REPUBLIC OF KENYA

THE PUBLIC DEBT MANAGEMENT OFFICE
THE NATIONAL TREASURY AND ECONOMIC PLANNING

REVISED KENYA EXTERNAL RESOURCES POLICY, 2025

DRAFT

MAY 2025

TABLE OF CONTENTS

FOREWORD

The Government of Kenya recognizes the pivotal role that external resources play in accelerating national development and complementing efforts to expand domestic resource mobilization. As the country continues to pursue inclusive and sustainable growth, external financing remains critical in bridging infrastructure gaps, supporting social programs, advancing climate adaptation, and enabling technology and knowledge transfer. Since the promulgation of the Constitution of Kenya, 2010, Kenya has undergone a significant transformation in its governance, fiscal planning, and public financial management frameworks. These changes have amplified the urgency for a more coherent, transparent, and forward-looking approach to mobilizing and managing external development finance.

The Kenya External Resources Policy (KERP), adopted in 2014, provided a foundational framework for aligning Official Development Assistance (ODA) with Kenya's development priorities. It established principles for aid coordination, country ownership, and mutual accountability. However, over the past decade, the global development finance architecture has become more diverse and complex. The rise of blended finance, sustainability-linked debt, climate-related financing, diaspora bonds, and other innovative instruments has significantly altered the financing landscape. At the same time, Kenya's own fiscal position, debt profile, and development priorities have evolved, necessitating a robust and responsive policy framework that reflects both the opportunities and risks of this new environment.

The Revised KERP 2025 is a response to this changing context. It broadens the scope of external resource governance beyond concessional assistance to include all external flows with public sector liability or oversight implications. The policy aligns with Kenya Vision 2030, the Fourth Medium-Term Plan (MTP IV), the Bottom-up Economic Transformation Agenda (BETA), and key international frameworks including the Sustainable Development Goals (SDGs), the Paris Agreement, and the Addis Ababa Action Agenda. It places emphasis on institutional accountability, climate resilience, gender equity, stakeholder participation, and digital integration in aid tracking and reporting.

This policy reaffirms the Government's commitment to prudent fiscal management, effective intergovernmental coordination, and the strategic use of external resources to achieve tangible development results. It establishes clear roles for the National Treasury, implementing Ministries, Departments and Agencies (MDAs), County Governments, Development Partners, and Non-State Actors. All stakeholders are expected to align their planning, implementation, and reporting frameworks with the provisions of this policy to ensure harmonized, impactful, and transparent use of external resources.

On behalf of the Government of Kenya, I invite all stakeholders to fully support the implementation of this revised policy as a national tool for effective development cooperation and fiscal sustainability.

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

PREFACE AND ACKNOWLEDGEMENT

The Revised Kenya External Resources Policy (KERP) 2025 represents a pivotal step in strengthening the governance, alignment, and impact of external financing in Kenya's development agenda. It is the culmination of a rigorous, evidence-driven, and inclusive policy revision process undertaken to reflect the country's evolving financing landscape and address systemic limitations in the 2014 policy framework.

Since the adoption of the original KERP in 2014, Kenya's external financing context has undergone significant transformation. The reclassification of Kenya to lower-middle-income status reduced access to concessional aid, while global development cooperation has shifted toward market-based instruments, blended capital, and climate-linked financing. At the same time, domestic fiscal pressures, including growing public debt, tightening fiscal space, and increased debt servicing obligations, have highlighted the urgency for an updated policy framework. The 2014 KERP did not provide sufficient guidance on these emerging trends, nor did it reflect subsequent legislative, institutional, or intergovernmental developments. This revised policy responds to these gaps by expanding the policy scope, strengthening institutional coordination, and aligning Kenya's external resource strategy with global best practices.

The revision process was led by the Public Debt Management Office (PDMO) within the National Treasury, working closely with an inter-agency technical team composed of representatives from key Ministries, Departments and Agencies (MDAs), County Governments, and Development Partners. The process was informed by a structured legal review, a benchmarking study of peer countries, and a detailed technical desk review of relevant fiscal, policy, and institutional frameworks. Consultative engagement was central to this process. Feedback was collected through structured questionnaires, key informant interviews, and focus group discussions involving over 20 national and county stakeholders, including civil society, academia, the private sector, and development partners.

The evidence base for the Revised KERP draws on a wide range of primary and secondary sources, including budget policy statements, public debt reports, national development strategies such as Vision 2030, the Fourth Medium-Term Plan (MTP IV), and the Bottom-up Economic Transformation Agenda (BETA). International frameworks, including the OECD-DAC evaluation criteria, the Sustainable Development Goals (SDGs), and the Addis Ababa Action Agenda, also shaped the policy's reform trajectory. Findings from the benchmarking report, legal review, technical desk review, and stakeholder consultation report were integral in refining the scope, institutional roles, and operational mechanisms of the revised policy.

We sincerely acknowledge and thank all stakeholders who contributed to this important process. Special appreciation is extended to staff from the National Treasury, sector ministries, county treasuries and planning departments, civil society organizations, research institutions, and development partners whose insights and experiences were invaluable. The

technical team that facilitated the policy development and provided critical analysis deserves recognition for their professionalism, dedication, and policy acumen.

The National Treasury remains committed to operationalizing this revised policy and ensuring its institutionalization across all levels of government. The policy provides a renewed foundation for enhancing development cooperation, strengthening fiscal sustainability, and securing impactful external resource mobilization in support of Kenya's national and county development priorities.

DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY/NATIONAL TREASURY

ACRONYMS

AfDB:	African Development Bank
BETA:	Bottom-up Economic Transformation Agenda
CBK:	Central Bank of Kenya
CIDP:	County Integrated Development Plan
CSO:	Civil Society Organization
DAC:	Development Assistance Committee
DFI:	Development Finance Institution
DP:	Development Partner
ERP:	External Resources Policy
ESG:	Environmental, Social, and Governance
FDE:	Foreign Direct Investment
FGD:	Focus Group Discussion
GBS:	General Budget Support
GoK:	Government of Kenya
IFMIS:	Integrated Financial Management Information System
IATI:	International Aid Transparency Initiative
IGAD:	Intergovernmental Authority on Development
IMF:	International Monetary Fund
INFF:	Integrated National Financing Framework
KBA:	Kenya Bankers Association
KERP:	Kenya External Resources Policy
KII:	Key Informant Interview
LMCP:	Last Mile Connectivity Project
MAF:	Mutual Accountability Framework
MDA:	Ministry, Department, or Agency
M&E:	Monitoring and Evaluation
MTP:	Medium-Term Plan
MTDS:	Medium-Term Debt Strategy
MTEF:	Medium-Term Expenditure Framework
ODA:	Official Development Assistance
OECD:	Organisation for Economic Co-operation and Development
PFM:	Public Finance Management

PBO:	Public Benefit Organization
PFM:	Public Finance Management
PFMA:	Public Finance Management Act
PIM:	Public Investment Management
PPP:	Public-Private Partnership
SDG:	Sustainable Development Goal
SFF:	Sustainability-Linked Financing Facility
SGA:	Semi-Autonomous Government Agency
SWAp:	Sector-Wide Approach
SWG:	Sector Working Group
TA:	Technical Assistance
UN:	United Nations
USD:	United States Dollar

DEFINITIONS

Term	Definition
Aid Effectiveness	The extent to which development cooperation achieves intended results, guided by principles of country ownership, alignment with national priorities, harmonization of donor efforts, results-based management, and mutual accountability.
Blended Finance	The strategic use of concessional development finance to mobilize additional finance from commercial or philanthropic sources toward sustainable development in a risk-adjusted manner.
Budget Support (General and Sectoral)	Direct financial transfers to the national exchequer to fund the national budget or sector-specific expenditures, typically based on performance or agreed benchmarks.
Climate Finance	Dedicated financial resources mobilized to support mitigation and adaptation measures in response to climate change. This includes instruments such as grants, concessional loans, guarantees, insurance, and equity investments from multilateral climate funds or bilateral donors.
Commercial Loans	Non-concessional loans obtained on market terms, often with higher interest rates and shorter repayment periods, typically sourced from private lenders or syndicated financial institutions.
Concessional Loans	Loans offered on terms substantially more favourable than market terms, often involving lower interest rates, longer grace periods, and extended repayment durations. Typically offered by multilateral development banks and bilateral agencies.
Diaspora Bonds	Debt instruments issued by governments or public agencies aimed at mobilizing financial contributions from nationals living abroad to support national development projects.
External Resources	All financial and technical assistance mobilized from bilateral, multilateral, philanthropic, and private entities to support public

	investment, service delivery, and capacity development. This includes grants, loans, guarantees, technical cooperation, and capital market instruments.
Foreign Direct Investment (FDI)	Cross-border investment by a resident entity in one economy with the objective of establishing a lasting interest and a significant degree of influence in the management of an enterprise in another economy.
Green Bonds	Fixed-income securities issued to raise capital for environmentally sustainable projects, such as renewable energy, energy efficiency, or conservation initiatives.
Grants	Non-repayable financial resources provided by a donor, usually a government or philanthropic institution, to support development activities aligned with national or community priorities.
Innovative Financing for Development (IFD)	Emerging and non-traditional financial mechanisms designed to mobilize new funding sources and enhance the efficiency and predictability of resource flows for development. Examples include impact bonds, carbon credits, blended finance, and crowd-sourced investments.
Multilateral Development Banks (MDBs)	Institutions comprising multiple country members that provide financial and technical support for development, e.g., AfDB, World Bank.
Official Development Assistance (ODA)	Government aid flows to developing countries and multilateral institutions that are concessional in character and primarily intended for the promotion of economic development and welfare, as defined by the OECD-DAC.
Other Official Flows (OOFs)	Public sector transactions that do not meet the criteria of ODA but are still development-related, including non-concessional loans and export credits.
Paris Declaration on	A 2005 agreement that set out commitments for donors and

Aid Effectiveness	recipients to improve the quality and impact of aid, emphasizing alignment, harmonization, ownership, managing for results, and mutual accountability.
Public-Private Partnership (PPP)	A contractual collaboration between public agencies and private sector actors to finance, design, implement, and manage development projects, leveraging private sector capital and expertise.
Results-Based Financing	A financial model in which disbursements are contingent upon the achievement of pre-agreed results or performance indicators.
South-South Cooperation	A framework of collaboration among countries in the Global South to share knowledge, skills, resources, and successful development initiatives, including through technical assistance and concessional financing.
Sovereign Bond	A debt security issued by a national government to raise funds from domestic or international capital markets for public investment or refinancing purposes.
Technical Assistance	Transfer of knowledge, skills, and technology from external partners to domestic institutions, often involving experts, training, systems development, and institutional capacity support.
Untied Aid	Aid that is not restricted to procurement of goods and services from the donor country, allowing the recipient greater flexibility to source competitively and achieve value for money.

CHAPTER ONE: INTRODUCTION

1.1 Background and Context

Kenya's approach to mobilizing and managing external resources has undergone substantial evolution since independence. Initially reliant on bilateral and multilateral grants and concessional loans, the country progressively developed institutional mechanisms to enhance coordination, accountability, and alignment of external assistance with national development goals. The establishment of the External Resources Department (ERD) within the National Treasury marked a key step in formalizing government-led external resource coordination and negotiation functions. Over time, this institutional framework has been refined to reflect changing priorities, governance structures, and global financing dynamics.

In 2014, the Government of Kenya introduced the first Kenya External Resources Policy (KERP) to provide a coherent framework for sourcing, coordinating, and managing ODA. The policy was informed by the Constitution of Kenya 2010, the Public Finance Management Act (PFMA), and global commitments such as the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the Busan Partnership. It emphasized country ownership, alignment with national priorities, harmonization with donor practices, mutual accountability, and results-based programming. The policy aimed to ensure that ODA complemented domestic resources, minimized debt-related risks, and adhered to sustainable public finance practices.

The 2014 KERP has been instrumental in promoting better integration of aid into national planning and budgeting systems. It set out guiding principles, institutional mandates, and operational procedures to be followed by national and county governments, development partners, civil society organizations, and other actors. The policy also sought to strengthen Kenya's leadership in managing aid relationships and coordinating donor interventions across sectors. However, its scope was limited to traditional forms of ODA and did not explicitly address the growing importance of non-concessional external resources such as foreign direct investment, commercial loans, sovereign bonds, diaspora remittances, or blended finance instruments.

Since the adoption of the policy, the external financing landscape has changed considerably. Kenya attained lower-middle-income country status in 2014, which altered its access to concessional finance and shifted donor engagement strategies. More broadly, the development finance ecosystem has witnessed the rapid emergence of new instruments such as climate finance, sustainability-linked debt, diaspora bonds, and blended finance facilities that mix public and private capital. These instruments have become increasingly relevant in financing infrastructure, climate adaptation, and economic transformation in developing countries.

Domestically, Kenya has also experienced notable transitions. The roll-out of devolution has created new fiscal and institutional dynamics between national and county governments. The current development frameworks, including Vision 2030, the Fourth Medium-Term Plan (2023–2027), the Bottom-up Economic Transformation Agenda (BETA), and Kenya's commitments to the 2030 Agenda for Sustainable Development, demand a more flexible, inclusive, and performance-oriented approach to resource mobilization. Kenya's external debt portfolio has grown in both size and complexity, with commercial debt now accounting for a significant share. As of September 2020, external public debt constituted 51.4% of the total debt stock, comprising 39.3% multilateral debt, 29.7% bilateral debt, and 30.5% commercial debt. This shift has heightened the need for more robust debt sustainability measures and stronger fiscal discipline.

Concerns around the sustainability of Kenya's external borrowing, coupled with low absorption of aid in certain sectors, operational inefficiencies, and fragmented monitoring and reporting systems, have exposed the limitations of the 2014 KERP. The growing prevalence of climate-linked and private sector-driven instruments has further underscored the need for a broader policy framework capable of accommodating a more diversified resource environment.

In 2025, the Public Debt Management Office (PDMO) initiated a comprehensive review of the 2014 KERP to assess its performance and responsiveness to evolving domestic and global financing conditions. The review process combined technical assessments, benchmarking against peer countries, legal and regulatory analysis, and extensive stakeholder consultations at national and subnational levels. These exercises applied the OECD Development Assistance Committee (DAC) evaluation criteria—relevance, effectiveness, efficiency, coherence, sustainability, and impact—to evaluate the policy's strengths and weaknesses. While stakeholders acknowledged the contributions of KERP in improving coordination, ownership, and alignment of ODA, they also identified critical gaps in scope, implementation, integration of emerging instruments, and institutional clarity.

