/24, while safely managed sanitation rose from 27.7% to 33%, benefiting an additional 200,000 people through the completion of nineteen (19) new projects and twenty-four (24) projects in low-income urban and rural areas. The EPWNR sector also experienced a positive growth in mineral revenue collection, rising from Ksh 2,833 million to Ksh 3,286.24 million. Mineral export and import permits doubled from 2,000 to 4,108, demonstrating enhanced regulatory capacity and support for mineral trade. At the same time five regions were mapped to support artisanal mining efforts of the low-level citizens.

276. To address Human-Wildlife Conflict (HWC), Ksh 2,045.3 million was disbursed for compensation which was piloted in six hotspot counties of Meru, Baringo, Laikipia, Narok, Kajiado, and Taita Taveta. Additionally, the Wildlife Conservation Trust Fund was established under new Public Finance Management (Wildlife Conservation Trust Fund) Regulations 2023, to support conservation funding and ensure sustainable financing for wildlife initiatives.

277. The sector further developed the Meteorology Policy 2023, six mining regulations, and amended the Climate Change Act, 2016 to incorporate Carbon Markets. Moreover, NEMA was designated as the national authority for Article 6 mechanisms under the Paris Agreement, emphasizing Kenya's commitment to carbon markets. The sector ratified four Multilateral Environmental Agreements (MEAs): Minamata convention on Mercury; Kigali amendment to the Montreal protocol; Bamako Convention; and Nairobi Convention to reduce mercury emissions in environment, reduce production and consumptions of substances that deplete ozone layer, minimize and control transboundary movements of hazardous wastes within the African continent and to protect, manage and develop the Western Indian Ocean respectively. Besides, the sub-sector launched the National Climate Change Action Plan III (2023-2027), updated the National MRV registry, and advanced meteorological services to 84 percent modernization, including issuing 984 weather forecasts and initiating a 21 percent weather modification capacity.

278. The sector also made progress towards Kenya's Goal of 15 billion trees by 2032, by producing 70,000 kg of tree seeds and 126.47 million tree seedlings. Through collaboration with state and non-state actors, 0.356 billion trees were planted across the country. The sector developed the National Landscape and Restoration Strategy (2023-2032) and finalizing the National Forest Policy, 2023.

279. During the FY 2025/26 and the Medium Term, the sector plans to increase the area under irrigation by 500,000 acres through development of irrigation infrastructure in Bura, Mwea, Turkana, Lower Nzoia, Galana Kulalu project & National Expanded Irrigation Programme. Further, water storage capacity will be increased by 441 million cubic metres through construction of Mwache dam, Umaa dam, Siyoi-Muruny dam, and community & household water pans. Increase paddy rice and maize production by 250,000 tons and 10,000 tons through rice production expansion programme in Mwea, Bura, Hola and Ahero irrigation development

projects. Seventy (70) public schools will be equipped with boreholes and greenhouses under micro-irrigation for schools' programme. Five hundred thousand fruit trees will be grown through the National Expanded Irrigation Programme, Community Based Irrigation Programme, Small Holder Irrigation project, Household Irrigation Water Harvesting Project, Micro Irrigation Programme for Schools and Dams Irrigated area (Siyoi -Murruny, Umaa, Mwache). The National Land Reclamation Bill will be finalized.

280. The sector plans to raise the population's access to improved water services from 73 percent to 80 percent and sanitation services from 33 percent to 40 percent by expanding infrastructure and fast-tracking ongoing projects. The share of non-revenue water will be reduced from 43% to 25%. The per capita freshwater endowment will be increased from 620 m<sup>3</sup> to 700 m<sup>3</sup> by 2027 through Sub-Catchment Management Plans (SCMPs), water quality monitoring, pollution control, groundwater assessments and mapping for effective management, protection, and conservation of water resources. Raise per capita water storage from 107 m<sup>3</sup> to 234 m<sup>3</sup> by 2027 through constructing large and small dams and water pans such Thwake dam and Maragwa IV dam.

281. The sector will also conduct geological mapping of 6 topo sheets, explore 12 and 8 Counties for industrial minerals and Agro-Minerals respectively. It will ensure compliance by inspecting 1,190 mining operations and 580 mineral dealership operations. A total of Ksh 16.8 billion will be collected as mining royalties while 13,500 mineral import and export permits, and 7,830 Commercial explosives licenses and permits will be issued. The sector will establish Artisanal Mining Committees in all the 47 Counties, facilitate formation of 85 marketing co-operatives for artisanal miners, and train 7,500 Artisanal and Small-Scale Miners on Mine Safety, Health and Environment. In the extractive sector, there will be review Mining Act Cap 306, Geologists Registration Act of 1993, and Commercial Explosive Act Cap 115. Through planting program, a total of 1.7 million trees will be planted.

282. The sector will grow revenue generation to Ksh 23,776 million through an increase of park visitors to approximately 4 million. Six categories of specialized equipment for modernization of anti-poaching technology will be acquired and construct 210 km, rehabilitate 215 km & maintain 6,250 km of fence. 166 houses will be constructed and 666 houses will be rehabilitated for forest rangers. Additionally, 7,050 km of park roads and 908 km of roads in conservancies will be maintained. 6000 hectare of degraded habitat land will be land restored. Undertake 30 wildlife population count, construct 40 water pans and drill 38 boreholes to communities. Approximately 1000 hectares of wildlife and dispersal areas will be mapped. 100% of all verified and approved human wildlife conflict claims will be settled, conduct 6 climate studies, adopt 6 wildlife technologies, Map 6 invasive species areas and conduct 300 zoonotic forensic DNA analysis. Research and training facilities at Naivasha will also be rehabilitated.

283. The sector will domesticate 4 ratified MEAs on the Minamata convention on Mercury, Kigali amendment to the Montreal protocol, Bamako Convention and Nairobi Convention. Restore 1,570 hectares of degraded land & rehabilitate 400 hectares of water towers and also raise 175,000 bamboo seedlings. A total of 12,000 Environmental Impact Assessment (EIA) licenses will be issued, undertake 3,000 inspections on EIA and 1000 enforcement actions on the ban of single use plastics carrier bags. Identify and stop 400 effluent discharge points along the Athi-Galana-Sabaki River System. It will also establish 4 waste demonstration centres in Nairobi, Mombasa, Kiambu and Kwale Counties and generate Ksh 5 billion on carbon markets. Issue 984 weather forecasts & 6 sector specific early warning system and modernization of meteorological services.

284. The sector will further produce and distribute 100,000 kilograms of tree seeds, produce 405.5 million tree seedlings and establish and maintain 10,700 Ha of forest plantations. The sector intends to protect 2.6 million Hectares of closed canopy forest and establish 4,500 Ha of



commercial farm forests. Rehabilitate 63,586 Ha of degraded natural forests, 253 Ha of bamboo forests in communal lands and 782 Ha of degraded dryland areas. A total of 41 Forest research technologies will be developed and 11 newly constructed seed centers will be equipped. 140 Ha and 6 Ha of seed sources will be maintained and established. Develop 200 nature-based enterprises, refurbish tree nurseries & establish 5 seed processing units.

285. To achieve these outputs, the Sector's total allocation is Ksh 103.8 billion, Ksh 169.6 billion and Ksh 191.8 billion for the FY 2025/26, FY 2026/27 and 2027/28, respectively.

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

286. Public participation and involvement of stakeholders in the medium-term budget process is a Constitutional requirement. In fulfilment of this legal requirement, while preparing the 2025 Budget Policy Statement (BPS), the resolutions adopted by Parliament on the previous Budget Policy Statements were taken into account. **Annex Table 5** explains how the resolutions by Parliament on the 2024 BPS and 2023 BPS have been taken into account in the 2025 BPS and the reasons thereof.

287. The Public Finance Management (PFM) Act, 2012 (CAP 412A) requires that the input of the public be taken into account before the budget proposals are firmed up. In compliance, Public Sector Hearings were conducted from 20<sup>th</sup> to 22<sup>nd</sup> November, 2024 at the Kenyatta International Convention Centre providing a platform for members of the public to give input into the country's budget and sector plans. Virtual platforms were made available on WebEx as well as live streaming on Facebook to ensure that stakeholders who could not attend the Public Hearings physically had access to the Hearings. **Annex Table 6** provides a summary of the comments received and the actions taken and or response given during the Public Sector Hearings.

288. Further, the draft 2025 BPS was uploaded onto the National Treasury website on 15<sup>th</sup> January, 2025 inviting the public and stakeholders to share comments. As required by the PFM Act, 2012, the document was further shared with the various stakeholders including:

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

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

## IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

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

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

- i) **Development budget:** In accordance with the PFM Act 2012, a minimum of thirty percent of the County Governments' budgets shall be allocated to development expenditure over the medium term. Therefore, it is essential to ensure adherence to this fiscal responsibility principle both at the budget approval stage and during the actual implementation of the budget.
- ii) **Wages:** Regulation 25(1)(a) and (b) of the PFM (County Governments) Regulations 2015 provides that County Governments' expenditure on wages and benefits for public officers shall not exceed thirty-five percent (35%) of the County Government's total revenue. Compliance with this fiscal rule has been insufficient, highlighting the necessity for a concerted effort to ensure that the wage bill remains within the legally established threshold.
- iii) **Borrowing:** Regulation 25(1)(d) of the PFM (County Governments) Regulations 2015 provides that the county public debt shall not exceed twenty percent (20%) of the total revenue of the County Government at any given time. Any County Government seeking to borrow must comply with this legal requirement.
- iv) **Taxes:** In accordance with provisions of Section 15(2) (e) of the PFM Act 2012, County Governments should uphold a reasonable degree of predictability regarding tax rates and tax bases, considering any potential future tax reforms while implementing legislation for the collection of own-source revenue. It is advisable for County Governments to consider the principles of public finance management and taxation when levying taxes and fees. Prioritizing the establishment of adequate legal frameworks regarding the principal legislation governing the imposition of taxes and fees is essential to ensure that these actions are conducted in accordance with the law.
- v) **Fiscal risk:** County Governments are required to manage fiscal risks prudently in accordance with Section 15(2) (e) of the Public Finance Management (PFM) Act.

291. **Table 4.1** provides a summary of total expenditures, total recurrent expenditures, total development expenditures and total revenues for medium term period covering FY 2021/22 to FY 2023/24. Total wages as a percentage of total revenue is also captioned in the table.

**Table 4.1: Summary of County Revenues and Expenditures from FY 2021/22 to 2023/24**

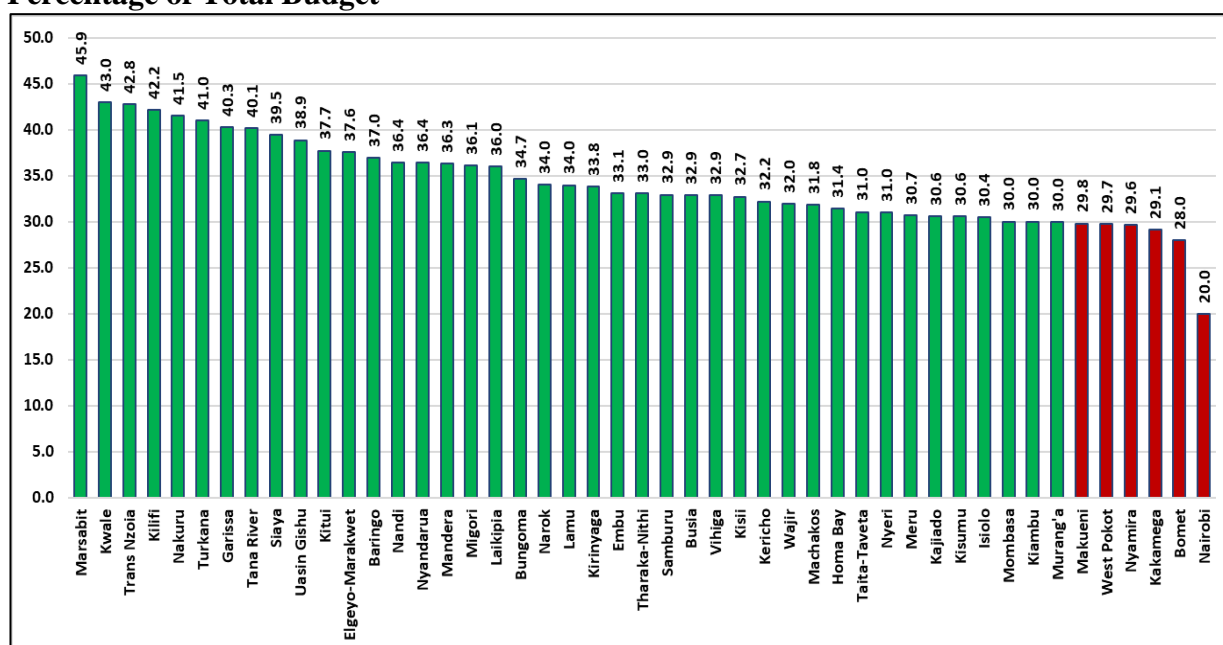
| Item                             | FY 2021/22      |               | FY 2022/23      |               | FY 2023/24      |               |
|----------------------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| Ksh, billions                    | Approved Budget | Actual Budget | Approved Budget | Actual Budget | Approved Budget | Actual Budget |
| Total Revenue                    | 529.2           | 436.5         | 491.9           | 466.0         | 562.75          | 492.47        |
| Total Expenditures               | 535.7           | 401.0         | 515.2           | 428.9         |                 | 446.76        |
| Total Development                | 193.5           | 98.5          | 160.5           | 98.0          | 189.93          | 109.23        |
| Total Recurrent                  | 342.2           | 302.5         | 354.6           | 330.9         | 372.82          | 337.53        |
| Wages                            |                 | 190.1         |                 | 195.1         |                 | 209.84        |
| Other recurrent                  |                 | 112.4         |                 | 135.8         |                 | 127.69        |
| % of Development in Total Budget | 36%             | 25%           | 31%             | 23%           | 33.8            | 24.4          |
| % of Recurrent in Total Budget   | 64%             | 75%           | 69%             | 77%           | 66.2            | 75.6          |
| % of wages in Total Revenue      |                 | 44%           |                 | 42%           |                 | 42.6%         |

Source: National Treasury

#### 4.1.1 Allocation to Development Expenditure over the Medium-Term

292. **Table 4.1** indicates that the total approved development expenditures for County Governments over the medium term (FY 2021/22, 2022/23 and 2023/24) account for 36 percent, 31 percent, and 33.8 percent of the total budget respectively. This translates to an average of 33.6 percent of the total budget. Section 107 (2) (b) of the Public Finance Management Act (PFMA) 2012 provides that County Governments should allocate a minimum of 30 percent of their budget for development expenditures over the medium term. **Figure 4.1** presents the development budget allocations of County Governments as a percentage of the total approved budget for FY 2023/24.

**Figure 4.1: FY 2023/24 County Governments' Development Budget Allocation as a Percentage of Total Budget**



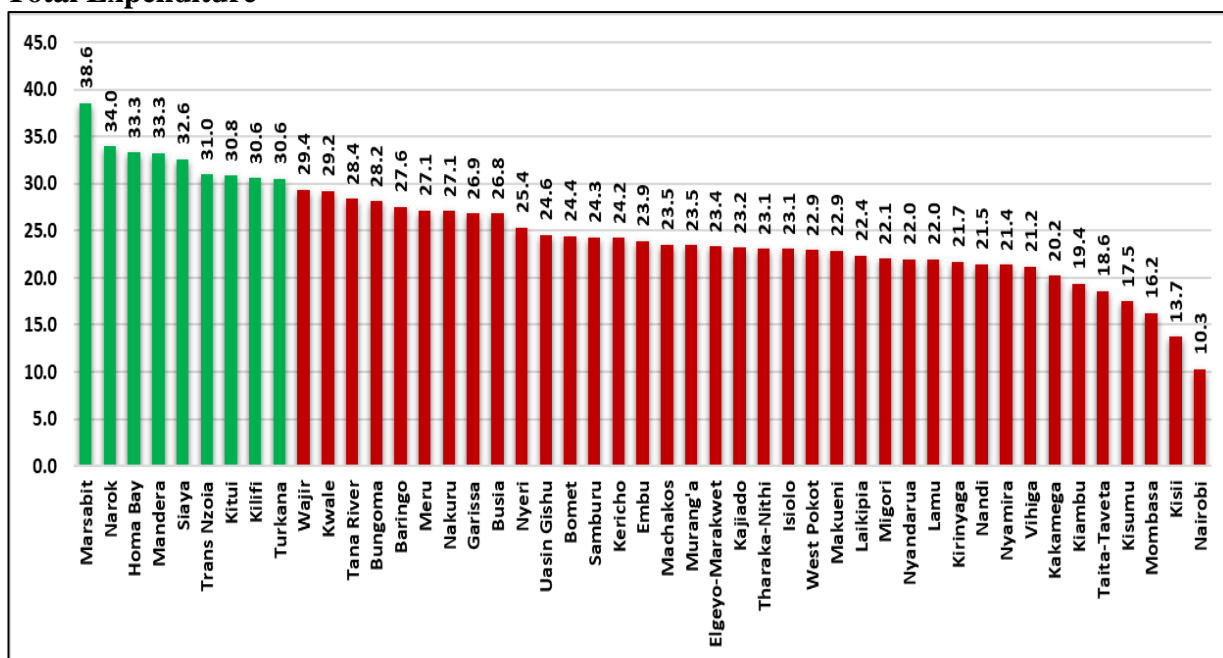
Source of Data: Controller of Budget

#### 4.1.2 Actual Development Expenditure over the Medium Term

293. The total actual development expenditure for the FY 2021/22, FY 2022/23, FY 2023/24 accounted for 25 percent, 23 percent and 24 percent of the total actual expenditure for the same period respectively. This translates to an average development expenditure of 24 percent of

actual total expenditures (**Table 4.1**). In FY 2023/24, nine counties spent at least 30 percent of their total expenditure towards development. These counties are; Marsabit (38.6%), Narok (34.0%), Homa Bay (33.3%), Mandera (33.3%), Siaya (32.6%), Trans Nzoia (31%), Kitui (30.8%), Kilifi (30.6%) and Turkana (30.6%). The counties with the lowest development expenditures as a percentage of their total expenditures in the period under review include; Kiambu (19.4%), Taita Taveta (18.6%), Kisumu (17.5%), Mombasa (16.2%), Kisii (13.7%) and Nairobi City (10.3%) (**Figure 4.2**).

**Figure 4.2: FY 2023/24 County Governments Development Expenditure as a Percentage of Total Expenditure**



Source of Data: Controller of Budget

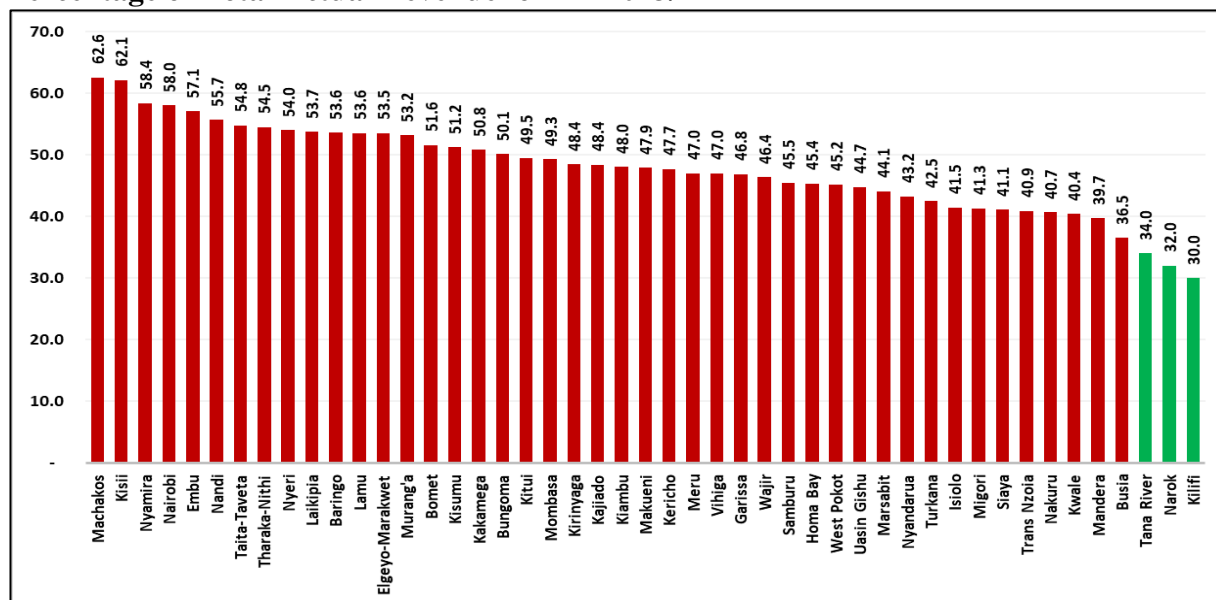
294. From this analysis, it is evident that most counties allocate expenditures just for approval by the respective county assemblies in line with the legal requirement. However, most counties do not adhere to this provision during budget execution. Over the medium term, there are notable fluctuations in consistently meeting the 30 percent minimum expenditures on development. This therefore implies that county development and service delivery may be negatively hampered as counties spend more on recurrent expenditures as opposed to development expenditures.

295. The relevant institutions, including the Controller of Budget, need to enhance compliance to this legal provision. Counties have not reported any borrowing to finance their development expenditure.

#### 4.1.3 Compliance with the Requirement on Expenditure on Wages and Benefits

296. Regulation 25 (1) (a) and (b) of the PFM (County Governments) Regulations 2015 provides that the County Governments' expenditure on wages and benefits for its public officers shall not exceed thirty-five (35) percent of the County Government's total revenue. During the FY 2023/24, County Governments' expenditure on wages amounted to Ksh 209.8 billion, accounting for 47.6% of the total revenue of Ksh 440.7 billion. As revealed in **Figure 4.3**, most County Governments are spending a larger portion of their revenue on wages than the recommended threshold. Three Counties namely: Tana River, Narok, and Kilifi were able to maintain their allocation to wages and salaries below the threshold.

**Figure 4.3: County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for FY 2023/24**



Source of Data: National Treasury and Controller of Budget

#### 4.1.4 Prudent Management of Fiscal Risks

297. Section 107(2) (f) of the Public Finance Management (PFM) Act, 2012, mandates County Treasuries to prudently manage their fiscal risks. During the review period, several fiscal risks were identified in revenue and expenditure performance, including:

- High levels of pending bills, which impede efficient delivery of public services and hinder the growth of local businesses;
- Non-remittance of statutory deductions by certain county governments, particularly pension contributions, which jeopardizes the social security of retirees;
- Excessive expenditure on wages, reducing county governments' capacity to fund essential operations, maintenance, and development activities; and
- Underperformance in Own-Source Revenue (OSR), leading to unfunded budgets and an accumulation of pending bills.

##### 4.1.4.1 Pending Bills

298. According to Section 94 (1) (a) of the PFM Act, 2012, failure to make any payments as and when due by a State Organ or a Public Entity may be an indicator of a serious material breach or a persistent material breach of measures established under the Act. In this context, Article 225 of the Constitution read together with Section 96 of the PFM Act gives the Cabinet Secretary responsible for Finance powers to stop transfer of funds to the concerned State Organ. As at 30<sup>th</sup> June, 2024, counties reported accumulated pending bills amounting to Ksh 181.98 billion. This was an increase of Ksh 17.22 billion from Ksh 164.76 billion reported in the previous period. This amount is as reported by County Governments to the Office of the Controller of Budget and therefore not audited (**Table 4.2**).

299. The increasing stock of pending bills in the County Governments is a threat to fiscal discipline and sustainability. The National Treasury has initiated transition from cash to accrual basis of accounting which is expected to gradually reduce the stock of pending bills. Through Kenya Devolution Support Programme II (KDSP II), County Governments have been supported



to develop and implement repayment plans and ensure adherence to Regulation 55 (2) b of the Public Finance Management (County Governments) Regulations, 2015. **Table 4.2**, presents County Governments' pending bills as at 30<sup>th</sup> June, 2024.

**Table 4.2: County Governments Pending Bills as of 30<sup>th</sup> June 2024 (In Ksh)**

| County          | County Executive       |                       |                        | County Assembly      |                    |                      | Grand Total            |
|-----------------|------------------------|-----------------------|------------------------|----------------------|--------------------|----------------------|------------------------|
|                 | Recurrent              | Development           | Sub Total              | Recurrent            | Development        | Sub Total            |                        |
| Baringo         | 243,387,349            | 125,863,182           | 369,250,531            | -                    | -                  | -                    | 369,250,531            |
| Bomet           | 88,008,922             | 360,758,925           | 448,767,847            | -                    | -                  | -                    | 448,767,847            |
| Bungoma         | 1,978,302,057          | 1,528,214,428         | 3,506,516,486          | 14,700,000           | -                  | 14,700,000           | 3,521,216,486          |
| Busia           | 1,310,232,841          | 110,359,586           | 1,420,592,427          | -                    | -                  | -                    | 1,420,592,427          |
| Elgeyo-Marakwet | 1,492,200              | -                     | 1,492,200              | -                    | -                  | -                    | 1,492,200              |
| Embu            | 923,910,054            | 888,655,736           | 1,812,565,790          | 3,725,140            | -                  | 3,725,140            | 1,816,290,930          |
| Garissa         | 17,031,929             | 360,167,253           | 377,199,182            | 741,066              | -                  | 741,066              | 377,940,248            |
| Homa Bay        | 93,107,438             | 600,604,237           | 693,711,674            | 37,182,349           | 8,226,489          | 45,408,838           | 739,120,512            |
| Isiolo          | 671,996,503            | 437,765,312           | 1,109,761,816          | 5,812,806            | 8,094,676          | 13,907,481           | 1,123,669,297          |
| Kajiado         | 890,814,132            | 1,455,782,205         | 2,346,596,337          | 61,824,457           | 34,552,896         | 96,377,352           | 2,442,973,689          |
| Kakamega        | 543,846,663            | 1,109,793,717         | 1,653,640,381          | 104,315,256          | 61,710,217         | 166,025,472          | 1,819,665,853          |
| Kericho         | 181,301,858            | 953,411,837           | 1,134,713,695          | -                    | -                  | -                    | 1,134,713,695          |
| Kiambu          | 4,069,015,330          | 2,318,872,476         | 6,387,887,806          | 77,228,246           | 23,153,446         | 100,381,692          | 6,488,269,498          |
| Kilifi          | 620,073,974            | 586,137,042           | 1,206,211,016          | 12,346,776           | -                  | 12,346,776           | 1,218,557,792          |
| Kirinyaga       | 415,041,433            | 166,204,622           | 581,246,055            | -                    | -                  | -                    | 581,246,055            |
| Kisii           | 485,084,888            | 1,828,433,549         | 2,313,518,437          | 1,555,210            | 55,431,914         | 56,987,124           | 2,370,505,561          |
| Kisumu          | 1,661,420,756          | 1,340,669,158         | 3,002,089,914          | 143,210,851          | 2,099,049          | 145,309,900          | 3,147,399,814          |
| Kitui           | 100,133,497            | 293,843,290           | 393,976,787            | -                    | -                  | -                    | 393,976,787            |
| Kwale           | 1,117,867,909          | 1,015,720,218         | 2,133,588,127          | -                    | -                  | -                    | 2,133,588,127          |
| Laikipia        | 883,462,160            | 760,607,838           | 1,644,069,998          | 3,979,393            | -                  | 3,979,393            | 1,648,049,391          |
| Lamu            | 21,198,181             | 18,336,383            | 39,534,564             | -                    | -                  | -                    | 39,534,564             |
| Machakos        | 1,730,056,963          | 2,388,349,707         | 4,118,406,670          | 81,073,515           | -                  | 81,073,515           | 4,199,480,185          |
| Makueni         | 364,448,192            | 170,410,250           | 534,858,442            | 135,155,753          | 2,030,000          | 137,185,753          | 672,044,195            |
| Mandera         | -                      | 2,226,355,164         | 2,226,355,164          | -                    | -                  | -                    | 2,226,355,164          |
| Marsabit        | -                      | 700,000,000           | 700,000,000            | 910,432              | 425,135,347        | 426,045,779          | 1,126,045,779          |
| Meru            | 133,999,742            | 452,824,205           | 586,823,947            | -                    | -                  | -                    | 586,823,947            |
| Migori          | 360,712,911            | 379,244,575           | 739,957,485            | 84,427,109           | 40,005,433         | 124,432,542          | 864,390,028            |
| Mombasa         | 2,738,362,340          | 1,702,209,902         | 4,440,572,242          | -                    | -                  | -                    | 4,440,572,242          |
| Murang'a        | 1,183,396,100          | 205,092,392           | 1,388,488,492          | 72,106,370           | -                  | 72,106,370           | 1,460,594,862          |
| Nairobi         | 112,563,910,799        | 5,751,842,791         | 118,315,753,590        | 124,529,058          | -                  | 124,529,058          | 118,440,282,648        |
| Nakuru          | 966,040,527            | 55,227,446            | 1,021,267,973          | 81,210,672           | -                  | 81,210,672           | 1,102,478,645          |
| Nandi*          | 96,463,404             | 81,506,757            | 177,970,161            | -                    | -                  | -                    | 177,970,161            |
| Narok           | -                      | 764,639,834           | 764,639,834            | -                    | -                  | -                    | 764,639,834            |
| Nyamira         | 43,333,294             | 62,718,867            | 106,052,161            | -                    | 36,179,261         | 36,179,261           | 142,231,422            |
| Nyandarua       | 79,081,025             | 158,447,942           | 237,528,967            | 57,634,740           | -                  | 57,634,740           | 295,163,707            |
| Nyeri           | 1,986,059              | 5,406,954             | 7,393,013              | -                    | -                  | -                    | 7,393,013              |
| Samburu         | 84,901,048             | 126,077,450           | 210,978,498            | -                    | -                  | -                    | 210,978,498            |
| Siaya           | 202,659,007            | 101,250,773           | 303,909,780            | -                    | -                  | -                    | 303,909,780            |
| Taita-Taveta    | 921,955,832            | 708,347,293           | 1,630,303,125          | 126,221,996          | -                  | 126,221,996          | 1,756,525,121          |
| Tana River      | 1,170,296,619          | 951,046,432           | 2,121,343,051          | -                    | 3,774,893          | 3,774,893            | 2,125,117,944          |
| Tharaka-Nithi   | 408,829,599            | 218,502,579           | 627,332,178            | 113,631,682          | -                  | 113,631,682          | 740,963,860            |
| Trans Nzoia     | 483,133,403            | 799,226,738           | 1,282,360,141          | -                    | -                  | -                    | 1,282,360,141          |
| Turkana         | 7,555,965              | 742,302,496           | 749,858,462            | -                    | -                  | -                    | 749,858,462            |
| Uasin Gishu     | 250,098,396            | 449,140,094           | 699,238,490            | 52,583,699           | -                  | 52,583,699           | 751,822,188            |
| Vihiga          | 577,909,066            | 888,370,981           | 1,466,280,047          | -                    | -                  | -                    | 1,466,280,047          |
| Wajir           | 1,322,376,590          | 1,007,941,081         | 2,330,317,671          | -                    | -                  | -                    | 2,330,317,671          |
| West Pokot      | 335,407,919            | 168,037,969           | 503,445,888            | 261,592              | 14,373,500         | 14,635,092           | 518,080,980            |
| <b>Total</b>    | <b>142,343,644,876</b> | <b>37,524,721,665</b> | <b>179,868,366,542</b> | <b>1,396,368,166</b> | <b>714,767,119</b> | <b>2,111,135,285</b> | <b>181,979,501,827</b> |

Source: Controller of Budget

\*Nandi County data provided is as of 31<sup>st</sup> March 2024.

300. To further mitigate fiscal indiscipline in counties, the Senate recommended that all County Governments settle all verified pending bills totalling approximately Ksh 1.0 billion by the end of the FY 2024/25. Additionally, the Senate resolved that:

- County Governments prepare and submit to the Controller of Budget a payment plan prioritizing payment of pending bills as a first charge on the County Revenue Fund;
- The Controller of Budget takes into consideration the efforts made by a County Government to clear inherited pending bills when approving exchequer releases;

- iii) County Governments shall only pay pending bills contained in their respective procurement plans; and
- iv) Supplementary budgets for County Governments are prepared in the third quarter to curb instances of arbitrary re-allocations out of the approved budget estimates.

301. The Controller of Budget will continue to provide regular updates on the progress made in the settlement of eligible pending bills. Additionally, County Governments are required to submit monthly payment plans for outstanding pending bills, with the aim of settling these bills as a first charge while making payments and prioritized for budgeting in the subsequent budget.

#### 4.1.4.2 Status of Outstanding County Pension Deductions

302. County Governments have been accumulating pension bills due to among other reasons non-remittance of deductions from staff salaries. Over the years, these pension bills, including related penalties, have escalated to levels that pose financial risks to County Governments in meeting their financial obligations. As at 31<sup>st</sup> October, 2024, the total outstanding pension pending bills owed to three pension schemes reported by the Retirement Benefits Authority amounts to Ksh 91,173,871,756 reflecting an increase from Ksh 73,402,969,260.73 recorded as at 31<sup>st</sup> August, 2023. **Table 4.3** presents a breakdown of the outstanding pension deductions pending bills.

**Table 4.3: Outstanding Pension pending bills owed by County Governments as at 31<sup>st</sup> October 2024**

| No.          | Name of the Scheme                             | Principal Debt (Ksh ) | Accrued Interest (Ksh) | Actuarial Deficit (Ksh) | Total Debt Accrued + Interest (Ksh) |
|--------------|--|-----------------------|------------------------|-------------------------|-------------------------------------|
| 1.           | Local Authorities Provident Fund (LAPFUND) -DC | 2,934,303,917         | 42,740,330,909         | -                       | 45,674,634,826                      |
| 2.           | Local Authorities Pension Trust (LAPTRUST) -DB | 8,011,997,968         | 29,505,938,940         | 2,006,688,841           | 39,524,625,748                      |
| 3.           | County Pension Fund (CPF) -DC                  | 3,207,927,995         | 2,766,683,183          | -                       | 5,974,611,183                       |
| <b>Total</b> |  | <b>14,154,229,880</b> | <b>75,012,953,032</b>  | <b>2,006,688,841</b>    | <b>91,173,871,757</b>               |

*Source: Retirement Benefits Authority*

303. Some County Governments have not included these pension liabilities in their inventory of pending bills. Therefore, County Governments should assess these pension liabilities and ensure accurate recording in their inventory of pending bills for prioritization of payment. A Multi-Agency Taskforce on the non-remittance of pension deductions to pension schemes by county governments was established through Gazette Notice No. 14800 dated 15th November, 2024. The terms of reference for the task force include establishing the actual county pension liabilities, developing strategies for implementing the recommendations of the Senate Select Committee on County Public Investments and Special Funds regarding the non-remittance of pension deductions, and creating an appropriate formula and framework for the payment of pension liabilities to facilitate the clearance of outstanding pension liabilities by County Governments.

#### 4.1.4.3 Status of Debt Owed to Kenya Power and Lighting Company (KPLC) by County Governments

304. As of November 2024, the total outstanding pending bills owed to Kenya Power & Lighting Company (KPLC) by County Governments, amounts to Ksh 4,375,103,982.89. Notably, Nairobi County Government accounts for the largest portion of this debt, totalling Ksh 3,011,878,481.04.

The accumulation of pending bills has occurred since the establishment of County Governments. In response to the increasing backlog of pending bills, including electricity debts, the National Treasury issued a circular directing the prioritization and payment of outstanding liabilities.

## 4.2 Performance of County Governments Own Source Revenue

### 4.2.1 Performance of Own Source Revenue against Target

305. For the FY 2023/24, the County Governments collected a total of Ksh 58.9 billion of Own Source Revenue (OSR) against a target of Ksh 80.9 billion. This translates to 72.8 percent of the annual target. The details of the individual County Governments OSR performance is summarized in **Table 4.4**.

**Table 4.4: Total County Government OSR Collection for FY 2023/24 (Including A-i-A)**

| County          | Ordinary OSR Target (Ksh) | FIF/AIA Target (Ksh) | Total Revenue Target (Ksh) | OSR Actual realized (Ksh) | FIF/AIA Actual (Ksh ) | Actual Revenue (Ksh ) | Performance (%) |
|-----------------|---------------------------|----------------------|----------------------------|---------------------------|-----------------------|-----------------------|-----------------|
|                 | A                         | B                    | C=A+B                      | D                         | E                     | F=D+E                 | G=F/C*100       |
| Turkana         | 220,000,000               | -                    | 220,000,000                | 435,271,212               | 95,373,844            | 530,645,056           | 241.2           |
| Vihiga          | 248,083,481               | -                    | 248,083,481                | 166,311,404               | 171,745,774           | 338,057,178           | 136.3           |
| Kirinyaga       | 349,000,000               | 201,000,000          | 550,000,000                | 417,543,467               | 233,562,098           | 651,105,565           | 118.4           |
| Lamu            | 120,000,000               | 60,000,000           | 180,000,000                | 123,262,548               | 85,840,210            | 209,102,758           | 116.2           |
| Nandi           | 360,098,158               | 198,231,711          | 558,329,869                | 392,103,573               | 238,623,583           | 630,727,156           | 113             |
| Wajir           | 150,000,000               | -                    | 150,000,000                | 164,953,671               | -                     | 164,953,671           | 110             |
| Garissa         | 139,000,000               | 91,000,000           | 230,000,000                | 97,056,232                | 151,912,817           | 248,969,049           | 108.2           |
| Nyeri           | 800,000,000               | 526,000,000          | 1,326,000,000              | 667,120,607               | 740,425,500           | 1,407,546,107         | 106.1           |
| Samburu         | 239,027,400               | 17,000,000           | 256,027,400                | 255,453,581               | 11,130,343            | 266,583,924           | 104.1           |
| Murang'a        | 876,181,883               | 238,818,117          | 1,115,000,000              | 734,257,887               | 382,537,843           | 1,116,795,730         | 100.2           |
| Embu            | 382,801,875               | 367,198,125          | 750,000,000                | 416,744,407               | 329,749,667           | 746,494,074           | 99.5            |
| Tana River      | 92,673,773                | 3,956,827            | 96,630,600                 | 88,783,403                | 3,785,117             | 92,568,520            | 95.8            |
| Narok           | 4,858,121,756             | 120,951,908          | 4,979,073,664              | 4,694,190,690             | 59,479,796            | 4,753,670,486         | 95.5            |
| Elgeyo-Marakwet | 73,806,633                | 197,500,000          | 271,306,633                | 80,841,506                | 177,663,632           | 258,505,138           | 95.3            |
| Tharaka-Nithi   | 300,870,000               | 149,800,000          | 450,670,000                | 256,362,512               | 160,983,523           | 417,346,035           | 92.6            |
| Meru            | 550,000,000               | 500,000,000          | 1,050,000,000              | 381,805,168               | 580,129,111           | 961,934,279           | 91.6            |
| Uasin Gishu     | 1,578,147,614             | -                    | 1,578,147,614              | 1,361,941,353             | 59,386,598            | 1,421,327,951         | 90.1            |
| Kitui           | 585,000,000               | -                    | 585,000,000                | 517,049,816               | -                     | 517,049,816           | 88.4            |
| Homa Bay        | 341,139,710               | 1,051,066,642        | 1,392,206,352              | 359,263,180               | 841,232,651           | 1,200,495,831         | 86.2            |
| Makueni         | 870,000,000               | 370,000,000          | 1,240,000,000              | 490,586,795               | 554,088,153           | 1,044,674,948         | 84.2            |
| Baringo         | 300,719,215               | 149,378,181          | 450,097,396                | 196,579,016               | 181,622,619           | 378,201,635           | 84              |
| Migori          | 480,000,000               | 145,474,299          | 625,474,299                | 337,154,048               | 175,412,262           | 512,566,310           | 81.9            |
| Nakuru          | 2,400,000,000             | 1,700,000,000        | 4,100,000,000              | 1,852,802,262             | 1,468,498,216         | 3,321,300,479         | 81              |

|              |                       |                       |                       |                       |                       |                       |             |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|
| West Pokot   | 97,200,000            | 132,800,000           | 230,000,000           | 65,447,701            | 119,847,000           | 185,294,701           | 80.6        |
| Siaya        | 434,494,994           | 325,505,006           | 760,000,000           | 222,110,969           | 388,626,776           | 610,737,745           | 80.4        |
| Isiolo       | 267,634,395           | 88,573,785            | 356,208,180           | 190,715,416           | 94,481,928            | 285,197,344           | 80.1        |
| Kericho      | 530,071,600           | 536,355,000           | 1,066,426,600         | 359,664,618           | 482,263,360           | 841,927,978           | 78.9        |
| Marsabit     | 120,000,000           | 70,000,000            | 190,000,000           | 54,869,460            | 90,223,090            | 145,092,550           | 76.4        |
| Mombasa      | 5,856,356,997         | 1,521,576,230         | 7,377,933,227         | 4,457,758,296         | 1,127,265,714         | 5,585,024,010         | 75.7        |
| Trans Nzoia  | 342,000,000           | 301,700,000           | 643,700,000           | 266,785,779           | 209,852,393           | 476,638,172           | 74          |
| Laikipia     | 842,500,000           | 602,500,000           | 1,445,000,000         | 499,999,607           | 561,020,491           | 1,061,020,098         | 73.4        |
| Taita-Taveta | 426,985,000           | 201,682,445           | 628,667,445           | 251,061,302           | 210,125,350           | 461,186,652           | 73.4        |
| Bomet        | 187,592,587           | 144,449,243           | 332,041,830           | 158,317,549           | 80,612,871            | 238,930,420           | 72          |
| Kwale        | 334,245,200           | 265,754,800           | 600,000,000           | 257,844,508           | 169,533,420           | 427,377,928           | 71.2        |
| Kilifi       | 1,588,634,222         | 200,000,000           | 1,788,634,222         | 736,398,329           | 472,221,668           | 1,208,619,997         | 67.6        |
| Kiambu       | 5,459,066,235         | 1,536,300,000         | 6,995,366,235         | 3,378,069,561         | 1,197,762,046         | 4,575,831,607         | 65.4        |
| Kisii        | 650,000,000           | 1,193,892,198         | 1,843,892,198         | 496,943,902           | 683,218,135           | 1,180,162,037         | 64          |
| Nairobi      | 19,419,630,278        | 270,000,000           | 19,689,630,278        | 11,469,860,349        | 1,072,234,069         | 12,542,094,418        | 63.7        |
| Kisumu       | 1,682,844,694         | 600,000,000           | 2,282,844,694         | 840,231,049           | 603,376,939           | 1,443,607,988         | 63.2        |
| Kakamega     | 1,359,000,000         | 841,000,000           | 2,200,000,000         | 801,322,586           | 546,510,693           | 1,347,833,279         | 61.3        |
| Busia        | 396,793,350           | 252,222,283           | 649,015,633           | 233,065,731           | 136,138,244           | 369,203,975           | 56.9        |
| Kajiado      | 1,621,247,688         | 247,219,297           | 1,868,466,985         | 678,403,673           | 369,952,762           | 1,048,356,435         | 56.1        |
| Bungoma      | 868,201,470           | 1,142,218,266         | 2,010,419,736         | 439,484,834           | 681,424,515           | 1,120,909,349         | 55.8        |
| Nyamira      | 457,000,000           | 230,000,000           | 687,000,000           | 148,981,607           | 220,814,736           | 369,796,343           | 53.8        |
| Mandera      | 278,748,838           | 51,785,008            | 330,533,846           | 142,498,606           | 25,548,681            | 168,047,287           | 50.8        |
| Machakos     | 2,324,286,060         | 1,008,000,000         | 3,332,286,060         | 1,344,939,101         | 204,409,376           | 1,549,348,477         | 46.5        |
| Nyandarua    | 793,435,975           | 431,564,025           | 1,225,000,000         | 309,994,465           | 205,746,307           | 515,740,772           | 42.1        |
| <b>Total</b> | <b>62,652,641,082</b> | <b>18,282,473,396</b> | <b>80,935,114,477</b> | <b>42,292,207,336</b> | <b>16,656,393,920</b> | <b>58,948,601,257</b> | <b>72.8</b> |

*Source of Data: Controller of Budget*

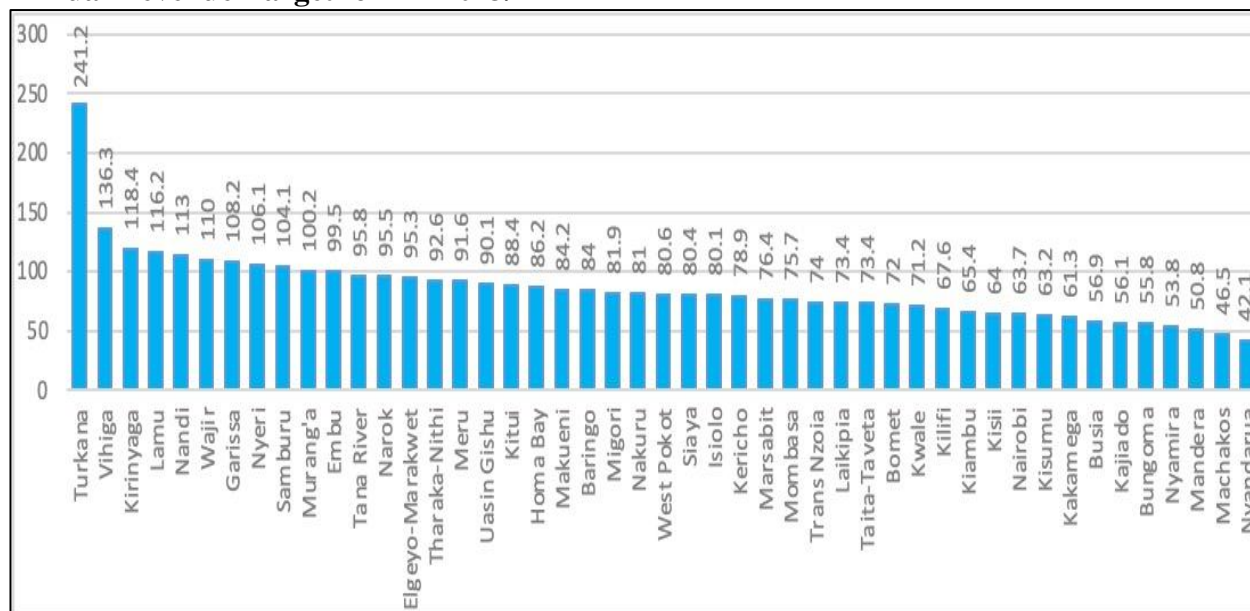
306. Total Own-Source Revenue (OSR) included the Facility Improvement Fund, which consists of funds collected and retained by health facilities under the Facilities Improvement Financing Act of 2023. As at 30<sup>th</sup> June, 2024, public health facilities had collected and retained a total of Ksh 16.7 billion, meeting 91.3 percent of the target amount of Ksh 18.3 billion. Excluding the AIA (FIF), counties generated a total of Ksh 42.3 billion, achieving 67.5 percent of the targeted Ksh 62.7 billion. A total of ten counties surpassed their annual OSR targets, collecting over 100 percent of the goal. These counties are Turkana, Vihiga, Kirinyaga, Lamu, Nandi, Wajir, Garissa, Nyeri, Samburu, and Murang'a. Conversely, seven counties collected less than 60 percent of their OSR targets, including Busia, Kajiado, Bungoma, Nyamira, Mandera, Machakos, and Nyandarua.

307. A comparison of the actual OSR against the target depicts a random trend implying that OSR target setting is not scientific and the growth in the OSR projection may not be hinged to the fiscal efforts applied by the County Governments. Therefore, there is a need to develop and enhance County Governments' capacity for revenue forecasting so as to improve the accuracy of OSR projections. In this regard, the National Treasury in collaboration with other institutions

namely; State Department for Devolution; Commission on Revenue Allocation (CRA), Kenya National Bureau of Statistics (KNBS), Council of Governors (COG), Kenya Revenue Authority (KRA), Kenya Institute of Public Policy Research and Analysis (KIPPR) and representatives from County Governments are in the process of developing a revenue forecasting tool that uses a more scientific approach to assist counties in making more accurate revenue projections..

308. The summary of individual county performance in terms of revenue collection is presented in **Figure 4.4**.

**Figure 4.4: Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target for FY 2023/24**



Source of Data: Controller of Budget

#### 4.2.2 OSR Growth in FY 2023/24

309. A review of the OSR performance for FY 2022/23 -2023/24 shows that 17 Counties recorded more than 50 percent growth in revenue collection. This could be attributed to implementation of the National Policy to Support Enhancement of County Governments OSR 2018, continuous capacity building on public finance management, revenue automation and revenue administration reforms such as implementation of the FIF. However, it is essential to investigate the causes of negative OSR growth in certain County Governments, specifically, Bungoma, Bomet and Trans-Nzoia, which reported declines in OSR collection in the FY 2023/24. **Table 4.5** summarizes the details of performance for the 47 County Governments.



