

THE MWANANCHI GUIDE

Financial Year 2025/26 Budget

THEME: *Stimulating Sustainable Economic Recovery for Improved Livelihoods, Job Creation and Business and Industrial Prosperity in line with the Bottom-Up Economic Transformation Agenda*

MAUDHUI: *Kusisimua hali ya uchumi inayotegemeka ili kuimarisha hali ya maisha, kuzindua ajira mpya na biashara na kuimarika kwa viwanda kulingana na ajenda ya mabadiliko ya uchumi ya chini juu*



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Summary of Proposed Tax Measures

The PFM Act, 2012 requires the Government's Budget to be publicized. This Mwananchi Guide therefore, seeks to disseminate information on the Budget for the FY 2025/26 to all segments of the society.



Total Government Expenditure and Net Lending
Ksh. 4,291.9 billion

Ministerial Recurrent Expenditure
Ksh. 1,805.0 billion

Interest payments and pensions
Ksh. 1,337.3 billion

Ministerial Development Expenditure
Ksh. 742.5 billion

Contingency Fund
Ksh 2.0 billion

Equitable share to Counties
Ksh. 405.1billion

SPENDING PRIORITIES INCLUDE:

Allocations to Thematic Areas under the Bottom-up Economic Transformation Agenda

Ksh 47.6 billion

Agriculture and Food Security

Ksh 120.2 billion

Housing & Urban Development and Public Works

Ksh 12.7 billion

Information, Communication and Technology

Ksh 133.4 billion

Health Sector

Ksh 47.7 billion

Governance and Justice

Ksh 18.0 billion

Manufacturing and Industrialization

Ksh 464.9 billion

Enhancing National Security.

Ksh 318.1 billion

Investing in Critical Infrastructure

Ksh 658.4 billion

Enhancing Access to Quality Education Outcomes.

Ksh 103.8 billion

Environmental Protection, Water and Natural Resources.

Ksh 105.6 billion

Equity, Poverty Reduction, Women and Youth Empowerment.

Ksh 41.3 billion

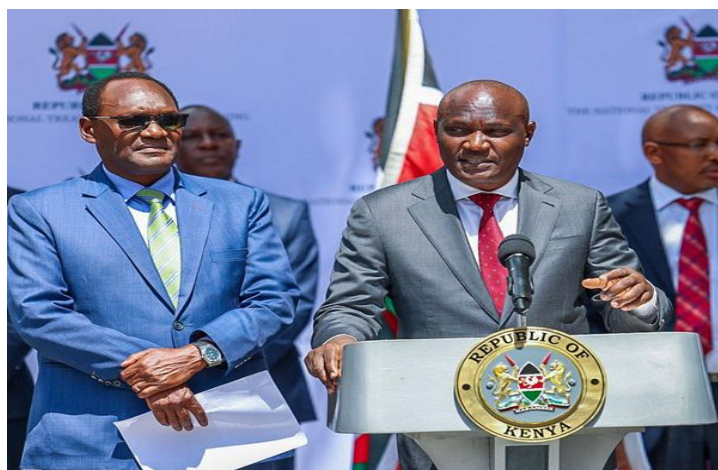
Social Protection and Affirmative Action.

Ksh 29.7 billion

Stimulating Tourism Growth, Sports Culture and Recreation.

