



REPUBLIC OF KENYA

THE NATIONAL TREASURY

2025 BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2025

©2025 Budget Review and Outlook Paper (BROP)

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Foreword

The 2025 Budget Review and Outlook Paper (BROP) has been prepared against a backdrop of projected modest global recovery of 3.1 percent in 2026 from 3.0 percent in 2025. This reflects the positive impact of further easing of monetary policy as inflationary pressures subside, stronger domestic demand in emerging markets and developing economies, and a gradual recovery in global trade. Overall, the outlook suggests a cautiously optimistic rebound, though risks from geopolitical tensions, debt vulnerabilities, and climate-related shocks remain significant.

Domestically, Kenya's economy continues to demonstrate resilience, underpinned by prudent fiscal and monetary policies, strong agricultural performance, industrial recovery, and a robust services sector. Growth is projected at 5.3 percent in 2025 and 2026, up from 4.7 percent in 2024. The growth outlook will be reinforced by implementation of strategic interventions under the Bottom-Up Economic Transformation Agenda (BETA) aimed at fostering sustainable and inclusive growth, improving livelihoods, and maintaining fiscal discipline. The BETA as articulated in the Fourth Medium Term Plan (MTP IV) of the Kenya Vision 2030 focuses on five key pillars, namely: Agricultural Transformation; Micro, Small and Medium Enterprises (MSME) Economy; Housing and Settlement; Healthcare; and the Digital Superhighway and Creative Economy. The agenda aims to lower the cost of living, eradicate hunger, create jobs, expand the tax base, improve foreign exchange reserves, and promote inclusive growth.

Fiscal performance in FY 2024/25 was characterized by revenue shortfalls arising from the withdrawal of the Finance Bill 2024 and ensuing public protests that disrupted economic activities. To sustain fiscal consolidation and protect essential services, the Government implemented various revenue and expenditure measures. On the revenue side, the Government enacted the Tax Laws (Amendment) Act, 2024, Tax Procedures (Amendment) Act, 2024 and Business Laws (Amendment) Act, 2024 in order to enhance revenue mobilization, strengthen tax administration and compliance, and improve the ease of doing business. On expenditure side, the Government rationalized spending on non-essential services. Despite the challenging fiscal environment, the Government met key obligations such as debt repayments, releasing funds due to Ministries, Departments and Agencies (MDAs), and disbursing 100 percent of the equitable share to all counties by 30th June 2025.

Implementation of the FY 2025/26 budget remains on track. Total revenue amounted to KSh 419.2 billion (2.2 percent of GDP) in August 2025 against a target of KSh 495.8 billion (2.6 percent of GDP) recording a shortfall of KSh 76.6 billion. This performance, coupled with the weak budget outturn in FY 2024/25, points to continued fiscal pressures and underscores the need for realistic revenue projections while preparing the FY 2026/27 budget. In order to maintain the fiscal balance consistent with the fiscal consolidation plan, revenue projections and expenditure estimates for FY 2025/26 remain aligned with those in the approved 2025 Budget Policy Statement.

In the FY 2026/27, the Government will continue implementing its fiscal consolidation plan aimed at reducing the fiscal deficit and containing growth in public debt. This will be done while safeguarding essential service delivery through enhanced domestic revenue mobilization and prudent expenditure management. Key revenue measures will focus on reducing tax expenditures, expanding the tax base, improving compliance, and streamlining the tax structure to support investment and economic activities. At the same time, the Government will continue

to strengthen public financial management by improving expenditure efficiency through the implementation of end-to-end e-Government Procurement System, integrated human resource management systems, pension reforms, expanded use of Public-Private Partnerships, and governance reforms in State Corporations. These interventions are central to ensuring fiscal sustainability and supporting inclusive, resilient economic growth.

Given fiscal constraints, resource prioritization is critical. Ministries, Departments and Agencies are required to rigorously review all planned programmes and projects to be funded in the FY 2026/27 and medium-term budget. Sector Working Groups (SWGs) are expected to prioritize essential spending and focus on interventions that improve livelihoods, create employment, support business recovery, and drive overall economic growth. Budget allocations will be guided by program efficiency and necessity, with strict sector ceilings ensuring fiscal discipline and effective use of limited resources.

I wish to acknowledge the invaluable support of Parliament, County Governments, the private sector, Development Partners, and all Kenyans to the economic transformation initiatives being implemented by the Government. To ensure sustainable implementation of its programmes, the Government remains vigilant to emerging risks, including global economic volatility, climate change impacts, and regional security concerns, and is committed to responsive policy measures. I call upon all stakeholders to support the development and implementation of the FY 2026/27 budget and medium-term plans to build a prosperous, resilient and inclusive Kenya for the current and future generations.

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

Acknowledgement

The 2025 Budget Review and Outlook Paper has been prepared in accordance with the Public Finance Management (PFM) Act, CAP 412A and its Regulations. It provides an overview of how the actual performance of the FY 2024/25 affected compliance with the fiscal responsibility principles outlined in the PFM Act, and the financial objectives set out in the 2025 Budget Policy Statement (BPS). It also presents the recent economic developments, macroeconomic and fiscal projections, and indicative sector ceilings for the FY 2026/27 and the medium-term budget as well as information on variations from the projections outlined in the 2025 Budget Policy Statement. The 2025 BRP will form the basis for the development of the 2026 Budget Policy Statement that will detail the various programmes and initiatives that will be undertaken during the Fourth Medium Term Plan of the Kenya Vision 2030.

Budget execution for FY 2024/25 faced major setbacks, resulting in challenges with revenue mobilization and financing. These fiscal pressures have made it necessary to revise downwards the revenue projections for FY 2026/27 and the medium-term budget, highlighting the urgent need to carefully prioritize Government projects and programmes. Poor prioritization of projects and programmes often leads to suboptimal budget allocations, subsequently resulting to requests for supplementary funding. We must avoid these outcomes in light of the tight fiscal framework under which the FY 2026/27 budget is being prepared.

I, therefore, urge all Ministries, Departments and Agencies, along with Sector Working Groups, to conduct rigorous review of their budget proposals to ensure resources are focused on high-impact initiatives aligned with the Bottom-Up Economic Transformation Agenda and aim to improve the well-being of Kenyans. In addition, I call on all Sector Working Groups to ensure inclusive engagement through open public and stakeholder participation. Stakeholders' inputs should be meaningfully incorporated into the development of sector priorities for the FY 2026/27 and the medium-term budget to enhance transparency, accountability, and relevance in resource allocation.

The preparation of the 2025 BRP was made possible through the collective efforts of various government entities. We sincerely thank all Ministries, Departments and Agencies, and spending units for their timely submission of data and insights on the implementation of the FY 2024/25 budget. We also acknowledge the Macro Working Group for reviewing this document to ensure its compliance with the PFM Act, CAP 412A. Furthermore, their work of setting sector ceilings has provided a clear framework to guide the preparation of FY 2026/27 and medium-term budgets across all sectors. The document incorporated key inputs from various Directorates and Departments within the National Treasury. Special appreciation goes to the Macro and Fiscal Affairs Department for effectively coordinating the finalization of the BRP. Finally, we extend our gratitude to all institutions and members of the public who participated in the consultation process. Your feedback and contributions were invaluable in enhancing the quality and relevance of this document.

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

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Abbreviations and Acronyms

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

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

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

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

Fiscal Responsibility Principles in the Public Finance Management Act

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

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

Executive Summary

The 2025 BROP has been prepared pursuant to PFM Act, CAP 412A and its Regulations. It provides an overview of how the actual performance of the FY 2024/25 affected compliance with the fiscal responsibility principles outlined in the PFM Act, and the financial objectives set out in the 2025 Budget Policy Statement (BPS). It also presents the recent economic developments, macroeconomic and fiscal projections, and indicative sector ceilings for the FY 2026/27 and the medium-term budget as well as information on variations from the projections outlined in the 2025 Budget Policy Statement. The 2025 BROP will form the basis for the development of the 2026 Budget Policy Statement that will detail the various programmes and initiatives that will be undertaken during the Fourth Medium Term Plan of the Kenya Vision 2030.

The 2025 BROP has been prepared against a backdrop of modest global economic recovery with global growth projected to pick up to 3.1 percent in 2026 from 3.0 percent in 2025. This reflects the positive impact of further easing of monetary policy as inflationary pressures subside, stronger domestic demand in emerging markets and developing economies, and a gradual recovery in global trade. Overall, the outlook suggests a cautiously optimistic rebound, though risks from geopolitical tensions, debt vulnerabilities, and climate-related shocks remain significant. Domestically, the economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. Going forward, growth is projected to improve to 5.3 percent annually for 2025 and 2026 from 4.7 percent in 2024, largely supported by a stable macroeconomic environment sustained by prudent fiscal and monetary policies, strong performance in the agriculture sector, a recovery of industrial activities, and the resilience of services sector.

The growth outlook will be reinforced by implementation of strategic interventions under the Bottom-Up Economic Transformation Agenda that is articulated in the Fourth Medium Term Plan. BETA targets reducing the cost of living, eradicating hunger, creating jobs, expanding the tax base, strengthening foreign exchange reserves, and promoting inclusive development through a value chain approach. To achieve these goals, special emphasis is placed on implementation of targeted policies and structural reforms under five key pillars with the greatest impact on economic recovery and household welfare, namely: Agricultural Transformation; Micro, Small and Medium Enterprises Economy; Housing and Settlement; Healthcare; and the Digital Superhighway and Creative Economy.

The fiscal performance for FY 2024/25 was characterized by revenue shortfalls caused by the withdrawal of the Finance Bill 2024 and public protests that disrupted economic activities. To sustain fiscal consolidation and protect essential services, the Government implemented various revenue and expenditure measures. On the revenue side, the Government enacted the Tax Laws (Amendment) Act, 2024, Tax Procedures (Amendment) Act, 2024, and Business Laws (Amendment) Act, 2024 in order to enhance revenue mobilization, strengthen tax administration and compliance, and improve the ease of doing business. On expenditure side, the Government rationalized spending on non-essential services. Despite a challenging fiscal environment, the Government met key obligations such as debt repayments, releasing funds due to Ministries, Departments and Agencies, and disbursing 100 percent of the equitable share to all 47 counties by 30th June 2025. Total revenue including Appropriations-in-Aid (AiA) increased by 8.2 percent amounting to KSh 2,923.6 billion, equivalent to 17.0 percent of GDP. The revenue was below target by KSh 62.0 billion. Total expenditure and net lending amounted to KSh 3,975.9 billion (23.2 percent of GDP) against a target of KSh 4,045.1 billion, resulting in an under-expenditure of KSh 69.1 billion. This deviation was mainly attributed to below target absorption in both recurrent and development expenditures. The resultant fiscal deficit

including grants (on a cash basis), amounted to KSh 1,019.1 billion, equivalent to 5.9 percent of GDP.

The implementation of the FY 2025/26 budget remains on track. The implementation of the FY 2025/26 budget remains on track. Total revenue amounted to KSh 419.2 billion (2.2 percent of GDP) in August 2025 against a target of KSh 495.8 billion (2.6 percent of GDP) recording a shortfall of KSh 76.6 billion. This performance, coupled with the weak budget outturn in FY 2024/25, points to continued fiscal pressures and underscores the need for realistic revenue projections while preparing the FY 2026/27 budget. In order to maintain the fiscal balance consistent with the fiscal consolidation plan, revenue projections and expenditure estimates for FY 2025/26 remain aligned with those in the approved 2025 BPS. Total revenue including Appropriation in Aid (AiA) for the FY 2025/26 is therefore, projected at KSh 3,321.7 billion (17.5 percent of GDP), while total expenditure and net lending is projected at KSh 4,269.9 billion (22.5 percent of GDP). The resultant fiscal deficit including grants is projected to decline to 4.7 percent of GDP from 5.9 percent of GDP in the FY 2024/25.

In the FY 2026/27, the Government will continue implementing its fiscal consolidation plan aimed at reducing the fiscal deficit and containing growth in public debt. This will be done while safeguarding essential service delivery through enhanced domestic revenue mobilization and prudent expenditure management. Key revenue measures will focus on reducing tax expenditures, expanding the tax base, improving compliance, and streamlining the tax structure to support investment and economic activities. At the same time, the Government will continue to strengthen public financial management by improving expenditure efficiency through the implementation of end-to-end e-Government Procurement System, integrated human resource management systems, pension reforms, expanded use of Public-Private Partnerships, and governance reforms in State Corporations. These interventions are central to ensuring fiscal sustainability and supporting inclusive, resilient economic growth.

In the FY 2026/27, total revenue including Appropriation-in-Aid (AiA) is projected at KSh 3,583.4 billion (17.1 percent of GDP). Of this, ordinary revenue is projected at KSh 2,998.3 billion (14.3 percent of GDP). This revenue performance will be underpinned by the on-going reforms in policy and revenue administration. The overall expenditure and net lending is projected at KSh 4,649.8 billion (22.2 percent of GDP) comprising: recurrent expenditure of KSh 3,437.2 billion (16.4 percent of GDP); development expenditure of KSh 761.0 billion (3.6 percent of GDP); transfer to Counties of KSh 446.6 billion and Contingency Fund of KSh 5.0 billion. The resulting fiscal deficit including grants of KSh 1,017.6 billion (4.9 percent of GDP) in FY 2026/27 will be financed by a net external financing of KSh 241.8 billion (1.2 percent of GDP) and a net domestic financing of KSh 775.8 billion (3.7 percent of GDP).

Taking into account the constrained fiscal environment, the Government will entrench the Zero-Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to projects and programmes in the FY 2026/27. Ministries, Departments, and Agencies will be required to re-evaluate all the existing or planned programmes, projects and activities to be funded in the FY 2026/27 and medium term budget. The FY 2026/27 and medium term budget will be developed using a value chain approach organized around five clusters: Finance and Production Economy; Infrastructure; Land and Natural Resources; Social Sectors; and Governance and Public Administration. The Sector Working Groups will be required to adhere to the sector ceilings provided in the 2025 BROP and focus on interventions that improve livelihoods, create employment, support business recovery, and drive overall economic growth. The sector ceilings provided for the FY 2026/27 and the medium term budget will form inputs into the 2026 Budget Policy Statement.

I. INTRODUCTION

Objective of the 2025 Budget Review and Outlook Paper

1. The 2025 Budget Review and Outlook Paper (BROP) provides a review of the fiscal performance for the financial year 2024/25 including adherence to the objectives and principles outlined in the 2025 Budget Policy Statement (BPS) and the Public Finance Management (PFM) Act, CAP 412A. It also presents macroeconomic projections and sector ceilings for the FY 2026/27 and the medium-term budget as well as information on variations from the projections outlined in the 2025 BPS. The medium term macroeconomic and fiscal projections in the 2025 BROP have been revised from those of the 2025 BPS estimates taking into account the macroeconomic and fiscal outcome of the FY 2024/25.

2. The 2025 BROP forms the basis for the development of the 2026 BPS that will detail the progress in the implementation of the priority policies and strategies of the Government under Bottom-Up Economic Transformation Agenda (BETA) as articulated in the Fourth Medium Term Plan of the Vision 2030; and preparation of the FY 2026/27 and the medium-term budget that will be guided by the Budget Calendar. The Budget Calendar for FY 2026/27 is guided by the timelines provided in the PFM Act, CAP 412A and has the following critical steps:

- i) The Budget Circular for the preparation of the FY 2026/27 and Medium-Term Budget was issued on 8th August 2025;
- ii) The Sector Working Groups were subsequently launched on 25th August 2025. The Public Sector Hearings will be held from 26th to 28th November 2025;
- iii) Preparation of the 2026 Budget Policy Statement will commence after approval of this 2025 Budget Review and Outlook Paper. Preparation of the 2026 Budget Policy Statement will be informed by the budget proposals from the Sector Working Groups and feedback from the public;
- iv) The 2026 Budget Policy Statement will be submitted to Cabinet for approval by 30th January 2026 and to Parliament by 15th February 2026 together with the Medium Term Debt Management Strategy, 2026; Division of Revenue Bill, 2026; County Allocation of Revenue Bill, 2026; and County Governments Additional Allocation Bill, 2026;
- v) The detailed Budget Estimates, Appropriation Bill, 2026 and the Finance Bill, 2026 will be submitted to Cabinet for approval by 21st April 2026 and to Parliament by 30th April 2026; and
- vi) Presentation of the Budget Statement to Parliament is scheduled for 11th June 2026 and approval and assent of both the Appropriation Bill, 2026 and Finance Bill, 2026 by 30th June 2026.

3. As required by the PFM Act, CAP 412A, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilisation and Government spending to ensure debt sustainability and stimulate economic activity. In this regard, the 2025 BROP provides sector ceilings which will guide the budget preparation process for the FY 2026/27 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term macro-fiscal projections as presented in Sections III and IV of this document. Sector ceilings in the 2025 BROP are aligned to the priorities of the Government that enhance value chain and linkage to BETA and other priority programmes outlined in MTP IV of the Vision 2030. It is also foreseen that risks may arise through the FY 2025/26 and medium-term budget process. Assessment of such risks will be undertaken once information is consolidated and responsive policy actions implemented.

4. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2024/25 and its implications on adherence to fiscal responsibility principles and the financial objectives as set out in the 2025 BPS; Section III highlights the recent economic developments and outlook; Section IV presents the proposed resource allocation framework; and Section V presents conclusion.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2024/25

A. FY 2024/25 Fiscal Performance

Revenue Performance

5. In FY 2024/25, total revenue, including Appropriations-in-Aid (AiA), amounted to KSh 2,923.6 billion (17.0 percent of GDP). This fell short of the target of KSh 2,985.6 billion (17.1 percent of GDP) by KSh 62.0 billion on account of shortfall recorded in ordinary revenue (**Table 1**). The ordinary revenue was KSh 2,420.2 billion against a target of KSh 2,496.2 billion, a shortfall of KSh 76.0 billion. The Ministerial AiA was above target by KSh 14.0 billion during the period under review. Overall, total revenue inclusive of the Ministerial AiA grew by 8.2 percent.

Table 1: Government Revenue and External Grants for the FY 2024/25 (KSh Million)

	FY 2023/24 Actual	FY 2024/25		Deviation KSh	% Growth
		Actual*	Target		
Total Revenue (a+b)	2,702,662	2,923,551	2,985,568	(62,017)	8.2
(a) Ordinary Revenue	2,288,921	2,420,174	2,496,197	(76,023)	5.7
Import Duty	133,929	157,107	153,497	3,610	17.3
Excise Duty	276,722	292,468	296,942	(4,474)	5.7
PAYE	554,653	560,501	566,601	(6,099)	1.1
Other Income Tax	488,103	532,530	558,563	(26,032)	9.1
VAT Domestic	313,367	327,662	330,630	(2,968)	4.6
VAT Imports	332,122	333,067	329,972	3,095	0.3
Investment Revenue	80,716	84,828	97,604	(12,775)	5.1
Traffic Revenue	4,352	3,523	3,915	(393)	(19.1)
Taxes on Intl. Trade & Trans.(IDF Fee)	47,915	47,073	47,621	(547)	(1.8)
Others ¹	57,043	81,414	110,852	(29,438)	42.7
(b) Appropriation In Aid ²	413,740	503,377	489,371	14,006	21.7
o/w Railway Development Levy	32,024	36,820	37,245	(425)	15.0
(c) External Grants	22,037	33,320	47,193	(13,873)	51.2
Total Revenue and External Grants	2,724,699	2,956,871	3,032,761	(75,890)	8.5
Total Revenue as a percentage of GDP	17.3	17.0	17.1		
Total Revenue and External Grants as a percentage of GDP	17.4	17.2	17.4		

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

2/ includes receipts from Road Maintenance Levy Fund and AiA from Universities

*Provisional

Source of Data: The National Treasury

6. Ordinary revenue collection in FY 2024/25 amounted to KSh 2,420.2 billion, against a target of KSh 2,496.2 billion; with most revenue categories underperforming relative to targets over the review period. Income tax recorded the highest shortfall of KSh 32.1 billion on account of below target collection in both individual Pay as You Earn (PAYE) of KSh 6.1 billion and other income tax of KSh 26.0 billion. The performance of PAYE was adversely affected by private sector's non-payment of annual bonuses in June 2025; the application of tax refunds by large taxpayers to offset current PAYE tax liabilities by a number of firms; and impact of policy change (adjusting SHIF and Housing Levy from a relief regime to allowable deductions before tax computation).

7. The Value Added Tax (VAT) registered a net surplus of KSh 0.13 billion, as the shortfall in VAT Domestic was offset by a surplus in VAT imports. The import duty collection exceeded the target by KSh 3.6 billion. Excise duty collections in FY 2024/25 amounted to KSh 292.5 billion, falling short of the target by KSh 4.5 billion, due to a policy shift from a specific rate per litre to a rate based on centilitres of alcoholic drinks and a decline in remittance from manufacturers of products such as tobacco, bottled water, and soft drinks. Traffic revenue contracted by 19.1 percent compared to FY 2023/24, primarily due to lower inflows from vehicle registration fees, dealer licensing, and the sale of number plates. Import Declaration Fees (IDF) also fell short on target by KSh 0.5 billion in FY 2024/25 mainly due to exemptions of IDF on raw materials for manufacture of textile products.

8. Overall, ordinary revenue grew by 5.7 percent in FY 2024/25, with all major tax heads recording positive growth rates (**Table 1**). Ministerial AiA grew by 21.7 percent during the period under review. The growth was attributed to the revision of fees and charges by MDAs.

9. External grants amounted to KSh 33.3 billion against a target of KSh 47.2 billion, resulting in a shortfall of KSh 13.9 billion. Concurrently, investment revenue collected during FY 2024/25 amounted to KSh 84.8 billion, which was below the target of KSh 97.6 billion by KSh 12.8 billion.

Expenditure Performance

10. Total expenditure and net lending for FY 2024/25 amounted to KSh 3,975.9 billion against a target of KSh 4,045.1 billion, resulting in an under-expenditure of KSh 69.1 billion (**Table 2**). This deviation was mainly attributed to below target absorption in both recurrent and development expenditures by the National Government.

11. Recurrent expenditure by the National Government amounted to KSh 2,948.4 billion, falling short of the KSh 2,989.1 billion target by KSh 40.6 billion. The shortfall in recurrent spending was mainly attributed to below-target expenditure in Operations and Maintenance category, foreign interest payments, and pensions payments.

12. Development expenditure amounted to KSh 582.9 billion against a target of KSh 602.1 billion, translating to an under-spending of KSh 19.1 billion. This variance was largely driven by lower-than-projected absorption in Development Projects (Net), which underperformed by KSh 21.5 billion. Transfers to County Governments were below target by KSh 9.4 billion mainly due to a shortfall in additional allocations.

Table 2: Expenditure and Net Lending for the FY 2024/25 (KSh Million)

	2023/2024 Actual	2024/2025		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	2,678,437	2,948,431	2,989,053	(40,622)	10.1
Domestic Interest	622,544	784,117	768,485	15,632	26.0
Foreign Interest	218,188	211,002	228,372	(17,369)	(3.3)
Pensions & Other CFS	143,940	176,753	190,307	(13,554)	22.8
Contribution to Civil Servants' Pension	34,172	34,335	36,977	(2,642)	0.5
Wages and Salaries	575,269	624,689	627,102	(2,413)	8.6
Operation and Maintenance	1,084,324	1,117,534	1,137,809	(20,275)	3.1
O/W: Appropriation-in-Aid	286,896	300,755	321,416	(20,661)	4.8
2. DEVELOPMENT	546,385	582,937	602,053	(19,116)	6.7
Development Projects (Net)	402,105	392,864	414,413	(21,548)	(2.3)
Payment of Guaranteed Loans	17,436	19,685	19,685	-	12.9
Appropriation-in-Aid	126,844	170,387	167,955	2,432	34.3
3. County Governments	380,388	444,570	453,975	(9,404)	16.9
4. Parliamentary Service	37,257	41,552	42,580	(1,029)	11.5
5. Judicial Service	22,459	22,955	23,533	(578)	2.2
6. Equalization Fund	-	-	2,500	(2,500)	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	3,605,210	3,975,938	4,045,080	(69,142)	10.3

Wages and salaries; includes wages for teachers, civil servants and police

Source of Data: The National Treasury

Ministries, Departments and Agencies Expenditure

13. The total ministerial and other public agencies expenditure including AiA was KSh 2,064.4 billion against a target of KSh 2,382.9 billion. Recurrent expenditure was KSh 1,536.2 billion against a target of KSh 1,769.9 billion, while development expenditure amounted to KSh 528.2 billion against a target of KSh 612.9 billion. The percentage of total expenditure to the target was 86.6 percent, as at the end of the period under review.

14. As at the period ending 30th June 2025, recurrent expenditures by the State Department for Basic Education; Higher Education and Research; Teachers Service Commission; Vocational and Technical Training; Public Health and Professional Standards; Labour and Skills Development; Correctional Service; Youth Affairs and Arts; Sports; Social Protection and Senior Citizens; Immigration and Citizen Services; and Medical Services (social sector) accounted for 50.1 percent of total recurrent expenditure. In addition, the security sector accounted for 15.0 percent of total recurrent expenditure.

15. Analysis of development outlay indicates that the State Department for Roads accounted for the largest share of the total development expenditure (19.8 percent) followed by the State Department for Housing and Urban Development (13.9 percent) and the State Department for Economic Planning (13.4 percent). These expenditures were below target because of under reporting of expenditure from the parastatals and some donor funded projects. **Table 3** shows the recurrent and development expenditures by MDAs for the period under review.