The Revised KERP, 2025 has been developed in response to these findings. It builds on the foundational principles of the original policy while expanding its scope to include a broader range of external resources, aligning with Kenya's current development frameworks, and strengthening mechanisms for accountability, transparency, and risk management. The policy seeks to reposition Kenya's external resource engagement in light of shifting fiscal space, increased development financing demands, and new opportunities arising from global capital markets and multilateral financial initiatives. It is intended to serve as a strategic and operational instrument for harnessing external resources to deliver sustainable, inclusive, and transformative development outcomes across all levels of government.

1.2 Policy Issues

Despite the existence of the 2014 KERP, external resource mobilization and management in Kenya continue to face multifaceted challenges. These issues have grown in complexity due to shifts in both the domestic fiscal environment and the international development finance architecture. Persistent structural, institutional, and policy-related gaps are undermining the country's ability to strategically leverage external resources for transformative development.

1.2.1 Limited Scope and Obsolescence of the 2014 KERP

The 2014 KERP is narrowly confined to ODA, excluding a growing array of alternative financing instruments such as sovereign bonds, climate-linked debt, diaspora remittances, Foreign Direct Investment (FDI), blended finance, and vertical funds. This restricted scope has made the policy increasingly inadequate in addressing Kenya's shifting external financing profile following its reclassification as a lower-middle-income country. The absence of frameworks for modern modalities, including green bonds, social impact bonds, and Public-Private Partnerships (PPPs), has impeded Kenya's ability to competitively position itself in the evolving global financing arena.

1.2.2 Fragmented Policy Alignment with Domestic Fiscal Instruments

KERP remains insufficiently integrated with Kenya's evolving fiscal architecture. Since its adoption in 2014, a number of critical instruments have been introduced to manage debt, public investment, and intergovernmental fiscal coordination, including the Public Debt and Borrowing Policy (2020), Medium-Term Debt Strategy (MTDS), Public Investment Management (PIM) Guidelines, Treasury Circulars 2/2020 and 9/2022, and various Executive Orders on fiscal governance. KERP does not reference these instruments, nor does it provide procedural or operational mechanisms for harmonizing external resource inflows with them. This fragmentation weakens coherence between aid management and macroeconomic policy, contributing to inconsistent budget execution, misalignment with fiscal responsibility principles under Article 201 of the Constitution, and exposure to uncoordinated borrowing practices. The absence of a structured interface between external resource planning and the Integrated Financial Management Information System (IFMIS), for example, has limited real-time tracking of disbursements, obscured debt reporting, and diminished Kenya's ability to optimize budgetary integration. A revised KERP must institutionalize alignment with all current fiscal instruments to ensure that external resources are mobilized and used within a coherent and transparent fiscal policy framework.

1.2.3 Misalignment with Global Fiscal Trends and Financing Instruments

The global development finance landscape has shifted dramatically since 2014, driven by geopolitical realignments, declining concessionality, rising global interest rates, and the emergence of climate-aligned capital markets. Kenya is increasingly engaging non-traditional financiers such as BRICS-aligned institutions and private capital markets, but KERP does not offer guidance on how to navigate the policy, fiscal, and political implications of these relationships. While blended finance, diaspora bonds, sustainability-linked debt, and green bonds are gaining global traction, the current policy does not incorporate risk assessment or mobilization protocols for such instruments. It also fails to address the conditionalities and implications associated with climate finance and thematic funds tied to global frameworks such as the Paris Agreement, the Addis Ababa Action Agenda, or the Sustainable Development Goals (SDGs). Kenya's vulnerability to global financial shocks—including foreign exchange volatility, debt re-pricing, and liquidity risks—has increased, yet KERP remains silent on strategies to mitigate these risks or leverage international safeguards. Without updated provisions to reflect these global fiscal dynamics, Kenya's policy architecture remains reactive rather than strategic, reducing its competitiveness in securing high-quality development finance.

1.2.4 Weak Integration of Climate, Gender, and Social Inclusion Dimensions

Although climate finance and social equity considerations are increasingly central to development cooperation, the 2014 KERP provides no operational guidance for integrating these into planning, budgeting, or monitoring. The absence of tools for gender-responsive budgeting, climate risk assessment, and intergenerational equity limits Kenya's eligibility for concessional climate funds and undermines efforts toward inclusive development.

1.2.5 Low Absorption and Utilization of External Resources

External financing absorption remains suboptimal due to bureaucratic project approval processes, misaligned budget cycles, delays in donor disbursements, and low readiness of implementing agencies. Capacity constraints at national and county levels, poor beneficiary targeting, and inadequate planning result in underutilization of committed funds. Projects often experience delays due to land acquisition issues, VAT-related counterpart funding challenges, and community-level conflicts, which collectively reduce the development effectiveness of external support.

1.2.6 Institutional and Intergovernmental Coordination Gaps

The current coordination architecture is overly centralized, with limited operational clarity on the roles of counties, state corporations, and sector ministries in external resource planning and execution. Existing structures such as the Aid Effectiveness Secretariat (AES) and Sector Working Groups (SWGs) are inconsistently operationalized and poorly resourced. Weak linkages between national and county development frameworks exacerbate duplication, delay project rollout, and reduce alignment with localized needs.

1.2.7 Transparency, Data Governance, and Accountability Deficits

KERP lacks a digital, real-time platform for tracking aid disbursement, project outcomes, and stakeholder participation. Key project data, including terms of financing, progress reports, and fiscal exposures, are often fragmented, outdated, or withheld. Inconsistent disclosures have contributed to public mistrust, misallocation of resources, and a lack of oversight from Parliament and the public. Aid information is rarely synchronized across platforms such as IFMIS, e-ProMIS, and CBK debt registers, leading to substantial data asymmetry.

1.2.8 Debt Sustainability and Fiscal Pressure

Kenya's growing reliance on external borrowing—particularly from commercial sources—has led to increased debt servicing burdens. Between FY 2016/17 and FY 2023/24, debt servicing expenditures rose by over 260%, significantly reducing fiscal space for development expenditure. KERP does not offer concessionality thresholds, stress-testing protocols, or fiscal anchors that are now standard in peer countries like Ghana and Rwanda.

1.2.9 Inadequate Monitoring, Evaluation, and Results Framework

The 2014 policy lacks an institutionalized system for tracking project outcomes, beneficiary impact, and donor performance. There is no linkage between project outcomes and financial performance, and no mechanisms to use evaluation findings to adjust programming or inform future negotiations. This limits accountability and learning, especially in the context of results-based or conditional financing.

1.2.10 Limited Stakeholder Engagement and Policy Awareness

Outside the National Treasury and a few lead donor agencies, the policy is poorly understood across government and non-state actors. There is no structured strategy for engaging Parliament, counties, research institutions, or civil society in policy review or implementation. Public participation remains minimal, violating constitutional expectations and weakening the legitimacy of aid decisions.

1.2.11 Absence of Periodic Review and Update Mechanisms

The current policy does not provide for automatic or scheduled reviews, making it vulnerable to obsolescence in the face of changing fiscal realities and global financing trends. Since its adoption, over 20 new instruments and international commitments relevant to external finance have emerged without any formal mechanism for KERP adaptation.

1.2.12 Inadequate Legal, Institutional, and Fiscal Definition of External Resources

There is no statutory definition of "external resources" under the Public Finance Management (PFM) framework. KERP's exclusive focus on ODA limits the government's ability to track, regulate, or optimize other official flows (OOFs) and innovative financing mechanisms like diaspora bonds and blended capital. This regulatory gap impedes effective fiscal planning and undermines Kenya's engagement with emerging donors and capital markets.

1.2.13 Misalignment with Procurement, Aid Conditionalities, and Country Systems

KERP does not proactively use Kenya's procurement laws to negotiate untied aid or enforce the use of country systems in donor agreements. In practice, this perpetuates fragmented implementation units, delays in procurement approvals due to external "no objection" clauses, and high transaction costs, especially in infrastructure and health sectors.

1.2.14 Inadequate Focus on Risk Mitigation and Contingent Liabilities

KERP is silent on how to assess and manage contingent liabilities, such as guarantees issued to State-Owned Enterprises (SOEs) or through PPP frameworks. These omissions raise Kenya's fiscal exposure to off-balance-sheet risks, which have become increasingly significant given the rise in infrastructure and energy financing through PPPs.

1.2.15 Exclusion of South-South and Triangular Cooperation

Despite Kenya's growing diplomatic and trade ties with emerging economies, KERP does not recognize the role of South-South and Triangular Cooperation in mobilizing technical assistance, knowledge exchange, or concessional flows. This limits Kenya's strategic positioning within global aid and development networks.

1.2.16 Absence of Prioritization Frameworks for Grant vs. Loan Financing

KERP does not provide a methodology for assessing when to prioritize grants, concessional loans, or blended instruments. There are no thresholds, cost-benefit tools, or macro-fiscal criteria to guide borrowing choices or avoid loan-driven project selection. This gap contributes to inefficient resource mobilization and overexposure to non-concessional debt.

1.2.17 Governance and Fiduciary Risk

Recurring audit queries, dormant loans, unsupported loan balances, and non-compliance with procurement and PFM regulations point to deep-seated weaknesses in external resource governance. KERP lacks built-in enforcement tools, escalation mechanisms for non-compliance, or linkages to audit institutions and integrity bodies.

1.3 Rationale for Government Action

The revision of KERP, 2014 is driven by a confluence of structural, institutional, fiscal, and geopolitical developments that have fundamentally reshaped the landscape of external development financing. Since the launch of KERP in 2014, Kenya's classification as a lower-middle-income country, evolving donor behavior, and emerging national development priorities have created a clear disconnect between the policy's scope and the demands of contemporary resource mobilization. The current policy no longer provides an adequate framework for managing the complex, diverse, and risk-laden financing instruments now shaping Kenya's development trajectory.

One of the most pressing motivations for this policy review is the narrow scope of the 2014 KERP, which remains restricted to ODA and fails to account for critical and growing sources of external financing such as sovereign bonds, syndicated loans, blended finance, climate-linked funds, diaspora remittances, PPPs, and sustainability-linked debt. Kenya's growing engagement with non-traditional creditors and private capital markets demands policy provisions that address risk pricing, concessionality, project bankability, and performance-based frameworks. Without an expanded policy lens, Kenya risks underutilizing new forms of capital and exposing itself to adverse fiscal shocks from poorly governed instruments.

At the same time, Kenya's legal and institutional frameworks for public finance have expanded significantly since 2014. The introduction of the Public Debt and Borrowing Policy (2020), updated PFM Regulations, the MTDS, PIM Guidelines, and the PPP Act (2021) all provide new rules for fiscal coordination and borrowing. KERP, however, has not been updated to reflect these instruments. The policy also omits alignment with evolving Treasury circulars, Executive Orders, and new directives that impact how external resources are managed. This misalignment has contributed to fragmented planning, incoherent budget execution, inconsistent debt reporting, and missed opportunities to integrate external finance into Kenya's wider fiscal strategy.

Globally, the development finance ecosystem has become increasingly diverse, competitive, and conditional. Traditional grants are declining, concessionality is waning, and the importance of climate-aligned, private-sector-leveraged, and South-South cooperation is growing. The rise of green and sustainability-linked bonds, the influence of new geopolitical blocs such as BRICS, and shifts in the terms of development cooperation have introduced new complexities and risks into Kenya's financing environment. KERP does not provide Kenya with a strategic response to these dynamics, nor does it outline frameworks for accessing climate finance, managing financial volatility, or leveraging international safeguards. In this context, the absence of policy tools for risk mitigation, concessionality assessment, and contingent liability management severely weakens Kenya's negotiating posture and financial resilience.

Domestically, fiscal constraints and debt-related risks have intensified. Between FY 2016/17 and FY 2023/24, debt service costs rose by over 260%, consuming a growing share of national revenue. The country has also faced persistent challenges with budget absorption, disbursement delays, and low execution of externally funded programs. A recent analysis showed that disbursement rates averaged only 65% of budgeted amounts in prior years, with widespread delays attributed to procurement bottlenecks, misaligned timelines, counterpart funding shortfalls, and institutional weaknesses at both national and county levels. KERP provides no framework to address these systemic inefficiencies or the risks of rising non-concessional debt.

Recent reviews and audits of Kenya's public debt portfolio and external financing have raised serious governance concerns, including dormant loans, unsupported balances, procurement violations, and weak enforcement of audit findings. KERP does not embed fiduciary controls, escalation pathways for policy violations, or institutional accountability mechanisms. The absence of real-time data systems, harmonized digital platforms, and coordinated reporting protocols continues to obscure the true scope and effectiveness of external resource flows. Stakeholders, including Parliament, CSOs, and county governments, remain excluded from meaningful engagement and oversight due to limited transparency and poor communication of policy objectives and outcomes.

Crucially, Kenya's development agenda has evolved significantly. The Fourth Medium-Term Plan (2023–2027), BETA, and Kenya's commitment to global frameworks such as the SDGs, the Paris Agreement, and the Integrated National Financing Framework (INFF) require an adaptive, inclusive, and risk-sensitive external financing policy. The current KERP does not reflect these priorities. It lacks guidance on climate and gender-responsive budgeting, provides no mechanism for engaging counties or non-state actors, and omits a strategy for managing the transition from donor-funded basic services to domestically funded programs. For example, health sector programs such as Human Immuno-deficiency Virus (HIV), Tuber Culosis (TB), and malaria control face significant risks of underfunding as traditional donors exit, but KERP provides no pathway for ensuring continuity or sustainability through domestic resource mobilization.

Stakeholder consultations conducted in 2025 further validated the need for urgent reform. While the 2014 policy has helped structure donor engagement and ODA alignment, it is widely viewed as outdated, overly centralized, and inaccessible to most public institutions and non-state actors. Participants emphasized the lack of clarity on national-county responsibilities, limited capacity at the sub-national level, weak integration of research and innovation, and minimal use of evaluation data to inform policy reforms. There is a near-consensus that Kenya requires a revised external resources policy that is forward-looking, institutionally grounded, and aligned with both the emerging financing landscape and Kenya's constitutional commitment to equitable, inclusive, and sustainable development.