**Table 4.5: County Governments OSR Growth between FY 2022/23 and FY 2023/24**

| S.No. | County          | FY 2022/23 Actual OSR Collection (Ksh) | FY 2023/24 Actual OSR Collection (Ksh) | FY 2023/24 OSR Growth Rate |
|-------|-----------------|--|--|----------------------------|
| 1     | Wajir           | 46,746,101                             | 164,953,671                            | 252.9%                     |
| 2     | Nandi           | 200,737,628                            | 630,727,156                            | 214.2%                     |
| 3     | Turkana         | 177,717,811                            | 530,645,056                            | 198.6%                     |
| 4     | Homa Bay        | 491,496,550                            | 1,200,495,831                          | 144.3%                     |
| 5     | Isiolo          | 152,700,178                            | 285,197,344                            | 86.8%                      |
| 6     | Kilifi          | 661,686,660                            | 1,208,619,997                          | 82.7%                      |
| 7     | Garissa         | 142,491,298                            | 248,969,049                            | 74.7%                      |
| 8     | Murang'a        | 658,166,964                            | 1,116,795,730                          | 69.7%                      |
| 9     | Kericho         | 501,354,545                            | 841,927,978                            | 67.9%                      |
| 10    | Tana River      | 59,173,171                             | 92,568,520                             | 56.4%                      |
| 11    | Narok           | 3,061,007,640                          | 4,753,670,486                          | 55.3%                      |
| 12    | Tharaka Nithi   | 286,737,650                            | 417,346,035                            | 45.5%                      |
| 13    | Uasin Gishu     | 982,046,563                            | 1,421,327,951                          | 44.7%                      |
| 14    | West Pokot      | 128,195,210                            | 185,294,701                            | 44.5%                      |
| 15    | Vihiga          | 241,350,189                            | 338,057,178                            | 40.1%                      |
| 16    | Mombasa         | 3,998,628,848                          | 5,585,024,010                          | 39.7%                      |
| 17    | Mandera         | 122,528,934                            | 168,047,287                            | 37.1%                      |
| 18    | Lamu            | 156,907,612                            | 209,102,758                            | 33.3%                      |
| 19    | Nyeri           | 1,080,186,883                          | 1,407,546,107                          | 30.3%                      |
| 20    | Nyamira         | 284,598,621                            | 369,796,343                            | 29.9%                      |
| 21    | Meru            | 750,986,590                            | 961,934,279                            | 28.1%                      |
| 22    | Kiambu          | 3,587,282,110                          | 4,575,831,607                          | 27.6%                      |
| 23    | Migori          | 406,364,909                            | 512,566,310                            | 26.1%                      |
| 24    | Kisumu          | 1,153,464,305                          | 1,443,607,988                          | 25.2%                      |
| 25    | Kisii           | 977,218,129                            | 1,180,162,037                          | 20.8%                      |
| 26    | Baringo         | 313,351,637                            | 378,201,635                            | 20.7%                      |
| 27    | Siaya           | 508,041,662                            | 610,737,745                            | 20.2%                      |
| 28    | Kajiado         | 875,281,130                            | 1,048,356,435                          | 19.8%                      |
| 29    | Nairobi City    | 10,478,816,326                         | 12,542,094,418                         | 19.7%                      |
| 30    | Elgeyo Marakwet | 217,350,490                            | 258,505,138                            | 18.9%                      |
| 31    | Makueni         | 891,595,986                            | 1,044,674,948                          | 17.2%                      |
| 32    | Kitui           | 464,354,467                            | 517,049,816                            | 11.3%                      |
| 33    | Kirinyaga       | 586,660,639                            | 651,105,565                            | 11.0%                      |
| 34    | Embu            | 678,638,337                            | 746,494,074                            | 10.0%                      |
| 35    | Kwale           | 392,952,872                            | 427,377,928                            | 8.8%                       |
| 36    | Marsabit        | 133,545,723                            | 145,092,550                            | 8.6%                       |
| 37    | Machakos        | 1,429,791,260                          | 1,549,348,477                          | 8.4%                       |
| 38    | Laikipia        | 980,163,461                            | 1,061,020,098                          | 8.2%                       |
| 39    | Taita Taveta    | 426,372,490                            | 461,186,652                            | 8.2%                       |
| 40    | Busia           | 343,922,975                            | 369,203,975                            | 7.4%                       |
| 41    | Nakuru          | 3,130,423,723                          | 3,321,300,479                          | 6.1%                       |
| 42    | Kakamega        | 1,309,679,900                          | 1,347,833,279                          | 2.9%                       |
| 43    | Nyandarua       | 505,913,306                            | 515,740,772                            | 1.9%                       |
| 44    | Bomet           | 242,395,023                            | 238,930,420                            | -1.4%                      |
| 45    | Bungoma         | 1,177,322,906                          | 1,120,909,349                          | -4.8%                      |
| 46    | Trans Nzoia     | 1,052,173,181                          | 476,638,172                            | -54.7%                     |
| 47    | Samburu         | 656,224,645                            | 266,583,924                            | -59.4%                     |

Source of Data: Controller of Budget

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

310. The National Treasury is in the process of implementing the National Policy to Support Enhancement of County Governments Own Source Revenue. The Policy identifies a number of challenges facing collection of Own-Source Revenue (OSR) by County Governments which include; inadequate revenue policies and legislation; multiplicity of fees and charges; human resource capacity deficits; weaknesses in enforcing compliance by tax payers; low automation and integration of revenue administration; and, ineffective internal controls and audit mechanisms.

311. One of the key recommendations in the policy is the development a national legislation on property taxation to replace the outdated Rating Act and Valuation for Rating Act. To this end, the National Treasury in collaboration of Ministry of Lands and Physical planning and other stakeholders developed the National Rating Bill, 2022. This Bill was enacted into law on 4<sup>th</sup>

December, 2024. Arrangements are underway to develop the implementing Regulations and a model rating bill for adoption by the County Governments. It is expected that this will unlock the potential in property rates for the county governments once it is rolled out and implemented. In addition, the OSR policy also recommended development of a National Framework Legislation to regulate the introduction of taxes, fees and charges by the County Governments. Consequently, the National Treasury and other stakeholders developed the County Governments Revenue Raising Process Bill 2022, which is awaiting consideration by the Senate. This Bill is aimed at ensuring compliance with Article 209 (5) of the Constitution as well as ensuring consistency and predictability in county revenue practices.

312. The National Treasury is mandated to coordinate the implementation of the OSR policy and prepare quarterly monitoring and evaluation reports on implementation. The Policy had an implementation period of 10 years, with a midterm review scheduled for 2023. It is for this reason that the National Treasury in collaboration with other stakeholders is currently spearheading a midterm evaluation to measure outcomes and impacts of the Policy. The outcome of this review will inform the implementation of the Policy in the second half of the 10 years implementation period starting FY 2024/25.

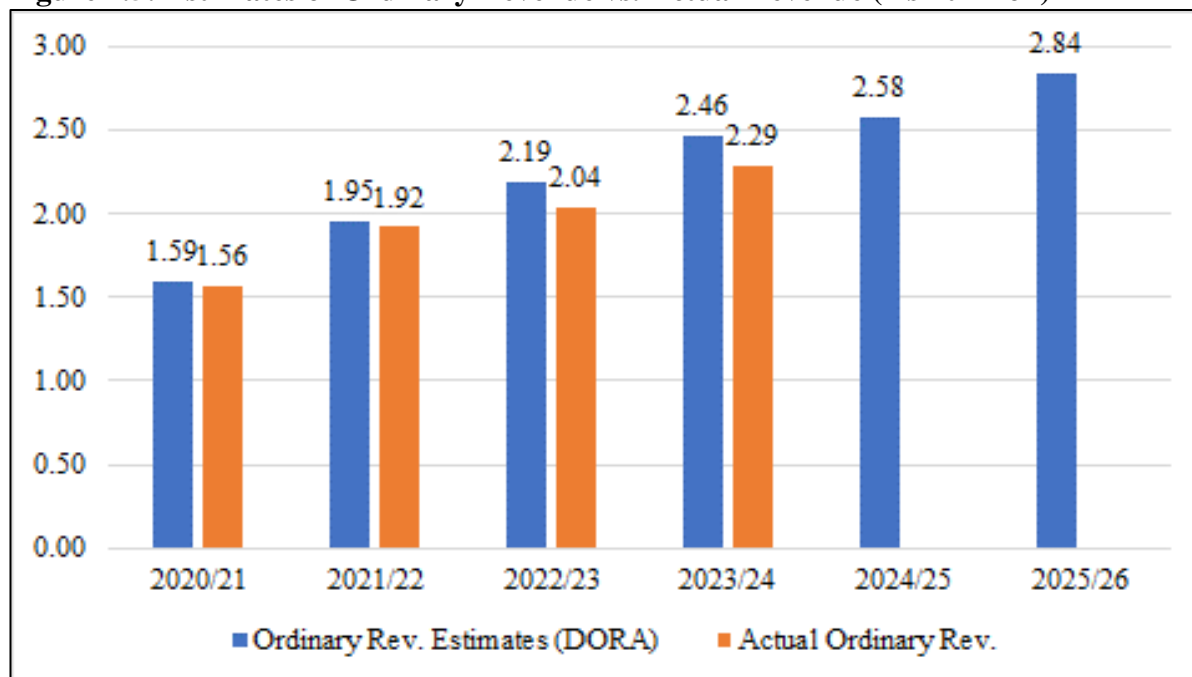
313. The National Treasury continues to lead the development of the Integrated County Revenue Management System (ICRMS) in line with Section 12 (1, e) of the PFMA 2012 in partnership with relevant stakeholders. This system will ensure financial transparency and standardization of financial reporting in Government.

## 4.3 Division of Revenue for FY 2025/26

### 4.3.1 Performance of Shareable Revenue

314. Ordinary revenue collected over the years has been below target (**Figure 4.5**). Ordinary revenue is projected to grow to Ksh 2.84 trillion in FY 2025/26 from the projected Ksh 2.58 trillion in FY 2024/25.

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



Source of Data: National Treasury

## 4.3.2 Division of Revenue for FY 2025/26

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

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

316. As indicated in **Table 4.6**, it should be noted that after taking into account all the mandatory expenditures under Article 203(1) of the Constitution, the balance left for sharing between the two levels of Government is Ksh 353.4 billion. After allocating Ksh 417.9 billion to County Governments for FY 2025/26, of which Ksh 405.07 billion is the proposed equitable share, Ksh 2.9 billion is the unconditional Allocation, and Ksh 9.9 billion is the Conditional Allocations from National Government's Share of Revenue. The National Government is left with a deficit of Ksh 64.5 billion to finance functions such as education, health, defence, roads and energy, among others. This may occasion additional borrowing. **Table 4.6** provides an assessment of the extent to which the requirements of Article 203 (1) of the Constitution have been incorporated in estimating the division of revenue between the National and County levels of Government in the FY 2025/26.

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

| Item Description   | FY 2025/26<br>(Ksh Million) |
|--|-----------------------------|
| Ordinary Revenue (Excluding AIA)   | 2,835,041                   |
| National Interest [Article 203 (1)(a)] ( <i>FY 2024/25 Supp. 1 Estimates</i> ) | 101,252                     |
| Public debt (Art. 203 [1][b])  | 1,606,419                   |
| Pensions, Constitutional Services and Other                                    | 239,623                     |
| Other National obligations (Article. 203 [1][b])                               | 518,746                     |
| Emergencies [Art. 203 (1)(k)]  | 5,000                       |
| <b>Equalization Fund [Art. 203 (1) (g) and (h)]</b>                            | <b>10,590</b>               |
| <i>Of which: a) Allocation in FY 2024/25</i>                                   | <i>7,853</i>                |
| <i>b) Arrears</i>  | <i>2,737</i>                |
| <b>Balance to be Shared by the 2 Levels of Government</b>                      | <b>353,412</b>              |
| <b>County Government allocation from revenue raised nationally-</b>            | <b>417,964</b>              |
| <i>Of which: a) Equitable Share of Revenue</i>                                 | <i>405,069</i>              |
| <i>b) Unconditional Allocations from National Government's Share</i>           | <i>2,946</i>                |
| <i>c) Conditional Allocations from National Government's Share</i>             | <i>9,948</i>                |
| <b>Balance left for the National Government</b>                                | <b>(64,522)</b>             |

*Source of Data: The National Treasury*

317. Allocations for national interest expenditures such as defence, irrigation and safety net programmes is expected to increase significantly by Ksh 8.8 billion from Ksh 92.5 billion in FY 2024/25 to Ksh 101.3 billion in FY 2025/26 on account of increased allocations to all national interest expenditures.

318. On public debt servicing, the 2025 BPS has taken into account public debt related costs. These comprise the annual debt redemption cost as well as the interest payment for both domestic and external debt. In FY 2025/26, the allocation for payment of public debt related costs is

expected to increase from Ksh 1,340,588 million allocated FY 2024/25 to Ksh 1,606,419 million allocated in the FY 2025/26, reflecting an increase of Ksh 265.8 billion.

319. The National Treasury also proposes an allocation of Ksh 7.85 billion to the Equalization Fund and a further allocation of Ksh 2.74 billion in the FY 2025/26 as partial payment to arrears for Equalization Fund. The allocation of Ksh 405.07 billion to the County Governments is an increase of Ksh 17.6 billion from a base of Ksh 387.4 billion allocated in the FY 2024/25. **Table 4.7** shows the computation of the equitable share to County Governments for the FY 2019/20 to FY 2025/26.

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

| Budget Item  | FY 2019/20     | FY 2020/21     | FY 2021/22     | FY 2022/23     | FY 2023/24     | FY 2024/25     | FY 2025/26     |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1. Baseline (i.e. allocation in the previous FY)   | 314,000        | 316,500        | 316,500        | 370,000        | 370,000        | 385,425        | 387,425        |
| Add:-  |                |                |                |                |                |                |                |
| <i>a. Revenue Share (RMLF, Level-5 Hospital Grant, Compensation for foregone user fees and Rehabilitation of Village Polytechnics)</i> | -              | -              | 17,400         | -              | -              | -              | -              |
| <i>b. Adjustments for revenue growth</i>   | 2,500          | -              | 36,100         | -              | 15,000         | 2,000          | 17,644         |
| <i>c. Transfer of Library Services</i>   | -              | -              | -              | -              | 425            | -              | -              |
| <b>Computed Equitable Revenue Share Allocation</b>   | <b>316,500</b> | <b>316,500</b> | <b>370,000</b> | <b>370,000</b> | <b>385,425</b> | <b>387,425</b> | <b>405,069</b> |

Source of Data: The National Treasury

320. The allocation to County Governments' equitable revenue share of Ksh 405.07 billion in FY 2025/26 is informed by the following prevailing circumstances:

- Trends in the performance of revenue (this was taken into consideration in determining the Ksh 17.64 billion increases in equitable share of revenue in FY 2025/26);
- The Government commitment to implement a fiscal consolidation plan targeting to reduce fiscal deficit to 4.3 percent of GDP in FY 2025/26 and 2.7 percent of GDP over the medium term. This is designed to slow down accumulation of public debt, improve primary surplus thereby achieve fiscal sustainability;
- Financing constraints due to limited access to finance in the domestic and international financial markets; and
- The National Government continues to solely bear shortfalls in revenue in any given financial year whereas the County Governments continue to receive their full allocation despite the budget cuts affecting the National Government.

321. The above proposed equitable share of revenue for the FY 2025/26 of Ksh 405.07 billion is equivalent to 25.79 percent of the last audited and approved actual revenues raised nationally of Ksh 1,570,563 million for the FY 2020/21 pursuant to Article 203(3) of the Constitution.

#### **4.3.2.2 Additional Allocations to County Governments in FY 2025/26**

322. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the National Governments Share of revenue either conditionally or unconditionally; while Article 190 of the Constitution also provides that Parliament shall by legislation ensure that County Governments have adequate support to enable them to perform their functions.

323. Further, Section 4 of the County Governments Additional Allocations Act (CGAAA), 2024 requires that additional allocations shall be funds agreed upon by the National Assembly and the Senate during the consideration of the Budget Policy Statement and shall comprise of County Governments' additional allocations financed from either the National Government's Share of



Revenue or proceeds of loans or grants from Development Partners. Pursuant to Section 5 of the CGAAA 2024, funds for additional allocations to County Governments shall be included in the budget estimates of the National Government and shall be submitted to Parliament for approval.

324. In the 2025 Budget Policy Statement, the National Treasury proposes to allocate Ksh 69.8 billion as additional allocations (conditional and unconditional) to County Governments. Out of this, Ksh 12.89 billion will be financed from the National Government's share of revenue, and Ksh 56.91 billion from proceeds of loans and grants from Development Partners as indicated in **Table 4.8**.

**Table 4.8: Additional Allocations to County Governments in FY 2025/26**

| S/NO  | Project Description   | Amount in Ksh         |
|---|---|-----------------------|
| <b>I. Additional Unconditional Allocations Financed from National Government's Share of Revenue</b>                 |   |                       |
| 1   | Unconditional Additional Allocations from Court fines   | 11,519,280            |
| 2   | Unconditional Additional Allocations from 20% Share of Mineral Royalties to County Governments                            | 2,934,923,148         |
|   | <b>TOTAL</b>  | <b>2,946,442,428</b>  |
| <b>II. Additional Conditional Allocations Financed from National Government's Share of Revenue</b>                  |   |                       |
| 1   | Conditional Grant for Payment of Outstanding Basic Salary Arrears for County Government Health Workers                    | 1,759,101,729         |
| 2   | Conditional Grant for Community Health Promoters  | 3,234,930,000         |
| 3   | Conditional Grant to Supplement Construction of County Headquarters   | 454,000,000           |
| 4   | Conditional Grant for County Aggregation and Industrial Parks (CAIPs) Programme   | 4,500,000,000         |
|   | <b>TOTAL</b>  | <b>9,948,031,729</b>  |
| <b>III. Additional Conditional Allocations Financed from proceeds of loans and grants from Development Partners</b> |   |                       |
| 1   | IFAD - Aquaculture Business Development Programme (ABDP)  | 200,000,000           |
| 2   | IDA (World Bank) - Financing Locally- Led Climate Action Program-County Climate Institutional Support (FLLOCA-CCIS)       | 121,000,000           |
| 3   | IDA (World Bank) - Financing Locally- Led Climate Action Program-County Climate Resilience Investment (FLLOCA-CCRI)       | 6,187,500,000         |
| 4   | IDA (World Bank) - Financing Locally- Led Climate Action Program-County Climate Resilience Investment (FLLOCA- CCRI)      | 1,200,000,000         |
| 5   | IDA (World Bank) - Food Systems Resilience Project (FSRP)   | 3,200,000,000         |
| 6   | KfW - Drought Resilience Programme in Northern Kenya (DRPNK)  | 1,276,654,208         |
| 7   | IDA (World Bank) - Second Kenya Devolution Support Program - Institutional Grant (Level 1 Grant) (KDSP)                   | 1,762,500,000         |
| 8   | IDA (World Bank) - Second Kenya Devolution Support Program - Service Delivery and Investment Grant (Level 2 Grant) (KDSP) | 13,042,500,000        |
| 9   | IFAD - Kenya Livestock Commercialization Project (KeLCoP)   | 634,500,000           |
| 10  | IDA (World Bank) - Second Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)                              | 10,325,754,660        |
| 11  | IDA (World Bank) - Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)                                   | 1,300,000,000         |
| 12  | Kenya Water, Sanitation and Hygiene (K-WASH) Programme  | 4,607,526,599         |
| 13  | IDA (World Bank) - National Agricultural Value Chain Development Project (NAVCDP)   | 7,700,000,000         |
| 14  | DANIDA - Primary Health Care in Devolved Context (PHDC)   | 510,000,000           |
| 15  | IDA (World Bank) - Water and Sanitation Development Project (WSDP)  | 3,000,000,000         |
| 16  | AfD (France) - Kenya Informal Settlement Improvement Project (KISIP) II   | 1,000,000,000         |
| 17  | IDA (World Bank) - Kenya Informal Settlement Improvement Project (KISIP) II   | 840,000,000           |
|   | <b>TOTAL</b>  | <b>56,907,935,467</b> |
|   | <b>GRAND TOTAL</b>  | <b>69,802,409,623</b> |

Source of Data: The National Treasury

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

325. Taking into consideration the above proposed additional allocations to County Governments in FY 2025/26, the expected total transfers to County Governments is Ksh 474.87 billion. **Table 4.9** shows disaggregation of total proposed transfers to the Counties in FY 2025/26 and allocations in previous financial year. From the table, there is clear demonstration that there has been consistent growth of total transfers to County Governments over the financial years.



**Table 4.9 Disaggregation of County Governments' Allocation (Ksh Million)**

| Type/Level of Allocation                         | FY2019/20 | FY2020/21 | FY2021/22 | FY2022/23 | FY2023/24 | FY2024/25 | FY2025/26 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| A County Equitable Share                         | 316,500   | 316,500   | 370,000   | 370,000   | 385,425   | 387,425   | 405,069   |
|  |           |           |           |           |           |           |           |
| B Additional Allocations to County Governments   | 45,595    | 30,204    | 39,880    | 22,359    | 46,362    | 42,002    | 69,802    |
| Of which a) Gok-funded unconditional allocations | -         | -         | -         | -         | 10,117    | -         | 2,946     |
| b) Gok-funded conditional allocations            | 6,505     |           | 7,537     | 5,200     | 3,044     | 4,584     | 9,948     |
| c) Allocations from proceeds of loans and grants | 39,090    | 30,204    | 32,343    | 17,159    | 33,202    | 35,659    | 56,908    |
| C Total County Allocations (A+B)                 | 362,095   | 346,704   | 409,880   | 392,359   | 431,787   | 429,427   | 474,871   |

Source of Data: National Treasury

#### 4.4 Horizontal Allocation of Revenue

326. The National Treasury proposes to allocate County Governments an equitable share of Ksh 405.1 billion from the shareable revenue raised nationally to be shared among County Governments on the third basis formula for sharing revenue approved by Parliament under Article 217 of the Constitution.

327. The Third Basis formula which is applicable from FY 2020/21 to FY 2025/26 has taken into account the following parameters; (i) Population (18%); (ii) Health Index (17%); (iii) Agriculture Index (10%); (iv) Urban Index (5%); (v) Poverty Index (14%); (vi) Land Area Index (8%); (vii) Roads Index (8%), and; (viii) Basic Share index (20%). The horizontal distribution of County Governments' equitable revenue share allocation of Ksh 405.1 billion for FY 2025/26 shall be based on the Third Basis Formula (**Table 4.10**).

**Table 4.10: Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the FY 2025/26**

| S/No. | County          | FY 2024/25            | FY 2025/26              |                 |  |                 |                           |
|-------|-----------------|-----------------------|-------------------------|-----------------|--|-----------------|---------------------------|
|       |                 | Total Equitable Share | 0.5 (Allocation Ratio*) |                 | (Equitable Share**.-0.5 Allocation Ratio) *(Formula*** ) |                 | Total Equitable Share**** |
|       |                 |                       | Allocation Ratio        | Equitable Share | Allocation Ratio   | Equitable Share |                           |
|       |                 | Column E = B+D        | column A                | column B        | column C   | column D        | Column E = B+D            |
| 1     | Baringo         | 6,683,872,230         | 1.61                    | 2,547,825,000   | 1.80   | 4,454,485,782   | 7,002,310,782             |
| 2     | Bomet           | 7,015,120,960         | 1.74                    | 2,753,550,000   | 1.86   | 4,589,673,714   | 7,343,223,714             |
| 3     | Bungoma         | 11,170,672,761        | 2.81                    | 4,446,825,000   | 2.93   | 7,241,523,752   | 11,688,348,752            |
| 4     | Busia           | 7,514,936,175         | 1.9                     | 3,006,750,000   | 1.97   | 4,855,276,089   | 7,862,026,089             |
| 5     | Elgeyo Marakwet | 4,826,732,154         | 1.22                    | 1,930,650,000   | 1.26   | 3,119,054,514   | 5,049,704,514             |
| 6     | Embu            | 5,369,897,179         | 1.36                    | 2,152,200,000   | 1.40   | 3,465,431,012   | 5,617,631,012             |
| 7     | Garissa         | 8,290,447,207         | 2.22                    | 3,513,150,000   | 2.08   | 5,145,106,259   | 8,658,256,259             |
| 8     | Homa bay        | 8,170,279,683         | 2.13                    | 3,370,725,000   | 2.09   | 5,169,077,361   | 8,539,802,361             |
| 9     | Isiolo          | 4,923,506,894         | 1.34                    | 2,120,550,000   | 1.22   | 3,018,759,443   | 5,139,309,443             |
| 10    | Kajiado         | 8,345,014,080         | 2.03                    | 3,212,475,000   | 2.24   | 5,527,698,570   | 8,740,173,570             |
| 11    | Kakamega        | 12,980,503,856        | 3.29                    | 5,206,425,000   | 3.39   | 8,372,613,225   | 13,579,038,225            |
| 12    | Kericho         | 6,738,465,912         | 1.7                     | 2,690,250,000   | 1.77   | 4,359,892,241   | 7,050,142,241             |
| 13    | Kiambu          | 12,293,695,472        | 2.98                    | 4,715,850,000   | 3.31   | 8,161,271,630   | 12,877,121,630            |
| 14    | Kilifi          | 12,169,843,603        | 3.3                     | 5,222,250,000   | 3.03   | 7,482,496,017   | 12,704,746,017            |
| 15    | Kirinyaga       | 5,449,273,298         | 1.34                    | 2,120,550,000   | 1.45   | 3,585,005,147   | 5,705,555,147             |
| 16    | Kisii           | 9,305,836,563         | 2.46                    | 3,892,950,000   | 2.36   | 5,829,630,296   | 9,722,580,296             |
| 17    | Kisumu          | 8,405,327,544         | 2.16                    | 3,418,200,000   | 2.18   | 5,371,091,649   | 8,789,291,649             |
| 18    | Kitui           | 10,885,967,728        | 2.79                    | 4,415,175,000   | 2.82   | 6,968,985,751   | 11,384,160,751            |
| 19    | Kwale           | 8,625,411,411         | 2.46                    | 3,892,950,000   | 2.06   | 5,096,818,508   | 8,989,768,508             |
| 20    | Laikipia        | 5,387,035,312         | 1.32                    | 2,088,900,000   | 1.44   | 3,552,062,159   | 5,640,962,159             |
| 21    | Lamu            | 3,254,430,925         | 0.82                    | 1,297,650,000   | 0.85   | 2,107,435,512   | 3,405,085,512             |
| 22    | Machakos        | 9,597,222,939         | 2.45                    | 3,877,125,000   | 2.50   | 6,160,494,193   | 10,037,619,193            |

| S/No. | County        | FY 2024/25             | FY 2025/26              |                        |   |                        |                           |
|-------|---------------|------------------------|-------------------------|------------------------|---|------------------------|---------------------------|
|       |               | Total Equitable Share  | 0.5 (Allocation Ratio*) |                        | (Equitable Share**-0.5 Allocation Ratio) *(Formula*** ) |                        | Total Equitable Share**** |
|       |               |                        | Allocation Ratio        | Equitable Share        | Allocation Ratio  | Equitable Share        |                           |
|       |               | Column E = B+D         | column A                | column B               | column C  | column D               | Column E = B+D            |
| 23    | Makueni       | 8,497,308,449          | 2.34                    | 3,703,050,000          | 2.09  | 5,163,373,364          | 8,866,423,364             |
| 24    | Mandera       | 11,690,619,375         | 3.23                    | 5,111,475,000          | 2.87  | 7,085,679,503          | 12,197,154,503            |
| 25    | Marsabit      | 7,597,150,148          | 2.14                    | 3,386,550,000          | 1.84  | 4,534,778,607          | 7,921,328,607             |
| 26    | Meru          | 9,944,340,172          | 2.54                    | 4,019,550,000          | 2.59  | 6,380,945,893          | 10,400,495,893            |
| 27    | Migori        | 8,385,076,708          | 2.14                    | 3,386,550,000          | 2.18  | 5,383,368,447          | 8,769,918,447             |
| 28    | Mombasa       | 7,899,674,510          | 2.23                    | 3,528,975,000          | 1.91  | 4,707,204,184          | 8,236,179,184             |
| 29    | Murang'a      | 7,511,867,136          | 1.99                    | 3,149,175,000          | 1.90  | 4,698,580,314          | 7,847,755,314             |
| 30    | Nairobi       | 20,178,712,721         | 5.03                    | 7,959,975,000          | 5.33  | 13,159,470,971         | 21,119,445,971            |
| 31    | Nakuru        | 13,666,998,494         | 3.31                    | 5,238,075,000          | 3.68  | 9,077,875,029          | 14,315,950,029            |
| 32    | Nandi         | 7,346,070,242          | 1.69                    | 2,674,425,000          | 2.04  | 5,031,320,039          | 7,705,745,039             |
| 33    | Narok         | 9,241,861,510          | 2.54                    | 4,019,550,000          | 2.28  | 5,624,382,672          | 9,643,932,672             |
| 34    | Nyamira       | 5,359,988,239          | 1.52                    | 2,405,400,000          | 1.29  | 3,182,065,043          | 5,587,465,043             |
| 35    | Nyandarua     | 5,936,522,422          | 1.54                    | 2,437,050,000          | 1.53  | 3,768,900,422          | 6,205,950,422             |
| 36    | Nyeri         | 6,518,609,636          | 1.71                    | 2,706,075,000          | 1.66  | 4,106,065,620          | 6,812,140,620             |
| 37    | Samburu       | 5,623,229,594          | 1.46                    | 2,310,450,000          | 1.45  | 3,567,833,920          | 5,878,283,920             |
| 38    | Siaya         | 7,301,472,442          | 1.83                    | 2,895,975,000          | 1.92  | 4,744,681,245          | 7,640,656,245             |
| 39    | Taita Taveta  | 5,066,138,537          | 1.34                    | 2,120,550,000          | 1.29  | 3,172,372,444          | 5,292,922,444             |
| 40    | Tana River    | 6,824,718,335          | 1.85                    | 2,927,625,000          | 1.70  | 4,197,134,580          | 7,124,759,580             |
| 41    | Tharaka Nithi | 4,399,507,348          | 1.24                    | 1,962,300,000          | 1.06  | 2,624,850,462          | 4,587,150,462             |
| 42    | Trans Nzoia   | 7,540,501,498          | 1.82                    | 2,880,150,000          | 2.03  | 5,019,156,778          | 7,899,306,778             |
| 43    | Turkana       | 13,213,283,350         | 3.33                    | 5,269,725,000          | 3.47  | 8,555,141,120          | 13,824,866,120            |
| 44    | Uasin Gishu   | 8,472,399,603          | 2                       | 3,165,000,000          | 2.32  | 5,716,021,786          | 8,881,021,786             |
| 45    | Vihiga        | 5,292,922,428          | 1.47                    | 2,326,275,000          | 1.29  | 3,195,052,681          | 5,521,327,681             |
| 46    | Wajir         | 9,902,798,207          | 2.7                     | 4,272,750,000          | 2.46  | 6,063,511,439          | 10,336,261,439            |
| 47    | West Pokot    | 6,609,735,011          | 1.58                    | 2,500,350,000          | 1.79  | 4,425,770,811          | 6,926,120,811             |
|       | <b>TOTAL</b>  | <b>387,425,000,000</b> | <b>100</b>              | <b>158,250,000,000</b> | <b>100.00</b>   | <b>246,819,420,197</b> | <b>405,069,420,197</b>    |

Source of Data: The National Treasury

## **4.5 Intergovernmental Fiscal Transfers**

328. National Government Ministries Departments and Agencies (MDAs) are responsible for development of frameworks for the management of conditional additional allocations made to beneficiary County Governments. These frameworks outline the total allocation to each conditional additional allocation and the specific amount apportioned to each participating County Government; the conditions to be met by participating County Government; and the responsibilities of both MDAs, and beneficiary County Governments. The Accounting Officers in the respective MDAs are responsible for submission of these frameworks to the National Treasury for inclusion in the County Governments Additional Allocations Bill (CGAAB), 2025.

### **4.5.1 Intergovernmental Agreements in respect of the Additional Conditional Allocations**

329. Section 9(b) of the County Governments Additional Allocations Act, 2022 (No. 17 of 2022) introduced amendments to the Public Finance Management Act (PFMA), 2012 by inserting a new Section 191A-191E. The Section requires the National Treasury to enter into intergovernmental agreements with County Governments for the transfer of conditional allocations.

330. However, during the 21<sup>st</sup> Ordinary Session of IBEC on 6th October, 2023, the Council directed that the National Treasury, Council of Governors, and the Attorney General engage the Senate and National Assembly to consider suspending the implementation of Sections 191A-191E of the PFM Act for FY 2023/24. Following this resolution and pursuant to Article 116 of the Constitution, Parliament granted a suspension of the law's effective date for two financial years, FY 2023/24 and FY 2024/25, and requested IBEC to propose amendments via a draft Bill for introduction to the National Assembly.

331. The Intergovernmental Budget and Economic Council (IBEC) in its 24<sup>th</sup> Ordinary Session. Adopted the recommendations on the repeal of Sections 191A-191E of the PFM Act 2012. Subsequently, the National Treasury prepared a draft Public Finance Management (Amendment) Bill which was approved by Cabinet for submission to Parliament for enactment.

## **4.6 Equalization Fund**

332. The Equalization Fund, under Article 204(1) of the Constitution of Kenya 2010, receives an annual allocation of 0.5 percent of the National Government's revenue based on the most recent audited accounts approved by the National Assembly. According to Article 204 (2) of the Constitution, the National Government must use this Fund to improve basic services including water, roads, health facilities, and electricity, in marginalized areas, to bring these services up to the level generally enjoyed by the rest of the nation, so far as possible.

333. In the FY 2023/24, a total of Ksh 1.0 billion was paid into the Equalization Fund for disbursement to the beneficiary counties as conditional grants to commence implementation of 1,277 projects spread in 1,424 marginalized areas spread out in 366 wards, 111 constituencies and 34 counties. These projects span five sectors of Water, Roads, Health, Education and Energy.

In the same period, 2023/24, the Equalization Fund disbursed Ksh 156,137,031.70 to Ministries, Departments and Agencies (MDAs) for completion of projects funded under the Equalization Fund Appropriation Act 2018. Of the projects funded by the Equalization Fund Appropriation Act 2018, 60 percent are complete and in use by marginalized communities while a further 22 percent are nearing completion.

334. In the FY 2025/26, the National Treasury has recommended allocating Ksh 7.8 billion to the Equalization Fund, representing 0.5 percent of national revenue collected in FY 2020/21, as well as an extra Ksh 2.7 billion to settle outstanding arrears owed to the Fund.

## **4.7 Emerging Issues and Policy Interventions**

### **4.7.1 County Revenue Forecasting Model**

335. In a bid to enhance revenue forecasting by County Governments, the National Treasury is leading a multi-agency technical team in development of forecasting models to be utilized in estimation of Own Source Revenue targets. The development of the forecasting tool is supported through KDSP II in realization of Key Result Area (KRA) 1 on Sustainable Financing and Expenditure Management. Once finalized the models will enhance target setting and accuracy of fiscal forecasting as well as reduce piling up of pending bills occasioned by overcasting.

### **4.7.2 Integrated County Revenue Management Systems**

336. In line with various IBEC resolutions in regard to the Integrated County Revenue Management System (ICRMS), the National Treasury, in line with Section 12 (1) (e) of the Public Finance Management Act, 2012, is developing an Integrated County Revenue Management System (ICRMS) to replace the fragmented County revenue management systems currently being operated by counties. The ICRMS is a unified, centralized management system aimed at enhancing effectiveness in the collection and administration of County Government Own Source Revenue (OSR). So far, a Multi-Agency Technical Team drawn from across Government Departments in charge of devolution and representatives from County Executives have accomplished the following:

- i) Conceptualization and Planning- Developed a comprehensive Concept paper, project Work Plan, and required Budget;
- ii) Revenue Stream Identification and Classification- Identified, classified, and mapped revenue streams in alignment with the Standard Chart of Accounts (SCOA);
- iii) Business Process and Requirements Definition- Defined detailed business processes and requirements for the ICRMS;
- iv) System Architecture and Design- Developed the foundational architecture and design of the ICRMS;
- v) Technical Specifications- Documented the technical specifications for the ICRMS; and
- vi) Legal Framework- Developed Draft ICRMS regulations for its operationalization. Currently, the draft regulations are awaiting approval by the Steering Committee before being subjected to wider stakeholder engagement and public participation.



## V. STATEMENT OF SPECIFIC FISCAL RISKS

### 5.1 Introduction

337. As part of requirement under the Public Finance Management Act, 2012 for prudent management of risk, this Annexure presents the Statement of Specific Fiscal Risks (SSFR). This Section provides an assessment of fiscal risks that the Kenyan economy is exposed to that may affect the achievement of the macroeconomic targets and objectives detailed in this BPS. In this BPS, the economy is expected to slow down to a growth 4.6 percent in 2024 from a growth of 5.6 percent in 2023 mainly due to a general deceleration of economic activities coupled by a decline in credit to the private sector. Economic activities are expected to pick up in 2025 with a projected growth of 5.3 percent. This outlook will be supported by a robust services sector and recovery of manufacturing sector; robust agricultural productivity and improvement in exports. The outlook will be reinforced by implementation of policies and reforms under the priority sectors of the Bottom-Up Economic Transformation Agenda (BETA) and improvement in aggregate demand.

338. There are, however, downside risks to the macroeconomic outlook envisaged in this 2025 BPS emanating from domestic as well as external shocks. The fiscal risks arise from assumptions that underline fiscal projections, the dynamics of public debt, and operations of state corporations, contingent liabilities, financial sector vulnerabilities and natural risks. Emergence of these risks could make it difficult for the Government to actualize and sustain macroeconomic policies detailed in this BPS. This Section also details the measures that the Government is implementing to mitigate such risks.

### 5.2 Risk in Changes in Macroeconomic Assumptions

339. Macroeconomic variables play a key role in the formulation of the budget as they form a baseline in revenue projections and determine the Government's spending priorities. The macroeconomic assumptions underlying the FY 2025/26 budget entail an estimated growth of 4.6 percent in 2024 and 5.3 percent in 2025. Inflation is projected at 4.8 percent in FY 2024/25 to remain within the midpoint target of 5.0 percent over the medium term. The external sector is expected to remain relatively stable despite geopolitical fragmentation and uncertainties and tight global financial conditions. The unexpected changes in the macroeconomic projections in this BPS may pose risks to the projected revenue and expenditure.

340. **Table 5.1** summarizes the likely impact of changes in the 2025 BPS outcomes on the fiscal projections.

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

|   | Revenue     |             |             |             | Expenditures |            |            |            | Budget Balance |             |             |             |
|---|-------------|-------------|-------------|-------------|--------------|------------|------------|------------|----------------|-------------|-------------|-------------|
|   | 2025/26     | 2026/27     | 2027/28     | 2028/29     | 2025/26      | 2026/27    | 2027/28    | 2028/29    | 2025/26        | 2026/27     | 2027/28     | 2028/29     |
| Reduction in real GDP (%) by 1.0 % point          | -12.5       | -13.8       | -15.2       | -16.7       | -6.5         | -7.2       | -8.8       | -8.8       | -6.0           | -6.6        | -7.9        | -7.9        |
| Increase in inflation rate (%) by 1.0 % Point     | 13.0        | 14.5        | 16.1        | 17.7        | 7.0          | 7.8        | 9.6        | 9.6        | 6.0            | 6.7         | 8.2         | 8.2         |
| Depreciation in exchange rate (Ksh/US\$) by 10%   | 19.9        | 22.8        | 25.6        | 27.7        | 4.1          | 4.6        | 5.6        | 5.6        | 15.8           | 18.2        | 22.1        | 22.1        |
| Increase in value of imported goods (US\$) by 10% | 11.6        | -5.2        | -5.5        | -5.6        | 0.0          | 0.0        | 0.0        | 0.0        | 11.6           | -5.2        | -5.6        | -5.6        |
| <b>All shocks Combined</b>                        | <b>33.0</b> | <b>17.8</b> | <b>20.4</b> | <b>22.5</b> | <b>4.5</b>   | <b>5.1</b> | <b>6.3</b> | <b>6.3</b> | <b>28.5</b>    | <b>12.7</b> | <b>16.2</b> | <b>16.2</b> |

*Source of Data: National Treasury*

341. The reduction of the projected real GDP in 2025 by one percent (from 5.3 percent to 4.3 percent) has the adverse impact of reducing revenue collection by Ksh 12.5 billion in FY 2025/26. Due to the reduced revenues, expenditures would decline by Ksh 6.5 billion resulting to an increase in fiscal deficit by Ksh 6.0 billion in the same period. This shock would persist over the medium term with the decline in revenues more than the decline in expenditures leading to a higher than projected fiscal deficit.

342. A shock of a one percent increase in the projected inflation rate for FY 2025/26, from 5.0 percent to 6.0 percent, would result in an increase in revenues and expenditures by Ksh 13.0 billion and Ksh 7.0 billion, respectively in FY 2025/26. The higher revenues compared to expenditures would result to an improvement of the fiscal deficit by Ksh 6.0 billion in FY 2025/26. The impact of the shock would persist over the medium term thereby improving the fiscal deficit by Ksh 8.2 billion by FY 2028/29. However, this projection does not take into account the changes in consumer behaviour as a result on increase in prices.

343. A 10 percent depreciation of the Kenya shilling to the dollar would have a higher impact on the revenues as compared to the expenditures. The revenues and expenditures would increase by Ksh 19.9 billion and Ksh 4.1 billion respectively in FY 2025/26 thereby reducing the projected fiscal deficit by Ksh 15.8 billion. The effect of this shock would persist over the medium term with the increase in revenues offsetting the increase in expenditures leading to a lower than projected fiscal deficit. Fiscal deficit would reduce by an estimated Ksh 22.1 billion by FY 2028/29. The projection does not take into account that the depreciated exchange rate might lead to lower volumes of imports thereby having an adverse effect on the revenues.

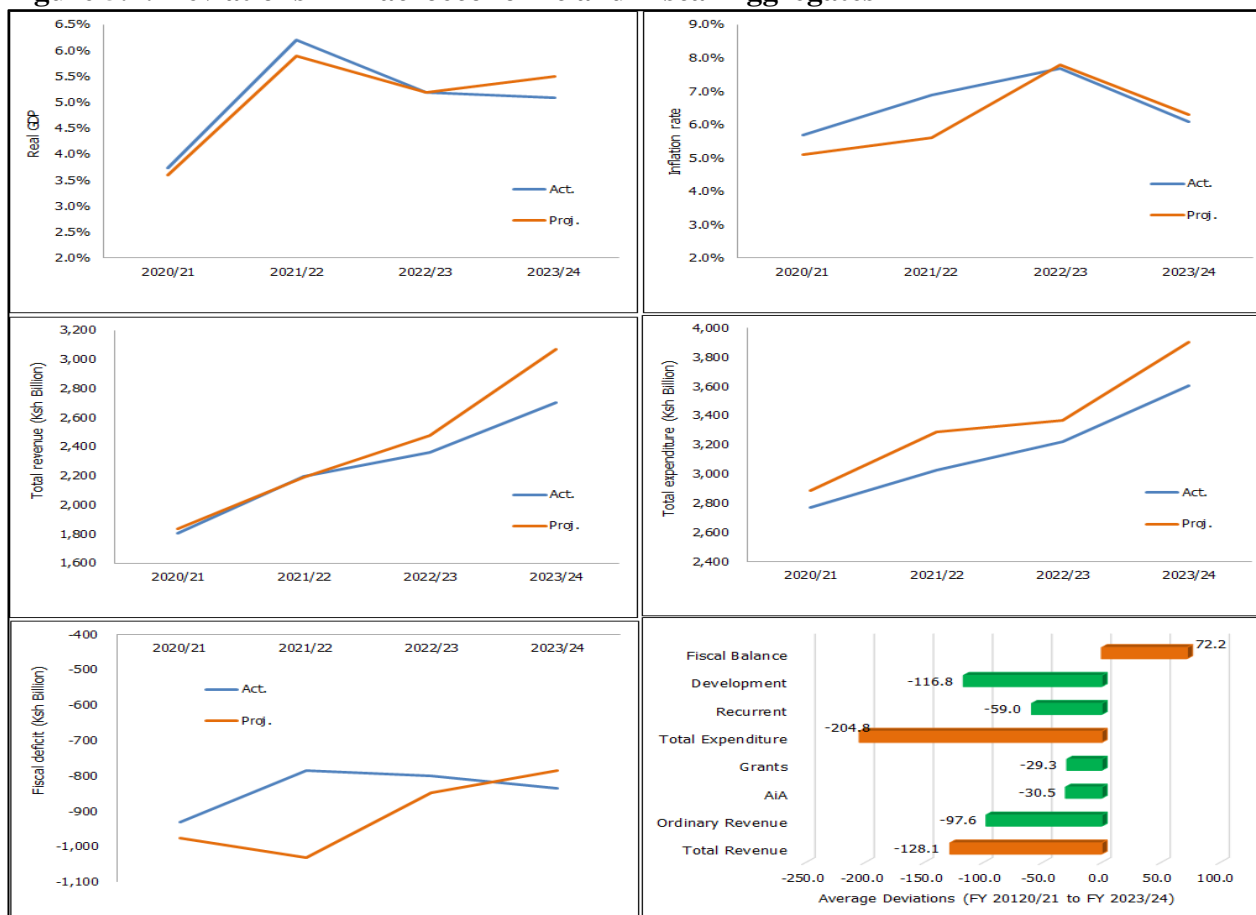
344. A shock of 10 percent increase in the value of imported goods in the FY 2025/26 would increase revenue collection by Ksh 11.6 billion in the same period. However, the shock would have a negative effect on revenue collection over the medium term due to change in consumer behaviour. The shock would not significantly affect expenditures.

345. Overall, if all the four shocks were to hit the economy concurrently in the FY 2025/26, revenues would increase by Ksh 33.0 billion as the movements in inflation and exchange rate would offset the risk posed by a slowdown in real GDP growth. The adverse impact of the shocks to expenditures would be significantly lower compared to the increase in revenues thereby eliminating the fiscal risk on the budget from macroeconomic shocks.

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

346. Overall, the actual real GDP growth and inflation projections have been within their respective set targets with minimal deviations as shown in **Figure 5.2**. However, for the past two years, revenues and expenditures have been performing below their respective targets. The fiscal deficit has been consolidation gradually over the past three tears.

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



Source: National Treasury

347. Over the period 2020/21-2023/24, there was minimum deviation between the assumed and provisional actual real GDP growth rates with a standard deviation of 0.3 percentage point. With respect to inflation assumptions, the standard deviation was at 0.7 percentage point over the four years, with the largest deviation being recorded in FY 2021/22 at 1.3 percent mainly due to the unanticipated inflationary pressures resulting from prolonged drought and external pressures (**Table 5.2**).

348. The actual performance of fiscal aggregates against their targets was mainly below target. Total revenue between FY 2020/21 and FY 2023/24 fell short of its target by an average of Ksh 128 billion. This shortfall was from both ordinary revenues by Ksh 98 billion and Ministerial A-I-A of Ksh 31 billion. The average deviation of total expenditure and net lending between FY 2020/21 and FY 2023/24 was an underspending of Ksh 205 billion. This shortfall was mainly due to lower absorption in development expenditures by Ksh 117 billion and recurrent

expenditures by Ksh 59 billion. The lower recurrent spending is in line with the fiscal consolidation programme by the Government that targets to curtail unproductive expenditures.

349. The lower-than-projected spending on development expenditure poses a risk to the projected economic growth and fiscal program. In order to prevent this risk from materializing and improve efficiency of public investments, the National Treasury froze initiation of new capital projects until the completion of the ongoing ones. The Public Investment Management Unit will ensure that all capital projects are planned, appraised, and evaluated before funds are finally committed in the budget.

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

|   | 2021/22 |        |       | 2022/23 |             |       | 2023/24* |             |       | 2024/25 | Average    | Standard   |
|---|---------|--------|-------|---------|-------------|-------|----------|-------------|-------|---------|------------|------------|
|   | Proj.   | Actual | Dev.  | Proj.   | Prel Actual | Dev.  | Proj.    | Prel Actual | Dev.  | Proj    | Deviations | Deviations |
| <b>I. Key Macroeconomic Assumptions</b>       |         |        |       |         |             |       |          |             |       |         |            |            |
| Real GDP                                      | 5.9%    | 6.2%   | 0.3%  | 5.2%    | 5.2%        | 0.0%  | 5.5%     | 5.1%        | -0.4% | 5.0%    | 0.0%       | 0.3%       |
| Inflation Rate (avg)                          | 5.6%    | 6.9%   | 1.3%  | 7.8%    | 7.7%        | -0.1% | 6.3%     | 6.1%        | -0.2% | 4.8%    | 0.4%       | 0.7%       |
| Exchange rate (Ksh/US\$), avg                 |         | 113.8  |       |         | 133.4       |       |          | 135.3       |       |         |            |            |
| Export growth                                 |         | 10.6%  |       |         | 8.0%        |       |          | 5.0%        |       |         |            |            |
| Import growth                                 |         | 16.4%  |       |         | 3.9%        |       |          | -3.5%       |       |         |            |            |
| <b>II. Fiscal Aggregates (in Ksh billion)</b> |         |        |       |         |             |       |          |             |       |         |            |            |
| Total Revenue                                 | 2,192   | 2,200  | 8     | 2,479   | 2,361       | - 118 | 3,071    | 2,703       | - 368 | 3,065   | - 128      | 25         |
| Ordinary Revenue                              | 1,852   | 1,918  | 66    | 2,145   | 2,041       | - 104 | 2,625    | 2,289       | - 336 | 2,581   | - 98       | 48         |
| AiA   | 340     | 282    | - 59  | 333     | 319         | - 14  | 446      | 414         | - 32  | 484     | - 31       | 43         |
| Grants  | 63      | 31     | - 32  | 42      | 23          | - 19  | 47       | 22          | - 25  | 50      | - 29       | 37         |
| Total Expenditure                             | 3,286   | 3,028  | - 258 | 3,367   | 3,221       | - 146 | 3,903    | 3,605       | - 298 | 3,978   | - 205      | 201        |
| Recurrent                                     | 2,227   | 2,135  | - 92  | 2,368   | 2,312       | - 56  | 2,760    | 2,678       | - 82  | 2,946   | - 59       | 65         |
| Development                                   | 658     | 540    | - 117 | 561     | 494         | - 67  | 718      | 546         | - 171 | 586     | - 117      | 114        |
| Domestic                                      | 411     | 378    | - 33  | 337     | 344         | 7     | 438      | 377         | - 61  | 385     | - 29       | 31         |
| External                                      | 239     | 162    | - 78  | 194     | 138         | - 56  | 250      | 152         | - 98  | 179     | - 79       | 81         |
| Net Lending                                   | -       | -      | -     | 16      | 12          | - 4   | 19       | 17          | - 1   | 20      | - 1        | -          |
| Equalization Fund                             | 7       | -      | - 7   | 14      | -           | - 14  | 11       | -           | - 11  | 3       | - 8        | 5          |
| County Allocation                             | 401     | 352    | - 49  | 436     | 416         | - 21  | 424      | 380         | - 43  | 446     | - 28       | 35         |
| Balance                                       | - 1,031 | - 785  | 246   | - 846   | - 800       | 46    | - 785    | - 835       | - 50  | - 863   | 72         | 177        |
| Financing                                     | 1,031   | 748    | - 283 | 846     | 770         | - 76  | 785      | 818         | 33    | 863     | - 88       | 201        |
| Net Foreign Financing                         | 343     | 143    | - 201 | 363     | 311         | - 52  | 362      | 223         | - 139 | 280     | - 122      | 157        |
| Net Domestic Financing                        | 688     | 605    | - 83  | 484     | 460         | - 24  | 423      | 596         | 173   | 583     | 34         | 76         |
| <b>Memo Items:</b>                            |         |        |       |         |             |       |          |             |       |         |            |            |
| Nominal GDP (Ksh billion)                     | 12,844  | 12,698 | - 146 | 14,336  | 14,274      | - 61  | 16,132   | 15,826      | - 305 | 17,435  | - 106      | 121        |

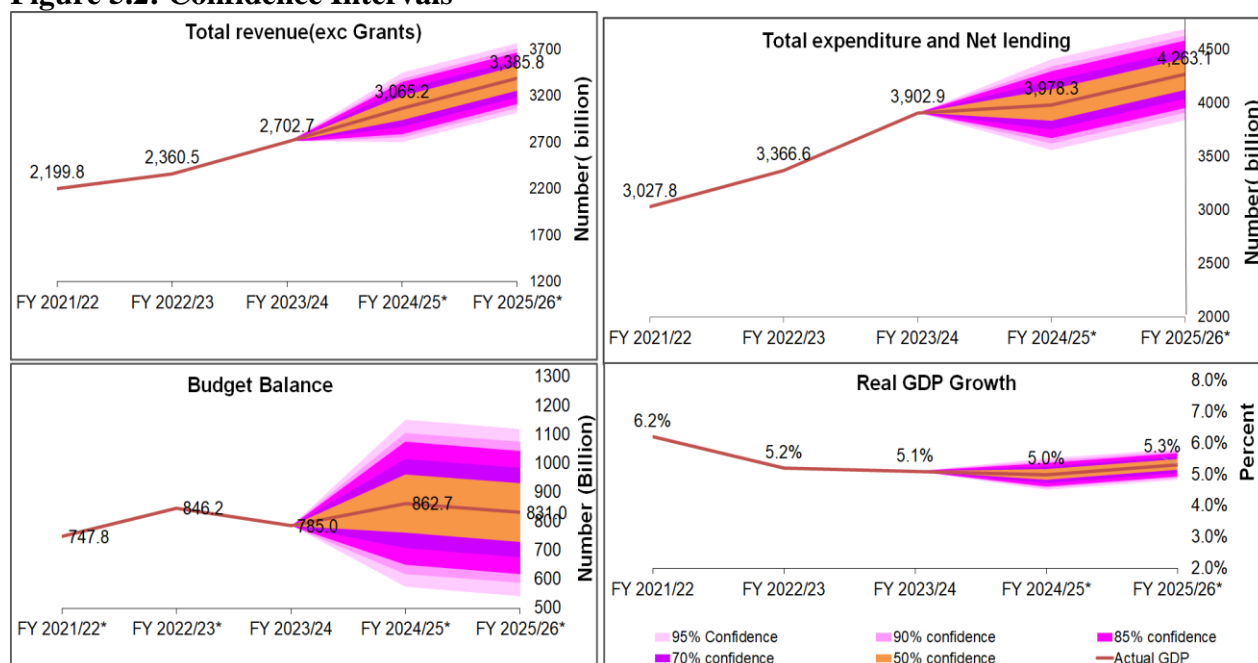
**Source: National Treasury**

350. The economy is projected to remain strong in the FY 2025/26, growing by 5.3 percent with a 95 percent confidence level ranging between 5.8 percent and 4.8 percent at 0.3 percent standard deviation. This is an improvement from a growth of 5.0 percent in FY 2024/25 at a growth range of around 5.5 percent and 4.5 percent using the same standard deviation at 95 percent confidence interval (**Figure 5.2**).