Ksh 405.1 billion

Equitable Share to County Governments



Overall Budget and Financing

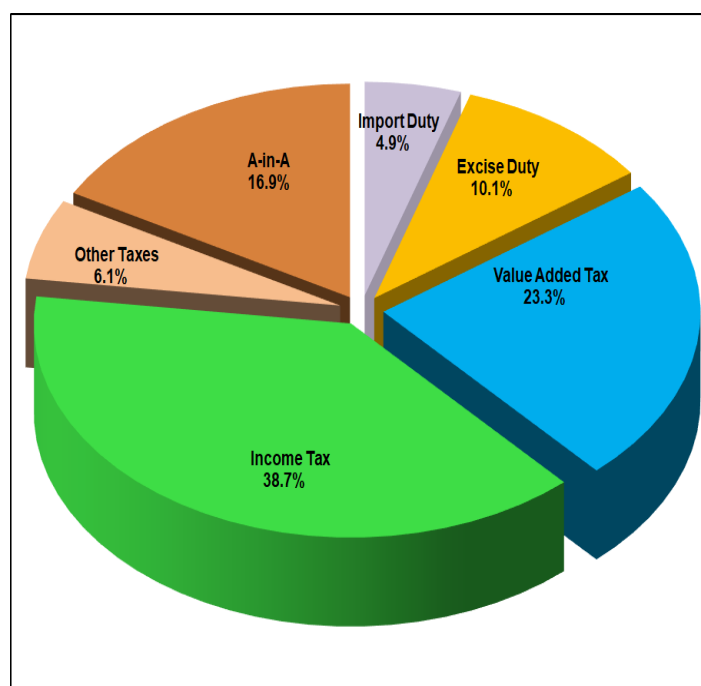
Total Revenue
Ksh 3,321.7 billion
(17.2% of GDP)

Grants
Ksh 46.9 billion
(0.2% of GDP)

Ksh 4,291.9 billion
(22.3% of GDP)

Deficit: Ksh 923.2 billion
(4.8% of GDP)

Composition of Ksh 3,321.7 billion Total Revenue



Deficit Financing

Net Foreign Financing **Ksh 287.7 billion (1.5% of GDP)**

Net Domestic Financing **Ksh 635.5 billion (3.3% of GDP)**

STATE OF THE ECONOMY

- The Kenyan economy has remained resilient and registered an average growth of 5.1 percent per year for the period 2022 to 2024. This growth is well above the world average growth of 3.4 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 agility of a well-diversified economic structure that has enabled the economy to withstand severe impacts of domestic and external shocks.
 - The economy grew by 4.7 percent in 2024 supported by positive growths in most sectors. Two sectors, however, registered negative growth, namely; construction and mining and quarrying sectors.
 - The economy is projected to improve and expand by 5.3 percent in 2025 and 2026 driven by enhanced agricultural productivity, a resilient services sector, and the ongoing implementation of policy measures in the priority sectors of the Government's Bottom-Up Economic Transformation Agenda (BETA).
- Macroeconomic indicators have strongly rebounded and continue to strengthen: Inflation rate has declined to 3.8 percent in May 2025 from a peak of 9.6 percent in October 2022; the Kenya Shilling exchange rate has now stabilized against major international currencies and interest rates have gradually come down in line with the easing of the monetary policy.
- The fiscal policy for the FY 2025/26 and Medium-Term Budget aims to support the Government's priority programmes under the Bottom - Up Economic Transformation Agenda and the MTP IV through a growth oriented fiscal consolidation plan.
 - Fiscal consolidation will be supported by continued efforts to mobilize domestic revenue, rationalize expenditure while safeguarding essential Government programmes and social spending.
 - The fiscal policy aims to progressively reduce the fiscal deficit from 5.3 percent of GDP in the FY 2023/24 to 2.7 percent of GDP in the FY 2028/29.
 - The Present Value (PV) of debt-to-GDP ratio is also expected to decline towards the debt anchor of 55 percent, supported by fiscal consolidation and implementation of reforms.

Government Investment in Climate Change Mitigation and Adaptation

- The Government is committed to climate change mitigation through its goal of planting 15 billion trees by 2032 and protecting gazetted forests. Aligned with its transformative agenda, the government is strengthening forest policies and developing key regulations to enhance food security and environmental sustainability.



Principal Secretary for Environment and Climate Change, Leading Tree-Planting Exercise at Ngong Forest.