The rationale for this revision is therefore compelling, timely, and urgent. Government intervention is necessary to ensure that Kenya does not fall behind in a rapidly transforming global economy. Failure to revise KERP risks institutional inertia, loss of investor confidence, worsening debt vulnerabilities, and persistent inefficiencies in resource absorption. The review also responds to constitutional obligations on public participation, fiscal prudence, and intergenerational equity. Inaction would further entrench structural barriers to effective development financing and erode Kenya's capacity to respond to climate risks, growing inequality, and fiscal fragility.

1.4 Revised KERP Policy Goal and Objectives

1.4.1 Policy Goal

The overarching goal of the Revised KERP is to provide a comprehensive and adaptive framework for mobilizing, coordinating, and governing all forms of external resources in a manner that enhances Kenya's fiscal resilience, development impact, and institutional integrity. The policy aims to support sustainable, inclusive, and accountable development at both national and county levels by aligning external finance with Kenya's strategic priorities as articulated in Vision 2030, the Fourth Medium-Term Plan (2023–2027), BETA, and global frameworks including the SDG, the Paris Agreement, and INFF.

1.4.2 Policy Objectives

(a) Broaden the Scope of External Resource Coverage

Expand the scope of KERP beyond traditional ODA to include all relevant external financing instruments such as sovereign bonds, commercial loans, diaspora remittances, blended finance, climate-linked funds, South-South and Triangular Cooperation, and Public-Private Partnerships. This objective ensures that Kenya remains competitive and agile in attracting diverse sources of capital, while maintaining prudent oversight and alignment with national interests.

(b) Strengthen Government Ownership and Institutional Coordination

Affirm the central leadership role of the Government of Kenya in the identification, negotiation, management, and evaluation of external resources. This includes clarifying and operationalizing institutional mandates across the National Treasury, ministries, departments, and agencies (MDAs), county governments, and state corporations to support joint programming, coherent planning, and whole-of-government engagement in external resource mobilization and use.

(c) Improve Policy Coherence with Domestic and Global Frameworks

Ensure full alignment of external resource policy with Kenya's macro-fiscal instruments and legal architecture, including the Public Finance Management Act, Public Debt and Borrowing Policy, MTDS, PIM Guidelines, PPP Act (2021), and relevant Treasury circulars and executive directives. At the global level, the Revised KERP will articulate Kenya's position on emerging financing norms and frameworks, including climate finance, risk-informed development, and development cooperation principles.

(d) Enhance Aid and Resource Effectiveness

Promote the effective utilization of external resources through improved planning, prioritization, and execution. This includes harmonization with national budget cycles, streamlined disbursement and procurement procedures, improved absorption capacity at all levels of government, and stronger linkages between financing inputs and development results. The Revised KERP will institutionalize performance-based financing, adaptive programming, and common implementation protocols across sectors and jurisdictions.

(e) Institutionalize Risk Management, Debt Sustainability, and Fiscal Discipline

Embed debt sustainability considerations, concessionality thresholds, and contingent liability assessment in all external resource decisions. The Revised KERP will incorporate provisions for risk analysis, including exposure to currency volatility, interest rate fluctuations, and donor transitions, while supporting transparent and forward-looking debt management strategies. This objective aims to safeguard fiscal space and promote intergenerational equity in external financing.

(f) Promote Transparency, Accountability, and Data Governance

Establish a robust, interoperable digital infrastructure to enable real-time tracking, disclosure, and citizen access to data on aid flows, loan terms, project performance, and implementation outcomes. This includes integration of systems such as IFMIS, e-ProMIS, and CBK debt registers under a unified public-facing portal. The Revised KERP will mandate timely publication of project agreements, enforce fiduciary accountability, and enhance parliamentary and public oversight mechanisms.

(g) Mainstream Climate Resilience, Gender Equality, and Social Inclusion

Integrate climate risk assessment, gender-responsive budgeting, and equity-based targeting into all stages of external resource programming. The policy will provide operational guidance on accessing climate finance, developing socially inclusive projects, and aligning Kenya's external resource strategy with commitments under the Paris Agreement, national climate action plans, and gender policy frameworks.

(h) Foster Participatory and Inclusive Governance

Institutionalize structured engagement of non-state actors, including civil society organizations, academia, private sector actors, and county assemblies, in the design, monitoring, and evaluation of externally funded programs. The Revised KERP will also provide mechanisms for public participation, stakeholder consultations, and knowledge partnerships to enhance policy ownership and responsiveness.

(i) Leverage the Kenyan Diaspora and Non-Traditional Partnerships

Develop strategies to engage the Kenyan diaspora in development finance through mechanisms such as diaspora bonds, remittance matching schemes, and skills transfer platforms. The policy will also formalize Kenya's engagement with emerging donors, philanthropic institutions, and regional development banks to diversify funding channels and reduce reliance on traditional aid.

(j) Establish a Review and Learning Framework

Introduce a mechanism for periodic policy review and adaptive learning every five years to ensure KERP remains current with emerging fiscal, technological, and geopolitical developments. This will include annual performance reporting, stakeholder feedback loops, and linkages with audit, evaluation, and policy research institutions.

1.5 Scope and Coverage

The Revised KERP, 2025, applies to all forms of external resources mobilized, guaranteed, or received by the Government of Kenya for national development purposes. It provides a unified framework for the sourcing, coordination, management, and oversight of external financing across the national and county governments, Semi-Autonomous Government Agencies (SAGAs), state corporations, and any public institution where public liability or oversight is engaged.

This policy expands the scope beyond the traditional confines of ODA to incorporate diverse and evolving financing instruments in line with Kenya's reclassification as a lower-middle-income country and the dynamic global financing landscape. The policy is applicable to:

1.5.1 ODA, including concessional loans, grants, and technical assistance from bilateral and multilateral development partners.

1.5.2 Commercial external financing, such as Eurobonds, syndicated loans, export credit arrangements, and other market-based borrowing instruments.

1.5.3 Diaspora resources, including personal remittances, diaspora bonds, and diaspora-targeted investment platforms aligned with national development goals.

1.5.4 FDI directed toward strategic sectors and programs aligned with Vision 2030, the Fourth Medium-Term Plan (MTP IV), and BETA priorities.

1.5.5 Climate and green finance instruments, including resources from the Green Climate Fund, Adaptation Fund, loss and damage facilities, carbon credits, debt-for-nature swaps, and other environmental finance sources.

1.5.6 Blended finance and PPP frameworks, where concessional or public funds are combined with private capital to de-risk and scale up investment in priority sectors.

1.5.7 Innovative financing mechanisms, such as sustainability-linked bonds, ESG-aligned capital, social impact bonds, impact investment platforms, and crowd-sourced development finance.

1.5.8 South-South and Triangular Cooperation, involving technical and financial partnerships with emerging economies and non-traditional actors.

The policy governs the entire lifecycle of external resource management, starting from pipeline identification and project preparation, through negotiation, approval, and disbursement, to implementation, monitoring, evaluation, and closure. It articulates roles and responsibilities for institutional actors, coordination frameworks across levels of government, integration with public financial management systems, risk and debt sustainability safeguards, and compliance with fiduciary, environmental, and social standards.

KERP 2025 also provides operational guidance on how external resources should be aligned with Kenya's national development priorities, budget cycles, and constitutional principles, while facilitating timely public disclosure, citizen engagement, and results-based accountability.

1.6 Guiding Principles

The mobilization and management of external resources under the Revised KERP shall be governed by the following interrelated principles, which collectively ensure a coherent, inclusive, and results-oriented approach to external financing:

1.6.1 National Ownership and Leadership

The Government of Kenya (GoK) shall exercise full leadership over all aspects of external resource engagement. This includes setting development priorities, leading negotiations, defining financing terms, and overseeing implementation. Ownership is operationalized through the use of country systems, including the PFM architecture, sector frameworks, and IFMIS, to align resources with national and county plans. This principle strengthens sovereignty and reinforces Kenya's negotiating position in an increasingly complex aid environment.

1.6.2 Alignment with Kenya's National Priorities

All external resources shall be explicitly aligned with Kenya's Vision 2030, MTP IV, BETA, the SDGs, County Integrated Development Plans (CIDPs), and relevant sectoral strategies. This alignment ensures coherence between external financing and Kenya's long-term development agenda, while minimizing fragmentation and sectoral misalignment.

1.6.3 Transparency and Accountability

Transparency shall be enforced through mandatory disclosure of all external financing agreements, disbursement schedules, implementation progress, and results. The policy promotes the institutionalization of digital platforms such as IFMIS, e-ProMIS, and the Debt Management System to enable real-time tracking, cross-platform integration, and public reporting. Accountability mechanisms will be strengthened through enforceable audit trails, clear fiduciary responsibilities, and civil society oversight.

1.6.4 Mutual Accountability and Respectful Partnerships

The Revised KERP emphasizes shared responsibility for development outcomes between the Government of Kenya and its development partners. It builds on principles articulated in the Paris Declaration, Accra Agenda for Action, and Busan Partnership, calling for predictability, harmonized reporting, and mutual performance reviews. Kenya shall engage with partners on a footing of equality and respect for sovereignty while ensuring adherence to national systems and standards.

1.6.5 Harmonization and Coordination

All stakeholders, national and county governments, development partners, and non-state actors, shall harmonize their processes, reporting formats, and implementation mechanisms with Kenya's systems. The policy mandates alignment with existing platforms such as SWGs, the Mutual Accountability Framework (MAF), and donor compacts. These efforts will minimize duplication, enhance synergy, and promote integrated planning.

1.6.6 Inclusivity and Participation

The Revised KERP shall be implemented in a participatory manner, engaging Parliament, county governments, civil society, academia, and the private sector. Stakeholder engagement will be institutionalized through consultative forums, open aid data portals, and structured public participation frameworks. This enhances legitimacy, improves the quality of decision-making, and fulfils constitutional obligations on inclusivity and civic oversight.

1.6.7 Fiscal Prudence and Debt Sustainability

External financing shall adhere to prudent fiscal management practices, including debt sustainability thresholds based on International Monetary Fund (IMF)-World Bank Debt Sustainability Analyses (DSAs), contingent liability tracking, and integration with the MTDS. The policy mandates regular stress testing, transparent debt reporting, and alignment with fiscal responsibility principles under Article 201 of the Constitution.

1.6.8 Results-Based Management and Effectiveness

All external resource flows shall be governed by a results-based approach that links disbursements to performance targets, outcome indicators, and value for money. The Revised KERP institutionalizes results scorecards, donor performance reviews, and project completion audits to ensure accountability for development results and effective learning from evaluations.

1.6.9 Efficiency and Value for Money

The Revised KERP prioritizes streamlined project approval, harmonized procurement timelines, and integrated financial planning to enhance disbursement speed and project execution. Measures will be taken to reduce transaction costs, avoid redundancies, and ensure optimal use of funds. Emphasis will be placed on digital automation, capacity strengthening, and operational efficiency at both national and sub-national levels.

1.7 Structure of the Policy

This policy is organized into six interrelated chapters that provide a coherent framework for understanding, reforming, and implementing Kenya's approach to external resource mobilization and management:

Chapter One: Introduction

This chapter presents the overall background and context of Kenya's external financing architecture, identifies persistent policy challenges, and outlines the rationale for revising the 2014 KERP. It also articulates the revised policy goals, objectives, guiding principles, scope, and structure of the updated policy framework.

Chapter Two: Situation Analysis of Kenya's External Resources

This chapter provides a detailed overview of the current external resource landscape in Kenya. It outlines the prevailing policy environment, historical evolution of external resource flows, alignment with national development frameworks, and the existing legal, regulatory, and institutional arrangements. It also presents a critical assessment of gaps, overlaps, and emerging challenges affecting the effectiveness, coherence, and sustainability of Kenya's external resource management.

Chapter Three: External Resources Policy Statements

This chapter articulates the core policy commitments and strategic pillars of the Revised KERP. It sets out the government's direction on key aspects of external resource mobilization, absorption, coordination, accountability, and impact measurement. These policy statements provide the normative foundation for all actors engaged in the external financing ecosystem.

Chapter Four: Framework for Implementing the Revised External Resources Policy

This chapter outlines the institutional arrangements and coordination mechanisms necessary to operationalize the policy. It clarifies the mandates and responsibilities of national and county governments, development partners, semi-autonomous government agencies, and non-state actors. It also describes the procedures and processes to be followed throughout the project cycle—from resource identification to implementation and closure.

Chapter Five: Monitoring, Evaluation, Learning, and Reporting (MELR)

This chapter presents a results-based framework for tracking the implementation of the Revised KERP. It sets out mechanisms for monitoring and evaluation, integrating feedback loops, promoting adaptive learning, and ensuring transparent reporting. The MELR framework is designed to support continuous improvement, inform policy refinements, and foster accountability among all stakeholders.

Chapter Six: Policy Review

The final chapter specifies the process and timelines for periodic policy review and revision. It institutionalizes a five-year review cycle to ensure the policy remains dynamic, responsive, and relevant to Kenya's evolving development priorities and the global financing landscape.

CHAPTER TWO: SITUATION ANALYSIS

2.1 Historical Context

Kenya's external resource management practices are rooted in a legacy of evolving aid dynamics, shifting from donor-led development models to country-driven frameworks aligned with national priorities. Over the decades, the landscape of development cooperation has undergone significant transformation, shaped by global aid effectiveness movements, domestic policy reforms, and institutional capacity growth. The formulation and implementation of the KERP in 2014 marked a critical turning point in codifying the principles, coordination structures, and operational mechanisms for managing ODA. However, the policy was developed within a specific historical and fiscal context that no longer reflects current development finance realities. The following subsections trace the evolution of Kenya's approach to external resources, highlighting milestones, emerging challenges, and the rationale for a policy shift.

2.1.1 Foundations of External Resource Management

Kenya's approach to managing external resources has evolved considerably since independence, initially characterized by heavy reliance on concessional loans and grants from bilateral and multilateral partners. These flows were largely donor-driven, loosely coordinated, and often disconnected from national development priorities. Recognizing this inefficiency, the GoK gradually institutionalized external resource management, culminating in the creation of the External Resources Department within the National Treasury to streamline aid coordination and ensure alignment with fiscal planning processes.