351. There is a 95 percent chance that the forecasted total revenue of Ksh 3,385.8 billion in FY 2025/26 will be within the actual revenue range of Ksh 3,005.5 billion and Ksh 3,766.0 billion with a standard deviation of Ksh 25 billion.

352. The forecasted expenditure of Ksh 4,263.1 billion in FY 2025/26 has a 95 percent chance to range between Ksh 4,690.6 billion and Ksh 3,835.5 billion with a 201.0 billion standard deviations. The fiscal deficit will therefore fall between Ksh 1,121.5 billion and Ksh 587.2 billion in FY 2025/26 at a 95 percent confidence interval.

**Figure 5.2: Confidence Intervals**



Source of Data: National Treasury

### 5.3 Specific Fiscal Risks

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

- Fiscal Risks Associated with Public Debt;
- Fiscal Risks Arising from Accumulation of National Government's Pending Bills;
- Crystallization of Contingent Liabilities;
- Fiscal Risks Related to Devolution;
- Climate Change Related Fiscal Risks to the Economy; and
- Other fiscal risks.

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

#### 5.3.1 Fiscal Risk Associated with Public Debt

355. Performance of the economy has a direct correlation with the debt sustainability. Poor performance of the economy deteriorates the debt indicators thus unsustainability. However, the Government strategy to revive the economy and its commitment to fiscal consolidation will lead to improvement of the debt ratios.

356. Market pressures due to war in Ukraine and the monetary tightening in the USA and Europe have limited access to the international capital market. The inflation rates have led to high interest rates and this has hindered the Government in performing liability management operation on its debt portfolio. However, the Government will continue to monitor the financial conditions before performing any liability management operations whose aim is to lengthen the maturity structure and reduce the refinancing risks in the debt portfolio.

357. The ongoing implementation of reforms in the domestic debt market are aimed at improving efficiency and deepening the market to cushion the Government against the downsides of the



risks stemming from external factors. The risk of continuous increase in the cost of debt service as a result of Kenya shilling depreciating against major currencies as 50 per cent of the debt portfolio is from external sources.

358. The rising interest rates both in the domestic and external market has an implication on the Governments' overall debt service. A large proportion of revenue will be used to service debt. Uncertainty in the movement of interest rates have led to increase of new debt on short-term maturities thus increasing the refinancing risk. Increasing cost of borrowing due to credit rating downgrade which impacts investor confidence and financial terms of various credit especially the commercial loans.

359. Government's exposure to fiscal risks and contingent liabilities arising from state- owned enterprises are recorded off balance sheet. Materialization of these liabilities may pose fiscal difficulties in the budget year. The Government will continue monitoring the liabilities and will be able to mitigate the risk before they materialize.

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

360. Contingent liabilities are potential liabilities that may occur depending on the outcome of uncertain future event. A contingent liability is only recorded in the financial statements if the contingency is probable and the amount of the liability can reasonably be estimated. However, they must be given adequate disclosure if otherwise. Explicit contingent liabilities are specific Government obligations established by law or a contract authorized by law which Government must settle when it becomes due. On the other hand, implicit liabilities represent moral obligations or burdens that, although not legally binding, are likely to be borne by the Government because of public expectations or political pressures.

361. Contingent liabilities are frequently not recorded directly in the budget and thus not subjected to budgetary oversight. Because their fiscal cost is invisible until they come due, they represent a hidden subsidy and a drain on future government finances. These could lead to poor quantification of Contingent Liabilities and the possibility of unplanned budgetary requirements if the guarantee crystallizes. There is need therefore, to monitor these contingent liabilities to avoid fiscal risks in the budget year in the event they happen.

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

362. State corporations have legal capacity to contract debts and other liabilities to finance their requirements with approval of the Parent/line Ministry and concurrence from the National Treasury as per the requirement of the State Corporations Act. Government loans to GOEs are either direct or on-lent. Direct Loans is where Government has granted a loan to a Corporation from the National Exchequer resources while On-Lent Loans is where Government procures credit facilities from development partners on concessional terms. The proceeds are thereafter extended to Corporations as loans.

363. State Corporations are major sources of contingent liabilities to the Government. These mainly stem from inability of the Corporations to pay for contracted obligations such as Government loans, guarantees, pending bills, commercial debts and legal claims.

364. State Corporations face a number of challenges including: i) Inadequate capital for investments and working capital due to dwindling Government Resources to invest in those entities; and ii) Government crowding out the private sector in production of good and services hence lack of competitiveness leading to inefficiencies; among others.

365. Debt stricken State Corporations, constitute a potential source of fiscal Risk. The Government is cautious in issuance of guarantees and other support measures to state corporations upon such requests. However, as the principal owner of all the GOEs, the Government is naturally the underwriter of the risks that they face.

366. State Corporations can be a major source of fiscal risk to public finances if they underperformed financially. In FY 2023/24, fiscal risk analysis was done on a sample of fifty State Corporations in addition to eighteen initially done in FY 2021/22 whose report identified and disclosed the fiscal risk exposure to the Government.

367. In the sixty-eight (68) Corporations, preliminary financial evaluations and risk assessment highlighted a number of fiscal risks that could materialize. These stem primarily from liquidity challenges resulting from unfavourable revenue and economic performance. They also reflected a high liquidity risk demonstrated by their quick ratios which are below the set standards. Current ratios being less than one, implying their inability to service short term obligations as and when they fall due. Subsequently, some were found to have accumulated sizeable arrears/pending bills.

368. Government Linked Corporations (GLCs) also pose a fiscal risk to the Exchequer. These are entities where the Government has less than 50 percent stake. Government oversight in GLCs is limited. However, it may be called upon to meet some contractual obligations in case of default. Due to strategic nature of some of the entities and in view of the national interest & the overall impact of their failure to the economy, the Government may be morally obliged to bail out these entities in case they are in financial distress. This may pose serious fiscal risk and challenge to budget implementation.

369. The National Treasury has guaranteed a number of State Corporations and GLCs. As at 30<sup>th</sup> June, 2024, the Government of Kenya had guaranteed the following State-owned Enterprises (SOEs): Kenya Electricity Generating Company PLC (Kengen), Kenya Ports Authority (KPA) and Kenya Airways (KQ). In addition, 21 SOEs had non-guaranteed debt. Non-guaranteed loans are funds borrowed by Corporations based on the strength of their balance sheets.

370. The stock of Government guaranteed debt as at end June 2024 was at Ksh 100,165 million, which was a decrease from Ksh 170,229 million as at end June 2023 due to novation of Kenya Airways debt amounting to Ksh 58,647 million and repayment of other guaranteed debt.

371. Twenty-two (22) State Corporations reported non-guaranteed debt amounting to Ksh 78,207 million (0.5 percent of GDP). The cumulative stock of on-lent loans amounted to Ksh 1,072,413 million. This included loans to Kenya Railways Corporation amounting to Ksh 737,537 million which accounted for 68 percent of the total on-lent loans.

372. Pending bills among the state corporations remain high, with records showing Ksh 379.816 billion as at 30<sup>th</sup> June, 2024. The major pending bills include; Unpaid contractors' fees for capital projects, undischarged tax obligations and unremitted employer pension.

373. In order to mitigate the fiscal risks among the State Corporations, the Government:

- i) Has initiated the process of reform and restructure of SCs. This is aimed at increasing the Country's fiscal space by reducing Corporations' overreliance on the National Exchequer therefore, creating room for the Government to undertake priority projects and programmes;
- ii) Has conducted a preliminary financial evaluation and viability assessment of State Corporations and recommended the following reforms initiatives: merger of forty-two

(42) SCs to form twenty (20) SCs; nine (9) SCs identified for dissolution and transfer of mandate back to Ministries/other SCs; sixteen (16) SCs with outdated mandates or the good/service can be supplied by the private sector are proposed for Government divesture/dissolution; four (4) public funds categorized as SCs need to be declassified and reverted back to the Ministry with a strengthened/more focused governance structure that will apply to all public funds; and all professional bodies and welfare societies categorized as SCs need to be declassified and recognized as private entities with no national exchequer support;

- iii) Will continue to utilize the Government Information Management Information System (GIMIS) to oversight State Corporations. This will ensure availability of comprehensive and consolidated data on State Corporations to ensure timely identification, monitoring, mitigation, and reporting of fiscal risks from SOEs. More modules are being inbuilt to have a better chance of arresting fiscal risks in the Corporations before they materialize;
- iv) Has initiated Government Ownership Bill aimed at addressing governance issues and gaps in law thereof in relation to Government-Owned Enterprises. This will ensure transparency and accountability in their operations. Public participation on the bill has been conducted and the other processes towards enactment of the bill as an act are on course;
- v) Has developed draft Government Investments regulations which will govern public resource flows to corporate bodies in terms of justification, oversight & governance arrangements and reporting. The regulations have been subjected to public participation and are undergoing subsequent processes for gazettment; and
- vi) Has proposed Key Performance Indicators (KPIs) for commercial State Corporations to help in assessing their strategic, financial, and operational achievements in relation to Government's expectations. The proposed KPIs have been subjected to stakeholder validation and will be incorporated to the Performance Contracting Guidelines for FY 2025/26 during the annual review. This will ensure proper monitoring and timely identification of problems which could result to materialization of contingent liabilities.

### **5.3.2.2 Public Private Partnerships (PPP) Projects**

374. Public Private Partnerships (PPPs) are meant to address the major infrastructure development funding gap in a time of constrained fiscal space, competing development pressures, particularly in the social sectors, and rising public expenditure demand under both national and devolved structures. Currently, it is estimated that the country requires approximately USD 2 billion per year to bridge the infrastructure funding deficit.

375. The Government identified PPPs as one of the key avenues to partly fill the investment financing gap occasioned by the ongoing fiscal consolidation efforts, reducing government borrowing and lowering yields on government securities. PPP Projects also build local financial service sector deepening through mobilized private sector capital, getting innovative ideas, risk transfers, non-debt fiscal sustainability and addressing climate related exposures.

376. Over Ksh 140.7 billion in private capital has so far been mobilized through PPPs over the years up to 30th June 2024. During Financial Year 2024/2025, the National Treasury projects to mobilise a total of Ksh 50 billion from the following projects: 35MW Orpower Geothermal

Project (Ksh 11 billion); Galana Kulalu Food Security Project (Ksh 12.5 billion) and Africa 50 transmission lines (Ksh 41 billion).

377. Currently, there is a PPP projects portfolio pipeline of 37 at various stages. During the last financial year, the PPP program achieved financial close of two main projects namely, Kenya Defence Forces housing Project and 35MW Quantum Geothermal Project. The National Treasury has a number of key policy milestones which include; development of PPP Regulations under the PPP Act 2021, and development of a climate resilience framework for PPPs.

378. Government envisages mobilizing Ksh 70 billion within the next FY 2025/26 through Private investments in PPPs by working with the private sector to develop projects in priority areas. The summary of the targeted sector projects is here below:

- i) The Water Sector -Sabaki Water Carrier Project (Ksh 28 billion) among others
- ii) Energy Sector - Generation and Transmission projects (Nairobi Street lighting Project – Ksh 10 billion among others);
- iii) Housing Sector – e.g. Stony Athi Affordable Housing Project – Ksh 9.2 billion among others;
- iv) Roads and Transport sector - the Mombasa - Nairobi Express way currently project development phase among others.

379. There are potential fiscal risks associated with the Public Private Partnerships projects including possible breaching of contract obligations, unfunded additional obligations and those stemming from movements in inflation and exchange rate. To mitigate these risks, the Government will strengthen PPP institutions, improve governance, promote the framework for balancing risks with affordability and value for money while guaranteeing rapid service delivery through cutting down execution timelines and promoting local content for greater national value capture in PPPs.

380. As part of de-risking public investments in respect to capital mobilization for infrastructure development, the Government will continue to provide Government Support Measures (GSMs) to private investors in PPP projects in the form of Letters of Support (LOSs), Partial Risk Guarantees and Indemnity Agreements. Accordingly, the FCCL framework shall be reviewed to ensure an appropriate balance between project benefits and the risks to be assumed by Government. This will encourage and unlock the private sector capital on projects which require de- risking. To date, a total of fifteen projects have been issued with GSMs which are at Feasibility Study phase, with the project implementation targeted to commence in FY 2024/25. The contingent liabilities are going to be closely monitored and shall be disclosed accordingly depending on the implementation progress of various project agreements.

381. The Government will also put in place a framework that will enable private investment in national programs through balancing risks and rewards between the public and private sector and free the fiscal space. In this regard, the Government will institutionalize a joint PIM-PPP planning framework to ensure that only projects with the highest social - economic returns are undertaken. To achieve this, all projects will be screened for commercial viability as PPPs, before being considered for implementation within the National Budget.

382. To ensure a structured approach to infrastructure development, the National Treasury in conjunction with the State Department of Economic Planning and other Government agencies is working to develop a 10-year National Infrastructure Plan (NIP). The Plan will document strategic infrastructure investments across various sectors and provide a basis for planning,

prioritization, resource mobilization, and delivery of infrastructure projects. The National Infrastructure Plan will inform the implementation of both PPP and public investment projects under the Public Investment Management framework.

383. Additionally, during the FY 2025/26, the National Treasury will develop procurement tools to standardize the procurement process in the following sectors - health, water, and road sectors. To improve disclosure and transparency framework, thorough public engagements will be undertaken during all critical stages of the PPP project implementation processes. Contracting Authorities shall also be required to publish all intended and ongoing projects in line with Section 43 and 69 of the PPP Act of 2021.

### **5.3.3 Fiscal Risks Related to Devolution**

384. County Treasuries are required under Section 107 of the PFM, Act 2012 to manage their public finances in accordance with the principles of fiscal responsibility. Among the fiscal responsibility principles set out in Section 107 (2) is the requirement for the County Treasury to manage its fiscal risks prudently. A number of fiscal risks that require prudence in its management by the County Governments are as follows:

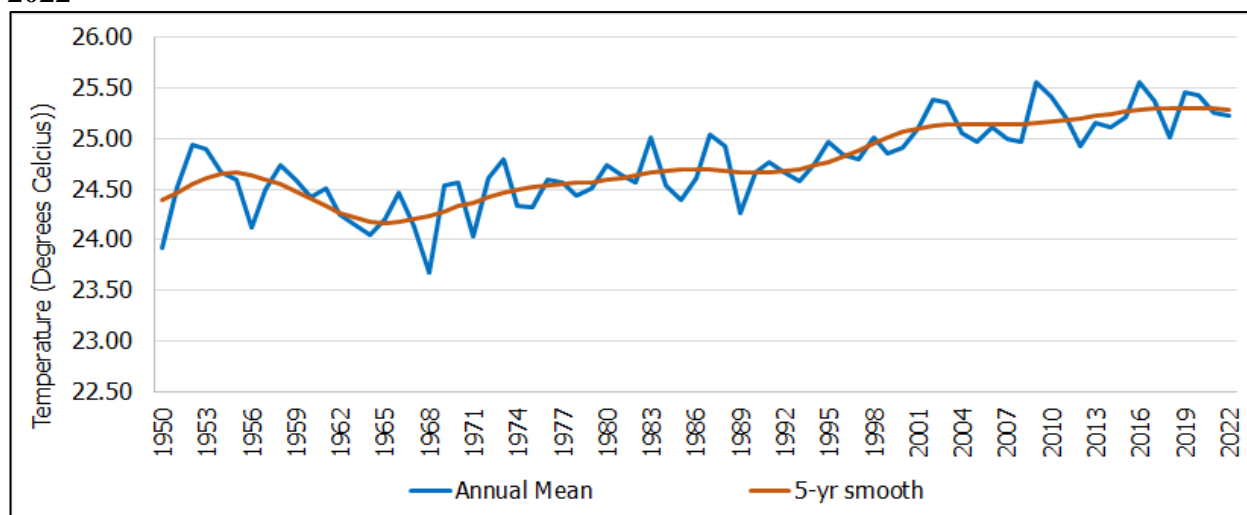
- i) County Governments borrowing through overdrafts from commercial banks and other loan facilities (using different names for the financial securities) without guarantee from the National Treasury;
- ii) Pending Bills for Statutory deductions more especially pensions posing a huge challenge to the social security of the pensioners who may retire without a pension;
- iii) Delays in enactment of crucial laws for the County Governments (both at the county level and the National Government level);
- iv) Overreliance of the County Governments in equitable share which exposes the counties to fiscal shocks occasioned by delays or failure by the National Treasury to raise the projected revenues;
- v) Below potential OSR which results to unfunded budgets resulting to accumulation of pending bills; and
- vi) Accumulation of pending bills over time.

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

385. Climate change in Kenya exhibits a distinct warming trend and variable rainfall pattern. Average temperatures in Kenya have increased by just over 1 degree Celsius since the 1950s (**Figure 5.3**). Precipitation has been highly erratic with variable rainfall pattern and amounts. These changes have resulted in more frequent and extreme weather events ranging from droughts, floods, and landslides, causing major socio-economic and developmental challenges to the economy. The consequences are compounded by the widespread lack of supportive infrastructure and technology.



**Figure 5.3: Observed Annual Average Mean Surface Air Temperature of Kenya, 1950-2022**



Source: World Bank Climate Change Knowledge Portal

386. Kenya is highly exposed to a range of climate-related natural hazards, including droughts and floods, which have significant social, economic, and environmental impacts. Major droughts tend to occur approximately every decade, while less severe but more frequent droughts and floods take place every 3-4 years. These events lead to loss of life, increased food insecurity, water shortages, reduced economic productivity, loss of biodiversity, resource-based conflicts (especially among pastoral communities), and extensive infrastructure damage.

387. Between 1964 and 2022, floods resulted in 2,090 deaths, and droughts have affected over 59 million people (**Table 5.3**). Trends show a rising frequency of floods, landslides, and storms, and climate change is expected to exacerbate these events, increasing both their frequency and severity. For example, the 2022-2023 drought followed severe flooding in 2019-2020. As these climate risks continue to intensify, the need for robust adaptation and mitigation strategies becomes even more urgent to reduce their impact on Kenya's population and economy.

**Table 5.3: Natural Disasters in Kenya, 1964-2022**

|           | No. of Events | Total No. deaths | Total No. affected | Total damage (000' USD) |
|-----------|---------------|------------------|--------------------|-------------------------|
| Floods    | 58            | 2090             | 4,718,765          | 518,388                 |
| Landslide | 5             | 153              | 146                | —                       |
| Drought   | 17            | 196              | 59,300,000         | 251,500                 |
| Storm     | 1             | 50               | —                  | —                       |

Source: EM-DAT, the International Disaster Database (2023)

388. According to the *State of the Climate Kenya (2023)*, the 2023 floods affected 38 counties across Kenya, resulting in loss of lives, injuries, displacements, and destruction of key infrastructure. An increase in contaminated water also led to secondary effects, including vector and waterborne disease outbreaks. 757,173 people (138,560 households) were affected since the onset of the short rains season between October and December 2023. Some of the hardest hit areas were the semi-arid lands where pastoralism is the economic driver for livelihoods. These areas were still recovering from the worst drought in 40 years, which led to high rates of malnutrition.

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

#### 5.3.4.1 Specific Fiscal Risks related to Climate Change

##### Nature of Specific Fiscal Risks

390. These risks are events that may or may not occur, but if they do, they could significantly affect assets, liabilities, government spending, and revenues. Unlike slow-onset risks (e.g., gradual economic impacts), specific fiscal risks could have immediate and substantial short-term impacts.

##### Key Types of Fiscal Risks

391. **Direct Physical Risks:** These risks arise from natural hazards, such as landslides or other extreme weather events, causing damage to public infrastructure. In addition, the risks can be **Acute** resulting from extreme weather events (e.g., hurricanes, floods) and **Chronic:** Due to gradual environmental changes (e.g., sea-level rise or desertification), leading to more frequent or severe natural disasters.

392. **Transition Risks:** These risks stem from the transition to a carbon-neutral economy, which could affect the value of government assets and these include the need for additional support to adjust operations to align with climate-neutral production, especially beyond existing transition plans.

393. The vulnerability to fiscal risks rises when a country's ability to absorb such risks is low. Financially weak sectors, like agriculture and mining, lack the resources or access to finance to manage the financial impact of natural hazards and climate change. As a result, the financial burden is often shifted to the Government. A complete understanding of specific fiscal risks and assessment of their relevance to fiscal policy and the budget requires a comprehensive assessment of climate change risks across the general government sector and for all public corporations. Kenya's key economic sectors are highly sensitive to climate change, with varying impacts across different areas:

- i) **Agriculture:** As the backbone of the economy, agriculture is heavily reliant on consistent weather patterns. Climate change, with its unpredictable rainfall and extreme weather events, threatens crop yields, food security, and rural livelihoods.
- ii) **Energy:** Kenya's energy sector, especially hydroelectric power, is vulnerable to changing rainfall patterns, which can lead to power shortages and increased use of expensive fossil fuels. Rising temperatures also reduce the efficiency of geothermal plants and transmission systems.
- iii) **Labour Productivity:** Increased heat from climate change can reduce labour productivity, particularly for outdoor workers in sectors like agriculture, forestry, and fisheries, especially in arid regions.
- iv) **Road Transport:** With 93% of freight and passenger traffic depending on roads, climate-induced disruptions like flooding and road degradation during extreme weather events can isolate regions and hinder trade and mobility.

- v) **Tourism and Wildlife:** Tourism, closely linked to wildlife and natural landscapes, is affected by climate shifts that alter wildlife habitats and migration patterns, potentially reducing tourism appeal.
- vi) **Water Resources:** Climate change contributes to water scarcity and the degradation of water quality, impacting both human consumption and agricultural use, with wide-ranging effects on health, food production, and energy generation.
- vii) **Health & Education:** The average number of hot days and nights per year have increased remarkably with associated effects on health reported across various hospitals (KMD, 2022). Extreme weather events, such as floods and higher temperatures, can damage infrastructure, disrupt access to health and education services, and increase the spread of diseases like cholera and typhoid. Droughts can reduce food availability and student attendance.

#### 5.3.4.2 Long Term Climate Change Fiscal Risks Analysis

394. Climate change has already started to impact Kenya's economy, and its potential macroeconomic and fiscal implications are significant. Increasing temperatures due to climate change are expected to have significant long-term effects on both economic growth and the sustainability of public finances, leading to increased fiscal risks. Using Quantitative Climate Change Risk Assessment Fiscal Tool (QCRAFT), the analysis considers how temperature changes influence economic activities and examines how this could impact fiscal projections, thereby creating growing fiscal pressures. The assessment spans through to the end of the century to capture the gradual, compounding nature of climate change's economic and financial impacts over time.

395. The analysis demonstrates the impact of four different scenarios of increasingly severe climate change impacts, against a baseline which reflects the continuation of the current economic and fiscal path in the absence of climate change. **Table 5.4** describes the scenarios and expected increases in temperature globally and for Kenya.

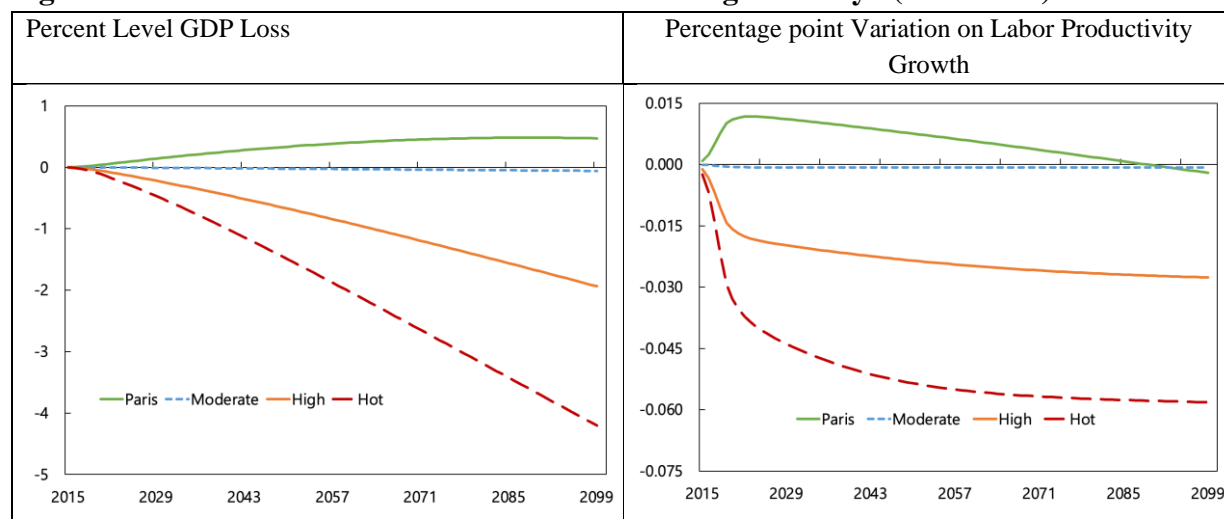
**Table 5.4: Climate Change Scenarios in Kenya**

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

### 5.3.4.3 Macroeconomic Impacts of Climate Change

396. There is a marginal improvement in the level of GDP (increasing by 0.5 percentage points by 2100) and labour productivity growth under the Paris scenario. This is because implementing the Paris Agreement commitments is expected to mitigate against the impact of Climate change. Under each of the other climate change scenario, there is a compounding decrease in the level of GDP and labour productivity but with varying magnitudes. Although reductions in growth rates are small in any given year, this compounds significantly in the long run. Under the hot scenario, GDP would be 4.2 percentage points lower than the baseline by the end of the century (**Figure 5.4**). This is in line with estimates impacts for other similar countries in the region.

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

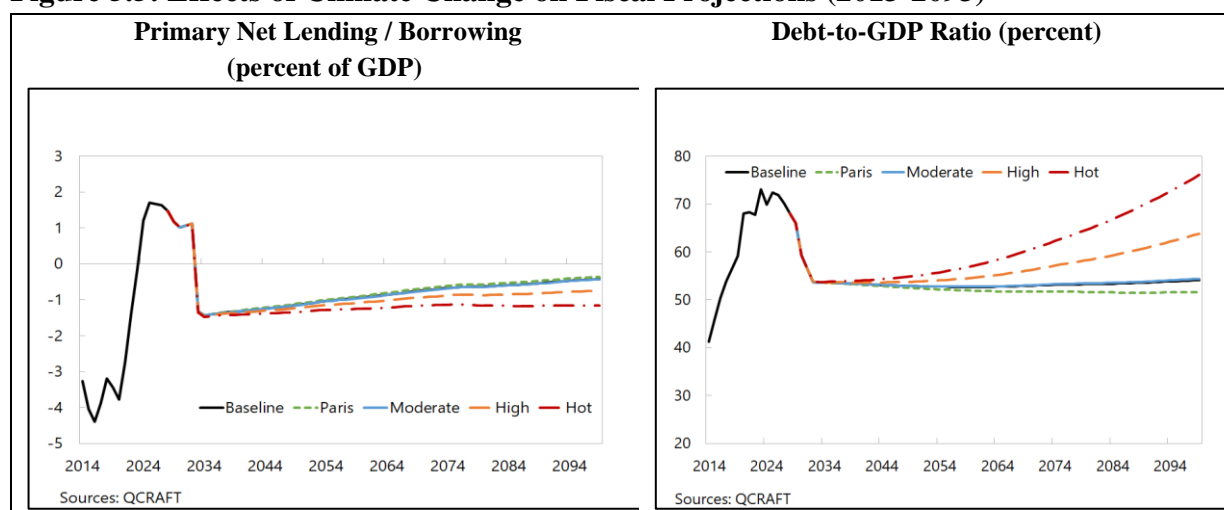


Source: Q-CRAFT (2024)

### 5.3.4.4 Effects of Climate Change on Fiscal Projections

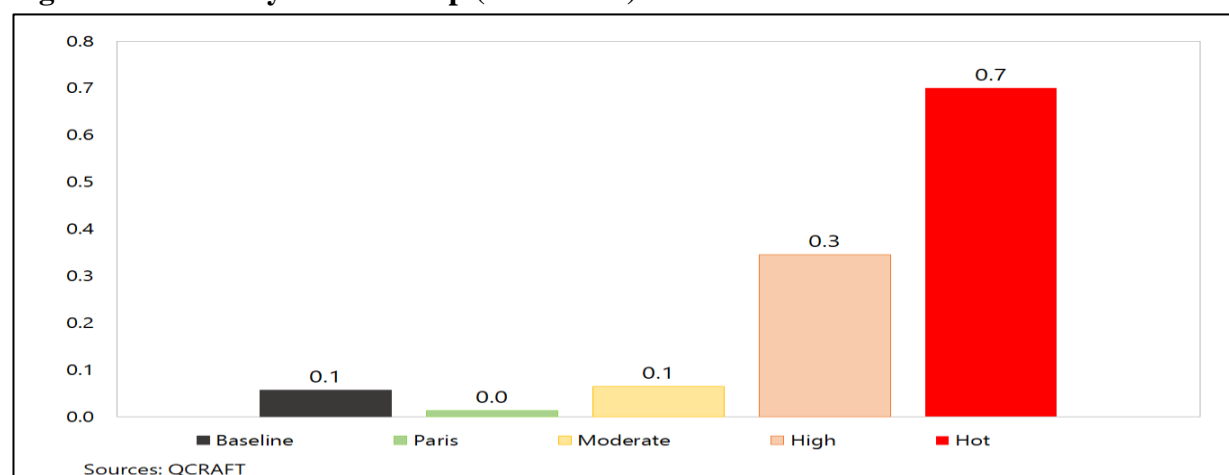
397. Taking the assumption that Government expenditure remains unchanged and revenue declines due to lower GDP growth, Kenya's primary deficit is projected to increase in all scenarios except the Paris scenario (aligned with climate-related goals). This would result in higher net borrowing and an increased debt-to-GDP ratio (**Figure 5.5**). The resulting fiscal deterioration would necessitate fiscal consolidation either through expenditure cuts or revenue increases to maintain fiscal sustainability. However, balancing this fiscal consolidation with the need for increased investment in infrastructure and human capital to promote long-term economic growth poses a significant challenge for the government. The trade-off between maintaining fiscal discipline and investing in growth-promoting sectors will require careful management. In contrast, the baseline and Paris scenarios suggest a decline in the debt-to-GDP ratio, which aligns with the target of maintaining national debt at 55 percent of GDP in net present value terms.

**Figure 5.5: Effects of Climate Change on Fiscal Projections (2013-2093)**



398. The primary balance gap (PB Gap) is the difference between debt stabilizing primary balance and the actual primary balance. The higher the gap the more fiscal restructuring required to stabilize debt. According to the analysis, the baseline scenario requires a modest fiscal consolidation of around 0.1 percentage points of GDP over the projection period to ensure a stabilization of the debt to GDP ratio. Climate change would raise this burden to 0.7 percent of GDP (Figure 5.6).

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



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

399. Macroeconomic variables are fundamental in the formulation of government's budget, serving as the essential foundation for revenue projections and guiding the allocation of public spending. Critical variables such as GDP, inflation, unemployment rates, and interest rates play a central role in determining the economic conditions that influence tax revenues and in setting priorities for Government expenditure. However, the economy faces significant challenges arising from climate change and environmental degradation. Among the most impactful climate-related natural disasters are droughts and floods, which continue to adversely affect the population, economy, and infrastructure.



400. Notably, major droughts have become more frequent, now occurring approximately every 3 to 5 years, compared to the 7-year cycle that was observed in the past. This increasing frequency of extreme weather events underscores the urgent need for comprehensive policy adjustments that address the escalating risks posed by climate change. As a result, it has become increasingly necessary to reassess policy frameworks models to better incorporate the impacts of climate and environmental change and ensure sustainable economic planning moving forward.

401. The Kenya Country Climate and Development Report (CCDR), released by the World Bank in November 2023, represents a significant milestone in understanding the intersection of climate change, development, and economic growth in Kenya. The report was developed with essential support from the Government of Kenya, which assisted the World Bank in providing relevant data and information during the preparation process. While the analysis was constrained by certain data challenges, the preparation of the CCDR highlighted key opportunities for improving the integration of climate considerations into macroeconomic models. One of the primary challenges identified in acquiring accurate and comprehensive data was the lack of natural capital data, such as forests, land, water, and ecosystem services. These resources are essential for understanding the broader impact of climate change but are often undervalued or missing in traditional economic models. In addition, data inconsistencies and outdated information compounded the difficulties, limiting the accuracy and relevance of the analysis.

402. In response to these evolving concerns and in recognition of ongoing climate trends, the KNBS under the National Plan for Advancing Environmental-Economic Accounting (NP-AEEA) and supported by the World Bank, has prioritized compilation of Natural Accounts data under the following sub accounts: water, land, forest, ecosystem, energy, and mineral. KNBS is working with various sectors in support of the Natural Accounts data.

403. At the same time, the National Treasury in collaboration with the World Bank has initiated efforts to strengthen economic policy formulation by Greening the macroeconomic model that integrates considerations of climate change using data from the Natural Accounts. The exercise uses World Bank's Macroeconomic and Fiscal Model (MFMod) which is a flexible and comprehensive analytical tool designed to assess the interactions between fiscal policies and macroeconomic outcomes. MFMod has been widely applied across various countries to analyze the effects of different policies on key variables such as economic growth, inflation, public debt and government budgets. The National Treasury in collaboration with the World Bank is developing a tailored version of the MFMod, for Kenya named KENMod. The model's structural relationships are designed to align with economic theory while reflecting the observed dynamics of Kenya's economy. As a result, the speed of adjustment to long-term equilibrium and the steady state it returns to depend on the historical behavior of the economy (**Figure 5.7**).

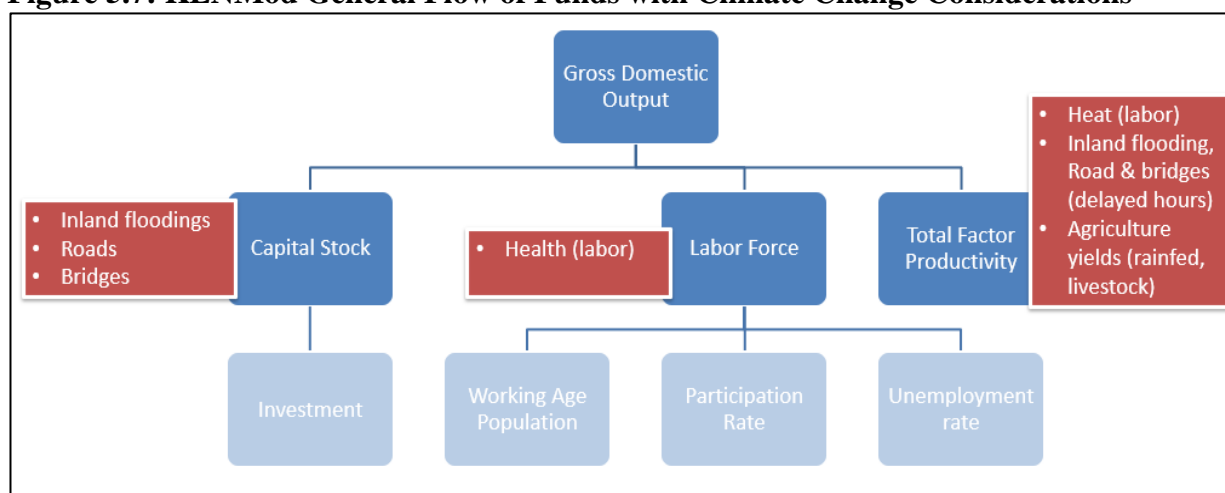
404. KENMod includes seven main channels by which the climate and environmental outcomes impact the economy:

- a. **Labor heat stress:** Shock to labor productivity from daily heat stress can happen to both indoor and outdoor workers. This modifies both labor supply and labor productivity (extensive and intensive margins)
- b. **Human health:** Shock to labor supply from changes in the incidence and mortality of vector-borne (malaria and dengue), water-borne (i.e., diarrheal), and temperature-related diseases.

- c. **Crop production - water and heat stress:** Shock to crop revenues through changes in yields. Based on the Food and Agriculture Organization's crop-specific yield response functions to water availability and heat stress.
- d. **Crop production - erosion and land degradation:** Shock to crops from soil erosion and flooding due to vegetation conditions. Impacts on erosivity from changes in rainfall are based on the Revised Universal Soil Loss Equation model.
- e. **Livestock:** Shock to livestock revenues through changes in productivity by animal and product type. Considers extreme heat and feed availability effects through animal-specific impact curves.
- f. **Inland flooding:** Shock to capital from changes in the recurrence of peak precipitation events that result in fluvial (riverine) flooding.
- g. **Roads and bridges:** Shock to capital due to damages to and increased maintenance of roads and bridges, as modeled using the Infrastructure Planning Support System model. Also considers labor supply effects of road disruptions.

405. Even in the case with only capital stock and labor as factors of production, these can affect domestic output.

**Figure 5.7: KENMod General Flow of Funds with Climate Change Considerations**



Source: World Bank

## Economic Policy Simulations

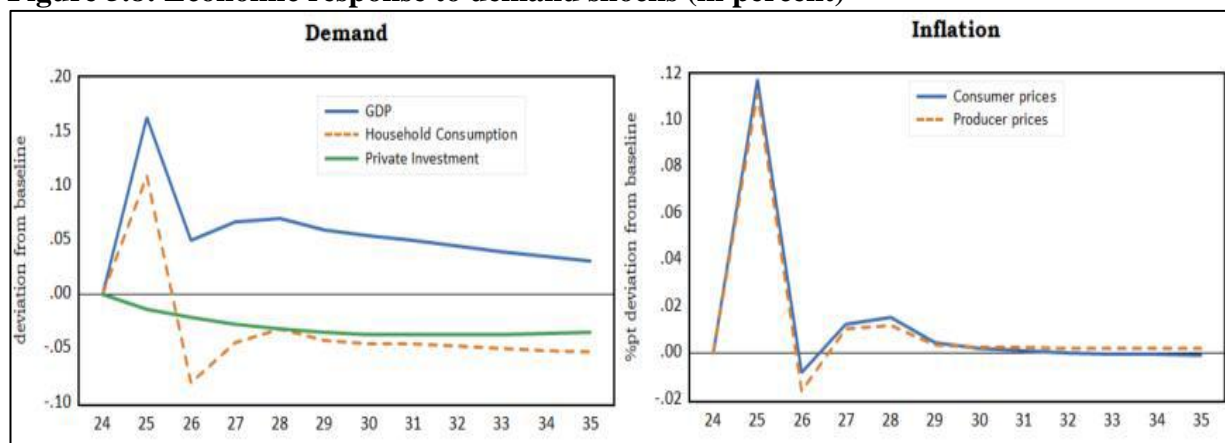
406. In running the simulation, three distinct shocks were analyzed within KENMod, assessing their effects on key economic indicators such as GDP, inflation, consumption, investment, government debt, and the unemployment rate. These shocks demonstrated the model's ability to evaluate standard economic disturbances and their potential outcomes.

### i. Aggregate foreign demand shock

407. This scenario assumes a 10 percent increase in US demand for Kenyan goods and services, with fiscal policy (expenditures excluding debt servicing) held exogenous and unresponsive to this shock. A 10 percent increase in foreign demand leads to increases in GDP by approximately 0.15 percent initially and permanently by about 0.05 percent through the exports' channel (Figure 5.8).

408. Although the demand shock is inflationary, this only temporary, and thus consumer and producer's prices return closer to zero. Household consumption initially rises, but it falls relative to the baseline in the long run in response to a higher price level and higher interest rates. Moreover, foreign demand for locally produced goods reduces private investment given an increase in interest rates. However, the fall of consumption and investment in the long run is not strong enough to offset the increase in GDP. Finally, the debt position of the country would improve in both the short and long run, with no effects on the unemployment rate.

**Figure 5.8: Economic response to demand shocks (in percent)**

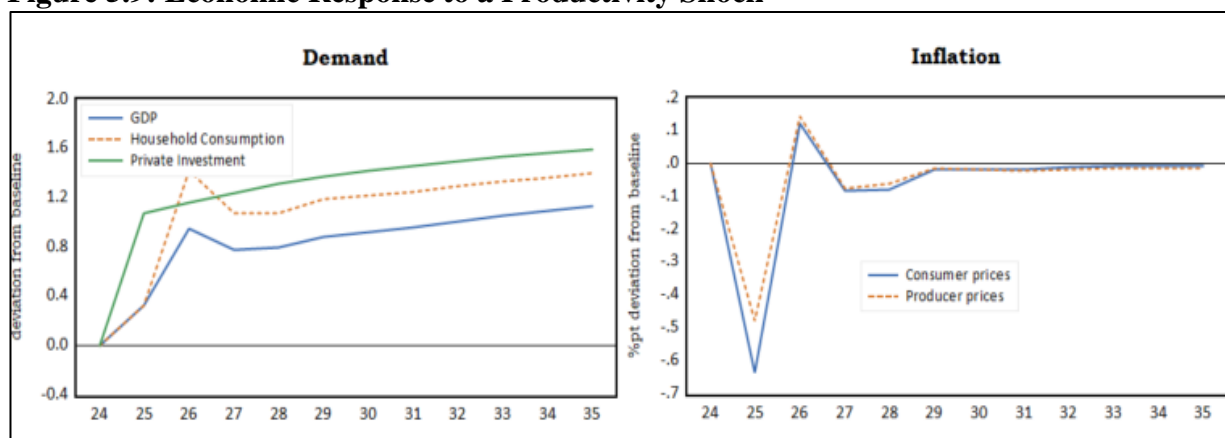


Source: World Bank

## ii. Productivity Shock

409. This scenario assumes a permanent 1.0 percent increase in total factor productivity (TFP), which could be as a result of policies that promote technological innovation and adoption or improvements in resource allocation. An increase in TFP would lead to permanent increase in GDP of 0.32 percent initially, with a gradual increase to 1.13 percent in the long run (2035) compared to the baseline (**Figure 5.9**). Given the efficiency gains in production, inflation initially comes down and then it converges to zero. Moreover, a TFP shock increases expected profits and subsequently leads to an even greater increase in private investment. Household consumption increases as wages rise due to an increase in output, while public debt experiences a long-run decrease of 1.61 percent. This scenario shows the overall positive effects of TFP increases in the economy, with benefits for households, firms, and the overall fiscal balance.

**Figure 5.9: Economic Response to a Productivity Shock**

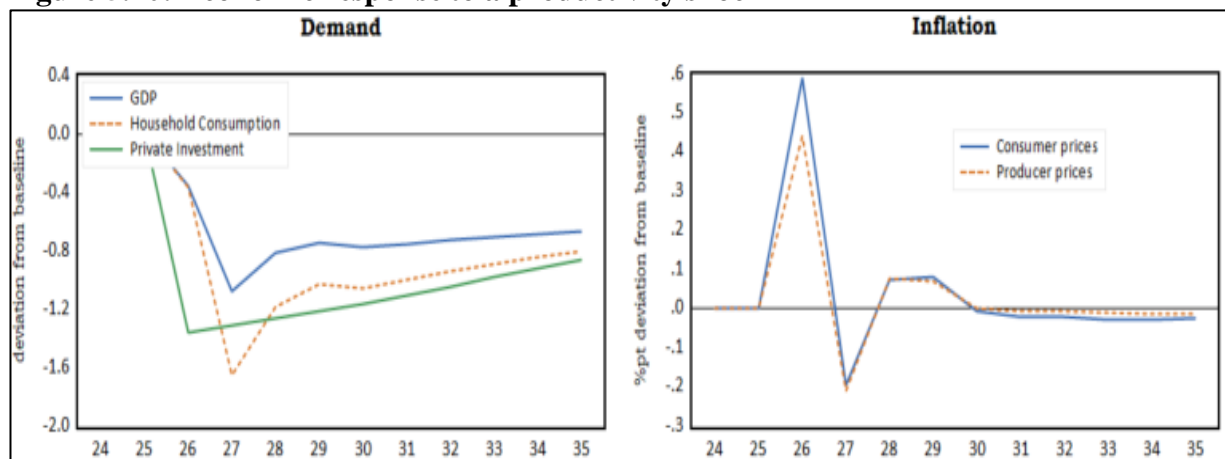


Source: World Bank

### iii. Flood Damage Shock to Capital

410. The inclusion of climate considerations allows for the simulation of disruptions caused by climate events. Given the increasing frequency and intensity of climate shocks, we assume a scenario where a flood in 2025 destroys 2 percent of the country's physical capital. Estimates indicate that over 70 percent of disasters from natural hazards are linked to extreme climatic events. The recurring patterns of floods and droughts in the country are having devastating impacts and significant economic costs, as seen during the Q1-Q2 2024 floods.

**Figure 5.10: Economic response to a productivity shock**



Source: World Bank

411. The flood shock has a direct impact in reducing aggregate supply, leading to a strong short-term increase in inflation (**Figure 5.10**). Without reconstruction efforts, output is permanently lost, and GDP falls by about 0.8 percent, while private investment falls by roughly 1.0 percent relative to the baseline. Given the effects on households and wages, private consumption in the long run is also affected in the long run by around -0.81 percent.

412. The inclusion of natural capital data in macroeconomic modeling will not only improves forecasting and risk management but also fosters long-term sustainability. By recognizing the value of ecosystem services and incorporating them into economic decision-making, policymakers can design strategies that balance economic growth with environmental preservation. This approach will empower Kenya to pursue green growth, mitigate the risks posed by climate change, and develop more resilient, inclusive, and sustainable development pathways.

## 5.3.5 Other Fiscal Risks

### 5.3.5.1 Natural Disasters and Man-made Hazards

413. Disasters, both natural and man-made continue to pose a great challenge to the Government. In a bid to reduce the negative impacts of disasters, the Government will continue to implement the National Disaster Risk Management Policy. The Government will also review and update the Disaster Risk Financing Strategy (DRFS, 2023-2027). The Strategy will be key in strengthening the ability of the National and County Governments to respond effectively to disasters, thereby protecting development goals, fiscal stability, and wellbeing of Kenyan citizens.

414. In order to ensure efficient and effective means of financing disasters, if and when they occur, the Government will prioritize the establishment of the Public Finance Management (Disaster Risk Management Fund) Regulations, 2025. The objective of the Fund is to ensure effective and efficient resource mobilization for disasters at both National and County levels. The process of establishing a dedicated Fund for Disasters is currently at an advanced stage of stakeholder engagements.

415. In order to ensure fiscal transparency and accountability in Disaster related expenditures, the Government will strengthen Disaster risk reduction and Climate change adaptation into national planning and budgeting. Kenya does not have a Legal Framework for Disaster Risk Management. In order to put this in place, the Government will fast-track the enactment of the Disaster Risk Management Bill (No. 24 of 2023). This will provide an over-arching legal framework guiding disaster risk management in the country.

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

416. Kenya underwent its second round of Mutual Evaluation by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) in 2021. The Mutual Evaluation Report was adopted by ESAAMLG in September 2022. At that time Kenya was Compliant with two recommendations; Largely Compliant with one recommendation; Partially Compliant with 26 recommendations; and Non-Compliant with 11 recommendations of the 40 FATF recommendations. Kenya was thereafter given a one-year observation period as per the procedures. At the expiry of the observation period, Kenya prepared a Post Observation Period Report (POPR) that was submitted to FATF in November 2023. Having not been satisfied by the measures Kenya had so far put in place to address the strategic deficiencies, FATF placed Kenya on the Grey List.