THE BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA

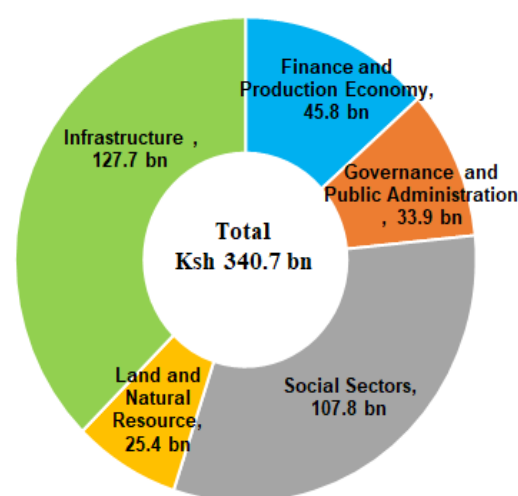
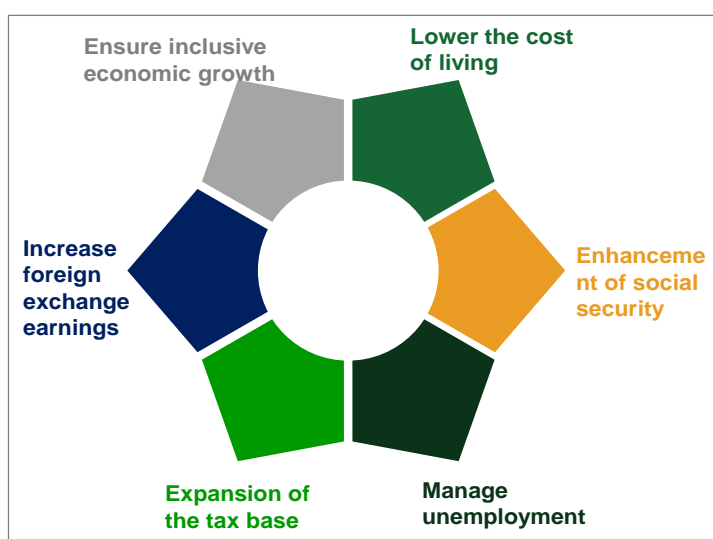
The FY 2025/26 budget reaffirms the Government's commitment to key policies and strategies outlined in the Bottom-Up Economic Transformation Agenda, with a focus on driving sustainable economic recovery. This Agenda aims to drive economic turnaround and inclusive growth by increasing investments in at least five key sectors expected to have the greatest impact on the economy and household welfare. These sectors include:

- 1) Agricultural Transformation and Inclusive Growth;
- 2) Micro, Small and Medium Enterprise (MSME);
- 3) Housing and Settlement;
- 4) Healthcare; and
- 5) Digital Superhighway and Creative Industry

The implementation of the BETA Priorities will be implemented through a value chain approach under five clusters. In view of this **Ksh 340.7 billion** has been allocated in the FY 2025/26 Budget.

Through the priority strategy, the following objectives will be achieved:

BETA allocations to the five clusters



1. Agricultural Transformation and Inclusive Growth

The Government will continue to support farmers through input financing, subsidies and extension services. This will move the country from food deficit to food surplus, reduce reliance on food imports and revamp export crops

In FY 2025/26 budget, **Ksh 47.6 billion** has been allocated. Key allocations in this budget include:

Ksh 10.2 billion	National Agricultural Value Chain Development Project (NAVCDP);
Ksh 8.0 billion	Fertilizer Subsidy Programme;
Ksh 5.8 billion	Food Systems Resilience Project;
Ksh 5.2 billion	Blue Economy Priority Projects;
Ksh 3.8 billion	Settlement of the Landless;
Ksh 2.3 billion	De-risking, Inclusion & Value Enhancement of Pastoral Economies Programme;

Ksh 1.6 billion	Kenya Livestock Commercialization Programme;
Ksh 1.5 billion	Sugar Reforms;
Ksh 1.2 billion	Food Security and Crop Diversification Project;
Ksh 1.1 billion	Processing and Registration of Title Deeds;
Ksh 0.9 billion	Digitization and Construction of Land Registries;
Ksh 0.8 billion	Small Scale Irrigation and Value Addition Project; and
Ksh 0.3 billion	Towards Ending Drought Emergency in Kenya (TWENDE).