2.1.2 Development of KERP (2014)

The Kenya External Resources Policy (KERP) was developed and launched in 2014, during a period of pronounced global emphasis on aid effectiveness, shaped by commitments under the Paris Declaration (2005), Accra Agenda for Action (2008), and Busan Partnership (2011). These frameworks called for greater country ownership, alignment of aid with national priorities, and mutual accountability between donors and recipient governments. KERP responded to persistent fragmentation of donor support, including off-budget disbursements, parallel project units, and unpredictable aid flows, by providing a structured framework to coordinate ODA and embed it within Kenya's fiscal architecture.

2.1.3 Domestic Milestones Informing KERP

At the time of KERP's adoption, Kenya had recently transitioned to a devolved system of governance under the 2010 Constitution, and was implementing its second Medium-Term Plan (MTP II) under Vision 2030. The decentralization agenda necessitated stronger national-county coordination in development planning and finance, including the management of donor support. KERP was envisioned to facilitate this by ensuring that external resources aligned with both national goals and CIDPs. However, while the policy emphasized alignment and ownership in principle, it lacked mechanisms to operationalize this ambition—such as structured co-financing arrangements, costed investment plans, or shared performance frameworks.

2.1.4 Emerging Gaps and Misalignment with Contemporary Realities

Despite its contributions, KERP was finalized before several transformative events that redefined development finance globally and domestically. These include:

- The adoption of the SDGs and Agenda 2030 in 2015, which ushered in a broader and more integrated approach to financing development beyond traditional aid.
- The Addis Ababa Action Agenda (2015), which promoted INFFs, private sector engagement, and the blending of public and private capital.
- The rising global focus on climate finance, resilience funding, and digital public infrastructure, which created new funding streams with complex access protocols and conditionalities.
- Kenya's reclassification as a lower-middle-income country (LMIC) in 2014, which gradually limited its access to concessional funding and increased reliance on semi-concessional and commercial borrowing, including syndicated loans and Eurobonds.

2.1.5 Disconnect from Fiscal and Regulatory Innovations

KERP preceded critical legal and institutional reforms in Kenya's fiscal landscape. It does not reference or integrate with the Public Debt and Borrowing Policy (2020), the MTDS, or digital platforms such as e-ProMIS and IFMIS. Nor does it accommodate Treasury Circulars issued post-2014 that introduced new requirements for external resource vetting, tracking, and integration into the budget process. These omissions have resulted in fragmented planning, uncoordinated borrowing, and opaque reporting of aid flows.

2.1.6 Narrow Focus and Limited Operational Scope

KERP's scope has remained confined to concessional ODA, overlooking emerging and increasingly important modalities such as:

- Climate-linked financing (e.g., Green Climate Fund, Adaptation Fund, debt-for-climate swaps),
- Blended finance mechanisms involving private sector participation,
- Diaspora bonds and philanthropic capital,
- ESG-aligned or results-based financing instruments,
- Guarantees and PPPs.

Without a structured framework for managing these instruments, Kenya has struggled to capitalize on evolving global financing opportunities and risks falling behind peer economies such as Ghana, Rwanda, and Vietnam that have institutionalized diversified aid governance frameworks.

2.1.7 Impetus for Reform

Recognizing these limitations, the National Treasury commissioned a review of KERP in 2025. The review revealed that while the policy had contributed to improved donor coordination and ODA alignment, it was increasingly outdated, poorly integrated into Kenya's fiscal systems, and inadequate for addressing emerging priorities such as climate resilience, gender equity, and debt sustainability. This prompted a comprehensive revision of the policy to expand its scope, institutional coherence, and strategic relevance in the context of both domestic transformation and global financing realignment.

2.2 Overview of Kenya's External Resource Landscape

Building upon the historical shifts in Kenya's external financing model, the past decade has witnessed a dramatic transformation in the structure, sources, and strategic application of external resources. While ODA remains central, particularly for health, agriculture, education, and governance programs, the external resource envelope has diversified considerably. New instruments such as sovereign bonds, syndicated commercial loans, diaspora bonds, blended finance, and climate-related funds have become increasingly significant.

As of FY 2023/24, external resources accounted for nearly 30% of Kenya's development budget, reflecting the country's sustained reliance on both concessional and non-concessional financing to support core sectors including infrastructure, energy, healthcare, and food systems. However, concessionality has been declining following Kenya's reclassification as a lower-middle-income country, resulting in increased exposure to market-based debt and its attendant risks.

Despite the growth in available external finance, Kenya has struggled to fully absorb and utilize these resources. Disbursement rates averaged only 65% of budgeted figures between FY 2008/09 and FY 2022/23, with key impediments including delayed procurement, land acquisition disputes, VAT and counterpart funding shortfalls, and limited planning readiness among implementing agencies. Fragmentation across government systems—coupled with donor-specific conditions—has further compounded inefficiencies.

The misalignment between donor disbursement schedules and Kenya's fiscal calendar often leads to cash flow mismatches, stalled projects, and reduced fiscal predictability. External financing is also unevenly distributed across counties and sectors, raising concerns over equity, transparency, and localized development outcomes. These inefficiencies reflect the growing urgency for a revised external resource policy framework that not only embraces emerging instruments but also enhances institutional coherence, absorptive capacity, and impact monitoring.

2.3 Existing Legal, Policy, and Institutional Frameworks

Kenya has developed a comprehensive but fragmented legal and institutional framework governing external resource management. This includes the Constitution of Kenya (2010), PFMA, Public Audit Act, Public Procurement and Asset Disposal Act (PPADA), and Public Private Partnership Act (PPPA). These instruments provide a foundation for transparency, accountability, and fiscal discipline.

However, critical gaps persist. Notably, there is no statutory definition of "external resources," limiting the ability of the Government to track and regulate OOFs or Innovative Financing for Development (IFDs) such as blended finance, ESG-aligned products, and social impact bonds. Moreover, existing regulations do not include methodologies for concessionality assessment, contingent liability management, or evaluation of development impact from non-traditional finance instruments.

The 2014 KERP, which remains the primary policy on external resources, is outdated. It lacks integration with newer fiscal and planning tools including the MTDS, PIM Guidelines, and the INFF. The Aid Effectiveness Secretariat, though established through Executive Order No. 1 of 2016 to coordinate donor activities, is not reflected in KERP's institutional architecture.

2.4 Policy and Strategic Alignment Environment

The Revised KERP is informed by an evolving ecosystem of global, regional, and national instruments that frame how countries mobilize, manage, and report external resources. These instruments shape policy norms, fiscal expectations, transparency standards, and partnership models. Kenya's ability to navigate a rapidly shifting development finance architecture requires a policy that reflects these standards and leverages them to attract and manage high-quality financing.

2.4.1 Global Norms and Aid Effectiveness Principles

The Revised KERP is aligned with foundational global principles for aid and development effectiveness, notably the Monterrey Consensus (2002), Paris Declaration (2005), Accra Agenda for Action (2008), and Busan Partnership for Effective Development Cooperation (2011). These agreements emphasize five core tenets: country ownership, alignment with national priorities, harmonization of procedures, mutual accountability, and managing for development results. These principles remain central to Kenya's aid architecture and are reflected in the country's commitment to strengthening the use of country systems and promoting predictable, coordinated assistance.

2.4.2 Integration with SDGs and Climate Finance Norms

Kenya's external resource mobilization is directly linked to achieving the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change. The Revised KERP promotes resource alignment with the SDGs, particularly in addressing poverty, inequality, and environmental sustainability. It encourages access to emerging instruments such as green bonds, climate adaptation finance, and debt-for-nature swaps, drawing from principles in the Addis Ababa Action Agenda and recent G20 guidelines on quality infrastructure investment.

2.4.3 Regional Frameworks and African Development Agendas

Regionally, the Revised KERP reflects Kenya's obligations under instruments such as the EAC Protocol on Monetary and Fiscal Convergence, the African Union's Agenda 2063, and the African Continental Free Trade Area (AfCFTA). These frameworks promote regional resource pooling, cross-border infrastructure investment, and joint negotiation platforms. Kenya is further encouraged to engage in harmonization of aid procedures within the East African Community and adopt joint capacity-building programs for external finance governance.

2.4.4 National Legal and Policy Architecture

Domestically, the policy aligns with the Constitution of Kenya (Articles 201 and 227), the Public Finance Management Act (2012), the Public Procurement and Asset Disposal Act (2015), the Climate Change Act (2016), the Public Debt and Borrowing Policy (2020), and accompanying Treasury circulars. These laws provide the basis for prudent fiscal management, debt sustainability, procurement integrity, and intergenerational equity. The KERP builds upon these statutes to ensure external resources are embedded within Kenya's integrated public finance ecosystem, including the IFMIS, e-ProMIS, and national budget planning instruments.

2.4.5 Strategic Alignment with Development Policies

The Revised KERP is designed to support implementation of key national strategies, including Vision 2030, MTP IV (2023–2027), BETA, the INFF, and CIDPs. It ensures that external financing directly contributes to the achievement of development goals at both national and county levels, promoting inclusive, climate-resilient, and private-sector-led growth.

2.4.6 Principles of Diversification and Debt Prudence

Kenya's transition to lower-middle-income status requires a shift from grant-heavy financing to diversified capital flows. The Revised KERP recognizes the growing role of diaspora instruments, philanthropic partnerships, blended finance, and commercial loans. It embeds safeguards such as concessionality thresholds, contingent liability assessments, and stress-tested borrowing strategies in line with international debt sustainability frameworks and the G20 Principles for Sustainable Finance.

2.4.7 Digital Transparency and Open Data Integration

To meet international expectations on transparency, the Revised KERP aligns with initiatives such as the IATI. It calls for a unified, digital dashboard that integrates disbursement data, project results, and risk metrics across platforms such as IFMIS, e-ProMIS, CBK registers, and the National Results Framework. Benchmarking shows that countries like Rwanda and Vietnam have successfully adopted real-time systems to track aid effectiveness, which Kenya seeks to replicate.

2.4.8 Institutional Learning and Regional Knowledge Exchange

The policy promotes Kenya's active participation in peer exchange platforms and regional aid effectiveness communities. Benchmarking from Ghana, Rwanda, and Vietnam highlights the importance of dedicated donor coordination units, codified procedures for sectoral reviews, and legal frameworks for public-private co-financing. Kenya's KERP adopts these lessons by promoting inter-agency coordination, digital tracking, and results-based financing.

2.4.9 Embedded Risk Management and Policy Adaptability

Recognizing rising global financial volatility and climate-related shocks, the Revised KERP integrates comprehensive risk management tools. It supports early warning systems, debt-risk analytics, and contingency planning mechanisms to buffer fiscal exposure. It also institutionalizes periodic reviews of the policy to remain responsive to domestic and international fiscal transitions.

2.5 Trends and Patterns in External Resource Utilization

The pattern of external financing has shifted from traditional grants to more commercial and hybrid arrangements. Kenya has experienced a steep increase in public debt, with debt service costs rising by over 260% between FY 2016/17 and FY 2023/24. This has strained fiscal space and heightened risks related to debt sustainability.

Sectorally, external resources continue to support health, water, agriculture, infrastructure, and digital development. Programs such as the Kenya Climate-Smart Agriculture Project, Thwake Multipurpose Dam, and National Optic Fibre Backbone Initiative (NOFBI) are prominent examples of ODA-funded initiatives.

However, implementation challenges abound. These include delayed land acquisition, VAT-related counterpart funding gaps, poor project planning, and weak community engagement. Institutional bottlenecks at the sub-national level, particularly limited technical capacity and overlapping mandates, further slow project execution and reduce developmental impact.

2.6 Policy, Regulatory, and Institutional Gaps

Despite Kenya's expansive legal and policy framework for public finance management, significant policy, regulatory, and institutional gaps continue to undermine the strategic mobilization, coordination, and oversight of external resources.

2.6.1 Policy and Regulatory Inconsistencies

Kenya's PFMA, PPADA, and a series of post-2014 instruments, including Treasury Circulars 2/2020 and 9/2022, Executive Orders, and the Public Debt and Borrowing Policy (2020), offer improved governance provisions for external finance. However, the KERP has not been updated to reflect these developments. This has resulted in operational misalignment with national debt strategies, unclear thresholds for concessionality, and fragmented frameworks for blended finance and off-budget donor flows.

KERP remains narrowly anchored in traditional ODA and does not provide legal recognition or policy protocols for innovative financing modalities such as diaspora bonds, impact investment, debt-for-climate swaps, or digital finance. In particular, the absence of a formal statutory definition for "external resources" within Kenya's PFM legal regime creates regulatory ambiguity. It limits the government's ability to monitor or report on OOFs and IFDs, even though these are increasingly used in national financing.

Although Treasury Circular 2/2020 mandates quarterly reporting through the e-ProMIS platform, there is no binding legal provision within KERP that integrates this digital obligation. This has led to selective compliance and fragmented aid information systems. KERP also lacks enforceable mechanisms for pre-approval screening of debt sustainability, limiting the operationalization of Circular 9/2022, which requires fiscal space diagnostics before any borrowing engagement.

2.6.2 Weak Institutional Coordination and Mandates

At the institutional level, Kenya's aid coordination architecture remains overly centralized, with the National Treasury exercising near-exclusive control over donor engagement, disbursement protocols, and public financial systems. This bottleneck impairs the ability of MDAs, as well as county governments, to efficiently design and execute externally funded programs.

The AES, created under Executive Order No. 1 of 2016, lacks a legal mandate and digital infrastructure to lead policy coordination. Its limited authority, visibility, and resourcing mean that coordination structures such as Mutual Accountability Frameworks and Sector Working Groups are inconsistently activated and lack performance standards or compliance mechanisms.

County governments remain underrepresented in external resource governance despite their growing share of service delivery responsibilities. There is no institutionalized interface between national-level planning and CIDPs, resulting in poor vertical coordination and resource misalignment. The absence of joint sector planning frameworks and county-level aid coordination units further weakens the decentralized delivery of donor programs.

The fragmentation is compounded by overlapping mandates across MDAs, lack of interoperability between IFMIS, e-ProMIS, and CBK debt registries, and the failure to embed independent audit trails within KERP's operational design.

2.6.3 Capacity Constraints and Human Resource Gaps

Across the aid management spectrum, there are serious technical and human resource limitations. Many implementing agencies lack the capacity to negotiate complex financial instruments or conduct fiscal risk assessments. Inadequate training, high staff turnover, and limited access to global knowledge networks constrain Kenya's ability to harness emerging capital flows or transition to performance-based financing.