417. Following the February “grey-listing”, the Government agreed with FATF to an action plan to address key shortcomings identified and strengthen the effectiveness of Kenya’s AML/CFT framework. Priority actions include the completion of a terrorism financing risk assessment and related updating of the national AML/CFT strategies, adopting a supervisory framework for Virtual Asset Service Providers, and strengthening AML/CFT risk-based supervision of financial institutions and designated nonfinancial businesses and professions (DNFBPs). To strengthen effectiveness of supervision, the CBK is conducting stand-alone AML/CFT inspections and has begun to apply enforcement measures alongside provision of sectoral guidance on compliance obligations. The Financial Reporting Center is working jointly with sectoral supervisors to build capacities for supervision of high-risk DNFBPs, including real estate, lawyers, and trust and company service providers, supported by customized supervision tools under development. The authorities are also focusing on outreach and training to supervised entities to strengthen their understanding of AML/CFT preventive measures and obligations.

418. Kenya committed to among other deliverables to undertake a national risk assessment on money laundering and terrorism financing in line with outcome of the 24<sup>th</sup> Council of Ministers, 48<sup>th</sup> Task Force of the Senior Officials, and the 7<sup>th</sup> Public Private Sector Dialogue Meetings of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) held from 23<sup>rd</sup> to 31<sup>st</sup> August 2024 in Kwale County.



## ANNEX 1: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

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

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

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

|  | FY 2022/23         | FY 2023/24   | FY 2024/25   |              |              | FY 2025/26   | FY 2026/27   | FY 2027/28   | FY 2028/29   |
|--|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | Actual             | Prel. Actual | Budget       | Supp I Est.  | Proj.        | BPS 2025     | BPS 2025     | BPS 2025     | BPS 2025     |
|  | <i>Ksh Billion</i> |              |              |              |              |              |              |              |              |
| 1.0 Total Expenditure & Net Lending                                  | 3,221.0            | 3,605.2      | 3,992.0      | 3,880.8      | 3,978.3      | 4,263.1      | 4,574.1      | 5,017.1      | 5,477.1      |
| 1.1 Total Ministerial National Govt Expenses                         | 1,970.3            | 2,214.3      | 2,374.8      | 2,230.2      | 2,320.6      | 2,486.0      | 2,767.9      | 3,159.0      | 3,576.2      |
| Total Recurrent  | 2,311.6            | 2,678.4      | 2,841.9      | 2,826.2      | 2,946.3      | 3,096.3      | 3,256.2      | 3,573.5      | 3,822.0      |
| CFS (Interest & Pensions)  | 837.3              | 1,018.8      | 1,213.5      | 1,237.2      | 1,223.1      | 1,369.0      | 1,389.2      | 1,428.8      | 1,457.5      |
| Ministerial Recurrent  | 1,474.2            | 1,659.6      | 1,628.5      | 1,589.0      | 1,723.3      | 1,727.3      | 1,867.0      | 2,144.7      | 2,364.4      |
| o/w Wages & Salaries   | 539.6              | 575.3        | 613.6        | 602.7        | 650.0        | 650.9        | 683.5        | 717.6        | 742.8        |
| <i>Wages as % National Government Revenues</i>                       | <b>27.6%</b>       | <b>24.5%</b> | <b>20.9%</b> | <b>22.8%</b> | <b>24.6%</b> | <b>21.8%</b> | <b>20.5%</b> | <b>19.0%</b> | <b>17.4%</b> |
| Development  | 496.1              | 554.7        | 746.3        | 641.2        | 597.4        | 758.7        | 900.9        | 1,014.3      | 1,211.7      |
| <i>Development as % Ministerial National Government expenditures</i> | <b>25.2%</b>       | <b>25.1%</b> | <b>31.4%</b> | <b>28.7%</b> | <b>25.7%</b> | <b>30.5%</b> | <b>32.5%</b> | <b>32.1%</b> | <b>33.9%</b> |
| 1.2 County Allocation  | 415.8              | 380.4        | 444.5        | 451.1        | 445.6        | 436.7        | 443.6        | 462.0        | 476.0        |
| Equitable share  | 399.6              | 354.6        | 400.1        | 410.8        | 418.3        | 405.1        | 417.0        | 429.4        | 443.4        |
| Conditional Grants   | 16.2               | 25.8         | 44.4         | 40.2         | 27.4         | 31.6         | 26.6         | 32.7         | 32.7         |
| 2.0 Total Revenues   | 2,355.1            | 2,702.7      | 3,343.2      | 3,060.0      | 3,065.2      | 3,385.8      | 3,758.7      | 4,201.2      | 4,717.1      |
| 3.0 Total National Government Revenues (Incl. A-I-A)                 | 1,955.5            | 2,348.1      | 2,943.1      | 2,649.1      | 2,646.9      | 2,980.7      | 3,341.7      | 3,771.8      | 4,273.7      |
| 4.0 National Government Domestic Borrowing (net)                     | 459.5              | 595.6        | 263.2        | 413.1        | 582.7        | 684.2        | 644.3        | 685.1        | 554.5        |

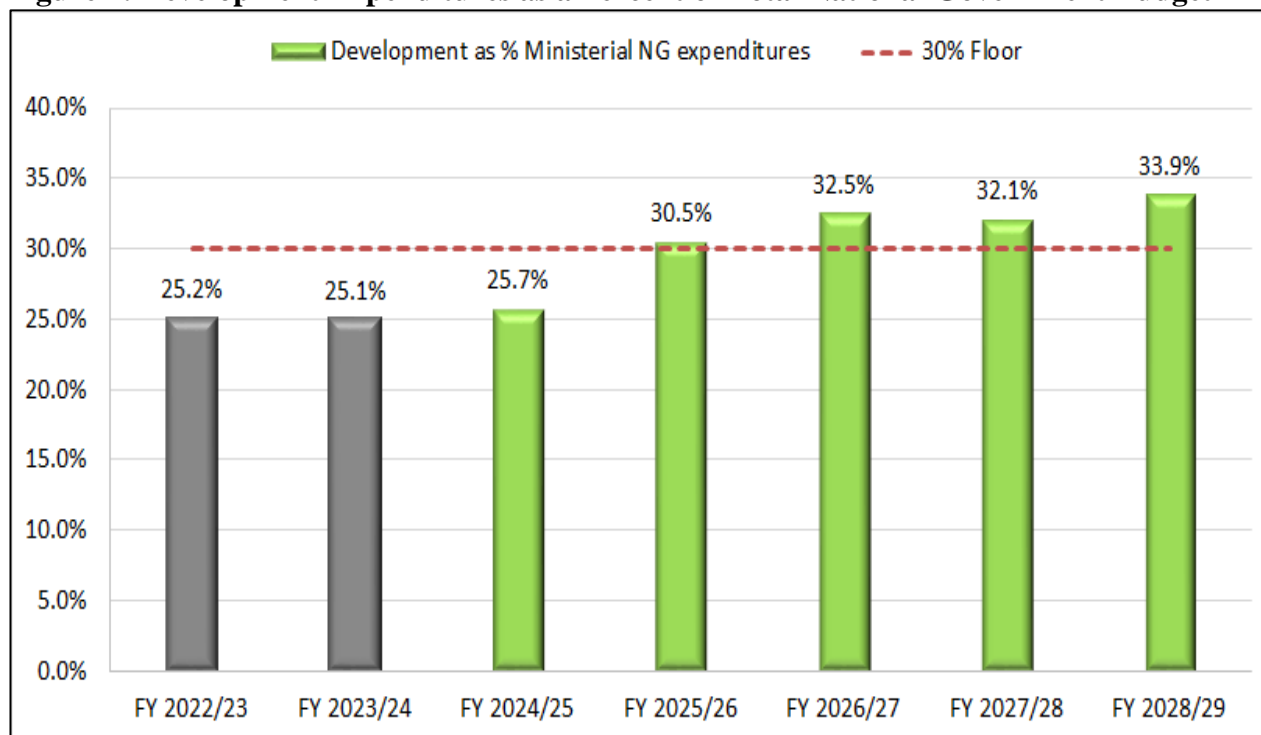
Source: The National Treasury

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

2. Consistent with the requirements of the law, the National Government's allocation to development expenditures has been set above the 30 percent of its Ministerial expenditures. In FY 2023/24, the actual development spending for the National Government was 25.1 percent, falling short of the principles outlined in the PFM Act Cap. 412. However, the forecast had initially projected it to exceed 30 percent. This discrepancy was a result of spending rationalization in the course of budget implementation.

3. The allocation to development expenditures is projected to increase to 30.5 percent in the FY 2025/26 and remain above the recommended threshold over the medium term as shown in **Table 1 and Figure 1.**

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

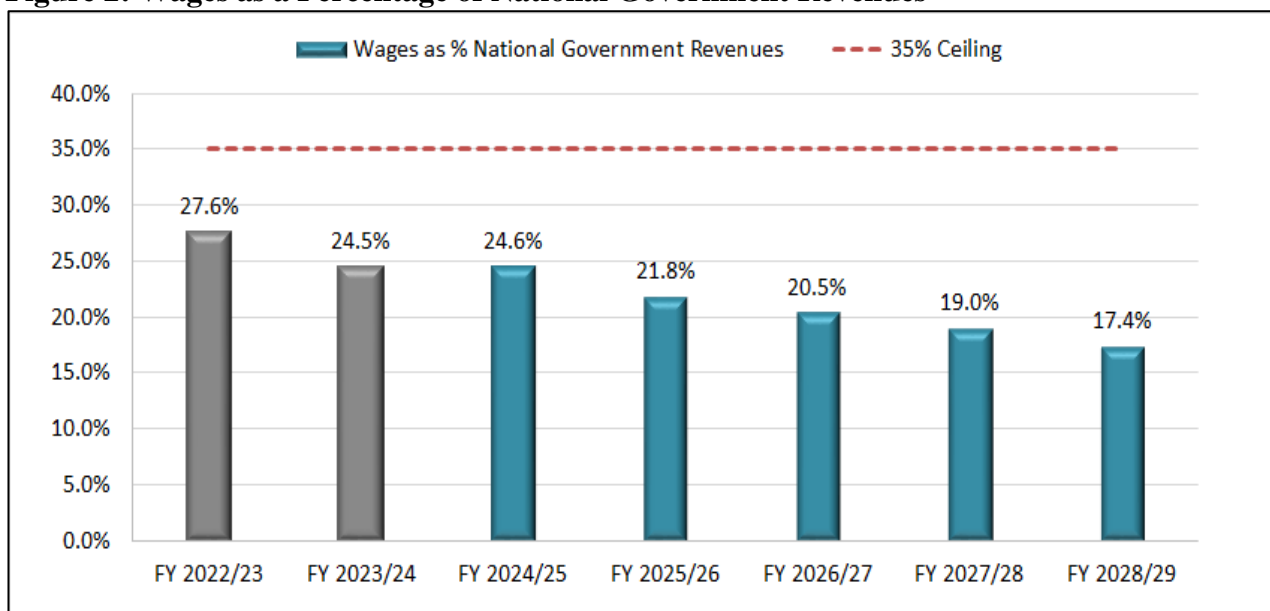


Source: National Treasury

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

4. The law requires that the National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the National Government pursuant to Article 209 (4) of the Constitution. In conformity to this regulation, the National Government's share of wages and employees benefits to revenues was 24.5 percent in the FY 2023/24 which is within the statutory requirement of 35.0 percent of the National Government revenues. These are projected to decline to 21.8 percent in the FY 2025/26 (**Figure 2**).

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



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

*Source: National Treasury*

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

5. The National Treasury raises resources through borrowing to finance development projects as approved by Parliament in the National budget as per the PFM Act, 2012 Section 15(2) (c) principle of ensuring that the National Government's borrowing is used only for purposes of financing development expenditure and not for recurrent expenditure. The Government is committed and continues to adhere to this principle by ensuring that Government borrowing is used to finance development expenditure. In the FY 2023/24, Ksh 350.7 billion out of total borrowing of Ksh 818.3 billion were used for development expenditure purposes. The amount of borrowing is projected at Ksh 862.7 billion in FY 2024/25, Ksh 831.0 billion in FY 2025/26, and Ksh 692.9 billion over the medium term.

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

6. The PFM Act, 2012 requires that the National Treasury maintains public debt and obligations at sustainable levels. The debt sustainability analysis by International Monetary Fund (IMF) indicates that Kenya's public debt remains sustainable as a medium performer in terms of Debt Carrying Capacity (DCC). However, there is an elevated risk of debt distress as a result of global shocks leading to a slowdown of economic growth. The analysis of debt sustainability is as follows:

7. Public debt rose in 2023 amid currency depreciation and higher borrowing costs but had eased by end-June 2024 on exchange rate appreciation. The Present Value (PV) of overall public and publicly guaranteed debt rose to about 68.7 percent of GDP in 2023 (**Table 2**). Public debt/GDP ratio is projected to decline to the debt anchor of 55±5 percent of GDP in PV terms by 2028, supported by the Government's fiscal consolidation efforts. The decline in debt levels post 2028 will be reinforced by the Government's commitment to pursue the use of concessional

funding, lengthen the maturity profile of public debt through issuance of medium to long dated bonds, and deepening of the domestic debt market to reduce cost of public debt and borrowing.

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

| Indicators                                   | Benchmark | Dec-23 | Dec-24 | Dec-25 | Dec-26 | Dec-27 | Dec-28 | Dec 29 | Dec-34 | Dec-44 |
|--|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| PV of debt-to-GDP ratio                      | 55        | 68.7   | 63.0   | 64.0   | 63.7   | 61.2   | 58.6   | 56.2   | 49.7   | 34.0   |
| PV of public debt-to-revenue and grant ratio |           | 406.2  | 356.2  | 348.4  | 334.3  | 313.8  | 296.0  | 282.9  | 249.9  | 179.4  |
| Debt service -to-revenue and grant ratio     |           | 60.6   | 63.7   | 62.5   | 61.4   | 58.1   | 55.7   | 49.0   | 47.1   | 29.4   |

Source: IMF Country Report No. 24/316 - November 2024

8. The external Debt Sustainability Analysis (DSA) demonstrates that the PV of the external debt to GDP ratio is below the 40 percent sustainability threshold throughout the projection period. External debt burden indicators in terms of exports and revenues breach respective thresholds but the ratios are expected to improve with the recovery of exports and economy recovery. The debt service to revenue ratio breaches the threshold of 18 percent in 2024 through to 2028. The high debt service to revenue ratio in 2024 was due to the international sovereign bond that matured in June 2024 (**Table 3**).

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

| Indicators                        | Thresholds | 2023  | 2024  | 2025  | 2026  | 2027  | 2028  | 2029  | 2034  | 2044 |
|-----------------------------------|------------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| PV of debt-to-GDP ratio           | 40         | 32.1  | 29.8  | 30.4  | 31.0  | 29.5  | 28.1  | 26.8  | 22.5  | 16.2 |
| PV of debt-to-exports ratio       | 180        | 274.8 | 274.2 | 260.2 | 241.9 | 222.3 | 208.1 | 195.0 | 152.5 | 98.1 |
| PPG Debt service-to-exports ratio | 15         | 26.9  | 40.5  | 31.9  | 29.8  | 27.3  | 27.0  | 22.0  | 16.7  | 11.6 |
| PPG Debt service-to-revenue ratio | 18         | 18.8  | 25.2  | 20.6  | 20.4  | 18.9  | 18.6  | 15.5  | 12.6  | 9.8  |

Source: IMF Country Report No. 24/316 - November 2024

9. The solvency indicator of PV of Public and Publicly Guaranteed (PPG) external debt-to-exports and the liquidity indicator of debt service-to-exports remains above the thresholds of 180 percent and 15 percent through to 2029 due to anticipated maturities for commercial debt during the period. (**Table 3**).

10. Standard stress test results highlight the sensitivity of debt burden indicators in terms of exports and exchange rate depreciation. Under the most extreme shock scenario, the PV of debt-to-exports and the debt service-to exports ratios breach the threshold over the entire medium-term projection period. To improve the solvency ratios, the Government will continue to broaden the export base through the Bottom-Up Economic Transformation Agenda (BETA) focusing on value chain approach to support exports and increase remittances.

11. To reduce debt vulnerabilities, the Government will continue to implement its fiscal consolidation program and optimizing the financing mix in favour of concessional borrowing to finance capital investments. Additionally, a steady and strong inflow of remittances and a favourable outlook for exports will play a major role in supporting external debt sustainability. The Government will further be proactive in public debt management through exploring possibilities of various Liability Management Operations (LMOs) with the aim of extending the maturity of existing debt to reduce immediate financial burden and manage cash flow more effectively.

## **v) Prudent Management of Fiscal Risks**

12. The Government has prudently managed its fiscal risks across several key areas to ensure financial stability. To achieve this, the Government established a Fiscal Risk Committee which will continue playing a key role in identification, quantification and management of fiscal risks going forward. 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.

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

13. On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and the tax base, the National Treasury has developed and started implementation of the National Tax Policy whose objectives is to provide guidelines on taxation policy that support economic development and promote economic diversification, enhance the country's competitive edge, and establish tax incentive schemes that are aligned to the Government's development agenda, promote investment and foster a flexible fiscal space that contains revenue-raising tax policy and administrative reforms to be undertaken over the medium-term. Further, the Government continues to carry out tax reforms through modernization and simplification of tax laws in order to lock in predictability and enhance compliance within the tax system. The main objective is to raise adequate tax revenues, predictable tax environment and minimize tax expenditures.



**Annex Table 1: Macroeconomic Indicators**

|  | 2022/23 | 2023/24 | 2024/25          |                 |         | 2025/26   |          | 2026/27   |          | 2027/28   |          | 2028/29   |          |
|--|---------|---------|------------------|-----------------|---------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|
|  | Act.    | Act.    | Budget Estimates | Suppl. 1 Budget | Proj.   | BROP 2024 | BPS 2025 | BROP 2024 | BPS 2025 | BROP 2024 | BPS 2025 | BROP 2024 | BPS 2025 |
| <i>annual percentage change, unless otherwise indicated</i>        |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| <b>National Account and Prices</b>                                 |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| Real GDP   | 5.2     | 5.1     | 5.5              | 5.3             | 5.0     | 5.4       | 5.3      | 5.4       | 5.4      | 5.4       | 5.4      | 5.4       | 5.4      |
| GDP Deflator   | 6.5     | 5.4     | 6.0              | 5.7             | 5.4     | 5.4       | 5.5      | 5.3       | 5.4      | 5.4       | 5.4      | 6.2       | 6.3      |
| CPI Index (eop)  | 6.9     | 5.4     | 5.3              | 5.0             | 4.9     | 5.0       | 5.0      | 5.0       | 5.0      | 5.0       | 5.0      | 5.0       | 5.0      |
| CPI Index (avg)  | 7.7     | 6.1     | 5.3              | 5.1             | 4.8     | 5.0       | 5.0      | 5.0       | 5.0      | 5.0       | 5.0      | 5.0       | 5.0      |
| Terms of Trade (-deterioration)                                    | -1.3    | -0.9    | 2.0              | 2.0             | 2.0     | 2.2       | 2.2      | 2.5       | 2.5      | 3.2       | 3.2      | 3.6       | 3.6      |
|  |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| <b>Money and Credit (end of period)</b>                            |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| Net domestic assets  | 11.5    | -0.2    | 10.6             | 11.5            | 9.4     | 9.3       | 9.4      | 9.2       | 9.2      | 9.3       | 9.1      | 10.3      | 9.9      |
| Net domestic credit to the Government                              | 13.0    | 7.9     | 4.8              | 4.8             | 6.8     | 6.1       | 7.5      | 6.1       | 6.6      | 6.2       | 6.6      | 5.2       | 5.0      |
| Credit to the rest of the economy                                  | 12.2    | 4.0     | 15.9             | 7.4             | 3.7     | 12.4      | 11.7     | 11.9      | 11.6     | 11.6      | 11.2     | 11.1      | 10.9     |
| Broad Money, M3 (percent change)                                   | 13.4    | 6.0     | 12.2             | 12.1            | 10.2    | 10.6      | 10.5     | 10.4      | 10.4     | 10.6      | 10.5     | 10.7      | 10.6     |
| Reserve money (percent change)                                     | -5.9    | 18.7    | 12.1             | -0.1            | -1.8    | 10.5      | 10.4     | 10.3      | 10.3     | 10.5      | 10.4     | 10.6      | 10.5     |
| <i>in percentage of GDP, unless otherwise indicated</i>            |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| <b>Investment and Saving</b>                                       |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| Investment   | 17.6    | 16.8    | 16.3             | 16.4            | 16.7    | 16.2      | 16.3     | 16.4      | 16.6     | 16.3      | 16.8     | 16.3      | 16.8     |
| Central Government   | 4.2     | 4.2     | 3.4              | 4.2             | 4.1     | 4.8       | 4.4      | 5.0       | 4.7      | 5.1       | 4.7      | 5.6       | 5.1      |
| Private  | 13.4    | 12.7    | 13.0             | 12.2            | 12.6    | 11.4      | 11.9     | 11.4      | 12.0     | 11.3      | 12.0     | 10.7      | 11.7     |
| Gross National Savings   | 13.1    | 13.0    | 12.2             | 12.5            | 12.7    | 12.0      | 12.1     | 12.1      | 12.3     | 11.9      | 12.3     | 12.4      | 12.8     |
| Central Government   | -1.8    | -1.6    | 1.4              | -0.5            | -1.2    | 0.6       | -0.2     | 1.1       | 0.8      | 1.5       | 1.2      | 2.4       | 2.1      |
| Private  | 14.9    | 14.6    | 10.7             | 13.0            | 13.9    | 11.4      | 12.2     | 10.9      | 11.5     | 10.4      | 11.0     | 10.0      | 10.7     |
|  |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| <b>Central Government Budget</b>                                   |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| Total revenue  | 16.5    | 17.1    | 18.5             | 16.9            | 17.6    | 17.6      | 17.6     | 18.0      | 17.7     | 18.3      | 17.9     | 18.3      | 18.1     |
| Total expenditure and net lending                                  | 22.5    | 22.8    | 22.1             | 21.5            | 22.8    | 21.7      | 22.1     | 21.7      | 21.5     | 21.8      | 21.3     | 21.9      | 21.1     |
| Overall Fiscal balance excl. grants                                | -6.1    | -5.7    | -3.6             | -4.5            | -5.2    | -4.1      | -4.6     | -3.7      | -3.8     | -3.4      | -3.5     | -3.6      | -2.9     |
| Overall Fiscal balance, incl. grants, cash basis                   | -5.6    | -5.3    | -3.3             | -4.3            | -4.9    | -3.8      | -4.3     | -3.4      | -3.5     | -3.2      | -3.2     | -3.4      | -2.7     |
| Statistical discrepancy  | -0.2    | -0.1    | 0.0              | 0.0             | 0.0     | 0.0       | 0.0      | 0.0       | 0.0      | 0.0       | 0.0      | 0.0       | 0.0      |
| Overall Fiscal balance, incl. grants, cash basis- adj. discrepancy | -5.6    | -5.3    | -3.3             | -4.3            | -4.9    | -3.8      | -4.3     | -3.4      | -3.5     | -3.2      | -3.2     | -3.4      | -2.7     |
| Primary budget balance   | -0.8    | 0.0     | 2.3              | 1.3             | 0.8     | 1.6       | 1.5      | 2.0       | 1.8      | 2.3       | 1.8      | 1.8       | 1.9      |
| Net domestic borrowing   | 3.2     | 3.8     | 1.5              | 2.3             | 3.3     | 2.7       | 3.6      | 2.6       | 3.0      | 2.5       | 2.9      | 2.6       | 2.1      |
|  |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| <b>External Sector</b>   |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| Exports value, goods and services                                  | 12.0    | 11.7    | 11.0             | 10.9            | 11.4    | 10.6      | 11.0     | 10.4      | 10.8     | 10.0      | 10.4     | 9.9       | 10.3     |
| Imports value, goods and services                                  | 21.0    | 20.1    | 18.6             | 18.3            | 19.1    | 17.6      | 18.2     | 17.1      | 17.6     | 16.4      | 17.0     | 15.5      | 16.1     |
| Current external balance, including official transfers             | -4.5    | -3.9    | -4.2             | -3.9            | -4.0    | -4.2      | -4.3     | -4.3      | -4.4     | -4.4      | -4.5     | -3.9      | -4.0     |
| Gross reserves in months of next yr's imports                      | 5.9     | 5.4     | 5.4              | 5.4             | 5.4     | 5.5       | 5.5      | 5.6       | 5.6      | 5.8       | 5.8      | 5.9       | 5.9      |
| Gross reserves in months of this yr's imports                      | 5.8     | 5.8     | 5.9              | 5.9             | 5.9     | 5.9       | 5.9      | 6.0       | 6.0      | 6.1       | 6.1      | 6.2       | 6.2      |
|  |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| <b>Public debt</b>   |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| Nominal central government debt (eop), gross                       | 71.9    | 66.7    | 64.3             | 62.8            | 65.5    | 60.5      | 63.6     | 58.2      | 61.1     | 55.8      | 58.5     | 53.2      | 55.5     |
| Nominal debt (eop), net of deposits                                | 68.5    | 63.4    | 61.6             | 59.8            | 62.5    | 57.9      | 60.9     | 55.8      | 58.6     | 53.6      | 56.2     | 51.2      | 53.5     |
| Domestic (gross)   | 33.8    | 34.2    | 30.4             | 32.3            | 34.4    | 31.9      | 34.6     | 31.5      | 34.4     | 31.0      | 34.0     | 30.0      | 32.9     |
| Domestic (net)   | 30.4    | 30.9    | 27.8             | 29.3            | 31.4    | 29.3      | 31.9     | 29.1      | 31.9     | 28.8      | 31.8     | 28.1      | 30.9     |
| External   | 38.1    | 32.5    | 33.9             | 30.5            | 31.2    | 28.6      | 28.9     | 26.7      | 26.7     | 24.8      | 24.4     | 23.1      | 22.6     |
|  |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| <b>Memorandum Items:</b>   |         |         |                  |                 |         |           |          |           |          |           |          |           |          |
| Nominal GDP (in Ksh Billion)                                       | 14,299  | 15,826  | 18,054           | 18,054          | 17,435  | 19,972    | 19,273   | 22,052    | 21,286   | 24,400    | 23,529   | 27,010    | 26,019   |
| Nominal GDP (in US\$ Million)                                      | 110,970 | 114,789 | 136,337          | 137,752         | 131,348 | 154,301   | 148,757  | 170,426   | 164,208  | 189,060   | 181,274  | 209,114   | 200,079  |

Source: National Treasury

## Annex Table 2: Government Fiscal Operations, Ksh Billion

|   | 2022/23         | 2023/24         | 2024/25          |                 |                 | 2025/26         |                 | 2026/27         |                 | 2027/28         |                 | 2028/29         |                 |
|---|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | Act.            | Act.            | Budget Estimates | Suppl. 1 Budget | Proj.           | BROP 2024       | BPS 2025        | BROP 2024       | BPS 2025        | BROP 2024       | BPS 2025        | BROP 2024       | BPS 2025        |
| <b>TOTAL REVENUE</b>                                  | <b>2,355.1</b>  | <b>2,702.7</b>  | <b>3,343.2</b>   | <b>3,060.0</b>  | <b>3,065.2</b>  | <b>3,516.6</b>  | <b>3,385.8</b>  | <b>3,968.1</b>  | <b>3,758.7</b>  | <b>4,470.4</b>  | <b>4,201.2</b>  | <b>4,935.5</b>  | <b>4,717.1</b>  |
| Ordinary Revenue                                      | 2,041.1         | 2,288.9         | 2,917.2          | 2,631.4         | 2,580.9         | 3,018.8         | 2,835.0         | 3,424.7         | 3,176.5         | 3,876.4         | 3,566.4         | 4,286.3         | 4,025.0         |
| Income Tax  | 941.6           | 1,042.8         | 1,230.2          | 1,180.3         | 1,165.2         | 1,320.7         | 1,324.3         | 1,473.3         | 1,494.9         | 1,643.4         | 1,655.9         | 1,845.2         | 1,851.4         |
| Import duty (net)                                     | 130.1           | 133.9           | 187.4            | 160.0           | 152.5           | 201.3           | 163.0           | 222.5           | 180.1           | 253.3           | 209.0           | 219.9           | 219.9           |
| Excise duty   | 264.5           | 276.7           | 429.6            | 324.8           | 315.0           | 389.6           | 332.7           | 454.4           | 372.7           | 516.5           | 418.0           | 469.3           | 469.3           |
| Value Added Tax                                       | 550.4           | 645.5           | 812.2            | 723.8           | 694.3           | 820.3           | 775.0           | 941.2           | 890.5           | 1,049.0         | 1,024.3         | 1,182.6         | 1,200.9         |
| Investment income                                     | 41.3            | 47.8            | 65.0             | 72.3            | 96.8            | 81.2            | 69.6            | 88.1            | 75.0            | 101.0           | 78.9            | 114.0           | 84.5            |
| Other   | 113.2           | 142.2           | 192.8            | 170.2           | 157.1           | 205.7           | 170.4           | 245.3           | 163.2           | 313.2           | 180.2           | 455.3           | 199.0           |
| <b>Ministerial Appropriation in Aid</b>               | <b>313.9</b>    | <b>413.7</b>    | <b>426.0</b>     | <b>428.6</b>    | <b>484.3</b>    | <b>497.8</b>    | <b>550.7</b>    | <b>543.4</b>    | <b>582.3</b>    | <b>594.0</b>    | <b>634.8</b>    | <b>649.2</b>    | <b>692.1</b>    |
| <b>EXPENDITURE AND NET LENDING</b>                    | <b>3,221.0</b>  | <b>3,605.2</b>  | <b>3,992.0</b>   | <b>3,880.8</b>  | <b>3,978.3</b>  | <b>4,329.3</b>  | <b>4,263.1</b>  | <b>4,782.0</b>  | <b>4,574.1</b>  | <b>5,309.1</b>  | <b>5,017.1</b>  | <b>5,911.3</b>  | <b>5,477.1</b>  |
| Recurrent expenditure                                 | 2,311.6         | 2,678.4         | 2,841.9          | 2,826.2         | 2,946.3         | 3,076.9         | 3,096.3         | 3,382.9         | 3,256.2         | 3,761.3         | 3,573.5         | 4,084.1         | 3,822.0         |
| Interest payments                                     | 687.3           | 840.7           | 1,009.9          | 1,009.9         | 995.8           | 1,081.2         | 1,129.4         | 1,195.7         | 1,142.5         | 1,324.2         | 1,173.6         | 1,402.9         | 1,195.9         |
| Domestic interest                                     | 533.1           | 622.5           | 750.0            | 750.0           | 767.2           | 817.5           | 851.4           | 899.1           | 879.4           | 1,004.4         | 899.4           | 1,068.7         | 932.1           |
| Foreign Interest                                      | 154.2           | 218.2           | 259.9            | 259.9           | 228.5           | 263.8           | 278.0           | 296.6           | 263.1           | 319.8           | 274.2           | 334.2           | 263.8           |
| Pensions & Other CFS                                  | 120.4           | 143.9           | 169.2            | 190.4           | 190.3           | 214.8           | 205.2           | 234.4           | 211.2           | 255.9           | 218.7           | 278.3           | 224.0           |
| Pensions  | 117.1           | 140.6           | 165.0            | 186.2           | 186.2           | 209.7           | 200.5           | 228.6           | 206.5           | 249.1           | 213.9           | 271.6           | 219.3           |
| Other CFS   | 3.3             | 3.3             | 4.2              | 4.2             | 4.1             | 5.1             | 4.7             | 5.9             | 4.7             | 6.8             | 4.7             | 6.8             | 4.7             |
| Contribution to Civil Service Pension Fund            | 29.6            | 34.2            | 34.4             | 37.0            | 37.0            | 35.1            | 34.4            | 35.8            | 35.5            | 36.6            | 36.5            | 38.4            | 37.6            |
| Net Issues/Net Expenditure                            | 1,234.1         | 1,372.7         | 1,344.8          | 1,305.4         | 1,394.3         | 1,434.4         | 1,404.4         | 1,578.2         | 1,528.2         | 1,776.0         | 1,776.0         | 1,963.2         | 1,963.2         |
| O/W: Wages & Salaries                                 | 539.6           | 575.3           | 613.6            | 602.7           | 650.0           | 650.9           | 682.5           | 683.5           | 716.6           | 717.6           | 752.4           | 742.8           | 790.0           |
| Free Secondary education                              | 67.6            | 70.2            | 67.1             | 67.1            | 67.1            | 73.1            | 73.1            | 76.0            | 76.0            | 79.1            | 79.1            | 82.3            | 82.3            |
| Free Primary Education                                | 14.5            | 11.3            | 11.1             | 11.1            | 11.1            | 12.4            | 12.4            | 14.0            | 14.0            | 14.7            | 14.7            | 15.3            | 15.3            |
| Junior Secondary School - Capitation                  |                 | 30.5            | 31.0             | 31.0            | 31.0            | 34.2            | 34.2            | 37.6            | 37.6            | 41.5            | 41.5            | 43.1            | 43.1            |
| IEBC  | 19.9            | 4.6             | 1.1              | 1.2             | 1.2             | 1.3             | 1.3             | 1.3             | 1.3             | 16.4            | 16.4            | 29.2            | 29.2            |
| Defense and NIS                                       | 172.2           | 205.4           | 212.5            | 212.3           | 223.9           | 212.3           | 212.3           | 220.8           | 220.8           | 229.7           | 229.7           | 238.8           | 238.8           |
| Others  | 388.6           | 475.9           | 417.1            | 388.6           | 410.8           | 415.5           | 354.0           | 547.6           | 426.9           | 680.9           | 604.7           | 774.1           | 726.9           |
| Ministerial Recurrent AIA                             | 240.2           | 286.9           | 283.6            | 283.6           | 317.5           | 311.4           | 322.9           | 338.8           | 338.8           | 368.7           | 368.7           | 401.2           | 401.2           |
| <b>Development and Net lending</b>                    | <b>493.7</b>    | <b>546.4</b>    | <b>701.5</b>     | <b>599.5</b>    | <b>586.3</b>    | <b>804.7</b>    | <b>725.1</b>    | <b>944.4</b>    | <b>869.4</b>    | <b>1,080.8</b>  | <b>976.6</b>    | <b>1,346.2</b>  | <b>1,174.1</b>  |
| Domestically financed (Gross)                         | 343.8           | 377.0           | 451.4            | 349.8           | 385.0           | 472.6           | 483.9           | 578.0           | 586.9           | 672.1           | 673.0           | 893.7           | 836.6           |
| O/W Domestically Financed (Net)/NMS                   | 264.5           | 250.2           | 309.0            | 204.9           | 218.2           | 286.1           | 256.1           | 373.4           | 343.4           | 446.9           | 406.9           | 645.7           | 545.7           |
| Ministerial Development AIA                           | 20.5            | 70.3            | 77.5             | 79.1            | 100.5           | 134.2           | 175.5           | 120.9           | 159.8           | 131.8           | 172.7           | 147.0           | 189.9           |
| Foreign financed                                      | 137.6           | 151.9           | 242.2            | 241.7           | 179.1           | 321.5           | 230.5           | 355.8           | 271.9           | 398.0           | 293.0           | 441.9           | 326.9           |
| Net lending   | 12.3            | 17.4            | 0.0              | 0.0             | 19.7            | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Equalization Fund                                     | 0.0             | 0.0             | 8.0              | 8.0             | 2.5             | 10.6            | 10.6            | 10.6            | 10.6            | 10.6            | 10.6            | 10.6            | 10.6            |
| <b>County Transfers</b>                               | <b>415.8</b>    | <b>380.4</b>    | <b>444.5</b>     | <b>451.1</b>    | <b>445.6</b>    | <b>442.7</b>    | <b>436.7</b>    | <b>449.7</b>    | <b>443.6</b>    | <b>462.0</b>    | <b>462.0</b>    | <b>476.0</b>    | <b>476.0</b>    |
| Equitable Share                                       | 399.6           | 354.6           | 400.1            | 410.8           | 418.3           | 405.1           | 405.1           | 417.0           | 417.0           | 429.4           | 429.4           | 443.4           | 443.4           |
| Conditional Allocation                                | 16.2            | 25.8            | 44.4             | 40.2            | 27.4            | 37.7            | 31.6            | 32.7            | 26.6            | 32.7            | 32.7            | 32.7            | 32.7            |
| <b>Contingency Fund</b>                               | <b>0.0</b>      | <b>0.0</b>      | <b>4.0</b>       | <b>4.0</b>      | <b>0.0</b>      | <b>5.0</b>      | <b>5.0</b>      | <b>5.0</b>      | <b>5.0</b>      | <b>5.0</b>      | <b>5.0</b>      | <b>5.0</b>      | <b>5.0</b>      |
| <b>Fiscal Balance (commitment basis excl. grants)</b> | <b>-865.9</b>   | <b>-902.5</b>   | <b>-648.8</b>    | <b>-820.9</b>   | <b>-913.1</b>   | <b>-812.7</b>   | <b>-877.3</b>   | <b>-813.9</b>   | <b>-815.4</b>   | <b>-838.8</b>   | <b>-815.9</b>   | <b>-975.8</b>   | <b>-759.9</b>   |
| <b>Grants</b>   | <b>23.1</b>     | <b>22.0</b>     | <b>51.8</b>      | <b>52.3</b>     | <b>50.3</b>     | <b>53.2</b>     | <b>46.2</b>     | <b>63.6</b>     | <b>63.6</b>     | <b>66.8</b>     | <b>66.8</b>     | <b>67.1</b>     | <b>67.1</b>     |
| <b>Fiscal Balance (incl. grants)</b>                  | <b>-842.9</b>   | <b>-880.5</b>   | <b>-597.0</b>    | <b>-768.6</b>   | <b>-862.7</b>   | <b>-759.4</b>   | <b>-831.0</b>   | <b>-750.3</b>   | <b>-751.7</b>   | <b>-771.9</b>   | <b>-749.1</b>   | <b>-908.7</b>   | <b>-692.9</b>   |
| Adjustment to Cash Basis                              | 37.0            | 45.4            | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| <b>Fiscal Balance (incl. grants) Cash Basis</b>       | <b>-805.8</b>   | <b>-835.1</b>   | <b>-597.0</b>    | <b>-768.6</b>   | <b>-862.7</b>   | <b>-759.4</b>   | <b>-831.0</b>   | <b>-750.3</b>   | <b>-751.7</b>   | <b>-771.9</b>   | <b>-749.1</b>   | <b>-908.7</b>   | <b>-692.9</b>   |
| Statistical discrepancy                               | -35.5           | -16.8           | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| <b>TOTAL FINANCING</b>                                | <b>770.3</b>    | <b>818.3</b>    | <b>597.0</b>     | <b>768.6</b>    | <b>862.7</b>    | <b>759.4</b>    | <b>831.0</b>    | <b>750.3</b>    | <b>751.7</b>    | <b>771.9</b>    | <b>749.1</b>    | <b>908.7</b>    | <b>692.9</b>    |
| <b>Net Foreign Financing</b>                          | <b>310.8</b>    | <b>222.7</b>    | <b>333.8</b>     | <b>355.5</b>    | <b>280.1</b>    | <b>213.7</b>    | <b>146.8</b>    | <b>174.9</b>    | <b>107.5</b>    | <b>152.0</b>    | <b>64.0</b>     | <b>202.4</b>    | <b>138.3</b>    |
| <b>Disbursements</b>                                  | <b>548.2</b>    | <b>760.5</b>    | <b>664.5</b>     | <b>686.2</b>    | <b>581.7</b>    | <b>713.9</b>    | <b>623.9</b>    | <b>662.3</b>    | <b>572.3</b>    | <b>779.7</b>    | <b>674.7</b>    | <b>739.3</b>    | <b>624.3</b>    |
| Commercial Financing                                  | 102.2           | 286.9           | 168.8            | 168.8           | 130.0           | 221.2           | 221.2           | 145.6           | 145.6           | 224.1           | 224.1           | 140.0           | 140.0           |
| Sustainability Linked Bond                            | 0.0             | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Total Project loans (AIA + Revenue)                   | 136.2           | 155.8           | 226.0            | 225.0           | 151.3           | 300.9           | 210.9           | 324.9           | 234.9           | 363.8           | 258.8           | 407.5           | 292.5           |
| o/w: Project loans (AIA)                              | 74.2            | 68.3            | 113.8            | 113.8           | 71.6            | 157.9           | 107.9           | 163.6           | 118.6           | 183.3           | 123.3           | 205.3           | 135.3           |
| Project Loans Revenue                                 | 62.0            | 87.4            | 112.1            | 111.2           | 79.6            | 143.0           | 103.0           | 161.2           | 116.2           | 180.6           | 135.6           | 202.2           | 157.2           |
| Use of IMF SDR Allocation                             | 42.8            | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| OPEC Funds  | 0.0             | 0.0             | 0.0              | 0.0             | 8.5             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Programme Loans                                       | 266.9           | 317.8           | 269.8            | 292.4           | 292.0           | 191.8           | 191.8           | 191.8           | 191.8           | 191.8           | 191.8           | 191.8           | 191.8           |
| o/w: P for R Programme Loans                          | 23.6            | 18.2            | 3.5              | 3.5             | 9.4             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| IMF - EFF/ECF/RSF                                     | 82.8            | 135.1           | 138.3            | 138.3           | 126.3           | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| World Bank DPO  | 138.9           | 154.1           | 101.3            | 123.9           | 130.3           | 170.5           | 170.5           | 170.5           | 170.5           | 170.5           | 170.5           | 170.5           | 170.5           |
| AfDB  | 10.4            | 10.4            | 26.7             | 26.7            | 26.0            | 21.3            | 21.3            | 21.3            | 21.3            | 21.3            | 21.3            | 21.3            | 21.3            |
| Debt repayment - Principal                            | -237.4          | -537.8          | -330.7           | -330.7          | -301.6          | -500.2          | -477.0          | -487.4          | -464.8          | -627.8          | -610.7          | -536.9          | -486.0          |
| <b>Net Domestic Financing</b>                         | <b>459.5</b>    | <b>595.6</b>    | <b>263.2</b>     | <b>413.1</b>    | <b>582.7</b>    | <b>545.8</b>    | <b>684.2</b>    | <b>575.4</b>    | <b>644.3</b>    | <b>619.9</b>    | <b>685.1</b>    | <b>706.3</b>    | <b>554.5</b>    |
| <b>Memo items</b>                                     |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Gross Debt (Stock)                                    | 10,278.9        | 10,561.1        | 11,158.1         | 11,329.7        | 11,423.9        | 12,089.1        | 12,254.9        | 12,839.4        | 13,006.7        | 13,611.3        | 13,755.8        | 14,662.9        | 14,448.6        |
| External Debt   | 5,446.6         | 5,150.8         | 5,484.7          | 5,506.3         | 5,430.9         | 5,720.0         | 5,577.7         | 5,894.9         | 5,685.2         | 6,046.9         | 5,749.2         | 5,939.4         | 5,887.6         |
| Domestic Debt (gross)                                 | 4,832.3         | 5,410.3         | 5,673.5          | 5,823.4         | 5,993.0         | 6,369.1         | 6,677.2         | 6,944.5         | 7,321.4         | 7,564.4         | 8,006.5         | 8,723.6         | 8,561.1         |
| Domestic Debt (net)                                   | 4,347.7         | 4,884.1         | 5,147.2          | 5,297.2         | 5,466.7         | 5,842.9         | 6,151.0         | 6,418.3         | 6,795.2         | 7,038.2         | 7,480.3         | 8,197.3         | 8,034.8         |
| Financing gap   | -72.6           | -62.2           | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| <b>Nominal GDP</b>                                    | <b>14,299.2</b> | <b>15,826.4</b> | <b>18,054.3</b>  | <b>18,053.7</b> | <b>17,434.5</b> | <b>19,971.6</b> | <b>19,272.8</b> | <b>22,051.5</b> | <b>21,285.6</b> | <b>24,399.5</b> | <b>23,529.5</b> | <b>27,009.9</b> | <b>26,018.8</b> |