Table 3: Ministerial Expenditures for the Period Ending 30th June 2025 (KSh Million)

MINISTRY/DEPARTMENT/COMMISSIONS	Jun-25									% of Total Exp.
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011 Executive Office of the President	4,534	4,571	(37)	26	50	(24)	4,560	4,621	(62)	98.7
1012 Office of the Deputy President	3,139	3,219	(80)				3,139	3,219	(80)	97.5
1013 Office of the Prime Cabinet Secretary	1,000	893	107	59	65	(6)	1,058	958	100	110.5
1014 State Department for Parliamentary Affairs	360	323	37				360	323	37	111.5
1015 State Department for Performance and Delivery Management	629	628	1				629	628	1	100.2
1016 State Department for Cabinet Affairs	224	222	2				224	222	2	101.0
1017 State House	11,412	11,666	(254)	397	400	(3)	11,809	12,066	(257)	97.9
1023 State Department for Correctional Services	36,038	36,052	(14)	43	110	(67)	36,081	36,162	(81)	99.8
1024 State Department for Immigration and Citizen Services	13,022	13,122	(100)	7,483	7,099	384	20,505	20,221	284	101.4
1025 National Police Service	115,301	116,059	(758)	548	585	(37)	115,849	116,644	(795)	99.3
1026 State Department for Internal Security & National Administration	37,934	36,942	992	2,878	2,870	8	40,812	39,812	1,000	102.5
1032 State Department for Devolution	1,253	1,457	(204)	610	1,672	(1,062)	1,863	3,129	(1,265)	59.6
1036 State Department for the ASALs and Regional Development	10,889	11,203	(314)	2,589	3,652	(1,063)	13,478	14,855	(1,377)	90.7
1041 Ministry of Defence	172,163	176,171	(4,008)	-	3,534	(3,534)	172,163	179,705	(7,542)	95.8
1053 State Department for Foreign Affairs	16,841	21,448	(4,607)				16,841	21,448	(4,607)	78.5
1054 State Department for Diaspora Affairs	605	614	(9)				605	614	(9)	98.5
1064 State Department for Vocational and Technical Training	27,692	32,093	(4,401)	3,293	3,895	(602)	30,985	35,988	(5,002)	86.1
1065 State Department for Higher Education and Research	81,701	139,160	(57,459)	374	488	(114)	82,075	139,648	(57,573)	58.8
1066 State Department for Basic Education	115,625	118,218	(2,593)	17,901	18,546	(645)	133,526	136,763	(3,237)	97.6
1071 The National Treasury	71,512	82,266	(10,754)	35,593	39,910	(4,317)	107,106	122,176	(15,071)	87.7
1072 State Department for Economic Planning	3,199	3,418	(219)	70,656	70,820	(164)	73,855	74,238	(383)	99.5
1082 State Department for Medical Services	51,939	76,467	(24,528)	22,600	26,256	(3,656)	74,539	102,724	(28,184)	72.6
1083 State Department for Public Health and Professional Standards	23,237	27,777	(4,541)	4,233	4,689	(456)	27,470	32,467	(4,997)	84.6
1091 State Department for Roads	57,367	71,926	(14,559)	104,383	124,671	(20,288)	161,750	196,597	(34,847)	82.3
1092 State Department for Transport	2,529	18,720	(16,191)	10,412	29,316	(18,904)	12,941	48,036	(35,095)	26.9
1093 State Department for Shipping and Maritime Affairs	638	2,373	(1,736)	370	1,120	(750)	1,008	3,493	(2,486)	28.8
1094 State Department for Housing & Urban Development	1,463	3,409	(1,946)	73,476	79,034	(5,558)	74,940	82,443	(7,504)	90.9
1095 State Department for Public Works	3,055	3,995	(940)	246	324	(78)	3,301	4,319	(1,018)	76.4
1104 State Department for Irrigation	1,031	1,387	(356)	17,700	18,255	(555)	18,731	19,641	(910)	95.4
1109 State Department for Water & Sanitation	2,944	6,636	(3,692)	23,797	26,632	(2,835)	26,741	33,267	(6,527)	80.4
1112 State Department for Lands and Physical Planning	4,334	4,540	(205)	5,088	5,149	(61)	9,422	9,689	(266)	97.3
1122 State Department for Information Communication Technology & Digital Economy	2,605	2,805	(200)	11,989	13,652	(1,663)	14,594	16,457	(1,863)	88.7
1123 State Department for Broadcasting & Telecommunications	4,408	6,615	(2,208)				4,408	6,615	(2,208)	66.6
1132 State Department for Sports	2,933	3,035	(102)	15,259	16,506	(1,247)	18,192	19,541	(1,349)	93.1
1134 State Department for Culture and Heritage	2,471	3,229	(758)	70	70	(0)	2,541	3,299	(758)	77.0
1135 State Department for Youth Affairs and the Arts	2,170	2,222	(51)	785	1,033	(249)	2,955	3,255	(300)	90.8
1152 State Department for Energy	1,044	9,948	(8,904)	24,828	37,392	(12,564)	25,872	47,340	(21,468)	54.7
1162 State Department for Livestock Development	3,777	5,516	(1,739)	6,520	5,492	1,029	10,297	11,007	(710)	93.5
1166 State Department for the Blue Economy and Fisheries	2,851	2,980	(130)	8,819	8,872	(53)	11,669	11,852	(183)	98.5
1169 State Department for Crop Development	15,254	17,781	(2,527)	26,580	28,849	(2,269)	41,834	46,630	(4,797)	89.7
1173 State Department for Cooperatives	4,178	5,325	(1,147)	3,024	3,014	10	7,202	8,339	(1,136)	86.4
1174 State Department for Trade	3,627	5,292	(1,665)	290	290	-	3,917	5,582	(1,665)	70.2
1175 State Department for Industry	2,407	3,167	(761)	4,342	4,425	(82)	6,749	7,510	(761)	89.9
1176 State Department for Micro, Small and Medium Enterprises Development	1,219	2,046	(827)	4,073	4,377	(304)	5,291	6,423	(1,131)	82.4
1177 State Department for Investment Promotion	1,097	1,863	(766)	845	945	(99)	1,942	2,808	(866)	69.2
1184 State Department for Labour and Skills Development	1,959	4,591	(2,632)	497	638	(141)	2,456	5,229	(2,773)	47.0
1185 State Department for Social Protection and Senior Citizens Affairs	45,043	45,984	(941)	2,073	1,808	265	47,116	47,792	(676)	98.6
1192 State Department for Mining	1,491	1,691	(200)	200	210	(10)	1,691	1,901	(210)	88.9
1193 State Department for Petroleum	330	27,363	(27,033)	3,126	3,191	(65)	3,456	30,554	(27,098)	11.3
1202 State Department for Tourism	719	13,588	(12,869)	118	870	(752)	838	14,458	(13,621)	5.8
1203 State Department for Wildlife	3,838	12,045	(8,207)	117	861	(744)	3,955	12,906	(8,951)	30.6
1212 State Department for Gender and Affirmative Action	1,840	1,983	(142)	2,842	2,836	6	4,682	4,818	(136)	97.2
1213 State Department for Public Service	16,273	19,045	(2,772)	482	762	(280)	16,755	19,807	(3,052)	84.6
1221 State Department for East African Community	859	844	16				859	844	16	101.9
1252 State Law Office	4,898	5,580	(682)	122	142	(20)	5,021	5,722	(701)	87.7
1261 The Judiciary	21,962	21,969	(7)	253	816	(563)	22,215	22,786	(570)	97.5
1271 Ethics and Anti-Corruption Commission	4,100	4,156	(55)	55	55	(0)	4,155	4,210	(55)	98.7
1281 National Intelligence Service	58,651	58,651	-				58,651	58,651	-	100.0
1291 Office of the Director of Public Prosecutions	4,169	4,177	(8)	48	49	(1)	4,216	4,226	(10)	99.8
1311 Office of the Registrar of Political Parties	1,734	1,724	10				1,734	1,724	10	100.6
1321 Witness Protection Agency	663	720	(57)				663	720	(57)	92.1
1331 State Department for Environment & Climate Change	2,523	3,719	(1,197)	1,185	1,704	(519)	3,708	5,423	(1,716)	68.4
1332 State Department for Forestry	9,448	9,447	1	2,741	2,776	(35)	12,190	12,223	(33)	99.7
2011 Kenya National Commission on Human Rights	487	486	1				487	486	1	100.2
2021 National Land Commission	2,249	2,255	(6)				2,249	2,255	(6)	99.7
2031 Independent Electoral and Boundaries Commission	3,866	3,811	56				3,866	3,811	56	101.5
2041 Parliamentary Service Commission	1,291	1,376	(85)				1,291	1,376	(85)	93.8
2042 National Assembly	24,730	25,716	(986)				24,730	25,716	(986)	96.2
2043 Parliamentary Joint Services	6,442	6,403	38	1,331	1,318	13	7,773	7,721	52	100.7
2044 Senate	7,758	7,767	(9)				7,758	7,767	(9)	99.9
2051 Judicial Service Commission	740	747	(8)				740	747	(8)	99.0
2061 Commission on Revenue Allocation	380	381	(1)				380	381	(1)	99.7
2071 Public Service Commission	3,591	3,656	(65)				3,591	3,656	(65)	98.2
2081 Salaries and Remuneration Commission	569	554	15				569	554	15	102.7
2091 Teachers Service Commission	368,342	368,751	(408)	762	835	(72)	369,105	369,585	(481)	99.9
2101 National Police Service Commission	1,003	1,007	(4)				1,003	1,007	(4)	99.6
2111 Auditor General	7,775	8,175	(400)	39	56	(17)	7,814	8,231	(417)	94.9
2121 Controller of Budget	644	634	10				644	634	10	101.5
2131 Commission on Administrative Justice	636	629	7				636	629	7	101.2
2141 National Gender and Equality Commission	451	438	13				451	438	13	103.0
2151 Independent Policing Oversight Authority	1,100	1,102	(2)				1,100	1,102	(2)	99.8
Total	1,536,204	1,769,962	(233,758)	528,171	612,984	(84,812)	2,064,375	2,382,863	(318,489)	86.6

*Provisional

Source of Data: The National Treasury

Overall Balance and Financing

16. The fiscal deficit (including grants, on a cash basis) amounted to KSh 1,019.1 billion (5.9 percent of GDP) in FY 2024/25 against a target of KSh 1,012.3 billion (5.8 percent of GDP) (Table 4).

Table 4: Budget Outturn for the FY 2024/25 (KSh Million)

	FY 2023/24	FY 2024/25			% growth	FY 2024/25 as a % of GDP		FY 2023/24 Actual as a % of GDP
	Actual	Actual*	Targets	Deviation		Actual	Targets	
A. TOTAL REVENUE AND GRANTS	2,724,699	2,956,871	3,032,761	(75,890)	8.5	17.2	17.4	17.4
1. Revenue	2,702,662	2,923,551	2,985,568	(62,017)	8.2	17.0	17.1	17.3
Ordinary Revenue	2,288,921	2,420,174	2,496,197	(76,023)	5.7	14.1	14.3	14.6
Import Duty	133,929	157,107	153,497	3,610	17.3	0.9	0.9	0.9
Excise Duty	276,722	292,468	296,942	(4,474)	5.7	1.7	1.7	1.8
Income tax	1,042,756	1,093,032	1,125,163	(32,132)	4.8	6.4	6.5	6.7
VAT	645,489	660,729	660,602	127	2.4	3.9	3.8	4.1
Investment Revenue	56,146	84,828	97,604	(12,775)	51.1	0.5	0.6	0.4
Others	133,879	132,010	162,388	(30,378)	(1.4)	0.8	0.9	0.9
Appropriation-in-Aid	413,740	503,377	489,371	14,006	21.7	2.9	2.8	2.6
2. Grants	22,037	33,320	47,193	(13,873)	51.2	0.2	0.3	0.1
AMISOM Receipts	86	956	3,161	(2,205)	1,009.6	0.0	0.0	0.0
Revenue	13,463	18,922	24,835	(5,913)	40.6	0.1	0.1	0.1
Appropriation-in-Aid	8,488	13,442	19,197	(5,755)	58.4	0.1	0.1	0.1
B. EXPENDITURE AND NET LENDING	3,605,209	3,975,938	4,045,080	(69,142)	10.3	23.2	23.2	23.0
1. Recurrent	2,678,436	2,948,431	2,989,053	(40,622)	10.1	17.2	17.1	17.1
Domestic Interest	622,544	784,117	768,485	15,632	26.0	4.6	4.4	4.0
Foreign Interest	218,188	211,002	228,372	(17,369)	(3.3)	1.2	1.3	1.4
Pension & Other CFS	143,940	176,753	190,307	(13,554)	22.8	1.0	1.1	0.9
Contribution to Civil Servants' Pension	34,172	34,335	36,977	(2,642)	0.5	0.2	0.2	0.2
Wages and Salaries	575,269	624,689	627,102	(2,413)	8.6	3.6	3.6	3.7
O & M/Others	1,084,324	1,117,534	1,137,809	(20,275)	3.1	6.5	6.5	6.9
2. Development and Net Lending	546,385	582,937	602,053	(19,116)	6.7	3.4	3.5	3.5
O/W Domestically financed	377,009	397,657	395,130	2,527	5.5	2.3	2.3	2.4
Foreign financed	151,941	165,595	184,738	(19,143)	9.0	1.0	1.1	1.0
3. Net Lending	17,436	19,685	19,685	-	12.9	0.1	0.1	0.1
4. Equalization Fund	-	-	2,500.0	(2,500)	-	0.0	0.0	0.0
5. County Governments	380,388	444,570	453,975	(9,404)	16.9	2.6	2.6	2.4
5. CF	-	-	-	-	-	0.0	-	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(902,548)	(1,052,387)	(1,059,512)	7,125	16.6	(6.1)	(6.1)	(5.8)
D. DEFICIT INCL. GRANTS (Commitment basis)	(880,511)	(1,019,067)	(1,012,319)	(6,748)	15.7	(5.9)	(5.8)	(5.6)
E. ADJUSTMENT TO CASH BASIS	45,374		-	-	(100.0)	0.0	-	0.3
F. DEFICIT INCL. GRANTS (Cash basis)	(835,136)	(1,019,067)	(1,012,319)	(6,748)	22.0	(5.9)	(5.8)	(5.3)
<i>Discrepancy</i>	<i>(16,815)</i>	<i>15,146</i>	<i>-</i>	<i>15,146</i>	<i>-</i>	<i>0.1</i>	<i>-</i>	<i>(0.1)</i>
G. FINANCING	818,321	1,034,213	1,012,319	21,893	26.4	6.0	5.8	5.2
1. Net Foreign financing	222,749	179,738	186,496	(6,758)	(19.3)	1.0	1.1	1.4
Disbursements	760,500	527,042	548,032	(20,990)	(30.7)	3.1	3.1	4.9
Programme Loans	317,837	113,683	118,223	(4,541)	(64.2)	0.7	0.7	2.0
Project Cash Loans	87,444	85,810	93,829	(8,019)	(1.9)	0.5	0.5	0.6
Project Loans AIA	68,343	65,633	74,492	(8,859)	(4.0)	0.4	0.4	0.4
OPEC Funds	0	8,847	8,418					
Commercial Financing	286,875	253,070	253,070	-	(12)	1	1.5	1.8
Debt repayment - Principal	(537,751)	(347,304)	(361,536)	14,232	(35.4)	(2.0)	(2.1)	(3.4)
2. Net Domestic Financing	595,572	854,474	825,823	28,651	43.5	5.0	4.7	3.8
Government Securities	596,560	853,121	817,301	35,820	43.0	5.0	4.7	3.8
Government Overdraft & Others	(28,168)	1,862	-	1,862	(106.6)	0.0	-	(0.2)
Movement in Government Deposits	8,715	24,789	-	24,789	184.4	0.1	-	0.1
Domestic Loan Repayments (Net Receipts)	1,429	8,048	9,632	(1,584)	463.3	0.0	0.1	0.0
Domestic Loan Repayment	(555)	(1,110)	(1,110)	-	-	0.0	(0.0)	(0.0)
Other Accounts Payable	17,591	(32,235)	-	-	-	(0.2)	-	0.1
MEMO ITEM								
GDP ESTIMATE	15,666,642	17,157,322	17,434,533	(277,211)	9.5	100.0	100.0	100.0

*Provisional

Source of Data: National Treasury

17. The fiscal deficit in FY 2024/25 was financed through net domestic financing of KSh 854.5 billion (5.0 percent of GDP) which was above target by KSh 28.7 billion. The net external financing amounted to KSh 179.7 billion (1.0 percent of GDP), representing a shortfall of KSh 6.8 billion from target. Total disbursements (inflows) including AiA amounted to KSh 527.0 billion for the period ending 30th June 2025 against a target of KSh 548.0 billion. The total disbursements included: KSh 113.7 billion Program Loans; KSh 85.8 billion Project Cash Loans; KSh 65.6 billion Project Loans AiA; KSh 8.8 billion OPEC Funds; and KSh 253.1 billion Commercial Financing. The external repayments (outflows) of principal debt amounted to KSh 347.3 billion. The amount comprised of principal repayments due to commercial institutions; bilateral sources; and multilateral sources.

Pending Bills

18. The total outstanding National Government pending bills as at 30th June 2025 amounted to KSh 525.9 billion. These comprise of KSh 404.3 billion (76.9 percent) and KSh 121.6 billion (23.1 percent) for the State Corporations and MDAs, respectively. The State Corporations pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the State Corporations pending bills (52.0 percent) are related to development expenditure. MDAs' pending bills are largely historical.

19. The National Government policy on clearance of pending bills is in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed.

Fiscal Performance for the FY 2024/25 in relation to Financial Objectives

20. To enhance financial management in FY 2024/25, the following financial objectives were adopted:

i) To enhance revenue collection in FY 2024/25

21. To enhance revenue collection to at least 17.1 percent of GDP, the Government broadened the tax base, enhanced digitization and improved tax compliance. In FY 2024/25, total revenue was at 17.0 percent of GDP. This was below target due to the withdrawal of the Finance Bill 2024 and protests that disrupted economic activities.

ii) To reduce the fiscal deficit to 5.8 percent of GDP in FY 2024/25

22. The fiscal deficit including grants for FY 2024/25 was 5.9 percent of GDP which was largely within target. This was achieved through enhanced revenue mobilization and expenditure rationalization.

iii) To ensure effective, efficient and economic use of public resources allocated in FY 2024/25

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

iv) To reduce the cost borrowing in FY 2024/25

24. In order to reduce the cost of borrowing, the government employed the following strategies: lengthening debt maturity, deepening domestic debt markets, and balancing

concessional and commercial borrowing. The government also diversified the funding sources, engaged in debt buy backs, and refinanced to manage liabilities and lower interest expenses.

B. Adherence to Fiscal Responsibility Principles

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

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

The allocation for the National Government development expenditure for FY 2024/25 was 26.3 percent (**Table 5**). The allocation for County Governments was 36.4 percent of their total budget (**Table 9**). The National Government projects an allocation of 28.3 percent for both the FY 2025/26 and FY 2026/27 and above 30 percent over the medium term.

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

In FY 2024/25, the wage-to-revenue ratio was 24.9 percent¹, well within the prescribed limit. Medium-term forecasts maintain this trajectory, indicating continued fiscal discipline in personnel spending (**Table 5**).

Table 5: Adherence to Fiscal Responsibility Principles

	FY 2023/24	FY 2024/25			FY 2025/26		FY 2026/27		FY 2027/28		FY 2028/29		FY 2029/30
	Actual	Budget	Supp Est. III	Prel. Act	Budget	Approved Budget	BPS'25	BR0P'25	BPS'25	BR0P'25	BPS'25	BR0P'25	BR0P'25
<i>KSh Billion</i>													
1.0 Total Expenditure & Net Lending	3,605.2	3,992.0	4,045.1	3,975.9	4,297.5	4,269.9	4,574.1	4,649.8	5,017.1	4,969.7	5,477.1	5,304.6	5,580.9
1.1 Total Ministerial National Govt Expenses	2,231.8	2,374.4	2,402.7	2,351.5	2,518.5	2,515.5	2,762.9	2,780.6	3,154.0	3,030.1	3,571.2	3,322.0	3,625.0
Total Recurrent	2,678.4	2,845.5	2,994.2	2,953.5	3,152.0	3,142.0	3,256.2	3,437.2	3,573.5	3,607.4	3,822.0	3,775.3	3,946.8
CFS (Interest & Pensions)	1,018.8	1,213.5	1,224.1	1,206.2	1,369.0	1,337.3	1,389.2	1,444.2	1,428.8	1,493.7	1,457.5	1,527.2	1,474.1
Ministerial Recurrent	1,659.6	1,632.1	1,770.0	1,747.3	1,783.1	1,804.7	1,867.0	1,993.0	2,144.7	2,113.6	2,364.4	2,248.1	2,472.7
o/w Wages & Salaries	575.3	613.6	627.1	624.7	635.7	657.3	716.6	714.1	752.4	752.4	790.0	790.0	829.5
Wages as % National Government Revenues	24.5%	20.9%	24.4%	24.9%	21.3%	22.6%	21.4%	22.6%	19.9%	20.9%	18.5%	20.2%	19.7%
Development	572.2	742.3	632.7	604.1	735.4	710.8	895.9	787.6	1,009.3	916.5	1,206.7	1,073.9	1,152.3
Development as % Ministerial National Government expenditures	25.6%	31.3%	26.3%	25.7%	29.2%	28.3%	32.4%	28.3%	32.0%	30.2%	33.8%	32.3%	31.8%
1.2 County Allocation	380.4	444.5	454.0	444.6	474.9	484.8	443.6	446.6	462.0	473.5	476.0	483.0	509.4
Equitable share	354.6	400.1	418.3	418.3	405.1	415.0	417.0	420.0	429.4	440.9	443.4	450.4	476.7
Conditional Grants	25.8	44.4	35.7	26.3	69.8	69.8	26.6	26.6	32.7	32.7	32.7	32.7	32.7
1.3 Contingency Fund	0.0	4.0	0.0	0.0	5.0	2.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
2.0 Total Revenues	2,702.7	3,343.2	2,985.6	2,923.6	3,383.9	3,321.7	3,758.7	3,583.4	4,201.2	4,044.3	4,717.1	4,368.4	4,697.1
3.0 Total National Government Revenues (Incl. A-I-A)	2,348.1	2,943.1	2,567.3	2,505.3	2,978.8	2,906.7	3,341.7	3,163.4	3,771.8	3,603.4	4,273.7	3,918.0	4,220.3
4.0 National Government Domestic Borrowing (net)	595.6	263.2	825.8	854.5	720.6	613.5	644.3	775.8	685.1	630.8	554.5	643.9	708.7

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

Source of Data: National Treasury

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

In FY 2024/25, the borrowing amounted to KSh 854.5 billion. Out of this, KSh 604.1 billion, equivalent to 70.7 percent was utilized for development expenditure. Over the medium term, the Government will ensure adherence to the fiscal responsibility.

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

The Debt Sustainability Analysis (DSA) indicate that Kenya's public debt remains sustainable, with the country classified as having a medium debt-carrying capacity but face a heightened risk of debt distress (**Table 6**). Below is a summary of the DSA results:

- i) In 2025, the Present Value (PV) of total debt-to-GDP ratio is 64.0 percent and is projected to remain above the 55 $\pm$ 5 percent ceiling up to 2027. The Government remains committed to maintain public debt within sustainable levels.

Table 6: Kenya's Public Debt Sustainability Analysis

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2034
PV of debt-to-GDP ratio	55	63.0	64.0	63.7	61.2	58.6	56.2	49.7
PV of public debt-to-revenue and grant ratio		356.2	348.4	334.3	313.8	296.0	282.9	249.9
Debt service -to-revenue and grant ratio		63.7	62.5	61.4	58.1	55.7	49.0	47.1

Source: IMF Country Report, October 2024

- ii) The present value (PV) of external debt-to-exports ratio and the debt service-to-exports ratio are projected to exceed their respective thresholds over the medium term. This implies that while Kenya's external debt remains broadly manageable, the economy is increasingly vulnerable to external sector shocks, particularly fluctuations in export earnings and global financing conditions (**Table 7**).

Table 7: Kenya's External Debt Sustainability

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

Source: IMF Country Report, October 2024

The Government continues to implement measures that support the fiscal consolidation agenda, with the objective of slowing the rate of debt accumulation and safeguarding debt sustainability over the medium term. In addition, the Government is prioritizing measures to boost export competitiveness, diversify foreign exchange sources, and strengthen external buffers. Further, the external borrowing strategy will continue to emphasize concessional financing and careful sequencing of commercial debt to reduce refinancing risks.

The 2025 Medium Term Debt Management Strategy (MTDS) outlines measures to gradually reduce reliance on Treasury bills over the medium term, and issuance of long-term instruments to extend the maturity profile of the public debt portfolio. This will be supported by efforts to deepen the domestic debt market and the ongoing debt market reforms. From the external sources, the strategy targets a mix of concessional and commercial borrowing.

Over the medium term, the borrowing framework provides for a gross financing mix of 75.0 percent from domestic sources and 25.0 percent from external sources. Net borrowing to finance the fiscal deficit is projected to be 65.0 percent from the domestic market and 35.0 percent from external sources, ensuring an optimal balance between cost, risk, and market development objectives.

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

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

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

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

C. County Governments' Fiscal Performance.

26. Article 190 of the Constitution provides that Parliament shall ensure County Governments receive adequate support to enable them to effectively perform their functions and operate financial management systems that comply with any requirements prescribed by national legislation. Further, Section 12(1)(i) and (j) of the PFM Act, Cap 412A mandates the National Treasury to strengthen fiscal relations between the National and County Governments; and assist County Governments to develop their capacity for efficient, effective, and transparent financial management.

27. Guided by these legal provisions, the National Treasury in collaboration with other stakeholders has progressively enhanced intergovernmental fiscal relations. These include the development of policy and legislative frameworks, delivery of capacity building programmes, and provision of technical advisories on public finance management to County Governments.

a) Sources of County Governments' Revenue

i. Transfers to County Governments in the FY 2024/25

Total Transfers

28. During the FY 2024/25, a total of KSh 443.8 billion was transferred to County Governments comprising of KSh 418.3 billion as equitable share of revenues and KSh 25.5 billion additional allocations. This is equivalent to 97.7 percent of the cumulative target of KSh 454.0 billion.

Equitable share

29. The total equitable share transferred to the Counties amounted to KSh 418.3 billion comprising of KSh 387.4 billion for FY 2024/25 and arrears of KSh 30.8 billion for FY 2023/24. This is equivalent to 100 percent disbursement of equitable share of revenue.

Additional Allocations

30. County Governments received additional allocations amounting to KSh 25.5 billion against a target of KSh 35.7 billion through the National Government translating to 71.4 percent. The underperformance in the transfer was attributed to delays in enactment of the County Government Additional Allocations Bill (CGAAB) for FY 2024/25 and revenue shortfall occasioned by the withdrawal of the Finance Bill 2024.

31. To address delays in enactment of the CGAAB, the National Treasury and other stakeholders developed the Draft Public Finance Management (Amendment) Bill, 2025. The Bill seeks to amend Sections 42 and 191 of the PFM Act, Cap 412A to introduce two Bills to govern additional allocations. This will separate additional allocations financed from the National Government's share of revenue; and additional allocations financed from proceeds of loans and grants from Development Partners.

ii. County Governments Own Source Revenue

32. Own Source Revenue (OSR) comprises of revenue collected by counties from taxes, fees and charges in line with Article 209 (3) and (4) of the Constitution. The County Governments data on OSR and AiA performance across counties for the FY 2024/25 is presented in **Table 8** and **Annex Table 7**.

Table 8: Total OSR and AiA Collection for FY 2024/25, KSh million

No	County	Ordinary OSR Target	Ordinary OSR Actual	Performance (%)	FIF/ AiA Target	FIF/AiA Actual	Performance (%)	Total OSR Revenue Target	Total Actual OSR	Performance (%)
1.	Kisii	865.0	556.5	64	0.0	982.1	0	865.0	1,538.6	178
2.	Tana River	149.2	199.3	134	4.0	4.0	100	153.1	203.2	133
3.	Mandera	298.2	206.6	69	51.8	224.6	434	350.0	431.2	123
4.	Wajir	90.0	113.4	126	180.0	218.4	121	270.0	331.7	123
5.	Kirinyaga	430.5	362.6	84	218.0	431.5	198	648.5	794.1	122
6.	Garissa	160.0	94.7	59	240.0	384.2	160	400.0	478.9	120
7.	Vihiga	163.5	186.5	114	176.5	211.4	120	340.0	397.9	117
8.	Samburu	262.9	300.4	114	18.7	9.4	50	281.6	309.8	110
9.	Meru	547.0	404.8	74	550.0	758.5	138	1,097.0	1,163.3	106
10	Elgeyo-Marakwet	107.4	79.5	74	245.0	288.0	118	352.4	367.5	104
11	Homa Bay	501.7	390.7	78	981.1	1,099.7	112	1,482.8	1,490.4	101
12	Turkana	241.0	171.1	71	159.0	229.7	144	400.0	400.8	100
13	Tharaka-Nithi	285.0	238.3	84	200.0	243.5	122	485.0	481.8	99
14	West Pokot	97.2	85.7	88	132.8	142.4	107	230.0	228.1	99
15	Narok	5,911.1	5,512.5	93	121.0	152.5	126	6032.0	5,665.1	94
16	Lamu	120.0	92.1	77	130.0	139.1	107	250.0	231.2	92
17	Nandi	508.9	374.7	74	335.2	391.0	117	844.2	765.7	91
18	Nyeri	800.0	683.9	85	836.3	769.2	92	1,636.3	1,453.1	89
19	Kericho	576.2	396.8	69	646.4	682.9	106	1,222.6	1,079.7	88
20	Kitui	264.1	264.1	100	754.4	631.3	84	1,018.5	895.4	88
21	Laikipia	842.5	573.1	68	602.5	696.0	116	1,445.0	1,269.1	88
22	Makueni	905.2	512.2	57	566.3	773.6	137	1,471.4	1,285.8	87
23	Nyamira	400.0	134.5	34	450.0	606.6	135	850.0	741.1	87
24	Migori	550.0	337.4	61	250.0	354.2	142	800.0	691.6	86
25	Uasin Gishu	1,395.0	1,010.4	72	79.2	233.0	294	1,474.2	1,243.4	84
26	Kwale	350.0	293.2	84	300.0	242.6	81	650.0	535.8	82
27	Murang'a	850.0	785.1	92	750.0	534.6	71	1600.0	1,319.8	82
28	Nakuru	2,448.8	1,850.1	76	1,997.2	1,797.8	90	4,446.0	3,647.9	82
29	Trans Nzoia	368.3	288.5	78	311.7	251.5	81	680.0	539.9	79
30	Baringo	380.1	250.3	66	220.0	210.9	96	600.1	461.1	77
31	Kilifi	1,570.8	888.3	57	400.0	622.1	156	1,970.8	1,510.4	77
32	Nyandarua	600.0	370.7	62	250.0	282.5	113	850.0	653.2	77
33	Bomet	255.8	156.2	61	227.0	211.6	93	482.8	367.8	76
34	Marsabit	110.0	81.0	74	141.2	104.4	74	251.2	185.4	74
35	Mombasa	5,680.7	4,208.7	74	1,250.0	917.0	73	6,930.7	5,125.7	74
36	Busia	467.3	266.9	57	229.7	239.1	104	697.0	506.0	73
37	Embu	827.4	399.2	48	476.1	517.8	109	1,303.4	917.0	70
38	Kiambu	5,450.9	3,243.5	60	1,800.0	1,816.9	101	7,250.9	5,060.3	70
39	Nairobi City	20,060.9	11,790.8	59	0.0	1,398.1	0	20,060.9	13,188.8	66
40	Bungoma	1,042.5	485.5	47	735.5	663.3	90	1,777.9	1,148.8	65
41	Kakamega	1,359.0	543.1	40	841.0	894.8	106	2,200.0	1,437.9	65
42	Kisumu	2,872.0	803.4	28	932.1	1,659.7	178	3,804.1	2,463.0	65
43	Taita-Taveta	600.0	318.6	53	250.0	229.4	92	850.0	548.0	64
44	Isiolo	271.2	151.3	56	100.0	64.9	65	371.2	216.2	58
45	Machakos	3,021.9	1,426.2	47	903.9	755.7	84	3,925.8	2,181.8	56
46	Kajiado	1,200.0	591.1	49	440.0	316.4	72	1,640.0	907.5	55
47	Siaya	643.4	236.8	37	284.0	199.8	70	927.3	436.7	47
Total		66,902.5	42,710.2	64%	20,767.2	24,587.4	118	87,669.7	67,297.6	77

Source of Data: Controller of Budget

33. In FY 2024/25, County Governments collectively mobilized KSh 67.3 billion from OSR, against a projected annual target of KSh 87.7 billion. This represents an achievement of 77 percent of the annual target. Total OSR included the Facility Improvement Fund (FIF) and other AiA, which counties collected a total of KSh 24.6 billion against a target of KSh 20.8 billion representing 118 percent performance. For ordinary OSR, counties were able to mobilize KSh 42.7 billion against a target of KSh 66.9 billion translating to 64 percent performance.