Research and innovation institutions are rarely engaged in the identification or design of donor programs, leading to weak evidence integration and poor alignment between program outcomes and national priorities. KERP does not assign institutional mandates to promote research uptake or innovation-linked programming, and the policy remains silent on knowledge partnerships and impact evaluations.

2.6.4 Inadequate Enforcement and Accountability Mechanisms

Despite statutory provisions on fiscal accountability under the PFMA and PPADA, enforcement remains weak. Key challenges include the absence of real-time monitoring dashboards, limited adherence to debt reporting protocols, and lack of structured public participation in the aid cycle. KERP has no legal provision for ex-ante parliamentary scrutiny of loan agreements or public access to contractual terms, even though such transparency is mandated under Legal Notice No. 18 of 2019.

Oversight institutions, such as the Office of the Auditor General, Parliament, and the Ethics and Anti-Corruption Commission, are not systematically integrated into KERP's design or implementation mechanisms. There are no escalation protocols or sanctions for non-compliance with reporting or coordination duties, which undermines mutual accountability and donor confidence.

2.6.5 Lack of Institutionalization for Emerging Priorities

Although Kenya has ratified international instruments such as the Paris Agreement and adopted national strategies like the Climate Change Action Plan, there is no framework within KERP for integrating climate finance into budgeting, project appraisal, or results tracking. Similarly, gender-responsive budgeting, intergenerational equity, and inclusion of marginalized communities are not operationalized through any institutional protocols.

There is also no formal strategy for managing donor transition or ensuring sustainability in sectors where external funding is being withdrawn, such as HIV, TB, and malaria control. This threatens the continuity of essential services and violates the constitutional imperative for progressive realization of socio-economic rights.

2.7 Alignment with National Development Goals

One of the primary justifications for external resource mobilization is to accelerate the achievement of Kenya's long-term development objectives. The KERP was originally conceived to support the realization of Vision 2030 through improved coordination, predictability, and alignment of external financing with national priorities. While the 2014 KERP acknowledged this imperative in principle, it lacked concrete mechanisms to ensure structured alignment with national development frameworks. As a result, alignment has remained largely aspirational, rather than operationalized across sectors and funding instruments.

Since the adoption of KERP, Kenya has progressed through three MTPs, with the MTP IV currently in effect for the period 2023–2027. This plan emphasizes strengthening Micro, Small, and Medium Enterprises (MSMEs); advancing green and digital transformation; expanding infrastructure through PPPs; and promoting inclusive value chain development across agriculture, industry, and services. These strategic thrusts are reinforced by the BETA, which aims to drive grassroots-centered growth, rural productivity, and citizen-focused service delivery.

However, the 2014 KERP was not updated to reflect the implementation frameworks of MTP II, III, or IV, nor does it integrate the pillars of BETA. It provides no structured guidance on how external resources should be directed toward MSME development, climate-aligned infrastructure, or digital innovation. Moreover, the policy does not incorporate resource mapping, costed national priorities, or co-financing mechanisms that would enable donors to support pipeline projects aligned with MTP targets. This has led to inconsistencies between national priorities and actual aid allocations, with development partners often channelling resources to thematic areas that may fall outside Kenya's core strategic focus.

At the sub-national level, alignment challenges are even more pronounced. Counties are increasingly responsible for implementing externally financed projects, yet KERP lacks a framework to link CIDPs with donor-funded interventions. This disconnect hampers coordinated planning, undermines ownership at the county level, and diminishes accountability for results. In several cases, donors have funded projects directly at the county level without structured engagement with national systems or integration into public investment management frameworks.

The cumulative effect is a policy that is formally aligned with Kenya's development goals but functionally disconnected from its actual planning, budgeting, and execution processes. External resource programming continues to operate in silos, often parallel to government systems. This undermines efficiency, limits development impact, and weakens Kenya's ability to strategically leverage external financing for transformative outcomes. Addressing this gap in the Revised KERP is essential to ensure that external financing is not only consistent with national development goals in principle but also aligned in practice through structured institutional mechanisms, sectoral linkages, and joint programming tools.

2.8 International and Regional Best Practices

Kenya's efforts to modernize external resource mobilization and management can draw valuable lessons from peer countries that have adopted innovative and effective frameworks. This section highlights best practices from Ghana, Rwanda, and Vietnam—three countries that have demonstrated leadership in aligning external resources with national priorities, strengthening institutional accountability, and enhancing fiscal discipline.

2.8.1 Vietnam

Vietnam's strategy combines performance-based disbursement, legal integration of aid management, and strong alignment with national investment priorities. The Medium-Term Public Investment Plan (MPIP) links five-year development targets with annual budget allocations and debt ceilings. This ensures that all externally financed projects fit within predefined fiscal limits and development priorities.

The 2020 PPP Law provides statutory clarity on project preparation, government guarantees, revenue-sharing arrangements, and risk allocation. Only projects that pass viability gap assessments and cost-effectiveness tests are included in the national project pipeline. Vietnam also applies decrees and implementing circulars to regulate the use of ODA and concessional loans, prioritizing grants for capacity building and policy formulation. Independent debt audits and quarterly reports published by the State Audit Office reinforce transparency and public accountability.

2.8.2 Ghana

Ghana's approach is anchored in its "Ghana Beyond Aid" Charter, which repositions external finance as a strategic complement to domestic resource mobilization. The country has established an MTDS that caps public debt at 50 percent of GDP, with concessional borrowing prioritized for social sectors and commercial debt reserved for revenue-generating infrastructure projects. All externally funded projects must receive Cabinet and Parliamentary approval, ensuring oversight and coherence with national development objectives.

Ghana's Ministry of Finance operates a centralized external resource coordination mechanism, reviewing all external loans and grants through a cost-benefit lens and integrating them into public investment plans. The creation of a Domestic Credit Rating Agency (CRAG) enhances market transparency and supports investor confidence. This disciplined approach has helped Ghana improve investor risk perceptions and create a structured pathway from donor dependency to self-reliance, even though recent fiscal stress has tested its resilience.

2.8.3 Rwanda

Rwanda presents a highly disciplined model of aid coordination underpinned by a codified Aid Policy Manual of Procedures, a Development Assistance Database (DAD) linked to IFMIS, and real-time tracking of donor commitments and disbursements. All grants and concessional loans are integrated into the national budget and reflected in the Medium-Term Expenditure Framework. Projects that do not align with national priorities can be formally rejected.

Institutionalized SWGs, co-chaired by government ministries and development partners, ensure alignment of donor support with sector strategies and performance frameworks. These groups convene regularly to set outcome targets and conduct joint reviews. Accountability is further reinforced through the Imihigo performance contracts, which link individual and institutional performance to development results. As a result, Rwanda has reduced off-budget aid from over 60 percent in 2008 to under 20 percent in 2022, while significantly enhancing predictability and alignment.

The international practices outlined above demonstrate key policy features that could be adapted to Kenya's context. Ghana's emphasis on parliamentary oversight**,** concessionality thresholds, and a domestic rating mechanism reflects the importance of anchoring external resource decisions in long-term fiscal strategies. Rwanda's focus on real-time tracking, sector-wide coordination, and formalized donor alignment mechanisms offers a replicable model for strengthening transparency and planning. Vietnam's model shows the utility of codified aid regulations, investment ceilings, and dual-track financing structures that clearly distinguish between concessional aid and commercially viable PPPs. For Kenya, aligning the Revised KERP with these proven strategies would improve debt risk management, enhance aid absorption, institutionalize donor coordination, and position the country to access a broader and more diversified external finance ecosystem.

2.9 Lessons Learned

The review of Kenya's external resource landscape, institutional frameworks, policy instruments, and stakeholder feedback has surfaced key lessons that inform the design of the Revised KERP. These lessons reflect both structural deficiencies and missed opportunities under the 2014 policy framework. They also highlight the changing realities of global development finance and the critical adjustments required to ensure that external resources contribute effectively to Kenya's development priorities. Drawing from past implementation challenges, international best practices, and fiscal performance trends, these insights offer a foundation for refining the policy to enhance its relevance, responsiveness, and long-term impact.

1. Policy Obsolescence

The review of KERP 2014 reveals the consequences of policy stagnation in a rapidly evolving financing environment. The failure to periodically update the framework has resulted in misalignment with global financing trends, including the rise of climate finance, blended capital structures, and sustainability-linked instruments. This has limited Kenya's ability to engage competitively with emerging donors and non-traditional financiers. A key lesson is that any effective external resource policy must incorporate a structured review cycle and adaptive mechanisms to remain responsive to shifts in development finance modalities and donor conditionalities.

2. Institutional Integration

Fragmentation across Kenya's policy and fiscal instruments has emerged as a major impediment to efficient external resource mobilization and use. The lack of integration between KERP and critical instruments such as the MTDS, Debt Sustainability Analyses (DSA), and the Programme-Based Budgeting (PBB) framework has led to inconsistencies in planning, reporting, and prioritization. This institutional disjoint undermines macroeconomic coherence, increases duplication, and weakens policy enforcement. A coordinated approach that fully integrates KERP with Kenya's fiscal architecture is essential to ensure consistency in borrowing, project vetting, and development alignment.

3. Digital Transformation

Kenya's aid tracking and disbursement systems remain siloed and fragmented, limiting their utility in enhancing transparency, reducing duplication, or improving absorptive capacity. The experience of peer countries like Rwanda, which has implemented the DAD to provide real-time project-level information, demonstrates the value of integrated digital platforms. Such systems can harmonize data across institutions like the Central Bank of Kenya (CBK), the National Treasury, and implementing ministries, enabling evidence-based decision-making and timely disclosures. Embracing a robust digital ecosystem is vital for improving external resource governance and reinforcing public trust.

4. Fiscal Prudence

Rising public debt levels and escalating debt servicing costs have underscored the importance of anchoring external borrowing within a disciplined fiscal framework. Between FY 2016/17 and FY 2023/24, Kenya's debt service costs increased by more than 260%, crowding out development spending and straining fiscal space. These trends emphasize the need for explicit concessionality thresholds, risk-assessment protocols, and the mainstreaming of stress-testing tools into external resource planning. Ensuring that debt-financed development is both fiscally sustainable and aligned with long-term economic goals is essential for protecting Kenya's macroeconomic stability.

5. Stakeholder Engagement

The centralized design of KERP 2014 limited the active involvement of key stakeholders such as county governments, civil society organizations, the private sector, and academia. This exclusion has weakened transparency, reduced accountability, and limited the policy's effectiveness in addressing localized needs and community-specific development priorities. Stakeholder feedback during the 2025 consultation process affirmed the importance of inclusive governance mechanisms, structured participation, and horizontal coordination across sectors and administrative levels. Future policy implementation must institutionalize multi-stakeholder platforms and participatory planning processes to enhance the legitimacy, ownership, and responsiveness of external resource management.

6. Broadened Resource Definition

A narrow focus on ODA in the original KERP framework has left Kenya unprepared to harness the full spectrum of external financing opportunities. The omission of non-ODA flows such as diaspora bonds, sovereign green bonds, FDI, commercial loans, and philanthropic capital has resulted in regulatory and operational gaps. To respond effectively to Kenya's changing financing profile and increased engagement with capital markets, the policy must adopt a comprehensive definition of external resources. This broader scope will support improved planning, reporting, and risk management across all external inflows linked to public liability or oversight.

2.10 Implications for Policy Reform

The current situation analysis reveals that the existing KERP, 2014 is no longer fit for purpose in today's complex, dynamic, and risk-prone external financing environment. To respond effectively, the Revised KERP must first expand its scope beyond ODA to include all external financing flows with public liability implications. These include OOFs, IFDs such as blended finance, sustainability-linked instruments, diaspora bonds, green and social impact bonds, and philanthropic capital. A broadened definition will allow the Government of Kenya to regulate, monitor, and strategically leverage all sources of external financing that support national development objectives, while improving oversight of non-concessional and emerging financial instruments.

Second, the Revised KERP must be deeply integrated into Kenya's wider fiscal architecture. This includes alignment with the MTDS, the Public Debt and Borrowing Policy, DSAs, PBB, and PIM guidelines. Without this integration, external resource planning will continue to occur in isolation, undermining macroeconomic stability and exposing the country to poorly coordinated borrowing and expenditure patterns. Structured alignment with national development plans such as Vision 2030, MTP IV, and the BETA is also essential to ensure that external financing is strategically directed to priority sectors and high-impact interventions.

Third, Kenya must invest in robust digital infrastructure to improve the transparency, timeliness, and accuracy of external resource tracking and reporting. This requires integrating platforms such as e-ProMIS, IFMIS, and CBK debt management systems into a unified, real-time interface accessible to key government institutions, development partners, and oversight entities. Lessons from peer countries such as Rwanda, which has adopted digital aid management systems like the DAD, show that such tools not only enhance disbursement efficiency but also promote public trust and institutional accountability. Real-time digital monitoring is vital for closing data gaps, strengthening fiscal discipline, and enabling data-driven decision-making in resource allocation.

Fourth, the Revised KERP must embed sustainability principles, including climate resilience, gender equity, and social inclusion, into financing decisions. Kenya faces rising vulnerability to climate-related shocks and a growing need for equitable, inclusive development. Without specific provisions for climate-linked financing mechanisms (e.g., the Green Climate Fund), gender-responsive budgeting, and environmental safeguards, the country risks missing out on concessional climate finance and socially oriented investments. The Revised KERP should provide operational guidance on integrating ESG standards and leveraging sustainability-linked finance to meet both global obligations and local development needs.

Fifth, stronger legal and institutional enforcement is essential to ensure fiduciary integrity and operational compliance. The Revised KERP must clarify institutional mandates, establish accountability mechanisms, and link compliance with legal and audit frameworks. Persistent challenges, such as dormant loans, unsupported balances, audit violations, and misuse of funds, require a more rigorous enforcement regime backed by transparent escalation protocols, audit follow-through, and legal redress mechanisms. Strengthening internal audit, reporting, and procurement compliance will improve Kenya's standing with development partners and enhance the credibility of external resource management.