Tea factories start selling tea directly to international market in new tea sector reforms



Workers Load Fish at Rowo Beach in Suba Sub-County, Homa Bay



2. Transforming the Micro, Small and Medium Enterprise (MSME) Economy

The Government recognizes the challenge of accessing affordable credit by most Micro, Small and Medium Enterprises (MSMEs) and Kenyans at the bottom of the pyramid. To address this challenge, the Government is enhancing access to finance by increasing support for key interventions. In the FY 2025/26, **Ksh 0.3 billion** has been allocated to the Financial Inclusion Fund, popularly known as the Hustler Fund, to scale up access to credit for households and MSMEs; **Ksh 0.3 billion** for the Youth Enterprise Development Fund; **Ksh 0.6 billion** for the Centre for Entrepreneurship Project; **Ksh 1.3 billion** for Rural Kenya Financial Inclusion and Ksh 0.2 billion for the MSME Agricultural Credit.



Principal Secretary for MSMEs Development issuing Uwezo Fund loans in Nyali Constituency



The Government is leveraging technology and innovation to create jobs and address unemployment across the country



3. Housing and Settlement

The Government is committed to facilitating the construction of decent, safe and affordable houses for citizens of Kenya. Through the Affordable Housing Programme, the Government is creating jobs for the youth directly in the construction sector and indirectly through the production of building products

In FY 2025/26 budget, **Ksh 120.2 billion** has been allocated for the housing programme. This includes:

Ksh 64.5 billion	Construction of Affordable Units;
Ksh 16.5 billion	Social and Physical Infrastructure;
Ksh 13.4 billion	Kenya Urban Support Programme;
Ksh 10.5 billion	Construction of Social Housing Units;
Ksh 7.2 billion	Kenya Informal Settlement Improvement Project – Phase II;
Ksh 3.5 billion	Institutional Housing; and
Ksh 0.45 billion	Construction of County Headquarters



Phase 1 of the New Mukuru Housing Estate (Lot 1) which has 5,616 bedsitter units



4. Affordable Healthcare to All

The Government continues to promote access to quality and affordable healthcare through the Universal Health Coverage (UHC) programme, ensuring all Kenyans can receive the care they need without financial hardship. In FY 2025/26 Budget, the sector has been allocated **Ksh 133.4 billion**:

Ksh 18.7 billion	Kenyatta National Hospital;
Ksh 17.3 billion	Global Fund (HIV, Malaria, TB);
Ksh 13.1 billion	Primary Healthcare Fund;
Ksh 10.8 billion	Moi Referral and Teaching Hospital
Ksh 8.0 billion	Emergency, Chronic and Critical Illness Fund;

Ksh 6.2 billion	Universal Health Coverage Coordination and Management;
Ksh 4.6 billion	Vaccines and Immunizations Programme;
Ksh 3.8 billion	Reproductive, Maternal, Neonatal Child & Adolescent Health Communities;
Ksh 1.3 billion	KNH Burns and Pediatrics Centre;
Ksh 1.3 billion	Construction and Strengthening of Cancer Centers;
Ksh 1.1 billion	Health Emergency Preparedness, Responses & Resilience Programme; and
Ksh 1.1 billion	Building Resilience and Responsive Health System Project.



Kisii Teaching and Referral Hospital 76-bed Cancer Centre



President Ruto presiding over the opening of the Kisii County Cancer Treatment Centre



5. Digital Superhighway and Creative Economy

The Government continues to invest in the Digital Superhighway and creative economy to boost productivity and competitiveness under the BETA agenda. Enhanced ICT infrastructure and wider internet access are key goals, while the creative industry provides vital job opportunities for youth and helps tackle unemployment.

This thematic area has an allocation of **Ksh 12.7 billion** in the FY 2025/26. Allocations include:

Ksh 3.7 billion	Kenya Digital Economy Acceleration Project;
Ksh 3.1 billion	Konza Data Center & Smart City Facilities;
Ksh 2.3 billion	Construction of KAIST at Konza Technopolis;
Ksh 1.4 billion	Digital Superhighway, Government Shared Services and Digital Hubs;
Ksh 1.0 billion	Maintenance & Rehabilitation Connectivity Networks;
Ksh 0.7 billion	E-government Procurement.