34. The aggregate performance of County Governments of 77 percent in OSR mobilization demonstrates significant variance from the set targets. Eleven counties surpassed their annual OSR target. The top performing counties were; Kisii (178 per cent), Tana River (133 percent), Wajir (123 percent), Mandera (123 percent), Kirinyaga (122 percent), Garissa, (120 percent), Vihiga (117 percent), Samburu (110 percent), Meru (106 percent), Elgeyo Marakwet (104

percent) and Homa Bay (101 percent). Conversely, the least performing counties were: Isiolo (58 percent), Machakos (56 percent), Kajiado (55 percent) and Siaya (47 percent).

35. The relatively strong performance of the eleven counties is attributed to enactment of the FIF Acts, effective enforcement of revenue collection measures and digitization of revenue streams to seal leakages. Nonetheless, this could also be due to possible under-targeting by some counties as illustrated in **Table 8**. Fourteen counties realized less than 75 percent of the annual OSR target. These disparities highlight the need for targeted interventions, which include: enhancing capacity; digitizing revenue management systems; use of objective revenue forecasting tools; and improving governance in revenue administration across County Governments.

iii. Other Revenue Raising Measures Implemented in FY 2024/25

36. The National Rating Act, 2024 supports enhancement of County Governments' OSR by providing a comprehensive framework for imposition of rates on land and buildings. To enhance the credibility of OSR projections across counties, the National Treasury in collaboration with relevant stakeholders is finalizing the development of a Revenue Forecasting Tool. A validation exercise was conducted in counties in FY 2024/25, and a consolidated report is being finalized to inform its rollout.

b) County Governments Expenditure for FY 2024/25

37. **Table 9** provides a summary of total expenditures, revenues and absorption rates for the FY 2024/25.

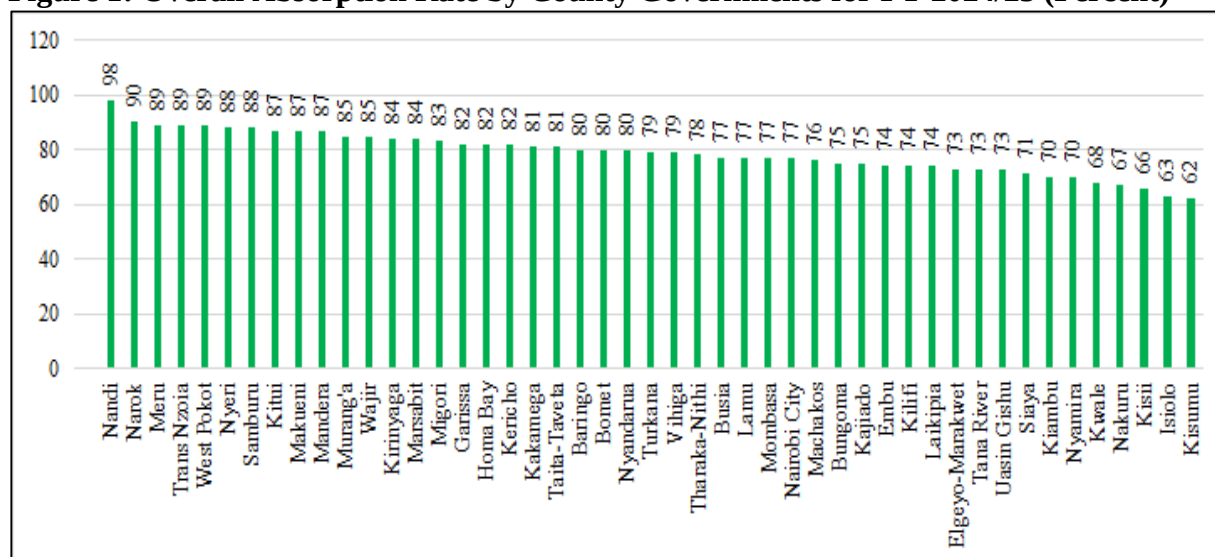
Table 9: County Revenue, Expenditure and Performance for the FY 2024/25

Item	Approved Budget Estimates (KSh Million)	Actual (KSh Million)	Absorption (%)
Total Revenue	601.7	533.1	
Total Expenditure	601.7	470.7	78.2
Development Expenditure	219.0	123.8	56.5
Recurrent Expenditure	382.7	347.0	90.7
Wages and Salaries		220.6	
Other Recurrent		126.3	
% of Development Exp. in Total Expenditure	36.4		
% of Recurrent Exp. in Total Expenditure	63.6		
% of Wages in Total Revenue		41.4	

Source of Data: Controller of Budget

38. The total actual expenditure by County Governments for FY 2024/25 amounted to KSh 470.7 billion comprising of KSh 123.8 billion development expenditure and KSh 347.0 billion recurrent expenditure. Recurrent expenditures over the review period comprised of wages and salaries of KSh 220.6 billion and KSh 126.3 billion for operations and maintenance. The absorption rate for development and recurrent expenditure was 56.5 percent and 90.7 percent, respectively. This translates to an overall absorption rate of 78.2 percent indicating inability to utilize revenues efficiently. **Figure 1** presents the overall absorption rates for individual counties.

Figure 1: Overall Absorption Rate by County Governments for FY 2024/25 (Percent)



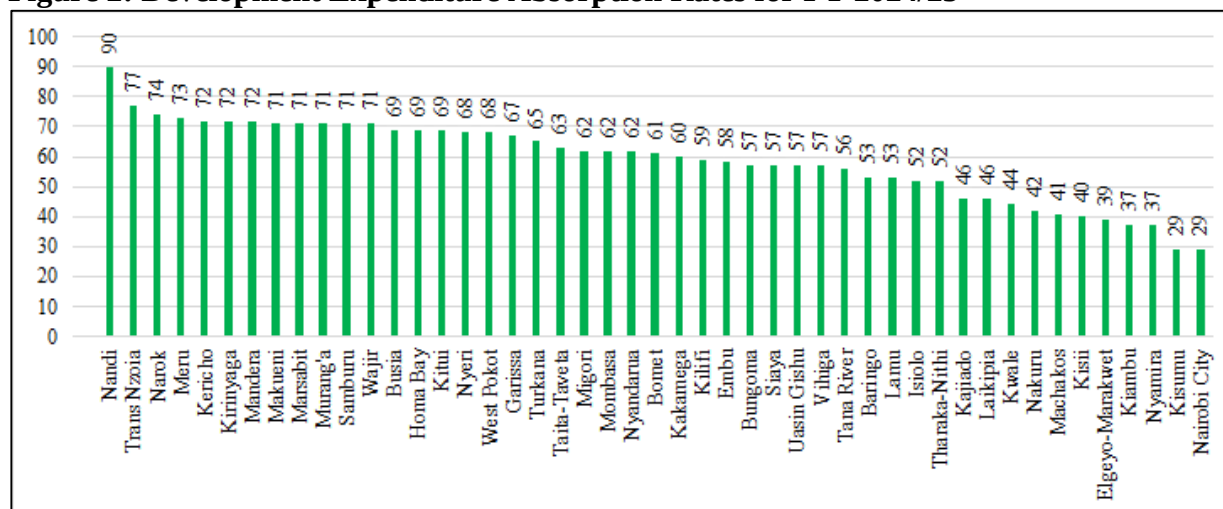
Source of Data: Controller of Budget

39. Counties with higher absorption rates such as Nandi, Narok, Meru, Trans Nzoia and West Pokot reflect sound budget planning and timely execution of programmes, which in turn contributes to improved service delivery and implementation of development projects. Conversely, counties with lower absorption rates including Kisumu, Isiolo, Kisii, Nakuru and Kwale may be facing difficulties in fully utilizing their budgeted allocations. These challenges could stem from administrative inefficiencies, delays in project implementation, disbursement lags or limited institutional capacity. The National Treasury and other stakeholders will continue to enhance the capacities of County Governments to optimize resource utilization.

i) Development Expenditure Absorption Rates

40. The average absorption rate of development expenditure for FY 2024/25 across counties was 56.5 percent. Individual county performance is as shown in **Figure 2**.

Figure 2: Development Expenditure Absorption Rates for FY 2024/25



Source of Data: Controller of Budget

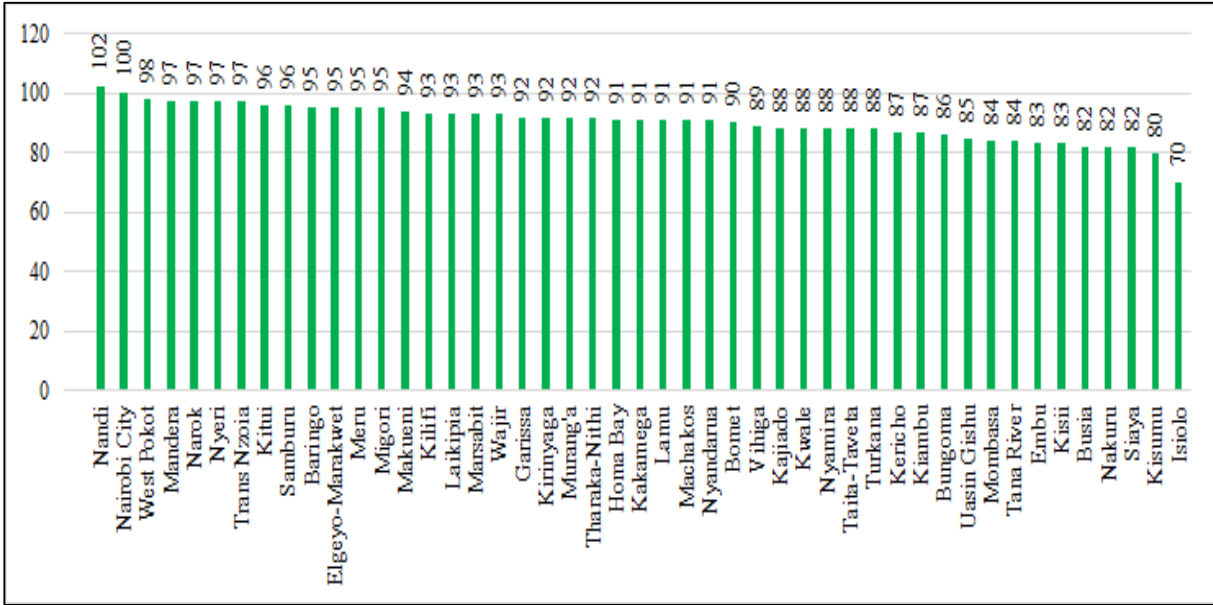
41. The variance between counties with the highest absorption rates for development expenditure namely Nandi, Trans Nzoia, Narok, Meru, Kericho, Kirinyaga and Mandera and counties with the lowest absorption rates namely Nairobi City, Kisumu, Nyamira, Kiambu,

Elgeyo Marakwet and Kisii is significant. This is an indication of administrative inefficiencies in counties given they receive a larger proportion of their resources through equitable share transfers.

ii) Recurrent Expenditure Absorption Rates

42. Recurrent expenditures comprise salaries, utilities, maintenance and other operational costs essential for the day-to-day functioning of County Governments. The average absorption rate for recurrent expenditure for FY 2024/25 across counties was 91.0 percent. This high average absorption rate signifies efficiency in utilization of recurrent budget in County Governments. The performance of each county is shown in **Figure 3**.

Figure 3: Recurrent Expenditure Absorption Rates for FY 2024/25



Source of Data: Controller of Budget

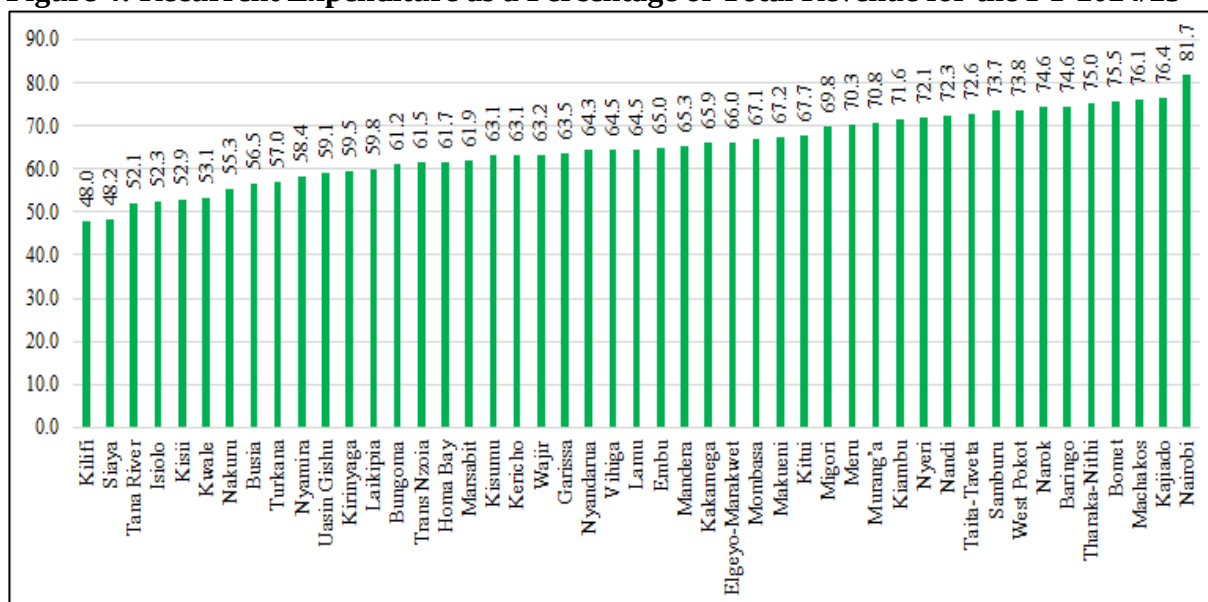
43. The observed trends in the County Governments’ expenditures characterized by a relatively efficient absorption of recurrent expenditure and low absorption of development expenditure underscores inefficiencies in planning, procurement and cash management.

D. County Governments’ Compliance with Fiscal Responsibility Principles

i) The County Government’s recurrent expenditure shall not exceed the County Government’s total revenue.

44. In the FY 2024/25, County Governments’ recurrent expenditure did not exceed their total revenue. Details of the performance of each county is shown in **Figure 4**.

Figure 4: Recurrent Expenditure as a Percentage of Total Revenue for the FY 2024/25

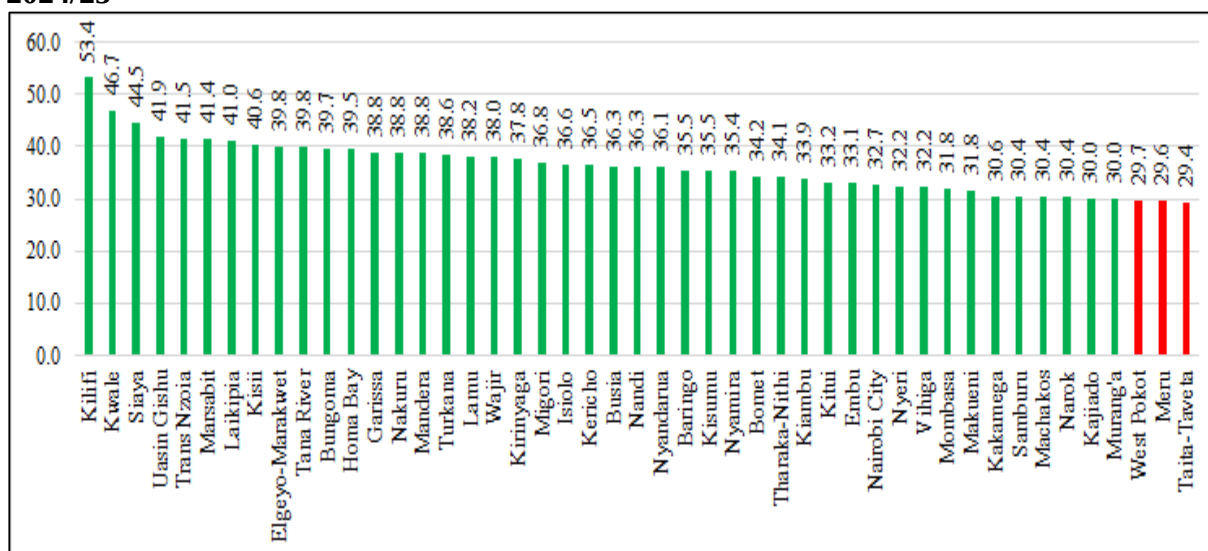


Source of Data: Controller of Budget

ii) County Governments to allocate a minimum of 30 percent of their budgets to development expenditure over the medium term

45. In FY 2024/25, all County Governments on average allocated 36.4 percent of their budget to development in compliance to Section 107(2)(b) of the PFMA, Cap 412A (**Table 9**). Nevertheless, as illustrated in **Figure 5**, Taita Taveta, Meru and West Pokot did not comply with the requirement.

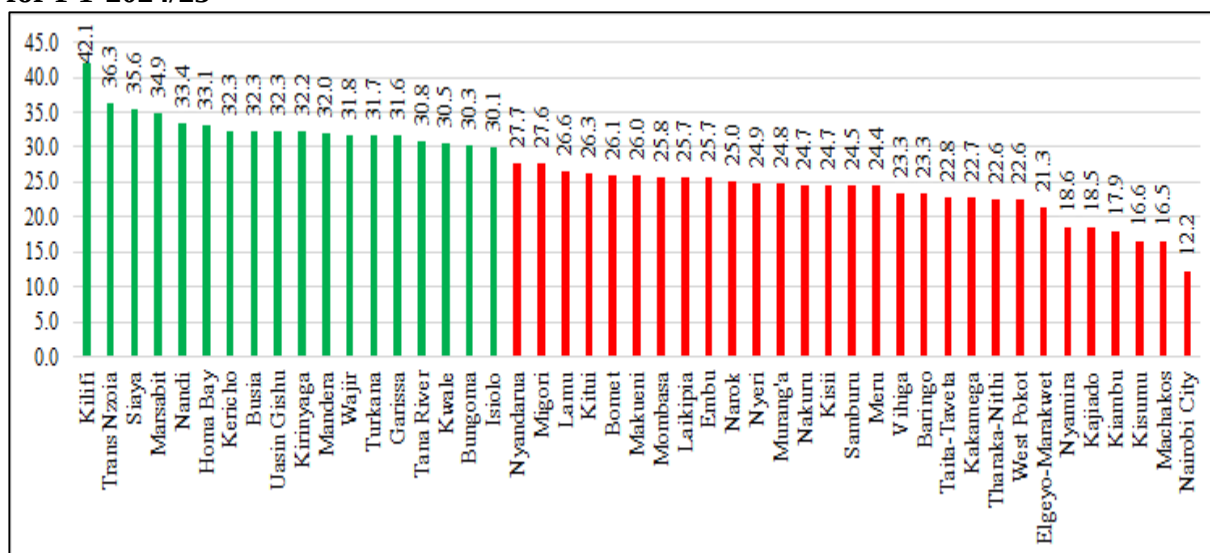
Figure 5: Development Budget Allocation as a Percentage of Total County Budget for FY 2024/25



Source: Controller of Budget

46. In FY 2024/25, counties budgeted to spend at least 30 percent of their total revenues on development. However, analysis of actual expenditure illustrated in **Figure 6** revealed that 29 counties spent less than 30 percent of their total expenditure on development.

Figure 6: Actual Development Expenditures as a Percentage of Actual Total Expenditure for FY 2024/25

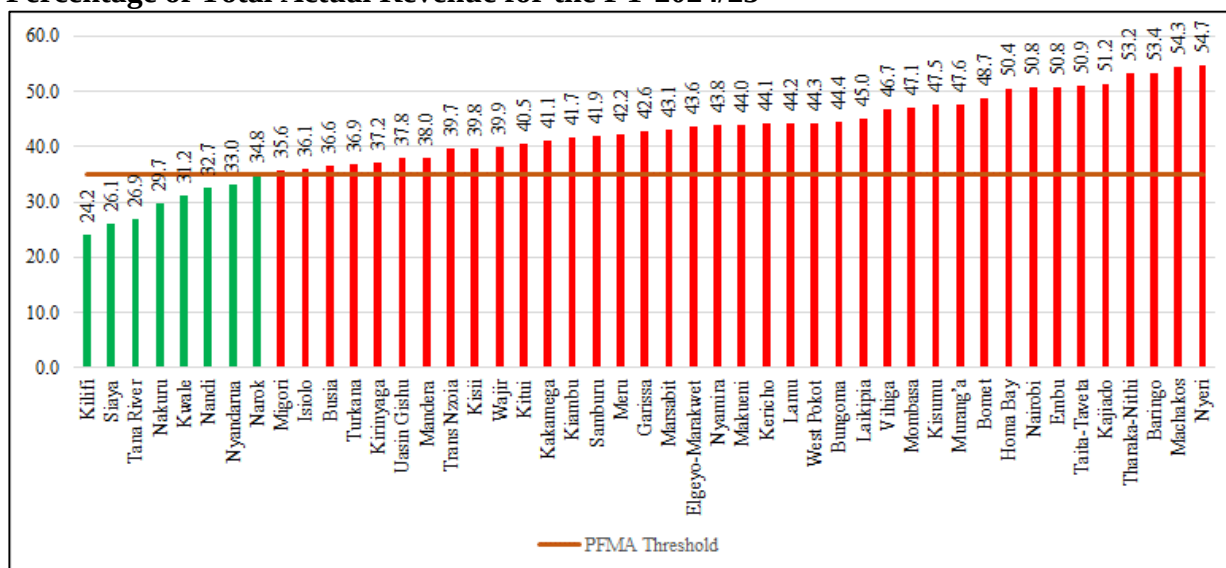


Source of Data: Controller of Budget

iii) County Governments' expenditure on wages and benefits for public officers shall not exceed 35 percent of their total revenue

47. Total expenditure on wages and salaries by County Governments amounted to KSh 220.6 billion, while total revenue over the same period was KSh 533.1 billion. This translates to an average wage bill ratio of 41.4 percent that exceeds the 35 percent ceiling prescribed by the PFMA, Cap 412A. This trend points to persistent fiscal pressures arising from growing personnel costs in most counties. It is observed that only eight County Governments adhered to the 35 percent ceiling for employee compensation to actual revenue. These counties are Kilifi (24 percent), Siaya (26 percent), Tana River (27 percent), Nakuru (30 percent), Kwale (31 percent), Nandi (32 percent), Nyandarua (33 percent) Narok (35 percent) These figures are illustrated in **Figure 7**.

Figure 7: County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for the FY 2024/25



Source of Data: Controller of Budget

iv) County Governments shall manage their fiscal risks prudently

48. In FY 2024/25, a number of fiscal risks were identified during implementation of the county budget. These include:

- i) **High levels of pending bills:** As of 30th June 2025, cumulative pending bills in County Governments amounted to KSh 195.5 billion. This is equivalent to 38.2 percent of total county revenue for FY 2024/25. Given that National Government has been transferring 100 percent of the equitable share, and counties prepare balanced budgets, underperformance of OSR is a major cause of county pending bills.
- ii) **Limited adoption of integrated revenue management systems:** Majority of County Governments have revenue collection systems that are not integrated. In addition, most counties do not own the revenue management systems exposing them to data breaches and losses during transitions.
- iii) Delayed remittances of statutory payments and pension deductions.

County Government Pending Bills

49. As of 30th June 2025, counties reported pending bills amounting to KSh 176.9 billion. This is equivalent to 29 percent of total county budgets in FY 2024/25. Nairobi City County accounts for 49 percent of the total stock of pending bills. This is approximately 199 percent of its approved budget in the year under review. Other counties with high pending bills as a percentage of their approved budget include, Kilifi (43 percent), Machakos (43 percent), Kiambu (34 percent), Busia (30 percent), Wajir (27 percent), Tana River (26 percent) and Taita Taveta (25 percent). Counties including Elgeyo Marakwet (0.2 percent and) Lamu (0.6 percent have kept their pending bills below one percent of their last approved budget signifying prudent utilization of their budgets. **Table 10** presents a breakdown of the County Governments' pending bills.

Table 10: County Governments Pending Bills as at 30th June 2025

No	County	County Executive (KSh Million)			County Assembly (KSh Million)			Total (KSh Million)	FY 2024/25 Budget	% of Pending Bill to Budget
		Recurrent	Development	Sub-Total	Recurrent	Development	Sub-Total			
1.	Nairobi	78,949.1	7,169.4	86,118.6	650.6		650.6	86,769.2	43,564.27	199.2
2.	Kilifi	3,820.1	5,367.4	9,187.4	68.2	-	68.2	9,255.6	21,406.50	43.2
3.	Machakos	3,785.1	2,695.1	6,480.1	251.7	1.9	253.6	6,733.8	15,622.16	43.1
4.	Kiambu	4,259.9	3,352.7	7,612.6	244.0	31.2	275.2	7,887.9	23,480.38	33.6
5.	Busia	1,382.3	1,258.9	2,641.2	620.5	-	620.5	3,261.7	10,770.15	30.3
6.	Wajir	1,324.1	2,155.0	3,479.1	233.5		233.5	3,712.6	13,517.62	27.5
7.	Tana River	1,236.5	1,061.4	2,297.9	82.6		82.6	2,380.5	9,177.72	25.9
8.	Taita-Taveta	1,364.4	653.1	2,017.5	38.4		38.4	2,055.9	8,179.70	25.1
9.	Mombasa	2,439.4	1,310.8	3,750.1	117.5		117.5	3,867.7	17,360.00	22.3
10.	Laikipia	856.3	999.7	1,856.0	10.4		10.4	1,866.4	8,479.54	22.0
11.	Bungoma	2,227.5	1,368.5	3,596.0	14.7	-	14.7	3,610.7	16,704.46	21.6
12.	Garissa	747.2	1,677.4	2,424.6	116.3	45.0	161.3	2,585.9	12,005.81	21.5
13.	Kericho	661.3	1,367.0	2,028.3	-	53.8	53.8	2,082.1	9,756.94	21.3
14.	Kajiado	1,087.5	1,458.2	2,545.7	30.6	69.6	100.2	2,646.0	12,786.47	20.7
15.	Embu	924.2	822.7	1,746.9	16.2	-	16.2	1,763.1	8,533.54	20.7

N o	County	County Executive (KSh Million)			County Assembly (KSh Million)			Total (KSh Million)	FY 2024/25 Budget	% of Pending Bill to Budget
		Recurrent	Development	Sub-Total	Recurrent	Development	Sub-Total			
16.	Murang'a	1,588.1	333.4	1,921.5	72.2		72.2	1,993.7	10,743.65	18.6
17.	Siaya	832.9	1,057.0	1,890.0			-	1,890.0	10,948.13	17.3
18.	Nyandarua	571.6	869.1	1,440.7	71.3		71.3	1,512.0	8,779.76	17.2
19.	Mandera	968.3	1,525.4	2,493.7		6.1	6.1	2,499.8	14,567.55	17.2
20.	Bomet	600.0	857.4	1,457.4	20.1	45.8	65.9	1,523.2	9,831.70	15.5
21.	Nakuru	2,850.4	668.7	3,519.2	158.0		158.0	3,677.2	23,980.40	15.3
22.	Isiolo	786.9	209.8	996.7	5.8	8.1	13.9	1,010.6	6,805.05	14.9
23.	Trans Nzoia	805.4	703.0	1,508.4			-	1,508.4	10,455.02	14.4
24.	Marsabit	532.5	700.2	1,232.6	30.6	170.6	201.2	1,433.8	10,318.61	13.9
25.	Meru	829.7	848.7	1,678.4	63.5		63.5	1,741.9	13,108.95	13.3
26.	Kwale	654.5	915.5	1,570.0	187.5	142.1	329.6	1,899.6	14,876.06	12.8
27.	Homa Bay	715.1	726.1	1,441.3	102.6	94.3	197.0	1,638.2	13,130.57	12.5
28.	Kakamega	773.6	938.2	1,711.9	454.4	-	454.4	2,166.3	17,646.79	12.3
29.	Vihiga	211.2	621.0	832.2			-	832.2	7,105.90	11.7
30.	Tharaka-Nithi	468.6	176.2	644.7	82.9	13.9	96.8	741.6	7,005.68	10.6
31.	Kirinyaga	316.2	486.7	802.9	-	-	-	802.9	7,925.71	10.1
32.	Nandi	476.0	495.7	971.7	-	13.5	13.5	985.1	10,188.22	9.7
33.	Kisumu	507.8	838.0	1,345.9	2.5	2.1	4.6	1,350.5	15,314.33	8.8
34.	Migori	475.9	361.4	837.2	184.6	36.4	220.9	1,058.1	12,147.01	8.7
35.	Turkana	43.6	1,141.5	1,185.1		144.3	144.3	1,329.3	17,213.59	7.7
36.	Uasin Gishu	199.7	863.6	1,063.2	57.7		57.7	1,121.0	15,179.79	7.4
37.	Makueni	558.0	98.6	656.6	161.5		161.5	818.2	11,580.21	7.1
38.	Kisii	594.5	401.8	996.3	8.2	28.4	36.6	1,033.0	15,155.35	6.8
39.	Nyamira	218.0	114.2	332.2	-	8.2	8.2	340.4	8,102.90	4.2
40.	Nyeri	321.1	27.8	348.9	6.0		6.0	354.9	9,004.03	3.9
41.	Baringo	202.3	143.9	346.3	-	-	-	346.3	8,983.76	3.9
42.	West Pokot	215.3	75.0	290.3	21.5		21.5	311.8	8,101.51	3.8
43.	Samburu	35.0	140.6	175.5	46.4	9.3	55.7	231.3	7,382.22	3.1
44.	Kitui	173.7	56.1	229.9	-	-	-	229.9	14,305.36	1.6
45.	Lamu	32.1	-	32.1			-	32.1	4,988.65	0.6
46.	Elgeyo-Marakwet	3.1	9.1	12.1	-	-	-	12.1	7,899.87	0.2
47.	Narok								17,567.52	-
Total		122,625.9	49,121.0	171,746.9	4,232.7	924.5	5,157.3	176,904.2	601,689.14	29

N/B: *Cells highlighted in yellow indicate that the respective entities did not submit pending bills data for FY 2024/25.