Lastly, the policy must be aligned with international best practices and evolving aid modalities. This includes formal reference to frameworks such as the Addis Ababa Action Agenda, the Paris Declaration on Aid Effectiveness, and commitments under the Global Partnership for Effective Development Cooperation. Kenya should also adopt principles from regional models such as Ghana's Beyond Aid Strategy and Rwanda's integrated aid management system. Such alignment will improve Kenya's global competitiveness in attracting quality finance, support harmonized donor engagement, and promote the country's leadership in shaping the future of development cooperation in Africa.

Without undertaking these reforms, Kenya risks continued inefficiencies in external resource utilization, escalating fiscal vulnerabilities, and limited developmental returns on borrowed or granted funds. A Revised KERP anchored in these imperatives is critical to secure the financing needed for sustainable growth, reduce dependency, and reinforce national ownership of the development agenda.

CHAPTER THREE: EXTERNAL RESOURCES POLICY STATEMENTS

3.0 Overview

This chapter sets out the Government's policy statements and commitments to address the challenges identified in the situation analysis. For each policy statement, the chapter identifies gaps/weaknesses and offers policy interventions to address them to enhance the mobilisation, utilisation and management of external resources. The policy statements are organised under six key thematic areas: (i) enhanced strategic alignment, ownership and leadership and comprehensive resource mobilisation; (ii) robust institutional coordination and capacity development; (iii) prudent debt management and fiscal sustainability; (iv) enhanced efficiency, absorption capacity and effective implementation; (v) adaptability, innovation, and policy responsiveness; and (vi) strengthened governance, transparency and accountability.

3.1 Enhanced Strategic Alignment, Ownership and Leadership, and Comprehensive Resource Mobilisation

3.1.1 Policy Issues

The 2014 KERP was developed during a period of relative stability in the global aid architecture, with a focus on ODA. However, Kenya's external financing environment has evolved significantly. The transition to lower-middle-income status has constrained access to concessional finance, while increasing the demand for complex instruments such as blended finance, green bonds, diaspora bonds, and PPPs. Despite this transformation, the 2014 KERP continues to narrowly focus on traditional ODA and does not reflect emerging global financing modalities or donor expectations.

The policy is also poorly aligned with the current national development planning framework, including MTP IV, BETA, the Public Debt Management Policy 2020, and various circulars and legal instruments issued post-2014. Its lack of operational linkages to macro-fiscal instruments like the MTDS, PBB, and the PIM Guidelines has fragmented the planning and utilization of external resources.

At the same time, Kenya has not institutionalized a comprehensive mechanism for strategic resource mobilization that links financing to development priorities. As a result, resource allocation is inconsistent, project implementation is fragmented, and development results are diluted. The lack of leadership and ownership at both national and county levels has led to parallel systems, weakened absorption, and inefficient engagement with development partners.

3.1.2 Policy Statements

Policy Statement 1.1: Enhanced Strategic Alignment

The Government commits to aligning all external resources with national and sub-national fiscal and development frameworks. This will strengthen harmonized planning, promote efficient absorption, and enable structured tracking of outcomes across national development priorities.

Policy Statement 1.2: Comprehensive Resource Mobilisation

The Government will broaden its external resource base by engaging a diverse range of traditional and non-traditional partners, mobilizing innovative finance instruments, and strengthening the enabling environment for inclusive, sustainable, and private sector-led development.

Policy Statement 1.3: Enhanced Ownership and Leadership

The Government will reinforce national leadership across the full lifecycle of external resource engagement, from identification and negotiation to implementation and results monitoring, anchored in the use of national systems and structures.

3.1.3 Strategic Interventions

To enhance strategic alignment, the Government will:

3.1.3.1 Ensure the explicit and demonstrable alignment of this Revised KERP with the prevailing national, regional and global development agenda, namely, Vision 2030, MTP IV, CIDPs and such other relevant national development plans.

3.1.3.2 Continue to align the Revised KERP with aid effectiveness principles contained in international instruments developed pre-2014, namely, the Monterrey Consensus 2002, Rome Declaration on Harmonisation 2003, Paris Declaration on Aid

Effectiveness 2005, Accra Agenda for Action 2008 and Busan Partnership for Effective Development Co-operation 2011 as modified from time to time.

3.1.3.3 Align this Revised KERP with international development finance principles contained in the international instruments developed post 2014 including the 2030 Agenda for Sustainable Development, Africa Agenda 2063, Addis Ababa Action Agenda on Financing for Development, Paris Agreement on Climate Change, the Nairobi Outcome Document and the OECD DAC Blended Finance Principles.

3.1.3.4 Ensure all proposals for externally funded projects undergo a standardized pre-appraisal and due diligence process to verify that they align with national development priorities and fulfil all mandatory requirements including the criteria set out in the PIM guidelines issued by the National Treasury from time to time.

3.1.3.5 Develop, institutionalise and regularly update a comprehensive National External Resources Needs Assessment Framework that shall link funding needs to prevailing national development priorities.

3.1.3.6 Mainstream the Revised KERP in Strategic Plans, Annual Workplans and Performance contracts of MDAs, state corporations and County Governments.

3.1.3.7 Bring on-budget all externally supported programs and projects, including those financed by Vertical Funds, by integrating them into the national and county government planning and budget cycles such as the MTP, CIDP and Medium-Term Expenditure Framework (MTEF).

3.1.3.8 Ensure that the Revised KERP is explicitly linked with the Public Debt and Borrowing Policy, 2020, Treasury Circulars, and MTDS to ensure coherence with macroeconomic governance principles.

3.1.3.9 Establish and enforce clear criteria and a transparent mechanism for accepting, prioritizing, and allocating external resources based on their contribution to, and impact on, national and county development outcomes.

To support comprehensive resource mobilisation, the Government will:

3.1.3.10 Expand the policy scope to cover all external resource flows, including non-concessional finance, climate finance, and diaspora investment.

3.1.3.11 Review and amend PFM laws to provide a binding and comprehensive definition of external resources.

3.1.3.12 Operationalize clear guidelines and mechanisms for blended finance, impact investment, PPPs, climate finance, and diaspora bonds, including:

3.1.3.12.1 A structured framework for blended finance that mobilizes private capital through concessional finance;

3.1.3.12.2 Enabling policies for impact investors targeting transformative sectors;

3.1.3.12.3 Scaled-up PPP models aligned with national priorities and ESG compliance;

3.1.3.12.4 Integration of climate finance strategies with ESG requirements and environmental legislation;

3.1.3.12.5 Implementation of the Diaspora Policy to attract diaspora capital and reduce remittance transaction costs;

3.1.3.12.6 Institutional capacity development for structuring and managing emerging instruments.

3.1.3.13 Deepen partnerships with South-South and Triangular Cooperation platforms and non-traditional donors.

3.1.3.14 Improve the domestic investment climate to attract FDI in high-value and job-creating sectors.

3.1.3.15 Promote the growth of MSMEs and entrepreneurship through value-addition, digital transformation, and green industry.

3.1.3.16 Drive economic transformation through policy support for manufacturing, innovation, and high-value services.

To strengthen national ownership and leadership, the Government will:

3.1.3.17 Institutionalize the use of national systems (PFM, PIM, IFMIS, e-PROMIS, and NIMES) for all externally funded projects to reduce reliance on parallel structures.

3.1.3.18 Invest in government capacity, at national and county levels, to lead in project design, financing negotiations, and performance-based implementation.

3.1.3.19 Phase out parallel Project Implementation Units (PIUs) by integrating their roles into mainstream government functions to build long-term capacity.

3.1.3.20 Ensure active representation and leadership by Government in decision-making structures governing externally funded programs.

3.1.3.21 Decline external assistance where costs are prohibitive, alignment is weak, or terms threaten national sovereignty or development coherence.

3.2 Robust Institutional Coordination and Capacity Development

3.2.1 Policy Issues

Kenya's external resource management system remains centralized within the National Treasury, yet fragmented coordination among actors persists. Weak linkages between national and county governments, inconsistent sector engagement, unstructured donor collaboration, and limited involvement of non-state actors (NSAs) have collectively constrained the coherence and impact of externally funded programs. Despite the clear division of functions between the two levels of government in Schedule IV of the Constitution, overlaps in responsibilities during project implementation continue to generate inefficiencies and delay results.

Capacity deficits at sub-national levels remain particularly pronounced. Counties often lack the institutional readiness, technical expertise, and financial systems needed to lead or absorb external assistance effectively. The 2014 KERP offered limited guidance on how to integrate county priorities into external resource planning or how to institutionalize cross-governmental coordination. Timelines for donor disbursements and government fiscal processes frequently clash, resulting in implementation bottlenecks. At the same time, development partner coordination structures such as SWGs have been inconsistently applied, often lacking regular convening, defined mandates, or cross-stakeholder accountability.

In addition, the absence of formalized mechanisms for engaging research institutions and academia in external resource governance has deprived the system of vital analytical capacity for project design, impact assessment, and learning. Strategic planning and evaluation remain underutilized, with limited use of evidence to inform project selection or review effectiveness. These institutional gaps hinder the realization of development results and obscure accountability across all levels of government and stakeholder groups.

3.2.2 Policy Statement

Policy Statement 2.1: Institutional Coordination

The Government commits to strengthening institutional coordination and governance in external resource management across all levels and sectors. This includes clarifying roles, deepening engagement across national and county institutions, reinforcing stakeholder collaboration, and leveraging technical capacity to enhance the effectiveness and coherence of Kenya's external resource framework.

3.2.3 Strategic Interventions

To enhance institutional coordination and address capacity challenges in the management of external resources, the Government will:

3.2.3.1 Facilitate joint planning, budgeting, and monitoring processes between national and county governments for externally funded projects, ensuring clearly defined roles and responsibilities across the two levels of government.

3.2.3.2 Expand and reinforce the coordination role of the PDMO and the National Treasury in line with PFMA, and ensure that PDMO develops and regularly updates a national external resources mobilisation strategy.

3.2.3.3 Strengthen Sector Working Groups and other joint dialogue mechanisms to institutionalize structured engagement with development partners, including joint annual planning, mid-term reviews, and coordinated monitoring frameworks.

3.2.3.4 Implement comprehensive and continuous capacity-building initiatives targeting national and county officials. These will focus on financial management, procurement, negotiation, project design, and results-based implementation of externally funded initiatives.

3.2.3.5 Develop a national communication and dissemination strategy for the Revised KERP. The strategy will guide the inclusion of KERP priorities in institutional performance contracts and ensure structured awareness creation across government entities.

3.2.3.6 Establish formal partnerships with universities, research institutions, and think tanks to support policy formulation, impact evaluation, evidence generation, and knowledge-sharing on effective external resource governance.

3.2.3.7 Promote cross-sectoral coordination between MDAs, counties, and NSAs by revitalizing intergovernmental platforms and defining governance models for aid coordination that are aligned to national and county structures.

3.2.3.8 Initiate targeted institutional strengthening at county level to improve readiness and capacity to manage external resources, including the establishment of focal points for external assistance and technical advisory teams where needed.

3.2.3.9 Decentralize select operational responsibilities for externally funded projects to MDAs and counties, within a robust accountability and performance monitoring framework supported by the National Treasury.

3.2.3.10 Align the Revised KERP with the PFMA and associated regulations, including by clarifying the role of the National Consultative Forum in facilitating linkages between the National Treasury and Public Benefit Organizations (PBOs) in external resource engagement.

3.3 Prudent Debt Management and Fiscal Sustainability

3.3.1 Policy Issues

The 2014 KERP did not provide an adequate linkage between external resource mobilization and Kenya's debt sustainability frameworks. Its narrow scope excluded fiscal safeguards or mandatory integration with public debt strategies, leading to misaligned borrowing practices and fragmented resource planning. In the context of rising debt service costs, exacerbated by Kenya's growing reliance on commercial borrowing instruments such as Eurobonds and syndicated loans, this omission has had significant macroeconomic implications.

Public debt service has increased by more than 260 percent between FY 2016/17 and FY 2023/24, placing immense pressure on the national budget and constraining the fiscal space available for development expenditure. In many instances, loans have financed projects without rigorous cost-benefit analysis or long-term sustainability planning. The absence of structured transition pathways for donor-supported programs has created dependency cycles in critical sectors such as health and education, leaving essential services vulnerable to donor withdrawal.

Kenya's classification as a lower-middle-income country has further reduced access to concessional finance, increasing exposure to non-concessional debt with less favourable terms. Without embedded concessionality thresholds, rigorous screening for revenue-generating capacity, and structured links to the DSA and MTDS, the fiscal risks associated with external borrowing will continue to escalate. These challenges require deliberate alignment of external resource mobilization with national debt management policies and a renewed focus on funding self-reliant, high-impact investments.

3.3.2 Policy Statement

Policy Statement 3.1: Enhance Debt Sustainability and Fiscal Prudence

The Government commits to ensuring that all external resource mobilization, especially through borrowing, is conducted with fiscal responsibility and long-term sustainability in mind. External borrowing will be guided by the principles of fiscal prudence set out in the PFMA, its attendant regulations, and the Public Debt and Borrowing Policy 2020.

Mobilization decisions will be anchored on robust debt sustainability analyses and alignment with national macroeconomic policies.

3.3.3 Strategic Interventions

To enhance debt sustainability and promote fiscal prudence, the Government will:

3.3.3.1 Establish integrated planning mechanisms to ensure that external resource mobilization strategies are fully aligned with national fiscal, monetary, and macroeconomic frameworks. This includes synchronizing KERP with the Public Debt and Borrowing Policy 2020, MTDS, DSA, and the Annual Borrowing Plan.

3.3.3.2 Institutionalize the use of updated debt sustainability analyses as a prerequisite for all external borrowing decisions. Project proposals seeking external funding will be appraised in light of prevailing debt ratios, repayment capacity, and fiscal absorption space.

3.3.3.3 Develop and implement structured transition frameworks for externally funded programs, ensuring a gradual and sustainable shift to domestic financing once donor support concludes.

3.3.3.4 Prioritize strategic allocation of domestic resources to fund essential public services—such as education, healthcare, water, and sanitation—thereby reducing over-reliance on external resources for basic service delivery and promoting national resilience.

3.3.3.5 Adopt a risk-informed approach to financing, giving precedence to concessional and semi-concessional instruments for projects with demonstrable socio-economic returns or revenue-generating potential, based on rigorous project appraisal and prevailing market dynamics.