Launch of Public WiFi at Lochoremo Market

OTHER KEY ALLOCATIONS TO THEMATIC AREAS

A. Improving National Security

The Government continues to ensure the safety and well-being of its citizens as a key enabler of economic advancement and national prosperity. Recognizing the critical role, **Ksh 464.9 billion** has been allocated in the FY 2025/26 to support operations of the National Police Service, Defense, the National Intelligence Service and Prison Services. Other proposed allocations include:

Ksh 10.0 billion	Lease Financing of Police Motor Vehicles;
Ksh 3.6 billion	Police Modernization Programme; and
Ksh 1.1 billion	Construction and Modernization of National Forensic facilities.



GOC EASTCOM visits operation Amani Boni Troops



Kenya Police armoured vehicles in GSU Headquarters

B. Supporting Manufacturing Sector for Productivity and Job Creation

To continue promoting local industries, **Ksh 18.0 billion** has been allocated under various implementing Ministries, Departments and Agencies.

Key proposed allocation to the sector include:

Ksh 4.5 billion	Establishment of County Integrated Agro-Industrial Parks;
Ksh 4.0 billion	Coffee Debt Wavier and Coffee Cherry Revolving Fund;
Ksh 2.8 billion	Finance & Enterprise Recovery (SAFER) Project;
Ksh 1.3 billion	Rural Kenya Financial Inclusion Facility;
Ksh 1.1 billion	Development of SEZ Textile Park Naivasha and Athi River Textile Hub;
Ksh 0.7 billion	Flagship Export Processing Zone Hubs (EPZA)



Gacharage Tea factory in Murang'a



Ultra-Modern Fish Market in Homa Bay

C. Infrastructure Development for Inclusive Growth

Road Construction

The Government will continue to invest in transportation networks in roads, railways and air travel to reduce travel time and logistics costs, making markets more accessible and facilitating the movement of goods and people.

Towards this end, **Ksh 217.3 billion** has been allocated in the FY 2025/26. This includes:

Ksh 115.6 billion	Maintenance of Roads
Ksh 70.8 billion	Rehabilitation of Roads; and
Ksh 30.9 billion	Construction of Roads and Bridges



Mwache junction-Tsunza-Mteza road under construction



Launching of the construction of the Ngoswani-Morijo Road in Narok County

Rail, Sea and Air Transport

The Government continues to ensure national connectivity through rail and port infrastructure to open many areas to economic activities and spur growth in other sectors of the economy.

To improve rail transport and construction of ports, the following allocations have been proposed in the FY 2025/26:

Ksh 37.1 billion	Rail Transport and Infrastructure;
Ksh 0.6 billion	Kenya Ferry Ramp in Mombasa and Acquisition of Ferries for Lake Victoria;
Ksh 0.3 billion	Nairobi Bus Rapid Transport Project;
Ksh 0.3 billion	Airstrips Construction/Expansion; and
Ksh 0.3 billion	Promotion of E-Mobility Project



Expansion of the Standard Gauge Railway (SGR) towards Uganda to enhance connectivity



Kenya Ports Authority has acquired its first locally made mooring boat, KMB 9 at the Port of Mombasa.

Reliable Energy Supply

The Government has boosted energy access and clean power generation, added 774,000 electricity connections, and expanded infrastructure. Plans include more renewables, oil field development, wider LPG use, and accelerating the shift to electric mobility to cut emissions and improve transport. The sector has been allocated **Ksh 62.8 billion** in FY 2025/26 as follows:

Ksh 31.6 billion	National Grid System;
Ksh 16.3 billion	Rural Electrification;
Ksh 11.5 billion	Geothermal Generation;
Ksh 2.1 billion	Alternative Energy Technologies; and
Ksh 0.7 billion	Development of Nuclear Energy.