Source of Data :Controller of Budget

50. To address the threat of the increasing pending bills, the Intergovernmental Budget and Economic Council (IBEC) in its 27th Ordinary Session, held on 23rd June 2025, approved and adopted the County Governments' Pending Bills Action Plan. Further, IBEC directed all County Governments to customize and implement their respective Pending Bills Action Plans.

E. Status of Equalisation Fund Disbursements

51. Article 204 of the Constitution establishes the Equalisation Fund which requires that one half percent (0.5 percent) of all the revenue collected by the National Government each year, calculated on the basis of the most recent audited revenue received, as approved by the National Assembly, to be paid into the Fund. According to Article 204(2), the National Government shall use the Equalisation Fund only to provide basic services including water, roads, health facilities and electricity to marginalized areas. In the first three financial years after its establishment (2011/12, 2012/13 and 2013/14), the Equalisation Fund had no allocation since the First Policy identifying the marginalized areas had not been developed and published.

52. The total entitlement to the Equalisation Fund based on the approved Division of Revenue Act (DORA) for FY 2014/15 to FY 2024/25 is KSh 70.5 billion against the total calculated entitlement of KSh 62.6 billion as stipulated in Article 204(2) of the Constitution. As of 30th June 2025, the National Treasury had paid KSh 15.9 billion into the Fund. This leaves an outstanding amount of KSh 46.9 billion. The DORA 2025 has allocated KSh 9.6 billion to the Equalisation Fund. **Table 11** presents the equalisation fund entitlement and net arrears for FY 2014/15 to FY 2024/25.

53. In FY 2024/25, the Equalization Fund Advisory Board continued with the implementation of the Second Marginalization Policy that identified 1,424 areas spread across 34 counties as marginalized. The Division of Revenue Act for FY 2024/25 allocated KSh 7.9 billion. However, only KSh 2.5 billion was paid into the Fund.

54. In FY 2024/25 a total of KSh 10.3 billion was appropriated to implement projects proposed by County Technical Committees and approved by the Equalization Fund Advisory Board. As of 30th June 2025, the Board had approved 1,557 projects amounting to KSh 9.8 billion for implementation by the respective County Governments out of which 327 projects are reported as complete. The board has been able to pay only KSh 3.5 billion of the KSh 9.8 billion appropriated for the FY 2024/25 approved projects.

Table 11: Allocations to Equalization Fund in the Division of Revenue Act and Payments to the Fund FY 2014/15 –FY 2024/25

No.	Financial Year	FY of Most recent audited revenues approved	Audited and approved revenues (KSh)	0.5% Entitlement as per Article 204 (2) of CoK, 2010 0.5%* (c)	Amount Reflected in the DORA (KSh)	Payments into the Fund (KSh)	Variance Between DORA and the 0.5% Entitlement (KSh)	Net Arrears to the Fund (KSh)
	(a)	(b)	(c)	(d)	(e)	(f)	(g) = (d)- (e)	(h) =(d) – (f)
1	2011/12	2008/09	-	-	-	-	-	-
2	2012/13	2009/10	-	-	-	-	-	-
3	2013/14	2009/10	-	-	-	-	-	-
4	2014/15	2009/10	529,300,000,000	2,646,500,000	3,400,000,000	400,000,000	(753,500,000)	2,246,500,000
5	2015/16	2012/13	776,900,000,000	3,884,500,000	6,000,000,000	6,000,000,000	(2,115,500,000)	(2,115,500,000)
6	2016/17	2013/14	935,653,000,000	4,678,265,000	6,000,000,000	6,000,000,000	(1,321,735,000)	(1,321,735,000)
7	2017/18	2013/14	935,653,000,000	4,678,265,000	7,727,000,000	0	(3,048,735,000)	4,678,265,000
8	2018/19	2013/14	935,653,000,000	4,678,265,000	4,700,000,000	0	(21,735,000)	4,678,265,000
9	2019/20	2014/15	1,038,035,000,000	5,190,175,000	5,760,000,000	0	(569,825,000)	5,190,175,000
10	2020/21	2016/17	1,357,698,000,000	6,788,490,000	6,788,490,000	0	-	6,788,490,000
11	2021/22	2016/17	1,357,698,000,000	6,788,490,000	6,825,317,433	0	(36,827,433)	6,788,490,000
12	2022/23	2017/18	1,413,694,840,000	7,068,474,200	7,068,474,211	0	(11)	7,068,474,200
13	2023/24	2019/20	1,673,715,000,000	8,368,575,000	8,368,574,000	1,030,000,000	1,000	7,338,575,000
14	2024/25	2020/21	1,570,562,814,725	7,852,814,074	7,852,814,725	2,500,000,000	(651)	5,352,814,074
TOTAL			12,524,562,654,725	62,622,813,274	70,490,670,369	15,930,000,000	(7,867,857,095)	46,692,813,274

Source: National Treasury

F. Emerging Issues

i) Unbundling and Costing of Devolved Functions

55. The Intergovernmental Relations Technical Committee (IGRTC), through Gazette Notice CXXVI No. 219 of 2024, published delineated devolved functions to clarify on the roles of each level of government. To facilitate implementation of the unbundled functions by County Governments, IGRTC in collaboration with relevant MDAs and other stakeholders are currently finalizing the costing of the functions to enable transfer of the attendant resources. Financial resources that have already been budgeted for the FY 2025/26 in the MDAs' budgets are being identified for transfer to County Governments.

ii) Proposed National Policy for Management of Intergovernmental Fiscal Transfers

56. The Constitution, PFM Act, CAP 412A and its attendant Regulations provides a framework for prudent public financial management of intergovernmental fiscal transfers. However, there are persistent challenges affecting these transfers. It is against this backdrop that the National Treasury has commenced the process of developing a national policy on management of intergovernmental fiscal transfers.

iii) Salary Arrears for County Government Health Workers

57. In FY 2024/25, doctors in County Governments were owed KSh 1,759.1 million as salary arrears for the period 2017-2024 of which KSh 1,750.0 million was paid as part of the Return-to-Work Formula. A balance of KSh 9.1 million will be paid in FY 2025/26.

iv) Completion of Five (5) County Headquarters

58. The responsibility of construction and completion of five County Headquarters namely; Lamu, Isiolo, Nyandarua, Tana River and Tharaka Nithi has been transferred from the State Department for Public Works to the County Governments following a multi-agency team recommendation.

III. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

A. World Economic Outlook

59. Global economic growth is projected to pick up slightly to 3.1 percent in 2026 compared to 3.0 percent in 2025 (**Table 12**). This reflects the positive impact of further easing of monetary policy as inflationary pressures subside, stronger domestic demand in emerging markets and developing economies, and a gradual recovery in global trade. This modest improvement is expected to offset the effects of a slowdown in advanced economies, where tighter financial conditions and demographic headwinds continue to weigh on growth. Overall, the outlook suggests a cautiously optimistic rebound, though risks from geopolitical tensions, debt vulnerabilities, and climate-related shocks remain significant.

Table 12: Global Economic Performance

Economy	Growth (%)			
	Actual		Projections	
	2023	2024	2025	2026
World	3.5	3.3	3.0	3.1
Advanced Economies	1.8	1.8	1.5	1.6
<i>Of which: USA</i>	2.9	2.8	1.9	2.0
<i>Euro Area</i>	0.5	0.9	1.0	1.2
<i>Japan</i>	1.4	0.2	0.7	0.5
Emerging and Developing Economies	4.7	4.3	4.1	4.0
<i>Of which: China</i>	5.4	5.0	4.8	4.2
<i>India</i>	9.2	6.5	6.4	6.4
Sub-Saharan Africa	3.6	4.0	4.0	4.3
<i>Of which: South Africa</i>	0.8	0.5	1.0	1.3
<i>Nigeria</i>	2.9	3.4	3.4	3.2

Source: IMF World Economic Outlook, July 2025

60. In advanced economies, growth will remain modest at 1.5 percent in 2025 and 1.6 percent in 2026. Growth in the USA is projected to expand by 1.9 percent in 2025 and 2.0 percent in 2026, supported by resilient consumption and an expected easing of financial conditions, while the Euro Area is forecast to grow by 1.0 percent in 2025 and 1.2 percent in 2026, reflecting gains from lower inflation and improving real incomes but constrained by structural and geopolitical challenges.

61. Emerging Market and Developing Economies are projected to grow moderately at 4.1 percent in 2025 and 4.0 percent in 2026. This growth is supported by stronger performance in South Asia and Sub-Saharan Africa, steady growth in Middle East and Central Asia, but slower momentum in China and Latin America. At the regional level, Sub-Saharan Africa is projected to grow steadily at 4.0 percent in 2025 and improve to 4.3 percent in 2026, reflecting gradual recovery across the region. The growth is supported by robust growth in non-resource-rich countries, increased private consumption, improving investments, and a decline in inflation. However, the outlook remains constrained by high debt levels, climate vulnerabilities, external risks from global trade tensions, commodity price fluctuations, and structural constraints.

B. Kenya's Economic Performance

62. Kenya's economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. This strength is rooted in deliberate policies and the benefits of a diversified economy. The economy has thus been able to withstand adverse impacts of domestic and external shocks. In 2024, the economy grew by 4.7 percent supported by positive growths in all sub-sectors except construction, and mining and quarrying. Further, in the first and second quarters of 2025, the economy remained strong with a growth of 4.9 percent and 5.0 percent, respectively (**Table 13**). This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector, and the resilience of services sector. All economic sectors recorded positive growth rates in the first half of 2025, with varied magnitudes across activities.

Table 13: Sectoral GDP Performance

Sectors	Annual Growth	Quartely Growth Rates			
	2024	2024 Q1	2024 Q2	2025 Q1	2025 Q2
1. Primary sector	3.9	4.5	4.0	6.2	4.9
1.1. Agriculture, Forestry and Fishing	4.6	5.6	4.5	6.0	4.4
1.2. Mining and Quarrying	(9.2)	(16.1)	(5.5)	10.8	15.3
2. Secondary Sector (Industry)	1.5	1.5	0.5	2.6	3.3
2.1. Manufacturing	2.8	1.9	3.2	2.1	1.0
2.2. Electricity and Water supply	1.9	2.8	1.2	3.6	5.7
2.3. Construction	(0.7)	0.4	(3.7)	3.0	5.7
3. Tertiary sector (Services)	6.1	6.8	6.2	4.8	5.5
3.1. Wholesale and Retail trade	3.8	3.6	2.5	5.4	4.0
3.2. Accommodation and Restaurant	25.7	38.1	35.0	4.1	7.8
3.3. Transport and Storage	4.4	4.1	3.4	3.8	5.4
3.4. Information and Communication	7.0	9.2	6.7	5.8	6.0
3.5. Financial and Insurance	7.6	9.6	8.0	5.1	6.6
3.6. Public Administration	8.2	7.5	9.0	6.5	6.0
3.7. Others	5.2	5.8	5.6	4.4	5.2
of which: Professional, Admin & Support Services	9.4	9.4	6.7	4.6	8.5
Real Estate	5.3	6.9	5.9	5.3	5.5
Education	3.9	2.4	3.2	2.9	3.2
Health	6.3	5.4	8.1	4.8	6.8
Taxes less subsidies	4.4	2.9	3.8	5.7	3.3
Real GDP	4.7	4.9	4.6	4.9	5.0

Source of Data: Kenya National Bureau of Statistics

63. In 2025, the **primary sector** grew by 6.2 percent in the first quarter and 4.9 percent in the second quarter compared to a growth of 4.5 percent and 4.0 percent in the corresponding quarters of 2024 (**Table 12**). This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector and a recovery in the mining and quarrying sub-sector.

64. Activities in the agriculture, forestry, and fishing sub-sector expanded by 6.0 percent in the first quarter and 4.4 percent in the second quarter of 2025, compared to growth of 5.6 percent and 4.5 percent in the corresponding quarters of 2024. This performance was driven by favorable weather conditions experienced in most parts of the country involved in crop and animal production. This was evident in the significant increase in production of milk, coffee, vegetables, fruits and cut flowers. However, the sub-sector's performance was somewhat curtailed by a decline in tea production.

65. The mining and quarrying sub-sector grew by 10.8 percent in the first quarter and 15.3 percent in the second quarter of 2025, compared to a contraction of 16.1 percent and a

contraction of 5.5 percent in the same quarters of 2024. This reflected increased activity and renewed investment following a period of subdued performance in the previous year.

66. In the first half of 2025, **the industry sector** recorded a growth of 2.6 percent in the first quarter and 3.3 percent in the second quarter, an improvement from a growth of 1.5 percent and 0.5 percent in corresponding quarters of 2024. This growth was driven by improved performance across manufacturing, electricity and water supply, and construction.

67. The manufacturing sub-sector grew by 2.1 percent in the first quarter of 2025 compared to 1.9 percent in the first quarter of 2024, and by 1.0 percent in the second quarter of 2025 compared to 3.2 percent in the second quarter of 2024. This growth was supported by both food and non-food manufacturing activities. In food manufacturing, the sub-sector benefitted from strong increases in coffee auctions and milk deliveries. Non-food manufacturing also performed well, with increased production in cement and galvanized sheets.

68. The electricity and water supply sub-sector grew by 3.6 percent in the first quarter and 5.7 percent in the second quarter of 2025, compared to 2.8 percent and 1.2 percent in the corresponding quarters of 2024. Growth was driven by higher electricity generation, with solar wind and geothermal contributing significantly, although increases in thermal generation and decline in hydro curtailed overall performance.

69. Construction sub-sector grew by 3.0 percent in the first quarter and 5.7 percent in the second quarter of 2025, up from a growth of 0.4 percent and a contraction of 3.7 in corresponding quarters of 2024. This was driven by increased consumption of key inputs such as cement, iron and steel. Additionally, the quantity of imported bitumen increased during the period.

70. The **services sector** recorded a growth of 4.8 percent in the first quarter and 5.5 percent in the second quarter of 2025, a slowdown from the 6.8 percent and 6.2 percent growths posted in the corresponding quarters of 2024. The transportation and storage sub-sector expanded by 3.8 percent in the first quarter and 5.4 percent in the second quarter of 2025, compared to 4.1 percent and 3.4 percent in the corresponding quarters of 2024. The performance was supported by increased activity in land transport, railway operations, and port throughput.

71. Accommodation and food service sub-sectors grew by 4.1 percent in the first quarter and 7.8 percent in the second quarter of 2025, a slowdown, compared to a growth of 38.1 percent and 35.0 percent in the corresponding quarters of 2024. The number of visitor arrivals via the two major airports, the Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) increased in the first half of 2025.

72. The information and communication sub-sector grew by 5.8 percent in the first quarter and 6.0 percent in the second quarter of 2025, compared to a growth of 9.2 percent and 6.7 percent in corresponding quarters of 2024. This performance was supported by an increase in both domestic and international mobile voice traffic and an increase in mobile broadband data consumption. The financial and insurance sub-sector recorded growth of 5.1 percent in the first quarter and 6.6 percent in the second quarter of 2025, compared to 9.6 percent and 8.0 percent in the corresponding quarters of 2024. The slower growth reflects the impact of easing interest rates, which moderated earnings from financial intermediation, alongside relatively modest credit growth to the private sector.

73. Leading indicators of economic activity in the third quarters of 2025 point to improved performance. This performance will be driven by strong performance in agriculture, supported by favourable weather and increased access to subsidized inputs, alongside easing monetary policy aimed at boosting private sector credit. Key service sub-sectors such as tourism,

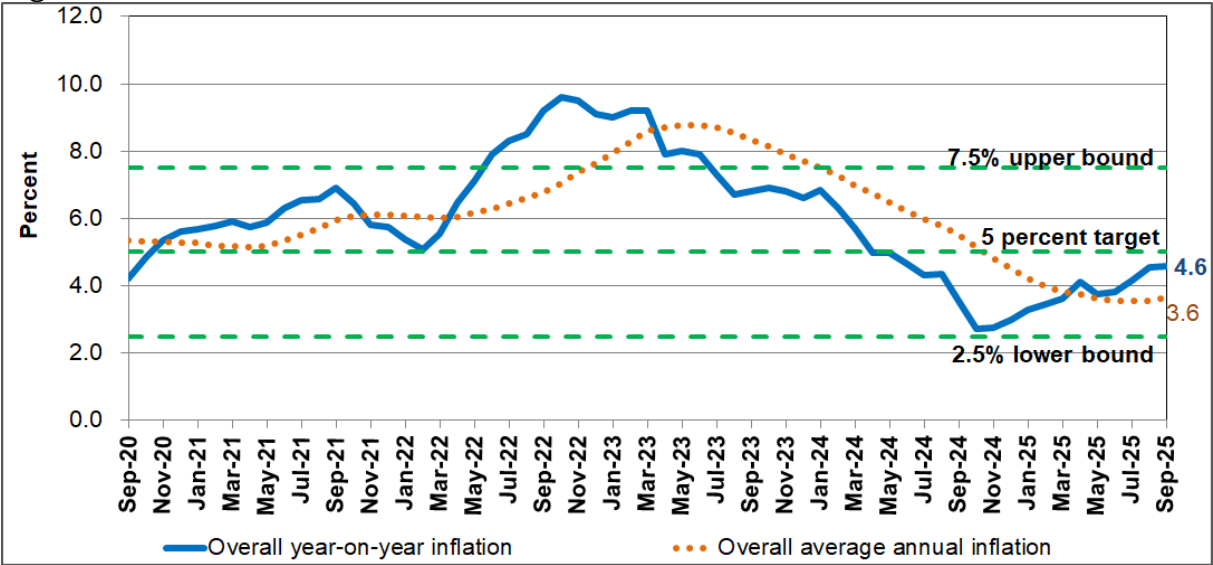
Information Communication and Technology (ICT), and finance are anticipated to contribute significantly, with tourism rebounding and digital economy initiatives gaining momentum. Construction is expected to have a strong growth boosted by increased activities in major public works due to repayments of pending bills.

Inflation Developments

74. Overall year-on-year inflation has declined and remained below the mid-point of the policy target range of 5.0 ± 2.5 percent since June 2024. The stable inflation has been supported by: abundant supply of food attributed to favorable weather conditions coupled with government interventions; lower fuel inflation attributed to the stability of the exchange rate; lower international oil prices; and the decline in non-core inflation reflecting impact of previous monetary policy tightening. Inflation stood at 4.6 percent in September 2025 compared to 3.6 percent in September 2024 (**Figure 8**). The slight increase reflects the easing of monetary policy.

75. Core inflation increased to 2.9 percent in September 2025 from 2.0 percent in September 2024, largely driven by higher prices of processed food items. Core inflation is compiled from non-volatile commodities such as manufactured food items, health services, education services and ICT. Non-core inflation also increased to 9.6 percent in September 2025 from 7.7 percent in September 2024, driven primarily by sharper increases in food and transport costs, along with pressures from utilities and energy.

Figure 8: Inflation Rate, Percent



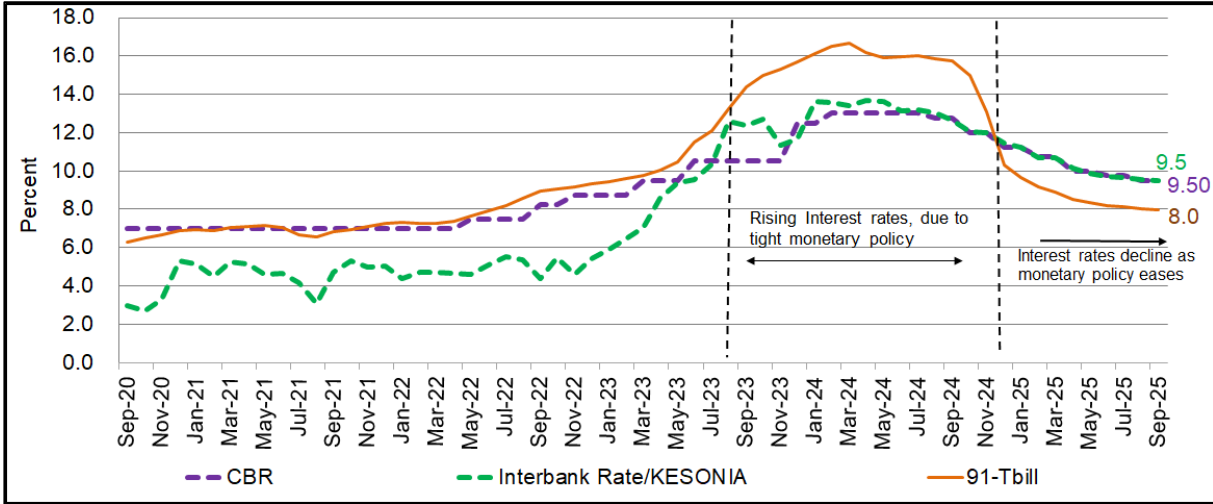
Source of Data: Kenya National Bureau of Statistics

Interest Rates Developments

76. The Central Bank of Kenya through the Monetary Policy Committee (MPC) has gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 9.5 percent in August 2025. This is meant to augment the previous policy actions aimed at stimulating lending by banks to the private sector and supporting economic activities. It also seeks to ensure that inflationary expectations remain firmly anchored and the exchange rate remains stable. In addition, the Cash Reserve Ratio (CRR) was reduced to 3.25 percent in February 2025 from 4.25 percent, to complement the lowering of the CBR and support lending to the private sector.

77. The short term interest rates have declined in line with the easing of the monetary policy. KESONIA (overnight interbank rate) declined to 9.5 percent in September 2025 compared to 12.7 percent in September 2024 while the 91-day Treasury Bills rate declined to 8.0 percent from 15.8 percent, over the same period (Figure 9). The 182-day Treasury Bills rate declined to 8.0 percent in September 2025 from 16.6 percent in September 2024 while the 364-day Treasury Bills also declined to 9.5 percent from 16.8 percent over the same period. The decrease in government domestic borrowing rates has led to lower debt servicing costs.

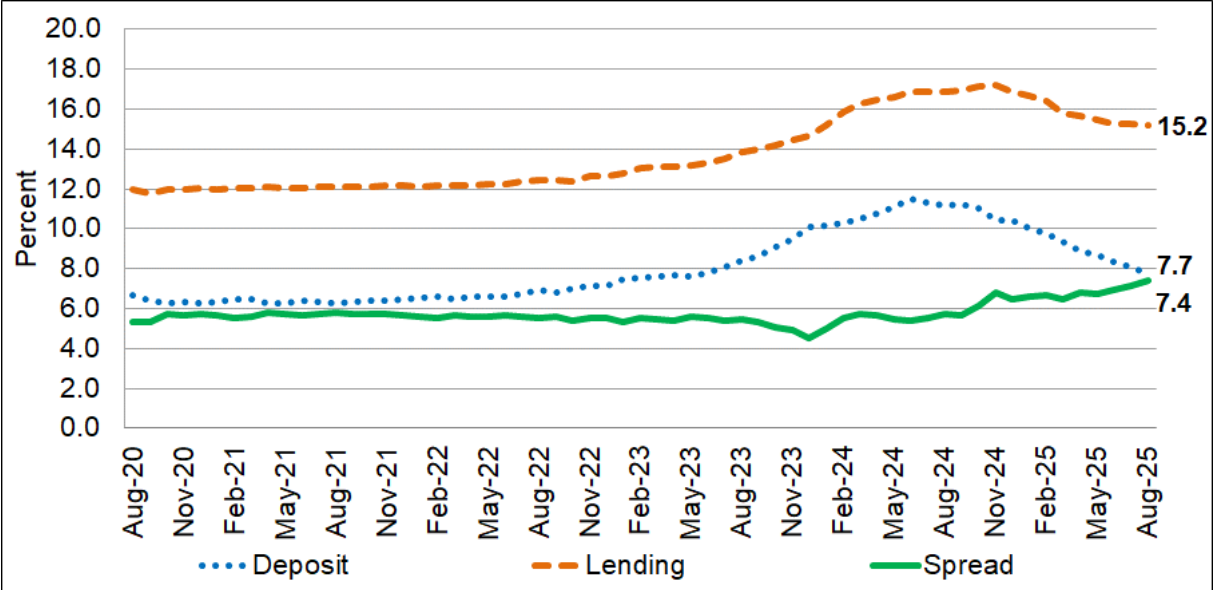
Figure 9: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

78. Commercial banks average lending and deposit rates decreased in the year to August 2025 in tandem with the easing of the monetary policy. The average lending rate decreased to 15.2 percent in August 2025 from 16.8 percent in August 2024 while the average deposit rate also decreased to 7.7 percent from 11.1 percent over the same period. Consequently, the average interest rate spread increased to 7.4 percent in August 2025 from 5.7 percent in August 2024 (Figure 10).

Figure 10: Commercial Bank Rates, Percent



Source of Data: Central Bank of Kenya

Monetary and Credit Developments

79. Broad money supply, M3, grew by 7.5 percent in the year to June 2025 compared to a growth of 6.8 percent in the year to June 2024 (**Table 14**). The growth of M3 was due to an improvement in the growth of Net Domestic Assets (NDA) particularly domestic credit. The Net Foreign Assets (NFA) of the banking system slowed down to a growth of 17.7 percent in the year to June 2025 compared to a growth of 53.2 percent in the year to June 2024. Growth in the NFA was mainly due to an increase in Central Bank's foreign assets while commercial banks' foreign assets declined during the period.

Table 14: Money and Credit Developments (12 Months to June 2025, KSh billion)

				Absolute Change		Percent Change	
	2023 June	2024 June	2025 June	2023-2024 June	2024-2025 June	2023-2024 June	2024-2025 June
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	2,098.2	2,063.6	2,342.3	(34.6)	278.7	(1.6)	13.5
1.1 currency outside banks (M0)	257.9	274.2	286.0	16.3	11.8	6.3	4.3
1.2 Demand deposits	1,680.7	1,630.6	1,930.8	(50.1)	300.2	(3.0)	18.4
1.3 Other deposits at CBK	159.6	158.9	125.5	(0.7)	(33.4)	(0.5)	(21.0)
2. Money supply, M2 (1+2.1)	3,852.2	4,041.6	4,519.6	189.4	478.0	4.9	11.8
2.1 Time and savings deposits	1,754.0	1,978.0	2,177.3	224.0	199.3	12.8	10.1
Money supply, M3 (2+3.1)	5,037.4	5,381.3	5,786.5	343.9	405.2	6.8	7.5
3.1 Foreign currency deposits	1,185.2	1,339.7	1,266.9	154.5	(72.8)	13.0	(5.4)
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	591.5	905.9	1,066.3	314.4	160.4	53.2	17.7
1.1 Central Bank	616.9	479.2	810.8	(137.7)	331.6	(22.3)	69.2
1.2 Banking Institutions	(25.4)	426.7	255.5	452.1	(171.2)	1,780.1	(40.1)
2. Net domestic assets (2.1+2.2)	4,445.9	4,475.4	4,720.2	29.5	244.7	0.7	5.5
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	5,820.2	6,170.1	6,655.5	349.9	485.4	6.0	7.9
2.1.1 Government (net)	2,083.9	2,287.7	2,713.3	203.7	425.6	9.8	18.6
2.1.2 Other public sector	83.7	84.9	61.4	1.3	(23.5)	1.5	(27.7)
2.1.3 Private sector	3,652.6	3,797.5	3,880.9	144.9	83.4	4.0	2.2
2.2 Other assets net	(1,374.3)	(1,694.7)	(1,935.4)	(320.4)	(240.7)	(23.3)	(14.2)

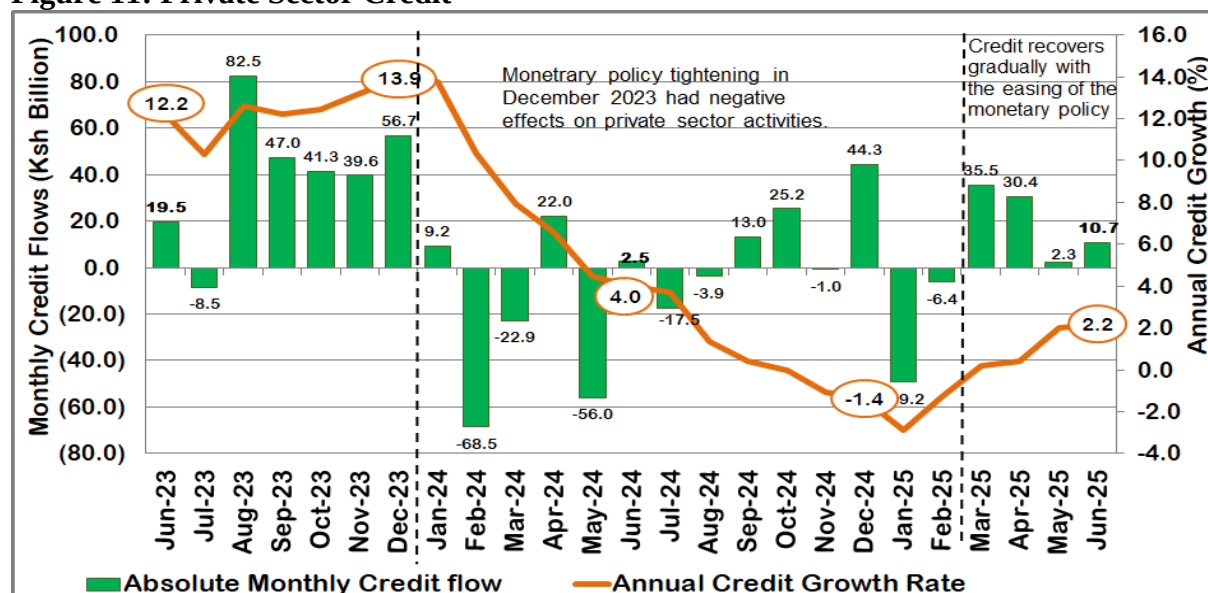
Source of Data: Central Bank of Kenya

80. NDA grew by 5.5 percent in the year to June 2025, compared to a growth of 0.7 percent over a similar period in 2024. This growth was mainly due to an increase in the growth of the domestic credit to the government. The domestic credit extended by the banking system to the Government grew by 18.6 percent in the year to June 2025 compared to a growth of 9.8 percent in the year to June 2024 while lending to other public sectors contracted by 27.7 percent compared to a growth of 1.5 percent over the same period.