3.3.3.6 Promote public understanding of debt strategy and fiscal sustainability through structured public communication, education, and information dissemination. This will foster transparency, build trust, and support informed stakeholder participation in debt-related decision-making processes.

3.4 Enhanced Efficiency, Absorption Capacity and Effective Implementation

3.4.1 Policy Issues

The persistent underutilization of external resources has remained a major constraint to achieving timely development outcomes. Projects financed through external assistance frequently encounter delays in approval, procurement, disbursement, and implementation phases. Disjointed procedures across development partners, misaligned fiscal calendars, and weak internal systems have contributed to poor absorption and delayed service delivery. These inefficiencies increase the cost of development and diminish the intended impact of aid-financed programs.

While the Government has initiated reforms such as the introduction of the e-PROMIS platform to automate project management, these digital tools are not yet fully integrated with other critical systems such as IFMIS. The lack of a centralized, real-time interface for external resources undermines transparency and creates gaps in oversight and planning.

Capacity constraints across government institutions, particularly within the PDMO, state corporations, and county governments, continue to hinder effective negotiation, coordination, and execution of externally funded initiatives. Operational bottlenecks, including delays in securing counterpart funding and land acquisition challenges, further limit project performance.

The absence of a unified external resources operations manual and harmonized government circulars has created confusion among implementing entities, while the weak linkage between financial and non-financial performance indicators limits accountability for results. These issues necessitate a decisive shift toward streamlined systems, digitized management, and evidence-based implementation.

3.4.2 Policy Statement

Policy Statement 4.1: Maximise the Efficiency, Absorption and Impact of External Resources

The Government of Kenya commits to enhancing the efficiency of external resource utilization across all levels of government. Efforts will prioritize accelerated disbursement, improved institutional capacity, streamlined operational processes, digital integration, and strengthened linkage to performance management frameworks to maximize development outcomes and value for money.

3.4.3 Strategic Interventions

To improve efficiency, absorption capacity, and implementation effectiveness, the Government will:

3.4.3.1 Review, streamline, and harmonize project approval, procurement, and disbursement processes for all externally funded projects. Special attention will be given to addressing delays arising from donor-specific procedures and "no-objection" clauses.

3.4.3.2 Simplify and consolidate all circulars related to external resources and develop a comprehensive External Resources Operations Manual. This manual will provide standardized and efficient procedures for national and county governments, development partners, and implementing agencies.

3.4.3.3 Improve the alignment and synchronization of donor disbursement systems with National Treasury protocols to reduce operational delays and enhance fund flow predictability.

3.4.3.4 Complete the implementation of Kenya's Integrated National Financing Framework, including full integration of e-PROMIS with IFMIS and all other relevant public financial management and investment systems.

3.4.3.5 Establish and operationalize a centralized, interoperable digital portal as the authoritative platform for real-time tracking of project approvals, disbursements, progress, and results across all externally financed interventions.

3.4.3.6 Promote the adoption of digital project management systems and continue to digitize procurement workflows to enhance transparency, reduce delays, and reinforce accountability mechanisms.

3.4.3.7 Strengthen digitization of revenue collection systems at both national and county levels and ensure the operationalization of the single government payment system to facilitate efficient public finance flows.

3.4.3.8 Institutionalize targeted capacity-building programs for officers in MDAs, counties, and state corporations focused on external resource management, negotiation, financial analysis, implementation, and performance monitoring.

3.4.3.9 Promote the consolidation of fragmented aid flows where practical through pooled funding mechanisms or Sector-Wide Approaches (SWAPs) to reduce transaction costs and enhance coordination among development partners.

3.4.3.10 Strengthen the linkage of externally funded project execution to financial and non-financial performance indicators, ensuring alignment with the Programme-Based Budgeting framework.

3.4.3.11 Ensure the timely provision of counterpart funding and develop expedited, transparent procedures for land acquisition and compensation of project-affected persons.

3.4.3.12 Enhance the realization of committed external resources and improve disbursement rates through proactive planning, fund flow tracking, and regular review of donor financing commitments.

3.4.3.13 Introduce and enforce sector-specific expenditure ceilings for donor-funded projects to promote fiscal discipline and coherent budgetary planning.

3.$.3.14 Implement strategic policies to expand the domestic tax base and improve tax administration to increase fiscal space and reduce over-reliance on external financing.

3.4.3.15 Institutionalize rigorous value-for-money audits and comprehensive performance reviews for all externally funded projects to ensure accountability, improve outcomes, and inform future programming.

3.5 Adaptability, Innovation, and Policy Responsiveness

3.5.1 Policy Issues

The 2014 KERP remains misaligned with recent global and national developments in external resource mobilization. It lacks mechanisms for regular review and revision, limiting its relevance in a financing environment characterized by complexity, innovation, and shifting conditionalities. The policy was developed prior to key global frameworks such as the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, and the Paris Agreement. It does not sufficiently embed principles for integrating climate, gender, and social inclusion in programming, budgeting, or evaluation.

There is no institutional provision within the policy to address emerging risks linked to global shocks, market volatility, or geopolitical dynamics. Kenya's reclassification as a Lower Middle-Income Country has also shifted the financing mix available to the country, with a reduced share of concessional aid and greater reliance on market-based and thematic funding. The existing policy framework does not provide a proactive strategy to navigate this transition.

Technology, data systems, and innovation offer new opportunities to optimize resource mobilization and improve results. However, the 2014 KERP does not provide guidance on integrating digital solutions for real-time monitoring, performance management, and inclusive service delivery. These gaps affect Kenya's readiness to leverage new financing instruments and delivery models that are increasingly becoming the global norm.

3.5.2 Policy Statement

Policy Statement 5.1: Policy Responsiveness

The Government commits to ensuring that Kenya's external resources policy remains agile, forward-looking, and aligned with national development priorities and international commitments. This includes institutionalizing periodic review, mainstreaming emerging development priorities, embedding inclusive development principles, and preparing for shifts in the structure and accessibility of external financing.

3.5.3 Strategic Interventions

To ensure that the Revised KERP is responsive, adaptive, and fit for purpose in a dynamic global context, the Government will:

3.5.3.1 Institutionalize a mandatory, comprehensive review and update of this policy at least once every five years, or earlier where major shifts in global or national financing trends occur. This will ensure the policy remains relevant to prevailing conditions, integrates feedback, and incorporates lessons learned from implementation.

3.5.3.2 Develop and maintain a national external financing risk register and mitigation framework. This instrument will identify and assess key fiscal, monetary, macroeconomic, operational, and geopolitical risks affecting external financing. It will prescribe actionable strategies to manage these risks, ensure fiscal stability, and safeguard national development programs.

3.5.3.3 Promote the strategic adoption and application of appropriate technologies in the administration of external resources. Digital innovations will be used to enhance planning, implementation, and oversight across all sectors benefiting from external financing.

3.5.3.4 Mainstream principles of equity, climate resilience, environmental sustainability, gender equality, and social inclusion throughout the external resource lifecycle. This includes embedding such priorities in project design, resource allocation, beneficiary targeting, performance evaluation, and impact measurement.

3.5.3.5 Enforce the use of clearly defined eligibility criteria, operational definitions, compliance benchmarks, and impact assessment frameworks for all externally funded programs. These criteria will be guided by Government policies and regulations, including but not limited to, NEMA requirements, Environmental and Social Safeguards, EIA/EA guidelines, and gender and inclusion policies.

3.5.3.6 Develop and implement clear strategies to guide Kenya's transition in response to its Lower Middle-Income Country status. These strategies will support the diversification of external resources, strengthen negotiations with non-traditional donors, and safeguard funding for key public services at risk of donor exit.

3.6 Strengthened Governance, Transparency, and Accountability

3.6.1 Policy Issues

The sustainable and effective use of external resources depends on high standards of governance, transparency, and accountability. Despite existing legal and regulatory provisions under PFMA and supporting frameworks, challenges persist in the management of external resources. The Office of the Auditor General has continuously flagged audit exceptions, including unexplained variances in loan balances, failure to disclose the terms and conditions of grant and loan agreements, and poor tracking of disbursements and project outcomes.

Discrepancies between actual resource flows and reported budget performance are frequent, contributing to diminished public trust and weakening oversight. External resources are often off-budget or managed through parallel systems, making it difficult to reconcile commitments with development results. Internal audit functions within MDAs, and County Governments often lack the capacity, independence, or tools to flag and respond to risks in real time.

In the absence of centralized and accessible data platforms, there is limited visibility on the performance of externally financed projects. Citizen engagement in oversight is weak due to low awareness and insufficient access to information, further limiting transparency. These challenges necessitate a stronger governance model, enhanced audit and risk frameworks, and a public-facing information regime that enables real-time tracking and participation.

3.6.2 Policy Statement

Policy Statement 6.1: Enhancing Transparency and Accountability

The Government of Kenya commits to ensuring that all external resources are mobilized, utilized, and monitored in a transparent and accountable manner. This includes disclosing information to all stakeholders, upholding public trust through open governance, and institutionalizing oversight systems that guarantee the ethical and effective use of external resources for their intended development purposes.

3.6.3 Strategic Interventions

To strengthen governance, transparency, and accountability in the management of external resources, the Government will:

3.6.3.1 Develop and institutionalize a dedicated Monitoring and Evaluation (M&E) framework for external resources that includes clear performance indicators linked to budgetary and development outcomes.

3.6.3.2 Build the capacity of national and county-level institutions to undertake independent and effective M&E, particularly on externally financed projects, through targeted training and standardized tools.

3.6.3.3 Leverage digital tools such as IFMIS, e-PROMIS, and NIMES to enable real-time tracking of the mobilization, utilization, and reporting of external resources, while ensuring system interoperability and data accuracy.

3.6.3.4 Align Kenya's external resource data systems with international standards, including the International Aid Transparency Initiative (IATI), to promote comparability, quality assurance, and good practice.

3.6.3.5 Ensure the regular, timely, and accessible public disclosure of information on all external resource commitments, disbursements, contractual terms, and project implementation milestones through a unified public portal.

3.6.3.6 Promote a results-driven and risk-responsive approach to financing that integrates financial integrity, development outcomes, and institutional performance into external resource governance.

3.6.3.7 Publish updated and verifiable data on public debt, financial assets, donor commitments, and budget execution through a single national platform maintained by the National Treasury.

3.6.3.8 Develop and implement a national communication and outreach strategy to ensure the public, development partners, and civil society have timely access to accurate information and understand available channels for participation in monitoring and oversight.

3.6.3.9 Strengthen the capacity, operational independence, and coordination of Internal Audit Units and Audit Committees across MDAs and County Governments to enhance their ability to perform real-time audits and deliver credible reports on the use of external resources.

CHAPTER FOUR: FRAMEWORK FOR IMPLEMENTING THE REVISED EXTERNAL RESOURCES POLICY

This chapter outlines the institutional arrangements and coordination mechanisms necessary to operationalize the policy. It clarifies the mandates and responsibilities of national and county governments, development partners, semi-autonomous government agencies, and non-state actors. It also describes the procedures and processes to be followed throughout the project cycle, from resource identification to implementation and closure.

Phase	Activities	Responsible Body	Timeline	Indicators	Means of Verification
Planning & Mobilization	Identify resource gaps Engage with Development Partners Align donor programs with national strategies	State Department for Economic Planning The National Treasury Sector Ministries/MDAs County Governments Sector Working Groups National Development Partners Coordination Group	Q3 2025 – Q2 2026	Resource gap analysis report finalized ≥ 2 high-level partner engagement fora held ≥ 80 % of donor programs mapped to national strategies	Published gap analysis report (State Dept. for Planning website) Meeting minutes & attendance registers Donor-alignment matrix in Development Assistance Database (DAD)
Negotiation	Define terms for borrowing/acquisition Review compliance with	The National Treasury Ministry of Foreign and	Project-specific; usually within 3 months of	Signed financing agreements on record	Executed loan / grant agreements (National Treasury

	national aid policies Compliance with foreign Policies Sign agreements	Diaspora Affairs Attorney General's Office	concept note approval	Legal compliance checklists completed Cabinet/Parliamentary approvals secured	archives) Attorney-General compliance opinion letters Hansard excerpts / Cabinet memoranda
Implementation	Execute projects Disburse funds Monitor performance	Implementing Agencies – MDAs, County Governments NSAs	Throughout project life-cycle (2025 – 2030)	Cumulative disbursement rate ≥ 90 % of schedule Physical progress ≥ 85 % of plan Quarterly performance scorecards produced	DAD disbursement dashboards Implementing-agency progress reports Independent supervision / site-inspection reports
Monitoring & Evaluation	Track disbursements (via Development Assistance Database) Evaluate project outcomes Conduct joint sector review	State Department for Economic Planning The National Treasury SWGs	Quarterly (tracking) & biennial (outcome evaluation)	100 % of projects updated in DAD each quarter Outcome evaluation reports completed for ≥ 70 % of closed projects	DAD log extracts Published evaluation reports JSR communiqués

				At least one Joint Sector Review (JSR) per fiscal year	
Reporting & Feedback	Annual Development Cooperation Report Feedback to Development Partners and Other stakeholders (citizens) Policy adjustments based on results	Office of Auditor General State Department for Planning Controller of Budget	Annually, by 30 September	Annual Development Cooperation Report tabled ≥ 3 feedback forums with CSOs & citizens Policy revisions drafted within 6 months of report	Report copies (Parliament library) Forum proceedings & participant lists Revised policy drafts / circulars
Disbursements and Repayments	managing loan disbursements and repayments	Central Bank of Kenya	Monthly disbursement & quarterly repayment cycles	Timely release of funds (≤ 10 days variance) Debt-service payments made on schedule Variance in debt-maturity profile < 5 %	Central Bank disbursement notices Debt-service schedules Treasury debt portfolio review

Oversight	Setting Loan Limits Approving Loans Scrutinizing the use of external resources).	Parliament	Every budget cycle & as loans arise	Loan-limit resolutions passed Audit queries addressed within 90 days % of projects flagged for irregularities	Parliament Hansard & committee reports Auditor-General reports Public Accounts Committee minutes
Capacity Building	Build the capacity of government institutions and local stakeholders in project management, financial management, and other relevant areas.	The National Treasury Development Partners NSAs	2025 – 2028 phased roll-out	≥ 500 public officers trained Post-training assessment score ≥ 75 % Project-management certification rate ≥ 60 %	Training attendance sheets Pre/post assessment records Certification database
Coordination with Non-State Actors	Prepare Guidelines for engaging with and coordinating the activities of non-governmental organizations and civil society organizations that may also receive external	Non-State Actors The National Treasury Development Partners	Guidelines issued by Q2 2026; continuous thereafter	Guidelines gazette CSO project registry operational ≥ 2 joint reviews held	Kenya Gazette notices Registry entries

	funding.			annually	Joint review reports
Environmental and Social Safeguards	Ensuring that projects funded by external resources adhere to environmental and social impact assessment requirements and safeguard policies	The National Treasury MDAs County Governments Development Partners	Throughout project cycle	100 % of projects with approved ESIA No. of safeguard breaches per year (< 3) Average compliance score ≥ 90 %	ESIA approval letters Safeguard monitoring checklists Independent audit findings
Communication	Dissemination/Mainstreaming of Revised KERP	National Treasury State Department for Planning MDAs and County Governments	Revised KERP disseminated by Q4 2025; updates ongoing	Copies of KERP circulated to all MDAs & counties Stakeholder awareness sessions conducted (≥ 10) Web portal hits increase by 30 %	Distribution logs Workshop attendance sheets Portal analytics dashboard

CHAPTER FIVE: MONITORING, EVALUATION, LEARNING, AND REPORTING

5.1 Overview

This chapter provides the manner in which the policy interventions and actions will be monitored, evaluated and reported. It sets out how the policy measures presented in Chapters 3 and 4 will be tracked, assessed, and continuously improved. It translates the implementation matrix into a clear results-management system that complies with the National Treasury's DAD protocols and good practice in adaptive management. Together, the monitoring system provides real-time evidence, the evaluations dig deeper into effectiveness, the learning loops ensure adaptation, and the reporting architecture keeps every stakeholder, citizen or partner, abreast of progress. This integrated approach transforms the policy from a static document into a living instrument for results and continuous improvement.