Olkaria SEZ, Clean Energy Investment



Last Mile Project, Kimuka Sub-Station in Kajiado West

D. Environmental Protection, Water and Natural Resources

To safeguard natural ecosystems, ensure sustainable water use and tackle the impact of climate change, the following allocations have been set aside for the FY 2025/26:

Ksh 60.5 billion	Expand Access to Clean and Adequate Water for Domestic and Irrigation;
Ksh 13.2 billion	Wildlife security, conservation and management.
Ksh 11.5 billion	Kenya Financing Locally Led Climate Action Project;
Ksh 10.7 billion	Forests Resources Conservation and Management;
Ksh 3.7 billion	Environment Management and Protection;
Ksh 1.6 billion	Forests Research and Development;
Ksh 1.6 billion	Meteorological Service; and
Ksh 0.95 billion	Wildlife Research and Development.

E. Sustained Investment in Social Services for the Welfare of Kenyans

Quality and Relevant Education

The education sector plays a vital role in economic development by enhancing human capital, driving innovation and improving productivity. In FY 2025/26 **Ksh 658.4 billion** has been allocated to the sector. Key allocations include:

Ksh 387.2 billion	Teachers Service Commission;
Ksh 58.5 billion	Higher Education Loans Board (HELB) and University Scholarships;
Ksh 58.9 billion	Free primary and Day Secondary Education;
Ksh 28.9 billion	Junior Secondary School Capitation;
Ksh 13.3 billion	Kenya Primary Education Equity in Learning;
Ksh 7.7 billion	Capitation and Scholarships for TVET;
Ksh 5.9 billion	School Examination;
Ksh 3.0 billion	School Feeding Programme;
Ksh 2.3 billion	Kenya Secondary Education Quality Improvement Project; and
Ksh 0.7 billion	Infrastructure Development in Primary and Secondary Schools;



Official opening of Kenya Medical Training College Narok Campus.



President Ruto serving students during the launch of the “*Dishi na County*” programme by the Nairobi County Government

Protection for Vulnerable Groups

The Government continues with programmes aimed at protecting vulnerable segment of our society. In FY 2025/26, **Ksh 41.3 billion** has been set aside for social protection and affirmative actions. These allocations include:

Ksh 25.1 billion	Cash Transfers to Elderly Persons;
Ksh 8.9 billion	Cash Transfers to Orphans and Vulnerable Children;
Ksh 3.9 billion	Kenya Hunger Safety Net Programme;
Ksh 1.5 billion	Cash Transfer to Persons with Severe Disability;
Ksh 0.6 billion	National Funds for the Disabled;
Ksh 0.6 billion	Child Welfare Society of Kenya; and
Ksh 0.1 billion	Presidential Bursary for the Orphans.

Equity, Poverty Reduction, Women and Youth Empowerment:

To empower the youth and support businesses owned by youth and women, **Ksh 105.6 billion** has been allocated in FY 2025/26 for these initiatives:

Ksh 9.9 billion	National Youth Service;
Ksh 3.6 billion	National Youth Opportunity Towards Achievement (NYOTA);
Ksh 0.8 billion	Kenya Jobs Economic Transformation (KJET);
Ksh 0.6 billion	Promotion of Youth Employment and Vocation Training in Kenya;
Ksh 0.35 billion	Women Enterprise Fund;



Sensitization of National Youth Opportunities Towards Advancement (NYOTA) project



The Government is committed to women empowerment.

To promote regional equity, reduce poverty and enhance social development, the FY 2025/26 budget has set aside:

Ksh 58.8 billion	National Government Constituency Development Fund (NG-CDF);
Ksh 15.9 billion	Kenya Devolution Support Programme No. II;
Ksh 9.6 billion	Equalization Fund; and
Ksh 4.0 billion	National Government Affirmative Action Fund (NG-AAF).



Projects Financed by the National Government Constituency Development Fund

F. Continued Support to Counties for Enhanced Service Delivery

The National Government remains committed to supporting County Governments to ensure the success of devolution.