81. Growth in private sector credit from the banking system recorded a growth of 2.2 percent in the year to June 2025 compared to a growth of 4.0 percent in the year to June 2024. This growth reflects improved demand in line with the declining lending interest rates, and dissipation of exchange rate devaluation effects on foreign currency denominated loans following the appreciation of the Shilling. Reduced credit growth was observed in finance and insurance, trade (imports), mining and quarrying, business services and private households. These are some of the sub-sectors with significant foreign currency denominated loans.

82. The monthly (month on month) credit flows to the private sector improved to KSh 10.7 billion in June 2025 from KSh 2.5 billion in June 2024 (**Figure 11**). This is due to the easing of the monetary policy rate and the reduction of the CRR to lower the cost of funds for banks. Sustained demand particularly for working capital due to resilient economic activities and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs will continue to support private sector credit uptake.

Figure 11: Private Sector Credit



Source of Data: Central Bank of Kenya

External Sector Developments

83. The current account deficit was USD 2,098.2 million (1.5 percent of GDP) in June 2025 compared to USD 1,925.6 million (1.5 percent of GDP) in June 2024 (**Table 15**). The current account balance was supported by resilient goods exports, an improvement in net receipts on the services account, net primary income and net secondary income balance. The current account deficit in the 12 months to June 2025 was more than fully financed by financial account inflows, resulting in an overall balance of payments surplus of USD 2,832.1 million.

84. The balance in the merchandise account deteriorated by USD 1,166.9 million to a deficit of USD 10,381.9 million in June 2025 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 7.7 percent, due to higher domestic exports particularly of horticulture and coffee. Goods imports rose by 9.9 percent, reflecting increases in intermediate and capital goods imports. Services receipts increased by 24.4 percent, mainly, supported by increased receipts from transport and travel services. The deficit on the primary account narrowed by USD 91.3 million to a deficit of USD 1,728.0 million in the year to June 2025, compared to the same period last year.

85. Net Secondary income remained resilient and increased by USD 431.7 million during the review period owing to an increase in remittances. Diaspora remittances increased by 12.1 percent to USD 5,084.0 million in the 12 months to June 2025 compared to USD 4,536.0 million in a similar period in 2024. The remittances increased foreign exchange inflows, with some going to investment while others supported household consumption.

86. The capital account balance increased by USD 102.5 million to register a surplus of USD 257.8 million in June 2025 compared to a surplus of USD 155.3 million in the same period in 2024. Net financial inflows improved to USD 4,160.9 million in June 2025 compared to USD 364.2 million in June 2024. The net financial inflows were mainly in the form of direct investments, financial derivatives and other investments. However, portfolio investments registered a net outflow during the period, partly due to global risk aversion.

Table 15: Balance of Payments (USD Million)

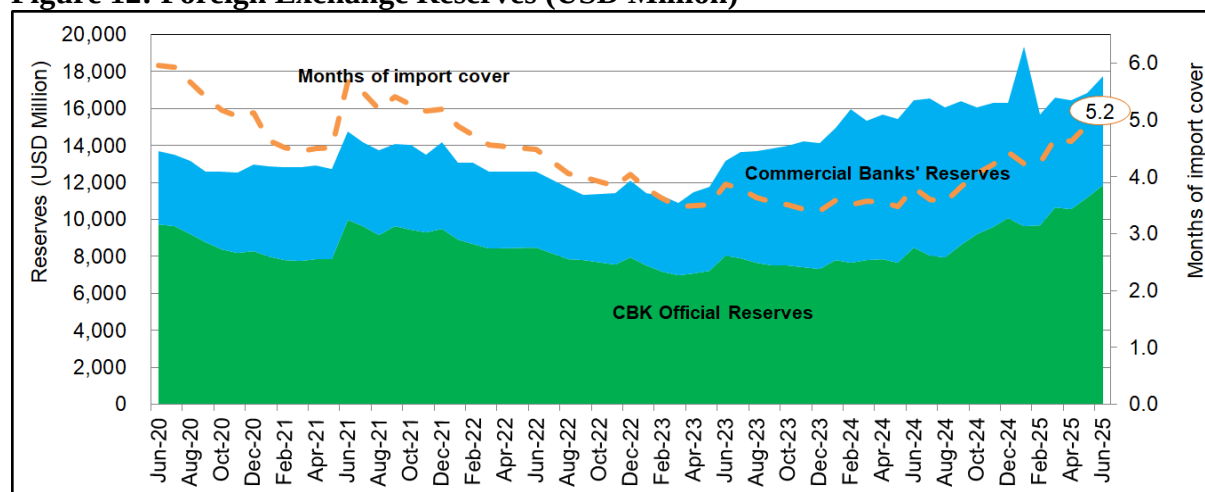
				Year to June 2025		Actuals as a Percent of GDP	
	Jun-23	Jun-24	Jun-25	Change	Percent Change	Jun-24	Jun-25
Overall Balance	1,096.5	658.0	(2,832.1)	(3,490.1)	(530.4)	0.5	(2.0)
A) Current Account	(3,602.5)	(1,925.6)	(2,098.2)	(172.6)	(9.0)	(1.5)	(1.5)
<i>Merchandise Account (a-b)</i>	(10,440.4)	(9,215.0)	(10,381.9)	(1,166.9)	(12.7)	(7.4)	(7.3)
a) Goods: exports	10,724.7	11,841.4	12,752.5	911.1	7.7	9.5	9.0
b) Goods: imports	21,165.1	21,056.4	23,134.4	2,078.0	9.9	16.8	16.3
<i>Net Services (c-d)</i>	1,894.5	1,928.9	2,400.2	471.2	24.4	1.5	1.7
c) Services: credit	7,754.0	7,182.7	8,082.0	899.3	12.5	5.7	5.7
d) Services: debit	5,859.5	5,253.7	5,681.8	428.1	8.1	4.2	4.0
<i>Net Primary Income (e-f)</i>	(1,855.5)	(1,819.4)	(1,728.0)	91.3	5.0	(1.5)	(1.2)
e) Primary income: credit	152.5	219.5	391.8	172.3	78.5	0.2	0.3
f) Primary income: debit	2,008.0	2,038.8	2,119.8	81.0	4.0	1.6	1.5
<i>Net Secondary Income</i>	6,798.9	7,179.9	7,611.6	431.7	6.0	5.7	5.4
g) Secondary income: credit	6,883.3	7,242.0	7,663.7	421.8	5.8	5.8	5.4
h) Secondary income: debit	84.4	62.0	52.1	(9.9)	(15.9)	0.0	0.0
B) Capital Account	125.8	155.3	257.8	102.5	66.0	0.1	0.2
C) Financial Account	(3,488.2)	(364.2)	(4,160.9)	(3,796.7)	(1,042.5)	(0.3)	(2.9)

Source of Data: Central Bank of Kenya

Foreign Exchange Reserves

87. The banking system's foreign exchange holdings remained robust at USD 17,762.1 million in June 2025, an increase from USD 16,438.0 million in June 2024. This improvement was largely driven by the build-up of official foreign exchange reserves held by the Central Bank, which rose significantly to USD 11,876.7 million in June 2025, up from USD 8,462.7 million in June 2024 (**Figure 12**). In contrast, commercial banks' foreign exchange holdings declined to USD 5,885.4 million from USD 7,975.3 million over the same period.

88. The official foreign exchange reserves remained adequate at the end of June 2025, providing 5.2 months of import cover compared to the 3.8 months of import cover in June 2024. This level of reserves are well above the statutory requirement of 4.0 months of import cover. This continues to offer a strong buffer against short-term external shocks, supports exchange rate stability, and reinforce investor confidence in the economy.

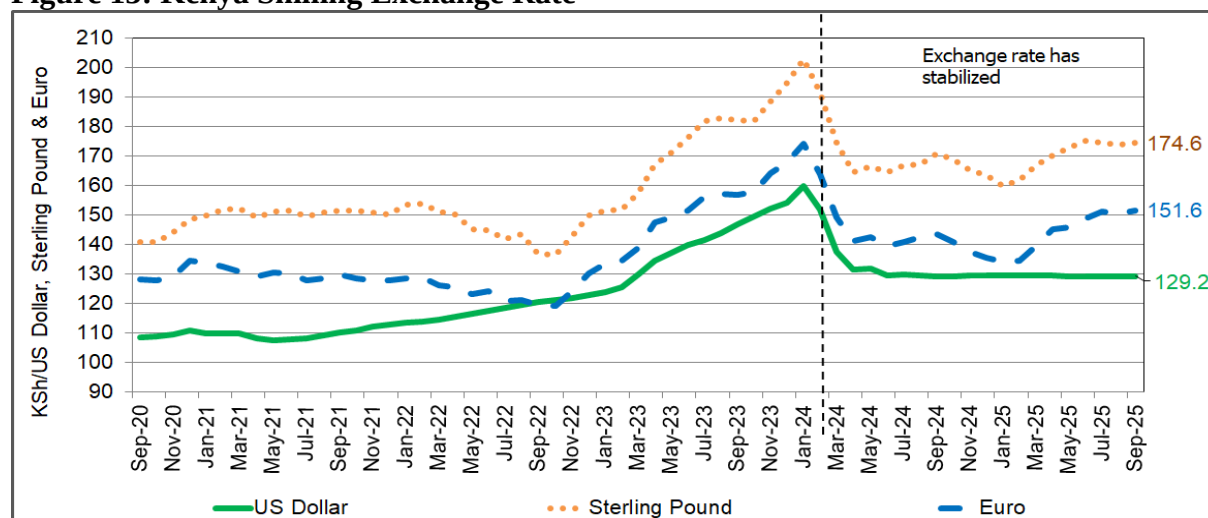
Figure 12: Foreign Exchange Reserves (USD Million)

Source of Data: Central Bank of Kenya

Exchange Rate Developments

89. The Kenya Shilling remained relatively stable against the US Dollar, exchanging at an average of KSh 129.2 in September 2025, the same as in the corresponding period of the previous year. However, the Shilling depreciated against the Sterling Pound and the Euro by 2.2 percent and 5.6 percent, respectively. The Sterling Pound averaged KSh 174.6 in September 2025, up from KSh 170.7 in September 2024, while the Euro averaged KSh 151.6 compared to KSh 143.5 over the same period. Overall, the foreign exchange market remained well-supported by steady inflows from agricultural exports and diaspora remittances, which helped cushion the Shilling against excessive volatility (**Figure 13**).

Figure 13: Kenya Shilling Exchange Rate

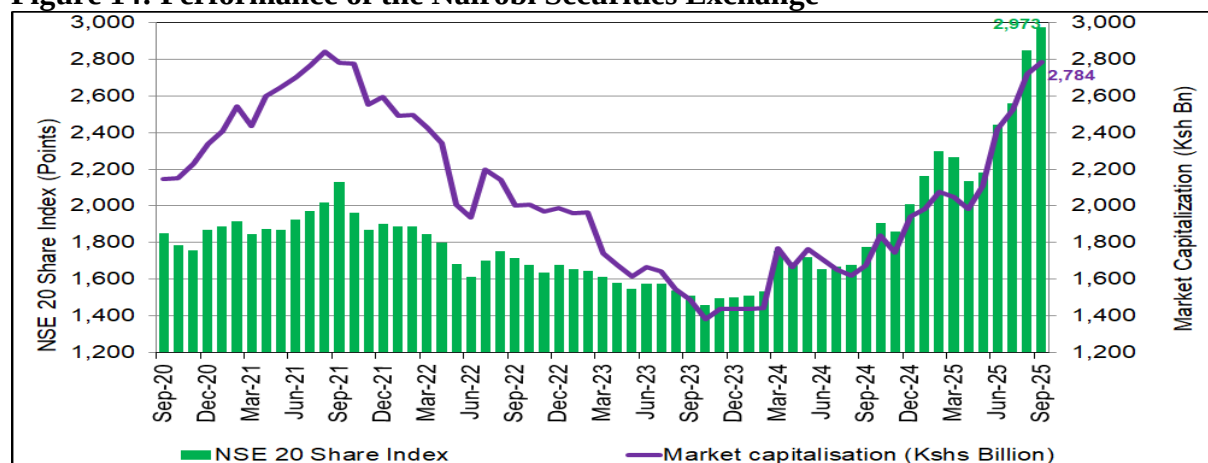


Source of Data: Central Bank of Kenya

Capital Markets Developments

90. The stability of the Kenya Shilling against major international currencies, together with improved macroeconomic conditions, has boosted investor confidence. This has driven higher foreign direct investment inflows and increased participation in the Nairobi Securities Exchange (NSE). As a result, the NSE 20 Share Index rose by 67.4 percent to 2,973 points in September 2025, up from 1,776 points in September 2024. Similarly, market capitalization expanded by 66.1 percent to KSh 2,784 billion, compared to KSh 1,676 billion over the same period (**Figure 14**).

Figure 14: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

C. Kenya's Macroeconomic Outlook

91. Kenya's economic performance is projected to pick up in 2025 and 2026, with real GDP growth projected at 5.3 percent (**Table 16 in calendar years and Annex Table 1 in fiscal years**). On the supply side, growth will be driven by resilient agriculture, steady services, and gradual improvement in industry. The agriculture sector will be driven by favourable weather conditions and productivity-enhancing government interventions. Linkages with other sub-sectors will boost the agro-processing industries, merchandise exports, as well as households' incomes.

92. The industrial sector is projected to pick up in the medium term due to the reduced cost of production and stable exchange rate. Notably, the construction sub-sector is expected to recover following the settlement of verified pending bills, which will facilitate the resumption of stalled projects, improve liquidity for contractors, and stimulate growth in associated sectors including manufacturing and materials supply. Kenya's fast-growing services, including the financial sector and ICT, are projected to maintain momentum. Ongoing efforts by the Government to promote eco-friendly tourism practices, expand community-based tourism, and invest in port facilities to promote cruise tourism, are expected to drive the growth of the hospitality sector in the medium term.

93. On the demand side, private consumption and investment are projected to maintain a steady pace supported by a conducive macroeconomic environment. Prudent monetary policy and lower inflation will support disposable incomes of households and firms. Moreover, remittance inflows to Kenya are projected to remain resilient and provide further support. Lower lending rates are expected to encourage increased private investment by making credit more affordable for businesses, thereby supporting expansion and job creation, while also boosting household consumption through easier access to loans, which can stimulate economic growth.

94. Private investment will also be supported by measures aimed at improving competitiveness, inclusivity, market efficiency, positive business sentiment, access to the international market and project FDI inflows, adherence to fiscal consolidation, and a stable exchange rate underpinned by prudent monetary policy and successful liability management. Private investment will further benefit from the scale up of Public Private Partnerships (PPPs). The harmonization of the Public Investment Policy, which aligns PPP and Public Investment Management frameworks was completed and the framework is operational. In the medium term, the Government targets PPP investments in key economic sectors to complement its development agenda. These sectors include Agriculture, Roads and Transport and Logistics, Urban Development and Housing, Energy, Water, information, Communication Technologies (ICT), Agribusiness & Manufacturing and Health. The privatization of state-owned assets is further expected to boost private investment by attracting both foreign and domestic investors, improving enterprise efficiency, and freeing up public resources to support broader economic growth.

95. Growth of public consumption is projected to remain subdued, in line with the planned fiscal adjustment in the medium term. As a percentage of GDP, recurrent expenditure is projected to decline while development expenditure is projected to gradually pick up to support BETA. The Government also plans to mobilize funds for planned major infrastructural projects through PPPs and will enhance liquidity to the private sector by clearing pending bills particularly the approved payments related to the roads sector. The settlement of the road sector pending bills will be facilitated through a bond issued by the Kenya Roads Board.

96. Kenya's external balance is projected to remain stable in the medium term, supported by increasing exports as trade agreements are implemented, and global financial conditions ease

further. Additionally, a projected robust growth in Kenya's key trading partners (Africa) and low international commodity prices will drive demand for Kenya's exports with resilience expected in agriculture. The removal of export tariffs by China and improved access to European Union markets are expected to boost Kenya's exports, increase foreign exchange earnings, and help improve the country's external balance.

97. An anticipated stabilization in global growth in the medium term is expected to support resilience in diaspora remittances as well as continued growth in tourism and transport receipts. The estimated recovery in service exports is expected to compensate for a decline in incomes following reduction in aid flows. A projected increase in domestic demand supported by stable exchange rate will drive import growth largely through imports of raw materials for the recovery in industrial growth and imports for household consumption.

Monetary Policy Management

98. Monetary policy management is undertaken by CBK with the primary goal of maintaining price and financial stability to support economic growth. The framework is anchored on an inflation-targeting approach, with the current target set at 5 ± 2.5 percent. The introduction of core and non-core inflation measures in January 2025 has strengthened the CBK's capacity for data-driven decisions, with core inflation providing a more reliable guide to underlying price pressures.

99. The Monetary Policy Committee continued to implement the reforms outlined in the White Paper on Modernization of the Monetary Policy Framework and Operations aimed at enhancing the effectiveness of monetary policy and supporting the anchoring of inflation expectations. As part of this reform, the CBK is transitioning toward a forward-looking, interest-rate-based monetary policy framework, strengthening liquidity management tools, enhancing policy communication and transparency, and upgrading market infrastructure to improve monetary policy transmission.

100. A key milestone in this transition is the adoption of the interest rate corridor system, which sets a clear ceiling and floor for short-term market interest rates around the CBR. In April 2025, the MPC narrowed the interest rate corridor from ± 150 basis points to ± 75 basis points and revised the discount window rate from 300 basis points above the CBR to the upper bound of the corridor (+75 basis points). These reforms are expected to stabilize the interbank rate, align it more closely with the CBR, strengthen monetary policy signaling, and deepen financial markets to bolster investor confidence and macroeconomic stability.

101. Further, the CBK has introduced a revised Risk-Based Credit Pricing Model (RBCPM) for the banking sector. This is aimed at strengthening monetary policy transmission, enhancing lending transparency, and promoting responsible lending by aligning credit pricing with borrowers' risk profiles. The revised model is anchored on the Kenya Shilling Overnight Interbank Average rate (KESONIA) to align with international best practices. It also closely links lending rates to the policy rate under the current monetary policy framework. Under the RBCPM, the total lending rate equals KESONIA plus a premium ("K") that covers lending costs, shareholder returns, and borrower risk, while the total cost of credit includes KESONIA, the premium, and fees and charges.

102. To ensure transparency, banks will publish their weighted average lending rates, premiums, and fees and charges for all lending products on their websites and on the Total Cost of Credit (TCC) platform. KESONIA will apply to all variable rate loans except foreign currency and fixed-rate loans, with the CBR as an alternative where KESONIA is not practical. The revised RBCPM was effective from September 1, 2025, for all new variable rate loans, and

will take effect from February 28, 2026, for existing variable rate loans following a six-month transition period.

103. The CBK extended the operating hours for the Kenya Electronic Payment and Settlement System (KEPSS) and the national Real Time Gross Settlement (RTGS) system, effective July 1, 2025. The strategic enhancement is aimed at improving the efficiency, accessibility, and resilience of Kenya's payments ecosystem supporting the country's transition towards a 24/7 digital economy, facilitate seamless transactions across time zones and increase the competitiveness of Kenya as a regional financial hub.

104. Going forward, monetary policy management will continue to focus on preserving the credibility of the inflation target and enhancing the transmission of policy signals to lending rates. Additionally, it will continue safeguarding financial stability and ensuring monetary conditions remain supportive of private sector credit and economic activities, reinforced by prudent fiscal management.

Macroeconomic Assumptions Underlying the Medium Term Fiscal Framework

105. The macroeconomic assumptions for FY 2026/27 and medium-term Budget are outlined below:

- i. Global macroeconomic conditions remain stable;
- ii. Real GDP is projected to grow by 5.3 percent in 2025 and to sustain this growth rate over the medium term, largely driven by enhanced agricultural productivity, a resilient services sector, and ongoing implementation of priorities under BETA;
- iii. Favorable weather conditions are anticipated to boost agricultural productivity;
- iv. Inflation is expected to be maintained within the target range of 5 ± 2.5 percent;
- v. Interest rates are expected to continue declining in 2025 in line with the monetary policy stance and remain stable over the medium term to enhance credit to the private sector and support economic activities; and
- vi. Exchange rate is expected to remain stable.

Table 16: Kenya's Macroeconomic Indicators and Projections

	2023	2024	2025	2026	2027	2028	2029	2030
	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
<i>annual percentage change, unless otherwise indicated</i>								
National Account and Prices								
Real GDP	5.7	4.7	5.3	5.3	5.3	5.3	5.3	5.3
Primary Sector	5.7	3.8	5.1	4.4	4.3	4.5	4.4	4.6
- of which: Agriculture	6.6	4.6	5.0	4.3	4.3	4.4	4.2	4.4
Secondary Sector	2.6	1.5	3.3	3.4	3.5	3.9	4.1	4.4
Tertiary Sector	6.8	6.1	5.6	6.1	6.2	6.1	6.1	6.0
GDP deflator	5.9	2.5	5.9	4.6	4.6	4.8	4.8	4.6
CPI Index (eop)	6.6	5.0	4.7	4.8	4.8	4.7	4.7	4.9
CPI Index (avg)	7.7	4.5	4.5	4.8	4.8	4.7	4.7	4.7
Terms of trade (-deterioration)	-1.7	-0.4	4.4	2.9	3.4	3.5	4.5	4.5
Money and Credit (end of period)								
Net domestic assets	3.1	9.6	11.8	10.1	9.6	9.3	9.3	7.7
Net domestic credit to the Government	14.2	12.4	6.6	6.3	5.3	5.4	4.6	1.9
Credit to the rest of the economy	3.1	5.4	9.6	10.9	10.9	10.5	11.0	2.2
Broad Money, M3 (percent change)	7.2	9.2	10.5	10.3	10.4	10.3	10.4	7.6
Reserve money (percent change)	7.9	3.4	9.2	10.2	10.3	10.2	10.2	7.5
<i>in percentage of GDP, unless otherwise indicated</i>								
Investment and Saving								
Consumption	89.2	88.8	89.2	88.7	88.4	87.9	87.6	87.2
Central Government	11.8	11.2	11.6	11.2	11.0	10.5	10.3	9.9
Private	76.2	76.9	77.1	76.9	76.9	76.9	76.9	76.9
Final consumption expenditure by NPISH	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.4
Gross Fixed Capital Investment	16.5	16.8	15.5	15.7	15.6	15.5	15.6	15.6
Central Government	4.2	4.2	4.2	4.3	4.4	4.5	4.6	4.6
Private	12.3	12.6	11.3	11.4	11.2	11.0	11.1	10.9
Gross National Saving	12.3	14.1	14.2	14.4	14.1	14.6	14.2	14.4
Central Government	-4.1	-5.0	-5.3	-4.5	-4.3	-3.4	-2.9	-2.4
Private	16.5	19.0	19.5	19.0	18.4	18.0	17.1	16.7
Exports value, goods and services	16.8	17.0	15.6	14.2	13.5	12.3	12.3	15.2
Imports value, goods and services	24.3	23.1	21.1	19.5	17.9	16.9	16.0	15.4
Current Account Balance	-4.2	-2.7	-1.3	-1.2	-1.5	-0.9	-1.4	-1.2
Gross reserves in months of next yr's imports	3.1	4.1	4.5	4.6	4.6	4.7	4.7	4.8
Gross reserves in months of this yr's imports	3.4	4.3	4.6	4.7	4.8	4.9	5.0	5.1
Central Government Budget in Fiscal Years								
Total revenue	16.5	17.3	17.0	17.5	17.1	17.5	17.1	16.7
Total Expenditure and Net Lending	22.5	23.0	23.2	22.5	22.2	21.5	20.8	19.8
Overall Fiscal Balance excl. Grants	-6.0	-5.8	-6.1	-5.0	-5.1	-4.0	-3.7	-3.1
Overall Fiscal Balance, incl. Grants	-5.9	-5.6	-5.9	-4.7	-4.9	-3.7	-3.4	-2.9
Statistical discrepancy	-0.2	-0.1	0.1	0.0	0.0	0.0	0.0	0.0
Overall Fiscal Balance, incl. Grants, Cash Basis	-5.6	-5.3	-5.9	-4.7	-4.9	-3.7	-3.4	-2.9
Primary Budget Balance	-0.8	0.1	-0.2	1.0	0.8	1.6	1.5	1.4
Net domestic borrowing	3.2	3.8	5.0	3.2	3.7	2.7	2.5	2.5
Public debt in Fiscal years								
Nominal Government Public Debt (eop), Gross	71.9	67.5	68.8	66.9	65.5	63.1	60.6	57.8
Nominal Public Debt (eop), Net of Deposits	68.5	64.2	65.4	63.8	62.7	60.6	58.3	55.7
Domestic (Gross) Debt	33.8	34.5	36.9	36.5	36.8	36.1	35.2	34.4
Domestic (Net) Debt	30.4	31.2	33.4	33.4	34.0	33.5	32.9	32.3
External Debt	38.1	33.0	32.0	30.4	28.7	27.0	25.4	23.3
Memorandum Items:								
Nominal GDP (in Ksh Billion)	15,109	16,224	18,090	19,922	21,985	24,267	26,788	29,528
Nominal GDP (in US\$ Million)	108,037	121,256	139,749	154,158	170,040	188,406	208,160	230,186

Source: The National Treasury

Risks to the Economic Outlook

106. Kenya's economic outlook is subject to several downside risks that could hinder growth and macroeconomic stability. Domestic risks relate to extreme weather events which could pose a serious threat to agricultural performance. Disruptions in food production due to droughts and floods could lead to higher food prices, exacerbating inflation, and straining household incomes. Additionally, climate-related damage to infrastructure could disrupt economic activities and increase Government expenditure on disaster response and reconstruction.

107. Externally, the rise in costs of fuel and food imports, driven by supply constraints or geopolitical instability, could put upward pressure on inflation, eroding household purchasing power and increasing the cost of doing business. Additionally, uncertainty regarding trade policies and tariffs may hinder economic activities, along with increased financial market volatility and tighter financial conditions.

108. Despite these downside risks, there are potential upside scenarios. Accelerated implementation of structural reforms under BETA and the Fourth Medium-Term Plan, including further improvements in public financial management, expenditure efficiency, and governance, could enhance investor confidence and spur economic activities. A favourable global economic environment, marked by stable commodity prices, fall in oil prices, and strong external demand, could also support higher-than-expected growth, improving Kenya's overall economic resilience.

109. Continued coordination between monetary and fiscal policies is expected to contribute to a stable macroeconomic environment, which is essential for promoting investment, savings, and economic growth. The Government is actively monitoring both domestic and international conditions and will implement suitable policy measures to safeguard the economy against potential adverse effects should these risks materialize.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2025/26 Budget

110. The implementation of the FY 2025/26 budget remains on track. Total revenue amounted to KSh 419.2 billion (2.2 percent of GDP) in August 2025 against a target of KSh 495.8 billion (2.6 percent of GDP) recording a shortfall of KSh 76.6 billion. This performance, coupled with the weak budget outturn in the FY 2024/25, points to continued fiscal pressures and underscores the need for realistic revenue projections in preparing the FY 2026/27 budget.

111. In order to maintain the fiscal balance consistent with the fiscal consolidation plan, revenue projections and expenditure estimates for FY 2025/26 remain aligned with those in the approved 2025 BPS. Total revenue including AiA for the FY 2025/26 is projected at KSh 3,321.7 billion (17.5 percent of GDP), while total expenditure and net lending is projected at KSh 4,269.9 billion (22.5 percent of GDP). Overall fiscal deficit including grants is projected at KSh 901.0 billion (4.7 percent of GDP) (**Annex Tables 2 and 3**). The deficit will be financed by a net foreign financing of KSh 287.4 billion (1.5 percent of GDP) and a net domestic financing of KSh 613.5 billion (3.2 percent of GDP).

B. Fiscal Policy for FY 2026/27 and Medium Term Budget

112. The fiscal policy approach for FY 2026/27 and the medium term is designed to support the Government's key initiatives under BETA and the Fourth Medium Term Plan through a growth-oriented fiscal consolidation plan. This strategy aims to moderate the annual increase in public debt and execute a robust liability management plan, while maintaining the quality of public service delivery. These measures are expected to strengthen the country's debt sustainability. Fiscal consolidation efforts will focus on improving domestic revenue collection, optimizing and reprioritizing expenditures, and protecting critical government programs and social spending. Special attention will be given to boosting revenue through a blend of tax administration improvements and tax policy reforms, which include:

- i) Implementation of the National Tax Policy and the Medium Term Revenue Strategy to progressively strengthen tax revenue mobilization;
- ii) Strengthening tax administration to improve compliance, broaden the tax base, rationalize tax expenditures, ensure continuous investment in technology to achieve seamless tax administration, and enhance customs valuation; and,
- iii) Enhancing non-tax revenues that MDAs raise through the services they offer to the public.