5.2 Monitoring

Focus	***What will be tracked***	***Data source & frequency***	***Responsibilities***
Disbursement & budget execution	• Quarterly disbursement rate (% of planned) • Variance between planned vs actual releases (≤ ±10 %)	DAD; IFMIS – quarterly	National Treasury; Implementing MDAs
Activity & output delivery	• Physical progress (% milestones reached) • Contract compliance scorecards	Implementing agency reports – monthly; field spot-checks – semi-annual	MDAs; County Governments
Safeguard compliance	• % projects with approved ESIA • Number of safeguard breaches (target = 0)	ESIA register; site audits – annual	NEMA; MDAs
Governance & oversight	• Number of audit queries resolved within 90 days • Parliamentary oversight sittings held (≥ 2 p.a.)	Auditor-General & PAC records – annual	Office of the Auditor-General; Parliament

Key monitoring tools include the DAD for financial flows, quarterly performance dashboards generated by the State Department for Planning, and joint field missions aligned to the Joint Sector Review (JSR) calendar

5.3 Evaluation

Evaluation type	*Timing*	*Core questions*	*Methodology*	*Accountability*
Mid-term review	At 50 % of implementation period	Are outputs translating into intended outcomes? Are assumptions still valid?	Mixed-methods: document review, beneficiary surveys, cost–benefit analysis	Independent evaluator contracted by National Treasury
End-term outcome evaluation	Six months before programme close	What results were achieved relative to the log-frame targets? What factors explain variance?	Contribution analysis, KPI trend analysis, stakeholder reflection workshops	State Department for Planning & development partners
Impact evaluation (select flagship projects)	3 – 5 years post-completion	What long-term socio-economic or environmental changes occurred?	Counterfactual design where feasible; quasi-experimental methods	National Treasury (M&E Directorate) in collaboration with academia
Thematic evaluations	As triggered (e.g., safeguard breaches)	Are cross-cutting issues such as gender, climate resilience, innovation being mainstreamed?	Rapid appraisal; case studies	SWGs

Evaluation findings must be tabled at the JSR. They feed directly into the Annual Development Cooperation Report and the *Medium-Term Expenditure Framework* review cycle.

5.4 Learning

Learning is the bridge between monitoring data and policy improvement. The framework institutes three mechanisms:

1. **Quarterly learning briefs** – two-page syntheses of emerging lessons, circulated through the SWGs and posted on the Treasury's knowledge portal.
2. **After-action reviews (AARs)** – rapid reflections held within 30 days of major milestones or safeguard incidents, capturing what worked, what did not, and why.
3. **Annual learning forum** – a one-day event preceding the JSR where government, development partners, counties and CSOs co-generate recommendations for adaptive action.

Insights will be logged in the DAD's *Knowledge Note* module, creating a feedback loop for continual refinement of indicators and implementation modalities.

5.5 Reporting

Report	***Audience***	***Frequency & deadline***	***Content highlights***	***Clearance chain***
Quarterly performance dashboard	Cabinet Secretary, SWGs, Counties	30 days after each quarter	Traffic-light status of KPIs; financial vs physical progress	M&E Directorate → Treasury PS
Annual Development Cooperation Report	Parliament, public, development partners	30 Sept each year	Aggregated results, case studies, lessons, policy shifts	National Treasury → Cabinet → Parliament
Financial statements & audit reports	Auditor-General, Controller of Budget	Annual; within six months of FY end	Expenditure statements, audit findings, management responses	Implementing MDAs → Auditor-General
Citizen feedback digest	General public	Bi-annual	Summary of grievances logged via e-platforms and responses	State Department for Planning

All reports need to adopt a common results template linked to the chapter's indicators, ensuring consistency from project level through to national dashboards. To close the loop, the Treasury needs to publish a "You Said—We Did" annex each year summarising how stakeholder feedback has informed policy adjustments, thereby ensuring transparency and accountability.

CHAPTER SIX: POLICY REVIEW

To ensure that the Revised KERP remains responsive the policy shall be reviewed every five years, or earlier if significant shifts in the development finance ecosystem, macroeconomic context, or legal and institutional frameworks necessitate timely revisions. This periodic review process will be led by the National Treasury through the PDMO in close consultation with key stakeholders, including line ministries, county governments, development partners, civil society, and the private sector. The review shall be evidence-based and informed by performance evaluations, audit findings, implementation lessons, and global best practices. The aim is to ensure that the policy remains effective, forward-looking, and well-aligned with Kenya's strategic objectives and international commitments.

.

REFERENCES

International Frameworks and Declarations

1. African Union Commission. (2015). *Agenda 2063: The Africa We Want*. African Union. https://au.int/en/agenda2063/overview(African Union)
2. Global Partnership for Effective Development Co-operation. (2016). *Nairobi* Outcome *Document*. https://www.effectivecooperation.org/system/files/2020-05/Nairobi-Outcome-Document-English.pdf
3. Organisation for Economic Co-operation and Development (OECD). (2008). *Accra Agenda for Action*. OECD Publishing. https://www.oecd.org/en/publications/2008/09/accra-agenda-for-action_g1g1294b.html(OECD)
4. Organisation for Economic Co-operation and Development (OECD). (2011). *Busan Partnership for Effective Development Co-operation*. OECD Publishing. https://www.oecd.org/en/publications/busan-partnership-for-effective-development-co-operation_54de7baa-en.html(OECD)
5. Organisation for Economic Co-operation and Development (OECD). (2023). *Development Co-operation Report 2023: Debating the Aid System*. OECD Publishing. https://www.oecd.org/dac/development-cooperation-report-20747721.htm
6. Organisation for Economic Co-operation and Development (OECD). (2005). *Paris Declaration on Aid Effectiveness*. https://www.oecd.org/en/publications/2005/03/paris-declaration-on-aid-effectiveness_g1g12949.html(OECD)
7. Organisation for Economic Co-operation and Development (OECD). (n.d.). *Evaluation Criteria*. https://www.oecd.org/en/topics/sub-issues/development-co-operation-evaluation-and-effectiveness/evaluation-criteria.html
8. United Nations Framework Convention on Climate Change (UNFCCC). (2015). *Paris Agreement*. United Nations. https://unfccc.int/process-and-meetings/the-paris-agreement(CSUS Library Guides)
9. United Nations. (2015). *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*. United Nations. https://sustainabledevelopment.un.org/index.php?menu=35&nr=2051&page=view&type=400(The Library of Congress)
10. United Nations. (2015). *Transforming our world: The 2030 Agenda for Sustainable Development* (A/RES/70/1). United Nations General Assembly. https://sdgs.un.org/2030agenda(Refworld)
11. World Bank & International Monetary Fund. (2024). *2024 Joint IMF–World Bank Debt Sustainability Analysis (DSA)*. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099022724150036630/bosib175e3dbb708c1959a1dd55c68bb4d7

Country-Specific Policy Documents

12. Government of Vietnam & International Partners Group. (2023). Vietnam Just Energy Transition Plan (JETP): Resource Mobilisation Plan. https://climate.ec.europa.eu/system/files/2023-

12/RMP_Viet%20Nam_Eng_%28Final%20to%20publication%29.pdf(European Commission)
13. Ministry of Finance and Economic Planning (MINECOFIN). (2011). Rwanda Aid Policy Manual of Procedures. https://e-ihuriro.rcsprwanda.org/wp-content/uploads/2023/06/Rwanda_Aid_Manual_of_Procedures.pdf(e-ihuriro.rcsprwanda.org)
14. Ministry of Finance, Ghana. (n.d.). External Resource Mobilization Framework. https://www.mofep.gov.gh/divisions/erm-b/overview(Reuters)

Kenyan Government Documents

15. Government of Kenya. (2014). *Kenya External Resources Policy*. The National Treasury. https://iru.treasury.go.ke/wp-content/uploads/2021/06/Kenya-External-Resources-Policy-2014.pdf(Treasury)
16. Government of Kenya**.** **(**2012**)**. *Public Finance Management Act*. Kenya Law. https://new.kenyalaw.org/akn/ke/act/2012/18(Kenya Law)
17. The National Treasury and Planning. (2020). *Public Debt and Borrowing Policy*. The National Treasury. https://www.treasury.go.ke/wp-content/uploads/2021/02/Debt-and-Borrowing-Policy-2020-Final-June-2020.pdf(Treasury)
18. The National Treasury and Economic Planning. (2020–2024). *Budget Policy Statements (2020/2021 – 2023/2024)*. The National Treasury. https://www.treasury.go.ke/budget-policy-statement/
19. The National Treasury and Economic Planning. (2024). *Third Voluntary National Review (VNR) on Implementation of SDGs*. The National Treasury. https://www.planning.go.ke/wp-content/uploads/2024/07/2024-VNR-REPORT.pdf
20. Government of Kenya. (2023). *Executive Order No. 1 of 2023 – Organization of the Government of Kenya*. The Presidency. https://www.president.go.ke/wp-content/uploads/Executive-Order-No.-1-of-2023-Organization-of-the-Government-of-Kenya.pdf
21. Office of the Controller of Budget. (2023–2025). *National and County Budget Implementation Review Reports*. Controller of Budget. https://cob.go.ke/reports/consolidated-county-budget-implementation-review-reports/
22. Government of Kenya. (2016**)**. *Legal Notice No. 52 – Public Finance Management (National Government Affirmative Action Fund) Regulations*. Kenya Law. https://kdic.go.ke/sites/default/files/2021-07/PublicFinance_NationalGovernmentAffirmativeActionFund_Regulations_2016.pdf
23. Government of Kenya. (2018). *Legal Notice No. 141 – Public Finance Management (National Government) (Amendment) Regulations*. Kenya Law. https://kenyalaw.org/kl/fileadmin/pdfdownloads/LegalNotices/2018/LN141_2018.pdf
24. Government of Kenya. (2022). *Legal Notice No. 213 – Public Finance Management (Financial Inclusion Fund) Regulations*. Kenya Law. https://kenyalaw.org/kl/index.php?id=11720(Kenya Law)
25. Government of Kenya. (2022). *Legal Notice No. 54 – Public Finance Management (Public Investment Management) Regulations*. The National Treasury. https://www.treasury.go.ke/wp-content/uploads/2023/03/Published-PIM-Regulations.pdf

26. Government of Kenya. (2024). *Legal Notice No. 78 – Commencement of the Public Benefits Organizations Act, 2013*. Kenya Law. https://kenyalaw.org/kl/fileadmin/pdfdownloads/LegalNotices/2024/LN78_2024.pdf
27. Cabinet Affairs Office. (2023). *Circular on Rationalization of Non-Priority Expenditure and Suspension of Procurement of Promotional Merchandise*. Cabinet Affairs. https://www.cabinetaffairs.go.ke/circulars

Kenyan Government Publications

28. Kenya National Bureau of Statistics (KNBS). (2024). *Economic Survey 2024*. https://www.knbs.or.ke/wp-content/uploads/2024/05/2024-Economic-Survey.pdf
29. Institute of Public Finance Kenya. (2024). *Policy Brief on Strengthening Debt Accountability in Kenya*. https://ipfglobal.or.ke/wp-content/uploads/2025/01/Strengthening-Debt-Accountability-POLICY-BRIEF.pdf(IPF Global)

Strategic Plans and Economic Frameworks

30. Government of Kenya. (2007). *Kenya Vision 2030: The Popular Version*. https://vision2030.go.ke/publication/kenya-vision-2030-popular-version/(Vision 2030)
31. Government of Kenya. (2008). *First Medium-Term Plan (2008–2012)*. Kenya Vision 2030. https://vision2030.go.ke/wp-content/uploads/2018/06/kenya_medium_term_plan_2008-2012-1.pdf
32. Government of Kenya. (2013). *Second Medium-Term Plan (2013–2017)*. Kenya Vision 2030. https://vision2030.go.ke/2013-2017/
33. Government of Kenya. (2018). *Third Medium-Term Plan (2018–2022)*. Kenya Vision 2030. https://vision2030.go.ke/publication/third-medium-term-plan-2018-2022/
34. Government of Kenya. (2023). *Bottom-Up Economic Transformation Agenda (BETA)*. Kenya Vision 2030. https://repository.kippra.or.ke/handle/123456789/4856
35. Government of Kenya. (2023). *Fourth Medium-Term Plan (2023–2027): Bottom-Up Economic Transformation Agenda for Inclusive Growth*. Kenya Vision 2030. https://vision2030.go.ke/wp-content/uploads/2024/03/FINAL-MTP-IV-2023-2027_240320_184046.pdf