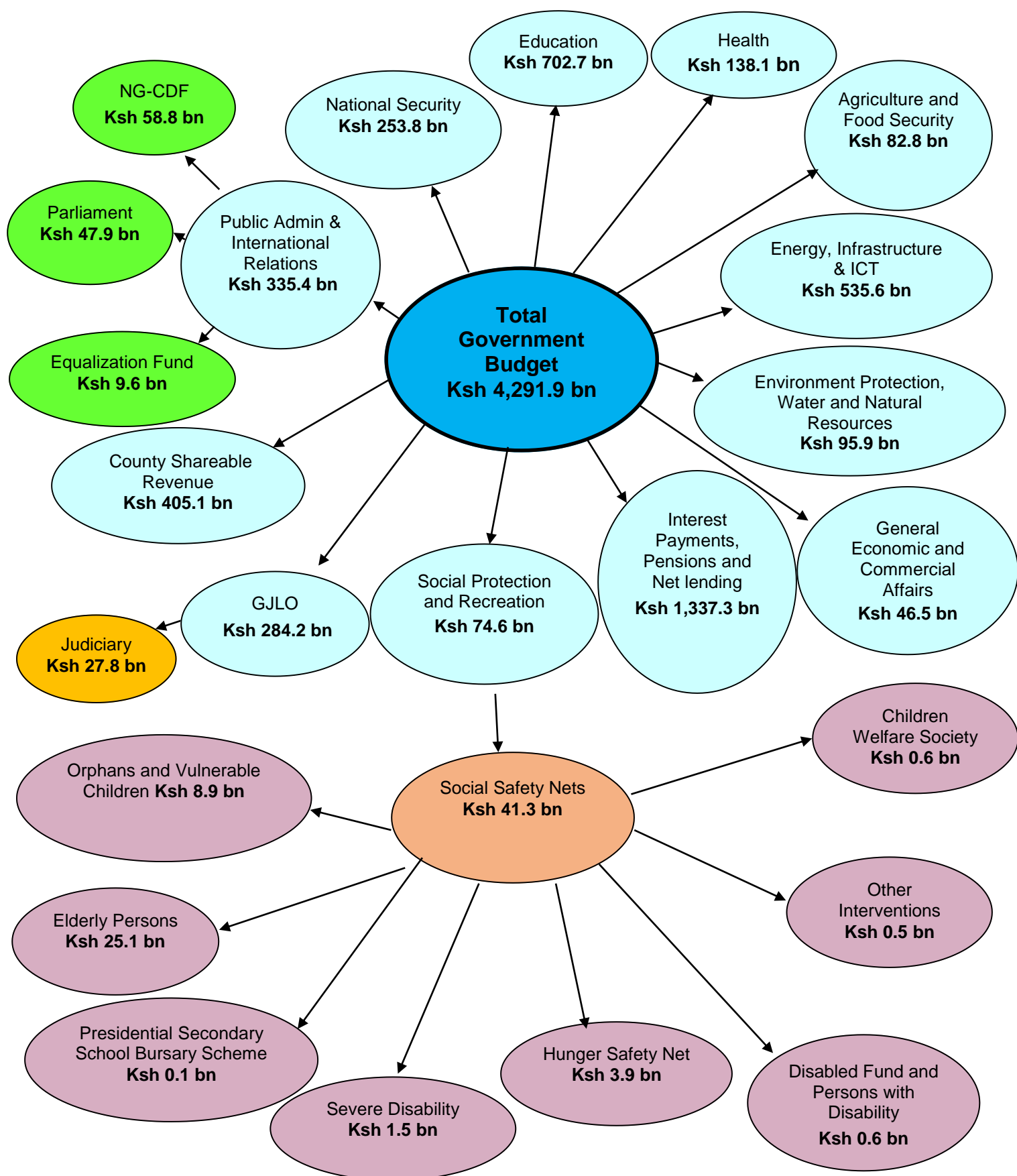
In the FY 2025/26, County Governments have been allocated **Ksh 474.9 billion**, which comprises of:

- **Ksh 405.1 billion** from the equitable share of revenue raised nationally. This is equivalent to **25.79% percent** of the actual revenues raised nationally for FY 2020/21.
- **Ksh 9.95 billion** as additional conditional allocations from the National Government share of revenue
- **Ksh 56.91 billion** as conditional allocation from the Development Partners.