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

- i) Rationalization and reduction of non-essential expenditures;
- ii) Utilization of end-to-end e-procurement system to maximize value for money and enhance transparency in procurement processes;
- iii) Prioritization of ongoing projects for completion before introduction of new projects;
- iv) Scaling up the use of the PPP framework for commercially viable projects;
- v) Re-engineering of the pension management system to improve functionality, data management and overall efficiency;
- vi) Expediting State-Owned Enterprises' reforms;

- vii) Entrenching the zero-based budgeting to re-orient the budgeting and expenditure framework of the Government;
- viii) Fast tracking migration from cash basis to accrual basis of accounting;
- ix) Implementing the Treasury Single Account to improve cash management; and
- x) Operationalizing the Assets and Inventory Management Modules in the IFMIS for all MDAs to facilitate optimal assets utilization.

Fiscal Projections

114. In the FY 2026/27, total revenue including Appropriation-in-Aid (AiA) is projected at KSh 3,583.4 billion (17.1 percent of GDP). Of this, ordinary revenue is projected at KSh 2,998.3 billion (14.3 percent of GDP). This revenue performance will be underpinned by the on-going reforms in policy and revenue administration. The overall expenditure and net lending is projected at KSh 4,649.8 billion (22.2 percent of GDP) comprising: recurrent expenditure of KSh 3,437.2 billion (16.4 percent of GDP); development expenditure of KSh 761.0 billion (3.6 percent of GDP); transfer to Counties of KSh 446.6 billion and Contingency Fund of KSh 5.0 billion. The resulting fiscal deficit including grants of KSh 1,017.6 billion (4.9 percent of GDP) in FY 2026/27 will be financed by a net external financing of KSh 241.8 billion (1.2 percent of GDP) and a net domestic financing of KSh 775.8 billion (3.7 percent of GDP).

Medium Term Fiscal Projections

115. The medium term fiscal projections in the 2025 BROP have been revised from those of the 2025 Budget Policy Statement estimates taking into account the fiscal outcome of the FY 2024/25 and the available resource envelope. Over the medium term, as a percent of GDP, the Government's total revenue including AiA is projected at 17.5 percent in the FY 2027/28 and 17.1 percent of GDP in the FY 2028/29. Of the total revenue, ordinary revenue is projected at 14.6 percent in the FY 2027/28 and 14.3 percent of GDP in the FY 2028/29. Total expenditure is projected to decrease from 21.5 percent of GDP in the FY 2027/28 to 20.8 percent of GDP in the FY 2028/29. Of the total expenditures, recurrent expenditure is projected to decline from 15.6 percent of GDP in the FY 2027/28 to 14.8 percent of GDP in the FY 2028/29 while development and net lending expenditure is expected to rise from 3.8 percent of GDP in the FY 2027/28 to 4.1 percent of GDP in the FY 2028/29.

116. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to gradually decline from 3.7 percent of GDP in the FY 2027/28 to 3.4 percent of GDP in the FY 2028/29 (**Table 17, Annex Tables 2 and 3**). This will boost the country's debt position and ensure the country's development agenda is sustainably funded.

Table 17: Government Fiscal Projections, KSh Billion

	FY 2023/24	FY 2024/25		FY 2025/26	FY 2026/27		FY 2027/28		FY 2028/29		FY 2029/30
	Actual	Supp Est. III	Prel. Act	Approved Budget	BPS'25	BROP'25	BPS'25	BROP'25	BPS'25	BROP'25	BROP'25
	KSh Billion										
TOTAL REVENUE	2,702.7	2,985.6	2,923.6	3,321.7	3,758.7	3,583.4	4,201.2	4,044.3	4,717.1	4,368.4	4,697.1
<i>Total Revenue as a % of GDP</i>	<i>17.3%</i>	<i>17.1%</i>	<i>17.0%</i>	<i>17.5%</i>	<i>17.7%</i>	<i>17.1%</i>	<i>17.9%</i>	<i>17.5%</i>	<i>18.1%</i>	<i>17.1%</i>	<i>16.7%</i>
Ordinary revenue	2,288.9	2,496.2	2,420.2	2,754.7	3,176.5	2,998.3	3,566.4	3,387.9	4,025.0	3,655.8	3,955.2
<i>Ordinary Revenue as a % of GDP</i>	<i>14.6%</i>	<i>14.3%</i>	<i>14.1%</i>	<i>14.5%</i>	<i>14.9%</i>	<i>14.3%</i>	<i>15.2%</i>	<i>14.6%</i>	<i>15.5%</i>	<i>14.3%</i>	<i>14.0%</i>
Tax Revenue	2,098.9	2,236.2	2,203.3	2,554.9	2,938.2	2,606.2	3,307.2	3,015.0	3,741.5	3,283.9	3,609.6
Non-Tax Revenue	190.0	260.0	216.8	199.8	238.2	392.1	259.1	372.9	283.5	371.9	345.7
AIA	413.7	489.4	503.4	566.9	582.3	585.1	634.8	656.4	692.1	712.6	741.8
Total Expenditure	3,605.2	4,045.1	3,975.9	4,269.9	4,574.1	4,649.8	5,017.1	4,969.7	5,477.1	5,304.6	5,580.9
<i>Expenditure as a % of GDP</i>	<i>23.0%</i>	<i>23.2%</i>	<i>23.2%</i>	<i>22.5%</i>	<i>21.5%</i>	<i>22.2%</i>	<i>21.3%</i>	<i>21.5%</i>	<i>21.1%</i>	<i>20.8%</i>	<i>19.8%</i>
Recurrent	2,678.4	2,994.2	2,953.5	3,142.0	3,256.2	3,437.2	3,573.5	3,607.4	3,822.0	3,775.3	3,946.8
Development	572.2	630.2	604.1	700.2	885.4	772.4	998.7	897.9	1,196.1	1,051.3	1,129.2
Equalization Fund	-	2.5	-	10.6	10.6	15.2	10.6	18.6	10.6	22.6	23.1
County Transfer (Equitable share only)	354.6	418.3	418.3	415.0	417.0	420.0	429.4	440.9	443.4	450.4	476.7
Contingencies	-	-	-	2.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Budget Balance (Deficit (-) excl Grants	(902.5)	(1,059.5)	(1,052.4)	(948.2)	(815.4)	(1,066.4)	(815.9)	(925.5)	(759.9)	(936.1)	(883.8)
<i>Deficit as % of GDP</i>	<i>-5.8%</i>	<i>-6.1%</i>	<i>-6.1%</i>	<i>-5.0%</i>	<i>-3.8%</i>	<i>-5.1%</i>	<i>-3.5%</i>	<i>-4.0%</i>	<i>-2.9%</i>	<i>-3.7%</i>	<i>-3.1%</i>
Grants	22.0	47.2	33.3	47.2	63.6	48.8	66.8	58.8	67.1	67.1	77.1
Adjustment to cash basis	45.4	-	-	-	-	-	-	-	-	-	-
Balance Incl.Grants (cash basis)	(835.1)	(1,012.3)	(1,019.1)	(901.0)	(751.7)	(1,017.6)	(749.1)	(866.6)	(692.9)	(869.1)	(806.7)
<i>Deficit as % of GDP</i>	<i>-5.3%</i>	<i>-5.8%</i>	<i>-5.9%</i>	<i>-4.7%</i>	<i>-3.5%</i>	<i>-4.9%</i>	<i>-3.2%</i>	<i>-3.7%</i>	<i>-2.7%</i>	<i>-3.4%</i>	<i>-2.9%</i>
Net Foreign Financing	222.7	186.5	179.7	287.4	107.5	241.8	64.0	235.9	138.3	225.1	98.0
<i>Net Foreign Financing % of GDP</i>	<i>1.4%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>1.5%</i>	<i>0.5%</i>	<i>1.2%</i>	<i>0.3%</i>	<i>1.0%</i>	<i>0.5%</i>	<i>0.9%</i>	<i>0.3%</i>
Domestic Borrowing (net)	595.6	825.8	854.5	613.5	644.3	775.8	685.1	630.8	554.5	643.9	708.7
<i>Domestic Borrowing % of GDP</i>	<i>3.8%</i>	<i>4.7%</i>	<i>5.0%</i>	<i>3.2%</i>	<i>3.0%</i>	<i>3.7%</i>	<i>2.9%</i>	<i>2.7%</i>	<i>2.1%</i>	<i>2.5%</i>	<i>2.5%</i>
Gross Public Debt	10,582.0	11,573.4	11,810.8	12,711.8	13,222.0	13,729.4	13,971.1	14,596.0	14,663.9	15,465.1	16,271.9
<i>Gross Public Debt to GDP</i>	<i>67.5%</i>	<i>66.4%</i>	<i>68.8%</i>	<i>66.9%</i>	<i>62.1%</i>	<i>65.5%</i>	<i>59.4%</i>	<i>63.1%</i>	<i>56.4%</i>	<i>60.6%</i>	<i>57.8%</i>
Nominal GDP (Ksh billion)	15,666.6	17,434.5	17,157.3	19,006.2	21,285.6	20,953.6	23,529.5	23,126.1	26,018.8	25,527.4	28,158.0

Source of Data: National Treasury

C. FY 2026/27 and Medium-Term Budget Framework

117. The FY 2026/27 Budget and the Medium-Term framework will remain aligned with the priorities outlined in the MTP IV and the BETA. The focus will center on five key pillars that have the greatest potential to drive economic growth and improve household welfare, namely: Agricultural Transformation; the Micro, Small, and Medium Enterprises (MSME) Economy; Housing and Settlement; Healthcare; and the Digital Superhighway and Creative Economy. In addition, the Government will pursue strategic interventions across several key enablers, including: Infrastructure; Manufacturing; the Blue Economy; Services Sector; Environmental Conservation and Climate Change; Education and Training; the Women's Agenda; Youth Empowerment and Development; Social Protection; Sports, Culture and the Arts; Governance; and Foreign Policy and Regional Integration.

118. In FY 2026/27 and over the medium term, resource allocation for priority programmes will be organized under five key clusters: Finance and Production, Infrastructure, Environment and Natural Resources, Social Sectors, and Governance and Public Administration. The primary focus will be on strategic interventions within the following value chains: leather and leather products; textiles and apparel; dairy; tea; rice; edible oils; the blue economy; natural resources (including minerals and forestry), and construction and building materials. This value chain approach aims to ensure more efficient and rational resource allocation by minimizing duplication, reducing overlaps, avoiding fragmentation, and improving coordination in the implementation of programmes and projects. It further promotes a Whole-of-Government approach to service delivery, fostering greater synergy and effectiveness across sectors.

Criteria for Resource Allocation

119. The Government will continue to implement the Zero-Based Budgeting approach to guide the prioritization and allocation of limited resources to projects and programmes. MDAs will be required to reassess all planned and existing programmes, projects and activities to be funded in the FY 2026/27 and over the medium-term budget. In this context, the principles of efficiency, effectiveness, and prudence in public spending will be strictly enforced, ensuring that low-priority expenditures are curtailed in favor of high-priority, service-delivery programmes. Sector Working Groups are therefore expected to prioritize essential spending and focus on interventions that improve livelihoods, create employment, support business recovery, and drive overall economic growth.

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

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

121. Based on the above criteria, SWGs are expected to develop and document sector-specific criteria for prioritization and resource allocation within the resource envelope. Reflecting on the above, the Medium-Term Expenditure Framework provided in **Table 18** and **Annex Tables 4 and 5** will guide resource allocation into the medium term.

Table 18: Medium Term Sector Ceilings, FY 2026/27 – FY 2028/29 (KSh Million)

Code	Sector		Approved Budget	2025 BROP Projections			% Share in Total Ministerial Expenditures			
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	Approved FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
010	Agriculture, Rural & Urban Development (ARUD)	Sub_Total	82,407.8	89,707.8	97,743.2	110,045.4	3.2	3.2	3.2	3.3
		Rec_Gross	34,409.7	34,103.4	35,664.1	37,294.2	1.9	1.7	1.7	1.7
		Dev_Gross	47,998.1	55,604.4	62,079.1	72,751.2	6.4	6.7	6.5	6.5
020	Energy, Infrastructure and ICT (EII)	Sub_Total	534,627.8	566,427.5	650,612.0	718,473.1	21.0	20.1	21.4	21.8
		Rec_Gross	154,186.4	158,360.2	164,197.8	168,391.1	8.5	7.9	7.9	7.7
		Dev_Gross	380,441.4	408,067.3	486,414.2	550,082.0	51.1	49.4	50.9	49.3
030	General Economic and Commercial Affairs(GECA)	Sub_Total	58,159.9	60,788.0	67,107.1	69,336.2	2.3	2.2	2.2	2.1
		Rec_Gross	36,558.4	36,338.9	37,969.1	39,322.1	2.0	1.8	1.8	1.8
		Dev_Gross	21,601.5	24,449.1	29,137.9	30,014.1	2.9	3.0	3.0	2.7
040	Health	Sub_Total	138,105.5	146,815.3	171,579.2	185,618.5	5.4	5.2	5.6	5.6
		Rec_Gross	110,608.3	116,191.2	137,475.9	142,895.0	6.1	5.8	6.6	6.5
		Dev_Gross	27,497.3	30,624.0	34,103.3	42,723.5	3.7	3.7	3.6	3.8
050	Education	Sub_Total	703,066.2	767,234.1	816,339.7	869,390.5	27.6	27.2	26.9	26.4
		Rec_Gross	673,286.4	737,121.1	781,274.2	825,548.6	37.3	37.0	37.5	37.8
		Dev_Gross	29,779.7	30,113.0	35,065.5	43,841.9	4.0	3.6	3.7	3.9
060	Governance, Justice Law and Order(GJLO)	Sub_Total	283,043.1	330,552.7	339,014.5	344,656.2	11.1	11.7	11.2	10.4
		Rec_Gross	264,119.2	304,970.1	311,086.6	312,779.4	14.6	15.3	14.9	14.3
		Dev_Gross	18,923.9	25,582.6	27,927.8	31,876.8	2.5	3.1	2.9	2.9
070	Public Administration and Internal Relations (PAIR)	Sub_Total	321,503.2	380,895.5	398,671.7	439,749.0	12.6	13.5	13.1	13.3
		Rec_Gross	194,678.1	234,588.1	242,106.5	264,119.9	10.8	11.8	11.6	12.1
		Dev_Gross	126,825.1	146,307.4	156,565.2	175,629.1	17.0	17.7	16.4	15.7
080	National Security	Sub_Total	253,770.2	284,317.3	295,255.4	312,475.5	10.0	10.1	9.7	9.5
		Rec_Gross	248,836.2	276,383.3	281,321.4	293,541.5	13.8	13.9	13.5	13.4
		Dev_Gross	4,934.0	7,934.0	13,934.0	18,934.0	0.7	1.0	1.5	1.7
090	Social Protection Culture and Recreation	Sub_Total	78,994.4	87,167.4	83,261.6	90,188.2	3.1	3.1	2.7	2.7
		Rec_Gross	54,145.3	60,674.7	55,726.8	61,381.9	3.0	3.0	2.7	2.8
		Dev_Gross	24,849.1	26,492.7	27,534.8	28,806.3	3.3	3.2	2.9	2.6
0100	Environment Protection, Water and Natural Resources	Sub_Total	95,866.7	104,743.2	119,347.3	158,308.4	3.8	3.7	3.9	4.8
		Rec_Gross	33,879.1	34,244.6	35,754.7	37,354.7	1.9	1.7	1.7	1.7
		Dev_Gross	61,987.5	70,498.6	83,592.6	120,953.7	8.3	8.5	8.7	10.8
	GRAND TOTAL	Sub_Total	2,549,544.8	2,818,648.7	3,038,931.5	3,298,240.9	100.0	100.0	100.0	100.0
		Rec_Gross	1,804,707.1	1,992,975.6	2,082,577.0	2,182,628.3	70.8	70.7	68.5	66.2
		Dev_Gross	744,837.7	825,673.2	956,354.5	1,115,612.6	29.2	29.3	31.5	33.8

Source: The National Treasury

122. To facilitate the finalization and approval of the FY 2026/27 budget and related policy documents within the stipulated timelines, MDAs are required to strictly undertake the activities outlined in the Budget Calendar. The Budget Calendar provided in **Annex Table 6** outlines the timeframes for delivery of policy documents, reports and relevant Bills.

D. Public Participation and Involvement of Stakeholders

123. As required by the PFM Act, CAP 412A, the 2025 BROP was shared with various stakeholders and the public for comments before its finalization. Specifically, the document has been reviewed and finalized during a retreat of the Macro Working Group from 28th August to 5th September 2025 in Nakuru County that brought together 32 officers of the Macro Working Group from the following institutions: various Departments of the National Treasury, the State Department for Economic Planning, the Central Bank of Kenya, the Kenya Revenue Authority, the Kenya Institute for Public Policy Research and Analysis, and the Commission on Revenue Allocation. **Annex Table 8** provides a list of officers from the Macro Working Group who attended the retreat. A summary of the comments received from the Macro Working Group, various stakeholders and the public as well as the responses or actions taken are summarized in **Annex Table 9**.

V. CONCLUSION AND NEXT STEPS

124. Kenya's economy has demonstrated remarkable resilience over the past three years, consistently growing at a pace that outperforms both the global and regional averages. Despite challenges in both the domestic and external front, the economy remained strong and resilient in the first quarter of 2025 expanding by 4.9 percent, a similar growth compared to the corresponding quarter of 2024. This strength is rooted in deliberate policies and the benefits of a diversified economy. Kenya's economic performance is projected to pick up in 2025 and 2026, with real GDP growth projected at around 5.3 percent. This growth will largely be underpinned by strong performance in the agriculture sector, a recovery of industrial activities, and the resilience of services sector.

125. The medium term macroeconomic and fiscal projections in the 2025 BROP have been revised from those of the 2025 BPS estimates taking into account the macroeconomic and fiscal outcome of the FY 2024/25. The 2025 BROP forms the basis for the development of the 2026 BPS that will detail the progress in the implementation of the priority policies and strategies of the Government under BETA as outlined in the MTP IV of the Vision 2030; and preparation of the FY 2026/27 and the medium-term budget that will be guided by the Budget Calendar. The Budget Calendar for FY 2026/27 is guided by the timelines provided in the PFM Act, CAP 412A and has the following critical steps:

- i) The Budget Circular for the preparation of the FY 2026/27 and Medium-Term Budget was issued on 8th August 2025;
- ii) The Sector Working Groups were subsequently launched on 25th August 2025. The Public Sector Hearings will be held from 26th to 28th November 2025;
- iii) Preparation of the 2026 Budget Policy Statement will commence after approval of this 2025 Budget Review and Outlook Paper. Preparation of the 2026 Budget Policy Statement will be informed by the budget proposals from the Sector Working Groups and feedback from the public;
- iv) The 2026 Budget Policy Statement will be submitted to Cabinet for approval by 30th January 2026 and to Parliament by 15th February 2026 together with the Medium Term Debt Management Strategy, 2026; Division of Revenue Bill, 2026; County Allocation of Revenue Bill, 2026; and County Governments Additional Allocation Bill, 2026;
- v) The detailed Budget Estimates, Appropriation Bill, 2026 and the Finance Bill, 2026 will be submitted to Cabinet for approval by 21st April 2026 and to Parliament by 30th April 2026; and
- vi) Presentation of the Budget Statement to Parliament is scheduled for 11th June 2026 and approval and assent of both the Appropriation Bill, 2026 and Finance Bill, 2026 by 30th June 2026.

126. Taking into account the constrained fiscal environment, the Government will entrench the Zero-Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to projects and programmes in the FY 2026/27. Therefore, MDAs are required to re-evaluate all the existing or planned programmes, projects and activities to be funded in the FY 2026/27 and medium term budget. The Sector Working Groups will be required to adhere to the sector ceilings provided in the 2025 BROP and focus on interventions that improve livelihoods, create employment, support business recovery, and drive overall economic growth. The sector ceilings provided for the FY 2026/27 and the medium term budget will form inputs into the 2026 Budget Policy Statement.

Annex Table 1: Macroeconomic Indicators for the FY 2022/23 - 2029/30 Period

	2022/23	2023/24	2024/25		2025/26	2026/27		2027/28		2028/29		2029/30
	Act.	Act.	Suppl. III Budget	Prel.	Budget	BPS 2025	BROP 2025	BPS 2025	BROP 2025	BPS 2025	BROP 2025	BROP 2025
<i>annual percentage change, unless otherwise indicated</i>												
National Account and Prices												
Real GDP	5.3	5.2	5.0	5.0	5.3	5.4	5.3	5.4	5.3	5.4	5.3	5.3
GDP Deflator	6.4	4.2	5.4	4.2	5.5	5.6	5.4	5.6	5.3	6.6	5.3	5.3
CPI Index (eop)	6.9	5.3	4.9	4.6	4.7	5.0	4.8	5.0	4.7	5.0	4.7	4.8
CPI Index (avg)	7.7	6.1	4.8	4.5	4.7	5.0	4.8	5.0	4.8	5.0	4.7	4.7
Terms of Trade (-deterioration)	-0.8	-1.1	1.8	2.0	3.7	3.1	3.2	3.5	3.5	4.0	4.0	4.5
Money and Credit (end of period)												
Net domestic assets	11.5	-0.2	8.1	6.4	13.4	10.4	10.4	9.7	9.9	9.3	9.4	9.2
Net domestic credit to the Government	13.0	7.9	8.8	20.0	6.0	6.5	7.2	6.5	5.4	5.0	5.3	5.5
Credit to the rest of the economy	12.2	4.0	1.1	2.2	8.5	13.1	10.6	11.9	11.1	10.1	10.7	10.3
Broad Money, M3 (percent change)	13.4	6.8	8.9	7.5	10.8	10.2	10.2	10.3	10.4	10.4	10.4	10.3
Reserve money (percent change)	-5.9	18.7	-2.9	-1.3	8.2	10.1	10.1	10.2	10.3	10.3	10.3	10.2
<i>in percentage of GDP, unless otherwise indicated</i>												
Investment and Saving												
Investment	17.7	16.6	16.5	16.1	15.6	16.9	15.6	17.1	15.6	17.2	15.6	16.5
Central Government	4.2	4.2	4.3	4.1	4.2	4.8	4.2	4.9	4.4	5.2	4.6	4.5
Private	13.5	12.4	12.2	12.0	11.3	12.1	11.4	12.2	11.1	12.0	11.0	12.0
Gross National Savings	14.3	14.7	12.9	14.9	14.1	13.2	14.1	13.5	13.9	13.7	13.9	16.7
Central Government	-1.8	-1.6	-2.0	-2.0	-0.7	0.9	-0.9	1.2	0.4	2.1	0.9	1.3
Private	16.0	16.4	14.9	16.9	14.9	12.3	15.1	12.3	13.6	11.6	13.0	15.4
Central Government Budget												
Total revenue	16.5	17.3	17.2	17.0	17.5	18.2	17.1	18.3	17.5	18.6	17.1	16.7
Total expenditure and net lending	22.5	23.0	23.5	23.2	22.5	22.1	22.2	21.9	21.5	21.7	20.8	19.8
Overall Fiscal balance excl. grants	-6.0	-5.8	-6.3	-6.1	-5.0	-3.9	-5.1	-3.6	-4.0	-3.1	-3.7	-3.1
Overall Fiscal balance, incl. grants, cash basis	-5.6	-5.3	-6.0	-5.9	-4.7	-3.6	-4.9	-3.3	-3.7	-2.8	-3.4	-2.9
Statistical discrepancy	-0.2	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. discrepancy	-5.6	-5.3	-6.0	-5.9	-4.7	-3.6	-4.9	-3.3	-3.7	-2.8	-3.4	-2.9
Primary budget balance	-0.8	0.0	-0.1	-0.1	1.0	1.9	0.8	1.8	1.6	1.9	1.5	1.4
Net domestic borrowing	3.2	3.8	4.3	5.0	3.2	3.1	3.7	3.1	2.7	2.3	2.5	2.5
External Sector												
Exports value, goods and services	16.4	17.0	15.4	16.3	14.9	13.1	13.9	12.2	12.9	11.7	12.3	13.8
Imports value, goods and services	24.4	23.7	22.7	22.0	20.2	19.3	18.7	18.0	17.4	17.1	16.4	15.7
Current external balance, including official transfers	-3.4	-1.9	-3.6	-1.2	-1.4	-3.7	-1.5	-3.7	-1.6	-3.5	-1.7	0.2
Gross reserves in months of next yr's imports	4.2	3.9	5.6	5.2	5.0	5.8	5.0	5.8	5.0	5.8	5.1	5.1
Gross reserves in months of this yr's imports	4.2	4.1	5.9	5.4	5.1	6.0	5.2	6.1	5.3	6.2	5.4	5.5
Public debt												
Nominal central government debt (eop), gross	71.9	67.5	67.9	68.8	66.9	63.8	65.5	61.1	63.1	58.1	60.6	57.8
Nominal debt (eop), net of deposits	68.5	64.2	64.9	65.4	63.8	61.3	62.7	58.8	60.6	56.0	58.3	55.7
Domestic (gross)	33.8	34.5	36.1	36.9	36.5	35.7	36.8	35.4	36.1	34.2	35.2	34.4
Domestic (net)	30.4	31.2	33.0	33.4	33.4	33.2	34.0	33.1	33.5	32.1	32.9	32.3
External	38.1	33.0	31.8	32.0	30.4	28.1	28.7	25.8	27.0	23.9	25.4	23.3
Memorandum Items:												
Nominal GDP (in Ksh Billion)	14,299	15,667	17,435	17,157	19,006	21,286	20,954	23,529	23,126	26,019	25,527	28,158
Nominal GDP (in US\$ Million)	110,970	114,501	128,574	130,349	146,947	164,208	162,101	181,274	179,205	200,079	198,278	219,156

Source: The National Treasury

Annex Table 2: Government Operations for the FY 2022/23 - 2029/30 Period, KSh Billion