Source: The National Treasury

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

|   | 2022/23     | 2023/24     | 2024/25          |                 |             | 2025/26     |             | 2026/27     |             | 2027/28     |             | 2028/29     |             |
|---|-------------|-------------|------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | Act.        | Act.        | Budget Estimates | Suppl. 1 Budget | Proj.       | BROP 2024   | BPS 2025    | BROP 2024   | BPS 2025    | BROP 2024   | BPS 2025    | BROP 2024   | BPS 2025    |
| <b>TOTAL REVENUE</b>                                  | <b>16.5</b> | <b>17.1</b> | <b>18.5</b>      | <b>16.9</b>     | <b>17.6</b> | <b>17.6</b> | <b>17.6</b> | <b>18.0</b> | <b>17.7</b> | <b>18.3</b> | <b>17.9</b> | <b>18.3</b> | <b>18.1</b> |
| <b>Ordinary Revenue</b>                               | <b>14.3</b> | <b>14.5</b> | <b>16.2</b>      | <b>14.6</b>     | <b>14.8</b> | <b>15.1</b> | <b>14.7</b> | <b>15.5</b> | <b>14.9</b> | <b>15.9</b> | <b>15.2</b> | <b>15.9</b> | <b>15.5</b> |
| Income Tax  | 6.6         | 6.6         | 6.8              | 6.5             | 6.7         | 6.6         | 6.9         | 6.7         | 7.0         | 6.7         | 7.0         | 6.8         | 7.1         |
| Import duty (net)                                     | 0.9         | 0.8         | 1.0              | 0.9             | 0.9         | 1.0         | 0.8         | 1.0         | 0.8         | 1.0         | 0.9         | 0.8         | 0.8         |
| Excise duty   | 1.8         | 1.7         | 2.4              | 1.8             | 1.8         | 2.0         | 1.7         | 2.1         | 1.8         | 2.1         | 1.8         | 1.7         | 1.8         |
| Value Added Tax                                       | 3.8         | 4.1         | 4.5              | 4.0             | 4.0         | 4.1         | 4.0         | 4.3         | 4.2         | 4.3         | 4.4         | 4.4         | 4.6         |
| Investment income                                     | 0.3         | 0.3         | 0.4              | 0.4             | 0.6         | 0.4         | 0.4         | 0.4         | 0.4         | 0.4         | 0.3         | 0.4         | 0.3         |
| Other   | 0.8         | 0.9         | 1.1              | 0.9             | 0.9         | 1.0         | 0.9         | 1.1         | 0.8         | 1.3         | 0.8         | 1.7         | 0.8         |
| <b>Ministerial Appropriation in Aid</b>               | <b>2.2</b>  | <b>2.6</b>  | <b>2.4</b>       | <b>2.4</b>      | <b>2.8</b>  | <b>2.5</b>  | <b>2.9</b>  | <b>2.5</b>  | <b>2.7</b>  | <b>2.4</b>  | <b>2.7</b>  | <b>2.4</b>  | <b>2.7</b>  |
| <b>EXPENDITURE AND NET LENDING</b>                    | <b>22.5</b> | <b>22.8</b> | <b>22.1</b>      | <b>21.5</b>     | <b>22.8</b> | <b>21.7</b> | <b>22.1</b> | <b>21.7</b> | <b>21.5</b> | <b>21.8</b> | <b>21.3</b> | <b>21.9</b> | <b>21.1</b> |
| <b>Recurrent expenditure</b>                          | <b>16.2</b> | <b>16.9</b> | <b>15.7</b>      | <b>15.7</b>     | <b>16.9</b> | <b>15.4</b> | <b>16.1</b> | <b>15.3</b> | <b>15.3</b> | <b>15.4</b> | <b>15.2</b> | <b>15.1</b> | <b>14.7</b> |
| Interest payments                                     | 4.8         | 5.3         | 5.6              | 5.6             | 5.7         | 5.4         | 5.9         | 5.4         | 5.4         | 5.4         | 5.0         | 5.2         | 4.6         |
| Domestic interest                                     | 3.7         | 3.9         | 4.2              | 4.2             | 4.4         | 4.1         | 4.4         | 4.1         | 4.1         | 4.1         | 3.8         | 4.0         | 3.6         |
| Foreign Interest                                      | 1.1         | 1.4         | 1.4              | 1.4             | 1.3         | 1.3         | 1.4         | 1.3         | 1.2         | 1.3         | 1.2         | 1.2         | 1.0         |
| Pensions & Other CFS                                  | 0.8         | 0.9         | 0.9              | 1.1             | 1.1         | 1.1         | 1.1         | 1.1         | 1.0         | 1.0         | 0.9         | 1.0         | 0.9         |
| Pensions  | 0.8         | 0.9         | 0.9              | 1.0             | 1.1         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 0.9         | 1.0         | 0.8         |
| Contribution to Civil Service Pension Fund            | 0.2         | 0.2         | 0.2              | 0.2             | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.1         | 0.2         | 0.1         | 0.1         |
| Net Issues/Net Expenditure                            | 8.6         | 8.7         | 7.4              | 7.2             | 8.0         | 7.2         | 7.3         | 7.2         | 7.2         | 7.3         | 7.5         | 7.3         | 7.5         |
| O/W: Wages & Salaries                                 | 3.8         | 3.6         | 3.4              | 3.3             | 3.7         | 3.3         | 3.5         | 3.1         | 3.4         | 2.9         | 3.2         | 2.7         | 3.0         |
| Free Secondary education                              | 0.5         | 0.4         | 0.4              | 0.4             | 0.4         | 0.4         | 0.4         | 0.3         | 0.4         | 0.3         | 0.3         | 0.3         | 0.3         |
| Free Primary Education                                | 0.1         | 0.1         | 0.1              | 0.1             | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         |
| Junior Secondary School - Capitation                  |             | 0.2         | 0.2              | 0.2             | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         |
| IEBC  | 0.1         | 0.0         | 0.0              | 0.0             | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.1         | 0.1         | 0.1         | 0.1         |
| Defense and NIS                                       | 1.2         | 1.3         | 1.2              | 1.2             | 1.3         | 1.1         | 1.1         | 1.0         | 1.0         | 0.9         | 1.0         | 0.9         | 0.9         |
| Others  | 2.7         | 3.0         | 2.3              | 2.2             | 2.4         | 2.1         | 1.8         | 2.5         | 2.0         | 2.8         | 2.6         | 2.9         | 2.8         |
| Ministerial Recurrent AIA                             | 1.7         | 1.8         | 1.6              | 1.6             | 1.8         | 1.6         | 1.7         | 1.5         | 1.6         | 1.5         | 1.6         | 1.5         | 1.5         |
| <b>Development and Net lending</b>                    | <b>3.5</b>  | <b>3.5</b>  | <b>3.9</b>       | <b>3.3</b>      | <b>3.4</b>  | <b>4.0</b>  | <b>3.8</b>  | <b>4.3</b>  | <b>4.1</b>  | <b>4.4</b>  | <b>4.2</b>  | <b>5.0</b>  | <b>4.5</b>  |
| Domestically financed (Gross)                         | 2.4         | 2.4         | 2.5              | 1.9             | 2.2         | 2.4         | 2.5         | 2.6         | 2.8         | 2.8         | 2.9         | 3.3         | 3.2         |
| O/W Domestically Financed (Net)/NMS                   | 1.9         | 1.6         | 1.7              | 1.1             | 1.3         | 1.4         | 1.3         | 1.7         | 1.6         | 1.8         | 1.7         | 2.4         | 2.1         |
| Ministerial Development AIA                           | 0.1         | 0.4         | 0.4              | 0.4             | 0.6         | 0.7         | 0.9         | 0.5         | 0.8         | 0.5         | 0.7         | 0.5         | 0.7         |
| Foreign financed                                      | 1.0         | 1.0         | 1.3              | 1.3             | 1.0         | 1.6         | 1.2         | 1.6         | 1.3         | 1.6         | 1.2         | 1.6         | 1.3         |
| Net lending   | 0.1         | 0.1         | 0.0              | 0.0             | 0.1         | 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             | 0.0         | 0.1         | 0.1         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>County Transfers</b>                               | <b>2.9</b>  | <b>2.4</b>  | <b>2.5</b>       | <b>2.5</b>      | <b>2.6</b>  | <b>2.2</b>  | <b>2.3</b>  | <b>2.0</b>  | <b>2.1</b>  | <b>1.9</b>  | <b>2.0</b>  | <b>1.8</b>  | <b>1.8</b>  |
| Equitable Share                                       | 2.8         | 2.2         | 2.2              | 2.3             | 2.4         | 2.0         | 2.1         | 1.9         | 2.0         | 1.8         | 1.8         | 1.6         | 1.7         |
| Conditional Allocation                                | 0.1         | 0.2         | 0.2              | 0.2             | 0.2         | 0.2         | 0.2         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         |
| <b>Contingency Fund</b>                               | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>       | <b>0.0</b>      | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  |
| <b>Fiscal Balance (commitment basis excl. grants)</b> | <b>-6.1</b> | <b>-5.7</b> | <b>-3.6</b>      | <b>-4.5</b>     | <b>-5.2</b> | <b>-4.1</b> | <b>-4.6</b> | <b>-3.7</b> | <b>-3.8</b> | <b>-3.4</b> | <b>-3.5</b> | <b>-3.6</b> | <b>-2.9</b> |
| <b>Grants</b>   | <b>0.2</b>  | <b>0.1</b>  | <b>0.3</b>       | <b>0.3</b>      | <b>0.3</b>  | <b>0.3</b>  | <b>0.2</b>  | <b>0.3</b>  | <b>0.3</b>  | <b>0.3</b>  | <b>0.3</b>  | <b>0.2</b>  | <b>0.3</b>  |
| <b>Fiscal Balance (incl. grants)</b>                  | <b>-5.9</b> | <b>-5.6</b> | <b>-3.3</b>      | <b>-4.3</b>     | <b>-4.9</b> | <b>-3.8</b> | <b>-4.3</b> | <b>-3.4</b> | <b>-3.5</b> | <b>-3.2</b> | <b>-3.2</b> | <b>-3.4</b> | <b>-2.7</b> |
| Adjustment to Cash Basis                              | 0.3         | 0.3         | 0.0              | 0.0             | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Fiscal Balance (incl. grants) Cash Basis</b>       | <b>-5.6</b> | <b>-5.3</b> | <b>-3.3</b>      | <b>-4.3</b>     | <b>-4.9</b> | <b>-3.8</b> | <b>-4.3</b> | <b>-3.4</b> | <b>-3.5</b> | <b>-3.2</b> | <b>-3.2</b> | <b>-3.4</b> | <b>-2.7</b> |
| Statistical discrepancy                               | -0.2        | -0.1        | 0.0              | 0.0             | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>TOTAL FINANCING</b>                                | <b>5.4</b>  | <b>5.2</b>  | <b>3.3</b>       | <b>4.3</b>      | <b>4.9</b>  | <b>3.8</b>  | <b>4.3</b>  | <b>3.4</b>  | <b>3.5</b>  | <b>3.2</b>  | <b>3.2</b>  | <b>3.4</b>  | <b>2.7</b>  |
| <b>Net Foreign Financing</b>                          | <b>2.2</b>  | <b>1.4</b>  | <b>1.8</b>       | <b>2.0</b>      | <b>1.6</b>  | <b>1.1</b>  | <b>0.8</b>  | <b>0.8</b>  | <b>0.5</b>  | <b>0.6</b>  | <b>0.3</b>  | <b>0.7</b>  | <b>0.5</b>  |
| Disbursements   | 3.8         | 4.8         | 3.7              | 3.8             | 3.3         | 3.6         | 3.2         | 3.0         | 2.7         | 3.2         | 2.9         | 2.7         | 2.4         |
| <b>Commercial Financing</b>                           | <b>0.7</b>  | <b>1.8</b>  | <b>0.9</b>       | <b>0.9</b>      | <b>0.7</b>  | <b>1.1</b>  | <b>1.1</b>  | <b>0.7</b>  | <b>0.7</b>  | <b>0.9</b>  | <b>1.0</b>  | <b>0.5</b>  | <b>0.5</b>  |
| Sustainability Linked Bond                            | 0.0         | 0.0         | 0.0              | 0.0             | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Total Project loans (AIA + Revenue)                   | 1.0         | 1.0         | 1.3              | 1.2             | 0.9         | 1.5         | 1.1         | 1.5         | 1.1         | 1.5         | 1.1         | 1.5         | 1.1         |
| o/w: Project loans (AIA)                              | 0.5         | 0.4         | 0.6              | 0.6             | 0.4         | 0.8         | 0.6         | 0.7         | 0.6         | 0.8         | 0.5         | 0.8         | 0.5         |
| Project Loans Revenue                                 | 0.4         | 0.6         | 0.6              | 0.6             | 0.5         | 0.7         | 0.5         | 0.7         | 0.5         | 0.7         | 0.6         | 0.7         | 0.6         |
| Programme Loans                                       | 1.9         | 2.0         | 1.5              | 1.6             | 1.7         | 1.0         | 1.0         | 0.9         | 0.9         | 0.8         | 0.8         | 0.7         | 0.7         |
| o/w: P for R Programme Loans                          | 0.2         | 0.1         | 0.0              | 0.0             | 0.1         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| IMF - EFF/ECF/RSF                                     | 0.6         | 0.9         | 0.8              | 0.8             | 0.7         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| World Bank DPO  | 1.0         | 1.0         | 0.6              | 0.7             | 0.7         | 0.9         | 0.9         | 0.8         | 0.8         | 0.7         | 0.7         | 0.6         | 0.7         |
| AfDB  | 0.1         | 0.1         | 0.1              | 0.1             | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         |
| <b>Debt repayment - Principal</b>                     | <b>-1.7</b> | <b>-3.4</b> | <b>-1.8</b>      | <b>-1.8</b>     | <b>-1.7</b> | <b>-2.5</b> | <b>-2.5</b> | <b>-2.2</b> | <b>-2.2</b> | <b>-2.6</b> | <b>-2.6</b> | <b>-2.0</b> | <b>-1.9</b> |
| <b>Net Domestic Financing</b>                         | <b>3.2</b>  | <b>3.8</b>  | <b>1.5</b>       | <b>2.3</b>      | <b>3.3</b>  | <b>2.7</b>  | <b>3.6</b>  | <b>2.6</b>  | <b>3.0</b>  | <b>2.5</b>  | <b>2.9</b>  | <b>2.6</b>  | <b>2.1</b>  |
| <b>Memo items</b>                                     |             |             |                  |                 |             |             |             |             |             |             |             |             |             |
| Gross Debt (Stock)                                    | 71.9        | 66.7        | 61.8             | 62.8            | 65.5        | 60.5        | 63.6        | 58.2        | 61.1        | 55.8        | 58.5        | 54.3        | 55.5        |
| External Debt   | 38.1        | 32.5        | 30.4             | 30.5            | 31.2        | 28.6        | 28.9        | 26.7        | 26.7        | 24.8        | 24.4        | 22.0        | 22.6        |
| Domestic Debt (gross)                                 | 33.8        | 34.2        | 31.4             | 32.3            | 34.4        | 31.9        | 34.6        | 31.5        | 34.4        | 31.0        | 34.0        | 32.3        | 32.9        |
| Domestic Debt (net)                                   | 30.4        | 30.9        | 28.5             | 29.3            | 31.4        | 29.3        | 31.9        | 29.1        | 31.9        | 28.8        | 31.8        | 30.3        | 30.9        |
| Financing gap   | -0.5        | -0.4        | 0.0              | 0.0             | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Nominal GDP   | 100.0       | 100.0       | 100.0            | 100.0           | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |

Source: The National Treasury

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

| Sector Code | Sector/Vote/Programme   | Supplementary Estimates No. I |                  |                  | BPS Projection   |                  |                  |                  |                  |                  |                  |                  |                  |
|-------------|---|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|             |   | 2024/25                       |                  |                  | 2025/26          |                  |                  | 2026/27          |                  |                  | 2027/28          |                  |                  |
|             |   | Current                       | Capital          | Total            | Current          | Capital          | Total            | Current          | Capital          | Total            | Current          | Capital          | Total            |
| <b>010</b>  | <b>AGRICULTURE, RURAL &amp; URBAN DEVELOPMENT</b>               | <b>29,362.1</b>               | <b>44,571.0</b>  | <b>73,933.0</b>  | <b>32,202.2</b>  | <b>45,469.3</b>  | <b>77,671.5</b>  | <b>34,157.7</b>  | <b>65,816.4</b>  | <b>99,974.1</b>  | <b>36,585.5</b>  | <b>69,092.6</b>  | <b>105,678.1</b> |
|             | <b>1112 State Department for Lands and Physical Planning</b>    | <b>4,135.7</b>                | <b>2,379.0</b>   | <b>6,514.7</b>   | <b>5,870.9</b>   | <b>2,977.4</b>   | <b>8,848.3</b>   | <b>6,007.9</b>   | <b>3,882.3</b>   | <b>9,890.2</b>   | <b>6,138.8</b>   | <b>4,007.5</b>   | <b>10,146.3</b>  |
|             | 0101000 Land Policy and Planning                                | 2,929.3                       | 2,214.0          | 5,143.3          | 4,633.7          | 1,800.4          | 6,434.1          | 4,731.9          | 2,705.3          | 7,437.2          | 4,839.8          | 2,830.5          | 7,670.3          |
|             | 0121000 Land Information Management                             | -                             | 165.0            | 165.0            | -                | 1,177.0          | 1,177.0          | -                | 1,177.0          | 1,177.0          | -                | 1,177.0          | 1,177.0          |
|             | 0122000 General Administration, Planning and Support Services   | 1,206.4                       | -                | 1,206.4          | 1,237.2          | -                | 1,237.2          | 1,276.0          | -                | 1,276.0          | 1,299.0          | -                | 1,299.0          |
|             | <b>1162 State Department for Livestock Development</b>          | <b>5,293.2</b>                | <b>7,966.0</b>   | <b>13,259.2</b>  | <b>4,623.0</b>   | <b>6,515.0</b>   | <b>11,138.0</b>  | <b>5,276.8</b>   | <b>11,575.3</b>  | <b>16,852.1</b>  | <b>6,009.8</b>   | <b>9,471.4</b>   | <b>15,481.2</b>  |
|             | 0112000 Livestock Resources Management and Development          | 5,293.2                       | 7,966.0          | 13,259.2         | 4,623.0          | 6,515.0          | 11,138.0         | 5,276.8          | 11,575.3         | 16,852.1         | 6,009.8          | 9,471.4          | 15,481.2         |
|             | <b>1166 State Department for the Blue Economy and Fisheries</b> | <b>2,448.2</b>                | <b>7,892.9</b>   | <b>10,341.1</b>  | <b>2,832.9</b>   | <b>6,799.0</b>   | <b>9,631.9</b>   | <b>2,886.8</b>   | <b>8,652.0</b>   | <b>11,538.8</b>  | <b>3,173.2</b>   | <b>10,446.0</b>  | <b>13,619.2</b>  |
|             | 0111000 Fisheries Development and Management                    | 2,191.0                       | 6,892.9          | 9,083.9          | 2,572.6          | 6,116.0          | 8,688.6          | 2,614.5          | 2,937.0          | 5,551.5          | 2,887.3          | 550.0            | 3,437.3          |
|             | 0117000 General Administration, Planning and Support Services   | 199.9                         | -                | 199.9            | 200.7            | -                | 200.7            | 207.9            | -                | 207.9            | 219.5            | -                | 219.5            |
|             | 0118000 Development and Coordination of the Blue Economy        | 57.3                          | 1,000.0          | 1,057.3          | 59.6             | 683.0            | 742.6            | 64.5             | 5,715.0          | 5,779.5          | 66.5             | 9,896.0          | 9,962.5          |
|             | <b>1169 State Department for Agriculture</b>                    | <b>15,702.8</b>               | <b>26,333.1</b>  | <b>42,035.9</b>  | <b>16,869.3</b>  | <b>28,170.9</b>  | <b>45,040.2</b>  | <b>17,890.0</b>  | <b>40,489.8</b>  | <b>58,379.8</b>  | <b>19,073.6</b>  | <b>44,877.8</b>  | <b>63,951.3</b>  |
|             | 0107000 General Administration Planning and Support Services    | 6,202.1                       | 3,223.3          | 9,425.4          | 8,375.9          | 8,641.5          | 17,017.3         | 9,005.0          | 6,005.0          | 15,010.0         | 9,731.8          | 5,074.9          | 14,806.7         |
|             | 0108000 Crop Development and Management                         | 4,132.0                       | 22,362.8         | 26,494.8         | 3,121.7          | 19,502.1         | 22,623.7         | 3,333.5          | 34,232.8         | 37,566.2         | 3,570.7          | 39,548.8         | 43,119.6         |
|             | 0109000 Agribusiness and Information Management                 | 134.5                         | 747.0            | 881.5            | 132.5            | -                | 132.5            | 141.6            | -                | 141.6            | 150.3            | -                | 150.3            |
|             | 0120000 Agricultural Research & Development                     | 5,234.3                       | -                | 5,234.3          | 5,239.3          | 27.4             | 5,266.7          | 5,409.9          | 252.0            | 5,661.9          | 5,620.7          | 254.0            | 5,874.7          |
|             | <b>2021 National Land Commission</b>                            | <b>1,782.2</b>                | <b>-</b>         | <b>1,782.2</b>   | <b>2,006.0</b>   | <b>1,007.0</b>   | <b>3,013.0</b>   | <b>2,096.2</b>   | <b>1,217.0</b>   | <b>3,313.2</b>   | <b>2,190.1</b>   | <b>290.0</b>     | <b>2,480.1</b>   |
|             | 0116000 Land Administration and Management                      | 1,782.2                       | -                | 1,782.2          | 2,006.0          | 1,007.0          | 3,013.0          | 2,096.2          | 1,217.0          | 3,313.2          | 2,190.1          | 290.0            | 2,480.1          |
| <b>020</b>  | <b>ENERGY, INFRASTRUCTURE AND ICT</b>                           | <b>142,033.9</b>              | <b>302,255.8</b> | <b>444,289.7</b> | <b>149,704.0</b> | <b>354,900.1</b> | <b>504,604.1</b> | <b>187,754.0</b> | <b>366,393.0</b> | <b>554,147.0</b> | <b>195,337.0</b> | <b>401,950.0</b> | <b>597,287.0</b> |
|             | <b>1091 State Department for Roads</b>                          | <b>72,072.2</b>               | <b>119,911.8</b> | <b>191,984.0</b> | <b>71,898.0</b>  | <b>126,991.1</b> | <b>198,889.1</b> | <b>106,080.0</b> | <b>131,536.0</b> | <b>237,616.0</b> | <b>108,558.0</b> | <b>169,234.0</b> | <b>277,792.0</b> |
|             | 0202000 Road Transport  | 72,072.2                      | 119,911.8        | 191,984.0        | 71,898.0         | 126,991.1        | 198,889.1        | 106,080.0        | 131,536.0        | 237,616.0        | 108,558.0        | 169,234.0        | 277,792.0        |
|             | <b>1092 State Department for Transport</b>                      | <b>16,337.3</b>               | <b>32,007.0</b>  | <b>48,344.3</b>  | <b>21,009.0</b>  | <b>45,440.0</b>  | <b>66,449.0</b>  | <b>22,299.0</b>  | <b>57,167.0</b>  | <b>79,466.0</b>  | <b>23,828.0</b>  | <b>56,958.0</b>  | <b>80,786.0</b>  |
|             | 0201000 General Administration, Planning and Support Services   | 1,254.1                       | 694.0            | 1,948.1          | 1,420.0          | 1,799.0          | 3,219.0          | 2,532.0          | 3,382.0          | 5,914.0          | 2,802.0          | 3,478.0          | 6,280.0          |
|             | 0203000 Rail Transport  | 676.8                         | 27,417.0         | 28,093.8         | 677.0            | 36,840.0         | 37,517.0         | 177.0            | 42,843.0         | 43,020.0         | 177.0            | 43,486.0         | 43,663.0         |
|             | 0204000 Marine Transport  | 520.5                         | 2,365.0          | 2,885.5          | 18.0             | 4,165.0          | 4,183.0          | 19.0             | 8,187.0          | 8,206.0          | 19.0             | 7,180.0          | 7,199.0          |
|             | 0205000 Air Transport   | 11,367.6                      | -                | 11,367.6         | 14,021.0         | 750.0            | 14,771.0         | 14,788.0         | 1,423.0          | 16,211.0         | 15,869.0         | 1,792.0          | 17,661.0         |
|             | 0216000 Road Safety   | 2,518.3                       | 1,531.0          | 4,049.3          | 4,873.0          | 1,886.0          | 6,759.0          | 4,783.0          | 1,332.0          | 6,115.0          | 4,961.0          | 1,022.0          | 5,983.0          |

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

| Sector Code | Sector/Vote/Programme   | Supplementary Estimates No. I |                  |                  | BPS Projection   |                  |                  |                  |                  |                  |                  |                  |                  |
|-------------|---|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|             |   | 2024/25                       |                  |                  | 2025/26          |                  |                  | 2026/27          |                  |                  | 2027/28          |                  |                  |
|             |   | Current                       | Capital          | Total            | Current          | Capital          | Total            | Current          | Capital          | Total            | Current          | Capital          | Total            |
| <b>020</b>  | <b>ENERGY, INFRASTRUCTURE AND ICT</b>   | <b>142,033.9</b>              | <b>302,255.8</b> | <b>444,289.7</b> | <b>149,704.0</b> | <b>354,900.1</b> | <b>504,604.1</b> | <b>187,754.0</b> | <b>366,393.0</b> | <b>554,147.0</b> | <b>195,337.0</b> | <b>401,950.0</b> | <b>597,287.0</b> |
|             | <b>1093 State Department for Shipping and Maritime Affairs</b>                              | <b>2,223.0</b>                | <b>750.0</b>     | <b>2,973.0</b>   | <b>3,691.0</b>   | <b>2,359.0</b>   | <b>6,050.0</b>   | <b>3,915.0</b>   | <b>1,685.0</b>   | <b>5,600.0</b>   | <b>4,015.0</b>   | <b>1,651.0</b>   | <b>5,666.0</b>   |
|             | 0220000 Shipping and Maritime Affairs   | 2,223.0                       | 750.0            | 2,973.0          | 3,691.0          | 2,359.0          | 6,050.0          | 3,915.0          | 1,685.0          | 5,600.0          | 4,015.0          | 1,651.0          | 5,666.0          |
|             | <b>1094 State Department for Housing &amp; Urban Development</b>                            | <b>1,303.0</b>                | <b>85,195.8</b>  | <b>86,498.8</b>  | <b>1,440.0</b>   | <b>112,861.0</b> | <b>114,301.0</b> | <b>1,530.0</b>   | <b>86,311.0</b>  | <b>87,841.0</b>  | <b>1,566.0</b>   | <b>73,894.0</b>  | <b>75,460.0</b>  |
|             | 0102000 Housing Development and Human Settlement  | 812.7                         | 76,734.8         | 77,547.5         | 933.0            | 101,710.0        | 102,643.0        | 1,001.0          | 70,946.0         | 71,947.0         | 1,021.0          | 67,905.0         | 68,926.0         |
|             | 0105000 Urban and Metropolitan Development  | 144.9                         | 8,461.0          | 8,605.9          | 155.0            | 11,151.0         | 11,306.0         | 161.0            | 15,365.0         | 15,526.0         | 167.0            | 5,989.0          | 6,156.0          |
|             | 0106000 General Administration Planning and Support Services                                | 345.3                         | -                | 345.3            | 352.0            | -                | 352.0            | 368.0            | -                | 368.0            | 378.0            | -                | 378.0            |
|             | <b>1095 State Department for Public Works</b>   | <b>3,681.1</b>                | <b>224.0</b>     | <b>3,905.1</b>   | <b>3,832.0</b>   | <b>771.0</b>     | <b>4,603.0</b>   | <b>4,214.0</b>   | <b>878.0</b>     | <b>5,092.0</b>   | <b>4,485.0</b>   | <b>885.0</b>     | <b>5,370.0</b>   |
|             | 0103000 Government Buildings  | 578.1                         | -                | 578.1            | 674.0            | 478.0            | 1,152.0          | 693.0            | 547.0            | 1,240.0          | 714.0            | 88.0             | 802.0            |
|             | 0104000 Coastline Infrastructure and Pedestrian Access                                      | 90.2                          | 124.0            | 214.2            | 104.0            | 234.0            | 338.0            | 101.0            | 281.0            | 382.0            | 105.0            | 747.0            | 852.0            |
|             | 0106000 General Administration Planning and Support Services                                | 354.2                         | -                | 354.2            | 363.0            | -                | 363.0            | 373.0            | -                | 373.0            | 398.0            | -                | 398.0            |
|             | 0218000 Regulation and Development of the Construction Industry                             | 2,658.7                       | 100.0            | 2,758.7          | 2,691.0          | 59.0             | 2,750.0          | 3,047.0          | 50.0             | 3,097.0          | 3,268.0          | 50.0             | 3,318.0          |
|             | <b>1122 State Department for Information Communication Technology &amp; Digital Economy</b> | <b>3,508.3</b>                | <b>16,489.7</b>  | <b>19,998.0</b>  | <b>3,489.0</b>   | <b>17,684.0</b>  | <b>21,173.0</b>  | <b>4,577.0</b>   | <b>26,030.0</b>  | <b>30,607.0</b>  | <b>7,066.0</b>   | <b>40,092.0</b>  | <b>47,158.0</b>  |
|             | 0207000 General Administration Planning and Support Services                                | 269.6                         | -                | 269.6            | 376.0            | -                | 376.0            | 386.0            | -                | 386.0            | 407.0            | -                | 407.0            |
|             | 0210000 ICT Infrastructure Development  | 701.6                         | 15,431.9         | 16,133.5         | 1,271.0          | 14,439.0         | 15,710.0         | 1,542.0          | 22,356.0         | 23,898.0         | 2,811.0          | 36,584.0         | 39,395.0         |
|             | 0217000 E-Government Services   | 2,537.1                       | 1,057.8          | 3,594.9          | 1,842.0          | 3,245.0          | 5,087.0          | 2,649.0          | 3,674.0          | 6,323.0          | 3,848.0          | 3,508.0          | 7,356.0          |
|             | <b>1123 State Department for Broadcasting &amp; Telecommunications</b>                      | <b>5,707.8</b>                | <b>-</b>         | <b>5,707.8</b>   | <b>6,194.0</b>   | <b>645.0</b>     | <b>6,839.0</b>   | <b>5,909.0</b>   | <b>551.0</b>     | <b>6,460.0</b>   | <b>6,116.0</b>   | <b>557.0</b>     | <b>6,673.0</b>   |
|             | 0207000 General Administration Planning and Support Services                                | 210.0                         | -                | 210.0            | 242.0            | -                | 242.0            | 242.0            | -                | 242.0            | 353.0            | -                | 353.0            |
|             | 0208000 Information And Communication Services  | 5,281.6                       | -                | 5,281.6          | 5,704.0          | 645.0            | 6,349.0          | 5,357.0          | 551.0            | 5,908.0          | 5,439.0          | 557.0            | 5,996.0          |
|             | 0209000 Mass Media Skills Development   | 216.2                         | -                | 216.2            | 248.0            | -                | 248.0            | 310.0            | -                | 310.0            | 324.0            | -                | 324.0            |
|             | <b>1152 State Department for Energy</b>   | <b>9,882.1</b>                | <b>44,177.5</b>  | <b>54,059.6</b>  | <b>12,153.0</b>  | <b>43,087.9</b>  | <b>55,240.9</b>  | <b>12,990.0</b>  | <b>57,262.0</b>  | <b>70,252.0</b>  | <b>13,442.0</b>  | <b>53,695.0</b>  | <b>67,137.0</b>  |
|             | 0211000 General Administration Planning and Support Services                                | 373.8                         | 180.0            | 553.8            | 361.0            | 320.0            | 681.0            | 370.0            | 282.0            | 652.0            | 366.0            | 200.0            | 566.0            |
|             | 0212000 Power Generation  | 2,028.8                       | 12,972.8         | 15,001.5         | 2,495.0          | 10,489.0         | 12,984.0         | 3,176.0          | 13,405.0         | 16,581.0         | 3,468.0          | 12,949.0         | 16,417.0         |
|             | 0213000 Power Transmission and Distribution   | 7,413.7                       | 29,063.7         | 36,477.4         | 9,228.0          | 30,274.9         | 39,502.9         | 9,372.0          | 42,240.0         | 51,612.0         | 9,523.0          | 39,081.0         | 48,604.0         |
|             | 0214000 Alternative Energy Technologies   | 65.8                          | 1,961.0          | 2,026.8          | 69.0             | 2,004.0          | 2,073.0          | 72.0             | 1,335.0          | 1,407.0          | 85.0             | 1,465.0          | 1,550.0          |
|             | <b>1193 State Department for Petroleum</b>  | <b>27,319.2</b>               | <b>3,500.0</b>   | <b>30,819.2</b>  | <b>25,998.0</b>  | <b>5,061.0</b>   | <b>31,059.0</b>  | <b>26,240.0</b>  | <b>4,973.0</b>   | <b>31,213.0</b>  | <b>26,261.0</b>  | <b>4,984.0</b>   | <b>31,245.0</b>  |
|             | 0215000 Exploration and Distribution of Oil and Gas   | 27,319.2                      | 3,500.0          | 30,819.2         | 25,998.0         | 5,061.0          | 31,059.0         | 26,240.0         | 4,973.0          | 31,213.0         | 26,261.0         | 4,984.0          | 31,245.0         |



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

| Sector Code | Sector/Vote/Programme   | Supplementary Estimates No. I |                 |                 | BPS Projection  |                 |                 |                 |                 |                 |                 |                 |                 |
|-------------|---|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|             |   | 2024/25                       |                 |                 | 2025/26         |                 |                 | 2026/27         |                 |                 | 2027/28         |                 |                 |
|             |   | Current                       | Capital         | Total           | Current         | Capital         | Total           | Current         | Capital         | Total           | Current         | Capital         | Total           |
| <b>030</b>  | <b>GENERAL ECONOMIC AND COMMERCIAL AFFAIRS</b>                                  | <b>29,865.6</b>               | <b>15,759.9</b> | <b>45,625.5</b> | <b>37,812.5</b> | <b>21,326.7</b> | <b>59,139.2</b> | <b>38,675.9</b> | <b>41,675.9</b> | <b>80,351.8</b> | <b>40,684.5</b> | <b>44,483.2</b> | <b>85,167.7</b> |
|             | <b>1036 State Department for the ASALs and Regional Development</b>             | <b>4,805.7</b>                | <b>3,927.5</b>  | <b>8,733.2</b>  | <b>4,846.7</b>  | <b>2,532.3</b>  | <b>7,379.0</b>  | <b>4,610.3</b>  | <b>6,344.9</b>  | <b>10,955.2</b> | <b>5,053.2</b>  | <b>7,058.7</b>  | <b>12,111.9</b> |
|             | 0733000 Accelerated ASAL Development  | 2,809.3                       | 1,814.3         | 4,623.7         | 2,774.8         | 1,807.7         | 4,582.5         | 2,833.0         | 4,237.8         | 7,070.8         | 2,944.1         | 4,647.8         | 7,591.9         |
|             | 0743000 General Administration, Planning and Support Services                   | 414.1                         | -               | 414.1           | 291.0           | -               | 291.0           | 318.3           | -               | 318.3           | 316.3           | -               | 316.3           |
|             | 1013000 Integrated Regional Development   | 1,582.3                       | 2,113.2         | 3,695.5         | 1,780.9         | 724.6           | 2,505.5         | 1,459.1         | 2,107.1         | 3,566.2         | 1,792.8         | 2,410.9         | 4,203.7         |
|             | <b>1173 State Department for Cooperatives</b>                                   | <b>6,709.7</b>                | <b>2,000.0</b>  | <b>8,709.7</b>  | <b>6,871.3</b>  | <b>1,565.5</b>  | <b>8,436.8</b>  | <b>6,947.1</b>  | <b>3,028.5</b>  | <b>9,975.6</b>  | <b>7,009.5</b>  | <b>3,486.1</b>  | <b>10,495.7</b> |
|             | 0304000 Cooperative Development and Management                                  | 6,709.7                       | 2,000.0         | 8,709.7         | 6,871.3         | 1,565.5         | 8,436.8         | 6,947.1         | 3,028.5         | 9,975.6         | 7,009.5         | 3,486.1         | 10,495.7        |
|             | <b>1174 State Department for Trade</b>  | <b>3,071.7</b>                | <b>290.0</b>    | <b>3,361.7</b>  | <b>3,459.3</b>  | <b>170.0</b>    | <b>3,629.3</b>  | <b>3,375.7</b>  | <b>1,509.5</b>  | <b>4,885.2</b>  | <b>3,449.8</b>  | <b>1,782.8</b>  | <b>5,232.5</b>  |
|             | 0309000 Domestic Trade and Enterprise Development                               | 1,770.0                       | -               | 1,770.0         | 1,907.1         | 100.0           | 2,007.1         | 1,840.6         | 535.0           | 2,375.6         | 1,881.8         | 535.0           | 2,416.8         |
|             | 0310000 Fair Trade Practices And Compliance of Standards                        | 116.0                         | -               | 116.0           | 195.1           | 70.0            | 265.1           | 148.6           | 500.0           | 648.6           | 173.6           | 330.0           | 503.6           |
|             | 0311000 International Trade Development and Promotion                           | 822.5                         | 290.0           | 1,112.5         | 1,021.0         | -               | 1,021.0         | 1,039.3         | 474.5           | 1,513.9         | 1,058.3         | 917.8           | 1,976.0         |
|             | 0312000 General Administration, Planning and Support Services                   | 363.2                         | -               | 363.2           | 336.1           | -               | 336.1           | 347.1           | -               | 347.1           | 336.2           | -               | 336.2           |
|             | <b>1175 State Department for Industry</b>                                       | <b>2,207.4</b>                | <b>3,343.9</b>  | <b>5,551.3</b>  | <b>2,999.4</b>  | <b>6,132.5</b>  | <b>9,131.9</b>  | <b>3,127.4</b>  | <b>9,039.9</b>  | <b>12,167.4</b> | <b>3,472.9</b>  | <b>9,825.5</b>  | <b>13,298.4</b> |
|             | 0301000 General Administration Planning and Support Services                    | 364.4                         | -               | 364.4           | 373.3           | -               | 373.3           | 378.9           | -               | 378.9           | 386.2           | -               | 386.2           |
|             | 0320000 Industrial Promotion and Development                                    | 940.9                         | 2,000.0         | 2,940.9         | 1,048.6         | 4,806.4         | 5,855.0         | 1,153.0         | 7,739.9         | 8,893.0         | 1,375.6         | 8,011.5         | 9,387.0         |
|             | 0321000 Standards and Quality Infrastructure & Research                         | 902.1                         | 1,343.9         | 2,246.0         | 1,577.4         | 1,326.2         | 2,903.6         | 1,595.5         | 1,300.0         | 2,895.5         | 1,711.2         | 1,814.0         | 3,525.2         |
|             | <b>1176 State Department for Micro Small and Medium Enterprises Development</b> | <b>1,487.0</b>                | <b>4,528.5</b>  | <b>6,015.5</b>  | <b>1,724.3</b>  | <b>4,629.0</b>  | <b>6,353.3</b>  | <b>1,799.7</b>  | <b>12,293.5</b> | <b>14,093.2</b> | <b>1,885.3</b>  | <b>13,044.9</b> | <b>14,930.1</b> |
|             | 0316000 Promotion and Development of MSMEs                                      | 484.8                         | 2,528.5         | 3,013.3         | 716.4           | 1,029.0         | 1,745.4         | 753.0           | 3,560.0         | 4,313.0         | 806.1           | 3,660.0         | 4,466.1         |
|             | 0317000 Product and Market Development for MSMEs                                | 380.7                         | -               | 380.7           | 380.7           | 1,550.0         | 1,930.7         | 419.7           | 642.3           | 1,062.0         | 437.0           | 642.3           | 1,079.2         |
|             | 0318000 Digitization and Financial Inclusion for MSMEs                          | 350.7                         | 2,000.0         | 2,350.7         | 350.7           | 2,050.0         | 2,400.7         | 341.7           | 8,091.3         | 8,433.0         | 350.7           | 8,742.6         | 9,093.3         |
|             | 0319000 General Administration, Planning and Support Services                   | 270.8                         | -               | 270.8           | 276.5           | -               | 276.5           | 285.2           | -               | 285.2           | 291.5           | -               | 291.5           |
|             | <b>1177 State Department for Investments Promotion</b>                          | <b>1,165.7</b>                | <b>1,200.0</b>  | <b>2,365.7</b>  | <b>1,391.4</b>  | <b>4,313.4</b>  | <b>5,704.8</b>  | <b>1,430.2</b>  | <b>7,487.7</b>  | <b>8,917.9</b>  | <b>1,589.7</b>  | <b>7,863.4</b>  | <b>9,453.1</b>  |
|             | 0322000 Investment Development and Promotion                                    | 1,165.7                       | 1,200.0         | 2,365.7         | 1,391.4         | 4,313.4         | 5,704.8         | 1,430.2         | 7,487.7         | 8,917.9         | 1,589.7         | 7,863.4         | 9,453.1         |
|             | <b>1202 State Department for Tourism</b>  | <b>9,845.6</b>                | <b>470.0</b>    | <b>10,315.6</b> | <b>15,932.7</b> | <b>1,984.0</b>  | <b>17,916.7</b> | <b>16,776.8</b> | <b>1,971.8</b>  | <b>18,748.6</b> | <b>17,592.7</b> | <b>1,421.8</b>  | <b>19,014.5</b> |
|             | 0313000 Tourism Promotion and Marketing   | 536.3                         | 30.0            | 566.3           | 703.0           | 669.0           | 1,372.0         | 826.1           | 616.0           | 1,442.1         | 886.7           | 533.5           | 1,420.2         |
|             | 0314000 Tourism Product Development and Diversification                         | 9,051.1                       | 440.0           | 9,491.1         | 14,910.9        | 1,279.0         | 16,189.9        | 15,627.4        | 1,155.0         | 16,782.4        | 16,378.1        | 704.7           | 17,082.8        |
|             | 0315000 General Administration, Planning and Support Services                   | 258.2                         | -               | 258.2           | 318.7           | 36.0            | 354.7           | 323.3           | 200.8           | 524.1           | 328.0           | 183.6           | 511.6           |
|             | <b>1221 State Department for East African Community</b>                         | <b>572.7</b>                  | <b>-</b>        | <b>572.7</b>    | <b>587.4</b>    | <b>-</b>        | <b>587.4</b>    | <b>608.7</b>    | <b>-</b>        | <b>608.7</b>    | <b>631.4</b>    | <b>-</b>        | <b>631.4</b>    |
|             | 0305000 East African Affairs and Regional Integration                           | 572.7                         | -               | 572.7           | 587.4           | -               | 587.4           | 608.7           | -               | 608.7           | 631.4           | -               | 631.4           |

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

| Sector Code | Sector/Vote/Programme  | Supplementary Estimates No. I |                 |                  | BPS Projection   |                 |                  |                  |                 |                  |                  |                 |                  |
|-------------|--|-------------------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
|             |  | 2024/25                       |                 |                  | 2025/26          |                 |                  | 2026/27          |                 |                  | 2027/28          |                 |                  |
|             |  | Current                       | Capital         | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            |
| <b>040</b>  | <b>HEALTH</b>  | <b>86,828.3</b>               | <b>32,028.0</b> | <b>118,856.3</b> | <b>98,948.1</b>  | <b>32,546.8</b> | <b>131,494.9</b> | <b>176,241.3</b> | <b>38,542.0</b> | <b>214,783.3</b> | <b>184,864.0</b> | <b>46,170.0</b> | <b>231,034.0</b> |
|             | 1082 State Department for Medical Services                                       | 64,242.4                      | 27,739.0        | 91,981.4         | 72,127.4         | 27,495.0        | 99,622.4         | 148,716.8        | 30,655.7        | 179,372.5        | 155,420.0        | 40,837.5        | 196,257.5        |
|             | 0402000 National Referral & Specialized Services                                 | 44,994.6                      | 10,505.2        | 55,499.8         | 46,793.0         | 9,216.0         | 56,009.0         | 49,186.9         | 11,406.7        | 60,593.6         | 51,003.2         | 14,638.5        | 65,641.7         |
|             | 0410000 Curative & Reproductive Maternal New Born Child Adolescent Health RMNCAH | 1,573.0                       | 14,904.9        | 16,477.8         | 1,630.0          | 15,800.0        | 17,430.0         | 1,689.3          | 14,200.0        | 15,889.3         | 1,789.1          | 17,200.0        | 18,989.1         |
|             | 0411000 Health Research and Innovations  | 3,125.5                       | 280.0           | 3,405.5          | 3,224.5          | 430.0           | 3,654.5          | 3,134.5          | 1,000.0         | 4,134.5          | 3,732.0          | 2,050.0         | 5,782.0          |
|             | 0412000 General Administration   | 14,549.3                      | 2,049.0         | 16,598.3         | 20,479.9         | 2,049.0         | 22,528.9         | 94,706.1         | 4,049.0         | 98,755.1         | 98,895.7         | 6,949.0         | 105,844.7        |
|             | 1083 State Department for Public Health and Professional Standard*               | 22,585.9                      | 4,289.0         | 26,874.9         | 26,820.7         | 5,051.8         | 31,872.5         | 27,524.5         | 7,886.3         | 35,410.8         | 29,444.0         | 5,332.5         | 34,776.5         |
|             | 0406000 Preventive and Promotive Health Services                                 | 4,844.2                       | 3,838.0         | 8,682.2          | 7,835.8          | 4,339.8         | 12,175.6         | 7,020.4          | 6,928.0         | 13,948.4         | 6,919.8          | 3,444.0         | 10,363.8         |
|             | 0407000 Health Resources Development and Innovation*                             | 13,164.7                      | 451.0           | 13,615.7         | 10,045.0         | 672.0           | 10,717.0         | 10,524.9         | 776.0           | 11,300.9         | 11,729.1         | 1,308.0         | 13,037.1         |
|             | 0408000 Health Policy, Standards and Regulations                                 | 3,980.8                       | -               | 3,980.8          | 8,598.6          | 40.0            | 8,638.6          | 9,657.0          | 182.3           | 9,839.3          | 10,417.3         | 580.5           | 10,997.8         |
|             | 0412000 General Administration   | 596.2                         | -               | 596.2            | 341.3            | -               | 341.3            | 322.2            | -               | 322.2            | 377.8            | -               | 377.8            |
| <b>050</b>  | <b>EDUCATION</b>   | <b>660,634.8</b>              | <b>21,087.9</b> | <b>681,722.7</b> | <b>696,462.0</b> | <b>27,428.0</b> | <b>723,890.0</b> | <b>717,254.0</b> | <b>42,362.0</b> | <b>759,616.0</b> | <b>801,304.0</b> | <b>45,789.0</b> | <b>847,093.0</b> |
|             | 1064 State Department for Technical, Vocational Education and Training*          | 37,729.3                      | 5,111.6         | 42,840.9         | 36,869.0         | 5,764.0         | 42,633.0         | 42,874.0         | 12,655.0        | 55,529.0         | 44,163.0         | 13,402.0        | 57,565.0         |
|             | 0505000 Technical Vocational Education and Training*                             | 37,258.2                      | 5,111.6         | 42,369.8         | 36,364.0         | 5,764.0         | 42,128.0         | 42,350.0         | 12,655.0        | 55,005.0         | 43,612.0         | 13,402.0        | 57,014.0         |
|             | 0507000 Youth Training and Development   | 57.6                          | -               | 57.6             | 67.0             | -               | 67.0             | 72.0             | -               | 72.0             | 75.0             | -               | 75.0             |
|             | 0508000 General Administration, Planning and Support Services                    | 413.5                         | -               | 413.5            | 438.0            | -               | 438.0            | 452.0            | -               | 452.0            | 476.0            | -               | 476.0            |
|             | 1065 State Department for Higher Education & Research*                           | 145,542.9                     | 1,220.0         | 146,762.9        | 146,141.0        | 3,668.0         | 149,809.0        | 153,329.0        | 3,389.0         | 156,718.0        | 186,606.0        | 3,861.0         | 190,467.0        |
|             | 0504000 University Education*  | 144,676.0                     | 1,220.0         | 145,896.0        | 145,249.0        | 3,668.0         | 148,917.0        | 152,277.0        | 3,389.0         | 155,666.0        | 185,473.0        | 3,861.0         | 189,334.0        |
|             | 0506000 Research, Science, Technology and Innovation                             | 635.0                         | -               | 635.0            | 644.0            | -               | 644.0            | 651.0            | -               | 651.0            | 675.0            | -               | 675.0            |
|             | 0508000 General Administration, Planning and Support Services                    | 231.9                         | -               | 231.9            | 248.0            | -               | 248.0            | 401.0            | -               | 401.0            | 458.0            | -               | 458.0            |
|             | 1066 State Department for Basic Education*                                       | 119,870.0                     | 14,361.0        | 134,231.0        | 131,629.0        | 17,541.0        | 149,170.0        | 130,798.0        | 25,660.0        | 156,458.0        | 149,035.0        | 27,827.0        | 176,862.0        |
|             | 0501000 Primary Education  | 14,449.2                      | 11,986.0        | 26,435.2         | 14,629.0         | 13,759.0        | 28,388.0         | 14,546.0         | 15,518.0        | 30,064.0         | 14,557.0         | 15,409.0        | 29,966.0         |
|             | 0502000 Secondary Education*   | 94,557.2                      | 2,375.0         | 96,932.2         | 102,873.0        | 3,757.0         | 106,630.0        | 101,539.0        | 8,842.0         | 110,381.0        | 111,540.0        | 10,968.0        | 122,508.0        |
|             | 0503000 Quality Assurance and Standards  | 6,254.7                       | -               | 6,254.7          | 9,377.0          | 25.0            | 9,402.0          | 9,839.0          | 1,100.0         | 10,939.0         | 17,955.0         | 1,200.0         | 19,155.0         |
|             | 0508000 General Administration, Planning and Support Services                    | 4,608.9                       | -               | 4,608.9          | 4,750.0          | -               | 4,750.0          | 4,874.0          | 200.0           | 5,074.0          | 4,983.0          | 250.0           | 5,233.0          |
|             | 2091 Teachers Service Commission*  | 357,492.6                     | 395.3           | 357,887.9        | 381,823.0        | 455.0           | 382,278.0        | 390,253.0        | 658.0           | 390,911.0        | 421,500.0        | 699.0           | 422,199.0        |
|             | 0509000 Teacher Resource Management*   | 347,280.9                     | 395.3           | 347,676.3        | 371,223.0        | 413.0           | 371,636.0        | 379,077.0        | 413.0           | 379,490.0        | 410,007.0        | -               | 410,007.0        |
|             | 0510000 Governance and Standards   | 1,104.4                       | -               | 1,104.4          | 1,350.0          | -               | 1,350.0          | 1,554.0          | -               | 1,554.0          | 1,554.0          | -               | 1,554.0          |
|             | 0511000 General Administration, Planning and Support Services                    | 9,107.2                       | -               | 9,107.2          | 9,250.0          | 42.0            | 9,292.0          | 9,622.0          | 245.0           | 9,867.0          | 9,939.0          | 699.0           | 10,638.0         |

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

| Sector Code | Sector/Vote/Programme  | Supplementary Estimates No. 1 |                |                  | BPS Projection   |                 |                  |                  |                 |                  |                  |                 |                  |
|-------------|--|-------------------------------|----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
|             |  | 2024/25                       |                |                  | 2025/26          |                 |                  | 2026/27          |                 |                  | 2027/28          |                 |                  |
|             |  | Current                       | Capital        | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            |
| <b>060</b>  | <b>GOVERNANCE, JUSTICE, LAW AND ORDER</b>                                      | <b>228,979.8</b>              | <b>5,881.0</b> | <b>234,860.8</b> | <b>243,504.7</b> | <b>22,368.0</b> | <b>265,872.7</b> | <b>271,053.7</b> | <b>29,049.9</b> | <b>300,103.6</b> | <b>296,938.1</b> | <b>37,323.6</b> | <b>334,261.6</b> |
|             | <b>1023 State Department for Correctional Services*</b>                        | <b>35,989.7</b>               | <b>40.0</b>    | <b>36,029.7</b>  | <b>37,246.3</b>  | <b>1,050.0</b>  | <b>38,296.3</b>  | <b>38,265.1</b>  | <b>2,444.8</b>  | <b>40,709.9</b>  | <b>39,317.1</b>  | <b>4,526.0</b>  | <b>43,843.1</b>  |
|             | 0623000 General Administration, Planning and Support Services                  | 508.6                         | -              | 508.6            | 476.0            | 62.0            | 538.0            | 481.0            | 45.0            | 526.0            | 486.2            | 66.0            | 552.1            |
|             | 0627000 Prison Services*   | 33,366.1                      | -              | 33,366.1         | 34,780.1         | 815.0           | 35,595.1         | 35,743.0         | 2,207.2         | 37,950.2         | 36,737.4         | 4,266.9         | 41,004.4         |
|             | 0628000 Probation & After Care Services  | 2,114.9                       | 40.0           | 2,154.9          | 1,990.2          | 173.0           | 2,163.2          | 2,041.1          | 192.5           | 2,233.6          | 2,093.5          | 193.1           | 2,286.6          |
|             | <b>1024 State Department for Immigration and Citizen Services</b>              | <b>9,874.3</b>                | <b>4,396.2</b> | <b>14,270.5</b>  | <b>10,485.1</b>  | <b>10,038.8</b> | <b>20,523.8</b>  | <b>11,002.7</b>  | <b>11,238.7</b> | <b>22,241.4</b>  | <b>11,379.7</b>  | <b>12,427.8</b> | <b>23,807.5</b>  |
|             | 0605000 Migration & Citizen Services   | 4,247.3                       | 2,505.0        | 6,752.3          | 4,479.3          | 6,849.6         | 11,328.9         | 4,606.4          | 6,871.9         | 11,478.3         | 4,740.0          | 7,786.5         | 12,526.5         |
|             | 0626000 Population Management Services   | 4,620.2                       | 1,821.2        | 6,441.4          | 4,865.5          | 2,839.2         | 7,704.7          | 5,222.0          | 3,273.6         | 8,495.6          | 5,430.8          | 3,524.2         | 8,955.0          |
|             | 0631000 General Administration and Planning                                    | 1,006.7                       | 70.0           | 1,076.7          | 1,140.2          | 350.0           | 1,490.2          | 1,174.3          | 1,093.2         | 2,267.5          | 1,208.9          | 1,117.1         | 2,326.0          |
|             | <b>1025 National Police Service*</b>   | <b>110,842.4</b>              | <b>35.0</b>    | <b>110,877.4</b> | <b>116,042.9</b> | <b>2,378.3</b>  | <b>118,421.2</b> | <b>123,738.1</b> | <b>2,976.5</b>  | <b>126,714.6</b> | <b>130,152.9</b> | <b>3,954.8</b>  | <b>134,107.7</b> |
|             | 0601000 Policing Services*   | 110,842.4                     | 35.0           | 110,877.4        | 116,042.9        | 2,378.3         | 118,421.2        | 123,738.1        | 2,976.5         | 126,714.6        | 130,152.9        | 3,954.8         | 134,107.7        |
|             | <b>1026 State Department for Internal Security and National Administration</b> | <b>27,825.1</b>               | <b>360.2</b>   | <b>28,185.3</b>  | <b>30,523.8</b>  | <b>6,985.0</b>  | <b>37,508.8</b>  | <b>31,153.5</b>  | <b>8,294.7</b>  | <b>39,448.2</b>  | <b>31,834.0</b>  | <b>9,253.0</b>  | <b>41,086.9</b>  |
|             | 0629000 General Administration and Support Services                            | 8,329.8                       | -              | 8,329.8          | 9,859.0          | 6,683.0         | 16,542.0         | 10,074.8         | 7,130.0         | 17,204.8         | 10,214.1         | 7,050.0         | 17,264.1         |
|             | 0630000 Policy Coordination Services   | 1,343.4                       | -              | 1,343.4          | 1,638.2          | 65.0            | 1,703.2          | 1,598.3          | 200.0           | 1,798.3          | 1,672.0          | 300.0           | 1,972.0          |
|             | 0632000 National Government Field Administration Services                      | 18,152.0                      | 360.2          | 18,512.2         | 19,026.6         | 237.0           | 19,263.6         | 19,480.5         | 964.7           | 20,445.1         | 19,947.9         | 1,903.0         | 21,850.9         |
|             | <b>1252 State Law Office</b>   | <b>5,272.0</b>                | <b>157.0</b>   | <b>5,429.0</b>   | <b>6,032.2</b>   | <b>200.0</b>    | <b>6,232.2</b>   | <b>6,207.9</b>   | <b>503.2</b>    | <b>6,711.1</b>   | <b>6,395.4</b>   | <b>787.7</b>    | <b>7,183.1</b>   |
|             | 0606000 Legal Services   | 2,970.9                       | -              | 2,970.9          | 3,451.8          | -               | 3,451.8          | 3,624.0          | -               | 3,624.0          | 3,690.5          | -               | 3,690.5          |
|             | 0607000 Governance, Legal Training and Constitutional Affairs                  | 1,458.1                       | 35.0           | 1,493.1          | 1,696.1          | 50.0            | 1,746.1          | 1,693.4          | 130.0           | 1,823.4          | 1,774.4          | 110.0           | 1,884.4          |
|             | 0609000 General Administration, Planning and Support Services                  | 843.0                         | 122.0          | 965.0            | 884.3            | 150.0           | 1,034.3          | 890.5            | 373.2           | 1,263.7          | 930.5            | 677.7           | 1,608.2          |
|             | <b>1261 The Judiciary</b>  | <b>21,018.4</b>               | <b>826.6</b>   | <b>21,845.0</b>  | <b>23,437.4</b>  | <b>1,500.0</b>  | <b>24,937.4</b>  | <b>24,843.6</b>  | <b>2,700.0</b>  | <b>27,543.6</b>  | <b>26,085.8</b>  | <b>4,980.0</b>  | <b>31,065.8</b>  |
|             | 0610000 Dispensation of Justice  | 21,018.4                      | 826.6          | 21,845.0         | 23,437.4         | 1,500.0         | 24,937.4         | 24,843.6         | 2,700.0         | 27,543.6         | 26,085.8         | 4,980.0         | 31,065.8         |
|             | <b>1271 Ethics and Anti-Corruption Commission</b>                              | <b>4,113.6</b>                | <b>30.0</b>    | <b>4,143.6</b>   | <b>4,313.8</b>   | <b>100.0</b>    | <b>4,413.8</b>   | <b>4,616.6</b>   | <b>232.6</b>    | <b>4,849.2</b>   | <b>4,829.5</b>   | <b>364.1</b>    | <b>5,193.6</b>   |
|             | 0611000 Ethics and Anti-Corruption   | 4,113.6                       | 30.0           | 4,143.6          | 4,313.8          | 100.0           | 4,413.8          | 4,616.6          | 232.6           | 4,849.2          | 4,829.5          | 364.1           | 5,193.6          |
|             | <b>1291 Office of the Director of Public Prosecutions</b>                      | <b>3,959.0</b>                | <b>26.0</b>    | <b>3,985.0</b>   | <b>4,159.4</b>   | <b>86.0</b>     | <b>4,245.4</b>   | <b>4,454.6</b>   | <b>275.0</b>    | <b>4,729.6</b>   | <b>4,659.5</b>   | <b>428.0</b>    | <b>5,087.5</b>   |
|             | 0612000 Public Prosecution Services  | 3,959.0                       | 26.0           | 3,985.0          | 4,159.4          | 86.0            | 4,245.4          | 4,454.6          | 275.0           | 4,729.6          | 4,659.5          | 428.0           | 5,087.5          |
|             | <b>1311 Office of the Registrar of Political Parties</b>                       | <b>1,927.8</b>                | <b>-</b>       | <b>1,927.8</b>   | <b>1,985.5</b>   | <b>-</b>        | <b>1,985.5</b>   | <b>2,088.3</b>   | <b>-</b>        | <b>2,088.3</b>   | <b>2,150.3</b>   | <b>-</b>        | <b>2,150.3</b>   |
|             | 0614000 Registration, Regulation and Funding of Political Parties              | 1,927.8                       | -              | 1,927.8          | 1,985.5          | -               | 1,985.5          | 2,088.3          | -               | 2,088.3          | 2,150.3          | -               | 2,150.3          |
|             | <b>1321 Witness Protection Agency</b>  | <b>697.1</b>                  | <b>-</b>       | <b>697.1</b>     | <b>847.9</b>     | <b>-</b>        | <b>847.9</b>     | <b>894.5</b>     | <b>-</b>        | <b>894.5</b>     | <b>943.1</b>     | <b>-</b>        | <b>943.1</b>     |
|             | 0615000 Witness Protection   | 697.1                         | -              | 697.1            | 847.9            | -               | 847.9            | 894.5            | -               | 894.5            | 943.1            | -               | 943.1            |
|             | <b>2011 Kenya National Commission on Human Rights</b>                          | <b>478.0</b>                  | <b>-</b>       | <b>478.0</b>     | <b>528.6</b>     | <b>-</b>        | <b>528.6</b>     | <b>581.0</b>     | <b>-</b>        | <b>581.0</b>     | <b>635.5</b>     | <b>-</b>        | <b>635.5</b>     |
|             | 0616000 Protection and Promotion of Human Rights                               | 478.0                         | -              | 478.0            | 528.6            | -               | 528.6            | 581.0            | -               | 581.0            | 635.5            | -               | 635.5            |