Allocation of the Ksh 405.1 billion Equitable share for each County Government

County	Equitable Share (Ksh billion)	County	Equitable Share (Ksh billion)	County	Equitable Share (Ksh billion)
Baringo	7.0	Kisumu	8.8	Narok	9.6
Bomet	7.3	Kitui	11.4	Nyamira	5.6
Bungoma	11.7	Kwale	9.0	Nyandarua	6.2
Busia	7.9	Laikipia	5.6	Nyeri	6.8
Elgeyo/Marakwet	5.0	Lamu	3.4	Samburu	5.9
Embu	5.6	Machakos	10.0	Siaya	7.6
Garissa	8.7	Makueni	8.9	Taita Taveta	5.3
Homa Bay	8.5	Mandera	12.2	Tana River	7.1
Isiolo	5.1	Marsabit	7.9	Tharaka Nithi	4.6
Kajiado	8.7	Meru	10.4	Trans Nzoia	7.9
Kakamega	13.6	Migori	8.8	Turkana	13.8
Kericho	7.1	Mombasa	8.2	Uasin Gishu	8.9
Kiambu	12.9	Muranga	7.8	Vihiga	5.5
Kilifi	12.7	Nairobi	21.1	Wajir	10.3
Kirinyaga	5.7	Nakuru	14.3	West Pokot	6.9
Kisii	9.7	Nandi	7.7		

PUBLIC EXPENDITURE TRACKING



SUMMARY OF PROPOSED TAX MEASURES

Value Added Tax Measures

- ◆ Non-resident suppliers for digital services required to register for VAT to enhance compliance.
- ◆ Rationalization of various tax expenditures by removing products from zero-rating to exempt, and from exempt to taxable in line with the best practice.

Income Tax Measures

- ◆ Withholding tax rate on digital asset tax reduced from 3% to 1.5% to encourage participation.
- ◆ Deduction on interest on mortgage extended to interest on mortgage for home construction.
- ◆ Tax-free daily subsistence allowance for employees in private sector when on official duty outside their station increased from Ksh 2,000 to Ksh 10,000.
- ◆ Corporate tax rate for business entities certified by NIFCA, with new investment of Kshs 3 billion and above, reduced to 15% for 10 years then 20% for the subsequent 10 years.
- ◆ Corporate tax rate for start-ups certified by NIFCA, reduced to 15% for three years then 20% for subsequent four years.
- ◆ Employers required to take into account all eligible deductions and tax reliefs when computing employee taxes to prevent over-taxation.

Excise Duty Measures

- ◆ Excise duty on undenatured extra neutral alcohol (ENA) of above 90% alcoholic strength/litre used as inputs in the manufacture of spirituous beverages set at Ksh 500/litre from Ksh 1,000/litre.
- ◆ Excise duty expanded to digital marketplace services supplied by non-residents.
- ◆ Excise duty on imported plastic articles shall be 25% of excisable value or Ksh 200 per kilogram, whichever is higher.

Custom Duty

- ◆ Rice importation allowed at a reduced duty rate of 35% or USD 200 per metric tonne whichever is higher,
- ◆ Wheat importation allowed at duty rate of 10% under duty remission instead of the rate of 35% on condition that the millers first purchasing wheat from the local farmers.
- ◆ Duty remission granted for chemicals used as inputs in tannery to support local processing of leather.
- ◆ Import duty on paper and paper products reverted to the East African Community Common External Tariff from stay of application at higher rates of up of 25 % and 35%.

Miscellaneous Fees and Levies

- ◆ Excise duty on billets and wire rods reduced to support users of these goods as inputs in their manufacturing process.
- ◆ Exemption from Import Declaration Fee and Railway Development Levy for small aircrafts removed.

ABBREVIATIONS

A.I.A	Appropriations in Aid	NIFCA	Nairobi International Financial Centre Authority
CBC	Competency Based Curriculum.	RDL	Railway Development Levy
EPZ	Export Processing Zone	SEZ	Special Economic Zone
GJLO	Governance, Justice, Law and Order	UHC	Universal Health Coverage
IDF	Import Declaration Fee		
KAIST	Kenya Advanced Institute of Science and Technology		