	2022/23	2023/24	2024/25		2025/26	2026/27		2027/28		2028/29		2029/30
	Act.	Act.	Suppl. III Budget	Prel.	Budget	BPS 2025	BROP 2025	BPS 2025	BROP 2025	BPS 2025	BROP 2025	BROP 2025
TOTAL REVENUE	2,360.5	2,702.7	2,985.6	2,923.6	3,321.7	3,758.7	3,583.4	4,201.2	4,044.3	4,717.1	4,368.4	4,697.1
Ordinary Revenue	2,041.1	2,288.9	2,496.2	2,420.2	2,754.7	3,176.5	2,998.3	3,566.4	3,387.9	4,025.0	3,655.8	3,955.2
Income Tax	941.6	1,042.8	1,125.2	1,093.0	1,284.8	1,494.9	1,288.4	1,655.9	1,484.9	1,851.4	1,619.2	1,775.5
Import duty (net)	130.1	133.9	153.5	157.1	162.9	180.1	177.2	209.0	191.8	219.9	203.2	217.6
Excise duty	264.5	276.7	296.9	292.5	335.5	372.7	358.8	418.0	397.0	469.3	440.5	488.8
Value Added Tax	550.4	645.5	660.6	660.7	771.7	890.5	781.8	1,024.3	941.3	1,200.9	1,021.0	1,127.6
Investment income	41.3	47.8	97.6	84.8	69.6	75.0	72.5	78.9	63.7	84.5	65.9	73.2
Other	113.2	142.2	162.4	132.0	130.2	163.2	319.5	180.2	309.2	199.0	306.0	272.5
Ministerial Appropriation in Aid	319.4	413.7	489.4	503.4	566.9	582.3	585.1	634.8	656.4	692.1	712.6	741.8
Railway Development Levy	39.9	32.0	37.2	36.8	40.7	70.3	45.0	78.8	49.7	88.2	54.9	60.7
African Union & Int'l Subscription Fund	6.2	5.4	9.7	5.2	6.6	7.4	6.4	8.2	7.0	9.1	7.8	8.6
Recurrent	213.5	259.5	214.2	199.7	231.9	300.8	224.9	327.9	268.8	357.4	295.5	297.5
Road Maintenance Levy - Normal	0.0	0.0	70.5	73.3	70.2	0.0	84.1	0.0	88.7	0.0	93.5	98.5
NMS - Recurrent	0.0	0.0	27.0	22.5	25.5	30.6	25.3	32.6	26.6	34.7	28.1	29.7
PDL - Recurrent	20.5	22.0	48.7	42.4	45.1	89.5	56.4	93.9	59.1	98.6	61.9	60.0
Development/NMS	33.9	38.3	3.2	3.8	5.5	3.8	3.8	4.1	4.1	4.1	4.2	4.4
NMS - Development	0.0	0.0	14.1	14.1	14.4	0.0	15.1	0.0	15.9	0.0	16.6	17.5
PDL - Development	5.5	2.3	0.0	32.2	32.0	0.0	33.1	0.0	34.9	0.0	36.7	38.7
Housing Development Levy	0.0	54.2	64.7	73.2	95.0	79.8	91.1	89.3	101.6	100.0	113.3	126.4
EXPENDITURE AND NET LENDING	3,221.0	3,605.2	4,045.1	3,975.9	4,269.9	4,574.1	4,649.8	5,017.1	4,969.7	5,477.1	5,304.6	5,580.9
Recurrent expenditure	2,311.6	2,678.4	2,989.1	2,948.4	3,134.1	3,256.2	3,437.2	3,573.5	3,607.4	3,822.0	3,775.3	3,946.8
Interest payments	687.3	840.7	996.9	995.1	1,097.7	1,142.5	1,193.4	1,173.6	1,234.3	1,195.9	1,261.3	1,198.3
Domestic interest	533.1	622.5	768.5	784.1	851.4	879.4	961.1	899.4	984.4	932.1	1,008.0	950.8
Foreign Interest	154.2	218.2	228.4	211.0	246.3	263.1	232.4	274.2	249.9	263.8	253.2	247.5
Pensions & Other CFS	120.4	143.9	190.3	176.8	205.2	211.2	211.2	218.7	218.7	224.0	224.0	232.1
Pensions	117.1	140.6	186.2	172.9	200.5	206.5	206.5	213.9	213.9	219.3	219.3	227.2
Other CFS	3.3	3.3	4.1	3.9	4.7	4.7	4.7	4.7	4.7	4.7	4.7	5.0
Contribution to Civil Service Pension Fund	29.6	34.2	37.0	34.3	34.4	35.5	39.6	36.5	40.8	37.6	42.0	43.7
Net Issues/Net Expenditure	1,234.1	1,372.7	1,443.5	1,441.5	1,462.5	1,528.2	1,652.3	1,776.0	1,722.4	1,963.2	1,823.2	2,038.5
O/W: Wages & Salaries	539.6	575.3	627.1	624.7	657.3	716.6	714.1	752.4	752.4	790.0	790.0	829.5
Free Secondary education	67.6	70.2	54.6	54.6	54.9	76.0	57.7	79.1	79.1	82.3	82.3	82.3
Free Primary Education	14.5	11.3	8.4	30.4	7.9	14.0	8.2	14.7	14.7	15.3	15.3	15.3
Junior Secondary School - Capitation		30.5	30.4	7.6	30.9	37.6	31.9	41.5	41.5	43.1	43.1	43.1
IEBC	19.9	4.6	1.2	3.9	5.9	1.3	16.4	16.4	16.4	29.2	29.2	29.2
Defense and NIS	172.2	205.4	231.4	231.4	241.0	220.8	245.0	229.7	251.1	238.8	257.4	263.8
Others	388.6	475.9	490.4	465.6	439.0	426.9	548.1	604.7	529.7	726.9	568.3	737.7
Ministerial Recurrent AIA	240.2	286.9	321.4	300.8	334.3	338.8	340.7	368.7	391.2	401.2	424.9	434.2
Development and Net lending	493.7	546.4	602.1	582.9	649.0	869.4	761.0	976.6	883.8	1,174.1	1,041.2	1,119.7
Domestically financed (Gross)	343.8	377.0	395.1	397.7	437.9	586.9	496.8	673.0	580.2	836.6	676.7	759.6
O/W Domestically Financed (Net)/NMS	264.5	250.2	227.2	227.3	237.2	343.4	285.4	406.9	349.9	545.7	425.7	490.7
Ministerial Development AIA	153.0	197.2	168.0	170.4	200.7	243.5	211.4	266.1	230.3	290.9	251.1	269.0
Foreign financed	137.6	151.9	184.7	165.6	201.5	271.9	249.1	293.0	285.0	326.9	341.9	336.9
Net lending	12.3	17.4	19.7	19.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	2.5	0.0	9.6	10.6	15.2	10.6	18.6	10.6	22.6	23.1
County Transfers	415.8	380.4	454.0	444.6	484.8	443.6	446.6	462.0	473.5	476.0	483.0	509.4
Equitable Share	399.6	354.6	418.3	418.3	415.0	417.0	420.0	429.4	440.9	443.4	450.4	476.7
Conditional Allocation	16.2	25.8	35.7	26.3	69.8	26.6	26.6	32.7	32.7	32.7	32.7	32.7
Contingency Fund	0.0	0.0	0.0	0.0	2.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fiscal Balance (commitment basis excl. grants)	-860.5	-902.5	-1,059.5	-1,052.4	-948.2	-815.4	-1,066.4	-815.9	-925.5	-759.9	-936.1	-883.8
Grants	23.1	22.0	47.2	33.3	47.2	63.6	48.8	66.8	58.8	67.1	67.1	77.1
Fiscal Balance (incl. grants)	-837.4	-880.5	-1,012.3	-1,019.1	-901.0	-751.7	-1,017.6	-749.1	-866.6	-692.9	-869.1	-806.7
Adjustment to Cash Basis	37.0	45.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-800.4	-835.1	-1,012.3	-1,019.1	-901.0	-751.7	-1,017.6	-749.1	-866.6	-692.9	-869.1	-806.7
Statistical discrepancy	-30.1	-16.8	0.0	15.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	770.3	818.3	1,012.3	1,034.2	901.0	751.7	1,017.6	749.1	866.6	692.9	869.1	806.7
Net Foreign Financing	310.8	222.7	186.5	179.7	287.4	107.5	241.8	64.0	235.9	138.3	225.1	98.0
Disbursements	548.2	760.5	548.0	527.0	627.6	572.3	564.3	674.7	674.7	624.3	639.3	685.0
Commercial Financing	102.2	286.9	253.1	253.1	221.2	145.6	145.6	224.1	224.1	140.0	140.0	200.7
of which: External Debt Operations - Refinancing	0.0	0.0	188.3	188.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	136.2	155.8	168.3	151.4	211.2	234.9	226.9	258.8	258.8	292.5	307.5	292.5
o/w: Project loans (AIA)	74.2	68.3	74.5	65.6	86.5	118.6	100.6	123.3	123.3	135.3	140.3	135.3
Project Loans Revenue	62.0	87.4	93.8	85.8	124.6	116.2	126.2	135.6	135.6	157.2	167.2	157.2
Use of IMF SDR Allocation	42.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	0.0	0.0	8.4	8.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	266.9	317.8	118.2	113.7	195.3	191.8	191.8	191.8	191.8	191.8	191.8	191.8
o/w: P for R Programme Loans	23.6	18.2	9.5	15.3	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	82.8	135.1	50.2	50.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	138.9	154.1	32.6	21.8	170.5	170.5	170.5	170.5	170.5	170.5	170.5	170.5
AfDB	9.7	0.0	25.9	26.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
Debt repayment - Principal	-237.4	-537.8	-361.5	-347.3	-340.2	-464.8	-322.5	-610.7	-438.9	-486.0	-414.2	-587.0
Net Domestic Financing	459.5	595.6	825.8	854.5	613.5	644.3	775.8	685.1	630.8	554.5	643.9	708.7
Memo items												
Gross Debt (Stock)	10,278.9	10,582.0	11,573.4	11,810.8	12,711.8	13,222.0	13,729.4	13,971.1	14,596.0	14,663.9	15,465.1	16,271.9
External Debt	5,446.6	5,171.7	5,337.3	5,484.8	5,772.3	5,824.0	6,014.1	5,888.1	6,250.0	6,026.4	6,475.1	6,573.1
Domestic Debt (gross)	4,832.3	5,410.3	6,236.1	6,326.0	6,939.6	7,397.9	7,715.3	8,083.0	8,346.1	8,637.6	8,990.0	9,698.8
Domestic Debt (net)	4,347.7	4,884.1	5,709.9	5,735.5	6,349.0	6,871.7	7,124.8	7,556.8	7,755.5	8,111.3	8,399.5	9,108.2
Financing gap	-67.1	-62.2	0.0	15.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	14,299.2	15,666.6	17,434.5	17,157.3	19,006.2	21,285.6	20,953.6	23,529.5	23,126.1	26,018.8	25,527.4	28,158.0

Source: The National Treasury

Annex Table 3: Government Operations for the FY 2022/23 - 2029/30 Period (% of GDP)

	2022/23	2023/24	2024/25		2025/26	2026/27		2027/28		2028/29		2029/30
	Act.	Act.	Suppl. III Budget	Prel.	Budget	BPS 2025	BROP 2025	BPS 2025	BROP 2025	BPS 2025	BROP 2025	BROP 2025
TOTAL REVENUE	16.5	17.3	17.1	17.0	17.5	17.7	17.1	17.9	17.5	18.1	17.1	16.7
Ordinary Revenue	14.3	14.6	14.3	14.1	14.5	14.9	14.3	15.2	14.6	15.5	14.3	14.0
Income Tax	6.6	6.7	6.5	6.4	6.8	7.0	6.1	7.0	6.4	7.1	6.3	6.3
Import duty (net)	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.9	0.8	0.8	0.8	0.8
Excise duty	1.8	1.8	1.7	1.7	1.8	1.8	1.7	1.8	1.7	1.8	1.7	1.7
Value Added Tax	3.8	4.1	3.8	3.9	4.1	4.2	3.7	4.4	4.1	4.6	4.0	4.0
Investment income	0.3	0.3	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Other	0.8	0.9	0.9	0.8	0.7	0.8	1.5	0.8	1.3	0.8	1.2	1.0
Ministerial Appropriation in Aid	2.2	2.6	2.8	2.9	3.0	2.7	2.8	2.7	2.8	2.7	2.8	2.6
EXPENDITURE AND NET LENDING	22.5	23.0	23.2	23.2	22.5	21.5	22.2	21.3	21.5	21.1	20.8	19.8
Recurrent expenditure	16.2	17.1	17.1	17.2	16.5	15.3	16.4	15.2	15.6	14.7	14.8	14.0
Interest payments	4.8	5.4	5.7	5.8	5.8	5.4	5.7	5.0	5.3	4.6	4.9	4.3
Domestic interest	3.7	4.0	4.4	4.6	4.5	4.1	4.6	3.8	4.3	3.6	3.9	3.4
Foreign Interest	1.1	1.4	1.3	1.2	1.3	1.2	1.1	1.2	1.1	1.0	1.0	0.9
Pensions & Other CFS	0.8	0.9	1.1	1.0	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.8
Pensions	0.8	0.9	1.1	1.0	1.1	1.0	1.0	0.9	0.9	0.8	0.9	0.8
Contribution to Civil Service Pension Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2
Net Issues/Net Expenditure	8.6	8.8	8.3	8.4	7.7	7.2	7.9	7.5	7.4	7.5	7.1	7.2
O/W: Wages & Salaries	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.2	3.3	3.0	3.1	2.9
Free Secondary education	0.5	0.4	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Free Primary Education	0.1	0.1	0.0	0.2	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Junior Secondary School - Capitation		0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
IEBC	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Defense and NIS	1.2	1.3	1.3	1.3	1.3	1.0	1.2	1.0	1.1	0.9	1.0	0.9
Others	2.7	3.0	2.8	2.7	2.3	2.0	2.6	2.6	2.3	2.8	2.2	2.6
Ministerial Recurrent AIA	1.7	1.8	1.8	1.8	1.8	1.6	1.6	1.6	1.7	1.5	1.7	1.5
Development and Net lending	3.5	3.5	3.5	3.4	3.4	4.1	3.6	4.2	3.8	4.5	4.1	4.0
Domestically financed (Gross)	2.4	2.4	2.3	2.3	2.3	2.8	2.4	2.9	2.5	3.2	2.7	2.7
O/W Domestically Financed (Net)/NMS	1.9	1.6	1.3	1.3	1.2	1.6	1.4	1.7	1.5	2.1	1.7	1.7
Ministerial Development AIA	1.1	1.3	1.0	1.0	1.1	1.1	1.0	1.1	1.0	1.1	1.0	1.0
Foreign financed	1.0	1.0	1.1	1.0	1.1	1.3	1.2	1.2	1.2	1.3	1.3	1.2
Net lending	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.1
County Transfers	2.9	2.4	2.6	2.6	2.6	2.1	2.1	2.0	2.0	1.8	1.9	1.8
Equitable Share	2.8	2.3	2.4	2.4	2.2	2.0	2.0	1.8	1.9	1.7	1.8	1.7
Conditional Allocation	0.1	0.2	0.2	0.2	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Contingency Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (commitment basis excl. grants)	-6.0	-5.8	-6.1	-6.1	-5.0	-3.8	-5.1	-3.5	-4.0	-2.9	-3.7	-3.1
Grants	0.2	0.1	0.3	0.2	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Fiscal Balance (incl. grants)	-5.9	-5.6	-5.8	-5.9	-4.7	-3.5	-4.9	-3.2	-3.7	-2.7	-3.4	-2.9
Adjustment to Cash Basis	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-5.6	-5.3	-5.8	-5.9	-4.7	-3.5	-4.9	-3.2	-3.7	-2.7	-3.4	-2.9
Statistical discrepancy	-0.2	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	5.4	5.2	5.8	6.0	4.7	3.5	4.9	3.2	3.7	2.7	3.4	2.9
Net Foreign Financing	2.2	1.4	1.1	1.0	1.5	0.5	1.2	0.3	1.0	0.5	0.9	0.3
Disbursements	3.8	4.9	3.1	3.1	3.3	2.7	2.7	2.9	2.9	2.4	2.5	2.4
Commercial Financing	0.7	1.8	1.5	1.5	1.2	0.7	0.7	1.0	1.0	0.5	0.5	0.7
of which: External Debt Operations - Refinancing	0.0	0.0	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.0	1.0	1.0	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.0
o/w: Project loans (AIA)	0.5	0.4	0.4	0.4	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Project Loans Revenue	0.4	0.6	0.5	0.5	0.7	0.5	0.6	0.6	0.6	0.6	0.7	0.6
Programme Loans	1.9	2.0	0.7	0.7	1.0	0.9	0.9	0.8	0.8	0.7	0.8	0.7
o/w: P for R Programme Loans	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	0.6	0.9	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	1.0	1.0	0.2	0.1	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.6
AfDB	0.1	0.0	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debt repayment - Principal	-1.7	-3.4	-2.1	-2.0	-1.8	-2.2	-1.5	-2.6	-1.9	-1.9	-1.6	-2.1
Net Domestic Financing	3.2	3.8	4.7	5.0	3.2	3.0	3.7	2.9	2.7	2.1	2.5	2.5
Memo items												
Gross Debt (Stock)	71.9	67.5	66.4	68.8	66.9	62.1	65.5	59.4	63.1	56.4	60.6	57.8
External Debt	38.1	33.0	30.6	32.0	30.4	27.4	28.7	25.0	27.0	23.2	25.4	23.3
Domestic Debt (gross)	33.8	34.5	35.8	36.9	36.5	34.8	36.8	34.4	36.1	33.2	35.2	34.4
Domestic Debt (net)	30.4	31.2	32.8	33.4	33.4	32.3	34.0	32.1	33.5	31.2	32.9	32.3
Financing gap	-0.5	-0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The National Treasury

Annex Table 4: Development Sector Ceilings for the FY 2026/27 – 2028/29 MTEF Period (KSh Million)

Sector Code	Sector	Economic Classification	Approved Budget	2025 BROP Projections		
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
010	Agriculture, Rural & Urban Development (ARUD)	Gross	47,998.1	55,604.4	62,079.1	72,751.2
		GOK	17,530.4	24,279.8	26,493.5	37,165.5
		Loans	27,023.7	26,272.7	30,075.7	30,075.7
		Grants	832.0	2,216.9	2,674.9	2,674.9
		Local AIA	2,612.0	2,835.0	2,835.0	2,835.0
020	Energy, Infrastructure and ICT	Gross	380,441.4	408,067.3	486,414.2	550,082.0
		GOK	88,758.4	92,188.7	98,551.0	112,994.4
		Loans	89,953.5	103,042.5	156,593.4	184,215.3
		Grants	5,017.4	5,356.4	3,319.4	3,319.4
		Local AIA	196,712.0	207,479.7	227,950.4	249,552.9
030	General Economic and Commercial Affairs(GECA)	Gross	21,601.5	24,449.1	29,137.9	30,014.1
		GOK	12,119.4	11,843.5	16,532.3	17,408.5
		Loans	3,048.0	5,923.0	5,923.0	5,923.0
		Grants	1,424.1	1,672.6	1,672.6	1,672.6
		Local AIA	5,010.0	5,010.0	5,010.0	5,010.0
040	Health	Gross	27,497.3	30,624.0	34,103.3	42,723.5
		GOK	8,994.5	14,245.0	19,480.3	25,082.5
		Loans	6,701.0	5,601.0	6,701.0	6,701.0
		Grants	11,801.8	10,778.0	7,922.0	10,940.0
		Local AIA	-	-	-	-
050	Education	Gross	29,779.7	30,113.0	35,065.5	43,841.9
		GOK	6,833.2	10,932.0	15,884.5	20,319.2
		Loans	10,926.7	9,604.0	9,604.0	11,540.7
		Grants	12,019.8	9,577.0	9,577.0	11,982.0
		Local AIA	-	-	-	-
060	Governance, Justice Law and Order(GJLO)	Gross	18,923.9	25,582.6	27,927.8	31,876.8
		GOK	8,851.7	15,410.6	18,408.8	22,357.7
		Loans	-	-	-	-
		Grants	55.1	49.1	49.1	49.1
		Local AIA	10,017.1	10,122.9	9,470.0	9,470.0
070	Public Administration and Internal Relations (PAIR)	Gross	126,825.1	146,307.4	156,565.2	175,629.1
		GOK	84,257.8	103,602.6	128,641.9	148,555.8
		Loans	30,906.0	25,638.2	16,162.0	15,312.0
		Grants	11,661.3	17,066.6	11,761.3	11,761.3
		Local AIA	-	-	-	-
080	National Security	Gross	4,934.0	7,934.0	13,934.0	18,934.0
		GOK	1,000.0	4,000.0	10,000.0	15,000.0
		Loans	3,400.0	3,400.0	3,400.0	3,400.0
		Grants	-	-	-	-
		Local AIA	534.0	534.0	534.0	534.0
090	Social Protection Culture and Recreation	Gross	24,849.1	26,492.7	27,534.8	28,806.3
		GOK	5,589.2	5,435.5	5,577.6	5,847.4
		Loans	1,800.0	2,469.3	2,469.3	2,469.3
		Grants	548.9	587.8	587.8	587.8
		Local AIA	16,911.0	18,000.0	18,900.0	19,901.7
0100	Environment Protection, Water and Natural Resources	Gross	61,987.5	70,498.6	83,592.6	120,953.7
		GOK	19,833.9	23,651.0	33,947.0	48,545.1
		Loans	37,393.3	42,519.3	45,317.3	68,080.3
		Grants	3,870.3	3,870.3	3,870.3	3,870.3
		Local AIA	890.0	458.0	458.0	458.0
	Total	Gross	744,837.7	825,673.2	956,354.5	1,115,612.6
		GOK	253,768.6	305,588.8	373,516.9	453,276.2
		Loans	211,152.2	224,470.0	276,245.7	327,717.3
		Grants	47,230.7	51,174.8	41,434.5	46,857.5
		Local AIA	232,686.1	244,439.6	265,157.4	287,761.6

Source: The National Treasury

Annex Table 5: Recurrent Sector Ceilings for the FY 2026/27 – 2028/29 MTEF Period (KSh Million)

Sector Code	Sector	Economic Classification	Approved Budget	2025 BROP Projections			
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	
010	Agriculture, Rural & Urban Development (ARUD)	Gross	34,409.7	34,103.4	35,664.1	37,294.2	
		A-I-A	16,742.1	16,742.1	16,742.1	16,742.1	
		Net	17,667.6	17,361.3	18,922.0	20,552.1	
020	Energy, Infrastructure and ICT (EII)	Gross	154,186.4	158,360.2	164,197.8	168,391.1	
		A-I-A	137,937.1	142,159.6	145,725.8	147,032.0	
		Net	16,249.4	16,200.6	18,472.0	21,359.1	
030	General Economic and Commercial Affairs(GECA)	Gross	36,558.4	36,338.9	37,969.1	39,322.1	
		A-I-A	16,302.3	16,302.3	16,302.3	16,302.3	
		Net	20,256.1	20,036.6	21,666.8	23,019.8	
040	Health	Gross	110,608.3	116,191.2	137,475.9	142,895.0	
		A-I-A	35,830.0	35,830.0	35,830.0	35,830.0	
		Net	74,778.3	80,361.2	101,645.9	107,065.0	
050	Education	Gross	673,286.4	737,121.1	781,274.2	825,548.6	
		A-I-A	72,253.0	74,712.0	88,344.0	88,344.0	
		Net	601,033.4	662,409.1	692,930.2	737,204.6	
060	Governance, Justice Law and Order(GJLO)	Gross	264,119.2	304,970.1	311,086.6	312,779.4	
		A-I-A	3,683.8	3,683.8	3,683.8	3,683.8	
		Net	260,435.4	301,286.3	307,402.8	309,095.6	
070	Public Administration and Internal Relations (PAIR)	Gross	194,678.1	234,588.1	242,106.5	264,119.9	
		A-I-A	20,213.1	20,213.1	20,213.1	20,213.1	
		Net	174,464.9	214,375.0	221,893.4	243,906.8	
080	National Security	Gross	248,836.2	276,383.3	281,321.4	293,541.5	
		A-I-A	7,827.3	7,827.3	7,827.3	7,827.3	
		Net	241,008.9	268,556.0	273,494.1	285,714.2	
090	Social Protection Culture and Recreation	Gross	54,145.3	60,674.7	55,726.8	61,381.9	
		A-I-A	4,302.8	4,302.8	4,302.8	4,302.8	
		Net	49,842.5	56,371.9	51,424.0	57,079.1	
0100	Environment Protection, Water and Natural Resources	Gross	33,879.1	34,244.6	35,754.7	37,354.7	
		A-I-A	19,164.9	18,906.9	18,906.9	18,906.9	
		Net	14,714.2	15,337.7	16,847.8	18,447.8	
	Total	Gross	1,804,707.1	1,992,975.6	2,082,577.0	2,182,628.3	
		A-I-A	334,256.4	340,680.0	357,878.1	359,184.3	
		Net	1,470,450.7	1,652,295.6	1,724,698.9	1,823,444.0	

Source: The National Treasury

Annex Table 6: Budget Calendar for the FY 2026/27 Medium-Term Budget

Activity	Responsibility	FY 2026/27
		Timeline
1. Develop and issue MTEF guidelines	National Treasury	15-Aug-25
2. Launch of Sector Working Groups	National Treasury	20-Aug-25
3. Programme Performance & Strategic Reviews	MDAs	15-Sep-25
3.1 Review and update of strategic plans	"	"
3.2 Review of programme outputs and outcomes	"	"
3.3 Review of Expenditure	"	"
3.4 Review and approval of projects for the FY 2026/27	Project Committees	"
3.5 Progress report on MTP implementation	"	"
3.6 Preparation of annual plans	"	"
4. Submission of Baseline Requirements	MDAs	10-Sep-25
5. Development of Medium-Term Budget Framework	Macro Working Group	30-Sep-25
5.1 Estimation of Resource Envelope	"	"
5.2 Determination of policy priorities	"	"
5.3 Preliminary resource allocation to Sectors, Parliament, Judiciary & Counties	"	"
5.4 Draft Budget Review and Outlook Paper (BROP)	"	"
5.5 Approval of BROP by Cabinet	"	13-Oct-25
5.6 Submission of approved BROP to Parliament	"	23-Oct-25
6. Preparation of 2026/27 MTEF budget proposals	MDAs	29-Nov-25
6.1 Retreats to draft Sector Reports	Sector Working Group	20th Oct - 2nd Nov & 4th - 15th Nov -2025
6.2 Public Sector Hearing	National Treasury	26th November, 2025
6.3 Review and incorporation of stakeholder inputs in the Sector Budget proposals	Sector Working Group	3-Dec-25
6.4 Submission of Sector Report to Treasury	Sector Chairpersons	3-Dec-25
6.5 Consultative meeting with CSs/PSs on Sector Budget proposals	National Treasury	11-Dec-25
7. Draft Budget Policy Statement (BPS)	Macro Working Group	11-Feb-26
7.1 Draft BPS	Macro Working Group	23-Dec-25
7.2 Division of Revenue Bill (DORB)	National Treasury	"
7.3 County Allocation of Revenue Bill (CARB)	National Treasury	"
7.4 County Governments' Additional Allocation Bill (CGAAB)	National Treasury	"
7.5 Submission of BPS, DORB, CARB and CGAAB to Cabinet for approval	National Treasury	30-Jan-26
7.6 Submission of BPS, DORB, CARB and CGAAB to Parliament for approval	National Treasury	13-Feb-26
8. Preparation and approval of the FY 2026/27 MDAs Budget Estimates		30-Apr-26
8.1 Develop and issue final guidelines on preparation of the FY 2026/27 Medium Term Budget	National Treasury	6-Mar-26
8.2 Submission of Budget Proposals to the National Treasury	MDAs	20-Mar-26
8.3 Consolidation of the Draft Budget Estimates	National Treasury	3-Apr-26
8.4 Submission to Cabinet for Approval	National Treasury	21-Apr-26
8.5 Submission of Draft Budget Estimates to Parliament	National Treasury	30-Apr-26
8.6 Submission of the Finance Bill	National Treasury	30-Apr-26
8.7 Review of Draft Budget Estimates by Parliament	National Assembly	15-May-26
8.8 Report on Draft Budget Estimates from Parliament	National Assembly	31-May-26
8.9 Consolidation of the Final Budget Estimates	National Treasury	5-Jun-26
8.10 Submission of Appropriation Bill to Parliament	National Treasury	10-Jun-26
9. Budget Statement	National Treasury	11-Jun-26
10. Appropriation Bill Passed	National Assembly	30-Jun-26
11. Finance Bill Passed	National Assembly	30-Jun-26