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

| Sector Code | Sector/Vote/Programme  | Supplementary Estimates No. I |                  |                  | BPS Projection   |                 |                  |                  |                 |                  |                  |                 |                  |
|-------------|--|-------------------------------|------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
|             |  | 2024/25                       |                  |                  | 2025/26          |                 |                  | 2026/27          |                 |                  | 2027/28          |                 |                  |
|             |  | Current                       | Capital          | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            |
| <b>060</b>  | <b>GOVERNANCE, JUSTICE, LAW AND ORDER</b>                            | <b>228,979.8</b>              | <b>5,881.0</b>   | <b>234,860.8</b> | <b>243,504.7</b> | <b>22,368.0</b> | <b>265,872.7</b> | <b>271,053.7</b> | <b>29,049.9</b> | <b>300,103.6</b> | <b>296,938.1</b> | <b>37,323.6</b> | <b>334,261.6</b> |
|             | <b>2031 Independent Electoral and Boundaries Commission</b>          | <b>3,817.7</b>                | <b>-</b>         | <b>3,817.7</b>   | <b>3,965.6</b>   | <b>30.0</b>     | <b>3,995.6</b>   | <b>19,122.6</b>  | <b>384.5</b>    | <b>19,507.1</b>  | <b>34,294.4</b>  | <b>602.1</b>    | <b>34,896.5</b>  |
|             | 0617000 Management of Electoral Processes                            | 3,781.7                       | -                | 3,781.7          | 3,923.7          | 30.0            | 3,953.7          | 19,025.8         | 384.5           | 19,410.3         | 34,238.7         | 602.1           | 34,840.8         |
|             | 0618000 Delimitation of Electoral Boundaries                         | 36.0                          | -                | 36.0             | 41.9             | -               | 41.9             | 96.8             | -               | 96.8             | 55.7             | -               | 55.7             |
|             | <b>2051 Judicial Service Commission</b>                              | <b>660.1</b>                  | <b>-</b>         | <b>660.1</b>     | <b>812.4</b>     | <b>-</b>        | <b>812.4</b>     | <b>722.4</b>     | <b>-</b>        | <b>722.4</b>     | <b>753.7</b>     | <b>-</b>        | <b>753.7</b>     |
|             | 0619000 Judicial Oversight   | 660.1                         | -                | 660.1            | 812.4            | -               | 812.4            | 722.4            | -               | 722.4            | 753.7            | -               | 753.7            |
|             | <b>2101 National Police Service Commission</b>                       | <b>1,008.0</b>                | <b>-</b>         | <b>1,008.0</b>   | <b>1,333.0</b>   | <b>-</b>        | <b>1,333.0</b>   | <b>1,525.0</b>   | <b>-</b>        | <b>1,525.0</b>   | <b>1,620.8</b>   | <b>-</b>        | <b>1,620.8</b>   |
|             | 0620000 National Police Service Human Resource Management            | 1,008.0                       | -                | 1,008.0          | 1,333.0          | -               | 1,333.0          | 1,525.0          | -               | 1,525.0          | 1,620.8          | -               | 1,620.8          |
|             | <b>2141 National Gender and Equality Commission</b>                  | <b>407.7</b>                  | <b>10.0</b>      | <b>417.7</b>     | <b>476.7</b>     | <b>-</b>        | <b>476.7</b>     | <b>497.7</b>     | <b>-</b>        | <b>497.7</b>     | <b>519.6</b>     | <b>-</b>        | <b>519.6</b>     |
|             | 0621000 Promotion of Gender Equality and Freedom from Discrimination | 407.7                         | 10.0             | 417.7            | 476.7            | -               | 476.7            | 497.7            | -               | 497.7            | 519.6            | -               | 519.6            |
|             | <b>2151 Independent Policing Oversight Authority</b>                 | <b>1,088.6</b>                | <b>-</b>         | <b>1,088.6</b>   | <b>1,314.1</b>   | <b>-</b>        | <b>1,314.1</b>   | <b>1,340.1</b>   | <b>-</b>        | <b>1,340.1</b>   | <b>1,367.0</b>   | <b>-</b>        | <b>1,367.0</b>   |
|             | 0622000 Policing Oversight Services                                  | 1,088.6                       | -                | 1,088.6          | 1,314.1          | -               | 1,314.1          | 1,340.1          | -               | 1,340.1          | 1,367.0          | -               | 1,367.0          |
| <b>070</b>  | <b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>             | <b>186,453.0</b>              | <b>125,342.1</b> | <b>311,795.1</b> | <b>189,701.8</b> | <b>97,057.2</b> | <b>286,759.0</b> | <b>211,725.5</b> | <b>76,979.3</b> | <b>288,704.8</b> | <b>238,462.2</b> | <b>77,920.5</b> | <b>316,382.7</b> |
|             | <b>1011 Executive Office of the President</b>                        | <b>3,584.5</b>                | <b>-</b>         | <b>3,584.5</b>   | <b>3,948.7</b>   | <b>800.0</b>    | <b>4,748.7</b>   | <b>4,043.2</b>   | <b>3,752.8</b>  | <b>7,796.0</b>   | <b>4,195.2</b>   | <b>4,010.3</b>  | <b>8,205.5</b>   |
|             | 0603000 Government Printing Services                                 | 711.9                         | -                | 711.9            | 765.7            | 500.0           | 1,265.7          | 798.5            | 3,164.4         | 3,962.9          | 823.1            | 3,430.3         | 4,253.4          |
|             | 0701000 General Administration Planning and Support                  | 1,232.1                       | -                | 1,232.1          | 1,555.5          | 150.0           | 1,705.5          | 1,540.4          | 418.4           | 1,958.8          | 1,585.4          | 400.0           | 1,985.4          |
|             | 0703000 Government Advisory Services                                 | 1,129.9                       | -                | 1,129.9          | 1,096.7          | -               | 1,096.7          | 1,174.7          | -               | 1,174.7          | 1,226.5          | -               | 1,226.5          |
|             | 0770000 Leadership and Coordination of Government Services           | 510.7                         | -                | 510.7            | 530.8            | 150.0           | 680.8            | 529.6            | 170.0           | 699.6            | 560.2            | 180.0           | 740.2            |
|             | <b>1012 Office of the Deputy President</b>                           | <b>2,598.2</b>                | <b>-</b>         | <b>2,598.2</b>   | <b>3,347.5</b>   | <b>100.0</b>    | <b>3,447.5</b>   | <b>3,618.1</b>   | <b>320.0</b>    | <b>3,938.1</b>   | <b>3,739.8</b>   | <b>380.0</b>    | <b>4,119.8</b>   |
|             | 0734000 Deputy President Services                                    | 2,598.2                       | -                | 2,598.2          | 3,347.5          | 100.0           | 3,447.5          | 3,618.1          | 320.0           | 3,938.1          | 3,739.8          | 380.0           | 4,119.8          |
|             | <b>1013 Office of the Prime Cabinet Secretary</b>                    | <b>721.7</b>                  | <b>-</b>         | <b>721.7</b>     | <b>930.9</b>     | <b>-</b>        | <b>930.9</b>     | <b>963.0</b>     | <b>-</b>        | <b>963.0</b>     | <b>995.4</b>     | <b>-</b>        | <b>995.4</b>     |
|             | 0755000 Government Coordination and Supervision                      | 721.7                         | -                | 721.7            | 930.9            | -               | 930.9            | 963.0            | -               | 963.0            | 995.4            | -               | 995.4            |
|             | <b>1014 State Department for Parliamentary Affairs</b>               | <b>363.9</b>                  | <b>-</b>         | <b>363.9</b>     | <b>391.0</b>     | <b>-</b>        | <b>391.0</b>     | <b>405.1</b>     | <b>-</b>        | <b>405.1</b>     | <b>419.4</b>     | <b>-</b>        | <b>419.4</b>     |
|             | 0759000 Parliamentary Liaison and Legislative Affairs                | 86.0                          | -                | 86.0             | 93.2             | -               | 93.2             | 97.6             | -               | 97.6             | 101.4            | -               | 101.4            |
|             | 0760000 Policy Coordination and Strategy                             | 86.3                          | -                | 86.3             | 90.2             | -               | 90.2             | 95.6             | -               | 95.6             | 98.2             | -               | 98.2             |
|             | 0761000 General Administration, Planning and Support Services        | 191.6                         | -                | 191.6            | 207.6            | -               | 207.6            | 211.9            | -               | 211.9            | 219.8            | -               | 219.8            |
|             | <b>1015 State Department for Performance and Delivery Management</b> | <b>507.9</b>                  | <b>-</b>         | <b>507.9</b>     | <b>599.2</b>     | <b>10.0</b>     | <b>609.2</b>     | <b>621.6</b>     | <b>78.0</b>     | <b>699.6</b>     | <b>644.3</b>     | <b>138.7</b>    | <b>783.0</b>     |
|             | 0762000 Public Service Performance Management                        | 84.7                          | -                | 84.7             | 85.9             | 5.0             | 90.9             | 89.2             | 39.0            | 128.2            | 92.7             | 88.7            | 181.4            |
|             | 0764000 General Administration, Planning and Support Services        | 176.8                         | -                | 176.8            | 261.0            | -               | 261.0            | 271.7            | -               | 271.7            | 282.4            | -               | 282.4            |
|             | 0772000 Service Delivery Management                                  | 206.1                         | -                | 206.1            | 206.1            | -               | 206.1            | 212.7            | -               | 212.7            | 219.4            | -               | 219.4            |
|             | 0773000 Coordination and Supervision of Government                   | 40.3                          | -                | 40.3             | 46.2             | 5.0             | 51.2             | 48.0             | 39.0            | 87.0             | 49.8             | 50.0            | 99.8             |



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

| Sector Code | Sector/Vote/Programme   | Supplementary Estimates No. I |                  |                  | BPS Projection   |                 |                  |                  |                 |                  |                  |                 |                  |
|-------------|---|-------------------------------|------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
|             |   | 2024/25                       |                  |                  | 2025/26          |                 |                  | 2026/27          |                 |                  | 2027/28          |                 |                  |
|             |   | Current                       | Capital          | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            |
| <b>070</b>  | <b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>                | <b>186,453.0</b>              | <b>125,342.1</b> | <b>311,795.1</b> | <b>189,701.8</b> | <b>97,057.2</b> | <b>286,759.0</b> | <b>211,725.5</b> | <b>76,979.3</b> | <b>288,704.8</b> | <b>238,462.2</b> | <b>77,920.5</b> | <b>316,382.7</b> |
|             | 1016 State Department for Cabinet Affairs                               | 228.7                         | -                | 228.7            | 274.2            | -               | 274.2            | 291.5            | -               | 291.5            | 301.3            | -               | 301.3            |
|             | 0758000 Cabinet Affairs Services  | 228.7                         | -                | 228.7            | 274.2            | -               | 274.2            | 291.5            | -               | 291.5            | 301.3            | -               | 301.3            |
|             | 1017 State House  | 4,307.5                       | -                | 4,307.5          | 6,802.8          | 715.4           | 7,518.2          | 6,864.0          | 2,181.1         | 9,045.1          | 6,987.7          | 1,921.0         | 8,908.7          |
|             | 0704000 State House Affairs   | 4,307.5                       | -                | 4,307.5          | 6,802.8          | 715.4           | 7,518.2          | 6,864.0          | 2,181.1         | 9,045.1          | 6,987.7          | 1,921.0         | 8,908.7          |
|             | 1032 State Department for Devolution                                    | 1,442.9                       | 2,653.0          | 4,095.9          | 1,518.9          | 2,876.0         | 4,394.9          | 1,593.0          | 6,545.3         | 8,138.3          | 1,676.7          | 4,335.2         | 6,011.9          |
|             | 0712000 Devolution Services   | 1,442.9                       | 2,653.0          | 4,095.9          | 1,518.9          | 2,876.0         | 4,394.9          | 1,593.0          | 6,545.3         | 8,138.3          | 1,676.7          | 4,335.2         | 6,011.9          |
|             | 1053 State Department for Foreign Affairs                               | 20,013.2                      | -                | 20,013.2         | 20,811.6         | 2,346.4         | 23,158.0         | 23,164.2         | 8,311.6         | 31,475.8         | 26,945.2         | 8,232.0         | 35,177.2         |
|             | 0714000 General Administration Planning and Support Services            | 2,557.3                       | -                | 2,557.3          | 2,814.1          | 238.1           | 3,052.2          | 2,949.8          | 2,660.5         | 5,610.3          | 3,045.9          | 2,398.4         | 5,444.3          |
|             | 0715000 Foreign Relation and Diplomacy                                  | 17,264.0                      | -                | 17,264.0         | 17,798.0         | 1,948.3         | 19,746.3         | 20,011.9         | 5,201.1         | 25,213.0         | 23,690.9         | 5,383.6         | 29,074.5         |
|             | 0741000 Economic and Commercial Diplomacy                               | 47.9                          | -                | 47.9             | 49.5             | -               | 49.5             | 50.2             | -               | 50.2             | 52.0             | -               | 52.0             |
|             | 0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation | 143.9                         | -                | 143.9            | 150.0            | 160.0           | 310.0            | 152.3            | 450.0           | 602.3            | 156.4            | 450.0           | 606.4            |
|             | 1054 State Department for Diaspora Affairs                              | 637.8                         | -                | 637.8            | 675.9            | -               | 675.9            | 701.8            | -               | 701.8            | 728.2            | -               | 728.2            |
|             | 0752000 Management of Diaspora Affairs                                  | 637.8                         | -                | 637.8            | 675.9            | -               | 675.9            | 701.8            | -               | 701.8            | 728.2            | -               | 728.2            |
|             | 1071 The National Treasury*   | 76,735.1                      | 52,504.4         | 129,239.5        | 71,707.1         | 59,001.3        | 130,708.4        | 88,833.6         | 48,289.7        | 137,123.3        | 108,332.7        | 47,182.1        | 155,514.8        |
|             | 0717000 General Administration Planning and Support Services*           | 62,201.3                      | 6,552.5          | 68,753.8         | 59,836.7         | 4,727.3         | 64,564.0         | 73,893.4         | 5,541.4         | 79,434.8         | 92,995.1         | 9,762.7         | 102,757.8        |
|             | 0718000 Public Financial Management                                     | 12,537.5                      | 36,964.7         | 49,502.2         | 9,738.3          | 38,773.0        | 48,511.3         | 13,105.5         | 31,880.0        | 44,985.5         | 13,405.1         | 32,073.6        | 45,478.7         |
|             | 0719000 Economic and Financial Policy Formulation and Management        | 1,487.8                       | 8,987.2          | 10,475.0         | 1,524.1          | 15,501.0        | 17,025.1         | 1,307.1          | 10,828.3        | 12,135.4         | 1,374.9          | 5,298.8         | 6,673.7          |
|             | 0720000 Market Competition  | 508.5                         | -                | 508.5            | 608.0            | -               | 608.0            | 527.6            | 40.0            | 567.6            | 557.6            | 47.0            | 604.6            |
|             | 1072 State Department for Economic Planning                             | 3,246.5                       | 68,623.7         | 71,870.2         | 3,487.7          | 28,257.8        | 31,745.5         | 3,474.5          | 1,979.8         | 5,454.3          | 3,669.2          | 3,321.3         | 6,990.5          |
|             | 0710000 Public Service Transformation                                   | 2.0                           | -                | 2.0              |                  |                 |                  |                  |                 |                  |                  |                 |                  |
|             | 07710000 Monitoring and Evaluation Services                             | 494.5                         | 6.0              | 500.5            | 173.5            | 56.0            | 229.5            | 182.8            | 289.1           | 471.9            | 190.0            | 252.1           | 442.1            |
|             | 0706000 Economic Policy and National Planning                           | 1,673.3                       | 68,328.2         | 70,001.4         |                  |                 |                  |                  |                 |                  |                  |                 |                  |
|             | 0707000 National Statistical Information Services                       | 867.8                         | 289.5            | 1,157.4          | 868.1            | 1,651.8         | 2,519.9          | 919.7            | 588.8           | 1,508.5          | 974.1            | 2,111.0         | 3,085.1          |
|             | 0709000 General Administration Planning and Support Services            | 209.0                         | -                | 209.0            | 401.3            | -               | 401.3            | 405.6            | -               | 405.6            | 419.2            | -               | 419.2            |
|             | Macro-economic Policy, National Planning and Research                   |                               |                  |                  | 1,388.2          | 66.0            | 1,454.2          | 1,271.6          | 504.3           | 1,775.9          | 1,351.1          | 430.0           | 1,781.1          |
|             | Sectoral and Intergovernmental Development Planning                     |                               |                  |                  | 656.6            | 26,484.0        | 27,140.6         | 694.8            | 597.6           | 1,292.4          | 734.8            | 528.2           | 1,263.0          |
|             | 1213 State Department for Public Service                                | 18,658.5                      | 363.9            | 19,022.4         | 19,876.2         | 1,195.0         | 21,071.2         | 19,988.7         | 2,966.5         | 22,955.2         | 20,765.8         | 5,420.7         | 26,186.5         |
|             | 0710000 Public Service Transformation                                   | 8,001.8                       | 363.9            | 8,365.7          | 8,404.8          | 1,080.0         | 9,484.8          | 8,402.8          | 2,593.7         | 10,996.5         | 8,564.2          | 5,420.7         | 13,984.9         |
|             | 0709000 General Administration Planning and Support Services            | 366.2                         | -                | 366.2            | 411.3            | -               | 411.3            | 419.1            | -               | 419.1            | 462.1            | -               | 462.1            |
|             | 0747000 National Youth Service  | 10,290.5                      | -                | 10,290.5         | 11,060.1         | 115.0           | 11,175.1         | 11,166.8         | 372.8           | 11,539.6         | 11,739.5         | -               | 11,739.5         |
|             | <b>Parliament</b>   | <b>39,747.4</b>               | <b>1,118.1</b>   | <b>40,865.5</b>  | <b>41,123.2</b>  | <b>1,365.0</b>  | <b>42,488.2</b>  | <b>42,547.7</b>  | <b>2,065.0</b>  | <b>44,612.7</b>  | <b>44,022.8</b>  | <b>2,065.0</b>  | <b>46,087.8</b>  |



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

| Sector Code | Sector/Vote/Programme   | Supplementary Estimates No. I |                  |                  | BPS Projection   |                 |                  |                  |                 |                  |                  |                 |                  |
|-------------|---|-------------------------------|------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
|             |   | 2024/25                       |                  |                  | 2025/26          |                 |                  | 2026/27          |                 |                  | 2027/28          |                 |                  |
|             |   | Current                       | Capital          | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            | Current          | Capital         | Total            |
| <b>070</b>  | <b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>      | <b>186,453.0</b>              | <b>125,342.1</b> | <b>311,795.1</b> | <b>189,701.8</b> | <b>97,057.2</b> | <b>286,759.0</b> | <b>211,725.5</b> | <b>76,979.3</b> | <b>288,704.8</b> | <b>238,462.2</b> | <b>77,920.5</b> | <b>316,382.7</b> |
|             | 2061 The Commission on Revenue Allocation                     | 364.3                         | -                | 364.3            | 409.0            | -               | 409.0            | 424.1            | -               | 424.1            | 439.6            | -               | 439.6            |
|             | 0737000 Inter-Governmental Transfers and Financial Matters    | 364.3                         | -                | 364.3            | 409.0            | -               | 409.0            | 424.1            | -               | 424.1            | 439.6            | -               | 439.6            |
|             | 2071 Public Service Commission                                | 3,476.5                       | -                | 3,476.5          | 3,565.2          | 35.3            | 3,600.5          | 3,613.8          | 64.4            | 3,678.2          | 3,671.8          | 71.2            | 3,743.0          |
|             | 0725000 General Administration, Planning and Support Services | 801.1                         | -                | 801.1            | 903.7            | 35.3            | 939.0            | 927.0            | 64.4            | 991.4            | 953.5            | 71.2            | 1,024.7          |
|             | 0726000 Human Resource management and Development             | 2,443.0                       | -                | 2,443.0          | 2,451.6          | -               | 2,451.6          | 2,469.2          | -               | 2,469.2          | 2,489.9          | -               | 2,489.9          |
|             | 0727000 Governance and National Values                        | 149.0                         | -                | 149.0            | 140.9            | -               | 140.9            | 145.6            | -               | 145.6            | 152.7            | -               | 152.7            |
|             | 0744000 Performance and Productivity Management               | 48.8                          | -                | 48.8             | 43.2             | -               | 43.2             | 45.1             | -               | 45.1             | 47.5             | -               | 47.5             |
|             | 075000 Administration of Quasi-Judicial Functions             | 34.7                          | -                | 34.7             | 25.8             | -               | 25.8             | 26.9             | -               | 26.9             | 28.2             | -               | 28.2             |
|             | 2081 Salaries and Remuneration Commission                     | 452.7                         | -                | 452.7            | 481.8            | -               | 481.8            | 498.7            | -               | 498.7            | 516.0            | -               | 516.0            |
|             | 0728000 Salaries and Remuneration Management                  | 452.7                         | -                | 452.7            | 481.8            | -               | 481.8            | 498.7            | -               | 498.7            | 516.0            | -               | 516.0            |
|             | 2111 Auditor General  | 8,024.9                       | 79.0             | 8,103.9          | 8,297.2          | 355.0           | 8,652.2          | 8,573.4          | 425.1           | 8,998.5          | 8,854.6          | 843.0           | 9,697.6          |
|             | 0729000 Audit Services  | 8,024.9                       | 79.0             | 8,103.9          | 8,297.2          | 355.0           | 8,652.2          | 8,573.4          | 425.1           | 8,998.5          | 8,854.6          | 843.0           | 9,697.6          |
|             | 2121 Office of the Controller of Budget                       | 704.3                         | -                | 704.3            | 777.5            | -               | 777.5            | 805.9            | -               | 805.9            | 832.4            | -               | 832.4            |
|             | 0730000 Control and Management of Public finances             | 704.3                         | -                | 704.3            | 777.5            | -               | 777.5            | 805.9            | -               | 805.9            | 832.4            | -               | 832.4            |
|             | 2131 The Commission on Administrative Justice                 | 636.5                         | -                | 636.5            | 676.2            | -               | 676.2            | 699.6            | -               | 699.6            | 724.1            | -               | 724.1            |
|             | 0731000 Promotion of Administrative Justice                   | 636.5                         | -                | 636.5            | 676.2            | -               | 676.2            | 699.6            | -               | 699.6            | 724.1            | -               | 724.1            |
| <b>080</b>  | <b>NATIONAL SECURITY</b>                                      | <b>217,769.1</b>              | <b>1,534.0</b>   | <b>219,303.1</b> | <b>244,507.1</b> | <b>12,516.0</b> | <b>257,023.1</b> | <b>261,429.4</b> | <b>39,255.0</b> | <b>300,684.4</b> | <b>346,038.5</b> | <b>45,019.0</b> | <b>391,057.5</b> |
|             | 1041 Ministry of Defence                                      | 171,418.1                     | 1,534.0          | 172,952.1        | 192,111.1        | 12,516.0        | 204,627.1        | 207,753.4        | 39,255.0        | 247,008.4        | 284,736.9        | 45,019.0        | 329,755.9        |
|             | 0801000 Defence   | 168,281.8                     | 1,534.0          | 169,815.8        | 180,231.9        | 12,316.0        | 192,547.9        | 194,368.1        | 37,449.4        | 231,817.5        | 270,781.7        | 40,235.5        | 311,017.2        |
|             | 0802000 Civil Aid   | 350.0                         | -                | 350.0            | 335.0            | -               | 335.0            | 1,000.0          | -               | 1,000.0          | 1,200.0          | -               | 1,200.0          |
|             | 0803000 General Administration, Planning and Support Services | 2,473.8                       | -                | 2,473.8          | 2,641.9          | -               | 2,641.9          | 2,727.2          | -               | 2,727.2          | 2,815.4          | -               | 2,815.4          |
|             | 0805000 National Space Management                             | 312.5                         | -                | 312.5            |                  |                 |                  |                  |                 |                  |                  |                 |                  |
|             | Programme 4: Defence Industrialization                        |                               |                  |                  | 8,902.3          | 200.0           | 9,102.3          | 9,658.1          | 1,805.6         | 11,463.7         | 9,939.8          | 4,783.5         | 14,723.3         |
|             | 1281 National Intelligence Service                            | 46,351.0                      | -                | 46,351.0         | 52,396.0         | -               | 52,396.0         | 53,676.0         | -               | 53,676.0         | 61,301.6         | -               | 61,301.6         |
|             | 0804000 National Security Intelligence                        | 46,351.0                      | -                | 46,351.0         | 52,396.0         | -               | 52,396.0         | 53,676.0         | -               | 53,676.0         | 61,301.6         | -               | 61,301.6         |

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

| Sector Code | Sector/Vote/Programme  | Supplementary Estimates No. I |                 |                 | BPS Projection  |                 |                 |                 |                 |                 |                 |                 |                 |
|-------------|--|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|             |  | 2024/25                       |                 |                 | 2025/26         |                 |                 | 2026/27         |                 |                 | 2027/28         |                 |                 |
|             |  | Current                       | Capital         | Total           | Current         | Capital         | Total           | Current         | Capital         | Total           | Current         | Capital         | Total           |
| <b>090</b>  | <b>SOCIAL PROTECTION, CULTURE AND RECREATION</b>                               | <b>45,280.7</b>               | <b>23,661.5</b> | <b>68,942.2</b> | <b>52,142.8</b> | <b>26,643.0</b> | <b>78,785.8</b> | <b>62,450.9</b> | <b>28,785.4</b> | <b>91,236.3</b> | <b>65,106.1</b> | <b>29,769.4</b> | <b>94,875.5</b> |
|             | <b>1132 State Department for Sports</b>  | <b>1,091.5</b>                | <b>16,464.0</b> | <b>17,555.5</b> | <b>1,581.4</b>  | <b>17,100.0</b> | <b>18,681.4</b> | <b>1,467.9</b>  | <b>18,216.0</b> | <b>19,683.9</b> | <b>1,525.7</b>  | <b>19,152.0</b> | <b>20,677.7</b> |
|             | 0901000 Sports   | 1,091.5                       | 16,464.0        | 17,555.5        | 1,581.4         | 17,100.0        | 18,681.4        | 1,467.9         | 18,216.0        | 19,683.9        | 1,525.7         | 19,152.0        | 20,677.7        |
|             | <b>1134 State Department for Culture and Heritage</b>                          | <b>2,757.3</b>                | <b>70.0</b>     | <b>2,827.3</b>  | <b>3,451.5</b>  | <b>90.0</b>     | <b>3,541.5</b>  | <b>3,559.9</b>  | <b>350.0</b>    | <b>3,909.9</b>  | <b>3,697.7</b>  | <b>410.0</b>    | <b>4,107.7</b>  |
|             | 0902000 Culture/ Heritage  | 1,740.6                       | 60.0            | 1,800.6         | 2,260.7         | 53.0            | 2,313.7         | 2,345.0         | 212.5           | 2,557.5         | 2,428.5         | 211.0           | 2,639.5         |
|             | 0903000 The Arts   | 298.6                         | -               | 298.6           | 414.2           | -               | 414.2           | 410.8           | 77.5            | 488.3           | 432.5           | 44.0            | 476.5           |
|             | 0904000 Library Services   | 446.1                         | 10.0            | 456.1           | 498.9           | -               | 498.9           | 510.8           | 30.0            | 540.8           | 530.5           | 35.0            | 565.5           |
|             | 0905000 General Administration, Planning and Support Services                  | 146.3                         | -               | 146.3           | 149.3           | -               | 149.3           | 160.6           | -               | 160.6           | 169.7           | -               | 169.7           |
|             | 0916000 Public Records Mangement   | 125.7                         | -               | 125.7           | 128.5           | 37.0            | 165.5           | 132.6           | 30.0            | 162.6           | 136.5           | 120.0           | 256.5           |
|             | <b>1135 State Department for Youth Affairs and Creative Economy</b>            | <b>1,903.2</b>                | <b>1,535.1</b>  | <b>3,438.2</b>  | <b>2,266.0</b>  | <b>1,840.4</b>  | <b>4,106.4</b>  | <b>2,361.1</b>  | <b>2,103.7</b>  | <b>4,464.8</b>  | <b>2,480.8</b>  | <b>2,165.7</b>  | <b>4,646.5</b>  |
|             | 0221000 Film Development Services  | 557.9                         | 10.0            | 567.9           | 662.0           | 76.7            | 738.7           | 700.9           | 172.0           | 872.9           | 742.5           | 158.8           | 901.2           |
|             | 0711000 Youth Empowerment Services   | 336.9                         | -               | 336.9           | 585.1           | 11.2            | 596.3           | 636.3           | 131.2           | 767.5           | 682.1           | 336.6           | 1,018.6         |
|             | 0748000 Youth Development Services   | 750.8                         | 1,525.1         | 2,275.9         | 757.6           | 1,752.5         | 2,510.1         | 758.8           | 1,800.5         | 2,559.3         | 776.2           | 1,670.4         | 2,446.6         |
|             | 0749000 General Administration, Planning and Support Services                  | 257.5                         | -               | 257.5           | 261.3           | -               | 261.3           | 265.1           | -               | 265.1           | 280.0           | -               | 280.0           |
|             | <b>1184 State Department for Labour and Skills Development</b>                 | <b>4,268.5</b>                | <b>100.0</b>    | <b>4,368.5</b>  | <b>4,338.4</b>  | <b>1,882.7</b>  | <b>6,221.1</b>  | <b>4,368.5</b>  | <b>1,865.4</b>  | <b>6,233.9</b>  | <b>4,430.5</b>  | <b>1,691.3</b>  | <b>6,121.8</b>  |
|             | 0910000 General Administration Planning and Support Services                   | 494.4                         | -               | 494.4           | 540.5           | -               | 540.5           | 532.3           | -               | 532.3           | 554.7           | -               | 554.7           |
|             | 0906000 Labour, Employment and Safety Services                                 | 1,144.5                       | -               | 1,144.5         | 1,165.1         | 506.4           | 1,671.5         | 1,201.9         | 489.1           | 1,691.0         | 1,236.7         | 215.0           | 1,451.7         |
|             | 0907000 Manpower Development, Industrial Skills & Productivity Management      | 2,629.6                       | 100.0           | 2,729.6         | 2,632.7         | 1,376.3         | 4,009.0         | 2,634.2         | 1,376.3         | 4,010.5         | 2,639.1         | 1,476.3         | 4,115.4         |
|             | <b>1185 State Department for Social Protection and Senior Citizens Affairs</b> | <b>33,261.4</b>               | <b>1,907.6</b>  | <b>35,169.1</b> | <b>38,168.0</b> | <b>1,907.0</b>  | <b>40,075.0</b> | <b>48,310.6</b> | <b>2,247.4</b>  | <b>50,558.0</b> | <b>50,534.0</b> | <b>2,297.5</b>  | <b>52,831.6</b> |
|             | 0908000 Social Development and Children Services                               | 4,665.2                       | -               | 4,665.2         | 3,490.2         | 183.0           | 3,673.2         | 3,635.9         | 350.4           | 3,986.3         | 3,816.0         | 350.5           | 4,166.5         |
|             | 0909000 National Social Safety Net   | 28,370.6                      | 1,907.6         | 30,278.2        | 34,409.6        | 1,724.0         | 36,133.6        | 44,399.2        | 1,897.0         | 46,296.3        | 46,434.2        | 1,947.0         | 48,381.3        |
|             | 0914000 General Administration, Planning and Support Services                  | 225.6                         | -               | 225.6           | 268.3           | -               | 268.3           | 275.4           | -               | 275.4           | 283.8           | -               | 283.8           |
|             | <b>1212 State Department for Gender and Affirmative Action</b>                 | <b>1,998.8</b>                | <b>3,584.9</b>  | <b>5,583.6</b>  | <b>2,337.4</b>  | <b>3,822.9</b>  | <b>6,160.3</b>  | <b>2,383.0</b>  | <b>4,002.9</b>  | <b>6,385.9</b>  | <b>2,437.3</b>  | <b>4,052.9</b>  | <b>6,490.2</b>  |
|             | 0911000 Community Development  | 983.4                         | 3,209.0         | 4,192.4         | 1,044.3         | 3,500.0         | 4,544.3         | 1,046.7         | 3,500.0         | 4,546.7         | 1,053.1         | 3,500.0         | 4,553.1         |
|             | 0912000 Gender Empowerment   | 793.9                         | 375.9           | 1,169.8         | 967.1           | 322.9           | 1,290.0         | 1,002.4         | 502.9           | 1,505.3         | 1,040.0         | 552.9           | 1,592.9         |
|             | 0913000 General Administration, Planning and Support Services                  | 221.5                         | -               | 221.5           | 326.0           | -               | 326.0           | 333.9           | -               | 333.9           | 344.1           | -               | 344.1           |

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

| Sector Code | Sector/Vote/Programme   | Supplementary Estimates No. I |                  |                    | BPS Projection     |                  |                    |                    |                  |                    |                    |                  |                    |
|-------------|---|-------------------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|
|             |   | 2024/25                       |                  |                    | 2025/26            |                  |                    | 2026/27            |                  |                    | 2027/28            |                  |                    |
|             |   | Current                       | Capital          | Total              | Current            | Capital          | Total              | Current            | Capital          | Total              | Current            | Capital          | Total              |
| <b>0100</b> | <b>ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES</b>        | <b>32,152.2</b>               | <b>69,045.0</b>  | <b>101,197.2</b>   | <b>33,699.2</b>    | <b>70,065.4</b>  | <b>103,764.6</b>   | <b>34,118.0</b>    | <b>135,468.0</b> | <b>169,586.0</b>   | <b>35,627.8</b>    | <b>156,168.0</b> | <b>191,795.8</b>   |
|             | <b>1104 State Department for Irrigation</b>                       | <b>1,178.3</b>                | <b>20,228.6</b>  | <b>21,406.9</b>    | <b>1,419.2</b>     | <b>17,444.4</b>  | <b>18,863.6</b>    | <b>1,293.0</b>     | <b>32,006.0</b>  | <b>33,299.0</b>    | <b>1,353.0</b>     | <b>30,047.0</b>  | <b>31,400.0</b>    |
|             | 1014000 Irrigation and Land Reclamation                           | 610.9                         | 16,364.6         | 16,975.5           | 822.2              | 14,070.4         | 14,892.6           | 670.0              | 16,285.0         | 16,955.0           | 701.0              | 13,610.0         | 14,311.0           |
|             | 1015000 Water Storage and Flood Control                           | 407.9                         | 1,504.0          | 1,911.9            | 408.0              | 1,950.0          | 2,358.0            | 428.0              | 13,321.0         | 13,749.0           | 450.0              | 13,337.0         | 13,787.0           |
|             | 1022000 Water Harvesting and Storage for Irrigation               | 17.2                          | 2,360.0          | 2,377.2            | 28.0               | 1,424.0          | 1,452.0            | 29.0               | 2,400.0          | 2,429.0            | 30.0               | 3,100.0          | 3,130.0            |
|             | 1023000 General Administration, Planning and Support Services     | 142.4                         | -                | 142.4              | 161.0              | -                | 161.0              | 166.0              | -                | 166.0              | 172.0              | -                | 172.0              |
|             | <b>1109 State Department for Water &amp; Sanitation</b>           | <b>5,739.7</b>                | <b>44,100.6</b>  | <b>49,840.3</b>    | <b>6,209.0</b>     | <b>39,908.0</b>  | <b>46,117.0</b>    | <b>6,063.0</b>     | <b>76,942.0</b>  | <b>83,005.0</b>    | <b>6,355.0</b>     | <b>99,188.0</b>  | <b>105,543.0</b>   |
|             | 1001000 General Administration, Planning and Support Services     | 557.8                         | 115.0            | 672.8              | 598.0              | 307.0            | 905.0              | 661.0              | 210.0            | 871.0              | 685.0              | 200.0            | 885.0              |
|             | 1004000 Water Resources Management                                | 1,927.0                       | 10,187.0         | 12,114.0           | 2,130.0            | 14,250.0         | 16,380.0           | 2,033.0            | 14,898.0         | 16,931.0           | 2,139.0            | 20,112.0         | 22,251.0           |
|             | 1017000 Water and Sewerage Infrastructure Development             | 3,254.8                       | 33,798.6         | 37,053.4           | 3,481.0            | 25,351.0         | 28,832.0           | 3,369.0            | 61,834.0         | 65,203.0           | 3,531.0            | 78,876.0         | 82,407.0           |
|             | <b>1192 State Department for Mining</b>                           | <b>994.9</b>                  | <b>-</b>         | <b>994.9</b>       | <b>1,034.6</b>     | <b>632.0</b>     | <b>1,666.6</b>     | <b>1,065.5</b>     | <b>971.0</b>     | <b>2,036.5</b>     | <b>1,097.7</b>     | <b>1,221.0</b>   | <b>2,318.7</b>     |
|             | 1007000 General Administration Planning and Support Services      | 396.3                         | -                | 396.3              | 405.6              | -                | 405.6              | 418.5              | 64.0             | 482.5              | 432.7              | 85.0             | 517.7              |
|             | 1009000 Mineral Resources Management                              | 307.6                         | -                | 307.6              | 345.0              | 294.0            | 639.0              | 355.0              | 381.0            | 736.0              | 365.0              | 441.0            | 806.0              |
|             | 1021000 Geological Survey and Geoinformation Management           | 290.9                         | -                | 290.9              | 284.0              | 338.0            | 622.0              | 292.0              | 526.0            | 818.0              | 300.0              | 695.0            | 995.0              |
|             | <b>1203 State Department for Wildlife</b>                         | <b>12,054.1</b>               | <b>360.0</b>     | <b>12,414.1</b>    | <b>12,083.0</b>    | <b>2,298.0</b>   | <b>14,381.0</b>    | <b>12,585.0</b>    | <b>3,394.0</b>   | <b>15,979.0</b>    | <b>13,108.0</b>    | <b>4,073.0</b>   | <b>17,181.0</b>    |
|             | 1019000 Wildlife Conservation and Management                      | 12,054.1                      | 360.0            | 12,414.1           | 12,083.0           | 2,298.0          | 14,381.0           | 12,585.0           | 3,394.0          | 15,979.0           | 13,108.0           | 4,073.0          | 17,181.0           |
|             | <b>1331 State Department for Environment &amp; Climate Change</b> | <b>3,153.5</b>                | <b>1,307.8</b>   | <b>4,461.3</b>     | <b>3,693.0</b>     | <b>2,712.0</b>   | <b>6,405.0</b>     | <b>3,537.0</b>     | <b>2,609.0</b>   | <b>6,146.0</b>     | <b>3,667.0</b>     | <b>2,758.0</b>   | <b>6,425.0</b>     |
|             | 1002000 Environment Management and Protection                     | 1,508.2                       | 1,137.8          | 2,646.0            | 1,789.0            | 2,268.0          | 4,057.0            | 1,587.0            | 1,925.0          | 3,512.0            | 1,662.0            | 1,866.0          | 3,528.0            |
|             | 1010000 General Administration, Planning and Support Services     | 553.1                         | -                | 553.1              | 596.0              | -                | 596.0              | 612.0              | -                | 612.0              | 639.0              | -                | 639.0              |
|             | 1012000 Meteorological Services                                   | 1,092.3                       | 150.0            | 1,242.3            | 1,308.0            | 403.0            | 1,711.0            | 1,338.0            | 629.0            | 1,967.0            | 1,366.0            | 825.0            | 2,191.0            |
|             | 1018000 Forests Development, Management and Conservation          | -                             | 20.0             | 20.0               |                    |                  |                    |                    |                  |                    |                    |                  |                    |
|             | Programme 4: Water Rehabilitation and Conservation                |                               |                  |                    | -                  | 41.0             | 41.0               | -                  | 55.0             | 55.0               | -                  | 67.0             | 67.0               |
|             | <b>1332 State Department for Forestry</b>                         | <b>9,031.7</b>                | <b>3,048.0</b>   | <b>12,079.7</b>    | <b>9,260.4</b>     | <b>7,071.0</b>   | <b>16,331.4</b>    | <b>9,574.5</b>     | <b>19,546.0</b>  | <b>29,120.5</b>    | <b>10,047.1</b>    | <b>18,881.0</b>  | <b>28,928.1</b>    |
|             | 1018000 Forests Development, Management and Conservation          | 8,894.5                       | 3,048.0          | 11,942.5           | 9,056.0            | 7,071.0          | 16,127.0           | 9,363.0            | 19,546.0         | 28,909.0           | 9,830.0            | 18,881.0         | 28,711.0           |
|             | 1024000 Agroforestry and Commercial Forestry Development          | 8.5                           | -                | 8.5                | 21.4               | -                | 21.4               | 22.8               | -                | 22.8               | 22.7               | -                | 22.7               |
|             | 1025000 General Administration, Planning and Support Services     | 128.6                         | -                | 128.6              | 183.0              | -                | 183.0              | 188.7              | -                | 188.7              | 194.4              | -                | 194.4              |
|             | <b>TOTAL</b>  | <b>1,659,359.4</b>            | <b>641,166.2</b> | <b>2,300,525.7</b> | <b>1,778,684.4</b> | <b>710,320.5</b> | <b>2,489,004.9</b> | <b>1,994,860.4</b> | <b>864,326.9</b> | <b>2,859,187.2</b> | <b>2,240,947.6</b> | <b>953,685.3</b> | <b>3,194,632.9</b> |

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

| <b>Memo Note</b>   |  |                     |
|--|--|---------------------|
| <i>Vote with ** under the FY 2024/25 Supplementary Estimates, have been adjusted to take on account proposed additional funding in the FY 2024/25 Supplementary Estimates No.2</i> |  |                     |
| <b>NB: **Adjustments to the Supplementary Estimates Column:</b>  |  |                     |
| <b>S/No</b>  | <b>Vote &amp; Items</b>  | <b>KSh. Million</b> |
| <b>1</b>   | <b>1023 State Department for Correctional Services</b>                       | <b>1,600.0</b>      |
|  | Phase II of Salary Adjustment- National Police Officers                      | 1,600.0             |
| <b>2</b>   | <b>1025 National Police Service</b>  | <b>2,200.0</b>      |
|  | Phase II of Salary Adjustment- Prisons Officers                              | 2,200.0             |
| <b>3</b>   | <b>1064 State Department for Technical Vocational Education and Training</b> | <b>14,632.5</b>     |
|  | Shortfall for the Tertiary Institutions New Funding Model                    | 14,632.5            |
| <b>4</b>   | <b>1065 State Department for Higher Education and Research</b>               | <b>26,300.0</b>     |
|  | 2021-2024 CBA for Public Universities- Salary Adjustment                     | 4,300.0             |
|  | Shortfall for Universities New Funding Model                                 | 22,000.0            |
| <b>5</b>   | <b>1066 State Department for Basic Education</b>                             | <b>3,023.0</b>      |
|  | Shortfall for School Examination   | 3,023.0             |
| <b>6</b>   | <b>1071 The National Treasury</b>  | <b>10,013.8</b>     |
|  | Budgetary shortfall for KRA on account of salaries & Contractual Obligations | 8,000.0             |
|  | Phase II of Salary Adjustment- Civil Servants                                | 2,013.8             |
| <b>7</b>   | <b>2091 Teachers Service Commission</b>                                      | <b>10,000.0</b>     |
|  | Phase II of Salary Adjustment- Teachers                                      | 10,000.0            |
|  | <b>Total</b>   | <b>67,769.3</b>     |

*Source: The National Treasury*

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

1. **Section 25(8)** of the **Public Finance Management (PFM) Act, 2012** prescribes that the Cabinet Secretary for The National Treasury shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. The National Assembly approved the 2023 Budget Policy Statement and the 2024 Budget Policy Statement on 15<sup>th</sup> March, 2023 and 7<sup>th</sup> March 2024, respectively.