Source: National Treasury

Annex Table 7: County Governments' Fiscal Performance for the FY 2024/25

No	County	FY 2024/25 OSR Performance									Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Rec. Absorption Rate (%)	Dev. Absorption Rate (%)	Overall Absorption Rate (%)	Recurrent Expenditure (Kshs. Millions)		
		Ordinary OSR Target	Ordinary OSR Actual	Performance (%)	FIF/ AIA Target	FIF/AIA Actual	Performance (%)	Total OSR Revenue Target	Total Actual OSR	Performance (%)	Rec	Dev	Total	Rec	Dev	Total				Compensation to Employees	Operations & Maintenance	Total Recurrent Expenditure
											A	B	C=A-B	D	E	F=D-E	G=D/A*100	H=E/B*100	I=F/C*100	J	K	L=J+K
1.	Baringo	380.1	250.3	66	220.0	210.9	96	600.1	461.1	77	5,793.71	3,190.04	8,983.76	5,531.09	1,680.21	7,211.31	95	53	80	3,958.86	1,572.23	5,531.09
2.	Bomet	255.8	156.2	61	227.0	211.6	93	482.8	367.8	76	6,466.84	3,364.86	9,831.70	5,821.97	2,054.41	7,876.38	90	61	80	3,752.79	2,069.18	5,821.97
3.	Bungoma	1042.5	485.5	47	735.5	663.3	90	1777.9	1148.8	65	10,078.61	6,625.86	16,704.46	8,702.99	3,789.78	12,492.78	86	57	75	6,313.62	2,389.37	8,702.99
4.	Busia	467.3	266.9	57	229.7	239.1	104	697.0	506.0	73	6,864.20	3,905.95	10,770.15	5,620.81	2,684.31	8,305.12	82	69	77	3,639.95	1,980.86	5,620.81
5.	Elgeyo-Mara	107.4	79.5	74	245.0	288.0	118	352.4	367.5	104	4,752.78	3,147.09	7,899.87	4,506.15	1,222.12	5,728.28	95	39	73	2,977.61	1,528.54	4,506.15
6.	Embu	827.4	399.2	48	476.1	517.8	109	1303.4	917.0	70	5,711.81	2,821.73	8,533.54	4,721.58	1,631.35	6,352.93	83	58	74	3,690.08	1,031.49	4,721.58
7.	Gariisa	160.0	94.7	59	240.0	384.2	160	400.0	478.9	120	7,343.73	4,662.07	12,005.81	6,774.24	3,130.21	9,904.45	92	67	82	4,550.47	2,223.77	6,774.24
8.	Homa Bay	501.7	390.7	78	981.1	1099.7	112	1482.8	1490.4	101	7,939.42	5,191.15	13,130.57	7,190.47	3,562.22	10,752.69	91	69	82	5,878.47	1,312.00	7,190.47
9.	Isiolo	271.2	151.3	56	100.0	64.9	65	371.2	216.2	58	4,317.32	2,487.73	6,805.05	3,005.92	1,292.04	4,297.96	70	52	63	2,073.67	932.25	3,005.92
10.	Kajiado	1200.0	591.1	49	440.0	316.4	72	1640.0	907.5	55	8,949.65	3,836.83	12,786.47	7,847.52	1,779.55	9,627.07	88	46	75	5,255.17	2,592.35	7,847.52
11.	Kakamega	1359.0	543.1	40	841.0	894.8	106	2200.0	1437.9	65	12,243.58	5,403.21	17,646.79	11,083.46	3,264.01	14,347.46	91	60	81	6,915.34	4,168.12	11,083.46
12.	Kericho	576.2	396.8	69	646.4	682.9	106	1222.6	1079.7	88	6,195.65	3,561.28	9,756.94	5,397.21	2,578.83	7,976.04	87	72	82	3,770.83	1,626.38	5,397.21
13.	Kiambu	5450.9	3243.5	60	1800.0	1816.9	101	7250.9	5060.3	70	15,518.88	7,961.50	23,480.38	13,543.10	2,952.47	16,495.58	87	37	70	7,882.92	5,660.19	13,543.10
14.	Kilifi	1570.8	888.3	57	400.0	622.1	156	1970.8	1510.4	77	9,966.39	11,440.10	21,406.50	9,227.03	6,705.07	15,932.10	93	59	74	4,644.59	4,582.45	9,227.03
15.	Kirinyaga	430.5	362.6	84	218.0	431.5	198	648.5	794.1	122	4,931.59	2,994.12	7,925.71	4,520.13	2,146.40	6,666.53	92	72	84	2,827.76	1,692.36	4,520.13
16.	Kisii	865.0	556.5	64	0.0	982.1	0	865.0	1538.6	178	9,009.24	6,146.12	15,155.35	7,506.99	2,456.17	9,963.15	83	40	66	5,642.12	1,864.87	7,506.99
17.	Kisumu	2872.0	803.4	28	932.1	1659.7	178	3804.1	2463.0	65	9,885.39	5,428.94	15,314.33	7,899.84	1,567.99	9,467.84	80	29	62	5,947.42	1,952.42	7,899.84
18.	Kitui	264.1	264.1	100	754.4	631.3	84	1018.5	895.4	88	9,553.60	4,751.75	14,305.36	9,182.45	3,277.21	12,459.66	96	69	87	5,485.80	3,696.65	9,182.45
19.	Kwale	350.0	293.2	84	300.0	242.6	81	650.0	535.8	82	7,922.61	6,953.45	14,876.06	7,006.22	3,078.80	10,085.02	88	44	68	4,118.63	2,887.59	7,006.22
20.	Laikepia	842.5	573.1	68	602.5	696.0	116	1445.0	1269.1	88	5,003.70	3,475.84	8,479.54	4,644.64	1,604.79	6,249.43	93	46	74	3,499.52	1,145.12	4,644.64
21.	Lamu	120.0	92.1	77	130.0	139.1	107	250.0	231.2	92	3,084.93	1,903.72	4,988.65	2,811.87	1,016.59	3,828.46	91	53	77	1,925.32	886.55	2,811.87
22.	Machakos	3021.9	1426.2	47	903.9	755.7	84	3925.8	2181.8	56	10,874.42	4,747.75	15,622.16	9,863.89	1,943.56	11,807.44	91	41	76	7,028.99	2,834.90	9,863.89
23.	Makueni	905.2	512.2	57	566.3	773.6	137	1471.4	1285.8	87	7,901.91	3,678.31	11,580.21	7,460.73	2,621.37	10,082.10	94	71	87	4,891.50	2,569.23	7,460.73
24.	Mandera	298.2	206.6	69	51.8	224.6	434	350.0	431.2	123	8,912.27	5,655.28	14,567.55	8,646.03	4,067.14	12,713.17	97	72	87	5,027.94	3,618.09	8,646.03
25.	Marasabit	110.0	81.0	74	141.2	104.4	74	251.2	185.4	74	6,044.95	4,273.66	10,318.61	5,611.06	3,014.55	8,625.61	93	71	84	3,913.12	1,697.94	5,611.06
26.	Meru	547.0	404.8	74	550.0	758.5	138	1097.0	1163.3	106	9,226.15	3,882.80	13,108.95	8,802.41	2,844.65	11,647.06	95	73	89	5,290.73	3,511.68	8,802.41
27.	Migori	550.0	337.4	61	250.0	354.2	142	800.0	691.6	86	7,680.60	4,466.41	12,147.01	7,329.82	2,790.61	10,120.43	95	62	83	3,743.11	3,586.70	7,329.82
28.	Mombasa	5680.7	4208.7	74	1250.0	917.0	73	6930.7	5125.7	74	11,838.09	5,521.91	17,360.00	9,885.76	3,430.47	13,316.23	84	62	77	6,935.08	2,950.68	9,885.76
29.	Murang'a	850.0	785.1	92	750.0	534.6	71	1600.0	1319.8	82	7,525.45	3,218.20	10,743.65	6,905.96	2,278.76	9,184.72	92	71	85	4,642.44	2,263.52	6,905.96
30.	Nairobi City	20060.9	11790.8	59	0.0	1398.1	0	20060.9	13188.8	66	29,304.73	14,259.54	43,564.27	29,433.11	4,090.36	33,523.47	100	29	77	18,302.28	11,130.82	29,433.11
31.	Nakuru	2448.8	1850.1	76	1997.2	1797.8	90	4446.0	3647.9	82	14,670.26	9,310.14	23,980.40	12,029.35	3,936.02	15,965.37	82	42	67	6,466.88	5,562.47	12,029.35
32.	Nandi	508.9	374.7	74	335.2	391.0	117	844.2	765.7	91	6,493.55	3,694.68	10,188.22	6,649.82	3,335.12	9,984.94	102	90	98	3,002.42	3,647.40	6,649.82
33.	Narok	5911.1	5512.5	93	121.0	152.5	126	6032.0	5665.1	94	12,233.88	5,333.64	17,567.52	11,878.00	3,960.27	15,838.27	97	74	90	5,548.94	6,329.06	11,878.00
34.	Nyamira	400.0	134.5	34	450.0	606.6	135	850.0	741.1	87	5,232.29	2,870.61	8,102.90	4,604.62	1,052.12	5,656.74	88	37	70	3,453.79	1,150.83	4,604.62
35.	Nyandarua	600.0	370.7	62	250.0	282.5	113	850.0	653.2	77	5,607.90	3,171.86	8,779.76	5,104.14	1,955.58	7,059.73	91	62	80	2,619.69	2,484.46	5,104.14
36.	Nyeri	800.0	683.9	85	836.3	769.2	92	1636.3	1453.1	89	6,101.68	2,902.36	9,004.03	5,938.56	1,973.08	7,911.64	97	68	88	4,505.89	1,432.67	5,938.56
37.	Samburu	262.9	300.4	114	18.7	9.4	50	281.6	309.8	110	5,137.23	2,244.98	7,382.22	4,910.67	1,596.79	6,507.46	96	71	88	2,791.59	2,119.09	4,910.67
38.	Siaya	643.4	236.8	37	284.0	199.8	70	927.3	436.7	47	6,073.31	4,874.83	10,948.13	4,991.98	2,756.67	7,748.65	82	57	71	2,709.81	2,282.17	4,991.98
39.	Taita-Taveta	600.0	318.6	53	250.0	229.4	92	850.0	548.0	64	5,773.50	2,406.20	8,179.70	5,103.02	1,504.71	6,607.73	88	63	81	3,576.32	1,526.70	5,103.02
40.	Tana River	149.2	199.3	134	4.0	4.0	100	153.1	203.2	133	5,521.70	3,656.02	9,177.72	4,642.02	2,063.88	6,705.90	84	56	73	2,396.22	2,245.81	4,642.02
41.	Tharaka-Nit	285.0	238.3	84	200.0	243.5	122	485.0	481.8	99	4,614.64	2,391.04	7,005.68	4,229.24	1,233.39	5,462.63	92	52	78	2,997.34	1,231.90	4,229.24
42.	Trans Nzoia	368.3	288.5	78	311.7	251.5	81	680.0	539.9	79	6,111.99	4,343.03	10,455.02	5,911.24	3,363.86	9,275.11	97	77	89	3,813.38	2,097.86	5,911.24
43.</																						

Annex Table 8: Members of the Macro Working Group who attended the Retreat in Nakuru from 28th August to 5th September 2025 to Review and Finalize this 2025 Budget Review and Outlook Paper

S/No.	Name	Designation	Institution/Department	
1	Mr. Musa Kathanje	Director/ Macro & Fiscal Affairs	The National Treasury	Macro & Fiscal Affairs
2	Mr. Samuel Gitau	Senior Deputy Director		
3	Mr. John Njera	Director Planning		
4	Mr. Johnson Gitari Kamata	Director Planning		
5	Mr. Maurice Omete	Principal Economist		
6	Ms. Catherine Kalachia	Principal Economist		
7	Mr. Cromwel Pkomu	Principal Economist		
8	Mr. Humphrey Kuloba	Assistant Director		
9	Mr. Kelvin Kariuki	Senior Economic Policy Analyst		
10	Ms. Phyllis Muthoni	Economist I		
11	Mr. Thomas Kipyego	Economist I		
12	Mr. Josiah Gatuni	Economist		
13	Ms. Miriam Musyoki	Assistant Director		Budget
14	Mr. Nixon Murathi	Principal Economist		Intergovernmental Fiscal Relations
15	Mr. Brian K. Cheruiyot	Deputy Director		Financial and Sectoral Affairs
16	Mr. Amos Bitok	Assistant Director		Debt Policy, Strategy and Risk Management
17	Ms. Mercy Onyango	Senior Economic Policy Analyst		Debt Recording and Settlement
18	Ms. Lottan Mwangi	Principal Debt Management Officer		Resource Mobilization
19	Ms. Winnie Makokha	Senior Accountant		Government Investment and Public Enterprises
20	Dr. Hillary Ekisa	Deputy Director		Pensions
21	Ms. Maureen Nafula	Senior Investment Officer		Finance Unit/National Treasury
22	Mr. Evans K. Muigai	Deputy Accountant General		
23	Mr. David Kiptoo	Finance Officer		

S/No.	Name	Designation	Institution/Department
24	Mr. Benson Kiriga	Director/Macro Modelling and Forecasting Division	State Department for Economic Planning
25	Mr. Alex Kiiru	Economist I	
26	Mr. Domnick Loriakwe	Economist I	
27	Ms. Kethi Ngoka	Senior Manager	Central Bank of Kenya
28	Ms. Ruth Mwathi	Research Officer	
29	Mr. Walter Mokaya	Research and Tax Modelling Officer	Kenya Revenue Authority
30	Ms. Faith Abuna	Surveys and Business Analysis Officer	
31	Ms. Lineth Oyugi	Director/Economic Affairs	Commission on Revenue Allocation
32	Mr. Elvis Kiptoo	Policy Analyst	Kenya Institute for Public Policy Research and Analysis

Annex Table 9: Summary of Comments Received from Stakeholders and Public on the 2025 BROP

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
Fiscal Performance - Revenue and Expenditures	Table 1	Harmonize Import Duty, Excise Duty, PAYE, VAT, Traffic Revenue, and IDF fee revenue figures to ensure consistency across reports.	The revenue figures have been harmonized across all categories to accurately reflect actual collections as reported by the Exchequer.
	Table 2 and 3	The figures for Vote 1261 (Judiciary) for FY 2024/25 have been omitted, while the allocation for Vote 2051 (JSC) should be KSh 739 million rather than the KSh 771 million currently indicated.	The figures have been reviewed and amended accordingly.
		Adopt more conservative revenue assumptions. Base forecasts on realistic, independently validated macro and tax-collection scenarios. Incorporate sensitivity analyses to test against shocks.	All relevant scenarios are carefully considered when projecting revenues, with forecasts grounded in realistic macroeconomic and tax-collection assumptions. The process also incorporates sensitivity analyses to ensure projections remain robust under a range of potential shocks and economic conditions.
	8	The National Treasury should conduct an analysis of the impact of the increased Ministerial AiA as a revenue source on the cost of and access to public services. Ministerial AiA has increased as a share of total revenue collection and has more than doubled from 6.9 percent in FY 2014/15 to 15.3 percent in FY 2024/25. As these represent charges and levies imposed by SAGAs and MDAS, the true impact of the increase AiA is on the cost of public services to the private sector, such as compliance, and to ordinary citizens for basic services. This will assist enhancing equity in access to public services and progressivity in tax collection	This growth is a result of deliberate efforts by Government to enhance the financial sustainability of public institutions, improve service delivery efficiency, and reduce over-reliance on Exchequer funding. The Government assures that the increase in fees will not compromise access to or the quality of public services. In most cases, the fees and levies remain modest and non-competitive when compared to market rates, ensuring that public services remain affordable to all Kenyans.
	13-15	The National Treasury should provide explanations for the wide deviations in budget absorption among ministries departments and agencies. Information contained in the MDAs expenditure section of the 2025	The National Treasury notes the deviations in budget absorption across MDAs and attributes this to the underperformance in revenue collection, which limited the overall disbursement capacity in the FY 2024/25. Given

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		BROP 2025 is not sufficient for citizens to have an understanding of the reasons and implications of severe underspending or overspending by MDAS.	the constrained fiscal environment, the Government prioritized critical sectors and essential services, necessitating the redistribution of available resources to ensure continuity of key operations. Consequently, some MDAs experienced reduced funding levels, leading to lower absorption rates, especially in non-priority or development-related expenditures. Moving forward, the Government remains committed to strengthening revenue mobilization through a blend of tax administration and tax policy reforms that will subsequently improve budget execution.
	14	The share of recurrent expenditure allocated to the social and security sectors should be confirmed to ensure accuracy in reporting.	The figures have been reviewed and updated accordingly.
	15	Some of the challenges have been highlighted previously but there is no clarity on the efforts or measures that the government is putting in place to resolve them. For instance, the expenditures that are below target because of under reporting of expenditure from the parastatals and some donor funded projects. Therefore, the BROP needs to be specific and highlight in detail the projects and rooted issues behind the donor projects. This would be helpful especially in understanding if it is disbursement issue or procurement issues, etc	This is duly noted and will be considered in future budget documents.
	18	The taskforce report on pending bills already provided views on addressing the challenges surrounding pending bills. At the moment, the National Treasury has not considered the taskforce report during the formulation of the budget.	The National Government policy on the clearance of pending bills remains in effect. Currently, the National Treasury is developing a comprehensive medium-term strategy to clear the outstanding stock of verified pending bills. This strategy will also address the underlying

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		There is concern that more focus has been placed on administrative actions rather than the actual reduction of pending bills, despite the adoption of the County Governments' Pending Bills Action Plan and the National Treasury's strategy to clear the verified stock of pending bills. As the 2026/27 budget formulation process progresses, it would be timely for the National Treasury to move beyond the development of additional strategies and prioritize the implementation of key recommendations made by the taskforce.	deficiencies and systemic lapses that contributed to the accumulation of these obligations.
Fiscal Responsibility Principles	Table 5	Update the table with the latest fiscal framework data projections and delete redundant columns such Supplementary I and II	Table 5 has been updated to align with the most recent fiscal framework and redundant columns have been deleted.
	25	The National Treasury should explain the measures it will put in place to ensure that proceeds from borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. The spending of borrowed funds to finance recurrent expenditure directly contravenes provision 15 2 (c) of the PFM Act of 2012. It also creates the challenge of non-productive public borrowing, which creates a burden for future generations without stimulating the economic growth necessary to increase tax revenue for repayment.	In line with the provisions of Section 15(2)(c) of the Public Finance Management (PFM) Act, CAP 412A, the National Treasury remains committed to ensuring that proceeds from borrowing are used strictly to finance development expenditure and not recurrent expenditure. In FY 2024/25, total borrowing amounted to KSh 854.5 billion, of which KSh 604.1 billion, equivalent to 70.7 percent, was allocated specifically to development projects. Over the medium term, the Government remains committed to adhering to fiscal responsibility principles to ensure efficient resource utilization.
County Governments' Fiscal Performance	29, 30 and 31	Harmonize the figures for total transfers and additional allocations	Harmonized the figures as per the fiscal framework
	28 and 30	Update the actual disbursements from KSh 26.3 billion to KSh 25.5 billion in additional allocations and total disbursements to county governments from KSh 444.6 billion to KSh 443.7 billion.	Updated the paragraphs on the actual additional allocations and total disbursements to the county governments.

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
	Table 9	Update the actual total Revenue in Table 9	Table 9 updated to reflect the actual Total Revenue as per the Annual County Governments Budget Implementation Review Report.
	Table 9	Present the Table 9 to capture performance of ordinary OSR and FIF against target and update the date to full year.	Table 9 updated with additional columns to reflect the performance of ordinary OSR and FIF against target as well as with full year data.
	33	Delete the figure on performance of OSR. The figure duplicates Table 9.	Deleted the figure and retained Table 9
	Figure 4	Update the Figure 4 to reflect the amended total revenue.	Updated the Figure 4 to reflect the individual County Governments recurrent expenditure as a percentage of the revised Total Revenue Figures published.
	38-40, Table 10	Update the Table 9 and text on the County Governments revenues, expenditures, and absorption rates to reflect FY 2024/25 data	Table 9 and text updated to reflect full year FY 2024/25 data
	41-47	Update Figures 2-7 on absorption of county development, and recurrent expenditures and performance of counties on fiscal responsibility principles to annual	Figures 3-7 updated to reflect annual data for FY 2024/25 from the Office of the Controller of Budget.
	49 and Table 10	Update the values of county pending bills to verified data from the Annual County Governments Budget Implementation Report for FY 2024/25 by OCOB.	The final published values have been updated into the write up and the Table 10 updated with the published data.
	49	At the County Governments, it is concerning that some counties continue to withhold data on pending bills, hindering transparency and effective oversight. Additionally, several counties are still accumulating pending bills at levels that constitute a significant proportion of their annual budgets. This trend indicates that addressing the issue will require extraordinary and sustained corrective measures. Notably, Nairobi City County's pending bills are equivalent to 265% of its	To address the persistent and growing challenge of pending bills at the county level, the Intergovernmental Budget and Economic Council (IBEC), is taking concrete steps to enforce compliance and enhance transparency. On its 27th Ordinary Session held on 23rd June 2025, IBEC approved and adopted the County Governments' Pending Bills Action Plan, which outlines clear measures to address the accumulation of pending bills. County Governments were

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		approved budget for FY2024/25, while six other counties have pending bills exceeding 25% of their respective approved budgets for the same fiscal year. It is recommended that the National Treasury, in collaboration with relevant oversight bodies, enforce stricter compliance with reporting requirements and implement targeted interventions for counties with high pending bills ratios.	subsequently directed to customize and implement their respective action plans.
	50, 51, 52 and 53	Update information on the arrears of Equalization Fund disbursements.	Paragraphs 51–54 present detailed information on arrears to the Equalization Fund Board, while Table 11 has been included to further illustrate and clarify the figures provided in this section.
Macroeconomic Developments and Outlook	Table 12	Revise Table 14 to present only the projections from the IMF World Economic Outlook (WEO), July 2025 edition. Omit Kenya from the table	Table amended accordingly.
	74	Add a paragraph to include a narrative on leading economic indicators for the second and third quarters of 2025	Paragraph 74 was added to provide a narrative on the leading economic indicators for the second and third quarters of 2025.
	Paragraph 77	Paragraph 77 should include the reduction of the Cash Reserve Ratio (CRR) from 4.25 percent to 3.25 percent in February 2025, as part of measures by MPC to support lending to the private sector.	The CRR has been included in Paragraph 77.
	Paragraphs 75, 77, 90 and 91	Data on inflation developments, interest rates developments, exchange rates developments and Capital market developments to be updated with latest data.	Data from inflation developments, interest rates developments, exchange rates developments and Capital market developments were updated to August 2025.
	89	Kenya’s economic performance is projected to pick up from 4.7 percent in 2024 to 5.3 percent in 2025 and 2026 on the back of resilient agriculture and services as well as improvements in industry. Growth in private consumption and investment are the other drivers as is a	The projected pickup in economic growth from 4.7 percent in 2024 to 5.3 percent in 2025 and 2026 is expected to positively impact revenue collection in the FY 2026/27. Higher growth, underpinned by resilient agriculture, services, and improvements in industry, will expand the tax

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		favorable macro-environment. To what extent will this impact revenue and expenditure projections for FY 2026/27?	base through increased incomes, consumption, trade, and investment, thereby supporting stronger revenue performance. At the same time, a favorable macroeconomic environment reduces fiscal risks and creates more space for budget execution. Overall, stronger economic performance provides a supportive backdrop for meeting revenue targets, while requiring prudent expenditure management to safeguard fiscal sustainability.
	Paragraph 93	In Kenya's Macroeconomic Outlook, add a section highlighting that the clearance of pending bills, particularly in the construction sub-sector, is expected to drive growth in the industrial sector.	Noted. This section has been added.
	Paragraph 94	Add a section highlighting the current monetary stance, noting that lower lending rates are expected to boost private sector investment. Also include a section on the ongoing reforms in the privatization of state-owned assets, which are anticipated to further support private investment.	This has been included accordingly.
	Paragraph 96	Add a section highlighting that current export tariffs by China and improved access to European Union markets are expected to boost Kenya's exports, enhance foreign exchange earnings, and strengthen the country's external balance.	This has been added accordingly.
	Paragraph 98	On Monetary Policy Management, add a section highlighting that the introduction of core and non-core inflation in January 2025 has strengthened the CBK's capacity for data-driven decision-making, with core inflation offering a more reliable measure of underlying price pressures.	Noted. This section has been added.

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
	Paragraph 101 and 102	On Monetary Policy Management, add a section highlighting the introduction of a revised Risk-Based Credit Pricing Model (RBCPM) for the banking sector by the CBK, which is anchored on the Kenya Shilling Overnight Interbank Average Rate (KESONIA) to align with international best practices.	Noted. This section has been added.
	Paragraph 103	Add a section noting that the Central Bank of Kenya extended the operating hours for the Kenya Electronic Payment and Settlement System (KEPSS) and the national Real Time Gross Settlement (RTGS) system, effective July 1, 2025.	The section has been incorporated.
	Paragraph 105	Add a section on Macroeconomic Assumptions Underlying the Medium-Term Fiscal Framework	The section has been incorporated.
Resource Allocation Framework	108	Provide additional information on fiscal performance in the first two months of FY 2025/26.	The paragraph has been revised to include the revenue performance for the first two months of FY 2025/26.
	111	Clarify whether the transition from cash to accrual basis of accounting has taken place, and how it affects the revenue and expenditure	The transition commenced in the FY 2024/25. The transition will improve cash management and enhance financial and fiscal reporting. The accrual accounting will enable the Government to better account for all assets and liabilities.
		There is need for dedicated funding to support institutions' transition from cash-basis to accrual-basis accounting. This will enable reorientation of staff in financial reporting, development of systems for accurate reporting (including asset valuation), and establishment of robust asset management systems.	The Government remains committed to supporting institutions in the transition from cash-basis to accrual-basis accounting. To this end, resources have been allocated under the Public Finance Management (PFM) Reforms Program to facilitate capacity building, staff reorientation, and systems enhancement. Further, investments are being made through the ongoing upgrade of the Integrated Financial Management Information System (IFMIS) to support accrual-based reporting, including asset management and valuation modules. In

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
			addition, the Government, in collaboration with Development Partners, is providing both financial and technical support to ensure a phased and well-resourced transition in line with International Public Sector Accounting Standards (IPSAS).
		Clarify whether the implementation of the Treasury Single Account (TSA) has already taken place, and the likely impact	Implementation of the Treasury Single Account (TSA) is underway. Phase 1, involving state and constitutional bodies, was completed in FY 2024/25. Phase 2 began in July 2025, on boarding all 47 counties into the system to improve financial transparency and control. The final TSA rollout phase, targeting remaining national entities, is scheduled for FY 2026/27. The TSA is expected to enhance public financial management by promoting efficiency, transparency, fiscal discipline and cost savings across all levels of government.
	113-114	Update Fiscal Projections	Fiscal Projections for FY 2026/27 and the medium-term budget have been provided in paragraphs 112-114 and Table 17.
	117	The National Treasury should provide information on how Zero-Based Budgeting (ZBB) was implemented during the FY 2024/25. In the context of the Medium-Term Sector Ceilings for FY 2026/27 – FY 2028/29, the National Treasury should explain the impact of zero-based budgeting over the medium term.	The National Treasury has adopted Zero-Based Budgeting (ZBB) as a key reform to enhance efficiency, transparency, and accountability in public spending. While full implementation of ZBB is set to commence in FY 2025/26, preparatory steps were undertaken in the FY 2024/25. These included sensitization of MDAs, piloting of ZBB principles in select sectors, and the development and integration of a ZBB Costing Tool within the Integrated Financial Management Information System (IFMIS). Although ZBB was not operationalized in FY 2024/25, MDAs, however, began aligning their budgeting processes with ZBB principles by reviewing baseline expenditures,

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
			assessing the cost-effectiveness of ongoing programmes, and prioritizing activities based on justifiable funding needs within existing resource ceilings. Looking ahead to the Medium-Term Sector Ceilings for FY 2026/27 – FY 2028/29, ZBB is expected to have a significant impact on resource allocation. It will enable a shift from incremental budgeting to needs-based budgeting, ensuring that funds are allocated to high-impact and high-priority programmes, while reducing or eliminating low-value expenditures. This will support better fiscal discipline, promote optimal use of public resources, and enhance service delivery across sectors.
	117-119	Provide the sector ceilings – the document has been referring to them, yet the ceilings are not included.	Table 18 provides sector ceilings for FY 2026/27 and the medium-term budget
Annexes	Annex Table 2	Kenya's budget history demonstrates a clear pattern of ambitious revenue forecasts at the start of the fiscal year followed by downward revisions. In 2024/25, revenue was projected at KSh 3.34 trillion but ended at KSh 2.96 trillion; similar shortfalls have occurred in previous years. In FY 2025/26, total revenue is expected to grow by 9 percent, from what was collected in FY 2024/25, commendably modest and within the average growth rate for the last three financial years. Nevertheless, total revenues are projected to increase by 13 percent, rising from KSh 2,957 billion to KSh 3,322 billion. This would result in an increase in the revenue-to-GDP ratio from 16.8 percent to 17.2 percent. Notably, this is not only below the MTRS target but also that the projections are not realistic given recent revenue performance. Actual	Revenue collection in FY 2026/27 is projected at KSh 3,583.4 billion, up from the projected KSh 3,321.7 billion in FY 2025/26, representing a 7.9 percent increase in line with the average growth rate of recent years. To sustain this performance and further enhance revenue mobilization, the Government will pursue a balanced mix of tax policy reforms and tax administration measures. These will include implementation of the National Tax Policy and the Medium-Term Revenue Strategy to progressively strengthen domestic resource mobilization; strengthening tax administration to improve compliance, broaden the tax base, rationalize tax expenditures, sustain continuous investment in technology for seamless administration, and enhance customs valuation; as well as expanding non-tax revenues by building the capacity of MDAs to generate and

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		revenue collections have consistently fallen short of the 17 percent of GDP target, a trend driven by a continuous underperformance of ordinary revenue owing to slowdown in economic activity. Against this backdrop, the government's projection of KSh 3.58 trillion in revenue for 2026/27 appears optimistic, 11 percent growth rate.	account for resources from the services they provide to the public.
	Annex Table 4	In FY 2024/25, total actual expenditure for MDAs was 87 percent of the approved budget of KSh 2.38 trillion. This was an improvement by three percentage points from MDAs' absorption in the previous year. Although actual spending on MDAs recurrent and development expenditure has been growing, BROP projection for expenditure in FY 2026/27 seem ambitious, especially for development component.	Government expenditure is primarily reliant on tax revenues; consequently, revenue shortfalls relative to targets constrain expenditure disbursements and intensify fiscal pressures, making it necessary to undertake prudent budget rationalization.
	Annex Table 2	With the projected revenue and expenditure for the FY 2026/27, the fiscal deficit is at risk of widening beyond the projected KSh 1.07 trillion.	The Government will continue implementing the fiscal consolidation plan with emphasis on strengthening domestic revenue collection, optimizing and reprioritizing expenditures, and safeguarding critical programs and social spending. As a result, the overall fiscal deficit is projected to gradually decline from 4.9 percent of GDP in FY 2026/27 to 3.7 percent of GDP in FY 2027/28 and further to 3.4 percent in FY 2028/29, thereby improving the country's debt position and ensuring sustainable financing of the national development agenda.
		Strengthen forecasting institutions. Create or empower an independent fiscal council or a Parliamentary Budget Office to scrutinize revenue and expenditure projections before budget approval.	Kenya already has institutional frameworks in place to strengthen forecasting and provide independent scrutiny of fiscal projections prior to their approval by Cabinet and Parliament. These mechanisms ensure that revenue and expenditure forecasts are subjected to rigorous review,

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
			thereby enhancing the credibility, transparency, and robustness of the budget process.
	Annex Table 4	The Judiciary as an arm of Government provides essential services in ensuring that there is access to justice by the public thus should be recognized as a public good. The Commission proposes that allocations to the Judiciary and JSC be pegged at 2.5 percent of the country's sharable revenue. This will safeguard access to justice and ensure efficient and effective service delivery. Expedious resolution of cases will also support business recovery and stimulate economic growth by releasing locked-up resources back to the economy.	The Government acknowledges the critical role of the Judiciary in guaranteeing access to justice and supporting economic activity through the expeditious resolution of cases. While recognizing the importance of adequate and predictable resourcing, allocations to the Judiciary and JSC must also be considered within the broader context of competing national priorities and available fiscal space. The Government remains committed to safeguarding access to justice and will continue to engage stakeholders to ensure that budgetary provisions strike an appropriate balance between strengthening judicial services and maintaining overall fiscal sustainability.
	Annex Table 4	The National Treasury should allocate institution-specific funds for climate change mitigation to facilitate compliance with the law. Section 6(1)(d) of the Climate Change Regulations, 2021 requires each public entity, at both the National and County Governments, to dedicate an amount in its annual budget towards climate change activities.	The Government remains firmly committed to addressing climate change in line with Section 6(1)(d) of the Climate Change Regulations, 2021. The National Treasury will continue engaging with MDAs and County Governments to strengthen compliance with this provision, ensuring that climate change mitigation and adaptation are mainstreamed into institutional planning and budgeting processes as part of the broader sustainable development agenda.