2. **Section 38(1) (iii)** of the **PFM Act, 2012** requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS have been taken into account. In this regard, the following Section provides a brief to Parliament on the extent to which the resolutions of the House on the 2022 BPS and 2023 BPS have been taken into account and the reasons thereof.

| No.  | Resolution  | Action taken   |
|--|---|--|
| <b>A. Policy Resolutions on the 2023 BPS</b> |   |  |
| 1.   | The National Assembly to amendment to the Public Finance Management Act, 2012 and attendant regulations to extend the timelines for consideration of the BPS by Parliament from 14 days to 28 days.   | The National Treasury will comply with the effected amendments.  |
| 2.   | The National Treasury should ensure that Ministries, Departments and Agencies (MDAs) have aligned their budgets, projects and key performance indicators to the proposed value chain approach under the Bottom-Up Economic Transformation Agenda (BETA) within the approved ceilings. | The budgets of MDAs have been prioritized and matched with the BETA Value Chain priorities. The FY 2023/24 Budget Estimates include specifics about the BETA priorities and performance indicators.  |
| 3.   | The deficit financing strategy and public debt mix be undertaken in accordance with the resolutions of the National Assembly based on the Report of the Public Debt and Privatization Committee on the 2023 Medium Term Debt Management Strategy.                                     | The National Treasury will continue monitoring implementation of MTDS, alternative borrowing strategies and the fiscal deficit approved by parliament.   |
| 4.   | The National Treasury should provide a list of all projects to be completed in FY 2023/24 for all MDAs reconcilable with the development budget; with a view to consolidating thinly spread allocations to high impact priority projects to ensure completion.                        | The National Treasury has ensured that MDAs prioritized projects for completion by consolidating thinly spread allocations to high impact priority projects. The details of the projects to be completed in the FY 2023/24 and will be submitted alongside the FY 2023/24 Budget Estimates |



| No. | Resolution  | Action taken   |
|-----|---|--|
| 5.  | Before submission of the 2023/24 annual estimates, the National Treasury reviews donor funded projects including the existing financing framework and develops a strategy to fast-track their implementation and review the terms of the facilities.                                      | The National Treasury will assess donor-funded programs and projects, including existing financing frameworks, and create a portfolio review and assessment report to expedite externally funded project implementation.   |
| 6.  | The National Treasury spearheads a review of the State Corporations and Semi-Autonomous Government Agencies (SAGAs) with a view of rationalization to remove overlaps, duplication and redundancies.  | The National Treasury has formed a High-Level Fiscal Risk Committee to assess and report fiscal risks from State Corporations and SAGAs, with a year-long study planned.   |
| 7.  | Prior to the submission of the 2023/24 Annual Estimates, the National Treasury in collaboration NG CDF should develop a framework for implementing National Government initiatives at the constituency level before the submission of the 2023/24 Annual Estimates.                       | The Government has allocated resources for infrastructure development for schools. In addition, the Ministry will be engaging NG-CDF to support some of the infrastructure needs.  |
| 8.  | Prior to April 2023, the National Government reviews taxation levied in the aviation industry and addresses the heavy taxation on purchase of spare parts in the aviation sector. This should be submitted to the National Assembly during consideration of the Finance Bill, 2023.       | The National Treasury received proposals from the aviation industry on taxation on purchase of spare parts were considered in the Finance Bill, 2023.  |
| 9.  | From the onset of FY 2023/24, the National Treasury through the Public Sector Accounting Standards Board should start preparations for migration from the cash basis accounting system to an accrual system in line with Sections 81 and 164 of the Public Finance Management Act, 2012.  | The National Treasury has done the following in readiness for accrual accounting: i) revised the Standard Chart of Accounts; ii) prepared and published policy guidelines on identification, measurement and presentation of assets and liabilities; iii) updated the register of bank accounts; and iv) prepared a Cabinet Memorandum on transition to accrual accounting for Cabinet approval. |
| 10  | The National Assembly proposes amendment to the Public-Private Partnership Act to require regular submission of project lists by the National Treasury which are under consideration for funding through the Public Private Partnership (PPP) framework before the end of the FY 2023/24. | Section 88 (3) of the PPP Act already provides for regular reporting to Parliament by the Cabinet Secretary, National Treasury and Economic Planning. The National Treasury will continue to adhere to the provisions of the Act.  |
| 11  | The National Treasury, in collaboration with stakeholders, to establish a collaboration framework between the County and the  | The National Treasury formed an Inter-Agency Taskforce in 2021 to operationalize Constitutional Articles 187 and 189, resulting in a draft   |

| No.  | Resolution  | Action taken   |
|--|---|--|
|  | National Government for the implementation of shared policy proposals by September 30, 2023.  | legislative proposal. Public participation took place between March 20 <sup>th</sup> and 23 <sup>rd</sup> , 2023.  |
| 12   | The National Treasury and the State Department for ASALs and Regional Development undertakes review Regional Development Authorities' mandates, contribution to national development agenda, and revitalization options by 30 <sup>th</sup> December, 2023.   | The National Treasury will collaborate with the State Department for ASALs and Regional Development to review the mandates, legal implications, and contributions of Regional Development Authorities. This will inform recommendations for the revitalization of the Regional Development Authorities.                    |
| 13   | By June 2023, the National Treasury develops a framework for governing conditional grants to the County Governments to ensure that they meet their intended objectives. This should include the role, criteria and counterpart contribution by the counties to ensure the initiatives take off.       | In order to manage the distribution of conditional grants to County Governments, MDAs have presented frameworks to the National Treasury that specify terms, responsibilities, criteria for allocation, and requirements for counterpart contributions.  |
| <b>B. Policy Resolutions on the 2024 BPS</b> |   |  |
| 14   | Given the need to link the Bottom-up Economic Transformation Agenda to the Vision 2030, the Cabinet Secretary for National Treasury and Economic Planning to submit the Fourth Medium Term Plan of the Vision 2030 to the National Assembly before submission of the Budget Estimates for FY 2024/25. | The National Treasury and Economic Planning submitted the Fourth Medium Term Plan of Vision 2030 to the National Assembly and was officially launched by H.E. the President on 21st March 2024.  |
| 15   | The National Treasury to prepare guidelines for proper costing of government policies, programmes and projects to minimize discrepancies between the planned and actual resource requirements before the preparation of the 2025 BPS.   | The National Treasury prepared a Budget Manual that covers among others a chapter on budget costing. Further, a budget costing tool has been prepared in the IFMIS system and PFM officials have been trained on the same. The 2025 BPS will be prepared after budget costing is conducted within the budget costing tool. |
| 16   | In view of delayed compensation for land acquired from individuals by the Government for various projects, the National Treasury should prioritize payments for land compensation in the FY 2024/25 estimates, before they are submitted to the National Assembly. Going                              | The Government will continue prioritize payment of pending land compensation within the approved allocations in the FY 2024/25 Budget. To ensure compliance with this requirement, the Public Investment Management (PIM) Regulations, 2022 was enacted and requires Ministries,   |

| No. | Resolution   | Action taken   |
|-----|--|--|
|     | forward, no Government project should commence before the owners of such land are compensated.   | Departments and Agencies to avail land for any project as a prerequisite before such projects are approved and funded by the National Treasury.  |
| 17  | Given the funding challenges facing the Department of Immigration and Citizen Services on issuance of documents such as Passports, Identity Cards, Birth and Death certificates, before finalization of the Annual Estimates for FY 2024/25, the Cabinet Secretary for National Treasury and Economic Planning enhances the Appropriation-in-Aid for the Department by increasing the current allocation to 20 percent of all the revenues it generates to the Exchequer through issuance of documents (an equivalent of Ksh 3.980 billion in the FY 2024/25 Revenue estimates). | In the FY 2023/24, the National Treasury provided Ksh 1.3 billion as Appropriation in Aid (A.i.A) to the State Department for Immigration and Citizen Services to help address cash flow challenges. In the FY2024/25 budget, the State Department has been allowed to utilize A.i.A amounting to Ksh 3.9 billion in compliance with the resolution of the National Assembly to address challenges on issuance of documents such as Passports, Identity Cards, and Birth and Death certificates. It is important to note that the A.i.A allocation to MDAs is not pegged on percentage collection but on assessed needs of the MDA.  |
| 18  | To improve the gender responsiveness of government policies, before finalization of the 2025 Budget Policy Statement, the National Treasury to incorporate a section on the gender responsiveness of the various policy proposals in line with international best practices.   | The Government is committed to embracing Gender Responsive Budgeting (GRB) to ensure achievement of equity between genders. We also recognize that Gender responsiveness is critical in boosting economic growth and for sustainability. In this regard, the National Treasury is committed to adhere to this resolution of the National Assembly.   |
| 19  | The East Africa Customs Management Act, 2004 allows the Council of Ministers to review the regional customs tariffs, and these changes have not been subjected to public participation. The National Treasury to ensure that any such reviews are subjected to public participation and submitted to the National Assembly before they are formally ratified.  | <ul style="list-style-type: none"> <li>▪ The National Treasury remains committed to ensuring effective public and stakeholder engagement in all policy formulation and implementation process. The National Treasury wishes to underscore that the proposals to amend the East Africa Customs Management Act usually come from EAC Partner States. Thereafter, the East Africa Legislative Assembly conduct public participation on the consolidated proposals in all EAC Partner States.</li> <li>▪ On the other hand, the proposals for review of regional customs tariffs normally come from the public and various stakeholders. The National Treasury together with the Kenya Revenue Authority and Ministry of Trade, Investments and Industry then engages the stakeholders who submitted the proposals for better understanding. The National</li> </ul> |

| No. | Resolution   | Action taken   |
|-----|--|--|
|     |  | Treasury will begin to submit reviews of regional customs tariffs to the National Assembly starting from 30th April 2024.  |
| 20  | Given the delays in approval of the County Government Additional Allocations Bill and subsequent interruption in implementation of those programmes, the Cabinet Secretary for National Treasury and Economic Planning ensures that there are no requests for mid-year revisions in compliance with the provisions of section 191(1) of the Public Finance Management Act, 2012. | The National Treasury will comply with this resolution.  |
| 21  | By 30th April 2024, the National Treasury to submit a detailed report on Public-Private Partnership (PPP) projects to the National Assembly. This report should address the shortcomings identified in the 2024 BPS by providing comprehensive information on the nature, scope, and status of individual PPP initiatives.   | The National Treasury submitted a detailed report on Public-Private Partnership (PPP) projects to the National Assembly. The details were annexed to the 2024 Budget Summary (Annex 1), providing the required information on PPP projects.  |
| 22  | Before finalization of the FY 2024/25 budget estimates, the National Treasury to transfer the resources previously being utilized by the Government Delivery Services from the Office of the Prime Cabinet Secretary, Vote 1013, to the State Department for Performance and Delivery Management where the service is currently domiciled.                                       | During the preparation of the FY 2024/25 Budget, allocations for the functions that were being performed by the Government Delivery Services were prioritized under the State Department for Performance and Delivery Management. In addition to this, the State Departments Budget is prioritized towards delivery of its mandate as provided for in the Executive Order No. 1 of 2023.   |
| 23  | Before submission of the 2025 BPS, the National Treasury to authorize the National Land Commission to be a collector of revenue for the National Government as per Section 76(1) of the Public Finance Management Act, 2012 to enhance AIA collections in the sector.  | The National Treasury will endeavour to engage the National Land Commission on the enhancement of the Appropriation in Aid, National Government as per Section 76(1) of the Public Finance Management Act, 2012.   |
| 24  | The Independent Electoral and Boundaries Commission, in close collaboration with the National Treasury, undertakes a thorough scrutiny and audit of all the pending bills, particularly the bills owed to suppliers with a view to settling the eligible pending bills.  | The National Treasury is committed to ensuring payment of all pending bills within a sustainable fiscal framework. The Cabinet Secretary, the National Treasury and Economic Planning under Gazette Notice No. 13355 of 30 <sup>th</sup> September 2023, appointed a Pending Bills Verification Committee (PBVC) to carry out a thorough analysis of the stock of pending bills that have accumulated from June 2005 to June 2022. Among other tasks the |

| No. | Resolution  | Action taken  |
|-----|---|---|
|     |   | PBVC is to develop reforms or measures that will ensure future accumulation of pending bills is avoided. The PBVC is already working on the pending bills verification exercise after receiving submissions from MDAs including those by the Independent Electoral and Boundaries Commission from 29th January to 2nd February 2024. The PBVC will be making recommendations on the eligible pending bills that will be paid in the FY 2024/25 and the Medium Term. |
| 25  | Before finalization of estimates for FY 2024/25 and in line with the Presidential Working Party Report on Education Reforms, the National Treasury to transfer the Low-Cost Boarding Schools (LCBS), function and the attendant budgetary provisions to the National Council for Nomadic Education in Kenya (NACONEK), which is best suited to implement the programme. This will ensure that the LCBSs are given adequate attention to address education disparities and oversee interventions that will enhance access, retention, transition and completion rates in ASAL areas. | The National Treasury transferred an allocation of Ksh 400 million to National Council for Nomadic Education in Kenya (NACONEK).  |



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

| Sector   | Issues   | Proposed Way Forward/Action Taken/Response   |
|--|--|--|
| <b>Agriculture, Rural and Urban Development (ARUD)</b> | <b><u>Policy Issues</u></b> <ul style="list-style-type: none"> <li>▪ Misinformation on Genetically Modified Organism (GMO)</li> <li>▪ Importation of wheat and rice and facilitation of wheat and rice farmers</li> <li>▪ Shortage of Maize seeds affected distribution to farmers</li> <li>▪ Extension services in Lamu</li> <li>▪ Harnessing the traditional knowledge of the older generation to cultivate trees for medicinal benefits</li> <li>▪ Livestock vaccination</li> <li>▪ A Mexican tree species that livestock feed and can stay without water for 6 days in Baringo.</li> </ul> | <ul style="list-style-type: none"> <li>▪ The GMO Act is currently under litigation, and once the case is concluded, the sector will address all issues related to GMOs.</li> <li>▪ Programmes are under way to increase local production of wheat and rice by providing certified seeds and irrigation water to increase area under production.</li> <li>▪ This was due to a shortage of certified seeds, although seed companies are currently expanding production to increase supply. Additionally, a raid on the sale of fake seeds had seized a large consignment, further contributing to the market shortage.</li> <li>▪ Extension services are a devolved function, and there is a nationwide youth volunteer program initiative that has already enrolled 300 youths to assist farmers and county governments with extension services.</li> <li>▪ The sector acknowledges that the knowledge of herbal medicine should be harnessed from the older generation.</li> <li>▪ The sector is working on a framework and schedule, developed by the National and County Governments, which is nearing completion, and vaccination programs will begin soon.</li> <li>▪ The Government will initiate further research on these trees and issue its recommendations.</li> </ul> |
|  | <b><u>Project Implementation Issues</u></b> <ul style="list-style-type: none"> <li>▪ Sugar Companies producing raw materials for Kenya</li> <li>▪ Progress of the Agriculture Sector Transformation and Growth Strategy</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Inadequate funding has left some resources in the companies idle; however, efforts are underway to secure increased funding.</li> <li>▪ There have been successes as a result of the ongoing initiatives under the program, and the State Department of Agriculture will make efforts to ensure these are communicated effectively and in a timely manner.</li> </ul>   |
|  | <b><u>Resource allocation Issues</u></b> <ul style="list-style-type: none"> <li>▪ Address the underutilization of KARLO</li> <li>▪ Decline in resource allocation in the sector</li> </ul>   | <ul style="list-style-type: none"> <li>▪ The insufficient funding has resulted in some resources remaining underutilized; however, efforts are currently underway to secure additional funding to address this.</li> <li>▪ the sector is working with various stakeholders to ensure what cannot be provided for can be funded from other sectors including donors and the private sector</li> </ul>   |

| Sector  | Issues   | Proposed Way Forward/Action Taken/Response  |
|---|--|---|
|   | <b><u>Governance Issues</u></b> <ul style="list-style-type: none"> <li>▪ End land injustices in the coastal region</li> <li>▪ Poaching of sugar in Busia</li> <li>▪ Process of distributing subsidized fertilizer</li> <li>▪ The issue of Ipomoea weed in Kajiado County</li> <li>▪ Address the issue of denied access to irrigation water from the Mwatate Dam, Jibe, and Chala.</li> <li>▪ Address the issue of food insecurity in Baringo and the underutilization of Baringo Lake for irrigation in the area.</li> </ul> | <ul style="list-style-type: none"> <li>▪ The Government received a total of 7,000 claims, with 3,600 currently under consideration. The evaluation process is expected to be completed by September 2025, and the window for submitting additional claims remains open.</li> <li>▪ Security agencies are aware of the situation and have been collaborating closely with local administration officers, citizens, and border police to address and curtail this vice.</li> <li>▪ The sector uses the e-voucher system to distribute subsidized fertilizer by using registered agro-dealers. However, some farmers were unable to utilize their e-vouchers due to literacy issues; however, this will be addressed by the volunteer extension officers being recruited to ensure 100 percent uptake.</li> <li>▪ The Sector acknowledged the concern and assured that a multi-agency approach would be adopted to tackle the problem effectively.</li> <li>▪ A fisheries management program is currently underway in the water bodies, and matters related to irrigation will be carefully considered as part of the initiative.</li> <li>▪ Irrigation programs are currently underway to support crop development and fodder production along the banks of Lake Baringo and the rivers that feed into it.</li> </ul> |
| <b>Energy, Infrastructure, and ICT (EI&amp;ICT)</b> | <b><u>Governance Issues</u></b> <ul style="list-style-type: none"> <li>▪ Low uptake of renewable sources of energy</li> <li>▪ Increase in Road carnage</li> </ul>  | <ul style="list-style-type: none"> <li>▪ The Government is working on public awareness through the State Department for Energy</li> <li>▪ The Government is coming up with the National Intelligent Traffic System and is expected to reduce accidents on the roads</li> </ul>  |
|   | <b><u>Project</u></b> <ul style="list-style-type: none"> <li>▪ Poor budgetary allocation to Petroleum Industry</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Resources are scarce and the Government is facing many expenditure pressures. However, the issue would be considered once revenue performance improves.</li> </ul>   |
|   | <b><u>Implementation Issues</u></b> <ul style="list-style-type: none"> <li>▪ Poor internet connectivity in rural areas</li> <li>▪ 85 primary schools not connected to electricity in Lowiyata</li> <li>▪ Poor access roads to Thwake Dam</li> <li>▪ Frequent power outages</li> </ul>  | <ul style="list-style-type: none"> <li>▪ The Government through the State Department for ICT is implementing Last Mile County Connectivity Network; therefore, all rural areas especially public institutions will be connected with internet.</li> <li>▪ The State Department for Energy to ensure that the schools are connected to electricity through the Last Mile Connectivity</li> <li>▪ Plans are underway for Kerra to work on the access roads as soon as possible</li> </ul>   |

| Sector  | Issues   | Proposed Way Forward/Action Taken/Response   |
|---|--|--|
|   |  | <ul style="list-style-type: none"> <li>▪ The State Department for Energy is putting severally measures to reduce the power outages in Kenya., including reducing vandalism of transformers and other electricity infrastructure</li> </ul>   |
| <b>General Economic and Commercial Affairs (GECA)</b> | <b><u>Policy issues</u></b> <ul style="list-style-type: none"> <li>▪ Achievement from last financial year</li> <li>▪ Hustler fund it discriminates some religious community due to interest rate changes</li> <li>▪ Proposed budget to support youth and women</li> <li>▪ Plan to access affordable loans</li> <li>▪ Promotion of Wholesale and Retail trade in the Country</li> <li>▪ Export promotion</li> </ul> | <ul style="list-style-type: none"> <li>▪ Growth of export products that is the growth rate is 16.3% reflect to growth of Ksh 8.2 billion from last financial year to Ksh 1 trillion.</li> <li>▪ The Government is in a process of reviewing its SMEs Act to come up with a Sharia complaint products for Muslims.</li> <li>▪ The Government through State Department of MSMEs, Investment promotion have programme that support youth in accessing training and loans to establish or enhance their small business i.e. Hustler fund KJET and NYOTA.</li> <li>▪ Government through State Department of MSMEs, it providing loan with lower interest rate and the Government also is working with developing partners who are willing to help in growing MSMEs to fill the resource gap and come up with relevant policies which are conducive to business environment.</li> <li>▪ In order to promote wholesale and retail trade in the country, the Government will fast track review of the National Trade Policy and Trade Development Bill.</li> <li>▪ On export promotion, the Government will support counties to promote export of exportable products; and Review the National Export Strategy.</li> </ul> |
|   | <b><u>Project Implementation</u></b> <ul style="list-style-type: none"> <li>▪ Drought resilience measure like bore holes Dams and tree planting</li> </ul>   | <ul style="list-style-type: none"> <li>▪ The Government through State Department for ASAL is implementing a project on provide suitable seeds and trees planting programme which started on last Financial Year.</li> <li>▪ By 2032 Government is planning to produce 5 billion fruits trees for nutrition and a form of economic transformation across ASALs areas in the Country</li> </ul>  |
|   | <b><u>Governance</u></b> <ul style="list-style-type: none"> <li>▪ Conflicts between farmers in Kitui and Pastoralist in the bordering Counties like Garissa and Tana River</li> </ul>  | <ul style="list-style-type: none"> <li>▪ The Government through State Department for ASALs is working on implementing a programme on feed animals in semi-arid areas through grass feeding programme for animals.</li> </ul>   |
| <b>Health</b>   | <b><u>Policy issues</u></b> <ul style="list-style-type: none"> <li>▪ Sustainability of HIV, TB and Malaria and other Strategic Programs in view of declining donor support</li> <li>▪ Increased Mental Health Issues</li> <li>▪ Scrapping of Linda Mama and Edu-Afya Programmes</li> </ul>   | <ul style="list-style-type: none"> <li>▪ The Ministry of Health has held meetings with donors and agreed on a transition master plan by 2030. The Ministry has requested all the citizen to register and contribute to the Social Health Insurance Fund (SHIF) to ensure access to healthcare services without challenges.</li> </ul>  |

| Sector | Issues  | Proposed Way Forward/Action Taken/Response   |
|--------|---|--|
|        | <ul style="list-style-type: none"> <li>▪ Poor remuneration and working conditions for HRH Interns</li> <li>▪ Plans for the Government to rollout a Medical Fund for Public Officers while still covered by SHA</li> <li>▪ Coverage of underage mothers under SHA</li> <li>▪ Need to leverage on use of Tele-Medicine to enhance efficiency in delivery of healthcare services</li> <li>▪ Lack of Service Charters in most of Health facilities</li> </ul> | <ul style="list-style-type: none"> <li>▪ The Ministry of Health is collaborating with the African Development Bank (AfDB) to support the construction of a modern Neuropsychiatric National Teaching and Referral Hospital in Ngong, Kajiado County. Additionally, the MoH is encouraging mental health practitioners to register with SHA to improve access to mental health services. The MoH has also operationalized the Mental Health Board, which is expected to lead efforts in raising awareness on mental health and well-being.</li> <li>▪ The Linda Mama and Edu-Afya programs have been incorporated and enhanced within the Essential Health Benefit Package under Primary Health Care and SHIF. The SHA has requested all beneficiaries to register their dependents in the system.</li> <li>▪ The MoH is in the process of developing the Internship Policy.</li> <li>▪ The Fund will be administered by SHA and is expected to complement the health care services offered by SHA. Any employer can give an additional cover to complement services provided by SHA</li> <li>▪ The registration of the SHA to be improved to allow the underage mothers to register using the Birth Certificates rather than IDs</li> <li>▪ The Roll-out of Comprehensive Integrated Health Information System will help to leverage on use of Tele-Medicine. The Ministry is working on regulations and will be subjected to Public Participation across the Country.</li> <li>▪ The Ministry of Health acknowledges that many health facilities have no Service Charters, making it difficult for individuals to understand the services offered and their associated costs. To address this, the Ministry will issue guidelines to health facilities to develop Service Charters. Additionally, the rollout of the Comprehensive Integrated Health Information System will enable registered members to easily access information on the services available at different facilities.</li> </ul> |
|        | <p><b><u>Resource Allocation Issue</u></b></p> <ul style="list-style-type: none"> <li>▪ Stock-outs of essential drugs, supplies and commodities</li> <li>▪ Inadequate Medical Equipment, Human Resources of Health, Drugs and other Essential Commodities in Rural Health Facilities (Primary Health Care Facilities)</li> </ul>  | <ul style="list-style-type: none"> <li>▪ The Ministry of Health is engaging with counties to request payment of outstanding pending bills to KEMSA. This will enable KEMSA to restock and improve the order refill rate. The rollout of the Comprehensive Integrated Health Information System will provide real-time data on drug stock-outs at</li> </ul>  |

| Sector                  | Issues   | Proposed Way Forward/Action Taken/Response   |
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|                         | <ul style="list-style-type: none"> <li>▪ Lack of adequate health facilities including ambulances in Marsabit County</li> <li>▪ Non-Payment of Community Health Promoters (CHP) Stipend by the County Governments</li> <li>▪ Inadequate Health Facilities at the Border Points</li> </ul>   | <p>facilities. A request for support to KEMSA has also been made to the National Treasury.</p> <ul style="list-style-type: none"> <li>▪ The Government has allocated Ksh 4.1 billion to the Primary Health Care Fund for the FY 2024/25, with a similar amount allocated for 2025/26. This funding will assist facilities in procuring modern equipment through PPP or other means. Additionally, the Ministry has established a Presidential Task Force on Human Resources for Health (HRH) to, among other tasks, recommend the legal, policy, administrative, institutional, and operational frameworks for the employment of 20,000 HRH personnel.</li> <li>▪ The Ministry will engage the Marsabit County Government to prioritize on construction and equipping of adequate health facilities and provision of ambulances.</li> <li>▪ The Ministry will engage the Counties to pay the Stipends in line with the signed Intergovernmental Participation Agreements.</li> <li>▪ The MoH in conjunction with the respective County Governments is in the process of establishing Health Facilities at the Border Points including isolation facilities.</li> </ul> |
|                         | <p><b><u>Implementation Issue</u></b></p> <ul style="list-style-type: none"> <li>▪ Involvement of artists to promote and sensitize the Public on the need to register with the Social Health Authority</li> <li>▪ Poor absorption of allocated funds during the review period</li> <li>▪ Low Tariffs for Health Care Services under the SHA</li> </ul> | <ul style="list-style-type: none"> <li>▪ The Ministry of Health has requested that artists come forward for an engagement to collaborate on how the sensitization efforts can be effectively carried out.</li> <li>▪ The low absorption was due to lack or late release of funds and lengthy procurement process.</li> <li>▪ The review of the tariffs will be conducted through public participation, where members of the public are encouraged to provide their inputs.</li> <li>▪ The Ministry will engage with County Governments to prioritize primary health care services.</li> </ul>  |
| <b>Education Sector</b> | <p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>▪ Special Needs in Education (SNE)</li> <li>▪ School Feeding Programme coverage</li> <li>▪ Insecurity in Schools</li> <li>▪ Title Deeds for Schools</li> <li>▪ Harmonization of Bursaries</li> </ul>   | <ul style="list-style-type: none"> <li>▪ The Teachers Service Commission (TSC) has conducted a mapping of Special Needs Education (SNE) across integrated schools, units, and SNE schools, identifying the specific needs of each institution to ensure the appropriate number of teachers are deployed. An ongoing retooling program for SNE Curriculum Support Officers is in place, who then train and retool SNE teachers. Under the Competency-Based Curriculum (CBC), each of the 35 Teacher</li> </ul>  |



| Sector | Issues  | Proposed Way Forward/Action Taken/Response   |
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|        |   | <p>Training Colleges has a unit on inclusive education, ensuring that all trained teachers are equipped to work with learners with special needs.</p> <ul style="list-style-type: none"> <li>▪ The Ministry of Education (MOE) is strengthening the Kenya Institute of Special Education (KISE) to enhance its capacity to support learners with special needs. KISE is also setting up a production unit for assistive devices. Furthermore, the Ministry has established Education Assessment Resource Centres across the country to evaluate children before placing them in schools, either in special schools or integrated schools. These centres are linked to KISE. Additionally, the Ministry provides a top-up capitation for SNE learners at all levels, on top of the regular capitation. SNE standalone schools have also been included in the School Feeding Programme.</li> <li>▪ The Ministry of Education has allocated KSh 3 billion for the School Feeding Programme in the FY 2024/25, with a similar allocation of KSh. 3 billion in the FY 2025/26 to support the retention of learners in schools. The programme primarily targets ASAL (Arid and Semi-Arid Lands) regions and areas experiencing high levels of poverty, with plans for gradual expansion. However, due to budgetary constraints, the Ministry faces challenges in funding the programme and will need to prioritize the areas covered.</li> <li>▪ The security of students is a priority to the Ministry and is taking a multi-agency approach to ensure security for learners.</li> <li>▪ The issue of title deed is a whole government approach and the Ministry has constituted a committee with all the relevant stakeholders to ensure school land is well protected even in terms of infrastructure and other resources.</li> <li>▪ This is part of the recommendations by the Presidential Working Party on Education Reforms and hence it's an ongoing reform being carried out by the Ministry to have one institution managing the Public Bursaries.</li> </ul> |
|        | <p><b><u>Resource Allocation Issues</u></b></p> <ul style="list-style-type: none"> <li>▪ Allocation for University CBA and Car Loan Mortgage</li> <li>▪ New Funding Model and student placement in the various bands</li> </ul> | <ul style="list-style-type: none"> <li>▪ In the FY 2025/26, there is an allocation of Ksh 3.2 billion for the Collective Bargaining Agreement (CBA). It is noted that CBA negotiations are still ongoing and therefore the current allocation will be reviewed based on the outcome of the negotiations.</li> <li>▪ In the FY 2025/26, some of the key funding priorities include: HELB loan for GoK students and Bursaries in Universities and TVET Ksh 46.9 billion;</li> </ul>  |

| Sector  | Issues   | Proposed Way Forward/Action Taken/Response   |
|---|--|--|
|   |  | Scholarship under Student Centred Funding Model at Ksh 16.6 billion; Continuing student at Differentiated Unit Cost at Ksh 23 billion. The students will be funded based on the specific bands that they have been placed  |
|   | <b><u>Governance Issues</u></b> <ul style="list-style-type: none"> <li>▪ Inclusion of Parents as major Stakeholders in the Ministry of Education</li> <li>▪ Monitoring &amp; Evaluation (M&amp;E) of funds allocated to Junior Schools</li> </ul>  | <ul style="list-style-type: none"> <li>▪ The Sector report has included all Stakeholders in the Education Sector including the Parents. The report has been posted in the National Treasury website for access by the Public and every stakeholder</li> <li>▪ The Ministry of Education has been carrying out monitoring of its programmes though not to the expected levels due to resource constraints. The Ministry appreciates the need to strengthen monitoring. In the FY 2025/26, The State Department for Basic Education has been allocated Ksh 600 million under Quality Assurance and audit services at the County level to ensure follow up on utilization of funds and also ensure quality delivery of education</li> </ul> |
| <b>Governance, Justice, Law and Order (GJLOS)</b>               | <b><u>Policy Issues</u></b> <ul style="list-style-type: none"> <li>▪ Child protection policies - Increased funding in Child friendly investigation techniques. Sheltering of all children services, under one roof.</li> <li>▪ Training of more community service providers with an aim to reduce the number of cases and amount on money spent declassify and decriminalise the number of petty offences, thus reduce the burden on correctional services.</li> </ul> | <ul style="list-style-type: none"> <li>▪ This is an ongoing effort, with planned recruitment aimed at addressing the issue. With the support of the National Treasury and Parliament, the initiative will be pursued and followed through.</li> <li>▪ All stakeholders in the Criminal Justice System are working towards addressing petty offences in a way that does not require incarceration. Instead, offenders may serve their sentences under non-custodial measures, allowing them to contribute to society. Additionally, outdated laws are being reviewed with the aim of aligning them with the Constitution of Kenya, 2010.</li> </ul>   |
|   | <b><u>Governance Issues</u></b> <ul style="list-style-type: none"> <li>▪ Standard period for a police officer to request for transfer</li> <li>▪ Illegal Mining in Moyale</li> </ul>   | <ul style="list-style-type: none"> <li>▪ There is a lot of reorganization and reforms happening the security sector, with a recommendation that no officer will serve for more than 3 years in a given station.</li> <li>▪ There is an active curfew in place in that area, the State Department for Mining is aware on the issue and are taking steps to address this issue.</li> </ul>   |
| <b>Public Administration and International Relations (PAIR)</b> | <b><u>Policy Issues</u></b> <ul style="list-style-type: none"> <li>▪ Unreliable/Inadequate data from Kenya Bureau of Statistics (KNBS) to inform decision making and allocation of resources amongst Government, Departments and Sectors</li> <li>▪ Government's huge wage bill.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Strengthen KNBS to ensure credible data for proper allocation of resources to address broader issues including for example children in rural areas are not delivered in hospitals or health facilities. Community Health Volunteers facilitated to register children and share the data with KNBS.</li> </ul>   |

| Sector | Issues   | Proposed Way Forward/Action Taken/Response  |
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|        | <ul style="list-style-type: none"> <li>High leasing costs; Government Agencies have hired offices in high end areas/buildings in Upper Hill etc</li> </ul>   | <ul style="list-style-type: none"> <li>Recently, the government made over 10 resolutions regarding the wage bill, with clear timelines for their implementation. A document detailing these resolutions is available.</li> <li>Consider one stop shop for all Government agencies. The Public Relations and International Relations sector has prioritized construction of offices as opposed to hiring including foreign missions. This is indicated in the report presented to the public.</li> </ul>   |
|        | <b><u>Project Implementation Issues</u></b> <ul style="list-style-type: none"> <li>Poor monitoring and evaluation of projects.</li> </ul>  | <ul style="list-style-type: none"> <li>The Government is revamping the monitoring and evaluation (M&amp;E) of projects to ensure proper budget allocation for M&amp;E activities. This includes conducting audits and providing reports on the status of all government-funded projects.</li> </ul>   |
|        | <b><u>Resource Allocation Issues</u></b> <ul style="list-style-type: none"> <li>Prioritizing between allocation and requirements</li> <li>Sector strategies to address budget shortfall</li> </ul>   | <ul style="list-style-type: none"> <li>The criteria for prioritization include servicing debt, paying salaries and pensions, and transferring funds to counties, while also embracing Public-Private Partnerships (PPPs) to address priorities that cannot be met by the exchequer.</li> <li>Strategies to bridge the gap between resource requirements and allocations include borrowing from concessional sources, embracing Public-Private Partnerships (PPPs), and prioritizing projects.</li> </ul>  |
|        | <b><u>Governance Issues</u></b> <ul style="list-style-type: none"> <li>Address public participation at National and Grassroot level</li> <li>mechanisms to ensure transparency and accountability of public funds allocated to services and projects</li> <li>Relationship between Kenyans and Government</li> <li>Duplication of roles between County Government act and Provincial Administration</li> </ul> | <ul style="list-style-type: none"> <li>A public participation bill is currently in Parliament, which aims to address some of the gaps experienced. In 2023, a nationwide public participation was conducted across all 47 counties, excluding Mandera. The Government has made significant investments in ICT and is leveraging this through virtual attendance to enhance participation.</li> <li>Periodic audits are mandated by the Constitution, requiring the Auditor-General to audit and report on the usage of public funds to ensure they are used prudently. Budget reports are uploaded on the Treasury website. Additionally, the Controller of Budget issues quarterly reports on the usage of the budget by both the National and County Governments.</li> <li>The government to conduct civic education to help citizens understand that the Government operates similarly to a cooperative, where individuals receive benefits based on their contributions.</li> </ul> |

| Sector   | Issues  | Proposed Way Forward/Action Taken/Response   |
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|  |   | <ul style="list-style-type: none"> <li>▪ The County Government Act should be reviewed in relation to the Provincial Administration to eliminate duplications in roles and responsibilities. Additionally, ICT should be leveraged to address and streamline these duplications.</li> </ul>   |
| <b>Social Protection, Culture and Recreation</b> | <b><u>Governance Issues</u></b> <ul style="list-style-type: none"> <li>▪ The issue of how to assist Kenyans in the diaspora who find themselves in difficult situations</li> <li>▪ Talent Development in informal settlement</li> </ul>   | <ul style="list-style-type: none"> <li>▪ The Government provides assistance through the toll-free number 020-800-222223, which is managed by the National Employment Authority.</li> <li>▪ The State Department is revising its policy on the Sports Fund to enhance its role in identifying and supporting emerging talent.</li> </ul>  |
|  | <b><u>Project Implementation Issues</u></b> <ul style="list-style-type: none"> <li>▪ Emerging issues on child abuse and neglect</li> <li>▪ Emerging issues on children with disabilities and vulnerable groups facing heightened risks of violence and exploitation with limited access to services</li> <li>▪ Children from vulnerable backgrounds face challenges in accessing education, healthcare, and essential basic rights.</li> <li>▪ National heroes' council under funded</li> </ul> | <ul style="list-style-type: none"> <li>▪ Child protection one-stop shops are being established at the community level to provide abused children with access to essential services such as justice, healthcare, child protection, and counselling.</li> <li>▪ Fund inclusive child protection programs for children with disabilities and marginalized groups, ensuring access to services such as sign language and Braille. Furthermore, increase funding to enhance infrastructure, facilities, and provide assistive devices for children with disabilities (CWDs).</li> <li>▪ The Government will fund the creation and strengthening of child advisory councils and youth participation platforms. It will also support children-led initiatives and consultative forums focused on the prevention of violence against children (VAC) and policy development. Additionally, the Government will allocate resources for training and awareness campaigns on children's rights for parents, teachers, religious leaders, and government officials.</li> <li>▪ The Government will allocate adequate resources to address child labor issues, including manpower for monitoring and intervention efforts. It will also fund the provision of medical care, including psychosocial services, for children affected by violence. Additionally, the Government will fund strategies to ensure transparency and fairness in the allocation of bursaries for children from disadvantaged backgrounds.</li> <li>▪ The Government will provide resources for the National Heroes Council to support its activities and initiatives.</li> </ul> |
| <b>Environmental Protection, Water</b>           | <b><u>Policy Issues</u></b> <ul style="list-style-type: none"> <li>▪ Compensation of victims of snake bites in Kilifi County</li> </ul>   | <ul style="list-style-type: none"> <li>▪ A policy review of the Wildlife Act removed victims of snake bites from the compensation list. In response to numerous public complaints, the State</li> </ul>  |

| Sector                              | Issues   | Proposed Way Forward/Action Taken/Response  |
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| <b>and Natural Resources Sector</b> | <ul style="list-style-type: none"> <li>▪ Address Why the Human Wildlife Committee hasn't sat for over two years</li> <li>▪ Delay in Compensation of Human Wildlife Conflict Victims</li> <li>▪ Inaction on the rampant Pollution of Athi River leading to death of fish</li> <li>▪ Lack of a policy to include public toilets in social halls/Markets</li> <li>▪ Security Issues for Riparian Lands</li> <li>▪ Overreliance on donor funding in the sector which may lead to projects stalling</li> <li>▪ Compensation for Livestock and Human Lives lost through drought in Arid areas</li> </ul> | <p>Department for Wildlife is in the process of conducting a comprehensive review of the Act to address this issue.</p> <ul style="list-style-type: none"> <li>▪ The committee has been unable to meet for some time due to budgetary issues, which has slowed down the process. However, measures have now been put in place to clear the backlog using the FY 2025/26 budget and the Medium-Term Period. The Ministry has also deployed technology for lodging claims, with a pilot being conducted using a digital system for verification and payment of the claims.</li> <li>▪ The verification process of the claims has taken considerable time, partly due to the inadequate allocation of resources since 2014. However, the State Department for Wildlife has compensated over Ksh 2.1 billion out of the Ksh 4.1 billion in verified claims to date. Additionally, seed money has been budgeted to operationalize the committees and enable them to effectively carry out their mandate.</li> <li>▪ The Presidential directive on cleaning Nairobi River is already underway, with all the ministry tasked with coordinating the program. So far, over 20,000 youths have been engaged in cleaning the debris along the river corridor after the recent floods. The entire corridor, starting from Naivasha Road, is being concreted along Nairobi River to reduce water pollution.</li> <li>▪ The State Department for Water and Sanitation has launched pilot projects in urban centers, with the support of the African Development Bank (AfDB), to support the sanitation policy tied to various social public projects.</li> <li>▪ A PPP for the seedling distribution program is already underway through KEFRI, aimed at producing and distributing quality seedlings to the public. This initiative supports tree planting in riparian lands, including slum areas.</li> <li>▪ The own-source revenue generated by the National Government is insufficient to support all development projects, necessitating support from development partners. However, the Government is implementing strategies aimed at improving revenue collection in the long term.</li> <li>▪ The Ministry of Environment, through NETFUND, is implementing a compensation program for losses, damages, and calamities caused by the effects of climate change. Farmers, particularly from pastoral communities, are being</li> </ul> |



| Sector | Issues  | Proposed Way Forward/Action Taken/Response   |
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|        | <p><b><u>Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>▪ Poor Implementation of Thwake Dam Project-currently only benefitting one county (Makueni)</li> <li>▪ Low absorption rates for development projects in the Sector especially Water projects</li> <li>▪ The slow implementation of the Itare Dam project, currently at only 20 percent completion, and the near-completion of the Chemasusu Project, at 92 percent</li> <li>▪ Lack of Capacity building to Counties after project handovers leading to distribution challenges</li> <li>▪ Lack of accountability of funds issued by the World Bank to counties for Climate Action</li> <li>▪ low absorption rates in funding of projects</li> <li>▪ Despite being completed over two years ago, Siabai Dam has not yet been supplying water to the locals, raising concerns about the reasons behind the delay in its operation.</li> </ul> | <p>compensated to mitigate the adverse effects through resource mobilization and adaptation programs.</p> <ul style="list-style-type: none"> <li>▪ The project, located on the border of Kitui and Makueni Counties, is designed to benefit both counties. However, an issue has been noted regarding the access road for Kitui County. The State Department for Water will collaborate with the Ministry of Roads to resolve this issue.</li> <li>▪ Low absorption rates for development projects in the sector, particularly water projects, remain a challenge. Issues related to land acquisition and the resettlement of project-affected persons (PAPs) continue to hinder timely project implementation.</li> <li>▪ Historical issues that had stalled the implementation of the Itare Dam have now been addressed. An out-of-court settlement between the contractor and the Government of Kenya (GoK) has enabled the contractor to return to the site and continue with the project. The focus is now on completing projects that are nearing completion over the Medium-Term period.</li> <li>▪ The National Government has completed a significant number of projects. However, the failure of Last Mile distribution by counties is being addressed through the implementation of performance parameters issued to the counties. In cases of non-compliance, the National Government is taking over the projects to ensure water is connected to the citizens.</li> <li>▪ Forty-seven (47) Climate Change Units have been established in all counties to track the implementation of earmarked activities and monitor achievements. As this is a conditional grant, justification for the progress made must be satisfactory before the next disbursement is approved.</li> <li>▪ Low absorption rates in funding remain a challenge. There is a need to review the procurement process to make it more efficient and improve the absorption rates for funds earmarked for development projects in the sector.</li> <li>▪ The Siabai Dam, which was completed by the Ministry of ASALs, has not yet started supplying water to the local communities. To address this, the Ministry of Water will work together with the State Department for ASALs and the County Government of Migori to ensure the project is launched and delivers benefits to the public.</li> </ul> |

| Sector | Issues  | Proposed Way Forward/Action Taken/Response   |
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|        | <p><b><u>Governance Issues</u></b></p> <ul style="list-style-type: none"> <li>▪ Vandalism of water Infrastructure projects</li> <li>▪ The restriction of local communities to access conservancies in Lamu County</li> <li>▪ Conflicts between Kuria and Kipsigis causing deforestation with over 30 acres of trees destroyed</li> <li>▪ Uncontrolled deforestation in Water catchment areas</li> </ul> | <ul style="list-style-type: none"> <li>▪ Dispute resolution measures have been put in place to address issues leading to the vandalism of water projects, which are intended to benefit the public.</li> <li>▪ A robust framework will be developed to ensure that conservancies adhere to the Standard Operating Procedures set by the government. Further discussions are required to establish a legal framework that outlines the modalities for interaction between the community and conservancies, ensuring mutual benefits for both.</li> <li>▪ The Ministry of Interior has deployed GSU officers to the affected area to mitigate the situation through a peace mediation process, aimed at promoting coexistence between communities and facilitating the implementation of development projects.</li> <li>▪ The State Department for Forestry is conducting sensitization and tracking activities in coordination with NGAO officers, utilizing intensive monitoring techniques, to assess the progress of tree growing initiatives, with support from KEFRI.</li> </ul> |

**Annex Table 7: Public Proposals and Comments on the 2025 Budget Policy Statement**

| SECTOR/POLICY AREA  | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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| Consolidating Gains Under Bottom-Up Economic Transformation Agenda for Inclusive Green Growth | Education sector must be fully supported to ensure fairness and accessibility for all Kenyans. The country cannot develop without investing in education, therefore the need to focus on quality education and youth empowerment.  | Education remains a key enabler of the Government's Bottom-Up Economic Transformation Agenda for inclusive growth. The Government has made substantial investments and implemented radical changes that has led to improved enrolment, better student-teacher ratios, and significant infrastructure development across schools and TVETs. Looking ahead, the Government will continue to focus on expanding education infrastructure, recruiting more teachers, and prioritizing digital skills, including coding, across all education levels. The Government will also prioritize strengthening the links between education and industry by creating pathways that connect students directly to job markets through internships, industry partnerships, and curriculum alignment to meet evolving workforce needs. Additionally, the Government will focus on integrating special needs education into mainstream schools, enhancing teacher capacity, and improving overall access to education for all. Regular curriculum reviews will also ensure that education remains relevant and responsive to global trends, preparing students for the future workforce. |
|   | MSMEs contribute significantly to Kenya's GDP and employ a majority of the population. However, they face persistent challenges such as limited access to affordable credit, high taxation and inadequate. To address these issues, the Government should establish a dedicated MSME fund with simplified access mechanisms to provide low-interest loans and grants, offer tax incentives, allocate additional resources to the SME Credit Guarantee Scheme to improve access to financing, and expand support for incubation and innovation hubs at the county level to foster growth and competitiveness. | To address the challenges faced by MSMEs and drive sector transformation, the Government has implemented several reforms, including the establishment and strengthening of the Financial Inclusion Fund, the Hustler Fund, to provide affordable credit, capacity building, market linkages, and enhance MSMEs' ability to engage in economic activities within the building and construction value chains. Additionally, the Government will develop a Credit Guarantee Policy aimed at creating a clear framework for a sustainable credit guarantee model for MSMEs. The government is also on track to establish 1,450 ICT centres across the country's wards  |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT  | WAY FORWARD/ACTION TAKEN/RESPONSE   |
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|                    |   | to offer digital literacy training, support content creation, serve as innovation hubs, and facilitate access to Government services, laying the foundation for digital transformation and providing opportunities for IT workers, young digital creators, and entrepreneurs to access a wealth of opportunities both locally and globally.   |
|                    | Under Section 1.2.4, the needs of the elderly and school-going children (Edu Afya) were not adequately prioritized. It is important to reintroduce or integrate the Edu Afya and Linda Mama programs within the new insurance framework, ensuring clear sustainability strategies. Additionally, maternal and child health should be a priority in Universal Health Coverage (UHC) initiatives, with a focused effort on reducing maternal mortality rates. | The Linda Mama and Edu-Afya programs have been incorporated and enhanced within the Essential Health Benefit Package under Primary Health Care and SHIF. The SHA has requested all beneficiaries to register their dependents in the system. In addition, the Social Health Insurance Fund is a critical legislative step in improving the well-being of older populations in Kenya. It highlights the Government's commitment to providing equitable healthcare access for senior citizens, who are often among the most vulnerable groups in society. This initiative not only ensures that the elderly have access to essential medical care through subsidized health insurance but also addresses broader issues of social protection by expanding cash transfer programs for elderly and vulnerable households. |
|                    | There is no transparent allocation and construction of grade 9 classrooms by both NG-CDF and Ministry of Education  | A summary of Government Expenditure by Programmes is available in Annex Table of the 2025 BPS. Specific allocation and expenditure are available in the Budget Estimates Books.   |
|                    | The Government should employ more teaching staff, especially science subjects for Junior secondary.   | The Government will continue to prioritize investment in teacher welfare and capacity development, recognizing that teachers play a crucial role in the successful implementation of education reforms. This budget and over the medium term, the Government focuses on enhancing professional development, recruitment, and providing increased support to teachers, particularly in underserved regions. Additionally, the Government will continue to implement significant reforms in line with the recommendations of the Presidential Working Party on Education Reform Report. These reforms are designed to promote quality, inclusive education, and strengthen training and research to support sustainable socio-economic development.   |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    | The emphasis on PPPs aligns with the Private sectors call for collaborative frameworks. However, PPP projects often lack transparency and inclusivity, limiting their impact. Strengthen the PPP legal and institutional framework to attract more private investments.  | The Government identified PPPs as one of the key avenues to partly fill the investment financing gap occasioned by the ongoing fiscal consolidation efforts, reducing government borrowing and lowering yields on government securities. To encourage private sector involvement in public service provision, the Government will expand the use of the PPP framework for commercially viable projects. Additionally, the Government will update the PIM-PPP framework to enable the capturing of PPP projects in the Public Investment Management Information System (PIMIS). The PIMIS is designed to manage and track public investment projects, ensuring effective planning, monitoring, and evaluation by providing a centralized platform for project data. This system will streamline implementation, improve transparency, and enhance accountability in managing public resources allocated for development projects, ultimately improving the efficiency and impact of Government investments. |
|                    | Update paragraph 45 and 238 to capture, the total number of customers connected to electricity increased to 9,791,575 in October 2024 from 8,919,584 in 2022.  | Paragraph amended accordingly  |
|                    | The Government should expand its support to include MSME digital skills training and access to e-commerce platforms. Equipping MSMEs with digital skills enhances their competitiveness and market reach, driving economic growth.   | The Government of Kenya is expanding support for MSMEs by providing digital skills training and facilitating access to e-commerce platforms. Initiatives such as establishing ICT hubs across counties are designed to equip MSMEs with essential digital skills, enhancing their competitiveness and market reach. These efforts aim to help MSMEs tap into broader markets, improve operational efficiency, and contribute to economic growth.   |
|                    | Amend paragraph 210 to make reference to other EPAs such as the recently signed Kenya – UAE Economic Partnership Agreement.  | Paragraph amended accordingly  |
|                    | Amend paragraph 4 (ii) in Chapter 1 to read: Through the Credit Guarantee Scheme (CGS), a cumulative value of approximately Ksh 6.34 billion was disbursed to 4,147 MSMEs, across 46 counties and 12 sectors of the economy as at 30 <sup>th</sup> September, 2024. About 28 percent (1164) of the facilities were extended to Micro enterprises, 58 percent (2375) to small and 14 percent to medium enterprises. | Paragraph amended accordingly  |



| SECTOR/POLICY AREA | PROPOSAL/COMMENT  | WAY FORWARD/ACTION TAKEN/RESPONSE   |
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|                    | Amend paragraph 4 (iii) to include the three essential funds administered by SHA  | Paragraph amended accordingly   |
|                    | The Government should involve agro-dealers and private suppliers in the subsidy program to extend its reach to more farmers while ensuring the quality of inputs. Private sector participation would also bring efficiency in logistics and inventory management, ultimately enhancing the program's overall impact.  | The Government uses the e-voucher system to distribute subsidized fertilizer by using registered agro-dealers. However, some farmers were unable to utilize their e-vouchers due to literacy issues. This will be addressed by recruiting volunteer extension officers to assist farmers and ensure 100 percent uptake of the program.  |
|                    | The Government should conduct nationwide awareness campaigns to educate smallholder farmers about the fertilizer subsidy program, its benefits, and how to access it. By empowering farmers with knowledge, the Government can maximize the program's potential and ensure inclusivity.   | The Government has commissioned and trained 18,000 agripreneurs across the country, who will work through the National Agricultural Value Chain Development Project (NAVCDP) to guide farmers on best practices, pest management, and irrigation techniques. The program will also connect farmers with suppliers for quality inputs and link them to markets for fair prices. Agripreneurs will assist farmers in accessing financial services, support loan applications, and connect them with providers of farm and mechanization services. The agripreneur model will track progress, provide feedback for improvement, and maintain accurate records for decision-making. To enhance coordination in agricultural production and service delivery, the government is integrating a farmers' and agripreneurs database into the Kenya Integrated Agriculture Information System. |
|                    | The Government should prioritize investments in agricultural infrastructure, such as roads and storage facilities, and engage the private sector through public-private partnerships (PPPs) to bridge funding gaps and bring in expertise. To encourage private investment, the Government should offer tax exemptions and subsidies for projects benefiting smallholder farmers. These investments will improve market access, reduce post-harvest losses, and enhance agricultural productivity, ultimately connecting farmers to markets and boosting the agricultural sector. | The agriculture sector enjoys several tax incentives, including VAT exemptions on inputs, pest control products, tractors, and trailers. These available incentives are adequate to promote private investment in agriculture.  |
|                    | Under section 1.3.4.1 Financial service, add a paragraph on Virtual assets and Virtual Asset Services Provider.   | Paragraph added   |
|                    | The Government should review their Means Testing Unit for the new funding model for universities and TVET to ensure that both the income and social expenditures of families and households are fairly reviewed and students placed in their deserving bands while respecting Article 10 of the Constitution.   | The Ministry of Education is responsible for the issue at hand. It is the ministry that has the authority to review the mean test unit of the new funding model, ensuring that the allocation of resources is fair, equitable, and aligned with the goals of the education system.  |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    | To reduce reliance on microcredit, such as Hustler Fund, for consumption, the Government should focus on capacity building and creating market linkages. This will promote meaningful growth and business formalization for borrowers, fostering long-term economic empowerment. | The Government has implemented a series of reforms to support Micro, Small, and Medium Enterprises (MSMEs), including the establishment and strengthening of the Financial Inclusion Fund, popularly known as the Hustler Fund, which provides affordable credit to entrepreneurs in the informal sector. In addition to this, the Government is focusing on capacity building to enhance the skills of MSMEs and improve their market linkages. Efforts are also being made to strengthen MSMEs' ability to engage in economic activities, particularly within the building and construction value chains, with specific components of low-cost housing projects being earmarked for MSME participation.  |
|                    | The 2025 BPS should include social safety nets programs being undertaken by the county Governments such as scholarships and bursaries to vulnerable and school going children.   | This is duly noted and will be taken into consideration during the preparation of the next Budget Policy Statement.  |
|                    | The Government should ensure a seamless operation of the health insurance scheme to enhance reliability and eliminate service delivery gaps.   | To ensure a seamless operation of the health insurance scheme and enhance reliability, the Government restructured the National Health Insurance Fund by replacing it with Taifa Care and establishing the Social Health Authority (SHA) to manage primary healthcare funds, including the Social Health Insurance Fund (SHIF). Key legislation, such as the Social Health Insurance Act, 2023 and Digital Health Act, 2023, has been enacted to streamline healthcare delivery, promote transparency, and reduce inefficiencies through technology. This includes digitizing registration, eligibility checks, and claims processing to prevent fraud and minimize human error. Additionally, the Government is strengthening the healthcare supply chain by upgrading capacity and setting up regional distribution centres for KEMSA in Kisumu, Embakasi and Mombasa, ensuring timely delivery of medical supplies and improving access to quality healthcare across the country. |
|                    | Amend paragraph 127 by deleting the phrase “reduce over-reliance on transfers from the National Government.  | Paragraph amended accordingly  |
|                    | CBK agriculture surveys have shown that while Government has increased supply of subsidized fertilizer, delays and the long distance to fertilizer collection points remain a key challenge to thousands of small-scale farmers.   | To address this challenge, the Government has trained and deployed 18,000 agripreneurs throughout the country as part of the National Agricultural Value Chain Development Project (NAVCDP). These   |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    | In addition, the prices and quality of the certified seeds pesticides/insecticides available to the farmers are also of concern.   | agripreneurs will offer guidance to farmers on best practices, pest control, and irrigation techniques, while ensuring they have access to quality inputs. They will also help farmers connect to markets to secure fair prices for their produce. In addition, agripreneurs will assist farmers in accessing financial services, guiding them through loan applications, and linking them to providers of farm machinery and other essential services. Furthermore, a nationwide youth volunteer program has been launched, with 300 young people already enlisted to support farmers and county governments with extension services. |
|                    | The BPS has not highlighted the Government policy on VISA free regime and lifting of vetting processes on ID acquisition. Integration of refugees with the local communities (Shirika Plan) has also been omitted in the BPs. These are very critical policy shifts in the economy particularly on the security of the country and require significant resource allocations which were not adequately addressed in the BPS.                                | The 2025 BPS has been amended to include the information provided.   |
|                    | The new social health insurance fund (Taifa Care) has potential to transform the country's health sector due to its wider coverage. However, technical and accessibility issues rocking the sector need to be addressed for the country to achieve universal health coverage.  | The Ministry of Health is responsible for the issue at hand and is addressing the concerns raised by Kenyans.  |
|                    | Amend Paragraph 1 to specify that the BPS is anchored on the Fourth Medium Term Plan of the Kenya Vision 2030.   | Paragraph amended accordingly  |
|                    | Under section 1.2.2, consider including the proposed 2025 MSMEs survey that will provide policy guidance on viable interventions to strengthen the MSMEs.  | This has been incorporated into the section.   |
|                    | Amend Paragraph 53: County Aggregation and Industrial Parks (CAIPs) project has already been commissioned/rolled out in 18 counties.   | Paragraph amended accordingly  |
|                    | Under section 1.3.5, Consider qualifying the paragraph by mentioning that the climate change mitigation and adaptation efforts are implemented in line with National Climate Change Action Plan (NCCAP) III 2023-2027, and include "Kenya has advanced disaster risk management through the implementation of the National Disaster Risk Management Policy, 2017, with 26 county governments enacting Disaster Risk Management Acts, and the establishment | The section has been amended to specify that ongoing climate change mitigation and adaptation efforts by the Government are aligned to the National Climate Change Action Plan.  |

| SECTOR/POLICY AREA                                   | PROPOSAL/COMMENT  | WAY FORWARD/ACTION TAKEN/RESPONSE   |
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|  | of a National Disaster Management Unit and Disaster Management Directorates in 32 counties.” [Source: 2024 VNR Report for Kenya]  |   |
|  | In paragraph 107 to consider qualifying the first intervention to read “Merging of the National Fund for the Disabled of Kenya with National Council for persons with Disabilities to enhance accountability.”  | The paragraph has been amended accordingly.   |
| Recent Economic Developments and Medium-Term Outlook | Update table 2.1 to reflect the IMF World Economic Outlook January 2025.  | Table amended accordingly   |
|  | The slowdown in economic growth in 2024, driven by resistance to Government policies following the Finance Bill 2024, increased taxation, and reduced credit to the private sector, persists. Additionally, many regions faced a decline in short rains, which is expected to negatively affect food prices in 2025. As a result, the National Treasury's projected 5.3 percent economic growth appears overly ambitious. If these challenges persist, achieving a 3.9 percent fiscal deficit to GDP would be unrealistic.    | The growth outlook portrays a stable macroeconomic environment; however, the Government continues to monitor the situation closely and will take the necessary policy actions to safeguard the economy if any risks emerge.   |
|  | Given the IMF statistics and the economic environment, the National Treasury should consider revising the projections further, taking into account external shocks such as geopolitical developments in the Middle East, the Ukraine-Russia conflict, and possible trade protectionist policies from developed nations such as the United States, particularly with Trump's administration, which is more inward-looking. In addition, the Global economy is still uncertain on how Trump's new presidency will shape events. | The Growth projection has taken into account both domestic and external shocks. The Government is monitoring the both domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize.  |
|  | Besides lowering fuel related inflation, the Government should consider using a combination of policy tools such as lowering of interest rates among other considerations.  | The Central Bank Rate (CBR) is a key tool used by the Central Bank of Kenya (CBK) to control inflation and interest rates. By adjusting the CBR, the CBK influences the cost of borrowing in the economy. Given that inflation is below the mid-point of the target range and the exchange rate has stabilized, the Central Bank of Kenya through the Monetary Policy Committee (MPC) has gradually eased monetary policy by lowering the Central Bank Rate (CBR), initially to 12.75 percent from 13 percent in August 2024 to 12.0 percent in October 2024 and further to 11.25 percent in December 2024. The easing of the monetary policy stance is aimed at improving credit to the private sector thereby supporting economic activities. |
|  | The Government should consider measures to increase private sector credit, including reducing domestic borrowing to free up resources for the private sector, incentivizing banks through targeted monetary policies to provide   | The Central Bank of Kenya, through the Monetary Policy Committee (MPC), has progressively eased monetary policy by reducing the Central Bank Rate (CBR) in recent months. The CBR was initially   |

| SECTOR/POLICY AREA                       | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE   |
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|  | credit, and enhancing financial literacy and capacity in the manufacturing and construction sectors, which are crucial for employment and wealth creation. The CBK should lead the development and implementation of accommodative monetary policies that directly reduce the cost of credit for individuals and businesses.   | lowered from 13.0 percent in June to 11.25 percent in December 2024. With the strong easing of monetary policy stance, credit to the private sector is expected to recover as lending rates decline. Sustained demand particularly for working capital due to resilient economic activity and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs will continue to support private sector credit uptake.   |
|  | The National Treasury should consider adding a section on the public debt developments. The budgetary decisions have an impact on the fiscal deficit and how it is financed, either domestically or externally, with impacts on households, financial and money market.  | This is noted and will be taken into consideration in the preparation of subsequent Budget Policy Statements.   |
|  | In Table 2.4, ensure the numbers for the current account, capital and financial account are consistent with the overall balance of payments. Also note, the overall position of the balance of payments in 2024 is a surplus and not a deficit.  | The table has been updated as at the end of December 2024; however, the overall balance of payments remains in deficit.   |
|  | Comparison of Current account deficit for November 2023 (USD 4354.5 million) and November 2024 (USD 4,537.9 million) shows unfavourable performance. While the export of goods and remittances increased respectively in 2024, it is noted that the imports also increased in 2024. The third sentence "...reflecting strong performance of export of goods as well as increased remittances..." should therefore be paraphrased in relation to the overall current account deficit for 2024 or in relation to the performance trend for specific items (exports and remittances) between 2022 and 2024. | This has been updated to account for the overall current account deficit for 2024, in comparison to 2023.   |
| Fiscal Policy, Framework and Performance | A significant share of the budget is allocated to servicing debt under the Consolidated Fund Services. While this is crucial, it limits the financial resources available for development and social programs that could foster job creation and stimulate economic activity.  | The Government must prioritize paying its debt to avoid defaulting, which could lead to severe economic consequences, including loss of investor confidence, higher borrowing costs, and damage to the country's credit rating. While servicing debt is critical, the Government must also balance this obligation with funding for development and social programs that promote job creation, economic growth, and poverty reduction. To achieve this, the Government explores strategies such as improving tax revenue, reducing non-essential expenditures, or pursuing debt restructuring options, ensuring a more sustainable financial path while addressing the country's development needs. |



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|                    | Paragraph 179 (page 45) of the Budget Policy Statement (BPS) on the implementation of the TSA system mentions that the TSA is anchored on Sections 17(2) and 9(1) of the Public Finance Management (PFM) Act, 2012. The correct legal provisions anchoring the TSA system are Section 28(2) of the PFM Act, 2012 for the National Government and Section 119(2) of the PFM Act, 2012 for County Governments. Amend the paragraph to make reference to section 28 (2) and section 119 (2).  | Paragraph amended accordingly  |
|                    | The statement indicates that the roll-out of TSA will be phased. However, the TSA system is being rolled out in clusters, reflecting the fact that the implementation will occur concurrently. Amend the paragraph to replace the term 'phase' with 'cluster'.   | Paragraph amended accordingly  |
|                    | The TSA should be rolled out across all levels of Government simultaneously, rather than in stages. By using a single paybill system on E-CITIZEN as a prototype, a full rollout will be more cost-effective and allow for quicker resolution of challenges. Involving all stakeholders from the beginning will reduce risks and ensure smoother implementation, while prioritizing capacity building to accelerate the process. Additionally, every accounting office or organization should be required to maintain a single bank account at CBK for easier tracking and disbursement. This approach will lead to savings on banking services, which can be reinvested in maintaining a uniform accounting and banking system, thereby enhancing transparency in both revenue and expenditure. | The Cabinet approved the implementation of the Treasury Single Account (TSA) over three years to enhance public cash management. TSA is a unified system of government bank accounts that consolidates and optimizes the use of government funds. The rollout will occur in three phases: Phase 1 (FY 2024/25) will migrate state organs, constitutional institutions, and independent offices to TSA; Phase 2 (FY 2025/26) will focus on County Governments, in consultation with the Intergovernmental Budget and Economic Council; and Phase 3 (FY 2026/27) will include other National Government entities, as outlined in the Public Finance Management Regulations. This phased approach will ensure smooth implementation and capacity building at all levels of Government. All Ministries, Departments and Agencies (MDAs) are expected to comply with the regulations. |
|                    | The Government should strengthen mechanisms within the Kenya Revenue Authority to improve tax compliance and address revenue leaks, without increasing the tax burden on citizens. This can be achieved by conducting a comprehensive review of tax exemptions and policies to close loopholes.  | The Government is strengthening tax administration by the KRA through increased use of technology to enhance the efficiency of the tax system. This includes improving the iTax system and the integrated customs management system (iCMS), and implementing the e-TIMS (Tax Invoice Management System). These initiatives aim to broaden the tax base, minimize tax expenditures, close revenue loopholes, and improve compliance.  |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT  | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    | <p>Given the high levels of youth unemployment, raising taxes on businesses or individuals could discourage investment and entrepreneurship, potentially worsening the unemployment crisis.</p>   | <p>The Government is focused on maintaining a reasonable degree of predictability with respect to the level of tax rates and the tax base. To achieve this, the National Treasury has developed and begun implementing the National Tax Policy. The policy aims to provide guidelines that support economic development, promote diversification, enhance the country's competitiveness, and align tax incentives with the Government's development agenda. It also seeks to foster investment and create a flexible fiscal space through revenue-raising reforms. Furthermore, the Government continues to carry out tax reforms by using technology and simplifying tax laws to ensure predictability and improve compliance. The ultimate goal is to raise adequate tax revenue, maintain a stable tax environment, and minimize tax expenditures.</p>  |
|                    | <p>The 2025 BPS projects an increase of Ksh 387 billion in ordinary revenue, from Ksh 2.6 trillion to Ksh 3.01 trillion, raising concerns about how the National Treasury plans to achieve this goal, especially given the public opposition to tax increases over the past two years. Given that revenue and expenditure projections for FY 2025/26 are perceived as overly ambitious, similar to previous projections, the Government should consider adjusting these estimates to more realistic and achievable levels. Aligning revenue projections with historical performance data would enhance accuracy, improve financial planning, and foster greater public trust in the sustainability of fiscal policies. A more cautious and evidence-based approach would also allow the Government to address potential challenges in revenue collection, ensuring a more balanced and effective fiscal strategy.</p> | <p>The Government is implementing a combination of tax administrative and policy measures to boost revenue collection by the Kenya Revenue Authority (KRA) that will enable the collection of 2.8 trillion of ordinary revenue in the FY 2025/26. Key efforts include: the implementation of the National Tax Policy and MTRS 2024/25-2026/27, strengthening tax administration by expanding the tax base, minimizing tax expenditures, leveraging technology to improve tax processes, closing revenue loopholes, and enhancing system efficiency. Additionally, special focus is placed on non-tax revenues that Ministries, Departments, and Agencies can generate through public services. Further, while undertaking revenue forecasting, the Government takes into consideration historical performance data to inform the revenue targets and allocation of resources. This helps ensure that projections are more grounded in reality, allowing for a better understanding of past trends and performance.</p> |
|                    | <p>The goal of reducing the fiscal balance to 3.8 percent of GDP over the medium term is commendable; however, this will increase tax burden on businesses, particularly MSMEs, and may hinder economic recovery.</p>   | <p>The Government is committed to continuing its growth-friendly fiscal consolidation plan by containing expenditures and enhancing revenue mobilization to slow down the growth of public debt, without compromising service delivery. In addition, the Government</p>  |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT  | WAY FORWARD/ACTION TAKEN/RESPONSE   |
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|                    |   | continues to carry out tax reforms that will ensure predictability in tax laws and improve compliance.  |
|                    | In FY 2023/24, only 25.1 percent of the national budget was spent on development, falling below the 30 percent requirement set by the PFM Act. The projection to reach 32.6 percent by FY 2025/26 requires further clarification, particularly regarding the "spending rationalization" strategy and the challenges faced by MDAs in meeting this target. To ensure adherence to the 30 percent minimum development expenditure threshold, the Government should consider enforcing policy guidelines that mandate strict compliance. | Consistent with the requirements of the law, the National Government's allocation to development expenditures has been set above the 30 percent of its Ministerial expenditures, in line with the principles outlined in the PFM Act, Cap. 412. However, in FY 2023/24, the actual development spending for the National Government was 25.1 percent, falling short of the expected 30 percent target. This discrepancy was primarily due to spending rationalization during the budget implementation phase, where certain expenditures were adjusted or deferred. While the forecast initially projected development spending to exceed 30 percent, the challenges in execution and the need for fiscal prudence led to this shortfall. Moving forward, the Government will take proactive steps to ensure adherence to the 30 percent development expenditure threshold, in line with the PFM Act. In this regard, the 2025 BPS fiscal framework projects an allocation of 32.6 percent to development expenditures for FY 2025/26, with expectations that this allocation will remain above the recommended threshold over the medium term. |
|                    | Reduce reliance on domestic and external borrowing by diversifying revenue streams, such as public-private partnerships (PPPs) in development   | Public-Private Partnerships (PPPs) are essential to addressing the infrastructure funding gap amid constrained fiscal space, rising public expenditure, and competing demands, especially in social sectors. The Government sees PPPs as a key solution to filling the investment gap, reducing borrowing, and lowering yields on government securities. PPPs also contribute to deepening the local financial sector, mobilizing private capital, fostering innovation, transferring risk, ensuring non-debt fiscal sustainability, and addressing climate-related challenges.   |
|                    | Conduct debt sustainability analyses to align borrowing levels with fiscal health goals.  | The National Treasury publishes the Annual Public Debt Management Report and the Medium-Term Debt Management Strategy (MTDS), which provide insights into debt sustainability. The 2025 MTDS indicates that Kenya's public debt is sustainable, but with a high risk of debt distress. The present value (PV) of public   |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    |  | debt is at 63.0 percent of GDP, exceeding the benchmark threshold of 55 percent. The National Treasury has until 1st November 2028 to reduce the PV of public debt to within the acceptable debt-to-GDP limit. This approach aligns with the Government's broader fiscal consolidation plan, focused on managing debt risks and ensuring economic stability.   |
|                    | The Government should slow down on aggressive focus on non-tax revenue that could potentially affect access to public services.  | The government is exploring non-tax revenue measures to reduce MDAs' dependence on exchequer revenue, ensuring that MDAs' Appropriation-in-Aid is sufficient to cover their expenditures without relying on the exchequer. The Government will ensure that proposed charges, levies, and fees are reasonable, avoiding undue burden on Kenyans and maintaining effective service delivery.   |
|                    | The National Treasury should strictly adhere to the current roadmap to ensure timely transition to accrual accounting.   | The National Treasury will strictly adhere to the roadmap for implementing accrual accounting, guided by accounting standards (IPSAS 33). The transition process must be completed within the maximum period of three years allowed by the standard. The transition from cash to accrual basis of accounting will strengthen public finance management by improving cash management and enhance financial and fiscal reporting.  |
|                    | To support the growth of the REITs industry, it is recommended to reinstate tax exemptions on capital gains and stamp duty for REITs. These exemptions would stimulate new projects, attract foreign direct investment, and ultimately generate more revenue, benefiting both local and international investors.   | Real Estates Investment Trusts (REITs) and investee companies owned by REITs are currently exempt from income tax. This exemption being enjoyed by the REITS is a tax expenditure on the Government side despite facing revenue mobilization challenges and increasing debt deficit. Extending the exemption of REITS to Capital Gains will further erode the tax base and increase tax expenditures, contrary to the National Tax Policy and the Medium-Term Revenue Strategy which seek to rationalize tax expenditures. |
|                    | Development expenditure underperformed in FY 2023/24 by Ksh 63.0 billion, including Ksh 44.1 billion for foreign-financed projects and Ksh 23.2 billion for ministerial development. The National Treasury should explain these shortfalls and outline measures to address them in FY 2025/26 and the medium term. | The 2024 Budget Review and Outlook Paper provides an overview of the actual performance of the FY 2023/24 budget and the reasons of the shortfall.   |

| SECTOR/POLICY AREA                        | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE   |
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|   | The 2025 BPS has failed to give Departmental expenditure performance for the half year 2024, making it difficult to track departmental absorption and to ascertain if the ceilings provided are realistic.   | The 2025 BPS outlines the proposed expenditure ceilings for the National Government for the next financial year and over the medium term. Quarterly Economic and Budgetary Review (QEBR), which is published after every quarter, will provide an update on the expenditure performance of MDAs for the first half of 2024.   |
|   | The shift to financing the deficit through domestic borrowing requires analysis of its impact on private sector credit and economic growth. Assess how increased domestic borrowing might affect the private sector and the broader economy.   | This is noted and will be taken into consideration.   |
|   | Annex Tables 1 and 2: The level of the nominal GDP for 2024/25 should be revisited as it is on the higher side, particularly given the downward revision of real GDP growth to 4.6% in 2024. The estimated GDP of Ksh 18,053.7 billion for 2024/25 is about 14 percent higher than the Ksh 15,826.4 billion of 2023/24. With a GDP deflator of 5.7 percent and real GDP growth of about 5 percent, the nominal GDP should be around Ksh 17,382 billion. This is 3.9 percent lower than the current projection. This would affect all the key ratios in the fiscal table, including the revenue, expenditure, and the fiscal deficit ratios. The medium-term ratios would also be affected.                                 | The nominal GDP of the FY 2024/25 has been revised to Ksh 17,435.4 billion.   |
|   | Kenya's long-term national planning of taxation and finance as guided by the Public Finance Management (PFM) Act and the annual Finance Bill should be more predictable to avert the risks, uncertainties and anxieties associated with tax matters.   | The implementation of National Tax policy and MTRS FY 2024/25 – 2026/27 is expected to entrench predictability, enhance efficiency of the tax system and provide consistency in tax legislations and management of tax expenditure.   |
| Budget for FY 2025/26 and the Medium Term | The health sector's budget has varied in recent years, with Ksh 129.8 billion allocated in FY 2021/22, decreasing to Ksh 116.4 billion in FY 2022/23, and increasing to Ksh 134.4 billion in FY 2023/24. However, there is a significant funding gap between the State Department of Medical Services (Ksh 100.0 billion) and the State Department of Public Health and Professional Standards (Ksh 26.835 billion). To support the Government's Bottom-Up Economic Transformation Agenda (BETA), which focuses on preventive care, the Government should prioritize allocation and funding for preventive care, strengthen community health systems, and ensure equitable resource distribution across the health sector. | In the FY 2025/26 and Medium Term, the sector aims at expanding UHC and strengthen the health system's resilience. UHC priorities over this period include expanding primary healthcare infrastructure, focusing on maternal and child health, and improving supply chains for essential health products. This includes digital health investments in infrastructure to connect healthcare facilities with the National Optic Fibre Backbone Infrastructure (NOFBI), targeting expanded coverage to over 6000 health facilities by 2028. Emphasis on evidence-based and data-driven decision-making the digital health superhighways will include the full implementation of the Electronic Community Health Information System (eCHIS) and integration of UHC tracking in real-time through the Kenya Health Situation Room. |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    |  | To implement these programmes, the Sector has been allocated Ksh 204.9 billion, Ksh 214.8 billion and Ksh 231.0 billion in the FY 2025/26, 2026/27 and 2027/28 respectively.   |
|                    | How can the executive budget be increased when SHA isn't functioning, university funding models are failing, and hospitals lack essential drugs? The budget should be revised to prioritize what benefits all Kenyans, not just a select few.  | Executive Budget outlines how the government intends to collect and spend money to achieve its economic and social goals. The executive budget includes the projected revenue (such as taxes and loans) and the proposed expenditures (such as salaries, infrastructure projects, and social services). The Executive Budget is prepared by the National Treasury and presented to Parliament for approval. It is part of the Annual Budget process, which is guided by the Public Finance Management Act, 2012. The budget reflects the Government's priorities, policies, and strategies for economic growth, development, and poverty reduction. Allocation of SHA, health sector and the university funding are under the Executive arm of Government.   |
|                    | Sectors like agriculture (3.3 percent allocation) and environmental protection (2.1 percent) are underfunded. These sectors have the potential to create significant employment opportunities, especially for youth in rural areas. Increase budget allocation for the Agriculture Sector to unlock the agricultural potential | Agriculture is a central pillar in achieving the Bottom-Up Economic Transformation Agenda's goal of inclusive green growth, as over two-thirds of Kenyans rely on it for their livelihoods. The sector has the highest employment multiplier effect, particularly in value chains that create jobs for economically excluded populations. Recognizing its importance, the Government has launched various interventions and increased investments to transform the sector, focusing on raising productivity in key areas such as fisheries and aquaculture, horticulture, food crops like maize, rice, and edible oils, as well as livestock, beekeeping, and rangeland development. In the FY 2025/26, the sector has been allocated Ksh 86.1 billion, an increase from 73.9 billion allocated in FY 2024/25. Over the medium term, the sector allocation will increase to 105.7 billion in FY 2027/28. |
|                    | Increase allocations for youth skill development, entrepreneurship training, and innovation hubs to empower young people to create employment opportunities.   | The Government of Kenya is prioritizing youth empowerment through various initiatives aimed at skill development, entrepreneurship training, and the establishment of innovation hubs. These include increased allocations for programs that provide vocational training, mentorship, and access to resources for young entrepreneurs. The Government is also supporting the creation of innovation hubs, particularly in county-level ICT centers, to foster  |



| SECTOR/POLICY AREA | PROPOSAL/COMMENT  | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    |   | creativity, enhance digital skills, and encourage youth-driven innovation. These efforts are designed to equip young people with the tools and knowledge needed to create their own employment opportunities and drive economic growth.  |
|                    | There are MDAs whose mandate is just to relay disbursement and collection of funds. This should be minimised and through what was started by presidential working group on realignment of MDAs and parastatals.   | Resource allocation for the BETA priority programmes will be undertaken through a value chain approach under five clusters namely: Finance and Production Economy; Infrastructure; Land and Natural Resources; Social Sectors; and Governance and Public Administration. This approach ensures a continuous cycle of resource allocation across the value chain, guaranteeing that each entity receives the necessary resources while eliminating role duplication and redundant budgeting. The focus is on ensuring optimal resource use to achieve high-quality outputs and outcomes. The resulting momentum and impact are expected to boost economic vibrancy and increase tax revenues. |
|                    | The Office of the Prime Cabinet Secretary requests the National Treasury to increase the proposed allocation from Ksh 930.9 million, Ksh 963.0 million and Ksh 995.4 million for FY 2025/26, FY 2026/27 and FY 2027/28 respectively to Ksh 2,622.7 million, Ksh 2,579.0 million and Ksh 2,627.7 million in the FY 2025/26, FY 2026/27, and FY 2027/28 respectively. The increase by Ksh 1,691.80 million in FY 2025/26 budget allocation will facilitate effective Coordination and Supervision of National Government Operations by the PCS. | The baseline estimates in FY 2025/26 and medium-term budget reflect the existing ministerial spending levels in sector programs. Within recurrent expenditures, non-discretionary costs take precedence, including the payment of public debt and interest, as well as salaries and pensions. Development expenditures have been allocated based on flagship projects outlined in Vision 2030, the Bottom-Up Economic Transformation Agenda, and the MTP IV priorities.  |
|                    | The Judicial Service Commission requests the National Treasury to increase the proposed allocation from the Ksh 692.4 million to Ksh 820.8 million which was allocated at the sector level. The Commission also request the National treasury to enhance the proposed allocation Ksh 401.43 million to bridge the funding deficit as key programmes such as Recruitment of Judges and Judicial Officers will be seriously affected due to underfunding  | The baseline estimates are based on the current ministerial spending levels across sector programs and due to budget constraints, the proposed sector-level allocations have been adjusted to fit the available resource envelope.   |
|                    | The Government should conduct a needs assessment to identify critical health funding gaps and align resources accordingly. Integrate innovative financing models such as health bonds or levies to enhance sector funding.  | The Government has implemented various reforms in the health sector, including addressing funding challenges in healthcare. Through the reformed insurance fund, SHA, the Government aims to meet the urgent healthcare needs of Kenyans by fulfilling its role as a social medical insurance provider. Additionally, the Government,  |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    |  | through the Facility Improvement Fund (FIF), is ensuring that hospitals are well-equipped with the necessary tools, including medicines, equipment, and other resources, to provide quality care. This initiative will also involve citizens in decision-making at every healthcare facility. To kick start the process, the Government is clearing long-standing debts and ensuring access to essential medicines and equipment. So far, Ksh 8.7 billion has been disbursed to settle historical debts owed to public, private, and faith-based medical facilities. The Government will continue to settle the remaining balances in a phased approach over the coming months, reaffirming its commitment to the uninterrupted delivery of healthcare services. |
|                    | The Government should incorporate community health services into priority planning to improve healthcare access at the grassroots level.   | Community health services are a priority for the Government under BETA. The Government will continue to implement programs like Afya Bora Mashinani, which has engaged over 100,000 community health promoters who deliver direct care in households across the country.   |
|                    | Clarify whether Zero-Based Budgeting (ZBB) is implemented Government-wide or in key sectors, its impact on revenue and expenditure estimates, and its role in setting BPS ceilings. Additionally, specify guidelines for counties in adopting ZBB. | The Government is adopting Zero-Based Budgeting (ZBB) to prepare the FY 2025/26 and future budgets. To implement ZBB, the National Treasury has developed the Budget Costing Tool in the IFMIS Budget Module, incorporating standardized costing methodologies to streamline budget baselines and prioritize spending. MDAs are expected to allocate resources efficiently through ZBB, review externally funded projects, and align their spending plans with the Government's priority programs. This approach will promote fiscal discipline and ensure resources are directed to critical areas, while staying within the budgetary ceilings set in the BPS.   |
|                    | There should be a notable change in decrease of allocation by the National Government to fully devolved functions such as delivery healthcare.   | Despite devolution, the National Government still plays a critical role in ensuring uniformity in service delivery, particularly in sectors like health, which require collaboration between National and County Governments. Reducing these allocations could hinder equitable public service provision across the country, as counties may not have the capacity to fully provide these services on their own. Continued   |

| SECTOR/POLICY AREA                                  | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE   |
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|   |  | support from the National Government is essential to ensure effective and uniform healthcare delivery nationwide.   |
|   | The Government should also provide assurance and clear strategies for achieving the 15 percent budget allocation target set by the Abuja Declaration, as Kenya's current allocation stands at 7.23 percent, far below the recommended threshold.   | Although the Government has not met the 15 percent target set by the Abuja Declaration, it has progressively increased its allocation of resources to the health sector. The Sector has been allocated Ksh 204.9 billion, Ksh 214.8 billion and Ksh 231.0 billion in the FY 2025/26, 2026/27 and 2027/28 respectively.  |
|   | The issue of historical pending bills should feature as a criteria in resource allocation or further guidance issued on how to handle the same.  | This is noted and will be taken into consideration in the preparation of the next Budget Policy Statement.  |
| County Financial Management and Division of Revenue | The Government should incorporate geographic hardship factors (e.g., arid and semi-arid lands) into the allocation formula. Addressing unique challenges ensures equitable resource distribution, especially for counties with difficult terrain or climatic conditions.   | The County Allocation of Revenue Bill (CARB), 2025 provides for allocation of resources among the 47 County Governments in the FY 2025/26. In the CARB, the Counties' equitable share of revenue is allocated using the Third Basis. The Third Basis allocates has a weight of 8% for land area/geographical size. The proposal on geographic hardship factors may be submitted to the Senate for consideration in the formulation of the Fourth Basis  |
|   | Despite the expanded fiscal space and projected stable economic growth at 5.3% over the medium term, the same does not reflect on the resource allocation framework, especially on Division of Revenue between the two levels of Government. While most of the macroeconomic fundamentals have strongly rebounded and are projected to continue on an upward trajectory, the counties share of revenue as a percent of GDP and ordinary revenue is on a consistent downward trend. The National Treasury should therefore state whether it is a National Government policy direction to gradually fizzle out counties equitable share. | Article 203 (2) of the Constitution mandates that the equitable share allocation to counties should be no less than fifteen (15) percent of the last audited revenue raised nationally, as approved by the National Assembly. The proposed equitable share for FY 2025/26 of Ksh 405.1 billion represents 25.79% of the audited and approved actual revenue raised nationally, which amounted to Ksh 1,570.56 billion for FY 2020/21. This allocation also reflects an increase of 4.6% from Ksh 387.4 billion allocated in the 2024/25 financial year.             |
|   | The National Treasury should strengthen collaboration with revenue authorities and introduce innovative revenue mobilization strategies to bridge collection gaps in counties.   | In a bid to enhance revenue forecasting by County Governments, the National Treasury is leading a multi-agency technical team in development of forecasting models to be utilized in estimation of Own Source Revenue targets. The development of the forecasting tool is supported through KDSP II in realization of Key Result Area (KRA) 1 on Sustainable Financing and Expenditure Management. Once finalized the models will enhance target setting and accuracy of fiscal forecasting as well as reduce piling up of pending bills occasioned by overcasting. |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT  | WAY FORWARD/ACTION TAKEN/RESPONSE  |
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|                    |   | Additionally, the National Treasury is spearheading the implementation of the OSR Policy to support counties to enhance their OSR. Among other Policy strategies is the enactment of the National Rating Act that is meant to help counties leverage on the mobilization of the property related taxes   |
|                    | Create a monitoring framework for conditional allocations to ensure adherence to grant requirements and optimal utilization of funds.   | National Government Ministries, Departments, and Agencies (MDAs) are responsible for creating frameworks to manage conditional additional allocations to beneficiary County Governments. These frameworks specify the total allocation, the amount for each county, the conditions to be met, and the responsibilities of both MDAs and county governments. Accounting Officers in the respective MDAs are responsible for submitting these frameworks to the National Treasury.   |
|                    | Reassess the equitable share allocation formula to prioritize counties with lower socio-economic indicators and greater fiscal challenges.  | The County Allocation of Revenue Bill (CARB) 2025 outlines the resource allocation for the 47 County Governments in FY 2025/26. It uses the Third Basis for revenue sharing, which includes a baseline allocation for each county equivalent to 50% of its actual allocation for FY 2019/20. The formula considers several factors, including poverty, population, urban services, health, Agriculture, urban, land Area and road connectivity. The proposal may be submitted to the Senate for consideration in the formulation of the Fourth Basis.  |
|                    | Amend table 4.7, On item No. 4 on Conditional Grant for County Aggregation and Industrial Parks CAIPs programme, the amount allocated is Ksh 4.5 billion instead of Ksh 4.6 billion.  | The amount allocated for CAIP is Ksh 4.5 billion which is Ksh. 250 million per county for 18 beneficiary counties.   |
|                    | PFM issues in the counties, such as overestimation of own-source revenue projections, contribute to budgetary inefficiencies and financial imbalances. These inflated projections often lead to unrealistic planning and unachieved revenue targets, undermining fiscal discipline and the effective allocation of resources. | In-order to improve revenue forecasting by County Governments, the National Treasury is leading a multi-agency technical team in development of forecasting models to be utilized in estimation of Own Source Revenue targets. The development of the forecasting tool is supported through KDSP II in realization of Key Result Area (KRA) 1 on Sustainable Financing and Expenditure Management. Once finalized the models will enhance target setting and accuracy of fiscal forecasting as well as reduce piling up of pending bills occasioned by overcasting. The National Treasury has proposed |

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|                    |   | measures for clearance of pending bills that include settlement of pending bills as a first charge in budget execution.  |
|                    | Before the implementation of the FY 2025/26 budget begins, Parliament should play an active role in legislation and oversight to ensure that transfers to counties are treated as a first charge. This will help address disruptions in county operations and service delivery caused by the National Government's failure to make timely disbursements.  | Section 191 of the Public Finance Management Act (PFMA) 2012 requires the Cabinet Secretary to submit to Parliament a Division of Revenue Bill and County Allocation of Revenue Bill prepared by the National Treasury as provided in this Act for the financial year to which that Budget relates together with the BPS which is to be submitted by the 15th of February.<br>The National Treasury will continue to collaborate with Parliament to ensure timely approval of the revenue bills and budget appropriations  |
|                    | County Governments have faced significant challenges over the past decade in raising Own Source Revenue (OSR) to match their capacity. The 2025 BPS addresses issues such as outdated policies and low automation, proposing measures like new property tax laws and the Integrated County Revenue Management System to enhance financial transparency. The Government should ensure that the 2025 BPS includes implementation timelines and a detailed breakdown of the resources required for each strategic intervention aimed at boosting county OSR. This will be essential for monitoring progress, evaluating outcomes, and ensuring accountability for the funds spent in relation to the returns achieved. | Paragraphs 308-311 provide a summary of the progress of activities implemented to support enhancement of county governments OSR. In the preparation of the BPS, Section 25 (3) of the PFMA 2012, requires the National Treasury to set out the broad strategic priorities and policy that will guide the National Government and County Governments in preparing their budgets both for the following FY and over the medium term.<br><br>Additionally, the National Treasury in collaboration with relevant MDA's prepares separate detailed reports of the different programmes and activities undertaken in a bid implement the broad strategic priorities contained in the BPS |
|                    | Since the completion of the IGRTC report, the Government has remained the custodian. The Government should fully transfer all the functions meant for devolution. This will help save significant resources by addressing the issue of duplication and redundancy between County Governments and the National Government.   | The IGRTC on 16 <sup>th</sup> December 2024 gazetted a number of functions for transfer to the county governments' via a Gazette Notice No. 16472. Further to the above notice, the IGRTC is expected to cost the functions and submit the report for consideration.   |
|                    | The National Treasury to change the counties' revenue sharing criteria as proposed by the CRA.  | The National Treasury It uses the Third Basis for revenue sharing which is prepared by the CRA and approved by Senate pursuant to Article 203 (1).   |
|                    | The allocations should be based on the latest audited and approved accounts of nationally raised revenue, to avoid being under-allocation of funds to counties by relying on FY 2020/21 accounts.   | The last audited and approved actual revenues was Ksh 1,570.56 billion for the FY 2020/21.   |

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|                    | The National Treasury should adhere to Article 203 (2) of the Constitution by raising the allocation to counties from 9% to a minimum of 15% of the total sharable revenue.  | Article 203 (2) the Constitution requires that the equitable share allocation to counties should not be less than fifteen (15) per cent of the last audited revenue raised nationally, as approved by the National Assembly. The above proposed equitable share for FY 2025/26 of Ksh 405.07 billion is equivalent to 25.79% percent of the audited and approved actual revenues raised nationally of Ksh 1,570.56 billion for FY 2020/21. |
|                    | The resource allocation framework for FY 2025/26 has not considered the recently delineated and gazette functions of the national and county governments which consequently have a financial implication. The Government should therefore call for an overarching policy Pronouncement on the costing and transfer of resources attendant to the gazette functions in FY 2025/26. This aligns with the 11th National and County governments Coordinating Summit resolution that the corresponding resources related to the unbundled and gazette functions shall be transferred to the county governments commencing July 2025.  | The IGRTC on 16 <sup>th</sup> December 2024 gazetted a number of functions for transfer to the county governments' vid a Gazette Notice No. 16472. Further to the above notice, the IGRTC is expected to cost the functions and submit the report for consideration.   |
|                    | The Cabinet has resolved that all Regional Development Authorities and parastatals performing devolved functions be wound up, with resources transferred accordingly. This decision should be included as a key pronouncement in the 2025 BPS and guide resource allocation for FY 2025/26 and the medium term. The National Government has continued to plan for and allocate resources towards the performance of functions devolved under the Fourth Schedule of the Constitution. Consequently, all resources related to state-owned entities carrying out devolved or shared functions, including those recently unbundled and gazetted, should be transferred to counties no later than July 2025. | The IGRTC is responsible for unbundling and costing of unbundled functions for transfer to the relevant level of government.   |
|                    | There is need for a policy and legal framework guiding the approval and application of the last audited accounts for purposes of determining the Counties equitable share in accordance with Article 203 (2) of the constitution. It is no longer tenable that resources for FY 2025/26 are being shared based on FY 2020/21 audited accounts.   | Article 203 (2) the Constitution requires that the equitable share allocation to counties should not be less than fifteen (15) per cent of the last audited revenue raised nationally, as approved by the National Assembly. The above proposed equitable share for FY 2025/26 of Ksh 405.07 billion is equivalent to 25.79% percent of the audited and approved actual revenues raised nationally of Ksh 1,570.56 billion for FY 2020/21. |



| SECTOR/POLICY AREA | PROPOSAL/COMMENT   | WAY FORWARD/ACTION TAKEN/RESPONSE   |
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|                    | There is need for a new framework for disbursement of conditional grants that are not from the national government's share of revenue. This includes, proceeds of loans and grants from development partners.  | The 26 <sup>th</sup> Ordinary session of IBEC held on 27 <sup>th</sup> January 2025 resolved that a consideration be made alongside the already approved amendments to the Public Finance Management Act 2012, to future additional allocation for Counties be incorporated as a schedule to the County Allocations of Revenue Act. |
|                    | The following additional allocation have not been included: the counties allocations from the road maintenance levy fund (RMLF) and conditional allocations for the transfer of the museum function  | The allocation for RMLF as additional allocation to counties is a matter under mediation in Parliament.   |
|                    | Amend table 4.9 by removing RMLF, transfer of museum functions and transfer of library service function as they do not form part of the national government share of revenue.  | The allocation for RMLF as additional allocation to counties is a matter under mediation in Parliament. The National Treasury is putting into consideration the request for allocation to museum function and library service function which were not factored in due to constrained fiscal space.                                  |
|                    | There is a need for a clear pronouncement on the implementation of parts of the Affordable Housing Act, 2024, particularly regarding the allocation of funds to counties. This includes the allocation of monies for the development and off-take of affordable housing programs and projects, the development of institutional housing, and the provision of social and physical infrastructure. Additionally, funds should be allocated to the county committees for the administration of these initiatives. The 2025 BPS should outline a clear framework for the conditional allocation to both the committees and infrastructure projects, ensuring that the process is fast-tracked and disbursements are made in accordance with the Affordable Housing Act, 2024. | The county Rural and Urban Affordable Housing Committees established under Section 34 of the Affordable Housing Act perform their functions as assigned under Section 39 of the Act and are accountable to the County Assembly.   |
|                    | The National Government through the Ministry of Health must ensure that all County Governments remit the stipends to Community Health Promoters promptly and ensure that they are not subjected to any deductions.   | The National Government is committed to disbursing the 50% of the Community Health Promoters stipends in pursuant of the universal health coverage. The allocation to this initiative is contained in the proposed draft County Government Additional Allocations Bill 2025.  |
|                    | The proportion of total revenue allocated to counties is projected to decline from 10.4 percent to 9.0 percent in FY 2025/26. The National Treasury should clarify how this aligns with the complete devolution of functions as per the  | Article 203 (2) of the Constitution mandates that the equitable share allocation to counties should be no less than fifteen (15) percent of the last audited revenue raised nationally, as approved by the National Assembly. The proposed equitable share for FY 2025/26 of  |

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|                    | constitution and the "funding follows functions" principle, considering the IGTRC's role delineation.  | <p>Ksh 405.1 billion represents 25.79% of the audited and approved actual revenue raised nationally, which amounted to Ksh 1,570.56 billion for FY 2020/21. This allocation also reflects an increase of 4.6% from Ksh 387.4 billion allocated in the 2024/25 financial year.</p> <p>Additionally, the National Treasury has proposed an allocation of Ksh 67.9 billion as additional allocations to the county governments as contained in the draft County Government Additional Allocations Bill 2025.</p>  |
|                    | Pending bills pose a significant barrier to MSME growth, particularly in the construction sector. To address this, the Government should securitize these bills and establish a Pending Bills Resolution Fund, focusing on priority sectors like infrastructure. Full disclosure of pending bills should be ensured, with clear reporting by sector and State Corporation. Additionally, the 2025 BPS should propose an allocation to clear verified pending bills and provide a detailed breakdown of funds needed to complete each viable stalled project. | The Government established a Pending Bills Verification Committee to carry out a thorough analysis of the stock of National Government pending bills. The Committee will identify causes of pending bills and make recommendations on policy, legal framework and procedures it considers appropriate to curtail escalation of and avoidance of pending bills. The Committee will also identify the causes of the pending bills and make recommendations to the Government on the necessary actions to be taken for satisfactory disposal or settlement of the identified pending bill.  |
|                    | The total outstanding National Government pending bills has decreased by the end of September 2024. However, pending bills by the County Governments increased by Ksh 117.2 billion in the FY 2023/24. This continues to affect many businesses by denying the economy the much-needed liquidity with compounding impact on the economy.   | To address the issue of pending bills in both the National and County Governments, the National Treasury has initiated the transition from cash to accrual-based accounting, which is expected to gradually reduce the stock of pending bills. Through Kenya Devolution Support Programme II (KDSP II), County Governments have been supported to develop and implement repayment plans and ensure adherence to Regulation 55 (2) b of the Public Finance Management (County Governments) Regulations, 2015. To further mitigate fiscal indiscipline in counties, the Senate recommended that all counties settle all verified pending bills totalling approximately Ksh 1 billion by the end of the FY 2024/25. |
|                    | The National Treasury should include information about the automation of County Governments' Exchequer processes progress in BPS 2025 and establish timelines for the expected rollout of the automated processes for the county governments.  | Section 4.7.3 of this document contains information about automation.  |
|                    | The BPS should appreciate the impact the Tax Administration Diagnostic Assessment Tool (TADAT) process may have on the enhancement of OSR,   | The National Treasury is currently embarking on Implementation of a Draft tool developed to assist county governments to project OSR.  |

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|                             | and that the TADAT be mentioned as one of the tools being implemented to assist county governments in OSR generation and management.  | The TADAT tool has been incorporated and considered in a bid to help improve the diagnosis of county government's OSR. Once the forecasting tool is successfully implemented, county governments can report and appreciate the benefits of incorporating TADAT in their revenue management systems.  |
| Statement of Specific Risks | The inclusion of inclusive green growth is a step toward climate resilience. However, MSMEs often lack the capacity to transition to green practices.   | The Government recognizes that inclusive green growth is essential for building climate resilience and ensuring sustainable economic development. We understand that MSMEs may face challenges in transitioning to green practices due to limited capacity and resources. To support MSMEs in adopting green growth, the Government is implementing several initiatives, including providing access to green financing, technical training, and capacity-building programs that equip businesses with the necessary tools to adopt sustainable practices.                              |
|                             | Adhering to existing provisions of existing policies, legislations, regulations, and guidelines guiding economic planning, public finance management and expenditure control. There is need to build capacity in macroeconomic forecasting (revenue and expenditure forecasting) macro fiscal sensitivity analysis, fiscal impact analysis and economic analysis. | The National Treasury, in collaboration with the World Bank under the Technical Assistance (P177097) funded by the Global Program on Sustainability (GPS), is developing KENMod, a tailored version of the MFMod for Kenya. KENMod is customized to reflect Kenya's unique economic characteristics and incorporate climate considerations. This model will provide more accurate macroeconomic evaluations, supporting better economic planning and decision-making that account for the value of natural resources and ecosystems, ensuring long-term sustainability and prosperity. |
|                             | There is need to expedite the approval of audited accounts to give a clear reflection of the total Government's collection. This will increase the allocation to the counties in tandem with the prevailing economic circumstances in Kenya.  | This is noted. Expediting the approval of audited accounts is crucial for providing a clear and accurate reflection of the total Government's collections. It will also enable more informed decisions regarding resource allocation, ensuring that counties receive their appropriate equitable share of revenue.   |
|                             | Publish quarterly borrowing reports detailing development allocations. This should include both external borrowing and domestic borrowing through T-Bills and Bonds as well as Personalize non-compliance through legal reforms.  | The Quarterly Economic and Budgetary Review, published at the end of each quarter, highlights key economic performance indicators, budget execution progress, including borrowing. The National Treasury consolidates these quarterly reports to provide a comprehensive overview of fiscal developments and inform policy decisions.  |

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|                    | The 2025 BPS lacks comprehensive information on how the Government intends to undertake PPP.   | The Government is embracing Public-Private Partnerships (PPPs) to address priorities that cannot be met solely by the exchequer. The 2025 Budget Policy Statement (BPS) highlights the specific PPP projects to be implemented across various sectors, aiming to leverage private sector expertise and investment to drive development in areas where public funding is limited. These partnerships are intended to enhance infrastructure, improve service delivery, and accelerate economic growth.   |
|                    | Article 118(1) (b) requires the Parliament to facilitate public participation and involvement in legislature and other business of the Assembly and committee. This should be done in a local language which can be understood by every citizen in participation. Those who cannot read and write cannot understand the Budget Policy Statement.   | Public participation and stakeholder involvement in the medium-term budget process are constitutional requirements. In adherence to this, the Government, in preparing the 2025 Budget Policy Statement (BPS), took into account the resolutions adopted by Parliament on previous Budget Policy Statements. The Public Finance Management (PFM) Act, 2012 (CAP 412A) mandates that public input be considered before finalizing budget proposals. To fulfil this, Sector Public Hearings were held from November 20th to 22nd, 2024, at the Kenyatta International Convention Centre. Virtual platforms, including WebEx and live streaming on Facebook, were made available to ensure that stakeholders unable to attend in person could still participate and access the hearings. |
|                    | Kenya committed to among other deliverables to undertake a national risk assessment on money laundering and terrorism financing in line with outcome of the 24 <sup>th</sup> Council of Ministers, 48 <sup>th</sup> Task Force of the Senior Officials, and the 7 <sup>th</sup> Public Private Sector Dialogue Meetings of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) held from 23 <sup>rd</sup> to 31 <sup>st</sup> August 2024 in Kwale County. | This has been incorporated into the section.  |
| General Comments   | The framing of the BPS title was also highlighted as problematic, as it emphasizes green growth while excluding other critical sectors of the economy, such as the yellow, blue, and brown economies. The National Treasury should revise the title to reflect an inclusive growth agenda that encompasses all aspects of Kenya's economy.   | Green growth refers to an economic development strategy that focuses on achieving economic growth while ensuring environmental sustainability. Inclusive green growth takes this concept further by integrating social equity, aiming to promote economic progress in a way that ensures the benefits are equitably distributed across all segments of society.   |
|                    | The period given for submission was quite limited and that affected the time available to convene and analyse the BPS in good detail. The National   | This is noted and will be taken into consideration when preparing subsequent BPS' and other budget document.  |

| SECTOR/POLICY AREA | PROPOSAL/COMMENT  | WAY FORWARD/ACTION TAKEN/RESPONSE |
|--------------------|---|-----------------------------------|
|                    | Treasury considers giving at least a 14-day period for participation. In addition, the National Treasury should expand the platforms through which the notice for participation is shared with the public as well as the mode of citizens presenting their input to the process. The National Treasury should explore other modes of communication that has mass access such as radio, wide social media platforms etc. in order to improve the diversity of the feedback received. |                                   |

## THE NATIONAL TREASURY AND ECONOMIC PLANNING FEBRUARY 2025

